

## **EXHIBIT A**

Excerpt

PHH Corporation, et al.

3/26/2014

1 - - -

2 VOIR DIRE EXAMINATION

3 - - -

4 BY MR. KIM:

5 Q. Good afternoon, Dr. Crawshaw. Would you  
6 please state and spell your name for the record?

7 A. Yes, Mark Crawshaw, C-R-A-W-S-H-A-W.

8 Q. Can you please describe your academic  
9 background?

10 A. I have a bachelor's degree in mathematics  
11 from Oxford University in England and a Ph.D. in  
12 mathematics from California Institute of Technology  
13 in Pasadena, California.

14 Q. What is your profession?

15 A. I'm an actuary.

16 Q. What's an actuary?

17 A. It's a professional who's concerned with  
18 the financial consequences of risk and uncertainty.

19 Q. Are you familiar with the term actuarial  
20 science?

21 A. Yes.

22 Q. Can you describe what that is?

23 A. It's really the -- I think of it as the  
24 underpinnings of what an actuary does, so it's kind  
25 of a mixture of statistics and economics, kind of a

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1 MR. KIM: It is not on our exhibit  
2 list. We filed it separately.

3 THE COURT: Okay. That's fine. And  
4 the same, obviously, goes for Mr. Casio (ph), that  
5 we're going to litigate, but -- the admissibility  
6 of that one, right?

7 MR. SOUDERS: They raise a partial  
8 issue with some of what's in there, not the whole  
9 report.

10 THE COURT: I'm sorry, say that  
11 again.

12 MR. SOUDERS: They raise some issue  
13 with sections of the report, they had two issues.

14 THE COURT: Right. I won't admit  
15 these as substantive exhibits, but they're in the  
16 record.

17 MR. SOUDERS: Yes, sir.

18 THE COURT: Okay. Go ahead.

19 MR. KIM: Thank you. Do we need to  
20 swear the witness?

21 THE COURT: Oh, I'm sorry.

22 - - -

23 DR. MARK CRAWSHAW, after  
24 having been duly sworn, was examined and  
25 testified as follows:

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1 A. Yes. So this is a reports here, and it  
2 says on the top, Atrium Insurance Corporation,  
3 which is the way Milliman identifies which is the  
4 client. And then underneath it says, United  
5 Guaranty, so this would be a report that Milliman  
6 prepared for Atrium talking about the UGI  
7 arrangement.

8 Q. If we go to Page 8 of this report, this is  
9 Exhibit 193. There in the middle paragraph, it  
10 states, However, Atrium has no liability beyond the  
11 funds available in the trust. Is that the language  
12 you were referring to?

13 A. Yes.

14 Q. Okay. If we go to Page 20 of this report,  
15 this is a section titled Qualifications and  
16 Limitations, and in the middle paragraph there,  
17 there's a statement, In performing this analysis,  
18 we have relied on data and other information  
19 provided and represented to us by or on behalf of  
20 PHH. Did you consider this in forming your  
21 opinions?

22 A. Yes. I mean, Milliman has an  
23 interpretation of the contract saying they talked  
24 to PHH about it, so, I -- I mean, I don't think  
25 Milliman would just make up what the contract was

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1 intended to do as it's such an important part of  
2 their calculations. I mean, you can actually see  
3 in some of the reports when you go into the more  
4 technical exhibits where they project that the  
5 trust fund will run out of money and the program is  
6 projected to come to an end. So not only is it  
7 said in the report, the actual details of the  
8 calculations in some of the reports show that  
9 that's what they were doing in their calculations.

10 Q. Let's put up 593. This is Exhibit 593,  
11 also a Milliman report. Can you tell us who the  
12 client is for this report?

13 A. Yes. So this is -- at the top now it says,  
14 United Guaranty, so the client is United Guaranty,  
15 UGI, but it's talking about a relationship with  
16 Atrium. So on the top where Atrium and United  
17 Guaranty were is flipped, whereas what used to be  
18 on the top is now on the bottom and vice versa.

19 Q. Okay. Let's go to Page 7 of this report.  
20 The last paragraph, do you see the highlighted  
21 language, However, the reinsurer has no liability  
22 beyond the funds available in the trust?

23 A. Yes.

24 Q. Did you consider this language in forming  
25 your opinions?

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1 A. Yes.

2 Q. And why? Same reasons?

3 A. Yeah. I mean, it's like -- it's in plain  
4 English, it's to the client. And I'm sure Milliman  
5 isn't just making it up because it's absolutely --  
6 it's a crucial issue and it's an issue that's I  
7 think would be well known to anyone working in this  
8 field.

9 Q. And just for completeness, let's go to Page  
10 19 of this. Qualifications and limitations section  
11 of Exhibit 593. In the second paragraph, the  
12 highlighted language is, In performing this  
13 analysis, we have relied on data and other  
14 information provided and represented to us by  
15 UGRIC/UGMIC. Is this what you were referring to a  
16 moment ago?

17 A. Yeah. So by this, I understand that  
18 Milliman -- the information we used was provided to  
19 it by UGI, so I think this is very significant  
20 because if it was just in the Atrium reports  
21 prepared by Atrium, maybe Atrium would have a very  
22 aggressive and favorable interpretation of the  
23 contracts themselves, but the counterparty also has  
24 that same -- seems to have the same understanding  
25 based on this report.

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1 Q. I think a moment ago you told me that it  
2 would be hard to believe that Milliman can be wrong  
3 about this. Why is that?

4 A. Well, because it's an important -- very,  
5 very important part of the whole structure and  
6 Milliman is working for both parties, so it's  
7 presumably discussed this issue with both sides of  
8 the deal, so it's not like the one misunderstood  
9 the other. I think that's very unlikely.

10 Q. Were there any other analyses or reports or  
11 documents prepared by Milliman that you saw and  
12 considered in forming your opinions about this  
13 particular issue?

14 A. Yeah. In addition to doing all the risk  
15 transfer analyses for different parties in these  
16 deals, Milliman, as I understand it, was the  
17 opining actuary for Atrium, so what that means is  
18 that they have to make an opinion of the  
19 liabilities on the -- sort of reserves on the  
20 balance sheet of Atrium at the end of every year  
21 and they have to -- they have to sign off on it.  
22 And so one of the duties they would need to be able  
23 to do -- fulfill is to understand the contracts.

24 Q. Did you see any Milliman reports stating  
25 that liability was not admitted to the funds in the

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1 applicable trust account?

2 A. No.

3 Q. So you listed this feature in the section  
4 on common features that, quote, Resulted in  
5 significant risk transfer. Why did you include  
6 this in that section?

7 A. Well, just the very first thing it does is  
8 it puts a limit on sort of the worst case for  
9 Atrium. Atrium can't pay out more than what's in a  
10 trust account and that's -- that was unusual  
11 compared to traditional reinsurance, so it wouldn't  
12 have a structure like this.

13 Q. Let's go back to the table of contents,  
14 please.

15 A. So the next feature you've listed in this  
16 section is Segregation of Risk by Mortgage  
17 Insurance Company. Can you explain what this  
18 refers to and why it's included here?

19 A. Yeah. So this really is related  
20 slightly -- it's a slightly different point, but  
21 it's related to this idea of the trust accounts.  
22 So because the liability is limited to the trust  
23 account and there's a separate trust account for  
24 each MI that's just for that MI. What that has the  
25 effect of is the risk is now separated by each MI.

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1 So there's no -- each MI is really only supported  
2 by its trust account and that trust account is  
3 supported by the premium for that MI and any  
4 capital that Atrium has put in for that MI, but  
5 there's no cross-collateralization or pooling  
6 between the MI. So if one MI has a bad experience,  
7 it can't be summed up by an MI that has good  
8 experience, which would normally happen in an  
9 insurance pooling arrangement.

10 Q. You've included that feature in the section  
11 on risk transfer. How is that relevant to the  
12 transfer of risk?

13 A. Well, from the MI's perspective, it reduces  
14 the transfer of risk because as compared to a  
15 situation where risk is pooled between all the MIs.  
16 Because what it means is if an MI has high claims  
17 experience, there's nowhere to go other than its  
18 own trust account, which is largely funded by its  
19 own premiums, whereas if the risk was not  
20 segregated by MI, there would be a possibility of  
21 recovery from if you like funds that were provided  
22 by other MIs who have a more favorable experience.

23 Q. The next feature you've listed there is Low  
24 Initial Capital Contributions. Can you describe  
25 what that refers to?

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