MAINE GUARANTEED ACCESS REINSURANCE ASSOCIATION
Minutes of the Board of Directors
July 8, 2019

A special meeting of the Board of Directors of the Maine Guaranteed Access Reinsurance Association ("MGARA" or the "Association") was held via teleconference at 3:00 p.m. Attendance is reflected in the record of attendance set forth below:

Joel Allumbaugh	Marybeth Liang
Dr. David Howes	Jim Lyon
Jolan F. Ippolito, Chair (absent)	Bruce Nicholson
Dana Kempton (absent)	Katherine Pelletreau
Kevin Lewis	Dan Rachfalski

Also in attendance were Laren Walker and Diane Kopecky of River 9 Consulting (administrator) and Chris Howard and Emily Cooke of Pierce Atwood LLP (counsel to the Association).

1. Approval of Minutes

The Board reviewed the minutes of the June 6, 2019 Board meeting (the "Minutes"), along with two revisions proposed by Kevin Lewis. On motion duly made and seconded, it was

RESOLVED: To approve the Minutes as presented, with the revisions proposed by Mr. Lewis.

2. Report re CMS 1332 Grant Transfer and Funding

Laren Walker noted that the formal transfer of the 1332 Grant (the "Grant") from the State of Maine to MGARA is now complete. The penultimate administrative step in the Grant transfer process – federal acceptance/approval of MGARA's banking information – is complete as of today.

The next step in the process is to initiate a request for currently-needed funds to be drawn down from MGARA's account (the "PMS Account") within the federal Payment Management System ("PMS"). By policy, the PMS imposes a $10MM daily limit on drawdown requests.

Mr. Walker reported that MGARA has made an initial drawdown request in the amount of approximately $8.2MM, which amount covers all claims through the end of April. This request has been approved and is now pending verification of approval, at which point the funds will be disbursed from the PMS Account. It is expected that these funds will be available tomorrow, July 9. Once the initial tranche of funds is drawn down, the next tranche, in the amount of approximately $6.8MM, will be requested, which will cover MGARA's May claims liabilities. Mr. Walker explained that, accounting for turnaround times in MGARA's KeyBank account, carriers should expect to receive claims payments on Wednesday (April claims) and Thursday (May claims).

3. Monthly Operations Report

Mr. Walker next presented the monthly operations report for May.

He first noted that the most recent financial report provided in the Board materials does not reflect claims payments of approximately $10MM made in June. He also noted the timing discrepancy between Grant revenue, which is realized only when received, versus premium payments, which are realized when earned.

Assessments: Mr. Walker reported that assessments totaled $4.29MM as of the end of May, lower than projections. Mr. Walker noted two factors contributing to the lower-than-projected assessment figure: First, non-January renewal cycles for some policies mean the assessment deadline for those policies is delayed until later in the calendar year. Second, MGARA has received no response from approximately 240 potential payors, so some modest amount of premium may remain to be collected from certain of those. River 9 will be reviewing the contact information for those entities and following up. Katherine Pelletreau recommended that consideration be given to the balance between collecting all outstanding assessment revenue versus chasing the long tail of assessments. Mr. Walker agreed in principle, but noted that because assessments are based on self-reporting, it is difficult to identify in advance which entities may have a de minimis assessment obligation. Mr. Howard indicated that he would request the MBOI assist with collections in order to throw the Superintendent's weight behind the collection process.

Premiums: Premiums collected as of the end of May are running behind projections at 30% of full year projected premium. This result is not unexpected, as the carriers have indicated that mandatory ceding was somewhat delayed while voluntary ceding took precedence.

Claims: Claims were at 27% of full-year projections as of the end of May. Claim volume is expected to be heavier during the second two quarters.

Expenses: Administrative expenses as of the end of May were at 41% of the total projection for the year. In response to a participant's question, it was confirmed that Grant funding can be used to pay administrative expenses, including professional fees.

Mr. Walker next reviewed the supplemental information included in the financial packet. According to the report, 3,354 total lives were ceded to MGARA's program as of June 20, comprised of 2,013 mandatory cedes and 1,130 voluntary cedes. As noted above, the volume of mandatory cedes is expected to increase as carriers turn greater attention to mandatory ceding. The volume of voluntary cedes is at 87% of projections, in line with expectations for this point in the year. Mr. Walker noted a relatively high number of terminations within the first five months of the year. Mr. Lewis commented that this is fairly typical for the individual market, resulting from terminations for nonpayment and departures of those who had passively enrolled.

At the Board's request, the financial report now includes data regarding the number of ceded policies (as well as lives).

Mr. Walker pointed out that current data on number of lives ceded by claim size reflects that, overall, the program is not seeing a large number of outsized claims, other than one that the Board has previously discussed. Future financial reports will limit the large claims report to a floor of $100,000, in order to maximize the utility of the data presented.

Ms. Pelletreau inquired whether the list of mandatory ceding conditions should be revisited. Chris Howard noted that this question was considered, with Milliman's input, prior to resumption of program operations; it was concluded that the list should remain unchanged for now, but should see regular review. Discussion ensued regarding the fact that the mandatory conditions could easily be changed to be more favorable to the carrier; however, any changes need to be measured against MGARA's results and solvency.

David Howes reiterated his concern that changing dynamics and practices in the industry necessitate closer scrutiny of billing practices. It was generally acknowledged that while MGARA has the technical authority to audit underlying claims, it does not currently have the means to do so in an efficient way. Mr. Howard commented that MGARA has long grappled with the question of how to impose the right amount of discipline in claims management and policing, and suggested that this might be a subject to revisit at the Board's next quarterly meeting later this month.

4. Milliman, Inc.'s 2020 Attachment Point Analysis

Mr. Howard reported that, in its report of July 18, Milliman recommended that MGARA maintain the current attachment points for the 2020 program year. Board members expressed concern as to whether this recommendation would or should be altered based on recent higher-than-expected claims data, but also acknowledged the very short time until rates are due. A brief discussion ensued.

It was agreed that, in light of the desire to incorporate as much actual data as possible into the 2020 model, Mr. Howard would request, on a highly expedited basis, that Milliman review the most current claims data (and medical inflation data) and advise whether Milliman would recommend any adjustments to the 2020 model on account of that data. If Milliman's resulting recommendation remains the same, Mr. Howard will report to the Board and the Maine Bureau of Insurance that attachment points will remain stable for 2020. If the exercise results in a change in Milliman's recommendation, Mr. Howard will immediately reconvene the Board to discuss.

5. Board Meeting Schedule Confirmation

Mr. Howard confirmed that the Board's next regularly scheduled in-person quarterly meeting is scheduled for July 22 at Pierce Atwood's offices.

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

Duly Authorized Officer