

**FLORIDA BIRTH-RELATED NEUROLOGICAL INJURY
COMPENSATION ASSOCIATION
BOARD MEETING AGENDA**

December 8, 2023

1:00 p.m.

1. Call to Order and Welcome
2. Executive Session (1:05 p.m)
3. Minutes.....A
4. Legislative Update
5. Executive Director Report.....B
6. State of Florida Auditor General Operational Audit.....C
7. Investments.....D
8. September 30, 2023 Actuarial Report and Threshold Report.....E
9. Net Assets.....F
10. Cash Flow.....G
11. Threshold Follow Up.....H
12. Lifetime Planning Update
13. Public Testimony
14. Board Votes
15. Next Meeting

Agenda Item # 3 (Tab A)

Minutes

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

August 24, 2023
Virtual Meeting via Zoom Video and Zoom Conference Call

The August 24, 2023, meeting of the Board of Directors of the Florida Birth-Related Neurological Injury Compensation Association was called to order by Chair Jim DeBeaugrine.

Board members present and constituting a quorum were:

Jim DeBeaugrine, MPA
Renee Oliver
Narendra Derreddy, M.D.
Bradley Tilghman

Also present:

Melissa Jaacks, NICA Executive Director
Tim Daughtry, NICA Deputy Director
Steve Ecenia, NICA General Counsel
Tana Storey, NICA General Counsel's Office
Ramiz Kseri, M.D., NICA Medical Director
Matt Dufek, Kikoda/NICA's IT Contractor
Tasha Carter, Florida Insurance Consumer Advocate
Denishia Sword, Office of the Insurance Consumer Advocate
Katy Wojciechowski, NICA Investment Consultant
Felicia Bennett, Wilshire Consulting
Jon Lewis, Wilshire Consulting
Choya Everett, Madison Consulting Group
Russell Perkins, Thomas Howell Ferguson
Cathy Siciak, NICA
Kathy Glombowski, NICA
Ainsley Hurley
Anthony Moro
Barbara Lopez Avila
Chelsea Reyes
Christina Okesson
Crystal Moro
Esther Morgan
Fatima Cruz
Jackie Amorim
Jacqueline Moody
Laura Sokalski

Meribel Roman
Michelle Glisar
Mr. Reyes
Rene VanSant
Robert Okesson
Sabrina Jostes

**Attendees who did not provide full names, were only logged in briefly or who did not identify themselves are not included on this list.

The Chair recognized NICA's General Counsel, Steve Ecenia. Mr. Ecenia announced that there would be no need for an executive session at the meeting. He requested an executive session at the next meeting. The request was granted.

MINUTES

The Chair asked for a motion to approve the minutes of the July 6, 2023 Board meeting.

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

EXECUTIVE DIRECTOR'S REPORT

During the first 10 – 12 months since Ms. Jaacks was hired the focus was almost exclusively on benefits which resulted in a much improved benefit handbook. Staff was caught up on the reserves and threshold. Going forward, the Board would receive that information in a much more timely manner.

The financial statements had been prepared and the audit completed in less than two months. Those statements are due to the Department of Financial Services by the end of August each year.

***** *Change in order of agenda* *****

At the Executive Director's request, the Chair recognized NICA's Medical Director, Ramiz Kseri, M.D. (The Executive Director's Report would resume after Dr. Kseri's discussion.)

MEDICAL DIRECTOR – INTRODUCTION/DISCUSSION

Dr. Kseri introduced himself to the Board and thanked them for having him at the meeting. He is a dually certified internist and pediatrician and the Clinical Skills Director at Florida State University. His clinical practice is divided between physical practice and teaching medical students.

At NICA, more structure was needed in how requests were navigated in a way that felt meaningful. Dr. Kseri's approach to medicine is do no harm and be the patient's best

advocate. For benefit requests, his focus is patient centered, evidence based and do no harm. Cost has no bearing on whether a request is approved.

The Chair asked if Board members had any questions.

Dr. Dereddy asked if Dr. Kseri practiced developmental pediatrics or worked with medically fragile children. Dr.Kseri responded that he has a number of patients who would fall into this category.

EXECUTIVE DIRECTOR'S REPORT (continued)

Ms. Jaacks added that she felt it was important to have a medical director who was attached to a university so they would be focused on new research as opposed to stuck in the past.

The sale of the building where NICA had previously its offices had closed the previous day.

As mentioned at the previous meeting, the Auditor General's office had indicated that a draft report would be available by the end of July. That did not occur but a working exit conference was scheduled for the following week. The draft report should be available within 30 days after that. A report should be available for the next Board meeting.

Active negotiations continued regarding the lease on the office space that had been approved by the Board at the previous meeting. A proposed move in date had been set for February 1, 2024 due to the need for new staff for which the current offices did not have space. There may be overlap between the two leases but staff was working on strategies to avoid that.

One of NICA's actuaries, George Turner of Turner Consulting, had decided to retire and Madison Consulting would be taking over. Madison Consulting had previously acted as the peer review actuary for NICA and consulted on various projects over the years.

INVESTMENTS

Performance Review

Katy Wojciechowski and Felicia Bennett followed with a presentation of NICA's investment results, and a correction to the investment policy.

Equity returns continued to be strong for the calendar year to date with bonds relatively flat.

The federal reserve continued their rate hikes. Headline inflation had dropped from 9.1% the previous year to around 3.2%. The Federal Reserve had a target of 2% inflation.

A chart showing NICA's current and future asset allocation policy targets was presented. As of June 30, 2023, NICA's investments were in compliance with the approved asset allocations at that time.

The total fund underperformed for the quarter ending June 30, 2023 by 40 basis points.

At the previous meeting, the Board had adopted a new Investment Policy Statement. Since then, a transition plan had been created to begin implementation towards the new target portfolio in a cost effective way.

Follow Up from Previous Meeting

During the last meeting, a NICA parent had expressed concern for the long term viability of the program based on the financial presentation and the prior year (6/30/2022) financial statements.

In response it was noted that while the investment portfolio did produce negative returns over the twelve months ended June 30, 2022, the asset side contributed just over half (57%) of loss in net position of the program. An almost equal driver of loss in net position was due to changes in the program liabilities with the litigation payouts and revaluation of future claims increased nearly 40% from the prior fiscal year. Asset values declined at the same time liabilities increased, which drove the loss in net position for the fiscal year ending June 30, 2022.

The NICA asset allocation policy is recommended based on the specific cash flow requirements of the NICA fund. These cash flows are longer duration in nature, lasting the lifetime of NICA's current and future participants. The asset allocation is implemented in a simple, cost effective manner, with nearly half of the portfolio invested in low cost, highly liquid index funds. The Fund does not hold alternative or illiquid private investments. Recent litigation resulted in a revaluation of the future payments due from the Fund and increased cash flow needs, which necessitated revisiting the asset allocation policy as discussed at the last meeting. The proposed reduction in long duration bonds was not made, as suggested, because they lost money, but because they are less appropriate for the NICA liabilities post litigation.

The concerned parent had named the Gates Foundation portfolio as a preferred investment approach, described as a diversified 80% stocks / 20% bonds portfolio. However, the Gates Foundation assets are invested in a highly concentrated 100% equity portfolio of just 23 stocks, with half of its market value in two stocks – Microsoft Corp, and Berkshire Hathaway Inc. (shares gifted annually by Warren Buffet). Foundations have a much different cash flow profile than NICA, with a simple spending policy of 5% of net assets. There are no future actuarial claims facing the Gates Foundation as there exist with NICA, in order to provide continuing support to NICA families.

NICA's asset allocation policy is designed to best ensure NICA can meet its future cash flow needs given the limited cash inflows from annual assessments, with a reasonable level of

expected volatility over the long term. NICA must rely on taking some capital market risk to ensure sufficient assets are available to pay future claims. NICA must plan for the long-term needs of the fund, knowing that it is likely to encounter some difficult short-term periods.

Corrected Investment Policy

At the previous meeting, there had been a drafting error in two of the benchmarks used to measure the performance of the approved asset classes. The corrected benchmarks are shown below:

Short Duration Bonds:	Bloomberg U.S. 1-3 Yr Gov/Cr Index
Global Min Vol Equity:	MSCI ACWI Minimum Volatility Index

The materials included in the board book had included an erroneous Non-US equity benchmark. No change was made to that benchmark.

A motion was made to approve the corrected Investment Policy Statement.

The Chair asked if there was a member of the public who wished to speak to the motion.

No one indicated that they wished to speak.

The motion passed unanimously.

ACTUARIAL UPDATE

The Chair recognized Choya Everett with Madison Consulting who works closely with Mark Crawshaw. In the past, Madison Consulting had served as the peer review actuary for reserve reports prepared by Turner Consulting. This was the first time Madison Consulting had prepared the reserve studies but had worked very closely with Turner Consulting over the years. The actuarial reports for December 31, 2022, March 31, 2023 and June 30, 2023 were prepared by Madsion Consulting and included in the materials for the meeting.

The June 30, 2023 report was presented in detail to the Board. Consistent with prior reports, the key assumption was a 1.5% differential between the interest discount rate and the rate of inflation affecting future payments.

The overall recommended reserve for loss and loss adjustment expenses, including both allocated and unallocated loss adjustment expenses was \$1.363 billion as of June 30, 2023. Additionally, the recommended risk margin reserve was \$75.5 million for a total outstanding reserve of \$1.438 billion.

The average reserve for an open/accepted claim increased from \$3.7 million prior to the implementation of Senate Bill 1786 to \$4.9 million. The increase is primarily due to NICA taking over the payment of expenses that were previously paid by Medicaid.

The number of outstanding open/accepted claims have had an annual increase of 3.6%. NICA's claim payments by quarter have increased from approximately \$5 million prior to SB 1786 to approximately \$14 million in the most recent two quarters. A summary of the changes by quarter was presented and discussed.

Threshold Report

The Threshold Calculation is required by Florida Statutes. It is a threshold that NICA must meet to be able to continue to accept claims. It is a minimum funding level that serves as a guardrail if the financial condition deteriorates significantly. It compares 80% of the funds on hand and funds available in the next 12 months to the claims reserves, excluding family care. For the quarter ending June 30, 2023, NICA exceeding the minimum threshold by \$85.4 million.

A motion was made to approve the December 31, 2022 reserve and threshold report, the March 31, 2023 reserve and threshold report, and the June 30, 2023 reserve and threshold report.

The Chair asked if there was a member of the public who wished to speak to the motion.

No one indicated that they wished to speak.

The motion passed unanimously.

AUDITED FINANCIAL STATEMENTS

Russell Perkins of Thomas Howell Ferguson presented the audited financial statements for the fiscal year ending June 30, 2023. He thanked Ms. Jaacks and Mr. Daughtry for promoting an efficient and effective financial statement audit. He reminded the Board that his firm was engaged by the Board of Directors and that Board members may reach out to him anytime during the year. There were no significant deficiencies or material weaknesses in internal control identified as part of the financial statement audit.

As a component unit of the State of Florida, NICA's financial statements are submitted to the State to be included as part of the State's financial statements.

The Statement of Revenues, Expenses and Changes in Net Position showed operating revenues of approximately \$35 million and operating expenses of approximately \$225 million resulting in an operating loss of \$190 million. The operating loss was partially offset by net investment income of approximately \$67.9 million resulting in a change in net position or net loss of \$122 million. The Statement of Net Position as of June 30, 2023 showed total assets of \$1.325 billion, total liabilities of \$1.478 billion which resulted in a net deficit position of -\$152.9 million.

Mr. Perkins pointed out that the notes to the financial statements included a list of mitigating factors related to the deficit position. Some of those mitigating factors included up to \$20 million from the Insurance Regulatory Trust Fund; increases in assessments; assessments on casualty insurers by the Office of Insurance Regulation; and the fact that claim payments are made over many decades into the future.

The Chair pointed out that with revenues of \$35 million and claims expenses of \$167 million, the organization is dependent upon investment income. Dr. Dereddy asked about the hospital assessments and why this number appeared low compared to the number of live births. Mr. Perkins explained that there are exclusions available to hospitals and that not all births are assessable. Ms. Jaacks added that 68% of live births are excluded by statute.

Mr. Tilghman suggested that the letter to the Board from the auditors should include the Medicaid settlement as a significant unusual transaction. The settlement was discussed comprehensively throughout the financial statements but had not been included as a significant unusual transaction in the letter. Mr. Perkins responded that this could be included and would make the change in the letter and reference back to the notes and financial statements.

A motion was made to approve the audited financial statements.

The Chair asked if there was a member of the public who wished to speak to the motion.

No one indicated that they wished to speak.

The motion passed unanimously.

BUDGET TO ACTUAL

Administrative Costs

Last year, at the August 25, 2022 meeting, the Board had approved a continuing budget of general and administrative expenses. The comparison of budget to actual for the fiscal year ending June 30, 2023 as well as proposed changes to be effective July 1, 2023 were presented. While some line items were over or under for the year, the expenses were under budget overall.

Legal fees had been budgeted higher in fiscal year 2023 due to uncertainty surrounding the Medicaid litigation but the actual amounts were much less. This resulted in a significant decrease in the proposed legal fees budget which included only regular, ongoing expenses. Any unexpected litigation would result in the need for an increase.

Professional fees were over budget due to fees paid to Health Management Associates to assist with the Medicaid transition, costs incurred related to a significant number of translations of the benefit handbook and fees paid to the medical director that had not been budgeted.

The proposed budget included increases in staffing as well as potential merit increases. The rent budget included possible overlap between the current location and the new location.

Although under budget, the proposed Outreach budget remained the same as this is an area that has needed improvement. This would include meetings with NICU staff at hospitals to better educate them about NICA. They are in the best position to let families know about the benefits available under NICA. This would likely not occur until after legislative session.

It was pointed out that the proposed budget of approximately \$4 million compares to approximately \$65 million in benefit payouts annually.

In response to a question from Dr. Dereddy, Ms. Jaacks explained that professional fees primarily include actuaries, information technology, the Medical Director and the Executive Director.

A motion was made to approve the proposed continuing budget to be effective July 1, 2023.

The Chair asked if there was a member of the public who wished to speak to the motion.

No one indicated that they wished to speak.

The motion passed unanimously.

Benefit Payments/Cash Flow

A schedule detailing NICA's cash flows for fiscal years ending June 30, 2020 – June 30, 2023 was presented along with estimated cash flows for the upcoming fiscal year ending June 30, 2024.

Also presented was a comparison of the estimated cash flows for the June 30, 2023 fiscal year to the actual cash flows. The largest variance between estimated and actual cash flows was in custodial care and related primarily to retroactive payments which had been approved by the Board. Variances in parental award and housing were due to timing differences since these benefits are fixed. Cash payments for transportation were higher than estimated due to cost increases and more families requesting the reliable transportation benefit.

The estimated cash flows for the upcoming fiscal year assume NICA is primary to Medicaid. Estimated cash payments for claims expenses and administration exceed estimated cash received for assessments by approximately \$22 million. Ms. Jaacks pointed out that the actual amounts paid will likely be less than the estimates but the payback liability due to Medicaid will have increased. She reminded the Board that during the last session, the Legislature had requested a joint status report from the Agency for Health Care Administration (AHCA) and NICA regarding the transition of NICA families to Medicaid. Legislation would likely be needed in order to move forward in a way that would be best for

NICA families. The final transition would likely not occur until after the next legislative session.

NET ASSETS/THRESHOLD CALCULATION

Net Assets

As discussed at the previous Board meeting, in order to facilitate timely reporting, presentation of net assets would include only investments for assets and only claims reserve for liabilities. It had also been discussed that the loss reserve ratio was a better measure than the threshold and was easily calculable and would be presented. Prior presentations of net assets had been balance sheet net asset numbers which included year end accounting adjustments for the financial statements.

The loss reserve ratio decreased from 104.6% at June 30, 2022 to 95.8% at June 30, 2023. This corresponded to a decrease in net assets of \$115 million which was almost entirely due to the changes in the hourly CNA, LPN and RN Medicaid rates.

Threshold Calculation

Using data from the projected cash flows prepared by NICA's actuaries, a schedule was prepared to show NICA's projected threshold calculation for fiscal years ending June 30, 2024 through June 30, 2031. Based on this projection, NICA would breach the threshold at some point during the fiscal year ending June 30, 2025. Ms. Jaacks pointed out that one bad day in the financial markets which happened to correspond with the last day of a quarter could lead to this situation. She stressed that this drives an absolute imperative around legislative action regarding the threshold calculation.

The schedule also included the projected loss reserve ratio which is a more readily available, easily calculated measure of NICA's financial health than the threshold calculation. NICA staff would be meeting with staff from the Office of Insurance Regulation and asking for their input as to how the threshold calculation might be adjusted. Ms. Jaacks stressed that the program is not sustainable without an increase in revenue.

The Chair inquired as to whether part of the issue could be resolved by Medicaid paying some of the expenses that are currently included in NICA's projected expenses. Steve Ecenia responded that any change in the interaction between NICA and Medicaid would require the support of both the Florida legislature and the Federal CMS program.

The Chair asked if NICA had specific proposals or recommendations to discuss with the legislature. Ms. Jaacks was working with AHCA on that and options for the legislature would most likely be included in the joint status report.

The Chair requested that legislative recommendations related to Medicaid and assessment increases be included on the agenda for the next meeting.

BENEFIT HANDBOOK

At the August 25, 2022 meeting, the Board had approved the Benefit Handbook and felt the Handbook should be reviewed by the Board at least annually. Ms. Jaacks reminded the Board that benefits are approved in accordance with the Benefit Handbook and in accordance with statute. Benefits that are not clear in statute are brought to the Board for approval. Throughout the year, benefits may be adjusted and clarified if they are within the statutory framework. These adjustments and clarifications are posted on the NICA website as Addendums.

Some addendums that have been incorporated into the revised draft of the Benefit Handbook include:

- Links to the updated Medicaid caregiver rates of pay
- Updates to the electricity stipend and the fresh food stipend to tie those to external indices
- Updates to equipment warranties and protective accessories which will be covered expenses
- Clarifications on per diem, hospitalization travel reimbursement, and equipment/supply mileage
- Addition of list of non-reimbursable items in the Experimental Programs section based on some decisions from the Medical Director

An addition that had not been posted as an addendum was that effective 9/1/2023, when a participant is hospitalized, regardless of the hospital distance, medical mileage and per diem for up to two caregivers will be reimbursed.

The page numbers in the table of contents of the draft would be corrected prior to posting on the NICA website.

A motion was made to approve the Benefit Handbook.

The Chair asked if there was a member of the public who wished to speak to the motion.

No one from the public indicated that they wished to speak.

Ms. Oliver and Ms. Jaacks discussed that the Benefit Handbook is not yet finished and there is much work to be done. Ms. Jaacks was working with Dr. Kseri on a significant addendum to therapies and intensive therapies to include lists of approved intensive therapies and the requirements around those benefits. The addendum would allow quarterly attendance from the list of approved intensive therapies. The participant may attend more than one type of intensive during the quarter, for example therasuit therapy and feeding. Feedback from families indicated that these intensive therapies are providing the most improvement to quality of life for their children.

The motion passed unanimously.

LIFETIME PLANNING UPDATE

Since Dr. London was not able to attend the meeting, this agenda item was tabled for the next meeting.

TRANSITION BENEFIT DISCUSSION

In July, Ms. Jaacks had shared with the Board an email from a parent who had lost a child. Another family had suffered the same loss days before the meeting.

Ms. Jaacks asked the Board to authorize her to approach the Legislature to create a transition benefit. Prior to making a concrete proposal, many additional discussions would need to follow with stakeholders including parents, the CFO's office and House and Senate staff.

The Chair felt that since there was not a specific bill or proposal that NICA has made to the Legislature, no motion was needed to authorize Ms. Jaacks to explore the issue. The Legislature should be made fully aware of the financial situation of NICA. He asked that if any Board member was opposed to Ms. Jaacks having those conversations, they should be express their concern.

Mr. Moro whose email had been shared with the Board was in attendance at the meeting. Ms. Jaacks asked that he be recognized to speak. The Chair recognized Mr. Moro.

Mr. Moro: Thank you. I wrote a prepared statement because I'm a much stronger writer than speaker, so I hope no one minds.

I want to thank the Board for considering the subject of transition benefits and giving Melissa the authority to request parents receive transition benefits. I also want to publicly thank Melissa for everything she has done so far for the children and parents who are a part of NICA.

She has concisely explained to me everything she has done already to make transition benefits happen and I appreciate all of that energy and time she has already put towards this as well as the outlined plan she is enacting essentially doing all that she can as executive director to make this happen for families who no longer have their child.

I know I am handing out a lot of thanks but I also want to thank the Board for taking the time to read the letter that I sent Melissa. Which I know is very personal but I believe it has appropriately laid out my case for transition benefits. Even though at the time, I didn't know the term transition benefit.

Even before my Anthony passed away on July 9th, I understood how important transition benefits were. While I had my son and his health grew so complicated after so many years, the sheer amount of energy that I spent

worrying and preparing for the loss of NICA's funds, if the worst were to come to pass, instead of being able to solely concentrate on my son's health was an avoidable stress. If there had been a system or benefit already in place in which I understood that I would have the time and further means to grieve and put together a new life, I wouldn't have had to suffer so much undo stress. I could have simply been able to focus on my special needs child. Which I know I'm making that sound easy and I know it ranges to varying degrees with each family but I believe everyone listening to this understands that it is not easy caring for and raising a special needs child. It's absolutely worth it but its not easy. And I believe that when the worst happens and you suddenly don't have your child, it's unfair to lose all financial stability in the process, immediately, as of the day after you lose your child.

I believe NICA can do better than that. I believe families deserve better than that. When I first entered into NICA, I was told that it wasn't just there for my son but for me and my family. It still states as much on its website. And while NICA undoubtedly helped my son, to abruptly, so abruptly drop out of the lives of my family comes across as callused. NICA positioned itself as the lifeline that I needed and relied upon. Not just for my Anthony but as my source of income, food, clothes, electricity, a roof over our heads. I was told that if I made any other income outside of NICA, that I must report it so NICA could subtract it from my next check. So there was no sense in doing anything other than taking care of my Anthony and completely relying on NICA.

The program set itself up for me, Anthony Moro, III, to depend solely on it. However, in the event of my son's passing, NICA currently has no problem with instantly dropping me at my thoroughly lowest moment. It's cruel and it's unfair.

I also want to say because I didn't fully understand it until now, but the longer a family is in the special needs bubble of sorts, the harder it becomes to re-enter the rest of the world without your child. I'm not just speaking of the emotional traumas but more tangibly. After ten years of pouring all of my attention and energy into my son, I don't have much of a resume. I barely have the means to afford an apartment with the jobs I'm currently qualified for. Which was not the case ten years ago. And I understand this is more anecdotal, but I didn't realize there would be no way to go over my employment history with a possible employer without explaining what I've been doing for the past ten years and why I'm no longer doing it. I've already had interviews and there's no way to get through them without crying in front of a stranger or if it's a panel, multiple strangers. Moving forward into a new life without your child is excruciatingly painful. And because I'm so engaged in finding a new job and building a new life for the rest of my family, I haven't been allowed the time to properly grieve the loss of my son. Between applying for jobs, going to interviews, preparing for each interview, hopefully

starting a new job, getting ready to move, purchasing a new vehicle, preparing for this meeting, I'm really just working so I can get to the business of missing my son. A transition benefit would therefore alleviate a lot of undo stress for families both before and after, if the worst happens to come to pass. Not only that, it's also the humane thing to do. Families deserve the time to grieve the loss of their children. A transition benefit would alleviate a lot of added strain in a lot of already completely overstressed lives.

Thank you for your time and for listening.

The Chair thanked Mr. Moro for his input and let him know that as discussed earlier, they would be pursuing this benefit and would have some options at the next meeting.

PUBLIC TESTIMONY

Parents of NICA participants addressed the Board.

Some of the issues that were raised included:

Echoing the points made by Mr. Moro and expressing appreciation that the Board was taking the issues seriously.

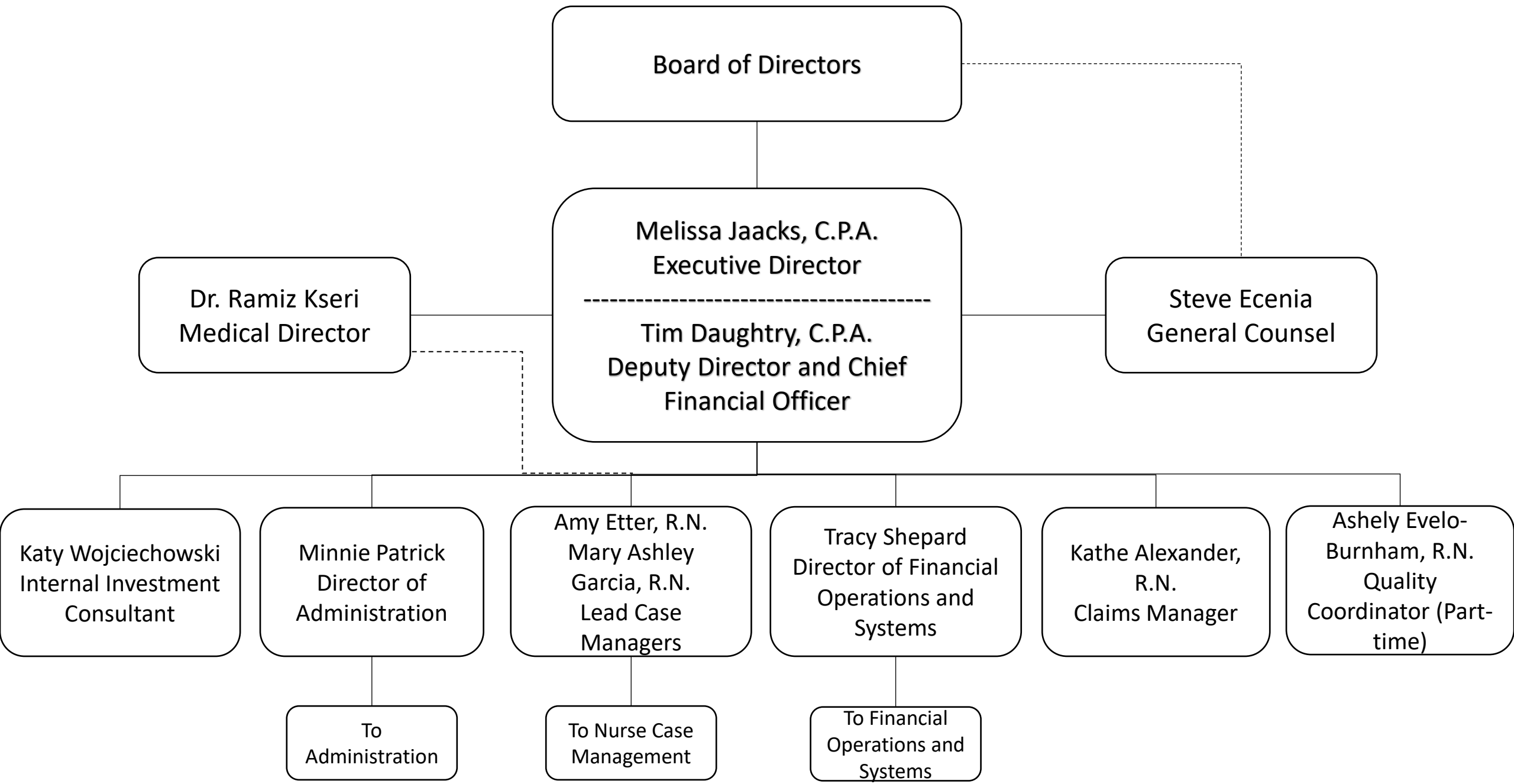
There should not be a Medicaid exclusion for hospitals when NICA has to reimburse Medicaid for covering NICA participants.

ADJOURN

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

Agenda Item # 5 (Tab B)

Executive Director Report



Administration

Barbara Brown, Provider Relations
Coordinator

Emma Cobb, Office Support

Freda Ross, Office Support

Annabelle Vaughn, Administrative
Assistant

Nurse Case Management

Amy Etter, R.N., Lead Case Manager

Case Managers

Heather Brisbois, R.N.

Kim Campo, R.N. (part-time)

Lydia Edwards, R.N.

Kathy Glombowski, R.N.

Vacant

Mary Ashley Garcia, R.N., Lead Case
Manager

Case Managers

Kathy Lennie, R.N.

Mallory Morris, R.N.

Kasmika Shaw, R.N.

Cathy Siciak, R.N.

Financial Operations and Systems

Pilar Delp, Transportation Coordinator

Sarah Kerwin, Regulatory Analyst (part-
time)

Elizabeth Raab, Insurance Administrator

IT Support (outsourced)

Vacant, Insurance Administrator

Agenda Item # 6 (Tab C)

State of Florida Auditor General Operational Audit

STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

Report No. 2024-037
October 2023

**FLORIDA BIRTH-RELATED
NEUROLOGICAL INJURY
COMPENSATION ASSOCIATION**



Sherrill F. Norman, CPA
Auditor General

Board of Directors and Executive Director of the Florida Birth-Related Neurological Injury Compensation Association

Section 766.303, Florida Statutes, establishes the Florida Birth-Related Neurological Injury Compensation Plan (Plan) to provide compensation, irrespective of fault, for neurological injury claims related to births occurring on or after January 1, 1989. Section 766.315(1), Florida Statutes, provides for the Plan to be governed by a seven-member Board of Directors appointed by the State's Chief Financial Officer and referred to as the Florida Birth-Related Neurological Injury Compensation Association (NICA). The NICA Board comprises one representative from each of the following groups: participating physicians, hospitals, casualty insurers, physicians other than participating physicians, the general public, parent or legal guardian of an injured infant under the Plan, and advocacy organizations for children with disabilities.

During the period of our audit, Kenney Shipley served as Executive Director of NICA through October 31, 2021, and Melissa Jaacks served as Interim Executive Director of NICA from November 1, 2021, and the following individuals served as Board members:

Representing:

Advocacy Organizations
Participating Physicians
Hospitals
Casualty Insurers
Non-Participating Physicians
Participating Parent or Legal Guardian
General Public

Board Member:

Jim DeBeaugrine, MPA, Chair
Julie Ann Zemaitis DeCesare, M.D.
Narendra Dereddy, M.D.
Vacant
Robert A. London, M.D.
Renee Oliver
Vacant

The team leader was Aaron Franz, CPA, and the audit was supervised by Joshua Barrett, CPA.

Please address inquiries regarding this report to Joshua Barrett, CPA, Audit Manager, by e-mail at joshuabarrett@aud.state.fl.us or by telephone at (850) 412-2804.

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FLORIDA BIRTH-RELATED NEUROLOGICAL INJURY COMPENSATION ASSOCIATION

SUMMARY

This operational audit of the Florida Birth-Related Neurological Injury Compensation Association (NICA) focused on NICA's administration of the Florida Birth-Related Neurological Compensation Plan (Plan), including NICA's compliance with Sections 766.303 through 766.315, Florida Statutes, and applicable State public records and meetings laws. The audit also included an examination of selected NICA administrative activities and follow-up on the findings noted in our report No. 2022-009. Our audit disclosed the following:

Plan Administration

Finding 1: NICA did not timely provide its actuarial consultant the December 2021 and December 2022 quarterly claims cost estimates and, consequently, actuarial threshold and reserve calculations were not timely prepared to evidence whether sufficient funds were available to accept new claims. Additionally, had State law not excluded family residential and custodial care expenses from the reserve calculation for the quarter ended September 30, 2022, NICA would have exceeded the claims threshold by \$95,015,565, preventing NICA from accepting new claims.

Finding 2: NICA's exclusion of the Interim Executive Director's compensation from NICA's November 2022 annual report appeared to frustrate the intent of State law.

Finding 3: Analysis of Plan participant survey responses indicated that, while improvements to participant satisfaction were noted from our prior audit survey, NICA could enhance the *Benefit Handbook* to better specify allowable benefits and better respond to participant complaints.

Information Technology Controls

Finding 4: NICA controls over mobile device text messaging and Apple® device iMessages® and the retention of text and iMessages in accordance with State law and the State records retention schedule need improvement. A similar finding was noted in our report No. 2022-009.

Finding 5: NICA controls for timely disabling user access privileges to the NICA network domain and the Claims Accounting and Reserves Electronic System (CARES) upon an employee's separation from NICA employment need improvement.

Finding 6: As similarly noted in our report No. 2022-009, certain security controls related to network domain, virtual private network, and CARES user authentication need improvement to ensure the confidentiality, integrity, and availability of NICA data and information technology resources.

BACKGROUND

State law¹ establishes the Florida Birth-Related Neurological Injury Compensation Plan (Plan) to provide compensation, irrespective of fault, for neurological injury claims related to births occurring on or after January 1, 1989. State law² defines a “birth-related neurological injury” as an injury to the brain or spinal cord of a live infant weighing at least 2,500 grams for a single gestation or, in the case of a multiple gestation, a live infant weighing at least 2,000 grams at birth, caused by oxygen deprivation or mechanical injury occurring in the course of labor, delivery, or resuscitation in the immediate postdelivery period in a hospital, which renders the infant permanently and substantially mentally and physically impaired. The definition applies to live births only and does not include disability or death caused by genetic or congenital abnormality.

The Plan is governed by a seven-member Board of Directors (Board) appointed by the State’s Chief Financial Officer and referred to as the Florida Birth-Related Neurological Injury Compensation Association (NICA). The NICA Board comprises one representative from each of the following groups:³

- Participating physicians.
- Hospitals.
- Casualty insurers.
- Physicians other than participating physicians.
- Parents or legal guardian representatives of injured infants under the Plan.
- Advocacy organizations for children with disabilities.
- The general public.

NICA is not considered a State agency, board, or commission.

FINDINGS AND RECOMMENDATIONS

PLAN ADMINISTRATION

State law⁴ specifies that an administrative law judge (ALJ) with the Division of Administrative Hearings (DOAH) has exclusive jurisdiction to determine whether a claim filed with NICA is compensable. State law further specifies that no civil action may be brought until a compensability decision has been made by an ALJ. Claims for compensation commence by the claimant filing a petition with DOAH and, if a petition is approved by an ALJ, the claimant becomes a participant in the Plan and entitled to compensation awards for medically necessary and reasonable expenses, including hospital, habilitative and training, drugs, special equipment, facilities, and related travel. Additionally, NICA is to provide Plan participants compensation for the expenses summarized in Table 1.







¹ Section 766.303(1), Florida Statutes.

² Section 766.302(2), Florida Statutes.

³ Section 766.315, Florida Statutes.

⁴ Section 766.304, Florida Statutes.

Table 1
Additional Statutorily Authorized Compensation for NICA Participants

	Payment of an award to the infant’s parents or legal guardians not to exceed \$250,000, adjusted 3 percent annually.
	Housing assistance of up to \$100,000 for the life of the child.
	Payment of a \$50,000 death benefit for an infant in the Plan.
	Reliable transportation for the care of the child, with replacement vans to be purchased by NICA every 7 years or 150,000 miles, whichever occurs first.
	Annual benefit of up to \$10,000 for the immediate family members living with the child for psychotherapeutic services.
	Reasonable expenses incurred in connection with the filing of a claim, including attorney’s fees.

Source: Section 766.31, Florida Statutes.

Compensation is not to be provided for expenses related to items or services that the infant has received or is entitled to receive, or expenses for which the infant has received reimbursement, or for which the infant is contractually entitled to receive reimbursement, from any prepaid health plan, health maintenance organization, or other private insuring entity. In addition, compensation is not to be provided for expenses for items or services that the infant has received, or is entitled to receive, or expenses for which the infant has received reimbursement, or for which the infant is entitled to receive reimbursement, under the laws of any state or the Federal Government, except to the extent such exclusion may be prohibited by Federal law.⁵ According to NICA records, during the period January 2022 through January 2023, 321 participants were reimbursed for claims totaling \$56,920,812.

NICA created a Web-based system, the Claims Accounting and Reserves Electronic System (CARES), to track participant activity, such as ALJ orders, participant contact information, and claims for reimbursement. In addition, NICA utilizes CARES to aggregate participant cost estimates used to produce statutorily required reports.

Finding 1: Claims Estimates and New Claims Threshold Calculation

State law⁶ requires NICA to estimate the present value of the total cost of each claim within 60 days after a claim is filed and to revise such estimates quarterly based upon the actual costs incurred and any additional information that becomes available to NICA since the last estimate. If the total of all current

⁵ Section 766.31(b), Florida Statutes.
⁶ Section 766.314(9), Florida Statutes.

estimates, excluding the award of family residential or custodial care,⁷ exceeds 80 percent of the funds on hand and the funds that will become available to NICA within the next 12 months (threshold calculation), NICA may not accept any new claims without express authority from the Legislature.⁸ Additionally, NICA is to notify the Governor, the Speaker of the House of Representatives, the President of the Senate, the Office of Insurance Regulation, the Agency for Health Care Administration, and the Department of Health within 30 days of the effective date of the new claims suspension.

To determine whether the total of all current estimates do not exceed 80 percent of funds on hand and funds that will become available,⁹ NICA prepares and provides updated quarterly claims cost estimates to an actuarial consultant. To estimate the present value of all filed claims, the actuarial consultant calculates the present value loss and loss adjustment expense (LAE) reserve¹⁰ on filed claims amounts (reserve calculation). The threshold for the suspension of new claims is then determined by comparing 80 percent of total funds on hand and available to the calculated reserve. As NICA had not established a time frame for preparing and submitting quarterly claims cost estimates to the actuarial consultant, we used 30 days from the end of the quarter to provide the actuary sufficient time to make reserve calculations within 3 months of each quarter end.

We inquired of NICA management and reviewed documentation related to NICA's preparation and submission of quarterly claims cost estimates to the actuarial consultant for the period June 2021 through December 2022 to determine whether the estimates were timely prepared and provided to the consultant. We noted that NICA did not provide the actuarial consultant the December 2021 and December 2022 quarterly claims cost estimate data until June 1, 2022, and June 12, 2023, respectively. Consequently, the December 2021 and December 2022 threshold and reserve calculations were not completed until August 2022 and August 2023, respectively. According to NICA management, the December quarterly estimate process is more time-consuming than the other quarterly estimates because all life expectancies are updated and a thorough spending review and analysis is completed. For the December 2021 quarterly estimate, NICA also reviewed participant health records and revised the cost estimate based on NICA's designation as the primary payer instead of Medicaid. For the December 2022 quarterly estimate, NICA also overhauled the process for preparing participant life expectancies.

Our audit also found that, while NICA excluded family residential and custodial care expenses from the reserve calculation in accordance with State law, State law does not appear to provide for family residential and custodial care expenses to not be reimbursed if the new claims threshold is exceeded. Consequently, the basis for excluding such expenses from the reserve calculation is unclear. To assess the potential impact family residential and custodial care expenses would have on NICA's threshold and

⁷ Section 766.302(10), Florida Statutes, defines family residential or custodial care as care normally rendered by trained professional attendants which is beyond the scope of childcare duties, but which is provided by family members. Such care is performed only at the direction and control of a physician when such care is medically necessary, and the award of such care is to be excluded from the present value estimates calculation.

⁸ Section 766.314(9)(c), Florida Statutes, provides that NICA may accept any claim if the injury occurred 18 months or more before the effective date of the new claim's suspension.

⁹ NICA's funds that will become available include assessments against health care providers and insurance companies, transfers from the Office of Insurance Regulation, reinsurance recovery anticipated within 12 months, and income on invested funds.

¹⁰ NICA's reserves represent an estimate of the expected lifetime cost of benefits to all children born through a given point in time. The reserves reflect future inflation and include loss reserves, allocated LAE, and unallocated LAE, discounted to present value.

reserve calculations, we reviewed the actuarial consultant's reserve calculation for the quarter ended September 30, 2022, and noted that, if the calculated \$13,445,458 in acceptable claims had considered the applicable family residential and custodial care loss and LAE of \$108,461,023, NICA would have exceeded the claims threshold by \$95,015,565, preventing NICA from accepting new claims.

The timely completion of quarterly threshold and reserve calculations are essential to provide assurance that NICA has sufficient funds to pay participants and can accept new claims in accordance with State law. Additionally, consideration of all reimbursable NICA expenses in determining the new claims threshold would provide a more accurate view of the funds available for new claims.

Recommendation: We recommend that NICA management ensure that claims cost estimates are provided to the actuarial consultant within 30 days of each quarter end to allow for the completion of threshold and reserve calculations within 3 months of the quarter end. Additionally, we recommend that the Legislature consider the potential impact of family and residential care expenses on NICA's ability to pay future claims and whether the exclusion of such expenses from the threshold and reserves calculations remains appropriate.

Finding 2: Annual Reports

State law¹¹ requires NICA to submit on or before November 1 an annual report to the Governor, the President of the Senate, the Speaker of the House of Representatives, and the Chief Financial Officer, as well as publish on or before January 1 each year a report to NICA's Web site. The reports are to include, among other information, the amount of compensation paid to each NICA employee.

As part of our audit, we reviewed the November 2022 NICA annual report for the period July 2021 through June 2022 and the January 2023 report published to NICA's Web site¹² to determine whether NICA prepared the reports in accordance with State law. Our review found that, although NICA reported salary information for the Executive Director who served through October 31, 2021, NICA noted in the November 2022 annual report that information regarding payments made to the Interim Executive Director were not being reported because the Interim Executive Director was an independent contractor and not an employee. For the reporting period July 2021 through June 2022, NICA paid \$160,000 to the Interim Executive Director.¹³

In response to our audit inquiry, NICA management indicated that the Interim Executive Director was an independent contractor and not an employee of NICA, similar to expert witnesses and the NICA Medical Director and Investment Consultant. NICA management further indicated that, applying the plain language of the statute, NICA determined that payment to an independent contractor did not fall within the statutory reporting requirements and disclosed as much in the annual report. NICA management contended, had the Legislature intended all payments to its independent contractors be disclosed, it would have stated as much in the law.

¹¹ Sections 766.315(7)(b) and 766.315(8)(f), Florida Statutes.

¹² The January 2023 Web site report referred to the November 2022 annual report for certain information, such as the amount of compensation paid to NICA employees.

¹³ Pursuant to the agreement between the Interim Executive Director and NICA, effective November 1, 2021, the Interim Executive Director was to receive a \$20,000 monthly fee as payment of salary and benefits.

While we acknowledge the Interim Executive Director's independent contractor status, the Interim Executive Director's agreement specified that she was to perform all such duties which are customarily performed by one holding such positions in other, same, or similar businesses or enterprises as that engaged by NICA to be performed. The agreement further detailed the specific services to be performed, which included, but were not limited to, direction and operation of NICA, organizational review of NICA and its relationship to the families served, its personnel, and its financial position, and other responsibilities as required by the Board of Directors. While it is clear that the Legislature did not intend for independent contractors performing part-time or as-needed work to be included in the annual reporting requirements, it is not clear that the Legislature intended independent contractors performing full-time equivalent responsibilities in NICA's executive leadership to be excluded from annual reporting requirements. It is also clear that the Legislature intended to promote greater transparency and accountability by requiring the reporting of NICA employee compensation and the exclusion of the Executive Director's compensation, based on the nature of the employment arrangement, frustrates that intention.

Recommendation: To further transparency and accountability, we recommend that NICA include in all annual reports information regarding the compensation paid to each NICA employee and all independent contractors performing full-time equivalent responsibilities in NICA's executive leadership.

Finding 3: NICA Plan Participant Survey

To measure the degree of Plan participant satisfaction, in April 2023 we surveyed the 314 individuals listed as contacts for the 236 participants active in the Plan as of March 29, 2023. Survey questions, listed in **EXHIBIT A** to this report, addressed participant satisfaction with the *Benefit Handbook (Handbook)*,¹⁴ explanation of rights and benefits, NICA's handling of questions and complaints, and the benefit dispute resolution process.

As summarized in Table 2, we received survey responses from 98 respondents and our analysis of those responses, as well as comparison to the May 2021 survey responses included in our report No. 2022-009 (summarized in Table 3), indicated that:

- While respondents believed that the *Handbook* was improved, some still noted that the wording was vague in areas related to allowable benefits.
- Respondents' satisfaction with the adequacy of NICA's explanation for the decision to approve or deny participant exception requests increased 18 percent.
- Respondents did not always believe NICA timely and appropriately responded to complaints.

¹⁴ The *Handbook* outlines participant rights, allowable expenses, benefit information, and procedures for filing reimbursement claims and benefit disputes.

Table 2
April 2023 Plan Participant Survey Results

	Dissatisfied		Satisfied		Total Number of Responses ^a
	Number of Responses	Percentage of Responses	Number of Responses	Percentage of Responses	
NICA <i>Handbook</i> was received.	19	21%	73	79%	92
NICA <i>Handbook</i> was adequate to understand rights and authorized benefits.	8	11%	63	89%	71
NICA timely and appropriately responded to Plan participant questions.	16	17%	78	83%	94
NICA's decisions on benefit exception requests were adequately explained.	6	24%	19	76%	25
Participant was satisfied with NICA's response to questions. ^b	17	19%	73	81%	90
NICA timely and appropriately responded to participant complaint. ^c	8	50%	8	50%	16

^a Not all 98 survey respondents provided responses to every question.

^b Four survey respondents indicated that they were neither satisfied nor dissatisfied with NICA's responses to questions.

^c Survey question not included in prior audit survey.

Source: Survey responses from individuals listed by NICA as contacts for participants.

Table 3
May 2021 Plan Participant Survey Results

	Dissatisfied		Satisfied		Total Number of Responses ^a
	Number of Responses	Percentage of Responses	Number of Responses	Percentage of Responses	
NICA <i>Handbook</i> was received.	12	11%	100	89%	112
NICA <i>Handbook</i> was adequate to understand rights and authorized benefits.	44	41%	63	59%	107
NICA timely and appropriately responded to Plan participant questions.	18	16%	92	84%	110
NICA's decisions on benefit exception requests were adequately explained.	18	42%	25	58%	43
Participant was satisfied with NICA's response to questions. ^b	26	26%	74	74%	100

^a Not all 120 survey respondents provided responses to every question.

^b Thirteen survey respondents indicated that they were neither satisfied nor dissatisfied with NICA's responses to questions.

Source: Survey responses from individuals listed by NICA as contacts for participants.

Recommendation: We recommend that NICA management continue efforts to provide quality services to participants, including responses to participant complaints and clear information in the *Handbook* regarding participant benefits.

As part of our audit, we evaluated selected NICA information technology (IT) controls, including controls related to mobile devices,¹⁵ user access privileges, and user authentication.

Finding 4: Text and Instant Message Controls

State law¹⁶ requires agencies¹⁷ to maintain public records in accordance with the records retention schedule¹⁸ established by the Department of State, Division of Library and Information Services. The schedule specifies that the retention periods for electronic communications, including text and instant messages, are based on the content, nature, and purpose of the messages. Some of the purposes include administrative correspondence (3 fiscal years), program and policy development correspondence (5 fiscal years), and transitory messages, which are to be maintained until obsolete, superseded, or administrative value is lost.

According to NICA records, as of February 3, 2023, 23 NICA-owned mobile devices, including 3 Apple devices, were approved to conduct NICA business. To evaluate NICA mobile device controls, we inquired of NICA management, reviewed mobile device invoices for the period November 4, 2022, through February 3, 2023, and examined Apple device setting records. Our audit procedures disclosed that, during the period January 2022 through January 2023, NICA had not established policies for the use of mobile devices and text messaging or established a method to capture and retain text messages sent or received by NICA Apple devices. Our examination of all NICA-owned mobile device invoices for the period November 4, 2022, through February 3, 2023, found that 68 text messages were sent or received by one of the NICA Apple devices. Additionally, although iMessaging was to be disabled on the NICA Apple devices, NICA relied on device users to disable the iMessage functionality and had not established a method to capture and retain iMessages should they be sent or received. Subsequent to our audit inquiry, NICA management drafted a mobile device usage and text messaging policy permitting limited use of text messaging by certain personnel. However, the policy did not address (e.g., prohibit or limit) the use of iMessaging on Apple devices.

Effective controls for enforcing prohibitions on text messaging and iMessage use on NICA Apple devices would help ensure that NICA Apple devices are used in accordance with management’s expectations. Absent such controls, or a method to adequately retain text and iMessages, such messages may be sent or received and not be retained in accordance with State law, diminishing transparency and NICA’s ability to provide access to public records. A similar finding was noted in our report No. 2022-009 (Finding 6).

Recommendation: We recommend that NICA management enhance mobile device controls to ensure that text and iMessage use is effectively limited or disabled in accordance with established

¹⁵ Mobile devices are portable devices, such as laptop computers, smartphones, and tablets, that allow storage and transmittal of entity data.

¹⁶ Section 119.021(2)(b), Florida Statutes.

¹⁷ Section 119.011(2), Florida Statutes, defines an agency as any state, county, district, authority, or municipal officer, department, division, board, bureau, commission, or other separate unit of government created or established by law.

¹⁸ State of Florida *General Records Schedule GS1-SL for State and Local Government Agencies*.

policy and text and iMessages sent or received are retained in accordance with State law and the records retention schedule.

Finding 5: NICA IT Access Controls

The Center for Internet Security (CIS) *Critical Security Controls* provide that entities should establish and follow a process, preferably automated, for revoking access to enterprise assets, through disabling accounts immediately upon termination, rights revocation, or role change of a user. Similarly, Federal regulations¹⁹ require covered entities such as NICA to implement written policies and procedures for terminating access to electronic protected health information when employment ends. Access termination procedures are established to ensure timely notification to the data security administration function of changes in employee status and cancellation of access privileges to critical areas.

As part of our audit, we inquired of NICA management, evaluated NICA network domain and CARES access privilege controls, and reviewed NICA records for the six employees with network domain and CARES access privileges who separated from NICA employment during the period January 2022 through January 2023 and found that control enhancements were needed to ensure that access privileges are timely disabled. Specifically, we noted that:

- NICA had not established a formal process for disabling network domain and CARES user access privileges prior to employees' separation dates. Instead, according to NICA management, NICA management used e-mails to communicate network domain user access privilege disablement requests to the contracted Network Administrator for handling and either verbally or via e-mail requested the contracted Network Administrator or NICA System Administrator to disable CARES user access privileges. The absence of a formal process may have contributed to the untimely disablement of user access privileges noted on audit.
- Network domain user access privileges for five of the former employees were disabled 9 to 433 days (an average of 160 days) after the employees' separation dates.
- CARES user access privileges for five of the former employees were disabled 4 to 217 days (an average of 58 days) after the employees' separation dates.

According to NICA management, requests to disable user network domain and CARES access privileges were not timely made due to oversight.

The prompt disabling of network domain and CARES access privileges upon an employee's separation from NICA employment reduces the risk that the access privileges may be misused by the former employee or others.

Recommendation: We recommend that NICA management ensure that network domain and CARES access privileges are promptly disabled after a user separates from NICA employment.

Finding 6: Security Controls – User Authentication

Security controls are intended to protect the confidentiality, integrity, and availability of data and IT resources. Our audit procedures disclosed that certain security controls related to network domain, NICA virtual private network (VPN), and CARES user authentication need improvement. We are not

¹⁹ Title 45, Section 164.308, Code of Federal Regulations.

disclosing the specific details of the issues in this report to avoid the possibility of compromising NICA data and related IT resources. However, we have notified appropriate NICA management of the specific issues.

Without appropriate security controls related to network domain, VPN, and CARES user authentication, the risk is increased that the confidentiality, integrity, and availability of NICA data and related IT resources may be compromised. A similar finding related to CARES user authentication was communicated to NICA management in connection with our report No. 2022-009.

Recommendation: We recommend that NICA management improve certain security controls related to network domain, VPN, and CARES user authentication to ensure the confidentiality, integrity, and availability of NICA data and related IT resources.

PRIOR AUDIT FOLLOW-UP

Except as discussed in the preceding paragraphs, NICA had taken corrective actions for the findings included in our report No. 2022-009.

OBJECTIVES, SCOPE, AND METHODOLOGY

The Auditor General conducts operational audits of governmental entities to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

We conducted this operational audit from March 2023 through June 2023 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

This operational audit of the Florida Birth-Related Neurological Injury Compensation Association (NICA) focused on NICA's administration of the Florida Birth Related Neurological Compensation Plan (Plan), including NICA's compliance with Sections 766.303 through 766.315, Florida Statutes, and applicable State public records and meeting laws. This audit also included an examination of selected NICA administrative activities. For those areas, the objectives of the audit were to:

- Evaluate management's performance in establishing and maintaining internal controls, including controls designed to prevent and detect fraud, waste, and abuse, and in administering responsibilities in accordance with applicable laws, administrative rules, contracts, grant agreements, and other guidelines.
- Examine internal controls designed and placed into operation to promote and encourage the achievement of management's control objectives in the categories of compliance, economic and efficient operations, the reliability of records and reports, and the safeguarding of assets, and identify weaknesses in those internal controls.
- Determine whether management had corrected, or was in the process of correcting, all deficiencies disclosed in our report No. 2022-009.

- Identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

This audit was designed to identify, for those programs, activities, or functions included within the scope of the audit, deficiencies in internal controls significant to our audit objectives; instances of noncompliance with applicable governing laws, rules, or contracts; and instances of inefficient or ineffective operational policies, procedures, or practices. The focus of this audit was to identify problems so that they may be corrected in such a way as to improve government accountability and efficiency and the stewardship of management. Professional judgment has been used in determining significance and audit risk and in selecting the particular transactions, legal compliance matters, records, and controls considered.

As described in more detail below, for those programs, activities, and functions included within the scope of our audit, our audit work included, but was not limited to, communicating to management and those charged with governance the scope, objectives, timing, overall methodology, and reporting of our audit; obtaining an understanding of the program, activity, or function; identifying and evaluating internal controls significant to our audit objectives; exercising professional judgment in considering significance and audit risk in the design and execution of the research, interviews, tests, analyses, and other procedures included in the audit methodology; obtaining reasonable assurance of the overall sufficiency and appropriateness of the evidence gathered in support of our audit's findings and conclusions; and reporting on the results of the audit as required by governing laws and auditing standards.

Our audit included the selection and examination of transactions and records. Unless otherwise indicated in this report, these transactions and records were not selected with the intent of statistically projecting the results, although we have presented for perspective, where practicable, information concerning relevant population value or size and quantifications relative to the items selected for examination.

An audit by its nature does not include a review of all records and actions of agency management, staff, and vendors, and as a consequence, cannot be relied upon to identify all instances of noncompliance, fraud, waste, abuse, or inefficiency.

In conducting our audit, we:

- Reviewed applicable laws and NICA policies and procedures and interviewed NICA personnel to obtain an understanding of NICA Plan processes and related responsibilities.
- Interviewed NICA management and compared the NICA *Benefit Handbook (Handbook)* to applicable laws to determine whether the *Handbook* was designed in a manner that effectively assisted participants when filing claims for reimbursement, informed participants of their rights, and assisted NICA case managers when reviewing participant claims for reimbursement.
- To measure NICA Plan participant satisfaction, sent surveys to the 314 individuals listed as contacts for the 236 participants active in the Plan as of March 29, 2023. We then combined and analyzed the survey responses from the 98 individuals who returned the survey, including comparing applicable survey responses to the responses received to our May 2021 participant survey.
- From the population of 48 claimant petitions filed with a Division of Administrative Hearings (DOAH) administrative law judge during the period January 2022 through January 2023, examined NICA records for 20 selected claimant petitions to determine whether NICA adhered to the filing time frames established in State law.

- From the population of 12 NICA participant compensation awards executed during the period January 2022 through January 2023, examined NICA records for 8 selected awards to determine whether claims eligibility determinations were made in accordance with State law, participant claims were appropriate and timely paid, and whether the present value of the total costs of the participant claims were timely estimated.
- Interviewed NICA management and inspected NICA records for the present value of total claims costs for the quarters ended September 2021, December 2021, March 2022, June 2022, September 2022, and December 2022 to determine whether NICA updated the present value of total claims costs on a quarterly basis in accordance with State law.
- Compared NICA's estimated present value of the total cost of claims for the quarters ended September 2021, December 2021, June 2022, and September 2022, to the total of all funds on hand for those quarters to determine whether NICA procedures for projecting available funds included only statutorily allowable funds and appropriately assessed whether the total of all funds on hand, and expected to become available within the next 12 months, covered at least 80 percent of NICA's estimated present value of the total cost of claims.
- From the population of 16,124 participant reimbursement claims paid during the period January 2022 through January 2023 and totaling \$56,920,812, examined NICA records for 15 selected participant reimbursement claims totaling \$173,961 to determine whether NICA ensured that payments were made to claimants awarded compensation and that payments were timely, authorized, appropriately supported, and allowable under State law. Additionally, we:
 - Examined NICA records for the 15 selected participant reimbursement claims to determine whether any potential conflicts of interest between NICA personnel or the NICA Board of Directors (Board) and the participant or contracted service and equipment providers requesting reimbursement were properly disclosed.
 - Reviewed NICA correspondence logs for the 15 participants associated with the selected reimbursement claims to determine whether NICA provided accurate information to the participants and did not indicate that statutorily allowable goods or services submitted for reimbursement would be denied.
- Examined NICA records for the 8 survey respondents who indicated that their claims had been denied by NICA and for 11 denied reimbursement claims totaling \$48,064, selected from the population of 31 participant reimbursement claims denied by NICA during the period January 2022 through January 2023 and totaling \$48,180, to determine whether NICA records included adequate support for the denials and evidenced that sufficient justification was provided to the participants in denying the reimbursement requests.
- To determine whether NICA established adequate controls to ensure the timely collection and remittance of assessment fees to the Plan and appropriately charged interest for late or unpaid assessment fees, we:
 - Analyzed data for the \$8,325,000 in fees assessed to 1,847 participating physicians and midwives for the 2023 assessment period.
 - Analyzed data for the \$23,447,250 in fees assessed to 93,759 non-participating physicians for the 2023 assessment period.
 - Analyzed data for the \$10,508,550 in fees assessed to 115 hospitals for the 2022 assessment period and reviewed NICA records for the 12 hospitals that did not timely submit assessment fees to determine whether NICA appropriately calculated and charged interest when assessment fees were not timely received.
- Interviewed NICA management, inspected NICA participant records, and reviewed DOAH case summaries for the 78 NICA cases with orders issued during the period January 2022 through January 2023 to determine whether participants had filed benefit disputes with DOAH and

whether NICA had established processes to track denied claims for reimbursement. Additionally, from the population of 31 claims for reimbursement denied by NICA during the period January 2022 through January 2023, examined NICA records for 10 selected denied claims and one dispute filed with DOAH in March 2023 to determine whether NICA provided the participant, in writing, an explanation for the denial, the participant was provided their dispute rights, and whether the denial was reasonable and properly supported.

- From the population of 1,134 general and administrative expenses, totaling \$10,230,671 and incurred during the period January 2022 through January 2023, examined NICA records for 31 selected expenses, totaling \$652,525, to determine whether NICA general and administrative expenses were adequately supported, clearly necessary to the performance of NICA's statutory duties, and served an apparent public purpose.
- Interviewed NICA management and examined NICA records related to NICA's text and instant message and iMessage retention capabilities to determine whether NICA had established adequate controls to retain text and instant messages and iMessages in accordance with State law.
- Obtained an understanding of NICA network domain, virtual private network, and Claims Accounting and Reserves Electronic System information technology (IT) controls, assessed the risks related to those controls, evaluated whether selected general IT controls were in place, and tested the effectiveness of the selected controls.
- Interviewed NICA management and reviewed NICA Board meeting records for meetings held during the period January 2022 through January 2023 to determine whether Board meetings were publicly held, properly noticed, and promptly recorded in the public record. Additionally, we examined NICA records to determine whether Board members did not have, or properly disclosed, any conflict of interest with entities, Plan participants, or goods or service equipment providers discussed in Board meetings.
- From the population of 226 compensable active and 211 compensable deceased participants in the Plan prior to January 2021, examined NICA records to determine whether the parents or legal guardians for 21 selected active and 39 selected deceased participants were provided retroactive payment for parental awards and death benefits in accordance with Section 766.31, Florida Statutes.
- Reviewed the November 2022 NICA annual report and the January 2023 report published to NICA's Web site to determine whether NICA timely and appropriately prepared the reports in accordance with Section 766.315(7) and (8), Florida Statutes. Additionally, compared certain report information to NICA supporting records to determine whether the reports were accurate and complete.
- Inspected documents and records to determine whether NICA provided sufficient information to each parent and legal guardian regarding compensable expenses in accordance with Section 766.315(6), Florida Statutes.
- Communicated on an interim basis with applicable officials to ensure the timely resolution of issues involving controls and noncompliance.
- Performed various other auditing procedures, including analytical procedures, as necessary, to accomplish the objectives of the audit.
- Prepared and submitted for management response the findings and recommendations that are included in this report and which describe the matters requiring corrective actions. Management's response is included in this report under the heading **MANAGEMENT'S RESPONSE**.

AUTHORITY

Section 11.45, Florida Statutes, requires that the Auditor General conduct an operational audit of the Florida Birth-Related Neurological Injury Compensation Association at least once every three years. Pursuant to the provisions of Section 11.45, Florida Statutes, I have directed that this report be prepared to present the results of our operational audit.

A handwritten signature in blue ink that reads "Sherrill F. Norman". The signature is written in a cursive style with a large initial 'S'.

Sherrill F. Norman, CPA
Auditor General

EXHIBIT A

PARTICIPANT SURVEY QUESTIONS

NICA Benefit Handbook

1. Did you receive the August 2022 NICA Benefit Handbook and related materials and information to help you understand your rights and what services and equipment were authorized under the Plan?
2. Did you feel that the August 2022 NICA Benefit Handbook and related materials and information adequately explained your rights and what services and equipment were authorized under the Plan?
3. If you did not receive the August 2022 NICA Handbook and related materials or information or felt they were inadequate, please briefly describe the deficiencies and provide suggestions for improvement.

NICA Participant Service

4. If you had questions regarding your benefits under the Plan, did you feel that NICA timely and appropriately responded to your questions?
5. If you answered 'Yes' or 'No' to question 4, please rate your level of satisfaction with NICA's response to your questions (a through e with e being very satisfied).
6. If you were less than satisfied, please provide details describing the reason(s) for your lack of satisfaction.

Claims Reimbursement

7. If you requested reimbursement for expenses from medical providers and pharmacies during the period of January 2022 through January 2023, did NICA approve your request?
8. If you answered 'No' or 'Sometimes' to question 7, please provide a brief description of the reason(s) NICA provided for denying your request.

Benefit Dispute

9. If you requested, by letter, that a benefit be reviewed by the Executive Director as an exception, was the Executive Director's decision adequately explained and satisfactory?
10. If you answered 'No' to question 9, please describe what was lacking from the explanation and the reason(s) for your lack of satisfaction.

Complaints

11. If you filed a complaint with NICA during the period January 2022 through January 2023, did you feel that NICA timely and appropriately responded to your complaint?
12. If you answered 'Yes' or 'No' to question 11, please rate your satisfaction with NICA's response to your complaint.
13. If you answered question 12 as less than satisfactory, please provide details describing the reason(s) for your lack of satisfaction.

MANAGEMENT'S RESPONSE



October 17, 2023

Ms. Sherrill F. Norman, CPA
Auditor General
Claude Denson Pepper Building, Suite G74
111 West Madison Street
Tallahassee, FL 32399-1450

Dear Ms. Norman:

Thank you for sharing a copy of the Auditor General's Office Operational Audit Report for the Florida Birth-Related Neurological Injury Compensation Association (NICA) with us and allowing the opportunity to respond to the report. Please accept this as the formal response for NICA.

We appreciate the courtesy extended by the staff of the Auditor General's Office as well as the auditors who performed the testing during the course of the audit. We also appreciate the acknowledgement that corrective action has been taken for almost all of the findings in the previous report. As discussed at length with the audit team, the past two years have been very busy for our organization – we have implemented many changes. We are proud of the work that we have done but acknowledge that there is always room for improvement.

Finding 1:

NICA did not timely provide its actuarial consultant the December 2021 and December 2022 quarterly claims cost estimates and, consequently, actuarial threshold and reserve calculations were not timely prepared to evidence whether sufficient funds were available to accept new claims. Additionally, had State law not excluded family residential and custodial care expenses from the reserve calculation for the quarter ended September 30, 2022, NICA would have exceeded the claims threshold by \$95,015,565, preventing NICA from accepting new claims.

Response: We concur. As noted, NICA has undergone significant change in the past two years. For the December 31, 2021, and December 31, 2022, reserve calculations, significant adjustments were made to improve the accuracy of the reserve calculation (as noted in your report). This resulted in a delay in getting information to our actuaries. During the August 2023 Board of Directors meeting, all outstanding reserves were available and accepted by the Board of Directors (through June 30, 2023). Additionally, the data for the September 30, 2023, reserve calculations was sent to the actuaries on October 16, 2023, and should be completed by the end of November. We have committed to our Board of Directors that reserve and threshold calculations will be completed no later than mid-April for the December 31 reserves and two months after the end of the quarter for the remaining quarterly reserves. Since that time, we have

streamlined our process even more such that December 31 reserves should be completed no later than March 31st.

We agree that the statutorily-required deduction of family care from the threshold calculation creates a product that may not adequately reflect the financial condition of the organization. In fact, there are several aspects of the current threshold calculation that need updating. We will be proposing potential changes to the threshold calculation for the upcoming legislative session.

Finding 2:

NICA's exclusion of the Interim Executive Director's compensation from NICA's November 2022 annual report appeared to frustrate the intent of State law.

Response: As noted in your report, it is not clear that the Legislature intended independent contractors performing full-time equivalent responsibilities in NICA's executive leadership to be excluded from annual reporting requirements. Due to the lack of clarity, we relied on the language in the law which clearly requires disclosure for "employees". It was not NICA's intent to "frustrate" the intent of the law which is why we included the disclosure on the annual report that the Interim Executive Director was not an employee, thus, not included. Note that at the time, the contracted Executive Director was Interim and there was a salary reported for the former Executive Director. With the permanent appointment of the current Executive Director, we agree that there should be some sort of disclosure related to compensation to ensure complete transparency.

Finding 3:

Analysis of Plan participant survey responses indicated that, while improvements to participant satisfaction were noted from our prior audit survey, NICA could enhance the *Benefit Handbook* to better specify allowable benefits and better respond to participant complaints.

Response: We are pleased with the increased satisfaction regarding the adequacy of the Handbook (from 59% to 89%) and decisions on benefits (from 58% to 76%) – these have been areas of intense focus for us. However, as noted, there continues to be room for improvement.

Finding 4:

NICA controls over mobile device text messaging and Apple® device iMessages® and the retention of text and iMessages in accordance with State law and the State records retention schedule need improvement. A similar finding was noted in our report No. 2022-009.

Response: NICA has implemented many information technology controls in the past two years and continues to do so. These improvements cannot be made all at once, thus, must be prioritized. Because there were only three Apple devices, a thorough review of controls over these devices was not prioritized. We have amended our policy to adequately address the retention of messages on mobile devices.

Finding 5:

NICA controls for timely disabling user access privileges to the NICA network domain and the Claims Accounting and Reserves Electronic System (CARES) upon an employee's separation from NICA employment need improvement.

Response: We concur and have implemented procedures to ensure timely revocation of access upon termination of employment.

Finding 6:

As similarly noted in our report No. 2022-009, certain security controls related to network domain, virtual private network, and CARES user authentication need improvement to ensure the confidentiality, integrity, and availability of NICA data and information technology resources.

Response: Information technology controls have been a priority during the past two years and many improvements have been made. However, this is an area that requires ongoing vigilance and updating due to the constantly changing environment. We are working with our technology team to determine how best to implement the improvements recommended.

Sincerely,



Melissa Jaacks, CPA
Executive Director

Agenda Item # 7 (Tab D)

Investments

NICA Investment Summary December 2023

- Katy Wojciechowski/Independent Investment Consultant
- Felicia Bennett/Wilshire Advisors LLC

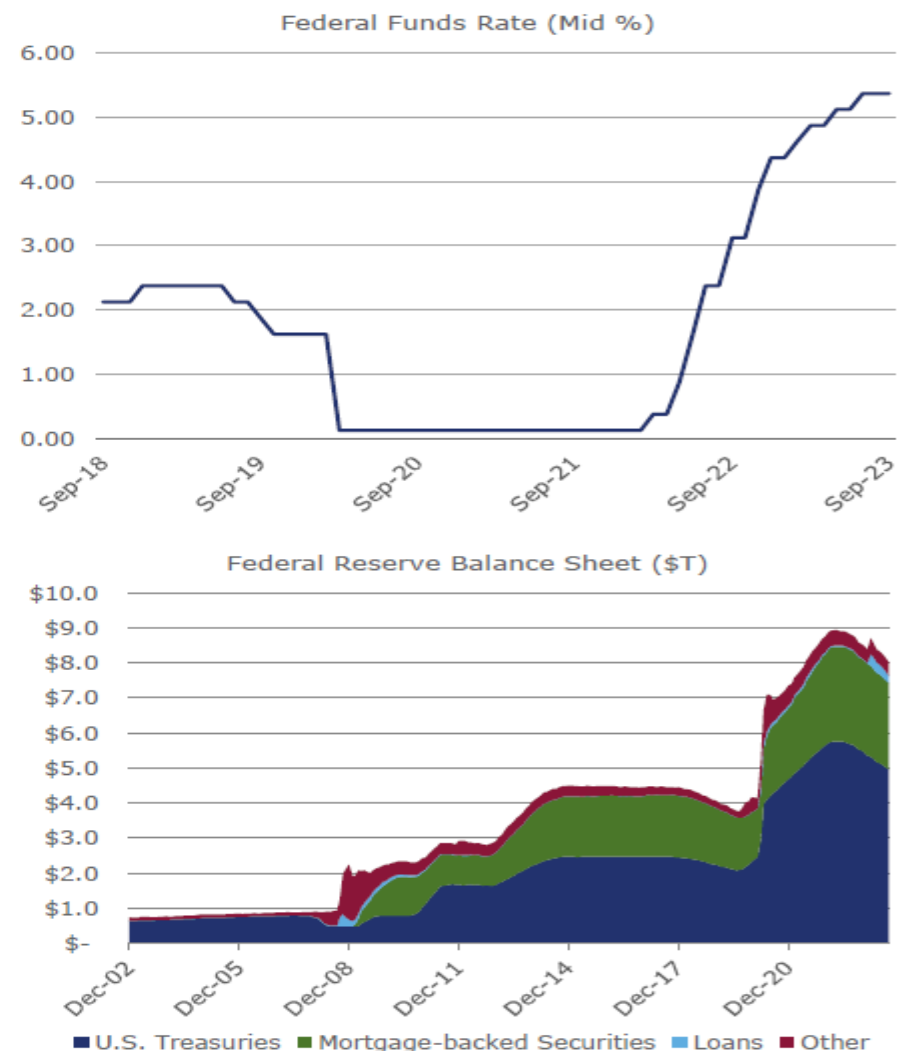
Performance Drivers

- Equity total returns were a drag in the third quarter, returning (3.25)%. Calendar year to date through 9/30, domestic returns have outpaced Non-US equities, 12.39% for the Russell 3000 (domestic benchmark) versus 5.34 for the MSCI ACWI x US (non-US benchmark)
- Bond returns were also a drag on the quarter, with the Core bond benchmark returning (3.23)%. Long Credit returned (7.23)%. High Yield was the bright spot of the quarter, returning a positive 0.53% and gaining 5.98% for the benchmark calendar year to date
- Federal Reserve has held the Fed Funds rate steady at 5.5% since July
- Headline inflation has dropped from 9.1% a year ago, currently hovering around 3.2%

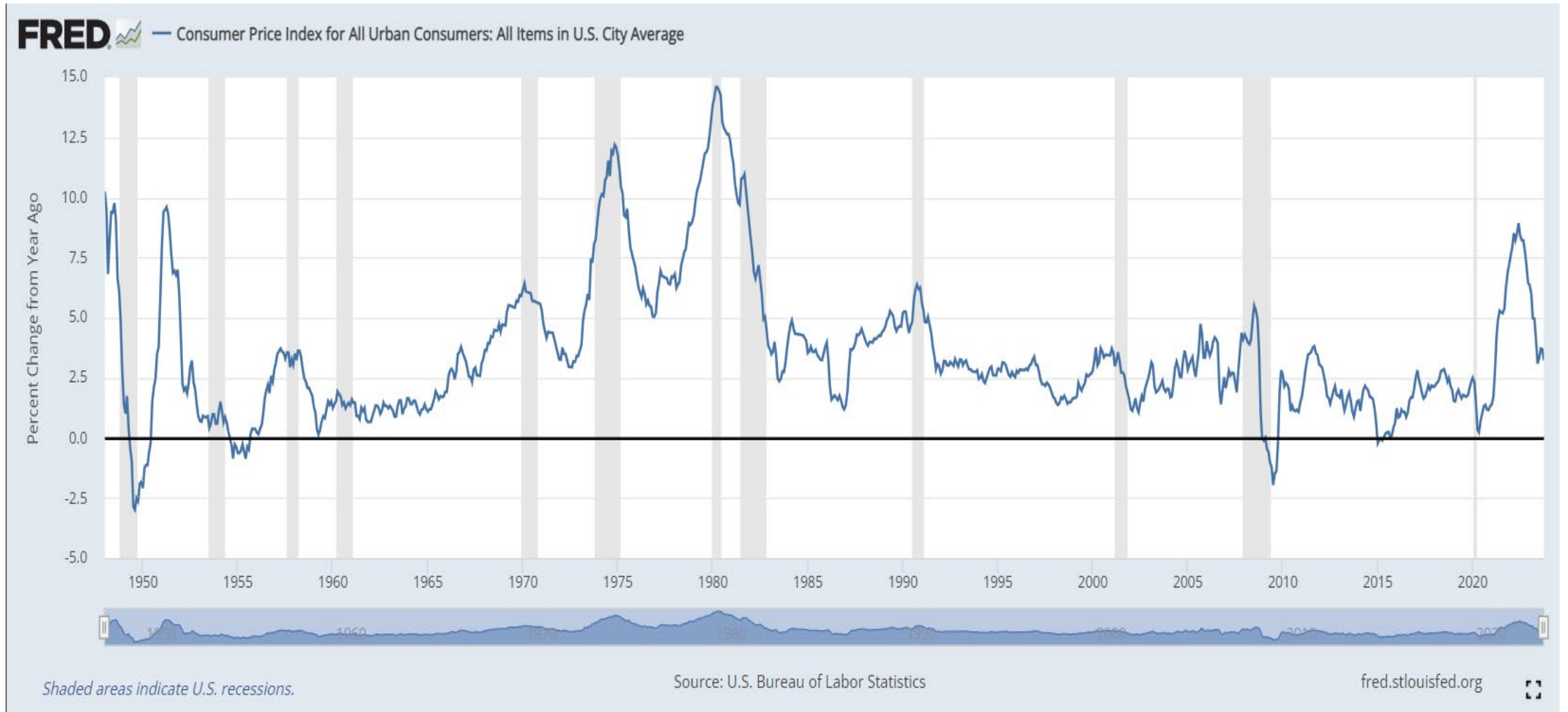
The Fed continues to maintain a restrictive stance in an effort to reduce inflation and return to price stability

- The Federal Open Market Committee increased the rate an additional 25 basis points in July before pausing increases in September
- QE4 was larger than the 3 phases of quantitative easing – combined – following the global financial crisis
- The Fed’s balance sheet has begun to shrink again during the past six months

	Announced	Closed	Amount (bil)
QE1	11/25/2008	3/31/2010	\$1,403
QE2	11/3/2010	6/29/2012	\$568
QE3	9/13/2012	10/29/2014	\$1,674
QE4	3/23/2020	3/15/2022	\$4,779



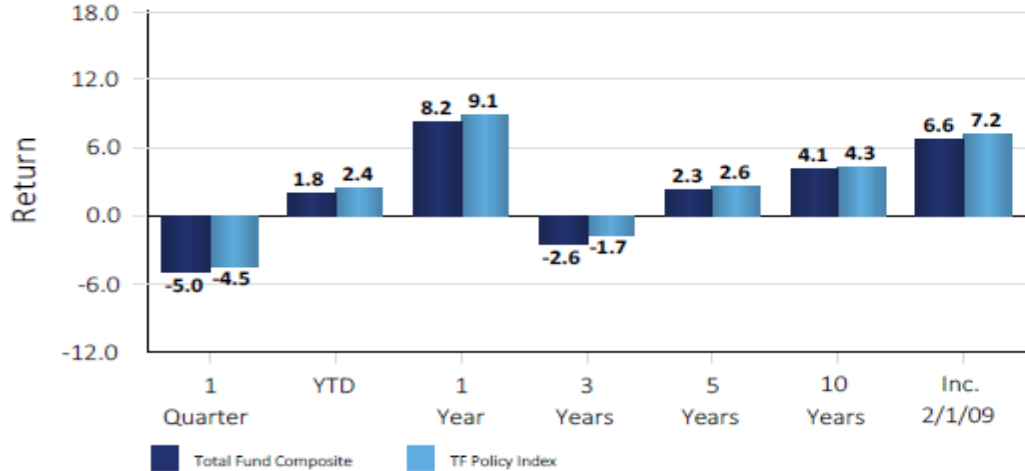
Inflation in the US continues at levels above the Federal Reserves 2% target, but generally trending down



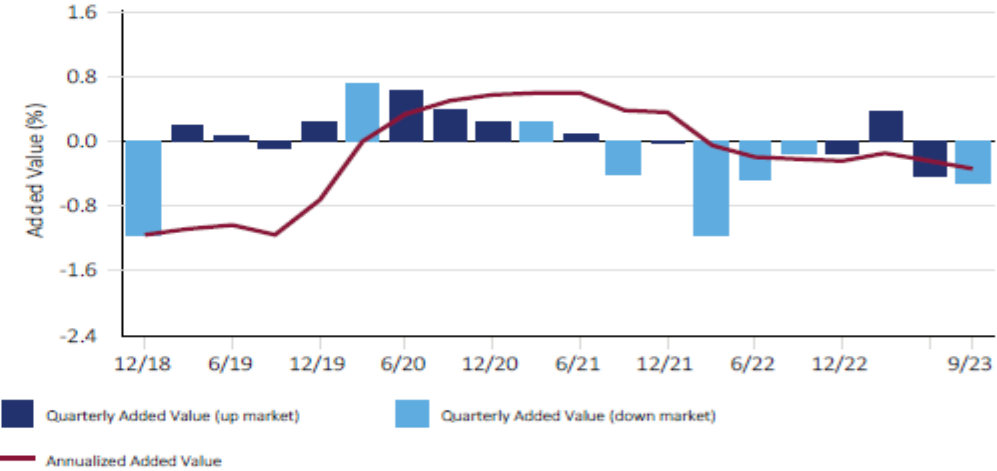
Composite Performance Summary

Total Fund Composite
 Periods Ended September 30, 2023

Comparative Performance



Added Value History

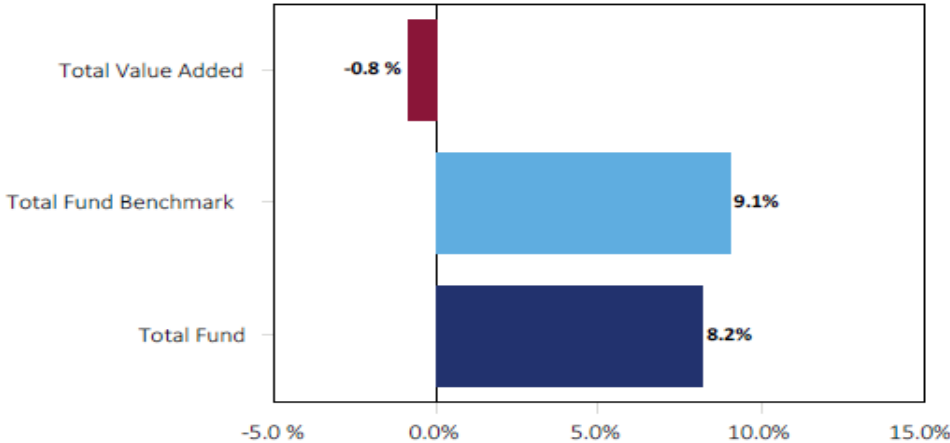


Total Fund Attribution

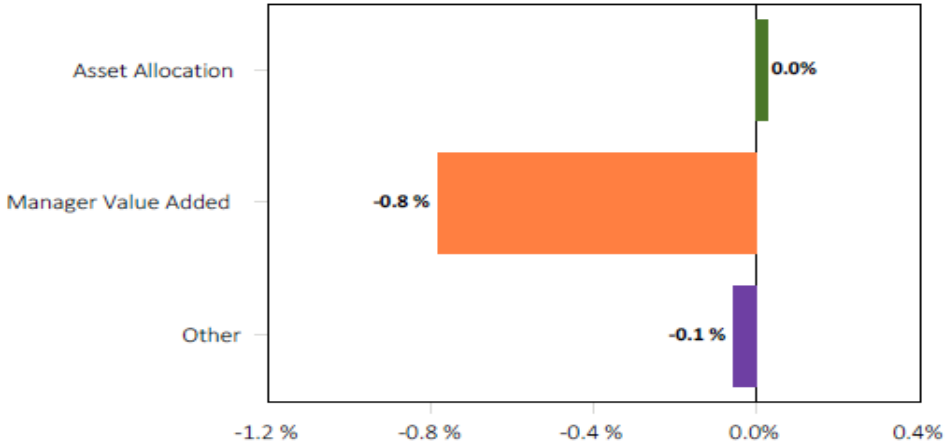
Total Fund Composite

Periods Ended 1 Year Ending September 30, 2023

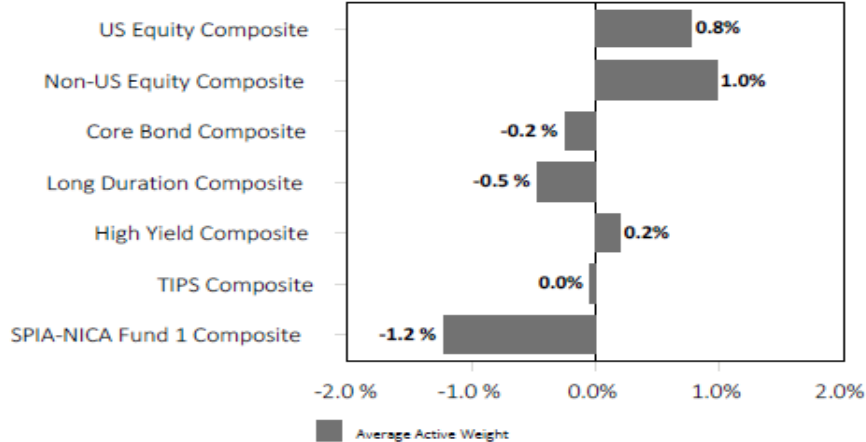
Total Fund Performance



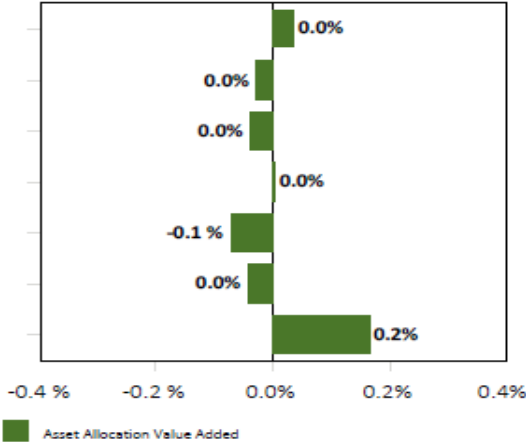
Total Value Added:-0.8 %



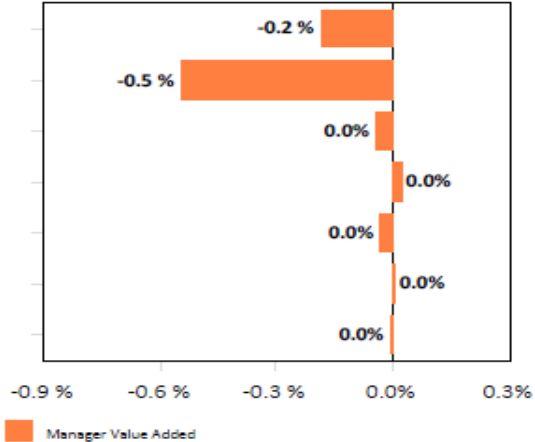
Total Asset Allocation:0.0%



Asset Allocation Value Added:0.0%

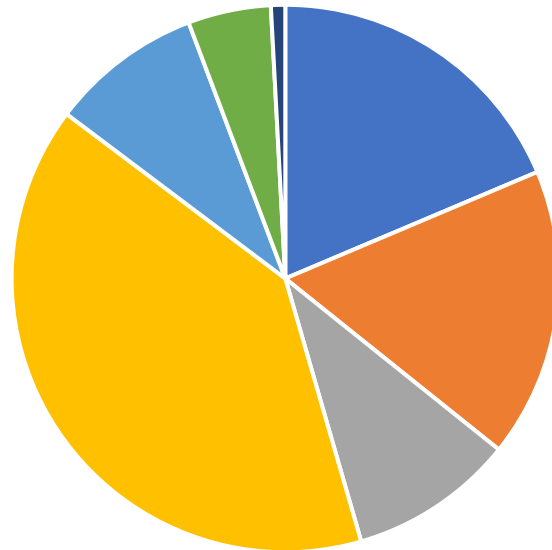


Total Manager Value Added:-0.8 %



Plan Assets – September 30, 2023

Asset Allocation
9/30/2023



■ US EQUITY ■ NON US EQUITY ■ CORE BOND ■ LONG DURATION BOND ■ HIGH YIELD BOND ■ TIPS ■ CASH

Beginning Value 6/30/23	\$ 1,305,920,852
Net Cash Flow	(11,319,976)
Capital Appreciation/Depreciation	(64,623,276)
Ending Value 9/30/23	\$1,229,977,600

Cash	0.77%
Fixed Income	62%
US Equity	20%
Intl Equity	17%
	100%

Plan Assets

Preliminary November Estimate

- Markets are up strongly in November:
 - Long credit index up 11.5%
 - U.S. equity index up 8.7%
 - Non-U.S. equity index up 8.7%

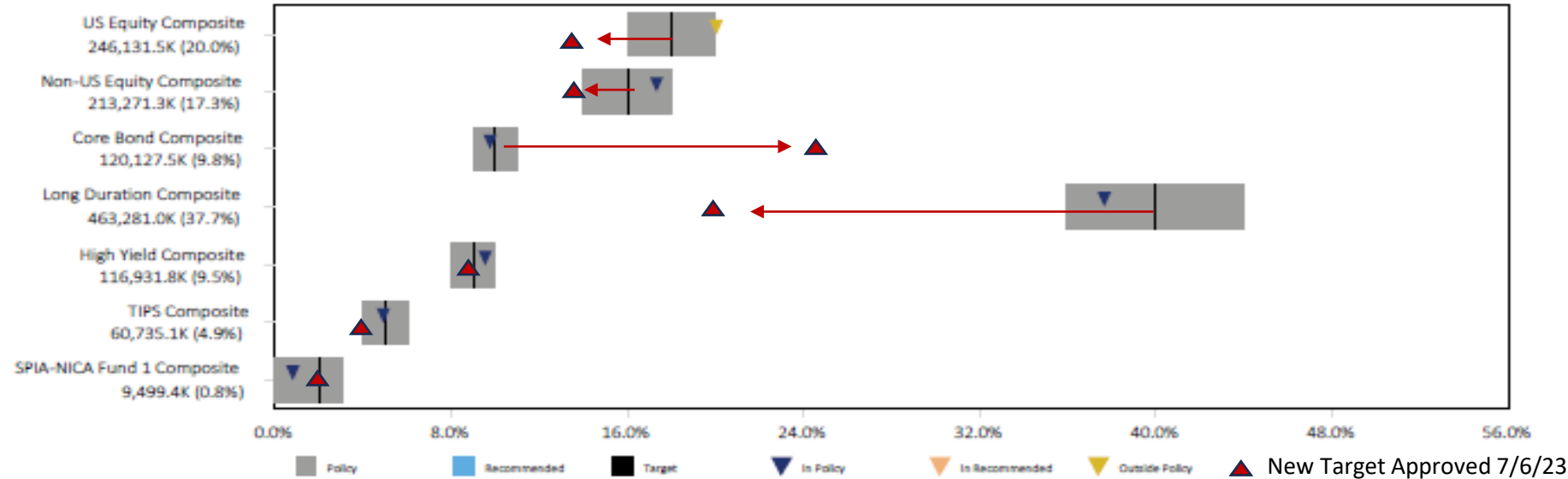
Beginning Value 6/30/23	\$1,305,920,852
Net Cash Flow Estimate	(5,149,976)
Capital Appreciation/Depreciation Estimate	(3,192,876)
Ending Value Estimate 11/30/23	\$1,297,578,000

Asset Allocation Compliance

Total Fund Composite

Periods Ended As of September 30, 2023

Executive Summary



	Asset Allocation \$	Asset Allocation (%)	Minimum Allocation (%)	Maximum Allocation (%)	Target Allocation (%)	Minimum Rebalance \$	Maximum Rebalance \$
Total Fund Composite	1,229,977,600	100.0			100.0		
US Equity Composite	246,131,489	20.0	16.0	20.0	18.0	-49,335,073	-135,969
Non-US Equity Composite	213,271,269	17.3	14.0	18.0	16.0	-41,074,405	8,124,699
Core Bond Composite	120,127,485	9.8	9.0	11.0	10.0	-9,429,501	15,170,051
Long Duration Composite	463,280,998	37.7	36.0	44.0	40.0	-20,489,062	77,909,146
High Yield Composite	116,931,779	9.5	8.0	10.0	9.0	-18,533,571	6,065,981
TIPS Composite	60,735,136	4.9	4.0	6.0	5.0	-11,536,032	13,063,520
SPIA-NICA Fund 1 Composite	9,499,445	0.8	0.0	3.0	2.0	-9,499,445	27,399,883

Looking Forward

- The markets may remain volatile for the upcoming year as the Federal Reserve continues to hold in a tightening stance in their fight to return inflation to a “2% average” target
- There are signs of slowing in the economy, including a better than expected October CPI. but unemployment remains very low. There remains a possibility we will enter a recession in the coming year, but predicted to be shallow and brief
- In the NICA fund, we have begun transitioning to the new asset allocation.

Steps for Implementing Results of Asset/Liability Study in the Fund

- ✓ Assess risk tolerance and liquidity needs
- ✓ Develop realistic target portfolio within NICA constraints based on Wilshire Optimization model
- ✓ Discuss output of Target portfolio
 - Ability to achieve required return
 - Ability to provide necessary liquidity
- ✓ Finalize plan to implement
- Execute to achieve target portfolio
 - Adjust allocations between investments
 - Adjust managers as needed and recommended by Wilshire

Transition Progress

- Terminated active midcap equity manager and reallocated proceeds to cash to bring to 3% maximum cash allocation.
 - Very short duration cash allocation offsets long duration credit as we wait for contract documentation process to be completed.
- Fund a new Minimum Volatility mandate
 - Negotiations are ongoing with a low cost, passive mandate manager
 - Following completion of this negotiation, we will shift additional funds from other equity portfolios to rebalance toward our new asset allocation
- Hire a Short Duration Fixed Income Manager
 - We have had initial calls with a focus list of managers to ensure suitability. Formal interviews will be scheduled in the near future.

Manager Reviews

- Several Active Managers are failing on a majority of our metrics. We look at manager performance on several metrics, not JUST performance and look at a longer investment horizon.
- We will be conducting manager by manager reviews internally to determine steps forward, and adjustments will be made.
- Where possible, we will incorporate changes in managers with changes to asset allocation, but will adjust our manager stable where necessary as quickly as practical.

Wilshire					
Scorecard					
NICA					
<i>Periods Ended September 30, 2023</i>					
Fund Name	Manager Research	Universe Ranking 3-Year (Peer Median Relative)	Universe Ranking 5-Year (Peer Median Relative)	Information Ratio 3-Year (Peer Median Relative)	Information Ratio 5-Year (Peer Median Relative)
Wellington Management	Pass	✘	✘	✔	✘
PanAgora Asset Mgmt.	Pass	✘	✘	✔	✘
Schroder QEP Int'l Value	Pass	✘	✘	✘	✘
Baillie Gifford	Pass	✘	✘	✘	✘
Sterling Capital Mgmt. LLC	Pass	✔	✔	✔	✔
MetLife	Pass	✔	✔	✔	✔

	Universe Ranking 3-Year (Peer Median Relative)	Universe Ranking 5-Year (Peer Median Relative)	Information Ratio 3-Year (Peer Median Relative)	Information Ratio 5-Year (Peer Median Relative)
✔	Pass	Pass	Pass	Pass
✘	Fail	Fail	Fail	Fail

Agenda Item # 8 (Tab E)

**September 30, 2023 Actuarial
Report and Threshold Report**

**FLORIDA BIRTH RELATED NEUROLOGICAL
INJURY COMPENSATION ASSOCIATION (NICA)
ANALYSIS OF LOSS AND LAE RESERVES
AS OF SEPTEMBER 30, 2023**

Prepared: October 20, 2023



MADISON CONSULTING GROUP

Actuaries • Property/Casualty Consulting Services

November 29, 2023

Melissa Jaacks, CPA
Executive Director
PO Box 14567
Tallahassee, FL 32317-4567

Re: Florida Birth Related Neurological Injury Compensation Association Analysis of Loss and LAE Reserves as of September 30, 2023

Dear Ms. Jaacks:

Madison Consulting Group, Inc. is pleased to enclose a copy of the above captioned report.

We have enjoyed working on this project and hope you find it satisfactory. Please call if you have any questions or comments.

Mark Crawshaw, Ph.D., FCAS, MAAA
Madison Consulting Group, Inc.
200 North Second Street
Madison, Georgia 30650
(706) 342-7750
mark.crawshaw@madisoninc.com

Choya Everett, ACAS, MAAA
Madison Consulting Group, Inc.
200 North Second Street
Madison, Georgia 30650
(706) 342-7750
choya.everett@madisoninc.com

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LIST OF EXHIBITS

Description	Exhibit
Selected Loss and LAE Reserves for All Claims	Exhibit 1
Graph: Time Series - Average Reserve Per Claim and Number of Outstanding AAA Claims by Quarter	Exhibit 2
Graph: Time Series – Payments by Quarter For All Claims	Exhibit 3
Time Series – Reserves and Payments	Exhibit 4
Reserves and Ultimate Loss and ALAE by Birth Year	Exhibit 5
Threshold Calculation	Exhibit 6

LIST OF APPENDICES

Description	Appendix
Selected Loss and ALAE Reserves for AAA Claims with Reserve Worksheets	Appendix A
Selected Reserves for AAA Pipeline and Incurred But Not Reported (IBNR) Claims	Appendix B
Analysis of IBNR Claim Counts	Appendix C
Review of Life Expectancy – Not Applicable; See December 31, 2022 report.	Appendix D
Analysis of Unallocated Loss Adjustment Expense (ULAE) Reserve	Appendix E
Loss and Count Summary by Birth Year – Current Dollars	Appendix F
Loss and ALAE Reserves by Benefit Type for AAA Claims with Reserve Worksheets	Appendix G
Calculation of Risk Margin	Appendix H
Summary of Historical Inflation and Investment Returns	Appendix I

1 INTRODUCTION

1.1 Scope

The Florida Birth Related Neurological Injury Compensation Association (NICA) requested Madison Consulting Group (MCG) to estimate NICA’s liability for outstanding loss and loss adjustment expense (LAE) reserves as of September 30, 2023. This report documents our results and methodology.

1.2 Authors

This report and analysis were prepared under the direction of Dr. Crawshaw and Ms. Everett. Dr. Crawshaw is a Fellow of the Casualty Actuarial Society. Ms. Everett is an Associate of the Casualty Actuarial Society. Both are Members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to make the actuarial opinions contained in this report.

2 BACKGROUND

2.1 Overview of NICA’s Operations

NICA was created by Florida Statute (“the Statute”).¹ The Statute replaces the traditional tort liability remedies for defined birth related injuries with a no-fault system² for participating health care providers. Claims must be filed within five years after birth.³ Acceptance of claim (or not) into the NICA program is decided by an Administrative Law judge.⁴ The Statute defines the benefits provided to claimants.

¹ Florida Statutes 766.301 to 766.316

² Florida Statute 766.303

³ Prior to the 1994 birth year, a claim had to be filed within seven years of birth.

⁴ Florida Statute 766.304

NICA collects assessments from various medical care providers during each birth year and invests those funds until payments are required on behalf of the claimants.⁵ NICA disburses funds on behalf of claimants to pay for their care. The Statute provides NICA very limited financial resources⁶ for collecting additional funds in the event the funds collected from the medical care providers are not sufficient to pay its claims.

2.2 Overview of NICA’s Loss and LAE Reserves

NICA’s loss and LAE⁷ reserves represent an estimate of the value of all future payments necessary to satisfy the lifetime payments for all claimants born on, or before, the valuation date. These reserves form the vast majority of the liabilities on NICA’s balance sheet.

Due to the significant time over which the benefits will be paid out, the estimated impact of inflation and anticipated investment income must be considered in the establishing the loss and LAE reserve. In this report, as well as previous actuarial reports, the reserves are valued by inflating future payments and then discounting to present-value. In this process, it is assumed the discount rate exceeds the inflation rate by 1.5% per year. NICA’s actuaries have used this same assumption for many years. It is based on long-term comparison of investment returns versus inflation rate.

2.3 Categories of Claims

The loss and LAE reserve is intended to provide for all unpaid claims for children born through the valuation date. These include claims accepted into NICA, claims in the adjudication process that may or may not ultimately be accepted, and claims that have not yet been reported (also

⁵ NICA also pays for expenses associated with the claims adjudication process, related litigation and administrative expenses.

⁶ The Statute provides NICA some ability to assess the insurance industry, as well as collect additional funds from the Office of Insurance Regulation.

⁷ Here “loss” refers to the cost of the benefits provided to claimants. Loss adjustment expense (LAE) refers to the other costs associated with paying benefits and adjudicating claims such as legal expenses, NICA’s administrative expenses etc.

referred to as IBNR claims). In this report, we use the following abbreviations and categories of claimant to develop claims:

Table 1: Categories of Claims

Category	Subcategory	Description
AA Claims		
AA		Claimant formally accepted into NICA when child was alive.
AA	AAA - Worksheet	Claimant is still alive and for whom NICA has full details and has established a worksheet with estimated life expectancy and projected lifetime benefits considering individual circumstances of the claimant and his/her family.
AA	AAA-Pipeline	Claimant is alive and is known to NICA. NICA expects claimant to become an AAA claim with a worksheet once claim adjudication and/or gathering of individual details is complete.
AA	AAD	Claimant was alive when accepted into NICA but is now deceased.
AA	AA-IBNR	Projected claims for living claimants which no petition has yet been filed.
DA Claims		
DA	DA-Reported	Claimant formally accepted when child was deceased or else is a deceased claimant that is expected to be accepted into NICA.
DA	DA-IBNR	Projected claims for deceased claimants for which no petition has yet been filed.
Other Claims		
Denied		Claimant has been denied or is expected to be denied acceptance into NICA.

2.4 NICA’s Case Reserves

NICA develops its own estimates of its claim liabilities referred to as case reserves. These estimates are an important input into the actuarial reserve estimates presented in this report.

For each December 31 valuation, NICA prepares a master reserve worksheet summarizing NICA’s projected lifetime expense payments by expense category and year for each claimant, along with the claimant’s remaining life expectancy (as determined by Dr. Shavelle). The product of the expense payments and the remaining life expectancy determines NICA’s case reserve estimates for these claims at year end. During the year, NICA prepares similar information for additional claims as they are accepted into NICA.

The master worksheet (and any interim updates) includes all living claimants that have been accepted into NICA and for whom NICA has had sufficient time to gather information on the individual circumstances and needs of the claimant and their family. As of September 30, 2023, there are 238 open claims included in the master reserve worksheet.

In addition to the “AAA-worksheet” claims discussed above, NICA also provided case reserve estimates for other categories of claims for which it believes it will make future payments. These include case reserves for (a) deceased claimants in NICA’s program; (b) for living claimants (a.k.a., “AAA- pipeline”) that have already been or are expected to be accepted into NICA; and (c) for claimants that are expected to ultimately be denied acceptance into NICA.⁸

2.5 Senate Bill 1786

In May 2021, the Florida Legislature passed Senate Bill 1786 (SB 1786), which resulted in increases to the financial obligations of NICA. This report includes consideration of the changes set forth in SB 1786.

⁸ We distinguished between the “AAA-pipeline” and “denied” category based on the magnitude of the case reserve established by NICA. In particular, “AAA-pipeline” claims are signaled via a case reserve of \$2.8 million.

2.6 Medicaid

The estimates shown in this report were determined under the assumption that, on a prospective basis, Medicaid will no longer reimburse NICA claimants for expenses as defined in the Statute (effective August 31, 2021), and these expenses will fall on NICA.

The estimated payments used to project reserves include estimates of all payments that will prospectively be paid by NICA. In addition, because Medicaid has not yet implemented a procedure to transfer and/or bill claims to NICA, we have included an estimated provision for the period between August 31, 2021 and September 30, 2023 for potential future reimbursements due Medicaid.

2.7 Medicaid Settlement

We understand that in late 2022, NICA settled litigation related to payments made by Medicaid in prior years to NICA claimants.

2.8 Threshold Standard

The Statute sets forth a “threshold” financial standard that NICA must meet in order to continue accepting claimants. This standard is different from solvency standards more typically used for insurance companies that involve comparison of assets and liabilities. This threshold standard involves comparison of 80% of NICA’s available assets and funds that may become available in the subsequent twelve months, to its liabilities for filed claims excluding family care.

3 RECOMMENDATIONS AND CONCLUSIONS

3.1 Recommended Reserve for Losses and LAE as of September 30, 2023

The recommended reserve for losses and LAE (excluding risk margin) as September 30, 2023 is \$1.386 billion (Exhibit 1). This amount is an actuarial central estimate of expected outcomes valued using an annual interest discount rate that is 1.5% higher than the inflation rate.

3.2 Comparison to Prior Reserves

Exhibit 4 provides a time series for reserves and other loss related statistics beginning with the third quarter of 2016. Exhibits 2 and 3 summarize in graphical form, key statistics from Exhibit 4 that drive the loss reserves for NICA. We note the following:

1. The September 30, 2023 reserve for loss and loss adjustment expenses is \$1.386 billion (Exhibit 4, Sheet 3, Row 4). The reserve amount is driven by the number of outstanding AAA claims (i.e., number of living claimants) and the average reserve per outstanding AAA claim (see Exhibit 2). Reserves increased by about \$23.5 million, or about 1.7%, from the prior analysis as of June 30, 2023, primarily due to an increase in the number of living claimants.
2. The average reserve per outstanding AAA claim is shown on Exhibit 4, Row 10, and also graphically on Exhibit 2, Sheet 1. Through year-end 2020, prior to the passage of SB 1786, the average reserve per outstanding claim was running at about \$3.7 million per claim. Post-SB 1786, the average reserve has increased to about \$4.9 million per claim, an increase of approximately 32%.
3. The number of outstanding AAA claims are shown on Exhibit 4, Row 8 and also graphically on Exhibit 2, Sheet 2. It can be seen that the number of outstanding AAA claims have been increasing at a rate of 3.6% per year in recent years. In the quarter ending September 30, 2023, the number of outstanding AAA claims increased by three, or about 1.1%.

4. The aggregate claim payments per quarter are shown on Exhibit 4, Row 12 and graphically on Exhibit 3. Prior to passage of SB 1786, aggregate claim payments were running around \$5 million per quarter but increased sharply in 2021 as SB 1786's retroactive payments were made to claimants. Since June 30, 2021, the aggregate payments have varied quite substantially by quarter as retroactive payments continue to be paid. We expect the quarterly payments to stabilize once all the retroactive payments have been made, and thereafter increase gradually. However, there is also a possibility of an additional one-time payment when final billing procedures with Medicaid are established and implemented.
5. Exhibit 4, Row 14 shows the claims incurred (i.e., aggregate amounts paid to claimants plus changes in reserves) per quarter. To be sustainable over the long-run, NICA needs to generate sufficient revenue (via its investments and charges to healthcare providers) to cover these costs plus its overhead costs.

3.3 Threshold Calculation

Exhibit 6 provides a summary of the threshold calculation for NICA to continue accepting claims. Based on this calculation, NICA narrowly passes this standard as defined in the Statute.

4 CONDITIONS AND LIMITATIONS

4.1 Data Sources

Data for this analysis was provided to us by NICA and included:

1. A master reserve worksheet containing case reserves for each adjudicated claim showing life expectancy and projected future annual payments by category over the lifetime of the claimant. This worksheet is the basis of the case reserve development method.
2. Information on investments, claim adjustment expenses and numbers of participating healthcare providers.

3. The prior actuarial reports evaluated as of June 30, 2023, March 31, 2023 and December 31, 2022 prepared by Madison Consulting Group and prior quarterly actuarial reports prepared by Turner Consulting.

While we reviewed the data for reasonableness, we did not audit the data. We are relying on NICA to ensure its accuracy.

4.2 Investment and Inflation Assumptions

The reserve recommendations are presented on a present-value basis using an interest discount rate that is 1.5% greater than the future claims inflation. This is consistent with prior actuarial analyses.

4.3 Risk Margin

NICA's loss and LAE reserves represent an actuarial central estimate of the present-value of all future payments necessary to satisfy the lifetime payments for all claimants born on, or before, the valuation date. Any such estimate involves the projection of future contingent events and actual payments will likely vary from projections.

To increase the likelihood that the estimates will reasonably provide for all future payments, we have continued NICA's past practice of estimating an additional explicit risk margin to account for likely variation in estimates caused by the following items.

1. The actual remaining years of life of known claims is likely to vary from their expected remaining life; and
2. The number and severity of pipeline and unreported claims are likely to vary from expected values included in our reserve estimates.

The resulting selected risk margin is \$75.5 million, consistent with recent prior analysis (Appendix I).

We note that the explicit risk margin only accounts for a small portion of the financial risk that NICA is exposed to. Much greater sources of risk are uncertainties in future claim cost inflation

and discount rates to appropriately present-value the reserves. We have implicitly recognized some of this risk via our somewhat conservative selection of the future interest/inflation differential (See Section 4.2 above).

4.4 Inherent Variability

The development of reserves for NICA involves the projection of future contingent events. Actual results are likely to vary from projections. We have, however, used accepted actuarial methods and believe the results are reasonable.

5 ANALYSIS

We analyzed liabilities for the various categories of claims as set forth in Section 2.3 above. The following subsections describe the analysis for each category. In general, the methodology involved updating our December 31, 2022 analysis for the passage of time.

5.1 Analysis of AAA Claims With Worksheet

We developed reserves for AAA claims with reserve worksheets based on their life expectancy and estimated future payments. The final selected estimate is shown in Appendix A and on Exhibit 1.

5.11 Basis for Life Expectancy (AAA Claims With Reserve Worksheets)

The mortality assumptions are unchanged from those described in our analysis as of December 31, 2022.

5.12 Basis for Future Payments (AAA Claims With Reserve Worksheets)

The future payments for each claim were developed based on the case reserve worksheet provided by NICA. During this quarter, reserve worksheets for four additional claimants were

incorporated into the analysis. In our December 31, 2022 analysis, we validated these projected payments using an aggregate actuarial model.

5.2 Analysis of AAA Pipeline Claims

The number of outstanding pipeline claims is known and does not require estimation. We estimated the average reserve for each AAA pipeline claim based on the estimated average life expectancy at birth for current AA claims as described previously. We estimated the future annual payments based on the average payment model as described in our December 31, 2022 report (Appendix B).

5.3 Analysis of AA-IBNR and DA-IBNR Claims

We estimated the reserve based on the estimated number claims (Appendix C) multiplied by the average projected reserve per claim (Appendix B).

5.4 Analysis of Other Claim Categories

For the other categories of claims, we directly used NICA's estimates of future liabilities (see Exhibit 1).

5.5 Analysis of ULAE

ULAE ("unallocated loss adjustment expenses") refers to those expenses incurred by NICA to administer the benefits separate and apart from the benefits themselves or legal fees. The reserves on Exhibit 1 include a provision for the estimated future ULAE. As shown in Appendix E, the ULAE reserve is 1.62% of total reserves *excluding ULAE*. This ULAE reserve ratio is selected in the December 31, 2022 report and is based on the methodology used in prior actuarial reports.

NICA
SUMMARY OF SELECTED RESERVES AS OF SEPTEMBER 30, 2023
(\$000'S)

Item	Unpaid Claim Count	Case Reserve	Projected Reserve	
			Nominal	Inflated and Discounted
(1)	(2)	(3)	(4)	(5)
AAA Claims With Worksheets (a)	239	\$ 1,268,296	\$ 1,564,032	\$ 1,108,309
AAA Claims Pipeline (b)	15	41,388	116,994	77,530
AAA Claims IBNR (b)	27	-	208,638	138,260
AAD Claims (c)	12	4,198	4,198	4,198
DA Claims Reported (c)	37	5,981	5,981	5,981
DA Claims IBNR (b)	9	-	3,837	3,837
Denied Claims (c)	45	909	909	909
Subtotal	384	\$ 1,320,771	\$ 1,904,589	\$ 1,339,024
Outstanding ULAE (d)				22,097
Medicaid Reimbursement - Aug 31, 2021 through September 30, 2023 (e)				25,000
Total Reserve Excluding Risk Margin				\$ 1,386,121
Risk Margin (f)				\$ 75,500
Total Reserve Including Risk Margin				\$ 1,461,621

Notes:

(a) See Appendix A.

(b) See Appendix B, Sheet 1.

(c) See Appendix F, Sheet 2.

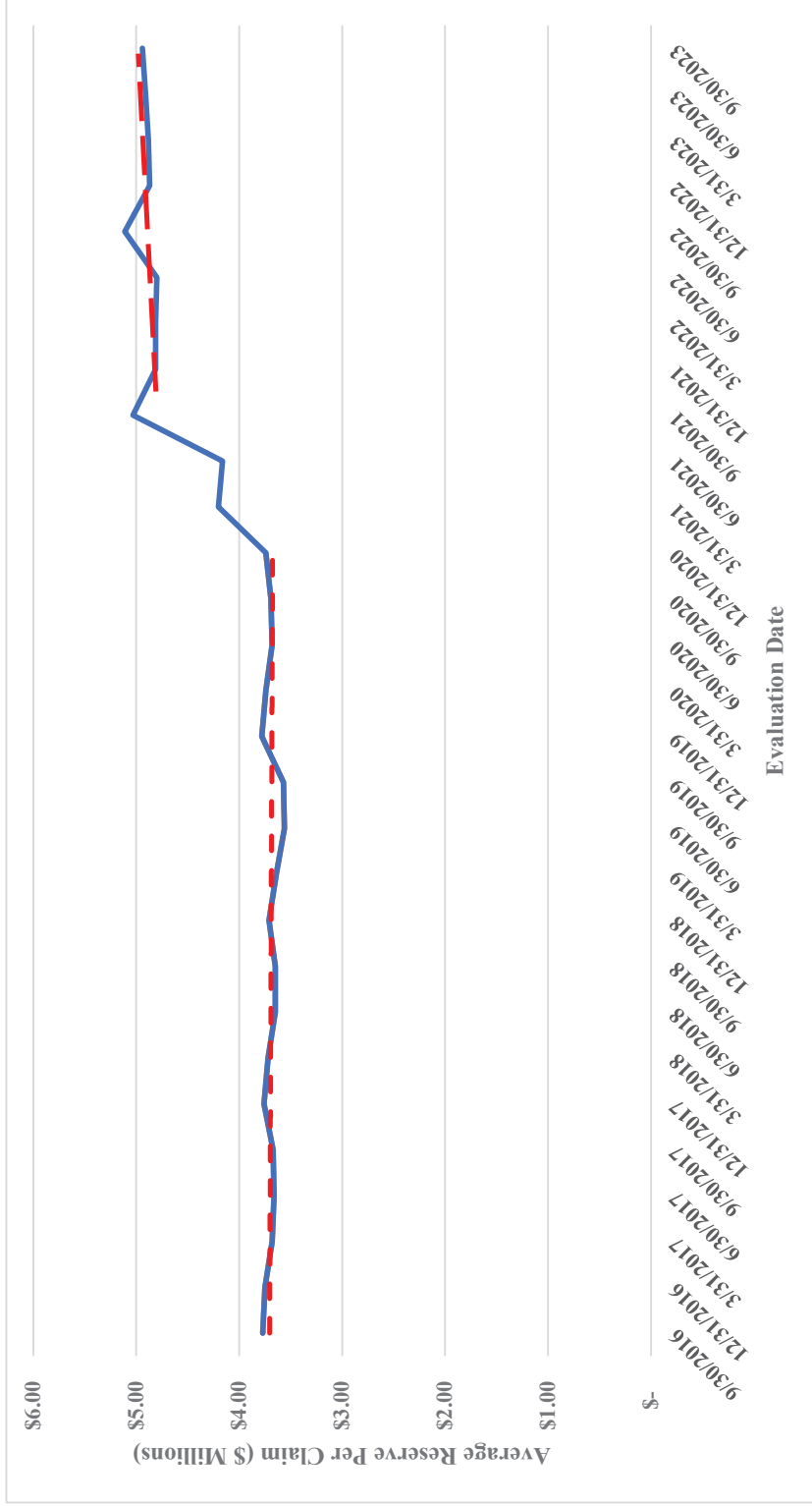
(d) See Appendix E.

(e) Assumes one million dollars a month, starting August 31, 2021.

(f) See Appendix I.

NICA

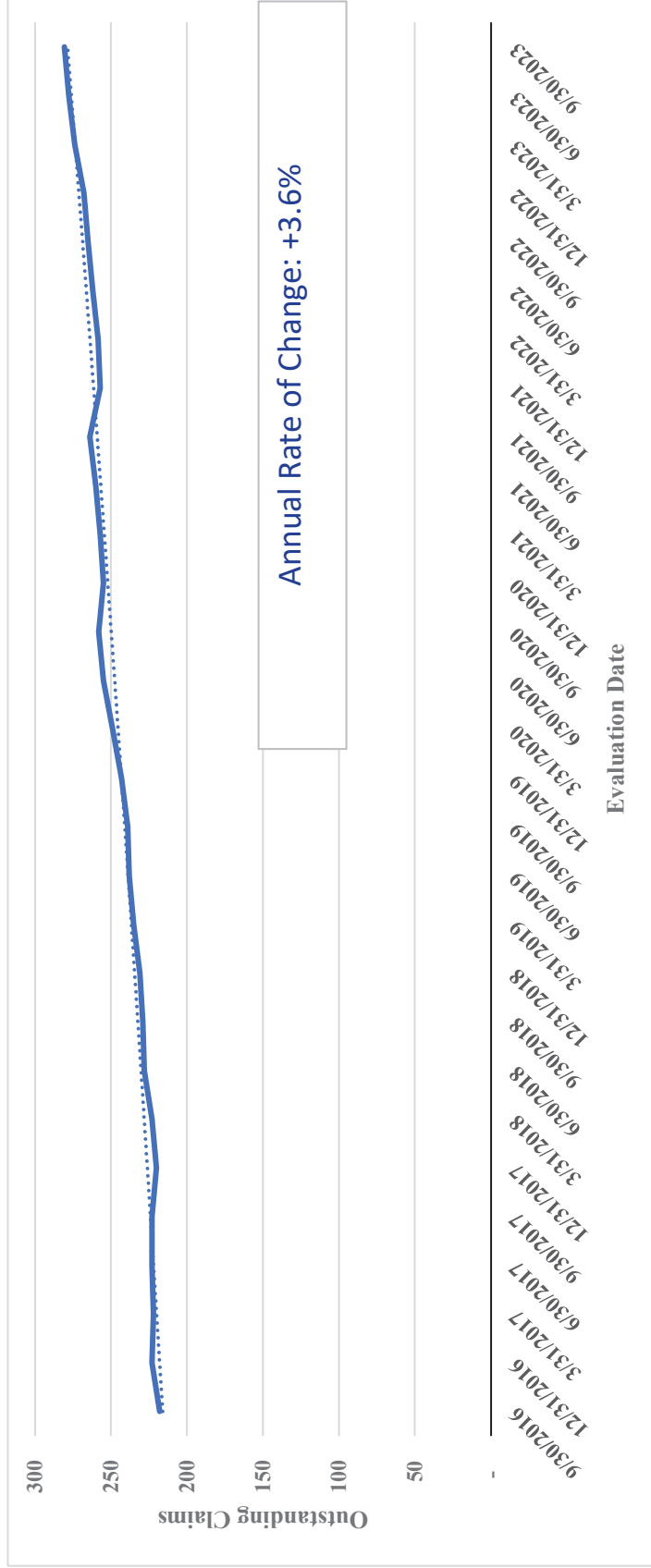
SUMMARY OF AVERAGE RESERVE PER AAA CLAIM



Note: Based on Exhibit 4, Row (10). AAA claims relate to accepted, living claimants.

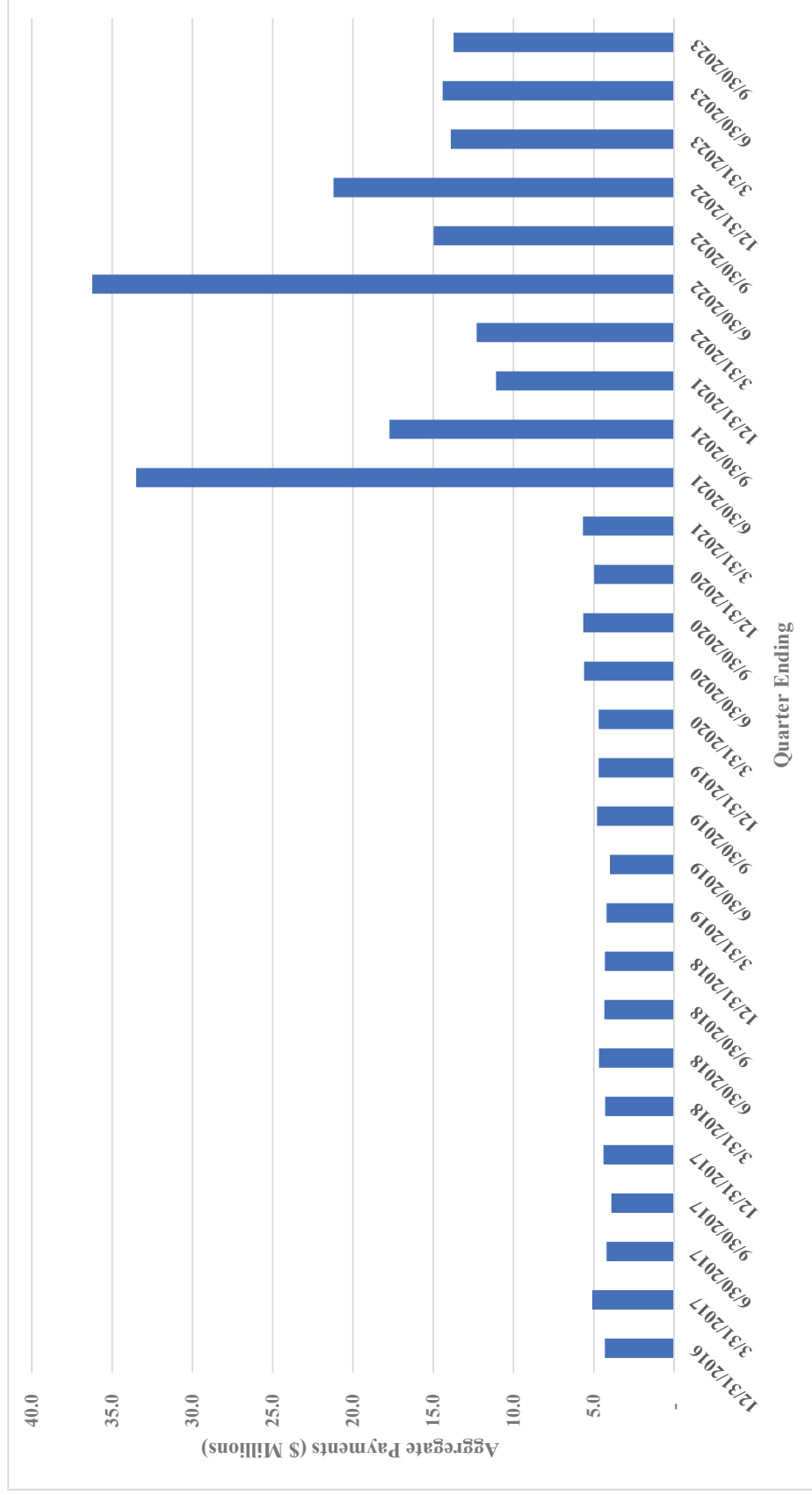
NICA

NUMBER OF OUTSTANDING AAA CLAIMS



Note: Based on Exhibit 4, Row (8). AAA claims relate to accepted, living claimants.

NICA
PAYMENTS BY QUARTER FOR ALL CLAIMS



Note: Based on Exhibit 4, Row (12).

NICA
SUMMARY OF CLAIM PAYMENTS AND RESERVES
(\$ MILLIONS)

Item	9/30/2016	12/31/2016	3/31/2017	6/30/2017	9/30/2017	12/31/2017	3/31/2018	6/30/2018	9/30/2018
(1) Reserve for Future Benefits (a)	\$ 810.3	\$ 826.2	\$ 806.6	\$ 805.7	\$ 806.4	\$ 814.4	\$ 816.5	\$ 819.7	\$ 823.1
(2) ULAE Reserves (a)	11.1	11.1	11.1	11.1	12.7	12.8	12.8	12.7	12.6
(3) Estimated Reimbursement due to Medicaid (a)	-	-	-	-	-	-	-	-	-
(4) Total Reserves	\$ 821.4	\$ 837.3	\$ 817.7	\$ 816.8	\$ 819.1	\$ 827.1	\$ 829.3	\$ 832.4	\$ 835.7
(5) - Change in Quarter	15.9	(19.6)	(0.9)	2.4	8.0	2.1	3.1	3.3	
(6) Number of Open Accepted Claims - AAA Claims (b)	187	193	189	190	191	191	193	198	198
(7) Number IBNR Claims Excluding DA (a)	31	30	33	33	32	29	30	30	31
(8) Total Outstanding AAA Claims	218	223	222	223	223	220	223	228	229
(9) - Change in Quarter	5.0	(1.0)	1.0	-	(3.0)	3.0	5.0	1.0	
(10) Average Reserve per AAA Claim [(4) / (8)]	\$ 3.77	\$ 3.75	\$ 3.68	\$ 3.66	\$ 3.67	\$ 3.76	\$ 3.72	\$ 3.65	\$ 3.65
(11) Inception to Date Claim Payments (a)	\$ 200.9	\$ 205.2	\$ 210.3	\$ 214.5	\$ 218.4	\$ 222.8	\$ 227.1	\$ 231.8	\$ 236.1
(12) - Change in Quarter	4.3	5.1	4.2	3.9	4.4	4.3	4.3	4.7	4.3
(13) Inception to Date Incurred Expenses [(4) + (11)]	\$ 1,022.3	\$ 1,042.5	\$ 1,028.0	\$ 1,031.3	\$ 1,037.5	\$ 1,049.9	\$ 1,056.4	\$ 1,064.2	\$ 1,071.8
(14) Claims Incurred in Quarter [(5) + (12)]	20.2	(14.5)	3.3	6.3	12.4	6.4	7.8	7.8	7.6
(15) Average Number of Open Claims	190	191	191	190	191	191	192	196	198
(16) Average Paid Per Open Claim	\$ 0.023	\$ 0.027	\$ 0.022	\$ 0.022	\$ 0.020	\$ 0.023	\$ 0.022	\$ 0.024	\$ 0.022

Notes:
(a) Exhibit I for 12-31-2022 and subsequent; Turner Section I, Exhibit I for prior evaluations.
(b) Appendix F for 12-31-2022 and subsequent; Turner Section VI, Exhibit IV or Exhibit X for prior evaluations.

NICA
SUMMARY OF CLAIM PAYMENTS AND RESERVES
(\$ MILLIONS)

Item	12/31/2018	3/31/2019	6/30/2019	9/30/2019	12/31/2019	3/31/2020	6/30/2020	9/30/2020	12/31/2020	3/31/2021
(1) Reserve for Future Benefits (a)	\$ 843.3	\$ 841.4	\$ 836.0	\$ 840.1	\$ 903.8	\$ 917.1	\$ 924.7	\$ 938.6	\$ 937.6	\$ 1,064.6
(2) ULAE Reserves (a)	13.2	13.2	12.2	12.1	14.4	14.4	14.3	14.2	14.9	15.0
(3) Estimated Reimbursement due to Medicaid (a)	-	-	-	-	-	-	-	-	-	-
(4) Total Reserves	\$ 856.5	\$ 854.6	\$ 848.2	\$ 852.2	\$ 918.1	\$ 931.5	\$ 939.0	\$ 952.8	\$ 952.5	\$ 1,079.6
(5) - Change in Quarter	20.8	(1.9)	(6.4)	4.0	65.9	13.4	7.5	13.8	(0.3)	127.1
(6) Number of Open Accepted Claims - AAA Claims (b)	200	203	206	208	215	222	227	229	226	228
(7) Number IBNR Claims Excluding DA (a)	31	32	32	31	28	27	28	29	29	29
(8) Total Outstanding AAA Claims	231	235	238	239	243	249	255	258	255	257
(9) - Change in Quarter	2.0	4.0	3.0	1.0	4.0	6.0	6.0	3.0	(3.0)	2.0
(10) Average Reserve per AAA Claim [(4) / (8)]	\$ 3.71	\$ 3.64	\$ 3.56	\$ 3.57	\$ 3.78	\$ 3.74	\$ 3.68	\$ 3.69	\$ 3.74	\$ 4.20
(11) Inception to Date Claim Payments (a)	\$ 240.4	\$ 244.6	\$ 248.6	\$ 253.4	\$ 258.1	\$ 262.8	\$ 268.4	\$ 274.1	\$ 279.0	\$ 284.7
(12) - Change in Quarter	4.3	4.2	4.0	4.8	4.7	4.7	5.6	5.7	5.0	5.7
(13) Inception to Date Incurred Expenses [(4) + (11)]	\$ 1,096.9	\$ 1,099.2	\$ 1,096.8	\$ 1,105.6	\$ 1,176.2	\$ 1,194.3	\$ 1,207.4	\$ 1,226.9	\$ 1,231.6	\$ 1,364.3
(14) Claims Incurred in Quarter [(5) + (12)]	25.1	2.3	(2.4)	8.8	70.6	18.1	13.1	19.5	4.7	132.7
(15) Average Number of Open Claims	199	202	205	207	212	219	225	228	228	227
(16) Average Paid Per Open Claim	\$ 0.022	\$ 0.021	\$ 0.020	\$ 0.023	\$ 0.022	\$ 0.021	\$ 0.025	\$ 0.025	\$ 0.022	\$ 0.025

Notes:
(a) Exhibit I for 12-31-2022 and subsequent; Turner Section I, Exhibit I for prior evaluations.
(b) Appendix F for 12-31-2022 and subsequent; Turner Section VI, Exhibit IV or Exhibit X for prior evaluations.

NICA
SUMMARY OF CLAIM PAYMENTS AND RESERVES
(\$ MILLIONS)

Item	6/30/2021	9/30/2021	12/31/2021	3/31/2022	6/30/2022	9/30/2022	12/31/2022	3/31/2023	6/30/2023	9/30/2023
(1) Reserve for Future Benefits (a)	\$ 1,066.2	\$ 1,311.9	\$ 1,214.8	\$ 1,223.6	\$ 1,238.4	\$ 1,321.0	\$ 1,266.6	\$ 1,295.4	\$ 1,318.9	\$ 1,339.0
(2) ULAE Reserves (a)	14.9	14.8	20.2	20.2	20.2	20.2	20.8	21.3	21.7	22.1
(3) Estimated Reimbursement due to Medicaid (a)	-	-	-	-	-	14.0	16.0	19.0	22.0	25.0
(4) Total Reserves	\$ 1,081.1	\$ 1,326.7	\$ 1,235.0	\$ 1,243.8	\$ 1,258.6	\$ 1,355.1	\$ 1,303.4	\$ 1,335.7	\$ 1,362.6	\$ 1,386.1
(5) - Change in Quarter	1.5	245.6	(91.7)	8.8	14.8	96.5	(51.7)	32.3	27.0	23.5
(6) Number of Open Accepted Claims - AAA Claims (b)	233	235	230	232	233	238	241	247	251	254
(7) Number IBNR Claims Excluding DA (a)	27	29	27	27	29	27	27	27	27	27
(8) Total Outstanding AAA Claims	260	264	257	259	262	265	268	274	278	281
(9) - Change in Quarter	3.0	4.0	(7.0)	1.5	3.5	3.0	2.8	6.0	4.0	3.0
(10) Average Reserve per AAA Claim [(4) / (8)]	\$ 4.16	\$ 5.03	\$ 4.81	\$ 4.81	\$ 4.80	\$ 5.11	\$ 4.87	\$ 4.88	\$ 4.91	\$ 4.94
(11) Inception to Date Claim Payments (a)	\$ 318.2	\$ 335.9	\$ 347.0	\$ 359.3	\$ 395.5	\$ 410.5	\$ 431.7	\$ 445.6	\$ 460.0	\$ 473.8
(12) - Change in Quarter	33.5	17.7	11.1	12.3	36.2	15.0	21.2	13.9	14.4	13.7
(13) Inception to Date Incurred Expenses [(4) + (11)]	\$ 1,399.3	\$ 1,662.6	\$ 1,582.0	\$ 1,603.1	\$ 1,654.2	\$ 1,765.6	\$ 1,735.1	\$ 1,781.3	\$ 1,822.7	\$ 1,859.9
(14) Claims Incurred in Quarter [(5) + (12)]	35.0	263.3	(80.6)	21.1	51.0	111.5	(30.5)	46.2	41.4	37.2
(15) Average Number of Open Claims	231	234	233	231	233	236	240	244	249	253
(16) Average Paid Per Open Claim	\$ 0.145	\$ 0.076	\$ 0.048	\$ 0.053	\$ 0.156	\$ 0.063	\$ 0.088	\$ 0.057	\$ 0.058	\$ 0.054

Notes:
(a) Exhibit I for 12-31-2022 and subsequent; Turner Section I, Exhibit I for prior evaluations.
(b) Appendix F for 12-31-2022 and subsequent; Turner Section VI, Exhibit IV or Exhibit X for prior evaluations.

NICA

SUMMARY OF RESERVES AS OF SEPTEMBER 30, 2023 - CURRENT DOLLARS

Birth Year	Paid Loss and ALAE (a)	Incurred Loss and ALAE (a)	Case Outstanding Loss & ALAE (a)	Indicated IBNR / Bulk Reserves (b)	Selected Total Outstanding Loss & ALAE (c)
(1)	(2)	(3)	(4)	(5)	(6)
1989	\$ 19,234,909.00	\$ 37,544,537.57	\$ 18,309,628.57	\$ 62,213.14	\$ 18,371,841.71
1990	9,433,639.99	20,881,387.95	11,447,747.96	304,043.55	11,751,791.51
1991	13,536,880.18	30,933,112.46	17,396,232.28	228,529.02	17,624,761.30
1992	22,217,515.19	65,804,696.48	43,587,181.29	445,838.18	44,033,019.47
1993	28,263,818.00	62,312,837.43	34,049,019.43	1,042,133.08	35,091,152.51
1994	11,691,223.04	32,137,943.39	20,446,720.35	224,030.67	20,670,751.02
1995	15,978,591.27	45,667,468.27	29,688,877.00	1,182,597.01	30,871,474.01
1996	14,871,623.72	44,453,645.60	29,582,021.88	2,109,979.63	31,692,001.51
1997	18,939,032.55	63,276,353.34	44,337,320.79	1,739,132.30	46,076,453.09
1998	31,465,901.61	88,325,980.52	56,860,078.91	5,003,487.65	61,863,566.56
1999	17,339,543.41	27,671,377.67	10,331,834.26	2,758,290.05	13,090,124.31
2000	9,955,365.57	23,037,893.53	13,082,527.96	1,716,398.36	14,798,926.32
2001	12,830,493.02	30,095,185.24	17,264,692.22	3,302,299.85	20,566,992.07
2002	28,526,440.34	92,515,111.19	63,988,670.85	9,640,848.70	73,629,519.55
2003	9,269,992.14	22,755,567.48	13,485,575.34	3,449,681.44	16,935,256.78
2004	11,286,317.78	54,309,128.79	43,022,811.01	4,772,360.57	47,795,171.58
2005	14,641,934.73	43,151,775.71	28,509,840.98	7,411,057.72	35,920,898.70
2006	17,934,792.13	77,643,818.33	59,709,026.20	10,584,795.27	70,293,821.47
2007	17,690,182.15	41,533,310.30	23,843,128.15	11,074,993.47	34,918,121.62
2008	13,157,368.72	68,231,599.34	55,074,230.62	10,309,787.32	65,384,017.94
2009	16,644,234.03	62,957,112.03	46,312,878.00	12,273,347.58	58,586,225.58
2010	7,281,557.48	35,496,474.82	28,214,917.34	4,325,846.14	32,540,763.48
2011	11,099,409.60	59,477,143.76	48,377,734.16	14,066,527.06	62,444,261.22
2012	7,508,679.51	46,322,866.18	38,814,186.67	7,913,145.07	46,727,331.74
2013	10,821,761.99	40,815,888.84	29,994,126.85	12,446,461.73	42,440,588.58
2014	12,545,474.10	38,796,785.06	26,251,310.96	19,384,488.34	45,635,799.30
2015	14,557,034.70	91,113,211.67	76,556,176.97	26,820,847.44	103,377,024.41
2016	5,670,575.47	50,609,948.11	44,939,372.64	11,319,674.08	56,259,046.72
2017	10,635,030.80	82,591,983.92	71,956,953.12	23,627,863.98	95,584,817.10
2018	15,786,612.53	118,797,869.07	103,011,256.54	35,745,147.58	138,756,404.12
2019	8,014,374.79	61,339,747.98	53,325,373.19	40,232,001.48	93,557,374.67
2020	7,057,340.55	53,619,038.30	46,561,697.75	32,654,179.05	79,215,876.80
2021	5,970,111.22	36,653,786.45	30,683,675.23	57,355,753.31	88,039,428.54
2022	1,902,493.14	40,478,253.07	38,575,759.93	129,165,527.84	167,741,287.77
2023	16,717.65	3,195,450.00	3,178,732.35	79,124,492.65	82,303,225.00
Total	\$ 473,776,972.10	\$ 1,794,548,289.85	\$ 1,320,771,317.75	\$ 583,817,800.29	\$ 1,904,589,118.04

Notes: (a) Provided by NICA.
(b) [(6) - (4)]
(c) Nominal reserves from Exhibit 1 split by birth year.

NICA

SUMMARY OF RESERVES AS OF SEPTEMBER 30, 2023 - DISCOUNTED & INFLATED

Birth Year	Case Outstanding Loss & ALAE (a)	Indicated IBNR / Bulk Loss & ALAE	Total Outstanding Loss & ALAE (b)	Present Value Factor (c)
(1)	(7)	(8) = (9) - (7)	(9)	(10)
1989	\$ 13,877,137.80	\$ 47,152.26	\$ 13,924,290.06	0.7579
1990	9,276,685.81	246,381.77	9,523,067.58	0.8104
1991	13,526,477.52	177,693.23	13,704,170.75	0.7776
1992	32,953,331.28	337,068.21	33,290,399.48	0.7560
1993	25,480,757.63	779,885.62	26,260,643.24	0.7484
1994	14,413,748.63	157,928.60	14,571,677.22	0.7049
1995	21,903,657.71	872,488.38	22,776,146.09	0.7378
1996	22,546,223.09	1,608,141.31	24,154,364.41	0.7622
1997	31,874,202.83	1,250,266.25	33,124,469.07	0.7189
1998	42,639,435.85	3,752,120.90	46,391,556.75	0.7499
1999	8,159,515.08	2,178,345.95	10,337,861.03	0.7897
2000	9,715,337.82	1,274,630.56	10,989,968.38	0.7426
2001	13,121,865.94	2,509,881.75	15,631,747.69	0.7600
2002	47,545,195.12	7,163,393.56	54,708,588.68	0.7430
2003	10,321,748.77	2,640,357.88	12,962,106.65	0.7654
2004	29,967,051.54	3,324,133.68	33,291,185.22	0.6965
2005	20,509,782.81	5,331,463.77	25,841,246.58	0.7194
2006	42,892,906.51	7,603,752.11	50,496,658.62	0.7184
2007	18,590,124.74	8,635,004.13	27,225,128.87	0.7797
2008	38,120,574.58	7,136,096.35	45,256,670.94	0.6922
2009	32,569,195.02	8,631,142.53	41,200,337.54	0.7032
2010	18,104,961.04	2,775,810.93	20,880,771.97	0.6417
2011	32,888,053.40	9,562,677.98	42,450,731.38	0.6798
2012	26,435,947.03	5,389,562.47	31,825,509.50	0.6811
2013	21,634,276.43	8,977,430.65	30,611,707.08	0.7213
2014	19,438,636.97	14,353,874.83	33,792,511.79	0.7405
2015	53,238,124.30	18,651,553.23	71,889,677.53	0.6954
2016	29,700,488.28	7,481,186.93	37,181,675.21	0.6609
2017	49,403,904.14	16,222,320.10	65,626,224.23	0.6866
2018	69,685,651.33	24,181,084.43	93,866,735.76	0.6765
2019	36,976,924.60	27,897,707.91	64,874,632.51	0.6934
2020	30,570,156.60	21,439,153.11	52,009,309.70	0.6566
2021	21,398,759.14	39,999,835.12	61,398,594.26	0.6974
2022	25,699,095.30	86,049,820.28	111,748,915.58	0.6662
2023	2,132,109.11	53,072,115.89	55,204,225.00	0.6707
Total	\$ 937,312,043.74	\$ 401,711,462.63	\$ 1,339,023,506.37	

(11) Estimated Outstanding ULAE (d)	\$ 22,097,180.80
(12) Estimated Medicaid Reimbursement Expenses (e)	\$ 25,000,000.00
(13) Total Outstanding Loss & LAE (f)	\$ 1,386,120,687.17

- Notes: (a) [(10) x Exh 5, Sheet 1, Col (4)]. (d) See Appendix E.
(b) Reserves from Exhibit 1 by birth year. (e) See Exhibit 1.
(c) [(9) ÷ Exh 5, Sheet 1, Col (6)]. (f) [Col (9), Total + (11) + (12)].

NICA
SUMMARY OF RESERVES AS OF SEPTEMBER 30, 2023
LOSS AND LAE RESERVES FOR THRESHOLD CALCULATION
(\$000'S)

A: Determination of Liabilities For Threshold Calculation

(1) Total Reserve Excluding Risk Margin (a)	\$	1,386,121
(2) Family Care (AAA Claims With Worksheets) (b)	\$	135,960
(3) AAA IBNR Reserves (c)		138,260
(4) DA IBNR Reserves (c)		3,837
(5) Subtotal	\$	278,057
(6) Present Value Loss and LAE Reserves on Filed Claims [(1)-(5)]	\$	1,108,063

B: Assets For Threshold Calculation

(7) Invested Assets (e)	\$	1,238,467
(8) Cash (d)		2,709
(9) Income on Invested Funds (e)		61,198
(10) Future Assessments Health Care Providers (e)		36,000
(11) Potential Assessments against Insurance Companies (e)		28,815
(12) Transfers from Florida Office of Ins. Regulation		20,000
(13) Subtotal		1,387,189
(14) Assets for Threshold Calculation [(80% x (13))]		1,109,752

C: Threshold Test

(15) Assets Excess of Threshold [(14) - (6)]	1,689
(16) Pass/Fail	Pass

Notes:

- (a) See Exhibit 1.
- (b) See Appendix G, Sheet 1.
- (c) See Exhibit 1.
- (d) Provided by NICA.
- (e) Exhibit 6, Sheet 2.

NICA
THRESHOLD CALCULATION AS OF SEPTEMBER 30, 2023
(\$'000'S)

1. Funds Available Within The Next 12 Months			
a. Income on Invested Funds (See 2 Below)	\$	61,198	
b. Future Assessments Health Care Providers		36,000	
c. Potential Assessments against Insurance Companies		28,815	
d. Total = (1a.)+(1b.)+(1c.)	\$	<u>126,013</u>	
2. Return On Invested Assets			
a. Investment at Current Market Value	\$	1,238,467	
b. Estimated Assessments in next 12 Months		36,000	
c. Estimated Expenditures next 12 Months		<u>(65,000)</u>	
d.. Subtotal		1,209,467	
e. Average Invested Assets = (2a. + 2d.) ÷ 2		1,223,967	
f. Expected Prospective Return (%)		5%	
g. Expected Prospective Return (\$)		61,198	
3. Assessments Against Insurance Companies.			
a. Assessment rate (From Florida Statute)		0.25%	
b. Net Direct Premium Written [= Total of 4(C)]	\$	<u>11,526,168</u>	
c. Assessment against insurance companies = (3a.) x (3b.)	\$	<u>28,815</u>	
4. Direct Premium Written - State Of Florida			
		<u>2022 Direct</u>	<u>%</u>
		<u>Written Premium</u>	<u>Liability</u>
		(A)	(B)
Farmowners Multi-Peril	\$	26,278	(C)
Homeowners Multi-Peril		14,254,342	5%
Commercial Multi-Peril - Liability		973,267	5%
Medical Professional Liability		884,598	100%
Other Liability		8,513,482	100%
Products Liability		325,740	100%
Aircraft		<u>230,099</u>	50%
Total	\$	<u>25,207,806</u>	
			<u>Liability</u>
			<u>Premium</u>
	\$		1,314
			712,717
			973,267
			884,598
			8,513,482
			<u>325,740</u>
	\$		<u>115,050</u>
			11,526,168

Note: The direct premium written is from AM Best. The estimated percentage of premium attributable to liability is based on judgment.

NICA
ANALYSIS OF RESERVES AS OF SEPTEMBER 30, 2023

SELECTED RESERVES FOR AAA CLAIMS WITH RESERVE WORKSHEETS
(\$000'S)

Item	Number of Claims	Case Reserve	Projected Reserve	
			Nominal	Inflated and Discounted
(1)	(2)	(3)	(4)	(5)
Scenario 1 (a)				
Case Reserve	239	\$ 1,268,296	\$ 1,291,258	\$ 933,642
Supplement for Expected Development	-	-	-	-
Total	239	\$ 1,268,296	\$ 1,291,258	\$ 933,642
Scenario 2 (a)				
Case Reserve	239	\$ 1,268,296	\$ 1,291,258	\$ 933,642
Supplement for Expected Development	-	-	272,774	174,667
Total	239	\$ 1,268,296	\$ 1,564,032	\$ 1,108,309
Selected (b)				
Case Reserve	239	\$ 1,268,296	\$ 1,291,258	\$ 933,642
Supplement for Expected Development	-	-	272,774	174,667
Total	239	\$ 1,268,296	\$ 1,564,032	\$ 1,108,309

Notes:

(a) Projected reserves are based on Case Reserve Method.

(b) Based on Scenario 2.

NICA
ANALYSIS OF RESERVES AS OF DECEMBER 31, 2022

SELECTED RESERVES FOR AAA PIPELINE AND IBNR CLAIMS AND DA IBNR CLAIMS
(\$000'S)

Birth Year	Number of Claims (a)	Projected Reserve	
		Nominal (b)	Inflated and Discounted (c)
(1)	(2)	(3)	(4)
AAA Pipeline Claims			
2017	-	\$ -	\$ -
2018	-	-	-
2019	1.0	7,800	5,169
2020	-	-	-
2021	2.0	15,599	10,337
2022	11.0	85,795	56,855
<u>2023</u>	<u>1.0</u>	<u>7,800</u>	<u>5,169</u>
Total	15.0	\$ 116,994	\$ 77,530
AAA IBNR Claims			
2017	0.1	\$ 390	\$ 258
2018	0.7	5,460	3,618
2019	1.5	11,699	7,753
2020	2.4	18,329	12,146
2021	4.3	33,148	21,967
2022	8.6	67,076	44,450
<u>2023</u>	<u>9.3</u>	<u>72,536</u>	<u>48,068</u>
Total	26.8	\$ 208,638	\$ 138,260
DA IBNR Claims			
2017	-	\$ -	\$ -
2018	-	-	-
2019	0.3	106	106
2020	0.7	285	285
2021	1.5	624	624
2022	2.9	1,205	1,205
<u>2023</u>	<u>3.8</u>	<u>1,617</u>	<u>1,617</u>
Total	9.1	\$ 3,837	\$ 3,837

Notes:

- (a) See Appendix C, Sheet 1 for IBNR counts and Appendix F, Sheet 2 for pipeline counts.
(b) [(2) x Projected Reserve Per Claim in Appendix B, Sheet 2].

NICA
ANALYSIS OF RESERVES AS OF SEPTEMBER 30, 2023

PROJECTED RESERVE FOR IBNR OR PIPELINE CLAIMS
(\$000'S)

Nominal			Inflated and Discounted				
Parental Award	Death Benefit	Other Benefits	Parental Award	Death Benefit	Other Benefits		
(1)	(2)	(3)	(4)	(5)	(6)		
			Total	(7)	(8)		
AAA Claims (a)							
\$ 272	Included in (3) \$	7,528	\$ 7,800	\$ 272	Included in (7) \$	4,897	\$ 5,169
DA Claims (b)							
\$ 272	\$ 50	\$ 101	\$ 423	\$ 272	\$ 50	\$ 101	\$ 423

Notes:
 (a) Projected based on Life Expectancy at Birth: 44.5 (See bottom chart of Appendix D, Sheet 5).
 (b) Future Payments (Actuarial projection from 9/30/2022 report).

NICA
ANALYSIS OF IBNR CLAIMS

SELECTED ULTIMATE CLAIM COUNTS

Birth Year	DA Claims			AA Claims		
	Reported Count (a)	IBNR (b)	Ultimate Count (c)	Reported Count (a)	IBNR (d)	Ultimate Count (e)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
2012	4	0.0	4	7	0.0	7
2013	3	0.0	3	8	0.0	8
2014	3	0.0	3	10	0.0	10
2015	6	0.0	6	14	0.0	14
2016	4	0.0	4	7	0.0	7
2017	2	0.0	2	13	0.1	13
2018	12	0.0	12	18	0.7	19
2019	4	0.3	4	12	1.5	14
2020	5	0.7	6	8	2.4	10
2021	12	1.5	13	8	4.3	12
2022	3	2.9	6	13	8.6	22
2023	1	3.8	5	1	9.3	10
Total	59	9.1	68	119	26.8	146

- Notes: (a) Based on data provided by NICA.
 (b) Based on Sheet 2a.
 (c) [(2) + (3)]
 (d) Based on Sheet 3a.
 (e) [(5) + (6)]

NICA
ANALYSIS OF IBNR CLAIMS
DA CLAIMS

REPORTED CLAIM COUNT DEVELOPMENT

Birth Year	Age of Development (Months)											
	3	6	9	12	15	18	21	24	27	30	33	36
2016-4	1	1	1	1	1	1	1	1	1	1	1	1
2017-1	-	-	-	-	-	-	-	-	-	-	-	-
2017-2	-	-	-	2	2	2	2	2	2	2	2	2
2017-3	-	-	-	-	-	-	-	-	-	-	-	-
2017-4	-	-	-	-	-	-	-	-	-	-	-	-
2018-1	-	-	-	-	-	-	-	-	-	1	2	1
2018-2	1	-	-	-	-	1	1	1	2	2	2	2
2018-3	-	-	-	1	1	1	1	1	1	1	1	2
2018-4	-	-	2	3	4	4	4	4	4	4	4	4
2019-1	-	-	-	-	-	1	1	1	1	1	3	2
2019-2	-	-	-	-	-	-	-	-	-	-	-	-
2019-3	-	-	-	-	-	1	1	1	1	1	1	1
2019-4	-	-	-	1	-	-	-	-	-	1	1	1
2020-1	-	-	-	-	-	-	1	1	1	1	1	1
2020-2	-	-	-	1	1	1	1	1	1	2	2	2
2020-3	-	-	-	-	-	-	-	-	-	-	-	-
2020-4	-	-	-	-	1	1	1	1	1	1	2	2
2021-1	-	-	1	1	1	1	1	1	1	1	2	-
2021-2	-	1	2	3	3	3	3	3	3	3	-	-
2021-3	-	-	-	-	-	-	1	2	2	-	-	-
2021-4	-	-	-	1	1	2	5	5	-	-	-	-
2022-1	-	-	-	1	1	2	2	-	-	-	-	-
2022-2	-	-	1	1	1	1	-	-	-	-	-	-
2022-3	-	-	-	-	-	-	-	-	-	-	-	-
2022-4	-	-	-	-	-	-	-	-	-	-	-	-
2023-1	-	-	1	-	-	-	-	-	-	-	-	-
2023-2	-	-	-	-	-	-	-	-	-	-	-	-
2023-3	-	-	-	-	-	-	-	-	-	-	-	-

Birth Year	Incremental Claim Counts											
	3-6	6-9	9-12	12-15	15-18	18-21	21-24	24-27	27-30	30-33	33-36	36-39
2016-4	-	-	-	-	-	-	-	-	-	-	-	-
2017-1	-	-	-	-	-	-	-	-	-	-	-	-
2017-2	-	-	2	-	-	-	-	-	-	-	-	-
2017-3	-	-	-	-	-	-	-	-	-	-	-	-
2017-4	-	-	-	-	-	-	-	-	-	-	-	-
2018-1	-	-	-	-	-	-	-	-	1	1	(1)	-
2018-2	(1)	-	-	-	1	-	-	1	-	-	-	-
2018-3	-	-	1	-	-	-	-	-	-	-	1	-
2018-4	-	2	1	1	-	-	-	-	-	-	-	-
2019-1	-	-	-	-	1	-	-	-	-	2	(1)	-
2019-2	-	-	-	-	-	-	-	-	-	-	-	-
2019-3	-	-	-	-	1	-	-	-	-	-	-	-
2019-4	-	-	1	(1)	-	-	-	-	1	-	-	-
2020-1	-	-	-	-	-	1	-	-	-	-	-	-
2020-2	-	-	1	-	-	-	-	-	1	-	-	-
2020-3	-	-	-	-	-	-	-	-	-	-	-	-
2020-4	-	-	-	1	-	-	-	-	-	1	-	-
2021-1	-	1	-	-	-	-	-	-	-	1	-	-
2021-2	1	1	1	-	-	-	-	-	-	-	-	-
2021-3	-	-	-	-	-	1	1	-	-	-	-	-
2021-4	-	-	1	-	1	3	-	-	-	-	-	-
2022-1	-	-	1	-	1	-	-	-	-	-	-	-
2022-2	-	1	-	-	-	-	-	-	-	-	-	-
2022-3	-	-	-	-	-	-	-	-	-	-	-	-
2022-4	-	-	-	-	-	-	-	-	-	-	-	-
2023-1	-	1	-	-	-	-	-	-	-	-	-	-
2023-2	-	-	-	-	-	-	-	-	-	-	-	-
2023-3	-	-	-	-	-	-	-	-	-	-	-	-

Avg All		0.231	0.360	0.042	0.217	0.227	0.048	0.050	0.158	0.278	-0.059	
Avg Latest 2												
Avg Latest 3												
Avg Latest 5												
Prior Selected												
Selected Incremental	0.200	0.200	0.175	0.150	0.100	0.100	0.075	0.075	0.075	0.050	0.050	0.050
Cumulative	1.475	1.275	1.075	0.900	0.750	0.650	0.550	0.475	0.400	0.325	0.275	0.225

Notes: Counts provided by NICA.

NICA
ANALYSIS OF IBNR CLAIMS
DA CLAIMS

REPORTED CLAIM COUNT DEVELOPMENT

Birth Year	Age of Development (Months)											
	39	42	45	48	51	54	57	60	63	66	69	72
2016-4	1	1	1	1	1	1	1	1	1	1	1	1
2017-1	-	-	-	-	-	-	-	-	-	-	-	-
2017-2	2	2	2	2	2	2	2	2	2	2	2	2
2017-3	-	-	-	-	-	-	-	-	-	-	-	-
2017-4	-	-	-	-	-	-	-	-	-	-	-	-
2018-1	1	1	1	1	1	1	1	1	1	1	1	1
2018-2	2	2	2	2	2	2	2	2	2	2	2	2
2018-3	2	2	2	2	2	2	2	2	2	4		
2018-4	4	4	4	4	4	4	4	4	5			
2019-1	2	2	2	2	2	2	2	2				
2019-2	-	-	-	-	-	-	-	-				
2019-3	1	1	1	1	1							
2019-4	1	1	1	1								
2020-1	1	1	1									
2020-2	2	2										
2020-3	-											
2020-4												
2021-1												
2021-2												
2021-3												
2021-4												
2022-1												
2022-2												
2022-3												
2022-4												
2023-1												
2023-2												
2023-3												

Birth Year	Link Ratios											
	39-42	42-45	45-48	48-51	51-54	54-57	57-60	60-63	63-66	66-69	69-72	72-75
2016-4	-	-	-	-	-	-	-	-	-	-	-	-
2017-1	-	-	-	-	-	-	-	-	-	-	-	-
2017-2	-	-	-	-	-	-	-	-	-	-	-	-
2017-3	-	-	-	-	-	-	-	-	-	-	-	-
2017-4	-	-	-	-	-	-	-	-	-	-	-	-
2018-1	-	-	-	-	-	-	-	-	-	-	-	-
2018-2	-	-	-	-	-	-	-	-	-	-	-	-
2018-3	-	-	-	-	-	-	-	2	-	-	-	-
2018-4	-	-	-	-	-	-	1	-	-	-	-	-
2019-1	-	-	-	-	-	-	-	-	-	-	-	-
2019-2	-	-	-	-	-	-	-	-	-	-	-	-
2019-3	-	-	-	-	-	-	-	-	-	-	-	-
2019-4	-	-	-	-	-	-	-	-	-	-	-	-
2020-1	-	-	-	-	-	-	-	-	-	-	-	-
2020-2	-	-	-	-	-	-	-	-	-	-	-	-
2020-3	-	-	-	-	-	-	-	-	-	-	-	-
2020-4	-	-	-	-	-	-	-	-	-	-	-	-
2021-1	-	-	-	-	-	-	-	-	-	-	-	-
2021-2	-	-	-	-	-	-	-	-	-	-	-	-
2021-3	-	-	-	-	-	-	-	-	-	-	-	-
2021-4	-	-	-	-	-	-	-	-	-	-	-	-
2022-1	-	-	-	-	-	-	-	-	-	-	-	-
2022-2	-	-	-	-	-	-	-	-	-	-	-	-
2022-3	-	-	-	-	-	-	-	-	-	-	-	-
2022-4	-	-	-	-	-	-	-	-	-	-	-	-
2023-1	-	-	-	-	-	-	-	-	-	-	-	-
2023-2	-	-	-	-	-	-	-	-	-	-	-	-
2023-3	-	-	-	-	-	-	-	-	-	-	-	-
Avg All							0.111	0.250				
Avg Latest 2												
Avg Latest 3												
Avg Latest 5												
Prior Selected												
Selected Incremental	0.025	0.025	0.025	0.025	0.025	0.025	0.025	0.000	0.000	0.000	0.000	0.000
Cumulative	0.175	0.150	0.125	0.100	0.075	0.050	0.025	0.000	0.000	0.000	0.000	0.000

Notes: Counts provided by NICA.

NICA
ANALYSIS OF IBNR CLAIMS
AA CLAIMS

REPORTED CLAIM COUNT DEVELOPMENT

Birth Year	Age of Development (Months)											
	3	6	9	12	15	18	21	24	27	30	33	36
2016-4	-	-	-	1	1	1	1	1	1	1	2	2
2017-1	-	-	-	-	1	2	2	2	3	3	3	3
2017-2	-	1	1	1	2	1	1	2	2	2	2	2
2017-3	-	-	1	-	1	2	2	2	3	4	6	6
2017-4	-	-	-	-	1	1	1	2	3	2	2	2
2018-1	-	1	1	2	3	3	3	4	7	6	6	6
2018-2	-	1	1	1	2	3	3	3	6	5	5	5
2018-3	-	1	1	1	1	2	2	2	3	3	4	4
2018-4	-	-	-	-	2	2	2	2	2	2	2	2
2019-1	-	-	-	2	4	4	4	4	5	6	5	5
2019-2	-	1	-	-	-	2	1	1	1	2	1	1
2019-3	-	1	1	2	2	2	2	3	3	3	3	3
2019-4	-	-	-	-	1	1	1	2	2	2	2	2
2020-1	-	-	-	-	1	1	2	2	2	2	2	2
2020-2	-	-	-	-	-	-	-	-	-	-	-	-
2020-3	-	-	-	-	3	4	4	4	5	4	4	4
2020-4	-	-	3	3	2	2	2	2	2	2	2	2
2021-1	-	-	-	-	-	1	1	2	3	3	2	-
2021-2	-	-	-	-	-	-	-	1	1	1	-	-
2021-3	-	-	-	-	-	1	1	3	2	-	-	-
2021-4	-	-	-	1	2	2	2	3	-	-	-	-
2022-1	-	-	1	-	1	2	3	-	-	-	-	-
2022-2	-	-	-	1	2	3	-	-	-	-	-	-
2022-3	-	1	2	2	6	-	-	-	-	-	-	-
2022-4	-	-	-	1	-	-	-	-	-	-	-	-
2023-1	-	-	1	-	-	-	-	-	-	-	-	-
2023-2	-	-	-	-	-	-	-	-	-	-	-	-
2023-3	-	-	-	-	-	-	-	-	-	-	-	-

Birth Year	Incremental Claim Counts											
	3-6	6-9	9-12	12-15	15-18	18-21	21-24	24-27	27-30	30-33	33-36	36-39
2016-4	-	-	1	-	-	-	-	-	-	1	-	-
2017-1	-	-	-	1	1	-	-	1	-	-	-	-
2017-2	1	-	-	1	(1)	-	1	-	-	-	-	-
2017-3	-	1	(1)	1	1	-	-	1	1	2	-	-
2017-4	-	-	-	1	-	-	1	1	(1)	-	-	-
2018-1	1	-	1	1	-	-	1	3	(1)	-	-	(1)
2018-2	1	-	-	1	1	-	-	3	(1)	-	-	-
2018-3	1	-	-	-	1	-	-	1	-	1	-	(1)
2018-4	-	-	-	2	-	-	-	-	-	-	-	-
2019-1	-	-	2	2	-	-	-	1	1	(1)	-	-
2019-2	1	(1)	-	-	2	(1)	-	-	1	(1)	-	-
2019-3	1	-	1	-	-	-	1	-	-	-	-	-
2019-4	-	-	-	1	-	-	1	-	-	-	-	-
2020-1	-	-	-	1	-	1	-	-	-	-	-	1
2020-2	-	-	-	-	-	-	-	-	-	-	-	-
2020-3	-	-	-	3	1	-	-	1	(1)	-	-	-
2020-4	-	3	-	(1)	-	-	-	-	-	-	-	-
2021-1	-	-	-	-	1	-	1	1	-	(1)	-	-
2021-2	-	-	-	-	-	-	1	-	-	-	-	-
2021-3	-	-	-	-	1	-	2	(1)	-	-	-	-
2021-4	-	-	1	1	-	-	1	-	-	-	-	-
2022-1	-	1	(1)	1	1	1	-	-	-	-	-	-
2022-2	-	-	1	1	1	-	-	-	-	-	-	-
2022-3	1	1	-	4	-	-	-	-	-	-	-	-
2022-4	-	-	1	-	-	-	-	-	-	-	-	-
2023-1	-	1	-	-	-	-	-	-	-	-	-	-
2023-2	-	-	-	-	-	-	-	-	-	-	-	-
2023-3	-	-	-	-	-	-	-	-	-	-	-	-

Avg All	0.259	0.231	0.240	0.875	0.435	0.045	0.476	0.600	-0.053	0.056	-0.063
Avg Latest 2		0.500	0.500	2.500	1.000	0.500	1.500	-0.500		-0.500	
Avg Latest 3		0.667	0.667	2.000	0.667	0.333	1.333			-0.333	0.333
Avg Latest 5	0.200	0.600	0.400	1.400	0.600	0.200	1.000	0.200	-0.200	-0.200	0.200

Prior Selected												
Selected Incremental	0.250	0.250	0.250	0.300	0.300	0.300	0.300	0.300	0.150	0.150	0.100	0.100
Cumulative	3.350	3.100	2.850	2.600	2.300	2.000	1.700	1.400	1.100	0.950	0.800	0.700

Notes: Counts provided by NICA.

NICA
ANALYSIS OF IBNR CLAIMS
AA CLAIMS

REPORTED CLAIM COUNT DEVELOPMENT

Birth Year	Age of Development (Months)											
	39	42	45	48	51	54	57	60	63	66	69	72
2016-4	2	2	2	2	2	2	2	2	2	2	2	2
2017-1	3	4	3	2	2	2	2	2	2	2	2	2
2017-2	2	2	2	2	3	3	3	3	3	3	3	3
2017-3	6	7	7	7	7	6	6	6	6	5	5	5
2017-4	2	2	2	2	2	2	2	2	3	3	3	3
2018-1	5	5	4	4	5	5	5	5	5	5	5	
2018-2	5	5	5	5	5	5	5	5	5	5		
2018-3	3	4	4	4	5	6	6	6	6			
2018-4	2	2	2	2	2	2	2	2				
2019-1	5	5	5	5	5	5	5					
2019-2	1	1	1	1	2	2						
2019-3	3	3	3	3	3							
2019-4	2	2	2	2								
2020-1	3	2	2									
2020-2	-	-										
2020-3	4											
2020-4												
2021-1												
2021-2												
2021-3												
2021-4												
2022-1												
2022-2												
2022-3												
2022-4												
2023-1												
2023-2												
2023-3												

Birth Year	Link Ratios											
	39-42	42-45	45-48	48-51	51-54	54-57	57-60	60-63	63-66	66-69	69-72	72-75
2016-4	-	-	-	-	-	-	-	-	-	-	-	-
2017-1	1	(1)	(1)	-	-	-	-	-	-	-	-	-
2017-2	-	-	-	1	-	-	-	-	-	-	-	-
2017-3	1	-	-	-	(1)	-	-	-	(1)	-	-	-
2017-4	-	-	-	-	-	-	-	1	-	-	-	-
2018-1	-	(1)	-	1	-	-	-	-	-	-	-	-
2018-2	-	-	-	-	-	-	-	-	-	-	-	-
2018-3	1	-	-	1	1	-	-	-	-	-	-	-
2018-4	-	-	-	-	-	-	-	-	-	-	-	-
2019-1	-	-	-	-	-	-	-	-	-	-	-	-
2019-2	-	-	-	1	-	-	-	-	-	-	-	-
2019-3	-	-	-	-	-	-	-	-	-	-	-	-
2019-4	-	-	-	-	-	-	-	-	-	-	-	-
2020-1	(1)	-	-	-	-	-	-	-	-	-	-	-
2020-2	-	-	-	-	-	-	-	-	-	-	-	-
2020-3												
2020-4												
2021-1												
2021-2												
2021-3												
2021-4												
2022-1												
2022-2												
2022-3												
2022-4												
2023-1												
2023-2												
2023-3												
Avg All	0.133	-0.143	-0.077	0.333				0.125	-0.143			
Avg Latest 2	-0.500			0.500								
Avg Latest 3	-0.333			0.333								
Avg Latest 5	-0.200			0.400	0.200			0.200	-0.200			
Prior Selected												
Selected Incremental	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.050
Cumulative	0.600	0.550	0.500	0.450	0.400	0.350	0.300	0.250	0.200	0.150	0.100	0.050

Notes: Counts provided by NICA.

NICA
REVIEW OF LIFE EXPECTANCY

Not applicable for interim analyses.

Included in year-end analyses only when life expectancies are refreshed.

NICA
ANALYSIS OF RESERVES AS OF SEPTEMBER 30, 2023

ANALYSIS OF UNALLOCATED LOSS ADJUSTMENT EXPENSE (ULAE) RESERVE
(\$000'S)

Evaluation Date	Total Reserves excluding ULAE Expense (a)	ULAE Reserve (b)	Ratio of ULAE Reserve to Total Reserve excl. ULAE (c)
(1)	(2)	(3)	(4)
6/30/2020	\$ 924,652	\$ 14,310	1.55%
9/30/2020	938,594	14,209	1.51%
12/31/2020	937,583	14,948	1.59%
3/31/2021	1,064,600	15,000	1.41%
6/30/2021	1,066,200	14,900	1.40%
9/30/2021	1,311,888	14,766	1.13%
12/31/2021	1,214,800	20,200	1.66%
3/31/2022	1,223,639	20,200	1.65%
6/30/2022	1,238,437	20,200	1.63%
9/30/2022	1,334,973	20,162	1.51%
12/31/2022	1,282,621	20,779	1.62%
3/31/2023	1,314,386	21,293	1.62%
6/30/2023	1,340,919	21,723	1.62%
(5) Selected (d)			1.62%
(6) Total Loss Reserve Excluding ULAE as of 9/30/2023 (e)		\$ 1,364,024	
(7) Indicated ULAE Reserve (f)		\$ 22,097	

Notes:

- (a) Prior reserve analyses; See Exhibit 4; Exclude ULAE Reserves.
(b) Prior reserve analyses; See Exhibit 4, Row (2).
(c) = (3) ÷ (2)
(d) See Appendix E in December 31, 2022 report.
(e) See Exhibit 1; Excludes ULAE Reserves and Risk Margin.

NICA

LOSS AND COUNT SUMMARY BY BIRTH YEAR AS OF SEPTEMBER 30, 2023
CURRENT DOLLARS (\$000'S)

Birth Year	Paid Loss and ALAE	Reported Loss and ALAE	Case Outstanding Loss & ALAE	Open Accepted Claim Counts		
				AAA	AAD	DA
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1989	\$ 19,235	\$ 37,545	\$ 18,310	3	-	-
1990	9,434	20,881	11,448	3	-	-
1991	13,537	30,933	17,396	4	-	-
1992	22,218	65,805	43,587	9	-	-
1993	28,264	62,313	34,049	7	-	-
1994	11,691	32,138	20,447	3	-	-
1995	15,979	45,667	29,689	5	-	-
1996	14,872	44,454	29,582	6	-	-
1997	18,939	63,276	44,337	8	-	-
1998	31,466	88,326	56,860	11	-	-
1999	17,340	27,671	10,332	3	-	-
2000	9,955	23,038	13,083	3	-	-
2001	12,830	30,095	17,265	4	-	-
2002	28,526	92,515	63,989	12	-	-
2003	9,270	22,756	13,486	3	-	-
2004	11,286	54,309	43,023	5	-	-
2005	14,642	43,152	28,510	6	1	-
2006	17,935	77,644	59,709	9	-	-
2007	17,690	41,533	23,843	7	-	-
2008	13,157	68,232	55,074	9	-	-
2009	16,644	62,957	46,313	10	-	-
2010	7,282	35,496	28,215	5	-	-
2011	11,099	59,477	48,378	10	-	-
2012	7,509	46,323	38,814	7	-	-
2013	10,822	40,816	29,994	6	1	-
2014	12,545	38,797	26,251	8	-	-
2015	14,557	91,113	76,556	14	-	-
2016	5,671	50,610	44,939	7	-	-
2017	10,635	82,592	71,957	12	-	-
2018	15,787	118,798	103,011	16	1	3
2019	8,014	61,340	53,325	11	-	-
2020	7,057	53,619	46,562	7	-	1
2021	5,970	36,654	30,684	7	1	1
2022	1,902	40,478	38,576	13	-	-
2023	17	3,195	3,179	1	-	1
Total	\$ 473,777	\$ 1,794,548	\$ 1,320,771	254	4	6

Note: Data provided by NICA.

NICA

LOSS AND COUNT SUMMARY BY AS OF SEPTEMBER 30, 2023 OTHER CLAIMS

Birth Year	Case Outstanding - Current Dollars (000's)				Count of Claims with Case Reserves			
	AAA-Pipeline	AAD	DA	Denied	AAA-Pipeline	AAD	DA	Denied
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1989	\$ -	\$ 200	\$ 205	\$ -	-	1	1	-
1990	-	-	-	-	-	-	-	-
1991	-	-	-	-	-	-	-	-
1992	-	270	75	-	-	1	1	-
1993	-	3	-	-	-	1	-	-
1994	-	200	-	-	-	1	-	-
1995	-	-	200	-	-	-	1	-
1996	-	-	455	-	-	-	2	-
1997	-	-	205	-	-	-	3	-
1998	-	-	400	-	-	-	2	-
1999	-	-	445	-	-	-	2	-
2000	-	17	200	-	-	1	1	-
2001	-	-	220	-	-	-	2	-
2002	-	-	190	-	-	-	1	-
2003	-	-	380	-	-	-	2	-
2004	-	-	190	-	-	-	1	-
2005	-	100	-	-	-	1	-	-
2006	-	-	-	-	-	-	-	-
2007	-	95	-	-	-	1	-	-
2008	-	-	-	-	-	-	-	-
2009	-	190	-	-	-	1	-	-
2010	-	-	19	-	-	-	1	-
2011	-	-	-	-	-	-	-	-
2012	-	-	95	-	-	-	1	-
2013	-	108	25	-	-	1	1	-
2014	-	19	-	-	-	1	-	-
2015	-	-	380	27	-	-	2	2
2016	-	-	-	-	-	-	-	-
2017	-	-	-	13	-	-	-	3
2018	-	150	1,097	167	-	1	5	7
2019	2,838	-	109	30	1	-	1	1
2020	-	-	354	109	-	-	1	7
2021	5,669	2,845	385	357	2	1	4	16
2022	30,052	-	2	206	11	-	1	9
2023	2,829	-	350	-	1	-	1	-
Total	\$ 41,388	\$ 4,198	\$ 5,981	\$ 909	15	12	37	45

Note: Data provided by NICA.

NICA

ANALYSIS OF RESERVES AS OF SEPTEMBER 30, 2023
RESERVES BY BIRTH YEAR FOR AAA CLAIMS WITH WORKSHEETS ONLY
INFLATED AND DISCOUNTED (\$000'S)

Birth Year	Nursing Care	Medical	All Other	Total	Family Care
(1)	(2)	(3)	(4)	(5)	(6)
1989	\$ 10,935	\$ 285	\$ 2,299	\$ 13,519	\$ -
1990	8,012	189	1,322	9,523	-
1991	10,732	323	2,649	13,704	-
1992	26,331	753	5,861	32,945	-
1993	21,562	655	4,041	26,258	-
1994	11,507	354	2,511	14,372	-
1995	17,272	1,617	3,687	22,576	-
1996	19,050	492	4,157	23,699	-
1997	25,767	808	6,345	32,920	-
1998	36,679	1,221	8,091	45,992	-
1999	8,123	195	1,574	9,893	-
2000	8,933	252	1,588	10,773	-
2001	12,329	319	2,763	15,412	-
2002	44,947	1,061	8,510	54,519	3,965
2003	9,900	313	2,369	12,582	2,313
2004	23,855	3,866	5,380	33,101	3,175
2005	20,776	909	4,056	25,741	3,075
2006	39,882	1,782	8,832	50,497	8,586
2007	22,584	519	4,027	27,130	3,821
2008	35,393	1,282	8,581	45,257	7,599
2009	32,856	1,001	7,154	41,010	7,783
2010	16,456	617	3,789	20,862	4,336
2011	34,456	1,066	6,928	42,451	7,135
2012	24,683	776	6,271	31,731	6,515
2013	25,223	575	4,681	30,479	4,676
2014	27,119	932	5,722	33,773	4,409
2015	57,185	1,507	12,791	71,482	13,038
2016	29,927	850	6,404	37,182	6,149
2017	50,767	1,388	13,201	65,356	13,063
2018	73,386	1,912	13,536	88,834	15,815
2019	43,210	1,079	7,419	51,708	8,425
2020	30,334	871	7,910	39,115	5,480
2021	21,091	500	3,292	24,883	4,148
2022	7,202	224	1,606	9,032	2,452
2023	-	-	-	-	-
Total	\$ 888,464	\$ 30,497	\$ 189,348	\$ 1,108,309	\$ 135,960
2002-2023	\$ 671,231	\$ 23,031	\$ 142,461	\$ 836,724	\$ 135,960

Notes: Based on Case Reserve Method.

NICA

ANALYSIS OF RESERVES AS OF SEPTEMBER 30, 2023
RESERVES BY BENEFIT TYPE FOR AAA CLAIMS WITH WORKSHEETS ONLY
INFLATED AND DISCOUNTED (\$000'S)

Benefit Type	Reserves
1) Family Care	\$ 135,960
2) Nursing Care By Others	519,252
3) Nursing Care By Parents	233,252
4) Medical	30,497
5) Psychotherapeutic	1,623
6) Equipment & Supplies	55,067
7) Therapy	20,310
8) Insurance Premium	31,449
9) Miscellaneous Other	3,164
10) Travel & Transport	11,416
11) Vehicle Related Costs	46,170
12) Housing Remaining	12,075
13) Parental Awards Remaining	4,460
14) Death Benefit	3,613
Total	\$ 1,108,309
Subtotals:	
15) Nursing Care Total (a)	\$ 888,464
16) Medical Total (b)	30,497
17) Other Total (c)	172,813
18) Retrospective Remaining (d)	16,535
Total	\$ 1,108,309

Notes:

(a) = [(1) + (2) + (3)]

(b) = [(4)]

(c) = [Sum [(5) through (11), (14)]

(d) = [(12) + (13)]

NICA

SUMMARY OF HISTORICAL INFLATION AND INVESTMENT RETURNS

Year	CPI All Items % Change (a)	Actual Investment Return (b)	Investment Return Less CPI (4) = (3) - (2)
(1)	(2)	(3)	(4) = (3) - (2)
1991	3.1%	5.9%	2.8%
1992	2.9%	3.3%	0.4%
1993	2.7%	3.1%	0.4%
1994	2.7%	3.6%	0.9%
1995	2.5%	7.0%	4.4%
1996	3.3%	5.8%	2.5%
1997	1.7%	6.1%	4.4%
1998	1.6%	6.2%	4.6%
1999	2.7%	4.5%	1.9%
2000	3.4%	13.1%	9.7%
2001	1.6%	4.0%	2.4%
2002	2.4%	-8.5%	-10.9%
2003	1.9%	20.0%	18.1%
2004	3.3%	10.3%	7.0%
2005	3.4%	8.9%	5.5%
2006	2.5%	12.8%	10.2%
2007	4.1%	8.7%	4.6%
2008	0.1%	-27.2%	-27.3%
2009	2.7%	20.0%	17.3%
2010	1.5%	13.4%	11.9%
2011	3.0%	-0.1%	-3.1%
2012	1.7%	10.9%	9.1%
2013	1.5%	12.6%	11.1%
2014	0.8%	5.6%	4.9%
2015	0.7%	-1.8%	-2.6%
2016	2.1%	6.7%	4.6%
2017	2.1%	13.8%	11.7%
2018	1.9%	-6.7%	-8.6%
2019	2.3%	21.1%	18.9%
2020	1.4%	14.1%	12.7%
2021	7.0%	6.0%	-1.0%
2022	6.8%	-23.3%	-30.1%
<u>Averages (c):</u>			
2010-2022	2.5%	4.9%	2.4%
2000-2009	2.5%	5.2%	2.7%
1991-1999	2.6%	5.0%	2.5%
1991-2022	2.5%	5.0%	2.5%

Notes:

- (a) Ibbotson's 2022 SBBI Yearbook, Stocks, Bonds, Bills, and Inflation.
 (b) NICA Investment Recap Summary; Ratio of Sum of Interest Income and Unrealized Gain/Loss to the Market Value Beginning Balance.
 (c) Geometric average over the given time period.

NICA
SUMMARY OF RESERVES AS OF SEPTEMBER 30, 2023
CALCULATION OF RISK MARGIN

1. Risk: Time Lived Varying from Remaining Loss Expectancy (RLE)

a. Number of Outstanding AA Claims	239	AAA-Worksheet Claim Count
b. Assumed Average CV of RLE	0.5	Based on AAA-Worksheet Claims
c. CV of Aggregate RLE	3%	= (b.) ÷ sqrt(a.)
d. Aggregate Reserve - Nominal	1,564,032	Exhibit 1, Column (4)
e. Variance	2,558,783,993	= [(c.) x (d.)]^2

2. Risk: Cost of IBNR and Pipeline AA Claims

a. Expected Number of Claims	41.75	Exhibit 1, Col (2): AAA IBNR+AAA Pipeline
b. Variance of Number of Claims	41.75	Assumes Poisson Distribution
c. CV Claim Severity	1	Based on judgment
d. CV of Aggregate Reserve	22%	= sqrt[(1.0 + (c.) x (c.)) ÷ (b.)]
e. Aggregate Reserve - Nominal	325,632	Exhibit 1, Col (4): AAA IBNR+AAA Pipeline
f. Variance	5,079,578,416	= [(d.) x (e.)]^2

3. Risk: Cost of Outstanding for Other Claims

a. Number of Outstanding Other Claims	94	Exhibit 1, Col (2): AAD+DA Reported+Denied)
b. Assumed Severity CV	1	Based on judgment
c. CV of Aggregate Reserve	10%	= (b.) ÷ sqrt(a.)
d. Aggregate Reserve - Nominal	11,088	Exhibit 1, Col (4): AAD+DA Reported+Denied)
e. Variance	1,307,834	= [(c.) x (d.)]^2

4. Risk: Cost of IBNR DA Claims

a. Expected Number of Claims	9.075	Exhibit 1
b. Variance of Number of Claims	9.075	Assumes Poisson Distribution
c. CV claim Severity	1	Based on judgment
d. CV of Aggregate Reserve	47%	= sqrt[(1.0 + (c.) x (c.)) ÷ (b.)]
e. Aggregate Reserve - Nominal	3,837	Exhibit 1
f. Variance	3,244,643	= [(d.) x (e.)]^2

5. Risk Margin

a. Total Variance	7,642,914,886	= 1(e.) + 2(f.) + 3(e.) + 4(f.)
b. Standard Deviation	87,424	= sqrt(a.)
c. Aggregate Reserve - Nominal	1,904,589	Exhibit 1, Col(4)
d. Aggregate Reserve - Discounted	1,339,024	Exhibit 1, Col(5)
e. Average Discount	0.70	= (d.) ÷ (c.)
f. Standard Deviation - Discounted Reserves	61,463	= (b.) x (e.)
g. Z: 90th percentile of standard normal	1.28	90th percentile of standard normal distribution
h. 90% confidence level	78,768	= (f.) x (g.)
Minimum Risk Margin	75,500	Previous Risk Margin
Selected Risk Margin	75,500	

Agenda Item # 9 (Tab F)

Net Assets

<i>in millions</i>		6/30/2022	6/30/2023	9/30/2023	Qtr Change	
	Investments	1,317	1,306	1,230	(76)	(1)
	Required Reserves per Actuary	1,259	1,363	1,386	23	(2)
	Net Assets	58	(57)	(156)	(99)	

Estimated current Unreserved Asset value

<i>Loss reserve ratio</i>	104.6%	95.8%	88.7%
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(1) Change in investment balance is \$11.3m use of cash, \$64.7m net investment change

(2) Increase in reserves is due to increase in number of outstanding claims (3 @ \$4.94m each = \$15m), increase in Medicaid debt (\$3m), and reserve adjustments for 4 open claims (\$5m)

Agenda Item # 10 (Tab G)

Cash Flow

	Actual SFY 2022- 2023	Est for SFY 2023-2024	Actual Thru 10/31/2023	% of Yr
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Hospitals and Physicians	34,839,480	36,000,000	14,431,781	40.1%
Cash Received from Reinsurance				
Cash Payments to Claimants and Vendors				
Parent Award	(7,384,706)	(5,813,000)	(3,320,784)	57.1%
Custodial Care	(45,381,031)	(33,191,461)	(10,917,964)	32.9%
Death Benefits			(400,000)	
Housing	(2,821,352)	(1,200,000)	(559,661)	46.6%
Transportation	(4,342,671)	(6,080,678)	(1,236,057)	20.3%
All Other Benefits	(3,551,154)	(6,830,503)	(1,043,500)	15.3%
Initial Claim Related (medical exams, attorney fees)	(1,036,649)	(1,077,358)	(542,570)	50.4%
Cash Payments to Claimants and Vendors - Total	(64,517,563)	(54,193,000)	(18,020,536)	33.3%
Cash Paid for Administration	(4,192,787)	(4,078,973)	(1,530,441)	37.5%
Cash Paid for Medicaid Settlement	(52,669,106)			
Net Cash Provided by Operating Activities	(86,539,976)	(22,271,973)	(5,119,196)	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of Property and Equipment (Administration)	(1,111,106)	(1,000,000)	(307,888)	30.8%
Net Cash Used in Capital and Related Financing Activities	(1,111,106)	(1,000,000)	(307,888)	
INVESTING ACTIVITIES IMOACT				
Net Gain / (Loss) in Investing Activities	86,609,081	64,702,000	(105,368,919)	
Net Increase / (Decrease)	(1,042,001)	41,430,027	(110,796,003)	

Agenda Item # 11 (Tab H)

Threshold Follow Up

	SFY End:	6/30/2024	6/30/2025	6/30/2026	6/30/2027	6/30/2028	6/30/2029	6/30/2030	6/30/2031
Funds on Hand (Investment Balance) (1)		1,347,148	1,388,132	1,429,141	1,469,004	1,506,120	1,543,269	1,578,510	1,615,325
Funds Available within 12 months:									
Assessments from participating health care providers (2)		36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000
Assessments Against Insurance companies (2)		28,630	30,225	31,909	33,686	35,562	37,543	39,634	41,842
Transfer from Florida Office of Insurance Regulation (2)		20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Income on Invested Funds (1)		66,714	68,714	70,686	72,564	74,375	76,141	77,898	79,515
Total		1,498,492	1,543,071	1,587,737	1,631,254	1,672,057	1,712,953	1,752,042	1,792,682
Threshold for Suspension - 80%		1,198,794	1,234,457	1,270,189	1,305,003	1,337,646	1,370,362	1,401,634	1,434,146
Liabilities:									
Outstanding Loss & LAE (2)		1,455,835	1,554,369	1,659,148	1,769,488	1,884,486	2,006,990	2,135,979	2,274,409
Less IBNR (2)		(145,780)	(150,882)	(156,163)	(161,629)	(167,286)	(173,141)	(179,201)	(185,473)
Less Family Care (2)		(148,944)	(163,474)	(178,865)	(195,120)	(213,179)	(231,313)	(250,433)	(270,585)
Net Liabilities for Comparison		1,161,111	1,240,013	1,324,120	1,412,739	1,504,021	1,602,536	1,706,345	1,818,351
Claims that can be accepted or (Excess of Liabilities over Threshold)		37,683	(5,556)	(53,931)	(107,736)	(166,375)	(232,174)	(304,711)	(384,205)
<i>Compared to:</i>									
Loss Reserve Ratio		92.5%	89.3%	86.1%	83.0%	79.9%	76.9%	73.9%	71.0%

(1) See calculation of investment income below

(2) Per actuary workpapers

Calculation of Investment Income

Beginning balance @ 7/1 (6/30/2023 per BNY 20230630 Book and Market Summary, rest calculated)

Beginning balance @ 7/1 (6/30/2023 per BNY 20230630 Book and Market Summary, rest calculated)	1,305,639	1,347,148	1,388,132	1,429,141	1,469,004	1,506,120	1,543,269	1,578,510	1,615,325
Use of Cash During Year (2)	(59,193)	(61,730)	(63,705)	(66,824)	(71,448)	(73,226)	(76,900)	(77,083)	(86,053)
Covered by Assessments (2)	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000
Net Use of Cash	(23,193)	(25,730)	(27,705)	(30,824)	(35,448)	(37,226)	(40,900)	(41,083)	(50,053)
Beg Bal less net cash out	1,282,446	1,321,418	1,360,427	1,398,317	1,433,556	1,468,894	1,502,369	1,537,427	1,565,272
Avg Balance	1,294,043	1,334,283	1,374,280	1,413,729	1,451,280	1,487,507	1,522,819	1,557,969	1,590,299

Rate of return to use for investment income - 5.93% is projected on Asset Allocation Study, actuaries have always used 5%

5.00%

Investment Earnings on Avg Balance	64,702	66,714	68,714	70,686	72,564	74,375	76,141	77,898	79,515
Ending Investment Balance @ 6/30	1,347,148	1,388,132	1,429,141	1,469,004	1,506,120	1,543,269	1,578,510	1,615,325	1,644,787

Threshold Discussion / Update

December 8, 2023

09/30/2023 Threshold Calculation from Madison (Exhibit 6)

- PASS by only \$1.69m
- Each new claim adds \$4.94m to reserve requirements
- Assumptions from actuary used in Future Threshold Projections:
 - No increase in assessments
 - *No change*
 - 3.5% inflation / 5% return on investments
 - *Assumption not accurate for Q1, significant recovery of loss in Nov*
 - New participating families at rate of 15 per year
 - *3 for Q1 but already have 4 for Oct / Nov and 4 more likely for Dec*
 - Death claims at a rate of 6 per year (pay death benefit and parental award)
 - *8 for July - November*