

**MAINE GUARANTEED ACCESS REINSURANCE ASSOCIATION**  
**Minutes of the Board of Directors**  
**September 23, 2013**

A regular meeting of the Board of Directors of the Maine Guaranteed Access Reinsurance Association (“MGARA” or the “Association”) was held on September 23, 2013. Attendance is reflected in the record of attendance set forth below:

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

Also in attendance were Chris Howard and Laren Walker and Diane Kopecki, by telephone.

**1. Approval of Minutes**

The Board reviewed the minutes of the August 19, 2013 meeting. It was noted that the date of the Monthly Operations Report should have been May 2013. Following review, on motion duly made and seconded, it was

RESOLVED: To approve the Minutes of the Board’s August 19, 2013 meeting, as presented, correcting the reference to “July” in the first paragraph under the heading “Monthly Operations Report” to May.

**2. Monthly Operations Report**

Laren Walker presented the Monthly Operations Reports for the month of June 2013.

Claims Audit. The report opened with a presentation and discussion regarding the results of the ongoing claims audit. Mr. Walker reported the status of the audit with respect to each carrier;

- Anthem – Audit completed with respect to all three phases (Phase 1 – “claims receipt”; Phase 2 – “proper claims adjudication”; Phase 3 – “confirmation of upload”). All claims have been reconciled and adjudicated with the exception of \$640,000. Mr. Walker indicated a high level of confidence will be paid and has, therefore, accrued for these claims.
- Harvard Pilgrim – Phase 1 of the audit has been completed and all claims have been confirmed as received. Phase 2 is substantially completed. Phase 3 is in process, with a significant portion completed.

- MEGA – Ameriben has not been provided with any Phase 1 exceptions report and is, therefore, assuming that Phase 1 is complete. MEGA provided 149 line items covering less than 25 people and the amounts involved are, therefore, quite small, *i.e.*, under \$25,000. Therefore, there is not a significant level of concern regarding the audit of MEGA results.

Balance Sheet. Mr. Walker next reviewed the balance sheet. IBNR is at approximately \$8.1 million, increased over the \$5 million IBNR for 2012. The missed and unprocessed files for 2012 contributed to an understanding of IBNR for that year. The Board inquired as to the actual impact of the \$3.1 million in claims. Mr. Walker indicated that the \$3.1 million in claims increases the “Claims Incurred” to \$21,274,195. MGARA has been trending under projected claims for 2013 YTD, but has drawn even with claims projections as a result of these additional claims.

The Board inquired as to whether a restatement of 2012 financials would be required. Mr. Walker agreed to review this issue with MGARA’s independent accountant. He indicated that this type of issue typically does not result in a restatement.

Mr. Walker concluded with assurance that the \$21.3 million of Claims Incurred reflect all claims, including the unreported claims from 2012.

Revenues. The Board discussed the need to provide guidance to carriers with respect to 2014 assessments so that that guidance could be built into 2014 rates. Following discussion, the Board decided to provide guidance to carriers (a) confirming that the Q-4 2013 assessment would be MGARA’s final assessment, unless the federal Transitional Reinsurance Program does not commence effective 1/1/14, and (b) reserving the right to make deficit assessments at a rate of up to \$2 PM/PM. The Board directed Mr. Howard to prepare talking points and an FAQ providing this explanation to carriers, which is to be circulated to the Board.

Ceding. The Board reviewed the information provided with respect to ceding, which appears to have leveled off substantially.

Investment. The Board noted limited investment activity.

### **3. Implementation PL 223**

Mr. Howard reviewed the Implementation Plan for PL 223, including the alterations to MGARA’s website. Following discussion, Ameriben was directed to make the necessary changes to the website to accommodate PL 223 requirements. It was also decided that the first meeting at which public comment will be taken pursuant to PL 223 requirements will be December 16, 2013.

The Board discussed the need to establish reserves for run out of claims and ongoing suspended operations. Establishing appropriate reserves would be part of the suspension plan and would be informed by results of operations through the end of 2013.

The Board requested that Mr. Walker discuss with the accountants the ability to extend the audit and tax return for 2013 to encompass the runout of claims into the early part of 2014.

The next item of discussion was the need to establish reserves in the Suspension Plan for several items, including (a) restarting MGARA operations in 2017, (b) possible federal and state taxes and ongoing administrative costs. The Board expressed a desire to have these reserves reviewed by Milliman in connection with the preparation of the Suspension Plan.

Mr. Howard discussed with the Board the need to amend the MGARA Bylaws to address the following PL 223 requirements:

- Add consumer representative to the Board
- Align “terms” of Directors

#### **4. Review Suspension Plan Talking Points**

Mr. Howard reviewed with the Board the draft talking points circulated to the Board prior to the meeting. The Board provided extensive comment on the talking points and directed Mr. Howard to make revisions and circulate to the Board and Ameriben.

#### **5. Reinsurance Claims Payments During Grace Period**

The Board reviewed the memorandum regarding the question whether reinsurance is available for claims paid by a carrier following termination of the underlying policy pursuant to Maine’s continuation grace period. Following extensive discussion, the Board tabled this matter to the next meeting.

A related issue was discussed regarding the treatment of claims for hospital stays which extend over a calendar year end. Carriers’ desire to treat these claims consistent with industry norms, which call for unified treatment of these claims. Ameriben had taken the position that these claims should be divided into two separate years so as to be more consistent with MGARA’s reinsurance benefits structure. Following discussion, on motion duly made and seconded, it was

RESOLVED, to treat claims for hospital stays with durations extending from one calendar year into the next as a single claim, consistent with industry standard.

#### **6. Future Board Meetings**

The Board confirmed the date and time for remaining 2013 Board meetings:

- 3 p.m. on October 21, 2013 – conference call
- 3 p.m. on November 18, 2013 – conference call

- 3 p.m. on December 16, 2013 – in person meeting at Pierce Atwood offices, 254 Commercial Street, Portland, ME

It was also decided that the first item on the agenda for the December 16 meeting would be taking public comment.

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

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Duly Authorized Officer