Florida Automobile Joint Underwriting Association
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Eugenia Tyus – General Manager
Michael Puchades - Chairman

TO: ALL MEMBERS OF THE BOARD OF GOVERNORS

J. Watson	ALLSTATE
B. Channer	CFO Appointee
B. Fleming	CFO Appointee
L. Goldman	CFO Appointee
D. Halamuda	USAA
R. Hanson	STATE FARM
P. Hulbert	CFO Appointee
S. Johnson	FLORIDA ASSOCIATION OF INSURANCE AGENTS
D. McMahon	PROFESSIONAL INSURANCE AGENTS OF FLORIDA
S. McAnena	LIBERTY MUTUAL INSURANCE COMPANY
M. Puchades	CFO Appointee

FROM: Bernice D. Ingram, AAI, AIS, API, CPIW
Underwriting Manager

RE: Board of Governors Meeting
April 10, 2007

Attached are the Minutes of the meeting of the Board of Governors held April 10, 2007 at the Conrad, Miami, Florida.

cc: Eugenia Tyus
General Manager
FAJUA

Bill Graham
Carr Allison

Service Provider
Trumbull Services

Bill Ferguson
Thomas Howell Ferguson, PA

Christopher Young
Director, Filing Services
AIPSO

BOARD OF GOVERNORS MEETING
April 10, 2007

Board Members Present:	
John Watson, Chairman	Allstate
Barron Channer	CFO Appointee
Brian Fleming	CFO Appointee
Lauri Goldman	CFO Appointee
David Halamuda	USAA
John Hickey	Liberty Mutual
Penney Hulbert	CFO Appointee
Michael Puchades	CFO Appointee
Board Representative via phone:	
Scott Johnson	FAIA
Board Representatives not present:	
Donnie McMahon	PIA of Florida
Roger Hanson	State Farm
FAJUA Staff Present:	
Eugenia Tyus	General Manager, FAJUA
Lisa Stoutamire	Administrative Coordinator, FAJUA
Bernice Ingram	Underwriting Manager, FAJUA
Bill Graham	Carr Allison
Brian May	Barreto, Cunningham, May, Dudley, Maloy, Reyes, Guzzo, LLC
Bill Ferguson	Thomas Howell Ferguson, PA
Tom Assad	AIPSO
Keith Gentile	"
Tim Messier	"
Kevin Leeman	"
Others Present:	
Robbie Simpson	Department of Financial Services
Dan Ryan	Liberty Mutual
Claire Call	Office of Insurance Regulation
Chuck Shields	Trumbull Services
Kay Womble	" "
Jim McGee	York
Richard Lydecker	

CALL TO ORDER – John Watson, Chairman

After declaring a quorum present the Chairman, Mr. Watson, called the meeting of the Board of Governors to order on April 10, 2007 at the Conrad, Miami, Florida.

Mr. Watson welcomed those in attendance and asked everyone to introduce themselves.

PREAMBLE – Bill Graham, General Counsel

Bill Graham, General Counsel, read the Anti-Trust Preamble and Disclaimer.

We are here to discuss and act on matters relating to the business of the FAJUA and not to discuss or pursue the business interests of our individual member companies. We should proceed with caution and alertness towards the requirements and prohibitions of federal and state anti-trust laws. We should not engage in discussions - either at this meeting or in private conversations - of our individual companies' plans or contemplated activities. We should concern ourselves only with the business of the FAJUA as set forth in the agenda for this meeting. Only FAJUA market matters may be discussed at the meeting and each company's voluntary market plans cannot be discussed. In addition to anti-trust concerns, we should also be mindful of the requirements of the Government In The Sunshine Law that requires all discussions between two or more Board members be held in an open and properly noticed meeting. Board members should not otherwise discuss Association matters that may foreseeably come before the Board.

Florida Administrative Weekly

Eugenia Tyus, General Manager, announced that notice of the meeting had been published in the Florida Administrative Weekly.

Florida's Government in the Sunshine Law

The Chairman stated that the meeting would be conducted in accordance with the Government in the Sunshine Law.

APPROVAL OF MINUTES OF PRIOR BOARD MEETINGS

The Chairman stated that the minutes of the September 7, 2006 meeting of the Board of Governors had been distributed prior to this meeting and asked if there were any additions or corrections. Mr. Watson stated that there were two grammatical errors and he would advise staff after the meeting. David Halamuda moved to accept the minutes subject to the corrections. The motion was seconded and unanimously passed.

GENERAL MANAGER'S REPORT – Eugenia Tyus

Mrs. Tyus welcomed the Board members and thanked those members who have spent years making the decisions for the Association so that its business could be conducted as mandated by the Florida Statutes.

The last assessment of member companies of the FAJUA in the amount of $5.4 million was mailed on January 30, 2007. The Board had previously agreed to move from quarterly to bi-annual assessments as the cash flow leveled out. For the first time since the assessments began all member companies have remitted their assessment on time. Additionally, the FAJUA distributed $4.2 million to member companies for the close out of policy year 1995.

Invoices for membership fees of $2,500 per company will be mailed in May to all member companies. For years the membership fee has been $25 which was not adequate to pay the handling costs. The increase in the fee was filed with the Office of Insurance Regulation at the Board's request and approved. On behalf of the FAJUA AIPSO mailed a circular to the member companies in January giving them advance notice of the increase in the fee. There has been very minimal negative feedback received at the FAJUA. OIR did receive inquiries from companies that did not realize they were still licensed in Florida. The fee will provide funds for administrative costs associated with the operation of the FAJUA and possibly decrease member companies' assessments.

Statutorily the FAJUA is required to make rate filings prior to October 1 each year.
OIR approved a 17.4% increase in the other than private passenger rates to be effective April 1. The proposed increase in private passenger rates was denied based on the FAJUA's rate increases of more than 13% each year since 2001 with one year having a 47% overall increase.
The FAJUA is required by statute to provide insurance when a consumer is unable to get insurance in the voluntary market. OIR was of the opinion that if the rates are unaffordable, it is unavailable and some consumers would be uninsured.

As of April 6 the FAJUA policy count was 321 private passenger and 2348 for all other types with an in force premium of $1.63 million. It is obvious that the FAJUA is truly a residual market and receives only those risks that are unable to find insurance elsewhere. Many years ago due to low rates and payment plans the FAJUA had over 700,000 private passenger vehicles and over 100,000 commercial vehicles insured.

Recently Mr. Watson and Mrs. Tyus visited with AIPSO, the FAJUA central processor, in Rhode Island where the reported wind chill was 11 below. Working with AIPSO's staff ground work was made for AIPSO to go forward on several items that will be presented through out this meeting.

Mrs. Tyus introduced Kay Womble and Chuck Shields with Trumbull Services who handles the policy administration for the FAJUA. She also introduced Jim McGee with York who handles the claims administration. Both of these administrators have been most responsive and provided outstanding cooperation and assistance through out the transition. There have been challenges which were easily met and service is provided to assist the FAJUA to accomplish our goals. Trumbull Services has distributed a written report of their activities for the Board's review. (Exhibit I)

The fraud prosecutors funded by the FAJUA continue to fight the fight for all automobile insurers in Miami-Dade. The FAJUA has received restitution checks on a somewhat regular schedule which is most satisfying to those of us who saw millions being paid by the FAJUA for PIP fraud.

Mrs. Tyus thanked the FAJUA staff stating that they are the best you can find anywhere.
The knowledge and stability that these ladies bring to the association cannot adequately be expressed and we are very fortunate to have them as members of the FAJUA's management staff. Lisa Stoutamire, Administrative Coordinator, has been with the FAJUA for 21 years, Bernice Ingram, Underwriting Manager and Elaine Harvey, Producer Administrator have both been with the FAJUA for 18 years.

Mrs. Tyus welcomed her longtime friends, Robbie Simpson, DFS, Claire Call, OIR and Lauri Goldman, Office of Consumer Advocate, who joins the FAJUA Board as a member.

She welcomed all the new board members stating that the FAJUA is looking forward to working with them as they lead the FAJUA.

She thanked the members who had recently left the Board for their dedication, service and knowledge that they freely gave to the FAJUA. Mr. Eli Feinberg, who had served as Chairman of the Board for several terms and had been a Board member of many years is recovering from recent surgery and your thoughts and prayers are requested.

GENERAL COUNSEL'S REPORT - Bill Graham, Carr Allison

Mr. Graham reported that the defense work associated with the claims York handles continues to decrease as does the in force policy count. The active litigation log reported by York for the Month of March, 2007 showed 55 open cases.

In the FAJUA vs. Fung the case continues to move very slowly. The dispute centers around the settlement of a proposed class action brought against the FAJUA. The parties agreed to settle and part of the settlement included an agreed upon provision for attorney fees. When the court approval was sought, the trial judge ruled that the fees were too high. The FAJUA has taken the position since then that it was required to follow the trial judge's ruling while the Plaintiff attorney has taken the position that the parties reached an agreement. The case has been appealed to the DCA. In addition, there is a separate action against the FAJUA for breach of the settlement "contract". That case is not being actively pursued by counsel.

The Baez vs. FAJUA case concerns an action brought against the FAJUA, a former producer and Allstate, the producer's contracted company. It is alleged that the producer failed to submit a request to add a vehicle and a youthful driver to an FAJUA policy prior to the end of the policy term and a loss occurred after the renewal of the policy. The FAJUA has denied all responsibility for the action against the Producer and Allstate.

FAJUA VS Milliman and Met West: This case was brought by the FAJUA against its former financial advisors and money managers. It is alleged, in part that the defendants failed to comply with the FAJUA's investment policy and bought investments that were not in compliance with the policy causing significant damages. The defendants have denied all allegations and the case is in the discovery phase at this time.

Mr. Graham updated the Board on the status of the Bankers Insurance Company issue regarding their request for a letter confirming the prior decision of the Board wherein the Board had made it clear that it had not made any finding that Bankers had acted with "gross or willful misconduct" in its handling of a claim while acting as a servicing carrier for the FAJUA.
In return, Bankers will provide the FAJUA a full and complete release of any and all future demands in the pursuit of reimbursement.

FINANCE COMMITTEE - Kevin Leeman, AIPSO, Chairman

Mr. Leeman advised the Board that AIPSO and the Finance Committee has researched alternative investment accounts for the FAJUA and found none available that would provide the rate of return currently being paid by SPIA.

The Finance Committee is updating their charter and developing a check list of responsibilities for the Committee. The product should be finalized for presentation to the Board at its next meeting.

The Audited Financial Statement was an unqualified opinion which is a good thing, stated Mr. Leeman.

The Finance Committee projects that FAJUA has enough cash to cover operating expenses thru the end of 2007 without an additional assessment during the year. The collection of the $2500 membership fee will begin in July and should adequately cover the operating expenses. AIPSO will continue to monitor the FAJUA cash flow on a quarterly basis in case there are any significant changes.

There were no items from the Finance Committee to be referred to the Board for action.

AUDITED FINANCIAL STATEMENT - Bill Ferguson, Thomas Howell Ferguson

Mr. Ferguson reviewed the Audited Financial Statement with the Board as he had done with the Finance Committee at their meeting on the previous day.

Admitted assets are $4.7 million and the deficit is $19 million which could be corrected by making an assessment. The actuarial statement was provided by Preferred Insurance Capital Consultants and also contains an unqualified opinion. A copy of the statement was distributed with the agenda.

Mr. Watson stated that the audit report, if reviewed in the future, would be more understandable if it noted that the change in methodology was based on ULAE. Mr. Ferguson stated that the change in method was a reclass on the cash flow statement and to make the audit reflect the request of the Board he would reissue the document.

A revised audit will be distributed to the Board at a later date.

Mr. Halamuda moved to approve the Financial Statement contingent on the addition of the note. The motion was seconded by Mr. Ryan and unanimously passed by the Board.

AIG COMPLIANCE AUDIT 2006 – John Watson, Chairman

Mr. Watson reviewed the compliance audit performed by AIPSO on the FAJUA former servicing carrier AIG stating that there did not appear to be any thing worthy of note. There were a few exceptions noted and those have been resolved to the satisfaction of the Association.

Mr. Leeman stated that AIPSO recommends not writing off the funds identified in the Unapplied Cash section but to escheat the funds.

Mr. Watson asked the Board to approve the recommendation by AIPSO to escheat the funds. The motion passed unanimously.

(Copies of the Compliance Audit had been provided to the Board and interested parties prior to the meeting.)

RATE MAKING CRITERIA - Tim Messier, Actuary, AIPSO

The current volume for commercial and private passenger premium is too low to use the normal rate making indications. Due to the drop in volume the experience can not be used for future rates of the FAJUA. The Florida Statutes requires the FAJUA to make an annual rate filing based on experience.

AIPSO and the FAJUA entered into discussions with OIR last year regarding a change in the rate making methodology. We proposed a combination of two methodologies, experience base rate indications and market comparison. As the history and volume decline the rates will shift more and more to the market comparison method.

It is anticipated that the rate filing in September will reflect a decrease in rates. With the sunset of PIP a probability in October, AIPSO will be working closely with OIR to formulate new rates.

Mr. Watson asked the Board to approve AIPSO's recommendation and add the General Manager and Board Chairman to the committee to work with AIPSO and OIR. The Board unanimously approved the proposal.

VOLUNTARY MARKET PREMIUM CREDITS - Keith Gentile, AIPSO
(Exhibit II)

Keith Gentile presented a proposal from AIPSO wherein it would be more consistent to determine the voluntary premium credits.

Member companies are assessed according to their market share and can receive credits based on their writing of certain types of risks. A company's FAJUA assessment may be reduced based on their written premium for defined risks.

The FAJUA offers credits to member companies based on their writings of Senior Citizens, Youthful Male Operators and SR22 credits.

The written premium associated with the Senior Citizen and Youthful Operator are the only areas that a member company will utilize to obtain the Take-Out Credits.

Mr. Graham advised the Board that the proposal includes a change in the Plan of Operation and it would take a vote of the membership to approve it. Mr. Assad recommended that the Board approve the proposed change to the Accounting and Statistical Manual at this time so that it can be revised and distributed and approve the Plan of Operation changes so that they can be presented at the next Annual Meeting of the Member Companies.

Mr. Watson asked the Board to approve the proposal presented by AIPSO. The proposal was unanimously approved by the Board.

SERVICE PROVIDER FEES – ALLOCATION OF ADJUSTMENT TO MINIMUM FEES–
Tom Assad, AIPSO
(Exhibit III)

The purpose of the proposal is to establish an allocation method for the adjustment to minimum for service provider fees when a minimum fee is in effect.

The impact would be:

- The service provider receives a minimum fee when the calculated fee based on written premium does not provide at least the minimum fee.

- The adjustment amount needed to raise the calculated service provider operating and service fee to the minimum is shared 50/50 by the private passenger and other than private passenger pools.

- Currently, the service provider claim service fee is not subject to a minimum fee and is, therefore, not impacted by the allocation method. However, if a minimum claim service fee was adopted in the future, the adjustment to minimum fee would be subject to the 50/50 allocation method.

- Through an amendment to the FAJUA Accounting and Statistical Requirements Manual, the method of allocation of the adjustment to minimum fee is clarified.

After a lengthy discussion by the Board Mr. Watson asked the Board to approve the changes recommended by AIPSO. The proposal was unanimously approved.

LEGISLATIVE UPDATE (Exhibit IV)

A written update of the current legislative activity had been prepared by Barreto, Cunningham, May, Dudley, Maloy, Reyes, Guzzo, LLC and was distributed to the Board.

Mr. Watson stated that the FAJUA Board has a reputation of not accepting recommendations at face value without full review and disclosure. The Board acts on items that are the best interest of the FAJUA and not the interest of other companies.

ELECTION OF CHAIRMAN AND VICE CHAIRMAN

Mr. Watson called for nominations for the positions of Chairman and Vice Chairman. The new officers will begin their two year term at the close of today's business meeting.

Nominations were: Michael Puchades, Chairman and Lauri Goldman, Vice Chairman. Since there were no additional nominations the slate was unanimously accepted.

ADJOURNMENT

Mr. Watson adjourned the meeting at 10:45 AM.

Bernice D Ingram
Secretary to the Board

trumbull
Think about it!

FAJUA Current Status 04/09/2007

Major Accomplishments

- Website launched in January as planned
- Catastrophe Fund Assessment calculation– COMPLETED
- Report for L. Stoutamire –COMPLETED
- On-line access to Manage-It for audit purposes – COMPLETED
- Rates for non-emergency transporters effective 4/1 – COMPLETED

Reports, Claims and Stats

- ISO reporting for 4Q06 – IN PROGRESS; deadline is 4/15

On Line Access & Service

- Zoomerang survey to assess producer satisfaction (12.4%response rate)

Question & # of Responses	Excellent/Very Good	Good/Easy to Use	Needs Improvement	N/A
Overall Service (11)	8			3
Courteous & Helpful	9			
Fast, effective response time	6			2
Info Timely & Accurate	3	6	1	
Website navigation		7	1	
Compared to other websites	1	7	1	2
Overall Website Experience	4	4	1	1
Like Most	Friendly	Helpful	Good attitude	Pleasant
Like Least	Nothing	Too Much Paperwork	Require written Apps to get Certificates	
Change Suggestions				
For Trumbull	Separate Icon for Quotes Only	Prompt for increased limits	Screen too wide	
For FAJUA	Not used - have been able to place in special risk markets	Ability to get state and federal certificates upon submission	Rate & understand Und Requirement is difficult	Policy print capabilities at agent's office
	Drivers license & VIN # should not be required for quote			

Upcoming

- Setting up process for renewal workflow
- Ongoing training sessions with Service Center – expected output to be underwriting checklists by risk type

EXHIBIT I

ENHANCEMENTS TO CREDIT PROGRAMS

Defining the Issue

To ensure more consistent determination of voluntary premium credits, such as youthful male operator, senior citizen, and SR-22 credits by companies, FAJUA eligibility requirements for vehicles and operators must be clarified.

Action Needed

Please review this proposal and, if appropriate, approve the amendment provided.

Proposal

We propose the following revisions and enhancements to the FAJUA's voluntary premium credit programs and voluntary take-out credit program:

- Provisions applicable to voluntary premium credit programs and take-out credit programs are shown in separate subsections. Voluntary premium credit programs are segmented into those programs applicable to calendar year 2005 and prior years' premium credits and those applicable to 2006 and subsequent premium credits.
- The existing Class 2, Class 6 Senior Citizen, and Financial Responsibility Filing Certificate (SR-22) Credit programs are retained in their entirety. Clarification is introduced, however, that they are applicable to calendar year 2005 and prior years' voluntary premium credits.
- The current Class 2 credit program and Class 6 senior citizen credit programs are re-named as the Youthful Male Operator Credit Program and Senior Citizen Operator Credit Program, respectively. Clarification is introduced pertaining to which vehicles and operators are eligible for Youthful Male Operator Credit, Senior Citizen Operator Credit, and Financial Responsibility Certificate (SR-22). This will ensure more consistent determination of credits in the future by member companies. The enhanced voluntary premium credit programs are applicable to calendar year 2006 and subsequent voluntary premium credits used to adjust member companies' proportionate shares of FAJUA private passenger liability experience.
- The existing Take-Out Credit Program is retained and reformatted for clarity.

A. Youthful Male Operator Credit

The title of the current Class 2 Credit Program has been changed to Youthful Male Operator Credit. At the time of inception of the Class 2 Credit Program, the term "class 2" was adopted because it was consistent with the rating classification plans used by companies writing in the voluntary market. However, today the term "class 2" appears to be obsolete since rating classification plans used by companies may vary from company to company.

The definition of a private passenger automobile eligible for credit continues to mean a private passenger automobile owned by an individual, jointly by relatives resident in the same household, or jointly by resident individuals. In order to receive credit, the eligible vehicle must be rated as youthful male under age 25. The youthful male operator must be the principal or secondary operator of the vehicle. This is consistent with Class 2 credit procedures in place today.

Credit will continue to be given for the total voluntary liability premium associated with the vehicle rated as youthful male operator under age 25. The Youthful Operator Credit includes voluntary premiums for bodily injury and property damage liability coverage, personal injury protection, medical payments, uninsured motorist coverage, and underinsured motorist coverage.

In the past, companies writing an indivisible premium type of private passenger automobile policy received Class 2 Credit for the total policy premium which may have included premiums for vehicles not eligible for credit. There are no known companies currently writing indivisible premium type private passenger automobile policies. Therefore, for consistency in determining Youthful Male Operator credits, this provision has been deleted.

B. Senior Citizen Operator Credit Program

Under the enhanced Senior Citizen Operator Credit, voluntary premium credit is given to any member company writing a private passenger automobile rated with a senior citizen age 65 or older as the principal operator. For the purposes of this credit program, the term "private passenger automobile" means a private passenger automobile owned by an individual, or jointly by relatives resident in the same household, or jointly by resident individuals. In order to receive the credit, the eligible vehicle must be rated with an operator age 65 or older as the principal operator.

Credit will be given for the total liability premium associated with the vehicle rated with the senior citizen age 65 or older as principal operator. The credit includes voluntary premiums for bodily injury liability and property damage liability coverages, personal injury protection, medical payments coverage, uninsured motorist coverage, and underinsured motorist coverage.

In the past, companies writing an indivisible premium type of private passenger automobile policy received Senior Citizen Credit for the total policy premium which may have included premiums for vehicles not eligible for credit. There are no known companies currently writing indivisible premium type private passenger policies. For consistency in determining Senior Citizen Operator Credit, this provision is deleted from the enhanced credit program.

C. Financial Responsibility Filing Certificate (SR-22) Credit Program

Under the enhanced Financial Responsibility Filing Certificate (SR-22) Credit Program, voluntary premium credit may be available to any member company writing a private passenger automobile rated with a named insured or spouse who requests an SR-22. The private passenger automobile must be owned by an individual, or jointly by relatives resident in the same household, or jointly by resident individuals. In order to receive the credit, the eligible vehicle must be rated with the named insured or spouse as the principal operator.

However, if the member company has already requested youthful male operator credit or a senior citizen operator credit for the private passenger automobile, the SR-22 credit is not allowed.

Credit will be given for the total liability premium associated with the vehicle rated with the named insured or spouse requesting the SR-22 as the principal operator. The credit includes voluntary premiums for bodily injury liability and property damage liability coverages, personal injury protection, medical payments coverage, uninsured motorist coverage, and underinsured motorist coverage.

In the past, companies writing an indivisible premium type of private passenger automobile policy received SR-22 credits for the total policy premium which may have included premiums for vehicles not eligible for credit. There are no known companies currently writing indivisible premium type private passenger policies. For consistency in determining this credit, this provision is deleted from the enhanced credit program.

D. Voluntary Take-Out Program

The current take-out credit program provisions have been consolidated and reformatted for clarity. Member companies and servicing carriers will continue to receive take-out credit for FAJUA individually registered private passenger nonfleet automobiles for which they write an automobile insurance policy in the voluntary market.

Impact

Adoption of this proposal has the following impact:

- The enhanced Youthful Male Operator Credit Program is available for companies who write personal auto policies in the voluntary market for private passenger automobiles rated with a male under 25 years of age as the principal operator.
- An enhanced Senior Citizen Operator Credit Program is available for companies who write private passenger automobiles in the voluntary market that are rated with senior citizen operators age 65 or older as the principal operator.
- The method for determination of Youthful Male Operator, Senior Citizen Operator, and Financial Responsibility Filing Certificate (SR-22) credits is clarified for member companies who write personal automobile policies in the voluntary market.
- Vehicles and operators eligible for the Youthful Male Operator, Senior Citizen Operator, and Financial Responsibility Filing Certificate (SR-22) voluntary premium credits are clarified to ensure that the basis for credit is consistent for all member companies.

- Under the enhanced Financial Responsibility Filing Certificate Credit, credit is not available if the member company has requested Youthful Male Operator or Senior Citizen Operator credit for the same operator and vehicle combination.

- Each member company's proportionate share of FAJUA private passenger experience will continue to be adjusted for Youthful Male Operator, Senior Citizen Operator, Financial Responsibility Filing Certificate (SR-22), and Voluntary Take-Out Credits.

- Provisions applicable to the current Class 2, Class 6 Senior Citizen, and SR-22 credit programs are retained because they apply to calendar year 2005 and prior years' voluntary premium credits.

Background

At the request of statistical agents, the Residual Market Committee Quota Task Force reviewed the procedures for calculation of Class 2 and Class 6 senior citizen credits in two states where such credit programs are in effect. During their review of voluntary premium credit data for these programs, statistical agents noted that procedures for determination of these credits do not clearly state how the credit is to be determined.

Statistical agents expressed concern that the methodology for calculation of the credits may vary depending on whether the company follows its rating classification plan or uses the total liability policy premium. In instances where the total liability policy premium is used, the amount of credit may differ from the amount that would have been received had the rating classification plan been used as the basis for credit.

To provide a more consistent approach for the determination of Class 2 and Class 6 senior citizen credits, the Quota Task Force developed enhanced credit programs.

Proposed Changes

Plan of Operation
I – Operating Principles – General
Sec. 3 – Depopulation Incentives

The depopulation incentives section has been reformatted into two subsections – Voluntary Premium Credit Programs and Voluntary Take-Out Credit Program. The Voluntary premium credit programs are segmented into those programs applicable to calendar year 2005 and prior years' premium credits and those applicable to 2006 and subsequent premium credits.

In Section 3.A.1, the list of coverages eligible for Class 2, Class 6 Senior Citizen and SR-22 Credit is amended to include underinsured motorist coverage, for which member companies currently receive credit. The existing voluntary premium credit programs are applicable to calendar year 2005 and prior years' voluntary premium credits.

In Section 3.A.2.a – Youthful Male Operator Credit, the former Class 2 credit program is re-named Youthful Male Operator Credit. The credit procedure is amended to clarify which vehicles and operators are eligible for credit to ensure consistent determination of the credit by member companies. The Youthful Male Operator Credit is applicable to calendar year 2006 and subsequent voluntary premium credits.

In Section 3.A.2.b – Senior Citizen Operator Credit, the former Class 6 Senior Citizen Credit provision is re-named Senior Citizen Operator Credit. Under the enhanced credit program, each member company writing private passenger automobiles in the voluntary market that are rated with a senior citizen age 65 or older as the principal operator will receive credit. The Senior Citizen Operator Credit provision is applicable to calendar year 2006 and subsequent voluntary premium credits.

In Section 3.A.2.c, the former Financial Responsibility Filing Certificate (SR-22) Credit program is enhanced to clarify which vehicles and operators are eligible for credit to ensure consistent determination of the credit by member companies. The enhanced SR-22 credit program is applicable to calendar year 2006 and subsequent voluntary premium credits.

Accounting and Statistical Requirements Manual
Chapter 11

All references to Class 2, Class 6 and SR-22 credits in Chapter 11, subparts A and B have been updated to include the Youthful Male Operator, Senior Citizen Operator, and Financial Responsibility Filing Certificate (SR-22) credit programs.

Attachments

Exhibit A—Amendment to Plan of Operation, I – Operating Principles – General – Section 3

Exhibit B – Amendment to Accounting and Statistical Requirements Manual – Chapter 11

ACCOUNTING AND STATISTICAL REQUIREMENTS MANUAL

Chapter 11

BASIS OF FLORIDA JOINT UNDERWRITING ASSOCIATION EXPERIENCE DISTRIBUTION TO PARTICIPATING MEMBERS

A. **Voluntary Experience Used in Participation Ratio Determination**

The third paragraph is amended as follows:

In addition, ratios are subject to adjustments for premiums written for approved classes, such as Class 2<u>/Youthful Male Operator, Class 6 Senior Citizen/ Senior Citizen Operator, and Financial Responsibility Filing Certificate (SR-22). Adjustments are also made for Take-Out Credits.</u> This procedure is further detailed later in this chapter as well as the Plan of Operations.

The remainder of A is unchanged.

B. **Participation Ratio Calculation**

2. Formula for Participation Ratio Calculation

2.b is amended as follows:

b. Calculating the Size of Involuntary Market

Next, the size of the involuntary market is determined. This amount includes the total FAJUA premium as well as any approved credit programs. Currently, only private passenger nonfleet liability (excluding PIP and property damage) and PPNF PIP and property damage are affected by credit programs.

i Premiums available for credits

There are four types of voluntary premiums which are eligible for credit towards a company's PPNF Liability (excluding PIP and PD) and PPNF PIP and PD participation ratios (credits are not applicable to PPNF physical damage or OTPP participation ratios):

- Class 2 / Youthful Male Operator premiums
- Class 6 ~~premiums (~~Senior Citizens~~)~~<u>/ Senior Citizen Operator premiums</u>
- ~~SR22~~ <u>Financial Responsibility Certificate Filing (SR22)</u> premiums
- <u>Take-Out Credits</u> ~~Premiums~~ for vehicles previously in the FAJUA ~~(Take-Out)~~

Each company will receive one dollar of credit toward its private passenger non-fleet liability (excluding PIP and property damage) and PPNF PIP and property damage participation ratios for every dollar of

Class 2/Youthful Male Operator, Class 6 Senior Citizen/Senior Citizen Operator, and Financial Responsibility Filing Certificate (SR-22) premiums written as specified in Section 3,~~-Subsections A, B and C~~ subsection A of the Operating Principles - General

Each company will receive two dollars of credit toward its private passenger non-fleet liability (excluding PIP and property damage) and PPNF PIP and property damage participation ratios for every dollar of premiums written for vehicles taken out of the FAJUA as specified in Section 3, ~~Subsection D~~ subsection B of the Operating Principles – General.

The remainder of i is unchanged. ii is amended as follows:

ii Formula for Calculating the Involuntary Market Size

Given these variables:

d = Total Class 2/Youthful Male Operator premium for all companies

e = Total Class 6 Senior Citizen/ Senior Citizen Operator premium for all companies

f = Total Financial Responsibility Filing Certificate (SR22) premium for all companies

g = Total Take-Out Credit premium for all companies

h = Total FAJUA premium for all companies

i = Total involuntary market

The remainder of ii is unchanged. 2.c is unchanged. 2.d is amended as follows:

d. Calculating a Company's Share of JUA Experience

In order to determine the JUA experience share of any company, the total credit premiums for that company are subtracted from its share of the involuntary market. Accordingly, assuming:

k = Class 2/Youthful Male Operator premium for any specific company

l = Class 6 Senior Citizen/Senior Citizen Operator premium for any specific company

m = Financial Responsibility Filing Certificate (SR22) premium for any specific company

n = Take-Out Credit premium for any specific company

o = JUA experience share of any specific company

$$j - [k + l + m + 2n] = o$$

The remainder of Chapter 11 is unchanged.

PLAN OF OPERATION

I - OPERATING PRINCIPLES - GENERAL

Sec. 3. DEPOPULATION INCENTIVES

A. **Voluntary Premium Credit Programs**

Adjustments to private passenger nonfleet liability experience which in the aggregate exceed 100% of the overall allocation of FAJUA expenses plus losses or minus profits shall not be adjusted beyond unity.

1. Credit Programs Applicable to Calendar Year 2005 and Prior Years' Voluntary Premium Credits

a. Class 2 Credit Program

Each member company's proportionate share ~~as~~ computed under Section 2 for private passenger nonfleet liability experience shall be adjusted for Class 2 private passenger automobile premiums, as defined below, written voluntarily.

A "Class 2" private passenger automobile insured is any private passenger automobile owned by an individual, or jointly by relatives resident in the same household, where an owner is a male operator under 25 years of age or where there are one or more male operators under 25 years of age resident in the same household as the applicant, or a male operator under 25 years of age who customarily operates the automobile.

b. Class 6 Senior Citizen Credit

~~B.~~ Each member company's proportionate share ~~as~~ computed under Section 2 for private passenger nonfleet liability experience shall be adjusted for private passenger nonfleet risk premiums when there is any operator of the automobile age 65 or over resident in the household, written voluntarily.

c. Financial Responsibility Filing Certificate (SR-22) Credit

~~C.~~ Each member company's proportionate share ~~as~~ computed under Section 2 for private passenger nonfleet liability experience shall be adjusted for private passenger nonfleet risk premiums written voluntarily when the named insured or spouse has requested a Financial Responsibility Filing Certificate (SR-22) to be filed with a state agency.

The adjustments for Class 2, Class 6, and SR-22 credits will be given in the amount of the total premiums for automobile bodily injury liability, property damage liability, personal injury protection, medical payments, uninsured motorist, and underinsured motorist coverages. For risks which are written under an indivisible premium type of private passenger automobile policy, adjustments shall be given in the amount of the total policy premium, except that premium for basic and broad form property protection and for physical damage coverage afforded under such a policy shall not be included.

2. Credit Programs Applicable to Calendar Year 2006 and Subsequent Years' Voluntary Premium Credits

a. Youthful Male Operator Credit

Each member company's proportionate share of private passenger experience computed under Section 2 shall be adjusted for youthful male operator premiums for private passenger automobiles rated as youthful male operator under 25 years of age, insured voluntarily in the state.

(1) Eligibility

Credit shall be given for each private passenger automobile rated as youthful male operator under 25 years of age where the youthful male operator is the principal or secondary operator.

For the purposes of this credit program, the term "private passenger automobile" means any private passenger automobile owned by an individual, or jointly by relatives resident in the same household, or jointly by resident individuals.

(2) Credit

The amount of the credit shall be the total automobile bodily injury and property damage liability premium developed for the vehicle, including premiums for personal injury protection, medical payments coverage, uninsured motorist coverage, and underinsured motorist coverage. Premiums for death and disability coverage and physical damage coverage are excluded. The credit cannot exceed the total liability premium for the vehicle rated with the youthful male operator. Only one youthful male operator credit per vehicle is allowed.

b. Senior Citizen Operator Credit

Each member company's proportionate share of private passenger experience computed under Section 2 shall be adjusted for senior citizen operator premiums for private passenger automobiles rated with a senior citizen age 65 or older insured as principal operator written voluntarily in the state.

(1) Eligibility

Credit shall be given for each private passenger automobile rated with an individual age 65 or older as the principal operator.

For the purposes of this credit program, the term "private passenger automobile" means any private passenger automobile owned by an individual, or jointly by relatives resident in the same household, or jointly by resident individuals.

(2) Credit

The amount of the credit shall be the total automobile bodily injury and property damage liability premium developed for the vehicle, including premiums for personal injury protection, medical payments, uninsured motorist coverage, and underinsured motorist coverage. Premiums for death and disability and physical damage coverage are excluded. The credit cannot exceed the total liability premium for the vehicle rated with a principal operator age 65 or older. Only one senior citizen operator credit per vehicle is allowed.

c. Financial Responsibility Filing Certificate (SR-22) Credit

Each member company's proportionate share of private passenger experience, computed under Section 2, shall be adjusted for SR-22 credit premiums for private passenger automobiles rated with a named insured and/or spouse who has requested a Financial Responsibility Certificate (SR-22) as the principal operator written voluntarily in the state.

(1) Eligibility

Credit shall be given for each private passenger automobile rated with a named insured and/or spouse as the principal operator.

Note: If youthful male operator credit and/or senior citizen operator credit was previously requested for the same private passenger automobile, credit is not allowed under this Section.

For the purposes of this credit program, the term "private passenger automobile" means any private passenger automobile owned by an individual, or jointly by relatives resident in the same household, or jointly by resident individuals.

b. Credit

The amount of the credit shall be the total automobile bodily injury and property damage liability premium developed for the vehicle, including premiums for personal injury protection, medical payments, uninsured motorist coverage, and underinsured motorist coverage. Premiums for death and disability and physical damage coverage are excluded. The credit cannot exceed the total liability premium for the vehicle rated with a principal operator (named insured or spouse) requiring an SR-22. Only one SR-22 credit per vehicle is allowed.

~~D.~~B. **Voluntary Take-Out Credit Program**

1. Voluntary Writing of Present FAJUA Insured by Member Company

Each member company's proportionate share~~-as~~ computed under Section 2 for private passenger nonfleet liability experience shall be adjusted for the premiums for voluntarily insuring an individually registered (or jointly by husband, wife or relative residing in the household) private passenger nonfleet automobile that is in the ~~Facility or Association~~ FAJUA at its expiration date through the producer of record or any licensed producer selected by the insured.

2. Voluntary Writing of Present FAJUA Insured by Servicing Carrier

Each member company's share may also be adjusted for the premiums for voluntarily insuring an individually registered private passenger nonfleet automobile assigned to or written by it as a servicing carrier provided the producer of record is given notice on intent to make such an offer to issue a voluntary policy at expiration ~~on or after October 1, 1973~~. If the ~~assigned carrier or~~ servicing carrier is willing to renew a risk as voluntary business, it shall notify the producer of record of such willingness at least 75 days prior to the expiration date. The producer shall offer the risk to every ~~volunteer~~ voluntary market with which he deals and notify the servicing carrier at least 50 days prior to the expiration of his ability or inability to place the risk in the voluntary market. In the absence of such notice from the producer of record, the servicing carrier may notify its own agent or the insured of its willingness to accept the risk as voluntary business.

A servicing carrier shall provide policyholder messages to all insureds informing them that if they have had no accidents or violations in the last three years, that they may be eligible to secure auto insurance at a lower cost from a source other than the FAJUA.

Note: This take-out credit is only available when a servicing carrier has been appointed to write FAJUA private passenger business.

3. Offer to Write

The kinds and amounts of coverage to be afforded for such voluntary risk shall be at least equal to those afforded by the policy being replaced, unless coverage is refused by the insured in writing.

If a company or a group of companies use both standard and nonstandard rates, the use of such nonstandard rates or consent to rate procedure shall not qualify for adjustment under this Section if such nonstandard rates are in excess of ~~Florida Automobile Joint Underwriting Association~~ FAJUA rates for similar coverage.

4. Take-Out Credits

Two hundred percent of the first year premium charged ~~on~~ for the policy in the voluntary market shall be used in the adjustment of each member company's proportionate share. Premium credit shall be provided for bodily injury liability, property damage liability, personal injury protection, medical payments, uninsured motorist, and underinsured motorist coverages. Premiums for basic and broad form property protection and for physical damage coverage afforded under such policy shall not be included.

5. Reporting Take-Out Credits

The member company shall be required to submit proof of depopulation or an approved reporting form to apply for adjustment under this ~~Section until such time as there may be~~

~~established a more economical method of reporting through the statistical agencies~~ subsection. The reporting form must be submitted not less than 60 days nor more than 120 days from the effective date of the policy for which adjustment of the member company's proportionate share is requested.

~~E.~~ ~~The adjustments under this entire Section will be given in the amount of total premiums for automobile bodily injury liability, property damage liability, personal injury protection, medical payments, and uninsured motorist coverages, except under subsection D where the adjustments will be 200% of the total premium. For risks which are written under the indivisible premium type of private passenger automobile policy adjustments shall be given in the amount of total policy premium, except that premium for basic and broad form property protection and for physical damage coverage afforded under such policy shall not be included.~~

~~Adjustments which in the aggregate exceed 100% of the overall allocation of Florida Automobile Joint Underwriting Association expenses plus losses or minus profits, shall not be adjusted beyond unity.~~

Service Provider Fees
Allocation of Adjustment to Minimum Fee

Situation

The calculated service provider operating and service fee based on written premium is adjusted monthly to reach the minimum fee. The adjustment included to reach the minimum operating and service fee is allocated to private passenger and other than private passenger. Currently the service provider claim service fee based on earned premium is not subject to a minimum. However, if in the future a minimum claim service fee was adopted, a method to allocate the adjustment to minimum would be needed. The purpose of this proposal is to suggest an allocation method for the adjustment to minimum for service provider fees when a minimum fee is in effect.

History

Recently, the FAJUA has seen dramatic decreases in premium volume. These decreases have directly affected the operating and service fee and the claim service fee, which are calculated as percentages of written and earned premiums, respectively. In order to provide service providers with adequate reimbursement, the FAJUA instituted a minimum operating and service fee. On a monthly basis, the service provider operating and service fee calculated as a percentage of written premium is raised to the minimum fee, providing the service provider with additional compensation. However, the claim service fee which is based on a percentage of earned premium is not subject to a minimum fee.

For annual statement and member participation purposes, service provider fees are allocated to the private passenger and other than private passenger pools based on written/earned premium. Historically, the FAJUA, written premium has been 70% private passenger and 30% other than private passenger. For 2005, it was 14.5% private passenger and 85.4% other than private passenger. In 2006, it was 4.6% private passenger and 95.4% other than private passenger.

During their October 23, 2006 teleconference, the AIPSO Accounting and Statistical Committee discussed the allocation of fees to the private passenger and other than private passenger. They were asked to determine whether the current methodology of allocating fees to coverages based on written/earned premium for the same period is appropriate or whether all fees, including minimum fees, exist to ensure that the mechanism has service providers available to process future private passenger and other than private passenger business.

By unanimous vote, the Accounting and Statistical Committee approved a

By unanimous vote, the Accounting and Statistical Committee approved a recommendation that the amount of the adjustment needed to raise a calculated service provider fee to the minimum fee be split 50/50 between private passenger and other than private passenger.

Approach

We propose that amount of the adjustment required to raise the service provider operating and service fee to the minimum fee be split 50/50 between the private passenger and other than private passenger pools. We also recommend this method of allocation for the adjustment to minimum for the claim service fee should a minimum fee be adopted in the future.

Impact

Adoption of the proposed allocation method for adjustment of a calculated service provider fee to the minimum will have the following impact:

- The service provider continues to receive the minimum operating and service fee when the calculated fee based on written premium does not provide at least the minimum fee.
- The amount of the adjustment needed to raise the calculated service provider operating and service fee to the minimum is shared 50/50 by the private passenger and other than private passenger pools.
- Currently, the service provider claim service fee is not subject to a minimum fee and is, therefore, not impacted by the allocation method. However, if a minimum claim service fee was adopted in the future, the adjustment to minimum fee would be subject to the 50/50 allocation method.
- Through an amendment to the FAJUA Accounting and Statistical Requirements Manual, the method of allocation of the adjustment to minimum fee is clarified.

Implementation

FAJUA Accounting and Statistical Requirements Manual Revision

The FAJUA Accounting and Statistical Requirements Manual must be revised to state that an adjustment to minimum fee will be shared 50/50 by the private passenger and other than private passenger pools.

Monthly Statistical Control Summary Reports

The new method to allocate the adjustment to the minimum operating and service fee may be implemented with production of the next month's statistical summary control reports.

ALLOCATION OF ADJUSTMENT TO MINIMUM SERVICE PROVIDER FEE

Defining the Issue

The calculated service provider operating and service fee is increased monthly to reach the minimum fee. This adjustment to minimum is allocated to the private passenger and other than private passenger pools. Currently, the service provider claim service fee is not subject to a minimum fee. However, if a minimum claim service fee was adopted in the future, a method for allocation of the adjustment amount would be needed. The purpose of this proposal is to suggest an allocation method for the adjustment to minimum for service provider fees when a minimum fee is in effect.

Action Needed

Please review this proposal and, if appropriate, approved the amendments provided.

Proposal

When a minimum fee is in effect, we recommend that the amount of the adjustment needed to raise a calculated service provider fee to the minimum be allocated 50/50 to the private passenger and other than private passenger pools.

Recently, the FAJUA has seen dramatic decreases in premium volume. These decreases have directly affected the service provider operating and service fee that is calculated as a percentage of written premium, as well as the claim service fee that is calculated as a percentage of earned premium. In an effort to provide the service provider with adequate reimbursement, the FAJUA instituted a minimum operating and service fee. On a monthly basis, the FAJUA increases the calculated operating and service fee to the minimum, providing additional compensation to the service provider. However, the claim service fee is not subject to a similar adjustment because there is no minimum in effect. When a minimum fee is in effect for either type of service provider fee, we recommend that the amount of the adjustment to minimum be shared 50/50 between the private passenger and other than private passenger pools.

Impact

Adoption of the proposed method to allocate the adjustment to minimum fee will have the following impact:

- The service provider will continue to receive the minimum operating and service fee when the calculated fee does not reach the minimum level.
- When a minimum fee is in effect, the amount of the adjustment needed to raise the calculated service provider fee to the minimum is shared 50/50 by the private passenger and other than private passenger pools.
- Currently, the service provider claim service fee is not subject to a minimum and is, therefore, not impacted by the allocation method.
- The allocation method for the adjustment to minimum fee is clarified through an amendment to the FAJUA Accounting and Statistical Requirements Manual.

Background

During their October 23, 2006 teleconference, the AIPSO Accounting and Statistical Committee (ASC) discussed the allocation of FAJUA service provider fees to the private passenger and other than private passenger pools. They were asked to determine whether the current methodology of allocating fees to coverages based on written/earned premium for the same period is appropriate or whether all fees, including minimum fees, exist to ensure that the mechanism has service providers available to process future private passenger and commercial business.

Unanimously, the ASC approved a recommendation that the adjustment for the difference between a calculated service provider fee and minimum fee be split 50/50 between the private passenger and other than private passenger pools.

Proposed Changes

Accounting and Statistical Requirements Manual – Chapter 11

A new Section E is introduced stating that an adjustment to the minimum fee will be allocated 50/50 between the private passenger and other than private passenger pools. The fee adjustment will be shared by member companies through the members participation report system.

Attachments

Exhibit A—Amendment to Accounting and Statistical Requirements Manual, Chapter 11

ACCOUNTING AND STATISTICAL REQUIREMENTS MANUAL

Chapter 11

BASIS OF FLORIDA JOINT UNDERWRITING ASSOCIATION EXPERIENCE DISTRIBUTION TO PARTICIPATING MEMBERS

A new E is introduced as follows:

E. **Adjustment to Minimum Service Provider Fee**

When a minimum service provider fee is in effect for the operating and service fee and/or the claim service fee and the calculated fee does not meet the minimum fee level, the calculated service provider fee shall be increased to the minimum fee. This service provider fee adjustment shall be allocated 50/50 between the private passenger and all other pools and shall be shared by subscriber companies through the member participation system.

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FLORIDA AUTO JOINT UNDERWRITING ASSOCIATION
2006/2007 LEGISLATIVE ISSUES

1. 2006 Special Session on Property Insurance

    Auto Insurers mandated to write Florida Property Insurance

2. PIP/No-Fault Sunset

3. FAJUA Bad Faith 90 day Trigger

    90 day trigger sunsets in 2007

4. Residual Market Assessments

    Allow FAJUA to pay assessments if it is less expensive than assessing insured

5. Residual Market Boards/Ethics

    Financial Reporting and other restrictions on board members

6. Fraud Prosecutor Funding

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Florida Auto Joint Underwriting Association
Legislative Update

No Fault Reform

The Florida No-Fault Law is subject to be repealed in October 2007 unless re-enacted by the Legislature during the 2007 Legislative Session. The Session is at the midway point, and little work has been done with regard to No-Fault insurance.

Senate

The Senate Banking and Insurance Committee has passed two PIP/No-Fault bills. Senate Bill 1880 by Chairman Bill Posey re-enacts the No-Fault system, however the bill allows insurers to limit the amount paid to medical providers for claims stemming from auto accidents, to 200% of the reimbursement allowed in Medicare. The bill also provides for future repeal on January 1, 2009. The major shortcoming of the bill is a prohibition on an insurer limiting the number of treatments or other utilization review that apply under Medicare or workers compensation laws.

Hospitals and physicians strongly opposed the measure, and filed an amendment seeking an exemption from the fee schedule for their services. The amendment was narrowly defeated by a 5 to 5 vote. The bill is now set to be heard by the Senate Judiciary Committee.

The Senate Banking & Insurance Committee also passed SB 1882 which attacks the clinic fraud that is of great concern to auto insurers. The bill redefines the criteria under which certain health care providers and practitioners are held to be exempt from licensure under the Health Care Clinic Act. Current law exempts from licensure, group practices and other entities that are wholly owned by one or more health care practitioners licensed under various laws. Under the bill, this exemption would only apply if the health care services provided do not exceed the scope of the licensed owners health care license. This provision would not apply to practices owned by physicians, osteopaths, chiropractors, dentists, podiatrists, dentists or licensed physicans assistants. The bill also requires the Agency for Health Care Administration to conduct background screening of any person who has a financial interest in a clinic.

The Senate also intends to fund an additional three fraud prosecutors.

House

The House Insurance Committee conducted a No-Fault Workshop last week. The House No-Fault bill will be developed by the Jobs and Entrepreneurship Council. The bill is expected to be released this week and heard at the Councils April 12th meeting.

Council Chair Ron Reagan is on the record saying he hopes to preserve PIP, with higher limits and other reforms.

Special Interests Groups

The **Coalition to Repeal No-Fault** is critical of the Senate attempt at No-Fault reform. The group, made up of several of the States largest insurers, claim the attempt to reform the broken no-fault system will block consumer savings. The group estimates an average of $250 would be saved by consumers on their auto insurance if the legislature simply allows no-fault to sunset as planned in October.

The **Save Florida's Trauma Care Coalition** also is critical the Senate Bill. The Coalition claims the bills would close trauma centers doors and leave many Floridians without life-saving care. The group supports re-enactment of PIP with significant reforms, including increasing the maximum benefit from $10,000 to $25,000. According the the Coalition, of those treated at trauma centers and emergency rooms due to a motor vehicle crash in 2005, 40% of those had no health insurance for payment – only PIP insurance. PIP payments to hospitals were at least $350 million in 2005. Coalition members include hospitals, trauma centers, trial lawyers, doctors, clinics and other provider groups.

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