

MINUTES OF THE MEETING
THE FLORIDA BIRTH-RELATED
NEUROLOGICAL INJURY COMPENSATION ASSOCIATION

June 15, 2018
Conference Call

The June 15, 2018 conference call meeting of the Board of Directors of the Florida Birth-Related Neurological Injury Compensation Association was called to order by Charlie Lydecker.

Present and constituting a quorum were:

Charlie Lydecker
Marcos Lorenzo, M.D.
Steven Dukes, M.D.
Robert White

Also present:

Kenney Shipley, NICA Executive Director
Tim Daughtry, NICA Deputy Director
Steve Ecenia, NICA General Counsel
Jennifer Milam, Office of Insurance Regulation
Liz Morris, Department of Financial Services
Steve Lehmann, Pinnacle Actuarial Resources
Janice Yecco, NICA Investment Consultant
Felicia Bennett, Wilshire Consulting
Jeremy Agrinzonas, BlackRock
Strock Moore, BlackRock
Adnan Virani, Sterling Capital Management
Scott Spangenberg, Logan Circle Partners
Fraser Thomson, Baillie Gifford

The Chair asked for a motion to approve the minutes of the April 6, 2018 Board meeting.

A motion was made to approve the minutes as drafted. The motion passed unanimously.

Reserve Evaluation and Claims Status

Steve Lehmann presented the December 31, 2017 actuarial reserve evaluation.

The overall reserve for loss and loss adjustment expenses, including both allocated and unallocated loss adjustment expense, was \$827.2 million gross of anticipated reinsurance

recoveries. This was an increase of \$8.0 million since the reserves established on September 30, 2018. The increase during the quarter was primarily due to an increase in case reserves.

Anticipated reinsurance recoveries were \$22.1 million, representing a decrease of \$16.7 million since the prior quarter. The estimated reinsurance recoveries were revised to reflect the Panel Award after the Phase I hearing of the commutation arbitration (other than interest, discussed below). The arbitration panel had provided guidance on certain issues. The calculations for reinsurance recoverables in the December 31, 2017 report had been adjusted to reflect the actuaries' understanding of the Phase I award. Additional factors would be decided in a Phase II hearing.

Paul Monsees of Foley and Lardner further discussed the Phase I Panel Award. The arbitration panel had decided that the valuation date should be seven years after the expiration of each birth year (e.g. as of 12/31/2009 for birth year 2002). The panel had not yet ruled on which rate of interest should be used to reflect that NICA did not receive the commutation funds seven years after the end of each birth year. The interest rate is one of the issues that would be decided in Phase II. Due to the uncertainty regarding the interest rate, the recoverable amounts reflected in the actuarial report would not include interest until the panel has ruled on the appropriate interest rate to use.

Steve Lehmann continued with a summary of the key exhibits from the December 31, 2017 actuarial report. The exhibits detailed case reserves as established by NICA, payments and incurred but not reported (IBNR) and loss development amounts by birth year. The present value of case reserves as set by NICA staff had increased by \$6.7 million to \$547 million since the previous quarter. IBNR reserves, which included development of known claims as well as claims that have not yet been reported, were \$279 million which represented an increase of \$1.4 million for the quarter. The combined estimated reserve increased by \$8 million for the quarter to \$827.2 million.

Exhibits summarizing the estimated reinsurance recoveries as of December 31, 2017 were presented. The estimated recoveries for specific excess was \$10.15 million and aggregate excess was \$11.527 million. Experience refunds recoverable were \$427 thousand. The total estimated reinsurance recoverable was \$22.1 million which was a decrease of \$16.7 million since the prior quarter, without consideration of interest.

A motion was made to approve the December 31, 2017 actuarial reserve evaluation. The motion passed unanimously.

Mr. Lehmann then discussed the risk margin reserve. NICA had historically set the risk margin reserve at the 80% confidence level. No change was recommended to the risk margin reserve of \$73.5 million which would reflect a confidence level of slightly greater than 80%. (This is in addition to the \$827.2 million reserve for allocated and unallocated loss adjustment expense.)

A motion was made to accept the recommendation of no change to the risk margin reserve. The motion passed unanimously.

Investments

NICA's investment advisor, Janice Yecco, provided an update regarding NICA's investment portfolio.

At the previous meeting, the Board had approved the transition of high yield fixed income from active management (Neuberger Berman) to passive management (BlackRock). That transition was completed in May 2018.

Reinsurance Commutation

Ms. Shipley discussed the reinsurance commutation. The next phase of the arbitration hearing would be in October 2018. Additional issues regarding the commutation had been discussed during the presentation of the actuarial report.

There being no further business before the Association, the meeting was adjourned.

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