

MAINE GUARANTEED ACCESS REINSURANCE ASSOCIATION
Minutes of the Board of Directors
June 28, 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 Schneiter
Dana Kempton (<i>absent</i>)	Geoff Shannon
Kevin Lewis	Bill Whitmore

Also in attendance were Laren Walker and Diane Kopecky of River 9 (administrator) 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 meeting of May 24, 2021 (the “Minutes”). On a motion duly made and seconded, it was

RESOLVED: To approve the Minutes as presented.

2. Monthly Operations Report

Mr. Walker provided the monthly operations report for April 2021. He expressed the view that operations appear to be going smoothly overall, but (as always) invited carrier members to share feedback if they are hearing otherwise.

As of April 30: Assessments YTD total approximately \$3.4MM. Premiums YTD total \$11.5MM. Revenue YTD stands at \$15MM, which does not incorporate 1332 Waiver grant revenue, as 1332 funds had not yet been drawn upon as of April 30. As of that date MGARA showed a net loss YTD of \$4.3MM, again before any draws on 1332 funds.

Mr. Walker briefly walked through the remainder of the Operations Report materials. As of early May MGARA made its first draws on the 2021 1332 Waiver funds, and it is projected that these will last approximately four more months, after which MGARA will begin to draw on internally generated liquidity.

Mr. Walker noted that under a retrospective model, commencing around March of 2022 when the 2021 runout period ends, MGARA is likely to have a 12-18-month period of minimal cash needs. This is because, in a traditional retrospective model, all claims are held until the end of the claims period and then paid out at one end point. Participants expressed reservations about the concept that carriers would need to wait 12-18 months to

be paid on reinsurance claims. A robust discussion ensued around the structure of MGARA's retrospective program, the timing of claims payments, and the possibility of incorporating certain guardrails or "circuit-breakers" in the event that claims outstrip available funds, balanced against the importance of certainty for carriers and the practical risk of such an event occurring. Any decisions on the questions of timing of claims payments and an annual (or periodic) proportional true-up was taken under advisement and deferred to the July Board meeting.

3. L.D. 1725 Update

Mr. Howard reported that L.D. 1725 has now been enacted. The enacted law effects certain changes to the previously-enacted market merger provisions of the Maine Insurance Code, including to 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*. This change clears some legal hurdles associated with the market merger; however, the Superintendent is still required to make the necessary statutory findings. After discussion the Board consensus was to start planning for a market merger as that seems the most likely outcome.

4. Plan of Operation Amendment

Mr. Howard reminded the Board that the change to a retrospective model will require that an amended Plan of Operation be prepared and filed with the Maine Bureau of Insurance. The above discussion of possible operational features of the retrospective model continued, following which it was concluded that it would be appropriate to hold further discussion of the timing of claims submissions and payments, and potentially to obtain the perspective of MGARA's actuary, Milliman, Inc., on this point and plan to make these decisions at the July meeting.

5. Administrative Services RFP

Mr. Howard reminded the Board that the RFP cycle for MGARA's third-party administrator is three years by statute, which the Board has determined to measure from MGARA's 1/1/2019 operational restart; and five years (by policy) for legal and accounting services. Now that MGARA's operating model for 2022 is known, the Administrator RFP process needs to commence. He pointed participants to the draft RFP contained in the meeting materials, and a discussion ensued. It was acknowledged that the timeline to complete the process is aggressive, and in light of that, some operational details will need to remain preliminary in the RFP's description of MGARA's retrospective reinsurance program. This may require interested vendors to submit differential bids based on alternative operational assumptions.

It was clarified that the runout of the existing prospective program could be handled by MGARA's existing administrator, River 9, even if a new vendor is selected as

administrator going forward. However, that requires negotiating the cost of that service with River 9.

In the interest of time, Mr. Howard proposed that the Board discuss and finalize the RFP document at its July meeting, after which the RFP would be promptly publicized and interested parties given 30 days to respond.

6. Any Other Business

Mr. Howard noted that a significant number of MGARA Board members are at or approaching their applicable statutory term limits. Mr. Howard reported that this issue has been discussed with the Superintendent. He confirmed that pursuant to the MGARA bylaws all directors continue to serve until their replacements have been duly appointed and qualified. Given the importance of specialized expertise on the MGARA Board and the small pool of potential Board members, it has proven difficult to find qualified Board members. No action is required by the Board as replacements are appointed by the Superintendent.

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

A handwritten signature in black ink, appearing to be the initials 'JH' or similar, written in a cursive style.

Duly Authorized Officer