THE STATE INSURANCE FUND

ANDREW M. CUOMO
GOVERNOR

GENERAL SESSION AGENDA
BOARD OF COMMISSIONERS' REGULAR MEETING
WEDNESDAY, JULY 17, 2019, 4:00 P.M.

1. MOTION

   TO ACCEPT THE PROPOSED MINUTES OF THE JUNE 19, 2019 BOARD MEETING

2. STANDING REPORT(S)

   A. REPORT OF EXECUTIVE DIRECTOR & CEO ERIC MADOFF
   B. INTRODUCTION OF NEW STAFF MEMBERS BY NYSIF'S DIRECTOR OF POLICY HOLDER SERVICES JOSEPH MULLEN
   C. REPORT OF ACTING GENERAL ATTORNEY PETER CUSICK

3. REPORT OF STANDING COMMITTEE(S)

   A. BUSINESS OPERATIONS COMMITTEE: COMMITTEE MEMBER CHARLES MACLEOD
   B. PROPERTY & ADMINISTRATIVE SERVICES COMMITTEE: COMMITTEE MEMBER CHARLES MACLEOD

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, JUNE 19, 2019 AT 10:00 A.M.
AT 199 Church Street, 12th floor Board Room, New York, New York 10007

PRESENT

Board
Kenneth Theobalds, Chairman
Barry Swidler, Vice Chair
David Ourlicht
Charles MacLeod [3]
Alexis Thomas [1]
Louis Roberti [2]
Navneet Kathuria
Ryan Delgado [1]
Dennis Kessler
Nathaalie Carey, *ex officio*
[1] not present at the June 19th Board Meeting
[2] participated via webcast from White Plains
[3] participated via webcast from Melville

Executive Staff
Eric Madoff, Executive Director & CEO
Shirley Stark, Deputy Executive Director & Chief of Staff
Robert Sammons, Asst. Deputy Executive Director
Gregory Francis, Chief Investment Officer
Joseph Mullen, Director of Policy Holder Services
Melissa Jensen, Director of Executive Project Management Office
Patricia Carroll, Director of Administration
Peter Cusick, Acting General Attorney & Deputy Counsel
William Gratrix, Chief Financial Officer

Additional Staff/Attendees
Michael Totaro, Asst. Counsel & Asst. Secretary to the Board
Armin Holdorf, Director of Field Services
David Duden, Deloitte Development LLC
Michael Ruiz, Deloitte Development LLC
Robert Kirklin, Willis Towers Watson

Chairman Theobalds presided. A quorum was announced and present throughout the meeting. For the record, Commissioners Delgado and Thomas were unable to attend the June 19th Board meeting. Their absences were excused.

1. **Minutes of the May 15, 2019 Board Meeting**

   Upon motion by Vice Chair Swidler, duly seconded by Commissioner Ourlicht, the Board unanimously voted that the minutes of the May 15th regular Board meeting be accepted and filed as the official minutes of the Board of Commissioners. The vote: Commissioner Carey – yes; Commissioner Kessler – yes; Commissioner Kathuria – yes; Commissioner Roberti – yes; Commissioner MacLeod – yes; Commissioner Ourlicht – yes; Vice Chair Swidler – yes; Chairman Theobalds – yes.

2. **Standing Report(s)**

   Report of Executive Director & CEO Eric Madoff

   Executive Director and CEO Eric Madoff reported to the Board that Armin Holdorf, NYSIF's Director of Field Services, will retire in July.

   On behalf of the Board of Commissioners and Executive Staff, Chairman Theobalds and Mr. Madoff presented a plaque to Mr. Holdorf which read: *"in recognition of his outstanding leadership, dedication, and achievements during his tenure with the New York State Insurance Fund, 1980 – 2019"*.

Report of Acting General Attorney Peter Cusick

Acting General Attorney Peter Cusick deferred his report for Executive Session for the purpose of legal advice.

3. Actuarial Presentation

NYSIF's Actuary Timothy Koester and Robert Kirklin from Willis Towers Watson – NYSIF's external actuary - presented their annual actuarial report to the Board.

The presentations entitled: *"Overview of NYSIF Actuarial Department"* and *"NYSIF Appointed Actuary Report, December 31, 2018"* are incorporated as part of the June 2019 Board material.

4. Enterprise Risk Management Presentation

NYSIF's Chief Financial Officer William Gratrix reported that New York State recently required many of its state agencies to establish an enterprise risk management program. Over the past year, NYSIF has engaged Deloitte to assist in evaluating and updating its enterprise risk management ("ERM") program from 2017.

Deloitte Presentation on Enterprise Risk Management

David Duden, Managing Director, and Michael Ruiz, Senior Manager, of Deloitte presented to the Board NYSIF's ERM program. Mr. Duden and Mr. Ruiz's presentation gave an overview of the ERM program and how such a program helps organizations like NYSIF identify, assess, and manage risks that could impair an organization's mission. The program is an ongoing project that continues to operate and expand its scope and focus. The Board will continue to get updates about the program.

The full presentation entitled: *"New York State Insurance Enterprise Risk Management (ERM) Update Presentation to the Board of Commissioners – June 19, 2019"* is incorporated as part of the June 2019 Board material.

5. Report(s) of Standing Committees

Investment Committee

Commissioner Ourlicht, Chair of the Investment Committee, reported that the committee met on June 18th to discuss several items pertaining to NYSIF's strategic asset allocation and asset managers. Commissioner Ourlicht deferred his full report for Executive Session, for matters leading to the appointment of a particular corporation.

6. Motion to Accept Written Reports

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

7. Executive Session

Upon motion by Commissioner Kathuria, duly seconded by Commissioner MacLeod, 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 NYSIF's asset managers and ongoing real estate projects; and for a confidential legal advice discussion between the Board and its Legal Counsel. The vote: Commissioner Carey – yes; Commissioner Kessler – yes; Commissioner Kathuria – yes; Commissioner Roberti – yes; Commissioner MacLeod – yes; Commissioner Ourlicht – yes; Vice Chair Swidler – yes; Chairman Theobalds – yes.

8. Return from Executive Session

Assistant Secretary Michael Totaro reported the following action(s) were taken in Executive Session:

Upon motion by Commissioner Kathuria, duly seconded by Commissioner Roberti, the Board unanimously approved and authorized the Investment Department to enter into a five (5) year contract for municipal bond asset management services with Nuveen Asset Management, LLC and Western Asset Management Company, subject to: (i) legal review and execution by staff, and (ii) approval by the New York State Superintendent of Financial Services. The vote: Commissioner Carey – yes; Commissioner Kessler – yes; Commissioner Kathuria – yes; Commissioner Roberti – yes; Commissioner MacLeod – yes; Commissioner Ourlicht – yes; Vice Chair Swidler – yes; Chairman Theobalds – yes.

The next regular meeting of the New York State Insurance Fund Board of Commissioners will be held on Wednesday, July 17, 2019 at 4:00 p.m. at 199 Church Street, 12th floor Board Room.

9. Adjournment of Meeting

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

Respectfully submitted,

Michael Totaro, Assistant Secretary

2019 Q2 RESULTS

Preliminary and Unaudited

July 11, 2019

2019 Q2 Overview

- Earned premium for the quarter declined approximately 8.3% and 5.5% year to date. 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 28.2 points and 19.2 points year to date due to:
  - Loss and LAE ratio increased 8.2 points due to the impact from premium price reductions.
  - The dividend ratio increased by 20.6 points due to an update of certain factors used to estimate safety group dividends. 2019 safety group dividend payments are consistent with historical levels.

- The Net Investment Income ratio for the quarter and year to date has increased due to increases in invested assets and reductions in earned premium.

- Net income is down $24 million when comparing Q2 2019 to Q2 2018 and $90 million year-to-date, primarily driven by an increase in loss and LAE ratios due to reduction in loss costs and increased dividends due to safety group accounting adjustments.

- The annualized quarterly average premium per policy declined from $12,663 as of December 2018 to $12,065 as of March 2019, and to $11,648 as of June 2019 primarily due to one large policy cancelling to insure elsewhere.

- Loss Payments year to date 2019 declined when compared to year to date 2018 due to receipt of 15-8 reimbursements from the WCB and third-party settlements.

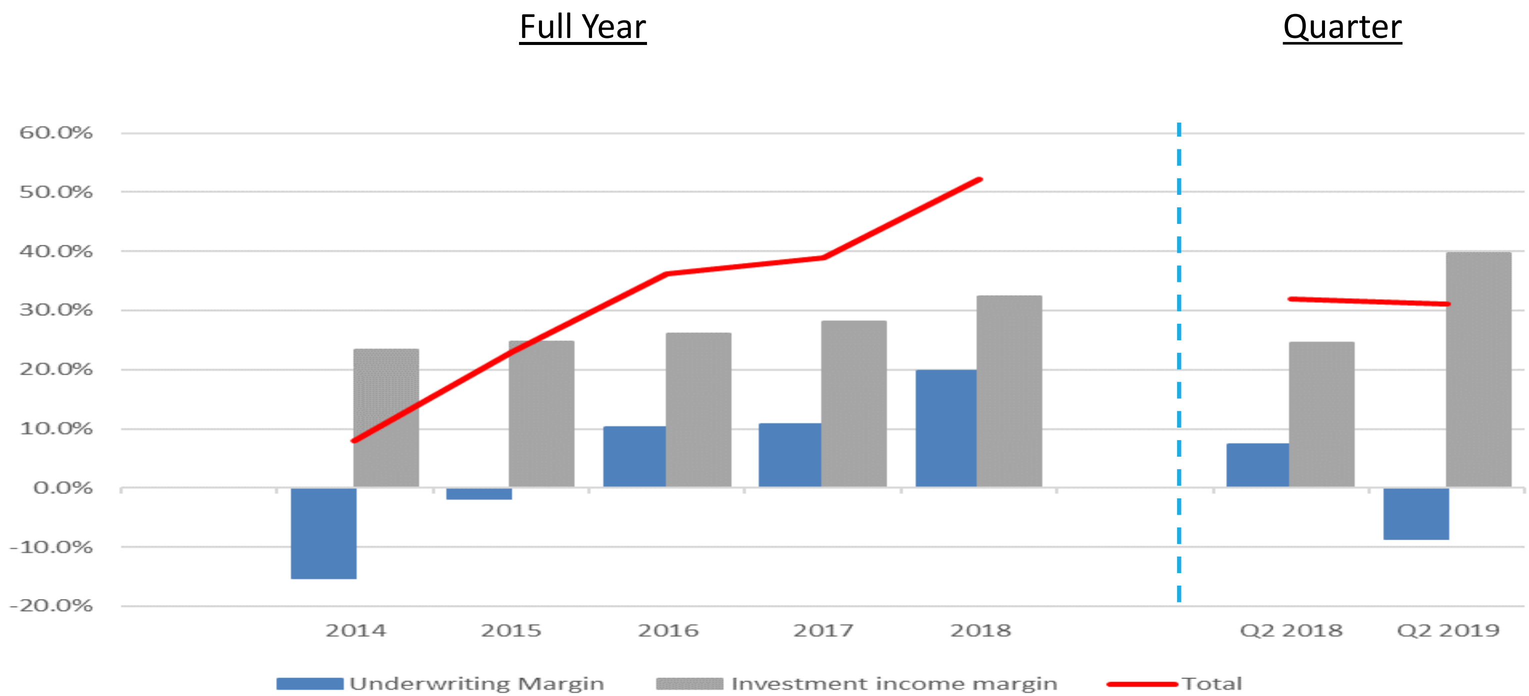
Core Operating Results – Management Basis

($ in millions) Preliminary and Unaudited

	2nd Quarter			YEAR to DATE		
	2018	2019	%/pts. Change	2018	2019	%/pts. Change
Net Earned Premium	$563	$516	-8.3%	$1,127	$1,065	-5.5%
Current Year:						
Loss and Loss Adjustment Ratio	69.4%	77.6%	8.2	68.9%	76.1%	7.3
Underwriting Expense Ratio	9.3%	8.6%	(0.7)	8.7%	8.7%	0.0
Combined Ratio	78.7%	86.3%	7.6	77.5%	84.9%	7.3
Dividend Ratio (expense)	10.8%	31.4%	20.6	12.3%	24.0%	11.7
Combined Ratio w/Dividends	89.5%	117.6%	28.2	89.9%	108.9%	19.0
Underwriting Margin (1-Combined Ratio w/Dividends)	10.5%	-17.6%	(28.2)	10.1%	-8.9%	(19.0)
Net Investment Income Ratio	22.0%	26.7%	4.7	21.9%	25.6%	3.6
Current Year Operating Margin (1)	32.5%	9.0%	(23.4)	32.1%	16.7%	(15.4)
Net Income (2)	$157	$133	-15.1%	$398	$308	-22.7%

(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.

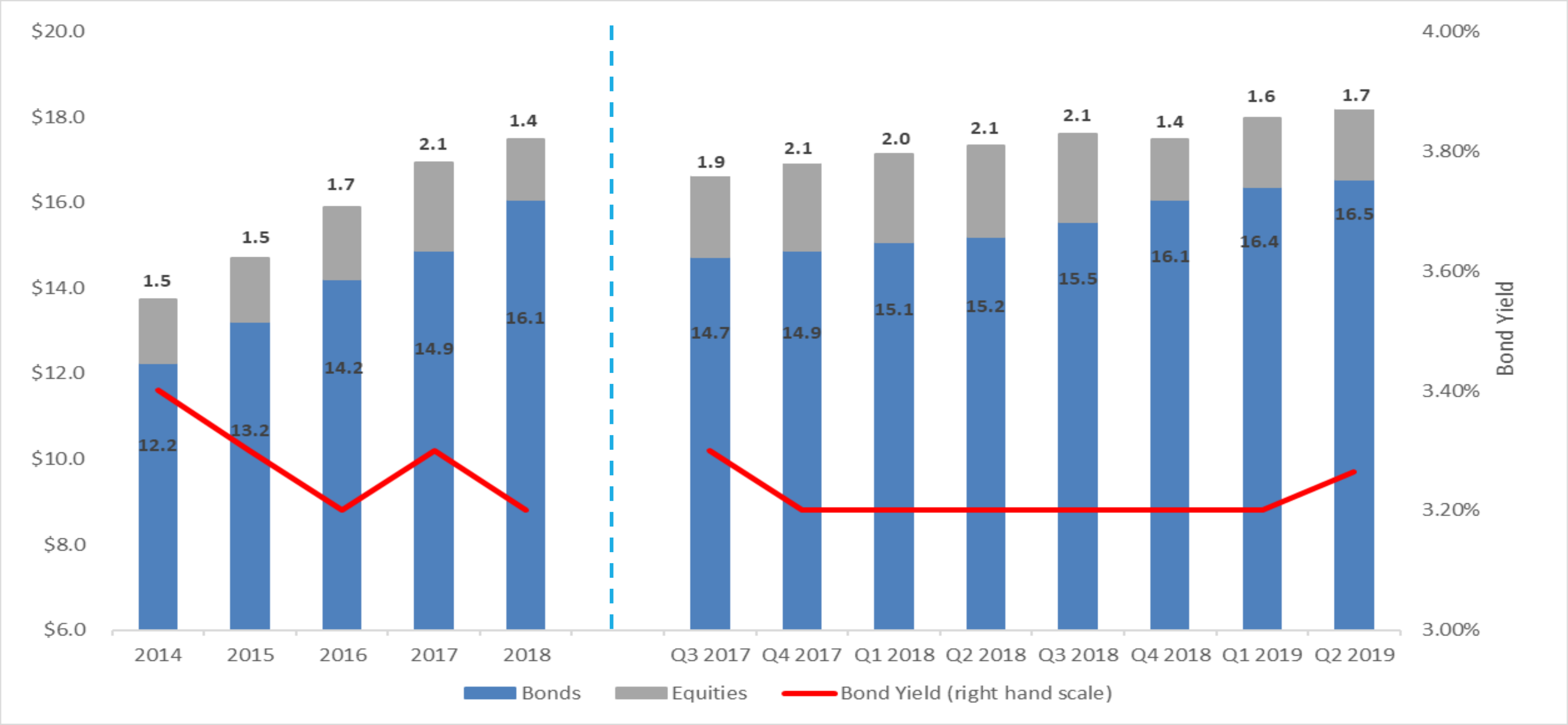
Total Operating Income Components – Statutory Basis



(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)

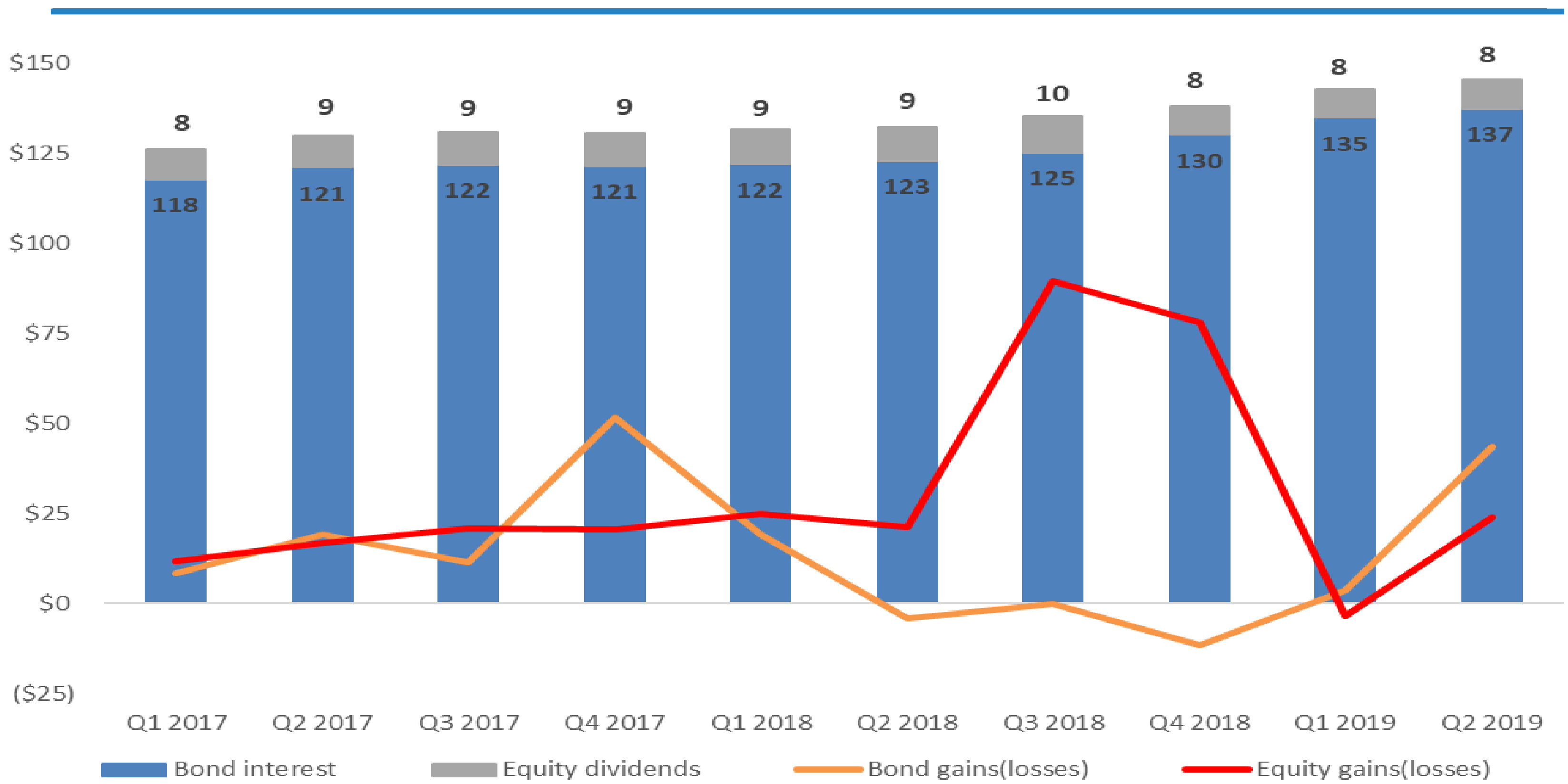
Total	$13.7	$14.7	$15.9	$17.0	$17.5	$16.6	$17.0	$17.1	$17.3	$17.6	$17.5	$18.0	$18.2



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

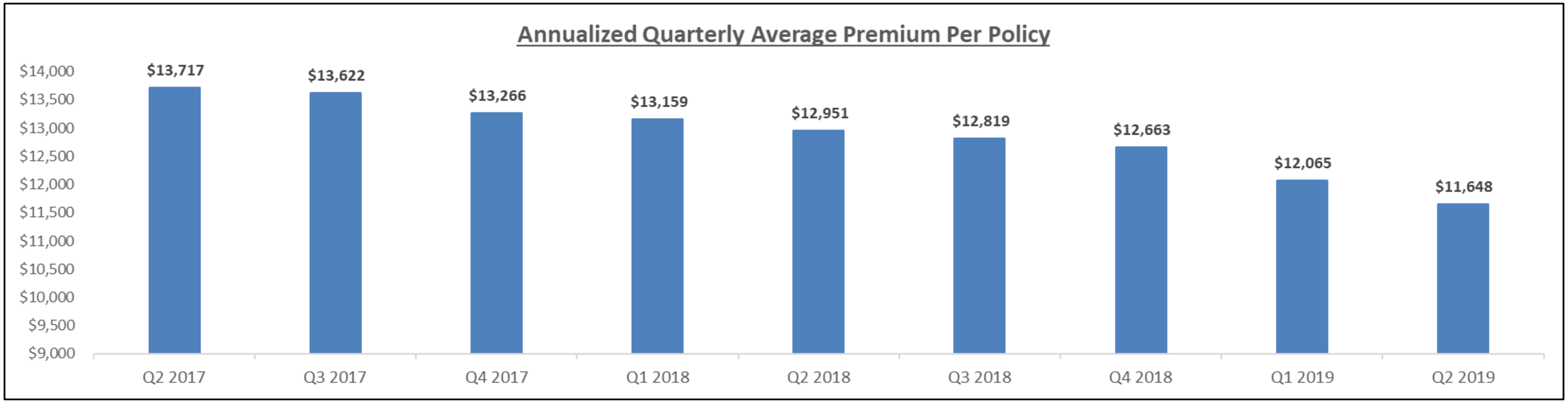
Investment Income and Realized Gain(Loss)

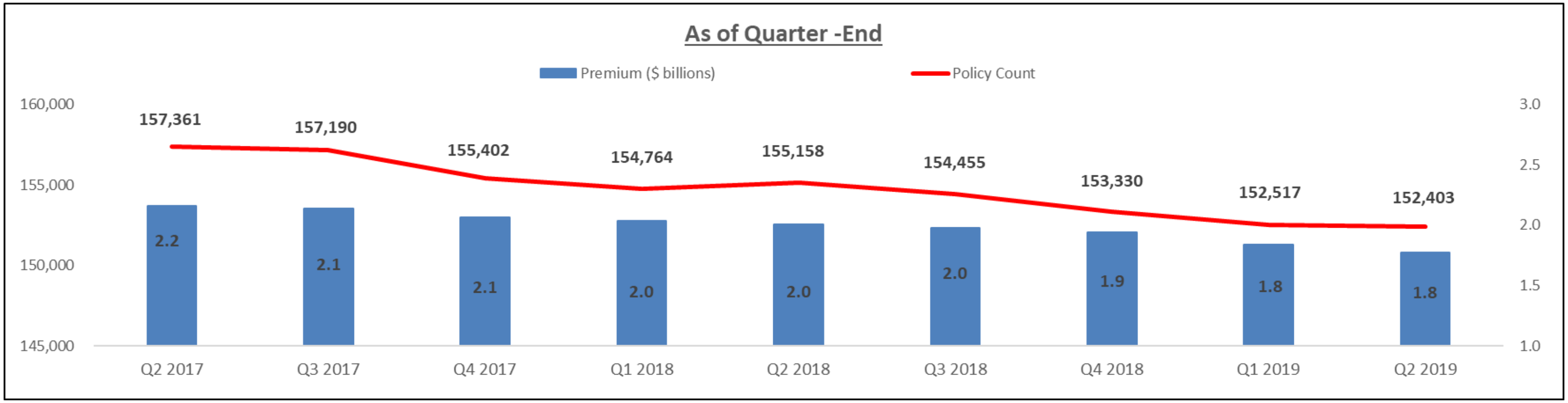
($ in millions)



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

In-force Policy count and Premium Statistics

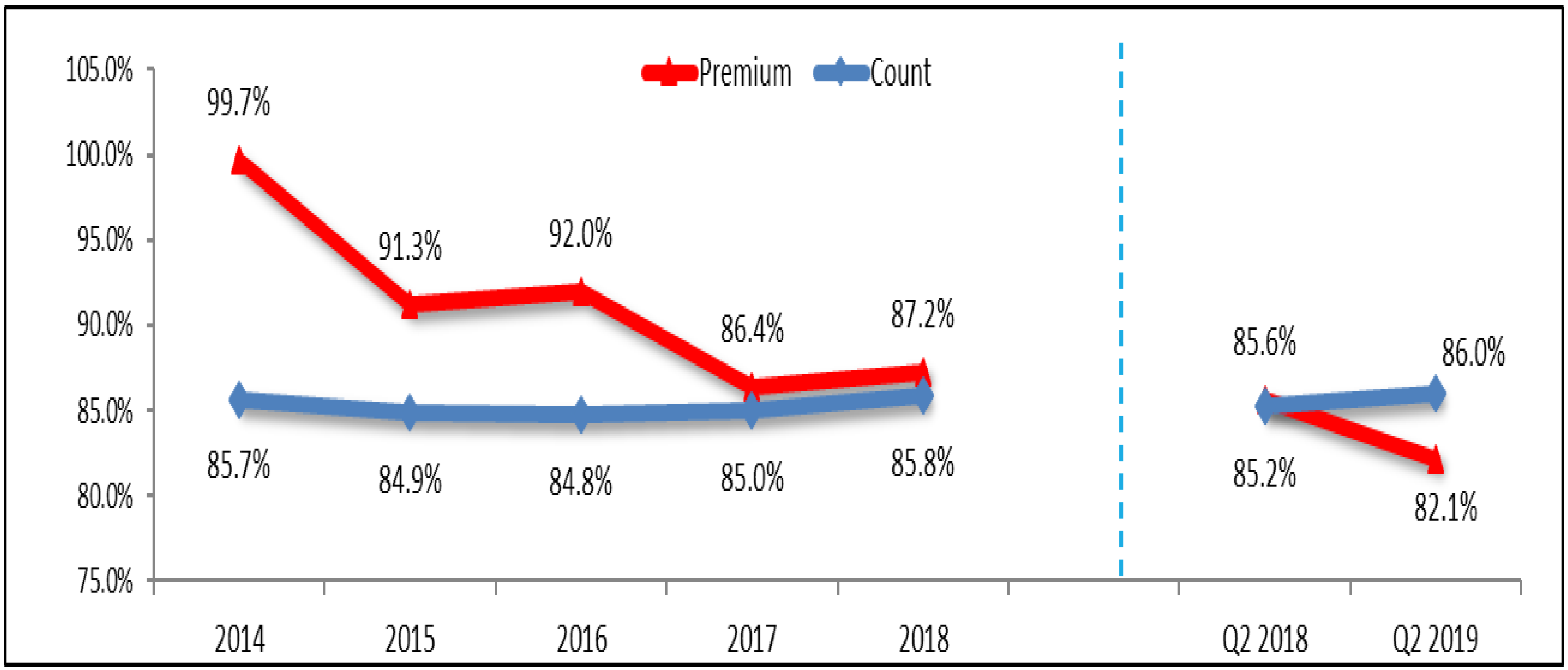




Retention Results

(Based on in-force values)

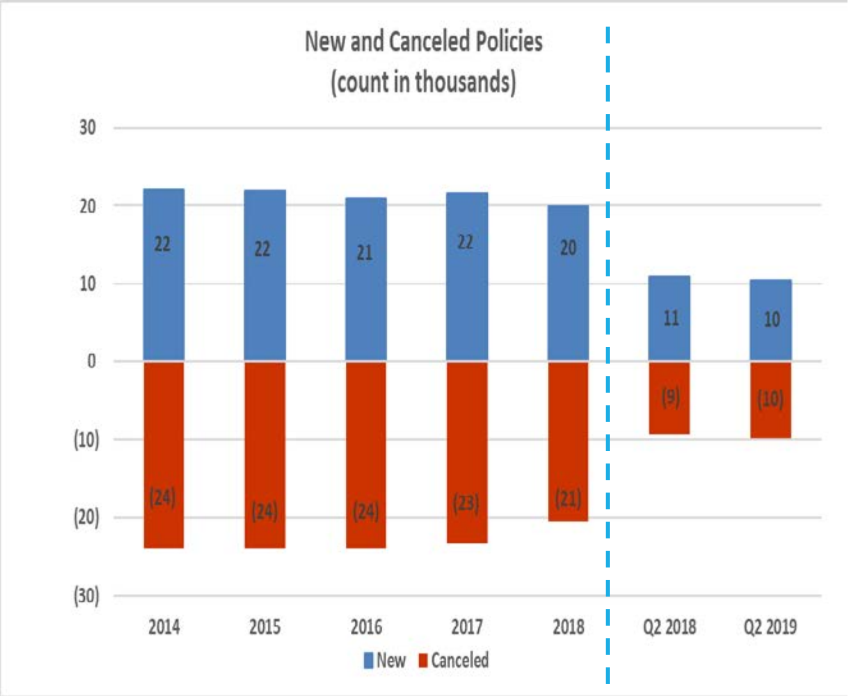
Full Year — At Quarter End

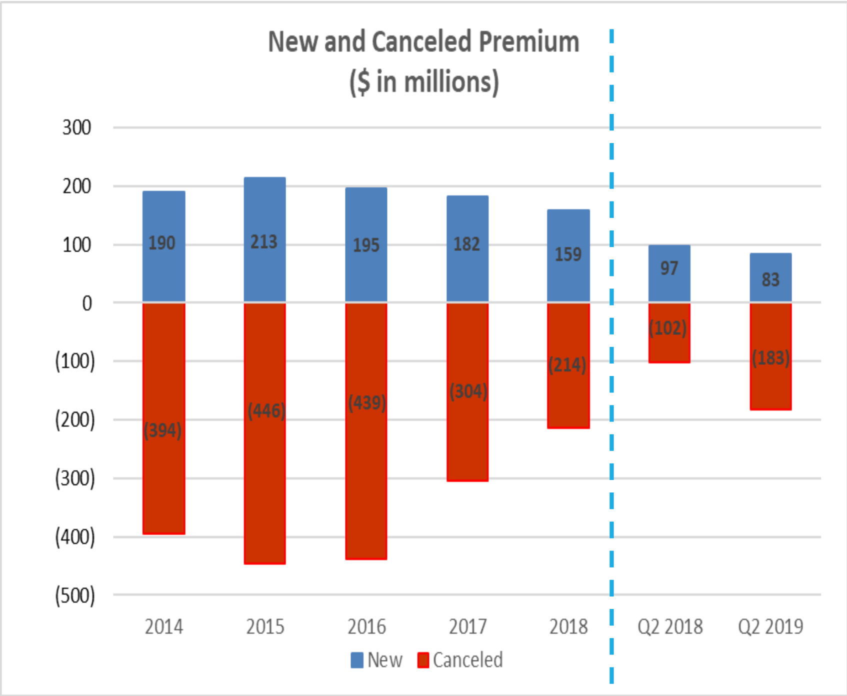


- Retention calculation: (ending quarter value less new) / prior quarter value
- Inforce values include assessment charge for comparison purposes

New and Canceled Activity

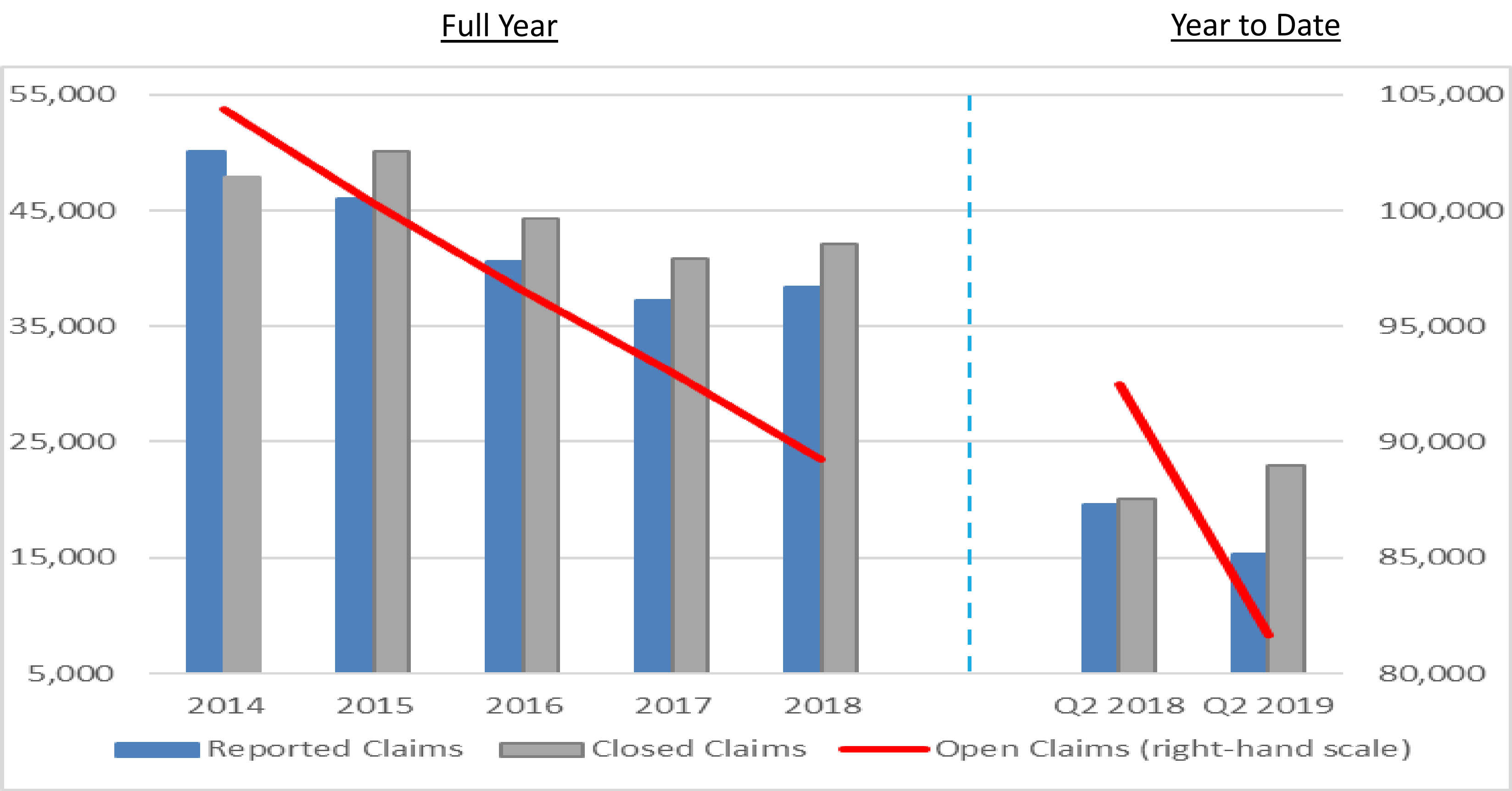
Full Year	Year to Date	Full Year	Year to Date





Net +/(-)	(2)	(2)	(3)	(1)	(1)	2	0	(204)	(233)	(244)	(122)	(55)	(5)	(100)

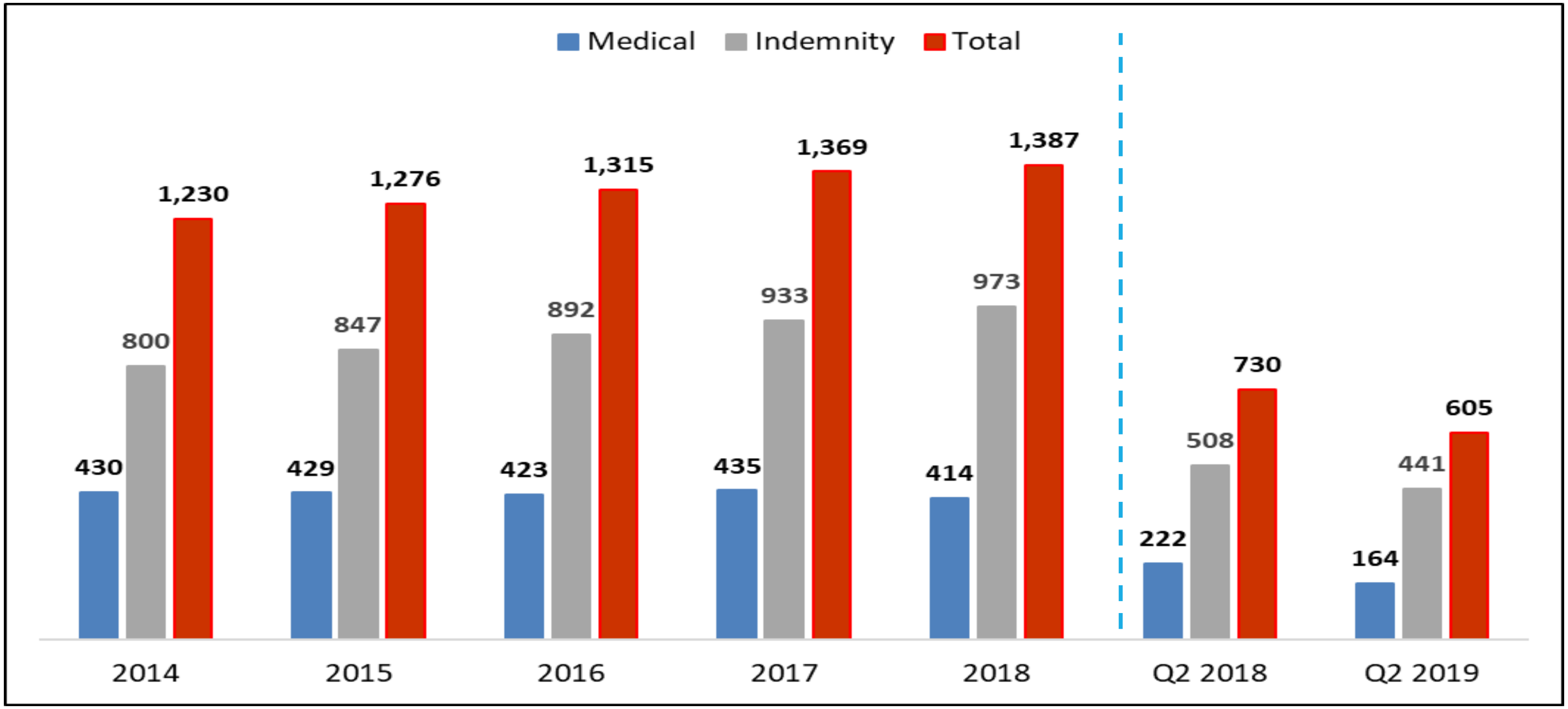
Reported, Closed and Open Claim Counts



Loss Payments (Actual Cash Payments)

($ in millions)

Full Year | Year to Date



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, July 17, 2019. A quorum was present throughout:

A motion was made that the minutes of the June 19, 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 Delgado			
Commissioner Kathuria			
Commissioner MacLeod			
Commissioner Kessler			
~~Commissioner Roberti~~			
Commissioner Mirchandani			X
Commissioner Thomas			
Commissioner Graham			X
Vice Chair Swidler			
~~Chairman Theobalds~~			

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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)

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, July 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 Delgado	________	________	___________
Commissioner Kathuria	________	________	___________
Commissioner MacLeod	________	________	___________
Commissioner Kessler	________	________	___________
~~Commissioner Roberti~~			
Commissioner Mirchandani	________	________	___________
Commissioner Thomas	________	________	___________
Commissioner Graham	________	________	___________
Vice Chair Swidler	________	________	___________
~~Chairman Theobalds~~			

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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)

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, July 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; and for a confidential legal advice discussion with the Board and its Legal Counsel.**

Commissioner__________________________provided the motion to approve

Commissioner__________________________seconded the motion

	YES	NO	ABSTAIN
Commissioner Carey	________	________	__________
Commissioner Delgado	________	________	__________
Commissioner Kathuria	________	________	__________
Commissioner MacLeod	________	________	__________
Commissioner Kessler	________	________	__________
~~Commissioner Roberti~~			
Commissioner Mirchandani	________	________	__________
Commissioner Thomas	________	________	__________
Commissioner Graham	________	________	__________
Vice Chair Swidler	________	________	__________
~~Chairman Theobalds~~			

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Michael Totaro
Assistant Secretary

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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, July 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 Delgado	________	________	__________
Commissioner Kathuria	________	________	__________
Commissioner MacLeod	________	________	__________
Commissioner Kessler	________	________	__________
~~Commissioner Roberti~~			
Commissioner Mirchandani	________	________	__________
Commissioner Thomas	________	________	__________
Commissioner Graham	________	________	__________
Vice Chair Swidler	________	________	__________
~~Chairman Theobalds~~			

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Michael Totaro
Assistant Secretary

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