



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

**Tuesday, June 24, 2008**

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

***MINUTES***

Chair Alfred called the meeting to order at approximately 9:20 A.M.

**1. ROLL CALL**

**Trustees Present**

Stephen Alfred, Town of South Kingstown  
Jack Ambrogi, Newport Public Schools  
Scott Avedisian, City of Warwick (departed at 11:05 A.M.)  
Jeff Ceasrine, Town of Narragansett  
John Mainville, Town of Burrillville  
Ed Mara, Bristol Warren Regional School District  
Lori Miller, Lincoln Public Schools  
Mike Petrarca, West Warwick Public Schools  
M. Richard Scherza, Cranston Public Schools  
Daniel Beardsley (*ex officio*), Rhode Island League of Cities and Towns

**Trustees Absent**

Richard Brown, City of East Providence  
Diane Mederos, Town of Bristol  
Frances Gallo, Central Falls School District  
Bruce Keiser, Town of Jamestown

**Others Present**

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

**2. Approval of Minutes of the Board Meeting of April 7, 2008**

On a motion made by Trustee Avedisian, seconded by Trustee Ambrogi, the Board voted to approve the minutes of the Board Meeting of April 7, 2008.

<u>Trustee</u>	<u>Vote</u>	<u>Trustee</u>	<u>Vote</u>
Stephen Alfred	aye	John Mainville	aye
Jack Ambrogi	aye	Diane Mederos	absent
Scott Avedisian	aye	Edward Mara	aye
Richard Brown	absent	Lori Miller	aye
Jeff Ceasrine	aye	Michael Petrarca	aye
Frances Gallo	absent	M. Richard Scherza	aye
Bruce Keiser	absent		

### **3. Business Items**

#### **3a. Approval of the 2008-2009 Budget**

Prior to the meeting, Mr. Dwyer provided the Board with the Proposed Fiscal Year 2008-2009 Budget and an accompanying explanatory memorandum dated June 13, 2008 from him and Ron Slovak, The Trust's Chief Financial and Administrative Services Officer, 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 \$22.1 million dollars, and total expenditures of approximately \$26.1 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. As such, the underwriting losses were not fully offset by the portfolio results. However, Mr. Dwyer stated that next year's Results of Annual Operations should indicate a positive or, at worst, a negative position far smaller than the \$2.3 million dollar difference indicated in the overview because of expected prior year reserve reductions as of June 30, 2009. Consistent with The Trust's normal financial practices, these potential reductions are not budgeted.

Mr. Dwyer also presented the following information:

- Portfolio Results, both in terms of yield on investments and the expected gain on the market value of The Trust's Portfolio in 2007-2008, though Mr. Dwyer cautioned that the market in June was showing signs of highly volatility, so the unrealized change could vary significantly on June 30, 2008.
- Prior year reserve changes and other IBNR issues.
- The projected financial position of The Trust as of both June 30, 2008 and June 30, 2009, with Mr. Dwyer noting that Members Equity (or surplus) is expected to decrease to approximately \$18.3 million from its projected June 2008 level of about \$19 million. Mr. Dwyer identified factors key to the decrease.
- 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 the issue of Management's recommendation that The Trust increase its self insured retention for the Property insurance program from \$300,000 to \$500,000. Trustee Petrarca inquired whether an analysis had been done relative to increasing it beyond \$500,000. Mr. Dwyer responded that such an analysis was slated to be done during the next fiscal year. Chairman Alfred inquired about incidents or claims

that have exceeded the current \$300,000 limit. Mr. Dwyer responded that the only recent incident has been the so-called “deluge claims” which Mr. Godin, The Trust’s Property/Liability Claims Manger, indicated had just exceeded \$800,000, and an old hurricane related claim dating back to 1991. The discussion of the increase of the retention concluded with an explanation by Mr. Dwyer of how the different reinsurance layers are applicable in the event of a significant claim.

Mr. Dwyer next noted that approximately \$30,000 had been budgeted for the “e-learning” initiative. Of that amount, approximately \$20,000 represents the “start-up” costs that would not be incurred in future budget years. Mr. Dwyer indicated that this initiative would be “experimental” to determine whether it was cost effective and beneficial for the Members. He noted that between 8 and 12 other pools are using the e-learning company that The Trust is considering.

After Chairman Alfred gave a brief overview of staff compensation issues, Mr. Dwyer then discussed staff reductions relative to the Workers’ Compensation Program. Mr. Dwyer indicated that 8 Members of the Workers’ Compensation Pool have left since 2001 with 6 of those Members leaving since 2004. That has resulted in a significant drop in the number of claims that need to be processed. In addition the claims staff has worked diligently to close claims. As a result, effective January 1, 2009, the part-time claims representative position will be eliminated and one claims assistant position will be reduced from full to part-time. Trustee Ambrogi inquired how much money was being saved as a result of this move. Mr. Dwyer indicated that the savings could be in the range of \$100,000 per year. Trustee Ambrogi then inquired what, if any, measures were being taken preserve the program. Chairman Alfred responded that the issue of competitiveness would be addressed in a later report, and noted that The Trust was attempting to follow industry benchmarks with respect to the staffing issue. There was no further discussion.

On a motion made by Trustee Avedisian, seconded by Trustee Scherza, the Board voted to approve the 2008-2009 Budget as presented and summarized below.

<b><u>Income</u></b>	
Gross Premium and Other Income	\$22,065,357
Reinsurance Premium Ceded	<u>-\$9,231,504</u>
<b>Net Premium and Other Income</b>	<b>\$12,833,853</b>
<b>Expenses, Including Expected Losses</b>	<b><u>-\$16,896,608</u></b>
<b>Underwriting Results</b>	<b><u>-\$4,062,755</u></b>
<b><u>Investments</u></b>	
Investment Income	\$1,840,000
Investment Management Fees	<u>-\$120,260</u>
<b>Net Investment Income</b>	<b>\$1,719,740</b>
<b>Operating Results</b>	<b><u>-\$2,343,015</u></b>

<b><u>Trustee</u></b>	<b><u>Vote</u></b>	<b><u>Trustee</u></b>	<b><u>Vote</u></b>
Stephen Alfred	aye	John Mainville	aye
Jack Ambrogi	aye	Diane Mederos	absent
Scott Avedisian	aye	Edward Mara	aye
Richard Brown	absent	Lori Miller	aye

Jeff Ceasrine	aye	Michael Petrarca	aye
Frances Gallo	absent	M. Richard Scherza	aye
Bruce Keiser	absent		

### **3.a.i. Reinsurance Considerations**

Following on the discussion of the financial impact of increasing the retention for the Property insurance program, the Board addressed Management's recommendation.

On motion made by Trustee Petrarca, seconded by Trustee Mainville, the Board voted to increase The Trust's Self Insured Retention (SIR) relative to its Property Reinsurance Policy from \$300,000 to \$500,000.

<u>Trustee</u>	<u>Vote</u>	<u>Trustee</u>	<u>Vote</u>
Stephen Alfred	aye	John Mainville	aye
Jack Ambrogi	aye	Diane Mederos	absent
Scott Avedisian	aye	Edward Mara	aye
Richard Brown	absent	Lori Miller	aye
Jeff Ceasrine	aye	Michael Petrarca	aye
Frances Gallo	absent	M. Richard Scherza	aye
Bruce Keiser	absent		

### **3.b. Membership Status Report**

#### **3.b.i. New Member Approval**

Prior to the meeting, Mr. Dwyer and Colleen Bodziony, The Trust's Membership Services Manager, provided the Board with a memorandum dated June 18, 2008 regarding an application for Trust Membership made by The Salvatore Mancini Resource and Activity Center that had originally been presented to the Underwriting Committee. Ms. Bodziony explained that the entity sought to join The Trust's Property/Liability Pool effective July 1, 2008. She also noted that the Center's Director indicated that the Center would seek to join The Trust's Workers' Compensation Pool when its current policy with the Beacon expires in December 2008 if The Trust can provide a competitive quote.

On a motion made by Trustee Petrarca, seconded by Trustee Mainville, the Board voted unanimously to accept the Salvatore Mancini Resource and Activity Center as a Trust Member effective July 1, 2008.

<u>Trustee</u>	<u>Vote</u>	<u>Trustee</u>	<u>Vote</u>
Stephen Alfred	aye	John Mainville	aye
Jack Ambrogi	aye	Diane Mederos	absent
Scott Avedisian	aye	Edward Mara	aye
Richard Brown	absent	Lori Miller	aye
Jeff Ceasrine	aye	Michael Petrarca	aye
Frances Gallo	absent	M. Richard Scherza	aye
Bruce Keiser	absent		

### **Competitive Marketing Situation and Membership Status**

Prior to the meeting, the Trustees were provided with a memorandum dated June 18, 2008, from Mr. Dwyer and Ms. Bodziony, regarding the Competitive Marketing Situation and Membership Status. Ms. Bodziony first discussed The Trust's Workers' Compensation program and indicated that there was a lack of predictability in the pricing differential between The Trust and its only true competitor in the market, the Beacon Mutual Insurance Company. She discussed several quotations that had been submitted over the last several months, or were intended to be submitted, and noted that, even with a competitive discount being offered, The Trust's pricing was much higher than that being offered by Beacon. However, she noted that in a current bid situation, it appeared that The Trust's bid would be competitive with the Beacon and that there was no clear reason for the different situations.

Ms. Bodziony next addressed the issue of other carriers entering the market and noted that, despite indications last year that more carriers would be interesting in writing workers' compensation insurance for public sector entities, The Trust and Beacon were the only two carriers submitting bids this year to such entities. However, she indicated that a newly formed group, the Rhode Island Municipal Insurance Corporation (RIMIC), could possibly seek to establish a workers' compensation program. While at this time RIMIC is focusing solely on health insurance, because it was created under the same enabling statute that allowed the creation of The Trust, it could conceivably create both a workers' compensation program and a property/liability program, as well.

Chairman Alfred indicated that he believed that creation of such entities under our enabling statute will continue as long as Blue Cross/Blue Shield continues to manipulate rates in the various markets. Trustee Avedisian noted that there are huge discrepancies in pricing among the various public sector entities. There followed a discussion of the new legislation prohibiting public sector entity contracts from specifying any particular health care provider and how and when that legislation would be effective. There was also discussion about the possibility of new organizations such as RIMIC and the viability of such organizations.

Mr. Dwyer then noted that the trends in the Workers' Compensation Pool were looking good and that such results may allow The Trust to be more competitive in this area in the future. He suggested that the prospects for the Workers' Compensation program should be a topic for the October Joint meeting of the Board and its Committees.

Ms. Bodziony concluded her report by indicating that Property/Casualty Pool is strong as is the Life Insurance program, and that The Trust has not lost Members from either program. In fact, in both these programs, new entities continue to join periodically, she said.

There were no further questions or comments from the Trustees.

### **3c. Bylaw Change – Exit Capitalization Fee for Returning Participants**

Prior to the meeting, the Trustees were provided with a memorandum dated June 19, 2008, from Mr. Dwyer presenting more options relative to the imposition of a "Second" Exit Capitalization Fee. At a prior Board meeting, the Trustees had requested that Management prepare alternative proposals for the imposition of a "Second" or "Subsequent" Exit Capitalization Fee. Mr. Dwyer briefly outlined the three proposals and discussion followed. Issues discussed related to the equity of imposing such a fee, the legality of doing so, and the impact on the competitive environment. There was also a brief explanation of how the Exit Capitalization fee is booked by The Trust. The discussion was then concluded.

Trustee Petrarca moved that The Trust's Bylaws be amended to eliminate the requirement that a returning Member pay any Exit Capitalization Fee upon a subsequent withdrawal from The Trust. There being no second for the motion, it failed.

On a motion by Trustee Ambrogi, seconded by Trustee Scherza, the Board voted unanimously to amend The Trust Bylaws to modify the Exit Capitalization Fee requirement for returning Members who subsequently withdraw.

<u>Trustee</u>	<u>Vote</u>	<u>Trustee</u>	<u>Vote</u>
Stephen Alfred	aye	John Mainville	aye
Jack Ambrogi	aye	Diane Mederos	absent
Scott Avedisian	aye	Edward Mara	aye
Richard Brown	absent	Lori Miller	aye
Jeff Ceasrine	aye	Michael Petrarca	aye
Frances Gallo	absent	M. Richard Scherza	aye
Bruce Keiser	absent		

Based upon the vote of the Trustees, the By-Laws are amended by adding the following language to Section 2.7.3:

In the event, however, that a Member has previously withdrawn from one or more of The Trust's risk-sharing pools, has complied with its obligations as set forth above, rejoins that pool from which it withdrew and then withdraws for a second or subsequent time, that Member will be obligated only to make a payment equal to the percentage of the prior year's premium applicable to that Member based upon the Member's cumulative years of membership in that particular pool less the exit capitalization fee paid upon that Member's most recent withdrawal from the pool. However, in no case, shall the Member's Exit Capitalization Fee be less than 10% of its annualized prior year premium for the risk-sharing pool.

### **3d. Investment Policy Changes**

Prior to the meeting, Mr. Dwyer provided the Board with a memorandum dated June 17, 2008, from him and Ron Slovak, on behalf of the Investment and Audit Committee, advising the Board of the Committee's proposed investment policy changes. Mr. Dwyer stated that there were two basic changes proposed. The first was to remove Columbia Management as one of the three managers investing portions of The Trust's fixed income portfolio in favor of a blended investment package consisting of two mutual funds. The second "change" involves redrafting the Investment Policy in its entirety as the old policy has been amended on so many occasions that it would be prudent to undertake a comprehensive revision that reflects the broader and more sophisticated approach The Trust now takes to its investments.

Mr. Dwyer stressed that no actual changes to the Policy were being proposed at this time. Rather, the Committee wished to brief the Board and receive any input or objection to these planned changes which are presently conceptual in nature. Specific changes and a revised Investment Policy would be presented to the Board by the Committee at a later meeting, Mr. Dwyer explained.

On motion made by Trustee Scherza, seconded by Trustee Ceasrine, the Board voted unanimously to accept the Report of the Investment and Audit Committee as presented.

<u>Trustee</u>	<u>Vote</u>	<u>Trustee</u>	<u>Vote</u>
Stephen Alfred	aye	John Mainville	aye
Jack Ambrogi	aye	Diane Mederos	absent
Scott Avedisian	aye	Edward Mara	aye
Richard Brown	absent	Lori Miller	aye
Jeff Ceasrine	aye	Michael Petrarca	aye
Frances Gallo	absent	M. Richard Scherza	aye
Bruce Keiser	absent		

It was understood that the Committee would accordingly move forward to develop the specific details of changes to the Investment Policy as outlined in its Report and present these to the Board at a coming meeting.

**3e. Claim Activity Litigation**

**Notice of Intent to Seek to Convene into Executive Session**

On a motion made by Chairman Alfred, seconded by Trustee Petrarca, 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 claims.

<u>Trustee</u>	<u>Vote</u>	<u>Trustee</u>	<u>Vote</u>
Stephen Alfred	aye	John Mainville	aye
Jack Ambrogi	aye	Diane Mederos	absent
Scott Avedisian	aye	Edward Mara	aye
Richard Brown	absent	Lori Miller	aye
Jeff Ceasrine	aye	Michael Petrarca	aye
Frances Gallo	absent	M. Richard Scherza	aye
Bruce Keiser	absent		

**Motion to Return to Open Session**

On a motion by Trustee Avedisian, seconded by Trustee Mara, 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	John Mainville	aye
Jack Ambrogi	aye	Diane Mederos	absent
Scott Avedisian	aye	Edward Mara	aye
Richard Brown	absent	Lori Miller	aye
Jeff Ceasrine	aye	Michael Petrarca	aye
Frances Gallo	absent	M. Richard Scherza	aye
Bruce Keiser	absent		

**Motion To Seal Minutes of The Executive Session**

On a motion by Trustee Avedisian, seconded by Trustee Mainville, 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	John Mainville	aye
Jack Ambrogi	aye	Diane Mederos	absent
Scott Avedisian	aye	Edward Mara	aye
Richard Brown	absent	Lori Miller	aye
Jeff Ceasrine	aye	Michael Petrarca	aye
Frances Gallo	absent	M. Richard Scherza	aye
Bruce Keiser	absent		

**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 Ceasrine, seconded by Trustee Ambrogi, 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	John Mainville	aye
Jack Ambrogi	aye	Diane Mederos	absent
Scott Avedisian	absent	Edward Mara	aye
Richard Brown	absent	Lori Miller	aye
Jeff Ceasrine	aye	Michael Petrarca	aye
Frances Gallo	absent	M. Richard Scherza	aye
Bruce Keiser	absent		

**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 11, 2008**
- ii) Management Committee                  April 24, 2008**

Also presented as informational items were reports showing:

- b. Quarterly Investment Performance Report through March 31, 2008**
- c. Legislative Update**
- d. Claims Audit Information**
- e. SWAT Model Policy Update**

At the request of Trustee Ambrogi, Mr. Ridlon reported on the mixed results of The Trust's legislative activities regarding the Recreational Use Statute and the Judicial Fairness Initiative. Brief discussion among Trustees and management ensued.

On a motion made by Trustee Ambrogi, seconded by Trustee Mara, the Board voted unanimously to file the reports of Informational Items.

<u>Trustee</u>	<u>Vote</u>	<u>Trustee</u>	<u>Vote</u>
Stephen Alfred	aye	John Mainville	aye
Jack Ambrogi	aye	Diane Mederos	absent
Scott Avedisian	absent	Edward Mara	aye
Richard Brown	absent	Lori Miller	aye
Jeff Ceasrine	aye	Michael Petrarca	aye
Frances Gallo	absent	M. Richard Scherza	aye
Bruce Keiser	absent		

**6. Adjournment**

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

<u>Trustee</u>	<u>Vote</u>	<u>Trustee</u>	<u>Vote</u>
Stephen Alfred	aye	John Mainville	aye
Jack Ambrogi	aye	Diane Mederos	absent
Scott Avedisian	absent	Edward Mara	aye
Richard Brown	absent	Lori Miller	aye
Jeff Ceasrine	aye	Michael Petrarca	aye
Frances Gallo	absent	M. Richard Scherza	aye
Bruce Keiser	absent		

The meeting then stood adjourned at approximately 11:25 A.M.

Respectfully Submitted,



Ian C. Ridlon  
Corporate Secretary