



**RHODE ISLAND INTERLOCAL RISK MANAGEMENT TRUST
QUARTERLY BOARD OF TRUSTEES MEETING**

Tuesday, June 26, 2007

Held at Trust Offices
501 Wampanoag Trail, Suite 301
East Providence, RI 02915

MINUTES

Chair Alfred called the meeting to order at approximately 9:15 A.M.

1. ROLL CALL

Trustees Present

Stephen Alfred, Town of South Kingstown
Scott Avedisian, City of Warwick
John Ambrogi, Newport School Department
Wolfgang Bauer, Town of West Warwick
Robert Dooley, Warwick Public Schools
Gerald Kempen, Town of Middletown
Richard Kerbel, Town of Coventry
Edward Mara, Bristol Warren Regional Schools (left during Operations and Funding)
John Mainville, Town of Burrillville
Lori Miller, Lincoln Public Schools
Michael Petrarca, West Warwick School Department (left during Executive Session)

Trustees Absent

Bruce Keiser, Town of Jamestown
M. Richard Scherza, Cranston Public Schools
Daniel Beardsley (*ex officio*), Rhode Island League of Cities and Towns

Trust Staff Present

Thomas Dwyer, Trust President and Executive Director
Ian Ridlon, Trust General Counsel and Director of Legal Services
Colleen Bodziony, Trust Membership Services Manager
Ron Slovak, Trust Chief Financial and Administrative Services Officer

2. Approval of Minutes of Board Meeting of April 4, 2007

On a motion made by Trustee Kerbel, seconded by Trustee Ambrogi, the Board voted to approve the both the regular and executive session minutes of the Board meeting of April 4, 2007.

<u>Trustee</u>	<u>Vote</u>	<u>Trustee</u>	<u>Vote</u>
Stephen Alfred	aye	Richard Kerbel	aye
John Ambrogi	aye	John Mainville	aye

Scott Avedisian	aye	Edward Mara	aye
Wolfgang Bauer	aye	Lori Miller	aye
Robert Dooley	aye	Michael Petrarca	aye
Bruce Keiser	absent	M. Richard Scherza	absent
Gerald Kempen	aye		

3a. 2007-2008 Budget

Prior to the meeting, Mr. Dwyer provided the Board with the Proposed Fiscal Year 2008 Budget and an accompanying explanatory memorandum dated June 7, 2007 analyzing the financial information contained within the Proposed Budget and highlighting certain items of consequence.

By way of overview, and working from a PowerPoint presentation, Mr. Dwyer presented the total revenues and expenses of The Trust. In summary, he reported total revenues of approximately \$22.4 million dollars, and total expenditures of approximately \$24.8 million dollars, of which approximately 35% represented costs ceded to the reinsurer. In addition, he noted that the total revenues did not include investment income which totaled approximately \$1.7 million dollars. Mr. Dwyer also presented the following information:

- Portfolio Results, both in terms of yield on investments and the expected large gain on the market value of The Trust's Portfolio in 2006-2007.
- Prior year reserve changes.
- The projected financial position of The Trust as of both June 30, 2007 and June 30, 2008, with Mr. Dwyer noting that Members Equity (or surplus) is expected to grow to approximately \$15 million from its current level of about \$12.2 million. Mr. Dwyer identified factors key to the increase.
- The improving trends in the Workers' Compensation Pool with underwriting results alone now approaching the break-even point. When investment results are factored in, Mr. Dwyer said the Pool should contribute significantly to Members' Equity.
- Trends in the Property/Liability Pool, with Mr. Dwyer noting that Loss Ratios are running higher than are desired in the current year.

Mr. Dwyer then initiated a discussion with the Board on complications which had unexpectedly arisen with regard to catastrophic property reinsurance for Policy Year 2007-08. He also briefed the Board on final quotes received for reinsurance for other lines of coverage.

Regarding the catastrophic property reinsurance, Mr. Dwyer explained that a capacity issue with The Trust's long-time reinsurer, RSUI, was preventing it from offering a quote and coverage to the full \$500 million limit per occurrence that The Trust has purchased for a number of years for its Members. He said RSUI had advised through The Trust's broker, Aon, that it would not be able to offer coverage to \$500 million without sharing significant parts of the exposure with other reinsurers. For the benefit of the Board, Mr. Dwyer displayed a chart showing at least one potential and seemingly likely reinsurance arrangement with different companies assuming varying layers of the exposure to \$500 million.

Mr. Dwyer reported that the estimated cost of the catastrophic coverage was now being estimated at potentially about \$1.4 million more than budgeted and used in the *pro forma* underwriting. He added that the broker, Aon, remained optimistic, however, that this cost could be reduced somewhat in final negotiations with the reinsurers for the coverage.

Lastly, Mr. Dwyer explained the reason for this last minute development. Though the property reinsurance market was stable in general, he said an exception was now developing for coastal exposures, such as those found in Rhode Island with The Trust's book of business. Reinsurance

underwriters remain quite wary of coastal exposures in the wake of the last year's Atlantic Coast hurricanes and heightened concerns about the impact of global warming on climatic conditions.

Extensive discussion ensued about various options for addressing the situation, with Mr. Dwyer describing the significant effort currently underway. With regard to the expected large increase in the reinsurance cost, Mr. Dwyer assured the Board that such an increase, while not factored into the budget or underwriting because of the earlier representations of The Trust's broker that rates would remain flat, could be covered by using Member Surplus and thus not affect Members' projected premiums for the coming year. However, this increase would need to be factored into the underwriting model for the following fiscal year 2008-09, and would therefore negatively affect Member premium levels in that year absent other countervailing factors.

Mr. Dwyer also indicated that the increased premium could be reduced if The Trust were to accept a lower limit such as \$300 million or \$400 million dollars, or if it were to choose to accept so-called "windstorm deductibles" that are common in other parts of the country. Trustee Bauer inquired what the reduced premium would be if the windstorm deductible was chosen. Mr. Dwyer replied that he was unsure because the issue had just come to his attention and the broker had not yet provided such information.

Chairman Alfred then stated that the situation was what it was and that there was little that The Trust could do this year other than to pay the increased premium and begin to explore the other options for next year. Chairman Alfred also reiterated Mr. Dwyer's earlier comments that the market capacity may be greater next year and that this may not even be an issue.

The Trustees then engaged in further discussion of the options that should be examined for next year such as reducing the aggregate limits or taking the windstorm deductible. Chairman Alfred then suggested that the Underwriting Committee examine these issues for next year.

When the discussion of the reinsurance concluded, the discussion moved back to general budget issues. It was noted that staff compensation issues had already been addressed by the Management Committee and had already been incorporated into the proposed budget. No further discussion ensued.

On a motion made by Trustee Ambrogi, seconded by Trustee Kempen, the Board voted to approve the Fiscal Year 2008 Budget as presented and summarized below:

<u>Income</u>	
Gross Premium and Other Income	\$22,358,318
Reinsurance Premium Ceded	<u>-\$8,577,012</u>
Net Premium and Other Income	\$13,781,306
Expenses, Including Loss Fund	-\$16,254,631
Underwriting Results	<u>-\$2,473,325</u>
<u>Investments</u>	
Investment Income	\$1,780,000
Investment Management Fees	<u>-\$114,780</u>
Net Investment Income	\$1,665,220
Operating Results	<u>-\$808,105</u>

<u>Trustee</u>	<u>Vote</u>	<u>Trustee</u>	<u>Vote</u>
Stephen Alfred	aye	Richard Kerbel	aye
John Ambrogi	aye	John Mainville	aye
Scott Avedisian	aye	Edward Mara	aye
Wolfgang Bauer	aye	Lori Miller	aye
Robert Dooley	aye	Michael Petrarca	aye
Bruce Keiser	absent	M. Richard Scherza	absent
Gerald Kempen	aye		

3b. Membership Status Report

Prior to the meeting, the Trustees were provided with a memorandum dated June 21, 2007, from Mr. Dwyer and Ms. Bodziony regarding the Competitive Marketing Situation and Membership Status. In response to that Report, Trustee Kerbel inquired why the Town of Westerly did not choose to insure with The Trust when the Property/Liability package offered by The Trust was superior to that selected in terms of premium, deductibles, and coverage restrictions. Ms. Bodziony responded that the local agent used by the Town of Westerly presented the packages submitted by the various bidders as being non-severable. Thus, while the Property/Casualty insurance provided by The Trust was superior, the Workers' Compensation Policy was more expensive than what was offered by one of the other bidders making the package appear to be the more attractive option.

Trustee Bauer then inquired about the status of the "investigation" of the Beacon Mutual Insurance Company with respect to representations that it had made to certain Trust Members about a Department of Business Regulation mandate that it use a 1.0 Experience Modifier when quoting those potential insureds, regardless of the Experience Modifier calculated by The Trust for that insured Member. With Trustee Dooley's permission, Mr. Dwyer shared a recent letter from the agent for Beacon to the Warwick Public Schools stating that no such mandate existed and that Beacon was, in fact, being now directed to use an appropriate experience modifier for any renewal policy. The letter further indicated that, "Warwick Public Schools should expect a significant policy premium increase in the 2008 policy term." Mr. Dwyer further elaborated on other issues related to calculation and use of Experience Modifiers in bidding situations.

Chairman Alfred noted with interest that Ms. Bodziony's report showed that other insurers were apparently slowly trying to re-enter the workers compensation market in Rhode Island.

There were no other questions or discussions regarding the Competitive Marketing Situation or Membership Status by the Trustees.

3c. Appointments and Elections

No action was taken with respect to this agenda item.

3d. Recognition for Departing Trustee Dooley

Chairman Alfred thanked Trustee Dooley for his commitment and time spent on various Trust functions, noting that he was diligent in his attendance, conscientious about his duties, and an important force in moving The Trust forward. As a token of gratitude from the Board, Chairman Alfred then presented Trustee Dooley with a small gift and a plaque of appreciation for his service.

3e. Litigation Related to Claim Activity

Prior to the meeting, Mr. Dwyer provided the Board with a confidential memorandum dated June 19, 2007 from Ian C. Ridlon, Esq., The Trust's General Counsel and Director of Legal Services, regarding certain property claims pending in North Providence.

Notice of Intent to Seek to Convene into Executive Session

On a motion made by Trustee Bauer, seconded by Trustee Avedisian, the Board, after a unanimous roll call vote, convened into Executive Session pursuant to the Rhode Island Open Meetings Act, Rhode Island General Laws 42-46-5 (a)(2), in order to discuss litigation matters related to certain pending property claims.

<u>Trustee</u>	<u>Vote</u>	<u>Trustee</u>	<u>Vote</u>
Stephen Alfred	aye	Richard Kerbel	aye
John Ambrogi	aye	John Mainville	aye
Scott Avedisian	aye	Edward Mara	aye
Wolfgang Bauer	aye	Lori Miller	aye
Robert Dooley	aye	Michael Petrarca	aye
Bruce Keiser	absent	M. Richard Scherza	absent
Gerald Kempen	aye		

Motion to Return to Open Session

On a motion by Trustee Kerbel, seconded by Trustee Mainville, the Board voted as follows to conclude the Executive Session and resume the public meeting:

<u>Trustee</u>	<u>Vote</u>	<u>Trustee</u>	<u>Vote</u>
Stephen Alfred	aye	Richard Kerbel	aye
John Ambrogi	aye	John Mainville	aye
Scott Avedisian	aye	Edward Mara	aye
Wolfgang Bauer	aye	Lori Miller	aye
Robert Dooley	aye	Michael Petrarca	absent
Bruce Keiser	absent	M. Richard Scherza	absent
Gerald Kempen	aye		

Motion To Seal Minutes of The Executive Session

On a motion by Trustee Kerbel, seconded by Trustee Avedisian, the Board voted as follows to seal the Minutes of the Executive Session until such time as the matters taken up had been resolved:

<u>Trustee</u>	<u>Vote</u>	<u>Trustee</u>	<u>Vote</u>
Stephen Alfred	aye	Richard Kerbel	aye
John Ambrogi	aye	John Mainville	aye
Scott Avedisian	aye	Edward Mara	aye
Wolfgang Bauer	aye	Lori Miller	aye
Robert Dooley	aye	Michael Petrarca	absent
Bruce Keiser	absent	M. Richard Scherza	absent
Gerald Kempen	aye		

4. Operations and Funding Report

Working from a PowerPoint presentation, Mr. Dwyer presented a report detailing the Property/Liability Pool Adjusted Loss Ratios indicating that there was a slight increase in property claims. That was followed by a report on the Workers' Compensation Pool Loss Ratios which demonstrated that the trend from the last three years was good. Mr. Dwyer concluded with a report on the Composite Adjusted Loss Ratios and indicated that the Workers' Compensation "curve" was beginning to flatten out and even trend downward.

On a motion made by Trustee Avedisian, seconded by Trustee Kerbel, the Board voted unanimously to accept the Operations and Funding Report as presented.

<u>Trustee</u>	<u>Vote</u>	<u>Trustee</u>	<u>Vote</u>
Stephen Alfred	aye	Richard Kerbel	aye
John Ambrogi	aye	John Mainville	aye
Scott Avedisian	aye	Edward Mara	absent
Wolfgang Bauer	aye	Lori Miller	aye
Robert Dooley	aye	Michael Petrarca	absent
Bruce Keiser	absent	M. Richard Scherza	absent
Gerald Kempen	aye		

5. Informational Items

a. Minutes of Committee Meetings

The following Minutes of the various Committee Meetings were presented to the Board as informational items:

- i) Investment and Audit Committee: June 13, 2007
- ii) Risk Management Committee: June 14, 2007 (Regular and Executive Session)
- iii) Management Committee: May 15, 2007 and March 26, 2007

Also presented as informational items were reports showing:

b. Claim Activity of Note

c. Quarterly Investment Performance Report through March 31, 2007

d. Miscellany

- i) Recognition of Excellence in Programs and Services
- ii) IOD "What to Do" Flyer
- iii) Law Enforcement Bulletin on Using Retired Police Officers for Special Details

6. Adjournment

On a motion made by Trustee Dooley, seconded by Trustee Mainville, the Board voted unanimously to adjourn the meeting.

<u>Trustee</u>	<u>Vote</u>	<u>Trustee</u>	<u>Vote</u>
Stephen Alfred	aye	Richard Kerbel	aye
John Ambrogi	aye	John Mainville	aye
Scott Avedisian	aye	Edward Mara	absent
Wolfgang Bauer	aye	Lori Miller	aye
Robert Dooley	aye	Michael Petrarca	absent
Bruce Keiser	absent	M. Richard Scherza	absent
Gerald Kempen	aye		

The meeting then stood adjourned at approximately 11:05 AM.

Respectfully Submitted,



Ian C. Ridlon
Corporate Secretary