FINAL

MASSACHUSETTS MEDICAL MALPRACTICE REINSURANCE PLAN

INVESTMENT COMMITTEE

Minutes of a Meeting
Friday, April 3, 2009

A Meeting of the Investment Committee of the Massachusetts Medical Malpractice Reinsurance Plan ("MMMRP"; the Plan) was held at the Stage Neck Inn, 8 Stage Neck Road, York Harbor, ME on Friday, April 3, 2009 at 4:00PM.

The following committee members were present:
James R. Bacon, Chairman
John W. Tympanick
John S. Coldiron, MD
Peter F. Kiely

The following MMMRP Staff/Consultants were present:
William T. McGrail, President
Susan Smith, Director of Administration

William Fain, Madison Scottsdale
Frank Hill, Dubilo & Hill
Ned Dubilo, Dubilo & Hill

The meeting was called to order by Chairman Bacon at 4:03 PM. Ms. Susan Smith kept a record of the proceedings. It was further noted that Mr. Moe Edwards could not be present due to a medical condition.

1. Previous Minutes

Minutes to a previous meeting dated December 8, 2008 had been distributed. However, Mr. Bacon noted that he would like to work with Ms. Smith on rewording several sections. A **motion** was made by Mr. Tympanick and seconded by Dr. Coldiron to table the minutes until they had been revised. The motion passed unanimously.

2. Asset Allocation

All in attendance received a copy of the Citigroup/Dubilo and Hill presentation booklet at the meeting. Committee members had also received a larger Citigroup/Dubilo and Hill presentation booklet in the mail prior to the meeting. The booklet which had been mailed, contained an asset allocation section based on $41 million in total assets. This was updated in the second booklet to reflect the updated $36 million figure after the assessment payment. Copies of both booklets are included with the minutes.

Mr. Hill began with a review of the Plan's current Asset Allocation, discussing the chart which provided a snapshot of the portfolio. Specifically, Case now totals $9.5 million, while IBNR is divided between fixed income at $20.6 million, and equities and alternatives of $5.8 million, for a total of $26.4 million. Next he recommended reallocating the Plan back to the 80/20 policy mix from its current 84/16 allocation, while at the same time rebalancing within the equity/alternatives component, which is also out of policy balance. This scenario would have $16 million in Case Reserves, $7.2 million in Equity and $12.8 million in IBNR. Mr. Hill noted that Mr. Edwards had instructed the plan to remove $3 million out of Case Reserves, $3 million out of IBNR and $2 million out of Bank CDs to cover the $8 million assessment return. Further, Mr. Edwards spoke to the Plans Actuary and was advised that any 2010 payback would likely be negligible.

Next, Mr. Hill reviewed an internal report "The Subtle Art of Rebalancing", which outlines various methods of rebalancing. Mr. Dubilo noted its conclusion that Active Rebalancing has a better chance of optimizing value. Mr. Hill continued with a detailed Asset Allocation analysis report. Mr. Dubilo continued with a brief overview of the market, and noted that recovery efforts are now causing market changes at an accelerating rate. Dubilo and Hill believe that large-cap equities will outperform other sectors in 2009, and recommends that the Plan overweight them – specifically large cap growth. Their reasons are that large cap companies are flush with cash, and have greater flexibility with manpower and expense control. He added that it was reported that there is about $9 trillion currently parked in short-term cash. The discussion continued about bond sectors, corporates, taxable munis, agency backed mortgage securities and coupon returns. It was also added that the 2009 total returns for portfolio holdings should be in the mid-to-high single digits, and recoup par at maturity. Lastly it was noted that only income flows through to financials. Mr. Dubilo commented that he feels strongly that capital will return to long term securities, and adding that financials and large cap have led to the growth in the market since March 6th. Mr. Hill pointed out that the equity market has moved up 22% from the bottom. Mr. Tympanick added that the average stock has risen 35% from the bottom to date, so that if we are up 22% now, that there is plenty of opportunity for additional recovery, and that the timing for further recovery is favorable given that we are in the 17th month of contraction, the longest since the depression.

Mr. Bacon then asked if anyone objected to the 80/20 move, and no one objected. He further asked if Dubilo & Hill use any metrics to determine their current recommendations. Mr. Hill replied that metrics don't necessarily function in this economic climate. Mr. Tympanick agreed, adding that there is also less risk with large caps.

A **motion** was made by Mr. Kiely and duly seconded by Mr. Tympanick to rebalance to the 80/20 and follow the recommendations of Dubilo and Hill on the asset mix within equities. The motion passed unanimously. The next steps will involve Dubilo & Hill working with Mr. Fain to rebalance between Case Reserves and IBNR at the same time the fixed income/equity policy mix is adjusted. Then they will move cash to the equity side and rebalance within the Exchange Traded Funds. They could potentially start this process next week. Lastly, Mr. Bacon questioned the guidelines regarding the percentage allowed in any one industry, such as the financial sector represented within corporate bonds. Mr. Fain will further research this issue and advise the Committee of his findings.

3. Madison Scottsdale Portfolio Review and IBNR Duration Mismatch

Mr. Fain distributed a booklet from Madison Scottsdale, and a copy is included with these minutes. He continued with a thorough review of the portfolio performance. Mr. Fain then addressed the duration. He began by advising that the Plan first review the historical duration. He also noted that asset liability matching is more appropriate on the life side of business, adding that, for P&C, there are very few people that actively match. This is because it is difficult due to potential legislative changes and that reserves are very hard to determine, and that liabilities are not interest-rate sensitive. At this time, Mr. Fain advises a shorter duration. Mr. Typanick feels IBNR and Case Reserves maturities work for now, and thinks we should stick closely to the guidelines of 2.5 and 5.5. It was discussed that without cash, these are now close to 4 years for IBNR and Case Reserves are closer to 1.25 or 1.5, and that we are now on the conservative side of the duration policy.

Mr. Fain left the meeting at 5:30 PM. Mr. Hill noted that he feels duration is the best measurement (as opposed to maturity). He added that our actuaries should be asked to take a closer look at both. Mr. McGrail feels this will come out to 2 and 5 years. Mr. Bacon requested that Dubilo and Hill review portfolio duration at future meetings.

4. Madison Scottsdale Assessment

The Committee then reviewed the due diligence assessment report on Madison Scottsdale, which was prepared by an analyst at Citi Smith Barney under Dubilo and Hill's direction. The report is contained in the Citi Smith Barney booklet, beginning on tab 5, and a copy is included with these minutes. To begin with, Madison's parent Company is located in Wisconsin and is more uniform in how they manage money among clients. Scottsdale is located in Arizona and utilizes a custom approach to developing portfolios, considering the needs of their exclusively insurance company clients. Dubilo and Hill did not have the amount of their assets under management, but will get them to Mr. Bacon after the meeting.

One important item of note is that the co-CIO at Scottsdale, Mr. Bill Maguire, is to retire at the end of 2009. Mr. Dubilo noted that they will monitor Scottsdale and stay informed of the new hire, and that continued monitoring of the Madison Scottsdale unit will be an annual process. They noted that Mr. Fain has a great deal of responsibility at Madison Scottsdale, uses internal and external research sources, and that he makes the day-to-day transaction decisions. Mr. Bacon inquired as to how Madison Scottsdale ranks. Mr. Hill replied that they are very experienced, highly educated, high quality process people, and they produce excellent results, therefore they are highly recommended. Mr. Hill and Mr. Dubilo continued reviewing comparison charts in the booklet, showing that Madison Scottsdale ranks well among its peers.

5. Dubilo & Hill / Citi Institutional Consulting and Morgan Stanley Smith Barney Joint Venture

Lastly, Mr. Dubilo reported that Smith Barney, to include Citi Institutional Consulting and Dubilo & Hill will soon be entering into a joint venture. They feel this is a positive, win-win move and they do not anticipate any major changes, adding that this is their seventh merger in 31 years. The deal is slated to close on May 31, 2009.

Adjournment

A motion was made and duly seconded to adjourn the Investment Committee meeting at 6:05PM. The motion passed unanimously.

A true record transcribed on April 3, 2009.

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MMMRP Investment Committee

ACTION ITEMS -

- Mr. Bacon will work with Ms. Smith to update December 8, 2008 minutes.
- Dubilo and Hill will work with Mr. Fain to get Cash Reserves and IBNR in position to rebalance to the 80/20 mix. Then they will move cash to the equity piece and purchase ETFs and rebalance them accordingly.
- Mr. Fain will report on the guidelines regarding the percentage allowed in any one industry.
- MMMRP should request that our actuaries review Duration and Maturity measurements.
- Dubilo and Hill will review Duration from January.
- Dubilo and Hill will report on the assets under management at Madison Scottsdale.
- Dubilo and Hill will stay informed of the new hire at Madison Scottsdale.