

MAINE GUARANTEED ACCESS REINSURANCE ASSOCIATION
Minutes of the Board of Directors

December 28, 2020

A regular meeting of the Board of Directors of the Maine Guaranteed Access Reinsurance Association (“MGARA” or the “Association”) was held via videoconference on December 28, 2020 at 3:00 p.m. Attendance is reflected in the record of attendance set forth below:

Joel Allumbaugh	Marybeth Liang (<i>absent</i>)
Dr. David Howes	Jim Lyon
Jolan F. Ippolito, Chair	Bruce Nicholson
Ben Johnston	Katherine Pelletreau
Dana Kempton	Ellen Schneider
Kevin Lewis	Bill Whitmore

Also in attendance were Laren Walker and Diane Kopecky of River 9 (administrator); Chris Howard and Emily Cooke of Pierce Atwood LLP (counsel to the Association); and Tom Murawski and Sean Hilton of Milliman, Inc. (actuary).

1. Approval of Minutes

The Board reviewed the minutes of the Board’s November 23, 2020 meeting (the “Minutes”). With correction of one typographical correction provided by Mr. Lewis, on a motion duly made, it was

RESOLVED: To approve the Minutes as presented.

2. Monthly Operations Report

Mr. Walker presented the monthly operations report as of October 31, 2020. Overall, he reported that MGARA’s financial performance has been consistent over the last several months. Incurred claims stand at \$54MM, and on this basis it appears claims may come in under projections for the full year, but that view is not definitive at this time. As previously noted, professional fees year to date have been higher than projected, principally due to the actuarial and legal work associated with the proposed market merger. An updated process for review and approval of professional fees has been implemented per the Board’s prior recommendation.

Ceded lives continue to lag projections. Participants observed that several mandatory ceding conditions are trending well below 2019 levels, but it is unclear whether this is explained by a single cause.

3. River 9 Communication with Carriers re Mandatory Ceding Differentials

Mr. Walker confirmed that, as previously directed by the Board, MGARA has issued a communication to carriers as a reminder of the ceding guidance issued in late 2019. He reported that the carrier that appeared to be behind on mandatory ceding was contacted and there do not appear to be any issues with their process for identifying and ceding mandatory cedes.

4. Discussion re Wakely Report and Status of Small Group Merger Initiative

In connection with the proposed merger of Maine's small-group and individual markets, Mr. Howard reported on the final report of Wakely Consulting Group, LLC ("Wakely") regarding its analysis of the Milliman and Gorman Actuarial analyses, a copy of which was included in the meeting materials.

A discussion ensued, in which the Board reviewed and discussed the Wakely analysis and prepared for the upcoming meeting between the Board and the Superintendent of Insurance and Commissioner of the Department of Health and Human Services. Participants expressed broad agreement that:

- The Board would enthusiastically support any program that would extend that benefit to other segments of the market without reducing the benefit being provided to the individual market or creating inordinate risk to MGARA's solvency and effectiveness.
- After careful review of all three actuarial firms' reports, the Board has significant concern that the proposed merger presents an unacceptable risk to MGARA's overall effectiveness in relation to the relatively modest potential benefit to the small group market and the reduction in benefit to the individual market.
- None of the three reports project more than a modest, one-time benefit to the small group market, at the cost of a potentially serious reduction in MGARA's ability to continue to have a positive impact on both markets.
- While there can be debate as to the precise degree to which carriers will credit MGARA's program in their rates following a market merger and associated change to a retrospective reinsurance program, the Board can envision no scenario under which the program will enjoy full credit from inception. That would be inconsistent with MGARA's historical experience, the advice of its Board members, and common sense.
- The Board shares the objective of bringing relief to a deteriorating small group market, and appreciates the opportunity to discuss its perspective with the Superintendent and the Commissioner at the upcoming meeting on January 15.

It was agreed that Mr. Howard would prepare a draft communication summarizing the Board's concerns, for circulation to and comment by the Board in advance of the January 15 meeting. That Introductory Statement should then be sent to the Superintendent with the intention of (i) providing him with the benefit of the Board's perspective in advance of the meeting so he and Commissioner Lambrew can be prepared for discussion, and (ii) facilitating more discussion and less presentation at the meeting.

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



Duly Authorized Officer

