MAINE GUARANTEED ACCESS REINSURANCE ASSOCIATION
Minutes of the Board of Directors
September 21, 2015

A regular meeting of the Board of Directors of the Maine Guaranteed Access Reinsurance Association ("MGARA" or the "Association") was held at 3:00 p.m. on September 21, 2015 at Pierce Atwood's offices in Portland, Maine. Attendance is reflected in the record of attendance set forth below:

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

Also in attendance were Chris Howard, counsel, Laren Walker, administrator and Bela Gorman, from Gorman Actuarial.

1. Approval of Minutes

The Board reviewed the minutes of the June 15, 2015 Annual Members Meeting and Board meeting. On motion duly made and seconded it was

RESOLVED: To approve the Minutes of the annual Members Meeting and the Board meeting held June 15, 2015, as presented.

2. Monthly Operations Report

Laren Walker presented the Monthly Operations Report for results through August 31, 2015. Cash and investments as of August 31, 2015 were $5,225,895, with total assets of $5,241,473 and liabilities of $4,021, with IBNR of $0, and a fund balance of $5,237,452. Mr. Walker reviewed the Statement of Revenues and Expenditures, which showed nominal activity for the period. Through the suspension period the Statement of Revenues and Expenditures will reflect nominal changes resulting from administrative costs and interest earnings. Mr. Walker projects an annual "static state" loss of approximately $50,000, assuming no change in interest rates or expenses. No liability for federal income tax has been booked because that potential liability is not "probable," within the GAAP definition.

3. IRS Ruling

The next item for discussion was the Internal Revenue Service ruling. Mr. Howard reported that, on September 11, 2015, MGARA filed a request for exemption under Internal Revenue Code Section 501(c)(4). As discussed with the Board prior to that filing, his discussions with the IRS have resulted in a relatively high confidence level

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that the IRS will respond positively to repositioning MGARA as a 501(c)(4) organization, as opposed to a 501(c)(26).

4. Discussion re MGARA Restart

After an introduction by Mr. Howard, Bela Gorman presented the Gorman Actuarial analysis of the Maine Individual & Small Group Market and the potential impact of a MGARA restart as of January 1, 2017. Her presentation reviewed relevant data regarding Maine's Individual market membership. Her analysis indicated that individual market membership roughly doubled in size in 2014 compared to 2013, with continued projected growth into 2015. Exchange membership accounts for approximately 90% of the individual market. She reviewed the eligibility for federal subsidies. Approximately 80% of the individual market receives federal subsidies, with 90% of the exchange members receiving federal subsidies. 50% of the population receiving federal subsidies is less than 250% of the FPL, resulting in the significant levels of federal subsidy. Maine carriers reduced their 2016 rates by 4% to reflect the Federal Reinsurance Program; therefore, elimination of this program in 2017 would result in roughly a 4% increase in rates. However, 80% of the market will not experience the "rate shock" because they are receiving premium tax subsidies.

Turning to the Small Group Market, there has been a dramatic decrease in the small group market membership dropping from 84,017 in 2012 to 70,808 in 2014, suggesting an apparent shift in the individual exchange market, although the increase in individual market membership is nearly double the reduction in small group, meaning that members are becoming insured from sources other than small group.

The preliminary conclusion drawn from Ms. Gorman's analysis is that reinstituting the MGARA program in 2017 would result in approximately $0.75 of every reinsurance dollar inuring to the benefit of the federal government. For members with incomes above 400% of the FPL, $0.25 of every dollar would inure to the benefit of the federal government. The reason this occurs is that a very high percentage of premium is paid through federal subsidy because, at the lower income levels, populating the individual exchange market, the premium actually paid by individual insureds is fixed as a percentage of income, and does not bear any relationship to loss or program cost. Reductions in premium as a result of reinsurance would not reduce the premium paid by most individual members because that premium is fixed as a percentage of their income, and would not change. The majority of the benefit (on average, $0.75 on the dollar) would reduce the burden on the federal subsidy.

In order to avoid MGARA subsidizing the federal government, the program would need to be targeted to groups that are not receiving federal subsidy, such as grandfathered and grandmothered plans; however, Ms. Gorman and Mr. Howard indicated that targeting benefits would be difficult to achieve under the ACA.

Following extensive discussion, the Board requested that Ms. Gorman prepare a more detailed analysis regarding income and subsidy levels so that the Board could better

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understand the dynamics that result in any MGARA-type reinsurance program ultimately inuring to the benefit of the federal government. The Board also asked that Ms. Gorman and Mr. Howard explore the possibility of a targeted single rating plan under the ACA. The Board indicated that, once this analysis was completed, the Board would have a special meeting via conference call to discuss the results.

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

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Duly Authorized Officer

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