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Hearing in the matter of the filing dated January 3, 2024, by the North Carolina Rate Bureau for Revised Homeowners Insurance Rates, at the North Carolina Department of Insurance, 3200 Beechleaf Court, Raleigh, North Carolina, on the 28th day of October, 2024, at 9:01 a.m., before Audra Smith, RPR, CRR, FCRR and Notary Public.

I N D E X

PAGE

GARY WI ERZBI CKI

Di rect Exami nati on by Mr. Fri edman

1407

E X H I B I T S

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1 P R O C E E D I N G S

2 MS. FUNDERBURK: Good morning,

3 everyone.

4 MR. BEVERLY: Good morning, Your Honor.

5 MS. FUNDERBURK: Today is Monday,

6 October 28th. We are back on the record.

7 Thank you for your assistance in checking the

8 sound equipment.

9 We are -- Mr. Friedman, I think you're
10 bumping a little bit. Thank you.

11 We're resuming in the Matter of the
12 Filing, Dated January 3, 2024, by the North
13 Carolina Rate Bureau for the Revision of
14 Homeowners Insurance Rates.

15 Before we proceed with
16 cross-examination of Ms. Biliouris, are there
17 any housekeeping matters we need to address
18 this morning?

19 MR. BEVERLY: Not from the Rate Bureau,
20 Your Honor, but our observation was that
21 Ms. Biliouris completed her testimony on
22 Friday, and there will be a new witness this
23 morning, is our understanding.

24 MS. FUNDERBURK: Thank you for the --
25 thank you for the correction.

1 Mr. Friedman, any matters we need to
2 address this morning before we get started?

3 MR. FRIEDMAN: No. I think only a
4 preview, and that is that on Tuesday morning,
5 in the first hour or so, when we present
6 Dr. Schwartz, we will be, again, referring to
7 the one confidential document that is in the
8 record, but I don't think we'll be spending
9 nearly as much time on it as we did
10 Mr. Ericksen.

11 And then either Wednesday afternoon or
12 Thursday morning, depending on when
13 Ms. Cavanaugh starts, I will also be
14 referring to that document through her for
15 not very long.

16 MS. FUNDERBURK: When that document is
17 referenced and we need to close the courtroom
18 except to those who have signed the
19 confidentiality agreement and acknowledged
20 the protective order, I will, again, ask that
21 the questions related to that document be
22 handled as succinctly and concisely as
23 possible so that we can go back on the record
24 and have an open transcript.

25 All right.

1 MR. BEVERLY: I'm sorry, Your Honor.
2 There is one housekeeping matter and that is
3 Webex attendance. We did supply one new name
4 that -- I'm not sure if he has received the
5 link or not. The name is Eric Krafcheck.

6 MS. FUNDERBURK: He was on the second
7 email this morning.

8 No, no, no, that's okay. Thank you,
9 Mr. Beverly, for the reminder.

10 MR. BEVERLY: Yes, ma'am.

11 MS. FUNDERBURK: The invite has been
12 sent, Mr. Beverly.

13 MR. BEVERLY: Thank you.

14 MS. FUNDERBURK: You're welcome. He
15 should be able to log in.

16 And, Mr. Friedman, please call your
17 witness.

18 MR. FRIEDMAN: All right. The
19 department calls Gary -- and I believe it's
20 pronounced "Wi erzbi cki."

21 MR. BEVERLY: For the record, I thought
22 the order was Mr. Pierce and Mr. Wi erzbi cki
23 when we discussed it on Friday, but so be it.

24 MR. FRIEDMAN: I wasn't aware that we
25 agreed on Mr. Pierce first.

1 MR. BEVERLY: No worri es.

2 Mr. Wierzbicki , you may have to push
3 the button on the microphone to activate it.

4 THE WITNESS: Testing, testing.

5 MS. FUNDERBURK: And you may also need
6 to just make sure that it is pulled in pretty
7 closely.

8 For purposes of the record, can I
9 please have you state and spell your last
10 name for me, please.

11 THE WITNESS: Wierzbicki ,
12 W-I -E-R-Z-B-I -C-K-I .

13 MS. FUNDERBURK: Should we take a
14 recess while you're on the stand, when you
15 come back to the stand, you will remain under
16 oath until you are excused as a witness.

17 I try to take breaks every hour, hour
18 and a half. If you need a break prior to
19 that, just let us know so we can accommodate
20 that.

21 THE WITNESS: Thank you.

22 MS. FUNDERBURK: Thank you.

23 Mr. Friedman, please proceed.

24 GARY WIERZBI CKI ,
25 havi ng been fi rst duly sworn, was exami ned and testi fi ed as

1 follows:

2 DIRECT EXAMINATION

3 BY MR. FRIEDMAN:

4 Q Morning, Mr. Wierzbicki -- I'm sorry,
5 "Wierzbicki."

6 A Yeah.

7 Q Could you tell me what your current job
8 is?

9 A My current job is a senior actuary at
10 Allstate Insurance Company.

11 Q Are you in a particular division there?

12 A I do pricing for -- I have
13 responsibility for the states from South Carolina to
14 Maine up the Eastern Seaboard.

15 Q And is pricing -- does that include
16 just determining pricing or overseeing or
17 administering filings in general that may contain
18 other work on the factors?

19 A Yes. The filings that Allstate submits
20 with respect to pricing can be a part of -- whether
21 it's just rate level or spreading the rate, which
22 would be rate factors.

23 Q Okay. So you or your team would be
24 responsible for creating the historical database,
25 including expenses, losses, loss adjustment

1 expenses?

2 MR. BEVERLY: Can you be more specific,
3 please?

4 BY MR. FRIEDMAN:

5 Q Yeah, I'm speaking -- do you create
6 historical databases.

7 A By "database," I think you mean, like,
8 am I the one -- a database would be more like a
9 store of data. I would utilize the outputs of those
10 databases to put them into filings for Allstate's
11 pricing filings.

12 Q I guess previously in this case, I had
13 understood "database" to refer to where the bureau
14 puts its historical losses, fixed expenses, and
15 acquisition and other expenses, and it lists roughly
16 the dollar amounts for each of those for the
17 hypothetical one company, and then also some of the
18 data that led to those dollar amounts, whether they
19 be with regard to loss adjustment expenses, whether
20 they -- you know, specific losses, it's in what is
21 termed a "database."

22 Is that similar to what you use a
23 database for?

24 A So I think what you're getting at would
25 be that the bureau aggregates data from different

1 companies, and you would call it a "database" to
2 store that information. I think a specific company,
3 we would have, you know, similar aggregation but
4 probably at a more granular level to talk about, you
5 know. If you're saying "expenses," you know, is
6 there an expense to each individual claim? That
7 information would then get aggregated together to
8 come up with an Allstate provision for expense or
9 something like that.

10 So maybe just clarity on the topic, but
11 a database would be a data store that -- depending
12 on what data is actually in there. So I think maybe
13 there's confusion on terminology. But in general,
14 you know, I would take the aggregated data and we
15 would put that into rate filings for Allstate in
16 particular.

17 Q Okay. Does your team determine the
18 historical, general losses?

19 MR. BEVERLY: Objection. For what?

20 BY MR. FRIEDMAN:

21 Q For hurricanes -- oh, no, for the --
22 general losses for the -- let's stick to hurricanes
23 for the time being. The general losses for
24 hurricanes.

25 MR. BEVERLY: So --

1 A In a standard Allstate filing on rate
2 level, we utilize hurricane loss models. So the
3 actual hurricane losses are excluded from the
4 ratemaking process and replaced by the modeled loss.
5 My team would not be involved in calculating those.
6 Those are purchased through a vendor.

7 BY MR. FRIEDMAN:

8 Q Other than those losses, does your team
9 have the responsibility for calculating the
10 aggregated -- I guess I'm calling them "general
11 losses," namely nonhurricane losses for the bureau?

12 MR. BEVERLY: Objection. I'm not
13 trying to interrupt the flow, Counsel.

14 Your Honor, I think we may have some
15 confusion about -- Mr. Wierzbicki serves on a
16 bureau committee, and I can't tell whether
17 the questions are designed to elicit
18 information about the Rate Bureau or about
19 Mr. Wierzbicki's day job at Allstate. If we
20 could have some definition on that, please.

21 MR. FRIEDMAN: I will make it clear
22 when I'm referring to his work at Allstate
23 versus his work at Rate Bureau.

24 MR. BEVERLY: So the questions now are
25 related to --

1 MR. FRIEDMAN: The questions are
2 related to his work at Allstate.

3 BY MR. FRIEDMAN:

4 Q So at Allstate, does your team
5 determine the general losses over whatever historic
6 period is being looked at?

7 A So, I mean, I think you may be kind of
8 conflating two topics. So the losses in general --
9 so what you're determining as general losses or
10 maybe, you know, noncatastrophe losses. We would
11 gather that data. We have another team that
12 validates and ensures the data is accurate. And
13 then my team, as an actuarial group, would attempt
14 to project those losses into the future so that they
15 could be used to determine what an appropriate price
16 is for that.

17 So in terms of assembling the data, I
18 would say we -- my team does not do that. We are --
19 we get the aggregated data, and then we do, you
20 know, apply actuarial methods to it and ensure the
21 reasonability of those projections to ultimately
22 serve as an input into our indication.

23 Q To be clear, I'm talking about
24 Allstate's operations in states other than North
25 Carolina when I'm talking about "Allstate's

1 filings. "

2 How long have you been in your current
3 job?

4 A In my current job -- since 2019, I've
5 held the title. I have moved responsibilities a
6 little bit in terms of which states I am over.

7 Q When did you first begin working for
8 the bureau?

9 MR. BEVERLY: Objection. He doesn't
10 work for the bureau, Your Honor.

11 MR. FRIEDMAN: Working with the bureau.

12 MS. FUNDERBURK: Please go ahead and
13 answer.

14 A So in 2019, when I took over my current
15 job, I was asked to be on the auto committee, and
16 then I had somebody working for me at the time that
17 was on the property committee, and when they left
18 the company, I took over the current chair of the
19 property rating subcommittee. And that was roughly
20 2021 or 2022.

21 BY MR. FRIEDMAN:

22 Q And you are currently the chair of
23 the -- of which two committees? I understand there
24 were two.

25 A So I am the chair of the property

1 rating subcommittee. I think from the meeting
2 minutes, what you'll find is I did chair the
3 property committee for a meeting as well. That was
4 pertinent to this filing. That was kind of, I
5 guess, stepping in as part of a transition to the
6 new chair for that committee.

7 Q So in only one instance you served as
8 the chair of the property committee?

9 A To the best of my knowledge, yes.

10 Q Do you recall when that was?

11 A Do you have the minutes for the record
12 so I don't mess the exact date up? But sometime in
13 November of 2023, I believe.

14 Q That's fine. Just an approximation is
15 fine.

16 And was that -- at that meeting, were
17 the subcommittee and then the property committee
18 voting on whether to accept or how to accept the
19 recommendations of Dr. Zanjani, ISO through
20 Mr. Ericksen, Milliman through Mr. Anderson, and Aon
21 through Ms. Mao?

22 MR. BEVERLY: Objection. Could you
23 rephrase that, please, Counsel?

24 MR. FRIEDMAN: Sure.

25 BY MR. FRIEDMAN:

1 Q Ms. Mao put on a presentation about her
2 findings.

3 Do you recall whether that presentation
4 was put on in the November 2003 meeting -- 2023,
5 excuse me?

6 A I don't recall exactly who presented in
7 the meeting. But in general, the meeting was to
8 accept the -- or to move the indication to the
9 governing committee. So that would entail much of
10 the underlying work that was done by all the people
11 that you -- you said.

12 Q Do you recall whether there were any
13 presentations of data or collections or analyses of
14 data at that last meeting before the subcommittee
15 voted on it -- or the property committee, let me
16 say, voted on the indicated rates and then the
17 recommended rates or requested rates?

18 A So there was a -- there was kind of the
19 ultimate indication was presented. I believe the
20 meeting packet would have, you know, all the
21 information that was presented. And I'm guessing
22 you have that in the record at this point.

23 So, yes, all the information that, you
24 know, was in that packet was presented. It was
25 given to the committee beforehand to, you know, look

1 through and check for reasonability. And as a
2 result, the committee moved it along to the
3 governing committee.

4 Q Could you explain to me the difference
5 between what the property -- the property
6 subcommittee does versus what the property committee
7 does?

8 A So the general difference -- the way at
9 least I have it in my mind is, you know, very
10 similar to how your structure is kind of separated
11 in terms of function.

12 The property rating subcommittee was
13 kind of more, we'll call it, in the weeds. They
14 were looking over the reasonability of individual
15 trend selections, individual components of the
16 indication as they were presented.

17 And then the property committee served
18 more as, you know, in the insurance world kind of
19 like a product leader in that they were
20 understanding the inputs that were given to them
21 by -- understanding the output that was given to
22 them via the indication and making a decision to
23 progress that further.

24 Q Are the presentations to the
25 subcommittee more detailed than those to the

1 property committee?

2 A So when you say "more detailed," what
3 in particular do you mean?

4 Q Well, I guess in advance of the
5 subcommittee meeting, let's talk about the one in
6 December, did you --

7 A What December meeting?

8 Q Sorry, December 2023 -- or
9 November 2023. My mistake.

10 In advance of the November 2023
11 meeting, did you receive written materials that
12 would be addressed at the meeting?

13 A Sorry, can you clarify? I believe
14 there was a subcommittee meeting November 1st. And
15 if I get the date wrong, I apologize. But I believe
16 there was a November 18th or 28th meeting that was
17 the property committee.

18 Q At the first meeting on or around
19 November 1st for the subcommittee, did the members
20 get written materials previewing what was going to
21 be presented to them at that meeting?

22 A So in general, there is a packet that
23 goes out prior to the meeting, and it generally
24 includes all the data that we were considering in
25 terms of making selections to whatever we are

1 discussing at the meeting.

2 If you have the meeting packet and you
3 want to, like, draw attention to a specific part of
4 it, I don't necessarily have the ability to do this
5 from memory on exact packet.

6 Q I'm not asking you about what's in the
7 packet.

8 So how long typically before the --
9 well, let's say with regard to the December --
10 November 1st subcommittee meeting, how long do you
11 recall receiving the packet before the meeting
12 itself?

13 A I don't know the exact date that the
14 email was sent. Generally, it comes about a week
15 beforehand, so that you have the ability to look
16 through it such that you are, you know, prepared to
17 discuss things at the meeting.

18 Q Okay. And do you review it before the
19 meeting?

20 MR. BEVERLY: Objection. Is the
21 question does he review it or does the
22 committee review it?

23 BY MR. FRIEDMAN:

24 Q Well, either. Do you personally review
25 the packet before the meeting?

1 A Yes. As the chair of the subcommittee,
2 you know, my general responsibility is to guide the
3 conversation. I'm not essentially the arbiter of
4 things, but I'm guiding the member companies and
5 talking through different things. I'll try and
6 understand, you know, anything that could be a
7 disagreement and, you know, highlight, you know,
8 where different data elements could come from that
9 are being considered at the time. So, yes, I review
10 the packet to have a general understanding.

11 Q In the course of reviewing it, do you
12 ever have follow-up questions for ISO that, I
13 assume, prepared the packet?

14 A I don't particularly have recollection
15 of any individual questions that I had, but, you
16 know, in terms of -- the questions would be kind of
17 used in active dialogue in the meeting. So I do
18 know we've discussed different topics. But in
19 general, we rely on those companies to provide the
20 data. So we don't necessarily -- I guess in terms
21 of your question, I'm not challenging the data from
22 ISO.

23 Q Since I know that ISO is the organizer
24 of the whole filing, are there materials in that
25 packet before the November 1st meeting that included

1 Ms. Mao's study, Dr. Zanjani's study, and
2 Mr. Anderson's study?

3 So I'm trying to figure out, I know
4 that ISO sort of coordinates everybody getting in
5 their reports on time. And then ISO obviously has
6 its own responsibility with regard to data. And I'm
7 wondering whether -- and there are three experts --
8 whether everybody's data is presented at that
9 November 1st meeting or just ISO's, particularly
10 ISO's losses, exposures that it counts, expenses?

11 A So in each meeting -- and, again, I
12 think you can see this from both the meeting minutes
13 and, you know, the packets that were sent out. Each
14 one of those individuals, I believe, has spoken to
15 the committee about the methodology that they
16 employed. And as the committee, we are in charge of
17 kind of stating that those assumptions are
18 reasonable, that we can utilize them for the
19 provisions that are input into the indication.

20 Q Once the subcommittee has voted on a
21 proposed indicated rate or on an indicated rate and
22 a proposed recommended rate, does ISO plus the other
23 experts then move on to make the same presentations
24 to the property committee?

25 What I'm trying to figure out, who

1 makes presentations to the property committee and
2 then eventually the governing committee after the
3 subcommittee has voted?

4 A So the subcommittee, you know, votes on
5 all of the inputs that go into the indication -- or
6 not all of, but, you know, the ones that were
7 documented in the meeting minutes and things like
8 that. And then that information is then all
9 assembled and the ultimate indication is then
10 presented to the property committee, and that is
11 more of a, like, business presentation. I forget
12 who exactly did it, but, again, it would be in the
13 meeting notes.

14 Q But is it your recollection that it
15 wasn't all four of the experts that presented the
16 material to the property committee after the
17 subcommittee had voted?

18 A That is my recollection. I believe the
19 ultimate indication was presented. And the
20 subcommittee exists because that's where the
21 expertise would be to understand what is, you know,
22 a reasonable assumption on each of those individual
23 pieces.

24 So the subcommittee would skew more
25 actuarial in nature, and the property committee

1 would skew more product or business in nature.

2 Q Okay. Do you know whether the same
3 packet -- first of all, does the property committee
4 receive packets of data in advance of its meeting?

5 A Yes. The same general process of --
6 the meeting exhibits are sent out so that the
7 property committee can review them. And from my
8 recollection, it was a fairly big packet with all
9 the different components assembled in the
10 indication. So looking at losses, looking at the
11 expenses that were utilized in there, and generally
12 what would be in the filing.

13 Q Since you're on both commissions, do
14 you recall whether the packet that was sent to the
15 subcommittee is the same packet that is sent to the
16 members of the property committee?

17 A I recall them being very similar. I
18 don't know about exact packet.

19 Q When you began working for the bureau,
20 was there an Aon representative who had
21 previously -- excuse me -- served on bureau
22 committees that you sort of inherited the work from?

23 MR. BEVERLY: Objection.

24 Did you say Aon?

25 MR. FRIEDMAN: Excuse me. Allstate.

1 THE WITNESS: I'm confused with the
2 question.

3 MR. BEVERLY: Could counsel just repeat
4 his question?

5 MS. FUNDERBURK: Hold on just a second.
6 Could you repeat the question in a
7 noncompound format, please.

8 And then after --

9 BY MR. FRIEDMAN:

10 Q Was there an Allstate employee or
11 actuary who had served on the Rate Bureau committees
12 before you?

13 A There was an Allstate actuary that
14 served on the property rating subcommittee before
15 me. Again, I don't work for the bureau, but as a
16 representative of a member company, we do work with
17 the bureau.

18 Q And who was that?

19 A Matthew Berry was the actuary that was
20 on the prorating subcommittee.

21 Q Had you known Matthew Berry before you
22 were tasked with the bureau work?

23 A Yes. In my capacity, I was Matthew's
24 manager.

25 Q Did you know much about the Rate Bureau

1 laws or organization of its filings before you took
2 your job, currently?

3 MR. BEVERLY: Objection.

4 Your Honor, could counsel be more
5 specific? "The Rate Bureau laws"? What are
6 we talking about?

7 MS. FUNDERBURK: I'll sustain the
8 objection.

9 If you could please specify for
10 Mr. Wierzbicki exactly what you're asking his
11 familiarity with. Wierzbicki Mr. Wierzbicki,
12 how did you go about learning the --
13 particularly Article 36 of the Chapter 58 in
14 the North Carolina general statutes, which is
15 the article applicable to North Carolina Rate
16 Bureau filings?

17 A I'm not familiar with that particular
18 statute. I did review the packets that were sent
19 out in terms of ratemaking methodology, and, you
20 know, in general, the ratemaking methodology is used
21 and is common throughout the industry. So, you
22 know, I relied on my prior knowledge of actuarial
23 topics to understand what was being done in the
24 filing.

25 Q Have you ever had cause to review the

1 bureau's applicable laws in Article 36 of
2 Chapter 58?

3 A No, I have not looked at that before.

4 Q Do you recall provisions from that
5 being included in packets?

6 A I have not reviewed it, so I would not
7 be able to identify portions of it in a packet.

8 Q What about commissioner decisions or
9 cases from the Courts of Appeals addressing Rate
10 Bureau filings? Are you familiar with any of those?

11 A Not in an in-depth level. Again, I
12 think the property rating subcommittee is somewhat
13 of an intake of information, and we do rely on some
14 of the experts that are either contracted or
15 utilized to review a lot of those things and make
16 sure that there is compliance with, you know, any
17 laws or statutes that are out there.

18 Q Okay. So is it fair to say that the
19 subcommittee and the property committee rely on the
20 experts who have put together their proposed
21 components of the filing to be familiar with law
22 already?

23 Are you relying on them, basically, in
24 assuming that their product that they're producing
25 to you is in compliance with law?

1 A So, again, the things that we are doing
2 on the committee is reasonability checking, making
3 trend selections which, you know, if -- I don't
4 believe there would be any law against, you know,
5 what trend you can select based off the information.
6 But if there is something specific in the
7 methodology, yes, we would rely on the company
8 assembling the filing to have knowledge of that and
9 put that in their work product.

10 Q Have any of the experts who have put on
11 presentations to the subcommittee or the property
12 committee ever addressed applicable law or cases or
13 decisions reviewing that applicable law?

14 A I don't recall a specific instance of
15 law or statute being discussed, but I do know that
16 there usually is some discussion on what is
17 appropriate for the North Carolina Rate Bureau to
18 file and to utilize in their calculations.

19 Q So you don't remember the discussions
20 specifically as to what's appropriate for the
21 different factors in the filing?

22 A What are we talking about now? So
23 factors? I guess initially we were discussing rate
24 level. So the overarching amount of increase --
25 "factors," to me, are rating factors in which, you

1 know, you would talk about, you know, maybe the roof
2 type or something like that.

3 Can you specify what factors you're
4 talking about?

5 Q By "factors," I'm meaning to refer to
6 the -- for example, the hurricane loss -- maybe
7 "provisions," would that be clearer? The hurricane
8 loss provisions, the general loss provisions, the
9 fixed expense provisions. Is that clearer
10 "provisions" rather than --

11 A Yes. And what was your question on
12 those?

13 Q Sure. Have you ever been made aware
14 that certain provisions and calculations of those
15 provisions are disputed as between the commissioner
16 and the bureau?

17 A No. As the property rating
18 subcommittee, we were looking at trying to come up
19 with what would be a reasonable estimate of those
20 provisions. The difference of opinion on some of
21 those, we didn't really discuss at length. We were
22 looking to come up with a reasonable provision.

23 Q Is it fair to say that the subcommittee
24 and the property committee are not focused on the
25 legality, if you will, of the separate provisions,

1 but just on whether they actuarially are reasonable?

2 A So I think you're -- you're maybe using
3 two terms in two different questions. One is
4 "legality." We absolutely would want to comply with
5 laws. The other is, you said, a difference of
6 opinion on what is an appropriate factor.

7 So difference of opinion between either
8 the commissioner and the entity putting the filing
9 pieces together, we would look for a reasonable -- a
10 reasonable provision. If there are laws or
11 statutes, we, again, would be reliant on the
12 entities putting that work together to follow the
13 laws and statutes.

14 Q I understand, sir, the committees want
15 to ensure that the provisions are legal. But is it
16 my understanding that in order to ensure that --
17 well, let me back up.

18 By saying that, that the committees
19 want to ensure that the provisions are legal, is
20 that purely an actuarial matter, or is some of that
21 a legal matter in the sense of in conformance with
22 statutes or case decisions?

23 MR. BEVERLY: Objection. Forgive me,
24 Your Honor, I'm struggling to decipher the
25 question. Could counsel rephrase?

1 MS. FUNDERBURK: Mr. Friedman, if you
2 could repeat the question in a noncompound,
3 straightforward matter, please do so.

4 BY MR. FRIEDMAN:

5 Q How about this: Are the members of the
6 committee doing their own legal research about
7 whether the data and the provisions presented to
8 them are in keeping with North Carolina law?

9 A So in terms of individual legal
10 analysis, no, I don't believe member companies are
11 doing any sort of research into that. However, on
12 the, you know, subcommittee and the property
13 committee, there is a lot of, you know, industry
14 North Carolina experience.

15 So if, you know, a member company or a
16 member, you know, recall something that they read in
17 prior work, they would absolutely bring it up to
18 ensure that, you know, we are keeping -- or we are
19 keeping in the North Carolina statutes and laws.
20 You know, there is an incentive there.

21 You know, if we're doing something that
22 is outside of those statutes and laws, it's going to
23 drag on the filing timeline, so we want to be in
24 compliance. We want to be, you know-- to have
25 everything within the laws and statutes.

1 So as a result of that, again, if we
2 have individual knowledge of a certain statute or
3 law, it will be brought up, but we're not
4 proactively doing research into that filing. We do
5 rely on, again, consultants and the entities putting
6 together all of that work to do that.

7 Q I understand there were four meetings
8 of the committees, and the last one was where the
9 indicated rate and recommended rate were adopted; is
10 that right? This is for the current filing.

11 A So I believe you are referring to
12 meetings I chaired. There would be three property
13 rating subcommittee meetings, which the first one
14 was to select an exposure trend. That exposure
15 trend was then utilized by Aon to calculate the
16 hurricane portions of the filing.

17 And then from there, the second meeting
18 was selecting trends, loss trends and expense trends
19 and premium trends, and then I think expense
20 provisions.

21 And the third meeting was, I believe,
22 to bring all the pieces together and show the
23 indication.

24 That was the three subcommittee
25 meetings. And then the property committee meeting

1 was to, again, show all the assembled pieces to that
2 group.

3 Q And so in terms of subcommittee
4 meetings, as I understand it, you recall there were
5 three of them and with the last being where you
6 considered the whole packet; is that correct?

7 A To my recollection, yes. The final
8 assembled piece or final assembled indication was
9 then shown.

10 Q How many meetings of the property
11 committee were there for the current filing, if you
12 recall?

13 A I don't recall. I know of the one I
14 chaired. I'm unsure what other ones were out there.

15 Q I see. So you -- on a otherwise -- on
16 the property committee, this was -- as somebody less
17 than the chair, this was just pinch-hitting.

18 A I am on the property committee as a
19 representative for Allstate as a member company. I
20 only chair that one, and I just can't recall which
21 other ones may have discussed that as a topic.

22 Q Okay. And the one you chaired, was
23 that the last meeting?

24 MR. BEVERLY: Objection. "Last
25 meeting" relative to what?

1 MR. FRIEDMAN: For the property
2 commi ttee.

3 MR. BEVERLY: Agai n --

4 MS. FUNDERBURK: Can you speci fy
5 what -- could you please speci fy which
6 meeting you're referring to?

7 MR. FRIEDMAN: He has testi fied that he
8 attended one meeting -- he knows there was at
9 least one meeting of the property commi ssi on
10 where he was chai r. And I was asking whether
11 that parti cular meeting was the last meeting
12 to vote on the packet.

13 MR. BEVERLY: You mean in connecti on
14 with the filing, was that the last property
15 meeting in connecti on wi th thi s filing?

16 MR. FRIEDMAN: Yes.

17 MS. FUNDERBURK: Okay. You may answer.

18 A Agai n, I don't recall the speci fics,
19 but that meeting resulted in a recommendati on to the
20 governi ng commi ttee. So whether it was addressed in
21 future meetings, the -- at least the recommendati on
22 to the governi ng commi ttee was made there, and as a
23 resul t, any other conversati on or meetings that
24 happened would not have changed that recommendati on.
25 But I think maybe in the meeting mi nutes, you' ll

1 always see that there's maybe an update on status
2 of, you know, whether the filing's been submitted or
3 the filing's been made.

4 But, yeah, I don't recall any future
5 meetings about the topic.

6 Q When the property committee has voted
7 on the packet, who presents the packet to the
8 general committee?

9 MR. BEVERLY: Objection. Your Honor,
10 is counsel referring to the governing
11 committee?

12 MR. FRIEDMAN: Governing committee,
13 yes.

14 MS. FUNDERBURK: Could you go ahead and
15 restate the whole question?

16 MR. FRIEDMAN: Sure.

17 BY MR. FRIEDMAN:

18 Q When the property committee has voted
19 on the packet, who then presents the results of the
20 vote, and presumably the packet as well, to the
21 governing committee?

22 A I was not in the governing committee
23 meetings, so I wouldn't know.

24 Q At the property committee meeting at
25 which you adopted the packet for the current filing,

1 do you recall any questions from members about the
2 calculation of the profit provision?

3 A No.

4 Q Do you recall any questions -- first of
5 all, was counsel there at that meeting?

6 A To my recollection, yes, counsel is
7 usually there for questions. I don't know exactly
8 who was there.

9 Q Okay. I don't want to know anything
10 that was discussed specifically between counsel and
11 the members. So if I ask you about a particular
12 topic and you say "yes, there was discussion," I'm
13 going to assume counsel present that was privileged,
14 and certainly the bureau's attorneys will object if
15 I'm getting near that privilege.

16 Let me put it this way. At any of the
17 meetings of the subcommittee, do you recall any
18 members discussing the specific legality of the
19 filing with the presenters or the attorneys?

20 MR. BEVERLY: Objection, Your Honor. I
21 think that's been asked and answered.

22 MR. FRIEDMAN: I didn't realize I asked
23 about the meetings. I asked previously about
24 whether he himself had discussed it, but I'm
25 talking about anybody else on the meeting.

1 But if --

2 MS. FUNDERBURK: I think he may be
3 asking a slightly different question
4 regarding his individual evaluation versus
5 potential discussions at meeting.

6 I'll allow the question, Mr. Friedman.
7 Please restate the question in a noncompound
8 way.

9 BY MR. FRIEDMAN:

10 Q At the subcommittee meetings leading to
11 this filing, did anybody question either Rate Bureau
12 staff or Rate Bureau attorneys about the legality of
13 any part of the packet?

14 A I don't recall any specific questions
15 on legal statutes or anything like that. I do know
16 that, in general, we do discuss if this would be an
17 appropriate selection and one that we believe can be
18 utilized in North Carolina. So that subtext would
19 be that, you know, that it is legal.

20 Q And when you vote on these -- strike
21 that.

22 Do you have any understanding of how
23 commissioner of insurance hearings in the past have
24 turned out? Namely, whether the commissioner has
25 accepted the bureau's recommended rate or whether he

1 has challenged it and, ultimately, a lower rate than
2 the recommended rate was adopted?

3 A In general, I'm aware of settlements,
4 but the specifics of that in terms of, like, were
5 there specific provisions that were discussed and
6 disagreed upon? I do not have knowledge of that.

7 Q Does the committee vote on settlements?

8 A Not that I recall.

9 Q I'm actually going to start with the
10 subcommittee, okay? And does the property committee
11 vote on settlements?

12 A Not that I recall.

13 Q Do you have any sense whether the
14 bureau settles for less than its indicated and
15 recommended rates?

16 MR. BEVERLY: Objection.

17 Again, Your Honor, I'm struggling to
18 decipher what the question is. "Do you have
19 any sense of whether" what now?

20 MS. FUNDERBURK: Repeat the question in
21 a noncompound way, please.

22 BY MR. FRIEDMAN:

23 Q Are you aware that the Rate Bureau has
24 settled matters for less than their requested rate?

25 A Yes.

1 Q Do you have any sense of which ones it
2 has settled for less than the requested rate?

3 A Off the top of my head, no. You know,
4 I would assume it's a matter of public record filed
5 and approved.

6 Q Did you work on the dwelling filing
7 that was settled earlier this year?

8 A Yes.

9 Q And do you recall that being settled
10 for less than the requested rate?

11 A Yes.

12 Q Do you recall by how much? 25 percent,
13 50 percent less?

14 A I do not recall the exact numbers.
15 Again, I would think it's a matter of public record.
16 So if you want me to opine on it, maybe would you be
17 able to put the two numbers up?

18 Q I don't need -- I just want to know
19 your recollection. Certainly, I will put something
20 up in front of you if I think it's necessary.

21 A Okay.

22 Q The --

23 (Pause.)

24 Q Is the subcommittee the first step in
25 deciding on what will be -- or what is the indicated

1 rate and what will be the recommended rate?

2 A I think I need clarity on the -- when
3 you say "the first step," are you talking about in
4 the decision-making process, or are you talking
5 about in the indication process in general?

6 Q Okay. Well, let me say this, then.
7 When -- let's say, for example, Dr. Zanjani presents
8 his profits calculations to the subcommittee. Does
9 the subcommittee exercise any discretion before
10 adopting his indicated rate? Does it simply adopt
11 the indicated rate as he presented it, or is there a
12 discussion among them?

13 A From what I recall, he presents -- at
14 least in Dr. Zanjani's case, he presented the
15 methodology that he used. Member companies asked
16 questions, you know, on the relevancy of inputs, the
17 methodology that was used to calculate it, and
18 ultimately, you know, voted to utilize the provision
19 that was in the filing. I don't recall if that was
20 the first one he suggested or if that was a result
21 of underlying selection changes or anything like
22 that.

23 Q So it's possible that the indicated
24 rate that Dr. Zanjani first presented to the
25 subcommittee was lowered as a result of

1 discussions -- or by the subcommittee?

2 MR. BEVERLY: Objection, Your Honor.

3 Excuse me. Objection, Your Honor. I believe
4 Dr. Zanjani's testimony was that he presented
5 an array from which the subcommittee selected
6 a profit factor. So I believe the question
7 misstates his testimony and the evidence.

8 BY MR. FRIEDMAN:

9 Q So did Dr. Zanjani present an array of
10 indicated rates to choose among?

11 MR. BEVERLY: I'm sorry, Your Honor,
12 but again, objection. "Indicated rates
13 relative to profit." Again, I'm struggling
14 to decipher the question.

15 MS. FUNDERBURK: Could you please
16 rephrase and restate the question just as
17 concisely as possible.

18 BY MR. FRIEDMAN:

19 Q What was Dr. Zanjani presenting to the
20 subcommittee?

21 A So Dr. Zanjani was presenting his
22 methodology for indicating what would be a profit
23 provision, and in the conversation -- I don't recall
24 the exact details of the presentation, but there are
25 assumptions that go into it. And I recall him

1 walking through a few of those and then the
2 subcommittee choosing which was a reasonable outcome
3 and then selecting the profit provision.

4 If his terminology is an array, I would
5 assume that to be several different options.

6 Q Now I'm distinguishing between the
7 indicated rate versus the recommended -- or I think
8 y'all call it the "required rate" that is put forth
9 in the filings.

10 Is that -- my understanding that the
11 filings include the indicated rate based on the pure
12 math, and then a recommended rate or there may be
13 some other term for it, based on what the bureau is
14 willing to take?

15 MS. FUNDERBURK: Could you repeat the
16 question for me, please?

17 MR. FRIEDMAN: Yes.

18 BY MR. FRIEDMAN:

19 Q Are there both an indicated rate and a
20 requested or recommended or required rate in the
21 filings that the bureau sends to the commissioner?

22 A So there is an indicated rate, which is
23 kind of the aggregation of all the underlying
24 assumptions. And then they're -- I guess, in
25 general, companies, at least in my rate filing

1 experience, have the option to file for less rate
2 than indicated.

3 In this case, I believe the filing was
4 for the indicated rate, though.

5 Q And were you -- did you work on the
6 2018 homeowners filing? Yeah. The 2018.

7 A I did not.

8 Q Did you work on the 2020 homeowners
9 filing?

10 A I did not.

11 Q Are you aware of instances in the past
12 where the -- one or the other of the bureau
13 committees has decided to accept less than the
14 indicated rate?

15 A Are you talking about accepting less in
16 the settlement process?

17 Q Better said, then, to propose to the
18 DOI less than the indicated rate?

19 A I'm not aware of specific filings that
20 that happened. But I would recognize it as an
21 option.

22 Q Who would vote on -- or initially vote
23 on any proposal to accept less than the indicated
24 rate?

25 A So are you asking me to imagine a

1 hypothetical situation in which...

2 (Overlapping speakers.)

3 Q If that decision were to be made, would
4 you think that the subcommittee would be the first
5 vote on it?

6 A So the subcommittee would make a
7 recommendation to the property committee, and then
8 the property committee makes the recommendation to
9 the governing committee. If at any point, a
10 majority of the member companies wanted to take less
11 than the indicated rate, I do believe they could
12 vote on that as the recommendation.

13 BY MR. FRIEDMAN:

14 Q But you've never served on a committee
15 where the -- or any type of filing where there was a
16 vote to accept less than the -- or to propose less
17 than the indicated rate?

18 A Not that I recall.

19 Q Who determines the scheduling of
20 committee meetings?

21 MR. BEVERLY: I'm sorry. Was the
22 question "who," "who determines"?

23 MR. FRIEDMAN: Yes.

24 A I don't know the internal workings of
25 the organization, the NCRB. But in general, they'll

1 reach out and have a few different options to say
2 which ones might work for you as either the chair or
3 a member, and that, in general, is at least my
4 insertion into that process. I don't know beyond
5 that -- you know, before that how they would
6 determine the couple options that they have. I
7 would assume on availability.

8 BY MR. FRIEDMAN:

9 Q Are the optional dates they offer more
10 or less in the same week or couple of weeks of one
11 another?

12 A In general, yes.

13 Q I assume the members then -- the
14 committee write back with their respective
15 availability and then the staff decides on the
16 meeting date?

17 A So in general, you know, there's enough
18 member companies who like myself also have -- I
19 think Brian put it as "day jobs."

20 So it is challenging to, you know, find
21 a perfect date that would work for absolutely
22 everybody. So I do think they try and understand
23 who the key people they want there are. Myself
24 being the chair, I got an email. I don't know that
25 everybody else got an email. And they will schedule

1 that time and hope that either a company could -- or
2 a member could show up to that meeting or they could
3 send a representative for their company.

4 Q Have meetings ever been scheduled but
5 then delayed or the dates changed?

6 A Not that I recall, but things happen.
7 I would assume at some point maybe it has happened.

8 Q Of the subcommittee, with regard to
9 actuaries, approximately how many of them are there,
10 if you know?

11 A I don't know the specific credentials
12 of everybody on the committee. I would say a
13 majority of them are actuaries, but that would be an
14 approximation.

15 Q How many people are on that
16 subcommittee?

17 A I don't know the official roster. It
18 changes based off of the member companies and
19 attendance. Some companies can send, you know, a
20 nonvoting member as a representative. But each
21 company only gets one vote on the member companies.

22 Q So is my understanding correct, then,
23 that every bureau member could -- or is a member of
24 the committees as well and could show up for
25 meetings?

1 A I don't understand the --

2 Q Are only select companies'
3 representatives members of the subcommittee, or are
4 all of the member companies members of the
5 subcommittee?

6 A I don't know the official selection
7 process for that, so I don't know.

8 Q What I'm trying to discern is whether
9 all -- whether there is a number less than
10 approximately the 110 homeowners' writers in the
11 state that actually are on the subcommittee?

12 A The number of companies'
13 representatives under 100.

14 Q Okay. Are the members more or less
15 than 20, roughly?

16 A I believe the answer would be less.

17 Q Are you aware of any people on the
18 subcommittee who aren't actuaries?

19 A Specifically by name, no. I do know
20 that there are several product people on there, but
21 I could not name them for you.

22 Q What does a "product person" mean in
23 that context to you?

24 A In general, they have responsibility
25 for a profit and loss in an individual state line

1 and may not have an actuarial background. So
2 they've, you know, come up through their insurance
3 company and have elevated themselves to a management
4 position without the actuarial background.

5 Q So I was going to move on and talk
6 about data calls. Are you familiar with the data
7 calls that the bureau sends to the members?

8 A I am familiar with the concept that
9 they send data calls, at least on the general
10 process that they are aggregating data from carriers
11 to put into a filing like this one.

12 Q Have you ever seen a copy of the
13 request itself, the data call?

14 A I do believe I have been on emails
15 requesting the data call.

16 Q Okay. So you've received data calls in
17 your capacity as an employee of Allstate?

18 A Correct.

19 MR. FRIEDMAN: Your Honor, I could use
20 to take a break about right now, if that's
21 okay, and it's a logical time as far as my
22 questioning.

23 MS. FUNDERBURK: Yeah. I think it is a
24 good time for a break.

25 Before we break, I do want to address

1 two things. You had originally had
2 Mr. Wierzbicki or Mr. Pierce today. It was
3 sort of a Wierzbicki in Mr. Pierce that I
4 got, with Mr. Wierzbicki possibly going over
5 a second day. Are you anticipating he's
6 going to be on the stand two days?

7 MR. FRIEDMAN: No, nothing like that.

8 MS. FUNDERBURK: Just today?

9 MR. FRIEDMAN: Uh-huh. If the entire
10 day. I don't honestly think that will
11 happen, but remains to be seen.

12 MS. FUNDERBURK: Okay. And the parties
13 had asked last week about corrections to the
14 transcript.

15 And I believe, Madam Clerk, you had
16 spoken to the court reporting service and
17 there was a question whether or not you
18 wanted an entirely new transcript or addendum
19 pages; is that correct? Is there a
20 preference there?

21 MR. BEVERLY: May we discuss over the
22 break, Your Honor, and supply you information
23 after the break?

24 MS. FUNDERBURK: Yes, that's fine.

25 MR. FRIEDMAN: Our opinion would be

1 that an entirely new transcript would be
2 necessary because of the number of errata
3 that I've already noticed. So it might be
4 too confusing to go look at the errata
5 sheets.

6 MS. FUNDERBURK: We'll talk about that
7 a little more when we come back.

8 It's 10:19. We'll take a brief recess,
9 come back at 10:30.

10 Mr. Wierzbicki, I'll remind you when
11 you retake the stand, you will continue to be
12 under oath.

13 Thank you. We're off the record.

14 (A recess was taken from 10:19 a.m. to
15 10:33 a.m.)

16 MS. FUNDERBURK: Good morning, again.
17 We're back on the record.

18 Before we proceed with witness
19 testimony, let's address the matter of the
20 transcripts.

21 Mr. Friedman, your preference is a
22 fresh set of transcripts with the corrections
23 made.

24 Mr. Beverly?

25 MR. BEVERLY: Upon consideration, Your

1 Honor, we agree with Mr. Friedman on that
2 point. It seems more efficient and cleaner
3 for the long run. The additional question
4 that raises to me would be the timing of
5 completing that exercise. Not that we have
6 to tackle that now, but if someone has a
7 forecast, perhaps we could entertain it.

8 MS. FUNDERBURK: Madam Clerk, are you
9 aware of what the timeline would be to get
10 those reproduced?

11 (Conversation with Ms. Pearson off the
12 stenographic record.)

13 MR. BEVERLY: And I guess the
14 additional question, Your Honor, would be up
15 to the witness whose testimony was captured
16 to supply the edits, if needed.

17 MS. FUNDERBURK: That's typically how I
18 would expect the errata sheets would come in,
19 yes.

20 MR. BEVERLY: And so the errata sheets
21 would then be incorporated into a new
22 transcript and redistributed.

23 MS. FUNDERBURK: Correct. It sounds
24 like Noteworthy was open to either option,
25 Madam Clerk, incorporating the errata sheets

1 into a completely new transcript or just
2 doing the corrections in the back?

3 Okay. When do you think your witnesses
4 could have errata sheets available?

5 MR. BEVERLY: I would need to speak to
6 them individually, Your Honor, but what I can
7 promise is we will make sure the transcripts
8 are in their hands posthaste so that that
9 process can begin.

10 MS. FUNDERBURK: Thank you.

11 And, Mr. Friedman, if you can have your
12 witnesses, as they testify, do the errata
13 sheets as promptly as possible, that would be
14 helpful.

15 It may also be helpful for the court
16 reporter, if you know of some technical terms
17 that are going to come up through the process
18 or some particular spellings of witness
19 names, if we could go ahead and provide those
20 so they have that available and can make
21 those adjustments in live time. I think that
22 would be helpful.

23 MR. BEVERLY: Yes, Your Honor.

24 MS. FUNDERBURK: Thank you.

25 MR. FRIEDMAN: A couple of issues, Your

1 Honor.

2 First of all, Brian, would you like me
3 to send the transcripts for those bureau
4 employees or committee members to you to then
5 send to them for them to do the errata
6 sheets, or would you just like to provide
7 those to them?

8 MR. BEVERLY: If it's a bureau witness,
9 we'll tackle that.

10 MS. FUNDERBURK: And the transcripts
11 will be online. I'm not sure if we're caught
12 up from last week. We have the paper copies
13 available, and then they will also be online
14 for review.

15 MR. FRIEDMAN: Then the only other
16 thing I had a concern about for -- obviously,
17 first of all, I'll need to suggest a bunch of
18 errors because it's clear from my reading
19 that I was not well understood as to basic
20 terms in the transcripts. So there's that.
21 In my questions, that is.

22 And then also, I guess I was concerned
23 about the turnover time for the new version,
24 in the sense that our draft orders presumably
25 will be due fairly short order after the end

1 of evidence.

2 MS. FUNDERBURK: They will.

3 MR. FRIEDMAN: And ideally, we would
4 have the corrected versions at some time when
5 we begin drafting the orders so that we're
6 not putting in incorrect quotations for you.

7 MS. FUNDERBURK: The court reporters
8 that we have utilized have been exceptionally
9 fast, and I don't see any reason why that
10 would not continue, or also apply to
11 adjustments based on the errata sheets. So I
12 think the imperative thing is to get the
13 errata sheets in and get those corrections
14 made.

15 It sounds like they can be made in one
16 to two days. So I do expect that corrected
17 transcripts would be available promptly, and
18 you'll just need to notate your draft if you
19 need to go back and make any updates.

20 MR. FRIEDMAN: Okay. Thank you.

21 MS. FUNDERBURK: Anything else we need
22 to address?

23 MR. BEVERLY: Not from the Rate Bureau,
24 Your Honor.

25 MR. FRIEDMAN: No, Your Honor.

1 MS. FUNDERBURK: Mr. Wierzbicki, I
2 remind you that you continue to be under
3 oath, sir.

4 Mr. Friedman, please continue with your
5 examination.

6 BY MR. FRIEDMAN:

7 Q Mr. Wierzbicki, with regard to the data
8 calls that the bureau sends its matters -- its
9 members, excuse me -- do you know what it does with
10 that data?

11 A So do you have a specific data call, or
12 are you just talking in general about the aggregated
13 loss data that they use for the filing?

14 Q So I may have missed this detail in the
15 past testimony by the ISO witness, Mr. Ericksen, but
16 I am unclear on whether ISO receives from the bureau
17 the responses to the bureau's data calls or whether
18 ISO does -- crunches its numbers based on the
19 reports to them by those member companies who do
20 report to ISO by the member companies who also
21 report to other statistical organizations.

22 Want me to rephrase that?

23 MR. BEVERLY: Is there a question in
24 there?

25 BY MR. FRIEDMAN:

1 Q So I'm trying to figure out, does the
2 responses to the data call -- are those shipped to
3 ISO for incorporation into its work?

4 A I don't know exactly where they go or
5 how the data flows from Allstate to the end product.
6 My involvement in the data calls is we receive a
7 data call via email. We have a separate accounting
8 entity that puts together the information such that
9 it's in the standard format that is being requested.

10 And at that point, the actuaries -- at
11 this point in time, somebody who would be on my team
12 reviews the data for reasonability, and then signs
13 off that it can go to the -- I guess its final
14 destination. But I don't know if -- off the top of
15 my head if that is specifically ISO or the NCRB.

16 MR. FRIEDMAN: Your Honor, may I
17 approach and hand up an exhibit?

18 MS. FUNDERBURK: Please approach.

19 And, Counsel, I see this is marked
20 DOI-41. I think I'm on DOI-35 in my notes.

21 MR. FRIEDMAN: There are other interim
22 ones we'll introduce by the witnesses.

23 MS. FUNDERBURK: Okay. Thank you.

24 (DOI Exhibit Number 41 was identified
25 as of this date.)

1 BY MR. FRIEDMAN:

2 Q Mr. Wierzbicki --

3 MS. FUNDERBURK: Mr. Friedman, do you
4 have a copy for madam court reporter?

5 MR. FRIEDMAN: I do.

6 MS. FUNDERBURK: Thank you.

7 BY MR. FRIEDMAN:

8 Q Mr. Wierzbicki, do you recognize this
9 document?

10 A I do not.

11 Q Okay. Does it look similar to calls
12 from the bureau that you've received in your
13 capacity at Allstate in the past?

14 MR. BEVERLY: Objection, Your Honor.
15 He just said he doesn't recognize this
16 document.

17 MR. FRIEDMAN: I asked if it was
18 similar --

19 MS. FUNDERBURK: I acknowledge he
20 doesn't recognize this one. I'll allow him
21 to explore if it is similar to other types of
22 productions or other types of requests that
23 had been made in the past.

24 A In general, I -- again, kind of
25 exploring my involvement -- is that there is a

1 general email that goes out that says there is a
2 data request. And I think this goes to a specific
3 person in the Allstate organization that then
4 intakes this, looks at this, makes sure that we
5 comply with everything on this sheet, but I don't
6 personally recall viewing anything like this.

7 BY MR. FRIEDMAN:

8 Q Okay. Does your team review the data
9 that is put together by others in Allstate for the
10 bureau?

11 A So in my prior answer, that is what I
12 essentially testified is that we reasonability
13 checked the data that comes out to ensure that it is
14 similar to, you know, other data that we see; that
15 there's not anything that looks off -- either an
16 indicator or territory flag or anything like that --
17 and as a result, we, like I said, reasonability
18 check the information before it goes off to the
19 statistical agent.

20 Q Okay. Could you turn to page 12 of
21 this document? It's titled "Homeowners
22 Allocations," correct?

23 A The tab highlighted, yes, is titled
24 "Homeowners Allocations."

25 Q And looking at Question Number 1, is it

1 fair to say that contemplates either state -- either
2 carriers in North Carolina that already separate
3 their acquisition expenses as well as national or
4 regional companies that will have to allocate their
5 expenses to North Carolina?

6 A As I mentioned, I haven't reviewed this
7 before. You know, the question states: This data
8 call requires the company to report North Carolina
9 other acquisition expenses. If the company
10 allocates these expenses from a countrywide or other
11 base, select "yes." If available, the company
12 should report actual expenses for North Carolina and
13 select "no."

14 So I would understand that to mean that
15 if a company is capable of separating out their
16 North Carolina data, it would be preferred. But not
17 all companies can do that.

18 I would think, you know, in other
19 acquisition expenses, if there's, like, a marketing
20 budget in that category, if Allstate runs a national
21 advertisement, you know, you do have to ask yourself
22 how you would allocate that, right? And there are
23 accounting mechanisms, but not understanding -- or
24 not having reviewed this before, I don't
25 specifically know that I could state Allstate's

1 stance on which one they select.

2 Q Okay. Are you aware of whether
3 Allstate allocates its other acquisition expenses to
4 North Carolina?

5 A I'm not specifically aware of what they
6 submit. I do know that at least in the accounting
7 world there are allocations. I don't know the exact
8 mechanisms for those allocations, but in, like, the
9 accounting world, they do have the ability to
10 allocate that down to a specific state.

11 Q Okay.

12 A But, again, it's not necessarily, like,
13 this dollar was spent on this advertisement in
14 Raleigh. It could be a marketing dollar that was,
15 you know, shown across a national TV audience and a
16 portion of that was allocated by potentially premium
17 or something like that.

18 Q Okay. When your group receives data
19 from whatever part of the company does allocations,
20 whether they be other acquisition expenses, general
21 expenses, et cetera, does it -- what review does it
22 conduct of those?

23 A So I guess I should be more specific
24 on, you know, the review that my team does, which is
25 generally related to loss and premium.

1 I don't know -- or at least I don't
2 recall any expense validation that has occurred. I
3 don't think we're involved in that part.

4 Q Do you know whether, in fact, there is
5 any validation performed of the allocated expenses
6 by Allstate?

7 A Allstate typically -- you know, any
8 time reporting data will go through a very extensive
9 quality control process to ensure that the data is
10 accurate. I can't speak to this individual data
11 call, this individual expense allocation as what
12 that validation is, but I do know Allstate is very
13 thorough in sending data and making sure it's
14 quality data.

15 Q When you say that your team reviews
16 loss and premium data, does that include or exclude
17 loss adjustment expenses?

18 A I don't recall off the top of my head
19 what is included in that. But I do know that we
20 utilize some of our internal indication data that
21 would have some loss adjustment expenses in there.

22 Q By "utilize," does that mean you
23 utilize it for the purposes of validation or you
24 actually add up --

25 A The purposes of validation.

1 Q Okay.

2 A The accounting department that puts
3 together the data request is, you know, complying
4 with the specifics of the data request. We use
5 readily available information, and our readily
6 available information for reasonability checking
7 would include allocated loss adjustment expense.

8 Q Okay. And do you know -- I assume then
9 somebody else in your company has actually allocated
10 the loss adjustment expenses that you later see? Or
11 do you-all go through allocating those?

12 A This is maybe a little bit specific to
13 what loss adjustment expenses that you're asking
14 about. So allocated loss adjustment expenses would
15 be associated with a specific claim, and those don't
16 necessarily need to be -- I guess from an accounting
17 standpoint -- allocated because it would be tied to
18 a specific claim that's tied to a specific state.
19 There are unallocated loss adjustment expenses which
20 might be, you know, mobile catastrophe units or
21 something like that that could drive to multiple
22 states and, therefore, would take some accounting
23 allocation to state which, you know, jurisdiction is
24 actually utilizing that claims response unit.

25 Q Would you look at number 3 on that

1 page 12? And I will read it into the record: This
2 data requires the company to report North Carolina
3 adjusting --

4 MR. BEVERLY: Objection. Sentence
5 reads "data call."

6 MS. FUNDERBURK: One of the words. You
7 left out one of the words. Could you
8 restart?

9 MR. FRIEDMAN: Boy, that's small type.

10 BY MR. FRIEDMAN:

11 Q "This data call requires the company to
12 report North Carolina adjusting and other expenses."

13 When -- that reference to "adjusting
14 expenses," are those separate, in your
15 understanding, from loss adjustment expenses?

16 A I believe that's an accounting term
17 that's utilized. Internally at Allstate we call
18 them "allocated loss adjustment expenses" and
19 "unallocated loss adjustment expenses."

20 So, again, kind of going back to the --
21 my original testimony that I don't actually handle
22 the specifics of this data call, I would assume our
23 accounting department is complying with the
24 accounting vernacular of adjusting and other
25 expenses, which is a category, I think, in the

1 financial statements.

2 Q Okay. So I guess that's what I'm just
3 trying to get at. You had testified that your team
4 does review certain loss adjustment expenses, and
5 what I was trying to figure -- well, first of all, I
6 was trying to figure out if you recall what loss
7 adjustment expenses y'all do review.

8 A And that's where I was testifying that
9 we reasonability check this information with readily
10 available data. That is our readily available data.
11 And the accounting department will utilize the, you
12 know, precise metric that is requested here.

13 Q Okay. So are you aware of what method
14 the accounting department uses to allocate adjusting
15 and other expenses to North Carolina?

16 A No. In general, I would assume they
17 utilize standard accounting practices.

18 Q Do you have any impression of whether
19 the allocation of acquisition expenses, general
20 expenses, and adjusting and other expenses to North
21 Carolina is a complex undertaking?

22 A I guess when you say "complex," I would
23 assume that, yes, the answer is, you know, it is
24 complex. We are a national carrier who writes
25 across multiple lines, states, and companies. So,

1 yes, it would be complex. But, again, we would
2 have, you know, the accounting standards to leverage
3 in each of those companies and aggregate them up.

4 Q Do you know how long -- do you have any
5 idea of how long it takes Allstate's accountants to
6 allocate those expenses to North Carolina?

7 A I do not know any precise timelines.
8 You know, in general, I would probably say if you
9 look at Allstate in terms of the closing of the
10 books and then the investor publications, that would
11 be my general estimate of time. So we have our
12 investor call usually, you know, in February or
13 March for the year-end.

14 Q Okay. And by "investor call," what
15 elements does that contribute to the expenses?

16 A So from my -- and maybe I'll stop here
17 and say I'm not an expert in the accounting world.
18 My general thought process is that, you know, we
19 publish annual statements. We publish all sorts of
20 financial data. And we know that our team works on
21 it from, you know, the close of the year, and then
22 when I see things published, you know, is generally
23 in that February or March time frame.

24 So the -- all the work that they're
25 doing, which would include allocating to these

1 individual states for statements, would be done in
2 that time frame. So at least from that perspective,
3 I would say that it takes them a couple months to do
4 that.

5 Q Also -- could you move to page 30 of
6 the exhibit? Under columns C1 and C2 on the left,
7 do you see those?

8 A Yes. I see C1 and C2.

9 Q Is it your understanding that for C1,
10 the bureau is asking for the numbers from each
11 member for those eight on -- according to the
12 Deviated Standard and Deviated Rate?

13 A Again, I'm not familiar with this. I
14 haven't reviewed this specific portion. But it
15 seems to be a form that, you know, they would like
16 the data presented in. And you're reading the
17 column heading correctly, that C1 is Deviated and
18 Standard.

19 Q And just by reading that, would you
20 think that they're asking for the deviated rates,
21 for -- for example, direct written premium or the
22 deviated rates for the numbers based on the deviated
23 rates for direct earned premium, et cetera?

24 A So 1A says Direct Written Premium
25 Actual. There is a footnote that the total of this

1 row should agree with line 4 of the statutory
2 page 14 of the annual statement. And I would assume
3 that's direct written premium. They want your
4 actual written premium, and they want it broken out
5 into all the column heading categories.

6 Q All right. Okay. And your actual
7 written -- their actual written premium in that
8 instance would be, as I understand it, the deviated
9 premium, and then 1B is, as it says: The deviated
10 premium adjusted to the manual rate.

11 A What I see, it appears that they have
12 grayed out that row.

13 Q I'm sorry --

14 A The row is grayed out. To me, I don't
15 know if that indicates that they don't want to
16 collect that data, but it's just in the form.

17 Q Okay.

18 A Again, I'm not an expert on this
19 particular exhibit. But just in looking at it, I
20 would interpret it as where the zeros are, they
21 would like numbers from the specific company.

22 Q I see. Thank you for pointing out the
23 gray after certain of those.

24 For C1 to number 5 on the left, Direct
25 General Expenses Incurred, is it your understanding

1 that between those two, the bureau is asking for the
2 number or the dollars -- the deviated dollars for
3 general expenses in C1?

4 A I guess I'm unclear on what you're
5 asking. The direct general expenses incurred would
6 be an input based off of the column. So that likely
7 means that the direct general expenses incurred is
8 an accounting category, and, as a result, it would
9 get allocated potentially by, you know, premium
10 volume or something like that to each one of the
11 columns.

12 General expenses, you know, generally
13 have things in it like home office expense, so the
14 building in which employees work. And, again, kind
15 of as a result of that, there is some difficulty in
16 allocating that, you know, you don't allocate just a
17 portion of that building to specific North Carolina
18 employees. It's to Allstate employees in general
19 and some of which happen to work on North Carolina
20 at certain points in time.

21 Q Is it your understanding of this that
22 in the box next to Direct General Expenses Incurred,
23 under C1, whatever number ends up there would be
24 based on premiums received only for policies that
25 have deviations?

1 A So what I believe I am trying to get at
2 is that general expenses is a category of expenses.
3 At a certain point in time, Allstate will allocate
4 it to potentially, you know, North Carolina in
5 particular.

6 You know, this particular category, I
7 don't know the specifics on how that's allocated,
8 but there will be some bucket of general expense
9 that is allocated to North Carolina. From that
10 bucket in this form, it appears that they want you
11 to allocate it to each individual subcomponent of
12 this.

13 And I don't know, you know, if further
14 in the packet it states how to allocate that. But
15 what I guess I would say is, I'd have to, you know,
16 read through the packet, maybe the answer is in
17 there, maybe it's up to company discretion.

18 But in general, a standard way of
19 allocating things is by premium volume. So if the
20 bulk of the premium is in the Direct Written Premium
21 Actual, I would assume that the direct general
22 expenses incurred would be allocated and
23 proportioned to some metric, whether it's defined in
24 this or not.

25 Q Have you ever reviewed the -- or your

1 group ever reviewed responses to data calls similar
2 to this one?

3 (Overlapping speakers.)

4 BY MR. FRIEDMAN:

5 Q I'm sorry. Excuse me, sir.

6 A This specific one, again, I don't know
7 the exact format of the final output that comes to
8 it. You know, likely it would be following the
9 pattern suggested here. What I know my team does is
10 they look at premium and loss to understand if the
11 numbers that the accounting department provides are
12 reasonable to -- reasonable and similar to the data
13 that's in here. Obviously, with, you know, the
14 subsection -- or the footnote D where the row has to
15 kind of line up with the statutory page, that is a
16 requirement. So there can be potentially slightly
17 different data sources or methods of aggregation.
18 But that is the end goal of many of these columns is
19 that they tie out to the annual statements.

20 Q When your team looks --

21 MS. FUNDERBURK: Mr. Friedman, if you
22 could speak a little closer to the
23 microphone.

24 MR. FRIEDMAN: Sure.

25 BY MR. FRIEDMAN:

1 Q When your team looks at premiums and
2 loss, does it look separately at the premiums and
3 loss for policies that have deviated premiums?

4 A We do have the ability to understand if
5 a policy is -- by "deviated," I believe --

6 Do you know the definition of deviated
7 that you could --

8 Q In North Carolina, I believe it's
9 generally accepted that deviations are departures
10 downward. So "discounts," you know, "credits," what
11 have you.

12 A Okay. So that would be my
13 understanding as well, in that either the company
14 charges the bureau put -- or the rate put forth by
15 the bureau or in some way deviates downward.

16 And the opposite, so column C2 is the
17 consent-to-rate process where the company could
18 charge in excess of the prescribed rate by the Rate
19 Bureau.

20 We do, as a company, have internal data
21 flags to differentiate between the two types of
22 business.

23 Q Okay. And then is there a separate one
24 to differentiate between CTR deviations and just
25 straight-up manual rate policies.

1 A So in this format, "deviated" would
2 include the policies charged the same as bureau.

3 We -- in specific data fields, off the
4 top of my head, I do believe we have the bureau
5 premium as a data field that is pullable. We have a
6 consent-to-rate flag, and then we do have the actual
7 premium that is charged to the customer.

8 The -- if you say about, like, actual
9 rating, the point in time in which the customer gets
10 their offer, I do believe Allstate captures that,
11 but I don't personally know the data source to get
12 that.

13 Q As part of your job, do you also review
14 Allstate filings in other states -- Allstate
15 homeowners filings in other states?

16 A Yes.

17 Q Okay. And do those filings include
18 some allocated expenses?

19 A Yes.

20 Q Are you any more familiar with the
21 methods by which Allstate's accountants have
22 allocated those expenses and -- I guess I would just
23 say single-filer filings versus your familiarity
24 with how they allocate them for the bureau's
25 purposes?

1 A So Allstate develops provisions for
2 each of the components of the indication, and we
3 have specific methodologies to do that. I am
4 familiar with those methodologies, and -- but, you
5 know, in this case, I am -- you know, in North
6 Carolina's case, I am more -- or less familiar with
7 the exact accounting definitions that go into the
8 data requested. That's where I, you know, had
9 earlier mentioned, you know, Allstate's pricing
10 organization using terms such as "allocated loss
11 adjustment expense" and "unallocated loss adjustment
12 expense."

13 At least from those provisions, yes,
14 I'm aware of the general methodology used to
15 calculate those in terms of maybe the exact
16 accounting that goes into those provisions, maybe a
17 little less so, but I do know their data fields
18 associated with those types of data points.

19 Q With regard to filings for homeowners
20 outside -- well, for Allstate homeowners policies
21 outside of North Carolina, do you know whether in
22 allocating expenses, Allstate always uses the same
23 method or may use different methods based on the
24 state?

25 A There are specific states that have

1 unique regulatory requirements, in that they will
2 tell us what their preference is. Allstate
3 generally uses the provisions that we calculate as
4 an actuarial group.

5 Q That's all I have for DOI-31, sir.

6 Now I'm going to be moving on to
7 discuss your understanding of the historical
8 database that ISO puts together and I believe
9 presents to the committee in support of its trends
10 selections.

11 Do I have that right?

12 A Yes. The data that underlies the
13 exhibits in all of the trend selection processes,
14 yes.

15 BY MR. FRIEDMAN:

16 Q From ISO.

17 A Yes.

18 Q Okay. Does ISO present this data --
19 better said, are committee members communicating
20 with ISO as it's getting ready to present that data,
21 or is that Rate Bureau staff?

22 A I guess I'm unclear. What are they
23 communicating about?

24 Q So, for example, Mr. Ericksen testified
25 yesterday that they -- in the course of receiving

1 data from their own -- the member companies that
2 report to them, and then in the course of receiving
3 the statistical -- the other statistical
4 organization's data, they may come upon anomalies.
5 They have a process of evaluating it.

6 If they come upon anomalies or just in
7 that whole process of evaluating it before they
8 first make a presentation to a committee, does -- do
9 any members of the committee talk to ISO, or is it
10 talking about these -- the progress with staff
11 members?

12 A I can't speak to what conversations are
13 had with other member companies. If there is an
14 anomaly with the data, I would assume that they go
15 back to the company that submitted the data, but I
16 have never been personally involved in a
17 back-and-forth on that.

18 Q Okay. Do you have any familiarity with
19 how the commissioner has treated the loss data
20 presented by the bureau in its filings, any
21 knowledge generally?

22 A Nothing in particular.

23 Q Do you have any knowledge whether the
24 commissioner or the department have ever asked the
25 bureau to provide more recent data than the periods

1 for which they provided it?

2 A The North Carolina department in
3 particular, no, I haven't really been involved in
4 any conversations on that. I do know that's a
5 frequent request from departments of insurance in
6 other aspects of my job that they would like more
7 updated data.

8 Q When -- in those other updated -- in
9 those -- are those requests for updated data, are
10 those following the filing by Allstate in those
11 other instances outside of North Carolina?

12 A Yes. In -- if there's a reason why
13 they want more recent data, they will request it,
14 and whether that's, you know, a lengthy review time
15 and more data emerges or something else, it does put
16 a considerable amount of extra work on my team to
17 get that updated data because there's both, you
18 know, the quality checks, the processes that need to
19 go through to ensure accuracy and everything so that
20 we're comfortable with the work product.

21 Q Okay. But in some cases, at least,
22 your team has produced updated data to commission --
23 to regulatory authorities when they've requested it?

24 A I do think we have to draw a
25 distinction here between one company producing

1 updated data versus, you know -- I think you
2 mentioned 110 companies writing in North Carolina
3 also creating an updated dataset.

4 So to that end, yes, Allstate, in
5 control of its own data, can in some cases get
6 updated data; in some cases we can't because that is
7 the most updated data that's available. But, yes,
8 there should absolutely be a distinction there
9 between what one individual company can do versus
10 110 companies, you know, being asked to do something
11 to update a nonscheduled dataset.

12 Q So just with regard to instances where
13 Allstate has produced updated data, have the
14 regulators ever used that updated data to modify
15 Allstate's indicated rates?

16 A I don't recall specific instances off
17 the top of my head, you know, on which direction the
18 changes went. A couple that I remember, you know,
19 generally showed that our trend selections were
20 reasonable and the updated data kind of confirmed
21 that for the Department of Insurance Commissioner at
22 the time.

23 So we, as actuaries, are trying to
24 predict into a future date, and a lot of the
25 assumptions that we make are such that we would

1 expect the more recent data to emerge in a certain
2 fashi on.

3 So as a result of that, you know, I do
4 think there's some -- usually some confirmation that
5 things were happening as projected in the original
6 filing, but the whole point of the filing is to
7 project that information out to a period that would
8 be used in pricing.

9 Q Are you aware of any instance where
10 Allstate, upon gathering and producing that
11 additional data, has amended its rate filing
12 downward or upward?

13 A I don't have an encyclopedic knowledge
14 of all the interactions that we've had with
15 departments of insurance. I would anticipate that
16 while, you know, the number wasn't maybe the exact
17 same, I would say it's probably still in the same
18 general ballpark. So deviations likely would have
19 been, you know, smaller on, you know, the particular
20 lines, but, again, can serve to help gain alignment
21 with the Department of Insurance in that process.

22 Q Are you aware of any instance where
23 Allstate, for whatever reason -- not necessarily
24 based on more recent data -- has amended its filed
25 rate downward?

1 A Yes.

2 Q Okay. Could you tell me about those
3 instances and what caused them?

4 MR. BEVERLY: I'll object here to
5 relevance, Your Honor, if we're getting into
6 specific out-of-state Allstate filings that
7 have nothing to do with this Rate Bureau
8 filing where this witness is, or work on the
9 Rate Bureau filing.

10 MS. FUNDERBURK: Can you enlighten us,
11 Mr. Friedman?

12 MR. FRIEDMAN: Yes. The bureau
13 witnesses have testified that -- I guess
14 particularly Mr. Anderson and Mr. Ericksen --
15 have testified that newer data would require
16 them to have to go and file -- make a new
17 filing entirely because of the changes it
18 would render to, apparently, all the
19 calculations. And what I'm asking
20 Mr. Pearce -- I'm sorry -- Mr. Wierzbicki
21 about --

22 MR. BEVERLY: "Wierzbicki."

23 MR. FRIEDMAN: "Wierzbicki."

24 MR. BEVERLY: Please get his name
25 right.

1 MR. FRIEDMAN: I'm trying.

2 -- is whether Allstate in particular
3 has had to -- has been able to amend its
4 requested rate where there are new facts or
5 data that becomes available.

6 MR. BEVERLY: Renew the objection. I
7 don't wish to be heard, Your Honor.

8 MS. FUNDERBURK: I'm sorry, I didn't
9 hear the end of that.

10 MR. BEVERLY: I don't wish to be heard
11 further, Your Honor.

12 MS. FUNDERBURK: Thank you.

13 I'm going to allow Mr. Friedman to
14 proceed with his line of questioning. Please
15 repeat the question for the witness.

16 BY MR. FRIEDMAN:

17 Q You had said you were aware of
18 instances where Allstate had amended its requested
19 rates downward.

20 Could you tell me about those
21 instances?

22 A I mean, in general -- again, I don't
23 have an encyclopedic knowledge of every single
24 Allstate filing. I do know that that occurs.

25 Ultimately, as a regulated market, we

1 need approval for our rate increases in most states,
2 actually. And so if there is a difference of
3 opinion, ultimately, the -- you know, the Department
4 of Insurance does have some sway in there.
5 Obviously, you know, to run our business, we would
6 like to get the full rate that we asked for, but
7 that doesn't always happen. And as a result of
8 that, you know, Allstate, you know, generally does
9 have to make other business decisions, such as do we
10 continue writing new business in the state or, you
11 know, are there other ways to address profitability
12 concerns that we know we are going to have?

13 So, yes, it does happen that we settle
14 on -- settle some of our filings for less than we
15 have filed, but usually as a business, then we have
16 to figure out how to run the business such that it
17 still makes an adequate return.

18 Q So I guess I wanted to distinguish
19 between instances where Allstate makes a filing and
20 then settles without formally amending the filing
21 versus instances where some fact pops up, a
22 miscalculation, or new data that causes Allstate to
23 simply withdraw the filing or amend the filing that
24 may then lead to a settlement.

25 I'm trying to distinguish between the

1 process of actually amending a filing versus just
2 settling a filing without an amendment.

3 A I think here you are at least using
4 terminology that is not in line with what I am
5 using.

6 An amendment is always required -- you
7 know, when we make a settlement to a filing, we have
8 to have on file the rates that we're going to
9 charge, the factors that we're going to charge
10 associated with that. So when, you know, we would
11 settle on a rate level, we would have to adjust
12 the -- or amend the filing to include the actual
13 factors that will be charged to customers.

14 If you're talking about an error in a
15 filing, that would likely be the same process in
16 that we would put an amendment to the filing to
17 state what is the correct factors that will be
18 charged to customers and, in general, what the error
19 was to explain to the department so that they can
20 adequately review.

21 Q Okay. So have there been amendments to
22 a filing where there was no settlement in view?

23 A You're -- do you mean like have we
24 withdrawn a filing because we didn't think we could
25 gain alignment?

1 Q Okay. I'll give you one example.

2 So in the 2014 homeowners filing, the
3 bureau amended its filing, and it amended it to, I
4 believe, increase by a very small amount its
5 indicated rate, and then the matter went to hearing.
6 So there was no settlement in that case, there's
7 no -- according to what I know, that amendment was
8 not due to the -- a settlement being on the horizon.
9 It was just they figured -- I believe they found
10 either an error or that something had been
11 overlooked.

12 So I'm asking about instances like that
13 where you have made a filing and some new
14 information or data comes to light that would cause
15 Allstate to amend that filing, or alternatively
16 withdraw it and file an entirely new filing.

17 A In general, you know, I do not know the
18 specifics of the 2014 filing.

19 Q Sure.

20 A But Allstate filings have both been
21 withdrawn and amended after, you know, conversation
22 with the Department of Insurance on whether or not
23 it's appropriate to have in their state, whether
24 that's a specific rating plan, a rate level change.

25 But, yes, we have done all those things

1 in Allstate's history. Again, across all states,
2 all lines, all companies, yes, there are instances
3 of those things happening.

4 Q And in your time in your team, have you
5 ever amended a filing based on new data?

6 A I don't know specific filings, but,
7 yes, I will say Allstate roughly has put through,
8 you know, 500 rate filings per year. So, yes, we
9 have amended filings; yes, we have withdrawn
10 filings. It is usually a smaller percentage of
11 them, but I don't know specifics off the top of my
12 head.

13 Q I guess my question was more specific.
14 Do you know whether it has amended filings that you
15 or your team have worked on because of updated data?

16 A Usually, the updated data comes with,
17 you know, a conversation with the Department of
18 Insurance on what, you know, an appropriate rate
19 level for them to approve is. So, yes, after giving
20 a Department of Insurance updated data, we have
21 settled our rate changes for, perhaps, less than we
22 originally filed.

23 Q I'm sorry, I'm really not trying to
24 press you on this, but I just keep -- have you ever
25 amended it without a subsequent settlement?

1 A I don't recall a specific instance.

2 Q Okay.

3 A I guess, like I said, in general, it's
4 a lot of work for us to update a filing. To the
5 extent that we have filed something, it usually has
6 gone through our checking processes. It's usually,
7 you know, a very solid filing. That being said,
8 mistakes can happen. If we find an error, we
9 correct it. But in general, you know, it's not a
10 part of our process to update data with an active
11 filing.

12 Q Where you have found a mistake or found
13 new data that caused Allstate to amend its filing,
14 did that mistake or the new data require the company
15 to recalculate all aspects of the indicated rate,
16 all to recalculate all of the factors or only
17 particular factors?

18 A Again, without, like, a specific filing
19 in mind, we will correct the data or the provision
20 that is incorrect and tell the Department of
21 Insurance what happened. If there are policyholder
22 impacts at any point in time, we have a whole
23 corrective action department that will either issue
24 refunds or kind of write off premium if we charged
25 too little premium. But that, in general, is, you

1 know, our standard operating procedure, I'd guess.

2 Q Do you recall that in this filing ISO
3 presented loss data from 2017 to 2021, five years'
4 worth?

5 A Correct.

6 Q When that was presented to either of
7 the committees you serve on, did any committee
8 members ask whether there was more recent data, loss
9 data?

10 A So I think what you're -- your
11 understanding of the process as a member company is
12 understanding what it takes to aggregate data from
13 100-plus companies. You understand internally each
14 company has a quality control process that they
15 utilize. You understand that an organization that
16 is intaking data from 100-plus companies has to do
17 quality assurances checks, understand if there's
18 things that are sticking out as oddities in their
19 data and correcting anything there.

20 So most member companies and people who
21 work in the industry understand, you know, the delay
22 in getting the data from when it's in our companies
23 to the end product of the North Carolina Rate Bureau
24 indication.

25 So I think everybody may want updated

1 data, but we definitely have, you know, actuarial
2 standards of practice in terms of data that say, you
3 know, as long as the data is effective in being able
4 to evaluate, you know, the end product, it can be,
5 you know, just a good dataset instead of the perfect
6 dataset that may exist out there or not exist given
7 time.

8 Q Okay. But in the course of either
9 committee meetings that you attended leading up to
10 the current filing, did anybody ever ask ISO whether
11 it could obtain updated data?

12 A I don't recall a specific instance
13 where somebody asked ISO on that. The methodology
14 does have ways to look at inflation on a more recent
15 time period. So in the trend exhibits, there are
16 some builder indices and inflationary indices that
17 are weighted together. So that becomes essentially
18 the proxy for updated data, trying to understand how
19 inflation may impact losses.

20 Q So that I better -- very much
21 understanding what it means by "actuaries" when they
22 speak of proxy.

23 But when you were just -- even in the
24 context, for example, of inflation, is it better to
25 an actuary to try to anticipate the rate of

1 inflation versus actually have in front of it the
2 most recent data about the rate of inflation? Is it
3 better to project or actually look at the most
4 recent data as far as inflation?

5 A The general goal would be that it
6 should be the same. You know, we were attempting to
7 project things into the future, you know, from
8 historical data. To the extent things have changed
9 in the historical data, you know, based on more
10 recent information, you know, I guess I would say it
11 probably is preferable if available to have more
12 recent data. But, again, you know, the entirety of
13 the process that it takes to get the data is such
14 that I think we know we have to work with the data
15 that is available.

16 Q Who ultimately selects the effective
17 dates for the filing? Is it the committees? Is it
18 staff? Does staff recommend them and the committees
19 vote on them?

20 A I don't recall any discussion on the
21 effective date of the filing.

22 Q So that is for the effective dates in
23 the -- the effective date in the filing, not when
24 it's filed. I'm talking about the effective date
25 when the proposed rate would take effect.

1 A Correct. It was an input into the
2 indication. If I recall correctly, it was
3 originally filed for 8/1/2024. So we knew of that
4 plan. We knew of the general filing date. And as
5 we kind of sit here today in October, obviously,
6 that didn't come to fruition, but that input into
7 the indication was not generated by the committee.

8 Q Okay.

9 A You try and look at, like, what a
10 reasonable timeline review -- or timeline would be
11 for a filing, a review of the filing, and
12 implementation of it; and I would think that's how
13 they selected.

14 Q Has anybody -- did anybody for this
15 filing on the committees address whether -- or ask
16 the bureau about whether the effective date was too
17 soon?

18 A No.

19 Q Are you familiar with the analysis of
20 alleged regulatory delays that Mr. Anderson
21 completed for this filing with regard to the
22 contingency provision?

23 A I'm aware of it, yes.

24 Q Okay. Was it your understanding -- did
25 he present that study or analysis to the -- either

1 of the committees?

2 A I don't recall which one, but I do
3 recall seeing the methodology.

4 Q Okay. And when you were reviewing
5 that, what was your understanding of regulatory
6 delay; namely, what it meant to you?

7 A So in my understanding -- first of all,
8 of a contingency provision is, you know, looking at
9 unexpected costs that emerge. One of those costs
10 is, you know, what Paul had enumerated, which is a
11 change in, you know, the filing date and the actual
12 implementation date with an inflationary
13 environment. The -- you know, kind of time marches
14 on, your trend kind of continues to lengthen, and as
15 a result of that, your loss estimate for the period
16 that you're pricing for would increase. And so as a
17 result of that, that was used as the support for the
18 contingency provision. Again, kind of an industry
19 standard that is utilized in a lot of different
20 companies for their homeowners books.

21 Q Okay. For Allstate homeowners filings
22 in states other than North Carolina, does Allstate
23 take into account regulatory delay in examining
24 whether to request a contingency fee?

25 A Allstate supports its contingency

1 factor with a different method.

2 Q What method is that?

3 A Unexpected losses over time. We have a
4 couple of methods that we look at on a country-wide
5 basis. I don't think we need to dive into the
6 specifics of that, and I don't know them off the top
7 of my head. But we do have support available for
8 our contingency provision that is in excess of
9 1 percent.

10 Q And when you -- when Allstate submits
11 its filings that request a contingency provision,
12 does it submit data, the data that is supporting the
13 request?

14 A Each regulatory body is going to be
15 unique in the type of support that they
16 request/require. In certain cases, yes, we do
17 submit that. In other cases, departments recognize
18 that a contingency provision is fairly standard and
19 don't ask too many questions on it.

20 Q Would you agree that the bureau's
21 filing is pretty complex compared to an individual
22 company's filing in another state?

23 A I guess that would depend on your
24 definition of "complexity."

25 Q For an actuary perhaps.

1 A Yeah. And maybe depend on
2 professional -specific definitions of "complexity" as
3 well.

4 In looking at the bureau filing, I
5 would say that it encompasses most generally
6 accepted actuarial practices. However, you know, if
7 I were to compare that to an Allstate filing, I
8 think Allstate may produce more pages per filing
9 than the bureau does. So based off of that
10 complexity, I would say it's about industry
11 standard.

12 Q Okay. With regard to the part of the
13 filing that just consists of ISO and the other stat
14 orgs, and even the bureau itself gathering the data
15 from 110 carriers, is that more complex than your
16 experience with Allstate having to gather its data?

17 A Can you clarify that question? So
18 what -- in general, is data collection more
19 complicated than what Allstate has to do with its
20 own individual data?

21 Q Yes.

22 A I guess it would be debatable. There
23 are certainly challenges to aggregating data. In
24 particular, homeowners' data from 110 companies.
25 Allstate, in its homeowners' indication methodology,

1 breaks out the data into specific sub-perils, and
2 therefore, you know, has, you know, challenges in
3 breaking that out as well.

4 But I guess, in general, the data
5 complexity is, you know, probably a little harder to
6 do making sure 110 companies follow the exact same
7 procedures.

8 MR. FRIEDMAN: Your Honor, this is a
9 natural point to break for lunch, if that's
10 acceptable.

11 MS. FUNDERBURK: Yes. And, Counsel,
12 could you briefly approach?

13 (A bench conference was had.)

14 MS. FUNDERBURK: Thank you, Counsel.
15 We will be in recess until 1:20 this
16 afternoon.

17 And I'll remind you that you do
18 continue to be under oath when you retake the
19 stand.

20 Thank you, we are in recess.

21 (A recess was taken from 11:54 a.m. to
22 1:25 p.m.)

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1 STATE OF NORTH CAROLINA)

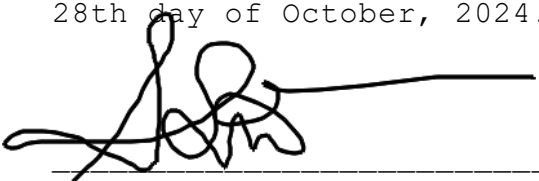
2 COUNTY OF FORSYTH)

3 REPORTER'S CERTIFICATE

4 I, Audra Smith, Registered Professional Reporter
5 in and for the above county and state, do hereby certify that
6 the hearing was taken before me at the time and place
7 hereinbefore set forth; that the proceedings were transcribed
8 and recorded by me by means of stenotype; which is reduced to
9 written form under my direction and supervision, and that this
10 is, to the best of my knowledge and belief, a true and correct
11 transcript.

12 I further certify that I am neither of counsel to
13 either party nor interested in the events of this case.

14 IN WITNESS WHEREOF, I have hereto set my hand this
15 28th day of October, 2024.

16 
17 _____

18 Audra Smith, RPR, CRR, FCRR

19 Notary Number: 201329000033

20 Commission Expires: June 26, 2025

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