

MAINE GUARANTEED ACCESS REINSURANCE ASSOCIATION
Minutes of the Board of Directors
August 22, 2022

A regular meeting of the Board of Directors of the Maine Guaranteed Access Reinsurance Association (“MGARA” or the “Association”) was held at 3:00 p.m. at 254 Commercial Street in Portland, Maine. Attendance is reflected in the record of attendance set forth below:

Terry Brann	Jim Lyon
Dr. David Howes	Bruce Nicholson
Jolan F. Ippolito, Chair	Katherine Pelletreau
Eric Jermyn	Ellen Schneiter
Ben Johnston	Bill Whitmore
Kevin Lewis	

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), Dave Williams, Sean Hilton, and Jeremy Siborg of Milliman, Inc. (actuary to the Association), and Marti Hooper of the Maine Bureau of Insurance (the “Bureau”). Boris Goldsteyn of KeyBanc Capital Markets attended a portion of the meeting as reflected below.

1. Approval of Minutes

The Board reviewed the minutes of the July 25, 2022 Board meeting (the “Minutes”). On a motion duly made and seconded, it was

RESOLVED: To approve the Minutes as presented.

2. Quarterly Operations Report

Mr. Walker provided the Quarterly Operations Report through June 30, 2022. He reported assessments of approximately \$7MM through that date, so far consistent with projections for the full year. He noted that 2022 and 2023 present a similar challenge: namely, predicting cash flow needs in the context of material shifts in MGARA’s business model (changing to a retrospective program in 2022 and the market merger in 2023). Unlike in recent years, when MGARA had multiple years of operating data, projecting expected expenses now presents a significant operational challenge. To meet this, River 9 is closely watching MGARA’s cash flow needs and expenditures each month to permit the Board to respond in real-time to new developments. In response to a question from Mr. Howard, Mr. Walker explained that the statewide reinsurance programs in Idaho and Montana, where River 9 also provides TPA services, pay claims only once annually (rather than quarterly), so they don’t provide a particularly useful roadmap for cashflow questions under MGARA’s new model.

Participants invited Milliman’s perspective on MGARA’s financial performance at this point in the year. Mr. Williams responded that he does not yet have a strong view at this stage; he is cautious about the possibility of a surge of late-year activity, but also mindful that MGARA’s

2022 budget was designed with an intentionally large cushion to buffer against this possibility, as well as a reserve level that was intended to be drawn upon.

Mr. Walker continued the financial report, noting the availability of just over \$26MM in Section 1332 grant funds for the year, which he expects will be depleted within the coming quarter. 2021 IBNR stands at \$10MM, lower than the \$12.2MM projected.

At this time, Mr. Walker introduced Mr. Goldsteyn of KeyBanc Capital Markets. Mr. Goldsteyn described increased opportunity for short-term investment vehicles in the current rate environment, which previously yielded close to zero return for short-term investments but is now performing significantly better. This represents a positive opportunity for MGARA, given its large balances that, due to cashflow needs and uncertainty, require a short-term investment horizon. He added his expectation that the Federal Reserve will begin cutting rates as early as 2023, meaning that this would be the time for MGARA to avail itself of those types of short-term opportunities. He added that he is in constant contact with River 9 regarding MGARA's investment portfolio and performance.

A brief discussion ensued. Participants inquired about the possibility of calling existing investments early and reinvesting; Mr. Goldsteyn stated that while this is possible, it would be inadvisable to take steps that incur early termination costs that outweigh the benefits of freeing up funds to redeploy. In response to an inquiry from Mr. Howard, Mr. Walker confirmed that River 9 and KeyBanc endeavor to schedule investment maturity to meet anticipated cash flow needs.

Participants discussed the importance of understanding when and where policies hit the MGARA reinsurance limit. It was generally agreed that monitoring this closely would help manage MGARA's cashflow. Mr. Walker and Ms. Kopecky confirmed that this information is available and is captured within the Quarterly Operations Report. Mr. Williams recommended scheduling Board time to fine-tune the current projections, ideally with the benefit of actual claims payment data based on MGARA's experience.

At this time, the Board thanked Mr. Goldsteyn, who departed the meeting.

3. Milliman Verbal Model Update

Mr. Williams explained that, due to several 2022-specific factors – including delays in rate filings, and pending legislation that creates uncertainty regarding federal subsidy amounts – Milliman has not yet finalized a set of revised 2022 and 2023 projections. Mr. Williams expects that Milliman can finalize its model within 7-10 days of resolution of those items. He added that 2023 pass-through funding may require modest adjustments to the model, as premiums will be modestly higher than originally assumed, which would result in higher-than-expected pass-through funding. Mr. Lewis observed that the credit given to MGARA by carriers in their rate calculations remains relatively stable at around 15%.

4. Update re Amended Plan of Operation

Mr. Howard reminded the Board that the market merger will require revisions to MGARA's Plan of Operation. Counsel will work on this, with the objective of having a draft for Board review at the next quarterly meeting. Mr. Howard noted that the most likely area of questions in these revisions is how to address small-group plans on a non-calendar year cycle. He added that the high-cost items and services (HCIS) regime, once finalized, will also need to be reflected in the revised Plan.

In response to a question from Ms. Schneider, Mr. Howard noted that the Maine Health Data Organization (MHDO) continues work on its analysis based on the criteria previously established through consultation with Maine's Department of Health and Human Services and the Bureau, with a target date of late October or early November. Ms. Schneider urged that this be speeded up if possible to avoid delays due to the election cycle timing. Mr. Howard expressed uncertainty whether acceleration is feasible or likely, but added that, fortunately, there is time, given the agreed-upon target date of January 2024.

Participants discussed the non-calendar-year issue and how best to resolve that. It was observed that, while MGARA reinsures on a claims-paid basis, this may not align with how carriers rate. Participants pointed out that imposing a calendar-year cycle on non-calendar-year plans can result in disparate outcomes in the initial year – including large deficits for plans that renew late in the calendar year (such as December, which Mr. Whitmore pointed out is the second-largest month for small-group renewals).

Mr. Howard recapped that December 31, 2022 is the target date for the revised Plan of Operation (with some flexibility), and indicated that as a next step, counsel would share an outline of the major components of proposed revisions.

5. Inflation Reduction Act – ARPA Subsidy Extension

Mr. Howard reminded participants that, as set forth in the meeting materials, the Inflation Reduction Act was signed into law on August 16 and extended the ARPA PTCs (premium subsidies) that were due to expire at the end of this year, thereby reducing out-of-pocket health insurance costs for the middle income population by offering ARPA subsidies to consumers buying coverage on the state and federal marketplaces. The subsidies are extended for three years (2023, 2024, and 2025).

6. Legal Counsel Request for Proposals

Mr. Howard reminded the Board that it is time to conduct an RFP for legal services, currently provided by Pierce Atwood, and solicited Board feedback on the draft Legal Services Request for Proposals contained in the meeting materials. Mr. Lyons requested confirmation that the description accurately and adequately captures the day-to-day work of counsel, which Mr. Howard confirmed. In response to a comment from Mr. Lewis, it was agreed to remove the requirement that counsel have familiarity with the EDGE reporting system, to avoid setting the technical bar needlessly high.

At this time, Mr. Howard and Ms. Cooke left the meeting and the Board further discussed the draft Request for Proposals, following which Mr. Howard and Ms. Cooke returned. The Board provided several revisions to the draft and the response deadlines.

Participants discussed how best to circulate the RFP to ensure it reaches an appropriately broad and qualified audience. It was agreed that MGARA would place a general notice on its website, and copies of the RFP would be sent to a targeted list of qualified likely respondents.

It was agreed that counsel would update the draft Request for Proposals with the Board's comments and circulate the final version to the Board, together with a proposed list of recipients. Ms. Ippolito will then transmit the Request for Proposals to the mailing list.

At this time, the Milliman and River 9 representatives departed the meeting and the Board entered Executive Session.

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 flourish.

Duly Authorized Officer