

MAINE GUARANTEED ACCESS REINSURANCE ASSOCIATION
Minutes of the Board of Directors
April 14, 2020

A regular 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	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), Dave Williams, Tom Murawski, and Donna Wix of Milliman, Inc. (actuary to the Association), and Marti Hooper, staff Actuary with the Maine Bureau of Insurance.

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. 2019 Audited Financial Statements

Jodi Daugherty and Jason Lindstrom of Eide Bally, MGARA’s auditor, joined the meeting and presented the Association’s 2019 audited financial statements (the “2019 Audited Financials”). On a motion duly made and seconded, it was

RESOLVED: To accept the 2019 Audited Financials as presented.

On a motion duly made and seconded, it was

RESOLVED: To approve the level of IBNR for claims and premiums.

3. Conflict of Interest Disclosure Statement

Ms. Ippolito reminded Board members to review, execute and return the Conflict of Interest Annual Disclosure Statement to counsel, and to contact Mr. Howard with any questions.

4. Procurement Policy

Mr. Howard explained that under the terms of the Section 1332 grant, MGARA is required to have a formal procurement policy for procurement of goods and services with federal grant funds. He drew the Board's attention to the proposed Procurement Policy included in the meeting materials, which fulfills the applicable federal requirements.

On a motion duly made and seconded, it was

RESOLVED: To approve the Procurement Policy as presented.

5. Approval of Minutes

The Board reviewed the minutes of the March 23, 2020 Board meeting (the "Minutes"). On a motion duly made and seconded, it was

RESOLVED: To approve the Minutes as presented.

6. Election of Officers

Ms. Ippolito presented the slate of officers for election. On a motion duly made and seconded, it was

RESOLVED: To elect the following slate of officers:

Jolan Ippolito – Chair and President
Dana Kempton – Treasurer
Chris Howard – Secretary

7. Monthly Operations Report

Mr. Walker provided the monthly operations report for February 2020. He noted that assessment data is not yet available, as the due date for assessments is not until May 15. With respect to Section 1332 grant revenue, he reported that the funds have been disbursed to MGARA's Payment Management System account, though they are not yet available to draw. River 9 is looking into the first available draw date.

Remarking on ceded lives, Mr. Walker noted that there have been significant additions and terminations as carriers work through the additional mandatory ceding guidance previously provided. There are currently approximately 3000 total lives in the program, which number is expected to increase as the year goes on. Mr. Walker reviewed the MGARA investment portfolio, which showed no material changes despite the impact of the global pandemic on financial markets as a result of the short term high quality fixed income orientation of the portfolio.

8. Milliman Report and Discussion regarding 2020 and 2021 Planning

The Board turned next to Milliman’s analysis covering three areas: (1) a COVID-19 impact analysis; (2) a 2020 and 2021 model update and 2021 attachment point analysis; and (3) analysis of the LD 2007 market merger.

COVID-19 Impact Analysis

Mr. Williams presented Milliman’s initial analysis of the potential impact of the COVID-19 pandemic on MGARA’s 2020 claims. He presented the macro- and microeconomic assumptions that inform Milliman’s model, and a series of estimated impacts of COVID-19 in Maine. Taken together, these point to a relatively modest adverse impact on MGARA’s 2020 financial performance, largely because the projected number of high-cost hospitalizations resulting from COVID-19 and eligible for ceding to MGARA is fairly contained. Mr. Williams reemphasized the high degree of variability inherent in modeling the fast-moving pandemic. The pandemic is expected to result in significant instability in the individual market with the shifting of the work force through shifts in unemployment. The net result is expected to be an increase in individual market enrollment but a relatively modest overall impact on claims due to the mitigating effect of serious cases having a relatively high fatality rate and the limits placed on elective procedures.

2021 Estimates and Attachment Points

Mr. Williams next presented Milliman’s updated 2021 projections. The data presented largely matches the 2021 projections the Board considered at its last meeting, with modest adjustments to ceding levels.

Mr. Howard noted that the ultimate question for the Board’s consideration is: what is the appropriate level of surplus to incorporate into the projections? He reminded participants that since MGARA’s inception in 2012, the Board has traditionally maintained a surplus target – but that predated the decision to merge the markets, the COVID-19 pandemic, and other notable developments, which make this an appropriate time to revisit that target.

The discussion of this topic was suspended pending the below report on the proposed market merger so that both topics could be considered together.

Merged Markets Actuarial Analysis

Mr. Williams next presented the results of Milliman’s analysis with respect to the proposed merger of Maine’s individual and small-group markets, which concluded that LD 2007’s preconditions for establishing a pooled market can be met, under specified circumstances, but there is not likely to be a significant positive impact on the small group market. The report indicated a substantial reduction in MGARA surplus levels in 2022 and following years as a result of the merger. The Board had extensive discussion regarding the concept of using surplus generated in 2020 and 2021 to help finance the negative affect resulting from the market merger, and whether that was an appropriate strategy vs. delivering as much positive rate reduction as possible in 2020 and 2021 and dealing with the effect of the merged markets if, as and when the merger occur on 2022. It was the consensus of the

Board that MGARA should focus on its current mission in setting 2021 attachment points and surplus target – adopting the philosophy that if, as and when MGARA’s mission is changed due to the implementation of LD 2007, then the organization would need to re-assess; however in the interim MHGARA should focus on its current mission, which is delivering as much relief to individual market rates as possible based on its current model.

With that decided, a discussion ensued, pursuant to which participants addressed the question of appropriate surplus levels.. Mr. Rachfalski suggested that, just as health plans and commercial insurers are guided by risk-based capital targets, MGARA might use a similarly empirical approach to calculating surplus. There was broad agreement to explore this approach, with actuarial support from Milliman. To that end, the Board agreed to reconvene in two weeks, on Monday, April 27, and requested Milliman to prepare an analysis of 2021 attachment points and approaches to setting surplus levels that is informed by reference to relevant risk-based capital requirements and other empirical measures in the reinsurance industry.

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

Duly Authorized Officer