

**MASSACHUSETTS MEDIAL MALPRACTICE
REINSURANCE PLAN**

OPERATIONS COMMITTEE MEETING

Minutes of Meeting

May 23, 2005

An Operations Committee meeting of the Massachusetts Medical Malpractice Reinsurance Plan (“MMMRP”) was held at the Executive Offices located at 95A Turnpike Road, Westborough, MA on Monday, May 23, 2005 at 9:00AM.

The following committee members were present in person:

Dr. John S. Coldiron, Chairman
Gerald J. Cassidy, Member
Michael J. Sabbagh, Member

The following MMMRP staff/consultants were present in person:

William T. McGrail, President
Dolores M. Ivester, Director of Administration

Dr. John S. Coldiron, Chairman, called the meeting to order at 9:05AM. Ms. Dolores Ivester kept a record of the proceedings.

1. Minutes of Meeting

Dr. Coldiron noted the minutes to the previous meeting dated November 23, 2004 have been distributed. A motion was made and duly seconded to approve the November 23, 2004 minutes as written. The motion was voted unanimously.

2. Division of Insurance (DOI) Examination

Mr. William McGrail noted that the results of the DOI Examination produced three levels of documents: 1. Informal email; 2. Summary Review Memorandum and 3. Report of Examination. Mr. McGrail further noted that copies of all three documents have been

previously distributed to the committee members. Mr. Michael Sabbagh questioned the scope of the Operations Committee. Mr. McGrail referred to the Plan of Operations which states that this committee is responsible to recommend the selection of the independent auditor for the annual audit. It is ultimately the Governing Committee who will vote to accept, modify and/or reject the DOI examination documents. Mr. McGrail would like the Operations Committee to accept the responsibility to review the examination documents and provide recommendation to the Governing Committee.

Email Document

Ms. Ivester has sent replies for the two items on the email document: a) the Plan has received a signed copy of the Investment Policy from Madison Scottsdale and b) Mr. Robert Osborne was notified in writing to take greater diligence in preparing the Annual Statement. Mr. Sabbagh noted that this email document, although not part of the public record, will become part of the Plan's in-house DOI files.

Review of DOI Summary Review Memorandum

Mr. McGrail stated he has already had the opportunity to go over the memorandum and draft response with the examiners who indicated unofficially that this is an acceptable format for the response. The committee reviewed the memorandum as follows:

Investments - the examiners provided recommendations to several points in the preparation of Schedule D of the Annual Statement. Mr. Robert Osborne has been preparing the Annual Statement for the Plan since inception. Mr. Osborne's area of expertise is insurance accounting. No previous mention was made of these items either by the examiners in the previous state audit or by Ernst & Young. It does not invalidate any of the information which has appeared in previous Annual Statements; however, the additional information will be supplied from here forward. In December, Mr. Osborne

was contracted as the Plan's consulting controller. However he indicated that previous commitments would prevent him from completing the Plan's first quarter financials. To complicate matters, Mr. Osborne informed Mr. McGrail of the sudden death of his office associate and his need to help the associate's family sort through business paperwork. Mr. Osborne will need to decide in the very near future whether he can continue to consult for the Plan beyond the second quarter financials. Mr. McGrail suggests that the Plan continue to have Mr. Osborne complete the Annual Statement as there appear to be few professionals who do that work. Mr. McGrail has had discussions with Mr. John Tympanick, now president of LLJUA, regarding sharing an employee. Mr. McGrail will present this topic to the Governing Committee at the June 17 meeting.

Mr. McGrail will notify the Investment and Governing Committees that their minutes always reflect the approval of all transactions in the Madison Scottsdale quarterly report.

The Plan currently receives statements from both Madison Scottsdale and Ameritrade. The transactions on these two statements will be reconciled.

Premiums – On its quarterly financials, the Plan will now calculate unearned premiums monthly using policy effective date.

Cash - At the time of the examination, two *internal* account names still reflected a former banking institution (State Street) rather than the current Clinton Savings. This has already been corrected and there are no other account names that are inaccurate. The Plan will create a procedure to handle unclaimed property to be in compliance with Chapter 200A.

Corporate Records – The Plan will establish a records retention program coordinated with a disaster recovery plan. Electronic files are currently backed up daily by an outside service. A duplicate computer system will be set up off site to which the electronic records can be downloaded in the event of a disaster.

Early on in the Plan, the Governing Committee shifted all personnel issues including salary to the Operations Committee. The Operations Committee discusses and decides on chairman salary and benefits. The Plan will be more diligent in recording the resulting salary revisions and notifying the Governing Committee.

Governing and sub-committee minutes will be signed when voted. The Plan will be more diligent in filing and recording all committee minutes.

The Governing Committee approves the Plan's annual budget which reflects all significant activities and fees.

Claims - the issue of reflecting closing of claims reverts back to the ceding company providing the Plan timely information. With the addition of Ms. Ivester to the Plan's staff in 2004, claims are being watched more closely and records maintained more accurately. Specific claim contacts at the member companies have been established and claim information is reconciled quarterly.

A motion was made and duly seconded to approve the *draft* reply to the Summary Review Memorandum dated May 23, 2005 as presented to the committee. The motion was voted unanimously.

The Operations Committee meeting resumed at 10:15 following a 5-minute recess.

Review of DOI Report of Examination

Committee members have received copies of the report and cover letter that also includes instructions for issuance of the report.

It was first discussed that the Plan holds its annual meeting on the first Thursday in May of each year which is documented in the Plan of Operations. With proper notice, this date can be changed and this year's annual meeting will be held Thursday June 9, 2005.

A Conflict of Interest policy will be established and include annual disclosures by governing committee and sub-committee members. Mr. McGrail targets the September governing committee meeting to establish this policy and would like to arrange a presentation to the members to formally define conflict of interest. This committee is in agreement to this approach.

Only the original service contract/lease with LLJUA from March 1996 had ever been established which included a 90 day termination clause by either party. A current service contract will be drafted by LLJUA and implemented.

Employee Dishonesty insurance coverage will be increased to \$300,000 to meet current NAIC guidelines. Fidelity coverage is not currently in place for the Plan, but will be established.

The financial statement pages were briefly reviewed as well as the notes page.

Comments and Recommendations

The Plan will establish a custodial agreement with an agent or clearing corporation for its securities rather than continue using the broker Ameritrade. Mr. McGrail will make custodian recommendations to the Investment Committee.

Conflict of Interest policy, lease agreement and insurance coverage will be addressed as outlined above in previous discussions.

Next Meeting

Mr. McGrail would like the Operations Committee to meet within a month to discuss the whole idea of audit, audit committee and selecting the auditor. Since the Plan has only employed Ernst & Young since inception for its annual audit, Mr. McGrail suggests that the Operations Committee may want to consider accepting proposals for future audits. In further discussion, it was decided to hold the next Operations Committee meeting in the afternoon of June 9 at the International Conference Center.

Executive Session

At this time, Mr. McGrail and Ms. Ivester left the Operations Committee meeting so the committee could enter Executive Session.

Meeting Adjourned

The committee members returned from Executive session at 10:50am. There being no further business, the meeting was adjourned at 10:50am.

A true record transcribed on June 7, 2005 by Dolores M. Ivester.

MMMRP Officer