

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 XVIII - P.M. SESSION

Raleigh, North Carolina  
Thursday, December 5, 2024  
2:01 p.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 5th day of December, 2024, at 2:01 p.m., before Wendy Sawyer, Court Reporter and Notary Public.

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

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1  
2  
3 HEARING OFFICER FUNDERBURK: Good  
4 afternoon, counsel. Now, I know there were some  
5 last minute things that had to be set up. Do you  
6 have everything you need, Mr. Spivey? Oh, your --  
7 your microphone's not on yet. Just so we have  
8 everything for the recording, even if we chat off  
9 the record.

10 Oh, just go ahead. You said we needed  
11 to chat beforehand?

12 MR. SPIVEY: Well, I'm just saying  
13 there's some -- I just want to go over with both  
14 you and counsel just logistically what I see where  
15 we are at the moment in terms of Mr. Schwartz and  
16 then us starting our rebuttal case.

17 HEARING OFFICER FUNDERBURK: Okay.

18 MR. FRIEDMAN: Your Honor, there are,  
19 for Mr. Schwartz, he's available, and we have one  
20 of the TWO exhibits we needed to be put in front of  
21 him available. And if I -- I can explain the  
22 status of the second to you with Mr. Spivey, it  
23 probably would be best because it is possibly  
24 something we can stipulate to He doesn't need to  
25 have in front of him and we can get through it.

1 But otherwise, it's still being put together  
2 upstairs. Would you like me to address that on the  
3 record?

4 HEARING OFFICER FUNDERBURK: I would  
5 like you to address that on the record. Yes.

6 MR. FRIEDMAN: Okay. So Your Honor,  
7 we -- as I mentioned yesterday, there were two  
8 exhibits only that we were going to ask Mr.  
9 Schwartz about. One were the revisions to his pre-  
10 filed testimony, and we have a copy of those,  
11 with -- we've sent around the best approximation we  
12 could make at a redlined copy yesterday and the --  
13 or it's not a traditionally redlined. I explained  
14 that in a bunch of emails through the clerk that  
15 maybe you got the chance to see.

16 And we have that, and I can put it in  
17 front of him, and I don't think it'll take very  
18 long, to him, just to explain what that is and that  
19 will be that.

20 The second universe, though, was the  
21 various -- there are various supplements to his  
22 footnotes that the Rate Bureau had requested, and  
23 we've been giving those over a number of weeks in  
24 November, and then he was going to put them on and  
25 say are those things that you supplemented and as

1           it happens there is one thing we were unable to  
2           supplement and have him explain what he thinks the  
3           effect of that is.

4                       The problem is we have not put together  
5           the physical copy of the supplements that we have  
6           because they've -- many different administrative  
7           issues there. But they are working, and I have  
8           somebody who will begin finishing that upstairs  
9           right now, or my other thought was I can simply ask  
10          him, did you make a number of supplements? Yes.  
11          Were you unable to make one of them? Yes. And  
12          explain -- have him explain why.

13                      And then we can, I think, probably we  
14          will put into the record at a later time perhaps  
15          tomorrow morning those -- what we were able to give  
16          you and hopefully they can stipulate to it, and  
17          that will be the end of any need to -- I won't need  
18          to redirect Mr. Schwartz tomorrow on that.

19                      HEARING OFFICER FUNDERBURK: So I'm not  
20          clear what the supplements are. There's something  
21          in addition to his pre-filed testimony in addition  
22          to what he's presented or these discovery requests?  
23          What is this stuff?

24                      MR. FRIEDMAN: Well --

25                      MR. SPIVEY: May I?

1 MR. FRIEDMAN: Yeah.

2 HEARING OFFICER FUNDERBURK: Please.

3 MR. SPIVEY: So you may recall, Your  
4 Honor, when I was cross examining Mr. Schwartz, we  
5 were talking about certain exhibits in the notes as  
6 to the source documents.

7 HEARING OFFICER FUNDERBURK: Yes.

8 MR. SPIVEY: And we requested some  
9 additional information, and then I worked with  
10 counsel to, you know, I revised that list,  
11 hopefully, pared it down some anyway.

12 And over the course of the weeks since  
13 then, I have received a number of materials from  
14 Terence, Mr. Friedman here, that I'm understanding  
15 is that's what you're referring to.

16 MR. FRIEDMAN: That is, and maybe I'll  
17 just call them the source documents because they --  
18 there were certain footnotes in Mr. Schwartz's  
19 testimony. I think all the parties put links to  
20 various easily obtainable sources in their expert  
21 testimonies.

22 But as it happened, some of the links  
23 that Mr. Schwartz put in are just straight up  
24 citations, didn't make clear what years, for  
25 instance, AM Best reports there were. He had hard

1           copies of those. He made hard copies of those. We  
2           conveyed them to him.

3                         And all I was planning to do, if we had  
4           the physical copy here, or just through questions,  
5           was say, did you manage to supplement all but one  
6           of those, and what's the effect of the one you're  
7           unable to supplement?

8                         MR. SPIVEY: And I'm quite confident  
9           that counsel and I can work out and make -- we can  
10          stipulate that that package is what he's  
11          describing.

12                        HEARING OFFICER FUNDERBURK: Okay. Do  
13          you need that package with time to review it before  
14          you put on your rebuttal?

15                        MR. SPIVEY: No, Your Honor.

16                        HEARING OFFICER FUNDERBURK: Okay. So  
17          it sounds like that's working out behind the  
18          scenes, and it's not going to slow anything down.

19                        MR. SPIVEY: Yeah. And let me just  
20          maybe revise the way I said, I don't need it today.  
21          I mean, I would want to make sure we have it before  
22          I'm proceeding through the entirety of my rebuttal.  
23          Yes.

24                        MR. FRIEDMAN: So I guess what I'd ask  
25          is what, Your Honor, can I convey to the person



1 upstairs who's able to continue putting those  
2 together that she should do so? And then what I  
3 would propose we do is we send -- we PDF a copy of  
4 it, send that to the Rate Bureau after 5:00  
5 sometime when she's able to finish it.

6 And then they'll have that to look  
7 over, and then we'll have hard copies tomorrow to,  
8 if they agree that that is what we supplemented,  
9 then we can stipulate to that tomorrow in the  
10 morning, and I'll have hard copies to hand up for  
11 the record and everything.

12 MR. SPIVEY: And Mr. Friedman, is it  
13 your intent to enter that into the record?

14 MR. FRIEDMAN: It would be tomorrow  
15 once you've the chance to look at it and confirm it  
16 is what I supplemented to you.

17 MR. SPIVEY: Like I say, I'm confident  
18 we can reach an agreement on that, and we don't  
19 have to have it today before we start.

20 HEARING OFFICER FUNDERBURK: All right.  
21 So let me just restate so I'm clear where we are.  
22 We have some additional supplemental documents  
23 related to source material for Mr. Schwartz's  
24 testimony and background -- basically, background  
25 materials, supporting materials that are in the

1 process of being produced and copied and provided  
2 to the Rate Bureau.

3 MR. FRIEDMAN: I should say being put  
4 together. We provided them already to the Rate  
5 Bureau.

6 HEARING OFFICER FUNDERBURK: Okay.  
7 You've already got the --

8 MR. SPIVEY: We've already received  
9 them. We just we haven't received them all. We  
10 don't have them all put together in one package.  
11 Right.

12 HEARING OFFICER FUNDERBURK: Okay. But  
13 you have -- you have all of them. They're just not  
14 in one package.

15 MR. SPIVEY: Well, I have -- I have  
16 received a number of submissions, and that's what I  
17 assume we're talking about verifying is that what  
18 he puts together is what he's already given me.

19 HEARING OFFICER FUNDERBURK: What  
20 you've got. Okay. So all of that will be put  
21 together, we expect, sometime this evening. You'll  
22 get a PDF that contains these are the source  
23 materials. You can verify they match up to the  
24 pieces you received. We will receive a hard copy  
25 tomorrow.

1 And you expect to seek to introduce  
2 that into the record as a DOI exhibit tomorrow.

3 MR. FRIEDMAN: Yes, ma'am.

4 HEARING OFFICER FUNDERBURK: Is that  
5 where we are?

6 MR. SPIVEY: And that will be agreeable  
7 with us.

8 HEARING OFFICER FUNDERBURK:  
9 Agreeable -- because he'll be done with his case in  
10 chief if that's still agreeable to you to --

11 MR. SPIVEY: We can restate that as  
12 you're closing.

13 MR. FRIEDMAN: Yeah.

14 MR. SPIVEY: Yeah.

15 HEARING OFFICER FUNDERBURK: Okay. And  
16 you're comfortable proceeding with your rebuttal  
17 calling Ms. Mao before you have that packet?

18 MR. SPIVEY: Yes, Your Honor.

19 HEARING OFFICER FUNDERBURK: Okay. All  
20 right. Is there anything else that we need to  
21 address before we get started?

22 MR. FRIEDMAN: I think --

23 MR. SPIVEY: I just -- as I mentioned  
24 to you before we went on the record, I just wanted  
25 to at least touch base with you logistically where

1 we are at the moment.

2 HEARING OFFICER FUNDERBURK: Yes.

3 MR. SPIVEY: I don't know if you want  
4 it on the record, but our understanding and thank  
5 you for accommodating our request to move to 2  
6 o'clock.

7 As I mentioned earlier in the week, Ms.  
8 Mao has a business call she has to be on. I  
9 presume she's on it here now, you know, depending  
10 on when we finish here. I don't know whether  
11 she'll be finished her call or not, but that's  
12 where she is at the moment.

13 So hopefully, this is all going to  
14 dovetail nicely. 7 So she was not expecting it to  
15 last beyond 3:00 at the latest.

16 HEARING OFFICER FUNDERBURK: All right.  
17 And my understanding is we're not expecting Mr.  
18 Schwartz's direct and cross to take more than an  
19 hour or so.

20 MR. FRIEDMAN: I can't imagine.

21 HEARING OFFICER FUNDERBURK: All right.

22 MR. FRIEDMAN: I've been just about,  
23 before they begin, one thing logistically about Ms.  
24 Mao's rebuttal is that, yesterday, I was told  
25 she'll be the first rebuttal witness. Today, I've

1           been told the second one will be Mr. Ericksen. And  
2           today, about an hour ago, I got a number of  
3           exhibits. The exhibits they plan to put in through  
4           Ms. Mao first and Mr. Ericksen. I don't know  
5           whether those are prior exhibits or new ones. If  
6           they're new ones, I need time to review them before  
7           I could actually cross her.

8                        So in fact, I mean, my -- so I mean, I  
9           can pull them up and watch, look at them while he  
10          is doing rebuttal, direct rebuttal, of her today,  
11          but I would not be in a position to begin cross of  
12          Ms. Mao today.

13                      MR. SPIVEY: And we don't have any  
14          problem with that. And we apologize for them being  
15          as late as they are. We're all scrambling, and we  
16          had a lot going on last night.

17                      And obviously, we just heard Ms.  
18          Cavanaugh's final testimony yesterday afternoon.  
19          So, yes, we just got exhibits hot off the press.  
20          I'm not sure I've even seen all of them either.  
21          So, if we need to take a break for him to review  
22          those or overnight, we'll certainly be agreeable to  
23          whatever is needed there.

24                      MR. FRIEDMAN: I will not be able to  
25          review them sufficient to begin cross of her this

1 afternoon.

2 MR. SPIVEY: Understood.

3 HEARING OFFICER FUNDERBURK: I don't  
4 anticipate you finishing up before we recess for  
5 the day with her.

6 MR. SPIVEY: That, quite frankly, would  
7 be my expectation as well.

8 MR. FRIEDMAN: And then when we --  
9 before we actually -- I can address this now or  
10 they -- when I rest my case, but just I had wanted  
11 to put on the record some questions I had about the  
12 scope of their rebuttal case. But I can do that  
13 when I close my case and they begin. Or I can do  
14 it now, however you prefer.

15 MR. SPIVEY: About the --

16 MR. FRIEDMAN: The scope. Just I want  
17 to make sure that you all are addressing -- my  
18 position is that you all should be addressing what  
19 was orally testified to by, well, I suppose by --

20 MR. SPIVEY: Let me just clarify, are  
21 you asking -- you're talking about scope of the  
22 Rate Bureau rebuttal case?

23 MR. FRIEDMAN: Yes. Um-hum.

24 MR. SPIVEY: From my perspective, the  
25 scope of the Rate Bureau rebuttal case is what the

1 Department has put on. This is our chance to  
2 respond to your witnesses' pre-filed testimony and  
3 their live testimony.

4 MR. FRIEDMAN: Then that sounds like  
5 something we'll need to discuss. I can do so on  
6 the record or however you'd like, but I have -- I  
7 mean, I need to make clear to the Court my concerns  
8 and then -- and then preserve my objections if I've  
9 got questions about their scope.

10 HEARING OFFICER FUNDERBURK: And I  
11 don't -- I don't want to get into a full argument  
12 about it at this point. If there is disagreement  
13 as to scope of rebuttal, then that's something  
14 we'll need to address on the record. But, again,  
15 what is your concern about the scope of their  
16 rebuttal?

17 MR. FRIEDMAN: So --

18 HEARING OFFICER FUNDERBURK: Briefly.  
19 Briefly, like a preview, like the tagline.

20 MR. FRIEDMAN: The very preview is that  
21 they received our pre-filed testimony three weeks  
22 before the hearing. They had, from our  
23 perspective, plenty of time to review it and either  
24 ask on direct their witnesses to address what was  
25 in it or cross our witnesses about what was in

1           their pre-filed testimony.

2                       But if they did not then bring it out  
3 on oral cross of our witnesses, then we don't think  
4 it's proper matter for a rebuttal case. And one of  
5 the biggest reasons is not only the timeliness,  
6 because if they are going to be referring to things  
7 in the prewritten testimony that were not brought  
8 out live on cross, then my cross on -- of their  
9 witnesses on rebuttal is going to be extensive, and  
10 I'll need time to review it because I'll be hearing  
11 for the first time about I've already got new  
12 exhibits that they'll be introducing.

13                      And if those -- if the Court allows  
14 those new exhibits to deal with stuff that wasn't  
15 addressed live, then I'm --

16                      HEARING OFFICER FUNDERBURK: I'm going  
17 to let you reserve your objections. As the -- as  
18 the case proceeds, we'll address scope of rebuttal.  
19 But they have an opportunity to rebut your case and  
20 address things that were introduced. As we proceed  
21 through the rebuttal case, you're free to object as  
22 to the scope so we can make a determination as to  
23 what is and isn't appropriate.

24                      MR. FRIEDMAN: I guess if that's -- I  
25 mean, I'm happy to let that be the Court's ruling,



1 and I don't want to be obstreperous then in my  
2 objections. But if the -- but the -- I guess,  
3 then, the other concern is just that, obviously,  
4 I'm prohibited from surrebuttal.

5 And if there's going to be new exhibits  
6 or new substantive testimony about data,  
7 particularly, that would rebut something in the  
8 original, pre-filed testimony, then, one, we had  
9 outstanding discovery and we've just gotten the  
10 exhibits now, but, two, we had outstanding  
11 interrogatories that would have covered whatever  
12 new data they want to testify to.

13 And if I'm going -- if they're going to  
14 get into the whole scale of the pre-filed  
15 testimony, and if that's your ruling, I certainly  
16 understand it, but I cannot foresee when what time  
17 I will need to even prepare the cross for that.

18 HEARING OFFICER FUNDERBURK: And,  
19 again, I'm going to let you make your objections as  
20 they proceed through their rebuttal case as to the  
21 scope, but ultimately, this is their opportunity to  
22 refute your case in chief.

23 MR. FRIEDMAN: I appreciate that  
24 guidance.

25 MR. SPIVEY: And just to make sure I'm

1 understanding, the case in chief includes all their  
2 pre-filed testimony as well as what they testified  
3 live. We did not address or respond to their pre-  
4 filed testimony in our direct case. That hadn't  
5 been entered into evidence at that point. So and  
6 that's --

7 MR. FRIEDMAN: And so and there are  
8 going to be issues, apparently, then, that they  
9 didn't cross our witnesses about, but they are now  
10 going to respond to for the first time. And so  
11 given that I won't have surrebuttal, you know, I'll  
12 just object as we go along.

13 HEARING OFFICER FUNDERBURK: You can  
14 object as we go along. I don't believe I made an  
15 ultimate ruling as to the availability of  
16 surrebuttal. You can argue for it, but I will  
17 state it is unusual to allow surrebuttal in a  
18 hearing. And that's my starting point. It is  
19 unusual to allow surrebuttal.

20 You're free to argue, again, if you  
21 think you're entitled to surrebuttal, but it would  
22 be an unusual step for there to be surrebuttal in  
23 the matter.

24 MR. FRIEDMAN: I understand that.  
25 It -- I -- just as I think I made clear, though,

1           they -- it was always the custom in these rate  
2           hearings.

3                       MR. SPIVEY:  And I --

4                       HEARING OFFICER FUNDERBURK:  The  
5           homeowners' rate hearings?

6                       MR. FRIEDMAN:  Yes.

7                       HEARING OFFICER FUNDERBURK:  We had one  
8           in 2014 and one in 1994.

9                       MR. FRIEDMAN:  Okay.  I'm sorry.  In  
10          rate hearings.  Excuse me.

11                      MR. SPIVEY:  Those -- in fact, those  
12          are the homeowner rate hearings.  But we've had  
13          many other rate hearings.  And we have, from my  
14          perspective, certainly, a very established process  
15          in which these cases are handled in.

16                      You know, from my perspective, the Rate  
17          Bureau has never addressed Department pre-filed  
18          testimony during the Rate Bureau's direct case.  
19          It's -- that's -- if there's need to do that,  
20          that's what rebuttal is.  And so that's -- that's  
21          the issue there.

22                      MR. FRIEDMAN:  I understand.

23                      HEARING OFFICER FUNDERBURK:  We're  
24          getting a little far down that rabbit hole when we  
25          need to go ahead and get some testimony on the

1 record. You can make objections as we go as to the  
2 scope of their rebuttal case. Is there anything  
3 else we need to address before we proceed with the  
4 recall of Mr. Schwartz?

5 MR. FRIEDMAN: No. Not that I'm aware  
6 of, Your Honor.

7 MR. SPIVEY: No.

8 HEARING OFFICER FUNDERBURK: Mr.  
9 Schwartz, can you hear us?

10 THE WITNESS: Yeah. You're fine.

11 HEARING OFFICER FUNDERBURK: Okay. And  
12 Ms. Pearce, can we get him on? I think Ms. Pearce  
13 is working on getting him on the screens.

14 MR. FRIEDMAN: Your Honor, in the  
15 meantime, can I hand around the first exhibit for  
16 Mr. Schwartz?

17 HEARING OFFICER FUNDERBURK: Yes. If  
18 you want to provide that to counsel and then hand  
19 it up to us. Thank you. Thank you.

20 MR. FRIEDMAN: If I can quickly text my  
21 colleague upstairs about that other --

22 HEARING OFFICER FUNDERBURK: Need you  
23 to talk into the microphone.

24 MR. FRIEDMAN: If I could just -- give  
25 me two seconds to text my colleague upstairs about

1 the -- just to continue working on that.

2 HEARING OFFICER FUNDERBURK: While  
3 you're doing that text, I'm going to swear Mr.  
4 Schwartz back in.

5 Mr. Schwartz. Yes. Thank you. Do you  
6 affirm that the testimony you're about to give is  
7 the truth, the whole truth, and nothing but the  
8 truth?

9 THE WITNESS: I do.

10 HEARING OFFICER FUNDERBURK: Thank you,  
11 sir.

12 MR. FRIEDMAN: One second, Your Honor.  
13 All right.

14 DIRECT EXAMINATION

15 BY MR. FRIEDMAN:

16 Q. Mr. Schwartz, first of all, if you could  
17 pull up for your own reference the document that I --  
18 we sent to you via ShareFile yesterday evening, perhaps  
19 around 10:00, 10:30.

20 A. Is that the one called compare report? Or  
21 is it -- or is it the -- my testimony redline, which I  
22 believe is 90 pages?

23 Q. It's -- yes. It's the latter. Tell me  
24 when you have that up.

25 A. I have it.

1 Q. Okay. Mr. Schwartz, do you recall during  
2 your original direct, stating for the record, some very  
3 specific, I think, changes to numbers and a little bit  
4 of verbiage that was probably the next to last day  
5 before you ended your original direct testimony?

6 A. I think they were -- I'll do it in  
7 reverse. There were certain typos, which I would say  
8 were non-substantive. Like, there were times when the  
9 text said 2014 order when it just, you know, with the  
10 capital O, And it should have just said order with a  
11 small O, or maybe a capital O, but not with the 2014.

12 So there were various, what I call,  
13 typographical issues, which didn't affect the substance  
14 of it. And then there was a numerical change to the  
15 underwriting profit provision.

16 And so I think what I -- the only numbers I  
17 recall giving were the change in the underwriting  
18 profit provision and what that meant for the indicated  
19 rate level. And I would say from an actuarial point of  
20 view, they were not material differences on a numerical  
21 basis. It made a difference of 0.2 percent.

22 And so I think it changed the indicated rate  
23 level from a decrease of minus 3.3 to minus 3.1. But  
24 even that two-tenths doesn't really matter because my  
25 recommendation was for a 0 percent overall rate change.

1           So in essence, it didn't change the  
2           recommendation I had for the overall rate level. But  
3           that change in the underwriting profit provision flows  
4           through to a number of different exhibits.

5           So what I've done is in this text, I've redlined  
6           what the changes to the typos are and what numbers  
7           change as a result of that 0.2 percent change in the  
8           underwriting private provision.

9           Q.     Okay. And is 52 -- I can tell you what  
10          we've done on our end, which you sent us the original  
11          of your amended portions. And on our end, we took  
12          those parts of your original pre-filed testimony that  
13          were unamended, and if you will, put them back in their  
14          place or took your amended testimony, put it where it  
15          belonged among those portions that weren't changed, and  
16          the result of it is 52.

17          MR. FRIEDMAN: I need to ask, if I  
18          could, the court reporter one question to be so  
19          that I can ask him the question. Or --

20          HEARING OFFICER FUNDERBURK: Is it,  
21          Madam Clerk or the court reporter?

22          MR. FRIEDMAN: Madam Clerk. Excuse me.  
23          Because I want to make clear certain from my own  
24          mind what 52 is. Well, I take that back. I'm  
25          seeing -- well --

1 THE WITNESS: By 52 --

2 BY MR. FRIEDMAN:

3 Q. Let me explain. So then, so we put those  
4 back together. And on our end, we also added some  
5 functions that highlighted or otherwise made clear  
6 exactly what had been revised. You had included some  
7 of those indications of what had been revised. We  
8 included other indications of what had been revised.

9 And my question and that was what we sent you  
10 yesterday. And so my question for you is, is 52 an  
11 accurate copy of what you revised, added to your  
12 original, with those parts you haven't changed, and  
13 then with some extra -- I don't know what else to call  
14 them besides, in this case, highlights showing what you  
15 had revised?

16 HEARING OFFICER FUNDERBURK: You're  
17 referring to the redlines as highlights?

18 MR. FRIEDMAN: There were redlines, and  
19 then there are also -- so we received from Mr.  
20 Schwartz a copy that had redlines, but in which  
21 there had been, because of the odd way that Word  
22 does tables and because of some other oddities from  
23 Excel, we -- it didn't show all of the actual  
24 changes that Mr. Schwartz had done. And so we went  
25 back in and added highlights to those table.



1 HEARING OFFICER FUNDERBURK: Let me see  
2 if I can ask Mr. Schwartz some questions to clarify  
3 something so we can --

4 MR. FRIEDMAN: It may it may take some  
5 questions for --

6 HEARING OFFICER FUNDERBURK: Let me --  
7 let me just try to work with him a little bit on  
8 this.

9 Mr. Schwartz, I've got in front of me  
10 what's marked, but not yet introduced, as Exhibit  
11 52. It's labeled direct pre-filed testimony of  
12 Allan I. Schwartz. At the bottom of the pages  
13 after the cover page, it's noted revised December  
14 4th, 2024. Is that what you have that you're  
15 looking at?

16 THE WITNESS: Yes. But let me just add  
17 something. Above revised December 4, 2024, does it  
18 say page 1 of 90?

19 HEARING OFFICER FUNDERBURK: It does.

20 THE WITNESS: Okay. Then that should  
21 be what I have in front of me because they are 90  
22 pages in total in what I sent Department counsel.

23 HEARING OFFICER FUNDERBURK: Correct.  
24 And the prior document I had, that was your  
25 testimony, I believe, was 87 pages. I was going

1 through and comparing them this morning. But this  
2 one is 90 pages. It says revised December 4th,  
3 2024, on the bottom of each page.

4 When I go through, I note that there  
5 are some redlines. Do you understand when I say  
6 redline, what you -- what it means in the context  
7 of editing?

8 THE WITNESS: Yes.

9 HEARING OFFICER FUNDERBURK: And what  
10 is your understanding of what it means?

11 THE WITNESS: It means that the old  
12 text, or the text is being removed as a redline  
13 through it, and the new text has -- is written in  
14 red. Now, sometimes if it's just additional text,  
15 there's nothing being stricken. So I think it  
16 might be helpful to go through some examples if you  
17 want me to.

18 HEARING OFFICER FUNDERBURK: Well, I  
19 just want to make sure we're establishing what  
20 we've got, and you can go through the examples with  
21 Mr. Friedman. Does this show your changes in  
22 redline as to your pre-filed testimony?

23 THE WITNESS: Yes.

24 HEARING OFFICER FUNDERBURK: Is that  
25 what

1 THE WITNESS: I just -- I just want to  
2 make sure that we're clear because sometimes people  
3 refer to testimony as including both the testimony  
4 and exhibits. So this file shows just the written  
5 testimony.

6 I also sent a file that shows which  
7 exhibits were revised, but it was in Excel, and  
8 they don't do redlining the same way. So there are  
9 no redlines, at least in the exhibits, revised  
10 exhibits I sent Department counsel. I just want to  
11 clarify that there's revised text, and there are  
12 revised exhibits, both.

13 HEARING OFFICER FUNDERBURK: Okay.  
14 Thank you. But as to pages 1 through 90, it  
15 contains the revisions that you submitted to Mr.  
16 Friedman.

17 THE WITNESS: Yes.

18 HEARING OFFICER FUNDERBURK: Is that  
19 where you're trying to go with it, Mr. Friedman?

20 MR. FRIEDMAN: No, Your Honor. Because  
21 with particularly the Excels and then also some of  
22 the tables that he sent, Ms. -- the court reporter  
23 (sic) in, you know, in her status as working as a  
24 paralegal as long as -- as well as with a colleague  
25 of mine -- in order to make it more apparent for

1 the Court and opposing counsel what changes there  
2 had been to the Excel and some of the tables within  
3 the -- what was a Word document, in this case, the  
4 narrative, we added some additional indications  
5 highlighting, showing, making clear what the  
6 changes were.

7 What I'm unable to do, though, is  
8 really explain for myself how those additional  
9 changes that we added to make -- we didn't make any  
10 changes, but just things we did to his version to  
11 make it clear for everybody what had been changed.  
12 I don't know how to explain those.

13 HEARING OFFICER FUNDERBURK: Is this  
14 something the parties can stipulate to as to a  
15 revised doc that that a document was revised, not  
16 necessarily that the content is accurate. I just  
17 want to kind of get through this and move on so we  
18 can do the testimony.

19 Is there a way that we can stipulate as  
20 to what we're looking at?

21 MS. WHARRY: Excuse me, Your Honor.  
22 This is Shannon.

23 HEARING OFFICER FUNDERBURK: Yes,  
24 ma'am.

25 MS. WHARRY: And I just, Terence, to

1           what you're trying to, I guess, explain to the  
2           Court is, Your Honor, is that -- so Mr. Schwartz's  
3           AIS, basically, appendices that he did after his  
4           written pre-filed testimony portion, we have taken  
5           and went into the changes that he made. We have  
6           actually redlined that portion in a Word doc.

7                         So from the Excel stuff that he  
8           changed, we actually took him in and redlined it so  
9           that you can actually see the changes in the  
10          numbers from before to what Mr. Schwartz changed it  
11          to and combined it all back together in a document  
12          so that there's portions that's redlined after his  
13          1 through 90, the pre-filed testimony.

14                        So that's a document that I've sent if  
15          Mr. Friedman will look at his email and pull that  
16          up. We combined that all together so you can  
17          clearly see the exhibit portions and the numbers  
18          that were changed and redline.

19                        MR. FRIEDMAN: So to be clear, Your  
20          Honor, there were two attempts by us to add better  
21          indications of what had been changed. One of those  
22          was what was distributed at 10:30 to everybody  
23          tonight. What Ms. Wharry has just mentioned is  
24          something else that she and another colleague were  
25          working on all morning.

1 I haven't had a chance to circulate,  
2 let alone review that. It came a short time ago.  
3 So I haven't -- there is a new and better redline  
4 version. What I haven't been able to do is look at  
5 it, make sure it meets everybody's satisfaction as  
6 far as accuracy, and then distribute it.

7 HEARING OFFICER FUNDERBURK: Can the  
8 parties approach, please?

9 MR. FRIEDMAN: Yes.

10 (Bench conference held from 2:36 p.m. to 2:44 p.m.)

11 HEARING OFFICER FUNDERBURK: All right.  
12 Thank you, counsel. Please proceed, Mr. Friedman.

13 BY MR. FRIEDMAN:

14 Q. So, Mr. Schwartz, I'm not going to be  
15 referring further to 52. But what I am going to do  
16 instead is just ask you a series of questions basically  
17 about the -- what is the total of the changes you've  
18 made. So if you could give me one second.

19 I'm sorry, Your Honor. I'm having a little --  
20 there we go.

21 All right. So, Mr. Schwartz, is it my  
22 understanding that you mentioned some of just the  
23 verbiage, non-substantive changes that you read into  
24 the record on your prior direct. Have those been --  
25 the verbiage been incorporated into the -- your new

1 version of your pre-filed testimony?

2 A. Yes.

3 Q. Okay. And then you also mentioned the  
4 particular numbers that you testified to on direct.  
5 Have those particular numbers been added to the new  
6 version of your pre-filed testimony?

7 A. Yes. But I want to make clear that the  
8 revised pre-filed testimony also includes the numbers  
9 that have changed because of the two numbers I  
10 mentioned in my oral testimony. So --

11 Q. And I'm going to go over -- if I can go  
12 over a summary of that and just see, hopefully, this --  
13 if you would agree with this language because it's  
14 language that opposing counsel has suggested.

15 So, does the new version of the pre-filed  
16 testimony change the expected incurred losses and loss  
17 adjustments, expense ratio in line B-2 on Schedule AIS  
18 14, Sheet 1, and the changes that flow from that,  
19 including the change to the underwriting profit factor,  
20 the changes to the various indications, and the changes  
21 to the various comparisons of those indications to the  
22 Rate Bureau indications, et cetera?

23 There's other -- three -- there's two -- there's  
24 to be clear, there's four -- these are things I did --  
25 I have shared with you. There were four other sort of

1 summaries of issues, but that was the first one. Among  
2 the changes, what I just read, are those included?

3 A. So on schedule AIS 14, Sheet 1, revised,  
4 which I don't think you referenced it, I hope in the  
5 record, line B-2 changed and that every number that  
6 changes as a result of that is included in the revised  
7 pre-filed direct.

8 Q. And then also, there were changes to  
9 exhibit references, namely by adding the word revised  
10 exhibit in the new version of the pre-filed testimony.  
11 Is that correct?

12 A. Yes. I wanted to make it clear that those  
13 exhibits were revised.

14 Q. Okay. And then were there changes that  
15 added new indications, tables, while leaving in the  
16 original tables for comparison purposes?

17 A. Well, there were new tables that resulted  
18 from that change on line B-2 in Schedule 14, Sheet 1.  
19 It may appear that the old tables were left in, but  
20 that's just an idiosyncrasy of the way Word does  
21 redlines for tables.

22 Word, for a table, doesn't put a redline through  
23 every number in the table. It just puts a redline  
24 through the middle of the table. So just like when you  
25 redline a word, the word gets taken out by a redline,



1 and a new word comes in.

2 The tables, the old tables, are redlined,  
3 meaning they are essentially out. And that's how Word  
4 shows that they're out. And then there's another  
5 redline that shows what the new table is. So I didn't  
6 leave in the old table for comparison purposes. It's  
7 just you have to understand how Word deals with  
8 redlining for tables.

9 Q. Okay. I'll take that explanation, and  
10 then I'm going to run it past Mr. Spivey in a moment.  
11 And then there were, in addition to the verbiage  
12 changes, a few typos that -- or clerical mistakes such  
13 as substituting 2014 order with just simply order. Is  
14 that correct?

15 A. Yes.

16 MR. FRIEDMAN: So Mr. Spivey, is --  
17 does that provide a sufficient enough explanation  
18 that y'all can stipulate to you?

19 MR. SPIVEY: I believe that is. Yes.

20 MR. FRIEDMAN: Okay. Thank you very  
21 much.

22 MR. SPIVEY: I think we may want to  
23 look at a couple of examples in the testimony just  
24 to make sure we're all understanding, but yes.

25 MR. FRIEDMAN: So I -- Mr. Spivey, may

1 I ask you if do you need to look at those with him  
2 or do you want to look at those off the record? Or  
3 how would you like to do it?

4 MR. SPIVEY: Either way, it makes no  
5 difference to me whether it's on or off the record.

6 HEARING OFFICER FUNDERBURK: But this  
7 document can't be admitted as an exhibit today  
8 because we need to -- if there is a page that is  
9 confidential, that page needs to be noted as  
10 confidential.

11 MR. FRIEDMAN: Yeah, I wasn't planning  
12 on submitting this, but --

13 HEARING OFFICER FUNDERBURK: It's not  
14 going to get moved for admission today. I'm fine  
15 with rolling that in tomorrow when you produce the  
16 additional documents that may need to be included  
17 as exhibits.

18 Mr. Spivey, do you have any objection  
19 to that? You know, his case in chief is going to  
20 be over, but we'll just --

21 MR. FRIEDMAN: No. I don't --

22 HEARING OFFICER FUNDERBURK: And  
23 that'll give you an opportunity to do a spot check  
24 and raise any potential objections.

25 MR. SPIVEY: No objection to that

1 process.

2 MR. FRIEDMAN: No. That sounds fine  
3 then.

4 HEARING OFFICER FUNDERBURK: And you'll  
5 provide a copy of -- well, you'll let us know  
6 tomorrow if you need to provide this copy of  
7 proposed Exhibit 52 or a different one with a page  
8 marked as confidential.

9 MR. FRIEDMAN: Okay. We will do the  
10 latter.

11 HEARING OFFICER FUNDERBURK: Thank you.

12 BY MR. FRIEDMAN:

13 Q. All right then, Mr. Schwartz, with all of  
14 the changes you've just described in the current or new  
15 version of the pre-filed testimony, does that  
16 substantively change your recommended rates in your  
17 testimony?

18 A. It doesn't change that my recommendation  
19 is for an overall rate change of zero. It changes the  
20 rate -- it changes, to a slight extent, the recommended  
21 rate changes by policy form in order to get to zero  
22 because the indicated numbers of the policy forms  
23 change slightly. But it's like in the tens or  
24 hundredths of percent. I wouldn't consider it a  
25 material change, but in order to get the recommended --

1 the balance back to an overall zero, thereby policy  
2 form numbers changed slightly.

3 Q. Okay. Thank you. And then I'm going to  
4 go on to a second subject, and the -- do you recall  
5 probably last days of October, perhaps the first days  
6 of November, me forwarding to you a list of questions  
7 by Mr. Spivey for additional support, I guess I would  
8 say, for some of the citations in your original pre-  
9 filed testimony?

10 A. I mean, I don't recall the time frame, but  
11 I know the request for additional information.

12 Q. Okay. And were you able to provide that  
13 additional information except in one instance?

14 A. Yes.

15 Q. Okay. And could you tell me about that  
16 one instance where you were unable to provide a copy of  
17 the support?

18 A. Okay. It would be helpful for me to -- to  
19 reference the revised testimony even though the  
20 original testimony for this is the same. So does the  
21 revised testimony have an exhibit number yet, or should  
22 I just refer to it as revised testimony?

23 Let me ask the Court for some guidance. It does  
24 it has an exhibit number yet, and it will be the  
25 exhibit number that ultimately we submit, but in a

1 different -- probably it will look a little different.

2 HEARING OFFICER FUNDERBURK: I think

3 it's clear if it's referenced as Exhibit 52.

4 BY MR. FRIEDMAN:

5 Q. Okay. Yes. Please go ahead. As long  
6 as -- tell me if it's a confident -- if it's a page  
7 that had been previously marked confidential.

8 A. I don't believe it is. But so let me just  
9 go to which -- okay. So there's a -- on Exhibit 52 on  
10 page 55, there is a table of numbers dealing with  
11 actual hurricane losses and modeled losses and a  
12 comparison. And I was asked for underlying documents  
13 to this. And you see, I first in my recollection did  
14 an exhibit like this in connection with the 2014  
15 filing.

16 The issue is that some of these numbers came  
17 from paper copies of documents that I had that I had  
18 when I -- when I produced it in connection with the  
19 2014 filing. That's, like, ten years ago. And whether  
20 they've been misplaced or in the intervening ten years,  
21 discarded, I can't find the paper copies of stuff that  
22 were used for some of the years to get this  
23 information.

24 And so that's why I can't really provide a  
25 document or documents that show the underlying sources

1 for this information. Because some of it was, again,  
2 from paper documents that I had when I produced this  
3 ten years ago, but not available anymore.

4 Q. And so let me just --

5 A. Anyway, that's the explanation.

6 Q. And just so you could -- what exactly, if  
7 you could describe to me a little better, what exactly  
8 was the original citation in your pre-filed testimony  
9 that you were unable to find the support for?

10 A. They were old copies of Rate Bureau  
11 homeowners' filings. And also, more recently or at  
12 some point, you know, I started getting them  
13 electronically. But previous to that, I just had paper  
14 copies of findings.

15 Q. Okay. So those were -- my understanding,  
16 then, is that in -- they were things that in prior  
17 decades, perhaps, had been submitted to the Department  
18 and that you received as part of your role as an  
19 outside actuary testifying for the Department.

20 A. Yes.

21 Q. Okay. And does the absence of that proof,  
22 in your opinion, of this proof of the original contents  
23 of original filings by the Rate Bureau affect your  
24 testimony at all?

25 A. Well, I would say that even if a decision

1 were made, that this table couldn't be used as evidence  
2 because I don't have the underlying documents for some  
3 parts of it anymore. That if you completely remove  
4 this table and any reference I made to the numbers that  
5 resulted in this table, it wouldn't affect my  
6 conclusions. And I could tell you why if you want to  
7 know.

8 Q. If you could just briefly, I'd appreciate  
9 it.

10 A. Okay. So if you turn to page 69 of this  
11 document. And then just say, what I'm referencing here  
12 is no different than what was in my original pre-filed  
13 direct. You know, this wasn't something that was  
14 changed.

15 We're starting on line 36. Well, said line 33,  
16 it has a question. You know, how did you correct the  
17 various problems regarding the hurricane model base  
18 class loss cost used by the NCRB in the current filing.  
19 And then it shows things I considered. On lines 38 to  
20 40, it talks about that table that we just used.

21 So even if you exclude that and you turn to the  
22 next page, there are four more things that I  
23 considered. The first one was -- well, this -- the --  
24 the next one was a statistical analysis that the Rate  
25 Bureau did in connection with the 2019 filing comparing

1 actual losses for hurricanes the computer generated.

2 We are actually the --

3 Q. Are you talking about lines -- let me just  
4 quickly interrupt -- lines 2 and 3 on page 70?

5 A. Right.

6 Q. Okay.

7 A. Where the Rate Bureau statistical analysis  
8 showed that -- showed a bigger difference, a  
9 discrepancy between the hurricane losses and actual  
10 losses than the analysis I did. Then on lines 5 and 6,  
11 I talk about some Aon reports, which can be a computer  
12 generated catastrophe losses to actual catastrophe  
13 losses. And again, that showed a bigger difference  
14 between the computer generated losses and actual  
15 losses. Well, it's actual loss.

16 Q. Excuse me. Could I clarify one thing?  
17 And those Aon reports that you're referring to on lines  
18 5 and 6 were in and among the prior Rate Bureau  
19 filings?

20 A. No. They're appendices to my pre-filed  
21 direct testimony.

22 Q. Okay. My misunderstanding. Excuse me.  
23 Okay. And those are -- so those are still there.

24 A. And the compute -- and the Rate Bureau  
25 statistical analysis that, as I referred to in lines 2



1 and 3, an excerpt from that, or maybe the entirety of  
2 it, I'm not sure, is an appendix to my pre-filed direct  
3 testimony.

4 And both of these studies are referenced earlier  
5 in this section. I'm just not going through the entire  
6 details of it now. I'm just giving a summary. So for  
7 this filing, I had, like, two different analyses, one  
8 done by the Rate Bureau and one done by Aon that  
9 actually showed a bigger discrepancy between the  
10 computer generated losses, actual losses than the  
11 calculation I did.

12 So that's why, you know, if you exclude the  
13 calculation that I did, you might even say that there's  
14 a bigger difference or a bigger discrepancy between the  
15 computer generated loss and actual losses. The -- then  
16 lines 8 through 13 show how the Rate Bureau models or  
17 computer models are impacted by extreme, very unlikely  
18 events, and what the impact it has.

19 And then finally, on line 15 through 18, it  
20 talks about what the commissioner actually did in the  
21 2014 filing. And then if you did it in this filing, it  
22 would result in a reduction in the projected losses of  
23 about 15 percent.

24 So putting aside the analysis I did, you have  
25 these four other analyses, which all indicate an

1       overstatement of the computer generated losses by 10  
2       percent or more. And that's why I feel that even if  
3       you exclude that study that -- calculations that I did,  
4       there's enough other information to support the 10  
5       percent reduction I used.

6               And my analysis, you know, is that -- doesn't  
7       depend on any of these other four analyses or any of  
8       these other four analyses don't depend on my analysis.  
9       They're all to be separated from each other or  
10      separable.

11             So anyway, that's why I feel my conclusion  
12      about, you know, having a 10 percent reduction applied  
13      to the modern hurricane losses isn't affected by if a  
14      decision is made not to give any evidentiary weight to  
15      the calculations that are shown on page 55 of the  
16      revised testimony and on a comparable page in the  
17      original pre-filed direct testimony.

18                   MR. FRIEDMAN: All right. Your Honor,  
19      those are the questions I have. And as I've  
20      explained, we will be supplementing the combined,  
21      additional support that we provided over the past  
22      week into probably what will be new Exhibit 56  
23      tomorrow. And we'll get it back to opposing  
24      counsel tonight for review.

25                   HEARING OFFICER FUNDERBURK: You said

1 that'll be expected to be 56?

2 MR. FRIEDMAN: Yes.

3 HEARING OFFICER FUNDERBURK: Do we have  
4 53, 54, and 55? We do?

5 MR. FRIEDMAN: Yeah. Um-hum.

6 HEARING OFFICER FUNDERBURK: Yeah. I  
7 was just checking numbers.

8 MR. FRIEDMAN: And, likewise, 52 is --  
9 we will get the new version with the  
10 confidentiality stamped -- stamp, hopefully,  
11 circulated tonight. If not, we'll have copies  
12 first thing in the morning.

13 HEARING OFFICER FUNDERBURK: All right.  
14 Thank you.

15 Mr. Spivey, cross?

16 MR. SPIVEY: Just -- just basically one  
17 question, I think. And maybe it's been covered and  
18 I missed it.

19 CROSS EXAMINATION

20 BY MR. SPIVEY:

21 Q. Mr. Schwartz, Mr. Friedman reviewed, and  
22 you testified that there were certain types of changes  
23 made. And my question is, did that description  
24 encompass every change? Have there been any other  
25 types of changes made in this document?

1           You know, I don't think any of us have been able  
2           to review it, you know, closely. But are there any  
3           other types of changes that have been made in this  
4           document aside from the ones you reviewed with Mr.  
5           Friedman a few moments ago?

6           A.     No. But I'll just go over it. And the  
7           changes are everything that flows from changing that  
8           number on line B-2 of Exhibit 14(g)(1) and all the  
9           typos that we talked about in my previous oral  
10          testimony.

11          And then I don't know whether you want to  
12          consider it differences or not that, you know, I  
13          changed some of the references in the testimony to  
14          indicate it's from revised exhibits instead of the  
15          original exhibits. But there would be nothing I would  
16          consider of any substance.

17          I mean, the only thing I would consider of  
18          substance would be the change, in essence, of the  
19          underwriting profit and indicated rate level. And even  
20          though I would consider that to be a substance, I  
21          wouldn't consider that to be material since there's  
22          difference of only two-tenths of 1 percent.

23                   MR. SPIVEY: All right. Thank you.

24                   That's the only question I have.

25                   MR. FRIEDMAN: Okay. I have no more

1 questions for Mr. Schwartz and was going to move to  
2 enter as -- and basically, I guess, tomorrow, I  
3 will move to introduce what will be Exhibit 52 and  
4 Exhibit 56. And with that, the Respondent, or, I  
5 guess, technically, the Petitioner, but in any  
6 case, the Department of Insurance rests its case in  
7 chief.

8 HEARING OFFICER FUNDERBURK: Thank you.  
9 Mr. Schwartz, you're excused as a witness. Thank  
10 you for your time and for coming back to join us  
11 again.

12 THE WITNESS: You're welcome. Thank  
13 you.

14 MR. FRIEDMAN: Thank you.

15 HEARING OFFICER FUNDERBURK: All right.  
16 Mr. Spivey, are you ready to move into rebuttal, or  
17 do you need a few minutes?

18 MR. SPIVEY: Yes. May we take, like,  
19 five minutes?

20 HEARING OFFICER FUNDERBURK: Yes. We  
21 can take five minutes. We'll resume a little over  
22 five minutes. We'll resume at 3:15 by the clock in  
23 the courtroom. Thank you.

24 MR. FRIEDMAN: Can I ask Mr. Spivey,  
25 are you all going to have hard copies of the

1 exhibits you circulated?

2 MR. SPIVEY: That's part of what I want  
3 to check on right now.

4 MR. FRIEDMAN: Okay. Thank you.

5 HEARING OFFICER FUNDERBURK: All right.  
6 We're in recess until 3:15.

7 (Recess taken from 3:09 p.m. to 3:22 p.m.)

8 HEARING OFFICER FUNDERBURK: Thank you,  
9 counsel. We're back on the record. Resuming  
10 hearing at 3:22.

11 MR. SPIVEY: Thank you, Your Honor. My  
12 understanding is that the Department has rested its  
13 case, and the Rate Bureau will call as its first  
14 rebuttal witness, Ms. Minchong Mao.

15 HEARING OFFICER FUNDERBURK: Ms. Mao,  
16 please come forward.

17 (Witness sworn)

18 And Mr. Spivey, just before you get  
19 started, I know I will have some questions for your  
20 witnesses after you finish questioning them. And I  
21 understand after I ask some questions, you may have  
22 some follow-up.

23 Some of the questions I have, when I  
24 ask them of you, I'm going to let Mr. Spivey  
25 proceed with his questions first. I'll have some

1 questions for you.

2 Some of them you may say, that's not my  
3 area. You need to talk to Mr. Ericksen or Mr.  
4 Anderson. That's perfectly fine. There's some  
5 technical questions, in particular, related to some  
6 of the exhibits that were submitted to in  
7 particular. I'm not going to be looking for any  
8 specific answer.

9 I'm not going to keep asking you the  
10 same question. I'm going to be looking for some  
11 technical clarifications.

12 THE WITNESS: Sure.

13 HEARING OFFICER FUNDERBURK: And just  
14 an understanding in layman's terms, to the extent  
15 you can, for some of the exhibits that we have from  
16 the -- from the Rate Bureau. Okay?

17 THE WITNESS: Sure.

18 MR. FRIEDMAN: About scope, I  
19 appreciate Mr. Spivey informing me that  
20 traditionally, the -- they were -- the Rate Bureau  
21 had addressed the pre-filed testimony as well as  
22 the live cross of Department witnesses. So I don't  
23 plan on objecting to scope on those grounds.

24 But the one thing that is going to take  
25 me time in reviewing my notes from today and their

1 exhibits is to try to figure out what evidence,  
2 whether being testified to, substantive evidence,  
3 is new. And so that I can figure out what to  
4 question Ms. Mao about. So I guess if there's any  
5 way that opposing counsel --

6 HEARING OFFICER FUNDERBURK: Please  
7 speak into the microphone.

8 MR. FRIEDMAN: If there's any way that  
9 opposing counsel could indicate when you're going  
10 into something that it's not something that had  
11 been previously discussed by your witnesses or  
12 documented before, I'd appreciate it.

13 MR. SPIVEY: I will -- well, let me say  
14 I'm not exactly sure how to respond to that. My  
15 understanding is that we're not going to be putting  
16 on repetitive, duplicative evidence now. We're  
17 responding to the Department's case. So, much of  
18 what we say may be considered new to you. That  
19 that's why I'm a little bit confused by what you're  
20 asking me. We're not repeating what we put on in  
21 our direct case.

22 MR. FRIEDMAN: Okay. I appreciate that  
23 clarification. And I guess then what I'm thinking  
24 about in terms of new, because I can't always in  
25 real time figure out whether it is, for example,



1 additional data about the modeled hurricane losses.  
2 If it's stuff that is -- was not in the original  
3 filing or that if she's clarifying something or  
4 responding to something that Ms. -- our expert  
5 witnesses testified to, then that's fine.

6 But if it is wholly saying, plus  
7 there's this additional analysis I've since  
8 performed, I'd appreciate some -- just if you  
9 could, indication that this is something new so  
10 that I am able to go back this evening and tomorrow  
11 and discuss it with the people who have the  
12 expertise that I don't and figure out what I could  
13 do to cross this now about that if I need to.

14 MR. SPIVEY: I will -- I'm hoping that  
15 it will be clear, but I will try to point those  
16 things out.

17 MR. FRIEDMAN: Appreciate it.

18 HEARING OFFICER FUNDERBURK: Thank you,  
19 counsel. Please proceed.

20 DIRECT EXAMINATION

21 BY MR. SPIVEY:

22 Q. Would you please state your name again for  
23 the record?

24 A. Minchong Mao.

25 Q. Ms. Mao, have you read Mr. Schwartz's pre-

1 filed written testimony in this matter?

2 A. Yes.

3 Q. Were you present here in the hearing room  
4 to hear the live testimony that he has given in this  
5 matter?

6 A. Yes.

7 Q. So you heard his live testimony?

8 A. Yes.

9 Q. Have you read Ms. Cavanaugh's pre-filed  
10 written testimony in this matter?

11 A. Yes.

12 Q. Were you present here in the hearing room  
13 to hear the live testimony she has given in this  
14 matter?

15 A. Yes.

16 Q. Do you have there at the witness stand Ms.  
17 Cavanaugh's written pre-filed testimony?

18 A. Not right now.

19 Q. Let me get that before. All right? What  
20 we need is Exhibit DOI 2.

21 A. Yes.

22 MR. SPIVEY: Thank you, Madam Clerk.

23 BY MR. SPIVEY:

24 Q. So you now have before you a copy of Ms.  
25 Cavanaugh's written pre-filed testimony?

1 A. Yes.

2 Q. Would you please turn to page 32?

3 A. Yes.

4 Q. Let me direct you to lines 18 through 21  
5 there.

6 A. Yes.

7 Q. And do you recall Ms. Cavanaugh's  
8 testimony there in her pre-filed testimony to the  
9 effect that the Rate Bureau did not provide any support  
10 for its selected weighting of the AIR and RMS models?

11 A. Yes.

12 MR. SPIVEY: I apologize, Your Honor.  
13 Now, we also need Ms. Mao's pre-filed testimony,  
14 which is Exhibit RB-7.

15 HEARING OFFICER FUNDERBURK: Yeah.  
16 Please approach.

17 MR. FRIEDMAN: Your Honor, I'm going to  
18 need some time because, I don't have any -- the  
19 person I have is available for support right now  
20 going through the record is not familiar with the  
21 record, so I'm going to need some time to figure  
22 out --

23 HEARING OFFICER FUNDERBURK: Please go  
24 ahead and locate the notebook.

25 MR. SPIVEY: Sorry, Your Honor, there

1           isn't an index in our -- I'm going through -- one  
2           second. Okay. I'm there. Mr. Spivey, was there a  
3           particular page you're referring to?

4                       MR. SPIVEY: There is. Thank you,  
5           everyone.

6           BY MR. SPIVEY:

7                       Q.     Ms. Mao, you now have your testimony in  
8           front of you as well as Ms. Cavanaugh's testimony,  
9           correct?

10                      A.     Correct.

11                      Q.     Could you turn in your testimony, Exhibit  
12           RB-7, to page 13?

13                      A.     And then particularly on that page, I  
14           think I'm referring to testimony beginning at line 21.  
15           So, Ms. Mao, how did Aon blend the AIR and RMS model  
16           results for the NCRB's use in this filing?

17                      A.     So, as stated in my testimony, Aon runs  
18           individual models independently and determines the  
19           appropriate loss cost and the reinsurance cost  
20           allocation for each model, then blended the result and  
21           that derives the final number. And we are taking the  
22           straight average, so that that means we give each model  
23           50 percent of weight.

24                      Q.     So, Ms. Mao, why did Aon blend the models  
25           by weighting them equally?

1           A.       So there are a few reasons. First of all,  
2           AIR and the RMS model are both the -- the -- the market  
3           leaders in the hurricane modeling space. And these two  
4           models are widely accepted by the insurance industry  
5           and reinsurance industry.

6                     And the -- so these two models also have been  
7           certified by the Florida Modeling Commission since  
8           1990s. One, first certifies in 1996 and RMS is in  
9           1997.

10                    And so these demonstrated the rigor around the  
11           model development and the reliability and the  
12           credibility of the models. And also as we discussed in  
13           the previous testimony, the models' development is a  
14           very complex process that involve a lot of assumptions  
15           and the judgment from scientists.

16                    And because of the large number of assumptions  
17           and -- and the judgment, that means the model result  
18           are expected to be different. And the -- the fact they  
19           are different, one is higher, one is lower, doesn't  
20           mean one model is more credible than the other. And  
21           the Aon blended these two model and it's a common  
22           practice by -- by the industry, especially by the  
23           reinsurance industry.

24                    And we also believe bringing two models gives  
25           them equal weight also will stabilize the model result.

1       Because in the past, we had we had the experience one  
2       model may increase the loss cost by 50 percent in one  
3       model release. Then by blending two models, you are --  
4       we are able to stabilize. And that is one aspect of  
5       the rate making stability.

6               Q.       Ms. Mao, which specific models did Aon  
7       utilize in this filing?

8               A.       In this filing, it's AIR Touchstone  
9       version 9 that was released, in 2021 and Risk Link 21  
10       also released in 2021.

11              Q.       Are these the same models that were  
12       utilized by the Rate Bureau in the 2014 homeowners'  
13       rate filing?

14              A.       No. They are they are not. In the 2014,  
15       the model version was called Hurricane Model 14.1.  
16       It's a -- it's a different modeling terminology because  
17       AIR has a Touchstone version as well as hurricane  
18       version. So hurricane version for 2021 -- for 2014 was  
19       Hurricane Version 14.

20              And, so, at the time, there is no Touchstone  
21       yet. And after that, they changed the version name and  
22       the equivalent version for this, our 2024 release is  
23       Touchstone version -- version 9 and hurricane version  
24       18.1, I believe.

25              Q.       Were you involved personally in the 2014

1 homeowners' case in any capacity?

2 A. No. I wasn't involved, and Aon wasn't  
3 involved in 2014.

4 Q. And so am I correct in understanding that  
5 you've gone back and reviewed the 2014 homeowners'  
6 filing to see what filing was used?

7 A. Correct.

8 Q. Was with -- I assume that was an AIR model  
9 that you just described in the 2014 homeowners' filing.

10 A. Correct. The AIR model used in 2014  
11 filing was a model released in the summer of 2013,  
12 Hurricane Version 14.1.

13 Q. Was there an RMS model used in the 2014  
14 homeowners' case?

15 A. No. In 2014, only AIR model was used.

16 Q. Are both the AIR and RMS models updated on  
17 a regular basis?

18 A. Yes. Hurricane models are updated every  
19 two years to align with Florida Modeling Commission's  
20 review. So every other year, in the odd year, in the  
21 summer, that's when both hurricane modeling vendors  
22 release their new hurricane models.

23 Q. So I think you testified just now that the  
24 AIR model that was used in the 2014 homeowners' filing  
25 was version 14.1. Do you know how many times the AIR

1 model has been updated since that time?

2 A. So, if I count, the time between the that  
3 that model and the model used for the 2024 refilings,  
4 there are four release for AIR model. Those four  
5 release happened in 2015, 2017, 2019, and 2021.

6 Q. Has RMS model been updated multiple times  
7 since 2014?

8 A. Yes. Also four times, since 2014 between  
9 the two filings, the model used for these two filings.  
10 There have been four updates for RMS model.

11 Q. Can you describe the types of changes  
12 that -- or things that occur with the models by the  
13 model vendors when they update the models?

14 A. Modeling vendors' updates include new data  
15 from National Hurricane Center because there will be  
16 new storms making landfall. And, also, there are new  
17 science development. They also try to reflect new  
18 building code. And every time after the hurricane  
19 making landfall modeling vendor go to on-site for  
20 surveys, so they will also incorporate the lesson  
21 learned from those survey -- post-event surveys.

22 Q. So, Ms. Mao, from your knowledge and  
23 understanding of these models, are the models used in  
24 this case different from the AIR model that was used in  
25 the 2014 case?



1 A. Yes. They are very different.

2 Q. Now, if you would, Ms. Mao, turn in Ms.  
3 Cavanaugh's pre-filed testimony. I think we may be --  
4 I want you to turn to page 32.

5 A. Yes.

6 Q. And noting at the top of -- no. I guess,  
7 the bottom of page 32, line 32, Ms. Cavanaugh has a  
8 question there. What was provided in the filing to  
9 document the AIR and RMS model development and results?  
10 And then going over to the top of page 33, her  
11 testimony is the NCRB provided no documentation in the  
12 original filing.

13 You recall her testimony generally there about  
14 her contention that the Rate Bureau provided no  
15 documentation regarding the AIR and RMS models  
16 development and results for North Carolina.

17 A. Yes. I recall that.

18 Q. Ms. Mao, did you perform an ASOP 38 review  
19 for each of the models, both the AIR and RMS models,  
20 that were used in this filing?

21 A. Yes. I performed ASOP 38 testing for both  
22 AIR version Touchstone, and the RMS version 21 for this  
23 filing. And after I performed the comprehensive ASOP  
24 38 testing, I provided the attestation, and the  
25 attestation was submitted as part of the refiling.

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MR. SPIVEY: All right. Your Honor, at this point, we're going to start asking -- I'm going to ask a few questions about the document I believe has been marked as confidential in this matter. So we need to take the usual procedures about closing the courtroom.

HEARING OFFICER FUNDERBURK: All right. At this time, we're going to be discussing some matters that have been marked as confidential within the filings that have been made in this matter. So anyone who has not signed the consent agreement -- or I'm sorry, the -- signed on to the protective order will need to leave the courtroom. Thank you.

(Confidential session proceeds from 2676 to 2699.)

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14 XXXXXXXXXXXX XXXXXX, XXX XXXX XXX XX XXX XXXXXXXX XXXX  
15 XXXX.  
16 XX. XXXXXXXX: XXXXX X XXXX, XXXX  
17 XXXXX, XXXXX X XXX' X XXX XXX XXXXX XXXX, XXXXX X XX  
18 XXXXXXXXXXX XX XXXX XXXX XX' XX XX?  
19 XXX XXXXXXXX: XXXX XX XXXX XX. XX, XXX  
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21 XXXXXXXXXXXXXX XXXXXXXX, XXX XX XXXXXXXX XXXX XXXXX XXXX  
22 XXXXX. XXXX' X XXXXXXXX XXXXX XXXX XX XXXXXXXX XXXXX  
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14 XX XXX' X XXXXXXXXXXX XXXXXXXXXXX XXXXXXXXXXX. XX XX XXXX  
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17 XXXXXXX XX XXX XXXX, XXX XXX XXX XX XXX XXXX XXX XXX  
18 XXXXX-XXXXXXXX XXXXXXXXXXXXXXX. XX XX XX XXX XX XX X  
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10 XX. XXXXXX: XXX X XXXXXXXXXXX?  
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14 (XXXXXXXX XX-XX XXXXXXX XXXX XXXXXXXXXXX. )  
15 XX XX. XXXXXX:  
16 X. XX. XXX, XXXXX XXX XXX XXXX XX XX.  
17 XXXXXXXXXXX' X XXXXXXX XXX-XXXX XXXXXXXXXXX XX XXXX XX?  
18 XXXXXXXX XXXXXXXX XXXXXXXXXXXXX: XXX X' XX  
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20 XX' XX XXX XXXXX XX XXXXXXX XXXX XX. XXX XXXXX, XXX  
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24 XX. XXXXXX: X XXXX, XX XXX XXXXXXXXXXX  
25 XXXXXXX XX XXXX XXXXXXXXXXX, XXXX XXXXX. XX' X XX XX

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7 X. XXX XXXX XXXX XXXXXXXXXXXXX, XX. XXX, XX  
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9 XXXXXXXXXXX XX XXX XXXXXXXXXXX XXXXXXX?  
10 X. XX. XX' X -- XX' X XXX X XXXXXXXXXXX XX XXX  
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17 X. XXXX, XXXXXXX XXX XXXX, X XXXXX, XX XX.  
18 XXXXXXXXXXX' X XXXXX XXXXXXXX. XXX XXXX XX XX XXXXXXX  
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20           X.       XX.   XX XX XXXXXXX, XXXX -- XXXX XXXXX  
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3 X. XX. XXX, XXXX' X XXX XXXXXXXXXXX XXXX XXXXXX  
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5 X. XX' X XXXX.

6 X. XX. XXX, XXX XXX XXXXX XX XXXXXXXXXXXXXX XX  
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12 XXXXXXXXXXX. XX X XXXX, XXXX, XXXX XXX XXXX XXXXXXX XXXX,  
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14 XXXXX XXX XXXX XXXXXXX XXXXXXX, XX XXXX XXXXX,  
15 XX' X XXXX, XX XXXXX. XX' X, XX XX XXXXXXXXXXX XXXXXXX, XXX  
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21 X. XXX XXXXX. XXXXXXXXXXXXXX XXXXX XXX XXXXX  
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8 X. XXX. X XXXXXX. X XXXX XXXXXX, XXX XXXXX

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17 X. XXX. X' X XXXXX XX XXXXX XXXXXXXXXXX XX XXXXXX

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21 XXXXXXXXXXX XXXXX, XXXXXXXXXXX XXX XXX XXXXXXXXXXX, XXX XX

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23 XX. XXXXXX: XXXX XXXXX, XXX X

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(End of confidential section.)

HEARING OFFICER FUNDERBURK: Right.  
I'll ask that the court reporter please note that  
the confidential session has ended and the  
courtroom is reopened. Thank you.

MR. SPIVEY: Your Honor, I apologize  
for that. Is it something that we can clean up  
maybe with the reporter subsequently so that we  
don't have to seal as much of the transcript?

1 Because I can go back and tell you everyone where  
2 that should have stopped.

3 HEARING OFFICER FUNDERBURK: Yes. We  
4 can go back. And I apologize. I'll try to keep an  
5 eye on it too. But, yes, if you could go back and  
6 indicate where it was so that we make sure those  
7 things that can be available to the public for  
8 review are available to the public for review.

9 MR. SPIVEY: We will do that. And  
10 please don't let me forget.

11 HEARING OFFICER FUNDERBURK: Thank you.

12 COURT REPORTER: (Indicates needs  
13 spelling of names).

14 HEARING OFFICER FUNDERBURK: Yes. And  
15 we can -- we can get that for you. Thank you.

16 MR. FRIEDMAN: Can I just say, Your  
17 Honor, because of some of the administrative  
18 matters I have to see to tonight, is there an idea  
19 about do is there an idea about how much longer we  
20 will go with Ms. Mao on direct today?

21 HEARING OFFICER FUNDERBURK: Where do  
22 you think you would reach a good stopping point,  
23 Mr. Spivey? How long would it take you to get  
24 through the research paper discussion?

25 MR. SPIVEY: I'm hopeful that we can

1 cover this in about 10 -- between 10 and 15  
2 minutes.

3 HEARING OFFICER FUNDERBURK: Okay.  
4 Let's cover the research paper and then recess.  
5 There are a lot of administrative matters to take  
6 care of tonight, and then we'll resume in the  
7 morning.

8 MR. SPIVEY: Certainly.

9 HEARING OFFICER FUNDERBURK: Please  
10 proceed.

11 BY MR. SPIVEY:

12 Q. Ms. Mao, who is Roger Pielke?

13 A. Dr. Pielke is a famous meteorologist. He  
14 works for NOAA. And he is the one who established a  
15 credible methodology on how to normalizing old  
16 hurricanes.

17 Q. Now, I've handed you a document again  
18 that's been marked as Exhibit RB-34. Can you identify  
19 that document?

20 A. Yes.

21 Q. Is that the research paper that you were  
22 describing just a few moments ago?

23 A. Yes.

24 Q. And is that's the research paper for which  
25 Dr. Pielke is the primary author?

1 A. Yes.

2 Q. Ms. Mao, can you describe, generally, your  
3 understanding of the research performed by Dr. Pielke  
4 and the results that he presented in this paper?

5 A. Sure. In order to normalize the old  
6 hurricanes, Dr. Pielke made the three major adjustment  
7 that is inflation, wealth per capita, and affected  
8 county's population growth. So he makes these three  
9 adjustment for each old hurricanes, bring them all to  
10 2005 level.

11 Q. And, Ms. Mao, can you describe again for  
12 us what the issue is when we're trying to evaluate  
13 hurricanes that occurred in the past and compare them  
14 to things we're dealing with in 2023, 2024?

15 A. Yeah. The major challenges about those  
16 old, how to bring or how to compare old hurricanes is  
17 because the exposure change a lot every ten years. And  
18 that make the comparison very challenging because they  
19 are no longer on the same basis.

20 So Dr. Pielke is trying to overcome those  
21 disadvantages and bring a credible adjustment to -- to  
22 allow companies to compare all the hurricane with -- on  
23 the same basis.

24 Q. Ms. Mao, can I call your attention to  
25 Table 5 in Dr. Pielke's research paper, which appears

1 on the page within that document, which is number 37 at  
2 the lower right corner?

3 A. Yes.

4 Q. And can you please describe what Dr.  
5 Pielke is presenting there?

6 A. On Table 5, Dr. Pielke showed the  
7 hurricane count by category and the total normalized  
8 damage by category. So there are two sections of  
9 the -- of these tables. The top part is the -- is the  
10 methodology. It's called a PL -- PL05. That's a  
11 Pielke methodology as I discussed. It is based on the  
12 wealth, inflation, and the population.

13 And the part B of the table is CL05,  
14 normalization. That is based on a different  
15 methodology that instead of population, it use the  
16 housing unit as the adjustment to normalize hurricane.  
17 So the CL05 adjust for inflation, wealth, and the  
18 housing unit.

19 And we can see these two on the column,  
20 percentage percent of the total damage. The seven to  
21 the right column, it shows a total loss of each  
22 category as a percentage of the -- of total. And we  
23 can see Category 3 account for 37 percent of total  
24 damage. Category 4 account for 41 percent of total  
25 damage. And the Category 5 account for 7.3 of total

1 damage.

2 I also want to point, there's a note under this  
3 table saying the major hurricane Cat 3, 4, 5 account  
4 for only 24 percent of the landfall, but 85 percent of  
5 normalized damage. So this is an important benchmark  
6 on what to expect from major hurricane.

7 Q. When was Dr. Pielke's work done in this  
8 paper published?

9 A. This paper was published in 2008.

10 Q. And do you know, generally, when he was --  
11 what period of time he was reviewing?

12 A. The period of time is all the hurricane  
13 from 1900 through 2005.

14 Q. Are the methods presented in Dr. Pielke's  
15 paper widely recognized and accepted for normalizing  
16 the amount of damage from historical hurricanes?

17 A. Yes, it is. I remember throughout my  
18 career, there are at least probably ten times I visited  
19 this tape -- his paper when I conduct different  
20 comparison.

21 I also know his paper is heavily relied by  
22 modeling vendors when they -- because they also deal  
23 with some old hurricanes, and they also need a credible  
24 way to normalize old hurricane data.

25 Q. Now, Ms. Mao, have you prepared an exhibit

1 utilizing the methodologies and the results presented  
2 by Dr. Pielke that presents the distribution of  
3 normalized actual hurricane damages by Saffir-Simpson  
4 intensity for comparison to the display of the AIR and  
5 RMS model outputs that Ms. Cavanaugh presented in her  
6 Table 14?

7 A. Yes. I did.

8 MR. FRIEDMAN: Your Honor, at this  
9 point, I'm going to -- I don't know that it's  
10 properly called an objection, but I do need to note  
11 something. And that is that --

12 HEARING OFFICER FUNDERBURK: Please be  
13 sure you're speaking into the question.

14 MR. FRIEDMAN: Yes. That is that I  
15 have some very significant concerns about whether  
16 this document and any new document and whether this  
17 whole line of testimony is something that is  
18 actually rebuttal evidence as opposed to things we  
19 asked for very specifically in discovery and are  
20 not getting till now and I suspect had the -- we  
21 very much asked for everything they'd ever -- that  
22 their experts had ever reviewed for their ultimate  
23 opinions. Never saw this.

24 I saw -- I guess what I'm saying is  
25 that I'm -- I can't go -- I don't think it's -- I

1 don't even have the presence of mind to sit here  
2 thinking about whatever she's going to be  
3 testifying about based on this or her new exhibit,  
4 such that I can make an objection in real time to  
5 it.

6 But I mean, this -- at this point, I'm  
7 going to have to go back and review and perhaps  
8 with regard to a lot of her testimony, our  
9 discovery requests, whether this is something that  
10 should have been revealed long ago.

11 So I just -- I'm just saying I don't  
12 want to waive any objections without having had the  
13 chance to go back and do that.

14 HEARING OFFICER FUNDERBURK: So I think  
15 those are two separate issues. Whether or not you  
16 have a discovery issue is one issue.

17 MR. FRIEDMAN: Yes.

18 HEARING OFFICER FUNDERBURK: Whether or  
19 not this is properly rebuttal testimony or not is a  
20 separate issue.

21 MR. FRIEDMAN: And I guess the issues  
22 there, the way they intersect, Your Honor, is that  
23 if it is things that we should have been revealed  
24 in discovery, I would move to strike them. So I  
25 can't agree.



1                   And also I need to question her about  
2                   her own -- when she knew about these documents, et  
3                   cetera, and why that -- so I guess I don't want to  
4                   lose the opportunity because I know we reserved all  
5                   objections, but certainly all -- both sides have  
6                   been making specific objections, where they were  
7                   really concerned.

8                   And I don't want to lose the chance to  
9                   object to any of this line of testimony and ones to  
10                  come based on not making -- I don't want to be  
11                  obstructive, but I'd also want to make sure I'm not  
12                  waiving anything, given how much I'm going to have  
13                  to go back and look about this document, about her  
14                  forthcoming testimony, about her new exhibit, and  
15                  about anything else that's put on in their rebuttal  
16                  case.

17                  HEARING OFFICER FUNDERBURK: And you'll  
18                  have an opportunity to cross examine Ms. Mao. We  
19                  had originally discussed going to 4:30 each day.  
20                  I'm inclined to go ahead and recess us because I  
21                  want to chat briefly about a few things before  
22                  everyone leaves for the day. And I apologize. I  
23                  know you're not finished with this particular  
24                  issue.

25                  But again, I see those as two separate

1 issues. You have a discovery issue. That's  
2 something to address. If you feel like this is  
3 outside the scope of rebuttal, that's a separate  
4 issue. And we can -- you can raise an objection,  
5 and we can discuss that.

6 But I'm inclined, given the time and  
7 given the things that have to happen tonight and  
8 the late nights you've already been doing, I'm  
9 going to go ahead and recess us for the day, so we  
10 can get some of those things done. And I have a  
11 just a just a couple of comments.

12 Ms. Mao, I mentioned I'll have some  
13 questions for you after Mr. Spivey concludes his  
14 questions, and I'll go ahead and tell you,  
15 primarily, it's going to be regarding reinsurance,  
16 and there were the Rate Bureau had Exhibits 13 and,  
17 I believe, 14. I'm not at -- don't look for them  
18 now, but that's just to give a preview to counsel  
19 and also to you. I don't need you to pull that  
20 right now. I'm not going to ask you questions  
21 right now.

22 But I will have some questions mainly  
23 pertaining to making sure I understand what  
24 everything means and how the -- how the Rate Bureau  
25 came to its conclusions to make sure that I'm clear

1 as a non-actuary what those what those things  
2 actually mean.

3 And, again, when I ask you questions,  
4 I'm not looking for a particular answer. I'm  
5 looking for information. I'm not going to hound  
6 you on a question. If you don't know it, you tell  
7 me you don't know it. If you think somebody else  
8 is better suited for it, you just say that.

9 But that's for tomorrow after Mr.  
10 Spivey's questioning of you, and he'll have an  
11 opportunity to follow-up after I ask you some  
12 questions.

13 Counsel, is there anything we need to  
14 address on the record before we officially recess?

15 MR. FRIEDMAN: No, Your Honor. But I  
16 think there are a few things I'd like to address  
17 when --

18 MR. SPIVEY: Right. No. I don't know  
19 of anything on the record.

20 HEARING OFFICER FUNDERBURK: Nothing on  
21 the record. All right. Then I am recessing us  
22 going off the record at 4:36 p.m. Thank you.

23 \* \* \* \* \*

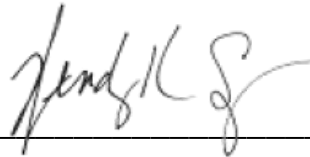
24 (Hearing adjourned at 4:36 p.m.)

25

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 5th day of December, 2024.



WENDY SAWYER, Court Reporter

Notary Public #202411500157

Commission Expires April 23, 2029

