

MAINE GUARANTEED ACCESS REINSURANCE ASSOCIATION
Minutes of the Board of Directors
June 26, 2023

A special meeting of the Board of Directors of the Maine Guaranteed Access Reinsurance Association (“MGARA” or the “Association”) was held at 3:00 p.m. via videoconference. Attendance is reflected in the record of attendance set forth below:

Terry Brann	Ben Johnston (<i>absent</i>)
Scott Cremens	Kevin Lewis
Dan Demeritt	Jim Lyon
Dr. David Howes (<i>absent</i>)	Bruce Nicholson
Jolan F. Ippolito, Chair	Ellen Schneider
Eric Jermyn	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), Dave Williams, Sean Hilton, and Jeremy Siborg of Milliman, Inc. (actuary to the Association), and Acting Superintendent Timothy Schott, Marti Hooper, Life & Health Actuary, and Ben Yardley, Senior Attorney, all of the Maine Bureau of Insurance (the “Bureau”). A set of meeting materials was distributed to all Board members prior to the meeting.

1. Approval of Minutes

The Board reviewed the minutes of the Board meetings of April 11, April 24, and May 8, 2023 (collectively, the “Minutes”). On a motion duly made and seconded, it was

RESOLVED: To approve the Minutes as presented.

The Member Insurer representatives on the Board then reviewed the minutes of the Annual Member Meeting held April 11, 2023. Following review, on a motion duly made and seconded, it was

RESOLVED (by the Member Insurer Representatives): To approve the Annual Member Meeting Minutes as presented.

2. Operations Update

Mr. Walker gave the operations update as of March 31. Cash stood at approximately \$80MM; claims payable stood at approximately \$6.2MM; and claims stood at approximately \$3.9MM. Mr. Walker noted that the level of claims is lower than expected, though consistent with this point in 2022. He added that the deadline for submission of 2022 runout claims is approaching, and so MGARA will soon have data regarding its first runout period under the retrospective model.

Mr. Lewis and Mr. Whitmore inquired about the deadline for carriers’ submission of their runout reports, and whether MGARA has circulated reminders to assist carriers in meeting the deadline.

Mr. Walker replied that the deadline is July 20, and agreed to circulate a reminder. Mr. Demerit urged that any such reminder be in plain English; Mr. Walker responded that it will closely track the language of the applicable provision of MGARA's Plan of Operation.

Mr. Walker continued the Operations update with the comment that MGARA continues to invest available cash in short-term instruments, both because rates of return for short-term instruments are higher in the current environment and because the 2024 plan year has the potential to generate substantial cash needs for MGARA.

Mr. Walker reported that MGARA hasn't yet drawn on the 1332 Waiver funds for 2023, as those funds have not yet been made available. He added that MGARA is projected to draw down the full \$61MM award.

Mr. Lewis requested that future Operations Reports reflect the full original amount of the 1332 Waiver grant in addition to the remaining balance; and also include the number of claimants in the relevant reporting period.

Mr. Walker next shared MGARA's investment report through May 31. He reported that he is in weekly contact with Boris Goldsteyn, MGARA's KeyBanc representative, in part because, since disbursement of the 1332 Waiver grant funds has been delayed this year, MGARA has had to be especially cautious around cash management.

3. Discussion of MGARA's Future State

Mr. Howard teed up this topic, including a preliminary confidential memorandum developed by Milliman to guide the discussion. As established in that memorandum, in future years MGARA is not projected to have sufficient remaining surplus to offset the impact of providing reinsurance to its expanded post-market merger claims base. Fundamentally, Mr. Howard said, this will affect MGARA's value to the market. This was an expected trend (identified by MGARA in its comments on the proposed market merger legislation), although the decline in value is projected to be more rapid than anticipated.

A robust discussion ensued. Participants discussed, among other things, the (limited) range of levers and options available to MGARA and the tradeoff between affording time for actual experience to take effect versus the need for an adequate runway to implement any significant programmatic changes.

Ms. Hooper offered several suggestions from the Bureau's perspective. First, she raised the possibility of shrinking the size of the reserve that MGARA currently targets, instead drawing down more of those funds for use in the program. She commented that, in contrast with MGARA, some other state reinsurance programs aim to spend down their funds each program year. Several participants raised questions about the effect of such an approach on carrier confidence, and thus on MGARA's ultimate impact on individual market rates. Ms. Hooper also offered the suggestion that the Board consider thinking differently about MGARA's additional assessment authority; rather than viewing this as a last resort, MGARA could rely on it on an as-needed basis.

Following brief additional discussion, on a motion duly made and seconded, it was unanimously

RESOLVED: To direct Milliman to develop analysis and make recommendations regarding (1) initial projections for MGARA plan years 2025 and 2026; (2) a review of how other states' reinsurance programs approach surplus and reserve matters; and (3) an examination of the impact on MGARA's projections of the Bureau's suggested approach to the same.

4. Post-Award Public Forum

Mr. Howard reminded the Board that, in compliance with the 1332 Waiver grant Terms & Conditions, MGARA and the Bureau will host a Post-Award Public Forum tomorrow at the offices of Pierce Atwood.

5. Executive Session

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

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



Duly Authorized Officer