

NORTH CAROLINA DEPARTMENT OF INSURANCE
RALEIGH, NORTH CAROLINA

STATE OF NORTH CAROLINA
COUNTY OF WAKE

COPY

IN THE MATTER OF:

BEFORE THE
COMMISSIONER OF INSURANCE

THE FILING DATED
JANUARY 3, 2024 BY
NORTH CAROLINA RATE BUREAU
FOR THE REVISION OF
HOMEOWNERS INSURANCE RATES

DOCKET NO. 2157

BEFORE: AMY FUNDERBURK, HEARING OFFICER

TRANSCRIPT

OF

HEARING

VOLUME XI - A.M. SESSION

Raleigh, North Carolina

October 30, 2024

9:00 a.m.

Reported by: Audra Smith, RPR, CRR, FCRR

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Hearing in the matter of the filing dated January 3, 2024, by the North Carolina Rate Bureau for Revised Homeowners Insurance Rates, at the North Carolina Department of Insurance, 3200 Beechleaf Court, Raleigh, North Carolina, on the 30th day of October, 2024, at 9:00 a.m., before Audra Smith, RPR, CRR, FCRR and Notary Public.

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P R O C E E D I N G S

MS. FUNDERBURK: Good morni ng. We' re
back on the record. Are there any
preliminary matters we need to address thi s
morn ing before Mr. Schwartz returns to the
stand?

MR. SPIVEY: Not that I'm aware of.

MR. FRIEDMAN: No, Your Honor.

MS. FUNDERBURK: All right. Thank you.

Mr. Friedman, if you -- please conti nue
your questi oni ng.

Mr. Schwartz, if you could return to
the stand. And, sir, I'll remind you that
you do conti nue to be under oath. Thank you.

MR. FRIEDMAN: If you give me a second,
Your Honor, I need to get the right thi ng
from the cart.

MS. FUNDERBURK: Mr. Friedman, are you
ready to proceed?

MR. FRIEDMAN: Fi guri ng out -- yes,
Your Honor, I am.

ALLAN SCHWARTZ,
havi ng been previ ously duly sworn, was exami ned and testi fi ed
as fol l ows:

1 DIRECT EXAMINATION (CONTINUED)

2 BY MR. FRIEDMAN:

3 Q Mr. Schwartz, did you hear
4 Mr. Ericksen's testimony that, according to the
5 ASOPs, policyholder dividends need to be treated as
6 an expense and are associated with the transfer of
7 risk and must be included in the numeric rate
8 calculation?

9 A Yeah, I believe it was a combination of
10 this order on direct, prefilled direct that that was
11 included in there.

12 Q Do you agree with it?

13 A I disagree with him that they need to
14 be included as an expense. I agree that the
15 Actuarial Standard of Practice says that they should
16 be associated with the transfer of risk.

17 It might be useful to have his
18 testimony open.

19 Q If you might need to look at it, I
20 didn't have it immediately available, but I have a
21 copy of it.

22 Do you recall if that was on the first
23 day or second day he was here?

24 A I'm looking at his prefilled direct.

25 Q Oh, yes. Okay. So that's at book 1, I

1 believe RB-19.

2 A Yes, I'm looking for the page.

3 So the Actuarial Standard of Practice
4 that he quoted from was on page 11.

5 Q Give me one second.

6 Thank you. I'm sorry. I didn't even
7 think of that.

8 It's on the screen.

9 And what -- you said that he had
10 decided to -- number 11, what --

11 A So towards the bottom of the page, he
12 has the excerpt, right? It's in the middle of the
13 screen from Actuarial Standards of Practice.

14 And the second sentence says: When the
15 actuary determines that policyholder dividends are
16 reasonably expected expense and are associated with
17 the risk transfer, the actuarial may include a
18 provision in the rate for the expected amount of
19 policyholder dividends.

20 And so it says that you have to make a
21 determination that it's associated with the transfer
22 of risk -- or associated with the risk transfer. I
23 don't know if I said "transfer of risk before."

24 It says "risk transfer."

25 Sometimes you think you know what the

1 words say, and they are a little different.

2 Anyway, I haven't heard anybody from
3 the bureau or witnesses for the bureau indicate that
4 they made that determination that they're associated
5 with the risk transfer. And I think the fact that,
6 over the last five years, only two or three
7 companies have issued dividends, you know, draws
8 into question whether it's something associated with
9 risk transfer or whether it's something else. So
10 that provision hasn't been dealt with.

11 Now, there was also testimony by
12 Mr. Ericksen that he didn't believe that the last
13 sentence in this ASOP was applicable; where he
14 talked about -- this was in his oral testimony where
15 he said because -- when it talks about making a
16 determination of the dividend payment history and
17 things of that nature, that because it says
18 "company's," and it's apostrophe S, they're talking
19 about one company, and it doesn't apply.

20 But if you turn actually to the very
21 next page -- and that's there -- in the first
22 question: In your opinion, is the provision for
23 dividends reasonable?

24 The second paragraph says: My review
25 in five years' historical experience to determine

1 the provision for dividends, the Rate Bureau was
2 complying with the statement of principles regarding
3 property and casualty insurance ratemaking by
4 considering the dividend payment history and
5 ensuring that the selected provision is a reasonably
6 expected expense.

7 So he seemed to be saying on his oral
8 testimony that you didn't have to consider it, while
9 he's saying in his written testimony they actually
10 did consider it. So I think there's some
11 inconsistency there in terms of what he said in his
12 oral testimony to what the bureau allegedly did when
13 they picked a provision for dividends.

14 (Reporter requested clarification.)

15 BY MR. FRIEDMAN:

16 Q Is there anything else you believe you
17 have an opinion now on about what Mr. Ericksen said
18 about dividends?

19 A No. I think between this and
20 yesterday, we covered what I wanted to say about it.

21 Q We're going to move on to the issue of
22 contingencies, and -- well, we addressed that
23 yesterday, if I'm not mistaken, because we were
24 talking at length about the Nung Ha and other
25 decisions. Let's move on instead to the CAR.

1 Did you hear the additional direct by
2 Mr. Anderson and Ms. Mao regarding calculation of
3 the CAR?

4 A Yes.

5 Q And what's your understanding of their
6 testimony?

7 A That the provision included in the Rate
8 Bureau filing is a charge for cost of capital, that
9 it doesn't actually reflect expected assessments. I
10 think both Ms. Mao and Mr. Anderson said it doesn't
11 reflect the expected amount of assessments and that
12 it was a charge for -- I don't remember the exact
13 words they used. But they said for companies to
14 hold capital aside. So it's really a capital
15 charge, a cost of capital.

16 And I would say that the exhibit in the
17 Rate Bureau filing, which talks about it -- I
18 shouldn't say talks about it -- does a calculation,
19 is somewhat a little, I think, not clear in terms of
20 like what it means.

21 Q Could you tell me what page that was in
22 the Rate Bureau filing?

23 A Sure. In RB-18, on page 5, see the
24 last column on the right says "Cost of Funding
25 Assessments," I think a natural reading of that

1 would be to think that their assessments -- and
2 you're putting aside a fund for those assessments to
3 cover the cost of it.

4 And it's the same thing on RB-18,
5 page 9, which deals with the FAIR Plan.

6 Did you want to pull up page 9? If you
7 want to pull up page 9, right? Where it says the
8 same thing on the right-hand column, "Cost of
9 Funding Assessments."

10 And just to be clear that my
11 understanding from the testimony of the Rate Bureau
12 witnesses, it's not actually funding the expected
13 assessments, it's just saying we're charging a cost
14 of capital to the policyholders for the possibility
15 that there may be an assessment.

16 Q All right. Was there anything -- do
17 you believe that this testimony or their use of the
18 provision for CAR is consistent with the ASOPs,
19 particularly 29?

20 A Yeah. I think there's inconsistency
21 with the ASOPs. For the Beach Plan, I would say
22 it's one reason. For the FAIR Plan, I would say
23 there are two reasons.

24 Q I just need to clarify, first of all,
25 is that ASOP 29, your testimony, consistency with

1 that, is that what you're testifying about right
2 now? Should I pull it up?

3 A Yeah. I think the question you asked
4 me was about ASOP 29.

5 (Overlapping speakers.)

6 BY MR. FRIEDMAN:

7 Q Yeah. Why don't we all go there, if we
8 could. That is at Exhibit 12.

9 Do you recall what subsection of -- let
10 me find 29 first. That is -- 29 begins at page 43
11 on Exhibit 12. And what subsection are you about to
12 testify particularly, sir?

13 A Yeah. 3.9.

14 MR. FRIEDMAN: Would you like me to
15 read that into the record, ma'am? Madam
16 Hearing Officer, would you like me to read
17 that into the record?

18 MS. FUNDERBURK: Please do.

19 BY MR. FRIEDMAN:

20 Q 3.9, in ASOP 29 states: Provision for
21 statutory expenses. The actuary should include an
22 express provision for statutory assessment
23 expense --

24 A I think you read it wrong. It's
25 "expense provision," not "express." Did you say

1 express?

2 Q I did. I'll start again: The actuary
3 should include an expense provision for statutory
4 assessment expenses, if applicable. The provision
5 for statutory assessment expenses should reflect the
6 timing of the statutory assessment mechanism. If
7 the statutory assessments are assessed
8 retrospectively, the actuary should consider
9 including a component in the expense provision to
10 recover any previously unassessed costs or to
11 account for any prior excess collections.

12 A Right. So when you read this, and it
13 says they're talking about it being an expense
14 provision, the understanding of an actuary, in my
15 opinion, is that you're talking about actual costs
16 that they have to pay out. You know, an expected
17 cost of the assessments. It doesn't allow -- or it
18 doesn't say anything about including a cost of
19 capital provision for assessments.

20 So the bureau's putting in a cost of
21 capital for the assessments, I believe, is
22 inconsistent with the standard of practice which
23 talks about being an expense provision, which would
24 mean, you know, this is what we expect the actual
25 cost or the expected cost to be.

1 Q Let me ask you one question about that
2 last sentence in 3.9. I'll read it into the record:
3 If the statutory assessments are assessed
4 retrospectively, the actuary should consider
5 including a component in the expense provision to
6 recover any previously unassessed costs or to
7 account for any prior excess collections.

8 And as I understood the testimony by
9 both Mr. Anderson and Ms. Mao, what you've said they
10 did not include any attempt to recover
11 retrospectively statutory assessments.

12 A Right. They didn't look at it that way
13 in terms of it being a retrospective adjustment.

14 Q So actually --

15 A The bureau has tried to put it in
16 apparently on a prospective basis. But, again,
17 they're not putting in the actual expected
18 assessments. They're putting in a cost of capital
19 charge.

20 Q All right. Thank you.

21 So did you hear the -- you tell me what
22 your understanding was of the CAR, as far as --
23 well, is the Rate Bureau's CAR provision consistent
24 with your actuarial understanding in -- with regard
25 to North Carolina law? Do you understand that their

1 calculation of the CAR is in line with past
2 commissioner or court decisions?

3 A Okay. So those are two --

4 Q Different subjects.

5 A Yeah, they're different subjects.

6 Q Well, let's first address their
7 inclusion of the possibility for a Beach Plan
8 assessment.

9 A Okay. If someone could look at the
10 statute dealing with the Beach Plan assessments or
11 the consideration of including them in the rate
12 levels, I think --

13 Q Yes. Do you --

14 A -- for the statutory language.

15 Q Is the statute book still up there,
16 sir?

17 A Nope.

18 Q This is coming up, then, on the screen.
19 And going to 6C. Are you discussing 6C
20 first in this particular statute, the definition of
21 "nonrecuperable"?

22 A Yes.

23 Q Okay. So I'll read that into the
24 record.

25 Nonrecuperable assessment: Any

1 assessment levied on and payable by members of the
2 association that is not directly recoverable from
3 policyholders. Prospective exposure to
4 nonrecuperable assessments shall be considered as an
5 appropriate factor in the making of rates by the
6 North Carolina Bureau.

7 A Okay. Yes. From an actuarial
8 perspective -- I'm not giving you a legal
9 interpretation, but as an actuary trying to look at
10 this, the question -- or the question is: What does
11 "exposure" mean?

12 In the insurance industry, exposure is
13 generally understood to be related to the expected
14 value of losses, or costs.

15 And so when I would read this, as an
16 actuary trying to understand what the legislature
17 meant by "exposure," I would say they're meaning the
18 prospective possible losses associated with the
19 nonrecuperable assessments, not that they meant
20 charge for the cost of capital.

21 And, you know, in terms of the fact
22 that the word "exposure" in insurance is generally
23 understood to mean related to losses, you know,
24 there are places where you can see that.

25 So in the Rate Bureau filing, in RB-1C

1 on page C2, you can see -- you went a little too
2 far. Go up a little. That's fine.

3 As you can see that for each of these
4 years what the bureau is doing is they're relating
5 the losses, which they derive in lines
6 essentially -- or in columns 1 through 5 --

7 Come down a little so you can see it's
8 1 through 5.

9 The first section deals with losses.
10 And then in line 8, you can see that they divide --
11 to get the average loss cost, they're dividing by
12 earned house years. And it's generally understood
13 in the insurance industry that "house years" means
14 exposures for homeowners insurance.

15 So you can see in the bureau filing
16 itself, when they're talking about -- or when
17 they're doing calculation for exposures, they're
18 relating it to loss values. It doesn't have
19 anything to do with the profit calculation or cost
20 of capital that the bureau put in later.

21 And, you know, there's a book that's
22 commonly referenced by actuaries dealing with
23 ratemaking which confirms that exposures for
24 homeowners insurance are house years. So I think
25 that was handed out or provided to the bureau

1 yesterday.

2 Q And let me get -- what book are you
3 talking about?

4 A Werner, Modlin. I think there were two
5 pages.

6 (Reporter requested clarification.)

7 MS. WHARRY: Your Honor, may I approach
8 the witness?

9 THE WITNESS: The name is Werner,
10 Modlin. I'm not sure how to spell it. But
11 when I get the document, I'll spell it out
12 for you.

13 MR. FRIEDMAN: Okay.

14 MS. WHARRY: Your Honor, may I approach
15 the bench to give the witness the handout?

16 MS. FUNDERBURK: Yes. Please approach.

17 BY MR. FRIEDMAN:

18 Q Before you go on to that -- as you find
19 your way there, but could you also answer one more
20 question, sir?

21 A Sure.

22 Q The testimony, as I recall, by
23 Mr. Mao -- excuse me, Mr. Ericksen and Mr. Anderson,
24 was that yes -- or there was an element of capital
25 involved in their calculation of the CAR.

1 And my question is whether -- what
2 that -- if you know -- you don't even -- but if they
3 had left out that -- well, put it this way: Their
4 admission on the stand was cost of capital was
5 included in their formulation of the CAR provision.
6 Is that consistent with what they wrote in their
7 reports? Did they acknowledge there was a cost of
8 capital calculation buried in their CAR provision?

9 A So they didn't -- my recollection is
10 that they didn't actually use that terminology. I
11 mean, what they did say -- I don't know if it was in
12 the testimony or you could just see it from the
13 exhibit --

14 Q Your memory is fine.

15 A Yeah. I'd just rather get the exact
16 wording.

17 Q Absolutely. So we're going to
18 Mr. Erickson's first or Mr. Anderson's?

19 A I'm going to the exhibit.

20 Q Oh, okay.

21 MR. SPIVEY: Which exhibit?

22 MR. FRIEDMAN: This is --

23 THE WITNESS: I'm getting there.

24 BY MR. FRIEDMAN:

25 Q We'll bring it up.

1 A It's RB-19, page 5, would be for the
2 Beach Plan. Did I say 19? If I did, I meant 18.

3 Q I'm sorry, sir, you meant 18?

4 A Right.

5 Q Okay. Page --

6 A That's it.

7 So in the calculation, they have a
8 column called Indicating Profit Multiple. It's the
9 same thing on page 9 --

10 You don't have to pull it up.

11 -- dealing with the FAIR Plan, but you
12 also have an indicated profit multiple.

13 So I don't believe in the written
14 testimony they talked about including a profit
15 provision. You could see from the exhibits that
16 they included a profit provision.

17 And, again, I was -- I didn't realize
18 until I heard the oral testimony of the Rate Bureau
19 witnesses that the provision, the -- including in
20 the filing is just 100 percent for profit of cost of
21 capital. So it's not a portion of what they put in.
22 My understanding of the oral testimony is that what
23 they're putting in for the compensation for
24 assessment risk is completely profit or cost of
25 capital.

1 Q All right. And then with regard to
2 their testimony and their filing, including the
3 potential for a FAIR Plan assessment, what's your
4 opinion on whether that's possible?

5 A Yeah, we didn't go over DOI 48 yet. So
6 maybe --

7 Q Oh, okay.

8 A -- talk about that.

9 MR. FRIEDMAN: Does everyone have a
10 copy of DOI 48?

11 (DOI Exhibit Number 48 was identified
12 as of this date.)

13 BY MR. FRIEDMAN:

14 Q Is this an excerpt from Basic
15 Ratemaking, Fifth Edition, 2016, by Werner and
16 Modlin?

17 A Yes.

18 Q I'll spell it into the record for the
19 court reporter. The last name is W-E-R-N-E-R, and
20 then the second last name is M-O-D-L-I-N.

21 So what provision were you going to
22 testify about here?

23 A The second page of DOI 48 --

24 Q Page 17?

25 A Right. You can stop. Go down a little

1 bit. Okay, stop.

2 Under Base Rates, it says: The
3 exposure base for homeowners insurance is a home
4 insured for one year.

5 So that's when I was commenting before
6 when the bureau filing mentions "house years,"
7 that's understood to be the exposure base for
8 homeowners insurance. And so, you know, when
9 they're relating losses to house years, they're
10 relating losses to exposures.

11 And then if you turn to the -- go to
12 the next page, which is page 49, down at the
13 bottom -- okay, too far. Okay, stop.

14 Under Criteria for Exposure Bases, it
15 says: A good exposure base should be the following
16 three criteria. And the first one says: It should
17 be directly proportional to expected loss.

18 And so that's what I was talking about
19 before, in that the insurance industry exposures,
20 when you use that word, is generally understood to
21 be related to the expected loss. This says, you
22 know, it should be directly proportional. You can't
23 always find one that's directly proportional, but
24 the idea is you want an exposure base, or exposures
25 that are related to the losses.

1 And that's why, when I was talking
2 about how, as an actuary, I would interpret the word
3 "exposure," to try and do a calculation, I would say
4 it would be related to expected losses, not a cost
5 of capital.

6 Q All right. And just for the clarity of
7 the record, I'll read the whole paragraph into the
8 record: A good exposure base should meet the
9 following three criteria: It should be directly
10 proportional to expected loss; it should be
11 practical; and it should consider any preexisting
12 exposure base established within the industry.

13 Was that the only reason you had to
14 refer to Werner here, or do you think you're going
15 to need to refer to it in talking about the
16 inclusion of consideration of a FAIR Plan
17 assessment?

18 A No. I'm done talking about DOI 48.

19 Q So what's your concern about the
20 inclusion of the potential for an assessment by the
21 FAIR Plan in the CAR calculation?

22 A There's been a discussion that the
23 Beach Plan statute includes this explicit provision
24 about prospective exposure to nonrecuperable
25 assessments shall be considered as an appropriate

1 factor in making -- in the making of rates by the
2 North Carolina Rate Bureau. But there is no
3 comparable provision in the FAIR Plan.

4 And so I would say that as an actuary
5 trying to implement it, I would look at it and say,
6 you know, for the Beach Plan, they put in a specific
7 provision; for the FAIR Plan, they didn't. So the
8 legislature knew how to put in a provision if they
9 wanted to, and so they consciously chose not to put
10 it in for the FAIR Plan, and so it wouldn't be
11 something that's allowed by statute.

12 And, you know, that's also consistent
13 with my understanding of the 2014 Order by the
14 Commissioner of Insurance. And as we talked about
15 it previously, as an actuary, you're supposed to do
16 calculations taking into account applicable laws,
17 standards, and guidelines. So I think both in terms
18 of looking at it from what the statute says and what
19 it doesn't say, and what the Commissioner's past
20 order said, that prospective exposure nonrecoupable
21 assessments for the FAIR Plan aren't allowed to be
22 put into the rate.

23 Q I know you're not an attorney, but are
24 you familiar with the legal term "expressio unius
25 est exclusio alterius"?

1 Madam Court Reporter, I can give you
2 that written out at break.

3 Are you familiar with that generally?

4 MR. SPIVEY: Objection. Are we arguing
5 legal issues with this witness at this point?

6 MS. FUNDERBURK: What's your basis?
7 Where are you going with this?

8 MR. FRIEDMAN: Just whether -- that he
9 has read that, is aware of that legal
10 principle, and whether that summarizes for
11 him the testimony he's just given on
12 including the potential for FAIR Plan
13 assessments. But if you would not -- if you
14 don't need to hear a actuary's
15 understanding --

16 MS. FUNDERBURK: I'm going to let you
17 make your own case, but I'm also going to be
18 honest. I'm not sure what term you're
19 referring to.

20 MR. FRIEDMAN: Okay. Well, the term is
21 "expressio unius est exclusio alterius."

22 If Your Honor isn't familiar with it,
23 we won't ask about it.

24 MS. FUNDERBURK: Again, Counsel, it's
25 your case to make. I'm going to allow you to

1 make your own case. Your opposing counsel
2 has raised an objection to getting into the
3 legal term. It is not a term I am familiar
4 with. So if that's a term that you're going
5 to utilize, you might need to explain it a
6 little bit to me as well.

7 MR. FRIEDMAN: Would you like me --

8 MS. FUNDERBURK: I don't remember that
9 one from my three years at Carolina. If you
10 could -- I'm going to let you proceed with
11 your questioning.

12 BY MR. FRIEDMAN:

13 Q Is your understanding of that legal
14 term that, when reading that statute, if one subject
15 is expressly addressed in one place and another
16 subject is not, or is excluded from the statute
17 you're looking at, that is a fair inference that the
18 second term was not intended to be included in the
19 statute?

20 MR. SPIVEY: Objection. This witness
21 is not an expert in law or legal terms or
22 Latin terms. What his opinion is on that is
23 of no moment here.

24 MS. FUNDERBURK: Your response,
25 Mr. Friedman?

1 MR. FRIEDMAN: I had asked certainly --
2 worked closely with bureau witnesses about
3 very general legal principles, and
4 particularly with the case of commissioners'
5 cases and such. They answered without
6 objection. I'm surprised to hear that here.

7 And plus, even affirmatively, during
8 direct, there were questions to them about
9 compliance with the law. This is, albeit, a
10 nonstatutory term, but I'm still just asking
11 what his actuary -- if he is even aware of
12 that term, if I've misdefined it in some way,
13 or if it's not in keeping with his
14 understanding of that term, then he can
15 explain so.

16 And if that has no legal weight to the
17 hearing officer, then certainly the bureau
18 can address that in their draft order.

19 MS. FUNDERBURK: I'm going to allow you
20 to restate the question. I'm going to allow
21 the question, but, upon review, will give it
22 the appropriate evidentiary weight dependent
23 on his qualification as an expert as to that
24 matter. Please restate your question in a
25 noncompound way.

1 MR. FRIEDMAN: Yes, sir.

2 BY MR. FRIEDMAN:

3 Q Was the summary I just gave of what
4 that rule of construction stands for in keeping with
5 your understanding as a nonattorney?

6 A So let me just say, I --

7 Q Well, if you're not comfortable --

8 A Generally -- let me just finish.

9 Q Yes, sir.

10 A Let me just finish.

11 Generally, I mean actually I -- I don't
12 speak Latin or read Latin. And whether or not it's
13 considered a reliable source, I put it into Google
14 Translate, and it comes out saying "The expression
15 of one is the exclusion of the other." And so that
16 would indicate if you express something one place
17 and you didn't in the other, then the intention was
18 you intentionally excluded it from the other place.

19 Q And is that understanding of the
20 meaning of that phrase in a nonlegal capacity in
21 keeping with your testimony just now about why the
22 FAIR Plan assess -- or potential for FAIR Plan
23 assessment should not be included in the CAR?

24 A Again, without giving a legal opinion,
25 it's consistent with my understanding of how I would

1 look at the statutes from an actuarial perspective
2 in trying to do a calculation.

3 Q All right. Thank you.

4 Now the CAR provision that's been
5 introduced with the filing and that the witnesses
6 previously had discussed, is your understanding of
7 that, of what they have done consistent with your
8 understanding of the 2014 Commissioner of Insurance
9 Order in the homeowners' proceeding?

10 A No. What the bureau has done there
11 with regard to the CAR provision is not consistent
12 with the 2014 Order of the Commissioner.

13 Q How so? Or do you need to see a copy
14 of the order?

15 A No, I don't need to. I mean, the
16 commissioner, in the 2014 case, I believe, said
17 there should not be a profit provision in the
18 compensation for assessment risk. And he also --

19 (Reporter requested clarification.)

20 A That there should not be a profit
21 provision in the compensation for assessment risk.

22 BY MR. FRIEDMAN:

23 Q And --

24 A I wasn't finished with my answer.

25 Q No, please.

1 A And also that the Commi ssioner raised
2 the issue of whether or not there should be a
3 provisi on for the FAIR Plan, but he said based on
4 the record before him -- I believe he said something
5 to the effect that there wasn't a sufficient record
6 before him to make a final conclusion on it, but he
7 did bring up that issue about whether there should
8 be a provisi on for FAIR Plan assessments in the
9 rates.

10 Q And in ASOP 1 -- we can pull it up if
11 you'd like, but are you familiar with the provisi on
12 that mentions that whether -- in making actuarial
13 reports, actuaries should reveal any inconsistency
14 between their method or their opinions and any
15 applicable law, standard, or guideline?

16 A Yes. I'm not sure what the exact
17 wording is. But the two provisions need to be read
18 together. One is that if the actuary believes
19 there's a conflict between what they would do in the
20 absence of any statute or law and what a statute or
21 law requires that they should do the calculation
22 based on the statute or law.

23 And then they could also say -- or they
24 should also say, Here's the impact of following that
25 statute or law, as opposed to -- as opposed to what

1 they would do otherwise.

2 But my understanding is that,
3 notwithstanding what I see, is the bureau clearly
4 not following the applicable statutes, laws,
5 guidelines, and standards, they've taken the
6 position that they've followed them all.

7 Q All right. And let me ask this. In
8 the -- in how many roughly rate -- this may be hard
9 for you to count, but just ballpark it -- excuse
10 me -- put a ballpark estimate on it. The --
11 approximately how many filings have you aided
12 regulatory officials in reviewing and perhaps
13 testifying on those filings?

14 A So there's -- well, I'll just say
15 "aiding" can be interpreted two different ways, so I
16 want to be clear in the answer.

17 Aiding could mean I was retained by a
18 regulator of some kind, or it could also mean I was
19 retained by someone other than a regulator and I
20 testified in the case and my testimony was
21 considered in making a final decision.

22 So I could aid a regulator either by
23 being hired by the regulator or being hired by
24 somebody else and giving information to the
25 regulator.

1 And I would say, over the course of my
2 career, I mean, there are hundreds of filings that
3 I've been involved with.

4 Q When you say --

5 A I'll just say not every one goes to a
6 hearing or not every one is even contested. There
7 are many times where I say that what the insurance
8 company did was what's appropriate and been
9 contested.

10 Just because I've been involved in
11 hundreds -- the review of hundreds of filings
12 doesn't mean I've contested them all. Sometimes
13 they say, Well, you know, what company supported
14 what they did.

15 Q All right. When you say you sometimes
16 testified criticizing filings on behalf of some
17 third party, generally what kind of third parties
18 are you talking about?

19 A So I don't like to say I criticize
20 filings. I like to say --

21 (Overlapping speakers.)

22 BY MR. FRIEDMAN:

23 Q That's fine.

24 A I'm an advocate for what I believe is
25 appropriate. I don't go with the idea of saying,

1 Gee, I'm going to find something wrong with the
2 filing. I go with the idea of saying, you know,
3 what's my unbiased opinion of what the filing is
4 like.

5 What was the rest of your question?

6 Q Sure. Just if there's some way to
7 describe for the Court very generally, you testified
8 sometimes you're retained by regulatory officials
9 and then sometimes you're retained by third parties
10 that have some interest, I suppose, in the rate
11 filing. Is there a general characterization of who
12 those third parties are?

13 A The one that I've done the most work
14 for, the company is called Consumer Watchdog. I
15 think they used to be called the Foundation for
16 Taxpayer and Consumer Rights.

17 California -- it's work out in
18 California. California has a statute that
19 specifically allows for intervention in rate
20 filings, and you could also -- anyone could
21 intervene in the rate filings, but they also have a
22 process for getting -- I'm not sure if they called
23 it "approved" or "certified intervenors," which
24 Consumer Watchdog and its predecessor have been for
25 probably about 35 years now. And so I've been doing

1 work for them in California.

2 I mean, there have been a couple other
3 states where maybe a consumer group has retained me
4 to do work, but those are not nearly as common.

5 Q So in light of that experience, what is
6 your impression about whether the insurance
7 companies, other than the Rate Bureau, the
8 hypothetical one, consider Commissioner of Insurance
9 guidelines in the form particularly of orders or
10 Courts of Appeals' decisions as something that is an
11 applicable law, standard, or guideline within the
12 meaning of the ASOPs?

13 A I would say it's very rare to find an
14 insurance company make a filing where they're doing
15 something which has previously been cited by the
16 court or the commissioner as not being appropriate,
17 and the insurance company goes ahead and makes
18 filings contrary to court decisions or
19 commissioners, or even suggestions by an insurance
20 commissioner.

21 I mean, you see cases where the
22 insurance commissioner may issue a guideline or a
23 bulletin and there's some, I'd say, dispute about
24 whether that's really a legal standard, but for the
25 most part companies say, We are going to comply with

1 what the commissioner requested.

2 Q Even when they acknowledge that there
3 has been a, for instance, commissioner's order on a
4 certain subject -- tell you what, I'll strike that
5 question.

6 Why don't we move on, then, to
7 Dr. Zanjani's testimony. My memory at this point is
8 a little poor of exactly what we all talked about
9 yesterday in that last hour that you were on the
10 stand.

11 But did we already discuss
12 Dr. Zanjani's process for calculating the profit
13 provision?

14 A No.

15 Q Okay. Thank you.

16 Did you hear Dr. Zanjani's testimony
17 regarding the underwriting profit factor?

18 A Yes.

19 Q Do you have an opinion about whether
20 his process is actuarially sound?

21 A I have an opinion.

22 Q Okay. What's that opinion?

23 A That it is not actuarially sound in
24 that I believe it's both inadequately documented and
25 contrary to previous North Carolina Court of

1 Appeals' decisions and commissioner orders.

2 Q Okay. First of all, what was the
3 problem with his documentation? Oh, are you turning
4 to --

5 A Once I get there, I'll let you know
6 where I am.

7 Q So I know, are we looking for
8 Dr. Zanjani's prefilled testimony?

9 A Yes. Turn to RB-22, page 10.

10 Q Yes, I'm there.

11 A Okay. You see in the middle, there's a
12 table called Cost of Capital for Publicly Traded
13 Companies?

14 Q Yes, sir.

15 A So he has a list of different methods.
16 And in terms of each of those different methods,
17 there are different formulas underlying those
18 methods. And even though Mr. Zanjani didn't really
19 explain the formulas, I have an understanding of
20 what those terms mean. So I think I understand what
21 formulas generally are used. But in terms of the
22 record evidence, there's nothing in there explaining
23 how the formula's used. And --

24 Q Excuse me, go on.

25 A And on top of that, in each of those

1 formulas, you have to put in numerical values for
2 certain parameters, and those are fact-specific
3 values, which would change over time.

4 So, you know, the formulas are kind of
5 fixed. You know, there's algebraic formulas. You
6 know what they are. But the parameters that go into
7 those formulas vary over time. And so there's no
8 explanation or documentation of how those parameters
9 were arrived at.

10 So you see there's a column called
11 Equipment Risk Premium, and there are four numbers
12 at the bottom of the page. And so those are
13 numerical values that -- they vary from 8.19 down to
14 4.41. So those are values that Mr. Zanjani --
15 Dr. Zanjani got from someplace. But it's not really
16 explained, and so you don't know how he arrived at
17 those formulas.

18 And I know that there are different
19 ways of estimating those parameters where people
20 come up with different numerical results. So we
21 don't know how he arrived at that.

22 And then the other thing, which I would
23 say came out during his oral testimony, was exactly
24 what he relied on. But I think when you read this,
25 his written testimony, and he talks about -- I may

1 not get the exact wording right, but the expertise
2 of the crowd of looking at, you know, various
3 estimates and you look at his table, you would think
4 he relied on all these different calculations to
5 come up with his cost of capital.

6 But then when he gave his oral
7 testimony, my understanding of what he said is that
8 he only showed the -- one, two, three, four, five,
9 six -- the sixth Kroll values and the Damodaran
10 Online value and some kind of reference, and he
11 didn't really rely on it. And then he just relied
12 on his values under the Zanjani four lines.

13 And maybe the Court understands what he
14 meant. But he seemed to be straddling a different
15 thing, saying, "I didn't really rely on those other
16 things, but I considered them." And so I don't
17 really know what that means.

18 Q A couple questions, I believe you used
19 the term "expertise of the crowd"?

20 A Yeah. I'm not sure if that's exactly
21 what he said. I could find the words.

22 But essentially, by looking at a lot of
23 different estimates, that maybe the average reflects
24 a consensus value as opposed to picking what value
25 which may not represent where the consensus is.

1 Q Okay. And then also right --

2 A Okay. Actually --

3 Q Sorry, go on.

4 A I'll just go on.

5 On RB-22, page 8, the second answer --
6 okay, there it is.

7 The second answer says -- starts by
8 saying: The cost of capital for an industry is a
9 difficult figure to pin down, and part of my
10 approach is based on a belief and the wisdom of
11 considering estimates from a variety of sources.

12 So I paraphrased that as the expertise
13 of the crowd. He's saying the "wisdom of
14 considering things from different sources."

15 MR. FRIEDMAN: Ma'am -- excuse me,
16 Mr. Schwartz has read part of that answer
17 from Mr. -- Dr. Zanjani. Would you like me
18 to read the rest of that into the record? He
19 read the first sentence.

20 MS. FUNDERBURK: If you feel the need
21 to, go ahead. But otherwise, I think you
22 referenced the location and what we're
23 referencing.

24 BY MR. FRIEDMAN:

25 Q All right. So please go on,

1 Mr. Schwartz.

2 A Oh, you were in the middle of a
3 question when I interrupted you.

4 Q Okay. And based on his testimony -- I
5 guess I'm unaware of the point you were making
6 previously. I thought I understood it. But is
7 there anything else, then, after we've referred to
8 that page 8, that you had to say about why he didn't
9 sufficiently document the methods that he used?

10 A No. I think -- you know, I said it,
11 but I'll summarize it. He didn't show the formulas
12 he used. He didn't show how he calculated the
13 parameters of the formulas that he used. And he
14 didn't make it clear which of those indications he
15 was relying on. So between those three, I think his
16 testimony is pretty much undocumented and -- a
17 little nebulous.

18 Q And going back to where we were also
19 in -- on page 10 at the graph there. On the
20 left-hand side, do you see the -- well, does it show
21 that Dr. Zanjani's numbers for the method were
22 derived from Kroll?

23 And then also the matter with regard to
24 one method?

25 A My understanding of Dr. Zanjani's

1 testimony isn't that he used those sources to derive
2 a number on his own. He said he went to that source
3 and that was the number he picked out from that
4 source. So that he -- at least my understanding is,
5 all of those that he just mentioned, he didn't
6 actually do any calculation or analysis of those
7 numbers. He just said, "That's what those numbers
8 were by that person, and I'm just putting them down
9 on a piece of paper."

10 Q So do you also recall him saying that
11 Kroll may have used the cost of capital in the
12 calculation of those numbers and he took the
13 ultimate number but that didn't mean that he was
14 relying on the cost of capital but instead that he
15 was simply relying on a publication by Kroll?

16 A Again, this gets back to what I think
17 was him trying to have it both ways.

18 I'm saying that he's really -- that
19 Dr. Zanjani was saying he's just relying on his own
20 numbers to come up with the recommendation, but that
21 seems to be inconsistent with his statement on
22 page 8 about believing in the wisdom from -- of
23 estimates for a variety of sources.

24 So on the one hand, he said, "Gee, look
25 at how good my work is because I looked at a bunch

1 of different things," and then he also says, "But I
2 didn't actually use a lot of things."

3 So to me, that's kind of confusing.

4 Q Okay. And of those methods that he
5 identifies on page -- in the chart before that --
6 after that, back, again, at page -- there we go.

7 Thank you, ma'am, Ms. Wharry.

8 And of the CAPM, CAPM + Size Premium,
9 Build-Up, Fama-French 5-factor, DCF (1-stage), DCF
10 (3-stage), and Implied Premium, which of those would
11 have involved consideration of the investment return
12 on capital and surplus or, in other words, the cost
13 of capital?

14 A Well, every one of these on this page,
15 including the ones by Dr. Zanjani, are what he
16 considers to be cost of capital, right? So every
17 single one of these is a cost-of-capital calculation
18 and, therefore, including investment income on
19 capital and surplus.

20 Q Do you recall whether North Carolina
21 courts have addressed any of these methods with
22 regard to whether they inherently involve the cost
23 of capital?

24 A Yes, I believe there is one decision
25 which specifically called out the CAPM, which is --

1 that stands for capital asset pricing model. And
2 the Court concluded that that included investment
3 income on capital and surplus and, therefore, was
4 not allowable under North Carolina law.

5 Q And do you recall what case that was?

6 A It's in my testimony, if you want me to
7 take a look.

8 Q No, that's okay. If it's there, that's
9 fine.

10 So let's go on to the -- I guess still
11 regarding the profit provision. Is the method used
12 by Dr. Zanjani for his calculation materially
13 different from Dr. Vander Weide and Dr. Appel's
14 method in 2014?

15 A No, I mean, Dr. -- it is not materially
16 different. I mean, there was some tinkering around
17 the edge -- edges, you know, where Dr. Zanjani may
18 say he used a different method to calculate the cost
19 of capital, and he didn't exactly calculate
20 investment income the exact same way Dr. Appel did.
21 But the essence of the calculation, which is the --
22 starting with the cost of capital, and then
23 subtracting out investment income. Two different
24 ways: One including investment income on capital
25 and surplus, and the other not including on

1 investment income and capital and surplus.

2 The essence of what Dr. Zanjani did is
3 the same as what Dr. Vander Weide and Dr. Appel did
4 in 2014, which was rejected by the Commissioner and
5 the Courts. And I would just like to hit on --
6 really on every issue where the Commissioner
7 rejected what the Rate Bureau did in 2014.

8 You know, whether you're talking about
9 reinsurance or hurricanes or CAR or contingency
10 provision, it's really the bureau methods are
11 essentially the same in this filing as in the prior
12 filing.

13 I mean, they made some changes, which
14 don't really change the essence on what they've
15 done, you know, like on the reinsurance, which we
16 may get to later, but I'm just saying they had --
17 back in 2014, you had a hypothetical reinsurance
18 program and hypothetical pricing. There wasn't any
19 actual information for the reinsurance cost of North
20 Carolina homeowners insurance.

21 And it's the same thing in this case.
22 Calculations could have been done differently,
23 parameters might have been calculated differently,
24 but, in essence, it's really the same type of
25 calculation.

1 Q All right. Why don't we move on, then,
2 if we could, to the question of Ms. Mao's modeled
3 cost of reinsurance.

4 MS. FUNDERBURK: Counsel, just to
5 preview, at about 10:15 a.m., I'm going to
6 need to take a brief recess. But please
7 continue. Not right now, but at about
8 10:15 a.m., I'm going to need a brief recess.

9 MR. FRIEDMAN: Okay. I should be able
10 to get through this subject and that'll
11 probably be a good place to take a recess,
12 and after that I don't have -- well, maybe
13 20 minutes more.

14 MS. FUNDERBURK: Okay.

15 BY MR. FRIEDMAN:

16 Q So did you hear Ms. Mao's testimony
17 regarding reinsurance?

18 A Yes.

19 Q In your opinion, is Ms. Mao using
20 essentially the same procedure for modeling
21 reinsurance in this filing as the Rate Bureau did in
22 the 2014 Homeowners Filing?

23 A Yes. I think I just mentioned that,
24 that in 2014, I believe Dr. Appel was the one who
25 did the calculation. But, in essence, it's the same

1 thing of not looking -- or even attempting to find
2 what companies pay for reinsurance for homeowners
3 insurance in North Carolina.

4 But building a model based on a
5 hypothetical reinsurance program and then applying
6 some pricing parameters to that -- again, you know,
7 some of the calculations might be a little
8 different, but, in essence, it's the same type of
9 procedure.

10 Q Please tell me if you agree with my
11 recollection of Ms. Mao's testimony, particularly,
12 about whether there was any -- whether she had
13 considered the actual reinsurance premiums being
14 paid by -- in North Carolina, by homeowners'
15 carriers.

16 And my understanding of that was that
17 she had first said that the -- that her model would
18 have taken into account the regional experience of
19 unspecified Aon clients, and then later she said
20 that her model, she believes, would have shown
21 that -- would have, in some way, reflected the
22 experience of actual North Carolina homeowners'
23 writers but that she couldn't reveal that data
24 because it was proprietary.

25 Is that in accordance with what you

1 recall about her testimony?

2 A Generally, although the transcript is
3 going to speak for itself. You know I don't want
4 to -- without having read her testimony recently, I
5 don't want to say exactly what the testimony said.

6 But I think the Rate Bureau's position,
7 as I understand it, is that they claim they can't
8 get North Carolina homeowners insurance cost for
9 reinsurance.

10 So someone may offer the opinion that
11 what they did took it into account, but I haven't
12 seen any numbers which would indicate that somebody
13 actually looked at North Carolina experience in
14 regard to reinsurance.

15 Q And between Ms. Mao's prefilled
16 testimony and her oral testimony, was there -- you
17 said just a moment ago that you haven't seen any
18 numbers.

19 Was there anything else that could have
20 given you, as the department's retained actuary to
21 analyze Ms. Mao's reinsurance program, that anything
22 that would have given you any insight as to the
23 actual experience of carriers writing policies in
24 North Carolina with regard to the actual premiums
25 for the net cost of reinsurance, whether verbally or

1 without numbers? Because I believe you just
2 testified a moment ago you hadn't seen any numbers.
3 Was there anything she said purely verbally that
4 gave you any insight into that?

5 A Again, there was nothing really
6 specific with regard to North Carolina. You know
7 Ms. Mao has indicated, you know, stuff that she
8 looked at is confidential or proprietary and she
9 can't share it with the Court. And the other stuff
10 that she gave is, you know, more generic or
11 hypothetical.

12 I would say that you asked me before
13 about my work on other filings, and I -- in
14 reviewing filings, I've seen companies regularly
15 say, Here's our actual reinsurance program and
16 here's how we determine how much the cost of that
17 program is for a particular line of insurance in a
18 particular state.

19 Q Okay. In contrast to Ms. Mao's
20 evidence about the net -- about in the actual
21 premiums paid for reinsurance in North Carolina, did
22 you use a source in calculating your number for --
23 or in analyzing, in your testimony, what the actual
24 costs of premiums for reinsurance were?

25 A I used countrywide data for homeowners

1 insurance. So North Carolina would be part of that
2 data, but it's not exclusively North Carolina data.
3 And my understanding of the statute in North
4 Carolina -- I don't remember the exact wording, but
5 essentially saying that information outside of North
6 Carolina could be considered if North Carolina
7 information is not available.

8 Q And to be clear, neither -- were you
9 unable -- well, the bureau didn't give you any
10 information on the actual cost of reinsurance in
11 North Carolina. Were you able to find any other
12 source for North Carolina particularly when you did
13 your calculation?

14 A I know that the Beach Plan has a
15 reinsurance program, and they write just in North
16 Carolina. Not only homeowners, I mean they do write
17 other types of property insurance. So it's
18 something someone could look at. But given that
19 it's only one company, I thought the approach that I
20 took was reasonable, and it's consistent with what
21 the Commissioner of Insurance and the Courts
22 approved in the 2014 case.

23 Q And, in fact, do you remember Ms. Mao's
24 testimony two weeks ago that it, from the bureau's
25 perspective, would be inappropriate to look at the

1 Beach Plan's actual costs for reinsurance? If you
2 remember that?

3 A I remember someone at the Rate Bureau
4 said that, but I can't recall which witness it was.

5 MS. FUNDERBURK: Counsel, I apologize
6 for interrupting your flow, but I'm going to
7 need to take a brief recess.

8 MR. FRIEDMAN: Absolutely. Now is a
9 great time.

10 MS. FUNDERBURK: Is there anything we
11 need to quickly address before we go into
12 recess?

13 MR. SPIVEY: No, Your Honor.

14 MR. FRIEDMAN: No, Your Honor.

15 MS. FUNDERBURK: Thank you. We are in
16 recess for 15 minutes. Thank you.

17 (A recess was taken from 10:16 a.m. to
18 10:41 a.m.)

19 MS. FUNDERBURK: Counsel, welcome back.
20 Thank you for your courtesy and accommodation
21 for that recess.

22 We are back on the record. It's 10:41.

23 Mr. Schwartz, I remind you, you do
24 continue to be under oath.

25 Mr. Friedman, please continue with your

1 questi oni ng.

2 BY MR. FRI EDMAN:

3 Q So regarding now the hurri cane loss
4 provi si on, as cal cul at ed by Ms. Mao using that
5 combi nation of the two model s, did you review her
6 testi mony or hear it live?

7 A Both.

8 Q And is, in your opinion, the Rate
9 Bureau essentially using the same procedure for
10 determi ning hurri cane losses in this case, albei t
11 wi thout -- wi th two model s now, whereas in 2014 they
12 used it for one model ?

13 A Right. They're using computer model s.
14 In this case, they're using two model s, and in 2014,
15 they used one model .

16 Q Okay. Just to be clear, do you contest
17 that model s have some use in determi ning respective
18 hurri cane losses?

19 A No. I believe there could be
20 useful ness out of it. It's one piece of information
21 that, I believe, shoul d be given consi deration.

22 Q Thank you.

23 So could you tell me the manners in
24 which -- well , okay, let's -- did you perform the
25 same analysi s -- well , please descri be what your

1 analysis was in your prefiled testimony as far as
2 hurricane losses go?

3 A Yes. I analyzed it pretty much using
4 the same procedures I used in 2014, and one of those
5 comparing actual hurricane losses to the modeled
6 losses. Back in 2014, I had just my calculation of
7 it. Now I have two other calculations of it. One
8 done by the Rate Bureau -- not in connection with
9 this hearing but in connection with, I think, a
10 2019-2020 hearing. The Rate Bureau declined to
11 update it in connection with this hearing. And also
12 an Aon report which compared catastrophe losses in
13 North Carolina, the actual two modeled. And all
14 three of those show actual losses lower than the
15 modeled losses, albeit to different extents.

16 And the other thing was I looked at the
17 impact of infrequent events on the overall expected
18 value of the losses. And it came out to, you know,
19 an incident of maybe once every 500 to 1,000 years,
20 constitute about 10 percent of the overall losses.

21 So those are very infrequent events
22 which aren't in the historical database, and
23 there's, I guess, a lot of uncertainty about it.
24 And it's similar in a way, I would say, to what the
25 Commissioner did in 2014 where he said a Category 5

1 hasn't hit North Carolina, and you should take those
2 out of the modeled losses. The way I did it, in
3 terms of the exceedance curve, was a little
4 different.

5 So I did the same analysis in this
6 filing as I did in 2014, but I also looked at what
7 the Commissioner's order was in 2014 and said, For
8 the issues that he brought up, which I could
9 evaluate, which was demand surge and the impact of
10 Category 5 hurricanes, I evaluated a numerical
11 impact of those based on the information currently
12 available, and I added in the third category of
13 loss, which he had a concern about, in 2014 based on
14 the value from 2014. And I believe that indicated
15 about a 14 percent reduction from the hurricane
16 modeled losses.

17 Q So to clarify one thing, when you, in
18 your prefiled testimony in 2014, used actual losses
19 to modify the modeled losses, did the Commissioner,
20 in his 2014 Order that was eventually upheld by the
21 Court of Appeals -- did he broaden that picture, if
22 you will, beyond the particular years of actual
23 hurricane experience that you initially used?

24 A Well, let me just say I used the
25 evaluation of the difference between the modeled

1 hurricane losses' piece of information. I didn't
2 use exact numerical value from that.

3 But the Commissioner did say that there
4 were additional years that he had available to do
5 that comparison that I didn't have available. And
6 in my prefiled direct in this case, I made an
7 estimate of what the impact would be including
8 those.

9 Q Okay. And what is your overall
10 recommendation regarding the treatment of hurricane
11 losses in this filing?

12 A Based on the analysis I did in 2014,
13 which I updated for this case, and based on what the
14 Commissioner did in the prior case where I think he
15 ordered a reduction in the modeled losses -- I think
16 it was somewhere between 13 and 14 percent -- I
17 still think it's reasonable to take the modeled
18 losses out of the output that the Rate Bureau
19 produced and reduce that by 10 percent.

20 Q All right. So is your reduction, in
21 fact, less than the Commissioner's reduction in 2014
22 of the modeled losses?

23 A Yes. It's a percentage. It's somewhat
24 lower. Again, I'm using 10 percent. I can't
25 remember the exact number the Commissioner had in

1 2014, but I think it was between 13 and 14 percent.

2 Q Does 13.9 percent sound correct? If
3 you can't remember --

4 A 13.9 is between 13 and 14.

5 Q All right. At this point --

6 Did you hear Mr. Ericksen testify that
7 his work for the Massachusetts Property Insurance
8 Underwriting Association, which I'm just going to
9 refer to as the Massachusetts FAIR Plan, homeowners'
10 filings formed part of the basis for his experience
11 generally regarding interpreting the results from
12 hurricane models?

13 A Yes. And you could refer to it how you
14 want. I mean, the common way to refer to it in
15 Massachusetts is MPIUA.

16 Q I'll try to stick to that.

17 Have you ever been involved with those
18 MPIUA filings?

19 A Yes.

20 Q Specifically, the homeowners ones?

21 A Yes.

22 Q Okay. Did you take part in a rate
23 hearing before the MPIUA in 2013 -- or, excuse me,
24 before the Massachusetts regulator in 2013 involving
25 an MPIUA homeowner's filing?

1 A Yes.

2 Q Okay. And were the issues of hurricane
3 losses and modeled reinsurance among the issues
4 addressed in that hearing?

5 A Yes.

6 Q Okay. And very generally, did you --
7 do you know the outcome of that case?

8 A Yes. The Commissioner of Insurance
9 rejected the MPIUA filing, and the decision by the
10 Commissioner of Insurance -- I'm trying to
11 remember -- because it was before -- it was before a
12 hearing officer. So the hearing officer, I think,
13 signed it. I'm not sure if the Commissioner signed
14 it or adopted it.

15 But in the end it was a decision of the
16 insurance department, expressed concerns about the
17 output from the hurricane models, and also that the
18 MPIUA used a hypothetical reinsurance program and
19 reinsurance premiums instead of an actual
20 reinsurance program and premiums.

21 MR. FRIEDMAN: All right. Madam
22 Hearing Officer, at this point I was going to
23 introduce some exhibits through Mr. Schwartz.
24 Some of those exhibits are things that the
25 Rate Bureau witnesses acknowledged, but they

1 couldn't really authenticate that. So some
2 of those exhibits are not even anything he's
3 talked about, but just things that he can
4 authenticate.

5 And it was clear that the -- I don't
6 know that the expert witnesses for the bureau
7 could have authenticated because they were
8 first seeing them as I presented them.

9 MS. FUNDERBURK: And these are ones
10 that have already been provided to --

11 MR. FRIEDMAN: They have all been
12 provided, yes, ma'am.

13 MS. FUNDERBURK: Are these probably 32,
14 33, 34, 35, in that range?

15 MR. FRIEDMAN: So let me --

16 MS. FUNDERBURK: Please proceed,
17 introduce the exhibits. I just have some
18 notations in particular about those exhibits.

19 MR. FRIEDMAN: Okay. So.

20 THE WITNESS: Actually, may I say
21 something, Madam Hearing Officer?

22 MS. FUNDERBURK: Yes, sir.

23 THE WITNESS: Before we go to that, did
24 you want to go over some of my typos I had in
25 my prefilled direct?

1 BY MR. FRIEDMAN:

2 Q Thank you for reminding me of that. Do
3 you have some written corrections to your written
4 filed -- prefilled testimony?

5 A Yes.

6 Q Okay. Let me go to that. It's pulled
7 up on the screen. Could you walk us through those
8 corrections?

9 A On page 12, on line 16, where it says
10 "2014 Order," 2014 should be stricken out from that.
11 It should just say "Allow the Commissioner of
12 Insurance to order an overall rate decrease."

13 Just the date should be crossed out.

14 Q So you're using "order" there just as a
15 verb?

16 A Right. It's not the "Order of the
17 Commissioner."

18 Q And what's the next one, sir?

19 A On page 14, line 1, "2022" should be
20 "2021."

21 Q All right. And what is the next one?

22 A On page 43, line 4. Yes. "Nine
23 years" --

24 Q Speak into that.

25 A Oh, sure.

1 It says: I analyzed industry data over
2 the past nine years.

3 That should be "five years," not
4 "nine." So instead of "nine," it should say "five."

5 Q And that "five," was that the same
6 five years that the -- that was in the database for
7 the bureau's filing?

8 A No. It was the last five years of
9 information available for best aggregates and
10 averages.

11 So on schedule 14, sheet 2, which is
12 what's referenced there, the five years are
13 2019-2023.

14 Q Okay. Thank you.

15 And what is your next correction?

16 A On page 84, line 27. Again, that says
17 "2014 Order." 2014 shouldn't be there. Since it's
18 actually a, quote, court order, the "O" should not
19 be capitalized.

20 Q Should not be capitalized?

21 A Right. Uh-huh.

22 Q Okay.

23 A And then --

24 Q Just so I can clarify, you're making
25 that change because you intended to state that --

1 A I made that -- it's a typographical
2 error, so it isn't an exact quote from a Supreme
3 Court decision, it's typed in wrong. I just want to
4 get it right.

5 Q I know how words can do that when you
6 run search and replace.

7 So what is the next one, sir?

8 A Okay. On this page, I'm on 37 and
9 line 39, it's the same thing. It says "2014
10 Orders."

11 Why don't you go to line 39.

12 Also says the same thing. And, again,
13 2014 should be stricken out.

14 MR. SPIVEY: In both lines?

15 THE WITNESS: Yes.

16 BY MR. FRIEDMAN:

17 Q What is your next one, sir?

18 A That's it.

19 Q Okay. I appreciate that.

20 MR. FRIEDMAN: Ma'am, I just need to
21 speak to Ms. Wharry for a second about the
22 logistics of handing out the --

23 MS. FUNDERBURK: Before you do that,
24 Mr. Spivey, are the corrections on the record
25 sufficient, or would you prefer or need a

1 redlined copy?

2 MR. SPIVEY: I guess I'm thinking for
3 purposes of right now, what we have is
4 sufficient. As we move along later, if we
5 decide we need something formalized, I think
6 we can just work that out.

7 MS. FUNDERBURK: Okay.

8 MR. FRIEDMAN: Certainly, though,
9 Your Honor, if you would prefer that we
10 submit an amended version with those
11 corrections indicated, we can do that, too.

12 MS. FUNDERBURK: I have my notes, and
13 I'll have the transcript to refer back to. I
14 made some notations on where we are for the
15 morning, and I have got my notes on what was
16 changed. If it's sufficient for the parties,
17 I don't need another copy created just for
18 me. But I also think it's reasonable, should
19 Mr. Spivey say he wants a redlined copy --

20 MR. FRIEDMAN: Sure, we'll
21 absolutely --

22 MS. FUNDERBURK: -- that you provide
23 him with a redlined copy.

24 MR. FRIEDMAN: Absolutely.

25 MS. FUNDERBURK: Please take a few

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moments to speak to Ms. Wharry.

(Pause.)

MR. FRIEDMAN: Ma'am, I can go through now -- so if every party wants to put together the following exhibits, and I --

MS. WHARRY: Your Honor, may I approach the witness to hand out the extra exhibits? And the Rate Bureau should have most of these.

MS. FUNDERBURK: Yes. Please approach.

MR. SPIVEY: Your Honor, would it be appropriate -- may I just chat with counsel to see what list they're putting together?

MS. FUNDERBURK: Yes. Please consult.

MR. FRIEDMAN: Before I can do that, I can say on the record --

MS. FUNDERBURK: If we're speaking still on the record, I need you to go to your microphones.

(Pause.)

MR. FRIEDMAN: Your Honor, I'm --

MS. FUNDERBURK: Please proceed.

MR. FRIEDMAN: I think Ms. Wharry is confirming something else.

Your Honor, I'm going to go through

1 these. I'm going to authenticate them.

2 As it turns out, one of these I may ask
3 him whether he has any additional testimony
4 about, but I think I needed to have it in
5 front of him, and I hadn't put it in front of
6 him before because I was planning on putting
7 everything in at the end of his testimony.
8 So I may elicit a little testimony
9 specifically about DOI 43.

10 MS. FUNDERBURK: Please proceed.

11 BY MR. FRIEDMAN:

12 Q So, Mr. Schwartz, DOI 37, is that an
13 authentic copy of the Massachusetts 2013 decision, I
14 guess, by either an ALJ or eventually the
15 Commissioner of Insurance that you were discussing
16 in your testimony just now?

17 A Right. You see at the -- well, yes.
18 You'll see at the back that it was signed on June 5,
19 2014, by the hearing officers, and on June 9, 2014,
20 by the Commissioner of Insurance.

21 And as I said, I was involved in that
22 case, so I have a copy of this order in my files,
23 and I believe I provided it to you, a copy of the
24 order.

25 Q Yes, sir.

1 MR. FRIEDMAN: All right. And I guess
2 at this point, Your Honor, we'd move to
3 introduce DOI 37.

4 MS. FUNDERBURK: Any objections,
5 Mr. Spivey?

6 MR. SPIVEY: No objection.

7 MS. FUNDERBURK: Thank you. DOI 37 is
8 admitted.

9 (DOI Exhibit Number 37 was received
10 into evidence.)

11 BY MR. FRIEDMAN:

12 Q And then DOI 41, is this a true and
13 authentic copy of the Rate Bureau's January 17,
14 2023, Circular Letter to All Member Companies?

15 MS. FUNDERBURK: Counsel, was that one
16 handed up?

17 MR. FRIEDMAN: It was handed up a
18 couple of days ago. I questioned the -- I'm
19 sorry --

20 MS. WHARRY: Your Honor, may I approach
21 the witness with a copy in the witness box?

22 MS. FUNDERBURK: Please approach.

23 MR. SPIVEY: Your Honor, I apologize,
24 but DOI 41, is that the copy of the Rate
25 Bureau data call?

1 MR. FRIEDMAN: It is.

2 MR. SPIVEY: Your Honor, we don't have
3 an objection to that exhibit. I don't think
4 this witness could authenticate it anyway,
5 but we don't have an objection to that
6 exhibit being admitted.

7 MS. FUNDERBURK: Do you stipulate to
8 its admission into the record?

9 MR. SPIVEY: Yes, ma'am.

10 MS. FUNDERBURK: DOI 41 is admitted.

11 Thank you.

12 (DOI Exhibit Number 41 was received
13 into evidence.)

14 BY MR. FRIEDMAN:

15 Q Next, Mr. Schwartz, I'm going to go to
16 DOI 43, which is the printed out Excel.

17 Could you describe for the Court what
18 that is and what conclusions you draw from it?

19 A Okay. So out of these pages, the
20 printing in black is from an Excel file provided by
21 the Rate Bureau in response to discovery. I don't
22 recall right now which Excel file it was, the name,
23 but I could find that out.

24 But the numbers and words in black are
25 from the Excel file that the bureau provided. And

1 the items in red, which are on the first page and
2 last page, are items that I calculated based on that
3 data. So I'll start with the last page.

4 Yeah, EP curves. The bottom shows the
5 increased in losses from the WSST or the medium-term
6 model relative to the standard/historical. So you
7 can see for the WSST is 39 percent higher. The RMS
8 medium-term model is 11 percent higher, and the
9 blended is 27 percent higher, using the
10 short-term -- the WSST and the medium term than what
11 you get from the standard and historical. And this
12 is on a basis for the entire state.

13 So if you go back to the first page,
14 and these red columns show the same thing: How much
15 the standard is compared to the WSST or the RMS
16 medium compared to historical by territory. And it
17 just shows -- for each territory, you could see that
18 the WSST is higher than this standard, and the RMS
19 medium term is higher than historical.

20 Actually, that caption ratio of STD
21 divided by WSST, yeah, that's not really describing
22 what's on here. So you just cross that out. The
23 description I gave is the accurate one of the WSST
24 to the standard, and the medium term to the
25 historical for RMS is what these are showing.

1 Q So quick question, what are you saying
2 we should cross out?

3 A Where it says Ratio: STD divided by
4 WSST.

5 Q Right.

6 A In that cell there, that's not an
7 accurate description.

8 Q When you said "colon," did you mean
9 "backslash"?

10 A There's a colon in between "Ratio" and
11 "STD." Well, whatever --

12 Q Yes. I see Ratio colon, then STD
13 backslash WSST.

14 A Right.

15 Q Okay.

16 A So that entire phrase should be
17 stricken because that's not describing accurately
18 what this is.

19 Q Okay. Is there any change that needs
20 to be made, then, to the fourth page?

21 A No, no. That's maybe not -- there is
22 language -- but it's correct, it's the increase that
23 happens from the WSST or the medium term relative to
24 the longer term models.

25 Q Okay. And do you recall Ms. Mao's

1 testimony that in this filing, in all instances, the
2 WSST produced higher numbers than the AIR Standard?

3 A Yes. That's my recollection of her
4 testimony. I mean, actually, my recollection was
5 that it's not just for this filing, but that in any
6 filing, WSST is going to be higher than the long
7 term or the standard model just by way of how they
8 figure out the database for it.

9 So the AIR WSST being higher than the
10 AIR Standard is just intrinsic to the two models,
11 the WSST is always going to be higher.

12 Q Okay. And then does this exhibit, as
13 to the WSST, just assign the numbers to what she's
14 already testified to in terms of proving that the
15 WSST in the filing produced higher numbers than the
16 standard?

17 A Right. I mean, this exhibit is showing
18 that, in this filing, what the numerical difference
19 is between the WSST and the standard by territory.

20 Q Okay. And then as to the RMS medium
21 term versus RMS historical, do you recall Ms. Mao's
22 testimony that, in this case, the RMS medium term
23 always produced higher numbers than the RMS
24 historical?

25 A Yeah. I think she said that, in this

1 case, the medium term is higher than the historical
2 for RMS. Since she was only dealing with this
3 filing, she didn't say it's necessarily the case for
4 other filings. But, again, I just show by
5 territory, it's not just statewide, but in each
6 territory that's what you're getting.

7 Q Okay. So this confirms your testimony
8 that, in this case, the RMS medium term yielded
9 higher numbers than the RMS historical?

10 A Yeah. It's consistent, the two of
11 them.

12 MR. FRIEDMAN: Your Honor, we move to
13 introduce DOI 43.

14 MS. FUNDERBURK: Can you go back over
15 the change on this, again?

16 MR. FRIEDMAN: Yes, ma'am. Basically,
17 on the first page, at -- on the far right,
18 those last five columns, the line that said
19 "Ratio: STD/WSST" has just been deleted.

20 MS. FUNDERBURK: I'm going to reserve
21 admitting this one. I'd like you to bring
22 back a corrected one when we resume tomorrow.

23 MR. FRIEDMAN: Sure.

24 MS. FUNDERBURK: Are there any
25 objections, just other general objections to

1 the admission of this document from the Rate
2 Bureau?

3 MR. BEVERLY: Can we have one moment,
4 Your Honor?

5 MS. FUNDERBURK: Sure.

6 (Pause.)

7 MR. SPIVEY: Your Honor, let me see if
8 I'm understanding correctly. Is this exhibit
9 being offered to confirm the accuracy of
10 Ms. Mao's testimony?

11 MR. FRIEDMAN: Well, both to confirm it
12 and to put actual numbers on the amount by
13 which -- and percentages by which the AIR
14 WSST is higher than the AIR Standard and the
15 numbers and percentages with -- by which the
16 RMS medium term is higher than the RMS
17 historical.

18 And I think in particular, although
19 everything in black is derived and
20 re-reflected in different form in -- all the
21 black is derived directly from the Excels the
22 bureau produced, and the red is
23 Mr. Schwartz's work product, we think it's
24 appropriate as an example of the actual,
25 particularly percentages, which otherwise the

1 Commi ssi oner would have to add up himself for
2 us to be able to explain this is what it
3 works out to percentagewi se.

4 MR. SPIVEY: In addition, Your Honor,
5 my understanding, my recollection is the
6 witness addressed the first page, and he
7 addressed certain numbers on the last page.
8 Are you offering on pages -- each of which,
9 as I see it, have a different sticker number
10 on it, I guess.

11 MS. FUNDERBURK: The exhibit appears to
12 be 43, 43A, and 43B.

13 Okay. I think that it was intended
14 that those be all 43 and that 43A and 43B
15 were subsections. But, yes, we are intending
16 to introduce what's labeled 43, 43A, and 43B.
17 And 43B is the only page besides 43 that
18 actually has red additions by Mr. Schwartz to
19 what were otherwise the bureau's -- from
20 their Excels, and that's reflected in black.

21 MR. SPIVEY: So am I correctly
22 understanding that the numbers on what's
23 labeled 43A, which I presume is two pages --
24 actually three pages here, are all numbers
25 that were provided you by the Rate Bureau?

1 MR. FRIEDMAN: Yes, sir.

2 MS. FUNDERBURK: My understanding from
3 the testimony and Mr. Friedman's statements
4 is that these numbers came from Ms. Mao's
5 presentation. Am I correct on that?

6 BY MR. FRIEDMAN:

7 Q I can clarify. Did these come from
8 Ms. Mao's presentation or from responses to data
9 requests or discovery requests?

10 A They're a response to, I believe, a
11 request for production of documents. I don't have
12 the exact number of which one it was off the top of
13 my head or the date of the spreadsheet, but it's
14 something I could find.

15 MR. FRIEDMAN: We can find that at
16 midday break, too, if they want to reserve
17 stipulating to this. We can find that and
18 get that data -- that discovery response to
19 them.

20 MR. SPIVEY: That would be helpful if
21 we -- if you could point us to what file and
22 what response this is being drawn from.

23 MR. FRIEDMAN: Absolutely. Those are,
24 if I'm not mistaken, all produced
25 electronically. We have one hard copy, but

1 we will figure out and tell you where it is
2 electronically. If we have a hard -- it will
3 be the same, yes.

4 MS. FUNDERBURK: And if you're able to
5 produce after lunch a corrected copy with
6 whatever labeling conventions you choose, 43,
7 43A, 43B, that's acceptable as well.

8 MR. FRIEDMAN: Absolutely.

9 MS. FUNDERBURK: But aside from issues
10 regarding potential objections to the
11 contents, I want to make sure we have a
12 correct copy if and when it's introduced.

13 MR. FRIEDMAN: Yes, ma'am.

14 (DOI Exhibit Numbers 43, 43A, and 43B
15 were identified as of this date and
16 later-in-time in the P.M. transcript
17 will be amended.)

18 MS. FUNDERBURK: We're going to
19 reserve -- we're reserving the issue of
20 whether or not DOI 43 will be accepted.

21 MR. FRIEDMAN: Okay. And I want to, I
22 hope, assuage some concerns the bureau has
23 expressed to me about 46 and 47.

24 These are accurate copies of the
25 settlement agreements and consent orders from

1 the 2017 and 2018 Homeowners Filings.
2 Mr. Schwartz referred to them in the context
3 of -- that he had reviewed them in the
4 context of rebutting the CTR exhibit that was
5 put in through the direct of Mr. Ericksen.

6 We are not putting these in for the
7 purpose at all of saying that the
8 Commissioner -- excuse me -- that the bureau
9 somehow agreed these were sufficient or that
10 it didn't retain the argument that the
11 indicated rate was still higher, and so they
12 were still left -- I'm not saying that they
13 didn't leave all the difference between the
14 indicated rate or the filed rate and the
15 consented rate on the table.

16 The only thing I'm arguing about -- to
17 be clear, though, what we will eventually
18 argue about these is that, without reference
19 to whether they agree, these were the legal
20 rates that were adopted pursuant to the
21 orders and that were in effect and obeyed
22 certainly by the bureau.

23 BY MR. FRIEDMAN:

24 Q So with that, Mr. Schwartz, are DOI 46
25 and 47 the true and accurate copies of -- first, 46,

1 the 2017 Settlement Agreement between the
2 Commissioner and the bureau for Homeowners Filing?

3 (DOI Exhibit Numbers 46 and 47 were
4 identified as of this date.)

5 A Yes.

6 Q And then is 47 a true and accurate copy
7 of the Settlement between the Commissioner and the
8 Rate Bureau for the 2018 filing?

9 A Yes.

10 MR. FRIEDMAN: We move then to
11 introduce 46 and 47.

12 MR. BEVERLY: Your Honor, the Rate
13 Bureau has no objection, subject to the
14 limited scope that counsel referred to. If
15 there's an attempt later to expand beyond
16 that scope, we reserve the right to renew our
17 objections to that.

18 MS. FUNDERBURK: Thank you, Counsel.

19 DOI 46 and 47 are admitted into the
20 record, and I acknowledge Mr. Beverly's
21 concern and reservation of objections should
22 the scope of the intent of the introduction
23 of these exhibits exceed what you have stated
24 so far.

25 (DOI Exhibit Numbers 46 and 47 were

1 received into evidence.)

2 MR. FRIEDMAN: Okay.

3 BY MR. FRIEDMAN:

4 Q And then lastly, Exhibit 48,
5 Mr. Schwartz, you referred during your testimony to
6 the Werner, Modlin, or "Modlin," Basic Ratemaking
7 Publication. Are these true and accurate copies of
8 the excerpts from that publication that you were
9 discussing in your testimony?

10 A Yes. Yes, they are.

11 And let me just ask, unless I missed
12 it, I was handed a copy of DOI 36, and I don't
13 remember being asked a question about it.

14 Q I can represent to you that that is --
15 and I think the bureau has agreed that that is an
16 accurate copy of the 2017 Homeowners Settlement.

17 A No. This is the transcript from the
18 MPI UA --

19 Q Oh, okay. I'm sorry, you don't have a
20 copy of the transcript of the Massachusetts -- I'm
21 sorry, you're talking about 37, not 47?

22 A 36.

23 Q 36. So we are not introducing that.

24 A Okay. It was just handed to me, so
25 that's why I was asking.

1 MR. FRIEDMAN: We are not introducing
2 that.

3 MS. FUNDERBURK: You're not introducing
4 that now, or you're not introducing that at
5 all?

6 MR. FRIEDMAN: 36 was on the list of
7 things that we sent the bureau last night
8 that we would not be relying on. So we are
9 not --

10 MS. FUNDERBURK: My apologies. I wrote
11 36 down on my list earlier this morning, but
12 that is not being introduced?

13 MR. FRIEDMAN: No, 37 is being
14 introduced.

15 MS. FUNDERBURK: Thank you.

16 MR. FRIEDMAN: We would move to
17 introduce 48.

18 MR. SPIVEY: No objection on 48.
19 If we can go back, I'm confused
20 about --

21 MS. FUNDERBURK: 36.

22 MR. SPIVEY: -- 37.

23 MS. FUNDERBURK: I'm also confused
24 about 36. I have a copy of 36.

25 MR. FRIEDMAN: So the copy I have -- 37

1 is what I intended to have him authenticate,
2 and it was -- not any other material from the
3 Massachusetts filing, but just the ultimate
4 decision.

5 Do you-all have a 37 that -- that says
6 at the top "Decision and Order"?

7 THE WITNESS: I could show you what it
8 looks like.

9 MS. FUNDERBURK: Thank you. I'll flip
10 through. I appreciate it. I'll flip
11 through.

12 MR. FRIEDMAN: Ma'am, and yes, it is
13 correct that I mistakenly had Ms. Wharry hand
14 out the 36, when, in fact, I'm really only
15 intending on entering DOI 37. So I'm sorry
16 for that -- creating that confusion.

17 MS. FUNDERBURK: That's all right. I
18 haven't moved it over to the correct shuffle
19 yet.

20 I do have 37. Mr. Spivey, Mr. Beverly,
21 you have 37. The witness has 37.

22 You did intend to admit 37, correct?

23 MR. FRIEDMAN: Yes, ma'am.

24 MR. SPIVEY: That's our understanding,
25 yes, Your Honor. Just a few moments ago, I

1 think, you admitted 37.

2 And just to make sure we're all clear,
3 what you said you were not introducing in
4 terms of a transcript, that was marked 36,
5 correct?

6 MR. FRIEDMAN: Yes, sir.

7 MR. SPIVEY: And you're not introducing
8 that?

9 MR. FRIEDMAN: I'm not introducing
10 that.

11 MS. FUNDERBURK: And 36 is labeled at
12 the top, In the Matter of Commonwealth of
13 Massachusetts, Division of Insurance, MPIUA
14 Rate Filings, with the date of July 22, 2013,
15 correct?

16 MR. FRIEDMAN: Yes, ma'am.

17 MS. FUNDERBURK: Okay. I am taking
18 this off my list. I'm going to ask that you
19 take these back if we're not introducing --
20 if you're not moving to introduce them into
21 the record, I don't want any confusion
22 with --

23 MR. FRIEDMAN: Would you like me to get
24 those now, Your Honor, or at whatever break?

25 MS. FUNDERBURK: You can approach now

1 and get them.

2 Mr. Schwartz, if you have a copy of
3 that, Mr. Friedman will get that from you.

4 Thank you so much, Mr. Friedman.

5 MR. FRIEDMAN: Those are the exhibits I
6 move to introduce.

7 And as we discussed, 43 is being -- we
8 moved to introduce it, but we're going to
9 clarify -- both change that correction --
10 make that correction and then clarify for the
11 bureau where, in their discovery responses,
12 everything in black in DOI 43 is located.

13 MS. FUNDERBURK: So for the ones that
14 were most recently handed out, 36 was
15 returned to you. You're not planning to
16 introduce that one at all and had previously
17 notified the Rate Bureau that.

18 37 we've admitted.

19 (DOI Exhibit Number 37 was received
20 into evidence.)

21 MS. FUNDERBURK: 43, potentially
22 inclusive of 43A and B, you'll review and
23 bring back to the Court.

24 46 was admitted.

25 47 was admitted.

1 You started referencing 48. Are we
2 addressing that one now?

3 MR. FRIEDMAN: Yes. I thought I moved
4 to admit that. But this -- he had just
5 testified this was the excerpt from Werner,
6 Modlin that he referred to in his direct, and
7 we would move to introduce this DOI 48.

8 MR. SPIVEY: No objection.

9 MS. FUNDERBURK: 48 is so admitted.
10 Thank you.

11 (DOI Exhibit Number 48 was received
12 into evidence.)

13 MR. FRIEDMAN: Can I ask you one thing
14 more, Your Honor? So last night we sent a
15 list of other exhibits that we were not going
16 to be relying on but had nonetheless been
17 circulated. And I did not send that list to
18 the Court. I'm happy to do so, or if you'd
19 like me to go through them now.

20 MS. FUNDERBURK: When are they going to
21 be introduced?

22 I will say, it was helpful from -- when
23 the Rate Bureau produced their
24 documentation -- which, again, it was part of
25 your filing, so you have a little bit of a

1 lead on that. But it has been helpful to
2 have those things in advance and be able to
3 identify what they are and see them as they
4 come in.

5 It's not necessary, as long as they've
6 seen it. But to the extent it might be
7 helpful for me and madam court reporter, as
8 we're sorting things, any bit of organization
9 helps.

10 I don't know how many you have left.
11 I've been keeping notes on the ones that have
12 been introduced. What is going to produce
13 the most straightforward result on your end?

14 MR. FRIEDMAN: I could -- I mean, I can
15 go through the ones we're certain we're not
16 going to produce.

17 Some of the other ones we left -- we
18 have not decided on because we don't know,
19 frankly, what's going to be raised on
20 redirect -- or, excuse me, on cross. So I
21 can't definitely say we won't be relying on
22 ones, but I can definitely say what other
23 ones you've been handed copies of that we
24 won't be relying.

25 MS. FUNDERBURK: Yes. What do you have

1 on your list that I have copies of that you
2 will not be moving to introduce into the
3 record.

4 MR. FRIEDMAN: Okay. In addition to
5 the ones we've --

6 MS. FUNDERBURK: Actually, let me stop.
7 We have Mr. Schwartz on the stand and we were
8 going to try to move through testimony and
9 get things done by the end of the week. Is
10 this something that can wait?

11 MR. FRIEDMAN: Yes, absolutely, ma'am.

12 MS. FUNDERBURK: Let's move on with
13 Mr. Schwartz. Make the best use of his time.
14 This administrative matter we can deal with
15 later. Let's get through his testimony.

16 MR. FRIEDMAN: Thank you.

17 With that, we tender Mr. Schwartz --
18 well -- for cross-examination.

19 MS. FUNDERBURK: Do you need a few
20 minutes, Mr. Spivey, or are you ready to
21 proceed?

22 MR. FRIEDMAN: We don't have a problem
23 with a few minutes if they need that.

24 MR. SPIVEY: I think we may as well go
25 ahead and proceed. I think there presumably

1 will be a break for lunch.

2 MS. FUNDERBURK: There will be, yes.

3 Thank you.

4 CROSS-EXAMINATION

5 BY MR. SPIVEY:

6 Q Good morning, Mr. Schwartz.

7 A Good morning.

8 Q You testified a few moments ago about
9 typos in your prefiled testimony.

10 Do you recall that?

11 A Yes.

12 Q Did you find those yourself?

13 A Yes.

14 Q Is it your testimony that those are all
15 of the typos in your testimony or do you -- or are
16 those simply all the ones you have found to this
17 point?

18 A Those are the ones I know about.

19 Q I think it's fair to say from your
20 testimony that you've made clear you are not a
21 lawyer, correct?

22 A That is true.

23 Q You haven't attended law school?

24 A No.

25 Q Have you attended any law school

1 classes?

2 A Some.

3 Q What law school classes have you
4 attended?

5 A Way back when, probably about 35 years
6 ago, I went to Rutgers Law School for one term, and
7 I decided between my work as an actuary and my
8 family, I didn't have time to pursue a law degree.
9 And so I stopped going.

10 Q So approximately 35 years ago would
11 have been, what? The late '80s or early '90s?

12 A Yes.

13 Q What school?

14 A Rutgers Law School.

15 Q Since those law school classes, have
16 you attended any type of legal education programs?

17 A Nothing that was presented by a lawyer
18 or a legal group, I would say, as part of actuarial
19 work. They probably talk about statutes and
20 regulations and things of that nature. But it would
21 have been part of continuing education as an
22 actuary, not attending a legal seminar.

23 Q So it would have been some type of
24 program presented from an actuarial perspective as
25 opposed to a program presented to lawyers for

1 l awyers' educati on?

2 A That' s correct.

3 Q Have you ever been empl oyed by a
4 hurri cane model ing company?

5 A No.

6 Q Do you have any traini ng or experi ence
7 as an engi neer?

8 A I 've never worked as an engi neer. My
9 undergraduate degree is in physics. It was from an
10 engi neeri ng school . But I don' t consider myself to
11 be an engi neer.

12 Q Do you have any traini ng or experi ence
13 as a meteorol ogi st?

14 A No.

15 Q Do you have any traini ng or experi ence
16 as an atmospheri c scienti st or climatol ogi st?

17 A No.

18 Q Have you ever been engaged in any
19 capaci ty by a company that has devel oped or owns a
20 computer simul ati on hurri cane model ?

21 A No.

22 Q Have you ever constructed or devel oped
23 a damage functi on for use in a hurri cane model ?

24 A No.

25 Q Have you ever constructed or devel oped

1 a wind field model for use in a hurricane model?

2 A No.

3 Q Have you ever worked for the Florida
4 Commission on Hurricane Loss Projection Methodology,
5 either as an employee or a consultant?

6 A No.

7 Q Have you ever run a catastrophe model?

8 A No.

9 Q Have you ever compiled input data for
10 the purpose of running that data through a
11 catastrophe model?

12 A No.

13 Q Have you ever performed a review of a
14 catastrophe model under ASOP 38 and completed an
15 attestation regarding that work?

16 A No.

17 Q Have you ever worked with or for any
18 entity in a capacity in which one or more hurricane
19 models were run at your direction?

20 A No.

21 Q Have you ever worked for a reinsurance
22 company as an employee?

23 A No.

24 Q Have you ever worked for a reinsurance
25 company as a consultant?

1 A Yes.

2 Q What was the reinsurance company?

3 A It was a long time ago. I don't
4 remember the name of it.

5 Q "A long time ago," can you tell me
6 approximately when?

7 A Probably in the 1990s.

8 Q Have you ever worked as an employee of
9 an insurance company that purchased reinsurance?

10 A No.

11 Q Have you ever worked as an employee of
12 an insurance company in any capacity?

13 A Yes.

14 Q In what capacity?

15 A Doing reserving work and rate filings.

16 Q Would that be as a consultant?

17 A Yes.

18 Q Have you ever worked as an employee of
19 an insurance company?

20 A No.

21 Q Have you ever worked as an employee of
22 a reinsurance broker?

23 A No.

24 Q Have you ever worked as a consultant of
25 a reinsurance broker?

1 A A long time ago I did some work.

2 Q How far back is a "long time ago," if
3 you recall?

4 A Probably in the 1990s.

5 Q And what was the name of the
6 reinsurance broker?

7 A It was Marsh McLennan.

8 Q What was the nature of the work you did
9 as a consultant for Marsh McLennan?

10 A I'm having a hard time remembering if
11 it was ratemaking or reserving or...

12 They do a little of both. It wasn't a
13 very big project, and it was a long time ago, and I
14 don't recall the details.

15 Q Have you ever assisted an insurance
16 company in any manner in developing a reinsurance
17 structure or program for that insurance company?

18 A I would say I talked to, you know,
19 insurance companies I did work for. I would have,
20 you know, discussions with them about their
21 reinsurance. But I was not the one who was
22 responsible for developing the program.

23 Q Have you ever assisted in any manner in
24 the pricing of reinsurance on behalf of an insurance
25 company?

1 A Not for an insurance company.

2 Q Have you ever assisted in any manner in
3 pricing reinsurance on behalf of a reinsurance
4 company?

5 A Not for a reinsurance company.

6 Q Have you ever assisted in pricing
7 reinsurance on behalf of either the seller or the
8 buyer of the reinsurance?

9 A It did not involve work for the seller
10 or the buyer.

11 MR. SPIVEY: Just a moment, Your Honor.

12 BY MR. SPIVEY:

13 Q Mr. Schwartz, do you have your
14 testimony still before you up there?

15 A It's in one of these books, yes.

16 Q All right. I see from your CV attached
17 to your testimony --

18 MR. FRIEDMAN: Could you please give a
19 second so the witness can find the document
20 you're referring to? And if you could tell
21 him what page.

22 BY MR. SPIVEY:

23 Q Mr. Schwartz, let me direct you to
24 what's labeled Appendix AIS-A in your prefiled
25 testimony.

1 MR. BEVERLY: I'm sorry. Mr. Friedman,
2 can you --

3 MS. FUNDERBURK: I'm sorry. Just a
4 moment.

5 Mr. Beverly, do you have it on your
6 screen? Is that what you're referencing?
7 It's not coming on mine for whatever reason.

8 MR. FRIEDMAN: I don't have it on mine.

9 MS. FUNDERBURK: She's sorting those
10 now. Thank you.

11 MR. SPIVEY: Mr. Friedman, do I
12 correctly understand that this has been
13 marked DOI 22?

14 (Reporter requested clarification.)

15 MR. FRIEDMAN: It's in book 3, DOI 1.

16 MR. SPIVEY: My apologies. We were
17 looking at the wrong page. So this has been
18 marked DOI 1. Thank you.

19 BY MR. SPIVEY:

20 Q So, Mr. Schwartz, I'm asking you to
21 look at your CV attached in Exhibit DOI 1, as I
22 understand it, Appendix AIS-A.

23 Am I correct?

24 A I'm there.

25 Q Thank you.

1 I see from the CV that you were the
2 chief actuary here in the North Carolina Department
3 of Insurance for something a little less than
4 two years back in the mid to late 1980s. Is that
5 correct?

6 A Yes.

7 Q Am I recalling correctly that the
8 Commissioner at that time was Commissioner Long?

9 A That's correct.

10 Q Your testimony states that you were
11 responsible for all of the actuarial work at the
12 North Carolina Department during that period,
13 correct?

14 A Yes.

15 Q Did that responsibility include
16 reviewing and responding to any rate filings made
17 during that period by the North Carolina Rate
18 Bureau?

19 A I was involved with filings in the
20 North Carolina Rate Bureau. My recollection is that
21 the Rate -- the Department of Insurance retained
22 outside actuaries also to evaluate the filings and
23 make recommendations.

24 Q Am I correct in understanding that as
25 chief actuary you would have been involved in the

1 process of retaining other actuaries to assist in
2 whatever work was done with respect to those
3 filings?

4 A I would have had some input.

5 Q Am I understanding and recalling
6 correctly your testimony yesterday that you've been
7 involved in all the North Carolina Rate Bureau's
8 filings that have been made with the North Carolina
9 Department since the early, mid 1980s?

10 A That is my recollection.

11 Q So did you testify as an expert witness
12 in those cases while you were employed as chief
13 actuary of the department?

14 A I don't believe I testified in those
15 cases while I was an employee of the department.

16 Q Continuing to look at your CV,
17 following college, am I correctly understanding that
18 you worked first for the National Council on
19 Compensation Insurance?

20 A Yes.

21 Q What is the National Council on
22 Compensation Insurance?

23 A They are a rating bureau and
24 statistical agency for Workers' Compensation and
25 employers liability insurance in most of the states

1 around the country but not all of them. A few
2 states have monopolistic state funds, so they don't
3 have private carriers. And some of the larger
4 states, like New York, Pennsylvania, New Jersey,
5 Massachusetts, have their own Rate Bureaus for that
6 particular state.

7 Q Is it correct that the National Council
8 on Compensation Insurance focuses, essentially,
9 exclusively on workers compensation [[audio court
10 audio)?

11 A I still think that's the case.

12 Q And do I understand that when you left
13 the National Council on Compensation Insurance you
14 worked for Woodward-Fondiller for about seven years?

15 A Yes.

16 Q What was -- what was
17 Woodward-Fondiller?

18 A They were consulting actuaries.

19 Q When you were with Woodward-Fondiller,
20 did you assist any clients of Woodward-Fondiller
21 with filing homeowners insurance rate filings?

22 A Obviously, that was a very long time
23 ago. I know that the company had insurance company
24 clients. I can't say for certain that we did work
25 on homeowners insurance, but it's possible. It's

1 just too long ago for me to remember.

2 Q Is it correct, in November of 1984, you
3 left Woodward-Fondiller, and in that same month, you
4 formed the consulting firm AIS Risk Consultants,
5 Inc.?

6 A Yes.

7 Q Are you the sole owner of AIS Risk
8 Consultants, Inc.?

9 A Yes.

10 Q Are there other employees of your
11 consulting firm?

12 A Not at this time.

13 Q Have there ever been any consulting
14 actuaries or consulting professionals, other than
15 you, employed by AIS Risk Consultants?

16 MR. FRIEDMAN: Can I just get a
17 clarification? Are you asking about whether
18 there were other actuaries or whether there
19 was other employees with some level of
20 expertise or both?

21 BY MR. SPIVEY:

22 Q Well, my question was: Have there ever
23 been any other consulting actuaries or consulting
24 professionals, other than you, employed by AIS Risk
25 Consultants?

1 MR. FRIEDMAN: Thank you for clarifying
2 that.

3 A I just want to be accurate in my
4 response. I've had three other employees at times
5 who have worked for me. I would consider them
6 professional people. They had various designations.
7 One was a CPCU, property -- chartered
8 property/casualty underwriter. The others were
9 taking the actuarial exams, and they also had some
10 other designations from the Insurance Institute of
11 America.

12 So I believe it's accurate to say they
13 were professionals, but they were not either
14 associates or fellows of the Casualty Actuarial
15 Society.

16 BY MR. SPIVEY:

17 Q But you indicated you had -- as I
18 understood you -- you've had three other employees.
19 Were those employees engaged at -- I'm sorry.
20 Strike. Let me start again.

21 Were those three other employees
22 employed at AIS Risk Consultants at the same time,
23 or were they employed at separate -- at different
24 times?

25 A So I started the firm with myself, by

1 mysel f. Then I hired one other person, and then a
2 second person, and then a third person. So there
3 was a little period of time where I had, like, three
4 people working for me. Then it went down to two
5 people working for me.

6 And I would say maybe about five or
7 six years ago, I was, with my wife's encouragement,
8 thinking about retiring. So I told those two
9 employees that, you know, at some time in the future
10 I was going to retire because I didn't want them to
11 be left without a job. So I gave them time to find
12 employment and they did.

13 So I would say they worked -- and then
14 after they found employment, they still worked for
15 me part-time. So this is the first year, 2024,
16 where I'm the only employee of the company.

17 Q If I am understanding your CV
18 correctly, you created your consulting firm in 1984,
19 and then for periods of time, between 1986 and 1990,
20 you held positions in, first, the North Carolina
21 Department of Insurance and then the New Jersey
22 Department of Insurance.

23 Do I have the timing correct,
24 general ly?

25 A You want to repeat it? Because my mind

1 was wandering a little bit. I just want to make
2 sure I get the dates right.

3 It's actually -- whatever the dates
4 are -- let me get a drink of water.

5 The date set forth in my CV, it's
6 accurate. During the same time I worked for the
7 North Carolina Department of Insurance and New
8 Jersey Department of Insurance, I was also part-time
9 doing consulting actuarial work outside, as long as
10 it didn't have any conflict with the working I was
11 doing for the insurance departments.

12 Q In your CV, and I'm looking at page 5
13 of your CV, you state there that in the course of
14 your work at the North Carolina Department of
15 Insurance, you were involved in several special
16 projects relating to the financial analysis of
17 insurance operations.

18 Is that correct?

19 A Yes.

20 Q What type of financial analysis did you
21 do in those special projects?

22 A Well, I listed a couple things here.
23 These included the review of reinsurance contracts,
24 the financial analysis of the North Carolina State
25 Property Fire Insurance Fund, and a study of medical

1 malpractice closed claims.

2 I think I also worked with the
3 financial analysis solvency division of the
4 insurance department with regard to reserve issues,
5 liability issues when they had questions or they
6 wanted to talk to me about something.

7 Q Would your work regarding solvency as
8 you just described, would that be a special project,
9 or is that sort of a typical responsibility of the
10 chief actuary?

11 A I mean, it would vary from state to
12 state. Some states have actuaries who do reserving
13 work and separate actuaries that do rate filing
14 work. Some don't.

15 I was the only employed actuary who was
16 a member of the Casualty Actuarial Society at the
17 time. So I was doing both, but my work was more
18 involved, I would say, with the rate filing work,
19 the reserving work, and also advising the
20 Commissioner of Insurance and the staff on things
21 like the impact of legislation and regulations in
22 terms of, you know, what insurance companies could
23 provide, should be asked to provide, and what the
24 impact would be on rates.

25 Q As I recall, medical malpractice was

1 something of a hot topic back in that era. Would
2 that have been related somewhat to your study of
3 medical malpractice closed claims?

4 A I don't recall how hot of a topic it
5 was in North Carolina at the time. But it was
6 obviously a topic of interest, and that's why we're
7 doing the work.

8 Q In that portion of your CV that you
9 just pointed out about your special projects, you
10 included review of reinsurance contracts, correct?

11 A Yes.

12 Q How many occasions were you required to
13 review reinsurance contracts in the course of those
14 special projects?

15 A That's going back a very long time. It
16 wasn't a common occurrence, but I can't give an
17 exact number.

18 (Reporter requested clarification.)

19 BY MR. SPIVEY:

20 Q I'll repeat my question. What types of
21 reinsurance contracts did you review in that role as
22 chief actuary at the department?

23 A It would have been for
24 property/casualty insurance.

25 Q So as I understood you just now, you

1 said it would involve property/casualty insurance.

2 What type of reinsurance did it involve?

3 A Whatever the reinsurance contracts were
4 that I was asked to review. I mean, I can't recall
5 right now details of that from 35 to 40 years ago.

6 Q What was the purpose of your review of
7 those contracts?

8 A Probably would have been to give my
9 opinion on how that would impact the expected losses
10 and the variability of the losses for companies, and
11 probably also dealing with the issue of what the
12 price was for the reinsurance in relation to the
13 expected benefits of it.

14 Q Following your departure from the North
15 Carolina Department of Insurance, you worked for the
16 New Jersey Department of Insurance for about a year
17 and a half, did you not?

18 A Yes.

19 Q At the New Jersey Department, your role
20 was that of the assistant commissioner, correct?

21 A Yes.

22 Q Is it correct that you were not
23 employed there in the role of actuary?

24 A I was an actuary there. It's just my
25 title was assistant commissioner. I was in charge

1 of the property liability section, which dealt with
2 the rate levels for property/casualty insurance,
3 other than Workers' Compensation. So it would have
4 included homeowners insurance and private passenger
5 automobile insurance.

6 So my title was assistant commissioner,
7 but in terms of work responsibilities, it was
8 actuarial work and supervising the people who
9 reviewed it, right? So I said it's a -- supervised
10 a staff of 20-plus which regulated rates, rules, and
11 policy forms in New Jersey for property/casualty
12 insurance to determine compliance with the
13 applicable statutes and regulations.

14 In addition to which the same thing as
15 in North Carolina, I would give advice to the
16 Commissioner of Insurance, and the staff, like the
17 Deputy Commissioner of Insurance, on legislation and
18 regulations and the impact it would have on
19 property/casualty insurance companies.

20 Q Would it be correct to say your duties
21 and responsibilities at the New Jersey Department
22 were similar to those you had at the North Carolina
23 Department, but that you had a larger staff there?

24 A I had a larger staff. I think it was
25 more focused on ratemaking at the New Jersey

1 Department of Insurance and not so much with
2 financial issues.

3 Q Is it correct that your employment at
4 the New Jersey Department of Insurance ended in
5 January of 1990?

6 A As an employee, yes.

7 Q Since that time, have you been employed
8 at any point in time for any period of time as an
9 employee of any entity other than AIS Risk
10 Consultants?

11 A No.

12 Q Since that time -- "that time" being
13 January 1990 -- is it correct you made your living
14 as a consulting actuary in your own consulting firm?

15 A That's my only job, paying job.

16 Q What portion of the annual revenues of
17 AIS Risk Consultants comes from rate filing reviews
18 and expert testimony performed on behalf of
19 insurance departments or intervenors in
20 property/casualty insurance rate matters.

21 A I don't have any exact number, and it's
22 varied by year. But I would say that's the largest
23 amount of work I do, and it's probably, you know
24 50 percent, maybe a little more.

25 Q What portion of the annual revenues of

1 AIS Risk Consultants comes from rate reviews -- I'm
2 sorry -- rate filing reviews and/or expert testimony
3 performed on behalf of insurance companies in
4 property/casualty insurance rate matters?

5 A I haven't done work for an insurance
6 company in quite a while, but there were years when
7 I did work for insurance companies, smaller
8 companies. I'd say for a period of time, that was
9 probably about 15 to 20 percent of the annual
10 revenue.

11 Q I'm sorry --

12 A 15 to 20 percent.

13 Q Would that have been -- apologies.
14 Excuse me.

15 Would that have been during an earlier
16 point in your career, or is that current today?

17 A That would have been at an earlier
18 point. Like I said, I haven't done work for
19 insurance companies probably in about five years at
20 least.

21 Q I see in your CV you also perform
22 services in civil litigation matters; is that
23 correct?

24 A Yes.

25 Q What portion of the annual revenues of

1 AIS Risk Consultants comes from civil litigation
2 where you are performing services on behalf of a
3 claimant or plaintiff against an insurance company
4 or group of companies?

5 A And it varies by year. So I would say
6 the last few years it's been, you know, significant,
7 20, 30 percent. There were years when I didn't have
8 any type of work from that. So it fluctuates.

9 Q I see in your CV, in your work for AIS
10 Risk Consultants, you have also worked -- excuse
11 me -- that you have also worked on health insurance
12 rate filings; is that correct?

13 A Yes.

14 Q What portion of your work or percentage
15 of your work relates to health insurance?

16 A That fluctuates by year. I mean, it's
17 a smaller part. Maybe depending on the year, it
18 might be 5 to 10 percent. Or it might be smaller
19 than that.

20 Q If I'm reading your CV correctly, I see
21 there that your responsibilities at AIS Risk
22 Consultants also include performing loss reserve and
23 rate level studies for reinsurance companies; is
24 that correct?

25 A Yes.

1 Q What specific reinsurance companies
2 have you performed a loss reserve study for?

3 A Again, that would have been very
4 earlier on when I was doing work. I just don't have
5 a recollection of the particular names of the
6 companies.

7 Q When you say "very early on," are you
8 referring back to the 1980s?

9 A I believe the 1990s, which, shockingly,
10 are 30 years ago.

11 Q For what specific reinsurance companies
12 have you performed a rate level study?

13 A Again, it would have been during the
14 same time periods. I don't have a recollection.

15 Q When was the most recent time that you
16 performed any consulting work directly for a
17 reinsurance company?

18 A Again, to the best of my recollection
19 it would have been probably sometime in the early
20 1990s.

21 Q In that same portion of your CV -- and
22 I'm -- I should have pointed out that's on page 4 of
23 your CV -- you state that as a consultant you
24 perform rate level studies for insurance companies.

25 Do you not?

1 A Yes.

2 Q How many times have you performed a
3 rate level study for an insurance company that
4 resulted in a rate filing?

5 A I would say probably between 10 and
6 20 times.

7 MS. FUNDERBURK: Mr. Spivey, I don't
8 want to interrupt your flow, but I'm looking
9 at the clock. Do you know when you would be
10 at a good transition point?

11 MR. SPIVEY: This will be fine.

12 MS. FUNDERBURK: Are you sure? Do you
13 need to follow up on anything or is it a --

14 MR. SPIVEY: We can break here.

15 MS. FUNDERBURK: Thank you.

16 Are there any administrative matters we
17 need to address before the recess?

18 No? No?

19 Thank you.

20 Mr. Schwartz, thank you. Again, I'll
21 remind you, you will be under oath when you
22 retake the stand following the lunch recess.

23 We'll be in recess for an hour and a
24 half.

25 Thank you.

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(A recess was taken from 12:20 p.m. to
1:47 p.m.)

STATE OF NORTH CAROLINA)

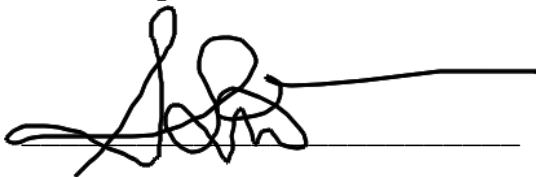
COUNTY OF FORSYTH)

REPORTER'S CERTIFICATE

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

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

IN WITNESS WHEREOF, I have hereto set my hand this 30th day of October, 2024.



Audra Smith, RPR, CRR, FCRR

Notary Number: 201329000033

Commission Expires: June 26, 2025

E R R A T A S H E E T

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PAGE LINE CORRECTION

I, _____, after having read the foregoing transcript of the hearing In the Matter of: The Filing Dated January 3, 2024, by North Carolina Rate Bureau for the Revision of Homeowners Insurance Rates wish to make the above corrections.

AS SIGNATURE _____
DATE _____