



**UNDERWRITING COMMITTEE MEETING
OF
JANUARY 22, 2008**

MINUTES

The Underwriting Committee of the Rhode Island Interlocal Risk Management Trust convened a meeting on Tuesday, January 22, 2008 at 9:00 AM at The Trust Offices, 501 Wampanoag Trail, East Providence, RI 02915.

In attendance were Committee Chair Michael Petrarca and Committee members Stephen Alfred, John Mainville, and John Ambrogio. Also in attendance were Trust President and Executive Director Thomas Dwyer; Michael Riccitelli, Underwriting Analyst; Colleen Bodziony, Membership Services Manager; and Ronald Slovak, Chief Financial and Administrative Service Officer.

1. ADOPTION OF MINUTES

Mr. Petrarca moved, seconded by John Mainville, to adopt the Minutes of the March 26, 2007, meeting as presented; it was so voted unanimously.

2. MULTI-YEAR FUNDING OUTLOOK - 2008 to 2012

Prior to the meeting Mr. Dwyer forwarded to the Committee via e-mail a memorandum dated January 17, 2008 describing the Multi-Year Funding Outlook - 2008 to 2012. Accompanying the memo were various financial exhibits and analyses.

Mr. Dwyer presented and discussed the Multi-Year Funding Outlook covering the five year period ending June 30, 2012. He began with an overview of the expected Members' Equity position during the Outlook period, and then discussed individual financial elements of each risk-sharing Pool, responding to Committee members questions as they arose, principally in relation to the projections of Expected Losses for the coming policy year 2008-2009.

Mr. Dwyer indicated that Members Equity for each year of the Outlook period is projected to remain at a relatively high level. In terms of the individual Pools, Mr. Dwyer observed that trends and adjusted loss ratios show The Workers' Compensation Pool moving finally into a profitable situation, whereas the trends and loss ratios for Property/Liability Pool are appearing less favorable with the result that the Outlook shows negative underwriting and annual operations losses for each year. With the high level of Members' Equity, Mr. Dwyer said he was not particularly concerned about those negative balances.

Workers' Compensation Pool

In response to questions from several Committee members about the improving Workers' Compensation Pool trend, Mr. Dwyer explained that he believe the lower loss ratios are the result of the following three factors:

- 1) Increased premiums
- 2) The departure from the Pool of several poorly performing Members in recent years
- 3) Increase in claim closing rate at levels generally below the reserved amount.

Mr. Dwyer explained that the future expected losses were developed based on loss and payroll data that excludes a very large Member that left the Pool effective July 1, 2007. Because this Member's size was so dominant in the Pool, the Trust actuary developed a methodology that allowed for its relevant data to be extracted from the analysis so as not to skew the projection, Mr. Dwyer said. Considerable Committee discussion ensued regarding the basis for the Expected Loss projection that was chosen by management.

In general, Mr. Dwyer said, the improving loss trends result in an Outlook projection for the coming year for Member premiums to be either stable or falling.

Property Liability Pool

Mr. Dwyer reviewed the process that management followed in estimating Expected Losses for the Property/Liability Pool, using the Auto Liability line and the Property Line of coverage as examples. Mr. Dwyer indicated that the targeted premium for Policy Year 2009 represents a slight increase over the current Policy Year with Member exposure growth accounting for the majority of the change.

Considerable discussion ensued regarding the equity in using an assumed value of \$15,000 per insured Member vehicle as an exposure element in the calculation of individual Member premiums. Committee members expressed concern that such a technique would lead to inadequate premium levels for Members with a disproportionately high percentage of expensive vehicular equipment and general pricing inequity among all Members. Mr. Dwyer concurred that this methodology is not as precise as it could be and that some inequity could result, but he did not believe it to be significant or material. He explained that The Trust data base on vehicles presently does not contain sufficient information to allow staff to make a vehicle-by-vehicle determination of each's actual cash value.

Mr. Dwyer noted that he and Trust staff and The Trust's consulting actuary are currently examining different options to further refine the exposure information used to calculate Member premiums and thereby make Trist pricing more sensitive to the Member's full exposure profile. One of those options is better detail about the type and cost of vehicle being insured. However, Mr. Dwyer stressed that management would not be able to make underwriting changes of this type in the current cycle.

Summary

At that point, the Committee indicated it was satisfied that it understood and generally accepted the implications inherent in the Outlook projections, parameters and assumptions as the basis for the detailed pro forma pricing and underwriting to be done for the coming policy year.

3. UNDERWRITING ISSUES AND OBJECTIVES FOR 2008-2009

Prior to the meeting Mr. Dwyer forwarded to the Committee via email list of underwriting issues and objectives for Policy Year 2008-2009. With the Committee each were reviewed in turn.

➤ The Workers' Compensation Pool

Objective 1:

Mr. Dwyer recommended lowering the “cap” and dropping the “floor” on premiums from the current levels. With improving loss trends and the cushion afforded by the high Members Equity position, these adjustments should be possible, he said. The Committee concurred with this recommended direction, pending receipt of more detailed information showing the overall impact on Members and The Trust.

Objective 2:

Mr. Dwyer asked whether the Committee would be inclined to introduce a specific underwriting credit to be applied against the premium of a Member with a meaningful Return to Work Program. The Risk Management Committee had asked the Underwriting Committee to consider such a step as a complement to its current effort to encourage Members to adopt better Return To Work Programs. Several Committee members commented on the difficulties typically encountered in introducing and effectively managing RTW programs at the Member level, and questioned whether an underwriting credit alone would be sufficient inducement for Members to change their practices.

After further discussion, consensus could not be reached on whether an underwriting credit for a RTW program should be introduced, with members seeming disinclined to proceed with such a provision.

➤ The Property Liability Pool

Objective 1:

Mr. Dwyer recommended maintaining the current pricing “cap” level and “floor” level. There was a general consensus that the cap and floor levels remain the same, pending receipt of more detailed information showing the overall impact on Members and the Trust.

Objective 2:

Mr. Dwyer stated that The Trust management will continue to look for ways to improve the Property/Liability Underwriting Model and to make it more responsive to variations and subtleties in Member exposures. The Committee urged Mr. Dwyer and staff to press forward on this work.

➤ Both Risk Sharing Pools

Objective 1:

Mr. Dwyer recommended that the Committee consider alternative reinsurance arrangements such as higher self insured retentions. He advised that with a very strong Member's Equity position, The Trust's financial capacity could clearly assume more risk. Mr. Dwyer further advised that the Members' Equity position could also be used to lower rates and/or fund a Member dividend.

A general discussion ensued regarding ways to effectively use Members' Equity to the best advantage of the Member. Members indicated they would be in a better position to assess options after management developed the detailed pro forma pricing scenarios and looked in greater depth at other reinsurance arrangements for the coming year.

4. NEW MEMBER ENDORSEMENT: SORICO REAL ESTATE HOLDING CORPORATION

Prior to the meeting Mr. Dwyer forwarded to the Committee via e-mail a memorandum dated January 11, 2008 seeking Committee endorsement, as required by The Trust's Underwriting Policy, of the membership of the SORICO Real Estate Holding Corporation.

Mr. Dwyer stated that the SORICO Real Estate Holding Corporation wishes to join The Trust's Property/Liability Pool effective January 31, 2008. It was noted that the Corporation is an instrumentality of our current insured Member Southern Rhode Island Collaborative.

Mr. Petrarca then moved, seconded by Mr. Mainville, to endorse the membership application of the SORICO Real Estate Holding Corporation and to recommend this entity as a new Trust Member to the full Board. It was so voted unanimously.

5. ADJOURNMENT

Mr. Petrarca moved, seconded by Mr. Ambrogi, to adjourn the meeting. It was so voted unanimously.

The meeting stood adjourned about 11:15 A.M.

Respectfully Submitted,



THOMAS E. DWYER