

MAINE GUARANTEED ACCESS REINSURANCE ASSOCIATION
Minutes of the Board of Directors
May 24, 2021

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	Jim Lyon
Dr. David Howes	Bruce Nicholson
Jolan F. Ippolito, Chair	Katherine Pelletreau
Ben Johnston	Ellen Schneider
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 and Sean Hilton of Milliman, Inc. (actuary to the Association). Superintendent Eric Cioppa and Sandra Darby, Holly Doherty, and Marti Hooper, all of the Maine Bureau of Insurance, and Commissioner of Health and Human Services Jeanne Lambrew, joined the meeting as reflected below.

1. Meeting with Representatives of the Bureau of Insurance

Following a brief preparatory discussion, the Board was joined at 3:30 p.m. by representatives of the Maine Bureau of Insurance (the “Bureau”) via videoconference.

Mr. Howard introduced the purpose of the meeting with the Bureau, to discuss the proposed conversion of MGARA’s reinsurance program from a prospective to a retrospective model.

The Superintendent thanked the Board and introduced his colleagues from the Bureau. He expressed the Bureau’s view that a retrospective program offers several advantages over a prospective model, including ease of implementation/operation, less opportunity for differential effects among carriers, and alignment with other states’ approach. He also expressed the view that, given the potential small-group market merger in 2023, conversion to a retrospective model now would afford MGARA and the carriers an opportunity to acclimate to the retrospective model in advance of the various other complexities that would be occasioned by a possible market merger.

Mr. Howard noted that the Board had discussed some operational challenges attendant to the conversion to a retrospective model, including obtaining and reporting requisite data, but that these are viewed as surmountable. He added the Board’s perspective that, although the current prospective model comes with additional complexity, carriers have built the necessary systems to work within, and ultimately deliver benefits through, the current model.

Following brief further discussion, the Superintendent offered remarks regarding L.D. 1725, which proposes legislative changes to the market merger provisions of the Maine Insurance Code that were enacted in 2020 pursuant to L.D. 2007. L.D. 1725's proposed changes would, among other things, change the precondition for the small group merger requiring no increase in individual market premiums versus the market without the merger, to a comparison between individual market premiums vs. the market with the merger and MGARA. The Superintendent stated that this change is intended as a clarification of the existing wording.

A discussion ensued. Board members expressed the Board's strong alignment with the objective of lowering rates and extending MGARA's benefits to more Maine people, but also reiterated the Board's continuing concern that the modest amount of relief projected to result from the market merger would come at the cost of significantly reducing MGARA's ability to deliver benefit to the individual market.

At 4:03 p.m., Commissioner Lambrew joined the meeting via videoconference, and offered remarks regarding recent changes in the calculation of federal pass-through subsidies under the Affordable Care Act that, she believes, have the potential to buffer some effects of a market merger on MGARA's finances in the near-term.

At 4:11 p.m., the Commissioner and the representatives of the Bureau departed the meeting.

At this time, following brief additional discussion, on a motion duly made and seconded, by a 9 to 3 vote it was

RESOLVED: To change MGARA's reinsurance program from a prospective to a retrospective model, effective January 1, 2022, without taking a position on the proposed merger of Maine's individual and small-group markets.

Following further discussion, it was agreed that MGARA would, in its continuing practice of serving as a resource to the Committee on matters involving MGARA, prepare and submit written testimony neither for nor against L.D. 1725, articulating the concerns the Board has identified with the legislation and the proposed market merger.

2. Approval of Minutes

The Board reviewed the minutes of the Board meetings and work sessions of April 13, 19, and 26, 2021 (collectively, the "Minutes"). On a motion duly made and seconded, it was

RESOLVED: To approve the Minutes as presented.

The carrier members reviewed the minutes of the Member annual meeting of April 13, 2021 (the “Member Meeting Minutes”). On a motion duly made and seconded, the carrier members

RESOLVED: To approve the Member Meeting Minutes as presented.

3. Monthly Operations Report

Mr. Walker provided the monthly operations report for March 2021. He reminded the Board that MGARA needs to move forward promptly with an RFP process for administrator services, now that the Association has clarity about the structure of its reinsurance program as of 1/1/2022.

Claims YTD totaled approximately \$13.5MM, representing a significant increase year-over-year from 2020, but in line with projections. Ceded lives continue consistently to fall short of projections.

Mr. Walker reported back on discussions with KeyBanc Capital Markets regarding the possibility of a laddered investment approach, and the countervailing need to closely manage MGARA’s cash flow needs. He noted that the available options and choices will be clearer going forward now that the Board has reached a determination with respect to the shift to a retrospective program.

4. Board Meeting Schedule Confirmation

Mr. Howard confirmed that the Board’s next regularly scheduled meeting will take place via videoconference on June 28, and noted that the Board may wish to hold its July meeting in-person.

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



Duly Authorized Officer