MAINE GUARANTEED ACCESS REINSURANCE ASSOCIATION
Minutes of the Board of Directors
July 10, 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
Scott Cremens	Kevin Lewis
Dan Demeritt	Jim Lyon
Dr. David Howes	Bruce Nicholson
Jolan F. Ippolito, Chair	Ellen Schneiter
Eric Jermyn (absent)	Bill Whitmore

Also in attendance was Laren Walker of River 9 (administrator), Chris Howard of Pierce Atwood LLP (counsel to the Association), Dave Williams, Tom Murawski and Jeremy Siborg of Milliman, Inc. (actuary to the Association).

The sole item on the agenda for the meeting was responding to a request by the Maine Bureau of Insurance that MGARA reconsider its determination of 2024 reinsurance thresholds in an effort to release additional surplus in order to help put downward pressure on the carriers' rate filings by increasing the value of MGARA's reinsurance benefits.

The Board discussed the request extensively and consulted with the Milliman representatives during the course of the meeting. Considerations included:

- MGARA needs to retain a surplus sufficient to operate a credible program otherwise the "value" attributed to MGARA by the carriers will be completely dissipated due to a lack of confidence in the program. By contrast, other state reinsurance programs that aim to spend down their funds each program year are backed by a state guaranty, but MGARA was set up to run as an independent nonprofit without any financial backing other than its assessment authority. The carriers look to the MGARA Board's commitment to solvency as their assurance they will be paid the reinsurance benefits they build into their rates.

- MGARA should consider approximately $10 million (currently) as an absolute floor on surplus because it represents one standard deviation (the natural variability inherent in its claims experience, excluding risk factors such as those summarized in the Milliman memorandum of May 8, 2023 underlying the Board's initial determination of 2024 reinsurance thresholds, which include:

    - Only one year's experience with retrospective model and the "lag" in claims inherent in that model
    - No experience with merged market
    - COVID impact on claims expense projections
    - Projected 1332 Grant revenue for 2024 not yet determined

- Changes in individual market enrollment due to high impact rate increases, transition of members from Medicaid enrollment
- MGARA's lack of control over revenues
- Risk of recession
- Risk of government action changing program or market parameters

These risk factors require a margin above that attributable to a single standard deviation.

- Milliman has not had an opportunity to review and model this request, so the Board is considering this based on modelling last updated for the May 8, 2023 Milliman memorandum.

- MGARA has an obligation to do all that it can to reduce rates generally and specifically for 2024 where the rate filings are showing significant increases.

- MGARA should make a principled decision based on methodology and not just react as a matter of expediency based on the MBOI request.

Following this extended discussion, the Board settled on a methodology for setting minimum projected surplus levels. That methodology is a three prong approach:

- First, MGARA should set an absolute floor surplus level that is not less than the amount required to cover one standard deviation – currently projected at roughly $10 million;

- Second, some additional margin should be built into surplus to address the types of risks and uncertainties identified above and more fully described in the Milliman May 8th memorandum; and

- Third, MGARA should not abandon its RBC-based approach to determining adequate surplus levels, but should instead adjust its threshold to a lower level so as to take more risk, but remain committed to assuring MGARA solvency and sustainability over time so as to continue to serve as a mechanism for modulated rates.

The Board discussed the need to make the State's political leaders aware of MGARA's trajectory and projected reductions in value as it applies surplus to current rate reduction demands and obtain a commitment to work with MGARA to develop a longer term more sustainable model for MGARA.

The Board reviewed the analysis performed by Milliman in April 2023 regarding 2024 reinsurance thresholds. Based on that information the Board felt comfortable maintaining 2024 thresholds at $135,000 to $275,000, but adjusting the coinsurance from 75% to 100%. This would appear to generate 12/31/24 surplus of approximately $20 million, and RBC of 460% and increase the 2024 value of MGARA to 9%. The Board would like Milliman to update its modelling for most recent information and these thresholds as a condition of finalizing these adjustments.

Consistent with the foregoing, on a motion duly made and seconded, it was unanimously

RESOLVED: Subject to completion of analysis by Milliman verifying the expected results described hereinabove, to adjust MGARA’s 2024 reinsurance thresholds to $135,000/$275,000 with a 100% coinsurance rate and to direct Mr. Howard to (i) request an extension of the rate filing deadline to end of July to accommodate these adjustments, and (ii) initiate communication with the MBOI, the Governor’s office and with key legislative leaders regarding the need to develop a longer term more sustainable model for MGARA in order to maintain its ability to provide meaningful rate relief to the individual and small group markets.

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

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Duly Authorized Officer