RHODE ISLAND INTERLOCAL
The Trust
RISK MANAGEMENT TRUST

BOARD OF TRUSTEES MEETING
OF
THURSDAY, JUNE 25, 2009

MINUTES

The Board of Trustees of the Rhode Island Interlocal Risk Management Trust, Inc. (The Trust) convened a meeting on Thursday, June 25, 2009 at The Trust Offices, 501 Wampanoag Trail, Suite 301, East Providence, Rhode Island.

Chairman Alfred called the meeting to order at approximately 9:10 A.M.

1. ROLL CALL

Trustees Present
Stephen Alfred, Town of South Kingstown
Scott Avedisian, City of Warwick
Jeffry Ceasrine, Town of Narragansett
Frances Gallo, Central Falls School District
Bruce Keiser, Town of Jamestown
John Mainville, Town of Burrillville
Diane Mederos, Town of Bristol
Michael Petrarca, West Warwick Public Schools
Richard Scherza, Cranston Public Schools

Trustees Absent
John Ambrogi, Newport Public Schools
Daniel Beardsley (*ex officio)*, Rhode Island League of Cities and Towns
Richard Brown, City of East Providence
Edward Mara, Bristol Warren Regional School District
Lori Miller, Lincoln Public Schools

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

2. Approval of Minutes of the Board Meeting of April 9, 2009

On a motion made by Trustee Avedisian, seconded by Trustee Mederos, the Board voted as follows to approve the minutes of the Board meeting of April 9, 2009:

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

3a. Approval of the 2009-2010 Budget

Prior to the meeting, Mr. Dwyer provided the Board with the Proposed Fiscal Year 2009-2010 Budget and an accompanying explanatory memorandum dated June 2, 2009 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 $21.9 million dollars, and total expenditures of approximately $24.9 million dollars, of which approximately 34% 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 $1.4 million dollar difference indicated in the overview because of expected prior year reserve reductions. Consistent with The Trust's normal financial practices, these potential reductions were not budgeted.

Mr. Dwyer also presented the following information:

- Portfolio Results, both in terms of yield on investments and the loss on the market value of The Trust's Portfolio expected in 2008-2009. Mr. Dwyer noted, though the unrealized loss may be less than projected because the size of that loss had shrunk by $2.5 million during the February to May 2009 period.
- Prior year reserve changes and other IBNR issues noting that they should improve the bottom line results, but further noting that the results of Jeff Kadison's Annual Reserve Study will not be complete until mid to late September.
- The projected financial position of The Trust as of both June 30, 2009 and June 30, 2010, with Mr. Dwyer noting that Members Equity (or surplus) is expected to decrease to approximately $17.9 million from its June 2008 level of about $20.3 million because of annual operations and the TOPS dividend.
- The results of both the Workers' Compensation Pool and the Property/ Liability Pool outlining underwriting results and pool portfolio results.

- The Trust's basic Casualty (Liability and Workers' Compensation) reinsurance structure and The Trust's Property reinsurance structure.

Mr. Dwyer then initiated a discussion with the Board on the issue of Management's recommendation regarding Trust reinsurance for the coming policy year. Specifically, Mr. Dwyer indicated that he was not proposing any changes in retention levels this year relative to the reinsurance. Rather, he was looking at less expensive alternatives for certain coverage levels within the reinsurance package as a whole.

With respect to the Workers' Compensation reinsurance currently provided by Safety National, Mr. Dwyer indicated that NLC Mutual Insurance Company (NLC-MIC) could possibly provide coverage for certain reinsurance levels less expensively than Safety National. He also noted that, even if the cost was comparable, because The Trust is an "owner" of NLC-MIC and accrues member Equity, this would be the better option. In addition, while there had been concerns regarding NLC-MIC and Workers' Compensation reinsurance in the past, based upon information that he has as a member of NLC-MIC's Board of Directors, he feels that the financial position of the NLC-MIC is quite strong and not a cause for concern. Mr. Dwyer briefly discussed the difficulty in assessing the financial adequacy and solvency of any reinsurer or financial institution, especially in the wake of the recent collapses of a number of "A" rated private insurers and private financial institutions like banks and investment houses.

Regarding the Property reinsurance, Mr. Dwyer believes that NLC-MIC might be able to provide less expensive coverage for a tier that would be created between where it currently reinsures The Trust and where RSUI and Lexington pick up coverage. Mr. Dwyer further indicated that, while the savings may not be significant, it would merit placing the coverage with NLC-MIC for the reason set forth above regarding The Trust's ownership interest.

There was no further discussion regarding the Budget or the reinsurance and there were no questions.

On a motion made by Trustee Scherza, seconded by Trustee Keiser, the Board voted as follows to approve the 2009-2010 Budget as presented and summarized below:

Income	
Gross Premium and Other Income	$21,927,500
Reinsurance Premium Ceded	-$8,445,210
Net Premium and Other Income	**$13,482,290**
Expenses, Including Expected Losses	**-$16,492,059**
Underwriting Results	**-$3,009,769**
Investments	
Investment Income	$1,726,000
Invesment Management Fees	-$113,800
Net Investment Income	**$1,612,200**
Operating Results	**-$1,397,569**

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

3.a.i. Reinsurance Considerations

In accordance with the discussion regarding placing certain of The Trust's reinsurance with NLC-MIC that had not been placed with it in recent policy years, the Board addressed Management's recommendation.

On motion made by Trustee Avedisian, seconded by Trustee Ceasrine, the Board voted to authorize Mr. Dwyer to place a portion of The Trust's Workers' Compensation reinsurance and its Property reinsurance with NLC-MIC for the coming policy year commencing July 1, 2009 if he deems it advisable after review of the final proposals and quotations submitted by NLC-MIC and other reinsurers.

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

3g. Claim Activity Litigation

Notice of Intent to Seek to Convene into Executive Session

On a motion made by Trustee Mederos, seconded by Trustee Avedisian, the Board, after an 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 issues related to the matters of Lynch v. Bristol Warren Regional School District and Barnes & Pardo v. Johnston Public Schools.

Trustee	Vote	Trustee	Vote
Stephen Alfred	aye	John Mainville	aye
Jack Ambrogi	aye	Edward Mara	absent
Scott Avedisian	aye	Diane Mederos	aye

Richard Brown	absent	Lori Miller	absent
Jeff Ceasrine	aye	Michael Petrarca	aye
Frances Gallo	aye	Richard Scherza	aye
Bruce Keiser	aye		

Motion to Return to Open Session

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

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

Motion To Seal Minutes of The Executive Session

On a motion by Trustee Scherza, 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:

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

3c. Governmental Health Group of Rhode Island (GHGRI) – Request for Affiliation

Mr. Dwyer provided the Trustees with an update on the status of the potential affiliation between The Trust and the Governmental Health Group of Rhode Island (GHGRI). First, he indicated that the GHGRI Board had recently approved the Letter of Understanding between the entities that outlined the administrative services that The Trust would be providing on behalf of GHGRI beginning on July 1, 2009. He next indicated that Trust Management was in the initial stages of reviewing documents that might be impacted in the affiliation. He concluded by noting that he was hopeful that the first meeting of the Joint Merger Committee could be held on July 8, 2009.

Trustee Mainville, who is also on the GHGRI Board, indicated that there was nearly unanimous support among GHGRI members for the affiliation.

Chairman Alfred outlined the discussions that the Management Committee had relative to both the affiliation generally, and the provision of administrative services by The Trust specifically. He noted that it was the consensus of the Management Committee that, if the affiliation was not completed by January 1, 2010, the Letter of Understanding relative to the provision of administrative services should be significantly reworked. Mr. Dwyer indicated that the GHGRI Board concurred. Chairman Alfred also reiterated that the requisite due diligence must be done in advance of this proposed affiliation, and that it should not be undertaken in a perfunctory manner simply to allow the affiliation to happen.

(At this juncture, Trustee Avedisian left the meeting.)

3d. Legislative Agenda Update

Ian Ridlon, Trust General Counsel and Director of Legal Services, next gave an update on several legislative initiatives that would impact The Trust.

3d.i. GHGRI Proposed Amendments to Enabling Legislation

Mr. Ridlon again outlined the rationale for the proposed amendment, and indicated that he had worked with counsel for GHGRI to ensure that the proposed changes accomplished GHGRI's goals while not overextending the breadth of the statute or creating issues that would subject entities created under the statute (like The Trust) to unnecessary scrutiny. He then indicated that the companion bills had easily moved through the respective committees in the House and Senate and were passed on the floor to be transmitted to the Governor for signature. While the Governor did not sign the bills, there was no evidence that he had any objection to them. Mr. Ridlon stated that the legislation became effective upon the passage of time allowed for the Governor to veto them when he did not do so.

Mr. Ridlon next reported on proposed legislation that could significantly impact GHGRI and, therefore, The Trust should affiliation efforts continue. In the final days of the legislative session, much behind the scenes work was done on a bill that would create a committee or board that would develop various health insurance benefit plans for all Rhode Island teachers and other public school employees. The bill went through several iterations and ultimately would have created a Board of Directors equally balanced between union representatives and representatives who are school committee officials, school superintendents, and school business managers. There would also be created a technical advisory committee comprised of a Department of Education official, a Department of Administration official, a representative from the League of Charter Schools, and a member from each of the local governmental insurance purchasing collaboratives. The advisory committee, though, would have no vote.

The Board would be charged with establishing no fewer than six plans that would be available to all public school employees. It would be mandatory that these employees select one of the plans when their current Collective Bargaining Agreements expire. The bill did, though, allow for collaboratives to remain a viable option for the employees. However, it was unclear from the legislation how the collaboratives would be utilized.

Mr. Ridlon reported that Senator Paiva-Weed was present at the 11th hour committee meeting and that bill was reported out of committee and was being sent to a House committee for its consideration. Mr. Ridlon noted that, while passage of this legislation would likely not impact entities such as GHGRI in the next six months, the impacts of this legislation could be felt shortly thereafter and could be significant.

General discussion ensued among the Trustees and Mr. Ridlon about the implications of this bill on local school systems and municipalities, and on the proposed Trust/GHGRI merger.

(At this juncture, Trustee Gallo left the meeting.)

3d.ii. Judicial Fairness Initiative Update

Mr. Ridlon indicated that, despite repeated efforts to get the initiative heard before the Senate Judiciary Committee and despite promises from members of that Committee, including the chair that it would be heard, no hearing was granted for the Senate bill. The House bill stalled in the House Judiciary Committee and efforts to enlist the assistance of Speaker Murphy to move the bill were fruitless. As such, Mr. Ridlon reported that the Judicial Fairness Initiative would again need to be reintroduced during the next legislative session.

3d.iii. Workers' Compensation/Pension Offset

Mr. Dwyer informed the Board that the proposed workers' compensation/pension offset reform, that had been supported by The Trust (and discussed at earlier Board meetings), had been included in the "omnibus" bill that had been vetted by the Workers' Compensation Advisory Council, and its passage was likely. Mr. Dwyer also indicated that there were some other pieces of legislation that were not supported by the Workers' Compensation Advisory Council that were being pushed in the legislature. It is highly unusual, he said, for bills not vetted by the Council to proceed forward at the General Assembly, adding that the viability of those bills was in question.

3.b. Membership Status Report

Competitive Marketing Situation and Membership Status

Prior to the meeting, the Trustees were provided with a memorandum dated June 24, 2009, 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, specifically in Smithfield and Bristol. In both cases, The Trust was higher than the Beacon, but in the case of Bristol, the quote was much more competitive. Yet, for the quote for the East Greenwich Public Schools, the difference was negligible.

Ms. Bodziony next discussed the situation with East Greenwich Public Schools. She noted that, in the past, the Town and the School Department had jointly bid insurance coverages, but this year the School Department sought quotes independent of the Town. In this independent configuration, The Trust was able to offer a very competitive quotation for both Workers' Compensation and Property/Liability. She said that it appeared that the School Department was inclined to join The Trust, though a final decision had not yet been made. Trustee Kaiser inquired whether the Town was interested in soliciting bids at this time from The Trust, but Ms. Bodziony indicated that it was not.

Ms. Bodziony next outlined the issues that have arisen with respect to the Town of Cumberland and its School Department. Both had given Notices of Intent to Withdraw, and both have made numerous requests for a variety of different analyses with respect to coverage and deductibles. Trust staff has done inordinate amounts of work to retain these Members. The Trust has also been asked to extend coverage after June 30, 2009 while the entities decide where they will place their coverage. Management has that extension request under consideration, she said. While The Trust packages are very competitive and provide broader coverage, it remains to be seen whether the Town and the School Department will remain Members.

Next, Ms. Bodziony discussed the situation with the Town of North Providence. She began by giving a brief background of the correspondence that The Trust had with the Town of North Providence regarding the fact that the Town was clearly soliciting other coverage, although not through public bid or other formal quote process, and whether that constituted an implied Notice of Intent to Withdraw. She informed the Trustees that, despite numerous efforts to get the Town to respond, it had not done so. Thus, The Trust is faced with the decision of whether to renew coverage automatically, or terminate the Town's Membership.

Trustee Mainville inquired about how The Trust would react to claims from the Town made in July. Mr. Dwyer indicated that he was planning to send a certified letter to Town officials indicating that it was The Trust's position that coverage would renew automatically and that payment of the premium for the coverage would be expected. Chairman Alfred noted his concern that taking that position would allow the Town to dictate whether it would "ride along" without coverage and then simply pay the premium if and when it had a claim. A brief discussion followed among Trustees, Mr. Ridlon, Ms. Bodziony and Mr. Dwyer about the possible ramifications of other options regarding continuation of the Town's coverage, or lack thereof. Chairman Alfred stressed that it is very important that a detailed "paper trail" be kept with respect to this matter. The Trustees elected to leave in the hands of Management the decision about how best to

proceed to determine the Town's membership status as of July 1, 2009 if the Town did not clearly advise of its decision by that date.

Ms. Bodziony next discussed the Life Insurance program. She indicated that this was a very good year for the program and identified the new Members. Currently The Trust has 51 Members in the program and insures more than 11,800 lives. Chairman Alfred inquired as to why the costs of the program were so divergent among Members. Ms. Bodziony and Mr. Dwyer replied that it was largely dependent upon whether the Member allowed retirees to participate in the program, and the demographics of the covered employee lives.

There were no further questions, nor was there further discussion regarding the competitive marketing situation.

3e. Selection of Workers' Compensation Defense Counsel – Report on Outcome

Mr. Ridlon provided the Trustees with a brief summary on the process that The Trust had recently employed to secure Workers' Compensation Defense Counsel. The process was designed, he explained, to examine whether The Trust should continue to retain the law firm presently handling the defense of Member claims, change that firm, or expand the number of firms providing defense counsel services.

In response to Request For Proposals that had been sent to a number of law firms, five firms indicated that they were interested in providing these services, Mr. Ridlon said. A committee comprised of The Trust's President and Executive Director, its Legal Counsel and its Workers' Compensation Claims Manager, together with Trustee Lori Miller and Michael Coury, the Human Resources Director for the City of Newport, reviewed the letters of interest and proposals, and then conducted interviews of each of the five firms. Mr. Ridlon stated that the committee was wrapping up its work, and is recommending that two firms be retained to handle defense of Member workers' compensation claims – the existing law firm and another firm. Mr. Ridlon said he expected to notify the selected firms shortly.

3f. Board Governance

There being no issues to address or appointments to fill, there was no discussion regarding this item.

4. 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 17, 2009
ii) Management Committee June 18, 2009
iii) Risk Management Committee June 18, 2009

b. Workers' Compensation Claims Audit and Management Comment

Chairman Alfred briefly commented on the Audit and the Management Comment to state that the Workers' Compensation claims staff deserved to be commended on the work that they have been doing, as was reflected in the Audit report. He also noted that these documents were very helpful to the Trustees as they provided invaluable insight into what Trust Staff is doing on a regular basis.

c. Pre-Screening of Employment Actions

Prior to the meeting, the Trustees were provided with a memorandum dated June 12, 2009, from Mr. Ridlon to the Risk Management Committee regarding a proposal for a pilot program that would allow for pre-screening of adverse employment actions taken by our Members. Mr. Ridlon briefly discussed the program, how it would be run, and what it would cost. The Board indicated its support for the pilot program and several Trustees indicated an interest in participating in the pilot program.

d. Quarterly Investment Performance Report through March 31, 2009

Presented as an informational item was a report showing the results on Trust investments for the period ending March 31, 2009.

5. Operations and Funding Report

Mr. Dwyer distributed to the Board the Operations and Funding Report for The Trust's two pools: Workers' Compensation and Property/Liability. The Operations and Funding Report was shown for both the Property/Liability and Workers' Compensation Pools as of May 31, 2009 and for The Trust as a whole, including Member Programs. Mr. Dwyer also distributed to the Board the newly formatted one-page Report showing trend lines across multiple years of Adjusted Loss Ratios for The Trust as a whole and for the Property/Liability and the Workers' Compensation Pools.

Working from a PowerPoint presentation, Mr. Dwyer presented a report detailing the Workers' Compensation Pool Loss Ratios. He indicated that, while the trend from the last three years was good, the current trends have not been as positive. However, Mr. Dwyer noted that the picture may not be as bleak as it appears because the reserving may be overly conservative, which, if true, would lead to subsequent reserve reductions as time progresses. Mr. Dwyer stated that Trust Management was monitoring this trend very carefully, though, and when Mr. Kadison finished his analysis, the picture would be clearer. Chairman Alfred reiterated that these Policy Year 2009-2010 numbers are a cause for initial concern, and that it is necessary to monitor this closely because we will likely not meet one of the key financial benchmark indicators.

Trustee Ceasrine inquired whether the downturn in the economy was responsible for the increase in claims. Mr. Dwyer indicated that the data suggests it may have had an impact, but that it was difficult to say definitively.

Mr. Dwyer next discussed the Property/Liability Pool Adjusted Loss Ratios, highlighting the increase in property claims.

Mr. Dwyer then concluded with a report on the Composite Adjusted Loss Ratios and indicated that the Workers' Compensation "curve" was beginning to flatten out and trend downward despite the increase in claims recently.

On a motion made by Trustee Mainville, seconded by Trustee Keiser, the Board voted as follows to accept the Operations and Funding Report as presented:

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

6. Adjournment

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

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

The meeting then stood adjourned at approximately 10:59 A.M.

Respectfully Submitted,

Ian C. Ridlon, Esq.
Corporate Secretary