

GUARANTEED ACCESS REINSURANCE ASSOCIATION
Minutes of the Board of Directors
October 21, 2013

A regular meeting of the Board of Directors of the Maine Guaranteed Access Reinsurance Association (“MGARA” or the “Association”) was held by telephone conference call on September 23, 2013. Attendance is reflected in the record of attendance set forth below:

Jennifer Juke	Edward J. Kane
Katherine Pelletreau (absent)	Christopher T. Roach
William M. Whitmore	Jolan F. Ippolito
Dr. David Howes (absent)	Dana Kempton (absent)
Scott Davis	Joel Allumbaugh

Also in attendance were Chris Howard and Laren Walker and Diane Kopecki, by telephone.

1. Approval of Minutes

The Board reviewed the minutes of the September 23, 2013 meeting.

RESOLVED: To approve the Minutes of the Board’s September 23, 2013 meeting, as presented.

2. Monthly Operations Report

Laren Walker presented the Monthly Operations Reports for the month of July 2013.

The results of the claims audit are fully reflected in the July report.

Cash balances are artificially high due to the backlog of claims which were paid in August and September, following the close of the July reporting period. These claims are reflected in the liabilities section of the balance sheet. Assessments for the period are ahead of projection due to recently having concluded an assessment. This will smooth out over subsequent periods. Premiums are tracking consistent with projections. Claims are only approximately \$46,000 off projection. The end result is a fund balance of \$7.4 million, ahead of projections by approximately \$1.6 million.

Ceding activity for the period reflected a relatively constant flow of additions and terminations resulting in total lives of 3,688 at the close of the period.

The large claim report was reviewed, but is not reflecting any extraordinary activity.

The Board discussed activity for the months of August and September. Ms. Kopecky reported that activity has been relatively constant and that Ameriben was not expecting any material deviations from projections as a result of operations to date.

3. Audit Report

The Board reviewed and discussed the October 15, 2013 letter from Mr. Walker and the Claim Process diagram. Mr. Walker reported that the \$3.1 million in additional 2012 claims

expense identified through the audit would result in a restatement of the prior year's fund balance. Discussion ensued regarding typical treatment of inaccuracies in IBNR, which typically flows into subsequent year financial reporting. Mr. Walker explained that, as opposed to normal IBNR adjustments, the \$3.1 million in claims was a result of a process oversight and, therefore, could be treated differently. No decision was made whether to restate the 2012 financial statements. The letter was found to be consistent with the results of the claims audit and was accepted by the Board. Mr. Walker briefly reviewed the Claim Process diagram, with particular emphasis on the verification features built into the MGARA claims process.

4. Implementation PL 223

The Board discussed the alterations to MGARA's website made in order to accommodate PL 223 requirements. Following that review, the Board discussed the need to undertake the following tasks:

(a) Establish a protocol for taking public comment at quarterly meetings. It was determined that in order to facilitate the orderly conduct of meetings and constructive, informed discussion, a protocol should be established that requires (i) at least 30 days' notice of meetings at which public comment will be taken, and (ii) that persons wishing to provide public comment sign up at least 10 days prior to the meeting date, providing their name, address, affiliation and the subject matter of their comments. Mr. Howard was directed to prepare, for Board review, a protocol for the conduct of public meetings.

(b) The need to amend the MGARA Bylaws to address the following PL 223 requirements:

- Add consumer representative to the Board
- Align "terms" of Directors

The Board discussed the need to establish reserves for run out of claims and ongoing suspended operations. Establishing appropriate reserves will be part of the suspension plan and will be informed by results of operations through the end of 2013. The reserves will need to include sufficient funding for (a) claims, (b) restarting MGARA operations in 2017, (c) possible federal and state taxes and (d) ongoing administrative costs. The Board expressed a desire to have these reserves reviewed by Milliman in connection with the preparation of the Suspension Plan.

The Board requested that Ameriben prepare and submit for consideration at the next Board meeting a proposal for administrative fees associated with the runout of claims.

5. Action on 9/23 Agenda Item Regarding Payment of Claims During Grace Period

This item was held over from the September Board meeting. The Board discussed at length whether claims paid during the grace period following termination of a policy should qualify for reinsurance.

Following that discussion, on motion duly made and seconded, the Board unanimously

RESOLVED, subject to confirmation by the Bureau of Insurance, claims paid by carriers during the "grace period" following cancellation of a policy for the non-payment of premium are

eligible for reinsurance under the MGARA program because MGARA reinsurance should in essence “follow the underlying policy” and if claims are required to be paid following policy termination then they should qualify for reinsurance; provided that reinsurance premium should be charged for the grace period.

RESOLVED, that Mr. Howard should contact the Bureau of Insurance and seek confirmation of the position set forth in the foregoing resolution.

6. Federal Transitional Reinsurance Program

The Board generally discussed the progress being made on implementation of the Federal Transitional Reinsurance program. The Board noted the possible de-funding for one year of that program discussed in connection with the recent resolution of the federal budget. The Board requested that Mr. Howard monitor the progress of this program and report back to the Board with any relevant developments.

7. Future Board Meetings

The Board confirmed the date and time for remaining 2013 Board meetings:

- 3 p.m. on November 18, 2013 – conference call
- 3 p.m. on December 16, 2013 – in person meeting at Pierce Atwood offices, 254 Commercial Street, Portland, ME

It was also decided that the first item on the agenda for the December 16 meeting would be taking public comment.

There being no further business to come before the board, the meeting was adjourned.

Duly Authorized Officer