

LOUISIANA CITIZENS PROPERTY
INSURANCE CORPORATION,
PROPERTY INSURANCE ASSOCIATION OF LOUISIANA,
AND LOUISIANA AUTOMOBILE INSURANCE PLAN



COMPLIANCE AUDIT

ISSUED SEPTEMBER 26, 2007

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September 26, 2007

**J. JOHN WORTMAN, CHIEF EXECUTIVE OFFICER,
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LOUISIANA CITIZENS PROPERTY INSURANCE CORPORATION**
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**S. DENISE BRIGNAC, CHAIRWOMAN, AND BOARD OF GOVERNORS
OF THE LOUISIANA AUTOMOBILE INSURANCE PLAN**
Metairie, Louisiana

We have audited certain transactions of the Louisiana Citizens Property Insurance Corporation, Property Insurance Association of Louisiana, and Louisiana Automobile Insurance Plan. Our audit was conducted in accordance with Title 24 of the Louisiana Revised Statutes to determine the propriety of certain financial transactions.

Our audit consisted primarily of inquiries and the examination of selected financial records and other documentation. The scope of our audit was significantly less than that required by *Government Auditing Standards*; therefore, we are not offering an opinion on the agencies' financial statements or systems of internal control nor assurance as to compliance with laws and regulations.

The accompanying report presents our findings and recommendations as well as management's responses. This correspondence is intended primarily for the information and use of management of the Louisiana Citizens Property Insurance Corporation, the Property Insurance Association of Louisiana, and the Louisiana Automobile Insurance Plan. Copies of this report have been delivered to the District Attorney for the Twenty-fourth Judicial District of Louisiana, the United States Attorney for the Eastern District of Louisiana, the Louisiana Board of Ethics, and others as required by law.

Respectfully submitted,

Steve J. Theriot, CPA
Legislative Auditor

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We examined the available accounting records and board minutes of the Louisiana Citizens Property Insurance Corporation (Citizens), the Property Insurance Association of Louisiana (PIAL), and the Louisiana Auto Insurance Plan (LAIP) from the period beginning January 2004 and ending December 2006. During the course of examining these records and interviewing both current and former employees, we determined the following:

1. PIAL, Citizens, and LAIP board members and Mr. Terry Lisotta, former chief executive officer for PIAL, Citizens, and LAIP, signed a “Statement of Ethics and Conflict of Interest Procedure” agreeing to specific individual conduct as officers and officials of their respective agencies. The statement was prepared by the Board of Directors to codify its commitment to the standards and rules of ethical business conduct in areas such as the expenditure of agency funds and individual conduct.

PIAL, Citizens, and LAIP had a combined total of \$1,040,731 in travel, meals, and entertainment expenses. Mr. Lisotta was reimbursed and/or spent approximately \$264,245¹ for expenses he reported to have incurred. We examined specific transactions totaling \$25,702 or 10% of his expenditures. These transactions indicate that Mr. Lisotta was reimbursed for expenses he did not incur, expenses that did not have a legitimate public purpose, and expenses that were personal expenditures. Mr. Lisotta would not confirm the specific circumstances of the expenditures.

We did not examine the remaining \$238,543 of Mr. Lisotta’s expenditures to determine whether there was a legitimate business purpose.

PIAL’s project manager-contracts and Citizens chief information officer, Mr. Curles Reeson, and PIAL’s former information technology manager, Mr. Charles Cate, spent \$2,900¹ in public funds for personal purposes.

2. During 2004 and 2005, the LAIP board expended \$45,851,¹ in violation of state law to hold annual meetings in Sandestin, Florida, for “bonding, socializing, and strategizing” purposes; the meetings have been held since 1978.
3. Bonuses, totaling \$180,299, were paid by PIAL to senior management and other employees in violation of the Louisiana State Constitution.² In addition, salary increases for senior management were not properly documented.
4. Ms. Caryl Mathes, former chief operating officer for PIAL and acting chief financial officer for Citizens, was given severance pay totaling \$47,850 in violation of the Louisiana State Constitution.²
5. During the summers of 2004 through 2006, Mr. Lisotta’s daughters were paid \$5,340 as part-time employees of PIAL performing work for Citizens in possible violation of state law.³

¹ This dollar amount is included in the \$1,040,731 outlined in item number one.

² **Article VII, Section 14 of the Louisiana Constitution** provides, in part, that except as otherwise provided by this constitution, the funds, credit, property, or things of value of the state or of any political subdivision shall not be loaned, pledged, or donated to or for any person, association, or corporation, public or private.

³ **R.S. 42:1119** provides, in part, that no member of the immediate family of an agency head shall be employed in his agency.

6. PIAL paid \$381,264 in ad valorem taxes to the Jefferson Parish Government and was reimbursed \$106,640 from Citizens for its portion of the taxes and \$6,344 from LAIP; however, all three agencies are exempt from paying ad valorem taxes.
7. As of this report, Citizens has paid PIAL \$1,248,351 for equipment; however, PIAL has not transferred ownership of these assets to Citizens.² The purchase of assets, such as equipment, without a subsequent transfer of ownership constitutes a profit, which is expressly prohibited by the contractual agreement between PIAL and Citizens.
8. As of September 6, 2007, Citizens does not have a written contract with its general counsel, Bienvenu, Foster, Ryan, and O'Bannon Law Firm. On May 17, 2007, PIAL engaged Adams and Reese, LLP as its governmental relations counsel to provide, in part, lobbying services--a violation of the Louisiana State Constitution.

Background

PIAL was originally established in Louisiana in 1888 but came into its modern form in 1960. The purpose of the association is to establish and regulate fire insurance rates in Louisiana. Every property insurer in Louisiana is required to be a member of PIAL. PIAL has a rate regulation/reporting function with the Louisiana Insurance Rating Commission. LAIP was created in 1993 by Louisiana Revised Statute (R.S.) 22:1417 for the purpose of creating a mechanism to equitably distribute automotive insurance to commercial and private applicants who are unable to procure insurance through ordinary methods.

Citizens was created as a nonprofit corporation by Act 1133 of the 2003 Regular Legislative Session to operate two residual market insurance programs previously known as the FAIR and COASTAL Plans. Citizens was created to provide property insurance coverage in the coastal and other areas of Louisiana to applicants who are unable to procure coverage through the voluntary (i.e., private) market. Citizens was designed to be an insurer of last resort. When the Citizens board determines that it is unable to pay its liabilities (property damage claims or operating costs), it has the legal authority to assess all insurers⁴ an amount sufficient to cover its liabilities. In practice, those assessments are passed on to policyholders in the state.

Before and during our audit period, January 2004 through December 2006, through a series of contractual agreements, PIAL became the third party administrator for Citizens and LAIP. These agreements designated Mr. Lisotta as the chief executive officer (CEO) of the three agencies. On April 23, 2007, Citizens hired its own CEO. On June 29, 2007, PIAL terminated Mr. Lisotta's employment. On August 24, 2007, LAIP voted to terminate Mr. Lisotta in his capacity as CEO of LAIP.

⁴ Insurers are defined as all insurers authorized to write property insurance in Louisiana on a direct basis.

During the course of a previous audit, which resulted in a May 23, 2007 compliance audit report, we determined that PIAL, Citizens, and LAIP were operated as one agency. Based on that report, we questioned management's practices and chose to examine the expenditures of Mr. Lisotta and some of his senior managers to verify whether public funds were expended for personal purposes.

While performing the audit that resulted in the May 23, 2007 report, we questioned the public nature of PIAL, Citizens, and LAIP. Since that time, past legislation has come to our attention, as well as a recent Attorney General opinion, which together indicates that PIAL, Citizens, and LAIP are public agencies.⁵ Accordingly, this report was written based on PIAL, Citizens, and LAIP being public agencies.

From January 2004 through December 2006, PIAL, Citizens, and LAIP incurred \$1,040,731 in travel, meals, and entertainment expenses. The expenditures were allocated as follows: \$463,081 was charged to PIAL; \$448,371 was charged to Citizens; and \$129,279 was charged to LAIP. However, management could not sufficiently explain how or why the allocations were distributed. In addition, we question the need for many of the expenditures.

For example, Citizens was established by the legislature as an insurer of last resort. Therefore, Citizens' purpose is not to expand its business but rather reduce the number of policies it writes. Given this basis, it is not in accord with state law to expend public funds to entertain insurance industry officials and public officials; agency records indicate such spending had occurred. Given the legislative history, a similar argument can be made for PIAL and LAIP. The allocation of expenses to Citizens becomes more questionable considering that policyholders ultimately pay for any liabilities Citizens determines it is unable to pay.

Board of Directors and Management Commitments

During the fourth quarter of 2003, PIAL, Citizens, and LAIP board members and Mr. Lisotta agreed to, by signing a "Statement of Ethics and Conflict of Interest Procedure," abide by specific individual conduct as officers and officials of their respective agencies. The statement was prepared by the Board of Directors to codify its commitment to the standards and rules of ethical business conduct. The following is part of the statement's details about ethical conduct:

- **Conflict of Interest Defined** - states, in part, ". . . Neither they nor members of their families may accept loans, gifts, excessive entertainment, or substantial favors from those who do business with the company, directly or indirectly, or have any financial dealings with such persons that could reasonably be expected to influence their performance of the company duties."

⁵ R.S. 36:686 (A) states, in part, The following agencies are transferred to the Department of Insurance and shall exercise their powers, duties, functions, and responsibilities in the manner provided in R.S. 36:801.1:

(1) The Board of Directors of the Property Insurance Association of Louisiana (R.S. 22:1405).

(4) The Governing Committee of the Louisiana Automobile Insurance Plan (R.S. 22:1417).

(5) The Board of Directors of the Louisiana Citizens Property Insurance Corporation (R.S. 22:1430.3).

Attorney General Opinion No. 07-0166

- **Use of Company Funds and Assets** - states, in part, “Company assets are to be used solely for the benefit of the Company, and you are responsible for assuring that Company assets within your control or to which you have access are used only for valid corporate purposes. Company assets may not be improperly used to provide personal gain to you or others . . .”
- **Proper Accounting and Record Keeping** - states, in part, “The Company strives to maintain a system of internal controls to assure that transactions are carried out in accordance with management’s authorization and are properly recorded . . . Strict adherence to these policies is required . . . It is, therefore, against Company policy, and illegal, for any officer, director or employee knowingly to cause the Company’s books and records to be inaccurate . . .”
- **Kickbacks and Rebates** - states, in part, “. . . As a general rule, if you or your family stand to gain personally through the transaction, it is prohibited and is not only unethical, but may be illegal.”
- **Entertainment** - states, “You **may not** encourage or solicit entertainment from any individual or company with whom the Company does business. **You may** offer or accept entertainment if the entertainment is reasonable, occurs infrequently, does not involve lavish expenditures and has a legitimate business purpose.”
- **Dealings with Public Officials** - states, in part, “. . . Any hospitality bestowed upon such persons must be such that public knowledge of it would not expose the person, his or her agency, or the Company to criticism or embarrassment.”

Expense Reimbursements

Mr. Lisotta expended public funds in four manners; he would (1) spend his personal money and submit expense reports for reimbursement; (2) charge purchases, personal and business on agency credit cards; (3) charge purchases to PIAL and LAIP restaurant house accounts; and (4) borrow public funds and record the purchases in his “personal LAIP account” to be paid back at a later date. Mr. Lisotta’s personal account was established in the LAIP accounting records to facilitate Mr. Lisotta’s personal purchase transacted with public funds (This account will be discussed further in example 13 on page 12).

According to agency records, Mr. Lisotta submitted approximately 199 expense reports for expenses he claimed to have incurred. However, when the expenditures were allocated among the agencies, there was no indication that all agency boards approved the expenditures. In addition, of the 199 expense reports, 86 reports did not receive signed approval by a board member and 34 had board approval after Mr. Lisotta reimbursed himself for the expenses.

Mr. Lisotta could not satisfactorily explain the valid business purposes for the expenditures or the allocations of his expenditures to the three agencies. In addition, it appears that Mr. Lisotta personally benefited from some of the transactions. The records also suggest that the boards overseeing the three agencies were also involved to various extents with expenditure decisions through approvals and participation. Of the \$1,040,731 in total expenditures, Mr. Lisotta expended at least \$264,245 for travel entertainment, meals, and gifts. Because of poor record-keeping, we cannot confirm his total expenditures. Some expenditures were not detailed, and neither Mr. Lisotta nor Ms. Caryl Mathes, certified public accountant and former PIAL chief operating officer and acting chief financial officer for Citizens, would speak to us about specific transaction details.

Mr. Terry Lisotta

Because of the large amount of individual transactions that comprise Mr. Lisotta’s expenditures, we examined specific transactions to determine whether he used public funds for personal purposes. The following are 13 examples of Mr. Lisotta’s expenditures that represent only \$25,702 or 10% of his total expenditures.

1. On September 24 2004, an LAIP check totaling \$600 was issued to the Wally Pontiff Foundation endorsed “Terry M. Lisotta” and “Susan Gegenheimer.” On October 15, 2004, Mr. Lisotta claimed reimbursement at a cost of \$660 for registering a “foursome” as participants in the Wally Pontiff Jr. Foundation Golf Classic held at the Eastover Country Club in New Orleans. The registration form submitted with the expense report lists the following individuals as the foursome: Mr. Lisotta; Mr. Ernest O’Bannon, legal counsel for PIAL and Citizens; Mr. Steven Ruiz, Louisiana Insurance Rating Commission board member; and Mr. Mike Jackson. Subsequently, he submitted an additional expense report for the same golf tournament registration expenditure from the October 15, 2004, expense report. This expense report indicates the tournament expense totaled \$720. On October 20, 2004, Mr. Lisotta was reimbursed for both expense reports.

It appears that Mr. Lisotta was reimbursed at least \$1,380 for which he did not incur an expense. In addition, Mr. Lisotta spent \$600 of public funds without a legitimate public purpose.

2. An expense report with a processing date of March 31, 2004, was submitted by Mr. Lisotta that included a \$600 cash advance to cover charges associated with the "annual crawfish boil." That same day, Mr. Lisotta was issued a check for the advance, and PIAL issued a check paid to the order of Professional Insurance Agents, Inc., for \$37.50 for its organization's annual crawfish boil registration fee. On another expense report with a processing date of April 30, 2004, Mr. Lisotta listed a charge for \$37.50 that he reported as paid in cash for a registration fee to attend the April 16, 2004, PIA of New Orleans annual crawfish party held in Metairie.

It appears that Mr. Lisotta was reimbursed \$37.50 for an expense he did not incur. In addition, agency records indicate that Mr. Lisotta did not report how the cash advance, totaling \$600, was expended nor do the records indicate he returned the advance to PIAL.

3. From February 4, 2005, through February 8, 2005 (Mardi Gras season), Mr. Lisotta incurred charges totaling \$1,716.56 on his LAIP credit card for two rooms at the Avenue Plaza Hotel in New Orleans. Mr. Lisotta thereafter submitted an expense report that listed a personal cash expenditure of \$914.77 for one room for a 4½ day stay at the Avenue Plaza Hotel for the same February time period.

On March 18, 2005, he was reimbursed for the cost of this hotel. However, of the \$914.77 claimed on the expense report, only \$56.50 of this amount was paid using Mr. Lisotta's personal funds. According to records we received from the Avenue Plaza Hotel, Mr. Lisotta had additional charges for Mardi Gras related purchases. These charges were not included on his expense report.

From February 4, 2005, through February 9, 2005, Mr. Lisotta also rented a room at the Hotel Inter-Continental at a cost of \$1,511. This room was again paid for using his LAIP credit card. Mr. Lisotta's business calendar includes entries that indicate he checked his daughters into the two rooms at the Avenue Plaza Hotel and checked himself into the Hotel Inter-Continental.

Agency and third party records indicate that Mr. Lisotta spent \$3,227.56 in public funds for three hotel rooms for personal purposes. In addition, it appears Mr. Lisotta was reimbursed \$858.27 for an expense he did not incur. This Mardi Gras expenditure totaled \$4,142.33.

4. Two expense reports for the period October 8, 2004, through October 16, 2004, were submitted by Mr. Lisotta and contain expenses totaling \$749 for a two-night stay in Gainesville, Florida; meals; and game tickets to attend a Louisiana State

University football game. The expense reports indicate that Mr. Chad Brown (PIAL and Citizens board member and deputy commissioner for the Department of Insurance) and Mr. Lisotta attended the game with their spouses. Although Mr. Lisotta claimed the expense was business related, Mr. Brown stated that there was no business purpose for the trip. Mr. Brown stated and third party records confirm that Mr. Brown paid for his and his spouse's hotel stay. He also stated that it was his understanding that Mr. Lisotta obtained the tickets free-of-charge. According to Mr. Brown, he did not know Mr. Lisotta was reimbursed for the expenses associated with the trip.

Agency records indicate that Mr. Lisotta spent \$749 in public funds for personal purposes.

5. Mr. Lisotta submitted an expense report for the date of July 22, 2004, which included an expenditure totaling \$850 for the purchase of 100 tickets for admittance to Zephyr Stadium for a baseball game. Mr. Lisotta recorded that the business purpose of the purchase was for a "staff function." According to an agency employee, the 100 tickets were distributed to PIAL employees. Supporting documentation attached to the expense report indicates that the purchase was to enable his daughter, Ms. Rachel Lisotta, to meet her cheerleading squad fund raiser goal of selling 200 tickets.

Agency records indicate that Mr. Lisotta spent \$850 in public funds without a legitimate public purpose.

6. On February 26, 2004, Mr. Lisotta and Mr. Chris Faser, Citizens board chairman, departed for Europe for re-insurance business via New York and Bermuda. On February 10, 2004, Mr. Lisotta purchased airline tickets for his wife, Sandra D. Lisotta, to travel with him to New York and Bermuda. Mrs. Lisotta's airfare to and from New York and Bermuda cost a total of \$1,219.75, all of which was charged by Mr. Lisotta to his LAIP credit card. There is no record of Mr. Lisotta reimbursing LAIP for the cost of his wife's airfare on this trip.

Mr. David Duffy is employed by Guy Carpenter & Company, LLC (GCC). GCC was the re-insurance vendor for Citizens. According to agency records, Mr. Duffy arranged for Mr. and Mrs. Lisotta's and Mr. Faser's itineraries excluding their airline tickets. Agency records indicate that GCC made the hotel reservations for Mr. and Mrs. Lisotta and Mr. Faser while they were in Bermuda. GCC arranged for Mr. Faser to go bone-fishing and deep-sea fishing on February 28 and 29, 2004, and arranged for Mr. Lisotta to play golf on February 28. Agency records also indicate that GCC arranged and paid for Mrs. Lisotta to attend a spa where she received a facial, massage, and pedicure. However, according to Mr. Duffy, he does not believe GCC paid for the spa.

On February 29, 2004, Mr. Lisotta used his PIAL credit card to pay \$252.50 for the cost of playing golf. Mr. Lisotta's and Mr. Faser's itineraries for this trip do

not indicate that public business was conducted on February 28 and 29, 2004--a Saturday and Sunday. On March 1, 2004, Mr. Lisotta phoned in an order to The Tinder Box, a cigar vendor in Metairie, Louisiana, and made a purchase for \$78.30. The same day, he also purchased cigars for \$81.20 from The Chatham House in Bermuda.

Agency and third party records indicate that Mr. Lisotta spent at least \$1,631 in public funds for personal purposes.

7. Mr. Lisotta used the LAIP credit card to purchase three airfare tickets for his daughter, Ms. Megan Lisotta, totaling \$504 and two airfare tickets for him and his wife totaling \$645. Mr. Lisotta did not submit these expenses on an expense report. However, the \$504 was allocated to his personal LAIP account.

According to agency records, Ms. Megan Lisotta's tickets were for travel to and from New York during May and July of 2005, where it appears she attended New York University. Based on the credit card charge description, it appears that Mr. and Mrs. Lisotta's tickets were for travel to and from Seattle, Washington, departing on September 11, 2005.

Because of Hurricane Katrina, the Louis Armstrong New Orleans International Airport was closed, and it appears that Mr. and Mrs. Lisotta did not make the trip. LAIP credit card records do not indicate that a credit was received for the unused airfare tickets or that an airline voucher was given in place of the unused tickets.

Agency records indicate that Mr. Lisotta spent \$1,149 in public funds--at least \$826.50 was for personal purposes. The remaining \$322.50 did not have a documented business purpose and was not returned to the agency either by way of cash, credit, or airline voucher.

8. On May 26, 2005, Mr. Lisotta used the LAIP credit card to purchase Louisiana State University football season tickets and a parking pass totaling \$1,723. Mr. Lisotta did not submit an expense report for this expense and it was not allocated to his personal LAIP account.

Agency and third party records indicate that Mr. Lisotta spent at least \$1,723 in public funds without a legitimate public purpose.

9. Mr. Lisotta submitted an expense report for the date of May 25, 2005, containing an expense totaling \$1,789 for the purchase of golf merchandise including one set of golf clubs, a putter, and golf balls. This amount was charged on the LAIP credit card. PIAL was allocated \$1,689 and the remaining \$100 was allocated to Mr. Lisotta's personal account. The golf merchandise was given to Mr. Ernest O'Bannon, PIAL's general counsel, as a retirement gift. The Louisiana State Constitution prohibits gifts to employees and vendors.

According to Mr. O'Bannon, he was presented the clubs as a gift of appreciation for 23 years of service. He stated that he did not know who paid for the clubs. When we informed him of the cost allocated to PIAL and LAIP, Mr. O'Bannon stated that he did not want to be the benefactor of an inappropriate gift. On September, 12, 2007, Mr. O'Bannon paid PIAL \$1,789 and LAIP \$165 for the cost of the golf clubs and for his participation in the Wally Pontiff Foundation golf tournament (see example 1).

Agency records indicate that Mr. Lisotta spent \$1,789 in public funds without a legitimate public purpose.

10. Mr. Lisotta submitted an expense report for the date of October 22, 2004, containing golf expenses totaling \$292 at the Carter Plantation Louisiana Club in Springfield. Mr. Lisotta lists Mr. Brown as a participating member. Of the \$292, Mr. Lisotta purchased two golf games totaling \$140, golf merchandise totaling \$116, and a meal for \$36. The golf merchandise purchase included a golf towel, clothing, golf balls, and other miscellaneous merchandise. Mr. Brown stated that he recalls playing with Mr. Lisotta at Carter Plantation but does not remember Mr. Lisotta ever paying for him to play. He also stated that he was never given any of the items purchased from the Carter Plantation Pro Shop by Mr. Lisotta.

Agency records indicate that Mr. Lisotta spent \$292 in public funds for personal purposes.

11. In July of 2004 and 2005, Mr. Lisotta attended two conventions for the Professional Insurance Agents of Louisiana, Inc., at the Marriott Grand Hotel in Point Clear, Alabama, and submitted expense reports for reimbursement. The 2004 expense report indicates that Mr. Lisotta incurred expenditures for golf totaling \$575 of which \$100 was charged to Mr. Lisotta's PIAL credit card. However, no documentation indicates that Mr. Lisotta personally paid for the remaining \$475 in expenses.

Both hotel invoices attached to the expense reports contain spa treatment charges totaling \$688. Mr. Lisotta indicated on either the invoices or the expense reports that the spa treatments were purchased--two for Mr. Ruiz, LIRC board member, and one for Mr. David Hal Stiel, Citizens board member. Mr. Ruiz stated that he attended both conventions but never went to a spa. According to Mr. Stiel, he attended the convention but did not receive a spa treatment.

Agency records indicate that Mr. Lisotta spent \$1,263 in public funds without a legitimate public purpose.

12. Mr. Lisotta submitted two expense reports including quail hunts totaling \$1,506 at the Bon Amis Hunting Club in Ville Platte, Louisiana. According to one expense report, Mr. Lisotta was joined on March, 11, 2004, by Mr. Faser and Mr. Brown. According to the second expense report, on December 16, 2004, Mr. Lisotta was joined for the hunt by Mr. Ruiz, Mr. Brown, and Mr. Faser.

Although he confirmed that he participated in hunting trips, Mr. Brown could neither confirm nor deny his participation in either of these hunts; a Bon Amis receipt indicates Mr. Brown participated in one quail hunt. Mr. Brown stated that he has never paid either the Bon Amis Hunting Club or Mr. Lisotta for the quail hunts. He also stated that he was not aware that Mr. Lisotta was expensing the costs of the two quail hunts. Mr. Ruiz stated that he attended the hunt, and they discussed the structuring of Citizens.

Agency records indicate that Mr. Lisotta spent \$1,506 in public funds without a legitimate public purpose.

13. A review of his personal LAIP account indicates that Mr. Lisotta used the LAIP credit card to purchase \$8,850 in personal goods, was credited as paying \$5,563 back to LAIP for those purchases, and currently owes LAIP \$3,287. However, of the \$5,563 recorded as being paid to LAIP, the accounting records support that only \$1,573 was paid by Mr. Lisotta; the balance, \$3,990, was credited to his account with no documentation supporting Mr. Lisotta's payments. The use of a personal account for the purposes of charging personal expenditures is a violation of the Louisiana State Constitution.²

Based on our examination of Mr. Lisotta's expenditures, \$25,702 appears to be expenses that Mr. Lisotta either did not incur, were personal in nature, or did not have a legitimate public purpose. These expenses were approximately allocated as follows: \$7,307 was charged to PIAL; \$4,567 was charged to Citizens; and \$13,828 was charged to LAIP. By claiming expenditures he did not incur and by expending public funds for personal purposes, Mr. Lisotta may have violated state and federal laws.⁶ We did not examine the remaining \$238,543 of Mr. Lisotta's expenditures to determine whether there was a legitimate business purpose.

During interviews with Mr. Lisotta, he explained why the three agencies operated without regard to state laws that affect public agencies. According to Mr. Lisotta, his understanding was that Citizens, PIAL, and LAIP were private entities because "their lawyers told him that they were private entities." In addition, he was authorized by Mr. Michael Franks, former LAIP chairman, to use the LAIP credit card for personal expenses as long as he pays it back. Mr. Lisotta also stated, "Mr. Ely should not be surprised with anything because he approves it all." However, Mr. Michael Ely, PIAL board chairman and a member of the LAIP and Citizens boards, informed our office that he did not approve everything and that expenses were approved by other board members. Mr. Ely further stated that had he known Mr. Lisotta was engaging in any improper practice, he would not have approved those expenditures. Finally, Mr. Lisotta agreed that he was the conduit for paying the boards' business expenses.

⁶ **R.S. 14:67** provides, in part, that **theft** is the misappropriation or taking of anything of value which belongs to another, either without the consent of the other to the misappropriation or taking, or by means of fraudulent conduct, practices, or representations.

R.S. 14:133 provides, in part, that **filing false public records** is the filing or depositing for record in any public office or with any public official, or the maintaining as required by law, regulation, or rule, with knowledge of its falsity, any forged document, any wrongfully altered document, or any document containing a false statement or false representation of a material fact.

R.S. 14:134 provides, in part, that **malfeasance in office** is committed when any public officer or public employee shall (1) intentionally refuse or fail to perform any duty lawfully required of him, as such officer or employee; (2) intentionally perform any such duty in an unlawful manner; or (3) knowingly permit any other public officer or public employee, under his authority, to intentionally refuse or fail to perform any duty lawfully required of him or to perform any such duty in an unlawful manner.

U.S.C.A. 18:1033 provides, in part, that whoever . . . willfully embezzles, abstracts, purloins, or misappropriates any of the moneys, funds, premiums, credits, or other property of such person so engaged shall be punished . . . as provided under this title or imprisonment for not more than 10 years.

We attempted to question Mr. Lisotta about the specifics of the 13 expenditures; however, Mr. Lisotta chose not to respond to the specifics of these transactions. We attempted to question Mrs. Lisotta about her participation in some of the expenditures; however, according to Mrs. Lisotta's attorney, she will not speak to us under the present circumstances.

During the course of these expenditures, PIAL, LAIP, and Citizens had a reporting responsibility to the Louisiana Department of Insurance and the Louisiana Insurance Rating Commission. While participating in these expenditures, Mr. Brown held a position at a regulatory agency, the Louisiana Department of Insurance, and Mr. Ruiz held a position at a regulatory agency, the Louisiana Insurance Rating Commission. If Mr. Brown and Mr. Ruiz knowingly accepted gratuities from PIAL, LAIP, and Citizens, they may have violated Louisiana law.⁷

In addition, during the course of these expenditures, Mr. Lisotta held a position as CEO of all three agencies. If Guy Carpenter & Company, LLC, the re-insurance vendor for Citizens, paid for a portion of Mr. Lisotta's activities in Bermuda, Mr. Lisotta would have violated Louisiana law by accepting a gift.⁷

Senior Management

Two senior managers, PIAL's project manager-contracts and Citizens' chief information officer, Mr. Curles Reeson, and former information technology manager, Mr. Charles Cate, had combined PIAL credit card expenditures of \$80,164 for travel, meals, and entertainment. The following results are from our review of a sample of expenditures from senior management:

Mr. Reeson and Mr. Cate used their PIAL credit card for personal expenses totaling at least \$2,900. In addition to personal charges, both Mr. Reeson and Mr. Cate purchased \$4,321 in meals for vendors including Strategic Business Solutions and Image Right.

Mr. Reeson made \$1,527 worth of personal charges; however; he only reimbursed PIAL \$596 of those charges. The remaining \$931 includes purchases for gas, a meal, a hotel expense, and four airfare tickets for his wife, Mrs. Sandy Reeson. In addition to personal charges, Mr. Reeson also used his credit card to purchase airfare for Ms. Lisotta; Mr. Cate's wife, Mrs. Eugena Cate; and another information technology (IT) employee's wife totaling \$926. Mr. Reeson then stated that Mr. Lisotta gave him approval to take his wife on business trips and charge them to PIAL. He also stated that there was no business purpose for spouses to attend but would not have taken his wife without Mr. Lisotta's approval.

Mr. Cate used his PIAL credit card to make \$1,373 in personal purchases for which he has not reimbursed PIAL. Mr. Cate purchased pet supplies, gas, and airfare for Mrs. Cate and his son. In addition, on May 30, 2007, Mr. Cate was sent an e-mail by the

⁷ **R.S. 42:1115** provides, in part, that no public servant shall solicit or accept, directly or indirectly, anything of economic value as a gift or gratuity from any person or employee of any person who has or is seeking to obtain contractual or other business or financial relationships with the public servant's agency.

accounting department reminding him of personal charges owed to PIAL. On June 8, 2007, Mr. Cate reimbursed PIAL \$281 for personal charges made during the 2007 calendar year. Mr. Cate no longer works for PIAL and could not be contacted for comment.

In addition to senior management's misuse of public credit cards, it appears that senior management granted some support level employees, such as an employee in the IT department, authority to purchase meals and charge them to a PIAL credit card or to LAIP and PIAL house accounts. We question the business necessity for the meal purchases. For example, on June 3, 2005, an IT support employee purchased \$386 in food for lunch with no explanation of who participated in the meal or the business purpose for the expenditure.

According to agency records and Mr. Reeson's statements, Mr. Reeson and Mr. Cate spent \$2,900 of public funds for personal purposes.⁶ In his response to this finding (see management's responses), Mr. Reeson stated that he requested from our office the exact dollar amount in question for purposes of reimbursing PIAL any personal expenses. Mr. Reeson's statement is incorrect; no such dollar amount was given to him. We recommend that Mr. Reeson review all of his credit card purchases and reimburse PIAL for his personal expenditures.

We recommend that PIAL, Citizens, and LAIP boards:

- (1) strictly follow its adopted Statement of Ethics and Conflict of Interest Procedure;
- (2) consult and instruct its employees to operate as public agencies and within state law;
- (3) only expend funds for public purposes;
- (4) maintain itemized receipts for all purchases;
- (5) record on all meal and travel receipts the participants and business purpose for the expenditures;
- (6) develop board approval for all senior management expenditures;
- (7) seek reimbursement of all non-public expenditures;
- (8) reconcile Mr. Lisotta's personal account and collect the balance due; and
- (9) review all allocations to ensure that each agency only paid for expenditures relating to its operations.

LAIP Annual Board Meetings

During the period 2004 and 2005, the LAIP board used \$45,851 to hold annual meetings in Sandestin, Florida. According to Mr. Lisotta, the LAIP governing board has held its annual meeting in Sandestin, Florida, since 1978 for “bonding, socializing, and strategizing” purposes.

During our audit period, LAIP held two annual meetings at the Hilton Sandestin Beach Golf Resort & Spa. According to agency records, the duration of each trip was approximately two nights and three days during July. The itinerary for the annual meeting consisted of two afternoon socials, two hospitality receptions, two dinners, a continental breakfast, golf, and only one two-hour meeting.

According to agency records, approximately 30 individuals including board members, spouses, children, and family members stayed at the resort. Some of the board members, and accompanying guests, stayed extra nights at LAIP’s expense. Other expenses incurred by board members and Mr. Lisotta include deep-sea fishing, golf, beach setup fees, an assortment of alcohol and food for banquets and socials, one excursion with two boat rentals and food provided, and individual room meal charges. During the two trips, Mr. Lisotta’s room expenses included \$973 in spa charges--two charges were for Ms. Rachel Lisotta and a friend totaling \$204. A typical dinner cost approximately \$2,500.

The attorney general has historically opined that the use of public funds to pay or reimburse for food, drinks, or the expenses associated with parties and other types of celebratory functions is prohibited. According to Attorney General Opinion No. 07-0134, based on the latest expression from the Louisiana Supreme Court, the board members of LAIP and Mr. Lisotta may have violated Article VII, Section 14 of the Louisiana Constitution. The opinion outlines a three-prong test to determine whether payments are constitutional. It requires:

- (1) a public purpose for the expenditure or transfer;
- (2) the expenditure or transfer; taken as a whole, does not appear to be gratuitous; and
- (3) evidence demonstrating that the public entity has a reasonable expectation of receiving a benefit or value at least equivalent to the amount expended or transferred.

The LAIP annual board meetings appear to not meet these requirements because the meetings appear to be celebratory in nature and for personal benefit and do not have a public purpose or do not provide a value equivalent to the amount expended. In addition, the use of public funds for family vacations may be a violation of state law.²

We recommend that the LAIP board:

- (1) discontinue its annual meeting in Sandestin, Florida, and meet locally;
- (2) conduct the meetings for public purposes; and
- (3) seek reimbursement for all non-public expenditures.

Improper Bonuses, Salaries, Severance Pay, and Leave Accruals

Bonuses and Salaries

From the period January 2004 through May 2007, PIAL issued bonuses totaling \$180,299 to employees and senior management. Of that amount, \$138,399 or 77% was paid to three senior managers: Mr. Lisotta, Ms. Mathes, and Mr. Reeson. Mr. Lisotta, Ms. Mathes, and Mr. Reeson received bonuses totaling \$77,843; \$36,845; and \$23,711, respectively. In December 2005, the remaining \$41,900 was paid as bonuses to PIAL employees who worked in Baton Rouge after Hurricane Katrina. The agencies could not provide documentation to confirm board approval for these bonuses.

Ms. Mathes' personnel file supports two salary increases and one bonus approved by Mr. Lisotta; however, only one was signed by a board member. Mr. Reeson's personnel file supports two salary increases and one bonus approved by Mr. Lisotta; there are no board member signatures on Mr. Reeson's salary increases or bonus.

PIAL records contain two salary increase and bonus forms for Mr. Lisotta. Both forms were signed by Mr. Ely and have the same effective date. The forms indicate that the salary increase and bonus is for the same time period; however, the dollar amounts conflict. According to one form, Mr. Lisotta's base salary and salary increase totaled \$22,000 and his net bonus was \$12,000. According to the second form, Mr. Lisotta was to receive the same base salary and salary increases but was to receive a bonus totaling \$20,000. Payroll records indicate that Mr. Lisotta received the \$22,000 salary increases and a \$22,500 gross bonus (\$12,000 net). Mr. Ely stated that Mr. Lisotta's salary increases and bonuses were recommended by the PIAL Executive Committee subject to board approval.

In addition to the lack of proper documentation of salary increases and bonuses, the agencies could not produce board adopted budgets. Although the PIAL accounting department had budgets on hand, we could not determine if these budgets were board approved.

Without board adopted budgets and proper documentation for salary increases and bonuses, we cannot determine whether the boards intended to pay salary increases and bonuses or whether the amounts paid were correct.

Severance Pay and Annual Leave Accruals

In addition to receiving bonuses, after resigning from PIAL on June 1, 2007, Ms. Mathes was awarded severance pay totaling \$47,850--\$35,750 for three months of salary and \$12,100 for unused vacation leave. According to Mr. Joe Deutsch, PIAL CEO, this severance package was determined and offered to Ms. Mathes by A.J. Herbert, PIAL general counsel. PIAL may have violated Article VII, Section 14 of the Louisiana State Constitution as Ms. Mathes did not perform work for the \$35,750 paid to her for three months' salary. Although leave documentation supports Ms. Mathes' pay for unused vacation leave, there was no supervisory approval of her using annual leave.

According to Mr. Reeson, upper management's annual leave was recorded on the "honor system," and he kept track of his leave on his personal calendar. Mr. Lisotta did not approve his leave. Mr. Lisotta stated that he kept track of his own leave.

Because senior management kept its own annual leave balances without Mr. Lisotta's oversight, and because Mr. Lisotta kept his own annual leave balances without board oversight, we cannot determine that any of management's annual leave balances are correctly stated.

The attorney general has consistently opined, as in Opinion No. 01-0406, that the payment of a bonus or other gratuitous, unearned payment to public employees is prohibited by Article VII, Section 14 of the Louisiana State Constitution.² Any additional compensation to public employees must be in the form of a salary increase for future services and may not be given as extra compensation for past services. Based on the attorney general's opinion, PIAL violated the Louisiana State Constitution by paying bonuses and severance pay to its employees.

We recommend that PIAL:

- (1) comply with the Louisiana State Constitution and discontinue giving bonuses and severance pay to employees;
- (2) clearly document all employee salary increases;
- (3) establish policies and procedures for the proper supervision and accounting of all leave accruals;
- (4) seek reimbursement of the bonuses and severance pay; and
- (5) reimburse Citizens and LAIP their allocated portions of the bonuses.

Family Members Employed in Violation of State Law

During the summers of 2004 through 2006, Mr. Lisotta employed his daughters, Megan, Rachel, and Sarah, to work for PIAL. PIAL paid a total of \$5,340 in wages to Mr. Lisotta's daughters in violation of state law.

According to R.S. 42:1119, "no member of the immediate family of an agency head shall be employed in his agency." As stated previously, since February of 2001, Mr. Lisotta has served as CEO of PIAL and since January 2004, CEO of Citizens. PIAL and Citizens meet the criteria of "agency" and Mr. Lisotta meets the criteria of "agency head" as defined in the statute.

Mr. Lisotta stated that he hired his daughters to work for a few summers and most of their duties involved work for Citizens. Mr. Lisotta stated that he never signed any of his daughters' timecards and they were managed by Ms. Sharon Dessauer, the former pricing department manager for PIAL.

According to a PIAL employee and e-mail correspondence, Ms. Rachel Lisotta worked some days unsupervised from her home. An examination of his daughters' timecards indicates that of the 41 timecards, 25 were not signed by their supervisor certifying to the hours worked, and two were not signed by either the daughters or their supervisors certifying to the hours worked.

We recommend that PIAL comply with R.S. 42:1119 and implement procedures to ensure that before hiring applicants, those applicants are not immediate family of any member of the board or the agency head. We also recommend that all employees be adequately supervised and should a need arise for administrative or clerical employees to work from their homes, that adequate documentation of the reasons for the need be kept on file. Finally, we recommend that all time and attendance records be certified as accurate by both the employee and the employee's immediate supervisor.

Ad Valorem Taxes

During the period 2004 through 2006, PIAL paid ad valorem taxes to the Jefferson Parish Government totaling \$381,264. Of that amount, \$106,640 and \$6,344 were allocated to Citizens and LAIP, respectively, and the remaining \$268,280 was paid by PIAL. An ad valorem tax is a tax based on the value of real estate or personal property. State law requires a business or entity to pay an ad valorem tax on property purchased during a designated time period.

According to the Jefferson Parish Tax Assessor, entities that believe they should be exempt from ad valorem taxes must submit a letter to his office requesting the exemption and provide documentation supporting the exemption. Examples of supporting documentation would include IRS ruling or a copy of the statute that created the entity. According to Article VII, Section 21 of the Louisiana State Constitution, public agencies are exempt from paying ad valorem taxes. Therefore, PIAL, Citizens, and LAIP paid \$381,264 in ad valorem taxes without a legal obligation to do so.

We recommend that PIAL:

- (1) submit, in writing, to the Jefferson Parish Tax Assessor a request (with supporting documentation) for an exemption from paying ad valorem taxes;
- (2) request from the Jefferson Parish Government or PIAL's member organizations, reimbursement of \$381,264 paid in ad valorem taxes; and
- (3) reimburse Citizens and LAIP their allocated portions of the taxes paid.

Undocumented Equipment Purchases

On December 29, 2003, PIAL and Citizens entered into a contractual agreement which states, "PIAL shall perform for Citizens, on a cost and expense reimbursement basis, without a profit, commission or fee to PIAL, such services as may be required to operate and administer the Citizens Fair and Coastal Plan programs pursuant to Citizens' Plan of Operation, as it may be amended." This agreement does not require that PIAL specifically identify and transfer ownership of any long-lived assets purchased on behalf of Citizens. The purchase of long-lived assets, such as equipment, without a subsequent transfer of ownership constitutes a profit, which is expressly prohibited by the agreement. This agreement also states, "This agreement shall have . . . a termination date of December 31, 2004, unless extended by the parties . . ." PIAL has continued to provide operational and administrative services for Citizens without a new contract.

PIAL invoiced Citizens on a monthly basis for operational and administrative services. Each invoice includes a breakdown of how much was spent on equipment. Between January 1, 2004, and December 31, 2006, PIAL invoiced and Citizens paid for \$1,248,351 in equipment expenditures.

PIAL executed an agreement on June 12, 2007, with a local CPA firm to provide ". . . A complete accounting and list of all furniture, fixtures, and equipment (FFE) located at PIAL's offices . . . FFE will be separately identified as either belonging to PIAL or LCPIIC . . ." As evidenced by the agreement, PIAL had not maintained accounting records sufficient enough to identify equipment purchased on behalf of Citizens. If the equipment could not be identified, then a transfer of ownership is deemed to not have taken place.

We recommend that as equipment is located and identified as belonging to Citizens, ownership of the located and identified equipment be transferred in writing to Citizens. We also recommend that PIAL reimburse Citizens the cost for any missing equipment.

Professional Services Contracts

Adams and Reese, LLP

In a May 23, 2007, compliance audit report, we noted that Adams and Reese, LLP was retained by PIAL to be its governmental relations counsel. A PIAL memorandum dated February 2, 2004, and initialed by Mr. Lisotta indicated that Mr. E.L. Henry would perform duties of the legislative counsel for \$36,000 per year; however, the memorandum did not contain specific requirements.

On May 17, 2007, PIAL signed an agreement with Adams and Reese, LLP whereby Adams and Reese, LLP will continue its service as governmental relations counsel for PIAL. According to the agreement, Adams and Reese, LLP's representation is limited to lobbying and other governmental relations' services.

CITIZENS, PIAL, AND LAIP

According to Attorney General Opinion No. 06-0156, it is a violation of the Louisiana State Constitution Article VII Section 14; Article XI Section 4; and R.S. 24:56 (F) to use public funds, engage public employees, or enter into contracts for the purpose of lobbying.

We recommend that PIAL discontinue the agreement with Adams and Reese, LLP.

Bienvenu, Foster, Ryan, and O'Bannon

In a May 23, 2007, compliance audit report, we reported that on March 18, 2004, the Citizens Board of Directors adopted resolutions authorizing the chairman of the board of Citizens to execute professional services contracts with Bienvenu, Foster, Ryan, and O'Bannon as general counsel.

During the review of Citizens' records, we noted that Citizens had an unsigned copy of a general counsel retention agreement dated March 25, 2004. The unsigned agreement stated that the retainer price is \$36,000 per year, beginning January 1, 2004, and that any work completed that does not fall within the scope of the retainer will be billed at the rate set by the Attorney General's Office. In our report, we recommended that "Citizens require written contracts including, but not limited to, the length of the contract, contractual obligations, contractual procedures, expense reimbursements, and payment terms." As of September 6, 2007, Citizens and Bienvenu, Foster, Ryan, and O'Bannon do not have a signed contract.

We recommend that the Citizens board require written contracts including, but not limited to, the length of the contract, contractual obligations, contractual procedures, expense reimbursements, and payment terms.

The procedures performed during this examination consisted of:

- (1) interviewing employees and management of the entities;
- (2) interviewing other persons as appropriate;
- (3) examining selected documents and records;
- (4) obtaining documents from various vendors;
- (5) performing observations; and
- (6) reviewing applicable stated laws and regulations.

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Management's Responses

Louisiana Citizens

Property Insurance
Corporation

P.O. BOX 60730
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PHONE (504) 831-6930
www.lacitizens.com

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SUITE 400
METAIRIE, LA 70005-4385
FAX (504) 831-6676

Monday, September 17, 2007

Steve J. Theriot, CPA
Legislative Auditor
State of Louisiana
1600 North Third Street
P.O. Box 94397
Baton Rouge, LA 70804-9397

Re: Draft Compliance Audit
Your September 6, 2007 letter

Dear Mr. Theriot:

On September 6, 2007 we met with your staff concerning the captioned audit. We discussed the audit and were asked to respond prior to September 20, 2007. While the audit addressed PIAL, LAIP and Louisiana Citizens Property Insurance Corporation, this is the response for Citizens only. Also, as Mr. Purpera has probably told you, the Citizens Board has asked that you separate the findings as to Citizens and put those in a separate report.

As background, we believe you are aware that since its inception, until recently, Citizens outsourced all operations to PIAL. We have made a recent decision to separate the entities. At this time, Citizens has three employees, as follows:

- J. John Wortman, CEO, employed 4/23/07
- Mark P Brockelman, CFO, employed 5/22/07
- Dan E. Laffey, Vice President, employed 7/30/07

We have reviewed the audit findings with the Citizens Board of Directors on September 13, 2007 and they concur with the following responses to your recommendations.

Recommendations and Responses:

Your report stated: "We recommend that PIAL, Citizens, and LAIP Boards:

- 1) Strictly follow its adopted Statement of Ethics and Conflict of Interest Procedure;

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RECEIVED
STATE OF LOUISIANA
LEGISLATIVE AUDITOR

Response: We will strictly adopt the Statement of Ethics and Conflict of Interest Procedures. At the September 13th meeting, the Citizens Board passed a resolution requiring management to re-review the Statement of Ethics and Conflict of Interest Procedures and strictly follow them.

- 2) consult and instruct its employees to operate as public agencies and within state law;

Response: This was discussed at length with your staff at the September 13th Board Meeting. The Board directed management to seek a formal opinion from the Attorney General's Office regarding the state laws that apply to Louisiana Citizens. This request will be prepared immediately.

- 3) only expend public funds for public purposes;

Response: Citizens will only expend public funds for public purposes. The Citizens Board passed a resolution at the September 13th Board Meeting requiring management to follow this recommendation.

- 4) maintain itemized receipts for all purchases;

Response: Itemized receipts are now required for all purchases. Again, the Board passed a resolution requiring compliance with this recommendation.

- 5) record on all meal and travel receipts the participants and business purpose for the expenditures;

Response: All business meals and travel now require receipts and descriptions of the purpose. The Board passed a resolution requiring compliance with this recommendation.

- 6) develop board approval for all senior management expenditures;

Response: All management expenditures will be approved by the Citizens Board. The Board passed a resolution requiring management compliance with this recommendation.

- 7) seek reimbursement of all non-public expenditures; and

Response: Management will work with PIAL and LAIP to seek reimbursement of all non-public expenditures.

- 8) reconcile Mr. Lisotta's personal account and collect the balance due.

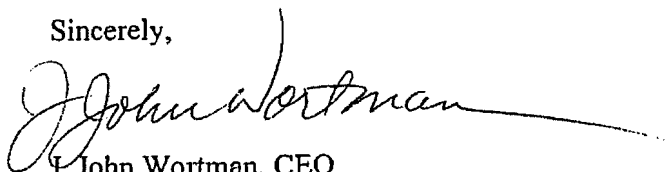
Response: Management will work with the Legislative Auditors Office, PIAL and LAIP to comply with this recommendation.

In addition, the report contained the following additional recommendation: "We recommend that the Citizens Board require written contracts including, but not limited to, the length of the contract, contractual obligations, contractual procedures, expense reimbursements, and payment terms."

Response: Management has been directed by the Citizens Board to comply with this recommendation. The one contract mentioned in the report (contract with Bienvenu, Foster, Ryan, and O'Bannon Law Firm) that was not fully executed has been executed. A copy of the contract is attached to this letter.

We appreciate the professionalism of your staff and look forward to working with you as we work to improve the operations of Louisiana Citizens Insurance Corporation. Should you have questions or comments please feel free to contact me.

Sincerely,

A handwritten signature in black ink that reads "J. John Wortman". The signature is written in a cursive style with a long horizontal line extending to the right.

J. John Wortman, CEO
504-832-3229

C: Bill Newton, Chairman
John Waters, General Counsel
Mark Brockelman, CFO

**Louisiana
Citizens**

Property Insurance
Corporation

P.O. BOX 60730
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433 METAIRIE ROAD
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Wednesday, September 12, 2007

Ernest L. O'Bannon, Esq.
Bienvenu, Foster, Ryan & O'Bannon, LLC
1010 Common Street
Suite 2200
New Orleans, Louisiana 70112-2401

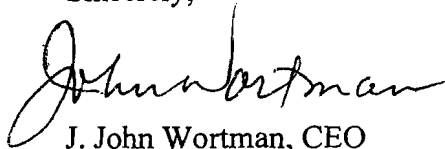
Re: General Counsel Retention Agreement

Dear Mr. O'Bannon:

Attached is the executed agreement that was approved by the Louisiana Citizens Property Insurance Corporation on March 18, 2004. Because of your retirement, I believe we should amend the agreement to name John Waters as the General Counsel and have the Board approve the amendment.

If this meets with your approval, if you or John could prepare the proper amendment I'll take it to the Board. Any questions or comments please give me a call.

Sincerely,



J. John Wortman, CEO
504-832-3229

C: Bill Newton, Chairman
John Waters
Greg Lavergne, Legislative Auditors Office

BIENVENU, FOSTER, RYAN & O'BANNON, LLC

ATTORNEYS AND COUNSELORS AT LAW
1010 COMMON STREET
SUITE 2200

NEW ORLEANS, LOUISIANA 70112-2401
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FACSIMILE: (504) 522-7859 ~ (504) 310-1501

Writer's direct dial number
(504) 310-1522
E-MAIL: Eobannon@bfrob.com

ERNEST L. O'BANNON

September 11, 2007

Mr. John Wortman
Louisiana Citizens Property Insurance Corporation
433 Metairie Road., Suite 400
P.O. Box 60730
New Orleans, LA 70160

By Hand

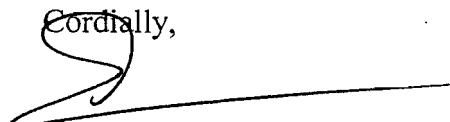
Re: General Counsel Retention Agreement

Dear Mr. Wortman:

Johnny asked that I send to you another copy of the March 25, 2004 General Counsel Retention Agreement bearing my signature. I attach same herewith.

Would you be good enough to send me by email or fax a copy after it has been signed by Citizens. Call if you have any questions.

Cordially,



Ernest L. O'Bannon

ELO:sl
enclosure

BIENVENU, FOSTER, RYAN & O'BANNON

ATTORNEYS AND COUNSELORS AT LAW
1010 COMMON STREET
SUITE 2200

NEW ORLEANS, LOUISIANA 70112-2401
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FAX (504) 522-7859 ~ FAX (504) 310-1501

Writer's direct dial number
(504) 310-1522
E-MAIL: EO'Bannon@bfrob.com

ERNEST L. O'BANNON

March 25, 2004

Mr. Terry Lisotta
PROPERTY INSURANCE ASSOCIATION OF LOUISIANA
433 Metairie Road
P O Box 60730
New Orleans, LA 70160

Via U.S. Mail

Re: General counsel retention agreement
Our File No. 16,410

Dear Terry:

This letter will serve as a general counsel retention agreement by and between me and my firm, and Louisiana Citizens Property Insurance Corporation, pursuant to the resolution of the board of directors formally adopted on Thursday, March 18, 2004, until such time as either party may deem it appropriate to supplement or amend the agreement. That said, it is understood and agreed by and between Louisiana Citizens Property Insurance Corporation (Citizens), and Ernest L. O'Bannon of the firm Bienvenu, Foster, Ryan & O'Bannon (O'Bannon), that:

- (1) O'Bannon has been retained by Citizens as general counsel effective January 1, 2004, for an annual fee of \$36,000.00, to be paid in equal monthly installments of \$3,000.00 on the first day of each month commencing January 1, 2004, and in exchange for which O'Bannon shall attend the regular and special meetings of the board of directors and of the executive committee of Citizens; consult with staff and management on such legal matters as may effect the operations of Citizens; and generally give legal advice and counsel when called upon to do so by staff or management or the board of directors, accepting in the fields of tax and bond law, with respect to which O'Bannon shall cooperate and assist tax and bond counsel as may be required.
- (2) O'Bannon shall handle or assign to others for handling litigation or claims by or against Citizens; however, with respect to litigation, O'Bannon shall be entitled to charge Citizens additional fees based upon the then current hourly rates

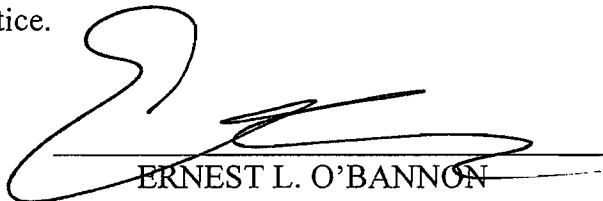
September 11, 2007

Page 2

allowed by the Attorney General, and it is understood and agreed that litigation charges shall not be included in the annual retainer.

- (3) Charges for in the scope of work not falling within paragraphs 1 and 2 above shall be negotiated as occasion arises.
- (4) In addition to these, O'Bannon shall be entitled to charge for reasonable expenses incurred while engaged in the affairs of Citizens, in accordance with the expense schedules of Property Insurance Association of Louisiana.

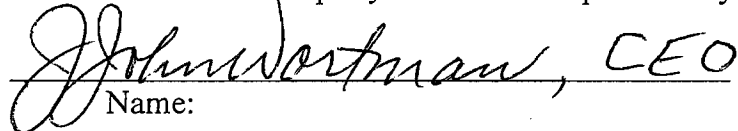
This contract shall continue unless and until an amended, modified or terminated by the parties in writing. Either party may terminate this contract at any time, and for any reason by giving the others thirty days written notice.



ERNEST L. O'BANNON

Individually and for the firm of Bienvenu, Foster,
Ryan & O'Bannon

Louisiana Citizens Property Insurance Corporation by:



Name:

Date Executed: 9/12/07

ELO'B/jbl

Middleberg Riddle & Gianna

A.J. Herbert III

Attorneys and Counselors

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(504) 525-7200
(504) 581-5983 (Telecopier)
aherbert@midrid.com (e-mail)

September 25, 2007

Via Facsimile to (225) 339-3870

Steve J. Theriot, C.P.A.
Legislative Auditor
State of Louisiana
1600 North Third Street
P.O. Box 94397
Baton Rouge, LA 70804-9397

Re: Response to Draft Compliance Audit on Expenses
Our File No. 5298-0008

Dear Mr. Theriot:

The undersigned represents the Property Insurance Association of Louisiana ("PIAL"). This letter is submitted on behalf of PIAL to the draft compliance audit issued by your office relating to certain expenses of PIAL, the Louisiana Automobile Insurance Plan ("LAIP") and Louisiana Citizens Property Insurance Corporation ("Citizens"). Please note that the following response is limited to PIAL. Because both Citizens and LAIP are separate and distinct legal entities with their own governing boards and legal counsel, it is our understanding that LAIP and Citizens will respond separately to the draft report. Finally, thank you for the courtesy of affording PIAL a short extension to respond to the draft report.

In terms of the response to the substantive provisions of the draft report relating to PIAL, the following response is submitted:

1. The Board of Directors of PIAL shares the LLA's concern about certain expenses for which Mr. Lisotta submitted and received reimbursement, and appreciates

New Orleans

Dallas

Baton Rouge

the efforts of your office to bring those expenses to the board's attention. PIAL maintains an insurance policy which may afford coverage for such amounts, and we are in the process of providing a recommendation to the Board of Directors of PIAL with respect to seeking recovery of certain expenses under such policy. We are also considering the cost-effectiveness and viability of seeking direct recovery of certain expenses from Mr. Lisotta. Any amounts recovered which were reimbursed by Citizens or LAIP will be distributed in accordance with any original allocation.

2. The sections of the report which discuss concerns with bonuses, salary increases, severance payments, property taxes, and the utilization of governmental relations counsel highlight yet again the necessity of obtaining a definitive and binding legal determination on the status of PIAL. If PIAL is a public body, as you believe, then these concerns are appropriate. However, if PIAL is a private association of member insurance companies, then the various laws and regulations applicable to public agencies to which you have expressed concern with would not be applicable. For example, if PIAL is a private association of member insurers, no laws are implicated by PIAL retaining a governmental relations specialist, and it would be absolutely appropriate and even legally required for PIAL to pay property taxes. Because of the importance of this issue, particularly to the member insurance companies fund assessments, and in view of the Commissioner of Insurance's stated intention to seek the dissolution of PIAL, it is of vital importance to the member companies to obtain definitive guidance on the legal status of PIAL. At its meeting on September 18, 2007, the Board of Directors of PIAL voted to seek a judicial declaration on the status of PIAL.

3. PIAL has engaged, at PIAL's sole expense, a certified public accounting firm to assist it in preparing an inventory of assets so that assets paid for by Citizens or LAIP can be transferred to those entities as appropriate. The inventory itself has been completed, and the process of tying purchases back to particular items of equipment is underway.

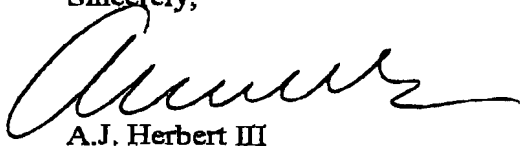
4. The Board of Directors of PIAL has implemented a new employee handbook and other accounting practices and procedures to prevent many of the past practices and expenditures criticized in the draft report, particularly those relating to travel and entertainment expenses, and improvements in the documentation of personnel decisions. In addition, PIAL obtains the prior approval of the C.E.O. or C.F.O. of Citizens prior to incurring an expense on behalf of Citizens.

5. PIAL disputes that PIAL, LAIP and Citizens were essentially operated as a single business. Each of PIAL, LAIP and Citizens had separate bank accounts, separate meetings, separate minutes, distinct business missions, and their own governing boards of directors.

The Board of Directors of PIAL understands that your office will continue to review many of the past practices of PIAL. The Board welcomes your continuing review and will take appropriate actions to address any deficiencies. The Board of PIAL further

hopes that once a determination of the legal status of PIAL is made, resolution of many of these issues will be facilitated.

Sincerely,



A.J. Herbert III

AJH/lar

cc: Board of Directors of PIAL
Joe Deutsch

Middleberg Riddle & Gianna Attorneys and Counselors**PLEASE DELIVER IMMEDIATELY**

TO:	Steve J. Theriot, C.P.A.
FIRM:	Office of the Legislative Auditor
FAX NO.	225-339-3870
RE:	Response to Draft Compliance Audit on Expenses for P.I.A.L.

MESSAGE**No. of Pages, including this page 4**

FROM:	Lisa Ruiz for AJ Herbert III
TEL. NO.:	225-381-7700
FAX NO.:	225-381-7730
DATE:	September 25, 2007

If you do not receive all pages, please call SENDER at the above number

The information contained in this facsimile message is attorney privileged and confidential information intended only for the use of the individual or entity named above. If the reader of this message is not the intended recipient or the employee or agent responsible for delivering the message to the recipient, you are hereby notified that any unauthorized dissemination, distribution or copying of this communication is strictly prohibited. If you have received this communication in error, please immediately notify the sender by telephone at the number listed above. Thank you.

**201 St. Charles Avenue, Suite 3100
NEW ORLEANS, Louisiana 70170-3100
504-525-7200 / FAX 504-581-5983**

**717 North Harwood, Suite 2400
DALLAS, Texas 75201
214-220-6300 / FAX 214-220-2785**

**Bank One Centre, North Tower
450 Laurel Street, Suite 1101
BATON ROUGE, Louisiana
Tel 225-381-7700/Fax 225-381-7730**

LOUISIANA AIP

September 14, 2007

Mr. Steve J. Theriot, CPA
Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804

Re: Draft Compliance Audit Findings

Dear Mr. Theriot:

Thank you for the opportunity to respond to the draft compliance audit findings completed by your office. I would like to point out that the allegations contained in this report all occurred prior to my appointment to the Governing Committee of the Louisiana Automobile Insurance Plan ("LAIP"). I am responding to this draft report based on my current understanding of the LAIP and based on discussions with other Governing Committee members and legal counsel.

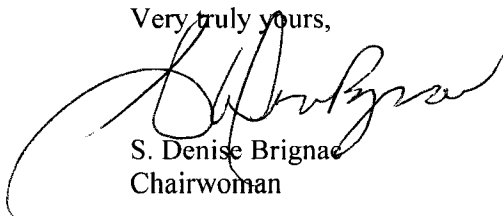
Prior to the issuance of Attorney General's Opinion Number 07-0166, the LAIP functioned as a private entity based upon advice of prior counsel and the nature of the statutes creating the LAIP. Once the Governing Committee of the LAIP was made aware of the magnitude and seriousness of the findings in this report, it took corrective measures by terminating Mr. Lisotta's contractual relationship with the LAIP. LAIP is also currently working on a Policies and Procedures Manual which will include checks and balances to ensure that such acts will not occur again.

I am trying to schedule a Governing Committee meeting for the week of September 24th to fully address the findings presented in the draft report and to take further corrective measures to ensure future compliance. Corrective measures may also include seeking reimbursement from Mr. Lisotta of all non-public expenditures mentioned in the audit. In that regard, I would ask that your office continue its audit of Mr. Lisotta's dealings with LAIP as to provide a complete accounting of amount due LAIP by Mr. Lisotta.

Please be assured that Commissioner Donelon and the entire Governing Committee of the LAIP are committed to managing the LAIP with the highest ethical standards.

Should you have any questions, please contact me at 225-342-1631.

Very truly yours,



S. Denise Brignae
Chairwoman

Mailing Address: P.O. Box 6262 Metairie, Louisiana 70009

2007 SEP 19 PM 3:10

RECEIVED

Response from Mr. Terry Lisotta:

In a letter dated, September 6, 2007, we asked Mr. Lisotta to respond, in writing to this report; Mr. Lisotta chose to not respond.

Response from Mr. Steven Ruiz:

In a letter dated, September 6, 2007, we asked Mr. Ruiz to respond, in writing to this report; Mr. Ruiz chose to not respond.

Office of the Legislative Auditor
State of Louisiana
1600 North Third Street
P.O. Box 94397
Baton Rouge, Louisiana 70804-9397
September 18, 2007

Attention: Mr. Greg Lavergne, M.B.A.

The letter of September 06, 2007 regarding the facsimile transmission of my part of the DRAFT compliance audit report on Louisiana Citizens Property Insurance Corporation, Property Insurance Association of Louisiana, and Louisiana Automobile Insurance Plan states that I may respond no later than September 20, 2007. The following is my response to this report.

1. The use of the Property Insurance Association of Louisiana company credit card for personal purchases was an accepted practice within the PIAL provided we reimbursed the company for our personal expenses. I do believe that I have already reimbursed PIAL for all personal charges; however, your audit was not able to confirm it. In an effort to close out this matter, I have requested the exact amount in question from your office so I can write a check to PIAL. Per our conversation this morning that amount is \$377.52.

It is important to note that current Management has changed this policy and this is no longer practiced.

2. In response to the statement about the company paying for my wife to join me (and other wives to join their husbands) on business trips: this was an occasional practice, but always with the approval of the Terry Lisotta, CEO. It is my understanding that Mr. Lisotta always secured approval from either the Board of Directors or the Chairman of the Board prior to such trips.

Please note that current Management has also changed this policy and this is no longer practiced.

3. In respect to the statements about using company credit cards to purchase meals for vendors, these are correct. The thought process of Management at the time was to encourage us to pay for the meals and not have the vendors "pick up the tab". Management did not want to create the impression that we were indebted to vendors in any way.

Again, please note this is no longer practiced, and current Management has changed this policy so that no one pays for meals and we go "Dutch".

Thank you for allowing me to reply to your audit report. Please let me know if you have any questions.



Curles P. Reeson
Director of Administration
Property Insurance Association of Louisiana

CANCELLED

BIENVENU, FOSTER, RYAN & O'BANNON, LLC

ATTORNEYS AND COUNSELORS AT LAW
1010 COMMON STREET
SUITE 2200

NEW ORLEANS, LOUISIANA 70112-2401

TELEPHONE: (504) 581-2146 ~ (504) 310-1500

FACSIMILE: (504) 522-7859 ~ (504) 310-1501

Writer's direct dial number
(504) 310-1522

E-MAIL: EObannon@bfrob.com

ERNEST L. O'BANNON

September 12, 2007

Mr. Greg Lavergne
Compliance Auditor
Office of Legislative Auditor
1600 North Third Street
P O Box 94397
Baton Rouge, LA 94397
Via U. S. Mail and Email: glavergne@lla.state.la.state

2007 SEP 14 AM 10:51

Dear Mr. Lavergne:

Thank you for sending me copy of a portion of a "Confidential Draft-Not for Publication," which in paragraph 1 speaks of a golf outing, and in paragraph 2 speaks of a gift of golf equipment.

With respect to the charity golf outing, what I know of it is this. I was invited to play by Mr. Lisotta, I accepted, and I played.

With respect to the golf equipment, what I know of it is this. Several months after the end of more than 20 years service as general counsel for Property Insurance Association of Louisiana (PIAL), Fair Plan, and Coastal Plan, I was invited to a PIAL board meeting. Several members and Mr. Lisotta said some very nice things, and I was presented with a bag of golf clubs and some balls.

Attached you will find two letters, one addressed to Bob Myers, counsel for LAIP, the other to A. J. Herbert, General Counsel for PIAL. These letters speak for themselves and form part of my response to you and your draft report. I request that they be included as attachments to this response.

There is a factual error in your report. The presentation of golf equipment was made at a regular meeting of the PIAL board held in its offices on Metairie Road. You recite in your

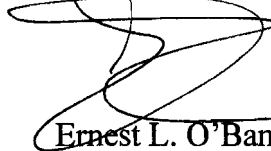
September 12, 2007
Page 2

BIENVENU, FOSTER, RYAN & O'BANNON, LLC
New Orleans, Louisiana

report that I "was presented the clubs during a party." That is not correct. There was no party and this is what I told you. I would appreciate it if you would correct your report.

Thank you for allowing me this opportunity to comment. If you have any further questions, please feel free to call or write.

Yours very truly,

A handwritten signature in black ink, appearing to read "Ernest L. O'Bannon", with a long horizontal line extending to the right.

Ernest L. O'Bannon

ELO:sl
enclosures

BIENVENU, FOSTER, RYAN & O'BANNON, LLC

ATTORNEYS AND COUNSELORS AT LAW
1010 COMMON STREET
SUITE 2200
NEW ORLEANS, LOUISIANA 70112-2401
TELEPHONE: (504) 581-2146 ~ (504) 310-1500
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Writer's direct dial number
(504) 310-1522
E-MAIL: EObannon@bfrob.com

ERNEST L. O'BANNON

September 12, 2007

Mr. Robert T. Myers
YOUNG, RICHAUD & MYERS
Two Lakeway Center
3850 N. Causeway Blvd., Suite 1830
Metairie, LA 70002
Via U. S. Mail and Email: dat@yrm.com

Dear Bob:

I am sending this letter to you, because I understand you are now counsel for LAIP.

Very recently I have been shown a draft of report by the Legislative Auditor. In the report he says that LAIP was charged a registration fee of \$660.00 for a foursome to participate in a charity golf event at Eastover Country Club in October, 2004. I know nothing than that I was invited by Terry Lisotta to be his guest, accepted, and was one of four players.

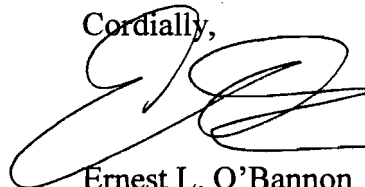
The Legislative Auditor has apparently concluded that the registration fee was paid "without a legitimate public purpose." I have no knowledge of this.

Bob, I have no legal, moral, or professional obligation to anyone arising from the acceptance of Mr. Lisotta's invitation. Nevertheless, I do not wish to be seen as having been the beneficiary - albeit the unwitting beneficiary - of a questioned expenditure of public funds.

Accordingly, I tender and deliver to LAIP, with hard copy of this letter, my personal check made payable to LAIP in the sum of \$165.00, representing one-fourth (1/4th) of the \$660.00 registration fee.

Should you have any questions, please feel free to call or write.

Cordially,



Ernest L. O'Bannon

ELO:sl
enclosure

BIENVENU, FOSTER, RYAN & O'BANNON, LLC

ATTORNEYS AND COUNSELORS AT LAW
1010 COMMON STREET
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NEW ORLEANS, LOUISIANA 70112-2401
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Writer's direct dial number
(504) 310-1522
E-MAIL: EObannon@bfrob.com

ERNEST L. O'BANNON

September 12, 2007

Mr. A. J. Herbert
MIDDLEBERG, RIDDLE & GIANNA
Suite 1101, 450 Laurel Street
Baton Rouge, LA 70801
Via U. S. Mail and Email: aherbert@midrid.com

Dear Mr. Herbert:

I am sending this letter to you because you are PIAL's current general counsel.

Very recently I have been shown draft of a report of the Legislative Auditor. In it he discusses a gift of golf clubs I received from PIAL in the summer of 2005.

The circumstances of this gift are these. Several months after the end of more than 20 years service as general counsel for PIAL, Fair Plan and Coastal Plan, I was invited to a regular PIAL board meeting held in its offices on Metairie Road. Several members of the board and Terry Lisotta, then manager, said some very nice things to and about me, and I was presented with a bag of golf clubs and some balls.

The Legislative Auditor's draft reports that the golf clubs, bag and balls cost PIAL \$1,789.00, and goes on to recite that, "Mr. Lisotta spent \$1,789.00 in public funds without a legitimate public purpose."

I express no view of the Legislative Auditor's opinion, although I can say that during my tenure as general counsel, PIAL was funded entirely by the insurance industry and received no state funds.

Be that as it may, I was given to understand that the golf equipment had been given me as an expression of PIAL's appreciation of and respect for the work I had done for it over many years. I assumed then - and I believe it to be the case now - that because the presentation was made at a board meeting the gifts were made with the board's blessing, and that however

September 12, 2007
Page 2

BIENVENU, FOSTER, RYAN & O'BANNON, LLC
New Orleans, Louisiana

unworthy I believe myself to have been of such fine clubs, the board and the administration of PIAL felt otherwise.

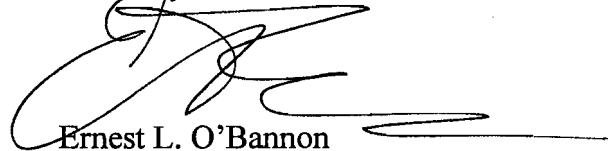
I have no legal, moral or professional obligation to anyone arising from the acceptance of PIAL's gift. Nevertheless, I do not wish to be seen as having been the beneficiary of a questioned "public expenditure."

Accordingly, I tender and deliver to PIAL, with hard copy of this letter, through you as its attorney, my personal check in the sum of \$1,789.00. This check represents the cost to PIAL of the golf equipment it gave to me.

Please express and make it clear to PIAL and the board that the action I am taking neither diminishes my pride in having been of service to PIAL, nor the good feeling the board and Mr. Lisotta engendered by the kind things said to me on the occasion of the presentation, and on numerous other occasions prior and since.

If you have any questions, please feel free to call.

Cordially,



Ernest L. O'Bannon

ELO:sl
enclosure

cc: Mr. Greg Lavergne
Compliance Auditor
Office of Legislative Auditor
1600 North Third Street
P O Box 94397
Baton Rouge, LA 94397
Via U. S. Mail and Email: glavergne@lla.state.la.state



OFFICE OF THE COMMISSIONER OF INSURANCE
STATE OF LOUISIANA

September 18, 2007

P.O. Box 94214
BATON ROUGE, LOUISIANA 70804-9214
PHONE (225) 342-5900
FAX (225) 342-3078
<http://www.lci.state.la.us>

Mr. Steve J. Theriot, CPA
Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Theriot:

I am writing in response to a letter from your office dated September 6, 2007 regarding your compliance audit report of Louisiana Citizens Property Insurance Corporation, Property Insurance Association of Louisiana, and Louisiana Automobile Insurance Plan in which your office decided to include my name.

With regard to an item in which your office chose to include my name relative to an expense report submitted by Mr. Terry Lisotta associated with a trip to Gainesville, Florida, I submit the following: In the preliminary draft of the "report" provided to me, your office acknowledges having possession of documents that prove I paid for my own lodging expenses, including a receipt acquired by your office and given to me (see attached hotel receipt and a personal credit card account statement confirming the personal credit card used for payment). Specifically, the report states, "Records from Mr. Brown and the hotel confirm that Mr. Brown paid for his own hotel stay." This begs the question of why the report would even include my name with regards to this alleged expense other than to smear my name and the record of integrity that I have worked very hard to build. In fact, the only significant event that occurred on the weekend of October 9, 2004 was a remarkable 4th quarter comeback by my alma mater, the LSU Fighting Tigers, on the opposing field of a tough conference opponent. I am a proud 1992 graduate of the LSU College of Business, which I am certain that you know houses one of the finest accounting and internal auditing departments in the nation.

Although Mr. Lisotta and I did have a lengthy meeting with a representative of the Florida Citizens Property Insurance Corporation during the short stay in Gainesville, my wife and I paid for our own expenses. In addition, I was never aware or had any knowledge that any other parties had requested reimbursement for their expenses.

With regard to the alleged golf outing at Carter Plantation, I cannot confirm or deny that I played golf on this particular date. I do recall playing golf at Carter Plantation with Mr. Lisotta on one occasion during which time Mr. Lisotta purchased my meal in the clubhouse grill. My meal consisted of a cheeseburger, French fries and a Coke. However, I have never owned or received any merchandise from the Carter Plantation pro shop. Additionally, I was never aware or had any knowledge that any other parties had requested reimbursement for their expenses.

With regard to the alleged hunting outings mentioned in the "report", I had already previously acknowledged in my response to a previous audit report that I had indeed participated in several hunting outings. Again, as I responded to the previous audit report, all of these outings were arranged by Mr. Chris Faser. Furthermore, I had no knowledge or expectation that Mr. Faser or any other parties would submit requests for reimbursement of these expenses by PIAL or any related entities. Also, because your office has chosen to repeat this allegation from that previous report, only couched in a different manner, I consider this item to be repetitive with respect to me and yet another attempt to impugn my character.

In my years of board service, I have never personally or individually approved any payments for expenses or reimbursements for any Citizens, PIAL or LAIP employees. This was confirmed by staff auditors of your office.

Finally, prior to my appointment as Deputy Commissioner of Management & Finance and Chief of Staff of the Louisiana Department of Insurance (LDI), previous audits conducted by your office cited the LDI for numerous major findings, outlining severe deficiencies or problems in the management, operations and finances of the LDI. Since that time, with the assistance of a well qualified and hard working fiscal staff and 2 very supportive commissioners, I am very proud of the progress towards accountability, efficiency and integrity that our office has made. And, I would hope that some would agree that I have played an integral role in that reformation. The proof is in the documents. The most recent audit reports of the LDI by the Office of the Legislative Auditor have reported zero (0) major findings and very few minor recommendations that I can recall.

During the years that I served as the representative of the commissioner of insurance on several boards, I was always keenly aware of my responsibilities and the public's deserved expectations that I act with the best interests of the citizens of this state. I can honestly say that I have always conducted myself with integrity and in a professional manner while being a public servant.

9/18/2007

I am also grateful for the opportunity to have worked for two true leaders, former Commissioner Robert Wooley and current Commissioner Jim Donelon. It is out of respect for these two gentlemen, myself and the citizens of this state that I have continuously attempted to be an honorable representative of the commissioner of insurance and the Department of Insurance.

Sincerely,



Chad M. Brown
Chief of Staff/Deputy Commissioner



CMB/cb

Attachments

cc: Commissioner of Insurance Jim Donelon
Chief Deputy Bill Newton

LA QUINTA 669
La Quinta
 Inns • Inn & Suites

Fax: 352-332-7074
 0689 GAINESVILLE
 920 NW 69TH TERRACE
 GAINESVILLE, FL 32605
 352-332-6466

Sep 10 2007 8:43 P.01

Folio: 06690944844
 Arrival: 10/08/04
 Departure: 10/10/04
 Rate: \$159.00
 Room: 420

BROWN, CHAD
 UF FOOTBALL
 57830 SENATOR GAY BLVD
 PLAQUEMINE, LA 70764

DATE	DESCRIPTION	COMMENT	CHARGE/PAYMENT	BALANCE
10/08/04	ROOM ROOM	#420 BROWN, CHAD	\$159.00	\$159.00
10/08/04	OCTYTX CITY OCC TAX	CITY OCC TAX	\$4.77	\$163.77
10/08/04	OSTAX STATE OCC TAX	STATE OCC TAX	\$9.54	\$173.31
10/09/04	ROOM ROOM	#420 BROWN, CHAD	\$159.00	\$332.31
10/09/04	OCTYTX CITY OCC TAX	CITY OCC TAX	\$4.77	\$337.08
10/09/04	OSTAX STATE OCC TAX	STATE OCC TAX	\$9.54	\$346.62
10/10/04	MC MASTER CARD PAYME	XXXXXXXXXXXX0561	(\$346.62)	\$0.00
BALANCE DUE:				0.00

Signature: _____
 I agree that my liability for this bill is not waived.

193966



PLATINUM MASTERCARD ACCOUNT

APR 05 MAY 04, 2006

[Redacted] 0561

Page 1 of 1

Account Summary

Previous Balance [Redacted]
 Payments, Credits and Adjustments [Redacted]
 Transactions [Redacted]
 Finance Charges [Redacted]
 New Balance [Redacted]
 Minimum Amount Due [Redacted]
 Payment Due Date June 03, 2006
 Total Credit Line [Redacted]
 Total Available Credit [Redacted]
 Credit Line for Cash [Redacted]
 Available Credit for Cash [Redacted]

At your service

To call Customer Relations or to report a lost or stolen card:
1-800-955-7070

For free online account service and special customer offers, log on to:
www.capitalone.com

Send payments to:
 Attn: Remittance Processing
 Capital One Bank
 P.O. Box 650007
 Dallas, TX 75265 0007

Send inquiries to:
 Capital One
 P.O. Box 30285
 SLC, UT 84130 0285

Payments, Credits and Adjustments

Your scheduled payment has not been received. Please remit the amount due appearing on this statement. If you have already made your payment, please accept our thanks.

Transactions

Transactions	
1	05 APR [Redacted]
2	12 APR [Redacted]
3	13 APR [Redacted]
4	14 APR [Redacted]
5	14 APR [Redacted]
6	15 APR [Redacted]
7	16 APR [Redacted]
8	22 APR [Redacted]
9	25 APR [Redacted]
10	25 APR [Redacted]
11	27 APR [Redacted]
12	27 APR [Redacted]
13	27 APR [Redacted]
14	27 APR [Redacted]
15	03 MAY [Redacted]
16	04 MAY [Redacted]

[Redacted vertical text]

Your account is one payment behind. Remember that making your minimum payments by the due date, keeps your account in good standing. When you miss a payment, late fees start adding up. And nobody wants that. So make sure you send in the minimum amount due on your statement to keep your account in good standing and to keep from paying extra fees.

You were assessed a past due fee of \$35.00 on 05/04/2006 because your minimum payment was not received by the due date of 05/04/2006. To avoid this fee in the future, we recommend that you allow at least 7 business days for your payment to reach Capital One.

Finance Charges

Please see reverse side for important information

	Balance rate applied to	Periodic rate	Corresponding APR	FINANCE CHARGE
PURCHASES	[Redacted]	[Redacted]	[Redacted]	[Redacted]
CASH	[Redacted]	[Redacted]	[Redacted]	[Redacted]

ANNUAL PERCENTAGE RATE applied this period [Redacted]

▼ PLEASE RETURN PORTION BELOW WITH PAYMENT ▼



000000 0 [Redacted] 10561 04 000000 [Redacted] 7006

Please print mailing address and/or e-mail changes below using blue or black ink.

Street _____ Apt. # _____
 City _____ State _____ ZIP _____
 Home Phone _____ Alternate Phone _____
 E-mail Address _____

New Balance [Redacted]
 Minimum Amount Due [Redacted]
 Payment Due Date June 03, 2006
 Total enclosed \$ [Redacted]
 Account Number: [Redacted] 0561

Capital One Bank
 P.O. Box 650007
 Dallas, TX 75265-0007

1 9366

01 9366

#9012 [Redacted] 925# MAIL ID NUMBER
 CHAD M BROWN
 PO BOX 118
 PLAQUEMINE LA 70765-0118

Please write your account number on your check or money order made payable to Capital One Bank and mail in the enclosed envelope.

David H. Stiel, III
ATTORNEY AT LAW

POST OFFICE BOX 293
FRANKLIN, LA 70538
337-828-5867

September 12, 2007

Mr. Steve J. Theriot
Office of Legislative Auditor
State of Louisiana
P.O. Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Theriot:

Thank you for your letter of September 6, 2007, and for the opportunity to respond to that portion of the draft audit report of Louisiana Citizens and the Property Insurance Association of Louisiana which concern me.

As I informed Mr. Lavergne of your office, I did attend the annual convention of the PIA of Louisiana at the Marriott Grand Hotel in 2004 and 2005. I have never received a spa treatment. More specifically, I did not go to the spa nor receive a spa treatment of any kind while attending the PIA of Louisiana convention in 2004 or 2005.

If you should have any other questions, please contact me at your convenience.

Very truly yours,



David H. Stiel, III

/hs