MAINE GUARANTEED ACCESS REINSURANCE ASSOCIATION

AMENDED PLAN OF OPERATION

June 1, 2014

INTRODUCTION

I. **Background**. Pursuant to Public Law 2013, Chapter 273, Section 4 (codified at 24-A M.R.S. Section 3962), the Maine Guaranteed Access Reinsurance Association ("Association") is required to file with the Superintendent for approval an Amended Plan of Operation ("Suspension Plan") within 6 months following the implementation of the transitional reinsurance program pursuant to Section 1341 of the Patient Protection and Affordable Care Act ("Federal Program"). The Federal Program was implemented as of January 1, 2014, which means the Suspension Plan must be filed with the Superintendent on or before June 30, 2014. The Suspension Plan is required to include a plan for the application of any funds held by the Association as of its suspension, the investment of any funds held by the Association during its period of suspension, the reactivation of the Association upon termination of the Federal Program and, if necessary, the distribution of any surplus funds not required for such purposes.

II. **Approach**. This Suspension Plan is being filed as a supplement to, and an amendment of, the Association's existing Plan of Operation, approved by the Superintendent on June 11, 2012 ("Existing Plan"). Except as supplemented and amended hereby, the Existing Plan shall remain in force as approved. Capitalized terms used but not defined herein shall have the meanings ascribed to those terms in the Existing Plan.

SUSPENSION PLAN

III. **Suspension of Operations**.

A. **Suspension**: Effective as of January 1, 2014, the Association suspended all operations other than those specified below under the heading "Continuing Operations." This suspension shall continue in force through the date the Federal Program ceases operations in the State of Maine. The suspension of operations is currently anticipated to continue from January 1, 2014 through December 31, 2016.

B. **Continuing Operations**: Notwithstanding the suspension of operations, the Association shall continue certain functions during the period of suspension, as described below:

1. Reinsurance Coverage: The Association will continue to provide reinsurance claims payments pursuant to Sections 9.6 through 9.13 of the Existing Plan for all Eligible Claims incurred prior to January 1, 2014.

2. Assessments: The association will retain the right to assess Insurers to the extent necessary to cover any net losses pursuant to Section 11.3 of the Existing Plan and Section 3957(5) of the Enabling Act.

3. Administration: The Association will continue limited operations necessary to support claims processing and payment and financial administration, including:

   (i) Continued regular quarterly meetings of the Board of Directors and related oversight and management of the Association's business.

(ii) Continued engagement of Ameriben as the Association's administrator responsible for claims processing and payment.
(iii) Administering to the Association's banking and limited investment activities.
(iv) Financial administration, including maintenance of all appropriate books and records and financial reporting.
(v) To the extent required, administration of any deficit assessment process.
(vi) Monitoring of the Federal Program and planning and execution of any actions required for re-start of the reinsurance program at the conclusion of the Federal Program.

IV. Financial Position. Attached hereto as Exhibit A are the Association's Audited Financial Statements for the 12 months ended December 31, 2013. Attached as Exhibit B is an unaudited, interim financial report for the three months ended March 31, 2014. Set forth below is a summary of key financial metrics as of March 31, 2014.

Summary Key Financial Metrics
a/o March 31, 2014

Assets	
Cash/Investments	$7,255,720
Accrued Investment Interest	$8,299
Prepaid Expenses	$6,000
Total Assets	*$7,270,020*
Liabilities	
Accounts Payable	$14,581
Claims Payable	$381,332
IBNR	$5,810,971
Total Liabilities	*$6,206,883*
Fund Balance	$1,063,136
Projected Suspension Administration Costs	$250,000
Board Established Reserve for Adverse IRS Determination[1]	$432,500
Projected Surplus/(Deficit)	$380,636
Projected Re-Start Costs/Expenses	$500,000

[1] The Association has not yet received a ruling from the Internal Revenue Service regarding its Section 501(c)(26) tax exempt status. The Association is currently in discussions with the IRS on this issue. If adversely determined, the Association would be a taxable entity with potential federal tax liability for the 2012 and 2013 years totaling approximately $432,500 for both years on a combined basis. This reserve may be increased over time to account for any potential future tax liability at a rate of approximately 34% of any excess of claims reserves over actual final claims payments. This reserve is not required under generally accepted accounting principles; however, the Board has established this reserve as a Board Established Reserve as a matter of prudency to account for this uncertainty.

The basis for projected costs and expenses is discussed below. Association's IBNR reported in its December 31, 2013 Audited Financial Statements was established in consultation with its administrator and Milliman its consulting actuary. IBNR has been reduced on a dollar-for-dollar basis through claims payments to $5,810,971 as of the close of Q1 2014, as reflected in the Association's Internal Financial Statements For Three Months Ended March 31, 2014. The Association believes the IBNR is a realistic, but conservative estimate of that exposure. Projected Suspension Administration Costs are based on quotes provided by Ameriben, our administrator and the Association's experience to date with administrative costs for the limited scope of activity anticipated to be required. Projected re-start costs are based on the Association's experience with the original start-up of the Association's operations.

As of the date hereof, the Association is projecting that it has sufficient funds on hand to pay anticipated claims and fund minimal operations through December 31, 2016. The Association is invested principally in short term investments designed to provide sufficient liquidity to pay claims as required and otherwise satisfy its anticipated obligations. As of the date hereof, the Association proposes to allow the reinsurance program to develop to conclusion and make a determination at that time as to whether there is any actual surplus to be addressed. The Association believes it will be in a position to report those results to the Superintendent based on its audited financial statements for 2014, which it expects to be available on or about March 31, 2015.

As shown in the table above, the Association is projecting a surplus of $380,636, and costs of re-starting operations of approximately $500,000. Although there is a projected approximate $120,000 shortfall in the event of a re-start of the Association's operations, the Association believes it will have (or will have the ability to generate) sufficient resources to fund re-start if required.

Throughout the period of suspension, the Association expects to produce the following financial reporting. The Board reserves the authority to require additional financial reporting as it deems appropriate.

2014	➢ Monthly internal operations reports ➢ 2014 Audited Financial Statements
2015 & 2016	➢ Quarterly internal operations reports ➢ Annual Internal Financial Statements

V. <u>Re-Start of Operations</u>. Currently, there is a lack of clarity regarding whether re-starting the Association's reinsurance program as of January 1, 2017 will be necessary, and if so, what form that program will require. The health insurance landscape is a dynamic environment that is changing on a constant basis as the impact of the Patient Protection and Affordable Care Act ("ACA"), and related regulations and administrative policies and positions are developed. The market's response to the ACA, as implemented, is not yet clear, and the actual impact of the ACA on the health insurance market in Maine is even less clear.

As a result, the Association proposes to revisit the question of re-starting the Association's operations on an annual basis, as a pre-determined Board agenda item for the Association's annual meeting in April of 2015 and 2016. Prior to any decision regarding re-starting of operations, the Association will consult with the Superintendent, and ultimately file an amendment to its Plan of Operation detailing the specifics of the program and its re-implementation for the Superintendent's approval. Pursuant to the provisions of Public Law 2013, Chapter 273, on or before January 1, 2016, the Legislature's Insurance and Financial Services Committee is required to make a recommendation to the Superintendent regarding whether the Association should resume operations. That report will help inform the Superintendent's review of any amended plan filed by the Association. The Association will continue to monitor the Federal Program, as implemented, and be prepared to respond to any changes in that program.

Exhibit A
2013 Audited Financial Statements

Financial Statements
December 31, 2013 and 2012

Maine Guaranteed Access Reinsurance Association

EideBailly

CPAs & BUSINESS ADVISORS

Independent Auditor's Report

To the Board of Directors
Maine Guaranteed Access Reinsurance Association
Boise, Idaho

Report on the Financial Statements
We have audited the accompanying financial statements of Maine Guaranteed Access Reinsurance Association (the Association), which comprise the statements of assets, liabilities and net assets – modified cash basis as of December 31, 2013 and 2012, and the related statements of revenue and expenses and changes in net assets – modified cash basis and cash flows – modified cash basis for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Association's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of the Association as of December 31, 2013 and 2012, and its revenue and expenses for the years then ended in accordance with the modified cash basis of accounting, as described in Note 1.

Correction of Error
As discussed in Note 3 to the financial statements, the Association has restated the fair value measurement disclosure to correct an error in the classification of an investment from Level 2 to Level 1 as of December 31, 2012. Our opinion is not modified with respect to this matter.

As discussed in Note 9 to the financial statements, certain errors resulting in the overstatement of amounts previously reported as revenue and net assets as of December 31, 2012, were discovered by management of the Association during the current year. Accordingly, amounts reported for net assets, regular assessment revenue, and accounts payable have been restated in the 2012 financials now presented to correct the error. Our opinion is not modified with respect to this matter.

Basis of Accounting
We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Going Concern and the Affordable Care Act
We draw attention to Note 8 of the financial statements, which describes the effects of the Affordable Care Act on the operations of the Association. Our opinion is not modified with respect to this matter.

Eide Bailly LLP

Boise, Idaho
April 23, 2014

Maine Guaranteed Access Reinsurance Association

Statements of Assets, Liabilities, and Net Assets – Modified Cash Basis

December 31, 2013 and 2012

	2013	2012 Restated
Assets		
Current Assets		
Cash in bank	$ 3,350,440	$ 1,635,756
Premium receivable	1,437,967	1,303,557
Prepaid expenses	6,000	6,000
Accrued interest receivable	14,279	-
Investments	13,501,916	17,500,000
Total current assets	$ 18,310,602	$ 20,445,313
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 68,746	$ 405,348
Claims payable	8,095,200	11,504,619
Estimated liability for claims incurred but not reported	9,000,000	5,000,000
Total current liabilities	17,163,946	16,909,967
Net Assets	1,146,656	3,535,346
	$ 18,310,602	$ 20,445,313

	2013	2012 Restated
Revenues		
Premiums earned	$ 18,136,499	$ 8,176,047
Less claims incurred	(47,413,489)	(18,010,366)
Excess claims over premiums	(29,276,990)	(9,834,319)
Special assessments	-	263,496
Regular assessments	27,393,699	13,683,520
Total operating revenue (loss)	(1,883,291)	4,112,697
Operating Expenses		
Contracted management services	400,827	315,320
Professional fees	90,925	242,162
Interest and bank charges	15,137	3,260
Other administrative costs	14,705	16,609
Total operating expenses	521,594	577,351
Income (Loss) from Operations	(2,404,885)	3,535,346
Nonoperating Income (Expense)		
Interest income	45,921	-
Loss on investments	(29,726)	-
Total nonoperating income	16,195	-
Change in Net Assets	(2,388,690)	3,535,346
Net Assets, Beginning of Year	3,535,346	-
Net Assets, End of Year	$ 1,146,656	$ 3,535,346

	2013	2012 Restated
Operating Activities		
Change in net assets	$ (2,388,690)	$ 3,535,346
Adjustments to reconcile change in net assets to cash from (used for) operating activities		
Loss on sale of investments	29,726	-
Investment income	(45,921)	-
Changes in assets and liabilities		
Premiums receivable	(134,410)	(1,303,557)
Prepaid assets	-	(6,000)
Accounts payable	(336,602)	405,348
Claims payable	(3,409,419)	11,504,619
Estimated liability for claims incurred but not reported	4,000,000	5,000,000
Cash from (used for) Operating Activities	(2,285,316)	19,135,756
Investing Activities		
Purchase of investments	-	(23,500,000)
Sale of investments	4,000,000	6,000,000
Net Cash from (used for) Investing Activities	4,000,000	(17,500,000)
Net Change in Cash	1,714,684	1,635,756
Cash, Beginning of Year	1,635,756	-
Cash, End of Year	$ 3,350,440	$ 1,635,756

See Notes to Financial Statements

Note 1 - Organization and Significant Accounting Policies

Organization Structure

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. After a deductible of $7,500, the Association will cover losses at 90% up to $32,500 and at 100% after $32,500.

The Association officially commenced operations on January 1, 2012. Premium collections and claims processing began on July 1, 2012.

Basis of Accounting

The accompanying financial statements have been prepared on the modified cash basis of accounting, which is a basis of accounting other than generally accepted accounting principles (GAAP). Under that basis, assessment revenues are recognized when received rather than when earned. Consequently the Association has not recognized accounts receivable for assessments and its related effects on earnings in the accompanying financial statements.

Under a pure cash basis method, all revenues are recognized when cash is received and expenses are recognized when cash is disbursed. Under the modified cash basis, the pure cash basis is adjusted for certain assets and liabilities. These adjustments relate to premiums receivable, claims payable, and the liability for claims incurred but not reported.

Management has modified the financial statements for these items.

Assessments

The Board assessed each insurer a one-time organizational assessment of $500 per Insurer. On a quarterly basis, the Board assessed 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 insured to cover any net loss incurred.

Cash

For purposes of reporting cash flows, cash includes only cash held in the bank.

Investments

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement of assets, liabilities and net assets – modified cash basis. Net investment gain/(loss) is reported in the statement of revenue and expenses and changes in net assets – modified cash basis and consists of interest and dividend income, realized and unrealized capital gains and losses, less investment management and custodial fees.

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. To date, the Association has not experienced losses in any of these accounts. 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.

Fair Value of Financial Instruments

FASB ASC 825 requires disclosure of fair value information about financial instruments, whether or not recognized in the statement of assets, liabilities, and net assets – modified cash basis. The fair value of a financial instrument is the current amount that would be exchanged between willing parties, other than in a forced liquidation. Fair value is best determined based on quoted market prices. However, in many instances, there are no quoted market prices for various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in immediate settlement of the instruments. The standard excludes certain financial instruments and all non-financial instruments from its disclosure requirements. The carrying amounts reported in the statement of assets, liabilities, and net assets – modified cash basis for cash and long-term debt approximate the fair value of those financial assets and liabilities.

Revenue and Revenue Recognition

Premium revenue is recognized when earned. Program fees and claim payments are expensed in the period the services are incurred. Assessments are recognized when cash is received.

Investment Income and Gains

Investment income and gains are reported as increases in unrestricted net assets.

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.

Display of Net Assets

The accompanying financial statements have been prepared in accordance with ASC 958-205, "Presentation of Financial Statements of Not-For-Profit Organizations." Accordingly, the net assets of the Association are reported in each of the following three classes: (a) unrestricted net assets, (b) temporarily restricted net assets, and (c) permanently restricted net assets. Under these provisions, net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. As of December 31, 2013 and 2012, there were no temporarily or permanently restricted net assets.

Any net assets held by the Association upon its termination will be distributed to the Association's existing member carriers in accordance with the then-existing assessment formula. As there is no intention to permanently terminate the Association, the net assets are reported as unrestricted.

Significant 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 these 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

It is management's position that the Association is a non-profit tax exempt organization under 501(c)(26) of the IRC. Management has submitted a request for a private letter ruling confirming that status.

Subsequent Events

The Association has evaluated subsequent events through April 23, 2014, the date which the financial statements were available to be issued.

Note 2 - Cash Deposits

As of December 31, 2013 and 2012, the book balance of deposits was $3,350,440 and $1,635,756, respectively. The bank balance was $7,204,476 and $3,060,971, respectively. At times during the year, the Association has exceeded FDIC insurance coverage on its cash deposit balances.

Note 3 - Fair Value Measurement and Disclosure

Topic ASC 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under the authoritative guidance are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Association has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other mean

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2013 and 2012.

Money market deposit accounts: Valued at carrying value, which approximates fair value, based on the amount of net contributions plus any investment earnings allocated to the account.

Certificates of deposit: Valued at cost plus accrued interest, which approximates fair value.

Corporate bonds: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuer with similar credit ratings.

U.S. agency securities: Valued using pricing models maximizing the use of observable inputs for similar securities.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Association believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Association's assets at fair value as of December 31:

	2013			
	(Level 1)	(Level 2)	(Level 3)	Total
Money market deposit accounts	$ 7,749,020	$ -	$ -	$ 7,749,020
Certificates of deposit	-	3,496,205	-	3,496,205
US agency securities	-	739,288	-	739,288
Corporate bonds	-	1,517,403	-	1,517,403
Total assets at fair value	$ 7,749,020	$ 5,752,896	$ -	$ 13,501,916

	Restated 2012			
	(Level 1)	(Level 2)	(Level 3)	Total
Money market deposit accounts	$ 13,751,864	$ -	$ -	$ 13,751,864
Certificates of deposit	-	3,249,223	-	3,249,223
Corporate bonds	-	498,913	-	498,913
Total assets at fair value	$ 13,751,864	$ 3,748,136	$ -	$ 17,500,000

The fair value measurement disclosure has been restated as of December 31, 2012, to correct an error in the classification of the money market deposit account from Level 2 to Level 1 based on observable inputs identified in the valuation methodology.

Changes in Fair Value Levels

The availability of observable market data is monitored to assess the appropriate classifications of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

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, 2013 and 2012, there was $1,146,656 and $3,535,346, respectively, available to offset future losses.

Note 5 - Provisions for Unpaid Claims and Claims Administration

In accordance with the modified cash basis of accounting, 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 that were participating in the program during the year. The Association's Board of Directors monitors the estimates with assistance from actuarial consultants, and the necessary adjustments are reflected in current operations. 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:

	2013	2012
Unpaid losses and loss adjustment expenses, beginning of year	$ 5,000,000	$ -
Incurred losses and loss adjustment expenses		
Provision for insured events of the current year	43,982,067	18,010,366
Increase in provision for insured events of prior year	3,431,422	-
Total incurred losses and loss adjustment expenses	47,413,489	18,010,366
Payments		
Losses and loss adjustment expense attributable to insured events of the current year	34,982,067	13,010,366
Losses and loss adjustment expense attributable to insured events of the prior year	8,431,422	-
Total payments	43,413,489	13,010,366
Unpaid losses and loss adjustment expenses, end of year	$ 9,000,000	$ 5,000,000

The provision for insured events and loss adjustment increased during the year ended December 31, 2013. This increase is primarily due to unanticipated development in 2013 on losses incurred during 2012, and the corresponding change in the actuarial estimates of ultimate liabilities for incurred claims over 2012.

Note 6 - Management Contract

The Association has entered into an Administrative Services Agreement with AmeriBen Solutions, Inc. (ABS). ABS provides general management and accounting services to the Association. The agreement, effective March 1, 2012, stipulated an annual assessment fee of $36,000 in addition to a monthly fee for each life reinsured by the Association, ranging from $8.00 to $9.10. The management service expense for the years ended December 31, 2013 and 2012 was $385,464 and $181,040, respectively. Of the expense paid during 2013 and 2012, $66,744 and $0 was payable at December 31, 2013 and 2012, 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 Program is covered through commercial insurance purchased by ABS to the extent of its employees' involvement with the Association. Current insurance coverage is summarized as follows:

Errors and omissions	$ 3,000,000
Employee bonding	$ 1,000,000

Note 8 - Affordable Care Act

The following is a brief summary of the circumstances relating to the anticipated temporary suspension of the operations of the Association.

The Association was established pursuant to an act of the Maine State Legislature. Separately, the federal Affordable Care Act establishes a temporary uniform national reinsurance program to be operated across all 50 states in the years 2014, 2015, and 2016 (the Federal Program). The Federal Program, which will provide coverage for 80% of claims between $60,000 and $250,000 across the entire individual insurance market, will be funded through assessments payable by all health insurers and TPAs (including those operating in Maine) at a rate of approximately $5.25 per person per month. As a result, Maine's health insurance market would be subject to double assessments for overlapping individual market reinsurance coverage if both the Association and the Federal Program were to operate conterminously.

Because the Federal Program does not contain an exemption for states, such as Maine, that operate their own reinsurance program, the Board has concluded that the only reasonable alternative is to suspend operation of the Association's reinsurance program during the pendency of the Federal Program in order to avoid the cost burden on the state's insurance market associated with overlapping reinsurance programs and multiple assessments. The Board further believes that there is a strong likelihood that there will still be a continued need for subsidization of the individual health market in Maine following the conclusion of the Federal Program.

The Maine Legislature adopted 2013 Public Law ch. 273 amending the Association's Enabling Legislation to require the suspension of the Association's operations during the period in which the Federal Program is in effect. The legislation permits the Association to retain its existing statutory authority to wind down its operations, including (i) paying reinsurance claims incurred prior to the effective date of its suspension of operations; and (ii) imposing any additional assessment necessary to fund any net losses for the period of the Association's operation pursuant to 24-A M.R.S. §3957(5). The Association is required to file an amendment to its Plan of Operation on or before June 30, 2014. On or before January 1, 2016, the Joint Standing Committee of the Legislature having jurisdiction over insurance and financial services matters shall conduct a review and evaluation, and make a recommendation to the Superintendent of Insurance, as to whether the Association should resume operations as of January 1, 2017, which is the anticipated date of termination of the Federal Program

Note 9 - Correction of Error

In 2013, the Association determined that one of the carriers overpaid its regular assessments in 2012. Therefore, restatement of the 2012 financial statements was required. The following sets forth the previously reported and restated amounts of selected items within the statements of assets, liabilities and net assets–modified cash basis and the related statements of revenue and expenses and changes in net assets–modified cash basis and cash flows–modified cash basis for the year ended December 31, 2012.

	As Previously Reported	Restatement	As Restated
Selected Statement of Assets, Liabilities and Net Assets Data (modified cash basis) as of December 31, 2012			
Accounts payable	$ 55,708	$ 349,640	$ 405,348
Total current liabilities	16,560,327	349,640	16,909,967
Net assets	3,884,986	(349,640)	3,535,346
Selected Statement of Revenue and Expenses and Changes in Net Assets Data (modified cash basis) for 2012			
Regular assessments	14,033,160	(349,640)	13,683,520
Total operating revenues	4,462,337	(349,640)	4,112,697
Change in net assets	3,884,986	(349,640)	3,535,346
Net assets, end of year	3,884,986	(349,640)	3,535,346
Selected Cash Flow Data (modified cash basis) for 2012			
Change in net assets	3,884,986	(349,640)	3,535,346
Changes in assets and liabilities			
Accounts payable	55,708	349,640	405,348

Exhibit B
Internal Financial Statements
For
3 Months Ended March 31, 2014

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MGARA

Maine Guaranteed Access Reinsurance Association

Monthly Operations Report

March-14

AmeriBen / IEC Group

MGARA
Balance Sheet
as of 3/31/2014

	2014	2013
Assets		
Cash/Investments (Note 1)	$7,255,720	$19,037,136
Assessment Receivable	0	0
Accrued Investment Interest Receivable	8,299	0
Allowance for Bad Debts	0	0
Premium Receivable	0	1,339,702
Grant Receivable	0	0
Claims Receivable	0	0
Prepaid Expenses	6,000	6,000
Total Assets	$7,270,020	$20,382,839
Liabilities		
Accounts Payable (Note 2)	14,581	124,556
Claims Payable	381,332	4,721,134
IBNR Liability	5,810,971	5,000,000
Deferred Assessment Liability	0	0
Line of Credit	0	0
Total Liabilities	6,206,883	9,845,691
Fund Balance	$1,063,136	$10,537,148

Statement of Revenues and Expenditures
For the 3 Months Ending March 31, 2014

	Current Month	YTD 2014	YTD 2013
Revenues			
Organizational Assessment	$0	$0	$0
Regular Assessment	$0	$1,008	$7,033,184
Additional Assessment	$0	$0	
Premiums	$0	$135	$4,761,880
Grant Income	$0	$0	$0
Gain on Investments	$-3,743	$3,365	$0
Penalty Income	$0	$0	$0
Interest Income	$4,032	$11,165	$4,150
Misc Income	$0	$0	$0
Total Income	$289	$15,672	$11,799,214
Total Income excluding Assessments and Grants		**$14,664**	**$4,766,030.18**
Expenditures			
Claims Incurred	$383,083	$3,189,029	$5,004,319
Change in IBNR	$-383,083	$-3,189,029	$0
Administration Fees	$11,507	$77,079	$94,968
Interest Expense	$0	$0	$0
Professional Fees (Note 3)	$14,814	$20,903	$44,694
Insurance Expense	$0	$0	$0
Bank Charges	$1,209	$1,209	$2,499
Other Expenses	$0	$0	$573
Total Expenses	$27,530	$99,191	$5,147,053
Revenues excluding Assessments and Grants in Excess of Expenditures	**$-27,241**	**$-84,527**	**-$381,022.42**
Revenues in Excess of Expenditures/ (Expenditures in Excess of Revenues)	$-27,241	$-83,519	$6,652,162
Fund Balance - Beginning		$1,146,656	$3,884,986
Fund Balance - Ending		$1,063,137	$10,537,148

MGARA
Statement of Changes in Fund Balance
as of 3/31/2014

Notes to Financial Statement

Note 1: Schedule of Cash/Investments

Key Bank	$	183,031.94
Key Bank Investments	$	7,072,688.29
	$	7,255,720.23

Note 2: Schedule of Accounts Payable

Administrative fees	$	8,507.06
Professional Fees	$	4,899.23
Insurance Expense	$	-
Investment Fees	$	-
Interest	$	-
Other Expenses	$	1,175.02
Total Accounts Payable	$	14,581.31

Note 3: Professional Fees Expense

	Current Month		Year to Date	
Actuarial	$	-	$	-
Legal	$	4,899.23	$	10,989.48
Accounting	$	9,915.00	$	9,915.00
Investment	$	-	$	-
Miscellaneous Expense	$	-	$	-
	$	14,814.23	$	20,904.48