

NORTH CAROLINA DEPARTMENT OF INSURANCE
RALEIGH, NORTH CAROLINA

COPY

IN THE MATTER OF THE FILING)
DATED JANUARY 3, 2024, BY THE)
NORTH CAROLINA RATE BUREAU)
FOR REVISED HOMEOWNERS)
INSURANCE RATES)
BEFORE THE)
COMMISSIONER OF)
INSURANCE)
DOCKET NO. 2157)

BEFORE: AMY FUNDERBURK, HEARING OFFICER

TRANSCRIPT
OF
HEARING

VOLUME XVII - A.M. SESSION

Raleigh, North Carolina
Wednesday, December 4, 2024
9:05 a.m.

A P P E A R A N C E S

On behalf of the North Carolina Rate Bureau:

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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 North Carolina Department of Insurance, 3200 Beechleaf Court, Raleigh, North Carolina, on the 4th day of December, 2024, at 9:05 a.m., before Wendy Sawyer, Court Reporter and Notary Public.

I N D E X O F E X A M I N A T I O N S

THE WITNESS: LAURA CAVANAUGH EXAMINATION

Continued Cross, by Mr. Spivey..... 2453

Redirect Examination, by Mr. Friedman..... 2508

I N D E X O F E X H I B I T S

(No exhibits offered.)

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P R O C E E D I N G S

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HEARING OFFICER FUNDERBURK: We are back on the record, and back in session at 9:05 on December 4th, 2024. Before we resume cross of Ms. Cavanaugh, are there any matters that we need to address?

MR. FRIEDMAN: From our side, there are a couple of matters. The first is that in my redirect of Ms. Cavanaugh today, I'm going to be addressing the questions Mr. Spivey had of Ms. Cavanaugh regarding what support she had or lack of support there was that led her to use the analyses that she did.

And I'm going to be pointing to the responses by the Board -- the Bureau, excuse me -- to a number of data requests and to a number of discovery responses. Two of those data requests are -- have attached files -- have electronic files attached to them. And all those electronic files are marked confidential.

However, the only point I'm trying to make of them is that they didn't provide any actual reinsurance data but only model reinsurance data.

And rather than close the court to put

1 those up, what I think from what exactly the Rate
2 Bureau said in its answer, its written answer to
3 those two data requests, makes very clear that it's
4 all modeled information.

5 And so I'm hoping that the Rate Bureau
6 will feel, based on its own written answer, okay
7 with not going to the effort of opening up all of
8 those attachments. I can go to which ones we're
9 talking about now or just do them as we come to her
10 with questions on them.

11 MR. SPIVEY: Perhaps we can do it at
12 the at the break between.

13 MR. FRIEDMAN: Sure. Okay.

14 MR. SPIVEY: Which responses you're --

15 HEARING OFFICER FUNDERBURK: If you
16 could speak a little closer to the microphone, Mr.
17 Spivey.

18 MR. SPIVEY: Do I need to repeat it?

19 HEARING OFFICER FUNDERBURK: Yes,
20 please.

21 MR. SPIVEY: What I was saying, Mr.
22 Friedman, is perhaps we can do that at a break this
23 morning or midday, whenever we get to it, and you
24 can point me to the specific responses to discovery
25 that you're speaking of.

1 MR. FRIEDMAN: Absolutely.

2 HEARING OFFICER FUNDERBURK: That
3 sounds like it'll be a reasonable use of time.

4 MR. FRIEDMAN: And then the second
5 matter, I'm not sure whether you'd like to address
6 this on the record or off. But basically, Allen
7 Schwartz has advised us of a possible need that we
8 may have to recall him in our case in chief to
9 clarify some of the answers he gave also in the
10 case in chief.

11 And there's a couple of things we're
12 asking him to clarify that he -- that -- and I
13 don't think it will take more time than a couple of
14 hours, but so I'll go through those, but they would
15 be, as I said, recalling him. And if I want to --
16 I could explain he can be recalled for them as a
17 rebuttal witness because these were all documents
18 and changes respective to questions the Rate Bureau
19 asked him on cross, or I could call him if they opt
20 not to call him, then I can, if the Court allowed,
21 call him on direct, just open up my -- well, I
22 haven't closed my case, obviously, yet, so I would
23 recall him as the last witness.

24 I'm very sorry for this state of
25 affairs, and I'm going to go through them for a

1 little bit if you wouldn't mind.

2 The -- now if you recall in his direct,
3 Mr. Spivey asked Mr. Schwartz about his support for
4 numerous citations in his pre-filed testimony in
5 particular exhibits. And Mr. Spivey later sent to
6 me a list of exactly what citations he wanted the
7 support for.

8 Over the first three weeks in October,
9 Mr. Schwartz provided me with those -- with PDFs of
10 most of the things Mr. Spivey wanted supported, and
11 I immediately forwarded those PDFs to Mr. Spivey.
12 And I also identified the responses as supplemental
13 responses to one of the Rate Bureau's discovery
14 requests to us. And I've got all of those PDFs
15 that we sent to Mr. Spivey put together as a DOI
16 Exhibit 52.

17 And my plan was to simply introduce
18 them as DOI's discovery supplements just as we've
19 introduced the just as we've introduced the Rate
20 Bureau's discovery -- the Rate Bureau's discovery
21 responses as exhibits.

22 But late last night, Mr. Schwartz
23 advised me for the first time that he couldn't
24 locate the supporting data for just one of the
25 things Mr. Spivey had asked for. And he has an

1 explanation about his inability to locate that one
2 piece of support, and he has an explanation about
3 what effect he believes his inability to find the
4 documentation has on his pre-filed testimony. He
5 also has a couple of --

6 HEARING OFFICER FUNDERBURK: Mr.
7 Friedman?

8 MR. FRIEDMAN: Yes.

9 HEARING OFFICER FUNDERBURK: In the
10 interest of streamlining things, one of the things
11 I'm really concerned about is finishing with Ms.
12 Cavanaugh.

13 MR. FRIEDMAN: Okay.

14 HEARING OFFICER FUNDERBURK: Because if
15 we don't finish with Ms. Cavanaugh today, that
16 definitely throws things off for rebuttal and
17 scheduling and getting us finally concluded with
18 this hearing.

19 MR. FRIEDMAN: Okay.

20 HEARING OFFICER FUNDERBURK: So I
21 understand you may need to recall Mr. Schwartz, but
22 I'm not sure the best use of time right now is
23 going over all the reasons why.

24 MR. FRIEDMAN: Okay.

25 HEARING OFFICER FUNDERBURK: I am --

1 yes, Mr. Spivey?

2 MR. SPIVEY: No, I'm very curious about
3 what is going to take a couple of hours.

4 MR. FRIEDMAN: If that. But how much
5 they need to cross?

6 HEARING OFFICER FUNDERBURK: If you
7 need the information, I can let him -- okay.
8 Please proceed so Mr. Spivey can --

9 MR. FRIEDMAN: Okay. I'll finish up.
10 So the bottom line is we need -- if we've got this
11 additional fact that he can't find the remaining
12 supplement or the data for it, and so he'd like to
13 be able to explain that and explain what remedies
14 he has for that.

15 But the second thing is that, if you'll
16 recall, Mr. Schwartz testified on cross to certain
17 errors in his calculation, and he read into the
18 record what changes those errors would make to his
19 pre-filed testimony.

20 And I -- he also promised and I
21 understood that the Court expected him to submit a
22 revised red line version of his pre-filed testimony
23 for the Rate Bureau's review. He's been working on
24 his revised pre-filed testimony for the past month,
25 but he informed me last night that the -- he has

1 realized the revisions that he testified to on
2 cross actually affect other calculations in his
3 pre-filed testimony and that for accuracy's sake,
4 he needs to amend those other calculations that
5 were just affected by the changes he originally
6 testified to.

7 He's working on those additional
8 revisions to the pre-filed testimony, and I
9 anticipate he'll have them done by this evening.

10 So what we're suggesting is, one, if
11 they will -- we will have that -- we will have
12 that, all of the pre-filed testimony done and able
13 to send to Mr. Spivey this evening, and as I
14 understand it and as he's promised it to me.

15 And then, you know, however long Mr.
16 Spivey needs to review those and assuming we're on
17 into his case in chief to his rebuttal case
18 tomorrow, we can make Mr. Schwartz available,
19 virtually, and we can certainly work to get him
20 avail -- or to get him here depending on
21 everybody's schedules.

22 HEARING OFFICER FUNDERBURK: I don't
23 want to speak for Mr. Spivey, but I would be
24 concerned about proceeding that quickly after
25 revised testimony. I imagine you may want to

1 review it and then have other folks review it. You
2 may not know what that review is going to look like
3 until you get it. Was that accurate?

4 MR. SPIVEY: Certainly, Your Honor. I
5 mean, I don't want to overstate it, but this is
6 pretty irregular. The idea that a month after his
7 cross, he's going to submit these revisions, I'm
8 somewhat surprised. But we would certainly need to
9 see them, review them before we can decide whether
10 we need to cross examine him further, or whether we
11 have to, you know, alter our -- or how it affects
12 our rebuttal plans. It has a great potential to
13 throw the schedule completely out of whack.

14 MR. FRIEDMAN: Your Honor, obviously, I
15 can't speculate as to how far they -- how much of
16 the time they would need to cross him. And also, I
17 recognize that you need all the time necessary to
18 review -- it's really going to be just one document
19 that's his revised written report.

20 And -- but I can say that, you know, I
21 don't think that recalling a witness while you're
22 still in your case in chief is exactly a rare
23 occurrence. And so, you know, I'm confused by that
24 idea. And certainly, in this context, where we're
25 so pressed to get it done, I regret, again, that

1 this has happened.

2 But I do think we'd be really
3 prejudiced if, for instance, we offered him with
4 these additional exhibits, the Bureau decided not
5 to call him on their rebuttal, I'd be left with
6 facts that, frankly, need to be revised and numbers
7 that need to be revised in the evidence, but nobody
8 to put them on through.

9 MR. SPIVEY: Your Honor, literally, I'm
10 having a difficult time processing what I'm hearing
11 at this point. We've completed Mr. Schwartz's
12 cross examination probably five weeks ago. And the
13 idea that he's got two hours of material to
14 present, at this point in this process, in my mind,
15 it is irregular.

16 And it may not be irregular to call or
17 recall a witness in some settings, but it hasn't
18 happened in my 35-plus years in a rate case. So --

19 HEARING OFFICER FUNDERBURK: Well, to
20 be fair, in your 35 years as a rate -- in rate
21 cases, we've only had a couple of hearings. We've
22 only had a few hearings.

23 MR. SPIVEY: No. No. Not quite.
24 That's not that's not -- had many hearings.

25 HEARING OFFICER FUNDERBURK: I'm

1 thinking of the homeowners' rate hearings.

2 MR. FRIEDMAN: Yeah. Also --

3 HEARING OFFICER FUNDERBURK: I have to
4 research the issue. I believe it's in the
5 discretion of the -- of the Court to allow it. In
6 the interest of getting a full record, and I'm not
7 going to make a determination on it right now, but
8 in the interest of getting a full correct record so
9 that an appropriate determination can be made in
10 the order, I'm inclined, and I'm not ruling so
11 today. I'm inclined to allow recall.

12 But just as I don't want to put Ms.
13 Cavanaugh on the spot, I'm not going to put the
14 Rate Bureau in a position where you don't have time
15 to adequately review and consult with your own
16 experts to determine what changes may result from
17 any changes in testimony.

18 You'll have a revised document this
19 evening?

20 MR. FRIEDMAN: I will, Your Honor.

21 HEARING OFFICER FUNDERBURK: What time?

22 MR. FRIEDMAN: Ms. -- I told him
23 initially that, if you ordered him to be on the
24 stand today, then he ought to complete it by noon.
25 He was waiting to hear about whether he would go on

1 today. And if he can testify first thing in the
2 morning when we're hopefully through with Ms.
3 Cavanaugh, then that would make -- then I'd get it
4 and circulate it to the other side this evening.

5 HEARING OFFICER FUNDERBURK: I don't
6 want to make Mr. Spivey's arguments for him. But
7 if I was litigating a matter, I would have concerns
8 as counsel if I was given a revised report and
9 asked to cross and process hours of direct
10 testimony within a matter of 15 hours.

11 I don't want to speak for you, Mr.
12 Spivey. You've done a lot more litigation than I
13 did. You may be able to do that. I would -- it
14 would create some difficulty for me as counsel.

15 MR. FRIEDMAN: How about would 2
16 o'clock work? He will -- we'll have it and in his
17 arm -- in his hands and by 2 o'clock or --

18 HEARING OFFICER FUNDERBURK: You'll
19 have the report in his hands by 2 o'clock this
20 afternoon while we're continuing to conduct
21 hearing. Again, just as I'm not going to put Ms.
22 Cavanaugh in a situation where she's put on the
23 spot and can't provide accurate testimony, I'm also
24 not going to put the Rate Bureau on the spot and
25 have them try to respond to things without adequate

1 preparation and adequate time to review how changes
2 may impact their case.

3 MR. FRIEDMAN: What would be -- I mean,
4 I don't know how much he's got left to do. I can
5 step out of the court for a second, call him, and
6 tell him we needed it at noon. What would you
7 prefer? What do you think is adequate time?

8 HEARING OFFICER FUNDERBURK: We need a
9 correct report from him as soon as possible. I
10 don't know what that timeline is. I don't know
11 what he's correcting. And then I don't know that
12 we can determine the review that's necessary by the
13 Rate Bureau for them to determine what their cross
14 examination is going to be until they've seen it.

15 Again, Mr. Spivey, I don't want to
16 speak for you, so jump in. Am I incorrect?

17 MR. SPIVEY: No. You're absolutely
18 correct. We are going to have to see what it is
19 he's changing, determine whether we need to
20 question him about it, all sorts of things, whether
21 it impacts rebuttal, and we have to hear it,
22 whatever, before we can start our rebuttal. I
23 mean, it's -- and again, we're a month after he
24 testified. It's mind boggling to me.

25 HEARING OFFICER FUNDERBURK: And I

1 don't want to get into -- to that. Just stick to
2 the factual pieces of where we are. We need it as
3 soon as possible. I'll hear for both of you after
4 you've had an opportunity to at least see what it
5 is so we can determine what the timeline is. So
6 that would be my direction -- had to you to give to
7 him.

8 We need it as soon as possible in a
9 correct manner, so that we can proceed with this
10 case because it does hinge on if it changes the --
11 changes the preparation for cross examination, it
12 changes the rebuttal case. It impacts witness
13 availabilities. It has a very substantial impact
14 on when we can proceed and when we can finish this.

15 MR. FRIEDMAN: Your Honor, first of
16 all, Madam Clerk, I've just gotten an email from
17 Allen saying he can't hear the sound, but then
18 apparently it's been fixed. And I guess Ms.
19 Hubbard is hearing it now too. So they had two
20 problems, but those were worked out.

21 I'm going to write him right now and
22 say we need it and tell him by, you know, you need
23 to get it done this morning for maximum time, for
24 the Rate Bureau to review it.

25 And if you'll just give me two seconds,

1 write that to him, then I'll be ready to
2 participate in Mr. Spivey's ongoing cross.

3 HEARING OFFICER FUNDERBURK: Mr.
4 Spivey, please turn off your microphone if
5 you're --

6 MR. SPIVEY: I'm sorry?

7 HEARING OFFICER FUNDERBURK: The
8 microphones can be very sensitive even if you're
9 having a sidebar conversation.

10 MR. FRIEDMAN: All right, Your Honor.

11 HEARING OFFICER FUNDERBURK: Are there
12 any other procedural matters we need to address
13 before we resume?

14 MR. FRIEDMAN: The thing I mentioned
15 about closing the record, I can talk with -- for a
16 couple of my questions. We can go to them and then
17 have Mr. Spivey say whether he thinks it's
18 necessary that we open up the attachments and then
19 decide on closing the courtroom.

20 HEARING OFFICER FUNDERBURK: And I
21 believe we're going to talk about that at -- when
22 we have a break, the two of you can discuss that
23 and make a determination. Are there any other
24 matters we need to address before cross and Ms.
25 Cavanaugh resumes?

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MR. FRIEDMAN: No, ma'am.

HEARING OFFICER FUNDERBURK: Mr.

Spivey?

MR. SPIVEY: I don't think so.

HEARING OFFICER FUNDERBURK: Okay. Ms.

Cavanaugh, I'll again remind you, you do continue to be under oath.

Mr. Spivey, please resume your cross examination.

MR. SPIVEY: Thank you.

CONTINUED CROSS EXAMINATION

BY MR. SPIVEY:

Q. Good morning, Ms. Cavanaugh.

A. Good morning.

Q. Could you turn, please, to page 14 in your pre-filed testimony? There at lines 27 through 30, am I correct in understanding that you found the Rate Bureau's loss development factors to be reasonable, appropriate, or however you might describe them and that you accepted them in your analysis?

A. Yes. I stated that they are aligned with historical averages, and I accepted them in my analysis.

Q. Could you turn to page 15 at line 6 through 8. And do I, again, understand correctly that

1 as you had selected the loss development factors, you
2 found the adjusted incurred losses excluding hurricane
3 in the filing to be acceptable?

4 A. Yes.

5 Q. And on page 16, at line -- starting at
6 line 9 with your answer there, do I correctly
7 understand that you reviewed and concluded that the
8 Rate Bureau's excess wind procedure and resulting
9 excess wind factor is reasonable?

10 A. Yes.

11 Q. All right. Would you turn to page 19?
12 And there at the top of the page, you stated you
13 selected the same fixed expense ratios and applied
14 those using the same procedure used by the Rate Bureau.
15 Is that correct?

16 A. Yes.

17 Q. And at lines 22 through 25 on that same
18 page, you concluded that the commission and brokerage,
19 taxes, licenses, and fees were reasonable, and you
20 accepted those as well. Correct?

21 A. Yes.

22 Q. On page 20, at line 26, you indicate that
23 the Rate Bureau's loss adjustment expense for non-model
24 losses is reasonable, and you used that. Correct?

25 A. Yeah. I said that the LAE, loss

1 adjustment expense, to incurred loss selection is
2 reasonable.

3 Q. And you used that in your analysis?

4 A. Yeah. I was just clarifying that it's
5 the -- it's the ratio of the loss adjustment expense to
6 incurred loss selection that I found was reasonable.

7 Q. Now let's turn to page 25, please. At
8 lines 19 through 20, you indicate that you agreed with
9 the Rate Bureau's selected historical pure premium
10 trends with the exception of the pure premium trend for
11 tenants. Correct?

12 A. Yes. And I just want to clarify this
13 relates to historical trends. I had a different
14 conclusion for prospective trends.

15 Q. Right. And you had later data to review
16 than what the Rate Bureau had available to it when it
17 made its trend selections. Correct?

18 A. I used data available to me, as discussed
19 in my pre-filed testimony.

20 Q. Right. And you were reviewing the same
21 historical trend data that the Rate Bureau had
22 available to it. Correct?

23 A. My understanding is that the Rate Bureau
24 provided the data that it was relying on in its filing.

25 Q. And that's what you utilized in looking at

1 the historical pure premium trends. Correct?

2 A. So I discussed in my pre-filed testimony
3 that I -- that I utilized, you know, the data that was
4 provided in the filing as well as other sources to make
5 my overall conclusion on loss trend selections.

6 Q. And, again, for the historical pure
7 premium trends that the Rate Bureau's selected, you
8 agreed with those except for the one for tenants.
9 Correct?

10 A. Correct.

11 Q. Would you turn to page 28? And there at
12 lines 29 and 30, you state that you find the NCRB's
13 historical premium trends to be reasonable. Did you
14 not?

15 A. That's what I say there.

16 Q. If you would turn to page 39. And there
17 you're testifying regarding exposure trend, are you
18 not, at the top of that page?

19 A. Yes. This is in the context of the
20 catastrophe provision.

21 Q. And you state at lines 5 and 6 that based
22 on your review, you find that the exposure trends
23 selected by the NCRB are appropriate. Do you not?

24 A. I do.

25 Q. If you would turn to page 10 in your

1 testimony. And starting there, at line 4, you have a
2 section entitled age of data; do you not?

3 A. I do.

4 Q. And generally, you discuss the age of the
5 data, and you suggest that more recent data should be
6 available. Is that correct?

7 A. So I'm just looking at my testimony and on
8 line 9, I state that it's my opinion that experience
9 data from year 2022 should have been included, at
10 minimum in 2023, data should have been provided to
11 NCDOT when it became available.

12 Q. Right. And you wrote this before you
13 heard the evidence presented in this case regarding
14 aggregation and timing of the receipt of the data. Did
15 you not?

16 A. I did.

17 Q. You state there in lines 11 -- starting at
18 line 11 that typically, data aggregators can provide
19 data within six months. Do you not?

20 A. Yes. And I use Fast Track as an example.

21 Q. Right. You go on to state that that's
22 true for Fast Track. Correct?

23 A. Yes.

24 Q. Are you aware of the differences in the
25 data aggregated and used to support this rate filing

1 and the data that are aggregated to generate Fast Track
2 reports?

3 A. I'm not familiar with all of the
4 differences. I did hear testimony regarding the
5 process of aggregating the data for this -- for the
6 Bureau in this filing.

7 Q. Is there sufficient data in what is
8 published as Fast Track data to develop a rate
9 indication?

10 A. Are you asking to develop any rate
11 indication or to develop a rate indication for this
12 filing?

13 Q. Well, let's speak in terms of this filing.

14 A. No.

15 Q. So your answer is no. There's not
16 sufficient data in Fast Track to develop a rate
17 indication for this filing?

18 A. That's correct. There is some relevant
19 data in Fast Track, but it wouldn't -- wouldn't include
20 all of the data that would be needed to determine a
21 rate indication in the context of this filing.

22 Q. Are you aware that there are differences
23 in the data validation processes completed on Fast
24 Track data compared with the North Carolina homeowners'
25 data that are used to support this rate filing?

1 A. I am not personally aware of that.

2 Q. So what portion of the industry is
3 included in Fast Track data, if you know?

4 A. I believe it is the data that is provided
5 to the -- to ISO and the other organizations, so
6 companies that report data into those organizations
7 would be included in Fast Track data. There might be
8 some exceptions to that.

9 I would also add that Fast Track data is often
10 used as a source for industry data, and I see that in
11 many of the different rate filings that I've reviewed
12 across different states.

13 Q. Is the Fast Track data used as the source
14 of the experience for calculating a rate indication?

15 A. It is used as part of support for a rate
16 indication.

17 Q. Now, that is not what I asked you. Is the
18 Fast Track data itself used to calculate, for instance,
19 the loss experience in a rate indication?

20 A. So most typically, Fast Track data is used
21 to review trend information, loss trend information,
22 specifically. So not typically used to, you know, in
23 isolation. I'd expect to see company historical data
24 as well.

25 Q. Have you ever seen it used in isolation to

1 calculate a rate indication?

2 A. I think I testified to that earlier that
3 the Fast Track data would be insufficient to be used to
4 fully -- to support every aspect of a rate indication,
5 and I have not seen it be used for that.

6 Q. Are you aware that the mix of companies in
7 Fast Track data can change from one quarter's
8 submission to the next?

9 A. Yes.

10 Q. Do you know that the mix of companies is
11 different for the frequency and severity exhibits and
12 the loss ratio exhibits within Fast Track data?

13 A. I didn't rely on the loss ratio exhibit,
14 so I'm not -- I'm not sure one way or the other. I
15 didn't look into that.

16 Q. So the answer is you don't -- you don't
17 you don't know that that

18 A. I don't know one way or the other the
19 answer to your question.

20 Q. Ms. Cavanaugh, I want just to clarify
21 something for myself. Earlier in your testimony, this
22 would have been on Monday, you indicated in your
23 testimony that you had reviewed a filing in Alaska that
24 included a provision for reinsurance costs. Do you
25 generally recall that testimony?

1 A. Yes.

2 Q. Do you recall what type of reinsurance
3 that would have involved?

4 A. Yeah. I recall that that was excess of
5 loss treaty.

6 Q. Was it catastrophe excess of loss?

7 A. I know it was more than just catastrophe
8 excess of loss. I know that there was some excess of
9 loss. This is workers' comp, and I honestly don't
10 recall if a portion of that included catastrophe,
11 excess of loss.

12 Q. Now, you indicated in your testimony on
13 that matter on Monday that that particular item was in
14 the residual market rate of filing for workers' comp
15 insurance in Alaska. Correct?

16 A. Yeah. This is the assigned risk portion.

17 Q. So did the reinsurance that you're
18 referring to involve purchase of reinsurance from
19 reinsurance companies?

20 A. Yes. My understanding is it does.

21 Q. It didn't have anything to do with the
22 national pool for assigned risk businesses,
23 essentially, run by the NCCI?

24 A. You know, my focus was on the cost related
25 to that reinsurance and the adequacy of that in the

1 rate filing. So the particulars of the reinsurance, I
2 didn't -- I didn't review the reinsurance contract. So
3 I don't want to, you know, I'm just -- I'm just fuzzy
4 on the recollection of the exact particulars of the
5 reinsurance contract itself because I was focused on
6 the costs related to the reinsurance.

7 Q. Did you review that filing yourself
8 personally?

9 A. Yes.

10 Q. Do you recall when that was?

11 A. I believe we received the filing in the
12 summer of this year, and so I started my review then.

13 Q. So the summer of 2024?

14 A. 2024. Yes.

15 Q. Has that filing been acted on by the
16 regulator in Alaska?

17 A. I believe so, but it was fairly recent,
18 that we were working on it. So I'm actually not sure
19 if that has been concluded as of yet. And I would just
20 mention that I was also involved in a similar analysis
21 last year for the filing that they provided in Alaska.

22 Q. That would have been the assigned risk
23 rate filing made by NCCI in 2023 in Alaska?

24 A. The filing was provided in 2023. I
25 believe the effective date is 1/1/2024.

1 Q. Ms. Cavanaugh, has -- was your pre-filed
2 testimony as it's been submitted here peer reviewed
3 prior to its submission?

4 A. Yes.

5 Q. And who performed that peer review?

6 A. So I had a team working with me, and so
7 there were different aspects of review performed by
8 different individuals.

9 Q. Okay. Can you describe who your team
10 included? Is this individuals within RRC or is it
11 broader than that?

12 A. Yes. It's employees of RRC, all
13 credentialed actuaries.

14 Q. And did the same team peer review the
15 revisions that you have made to your testimony?

16 A. Revisions -- you're referring to the
17 clarifications that I discussed in direct and the Table
18 15-B. Is that what you're referring to?

19 Q. Those revisions that you described in your
20 direct testimony. Yes.

21 A. Yes. Those were reviewed.

22 Q. Earlier in your cross examination, Ms.
23 Cavanaugh, you were describing having reviewed rate
24 filings in other states, and we asked that you provide
25 us examples of rate filings where you had reviewed the

1 use of catastrophe models and/or the provisions for net
2 cost of reinsurance. Do you recall generally that
3 testimony?

4 A. I do.

5 Q. And do you recall the request that you
6 provide us some specific examples?

7 A. Yes.

8 Q. And at the time, as I recall, you couldn't
9 recall the actual filing or the companies, but you said
10 you would check your files and then provide us the
11 examples if they were available. Correct?

12 A. In general, that's what I said.

13 Q. And around just prior to noon yesterday,
14 you provided to us the portions of two filings.
15 Correct?

16 A. I believe counsel for the DOI provided
17 that to NCRB.

18 Q. Right. So you provided them to counsel
19 for the Department, and then understood that he was
20 providing them to us?

21 A. That's my understanding.

22 Q. And that occurred right at or just prior
23 to noon, a few minutes before noon yesterday.

24 A. I don't know the exact time that he --
25 that they provided it.

1 Q. So one of those filings, was it in the
2 state of New Jersey for Franklin Mutual Insurance or
3 FMI; was it not?

4 A. It was.

5 Q. And the other filing appears to be, or I
6 should say, the New Jersey filing was in, at least, an
7 excerpt from the filing. Correct?

8 A. Yes. I believe the filing reference
9 number was provided along with a couple of different
10 exhibits that were in the filing.

11 Q. And the second example was an excerpt of a
12 filing in the state of Georgia, by Mercury Indemnity
13 Company of Georgia. Is that correct?

14 A. Yes.

15 Q. Are those the only filings that you found
16 that were responsive to the request that we were
17 discussing?

18 A. So let me just explain. So my
19 understanding regarding historical, you know, filings
20 that I have seen that review historical premiums in
21 addition to just the current year, reinsurance premium,
22 in my testimony, I explained that I had -- I recalled
23 seeing at least one filing where there was, you know, a
24 longer history and that when I went back to
25 determine -- because I was also asked which company and

1 when, so then I went back and I found that this was the
2 filing that I was recalling.

3 I believe I testified earlier, but if not, I'll
4 say it now that, you know, typically, it is just the --
5 the current reinsurance premiums that are utilized,
6 but, you know, there -- there are instances and this is
7 one such instance where, you know, a number of
8 different years is used to support the net cost of
9 reinsurance, and that was specific to New Jersey.

10 And then another question related to the use of
11 catastrophe modeling results specific to Georgia only,
12 and I had recalled that I had seen filings, where
13 catastrophe model results were used.

14 When I was going back to my notes, you know,
15 just looking at the -- so I oversee all of the Georgia
16 rate filing reviews that we do. Some of them I provide
17 peer review of, and some of them I have reviewed, have
18 been the primary reviewer for.

19 So I just looked at the filings where I had
20 provided either primary or peer review. And of those,
21 most of them were auto filings and -- and then some of
22 them were homeowners' filings. And this was the
23 filing, this was one such filing that I found that used
24 model results, and I looked at the homeowners' filings
25 that I had reviewed, and in those, just historical,

1 hurricane data was used to support the catastrophe
2 provision.

3 And I didn't go through the work of checking all
4 my -- all the auto filings that I had reviewed, but I
5 did provide this -- this filing because I knew that
6 there was one recently that I had seen that provided
7 modeled results.

8 So that's -- that's how I came to providing
9 those two filing references.

10 Q. My recollection, Ms. Cavanaugh, is that
11 you testified that you thought there were between five
12 and ten filings that would have been the type of
13 filings that you were describing having reviewed where
14 there were either provisions for reinsurance costs in
15 them or the use of catastrophe models was reflected in
16 the filing. Am I recalling that correctly?

17 A. That is correct. And what I recall is you
18 had asked for 2024 that I provide the filings. I
19 believe I said I recalled a couple of them, that I had
20 reviewed a couple of filings not necessarily related to
21 the question on whether they included model results,
22 but that I had reviewed a couple filings.

23 I didn't count them up, but I did review a
24 number of filings in 2024. And of those, one of them
25 did include catastrophe model results, and that's what

1 I provided.

2 MR. FRIEDMAN: Can I just interject?

3 My recall of yesterday's testimony is that, yes,
4 Ms. Cavanaugh said that she had reviewed between
5 five and ten filings, but that his questions
6 specifically for both New Jersey and for Georgia
7 were just those filings she had reviewed in 2024.

8 So the five to ten, my understanding of
9 that was that that was over the two years that
10 she's worked for RRC and that that wasn't what he
11 had specifically asked her to provide.

12 MR. SPIVEY: I'm sure that the
13 transcript will reflect what we discussed that day.

14 BY MR. SPIVEY:

15 Q. So, Ms. Cavanaugh, do I understand that
16 you didn't find that you'd reviewed any homeowner
17 filings in Georgia that included modeled losses?

18 A. So I looked at the ones -- I looked at the
19 homeowners' filings that I reviewed over -- for
20 homeowners and just peer reviewed or primary reviewer.
21 I have been in conversations about a number of other
22 filings, but I just kind of limited it to the ones
23 where peer reviewed or primary reviewer.

24 And for those, they use the historical
25 catastrophe losses rather than modeled losses.

1 Q. So they didn't use model losses.

2 A. That's what I said. And I just want to
3 clarify. I believe everything that I've stated is
4 consistent with -- with what I said on Monday.

5 MR. SPIVEY: Mr. Friedman, do you have
6 the -- what you've marked DOI 54 available so that
7 we can share it with the hearing officer and the
8 witness?

9 MR. FRIEDMAN: Is -- oh, oh, those are
10 the -- it's not the one you got this morning.
11 But -- yeah.

12 THE WITNESS: Within the next, like,
13 five or ten minutes, could we have a break?

14 HEARING OFFICER FUNDERBURK: Yes.
15 Would now be a good time for a break? Or --

16 MR. SPIVEY: That would be fine.

17 HEARING OFFICER FUNDERBURK: We can go
18 ahead and do that. It is, by the clock in the
19 courtroom, it's five till. We'll take a ten-minute
20 break and come back at five after by the clock in
21 the courtroom. We're in recess. Thank you.

22 (Recess taken from 9:55 a.m. to 10:05 a.m.)

23 MR. FRIEDMAN: Thank you. Your Honor,
24 I've handed up to the clerk, the Court, and
25 opposing counsel, and Ms. Cavanaugh, DOI 53 and 54,

1 which are excerpts from the filings that Mr. --
2 that Mr. Spivey asked for yesterday that we
3 provided. He asked for them, I think, on Monday,
4 and we provided them to him on Tuesday morning.

5 These -- I've left two other copies up
6 there, one for Mr. Pierce and I don't --

7 HEARING OFFICER FUNDERBURK: Mr. Cohen
8 (phonetic).

9 MR. FRIEDMAN: I don't recall if
10 there -- I needed to leave a third one, but I did.
11 It's up there. Or fourth one.

12 HEARING OFFICER FUNDERBURK: So for
13 well and first, let me say we're back on the
14 record, back from recess. They're marked DOI 53
15 and 54. I'm trying to keep our record straight. I
16 don't have these as being handed up before,
17 obviously. They're coming up in the Rate Bureau's
18 case, but they're marked as DOI exhibits. For
19 purposes of the record, who's going to be
20 introducing these exhibits?

21 MR. FRIEDMAN: They're going to
22 question them about -- her about them. I mean, I'm
23 happy to have them written over as NCRB exhibits or
24 if he wants to question about them, and then I can
25 have her authenticate it on redirect, that's fine

1 too.

2 MR. SPIVEY: My understanding when Mr.
3 Friedman provided these yesterday, just before
4 noon, was that if we did not offer them in
5 evidence, he would be offering them into evidence.
6 My expectation is that he would offer these.

7 HEARING OFFICER FUNDERBURK: Okay. For
8 purposes of my records, I'm noting them down as DOI
9 53 and 54. They -- they haven't been admitted yet,
10 so I'm not indicating they're admitted in my notes,
11 but I want -- I want to keep our record straight.

12 So at this point, I'm going to mark
13 them as DOI. We'll see who admits them. We'll see
14 if there's a blanket admission later.

15 Is there anything else related to these
16 exhibits we need to talk about before we resume Ms.
17 Cavanaugh's cross?

18 MR. FRIEDMAN: No, Your Honor.

19 MR. SPIVEY: Not from me.

20 HEARING OFFICER FUNDERBURK: All right.
21 Please resume. Thank you.

22 BY MR. SPIVEY:

23 Q. Ms. Cavanaugh, do you have before you the
24 exhibit that's now been marked on sticker that is DOI
25 54?

1 A. Yes.

2 Q. And my understanding is this is an excerpt
3 from a filing by Mercury Indemnity Company of Georgia
4 in the State of Georgia. Correct?

5 A. Yes.

6 Q. Did you personally review the filing that
7 these materials are related to?

8 A. Yes. I did the peer review of this filing
9 of the -- of the filing memo that we produced. So I
10 didn't look at every page of the filing, as in much
11 detail as the primary reviewer, but I did review what's
12 shown here and -- and, you know, reviewed the memo that
13 was produced.

14 Q. Okay. I'm sorry. You finished?

15 A. Yes.

16 Q. Okay. I didn't mean to interrupt.

17 A. It's okay.

18 Q. So when I ask you if you personally
19 reviewed it, my understanding from your testimony
20 earlier in this proceeding is that there are two types
21 of review that you and your team do. You have someone
22 who reviews the filing, and then you have a peer review
23 of that work. Correct?

24 A. Yes.

25 Q. Did you personally review this filing, or

1 did you peer review the work of someone else who
2 reviewed this file?

3 A. So I peer reviewed the work of someone who
4 reviewed this filing, and in doing that peer review, I
5 did review components of the filing itself.

6 Q. Components of the file, not the entire
7 filing.

8 A. Correct.

9 Q. Who was the primary reviewer of this
10 filing?

11 A. It was one of my associates.

12 Q. Does that person have a name?

13 A. Yes. I'm just trying to think.

14 Q. Do you recall which person on your team
15 reviewed this filing?

16 A. I believe there were there might have been
17 two people involved in the review, because one of them
18 was not a credentialed actuary and one of them is. So,
19 you know, in order to give an accurate testimony here,
20 I'd want to go back and just clarify that, go back to
21 my records. But I could say that it is, you know, the
22 reviewers are, you know, the people that my associates
23 that have worked on -- on the team in Georgia rate
24 filings.

25 Q. The material that you have provided, or

1 related to this particular filing in Georgia, appears
2 to be a 12-page table of modeled and actual cat losses
3 by ZIP Code in the State of Georgia. Correct?

4 A. That's correct. And I just want to make
5 sure that you did receive the SERFF reference number
6 for this filing. Okay.

7 MR. FRIEDMAN: I forwarded the SERFF
8 reference number for the filing to Mr. Spivey
9 yesterday evening in a separate email.

10 BY MR. SPIVEY:

11 Q. Ms. Cavanaugh, does SERFF reference
12 numbers include only numbers or they're usually
13 identifiers preceding those numbers?

14 A. It's alphanumeric. I -- I guess I said
15 number. I meant alphanumeric reference.

16 Q. I'm sorry?

17 A. It's alphanumeric. There are some letters
18 in the beginning and some numbers after that.

19 MR. SPIVEY: And just for the record,
20 the number we received had no alpha.

21 MR. FRIEDMAN: Then that would have
22 been my mistake, Your Honor. I can easily get that
23 at noontime break. I didn't under -- I cut from
24 the number from a link and did not realize that
25 there was more to it than the mere number.

1 BY MR. SPIVEY:

2 Q. Ms. Cavanaugh, the materials reflected in
3 Exhibit DOI 54 are from a filing that's not a
4 homeowners' filing. Correct?

5 A. That's correct. It's a private passenger
6 auto filing.

7 Q. And it's a private passenger auto filing
8 for comprehensive coverage. Correct?

9 A. It was for multiple coverages. This
10 exhibit is relating to comprehensive coverage.

11 Q. So the losses that are displayed on these
12 12 pages by ZIP Code are comprehensive coverage losses
13 only. Right?

14 A. That's correct. And I -- I just want to
15 clarify that there was there's also an actuarial
16 memorandum that goes with this that kind of discusses
17 this in a little bit more detail. But, yes, there --
18 this is showing comprehensive losses, from the modeled
19 output and comparing that to actual catastrophe losses.

20 Q. And there was a particular reason you
21 didn't provide the materials that provide more detail
22 about this?

23 A. I sent them to counsel for DOI, and I'm
24 not -- I'm not sure, you know, what was provided to you
25 beyond this. I -- I guess my understanding from this

1 discussion is that you were provided this -- these
2 pages and then the numeric portion of the SERFF
3 reference number. With the full SERFF reference
4 number, all of these documents related to this filing
5 that are made public, including the actuarial
6 memorandum, can be easily found on SERFF.

7 MR. FRIEDMAN: So Your Honor, if --
8 I'll go back certainly at lunch, figure out if I
9 did get an additional part of this filing from Ms.
10 Cavanaugh and produce it. And if we didn't, we
11 will take it off of SERFF and produce it, this
12 memorandum she's mentioning now.

13 THE WITNESS: It's all available,
14 publicly available.

15 BY MR. SPIVEY:

16 Q. Ms. Cavanaugh, are the actual losses
17 displayed in the 12 pages comprising Exhibit DOI 54,
18 are they for a single year or are they for multiple
19 years?

20 A. As I recall, I believe -- and this is in
21 the filing information. I believe it was a five-- year
22 average.

23 Q. So what was the -- this table used for in
24 the Mercury Indemnity Company rate filing?

25 A. This was part of an objection response in

1 relation to the filer's support for its territory
2 factors.

3 Q. So these materials were not included in
4 the filing as it was originally made. Correct?

5 A. That's my recollection. Yes. The -- I
6 just want to add that in the original filing, as I'm
7 remembering the actuarial memorandum, it did discuss
8 that model -- that -- that modeled results were used in
9 support of its request for changes to the territory
10 factors.

11 Q. So am I gathering, then, that the filing
12 indicated that the support for the comprehensive
13 coverage rate indications in the filing were based on
14 model losses, but that there was no detailed
15 information there about what those model losses were
16 and that your reviewer posed an objection and requested
17 additional information which resulted in these 12
18 pages?

19 A. That's my recollection.

20 Q. When this material, these 12 pages were
21 provided by the company, did you deem that to be an
22 adequate response or did you request further
23 information?

24 A. We didn't request any further information.
25 This was sufficient for what we needed for the purposes

1 of our review.

2 Q. Do you know whether the rate filing that
3 this pertained to was approved?

4 A. I am not sure.

5 Q. Does your review or your team's review of
6 these type filings include a recommendation to the
7 regulator regarding approval or disapproval?

8 A. Yes.

9 Q. Do you recall or know whether you
10 recommended that this filing be approved?

11 A. I recall that we did recommend, or well,
12 the way that we word it is that, you know, the -- the
13 filing request is, I'm just thinking about the exact
14 wordings that we use, adheres to actuarial standards
15 and is in line with the statutes as we understand them
16 and that it is the DOI's responsibility to approve or
17 disapprove the filing.

18 Q. In providing these 12 pages from the
19 Georgia filing, marked as Exhibit DOI p54, in providing
20 this to us in response to our request, for example, of
21 a rate filing in Georgia that you reviewed containing
22 the use of catastrophe models, was it your intention to
23 just provide this as a -- something that's exemplary of
24 the type of support you'd expect to see in a rate
25 filing?

1 A. My intent was to provide you with what you
2 requested.

3 Q. When these materials were received by you
4 from the company, what kind of analysis did you perform
5 on these materials?

6 A. The analysis was done by the primary
7 reviewer and my understanding, based on my recollection
8 of the memo, is that they -- they reviewed this to
9 understand the modeled losses compared to the actual
10 losses in order to determine whether or not that it was
11 reasonably aligned.

12 I would also add, you know, in your prior
13 question, this is -- the request was related to
14 Georgia. Private passenger auto is a different line of
15 business than homeowners', and there are plenty of
16 other filings in other states that I've reviewed
17 modeled losses for.

18 I wouldn't say that this particular exhibit is
19 all that analogous to what we're doing here because
20 this is in support of territory factors versus, the
21 catastrophe provision and net cost of reinsurance is in
22 support of an overall homeowners' rate indication.

23 But I was just trying to respond to the
24 questions as they were posed and, and this was the
25 filing that was, you know, that I was recalling

1 regarding modeled cat losses in Georgia.

2 Q. Do you know whether your primary reviewer
3 performed any kind of test of the validity of the model
4 losses compared to the actual losses?

5 A. I don't recall. This was part of a, you
6 know, much larger filing with a lot of different
7 revisions, and so I didn't delve in deeply into this
8 particular component.

9 Q. But you did indicate that -- that no
10 further information was requested regarding this
11 particular asset.

12 A. That's my recollection.

13 Q. What type of catastrophe model was used to
14 produce this exhibit?

15 A. There's a label on page 1 that references
16 the catastrophe model, and it's labeled as AIR TSV
17 2022.

18 Q. So what's your understanding of what type
19 of model that is?

20 A. I'd have -- I'd have to check the -- the
21 exact model. It -- I believe it's an AIR model, and it
22 would be related to catastrophes. TS might refer to
23 thunderstorms. I'm actually not sure.

24 Q. Do you know what perils were modeled?

25 A. Not as I sit here today. I'd have to look

1 at the filing further.

2 Q. So you don't know whether this involved a
3 hurricane model in any way, shape, or form?

4 A. I'd have to look at the filing.

5 Q. Ms. Cavanaugh, if you would turn for a
6 moment to page 4 in this Exhibit DOI 54. And in the
7 upper portion of the page for ZIP Code 30339, I see
8 that the modeled losses are 5,593 and that the actual
9 cat losses are 403,024. Do you see that?

10 A. I do see that.

11 Q. Do you -- can you inform me as to what
12 type of losses these may be where there'd be over
13 \$400,000 of loss in one ZIP Code in Georgia, but
14 nothing approaching that any anywhere else in the
15 exhibit?

16 A. Well, first, in order to determine whether
17 anything else approaches that, I'd have to look at the
18 entire exhibit, and the answer is, no, I don't know. I
19 didn't -- we didn't ask about that particular number to
20 understand the underlying losses further beyond, you
21 know, just requesting this exhibit.

22 Q. Would you page through the 12 pages
23 quickly just observing the -- the numbers in the actual
24 loss column? And tell me if you see any other number
25 that approaches \$403,000?

1 A. All right. So I'm looking at this very
2 quickly, but it looks like the next highest is 113,365
3 on page 3.

4 Q. And in fact, the majority of entries in
5 that column are zero throughout the 12 pages; are they
6 not?

7 A. That's correct.

8 Q. Ms. Cavanaugh, do you have in front of you
9 the package that's labeled Exhibit DOI 53?

10 A. Yes.

11 Q. And these are excerpts from or materials
12 from a filing by Franklin Mutual Insurance Company or
13 Insurance Group; are they not?

14 A. Yeah. I believe it's FMI Insurance
15 Company was the filing company name. And there's some
16 group data in here as well.

17 Q. Did you personally review this filing as a
18 consultant for the regulator in Georgia?

19 A. This filing was reviewed in New Jersey
20 for -- for the regulator in New Jersey, and this --
21 I -- I did a peer review of the memo that was produced
22 by one of my team members who performed the primary
23 review, so similar to the other filing, I reviewed
24 portions of the filing pages in order to complete my
25 peer review.

1 Q. Who is Candace Speck?

2 A. That is someone at the New Jersey
3 Regulator Department of Banking and Insurance. I --
4 I -- I believe -- I'll have to check. I believe she
5 may have been the one assigned to this filing in SERFF
6 and in New Jersey, the -- the -- the process that they
7 use is to assign a particular employee of the
8 department to be assigned in SERFF, and then they also
9 request our review and a memo from us to be provided to
10 them in -- in assistance of making their conclusions.

11 Q. So, generally, in flipping through these
12 various pages here, I have noted that Candace Speck is
13 reflected as the reviewer, at least on any pages that I
14 noted a reviewer identified. Would a reviewer in your
15 office be identified in the SERFF materials for this
16 filing?

17 A. No. So just to clarify, some states, you
18 know, choose to assign RRC employees to certain filings
19 and then that just means in the system that we can --
20 that we can access and post our own objections.

21 In New Jersey, an employee of -- of New Jersey
22 is assigned and when we need an object- -- when we need
23 objections post, we -- we would send it to, in this
24 case, Candace Speck, and Candace would post those
25 objections for us.

1 Q. Would it be the case that every objection
2 that's noted throughout these materials by Candace
3 Speck would have been something provided to her by RRC?

4 A. No. Sometimes, the department will
5 determine that they would like to ask some -- pose some
6 questions and objections. So it -- it can be a mix.

7 Q. Do you know, as you're sitting here today,
8 which objections in these materials were provided to
9 Ms. Speck or the New Jersey department by you or your
10 team?

11 A. I do not.

12 Q. And is this filing a homeowners' filing?

13 A. Yes.

14 Q. Has this filing been approved?

15 A. No. This -- this one has not been
16 approved yet. It is still pending.

17 Q. Do you know whether RRC has provided a
18 recommendation regarding approval or disapproval or
19 whatever the nature of your recommendation would be?
20 To this point, has that -- has any such recommendation
21 been provided to the New Jersey department?

22 A. The review is still ongoing.

23 Q. I'm sorry?

24 A. The review is still ongoing. Nothing has
25 been provided yet regarding a recommendation.

1 Q. This filing did not contain modeled
2 hurricane losses, did it?

3 A. I don't believe it did.

4 Q. I'm sorry?

5 A. I don't believe it did. I believe that it
6 used -- to look at that page, but my recollection is
7 that it used historical catastrophe losses to support
8 its catastrophe provision.

9 And I would just clarify that, yeah. Earlier in
10 my testimony, I had discussed that some companies will
11 support their catastrophe provision with historical
12 data. Some will use modeled results. Some will use a
13 mixture of both.

14 MR. SPIVEY: Can I have just a moment,
15 Your Honor?

16 HEARING OFFICER FUNDERBURK: Yes.

17 MR. SPIVEY: Thank you, Your Honor.

18 BY MR. SPIVEY:

19 Q. Ms. Cavanaugh, would you turn to at least
20 what in my package is the second page of Exhibit D01
21 53. And in the upper right corner, it appears to be
22 labeled Exhibit IV, page 2.

23 A. Yes.

24 Q. Do you know what that exhibit was used for
25 in this filing?

1 A. Yes. This was used to support -- it's
2 the -- the company's net cost of reinsurance.

3 Q. What type of reinsurance program was used
4 by this company as it relates to this filing?

5 A. I'd have to look at other aspects of the
6 filing to determine all the different reinsurance
7 that's included here and I -- you know, and there's,
8 you know, many years of data here and the reinsurance
9 coverage could change over time.

10 Q. Looking at this page, can you determine
11 anything about the type of reinsurance this -- the
12 basis for the net cost of reinsurance in this filing?

13 A. Not looking at this page. No.

14 Q. So if you're looking at this filing and
15 you look at column 18 and you see ceded commission
16 expense and column 19, overall ceded commission rate,
17 does this indicate that this may be quota share
18 insurance?

19 A. It could be. I -- I would really need to
20 look at the -- the other documents, see if they -- they
21 described further all of the reinsurance that is
22 included in here.

23 Q. Would you expect to see ceded commission
24 rates along the lines of what are displayed in column
25 19 for excess of loss catastrophe reinsurance?

1 A. Yes. So there could be -- no, if it was
2 just catastrophe reinsurance, I wouldn't expect to see
3 that, so I would have to look. It could be a mixture,
4 could be quota share.

5 Q. So looking at the exhibit generally here
6 for Exhibit IV, page 2 that we were looking at, how did
7 you analyze the information provided in this exhibit?

8 A. So this was done by the primary reviewer.
9 We did, as I recall, she had looked at the historical
10 premiums, and the amounts highlighted in yellow, the
11 ceded premium percentages, and compared that against
12 what their selection was. In this case, they selected
13 a ten-year average.

14 And, you know, I would also say that, you know,
15 our overall conclusions, which are still pending
16 because I -- I know at least the last I knew, we -- we
17 had pending objections to them regarding a number of
18 different issues. But we -- we would take this into
19 account in light of all of the other assumptions as
20 well.

21 Q. Well, am I correct in understanding that
22 you personally haven't reviewed this particular portion
23 of this filing prior to it being obtained and provided
24 to us here in this proceeding?

25 A. Can you repeat the question?

1 Q. I said, am I understanding correctly that
2 you personally have not reviewed this portion of this
3 filing prior to obtaining and providing it to us in
4 this proceeding?

5 A. That's incorrect. So and maybe I should
6 just clarify because usually, I do a peer review right
7 when we're about to conclude, but as part of my peer
8 review, I had identified a couple of other areas that
9 we wanted to follow up with the company on. And so
10 that's why, it's still pending even though I've -- I've
11 completed an initial peer review.

12 And I did look at this page and I looked at
13 my -- related to this.

14 Q. And when did that review you've just
15 described occur?

16 A. It was before this week, and I believe it
17 was in November.

18 Q. And so when we were discussing these
19 matters on Monday, you could not recall the name of the
20 company or the specific filing that you were that we
21 were describing at that time. Isn't that correct?

22 A. That's correct. And I do want to just
23 state that I am involved in a number of different
24 filings at any given time. They're all -- there --
25 there's many different filings at this moment. I would

1 say probably 20 or 30 filings in New Jersey alone that
2 are pending. And so I always -- and, you know, and I
3 had in my head the name of this company, but I never
4 want to -- I'd always want to look back at my notes
5 just to be sure, that it was correct.

6 So that's why I didn't answer, you know, what
7 company it was on Monday. I just wanted to go back to
8 my notes and confirm.

9 Q. Have any objections related to this
10 exhibit been submitted to the company based on the
11 request or input from RRC, specifically relating to the
12 inclusion of net cost of reinsurance in this filing?

13 A. I'm not sure.

14 Q. Turning back to the first page of Exhibit
15 DOI 53, which in the upper right corner contains a -- a
16 notation Exhibit IV, page 1. You see that?

17 A. I do.

18 Q. This filing shows the net cost of
19 reinsurance as an expense. Does it not?

20 A. I don't -- I don't see that. I see a row
21 that says other equals net cost of reinsurance and an
22 amount there. So I see that it's included in total
23 expenses and profit, less investment income line.

24 Wait -- wait -- wait, maybe not. Hold on.

25 Yeah. I just see the line other equals net cost

1 of reinsurance of 9 percent.

2 Q. Did FMI, which you've indicated as the
3 company making this filing -- strike that.

4 You indicated earlier that the filing was by FMI
5 Insurance or FMI. Correct?

6 A. Let me just check. I think it's FMI
7 Insurance Company. FMI Insurance Company.

8 Q. Made this filing?

9 A. Yes.

10 Q. All right. So this particular exhibit is
11 labeled Franklin Mutual Group combined. Is it not?

12 A. Yes.

13 Q. What's your understanding of how this
14 exhibit relates to the filing by FMI Insurance?

15 A. As I recall, this exhibit was used in
16 support of its selected expense provisions. So, you
17 know, I'll explain a little bit, you know, and I -- I
18 think I talked about this in prior testimony.

19 At times, companies will use group data to
20 support its company filing, and my recollection is that
21 that's what FMI Insurance Company did. Some of the
22 data that it provided was on a group basis.

23 Q. And so a moment ago, you testified that
24 row 19 says other equals net cost of reinsurance and
25 it's 9 percent. Is it your contention that that line

1 item here is not an expense in this -- in the FMI
2 Insurance filing?

3 A. I have not made that contention.

4 Q. In this filing by FMI Insurance, do they
5 include an allowance for profit on the net cost of
6 reinsurance component of the rate calculation?

7 A. I'd have to look at it closer to determine
8 that.

9 Q. Have you done that prior to today? Have
10 you looked at this filing with that particular question
11 in mind prior to today?

12 A. I can't -- I can't recall. I believe
13 that, you know, in my initial peer review, I did look
14 at the profit and contingency provision. I would have
15 looked at that and considered what was included in that
16 and whether or not net cost of reinsurance --
17 whether -- whether or not the profit and contingency
18 provision, included cost of reinsurance.

19 Q. Do you recall what you found?

20 A. I don't recall, and I would say that we
21 are not finished with our -- making our conclusions.
22 So whatever -- whatever conclusion it would have been,
23 would have been preliminary.

24 Q. Do you recall or know when this filing was
25 submitted?

1 A. It might be in the -- I do not recall. It
2 might be in the filing docs, and I can take a look at
3 that. So based on the page that is labeled filing at a
4 glance which is about six or seven pages in, it says
5 that the filing was submitted on September 13th, 2024.

6 Q. I'm sorry. Let me take a moment to see if
7 I can find that page.

8 A. I believe it's the eighth page.

9 Q. Ms. Cavanaugh, where would I be looking
10 for something that uses the words filing at a glance?
11 What portion -- where on the page would I see that?

12 A. Okay. So on the eighth page, it would --
13 I think it just this.

14 Q. Are you in the portion of these materials?
15 Well, strike that.

16 Turn back to the very first page of this filing
17 that has the sticker on it, DOI 53.

18 A. Yes.

19 Q. So we were just talking about that page.
20 The next page we've spoken about has in the upper right
21 corner Exhibit IV, page 2. Does it not?

22 A. It does.

23 Q. The third page has a label that says
24 exhibit, all caps, CAT. Correct?

25 A. Yes.

1 Q. The next page, at least in my package, is
2 two pages that are stapled together labeled actuarial
3 memorandum. Is that the way yours is put together?

4 A. I see that. Sorry. What was your
5 question?

6 Q. The next -- the next pages in my package
7 are two pages stapled together that are labeled
8 actuarial memorandum. Is that what you have?

9 A. Yes.

10 Q. So we haven't gotten to what you're
11 talking about yet. Right?

12 A. No.

13 Q. Then the next page is all clipped together
14 or the neck is part of a package all put together.
15 Right?

16 A. Yes.

17 Q. All right. So -- all right. Is it the
18 third page in that set of materials that you're
19 referring to where I see now the words filing at a
20 glance?

21 A. Yes.

22 Q. Thank you. What's the requested effective
23 date in this filing?

24 A. There are two. The effective date for new
25 business is February 1st, 2025, and for renewals, March

1 1st, 2025.

2 MR. SPIVEY: May I have just a moment,
3 Your Honor?

4 Thank you, Your Honor.

5 BY MR. SPIVEY:

6 Q. Ms. Cavanaugh, to your knowledge, have any
7 objections been raised to this filing based on the
8 treatment accorded net cost of reinsurance in the
9 filing?

10 A. I believe the objections are in here, and
11 I could check.

12 Q. Do you know an answer to -- do you have an
13 answer to that question without literally checking? Do
14 you know whether any objections have been raised
15 regarding the treatment of net cost of reinsurance?

16 A. I don't know for sure.

17 Q. Do you know whether any objections have
18 been raised regarding the treatment of profit as it may
19 relate to the net cost of reinsurance?

20 A. I don't know for sure.

21 MR. FRIEDMAN: I just want to note,
22 Your Honor, I mean, she has said she is happy to
23 check, read through that, and that she doesn't know
24 these certain two details offhand. It seems an
25 appropriate time to allow her some minutes to read

1 through it then fully answer the question.

2 HEARING OFFICER FUNDERBURK: I think
3 she's -- she's answered his question as the
4 question was stated. If you want to explore that
5 on redirect because it's something that's been
6 covered in the cross, you're free to do that.

7 BY MR. SPIVEY:

8 Q. Ms. Cavanaugh, my recollection of your
9 testimony that you had performed at least some portion
10 of your review within the past month on this filing.
11 Correct?

12 A. That's correct. I would add that I don't
13 usually look at every single objection that one of my
14 colleagues has posed related to this. I usually review
15 their memo and -- and then provide comments on the memo
16 and review portions of the filing as I deem necessary.

17 Q. I apologize. So do I gather then that
18 your peer review process doesn't include reviewing all
19 of the objections that have been posed by your primary
20 reviewer?

21 A. That's correct.

22 Q. Now, the peer review process as you
23 described it earlier regarding your pre-filed
24 testimony, is that something that you utilize on all
25 such work at RRC?

1 A. Can you state the question again?

2 Q. Is that type of peer review process you --

3 A. The first part, though. I need -- I need
4 to -- can you state the whole question again?

5 Q. Probably not.

6 A. I missed the first part. My apologies.

7 Q. The process that you described earlier as
8 it related to your pre-filed testimony, is that a
9 process that you and others at RRC utilize on all type
10 work -- all of that type of work that you perform?

11 A. So we generally have a process for peer
12 reviewing all -- all of the final documents that --
13 that are produced, any kind of deliverable, we
14 generally have a peer review process, and I suppose
15 except for maybe requests or objections or things like
16 that, but a final determination, conclusion, we would
17 typically go through a peer review process. The extent
18 of the peer review will differ depending on the
19 circumstances of the engagement.

20 Q. So is the -- is the work that you
21 performed here in this case in presenting pre-filed
22 testimony and a proposed rate level indication to the
23 commissioner and the hearing officer, is that the type
24 work that is important to have peer reviewed?

25 A. I don't agree with the way that you

1 characterized my pre-filed testimony.

2 Q. I'm sorry. Could you repeat that?

3 A. I don't agree with the characterization of
4 the way that you described my pre-filed testimony.

5 Q. Ms. Cavanaugh, I can't recall with 100
6 percent certainty. I thought my question was, is the
7 type of work you presented here where you presented
8 pre-filed testimony, including a recommendation of a
9 rate level change for the homeowners' insurance we're
10 talking about here, is that the type work that is
11 important at RRC to be peer reviewed?

12 A. So I'll restate what, the -- the pre-filed
13 testimony is what it says it is. It's, you know,
14 there's a -- a number of different conclusions in
15 there, and it does present an alternative indication.

16 I'm not sure I understand what you mean by the
17 type of work. This is fairly unique, but I would
18 reiterate that, you know, the peer review process is
19 something we undergo for, you know, all of the, you
20 know, any -- any document that is -- that describes our
21 final conclusions, a document that would be considered
22 an actuarial report per actuarial standards would
23 include a peer review.

24 Q. And is that something that RRC considers
25 to be important on the work that it performs for its

1 clients?

2 A. Yes. It's -- I could say that for -- for
3 me it is important to perform a peer review on
4 actuarial reports when they are submitted as part of
5 work done for risk and regulatory consulting, and I
6 expect that of the team that I work with.

7 Q. And this pre-filed testimony that you
8 submitted here was your personal work, was it not?

9 A. This is the -- the pre-filed testimony
10 is -- is my testimony, and I identify that in my -- in
11 my pre-filed testimony.

12 Q. So am I understanding correctly that you
13 believe it was important for someone else to peer
14 review your work?

15 A. Yes. It was important to me to have
16 someone peer review that work.

17 Q. And -- and why is that important to you?

18 A. I believe it's important so that, you
19 know, from my perspective, I want to be sure that what
20 I have included in my pre-filed testimony is accurate
21 and, you know, a peer review also provides an
22 opportunity to consider the assumptions and
23 methodologies that I'm using as well as consider the
24 way that I'm presenting my conclusions.

25 I would also state, though, that a peer review

1 is not required by the actuarial standards.

2 Q. Just a moment ago, I believe you indicated
3 that you have not or do not peer review all of the
4 objections that a primary reviewer on your team may
5 submit to a regulator on a filing they're reviewing for
6 that regulator. Did I understand that correctly?

7 A. That's correct.

8 Q. So at RRC, you allow objections to be made
9 to rate filings without them being peer reviewed?

10 A. Some are peer reviewed; some are not.

11 MR. SPIVEY: Your Honor, I want to move
12 to another item to talk with Ms. Cavanaugh about,
13 but it's an item that I received from Mr. Friedman
14 around 12:15 a.m. this morning. And can we take a
15 break of about 15 minutes for me to look at that?

16 HEARING OFFICER FUNDERBURK: Yes.
17 We'll come back, and promptly. Everybody needs to
18 be in their seat at 11:25 by the clock in the
19 courtroom.

20 MR. SPIVEY: Thank you.

21 HEARING OFFICER FUNDERBURK: We're in
22 recess. Thank you.

23 (Recess taken from 11:10 a.m. to 11:25 a.m.)

24 HEARING OFFICER FUNDERBURK: All right,
25 counsel. Are we ready to proceed?

1 MR. FRIEDMAN: Yes, ma'am.

2 HEARING OFFICER FUNDERBURK: All right.

3 Ms. Cavanaugh, I'll remind you that you do continue
4 to be under oath, and, Mr. Spivey, did you have an
5 exhibit we needed to reference or hand up?

6 MR. SPIVEY: Your Honor, may I take
7 another moment just to clarify with Mr. Friedman
8 what --

9 HEARING OFFICER FUNDERBURK: Yes.

10 MR. SPIVEY: Thank you, Your Honor.
11 We're ready.

12 HEARING OFFICER FUNDERBURK: Proceed.

13 BY MR. SPIVEY:

14 Q. Ms. Cavanaugh, yesterday during cross
15 examination, I asked you various questions about the
16 profit that would be reflected in your Exhibit LJC-3
17 for the owners' forms. And ask you how that would be
18 calculated. Do you remember generally those questions?

19 A. I do.

20 Q. And you asked for or you indicated you
21 would like to have more time to think about it and
22 review how that would be calculated. Correct?

23 A. Yes.

24 Q. And that was provided by Mr. Friedman, as
25 I said, about 12:15 a.m. this morning, an exhibit that

1 appears to be profit calculation -- calculations
2 regarding underwriting profit provision in Cavanaugh
3 pre-filed testimony. Is that something that you
4 prepared?

5 A. I believe so.

6 Q. Do you have it handy?

7 A. I don't. I don't have it in front of me,
8 which is why I answered the way I did.

9 MR. FRIEDMAN: I was just figuring out
10 what exhibit number it would be, so let me give me
11 a second. I'm going to hand it out. May I
12 approach, Your Honor.

13 HEARING OFFICER FUNDERBURK: Please
14 approach. Where are you going with those?

15 MR. FRIEDMAN: Okay. Okay. Okay.

16 HEARING OFFICER FUNDERBURK: So Mr.
17 Friedman has handed up something marked 55. Is
18 this DOI 55? The Rate Bureau is initially
19 referencing it. Is it Rate Bureau?

20 MR. FRIEDMAN: No. I'm sorry. It
21 should say DOI 55. And I also just want to note
22 for the record that this -- Ms. Cavanaugh was asked
23 about these calculations midafternoon. And so,
24 when the hearing broke yesterday, she promptly went
25 back and began working them, checking them. So we

1 got them to Mr. Spivey once those got back to me.

2 HEARING OFFICER FUNDERBURK: Are we
3 ready to proceed, Mr. Spivey?

4 MR. SPIVEY: Yes, Your Honor.

5 BY MR. SPIVEY:

6 Q. Ms. Cavanaugh, do you now have before you
7 the document that now has a label on it, which I'm
8 understanding will be DOI 55?

9 A. Yes.

10 Q. And it's titled Calculations Regarding
11 Underwriting Profit Provision in Cavanaugh Pre-Filed
12 Testimony.

13 A. Yes.

14 Q. And my understanding is you performed or
15 prepared this document. Correct?

16 A. I did.

17 Q. Do you have a calculator handy?

18 A. No.

19 Q. Can you get a calculator?

20 A. Yes. I'm going to have to use my phone
21 the calculator on my phone.

22 MR. FRIEDMAN: Your Honor, can I
23 approach and bring that to her?

24 HEARING OFFICER FUNDERBURK: To bring
25 her a calculator? Yep. Yeah. You may.

1 THE WITNESS: Okay. I'm ready.

2 BY MR. SPIVEY:

3 Q. Would you perform a simple calculation for
4 me? Divide the number \$945.77 by the number 53.62.

5 Oh, I'm sorry. Do the -- do the reverse of that.

6 Divide the number \$53.62 by \$945.77.

7 A. Okay.

8 Q. And what is the result?

9 A. It rounds to 5.7 percent.

10 Q. I'm -- I'm sorry. Can you say that again?

11 A. Well, it's a big long number, but I'm
12 going to round it to --

13 Q. Give me maybe to two decimal places.

14 A. Okay. 5.67 percent.

15 Q. Thank you. Now looking at Exhibit DOI 55,
16 is it correct that if, first of all, these calculations
17 or this exhibit includes the provisions you utilize in
18 your alternative rate level indication for the owners'
19 forms. Correct?

20 A. This is related to the owners' forms and
21 is a selection of various numbers, some of which -- or
22 all of which are the numbers I used in my analysis.

23 Q. And we were referring to the exhibit in
24 your testimony that related to the owners' forms
25 yesterday when we were discussing this topic. Correct?

1 A. Yes. That's why I prepared it for the
2 owners' forms. And that's reflected on the exhibit
3 because it -- each row has a source, and so you can see
4 that it's referencing LJC-3, which is related to
5 owners' forms.

6 Q. And is it correct that if these
7 recommendations were actually put into effect and
8 homeowners' insurers charged rates based on this, that
9 the dollar amount of premium that a policyholder would
10 pay is shown in line 6 as \$945.77.

11 A. Again, I would -- I would classify my
12 calculations as an alternative indication, but yes, the
13 \$945.77 is what was determined in the analysis for
14 owners' forms of total direct premium.

15 Q. And is it correct or am I understanding
16 correctly that the amount you're showing in line 16
17 would be the amount of underwriting profit in dollars
18 that the direct writing insurance company would realize
19 from selling that policy to the policyholder for
20 \$945.77?

21 A. Yes. And also just to clarify, and there
22 might be other ones too, but that this is a base rate
23 so the actual premium charged would vary based on
24 the -- the various elements of the risk. But when
25 we're looking at the base rate, if there was a risk

1 that -- that was exactly, you know, equal to the base
2 rate, then the -- the -- if the rate increase as I
3 indicate was put into place, then the expected or then
4 the expected profits would be \$53.62 for that policy,
5 and the premium would be \$945.77.

6 MR. SPIVEY: Can I have just a moment?
7 Your Honor, I'm just trying to take a moment to
8 make sure that I am -- I think I'm concluding. I
9 want to make sure.

10 Thank you, Your Honor. I have no
11 further questions on cross examination for Ms.
12 Cavanaugh at this time.

13 HEARING OFFICER FUNDERBURK: Mr.
14 Friedman, redirect?

15 MR. FRIEDMAN: I do. The one thing --
16 so I do -- we did have that one issue I wanted to
17 discuss with Mr. Spivey about whether we would need
18 to close the courtroom to access certain
19 attachments to a written response to data requests.

20 HEARING OFFICER FUNDERBURK: I need you
21 to speak into the microphone.

22 MR. FRIEDMAN: Sorry. I did have that
23 issue to talk about with Mr. Spivey about whether
24 we would need to pull up the attachments to certain
25 data requests or specifically their responses to

1 certain Department data requests.

2 And like I think I explained earlier,
3 we don't think it's necessary. But if he believes
4 it's necessary, then that will put us into a closed
5 session. And my -- the period in which I was going
6 to ask about those is, you know, probably within
7 the first half hour. So I don't know how that you
8 want to schedule that.

9 HEARING OFFICER FUNDERBURK: Did you
10 say if he determines or you did determine that we
11 need to close for that --

12 MR. FRIEDMAN: I haven't told -- I
13 haven't told him which ones yet.

14 HEARING OFFICER FUNDERBURK: Okay.
15 That was not discussed during either of the breaks?

16 MR. SPIVEY: Correct. It has -- we
17 haven't had that chance to discuss it yet.

18 HEARING OFFICER FUNDERBURK: Okay.

19 MR. SPIVEY: I don't know which ones
20 he's pointing to.

21 HEARING OFFICER FUNDERBURK: All right.
22 Do you have the ones to point to him for him to
23 review those?

24 MR. FRIEDMAN: Yes, Your Honor.

25 HEARING OFFICER FUNDERBURK: How much

1 time? Can you do this in five minutes?

2 MR. FRIEDMAN: Yeah. Um-hum.

3 HEARING OFFICER FUNDERBURK: All right.
4 Because we've had -- we've had two breaks. So,
5 we'll take five minutes to do it by that clock, and
6 we are resuming at 11 -- at 11:45. If you need
7 more time, you come in by 11:45 and tell me you
8 need more time, but we will be resuming at 11:45,
9 absent authorization for more time.

10 MR. SPIVEY: And, Your Honor, may I
11 just go ahead and advise you, this is something on
12 which I would have turned to Mr. Beverly, and he
13 has all those things on a -- on a flash drive that
14 I don't think I have with me. But if you've got
15 something I can look at, I will -- I will need to
16 see that.

17 HEARING OFFICER FUNDERBURK: All right.
18 We'll -- we'll go off the record so you could
19 discuss. If you end up needing to wait for him to
20 get here, then we'll -- we'll do that. But --

21 MR. SPIVEY: Thank you.

22 HEARING OFFICER FUNDERBURK: -- you got
23 to 11:45 by the clock in the courtroom. We're off
24 the record.

25 (Recess taken from 11:40 a.m. to 11:45 a.m.)

1 HEARING OFFICER FUNDERBURK: All right.

2 We are back on the record. Ms. Cavanaugh, I'll
3 remind you that you do continue to be under oath.

4 Please proceed, Mr. Friedman.

5 REDIRECT EXAMINATION

6 BY MR. FRIEDMAN:

7 Q. Ms. Cavanaugh, do you recall Mr.
8 Spivey's --

9 HEARING OFFICER FUNDERBURK: And I'm
10 sorry to interrupt, but I should clarify, is there
11 any need to go into a confidential session? Has
12 that been resolved?

13 MR. FRIEDMAN: Yes. There is no need,
14 Your Honor.

15 MR. SPIVEY: Yes.

16 HEARING OFFICER FUNDERBURK: Okay.
17 Thank you.

18 MR. FRIEDMAN: And when we get to the
19 questions, Mr. Spivey can -- will stipulate
20 something.

21 HEARING OFFICER FUNDERBURK: All right.
22 Please resume.

23 BY MR. FRIEDMAN:

24 Q. Ms. Cavanaugh, do you recall Mr. Spivey
25 questioning you about when you first saw the

1 homeowners' notice of hearing?

2 A. Yes.

3 Q. Okay. Were you involved in any way in
4 drafting the homeowners' notice of hearing?

5 A. I was not.

6 Q. Okay. And was it, in fact, issued before
7 RRC was even on contract with the Department of
8 Insurance?

9 A. Yes.

10 Q. And did you ever see a draft of that
11 homeowners' notice of hearing before or after it was
12 issued?

13 A. No.

14 Q. You test- -- if you recall, Mr. Spivey was
15 asking you about how much experience you had with
16 regulatory filings since you have been with RRC for the
17 past two years. In those two years, about
18 approximately how many insurance regulatory filings do
19 you review or peer review every month?

20 A. You know, it really varies by month, but I
21 would say on average, probably about three -- at least
22 three filings a month.

23 Q. Okay. Assuming it is no more than three,
24 in those two years, would it add up to approximately 75
25 filings that you've either reviewed or peer reviewed?

1 A. Yes. And like I said, in addition to
2 that, I oversee all the different rate filings that
3 are -- property and casualty rate filings that are
4 reviewed. So quite a few filings that I've reviewed.

5 Q. Okay. And in your role overseeing those,
6 what does that include?

7 A. I believe in my pre-filed testimony, I
8 indicate that I'm overseeing hundreds of filings.

9 Q. Okay.

10 MR. SPIVEY: I'm sorry. Terence,
11 can -- could you get closer so that -- I'm having
12 trouble hearing you?

13 MR. FRIEDMAN: Sure.

14 BY MR. FRIEDMAN:

15 Q. All right. Do you recall Mr. Spivey
16 questioning you about the number of years of actual
17 hurricane experience that you relied on in your pre-
18 filed testimony?

19 A. Yes.

20 Q. And how many years were, if you could
21 remind me, were those?

22 A. That was 21 years. It was 2001 to 2021.

23 Q. All right. Could you turn in book 3 to
24 DOI Exhibit 4? Yeah. I'll let them get it.

25 A. Okay.

1 MR. SPIVEY: Again, Your Honor, I'm at
2 a disadvantage. I usually rely on Mr. Beverly, and
3 I'm thinking maybe that book is back in the room
4 back there. Are you going to be asking --

5 MR. FRIEDMAN: Yeah. I was going to be
6 asking --

7 MR. SPIVEY: -- questions on this?

8 MR. FRIEDMAN: Yes.

9 HEARING OFFICER FUNDERBURK: Do you
10 want to briefly step out and just go grab it?

11 MR. SPIVEY: Yeah.

12 MR. FRIEDMAN: And it's DOI Exhibit No.
13 3. Exhibit notebook 3 is the one with, our like,
14 for instance, you were questioning her --

15 THE WITNESS: DOI No. 3 or DOI No. 4?
16 I was at 4.

17 MR. FRIEDMAN: It's the exhibit
18 notebook 3. It is the same one you were
19 questioning her about yesterday with regards to --

20 HEARING OFFICER FUNDERBURK: Speak into
21 the microphone.

22 MR. FRIEDMAN: No. These are
23 actually -- the exhibit I'm referring to are your
24 responses. There you go.

25 HEARING OFFICER FUNDERBURK: There you

1 are. Okay. We are book DOI book 3, Exhibit 4.

2 BY MR. FRIEDMAN:

3 Q. Could you turn, Ms. Cavanaugh, to in the
4 upper right corners of each page in this book, there
5 are item numbers. And if you could turn first to item
6 numbers 97 and 98. And I'll go ahead and read those
7 into the record. The data requests regarding pre-filled
8 testimony of Mao that the Department posed to the Rate
9 Bureau that is number 97 states: Provide for each model
10 in electric format (AIR standard, AIR WSST, RMS
11 historical and RMS medium term) the historical and
12 simulated annual landfall frequency distribution for
13 historical data from 1900 to the present.

14 And the response was the requested historical
15 information is not available.

16 MR. FRIEDMAN: Actually, Your Honor,
17 I'm going to I'm sorry for this. I actually meant
18 to start off with a different -- and I think
19 it's -- I'm going to address this one after lunch.
20 So if I could -- sorry for the confusion. Instead,
21 if we could turn to items 76 and 77 in that same
22 DOI Exhibit 4.

23 BY MR. FRIEDMAN:

24 Q. So I'll read into the record. Request --
25 data request 76. Provide electronically the annual

1 historical exposure and hurricane loss data by
2 territory for 1987 through 2000 and 2002 through 2000
3 excuse me, 2022 through 2023. To the extent such data
4 is not reasonably available, provide a complete
5 detailed explanation of why such data are not
6 reasonably available.

7 And the response is, the historical exposure and
8 hurricane loss data including in the filing beginning
9 with 2001 were taken from reports and exhibits, which
10 were compiled while preparing past rate filings. The
11 data files and any comparable reports and exhibits with
12 enough detail to match expense exposures and hurricane
13 losses by policy from group policy form, group and
14 territory for years prior to 2001 are not available.

15 And then I'll read 77 next page, item 77 into
16 the record. Provide a statistical analysis comparing
17 the historic loss data with any simulated losses used
18 to support the rate filing.

19 Response. Without waiving any of its
20 objections, the Rate Bureau responds as follows:
21 Neither the Rate Bureau nor any of its consultants have
22 any requested analysis. Further, to the extent this
23 item requests that the Rate Bureau prepare the
24 requested analysis, the Rate Bureau objects that the
25 request is not a proper data request or a proper

1 discovery request is overbroad and is unduly
2 burdensome.

3 So about those two data requests and the
4 responses, would it have provided you with more data
5 for your own analysis of the actual past hurricane
6 experience if the Rate Bureau had provided any
7 additional response data to those two data requests?

8 A. Yes. As I've testified earlier, what --
9 what would be useful is to obtain as much historical
10 data as is available and key is in number 77, you know,
11 providing a statistical analysis comparing the modeled
12 results to the historical data, and we did not receive
13 that, and so we weren't able to review the Bureau's
14 consideration of the difference between the historical
15 losses and the model data or rationale for those
16 differences.

17 Q. All right.

18 MR. SPIVEY: And Your Honor, may the
19 record reflect that those responses indicate the
20 requested data are not available?

21 MR. FRIEDMAN: We'll -- we'll come to
22 that later on.

23 HEARING OFFICER FUNDERBURK: Thank you.

24 MR. FRIEDMAN: But that is certainly
25 what they --

1 HEARING OFFICER FUNDERBURK: Proceed
2 with questions.

3 BY MR. FRIEDMAN:

4 Q. If you could turn now to DOI Exhibit 6 in
5 that same notebook. These are the Rate Bureau
6 responses to North Carolina -- to the Department's
7 first request for production and documents and first
8 set interrogatories to the Bureau. And if you could
9 turn to page 5, and specifically at the bottom of page
10 5, there is request for production number 10.

11 And if you could read that to yourself, and I
12 want to give everybody the chance to read it, as well,
13 to themselves.

14 A. I've read it.

15 Q. All right. In response to that request
16 for Production 10, am I correct that the NCR -- the
17 Rate Bureau didn't provide any information about events
18 classified as catastrophes from 1950 forward or any
19 detail about those events?

20 MR. SPIVEY: Your Honor, the response,
21 he just -- it's written right there. I mean, it
22 speaks for itself.

23 MR. FRIEDMAN: It says they don't have
24 them. And I'm -- if you'd prefer that I read it
25 into the record and then ask her the same question,

1 so they didn't provide any documents, happy to do
2 that. I just was trying to save time.

3 HEARING OFFICER FUNDERBURK: Are you
4 setting up for a question that isn't just stating
5 what is in the record?

6 MR. FRIEDMAN: Yes.

7 HEARING OFFICER FUNDERBURK: Okay. To
8 the extent you're not just reading into the record
9 what is already in the record and setting up a
10 question, please proceed.

11 MR. FRIEDMAN: Okay. So it was okay
12 for me to have her read it out to herself?

13 HEARING OFFICER FUNDERBURK: To
14 familiarize yourself with it if you are asking
15 questions about it.

16 MR. FRIEDMAN: Okay.

17 HEARING OFFICER FUNDERBURK: What I --
18 what I don't want to do is just spend time being
19 duplicative. It's an exhibit. It's in the record.
20 It'll be introduced. It is there. It can be
21 referenced later in motions or in an order.

22 MR. FRIEDMAN: This is --

23 HEARING OFFICER FUNDERBURK: But if you
24 need it if you need to familiarize her with it to
25 ask a question, then please proceed.

1 MR. FRIEDMAN: All right.

2 BY MR. FRIEDMAN:

3 Q. All right. Ms. Cavanaugh, would it have
4 aided you in your own analysis of the Rate Bureau's
5 hurricane load to have received data responsive to
6 request for production 10?

7 A. Yes. Largely for the same reasons I
8 discussed earlier in your prior question.

9 MR. SPIVEY: And Your Honor, let the
10 record reflect this is a request for production of
11 documents submitted by the Department to the North
12 Carolina Rate Bureau, and as the response
13 indicates, the Rate Bureau does not have the
14 requested documents.

15 HEARING OFFICER FUNDERBURK: And it is
16 the record, Mr. Spivey. It already is or will be
17 in the record when admitted. It is a part of the
18 record.

19 MR. SPIVEY: But the obvious
20 implication here is that the witness would have
21 liked to have information and the Rate Bureau
22 didn't provide it.

23 MR. FRIEDMAN: Your Honor, we -- they
24 can address why they didn't provide that on their
25 rebuttal if they like, but I don't think it's

1 productive to have --

2 MR. SPIVEY: Your Honor --

3 MR. FRIEDMAN: I don't think it's
4 productive to have Mr. -- since as you've said,
5 this is on the record. I don't know that's
6 productive for every next question I'm going to be
7 asking about their request for production responses
8 to have him just so that he can say it to you,
9 reiterate that the Rate Bureau stated it doesn't
10 have the documents. That's --

11 MR. SPIVEY: We'll go one by one.

12 That's fine.

13 HEARING OFFICER FUNDERBURK: Please
14 proceed with your questioning, Mr. Friedman.

15 BY MR. FRIEDMAN:

16 Q. And one question about particularly the
17 fact that RFP 10 refers to catastrophes. Is it your
18 understanding that the modeled losses provided by the
19 Department -- the Rate Bureau include some number of
20 other types of catastrophes besides hurricanes, if you
21 know?

22 A. In developing the net cost of reinsurance,
23 there are --includes other catastrophes besides
24 hurricane besides hurricane peril.

25 MR. FRIEDMAN: Okay. Thank you. Now,

1 I'm going to be referring Your Honor to a number of
2 excerpts from transcripts and Ms. Wharry has those
3 sites already and will be able when she gets to
4 them to pull them up for the screen. And I don't
5 know, though, if everybody needs hard copies other
6 than that, but I can tell everybody where we're
7 going first. She will pull them up on the screen.

8 MR. SPIVEY: Just generally, Mr.
9 Friedman, which transcripts are you going back to?
10 Are we going --

11 MR. FRIEDMAN: I can go through --

12 MR. SPIVEY: -- Ms. Cavanaugh's or
13 we're talking about earlier --

14 MR. FRIEDMAN: Earlier, these are going
15 to be going through various citations in Ms. Mao's
16 testimony and in Mr. Ericksen's testimony. I can
17 tell you, for instance, the first one I'm going to
18 be referring to is the October 23rd, 2024, Volume 6
19 a.m., page 906. And when you get there, I will
20 show you the exact lines.

21 THE WITNESS: And I don't have these in
22 front of me but I'll let you know if I need to --

23 MR. FRIEDMAN: Okay. Do you have them
24 on the screen?

25 THE WITNESS: On the screen. Yes, I

1 just don't have them at my desk.

2 MR. FRIEDMAN: Tell me if you would
3 like to see them in any -- so I'm going to lines 1
4 through 3 on page 906. If you could review those
5 and if everybody could review those for themselves.

6 And Your Honor, maybe because I'm going
7 to be referring to various citations in it there
8 for the same proposition, if you'd prefer that I
9 read those specific lines into the record, that
10 might make it easier.

11 HEARING OFFICER FUNDERBURK: I think
12 that'll help it. That will make it easier to
13 review the record later okay. To clarify exactly
14 what you're referencing.

15 So I'm going to read into the record
16 lines 1 through 3 on page 906. This specific
17 filing. I'm sorry. The ones I should've been
18 pointing to, yes. So this is actually -- I'm going
19 to be pointing to lines 4 through -- could you, 4
20 through 10.

21 And this is testimony by actually Mr.
22 Ericksen. And lines 4 through 10, which is Mr.
23 Ericksen speaking, says, and ISS, I compared the
24 results, the model output with the actual hurricane
25 experience in North Carolina over the past 20

1 years, and my conclusion was that the frequencies
2 and the severities that were being outputted from
3 the model were consistent with loss -- actual loss
4 experience in North Carolina.

5 And then the next citation I'll refer
6 to is on page 1017. Oh, I'm sorry. The 1017 is
7 going to be then in the p.m. version of volume 6.
8 Oh, do you have the -- so, yeah, it turns out that
9 page is part of the confidential of the
10 confidential testimony. So I can't -- as is the
11 next one.

12 Your Honor, if you'd like us over lunch
13 to meet, put that aside for now and then bunch
14 together any questions I have about the testimony
15 that's confidential and do those, I can move on.

16 HEARING OFFICER FUNDERBURK: Yeah. I
17 think that would be helpful in the interest of time
18 to move on to what is not confidential.

19 MR. FRIEDMAN: Okay.

20 HEARING OFFICER FUNDERBURK: And then
21 group those together.

22 BY MR. FRIEDMAN:

23 Q. Okay. Then, Ms. Cavanaugh, do you recall
24 Mr. Spivey asking you yesterday about why you relied on
25 catastrophe bond data as a proxy for the NCOR?

1 A. I recall him asking about my use of bond
2 price or cat bond price data. Yes.

3 Q. Okay. I got to stand up and grab one of
4 the other (inaudible).

5 This is the -- so do you have a copy, Ms.
6 Cavanaugh, of the Rate Bureau's book 1?

7 A. Okay. I have a --

8 Q. And then --

9 A. I have something called book 1, so I think
10 that's what you're referring to.

11 Q. It is. Let me find -- I'm going to Ms.
12 Mao's testimony, but it'll take me a couple seconds,
13 Your Honor, to find which tab. So I'm going to be
14 going to r b 7, and in particular, page 36 of RB 7.

15 A. Okay.

16 Q. I'm going to read into the record the
17 following that is on page 36, beginning on line 4 and
18 going to line 8. Yes, to measure the fair compensation
19 for bearing this risk of assessment, we relied on
20 publicly available data that quantifies the market
21 price of catastrophe risk taken from recently issued
22 insurance-linked securities.

23 Insurance-linked securities are securities such
24 as catastrophe bonds, which have conditional payoffs
25 that are very similar to reinsurance. My question

1 about that, Ms. Cavanaugh, is, does that statement by
2 Ms. Mao support your use of the cat bonds to determine
3 the NCOR?

4 A. So, what I would just want to explain is
5 that I -- when looking at the net cost of reinsurance,
6 I first started by looking at the assumptions and the
7 methodology any data that was available. And what I
8 found was that, that the data supporting Ms. Mao's
9 calculations was not available, or not -- not -- not
10 able to be produced so I couldn't validate the model
11 and I testified about that earlier.

12 And so without that ability to validate the
13 model, I considered other sources that might be
14 available that I could either validate the model that
15 was used or produce an alternative estimate.

16 And I also considered the fact that Ms. Mao used
17 the cat bond data. And I had thought about this as
18 well that, you know, cat bond data can be useful, when
19 considering the pricing of reinsurance.

20 As she says, conditional payoffs are very
21 similar to reinsurance. I agree with that general
22 statement. So that's why I then used, you know, I used
23 that data because it's publicly available, and I
24 performed my analysis on that given that the data was
25 available.

1 Had actual reinsurance data of Bureau members
2 been available, then I would have considered that as
3 well.

4 Q. And how did your -- your assumption --
5 excuse me.

6 How did Ms. Mao's methods and assumptions for
7 supporting -- excuse me. Let me back up one second.

8 Let's actually now then move to the transcript
9 on October 11th, 2024, volume 5 in the a.m., page 786,
10 lines 16 through 20. I will read those into the
11 record. From --

12 MR. SPIVEY: Mr. Friedman, I'm sorry.
13 Are you reading the question that -- that you were
14 asking the witness?

15 MR. FRIEDMAN: I'm going to read that
16 and read the answer.

17 BY MR. FRIEDMAN:

18 Q. Question. When are you calculating the
19 net cost of -- when you are calculating the next
20 cost of reinsurance, is that also considering that
21 reinsurance that is obtained by purchasing cat
22 bonds. Answer by Ms. Mao. No. It's only -- we
23 only use the database as reflecting the occurrence-
24 based reinsurance.

25 MR. FRIEDMAN: And Your Honor, for

1 brevity's sake, I'm going to read if I can. So
2 I've some citations now from 787, and those will
3 both set up the question I'll be asking about both
4 of those.

5 BY MR. FRIEDMAN:

6 Q. So if we could go to page 787, lines 1
7 through 6. Ms. Mao, yeah, we only include those
8 treaties to cover the catastrophe, excessive loss type
9 of reinsurance transactions.

10 Question. Okay.

11 Answer. Cat bonds are totally in a separate
12 database not included in this.

13 Now, my question for you, Ms. Cavanaugh, is it
14 your understanding based on those two pages I've just
15 read in part into the record that Aon opts to only use
16 the proprietary Aon database for reinsurance policies
17 to calculate the NCOR, but that there is another public
18 database available for -- that they have for cat bonds?

19 A. This is Ms. Mao, so I just would clarify
20 that. This is Ms. Mao's testimony and the combination
21 of this testimony as well as other -- her pre-filed
22 testimony, for example, I would -- I would agree that,
23 you know, my understanding is that she used Aon
24 proprietary data to -- to develop a model to determine
25 the net cost of reinsurance, and she used separate data

1 when developing a provision for the compensation
2 assessment risk.

3 Q. And my question then would be, is it your
4 understanding that she had access to what she calls
5 the -- well, I guess, the cat bond data, but that that
6 cat bond data was in a separate database from the
7 reinsurance policy data?

8 A. Well, she used the cat bond data, for her,
9 for -- for the estimate of the compensation assessment
10 risk. And based on the testimony and my understanding
11 too, it would be in a separate database.

12 Q. That is the cat bond data would be in a
13 separate database?

14 A. Separate from the data that she used for
15 the net cost of reinsurance.

16 Q. Okay.

17 MR. SPIVEY: And are we -- are we
18 talking about the cat bond database that we
19 provided to you?

20 MR. FRIEDMAN: Was the cat bond
21 database that they provided to us -- I mean, we
22 don't know really what Ms. Mao was referring to.
23 Just that she said that the cat bonds are totally
24 in a separate database not included in this.

25 So I don't know that we can answer what

1 she meant by that, but I was asking Ms. Cavanaugh
2 based on her testimony what she believes --
3 understands that to mean.

4 So I can't tell you if it's the same
5 cat bond database that y'all provided for the
6 purposes of the CAR or not.

7 MR. SPIVEY: Okay.

8 BY MR. FRIEDMAN:

9 Q. On same -- we're in the same volume, but
10 we're going to page 788, line 2. Actually, let's start
11 at 777, 787, at -- starting at 16. Question, okay.
12 But they -- some carriers can obtain the equivalent of
13 reinsurance by purchasing a regional cat bond. Is that
14 fair?

15 Answer by Ms. Mao. It's not always equivalent.
16 That is because a cat bond and reinsurance are very
17 different risk transfer mechanisms and reinsurance are
18 typically attached and exhaust lower and the cat bond
19 typically attached and exhaust at a higher level. Yes,
20 it's just that there are a lot of differences in
21 reinsurance and the cat bond.

22 Could you then -- could we go on to the
23 following pages? And lines 1 and 2, okay.

24 My question -- the questions such as it was
25 says, okay. And Ms. Aon (sic) answers, but it's

1 possible that a company have both. And my question for
2 Ms. Cavanaugh is -- is it your understanding from Ms.
3 Mao's testimony there that she's acknowledging that
4 it's possible that North Carolina insurers use both
5 reinsurance policies and catastrophe bonds to reinsure
6 themselves.

7 A. I would just clarify. I think it would be
8 possible that a company, to cover its catastrophe risk
9 rather, than I think you stated to reinsure itself.

10 Q. To cover its --

11 A. But otherwise, I agree with that.

12 Q. Okay. Then could you -- could we turn or
13 also again on 788. I'll read into the record lines 5
14 through 18. Five.

15 Question. And you don't know how many
16 homeowners' carriers in North Carolina, whether they're
17 national or local, are achieving some portion of their
18 reinsurance or the equivalent of it by purchasing cat
19 bonds?

20 Answer, I have a general number of -- from the
21 global risk transfer perspective, reinsurance capital
22 accounts for 85 percent, and I'm, if you could advance,
23 of the global risk transfer while cat bond is account
24 for about 6 percent of the global risk transfer.

25 Question. Okay. And in North Carolina, do you

1 have a sense of what that percentage is?

2 Answer. No, we don't have that. We don't have
3 state specific information, period.

4 Is your understanding of what I've just read,
5 Ms. Cavanaugh, that Aon doesn't have -- isn't able to
6 say what percentage of North Carolina homeowners'
7 carriers are relying on reinsurance policies as opposed
8 to catastrophe bonds or some combination of the two?

9 A. This is Ms. Mao's testimony, so I
10 wouldn't -- I wouldn't say that it's Aon's testimony,
11 but, yeah, her testimony is what it says there, that
12 she doesn't have that state-specific information on the
13 percentage of carriers that use catastrophe bond to
14 protect against its catastrophe risk.

15 Q. All right. And if we could turn to
16 same -- actually still on 788, I'll read two lines from
17 there and then I'll read a few lines from 789. The two
18 lines there or the lines there on 788 begin at 19.

19 Okay. In your experience, are cat bonds
20 purchasing the equivalent of coverage from reinsurance
21 coverage for a cat bond, is it less expensive or more
22 than purchase -- more expensive than purchasing a
23 policy?

24 A, it also varies by the time -- or answer. It
25 also varies by the time because cat bond is event. So

1 they are in the similar trend with reinsurance, but
2 because they are attaching at place, you can really --
3 you cannot really compare the apple to apple pricing,
4 but in recent -- the recent data point shows us the
5 margin of the cat bond are actually become similar to
6 the margin of reinsurance based on the January 2024
7 data point.

8 Did you understand from that testimony I've just
9 read, that -- well, let me just ask you this.

10 Does Ms. Mao's testimony in those three
11 instances where those instances we've gone over to the
12 effect that cat bonds may be used in North Carolina
13 alongside reinsurance and that they don't know the
14 numbers of insurers who are carrying some combination
15 of the both? And then finally, that the cat bonds are
16 in the similar trend with reinsurance as far as costs.
17 Do those -- that testimony by Ms. Mao support your use
18 of cat bond data in calculating the price of the NCOR?

19 A. So I heard, I think, two, maybe three
20 questions in there. The first question, I believe, I
21 already answered.

22 Q. Okay. You're right. I'm a -- I can go
23 back and pose something about, specifically, when Ms.
24 Mao acknowledges it's possible that North Carolina
25 insurers use both reinsurance policies and cat bonds

1 for reinsurance, does that support your use of the cat
2 bond data for your analysis of the -- of the NCOR?

3 A. Certainly doesn't contradict my use of cat
4 bond data with NCOR, and she does mention that the
5 pricing is different, but it is trending similarly.
6 She also discusses in this testimony that there are
7 different attachments. Typically, catastrophe bonds
8 will attach at a higher layer than -- than some
9 reinsurance. Some reinsurance also attach at a higher
10 layer, but it would differ. That's true of, you know,
11 the pricing would differ based on the attachment and
12 the limits. And I agree with that testimony, and I've
13 taken that into account in my calculations.

14 Q. All right.

15 MR. FRIEDMAN: Your Honor, I don't know
16 if this is a natural time to break for lunch. I
17 probably have, I would hope, about an hour and a
18 quarter to get through the rest.

19 HEARING OFFICER FUNDERBURK: Okay. All
20 right. I think this is a good break point. I
21 understand when you come back, there may need --
22 there may be a need to go into a confidential
23 session?

24 MR. FRIEDMAN: There won't be. We've
25 worked that out.

1 HEARING OFFICER FUNDERBURK: There
2 won't be. You've worked that out. Even the --
3 were you not going to follow up with some testimony
4 from Mr. Ericksen that was confidential? Am I
5 misremembering?

6 MR. FRIEDMAN: Oh, you are remembering
7 correctly. Yes. I will group that all together.

8 HEARING OFFICER FUNDERBURK: Okay. And
9 we'll do that shifting into the confidential
10 session as quickly as we possibly can.

11 MR. FRIEDMAN: I can start with that,
12 all that stuff. Put it in a group. I'll bundle
13 it, the questions together, and we can start off
14 with that.

15 HEARING OFFICER FUNDERBURK: Okay. I'm
16 going to just recess this for an hour so we can get
17 through this day and finish with Ms. Cavanaugh,
18 hopefully.

19 MR. FRIEDMAN: Can I, just along those
20 lines, there were a number of things that Mr.
21 Spivey asked about that, during cross, that Ms.
22 Cavanaugh testified she'd like to look up.

23 What I'm concerned about is whether in
24 that in -- with the interest of finishing with her
25 today, whether one hour will give her enough time

1 to look those up.

2 HEARING OFFICER FUNDERBURK: How much
3 time do you need?

4 MR. FRIEDMAN: I think we could safely
5 do so within an hour and a half.

6 THE WITNESS: I honestly I don't recall
7 being -- I think I said at one point, if you want
8 that answer, I would have to look it up, but I
9 don't know if you need that answer.

10 HEARING OFFICER FUNDERBURK: Oh, and
11 he's concluded his cross.

12 MR. SPIVEY: I'm not recalling that we
13 have anything outstanding that --

14 HEARING OFFICER FUNDERBURK: Okay.

15 MR. SPIVEY: I'll look back to my
16 notes. But I'm --

17 HEARING OFFICER FUNDERBURK: Yeah. And
18 Mr. Spivey has concluded his cross examination.

19 With that said, with there not being --
20 it sounds like you don't feel you need additional
21 time to review anything at this point. Is that an
22 accurate statement?

23 THE WITNESS: I guess I might need
24 if -- if there's something in redirect that we need
25 to look at, then I would need additional time to

1 review that.

2 MR. FRIEDMAN: So Your Honor, I had --

3 THE WITNESS: So I need to discuss with
4 counsel .

5 MR. FRIEDMAN: There were a number of
6 things she said I don't recall that I'm going to
7 talk with her about whether she should look it up
8 for the redirect, because I think it left -- it may
9 have left a bad impression, but I need to be able
10 to talk with her first to determine --

11 HEARING OFFICER FUNDERBURK: I'm going
12 to split the difference. We're going to do an hour
13 and 15, which would put us coming back by that
14 clock at 10 till 2:00. Anybody want to double
15 check my math on the timing? 10 till 2:00, Mr.
16 Friedman.

17 Everyone is to be here seated, ready to
18 go. Do you -- am I unclear?

19 MR. FRIEDMAN: Yes, ma'am.

20 HEARING OFFICER FUNDERBURK: All right.
21 We are in recess. Ms. Cavanaugh, when you return
22 to the stand, you'll continue to be under oath.
23 Thank you.

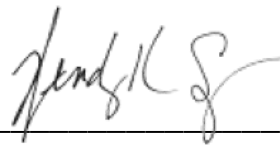
24 * * * * *

25 (Hearing adjourned at 12:35 p.m.)

CERTIFICATE OF REPORTER
STATE OF NORTH CAROLINA
COUNTY OF WAKE

I, Wendy Sawyer, court reporter, do hereby certify that the witnesses whose testimony appears in the foregoing hearing were duly sworn; that the testimony of said witnesses was taken by me to the best of my ability and thereafter reduced to typewriting under my direction; that I am neither counsel for, related to, nor employed by any of the parties to the action in which this hearing was taken, and further that I am not a relative or employee of any attorney or counsel employed by the parties thereto, nor financially or otherwise interested in the outcome of the action.

This, the 4th day of December, 2024.



WENDY SAWYER, Court Reporter

Notary Public #202411500157

Commission Expires April 23, 2029

