

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

June 12, 2020  
Virtual Meeting/Conference Call

**EXECUTIVE SESSION**

The Executive Session of the June 12, 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  
Robert White  
Marcos Lorenzo, M.D.  
Steven Dukes, M.D.

Also present:

Kenney Shipley, NICA Executive Director  
Tim Daughtry, NICA Deputy Director  
Steve Ecenia, NICA General Counsel  
Matt Dufek, Kikoda  
Jason White, Kikoda  
Tracy Brown, Phipps Reporting

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

Also present:

Kenney Shipley, NICA Executive Director  
Tim Daughtry, NICA Deputy Director  
Steve Ecenia, NICA General Counsel

Tamara St. Hilaire, Office of Insurance Regulation  
Daniel Chang, Miami Herald  
Carol Marbin Miller, Miami Herald  
Janice Yecco, NICA Investment Consultant  
Felicia Bennett, Wilshire Consulting  
Mark Crawshaw, Madison Consulting  
Matt Dufek, Kikoda  
Jason White, Kikoda  
Linda Nelson, NICA Computer Consultant  
Jacky Chu, BlackRock  
Adnan Virani, Sterling Capital  
Nicolas Totaro, Sterling Capital

The Chair asked for a motion to approve the minutes of the March 13, 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.

During the first quarter of 2020, the economic impact of the COVID-19 pandemic was devastating leading the Federal Reserve to take unprecedented steps to help prop up the economy.

In equity markets, large cap stocks outperformed small cap, growth stocks outperformed value and US markets outperformed international markets. The US dollar finished the quarter higher than most other currencies.

The abrupt halt in economic activity and uncertainty over the length of the coronavirus outbreak caused severe volatility and dislocation in the credit markets. Approximately \$60 billion of investment grade credit was downgraded to high yield during the quarter. High Yield bonds returned -11.5% in March 2020 which was the second largest negative return in the last 30 years.

For the quarter ended March 31, 2020, the overall NICA portfolio fell approximately 10% but outperformed the benchmark. The Fixed Income composite returned -3.16% for the quarter but outperformed the benchmark by 98 bps. The Long Duration manager, Met Life, outperformed its benchmark by a significant amount which contributed to active performance.

NICA's US equity composite underperformed the benchmark by 96 bps. Negative contributors included an underweight to U.S. Large Cap which was the best performing size segment and an overweight to Mid Cap stocks which underperformed. In addition, NICA's Small Cap manager underperformed its benchmark.

The Non-US Equity composite fell approximately 23% but outperformed its benchmark by 59 bps. NICA's overweight to growth stocks, Baillie Gifford, contributed to the outperformance with this manager exceeding its benchmark by 383 bps.

A rebalance of the portfolio was triggered in March and was implemented in April. The rebalance resulted in transferring \$17.5 million from Fixed Income to Non-US Equity. After the transfer, the portfolio was within its asset allocation ranges.

Since the end of March 2020, there had been a significant rally in equity markets. For the month of April 2020, the NICA portfolio increased approximately 7%. Markets continued to rally through May and through June 4, 2020. Through June 4, 2020, the NICA portfolio had almost fully recovered its January 2020 market value.

Manager reviews were held in March 2020. There were no significant items to report.

There were no recommendations or action items for the investment portfolio.

Felicia Bennett of Wilshire Consulting then presented the executive summary for the quarter ending March 31, 2020 and the investment manager Watch List as of March 31, 2020. There were two managers on the Watch List, Panagora (new for the 3/31/2020 quarter) and Schroders (since 6/30/2019). Panagora triggered Watch List status due to their 5 year performance being below benchmark. It was noted that Panagora was a Small Cap manager and Small Cap managers in general had underperformed. Although they had underperformed, Wilshire still had confidence in their style and process. It was recommended that NICA continue to monitor this manager. Schroders had two fourth quartile rankings relative to peers. It had been pointed out during the discussion of the executive summary that Schroders was a Value manager rather than Growth and that they were performing well relative to their style of investing but underperformed relative to the overall Non-US equity benchmark. It was also noted that Watch List status for Schroders was triggered for periods of performance that were before NICA hired this manager. It was recommended that NICA continue to monitor this manager.

### **Bank Resolution**

The Executive Director asked the Board to approve a resolution to add Board members Robert White, Jr., Bryan Anderson and Charlie Lydecker as authorized signers on NICA's checking account at Hancock Whitney Bank.

**A motion was made to approve the resolution. The motion passed unanimously.**

### **Reserve Evaluation**

Mark Crawshaw followed with the December 31, 2019 and March 31, 2020 actuarial reserve evaluations

A summary of claims payments and reserves for periods from December 31, 2016 through December 31, 2019 were presented along with a summary of projected ultimate accepted claim counts by birth year. For the quarter ending December 31, 2019, the reserve for loss and loss adjustment expenses had increased by \$65.9 million to \$918.1 million. The increase was primarily due to increases in case reserves that occurred during the quarter. Viewed over a longer time period, the increase in reserves was driven by increases in the number of outstanding claims counts. The average reserve per claim had remained relatively stable since December 2016.

The assumptions regarding the interest discount rate and the rate of inflation had not changed from prior analyses which reflected a 1.5% differential between the two. There was an enhancement to the methodology used to estimate the tail factor which is used to account for development beyond the maturity of the available experience data. Tail factors used in prior reports were largely based on judgement. The tail factor used in the December 31, 2019 report was based on the incremental payment method and more explicit assumptions regarding mortality and future payments. It was Dr. Crawshaw's opinion that the new tail factor calculation method was more reasonable and robust and was an improvement compared to the previous method.

For the quarter ending March 31, 2020, the total reserve for loss and loss adjustment expenses was \$931.5 million which was a \$13.4 million increase since the quarter ending December 31, 2019. The increase was attributed to an increase in the number of outstanding claims. A summary showing the claims payments, reserves and claims counts for various quarters showed an increase in the quarter of 6 claims.

The risk margin reserve calculation had been updated through December 31, 2019. A risk margin of \$75.5 million was recommended. This produced a confidence level of approximately 80% that the reserves held by NICA would be adequate to cover its future incurred loss and loss adjustment expense levels for birth years 1989-2019.

**A motion was made to approve the December 31, 2019 and March 2020 actuarial reserve evaluations and the risk margin of \$75.5 million. The motion passed unanimously.**

### **Legislation**

As discussed at the last Board meeting, NICA had worked with the Chief Financial Officer's office to include an amendment to increase the parental award in a bill initiated by the CFO. The amendment would have increased the parental award from \$100,000 to \$250,000 initially with an increase of 3% annually thereafter. The amendment did not pass during legislative session. NICA would continue to work to generate support to have the legislation included in an appropriate bill in either a special or regular legislative session.

**A motion was made that the Board supported the proposed amendment. The motion passed unanimously.**

### **General Counsel**

At the last Board meeting, materials had been included for discussion of a possible increase in the monthly fee paid to NICA's General Counsel. The Chair had asked that the Board members review these materials and discuss at a future meeting. The Chair asked the Board to approve an increase the annual retainer to \$120,000.

**A motion was made to increase the annual general counsel retainer to Steve Ecenia's firm to \$120,000. The motion passed unanimously.**

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