

FINAL

MASSACHUSETTS REINSURANCE PLAN  
GOVERNING COMMITTEE

Minutes of a Meeting Friday February 8, 2019

A Meeting of the Governing Committee of the Massachusetts Reinsurance Plan ("MRP"; the Plan) was held at the Executive offices of the Massachusetts Reinsurance Plan, 106 Southville Road, Southborough, MA 01772 @ 9:30AM.

The following members were present:

William T. McGrail, Chairman  
Peter Robertson, Esq., Vice Chairman  
Renee M. Jones, Esq., Member  
Jose Zorola, Treasurer  
Margaret Bronneck, Esq., Secretary (*excused*)

The following MRP Staff/Consultants/Sub-Committee members were present:

Eric Piurkowski, CFO, CPA  
Robin M. Ward, Director of Administration, MRP  
James R. Bacon, Investment Committee Chairman, (*conference call*)  
Matthew Mancini, Esq., Division of Insurance

1. Call to Order

Mr. McGrail called the meeting to order at 9:30AM. Ms. Ward kept a record of the proceedings.

2. Quorum and Notice

Mr. McGrail stated that four Committee members were present and in person and Ms. Bronneck was excused from the meeting and a quorum was present. Mr. McGrail reported that the required notices for the meeting had been sent to the Secretary of State, Executive Office of the Administration and Finance, and the Division of Insurance and placed on the Plan's website.

3. Minutes of Prior Meeting

Mr. McGrail noted the minutes from the previous meeting of November 9, 2018 had been distributed to all in attendance. Mr. Zorola made a *motion* to accept the minutes as presented. Mrs. Jones seconded the motion. The motion passed unanimously.

4. Quarter 4 – 2018 Financials & Proposed 2019 Budget– Eric Piurkowski, CPA CFO

Mr. Piurkowski began discussing the balance sheet portion of the financials; a copy of which is included within these minutes. Mr. Piurkowski noted that this was not a final financial statement due to Crowe Horwath performing a tax review next week, so that would affect the deferred tax asset and move the surplus when that review is completed. He stated that as of 12/31/2018 there is \$600K in the Clinton Savings Bank and cash equivalents (money market funds), primarily in bonds were at \$700K and that total cash and cash equivalents were \$1.3M. Mr. Piurkowski stated that as of 12/31/2018 we had \$8.2M in bonds and \$4.5M in equities. He continued by stating that the stock market did not end on a high note at year end we lost about \$600K in the portfolio during the year. Total investments are \$12.7M. Mr. McGrail asked if we gained any of that back with the Market being like a roller coaster, Mr. Piurkowski stated we have that January was a very good month having gained about half of it back. Mr. Piurkowski continued reviewing the balance sheet noting a large jump in the IBNR and case reserves; the IBNR of \$8.4M and case reserves of \$4M, totaling \$12.3M. He stated that we expected the case reserves to increase because they were very low the last couple years. Mr. Piurkowski stated that based on the increases and losses our surplus has dropped quite considerably from last year. Mr. Piurkowski reviewed the profit and loss portion of his financials; noting that we had a jump in our premiums of \$2.5M in written premium. Mr. Piurkowski answered questions from members and continued reviewing his financials.

A *motion* was made by Mr. Robertson to accept the unaudited financials as presented and seconded by Ms. Jones. The motion passed unanimously.



Mr. Piurkowski distributed the proposed 2019 budget to all in attendance; a copy of which is included within these minutes. He stated that the written premium was left the same at \$2.9M. He stated that now that we have higher case reserves, we increased the paid losses; budgeting that between paid losses and LAE at \$3M, which is up from \$2.2M in 2018 due to those higher case reserves.

Mr. Zorola stated that there are a couple new entrants into Massachusetts, MAG Mutual and Pro-Assurance and are doing a bigger push to grow their book in Massachusetts. A discussion then ensued on this.

Mr. Piurkowski continued reviewing the proposed 2019 budget highlighting changes from the prior year and answered questions from members.

Mr. Robertson made a motion to approve the 2019 proposed budget, Mr. Zorola seconded the motion; it passed unanimously.

Mr. McGrail noted that all in attendance have a copy of the Policies in Force report; Summary of Ceded Premium report and the Summary of Ceded Policies Written report through 12/31/2018. A copy is included within these minutes.

5. Review of the Actuary Report (draft version), Eric Piurkowski, CPA CFO

Mr. Piurkowski distributed two pages of the exhibit; a copy of which is included within these minutes. He stated that on the first page of the exhibit you will see the Actuaries central estimate and the range of reasonable estimates, stating that we have always booked to the high end of the range. He continued reviewing the second page of his handout stating that it shows the development that we've had over the accident years and

you can see that in 2018 on the bottom left is 138% which is what we are booking the current IBNR at. He continued reviewing the second page of his handout and answering questions. Mr. Robertson asked that given the increase in losses and the increase in cessions do you think the market has turned? Mr. McGrail answered that we would suspect that; that if the market hardens then companies want to take less risk and send more to us. Mr. Zorola stated that he noticed that in the Actuary Report they did not do a "DDR" report death, disability and retirement factor and was curious why they decided not to include DDR factor. Mr. Piurkowski stated that he would ask the Actuaries.

6. Review of Division of Insurance Examination

Mr. McGrail stated that all have received a copy of the full Division of Insurance Examination report; a copy of which is included within these minutes, and all were asked to indicate by affidavit that you received a copy of the exam. Mr. McGrail continued by drawing attention to page 2 of the examination report, he stated that the examiners were here from June 2018 to December 2018; which he stated was less than we expected. He continued by reviewing the "Summary of Significant Findings of Fact" from the examination report, one of the significant findings was that we had one Investment Committee meeting that we held an email vote; which was an unintentional violation. The other finding was regarding unclaimed property. A discussion ensued regarding the unclaimed property. Mr. McGrail stated that the examination is complete, and the report is final.



7. Preface to Investment Committee meeting to follow – James R. Bacon, Chairman

Mr. Bacon joined the meeting via telephone and gave an update on Investments to the Governing Committee. He began stating that we had a marked shift from equities to fixed income; the equities by themselves were de-risked, taken the risk profile down of that part of the money and we took a deep dive in the bond portfolio and the bond manager. Mr. Bacon stated that we had not looked at the bond manager or the bond portfolio in great depth in several years and Prime Buchholz as a new consultant felt that was in order, so we did a deep dive and looked at the manager they identified some strengths and weaknesses. We had presentations in December 12, 2018, Prime Buchholz had suggested because we were a little undecided on some aspects of Madison Scottsdale. Mr. Bacon stated that the Investment Committee decided to stay with Madison Scottsdale for the foreseeable future.

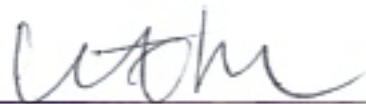
8. Other Business

Mr. McGrail reminded members of the Educational Retreat which is on April 5, 2019 through April 7, 2019 and the Annual meeting will be in Andover, MA on Thursday May 2, 2019.

9. Adjournment

There being no other business to come before the Governing Committee a *motion* to adjourn the meeting was made; it passed unanimously.

A true record transcribed on February 21, 2019



---

MRP Chairman/Officer