

STATE OF NEW HAMPSHIRE

DEPARTMENT OF STATE

* * * * *

IN THE MATTER OF:

LOCAL GOVERNMENT CENTER,
INC., ET AL

*
*
* No: C-2011-000036
* Volume: I
* Pages: 1-228
*
*

* * * * *

PETITION TO OBTAIN PERMISSION TO ISSUE NEW
AND RENEWAL COVERAGES, BINDERS AND SIMILAR
CONTRACTUAL OBLIGATIONS

Hearing held at the State Archives Building, 71
South Fruit Street, Concord, New Hampshire on
Tuesday, October 6, 2015, from 9:00 a.m. to 11:00
a.m.

Court Reporter:

Laurie A. Gelinas, LCR No. 35
(RSA 310-A:179)

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23

I N D E X

WITNESS: Wendy Parker

EXAMINATION BY:	Page	Line
Mr. Felmly	24/198	16/16
Mr. Tilsley	140/207	19/16

1 APPEARANCES:

2

3 For the Petitioner Property-Liability Trust, Inc.:

4 McLANE MIDDLETON, P.A.
By: Bruce W. Felmly, Esquire
5 Patrick Closson, Esquire
900 Elm Street
6 Manchester, NH 03101
603-625-6464
7 bruce.felmly@mclane.com
patrick.closson@mclane.com

8

9 For the Respondent New Hampshire Bureau of Securities
Regulation:

10

11 BERNSTEIN, SHUR,
SAWYER & NELSON, P.A.
By: Andru H. Volinsky, Esquire
12 Roy W. Tilsey, Jr., Esquire
Christina A. Ferrari, Esquire
13 *Adrian S. Larochele, Esquire
670 North Commercial Street
14 P.O. Box 1120
Manchester, NH 03105-1120
15 603-623-8700
avolinsky@bernsteinshur.com
16 rtilsley@bernsteinshur.com
cferrari@bernsteinshur.com
17 *adrian.larochele@sos.nh.gov
*BSR In-House Counsel

18

19 Presiding Officer: Donald E. Mitchell, Esquire

20

21

22

23

1 PRESIDING OFFICER: Okay. We're going to go
2 on the record. I have a few things to go through.
3 Good morning, ladies and gentlemen. My name is Donald
4 Mitchell. I am the Hearing Officer and Presiding
5 Officer in this matter this morning. The matter that
6 is to be heard is captioned as In the Matter of Local
7 Government Center, Inc., et al and it's docketed as
8 C-2011-000036. We are here this morning primarily on
9 Property-Liability Trust, Inc.'s Petition to Obtain
10 Permission to Issue New and Renewal Coverages, Binders
11 and Similar Contractual Obligations. We also are
12 making an audio recording this morning, so counsel,
13 please keep that in mind even though you see a
14 familiar court reporter in front of you. We have a
15 statutory obligation to make this audio recording.
16 For those others who are present today, know that
17 these proceedings and prior filings can be found on
18 the Secretary of State's web site for New Hampshire
19 and those are the filings that go back to the initial
20 pleading in these administrative proceedings in 2010.

21 A brief background for context is that there
22 was an initial pleading filed in 2010 by the BSR. The
23 matter was litigated through 2012 and resulted in a

1 decision of August of 2012 which was then appealed and
2 in the meantime was affirmed by the Supreme Court and
3 its decision was issued in January of 2014. On
4 February 7, 2014 the Bureau of Securities Regulation
5 filed a Motion for Default Judgment which initiated
6 litigation which culminated with a consent agreement
7 between the parties that you see before you as well as
8 HealthTrust, now incorporated, who is not active or
9 present at this proceeding. That consent agreement
10 between the parties was incorporated into an order
11 that I issued which covered other things as well and
12 it was entitled an omnibus order for lack of a better
13 name. That consent agreement provided in part and in
14 relevant part here that Property-Liability Trust had
15 until June 30th of 2015 to file a petition, if you
16 will, that was envisioned and is entitled as I've
17 previously read.

18 First I will ask counsel for both parties,
19 any preliminary motions that you intend to present to
20 me this morning?

21 MR. FELMLY: No, sir.

22 MR. VOLINSKY: No.

23 PRESIDING OFFICER: That also reminds me,

1 because we have an audio recording I'm going to ask
2 counsel who will be presenting today to identify
3 themselves on the record and also state their
4 affiliation, if you will, and we'll start with the
5 moving party petitioner.

6 MR. FELMLY: Good morning. I'm Bruce Felmly
7 from McLane Middleton. I'm here with Patrick Closson.
8 We represent PLT in this matter.

9 PRESIDING OFFICER: Thank you. Mr. Closson,
10 would you please identify yourself and your voice for
11 the audio recording.

12 MR. CLOSSON: My name is Pat Closson from
13 McLane Middleton representing PLT this morning.

14 PRESIDING OFFICER: Thank you.

15 MR. VOLINSKY: My name is Andru Volinsky with
16 Bernstein Shur on behalf of the BSR. Mr. Tilsley just
17 stepped out of the room, but he will examine the
18 witnesses as well and will identify himself for the
19 record as soon as he gets back in. Christina Ferrari
20 may speak on motions.

21 MS. FERRARI: Christina Ferrari from
22 Bernstein Shur on behalf of the BSR.

23 MR. GLENNON: Barry Glennon, Director of the

1 Bureau of Securities Regulation.

2 MR. LAROCHELLE: Adrian Larochele, staff
3 attorney with the Bureau of Securities.

4 PRESIDING OFFICER: Mr. Felmly, do you have a
5 client? I don't see a client at your table.

6 MR. FELMLY: I do have Wendy Parker who is
7 the Executive Director of PLT and she's right in the
8 room with me.

9 PRESIDING OFFICER: Is she adverse to sitting
10 at your table?

11 MR. FELMLY: No, she's not adverse to that at
12 all. I'm happy to bring her up.

13 PRESIDING OFFICER: I just want to inform Ms.
14 Parker, as the representative of a party, if you are
15 comfortable where you are, you could remain there as
16 long as I can see you. Do you understand what I'm
17 saying?

18 MS. PARKER: Yes. I'll move up here.

19 PRESIDING OFFICER: I think it will also
20 assist your counsel because you have been present in
21 earlier proceedings involving this matter, is that
22 correct?

23 MS. PARKER: Yes, I have.

1 (Attorney Tilsley entered the hearing room.)

2 PRESIDING OFFICER: Mr. Tilsley, once again
3 we have an audio recording. Would you please identify
4 yourself?

5 MR. TILSLEY: Roy Tilsley from Bernstein Shur
6 for the Bureau.

7 PRESIDING OFFICER: I remind the parties I
8 still have under advisement the issue of whether or
9 not certain portions of this matter will be sealed or
10 not and that will remain under advisement until I
11 otherwise indicate. Also, I want to thank counsel for
12 their effort. I know you've put resources into this
13 matter, but I also want to thank those counsel that
14 produced their exhibits, their witness lists and
15 cooperated with me as the Administrative Hearing
16 Officer the best you could. I appreciate the respect
17 extended to me and please know that that is mutual.
18 We may just learn from practice, but we're off to a
19 much better start, believe it or not, for those of you
20 who have not been involved prior to this morning.
21 Please also keep in mind, however, counsel, you have
22 some assistants, so they'll keep you in check, but
23 know that the exhibits that I have in these books that

1 you have presented to us are marked for the time being
2 for Identification. If you want them in the record,
3 you need to switch that demarkation to be an exhibit
4 entered by your team. If during a break you decide
5 that you have exhibits that are going to go in without
6 objection, it might be helpful if one of you would
7 meet with Megan and go through the list. I might also
8 introduce Noah Abrahams who is a legal assistant and
9 law clerk to these proceedings. Please see him with
10 other matters that can be revolved in a logistical
11 way.

12 Okay. With that I have been presented with a
13 request this morning from Attorney Lawrence Gormley
14 and -- give me just a moment. I'm just looking to the
15 end of your pleading, Mr. Gormley. Mr. Gormley is
16 with the firm of Hoefle, Phoenix, Gormley and Roberts.
17 I understand that he represents Mr. Michael Coutu who
18 has been named and called as a witness and is under
19 subpoena to be here today. Mr. Gormley has filed an
20 appearance. I will also say that Mr. Gormley
21 contacted me directly by phone last week. It was a
22 very brief discussion. He just didn't know how to, if
23 you will, get in and so I gave him the phone number

1 for our administrative assistant and I may have given
2 him a web site to file his pleading. That was the
3 extent of the conversation. I did not recognize it as
4 an ex parte communication. I will also say that one
5 day prior to that Attorney Edmund Drury contacted me
6 from Chicago on behalf of Mr. Michael Coutu. He
7 contacted me directly. I don't know who is
8 circulating my personal phone number, but let's try to
9 go through official channels if we can. My
10 conversation with Mr. Drury was a little bit longer,
11 but it was not substantive. I told him it was not
12 appropriate for me to discuss this matter with him and
13 in doing that perhaps he should get New Hampshire
14 counsel. I did not suggest that to him, but we all
15 know how the system works. So Mr. Gormley's call did
16 not surprise me although the manner in which it came
17 did.

18 With all that being said by way of
19 explanation, I'm going to recognize Mr. Gormley who
20 has asked this morning to address his emergency
21 application to the Merrimack Superior Court and I
22 welcome his presentation because these matters are
23 intricately wedded and we've just come too far and too

1 much by way of resources and efforts that have been
2 expended. So with that introduction, Mr. Gormley,
3 I'll hear from you at this time.

4 MR. GORMLEY: Thank you, Mr. Mitchell. A
5 couple of issues based on your preliminary comments.
6 First of all, I have yet to file this motion. I am en
7 route to Merrimack Superior from here in order to file
8 the motion.

9 PRESIDING OFFICER: Thank you for that
10 clarification.

11 MR. GORMLEY: As to how I contacted you, I
12 looked in the green book, found your number and dialed
13 it.

14 PRESIDING OFFICER: Must be my mistake, then.

15 MR. GORMLEY: The purpose of my application
16 is simply for the release of Mr. Coutu today. He has
17 been subpoenaed for all three or four days of this
18 hearing. The subject of this application is such that
19 I have informed counsel for the PLT that Mr. Coutu is
20 not going to testify until the Superior Court acts on
21 this application. That's the macro view. On a micro
22 view counsel informed me that he didn't intend to call
23 Mr. Coutu today in any event, so the purpose of this

1 application or the manner of making this application
2 is intended with the hopes of expediting this hearing
3 in that if we get an order from the Superior Court
4 today, then Mr. Coutu will be able to testify at the
5 parties' convenience. That said, my application right
6 now is simply that Mr. Coutu be released for the day.
7 I've asked counsel to do that. He's refused to do it.

8 PRESIDING OFFICER: Can I just make a query
9 of you before I recognize counsel?

10 MR. GORMLEY: Sure.

11 PRESIDING OFFICER: I believe you made a
12 statement that Mr. Coutu would not testify.

13 MR. GORMLEY: Correct.

14 PRESIDING OFFICER: You're going to put him
15 at risk of contempt?

16 MR. GORMLEY: Correct.

17 PRESIDING OFFICER: Thank you for the
18 clarification. Does either counsel wish to address
19 this application request?

20 MR. FELMLY: I do.

21 PRESIDING OFFICER: Mr. Felmly for PLT.

22 MR. FELMLY: Just very briefly, with regard
23 to this subpoena process and the motion that Mr.

1 Gormley is contemplating to file, first of all, from
2 the outset we have made it plain to both counsel in
3 Chicago and once Mr. Gormley came on board counsel
4 here in New Hampshire, and this was over a period now
5 of over a week or ten days, that we would cooperate
6 with Mr. Coutu. We didn't want to inconvenience him.
7 We asked him to accept service of the subpoena. I
8 didn't hear back from Chicago counsel on that. We
9 ended up serving him. Mr. Gormley has the return of
10 service. He was served last Friday. I in the context
11 of providing that to Mr. Gormley made it plain that we
12 were still looking to cooperate. It is true that we
13 intend to put him on the stand on Wednesday. I find
14 myself in a situation in the last 24 hours where now
15 we have another attempt to in one way or another
16 prevent Mr. Coutu's testimony from being provided.
17 That should have been done as far as we're concerned
18 in a more timely way, but leaving that aside, I find
19 myself a bit on the horns of a dilemma. I've got
20 counsel telling me that if we don't get an order from
21 the Court he's not testifying. I've got him properly
22 subpoenaed for the entire hearing. I'm very reluctant
23 to waive or relinquish or do anything that could

1 create an argument that somehow I took actions that
2 now in retrospect will be seen as somehow facilitating
3 his not coming back. So I don't want to inconvenience
4 him and have him sit around all day as a personal
5 matter. On the other hand, I'm told if they don't get
6 an order they're going to put him at risk of contempt
7 of court which means he doesn't come back and I don't
8 see him again. So I've never quite been in that spot
9 before. I've subpoenaed hundreds of witnesses over
10 the years and I don't think I've ever had this
11 situation, and I guess my inclination is Mr. Gormley
12 has got to decide with his client what steps they
13 take, and I certainly can assure him that if I was
14 told and assured that he will be here tomorrow and I
15 will have the opportunity to put him on, that I would
16 send him home this morning with no reluctance at all,
17 but I don't have that representation here. Nobody is
18 telling me he's coming back tomorrow, and so I'm in
19 the position where he's here and he's under subpoena
20 and I don't want to do anything with respect to my
21 legal status that would change that, and I think
22 that's very unfortunate that we're put in this spot.

23 PRESIDING OFFICER: Mr. Volinsky, do you

1 chose to weigh in?

2 MR. VOLINSKY: I don't have anything further
3 to add.

4 PRESIDING OFFICER: Mr. Gormley, anything
5 further?

6 MR. GORMLEY: Yes, your Honor. To the extent
7 that Mr. Coutu is excused today, that doesn't in any
8 way vitiate the subpoena, and there is no legitimate
9 argument that someone releasing someone from a
10 subpoenas on one day has somehow waived the power of
11 the subpoena, so the simple request that Mr. Coutu not
12 be required to sit here basically as punishment I
13 don't believe holds water. Our simple request is if
14 he's not going to testify today, he should be released
15 today.

16 MR. FELMLY: And you will produce him
17 tomorrow?

18 MR. GORMLEY: He will be produced as
19 necessary, but that doesn't change our representation
20 that we are concerned about the threats from the BSR,
21 and we require a directive from the Superior Court
22 that Mr. Coutu honor the subpoena. And I must
23 disagree with counsel. Mr. Coutu isn't seeking to

1 avoid testifying. He's seeking to avoid a situation
2 where his truthful testimony can be used against him
3 at some point down the road. So all we're trying to
4 do is facilitate his testimony. This would be
5 unnecessary if we were in the Superior Court. Were he
6 subpoenaed to the Superior Court there's no doubt that
7 he would be vested with witness immunity and he would
8 testify. Unfortunately it's not entirely clear that
9 this quasi judicial proceeding carries that same
10 immunity. In fact, the BSR has made the argument that
11 it does not. We are therefore seeking the directive
12 of the Superior Court that he honor the subpoena and
13 with that he will testify.

14 PRESIDING OFFICER: I don't want the tail to
15 wag the dog here, Mr. Gormley, but let me make a
16 couple inquiries of you. One, you've made reference
17 to threats made by the BSR.

18 MR. GORMLEY: The BSR in its motion to
19 preclude the testimony of Coutu has made
20 representations of violations of contractually
21 confidential information and privileged information,
22 and they have most recently made assertions or taken
23 issue with any suggestion that Coutu's testimonial

1 evidence should be immunized as any judicial witness
2 would be immunized. So given the fact that they've
3 made allegations of wrongdoing and given the fact that
4 they take issue with his obtaining judicial immunity
5 we are concerned that the BSR is going to take action.
6 We think the claims are frivolous, but we are
7 concerned that we will be put to the time and expense
8 of defending an action.

9 PRESIDING OFFICER: Second question. Is your
10 client willing to post a personal bond here to ensure
11 his appearance tomorrow?

12 MR. GORMLEY: I don't know that there's any
13 authority for a personal bond, Mr. Mitchell.

14 PRESIDING OFFICER: Well, I guess I get to
15 make that decision, but I'm asking if he's willing to.

16 MR. GORMLEY: I guess it depends what the
17 bond is and it depends on the terms of the bond.

18 PRESIDING OFFICER: Mr. Felmly, anything
19 further?

20 MR. FELMLY: No, but I will say if there was
21 an unequivocal representation by counsel that he would
22 be here tomorrow, I would release him, but I'm not
23 going to say he's under the same authority that he

1 would have been tomorrow because that ain't the same
2 thing.

3 PRESIDING OFFICER: I understand. Mr.
4 Volinsky, anything further?

5 MR. VOLINSKY: The only thing is that the
6 so-called threats are references to our pleadings.
7 There have been no personal communications with Mr.
8 Coutu.

9 PRESIDING OFFICER: Mr. Gormley, again, if I
10 can ask you to approach. I granted the order for the
11 subpoena. You are aware of that, correct?

12 MR. GORMLEY: I am.

13 PRESIDING OFFICER: The parties differ as to
14 the value of Mr. Coutu's testimony here through their
15 filings. Have you had an opportunity to review those?
16 I know you're new here.

17 MR. GORMLEY: I have.

18 PRESIDING OFFICER: Good. So in one sense a
19 Hearing Officer/Judge/Neutral, doesn't make friends
20 with any decisions they make and that's not the
21 business that we're in, but would you please help me.
22 Since you are eager to tell me what authority I have
23 and don't have, would you please help me and tell me,

1 if you had a subpoenaed witness in front of you and
2 he's present in your hearing room and counsel is
3 unwilling or unable to make a representation that they
4 will produce that person the next day, in this case
5 tomorrow, Wednesday, would you let him go?

6 MR. GORMLEY: Well, I don't know how making
7 him sit here today changes that situation in any
8 manner.

9 PRESIDING OFFICER: Well, I would call him as
10 a witness today.

11 MR. GORMLEY: Well, Mr. Mitchell, we can
12 trigger the process that would be triggered upon Mr.
13 Coutu's refusal to testify. And I don't know if I've
14 said it to you, but I've said it to counsel. All I'm
15 doing by this application that's before you is the
16 same steps that would be required if Mr. Coutu sitting
17 here said "I'm not going to testify." At that point
18 the Secretary of State or the Attorney General makes
19 an application to the Superior Court to direct the
20 witness to honor the subpoena and there are some
21 ancillary penalties up to \$2,500 per violation.
22 That's what I'm doing with this application. I'm
23 trying to get to that point sooner than later. So I

1 don't know what's achieved by making him sit here. If
2 the Hearing Officer would prefer to conduct the
3 process that I'm trying to conduct through the
4 Secretary of State or the Attorney General, that's
5 fair enough. I understand. What we're trying to do,
6 while it may not seem it, is expedite this process in
7 the hopes that this matter is resolved sooner than
8 later and Mr. Coutu can testify.

9 PRESIDING OFFICER: But isn't there an
10 obvious omission, if you will, that you will not make
11 a representation nor -- well, if you need a moment to
12 confer with your client, you may, but what prevents
13 you from making the representation that he will be
14 here tomorrow?

15 MR. GORMLEY: I have no problem making the
16 representation that he will be here.

17 PRESIDING OFFICER: And testify?

18 MR. GORMLEY: No, I'm not going to represent
19 that he will testify until we've had a directive from
20 the Superior Court.

21 PRESIDING OFFICER: Well, here's the problem.
22 If you don't get your way in the Superior Court, I
23 don't have him here, is that correct?

1 MR. GORMLEY: No, he can be here. Physically
2 he can be here. He's not going to testify until there
3 is a directive from the Superior Court whether it's
4 triggered by my application or by this panel's
5 application.

6 PRESIDING OFFICER: All right. I don't want
7 to split hairs. When I say he's here, the only
8 purpose the man has in being here is to testify, so
9 again, I will ask, why can't a representation by you
10 as his counsel -- why can't you assure me that he will
11 testify in these proceedings unless instructed by the
12 Superior Court to not do so?

13 MR. GORMLEY: I don't understand your
14 question.

15 PRESIDING OFFICER: If you lose over at the
16 Superior Court what assurance do I have that he's
17 going to be here physically and testify?

18 MR. GORMLEY: You don't have that assurance.

19 PRESIDING OFFICER: Thank you. All right.
20 Let's take a brief recess. Don't anybody go too far.
21 Excuse me. I'm going to take a brief recess right
22 now. We're in recess. Off the record.
23 (Bench conference with counsel.)

1 PRESIDING OFFICER: We are returning from a
2 brief recess in which I had some discussion with
3 counsel with respect to this tribunal and I will now
4 recognize Attorney Gormley.

5 MR. GORMLEY: Mr. Mitchell, we've agreed with
6 the subpoenaing entity that Mr. Coutu will be present
7 tomorrow and will be available to take the stand.
8 Whether he gives substantive testimony or not will be
9 determined at that point.

10 PRESIDING OFFICER: Thank you, sir. Mr.
11 Felmly?

12 MR. FELMLY: We agree to that. I am not in
13 any way waiving his obligation to give testimony, but
14 I understand that that will play out tomorrow with his
15 counsel giving Mr. Coutu his advice, but on the
16 representation that he will be here and be available
17 to take the stand, whether he gives substantive
18 testimony or not will depend I suppose, we're not
19 waiving any positions, but on the representation that
20 he will be here tomorrow we're agreeable to having him
21 released here today.

22 PRESIDING OFFICER: Thank you. Anything
23 further, Mr. Volinsky?

1 MR. VOLINSKY: No, your Honor.

2 PRESIDING OFFICER: Mr. Coutu, have you been
3 attentive to what's been represented?

4 MR. COUTU: I have, your Honor.

5 PRESIDING OFFICER: And do you endorse those
6 representations?

7 MR. COUTU: I do.

8 PRESIDING OFFICER: Thank you very much. Mr.
9 Gormley, you are excused. Mr. Coutu, you are excused
10 for today. We expect to see you tomorrow. Stay well.

11 MR. COUTU: I shall.

12 PRESIDING OFFICER: All right. We're ready
13 to proceed on the merits of this matter and for that
14 purpose it is Property-Liability Trust, Incorporated
15 which we'll be referring to as PLT, it is their motion
16 and it is their burden to carry, so we will recognize
17 them for purposes of a brief opening if you believe
18 that is necessary, Mr. Felmly, and Mr. Volinsky for
19 the BSR.

20 MR. FELMLY: I think we've agreed that we can
21 dispense with opening statements.

22 PRESIDING OFFICER: Very good. I thank you.
23 That gets us back up somewhat on our timing, so with

1 that, Mr. Felmly, will you call your first witness,
2 please.

3 MR. FELMLY: I ask Wendy Parker, the
4 Executive Director to take the stand and to be sworn
5 in.

6 WENDY PARKER
7 having been duly sworn by the Presiding
8 Officer, was examined and testified as
9 follows:

10 PRESIDING OFFICER: Would you please state
11 your full name and your business address?

12 MS. PARKER: Wendy Lee Parker, 25 Triangle
13 Park Drive, Concord, New Hampshire.

14 EXAMINATION

15 BY MR. FELMLY:

16 Q. And what is your occupation or your
17 employment position?

18 A. I am the Executive Director of
19 Property-Liability Trust, Inc.

20 Q. And can you describe or summarize the
21 responsibilities you exercise as the Executive
22 Director of, we'll call it, PLT?

23 A. As the Executive Director of PLT I am

1 responsible for long-range planning, monitoring
2 budgets and setting budgets along with the Board of
3 Directors. PLT is operated by the Board of Directors
4 and so I report directly to them. I also manage all
5 of the contractual and vendor relationships on behalf
6 of PLT and I also manage the staff and all of the
7 staffing related functions that go along with that
8 position.

9 Q. So do you report directly to the Board of
10 Directors?

11 A. I do.

12 Q. And how long have you held the position of
13 Executive Director of PLT?

14 A. Since October of 2013.

15 Q. And prior to that time, prior to 2013 when
16 you became the Executive Director, what was your
17 position or your employment?

18 A. I worked for Local Government Center and my
19 position was Deputy Director of Risk Pool Operations
20 which involved both property-liability coverage and
21 health coverage.

22 Q. And your position as Deputy Director, how
23 long have you been in that position?

1 A. Since 2004.

2 Q. Can you describe what your background is
3 educationally?

4 A. I have a master's degree in organizational
5 leadership, a bachelor's in business management and an
6 associate's in accounting.

7 Q. In terms of your employment history and
8 having in mind the various predecessor entities of PLT
9 how long have you worked for PLT or the entities that
10 preceded it?

11 A. It would be 26 years this past June.

12 Q. Was that a job that you essentially obtained
13 after college in 1989?

14 A. It was a month afterwards, yes.

15 Q. Some organizations would say you're a lifer
16 in that position.

17 A. Yes, they would.

18 Q. You've provided us and we've marked as
19 Exhibit 10 your curriculum vitae or your resume, is
20 that correct?

21 A. Yes.

22 MR. FELMLY: And we would ask that Ms.
23 Parker's CV have the identification struck, Mr.

1 Mitchell.

2 PRESIDING OFFICER: Are we in the first
3 volume?

4 MR. FELMLY: Second volume.

5 PRESIDING OFFICER: Without objection?

6 MR. VOLINSKY: To make it easier, I hope Mr.
7 Felmly remembers my email that we don't object to any
8 of their exhibits, so they all may be marked as full.

9 MR. FELMLY: I didn't understand that email,
10 but I appreciate that.

11 PRESIDING OFFICER: I will take Mr.
12 Volinsky's representation to mean that all we need to
13 do for the record is to make sure that PLT puts them
14 in and that there will be no objection unless I
15 otherwise hear one.

16 MR. FELMLY: At this point I would move to
17 strike the ID on all of the premarked exhibits which
18 are 1 through 21. A number of them have subparts and
19 so I don't want to have to worry about doing that
20 later.

21 PRESIDING OFFICER: Very good, Mr. Felmly.
22 Exhibits 1 through 21 with their subparts are admitted
23 as numbered for the PLT. Please proceed, sir.

1 Q. In terms of your career, Ms. Parker, have you
2 been affiliated with or a member of any professional
3 organizations or committees that relate to the
4 municipal risk or municipal insurance or indemnity
5 industry or business?

6 A. For two years I did sit on the board of
7 National City Risk which is a membership consortium
8 that focuses on information sharing amongst municipal
9 risk pools and really has a focus on education for
10 both staff and board members.

11 Q. And to what extent over your career have you
12 attempted to stay familiar or current with the
13 particular issues and activities of pooled risk type
14 municipal governmental characters?

15 A. I've made it a focus so that I stay up on
16 both my education and training through attending
17 various seminars, receiving various information and
18 participating on various list serves with other pooled
19 entities.

20 Q. And in terms of what you've done essentially
21 working in the pooled risk area, that has been for
22 your entire career?

23 A. Yes, it has.

1 Q. Let me talk specifically about PLT and what
2 it does and what its mission is. And let's frame it
3 that way. Can you describe for the record what is
4 Property-Liability Trust, Inc. and what does it do?

5 A. PLT, Inc. is a public sector risk pool that
6 was formed by special legislation by the State of New
7 Hampshire to come together to provide coverage for
8 risks and training in the areas of property-liability,
9 workers' comp and unemployment comp insurance. It
10 really has a focus on mitigating risks through loss
11 prevention and training and providing access to those
12 coverages to municipalities, districts and counties.

13 Q. And if you know, approximately when was it
14 that PLT was formed to provide those services and
15 opportunities to municipalities?

16 A. So the original organization was created in
17 1986 and, as you know, it's been through iterations
18 over time, but it was originally created in 1986.

19 Q. Can you talk with us and describe briefly how
20 a public risk pool operates differently or what
21 characterizes it differently from, say, a commercial
22 insurance carrier that might underwrite losses for
23 various insurers?

1 A. So a public risk pool is generally member
2 operated, so a board of directors is elected from its
3 membership and it focuses on specific needs for the
4 public sector whether that be its school population,
5 its municipal population or --

6 Q. You need to talk a little bit slower. You're
7 getting rolling. If I do this (gesturing), it just
8 means to slow down. Don't take offense.

9 So I interrupted you. If you could go back
10 to what you were saying and go slower.

11 A. Sure. So it's a way of having municipal,
12 county or school or a combination thereof of
13 municipalities, school districts and counties come
14 together to share risk. The Board of Directors are
15 generally elected by the membership and they come
16 together because they have common risks and common
17 training needs that can help them have lower costs
18 overall by addressing those specific needs within
19 their pool.

20 Q. And when you say that they have different
21 training needs or some differences from what
22 commercial customers might have, in what way or how is
23 it that the municipal customers of the risk pool have

1 different needs in terms of their marketplace as
2 contrasted with those people or entities that buy
3 commercial insurance?

4 A. Some of those needs are different because of
5 uniformed personnel such as police or fire who have
6 unique needs from many commercial businesses. Also,
7 the issues that teachers and administration and school
8 districts deal with are very different from a normal
9 type of business. That's not to say that those types
10 of coverages aren't out there because you do have
11 colleges and other types of entities, but for the most
12 part many of those coverages are unique. We also
13 provide several common areas of coverage such as auto,
14 liability, if somebody takes out your mail box or
15 police cruisers back into objects from time to time.

16 Q. So give us some examples so this can become a
17 little more clear. In differentiating why is it that
18 uniformed services, be it the police officer on the
19 beat or the person driving the fire truck or going up
20 the ladder or the school teacher teaching in the
21 school, what are some of the ways in which your
22 services and the products that you offer are different
23 or the way you present them or teach people about them

1 are different than what might happen to somebody
2 running, say, a warehouse or a software company or
3 whatever?

4 A. Really it boils down to the types of training
5 being available. For example, we have a simunitions
6 program where we go in and we do active shooter
7 training, for example, with police departments.
8 Police officers in the state of New Hampshire are
9 sometimes confronted with situations where they need
10 to react in an instant and if they haven't been put
11 through a role play scenario before, they may not know
12 how to act, so we go through hands-on demonstrations
13 about how to handle certain situations so that if they
14 are confronted with that situation they can pull on
15 that experience and have that training. So that's one
16 example. Another example would be paraprofessionals
17 in the school system who are dealing more and more
18 with children in the classroom setting showing
19 aggression towards staff members, so helping their
20 paraprofessionals to become equipped on how to handle
21 that inappropriate matter in order to avoid lawsuits
22 would be another type of example.

23 Q. In general and over the years what are the

1 types of entities or groups that are the members of
2 PLT? What composes your members?

3 A. So we have municipalities and we have school
4 districts, which everyone understands what those are,
5 and then we have a host of what I call quasi municipal
6 entities. Those would be fire districts, water
7 districts, electric co-ops, charter schools, things
8 like that.

9 Q. And how many people does PLT currently
10 employ?

11 A. We as of today have 10 employees.

12 Q. And how does that compare to, say, ten or
13 five years ago?

14 A. I would say that we were closer to 20 at that
15 time. A year ago we were at 16.

16 Q. And in terms of dealing with these
17 municipalities and quasi public entities and the
18 general group that you have described as the customer
19 base, how do the PLT employees interact with those
20 entities or municipalities as it does its work
21 throughout New Hampshire?

22 A. So that would depend on the type of staff
23 that you're talking about. We have a claims staff

1 that are dedicated both to workers' compensation and
2 property casualty coverages. Those employees are
3 generally in the building answering phone calls,
4 dealing with claims over the phone. They do do field
5 investigations where they go out and meet. They also
6 work with individuals and other firms that PLT hires
7 on a claims basis to take depositions, work on trials
8 and those types of things, but for the most part they
9 are in the office. We have a dedicated risk
10 management team. That team spends 90 percent of its
11 time out in the field educating members on all types
12 of risk. They attend joint loss management meetings,
13 they attend selectmen meetings, they attend staff
14 meetings, they provide playground inspections, on-site
15 trainings. They provide a host of activities that are
16 designed to mitigate risk.

17 Q. So that risk management team actually goes
18 into the community and may work to train or may work
19 to inspect or work with managers in the community to
20 explain best practices to reduce claims or risk?

21 A. Yes.

22 Q. And is that a very interactive process with
23 the representatives from the municipalities?

1 A. Yes. So we have trainings that typically
2 happen on an ongoing basis yearly or quarterly, so
3 when you pick up in the morning you may be dealing
4 with an issue that's new or unique to them and so you
5 have to figure out what resources are available to
6 that community to help assist them with whatever issue
7 might come up.

8 Q. Is PLT, it's sort of obvious by their
9 presence, but is PLT an agency that's regulated by
10 agencies of State government?

11 A. Both the Department of Labor and the Bureau
12 of Securities have regulation over our program.

13 Q. How would you describe PLT's work with its
14 regulators?

15 A. We've had a good working relationship with
16 the Department of Labor during my involvement with
17 them. We have also had challenges with the Bureau of
18 Securities. Otherwise we wouldn't all be here today.
19 And so we have worked through those. We from a
20 property-liability trust standpoint try to work
21 collaboratively. I think we have developed what I
22 would consider a nonantagonistic relationship.
23 Certainly Barry and I are very cordial to each other.

1 We work well together. We just at the end of the day
2 have some different views as to the status of the
3 organization.

4 Q. And during 2014 Mr. Coutu was in that process
5 as a liaison under the consent agreement, is that
6 right, or consent decree?

7 A. Since last September, yes.

8 Q. One aspect of PLT's business involves dealing
9 with reinsurance companies, is that right?

10 A. Yes, it is.

11 Q. And can you describe for the Hearing Officer
12 the way in which that works or the basic structure of
13 that?

14 A. So with property-liability coverage PLT does
15 purchase reinsurance. We purchase that for different
16 lines of coverage, so we have different reinsurers
17 covering different risks. And reinsurance basically,
18 as I'm sure you are aware, is really the insurance for
19 a risk pool, so we need to decide what level of risk
20 we are willing to self insure within the pool and what
21 level of risk we want to purchase insurance for from
22 the commercial market.

23 Q. And how does the reinsurance impact or

1 coordinate with PLT's business on sort of a daily
2 basis in terms of how you operate?

3 A. We purchase our reinsurance on a form basis,
4 so we have the ability to settle and work through our
5 claims as we normally would regardless of the size of
6 the claim. We do have notification requirements that
7 if a claim is going to reach a certain level, usually
8 50 percent of our self-insured retention, we have to
9 provide notification to the reinsurer that they do not
10 get involved in the claims processing of that claim.

11 Q. In terms of your reinsurance relationships
12 can you describe the degree of diversity or how many
13 companies you're dealing with approximately and why
14 there might be more than one or two that you're
15 dealing with?

16 A. We deal with approximately four to six
17 different companies. We have one company on our
18 worker's compensation program. That is Safety
19 National. On the property-liability side we have a
20 reinsurer that handles just property, we have one who
21 handles general liability, actually three that handle
22 general liability, and we have someone who handles
23 equipment breakdown and we purchase all of those

1 products separately and we do purchase them on an
2 annual basis.

3 Q. And how would you describe the nature or the
4 level of cooperativeness or coordination with your
5 reinsurance market?

6 A. Very well. We try to have long-term
7 relationships with our reinsurers although we have
8 made changes throughout the year. We do put them out
9 to active bid as necessary. We do work with a broker
10 who works with us on that.

11 Q. I want to now move into a specific discussion
12 of the petition that brings us here that was filed on
13 June 30th of 2015. And let me just say at the outset,
14 are you familiar with the events that led up to the
15 filing of that petition and what its purpose was and
16 what the organization was seeking to accomplish by
17 that?

18 A. Yes.

19 Q. Would you be the person in the organization
20 with the highest level of authority other than the
21 Board with regard to that?

22 A. Other than the Board, yes.

23 Q. And are you familiar in general terms with

1 the timeline or the events that led up to the filing
2 of the petition and in particular the events over the
3 period from the consent order in 2014 up until June
4 30th when the petition was actually filed?

5 A. Yes.

6 Q. So we're going to talk about that. And we
7 actually worked with you to prepare a timeline which
8 is Exhibit 13, so let me actually put that in front of
9 you. The Hearing Officer will have his copy. I'm
10 going to be taking you in a summary fashion through
11 that process and the events that are portrayed in that
12 timeline. Let me start with the consent decree that
13 was entered into between the BSR and HealthTrust, and
14 this was in June of 2014. At that time PLT was
15 prohibited from writing new coverages without first
16 receiving the approval of the Hearing Officer under
17 the terms of that consent decree and that approval was
18 going to rest on PLT proving or demonstrating its
19 financial viability, is that right?

20 A. Yes.

21 Q. And are you also familiar or do you recall
22 that as part of the consent decree the position of
23 liaison was created and Mr. Coutu began to work with

1 PLT and to some extent within PLT on certain occasions
2 related to providing information, insight and
3 communication between the parties? Are you familiar
4 with that?

5 A. Yes, I am.

6 Q. In terms of the timing of that when was it
7 that Mr. Coutu as liaison began to do his work of
8 examining the circumstances and the financial
9 condition of PLT and its operations?

10 A. That really started in full earnest in
11 September of 2014.

12 Q. And what was your role or interaction with
13 Mr. Coutu in that process?

14 A. I was the primary contact person for
15 Property-Liability Trust in addition to George
16 Tsiopras who is our chief financial officer by
17 contract. He works for HealthTrust.

18 Q. And can you describe at least in a summary
19 way the kind of access or opportunity for receiving
20 information that was made available to Mr. Coutu as
21 liaison as he began his duties in September of 2014?

22 A. Mike was really provided full access to all
23 of the books and records, so financial statements,

1 board packets, actuarial reports, any type of loss run
2 information, staffing charts, staffing plans, really
3 the full gamut of information relative to how we
4 operated the risk pool.

5 Q. And what about apart from receiving
6 documentation? What was the extent of personal
7 interaction or communications whether by phone or in
8 person that was made available to him in terms of the
9 information about the operations of PLT?

10 A. The office for the liaison was located on the
11 same floor as my office, so I saw Mike on a daily
12 basis and had much dialogue with him on an ongoing
13 basis. He did have access and have direct
14 conversations with the management team of
15 Property-Liability Trust which would be the risk
16 manager as well as the underwriting and coverage
17 manager and so there was daily dialogue back and
18 forth.

19 Q. And how would you describe your personal
20 interaction or how would you characterize your
21 interaction with Mr. Coutu? Obviously as somebody
22 from outside who has been placed inside your
23 organization and obviously has a great deal of

1 information about you, how would you describe how you
2 found that to work in dealing with Mr. Coutu?

3 A. Mike certainly is not shy in his
4 communications style or in sharing how he feels about
5 a subject, so it was -- you know, I would say that all
6 of the staff were apprehensive to have Mike come in
7 and be part of our organization on a day-to-day basis,
8 but I found him to be professional and willing to
9 share his opinions. I would say that he was also very
10 challenging at times in really wanting to understand
11 the nuts and bolts that went into every actuarial
12 report, every financial report, so it took a lot of
13 time. I would say that a good portion of my time over
14 the months starting in September going through March
15 were spent helping him understand the phraseology and
16 the way that we did things compared to the way he saw
17 things from his experience in the financial sector.

18 Q. When you say he was challenging from time to
19 time do you mean that he was probing or that he was
20 insistent on getting detailed information? Is that
21 what you're suggesting?

22 A. Yes.

23 PRESIDING OFFICER: Excuse me, Mr. Felmly. I

1 would just indicate that head nods don't work.

2 A. I did say yes, but not very loud. Thank you.

3 Q. So in terms of Mr. Coutu's role it doesn't
4 sound like he was sitting there passively while people
5 were making presentations to him.

6 A. No.

7 Q. And in terms of his approach in terms of
8 either questioning or indicating that he had concerns
9 about particular elements how would you describe how
10 that happened from time to time?

11 A. He definitely was critical of some of the
12 levels of reporting that we have within the risk pool.
13 Given our size and the type of environment that we try
14 to work in in order to keep costs down, we didn't have
15 as much in-depth reporting as he felt we should have
16 at times and so we did go through a lot of extra
17 analysis in order to make sure that the way we looked
18 at something could tie in to the way that he was
19 accustomed to looking at something.

20 Q. And in terms of specifically the types of
21 information or the types of issues that he was focused
22 on can you tell us the various aspects of the business
23 that were part of his examination?

1 A. He spent a lot of time with actuarial reports
2 looking at how the actuaries determine loss costs,
3 predicting what loss reserves should be. He spent a
4 lot of time looking at our operating budgets trying to
5 determine how on an ongoing basis we determine the
6 level of certain types of services that we use such as
7 communication services, where we spent our dollars
8 marketing our program, advertising. We spent many
9 hours debating the amount of money that we spent on
10 risk management training and support services and we
11 also spent a significant amount of time on financials
12 understanding how we categorize certain information,
13 how we arrived at numbers, really the full gamut of
14 services.

15 Q. What about the issue of whether or not the
16 financial information available for the organization
17 would suggest that it have the wherewithal to continue
18 in business or should be deemed to be insolvent and
19 stop operating? Was that part of the observation or
20 inquiry that Mr. Coutu engaged in?

21 A. Yes, it was. In fact, when Mr. Coutu first
22 came to us one of the first comments he made to staff
23 is that he believed our operation would not have the

1 financial bearings to move forward and so he was
2 especially concerned with identifying if his outside
3 observation was going to hold true, and so we spent a
4 significant amount of time going through understanding
5 the current financial projections as well as our
6 previous audits and then how all of that impacted the
7 projections that we were making forward over the next
8 five to six years.

9 Q. Are you saying that when he first arrived on
10 the scene at the end of the summer in 2014 and began
11 his work he had expressed sort of an initial
12 perception or sort of a walking in view on his part,
13 that he questioned whether or not you could stay in
14 business?

15 MR. TILSLEY: Objection, your Honor. I think
16 she already answered the question and he's leading the
17 witness.

18 PRESIDING OFFICER: I'm going to actually
19 continue to allow him to lead, but we'll fine tune it
20 as we go along. We'll also let the BSR lead their
21 witnesses as well. Once again, this is an
22 administrative proceeding. I do know that you
23 understand the difference and we'll keep an eye on

1 whether or not counsel is attempting to testify or
2 whether the witness is. I believe counsel is just
3 trying to expedite at this time and he doesn't know if
4 I'm listening to that question a second time or not.
5 Please proceed, Mr. Felmly.

6 MR. FELMLY: Thank you, sir.

7 Q. So from the point that he came on, and you
8 described some of the things that Mr. Coutu did to get
9 up to speed, were there particular people that he
10 talked with or particular folks within the
11 organization that he focused his communications on in
12 order to gain a more informed understanding of what
13 the circumstances of PLT were?

14 A. Most of the work that Mr. Coutu did was with
15 George Tsiopras and myself.

16 Q. And Mr. Tsiopras would be the person who was
17 the chief financial officer?

18 A. Yes, on a contracted basis for PLT. He works
19 for HealthTrust.

20 PRESIDING OFFICER: Can we have a spelling
21 for Mr. Tsiopras?

22 MS. PARKER: T-S-I-O-P-R-A-S and it's
23 pronounced "Cho-pras."

1 PRESIDING OFFICER: Thank you.

2 Q. PLT operates its business in part under a
3 service agreement that had been executed and entered
4 into with HT, is that right?

5 A. Yes.

6 Q. And to what extent was a review or
7 examination of the way in which the services agreement
8 operated within the scope of things that Mr. Coutu
9 examined or dug into?

10 A. In reviewing both the services agreement and
11 the lease that was one of the first things that Mr.
12 Coutu looked at during his review. He really spent
13 the month of September looking at that services
14 agreement and recommending some tweaks to that as well
15 as one substantial change which the Board for PLT I
16 believe approved in October, and then that was
17 presented at our monthly meeting with Barry in
18 October, and what that change incorporated was a
19 reconciliation at the end of every budget year and
20 what that means is there were a certain number of
21 hours allocated by each staff person in HealthTrust,
22 for example, and we kept track of how many hours they
23 actually spent and the reconciliation put in a basis

1 by which if we used more hours than we had originally
2 projected, we would pay more and if we used less hours
3 than we projected, we would receive a refund for that.

4 Q. And in terms of that change, the origin or
5 the originator of that revision or that approach
6 revising the agreement was who?

7 A. Michael Coutu.

8 Q. And was that accepted by PLT?

9 A. Yes. We presented that to the Board as a
10 mechanism that was recommended by the liaison and the
11 Board looked favorably on that and actually
12 implemented that in October retroactive back to
13 July 2015.

14 Q. As that examination and change to the
15 services agreement was undertaken in the October
16 timeframe there what's your knowledge of whether or
17 not the representatives of the BSR, in other words,
18 Mr. Glennon or other staff people there, received
19 information about the proposed change to the services
20 agreement?

21 A. The issue regarding the services agreement,
22 the concerns were discussed in September and then the
23 revised documents were provided in October during

1 monthly meetings.

2 Q. So just breaking that down, when you talk
3 about monthly meetings, you mean the monthly meetings
4 that had been part of the system of working with the
5 liaison between the BSR and PLT?

6 A. Yes.

7 Q. And so the service agreements and the
8 revisions to them were actually discussed with Mr.
9 Glennon at the monthly meetings?

10 A. They were. They were on the written agenda.

11 Q. And the documentation was provided to the BSR
12 showing the changes?

13 A. Yes.

14 Q. After the revisions to the service agreement,
15 and I knew it grew out of September but it was
16 approved in October, after that was accomplished were
17 there any further either complaints or concerns raised
18 about the way in which the service agreement operated
19 by Mr. Coutu?

20 A. No, I'm not aware of any.

21 Q. How about by Mr. Glennon? And I'll change
22 this question ever so slightly. At least up until the
23 time that PLT's first petition was filed on March

1 30th, in that window between October and the end of
2 March did the service agreement come back as a matter
3 of concern or problem from either Mr. Coutu or the
4 BSR?

5 A. No.

6 Q. So as the first petition was filed in March
7 of 2015 what was your understanding about the relative
8 level of satisfaction the Bureau and the liaison had
9 with the service agreement?

10 A. I thought we had answered all of the
11 questions regarding that, had put in a practice, a
12 contract that worked well, and they didn't have any
13 additional concerns.

14 Q. Did Mr. Coutu commonly communicate with
15 members of the PLT staff by e-mail?

16 A. I would say that most correspondence was done
17 verbally because he was located in our office. There
18 were some email exchanges between staff members.

19 Q. You've provided us and we've actually marked
20 as Exhibit 12 the collection of at least a large
21 number of Mr. Coutu's emails. I can't represent that
22 it's every one, but at any rate, these are a large
23 number of emails. Are they generally reflective of

1 the nature and tone of the communications that
2 occurred between Mr. Coutu and the PLT folks?

3 A. They are, and I would just clarify that when
4 you asked me about PLT, I'm thinking about the ten
5 direct employees that PLT has. There was certainly a
6 lot of email correspondence between George as the
7 contracted financial director with our organization,
8 so many email correspondence did happen there, but
9 with the ten employees within PLT there was limited
10 email exchange.

11 Q. So if we go through the emails as I have and
12 I believe you have we would see emails dealing with
13 establishing agendas for the meetings that would
14 involve the BSR and PLT?

15 A. Mm-hmm.

16 Q. You should say yes.

17 A. Yes.

18 Q. You'll see emails that talk about comments
19 about the service agreements that Mr. Coutu had.

20 A. Yes.

21 Q. There are emails that find him as an
22 information gatherer asking for information to be
23 provided. Is that a fair statement?

1 A. Yes, and how we arrived at the hourly
2 figures, the projection of hours, the types of
3 services.

4 Q. Did Mr. Coutu have access to communications
5 with the representatives of Towers Watson which is
6 your independent actuarial firm?

7 A. Yes.

8 Q. And in particular who would be the people
9 that he would have interaction with as the activities
10 of his liaison duties go through the fall of 2014?

11 A. Primarily Stephanie and somebody else.

12 Q. And in terms of the level of openness or the
13 ability of Mr. Coutu to communicate with them was it
14 plain that he would could contact them and speak with
15 them or did he have to go through some permission
16 granting authority before he could talk to them?

17 A. Part of the consent decree and part of the
18 protocols that we established in October of 2014
19 required either myself or George Tsiopras to be at or
20 present during any meetings with the actuaries or
21 auditors, so one of the two of us were always present
22 during those conversations.

23 Q. So you actually have a pretty good personal

1 knowledge of the tone and the nature of the
2 communications and probably don't remember every
3 detail that was discussed every day but would recall
4 that there were communications directly with the
5 actuaries?

6 A. Yes.

7 Q. And how would you characterize the openness
8 or level of information that was made available in a
9 general sense to Mr. Coutu as a result of being able
10 to communicate directly with the actuaries?

11 A. I think it was a very open process. There
12 was significant dialogue that went back and forth
13 between the actuaries and Mike, many, many drafts of
14 documents looking at different scenarios really trying
15 to understand how they put the information together,
16 looking at all details. That is an area that we spent
17 a significant amount of focus on with Mike.

18 Q. Let me circle back just for a moment. The
19 other document that Mr. Coutu apparently examined
20 early on was your leased premises document related to
21 the premises at the Triangle Park, your business
22 operation there, is that right?

23 A. Yes.

1 Q. And what was the nature of the inquiry that
2 was made there, if you know, by Mr. Coutu? What did
3 he have to look at and what did he have to say about
4 the lease?

5 A. I was not as involved with the lease
6 discussions as I was the services discussion, but my
7 understanding is that the types of information that he
8 was looking for were relative to the cost per square
9 foot that we were paying to HealthTrust, and there
10 were no additional changes made to the lease after his
11 review.

12 Q. So unlike the service agreement that was
13 amended, the lease was reviewed by Mr. Coutu, but
14 there weren't any changes that he proposed to it?

15 A. That's correct.

16 Q. And from the fall or early fall of 2014 after
17 he looked at the lease did the issue of that
18 particular lease document ever again become a matter
19 of concern or complaint by Mr. Coutu or the BSR at
20 least up until the time of the March 30th petition
21 being filed?

22 A. No.

23 Q. So in terms of your perception or

1 understanding as to the extent that either Mr. Coutu
2 or the regulator had worries or changes or criticisms
3 of the lease did you have any understanding that they
4 did after that review by Mr. Coutu?

5 A. No.

6 Q. In the October through December timeframe did
7 PLT undertake anymore intensive examination or review
8 of its operating plan, its finances and the question
9 of what its future would consist of?

10 A. Absolutely. During that time period is the
11 time period in which we did the most analysis both
12 from what PLT would look like on an ongoing operation
13 basis but also what a runoff operation would look
14 like, and partly that was part of the Department of
15 Labor's request of us to file a runoff plan, and so we
16 began in earnest in that time period working on that
17 plan for the Department of Labor.

18 Q. And what were I guess the steps or the actual
19 ways that you tackled that particular job or
20 instruction from the Department of Labor? What did
21 PLT do to try to get a very intense handle on its
22 finances and the implications of runoff?

23 A. That was part of the analysis that we worked

1 on with Mr. Coutu going through the process. As you
2 know or as many of you know, from my experience I had
3 never been involved in any type of runoff situation or
4 closing down of a company before. My experience is in
5 risk pools that are operating on a long-term basis.
6 So we did rely on the expertise of the liaison to come
7 in and assist with going through the steps required in
8 an analysis to do two things; first, to identify if we
9 had the financial ability to pay all claims both known
10 and future during the entire life of the claim, so
11 through whenever the last workers' comp claim would be
12 paid and when the last property-liability claim would
13 be paid, and in our projections the last workers' comp
14 claim would settle out somewhere in the year 2031 or
15 roughly in that time, so we embarked on a financial
16 analysis to determine partly with information from the
17 actuary and partly with information from our financial
18 system as to whether or not we had the resources to do
19 that and it was determined that we did. We then
20 embarked on a second process where we went through to
21 determine, if we were allowed to write coverages going
22 forward, what would that scenario have to look like
23 both from -- well, from lots of aspects, but from the

1 aspect of rate increases, from levels of exposure to
2 reinsurance costs to operating costs, all of those
3 factors to see if we could put together a plan that we
4 thought was feasible through 2021 to have us be able
5 to write coverage going forward and be certain that we
6 could pay claims.

7 PRESIDING OFFICER: Excuse me. Could I get a
8 point in time for when this was going on?

9 MR. FELMLY: Sure.

10 Q. In terms of when this intense analysis was
11 occurring can you give us a month? What months of
12 2014 was this occurring?

13 A. It really started in October going through
14 December for the first analysis and then we revised
15 that analysis with new data as of 12-31-14 in the
16 spring of 2015.

17 PRESIDING OFFICER: The spring?

18 MS. PARKER: The February-March timeframe.

19 PRESIDING OFFICER: Thank you.

20 Q. So this financial analysis and the assessment
21 of all these features you've just described, to what
22 extent did that take the form of a specific plan or a
23 specific coherent expression by PLT of what it felt

1 was the future opportunity?

2 A. Just thinking back, I think the first
3 presentation that we started to make to the Board was
4 in the first part of November 2014 with the final
5 first strategic plan going to the Board in December of
6 2014.

7 Q. And did either of your regulators actually
8 request that this be in the form of a strategic plan?

9 A. The Department of Labor specifically
10 requested a runoff plan, so we had requested from the
11 Department of Labor early on if they had a format in
12 which they thought it should be presented to them.
13 They did not have any templates for us to follow, so
14 we were on our own to create what that would look
15 like, and at the same time we were creating that
16 runoff plan we were creating the ongoing, so they are
17 fashioned in the same manner.

18 Q. So just to be sure we're clear on that,
19 runoff would be the plan that would deal with the
20 assumption that you're not going to be writing new
21 coverages, that you're going to essentially administer
22 going forward the claims that had been received from
23 the coverages that had been earlier written until they

1 were resolved or paid off, is that correct?

2 A. Right. So on June 30th, 2016 that runoff
3 scenario would be the last day that we would write
4 active coverage. We would be responsible for claims
5 that happened on or before that date and then we would
6 take on no new obligations after July 1, 2016.

7 Q. So that runoff plan would do what in terms of
8 telling regulators or telling you what was going to be
9 your experience as that plan unfolded? What did the
10 analysis purport to tell you about the runoff
11 experience?

12 A. So what the analysis primarily from a
13 financial standpoint told us is to make sure that you
14 have enough financial resources/assets in order to pay
15 all of those claims that you know about today and that
16 are predicted to happen in the future and have a
17 positive net position left over at the end of the day.
18 What you have to determine though as you go through
19 that process are the level of resources necessary as
20 your claims volume dwindles because the claims volume
21 you have today will not be the same claims volume that
22 you would have, say, six, twelve, eighteen months from
23 now, so there were predictive models used as to how

1 many claims would be opened and closed each year, what
2 staffing levels would be required to do that, and then
3 a determination at some point as to whether it would
4 make sense not to have full-time staff in our facility
5 but rather turn that over to a third party
6 administrator to close those claims out because of the
7 long-tailed nature of those claims. As I indicated
8 before at least one or two of the workers' comp claims
9 were expected to be open through 2031.

10 Q. So apart from the strategic planning
11 materials dealing with runoff do I understand that you
12 also prepared a strategic plan that contemplated that
13 you continue as on a going concern?

14 A. Yes.

15 Q. And how was the information for that plan or
16 what component of it would distinguish it from how the
17 runoff plan had been prepared?

18 A. So many of the underpinnings of the financial
19 analysis are the same, but what's different is that
20 moving forward you have the ability on an annual basis
21 to collect new premiums coming in for that next
22 coverage period and so at that point you're making
23 predictions now not only about how you are reducing

1 staff but what staff levels and what resource levels
2 you will need to provide comprehensive marketplace
3 coverage to that marketplace. You're determining
4 things like what your loss prevention program will
5 cost you, what level of staff will you have if you're
6 able to maintain your exposures. So every entity has
7 members that will come and go, but you need to stay
8 consistent with the exposures and the contributions
9 that you have, so in our plan we did not put in any
10 growth factors to say that we will grow by a certain
11 percentage, but what we did say is that we will have
12 the same exposure base during that time period. We
13 also needed to look at operating costs - were there
14 things that we learned through this process of being
15 put into runoff that we would do differently going
16 forward and accounting for those types of things,
17 addressing our vendor relationships, whether it be
18 with HealthTrust or the lease or other service
19 providers that we deal with, would we be doing
20 business the same way going forward and looking at
21 reinsurance costs, deductibles, investment income, all
22 the things that you would look in a comprehensive
23 business plan and really projecting those out to 2021.

1 Q. And in terms of the participants in this
2 intense strategic planning process who were the
3 persons most involved in these analyses and the
4 decision making related to it?

5 A. So the actuaries played a huge role in that.
6 We also relied on the services of George Tsiopras in a
7 financial capacity. Mike Coutu played a large role in
8 that in instructing us as to concerns that he saw or
9 pitfalls that he saw in the process. I also relied on
10 both of my underwriting and coverage managers and my
11 risk management manager as far as the types of service
12 and levels of staffing that we felt we would need
13 during that projection period.

14 Q. And to what extent did your regulators, and
15 I'm referring both to the Department of Labor as well
16 as the BSR, to what extent were they made aware that
17 you were engaged in this strategic planning process
18 both with a runoff basis calculation as well as a
19 going business calculation?

20 A. We met with both regulators throughout the
21 process. Through the consent decree we have regular
22 monthly meetings with the Bureau of Securities and so
23 these plans were demonstrated in either a power point

1 presentation or offered as copies of the full
2 strategic plan and addendums during those meetings.
3 The Department of Labor wasn't a regularly scheduled
4 meeting, but we did set meetings with them to go
5 through both the strategic plan as well as the
6 addendums.

7 Q. And with respect to Mr. Coutu what was his
8 role or how did he interact in this process of the
9 development of the strategic plans?

10 A. He was very involved especially in the
11 financial analysis of the strategic plans, both the
12 runoff and the continuing or ongoing operations.
13 During the monthly meetings with Barry and myself and
14 George Mike would assist us in going through the power
15 point presentations and would provide much longer
16 explanations of topics than I typically would provide.
17 So we spent a lot of time having those discussions
18 going through those meetings with the Department of
19 Labor with Patrick as our counsel as well as George
20 attending those meetings with me and we went through
21 the power point presentations which were in essence
22 identical to the power point presentations that we
23 went through with the Bureau during our monthly

1 meetings.

2 Q. So with respect to the Bureau and the
3 presentation of the strategic plan was Mr. Coutu
4 actually at meetings with Mr. Glennon when that was
5 done?

6 A. Yes, all of the monthly meetings were held
7 with George, myself, Barry and Mike Coutu.

8 PRESIDING OFFICER: Excuse me. Can I have
9 that list of participants again, please?

10 MS. PARKER: George Tsiopras, myself and
11 Barry.

12 PRESIDING OFFICER: And Coutu?

13 MS. PARKER: Yes.

14 Q. And in connection with those meetings, Ms.
15 Parker, at any point did either of the regulators
16 raise a complaint or concern as to Mr. Coutu's
17 participation in that strategic planning process or
18 the explanations of its findings to the regulators?

19 A. Not any concerns with respect to the
20 presentation or any concerns that Mike was working
21 with us on with respect to the presentation, no.

22 Q. Now, you mentioned that when Mr. Coutu first
23 arrived on the scene he had expressed some reservation

1 about whether or not PLT could even survive as an
2 entity, is that correct?

3 A. Yes, it is.

4 Q. By the time you were involved in the
5 strategic planning and this intense financial analysis
6 did Mr. Coutu express to you, to your knowledge, views
7 as to whether or not he felt PLT was in a position
8 destined for insolvency?

9 A. No, he confirmed that we were not insolvent
10 or headed towards insolvency.

11 Q. In any of the dealings that you had with Mr.
12 Coutu as part of this review process or the strategic
13 plan, at any point was there anything about Mr.
14 Coutu's actions or the way he expressed himself or
15 dealt with himself as a financial professional that
16 you thought was either inconsistent with his role as a
17 liaison or caused you concern in terms of his
18 integrity or in terms of his process as a
19 professional?

20 A. No. Mike asked a lot of questions regarding
21 all of the financial data that was presented. As I
22 indicated, he would challenge us on points to make
23 sure he understood where we were coming from with

1 regard to those numbers and making sure we could
2 explain them all. Working with the liaison and
3 knowing whether you were going to have an opportunity
4 to really successfully move forward and have a
5 positive relationship with the regulator and be able
6 to write coverage going forward, it was critical for
7 me that he be supportive of the plan because I think
8 it would be very difficult to have the liaison saying,
9 you did not have a viable plan going forward and for
10 us to provide a petition to the Hearing Officer to
11 request that, so we spent a lot of time making sure
12 that we understood Mike's concerns and addressed those
13 as we went along the process.

14 Q. The strategic plan with its exhibits is
15 actually marked as a portion of Exhibit 1, and it's a
16 great deal of information, but by way of summary what
17 was the major focus or approach of the strategic plan?
18 What were the components that were set forth in terms
19 of the content of it that were going to be the
20 principal characteristics of the strategic effort as
21 you went forward?

22 A. So there were several components to the
23 strategic plan. There are several assumptions that go

1 into what I would consider the most important part of
2 the plan which include the underlying pro formas that
3 demonstrate whether or not long-term you will have the
4 financial viability to have a strong organization.
5 Given the history of the LGC entities, then the PLT,
6 Inc. entities and us going forward we all knew that
7 several large payments were made from the organization
8 starting with the return of surplus that the Board
9 initiated in 2011 followed by a \$3.1 million --

10 Q. Let me just stop you there. If we're going
11 to do them one by one, the return of surplus that
12 you're talking about from the Board, what was the
13 approximate amount of that payment?

14 A. \$1.7 million.

15 Q. And the year or the timing of that was what?

16 A. That was based on the 2011 audit.

17 Q. And that money goes from where to who?

18 A. That goes from PLT to PLT members.

19 Q. And there were other payments after that that
20 you were going to say.

21 A. Yes. So the next payment would have been
22 part of the original order and that was a payment of
23 \$3.1 million that went back to PLT members followed by

1 after a time period the \$17.1 million payment back to
2 HealthTrust, and then we had an additional \$519,000
3 payment that went back to supplement the building
4 costs. And that was part of the consent decree. We
5 were also able to resolve the legal fees, so we had
6 two payments totalling \$90,000 that went back as a
7 result of that and then PLT's portion of the liaison
8 fee although there was still an additional \$9,000
9 payment that went out. All of those payments
10 certainly had an impact on PLT's financial picture and
11 what our finances looked like. So taking all that
12 into account we needed to determine if there was a way
13 to long-term have a competitive marketplace where PLT
14 could effectively compete for municipal and school
15 business and at the same time rebuild the net position
16 so that we were back at the 90 percent confidence
17 level that is the Board policy or target, and we had
18 historically maintained that 90 percent confidence
19 level.

20 PRESIDING OFFICER: That was a long answer
21 and I thank you for trying to inform me, but let me
22 just ask a couple clarifying statements so you don't
23 leave me in the dust here. You just went through a

1 series of dollar amounts. Do you recall that?

2 MS. PARKER: Yes, I do.

3 PRESIDING OFFICER: Thank you. And you made
4 reference when you got to the \$17.1 million, that that
5 amount went back --

6 MS. PARKER: To HealthTrust.

7 PRESIDING OFFICER: And the \$519,000 you also
8 said went back --

9 MS. PARKER: To HealthTrust.

10 PRESIDING OFFICER: And the \$90,000 went back
11 to --

12 MS. PARKER: The \$90,000 was a payment to the
13 Bureau of Securities Regulation as a settlement on
14 legal fees.

15 PRESIDING OFFICER: And there was a figure
16 that followed of \$9,000?

17 MS. PARKER: \$90,000.

18 PRESIDING OFFICER: Which you also said went
19 to --

20 MS. PARKER: To the Bureau of Securities to
21 pay legal fees.

22 PRESIDING OFFICER: So the return of surplus,
23 if you will, to members, the first two figures were

1 17.1 and 3.1?

2 MS. PARKER: Yes.

3 PRESIDING OFFICER: Now, I'm going to
4 confess, Mr. Felmly, at some risk she really went into
5 a different topic after listing all those numbers and
6 that's about the time that I stopped her. If you can
7 pick it up with what she was covering, fine.

8 MR. FELMLY: I'm actually going to circle
9 back. I was going to do what you just did because I
10 just thought it was a long answer too.

11 PRESIDING OFFICER: Let me just say, counsel,
12 some of you know from the past, but as you're finding
13 out, if narration is helpful and I believe people are
14 staying with it and it's not causing problems for
15 people, if it can stay paced so the reporter might get
16 it down, I'm going to allow it. However, sometimes
17 the questions get compounded unintentionally or in her
18 answers she moves on or other witnesses I dare say
19 will move on to other topics. I would just suggest
20 that at some point, as Mr. Felmly has suggested, if
21 you sense as I did that there was a little bit too
22 much in that answer to be taken at one time, please
23 circle back for the benefit of the record and for me.

1 Thank you, Mr. Felmly.

2 Q. So circling back, we were entering the topic
3 with my initial question of what the major components
4 and features were of the strategic plan, but I think
5 you very helpfully laid out the context in which those
6 decisions were made and the financial challenges and
7 stresses that the organization had undergone by reason
8 of those payments, and I'm assuming what you're saying
9 is that they impacted the kinds of choices you then
10 had to make strategically going forward.

11 A. That's correct.

12 Q. Let me go back to one of the payments though.
13 The \$3.1 million payment that was returned to members,
14 is that where that went?

15 A. That's correct.

16 Q. What was the purpose or what was that
17 particular payment required to do or required as a
18 result of?

19 A. That payment was required in the original
20 order through the Hearing Officer to be returned to
21 members as a representation of surplus that was above
22 the acceptable levels.

23 Q. And the acceptable level is what?

1 90 percent?

2 A. Yes.

3 Q. So you were just holding on to too much money
4 and it had to be returned to the members?

5 A. That was the indication in the order, yes.

6 Q. And was it as a result of that same order
7 that the \$17.1 million dollar payment was made?

8 A. Yes.

9 Q. So in terms of sequence, which was paid
10 first, the 3.1 or the 17.1?

11 A. The 3.1 was made first and then after an
12 appeal and a decision by the Supreme Court and other
13 events the 17.1 million dollar payment was made.

14 Q. So in terms of the sequence and the
15 interaction of those two payments that went in
16 different directions, one being essentially holding
17 onto surplus, one being the 17.1, was there an effort
18 made to try to either delay or stall the payment of
19 the excess surplus in the face of the obligation that
20 was potentially going to depend upon a court decision
21 but require a \$17.1 million payment?

22 A. There was, but ultimately the payment was
23 made.

1 Q. And in terms of the need for surplus or
2 excess surplus after the 17.1 million dollar payment
3 was made where did that leave you?

4 A. Well, at the time the Supreme Court first
5 ordered the \$17.1 million payment PLT did not have the
6 capacity to pay that. When the payment was actually
7 made they did, but it put us in a negative situation
8 in regards to the 90 percent confidence level, so
9 there was a reduction in that 90 percent confidence
10 level.

11 Q. So just spinning that back now in the context
12 of the 17.1, if the 3.1 had been escrowed or not paid
13 out at that time, how would it have affected the
14 inquiry we're dealing with here day in terms of your
15 confidence level?

16 A. We would be roughly at the confidence level
17 of 90 percent.

18 Q. So you have this history of payments, you
19 have a strategic plan, and getting now to the
20 specifics of my question, in what ways did the
21 strategic plan set out an approach to deal as an
22 operational matter with the hand that you were dealt
23 and looking forward as to what the projections would

1 teach us about the future for PLT? What were the
2 components of the plan that was going to be proposed?

3 A. So the primary focus that we first started
4 looking at when looking at any strategic plan in a
5 situation like this is how you get your net position
6 or your capital level back to the 90 percent
7 confidence level or close thereto because that is
8 important for the long-term stability of the program
9 to be able to have that amount of money set aside.
10 And that 90 percent confidence level is above your
11 claims reserves. So you have your claims reserves and
12 then you have this level of reserve above and beyond
13 that and the Board's target for quite some time, as
14 long as I can remember actually, has been 90 percent.
15 So we first started taking a look at based on our
16 projection of what we needed for operating costs, what
17 we thought we could get for investment income, what we
18 thought our reinsurance would cost, what our claims
19 would be and really determining what types of rate
20 increases we would need to put in for the members by
21 type of coverage over the next five to six-year period
22 in order to rebuild that confidence level, in the pro
23 formas that are I believe part of the exhibit you will

1 see that we have increases on the property-liability
2 side of about five percent or at five percent for the
3 next five to six years and then on the workers' comp
4 side a couple years of five percent increases followed
5 by years of three percent rate increases. In our
6 projections if we input those and our program stays
7 with the exposure level that we have currently, then
8 we are anticipated to reach the 90 percent confidence
9 level by approximately the year 2021.

10 Q. And is that in the ongoing concern modality?

11 A. It is. The 90 percent confidence level is
12 not a relative discussion in the runoff provision.

13 Q. So the plan is prepared. There's discussions
14 with the regulators. It's presented. Did your Board
15 approve it?

16 A. Yes, the Board approved the strategic plan,
17 the initial as well as the addendums.

18 Q. So let's move to the addendums. How does
19 this process evolve or go forward further so that
20 there is revision or further consideration to the
21 elements and the approach of the strategic plan?

22 A. So property-liability is on a fiscal year for
23 its finances meaning that we go through a formal audit

1 every June 30th and as a result of that audit process
2 we also have the actuaries embark on a process to
3 update reserve figures using that same data and
4 recalculating what the 90 percent confidence level
5 amount is as part of that analysis. Then also because
6 of filings required under the Department of Labor, on
7 December 31st we also took a fresh look at reserves.
8 We do not update the confidence level at that time,
9 but we did look at reserve levels. So as the Board
10 looked at the first strategic plan and approved that
11 in December, that was using information that was
12 derived through the period of June 30, 2014. Part of
13 what the Board wanted to do was make sure that those
14 results were remaining consistent or relatively
15 consistent as we went through the period of December
16 31, 2014, so they instructed staff to go through the
17 process with the actuaries, to update everything, all
18 the information as of 12-31-2014, and that was
19 completed during the February-March timeframe of 2015,
20 and so there was an addendum created as a result of
21 that and then as we approached June 30th, we now have
22 gone through updating those reserve numbers for June
23 30th, 2015 and are in the process of updating all of

1 the strategic assumptions and adjustments that go
2 through that analysis for that time period, and I
3 would expect whether we're in runout or an ongoing
4 operation that that analysis will continue to happen
5 every six months.

6 Q. So in terms of the process and the intensity
7 of the process and just to review some of what you've
8 described, there's a several month period of analysis
9 that leads up to the presentation and the assembly of
10 the initial strategic plan, is that right?

11 A. That is correct.

12 Q. That's presented to the regulators. Mr.
13 Coutu was very much a part of that process I gather.

14 A. Yes.

15 Q. Then there was a reassessment of certain
16 elements of that, and I'm going to try to focus in
17 here and make sure we're clear on what it was. In the
18 period of December and February there's a reassessment
19 of some of these numbers and some of the elements of
20 this plan.

21 A. Yep. We actually go through updating, making
22 sure we look at all the assumptions that are still in
23 there, updating it for assumptions, reserves, any

1 aspects of that plan that may change, so really taking
2 a fresh look at the data that we have as of 12-31-14.

3 Q. So why update it? Having had your Board
4 approve the strategic plan and present the information
5 why did you go through and update the information?
6 What was the purpose you were trying to achieve?

7 A. The Board wanted to make sure the results
8 they were seeing in December were not going to change
9 as they moved through the petition process, so they
10 wanted to look at the updated numbers as of December
11 31, 2014.

12 Q. And to what extent was Mr. Coutu in his
13 liaison role involved in this updating process and
14 reassessment of the numbers and reevaluation of the
15 numbers?

16 A. The same level he was during the initial
17 strategic plan.

18 Q. And in terms of the outcome of the addendum
19 to the strategic plan can you tell the Hearing Officer
20 what were the significant differences, if you will? I
21 don't mean a 3 decimal point differences, but what
22 were the features of the addendum that reflected
23 differently than the original draft of the strategic

1 plan? How did it change anything, if at all?

2 PRESIDING OFFICER: If you're going to
3 explain it to the Hearing Officer, would you do that
4 more slowly, please.

5 A. So there are several components that
6 significantly impacted the revisions. One is the
7 level of claims reserves which the actuaries
8 calculated as of 12-31-2014. Part of that change was
9 a result of the membership losses that happened as of
10 June 30th, 2014. So we now had six months of updated
11 data without those members participating on a
12 full-time basis, so there was a reduction in levels of
13 claims reserves.

14 PRESIDING OFFICER: For what period were the
15 members measured for having left?

16 MS. PARKER: Most of those members cancelled
17 on June 30th of 2014, so they would have been out of
18 the active coverage role for six months.

19 PRESIDING OFFICER: And that was picked up in
20 the December 31, 2014 financials?

21 MS. PARKER: Yes.

22 PRESIDING OFFICER: Thank you.

23 MS. PARKER: In addition to that, during the

1 first analysis in December we did not pick up all the
2 exposure loss that happened when those members left,
3 so that was identified and corrected in the first
4 addendum to the strategic plan. And then the third
5 component to that that was updated had to do with
6 projections going forward. When the actuaries set the
7 claims reserves they do that with what's called an
8 actuarial central estimate. Another way to say that
9 is their best estimate. So there's also a range
10 around that which is considered reasonable, and in the
11 financial statements the Board had used a number in
12 the financial audit for July 30, 2014 that was
13 actually below the actuarial estimate and that
14 estimate was brought up to the actuarial estimate in
15 the second addendum.

16 Q. (By Mr. Felmly) So in terms of the
17 significance of those changes and trying to put that
18 in the sense of whether or not this was showing that
19 the plan would work as a going concern or would be
20 successful, what was the conclusion that you and I
21 guess the Board drew as to what the amended strategic
22 plan showed?

23 A. At the end of the day it did not have any

1 material impact, so the Board was comfortable with the
2 strategic plan that was initially put forth with these
3 modifications and the Board decided to go forward and
4 asked to submit the petition to ask to write coverages
5 moving forward.

6 Q. So in terms of the conclusion of whether the
7 Board would ask the Hearing Officer under the
8 provisions of the consent decree to permit writing new
9 coverage, when does that possibility first begin to be
10 seriously discussed and examined?

11 A. So I mean, it was seriously discussed and
12 examined during December when they put the first
13 strategic plan in and then it was confirmed during
14 March when they received the addendum to the strategic
15 plan.

16 Q. Now, that petition was actually filed with
17 all of the various plans and exhibits to it on March
18 30th, 2015, is that right?

19 A. That's correct.

20 Q. So this process that led to that March filing
21 had been under consideration and under examination and
22 I guess reexamination for what period of time before
23 the petition was actually filed?

1 A. Really from October to March.

2 Q. And I guess at least the addendum was in part
3 a recheck to make sure that changing the numbers
4 didn't alter the underlying conclusion?

5 A. That's correct.

6 Q. And in terms of the involvement of the
7 liaison and particularly as you remember the addendum
8 and this reexamination, how would you describe the
9 activities or the level of engagement that Mr. Coutu
10 had with respect to the checking or the assessing of
11 these numbers?

12 A. He was very involved in both checking and
13 analyzing and in helping put the strategic plan
14 together from a financial standpoint.

15 Q. And what about the regulators? As you're
16 moving into the addendum and you're now in the
17 January-February 2015 period leading up to the March
18 assembly of this, to what extent are the regulators
19 informed of the fact that you're rechecking these
20 numbers and looking at it anew?

21 A. Those discussions were held at the monthly
22 meetings with the Bureau with Mike being present and
23 George and Barry and, as I indicated, we met two or

1 three times with the Department of Labor to go over
2 that same information.

3 Q. And with respect to the situation that
4 existed at the time the petition was filed with the
5 Hearing Officer in March what was the conclusion of
6 PLT in terms of reviewing this information and making
7 an assessment about its own viability?

8 A. The Board felt very strongly and voted that
9 they felt they had a viable plan and would move
10 forward with that request.

11 Q. And what was the input or the indication that
12 Mr. Coutu provided at that time as to his assessment
13 of that?

14 A. That he supported the plan that we had put
15 together and felt it was viable.

16 Q. And the elements of that plan are going to
17 include a period of rate increases at about what? A
18 five percent level?

19 A. Five percent on the PL coverage, five percent
20 initially on workers' comp and then it drops down to
21 three percent.

22 Q. Any other important information in the plan
23 from your actuaries in terms of their calculations of

1 the claims or potential loss exposure going forward?

2 A. Yes. So those are based on the actuaries'
3 analysis and interpretation of what claims levels will
4 be given a flat level of exposure during that time
5 period.

6 Q. So what were the factors that the Board
7 relied upon as it filed the petition on March 30th?
8 What are the key elements that caused the Board to say
9 we're going to seek a finding by the Hearing Officer
10 that we're financially viable so we can continue to
11 write coverage? What was sort of the bottom line
12 reason they did that?

13 A. In my opinion there was a couple of them.
14 One was they needed to feel confident that at some
15 point in time, and they both thought five to six years
16 was reasonable, they could have a plan that would
17 rebuild the plan to be at or about the 90 percent
18 confidence level, so that's something they took very
19 seriously. They also had several discussions relative
20 to the ability for the rate increases to be acceptable
21 in the marketplace, and it was their interpretation
22 that the rate increases that we had presented in that
23 strategic plan were doable for the communities that we

1 work with. We have had higher rate increases than
2 that over a several year period, so they felt that
3 even though these rate increases were above what was
4 needed to pay administration and claims, there was a
5 need to rebuild that net position to fund the
6 90 percent confidence level and they felt comfortable
7 with that.

8 Q. So the petition is filed on March 30th and in
9 the month of April, April 14th specifically, the PLT
10 Board met and voted to withdraw the petition and
11 withdraw the request to the Department of Labor to
12 write new coverages, right?

13 A. You are right.

14 Q. What were the reasons that things changed and
15 they voted to withdraw the petition?

16 A. So after the petition was submitted to the
17 Hearing Officer and we started down the path to
18 prepare for that filing we received both an initial
19 objection and then a follow-up objection from the
20 Bureau of Securities relative to that and it became
21 clear that the Bureau of Securities was not supportive
22 of the petition that PLT put together. That was quite
23 a surprise given the position of the BSR liaison and

1 how much effort we had put into developing that plan
2 and making sure that that plan met the concerns raised
3 by the liaison. In addition to that, we had started
4 to be concerned with the ability to move forward
5 through the runoff effectively and wanted to make sure
6 that we could do that. So combined with those two
7 things the Board did take action to withdraw from both
8 the DOL and the BSR our petition request to the
9 Hearing Officer. Timing was also something the Board
10 considered in that process. We did not believe there
11 was an opportunity to go forward positively with that
12 petition because our members were in a two-year member
13 agreement with us and they had the ability on May
14 15th, 45 days prior to July 1st, to withdraw from that
15 second year of coverage, so the Board wanted to make
16 sure that every member understood that we were going
17 to remain in runoff if they were going to make that
18 election of coverage and so we did make that
19 notification and put that out to the members in a
20 letter that actually went out on April 15th.

21 Q. In terms of the objections raised by the BSR
22 in regard to the first petition did that include
23 concerns raised about the servicing agreement or the

1 lease and substantiation?

2 A. All three of those plus a general lack of
3 support for the viability of our plan.

4 PRESIDING OFFICER: Could I please have the
5 exhibit number if there is one for the letter she just
6 referred to?

7 Q. Tell me again the date.

8 A. April 15th.

9 MR. FELMLY: I'm going to have to supplement
10 that. I think it's 1C. We believe that the letter to
11 members is PLT Exhibit 1C. That's an April 15, 2015
12 letter.

13 PRESIDING OFFICER: Thank you.

14 Q. So the objections raised after the March 30th
15 petition having been filed with the Hearing Officer
16 included concerns or complaints about the services
17 agreement and the lease, is that right?

18 A. Yes.

19 Q. There had not been any complaints about that
20 since what timeframe?

21 A. September/October.

22 Q. Was there anything at all about the
23 communications as you were dealing with the BSR that

1 lead you to believe that any objections on that issue
2 were coming?

3 A. Not that I'm aware of.

4 Q. In terms of Mr. Coutu's communications was
5 there anything that he indicated about the plan or the
6 petition that led you to believe that he was
7 unsupportive of the viability of the organization?

8 A. No.

9 Q. And how important was it to you that the
10 liaison was at least providing the benefit of his
11 views and thoughts on that?

12 A. It was very important to myself and the
13 Board.

14 Q. So it was discouraging when a different
15 approach was taken by the BSR?

16 A. Yes.

17 Q. So you withdraw the petition and at that
18 point you're back in the slot or in the posture of
19 continuing with the runoff, is that right?

20 A. That is correct.

21 Q. Let's take us forward to the filing that we
22 all know occurs on June 30th. After the withdrawal of
23 the petition what were the further developments that

1 take us down through this story as we approach the
2 second petition being filed on June 30th?

3 A. As the Board made that announcement and we
4 worked through the renewals for May 15th as I
5 indicated was the deadline for groups to renew with us
6 for July 1st, we had a significant amount of member
7 retention and during that time period the Board as
8 well as staff had significant interaction with members
9 as we went through the renewals, and over and over
10 again we were confronted with members being concerned
11 and disappointed with the fact that we withdrew the
12 petition and that we were not going to go forward and
13 ask for permission to go forward with those coverages,
14 and so the Board did meet to reconvene and talk about
15 those issues and talk about what had happened with the
16 liaison position taking into account all of the member
17 feedback that had been received, and they did vote in
18 mid June to refile the petition prior to the June
19 30th, 2015 date.

20 Q. As far as Mr. Coutu was concerned in his
21 liaison role, and I asked you a similar question about
22 the fall and I'm now focusing on the spring, as this
23 process is going forward and you've withdrawn the

1 March petition and you're still considering the
2 circumstances and you're getting a certain amount of
3 member support was there anything at all about the way
4 PLT interacted with Mr. Coutu that looking at it then
5 or with hindsight you felt was either professionally
6 inappropriate or raised some conflict or was undue
7 influence with him or that in some way he was treated
8 in an unprofessional way or was acting
9 unprofessionally in terms of the way in which his
10 views were either formulated or presented?

11 A. You know, certainly always in my view Mr.
12 Coutu was the BSR liaison and so, you know, we worked
13 with him. We wanted to make sure that he understood
14 what our business plans were. We wanted to make sure
15 we addressed each and every one of his concerns, but
16 always was in the role of either his personal
17 experience or his BSR liaison role, all of which was
18 to make sure that we had the best plan moving forward,
19 the most viable plan we could to determine if PLT
20 could move forward.

21 Q. In a variety of emails, and there's been
22 earlier motions and proceedings on this, there are
23 references from time to time of Mr. Coutu saying that

1 he is not speaking in a particular passage for the BSR
2 or he's acting in some way to assist PLT. He makes a
3 comment in one or two of them I think about being an
4 unpaid consultant. Did you ever hear him say any of
5 that type of thing?

6 A. Absolutely.

7 Q. In terms of your reaction to it did you ever
8 get the sense that he had some how become aligned or
9 was an agent or somehow a representative of PLT?

10 A. No. In my estimation he was relying on the
11 expertise that he had from his background which is why
12 the BSR had a relationship with him, so I took it all
13 as part and parcel of making sure we had a good,
14 viable plan moving forward.

15 Q. Are you aware of any either consideration
16 paid to him or benefits conferred upon him or any
17 inappropriate efforts to influence his opinions or to
18 reward him for statements that might be pro PLT or
19 anti PLT, anything at all that as a person who has
20 been in the business for many years in this particular
21 industry to cause you to feel that it was somehow
22 inappropriate or that he was somehow acting
23 inappropriately?

1 A. No.

2 Q. So there's comes a time when a new petition
3 is authorized by the Board, is that right?

4 A. Yes. The middle of June.

5 Q. And in the context of moving forward in that
6 direction were there communications with the
7 regulators about your intent to reopen that process?

8 A. Yes.

9 Q. So the petition is filed on the 30th of June
10 which is the last day under the consent order for
11 doing it. Was there some intent to try to do that at
12 the exact stroke of midnight or what were the reasons
13 that led up to it being filed at that point?

14 A. The Board made the decision about two weeks
15 prior to that. We were just making sure we had
16 everything in order. So no, it was just the deadline.

17 Q. And in terms of the things that had to be in
18 order, what did you have to get together in order to
19 support that petition?

20 A. We just wanted to go through again and make
21 sure that none of the information had changed
22 dramatically from the assumptions that were in that
23 initial or I guess second addendum. We also wanted to

1 make sure that both regulators knew that that petition
2 was coming.

3 Q. So even if there wasn't an announcement made
4 to the Hearing Officer that this was going to be
5 coming the regulators knew you were working on and had
6 the intention to file?

7 A. Yes.

8 Q. And was part of this getting an updated
9 actuarial pro forma from Towers Watson that I think
10 bears a date of the 29th of June?

11 A. Yes, it does.

12 Q. Was there an expectation that filing this
13 second petition was going to somehow transform the
14 view of the regulator into a different outcome or a
15 different perception?

16 A. No.

17 Q. So how is it that you pulled back the
18 petition in April that had been filed because of the
19 disappointment and the reaction that the regulator had
20 and some of the objections? What's the logic I guess
21 or the thinking if I can challenge you in that way for
22 going ahead and filing it knowing that in all
23 probability the views aren't going to be very

1 different on the BSR side of the room here?

2 A. And that was a significant area of discussion
3 for the Board as they went through that decision
4 making process. Really it boiled down to the fact
5 that all along the Board felt they had a viable plan.
6 The regulatory environment for our organization when
7 it was part of LGC I think was very adversarial I
8 think on the part the regulator, and as part of PLT we
9 tried to move beyond that and I think the initial
10 objection from the BSR took us by surprise. It really
11 stunned us, the ability to have that objection, and so
12 I think that part of it was the desire not to move
13 forward with additional litigation and process and to
14 go through that. After listening to members and going
15 through that renewal process and really having time to
16 go through the objections and see what was there, it
17 was determined that they did believe it was in the
18 best interest of the members to go forward with the
19 petition. Hence we filed on June 30th, and why we're
20 sitting here today going through this process is to
21 ultimately determine if PLT will have the ability to
22 move forward long-term or whether we will remain in
23 runout. I think it is important to note that while

1 all of this has been going on we have been taking
2 steps to implement the runoff plan. We have had two
3 levels of layoffs. We have significantly reduced our
4 operations and what we're spending money on, so we are
5 operating as if we are in runout even while we put
6 this petition forward.

7 Q. And on that topic, there was raised a concern
8 in these proceedings about whether, notwithstanding
9 the consent order's prohibition of this, whether you
10 have sought to issue or sell additional coverage, and
11 I know an issue was mentioned by the BSR involving the
12 Town of Hanover. Are you familiar with the allegation
13 or the concern they raised as to whether or not you
14 have solicited coverage beyond the sort of drop dead
15 date under the runoff with Hanover?

16 A. I am.

17 Q. I didn't express that very clearly, but what
18 was the issue that they raised in terms of the
19 mechanics of placement of coverage and what are the
20 facts about the Hanover situation.

21 A. So my understanding is they are raising that
22 we put a proposal forward that was not instructive or
23 had the ability to do what it said it would do when in

1 fact Hanover had signed a two-year renewal commitment
2 for '15 and '16 as all of our other members had.
3 After the first year the Board of Selectmen directed
4 their staff to go out and bid for that second year of
5 coverage. They were already under contract with us
6 for that second year of coverage, but they wanted us
7 to fill out as part of the bid process all of our
8 coverage requirements and what our costs were. We
9 issued during that proposal process the same coverage
10 rates that they were already under contract with us
11 for and no new paperwork would have been required if
12 they made the determination to stay with us. They did
13 not make that determination. They did end up leaving
14 Property-Liability Trust effective 7-1-15 and made
15 that notification to us in a timely manner.

16 Q. So is there any circumstance that you believe
17 exists where PLT in effect violated the prohibition
18 about writing new coverage beyond the date in 2016
19 that applies in this case?

20 A. No.

21 Q. I want to turn now and go into some detail
22 about the financial condition of PLT and then discuss
23 the pro formas and then finish up perhaps with the

1 issues that are raised by the Casco consultants that
2 have examined the pro formas that were presented, so
3 we'll start on that.

4 MR. FELMLY: Do you want me to dig into that
5 right now?

6 PRESIDING OFFICER: Mr. Volinsky is rising.

7 MR. VOLINSKY: I wonder if we might take a
8 short recess.

9 PRESIDING OFFICER: In terms of those four
10 topics that you just mentioned, how much more do you
11 have of this witness?

12 MR. FELMLY: I think it will be probably
13 45 minutes to an hour of testimony.

14 PRESIDING OFFICER: We'll take a brief recess
15 and return at twenty minutes of 12:00.

16 (There was a brief recess.)

17 PRESIDING OFFICER: We're going to proceed.
18 We're back from our recess with the belief that our
19 audiotape is on, and we certainly have our court
20 stenographer. If there is any reservation if the
21 audio is not on, we can wait, but if you have no
22 reservations we'll proceed. When you graduate from
23 law school you never know what you're going to be

1 asked. All right. We'll proceed. On the record. We
2 have both audio and the court stenographer. We are
3 resume questioning by Mr. Felmly of Ms. Wendy Parker.
4 Please proceed, Mr. Felmly.

5 Q. Ms. Parker, what I would like to turn to now
6 is the financial condition of PLT and to start that
7 I've put in front of you our exhibit notebook which
8 has the exhibits that have been marked and the ID has
9 been struck on all of these, but I've got it turned
10 open to PLT Exhibit 3 which is in the second volume of
11 exhibits and this document that we're examining is
12 entitled Property-Liability Trust, Inc. Statement of
13 Financial Position on June 30th, 2015, so it is
14 essentially the date of the petition. With respect to
15 PLT's assets, liabilities and total net position can
16 you indicate what those numbers are based on this
17 statement of position?

18 A. So on the statement in front of me dated
19 June 30, 2015 the total net position is \$1.1 million
20 roughly.

21 Q. In terms of the components that bring us to
22 that net position, the total assets on a total basis
23 for PLT are what?

1 A. \$19.2 million.

2 Q. And the liabilities are what?

3 A. \$18.1 million.

4 Q. Now, why is it that PLT in its financial
5 statements and its financial records reflect or
6 itemize the property-liability and the workers'
7 compensation lines separately?

8 A. In 2007 when the Workers' Compensation Trust
9 merged with the Property-Liability Trust the
10 Department of Labor had a concern relative to being
11 able to see the performance of the workers'
12 compensation line and the new combined entity, so for
13 display purposes we always put out the
14 property-liability results as well as the workers'
15 compensation results and then the total picture of
16 what the organization PLT, Inc. looks like as a whole.

17 Q. So this is two lines of coverage.

18 A. That is correct.

19 PRESIDING OFFICER: Excuse me. Two lines
20 that are revealed in this exhibit, but do I still
21 understand that there's unemployment insurance?

22 MS. PARKER: Yes. There's a note on this
23 that the workers' comp line includes unemployment

1 compensation. So you are correct. We have three
2 lines of coverage, property-liability, workers'
3 compensation and unemployment, and unemployment and
4 workers' comp are combined in that one volume.

5 PRESIDING OFFICER: And that was at the
6 request or suggestion of the Department of Labor?

7 THE WITNESS: It was not at the request of
8 Department of Labor. The workers' compensation
9 breakout was they have allowed us to put the
10 unemployment compensation in there.

11 Q. And that's what the footnote and the asterisk
12 on the document conveys?

13 A. Yes.

14 PRESIDING OFFICER: If I had to obtain that
15 information, do you have that isolated in your
16 accounting at your place of business?

17 MS. PARKER: We do. I don't know sitting
18 here if I would have it for every single one of the
19 categories, but I would have it for claims, what we
20 put towards administration and things like that.

21 PRESIDING OFFICER: Thank you.

22 Q. The statement obviously reflects that the
23 property-liability assets are significantly lower than

1 the workers' compensation assets, and why is that?

2 A. As I indicated previously during my
3 testimony, the \$17.1 million payment that was made
4 came out of the funds for the Property-Liability Trust
5 component and so that's why you see those results
6 there. If you were to look at a statement prior to
7 that distribution or payment you would see that the
8 Property-Liability Trust was very well funded at that
9 point in time.

10 Q. And what about the \$519,000 payment that you
11 referenced before? What was the origin of those
12 funds?

13 A. Also out of the -- I apologize. That
14 statement was made on a pro rata basis I believe
15 between the workers' comp program and the
16 property-liability program, so you would see it split
17 between those two lines of coverage.

18 Q. But the discrepancy or the difference in
19 order of magnitude in assets between the lines is
20 again largely the result of the payments that were
21 made as a result of the administrative proceedings
22 you've been involved in?

23 A. That's correct.

1 Q. In the liability area in sort of the middle
2 of the page under Liabilities it appears that the
3 largest component of PLT's liabilities are loss fund
4 reserves. Can you describe for the Hearing Officer
5 how PLT loss fund reserves are actually calculated or
6 determined?

7 A. So those fund reserves as we previously
8 mentioned are calculated by the actuaries and so the
9 actuaries perform that calculation for us twice a
10 year, first on June 30th and then again on
11 December 31st of each year. The actuaries provide us
12 with a report as to what those reserves should be and
13 those are inputted into the financials as of that
14 date. Then the six-month period between the actuarial
15 number that's given to us and the next evaluation
16 period, there's a factor that our finance department
17 uses to adjust those reserves between payments and the
18 factor that the actuaries provide to them and that
19 gets us to the next review period where they are then
20 reallocated based on the actuarial report.

21 Q. In terms of the net position and how that's
22 calculated, that is essentially the true up at the
23 bottom between the various three columns, is that

1 right?

2 A. Yes.

3 Q. And so the total net position for the company
4 is the \$1.130 as of June 30th of 2015?

5 A. It is. And on this statement it is important
6 to point out that the adjustment in the reserves for
7 the report as of June 30th have not yet been
8 incorporated into this financial statement.

9 Q. Okay. Let me now take you to the pro forma.
10 We'll be spending quite a bit of time on this today,
11 and I would ask you to turn forward to PLT Exhibit 8
12 and that is the letter report from Towers Watson dated
13 June 29th, 2015. I would ask you to identify for the
14 record what is that document? What functionally is
15 it?

16 A. So we discussed in several instances this
17 morning the fact that the strategic plan was based on
18 a set of pro formas that have many factors in them
19 that go towards the overall development of them. The
20 letter that I'm looking at in front of me is what we
21 actually received from Towers Watson as a final
22 product once we had gone through working on all of the
23 components and making a final determination as to what

1 our selected assumptions would be for a variety of
2 items, and if you turn to Exhibit -- the top says
3 sheet 1, WC and PL. It's right after the narrative
4 format.

5 Q. So you're asking us to turn forward to after
6 the signature line ending the narrative letter. Those
7 signatures appear on page 10 of the letter and if we
8 move to the next pages, 11 and 12 in the series, is
9 that where you're focusing?

10 A. Yes.

11 Q. And after the narrative is provided sheet 1
12 and sheet 2. Why are those sheets important in trying
13 to understand the pro forma condition on a going
14 concern basis?

15 A. The sheet that you're looking at in front of
16 you that's sheet 1 is really a summary based on all of
17 the selected assumptions that go into the final work
18 product. This is where you can see the results of
19 those assumptions and how they play out over time and
20 how they affect each component that one would want to
21 look at in determining what effect the assumptions
22 have on the overall ability for the program to meet
23 its goals.

1 Q. And in terms of goals does that translate out
2 in many respects into a confidence level?

3 A. One aspect of this is you will be able to see
4 the demonstrated confidence level based on all of the
5 inputs.

6 Q. So just as a preview of coming attractions
7 here, if we go over to sheet 2 and we go down below
8 the middle of the page there's a block of numbers
9 which is the confidence level calculations. That
10 reflects the respective confidence level of this pro
11 forma on a going concern basis year by year between
12 2013 and 2021?

13 A. That's correct.

14 Q. So that is going to tell the story of this
15 plan and the expectations actuarially with all of this
16 data, and going through these categories, and
17 obviously I'll be asking Ms. Stazinski who prepared
18 this a lot about that, but that's your understanding
19 of how these sheets work together in the context of
20 this presentation?

21 A. That's correct.

22 PRESIDING OFFICER: Clarification for the
23 record. I note that this exhibit doesn't carry any

1 bates numbers. Is that because it's clean?

2 MR. FELMLY: It carries page numbers. It
3 doesn't carry bates numbers. It carries page numbers
4 up through page 10 where the signatures are and then
5 it carries sheet numbers it appears, and so the good
6 news is that the two sheets that I've just focused on
7 is where I think I'll be spending a good portion of my
8 examination.

9 PRESIDING OFFICER: That is indeed good news.

10 MR. FELMLY: Well, the bad news is I suppose
11 if you want to ask questions about the other ones, I
12 won't be as prepared, but we'll see how we do.

13 Q. So let me talk with you about some of the
14 assumptions that go into these actuarial calculations.
15 Obviously some of these assumptions come from PLT as
16 an organization, do they not?

17 A. They do.

18 Q. The report assumes certain rate increases for
19 the workers' compensation and the property-liability
20 coverage lines, is that right?

21 A. Yes.

22 Q. How did you go about coming up with the
23 calculations and assumptions that you provided?

1 A. So it's a process where you start with a set
2 of assumptions and you really have to look at how they
3 play out over time, and the reason why that's
4 important is you'll see at the very top where it says
5 Fiscal Year and then it has WC for workers' comp and
6 PL, underneath there you'll see a series of numbers.
7 Under the workers' comp column it has a plus sign and
8 then 2/5/5/3/3/3 percent, and what that's referencing
9 is the percentage of base rate increase for each of
10 the years ending in 2021, and going into the process
11 you don't necessarily know going in what is the result
12 that you will need and the rate increases that you
13 need to achieve a 90 percent outcome or a 90 percent
14 confidence level by the end of 2021, so it's a process
15 whereby we knew that one of the primary goals of this
16 plan is we needed to reach the 90 percent confidence
17 level during the selected timeframe and so we went
18 through based on making other assumptions in this pro
19 forma a calculation to determine how much
20 contributions had to increase on an overall basis each
21 of those years in order to achieve that desired
22 outcome, and at the end of the day those rate
23 increases were two years of a consecutive five percent

1 increase for workers' comp followed by three years of
2 three percent rate increases and on the PLT side it
3 would be a five percent increase each year over time.

4 Q. Now, how did those projected increases
5 compare to the historic rate increases that PLT had
6 implemented in the workers' comp and
7 property-liability lines in earlier times?

8 A. So our experience has been that over the past
9 five to six years on average we have had workers'
10 compensation rate increases of 9 percent. There was
11 one year of 10 percent, but the rest were 9 percent.
12 On the property-liability side the results have been
13 variable and so we had a couple years of 9's, some
14 5's, some 6's, some zeros, a negative 5 followed by a
15 5 percent.

16 Q. And so the projected increases that you're
17 forecasting into this plan and particularly in light
18 of your historic experience, how would you reconcile
19 or how would you describe the realism or lack of it in
20 the context of your history?

21 A. In the context of our history they would be
22 at trend or above trend. Certainly for workers'
23 compensation they will be lower than we have

1 historically put into place and for property-liability
2 they would be higher in some years and lower than
3 others but on average in the range. It is important
4 to note that part of what's involved in these rate
5 increases are the ability for us to build capital so
6 that we can again achieve the 90 percent confidence
7 level, so these are not prices at what you would call
8 break even. They are to cover claims and
9 administration plus allow for some rebuilding of
10 capital.

11 Q. Now, in terms of sort of the bottom line or
12 one of the bottom lines on sheet 2 where that series
13 of confidence level percentages are set forth, do I
14 understand that to get you back above the 90 percent
15 confidence level -- and that's the goal you're looking
16 for, by the way, to get 90?

17 A. Well, we want to get above 90 percent. Our
18 goal is to get 90. Anything above 90 percent would
19 need to be returned to the members.

20 Q. So to get to 90 percent under the plan and
21 the pro forma that we're working with is going to take
22 you from 2013 somewhere into late 2020 or thereabouts?

23 A. That's correct.

1 Q. And why is it going to take that long?

2 A. It's a balance. So we need to be able to
3 grow the net position in order to reach that
4 90 percent confidence level, but at the same time we
5 want to make sure that the rate increases will bear --
6 that the members will bear those types of increases.
7 So we could certainly do a very significant rate
8 increase one or two years in a row followed all by
9 basically flat increases, but that wouldn't we believe
10 maintain the membership levels and exposures as we
11 believe they need to be maintained to have this plan
12 work, so we're looking at more consistent rate
13 increases over time.

14 Q. When you say the members bear the rate
15 increase, do you mean not abandon their coverage and
16 go with a competitor?

17 A. That's right. And you're going to have some
18 natural selection. If you're in a position where you
19 can write both new coverages as well as maintain
20 coverages you will have some losses and some gains,
21 but this plan is predicated on the fact that our
22 organization as far as an exposure level stays about
23 the same as it is now going forward. We have not made

1 any adjustments for growth or significant declines and
2 exposures.

3 Q. In light of this plan, though, you're also
4 trying to sort of increase the financial stability and
5 you're not going to be in a position in this period
6 between now and 2021 to be returning surplus in all
7 likelihood to the members, are you?

8 A. We are not.

9 Q. So there are rate increases and there's
10 issues in terms of members having to understand
11 they're not going to be receiving surplus back. That
12 have to be balanced against the goals of improving the
13 financial position of the company, is that right?

14 A. That's correct.

15 Q. And you made that assessment or the Board has
16 worked with that assessment and made that balance and
17 thought through all of that?

18 A. They have. And remember, this isn't a plan
19 that we're saying, this is our plan today and we're
20 going to stick it on a shelf and not revisit. Both
21 the claims reserves as well as all the components of
22 the plan need to be continually monitored. For
23 example, if you were to lose some members you may need

1 to make other adjustment in operating costs or other
2 things that offset that adjustment, so it's a dynamic
3 plan that would need to be monitored on an ongoing
4 basis to make sure that you can account for anything
5 that either affects you positively or negatively.

6 Q. Well, on that topic, the claims reserve
7 numbers that are worked into this plan were based on
8 the numbers that were available for December 31st of
9 2014, is that correct?

10 A. That's correct.

11 Q. And if I understood you and as you've
12 testified, on two occasions during the year those are
13 updated, once at the end of the year and once on June
14 30th?

15 A. That's correct.

16 Q. So now the June 30th numbers, are they
17 available at least in a draft form for claim reserves?

18 A. Yes. They have not been approved by the
19 Board, but they are available in draft form.

20 Q. And there will come a time assuming this
21 process continues that on December 30th there would be
22 numbers that would then be available for what? The
23 more recent period?

1 A. Right. So in the spring of 2016 we will have
2 the numbers from December 31, 2015.

3 Q. And that's been the case with your
4 organization for how long? How long a period of time
5 do you sort of have claims reserves reviewed twice a
6 year?

7 A. Two years ago or a year and a half ago we
8 moved from a calendar year budget and audit to a
9 fiscal year budget, so going into June 30th, 2015 that
10 would have been the second time we would have looked
11 at them on a six-month basis, but that will need to
12 continue going forward based on our requirements with
13 the Department of Labor as well as our new fiscal
14 period.

15 Q. So I know these haven't been approved by the
16 Board, but the rough order of magnitude of the numbers
17 that you're now receiving from the June period tell
18 you what about the reserve piece?

19 A. So if you were to compare it report to report
20 the reserves have not changed much, but they will
21 change the financial statements in the amount of
22 approximately \$500,000 to \$600,000 based on the fact
23 that when we receive the report in December the

1 finance team inputs the new claim reserves numbers as
2 of that date. As I indicated, between the date of
3 that report and the next report in addition to making
4 claims payments every day or every week, that process
5 of going in and going out, we have new claims coming
6 in and old claims being settled, there's also a factor
7 that the actuaries provide to the finance team to use
8 to adjust the reserves on a monthly basis going
9 through that time period.

10 Q. So I don't understand all of that.

11 PRESIDING OFFICER: Nor do I, so let's break
12 it down a little bit.

13 Q. So there is information now available that
14 shows some change in the reserve information, and that
15 may be in what range? The \$500,000 to \$600,000 range?

16 A. The claims reserves is about \$450,000 to
17 \$500,000.

18 Q. What we're going to be interested in is what
19 implications, if any, does that have on the
20 calculations and the pro formas that are being
21 discussed in this hearing on the question of PLT's
22 financial viability?

23 A. So the changes in the reserves as we've gone

1 through them here are just one component of the claim,
2 so as we receive those reserve numbers, the other
3 process that's ongoing right now is the update of this
4 similar pro forma, the exact same pro forma but with
5 updated numbers and assumptions, so as we go through
6 and we look at the draft reserve numbers, and there
7 are some adjustments that need to be made because of
8 the factors that we're using in the financials and
9 there's also new information relative to the time we
10 set these pro formas, we were in an ongoing situation.
11 We had not committed to runout at that point from a
12 budgetary standpoint.

13 PRESIDING OFFICER: The date of those pro
14 formas that you're referring to?

15 MS. PARKER: The ones that are here in front
16 of you?

17 PRESIDING OFFICER: Ongoing.

18 MS. PARKER: Yes. So these pro formas would
19 be as if we had never adjusted our budget to go into
20 runoff, so what that means is these are pre layoffs
21 which we've gone through two layers of, pre levels of
22 reduced expenditures for links like marketing,
23 advertising, those things that are associated with an

1 ongoing operation, so we know sitting here today that
2 in fiscal year '16 we are going to have savings in the
3 budget that are not yet put into these pro formas, so
4 as we look at the drafts that are being calculated,
5 some of the adjustment factors that we've given the
6 actuaries will offset that change in claims reserves,
7 so at the end of the day as we are projecting out,
8 although I do not have the draft of the new pro formas
9 yet, I anticipate that we will see no material
10 difference between what is presented here versus the
11 net outcome of what the revised pro formas mean. And
12 how I make that determination is I look at what I
13 think is one of the positive important levels that we
14 can look at and that's the confidence level, so if I
15 can direct your attention back to sheet 2, page 2,
16 confidence levels, right now the performance in front
17 of you, we have a 90 percent confidence level
18 projected by 2021. It's my opinion that based on all
19 of the combined adjustments that are being made in the
20 pro formas that that will be a relatively similar
21 level in the updated pro formas based on June 30th,
22 2015.

23 Q. (By Mr. Felmlly) Let me go back into that and

1 see if I can make sure that it's broken down clearly.
2 In steps you've testified that the June 2015 reserve
3 numbers that are existing in draft do reflect an
4 increase for a deterioration in reserves.

5 A. So I have to make a clarification there
6 because if you look at reserve report to reserve
7 report, you are going to see that the reserves are
8 very consistent on an overall basis. It's because of
9 the modification factor that we were using on the
10 financial statements from the period of January 1,
11 2015 through June 30th, 2016 that we have reduced
12 reserves on our financial statements at a greater
13 level than the reserve reports ended being on a
14 financial statement basis because you're going to see
15 an adjustment of around four to five hundred thousand
16 in reserves increasing although when you compare the
17 two reserve reports they're going to be very steady.

18 Q. Does that mean when you look at that change,
19 whether it's five hundred or four hundred or six
20 hundred thousand or whatever that number is, that in
21 2021 at the end of the period, is that when that comes
22 into play or is it in play for the current year in
23 terms of the losses?

1 A. For the losses on the financial statements it
2 will be as of June 30th, 2015.

3 Q. Now, do I also understand you to say that
4 that calculation that was done in the pro forma
5 initially did not build into it some of the expenses
6 and things that would adjust that in terms of layoff
7 of personnel and other efficiencies you've built into
8 the business?

9 A. That's correct.

10 Q. And I think I heard you say when you augment
11 all of that and you reformat that into the pro forma
12 you don't think it's going to be a significant change.

13 A. I don't.

14 Q. The nature of this will be that same kind of
15 inquiry will happen after December and then again
16 after next June?

17 A. That's correct.

18 Q. And as you go forward at each of these
19 intervals there will be a reexamination of those
20 numbers and a reassessment as to how you're doing?

21 A. That's correct.

22 Q. Let me talk with you about another assumption
23 that goes into the plan. What are you assuming with

1 respect to PLT's membership and whether it will
2 deteriorate over the course of the next five or so
3 years?

4 A. So this plan that's in front of you indicates
5 that we expect the exposure level of the program to
6 remain consistent during the five-year timeframe, so
7 that doesn't mean that we won't have some members
8 leaving and some coming on, but really looking at the
9 exposure base we expect to be consistent, so how much
10 payroll we're covering, how much general liability
11 coverage we're providing needs to stay consistent
12 during the pro formas as they're laid out here.

13 Q. And what has been your experience with
14 respect to membership over the past five years or so?

15 A. Over the past five years we have seen a
16 decline in membership. We have seen about a
17 25 percent decline in overall numbers of groups for
18 the last five years in property-liability and about
19 35 percent in workers' comp. That's coming off
20 several years of increased membership. Part of that I
21 believe is based on all of the regulatory challenges
22 that we have been receiving, our organization merging
23 into one and coming back out, but we believe at this

1 point that will balance itself out as was evidenced on
2 the July 1, 2015 renewal.

3 Q. I'm not sure what you mean by that. What is
4 it about the July 1, 2015 renewal that gives you cause
5 for hope?

6 A. We had a 95 percent retention rate.

7 Q. Notwithstanding the regulatory issues and
8 proceedings and things that have been ongoing?

9 A. Mm-hmm.

10 Q. And notwithstanding the fact that you sent
11 out a letter in April that told people you were going
12 to stay in the runoff mode?

13 A. That's correct.

14 Q. And why do members stay with PLT or, a better
15 phrase, why are you counting on the fact that you will
16 have significant retention in the years ahead under
17 this plan?

18 A. We believe for a certain segment of the
19 public sector marketplace that they very much believe
20 in the business model that we provide. As everyone is
21 aware, there are two risk pools providing the same
22 coverages in the state of New Hampshire. We both
23 provide property-liability, workers' comp and

1 unemployment and although we both provide the same
2 underlying coverages we do that in different ways and
3 we have a different focus and for some members one may
4 be more beneficial than to another or some of the
5 things that we offer may be more important. We
6 believe we're down to a core set of members who very
7 much like the trainings and services that we provide
8 and the manner in which we provide them. As I
9 outlined earlier in my testimony, one of the things
10 that I believe we do very well is to assist with loss
11 prevention and risk management activities. We do that
12 primarily on site at the member's location and we do a
13 lot of consulting services where they're not only
14 signing up for this training or going through this
15 program, but it's assisting them with the day-to-day
16 activities or challenges that they're faced with and
17 don't have the expertise on staff to deal with, so
18 we're really an extension of their risk management
19 team in essence, and so we think that's a large part
20 as to why that's important. We also believe that the
21 rate increases based on the experience of our Board
22 and in discussions with our members will be
23 reasonable. We also believe that we have a very

1 seasoned claims staff both on the property casualty
2 side and on the workers' comp side that is very much
3 in tune with how to handle those cases, and members
4 have come to rely on that expertise to walk them
5 through it when they do find themselves sitting in
6 either an adversarial court situation or facing
7 lawsuits.

8 Q. The actuarial consultants for the BSR have
9 raised the concern, and you've read the materials,
10 that there's a principle or a doctrine of sort of
11 adverse selection that can apply where you lose the
12 members you can least afford to lose because they're
13 the ones that have the lowest claims experience and
14 the like and that in situations where you are raising
15 rates in particular, you can end up hanging on to the
16 folks that don't have as much ability to move their
17 line of coverage in the marketplace. That's a concept
18 I gather you understand and have thought about.

19 A. Yes.

20 Q. I mean, if you raise rates aggressively you
21 run the risk of not just losing members but losing the
22 ones that would be most favorable from the point of
23 view of your loss experience.

1 A. That's something you always have to consider.

2 Q. So how has that been examined or considered
3 in the face of this plan? Is that something that you
4 think is reflected as a real risk here or what's your
5 assessment and the views of the people who have helped
6 to put this together?

7 A. So that's something that we had actually
8 asked the actuaries to take a look at. So Towers
9 Watson has looked at the membership that we've lost in
10 comparison to the membership that we've retained and
11 how that looks and what they have determined on an
12 overall basis, and I'm sure they could give more
13 details, is that we have not seen a deterioration in
14 either our loss costs or the loss ratio between those
15 members that remain and all of the members we had
16 previously.

17 Q. So if we look at the exhibit that has been
18 provided as Exhibit 14 and then as Exhibit 15, are
19 these tables or graphs, in effect, that examine or
20 endeavor to examine that comparison between the WC or
21 the workers' comp membership and the question of how
22 loss experience is comparatively reflected and whether
23 there seems to be that discrepancy?

1 A. Yes, in tabs 14 and 15.

2 Q. So that information is in a graphic
3 presentation you believe and that has been compared
4 with your actuaries, and Ms. Stazinski can testify
5 more about that, but you are familiar with what those
6 portray?

7 A. Yes.

8 Q. So let me move, then, to what is one of the
9 most important things I've asked you which is putting
10 all of the things together, all the factors and the
11 ratios and the loss reserve information and how you're
12 dealing with your market and members and the like and
13 as the Executive Director, what are the principal
14 reasons that cause you to represent with the filing of
15 this petition that you believe PLT is sufficiently
16 financially viable to stay in existence as a going
17 concern and to continue to write coverage?

18 A. So as the Board and staff looked to put this
19 presentation together and support the filing, it
20 really is a matter of being flexible as you go through
21 the time period, so we have selected a set of
22 assumptions that we believe today to be valid
23 assumptions that we can maintain during the projection

1 period. What will be critical though during that
2 period is to continually evaluate and adjust if things
3 happen that you cannot predict, and so the one thing
4 that I can say sitting here today is if I were sitting
5 here five years from now and the plan will not have
6 worked out exactly the way it has been presented
7 today, because we are going to have fluctuations
8 whether it be things we have control over like our own
9 expenses, positive or negative, or things like
10 reinsurance costs which are, you know, storms like the
11 one that just hit Charleston, South Carolina, those
12 are certainly not beneficial to the overall cost of
13 the industry and whether that will address New
14 Hampshire or not I don't know, time will tell, but it
15 is going to take a lot of concerted effort to manage
16 that process and we believe that over the past year
17 we've been able to put in the building blocks
18 necessary and have the staff remaining, the ten of us
19 that are together, committed to making sure that the
20 program works.

21 Q. In terms of the way you are presenting the
22 pro formas, I want to talk with you again about the
23 two different lines -- it's actually three but for

1 purposes of the pro forma we can combine the
2 unemployment -- and I want to talk about that issue of
3 the property-liability line and then the workers' comp
4 line and the differences there. Are you familiar
5 based on your career and your experience with the
6 national organization and with other risk pools as to
7 how common or whether it is common to have multiple
8 lines of coverage within one risk pool?

9 A. It is quite common according to AGRIP.

10 Q. What does the acronym AGRIP stand for?

11 A. The Association of Governmental Risk Pools.

12 Q. And just as a further digression, what is
13 that organization?

14 A. It's a national association of risk pools.

15 Q. And they published some data?

16 A. Yes.

17 Q. What did they say about the prevalence of
18 multiple lines among one risk pool?

19 A. They estimate that there are about five
20 hundred risk pools throughout the country offering a
21 variety of coverage and it's estimated that 45 percent
22 of those risk pools offer two or more lines of
23 coverage.

1 Q. And you do that?

2 A. We do.

3 Q. And are there advantages from your
4 perspective for PLT having multiple lines?

5 A. Yes, I do believe there are advantages to
6 doing that for Property-Liability Trust. I've spent a
7 lot of time today talking about training, and when you
8 are able to have loss prevention and training
9 activities that span multiple coverages you are able
10 to keep the costs down for both coverages. You're not
11 repeating the entire staffing for very similar topics
12 oftentimes when you're comparing workers' comp and
13 property-liability coverages. You're also able to
14 share claims support staff. You're also able to use
15 the same underwriting and coverage staff. So there
16 are efficiencies in being able to have multiple
17 coverage lines in one risk pool.

18 Q. One of the provisions of the petition
19 discusses the proposal to, in effect, my words, sort
20 of transfer the concern between the two lines that the
21 BSR had raised by having monies, in effect, sort of
22 paid back from one line to the other, and what I would
23 like you to do is explain what that proposal was and

1 why it was put into the plan.

2 A. So one of the themes that came through the
3 objection to our first petition was the use of funds
4 from one coverage line to another, so as we looked to
5 be as responsive as we could to their concerns, since
6 the \$17.1 million payment came out on the PL side of
7 the ledger and there seemed to be concerns relative to
8 sharing that, we thought it may be beneficial to
9 develop a mechanism to track financially a repayment
10 of the \$17.1 million from the workers' comp line to
11 the PL line, so that was developed and put into place
12 in the final petition that was put forth for PL.

13 Q. And is that plan or that element of the plan
14 essential to the viability of this proposal or why was
15 it inserted?

16 A. We inserted it to try to meet the concerns
17 that were raised by our regulator. To us we look at
18 PLT as one organization, so if you look at the pro
19 formas again, although we show PL separate for
20 performance purposes, at the end of the day the
21 results of the entire organization are how we measure
22 the confidence levels and the provision that we have a
23 viable plan moving forward.

1 Q. Let me move to just a couple of last things
2 here. I want to talk about your leased premises.
3 About how many feet does PLT occupy in the Triangle
4 building?

5 A. About 2,200 square feet.

6 Q. And the rent amount that PLT pays is how
7 much?

8 A. \$12 per square foot.

9 Q. Have you looked at or are you generally
10 familiar with the rates for available properties that
11 you think would be comparable to what PLT occupies?

12 A. I've looked for something to see if we needed
13 to relocate, to see what office space would cost, and
14 there is comparable office space in the Concord area
15 for \$12 per square foot. There's also a property that
16 is available at 14 that's been vacant for a long time
17 that would be negotiable.

18 Q. If your landlord at Triangle significantly
19 increased the rate above the 12, what would be the
20 response of PLT?

21 A. I'm sure the Board would have me look at
22 alternatives to determine if the cost increase was
23 worth staying in our current location or if we should

1 consider moving to an alternative location.

2 Q. And just going back to some of the -- you're
3 mindful that there's another expert that's been
4 retained by the BSR, an accountant, and he makes
5 comments about the relationship between HealthTrust
6 and PLT. Have you read his report?

7 A. Yes, I have.

8 Q. And he goes through an analysis of the
9 separateness or lack of separateness. I just want to
10 ask you about some of the factual representations that
11 he's made. With respect to your claims process or
12 your underwriting process or actually servicing claims
13 in the field, is HealthTrust or its staff involved in
14 any material way in the operation?

15 A. No.

16 Q. The HealthTrust interaction is administrative
17 or more back office assistance and help, is that
18 right?

19 A. It does act as our finance department, so
20 from a payment standpoint they are involved. We also
21 use IT services, HR services, marketing,
22 communication, finance, risk control and member
23 services.

1 PRESIDING OFFICER: Go down that list again
2 for me.

3 MS. PARKER: IT services, HR services,
4 marketing, communication, finance, risk control and
5 member services.

6 Q. And under the services agreement there are
7 payments that are made for those benefits or services,
8 is that correct?

9 A. There are.

10 Q. And that's the information that Mr. Coutu in
11 his liaison role carefully studied and examined?

12 A. Yes.

13 Q. Your position in the pro forma in the going
14 forward position, is it contemplated that you will be
15 working for both PLT and HT on sort of a shared basis
16 or not?

17 A. On the ongoing pro forma it is not
18 contemplated that I will continue splitting my time
19 between PLT and HealthTrust.

20 Q. So the proposal before us based on the belief
21 of financial viability projects that you would be
22 dedicated a hundred percent to PLT?

23 A. Yes.

1 Q. Are there any other changes to the service
2 agreement that would be contemplated in the going
3 forward pro forma projection? Are there any other
4 situations that would be likely altered from their
5 current configuration in the runoff?

6 A. It is also the plan not to continue with
7 member relation services or communication services.

8 Q. So they would be what? Dedicated to PLT?

9 A. We would hire our own staff so they would be
10 a hundred percent dedicated to PLT and be PLT
11 employees.

12 PRESIDING OFFICER: What is the exhibit
13 number again of the pro forma dated June 30, 2015?

14 MR. FELMLY: Exhibit Number 8.

15 PRESIDING OFFICER: Is that the document that
16 you're referring to in answering his questions right
17 now?

18 MS. PARKER: Regarding the operating costs,
19 yes.

20 PRESIDING OFFICER: What exhibit do I follow
21 to look at your description?

22 MS. PARKER: I don't believe there would be
23 one.

1 PRESIDING OFFICER: Okay. Let me check for
2 an exhibit. Perhaps you already know it, Mr. Felmly.

3 MR. FELMLY: It's the exhibit that is the
4 June 30, 2015 pro forma that I just referenced.

5 PRESIDING OFFICER: Is that in evidence yet?
6 Well, it's in evidence, but can you direct me to it?

7 MR. FELMLY: Well, Exhibit 8 is the going
8 forward pro forma. It bears a date of June 29, 2015
9 and that's the pro forma that we've been working with
10 and will be working with when Ms. Stazinski testifies.

11 PRESIDING OFFICER: Okay. I'm going to try
12 to stay with you here. What page number in Exhibit 10
13 is that? I'm sorry. Exhibit 8.

14 MR. FELMLY: As I explained before, it has
15 ten pages of text that are numbered and then it has
16 numbered sheets that bear different references on
17 them. Sheets 1 and 2 which would be the 11th and 12th
18 page in the packet but they're not numbered that way,
19 those are the ones we were referencing earlier.

20 PRESIDING OFFICER: Let's go off the record
21 so I can clean up the exhibit situation.

22 (Discussion held off the record.)

23 PRESIDING OFFICER: In your estimation, Ms.

1 Parker, do you think it's going to be helpful to me in
2 following your testimony with respect to how
3 particular categories are projected to be changed?

4 MS. PARKER: I don't think this is going to
5 demonstrate that for you.

6 PRESIDING OFFICER: Your testimony is there's
7 no exhibit that's going to exhibit what you're about
8 to say?

9 MS. PARKER: Not that's here, no.

10 PRESIDING OFFICER: Is there something else?

11 MS. PARKER: We have a draft budget that
12 would support the new numbers going forth in the pro
13 forma, but that draft pro forma has not been
14 completed, so I don't have copies of that yet.

15 PRESIDING OFFICER: But there's a draft
16 budget that you people have gotten together?

17 MS. PARKER: Yes, there is.

18 PRESIDING OFFICER: So you're describing
19 actions that would be reflected in those numbers?

20 MS. PARKER: Yes.

21 PRESIDING OFFICER: Thank you. Go ahead.

22 Q. (By Mr. Felmly) So just to put a period on
23 that, the intention to make changes in this going

1 forward petition if it is approved, it is contemplated
2 that you're going to be going full-time and some of
3 the other services that are currently in the services
4 agreement are going to be shifted to outside sources
5 or somebody other than HealthTrust, is that right?

6 A. That's correct.

7 Q. Why during the period of runoff did you not
8 move away from the services agreement and do this
9 stuff yourself?

10 A. During a runoff period it's hard enough to
11 maintain the current staff that you have because each
12 of the ten staff that work with me in
13 Property-Liability Trust know their potential layoff
14 dates, so if we were to take on any additional
15 services and try to do that with additional staff, it
16 would be very hard to recruit them given the fact that
17 we're going out of business, and at this point because
18 of the current services agreement and the fact that
19 our termination date is June 30, 2016 which is not
20 that far away, it made sense to outsource those to
21 HealthTrust who is already doing those.

22 Q. Mr. LoGiudice also says on page 10 of his
23 report, "It is clear that the risk assessment of both

1 trusts' underwriting is done by the same department as
2 documented in the services agreement." Is that
3 accurate?

4 A. No.

5 Q. How is the underwriting of HealthTrust and
6 PLT done in fact?

7 A. HealthTrust has their underwriters on their
8 staff. PLT has an underwriting and coverage manager
9 who works with me regarding that underwriting. The
10 service agreements reference that there is a risk and
11 control officer who works with our auditor to make
12 sure we have the proper controls in place, for
13 example, to make sure the same person who has
14 authority to authorize a check to be issued isn't the
15 same person who is signing that check, so it's a risk
16 control feature, not our underwriting.

17 Q. On page 10 Mr. LoGiudice states, "PLT and
18 HealthTrust utilize the same executive assistant." Is
19 that true?

20 A. It is not.

21 Q. Who is the executive assistant for PLT?

22 A. Lisa Tillotson.

23 Q. And who is the executive assistant for

1 HealthTrust?

2 A. Barbara Olson.

3 Q. He also states and makes the statement,
4 quote, "My view here is that there is and has been no
5 intent to create two separate entities."

6 What are in fact the steps that PLT has taken
7 or is taking to operate as an independent
8 organization?

9 A. So in September of 2013 the Board hired as
10 PLT, Inc.'s Executive Director being myself in that
11 role. Although I do have some contractual obligations
12 to provide services to HealthTrust I am a PLT
13 employee. Also, for organizational purposes, as you
14 have pointed out, we have an executive assistant who
15 works with me and the Board on preparing all of the
16 packets. We have a separate personnel policy. We
17 have a separate set of employee benefits. Even though
18 we utilize a contracted service from the HR department
19 at HealthTrust we look at all of the policies and
20 procedures separately and act as an independent
21 organization.

22 Q. And as you go forward under this pro forma is
23 that independence projected to become even more strong

1 and separate?

2 A. Yes. So as we've discussed, in the pro
3 formas going forward for July 1st of '16 my position
4 would no longer be contracted with HealthTrust nor
5 would member relations and communications functions.
6 We have not in the pro formas included any other
7 adjustments, but that is something that every time we
8 go through our analysis and updates we would look for
9 what would make the most sense for our organization.

10 Q. So one last point here. On the other side of
11 the coin, if the Hearing Officer in balancing these
12 matters determines that PLT cannot execute on this
13 plan and it stays in runoff, what's the impact on your
14 members if PLT is in that mode as opposed to the pro
15 forma plan that you put forward to stay in a going
16 concern business?

17 A. So if we are to remain in runoff, then the
18 members that we currently have for any line of
19 coverage that we have will need to seek alternative
20 coverages starting July 1, 2017.

21 Q. And in terms of the input and the reactions
22 and the information that you have been provided by
23 your members, how would you describe the importance of

1 that issue to them?

2 A. I think it's very important to them. As I
3 indicated, having choice in the marketplace I think is
4 important. I think members think that's important. I
5 think having competition in the marketplace keeps
6 rates down and makes us all perform better. I think
7 that it is also going to mean a significant difference
8 in the types of training and expertise that is
9 provided. I'm not indicating that someone else can't
10 provide it, but I believe that we have a method of
11 doing that that provides great value especially to the
12 members who have stayed with us through this process.

13 Q. And if the members have to seek new coverage,
14 when is it that they have to do that for? What's the
15 timeframe that we're dealing with?

16 A. They would have to do that for July 1, 2017.

17 MR. FELMLY: Thank you. I appreciate your
18 cooperation. I have nothing further.

19 PRESIDING OFFICER: Given the hour and
20 looking to all your faces we'll take a lunch break and
21 return at about 1:30.

22 (The luncheon recess was held.)

23 PRESIDING OFFICER: Good afternoon, ladies

1 and gentlemen. I see that Mr. Tilsley has risen and
2 can I assume that it's for the purposes of
3 cross-examination?

4 MR. TILSLEY: Yes, sir.

5 PRESIDING OFFICER: Then can I ask Ms. Parker
6 to return to the witness chair, and will I remind you
7 that you're still under oath.

8 MR. TILSLEY: In discussions with Attorney
9 Felmlly at the lunch break he's agreed that all of our
10 exhibits can come in as full exhibits as well.

11 PRESIDING OFFICER: Can you give me the
12 numbers? Exhibit 1 through what?

13 MR. TILSLEY: Through 18.

14 PRESIDING OFFICER: Okay. BSR Exhibits 1
15 through 18 are admitted without objection. Please
16 proceed.

17 FURTHER EXAMINATION

18 BY MR. TILSLEY:

19 Q. Good afternoon. Attorney Felmlly told me at
20 the lunch break that you wanted to correct something
21 that you said at the end of your testimony.

22 A. Yes.

23 Q. I think you said that members would have to

1 get new policies in 2017 and you realized you should
2 have said 2016.

3 A. Yes, it should have been July 2016.

4 Q. At the end of your direct examination you
5 were discussing the need for competition in the
6 marketplace. Do you recall that?

7 A. I do.

8 Q. There are private insurers in the
9 marketplace.

10 A. There are.

11 Q. In fact, recently the Town of Hooksett left
12 PLT to bring their property-liability to Travelers,
13 correct?

14 A. They did.

15 Q. And if I could show you briefly in the BSR
16 second book, there should be an Exhibit Number 18.
17 Exhibit 18 appears to be apparently the policy that
18 Hooksett took out for that insurance.

19 A. That's correct.

20 Q. Is it correct that the reason the Town of
21 Hooksett left PLT and went to Travelers was that
22 Travelers offered them a better price?

23 A. It's my understanding that cost was one of

1 the major factors in Hooksett deciding to leave PLT.

2 Q. Other than private insurance there's also
3 pools like you folks in the marketplace, correct?

4 A. There is another pool in New Hampshire.

5 Q. There's Travelers and there's Primex.

6 A. Correct.

7 Q. And your concern is if there's no
8 competition, Primex could charge excessive rates,
9 correct?

10 A. Part of the analysis that we had gone through
11 is to determine that we do believe that having us in
12 the marketplace as a player does help with
13 competition, yes.

14 Q. Primex is a 5-B pool, correct?

15 A. Yes.

16 Q. And their rates happen to be consistent with
17 the requirement of 5-B.

18 A. They're under the same guidelines as PLT,
19 yes.

20 Q. And if they set rates too high, they have to
21 return surplus to members.

22 A. They are required to above their surplus.

23 Q. There's certainly no profit motive to get

1 more than the marketplace and charge more simply
2 because it can, correct?

3 A. No, they are governed by a board of directors
4 just like PLT.

5 Q. I want to refer you to the exhibits you were
6 testifying about when you were getting close to the
7 end of your direct examination. Exhibit Number 8 that
8 is in Petitioners' exhibit book 2 of 2, Exhibit 8 is
9 the Towers Watson report that you were testifying
10 about from June of 2015.

11 A. Yes.

12 Q. And those pages that you had been testifying
13 about, sheet 1 and sheet 2, can you turn to those two
14 pages?

15 A. Yes.

16 Q. You have a category there for operating
17 expenses.

18 A. We do.

19 Q. What are those operating expenses?

20 A. Those are operating expenses for staff, loss
21 prevention. Those are all of the operating expenses.
22 It is net of ULAE as is indicated there.

23 Q. And what is ULAE?

1 A. Unallocated loss adjustment expense.

2 Q. Exhibit 8, the part with sheet 1 and sheet 2,
3 those two sheets, about halfway through is the
4 actuarial pro forma summary. Are the operating
5 expenses on this page of Exhibit 8 the same as the
6 operating expenses that we see in Exhibit Number 3?

7 A. No, they are not.

8 Q. How are they different?

9 A. As I indicated, there is an unallocated loss
10 adjustment expense that is not included in here
11 because when the actuaries are setting their reserve
12 numbers part of their calculation is the amount of
13 expense that it takes to run out those claim expenses,
14 so this is the difference between what's included in
15 the claim reserves and what we need to operate our
16 operation.

17 Q. So when you have operating expenses, on the
18 second page of Exhibit 3 are you saying that that
19 includes this additional category that's not in the
20 operating expenses in the Towers Watson report?

21 A. That would be our full budget, yes.

22 Q. We talked about the lease that you have for
23 the space that you use, the 2,200 square feet.

1 A. Mm-hmm.

2 Q. You pay, I think you said, \$12 a square foot
3 for that space, correct?

4 A. Yes.

5 PRESIDING OFFICER: Mr. Tilsley, I'm going to
6 ask you to slow down a little bit, please. I know
7 we've got a lot of material to get through, but I
8 don't want the court reporter going on strike or not
9 showing up tomorrow. Thank you.

10 Q. The lease is for 2,200 square feet, correct?

11 A. Yes.

12 Q. And it's \$12 per square foot?

13 A. Yes.

14 Q. And that's a gross lease, correct?

15 A. Can you explain?

16 Q. You don't pay any other expenses related to
17 the lease. You just pay the \$12 per square foot.

18 A. That's right. Utilities and things are
19 included.

20 Q. You don't pay real estate taxes.

21 A. No.

22 Q. You don't pay insurance on the building.

23 A. No.

1 Q. You don't pay for common area maintenance.

2 A. No.

3 Q. In addition to the 2,200 square feet that you
4 lease you also get some use of some other space in
5 that building, correct?

6 A. There is use of common conference rooms.

7 Q. How many conference rooms can you use?

8 A. There's multiple conference rooms in the
9 building. I don't know the exact count.

10 Q. And you don't have to pay for those
11 conference rooms anything beyond the rent that you
12 pay.

13 A. We don't, but we have rare occasion to use
14 the additional conference rooms.

15 Q. Attorney Felmly asked you some questions
16 regarding your practice of having a workers' comp line
17 and a property-liability line in the same pool. Do
18 you recall those questions?

19 A. Yes.

20 Q. And in responding to those questions you
21 testified that one of the advantages of having them in
22 one pool is that you can provide loss prevention
23 training or certain types of training activities to

1 both workers' comp and property-liability people if
2 they were in one pool, correct?

3 A. That's correct.

4 Q. Now, if you were to separate your
5 property-liability pool from your workers' comp pool
6 so that there was no crossover in terms of where the
7 monies were you could still offer those people those
8 same trainings, correct?

9 A. The question is can you separate how you
10 budget for them? You absolutely can, and we do go
11 through an allocation process where we allocate those
12 expenses to the types of coverage that they pertain
13 to.

14 Q. But you don't separate the pools. They're
15 all in one pool, correct?

16 A. Can you clarify your question?

17 Q. Sure. You don't have a separate -- think of
18 a pool. It's a hole in the ground. There's a
19 workers' comp pool and there's a property-liability
20 pool.

21 A. Yes, one entity with two lines of coverage.

22 Q. And if I buy workers' comp coverage my money
23 goes into the pool that covers property-liability

1 coverage and workers' comp.

2 A. If you're separate, yes.

3 Q. If I chose to buy the one coverage I'm in the
4 same pool with the people who buy property-liability.

5 A. Yes.

6 Q. And if the South Carolina storm hits New
7 Hampshire and claims skyrocket, my workers' comp money
8 is going to be at risk.

9 A. We do calculate out the reserves separately,
10 but when you look at the confidence level, you are
11 correct, so if that drops and there is a catastrophic
12 storm both are built in.

13 Q. And you could keep the monies separate. You
14 could have two separate pools.

15 A. You could have two separate pools.

16 Q. And you could have trainings for all that
17 type of stuff.

18 A. You could.

19 Q. What we've put up here on the board, this is
20 from the strategic plan.

21 PRESIDING OFFICER: Which exhibit is that?

22 MR. TILSLEY: This is Exhibit G to Exhibit 1
23 and it's page 19.

1 Q. We put up on the screen the strategic plan,
2 the seven core assumptions underlying the projections
3 behind your strategic plan, correct?

4 A. This is for two assumptions that were in the
5 original strategic plan.

6 Q. And these are the seven core assumptions that
7 lead PLT to seek to continue to write policies.

8 A. They are the assumptions included in the
9 original plan. They have since been updated in the
10 two addendums.

11 Q. And in the first of the seven assumptions
12 current members are maintained during the projection
13 period, so you're projecting that you will retain your
14 membership, correct?

15 A. We did, and in updates to the addendums after
16 that we have moved from members to exposures, but this
17 one is members, yes.

18 Q. You don't include any new members. You
19 anticipate approval with a sufficient lead time for
20 new writings in the pool year starting July 1st, 2015.
21 That's not going to happen, correct?

22 A. We've already gone past that date and many of
23 our groups are going out to bid for coverage and in

1 fact because we have been operating in runout mode we
2 have provided them with all that took place that they
3 need to go out to bid.

4 Q. You talked about rate increases. Initially
5 property-liability was 5 percent annually and workers'
6 comp was 3 percent annually.

7 A. That's correct.

8 Q. And that's since gone up a little bit.

9 A. It has. Workers' comp went to 5 percent
10 followed by three years of 3 percent.

11 Q. Operating expenses will be tightly managed to
12 not exceed an expense ratio of 30 percent.

13 A. Correct.

14 Q. Maintaining a combined ratio of less than 100
15 percent.

16 A. That was the initial assumption.

17 Q. And timely release of pledged securities in
18 excess of 120 percent of workers' comp reserves by the
19 DOL.

20 A. And that was accurate at the time this
21 strategic plan was put together.

22 Q. And that has not happened.

23 A. Correct, but that assumption has changed so

1 that it's no longer necessary.

2 Q. I want to focus on -- I know you said it's
3 changed, but you said the issue of current members
4 being maintained has now changed to exposures. What's
5 an exposure?

6 A. An exposure is the amount of payroll that's
7 covered, the amount of buildings, the amount of
8 property that's covered.

9 Q. And as I understand it, that's more important
10 than the number of members because, for example, the
11 workers' comp, the amount of payroll being covered
12 results in the amount of premiums that you receive.

13 A. Right. So the reason that we went from
14 exposures is --you're absolutely right. The amount of
15 contribution coming in the door is consistent during
16 the plan. If you have one or two members that are
17 very small and have a very low payroll, that would
18 have a different impact than if you lost a medium size
19 member or a large member who had a significant
20 payroll.

21 Q. So right now the plan is to focus on keeping
22 the exposures steady, not the number of members
23 steady.

1 A. That is correct.

2 Q. So if we change that first one to current
3 exposures are maintained, that would be accurate?

4 A. It would.

5 Q. You did not do any kind of marketing study to
6 determine whether or not your members would support
7 the rate increases that you proposed, correct?

8 A. No, there was no formal market study done.
9 However, in discussions with Board members, and it was
10 a lengthy discussion at the Board level regarding
11 those rate increases, as you know, the Board members
12 are members from our local governments and also in
13 discussions with members we had done some testing of
14 those assumptions, but we have not done any type of
15 formal market study.

16 Q. And these are all assumptions that you passed
17 on to Towers Watson and you asked them to assume these
18 things when they did their report, correct?

19 A. That is correct.

20 Q. Towers Watson did not make any determination
21 as to whether or not these assumptions were reasonable
22 or viable or any of that type of stuff.

23 A. They did not.

1 Q. They took your assumptions and they ran with
2 them, correct?

3 A. Yes.

4 Q. And you have not had any third party verify
5 the feasibility of any of these assumptions.

6 A. Not a third party. These are assumptions
7 that the Board has gone through and that staff has
8 gone through, but we have not had an independent party
9 go through those assumptions.

10 Q. Now, you did discuss in your testimony that
11 as a result of the recent increases you had a decline
12 in membership, correct?

13 A. We had a 5 percent decline in members.

14 Q. I think you said 25 percent. I think you
15 said over a seven-year period. I heard you testify
16 that 25 percent of the property-liability group and
17 35 percent of the workers' comp group.

18 A. So the 5 percent that I referenced, my first
19 answer was as of July 1, 2015, you are correct, with
20 the numbers that I spoke of earlier over a five-year
21 period.

22 Q. And in terms of the 25 percent of members you
23 lost over the five-year period in property-liability,

1 what percentage of your exposure did you lose?

2 A. I don't know the answer to that sitting here.
3 I could calculate it, but I don't know that sitting
4 here.

5 Q. Do you believe it's higher or lower?

6 A. I have no idea.

7 Q. Do you know the number in terms of workers'
8 comp?

9 A. No.

10 Q. You would agree with me that your
11 determination of what your loss calculation should be
12 should focus on exposure and not on the number of
13 members.

14 A. And it does on the pro formas because as of
15 the time these pro formas were already put in we
16 already had these membership losses, so they were
17 taken into account in the pro formas.

18 Q. And you had rate increases during this period
19 where you lost all of these members.

20 A. In both lines of coverage there were years
21 where PLT's rate increases were zero percent, but in
22 workers' comp they were consistently 9 or 10 percent
23 in one year.

1 Q. You also mentioned the 5 percent number.

2 Now, that comes from what time period?

3 A. That was effective June 30th, 2015.

4 Q. So --

5 A. We've had one renewal, so that was the number
6 of members that cancelled as of that date.

7 Q. And that 5 percent loss of members, how does
8 that equate to an exposure loss?

9 A. We're still calculating all of that out. I
10 don't know that sitting here.

11 Q. Despite these losses you're still projecting
12 that exposures will stay the same going forward, that
13 you're not going to lose additional exposures.

14 A. They have been updated, so we did this
15 addendum that you're pointing to where we knew what
16 the exposures were. We then moved forward to June
17 30th and we're currently updating those for June 30,
18 2015.

19 Q. Now, the reason you've been losing members is
20 cost, correct?

21 A. That's part of the reason.

22 Q. We have as Exhibit 17 to the Bureau's binder
23 2 -- are you there?

1 A. Yes.

2 Q. We have the cancellation forms that we were
3 provided in discovery for the July 2014 time period.
4 Do those appear to be the cancellations you received
5 for that time period?

6 A. Yes.

7 Q. And would you agree that to the extent that
8 any reason is given on these forms for somebody
9 changing their coverages it's given as price or cost?

10 A. Yes.

11 Q. There's nobody here who gives regulatory
12 uncertainty as a reason for switching companies.

13 A. Price has certainly been the major factor as
14 to why they cancel. Uncertainty also comes up but has
15 not been the driving force.

16 Q. Now, I want to make sure I understand this.
17 You testified earlier about a five to six hundred
18 thousand dollar change. I think it's from the
19 original strategic plan to the subsequent version.

20 A. So that's referencing when you look at the
21 new reserve figures that are in draft form as of
22 6-30-15 and you compare them to what will happen on
23 the financial statements based on the factor that was

1 used from January 1, 2015 through June 30, 2015 there
2 will be an adjustment of about that much on the bottom
3 line based on the reserve changes.

4 Q. And there's going to be less reserves for
5 that year, correct?

6 A. Right now we have reserves that -- do you
7 have a current financial that I can look at?

8 Q. You've got all the exhibits in front of you.
9 Exhibit 3 is the one that we've seen.

10 A. Yeah. So if you're looking at Exhibit 3, the
11 number that's going to change and is going to increase
12 is the loss fund reserves line, so if you look at that
13 line where it is currently, \$16.7 million, that is
14 going to have an adjustment.

15 Q. Up or down?

16 A. Up.

17 Q. So there will be more in reserves?

18 A. On the financial statements. If you were
19 comparing the actual levels assumed by the actuaries
20 between the December 31st report and the June 30th
21 report, you're going to see that they're very similar.
22 We have the same starting point of December 31st,
23 2014, but then because of the factor used by the

1 actuaries during that six months that factor resulted
2 in a reduction here that did not happen as of the end
3 of June in their reports, so it's going up.

4 Q. So what changed to get to us this reduction?

5 A. The required reserves for claims for the
6 period ending 6-30-15.

7 Q. And why was that recalculated?

8 A. It's recalculated every six months, so as I
9 indicated, we calculate that at the end of every
10 fiscal period in order to be part of the annual audit
11 and then we recalculate that amount based on 12-31 in
12 order to do the required filings under the Department
13 of Labor.

14 Q. So when you recalculate you come up with a
15 different number. What changed from the first
16 calculation to the second calculation to get you to
17 that different numbers?

18 A. There's always changes in claims that happen.
19 If you look back to the period prior to that there was
20 about a \$2 million dollar reduction in the claims
21 levels. This time there was a slight increase in
22 those claims levels. So fluctuations do happen over
23 time. It depends on the frequency. It depends on the

1 severity of claims that happen during that year.

2 Q. You talked in your testimony this morning
3 about a 90 percent confidence level as being the goal.

4 A. So that is not claims reserves.

5 Q. I understand. I'm moving on to something
6 else.

7 PRESIDING OFFICER: Try to bring the rest of
8 us with you, Mr. Tilsley.

9 Q. You testified this morning about a 90 percent
10 confidence level.

11 A. Yes. That has been the Board's target for
12 some period of time.

13 Q. And what is that?

14 A. That confidence level is an amount that is
15 set actuarially at a determined level to be the amount
16 where you are 90 percent confident you will have all
17 of the dollars you need to pay all future claims
18 obligations.

19 Q. And 90 percent confidence, is that a measure
20 of financial viability?

21 A. It is not. It's a measure of how solid your
22 claims reserves are for predicting the ability to pay
23 claims moving forward.

1 Q. And under your current plan you don't get to
2 90 percent confidence until 2021, correct?

3 A. That is correct.

4 Q. So you're well below that for the next six
5 years or five years.

6 A. That's right. It's a rebuilding time, so you
7 are absolutely correct. With all of the payments that
8 were made through PLT we are at a low confidence level
9 and it will take time to build that confidence level
10 back up to the target. There is no requirement to be
11 at 90 percent, but that is the target that the Board
12 has set.

13 Q. And if we look at Exhibit 8 and look back at
14 those two sheets, PLT book 2, Exhibit Number 8, if you
15 look at the second page, sheet number 2, we see that
16 you're projecting confidence levels in the sixties for
17 2015, 2016, 2017 and 2018, correct?

18 A. That's correct.

19 Q. And 77 percent in '19, 86 percent in '20 and
20 finally 93 percent in '21.

21 A. That's correct.

22 Q. And those numbers reflect in each year that
23 -- that number represents the percentage chance that

1 you'll be able to pay all claims.

2 A. It's the confidence that you have in your
3 ability to pay all future claims obligations.

4 Q. You were asked some questions about
5 responding to an RFP from Hanover during the period
6 where you were not supposed to be issuing new
7 policies. Do you recall that?

8 A. I do.

9 Q. Hanover ultimately left and went to Primex.

10 A. Yes.

11 Q. They did that because the price was better at
12 Primex.

13 A. They did.

14 Q. I want to talk about Mr. Coutu for a few
15 minutes. Did you ever hear him refer to himself as an
16 unpaid consultant for PLT?

17 A. Yes.

18 Q. Did he go to the PLT Board meetings?

19 A. Part of his role was to have access to the
20 Board meetings and to be able to comment at Board
21 meetings, so yes, he attended all of the Board
22 meetings and was able to ask questions and
23 participate.

1 Q. And was he attending those Board meetings as
2 the Bureau's liaison or was he attending them as an
3 uncompensated or unpaid consultant?

4 A. In my mind there was not a difference.
5 Although he might have identified himself that way, in
6 my eyes and in the Board's eye he was always the BSR
7 liaison. He might have been providing advice and his
8 business sense, but at the end of the day I never saw
9 him as being outside of his role as a liaison.

10 Q. Isn't it true that he advised you when he
11 spoke at Board meetings to put in the meetings that he
12 was not a representative of the BSR but was speaking
13 as an uncompensated financial advisor?

14 A. He did characterize himself that way.

15 Q. And he told you to put that in the minutes?

16 A. Yes.

17 Q. And you saw to it that it was put into the
18 minutes?

19 A. We did reflect that in the minutes at his
20 request.

21 Q. April 15, 2015, that was the day that PLT
22 decided to pull the first petition, correct?

23 A. April 15th?

1 Q. Correct.

2 A. That's the day of the member letter, yes.

3 Q. The member letter went out saying you decided
4 to withdraw the petition, we're going into runoff, we
5 did the best we could, here we are, correct?

6 A. That's correct.

7 Q. At that time didn't Mr. Coutu suggest to you
8 that PLT could start another risk pool?

9 A. There was an email that Mr. Coutu sent
10 regarding that. It simply was received and discarded.
11 There was no further action.

12 Q. He made that suggestion and indicated that he
13 might even be willing to run that for a year for you.

14 A. He did mention to us that he would be willing
15 to run it for a year. He did mention the concept.

16 Q. So he did mention in the email that he would
17 consider running it for a year.

18 A. He did. Considering the length of Mr.
19 Coutu's emails I did not always get through all of the
20 e-mails.

21 Q. I'm going to show you an email. This is not
22 an exhibit. It dated April 15, 2015 from Mr. Coutu to
23 you and he cc'd Attorney Closson on it and he

1 suggests, as you testified, the possibility of what he
2 calls a long shot possibility of a new risk pool,
3 correct?

4 A. That is in there, yes.

5 Q. And he indicates to you that he may be
6 willing to lead this effort through the approval
7 process for an initial period of perhaps twelve months
8 and then peel away.

9 A. You are accurate that it is in there. I did
10 not read that.

11 Q. Our Exhibit 14, so this would be in the BSR
12 book 2 of 2, it's the same book that had the Hooksett
13 stuff in it...

14 A. Yep. Which section?

15 Q. 14, and I'll represent to you this is our
16 compendium of emails back and forth between the
17 various players in this case. I want to refer you to,
18 and the page numbers, as you can see the bates stamps,
19 are down at the bottom right, in Exhibit 14 there
20 should be a page 4808. Did you find that?

21 A. I did. I'm reading it now.

22 Q. As soon as you're ready.

23 A. Okay.

1 Q. In that email Mr. Coutu discusses with you --
2 there's a discussion there regarding the reason why
3 the March petition was pulled, correct?

4 A. I see that this email is not to me, but I see
5 that that is the discussion there.

6 Q. And in there Mr. Coutu indicates that the BSR
7 objects is one reason, correct?

8 A. Yes.

9 Q. The Hearings Officer is another reason.

10 A. That's apparently his interpretation.

11 Q. And the DOL conditions.

12 A. There were no DOL conditions at that point
13 that were conclusive one way or another, so no.

14 Q. So you don't agree with him on that
15 particular point?

16 A. I do not.

17 Q. Page 3541 of the same exhibit, are you there?

18 A. I am.

19 Q. At the top of that is an email from you to
20 Mr. Coutu, correct?

21 A. Yes.

22 Q. And you indicate in that email to him that
23 his efforts have been well beyond his role of being a

1 liaison, correct?

2 A. That is the statement, and the reason for
3 that statement is he provided a lot of guidance to us
4 on how to look at financial things differently which I
5 do think was helpful in the spirit of his liaison role
6 which was expanded to really help assist us in what we
7 needed to learn to look at the financial assumptions.

8 Q. Moving to a different topic, one of the
9 things you testified to this morning was that the
10 reason you filed this petition at the end of June was
11 because member support was outpouring asking you to do
12 that, correct?

13 A. That played a large role, yes.

14 Q. And you provided letters from members as part
15 of the petition to show how committed they were to
16 having PLT stay in business.

17 A. Yes, we had a lot of members asking what they
18 could do, so we did do a call to action to ask if they
19 could write a letter of support and we did have
20 members do that.

21 Q. You didn't tell those members you were
22 planning to raise rates before they did that, correct?

23 A. No, we didn't share the details of that plan

1 with them prior to asking for those letters.

2 Q. And you didn't share that rate information
3 until we all arrived here, at least with the public,
4 until we arrived here today, correct?

5 A. That is correct.

6 Q. You were asked this morning about I think
7 these monthly meetings that you attended with the
8 Bureau.

9 A. Yes.

10 Q. Mr. Coutu would be there and Mr. Glennon
11 would be there.

12 A. Yes.

13 Q. And you testified that the Bureau did not
14 express any concerns with the strategic plan, is that
15 accurate?

16 A. That is not accurate. When we went through
17 the discussions relative to the strategic plan we had
18 a discussion of the strategic plan. We presented
19 that. There were occasions where Barry indicated to
20 me directly that he was concerned with the viability
21 of the plan. There were no specifics shared, but he
22 certainly discussed his lack of comfort with the
23 overall plan and the low confidence levels that the

1 plan would have through the process. He was not
2 specific as to what we could do to remedy that nor did
3 he articulate specific ways on how to fix that.

4 Q. And certainly the Bureau never agreed at
5 these meetings that it was appropriate for PLT to
6 begin issuing the policies.

7 A. They did not.

8 Q. Now, as I understood your testimony this
9 morning, the process of beginning to think about the
10 strategic plan and the possibility of coming back here
11 to seek permission to write new policies began in
12 November of 2014, is that accurate?

13 A. October.

14 Q. October. Mr. Coutu began in September,
15 correct?

16 A. He did.

17 Q. And you said two of the first things he
18 worked on was the lease and the services agreement,
19 correct?

20 A. Correct.

21 Q. When he was working on those the possibility
22 of a runoff while issuing new policies was not
23 something that was on the table, correct?

1 A. I would say during the initial stages of that
2 it was on the table because in addition to looking at
3 the service agreement and the leases he was also
4 making sure he understood the financial statements,
5 how we went about that, what the actuarial reports
6 looked like and how that all tied together. Those are
7 the building blocks to that, but in earnest the
8 information didn't really start being worked on until
9 October.

10 Q. So when Mr. Coutu was looking at the lease
11 and the service agreement there was no plan in place
12 to write new policies.

13 A. No, we didn't begin the development of that
14 plan until October.

15 Q. If you still have Exhibit 14 in front of you,
16 page 3541 which is your email to Mike about him going
17 beyond his role as the liaison, below that is an email
18 from Mike to you dated February 19, 2015. Do you see
19 that?

20 A. I do.

21 Q. And he seems to be taking task with something
22 that someone named Chrisey was doing. Do you see
23 that?

1 A. I do.

2 Q. Who is Chrisey?

3 A. Chrisey is one of the actuaries that we dealt
4 with through Towers Watson.

5 Q. If we move to Petitioner's Exhibit 1H, that
6 is I guess the first addendum to the strategic plan
7 for March 2015, correct?

8 A. Excuse me. Where are you? I'm on Exhibit H,
9 but I don't know where you are.

10 Q. I'm just at the cover page right now. Let's
11 make sure we're on the same Exhibit H first.

12 A. So Exhibit H is the first addendum?

13 PRESIDING OFFICER: How about giving me a
14 title for that, Mr. Tilsley. You're at Exhibit H.

15 MR. TILSLEY: It's Petitioner's Exhibit 1,
16 Exhibit H to that exhibit. It's the addendum to the
17 strategic plan for March 2015.

18 PRESIDING OFFICER: I'm there. In the future
19 if you use a letter for an exhibit, the sub number of
20 that exhibit will be helpful if it were a numeral.
21 That way I'm not looking at two H's.

22 MR. TILSLEY: These are Petitioner's
23 exhibits.

1 PRESIDING OFFICER: Petitioner's exhibit
2 binder 1 of 2?

3 MR. TILSLEY: Exhibit 1 which is the initial
4 petition, and this is marked as Exhibit H and the tab
5 that reads Exhibit H. It's not just the letter H.

6 PRESIDING OFFICER: All right. Where is the
7 B, C, D, E, F and G in between?

8 MR. TILSLEY: I don't honestly know. I
9 believe those are parts of other exhibits before that,
10 but again, this is a PLT exhibit.

11 PRESIDING OFFICER: Please understand,
12 counsel, if you haven't reached that point yet, when I
13 address one counsel, I address all counsel. I'm just
14 saying that, you know, frustration builds, and I'm not
15 saying it's building here yet, but I've been through
16 this before many times and what I'm saying is you have
17 a witness here, a court reporter, myself and in one
18 way we're the most important people here because we
19 have to protect the record. We have to understand
20 what the record is, what people are saying, the
21 reporter has to get it down, I have to process it, and
22 so for ease of reference it is in all counsel's -- in
23 fact, it is in everyone's best interest for those of

1 you who are going to testify as experts, once they put
2 that big book in front of you, make sure that I'm not
3 looking like my normally dense self. So get us all
4 there and we'll be just fine. Thank you. That's
5 instructive. Please don't take that as anything other
6 than that. And you know, if my target was misplaced,
7 know that I don't see well either.

8 MR. FELMLY: I'm rising to take some
9 responsibility and to deflect a little bit of that off
10 of my colleague here, but I do want to explain to you,
11 we agreed, Mr. Volinsky and I, that we would mark all
12 of the Petitioner's exhibits with all of the exhibits
13 to the petition as an exhibit, and I agree that some
14 of the detailed numbers, you will notice once we got
15 past the petition we did very well with 2, 3, 4, 5 and
16 6 and I'm just trying to explain that it wasn't
17 designed to be cumbersome. It was taken from the fact
18 that we were taking a highly complicated indexed
19 document and trying to provide it as part of this
20 record.

21 PRESIDING OFFICER: Thank you, Mr. Felmly.
22 You're always a gentleman. However, sometimes things
23 that, if you will, make it easier for counsel with

1 complicated documents, you know, when you get past the
2 minus signs in the calculations and get over to the
3 other side of what that equals, it slows things down
4 over here. So now that I'm with you at the second H,
5 I see the cover sheet to the addendum which is dated
6 March 11th and I'm reading that, Ms. Parker, to be the
7 first addendum, correct?

8 MS. PARKER: It is.

9 PRESIDING OFFICER: Thank you. We're all set
10 to go forward.

11 Q. I'm going to refer you to page 1 and the page
12 that's marked as number 1 at the bottom of Exhibit H
13 to Exhibit 1. Are you there?

14 A. Yes.

15 Q. The second to last paragraph talks about net
16 contributions for the fiscal year 2015 and fiscal year
17 2016 being overstated by approximately \$610,000 for
18 year '15 and \$611,000 for the next year, correct?

19 A. Correct.

20 Q. Is this a different issue than the five
21 hundred thousand we talked about a few minutes ago?

22 A. Yes.

23 Q. Then I'm confused because I just don't get

1 it.

2 A. I can explain.

3 PRESIDING OFFICER: I would like to hear the
4 explanation, Ms. Parker. You opened it up.

5 MS. PARKER: The net contributions that are
6 here, as we had the membership deterioration that
7 happened as of July 1, there's a process that we
8 needed to then go through in providing to the
9 actuaries updated reports that showed all the exposure
10 changes, all the contribution changes, and you can
11 imagine during this time period working both with the
12 BSR liaison and our own staff going through many, many
13 iterations of this, we did not reduce contributions by
14 enough in those two years during the initial strategic
15 plan and so as we went through revising the numbers
16 double-checking all the figures as we did, this was
17 identified, and we wanted to make sure that was
18 identified and corrected in the addendum moving
19 forward.

20 Q. So basically you had some late cancellations
21 for the July 1st, 2014 period?

22 A. They were not late cancellations. They were
23 cancellations that happened and we did not capture

1 them in the report that we then sent to the actuaries
2 on a timely basis.

3 Q. This says, "This overstatement was the result
4 of late cancellations..."

5 A. So late meaning that they were happening
6 prior to the effective date. It wasn't like they
7 cancelled after the fact which is what I was referring
8 to in my answer. They weren't late. They were timely
9 cancellations that were not done at the typical
10 timeframe when we would usually catch them in the
11 reports. It was an oversight is what it boils down
12 to.

13 Q. Would last minute cancellations be a better
14 phrase?

15 A. Yes, it would.

16 Q. And as a result contributions went down
17 \$610,000 for each of those two years because there
18 were fewer members, correct?

19 A. From the initial strategic plan calculations
20 to this addendum, yes.

21 Q. And because the continuing operations
22 scenario runs with the same membership for five or six
23 years, you now had to take these contributions out for

1 that entire time period, right?

2 A. We did. That is exactly how it happened. So
3 anything that happens in the current period, that
4 becomes your base in which you are projecting for your
5 future projection period.

6 Q. So the end result over the projection period
7 was a loss of \$3.7 million in contributions?

8 A. That's correct.

9 Q. I want to turn to the second addendum which
10 is going to be in Exhibit I in PLT book 2 which is the
11 very first document.

12 PRESIDING OFFICER: I'm even ahead of you on
13 that one, Mr. Tilsley.

14 MR. TILSLEY: Good.

15 Q. And I would refer you to the page marked 5 at
16 the bottom. Are you there?

17 A. Yes.

18 Q. Now, this is an addendum from the original
19 that was in March. The original strategic plan was in
20 March, correct?

21 A. The original strategic plan was in December
22 and then the addendum was in March.

23 Q. And the second addendum was on June 30th.

1 A. That's correct.

2 Q. So this reflects changes from the end of
3 March 30th to June 30th, correct?

4 A. Yes.

5 Q. And in the first paragraph we have a
6 paragraph regarding members, correct?

7 A. Yes.

8 Q. And you are reflecting during that three
9 month period a loss of 16 members, is that correct?

10 A. I just want to read the entire paragraph.

11 Q. Sure.

12 A. (Reviewing referenced paragraph.) Yes, those
13 were the notifications that were received in May for
14 cancellations for July 1st.

15 Q. Is that the 5 percent membership loss you
16 talked about earlier?

17 A. Yes, it is.

18 Q. So in this second addendum you're still
19 talking about loss of members and not loss of
20 exposure, correct?

21 A. We are.

22 Q. You took issue a little bit on the initial
23 strategic plan where it says current members are

1 maintained during the projection period and said that
2 that had been amended to refer to current exposures.

3 A. In the pro formas that we're updating right
4 now we're focused on exposures. Here we do reference
5 in all of the strategic plans that you have right now
6 loss of members.

7 Q. So these strategic plans that are in evidence
8 don't reference loss of exposures? They reference
9 loss of members?

10 A. Right. And again, talking about
11 interpretation, members do equal exposure loss,
12 especially in a runout. You're going to continue to
13 see that kind of deterioration. Hopefully you're able
14 to add some, but in all of the documentation that you
15 have in front of you we do reference member loss.

16 Q. The increases that you're projecting
17 currently is 8 percent for property-liability and then
18 it goes to 5 percent, correct?

19 A. 8 percent has already been implemented, so
20 the 5 percent is prospectively going forward.

21 Q. And then workers' comp is going to be at 5
22 percent and then go to 3 percent.

23 A. That's correct.

1 Q. Now, if you take workers' comp as a
2 standalone pool workers' comp doesn't need this
3 particular rate increase, correct?

4 A. You are correct. That part of the rate
5 increase is we're looking at the entity as a whole in
6 order to built up the confidence level, so we're
7 looking at rate increases from both coverages that
8 will help replace the confidence level reserves or
9 rebuild that net position.

10 Q. And if we look at the two pools separately,
11 it's the property-liability pool that needs the help.

12 A. It needs the help because it's the one that
13 made the \$17.1 million payment, yes.

14 Q. So you're going to increase workers' comp
15 rates to help build the property-liability pool back
16 up?

17 A. We are increasing both rates in order to
18 build up the joint confidence level that is required
19 for the pool.

20 Q. If we go back to my Exhibit 14, so our binder
21 2 of 2, these are the emails, so I want to get you to
22 page 3484. Are you there?

23 A. Yes.

1 Q. If you want to read that first email, that
2 would be helpful.

3 A. The top portion?

4 Q. The top portion, yes.

5 A. (Reviewing top portion of referenced email.)

6 Q. Now, that's an email from you to Mr. Coutu
7 and Mr. Tsiopras?

8 A. To George and Mike.

9 Q. And you are forwarding to Mr. Coutu and Mr.
10 Tsiopras an email that you got from Chrisey or a piece
11 of an email that you got from Chrisey at Towers
12 Watson, correct?

13 A. An email, yes.

14 Q. And in the email she explains, "We don't
15 "need" rate in WC, we are just taking it to help out
16 PL which needs more than a 5 percent rate change."

17 A. So again, looking at it in full context, what
18 we are charging for workers' comp in these scenarios
19 does get to a point where I would use, my terminology,
20 an above break even as you are gathering extra data
21 through the process in order to help build your
22 confidence levels because of the rate levels that are
23 needed and can be applicable in property-liability, so

1 it is a sharing. So you are not wrong in your concept
2 of providing rate increases for both coverages that
3 may be equal to or more expansive than are needed for
4 most coverages in order to keep building up the joint
5 confidence levels.

6 Q. Now, you don't tell members this information
7 regarding the rate increases, correct?

8 A. We have public hearings where we go through
9 the rate increases and talk about what goes into them
10 and how they are derived through that process.

11 Q. And at the public hearing do you discuss the
12 fact that workers' comp doesn't need the current rate
13 increase that's being proposed, but it's needed for
14 the overall health of the pool?

15 A. So the rates in the pro formas that we're
16 doing, because they're not in effect yet, we have not
17 had a public hearing on these rates, so the last
18 public hearing we would have had would have been back
19 in 2013 when we were setting the two-year rate plan
20 for these coverages.

21 Q. Now, you have members who are only in the
22 workers' comp pool, correct?

23 A. There are some members who are only in

1 workers' comp. I don't remember the number. It's not
2 many.

3 Q. But there are some.

4 A. There are some.

5 Q. And if this rate proposal goes through, those
6 members will be paying premiums that will basically be
7 supporting property-liability.

8 A. They will be used to replenish the confidence
9 levels for the entire program.

10 Q. When we talked about the seven core
11 objectives, the last one is release of pledged
12 securities by DOL, and you said that that was no
13 longer a core objective. Has there been a change in
14 any of the two addendums that we have here?

15 A. I don't know that we physically wrote that
16 down, but the financial results that are in the
17 addendum do not necessitate the release of those
18 funds. We are still advocating for the release of
19 those funds because we believe it is excessive, what
20 the DOL is holding onto, but we don't need it to make
21 the pro formas work in the way they're laid out.

22 Q. So it hasn't necessarily been changed in the
23 first or second addendum because the financial

1 analysis no longer includes this assumption.

2 A. That's right, and without going through the
3 two addendums again I can't say for certain, but I
4 don't believe that we did discuss that. I can't say
5 for certain that we did discuss that, but I don't
6 believe that we did.

7 Q. You talked about withdrawing the March
8 petition, and if we go back to PLT's Exhibit 1 which
9 is the petition, the exhibit marked Exhibit D, this
10 Exhibit D is basically the outpouring from your
11 members saying, please stay in business, please get
12 permission to write new policies.

13 A. These are the written outpourings from our
14 members. Certainly there were many conversations that
15 happened between Board members and members, staffing
16 members, but this is the documentation that we
17 received as a result of the communication that we put
18 out to members.

19 Q. And the exhibit previous to this -- I'm
20 sorry, sir. Are you there?

21 PRESIDING OFFICER: I'm there.

22 Q. The exhibit previous is Exhibit C. Again,
23 this is Exhibit C in Exhibit 1. That's the April 15th

1 letter that you wrote to members telling them of your
2 decision not to seek permission to issue new policies,
3 correct?

4 A. Yes, this was telling them the Board's
5 decision not to seek that.

6 Q. Now, you did not attach to the petition the
7 other correspondence to members where you specifically
8 solicited the letters in Exhibit D, correct?

9 A. I don't know the answer to that.

10 Q. Well, let's look at my Exhibit Number 14
11 which are the emails on pages 4107 and 4108.

12 A. Can you say those numbers again?

13 Q. Sure. 4107 and 4108 which are towards the
14 end.

15 A. Yes.

16 Q. The email at the bottom is an email from you.
17 It says to you, but I'm guessing that was a mailing
18 list of members.

19 A. Yes. I wanted to make sure it went out to
20 them.

21 Q. This is an email that you sent to your
22 members specifically soliciting the letters that we
23 see in Exhibit D, correct?

1 A. Yes. As I indicated earlier, there were
2 members who were asking what they could do, so part of
3 what we thought would be important is for them to have
4 the opportunity to do this, so the email that you have
5 is my asking the members.

6 MR. TILSLEY: This is Exhibit 14 in BSR
7 binder 2 of 2 and it's near the very end, maybe four
8 or five pages from the end, page 4107. The bates
9 number is 4107. It was provided by PLT in discovery.

10 PRESIDING OFFICER: And just so you don't
11 think that I'm completely challenged, I was following
12 Exhibit 14 numerically you see. It doesn't quite work
13 that way, so I count up to 3,946 and I go to 4,373 and
14 then I go to PLT, so if I missed the reference to the
15 PLT page in your exhibit, I apologize, but go ahead
16 and go forward.

17 Q. So just to backtrack for a second, the bottom
18 email is an email that you sent to the members
19 soliciting the letters that we saw in Exhibit D to
20 your petition, correct?

21 A. Yes, and as I just indicated, that was done
22 because we had members asking us what they could do
23 and as we were going through the process we wanted to

1 give them the opportunity, so this was my email to
2 solicit that information, yes.

3 Q. And you provided your members with a form
4 letter which they could sign and send in or they could
5 detach and move over to the letterhead, but you
6 provided that as something to use.

7 A. We did so they could either make the
8 adjustment to that and they could print it and use it
9 as it was there, and I'm sure you saw from that that
10 sometimes it was the administrator who did that and
11 other times it was the Board of Selectmen who would
12 sign that letter.

13 Q. Now, this is dated June 24, 2014.

14 A. Correct.

15 Q. And the Board had already at that point made
16 the determination to refile.

17 A. This was one way we had support from members,
18 but the other ways were direct conversations with the
19 Board as well as with staff during the time period
20 between the April 15th notification and the June 30th
21 filing.

22 Q. So you did not have Exhibit D obviously in
23 hand when the Board voted to refile.

1 A. We did not.

2 Q. The premises that you lease is owned by who,
3 do you know?

4 A. It's owned by the Center at Triangle Park.

5 Q. And PLT used to have an ownership interest in
6 that company, correct?

7 A. We did until the consent decree last summer.

8 Q. And then it was transferred to HealthTrust?

9 A. It was transferred to HealthTrust.

10 Q. And in Petitioner's Exhibit 4 in binder 2 of
11 2 --

12 A. The minutes of September 25, 2014?

13 Q. You got it. These are some Board minutes
14 from September 25, 2014, correct?

15 A. Yes.

16 Q. For the PLT, Inc. Board of Directors?

17 A. That's correct.

18 Q. Now, on page 3 there's a discussion there
19 regarding the revised lease agreement. Do you see
20 that?

21 A. I do.

22 Q. And apparently when PLT transferred its
23 interest and was no longer a shareholder the lease was

1 revised and contained a decrease in lease costs in the
2 amount of \$27,228 annually.

3 A. The decrease was not that amount. It
4 decreased to the amount of \$27,228.

5 Q. Well, it says that it contains a decrease in
6 lease costs in the amount of \$27,228.

7 A. The \$27,228 is what we paid at that point on
8 an annual basis.

9 Q. So it should say "to the amount of \$27,228"?

10 A. It should.

11 Q. What were you paying before?

12 A. Without looking at the documents I don't
13 know.

14 Q. You would agree that this represents a
15 decrease in the cost commensurate with your transfer
16 in the interest in the property back to HealthTrust?

17 A. But I can tell you that the \$27,228 is what
18 we were paying.

19 Q. I understand, but you will agree that it
20 represents a decrease in cost.

21 A. Yes.

22 Q. The service agreement that you have with
23 HealthTrust, according to the strategic plan it is

1 critical that that service agreement continue,
2 correct?

3 A. At the time that we created that strategic
4 plan and the addendums that you have before you the
5 pricing was contingent upon continuing those service
6 agreements at the levels at which we were having them
7 completed.

8 Q. And that's because the initial cost for PLT
9 to assume those leases was too costly.

10 A. That assumption is correct. We have since
11 gone out and looked at how we could get the IT
12 services and we believe we can get the IT services for
13 comparable rates. The one area we're still focusing
14 on is financial software. That's something that PLT
15 does not own and would have to purchase.

16 Q. And none of these are in any of the strategic
17 plans that you have.

18 A. No. In our future plans we are looking at
19 alternatives.

20 Q. Now, as I understand your testimony, many of
21 your members are in multi-year agreements, correct?

22 A. So currently all of the members are in a
23 two-year agreement ending June 30, 2016.

1 Q. And that's why even though you haven't been
2 able to write new policies for over a year now you
3 still have customers and insureds and things to do
4 because there's still policies in place.

5 A. There's still policies in place. Everyone
6 who is with us now has a contract through June 30th.

7 Q. Your primary competitor is Primex, correct?

8 A. In the public sector market it is.

9 Q. And your plan is not based on any new members
10 coming in to PLT, correct?

11 A. We talked about this earlier. So again,
12 although we expect we will have some members come in
13 and some members come out, in the plans going forward
14 we need to maintain the same level of contributions,
15 so whether you want to look at that by member or
16 exposure it does have a flat level growth, so whether
17 we maintain current customers, whether you lose some,
18 whether you gain some, we're not looking at
19 predicating it on the fact that we're going to grow by
20 20 percent over the next five years.

21 Q. For 2014 the renewal date would have been
22 July of 2014, correct?

23 A. Yes.

1 Q. And in July of 2010 PLT could still issue
2 policies and coverage, correct?

3 A. For the two-year period?

4 Q. Right. The consent decree came after that.

5 A. Correct.

6 Q. And we saw in our exhibit all the towns and
7 districts that had left PLT in 2014 over price,
8 correct?

9 A. Right, and as part of that, what was
10 happening in the fall as well is we still had the
11 outstanding decision for the \$17.1 million payment.

12 Q. Right. You didn't replace those people who
13 left in 2014 with former Primex customers at that
14 point, correct?

15 A. No.

16 PRESIDING OFFICER: Mr. Tilsley, could I have
17 a reference to an exhibit that has a list of all towns
18 that left them that you just referred to?

19 MR. TILSLEY: I believe it's Exhibit 17.
20 It's the sheets that we received.

21 PRESIDING OFFICER: I remember you speaking
22 of Hooksett.

23 MR. TILSLEY: Correct. It's the cancellation

1 notices that we received in discovery for the July
2 1st, 2014 window.

3 PRESIDING OFFICER: So if I review all those
4 I can make my own list of who left.

5 MR. TILSLEY: Thank you. I could walk
6 through it, but I would just be reading it.

7 Q. All right. Back to the petition. If we go
8 to PLT Exhibit 1 which is the petition, Exhibit G to
9 Exhibit 1 --

10 PRESIDING OFFICER: That would be the letter
11 dated January 31, 2014 from Towers Watson?

12 MR. TILSLEY: Yes.

13 PRESIDING OFFICER: Binder 1 of 1, your
14 Securities exhibit?

15 MR. TILSLEY: No, it's the Petitioner's
16 exhibit in binder 1 of 2, Exhibit G. It's the
17 strategic plan.

18 PRESIDING OFFICER: Dated December 9, 2014?

19 MR. TILSLEY: Correct.

20 PRESIDING OFFICER: Thank you.

21 Q. So we're at Exhibit G and there is a tab A
22 which comes after B, C, D and E and it's three pages
23 in, Exhibit III.A.2.i.b. and after that there's the

1 November 26, 2014 report from Towers Watson. Are you
2 there?

3 A. Yes.

4 Q. I'm going to refer you to page 7 of that
5 report, please, the top paragraph. Towers Watson
6 notes, "the future rate level change assumptions
7 derived and used in this analysis are presented to
8 supply PLT with knowledge of what is needed to make
9 both programs self-sufficient in each fiscal period."
10 Do you see that?

11 A. I do.

12 Q. And then on the bottom line it goes back into
13 this analysis. So is it basically fair to say that
14 Towers Watson backed into the rate increases it needed
15 to reach the confidence levels you wanted?

16 A. As I indicated earlier today in my testimony,
17 part of putting together the pro formas is determining
18 where you need to be over a certain period of time and
19 what factors are needed to get there, so as we wanted
20 to build up during the time period and show that we
21 were demonstrating a confidence level at the overall
22 90 percent level, we wanted to show the overall
23 performance of rated increases that would allow us to

1 reach that 90 percent confidence level.

2 Q. You don't disagree that they backed into it?

3 A. I don't disagree that we looked at what it
4 would take for rate increases in order to achieve
5 that, the designated amount that we wanted to get to
6 during the projected period.

7 Q. Towers Watson tells you in that paragraph,
8 "These future rate level assumptions are not meant to
9 be conveyed as feasible or reasonable."

10 A. This is not something we relied on Towers
11 Watson to determine. The viability of our rates going
12 up is a recommendation to the Board and the Board will
13 ultimately decide whether or not it is feasible.

14 Q. Now, this is a November 2014 report, correct?

15 A. Correct.

16 Q. So that's a little over ten months old,
17 correct?

18 A. It is.

19 Q. And you didn't ask Towers Watson to tell you
20 whether those rate increases were feasible, correct?

21 A. We did not.

22 Q. In the ten months since then you haven't
23 commissioned a market study to see if these would be

1 feasible rate increases.

2 A. As I indicated earlier, the Board has had a
3 discussion at the Board level as well as staff level
4 and we have not looked at any outside market study to
5 determine if those are feasible or not.

6 Q. Going back to the old days of LGC, PLT and
7 HealthTrust did their claims management practices
8 in-house in 2009 and 2010, correct?

9 A. For workers' comp and for property-liability
10 it's always been done in-house.

11 Q. Since that time those claims management
12 practices have not changed in any material way,
13 correct?

14 A. No, we still have the same staff with the
15 same level of expertise, so we have not had any
16 changes in our practices.

17 Q. Going back to my Exhibit 14 which is the
18 compendium of emails --

19 PRESIDING OFFICER: Ms. Parker, you just said
20 you had no changes in your what group?

21 MS. PARKER: The workers' compensation claims
22 adjustments.

23 Q. We're back to my Exhibit 14, so this is BSR

1 binder 2 of 2. This is the compendium of emails.
2 This is bates stamped on 3216. It's not in the proper
3 order. It's about, I would say, seven or eight pages
4 from the back of that document.

5 MR. FELMLY: What's the number again?

6 MR. TILSLEY: It's bates stamped 3216.

7 Exhibit 14 is the emails and it's about seven or eight
8 pages from the back of the emails.

9 PRESIDING OFFICER: It's referenced as PLT.
10 From up here know that that would be helpful because
11 this exhibit and others that someone has prepared are,
12 as you know, multiple page documents or exhibits and
13 they run in numerical order. Now I'll make this a
14 question. Do they run in numerical order by citation
15 of PLT or BSR?

16 MR. TILSLEY: They should, but there's a
17 couple places where they are not.

18 PRESIDING OFFICER: Okay. So we are now at
19 book 2 of BSR, Exhibit 14 bates PLT 3217, is that
20 correct?

21 MR. TILSLEY: Pages 3216 and 3217. So if we
22 go to page 3216 at the very bottom we see the
23 beginning of an email from Attorney Closson to Mr.

1 Coutu that you're cc'd on, correct?

2 A. Yes.

3 Q. And that's dated September 16th, 2014,
4 correct?

5 A. That's correct.

6 Q. That's shortly after Mr. Coutu started as the
7 liaison, correct?

8 A. It is.

9 Q. And in the email Attorney Closson is
10 forwarding some type of agreement to Mr. Coutu and
11 says that you reviewed it and that you're comfortable
12 with it. Do you see that?

13 A. I do.

14 Q. What was that agreement?

15 A. My recollection is there was an agreement
16 that Mike had discussions with Patrick and I and Barry
17 about regarding an agreement for him to provide
18 services or advice to PLT that was deemed outside the
19 scope of his duties.

20 Q. As liaison?

21 A. As liaison. There were very few discussions
22 relative to that. Barry and I had discussions
23 relative to that and it was decided not to proceed

1 with any type of agreement on that.

2 Q. That agreement was never signed, correct?

3 A. It was not.

4 Q. BSR would not agree to it, right?

5 A. That's right.

6 Q. One more question. What are the expected
7 contributions?

8 A. A little over \$12 million.

9 PRESIDING OFFICER: Mr. Felmlly, just give us
10 a minute to organize up here. What are the expected
11 contributions for PLT for the coming year?

12 MS. PARKER: A little over \$12 million.

13 MR. TILSLEY: Nothing further.

14 FURTHER EXAMINATION

15 BY MR. FELMLY:

16 Q. Just on that liaison acknowledgement
17 document, that was apparently discussed between Mr.
18 Glennon and Mr. Coutu and you and it was decided not
19 to be pursued, is that the case?

20 A. Yes.

21 Q. Was there anything about its origin that was
22 sponsored by you or you felt you had to have or who
23 was it that thought that would be a good idea?

1 A. This happened very early on as Mike was
2 coming over to PLT as the liaison and we were still in
3 the process of getting to know each other and that was
4 developed at the request of Mike Coutu.

5 Q. At any time during this relationship with Mr.
6 Coutu as the liaison did PLT ever try to lure Mr.
7 Coutu into your camp or cause him to switch sides or
8 cause him to become aligned with you in some way? Did
9 anything like that ever come up, any situation that
10 would involve trying to move him and whatever
11 relationship he had with the Bureau of Securities
12 Regulation over to PLT?

13 A. No, there was nothing.

14 Q. In talking with Mr. Tilsley you mentioned or
15 he asked you about whether the release of the
16 encumbered assets from the DOL was something that
17 continued to be part of the strategic plan. If you
18 could go to Petitioner's binder 2 and that first
19 exhibit which is I, I just want to clear this up
20 because it is referenced there. And of course,
21 Exhibit I is the second addendum to the strategic
22 plan. If you go to the sixth numbered page in that
23 exhibit and look in the middle of the page, there's a

1 paragraph called Release of Encumbered Assets from the
2 DOL. Do you see that?

3 A. I do.

4 Q. And if you could just take a look at that,
5 does that paragraph confirm that PLT has concluded it
6 does not need the DOL to release any funds held by the
7 DOL in order to successfully implement the continuing
8 operating scenario?

9 A. Yes, it indicates it is not necessary;
10 however, we are still requesting that release.

11 Q. So there remains the desire for the DOL to
12 release it, but it is not an essential core piece or
13 requirement for this plan to work?

14 A. Correct.

15 Q. With respect to the rate information and the
16 rate changes that are part of the plan and the amount
17 of information that members may currently have about
18 that, Mr. Tilsley was asking you whether or not
19 members knew it when they sent the letters of support
20 in response to your correspondence with them
21 suggesting this is something they could do. Members
22 participating on the Board presumably were completely
23 familiar with the strategic plan components, is that

1 right?

2 A. Yes, Board members were completely
3 comfortable with that, and you are correct, they are
4 members of PLT as well.

5 Q. Well, in addition, if I understood your
6 testimony, to what extent are you relying as you try
7 to assess member reaction to take advantage of the
8 fact that you have an engaged Board that is self made
9 up members? Is that something that you are actively
10 and consciously engaging their influence on?

11 A. They've been through all the components under
12 the rate increases that are associated with that.
13 Absolutely.

14 Q. You've discussed that the goal and the
15 purpose of the plan in large part is to try to rebuild
16 the confidence level for the entire pool of risk fund
17 through these variety of steps that you have talked
18 about and this stewardship of the organization. In
19 the context where you're taking this business forward
20 or looking to take this business forward in that
21 fashion, let me ask you some questions about the
22 underlying nature of the business and the plusses and
23 minuses that you're faced with. With regard to the

1 staffing and the skill and the talent that PLT has to
2 operate in this particular market, as its leader what
3 is your feeling or your position with regard to the
4 skill set and the availability to deliver top quality
5 service?

6 A. We have a very strong staff who has been with
7 us for the most part for a significant amount of time.
8 Many of our claims professionals have 25 to 30 years
9 experience and I believe we have a very capable staff
10 who can carry out this plan.

11 Q. And what about your ability at this point
12 particularly after you've been trying to operate in a
13 runoff setting to manage and control expenses and to
14 run an organization that essentially has a lean and
15 very tight control over how you manage your overhead?
16 What's your feeling about that and what's facing you
17 in terms of the opportunities that you have
18 capitalized on?

19 A. We have learned a lot of lessons over the
20 past ten months going through all the processes. I
21 feel very strongly that the staff has been very
22 creative in how they have implemented the budget
23 reductions both from a staffing perspective and a

1 program perspective and I think we're in good shape to
2 move forward should we be given the ability to do so.

3 Q. What about your assessment of the marketplace
4 in terms of the delivery of service, the nature of
5 your customer service, the quality of your members'
6 reactions to the way in which you run your business
7 whether it's contributing or managing their accounts
8 or responsiveness to claims? How do you see yourself
9 in terms of that good will or that asset at this time?

10 A. I think we still have a very good reputation
11 within the marketplace and are known for our strong
12 service and claims processing.

13 Q. And what about your leadership? Do you have
14 the people in place to take this challenging plan as
15 you've presented it and candidly have discussed it?
16 You've talked about the way in which you want to
17 strategically move forward. Do you feel like this is
18 something that in terms of viability you are willing
19 and able to commit yourself to and that you have the
20 colleagues that are in that spot to do so?

21 A. I do. I think we have a very committed staff
22 who are committed to working through it. If we get
23 the green light to go forward we will need to add back

1 some staff to increase its ability to add some new
2 members with new perspectives. In bringing that team
3 and those new people on, moving we believe we will
4 have what we need in place to move forward.

5 Q. Now, you're not banking on this plan on
6 generating new members. You explained how you've done
7 the pro formas so that it doesn't project new members
8 and you're essentially working with exposures and
9 you're not banking on the notion that people are going
10 to come, but in terms of your position in the
11 marketplace and adding in reputation and talent do you
12 feel you will be well positioned to succeed in this
13 marketplace? You know the service. You've really
14 done nothing in your career it seems beyond the pooled
15 risk area. You've worked in it your entire life. Are
16 you in your own mind and in your own view positioned
17 in a place where you can win with this plan?

18 A. Given the opportunity to provide for those
19 two groups I believe that many of those proposals
20 would be successful. We are, as we had talked about
21 many times today, looking at current exposures and
22 contribution levels being consistent other than the
23 increases, so I think we are in a position to do that.

1 Q. So the reasons that brought you here are not
2 structural failures in your business model or your
3 talent or an inability to understand or deal with your
4 market.

5 PRESIDING OFFICER: I'm going to pull you
6 back a little bit on your leading questions and see if
7 you can rephrase that question.

8 Q. I'm trying to understand how you are digging
9 out from a confidence level that under this plan has
10 been low for a number of years and is projected to
11 build. What is the area of problem that you have to
12 overcome and make work? What is the reason that puts
13 you in this spot and how do you deal with it now in
14 terms of your business plan?

15 A. So as everyone is aware, we've made
16 significant payments and we ran through what those
17 payments were this morning, the \$17.1 million, the
18 \$3.1 million, the \$519,000 and so forth. As those
19 payments were being made we were in lock step with our
20 members, especially on the appeal side although we did
21 have a loss of investment income that has hampered the
22 ability for us to be at a break even point with the
23 property-liability coverages as a result of that, and

1 I don't believe it's as a result of mismanagement but
2 as a result of the financial picture. We're in a
3 position where we need to rebuild our net position to
4 a 90 percent confidence level. In order to do that it
5 does need the rate increases as outlined. That means
6 that some of the rate increases will not just go
7 towards claims and administration but also to build up
8 those reserves. And that's the place we're in. So we
9 believe that we have enough faith in the program to
10 see that through. There is no doubt that there will
11 be a couple thin years coming up where our confidence
12 levels are going to be in the low 60's if not the high
13 50's as we go through that process, but we believe
14 after a couple years at that level we can come out and
15 grow back by 2021 to an acceptable level.

16 Q. In terms of your relationship with
17 HealthTrust and your ability to be independent or more
18 independent from them, and you mentioned some of the
19 changes that are underway, what do you see in the
20 future under this plan as areas where a higher degree
21 of separation is going to be in your future?

22 A. I believe that I mentioned three areas today
23 that would be my position, that being sharing or

1 contracting with HealthTrust, also the member
2 relations area and the communications area. The next
3 area that I would see us focusing on would be our IT
4 area then followed by the finance area. And finance
5 and HR really go together because for an organization
6 our size, if we were to be able to or decided to move
7 forward with a finance person, they generally wear an
8 HR hat as well. An organization with somewhere
9 between 10 and 20 employees wears multiple hats, so
10 that would be the two last sections.

11 MR. FELMLY: Thank you. I have nothing
12 further.

13 MR. TILSLEY: Just a couple quick follow-ups.

14 FURTHER EXAMINATION

15 BY MR. TILSLEY:

16 Q. How many Board members do you have?

17 A. I believe right now we have nine.

18 Q. How many members?

19 A. Members that have some type of coverage with
20 us, I believe the count is 291.

21 Q. So of the 291 members nine are represented of
22 your Board?

23 A. Yes, and our bylaws allow us to have up to

1 13.

2 Q. But you don't have 13?

3 A. We don't.

4 Q. In terms of the repayments hampering PLT do
5 you agree those payments were the result of illegal
6 subsidies?

7 A. They were payments ordered by the Court.

8 Q. And they were illegal subsidies, right?

9 A. Yes.

10 Q. And you were there at LGC when all of this
11 happened?

12 A. As you know, there is a difference of opinion
13 leading up to that order whether or not those were
14 known to be something that was not allowed, so I'm not
15 sure that you can characterize that as having worked
16 there to having known that we were doing something
17 that --

18 Q. I didn't suggest that, but you were there
19 during the time all of this happened.

20 A. I've been there for the last 26 years, yes.

21 MR. TILSLEY: Thank you.

22 PRESIDING OFFICER: Anything further, Mr.
23 Felmly?

1 MR. FELMLY: No, sir.

2 PRESIDING OFFICER: All right. Give me a
3 moment, please. I have a few questions, Ms. Parker.
4 The first has to do with the so-called service
5 agreement. I believe in earlier testimony you spoke
6 of the revised service agreement and you said that
7 that was one of the first things that Mr. Coutu
8 examined or evaluated, is that correct?

9 MS. PARKER: That's correct.

10 PRESIDING OFFICER: And I further understand
11 that that occurred you believe in or about the month
12 of September.

13 MS. PARKER: It did, and our Board took
14 action on the revisions in October.

15 PRESIDING OFFICER: And who made the decision
16 that it would be retroactively applied to July?

17 MS. PARKER: At the recommendation of Michael
18 Coutu he wanted it to apply to the entire fiscal year,
19 so that's why it was put back to July 1st because the
20 reconciliation component would be effective for the
21 entire fiscal year.

22 PRESIDING OFFICER: And prior to this
23 discussion with Mr. Coutu or I guess prior to his

1 joining you did you have a system for having employees
2 post, if you will, hours spent on either HT work or
3 PLT work?

4 MS. PARKER: No, the original service
5 agreement was based on an assumption of the number of
6 hours, but we did not for all positions track. Some
7 positions were tracked. Others were not.

8 PRESIDING OFFICER: Which positions were
9 tracked?

10 MS. PARKER: I believe the IT section was
11 tracking their hours.

12 PRESIDING OFFICER: Anyone else?

13 MS. PARKER: My recollection doesn't recall
14 anyone else, but I don't know that I'm recalling a
15 hundred percent accurately either. I know for
16 example, in my position, I was not.

17 PRESIDING OFFICER: Do I assume from that,
18 then, that you don't have knowledge as to whether or
19 not the membership and communication section was
20 calculating their hours?

21 MS. PARKER: I do not.

22 PRESIDING OFFICER: Is there someone who
23 would know that?

1 MS. PARKER: Yes. Our finance accounting
2 area should know that.

3 PRESIDING OFFICER: Okay. And who in the
4 finance accounting section would know that?

5 MS. PARKER: It would be the comptroller.
6 She would handle any time sheets or comptrolling and
7 her name is Kathleen Fox.

8 PRESIDING OFFICER: Does she have a title?

9 THE WITNESS: Comptroller, and she's a
10 HealthTrust employee.

11 PRESIDING OFFICER: Also in the early days,
12 if you will allow me, that would be October of 2014,
13 you made reference to certain protocols. Do you
14 recall that?

15 MS. PARKER: Yes, I do.

16 PRESIDING OFFICER: Are those protocols in
17 writing?

18 MS. PARKER: I know we discussed them at a
19 meeting. I do not know if they were put in writing
20 other than what is in the consent decree, so I'm
21 thinking they may be outlined in the consent decree.
22 It was items like if Mike was going to be the liaison,
23 if he was going to have a discussion with the

1 auditors, if George or I should be present.

2 PRESIDING OFFICER: So your use of the word
3 protocols, does that equate with the provisions in the
4 consent decree?

5 MS. PARKER: Yes.

6 PRESIDING OFFICER: You're not referring to
7 anything additional by those words?

8 MS. PARKER: No.

9 PRESIDING OFFICER: Thank you. Mr. Tsiopras,
10 you retained him as a contractor. For what purpose?

11 MS. PARKER: He is our CFO.

12 PRESIDING OFFICER: Is he full-time with you?

13 MS. PARKER: No, he's a full-time HealthTrust
14 employee and we through a services agreement
15 contracted for his time.

16 PRESIDING OFFICER: And what document would I
17 need to see that would contain a breakdown of the
18 assignment of compensation to these, quote, "shared
19 employees"?

20 MS. PARKER: So you would want to look at the
21 services agreement as well as the reconciliation of
22 the services agreement for fiscal '15. That would
23 give you that information.

1 PRESIDING OFFICER: As part of your budget
2 making process do you present to your Board a document
3 that demonstrates how much compensation is being paid
4 to individuals who are performing services for
5 Property-Liability Trust?

6 MS. PARKER: So the Board approved the
7 services agreement contract, so in that discussion
8 they would have been presented with the cost and the
9 people for that service agreement cost.

10 PRESIDING OFFICER: And that would have been
11 presented to the Board by staff?

12 MS. PARKER: Yes.

13 PRESIDING OFFICER: Would that staff have
14 been you?

15 MS. PARKER: Yes.

16 PRESIDING OFFICER: What do you call that
17 document?

18 MS. PARKER: It's the services agreement and
19 the budget. It would be a combination of those two.

20 PRESIDING OFFICER: So you presented to the
21 Board a proposed budget, correct?

22 MS. PARKER: Yes.

23 PRESIDING OFFICER: When did you do that?

1 MS. PARKER: Because of the situation that
2 we've been in where we've gone from full operations to
3 two layoffs, there have been many revised budgets that
4 have been approved by the Board. Generally it happens
5 in the fall, but we have revised those as we have had
6 to make staffing changes.

7 PRESIDING OFFICER: Has the Board ever
8 refused your proposed budget?

9 MS. PARKER: They've made adjustment to it.
10 They have not out and out refused it, but they have
11 made adjustments to it.

12 PRESIDING OFFICER: And how many budgets did
13 the Board consider? Would it be fair to start at
14 September 1st?

15 MS. PARKER: Yeah. So September 1st would
16 have been -- I believe there have been three, so it
17 would be the original budget that was done in the fall
18 and I believe there have been two subsequent revisions
19 to that both going downward in cost.

20 PRESIDING OFFICER: Were each of those
21 budgets presented to Towers and Watson?

22 MS. PARKE: Yes, the newest budgets are
23 always given when we're appropriating for new ones.

1 PRESIDING OFFICER: And you are relying on
2 Towers Watson to then counsel you in an appropriate
3 way?

4 MS. PARKER: And they put those numbers into
5 the pro formas, but we give them the operating
6 expenses.

7 PRESIDING OFFICER: And the pro formas that
8 you receive from them that would reflect that budget
9 period carries a date of what?

10 MS. PARKER: The latest one would have been
11 the June 30th pro formas.

12 PRESIDING OFFICER: You have used the term
13 runout and runoff during your testimony. Do you mean
14 the same thing?

15 MS. PARKER: I do.

16 PRESIDING OFFICER: Thank you. Ms. Parker,
17 you are aware that we may or may not have Mr. Coutu
18 giving testimony, is that correct?

19 MS. PARKER: I am aware of that.

20 PRESIDING OFFICER: You were asked in your
21 direct testimony by Mr. Felmlly several questions that
22 were pointed to your relationship with Mr. Coutu, his
23 relationship, if you will, to PLT and, to the extent

1 that you knew, the BSR. Do you remember those
2 inquiries?

3 MS. PARKER: Yes.

4 PRESIDING OFFICER: When you testified that
5 the BSR indicated to you that they were not supportive
6 of the plan that had been put together you indicated
7 some level of surprise.

8 MS. PARKER: (Nodding.)

9 PRESIDING OFFICER: The witness is nodding
10 affirmatively.

11 MS. PARKER: I'm sorry. Yes.

12 PRESIDING OFFICER: Did that difference in
13 the message you were taking from your work with Mr.
14 Coutu and the report by the BSR at one of your monthly
15 meetings that they were not supportive of the
16 particular plan, and frankly I've forgotten which
17 plan, whether it was the original plan, so let me just
18 ask you to clarify.

19 MS. PARKER: As we met with Barry each month
20 Barry would indicate that he had some discomfort with
21 the overall viability of the plan, but it wasn't
22 specific and it wasn't overwhelming to say, this is
23 exactly what we feel uncomfortable with. The surprise

1 that I believe you're referencing is when we saw the
2 objection go through on the petition with all the
3 items listed. That was really the surprise.

4 PRESIDING OFFICER: That was the March
5 petition?

6 MS. PARKER: It was.

7 PRESIDING OFFICER: As someone trained in and
8 who has a master's degree in organizational
9 leadership, what did that difference tell you about
10 Mr. Coutu or BSR about his relationship with them?

11 MS. PARKER: Certainly at the end it was
12 strained.

13 PRESIDING OFFICER: No, I'm saying --

14 MS. PARKER: Communications apparently were
15 not good. We were not on the same page.

16 PRESIDING OFFICER: But you were meeting
17 monthly?

18 MS. PARKER: Yes.

19 PRESIDING OFFICER: To your knowledge BSR had
20 the same information you had or soon thereafter in
21 connection with these plans that you were submitting?

22 MS. PARKER: We presented power point
23 presentations at the monthly meetings.

1 PRESIDING OFFICER: I guess the point I'm
2 trying to make is if Mr. Coutu made a representation
3 to you, for instance, particularly after March, how
4 much credence would you give it?

5 MS. PARKER: As long as I was working with
6 him in his role we looked at him as the BSR liaison.

7 PRESIDING OFFICER: Thank you. I believe
8 there's only going to be two more questions. Thank
9 you for your patience. All these modular notes are
10 just a throwback to my advocacy days, if you will.
11 The topic of Board membership, I believe it was Mr.
12 Tilsley who asked you about your present Board
13 membership, and my notes reflect that you have some
14 open spots. You have 9 of 13 people in Board
15 positions, is that correct?

16 MS. PARKER: I believe it's nine, yes.

17 PRESIDING OFFICER: How does one become a
18 Board member of PLT?

19 MS. PARKER: So if there's a vacancy, the
20 Board has the authority to appoint to account for that
21 vacancy, but on an annual basis there's an election
22 that happens where we go out and we do a notice to all
23 members that we are seeking new applications for Board

1 members and then they're elected at the annual
2 meeting.

3 PRESIDING OFFICER: Are they put on a
4 nomination petition?

5 MS. PARKER: Yes.

6 PRESIDING OFFICER: Who puts them on a
7 nomination petition?

8 MS. PARKER: They can do it themselves or
9 someone else can nominate them to the nominating
10 committee and the nominating committee puts forward a
11 final slate for approval at the Board meeting. They
12 also can do floor nominations during the annual
13 meeting.

14 PRESIDING OFFICER: Does the staff make
15 recommendations to the nominating committee?

16 MS. PARKER: Not as a general rule, no. They
17 come through applications. For example, we're about
18 to embark on this year's election, so there will be a
19 process where the nominating committee will meet and
20 approve all of the materials that will go out. We
21 will do a web posting on our web site that says we're
22 looking for Board members and we'll put out an
23 application. We also do email and correspondence to

1 all member and nonmember groups notifying them. We
2 then take all the applications that come in and
3 present all of those applications to the nominating
4 committee.

5 PRESIDING OFFICER: We meaning staff meaning
6 you?

7 MS. PARKER: So we don't fill out those
8 applications. They are all provided to the nominating
9 committee.

10 PRESIDING OFFICER: The composition of the
11 Board, your existing Board, of the nine who are
12 sitting --

13 MS. PARKER: I believe there's nine.

14 PRESIDING OFFICER: Nine has no magic to it,
15 okay, so relax on that, but I'm interested in the
16 composition of the Board with respect to elected
17 officials and appointed paid staff of that community.

18 MS. PARKER: So if I go through my current
19 Board members we have a selectman from --

20 PRESIDING OFFICER: Just give me the numbers.
21 Take your time.

22 MS. PARKER: Off the top of my head I can
23 think of at least four out of the nine who are elected

1 Board members in their positions and then the others
2 would be either town administrators or business
3 administrators for school districts.

4 PRESIDING OFFICER: If I wanted to see your
5 current membership how would I see that?

6 MS. PARKER: You could go on the web to see
7 the current membership or I can provide you with a
8 list.

9 PRESIDING OFFICER: Can you provide me with a
10 list?

11 MS. PARKER: Yes.

12 PRESIDING OFFICER: How long have you had the
13 four vacancies?

14 MS. PARKER: It's been sometime. We just had
15 one resignation because they moved out of state to
16 take another position, but the other vacancies have
17 been there.

18 PRESIDING OFFICER: I believe your testimony
19 was that the Board members were completely comfortable
20 with the rate increase and the plan that was finally
21 approved. Was that your testimony?

22 MS. PARKER: They did. They approved that.

23 PRESIDING OFFICER: I understand, but was it

1 your testimony that they were completely comfortable
2 with it?

3 MS. PARKER: They were completely comfortable
4 incorporating the plan, yes.

5 PRESIDING OFFICER: And finally, did I
6 understand your testimony correctly that the present
7 members that have property-liability coverage, that
8 those members are in the second year of a two-year
9 coverage period?

10 MS. PARKER: Both PL and workers' comp, yes.

11 PRESIDING OFFICER: And while they could opt
12 out, they had purchased a two-year plan, is that
13 correct?

14 MS. PARKER: That's correct.

15 PRESIDING OFFICER: Are you familiar with the
16 term trap year?

17 MS. PARKER: I am not.

18 PRESIDING OFFICER: Thank you. I don't have
19 anything further. I hope I haven't burned too many
20 fires out there, but I'm not sure.

21 MR. FELMLY: Nothing further.

22 MR. TILSLEY: I have nothing else.

23 PRESIDING OFFICER: Thank you very much.

1 Before you're excused from your testimony, do you know
2 Columbo, the TV series? And please don't attach
3 anything to this last question.

4 MS. PARKER: Okay.

5 PRESIDING OFFICER: You know that an issue
6 before us is whether or not -- one of the issues is
7 whether or not there's financial sufficiency. What
8 documents, considering all of your background and in
9 fact intimate knowledge, what documents reflect your
10 financial position as we look at each other today?

11 MS. PARKER: The two things that I would
12 focus on would be our current financial, so the
13 financial statement as well as the current pro forma.

14 PRESIDING OFFICER: The current pro forma
15 contains information that's up to what date?

16 MS. PARKER: June 30th, 2015 prior to the
17 audit.

18 PRESIDING OFFICER: And the second document?

19 MS. PARKER: The financial statement that
20 would also be dated June 30th prior to the audit.

21 PRESIDING OFFICER: Do you do monthly
22 reconciliations?

23 MS. PARKER: Do we do monthly financials?

1 PRESIDING OFFICER: Yes.

2 MS. PARKER: Yes, we do.

3 PRESIDING OFFICER: Where is August?

4 MS. PARKER: August will be presented to the
5 Board at their meeting in October.

6 PRESIDING OFFICER: But you have that already
7 done now? It's just that you have to wait for a
8 Board meeting?

9 MS. PARKER: Right, and I don't believe at
10 this point it would have the audit adjustments. I
11 would have to check that because the Board has not
12 taken action on the reserve levels yet for June 30,
13 2015.

14 PRESIDING OFFICER: The Board hasn't taken
15 action?

16 MS. PARKER: They have not. We've received
17 the report, but the Board hasn't taken action to
18 accept them.

19 PRESIDING OFFICER: But they have been
20 submitted to you as audited reports?

21 MS. PARKER: Yep, the draft actuary reports.
22 I think I said auditor before. These are the draft
23 actuary reports.

1 PRESIDING OFFICER: Who do you retain to do
2 those?

3 MS. PARKER: The audit reports?

4 PRESIDING OFFICER: The actuary reports.

5 MS. PARKER: Towers Watson.

6 PRESIDING OFFICER: And who does the audit?

7 MS. PARKER: Johnson and Lambert.

8 PRESIDING OFFICER: Thank you again. Mr.
9 Tilsley?

10 MR. TILSLEY: I have a clarification about
11 that line of questioning.

12 FURTHER EXAMINATION

13 BY MR. TILSLEY:

14 Q. The June 30 pro forma is not in evidence,
15 correct?

16 A. It is not, so the pro forma that I'm
17 referencing is the one that's in your books. That's
18 the one that's complete, so that's the one dated
19 June 29th. It is information that was available as of
20 that date. It does not include any of the losses that
21 we've had going forward.

22 MR. TILSLEY: Nothing further.

23 PRESIDING OFFICER: Mr. Felmly, what's next?

1 MR. FELMLY: We would put on our next witness
2 who is Maureen Stazinski.

3 PRESIDING OFFICER: How long do you
4 anticipate on direct for Ms. Stazinski?

5 MR. FELMLY: I would say an hour and a half
6 to two hours. I don't expect to finish here today.
7 When I say finish, I mean my direct, but I can get the
8 lion's share of it done.

9 PRESIDING OFFICER: Who do you have for
10 witnesses after her?

11 MR. FELMLY: Mr. Coutu and two very brief
12 witnesses who are Town administrators for Allenstown
13 and Pelham and each of those will probably be ten to
14 fifteen minutes. Ms. Stazinski is certainly my
15 longest remaining witness.

16 PRESIDING OFFICER: Have you had an
17 opportunity to ask if Mr. Coutu does not provide
18 testimony will you need time for a substitute witness?

19 MR. FELMLY: I think he's irreplaceable.
20 There's nothing else that I can think of with the
21 exception of perhaps calling Mr. Glennon and going
22 through it, but I'm counting on Mr. Coutu being here
23 tomorrow and testifying and if he doesn't, there may

1 be procedural steps we'll have to take to protect the
2 record, but there's nobody that I would plan to put on
3 to go through the Coutu direct.

4 PRESIDING OFFICER: So I won't be hearing
5 from anyone from Towers and Watson or Johnson and
6 Lambert, is that correct?

7 MR. FELMLY: No, Ms. Stazinski is the actuary
8 from Towers and Watson. She's our actuarial witness
9 and we are not planning to bring someone in from
10 Johnson and Lambert.

11 PRESIDING OFFICER: I think we're going to
12 adjourn for today. I really don't want to split the
13 testimony of Ms. Stazinski, so we'll start up again
14 tomorrow morning at nine o'clock and we'll see what we
15 have here for witnesses for tomorrow and we'll proceed
16 from there. Anything further? Thank you very much.

17 (The hearing was adjourned at 3:44 p.m.)

18

19

20

21

22

23

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23

C E R T I F I C A T E

I, Laurie A. Gelinas, RPR, a Certified Shorthand Reporter and Notary Public of the State of New Hampshire, do hereby certify that the foregoing is a true and accurate transcript of my stenographic notes of the Hearing in the Matter of Local Government Center, Inc., et al taken at the place and on the date hereinbefore set forth.

I further certify that I am neither attorney nor counsel for, nor related to or employed by any of the parties to the action in which this deposition was taken, and further that I am not a relative or employee of any attorney or counsel employed in this case, nor am I financially interested in this action.

THE FOREGOING CERTIFICATION OF THIS TRANSCRIPT DOES NOT APPLY TO ANY REPRODUCTION OF THE SAME BY ANY MEANS UNLESS UNDER THE DIRECT CONTROL AND/OR DIRECTION OF THE CERTIFYING REPORTER.

LAURIE A. GELINAS, CSCR, RPR