FINAL

MASSACHUSETTS MEDICAL MALPRACTICE REINSURANCE PLAN

INVESTMENT COMMITTEE

Minutes of a Meeting

Friday, April 9, 2010

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 9, 2010 at 3:00PM.

The following committee members were present:

James R. Bacon, Chairman
John W. Tympanick
Peter F. Kiely
Gerald J. Cassidy

The following MMMRP Staff/Consultants were present:

William T. McGrail, President
Moe Edwards, CPA, CFO
Susan Smith, Director of Administration

Frank Hill, Graystone Consulting
Ned Dubilo, Graystone Consulting
Scott Notargiacomo, Graystone Consulting

The following guests were present:

Michael J. Sabbagh, Operations/Audit Committee

The meeting was called to order by Chairman Bacon at 3:00 PM. Ms. Susan Smith kept a record of the proceedings.

1. Previous Minutes

Mr. Bacon noted that the previous meeting of the Investment Committee was held within the Governing Committee meeting on December 2, 2009. These minutes were approved at the Governing Committee meeting on February 26, 2010.

2. Income vs. Cash Needs for 2010

Mr. Edwards noted that the $11M return assessment had been distributed on March 31, 2010. He noted that the money was sourced from the following: $8M out of Madison Scottsdale ($3M from Case Reserves and $5M from IBNR) as well as $3M from Avidia CDs. When asked, Mr. Edwards noted that it is too early to determine our cash needs since claims are still unknown, and addressed further below.

3. Review 2009 Investments and Performance

Mr. Dubilo distributed the presentation booklet for MMMRP dated April 2010, and a copy is included with the minutes. He began with the Guide to the Markets, tab 1, which included topics such as Economic Expansions and Recessions, GDP, Federal Finances, Employment, Corporate Profits, Returns, S&P 500 Index, Investment Style Valuations, Stock Valuations, Equity Returns, the Federal Reserve, Credit Conditions, Corporate Bond Spreads, International Data, World Equity, Gold, and Asset Class Returns.

Mr. Bacon inquired about key drivers, and answers included a low inflationary environment, the Fed still suppressing raising rates, record levels of corporate cash sitting around that will be put to use (i.e. mergers) and stock buy backs. They hope things continue to trend higher, but anything could change, especially if there were to be a large-scale catastrophic event. He added that it is tough to make money in bonds now because rates will likely trend up. It was also noted that equities will likely peaked during the first half of the year and they will probably moderate during the second half of the year, due to job uncertainty and consumer reluctance. The group then discussed various scenarios regarding economic recovery.

4. Asset Allocation & Outlook

Mr. Dubilo then discussed Managed Account Performance Measurement, tab 3. He reviewed the accounts since inception and trailing 12 months. Mr. Bacon requested that they run the numbers for the 2009 calendar year, and Mr. Dubilo agreed to do so.

Mr. Notargiacomo then reviewed Asset Allocation, tab 2, stating that these figures reflect the $8M transfer to cover the return assessment. It was noted that the portfolio is currently 72% in bonds and 28% in equities, and we need to restore the 80/20 balance. He added that to do so, it will be necessary to trim $2.1M from equities. On the second page, the $7.8M will need to be trimmed to by $7.8M to $5.7M. Mr. Notargiacomo noted that the reductions would be proportionately taken from the current mix of equity funds. He added that growth outperformed value last year. He then stated that simultaneously, we will need to rebalance the equity structure, recommending an equal weighting across small, mid and large cap growth and value domestic funds.

3:50 Mr. Sabbagh joined the meeting.

An example was cited from small-caps: small value is $270K and small growth is $534K. When they are equally weighted each will be roughly $400K. The mid and large caps would be treated in the same manner. It was further noted that large caps are 33% of the equity portfolio and need to be trimmed to 30%, and would be moved to emerging markets as a tactical change. Dubilo and Hill noted that the first step would be to proportionately rebalance equity and fixed income and then secondly they would rebalance within equities.

A further discussion on cash needs for a possible 2011 return assessment, and it was noted this number would be determined by the actuarial reports. Mr. Edwards estimated that it may be a $6M return in 2010, to be distributed on March 31, 2011. A discussion then ensued on the prudence of funding a potential March, 2011 return in part of in whole from hoped-for equity gains, given the short, i.e. one-year time frame. Mr. Tympanick noted that we should remove the cash from equities, but questioned if the money should be moved to bonds or cash, further questioning if bonds may be hurt by rising rates. Mr. Hill suggested that we need a long horizon for equity and that we don't want to rely on stocks for cash needs. We need to fund cash needs for next year with minimal risk.

Mr. Edwards continued with his cash estimates for 2010: $6M return assessment, $6M in Claims and $2M coming in (cedings and membership fees), ending with a $10M net cash reduction. Mr. Tympanick suggested that $3.3M could go into a bank CD. It was noted that Avidia provides a very competitive rate of 1.75. A discussion continued on various scenarios for cash needs.

A **motion** was made to move $6M out of the portfolio and then put it into a CD at Avidia (or the best available CD rate, which Mr. Dubilo offered to research) for cash needs, while rebalancing to the 80/20 mix. The money will be moved first, then the tactical changes will be made. Mr. McGrail agreed that this is a good strategy. Mr. Edwards said it is just about guaranteed that we will have to withdraw the funds, either due to claims or to the return assessment. The group discussed the banks and their deposit insurance policies, and Mr. Hill agreed that 1.75% is a favorable rate. Mr. Kiely seconded the motion. The motion passed unanimously.

Returning to equity allocation, Mr. Notargiacomo distributed a one-page spreadsheet titled "Index Valuations and Returns as of 2/26/10", and a copy is included with these minutes. He stated that they feel large caps are over-weighted. He and Mr. Edwards reviewed tab 2 from the booklet and discussed the currency fund. Mr. Edwards noted that it is legally a partnership and therefore requires a K-1, adding that this caused several issues last year with the IRS, resulting in MMMRP needing to file an extension. A discussion ensued regarding the Plan's need to keep the currency fund. It was noted that the fund was selected as a diversifier, yet there are other components of the portfolio which provide diversification. Mr. Tympanick suggested moving it into commodities since that is reasonably correlated.

A **motion** was made to move the currency funds ($429K) evenly into the three asset classes of commodities (gold, natural resources and agriculture). Mr. Kiely seconded. All were in favor and it passed by a unanimous vote.

5. Discussion of Fixed Income Manager

Mr. Bacon distributed a document entitled "Proposal - MMMRP & HMIC" and a copy is included with these minutes. This reviewed existing and alternative fixed income managers and raised the question of whether the Committee should consider a replacement at this time. Dubilo and Hill presented an updated manager report on Madison Scottsdale as well as a new report on the firm AAM Investment Management in Chicago. A discussion proceeded on the comparative strengths and weaknesses of both firms. It was concluded that it would be in the best interests of the two Plans to invite both firms to present their capabilities, and to present specific service and fee proposals for MMMRP and HMIC. Following this, both Committees will decide individually whether to retain Madison, hire AAM, or consider other alternatives.

6. Other Business

Lastly, Mr. Tympanick requested Dubilo and Hill provide an update on commercial real estate. It was answered that the Plan is still overweighed in REITs and that REITs are now in an improved position from a balance sheet perspective and that Dubilo and Hill believes they are reasonably valued currently.

Adjournment

A motion was made and duly seconded to adjourn the Investment Committee meeting at 5:20PM. The motion passed unanimously.

A true record transcribed on April 16, 2010.

____

MMMRP Investment Committee

ACTION ITEMS

- Mr. Dubilo will run the Managed Account Performance Measurement numbers for the 2009 calendar year.
- Mr. Dubilo will coordinate with MMMRP on researching the appropriate bank CD terms and rates and arrange to transfer the equity withdrawal into CDs.
- Dubilo and Hill will implement the allocation changes, record them in the Decision Monitoring report, and email copies of the report to Committee members and staff.
- Dubilo and Hill will arrange bond manager presentations around the Annual Meeting or on a different date.