

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

March 22, 2019
Orlando Airport Hyatt
Orlando, Florida

EXECUTIVE SESSION

The Executive Session of the March 22, 2019 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
Steven Dukes, M.D.
Marcos Lorenzo, M.D.
Robert White

Also present:

Kenney Shipley, NICA Executive Director
Tim Daughtry, NICA Deputy Director
Steve Ecenia, NICA General Counsel (by phone)
Steve Menton, NICA General Counsel's Office, Rutledge Ecenia
Martin Goldberg, Lash & Goldberg
Paige Davis, Department of Financial Services

Current and potential litigation issues were discussed.

The Board then met in regular session.

GENERAL SESSION

Charlie Lydecker then called the General Session of the Board meeting to order.

Present and constituting a quorum were:

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

Also present:

Kenney Shipley, NICA Executive Director
Tim Daughtry, NICA Deputy Director
Steve Ecenia, NICA General Counsel (by phone)
Steve Menton, NICA General Counsel's Office, Rutledge Ecenia
Tamara St. Hilaire, Office of Insurance Regulation (by phone)
Paige Davis, Department of Financial Services (by phone)
Janice Yecco, NICA Investment Consultant
Steve Lehmann, Pinnacle Actuarial Resources
Felicia Bennett, Wilshire Consulting
Warren DeKinder, Intech (by phone)
Scott Spangenberg, Logan Circle Partners (by phone)
Nicole Marchand, BlackRock (by phone)

The Chair asked for a motion to approve the minutes of the August 30, 2018 Board meeting conference call.

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

Investments

Janice Yecco followed with a discussion of overall economic fundamentals as well as NICA's investment performance results. As of December 31, 2018, the overall portfolio was down approximately \$57.9 million from the previous calendar year end. This was primarily due to negative results in the fourth quarter in both fixed income and equity markets as all asset types sold off dramatically. For the twelve months ending December 31, 2018, NICA's US Equity Composite underperformed the benchmark by approximately 49 bps. The primary driver of the underperformance was Intech which had underperformed its benchmark by 165 bps. Non-US equity managers had underperformed by 240 bps. The fixed income composite outperformed by 14 bps driven primarily by the results of Logan Circle.

Through the end of February 2019, the NICA portfolio had recovered the 2018 losses with increases of approximately \$72 million since December 31, 2018.

A discussion followed regarding NICA's policy of rebalancing the portfolio and the target allocations and ranges around those targets.

Investment manager reviews with all managers had been held the previous week in Tallahassee. Results of those meeting would be presented at the next meeting.

Felicia Bennett of Wilshire Consulting then presented the executive summary for the quarter ending December 31, 2018 and the investment manager Watch Lists as of September 30, 2018 and December 31, 2018.

There was one manager on the Watch List, Intech (since September 30, 2016). Watch List status was triggered by their five-year value-added number which was 120 bps below the policy index. Their performance relative to peers was second quartile.

A recommendation would be made at the next board meeting as to whether change managers and whether to remain with active management in this strategy or move to passive management.

Reserve Evaluation

Steve Lehmann followed with the September 30, 2018 actuarial reserve evaluation.

For the quarter ending September 30, 2018 the overall recommended reserve for loss and loss adjustment expenses, including both allocated and unallocated loss adjustment expense, was \$835.7 million gross of anticipated reinsurance recoveries. This was an increase of \$3.3 million since June 30, 2018. Anticipated reinsurance recoveries of \$18.5 million had decreased \$3.6 million since the June 30, 2018 report. No change was proposed in the risk margin reserve of \$73.5 million.

Summary exhibits from the September 30, 2018 actuarial report were presented. The exhibits detailed case reserves as established by NICA, payments and incurred but not reported (IBNR) and loss development amounts by birth year. The assumptions used for prospective inflation of 3.5% and prospective investment rate of return of 5% had not changed since the last evaluation. Mr. Lehmann pointed out that the significant factor is the differential between the two which was 1.5%. The other key assumption was the incurred loss development factor of 1.099 for 357 months to ultimate. The present value of case reserves of \$556.93 million had increased by just under 1 million since June 30, 2018. The reserve for IBNR and development of \$278.78 million increased by approximately \$2.4 million for the quarter.

The Chair asked if the number of new entrants into NICA had remained constant or increased. He asked that an analysis of this trend be presented at the next meeting.

Exhibits summarizing the estimated reinsurance recoveries as of September 30, 2018 were presented. The estimated recoveries of approximately \$18.5 million were comprised of specific excess of \$10.1 million, aggregate excess of \$7.9 million and experience refunds of \$427,215. Mr. Lehmann pointed out that the numbers presented did not include any investment return from the valuation date (seven years after the expiration of each birth year) to present which will be added based on the Arbitration Panel's Phase I order, and calculated after the Phase II order is issued.

A motion was made to approve the September 30, 2018 actuarial reserve evaluation. The motion passed unanimously.

Mr. Lehmann continued with a presentation of the Calculation of Threshold for Suspension of Claims as of September 30, 2018. He explained that this is a statutorily required test. Based on the analysis and test, NICA met the statutory requirement.

A motion was made to approve the September 30, 2018 Threshold Calculation. The motion passed unanimously.

Legislation

As of the date of the Board meeting, there was no proposed legislation directly affecting NICA.

Ms. Shipley advised the Board that NICA claimants are encouraged to obtain health insurance when they are not already covered. NICA pays premiums, deductibles and copays on behalf of claimants. There is no current requirement in the Florida Statutes that claimants have additional coverage. Staff is currently looking into the possibility of a statutory amendment requiring claimants to obtain health insurance at NICA's expense.

Commutation of Reinsurance

An arbitration hearing had been held in New York from February 18-22, 2018 regarding the commutation with Gen Re. An order from the Arbitration Panel had not yet been received as of the Board meeting.

Checking Account Resolution

Due to his recent promotion, Bryan Anderson had moved out of state and resigned from NICA's Board of Directors and could no longer serve as a signer on NICA's checking account.

A motion was made for a resolution to remove Bryan Anderson as a signer on NICA's checking account. The motion passed unanimously.

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