

**MASSACHUSETTS MEDICAL MALPRACTICE
REINSURANCE PLAN**

COMPLIANCE COMMITTEE MEETING

Minutes of Meeting

November 17, 2008

A Compliance Committee meeting of the Massachusetts Medical Malpractice Reinsurance Plan (“MMMRP”) was held at the offices of Towers Perrin, 111 Huntington Ave, 8th floor, Boston, MA on Monday, November 17, 2008 at 10:00 AM.

The following committee members were present in person unless otherwise noted:

Peter T. Robertson, Esq., Chairman
Jill A. Gold
Bonnie L. Bower, DDS
Richard W. Brewer
Geraldine M. Foley, Esq.
James R. Bacon

The following MMMRP staff/consultants were present in person:

William T. McGrail, Chairman
Maurice T. Edwards, CPA, CFO
Susan S. Smith, Director of Administration

Stacy L. T. Mina, Towers Perrin
Tom Ghezzi, Towers Perrin
Emilie Rovito, Towers Perrin

Chairman Atty. Peter Robertson called the meeting to order at 10:00 AM. Ms. Smith kept a record of the proceedings.

1. Minutes of Meeting

Atty. Robertson noted the minutes to the previous meeting had been distributed. A **motion** was made and duly seconded to approve the July 15, 2008 minutes. The motion was voted unanimously.

2. Towers Perrin - Analysis Report as of June 30, 2008

A copy of the Towers Perrin Analysis Report, prepared by Ms. Stacy Mina and Mr. Tom Ghezzi had been distributed to all attendees and a copy is included with the minutes. Ms. Mina and Mr. Ghezzi thoroughly reviewed the report answering questions as needed. The report contained major topics of: Review of Mid-Year Liability Analysis; Implications of Potential Change in Carried Reserves and Forecast of Financial Results Based on Various Assumptions.

Mr. Ghezzi introduced Emilie Rovito, who worked on the analysis and has been with Towers Perrin for nearly one year. He noted they would review year-end information based on mid-year data.

It was observed that for coverage years 2007 and prior, their best estimate of ultimate losses decreased \$9.2 million (12%), and that the decrease in estimated losses is consistent with industry experience. Ms. Mina also noted that the range of reasonable estimates was from \$39.7 million to \$52 million, and that the held reserves as of December 31, 2007 were \$73.3 million. It was suggested to reduce reserves \$20 million to get to a high reasonable. Ms. Mina then discussed the impact of change in reserve levels, including a net income of \$19.7 million for calendar year 2008 and a potential tax of \$4.1 million for calendar year 2008.

Ms. Mina then reviewed an update of the MMMRP Financial Model to forecast future assessments and surplus. Three scenarios were considered: Rule IV, Modified Rule IV and Expected Cash Flow, and each was run at best estimate, high reasonable and 85th percentile reserve levels. The Committee discussed the history of the Plan and discussed the implications of the various scenarios.

Next Ms. Mina and Mr. Ghezzi discussed Returns and Assessments. The cash flow option in 2008 would declare a return of roughly \$34 million. After a discussion of the chart, Mr. McGrail pointed out that there are four key considerations: 1.) Statutory Mandate, 2.) Division of Insurance, 3.) Reinsurance Cost and 4.) Auditors Opinion.

Ms. Mina reviewed that projected assets will decrease under all scenarios, due mainly to reduced premium level. She added Rule IV based scenarios push surplus to near zero by 2009, while cash flow scenario surplus is more strongly negative. The Committee reviewed tax implications of all scenarios.

Motion made by Mr. Robertson and duly seconded to use past methodology to allocate returns to policy years. The motion was voted unanimously.

Motion made by Mr. Robertson and duly seconded to recommend to the Governing Committee to return \$12-\$16 million. Mr. Edwards will have more precise numbers after the Governing Committee meeting. The motion was voted unanimously.

The Committee discussed the pros and cons of moving to a cash flow methodology. It was determined that the Governing Committee needs to examine the issues that Mr. McGrail brought up previously. These issues will be put on the Agenda for the next Governing Committee meeting.

3. Other Business

Mr. Ghezzi offered that the auditors can get in touch with Towers Perrin to review the range of reasonable estimates if they would like.

Mr. Bacon inquired as to what drives the frequency pattern. Mr. Ghezzi explained that claim frequency drives this pattern and speculated as to possible explanations. He added that there is evidence that it has bottomed out and is starting to go up.

Ms. Gold inquired as to why the numbers used in the analysis were not through September 30, 2008. Mr. Edwards noted that those numbers are not yet finalized. Towers Perrin added that they can do a comparison next year to compare what actually happened. It was also stated that this is a low frequency line of business and therefore they feel reasonably comfortable with the forecasted numbers.

Motion made by Mr. Brewer and duly seconded by Ms. Gold to adjourn the Compliance Committee meeting at 11:35 AM. The motion was voted unanimously.

A true record transcribed November 20, 2008.

MMMRP Compliance Committee