

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

April 6, 2018
Orlando Airport Hyatt
Orlando, Florida

EXECUTIVE SESSION

The Executive Session of the April 6, 2018 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.
Bryan Anderson
Steven Dukes, M.D.
Robert White (by phone)

Also present:

Kenney Shipley, NICA Executive Director
Tim Daughtry, NICA Deputy Director
Steve Ecenia, NICA General Counsel
Paul Monsees, Foley & Lardner (by phone)

Paul Monsees discussed the status of the reinsurance commutation with Gen Re.

Other 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
Marcos Lorenzo, M.D.
Bryan Anderson
Steven Dukes, M.D.
Robert White (by phone)

Also present:

Kenney Shipley, NICA Executive Director
Tim Daughtry, NICA Deputy Director
Steve Ecenia, NICA General Counsel
Tamara St. Hilaire, Office of Insurance Regulation (by phone)
Patricia Parrish, NICA Parent
Jay Parrish, NICA Parent
Rob Smith, NICA Investment Consultant
Janice Yecco, NICA Investment Consultant
Felicia Bennett, Wilshire Consulting
Warren DeKinder, Intech
Carter Reynolds, Neuberger Berman (by phone)
Jeremy Agrinzonas, BlackRock (by phone)
Adnan Virani, Sterling Capital Management (by phone)

The Chair asked for a motion to approve the minutes of the December 8, 2017 Board meeting.

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

Investments

Ms. Shipley then introduced Janice Yecco to the Board. Ms. Yecco would be replacing Rob Smith as NICA's investment consultant.

Rob Smith followed with a discussion of overall economic fundamentals as well as NICA's investment performance results. The one year returns as of February 28, 2018 for NICA's fixed income portfolio were 3.6%. The core bond active manager was adding value but the long duration and high yield managers were underperforming. The domestic equity returns were 16.7% for the 12 months ending February 28, 2018. All active domestic equity managers were adding value on a one year basis. International equity returns were 22.8% for the year. The total portfolio returns were 9.3% for the 12 months ending February 28, 2018.

At the previous meeting, the Board had approved narrowing the ranges around the target asset allocations. Since the last meeting, the allocations to U.S. Equity and Core Bond were outside the approved ranges. The U.S. Equity allocation was in excess of its upper range by \$13.7 million and the Core Bond allocation was below its lower range by \$25.5 million. The portfolio was rebalanced in February 2018 by reducing U.S. Equity by \$13.7 million with the balance of \$11.8 million from cash with the total of \$25.5 million transferred to Core Bond.

Mr. Smith then discussed the High Yield asset class. NICA's High Yield manager had underperformed the benchmark by 90 basis points, annualized, since inception in March 2011. The manager had been on the Watchlist since March 2016. An analysis was completed to determine whether NICA needed this asset class in its portfolio. The results of the analysis showed that it was highly unlikely to expect long term outperformance, net of fees, for active managers. However, removing this asset class would increase risk in the portfolio. Passive

management in High Yield is available but due to the high transaction cost, the long term performance expectations would be between -20 to -10 basis points annualized.

The recommendation was made to redeem shares in current actively managed High Yield fund (Neuberger Berman) and buy shares in currently managed passively managed High Yield fund (BlackRock).

Felicia Bennett of Wilshire Consulting then presented the investment manager Watchlist as of December 31, 2017. There were two Managers on the Watchlist. Neuberger Berman (since March 2016) which was previously discussed and the recommendation had been made to terminate this manager. Intech was also on the Watchlist (since September 30, 2016). Intech had triggered Watchlist status due to their five year value added results but their ranking remained in the second quartile relative to their peers. The recommendation was made to continue to monitor Intech.

The Chair then read the investment recommendation:

Recommendation:

Accept High Yield Asset Class Recommendation to redeem all shares in Neuberger Berman High Yield Income Fund (approximate market value \$37.3 million) and purchase shares in BlackRock High Yield Bond Index Fund B (current market value approximately \$76.9 million). Engage BlackRock Transitions to efficiently facilitate the transaction.

A motion was made to approve the above recommendation. The motion passed unanimously.

Mr. Lydecker thanked Mr. Smith for a wonderful job as NICA's investment consultant.

Revised Claims Benefit Handbook

Ms. Shipley discussed the proposed revisions to the Claims Benefit Handbook. Mr. and Mrs. Parrish, among other families, have made recommendations. One of the recommendations dealt with using the term "child" in reference to NICA claimants. Many claimants were now adults. The Benefit Handbook was amended to change the term being used from "child" to "participant".

Ms. Shipley advised the Board that Mr. and Mrs. Parrish had raised an issue regarding NICA's policy on mileage reimbursement. NICA typically only reimburses for mileage to take the participant to and from medical appointments. Mileage has not been reimbursed for a parent to travel from one city to another to provide care for the participant. It has been assumed that the participant is in the direct care and custody of the parent if the parent is being reimbursed for mileage.

Mrs. Parrish thanked Ms. Shipley for raising the issue with the Board. Mrs. Parrish felt that there were unique circumstances and assumptions should not be made and applied to all

participants. The issue involved travel by Mr. and Mrs. Parrish in an emergency situation to provide care to their daughter when other caregivers were not available.

The Chair asked staff to develop criteria that might contemplate an exception for mileage reimbursements in these unique situations.

Mrs. Parrish also asked whether or not the minutes of Board meetings were required to be published on the NICA website. Ms. Shipley advised that there was not a requirement that minutes be published on the website but that they were available upon request.

Ms. Shipley then discussed that a number of the NICA families had inquired about reimbursement for medical marijuana for management of pain and seizures. Mr. Ecenia stated that there is a process in Florida for physicians to recommend or refer a patient for medical marijuana. They are licensed by the Florida Department of Health and there are procedures that must be followed by those physicians. It was his recommendation that if the Board authorized reimbursement for medical marijuana, it should only be in situations that follow the existing requirements under Florida law and that only physicians authorized by the Florida Department of Health to recommend or authorize medical marijuana should be allowed to prescribe to NICA claimants.

A motion was made to accept the change in wording in the Benefit Handbook from “child” to “participant”; allow reimbursement for medical marijuana subject to Florida law; and to direct staff to come back to the Board with recommendations for criteria regarding reimbursement of mileage in unique situations when the participant is not in the vehicle with the parent. The motion passed unanimously.

IT Update

The new NICA Cares system had been deployed and was being used by the NICA staff.

Commutation of Reinsurance

The arbitration regarding the commutation process with Gen Re continued. The first phase of the arbitration had been completed. Phase two was scheduled for June. Any settlement negotiations would be subject to Board approval.

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