

MASSACHUSETTS MEDICAL MALPRACTICE
REINSURANCE PLAN

INVESTMENT COMMITTEE

Minutes of a Meeting

Tuesday September 30, 2008

A Meeting of the Investment Committee of the Massachusetts Medical Malpractice Reinsurance Plan (“MMMRP”; the Plan) was held at the MMMRP Executive Offices, 95A Turnpike Road, Westborough, MA on Tuesday, September 29, 2008 at 9:40AM.

The following committee members were present:

John W. Tympanick *(via conference call)*

James R. Bacon *(via conference call)*

The following MMMRP Staff/Consultants were present:

William T. McGrail, President/Chairman

Dolores M. Ivester, Director of Administration

Moe Edwards, CPA, CFO

Scott Notargiacomo, Smith Barney/ Citigroup /Dubilo & Hill *(via conference call)*

William Fain, Madison Scottsdale *(via conference call beginning 10:15am)*

The meeting was called to order at 9:40AM. Dolores Ivester kept a record of the proceedings. It had been decided that the main purpose of the meeting was to consider and/or decide if \$3M should be transferred from Madison Scottsdale to Avidia Bank in light of the current financial market conditions and the Plan’s need for the money in Q12009.

1. Cash Discussion

Mr. Edwards discussed current losses of the Madison corporate holdings with Lehman being the worst position and down much further than recent phone conversation with Mr. Fain in which Mr. Fain had advised the Plan to ride out the current market conditions where other than

the Lehman holdings, the portfolios were bearing well with the market. It was asked if a decision point should be made in which to sell Lehman, but this will be discussed further along in the meeting.

The committee began the Dubilo & Hill cash holding discussion. Mr. Notargiacomo reported that the \$3M was being held in the First American Government Obligation Fund money market noting that because of the dateline will qualify for the government's recent 3-month insurance guarantee which will most likely be increased to one year. He also advised that Dubilo & Hill have full confidence in the holdings of the fund. He further noted there have been numerous regional bank failures. Mr. Edwards stated that none of those failures were members of the MA Depositor's Insurance Fund (DIF), Avidia Bank is a member, and the DIF insurance is over and above FDIC insurance. Mr. Notargiacomo stated that Dubilo & Hill advises against moving the funds to Avidia. It was asked and noted that none of the regional bank failures have been in MA.

Mr. Tympanick and Mr. Bacon led a discussion on insurance, yields, liquidity and costs of both options for the cash. Mr. Bacon had supplied the committee via email a blank columnar spreadsheet to help during discussion. A copy is included in the minutes (topics on the spreadsheet include Safety, Yield and Costs/Fees). Mr. Notargiacomo noted a fund must pledge a 1 basis point fee per share to participate in the 3-month government insurance program and First American Fund has pledged to do so. During discussion, the committee asked Mr. Notargiacomo to advise the Plan of other brokerage CD rates as soon as possible and he noted moving money to another money market fund now would not allow for the government guarantee insurance. The committee concluded as of today it would cost appx. 50 basis points to keep money in current money market fund. Dubilo & Hill agreed to perform due diligence and locate current available CD rates as soon as possible. The committee agreed that the Plan needs to perform due diligence on Avidia rate and security of funds. Mr. McGrail indicated he has a call planned with Avidia's CFO on Thursday. All agreed that security of the funds was the most

important aspect. Mr. Bacon pointed out that locking in with a bank may outweigh fluctuating money market rates in the current market dilemma.

It was recommended to tentatively set Monday, October 6, 10AM to re-convene to discuss due diligence findings and further market conditions. In addition, Mr. Notargiacomo offered to coordinate another call with Mr. Fain specifically regarding Lehman holdings prior to Monday. It was then suggested to call Mr. Fain now.

2. MMMRP Madison Portfolio Discussion

Mr. Notargiacomo made contact with Mr. Fain and he joined the meeting by phone at 10:15. He indicated no major updates in light of the failed Congressional package and that credit markets are essentially frozen until Washington makes a decision. The committee discussed Lehman which is currently at \$15 and Mr. Fain does not believe it will drop to -0-. He believes it will take 6 months to 1 year to stabilize. Mr. Bacon is looking for a break even at which to salvage asset. Mr. Fain still believes from past experience that selling early on is worse than holding for the longer run. Most current analysis Mr. Fain has seen to-date is that it will recover to \$30 which has been noted is clearly lower than previous analysis of \$30-50 from prior discussion. Mr. Edwards asked Mr. Fain to discuss Morgan Stanley condition. Mr. Fain replied that the general situation was that the assets that the recovery package would want to buy are securities trading at prices that do not reflect economic value and entire financial system on credit side is being priced at non-economic prices, basically panic prices. Markets are under severe funding stress now. Mr. Fain reviewed the case reserve holdings and confirmed all were trading around par in this current market. He noted only Lehman bonds were a problem in the Plan's IBNR portfolio and still advises to hold them. He further noted only 14% of the portfolio is corporate bonds.

Mr. McGrail left the meeting at 10:30 to attend another planned meeting in Boston.

Mr. Fein gave some further details on Lehman's financial situation and what led to the problems.

The committee agreed that Monday morning, 10am, would still be a good time to reconvene and will confirm with Mr. McGrail. Mr. Fain noted he would be available then or most any other time if needed.

The committee continued to briefly discuss bank failures, bailout and DIF.

Adjournment

A **motion** was made and duly seconded to adjourn the Investment Committee meeting at 11:40AM. The motion passed unanimously.

A true record transcribed on October 1, 2008.

MMMRP Investment Committee

ACTION ITEMS -

- Dubilo & Hill will perform due diligence to find additional CD rates for the Plan as soon as possible.
- MMMRP will perform due diligence with Avidia Bank and Mr. McGrail has indicated in this meeting that he already has a meeting scheduled for Thursday with Avidia CFO.