



20 P.O. Drawer 1529  
21 Pascagoula, Mississippi 39568-1529

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This deposition is being taken pursuant to Rule 30(b)(6) of the Federal Rules of Civil Procedure, and pursuant to the notice for all purposes allowed thereunder. All objections except as to the form of the question are reserved until such time as this deposition or any part thereof is sought to be introduced into evidence in the trial of this cause.

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Reading and signing by deponent not waived.

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

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Whereupon:

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after being first duly sworn to testify to the truth,

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TERRY H. BLALOCK was examined and testified on his oath at

7

9:05 a.m. as follows:

8

EXAMINATION

9 BY MR. WALKER:

10 Q. Would you state your name for the record, please.

11 A. Terry H. Blalock.

12 Q. Mr. Blalock, as you know, my name is Bill Walker.

13 We met a little earlier this morning. I and Jack Denton  
14 represent Dr. Tejedor in this case that has been filed  
15 against State Farm, and I am going to be asking you some  
16 questions here today. I am sure you've given a deposition  
17 before, haven't you?

18 A. Yes, I have.

19 Q. First of all, if you would, give us very briefly  
20 the benefit of your education and work background.

21 A. I graduated from Mississippi College in Clinton,  
22 Mississippi, with a Bachelor of Science Degree in Business  
23 Administration, plus I had some additional graduate work  
24 while I was there. I started with State Farm after  
25 completing Mississippi College in 1977, and I've been  
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1 working for State Farm Fire and Casualty Company for 29  
2 years, since August 1. My present job is claims section  
3 manager. I came to this position through the claims  
4 process, fire and casualty claims, working as a claim  
5 representative and then a claims superintendent, now called  
6 claim team manager, and then promoted to section manager in  
7 1988.

8 Q. Thank you, sir. A section manager; what does  
9 that mean?

10 A. That means I'm the manager over the supervision  
11 of claims and claims staff for a specific area. My area  
12 happens to be Mississippi and part of North and part of  
13 South Alabama. I supervise the claims operations  
14 administratively and the claim files.

15 Q. Thank you. As I know you know, you are here as  
16 the 30(b)(6) designee for State Farm, and I am sure Mr.  
17 Corlew has already explained it to you. Do you understand  
18 that that means you are speaking for State Farm in this  
19 deposition? Is that correct?

20 A. That is correct.

21 Q. Thank you, sir. First, I am going to ask you  
22 about what they say you said in the paper.

23 A. Okay.

24 Q. Okay. This is something that says, "State Farm  
25 Good Deeds Overlooked" by Anita Lee. It was posted on the  
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1 web. It was in the paper as well. The Sun Herald on

2 Wednesday, August 16, 2006. I'll hand you a copy of that.  
3 And we've probably all spoken to reporters before, and  
4 we've probably all had reporters not quote us correctly  
5 before, and I wanted to go over a couple of things here to  
6 find out if some of these statements are correct. First of  
7 all, I'm down - - I wish I had the, you see where my yellow  
8 is, the first yellow - -

9 A. Yes; Mississippi Claims Manager?

10 Q. Right. The paper said that you said you "choke  
11 up when you think of all the State Farm representatives who  
12 poured in after Katrina working to pay claims despite the  
13 catastrophic circumstances." Is that an accurate statement  
14 of what you told them?

15 A. You know, I can't remember if that's specifically  
16 what I said, but I don't remember saying choke up, but I  
17 think I may have mentioned that I get emotional when I  
18 think about the effort that people put forth in coming to  
19 my state to help take care of Mississippians. And I think  
20 in the context I was talking about that I am a native  
21 Mississippian and lived here most of my life. So  
22 basically, the thrust of what it says is what I commented  
23 to them, yes.

24 Q. Thank you, sir. And then they have a quotation  
25 that says, "We had to make a lot of tough decisions. We  
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1 may have made some mistakes along the way. When we make a  
2 mistake, we do anything we can to correct it." And they  
3 attribute that to you. Did you say that?

4 A. To the best of my recollection, that's what I  
5 said.

6 Q. And is that accurate that if Farm makes a  
7 mistake, you do anything you can to correct it?

8 A. That's correct.

9 Q. Thank you, sir. And then further down, I'm  
10 skipping two little paragraphs and coming down to the  
11 paragraph that says, "When asked to explain clearly their  
12 position on paying for wind damage when water contributed,  
13 Blalock said," and I quote, "What we try to do is start  
14 with what we know. If we know the surge was a certain  
15 level, then if not for the surge, would the house still be  
16 there and if the winds were not sufficient to totally  
17 destroy the home, then surge took the home." And I'm not  
18 going to read the next paragraph yet, but I'm just going to  
19 ask you, is that what you told them?

20 A. That's pretty accurate of what I told them.

21 Q. Thank you, sir. And it's accurate to what you

22 do, right?

23 A. That's correct.

24 Q. Thank you, sir. And then the next paragraph is

25 also in quotations, "But we still will look to see if we

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1 can find discernable wind damage or credible evidence that  
2 wind damaged the home. If we can find that, we pay for it;  
3 but in many instances there is no discernable wind damage,  
4 measurable wind damage, that we can see, and under those  
5 circumstances, we have not made a payment." Did you say  
6 that?

7 A. That sounds pretty accurate to what I said.

8 Q. Okay, and is that in fact what State Farm  
9 procedure would be.

10 A. That is correct.

11 Q. Thank you, sir.

12 A. On a case-by-case basis.

13 Q. Yes, sir.

14 BY MR. WALKER: Let's mark that newspaper  
15 article as Exhibit 1 please, ma'am.

16 BY DEPONENT: This one; this copy?

17 BY MR. WALKER: Yes.

18 (Whereupon, the newspaper article was marked  
19 as Exhibit 1)

20 BY MR. WALKER:

21 Q. I've got another newspaper article from Thursday,  
22 August 10th, 2006, and this is Flip Phillips telling Anita  
23 Lee some things. In particular, he says that there is a  
24 September 13, 2005, memo offered at State Farm's  
25 Bloomington, Illinois, headquarters and sent to employees  
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1 handling Katrina claims in Mississippi, Louisiana and  
2 Alabama. The subject, "Wind/Water Claim Handling  
3 Protocol." Is there such a memo?

4 A. Yes, there is.

5 Q. And was it called "Wind/Water Claim Handling  
6 Protocol?"

7 A. It's similar to that. I can't remember if  
8 there's a slash in there.

9 Q. Okay.

10 A. I don't recall if it's wind slash water.

11 Q. Okay. And the article goes on to say that the  
12 memo says, "Policyholders have no coverage unless wind  
13 damage is separate from damage caused by storm surge which  
14 the homeowner's policy excludes from coverage." Is that  
15 what the memo says? And I will let you look at that

16 paragraph because I know it's hard to keep straight. It's  
17 the last little paragraph that I have in yellow.

18 A. I don't remember it - - the wording being like  
19 that. That looks like a summation of some part of it, so I  
20 don't remember it stating anything exactly like that. I  
21 would have to look at it, I guess, to know for sure.

22 Q. All right. So, do you have that memo with you  
23 here today?

24 A. I don't.

25 Q. If you would, then please tell us what you recall  
0012

1 as to what the memo says concerning the wind/water issue  
2 and the payment of claims.

3 A. Well, it's pretty much like what this one says  
4 here and the original article that you showed me.

5 Q. What's been marked as Exhibit 1?

6 A. It's Exhibit 1, yes. And you wanted a comment on  
7 this paragraph that you've highlighted here about the memo  
8 says; is that what you were asking?

9 Q. Yes, sir. And you had indicated that it didn't  
10 actually say that, that that sounded like sort of a  
11 summary, and I was wondering if you could - - Well we don't  
12 have the memo here today, but I was wondering if you could,  
13 based on your having read it and your memory of it, provide  
14 me what you believe it says relating to wind/water issue  
15 and the payment of claims.

16 A. Okay, what it - - it was a guideline that was  
17 used as we applied the interpretation of our policy  
18 language and as we talked to the claim reps that came to  
19 Southern Mississippi to help us work those claims. And  
20 what it said is work these claims on a case-by-case basis;  
21 make an inspection, and obtain information like the  
22 physical evidence. Go to the scene, inspect physical  
23 evidence that is there, what damage is done to the house,  
24 what it looks like in the surrounding area. Obtain, of  
25 course, photographs; look and determine as best you can the  
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1 height of the surge in that area. Examine trees; get any  
2 information that the policyholder may have about what  
3 happen at that location. And then make a determination as  
4 to what caused the damage. And if the - - if the storm  
5 surge - - if not for the storm surge, would the house still  
6 be there. And if not, if the storm surge took the house,  
7 then that flood damage or surge damage would be excluded  
8 under the policy. And from that point, try to make a  
9 determination if there's any discernable wind damage. And

10 to the extent that there is some discernable,  
11 substantiated, measurable wind damage, then we would pay  
12 for that based on what credible evidence we could find of  
13 wind damage in that location, that specific location.

14 Q. All right, sir. And you said that that was  
15 something that was given to the folks who were going to go  
16 out and try to handle these claims; is that right?

17 A. That's correct.

18 Q. And you said that, if I understood you correctly,  
19 you said that the position of this particular paper was  
20 based upon some policy language or policy exclusions; is  
21 that correct?

22 A. Well the wind/water protocol was, as I said, was  
23 a guideline that discussed the policy language, and it kind  
24 of discussed a process on how we applied that policy  
25 language to the handling of these claims in Hurricane  
0014

1 Katrina.

2 Q. All right, sir. Can you tell me what specific  
3 policy language was referred to in there? I don't mean to  
4 quote it; I mean can you tell me if it was the water damage  
5 exclusion or some other part of the policy that was being  
6 referred to there.

7 A. It was the water damage exclusion area that the  
8 lead in language to the water damage exclusion and the  
9 exclusion itself.

10 Q. All right. Do you have a document, either the  
11 policy itself or a letter which was sent to Mr. Tejedor,  
12 which contains the language that we're talking about?

13 BY MR. CORLEW: I think it should be in the  
14 claim file.

15 BY DEPONENT: It should be in the claim  
16 file.

17 BY MR. WALKER: Okay. I'm going to try to -  
18 - Thank you for this back.

19 BY DEPONENT: I'll look at it.

20 BY MR. CORLEW: All right.

21 BY MR. WALKER:

22 Q. Mr. Blalock, I have stumbled over one already.

23 A. Okay.

24 Q. It appears to be page 152 HO, an October the 6th  
25 letter, and here is the second page of that, 151. If you  
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1 would, look at that letter and tell me if that includes the  
2 language that would have been the subject that precipitated  
3 the memo.

4 A. Yes, it would be.

5 Q. Okay. Let me look at it again please, sir.

6 Thank you.

7 BY MR. WALKER: Let's mark these two pages,  
8 this is the October 6th letter, 152 and 151, as the next  
9 Exhibit, please ma'am.

10 (Whereupon, the letter was marked as Exhibit  
11 2)

12 BY MR. WALKER:

13 Q. Okay, I've got Exhibit 2 in front of me, which is  
14 the same thing, I believe, as you have in front of you in  
15 the original file; is that correct?

16 A. Yes; 152 and 151.

17 Q. The language that the protocol was based upon  
18 would have been what of the language that we have on these  
19 two pages?

20 A. It would have been section 1, losses not insured,  
21 2(c) and the part below that.

22 Q. All of which you quoted; all of the quoted  
23 amount, is that what language - - Excuse me. All of the  
24 quoted language in the letter?

25 A. I'm sorry. It would be this section 1, losses  
0016

1 not insured; this 2(c), one, I think it is what was on the  
2 memo. See what I'm saying?

3 Q. Yes, sir. And would it have included the (a)  
4 ordinance of law or (b) earth movement?

5 A. I don't believe the protocol actually had that in  
6 there.

7 Q. Okay. And so what we think the protocol actually  
8 had would have been the language included in the paragraph  
9 2 and the language included in the section including the  
10 paragraph below it in section C(1). Is that right?

11 A. Yes.

12 Q. Okay.

13 A. To the best of my recollection, that's what it  
14 would have.

15 Q. Okay. And just so I won't forget this, I'm going  
16 to read it into the record.

17 A. Okay.

18 Q. So that I can find it later and make sure we've  
19 got it right. "Losses not insured. We do not insure any  
20 coverage for any loss which would not have occurred in the  
21 absence of one or more of the following excluded events.  
22 We do not insure for such loss regardless of (a) the cause  
23 of the excluded event or (b) other causes of the loss or

24 (c) whether other causes acted concurrently or in any  
25 sequence with the excluded event to produce the loss or (d)  
0017

1 whether the event occurs suddenly or gradually, involves  
2 isolated or wide-spread damage, arises from natural or  
3 external forces or occurs as a result of any combination of  
4 these," and then there is a colon and we would skip to  
5 subpart c which says, " Water damage, meaning:" skip down  
6 to, "(1) flood, service water, waves, tidal water, tsunami,  
7 seiche (Spelling) s-e-i-c-h-e, overflow of a body of water  
8 or spray from any of these, all whether driven by wind or  
9 not." Did I read that correctly, the parts that I read?

10 A. Yes.

11 Q. And are those the parts that the memo would have  
12 been related to?

13 A. Yes, to the best - - to the best of my  
14 recollection.

15 Q. Okay. And, so is it fair to say that based upon  
16 that policy language that I've just read into the record,  
17 State Farm developed a wind/water memo and sent that out to  
18 you, and you've sent it out to some others.

19 A. The guidelines were written up based on this  
20 language here and used as guidelines for application of the  
21 interpretation to share with the claim representatives and  
22 the claims management that was coming to our area to work  
23 these claims.

24 Q. Okay. And it came from State Farm some place  
25 outside of Mississippi, or did it come from the Mississippi  
0018

1 claims office; the original memo?

2 A. The original came from my claim consultant in  
3 Bloomington.

4 Q. All right. And your claim consultant in  
5 Bloomington is who?

6 A. It's Stephan Hinkle (Spelling) S-t-e-p-h-a-n H-  
7 i-n-k-l-e.

8 Q. And how did he come to produce this memo?

9 A. He was, of course, my area, - - he's the  
10 consultant over this area, and he was actually in either  
11 Alabama at the very beginning right after the storm or in  
12 Biloxi area shortly thereafter. And in - - he prepared or  
13 authored this memo to help us with our training of our  
14 folks that came in.

15 Q. And he did that so that these people could try to  
16 handle these claims consistent with the policy?

17 A. That is correct.

18 Q. And in particular, consistent with the policy  
19 language that we've just quoted into the record?

20 A. Yes, that, and there's other parts to it on - -  
21 to the memo when it talks about handling of flood claims,  
22 and it talks about being aware of special things that are  
23 in Mississippi like the wind exclusion endorsement and  
24 things like that that folks coming from across the nation  
25 may not be as familiar with as someone who has actually  
0019

1 worked in this area before.

2 Q. And the wind exclusion endorsement; you're  
3 referring to a policy that might have as an exclusion in it  
4 wind as a separate endorsement in the policy?

5 A. That's correct.

6 Q. Now the policy that we're dealing with today, Dr.  
7 Tejedor; it doesn't have such a wind exclusion endorsement,  
8 does it?

9 A. It does not.

10 Q. Thank you, sir. But you were trying to make sure  
11 that folks from outside knew that sometimes in Mississippi,  
12 people will have a wind exclusion endorsement; is that  
13 correct?

14 A. Yeah, that was a part of the protocol memo.

15 Q. Thank you. So did the person at State Farm seek  
16 legal advice in determining how to articulate what this  
17 policy language that we've looked at earlier meant?

18 A. I do not know.

19 Q. All right. Did you, as head of Mississippi  
20 claims, seek legal advice to determine what this policy  
21 language meant? And I don't mean after a lawsuit has been  
22 filed, but I mean at the time, at or about the time of this  
23 September 13 memo that we've been referring to.

24 A. To the best of my recollection, I was going on  
25 what Mr. Hinkle was advising us of the interpretation for  
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1 the policy at that time.

2 Q. I'm going to let you look at Exhibit 1 because I  
3 want to look back at the language in that. And the  
4 paragraph indicates that if you know "the surge was a  
5 certain level, then if not for surge, would the house still  
6 be there? And if the winds were not sufficient to totally  
7 destroy the home, then surge took the home." Does that  
8 mean - And you've probably explained to me what it means -  
9 but does that mean that if surge would have taken the house  
10 by itself that you did not inquire into whether wind had  
11 anything to do with it?

12 A. No, sir.

13 Q. It does not mean that?

14 A. No, sir.

15 Q. Okay. What did you do insofar as inquiring what  
16 wind had to do with it if the house would not still be  
17 there but for the surge?

18 A. Well, as I said earlier, what we would do on any  
19 given case and this case in specific, we would go to the  
20 scene, examine the physical evidence, talk to the  
21 policyholder, try to understand what they knew about the  
22 loss itself, look at the surrounding area, gather  
23 information from whatever resources we could about the wind  
24 and the surge, and based on what physical evidence or what  
25 credible evidence we could find at a specific location,  
0021

1 then we would make a decision on what caused the damage.  
2 And if the surge was of such a level that the house was  
3 likely taken by the surge, then that part wouldn't be  
4 covered. Yet we would still look to try to find  
5 discernable wind damage that we could pay for based on  
6 credible evidence that matched the physical evidence at  
7 each location.

8 Q. All right, sir. Does that mean that even if the  
9 wind blew the house down before the surge got there, if the  
10 surge would have taken it by itself, then you did not owe  
11 for the damage to the house?

12 A. No, sir. What it means is if we could discern  
13 what damage the wind did, then we would pay for that wind  
14 damage.

15 Q. What if there is just a slab left, then in what  
16 way could you determine what damage the wind did?

17 A. Well then, if there was nothing there to measure  
18 or no credible information or no discernable wind damage,  
19 nothing to measure, nothing that physically supported wind  
20 damage that we could discern, then the storm - - the storm  
21 surge exclusion would be what applied in that situation,  
22 and we would deny that portion of the claim based on storm  
23 surge.

24 Q. Did you all get a copy of George Dale's memo  
25 relating to how he thought slab cases ought to be handled?  
0022

1 A. I got some correspondence from George Dale; yes,  
2 sir.

3 Q. And did you receive any correspondence in which  
4 he indicated that if you can't tell - - When it's just a  
5 slab, if you can't tell whether it was wind or surge, you

6 ought to just go ahead and pay. Did you get any  
7 correspondence to that effect?

8 A. I got some correspondence from the Commissioner.  
9 I don't think that's exactly what he said in that  
10 correspondence, though.

11 Q. All right. I don't have a copy of it with me.  
12 What did you take the correspondence to say in regard to  
13 these wind/water claims when faced with a slab?

14 A. Basically, what I just told you.

15 Q. The way State Farm handled it?

16 A. Yes.

17 Q. Okay. In reaching the decision to handle the  
18 claims the way that State Farm handled them that you have  
19 explained to us, did you take into account whether or not  
20 State Farm had the burden of proving that the storm surge  
21 or water damage exclusion applied?

22 A. Well I'm not an attorney, but what we would do or  
23 the approach that we would take is, as I mentioned, we  
24 would examine it, and if it's an accidental direct physical  
25 loss that is presented to us, then we would have to look at  
0023

1 the contract and look at the damage and make a  
2 determination if an exclusion applied. And I think in this  
3 case an exclusion applies, and that is the flood exclusion  
4 for the damage that we were able to discern.

5 Q. Okay. So yours, at least insofar as the dwelling  
6 was concerned, your policies were the all risk policies;  
7 correct?

8 A. They were accidental direct physical loss.

9 Q. Okay. An accidental direct physical loss would  
10 include destruction of a house in a hurricane?

11 A. It would include losses that are not otherwise  
12 excluded.

13 Q. Right. What I mean is if we didn't have any  
14 exclusions, if all we had was accidental direct physical  
15 loss, and a house is destroyed in a hurricane, then that  
16 would satisfy the broad coverage question of accidental  
17 physical loss, wouldn't it?

18 A. It would if it was destroyed by the winds of the  
19 hurricane; is that what you're asking?

20 Q. Well just anything. Because if water hit it and  
21 knocked it down, that would be direct physical loss,  
22 wouldn't it?

23 A. It would be.

24 Q. And if wind hit it and knocked it down, that  
25 would be direct physical loss, wouldn't it?

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1 A. That would be accidental direct physical loss.

2 Q. And if stuff floating in the water hit it, that  
3 would be direct physical loss, wouldn't it?

4 A. That would be an accidental direct physical loss.

5 Q. So all of that would be accidental direct  
6 physical loss unless there is an exclusion; is that  
7 correct?

8 A. All of that would be accidental direct physical  
9 loss unless it was otherwise excluded.

10 Q. Okay. And did you consider whether or not State  
11 Farm had to prove that the accidental direct physical loss  
12 was a result of flood or water damage for the exclusion to  
13 absolve you of liability for the claim?

14 A. Well I wasn't looking to absolve us from  
15 liability of the claim; we were looking for what we could  
16 find to determine what caused the loss. And in this event,  
17 we determined that the storm surge took the house and that  
18 the exclusion applied. And that - -

19 Q. Okay.

20 A. I can't remember what I was going to say then.

21 Q. I apologize for - - I'll give you some more time.  
22 I'll try to ask the question again.

23 BY MR. CORLEW: I think your original question was  
24 more clear concerning the burden of proof.

25 BY MR. WALKER: Well, I can't remember what it

0025

1 was, so I'll try again.

2 BY MR. WALKER:

3 Q. You understood at State Farm that exclusions must  
4 be - - are subject to the insurance companies proving that  
5 they apply; correct?

6 A. Yes.

7 Q. And that would include proving that the facts  
8 were of a certain way to fit within the exclusion; is that  
9 correct?

10 A. That's correct.

11 Q. So you would have to prove that there was water  
12 damage to fit within the exclusion; is that correct?

13 A. That would be what we would try to do. As what I  
14 think I mentioned, we would examine the physical evidence  
15 and make that application to the policy.

16 Q. And you recognize it as your duty to prove that;  
17 correct?

18 BY MR. CORLEW: Let me object to the extent  
19 it calls for a legal conclusion. You can answer.

20 A. That would be what we would be trying to do is  
21 apply physical evidence to the policy.

22 Q. And if you just can't decide what caused it based  
23 upon the physical evidence, then you would not be in a  
24 position to use the water damage exclusion, would you?

25 A. So you're saying if we are unable to determine  
0026

1 what caused the damage, we wouldn't use the water damage  
2 exclusion?

3 Q. Yes, sir.

4 A. Well we would base our decision on what, again,  
5 the physical evidence supports, and what actually took  
6 place at that house and make that on a case-by-case  
7 application to the policy.

8 Q. All right. So my question is: What if you're  
9 unable, based upon the physical evidence that's at the  
10 house or that you take into consideration that may be  
11 elsewhere, what if you are unable to say this damage was  
12 probably caused by water. What if you just can't say that?

13 A. I understand you're asking - - that's sort of a  
14 hypothetical. I don't know that we came across that on the  
15 cases that we examined that we applied the flood and water  
16 - - that exclusion to, we were able to say that's what  
17 caused the damage.

18 Q. And did you need an engineer to help you say  
19 that, or could you just say it as an adjuster?

20 A. Well it would just depend on the individual case.

21 Q. Sometimes just the adjusters made that  
22 determination; is that correct?

23 A. The claim representatives made the examination  
24 and reviewed all the evidence that they found on the given  
25 location, and they discussed it with their team manager.

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1 And the team manager and the claim representative together  
2 made that decision.

3 Q. I appreciate your clarifying that because it  
4 would go up the line to some point, and it would be a  
5 couple of people involved in making those decisions; is  
6 that right?

7 A. That's correct.

8 Q. But sometimes you could make those decisions, you  
9 tell us, without getting engineering expertise to make the  
10 decision.

11 A. An engineer was requested on some claims, and as  
12 time went on, as we gathered more and more information  
13 about the storm surge itself, about the weather data that

14 was obtained, making just physical inspections in the  
15 neighborhoods, just looking at photography, the aerial type  
16 photography, the newspaper articles and those kind of  
17 things, we gained more and more knowledge of the effects of  
18 the storm surge and as that - - as time went on, we gained  
19 experienced and expertise in order to be able to make those  
20 decisions, some still with an engineer's assistance and  
21 some without.

22 Q. So sometimes you were able to make those  
23 decisions to your satisfaction without an engineer; is that  
24 correct?

25 A. That is correct.

0028

1 Q. Thank you, sir. Now looking at our letter, which  
2 was Exhibit 2, which you have there in front of you; the  
3 October 6th letter in this particular case. The first part  
4 under the section that says, "2," and has the a, b, c and  
5 so forth in there, includes a provision that says, "Whether  
6 other causes acted concurrently or in any sequence with the  
7 excluded event to produce the loss." Did you all refuse to  
8 pay any claims based on your protocol because you thought  
9 that the wind and the water acted concurrently or maybe the  
10 wind came first and destroyed the house and then water  
11 came? Did you make any decisions based on your protocol,  
12 or did your protocol even address this question of this  
13 subparagraph; this subpart c?

14 A. Well what it did is what I just mentioned to you  
15 earlier is that we would look for all the physical evidence  
16 and first - - The short answer is no; we didn't deny based  
17 on that specifically. We would look at all the evidence,  
18 and if we could discern wind damage, we would pay for it  
19 even if flood had done damage to the home.

20 Q. So State Farm did not use this subparagraph c  
21 under paragraph 2 to refuse to pay any claims; is that  
22 correct?

23 A. Well correct in that we tried to find discernable  
24 wind damage that we could pay for even though flood may  
25 have taken the home.

0029

1 Q. And even though there was some wind and there was  
2 some flood and they both concurred to cause something, you  
3 still did not rely upon this subparagraph c; is that  
4 correct?

5 A. We would still look for discernable wind damage.

6 Q. And you would be looking because you were trying  
7 to find this water damage, that flood service water or

8 waves, so forth and so on, occurred to cause the damage; is  
9 that correct?

10 BY MR. CORLEW: I object to the form of the  
11 question.

12 BY MR. WALKER: I probably asked it - -

13 BY MR. WALKER:

14 A. I think I misunderstood what you said.

15 Q. I'm sure I asked it wrong. Let me try again.

16 The subparagraph c(1) water damage on the second page of  
17 the letter, excludes certain water damage; is that correct?

18 A. That's right.

19 Q. Whether wind driven or not; correct?

20 A. That is right.

21 Q. Okay. But that water damage exclusion is subject  
22 to, in general, the language on the first page of the  
23 letter under paragraph 2; is that correct? It's subject to  
24 that language in general.

25 A. Yes.

0030

1 Q. But you all made a decision not to deny claims,  
2 even though subparagraph c in paragraph 2 might have been  
3 used to deny those claims.

4 A. That's what I'm saying, that all - - the  
5 application of this portion of the policy is what I was  
6 just telling you earlier - - is we would try to determine  
7 what caused the damage and if flood caused it, none of  
8 that's covered. But if to the point that we could find  
9 credible information of the wind damage, we would pay for  
10 that.

11 Q. What if wind and flood concurred to cause the  
12 damage; would you pay or not?

13 A. We would try to find what we could that the wind  
14 damaged itself, and we would pay for that.

15 Q. If you could separate out the wind in some way or  
16 another, then you would pay for that?

17 A. If there was discernable wind damage or credible  
18 information that there was wind damage, we would pay for  
19 the wind.

20 Q. Okay. And so let's assume, just a hypothetical,  
21 the wind came first and blew off somebody's roof; then you  
22 would pay for the blowing off of the roof if you could have  
23 evidence that that's what happened; correct?

24 A. If there was - - if there was credible evidence  
25 supported by the physical information that was there, yes.

0031

1 Q. And this is true even though soon after the flood

2 came and destroyed the rest of the house, you'd still want  
3 to pay for that wind damage we talked about taking off the  
4 roof.

5 A. That discernable wind damage that we could find,  
6 yes.

7 Q. Have you ever heard this subparagraph c called  
8 the "concurrent clause exclusion?"

9 A. Yes, I've heard it called that or something like  
10 that.

11 Q. Something like that. And you all did not rely in  
12 handling these claims on the so-called concurrent clause  
13 exclusion, did you?

14 BY MR. CORLEW: I object to the form of the  
15 question. You can answer.

16 BY MR. WALKER:

17 A. Well we applied this total section the way that I  
18 was telling you earlier and the way that it was outlined in  
19 the protocol.

20 Q. Did State Farm consider Mississippi law on  
21 whether or not a concurrent cause exclusion was valid in  
22 handling these claims?

23 A. I couldn't tell you absolutely what all was  
24 considered except I can tell you the way we applied it to  
25 this claim is the same way that we have tried to apply it  
0032

1 to all of our claims. And that's the way I've mentioned to  
2 you a couple of times already that we applied this  
3 language.

4 Q. Did you apply this language basically the same  
5 way as it was applied in Camille?

6 A. This language wasn't in the - - to the best of my  
7 knowledge, I wasn't around during Camille, but I don't  
8 think this language is in the policy during Camille.

9 Q. Do you know, speaking on behalf of State Farm,  
10 whether State Farm was aware that Mississippi had taken a  
11 position upon proximate cause in connection with wind and  
12 water issue?

13 BY MR. CORLEW: I may object to the form of  
14 the question to the extent it calls for legal conclusion -  
15 - or legal opinion. You can answer.

16 BY MR. WALKER:

17 A. I'm not sure I understand exactly what you're  
18 asking me, though.

19 Q. Okay. I'll represent to you that as early as  
20 1961, and certainly again in 1971 and subsequently,  
21 Mississippi has taken the position that a concurrent cause

22 provision in an insurance policy is overridden by  
23 traditional concepts of proximate cause. Did State Farm  
24 take that position or take that into consideration in  
25 deciding how to deal with these claims?

0033

1 BY MR. CORLEW: Same objection. You can  
2 answer.

3 BY MR. WALKER:

4 A. I think that we would have taken all the legal  
5 cases that are out there and applied them as best we could  
6 in making a determination on how we were going to handle  
7 the case - - the claims that we had.

8 Q. Do you have any documents to support your thought  
9 on that subject?

10 A. I do not.

11 Q. And speaking for State Farm, do you know of any  
12 documents that would cover that subject or support that  
13 position that you're taking on that subject.

14 A. I do not; off the top of head, I don't know of  
15 such a document.

16 Q. Okay. Well how about off the bottom of your  
17 head. Let's think about it.

18 A. Okay. I - -

19 Q. Let's think about it for a minute. Are there any  
20 that - - you've been in claims a really long time. Are  
21 there any documents that you know of - - You've got this  
22 protocol. Do you know of any documents in which State Farm  
23 considered Mississippi law on the viability of a concurrent  
24 cause exclusion?

25 A. I have not observed any document that

0034

1 specifically addresses that, but again, I can tell you that  
2 Stephan Hinkle, in writing his wind/water protocol, applied  
3 the contract to the writing of that and how we should be  
4 handling these claims. So - -

5 Q. Mr. Hinkle is not a lawyer; correct?

6 A. He, to the best of my knowledge, is not a lawyer.

7 Q. And you have no evidence that he consulted a  
8 lawyer in connection with writing protocol, do you?

9 A. I don't know yes or no whether he talked with  
10 attorneys.

11 BY MR. WALKER: Scott, I propose that we  
12 agree that I can use all of what we've just done with Mr.  
13 Blalock, except reference to Tejedor's case specifically  
14 that he made one time, that we could use that in any of  
15 these other two cases. Is that all right with you?

16 BY MR. CORLEW: Yeah, I think that would be  
17 fine. Thinking back like we did Slider, and I know you  
18 weren't there, but I think you'd be entitled to use it  
19 whether we agreed or not, so absolutely.

20 BY MR. WALKER: Right. It just makes it  
21 cleaner and quicker for Mr. Blalock.

22 BY MR. CORLEW: Yes.

23 BY MR. WALKER: Thank you.

24 BY DEPONENT: Can we take about a five  
25 minute break?

0035

1 BY MR. WALKER: Oh yes. Let's take a break.

2 (Whereupon, a short break was taken off the  
3 record at 9:55 a.m.)

4 (Deposition resumed on the record at 10:01  
5 a.m.)

6 BY MR. WALKER:

7 Q. One more question on this line to be included in  
8 these other cases. And Mr. Blalock, I understood you to  
9 say that in the Katrina cases, in all of them, you were  
10 able to make a determination of the cause of the loss  
11 sufficient to decide whether to pay or not pay claims; is  
12 that correct?

13 A. There may still be some open cases out there, but  
14 I think that we were able to reach a decision on most of  
15 the cases at this point.

16 Q. Right, but - -

17 A. But to the point that there is still information  
18 developed, we would re-evaluate that information.

19 Q. Right. And the question I wanted to ask is what  
20 I asked before and you said it's a hypothetical, and I  
21 understand it's hypothetical because you have made  
22 determinations these cases: If you couldn't make a  
23 determination as the cause of loss, this is a hypothetical,  
24 whether it was wind or water, what would you do as far as  
25 paying a claim?

0036

1 A. In every case that I can think of, we were able  
2 to make that determination; so I'm not sure what we would  
3 have done if we were unable to reach that decision. We  
4 were able to come to a decision on every case.

5 Q. And sitting here today, what I'm trying to find  
6 out is if you do know what you would do if you were faced  
7 with that. If State Farm says it doesn't know, that's  
8 fine, what it would do if it were faced with a situation  
9 where it couldn't make the determination.

10 A. I've been in the business for 29 years, and I'm  
11 trying to remember a case where we were unable to make a  
12 determination. So that's why I'm at a loss on your  
13 hypothetical.

14 Q. The fair answer is that you always make a  
15 determination, or at least you always have.

16 A. We've always been able to work through the  
17 physical evidence and reach a determination on the cause of  
18 loss to the best of my recollection.

19 Q. Okay. So you don't know what you would do if you  
20 were faced with a situation where you could not determine  
21 the cause of loss.

22 A. I mean, yeah, we would handle each case on a  
23 case-by-case basis in that situation, and if there was some  
24 unusual circumstance or some different circumstance, then  
25 we would look at each case on its own and make a  
0037

1 determination based on what was there on that specific  
2 case.

3 Q. It's very important to State Farm apparently,  
4 based upon what you've said, to be able to reach a  
5 determination as cause of loss in these cases; is that  
6 correct?

7 A. It's very important to us that we reach a  
8 determination as to the cause of loss.

9 Q. Thank you. Okay. Now going to the more  
10 specifics of the Tejedor case. And you've got what I  
11 believed to be the documents that were produced to us in  
12 voluntary disclosure in front of you; is that correct?

13 A. Yes, sir; I believe so.

14 Q. And for your convenience, I am going to hand you  
15 171-EC back to 168-EC to look at. That may have some  
16 things that are redacted that have not been redacted in  
17 yours, I don't know. But this is what I'm going to be  
18 coming off of to ask the questions.

19 BY MR. CORLEW: You probably want to read  
20 that.

21 BY DEPONENT: This is his.

22 BY MR. CORLEW: Right.

23 BY MR. WALKER: Let's just go ahead and mark  
24 that as the next Exhibit please, ma'am.

25

0038

1 Exhibit 3)

2 BY MR. WALKER:

3 Q. And this has been marked as Exhibit 3; it's the

4 pages that I referred to 168-EC through 171-EC with certain  
5 redactions. This is what was produced to me and I did not  
6 want to cause you to inadvertently tell me something that  
7 had not been redacted that was in your file in front of  
8 you, and that's why I did this. I'm going to ask you what  
9 it had to do with and why it was redacted, but I don't want  
10 you to inadvertently have to produce something to me. If  
11 you will, the way I've got mine set up is kind of starting  
12 with the number 168 and coming forward because I think that  
13 may be the best way to look at the activity log;  
14 chronologically. What I've given you, and what's been  
15 marked as Exhibit 3, it appears to me to be most, if not  
16 all, of the so-called activity log except for what's been  
17 redacted in the Tejedor case. Am I correct on that?

18 A. That appears to be correct.

19 Q. And under the facts in the middle of that page on  
20 168-EC, it says, "Complete loss. Nothing but rumble on  
21 slab. Unable to salvage anything." Is that what State  
22 Farm discovered when it went out to look at where the  
23 dwelling used to be?

24 A. No. That's likely what was reported by the  
25 insured when they reported their loss.

0039

1 Q. Okay. And on this same 168-EC, it starts with 9-  
2 2-05 and then seems to move chronologically up the page  
3 with the exception of some couple of entries under this  
4 system generated log. What is a system generated log; if  
5 you know?

6 A. I'm not seeing that; where is that?

7 Q. I'm sorry; right here on that first bit, that  
8 thing right there.

9 A. Oh, a system generated log, that's, - - I think  
10 that's referring to something that, when some action occurs  
11 on the file that's not necessarily a claim representative  
12 entry. For example, on 9-2 when the claim is reported the  
13 system generates that log entry - -

14 Q. Thank you.

15 A. - - underneath that.

16 Q. Okay. So if we look up at the top of that page  
17 with the 9-8-05 entry, if we look at those and then follow  
18 through with those, can we tell what happened in connection  
19 with the handling of the claim, or at least get an overview  
20 of it?

21 A. You would get an overview of just some of the  
22 details that were entered into the activity log on what  
23 actions were taking place; snapshot of what actions were

24 taking place at any given time.

25 Q. Do you try to include in this activity log

0040

1 information that a person who understands how to read these  
2 things could pick up and read and be able to tell what's  
3 been happening in connection with the handling of the  
4 claim?

5 A. Well an activity log is somewhat what you just  
6 mentioned, but it also - - you have to look at anything  
7 else that's in the claim file to see the entire flow. But  
8 an activity log is a summary of events that are taking  
9 place, and they're mainly there for the person that's  
10 working the file or someone that picks it up later that  
11 they can take a quick look back and see what has taken  
12 place so far.

13 Q. So somebody who's working for State Farm could  
14 pick it up later and look at the activity file and get an  
15 idea of what's been happening in connection with the  
16 handling of the claim?

17 A. Yes. To some extent, yes; or for the most  
18 extent, yes.

19 Q. Thank you. If you will, look on page 169-EC and  
20 the entry of 10-4-05. And can you tell me what that entry  
21 says and/or means, if it means something different than  
22 what it says.

23 A. You want me to read it or just review it?

24 Q. Review it yourself.

25 A. When you ask can I tell what it said, I was just

0041

1 wondering if you want me to read it out loud for the  
2 record, is that what you were asking.

3 Q. No, no. You don't have to do that. I think that  
4 would cost too much time.

5 A. It's referring to an inspection that occurred on  
6 10-4 by this claim representative, Larry Carroll, and a  
7 conversation he had with Mr. Tejedor regarding the house  
8 itself and some of the building portion of the house and  
9 looks like contents as well, and other information about  
10 the physical findings that he had around the house.

11 Q. And so did you call him an adjuster or an  
12 independent - -

13 A. Claim representative.

14 Q. Claim representative. The claim representative  
15 goes out and he inspected the home, and he found nothing  
16 but a slab; is that correct?

17 A. That appears to be what he found by the entry he

18 made here, yes.

19 Q. Okay. And Mr. Tejedor requested that an engineer  
20 determine the wind/flood issue; correct?

21 A. That's what he put in his log, yes.

22 Q. And speaking for State Farm, that's what happens,  
23 as far as State Farm knows; correct?

24 A. As far as I know, that's what took place.

25 Q. I don't want to be in a position of saying well,  
0042

1 he wrote that down, but, you know, it's not what he means.  
2 I'm looking at this for State Farm to tell me what really  
3 happened. And what really happened is that the claim rep  
4 found nothing but a slab; correct?

5 A. That's correct.

6 Q. And what really happened is Mr. Tejedor requested  
7 an engineer to determine the wind/flood; correct?

8 A. According to what Larry Carroll says, that's  
9 correct.

10 Q. Well do you have any reason to think it's not  
11 correct?

12 A. And I have no reason to think it's not correct.

13 Q. All right. And Mr. Carroll made the entry that  
14 there was no flood policy; do you notice that?

15 A. Yes.

16 Q. What would be the purpose for State Farm to make  
17 that entry?

18 A. What we try to do in accordance with what NFIP  
19 requirements are is, if there's a flood policy, we try to  
20 let the same claim representative work both the flood and  
21 the wind policy. And if we had a flood policy on this  
22 insured, we would have matched that claim file with this  
23 claim representative. So his comment reflects that we did  
24 not have a flood policy - -

25 Q. All right - -

0043

1 A. - - on this insured.

2 Q. Now the next entry on 10-5, take a look at that,  
3 then I'll just ask you some specific questions.

4 A. Okay.

5 Q. Did Mr. Carroll make these entries or did Mr.  
6 Pupua?

7 A. Pupua.

8 Q. Pupua made them?

9 A. Mr. Pupua made these - - this entry.

10 Q. Okay. Who is he?

11 A. He was a team manager or either an acting team

12 manager.

13 Q. So Mr. Carroll met with Mr. Pupua?

14 A. Yes.

15 Q. And they reached the conclusion, or was it just  
16 Mr. Pupua who reached the conclusion, that this was flood  
17 and wave damage?

18 A. Well, they reviewed it together, so I would think  
19 that the two of them together reached the conclusion.

20 Q. And that was reached on the basis of the photos  
21 and the investigation that had been done by Mr. Carroll;  
22 correct?

23 A. That's correct.

24 Q. And that investigation was what was referred to  
25 in the previous entry on 10-4-05; correct?

0044

1 A. He's referring back, yes, to the 10-4-05.

2 Q. Did Mr. Carroll do any investigation other than  
3 the investigation that occurred on 10-4-05; physical  
4 investigation?

5 A. There could have been. I'm not sure if there's  
6 any other information in the claim file. But there was all  
7 kinds of information out there that we were gathering, as I  
8 mentioned earlier, with websites, newspaper articles, those  
9 kind of things that shared information about what damage  
10 the storm had caused. Plus, as I said earlier, he was in  
11 the areas examining physical surroundings in all the  
12 neighborhoods that he was going into. So all of that goes  
13 into the gaining of information which is part of this  
14 investigation.

15 Q. What we have here in these activity logs says  
16 that there was an investigation on 10-4-05, and that on 10-  
17 5-05 there was a determination that it was flood and wave  
18 damage; is that correct?

19 A. That's correct.

20 Q. Thank you. And it's got a 1, 2, 3 down here, 4  
21 at the bottom says, "Contact insured and deny flood/wave  
22 damage;" what does that mean?

23 BY MR. CORLEW: I object to the form of the  
24 question.

25

0045

1 A. Well, number one where it says, "Contact insured  
2 and deny flood/wave damages," is a reference to an  
3 instruction to Mr. Carroll to contact Mr. Tejedor and  
4 advise him of their findings.

5 Q. And to deny the claim; correct?

6 A. Yes. Or to deny the flood and wave damage.

7 Q. Okay. And then second, prepare denial letter.

8 That was part of what was supposed to be done next;

9 correct?

10 A. Correct.

11 Q. Label the photos; correct?

12 A. That's correct.

13 Q. And then return all of this to Mr. Pupua, I

14 guess, or to State Farm to close the file; correct?

15 A. Yes, I think he was referring to return it to

16 Pupua.

17 Q. Okay. So an investigation on 10-4 and then a

18 determination on 10-5 to deny the claim and take steps

19 necessary to inform the insured of that and then close the

20 file; correct?

21 A. Yes; following that track that he had mentioned

22 there.

23 Q. And on 10-6, Larry Carroll says that he explained

24 to the insured there was no coverage on storm surge/flood

25 to home; is that correct?

0046

1 A. That is correct.

2 Q. And the denial letter was reviewed on 10-6 with

3 Mr. Pupua; is that correct?

4 A. That's what it says there, and I think that's

5 correct.

6 Q. Flipping the page to 170 on 10-11, we have a

7 different person, a Worthington-Ha, is that correct, who

8 entered this?

9 A. Yes. Worthington-Ha, I guess.

10 Q. A double name?

11 A. Yeah, a double name, I guess.

12 Q. Okay. And it says "PH," which stands for

13 policyholder, is that correct?

14 A. Yes.

15 Q. "PH called about a denial letter and is very

16 angry," and that's what happened; is that right?

17 A. That's what was reported back to Worthington-Ha,

18 yes.

19 Q. "He wishes to be assigned a new claim rep and

20 wants to have the information on the engineer he requested

21 to have inspect his property." He wanted a new claim rep;

22 is that correct?

23 A. That's what it says, yes.

24 Q. Or he advised State Farm that he did, and he

25 advised State Farm he wanted to have the information on the

0047

1 engineer that he had requested to have inspect the  
2 property, that's what he told State Farm; correct?

3 A. Yes.

4 Q. Ya'll didn't get him an engineer at that time  
5 though, did you?

6 A. We did not hire an engineer on this case, no.

7 Q. He had requested it, though, on 10-4-05; correct?  
8 Flip back over.

9 A. Yes, he did request it on 10-4.

10 Q. But you all thought that you had enough to make a  
11 determination without getting an engineer; is that correct?

12 A. That is correct.

13 Q. And on 10-12-05, this is Mr. Pupua making the  
14 entry; is that correct?

15 A. Yes.

16 Q. "Received call from Mr. Insured - -"

17 A. No, returned.

18 Q. Excuse me.

19 A. Returned insured's call. Rt, Ret.

20 Q. Oh, I'm looking at the wrong place.

21 A. 10-12 is - -

22 Q. Oh, okay. I'm on the next one, I'm sorry.

23 BY MR. CORLEW: Log 14.

24 BY MR. WALKER:

25 Q. No, you're right. On 10-12, "Returned insured's  
0048

1 call, left message on voicemail," then still on 10-12; go  
2 up through the next paragraph.

3 A. Yes.

4 Q. "Received call from Mr. Insured;" is that  
5 correct?

6 A. Yes.

7 Q. Then "reviewed loss;" does that mean Mr. Pupua  
8 reviewed his loss?

9 A. Yes.

10 Q. And then Mr. Pupua explained that "our  
11 investigation completed. Loss caused by surge/wave;" is  
12 that correct?

13 A. Yes.

14 Q. That's what Mr. Pupua explained?

15 A. Yes.

16 Q. And State Farm's investigation was completed;  
17 correct?

18 A. Yes.

19 Q. No coverage under policy. That's what he told

20 him; is that correct?

21 A. That's correct.

22 Q. "Insured acknowledged receipt of the letter;"  
23 that's the denial letter that was previously sent; correct?

24 A. That's correct.

25 Q. Okay. "Said his agent advised him we would  
0049

1 separate flood from wind damage and pay for wind damage."

2 That's what Mr. Pupua entered; correct?

3 A. Yes.

4 Q. Now Mr. Pupua then, if I'm getting this right, he  
5 advised that "Our investigation revealed no isolated wind  
6 damage." Is that what Mr. Pupua did?

7 A. Yes.

8 Q. Okay. "Surge/wave damaged home; insured requested  
9 another CR to inspect," that's claim representative?

10 A. Yes.

11 Q. Mr. Pupua advised "No further investigation  
12 needed. Our initial adjusters scoped loss and took photos  
13 clearly depicting surge/wave damage;" is that correct?

14 A. Yes.

15 Q. And then "The insured said he has a flood policy  
16 with another carrier, and then denied flood/wave damage."  
17 Is that simply Mr. Pupua repeating that that's what State  
18 Farm has done?

19 A. Yes, it is.

20 Q. Okay. Now I didn't see in your statements to the  
21 paper or here in your statements concerning the memo that  
22 State Farm sent out that the investigation had to reveal  
23 isolated wind damage for there to be a payment for wind  
24 damage. Does the investigation have to reveal isolated  
25 wind damage for there to be a payment for wind damage?

0050

1 A. Yes, there has to be credible information of  
2 discernable wind damage. I think that's what it did say.  
3 But we will still look to see if we can find discernable  
4 wind damage or credible evidence that wind damaged the  
5 home. That's what the article says.

6 Q. Right - -

7 A. And that's - -

8 Q. - - but it doesn't say isolated wind damage, does  
9 it?

10 A. Okay, it says - - it doesn't say isolated, no.

11 Q. Is there a difference, in your mind as State  
12 Farm, or is there a difference in the State Farm memo?

13 A. I don't see the difference in any of it.

14 Q. So you don't really have to have isolated wind  
15 damage as long as you have discernable wind damage; is that  
16 correct?

17 A. Substantiated, measurable, something - - credible  
18 information about wind damage.

19 Q. And State Farm doesn't pay unless it's got that  
20 kind of information that you just referred to as to wind  
21 damage; correct?

22 A. If we have no discernable substantiated wind  
23 damage, we wouldn't make a payment for wind damage.

24 Q. But you never, at least at this stage of the  
25 game, did not get an engineer to investigate to see if  
0051

1 there was any discernable wind damage, did you?

2 A. No, not in this case.

3 Q. Later you did though, didn't you? After suit was  
4 filed, maybe, and you had an expert report.

5 A. After suit was filed, we have obtained an expert.

6 BY MR. CORLEW: Let me object to the form of  
7 the question. But you've already answered; it's okay.

8 BY MR. WALKER:

9 Q. And after the suit was filed, you hired an  
10 engineer, and the engineer did find some discernable wind  
11 damage; didn't he?

12 BY MR. CORLEW: Same objection.

13 BY MR. WALKER:

14 A. I haven't - - I know we hired him; I haven't  
15 studied that report. But I know that an engineer has  
16 looked at it for the wind damage.

17 Q. Well it would be important for you to correct any  
18 mistake that might have been made about wind damage in  
19 connection with this claim, wouldn't it?

20 A. It's important to us if we make a mistake to try  
21 to correct it.

22 Q. As a matter of fact, you say you do in the  
23 writing in the article. You say "When we make a mistake,  
24 we do anything we can to correct it;" is that right?

25 A. That's correct.

0052

1 Q. Well that would include reading your engineers  
2 report, wouldn't it?

3 BY MR. CORLEW: Object to the form of the  
4 question. You can answer it.

5 BY MR. WALKER:

6 A. It would include reviewing any information that  
7 we have that comes in.

8 Q. And you look at your own engineer's report - -

9 BY MR. CORLEW: Bill, I could be mistaken,  
10 but I don't think he's an engineer.

11 BY MR. WALKER: A professor of coastal and  
12 oceanographic engineering program; maybe he's not an  
13 engineer.

14 BY MR. CORLEW: He's not an engineer.

15 BY MR. WALKER: He's assistant professor of  
16 civil engineering. That may be a different guy. There are  
17 two people on this; there's a Mr. Gurley, but Mr. Gurley's  
18 got a Ph.D. in civil engineering, so I think that - - but  
19 whatever.

20 BY MR. WALKER:

21 Q. You got some reports from some experts; correct?

22 A. We have; yes, sir.

23 Q. All right. And the report includes an opinion on  
24 causation, on cause of damage, and I'm handing you a copy  
25 of it; is that correct?

0053

1 A. That's correct.

2 Q. And if you look over on page 3 of that report,  
3 paragraph that's got a parenthetical 2 beside it; do you  
4 see it?

5 A. Yes.

6 Q. The report says, "There is a greater than 50  
7 percent probability that the Tejedor residence did  
8 experience some minor roof cover shingle loss before the  
9 surge and waves were of large enough magnitude to cause  
10 structural failure." Did I read that correctly?

11 A. Yes.

12 Q. Do you then owe, assuming that the deductible  
13 were met, do you then owe for that minor roof loss?

14 A. Well if it's something that we can discern, like  
15 I said, we would make a payment for wind damage.

16 Q. Well isn't your engineer discerning it for you?

17 A. Well he is making an observation here, and we  
18 have recently talked with the Tejedors to find out more  
19 information about their claim or their house and the make  
20 of their house in order to determine what that amount might  
21 be. But as I said, I've not studied this completely to the  
22 point that I fully understand all of it.

23 Q. Well you need to understand it as quickly as you  
24 can, don't you, so you can pay any legitimate claim and  
25 correct any mistake?

0054

1 A. Yes.

2 Q. And if your own engineer tells you that the  
3 Tejedors had some wind damage, then wouldn't that satisfy  
4 your discernable wind damage requirement that you've been  
5 repeating for us?

6 A. As I mentioned to you earlier, I have not had a  
7 chance to examine this entirely. I'm not sure what, - -  
8 how it all applies. But we are looking at it, and we'll  
9 make a determination on it.

10 Q. You said in the article, "When we make a mistake,  
11 we do anything we can to correct it." Do you just kind of  
12 wait around until you correct it, or do you have some sort  
13 of time table for that or have you got any kind of  
14 procedure for correcting mistakes?

15 BY MR. CORLEW: Object to the form of the  
16 question.

17 BY MR. WALKER:

18 A. I will make every effort to examine it as quickly  
19 as possible, examine all the information, and if we made a  
20 mistake, we want to correct it.

21 Q. To the date of this deposition, you all do not  
22 agree that any wind damage was suffered by the Tejedors,  
23 Dr. Tejedor; is that correct? To the date of this  
24 deposition, you have not agreed that yes there was some  
25 wind damage, have you?

0055

1 A. We have never said there was no wind damage.  
2 We've said there is no discernable wind damage. Nothing we  
3 could measure, nothing we could substantiate. And this is  
4 new information that has been developed recently.

5 Q. Can you show me in Exhibit 2 where it requires  
6 discernable wind damage?

7 A. I'm telling you the way we applied this policy  
8 language here. That's the way we applied it.

9 Q. Okay. In applying it, can you look in the policy  
10 itself, the language that we've been looking at and can you  
11 find a requirement that there be discernable wind damage  
12 before you have to pay for wind damage?

13 A. I'm just telling you the way that we applied it  
14 in this case and in all the cases.

15 Q. Can you find it by looking? Can you find the  
16 word discernable wind damage - -

17 A. Discernable - - the word discernable is not in  
18 there.

19 Q. Okay. But y'all decided to use this word  
20 "discernable" even though it's not in your policy; correct?

21 A. We handled all our cases and looked into all the

22 information, and to the extent that we could find the  
23 discernable wind damage, distinguishable, substantiated  
24 wind damage, we paid for it.

25 Q. And you required discernable, substantiated and  
0056

1 whatever the other word you used, before you paid for wind  
2 damage even though none of that language is in your  
3 policy.

4 A. That specific word is not in the policy.

5 Q. Are any of those words? Substantiated; is that  
6 in there?

7 A. No, the word substantiated is not in there.

8 Q. And you know that it's not up to the insureds to  
9 substantiate it. If it's an exclusion, it's up to you;  
10 correct?

11 A. We looked for damage that we could find or  
12 credible information about damage that we could find.

13 Q. But your procedure does not comply with the  
14 literal language of the policy, does it?

15 A. It does. Our procedure was to take the  
16 interpretation of the company and apply it to this  
17 situation and that's exactly what we did - -

18 Q. And - -

19 A. - - on every case.

20 Q. - - the interpretation of the company was what,  
21 take the interpretation of company and apply it; what was  
22 the interpretation?

23 A. What I've told you about four times already.

24 Q. Okay. Discernable wind damage required; is that  
25 part of the interpretation?

0057

1 A. Do you want me to go back through the protocol  
2 again? I'll do that for you.

3 Q. Well I'd appreciate if you would answer my  
4 question that I just asked you.

5 BY DEPONENT: Can you read his question back  
6 to me please?

7 BY COURT REPORTER: Q. Discernable wind  
8 damage required; is that part of the interpretation? A.

9

Do you want me to go back through the protocol again; I'll  
10 do that for you. Q. Well I'd appreciate if you would answer  
11 my question I just asked you.

12 BY DEPONENT: Go back. You started with the  
13 word "discernable."

14 BY COURT REPORTER: That's how he started his

15 question.

16 BY MR. WALKER: Read that to him again.

17 Just that part.

18 BY COURT REPORTER: Q. Did the

19 interpretation of the company apply, what was the

20 interpretation? A. What I've told you about four times

21 already. Q. Okay. Discernable wind damage required, is

22 that part of the interpretation? A. Do you want me to go

23 back through - -

24 BY MR. WALKER: All right, that's enough.

25 Thank you.

0058

1 BY THE WITNESS: I don't - -

2 BY MR. CORLEW: I'm not following you, Bill.

3 I mean - -

4 BY MR. WALKER:

5 Q. Discernable wind damage; is that part of the

6 interpretation of the policy that's contained in the

7 protocol.

8 A. Yes; to the point - - to the extent that we can

9 find wind damage, we will pay for it.

10 Q. Discernable wind damage or are we going to drop

11 "discernable" now?

12 A. Discernable wind damage.

13 Q. Okay. And substantiated wind damage.

14 A. Or credible proof of wind damage.

15 Q. So State Farm does not believe and its policy

16 does not reflect that it has to find discernable water

17 damage to deny the claim based on the water damage

18 exclusion; is that correct?

19 A. Okay. You said State Farm does not require that

20 it does not have to have - - find water damage. Is that

21 what you said?

22 Q. I'll start again. State Farm does not believe

23 that it must find discernable water damage before it denies

24 a claim; is that correct?

25 A. I don't think that's correct. I think what we do

0059

1 is look for the credible evidence that supports the

2 decision that we make, and I think that we find credible

3 evidence of water damage on those cases.

4 Q. So my question to you is this: State Farm

5 believes that it must find discernable water damage to be

6 able to deny or fail to pay a claim; is that correct?

7 A. In order to make a determination on a claim, then

8 we need to find that credible evidence of water damage.

9 Q. Okay. Did you find credible evidence of water  
10 damage, discernable water damage, in Dr. Tejedor's case?

11 A. Based on our physical inspection and review of  
12 all the information that we had at that time, yes, we did.

13 Q. And what was it?

14 A. It was that storm surge took that house.

15 Q. What was the evidence, the discernable evidence  
16 of water damage? What could you discern?

17 A. Well we discerned that there was a nineteen - -  
18 Let me see what it said in this log. A twenty foot debris  
19 line for the surge in the trees that were surrounding this  
20 home. We know that the impact that water has on the  
21 physical structure of a home. We looked at the surrounding  
22 area. We looked at the photographs, and we looked at the  
23 existing homes that were in the near vicinity and the  
24 damage that had been done to them. We looked at the  
25 physical findings at this specific location. we applied  
0060

1 the information that we had that we gained either through  
2 newspaper articles, websites, aerial photography, review of  
3 debris lines, those type of things. And all of that points  
4 toward the fact that storm surge was in that area, and if  
5 not for the storm surge that house would still be there.  
6 And that is how we reached our determination.

7 Q. So if not for the storm surge, the house would  
8 still be there. That was your conclusion; correct?

9 A. Yes.

10 Q. And because of that conclusion you decided you  
11 didn't owe any claim; correct?

12 A. We didn't owe for the flood damage and the surge  
13 damage.

14 Q. Or anything in Tejedor's case; correct?

15 A. We've made no payment in Tejedor's case at this  
16 point.

17 Q. Okay. Now you don't know whether the wind got  
18 there first, do you?

19 A. I know that there was wind blowing.

20 Q. Do you not need to know if the wind got there  
21 first for you to be able to decide whether or not the  
22 damage was all caused by water?

23 A. Well we took our - - made our decision based on  
24 what we examined at that site. And I just told you what we  
25 determined about the storm surge.

0061

1 Q. Yes sir.

2 A. And I told you before that we didn't discern any

3 wind damage. We didn't see the wind damage that was to  
4 that structure.

5 Q. You didn't see anything but a slab. You couldn't  
6 tell whether it was wind or water, could you?

7 A. Based on the physical evidence that we found in  
8 that area, it all supported that surge took that home.

9 Q. So now we're to the area. You just said you saw  
10 it at the site. So you looked at the area, and based on  
11 what you found in the area, you decided that that was  
12 enough to show that there was no wind damage to the Tejedor  
13 house; is that correct?

14 A. That is not what I said.

15 Q. Okay. What did you say then please, sir?

16 A. Do you want to go back and read?

17 Q. No, but I'll break it down into pieces so that we  
18 - -

19 A. To answer your question, I said that looking at  
20 the area was one of the things that we did.

21 Q. Right - -

22 A. I didn't say that that was the sole reason that  
23 we made the decision.

24 Q. Right. As a matter of fact, you said you looked  
25 at that water line in the area. Does the water line in the  
0062

1 area tell you when the wind got there?

2 A. No.

3 Q. Do you need to know when the wind got there in  
4 deciding whether or not the water damage exclusion applies?

5 A. We looked to find what physical evidence we could  
6 at that site, and we found the evidence of the storm surge  
7 at that site. I'm not saying there was no wind at that  
8 site; I'm saying we found no discernable wind damage at  
9 that site to the physical house.

10 Q. My question again is do you, State Farm, need to  
11 know whether the wind got there first to be able to decide  
12 that the water damage exclusion excused you from payment?

13 A. We were looking for wind damage.

14 Q. All right.

15 A. Whether it was there first or after the storm, we  
16 were looking for wind - - or after the surge, we were  
17 looking for wind damage.

18 Q. The question is do you need to know when the wind  
19 damage got there to properly handle these claims.

20 A. I'm not sure that I see how that affects what I  
21 just said.

22 Q. Well my question again is do you need to know

23 when the wind got there to properly handle these claims.  
24 Just a yes or no answer, with an explanation if you want  
25 to.

0063

1 A. Well I mean, I know the wind got there. I know  
2 there was wind in the area and I know the surge got there.  
3 So, I'm not seeing how I'm not answering your question.

4 Q. All right, I'll keep going. We'll stay as long  
5 as it takes.

6 A. Do you need to know whether the wind got there  
7 first to be able to properly determine whether the water  
8 damage exclusion excused you from paying the Tejedor claim?

9 BY MR. CORLEW: Bill, why don't you try  
10 putting it - - Are you asking just about Tejedor?

11 BY MR. WALKER: Yeah, specifically.

12 BY MR. CORLEW: Well I think he's answered  
13 your question on Tejedor.

14 BY MR. WALKER: Well he hasn't answered it,  
15 and I'm not going to put up with this stuff.

16 BY MR. CORLEW: He says - -

17 BY MR. WALKER: Answer the question.

18 BY MR. CORLEW: Wait a minute. He says he  
19 looked for wind damage

20 BY MR. WALKER: Do no repeat his question.

21 BY MR. CORLEW: I'm not.

22 BY MR. WALKER: You are. You are coaching  
23 your own witness.

24 BY MR. CORLEW: All right

25 BY MR. WALKER: Be quiet please.

0064

1 BY MR. CORLEW: No. Don't answer the  
2 question. Stop just a second. I think if you put it in a  
3 hypothetical, it might be easier to understand. But you  
4 can ask the same question and he can answer it the best he  
5 can. And then we're going to move on.

6 BY MR. WALKER:

7 Q. Do you need to know whether wind got there first  
8 to be able to decide whether the water damage exclusion  
9 excused you from paying the Tejedor claim?

10 A. I'm trying to understand how I haven't answered  
11 that question to your satisfaction.

12 Q. It's not a question of my satisfaction; It's a  
13 question of actually answering the question, Mr. Blalock.  
14 I know you're an intelligent man, and the question is: Do  
15 you need to know whether the wind got there first or not -

16 -

17 A. So the wind - -

18 Q. - - to properly handle the claim?

19 A. The wind doesn't affect the surge because there -  
20 - if there is wind we will pay for the wind and - -

21 Q. Do you need to know whether the wind arrived  
22 before the surge to properly evaluate this claim?

23 A. I don't see that it's separated. I mean, I don't  
24 see the - - I don't see - - We need to know what the wind  
25 damaged to the house before we can make a payment for the  
0065

1 wind damage to the house.

2 Q. Well you're not making a payment for the wind  
3 damage to the house, your making a payment for the direct  
4 physical loss to the house; aren't you?

5 A. That's not otherwise excluded.

6 Q. That's not otherwise excluded. So you're making  
7 a payment for the direct physical loss of the house that is  
8 not otherwise excluded; correct?

9 A. That is correct.

10 Q. Okay. Do you need to know whether the wind got  
11 there first and did direct physical loss to the house  
12 before the surge got there in order to properly handle this  
13 claim?

14 A. I need to know what the wind damage did, and I  
15 need to know what the storm damage did to this location.  
16 And if I've got both of those, then I can tell what is  
17 excluded, and I can tell what we owe for.

18 Q. Do you need to know whether the wind got there  
19 first and blew the roof off or did damage to the house  
20 before you can properly handle the claim?

21 A. I think that we can handle the claim properly the  
22 way that we did handle it, and that's go out and make the  
23 physical inspection of the house, and make a determination  
24 based on what we find there.

25 Q. So State Farm does not believe that it is  
0066

1 significant in handling these claims to be able to make a  
2 determination whether the wind arrived first; is that a  
3 correct statement?

4 BY MR. CORLEW: I'm going to object to the  
5 form of the question.

6 BY MR. WALKER:

7 A. No, I want to know what the wind damage did. I  
8 want to know if the wind damaged the house.

9 Q. And you need to know whether it got there first  
10 to know whether it damaged the house, don't you?

11 A. Well if it damaged the house before the surge  
12 took it, then it got there before the surge did. So we  
13 would know that.

14 Q. How would you know it if there was nothing left  
15 but a slab?

16 A. If it damaged it and there was discernable wind  
17 damage, then we would know it. There were cases where  
18 houses were knocked down and washed to the back of the  
19 premises and the roof structure was still in tact and was  
20 laying at the back of the lot back there and we could go  
21 and measure the roof damage on that house and pay for it.

22 Q. To determine whether the water damage excuses you  
23 from paying an entire claim, does State Farm need to know  
24 whether water arrives first or whether wind arrives first?

25 A. As I said, I'm not sure that I'm seeing that  
0067

1 there is a difference between that when I want to know what  
2 caused the damage to the house.

3 Q. All you have to do is answer the question and we  
4 can move on. The question is: Does State Farm need to  
5 know whether the wind or the water arrived first to be able  
6 to properly handle this or any other Katrina claim?

7 A. No.

8 Q. Does not need to know?

9 A. No, what I'm saying - -

10 Q. Wait just a minute. Was that no, it does not  
11 need to know it, or was it no something else?

12 A. You interrupted me before I answered.

13 Q. Go ahead; I apologize.

14 A. We handled our claims based on what we could find  
15 at the location. The surge damage that occurred, whether  
16 it occurred before or after the wind, I may not know in  
17 every situation. But these homes disappeared by surge  
18 early in the storm. But any time we could find wind  
19 damage, whatever it was, we would pay for it.

20 Q. So you may not know whether the surge got there  
21 before or after the wind in some of these cases; is that  
22 correct?

23 A. The surge, to the best of my knowledge, there was  
24 some wind preceding the surge arrival.

25 Q. Did you determine what damage the wind did before  
0068

1 the surge arrived?

2 BY MR. CORLEW: On which case?

3 BY MR. WALKER: In Tejedor.

4 BY MR. WALKER:

5 A. In this case, we found no discernable wind damage  
6 that occurred before the surge arrived.

7 Q. Because you had a slab; correct?

8 A. Because there was nothing left at the premises.

9 Q. And you found no discernable damage that surge  
10 destroyed the premises or that the premises were even  
11 standing when the surge got there, did you?

12 BY MR. CORLEW: Object to the form of the  
13 question.

14 BY MR. WALKER:

15 A. There was no premises standing when we made our  
16 inspection.

17 Q. You don't know whether there was a premises  
18 standing when the surge got there, do you?

19 A. The credible evidence points toward that the  
20 surge took that house.

21 Q. You don't know whether there was damage to the  
22 house or whether it was standing when the surge got there,  
23 do you? If you do, tell me what you based it on.

24 A. There's been no information that was presented  
25 that said exactly when that house was destroyed, but the  
0069

1 evidence that's there supports that surge took that house.

2 Q. You don't know whether it was standing at the  
3 time the surge got there, do you?

4 A. I did not see the house standing at the time the  
5 surge got there.

6 Q. State Farm, 30(b)(6), you're the voice. You do  
7 not know whether the house was standing when the surge got  
8 there; do you, State Farm?

9 A. I know that the credible evidence points toward  
10 that the winds were not sufficient to take that house, but  
11 the surge was sufficient to take that house.

12 Q. Does the credible evidence point to the position  
13 that the wind did no damage to the house?

14 A. We have never taken the position that the wind  
15 did no damage to the house.

16 Q. Well then why haven't you paid for the wind  
17 damage?

18 A. Because we found no discernable wind damage,  
19 nothing substantiated; there was nothing that we could  
20 measure for any wind damage.

21 Q. You've never taken the position that the wind did  
22 not damage the house; correct?

23 A. That is correct.

24 Q. And yet, you still have not paid the claim;

25 correct?

0070

1 A. We have not been presented with any discernable,  
2 measurable or substantiated wind damage that we could pay  
3 for on this house.

4 Q. Have not paid the claim; correct?

5 A. We have not made a payment for wind damage on  
6 this claim.

7 Q. And that's because of your requirement not  
8 contained in the policy that there be discernable wind  
9 damage presented to you before you have to pay this claim;  
10 is that correct?

11 A. Wait a minute.

12 BY MR. CORLEW: I object to the form of the  
13 question.

14 BY MR. WALKER:

15 A. You lost me there.

16 Q. Okay. It's because you don't have any  
17 discernable wind damage that you haven't paid any of the  
18 claim; is that correct?

19 A. I believe that's what I've said, yes.

20 Q. And yet "discernable" was not a part of the  
21 policy language; correct?

22 BY MR. CORLEW: Object to the form of the  
23 question.

24 BY MR. WALKER:

25 A. No. The word "discernable" is not a part of the  
0071

1 policy.

2 Q. And as far as the causal sequence whether the  
3 wind gets there first or the wind gets there second, are  
4 you - - is State Farm taking the position that the causal  
5 sequence doesn't matter because of this subparagraph c  
6 whether other causes acted concurrently or in any sequence  
7 with the excluded event to produce the loss. Are you  
8 relying upon that subparagraph c in any way in making  
9 determinations on whether you need to know whether the wind  
10 got there first?

11 BY MR. CORLEW: I don't think I understand  
12 your question.

13 BY MR. WALKER:

14 Q. Mr. Blalock, do you understand?

15 A. You asked a couple of questions. You're asking me  
16 about the policy, and then you're asking about the wind, I  
17 think is the way that - -

18 Q. All right, I'll try it again. The policy

19 includes a provision that says, "Whether other causes acted  
20 concurrently or in any sequence with the excluded event to  
21 produce the loss." Does that clause of the policy relate  
22 in any way to State Farm's belief that it need have or need  
23 not have information as to whether the wind got there  
24 first?

25 A. Well I think we need to know that the wind  
0072

1 damaged it if before the storm surge took it because when  
2 the storm surge took it, there's nothing left. So the wind  
3 would have had to have damaged it, if it's something that  
4 we can pay for, before the storm surge took it.

5 Q. My question is: This subparagraph c that I just  
6 read to you, does that play any part in State Farm's  
7 position concerning whether or not it needs to have the  
8 sequence of whether wind or water got there first?

9 A. I don't know that we've ever taken a position  
10 really on it in the application of our handling of it as to  
11 the sequence, but it makes logical sense that the way I  
12 just mentioned it for the wind to have caused damaged, it  
13 would have had to have occurred before the surge got there  
14 and took the house.

15 Q. Okay. Does that mean that if wind caused damage  
16 before the surge got there, State Farm would be obligated  
17 to pay for the wind?

18 A. Yes, we would try to pay for the wind that was  
19 there if it's discernable wind damage that we can measure  
20 or substantiate before the storm surge took the house.

21 Q. So it's important to know whether the wind got  
22 there before the surge.

23 A. It's important to know if the wind damaged the  
24 house; and if it damaged it, how much did it damage it; is  
25 it discernable; is it something we can substantiate; and if  
0073

1 so, we can pay for it.

2 Q. Read me all those qualifications that you just  
3 said in the policy language. Or read me one of them. Give  
4 me any of them that's in the policy.

5 A. You asked me for the application of it for the way  
6 that we were handling claims, and that's the way we handled  
7 this claim.

8 Q. Okay. You handled the claims using all sorts of  
9 language that is not included in the policy; isn't that  
10 correct?

11 A. We handled the claims based on interpretation of  
12 the policy, and we applied it to each individual claim what

13 that interpretation was.

14 Q. An interpretation of the policy included language  
15 that was not included in the policy, such as "discernable;"  
16 correct?

17 A. "Discernable" was a descriptive word that we used  
18 to help our people understand what they need to be looking  
19 for for damage.

20 Q. And basically what your people were supposed to  
21 be looking for is, since it was a surge, we pay nothing  
22 unless we can find some piece of something that shows some  
23 wind damage; isn't that correct?

24 A. That's not the way that we approached it.

25 Q. Okay. Explain how it differed.

0074

1 A. We would go and make a physical examination of  
2 the premises, observe all the surroundings, observe all of  
3 the things that I mentioned to you earlier, and then make a  
4 determination on the cause of damage. It wasn't that we  
5 were going out looking for a way to not pay for the claim.

6 BY DEPONENT: I want to take a break.

7 BY MR. WALKER: Okay.

8 (Whereupon, a short break was taken off the  
9 record at 10:59 a.m.)

10 (Deposition resumed on the record at 11:10  
11 a.m.)

12 BY MR. WALKER:

13 Q. Before we leave the Tejedor case, Mr. Blalock,  
14 have I prevented you from explaining anything, or is there  
15 something that you feel like you would like to say to  
16 clarify anything that we've been over thus far?

17 A. I don't believe so. I just - - not sure of - -  
18 there was some of the questions that you asked there at the  
19 end if I was understanding completely, so if I didn't  
20 answer it, then I'll be more careful about asking you for  
21 specific direction on those cases.

22 Q. Okay. Do you have any idea which questions  
23 because I sure don't remember. If there is anything that  
24 you can remember, I'll try to ask it right. I don't want  
25 to leave - - that's the only reason that I haven't left

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1 this case yet and gone on to the next one.

2 A. No, nothing except there was a time when you and  
3 I may not have been seeing eye-to-eye on what you were  
4 asking, and I think they we got it clarified though.

5 Q. You think that we finally did get it clarified in  
6 the deposition?

7 A. I think we did.

8 Q. Thank you, sir. I have no further questions.

9 BY MR. CORLEW: Before we move to the  
10 next case, let me ask a couple of questions.

11 EXAMINATION

12 BY MR. CORLEW:

13 Q. Terry, you were discussing - - I just want to  
14 bring up a couple of points to make sure we're clear on all  
15 of them. You were discussing adjusters making the call,  
16 and I think you discussed it in the context of adjusters  
17 and team managers with respect to whether the home was  
18 taken by water or storm surge, and you said the adjusters  
19 made the call. Was there other information that they  
20 relied on besides the physical inspection?

21 A. I think what I recall talking about that is the  
22 claim rep and the team manager would make a decision on a  
23 case, and they would rely on multiple areas of information  
24 that they had gained. And as I recall, it was about - - I  
25 talked about websites, newspaper articles, other engineer  
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1 reports that may have been picked up on other cases. But  
2 as more information came in, that was part of what they  
3 used to gain experience and expertise on making the  
4 examinations.

5 Q. Was that information available in Tejedor?

6 A. Yes, it would have been.

7 Q. Mr. Walker was asking you a question about  
8 isolated wind damage referred to in one of Mr. Pupua's  
9 activity log entries; do you or did you equate isolated to  
10 be synonymous with discernable?

11 BY MR. WALKER: I object to leading your  
12 own witness. You can answer the question, of course.

13 BY MR. CORLEW:

14 A. I believe that's the way that I answered it when  
15 Mr. Walker asked it; that there were similar descriptive  
16 terms.

17 Q. Okay. Give me one second. Was an advance paid  
18 in Tejedor?

19 BY MR. WALKER: I object to leading the  
20 witness.

21 BY MR. CORLEW:

22 Q. You can answer.

23 A. Yes, they were advanced \$2,500.00.

24 Q. All right.

25 BY MR. CORLEW: I have no further questions.

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1 BY MR. WALKER: I have nothing further.  
2 Thank you.  
3 (Whereupon, the above-entitled deposition  
4 was concluded at 11:14 a.m.)

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1 CERTIFICATE OF REPORTER

2  
3 I, BECKY LYNN LOGAN, Certified Court Reporter in and  
4 for the State of Mississippi, hereby certify that the above  
5 and foregoing is a true and correct transcription of my  
6 stenographic notes taken at the hereinbefore set out time  
7 and place and was reduced to typewriting by me personally;  
8 that the witness, TERRY H. BLALOCK, was first duly sworn by  
9 me to testify to the truth.

10 I further certify that I am neither of kin nor counsel  
11 to any of the parties nor financially interested in the  
12 action.

13 WITNESS my hand and seal this the 27th day of August,  
14 2006.

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BECKY LYNN LOGAN  
Certificate #1750

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25 My commission expires November 29th, 2009.

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1 CERTIFICATE OF DEPONENT

2

3 I, TERRY H. BLALOCK, after reading my deposition and  
4 noting any corrections on the errata sheet along with the  
5 page and line number, certify the same to be true and  
6 correct to the best of my knowledge and recollection.

7 This, the \_\_\_\_\_ day of \_\_\_\_\_,  
8 \_\_\_\_\_.

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\_\_\_\_\_  
TERRY H. BLALOCK

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15 Sworn to and subscribed before me this the \_\_\_\_\_ day of

16 \_\_\_\_\_, \_\_\_\_\_.

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Notary Public

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1 ERRATA SHEET

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3 PAGE LINE CORRECTIONS

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TERRY H. BLALOCK