

MAINE GUARANTEED ACCESS REINSURANCE ASSOCIATION
Minutes of the Board of Directors
August 17, 2020

A regular meeting of the Board of Directors of the Maine Guaranteed Access Reinsurance Association (“MGARA” or the “Association”) was held via videoconference 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	Ellen Schneiter (<i>absent</i>)

Also in attendance were Laren Walker of River 9 (administrator), Dave Williams and Donna Wix of Milliman, Inc. (“Milliman”) (actuary to the Association) 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 Board’s July 13, 2020 meeting (the “Minutes”). On a motion duly made, it was

RESOLVED: To approve the Minutes as presented.

2. Monthly Operations Report for June 2020

Mr. Walker presented the monthly operations report for June 2020. He kept the presentation short so as to allow time for discussion of the Small Group Market Merger. He reviewed the status of MGARA’s cash and investments. Assessments through June total \$7.6MM. Premium for the month totaled \$3.1MM. MGARA drew \$4.5MM of 1332 Waiver grant funds in June. Claims for the month totaled \$5.5MM.

3. Discussion re Status of Small-Group Market Merger Initiative

The Board turned to a discussion of the small group market merger initiative in advance of the upcoming September 2nd public forum on the topic. By way of background, Mr. Howard explained that the Maine Bureau of Insurance (the “Bureau”) is in the process of making its findings on the preconditions for implementation of the small group market merger as part of a rulemaking process on a new Bureau Rule 856. The Bureau has expressed strong interest in hearing from MGARA, as well as other market participants, regarding the proposed merger.

At the request of the Board, Mr. Howard provided an overview of the process and the analysis prepared by both the MBOI consulting actuary, Gorman Actuarial and MGARA’s actuary, Milliman. Mr. Howard highlighted several analytical observations. First, Milliman’s analysis indicates that, while MGARA will provide some modest relief to the Small Group Market, this relief would come at the cost of significantly reducing MGARA’s ability to deliver benefit to the individual market, an effect that would become more pronounced over time. That reduction is in large part due to (i) a reduction in Section 1332 pass-through payments, (ii) a significant draw down of surplus, and (iii) a significant increase in attachment points from the current level of \$65,000/\$95,000 to an estimated \$350,000 in the first year following the merger, and

in the range of \$485,000 the following year, which would also be indicative of future years' attachment points. He added that MGARA's projected performance for 2022 and beyond cannot be extrapolated in straight-line fashion, as Milliman does not have a dynamic model that can reliably predict that far into the future. Dave Williams from Milliman shared his observations. Importantly he confirmed that the policy initiative was not infeasible, but that it represented trade-off between providing greater relief to the individual market or spreading that relief across both markets. He is concerned that the volatility will increase due to the high attachment points and the limited number of participants that will be eligible for MGARA reinsurance at those levels.

A lengthy and vigorous discussion ensued. Board members expressed widespread concern in two areas: First, the increasing instability and volatility in MGARA's projected performance year-over-year is likely to reduce the "value" attributed to MGARA by the member insurers. This is significant, because the value that carriers place on MGARA's program is a critical element in maximizing the Section 1332 pass-through payments from the federal government. Second, Board members expressed broad concern about the comparatively modest projected impact on small-group rates relative to the deleterious effect on MGARA's ability to produce results in the individual market.

It was agreed that MGARA should submit comments at the upcoming public forum communicating these concerns, while also communicating the Board's strong acknowledgment and affirmation that the policy decision regarding whether, and how, to implement the small group market merger rests with the Superintendent of Insurance based on the criteria set out in the enabling legislation. The Board emphasized its desire to communicate its preparedness to execute whatever policy initiatives are approved by the Superintendent, and to appropriately "frame" MGARA's comments as candid, constructive sharing of information and analysis, and not a lack of willingness to execute the merger market model when and if it is approved.

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

Duly Authorized Officer