

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

December 4, 2020  
Virtual Meeting/Conference Call

The December 4, 2020 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  
Samuel Wolf, D.O.  
Robert White  
Bryan Anderson  
Steven Dukes, M.D.

Also present:

Kenney Shipley, NICA Executive Director  
Tim Daughtry, NICA Deputy Director  
Steve Ecenia, NICA General Counsel  
Tana Story, NICA General Counsel's Office  
Robert Ridenour, Office of Insurance Regulation  
Janice Yecco, NICA Investment Consultant  
Felicia Bennett, Wilshire Consulting  
Mark Crawshaw, Madison Consulting  
Matt Dufek, Kikoda  
Jason White, Kikoda  
Linda Nelson, NICA Computer Consultant  
Nicole Marchand, BlackRock  
Kana Daniel, MetLife  
Daniel Chang, Miami Herald  
Carol Marbin Miller, Miami Herald  
Pierre Taylor, Miami Herald

The Chair asked for a motion to approve the minutes of the August 28, 2020 Board meeting.

**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 results.

While economic activity decreased during the second quarter of 2020, there was a significant rebound in the third quarter of an approximate annualized rate of 33%.

As of September 30, 2020, the NICA portfolio excluding cash had returned 4.64% for the quarter and 11.14% for the trailing twelve months. For the same period, the policy index had returned 4.23% for the quarter and 8.88% for the trailing twelve months.

The Fixed Income composite returned 2.23% underperformed the benchmark of 2.25% for the quarter. Sterling Capital was a positive contributor for the quarter. An underweight to Core Bonds had a positive impact as core bonds lagged the other fixed income segments in the composite. The Long Duration Credit Composite underperformed its benchmark. An overweight to Long Duration Credit, and underweights to High Yield and U.S. TIPS had a negative impact on active performance.

The U.S. Equity Composite returned 8.37% for the quarter underperforming the Russell 3000 index of 9.21% by 84 bps net of fees. Wellington and Panagora underperformed their respective benchmarks for the quarter. An underweight to U.S. Large Cap, which was the best performing size segment, was also a negative contributor.

The Non-U.S. Equity composite returned 10.16% net of fees and outperformed the its MSCI ACWI ex U.S. benchmark return of 6.25% by 391 bps. This composite is entirely actively managed. Both managers in this space, Baillie Gifford and Schroders, were positive contributors.

Total Market value of the fund increased by \$155 million over the last 12 months ending September 30, 2020. The NICA portfolio ended the quarter with an overweight to Equities and an underweight to Fixed Income and Cash.

The strong performance in equity markets had triggered rebalance of the portfolio. Funds were reallocated from Non US Equity to Core Bonds.

### **Revisions to Statement of Investment Policy**

The SEC recently revamped its standards regarding who was a Qualified Institutional Buyer (QIB). Previously, NICA was not considered a QIB because it did not meet any of the very specific types of investors. Under the new standards, NICA would be considered a QIB. A revised Statement of Investment Policy was presented that removed the prohibition against the purchase of private securities requiring Qualified Institutional Buyer status. This would allow NICA's investment managers to purchase section 144A securities. A lengthy discussion of these types of securities followed.

Other recommended revisions to the Statement of Investment Policy:

In the Investment Structure section, remove “establishing an active risk budget for each asset class relative to the passive alternative.”

In the Diversification and Risk Controls section:

Clarification that the written investment guidelines refer specifically to guidelines contained within Investor Management Agreements.

Specific guidelines for fixed income and equity portfolios were removed from the Investment Policy Statement as these would be included in the Investment Manager Agreements.

In the Investment Manager Retention and Termination section:

The time period over which improvement or other resolution will occur for managers placed on the Watch List was revised from six months to six to twelve months.

**A motion was made to approve the revisions of the Investment Policy Statement. The motion passed unanimously.**

Felicia Bennett of Wilshire Consulting then presented the executive summary for the quarter ending September 30, 2020 and the investment manager Watch List as of September 30, 2020.

Charts were presented detailing the attribution of the investment results. Total value added charts showed that using active management had been the main driver of outperformance net of fees. In passive accounts, the manager value added percentage would be zero or slightly negative. A discussion followed regarding active versus passive management and which parts of the market benefit from each of these types of investments.

There was one manager on the Watch List, Panagora (since 3/31/2020). Panagora triggered Watch List status due to their 5 year performance being below benchmark. It was recommended that NICA continue to monitor this manager.

### **Minimum Wage Change**

The Constitutional Amendment that was just passed increased the minimum wage to \$10/hour effective September 2021 and increases \$1 each year through 2026 to bring the minimum wage to \$15/hour after that.

NICA already pays \$10/hour to minimum wage caregivers.

**The Executive Director recommended increasing the amount NICA pays as minimum wage to \$11/hour effective the first pay period after January 1, 2021 and increase it by \$1 each year until 2025 at the same time.**

All other parents and caregivers are reimbursed at the Medicaid rate for the appropriate license level under the statute and will be increased automatically as Medicaid amends their reimbursement rate.

**A motion was made to accept the Executive Director's recommendation and increase the amount NICA pays as minimum wage to \$11/hour effective the first pay period**

**after January 1, 2021 and increase it by \$1 each year until 2025 at the same time. The motion passed unanimously.**

### **Reserve Evaluation and Threshold Calculation**

Mark Crawshaw of Madison Consulting Group followed with the September 30, 2020 actuarial reserve evaluation and threshold calculation.

The assumptions regarding the interest discount rate and the rate of inflation in the reserve evaluation had not changed from prior analyses which reflected a 1.5% differential between the two.

A summary of claims payments and reserves for periods from September 30, 2016 through September 30, 2020 was presented along with a summary of projected ultimate accepted claim counts by birth year. For the quarter ending September 30, 2020, the reserve for loss and loss adjustment expenses had increased by \$13.8 million to \$952.8 million. The increase was attributed to an increase in the number of outstanding claims in the third quarter of 2020. No change was recommended to the risk margin reserve of \$75.5 million. The average reserve per outstanding count had remained relatively stable since September 30, 2016. Quarterly payments had increased due to increases in the number of claims. Additional charts were presented detailing the changes in the outstanding claims counts by quarter, the reported claim counts on a rolling year basis and the ratio of accepted claims to reported claims.

For the benefit of new board member, Dr. Wolf, the Chair asked Dr. Crawshaw to summarize the process of calculating reserves. The reserve process begins with case reserves estimates prepared by the NICA staff on a claim by claim basis in current dollars. The actuaries adjust these estimates for inflation and investment returns to calculate the present value of the case reserves. Additional actuarial estimates are calculated for reserves for Incurred But Not Reported (IBNR) claims and development of known claims. A reserve for Unallocated Loss Adjustment Expense (ULAE) is included which represents the cost to administer the claims.

A lengthy discussion followed regarding actual claims versus IBNR claims.

The Calculation of Threshold for Suspension of Claims as of September 30, 2020 was discussed. This calculation 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, 2020 actuarial reserve evaluation. The motion passed unanimously.**

**A motion was made to approve the September 30, 2020 Threshold Calculation. The motion passed unanimously.**

### **Outreach**

Ms. Shipley advised the Board that staff was working with Sachs Media on a major overhaul to the NICA website.

### **Legislation**

As discussed at previous Board meetings, NICA has proposed an amendment to increase the parental award from \$100,000 to \$250,000 initially with an increase of 3% annually thereafter. NICA will continue to work to generate support for this legislation.

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

DRAFT