

**MAINE GUARANTEED ACCESS REINSURANCE ASSOCIATION**  
**Minutes of the Board of Directors**  
**March 17, 2014**

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 at 3:00 p.m. on March 17, 2014. 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 (absent)

Also in attendance were Chris Howard and Laren Walker. A representative of certified public accounting firm Eide Bailly LLP, which prepared the Association’s 2013 audit, attended through the completion of the presentation of the audit.

**1. Approval of Minutes**

The Board reviewed the minutes of the February 24, 2014 meeting. On motion duly made and seconded it was

RESOLVED: To approve the Minutes of the Board’s February 24, 2014 meeting, as presented.

**2. Monthly Operations Report**

Laren Walker presented the Monthly Operations Report for the month of January 2014. Mr. Walker began by asking to advance discussion of the late ceding request, as that decision would have implications for the financial report. The Board agreed to advance that item on the Agenda. Mr. Howard gave a brief overview of the issue based on the memorandum that was circulated in the Board package. Following limited discussion, Mr. Kane requested that any decision on the late ceding request be tabled so that he could gather more internal information regarding the request. The Agenda item was tabled until the next Board meeting.

Mr. Walker then continued the Monthly Operations Report. Revenues have trailed off to essentially a zero level due to suspension of operations. The focus of the presentation was on claims levels and IBNR. Mr. Walker reported that claims incurred for January were lower than projected at \$1,725,706. That claims volume suggests that the \$9,000,000 in IBNR is holding up well at this early stage. The balance sheet as of 12/31/13, reflects a deficit Fund Balance of -\$621,001; however that balance is driven by the \$9,000,000 IBNR, which is expected to be conservative. Mr. Walker reported that February claims data seemed to support that conclusion.

The Board discussed the fact that the “Claims Incurred” line in the statements is actually “Claims Paid” as the Association is no longer incurring any claims. Claims Paid should be offsetting IBNR, which would result in the Fund Balance returning to positive; however, for consistency in reporting monthly results, and presentation purposes, Ameriben will continue to report claims paid under the incurred claims line.

Mr. Walker presented a preliminary draft of the audited financial statements for 2013. He reminded the Board that the Association’s audited financial statements for 2012 required restatement due to the “double payment” to a carrier subsidiary. That restatement will also result in an amendment to the Association’s Form 990. The Board reviewed the draft auditor’s report and statements, and engaged in a detailed discussion of the same. Mr. Walker drew the Board’s attention to Note 1 of the financial statements, which indicates that the Association’s financial statements are prepared on the

modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States. Mr. Walker reviewed the statements on a line item basis, including review of each footnote. During review of the footnotes, the Board requested two corrections: (i) Footnote 5 should be revised to reflect that the liability for claims incurred and IBNR are set based on Milliman's actuarial analysis and not on calculations made by the Board members or carrier Members, and (ii) the statements should be addressed to the Association in Maine, not Idaho.

Following this discussion, on motion duly made and seconded, it was

**RESOLVED:** To approve the draft audit report as presented by Eide Bailly LLP, with the incorporation of the comments offered by the Board.

A brief report was made regarding "in-patient" stays that spanned year end, as these stays will result in continued claims expenses incurred in 2014 although booked to 2013 as that was the start of the in-patient stay. There were only 6 in-patient stays that began in 2013 with 2014 discharge dates, which suggests there is limited exposure to continued claims expenses.

Mr. Walker again reported his instructions to KeyBank to liquidate investments, without penalty, in order to generate the cash required to fund claims and operational expenses on a forward looking basis.

**3. Newborn Cede Request**

See discussion above.

**4. Annual Meeting Preparation**

The Board confirmed the date for the Association's annual meeting to be held at Pierce Atwood on April 8, 2014 at 3 p.m. The activities and agenda for the meeting were discussed, and a preliminary agenda for the meeting was developed, including the appointment of directors to terms that have expired, conducting a public comment session and review of the draft amendment to the Association's Plan of Operation to reflect suspension.

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



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Duly Authorized Officer