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PROPERTY INSURANCE  
ASSOCIATION OF LOUISIANA  
(PIAL)  
BOARD MEETING  
AUGUST 20, 2007  
AGENDA

5555 Hilton Avenue  
suite 320  
Baton Rouge, Louisiana

1 p.m.

□

2

1 APPEARANCES:

2 CHAIR:

3 Dr. Christine Berry  
Page 1

4

5 ALSO PRESENT:

6 Commissioner James Donelon

7 Mr. Joseph E. Deutsch

8 Mr. A.J. Herbert, III

9 Mr. Dennis Cook

10 Mr. Joe O'Connor

11 Ms. Kelly Davis

12 Ms. Jennifer Warden

13 Mr. Paul Dreher

14 Mr. Richard Soileau

15 Mr. Paul Hagen

16 Mr. Warren Byrd

17 Mr. Ed Anderson

18 Ms. Kerry Fitzgerald

19 Ms. Tara Murnane

20 Ms. Clarissa Preston

21 Mr. Kerry Babin

22 Mr. William Gourgues

23 Mr. Kyle Farrar

24

25

□

3

1 ANTI-TRUST PREAMBLE

2

3 The Property Insurance Association

4 of Louisiana/Louisiana Joint Reinsurance

5 Plan/Louisiana Underwriting Plan strives to

6 conduct all its activities in compliance

7 with the antitrust laws. The federal

8 antitrust laws prohibit all agreements which  
9 unreasonably interfere with free and open  
10 competition. The McCarran-Ferguson Act  
11 allows the insurance industry to operate  
12 under a limited federal antitrust exemption,  
13 subject to insurance regulation by the  
14 states. With the exception of acts of  
15 boycotts, coercion and intimidation which  
16 are matters saved for federal antitrust  
17 enforcement, the states provide for the  
18 regulation of insurance and enforcement  
19 sanctions. State regulations are  
20 administering the insurance industry in  
21 areas such as rates, unfair trade practices,  
22 claims practices, solvency, as well as  
23 others.

24                   The extent of the limited  
25 exemption is not well defined and antitrust

□

4

1 concerns are serious matters, particularly  
2 in the area of pricing. Price fixing and  
3 conspiracies to set prices are, per se,  
4 violations of federal antitrust laws. Other  
5 than that, application of the antitrust laws  
6 to a particular set of circumstances can be  
7 ambiguous. Therefore, this meeting will err  
8 on the side of caution to avoid any chance  
9 that you as participants may be subject to  
10 prison and/or treble damages. Most  
11 importantly, remember that discussions in

12 violation of antitrust laws are no less  
13 punishable if they take place outside of  
14 this meeting room.

15           The following subjects will give  
16 rise to antitrust problems. We will not be  
17 discussing them as part of any joint  
18 activities except as authorized and/or  
19 mandated by Louisiana statutes:

- 20 \*           Raising, lowering or stabilizing
- 21 actual rates
- 22 \*           Restricting the availability of
- 23 insurance
- 24 \*           Allocating markets, territories or
- 25 insureds

□

5

- 1 \*           Boycotting in any form
- 2 \*           Actual or future prices
- 3 \*           Profit levels
- 4 \*           Credit terms
- 5 \*           Premium costs
- 6 \*           Quoting or not quoting certain
- 7 classes or types of risks

8

9           If any company participating in  
10 this meeting were to transact its business  
11 with respect to any one of the above topics  
12 in a manner similar to a participant who is  
13 a competitor, the discussion of that topic  
14 at this meeting may be offered as evidence  
15 of the existence of a conspiracy in

16 violation of the antitrust laws.

17

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1 \* \* \* \*

2 DR. BERRY:

3 we'll go ahead and call this  
4 meeting to order. The first thing we need  
5 to do is to take a look at the Antitrust  
6 Preamble. If we can take just a few moments  
7 to review the preamble and we'll get  
8 started.

9 MR. HERBERT:

10 And that preamble is incorporated  
11 by reference into the minutes automatically.

12 And I know the court reporter  
13 walked around the room and took everyone's  
14 name, but just to be safe, let's note for  
15 the record that a quorum of the full Board  
16 is present and attending in person.

17 DR. BERRY:

18 Can we run around and say  
19 everyone's name while people are reading the  
Page 5

20 preamble because we do have a few new faces  
21 here today.

22 So, Joe, if you want to start.

23 MR. DEUTSCH:

24 I'm Joe Deutsch. I'm the  
25 secretary treasurer of the Board and also

□

7

1 the executive director for PIAL.

2 DR. BERRY:

3 Tara?

4 MS. MURNANE:

5 I'm Tara Murnane with Allstate  
6 from Nashville, Tennessee.

7 MS. PRESTON:

8 I'm Clarissa Preston, Deputy  
9 Commissioner of Property and Casualty for  
10 the Department of Insurance and one of the  
11 Commissioner's appointees.

12 MR. BABIN:

13 Kerry Babin, State Farm Insurance,  
14 and I have my replacement with me.

15 MR. GOURGUES:

16 Bill Gourgues, State Farm  
17 Insurance.

18 MR. BYRD:

19 Warren Byrd, executive counsel to  
20 the Commissioner, and I'm his new designee  
21 in place of Chad Brown.

22 MR. SOILEAU:

23 Richard Soileau with Safeway  
Page 6

24 Insurance.

25 MR. DREHER:

8

1 Paul Dreher, Travelers.

2 MS. WARDEN:

3 Jennifer Warden, Middleberg,  
4 Riddle and Gianna, counsel to PIAL.

5 MS. DAVIS:

6 Kelly Davis, Liberty Mutual out of  
7 Dallas.

8 MR. O'CONNOR:

9 Joe O'Connor from New Orleans.

10 I'm the independent agents' rep.

11 MR. COOK:

12 Dennis Cook from New Orleans. I'm  
13 the professional insurance agent appointee.

14 MR. HERBERT:

15 A.J. Herbert, legal counsel for  
16 PIAL.

17 DR. BERRY:

18 And Christine Berry from the LIRC  
19 and the chairman of the Board.

20 We will go ahead and get started  
21 then with the first item on the agenda,  
22 which is to ratify the minutes of June 19th,  
23 our last full meeting, June 25th -- actually  
24 our last full meeting I guess was --

25 MR. HERBERT:

9

1 July --

2 DR. BERRY:

3 -- was the July --

4 MR. DEUTSCH:

5 The last full meeting was

6 June 19th.

7 DR. BERRY:

8 was the June 19th. And then we

9 had three executive meetings: June 25th,

10 July 10th, and August 7th. Can we ratify

11 those meetings?

12 MR. HERBERT:

13 Yes, ma'am.

14 MR. DEUTSCH:

15 Just as a process, in case y'all

16 didn't notice, there's a pack of odd

17 numbered pages at the very end of your Board

18 pack. They're all -- they are the even

19 numbered pages to the minutes for the

20 August 7th meeting.

21 It was a two-sided copy that only

22 one side got copied, so that's the rest of

23 your minutes.

24 DR. BERRY:

25 We have a motion to ratify --

□

10

1 MR. COOK:

2 I move.

3 MR. BABIN:

4 I'll second it.  
5 DR. BERRY:  
6 Any objections?  
7 (Silence.)  
8 No objection. We'll --  
9 MR. BYRD:  
10 Just let the record reflect I'll  
11 abstain from voting.  
12 MR. HERBERT:  
13 I was going to suggest, why don't  
14 we -- after the completion of the vote on  
15 that matter, perhaps we could go out of  
16 order and take Item 07:05 and move it up so  
17 that Mr. Byrd can participate as a member of  
18 the Board.  
19 DR. BERRY:  
20 Okay.  
21 MR. HERBERT:  
22 We have a motion to move the  
23 agenda out of order?  
24 MR. COOK:  
25 Move.

□

11

1 MS. PRESTON:  
2 So moved.  
3 MR. HERBERT:  
4 Second, Clarissa?  
5 MS. PRESTON:  
6 Second.  
7 DR. BERRY:

8                   Okay. We have accepted the  
9 resignation of Chad Brown.  
10                   Do we need a motion?  
11           MR. HERBERT:  
12                   No. Mr. Brown's resigned, but the  
13 Commissioner has designated Warren Byrd as  
14 his replacement. So we just need a motion  
15 to accept Mr. Byrd as Mr. Brown's  
16 replacement and as the Commissioner's  
17 designee.  
18           MR. BYRD:  
19                   Timing is impeccable as always.  
20           DR. BERRY:  
21                   Is there a motion --  
22           MR. BYRD:  
23                   The Commissioner's letter.  
24           DR. BERRY:  
25                   Thank you.

□

12

1           MR. COOK:  
2                   I motion to accept Mr. Byrd as  
3 Mr. Brown's replacement.  
4           MS. DAVIS:  
5                   Second.  
6           DR. BERRY:  
7                   Any objections?  
8                   (Silence.)  
9                   None. Carry, and we will go back  
10 to 7:02, Statement of Ethics and Conflict of  
11 Interest.

12 MR. HERBERT:  
13 Mr. Deutsch?  
14 MR. DEUTSCH:  
15 Just as a matter of procedure,  
16 this is something that our Board has done  
17 every year.  
18 The page has been redesigned -- or  
19 I guess not redesigned, but has been updated  
20 to reflect some of the recent changes with  
21 the Board, et cetera.  
22 It's been reviewed by Mr. Herbert,  
23 and I would ask that we have this signed by  
24 the folks on the Board. But I would  
25 actually ask that before you do that that

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13

1 you actually read it and are okay signing  
2 it.  
3 MR. HERBERT:  
4 Mr. Deutsch, I'd like to suggest  
5 that we distribute this item for  
6 informational purposes and include it on the  
7 agenda for the next meeting --  
8 MR. DEUTSCH:  
9 I agree.  
10 MR. HERBERT:  
11 -- but that the Statement of  
12 Ethics is going to relate in part to whether  
13 the Board members are subject to Louisiana  
14 Code of Governmental Ethics, which will have  
15 additional and different requirements than

16 this statement.

17 So I think we should defer this  
18 action. I'd like to suggest that you  
19 consider deferring this item until the next  
20 meeting until we address that subject.

21 DR. BERRY:

22 We have a movement deferring that  
23 item to the next meeting?

24 MR. HERBERT:

25 Yes.

□

14

1 DR. BERRY:

2 We have a movement to defer.

3 MR. COOK:

4 I move.

5 DR. BERRY:

6 Dennis moved. Second?

7 MS. DAVIS:

8 Second.

9 DR. BERRY:

10 Kelly seconds.

11 Any objection? If not, we'll move  
12 on to the next item.

13 We do have some issues to discuss  
14 with respect to the constitution of the  
15 Board.

16 A.J., do you want to address those  
17 or --

18 MR. HERBERT:

19 Sure. Actually, there are really

20 two issues relating to the Board  
21 constitution.  
22 The first one is that the  
23 constitution itself, the governance  
24 documents for PIAL are going to need to be  
25 revised.

□

15

1 As they're currently constituted,  
2 the last draft of these documents goes back  
3 to 2000, and at that period of time the  
4 documents provide for telephone meetings.  
5 They provide for meetings by video  
6 conference and things like that that are not  
7 permissible under the open meetings law.

8 So the Board constitution and  
9 bylaws are going to need to be revised to  
10 bring them into conformity with the laws  
11 that PIAL is going to abide by.

12 So we're going to redraft those  
13 and present them back to a subsequent Board  
14 meeting for consideration and adoption.

15 And I guess the second issue  
16 related to Board constitution is Board  
17 constitution in terms of makeup of the --  
18 makeup of the Board.

19 The statutes relating to PIAL  
20 provide for industry representation based  
21 upon a premium written in the state. In  
22 addition, Board members are supposed to be  
23 residents of the state of Louisiana.

PIAL meeting 082007 (2).txt  
24 And back in March when the  
25 Citizens Board separated from the PIAL

□

16

1 Board, frankly there was difficulty in  
2 putting -- constituting a board. But it's  
3 been several months since then, and it's  
4 time to get everything the way it's supposed  
5 to be.

6 And Clarissa has done some  
7 homework in terms of the companies that are  
8 supposed to be represented on the Board and  
9 offered a spot, and we need to contact those  
10 companies and request them to name a  
11 designee to the Board.

12 Clarissa, you have any -- or,  
13 Mr. Deutsch?

14 MR. DEUTSCH:

15 If I'm not mistaken, was there one  
16 left that -- or an invitation that's  
17 outstanding from Farm Bureau. Is that  
18 correct?

19 DR. BERRY:

20 I've spoken to them, and they --  
21 in fact, I have a voice mail still that I've  
22 kept saying that they do not believe that,  
23 based on our -- I guess it's our -- no, it's  
24 the statute -- that they're supposed to  
25 replace someone, that it's supposed to be

□

17

1 done at the election at the annual -- at the  
2 annual meeting by election.

3 MR. HERBERT:

4 well, the Board, in between their  
5 annual meetings, can fill vacancies on the  
6 Board.

7 MR. DEUTSCH:

8 And then they'd have to be  
9 ratified at the annual meeting.

10 MR. HERBERT:

11 That's correct.

12 MS. PRESTON:

13 well, what we're going to do is  
14 take from that list of the insurers and  
15 temporarily fill the vacant seats with those  
16 with the market share and then ratify that  
17 at the annual meeting?

18 MR. HERBERT:

19 Yes.

20 MS. PRESTON:

21 Okay.

22 DR. BERRY:

23 who do we designate to contact the  
24 companies then?

25 MR. HERBERT:

□

1 I think historically it's been  
2 you, huh, Clarissa?

3 MS. PRESTON:

4 I haven't been around  
Page 15

5 historically. So it can be me.

6 DR. BERRY:

7 Not that old, right?

8 MR. HERBERT:

9 You can bring your persuasive  
10 powers to bear.

11 MS. PRESTON:

12 Okay. I'll accept that.

13 MR. DEUTSCH:

14 Do we know which companies they  
15 are, Clarissa?

16 MS. PRESTON:

17 I have not identified them, but  
18 the list that I gave you and A.J., I will be  
19 going from that, and I can send you a list  
20 of who it seems like to me and let you-all  
21 look at that.

22 MR. HERBERT:

23 Okay.

24 DR. BERRY:

25 with respect to the constitution,

□

19

1 that actually brings us to the Board chair.  
2 As you all know -- as you all know, I sent  
3 off a resignation that was to be effective  
4 at our next Board meeting which was to be  
5 September 18th, which of course has been  
6 moved up to today, and we can move forward  
7 with that resignation if we have a  
8 volunteer.

9                   However, I would be willing to  
10 continue to serve in light of some of the  
11 developments of recent.

12                   The issue -- and I would take some  
13 direction from our legal counsel -- is that  
14 I am not an industry representative. I'm an  
15 LIRC representative, and there is some  
16 suggestion that it should be an industry  
17 person.

18                   MR. HERBERT:

19                   Yes. Under Article 5 of the PIAL  
20 constitution, the chairman of the Board, in  
21 addition to not getting paid and having to  
22 be a resident of Louisiana, has to be an  
23 officer of a member company or a manager,  
24 general agent, state agent, or special agent  
25 of a member company.

□

20

1                   So the Board chair should be a  
2 company or an agent and a -- company or  
3 agent.

4                   MR. BYRD:

5                   Mr. Herbert, this is based on the  
6 constitutional article, not the statutory  
7 provision?

8                   MR. HERBERT:

9                   That's correct.

10                   We do need the Board to elect a  
11 new chair.

12                   MS. PRESTON:

13 Today?

14 MR. HERBERT:

15 well, your resignation is  
16 effective September 18th, which is the date  
17 of the next meeting of the Board of  
18 Directors.

19 So it is not something that has to  
20 be done by today, but we will need to elect  
21 a new chair. And under Article 5 of the  
22 constitution as it currently exists, that  
23 person must be a representative of a member  
24 company or an agent for a member company.

25 DR. BERRY:

□

21

1 So we'll be seeking volunteers.

2 Okay. Item -- we already handled  
3 7 and 5. Update on the legislative audit is  
4 the next item on the agenda. Who's handling  
5 that?

6 MR. HERBERT:

7 well, since the date of the last  
8 Board meeting there was an original audit  
9 report released detailing certain  
10 transaction -- it was a compliance audit  
11 relating to transactions between Citizens  
12 and PIAL.

13 And PIAL provided a response to  
14 the legislative auditor in that report, and  
15 a number of corrective actions were taken as  
16 a result of it, particularly with respect to

17 expense and travel and entertainment  
18 expenses.

19 Mr. Deutsch has implemented a new  
20 policy and procedure manual for the  
21 employees. And things in the report such as  
22 the failure to provide 1099s to counsel,  
23 that has been fixed, and the corrective  
24 actions have been taken.

25 The second report has been issued

□

22

1 in draft form. That is a report on the  
2 legal status of PIAL's public versus private  
3 character, and we expect that we'll have  
4 more discussion about that report.

5 And then thirdly, we're advised  
6 that the legislative auditor anticipates  
7 issuing another report in the coming weeks  
8 dealing with expenses of PIAL's former  
9 executive director, and we expect that  
10 report to identify a large number of  
11 problems and involve significant dollars.  
12 we don't have a draft of that, but we don't  
13 expect it to be a flattering report.

14 Now, I recognize we have folks in  
15 here from the legislative auditor's office.  
16 If you-all would like to add any information  
17 to that.

18 MS. FITZGERALD:

19 I'm Kerry Fitzgerald. Kyle Farrar  
20 is here with me, and we were here just to

21 observe. We have been working on the second  
22 report that Mr. Herbert mentioned, the  
23 informational report on the legal status of  
24 the entity.

25 And we're just awaiting the

□

23

1 Board's action on that. We're waiting for a  
2 response. As soon as we get it or as soon  
3 as you choose not to respond, we'll go ahead  
4 and issue that report.

5 MR. HERBERT:

6 Correct. And just so everyone  
7 knows, our response on that report was  
8 originally scheduled for tomorrow, which is  
9 why we have the meeting today.

10 Mr. Theriot was considerate enough  
11 to grant an additional week for PIAL to  
12 respond so that we'd have some time to  
13 consider response following today's meeting,  
14 and I believe that's all we have on the  
15 update.

16 Ms. Chair?

17 DR. BERRY:

18 Okay. Let's move on to the future  
19 of PIAL. Obviously you-all know that  
20 Commissioner Donelon has made an  
21 announcement regarding the call for the  
22 dissolution of PIAL.

23 One of the things that we've  
24 discussed is that we believe that this

25 Board -- we wanted to discuss with the Board

□

24

1 the formation of a strategic options  
2 committee that would make a recommendation  
3 to the legislature.

4           Essentially what we want to do is  
5 to take some time and investigate the  
6 dissolution of PIAL, the costs, the  
7 benefits, and the impact on the companies,  
8 and just to look more thoroughly at how this  
9 might be -- at how it might be done if we  
10 choose to move in that direction, if that's  
11 the direction.

12           we think that this would be a more  
13 proactive way of acting instead of just  
14 accepting.

15           So is this something that we need  
16 to take a vote on?

17           MR. HERBERT:

18           Commissioner, would you like to  
19 address the Board?

20           COMMISSIONER DONELON:

21           Sure. Thank you, Mr. Herbert.

22           Madam Chair and Members, I'm  
23 pleased to have this opportunity to visit  
24 with you and to share with you my thoughts  
25 and how I got there.

□

25

1 Backing up to I guess about two  
2 weeks ago, I had a visit with the Chair and  
3 Mr. Deutsch, and actually I'll back it up a  
4 bit further than that.

5 Upon an attempt at a meeting with  
6 the LAIP in the Metairie offices a month or  
7 so ago and follow -- actually there was a  
8 meeting that day. We did get a quorum.

9 Afterwards I met with Mr. Deutsch  
10 and with Mr. Wortman, the new CEO at  
11 Citizens, and talked about issues including  
12 Citizens, including PIAL, LAIP, et cetera,  
13 and learned in that meeting from Mr. Wortman  
14 and Mr. Deutsch that we are as a state in  
15 the very small minority of states operating  
16 our own fire rating service; that the  
17 overwhelming majority of states, 40 or more,  
18 do it differently and do it through the  
19 auspices of a group that Mr. Wortman had  
20 previously served on the board of directors  
21 of, Insurance Services Office, a national  
22 association providing various professional  
23 services, or administrative services if you  
24 will, to insurance companies operating  
25 nationwide.

□

26

1 with that seed planted, I said  
2 anytime Louisiana is doing it different than  
3 most other folks we probably need to take  
4 another look at what we're doing.

5 That in the atmosphere of what the  
6 legislative auditor has shared with me  
7 relative to egregious abuse, expense abuse  
8 going on for years that he has uncovered in  
9 recent weeks as he has acquired books and  
10 records from personnel in the previous  
11 administration at Citizens.

12 And needless to say, if such  
13 egregious abuse is documented, it comes at  
14 the expense of policyholders all over the  
15 state, and we just do not need that.

16 LAIP, same thing, the same  
17 scenario with regard to expense abuse going  
18 back years. My understanding is that the  
19 legislative auditor only goes back three  
20 years but that the pattern predates that.

21 And it's not like Mr. Theriot just  
22 kind of whispered that in my ear and ran off  
23 in a corner and hid.

24 He has come back to my office last  
25 week having read the transcript of one of

□

27

1 the first public meetings held by the LAIP,  
2 and my efforts and my then designee as chair  
3 of that board's efforts to terminate  
4 Mr. Lisotta, as you have done recently, from  
5 his role here at PIAL and the resistance and  
6 ultimate unsuccess, lack of success that we  
7 had in that effort.

8 And he came to my office,

9 unannounced frankly, and asked to see me and  
10 said, "I want to go with you to the next  
11 meeting to share with the Board the  
12 information that I have relative to that  
13 expense abuse and reurge the issue of  
14 Mr. Lisotta's termination."

15 we tried to schedule a meeting for  
16 last week for that purpose and had the  
17 meeting scheduled and were unsuccessful in  
18 getting a quorum of the membership for that  
19 purpose.

20 LAIP, like PIAL, operates very  
21 differently than the great majority of  
22 states around the union.

23 And again, when we're doing things  
24 differently than over 40 states in America,  
25 it certainly calls for a second look, and in

□

28

1 particular, in light of the allegations that  
2 the legislative auditor has brought to my  
3 attention.

4 As to the lawsuit issue, ten days  
5 or so ago I did meet with the Chair and  
6 Mr. Deutsch and at that time expressed to  
7 them an agreement with what they suggested,  
8 that all efforts to resist any and all laws  
9 that pertain to public agencies be  
10 discontinued and that this body act going  
11 forward as if it were a public agency for  
12 all purposes; public bid laws, open meeting

13 laws, public records laws, et cetera,  
14 et cetera.

15 And to the extent that that  
16 represents difficulty, I'm sure we can work  
17 our way through those legal issues and get  
18 the legal advice necessary to do RFPs or  
19 comply with public bid laws or civil service  
20 requirements, et cetera.

21 I would point out to you that  
22 Citizens is doing that, and frankly I  
23 believe for the most part has done that for  
24 several years running.

25 At least I remember the RFP issue

□

29

1 that arose when Audubon lost the contract in  
2 late 2005 as service provider to be  
3 provided -- to be succeeded by the three  
4 service providers now performing that  
5 function for Citizens.

6 That was challenged, was  
7 contested, ultimately was reviewed by  
8 Commissioner Jerry Luke LeBlanc on behalf of  
9 the Division of Administration and of course  
10 by the courts.

11 And my understanding at least is  
12 that it was finally approved as having  
13 comported with all of the requirements of  
14 law, and the selection was properly made.

15 My point being if it's good enough  
16 for Citizens, if they can operate within

17 those constraints, they can operate without  
18 civil service, whatever, however it takes to  
19 accomplish those things at LIGA, a quasi  
20 state agency, with, in their legal creation,  
21 the sentence that LIGA is not a state  
22 agency.

23 But for all purposes, my  
24 experience going back decades has been that  
25 they have conducted their business as such.

□

30

1 So I don't see the problem in doing that.

2 And for the abolition issue, it's  
3 for the reasons I stated previously. And  
4 I'd be happy to answer any questions,  
5 discuss any of this with you now or in the  
6 future as those issues present themselves  
7 and you have any questions for me.

8 And again, I appreciate the  
9 opportunity to share my thoughts on those  
10 with you here today.

11 DR. BERRY:

12 Commissioner, if we do establish  
13 the strategic options committee, is it  
14 something that you would, first of all, be  
15 in support of, and would you be interested  
16 in our findings as a committee?

17 COMMISSIONER DONELON:

18 Oh, sure. I would be supportive  
19 of it and interested as long as it doesn't  
20 slow down the process of full compliance

21 with the general concept of being -- of  
22 operating as a public agency and not as a  
23 private entity not subject to the various  
24 laws that I went over here just a few  
25 minutes ago.

□

31

1 MR. HERBERT:

2 And I would just like to address  
3 the Board. From my perspective, there are  
4 really two considerations.

5 The first one is, what is the  
6 future role of PIAL? And my understanding  
7 is that the Commissioner is going to propose  
8 and support legislation to disband PIAL at  
9 the next session.

10 A strategic options committee  
11 where -- would consider, I suppose, whether  
12 it supports that process; and if it does  
13 support that process, what steps need to be  
14 identified to get us from Point A to Point B  
15 in the meantime, because the company does  
16 have -- it does have assets. It does have  
17 personnel. It does have liabilities. And  
18 from the time that it's going to cease to  
19 exist it needs to resolve those in an  
20 orderly fashion.

21 The point of the declaratory  
22 action that we've heard so much about was  
23 not viewed as an adversarial proceeding so  
24 much with the legislative auditor as making

25 sure that you know the character and legal

□

32

1 status of PIAL if it's going to go down the  
2 road of dissolution.

3 And probably from my perspective  
4 the best example of that comes up in  
5 connection with the pension, and we met with  
6 Mr. Theriot's office last week and tried to  
7 flesh out, hash out some of these issues.

8 Because if PIAL, for example, is  
9 subject to civil service, well, it's had a  
10 private pension for a number of years. That  
11 private pension reflects that it is --  
12 PIAL's pension is significantly underfunded.

13 If these employees are civil  
14 service, they have rules with respect to  
15 private pensions. Who is going to assume  
16 the responsibility for the deficit and the  
17 funding of that plan? Are we just going to  
18 terminate the plan?

19 There are a number of complexities  
20 that need to be resolved between now and  
21 when PIAL ceases to exist.

22 And the purpose of the declaratory  
23 judgment action was not to attack the  
24 auditor but to make sure that we play by the  
25 rules that a court determines to be binding

□

33

1 upon PIAL so that at the end of the day when  
Page 28

2 all is said and done and PIAL is wound up,  
3 then it's been done in a process that a  
4 court has recognized has been done the  
5 correct way and doesn't leave any residual  
6 liabilities for the member companies or  
7 anything else that are going to need to be  
8 resolved in the future.

9           So I just wanted to offer that in  
10 that perspective.

11           COMMISSIONER DONELON:

12           Can I respond?

13           MR. HERBERT:

14           Sure.

15           COMMISSIONER DONELON:

16           And I appreciate counsel sharing  
17 his legal opinion with the Board.

18           I will tell you that this all  
19 started in a fight over public records.

20           And I have a file full of  
21 resolutions from the legislature all passed  
22 unanimously that I keep getting from the  
23 clerk and the secretary of the Senate post  
24 the session that I keep, CYA, forwarding  
25 onto Mr. Deutsch and to Mr. Wortman to make

□

1 sure that every one of them is communicated  
2 so that there's no misunderstanding as to  
3 what the legislature felt, although they had  
4 public meetings in the last hours of the  
5 regular session to also make that perfectly

6 known.

7           At that time there was an  
8 ongoing -- while our lawyer gave us an  
9 opinion saying that we're not public and  
10 then we're waiting for the Attorney General  
11 to render his opinion, which he ultimately  
12 did, it contradicted the advice that this  
13 Board and LAIP got relative to public  
14 records and the status of the entities, in  
15 particular since 2006 when both entities  
16 were put under the Department of Insurance  
17 for supervisory purposes.

18           Number two, these same employees  
19 were transitioned from Citizens, and they're  
20 not having pension or issues with regard to  
21 their 401(k) and all that when they were  
22 terminated by PIAL or transitioned away or  
23 whatever is going to happen to them as PIAL  
24 discontinues the oversight role that its had  
25 since the creation of Citizens five years

□

35

1 ago.

2           Those issues can be handled, I am  
3 quite sure, by your competent counsel on an  
4 ad hoc basis. We do not need an in globo  
5 lawsuit challenging or questioning or  
6 seeking guidance.

7           We can certainly deal -- the  
8 lawyers for Citizens didn't see it necessary  
9 to file any declaratory actions when the

10 decision was made by the Citizens Board,  
11 this board, the LAIP board to separate all  
12 those operations out, to separate the  
13 furniture, the assets, the debts, the  
14 liabilities, the employees, all of that.

15 The law firm long representing  
16 Citizens for decades never once suggested  
17 the need to do a declaratory judgment action  
18 to get that guidance.

19 They're giving that guidance on an  
20 as-needed basis one issue at a time, and I  
21 believe it can be handled on that basis as  
22 well.

23 DR. BERRY:

24 Commissioner, the comparison of  
25 the Citizens, the only concern I have about

□

36

1 that is that with respect to the portion of  
2 PIAL that handles fire rating and other  
3 things, the majority of states operate in a  
4 private entity in doing those things.

5 And even with -- A.J., your  
6 example about the pensions was a great  
7 example and probably could be worked  
8 through, but even things like this next  
9 bullet point that we have on our agenda I  
10 would be really concerned because it's an  
11 invitation of ISO or other vendors to make a  
12 presentation at the next meeting.

13 And I think that before we even

14 begin, if we are to be a public entity, then  
15 there's some concerns about whether we can  
16 even be talking to these vendors, and if we  
17 do so, that they may be forbidden from  
18 even -- from bidding through that bidding  
19 process.

20               So I guess what I'm saying, that's  
21 just one example of a lot of different  
22 things that --

23               COMMISSIONER DONELON:

24               Dr. Berry --

25               DR. BERRY:

□

37

1               -- it's a kind of a slippery  
2 slope --

3               COMMISSIONER DONELON:

4               -- if I may, I assume that was a  
5 question. Lots of state agencies contract  
6 for services. Highway department has always  
7 contracted for engineering services all the  
8 time.

9               what you can't do is you can't put  
10 the engineering firm that you're going to  
11 contract with to do a highway in charge of  
12 the selection process, RFP, however you do  
13 it for those services, in charge of that,  
14 because then if they are, they can't compete  
15 with for that service.

16               And you're right. Most of the  
17 other states do contract with ISO for the

18 great majority and perhaps some others.  
19 I've gotten an e-mail from Mr. Deutsch  
20 relative to other options as well.

21 Certainly the strategic options  
22 committee is appropriate. No question about  
23 it. Let's find out what those options are.  
24 I don't think it's going to be rocket  
25 science to figure out what those other

□

38

1 states are doing. I think it's going to be  
2 pretty simple and straightforward.

3 And as to the lawsuit issue, I'm  
4 comfortable in recommending that we, instead  
5 of getting the legal advice from the courts  
6 through declaratory judgment, we just take  
7 our fine counsel's legal opinion and  
8 guidance and implement it and assume that  
9 they're competently advising us, and we can  
10 go forward on that unafraid of being  
11 challenged by others who have better lawyers  
12 than us. I think our lawyers can hold their  
13 own.

14 DR. BERRY:

15 But as a Board member, I think I  
16 personally have some concern about some of  
17 these things being retroactively applied.

18 For example, the fact that we did  
19 not, up until last -- this month actually  
20 have an open meeting, and is there going to  
21 be some allegations against us because we

22 didn't -- we were not told that we were a  
23 public entity when we met as a board in  
24 private?

25 And in fact, in all respects PIAL

□

39

1 has operated as a private entity. And my  
2 concern is just that with the continued  
3 discussion about us being a public entity  
4 and there has already been some evidence  
5 that this is going to be a retroactively  
6 applied position that there's going to be  
7 some things that even us as Board members  
8 are going to be -- need to be concerned  
9 about.

10 And so I still am not sure that we  
11 shouldn't ask for the declaratory judgment  
12 so that we can at least know where we sit,  
13 not to contest as much, but to say, okay,  
14 for these purposes we are going to, going  
15 forward, have an open meeting, public  
16 records and such, whatever that means, but  
17 that anything that has happened in the past  
18 because we were -- you know, we were  
19 considered a private entity.

20 Everyone that -- the Board and the  
21 employees all assumed that they were  
22 operating under a private entity status.  
23 Then everyone is comfortable and on the same  
24 page.

25 COMMISSIONER DONELON:

□

40

1           Two things. Number one, you can't  
2 back up the tape. Unfortunately, what's  
3 been done is done, and the retroactivity of  
4 legal advise or declaratory judgments isn't  
5 going to make what was done not have  
6 happened.

7           It's there, and those issues are  
8 present. Competent counsel can certainly  
9 tell you what you did, whether if you have  
10 any questions about its propriety or what  
11 have you.

12           I understand this Board is  
13 protected by directors' and officers'  
14 liability insurance, further protected in my  
15 opinion as a public entity by the State of  
16 Louisiana through the Office of Risk  
17 Management.

18           And finally, whatever the judge  
19 says in a dec action isn't going to change  
20 whatever violations, whatever issues are  
21 presented in a future action. They're going  
22 to be the same. They'll be influenced by  
23 one judge's opinion as they would be  
24 influenced by competent counsel's opinion as  
25 well.

□

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1           And I might add, we've talked

2 about this. Mr. Deutsch came with you to my  
3 office, and we agreed that before that  
4 executive committee meeting that continuing  
5 this litigation was unnecessary and not the  
6 prudent thing to do.

7 I understand that minds have been  
8 changed since then. Mine has not. What I'm  
9 advocating here today is the same position  
10 that I advocated at that time. And if  
11 anything, I feel more strongly about it than  
12 I did at that time having had another  
13 meeting with the legislative auditor since  
14 that meeting.

15 DR. BERRY:

16 Thank you.

17 COMMISSIONER DONELON:

18 Okay.

19 MR. DEUTSCH:

20 Just so y'all know, also, I had a  
21 conference call with the folks from ISO to  
22 visit with them just a little bit about the  
23 process that we would go through.

24 And I guess from their perspective  
25 there is nothing legislatively that they

□

42

1 have to do because they are already filed  
2 within the state to do ratings and the  
3 endorsements and the manual filings for all  
4 other lines other than property and  
5 casualty.

6                   The part that they would be  
7 looking to pick up obviously would just be  
8 the field people that we have right now.

9                   And so what they would do is they  
10 would actually come in -- I counted nine  
11 points that they talked to me about.

12                   They'd look at what we're doing  
13 now. They'd look at our data system, how  
14 it's entered, the people themselves, what  
15 other products that we delivered that aren't  
16 delivered in other states, what the gaps are  
17 between what they deliver and what we don't  
18 deliver, any transition factors that would  
19 have to be put in there, the efficiencies  
20 gained, and then who would they transfer?

21                   And as I can tell, there's about  
22 25 people that would be impacted. I mean,  
23 actually all the people would be impacted  
24 because there is the unfunded pension plan.

25                   In fact, I've actually got some

□

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1 notes on that right now. It's 89 percent  
2 funded. So there's about 11 percent  
3 funding, and I'm getting actually what that  
4 means from a dollar standpoint.

5                   So there would be about 25 people  
6 that would be impacted. There probably are  
7 four or five people that would be retiring.  
8 There's a couple others that wouldn't stay  
9 on. But all in all, they would take between

10 eight and eleven people on, so you're not  
11 talking a lot of people.

12           We've also got a transfer where it  
13 looks like we might be able to get five or  
14 six people to go over to Citizens, so you're  
15 really only talking a handful of folks that  
16 would be impacted as far as jobwise.

17           Now, again, we've not entered into  
18 any negotiations with them, and I hesitated  
19 to do that until they came.

20           But I wanted to know the process,  
21 and so I think if the Board's in agreement  
22 we can bring them in on the next meeting and  
23 have them talk a little bit more and then  
24 actually have them come into the office and  
25 give y'all a little bit better idea of what

□

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1 would be entailed.

2           But like I said, I've hesitated to  
3 do that, but that's kind of the process.

4           Now, do you have any questions as  
5 far as that's concerned as far as  
6 conversation?

7           MS. DAVIS:

8           I have a question. Do we know, do  
9 they do everything that PIAL does, every  
10 function that the organization does?

11           MR. DEUTSCH:

12           They do not. There's one function  
13 that Louisiana does. We class rate every

14 commercial -- or we specifically rate every  
15 commercial building. And those of you who  
16 are in commercial insurance know that in  
17 most states you only class rate things that  
18 are pretty much innocuous.

19 In fact, the ISO manual states  
20 anything over 25,000 square feet, anything  
21 that's of a highly combustible nature,  
22 anything that's noncombustible or better  
23 construction, those are the kind of things  
24 that you specifically rate; and in Louisiana  
25 we rate all commercial buildings.

□

45

1 So it's actually somewhat of an  
2 inefficiency I think for the companies. At  
3 least when I worked for the companies it was  
4 somewhat of an inefficiency because you  
5 can't class rate them. You have to actually  
6 go and use the specific rates for those.

7 So everything else is -- in fact,  
8 for the property, the protection grading, we  
9 actually use ISO's schedule for the  
10 protection classes.

11 MR. HERBERT:

12 This may be a good time, too, Joe,  
13 for you to point out for the Board that  
14 Louisiana, while it uses ISO for fire, it  
15 does have some differences that provide  
16 credits for training which are not ISO  
17 standard.

18 So Louisiana does provide extra  
19 points, if you will, for activities outside  
20 of the normal ISO schedule which could  
21 become an issue. But in other states, like  
22 Texas I believe, ISO does try and tailor  
23 ratings to local and geographic concerns.  
24 So while it is a current deviation  
25 from standard ISO, it may be possible to

□

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1 work with ISO to get them to accept  
2 Louisiana's practice as the ISO standard for  
3 Louisiana.

4 MR. DEUTSCH:

5 The other thing that we do  
6 differently is judging water hauling, and  
7 that's something that when I visited with  
8 them that they're willing to look at.

9 But again, it's not anything that  
10 we're negotiating with. It's just right now  
11 we're pointing out differences and talking  
12 about processes. There's absolutely nothing  
13 in more detail than that.

14 DR. BERRY:

15 I think that that would be  
16 something to present to the committee, or is  
17 it?

18 MR. HERBERT:

19 Well, I mean, I would like to hear  
20 some feedback from the other Board members  
21 with respect to the issue of PIAL's future

22 and then this declaratory action that we've  
23 talked about.

24 I note that the declaratory action  
25 is under the agenda as well for executive

□

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1 session. That will require a vote of the  
2 Board, a two-thirds vote of the Board to  
3 discuss at executive session, or the Board  
4 may choose to discuss it now as we have been  
5 in open session. That decision rests with  
6 the Board's discretion.

7 DR. BERRY:

8 Any discussion on the declaratory  
9 judgment?

10 MR. COOK:

11 well, for one thing, we voted  
12 already, so we'd have to have a revote if we  
13 decide not to seek a legal opinion.

14 MR. HERBERT:

15 well, the executive committee  
16 voted to proceed with the declaratory  
17 action. The Commissioner has asked the  
18 Board to reconsider that action of the  
19 executive committee as a full board --

20 MR. COOK:

21 So we'll vote on that in executive  
22 committee.

23 MR. HERBERT:

24 -- so basically -- well, all votes  
25 must happen in an open meeting.

1 MR. COOK:

2 Okay.

3 MR. HERBERT:

4 So the vote to accept the decision  
5 of the executive committee or to reject the  
6 decision and not ratify the decision of the  
7 executive committee must happen in an open  
8 meeting. The discussion can be closed, but  
9 the vote must be open.

10 What is the wish of the Board? Is  
11 there no more discussion on these topics?

12 MR. DEUTSCH:

13 I'd actually like to hear from a  
14 couple of the company folks on the ISO.

15 Tara and Kelly, y'all do -- y'all  
16 are in different states, so it might be  
17 appropriate to hear from you how you --  
18 Kelly, I know you do it in Texas, and maybe  
19 how you see this as being an advantage.

20 Paul, I don't know if you've  
21 worked in some other states, but you know  
22 the impact the assessments would have versus  
23 what Travelers is paying for ISO services  
24 now plus their assessments.

25 I mean, I think that's where, in

1 my mind I guess, I see would be the place  
2 where the insurers would gain from this, is

3 the fact that you'll lose an assessment and  
4 it would become a more attractive state for  
5 competition.

6 MS. MURNANE:

7 I think it's something we probably  
8 need to look at, and there needs to be more  
9 research.

10 Because as we've talked about,  
11 there are some differences, and there could  
12 end up not only being company impact but  
13 customer impact if ISO, for whatever reason,  
14 did not accept some of the rating standards  
15 that we're using now. And what kind of  
16 impact would that be on policyholders?

17 And it might come out revenue  
18 neutral to us, but that does not necessarily  
19 mean it's revenue neutral to an individual  
20 customer.

21 So I think we would need to look  
22 at it very closely, both from our  
23 perspective and from our customers'.

24 MS. DAVIS:

25 I would agree. I agree with what

□

50

1 Tara said in that we need to understand the  
2 customer impact.

3 But I also agree that it does beg  
4 the question if 45 other states or 40 other  
5 states have it one way, do we really need to  
6 be different, and is that efficient or is

7 that just creating additional inefficiencies  
8 out there that no one wants to pay for,  
9 customers or industry?

10 So I agree that we need more  
11 information. I mean, I don't understand the  
12 impact to these fire standards if it would,  
13 at the end of day, making -- if we made a  
14 change, if it would increase customers'  
15 rates to such a level that would be adverse.

16 So we need to understand those  
17 better, and I imagine most of the things  
18 could be -- with a little bit more research  
19 could be worked through.

20 MR. DEUTSCH:

21 I did have a couple of folks call  
22 me when they read about this in the paper,  
23 and they said the cost wasn't exactly the  
24 biggest thing to them as an insurer.

25 One of the biggest impediments to

□

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1 doing business was the fact that they could  
2 get all their other rates online, but when  
3 they had to go to PIAL they could not. They  
4 had to change systems. It was something  
5 that they couldn't build into their system.

6 So it wasn't necessarily the  
7 impediment of doing business from that  
8 perspective, but it was building rating  
9 systems and that type of thing.

10 And, Tara, as you mentioned,  
Page 44

11 that's an impact to their customer.  
12 So again, just some feedback from  
13 what I've heard from various people.  
14 MR. O'CONNOR:  
15 If ISO were to vote to change or  
16 not accept the rating system in place, I  
17 believe that has to go back to the  
18 Commissioner and --  
19 MR. DEUTSCH:  
20 It does and --  
21 MR. O'CONNOR:  
22 -- ask for an approval, so --  
23 MR. DEUTSCH:  
24 The other thing that --  
25 MR. O'CONNOR:

□

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1 -- they can't just say no and  
2 it's --  
3 MR. DEUTSCH:  
4 The other thing that's in place --  
5 MR. O'CONNOR:  
6 -- done.  
7 MR. DEUTSCH:  
8 -- is that we also have --  
9 Clarissa, if I'm not mistaken, we have a  
10 committee in Louisiana that, if a particular  
11 fire department is retrograded, they have  
12 the right to appeal to this committee.  
13 So I mean, there are some safety  
14 measures in place to assure that somebody

15 doesn't just go from a five to a seven  
16 without any protection.

17 MS. DAVIS:

18 I don't know the answer to this  
19 question. The other states where ISO's in  
20 place, is that something that's chosen by --  
21 who makes those decisions?

22 MR. DEUTSCH:

23 Department of Insurance. I mean,  
24 the Department of Insurance really, to be  
25 honest with you, other than the PPC ratings,

53

1 still go -- everything that we do here -- in  
2 fact, we've got one on the agenda today to  
3 approve a rate increase.

4 After we approve it, it goes back  
5 to ISO to put the actuarial work to it, and  
6 then they send it us, and then we send it --  
7 I send it to Clarissa, and then they approve  
8 it or don't approve it.

9 So we don't add any actuarial  
10 stamp to it. Historically, in the past what  
11 has happened, as I understand it, is that it  
12 was whether the people wanted an increase or  
13 didn't want an increase. So that was it.

14 And, you know, most forms and  
15 endorsements we want to keep as standard as  
16 the rest of the company, so we try to pass  
17 as many of those through as we can.

18 DR. BERRY:

19 We want to have a motion to form a  
20 strategic options committee?

21 MR. HERBERT:

22 You will need a motion to form a  
23 special committee like that. And then  
24 usually the committee, under our bylaws, the  
25 chair would appoint the committee members

□

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1 from people who have expressed an interest.  
2 So you'll need some representation, I  
3 suppose, from the regulatory side and the --

4 DR. BERRY:

5 Make a lot of friends today.

6 MR. HERBERT:

7 -- and the company side and the --

8 MR. BYRD:

9 A.J., does the constitution allow  
10 for ad hoc committees like you're talking  
11 about?

12 MR. HERBERT:

13 Yes.

14 DR. BERRY:

15 First a motion to form the  
16 committee.

17 MR. COOK:

18 A motion to form a strategic  
19 option committee.

20 DR. BERRY:

21 Dennis.

22 Any seconds? Seconds?  
Page 47

23 MS. MURNANE:

24 Second.

25 DR. BERRY:

□

55

1 Tara seconds.

2 Taking notes?

3 MR. DEUTSCH:

4 She's taking notes.

5 DR. BERRY:

6 Oh, I'm used to you taking notes.

7 Any objections?

8 MR. HERBERT:

9 You can ask for nominations.

10 DR. BERRY:

11 Are there any volunteers, any  
12 interest in serving?

13 MR. O'CONNOR:

14 I'll be glad to.

15 DR. BERRY:

16 Joe O'Connor.

17 And anyone --

18 MR. DEUTSCH:

19 I don't know if I can serve  
20 because I'm not technically a voting member,  
21 but I probably should be a resource because  
22 I've got some research on this already done,  
23 so --

24 DR. BERRY:

25 And I would actually continue to

1 serve after the --  
2 MR. HERBERT:  
3 After September 18th you won't be  
4 a chair, but you'll still be a Board member,  
5 so you can volunteer to participate in  
6 that --  
7 DR. BERRY:  
8 I just thought --  
9 MR. HERBERT:  
10 -- committee as a board member.  
11 DR. BERRY:  
12 -- that was relevant considering  
13 we need -- how many members do we need,  
14 four --  
15 MR. HERBERT:  
16 It's a committee. It's as small  
17 or as large as you want it. I do think you  
18 need some industry --  
19 DR. BERRY:  
20 Kelly, Tara, Paul, or anybody.  
21 MR. HERBERT:  
22 Maybe somebody from the  
23 Department.  
24 MS. MURNANE:  
25 Sure.

1 MS. DAVIS:  
2 I'll be glad to help as well.

3 DR. BERRY:  
4 Great. We're trying to do as much  
5 as we can by e-mail, and that would be --  
6 MS. DAVIS:  
7 Do we need a Department?  
8 Warren --  
9 DR. BERRY:  
10 Yeah. We have warren.  
11 Actually --  
12 MS. DAVIS:  
13 Super.  
14 DR. BERRY:  
15 -- warren?  
16 MR. DEUTSCH:  
17 Ed, are you volunteering too?  
18 MS. MURNANE:  
19 we have someone down there?  
20 MR. DEUTSCH:  
21 we got a guy from the press  
22 volunteering.  
23 DR. BERRY:  
24 So we have Joe, Tara, Kelly,  
25 warren, myself. Is that it? Okay.

□

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1 MR. HERBERT:  
2 And just so everyone knows, the  
3 meetings of committees are subject to the  
4 open meetings law just as the Board. So  
5 those meetings will be conducted in open  
6 form as well.

7 DR. BERRY:  
8 How do we do that with e-mail?  
9 MR. HERBERT:  
10 Joe will post a notice of the  
11 meeting. It will be advertised on --  
12 MR. DEUTSCH:  
13 You can have conversations back  
14 and forth.  
15 MR. HERBERT:  
16 As long as there's not a quorum  
17 present on the conversation.  
18 MR. DEUTSCH:  
19 Right. And then as soon as y'all  
20 get ready to meet, I'll post the meetings  
21 and --  
22 DR. BERRY:  
23 Okay.  
24 MR. BYRD:  
25 Five on the committee, is that

□

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1 right?  
2 DR. BERRY:  
3 All right. Do we want to vote now  
4 on -- do we want more discussion? Can we  
5 get some input from the Board on discussion  
6 on the declaratory judgment?  
7 And I would like to ask a question  
8 which I guess I could do during discussion.  
9 But, A.J., or anyone from MRG or legal  
10 counsel, what are the potential implications

11 that, I think, the Board needs to be aware  
12 if we do not file for the declaratory  
13 judgment as you see them?

14 MR. HERBERT:

15 well --

16 MR. SOILEAU:

17 Has it been filed?

18 MR. HERBERT:

19 It has not been filed.

20 First off, again, let me say that  
21 it is the Board's privilege to have this  
22 discussion in executive session or in the  
23 open meeting. So unless someone wants to  
24 wait until executive session, I will proceed  
25 to have that in open meeting.

□

60

1 From my perspective, the downside  
2 is, first, there is just the basic decision  
3 of whether the auditors' conclusions about  
4 what laws PIAL is subject to we believe is  
5 correct or incorrect. But then that's a  
6 legal issue.

7 The practical issue is if PIAL is  
8 going to be dissolved, let's make sure that  
9 we do that the right way.

10 Let's make sure that if we have  
11 100 employees who are going to transition to  
12 citizens and those 100 employees are subject  
13 to civil service that we do that in the  
14 correct fashion. And let's make sure that

15 we don't disturb anyone's vested pension  
16 rights in the process.

17           It is -- the effort to the  
18 declaratory judgment action was only to make  
19 sure that if PIAL is to cease to exist -- it  
20 has several million dollars in assets and  
21 liabilities. Let's make sure that we wind  
22 that down in the correct way.

23           We have a \$13 million lawsuit with  
24 SBS. You know, those lawsuits that are  
25 there, are we going to transfer those to

□

61

1 Citizens? If there is an underfunded  
2 pension, who is going to pick up the tab for  
3 that underfunded pension before it's  
4 terminated?

5           You know, the Commissioner made a  
6 valid point with respect to the Office of  
7 Risk Management. But Mr. Deutsch had  
8 conversations with RM, and OM said, "You  
9 wouldn't be -- we won't cover you. You're  
10 not sufficiently public."

11           So instead of getting  
12 conflicting -- or the risk of conflicting  
13 determinations about status, let's just let  
14 a disinterested court say, "These are the  
15 laws you're subject to," so that when we  
16 wind the operations of the company down we  
17 do so according to that and not according to  
18 necessarily our opinion or the auditor's

19 opinion.

20 That is, to me, just the downside  
21 risk. That's what I heard your question to  
22 be. The downside risk is that, as we go  
23 about winding it down, we wind it down the  
24 correct way.

25 It is not an adversarial process.

□

62

1 It is just trying to do this as protective  
2 as we can so that when all is said and done  
3 there are not any liabilities out there that  
4 the member companies are going to be  
5 assessed for at some point in the future or  
6 that the State's going to be left on the  
7 hook for.

8 We do know that there -- we expect  
9 the auditor to tell us that there is expense  
10 practice questions relating to the prior  
11 administration that are very, very  
12 significant.

13 There are -- we expect there to be  
14 a lot of dollars at issue. Citizens may  
15 want their money back, and if they do, where  
16 is it going to come from?

17 So there are just those sorts of  
18 questions that we need to consider going  
19 forward, and that's all.

20 I respect the Commissioner. I  
21 respect his decisions on this. It is only a  
22 process question, as attorney for the Board,

23 to make sure that as we go about winding it  
24 down we do so in the most orderly and  
25 conservative way possible to protect the

□

63

1 Board and the member companies.

2 MR. DEUTSCH:

3 To clarify that, when I had my  
4 conversation with the OFP it was before the  
5 LLA issued their opinion.

6 DR. BERRY:

7 OFP?

8 MR. DEUTSCH:

9 OFP, I'm sorry.

10 DR. BERRY:

11 ORM you mean?

12 MR. DEUTSCH:

13 ORM, yeah, whatever. The folks  
14 that are --

15 DR. BERRY:

16 Office of Risk Management.

17 MR. DEUTSCH:

18 So now the last conversation that  
19 we had with them they actually said, "we'll  
20 need a statement from our attorneys along  
21 with the LLA," and they would reconsider. I  
22 don't know what "reconsider" means, but --

23 DR. BERRY:

24 And --

25 MS. DAVIS:

1                   So their status now is they don't  
2 know?

3           MR. DEUTSCH:

4                   I think their status is that right  
5 now with the attorney letter and the  
6 statement from the LLA they would  
7 reconsider, and --

8           COMMISSIONER DONELON:

9                   May I ask, I assume that issue is  
10 for Board member liability --

11          MR. COOK:

12                   Right.

13          COMMISSIONER DONELON:

14                   -- questions?

15          MR. COOK:

16                   Right.

17          COMMISSIONER DONELON:

18                   Risk management?

19          MR. DEUTSCH:

20                   well --

21          MR. HERBERT:

22                   The ORM is.

23          MR. DEUTSCH:

24                   -- the other thing is that within  
25 that we can be part of health benefits and

1 other things that civil servants can get  
2 through --

3           COMMISSIONER DONELON:



8 Commissioner, it does --  
9 COMMISSIONER DONELON:  
10 Criminal?  
11 MR. HERBERT:  
12 -- insured versus insured  
13 exclusion.  
14 COMMISSIONER DONELON:  
15 Say again.  
16 MR. HERBERT:  
17 There's an insured versus insured  
18 exclusion, and Citizens is the named insured  
19 under the policy, so --  
20 COMMISSIONER DONELON:  
21 I got you.  
22 MR. HERBERT:  
23 -- that's the issue here.  
24 COMMISSIONER DONELON:  
25 And I understand that. And that's

□

67

1 a legitimate concern for each and every one  
2 of y'all, et cetera, to be addressed.  
3 But an in globo, generally, "are  
4 we public, are we private," which is what I  
5 heard from Mr. Herbert's description of what  
6 the dec action would be all about, isn't  
7 going to resolve each and every one of those  
8 individual issues, number one.  
9 And number two, it really does  
10 sound like a challenge of that Attorney  
11 General's opinion that this is a public, not

12 a private entity, as I heard it described.

13 And I would again urge you to err  
14 on the side of public and do so as the great  
15 majority of other states do around the  
16 country without all this, as Mr. Herbert  
17 said, huge amounts of money going out the  
18 window at the expense of our state  
19 policyholders.

20 And with that, I will leave you to  
21 your deliberations. I have a members-only  
22 conference call that they're beeping me for  
23 and would urge your consideration of what  
24 I've presented.

25 DR. BERRY:

□

68

1 Thank you for your time,  
2 Commissioner. I appreciate you being here.

3 MR. DEUTSCH:

4 One other thing to keep in mind.  
5 Last time A.J., actually during the  
6 executive session, I asked him how much he  
7 thought the legal proceedings would cost,  
8 and he said he estimated it to be about  
9 25,000 to seek the action and get resolution  
10 to it.

11 That wasn't necessarily favorable  
12 or unfavorable. That was just the amount.

13 MR. O'CONNOR:

14 I've never seen an attorney bill  
15 estimate come in anywhere close to what the

16 final result was.

17 MR. DEUTSCH:

18 And I --

19 MR. O'CONNOR:

20 It's always way --

21 MR. DEUTSCH:

22 I'm not casting stones one way or  
23 the other. I'm just saying it's at least  
24 going to be 25,000. Let's put it that way.

25 MS. WARDEN:

□

69

1 well, we've got a lot of the  
2 research already done, so it's just plugging  
3 it in now.

4 MR. O'CONNOR:

5 I don't see any reason to disagree  
6 with the Commissioner. I mean, I think  
7 we're a public -- if he's saying we're  
8 public, Attorney General is saying we're  
9 public.

10 MS. WARDEN:

11 The Attorney General didn't  
12 actually say we're public. The Attorney  
13 General said that we're subject to the open  
14 meetings law.

15 DR. BERRY:

16 Open meetings law.

17 MS. WARDEN:

18 Right. As a matter of fact, the  
19 Attorney General's opinion specifically said

20 we were not created by the legislature --

21 DR. BERRY:

22 Right.

23 MS. WARDEN:

24 -- and did not answer the question  
25 as to whether or not we were public. There

□

70

1 was only one question posed to the Attorney  
2 General, and that is, "Are we subject to  
3 the" --

4 DR. BERRY:

5 Open meetings law, right.

6 MS. WARDEN:

7 -- "open meetings law?" It had  
8 nothing to do with being public. So that  
9 was -- I don't mean to correct, but that  
10 was --

11 DR. BERRY:

12 Thank you.

13 MS. WARDEN:

14 -- that was what the Attorney  
15 General's opinion concerned.

16 DR. BERRY:

17 Again, A.J., I have to ask, I'm  
18 going to ask it a little more pointedly.  
19 One of the things that I mentioned was that  
20 we as a Board could be subject to -- I'm not  
21 a lawyer at all, and I don't profess to be  
22 one, pretend to be one, so help me like I'm  
23 a first grader or something.

24 But is it possible that we could  
25 be subject to malfeasance because of actions

71

1 that we have engaged in as meeting as a  
2 private board and now suddenly we're a  
3 public entity that is -- and that's just one  
4 of numerous questions.

5 I'm not just worried about us.  
6 I'm worried about the employees and  
7 everything that has happened in the past. I  
8 mean, these could have -- yes, there are  
9 expense implications with respect to how the  
10 CEO handled, and that should be handled.  
11 That should be addressed and taken care of.

12 But there are other expense  
13 implications that -- I think that in a  
14 private entity, if you're operating as a  
15 private entity, it's perfectly natural to do  
16 certain things that are not acceptable as a  
17 public entity.

18 And if we're going to have to go  
19 back and look at every one of those things  
20 in the process of also dissolving our  
21 organization and trying to do that  
22 efficiently, then I think we've got some  
23 issues.

24 I'm afraid that it's not as simple  
25 as just looking at the pensions, not that

72

1 that would be that simple, but I do agree  
2 with the Commissioner that you're capable of  
3 doing that, and I'm sure that MRT could do  
4 that. But I think there's potential for a  
5 lot of other implications here.

6 MR. HERBERT:

7 with respect to open meetings, the  
8 law is that if you take action outside of an  
9 open meeting, then someone -- I think it's  
10 any member of the public -- has 60 days to  
11 challenge that action after which it's  
12 validated.

13 So with respect to open meetings,  
14 then things that happened in 1888 are not  
15 going to get reopened in 2008.

16 But that's not to say that the  
17 same result would apply under public bid or  
18 the other laws.

19 I do want to relate a conversation  
20 that I just had with the Commissioner. And  
21 the Commissioner asked me to pass along to  
22 the Board that having heard the rationale  
23 with respect to the pension plan and civil  
24 service, he would not be opposed to a  
25 declaratory action relating to that issue

□

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1 only and would be willing to consider other  
2 issues if we sat down and went with them and  
3 explained them to him issue by issue.

4 But he remains opposed to a global  
5 declaratory judgment action. He is not  
6 opposed to one limited to the pension only.

7 And thirdly, his words were if we  
8 wanted to get this guidance from the  
9 Attorney General's Office as opposed to the  
10 Court's, he would not be as opposed, and  
11 those are his exact words, "not be as  
12 opposed." So I need to pass that on to the  
13 Board for your consideration as well.

14 I suppose what we'd need to  
15 consider in that process is as of now our  
16 response to the audit report on PIAL's legal  
17 status is due a week from tomorrow, the  
18 28th.

19 If perhaps we could get some  
20 additional time from the legislative  
21 auditor, then we could sit down with -- we  
22 could identify all of the issues of concern  
23 that we have -- particularly if there are  
24 any as significant as the pension, but the  
25 pension is the biggie -- and meet with the

□

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1 Commissioner and get his position on that.

2 Not to put you guys down there at  
3 the end of the table in the hot seat, but  
4 would you think that that would be a problem  
5 to get --

6 MS. FITZGERALD:

7 I can ask Dr. Theriot --

8 Dr. Theriot -- Mr. Theriot when we get back.  
9 I have a meeting with him at 3 o'clock, and  
10 I'll let you know today.

11 MR. HERBERT:

12 I mean, is it possible that you  
13 could call him while we have our board  
14 meeting here and see if he would be opposed  
15 to an additional extension?

16 MS. FITZGERALD:

17 Let me try to get ahold of him.  
18 I'm not sure if he's in the office right  
19 now, but I'll give him a call.

20 MR. HERBERT:

21 Okay. And I would say an  
22 additional week would be adequate --

23 MS. FITZGERALD:

24 Okay.

25 MR. HERBERT:

□

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1 -- if he's so inclined. If not,  
2 I'd just relay the Commissioner's okay on  
3 the dec action related to the pension; not  
4 as opposed, but not in favor of an Attorney  
5 General opinion.

6 MR. BYRD:

7 A.J. --

8 MR. HERBERT:

9 Yes, sir.

10 MR. BYRD:

11 -- this is Warren. I presume you

12 have the legal capabilities of your staff to  
13 research the issue of the retirement though  
14 prior to filing any dec action and advise  
15 the Board how you think it would unfold or  
16 how you think the retirement would go.

17 I mean, it would seem like we  
18 might want to get the benefit of your wisdom  
19 before we jump off to a dec action.

20 DR. BERRY:

21 And maybe on other things as well  
22 that could be of concern to the Board.

23 MR. BYRD:

24 Sure. I mean, the Court's going  
25 to --

□

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1 MR. HERBERT:

2 The answer is yes.

3 MR. BYRD:

4 The Court's going to look at this  
5 thing as long as you're going to look at it,  
6 and --

7 MR. HERBERT:

8 Yes. And --

9 MR. BYRD:

10 -- they'd come up with the exact  
11 same conclusion you come up with.

12 MR. HERBERT:

13 One option that we need to  
14 consider is that just terminating the  
15 pension plan and rolling those proceeds into

16 an annuity, that's an option that has been  
17 taken before in other instances, but --

18 MR. DEUTSCH:

19 Actually, in the conversations  
20 with them today, that's how they terminate.  
21 They roll it up into an annuity, and PIAL  
22 takes the annuity out. And when those  
23 people retire, they go back, not to us, but  
24 to the insurance company and take their  
25 retirement.

□

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1 MR. HERBERT:

2 An issue there is just the current  
3 underfunding --

4 MR. DEUTSCH:

5 Yeah. Right now the only issue in  
6 place is that it's underfunded, and I'll be  
7 able to know by the end of the week how much  
8 it's underfunded, but we'll get into this a  
9 little bit later.

10 We've got some financial  
11 information. It might be that in the year  
12 if we've got an excess that we consider,  
13 that you as a Board consider, putting that  
14 extra funding towards that underfunding of  
15 the pension plan.

16 MR. BYRD:

17 And that's to help us draw a line  
18 in the dirt basically as to when the  
19 employees are subject to the annuity that

20 may be bought versus go-forward basis as --

21 MR. DEUTSCH:

22 I think if I understand it  
23 correctly, warren, when the employees that  
24 are PIAL employees are transferred to the  
25 citizens they will allow them to keep that

□

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1 pension plan with Prudential and keep it as  
2 an effective thing.

3 But when PIAL is terminated, those  
4 25 people, if they have pension benefits,  
5 they would terminate the pension plan and  
6 roll it into a life insurance annuity.  
7 That's my understanding at this time how  
8 that would work.

9 MS. FITZGERALD:

10 He's in another meeting.

11 MR. HERBERT:

12 Okay.

13 MS. FITZGERALD:

14 He'll call me as soon as he gets  
15 out.

16 MR. HERBERT:

17 Thank you.

18 DR. BERRY:

19 Thank you.

20 There was some question whether we  
21 took a vote on whether to form a committee,  
22 a strategic options committee. We have the  
23 committee now I think, but were there any

24 objections to forming that committee?

25 MS. PRESTON:

□

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1 I thought y'all voted.

2 MR. HERBERT:

3 I thought --

4 MR. DEUTSCH:

5 We made motions.

6 DR. BERRY:

7 We made motions --

8 MR. DEUTSCH:

9 We didn't vote.

10 MR. HERBERT:

11 Did we name the members?

12 DR. BERRY:

13 We had two motions, and maybe I  
14 didn't --

15 MR. HERBERT:

16 Did we name the members?

17 DR. BERRY:

18 So no objections.

19 Yeah. I named the members. Yeah.

20 Okay. Do we want to wait a while

21 then and move forward with the agenda --

22 MR. HERBERT:

23 Yeah.

24 DR. BERRY:

25 -- on the declaratory judgment?

□

80

1           Okay. We need to discuss an  
2 annual meeting. I guess we need to set a  
3 date.

4           MR. DEUTSCH:

5           Do you want to talk about the  
6 vendor participation next meeting?

7           DR. BERRY:

8           I thought we --

9           MR. HERBERT:

10           well, if they have the strategic  
11 options committee, I imagine the strategic  
12 options committee would want to talk to  
13 those folks.

14           MR. DEUTSCH:

15           But I think that -- what I guess  
16 my question is, is that they've asked to  
17 address the Board.

18           MR. HERBERT:

19           I think it's premature to address  
20 the Board until the committee's considered.

21           MR. BYRD:

22           I would like to know, Mr. Herbert,  
23 if this firm could research whether we could  
24 hear from ISO --

25           DR. BERRY:

□

1           That's what I'm concerned about as  
2 well.

3           MR. BYRD:

4           -- and make sure we're not  
            Page 70

5 violating any --

6 DR. BERRY:

7 Public --

8 MR. BYRD:

9 -- public --

10 DR. BERRY:

11 Yeah.

12 MR. BYRD:

13 And before we move forward with  
14 setting a meeting with ISO or not, whether  
15 it be with the Board or the strategic  
16 options committee.

17 DR. BERRY:

18 And get the declaratory judgment  
19 thing all straightened out.

20 MR. BYRD:

21 No, not the declaratory judgment.  
22 Get the legal opinion from Mr. Herbert and  
23 his firm on whether or not we can meet with  
24 ISO either as an options committee or as a  
25 Board as a whole to hear how they operate;

□

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1 just procedures, not contractually deciding  
2 whether to use them or --

3 DR. BERRY:

4 Right.

5 MR. BYRD:

6 -- not use them, just can we meet  
7 with them is --

8 DR. BERRY:

9 Right.  
10 MR. HERBERT:  
11 Okay. Thank you, warren.  
12 MR. BYRD:  
13 Any other person who may want to  
14 come forward and express how they would  
15 operate.  
16 DR. BERRY:  
17 Okay. So we'll move on to the  
18 annual meeting, which I guess we do need to  
19 set a date.  
20 A.J., you want to tell them --  
21 MR. HERBERT:  
22 Our governance documents provide  
23 that we will have an annual meeting in the  
24 month of December. That's selected by the  
25 Board. So we just need the Board to

□

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1 designate a date, time, and location in  
2 December.  
3 DR. BERRY:  
4 It doesn't have to be any specific  
5 day or --  
6 MR. HERBERT:  
7 No. Preferably --  
8 MR. O'CONNOR:  
9 In New Orleans.  
10 MR. HERBERT:  
11 -- in New Orleans.  
12 DR. BERRY:

13                    would it be at the PIAL office in  
14 New Orleans?

15           MR. HERBERT:

16                    well, technically, the PIAL --  
17 well, technically, PIAL's office is --

18           DR. BERRY:

19                    In Metairie.

20           MR. HERBERT:

21                    -- is in Metairie, but it has a  
22 New Orleans mailing address. Is there a --  
23 I mean, obviously we want to do this before  
24 everybody starts rushing around buying  
25 Christmas presents, so sometime in the first

□

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1 two weeks of December?

2           MR. BYRD:

3                    December 3?

4           MR. COOK:

5                    what's the 3rd? what day?

6           DR. BERRY:

7                    what day of the week is that?

8           MR. DEUTSCH:

9                    Monday.

10          DR. BERRY:

11                    That's okay for me.

12          MR. HERBERT:

13                    So December 3rd?

14          DR. BERRY:

15                    December 3rd, any thoughts on  
16 that?

17 MR. HERBERT:  
18 what time in terms of people who  
19 have to fly or would it be better at  
20 10 o'clock --  
21 DR. BERRY:  
22 want to do --  
23 MR. HERBERT:  
24 -- 1 o'clock?  
25 DR. BERRY:

□

85

1 -- 1 o'clock?  
2 MR. HERBERT:  
3 1 o'clock works?  
4 MR. BYRD:  
5 we need to make sure --  
6 Thanksgiving is the 22nd, so we have the  
7 impact of Thanksgiving as well.  
8 DR. BERRY:  
9 Right. Do we need a motion?  
10 MR. HERBERT:  
11 Yes.  
12 DR. BERRY:  
13 Okay. We have a motion for  
14 scheduling the annual meeting for  
15 December 3rd at 1 p.m.  
16 where?  
17 MR. HERBERT:  
18 In New Orleans. We'll --  
19 DR. BERRY:  
20 Somewhere in New Orleans.

21 MR. HERBERT:  
22 we'll designate a location.  
23 DR. BERRY:  
24 Okay. Any motion?  
25 MS. DAVIS:

□

86

1 I motion.  
2 DR. BERRY:  
3 Kelly Davis motions.  
4 Any second?  
5 MR. BYRD:  
6 (Raises hand.)  
7 MR. O'CONNOR:  
8 Second.  
9 DR. BERRY:  
10 Joe O'Connor seconds.  
11 And any objection?  
12 (Silence.)  
13 None, so we'll move ahead with the  
14 motion.  
15 MR. DEUTSCH:  
16 It could be possible for the  
17 strategic committee to have a recommendation  
18 to the full at the annual meeting.  
19 DR. BERRY:  
20 At the annual meeting?  
21 MR. DEUTSCH:  
22 Yeah. And it just seems to me  
23 that --  
24 MS. DAVIS:

25 I don't see why not. I mean --

□

87

1 DR. BERRY:

2 A recommendation or --

3 MR. DEUTSCH:

4 Yeah.

5 DR. BERRY:

6 A recommendation about what? Are  
7 you saying a recommendation whether or not  
8 to do it or a recommendation as to exactly  
9 what to advise the legislature?

10 MR. DEUTSCH:

11 well, we can't decide whether we  
12 do it or not. It's not up to us. We're a  
13 creature of legislature, so --

14 DR. BERRY:

15 we'll support it then, won't we --

16 MR. DEUTSCH:

17 Right. We need to come up with --  
18 I think a recommendation needs to be in line  
19 when --

20 DR. BERRY:

21 Yeah. I think we'll --

22 MR. DEUTSCH:

23 Either yes, we support the  
24 Commissioner, or no, we don't. And here's  
25 why.

□

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1 DR. BERRY:

2 well, with recommendations as  
3 to --

4 MR. BYRD:

5 Joe, I would assume that the  
6 committee may make a report to the Board,  
7 and the Board may make a report to the  
8 annual meeting, so --

9 MR. HERBERT:

10 Correct.

11 MR. BYRD:

12 -- what I hear you saying is you  
13 want --

14 DR. BERRY:

15 Right.

16 MR. BYRD:

17 -- if you have information that  
18 you can convey at the annual meeting --

19 MR. DEUTSCH:

20 That's what I'm asking for.

21 DR. BERRY:

22 We probably need it before  
23 Thanksgiving week so that -- to have a  
24 meeting before the week of Thanksgiving, to  
25 do that.

□

1 Okay. PIAL, LAIP notice of  
2 termination.

3 MR. DEUTSCH:

4 I just wanted to apprise y'all

5 that we've served them notice, the LAIP,  
6 that we'll no longer serve their -- serve as  
7 their management entity, and effective 8/31  
8 we will no longer be associated with the  
9 LAIP in any form.

10 So far we've not been asked for an  
11 extension, and at this point I wouldn't  
12 think that we'd be likely to grant one with  
13 the late notice. I think everybody's in  
14 line about moving on.

15 So if I understand it, they've got  
16 their office. They've not come and gotten  
17 their furniture yet nor have they gotten any  
18 of their records, but I think they're ready  
19 to go.

20 MR. BYRD:

21 How long have they had the notice,  
22 Joe? When did it go out?

23 MR. DEUTSCH:

24 They had it in June. The 31st  
25 will actually be their 60th day. We

□

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1 extended it the first time, Warren, because  
2 we didn't want them to go -- you know, I  
3 guess to not be caught short is the best way  
4 to put it.

5 Now they've had a couple of  
6 meetings since then and should be able to  
7 move forward.

8 MS. DAVIS:

9 Do they have a staff that they're  
10 going to take? Do we know if -- they have  
11 one person?

12 MR. O'CONNOR:

13 Yeah, one person.

14 MS. DAVIS:

15 Okay.

16 MR. O'CONNOR:

17 Terry.

18 MR. DEUTSCH:

19 well, I mean, we've told them  
20 everything that they need and the training  
21 that is available. I mean, again, they have  
22 all the information they are going to need  
23 but have yet to contact anybody and say, we  
24 need this, this, or this.

25 DR. BERRY:

□

91

1 A working agreement with Citizens  
2 has been drafted. I know that Joe and John  
3 Wortman worked a lot on this, and A.J. and  
4 his team prepared the draft, is that  
5 correct, and provided the draft to Citizens.

6 when was that given?

7 MR. HERBERT:

8 That was before the last --

9 MR. DEUTSCH:

10

11 Two weeks ago --

12 MR. HERBERT:

PIAL meeting 082007 (2).txt  
13 -- Citizens meeting. We're  
14 awaiting comments back from Citizens' --  
15 MR. DEUTSCH:  
16 Yeah. We're still waiting for --  
17 MR. HERBERT:  
18 -- counsel.  
19 MR. DEUTSCH:  
20 -- a comment back from Citizens'  
21 staff on -- or Citizens' lawyers on our  
22 first draft of that.  
23 And in case y'all didn't know,  
24 Citizens at their last Board meeting did  
25 vote to separate from PIAL, which obviously

□

92

1 was not anything that we did not expect; in  
2 fact, had actually been working for prior to  
3 that time.  
4 At this point I think what John  
5 has in mind is to have a plan to plan  
6 essentially, and he wants to have the next  
7 board meeting -- I think is like the 1st of  
8 October or somewhere in there.  
9 And he wants to have the plan of  
10 division together by that time, not the  
11 actual division itself, but just the plan  
12 put together.  
13 So we are working towards that,  
14 have contacted the benefits people and have  
15 a kind of a whiteboard drawing of it right  
16 now.

17 DR. BERRY:  
18 I thought it was a Project.  
19 MR. DEUTSCH:  
20 No. That's --  
21 DR. BERRY:  
22 Brings out the Project, you know,  
23 Microsoft Project thing.  
24 MR. DEUTSCH:  
25 That's from the accounting people.

□

93

1 That's the --  
2 DR. BERRY:  
3 Okay.  
4 MR. DEUTSCH:  
5 They're actually using Microsoft  
6 Project to do the accounting.  
7 DR. BERRY:  
8 Joe, you want to talk about the  
9 financial audits?  
10 MR. DEUTSCH:  
11 In your Board packets you have the  
12 2005 financial audit from Macalusa and  
13 Vignes. They were invited to come today.  
14 They declined as they had some other  
15 engagements, I believe some training to go  
16 through.  
17 I really find it interesting that  
18 there were no management recommendations to  
19 go along with this. But from what I  
20 understand, the accounting is neither

21 insurance related nor nonprofit GAAP  
22 accounting, so I'm not quite sure what to  
23 tell you on that. We passed with colors  
24 from there.  
25 They have not been allowed to do

□

94

1 the 2006 figures because they're not what's  
2 considered a yellow book accountant.  
3 We had a firm by the name of Bruno  
4 and Tervalon to do that. At our last  
5 meeting with the legislative auditors we  
6 were informed that they were not going to be  
7 allowed to do the 2006 audit due to some  
8 issues that they're having.  
9 I'm not apprized of the details of  
10 that but was told that we needed to seek  
11 another one, which brings us to our new  
12 engagement.  
13 Is this Paillet? Can you pronounce  
14 this for me?  
15 MR. HERBERT:  
16 Paillet Meunier.  
17 MR. DEUTSCH:  
18 Paillet Meunier and LeBlanc, LPP.  
19 MR. HERBERT:  
20 Guess who's not from New Orleans.  
21 MR. DEUTSCH:  
22 And I do have the letter from  
23 them. I met with Kenny this morning and  
24 very briefly went through the things that

25 he's going to do. He kind of shook his head

□

95

1 after looking at the 2005 numbers.

2 Their services will range from 35-  
3 to 40,000. As you can tell, that's a little  
4 bit more than the 18,000 that Bruno and  
5 Tervalon had quoted before, but part of this  
6 is because now we're two months away from  
7 where we were before, and we're a little bit  
8 behind the eightball.

9 So my recommendation to the Board  
10 is that we engage with them and get this  
11 ball rolling, try to get it completed by the  
12 September 30th date that the legislative  
13 auditors have asked us to complete this by.

14 But y'all will need to have a  
15 motion to vote on that.

16 DR. BERRY:

17 Isn't there also an issue if we  
18 don't get it completed by September 30th  
19 that there's some problems with Citizens  
20 being able to --

21 MR. DEUTSCH:

22 what could possibly happen with  
23 the Citizens is that we could affect their  
24 bonding.

25 So if another huge storm comes

□

96

1 through and they -- let's say they

2 hypothetically can get their financials  
3 done, but our financials are a piece of  
4 their financial. If they can't produce  
5 financials, John Kennedy has told them that  
6 they will not -- they may not be able to get  
7 more bonding for a catastrophic claim.

8           So in effect, we could be keeping  
9 citizens from getting their bonding by  
10 missing the September 30th date. And in  
11 addition to that, the auditors have very  
12 strongly suggested that we have the  
13 September 30th date met.

14           MS. DAVIS:

15                   who recommended this accounting  
16 firm?

17           MR. DEUTSCH:

18                   This was -- we actually got a list  
19 from the auditor, and this is a firm that's  
20 in Jefferson Parish that A.J. -- MRG  
21 actually knows that firm. So they know  
22 their work. And again, I think from that  
23 perspective, it's good a fit.

24           MR. BYRD:

25                   And their work is acceptable to

□

97

1 the legislative auditors?

2           MR. DEUTSCH:

3                   It was on their list of  
4 recommended auditors, yes, sir.

5           MS. PRESTON:

6                   And they said they could have it  
7 done by the deadline?

8                   MR. DEUTSCH:

9                   They've put that in there. I  
10 mean, to be honest with you, Clarissa, this  
11 morning he was very unsure of that. I said  
12 that's got to be part of the engagement. He  
13 said, "we'll do everything we can to get it  
14 done by that date."

15                   But I mean, you got to understand,  
16 Bruno and Tervalon had already started a lot  
17 of the work, and we're probably going to  
18 have to be billed for some of the work that  
19 they've already done.

20                   But again, if we can't get our  
21 engagement accepted by the auditors, then  
22 there's no reason to go forward with it.

23                   DR. BERRY:

24                   I mean, A.J., are we okay doing  
25 this?

□

1                   MR. HERBERT:

2                   Just to note for everybody, you  
3 know, as we can change our mindset from  
4 private to public, one of the first things  
5 that we've always got to keep in mind is,  
6 can you just go out and hire an accountant  
7 now without a public process?

8                   Under the laws there's,  
9 professional services, you generally go

10 through a public process for any kind of  
11 professional service, \$50,000 or more.

12 Here it's come back 35- to 40-, so  
13 we don't have that issue in this particular  
14 instance. But it is appropriate to get  
15 ourselves in the mindset of we just -- if  
16 we're going to go down that path, we just  
17 can't go out and hire people anymore in that  
18 way.

19 MR. DEUTSCH:

20 And we actually already think that  
21 way. I mean, this was a conversation we had  
22 already had; in fact, had it with the CPA.

23 MR. BYRD:

24 A.J. and Joe, is there any need  
25 for the Office of Contractual Review to look

□

99

1 at this since it's less than 50,000 --

2 MR. DEUTSCH:

3 As I understand it, they do not  
4 need to be involved when it's under 50,000.

5 MR. BYRD:

6 Less than 50,000.

7 MR. DEUTSCH:

8 Right.

9 MS. DAVIS:

10 If they're on the approved list of  
11 auditors, we know we have to have this done,  
12 I'd build it into the engagement agreement,  
13 what's expected of the September 30th due

14 date --

15 DR. BERRY:

16 Right.

17 MS. DAVIS:

18 -- and obviously have the fees in  
19 there, what they're expected to do, and hold  
20 them accountable for it.

21 MR. DEUTSCH:

22 And here's the way that that  
23 reads, Kelly, and I appreciate you bringing  
24 that up.

25 It says, "We expect to begin our

□

100

1 audit on approximately August 24th and issue  
2 our report no later than September 30th,  
3 2007, and complete your information returns  
4 by October 15th."

5 So what they're doing is they're  
6 saying we'll guarantee getting the  
7 information to you, but you're not going to  
8 have the nice little packets until the 15th  
9 of October, which is fine. We just want to  
10 make sure we've got the audit actually done.  
11 We don't necessarily need the financial  
12 audit in our hands by that time.

13 I mean, that actually is in the  
14 engagement, and I'll have A.J. review it one  
15 more time before I sign it.

16 But I guess, again, we'll need a  
17 motion -- we'll need a motion that subject

18 to legal review of this that we accept the  
19 engagement and you allow me to go ahead and  
20 sign it.

21 Carry on.

22 DR. BERRY:

23 Is there a motion?

24 MS. DAVIS:

25 Subject to legal review, I motion

□

101

1 to approve the audit.

2 DR. BERRY:

3 Subject to legal review.

4 Any second?

5 MR. BABIN:

6 Second.

7 DR. BERRY:

8 Kerry Babin second.

9 Objections?

10 (Silence.)

11 None, so we'll move forward.

12 MR. DEUTSCH:

13 within that I'm also going to send

14 a letter of termination to Bruno and

15 Tervalon just as a courtesy to them. I've

16 actually already spoken with them on the

17 phone -- actually in person.

18 They will continue to do the asset

19 inventory for us. But I'll, just as a

20 courtesy, send them a note to terminate that

21 agreement.

22 MS. DAVIS:

23 And as part of that, can we ask  
24 them will they cooperate and furnish  
25 whatever work they've done to the new

□

102

1 auditors?

2 MR. DEUTSCH:

3 He's already said he would. But  
4 yes, I'll ask him to cooperate fully.

5 within your Board packet we're on  
6 the next part. There's financial  
7 information in there. That is right now  
8 where we stand financially. As you can  
9 tell, we're projecting -- this is just a  
10 projected cashflow statement.

11 To give you just a little bit of  
12 history, we're operating a little bit behind  
13 the eightball here in that we don't know  
14 what we don't know.

15 And so what we're projecting is  
16 those figures that we are familiar with and  
17 we know have come up and are reoccurring,  
18 and so we're taking those and reasonably  
19 projecting them forward.

20 There are still a lot of things  
21 out there. Again, we've got at least four  
22 vehicles that need to be replaced or  
23 purchased. But subject to the way that we  
24 go with PIAL, I think we're going to hold  
25 off on doing anything with those.

□

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1           we've got this underfunding of the  
2 pension plan that we need to consider, and  
3 so that cushion that's built in there really  
4 may not be as material as what it looks like  
5 on paper.

6           So we're projecting at this point  
7 the 1.2 million, but I think that in reality  
8 it's going to be much smaller than that  
9 because we really don't know what we don't  
10 know.

11           MS. DAVIS:

12           Meaning you haven't gone through a  
13 cycle, a full year?

14           MR. DEUTSCH:

15           Right. And then there were so  
16 many things that ended up being hidden in  
17 there, Kelly, that it really seems like  
18 every time we open up a door we find  
19 something that we didn't know was there,  
20 some expense that was there or something  
21 that needs to be fixed or replaced or  
22 whatever.

23           I mean, there's also servers.  
24 There's about five servers that they replace  
25 every three years. We've decided to take

□

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1   them out of cycle and kind of repair them --

2 or replace them as needed, but there's five  
3 of them that are either in their three-year  
4 cycle or approaching their three-year cycle.

5 DR. BERRY:

6 Okay. Any questions on financial  
7 information?

8 Can you give us an update on  
9 assets inventory?

10 MR. DEUTSCH:

11 I can do that. As I've noted --

12 MR. HERBERT:

13 Joe, I'm sorry. Did we already  
14 look at the financial statement for '05?

15 MR. DEUTSCH:

16 Yeah.

17 MR. HERBERT:

18 Okay. Did we note -- because  
19 there is some discussion in the '05  
20 financial about the underfunding of the  
21 pension.

22 Okay. I just wanted to make sure  
23 everyone was aware of that discussion in  
24 Note 7 to the financials for '05.

25 MR. BYRD:

□

105

1 In note what, A.J.?

2 MR. HERBERT:

3 Note 7 on the '05 financials is  
4 the discussion of the underfunded pension  
5 issue that we've been talking about this

6 morning.

7 MR. DEUTSCH:

8 And they are -- like I said,  
9 Seigel is the accounting firm. They're  
10 supposed to be getting us specifics on how  
11 much it's underfunded. And right now it's  
12 showing a percentagewise, but it doesn't  
13 really -- it's not that meaningful to me. I  
14 really would like to know, what does that  
15 mean to me in dollars?

16 Okay. Now, as far as the asset  
17 inventory, ever item within the entire  
18 organization has been tagged. In fact, if  
19 you look around, you might see on the back  
20 of one of your chairs there's a little  
21 circle in here that's got a number on it.

22 what we're trying to do is now  
23 we're going through our inventory, balancing  
24 it against what Bruno and Tervalon had, and  
25 making sure that none of the large items

□

106

1 have walked away. And right now all the  
2 large items have been pretty much  
3 identified.

4 The reason that our assets -- if  
5 you look in your books now, you'll see that  
6 our assets are like 11 million, 12 million,  
7 somewhere in there. Most of that is  
8 because, from an accounting standpoint,  
9 they've put their software vending cost in

10 there.

11 So not only did they put the cost  
12 of the software in there, but they also  
13 added every time they had to do, on a  
14 monthly basis, just your typical fixing the  
15 software. So there was nothing new added to  
16 the software. It was just a service cost.

17 And we're -- right off the top of  
18 my head identified about 700,000 that was  
19 just service cost in there. There's no  
20 asset even identified with it.

21 It would be like buying a nice  
22 piece of furniture and then paying to polish  
23 it. You're not getting anymore for it.  
24 You've still got the nice table, but the  
25 polishing doesn't really add anything to it.

□

107

1 So I'm sure that we're going to  
2 have some kind of a transaction that's going  
3 to show the assets at their fair market  
4 price, and then the next thing after that is  
5 after we get all that shaken out we're going  
6 to have to decide what part is Citizens' and  
7 what part is PIAL's. So we're in the middle  
8 of doing that.

9 Are there any questions on the  
10 asset inventory?

11 (Silence.)

12 All right. Next item is your ISO  
13 filing. This is the rate level review for

14 Louisiana. What we need to do with this is  
15 we need to approve or not approve the  
16 indicated amounts, the recommended amounts.

17 And from here what we'll do is we  
18 would send this back to ISO if it's approved  
19 for their actuary to review.

20 And then they will return it to  
21 us, which we will then forward it to  
22 Clarissa and the Department of Insurance for  
23 approval or denial from them or we can come  
24 back with a recommendation of our own, which  
25 I guess I would have a hard time doing

□

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1 because I don't believe any of us are  
2 actuaries.

3 But we can actually remediate back  
4 to ISO and say we'd like some further action  
5 on this, but we need some form of action  
6 either to vote to go ahead and file or to  
7 not file.

8 If you read through this  
9 information, they do ask that we -- you can  
10 cap these.

11 If you look on the second page of  
12 the filing, the very top paragraph says,  
13 "For purposes of stability, we recommend  
14 that you cap Basic Group II changes by  
15 territory and symbol at plus 40 percent and  
16 minus 35 percent."

17 So that really only affects Basic

18 Group II, Zone 4, and we would cap that at  
19 40 percent.

20 Now, I've read through the filing.  
21 I recommend that we would accept these as  
22 filed.

23 MR. BYRD:

24 This will be reviewed by the  
25 DOI --

□

109

1 MR. DEUTSCH:

2 Right.

3 MR. BYRD:

4 -- once it comes back?

5 MR. DEUTSCH:

6 Exactly. What we're doing here,  
7 Warren, is we would vote either to approve  
8 it or decline or make a modification. Then  
9 it goes back to ISO for their actuary to  
10 review, and then it comes back to us, and we  
11 send it to the Department for their  
12 approval.

13 So we're not actually approving.  
14 The Department of Insurance also has the  
15 ultimate acceptance or declination of it.

16 MR. BYRD:

17 which is where the actuaries are,  
18 so utilize their services.

19 MS. PRESTON:

20 For the company folks who are  
21 here, since I don't have the actuary with

22 me, are any of y'all using AIR 8.0 in  
23 Louisiana?  
24 MS. DAVIS:  
25 We were using 8. I'd have to

□

110

1 check.  
2 MS. PRESTON:  
3 Because I see they base this one  
4 on AIR 8.0.  
5 MS. DAVIS:  
6 I'll have to take a look, either  
7 7.5 or --  
8 MR. DEUTSCH:  
9 Now, we can table this until the  
10 next meeting if, especially, company folks  
11 would feel more comfortable taking this back  
12 and reviewing it.  
13 MS. DAVIS:  
14 We can do that.  
15 MS. PRESTON:  
16 We have time to do that?  
17 MR. DEUTSCH:  
18 well, yeah. I mean, considering  
19 that we're already a year late, I guess --  
20 and I say that in joking because this one  
21 was -- we were actually supposed to act on  
22 this last December.  
23 what they've done is they've taken  
24 the first six months of this year and have  
25 put it together and given us a revised

□

111

1 figure. So if our plan is to meet next  
2 month, I think we can certainly do that.

3 MS. PRESTON:

4 when you send it back to ISO, how  
5 soon of a turnaround before it gets filed?

6 MR. DEUTSCH:

7 As I understand the process, what  
8 they will do is they will tell us -- we'll  
9 tell them a target effective date that we'd  
10 like to have, and they'll tell us if that's  
11 meetable or not.

12 And my recommendation would be to  
13 see if we could make it like a 1/1/08  
14 effective date.

15 MS. PRESTON:

16 And how far behind is it? It's  
17 supposed to be --

18 MR. DEUTSCH:

19 well, technically --

20 MS. PRESTON:

21 -- last year?

22 MR. BYRD:

23 Since --

24 MR. DEUTSCH:

25 Yeah. It includes the last year

□

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1 and a half information.

2 MS. PRESTON:

3 All right.

4 MR. DEUTSCH:

5 Because we missed last year's to  
6 bring the rates up. So all the indications  
7 are current based on the two years. We've  
8 just missed a -- we've missed one filing  
9 within this.

10 So you might see some bigger  
11 swings in some areas than what normally we  
12 would see.

13 MS. PRESTON:

14 Y'all want to look at this?

15 MS. DAVIS:

16 I can take a look at what we're  
17 doing.

18 MR. DEUTSCH:

19 Well, I mean --

20 MS. DAVIS:

21 I know Rich is going to look at  
22 it, right?

23 MS. PRESTON:

24 Uh-huh. Because, I mean,  
25 otherwise, we can just go ahead with the

□

113

1 process because it will be sent to the  
2 Department for full review anyway. I was  
3 just wondering.

4 MR. DEUTSCH:

5 Like I said, my suggestion would  
6 be to go ahead and approve it and then let

7 ISO go ahead and work their rates on it and  
8 send it to the DOI to --

9 MS. PRESTON:

10 That's fine.

11 DR. BERRY:

12 A motion to --

13 MR. COOK:

14 I'll make a motion that we accept  
15 this.

16 DR. BERRY:

17 Accept it, send it on to ISO?

18 MR. COOK:

19 Yep.

20 DR. BERRY:

21 Dennis makes a motion.

22 Seconds? Any seconds?

23 (Silence.)

24 Any objections?

25 (Silence.)

□

114

1 Okay. Motion carries.

2 To discuss IT?

3 MR. DEUTSCH:

4 This is mine as well. I'm sorry.

5 Just very briefly, I want to apprise you-all  
6 that right now if a hurricane were to come  
7 on shore, the process that we would have is  
8 that we would have to pull the servers out  
9 of the Metairie office and bring them to  
10 this office and plug them in.

11           We do have that. We have that  
12 plan in place. That's not the optimal plan.  
13 I think any of you that work anywhere would  
14 know that that seems to be a little bit  
15 redundant.

16           Our plan long-term is to get an  
17 off-site data center in somewhere out of  
18 harm's way, whether it's Nevada or somewhere  
19 just far away from a cat area, cat-prone  
20 area, move all the servers there and operate  
21 offline from there.

22           So I think that that's long-term  
23 what we're doing. In fact, we have an RFP  
24 out there right now. It's just that that is  
25 a slow process, and it will probably be by

□

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1 next May that that will happen.

2           So we're praying there's no more  
3 hurricanes that will come on shore from now  
4 until November, and we'll hopefully get  
5 through and not have to pull those servers  
6 and bring them up here.

7           MS. PRESTON:

8           So what do we have up here so far?  
9 I thought we had some type of backup,  
10 something up here already?

11          MR. DEUTSCH:

12           You know, Clarissa, at one time  
13 they actually had duplicate processes here  
14 and in Metairie. And what happened is after

15 the hurricane various servers were added  
16 here, and they're added there.

17           So right now both locations are  
18 dependent on each other. So we're actually  
19 at the worst possible scenario right now  
20 because if we lose either location we lose  
21 both locations.

22           So yeah. And that's the first  
23 thing -- I mean, I've been working on that  
24 since May. Like I said, an RFP just doesn't  
25 come quickly.

116

1           So we'll keep you apprized of  
2 what's going on with that, and hopefully it  
3 will work pretty quickly.

4           MR. BYRD:

5           In keeping with the Commissioner's  
6 thoughts, this RFP complies with the public  
7 bid situation?

8           MR. DEUTSCH:

9           Well, what's happened on this one,  
10 warren -- and that's a really good  
11 question -- is since this is a -- at the  
12 time PIAL was considered nonpublic, and  
13 Citizens, this is -- the majority of their  
14 work is on here -- was considered what we  
15 said quasi public.

16           And what John Wortman wanted to do  
17 is, regardless of whether this fell under  
18 the RFP process or not, he wanted to put it

19 up for bid. So --

20 MR. BYRD:

21 We've done that.

22 MR. DEUTSCH:

23 -- we actually don't think it  
24 does. We actually think it falls outside of  
25 it, but Citizens really wants this done

□

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1 under the RFP. And right now we've gotten  
2 some statutes changed on the recent session  
3 that says anything we do for Citizens has to  
4 follow the RFP process, so better safe than  
5 sorry.

6 MR. BYRD:

7 Okay.

8 MS. DAVIS:

9 Do we know what the -- like you  
10 talked about the backup plan. Even though  
11 the, obviously, RFP process takes a long  
12 time, but talk about moving computers, I  
13 mean, we have something -- it may not be  
14 ideal, but we have some sort of --

15 MR. DEUTSCH:

16 Yes, ma'am.

17 MS. DAVIS:

18 Okay.

19 MR. DEUTSCH:

20 I mean, we've actually got the  
21 servers identified, and we know how to take  
22 them down, and we know how to bring them

23 back up.

24 I mean, there is an actual plan to  
25 pull them down, to move them, and what order

118

1 they would need to go in to get put back up  
2 in line again. Not ideal, but we do know  
3 through that whole process what has to  
4 happen.

5 MS. MURNANE:

6 More than one person knows how to  
7 do it?

8 MR. DEUTSCH:

9 It is written. It is written  
10 down. which is a good comment, because the  
11 person that originally wrote it down is no  
12 longer with the company.

13 DR. BERRY:

14 So coming into executive session,  
15 I guess we need a motion to move to  
16 executive session.

17 MR. HERBERT:

18 First off, let me mention that  
19 Mr. Theriot has consented to grant to PIAL  
20 an extension to respond to the audit report  
21 on PIAL status to September the 5th. So  
22 please pass on our thanks for that courtesy.

23 If we're going to go into  
24 executive session, that requires a roll call  
25 vote and an affirmative vote of two-thirds

1 of the members. So we need to go around the  
2 table, the voting members.

3 MR. BYRD:

4 Let me ask for clarification.

5 Will the litigation only be these two items  
6 in the PIAL versus SBS and PIAL versus  
7 American? The other potential action being  
8 the declaratory judgment, have we exhausted  
9 that one or do we intend to discuss that in  
10 executive session?

11 MR. HERBERT:

12 I don't know that it's exhausted.  
13 It could encompass any of those three  
14 matters.

15 MR. BYRD:

16 Okay.

17 DR. BERRY:

18 Okay. Can we take a roll call to  
19 vote to move into executive session?

20 Tara? Yes?

21 MS. MURNANE:

22 Yes.

23 MS. PRESTON:

24 Yes.

25 DR. BERRY:

1 Clarissa.

2 Kerry?

3 MR. BABIN:  
4 Yes.  
5 DR. BERRY:  
6 warren?  
7 MR. BYRD:  
8 Yes.  
9 MR. SOILEAU:  
10 Yes.  
11 MR. DREHER:  
12 Yes.  
13 MS. DAVIS:  
14 Yes.  
15 MR. O'CONNOR:  
16 Yes.  
17 MR. COOK:  
18 Yes.  
19 MR. HAGEN:  
20 Yes.  
21 DR. BERRY:  
22 And, Paul. I'm sorry, Paul.  
23 You're back there behind me.  
24 Okay. We'll move into executive  
25 section. Five-minute break.

□

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1 (Thereupon, the executive session  
2 proceedings take place without the court  
3 reporter being present.)  
4 MR. HERBERT:  
5 For the executive session the  
6 executive -- the Board of Directors met in

7 executive session, and the decision of  
8 the -- well, we need to have a motion on the  
9 following action, that the prior  
10 recommendation of the executive committee to  
11 file a declaratory judgment action be  
12 deferred, postponed until we meet with the  
13 Commissioner and try and narrow the list of  
14 issues that are of concern, such as civil  
15 service and the employee pension.

16 And then if we're able to narrow  
17 that list of issues, that may obviate the  
18 need for declaratory judgment action or it  
19 may limit the issues that are included  
20 within any declaratory judgment action.

21 Warren, have I --

22 MR. BYRD:

23 I so move.

24 MR. SOILEAU:

25 Second.

□

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1 DR. BERRY:

2 Any objections?

3 MR. HERBERT:

4 We need a vote?

5 DR. BERRY:

6 We need a roll?

7 MR. HERBERT:

8 No, just a vote.

9 DR. BERRY:

10 No objection? The motion carries.

PIAL meeting 082007 (2).txt  
11 The next meeting of the Board will  
12 be September 18th at 1 o'clock. Is that  
13 going to be here?  
14 MR. HERBERT:  
15 We can.  
16 DR. BERRY:  
17 Do we have to discuss --  
18 MR. DEUTSCH:  
19 For those that fly in, would it be  
20 easier to fly into New Orleans or would it  
21 be easier --  
22 MS. DAVIS:  
23 Doesn't matter to me.  
24 MR. HERBERT:  
25 Let's do it here.

□

123

1 DR. BERRY:  
2 Okay. Here at the PIAL office  
3 then.  
4 Thank you all for -- 1 o'clock.  
5 Thank you all for coming today on  
6 short notice. Good meeting.

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1 REPORTER'S CERTIFICATE

2

3 I, Gretchen Alexander, Certified  
4 Court Reporter, do hereby certify that the  
5 foregoing meeting was reported by me in  
6 shorthand and transcribed under my personal  
7 direction and supervision, and is a true and  
8 correct transcript, to the best of my ability  
9 and understanding;

10 That I am not of counsel, not  
11 related to counsel or the parties hereto,  
12 and not in any way interested in the outcome  
13 of this matter.

14

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18

19 PIAL meeting 082007 (2).txt  
GRETCHEN ALEXANDER, CCR, RPR  
20 Certified Court Reporter  
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23  
24  
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□