



*"Serving the Insurance Industry"*

September 9, 2008

Eugenia Tyus  
Florida AJUA  
1425 Piedmont Dr E, Suite 201A  
Tallahassee, FL 32308

**RE: Cash Flow Projection – June 2008**

Dear Eugenia,

Attached you will find the cash flow projection for the period ending June 2008. For this projection, we have reflected actual results through June 2008 and projected amounts for July 2008 – September 2009. As per the Finance Committee's request, we have projected the cash flow using a quarterly cycle, a 6-month review and an annual review to see the differences in frequency and effect on the projection and assessments. In January 2007, the FAJUA elected to use an annual assessment option for future assessments

After reviewing the quarterly, 6 month, and annual calculations and taking into account the \$10.6 million cash balance as of August 31, 2008, we are not projecting the need for an assessment during the next year. Since there are no differences between the quarterly, 6-month, and annual reviews we have only included one page with this cash flow projection. We also wanted to bring to your attention that future policy year close outs for 1997 and 1998 will be settled in first quarter 2009 and 2010 totaling \$3.7 and \$5.8 million, respectively.

Included in the annual projection is a six month cash cushion to cover unexpected large fluctuations in cash. We are currently estimating that the negative monthly cash flow will be between approximately \$250,000 and \$300,000. We have not considered the policy year close out distribution requirement or the membership fee assessment in estimating the negative monthly cash flow.

We have also attached the actuarial projections for premiums written, loss adjustment expenses and losses paid and have provided a summary of the assumptions used in the projection for your reference. As in the past, we have attached a review of April 2008 – June 2008 actual results as compared to the projected results for the same time frame to determine how close the projections are coming to the actual results.

The servicing provider fees used in the projection reflect the Trumbull/York servicing provider contracts. The fee structure for Trumbull is 6% of written premium for operating with a minimum monthly fee of \$33,500 and for York is 14% of earned premiums for claim fees, with a minimum monthly fee of \$45,000. This fee structure was based on the latest contract information provided to AIPSO.

The formula to predict interest collected was slightly modified this quarter. We used the ending balance from the previous month and reduced it by the estimated funds held in Wachovia which are used to

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partially offset bank charges. We then multiplied this adjusted ending balance by the factor to determine the next month's interest collected amount. In previous projections, we strictly used the ending balance in our calculation of interest collections and did not take into consideration uninvested funds.

Finally, we adjusted the cash flow projection to include as a miscellaneous disbursement a new entry for escheat owed to the state of Florida. In May 2008, a servicing carrier completed an escheat filing and required payment of \$281,105. Since this payment is fairly large, we also projected a payment for May 2009 totaling \$196,630 which is based on the latest available data from the servicing carrier. In addition, we included a new misc. disbursement for estimated monthly bank charges of \$2,100.

Please do not hesitate to contact me with any questions. We will update you again in December as we prepare the results and determine whether our cash position is still sufficient for operations.

Sincerely,



Linda Paquin, AIAF, PMP  
Accounting Supervisor

CC : T. Assad  
J. Gale  
W. Ferguson  
D. Gill  
K. Leeman  
T. Messier  
M. Puchades  
L. Stoutamire  
J. Watson  
L. Neri

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Florida AJUA  
Cash Flow Actual  
As of June 30, 2008

	BALANCE AS OF 3/31/07												Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual
	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Total													
<b>RECEIPTS:</b>																													
1 Premium Collections	254,442	173,712	272,768	138,374	129,922	285,081	205,905	183,650	123,025	136,418	131,595	147,176	170,227	121,949	229,646	2,703,890													
2 Commissions Returned	2,453	7,630	4,544	2,528	1,427	2,498	4,490	1,926	1,500	3,425	3,547	3,717	438	809	2,839	43,771													
3 Assessment and Membership Fees	265,000	1,180,000	1,180,000	82,500	0	0	0	0	0	10,611,485	344,938	830,067	66,242	330	0	13,380,562													
4 Salvage and Subrogation	2,514	989	1,210	1,521	1,437	237	6,127	450	2,218	417	517	487	0	1,412	1,998	21,534													
5 Timing Difference on Cash Analysis Transfers	(945)	5,663	(9,340)	1,158	3,433	1,580	(15)	1,917	(2,944)	(255)	(117)	(277)	7,750	(41)	3,143	10,710													
6 Interest Collected	27,853	20,771	17,656	16,737	17,787	15,788	12,587	10,343	8,794	7,120	18,435	21,234	17,788	10,271	24,370	247,514													
7 Gain/Loss on Investments and Amortization																													
8 Misc. Receipts	7,269	2,050	156,110	2,799	53,847	31,935	52,266	8,245	17,888	26,629	9,933	20,556	2,992	3,581	824	396,924													
<b>TOTAL RECEIPTS</b>	<b>293,586</b>	<b>475,815</b>	<b>1,622,948</b>	<b>245,617</b>	<b>207,853</b>	<b>337,119</b>	<b>281,340</b>	<b>206,531</b>	<b>150,481</b>	<b>10,785,239</b>	<b>508,848</b>	<b>1,022,960</b>	<b>265,437</b>	<b>138,311</b>	<b>262,820</b>	<b>16,804,905</b>													
<b>EXPENSES:</b>																													
1 Policyholders Refunds	60,049	78,901	131,080	238,956	83,541	38,634	99,408	89,860	23,483	76,588	38,799	15,004	33,712	45,489	34,381	1,087,885													
2 Producer Commissions	13,175	0	5,896	19,074	14,070	53	22,968	3,110	97	22,280	6,168	7,336	2,569	11,659	4,738	133,193													
3 Losses Paid	632,965	774,872	618,698	154,434	458,548	389,281	570,563	100,456	257,167	199,154	251,788	232,431	391,864	50,992	83,745	5,146,958													
4 Fortune/Run Off Company Claims		672													0	672													
5 LAE Paid	54,701	98,222	110,691	63,807	126,987	81,255	123,643	69,747	109,405	150,940	39,543	95,994	46,921	15,645	84,304	1,271,805													
6 Operational Expenses	84,040	101,292	108,943	78,755	114,563	100,378	197,831	55,525	137,293	67,371	103,209	68,083	76,354	155,241	81,823	1,530,701													
7 Servicing Carrier Fees	61,398	74,792	66,099	78,523	65,522	66,647	61,371	60,013	78,258	79,221	77,779	78,500	78,500	78,500	78,500	1,083,623													
8 Timing Difference on Cash Analysis Transfers			(314,641)		(19,990)	(59,908)	41,571	27,548	(87,205)	120,133	(109,989)	(53,400)	(358)	274,989	20,627	312,289													
9 Misc Disbursements	(43,634)	160,174		33							2,933	225	40	280,565	1,144	284,940													
10 Assessment Disbursements										1,924,342		996,349		0	0	2,920,691													
<b>TOTAL EXPENSES</b>	<b>862,694</b>	<b>1,288,925</b>	<b>726,766</b>	<b>989,964</b>	<b>843,241</b>	<b>596,340</b>	<b>1,117,355</b>	<b>406,259</b>	<b>518,498</b>	<b>2,640,029</b>	<b>410,220</b>	<b>1,440,522</b>	<b>629,602</b>	<b>913,080</b>	<b>389,262</b>	<b>13,772,757</b>													
<b>NET CASH FLOW</b>	<b>(569,108)</b>	<b>(813,110)</b>	<b>896,182</b>	<b>(744,347)</b>	<b>(635,388)</b>	<b>(259,221)</b>	<b>(836,015)</b>	<b>(199,728)</b>	<b>(368,017)</b>	<b>8,145,210</b>	<b>98,628</b>	<b>(417,562)</b>	<b>(364,165)</b>	<b>(774,769)</b>	<b>(126,442)</b>	<b>3,032,148</b>													
<b>ENDING BALANCE</b>	<b>6,102,785</b>	<b>4,720,567</b>	<b>5,616,749</b>	<b>4,872,402</b>	<b>4,237,014</b>	<b>3,977,793</b>	<b>3,141,778</b>	<b>2,942,050</b>	<b>2,574,033</b>	<b>10,719,243</b>	<b>10,817,871</b>	<b>10,400,309</b>	<b>10,036,144</b>	<b>9,261,375</b>	<b>9,134,933</b>														



Comparison of Actual Results to the Projection  
For Quarter Ended June 2008

	Actual Results			Total Actual
	Apr 08	May 08	Jun 08	Apr - Jun
Premium Collections	170,227	121,949	229,646	521,822
Commissions Returned	438	809	2,839	4,086
Assessment and Membership Fees	66,242	330	0	66,572
Salvage and Subrogation	0	1,412	1,998	3,410
Timing Difference on Cash Analysis Transfers	7,750	(41)	3,143	10,852
Interest Collected	17,788	10,271	24,370	52,429
Gain/Loss on Investments and Amortization				0
Misc. Receipts	2,992	3,581	824	7,397

TOTAL RECEIPTS

265,437 138,311 262,820 666,568

Projection from the March 2008 Cash Flow Projection

	Projected			Total Projected	Difference	Total Difference		
	Apr 08	May 08	Jun 08	Apr - Jun				
	94,534	94,649	94,919	284,102	Apr 08 75,693	May 08 27,300	Jun 08 134,727	237,720
	1,896	1,898	1,903	5,697	(1,458)	(1,089)	936	(1,611)
	66,242	330	0	66,572	0	0	0	0
	1,208	1,208	1,208	3,624	(1,208)	204	790	(214)
	0	0	0	0	7,750	(41)	3,143	10,852
	39,001	38,086	35,339	112,426	(21,213)	(27,815)	(10,969)	(59,997)
				0	0	0	0	0
				0	2,992	3,581	824	7,397 (1)

202,881 136,171 133,369 472,421

62,556 2,140 129,451 194,147

Policyholders Refunds	33,712	45,489	34,381	113,582	46,238	46,294	46,426	138,958	(12,526)	(805)	(12,045)	(25,376)
Producer Commissions	2,569	11,659	4,738	18,966	6,313	6,321	6,339	18,973	(3,744)	5,338	(1,601)	(7)
Losses Paid	391,864	50,992	83,745	526,601	189,077	189,077	189,077	567,231	202,787	(138,085)	(105,332)	(40,630)
Fortune/Run Off Company Claims			0	0	0	0	0	0	0	0	0	0
LAE Paid	46,921	15,645	84,304	146,870	42,349	42,349	42,349	127,047	4,572	(26,704)	41,955	19,823
Operational Expenses	76,354	155,241	81,823	313,418	84,558	92,014	76,241	252,813	(8,204)	63,227	5,582	60,605
Servicing Carrier Fees	78,500	78,500	78,500	235,500	78,500	78,500	78,500	235,500	0	0	0	0
Timing Difference on Cash Analysis Transfers	(358)	274,989	20,627	295,258	0	0	0	0	(358)	274,989	20,627	295,258
Misc Disbursements	40	280,565	1,144	281,749	0	281,105	0	281,105	40	(540)	1,144	644
Assessment Disbursements		0	0	0	0	0	0	0	0	0	0	0

TOTAL EXPENSES

629,602 913,080 389,262 1,931,944

NET PROJECTED CASH FLOW

(364,165) (774,769) (126,442) (1,265,376)

447,035 735,660 438,932 1,621,627

182,567 177,420 (49,670) 310,317

(1) The difference in misc. receipts relates to late fee collection from the assessments.

**Florida Automobile Joint Underwriting Association**  
Premium, Loss, and ALAE Projections

SUMMARY

Exhibit 1  
Sheet 1 of 1

Ctr	Year	PRIVATE PASSENGER AUTO					COMMERCIAL AUTO					COMBINED					COMBINED	
		Written Premium	Earned Premium	Paid Losses	Paid ALAE	L&ALAE to Written Ratios	Written Premium	Earned Premium	Paid Losses	Paid ALAE	L&ALAE to Written Ratios	Written Premium	Earned Premium	Paid Losses	Paid ALAE	L&ALAE to Written Ratios	WP	Quarterly Results L&ALAE Cash Flow
Actual	Jan 2007	16,294		55,330	11,518	4.10	392,772		337,779	56,934	1.00	409,066		393,109	68,452	1.13		
Actual	Feb 2007	20,046		23,564	8,084	1.58	169,907		933,550	46,617	5.77	189,955		957,114	54,701	5.33		
Actual	Mar 2007	2,277		64,370	25,930	39.39	85,942		342,088	72,892	4.83	88,219		408,438	98,222	5.72		
Actual	Apr 2007	(3,085)		162,361	33,572	(63.51)	(38,773)		461,780	77,119	(13.90)	(41,858)		624,141	110,691	(17.56)	687,240	1,978,036 (1,290,766)
Actual	May 2007	34,540		110,822	17,157	3.89	347,143		673,333	46,650	2.07	381,783		784,155	63,807	2.22		
Actual	Jun 2007	9,431		89,968	12,157	10.83	48,650		520,344	114,830	13.06	58,081		610,312	126,987	12.69		
Actual	Jul 2007	19,164		24,382	17,677	2.19	91,417		123,247	63,578	2.04	110,581		147,629	81,255	2.07		
Actual	Aug 2007	6,060		204,984	38,875	40.24	202,533		235,073	84,789	1.58	208,593		440,057	123,644	2.70		
Actual	Sep 2007	(2,951)		69,999	16,908	(29.45)	133,412		301,378	52,840	2.66	130,461		371,377	69,748	3.38	449,635	1,233,710 (784,075)
Actual	Oct 2007	3,353		10,341	14,837	7.51	(39,296)		549,923	94,569	(16.40)	(35,943)		560,264	109,406	(18.63)		
Actual	Nov 2007	(139)		55,577	18,591	(53.58)	206,877		55,357	132,894	0.91	206,738		110,934	151,485	1.27	290,571	1,251,114 (960,543)
Actual	Dec 2007	(2,910)		80,810	13,904	(32.55)	122,886		194,447	29,864	1.83	119,776		275,257	43,788	2.66		
Actual	Jan 2008	4,074		95,197	32,959	31.46	194,447		80,550	65,864	6.50	25,609		175,747	98,823	10.32		
Actual	Feb 2008	2,803		41,040	15,999	20.35	123,581		203,040	30,923	1.89	126,384		244,080	46,922	2.30		
Actual	Mar 2008	(125)		20,044	2,702	(81.97)	30,545		219,275	12,943	7.60	30,420		239,319	15,645	2.37	183,413	820,536 (637,123)
Actual	Apr 2008	1,102		(1,095)	23,908	20.70	191,828		373,650	60,396	2.28	192,930		372,555	84,304	2.37		
Actual	May 2008	1,593		11,739	27,278	24.49	54,534		18,777	28,702	0.87	56,127		30,516	55,980	1.54		
Actual	Jun 2008	3,342		47,161	9,233	16.87	246,319		35,756	20,087	0.23	249,661		82,897	29,320	0.45	486,718	655,572 (158,854)
Projected	Jul 2008	1,938	2,227	26,251	7,875	17.61	74,589	114,825	132,776	26,555	2.14	76,527	117,053	156,027	34,430	2.53		
Projected	Aug 2008	2,029	1,343	26,251	7,875	16.82	73,509	108,828	132,776	26,555	2.11	77,538	110,171	159,027	34,430	2.50		
Projected	Sep 2008	2,077	1,365	26,251	7,875	16.43	74,267	101,078	132,776	26,555	2.15	76,344	102,463	159,027	34,430	2.53	230,408	580,371 (349,963)
Projected	Oct 2008	2,055	1,540	16,201	4,860	10.25	74,835	103,377	115,780	23,156	1.86	76,889	104,916	131,981	28,016	2.08		
Projected	Nov 2008	2,044	1,577	16,201	4,860	10.30	74,775	102,616	115,780	23,156	1.86	76,819	104,193	131,981	28,016	2.08		
Projected	Dec 2008	2,052	1,875	16,201	4,860	10.26	74,765	95,122	115,780	23,156	1.86	76,817	96,997	131,981	28,016	2.08	230,525	479,993 (248,468)
Projected	Jan 2009	2,053	1,997	13,938	4,181	8.83	74,732	99,305	115,251	23,050	1.85	76,785	97,302	129,188	27,231	2.04		
Projected	Feb 2009	2,051	1,861	13,938	4,181	8.83	74,750	99,441	115,251	23,050	1.85	76,812	97,322	129,188	27,231	2.04	230,197	469,260 (239,063)
Projected	Mar 2009	1,846	1,932	13,938	4,181	9.81	74,754	95,253	115,251	23,050	1.85	76,800	97,186	129,188	27,231	2.04		
Projected	Apr 2009	1,847	2,045	13,051	3,915	9.19	71,015	92,055	77,982	15,596	1.32	72,862	89,803	91,034	19,512	1.52		
Projected	May 2009	1,846	2,087	13,051	3,915	9.19	71,015	87,716	77,982	15,596	1.32	72,861	88,803	91,034	19,512	1.52	218,585	331,637 (113,051)
Projected	Jun 2009	1,846	2,035	13,051	3,915	9.19	71,016	81,092	77,982	15,596	1.32	72,862	89,127	91,034	19,512	1.52		
Projected	Jul 2009	1,846	1,969	13,322	997	2.34	71,015	73,650	73,305	15,061	1.27	72,862	75,619	78,627	16,058	1.30		
Projected	Aug 2009	1,846	1,969	13,322	997	2.34	71,015	73,314	75,305	15,061	1.27	72,862	75,619	78,627	16,058	1.30		
Projected	Sep 2009	1,846	1,940	13,322	997	2.34	71,016	72,992	75,305	15,061	1.27	72,862	74,619	78,627	16,058	1.30	218,586	284,055 (65,469)
Projected	Oct 2009	1,846	1,922	13,322	997	2.34	71,016	72,697	75,305	15,061	1.27	72,862	74,619	78,627	16,058	1.30		
Projected	Nov 2009	1,846	1,905	13,322	997	2.34	71,016	72,382	75,305	15,061	1.27	72,862	74,287	78,627	16,058	1.30		
Projected	Dec 2009	1,846	1,888	13,322	997	2.34	71,016	72,069	75,305	15,061	1.27	72,862	73,957	78,627	16,058	1.30	218,586	236,925 (18,339)

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Summary

FALUA Cash Flow 08-3rd.xls

Florida JUA assumptions  
Cash Flow Projection  
June 2008

The cash flow projection contains historical information for April 2007 through June 2008. This information comes directly from the cash analysis reports, bank statements and postings from the general ledger. This information is then used to project activity for the projected months. The specifics on how the information is used and the assumptions utilized follows.

It should be noted that due to the JUA's small volume, actual results can vary significantly from the projection due to significant changes in the book of business or irregular events such as large losses, insolvencies and weather-related losses.

#### Receipts Section

- 1) Premium collections are actual receipts for 15 months from April 2007 – June 2008 coming directly from the cash analysis reports for those months. The July 2008 – September 2009 projection was developed utilizing a ratio of actual premium collection for 6 months (January 2008 – June 2008) to actual premium written for that same time frame. This ratio was then multiplied by the actuarial projections of premium written to determine projected premium collected results. We adjusted the % to smooth out the unusual trends that occurred in the current quarter.
  - 2) Premium written projections determined by our actuarial department are detailed below the ending balance line of the exhibit for your reference.
  - 3) As with assumption 1, returned commissions were handled in the same fashion. Using actual results for returned commissions for 6 months, we developed a ratio of returned commissions to premium written, and calculated future projected results.
  - 4) Salvage and subrogation was handled in a similar fashion as premium collections. Using actual results for salvage and subrogation for 6 months, we developed a ratio of salvage and subrogation to losses paid. This ratio was then multiplied by the actuarial projections of paid losses to determine the projected salvage results.
  - 5) We did not project the timing difference between the cash analysis and the actual transfers for either the receipt or the disbursement sections. This timing difference is hard to predict and nets to roughly \$301,579 over the 15 months.
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- 6) Miscellaneous receipts are also not projected into the future, as these amounts are small and difficult to predict. Based on the current investment portfolio, gains/losses on investments do not apply.
- 7) Assessment income for the receipt section is projected based on the actual assessment and late fees received for the membership fees and assessments. Any outstanding balance from the membership fee assessment was projected to be received in the month of September 2008. In addition, we assumed that the 2008 membership fee assessment will be issued in July 2009.
- 8) Interest was based on a factor created by taking the actual interest collected for the invested funds for July 2008 and dividing it by the average investment balance for the month of June in the state treasury account as most of the FAJUA funds are in SPIA. This factor was annualized at 3.567%. Our model assumed this interest rate would remain constant. We took the ending balance from the previous month and reduced it by the estimated funds held in Wachovia which are used to partially offset bank charges. We then multiplied this adjusted ending balance by the factor to determine the next month's interest collected amount. Due to changes in the economy this rate may not be an accurate prediction of actual rates that the FJUA could expect.

#### Disbursement Section

- 9) Policyholder refunds, producer commissions and servicing carrier fees projected were calculated comparable to premium collection (assumption 1). Using actual data for these classifications from the cash analysis report, we developed a ratio to premium written. Finally we applied the ratio to the projected premium written developed by our actuarial department. We adjusted the % to smooth out the unusual trends that occurred in the current quarter.
- 10) Servicing carrier fees incurred are expected to be paid within 2 months of month end and have been recorded in this fashion in the projection.

The servicing carrier fees projected for July and August come from the actual statistical summaries paid for the months ended May and June 2008. The servicing carrier fees were adjusted to meet the minimums for both periods.

The projected amounts for July 2008 – September 2009 were based on the servicing providers contracted fee structure. Based on this contract the operating fee is 6% of written premium with a minimum fee of \$33,500

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per month, and for claims it is 14% of earned premium with a minimum fee of \$45,000 per month.

The AIPSO actuarial department calculated the projected premium written and premium earned amounts. All calculated operating fees had to be raised to the minimum for this time period.

- 11) ALAE are now a directly reimbursable expense. Our actuarial department calculated this amount.
  - 12) Our actuarial department has projected losses paid. We assumed that there would be no timing difference between what was recorded on the statistical summary and what physically cleared the bank.
  - 13) Operating expenses of the plan mirror the annual budget amounts for July 2008 – September 2008. The values come from the annual budget for 2007-2008 allocated by month. The values for October 2008 – September 2009 were derived by taking the 2007 -2008 annual budget and dividing it by 12, which would approximate the expenses for these months, as we did not have a budget amount allocated by month for this time frame.
  - 14) Assessment distribution was equal to the amounts listed on the MP-3. The MP used was the March 2008 report because the June 2008 was not available.
  - 15) Fortune losses and miscellaneous disbursements were not projected into the future, as these are also immaterial disbursements.
  - 16) Miscellaneous disbursements reflect the required escheat estimated filing for May 2009 totaling \$196,630.34 as per information received from Apex. This is an estimate as due diligence letters must be sent just prior to the filing deadline. In addition, we included a new misc. disbursement for estimated monthly bank charges of \$2,100.00.
  - 17) Finally, our actuarial department projected written premiums, losses paid, and ALAE paid utilizing historical data. The projections took into consideration updated IBNR estimates, the impact of trends due to inflation, and the impact of future rate changes.
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