Financial Statements
and Other Financial Information

Florida Birth-Related Neurological Injury Compensation Association

Years ended June 30, 2026 and 2025
with Report of Independent Auditors



Florida Birth-Related Neurological Injury Compensation Association

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Report of Independent Auditors

Board of Directors
Florida Birth-Related Neurological Injury Compensation Association

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Florida Birth-Related Neurological Injury Compensation Association (NICA), which comprise the statements of net position as of June 30, 2026 and 2025, the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of NICA, as of June 30, 2026 and 2025, and the changes in its financial position and its cash flows for the years 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 Standard*s, 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 NICA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 NICA's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- 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 NICA'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 NICA'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.

Other Matters

Deficit Position

At June 30, 2026 and 2025, NICA had a deficit net position of approximately $223.2 million and $189.3 million, respectively. As discussed in Note 9 to the financial statements, additional funding sources as well as monitoring actions are described.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 6 through 9 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 auditing standards generally accepted in the United States of America, 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.

Other Information

Management is responsible for the other information. The other information comprises the Schedule of General and Administrative Expenses but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or whether the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 25, 2026 on our consideration of NICA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 NICA'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 NICA's internal control over financial reporting and compliance.



Tallahassee, Florida
August 25, 2026

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Florida Birth-Related Neurological Injury Compensation Association's (NICA) financial performance provides an overview of the Association's financial activities for the fiscal year ended June 30, 2026. Please read it in conjunction with NICA's basic financial statements, which begin on page 10. NICA was established to administer the Florida Birth-Related Neurological Injury Compensation Plan (the Plan). The Plan was established pursuant to the *Florida Birth-Related Neurological Injury Compensation Act*, Chapter 88-1, Laws of Florida, beginning January 1, 1989, and was created for the purpose of providing limited recovery, irrespective of fault, for certain birth-related neurological injuries. The Association and Plan referenced in the Florida Statutes are collectively known as NICA.

During the fiscal year ending June 30, 2026, the Florida Legislature passed SB 1668 which made certain changes to the NICA program. The following summarizes the key changes made by the legislation:

- Florida Birth-Related Neurological Injury Compensation Association (NICA) to maintain cash flow and actuarial soundness to be able to meet all current and future needs of plan participants in line with industry standards
    - Establishes specific triggers for the Office of Insurance Regulation (OIR) to raise additional revenue for NICA if OIR determines it's needed for actuarial soundness or cash flow
        - *Revenue sources are, in this order: a transfer of state funds (up to $20 million total), an assessment on casualty insurers, and a proportional increase of physician and hospital assessments.*
- Keeps NICA open to new participants even if the stock market temporarily dips
    - Resets the "threshold requirement" that would trigger program suspension so that this would only occur in extreme circumstances
        - *If OIR finds that plan isn't actuarially sound and the options available under law can't raise enough funds, NICA must let the Governor, Senate, House of Representatives, and OIR know within 5 days. Then NICA can't accept new claims except those injuries occurring more than 18 months before suspension.*
- Maintains current obstetrics tort environment by keeping NICA as first remedy for families
    - Makes clearer that all families with birth-injured infants must apply for NICA before the circuit court proceeds with claims
- Meets families' and participants' changing needs as lifespans lengthen

- Codifies participant benefits authorized by the NICA board through its statutory authority
    - *These are establishment of guardianships, a wider variety of housing-related costs, all costs of participant major medical health coverage, and psychotherapeutic care for family members*
- Modernizes terminology, referring to "participant" instead of "child"

- Strengthens NICA's program oversight to effectively discourage and respond to inaccurate and fraudulent billing by family members for participant care
    - Requires NICA's plan of operation to have a fraud and overpayment prevention and detection system
    - Prohibits payment to any family member for care if another person or entity provided care at that time
    - Allows NICA to bring disputes over alleged billing fraud to the Department of Administrative Hearings

- Puts into law the agreement with the Agency for Health Care Administration (AHCA) that NICA reimburse AHCA for services provided to NICA families

- Codifies longstanding board policy requirements to reinsure risk through required participant major medical health coverage, with NICA paying all premiums, copays, coinsurance, deductibles, and other costs related to such coverage for the participant
    - Sets deadlines for new and existing participants to obtain coverage:
        - *New participants without health coverage who want Medicaid must apply for Medicaid within 30 days of the final order, and have other insurance within 60 days of the final order or Medicaid denial*
        - *Existing participants must have health coverage by January 1, 2027*
    - Requires reasonable, medically necessary claims for care received by June 30, 2026, that were not reimbursed due to lack of health coverage to be repaid by NICA by December 31, 2026.

- Increases Legislative oversight of NICA benefits
    - Prohibits the NICA board from creating new benefits or expanding current benefits that have additional costs if the plan is operating at a cash flow deficit, based on audited financial statements
        - *The bill did not change other existing statute regarding NICA coverage of medically necessary and reasonable expenses*

  - Requires NICA to include the annual cost of any new or expanded benefits that it recommends in its annual report

- Requires NICA to detail independent contractors' compensation in the annual reports required each November and January

- Cleans up statute

  - Removes obsolete language regarding the start-up of the plan in the 1980's and the revamp of plan benefits in 2021, as well as language on past practices

As of June 30, 2026, NICA's total assets increased by $118 million (or 7.81%), primarily due to an increase in investments (see Table 1). Investments increased by $102 million (or 6.8%) resulting primarily from investment holding gains, gains realized on proceeds from securities sold, investment income earned, which were offset by payment of claims expenses.

Total liabilities of NICA increased by $152.1 million (or 8.92%) as of June 30, 2026, primarily due to an increase in claims reserve and an increase in payable for securities purchased (see Table 1). Claims reserve increased by $113.5 million (or 6.68%) primarily due to revisions to the estimates of accumulated reported claims made by management, new claims reported during the year, and the actuarial estimates of incurred but not reported (IBNR) claims for the current birth year. The increase in payable for securities purchased of $38.7 million is due to timing differences that occur when securities are traded by the investment managers but are not scheduled to settle until after the end of the fiscal year.

Table 1 – Net Position

	June 30,	
	2026	**2025**
Investments	**$ 1,602,332,202**	**$ 1,500,282,771**
Receivable for securities sold	**12,726,170**	**249,657**
Investment income receivable	**8,164,017**	**6,052,339**
Property and Equipment, Net	**3,317,809**	**2,795,252**
Right of Use Asset (Lease)	**1,919,903**	**2,093,186**
Other assets	**4,421,172**	**3,184,165**
Total assets	**1,632,881,273**	**1,514,657,370**
Claims reserves	**1,813,500,000**	**1,700,000,000**
Payable for securities purchased	**40,064,423**	**1,328,191**
Lease Liability Current	**186,929**	**173,283**
Lease Liability Non Current	**1,735,187**	**1,922,116**
Other liabilities	**579,808**	**575,034**
Total liabilities	**1,856,066,347**	**1,703,998,624**
Net investment in capital assets	**3,317,809**	**2,795,252**
Restricted	**(226,502,883)**	**(192,136,506)**
Total net position	**$ (223,185,074)**	**$ (189,341,254)**

During the year, operating revenues from assessments increased by $510,786 (or 1.34%) primarily due to an increase in hospital assessments of $455,200.

Operating expenses increased by $74.2 million (or 50.13%) primarily due to an increase in claims incurred (see Table 2). Compared to the prior fiscal year, claims incurred increased by $74 million higher revisions in the current year of the estimates of accumulated reported claims made by management and a higher number of active compensable claims filed during the year.

NICA recorded net investment income of $149.9 million for the year ended June 30, 2026 (see Table 2). NICA's net investment income was primarily comprised of unrealized gains of approximately $75.2 million, realized gains of $ 48.9 million and interest and dividend income of $27.7 million, which were offset by investment management fees of $1.9 million.

The net effect of the operating revenues and expenses and the recognition of investment income was a decrease in net position of $ 33.8 million (see Tables 1 and 2).

Table 2 – Changes in Net Position

	Years ended June 30, 2026	2025
Hospital assessments	**$ 4,027,900**	**$ 3,572,700**
Physician assessments	**34,495,533**	**34,439,947**
Total operating revenues	**38,523,433**	**38,012,647**
Claims incurred	**217,145,506**	**143,129,789**
Other operating expenses	**5,131,728**	**4,923,245**
Total operating expenses	**222,277,234**	**148,053,034**
Operating loss	**(183,753,801)**	**(110,040,387)**
Investment income and other income	**151,826,244**	**140,251,425**
Investment fees	**(1,916,263)**	**(2,914,656)**
Total nonoperating revenues and expenses	**(149,909,981)**	**137,336,769**
Change in net position	**$(33,843,820)**	**$ 27,296,382**

Florida Birth-Related Neurological Injury Compensation Association

Statements of Net Position

	June 30, 2026	June 30, 2025
Assets		
Current assets:		
Cash and cash equivalents	$ 2,151,130	$ 1,033,098
Prepaid expenses and other current assets	127,042	90,067
Total current assets	2,278,172	1,123,165
Receivables for securities sold	12,726,170	249,657
Operating lease, right-of-use assets	1,919,903	2,093,186
Investment income receivable	8,164,017	6,052,339
Assessments receivable	2,143,000	2,061,000
Investments	1,602,332,202	1,500,282,771
Property and equipment, net	3,317,809	2,795,252
Total assets	$ 1,632,881,273	$ 1,514,657,370
Liabilities and net position		
Current liabilities:		
Accounts payable and accrued expenses	$ 288,712	$ 282,489
Accrued investment fees	291,096	292,545
Operating lease liabilities	186,929	173,283
Total current liabilities	766,737	748,317
Payable for securities purchased	40,064,423	1,328,191
Operating lease liabilities, net of current portion	1,735,187	1,922,116
Claims reserves	1,813,500,000	1,700,000,000
Total liabilities	$ 1,856,066,347	$ 1,703,998,624
Net position:		
Net investment in capital assets	$ 3,317,809	$ 2,795,252
Restricted	(226,502,883)	(192,136,506)
Total net position	$ (223,185,074)	$ (189,341,254)
Total liabilities and net position	$ 1,632,881,273	$ 1,514,657,370

See accompanying notes.

Florida Birth-Related Neurological Injury Compensation Association

Statements of Revenues, Expenses, and Changes in Net Position

	Years ended June 30,	
	2026	**2025**
Changes in net position		
Operating revenues:		
Hospital assessments	$ 4,027,900	$ 3,572,700
Physicians assessments	34,495,533	34,439,947
Total operating revenues	38,523,433	38,012,647
Operating expenses:		
Depreciation and amortization	873,433	830,432
General and administrative expenses	4,258,295	4,092,813
Claims incurred	217,145,506	143,129,789
Total operating expenses	222,277,234	148,053,034
Operating loss	(183,753,801)	(110,040,387)
Nonoperating revenues (expenses):		
Investment income	151,826,244	140,251,425
Investment fees	(1,916,263)	(2,914,656)
Total nonoperating revenues	149,909,981	137,336,769
Change in net position	(33,843,820)	27,296,382
Net position at beginning of year	(189,341,254)	(216,637,636)
Net position at end of year	$(223,185,074)	$(189,341,254)

See accompanying notes.

Florida Birth-Related Neurological Injury Compensation Association

Statements of Cash Flows

	Years ended June 30,	
	2026	**2025**
Cash flows from operating activities:		
Cash received from hospitals and physicians	$ 38,441,433	$ 37,488,397
Cash payments to claimants and vendors	(103,645,506)	(51,709,789)
Cash payments to service providers and suppliers	(2,039,102)	(2,071,317)
Cash payments to employees for services	(1,562,665)	(1,400,934)
Cash payments for employee benefits	(687,273)	(584,965)
Net cash used in operating activities	(69,493,113)	(18,278,608)
Cash flows from financing activities:		
Purchase of property and equipment	(1,395,991)	(1,026,055)
Net cash used in noncapital financing activities	(1,395,991)	(1,026,055)
Cash flows from investing activities:		
Purchase of investments	(1,459,541,377)	(1,566,912,265)
Proceeds from sales of investments	1,481,147,564	1,564,143,643
Change in receivable from securities sold	(12,476,513)	2,015,336
Change in payable for securities purchased	38,734,532	(5,190,490)
Interest and dividends from investments	26,060,643	28,113,391
Investment management fees	(1,917,713)	(2,998,512)
Net cash provided by financing activities	72,007,136	19,171,103
Net increase (decrease) in cash and cash equivalents	1,118,032	(133,560)
Cash and cash equivalents at beginning of year	1,033,098	1,166,658
Cash and cash equivalents at end of year	$ 2,151,130	$ 1,033,098
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	(183,753,801)	(110,040,387)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	873,433	830,432
Changes in operating assets and liabilities:		
Assessments receivable	(82,000)	(524,250)
Prepaid expenses and other current assets	(36,974)	42,248
Accounts payable and accrued expense	6,229	(6,651)
Claims reserves	113,500,000	91,420,000
Net cash used in by operating activities	$ (69,493,113)	$ (18,278,608)

See accompanying notes.

1. Summary of Significant Accounting Policies

Nature of the Business

The Florida Birth-Related Neurological Injury Compensation Association (the Association) was established to administer the Florida Birth-Related Neurological Injury Compensation Plan (the Plan). The Plan was established pursuant to the *Florida Birth-Related Neurological Injury Compensation Act*, Chapter 88-1, Laws of Florida, beginning January 1, 1989, and was created for the purpose of providing limited recovery, irrespective of fault, for certain birth-related neurological injuries. The Association and Plan referenced in the Florida Statutes are collectively known as NICA.

Initial funding for NICA was provided by hospital and physician assessments and a transfer of $20 million from the Florida Department of Financial Services Insurance Regulatory Trust Fund.

If the hospital and physician assessments and the $20 million transfer from the Insurance Regulatory Trust Fund result in inadequate cash flow, the Office of Insurance Regulation shall authorize transfers from the Insurance Regulatory Trust Fund of up to a maximum of $20 million over the life of the plan. (Note 2). Also, if NICA is not actuarially sound and is unlikely to become so within a specified period, the Department of Financial Services, Office of Insurance Regulation shall first assess entities licensed in Florida to issue casualty insurance based on a rate of no greater than .25% of net direct premiums written, and then, if necessary, increase hospital and physician assessments

If the office finds that the plan is not actuarially sound and the remedies provided in law are unable to reestablish the actuarial soundness of the plan, NICA shall provide notice to the Governor, the President of the Senate, the Speaker of the House of Representatives, and the Office of Insurance Regulation; thereafter, the association may not accept any new claims without express authority from the Legislature. However, injuries occurring 18 months or more prior to the effective date of the suspension shall not be precluded.

1. Summary of Significant Accounting Policies (continued)

Reporting Entity

Activities of NICA are reported in the state of Florida financial statements with other discretely presented component units.

Basis of Accounting

NICA follows financial reporting requirements for enterprise funds, which use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recognized when they are incurred.

The financial statements have been prepared in conformity with the pronouncements of the Governmental Accounting Standards Board (GASB), including GASB Statement No. 14, *The Financial Reporting Entity*, which defines NICA as a component unit of the state of Florida.

Assessments

An assessment of $250 per physician is required by *Florida Statutes* for all licensed physicians in the state of Florida, subject to certain exclusions. In addition, physicians have the option of electing to participate in NICA. Those physicians so electing are required to remit a total assessment of $5,000. Certified nurse midwives who have paid 50% (or $2,500) of the participating physician assessment and who are supervised by a participating physician may also participate in NICA. Additionally, each hospital licensed under Chapter 395, *Florida Statutes*, must pay NICA an assessment of $50 per live infant delivered at the hospital during the prior calendar year, subject to certain exclusions.

Assessments are recognized at the time they are levied (annually) by NICA. The amount of physician and hospital assessments is subject to change based on the actuarial analysis of NICA.

1. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and interest bearing deposits with an original maturity of three months or less are considered cash equivalents. Investment purchases made through the Office of the Treasurer, State of Florida, are considered to be investments.

Cash consists of demand deposits with financial institutions. Deposits with financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per depositor, per FDIC-insured financial institution. Bank deposits at times may exceed federally insured limits. NICA has not experienced any losses in such accounts.

Additionally, NICA maintains certain demand deposit accounts with qualified public depositories. Qualified public depositories of public funds are required to provide collateral each month pursuant to Chapter 280.04, *Florida Statutes*. The collateral is held by the Florida Division of Treasury or other custodian with full legal rights maintained by the Florida Division of Treasury to transfer ownership. Any loss not covered by the pledged securities and deposit insurance would be assessed by the Florida Division of Treasury and paid by the other public depositories. Therefore, any amount of NICA's demand deposits in excess of FDIC protection would be fully insured or collateralized.

Assessments Receivable

The management of NICA considers assessments receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been recorded.

Investments

Investments in debt and equity securities and futures are stated at fair value. Fair values are based on quoted values in custodian statements and/or quoted market prices. *Florida Statutes* and NICA's investment policy permit NICA to enter into securities lending transactions.

1. Summary of Significant Accounting Policies (continued)

Investments (continued)

The financial instruments exposed to concentrations of credit risk consist primarily of its cash, cash equivalents, and investments. All investment transactions have credit exposure to the extent that a counterparty may default on an obligation of NICA. Credit risk is a consequence of carrying investment positions. To manage credit risk, NICA focuses primarily on higher quality, fixed income securities, limits its exposure in any one investment, and monitors quality.

Property and Equipment

Property and equipment is recorded at cost less accumulated depreciation. Property and equipment is depreciated over its estimated useful lives ranging from three to fifteen years using primarily the straight-line method. NICA's policy is to capitalize asset acquisitions greater than $500.

Leases

Leases are defined as the right to use an underlying asset. As lessee, NICA recognizes a lease liability and a right-of-use lease asset at the beginning of a lease unless the lease is considered a short-term lease or transfers ownership of the underlying asset. Right-of-use lease assets are measured based on the net present value of the future lease payments at inception, using the weighted average cost of capital, which approximates the incremental borrowing rate. Remeasurement of a lease liability occurs when there is a change in the lease term and/or other changes that are likely to have a significant impact on the lease liability. NICA calculated the amortization of the discount on the lease liability and reports that amount as outflows of resources. Additional disclosure regarding leases are in Note 5 of the financial statements.

1. Summary of Significant Accounting Policies (continued)

Claims Reserves

The liability for claims reserves is based on an actuarial determination and represents the estimated ultimate net cost of all unpaid reported and unreported claims and claim adjustment expenses. These liabilities are subject to the impact of future changes in claim severity and other factors. The unpaid claims and claim adjustment expense estimates are continually reviewed and, as adjustments become necessary, such adjustments are reflected in current operations. The ultimate settlement of claims and claim adjustment expenses may vary significantly from the actuarial estimates.

Net Position

The net position of NICA is restricted to carry out the public purpose of the program as provided under the Act.

Revenue Recognition

Operating revenues consist of hospital and physicians assessments and are recognized when earned. Nonoperating revenues consist of various forms of investment income.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

1. Summary of Significant Accounting Policies (continued)

Subsequent Events

NICA has evaluated subsequent events through NEED DATE, the date the financial statements were available to be issued. During the period from June 30, 2026 to NEED DATE, NICA did not have any material recognizable subsequent events.

2. Appropriation - Office of Insurance Regulation

Pursuant to 766.314(7)(b), Florida Statutes, if the Office of Insurance Regulation determines that the plan lacks adequate cash flow for the following fiscal year pursuant to the review described in 766.314(7)(a), Florida Statutes, the office shall authorize transfers from the Insurance Regulatory Trust Fund to the association within 30 calendar days. Cumulative transfers authorized under this paragraph may not exceed $20 million over the life of the plan.

3. Investments

The framework for measuring fair value 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) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under GASB 72 are described as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that a government can access at the measurement date.
Level 2: Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.
Level 3: Unobservable inputs for an asset or liability.

3. Investments (continued)

The following table set forth by level, within the fair value hierarchy, NICA's assets at fair value as of June 30, 2026.

Asset Type	Level 1	Level 2	Level 3	Total
Cash sweep - short term investment fund	$ -	$ -	$ 69,707,507	$ 69,707,507
Equities	16,751,256	-	-	16,751,256
Fixed income securities	177,392,990	523,384,389	-	700,777,379
Preferred securities	-	16,482	-	16,482
Annuities	-	-	3,685,900	3,685,900
Futures Contracts	478,791	-	-	478,791
	194,623,037	523,400,871	73,393,407	791,417,315
Other investments:				
Pooled investment in Florida State Treasury	-	-	-	314,121
Pooled investments reported at net asset value	-	-	-	810,097,850
Foreign currency	-	-	-	502,916
Total assets at fair value	$ 194,623,037	$ 523,400,871	$ 73,393,407	$ 1,602,332,202

3. Investments (continued)

The following table set forth by level, within the fair value hierarchy, NICA's assets at fair value as of June 30, 2025.

Asset Type	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash sweep - short term investment fund	$ -	$ -	$ 72,322,365	$ 72,322,365
Equities	10,997,106	-	-	10,997,106
Fixed income securities	85,067,153	341,168,457	-	426,235,610
Preferred securities	-	-	-	
Annuities	-	-	3,510,110	3,510,110
Futures Contracts	916,671	-	-	916,671
	96,980,930	341,168,457	75,832,475	513,981,862
Other investments:				
Pooled investment in Florida State Treasury	-	-	-	301,472
Pooled investments reported at net asset value	-	-	-	985,751,760
Foreign currency	-	-	-	247,677
Total assets at fair value	$ 96,980,930	$ 341,168,457	$ 75,832,475	$ 1,500,282,771

3. Investments (continued)

As of June 30, 2026, investments of NICA were as follows:

Types of Investments	Fair Value	Effective Duration (in years)
Classifiable Investments:		
Annuities	$ 3,685,900	N/A
Asset-backed securities	23,633,021	1.28
Corporate bonds	361,265,233	7.53
Federal Home Loan Mortgage	26,530,438	3.99
Federal National Mortgage Association	43,402,878	4.33
Futures contracts	478,791	N/A
Government National Mortgage Association	11,453,934	4.47
International government bonds	13,080,431	9.46
U.S. government bonds	177,613,113	9.93
Collateralized mortgage obligations	27,603,961	3.08
Municipal bonds	3,197,497	9.15
Small Business Administration	12,471,113	2.54
Other U.S. Agency Securities	525,760	7.95
U.S. Debt	235,332,129	N/A
Pooled investment in Florida State Treasury	314,121	3.43
Equity securities	592,036,375	N/A
Total classifiable investments	1,532,624,695	
Non-classifiable investments:		
Cash sweep - short term investment fund	69,707,507	N/A
Total non-classifiable investments	69,707,507	
Total investments	$ 1,602,332,202	

3. Investments (continued)

As of June 30, 2025, investments of NICA were as follows:

Types of Investments	Fair Value	Effective Duration (in years)
Classifiable Investments:		
Annuities	$ 3,510,110	N/A
Asset-backed securities	18,854,546	1.94
Corporate bonds	228,173,162	9.34
Federal Home Loan Mortgage	22,218,636	4.17
Federal National Mortgage Association	29,436,728	4.91
Futures contracts	813,882	N/A
Government National Mortgage Association	5,661,858	3.69
International government bonds	11,887,559	11.67
U.S. government bonds	85,067,154	12.29
Collateralized mortgage obligations	11,380,355	2.20
Municipal bonds	1,403,041	9.77
Small Business Administration	11,632,527	2.40
Other U.S. Agency Securities	520,043	8.45
U.S. Debt	428,644,239	N/A
Pooled investment in Florida State Treasury	301,472	3.33
Equity securities	568,455,094	N/A
Total classifiable investments	1,427,960,406	
Non-classifiable investments:		
Cash sweep - short term investment fund	72,322,365	
Total non-classifiable investments	72,322,365	
Total investments	$ 1,500,282,771	

3. Investments (continued)

Investments are diversified to minimize the risk of loss resulting from over compensation of assets in a specific maturity period, a single issuer, or an individual class of securities.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. To mitigate investment risk, investing is performed in accordance with investment policies adopted by the Board of Directors complying with Section 215.47, *Florida Statutes*. State statutes provide for investment of funds in a range of instruments, including federally guaranteed obligations, other federal agency obligations, certain state bonds, commercial paper, obligations of a Florida political subdivision as permitted by law, common stock, repurchase agreements, and reverse repurchase agreements.

Custodial credit risk is the risk that, in the event of the failure of the counterparty, NICA will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Custody of NICA's investments is currently maintained in NICA's name by Bank of New York Mellon pursuant to a custodial agreement. Additional accounts are maintained in NICA's name under separate agreements with BlackRock Institutional Trust Company, N.A. and the Division of Treasury of the state of Florida. Structured settlement annuities are maintained under agreements with Talcott Resolution Life Insurance Company, which has a A3 rating.

Generally, investing activities are performed by investment managers hired by NICA to implement established investment policies.

3. Investments (continued)

NICA's asset allocation policy is as follows:

Asset Class	Permissible Range
Defensive/Rate Sensitive Allocation	42% - 58%
Growth Allocation	24% - 32%
Defensive Growth Allocation	15% - 21%
Inflation Sensitive Allocation	3% - 5%

Credit Quality Rating. Section 215.47, *Florida Statutes*, and NICA's investment policy limits investments based on ratings provided by nationally recognized statistical rating services. Investments limited by ratings are as follows:

1. Commercial paper rated in the highest rating classification by one nationally recognized rating agency.
2. Municipal securities rated in the top four highest rating by two nationally recognized rating services.
3. Registered foreign bonds denominated in U.S. dollars rated in the top four rating classifications by two nationally recognized rating services.
4. Asset-backed securities rated in the highest rating classification by one nationally recognized rating service.

Debt Security Type	Quality Rating Moody's	Fair Value
Asset-backed	A2	$ 265,810
Asset-backed	Aa2	960,160
Asset-backed	Aaa	12,016,482
Asset-backed	NR	10,390,569
Collateralized mortgage obligation	Aa1	823,446
Collateralized mortgage obligation	Aa3	173,515
Collateralized mortgage obligation	Aaa	14,991,881
Collateralized mortgage obligation	NR	11,615,119
Corporate bonds	A1	34,330,257

3. Investments (continued)

Debt Security Type	Quality Rating Moody's	Fair Value
Corporate bonds	A2	31,602,322
Corporate bonds	A3	41,770,361
Corporate bonds	Aa1	4,874,752
Corporate bonds	Aa2	7,030,575
Corporate bonds	Aa3	29,170,847
Corporate bonds	Aaa	13,670,796
Corporate bonds	B1	2,905,112
Corporate bonds	B2	593,592
Corporate bonds	Ba1	12,941,044
Corporate bonds	Ba2	3,655,634
Corporate bonds	Ba3	2,964,043
Corporate bonds	Baa1	48,734,836
Corporate bonds	Baa2	66,420,941
Corporate bonds	Baa3	27,378,880
Corporate bonds	NR	29,242,886
Corporate bonds	WR	3,978,355
Federal Home Loan Mortgage	Aa1	26,530,438
Federal National Loan Mortgage	Aa1	29,997,924
Federal National Loan Mortgage	NR	13,404,954
Futures contracts	NR	478,791
Government National Mortgage Association	Aa1	5,544,308
Government National Mortgage Association	NR	5,909,626
International Government Bonds	A1	488,083
International Government Bonds	Aa1	843,137
International Government Bonds	Aa2	194,995
International Government Bonds	Aa3	2,190,086
International Government Bonds	Baa3	9,159,535
International Government Bonds	NR	204,595
Municipal bonds	A2	1,030,980
Municipal bonds	Aa1	1,502,412
Municipal bonds	Aa2	664,105
Other U.S. Agency	Aa1	525,760
Small Business Administration	Aa1	12,471,113
U.S. Debt	NR	235,332,129
U.S. Government Bond	Aa1	177,392,990
U.S. Government Bond	NR	220,123
		$ 936,588,299

3. Investments (continued)

Concentration of Credit Risk is the risk of loss attributed to the magnitude of NICA's investment in a single issuer. NICA assets are expected to be diversified across and within asset classes. However, NICA does not specify a limit on the amount that may be invested in any one issuer.

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments that are held for longer periods are subject to increased risk of adverse interest rate changes. For reporting purposes, NICA selects effective duration to disclose the portfolio's exposure to changes in interest rates. Duration is a measure of a fixed income's cash flows using present values, weighted for cash flow as a percentage of the investment's full price. Effective duration makes assumptions regarding the most likely timing and amounts of variable cash flows arising from such investments as callable bonds, prepayments, and variable rate debt.

NICA is invested in collateralized mortgage obligations. These securities and obligations are based on cash flows from payments on underlying mortgages. Therefore, they are sensitive to prepayments by mortgagees, which may result from a decline in interest rates.

3. Investments (continued)

Foreign Currency Risk is the risk that changes in the exchange rates will adversely affect the fair value of an investment. NICA's investment policy permits it to invest up to 18 percent of total investments in international equities. At June 30, 2026, NICA's exposure to possible foreign currency risk by monetary unit is as follows:

Investment Type	Currency Type	Maturity	Fair Value 2026
Currency	Canadian Dollar	n/a	$ 99
	Danish Krone	n/a	36,172
	Euro Currency Unit	n/a	122,812
	Hong Kong Dollar	n/a	37,358
	Japanese Yen	n/a	165,101
	Pound Sterling	n/a	62,470
	South African Rand	n/a	7,387
	Swedish Krona	n/a	38,698
	Swiss Franc	n/a	32,819
Common stock	Euro Currency Unit	n/a	19,059
	Israeli Shekel	n/a	58
	Turkish Lira	n/a	1
			$ 522,034

Pooled investments with the State Treasury and investments measured at net asset value are not subject to fair value hierarchy level classification under GASB Statement No. 72, *Fair Value Measurement and Application.*

4. Property and Equipment

Activity within the property and equipment accounts consists of the following for the year ended June 30, 2026:

	Beginning Balance	Additions	Deletions	Ending Balance
Property and equipment	$ 310,569	$ 14,198	$ (5,605)	$ 319,162
Software	7,281,009	1,386,678	-	8,667,687
Software in development	632,012	27,731	(32,617)	627,126
	8,223,590	1,428,607	(38,222)	9,613,975
Less accumulated depreciation and amortization	(5,428,338)	(873,433)	5,605	(6,296,166)
	$ 2,795,252	$ 555,174	$ (32,617)	$ 3,317,809

Activity within the property and equipment accounts consists of the following for the year ended June 30, 2025:

	Beginning Balance	Additions	Deletions	Ending Balance
Property and equipment	$ 315,207	$ 90,465	$ (95,103)	$ 310,569
Software	6,544,625	736,384	-	7,281,009
Software in development	432,506	199,506	-	632,012
	7,292,338	1,026,355	(95,103)	8,223,590
Less accumulated depreciation and amortization	(4,692,710)	(806,912)	71,284	(5,428,338)
	$ 2,599,628	$ 219,443	$ (23,819)	$ 2,795,252

Depreciation and amortization expense was $873,433 and $830,432 for the years ended June 30, 2026 and 2025, respectively.

5. Leases

NICA has entered into a lease for the use of office space. The term is 120 months beginning on the contract commencement date, May 31, 2024. As of June 30, 2026, a lease liability of $1,922,116 was recorded. NICA is required to make monthly payments ranging from $21,444 to $26,050 through the term of the lease. The value of the right of use asset as of June 30, 2026, is $1,919,303.

Total future undiscounted cash flows for each of the next five years and thereafter and a reconciliation to the lease liabilities recognized on the balance sheet as of June 30, 2026:

Years ending	Operating Leases
2027	$ 268,874
2028	274,618
2029	280,561
2030	286,775
2030	293,092
Thereafter	892,448
	2,296,368
Less imputed interest	(374,252)
	$ 1,922,116

6. Claims Reserves

Claims reserves are provided in amounts estimated to cover the custodial and rehabilitative costs resulting from certain birth-related neurological injuries of claimants of participating physicians and include an estimate of accumulated reported claims and claims incurred but not reported. The claim reserve is actuarially determined for birth years 1989 through June 30, 2026. The reserves utilize adjustment factors for the assumption of the annual investment return and the annual inflation rate.

Medical liability claims are volatile by nature. Although management of NICA believes that the estimate of the liability for losses and loss adjustment expenses is reasonable in the circumstances, uncertainty exists as to the ultimate amount that will be required for the payment of losses and claims. Due to the timeframe associated with the emergence of claims, the most recent two years' estimates have greater uncertainty. Accordingly, the ultimate closure of losses and the related loss adjustment expenses may vary significantly from the estimated amounts included in the accompanying financial statements.

NICA has adjusted claim reserves to provide for a risk margin in the event future contingent events and actual payments significantly exceed management's best estimate. The risk margin was approximately $87.5 million as of June 30, 2026.

6. Claims Reserves (continued)

Activity in the liability for unpaid claims and claim adjustment expenses is summarized as follows:

	June 30,	
	2026	**2025**
Balance at beginning of year, including risk margin	$1,700,000,000	$1,608,580,000
Claims incurred related to:		
Current birth year	102,555,920	113,659,973
Prior birth years	(8,272,026)	(53,470,068)
Total claims incurred	94,283,894	60,189,905
Claims adjusted related to prior birth years	116,925,433	66,403,400
Claims paid related to:		
Current year	-	(10,004)
Prior years	(103,645,506)	(51,699,785)
Total claims paid	(103,645,506)	(51,709,789)
Change in unallocated loss adjustment expense	1,855,467	1,116,484
Change in contingency margin	5,500,000	3,420,000
Change in medicaid estimate	(1,419,288)	12,000,000
Balance at end of year	$1,813,500,000	$1,700,000,000

7. Retirement Plan

Effective July 1, 2003, NICA established a defined contribution retirement plan, in the form of a 401(k) plan, which covers substantially all full time employees with at least one year of service. Contributions are accrued and funded on a current basis. NICA contributed 15% of the participating employees' salaries for the fiscal years ended June 30, 2026 and 2025. The contribution was $185,036 and $165,457 for the years ended June 30, 2026 and 2025, respectively.

8. Commitments and Contingencies

During the ordinary course of business, NICA is involved in various litigation. The ultimate outcome of this litigation is not known. Management believes the outcome of this litigation will not have a material impact on the results of operations or net position of NICA.

9. Deficit Position

During the current fiscal year NICA reported a negative change in net position of ($33.8) million which increased the deficit net position from ($189.3) million at June 30, 2025 to ($223.2) million at June 30, 2026.

Details of the circumstances that led to the deficit as well as mitigating factors are summarized in the paragraphs that follow.

During the 2021 legislative session, the Florida Legislature passed Senate Bill 1786 (SB 1786) which made substantial changes to the NICA program including explicit changes to certain benefit obligations. The changes in benefits included increases in the parental award, death benefit and housing assistance, expansion of the transportation benefit and the addition of a mental health benefit for family members of NICA participants. The actuarial estimate of the present value of these benefits are included in Claims Reserves.

9. Deficit Position (continued)

In November 2022, NICA entered into a settlement agreement in connection with the federal lawsuit captioned U.S. ex rel. Arven v. The Florida Birth-Related Neurological Injury Compensation Association, et al., No. 0:19-cv-61053 (S.D. Fla.) ("Action") in which it was alleged that NICA caused the submission of false claims to Medicaid in violation of the FCA by acting as the payor of last resort. The settlement included payments of approximately $51 million to the United States and $1.3 million to Relator's counsel for attorneys' fees and costs. NICA and its Board acted on advice of counsel, and believe it acted appropriately and in good faith at all times and consistently held the view for more than three decades that it was not a "third party" under 42 U.S.C. § 1396a(a)(25)(A). Accordingly, NICA did not knowingly cause the submission of false claims.

While NICA steadfastly believes it would have prevailed had this dispute gone to trial, it recognized that litigation is inherently unpredictable. In weighing its options, NICA management and its Board consulted with counsel and ultimately decided that it was in the best interest of the program to not only avoid future legal expenses, but also to avoid the risk of losing the lawsuit, which could have resulted in billions of dollars in exposure and been a financially devastating outcome.

Subsequently, NICA management refined the methodology used to prepare its estimates of accumulated reported claims which included the additional costs associated with SB 1786 as well as estimates of the expenses NICA would be covering, on a prospective basis that had previously been covered by Medicaid. In order to allow NICA families to continue to use their current delivery system, NICA and the Agency for Healthcare Administration (AHCA) agreed on a reimbursement process for payments made by Medicaid.

9. Deficit Position (continued)

The cumulative effect of these changes, plus inflation, led to an increase in the average claim size for an open active claim from $3.68 million at June 30, 2020 to $5.48 million at June 30, 2026 as well as increases in the total annual claims payments from $19.8 million to $69.5 million (including Medicaid reimbursements). The overall claims reserve liability has increased by $774 million during this time period due to the changes noted as well as an increase in the average number of open claims 225 to 279. At the same time, annual revenues from assessments only increased by $10.7 million from $27.8 million to $38.5 million.

During the fiscal year ending June 30, 2022, inflation and abrupt tightening of fiscal policy, along with disruption of energy and food supplies, led to both stock and bond market declines. As a result, NICA reported losses on investments of $305 million. These losses were offset by investment income in fiscal years ending June 30, 2023-June 30, 2026 totaling $459 million.

The impact of adverse investment activity and increased claims liabilities is mitigated by the following:

During the fiscal year ending June 30, 2026, the Florida Legislature passed SB 1668 which made certain changes to the NICA program. The following summarizes the changes made by the legislation that are relevant to the deficit net position:

- Enables the Florida Birth-Related Neurological Injury Compensation Association (NICA) to maintain cash flow and actuarial soundness to be able to meet all current and future needs of plan participants in line with industry standards
    - Establishes specific triggers for the Office of Insurance Regulation (OIR) to raise additional revenue for NICA if OIR determines it’s needed for actuarial soundness or cash flow

9. Deficit Position (continued)

- Codifies longstanding board policy requirements to reinsure risk through required participant major medical health coverage, with NICA paying all premiums, copays, coinsurance, deductibles, and other costs related to such coverage for the participant

- Increases Legislative oversight of NICA benefits
    - Prohibits the NICA board from creating new benefits or expanding current benefits that have additional costs if the plan is operating at a cash flow deficit, based on audited financial statements
    - Requires NICA to include the annual cost of any new or expanded benefits that it recommends in its annual report

Additional mitigating factors already in statute or policy:

- NICA's claims payments are made over many decades into the future.

- NICA, with the assistance of its outside investment consultants, completes an asset allocation review and study at least once every five years or sooner if there is a meaningful change in either financial condition of the Plan, the return objectives, risk tolerance, liquidity needs or a change in capital market conditions. Revisions to the investment policy are made as necessary to satisfy the primary goal of earning sufficient investment return to ensure payment of all current and future liabilities. Actual investment results are monitored closely by NICA, its outside consultants and the Board of Directors.

- NICA's claims reserve liability includes a risk margin reserve of $87.5 million at June 30, 2026.

- NICA continues to monitor its actuarial position and investment structure closely.

Other Reports

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*

Board of Directors
Florida Birth-Related Neurological Injury Compensation Association

We have audited, in accordance with the 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, the financial statements of the Florida Birth-Related Neurological Injury Compensation Association (NICA), which comprise the statement of net position as of June 30, 2026, and the related statements of revenues, expenses, and changes in net position and cash flows for the year ended, and the related notes to the financial statements and have issued our report thereon dated August 25, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered NICA'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 NICA’s internal control. Accordingly, we do not express an opinion on the effectiveness of NICA's internal control.

Report on Internal Control over Financial Reporting (continued)

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 entity'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. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether NICA'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*.

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 results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Thomas Howell Ferguson P.A.

Tallahassee, Florida
August 25, 2026

Other Financial Information

Florida Birth-Related Neurological Injury Compensation Association

Schedule of General and Administrative Expenses
Budget to Actual

Year ended June 30, 2026

	Budget	Actual	Variance - Positive (Negative)
Accounting services	$ 94,000	$ 89,576	$ 4,424
Bank charges	4,800	706	4,094
Dues and subscriptions	5,160	5,328	(168)
Insurance	476,000	471,125	4,875
Legal - general attorney fees and expenses	246,000	222,385	23,615
Legal - other expenses	1,400	50	1,350
Miscellaneous	200	26	174
Office supplies	8,600	6,766	1,834
Outreach	5,000	258	4,742
Payroll taxes	125,000	122,989	2,011
Postage	97,000	110,132	(13,132)
Printing services	66,000	59,893	6,107
Professional fees	1,098,785	987,559	111,226
Repairs and maintenance	132,500	147,327	(14,827)
Rent	263,300	263,234	66
Retirement	242,300	185,036	57,264
Salaries	1,627,000	1,572,258	54,742
Taxes and licenses	1,695	706	989
Telephone	10,800	11,237	(437)
Training and education	1,700	300	1,400
Travel	2,500	1,404	1,096
	$ 4,509,740	$ 4,258,295	$ 251,445

See report of independent auditors.