Merrill's Wharf
254 Commercial Street
Portland, ME

ANNUAL REPORT TO
JOINT STANDING COMMITTEE ON HEALTH COVERAGE,
INSURANCE AND FINANCIAL SERVICES

May 1, 2025

I. INTRODUCTION

This report is submitted pursuant to 24-A MRS § 3955(5), which requires the Maine Guaranteed Access Reinsurance Association (the "Association" or "MGARA") to make an annual report to the Joint Standing Committee on Health Coverage, Insurance and Financial Services and the Superintendent of Insurance. The report must include information on the Association's financial solvency and administrative expenses.

MGARA's enabling legislation is set forth at 24-A M.R.S. Chapter 54-A §§ 3951 – 3963 (the "Enabling Act"). MGARA's original Plan of Operation was adopted effective June 12, 2012. Pursuant to legislative action, effective January 1, 2014, MGARA's operations were suspended in order to avoid redundancy with the federal transitional reinsurance program established pursuant to Section 1341 of the Patient Protection and Affordable Care Act ("Federal Program").

MGARA's program was reinstituted effective January 1, 2019, following the expiration of the Federal Program. Pursuant to (i) approval from the United States Department of Health & Human Services, Centers for Medicare & Medicaid Services ("CMS") of Maine's Application for State Innovation Waiver under Section 1332 of the Patient Protection and Affordable Care Act received on August 21, 2018 (the "Section 1332 Waiver"), (ii) the MGARA Board's approval of the re-initiation of MGARA operations and the submission of an amended and restated Plan of Operation for approval by the Maine Superintendent of Insurance and (iii) approval of its Amended and Restated Plan of Operation by the Superintendent on July 30, 2018. MGARA has been operating under that plan from January 1, 2019 to the present, subject to certain amendments described below.

Pursuant to Section 3958(1)(A-1) of the Enabling Act, as amended, the Board resolved on May 24, 2021 to convert the MGARA reinsurance program from the then current prospective model to a Retrospective Model effective as of January 1, 2022 ("Retrospective Model"). Beginning January 1, 2022, the MGARA program transitioned from a prospective model to a Retrospective Model, where a portion of claim costs for any Individual Market member whose claims fall within certain thresholds is covered by the reinsurance program. In this Retrospective Model, carriers submit quarterly claims to MGARA's third party administrator for reimbursement, according to a revised Plan of Operations.

Pursuant to Maine Public Law 2019, Chapter 653, "*An Act To Enact the Made for Maine Health Coverage Act and Improve Health Choices in Maine*," Maine Bureau of Insurance Rule 856 ("Rule 856") and with the approval of the U.S. Department of Health & Human Services dated July 15, 2022, MGARA's reinsurance program was extended to a merged Individual Market and Small Group Market, as well as quarterly adjustments for small group plans that do not renew on a calendar year basis for plan years 2023 through 2027 (referred to as the "Merged Market"). The MGARA Plan of Operation was amended and restated to give effect to this Merged Market with such changes operational as of January 1, 2023. Beginning January 1, 2023, MGARA transitioned to include coverage for the Small Group Market in the Merged Market. The following table describes the historical progression from a prospective model to the current Retrospective Model working within a Merged Market.

Year	Reinsurance Parameters	Coinsurance Rate	Year-End Surplus	Description
2019	$47k / $77k	90% / *100%	$29.9 million	Prospective Model - MGARA re-established
2020	$65k / $95k	90% / *100%	$56.0 million	Prospective Model - COVID Year
2021	$65k / $95k	90% / *100%	$84.6 million	Prospective Model - COVID Year
2022	$76k / $250k	100%	$53.5 million	Retrospective Model Begins
2023	$90k / $275k	100%	$47.0 million**	Merged Market with Retrospective Model Begins
2024	$135k / $275k	75%	$43.8 million**	Merged Market with Retrospective Model
2025	$135k/$275k	75%	$42 million**	Merged Market with Retrospective Model

**From 2019 to 2021, 100% coinsurance was applied above the high attachment point. For 2022 and later, the coinsurance coverage only applies between the low and high thresholds (i.e., 0% coinsurance above the high threshold).*
***Projected surplus*

II. 2024 RESULTS

The 2024 year was the MGARA program's 6th year of full operation under the Section 1332 Grant, its 2nd year operating based on a Retrospective Model and its 1st year reinsuring both the Individual and Small Group markets. The program is functioning according to plan with no material implementation or operational issues. For the 12 months ended 12/31/24, total revenue was $77,998,675, consisting of $29,141,368 in assessment revenue, $46,726,151 in grant revenue, interest income of 3,307,774 and unrealized loss on investments of 176,618. Investments are marked to market and do not represent realized gains/losses. Claims incurred for the period totaled $60,283,091, and operational expenses were $819,177, resulting in total expense of $61,102,268. MGARA'S change in Net Position for the 2024 year was $16,896,407 resulting in balance sheet total assets of $86,951,138 and liabilities of $33,434,953 and resulting Net Position of $53,516,185. At the time of this report, final results for the 2024 year are not definitely known due to final submissions of 2024 claims not being required until late July 2024 ("2024 Claims Run-Out"). MGARA's actuary's point estimate for the December 31, 2024 IBNR reserve is $8,700,000, and they believe a reasonable range for the December 31, 2024 IBNR reserve is $7,900,000 to $9,500,000. This reserve estimate represents the total liability for ceded claims incurred during the period January 2024 through December 2024 but not yet reported as of December 31, 2024.

For the 2024 year, MGARA operated with Reinsurance Parameters of $135,000/$275,000 and 75% coinsurance rate, which resulted in an estimated value of MGARA to the market of approximately 7% of premiums. Beginning in 2022, MGARA initiated an intentional draw down of its surplus in order to fund more robust reinsurance benefits and maximize Section 1332 Pass-Through Funding during transition to the Retrospective Model and the Merged Market. This targeted application of surplus generated a 17% value of MGARA in the individual market in 2022, a 15% value for 2023 and a 7% value for 2024.

Each year the Board carefully reviews MGARA's surplus levels in setting its reinsurance parameters for the following year with the goal of targeting a reasonable level of surplus (which provides its solvency margin) based on its then current financial resources and projected operational results for that period. Each year the Board receives a series of analyses from its actuary (Milliman) and determines its reinsurance parameters applying a series of factors. Each year, for purposes of setting reinsurance thresholds for the ensuing year, the Board establishes a "target" level of surplus. Historically, the Board has used an RBC-type ratio for determining an appropriate level of surplus. The MGARA RBC calculations are approximations of the NAIC models, modified to be suited for MGARA's reinsurance program. Beginning in 2023, the Board expanded that methodology to include additional factors. The following summarizes the three-prong approach adopted by the Board in 2023 for purposes of setting 2024 (and future) reinsurance thresholds:

- First, set an absolute floor surplus level that is not less than the amount required to cover approximately one standard deviation in claims.

- Second, consider additional margin to be built into surplus to address the types of risks and uncertainties not included in the natural deviation in claims accounted for in the standard deviation.

- Third, consider its RBC-based approach to determining adequate surplus levels, adjusting its reinsurance parameters to as generous a level as possible, while remaining committed to assuring MGARA solvency and sustainability over time so as to continue to serve as a mechanism for modulated rates.

This process involves an ongoing annual analysis and re-calibration of the program's reinsurance benefits to its then-current financial resources and projected operational results. The Board is charged with responsibility for managing this dynamic process over time to generate maximum benefits for the markets it serves (Individual Market and Small Group Market) while maintaining appropriate levels of surplus.

The 2024 anticipated year-end net surplus of $53,516,185 is expected to be drawn down significantly in order to fund 2025 and 2026 reinsurance benefits and to continue to uphold MGARA's mission to drive value to both the Individual Market and Small Group Market, balanced with the need to retain sufficient capital to provide assurance to the member insurers that MGARA can fulfill its promised reinsurance benefits in an uncertain fiscal environment.

Continuing to provide the value to the market at the levels reflected in 2022 and 2024 is not sustainable for MGARA over the intermediate to long term, and the value to the Individual and Small Group Markets will need to be reduced over time. See Section III below addressing MGARA's 2025 and 2026 projected value to the market. One of the implications of the draw down in surplus in 2022 - 2025, and the resulting reduction in premiums, is increased savings in government funded subsidies at the federal level due to lower premiums in Maine. Savings in federal subsidies are the source of 1332 waiver revenue. The inverse of this logic is that grant revenue is diminished when MGARA is unable to drive value. Without additional sources of revenue to draw from in order to increase program value the resulting grant revenue is expected to be lesser in amount over time, thus gradually diminishing MGARA's ability to lower future premiums in the combined Individual and Small Group markets. MGARA's revenues from assessments has remained fixed at the same level since its inception in 2011 due to the statutory limit on regular assessments of $4 per member per month ("PMPM"). Without adjustment for inflation, MGARA's assessment revenue has remained relatively constant over time at approximately $28 million.

Attached as Exhibit A are MGARA's audited Financial Statements for 2024.

III. 2025 PROJECTED RESULTS

The MGARA board of directors approved reinsurance thresholds for 2025 of $135,000 to $275,000 with 75% coinsurance, resulting in an estimated value of MGARA of approximately 7% of premiums. MGARA's currently projects 2025 year-end surplus of $42 million and an RBC Ratio of approximately 810%. MGARA's 2025 projections, presented below, are highly preliminary.

MGARA – 2025 OVERVIEW (Based on Currently Projected Results)	
Attachment Points	$135,000 / $275,000
Co-insurance (Percentage of Claims within the Attachment Points)	75% of claims between $135,000 - $275,000 (no coverage outside of attachment points)
Federal Pass-through Funds	$43.4 million
Expected MGARA Assessment	$28 million
Total Revenue	$71.4 million
Total Expenses	$77.5 million
Net Gain / (Loss)	($6.1 million)
Net Surplus Remaining	$42.0 million
RBC Ratio	810%

Exhibit A
2024 Audited Statements

(See Attached)

Financial Statements
December 31, 2024 and 2023

Maine Guaranteed Access Reinsurance Association

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Independent Auditor's Report

To the Board of Directors
Maine Guaranteed Access Reinsurance Association
Portland, Maine

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the business-type activities of the Maine Guaranteed Access Reinsurance Association (the Association), a public corporation of the State of Maine, as of and for the years ended December 31, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Association's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Association as of December 31, 2024 and 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Association, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Association's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 9, 2025, on our consideration of the Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Association's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association's internal control over financial reporting and compliance.

Eide Bailly LLP

Boise, Idaho
April 9, 2025

As management of the Maine Guaranteed Access Reinsurance Association (the "Association"), we provide this narrative overview and analysis of the change in net position of the Association for the years ended December 31, 2024 and 2023.

The Association officially commenced operations on January 1, 2012 but suspended its operations effective January 1, 2014, and the final assessment was assessed in October of 2013. The Association re-initiated its reinsurance program effective January 1, 2019 in accordance with its Amended and Restated Plan of Operation dated January 1, 2019 approved by the Maine Bureau of Insurance in late December 2018. Beginning January 1, 2022 the Association's reinsurance program was converted from a prospective model to a retrospective model pursuant to changes in its enabling legislation and its Amended and Restated Plan of Operation dated January 1, 2022. Pursuant to the Made for Maine Health Coverage Act, effective January 1, 2023 MGARA's reinsurance program was expanded to cover the small group market in addition to the individual market through a merger of those markets ("Merged Market").

Financial Highlights

- Total assets decreased by $11,662,813 from $98,613,951 in 2023 to $86,951,138 in 2024. Total assets decreased by $10,006,575 from $108,620,526 in 2022 to $98,613,951 in 2023.
- Cash and cash equivalents decreased by $3,085,681 from $4,118,190 in 2023 to $1,032,509 in 2024. Cash and cash equivalents decreased by $8,563,214 from $12,681,404 in 2022 to $4,118,190 in 2023.
- Investments decreased by $13,140,988 from $86,642,400 in 2023 to $73,501,412 in 2024. Investments decreased by $833,568 from $87,475,968 in 2022 to $86,642,400 in 2023.
- Incurred claims decreased by $61,708,307 from $121,991,398 in 2023 to $60,283,091 in 2024. Incurred claims increased by $28,824,422 from $93,166,976 in 2022 to $121,991,398 in 2023.
- Grant revenue decreased by $17,752,523 from $63,478,674 in 2023 to $45,726,151 in 2024. Grant revenue increased by $19,724,047 from $43,754,627 in 2022 to $63,478,674 in 2023.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Association's annual financial statements. The Association operates as a Maine non-profit corporation created pursuant to 24-A MRS Chapter 54-A and is reported in conformity with generally accepted accounting principles as applied to government units as the Association is considered a public corporation of the State of Maine. The Association's purpose is to provide a reinsurance program for the higher risk segment of Maine's individual and small group health insurance markets in order to reduce insurance costs in those markets and assure availability of affordable health insurance to residents of the State of Maine. It does so by providing reinsurance of a portion of the coverage provided through individual and small group health insurance policies offered by its Member Insurers.

The Association's annual financial statements are comprised of two components, the basic financial statements and the notes to the financial statements. This report also contains required supplementary information in addition to the basic financial statements.

Financial Statements - The financial statements are designed to provide readers with a broad overview of the Association's finances, in a manner similar to a private-sector business. The statements of net position present information on all of the Association's assets and liabilities, with the difference reported as restricted net position. The statements of revenues, expenses and changes in net position present information on all of the Association's revenues and expenses. Any excess or deficiency of revenues over expenses is reported as change in net position. The statements of cash flows present information on cash flows provided by and used in activities. The activities are classified into one of two categories: operating activities and investing activities.

Notes to Financial Statements - The notes provide additional information that is essential to obtain a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 11 through 21 of this report.

Financial Analysis

	2024	2023	2022
Assets			
Cash and cash equivalents	$ 1,032,509	$ 4,118,190	$ 12,681,404
Premium receivable	16,419	16,419	16,419
Assessments receivable	8,009,892	7,247,891	7,963,750
Grant receivable	3,600,930	-	-
Accrued interest receivable	789,976	589,051	482,985
Investments	73,501,412	86,642,400	87,475,968
	86,951,138	98,613,951	108,620,526
Liabilities			
Accounts payable	101,295	318,984	89,001
Claims payable	24,633,658	41,475,189	29,699,923
Estimated liability for claims incurred but not reported	8,700,000	20,200,000	15,800,000
	33,434,953	61,994,173	45,588,924
Restricted Net Position	$ 53,516,185	$ 36,619,778	$ 63,031,602

The Association's assets are concentrated primarily in its cash and cash equivalents and investments, which together represented 85.7% the Association's assets in 2024 and 92.0% of the Association's assets in 2023. Cash and cash equivalents decreased by $3,085,681 from $4,118,190 in 2023 to $1,032,509 in 2024. The decrease is due to utilization of cash in operations and to intentional drawdown of surplus to support the program's reinsurance parameters. Investments decreased by $13,140,988 from $86,642,400 in 2023 to $73,501,412 in 2024. The decrease is attributable principally to market performance. Premium receivable remained unchanged from $16,419 in 2023 to $16,419 in 2024. Assessments receivable remained relatively stable year over year with an increase in assessments receivable of $762,001 from $7,247,891 in 2023 to $8,009,892 in 2024. Grant receivable increased from $0 in 2023 to $3,600,930 in 2024.

There was a decrease in claims payable at year end from $41,475,189 in 2023 to $24,633,658 in 2024. This decrease is attributable to more restrictive reinsurance parameters and more favorable claims experience in 2024. There was a decrease in the incurred but not reported liability amount (IBNR) year over year with a decrease from $20,200,000 in 2023 to $8,700,000 in 2024, attributable largely to stabilization of the program following the programmatic changes of the last several years.

Cash and cash equivalents decreased by $8,563,214 from $12,681,404 in 2022 to $4,118,190 in 2023. The decrease is due principally to utilization of cash in operations. Investments decreased by $833,568 from $87,475,968 in 2022 to $86,642,400 in 2023. The decrease is attributable principally to market performance. Premium receivable did not change from $16,419 in 2022 to $16,419 in 2023. Assessments receivable remained relatively stable year over year with a decrease in assessments receivable of $715,859 from $7,963,750 in 2022 to $7,247,891 in 2023.

There was an increase in claims payable at year end from $29,699,923 in 2022 to $41,475,189 at year end 2023 due to several factors: (i) the extension of the Association's reinsurance program to the Merged Market, (ii) intentionally high reinsurance parameters implying a 15% value for market premiums and (iii) continuation of adverse claims experience. There was an increase in IBNR year over year with an increase from $15,800,000 in 2022 to $20,200,000 in 2023.

	2024	2023	2022
Operating Revenues			
Premiums earned	$ -	$ -	$ 110,880
Regular assessments	29,141,368	28,889,529	28,957,561
Less claims incurred	(60,283,091)	(121,991,398)	(93,166,976)
	(31,141,723)	(93,101,869)	(64,098,535)
Operating Expenses	819,177	915,719	792,956
Loss from Operations	(31,960,900)	(94,017,588)	(64,891,491)
Nonoperating Income (Expense)			
Grant revenue	45,726,151	63,478,674	43,754,627
Interest income	3,307,774	2,503,725	2,115,339
Gain (loss) on investments	(176,618)	1,623,365	(2,611,975)
	48,857,307	67,605,764	43,257,991
Change in Net Position	$ 16,896,407	$ (26,411,824)	$ (21,633,500)

Regular assessments increased by $251,839 to a total of $29,141,368 in 2024 compared to $28,889,529 in 2023. Incurred claims decreased by $61,708,307 from $121,991,398 in 2023 to $60,283,091 in 2024, due principally to more restrictive reinsurance parameters and more favorable claims experience in 2024. There was a decrease in operating expenses year over year with a decrease of $96,542 in 2024 from $915,719 in 2023 to $819,177 in 2024. Overall, there was an increase in net position of $16,896,407 in 2024 compared to a decrease in 2023 of $26,411,824. This change was a result of more restrictive reinsurance parameters, more favorable claims experience, and higher-than-anticipated Section 1332 Grant revenue in 2024.

The Association experienced a $110,880 reduction in premiums earned from $110,880 in 2022 to $0 in 2023 due to elimination of premium being charged in 2022 as a result of the conversion of Association's reinsurance program from a prospective model to a retrospective model. Regular assessments decreased by $68,032 to a total of $28,889,529 in 2023 compared to $28,957,561 in 2022. Incurred claims increased by $28,824,422 from $93,166,976 in 2022 to $121,991,398 in 2023. The change is due principally to the expansion of the Association's reinsurance program to the Merged Market, intentionally high level of reinsurance benefits and continuation of adverse claims experience. There was an increase in operating expenses year over year with an increase of $122,763 in 2023 from $792,956 in 2022 to $915,719 in 2023 due largely to increased activity during the year as a result of the expansion of the program to the Merged Market. Overall, there was a decrease in net position of $26,411,824 in 2023 compared to a decrease in 2022 of $21,633,500. The decreases were a result of operating expenses exceeding operating and non-operating revenues attributable largely to servicing the expansion to the Merged Market without additional revenue associated with the expansion, intentionally high level of reinsurance benefits and continuation of adverse claims experience.

Economic Factors and Next Year's Results

Revenue: In 2025 revenue will be highly dependent on whether 2024's favorable claims experience persists; and on the level of Section 1332 Grant revenue, currently estimated by CMS/CCIIO to be $43,398,022. Assessment revenue is expected to remain stable at $27,000,000. Total revenues are estimated to be approximately $70,400,000.

Expenses: Management expects a decrease in expenses to an estimated amount of $77,500,000 due to improved claims experience. The Association's 2025 reinsurance parameters remain the same as in 2024.

Change in Net Position: The Association is expecting a modest decline in its net position in 2025, projecting a loss of an estimated $7,100,000 and an ending surplus of approximately $40,000,000, assuming the expiration of ARPA subsidies at the end of 2025 but no other material changes to the ACA market rules or legislation, and only minor decreases to enrollment in the small group market.

	2024	2023
Assets		
Current Assets		
Cash and cash equivalents	$ 1,032,509	$ 4,118,190
Premium receivable	16,419	16,419
Assessments receivable	8,009,892	7,247,891
Grant receivable	3,600,930	-
Accrued interest receivable	789,976	589,051
Investments	73,501,412	86,642,400
	$ 86,951,138	$ 98,613,951
Current Liabilities		
Accounts payable	$ 101,295	$ 318,984
Claims payable	24,633,658	41,475,189
Estimated liability for claims incurred but not reported	8,700,000	20,200,000
Total current liabilities	33,434,953	61,994,173
Restricted Net Position	53,516,185	36,619,778
	$ 86,951,138	$ 98,613,951

	2024	2023
Operating Revenues		
Regular assessments	$ 29,141,368	$ 28,889,529
Less claims incurred	(60,283,091)	(121,991,398)
Deficiency of premiums and assessments under claims	(31,141,723)	(93,101,869)
Operating Expenses		
Contracted management services	569,302	653,278
Professional fees	181,375	191,402
Other administrative costs	68,500	71,039
Total operating expenses	819,177	915,719
Loss from Operations	(31,960,900)	(94,017,588)
Nonoperating Income (Expense)		
Grant revenue	45,726,151	63,478,674
Interest income	3,307,774	2,503,725
Gain (loss) on investments	(176,618)	1,623,365
Total nonoperating income	48,857,307	67,605,764
Change in Net Position	16,896,407	(26,411,824)
Restricted Net Position, Beginning of Year	36,619,778	63,031,602
Restricted Net Position, End of Year	$ 53,516,185	$ 36,619,778

	2024	2023
Operating Activities		
Loss from Operations	$ (31,960,900)	$ (94,017,588)
Adjustments to reconcile change in net position to cash used for operating activities		
Changes in assets and liabilities		
Assessments receivable	(762,001)	715,859
Accounts payable	(217,689)	229,983
Claims payable	(16,841,531)	11,775,266
Estimated liability for claims incurred but not reported	(11,500,000)	4,400,000
Net Cash used for Operating Activities	(61,282,121)	(76,896,480)
Noncapital Financing Activities		
Operating grant	42,125,221	63,478,674
Net Cash from Noncapital Financing Activities	42,125,221	63,478,674
Investing Activities		
Purchase of investments	(85,356,381)	(85,209,445)
Sale of investments	98,320,751	87,666,378
Interest received	3,106,849	2,397,659
Net Cash from Investing Activities	16,071,219	4,854,592
Net Change in Cash and Cash Equivalents	(3,085,681)	(8,563,214)
Cash and Cash Equivalents, Beginning of Year	4,118,190	12,681,404
Cash and Cash Equivalents, End of Year	$ 1,032,509	$ 4,118,190

Note 1 - Principal Activity and Significant Accounting Policies

Organization

The Maine Guaranteed Access Reinsurance Association (the Association) is a Maine mutual benefit non-profit corporation created pursuant to Titles 13-B and 24-A, Chapter 54-A of the Maine Revised Statutes on January 6, 2012. The members of the Association are Insurers that offer individual health plans and are actively marketing individual health plans in the State of Maine. The Association, which is governed by an 11-member Board of Directors (the Board) appointed by the Superintendent and Member Insurers as provided in the Association's Articles of Incorporation and Section 3953(2) of the Enabling Act.

The Association was created for the purpose of providing a reinsurance program for the higher risk segment of Maine's individual health insurance market in order to reduce insurance costs in that market and assure availability of affordable health insurance to residents of the State of Maine by providing reinsurance of a significant portion of the coverage provided through individual health insurance policies offered by its Member Insurers. In the normal course of business, the Member Insurers seek to limit their exposure to loss on any single insured and to recover a portion of losses paid by ceding reinsurance to the Association. In 2023, the Association covered 100% of claims paid in excess of $90,000 (up to $275,000). In 2024, the Association covered 75% of claims paid in excess of $135,000 (up to $275,000).

The Association officially commenced operations on January 1, 2012. Premium collections and claims processing began on July 1, 2012. The Association suspended its operations effective January 1, 2014, and the final assessment was assessed in October of 2013. The Association re-initiated its reinsurance program effective January 1, 2019, in accordance with its Amended and Restated Plan of Operation dated January 1, 2019, approved by the Maine Bureau of Insurance in late December 2018. The Association amended its reinsurance program effective January 1, 2022, in accordance with its Amended and Restated Plan of Operation dated January 1, 2022, approved by the Maine Bureau of Insurance, to shift from a prospective to a retrospective model. Effective January 1, 2023, the Plan of Operations was amended and restated for the Association's program to be extended to a merged Individual Market and Small Group Market, referred to as the "Pooled Market". This extended the Association's coverage to small group health plans as well as individual health insurance plans. Effective January 1, 2024, the Association implemented Maine's High-Priced Items and Services (HPIS) statutory regime, which requires MGARA to publish, based on carriers' reporting, a list of providers that receive insurance payments in excess of a statutory threshold for certain identified services. Reporting commences in 2025 for the 2024 year.

Basis of Presentation

As a public corporation created by State Code, the financial statements of the Association have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Association is an enterprise fund, which is a proprietary fund type. Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net position. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total position.

The accrual basis of accounting is utilized by proprietary fund types. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Association considers all cash and cash equivalents with an original maturity of three months or less as cash and cash equivalents.

Investments

Investments consist of corporate bonds, U.S. Treasury Securities, and commercial paper of deposit. Investments are measured at fair market value.

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the near-term could materially affect account balances and the amounts reported in the accompanying financial statements.

Investment income and gains are reported as increases in net position.

Financial Instruments and Credit Risk

The Association manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. Investments are made by diversified investment managers whose performance is monitored by management and the Investment Committee of the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management and the Investment Committee believe that the investment policies and guidelines are prudent for the long-term welfare of the Association.

Assessments and Premiums

On an annual basis, the Board assesses each Insurer an amount not to exceed $4 per month per Covered Person resident in the State of Maine enrolled in Medical Insurance, reinsured or administered by the Insurer. In addition to the organizational and regular assessments, the Board may assess Insurers an amount not to exceed $2 per month per Covered Person enrolled in medical insurance to cover any net loss incurred.

The premiums in the financial statements only reflect the premiums ceded by the carriers to the Association for the reinsurance. The Board determines the reinsurance premium, the attachment points, and the list of medical conditions for which ceding is mandatory. Effective January 1, 2022, premiums from participating insurance carriers were no longer a source of revenue for the Association.

Revenue and Revenue Recognition

Premium revenue and assessments are recognized when earned. The Association's federal grant is received on a reimbursement basis. Amounts received are recognized as revenue when the Association has incurred expenditures in compliance with specific grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statements of net position.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Significant estimates used in preparing the financial statements include those assumed in determining the accrued liability for claims incurred but not reported. It is at least reasonably possible that the significant estimates used will change within the next year.

Income Taxes and Uncertainty

It is management's position that the Association is a non-profit tax-exempt organization under 501(c)(4) of the Internal Revenue Code (IRC). The Association received a letter from the Internal Revenue Service dated October 8, 2015, confirming approval of the tax-exempt status effective June 27, 2012.

Management believes that the Association has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. Management would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Note 2 - Cash Deposits

As of December 31, 2024 and 2023, the book balance of deposits was $1,032,509 and $4,118,190, respectively, and the bank balance was $1,032,509 and $4,118,190, respectively.

Of the 2024 bank balance, $250,000 was covered by FDIC insurance and $782,509 was uninsured and uncollateralized. Of the 2023 bank balance, $250,000 was covered by FDIC insurance and $3,868,190 was uninsured and uncollateralized.

Note 3 - Investments and Fair Value Measurements

The goal of the Association’s investment policy is to provide cash flow necessary to support the Association’s reinsurance program and enhance the capital base of the Association. The objective of the investment policy is to provide liquidity required to satisfy the Association’s reinsurance reimbursement obligations and operate its reinsurance program; preserve all funds held by the Association in an investment capacity so as to minimize principal risk; earn a rate of return commensurate with the first two objectives; employ multiple asset classes to allow for prudent diversification and the resultant lowering of return volatility; and conform with all federal and state regulations governing the investments of such funds.

Investment types authorized by the Association’s investment policy are as follows:

- Certificates of Deposit at insured financial institutions;
- Money market funds that invest in government backed securities;
- Interest bearing deposit accounts of insured financial institutions;
- Investment grade direct obligations of the U.S., State or Municipal Governments, their agencies and instrumentalities (*i.e.,* rated BBB/Baa or above);
- Commercial Paper rated A-1/P-1 by Standard & Poors and Moody's;
- Commercial Paper backed by bank letters of credit where the long-term letter of credit rating is rated at least double A (AA, Aa) by one rating service;
- Variable rate notes where the minimum rating is A-1/P-1;
- Corporate notes with a minimum rating of investment grade (BBB) by Moody’s or Standard & Poors rating services which have a current rating on the issuer;
- Equity investments are not allowed.

At December 31, 2024, the Association’s investment balances were as follows:

	Fair Value	Cost
Investments		
U.S. Treasury Securities	$ 6,489,275	$ 6,468,007
Corporate bonds	67,012,137	66,702,871
	$ 73,501,412	$ 73,170,878

At December 31, 2023, the Association's investment balances were as follows:

	Fair Value	Cost
Investments		
Commercial paper	$ 19,868,429	$ 19,262,222
U.S. Treasury Securities	3,459,715	3,428,880
Corporate Bonds	63,314,256	62,715,335
	$ 86,642,400	$ 85,406,437

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in the market will adversely impact the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The Association manages its exposure to interest rate risk by purchasing short-term investments to maintain the proper amount of liquidity to meet its obligations. The Association's policy does not define the maximum weighted average maturity of the investment pool.

Information about the sensitivity of the fair values of the Association's investments to market interest rate fluctuations is provided by the following schedules that show the distribution of the Association's investments by maturity.

The distribution of the Association's investments by maturity as of December 31, 2024, is as follows:

	Fair Value	Less Than 1 Year	1-2 Years	2-5 Years
Investment Type				
U.S. Treasury Securities	$ 6,489,275	$ 6,489,275	$ -	$ -
Corporate bonds	67,012,137	57,510,972	9,501,165	-
Total	$ 73,501,412	$ 64,000,247	$ 9,501,165	$ -

The distribution of the Association's investments by maturity as of December 31, 2023, is as follows:

	Fair Value	Less Than 1 Year	1-2 Years	2-5 Years
Investment Type				
Commercial Paper	$ 19,868,429	$ 19,868,429	$ -	$ -
U.S. Treasury Securities	3,459,715	3,459,715	-	-
Corporate bonds	63,314,256	62,334,786	979,470	-
Total	$ 86,642,400	$ 85,662,930	$ 979,470	$ -

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Association's investment policy requires the overall weighted average quality of the aggregate fixed income portfolio to be A or higher. As of December 31, 2024 and 2023, all investments are in compliance with the rating policy.

Concentration of Credit Risk

The Association's investment policy does not limit the amount that can be invested in any one issuer. The Governmental Accounting Standards Board has adopted a principle that governments should provide note disclosure when five percent of the total entity's investments are concentrated in any one issuer. As of December 31, 2024, the Association had an investment in one (1) issuer of U.S. Treasury Securities that was 6% of the total investment portfolio and had investments in seven (7) issuers of corporate bonds that were 8%, 8%, 6%, 6%, 5%, 5%, and 5% of the total investment portfolio. As of December 31, 2023, the Association had investments in three (3) issuers of commercial paper that were 8%, 6%, and 6% of the total investment portfolio and had investments in six (6) issuers of corporate bonds that were 9%, 8%, 7%, 6%, 6%, and 5% of the total investment portfolio.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. The custodial credit risk for investments is the risk that in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Association does not have a policy restricting the amount of deposits and investments subject to custodial credit risk.

The Association minimizes exposure to custodial credit risk by requiring that investments, to the extent possible, be identified as to the Association's ownership and be held in the Association's name. All investments are held in custody by KeyBanc Capital Markets in the Association's name.

Fair Value

Certain assets are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available.

A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, inputs are developed using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to the entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk, or liquidity profile of the asset or liability.

All the Association's investment assets are classified within Level 2. The commercial paper are classified within Level 2 as they are traded on an active market and have quoted prices. The fixed income securities are valued by the custodians of the securities using pricing models based upon credit quality, time to maturity, stated interest rates and market rate assumptions, and are classified within Level 2.

The following tables set forth by level, within the fair value hierarchy, the Association's investments at fair value as of December 31:

	2024			
	(Level 1)	(Level 2)	(Level 3)	Total
U.S. Treasury Securities	$ -	$ 6,489,275	$ -	$ 6,489,275
Corporate bonds	-	67,012,137	-	67,012,137
Total assets at fair value	$ -	$ 73,501,412	$ -	$ 73,501,412

	2023			
	(Level 1)	(Level 2)	(Level 3)	Total
Commercial paper	$ -	$ 19,868,429	$ -	$ 19,868,429
U.S. Treasury Securities	-	3,459,715	-	3,459,715
Corporate bonds	-	63,314,256	-	63,314,256
Total assets at fair value	$ -	$ 86,642,400	$ -	$ 86,642,400

Note 4 - Assessments Receivable/Offset of Future Revenues

As defined by the Association's Plan of Operations, if assessments and other receipts exceed the actual net losses, the excess funds must be held in an interest-bearing account or otherwise invested in accordance with the Association's Investment Policy to offset future losses or reduce reinsurance premiums. As of December 31, 2024 and 2023, there was $53,516,185 and $36,619,778, respectively, available to offset future losses.

Note 5 - Provisions for Unpaid Claims and Claims Administration

In accordance with accounting principles generally accepted in the United States of America for insurance companies, the Association estimates its liability for claims that were incurred before year end, but for which payment will not be made until after year end. The estimate is based on information concerning incurred but not reported claims provided by the insurance companies which are currently participating in the Association. The Association's Board of Directors monitors the estimates with assistance from actuarial consultants, and the necessary adjustments are reflected in current operations. As of December 31, 2024 and 2023, the provision for unreported and unpaid claims for the Association was $8,700,000 and $20,200,000, respectively. Differences between actual and estimated claims are charged to operations in the year that the differences, if any, become known.

The following represents the changes in the provision for unreported and unpaid claims for the years ended December 31, 2024 and 2023:

	2024	2023
Unpaid losses and loss adjustment expenses, beginning of year	$ 20,200,000	$ 15,800,000
Incurred losses and loss adjustment expenses		
Provision for insured events of the current year	66,465,958	129,451,361
Decrease in provision for insured events of prior year	(6,182,867)	(7,459,963)
Total incurred losses and loss adjustment expenses	60,283,091	121,991,398
Payments		
Losses and loss adjustment expense attributable to insured events of the current year	57,765,958	109,251,361
Losses and loss adjustment expense attributable to insured events of the prior year	14,017,133	8,340,037
Total payments	71,783,091	117,591,398
Unpaid losses and loss adjustment expenses, end of year	$ 8,700,000	$ 20,200,000

The provision for incurred losses and loss adjustments decreased during the years ended December 31, 2024 and 2023. The change is primarily due to unanticipated developments during the year on losses incurred from previous years, and the corresponding change in the actuarial estimates of ultimate liabilities for incurred claims from those years.

Note 6 - Management Contract

Effective January 1, 2022, the Association entered into an administrative agreement with River 9 Consulting, Inc. (River 9). This agreement stipulates a flat monthly fee of $15,000 per month and $50 quarterly per individual claims processing fee. This fee applies to each person for which a claim reimbursement payment is made to a participating carrier related to that individual during the relevant calendar quarter. There is a total annual fee cap of $400,000 for individual market.

Effective January 1, 2025, the Association entered into an administrative agreement with River 9 Consulting, Inc. (River 9). This agreement stipulates a flat monthly fee of $17,250 per month and $57.50 quarterly per individual claims processing fee. This fee applies to each person for which a claim reimbursement payment is made to a participating carrier related to that individual during the relevant calendar quarter. There is a total annual fee cap of $600,000. The foregoing fees are subject to an annual inflation adjustment after the first contract year. These fees do not include fees related to implementing the HPIS regime.

The management service expense for the years ended December 31, 2024 and 2023, was $350,500 and $377,000, respectively, of which $49,750 and $68,300, was payable at December 31, 2024 and 2023, respectively.

Note 7 - Insurance/Risk Management

The Association is exposed to various risks of loss related to tort claims as well as errors and omissions by employees. The Association carries management liability (D&O) insurance with aggregate coverage of $5,000,000, together with cyber liability and business owner's coverage. Additionally, the Association is covered through commercial insurance purchased by River 9 to the extent of its employees' involvement with the Association, with coverage limits of $1,000,000 individual/$3,000,000 aggregate.

Note 8 - Affordable Care Act; Section 1332 Waiver; Market Merger; HPIS Pilot Program

The following is a brief summary of the circumstances relating to the temporary suspension of the operations of the Association and authorization of resumption of operations as of January 1, 2019:

The Association was established pursuant to an act of the Maine State Legislature. The Association's original Plan of Operation was adopted effective June 12, 2012 ("Original Plan") and the Association operated its reinsurance program during the period July 1, 2012, through December 31, 2013. Pursuant to legislative action, effective January 1, 2014, the Association's operations were suspended during the pendency of the transitional reinsurance program instituted pursuant to Section 1341 of the Patient Protection and Affordable Care Act ("Federal Program") in order to avoid redundancy with the Federal Program. Pursuant to such suspension, the Association filed an Amended Plan of Operation with the Superintendent of Insurance on June 5, 2014, pursuant to 24-A M.R.S. Section 3962, which required the Association to file with the Superintendent for approval of an Amended Plan of Operation ("Suspension Plan") within 6 months following the implementation of the Federal Program.

On July 30, 2018, the State of Maine received approval from the United States Department of Health & Human Services, Centers for Medicare & Medicaid Services ("CMS") of its Application for State Innovation Waiver under Section 1332 of the Patient Protection and Affordable Care Act ("Section 1332 Waiver Application"). On August 21, 2018, the State of Maine accepted the Section 1332 Waiver by executing and delivering to CMS the Specific Terms and Conditions of the Section 1332 Waiver ("STCs"). The Section 1332 Waiver Application and the STCs are collectively referred to as the "Section 1332 Waiver".

On August 18, 2018, the Association's Board approved the re-initiation of Association operations as of January 1, 2019, and the submission of an Amended and Restated Plan of Operation for approval by the Maine Superintendent of Insurance. On November 30, 2018, CMS confirmed in a letter to the Maine Superintendent of Insurance the estimated amount of Section 1332 pass-through funding to the State of Maine for use in operating the Association's reinsurance program at $65,270,675. The Association's Amended and Restated Plan of Operation was submitted to and approved by the Superintendent of Insurance in December 2018. The Association received $45,726,151 and $63,478,674, as of December 31, 2024 and 2023, respectively.

Effective January 1, 2022, the Association's reinsurance program was changed from a prospective reinsurance model to a retrospective reinsurance pursuant to a statutory change to its enabling legislation and its Amended and Restated Plan of Operation.

Effective January 1, 2023, the Plan of Operations was amended and restated for the Association's program to be extended to a merged Individual Market and Small Group Market, referred to as the "Pooled Market". This extended the Association's coverage to small group health plans as well as individual health insurance plans.

Effective January 1, 2024, the Plan of Operations was amended and restated for the Association to implement Maine's High-Priced Items and Services (HPIS) statutory regime on a pilot program basis, which requires MGARA to publish, based on carriers' reporting, a list of providers that receive insurance payments in excess of a statutory threshold for certain identified services. Reporting commences in 2025 for the 2024 year.

Federal Awards Reports in Accordance with the Uniform Guidance
December 31, 2024

Maine Guaranteed Access Reinsurance Association

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors
Maine Guaranteed Access Reinsurance Association
Portland, Maine

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the business-type activities of the Maine Guaranteed Access Reinsurance Association (the Association), as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the Association's basic financial statements and have issued our report thereon dated April 9, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Association's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Association's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2024-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Association's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Association's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Association's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The Association's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Association's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Boise, Idaho
April 9, 2025

CPAs & BUSINESS ADVISORS

Independent Auditor's Report on Compliance for the Major Federal Program; Report on Internal Control over Compliance Required by the Uniform Guidance

To the Board of Directors
Maine Guaranteed Access Reinsurance Association
Portland, Maine

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Maine Guaranteed Access Reinsurance Association's (the Association) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the Association's major federal program for the year ended December 31, 2024. The Association's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Association complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2024.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Association and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Association's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Association's federal program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Association's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Association's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Association's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Association's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2024-002 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the Association's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Association's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Eide Bailly LLP

Boise, Idaho
April 9, 2025

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Health and Human Services			
1332 State Innovation Waivers	93.423	n/a	$ 45,726,151
			$ 45,726,151

See Notes to Schedule of Expenditures of Federal Awards

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the Maine Guaranteed Access Reinsurance Association (the Association) under programs of the federal government for the year ended December 31, 2024. The information is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Association, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Association.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Note 3 - Indirect Cost Rate

The Association does not draw for indirect administrative expenses and has not elected to use the 10% de minimis cost rate.

Section I – Summary of Auditor's Results

FINANCIAL STATEMENT

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	Yes
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major program:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	Yes
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a):	Yes

Identification of major programs:

Name of Federal Program	Federal Financial Assistance Listing Number
1332 State Innovation Waivers	93.423

Dollar threshold used to distinguish between type A and type B programs	$ 1,371,785
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

2024-001 **Financial Statement Preparation**
Significant Deficiency in Internal Control within Financial Reporting

Criteria: Management should have an internal control system in place designed to provide for the presentation of the financial statements being audited. This also includes the ability to prepare the footnote disclosures required by the Governmental Accounting Standards Board (GASB).

Condition: The Association does not have an internal control system designed to provide for the preparation of the financial statements and related financial statement disclosures being audited. In conjunction with the completion of our audit, we were required to draft the financial statements, the accompanying notes to those financial statements, and the Schedule of Expenditures of Federal Awards. Although this circumstance is not unusual for an organization of your size, the preparation of the financial statements as a part of the audit engagement may result in financial statements and related information included in financial statement disclosures not being available for management purposes as timely as if the financial statements were prepared by management of the Association. It is the responsibility of management and those charged with governance to determine whether to accept the risk associated with this condition because of costs or other considerations.

Cause: The size of the Association and the limited number of accounting personnel makes it difficult to implement this level of internal control.

Effect: Management must rely on the auditing firm to report financial data reliably in accordance with U.S. GAAP.

Recommendation: Management and those charged with governance should make the decision whether to accept the degree of risk associated with this condition because of costs or other considerations.

Views of Responsible Officials: The Board of Directors and management of the Association accept this degree of risk associated with the condition because of costs and/or other considerations.

Section III – Federal Award Findings and Questioned Costs

2024-002 **U.S. Department of Health and Human Services**
Federal Financial Assistance Listing 93.423
1332 State Innovation Waivers

Reporting
Significant Deficiency in Internal Control in Federal Compliance

Criteria: Recipients of federal funds must submit financial reports as required by the Federal award. Reports submitted annually by the recipient must be due no later than 90 calendar days after the reporting period. Reports submitted quarterly or semiannually must be due no later than 30 calendar days after the reporting period, in accordance with CFR § 200.328(c).

Condition: The Association's existing controls over their reporting processes, to ensure reports were submitted timely, were not functioning in such a way that ensured reports were submitted on time.

Cause: The Association didn't set a reminder or have a pre-arranged schedule that notified management a report was due.

Effect: 1 quarterly report was submitted 3 days late. 1 quarterly report was submitted 2 days late.

Questioned Costs: None reported

Context/Sampling: Sampling was not used. 100% of the reports submitted during the year were tested.

Repeat Finding from Prior Year(s): No

Recommendation: Management should have a control in place to ensure they are notified that a report is coming due so they are able to compile and submit it on time. If information required to be included in the report is not available at the time the report is due, management should have a control in place to request an extension for the delayed submission of the report.

Views of Responsible Officials: Management of the Association agrees with the finding.