

MAINE GUARANTEED ACCESS REINSURANCE ASSOCIATION
Minutes of the Board of Directors
April 13, 2021

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	Jim Lyon
Dr. David Howes	Bruce Nicholson
Jolan F. Ippolito, Chair	Katherine Pelletreau
Ben Johnston	Ellen Schneiter
Dana Kempton	Geoff Shannon
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 Dave Williams, Sean Hilton, and Tom Murawski of Milliman, Inc. (actuary to the Association). Jodi Daugherty and Jason Lindstrom of Eide Bally, MGARA’s auditor, joined the meeting as reflected below.

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. 2020 Audited Financial Statements

Jodi Daugherty and Jason Lindstrom of Eide Bally, MGARA’s auditor, joined the meeting and presented the Association’s 2020 audited financial statements (the “2020 Audited Financials”). Among other things, they noted the shift in MGARA’s accounting standards from FASB (Financial Accounting Standards Board) to GASB (Government Accounting Standards Board), as is appropriate for an entity the majority of the board of which is appointed by a government office or official, adding that this shift mainly results in terminology changes and additional disclosures. They reported that, in connection with the audit, Eide Bally tested MGARA’s internal controls, and while the auditors do not opine on these controls, no deficiencies in internal controls were identified that Eide Bally considers to be material weaknesses. They noted that the audit identifies that the Association does not have an internal control system designed to provide for the preparation of the financial statements and related disclosures being audited, and as such, MGARA relies on Eide Bally to prepare its financial statements and related disclosures.

Following brief additional discussion, on a motion duly made and seconded, it was

RESOLVED: To accept the 2020 Audited Financials as presented.

On a motion duly made and seconded, it was

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

At this time, the representatives of Eide Bailly left the meeting. The Board briefly discussed the question whether to accept the risk associated with the fact that MGARA relies on Eide Bailly to prepare its financial statements and related disclosures. It was agreed that, given the size of the organization, the cost to employ dedicated financial personnel, and River 9's role in preparing and presenting monthly unaudited financial reports, this risk can be accepted.

3. Chair's Report Regarding Board Candidate Geoffrey Shannon

Ms. Ippolito reminded the Board that Aetna identified Geoffrey Shannon, currently the Plan Actuary for Aetna's commercial large group and small group business in the New England, as its nominee to fill the vacancy created by Marybeth Liang's resignation from the Board. In keeping with the Board's typical practice, Ms. Ippolito has now met with Mr. Shannon, and reported that, given his professional experience, his current position, and his interest in engaging with the Maine market, Mr. Shannon will be a great addition to the Board.

Following a brief discussion, on a motion duly made and seconded, it was

RESOLVED: To appoint Geoffrey Shannon to the seat vacated by Marybeth Liang's resignation for a term expiring April 1, 2023, or until his successor is duly appointed and qualified.

Mr. Shannon then joined the meeting.

4. 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

5. 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.

6. Approval of Minutes

The Board reviewed the minutes of the March 22, 2021 Board meeting (the “Minutes”). On a motion duly made and seconded, it was

RESOLVED: To approve the Minutes as presented.

7. Monthly Operations Report

Mr. Walker provided the monthly operations report for February 2021. He noted that the month’s results remain subject to finalization of IBNR numbers, and added that his report would be briefer than usual to avoid restating information already provided in the auditors’ report.

Claims for January and February totaled approximately \$8.4MM. That figure largely represents 2020 claims, and falls well within the IBNR level that the Board has just approved. Claims continue to be lower than expected, and this cannot readily be explained by Covid-19-related effects. Other than that, MGARA’s overall performance as of the end of February is consistent with the Association’s typical trends at this early point in the year.

A brief discussion ensued. In response to an inquiry from Mr. Lyons, Mr. Walker explained that the lower investment returns reflected in the operations report are due to MGARA’s embrace of a more conservative investment profile for short-term investments, given the various sources of uncertainty confronting MGARA and the resulting need for greater liquidity. The Board briefly discussed whether MGARA’s investment strategy should be examined or revisited, but concluded that those same liquidity needs preclude significant changes in strategy at this time.

8. Milliman Report and Discussion regarding 2021 and 2022 Planning

Mr. Williams presented Milliman’s projections for 2021-2023, together with Milliman’s perspective on the operational differences between a prospective and retrospective reinsurance model, to inform the Board’s consideration of whether and when elect to convert MGARA’s reinsurance program to a retrospective model. He explained the various assumptions reflected and variables contemplated, including prospective/retrospective, attachment points, risk-based capital target, level of coinsurance, etc.

A lengthy discussion ensued, in which participants considered the differences between the prospective and retrospective models, and comparative risks and benefits, including the paramount question of how best to maximize relief to Maine’s individual market, in keeping with MGARA’s mission. In light of time constraints and the need for additional analysis and discussion, it was agreed that the Board would reconvene in one week to further discuss. In preparation for that meeting, Milliman was requested to prepare a model reflecting 2022 market relief under prospective and retrospective scenarios.

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

A handwritten signature in black ink, consisting of a large, stylized letter 'A' with a horizontal line through it, followed by a smaller, more complex flourish.

Duly Authorized Officer