

**MAINE GUARANTEED ACCESS REINSURANCE ASSOCIATION**  
**Minutes of the Board of Directors**  
**November 22, 2021**

A regularly scheduled monthly update 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. on November 22, 2021. 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 ( <i>absent</i> )	Ellen Schneiter
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 of Pierce Atwood LLP (counsel to the Association).

**1. Approval of Minutes**

The Board reviewed the minutes of the Board meetings of October 18, 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 an abbreviated monthly operations report on program operations and financial results through and as of September 30, 2021 in order to make more time for Key Bank to report to the Board on MGAREA portfolio performance. Mr. Walker briefly reviewed the Balance Sheet which reports total assets of \$102 million and total liabilities of \$30 million with a Fund Balance of \$73 million. As of September 30<sup>th</sup> (all figures are approximate) Assessments were reported at \$14 million, essentially on track with projections; premiums were reported at \$26.4 million, running slightly ahead of projection at 84% of anticipated yearly premium; 1332 and grant revenue reported at \$27.9 million. Mr. Walker noted that as of November (not September) all Grant availability had been fully drawn down as shown in Note 4 to the financial report. Total income was \$68.4 million YTD. Claims Incurred were reported at \$50.9 million. Mr. Walker commented that claims were running behind projection and might not hit projected levels of \$86 million, and at current run rate may come in closer to \$75 million, plus IBNR.

Mr. Goldstein, VP at Key Investments, provided a report on the MGARA investment portfolio. He reported that all investments are held in short term instruments, no more than 1-2 years consistent with the MGARA Investment Policy, resulting in low returns in the current market environment – in the 10-20 bps range historically, although there has been a slight up-turn to 50-60 bps recently. He explained that the “losses” in the investment portfolio are deceiving in that MGARA is required to report the value of fixed income securities on a “marked to market” basis, but MGARA holds all its fixed income investments to maturity, so the market value is largely irrelevant. No actual losses are expected in the portfolio. We have approximately \$13.5 million in cash currently and are expecting another \$15 million to mature in the next month, so portfolio is well structured in terms of matching maturities to cash requirements.

**3. Report Status of Amended and Restated Plan of Operation.**

Mr. Howard reported that MGARA received a few minor comments on the Amended and Restated Plan of Operation from the Bureau of Insurance staff and a final version has been submitted to the Superintendent for approval, which is expected shortly. As soon as approval is received the Plan will be circulated to carriers for reference in regards to 2022 operations.

**4. Report re Initial Carrier Workshop.**

Mr. Walker reported that the initial workshops with carriers regarding operational level implementation of the 2022 retrospective program were recently held and were well received. The carriers seemed pleased with the modest level of operational change MGARA has been able to achieve in implementing the 2022 program. Discussion ensued regarding the workshop. River 9 is still working out the process of quarterly and annual reconciliations. Additional workshops will be held as needed. Because there is little activity in the retrospective model in occurring in Q1 2022 there is ample time to train and make adjustments if needed.

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

Mr. Williams and Mr. Hilton presented a revised version of their October analysis in a series of high-medium-low scenarios. They discussed the dynamics of the marketplace as depicted in historical enrollment and interaction of populations circulating through Medicaid, uninsured, individual and small group market over time. They shared their perspective on the risk transfer premium between the individual market and the small group market (currently 10%) and the shrinkage of the difference in relative risk by ½ since 2014. In short the two markets are converging from a relative risk point of view. As markets converge the relative risk of populations impacts pricing and adjustments need to be made to reflect this phenomenon.

They reported no change in the 2021 year – same projected results as October report. However, if claims drop off as discussed in Mr. Walker’s report then surplus will increase. This places added importance on IBNR for 2021, as opposed to prior years.

With reinsurance thresholds left “as-is” Milliman projects the 2022 year will generate a significant surplus exceeding the MGARA target for the current period of 900% RBC Ratio. They discussed the reduction in rates necessary to bring 2023 results back into line with a 900% RBC Ratio. Vigorous discussion ensued regarding the possible approaches to this impending increase in surplus. Alternative discussed included returning surplus to the market in 2022 (but not efficient mechanism was identified for doing so); drawing down on surplus to reduce rates in 2023 post-merger of the markets; reducing assessments in 2022 in order to provide some relief to the markets paying surplus. The Board discussed whether MGARA should deliver value to the market in 2022 vs., 2023. The countervailing considerations are pumping money into the market in 2022 vs. smoothing the assessment and reinsurance thresholds over time so as to avoid the “whipsaw” effect so prevalent when markets over-react.

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

Mr. Howard reported no update as there has been no movement on a decision regarding proposed Rule 856, *Combination of the Individual and Small Business Health Insurance Risk Pools* (the “Proposed Rule”).

**6. Executive Session**

No Executive Session was required.

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



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Duly Authorized Officer