

MAINE GUARANTEED ACCESS REINSURANCE ASSOCIATION
Minutes of the Board of Directors
October 21, 2019

A regularly scheduled quarterly meeting of the Board of Directors of the Maine Guaranteed Access Reinsurance Association (“MGARA” or the “Association”) was held at 3:00 p.m. at the offices of Pierce Atwood LLP in Portland, Maine. Attendance is reflected in the record of attendance set forth below:

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

Also in attendance were Laren Walker of River 9 (administrator), Chris Howard and Emily Cooke of Pierce Atwood LLP (counsel to the Association), and representatives of Milliman, Inc. (actuary to the Association).

1. Public Session

The Public Session of the Board was opened. There being no members of the public present, the Board concluded the Public Session without comment.

2. KeyBanc Report re Investment Portfolio

Noting the importance of a periodic review of the Association’s investment portfolio, Mr. Walker introduced Boris Goldsteyn of KeyBanc Capital Markets. Mr. Goldsteyn briefly introduced himself, noting his 7-year tenure on MGARA’s account. He explained that the Association’s investments continue to be exclusively maintained in a range of fixed-income products, including Treasury bills, A-rated commercial bonds and top-rated commercial paper, all in accordance with MGARA’s Investment Policy. Mr. Goldsteyn reviewed recent rate cuts, Fed predictions, and causes of market uncertainty, and noted that it is generally seen as a good time to invest cash-on-hand before rates fall again.

A brief discussion ensued. There was a consensus that it would be prudent to hold off on investing cash-on-hand at this time. The Board requested a liquidity analysis to support any near-term investment-related decisionmaking going forward.

3. Approval of Minutes

The Board reviewed the minutes of the August 26 and September 23, 2019 Board meetings (collectively, the “Minutes”). With one correction to the August 26 attendance record, on a motion duly made and seconded, it was

RESOLVED: To approve the Minutes, as revised.

4. Monthly Operations Report for August 2019

Mr. Walker provided the Monthly Operations Report for August 2019.

Assessments: Mr. Walker noted that the first 2019 assessment was due on May 15, and so the calendar year actually only represents three quarters of assessments. That said, assessments are on-track with projections.

2019 Projections: 2019 year-end projections were previously updated in July based on Milliman's updated calculations, but in this month's materials the original projections are restored for ease of reference and comparison. Grant revenue is at \$23.9MM YTD, which is 72% of the projected total for the year (noting that some grant proceeds are expected to bedrawndown in 2020). Expenses are at 55% of the projected total for the year, a positive sign given that the year is 67% over.

In response to a question from Mr. Lewis, Mr. Walker explained that the reported level of claims incurred does not match reported grant revenue drawn because claims are reflected on an accrual basis, while grant draws are reflected on a cash basis.

Mr. Kempton inquired about current claims payable. Mr. Walker explained that while the current amount is not yet available, \$8-9MM per month has been typical.

Ceding: Mr. Walker highlighted a significant shortfall against projections in mandatory ceding. July and August saw very weak net mandatory ceding figures, once terminations are accounted for. Mr. Rachfalski noted an unexpected prevalence of terminations due to Maine's Medicaid expansion. Mr. Lewis requested that future financial reports separately display termination data for mandatory versus discretionary cedes, and Mr. Walker agreed.

A discussion ensued. Mr. Lewis expressed surprise at the shortfall in mandatory ceding, noting that the Plan of Operation requires mandatory ceding as promptly as possible following identification of a specified condition, so mandatory ceding should be taking place as claims arise. Mr. Howard noted that thus far, the Board has taken a wait-and-see approach to the inconsistency in mandatory ceding, in hopes that the numbers would even out (and catch up to projections) with the passage of time. However, at this point, for unknown reasons, there is a clear disconnect between the number of lives in the market and the volume of mandatory cedes. Mr. Lewis added that, in addition to the inconsistency between projected and actual mandatory cedes, the uneven ceding behavior across carriers is surprising. Mr. Williams emphasized that actual mandatory cedes are not aligning with MGARA's pre-suspension experience, with Milliman's projections, or with Maine's epidemiology as of 2017. He added that variation in the carriers' respective algorithms could contribute to differential ceding behavior. In response to a question from Mr. Rachfalski, it was confirmed that all mandatory ceding conditions are coming in at lower-than-expected levels, albeit with some internal variation among them.

It was agreed that a working group of carrier members would be convened in an effort to identify the source of the differential mandatory ceding results.

5. Milliman Report re 2019 Year-End; 2020

Mr. Williams presented to the Board Milliman's projection of 2019 year-end results and, on a preliminary basis, 2020 performance. A discussion followed.

6. Discussion of Maine Market Developments

Mr. Howard briefly updated the Board on certain developments in the Maine insurance regulatory space. On motion duly made and seconded, it was

RESOLVED: To obtain a scope of work from Milliman for actuarial analysis of prospective developments in the Maine insurance market.

7. Quarterly Meetings Schedule Confirmation

Mr. Howard confirmed the Board's regularly scheduled in-person quarterly meetings on the following dates: January 27, 2020, April 14, 2020, July 13, 2020, and October 26, 2020.

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

A handwritten signature in black ink, appearing to be 'J. Howard', written in a cursive style.

Duly Authorized Officer