

MAINE GUARANTEED ACCESS REINSURANCE ASSOCIATION
Minutes of the Board of Directors
October 18, 2021

A regularly scheduled quarterly 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 (<i>absent</i>)
Dana Kempton	Geoff Shannon
Kevin Lewis	Bill Whitmore

Also in attendance were Marti Hooper, Life and Health Actuary with the Maine Bureau of Insurance (the “Bureau”), and Ben Yardley, Senior Attorney with the Bureau; Laren Walker and Diane Kopecky of River 9 (administrator); Dave Williams and Sean Hilton of Milliman, Inc. (actuary); and Chris Howard and Emily Cooke of Pierce Atwood LLP (counsel to the Association).

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. Approval of Minutes

The Board reviewed the minutes of the Board meetings of September 13 and September 27, 2021 (collectively, 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 August monthly operations report. As of August 31 (all figures are approximate): Cash and investments stand at \$94.5MM; claims payable total \$12.4MM; claims incurred total \$41.8MM; assessments total \$14.1MM; premiums total \$23MM; and 1332 Grant revenue totals \$21.4MM.

Mr. Walker noted that, for unclear reasons, assessments are ahead of projections for that point in the year, notwithstanding MGARA’s prompt correction of a few instances of double-payment. Premiums are also on-track to exceed projections, while claims are slightly behind projections. He reminded the Board that investment returns remain modest, due to the inherently conservative nature of MGARA’s investment portfolio.

3. Milliman, Inc. Presentation: Updated MGARA Model for 2022/2023

Mr. Williams and Mr. Hilton presented Milliman's first pass at an updated analysis of 2021 YTD experience, projections for 2022 reflecting the move to a retrospective model and preliminary 2023 projections anticipating the small group merger will be approved and implemented. It was strongly emphasized that this analysis is preliminary and remains a work in progress.

Following a brief presentation regarding projected 2021 results based on performance of the program YTD, Mr. Williams and Mr. Hilton presented detailed preliminary projection of for 2022 based on the established program parameters. The projection included estimated total revenue of \$69.2 million consisting of assessments of \$27 million and 1332 Grant revenue of \$42.2 million vs. total expenses of \$52.3 million consisting of \$51.2 million in claims and \$1.1 million in expenses. Ending surplus was projected at \$74.4 million, which is well above the Board's targeted RBC ratio of 900%; however following projected 2023 results and a significant draw on surplus ion 2023, the surplus level is projected to come back in line with the target RBC ratio. Milliman reminded the Board of the specific Board-endorsed priorities that inform program design: maintaining MGARA's solvency, providing for an adequate surplus, and achieving a target risk-based capital ("RBC") ratio of 900% established by the Board. A discussion ensued, in which participants sought clarification and offered input on the model and underlying assumptions.

Mr. Williams and Mr. Hilton next presented preliminary projections for 2023, using a range of 1332 Grant revenue assumptions. The projections assume that the small-group market merger takes place. A discussion ensued, which included a consideration of whether and how, if surpluses exceed projections due to higher-than-anticipated 1332 Grant revenue or otherwise, those benefits can be directed to the market, and on what timeframe. Participants encouraged Milliman, and Milliman agreed, to conduct an alternate 2023 analysis that does not constrain or hard-wire RBC, as this is an important data point for the Board. It was broadly acknowledged that there are many unknowns regarding the impact of the proposed market merger on MGARA's performance and on market dynamics more generally, which continues to be a source of concern.

4. Discussion ICD-10 Codes

Mr. Walker explained that the ICD-10 codes are periodically updated. This results in additional codes that should be associated with (and triggers for) MGARA's mandatory ceding conditions. While there aren't many of these, it would be sensible to update the list to include them.

A brief discussion ensued, in which it was recognized that this is a time-limited issue, since ceding, including mandatory ceding, will be phased out as of the inception of MGARA's retrospective reinsurance program on January 1, 2022. It was further acknowledged that the marginal benefit to MGARA of adding these additional codes may be modest or non-

existent, given that new codes are typically incrementally finer variants of existing codes, and therefore the addition of new codes is unlikely to result in material changes in the volume of mandatory cedes. In light of the foregoing, and in the interest of avoiding imposing needless burdens on the carriers for little incremental benefit, it was agreed that MGARA would take no action on this item at this time, with the understanding that this can certainly be revisited as needed.

5. Approval of Amended and Restated Plan of Operation (Conversion to Retrospective Program)

Mr. Howard presented an updated draft of the Amended and Restated Plan of Operation designed for MGARA’s operation as a retrospective program as of January 1, 2022. The meeting materials include redlines reflecting the feedback and recommendations provided by the Board at two previous meetings. On a motion duly made and seconded, it was

RESOLVED: To approve the Amended and Restated Plan of Operation as presented, and to submit the same to the Maine Bureau of Insurance for review and approval.

At 4:40 p.m., the Board thanked the representatives of the Bureau for their attendance and they departed the meeting.

5. Proposed Bureau Rule 856 and Small Group Merger Status Report

Mr. Howard reported to the Board on the Bureau’s October 12 public hearing regarding proposed Rule 856, *Combination of the Individual and Small Business Health Insurance Risk Pools* (the “Proposed Rule”). He noted that MGARA submitted both oral and written testimony, and some Board members were in attendance at the hearing.

Participants reiterated previously-noted concern regarding the Rule’s effect of placing all small-group plans on a calendar year (January 1) cycle, a change that would risk many unintended adverse consequences for the market.

6. Executive Session

At this time, the Board entered executive session. Shortly thereafter, the representatives of River 9 and Milliman departed the meeting. The meeting was adjourned at 5:02 p.m.

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



Duly Authorized Officer