



# THE STATE INSURANCE FUND

**ANDREW M. CUOMO**  
**GOVERNOR**

GENERAL SESSION AGENDA  
BOARD OF COMMISSIONERS' REGULAR MEETING  
WEDNESDAY, APRIL 17, 2019, 10:00 A.M.

1. MOTION

TO ACCEPT THE PROPOSED MINUTES OF THE FEBRUARY 20, 2019 BOARD MEETING

2. STANDING REPORT(S)

A. REPORT OF EXECUTIVE DIRECTOR & CEO ERIC MADOFF

1) TRIBUTE TO WILLIAM O'BRIEN & LINDA ZAFONTE

B. INTRODUCTION OF NYSIF'S POLICY HOLDER SERVICES SENIOR STAFF &  
TREASURER BY DIRECTOR OF POLICY HOLDER SERVICES JOSEPH MULLEN & CHIEF  
FINANCIAL OFFICER WILLIAM GRATRIX

C. REPORT OF GENERAL ATTORNEY WILLIAM O'BRIEN

3. REPORT OF STANDING COMMITTEE(S)

A. INVESTMENT COMMITTEE: CHAIR DAVID OURLICHT

4. MOTION

TO ACCEPT THE WRITTEN REPORTS AS SUBMITTED

5. EXECUTIVE SESSION (*IF NECESSARY*)

6. ADJOURN

PROPOSED MINUTES OF THE REGULAR MEETING  
OF THE COMMISSIONERS OF THE STATE INSURANCE FUND  
HELD ON WEDNESDAY, FEBRUARY 20, 2019 AT 10:00 A.M.  
AT 199 Church Street, 12<sup>th</sup> floor Board Room, New York, New York 10007

PRESENT

Board

Kenneth Theobalds, Chairman  
Barry Swidler, Vice Chair <sup>1</sup>  
David Ourlicht  
Charles MacLeod  
Alexis Thomas<sup>1</sup>  
Louis Roberti <sup>1</sup>  
Navneet Kathuria  
Ryan Delgado <sup>2</sup>  
Dennis Kessler  
Nathaalie Carey <sup>1</sup>, *ex officio*

<sup>1</sup> not present at the February 20<sup>th</sup> Board meeting

<sup>2</sup> participated via webcast from Albany

Executive Staff

Eric Madoff, Executive Director & CEO  
Shirley Stark, Deputy Executive Director & Chief of Staff  
William O'Brien, General Attorney  
Robert Sammons, Asst. Deputy Executive Director  
Gregory Francis, Chief Investment Officer  
Joseph Mullen, Director of Policyholder Services  
Patricia Carroll, Director of Administration  
William Gratrix, Chief Financial Officer

Additional Staff/Attendees

Michael Totaro, Asst. Counsel & Asst. Secretary to the Board

Chairman Theobalds presided. A quorum was announced and present throughout the meeting. For the record, Vice Chair Swidler, Commissioners Carey, Roberti and Thomas were unable to attend the February 20<sup>th</sup> Board meeting. Their absences were excused.

**1. Minutes of the January 16, 2019 Board Meeting**

Upon motion by Commissioner Kathuria, duly seconded by Commissioner Ourlicht, the Board unanimously voted that the minutes of the January 16<sup>th</sup> regular Board meeting be accepted and filed as the official minutes of the Board of Commissioners. The vote: Commissioner Kessler – yes; Commissioner Delgado – yes; Commissioner Kathuria – yes; Commissioner MacLeod – yes; Commissioner Ourlicht – yes; Chairman Theobalds – yes.

**2. Standing Report(s)**

Report of Executive Director & CEO Eric Madoff

Executive Director and CEO Eric Madoff introduced William Gratrix, NYSIF's Chief Financial Officer, to present the 4<sup>th</sup> quarter financial results.

Board of Commissioners Report – 4<sup>th</sup> Quarter 2018 & Year-end Report

The Board received highlights pertaining to NYSIF's 4<sup>th</sup> quarter preliminary results from NYSIF's Chief Financial Officer William Gratrix; Chief Investment Officer Gregory Francis, Director of Policy Holder Services Joseph Mullen and Assistant Deputy Executive Director Robert Sammons.

Chief Financial Officer William Gratrix reported that the net earned premium for the fourth quarter of 2018 was down 5.7% compared to the fourth quarter of 2017, and down 3% compared to the full year of 2017. The decline was due to lower loss costs and loss cost multiplier reductions which went into effect the latter part of 2017. NYSIF's combined ratio with dividends for the fourth quarter of 2018 posted at a very healthy 92.5% for the fourth quarter and 91.6% for the year.

Chief Investment Officer Gregory Francis reported that NYSIF's assets increased from \$14 billion in 2014 to \$17.5 billion in 2018. This increase reflected an annual growth rate of approximately 6%, driven by both premiums and a strong capital market.

Director of Policy Holder Services Joseph Mullen reported that NYSIF saw a 4.5% decrease in the average premium from 2017 to 2018, and 1.3% decrease in NYSIF's policy count. NYSIF's premium decreased 5.8% in 2018 when compared to the same period in 2017. Both premium retention and policy count retention showed a slight increase over the last year, and the retention rates are the highest in five years.

Assistant Deputy Executive Director Robert Sammons reported that NYSIF experienced a steady decline in claims from 2014 through 2017, for a total reduction of 26%. NYSIF continues to close claims faster than new claims are received, which means the open inventory of claims has decreased 15% from 2014.

The full presentation entitled: *"2018 Results: Preliminary and Unaudited"* is incorporated as part of the February 2019 Board materials.

#### Report of General Attorney William O'Brien

General Attorney O'Brien stated there were no legal matters to report this month.

### **3. Report(s) of Standing Committees**

#### Investment Committee

Commissioner Ourlicht, Chair of the Investment Committee, reported that the committee met on February 19<sup>th</sup> to discuss several items pertaining to NYSIF's strategic asset allocation and was provided an external manager performance report and a compliance report.

#### Budget & Audit Committee

In absence of Budget & Audit Committee Chair Alexis Thomas, Chairman Theobalds delivered the Budget and Audit Committee report. Chairman Theobalds reported that the committee met via telephone conference on February 14<sup>th</sup> and previewed the 4<sup>th</sup> quarter report; NYSIF's year-end report and financial metrics. A full report will be delivered in Executive Session, subject to a motion to enter Executive Session, for a discussion regarding a particular policy holder.

## Property & Administrative Services Committee

Chairman Theobalds reported that the committee met via telephone conference to discuss NYSIF's ongoing real estate projects. A full report will be delivered in Executive Session for a discussion regarding a particular corporation.

### **4. Motion to Accept Written Reports**

Upon motion by Commissioner Kessler, duly seconded by Commissioner MacLeod, the Board unanimously voted to accept the written reports as submitted. The vote: Commissioner Kessler – yes; Commissioner Delgado – yes; Commissioner Kathuria – yes; Commissioner MacLeod – yes; Commissioner Ourlicht – yes; Chairman Theobalds – yes.

### **5. Executive Session**

Upon motion by Commissioner Ourlicht, duly seconded by Commissioner Kathuria, the Board unanimously voted to enter Executive Session for a discussion regarding the medical, financial, credit or employment history of a particular person or corporation, or matters leading to the appointment, employment, promotion, demotion, discipline, suspension, dismissal or removal of a particular person or corporation - - specifically this applies to a particular policy holder; NYSIF's search for a custodial banker, and NYSIF's ongoing real estate projects. The vote: Commissioner Kessler – yes; Commissioner Delgado – yes; Commissioner Kathuria – yes; Commissioner MacLeod – yes; Commissioner Ourlicht – yes; Chairman Theobalds – yes.

### **6. Return from Executive Session**

Assistant Secretary Michael Totaro reported the following actions were taken in Executive Session:

Upon motion by Commissioner Kathuria, duly seconded by Commissioner MacLeod, the Board unanimously voted to authorize entering into a contract with J. P. Morgan Chase Bank, N.A. to provide custodial banking services subject to: (i) legal review and execution by staff, and (ii) approval by the Superintendent of Financial Services. The vote: Commissioner Kessler – yes; Commissioner Delgado – yes; Commissioner Kathuria – yes; Commissioner MacLeod – yes; Commissioner Ourlicht – yes; Chairman Theobalds – yes.

Upon motion by Commissioner MacLeod, duly seconded by Commissioner Ourlicht, the Board unanimously voted to approve and authorize NYSIF staff to amend and increase the value of the current contract by \$1,100,000.00, with CSA Group NY Architects and Engineers, PC (CSA) for additional architect and engineering fees, subject to: (i) legal review and staff negotiations, and (ii) approval by the New York State Superintendent of Financial Services. The vote: Commissioner Kessler – yes; Commissioner Delgado – yes; Commissioner Kathuria – yes; Commissioner MacLeod – yes; Commissioner Ourlicht – yes; Chairman Theobalds – yes.

The next regular meeting of the New York State Insurance Fund Board of Commissioners will be held on Wednesday, March 20, 2019 at 10:00 a.m. at 199 Church Street, 12<sup>th</sup> floor Board Room.

7. **Adjournment of Meeting**

Upon a final motion by Commissioner Kessler, duly seconded by Commissioner Delgado, the Board unanimously voted to adjourn the Board of Commissioners' regular meeting. The vote: Commissioner Kessler – yes; Commissioner Delgado – yes; Commissioner Kathuria – yes; Commissioner MacLeod – yes; Commissioner Ourlicht – yes; Chairman Theobalds – yes.

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Respectfully submitted,

Michael Totaro, Assistant Secretary


PROPOSED



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# *2019 Q1 RESULTS*

Preliminary and Unaudited  
April 17, 2019



## 2019 Q1 Overview

- 
- Earned premium for the quarter declined approximately 2.7%. The reduction in earned premium was primarily due to the impact of lower loss costs and LCM on policy years since 2017.
  - The combined ratio with dividends for the quarter increased by 10.2% due to:
    - Loss and LAE ratio increased 6.4% due to the impact from premium price reductions.
    - The dividend ratio increased by 3.2 % due to safety group dividend timing.
  - Net income is down \$66 million when comparing Q1 2019 to Q1 2018, primarily driven by an increase in loss and LAE ratios due to reduction in loss costs and increased dividends due to timing of safety group accountings.
  - The average premium per policy dropped from \$12,663 as of December 2018 to \$12,065 as of March 2019 primarily due to one large policy cancelling to insure elsewhere.
  - Loss Payments for the quarter declined when compared to Q1 2018 due to receipt of 15-8 reimbursements from the WCB and third party settlements.

# Core Operating Results – Management Basis

(\$ in millions)

Preliminary and Unaudited

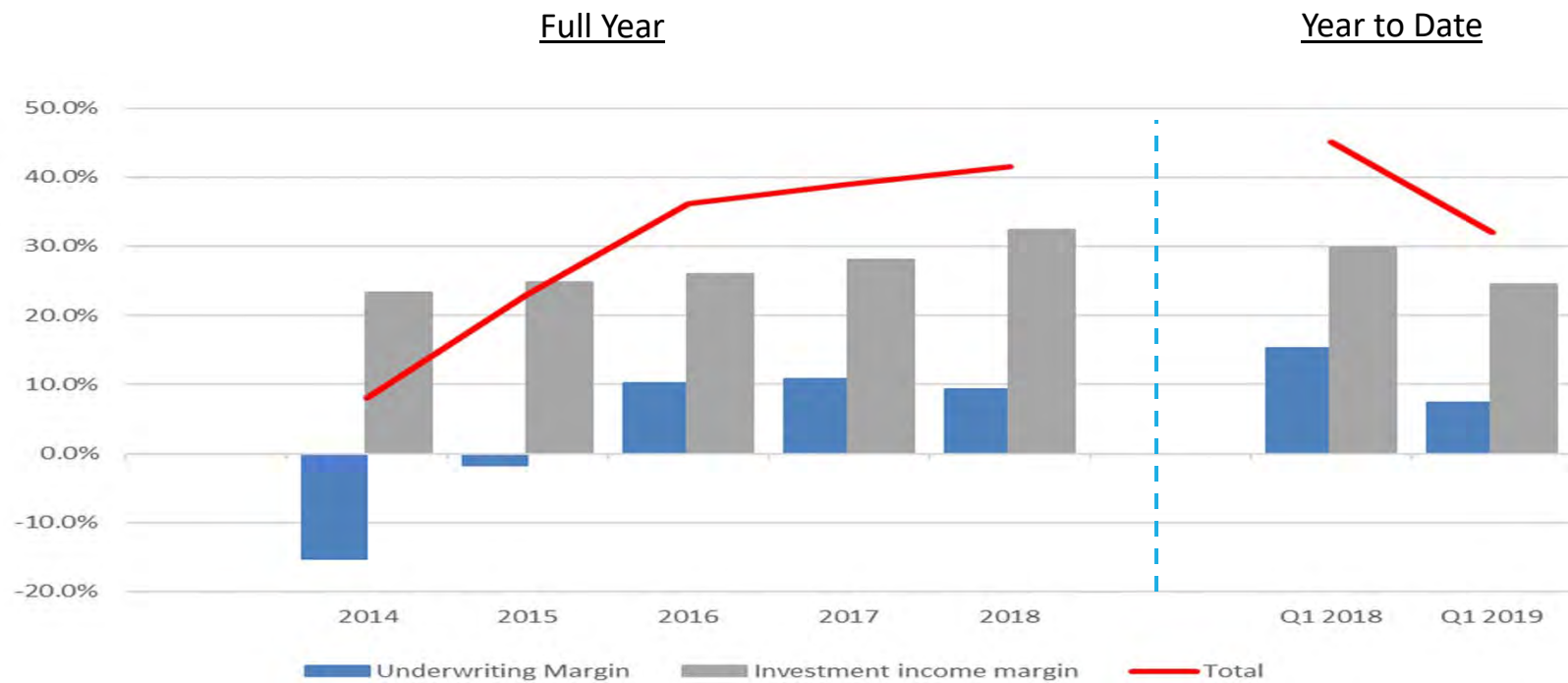
YEAR to DATE

	<u>2018</u>	<u>2019</u>	<u>%/pts. Change</u>
<b>Net Earned Premium</b>	<b>\$564</b>	<b>\$549</b>	<b>-2.7%</b>
<b>Current Year:</b>			
Loss and Loss Adjustment Ratio	68.3%	74.7%	6.4
Underwriting Expense Ratio	8.1%	8.8%	0.7
Combined Ratio	76.5%	83.6%	7.1
Dividend Ratio (expense)	13.9%	17.0%	3.2
<b>Combined Ratio w/Dividends</b>	<b>90.4%</b>	<b>100.6%</b>	<b>10.2</b>
Underwriting Margin (1-Combined Ratio w/Dividends)	9.6%	-0.6%	(10.2)
Net Investment Income Ratio	21.9%	24.5%	2.6
<b>Current Year Operating Margin (1)</b>	<b>31.6%</b>	<b>23.9%</b>	<b>(7.6)</b>
<b>Net Income (2)</b>	<b>\$241</b>	<b>\$175</b>	<b>-27.6%</b>

(1) Current Year Operating Margin = combined ratio w/ dividends plus net investment income ratio (per AM Best which excludes realized gains/losses & other income/expenses). Prior year reserve adjustments are also excluded.

(2) Net Income includes investment realized gains/losses and other income/expense.

## Total Operating Income Components – Statutory Basis



(1) Underwriting gain/(loss) includes current and prior year reserve adjustments.

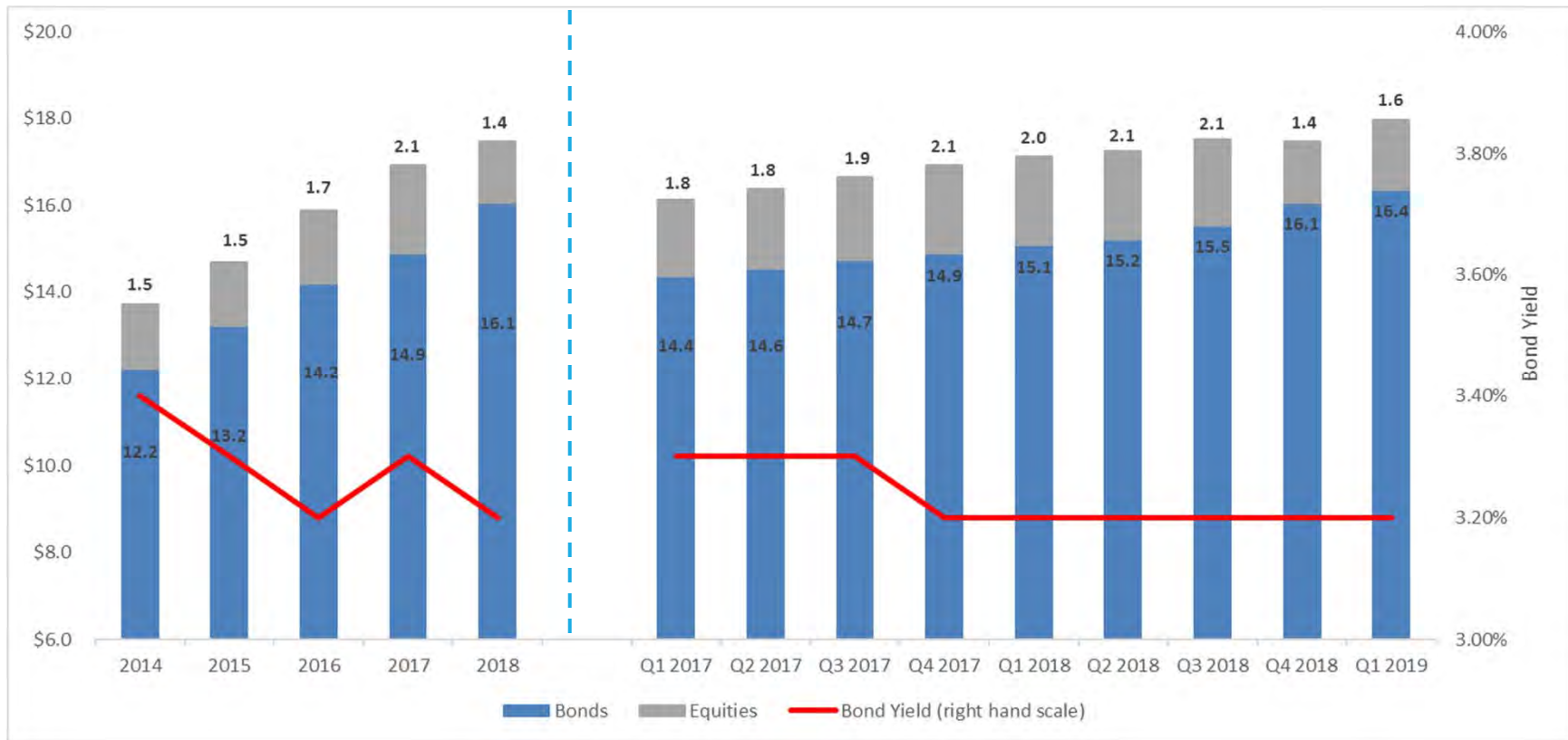
(2) Underwriting margin for 2018 full year adjusted for change in contingent dividends estimate.

\*\* Investment income includes realized gains/( losses) and is net of expenses

# Invested Assets: Bond Yields

(\$ in billions)

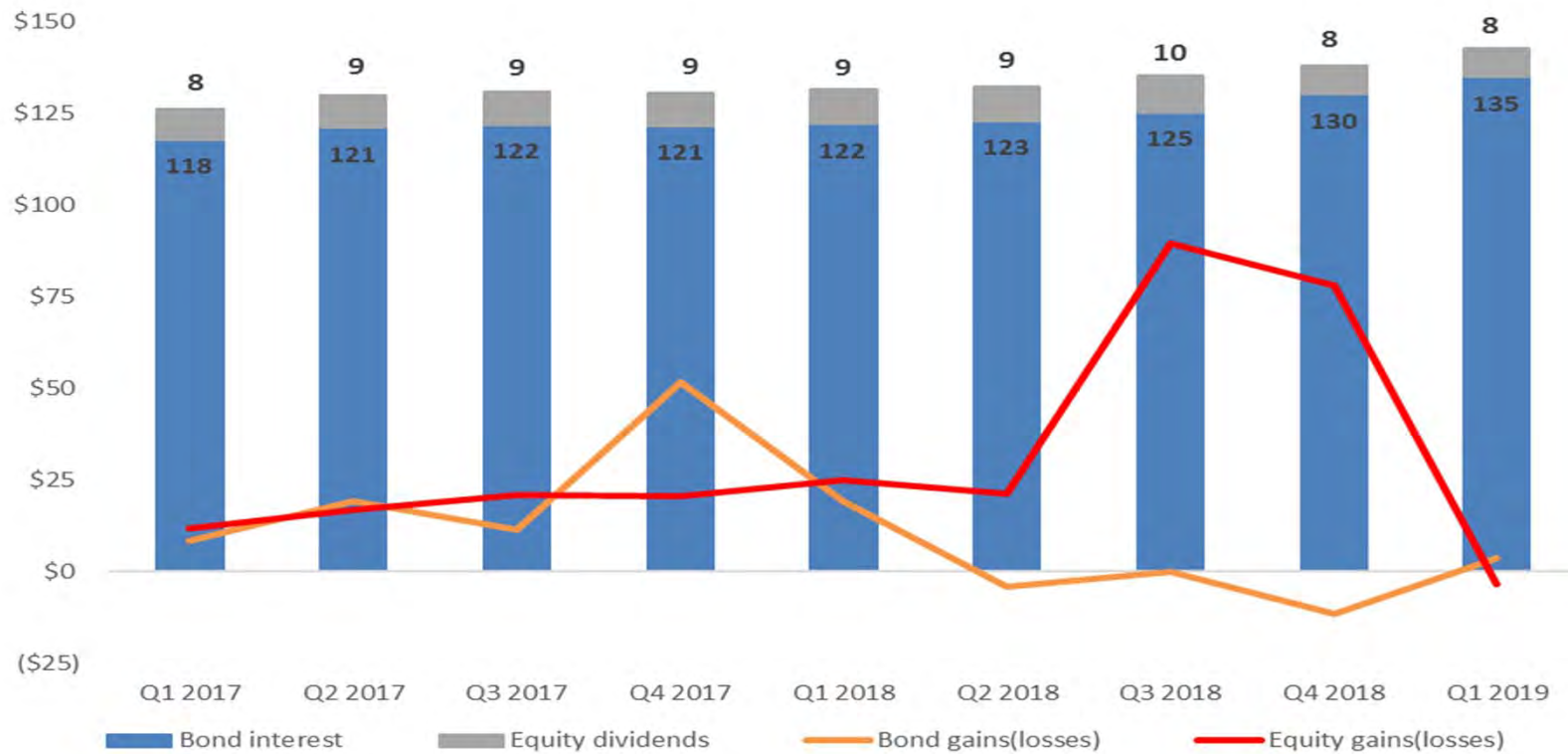
Total \$13.7 \$14.7 \$15.9 \$17.0 \$17.5 \$16.2 \$16.4 \$16.6 \$17.0 \$17.1 \$17.3 \$17.6 \$17.5 \$18.0



Yield is the scientific yield to worst on accounting book value for bonds.

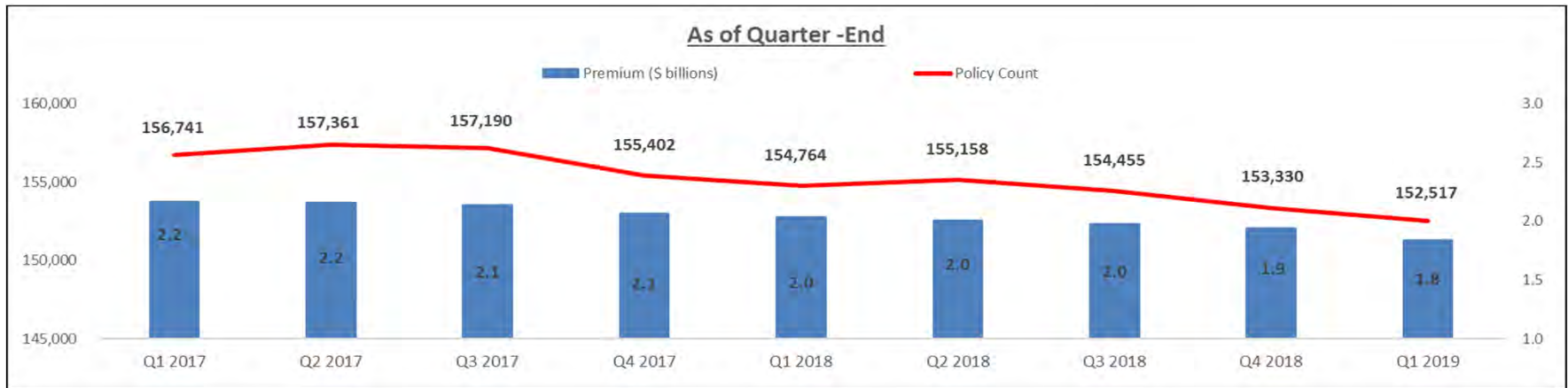
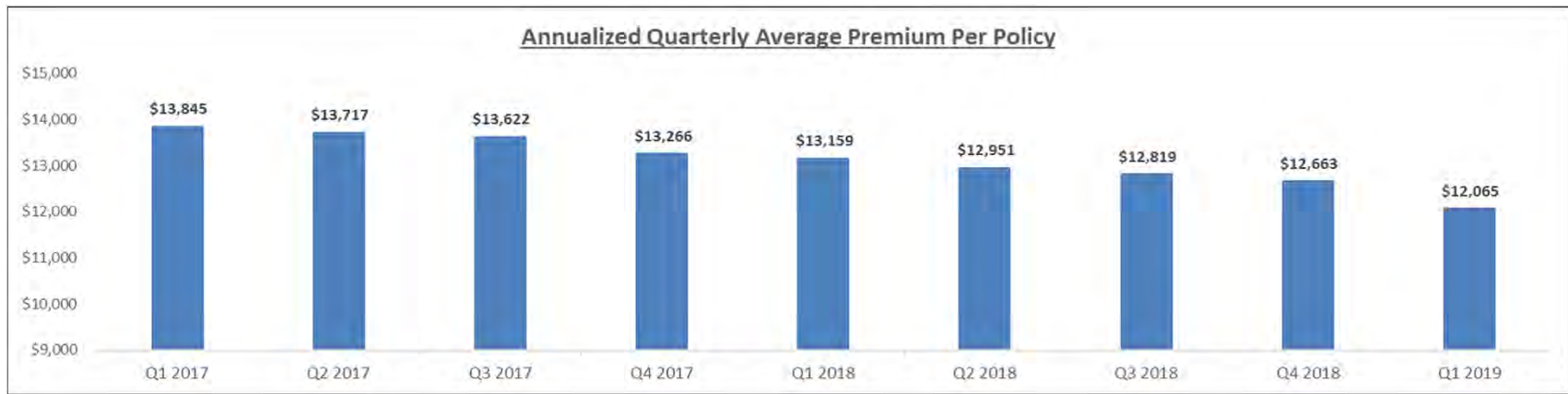
# Investment Income and Realized Gain(Loss)

(\$ in millions)



Gross investment income does not include investment expenses and realized gains / (losses).

# In-force Policy count and Premium Statistics

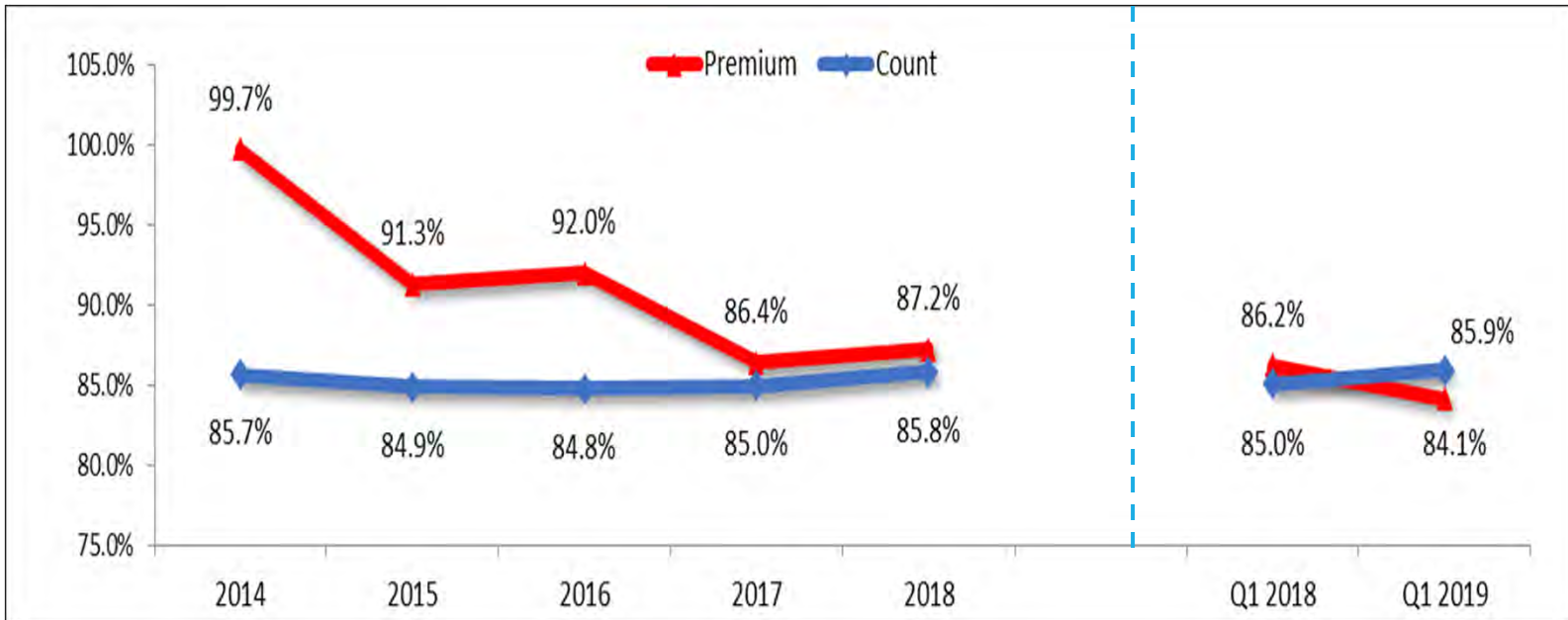


# Retention Results

(Based on in-force values)

Full Year

Year to Date

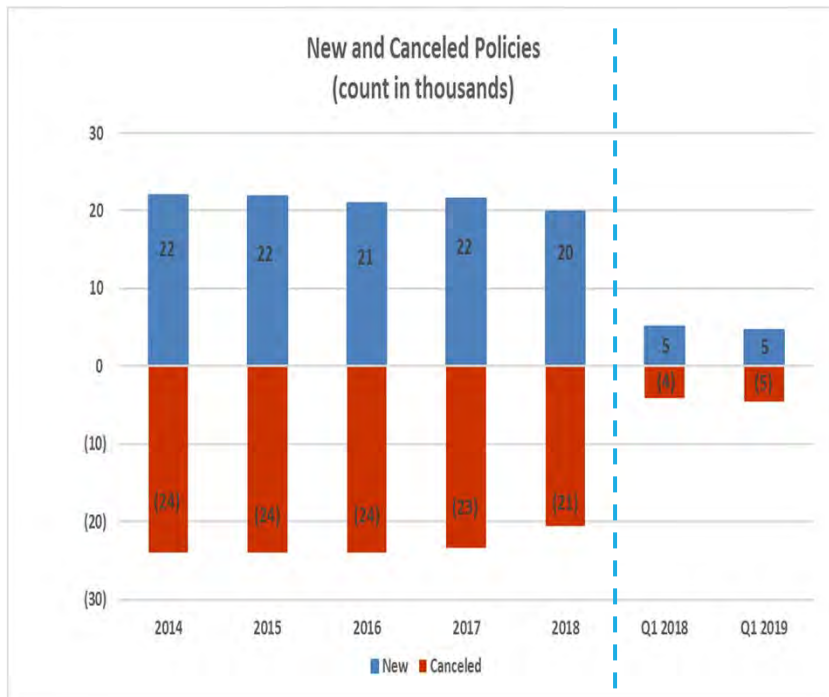


- Retention calculation:  $(\text{ending quarter value less new}) / \text{prior quarter value}$
- Inforce values include assessment charge for comparison purposes

# New and Canceled Activity

Full Year

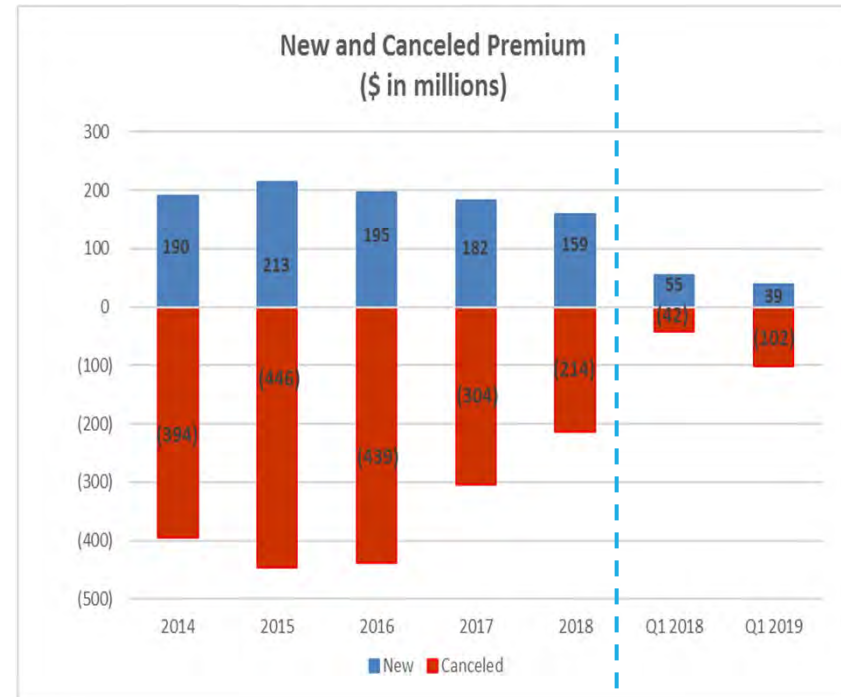
Year to Date



Net +/- (2) (2) (3) (1) (1) 1 0

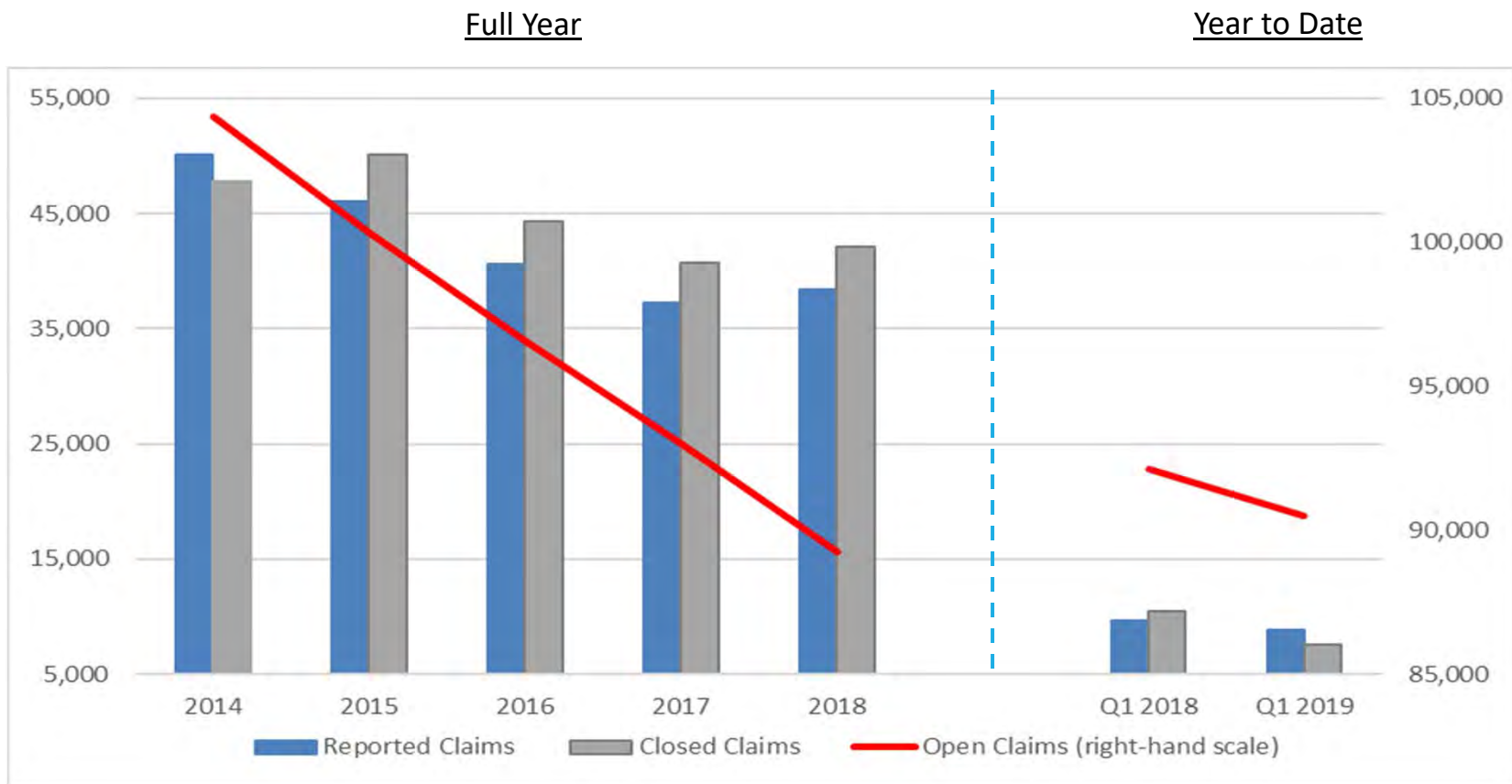
Full Year

Year to Date



(204) (233) (244) (122) (55) 13 (63)

## Reported, Closed and Open Claim Counts

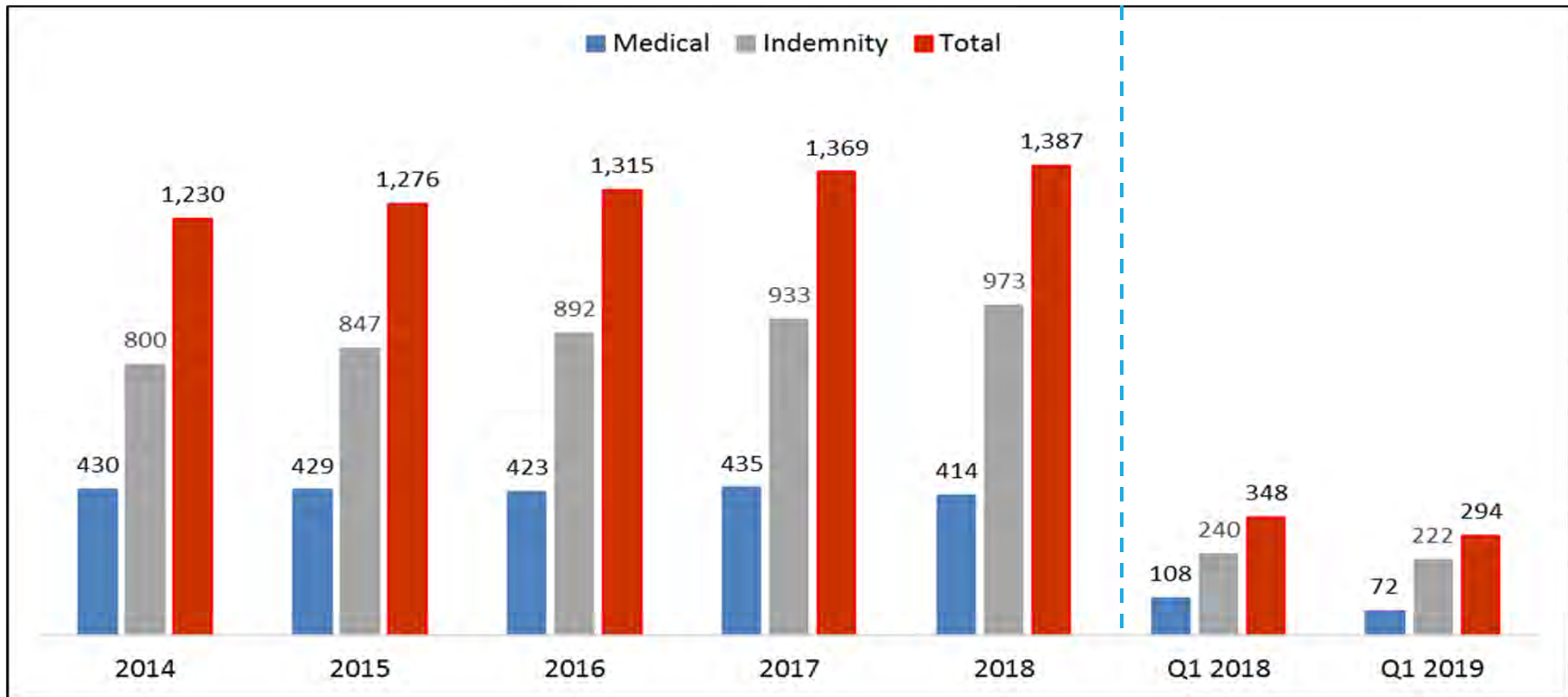


# Loss Payments (Actual Cash Payments)

(\$ in millions)

Full Year

Year to Date





# 2019 - NYSIF Board of Commissioners Meeting Schedule

NYSIF Holiday

**January**

S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

**February**

S	M	T	W	T	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28		

**March**

S	M	T	W	T	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20*	21	22	23
24	25	26	27	28	29	30

**April**

S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30				

31 \* meeting canceled – absence of quorum

**May**

S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

**June**

S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30						

**July**

S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

**The Board does not convene during the month of August.**

**September**

S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

**October**

S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

**November**

S	M	T	W	T	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30

**December**

S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

The New York State Insurance Fund Board of Commissioners generally meet on the third Wednesday of each month at 10:00 a.m.– unless otherwise noted.  
The Board does not convene during the month of August.



THE STATE INSURANCE FUND

ANDREW M. CUOMO  
GOVERNOR

**PROPOSED MOTION\***

The following is a procedural vote considered by the Board of Commissioners of the State Insurance Fund at a meeting held on Wednesday, April 17, 2019. A quorum was present throughout:

**A motion was made that the minutes of the February 20, 2019 meeting be accepted and filed as the official minutes of the Board of Commissioners.**

Commissioner \_\_\_\_\_ provided the motion to approve

Commissioner \_\_\_\_\_ seconded the motion

	YES	NO	ABSTAIN
Commissioner Carey	_____	_____	_____
Commissioner Kessler	_____	_____	_____
Commissioner Delgado	_____	_____	_____
<del>Commissioner Kathuria</del>			
Commissioner Roberti	_____	_____	_____
<del>Commissioner Thomas</del>			
<del>Commissioner MacLeod</del>			
Commissioner Ourlicht	_____	_____	_____
Vice Chair Swidler	_____	_____	_____
Chairman Theobalds	_____	_____	_____

\_\_\_\_\_  
Michael Totaro  
Assistant Secretary

\*This proposed motion has not been acted upon. The proposed motion is being made available pursuant to the Open Meetings Law §103(e)



THE STATE INSURANCE FUND

ANDREW M. CUOMO  
GOVERNOR

**PROPOSED MOTION\***

The following is a procedural vote considered by the Board of Commissioners of the State Insurance Fund at a meeting held on Wednesday, April 17, 2019. A quorum was present throughout:

**Motion to accept the written reports as submitted.**

Commissioner \_\_\_\_\_ provided the motion to approve

Commissioner \_\_\_\_\_ seconded the motion

	YES	NO	ABSTAIN
Commissioner Carey	_____	_____	_____
Commissioner Kessler	_____	_____	_____
Commissioner Delgado	_____	_____	_____
<del>Commissioner Kathuria</del>			
Commissioner Roberti	_____	_____	_____
<del>Commissioner Thomas</del>			
<del>Commissioner MacLeod</del>			
Commissioner Ourlicht	_____	_____	_____
Vice Chair Swidler	_____	_____	_____
Chairman Theobalds	_____	_____	_____

\_\_\_\_\_  
Michael Totaro  
Assistant Secretary

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THE STATE INSURANCE FUND

ANDREW M. CUOMO  
GOVERNOR

**PROPOSED MOTION\***

The following is a procedural vote considered by the Board of Commissioners of the State Insurance Fund at a meeting held on Wednesday, April 17, 2019. A quorum was present throughout:

**A motion was made to proceed into Executive Session for a discussion regarding the medical, financial, credit or employment history of a particular person or corporation, or matters leading to the appointment, employment, promotion, demotion, discipline, suspension, dismissal or removal of a particular person or corporation - - specifically this applies to a particular policy holder; NYSIF's ongoing real estate projects; for information which could imperil public safety if disclosed - - specifically this relates to NYSIF's cybersecurity program; and for legal advice from NYSIF's General Attorney.**

Commissioner \_\_\_\_\_ provided the motion to approve

Commissioner \_\_\_\_\_ seconded the motion

	YES	NO	ABSTAIN
Commissioner Carey	_____	_____	_____
Commissioner Kessler	_____	_____	_____
Commissioner Delgado	_____	_____	_____
<del>Commissioner Kathuria</del>			
Commissioner Roberti	_____	_____	_____
<del>Commissioner Thomas</del>			
<del>Commissioner MacLeod</del>			
Commissioner Ourlicht	_____	_____	_____
Vice Chair Swidler	_____	_____	_____
Chairman Theobalds	_____	_____	_____

\_\_\_\_\_  
Michael Totaro  
Assistant Secretary

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THE STATE INSURANCE FUND

ANDREW M. CUOMO  
GOVERNOR

**PROPOSED MOTION\***

The following is a motion considered by the Board of Commissioners of the State Insurance Fund at a meeting held on Wednesday, April 17, 2019. A quorum was present throughout:

**A motion was made to adjourn the Board of Commissioners of the State Insurance Fund regular monthly meeting.**

Commissioner \_\_\_\_\_ provided the motion to approve

Commissioner \_\_\_\_\_ seconded the motion

	YES	NO	ABSTAIN
Commissioner Carey	_____	_____	_____
Commissioner Kessler	_____	_____	_____
Commissioner Delgado	_____	_____	_____
<del>Commissioner Kathuria</del>			
Commissioner Roberti	_____	_____	_____
<del>Commissioner Thomas</del>			
<del>Commissioner MacLeod</del>			
Commissioner Ourlicht	_____	_____	_____
Vice Chair Swidler	_____	_____	_____
Chairman Theobalds	_____	_____	_____

\_\_\_\_\_  
Michael Totaro  
Assistant Secretary

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