Florida Workers Compensation
Joint Underwriting Association, Inc.

P.O. Box 48957, Sarasota, FL 34230-5957
• Tel (941) 378-7400 • Fax (941) 378-7405 • www.fwcjua.com

VIA EMAIL

BOARD OF GOVERNORS BULLETIN 09-31

TO: Florida Workers' Compensation Joint Underwriting Association, Inc. Board of Governors

FROM: Laura S. Torrence, Executive Director

DATE: September 3, 2009

RE: **SEPTEMBER 9, 2009 BOARD OF GOVERNORS TELECONFERENCE MEETING AGENDA**

Enclosed for your review is the agenda for the FWCJUA Board of Governors teleconference meeting scheduled for Wednesday, September 9, 2009, at 8:30 a.m. (Eastern Time). To participate in the teleconference meeting, please contact Kathy Coyne at (941) 378-7408.

Should you have any questions concerning the teleconference call or the agenda, please contact me.

Enclosure

c: Tom Maida, General Counsel
Jim Watford, Florida Office of Insurance Regulation
FWCJUA Interested Parties

AGENDA FOR THE MEETING OF THE BOARD OF GOVERNORS OF THE FLORIDA WORKERS' COMPENSATION JOINT UNDERWRITING ASSOCIATION, INC. TO BE HELD ON WEDNESDAY, SEPTEMBER 9, 2009 AT 8:30 A.M. VIA TELECONFERENCE

I.	CALL TO ORDER AND OPENING REMARKS	Charlie Clary
II.	ANTI-TRUST PREAMBLE (Attachment A)	Tom Maida
III.	APPROVAL OF MINUTES (Attachment B)	Charlie Clary
IV.	LEGISLATIVE UPDATE (Attachment C)	Tom Maida
V.	BYLAWS (Attachment D)	Tom Maida
VI.	MEETING SCHEDULE (Attachment E)	Laura Torrence
VII.	401K PLAN (Attachment F)	Laura Torrence
VIII.	EXECUTIVE COMPENSATION COMMITTEE REPORT • Executive Compensation (Attachment G)	Charlie Clary
IX.	INVESTMENT COMMITTEE REPORT • Compliance Review of the Current Investment Portfolio (Attachment H) • Review of Policy and Guidelines for the Investment of Assets and Associated Matters (Attachment I)	Fred Bennett
X.	OPERATIONS COMMITTEE REPORT • Budget Expense Considerations i. On-line Interactive Application Process (Attachment J) • 2010 Business Plan & Forecast Preliminary Outline (Attachment K) • Disaster Recovery Matters (Attachment L) • Service Provider Audit Results (Attachment M) • Employee Benefits (Attachment N) • Section 627.311(5)(t), Florida Statutes (Attachment O)	Brett Stiegel
XI.	PRODUCER COMMITTEE REPORT • Agency Producer Agreement (Attachment P) • Revocation/Suspension Rules (Attachment Q) • On-Line Application Process (Attachment R)	Dan Dannenhauer
XII.	RATES & FORMS COMMITTEE REPORT • Confirmation of Actuary (Attachment S) • 2009 Loss Ratio Selection (Attachment T) • Review of Rates, Rating Plans & Policy Forms and Associated Matters to Include Application Forms i. 2010 Rate Indication (Attachment U) • Policyholder Dividend Policy i. Policy Revisions (Attachment V) ii. Policy Year 2002 Return of Premium Dividend (Attachment W)	Rick Hodges
XIII.	REINSURANCE COMMITTEE REPORT • 2010 Reinsurance Program Goals And Market Strategy (Attachment X) • Commutation Matters (Attachment Y) • Reinsurance Intermediary Confirmation (Attachment Z)	Beth Vecchioli
XIV.	AUDIT COMMITTEE REPORT • Audit Committee Charter Procedures Checklist (Attachment AA) • Update On Federal Tax Matters (Attachment BB)	Fred Bennett
XV.	REPORT ON OPERATIONS • 2009 Business Plan Status Report (Report on Operations - 1) • Operations Analysis (Report on Operations - 2) • Loss Summary Report (Report on Operations - 3) • Collections Report (Report on Operations - 4)	Laura Torrence
XVI.	FINANCIAL REPORT • Comparative Statutory Financial Statements (Financial Report - 1) • Budget Variance (Financial Report - 2) • Cash Flow Analysis (Financial Report - 3) • Investment Portfolio (Financial Report - 4)	Laura Lopez
XVII.	GENERAL ANNOUNCEMENTS	
XVIII.	ADJOURNMENT & CLOSING REMARKS	Charlie Clary

ANTI-TRUST PREAMBLE

We are here to discuss and act on matters relating to the business of the Florida Workers' Compensation Joint Underwriting Association (FWCJUA) and not to discuss or pursue the business interests of our individual funds or 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 fund's or companies' plans or contemplated activities. We should concern ourselves only with the business of the Florida Workers' Compensation Joint Underwriting Association as set forth in the agenda for this meeting.

Only FWCJUA market matters may be discussed at the meeting and each fund's or company's voluntary market plans cannot be discussed.

APPROVAL OF MINUTES

The Board shall consider approval of the attached meeting minutes as listed below:

1. Minutes of the June 9, 2009 Board of Governors meeting

The Board members who serve on the respective committees *(as noted)* shall consider approval of the attached committee meeting minutes as listed below:

1. Minutes of the June 26, 2009 Investment Committee meeting *(Bennett, Revels & Shaw)*
2. Minutes of the August 20, 2009 Audit Committee meeting *(Bennett, Shaw & Vecchioli)*
3. Minutes of the August 24, 2009 Operations Committee meeting *(Stiegel, Bennett & Hodges)*
4. Minutes of the August 24, 2009 Producer Committee meeting *(Dannenhauer, Hodges & Vecchioli)*
5. Minutes of the August 24, 2009 Reinsurance Committee meeting (*Vecchioli, Revels & Ward)*
6. Minutes of the August 31, 2009 Executive Compensation Committee meeting *(Clary, Bennett, Hodges & Stiegel)* – anticipated to be provided under separate cover
7. Minutes of the August 31, 2009 Rates & Forms Committee meeting *(Hodges, Stiegel & Clary)*

The Board shall take action on the minutes presented.

DRAFT - MINUTES OF THE MEETING OF THE BOARD OF GOVERNORS OF THE FLORIDA WORKERS' COMPENSATION JOINT UNDERWRITING ASSOCIATION, INC. HELD ON JUNE 9, 2009 AT 8:30 A.M. VIA TELECONFERENCE

PRESIDING:	Charlie Clary, *Chair, joined at 9:00 a.m.*
BOARD MEMBERS:	Dan Dannenhauer, *Vice Chair* Fred Bennett Rick Hodges, *not present* Claude Revels, *not present* Sean Shaw Brett Stiegel Beth Vecchioli Jim Ward
EXECUTIVE DIRECTOR:	Laura Torrence
GENERAL COUNSEL:	Tom Maida
OFFICE OF INSURANCE REGULATION LIAISON:	Jim Watford
STAFF PRESENT:	Marc Babin Michael Cleary Laura Lopez
SERVICE PROVIDERS PRESENT:	Jeffery Deaton, *Aon Benfield* Keith Thurman, *Aon Benfield* Steve Coonrod, *McConnaughhay, Duffy, Coonrod, Pope & Weaver* Mark Mulvaney, *Milliman* Mike Buccina, *RSI* Kathy Thompson, *RSI* Arleen Desmond, *Travelers* Claudia Vicory, *Travelers*
OTHERS PRESENT:	Terry Butler, *Office of the Consumer Advocate* Scott Fest, *Guy Carpenter* Eileen Spiegler, *Colodny, Fass, Talenfeld, Karlinsky, Abate*

I. CALL TO ORDER AND OPENING REMARKS: The Vice Chair called the teleconference meeting to order at 8:35 a.m. The roll was called and a quorum being established the meeting began.

II. ANTITRUST PREAMBLE: Prior to the consideration of any business, the Antitrust Preamble was presented by Maida, a copy of which is attached hereto as Exhibit "A".

III. APPROVAL OF MINUTES: The minutes of the May 1, 2009 Board of Governors teleconference meeting were submitted for approval.

MOTION by Dannenhauer, seconded by Stiegel to accept the meeting minutes as presented. PASSED.

The Vice Chair then reported that the Board members who serve on the respective committees shall consider approval of the attached committee meeting minutes.

The minutes of the April 23, 2009 Safety Committee teleconference meeting were submitted for approval.

MOTION by Ward, seconded by Stiegel, to accept the meeting minutes as presented. PASSED.

The minutes of the May 27, 2009 Investment Committee teleconference meeting were submitted for approval.

MOTION by Bennett, seconded by Butler, alternate for Sean Shaw, to accept the meeting minutes as presented. PASSED.

The minutes of the May 29, 2009 Joint & Concurrent Operations Committee and Rates and Forms Committee teleconference meeting were submitted for approval. Stiegel referred to page 6 of the supplemental agenda information and requested that $530~~.~~000, under the ***On-line Interactive Application Process***, be corrected to reflect $530,000. He then referred to page 8, ***PAMC Service Provider Annual Audit***, second paragraph, first sentence and suggested that it read "the Committee did not believe this expense reduction was warranted, given the on-site audit and its associated expenses were contemplated in the 2009 Business Plan & Forecast".

MOTION by Stiegel, seconded by Bennett, to accept the meeting minutes as presented with Stiegel's corrections. PASSED.

Note: Action was taken to approve the minutes of the May 29, 2009 Joint & Concurrent Meeting of the Operations Committee and Rates & Forms Committee with amendments; however, given there was not a quorum of the two Committees present, the action was invalidated and the minutes were approved by each Committee independently at their respective August 2009 meetings with the requested corrections.

IV. LEGISLATIVE UPDATE: Maida reported that on May 29th, Governor Crist signed HB 903 relating to workers' compensation attorney's fees and a few days later, Commissioner McCarty issued an order approving NCCI's voluntary market rate filing to roll back the rates and rating values to the January 1, 2009 levels.

V. BYLAWS: Maida reported that the Board shall consider revising the Seventh Amended ByLaws to specifically permit the Annual meeting of the membership to be conducted by teleconference. He explained that in March 2009, the Board discussed conducting at least two of its remaining three scheduled quarterly meetings by teleconference in lieu of physical meetings in Sarasota to further reduce the FWCJUA's administrative and travel expenses as well as OIR's expenses given its liaison would not have to travel to the meeting. He reported that the Board agreed that the June and December Board meetings could be handled by teleconference and the Annual meeting of the membership could be conducted along with the September Board meeting in Sarasota. He explained that at that time, there was some question as to whether the ByLaws permitted the Annual meeting of the membership to be conducted by teleconference. Upon review, the ByLaws are silent on the matter and thus, Maida, out of an abundance of caution, has recommended that the ByLaws be amended to specifically permit the Annual meeting of the membership to be conducted by teleconference. He further proposed that the ByLaws be revised to include miner "clean-up" edits and clarifications.

MOTION by Vecchioli, seconded by Bennett to adopt the proposed Eighth Amended Bylaws and file with OIR for approval as soon as practicable. PASSED, unanimously.

VI. INVESTMENT COMMITTEE REPORT:
Investment Marketplace Update: Bennett referred to Attachment E and reported that this agenda item is for informational purposes only and no Board action is required. He indicated that at its May 27th meeting, the Investment Committee received the investment manager's report as to the investment outlook and the portfolio distribution for the monies they manage on behalf of the FWCJUA.

Compliance Review of Current Investment Portfolio: Bennett referred to Attachment F and reported that the Investment Committee continues to meet regularly to review the financial activity. He reported that on May 6th, the Investment Committee was informed via email that Evergreen reported that its analyst believed that the Vulcan Materials bond was "money good" and indicated that the S&P downgrade was not indicative of Vulcan's ability to service its debt. He further reported that on May 27th, the Investment Committee met and authorized the continued holding of the further downgraded Vulcan Materials bond within the FWCJUA's portfolio as an authorized Investment Policy exception and reconfirmed the continued holding of the eight other bonds downgraded below an "A" rating within the FWCJUA's portfolio. He indicated that there are nine specific holdings that are currently being maintained within the FWCJUA's portfolio as exceptions to the Investment Policy and the further downgraded Vulcan Materials holding is the only bond being held as an exception within the portfolio that has yet to be confirmed for holding by the Board.

MOTION by Bennett, seconded by Stiegel, to authorize the continued holding of the Vulcan Materials bond within the FWCJUA's portfolio as an authorized Investment Policy exception; and to re-confirm the continued holding of the Home Depot bond, the two Anheuser Busch bonds, the two Lehman Brothers bonds, the two SunTrust bonds and the CitiGroup bond within the FWCJUA's portfolio as authorized Investment Policy exceptions. PASSED, unanimously.

Investment Policy: Bennett then reported that at its March 27th meeting, the Investment Committee considered whether any changes in the FWCJUA's Investment Policy, investment strategy or cash management were warranted given the state of the investment marketplace as well as the FWCJUA's portfolio performance. Upon review, the Committee did not believe any changes were warranted in the FWCJUA's investment strategy or cash management; however, it did see an opportunity to improve the Investment Policy. He indicated that the Committee believes that the FWCJUA should formalize its current procedures related to the Investment Manager providing timely notice of security downgrades. Accordingly, the Committee recommends that the Board adopt the attached revision to the Investment Policy that adds a provision requiring the investment manager to notify the Executive Director of any security downgraded below acceptable investment parameters. He reported that the Executive Director would then be responsible for communicating directly with the Investment Committee.

MOTION by Bennett, seconded by Ward to adopt the Investment Committee's proposed change to the FWCJUA Investment Policy to formalize its current procedures related to the Investment Manager providing timely notice of security downgrades. PASSED, unanimously.

Investment Manager's Performance/Selection: Bennett advised the Board that at its May 27th meeting, the Investment Committee considered the performance of the investment manager, Evergreen Investments, which has been the FWCJUA's investment manager since 1995 and that the fee structure has not changed since August of 1995. He advised the Board that a competitive solicitation was completed in May 2007 and proposed fees were more than 35% of Evergreen's current fees. He then advised that the FWCJUA's investments have performed well compared to benchmarks, the relationship with Evergreen and SunTrust is working well and the competitive fee structure is extremely competitive. Thus, the Committee would recommend an ongoing relationship with the current investment manager to the Board at this time. He further reported that the Committee also agreed to take another look at investment management opportunities in 2010 to ensure that the FWCJUA continues to receive expert advice at competitive fees.

MOTION by Bennett, seconded by Dannenhauer to continue with the FWCJUA's investment manager relationship as recommended by the Investment Committee. PASSED, unanimously.

2009 Investment Committee Meeting Schedule: Bennett reported that at its May 27th meeting, the Investment Committee agreed to schedule monthly meetings for the next 12 months to review any changes in the FWCJUA's portfolio bond ratings considering the possibility of continued bond market deterioration.

VII. OPERATIONS COMMITTEE REPORT:

2008 Operations Report: Stiegel asked Torrence and/or Cleary to summarize the 2008 Operations Report. Torrence reported that each year Travelers, in conjunction with FWCJUA staff, performs an in-depth review of the FWCJUA's book of business to identify the current composition of the book of business, noting changes from prior years; any trends that my be developing; the level of Travelers' compliance with specified performance standards; any recommendations for enhancing standards; and any other recommendations for improving overall performance to benefit policyholders. Cleary then reviewed the operational highlights of the report with the Board noting that the review of the 2008 operations resulted in no recommendations for improving standards. Stiegel reported that no Board action is required on this item.

Budget Expense Considerations:

Computer Room AC Reconfiguration: Stiegel then asked Torrence to provide the Board with a brief overview of the reconfiguration of the computer room cooling system. She explained that a 2009 Business Plan objective was to upgrade the computer room cooling system to ensure appropriate cooling at maximum efficiency with dependable redundancy. She further explained that the 2009 Premium & Loss Forecast with Budgeted Expenses reflects an anticipated expense to address this AC issue with the indicated value "to be determined."

Torrence then reviewed a summary of the quotes received for the AC work and the related electrical work and recommended that Aqua Plumbing & Air along with Ace Electric be contracted to reconfigure the computer room cooling system. Aqua Plumbing & Air provided the least expensive AC upgrade solution with the most favorable warranties. Ace Electric's quoted fee for the electrical work was $15 higher then the lowest quote received; however, they were recommended by Aqua Plumbing & Air and this should provide for a non-eventful installation given the two contractors work well together. Further, both recommended contractors are licensed and insured.

Considerable discussion ensued with regard to the three quotes for the AC work and the related electrical work and whether it would make sense to hire a mechanical engineer to review the AC issue before the Board agrees to reconfigure the computer room cooling system. It was the consensus of the Board not to hire an engineer to review the AC issue since all three of the AC contractors provided similar solutions by suggesting the addition of another mini-split unit to the computer room. The Chair then asked if the FWCJUA is required to go through a formal bid type process for the AC services and Torrence responded that the Statute requires the FWCJUA to obtain at least two written quotes, telephonic quotes or informal bids, whenever practical, for the purchase of goods or services that equal or exceed $2,500 but are less than or equal to $25,000.

MOTION by Stiegel, seconded by Dannenhauer to authorize an expenditure of $5,000 for the anticipated key initiative related to the reconfiguration of the computer room cooling system and further, to authorize staff to contract with both Aqua Plumbing & Air to install a new mini-split cooling system for the computer room for a fee of $4,035 and Ace Electric to perform the related electrical work for a fee of $965. PASSED, unanimously.

On-line Interactive Application Process: Stiegel referred to Attachment L and reported that this item deals with an on-line interactive application process that would require spending $530,000 to implement such a process and given that current premium volumes are down, the Committee was reluctant to authorize a budget expenditure of this amount without full Board consideration. Thus, it was the consensus of the Committee to submit the on-line interactive process proposal directly to the Board for consideration. Torrence then explained that a 2009 Business Plan objective activity is to evaluate and redesign, as deemed appropriate by the Board, a web-based on-line interactive application process to provide agencies with the ability to submit application information through the system for FWCJUA eligibility review and underwriting prior to the submission of hard copies and monies to further streamline the submission process and improve cost efficiencies. She further explained that there was no associated dollar amount specifically included in the 2009 Premium & Loss Forecast with Budgeted Expenses for this project as the redesign was subject to Board authorization following staff's evaluation of how this goal might best be accomplished along with the associated costs.

Torrence then explained that staff contacted three vendors that currently offer a web option for the application process within a policy issuance system for workers compensation and summarized staff's findings. Torrence also explained that the last option staff considered was building the interactive application system internally; however, she advised that the FWCJUA currently did not have adequate resources to build this kind of a system process in less than a 1 to 2 year timeframe. She advised that the Tropics Software Technologies' product met the FWCJUA's requirements for a web based online application system rather well and allowed for relatively achievable integration with the FWCJUA's existing processes and software. She also noted that Tropics was located in Sarasota providing for an easier support and consulting situation. Accordingly, staff recommended moving forward with Tropics as it provided the best solution at a competitive price. She then reviewed the costs associated with moving forward with Tropics, specifying that staff recommends a one-time capital expenditure of $530,000 with associated recurring expenses as detailed below the recommended solution total in the agenda.

Torrence highlighted the benefits of moving to a fully interactive on-line application process. She indicated that the on-line interactive application process would improve service to employers and their producers. She explained that application processing would become more streamlined and should allow the FWCJUA to determine eligibility more quickly at reduced costs to the FWCJUA, producer and employers. Further, when the FWCJUA repopulates, it would enable the FWCJUA to process volume more efficiently which would reduce the FWCJUA's need to hire underwriters. She advised the Board that after the Committee meeting, staff had reviewed and prepared a cost benefit analysis, but reported that it was difficult to assess the actual savings since it requires the FWCJUA to guesstimate a premium projection, which is extremely difficult to do, given that the FWCJUA reacts to voluntary markets conditions. She explained that the intangible savings would come from reducing both the time to bind/reject coverage requests from employers and the time and money producers put into the application process, such that the producer fees would appear more reasonable to them. However, the FWCJUA would recognize reduced mailing and processing costs as well. With a "smart" application system that could be built to perform some of the underwriting, the FWCJUA would be able to minimize the number of underwriters needed to process applications, especially during repopulation.

Torrence also advised the Board that given the extreme slowdown in the FWCJUA's business as well as its current surplus position, staff believed this was an opportune time for the FWCJUA to consider enhancing the application process to ensure long-term efficiencies that would serve the FWCJUA well into the future, especially when the market cycle changes and repopulation occurs. She further advised that the FWCJUA currently had the talent readily available to fine-tune the Tropics product to meet the FWCJUA's specific underwriting needs, which are unique compared to the voluntary market. Another positive, if the FWCJUA opts to create the on-line interactive application process utilizing Tropics, would be that the FWCJUA would become less dependent on its own IT department. She indicated that the FWCJUA is vulnerable with regard to succession planning in this area. Ultimately, staff believed that the proposed Phase One relationship with Tropics would provide an opportunity for the FWCJUA to attain a depth of support with regard to its application processing system that doesn't currently exist.

Torrence further advised the Board that when it decided to issue premium dividends to FWCJUA policyholders, the Board had agreed to retain the investment income on any policy year as well as to retain between 5% to 10% of the underwriting gain, which could potentially be used to pay for a capital expenditure, such as the Tropics product that will help streamline the FWCJUA's application submission process and improve cost efficiencies. She then advised that the Operations Committee did not have reservations about the product and/or the price of the product, but the timing was the Committee's biggest concern.

Considerable discussion ensued with regard to spending $530,000 and Clary asked if the FWCJUA is required to put together a set of specs and conduct a formal bid process. He explained that he would like to be sure that the FWCJUA has met the letter of the law and suggested that the Board obtain a legal opinion before it agrees to spend $530,000, for a product in which the FWCJUA received only one quote. Maida responded that the FWCJUA is subject to a competitive solicitation process for the procurement of goods and services that exceed $25,000, except in certain emergency situations. He advised that the Board must approve any contract for the purchase of goods and services equal to or exceeding $100,000. He then noted that the competitive solicitation language in the statute does not require a formal RFP process. He explained that the Board could obviously exercise its own judgment and decide when and under what circumstances a formal RFP process would be required. Generally speaking, he said the larger the contract the more inclined the Board might be toward a more formal bid process. However, a contract at the lower end of the scale, the Board would not necessarily have to go through a formal RFP process.

Babin commented that a large portion of the expenditure is primarily due to the cost of the Oracle database, which would be out of the FWCJUA's control regardless of the process or the number of quotes it received. Clary then expressed that he thinks the Board should probably get a legal opinion, in writing, because of the large expenditure, that the solicitation process used by the FWCJUA met the letter of the law as well as the FWCJUA's Bylaws. Maida replied that he would be pleased to provide that legal opinion to the Board.

Further discussion followed and Dannenhauer expressed that he, the Producer Committee, and the FAIA are highly in favor of the on-line interactive application process, because it would significantly benefit the employer, the agent and the FWCJUA. He stated that many of the agent's markets have already gone to this process; it's proactive in nature; and the timing is perfect for the FWCJUA right now. He explained that the FWCJUA has the expertise in the office now to be able to handle and fit the process into its system during this slow period. He further indicated that the FWCJUA also has the funds now to take this proactive approach and he as well as the FAIA whole heartily supports it.

MOTION by Dannenhauer, seconded by Stiegel to authorize a 2009 budget expenditure of $530,000 to implement an on-line interactive application process by January 1, 2010, subject to the FWCJUA's General Counsel providing a written opinion that the solicitation process used by the FWCJUA met statutory requirements as well as the requirements of the FWCJUA's Bylaws. PASSED, unanimously.

September Board & Annual Meeting: Stiegel referred to Attachment M and advised the Board that this agenda item deals with another budget expense consideration to conduct the two remaining scheduled quarterly Board meetings and the Annual meeting of the membership by teleconference in lieu of physical meetings in Sarasota to further reduce FWCJUA expenses, provided OIR timely approves the revised ByLaws.

MOTION by Stiegel, seconded by Ward, to conduct the September 8th and December 8th Board meetings by teleconference as well as the September 8th Annual meeting of the membership, provided OIR timely approves the revised ByLaws. PASSED, unanimously.

PAMC Service Provider Annual Audit: Stiegel then reported that this agenda item was also a budget expense related item that the Operations Committee reviewed, but did not believe the expense reduction was warranted, given that the on-site audit and its associated expenses were already contemplated in the 2009 Business Plan & Forecast. He further reported that the Committee had suggested that staff discuss the need for this annual audit during the development of next year's business plan. He then advised that no Board action is required on this agenda item.

Disaster Recovery Matters: Stiegel then reported that at its May 29th meeting, the Operations Committee had confirmed the Executive Director's modifications to the Disaster Recovery & Emergency Preparedness Plan (DR&EP Plan). He explained that the Plan was revised by the Executive Director to update Section VIII: First Aid and Emergency Assistance to reflect that first aid supplies are also maintained in a second location and to update Appendixes C, D, E, F, G & H. He then indicated that this is informational only and no Board action is required.

VIII. RATES & FORMS COMMITTEE REPORT:

Program to Eliminate the 2008 Subplan D Deficit: Torrence referred to Attachment P and reported that the Board shall consider a Rates & Forms Committee recommendation that it authorize staff in mid-June to finalize the attached draft correspondence to OIR outlining the FWCJUA's program for eliminating the 2008 Subplan D deficit.

She explained that the FWCJUA recognized a $79,571,324 surplus in 2008 and noted that since the FWCJUA is in a surplus position; it is not statutorily required pursuant to section 627.311(5)(g), Florida Statutes, to submit a deficit elimination plan to the Office of Insurance Regulation ("OIR"). However, with Subplan D posting a deficit of $2,818,667, the Board previously agreed to update its plan to eliminate this individual rating plan deficit and submit said updated plan to the OIR. The Committee is recommending that the filing be based upon the subplan D cash flow model updated through the May actuals that become available in mid-June and thus, that staff be authorized to finalize the draft letter as such and submit the plan no later than August 6th, which is 90 days from the date that the audit was filed (May 8th).

MOTION by Stiegel, seconded by Bennett, to recommend that the Board authorize staff to finalize the draft letter to OIR outlining the program to eliminate the FWCJUA's 2008 Subplan D deficit through May actuals and submit no later than August 6, 2009. PASSED, unanimously.

2009 Loss Ratio Selection: Torrence reported that the Rates & Forms Committee met on May 29th and reviewed the methodology adopted by the Board in 2008. She explained that the methodology adopted by the Board in 2008 was recommended by Milliman and utilizes the current year's latest filed rates along with the loss ratios indicated from the loss experience evaluated as of the prior year-end. Milliman's current loss ratio selection analysis utilizes the April 1, 2009 filed rate changes along with the loss ratios indicated from the loss experience evaluated as of December 31, 2008 and produced the 2009 net loss ratios that are being booked by rating tier as noted in the middle of the agenda page. Torrence also reported that at the Committee meeting Milliman did not recommend any changes to the FWCJUA's current procedure for booking the current year's losses. Further, she advised that should an additional rate filing be required in 2009, Milliman would update its analysis and provide new projected net loss ratios that would be brought back to the Committee and the Board for booking confirmation.

MOTION by Dannenhauer, seconded by Bennett, to confirm booking the 2009 losses utilizing the latest filed rate changes along with the loss ratios indicated from the loss experience evaluated as of December 31, 2008. PASSED, unanimously.

Review of Rates, Rating Plans & Policy Forms and Associated Matters to Include Applications Forms:
July 1, 2009 Rates: Torrence referred to Attachment R and advised that the Rates & Forms Committee met May 29th to review the possibility of House Bill 903 becoming law as well as the NCCI Law-Only filing filed with OIR being approved for use in the voluntary market effective July 1, 2009. She reported that the Committee is recommending to the Board that it hold rate until the FWCJUA undergoes its normal rate evaluation in September and direct staff to send a letter to OIR explaining that although voluntary market rates are going down as a result of HB 903 becoming law, the reality of the FWCJUA is much different. She then explained the reason the Committee chose to hold rate was the result of two outcomes from the 2009 Legislative Session. One was the restoration of the attorney fee schedule for workers compensation cases (House Bill 903) and the other was the lack of a $750,000 budget appropriation for the FWCJUA's fixed administrative expenses pursuant to section 440.51(13), Florida Statutes. She advised the Board that the FWCJUA's April 1, 2009 rates contemplated both the Supreme Court's Emma Murray decision as well as the $750,000 appropriation and further noted that the FWCJUA's January 1, 2009 rates had also contemplated the $750,000 appropriation. She referred to the exhibits prepared by Milliman and explained that the exhibits show the Emma Murray April 1st indications with (3.7%) and without (19.3%) the $750,000 credit to G&A Expenses as well as the calculation of expenses.

Considerable discussion ensued regarding the rate indication without the $750,000 credit to G&A expenses as well as the overall calculation of expenses in the rates. Watford advised the Board that at the Rates & Forms Committee meeting he had expressed concern that there would be an expectation by OIR that the rates would come down if HB 903 became law, given the Emma Murray decision was the only reason rates had gone up. He then advised of a conversation he had with the Insurance Commissioner with regard to the Rates & Forms Committee's decision to hold rate and expressed to the Board that Commissioner McCarty was extremely concerned that the FWCJUA was not going to offset the current rates as a result of HB 903. He commented that if there was no Emma Murray Case, the rates would not have changed.

Torrence then reminded the Board that at its September 8, 2008 meeting, it had agreed to assume the receipt of the State funding in 2009 for purposes of the rate indication, recognizing that the rate need could be reassessed in mid-2009 should the funding be denied. She further commented that the FWCJUA could file the decrease in rate and then consider the fact that it did not receive the $750,000 for its fixed administrative expenses and to what extent that would affect the rate. But cautioned the Board that if it decides to lower the rate without some type of analysis to accommodate HB 903, realizing that G&A expenses have not changed and earned premiums are lower than projected, together with not receiving the $750,000 appropriation, could create a deficit for the FWCJUA in the 2009 year.

Dannenhauer expressed that he would agree with Watford, if the 3.7% increase was because of the Emma Murray decision and now that's gone away, why not go ahead and roll back the rates effective July 1st. Then, deal with a possible deficit later, if the FWCJUA anticipates a deficit. He further commented that he does not see how the FWCJUA can postpone taking any action and not joining the rest of the marketplace in responding proactively to HB 903. Torrence reminded the Board that the 3.7% increase contemplated receiving the $750,000; the Board should not consider one without the other in its decision. Clary commented that the Board should also keep in perspective that the FWCJUA is supposed to be the market of last resort and holding rate until the FWCJUA undergoes its normal rate evaluation in September may encourage employers to make more of an effort to find voluntary market coverage.

Further discussion followed and Mulvaney advised that both the January 1 and the April 1 rates contemplated some relief on the FWCJUA's fixed expense burden (the $750,000 credit) and the April 1 rates contemplated the increased costs due to Emma Murray. He explained that actuarial standards require rate indications to consider all of the costs and all of the sources of revenue to determine rate. Thus, it is appropriate for actuarially sound rates to include real expenses as well as the losses that are expected to incur. Mulvaney then stated that while it's true that HB 903 reduced the losses, the FWCJUA's fixed expense burden increased, as a result of not receiving the $750,000 credit. He also warned the Board that the expense burden will become more of a serious problem with the FWCJUA's current premium volumes and explained that as the premium volume drops and becomes smaller, the expense burden becomes a larger and larger share of the rate and costs will go up. He then reported that if the Board agrees to drop rates now that would mean effectively the FWCJUA would have to at least make up that drop and will most likely be looking at a material rate increase next January, because of the increased expense burden. He explained that his calculation shows that if the FWCJUA had not anticipated the expense credit, instead of filing for a 3.7% increase, the FWCJUA would have had to file for a 19.3% increase effective April 1 to pay for the additional expense burden.

Discussion then led to the surplus amount and Mulvaney explained that the surplus is available for future deficits, however rate making standards will not permit actuaries to consider that money. Vecchioli commented that we have already heard from Watford as to what the Commissioner's reaction was in relation to the FWCJUA not following suit with the voluntary market and lowering rates pursuant to HB 903. Dannenhauer urged the Board to structure a motion to give back 3.7% effective July 1st and suggested that any deficit that may result from this action come out of the FWCJUA's surplus. Stiegel suggested that the Board look at the issue as if Emma Murray had not occurred and if the FWCJUA was at its mid-year rate review process and was only considering the $750,000 appropriation issue, would the FWCJUA re-file a mid-year rate adjustment or would it just decide to continue with the January 1 rates and wait to go through its normal rate evaluation in September. He indicated that he would expect the FWCJUA to maintain the current rates. It was the consensus of the Board to roll back the April 1 rates to the January 1 rates, resulting in a 3.7% rate level decrease.

MOTION by Stiegel, seconded by Dannenhauer, to roll back the April 1, 2009 FWCJUA rates and rating values to the January 1, 2009 FWCJUA rates and rating values resulting in a 3.7% rate level decrease for FWCJUA policyholders. PASSED, unanimously.

IX. REPORT ON OPERATIONS:

2009 Business Plan Status Report: Torrence then referred to Report on Operations – 1 and summarized the 2001 Policyholder Return of Premium Dividend Results. She commented that the outcome has been extremely favorable to the FWCJUA.

Operations Analysis: Torrence referred the Board to the handout labeled Report of Operations – 2 and reported that as of April 30, 2009, the FWCJUA has 1,023 policies "IN-FORCE" with a corresponding written premium of approximately $7.3 million.

Loss Summary Report: Torrence then reported that two of the large losses exceeding $400,000 (4 and 11) have closed. In addition, staff has been able to reduce approximately 2.6 million in reserves for Claim 1 as a result of changing the benefits from Temporary Total to Permanent Partial in accordance with a Labor Market Survey and the medical evaluations.

Collections Report: Buccina commented that the incoming volume is substantially lower and the FWCJUA's recoveries have remained steady, but it is much more difficult and labor intensive to collect as a result of the economy.

X. FINANCIAL REPORT:

Comparative Statutory Financial Statements: Lopez reported that the cumulative surplus as of March 31, 2009 was approximately $80M. She further reported that Subplan D's deficit was approximately $2.7M with "prior A, B & C" recognizing an approximate $43M surplus and the three rating tiers recognizing a combined surplus of approximately $39.7M. She reported that written premiums through March 2009 were 78% less than written premiums in March 2008 suggesting continued depopulation. Losses paid in 2009 are 19% more than 2008. The overall net income for 2009 has fallen almost 19% compared to first quarter 2008, which is due in part to the large swings experienced in the financial marketplace that began in February 2008 and continues today.

Budget Variance: In referring to Financial Report – 2, Lopez reported that as of March 31st, Net Earned Premium was 26% less than projected. She further reported that G&A expenses were approximately $165,000 under budget.

Cash Flow Analysis: Lopez referred the Board to Financial Report – 3, and reviewed the Actual Cash Flow Analysis for the Subplans as well as the Tiers. There were no questions.

Investment Portfolio: Lopez in referring to Financial Report – 4, noted that as of May 18th the current portfolio return was 3.17%, down from 4.58% in December 2007. She reported that the FWCJUA's portfolio is still generally a buy and hold strategy which has allowed for a lesser drop in yields than the marketplace.

XI. GENERAL ANNOUNCEMENTS: There were no general announcements.

XII. ADJOURNMENT AND CLOSING REMARKS: There was no further business.

MOTION by Clary, seconded by Dannenhauer to adjourn. PASSED.

The meeting adjourned at 10:39 a.m.

Respectfully submitted,

Charlie Clary, *Chair*

DRAFT - MINUTES OF THE MEETING OF THE INVESTMENT COMMITTEE OF THE FLORIDA WORKERS' COMPENSATION JOINT UNDERWRITING ASSOCIATION, INC. HELD ON JUNE 26, 2009 AT 10:00 A.M. VIA TELECONFERENCE

PRESIDING:	Fred Bennett, *Chair*
COMMITTEE MEMBERS:	Terry Butler, *designated alternate for Sean Shaw* Claude Revels, *absent*
EXECUTIVE DIRECTOR:	Laura Torrence
GENERAL COUNSEL:	Wes Strickland
OFFICE OF INSURANCE REGULATION LIAISON:	Jim Watford
STAFF:	Laura Lopez
SERVICE PROVIDERS:	Jason Weinstein, Evergreen Investment Management Alicia Wyatt, SunTrust Capital Markets
OTHERS:	Eileen Spiegler, Colodny, Fass, Talenfeld, Karlinsky, Abate

I. CALL TO ORDER AND OPENING REMARKS: The Chair called the meeting to order at 10:00 a.m. The roll was called and a quorum being established the meeting began.

II. ANTI-TRUST PREAMBLE: Prior to the consideration of any business, the Antitrust Preamble was read by Strickland a copy of which is attached hereto as Exhibit "A".

III. COMPLIANCE REVIEW OF THE CURRENT INVESTMENT PORTFOLIO: Bennett opened the discussion by noting that the current investment portfolio was compliant with the Investment Policy and that no new exceptions needed to be considered at this meeting. Bennett questioned whether the outlooks for any of the bonds being held as exceptions had changed since the last meeting. Wyatt and Weinstein advised that there had been no changes in the outlooks for the currently held exceptions.

MOTION by Butler, seconded by Bennett to re-confirm the continued holding of the Home Depot bond, the two Lehman Brothers bonds, the two SunTrust bonds, the two Anheuser Busch bonds, the CitiGroup bond and the Vulcan Materials bond within the FWCJUA's portfolio as authorized Investment Policy exceptions. PASSED.

IV. REVIEW OF POLICY AND GUIDELINES FOR THE INVESTMENT OF ASSETS AND ASSOCIATED MATTERS: Bennett opened the discussion by indicating he had reviewed the proposed amendment to the Investment Policy and felt it was appropriate. Torrence then summarized the reason for the proposed amendment. The Committee agreed that the recommended investment allocation of 100% for CD's issued by banks or thrift institutions that are fully insured by the FDIC would be reasonable given these CD investments have the full faith and backing of the U.S. Government, similar to U.S. Government Securities and U.S. Government Agency Securities.

MOTION by Butler, seconded by Bennett to recommend that the Board adopt an amendment to the Investment Policy permitting a 100% investment allocation to CD's issued by banks or thrift institutions that are fully insured by the FDIC. PASSED.

V. GENERAL ANNOUNCEMENTS: There were no general announcements.

VI. ADJOURNMENT AND CLOSING REMARKS: There was no further business.

MOTION by Bennett, seconded by Butler to adjourn. PASSED.

The meeting adjourned at 10:10 a.m.

Respectfully submitted,

Fred Bennett, Chair

DRAFT - MINUTES OF THE MEETING OF THE AUDIT COMMITTEE OF THE FLORIDA WORKERS' COMPENSATION JOINT UNDERWRITING ASSOCIATION, INC. HELD ON AUGUST 20, 2009 AT 10:00 A.M. VIA TELECONFERENCE

PRESIDING:	Fred Bennett, *Chair*
COMMITTEE MEMBERS:	Terry Butler, alternate for Sean Shaw Beth Vecchioli
EXECUTIVE DIRECTOR:	Laura Torrence
GENERAL COUNSEL:	Tom Maida
OFFICE OF INSURANCE REGULATION LIAISON:	Jim Watford
STAFF PRESENT:	Laura Lopez
SERVICE PROVIDERS PRESENT:	Liz Fabi-Piller, *Thomas Howell Ferguson* John McLaughlin, *Travelers* Colleen Winegardner, *Travelers*

I. CALL TO ORDER AND OPENING REMARKS: The Chair called the meeting to order at 10:00 a.m. The roll was called and a quorum being established the meeting began.

II. ANTI-TRUST PREAMBLE: Prior to the consideration of any business, the Antitrust Preamble was read by Maida. A copy of the preamble is attached hereto as Exhibit "A".

III. AUDIT COMMITTEE CHARTER PROCEDURES CHECKLIST: Lopez referred the Committee to Attachment B, the Audit Committee Charter Procedures checklist, and highlighted the specific quarterly duties for discussion.

1) **Review the audit committee charter to determine whether its responsibilities are adequately described.** Lopez advised that staff and THF had no suggested changes.

2) **Develop a meeting planner for calendar year 2009 to make sure that the committee meets its responsibilities as outlined in the Charter.** Lopez advised that the Committee was scheduled to meet on November 18, 2009 to address the remainder of its Audit Committee Charter responsibilities for 2009. The Committee members confirmed the meeting date.

3) **Discuss any significant risks faced by the Association in the current environment. Provide information to the Committee on the Association's structure, controls and types of transactions.** Lopez advised the Committee that PMA responded that it could not provide a requested $80,800 LOC, based on its current credit standing. Given PMA's response, Aon Benfield then asked PMA for funding according to its contractual obligation via cash, but has yet to hear back from PMA. Under the circumstances, PMA has made it known that the satisfaction of such a request may take some time as it requires the approval of the Pennsylvania Insurance Department. It was further reported that the Reinsurance Committee would be considering this matter at its August 24th meeting.

4) **Evaluate whether management exhibits and fosters a culture and environment that promotes high-quality financial reporting, including addressing adequacy and effectiveness of internal control issues as well as approval and monitoring of special and complex transactions.** Lopez advised that staff implemented procedures to address all the auditor's written and verbal recommendations from the 12/31/08 audit as previously discussed at the 4/27/09 Audit Committee meeting.

5) **Receive update from management about reports received from regulators and their responses to those reports.** Lopez advised that there currently were no reports from regulators requiring management's response.

6) **Review quality control procedures of the independent auditor over the audit function. Review planned scope of the independent auditors, results of their work, changes in the planned scope, the extent of control testing to be performed, and the extent and appropriateness of the coordination of their activities.** Fabi-Pillar advised control testing on claims and premium would begin at the end of September to early October with the remainder of the testing to commence in January and that the quality control procedures are reviewed every year.

7) **Determine that the independent auditors are appropriately compensated to provide well-trained, highly experienced personnel required to perform the necessary procedures for a high-quality audit. Establish a process for the appointment, compensation and oversight of the independent auditors. Also, establish a process for pre-approving the audit and non-audit services to be provided by the independent auditors. When warranted, termination and reappointment of a replacement auditor.** At the 8/21/08 Audit Committee meeting, the Committee confirmed the engagement of THF for the 2009 Financial Audit and recommended that the FWCJUA obtain price comparisons for the 2010 audit and beyond. Accordingly, staff advised that the 2010 Business Plan would contemplate the selection of the Financial Auditor for the 2010 - 2012 audits with options for two one-year extensions. It was noted that audit services are exempt from competitive selection. The Committee agreed that a 3-year engagement with the possibility of two 1-year extensions was reasonable and provided the FWCJUA with flexibility.

8) **Inquire about the independent auditors' quality control safeguards and independence. Inquire as to the results of the independent auditors' latest peer reviews, as well as the status of significant litigation or disciplinary actions by regulatory bodies.** Fabi-Pillar advised that independence was reviewed on a regular basis for both the firm and its employees and that there was no pending litigation or disciplinary actions against THF. The last peer review was completed in the summer of 2007 and is performed every 3 years, so THF will undergo its next peer review in the summer of 2010.

IV. UPDATE ON FEDERAL TAX MATTERS: Torrence advised that the penalty on the June 30, 2007 tax return was removed in full and therefore the FWCJUA had now completed all of its federal tax filings. In regards to the 2010 Business Plan, Torrence advised that the 2009 objective regarding the monitoring the federal tax exemption filed in December 2007 will be revised to reflect the following: "Monitor the IRS progress on the development of regulation or any other published guidance with regard to the topic of what constitutes an integral part of a state, local, or Indian tribal government for federal income tax purposes such that a Private Letter Ruling may be further pursued as appropriate." The Committee concurred with this more accurate 2010 initiative.

V. GENERAL ANNOUNCEMENTS: Bennett advised that the next Audit Committee meeting was scheduled to be held by teleconference at 10:00 a.m. on November 18, 2009.

VI. ADJOURNMENT AND CLOSING REMARKS: There was no further business.

MOTION by Bennett, seconded by Vecchioli to adjourn. PASSED. The meeting adjourned at 10:20 a.m.

Respectfully submitted,

Fred Bennett, Chair

MINUTES OF THE OPERATIONS COMMITTEE OF THE FLORIDA WORKERS' COMPENSATION JOINT UNDERWRITING ASSOCIATION, INC. HELD ON AUGUST 24, 2009 AT 3:00 P.M. VIA TELECONFERENCE

PRESIDING:	Brett Stiegel, *Chair*
COMMITTEE MEMBERS:	Fred Bennett, *not present* Rick Hodges
EXECUTIVE DIRECTOR:	Laura Torrence
GENERAL COUNSEL:	Tom Maida
OFFICE OF INSURANCE REGULATION LIAISON:	Jim Watford
STAFF PRESENT:	Marc Babin Michael Cleary Laura Lopez
SERVICE PROVIDERS PRESENT:	Arleen Desmond, *Travelers* John McLaughlin, *Travelers* Colleen Winegardner, *Travelers*
OTHERS PRESENT:	Carolyn Cocharan, *Colodny, Fass, Talenfeld, Karlinsky, Abate*

I. CALL TO ORDER AND OPENING REMARKS: The Chair called the Operations Committee meeting to order at 3:00 p.m. The roll was called and a quorum being established the meeting began.

II. ANTITRUST PREAMBLE: Prior to the consideration of any business, the Antitrust Preamble was read by Maida, a copy of which is attached hereto as Exhibit "A".

III. APPROVAL OF MINUTES: Torrence reported that the Committee shall consider approval of the attached minutes from the Joint & Concurrent Operations & Rates & Forms Committee teleconference meeting held May 29, 2009 as amended at the June Board meeting. She explained that at the June 9, 2009 Board meeting, action was taken to approve the minutes of the May 29, 2009 joint & concurrent meeting of the Operations Committee and Rates & Forms Committee with amendments; however, given there was not a quorum of the two Committees present, the action was invalidated and the minutes will be presented to both Committees for approval at their August meetings. Thus, these minutes will not be approved as final until both Committees take action.

MOTION by Hodges, seconded by Stiegel, to approve the meeting minutes as presented. PASSED.

IV. BUDGET EXPENSE CONSIDERATIONS:

On-line Interactive Application Process**:** Torrence reported that on May 29th, the Committee had reviewed a proposal to assist the FWCJUA in implementing a web-based on-line interactive application process and at that time, it was the consensus of the Committee to submit the on-line interactive process proposal directly to the Board for consideration. She indicated that on June 9th, the Board had unanimously agreed to authorize a 2009 budget expenditure to implement an on-line interactive application process by January 1, 2010, subject to General Counsel providing a written opinion that the solicitation process used by the FWCJUA met statutory requirements as well as the requirements of the FWCJUA's Bylaws. Upon review of the process, General Counsel suggested a more formal solicitation process with advertising in the Florida Administrative Weekly and on the FWCJUA's Website. Accordingly, on July 2, 2009, the FWCJUA released a Quote Solicitation for a customized, pre-built software solution for a workers' compensation web-based on-line interactive application process to allow insurance agencies to submit new business applications via the internet. She then advised the Committee that on July 24th, the FWCJUA received one response to its Quote Solicitation. The respondent was Tropics Software Technologies, and its response was both timely and deemed "responsive." Accordingly, a software demonstration and interview was conducted on August 3, 2009 and as a result of that process, staff was able to refine the technology requirements, which triggered the addition of a full work management module as well as enhancements, not initially contemplated in the initial quote. Staff then scored the proposal and agreed to recommend that the FWCJUA proceed with Tropics.

She then reviewed the costs associated with moving forward with Tropics, specifying that staff recommends a one-time capital expenditure of $603,292 with associated recurring expenses as detailed in the agenda. She indicated that Tropics suggested an estimated go-live date of January 31, 2010, provided they are awarded the engagement, however, staff recommends a go-live date of no later than March 1, 2010, given it would prefer to set the target date following the development of the actual engagement plan.

Considerable discussion ensued and Hodges indicated that he was reluctant to offer a Committee recommendation given the full Board had previously authorized the 2009 budget expenditure to implement an on-line interactive application process. Stiegel shared Hodges concern.

MOTION by Hodges, seconded by Stiegel, to defer the on-line interactive application process proposal directly to the full Board for consideration given the associated costs. PASSED.

V. 2010 BUSINESS PLAN & FORECAST PRELIMINARY OUTLINE: Torrence referred to Attachment D and ran through the preliminary outline for the 2010 Business Plan. The Committee had nothing to add to the preliminary outline, so Lopez walked through the initial projected 2010 Forecast.

Torrence then referred to the 7% estimate for the 2010 collection ratio and explained that staff chose to utilize the 3-year average for uncollectible premium versus the traditional 5-year average, as the results continue to improve. She then reported that the 2010 Forecast also contemplates a reduction in workforce. She explained that the FWCJUA currently employs 15 staff members and it plans to reduce the staff by 3 to 4, as well as move one of the staff member's salary to the Key Initiative Expenses on page 3, under Project Work to handle the premium collection and dividend work for past policyholders; thus, the expense would not be considered a G&A expense and factored into current rates, but rather paid out of the FWCJUA's investment income and retained underwriting gains.

Hodges questioned the 46.9% increase in the Loss Before Assessments when comparing the 2009 Forecast with the 2010 Forecast. Lopez indicated that the heading should read Gain, so it is actually a significant increase in the Gain if the FWCJUA receives the $750,000 appropriation permitted by Florida Statutes when our premium falls below $30 million. Torrence explained that staff is only able to really control the G&A and Key Initiative expenses, as all the other expenses are calculated as a percentage of the premium volume. She then noted that the projected controllable G&A expenses for 2010 decreased by 16.7% or $458,170 from 2009. Further, she noted that even with the significant projected decrease in premium for 2010, there was a modest increase in the GAIN even without the $750,000 legislative appropriation. It was the consensus of the Committee that the preliminary outline of the 2009 Business Plan & Forecast be presented to the Board for discussion at its September 9th meeting.

VI. TRAVEL POLICY: Torrence reported that this item had been tabled for discussion at a future meeting of the Operations Committee.

VII. DISASTER RECOVERY MATTERS: Torrence updated the Committee on the modifications to the Disaster Recovery & Emergency Preparedness Plan (DR&EP Plan). She indicated that the Plan has not been revised since the Committee last reviewed it on May 29, 2009; however, Appendixes C & F were updated and distributed on August 19th.

VIII. SERVICE PROVIDER AUDIT RESULTS: Cleary reported that on July 13th and 14th staff audited the policy administration and managed care service provider, Travelers. He indicated that the performance audit resulted in a cumulative score of 98.3% and an overall "Commendable" rating for Travelers. This is a slight improvement on last year's performance audit results which reflected a cumulative score of 96.3% and an overall "Commendable" rating.

Cleary then reported that staff had again reviewed the Travelers' Anti-Fraud and Disaster Recovery Plans and found them both to be comprehensive and adequate. He further reported that last year, there were two elements within the FWCJUA's comprehensive performance standards wherein Travelers received less than a satisfactory rating; one element was related to loss prevention while the other was related to audit. Given the extremely small qualifying sample on the loss prevention element, staff re-tested the element at the beginning of the year with a larger sample to ensure a credible test result and of the nine (9) additional files tested; staff found that Travelers met the loss prevention standard 100% of the time within the required timeframe. The audit element at issue last year was related to proper audit documentation and Travelers had addressed this matter with its auditors last year and implemented additional controls to ensure adherence to the specific performance standard. This year, there was a significant improvement in Travelers' performance related to proper audit documentation. Staff found that 95% of the policy files reviewed with either a preliminary or final physical audit, contained the proper audit documentation, giving Travelers a Commendable performance rating within this element of the performance audit. No Committee action was required on this agenda item.

IX. EMPLOYEE BENEFITS: Torrence reported that she is looking for direction from the Committee with regard to whether to establish a severance (separation) policy, given that the FWCJUA is now contemplating a workforce reduction. She advised that the FWCJUA has never faced a layoff before and she was struggling with laying off qualified, loyal staff when it was very likely they will be unable to find comparable positions given the current environment. Torrence referred to Attachment H and explained that it includes a very basic example of a severance policy. She then asked the Committee whether it believed some type of severance policy or guidelines should be developed either in general or specific to a workforce reduction for the involuntary separation of employees.

The Committee agreed that severance is appropriate for those employees who would qualify for separation pay and suggested that General Counsel work with the Executive Director to draft a policy for Board consideration at a later date. It was agreed that the Committee members would individually provide input to the General Counsel regarding their thoughts on what should be contemplated within any severance policy or guidelines. Torrence indicated that when a draft was available for review, she would schedule another Committee meeting.

MOTION by Hodges, seconded by Stiegel, to direct the Executive Director and the General Counsel to draft a severance (separation) policy for future Board consideration. PASSED.

X. SECTION 627.311(5)(t), FLORIDA STATUTES: Torrence reported that the Committee shall consider the positive impact that section 627.311(5)(t), Florida Statutes, has had on the FWCJUA's ability to manage its uncollectible premium. She informed the Committee that effective July 1, 1998, Senate Bill 1108 became law adding a provision to the FWCJUA's enabling statute prohibiting any insurer from offering workers compensation and employer's liability insurance to any person who is delinquent in the payment of premiums, assessments, penalties or surcharges owed to the FWCJUA. Effective July 1, 2004, House Bill 1251 became law and strengthened this voluntary market prohibition by including in the FWCJUA's enabling statute a definition for the term "affiliated person."

Torrence reported that since the enactment of these two bills, there has been a dramatic improvement in the FWCJUA's cumulative uncollectible premium. She mentioned that as of May 21st, section 627.311(5)(t), Florida Statutes, provided RSI with the leverage necessary to collect on 41% of the accounts in which there was a recoverable in 2009. More importantly, nearly 82% of the dollars collected were from these accounts which were vulnerable to this statutory provision.

Torrence then informed the Committee that staff had been advised that the Legislature may be asked to consider limiting the FWCJUA's reach with regard to persons who are delinquent in the payment of premiums. Given the FWCJUA's success in reducing the uncollectible premium through the leverage this statute provides, Torrence asked the Committee if the FWCJUA should consider any action to maintain the status quo.

Upon discussion, the Committee agreed that the FWCJUA should vigilantly watch for any legislative activity that might seek to revise section 627.311(5)(t), Florida Statutes given the FWCJUA's success in reducing the uncollectible premium through the leverage this statute provides.

XI. REPORT ON OPERATIONS: Torrence referred to Attachment J and highlighted many of the operational objectives addressed by staff within the third quarter.

XII. GENERAL ANNOUNCEMENTS: There were no general announcements.

XIII. ADJOURNMENT AND CLOSING REMARKS: There being no further business, the meeting was adjourned at 4:12 p.m.

MOTION by Hodges, seconded by Stiegel, to adjourn the meeting. PASSED.

Respectfully submitted,

Brett Stiegel, *Chair*

DRAFT - MINUTES OF THE MEETING OF THE PRODUCER COMMITTEE OF THE FLORIDA WORKERS' COMPENSATION JOINT UNDERWRITING ASSOCIATION, INC. HELD ON AUGUST 24, 2009 AT 10:00 A.M. VIA TELECONFERENCE

PRESIDING:	Dan Dannenhauer, *Chair*
COMMITTEE MEMBERS:	Rick Hodges Beth Vecchioli
EXECUTIVE DIRECTOR:	Laura Torrence
GENERAL COUNSEL:	Tom Maida
OFFICE OF INSURANCE REGULATION LIAISON:	Jim Watford
STAFF PRESENT:	Michael Cleary
SERVICE PROVIDERS PRESENT:	Arleen Desmond, *Travelers* John McLaughlin, *Travelers* Colleen Winegardner, *Travelers*
OTHERS PRESENT:	Michael Powers, *Colodny, Fass, Talenfeld, Karlinsky, Abate*

I. CALL TO ORDER AND OPENING REMARKS: The Chair called the meeting to order at 10:00 a.m. The roll was called and a quorum being established the meeting began.

II. ANTITRUST PREAMBLE: Prior to the consideration of any business, the Antitrust Preamble was read by Maida, a copy of which is attached hereto as Exhibit "A".

III. AGENCY PRODUCER AGREEMENT: Torrence referred to Attachment B and reported that staff is looking for the Producer Committee's comments and/or direction regarding the Agency Producer Agreement authorization process. She explained that the FWCJUA had revised the Agency Producer Agreement authorization process back in 2007, to coincide with law changes adopted under Section 626.112(7)(a), Florida Statutes, regarding an Agency's licensing and registration requirements. At that time, one modification was the change in the term of the Agreement from 1 year to 2 years with no change in the fee structure thus, resulting in a 50% savings for Agencies seeking authorization to submit business to the FWCJUA.

Torrence then advised that staff is now proposing that the Agency Producer Agreement be modified to permit a one-time Agency authorization with a perpetual agreement, as amended from time to time, until otherwise terminated. She explained that this would reduce the handling expenses for the authorization process on the part of both the FWCJUA as well as the Agencies and is consistent with the voluntary market process. She further mentioned that consistent with the FWCJUA's current process, staff would continue to confirm the Agency's E&O coverage and registration or license as well as any of its Designated Producers' and CSRs' licenses at least annually.

Torrence then advised the Committee that in order to implement such a change in the authorization process, staff would enlist the assistance of General Counsel to redraft the Agency Producer Agreement for the Producer Committee's review. Also, the FWCJUA Operations Manual would be modified to incorporate the changes to the process and would also be brought before the Committee for review. At that time, the process for rolling out the new Agreement as well as the process for future Agreement amendments would also be considered and finalized by the Committee for Board consideration. If the changes are ultimately adopted by the Board, the Agreement and the Manual would be filed for OIR approval.

Dannenhauer commented that staff's proposed change to the process is consistent with the voluntary market and he sees only benefits to the change in the Agreement. Vecchioli commented that while staff's proposed change to the authorization process is a great idea, she asked Dannenhauer if the FWCJUA goes to a perpetual agreement and finds out later that it needs to make a change to the Agreement as a result of new legislation, how would he envision the contract amendment roll out? Dannenhauer responded that the Agreement could be changed or modified via endorsement, similar to how a policy is endorsed to reflect changes. He further commented that he sees alterations to contracts all the time. Torrence suggested that the "new" Agreement would address how such changes would be endorsed, such as upon 30-days advanced written notice to the Agency. The Agency could then decide whether to accept the change or terminate its Agreement.

MOTION by Vecchioli, seconded by Hodges to direct staff to work with the General Counsel to develop a perpetual Agency Producer Agreement as soon as practicable. PASSED, unanimously.

IV. REVOCATION/SUSPENSION RULES: Torrence reported that at a previous teleconference meeting, the Producer Committee had directed staff to work with the Committee Chair to develop penalty guidelines for the purpose of maintaining a consistent approach to suspend or revoke an agency's and/or designated producer's privilege to act as an agency or designated producer for the FWCJUA upon the occurrence of a violation and in May of this year, staff and the Producer Committee Chair had finalized the individual parameters that surround suspension, revocation and/or termination of an Agency's and/or Designated Producer's privilege to submit business to the FWCJUA. However, she explained that staff currently came across a situation recently where it felt that the Operations Manual as written did not clearly reflect the ability to terminate an Agency's and/or Designated Producer's privilege to submit business or suspend with the intent to terminate an Agency's and/or Designated Producer's privilege to submit business, if the Agency and/or Designated Producer no longer met a minimum standard of eligibility to be an authorized Agency or Designated Producer and was unable to cure the eligibility standard for which the FWCJUA was terminating the Agency and/or its Designated Producers privilege to submit business. She explained that Manual rules only discuss the FWCJUA's ability to revoke the privileges of the Agency and/or the Designated Producer and the earliest the Agency and/or the Designated Producer may be considered for reinstatement is two years from the effective date of the revocation. She further explained that terminating instead of revoking the Agency's and Designated Producer's privileges for two (2) years, gives the Agency and its Designated Producer the opportunity to reapply for authorization to the FWCJUA, at a later date once it is able to again comply with the standards of eligibility. Thus, staff would like to work with the General Counsel to redraft the Operations Manual and possibly, the Agreement to clarify the rules regarding the termination, suspension or revocation of an Agency and/or its Designated Producers.

Discussion ensued with regard to the rules for termination and Vecchioli asked staff if the FWCJUA terminates an Agency and/or its Designated Producer for administrative reasons, would the Agency and/or the Designated Producer be given the opportunity to appeal. Torrence responded that if the Agency and/or its Designated Producer no longer met a minimum standard of eligibility to be an authorized Agency and/or Designated Producer, then no, the Agency and/or its Designated Producer would not be given the opportunity to appeal. She explained that she would suspend with the intent to terminate the Agency and/or its Designated Producer privileges and if the Agency and/or its Designated Producer is unable to remedy the situation before the end of the suspension period, then the Agency and/or the Designated Producer will be terminated, until such time the Agency and/or its Designated Producer is able to meet the FWCJUA's eligibility requirements.

MOTION by Hodges, seconded by Vecchioli, to direct staff to work with the General Counsel to clarify the rule regarding the termination, suspension or revocation of an Agency and/or its Designated Producers and CSRs as soon as practicable. PASSED, unanimously.

V. ON-LINE APPLICATION PROCESS: Torrence reported that at its June 6th meeting, the Board unanimously agreed to authorize a 2009 budget expenditure to implement an on-line interactive application process by January 1, 2010, subject to General Counsel providing a written opinion that the solicitation process used by the FWCJUA met statutory requirements as well as the requirements of the FWCJUA's Bylaws. She explained that upon review of the process, General Counsel suggested a more formal solicitation process with advertising in the Florida Administrative Weekly and on the FWCJUA's Website. She reported that the FWCJUA released a Quote Solicitation for a customized, pre-built software solution for a workers' compensation web-based on-line interactive application process to allow insurance agencies to submit new business applications via the internet on July 2nd and on July 24th, the FWCJUA received one response to the Quote Solicitation. Based on the requirements of the Quote Solicitation, the Respondent has proposed a blend of functionality from its software, which includes an Agency Profile Management module similar to the FWCJUA's current Agency and Producer system in FLARE[4]. Further, the Respondent has suggested an estimated go-live date of January 31, 2010. The Operations Committee shall receive staff's recommendation to proceed with the Respondent at its August 24th meeting at 3:00 p.m. The

Operations Committee will then determine whether to make such a recommendation to the Board for its consideration on September 9th.

The Committee then considered whether Agencies should ultimately be required or otherwise incented to submit applications via the on-line process, given the expenses that will be incurred to move forward with this significant endeavor. Staff recommended that all authorized Agencies be required to submit Applications for Coverage via the on-line process, if implemented. Staff also recommended that should manual application submissions continue to be permitted, consideration be given to creating appropriate incentives/disincentives to ensure that a significant majority of applications are submitted through the on-line process to ensure the endeavor's cost-effectiveness. As an example, staff suggested that it might be appropriate to consider collecting a fee of $25.00 for each manual application submission, with the burden of such fee being born solely by the Agency (i.e., not a pass through to the employer).

During its discussion, the Producer Committee favored requiring all Applications for Coverage be submitted via the on-line interactive application process. Watford indicated that if an Agency prefers to submit a manual application submission instead of submitting through an on-line process that the Agency should bear the expense to process the application submission manually. He further indicated that if the FWCJUA were to require that all Applications for Coverage be submitted via the on-line process, Agencies should be provided with a period of time to transition to the on-line process. Upon concluding its discussion, the Committee agreed to recommend that the Board require that all Applications for Coverage be submitted via the web-based on-line interactive application process, if pursued for implementation, within six (6) months from the "go live" implementation date.

MOTION by Hodges, seconded by Vecchioli, to recommend to the Board that it require all Applications for Coverage be submitted via the web-based on-line interactive application process, if pursued for implementation, within six (6) months from the "go live" implementation date. PASSED, unanimously.

VI. GENERAL ANNOUNCEMENTS: There were no announcements.

VII. ADJOURNMENT AND CLOSING REMARKS: There was no further business.

MOTION by Hodges, seconded by Vecchioli, to adjourn the meeting. PASSED.

The meeting adjourned at 10:41 a.m.

Respectfully submitted,

Dan Dannenhauer, *Chair*

DRAFT-MINUTES OF THE MEETING OF THE REINSURANCE COMMITTEE OF THE FLORIDA WORKERS' COMPENSATION JOINT UNDERWRITING ASSOCIATION, INC. HELD ON AUGUST 24, 2009 AT 2:00 P.M. VIA TELECONFERENCE

PRESIDING:	Beth Vecchioli, *Chair*
COMMITTEE MEMBERS:	Claude Revels James Ward
EXECUTIVE DIRECTOR:	Laura Torrence
GENERAL COUNSEL:	Tom Maida
OFFICE OF INSURANCE REGULATION LIAISON:	Jim Watford
STAFF PRESENT:	Michael Cleary
SERVICE PROVIDERS PRESENT:	Jeff Deaton, *Aon Benfield* Bill Fleischhacker, *Aon Benfield* Graham Jones, *Aon Benfield* Keith Thurman, *Aon Benfield* Arleen Desmond, *Travelers* John McLaughlin, *Travelers* Colleen Winegardner, *Travelers*
OTHERS PRESENT:	Michael Powers, *Colodny, Fass, Talenfeld, Karlinsky, Abate* Scott Fields, *Guy Carpenter* Fred Wicks, *Guy Carpenter*

I. CALL TO ORDER AND OPENING REMARKS: The Chair called the meeting to order at 2:00 p.m. The roll was called and a quorum being established the meeting began.

II. ANTITRUST PREAMBLE: Prior to the consideration of any business, the Antitrust Preamble was read by Maida, a copy of which is attached hereto as Exhibit "A".

III. 2010 REINSURANCE PROGRAM GOALS AND MARKET STRATEGY: Cleary advised the Committee that this is the time of year when the FWCJUA firms up its goals for the following year's reinsurance program. He then presented the proposed program goals and market strategy. He reported that the proposal was designed to minimize policyholder resources devoted to reinsurance, create a program that reflects the proper balance between price and coverage, and provide flexibility to accommodate unexpected growth or further depopulation. He then ran through the program goals which take into consideration the FWCJUA's financial status; past performance; current book of business; as well as the 2009 premium and account mix, which are projected to remain the same for 2010. He further reported that a critical assumption related to securing a reinsurance program next year is the $8 million earned premium projection with an assumed policy count of 800. He noted that over the last year, the FWCJUA business decreased by approximately 50%. Cleary then reported that he does not anticipate any growth and expects the book of business development and reduced claim activity to continue through 2010. He then ran through the goals and Vecchioli indicated that in the past, due to depopulation, the FWCJUA has had conversations with the broker regarding minimum premiums and asked how we plan to approach the reinsurers to be more flexible with minimum premiums. Torrence responded that our goal is to continue to maintain the 70% minimum premiums. Fleischhacker then commented that Aon Benfield does all it can to drive the minimum premiums down and the 70% minimum premium has been the most the market will bear. He explained that as the FWCJUA's subject base gets smaller, it's actually more volatile, but we will continue to try to get the minimum premiums down as low as we can. He further reported that reinsurers have a minimum capital charge in their pricing, so at a certain level, the broker cannot get it down any lower.

Torrence further reported that staff will continue to explore multi-year arrangements to help relieve any potential minimum premium penalties resulting from the FWCJUA's decreasing premium volume. She advised the Committee that in years past, reinsurers were reluctant to consider multi-year minimum premiums, so staff is not sure whether reinsurers will be receptive this year, but it will continue to negotiate that option. Fleischhacker commented that reinsurers in general are reluctant to do multiple year deals, but it is something that Aon Benfield will also continue to explore.

Discussion then led to the rating method to be used to identify a "stable" bank rating and Torrence referred to page 17 of the agenda and explained that during the FWCJUA's financial audit, the auditor had recognized that a bank commitment within a letter of credit had been downgraded and suggested to the FWCJUA that it consider developing a policy that would require any letter of credit be issued through banking institutions with a "stable" rating including those banks with corresponding commitment shares. She advised that the auditor had referred to the Bauer rating system, but indicated that most banks have an S&P rating as well as a Moody's rating. She then asked the Committee, if it would like to add a provision to the reinsurance contracts, if possible, that would require a letter of credit to be issued through a banking institution with a rating at a certain level based on either S&P, Moody's, or Bauer. Vecchioli commented that it is a prudent measure to include in the FWCJUA's reinsurance contracts and asked Aon Benfield, as the FWCJUA gets smaller and loses some of its negotiating power, what the likelihood is to negotiate such a provision into its reinsurance contracts. Fleischhacker responded that he thinks it's prudent, as well and explained to the Committee that when this problem emerged with the FWCJUA, it impacted how Aon Benfield handled a few of its client's July renewals. He then elaborated; Aon Benfield was actually able to include wording in a couple of its contracts for those July renewals. Deaton explained that there is language in the contract currently that requires the institution providing the LOC to pass the NAIC credit standards. Thurman further clarified that the language requires the LOC / collateral be transferred to another, NAIC approved institution in the event the existing bank falls below NAIC standards. Thurman also advised that the FWCJUA's contracts could be more specific to address S&P, Moody's, Bauer or some combination thereof.

Given today's dynamic financial marketplace, the Committee agreed to challenge the reinsurance intermediary to obtain, where possible, the contractual commitment from reinsurers that any letter of credit requirements be issued through banking institutions with a "stable" rating to include any and all banks with corresponding commitment shares. The Committee suggested that a "stable" rating should be defined such that the bank maintains or exceeds two of following minimum ratings:

1. S&P – no less than an A- rating;
2. Moody's – no less than an A- rating;
3. Bauer Financial – no less than a 3 star rating.

It was the consensus of the Committee to accept the reinsurance goals and marketing strategies as presented and discussed with regard to the rating of banking institutions involved in issuing letters of credits to include any and all banks with corresponding commitment shares.

IV. COMMUTATION MATTERS: Cleary reported that at the point the payment of claims by PMA showed a pattern of significant delay, the FWCJUA provided a commutation offer and as the Committee may recall, PMA viewed the offer to be too high. He then reported that over two months of discussion with PMA did not produce a counteroffer, so FWCJUA ended up pulling its offer off the table, since PMA was not likely to agree to any offer while its acquisition by Armour Re was pending. Cleary then noted that the Armour Re purchase of PMA has still not occurred because it is currently awaiting approval by the Pennsylvania Insurance Department and if the transaction is not complete by October 31st, either party may withdraw. Thus, in early 2009, the FWCJUA requested funding of bulk IBNR ($80,000) for the 2003 Accident Year by LOC, according to a contractual obligation triggered by the 2003 downgrade and PMA responded that it could not provide an LOC based on its current credit standing. So, Aon Benfield asked PMA to fund via cash, but has not heard back from PMA, as yet after several follow ups. Cleary then reported that, to date, no other downgrades have occurred that would demand action.

Vecchioli asked Aon Benfield what recourse the FWCJUA has given PMA's nonperformance under the contract, and Fleischhacker responded that there is an arbitration clause within the contract to force PMA to comply, but that might not prove to be cost effective. Vecchioli then asked if there had been any discussions with the Pennsylvania Insurance Department about the issue and Fleischhacker responded not recently; however, it was an option being considered. Vecchioli then suggested she could reach out to an acquaintance she had that was a Deputy within the Pennsylvania Insurance Department to discuss the FWCJUA's concerns related to PMA. The Committee agreed that she should do so. The Committee further authorized staff and the reinsurance intermediary to work directly with Vecchioli to set the FWCJUA's concerns in writing, should that be required by the Pennsylvania Insurance Department with copies provided to the appropriate parties.

V. REINSURANCE INTERMEDIARY CONFIRMATION: Torrence reported as part of its 2009 Business Plan the FWCJUA must take action to authorize Aon Benfield to act as the reinsurance intermediary on behalf of the FWCJUA and approach select direct markets with respect to the placement of the FWCJUA's 2010 reinsurance program. Given Aon Benfield's exception performance, understanding of the FWCJUA's unique requirements and their ability to access markets that are willing to compete for FWCJUA business, Torrence suggested that the Reinsurance Committee recommend that the Board reaffirm Aon Benfield as the FWCJUA's reinsurance intermediary for the placement of the FWCJUA's 2010 reinsurance program.

MOTION by Revels, seconded by Ward, to recommend to the Board that it confirm Aon Benfield as the FWCJUA's reinsurance intermediary for the placement of the FWCJUA's 2010 reinsurance program.

VI. GENERAL ANNOUNCEMENTS: There were no announcements.

VII. ADJOURNMENT AND CLOSING REMARKS: There being no further business, the meeting was adjourned at 2:51 p.m.

Respectfully submitted,

Beth Vecchioli, *Chair*

DRAFT - MINUTES OF THE MEETING OF THE RATES & FORMS COMMITTEE OF THE FLORIDA WORKERS' COMPENSATION JOINT UNDERWRITING ASSOCIATION, INC. HELD ON AUGUST 31, 2009 AT 2:00 P.M. VIA TELECONFERENCE

PRESIDING:	Rick Hodges, *Chair*
COMMITTEE MEMBERS:	Charlie Clary, *not present* Brett Stiegel
EXECUTIVE DIRECTOR:	Laura Torrence
GENERAL COUNSEL:	Tom Maida
OFFICE OF INSURANCE REGULATION LIAISON:	Jim Watford
STAFF PRESENT:	Michael Cleary Laura Lopez
SERVICE PROVIDERS PRESENT:	Mark Mulvaney, *Milliman USA* Bonnie Shek, *Milliman USA* Andy Gray, *Thomas Howell Ferguson* Arleen Desmond, *Travelers* John McLaughlin, *Travelers*
OTHERS PRESENT:	Terry Butler, *Consumer Advocates Office* Michael Powers, *Colodny, Fass, Talenfeld, Karlinsky, Abate*

I. CALL TO ORDER AND OPENING REMARKS: The Chair called the meeting to order at 2:00 p.m. The roll was called and a quorum being established the meeting began.

II. ANTITRUST PREAMBLE: Prior to the consideration of any business, the Antitrust Preamble was read by Maida, a copy of which is attached hereto as Exhibit "A".

III. APPROVAL OF MINUTES: Torrence reported that the Committee shall consider approval of the attached minutes from the Joint & Concurrent Operations & Rates & Forms Committee teleconference meeting held May 29, 2009 as amended at the June Board meeting. She explained that at the June 9, 2009 Board meeting, action was taken to approve the minutes of the May 29, 2009 joint & concurrent meeting of the Operations Committee and Rates & Forms Committee with amendments; however, given there was not a quorum of the two Committees present, the action was invalidated and the minutes will be presented to both Committees for approval at their August meetings. Thus, these minutes will not be approved as final until both Committees take action.

MOTION by Stiegel, seconded by Hodges, to approve the meeting minutes as presented. PASSED.

IV. CONFIRMATION OF ACTUARY: Torrence reported that the Rates & Forms Committee shall consider confirming Milliman as the FWCJUA's actuary for calendar year 2010 actuarial activities. She reminded the Committee that the FWCJUA had issued a Request for Proposals (RFP) on April 11, 2008, to engage a reputable actuarial firm to advise and assist the FWCJUA with actuarial matters for services through 2011. She reported that the actuarial needs of the FWCJUA that were anticipated in the RFP included ratemaking analysis, reserve analysis, deficit elimination plans, loss ratio selection, loss payout patterns, reinsurance proposals, and premium dividend proposals and on June 11, 2008, the Board selected Milliman to serve as the FWCJUA's actuary as a result of this RFP process.

Torrence reported that on June 30, 2008, the FWCJUA executed an actuarial sevices engagment with Milliman for services through 2011. Given Milliman's continued professionalism, performance and understanding of the FWCJUA's unique requirements, staff recommends that the Committee reaffirm Milliman as the FWCJUA's actuary for the 2010 actuarial activities.

MOTION by Stiegel, seconded by Hodges to reaffirm Milliman as the FWCJUA's actuary for calendar year 2010 actuarial activities. PASSED.

V. 2009 LOSS RATIO SELECTION: Torrence reported that the Rates & Forms Committee shall confirm staff's booking of the 2009 losses utilizing the latest 2009 filed rates along with the loss ratios indicated from the loss experience evaluated as of the prior year-end. She explained that the procedure was adopted in 2008 at Milliman's recommendation and thus, was used to estimate the FWCJUA's 2008 net loss ratios by rating tier. She referred to the attachment prepared by Milliman which demonstrates the methodology that produces the 2009 net loss ratios that are being booked by rating tier. She indicated that Milliman's analysis utilized the updated information in the July 1, 2009 NCCI rate rollback along with the loss ratios indicated from the loss experience evaluated as of December 31, 2008. She further noted that Milliman does not recommend any changes to the FWCJUA's current procedure for booking the current year's losses.

MOTION by Stiegel, seconded by Hodges to confirm booking the 2009 losses utilizing the latest 2009 filed rate changes along with the loss ratios indicated from the loss experience evaluated as of the prior year-end. PASSED.

VI. REVIEW OF RATES, RATING PLANS AND POLICY FORMS AND ASSOCIATED MATTERS TO INCLUDE APPLICATION FORMS:
2010 Rate Indication: Torrence reported that the Rates & Forms Committee shall consider the attached exhibits prepared by Milliman to determine whether to effectuate a premium level change effective January 1, 2010 for new and renewal business to be adjusted to reflect any approved voluntary market rate level and class relativity changes that may become effective January 1, 2010. She informed the Committee of an issue in which the Tier 3 indication came in slightly lower than the Tier 2 indication and the problems associated with the Tier 3 surcharge being lower than the Tier 2 surcharge.

Mulvaney then presented his analysis, beginning with the anomaly between the Tier 3 and the Tier 2 indications and explained that when he derived the surcharges for each rating tier, he looked at the individual experience of each rating tier, as compared to the average. He reported that we had recognized a similar anomaly earlier in the year, when he completed a re-analysis of the 1/1/09 rate filing and looked at the data valued as of 12/31/08, to take into account Emma Murray decision. However, at that time, we elected to use a constant adjustment to all the tiers to adjust for the Emma Murray decision and on July 1, 2009, we chose to roll back to the 1/1/09 rates, so it did not become an issue. With this analysis, he noted that we looked at data valued as of 6/30/09 and we see that same anomaly, where Tier 2 is showing a higher surcharge than Tier 3. He then proposed that we institute a rule that states that Tiers 1, 2 and 3 should be in order of magnitude with Tier 1 being at the lowest, Tier 2 being in the middle and Tier 3 being at the highest. While it does not look as though Tier 1 will be in danger of not being the lowest, Tiers 2 and 3 have been very close and with this valuation the indications show a reversal between the two tiers. Thus, he proposes the FWCJUA install a new constraint, where it is required that the tiers be in order and then re-balance, subject to the constraint, so we hit the target.

Mulvaney then referred to the Summary Exhibit and explained that he has provided four (4) indications related to the premium level needs for the three rating tiers with data valued as of 6/30/09, and explained that these indications differ because he included assumptions with and without the $750,000 credit to the FWCJUA's expense levels and provided a sensitivity for the projected 2010 premium. He reminded the Committee that during its last discussion concerning rates, he had explained that as the FWCJUA's premium volumes shrink, its expenses do not necessarily shrink proportionately and thus, the expense ratio effectively increases, which impacts the FWCJUA rate indication. He then walked the Committee through the Summary Exhibit, noting that based on current expectations, the best sell is A, which reflects a premium level decrease of 9.4%. He expressed that Milliman is comfortable with the $8 million premium projection and to include the $750,000 credit for rate making purposes, but indicated that if the FWCJUA continues to request the $750,000 credit from the State and continues not to receive it, Milliman would have to revisit the assumption and would probably no longer consider the $750,000 a reasonable assumption from an actuarial point of view to be included in the rate indication.

Mulvaney then referred to section II of his exhibit and explained that the indicated surcharges are calculated using NCCI's proposed January 1, 2010 rates. He drew attention to line item 1 and the reversal in line item 2 and commented that constraining Tier 2 to be no higher than Tier 3 creates a shortfall in Tier 2, which is shared equally, on a percentage basis between Tier 1 and Tier 3, increasing the surcharges slightly, from the indication, while capping Tier 2's surcharge, which produces the same premium. He then ran through the rest of the exhibits, noting that when Milliman develops the rate indication for the FWCJUA, we discount losses for investment income, which has been the FWCJUA's practice in previous indications, and the discount rate that Milliman uses in the rate indication is a risk free rate that is dependant upon the treasury yields. Thus, the provision for the losses is discounted to present value. He then reported that there is no contingency, surplus or profit factors built into the analysis. He stated that the rates are targeted to be at a zero profit with losses discounted to present value and from an actuarial standpoint that provides less than the amount necessary for the true economic value, since the true economic value contains some risk and if the FWCJUA discounts the losses and does not include a contingency or surplus factor, it has nothing for the risk and actuarial standards indicate that an insurer should have one.

Watford asked Mulvaney if the loss ratios used in Exhibit II, Sheet 2 are at the same reinsurance levels and Mulvaney responded that yes, the loss ratios used in the Exhibit are at the same reinsurance levels. Mulvaney then referred to the uncollectible premium ratio used in the rate indication, shown on Exhibit I, line 4, noting that the selected ratio of 7% is much lower this year compared to last years ratio of 13.0%, and this also had a considerable impact on the FWCJUA's rate indication. Torrence explained that the FWCJUA had initially used a five year average to determine the uncollectible rate, but since there has been such an improvement within the last few years, staff decided in this particular filing to use the latest three (3) year average instead of a five (5) year average in the FWCJUA's collection activity, due to favorable law changes in 2004.

MOTION by Stiegel, seconded by Hodges, to recommend that the Board effectuate an overall average premium level decrease of 9.4% effective January 1, 2010 for new and renewal business to be adjusted to reflect any approved voluntary market rate level and class relativity changes that may become effective January 1, 2010. PASSED.

MOTION by Stiegel, seconded by Hodges, to recommend that the Board adopt an ongoing policy that the Tier 3 surcharge shall not be less than the Tier 2 surcharge. PASSED.

VII. POLICYHOLDER DIVIDEND POLICY:

Policy Revisions: Torrence reported that the Committee shall consider the attached proposed clarification to the FWCJUA Policyholder Dividend Policy. She explained that upon implementing the 2001 policyholder dividend, staff identified two policyholders which were both eligible and qualified to receive the dividend; however, the policyholders had not complied with final audit requirements in subsequent years. When staff was unable to locate the two policyholders, it became apparent that the dividend amounts could be forever suspended on the FWCJUA's books as a possible liability given the current Dividend Policy indicates that such dividends will be withheld until all outstanding final audits are completed. In order to clarify what will occur in such circumstances, staff proposes that the Dividend Policy be revised to clarify that the FWCJUA will retain the dividend amount if the policyholder does not fully resolve any outstanding audits within 12 months upon notification of the dividend.

MOTION by Stiegel, seconded by Hodges, to recommend that the Board adopt the proposed clarifying revision to the FWCJUA Policyholder Dividend Policy. PASSED.

Policy Year 2002 Return of Premium Dividend: Torrence reported that the Rates & Forms Committee shall consider whether to recommend that the Board authorize a return of premium dividend for policy year 2002 while retaining an underwriting gain of 5%. She summarized the 2002 policy year information agenda as well as the methodology analysis and the expense calculation exhibits included within the agenda. Torrence also noted that the FWCJUA had booked several collections-related revisions for the 2001 policy year subsequent to the declaration of 2001 policy year dividend resulting in an additional $368,600 in underwriting gain above the 5% retention, but recommended no further consideration of the 2001 policy year results at this time.

The Committee agreed that no further action was required related to the 2001 policy year results at this time. Discussion then led to whether to recommend that the Board declare a dividend for the 2002 policy year in accordance with the FWCJUA Policyholder Dividend Policy. It was the consensus of the Committee that a dividend should be authorized, retaining a 5% underwriting gain.

MOTION by Stiegel, seconded by Hodges, to recommend that the Board authorize a gross policyholder dividend amount for the 2002 policy year of $2,791,922.00, retaining a 5% underwriting gain, resulting in a net policyholder dividend amount after expenses of $2,746,321.99. PASSED.

VIII. GENERAL ANNOUNCEMENTS: There were no general announcements.

IX. ADJOURNMENT AND CLOSING REMARKS: There was no further business.

MOTION by Stiegel, seconded by Hodges to adjourn. PASSED.

The meeting adjourned at 2:51 p.m.

Respectfully submitted,

Rick Hodges, *Chair*

LEGISLATIVE UPDATE

The Board shall receive a legislative update from Tom Maida.

Some believe that workers' compensation legislation is likely to be considered in the 2010 session. Further, staff has been advised that the Legislature may be asked to consider limiting the FWCJUA's reach with regard to persons who are delinquent in the payment of premiums.

No Board action is anticipated to be required on this agenda item.

BYLAWS

The Board shall receive an update on OIR's concerns with the filing of the Eighth Amended Bylaws from Tom Maida.

As the Board may recall, the most significant revision proposed in the Eighth Amended ByLaws specifically provides that the Annual meeting of the membership may be conducted by teleconference. Several other miner "clean-up" edits and clarifications were also proposed. A redline copy of the filing is attached for the Board's reference.

The Board shall determine whether to authorize any amendments to the proposed Eighth Amended Bylaws to secure OIR approval of the filing.

~~SEVENTH~~EIGHTH AMENDED BYLAWS
OF THE
FLORIDA WORKERS' COMPENSATION
JOINT UNDERWRITING ASSOCIATION, INC.
(A Florida Not for Profit Corporation)

SECTION 1
Purpose

The Florida Workers' Compensation Joint Underwriting Association, Inc. was established by an act of the Florida Legislature to provide workers' compensation and employer's liability insurance to applicants who are required by law to maintain workers' compensation and employer's liability insurance and who are in good faith entitled to, but who are unable to purchase, such insurance through the voluntary market, and to collect premiums and assessments from its policyholders in order to satisfy the obligations of the Corporation.

SECTION 2
Principal Place of Business

The current principal place of business of the Corporation is located at 6003 Honore Avenue, Suite 204, Sarasota, Florida. The Corporation shall maintain its principal place of business within the State of Florida at such location as the Board may direct and change from time to time.

SECTION 3
Effective Date

These ~~Seventh~~Eighth Amended Bylaws shall become effective upon the later of either (i) July 1, ~~2007,~~2009, or (ii) the date on which they are approved by the OIR (the "Effective Date").

SECTION 4
Definitions

As used in these Amended Bylaws:

A. "Amended Bylaws" means these ~~Seventh~~Eighth Amended Bylaws of the Florida Workers' Compensation Joint Underwriting Association, Inc.

B. "Board" means the Board of Governors of the Florida Workers' Compensation Joint Underwriting Association, Inc., as determined and constituted pursuant to section 627.311(5), Florida Statutes. The Board shall be the Board of Directors of the Corporation.

C. "Corporation" means the Florida Workers' Compensation Joint Underwriting Association, Inc., established pursuant to section 627.311(5), Florida Statutes.

D. "Commission" means the Financial Services Commission of the State of Florida.

E. “Employee” means employees of the FWCJUA.

F. "FWCJUA" means the Florida Workers' Compensation Joint Underwriting Association, Inc., established pursuant to section 627.311(5), Florida Statutes.

G. “Insurer Nominee” means a person who is nominated by the 20 domestic or foreign Insurers with the largest voluntary direct premiums written in Florida for workers' compensation and employer's liability insurance to fill a vacancy on the Board in accordance with the procedures set forth in Section 6.D. or 6.E. below, as applicable.

H. "Insurer" or "Member" means (1) any insurer authorized to write workers' compensation and employer's liability insurance in Florida pursuant to Chapter 624, Florida Statutes, whether domestic or foreign; (2) any commercial self-insurance fund organized pursuant to section 624.462, Florida Statutes; (3) any group self-insurance fund authorized by section 624.4621, Florida Statutes; and (4) any assessable mutual insurer authorized by section 628.6011, Florida Statutes.

I. "MAP" means the FWCJUA Market Assistance Plan, authorized by section 627.311(5), Florida Statutes.

J. "OIR" means the Florida Office of Insurance Regulation.

K. "Plan of Operation" means the Articles of Incorporation, Amended Bylaws, and Operations Manual of the FWCJUA.

L. "Section 627.311(5)" means section 627.311(5), Florida Statutes, as that section may be amended from time to time.

M. “Senior Managers” means the Executive Director, Controller, Operations Manager, and Program Manager of the FWCJUA, and such other FWCJUA employees as the Board may designate from time to time..

SECTION 5
Members

A. Any Insurer, as defined in subsection 4.G above, shall be deemed a Member of the FWCJUA.

B. Members are not entitled to vote on matters before the FWCJUA, except for the selection of Insurer Nominees for the appointment of certain Board members by the Commission as specified in section 6 below.

SECTION 6
Board of Governors

A. All powers of the FWCJUA shall be exercised by or under the authority of, and the affairs of the FWCJUA shall be managed under the direction of, the Board, subject to any limitation set forth in the FWCJUA's Articles of Incorporation and Section 627.311(5). The Board shall consist of 9 persons whose eligibility to serve on the Board is as follows:

1. Two representatives of the 20 domestic insurers, as defined in Section 624.06(1), Florida Statutes, with the largest voluntary direct premiums written in Florida for workers' compensation and employer's liability insurance, each of whom is appointed by the Commission from a list of five Insurer Nominees submitted by those 20 domestic insurers for each vacancy;

2. Two representatives of the 20 foreign insurers, as defined in Section 624.06(2), Florida Statutes, with the largest voluntary direct premiums written in Florida for workers' compensation and employer's liability insurance, each of whom is appointed by the Commission from a list of five Insurer Nominees submitted by those 20 foreign insurers for each vacancy;

3. One representative of the largest property and casualty insurance agents association in Florida, who is appointed by the Commission from a list of five nominees submitted by the association;

4. The consumer advocate appointed under Section 627.0613, Florida Statutes, or the consumer advocate's designee; and

5. Three other persons appointed by the Commission.

B. Each Board member shall be appointed to serve on the Board for a term of four (4) years, beginning on July 1 of the year in which regular appointments are made. Board members may be appointed to serve consecutive terms in office. The Commission shall designate a member of the Board to serve as chair. The term of office of a Board member appointed by the Commission between July 1, 2007 and June 30, 2011 will end on June 30, 2011.

C. The process by which individuals are appointed to serve on the Board shall take place under the supervision of the OIR.

D. The process by which the Commission shall appoint two representatives of the 20 domestic insurers having the largest voluntary direct premiums written in Florida for workers' compensation and employer's liability insurance shall be as follows:

1. The OIR shall identify the 20 domestic insurer groups or companies (where a single company is not a member of an insurer group) with the largest amount of voluntary direct premiums written in Florida for workers' compensation and employer's liability insurance in the calendar year immediately preceding the appointment (the "20

Domestic Insurers"), and shall notify the FWCJUA of the names of the groups or companies, as the case may be, and the amount of each group's or company's voluntary direct premiums written in Florida in the calendar year immediately preceding the election.

2. The FWCJUA shall thereafter notify (by email or overnight courier) the 20 Domestic Insurers that each is eligible to nominate from one to five Insurer Nominees for each of the two vacancies to be filled by the Commission from a list of five Insurer Nominees submitted by the 20 Domestic Insurers. Each of the 20 Domestic Insurers shall, within 10 days thereafter, notify the FWCJUA (by email or overnight courier, in the sole discretion of the FWCJUA), of its Insurer Nominees for each vacant board seat. The nominations shall be weighted according to the relative amount of voluntary direct premiums written in Florida for workers' compensation and employer's liability insurance in the calendar year immediately preceding the nominating election. Each of the 20 Domestic Insurers shall be entitled to allocate its weighted nominating votes by percentage among the one to five Insurer Nominees whose names it submits, provided that the total votes cast by each of the 20 Domestic Insurers for all Insurer Nominees submitted for each vacant Board seat may not exceed 100 percent of the nominating votes allocated to the Insurer. The FWCJUA will compile a list of all Insurer Nominees receiving votes for each vacant seat and shall rank them in order, beginning with the Insurer Nominee receiving the most votes.

3. The FWCJUA will present to the Commission the names of the five Insurer Nominees receiving the highest number of nominating votes for each vacant seat, who express a willingness to serve on the Board. If one or more of five Insurer Nominees receiving the highest number of nominating votes for each vacant seat declines to have his or her name submitted to the Commission for appointment, the Insurer Nominees willing to have their names submitted to the Commission will be selected for nomination in the order in which they placed in the nominating process. If the Commission rejects any list of five (5) Insurer Nominees nominated by the 20 Domestic Insurers, the FWCJUA will submit the names of the next five Insurer Nominees, who are willing to have their names submitted to the Commission, in the order in which their names appear on each nominating list of domestic Insurers. Any Insurer Nominee who is included in a list which is rejected by the Commission may not be included in a subsequent list of Insurer Nominees presented to the Commission for the particular vacancy to be filled.

E. The process by which the Commission shall appoint two representatives of the 20 foreign insurers having the largest voluntary direct premiums written in Florida for workers' compensation and employer's liability insurance shall be as follows:

1. The OIR shall identify the 20 foreign insurer groups or companies (where a single company is not a member of an insurer group) with the largest amount of voluntary direct premiums written in Florida for workers' compensation and employer's liability insurance in the calendar year immediately preceding the appointment (the "20 Foreign Insurers"), and shall notify the FWCJUA of the names of the groups or

companies, as the case may be, and the amount of each group's or company's voluntary direct premiums written in Florida in the calendar year immediately preceding the election.

2. The FWCJUA shall thereafter notify (by email or overnight courier) the 20 Foreign Insurers that each is eligible to nominate from one to five Insurer Nominees for each of the two vacancies to be filled by the Commission from a list of five Insurer Nominees submitted by the 20 Foreign Insurers. Each of the 20 Foreign Insurers shall, within 10 days thereafter, notify the FWCJUA (by email or overnight courier, in the sole discretion of the FWCJUA), of its Insurer Nominees for each vacant board seat. The nominations shall be weighted according to the relative amount of voluntary direct premiums written in Florida for workers' compensation and employer's liability insurance in the calendar year immediately preceding the nominating election. Each of the 20 Foreign Insurers shall be entitled to allocate its weighted nominating votes by percentage among the one to five Insurer Nominees whose names it submits, provided that the total votes cast by each of the 20 Foreign Insurers for all Insurer Nominees submitted for each vacant Board seat may not exceed 100 percent of the nominating votes allocated to the Insurer. The FWCJUA will compile a list of all Insurer Nominees receiving votes for each vacant seat and shall rank them in order, beginning with the Insurer Nominee receiving the most votes.

3. The FWCJUA will present to the Commission the names of the five Insurer Nominees receiving the highest number of nominating votes for each vacant seat, who express a willingness to serve on the Board. If one or more of the five Insurer Nominees receiving the highest number of nominating votes for each vacant seat declines to have his or her name submitted to the Commission for appointment, the Insurer Nominees willing to have their names submitted to the Commission will be selected for nomination in the order in which they placed in the nominating process. If the Commission rejects any list of five (5) Insurer Nominees nominated by the 20 Foreign Insurers, the FWCJUA will submit the names of the next five Insurer Nominees, who are willing to have their names submitted to the Commission, in the order in which their names appear on each nominating list of foreign Insurers. Any Insurer Nominee who is included in a list which is rejected by the Commission may not be included in a subsequent list of Insurer Nominees presented to the Commission for the particular vacancy to be filled.

F. For purposes of determining whether an insurer group is a domestic or foreign insurer group, the state of domicile of the group's ultimate parent corporation shall control; provided, however, that an insurer group shall be considered a domestic insurer group if all of its direct written premiums in Florida are written by Florida-domestic insurers.

G. The FWCJUA will request that the Department of Financial Services notify the FWCJUA of the identity of the property and casualty insurance association identified in paragraph A.3. The property and casualty insurance agents association identified in paragraph A.3. shall notify the FWCJUA in writing of the names of its five (5) nominees to be presented to the Commission. Each nominee shall be an officer, director or employee of the association or a person who is licensed by the Department of Financial Services to act as a general lines insurance agent. The FWCJUA shall present the association's list of five (5) nominees to the Commission as soon as practicable after receiving it from the association. If the Commission rejects the association's list of five (5) nominees, the FWCJUA will request the association to identify another list of five (5) nominees to be presented to the Commission. Any nominee who is included in a list which is rejected by the Commission may not be included in a subsequent list of nominees presented to the Commission to fill the vacancy.

H. An employee, officer, owner, or director of an insurance agency, insurance company, or other insurance entity is ineligible to serve as a Board member if such person or his or her affiliated entity provides policy issuance, policy administration, underwriting, claims handling, or payroll audit services to the FWCJUA.

I. The Consumer Advocate identified in paragraph A.4. shall, on or before June 30 of the year in which regular appointments are made, notify the FWCJUA in writing of the name of his or her designee, if any, who shall serve on the Board.

J. Vacancies on the Board shall be filled by appointment to fill the unexpired term of a Board seat in the same manner as is set forth above for the seat to be filled.

SECTION 7
Powers and Duties of the Board

A. The Board shall have all powers necessary or convenient to implement Section 627.311(5), and to govern, administer, and operate the FWCJUA, including, but not limited to, borrowing money.

B. The Board may authorize the FWCJUA to purchase such excess insurance or reinsurance as is consistent with the purposes of the FWCJUA and the Plan of Operation.

C. The Board shall from time to time adopt policy forms, rates, and rating plans appropriate to the operation of the FWCJUA and consistent with its purpose. The FWCJUA shall endeavor to have actuarially sound rates that reasonably assure that the FWCJUA is self-supporting.

D. The Board shall provide an annual report to the OIR on a date specified by the OIR and containing such information as the OIR reasonably requires.

E. Any policy or procedure that the Board is authorized to adopt pursuant to these Amended Bylaws shall be included in an Operations Manual to be adopted by the Board and amended from time to time by the Board. The Operations Manual shall describe how the FWCJUA shall be managed, administered, and operated, and may be changed at any time by the Board or upon request of the OIR. The Operations Manual and all amendments or modifications thereto shall be subject to the approval of the OIR.

F. Whenever a deficit exists, the Board shall, within 90 days, provide the OIR with a program to eliminate the deficit within a reasonable time. The deficit may be funded by any means authorized by Section 627.311(5). At least once each year, the Board shall also review the rates of the FWCJUA to determine whether they are still appropriate, and shall review the costs and expenses of the FWCJUA business to determine whether they have been maintained at or below an acceptable level.

SECTION 8
Committees

A. The FWCJUA shall have the following committees, which shall have the duties described below. The Chair of the Board shall from time to time appoint the members of each committee, including each committee chair. All committee members, including committee chairs, shall be members of the Board. The Board may from time to time create additional committees, which shall have such duration, authority, and duties as may be prescribed by the Board, and whose members, including committee chairs, shall be appointed by the Chair of the Board.

B. Audit Committee. The Audit Committee shall be comprised of between three and five members. None of the members of the Audit Committee shall be employees of the FWCJUA.

The Audit Committee shall have the following duties:

1. To recommend to the Board for its approval the appointment of a firm of independent certified public accountants (the "Auditors") to audit the accounts of the FWCJUA for the financial years in respect of which such appointment is made;

2. To make, or cause to be made by the Auditors, such examinations or audits of the affairs and operations of the FWCJUA, of such scope, with such objects, and at such times or intervals as the committee may determine in its discretion or as may be ordered by the Board;

3. To submit to the Board as soon as may be convenient following the conclusion of each examination or audit made by or at the discretion of the committee, a written report thereon;

4. To review matters associated with internal control;

5. To discharge its duties and responsibilities in accordance with the Audit Committee Charter, as adopted and from time to time amended by the Board;

6. To provide oversight of the FWCJUA's cooperation and communications with the Auditor General.

7. To perform such other functions as may be reasonably related to the foregoing duties.

C. Operations Committee. The Operations Committee shall be comprised of between three and five members. None of the members of the Operations Committee shall be employees of the FWCJUA.

The Operations Committee shall have the following duties:

1. To generally review and oversee matters related to the management of the business operations of the FWCJUA and to recommend to the Board for its approval proposals regarding:

(a) additions or reductions in staffing needs;

(b) capital expenditures; and

(c) office space for conducting FWCJUA operations;

2. To periodically review the performance of service providers who perform policy administration, managed care, and collection services for the FWCJUA, and to recommend to the Board for its approval such modifications or alterations in the FWCJUA's business relationships with its service providers as may be reasonably necessary or appropriate;

3. To make or cause to be made by the staff of the FWCJUA, an annual operating forecast, which shall be submitted to the Board for its approval;

4. To make, or cause to be made by the staff of the FWCJUA, such reports on the FWCJUA's operations (including the performance of service providers), of such scope and at such times or intervals as the committee may determine in its discretion or as may be ordered by the Board; and

5. To perform such other functions as may be reasonably related to the foregoing duties.

D. Investment Committee. The Investment Committee shall be comprised of between three and five members.

The Investment Committee shall have the following duties:

1. To recommend to the Board for its approval whether the FWCJUA should appoint one or more persons or firms to manage the investment of the FWCJUA's assets (the "Investment Manager") pursuant to investment policies adopted by the Board and, if so, to recommend for its approval the appointment of one or more Investment Managers;

2. To recommend to the Board for its approval policies and guidelines for the investment of the assets of the FWCJUA that are consistent with the requirements of Chapter 625, Florida Statutes;

3. To periodically review the FWCJUA's investment policies and guidelines, and to recommend to the Board for its approval such amendments to the investment policies and guidelines as may from time to time be reasonably necessary or appropriate;

4. To make, or cause to be made by the Investment Manager or the staff of the FWCJUA, such reports on the FWCJUA's investment portfolio, of such scope and at such times or intervals as the committee may determine in its discretion or as may be ordered by the Board;

5. To review matters associated with the investment of the FWCJUA's assets; and

6. To perform such other functions as may be reasonably related to the foregoing duties.

E. <u>Reinsurance Committee</u>. The Reinsurance Committee shall be comprised of between three and five members.

The Reinsurance Committee shall have the following duties:

1. To recommend to the Board one or more reinsurance intermediaries to act on behalf of the FWCJUA with respect to the placement of the FWCJUA's reinsurance program;

2. To periodically recommend an FWCJUA reinsurance program to the Board for its approval;

3. To periodically review the FWCJUA's reinsurance program and the performance of its reinsurers and reinsurance intermediaries, and to recommend to the Board for its approval such modifications to the reinsurance program as may from time to time be reasonably necessary or appropriate;

4. To make, or cause to be made by the reinsurance intermediaries or the staff of the FWCJUA, such reports on the FWCJUA's reinsurance program, of such scope and at such times or intervals as the committee may determine in its discretion or as may be ordered by the Board;

5. To review matters related to the reinsurance program of the FWCJUA; and

6. To perform such other functions as may be reasonably related to the foregoing duties.

F. Rates and Forms Committee. The Rates and Forms Committee shall be comprised of between three and five members.

The Rates and Forms Committee shall have the following duties:

1. To recommend to the Board for its approval the appointment of one or more firms to perform actuarial services ("the Actuaries") for the FWCJUA;

2. To recommend to the Board for its approval the FWCJUA's rates, rating plans, and policy forms, which are consistent with Section 627.311(5), and such other provisions of the Florida Insurance Code as may be applicable;

3. To periodically review the FWCJUA's rates, rating plans, and policy forms, and to recommend to the Board for its approval such modifications or revisions to the rates, rating plans, or policy forms as may from time to time be reasonably necessary or appropriate;

4. To make, or cause to be made by the Actuaries studies of the FWCJUA's loss reserves, of such scope and at such times or intervals as the committee may determine in its discretion or as may be ordered by the Board, and to periodically set the FWCJUA's loss reserves;

5. To submit to the Board as soon as may be convenient following the conclusion of each actuarial study a written report thereon;

6. To periodically review the need for a program to eliminate a FWCJUA deficit and, whenever necessary, to recommend to the Board a program to eliminate such a deficit.

7. To periodically review the need for any assessment of FWCJUA policyholders and, whenever necessary, to recommend to the Board the levying of such an assessment.

8. To periodically review the need to request that the OIR levy an assessment to fund deficits in Tier One, Tier Two, or any deficit attributable to any of the FWCJUA's former subplans, and, whenever necessary, to recommend to the Board that it request that the OIR levy such an assessment.

9. To periodically review the performance of the FWCJUA's statistical agent and any statutory rating bureau which acts on behalf of the FWCJUA, and to recommend to the Board for its approval such modifications or alterations in the FWCJUA's business relationships with such parties as may be reasonably necessary or appropriate.

10. To review matters associated with the FWCJUA's rates, rating plans, policy forms, or loss reserves; and

11. To perform such other functions as may be reasonably related to the foregoing duties.

G. Safety Committee. The Safety Committee shall be comprised of between three and five members.

Safety Committee shall have the following duties:

1. To recommend to the Board for its approval reasonable safety programs for insureds of the FWCJUA;

2. To periodically review the FWCJUA's safety programs, and to recommend to the Board for its approval such modifications or amendments to the safety programs as may from time to time be reasonably necessary or appropriate;

3. To make, or cause to be made by the staff of the FWCJUA, such reports on the FWCJUA's safety programs, of such scope and at such times or intervals as the committee may determine in its discretion or as may be ordered by the Board;

4. To review matters associated with the safety programs of the FWCJUA; and

5. To perform such other functions as may be reasonably related to the foregoing duties.

H. Producer Committee. The Producer Committee shall be comprised of between three and five members.

The Producer Committee shall have the following duties:

1. To recommend to the Board for its approval, policies and guidelines for ~~producers of the FWCJUA~~Producers and Agency Producers;

2. To periodically review the FWCJUA's producer policies and guidelines, and to recommend to the Board for its approval such amendments thereto as may from time to time be reasonably necessary or appropriate;

3. To make, or cause to be made by the staff of the FWCJUA, such reports on the FWCJUA's producer policies and guidelines, of such scope and at such times or intervals as the committee may determine in its discretion or as may be ordered by the Board;

4. To review matters associated with the FWCJUA's producer policies and guidelines, except to the extent that such matters are within the scope of the duties of the Producer Appeals Committee; and

5. To perform such other functions as may be reasonably related to the foregoing duties.

I. Producer Appeals Committee. The Producer Appeals Committee shall be comprised of between three and five members. None of the members of the Producer Appeals Committee shall be employees of the FWCJUA.

The Producer Appeals Committee shall have the following duties:

1. To recommend to the Board for its approval policies and guidelines for the imposition of disciplinary action against ~~producers~~Producers or Agency Producers who violate the FWCJUA's producer policies and guidelines;

2. To establish rules and procedures for hearing appeals of disciplinary action which has been taken against FWCJUA ~~producers~~Producers or Agency Producers;

3. To hear and adjudicate appeals by ~~producers~~Producers and Agency Producers from disciplinary action taken on behalf of the FWCJUA;

4. To review matters associated with producer appeals; and

5. To perform such other functions as may be reasonably related to the foregoing duties.

J. MAP Committee. The MAP Committee shall be comprised of between three and five members.

The MAP Committee shall have the following duties:

1. To recommend to the Board for its approval the establishment of programs to provide access to and assist in the placement of workers' compensation and employer's liability insurance coverage in the voluntary market for employers applying for or securing coverage through the FWCJUA.

2. To recommend to the Board for its approval a market assistant plan specifically designed to serve the needs of small good policyholders as defined by the Board, in accordance with Section 627.311(5);

3. To periodically review and make or cause to be made by the staff of the FWCJUA, such reports on the FWCJUA's market assistant plan, of such scope and at such times or intervals as the committee may determine in its discretion or as may be ordered by the Board;

4. To review matters associated with the MAP; and

5. To perform such other functions as may be reasonably related to the foregoing duties.

K. Executive Compensation Committee. The Executive Compensation Committee shall be comprised of between three and five members.

The Executive Compensation Committee shall have the following duties:

1. To recommend to the Board for its approval the adoption or revision of executive compensation plans.

2. To perform such duties as the Board may delegate pursuant to executive compensation plans or resolutions adopted by the Board.

3. To perform such other functions as may be reasonably related to the foregoing duties.

L. Each committee may appoint a technical advisory group for the purpose of advising the committee on matters related to the duties of the Committee.

M. A record of each report made to the Board by each committee, and the action taken thereon by the Board, shall be made in the minutes of the Board.

SECTION 9
Meetings

A. The Corporation shall conduct an annual meeting of Members ("Annual Meeting") at least once each year for the purpose of informing the members on the operations and state of the FWCJUA. The Members present at an annual meeting shall constitute a quorum for the conduct of business.

B. The Board shall conduct regular meetings at least four times each year ("Regular Meetings"). The Board shall meet at such places and times as may be specified by the Chair and as are described in written notices of Board meetings delivered to each Board member. The notice of each Board meeting shall be accompanied by a written agenda. Items outside the agenda may not be considered at any Board meeting.

C. Special Meetings of the Board shall also be held within 20 days after the FWCJUA or its Chair receive written request by any three members of the Board.

D. Emergency meetings of the Board may be called by the Chair or, in the Chair's absence, the Vice Chair, upon a finding by the Chair or Vice Chair that an emergency exists which threatens the health, safety or welfare of the FWCJUA, its policyholders or its Members.

E. The Board may only take action at any meeting which is properly noticed and at which a quorum of Board members is present. A quorum shall consist of a majority of the Board members then in office, and unless otherwise provided herein or by law, Board action taken at a meeting shall require a majority vote of the Board members present who have not abstained from voting on account of a conflict of interest. Each Board member shall be entitled to one vote.

F. The Chair shall preside over all meetings of the Board and at Annual Meetings. The Vice Chair shall preside over such meetings in the absence of the Chair. In the absence of both the Chair and Vice Chair, the Board shall elect one of its members to preside over the meeting.

G. At any Board meeting or Annual Meeting, matters of parliamentary procedure shall be decided by the Chair in consultation with the FWCJUA's General Counsel. The ruling of the Chair in such matters shall be final.

H. Each committee may only take action at any meeting which is properly noticed and at which a quorum of Committee members is present. A quorum shall consist of a majority of the committee members then in office, and unless otherwise provided herein or by law, committee action taken at a meeting shall require a majority vote of the committee members present. Each committee member shall be entitled to one vote.

I. Annual Meetings, Board meetings, and committee meetings may be convened telephonically or in person. No Board member may vote by proxy.

J. Committee chairs may direct that committee meetings be conducted in the same manner as Board meetings, or may direct that such meetings shall be less formal; but in no event shall committee chairs convene any committee meeting without furnishing prior written notice of the place, time, and purpose of the meeting in the same manner as is applicable to full Board meetings.

K. Except in the case of emergency meetings, notices of Annual Meetings, Regular Meetings, special meetings of the Board, and committee meetings shall be published in the *Florida Administrative Weekly* not less than seven (7) days before the meeting. The notice shall include a statement of the general subject matter to be considered at the meeting. An agenda shall be prepared for each meeting in time to ensure that a copy of the agenda may be received at least seven (7) days before the meeting by any person who requests a copy. The agenda shall contain the items to be considered in order of presentation. After the agenda has been made available, a change shall be made only for good cause, as determined by the Chair, and recorded in the minutes of the meeting. Notification of such change shall be made at the earliest practicable time. Notice of meetings and meeting agendas may also be provided on the FWCJUA's Internet web site.

L. Notice of an emergency meeting of the Board shall be given in an appropriate and effective manner under the circumstances, provided that the OIR must be notified in advance of any such emergency meeting.

M. Minutes of all annual, Board, and committee meetings shall be prepared by the Executive Director and must be submitted by the Chair of the Board or committee to the Board or committee members, as the case may be, for approval at a subsequent meeting of the committee or the Board. Minutes of a committee meeting may be approved by the members of the committee present at a Board meeting, provided that the number of committee members sufficient to constitute a quorum of the committee is present at the Board meeting. Upon such approval, the minutes become final. The FWCJUA Secretary shall maintain official minutes of all annual, Board, and committee meetings.

N. The Chair of the Board and committee chairs shall cast votes, and may propose and second motions, in the same manner as other Board or committee members.

O. If the Chair of the Board has not been designated, or in the event of the death, disability, resignation or removal of the Chair, the Vice Chair shall perform the functions of the Chair.

SECTION 10
Officers

The FWCJUA shall have the following officers:

A. A President, who shall be the Chair;

B. A Vice President, who shall be elected by the Board and shall serve at the pleasure of the Board, and who shall serve as the Vice Chair;

C. A Secretary, who shall be elected by the Board and shall serve at the pleasure of the Board;

D. A Treasurer, who shall be elected by the Board and shall serve at the pleasure of the Board; and

E. Such other officers as the Board may from time to time elect.

F. The FWCJUA will cause a background investigation to be made of each officer initially elected on or after November 15, 2006. Such officers will be required to submit personal background information and fingerprint cards, pursuant to policies and procedures adopted by the Board which are consistent with material rules adopted by the OIR. Such officers will also be required to agree to the release of personal and confidential information, for the purpose of conducting the background investigation. The Board will remove from office any officer found to be incompetent or untrustworthy.

G. The FWCJUA shall provide the OIR with written notice of any change among the officers within 45 days of such change.

SECTION 11
Code of Conduct

A. Effective July 1, 2007, Board members, officers and Senior Managers of the Corporation are subject to and shall comply with specified sections of Part III, Chapter 112, Florida Statutes, the Code of Ethics for Public Officers and Employees, as follows: Section 112.313 (relating to standards of conduct); Section 112.3135 (relating to restrictions on employment of relatives); Section 112.3143 (relating to voting conflicts); Section 112.3145 (relating to disclosure of financial interests); Section 112.316 (providing legislative intent as to the construction of these statutes); and Section 112.317 (providing penalties for violations of these statutes). Board members, officers and Senior Managers of the Corporation shall file statements of financial interests with the Commission on Ethics and OIR no later than July 1 of each year. The Executive Director shall notify each existing and newly appointed Board member, officer, and Senior Manager of the duty to comply with the financial reporting requirements of Section 112.3145. No later than the last day of each calendar quarter, the Executive Director shall submit to the Commission on Ethics a list of names of the Board members, officers and Senior Managers of the Corporation who are subject to the financial reporting requirements of Section 112.3145.

B. Board members and officers of the Corporation shall have a fiduciary duty to the Corporation.

C. Board members and officers of the Corporation shall avoid extravagant or excessive Board expenses. The Board shall adopt detailed policies regarding FWCJUA travel expense reimbursement. No Board member or committee member shall receive any gift or gratuity in connection with his or her service to the FWCJUA, other than travel expense reimbursement as provided in the policies adopted by the Board and modest gifts given by the Board to departing Board members in recognition of their service to the FWCJUA.

D. Board members and officers of the FWCJUA shall take reasonable steps to conserve the assets of the FWCJUA.

E. No Employee, Board member or officer of the Corporation may solicit or accept anything of value, including any compensation, payment, gift, loan, reward, promise of future employment, favor, or service, when such person knows, or with the exercise of reasonable care should have known, that it was given to influence the performance of his or her duties to the FWCJUA.

F. No Employee, Board member, or officer of the Corporation may directly or indirectly purchase, rent, or lease any realty, goods, or services for the FWCJUA from any business entity of which such person or the person's spouse or child is an officer, partner, director, or proprietor, or in which such person or the person's spouse or child, or any combination of them, has a material interest.

G. No Employee, Board member or officer of the Corporation may knowingly accept, directly or indirectly, any expenditure or gift from a person or entity, or an employee or representative of such person or entity, which has a contractual relationship with the Corporation or is under consideration for a contract with the Corporation.

H. For a period of two (2) years following the termination of an Employee's employment by the FWCJUA, no Employee may (i) transact business with the FWCJUA or (ii) represent another person or business entity for compensation in the conduct of business with the FWCJUA. Nothing contained herein shall be construed as barring the FWCJUA from (i) providing insurance coverage to any employer with whom the former Employee is affiliated or (ii) employing or reemploying any former Employee in a part-time, full-time, temporary or permanent capacity, so long as such employment does not violate any other applicable conflict of interest prohibition.

I. Effective July 1, 2007, all employees and prospective employees of the FWCJUA are required to submit a statement to the FWCJUA attesting that they do not have a conflict of interest as defined in Part III, Chapter 112, Florida Statutes. The Board shall adopt a conflict of interest statement to be used in complying with this requirement.

J. The FWCJUA shall notify the Florida Division of Insurance Fraud or Commission on Ethics, whichever is more appropriate under the circumstances, within 48 hours after it has knowledge of any suspected fraudulent act or breach of public trust by an Employee, Board member or officer related to such Employee's, Board member's or officer's duties or responsibilities to the FWCJUA.

SECTION 12
Executive Director, Staff, and Service Providers

A. The FWCJUA shall be managed on a day-to-day basis by an Executive Director who shall implement the policies of the Board. The Executive Director shall be appointed by the Board and shall serve at the pleasure of the Board. The Executive Director shall retain, dismiss from employment, assign duties to, and otherwise control the activities of all other FWCJUA staff.

B. The Board may delegate to the Executive Director any duties reasonably necessary or appropriate for the day-to-day operations of the FWCJUA, unless otherwise expressly prohibited.

C. The FWCJUA will cause a background investigation to be made of each Senior Manager to be hired by the FWCJUA on or after November 15, 2006. Such persons will be required, as a condition of employment, to submit personal background information and fingerprint cards, pursuant to policies and procedures adopted by the Board which are consistent with material rules adopted by the OIR. Such Senior Managers will also be required to agree to the release of personal and confidential information, for the purpose of conducting the background investigation. The FWCJUA will terminate the employment of any Senior Manager found to be incompetent or untrustworthy.

D. The FWCJUA shall provide the OIR with written notice of any change among the Senior Managers within 45 days of such change.

E. The Board may provide the goods and services required by Section 627.311(5) and the Plan of Operation through staff employed by the FWCJUA, through reasonably compensated service providers who contract with the FWCJUA to provide services as specified by the Board, or through a combination of employees and service providers.

F. The FWCJUA shall adopt service standards for service providers, methods of determining adherence to those service standards, incentives and disincentives for service, and procedures for terminating contracts for service providers that fail or refuse to adhere to service standards.

G. The Board shall adopt procedures for selecting service providers and standards for qualification as a service provider that reasonably assure that any service provider selected will continue to operate as an ongoing concern and is capable of providing the specified services in the manner required.

H. Effective July 1, 2007, the FWCJUA shall obtain at least two written quotes, telephonic quotes or informal bids, whenever practical, for purchases of goods or services that equal or exceed $2,500 but are less than or equal to $25,000. The procurement of goods and services that exceed $25,000 is subject to competitive solicitation, except for situations in which the goods or services are provided by a sole source, deemed an emergency purchase, or expressly exempt from competitive solicitation pursuant to Section 287.057(5)(f), Florida Statutes. The Executive Director shall document the justification for not seeking competitive solicitations for any purchase of goods or services which exceeds $25,000. The Board must approve any contract for the purchase of goods or services equal to or exceeding $100,000.

SECTION 13
Books and Records

A. The books and records of the FWCJUA shall be open for examination by the OIR at all reasonable times.

B. The public records of the FWCJUA shall be open for personal inspection and copying by any person in the manner set forth in Chapter 119, Florida Statutes, subject to any applicable exemptions or exceptions provided by law.

C. The Board shall direct the preparation of all reports, analyses, and other reviews as the Board shall deem prudent or appropriate for the purposes of the FWCJUA.

D. The Board shall adopt procedures for the collection of FWCJUA data suitable for use in reviewing and modifying rates of the FWCJUA, whether separate from or in conjunction with, other Insurers. The Board may execute an agreement for the employment of a third party as its statistical agent.

SECTION 14
Accounting

The FWCJUA shall account for its operations using statutory accounting principles mandated by the Florida Insurance Code. The Board may solicit offers from accountants for the provision of accounting services, or may direct the FWCJUA staff to employ an accountant. Any accountant employed to audit and opine on the statutory financial statements prepared by the FWCJUA shall be an independent certified public accountant and shall comply with the accounting standards relating to the practice of accountancy in Florida.

SECTION 15
Limitations On Liability

Neither the FWCJUA, any Board member, committee members, officer, or member of a technical advisory group shall be liable for monetary damages to any person or entity for any statement, vote, decision, or failure to act, regarding the management or policies of the FWCJUA, unless:

A. The Board member, committee member, officer, or member of a technical advisory group breached or failed to perform his or her duties as a Board member, committee member or officer; and

B. The Board member's, committee member's, officer's~~,~~ , or member of a technical advisory group's breach of, or failure to perform, duties constitutes:

1. A violation of the criminal law, unless the Board member, committee member, officer, , or member of a technical advisory group had reasonable cause to believe that his or her conduct was lawful. A judgment or other final adjudication against a Board member, committee member, officer, ~~,~~ or member of a technical advisory group in any criminal proceeding for violation of the criminal law estops that Board member, committee member, officer, or member of a technical advisory group from contesting the fact that his or her breach or failure to perform constitutes a violation of the criminal law; but does not estop the Board member, committee member, officer, or member of a technical advisory group from establishing that he or she had reasonable cause to believe that his or her conduct was lawful or had no reasonable cause to believe that his or her conduct was unlawful;

2. A transaction from which the Board member, committee member, officer, or member of a technical advisory group derived an improper personal benefit, either directly or indirectly; or

3. Recklessness or any act or omission that was committed in bad faith or with malicious purpose or in a manner exhibiting wanton and willful disregard of human rights, safety, or property. For purposes of this subparagraph, the term "recklessness" means the acting, or omission to act, in conscious disregard of a risk:

a. Known, or so obvious that it should have been known, to the Board member; committee member, officer, or member of a technical advisory group; and

b. Known to the Board member, committee member, officer, or member of a technical advisory group, or so obvious that it should have been known, to be so great as to make it highly probable that harm would follow from such act or omission.

SECTION 16
Indemnification

A. As used in this Section 16, "Board members," "Board committee members," and "Committee members" shall include their designated representatives and alternate representatives.

B. The FWCJUA shall indemnify: (i) its Board members; (ii) Committee members; (iii) officers; (iv) ,members of a technical advisory group, and (v) agents and employees of the FWCJUA. The FWCJUA shall indemnify such persons whether they are: (i) former or current Board members, Committee members, officers, agents, members of a technical advisory group, or employees; (ii) a natural or legal person; (iii) individually or as a group; (iv) where applicable, the estate, executor, administrator, heirs, legatees, devisees, trustees, assigns, or successors in interest of any such person; and (v) where applicable, any person, not previously described, who is or may be vicariously liable for the actions of any aforementioned persons. These persons shall be referred to in this section as "Indemnified Persons." Indemnification shall be provided where claims or causes of action are based upon allegations as to the conduct of any person included in this section in the performance of that person's duties, or in the exercise of that person's discretion in the performance of duties, owed to the FWCJUA, and all persons vicariously liable for the actions of any such persons.

C. The right of indemnification hereunder shall not be exclusive of other rights the Indemnified Person may have as a matter of law or otherwise.

D. In each instance in which a question of indemnification arises, determination in the first instance of the right to indemnification hereunder, and of the time, manner, and amount of payment thereof, shall be made by the Board. Nothing in this paragraph is intended to make an adverse determination finally binding upon an Indemnified Person, or to preclude any Indemnified Person from instituting legal proceedings to enforce a right of indemnification under this section.

E. The indemnification provided for in this section shall be deemed to be an expense of the FWCJUA.

F. The FWCJUA shall defend any Indemnified Person from all claims and actions where such claims or actions are based upon allegations relating to the conduct of such persons in the performance of that person's duties, or in the exercise of that person's discretion in the performance of duties, or upon vicarious liability therefore, owed to the FWCJUA. The FWCJUA shall advance reasonable costs and attorneys fees (including such attorney's fees and costs incurred during any investigative phase) to any Indemnified Person upon proper demand and approval by the Board. The FWCJUA will not indemnify an Indemnified Person subject to a claim, charge or cause of action for a crime; provided however that the FWCJUA shall pay the reasonable attorney's fees and costs of an Indemnified Person where (i) such criminal charges are dismissed and not reinstated or (ii) the Indemnified Person is found not guilty of all criminal charges brought against him or her. Furthermore, the FWCJUA shall defend an Indemnified Person charged with the criminal violation of any provision of the Florida Insurance Code, where such charges allege only acts which were committed with the knowledge of the Board. In addition, the FWCJUA will not indemnify (but will defend) an Indemnified Person subject to a claim for civil fines or other penalties payable to any governmental authority.

G. The FWCJUA shall advance reasonable litigation costs and attorneys fees to any Indemnified Person upon proper demand and approval by the Board. The FWCJUA shall have no duty to oversee the conduct of any litigation or otherwise assure the competence of any counsel retained by any Indemnified Person. However, if the Chair and Executive Director, in consultation with the General Counsel, in their sole discretion, determine that any interest of the FWCJUA is implicated in any litigation brought by or against any Indemnified Person, the Indemnified Person shall have a duty to cooperate with counsel for the FWCJUA, in order to advance the interests of the FWCJUA and lower the costs of litigation. Where, in the opinion of independent counsel, the interests of the FWCJUA and the Indemnified Person are sufficiently identical, the Chair and the Executive Director, in consultation with the General Counsel, may, in their sole discretion, require that the Indemnified Person retain the same counsel as has been retained by the FWCJUA for the purpose of avoiding unnecessary attorneys' fees. Where an Indemnified Person fails to accede to the Chair’s and the Executive Director's determination that the amount of any requested advance for attorneys' fees and litigation costs is not reasonable, or that joint representation is proper, that Indemnified Person shall not be advanced or reimbursed for any costs of litigation or attorneys' fees which exceed the amounts the FWCJUA would have expended had such cooperation been forthcoming; provided, however, that the Chair and the Executive Director shall not exercise their discretion in these matters in a manner intended solely to oppress any Indemnified Person, or to impair any Indemnified Person's right to be defended by the FWCJUA. Furthermore, where an Indemnified Person's right to be defended by the FWCJUA is limited under this section, the Indemnified Person's right to be indemnified for awards of money damages made against them, including interest accrued prior to judgment, or amounts paid or agreed upon settlement, shall not be impaired in any manner.

H. The FWCJUA shall indemnify any Indemnified Person who makes a request for payment, otherwise proper under this section, for reimbursement of awards of money damages made against that person, including interest accrued prior to judgment, or amounts paid or agreed upon settlement. This right to request payment of such amounts is not subject to alienation or assignment, and no Indemnified Person shall have the right to create a contingent liability on the part of the FWCJUA for such payments by attempting any such assignment or alienation to any other person, including any attorney. Where, in its sole discretion, the Board determines that such requests or payments are proper and promote the purposes of this section, the Board may authorize payment for arbitration awards, costs of arbitration or mediation, or similar expenses or awards arising from alternative dispute resolution procedures.

I. The right to indemnification provided for herein shall not extend to any ~~FWCJUA producer~~Producer or Agency Producer, and nothing contained herein shall be construed as obligating the FWCJUA to indemnify any ~~producer~~Producer or Agency Producer.

SECTION 17
Transfer of Assets Upon Dissolution or Deactivation

A. Upon a determination by the Board that the conditions giving rise to the establishment of the FWCJUA no longer exist, and upon the consent and approval by order of the OIR, the FWCJUA may be dissolved and liquidated.

B. Upon the dissolution and liquidation of the FWCJUA for any reason, the assets of the FWCJUA shall be applied first to pay all debts, liabilities, and obligations of the FWCJUA (including the establishment of reasonable reserves for any contingent liabilities or obligations), and all remaining assets of the FWCJUA shall become property of the State of Florida and deposited in the Workers' Compensation Administration Trust Fund. However, the dissolution of the FWCJUA may not take effect if the FWCJUA has any outstanding financial obligations, unless adequate provision has been made for the payment of those financial obligations pursuant to the documents authorizing the financial obligations.

SECTION 18
Coverage and Applications

A. The Board shall from time to time adopt standards for determining eligibility for coverage under the FWCJUA, consistent with the purpose of the FWCJUA. At a minimum, those standards must provide that, as a prerequisite to eligibility for coverage by the FWCJUA, the producer for the proposed insured must present documented rejections by at least two Insurers which reasonably assures that insureds covered under the FWCJUA are unable to acquire coverage in the voluntary market.

B. ~~An insurance agency acting as a producer or a producer~~A Producer or Agency Producer submitting an application for coverage by the FWCJUA, on behalf of a proposed insured, must provide notice to the proposed insured, at the time of the application, that the application is for coverage with the FWCJUA and that coverage may be available in the voluntary market or through another insurance agent at a lower cost.

C. Applications for coverage to the FWCJUA shall be reviewed for reasonableness and accuracy, using any available historic information regarding the insured.

D. The Board shall adopt procedures for auditing insureds which are based on reasonable business judgment and are designed to maximize the likelihood that the FWCJUA will collect the appropriate premiums.

E. The FWCJUA is authorized to terminate the coverage of and refuse coverage for any insured that submits a fraudulent application to the FWCJUA or to any service provider of the FWCJUA or who provides fraudulent or grossly erroneous records to the FWCJUA or to any service provider of the FWCJUA.

F. The FWCJUA is authorized to terminate the coverage of and refuse coverage for any insured who fails to pay premiums, assessments, penalties, fees or surcharges when due; who at the time of application is delinquent in payments of workers' compensation and employer's liability insurance premiums or surcharges owed to an Insurer in the voluntary market which is licensed to write such coverage in Florida; who fails or refuses to cooperate with an audit; or who fails or refuses to substantially comply with any safety programs required by the FWCJUA.

SECTION 19
Subplans

Pursuant to Florida law as it existed prior to July 1, 2004, the FWCJUA established the following four rating plans for various classifications of risk which reflected risk of loss, hazard grade, actual losses, size of premium, and compliance with loss control:

A. Subplan "A," which shall include those insureds whose annual premium does not exceed $2,500 and who have neither incurred any lost-time claims nor incurred medical-only claims exceeding 50 percent of their premium for the immediately preceding two years.

B. Subplan "B," which shall include insureds that are employers identified by the Board as high-risk employers due solely to the nature of the operations being performed by those insureds and for whom no voluntary market exists and whose experience modifications are less than 1.00.

C. Subplan "C," shall include all insureds not included in Subplans A, B, or D.

D. Subplan "D," which shall include any employer, regardless of the length of time for which it has conducted business operations, which has an experience modification factor of 1.10 or less and either employs 15 or fewer employees or is an organization that is exempt from federal income tax pursuant to section 501(c)(3) of the Internal Revenue Code and receives more than 50 percent of its funding from gifts, grants, endowments, or federal or state contracts. The rate plan for Subplan D shall be the same rate plan as the plan approved under sections 627.091 through 627.151, Florida Statutes, and each participant in Subplan D shall pay the premium determined under such rate plan, plus a surcharge determined by the Board to be sufficient to ensure that the FWCJUA does not compete with the voluntary market rate for any participant, but not to exceed 25 percent. However, the surcharge shall not exceed 10 percent for an organization that is exempt from federal income tax pursuant to section 501(c)(3) of the Internal Revenue Code.

The Board adopted such policies and procedures as were appropriate to implement and monitor these Subplans.

Effective July 1, 2004, pursuant to an act of the 2004 Florida Legislature which was approved by the Governor, the FWCJUA ceased writing new business in the four subplans. The four subplans will, however, continue to exist for all lawful purposes, including financial and reporting purposes.

SECTION 20
Tier Rating Plans

Effective July 1, 2004, the FWCJUA established three rating tiers for policyholders who are otherwise eligible for coverage by the FWCJUA. These three rating tiers have the following eligibility criteria and are subject to the following rate limitations:

A. Tier One

(1) Criteria for rated employers.--A policyholder that has an experience modification rating shall be included in Tier One if the policyholder meets all of the following:

(a) The experience modification is below 1.00.

(b) The policyholder had no lost-time claims subsequent to the applicable experience modification rating period.

(c) The total of the policyholder's medical-only claims subsequent to the applicable experience modification rating period did not exceed 20 percent of premium.

(2) Criteria for non-rated employers.--A policyholder that does not have an experience modification rating shall be included in Tier One if the policyholder meets all of the following:

(a) The policyholder had no lost-time claims for the 3-year period immediately preceding the inception date or renewal date of the employer's coverage under the plan.

(b) The total of the policyholder's medical-only claims for the 3-year period immediately preceding the inception date or renewal date of the policyholder's coverage under the plan did not exceed 20 percent of premium.

(c) The policyholder has secured workers' compensation coverage for the entire 3-year period immediately preceding the inception date or renewal date of the policyholder's coverage under the plan.

(d) The policyholder is able to provide the plan with a loss history generated by the policyholder's prior workers' compensation insurer, except if the policyholder is not able to produce a loss history due to the insolvency of an insurer, the FWCJUA shall require that the policyholder ~~or~~, the Producer or the Agency Producer submit a copy of the policyholder's loss history from the records of the insolvent insurer if the loss history is contained in records of the insurer which are in the possession of the insurer's receiver. If the receiver is unable to produce the loss history, the policyholder may, in lieu of the loss history, submit an affidavit from the policyholder and the Producer setting forth the loss history.

(e) The employer is not a new business.

(3) Rates.—The Board shall establish, and the FWCJUA shall charge, actuarially sound rates for Tier One insureds.

B. Tier Two

(1) Criteria; rated employers.--A policyholder that has an experience modification rating shall be included in Tier Two if the policyholder meets all of the following:

(a) The experience modification is equal to or greater than 1.00 but not greater than 1.10.

(b) The policyholder had no lost-time claims subsequent to the applicable experience modification rating period.

(c) The total of the policyholder's medical-only claims subsequent to the applicable experience modification rating period did not exceed 20 percent of premium.

(2) Criteria; non-rated policyholders.--A policyholder that does not have any experience modification rating shall be included in Tier Two if the policyholder is a new business. A policyholder shall be included in Tier Two if the policyholder has less than 3 years of loss experience in the 3-year period immediately preceding the inception date or renewal date of the policyholder's coverage under the plan and the policyholder meets all of the following:

(a) The policyholder had no lost-time claims for the 3-year period immediately preceding the inception date or renewal date of the policyholder's coverage under the plan.

(b) The total of the policyholder's medical-only claims for the 3-year period immediately preceding the inception date or renewal date of the policyholder's coverage under the plan did not exceed 20 percent of premium.

(c) The policyholder is able to provide the plan with a loss history generated by the workers' compensation insurer that provided coverage for the portion or portions of such period during which the policyholder had secured workers' compensation coverage, except if the policyholder is not able to produce a loss history due to the insolvency of an insurer, the receiver shall provide to the plan, upon the request of the policyholder or the policyholder's agent, a copy of the policyholder's loss history from the records of the insolvent insurer if the loss history is contained in records of the insurer which are in the possession of the receiver. If the receiver is unable to produce the loss history, the policyholder may, in lieu of the loss history, submit an affidavit from the policyholder and the policyholder's insurance agent setting forth the loss history.

(3) Rates.--The Board shall establish, and the FWCJUA shall charge, actuarially sound rates for Tier Two insureds.

C. Tier Three

(1) Eligibility.--A policyholder shall be included in Tier Three if the policyholder does not meet the criteria for Tier One or Tier Two.

(2) Rates.--The Board shall establish, and the FWCJUA shall charge, actuarially sound rates for Tier Three insureds.

SECTION 21
Policy Forms, Rates and Rating Plans

A. The Board shall from time to time adopt policy forms, rates, and rating plans appropriate to the operation of the FWCJUA and consistent with its purpose. The FWCJUA shall issue policies consistent with the Plan of Operation.

B. The FWCJUA shall endeavor to have actuarially sound rates that reasonably assure that the FWCJUA is self-supporting.

C. FWCJUA losses shall not be funded by Members or by any guaranty association on behalf of the Members; provided, however, that this does not relieve Members of the obligation to collect and remit assessments pursuant to section 627.311(5)(d)2., Florida Statutes.

SECTION 22
Policy and Claims Services/Safety Programs

A. The FWCJUA shall provide policy and claims services to its insureds of the nature and quality generally provided to insureds in the voluntary market.

B. The Board shall adopt a plan to establish reasonable safety programs in which insureds of the FWCJUA are required to participate.

SECTION 23
~~Producer Agencies and~~ Producers~~/Producer~~ and Agency ~~and Producer Fees~~Producers

A. As used in these Bylaws, the term "~~producer~~Producer" shall mean a resident or nonresident general lines agent, licensed by the Department of Financial Services, who has entered into ~~a~~an agency producer agreement with the FWCJUA. No ~~producer~~Producer shall be an agent of the FWCJUA, and nothing contained herein shall be construed as granting to any producer the authority to bind insurance coverage or otherwise act on behalf of the FWCJUA.

B. As used in these Bylaws, the term "Agency Producer~~ Agency~~" shall mean an insurance agency licensed by the Department of Financial Services, which has entered into an agency producer agreement with the FWCJUA to produce insurance business. No Agency Producer~~ Agency~~ shall be an agent or agency of the ~~the~~ FWCJUA, and nothing contained herein shall be construed as granting to any Agency Producer ~~Agency~~ the authority to bind insurance coverage or otherwise act on behalf of the FWCJUA.

C. The Board shall adopt service standards and establish qualifications for Producers and ~~Producer Agencies~~Agency Producers who submit business to the FWCJUA.

D. The Board shall adopt criteria and procedures to prohibit any Producer or Agency Producer ~~Agency~~ which does not adhere to the established service standards from placing business with the FWCJUA or receiving, directly or indirectly, any producer fees for business placed with the FWCJUA.

E. The FWCJUA shall adopt agency producer ~~agreements and producer agency~~ agreements, and shall require that Producers and ~~Producer Agencies~~Agency Producers enter into such agreements as a prerequisite to placing business with the FWCJUA.

F. The producer fees payable to Producers and ~~Producer Agencies~~Agency Producers shall be determined by the Board and set forth in the FWCJUA's ~~rating plans~~Operations Manual.

SECTION 24
Market Assistance Plan

A. The Board shall adopt a MAP to assist FWCJUA applicants and policyholders in obtaining coverage in the voluntary market.

B. The MAP shall include procedures that provide Insurers in the voluntary market with information about the applicants to or insureds within the FWCJUA so that an Insurer may determine whether it wishes to write particular applicants to or insureds of the FWCJUA.

SECTION 25
Cancellations and Renewals

A. Policies may be canceled by the FWCJUA for nonpayment of premium, for misrepresentation of any material fact, grossly erroneous application materials, failure to comply with underwriting guidelines, failure to comply with any program of safety required by the FWCJUA for policyholders in the insured's class, in instances where there has been a substantial and material change in the nature of a risk which renders it uninsurable or otherwise ineligible for coverage in the FWCJUA, or for any other reason authorized by law. To the extent reasonably possible, risk management programs of the FWCJUA shall be designed to help reduce losses and make risks more attractive to Insurers operating in the voluntary market.

B. Policies may be canceled by the policyholder by return of the policy to the ~~producer~~ Producer or Agency Producer accompanied by a request to cancel on a certain date.

C. Policies may be renewed provided the policyholder is still eligible for coverage in the FWCJUA.

SECTION 26
Assessments

A. The FWCJUA shall issue assessable policies, consistent with Section 627.311(5), to policyholders in Tier Three. Subject to verification by the OIR, the Board may levy assessments against policyholders in Tier Three to fund any deficits that exist in Tier Three. Assessments levied against Tier Three policyholders shall cover only the deficits attributable to Tier Three. Policyholders in Tier Three may be assessed more than once, and any assessment may be made either while the Tier Three policy is in effect or at any time after the termination, expiration or cancellation of the Tier Three policy. In no event shall the FWCJUA levy assessments against any person or entity, except as authorized by Section 627.311(5), Florida Statutes. Such assessable policies must be clearly identified as being assessable by containing, in contrasting color and in not less than 10-point type, the following statement: "This is an assessable policy. If the FWCJUA is unable to pay its obligations, policyholders will be required to contribute on a pro-rata-earned-premium basis the money necessary to meet any assessment levied."

B. The Board shall be responsible for administering any assessments.

SECTION 27
Construction

These ~~Seventh~~Eighth Amended Bylaws and the entire Plan of Operation shall be construed to conform with and when necessary amended to conform to the provisions of Section 627.311(5).

SECTION 28
Amendments

The Board and OIR must approve all amendments to the Bylaws or any document that is a component of the Plan of Operation. No amendment to the Bylaws shall be effective until approved by the affirmative vote of two-thirds of the members of the Board and by the OIR.

These ~~Seventh~~Eighth Amended Bylaws are hereby adopted by the Board of Governors this ~~29~~9th day of June ~~2007.~~2009.

~~Ray Neff~~
Charlie Clary
Chair

Document comparison done by Workshare DeltaView on Wednesday, June 03, 2009 2:35:48 PM

Input:	
Document 1	interwovenSite://OHSPRDMS01/TALL/159468/8
Document 2	interwovenSite://OHSPRDMS01/TALL/216382/2
Rendering set	standard

Legend:	
Insertion	
~~Deletion~~	
~~Moved from~~	
Moved to	
Style change	
Format change	
~~Moved deletion~~	
Inserted cell	
Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

Statistics:	
	Count
Insertions	40
Deletions	38
Moved from	0
Moved to	0
Style change	0
Format changed	0
Total changes	78

MEETING SCHEDULE

The Board shall confirm its availability to establish a quorum for the December 8, 2009 Board meeting as well as the Annual Meeting of the Membership, given the anticipated teleconference meeting format will not be workable.

At the direction of the Chair, the December 8, 2009 Board meeting along with the Annual Meeting of the Membership will be conducted as physical meetings. The meetings are again scheduled to take place in Sarasota at the FWCJUA's office beginning at 8:30 a.m. The Annual Meeting of the Membership will begin at 8:30 a.m. and will be followed immediately by the Board of Governors meeting.

The Board shall determine whether a quorum of the Board can be anticipated for the physical meeting of the Board of Governors along with the Annual Meeting of the Membership on December 8, 2009 in Sarasota at the FWJUA's office beginning at 8:30 a.m.

401K PLAN

The Board shall consider authorizing an amendment to the 401K plan to change the "cashout" level for vested balances of terminated participants from $1,000 to $5,000.

This change is being recommended to reduce the FWCJUA's ongoing expenses associated with the management of the invested assets of the Plan, albeit a relatively small annual savings. Two of four former employees with vested balances in the Plan will be impacted by the change. In accordance with industry standard procedures related to a required "cashout," these employees will be given thirty days notice to consider taking a distribution or rolling over their vested balances.

Attached for the Board's consideration is the resolution required to change the "cashout" level of the 401K plan. The 401K adoption agreement and summary plan description will be available for the Board's reference at the meeting.

The Board shall determine whether to adopt the proposed resolution to change the "cashout" level of the 401K plan to $5,000.

BOARD RESOLUTION

A meeting of the Board of Directors of Florida Workers' Compensation Joint Underwriting Association, Inc.. herein referred to as "Corporation," was held on the day of September 9, 2009 in accordance with the Corporation's bylaws. The Directors approved the following resolution for the benefit of the Corporation's employees. The following resolutions were offered, seconded and unanimously adopted.

WHEREAS, it is the desire of the Corporation to reward its employees for faithful service rendered to the Corporation by adopting a retirement plan Florida Workers' Compensation Joint Underwriting Association, Inc.. Savings Plan (Plan) that contains a cash or deferred arrangement under Section 401(k) of the Internal Revenue Code;

WHEREAS, it is the desire of the Corporation and the Trustees to adopt a retirement plan effective January 1, 2009, and;

WHEREAS, the Trustees appointed under the Plan is Laura S. Torrence and Laura Reay-Lopez and;

WHEREAS, the Plan has been amended to increase the cash out threshold to $5,000 effective September 9, 2009.

WHEREAS, the Directors have considered the salient features of the adoption agreement and plan document for the Plan which, when executed and carried out, will provide benefits to the Corporation's employees and their beneficiaries, and;

WHEREAS, it is believed that the adoption of the Corporation's current Plan will encourage continuous employment and loyalty to the Corporation, in the mutual interest of the employees of the Corporation, and;

WHEREAS, it is the desire of Florida Workers' Compensation Joint Underwriting Association, Inc.. and the Trustees of the Plan to authorize MVP Plan Administrators, Inc. as the third party administrator of the Plan.

THEREFORE, IT IS RESOLVED: That the Corporation does hereby adopt the attached Adoption Agreement and Basic Plan Document and does hereby authorize and empower the proper officers of this Corporation to execute the Plan Document associated with said Plan; and it is

FURTHER RESOLVED: That this Resolution shall become effective September 9, 2009; and it is

FURTHER RESOLVED: That the Plan shall be effective January 1, 2009; and it is

FURTHER RESOLVED: That Laura S. Torrence and Laura Reay-Lopez shall be hereby designated as Trustees; and it is

FURTHER RESOLVED: That MVP Plan Administrators, Inc. is authorized as the third party administrator of the Plan.

CERTIFICATION

The undersigned does hereby certify that the foregoing is a true copy of the Resolution adopted by the Board of Directors of the above-mentioned Corporation by action of the Board of Directors held on September 9, 2009 and entered into upon the regular Minute Book of said Corporation and now in full force and effect, and that the Board of Directors of said Corporation has and at the time of the adoption said Resolution had full power and lawful authority to adopt said Resolution and to confer the powers thereby granted to the officers herein named, who have full power and lawful authority to exercise the same.

____
Secretary

EXECUTIVE COMPENSATION COMMITTEE REPORT:
EXECUTIVE COMPENSATION

The Board shall consider whether two changes to the executive staff's benefits package are appropriate at this time to ensure that the current offerings are sufficient to provide competitive total compensation.

At its August 31st meeting, the Executive Compensation Committee agreed to recommend for Board consideration the following executive staff benefits package updates provided the expenses associated with the updates are deemed reasonable by the Board:

1. increase the company-paid Life Insurance/Accidental Death & Dismemberment Policy for the executives to 2 x Salary; and
2. increase the opportunities for the executive staff to maximize retirement/savings opportunities by amending the current 401K Plan as early as 2009.

The costs associated with the pursuing these two executive staff benefits package updates are currently being prepared and shall be provided under separate cover. Further, Joe Gordon, of Gordon Asset Management, LLC, will be available during the meeting to discuss the 401K Plan amendment that is being offered for consideration to address the retirement/savings benefits matter.

At its August 31st meeting, the Executive Compensation Committee also directed General Counsel to update the Executive Director's employment contract for consideration by the Committee at a later date. The Committee also discussed the possible adoption of an executive severance pay practice; however, it deferred further consideration of such a benefit until after the Operations Committee completes its discussions related to a severance (separation) policy, given a contemplated workforce reduction.

The Board shall determine whether to update the executive staff's benefits program and provide direction with regard to its preferences on how to proceed with this project.

INVESTMENT COMMITTEE REPORT: COMPLIANCE REVIEW OF THE CURRENT INVESTMENT PORTFOLIO

The Board shall review the compliance of the FWCJUA's current investment portfolio and consider whether to continue the current exceptions to the Investment Policy given the state of the investment marketplace and the FWCJUA's portfolio performance.

The currently authorized exceptions to the FWCJUA Investment Policy, most recently confirmed/re-confirmed by the Investment Committee on June 26, 2009, permit the FWCJUA to maintain a total of nine bonds downgraded below an "A" rating within its portfolio, those bonds being issued by Home Depot, SunTrust, Lehman Brothers, Anheuser Busch, CitiGroup and Vulcan Materials. Identified in the table below are the nine specific holdings that are currently being maintained within the FWCJUA's portfolio as exceptions to the Investment Policy. Since the last meeting of the Investment Committee, there has been no significant activity related to the status or outlook on these bonds being held within the portfolio as exceptions. Accordingly, the Investment Committee Chair has authorized the cancellation of the Committee's July and August meetings as the authorized exceptions continue to be holding stable.

Moody's	S&P	Bond Name	Maturity Date	Par Value	Cost	Market Value as of 8/21/09	Yield to Maturity
BAA1	BBB+	Home Depot	9/15/2009	135,000	134,320	135,109	3.850%
BAA1	BBB+	SunTrust, Inc.	10/15/2009	3,000,000	3,007,770	3,011,430	3.755%
--	--	Lehman Brothers	11/1/2009	115,000	136,876	?	6.616%
BAA2	BBB+	Anheuser Busch Cos	12/1/2009	100,000	111,125	101,799	5.511%
--	--	Lehman Brothers	1/27/2010	250,000	243,893	?	4.356%
BAA2	BBB+	Anheuser Busch Cos	4/1/2010	328,000	344,584	337,072	4.740%
BAA2	BBB	SunTrust, Inc.	5/1/2010	1,600,000	1,639,664	1,656,720	5.269%
BAA1	A -	CitiGroup, Inc.	8/27/2012	250,000	253,335	244,603	5.355%
BAA2	BBB	Vulcan Materials	11/30/2012	500,000	499,110	517,350	5.636%

As the Board is aware, it may reconfirm the continued holding of each of the individual downgraded bonds identified in the above chart or it may authorize any of the downgraded bonds to be sold. Again, the FWCJUA Investment Policy has the following exception clause:

> It is expected that from time to time it may be necessary to deviate from this policy due to increased or decreased liquidity needs or to take advantage of a particular situation or investment. The spirit of this policy is not to prevent exceptions but to promote planning for investments to optimize income and to integrate investment strategy with other FWCJUA activities. Exceptions from this policy must be approved by the Investment Committee and presented to the Board of Governors at the next Board meeting.

Attached for the Board's review is a copy of the Investment Portfolio Comparison with Investment Policy as of August 21, 2009 that illustrates compliance with the policy.

The Board shall determine whether to re-confirm the continued holding of the Home Depot bond, the two Lehman Brothers bonds, the two SunTrust bonds, the two Anheuser Busch bonds, the CitiGroup bond and the Vulcan Materials bond within the FWCJUA's portfolio as authorized Investment Policy exceptions.

FWCJUA
Investment Portfolio Comparison with Investment Policy

	% allowed	Moody's	S&P	FWCJUA Portfolio *Book Value* 8/21/2009	% 8/21/2009
1. U.S. Government Treasury Securities	100%				
U.S. Treasury Note		TSY	TSY	198,790	0.2%
U.S. Treasury Bills		TSY	TSY	2,770,723	2.6%
				2,969,513	2.8%
2. U.S. Government Agency Securities *(subject to 35% limit in any one agency)*	100%				
Federal Home Loan Mortgage Corporation (FHLMC)		AGY	AGY	8,611,328	8.1%
Federal National Mortgage Association (FNMA)		AGY	AGY	6,849,742	6.4%
Federal Home Loan Bank (FHLB)		AGY	AGY	2,267,620	2.1%
Federal Farm Credit Banks (FFCB)		AGY	AGY	98,534	0.1%
				17,827,223	16.8%
3. Commerical Paper rated A-1 or P-1 provided the LT Debt rating is A or better.	25%			-	0.0%
4. Corporate Debt with LT Bond ratings of single A or better & a SVO of 1.	50%				
AT&T Inc		A2	A	100,993	0.1%
Abbott Labs		A1	AA	509,907	0.5%
Alabama Power Company		A2	A	599,825	0.6%
Allstate Corporation		A3	A -	201,595	0.2%
Anheuser Busch Companies Inc		BAA2	BBB+	432,269	0.4%
Bank of America		A2	A	455,796	0.4%
Bank of New York		AA2	AA -	1,004,230	0.9%
Berkshire Hathaway		AA2	AAA	59,669	0.1%
Boeing Cap Corp		A2	A+	828,935	0.8%
Caterpillar, Inc.		A2	A	987,056	0.9%
CitiGroup Inc. - sub notes		BAA1	A -	252,220	0.2%
Coca Cola Enterprises		A3	A	100,415	0.1%
Conocophillips		A1	A	906,124	0.9%
Countrywide Funding Corporation		A2	A	3,487,409	3.3%
Dover Corp		A2	A	258,441	0.2%
Emerson Electric		A2	A	187,813	0.2%
General Electric Cap		AAA	AAA	2,008,109	1.9%
General Electric Cap		AA2	AA+	1,214,623	1.1%
Gillette Company		AA3	AA -	839,219	0.8%
Goldman Sachs		A1	A	516,926	0.5%
Hewlett Packard Co.		A2	A	1,026,171	1.0%
Home Depot		BAA1	BBB+	134,957	0.1%
IBM Corp		A1	A+	1,149,141	1.1%
JP Morgan Chase Co		AA3	A+	2,453,842	2.3%
John Deere Cap Corp		A2	A	1,100,636	1.0%
Kimberly Clark Corp		A2	A	1,176,461	1.1%
Lehman Brothers Holdings		NR	NR	365,464	0.4%
Lowes Companies Inc		A1	A+	998,777	0.9%
McDonalds Corp		A3	A	491,388	0.5%
Merrill Lynch & Co		A2	A	539,293	0.5%
Morgan Stanley		A2	A	510,467	0.5%
National Rural Utilities		A2	A	1,103,189	1.0%
Nucor Corp		A1	A+	209,142	0.2%
Occidental Peteroleum		A2	A	557,704	0.5%
Oracle Corp Ozark		A2	A	522,145	0.5%
PNC Funding Corp		A3	A	459,943	0.4%
Pepsi Bottling Co.		AA2	A+	336,494	0.3%
Pepsico Inc		AA2	A+	199,878	0.2%
Pfizer Inc		AA2	AAA	364,510	0.3%
Praxair Inc		A2	A	261,382	0.2%
SBC Commmunications		A2	A	973,924	0.9%
SunTrust Banks - senior notes		BAA1	BBB+	3,007,770	2.8%
SunTrust Banks - sub notes		BAA2	BBB	1,639,664	1.5%
Target Corp		A2	A+	1,139,468	1.1%
United Technology Corp		A2	A	653,902	0.6%
US Bancorp		AA3	A+	500,371	0.5%
Vulcan Materials		BAA2	BBB	499,327	0.5%
Walt Disney Co		A2	A	360,824	0.3%
Wal-Mart Stores		AA2	AA	579,591	0.5%
Wells Fargo & Company		A1	AA -	249,126	0.2%
				38,516,525	36.2%
5a. C.D.'s fully insured by FDIC	50%			51,142,330	48.1%
5b. C.D.'s not fully insured by FDIC	25%			-	0.0%
6. Banker Acceptances issued & guaranteed by domestic commercial banks with commercial paper rated A1/P1 and bank deposit ratings of AA/Aa.	25%			-	0.0%
7. Repurchase agreements consisting of US Gov't and Gov't Agency Securities	100%			-	0.0%
8. Pooled fixed income funds consisting of securities in categories 1-7 provided securities are held in a member of the FRB & maturity does not exceed 2.5 years.	10%			-	0.0%
9. Municipal bonds - state and local general obligation bonds with no less than an "A" rating by Moody's or S&P and a "AA" rating for revenue-backed.	25%			-	0.0%
Additional Requirements:					
- Minimum liquidity requirement of 5% of total JUA funds (cash & investments)	5%				
Money Market Funds & Investments with < 1 year to maturity				41,203,734	
SunTrust Bank /Sabal Palm accounts				4,730,705	41%
				45,934,439	**OK**
- Maximum of 5% may be invested in obligations of a single issuer.					**OK**
- Average Portfolio Rating of Double A		**AA**	**AA**		**OK**
Total Portfolio - Cash & Invested Assets				**$ 106,389,846**	

INVESTMENT COMMITTEE REPORT:
REVIEW OF POLICY AND GUIDELINES FOR THE INVESTMENT OF ASSETS AND ASSOCIATED MATTERS

The Board shall consider an amendment to the Investment Policy that would increase the investment allocation for CD's issued by banks or thrift institutions that are fully insured by the FDIC from 50% to 100% similar to U.S. Government Securities and U.S. Government Agency Securities and shall receive an update on the FWCJUA's accounts with US Bank as well as transition plans related to the Investment Manager.

At its June 26th meeting, the Investment Committee unanimously agreed to recommend that the Board consider amending the Investment Policy to change the amount that can be invested in CD's issued by banks or thrift institutions that are fully insured by the FDIC from 50% to 100%, given CD's have been providing the FWCJUA with the most competitive investment yields with the least amount of risk. The Investment Policy currently provides for a 100% investment allocation for both U.S. Government Securities and U.S. Government Agency Securities, because these types of investments have the full faith and backing of the U.S. Government. The Committee believes this same investment allocation would be reasonable for CD's issued by banks or thrift institutions that are fully insured by the FDIC given these CD investments also have the full faith and backing of the U.S. Government. Further, the process for redeeming a CD issued by a failed bank or thrift institution insured by the FDIC has not proven problematic for the FWCJUA and has typically been resolved within one day of written request.

Attached for the Board's consideration is the proposed amendment to the Investment Policy.

The Board shall determine whether to accept the recommendation of the Investment Committee and adopt an amendment to the FWCJUA Investment Policy permitting a 100% investment allocation to CD's issued by banks or thrift institutions that are fully insured by the FDIC.

As reported in the agenda for the August 28, 2009 Investment Committee meeting, staff closed the FWCJUA's Evergreen Institutional 100% Treasuries money market account at US Bank in mid-August and began utilizing the FWCJUA's Fidelity Treasury Only Class 1 money market account at US Bank as the sole account used to facilitate the financial transactions associated with investments managed by our investment manager. Previously, the FWCJUA was utilizing both money market accounts due to limitations on new purchases within these accounts. With these limitations now lifted and upon review of all the 100% Treasuries money market accounts available through US Bank, staff determined that it was most advantageous for the FWCJUA to utilize only the Fidelity account earning 0.125% interest versus the Evergreen account earning 0.02% interest given it was also the highest earning account of its type available. Further, the final custody agreements with US Bank were executed in August following extensive negotiations between US Bank and Evergreen Investments.

Further, as previously reported, the Investment Manager has been in the process of transitioning from Evergreen Investments to Wells Capital Management. The review of its various office locations has been a part of this process and the decision has now been made to consolidate the customized fixed income group in Charlotte and, as a result, Lori Hinkle will be leaving the organization sometime around year end. Lori works out of the Investment Manager's Philadelphia office which will no longer house the portfolio management function. Laura Lake will be assuming the portfolio management responsibilities and working closely with Lori on the transition. Jason Weinstein currently partners with Laura Lake on several insurance company relationships and believes the FWCJUA will be very satisfied working with her. Lori and Laura are teammates and follow the same investment research process. Therefore, she is familiar with the portfolio holdings and style in which the portfolios have been managed.

No Board action is required on the update.

FLORIDA WORKERS' COMPENSATION JOINT UNDERWRITING ASSOCIATION, INC.

INVESTMENT POLICY

Investment Objectives

1. To provide sufficient liquidity to meet the routine and projected cash requirements of the Florida Workers' Compensation Joint Underwriting Association, Inc. (FWCJUA).

2. To provide safety of principal and interest.

3. To generate a market rate of return that will protect the purchasing power of the funds deposited with the FWCJUA consistent with restrictions imposed in this policy.

4. The investment portfolio shall at all times reflect sound investment practices; including adequate diversification, limiting the FWCJUA's exposure to changing interest rates, and consideration of current and anticipated economic conditions.

5. Investments shall be made in accordance with the Prudent Investor Rule as defined by Florida Statute (F.S. 518.11).

6. Adhere to Florida Statutes defining the FWCJUA (F.S. 627.311).

Duties and Responsibilities

Responsibility for supervision of the FWCJUA rests with the Board of Governors. The Board of Governors recognizes its responsibilities to review and approve investment policy and its option to delegate the responsibility to implement the policy to the Investment Committee.

The Investment Committee, subject to the Board of Governors, shall:

1. Establish portfolio objectives and investment guidelines.

2. Monitor performance of investments to ensure that objectives are being met and guidelines are being followed.

3. Direct the Executive Director to implement the established investment policy and report investment results to the Investment Committee, in the directed format, on a quarterly basis.

The Investment Committee shall report to the Board of Governors at each Board meeting. The Investment Committee shall formally review the Investment Policy at least annually. The Investment Committee is authorized to take appropriate action if investment objectives are not being met or guidelines are not being observed.

Should any security be downgraded outside of the acceptable investment parameters, the investment manager will notify the Executive Director as soon as practical of such rating change and recommended action.

Attachment I

Acceptable Portfolio Investments

		Portfolio Limits
1.	U.S. Government Securities	100%
2.	U.S. Government Agency Securities including: Federal Farm Credit Banks Federal Home Loan Mortgage Corporation Federal Home Loan Bank Federal National Mortgage Association Resolution Financing Corporation	100%
3.	Commercial Paper rated A-1 by Standard & Poor's Corporation and P-1 by Moody's Investors Services, Inc. provided the long term debt rating of the issuer is A or better by either Moody's or S & P.	25%
4.	Debt Obligations (Notes & Bonds) issued by corporations with long term bond ratings at a minimum of a ‘Single A rating category’ with Standard & Poor’s Corporation and a minimum of a ‘Single A rating category’ with Moody’s Investor Services and a Securities Valuation Office rating of 1, while maintaining an average portfolio rating of a ‘Double A rating category’.	50%
5.a.	Certificates of Deposit/Deposit notes issued by banks or thrift institutions that are fully insured by the FDIC.	~~50%~~ 100%
5.b.	If not fully insured by the FDIC, Certificates of Deposit/Deposit notes issued by banks with a bank deposit rating, and senior debt rating of AA/Aa or better by Standard & Poor's Corporation and Moody's Investor Services, respectively.	25%
6.	Bankers Acceptances issued and guaranteed by domestic commercial banks with commercial paper ratings of A1/P1 and bank deposit ratings of AA/Aa from Standard & Poor's Corporation and Moody's Investor Services, respectively.	25%
7.	Repurchase agreements consisting of U.S. Government and Government Agency Securities and based on the daily market value of the securities.	100%
8.	Pooled fixed income funds consisting of securities in categories 1-7 provide such securities are held in national bank, state bank or trust company which is a member of the Federal Reserve System and through which an insurer participates in the Federal Reserve Book Entry System and the average maturity does not exceed two and one-half (2 1/2) years.	10%
9.	Municipal Bonds. State and Local General Obligation Bonds with no less than an ‘A’ rating by Moody’s or S&P and a ‘AA’ rating will be required for the purchase of Revenue-Backed Municipal Bonds.	25%

Composition of Assets

1. Cash and cash equivalents to meet daily liquidity of the FWCJUA. Minimum liquidity requirement of 5% of total JUA funds (cash and investments). Minimum liquidity requirement shall be established by the Investment Committee, reviewed and adjusted as necessary.

2. Short Term Investments in Certificates of Deposit, Commercial Paper, Bankers Acceptances, U.S. Government and Government Agency Securities to meet liquidity needs and optimize interest income.

3. Investments in securities, including U.S. Government and U.S. Government Agency securities, corporate notes and corporate bonds, certificates of deposit, deposit notes, municipal bonds, and pooled funds, based on anticipated liquidity needs, economic conditions, and interest rate changes to optimize interest income and preserve the purchasing power of the funds deposited with the FWCJUA.

4. For purposes of classification, holdings in the following issuers is included in the Debt Obligations (Notes & Bonds) category and must adhere to all portfolio limits and allocation restrictions of that category: Canadian public debt including provinces or other subdivisions and senior unsecured debt of banks, thrifts, and certain holding companies which is guaranteed by the FDIC under the Temporary Liquidity Guarantee Program (TLGP) until expiration of the program.

5. Classifications are defined at time of purchase and must be reviewed and updated at least annually.

Maturities

The maturities of the investment portfolio will be based on the anticipated liquidity needs of the FWCJUA. Secondarily, maturities will be based on anticipated interest rate levels and economic conditions.

All securities purchased shall mature within 180 months from date of purchase.

Diversification

Maximum of 5% of investment portfolio may be invested in obligations of a single issuer. U.S. Government direct obligations are not subject to a limitation and U.S. Government Agency securities are subject to a 35% limit in any one agency. Investment in Canadian public debt is restricted to a maximum of 5% per issuer.

Safekeeping

The FWCJUA's securities will be held in safekeeping by the FWCJUA's bank. The bank will provide custody receipts and verify to the FWCJUA's auditors, securities held as requested.

Exceptions to this Policy:

It is expected that from time to time it may be necessary to deviate from this policy due to increased or decreased liquidity needs or to take advantage of a particular situation or investment. The spirit of this policy is not to prevent exceptions but to promote planning for investments to optimize income and to integrate investment strategy with other FWCJUA activities. Exceptions from this policy must be approved by the Investment Committee and presented to the Board of Governors at the next Board meeting.

Adopted December 14, 1994 and Revised ~~June~~ September 9, 2009
by the FWCJUA Board of Governors

OPERATIONS COMMITTEE REPORT: BUDGET EXPENSE CONSIDERATIONS

On-line Interactive Application Process

The Board shall consider staff's recommendation to engage Tropics Software Technologies to assist the FWCJUA in implementing a web-based on-line interactive application process.

At its June 6th meeting, the Board unanimously agreed to authorize a 2009 budget expenditure to implement an on-line interactive application process by January 1, 2010, subject to General Counsel providing a written opinion that the solicitation process used by the FWCJUA met statutory requirements as well as the requirements of the FWCJUA's Bylaws. Upon review of the process, General Counsel suggested a more formal solicitation process with advertising in the Florida Administrative Weekly and on the FWCJUA's Website. Accordingly, on July 2, 2009, the FWCJUA released a Quote Solicitation for a customized, pre-built software solution for a workers' compensation web-based on-line interactive application process to allow insurance agencies to submit new business applications via the internet. On July 24th, the FWCJUA received one response to its Quote Solicitation. The respondent was Tropics Software Technologies, and its response was both timely and deemed "responsive." Accordingly, a software demonstration and interview was conducted on August 3, 2009. Staff then scored the proposal and agreed to recommend that the FWCJUA proceed with Tropics.

At its August 24th meeting, the Operations Committee met and considered staff's recommendation. The Committee referred staff's recommendation to the Board for consideration without a recommendation, given the Board originally authorized the $530,000 out-of-budget expense for 2009 to implement a web-based on-line interactive application process.

Below is the pricing model for this solution:

SOLUTION		
Non-Recurring Expenses	Quote Solicitation	Prior Solicitation
Software & Licenses	$250,000	$250.000
Extra module & enhancements	$58,500	$0
Subtotal: Tropics' system	**$308,500**	**$250,000**
Maintenance & support through 12/31/2010	$32,392	$0
Deployment services	$69,000	$60,000
Subtotal: Tropics total of solution	**$409,892**	**$310,000**
Oracle Enterprise Database (enterprise licenses)	$165,000	$164,000
Needed Hardware and Software	$17,900	$17,000
Additional Server for processing at SunGard location	$9,500	$8,800
Evault Backup client license for Oracle	$1,000	$1,000
Blue Coat WAN Optimizer	$0	$29,500
Subtotal: FWCJUA hardware/software requirements	**$193,400**	**$220,300**
Solution Total	**$603,292**	**$530,300**
Recurring Expenses		
Oracle annual software maintenance	Approximately $28,000/yr	Approximately $28,000/yr
Additional customization by Tropics	$150/hr	$150/hr
Annual maintenance for Tropics (18%)	$55,530/yr	$45,000/yr
Should the annual premium volume exceed $15 million, there will be a onetime fee of $5,000 per million. Under a perpetual agreement, 18% of any addition to this fee will be added to the annual support and maintenance fee.	Variable	Variable
2009/2010 Budget Allocation		
Budget Allocation of Recurring & Non-Recurring Expenses for 2009 and 2010	2009: $552,400 2010: $78,892	2009: $530,300 2010: $60,392
Total Project Costs Anticipated for 2009 & 2010	**$631,292**	**$590,692**

The Respondent has suggested an estimated go-live date of January 31, 2010, provided they are awarded the engagement by the Board on September 9th; however, staff recommends a go-live date of no later than March 1, 2010, given it would prefer to set the target date following the development of the actual engagement plan.

The Board shall determine whether to accept staff's recommendation that it engage Tropics Software Technologies to assist the FWCJUA in implementing a web-based on-line interactive application process no later than March 1, 2010.

OPERATIONS COMMITTEE REPORT: 2010 BUSINESS PLAN & FORECAST PRELIMINARY OUTLINE

The Board shall consider the Operations Committee's attached preliminary outline of the 2010 Business Plan & Forecast, including the projected 2010 capital expenditures.

Of note, the preliminary outline of 2010 Business Plan & Forecast currently contemplates the following:

1. A Written Premium Projection of $8 million;
2. The continued use of contracted attorneys in lieu of in-house attorneys for legal services;
   a. Tom Maida, of Foley & Lardner, will continue to be engaged as the General Counsel.
   b. Steve Coonrod, of McConnaughhay, Duffy, Coonrod, Pope & Weaver, will continue to be engaged as the Claims Litigation Manager.
3. Monitor the IRS progress on the development of regulation or any other published guidance with regard to the topic of what constitutes an integral part of a state, local, or Indian tribal government for federal income tax purposes such that a Private Letter Ruling may be further pursued as appropriate.
4. Implement any Policyholder Return of Premium Dividend directed by the Board in a timely manner.
5. Secure pricing comparisons through a solicitation process to ensure that the FWCJUA is receiving the appropriate investment management services at a competitive rate.
6. "Go-live" with the web-based on-line interactive application process no later than March 1, 2010.
7. Develop a project plan with associated costs, to be considered by the Board, for purchasing software in 2011 to implement an on-line process that would permit agencies to issue certificates of insurance that would capture certificate holder information for policyholder underwriting and audit.
8. Confirm Milliman's on-going engagement as the FWCJUA's actuary for the rate/reserve analyses to be conducted in 2010.
9. Select the Financial Auditor for the 2010 - 2012 audits with options for two one-year extensions.
10. Ensure, through a competitive solicitation process, that the FWCJUA's banking services are being provided at competitive rates.
11. Ensure, through a competitive solicitation process, that the FWCJUA's 401K investment management/administrator services are being provided at competitive rates.
12. Identify and purchase, at the Board's direction, a comprehensive investment software package that may be utilized in first quarter 2010 to facilitate the tracking and reporting of the various investments, especially CDs.
13. Select a collections service provider to provide collection services effective July 1, 2010.
14. Conduct an audit of any areas in which deficiencies were identified in the 2009 on-site audit as well as quarterly reviews of the policy administration/managed care service provider's performance to ensure adherence to FWCJUA rules and service standards.
15. Select a telecommunications vendor to provide service when the current agreement expires in February 2011.
16. Install free document management system upgrade to Isynergy version 3.9 to enhance application level security and audit trails for document check-in and check-out and develop appropriate reports to aid in auditing records and scheduling record destruction.
17. Explore opportunities available to further upgrade the current document management system in 2011 to improve document retrieval capabilities as well as reporting capabilities for auditing records and scheduling electronic record retention & destruction, and if the current system is deemed the best option, replace the document scanning software with ScanDox to permit improved document scanning, importing and indexing prior to submitting to the document management system
18. Update document retention/management policies and procedures to incorporate any changes adopted by the Board related to application processing, agency authorization, and investment management.
19. Evaluate whether it would be beneficial to replace our network firewalls with newer technology in 2011.
20. Expand the VMware environment by adding another server to the SunGard site to add redundancy and additional performance and by upgrading the two physical Citrix servers as virtual servers to improve performance and reliability.

With specific regard to the initial projected 2010 Forecast, it should be noted that it contemplates a reduction in workforce from 15 employees to between 11 & 12 employees. The 2010 Forecast also classifies the equivalent of one staff member's total compensation to the Key Initiative Expenses on page 3, under Project

Work to primarily handle projects associated with past policyholders (e.g., collections, dividends and fraud); thus, the expense would not be considered a G&A expense and factored into current rates, but rather paid out of the FWCJUA's investment income and retained underwriting gains. Even with the significant projected decrease in the premium for 2010, there is a modest increase in the GAIN even without the $750,000 legislative appropriation.

It is the Committee's intent to finalize this working draft of the 2010 Business Plan & Forecast over the next several months for presentation to the Board for approval at its December meeting.

The Board shall provide comments with regard to the preliminary 2010 Business Plan & Forecast, including capital expenditures.

FWCJUA 2010 BUSINESS PLAN & FORECAST
PRELIMINARY OUTLINE

INTRODUCTION

Following is the FWCJUA business plan for 2010 defining our objectives and key activities. We are confident that in 2010 we will meet our obligations to the legislature and our policyholders through our results-oriented, bottom-line focus. We shall continue to concentrate on the critical activities that ensure continued success - managing expenses, properly pricing the product and providing creative solutions to problems generated by a constantly changing market.

MISSION

As the Board of Governors of the FWCJUA, we have been charged with the duty of administering the Florida Workers' Compensation residual market mechanism. In fulfilling that obligation, our goals are:

> To provide workers' compensation and employer's liability insurance to employers who are required to maintain such coverage by law but are unable to procure it in the voluntary market and who are willing to implement reasonable loss prevention programs to provide safe work places;
>
> To ensure that policyholders and claimants receive quality service;
>
> To provide coverage and service efficiently and to establish rates that are actuarially sound and reasonably expected to ensure the ongoing solvency of the residual market mechanism without future policyholder assessments;
>
> To establish and aggressively pursue programs designed to assist applicants and insureds of the residual market mechanism to obtain coverage in the voluntary market; and
>
> To promote safety in the work place through the aggressive pursuit of safety programs for insureds of the residual market mechanism.

OBJECTIVES

Our 2010 objectives are:

1. Manage the Subplan “D” deficit in accordance with our filed program to eliminate this individual rating plan deficit and address any future statutory deficits.
2. Maintain rate adequacy.
3. Minimize the operating loss.
4. Maintain solvency without an FWCJUA policyholder assessment provided rate adequacy exists.
5. Pursue sound investments.
6. Manage uncollectible premiums within acceptable limits.
7. Maintain a dynamic, responsive organization capable of responding to market fluctuations in a timely manner.
8. Implement an assessment, if one becomes necessary.
9. Promote loss prevention and safety in the workplace of our policyholders.

KEY ACTIVITIES/SUCCESS FACTORS

Our 2010 objectives are supported by the key activities (success factors) defined on the following pages.

1. MANAGE THE SUBPLAN “D” DEFICIT IN ACCORDANCE WITH OUR FILED PROGRAM TO ELIMINATE THIS INDIVIDUAL RATING PLAN DEFICIT AND ADDRESS ANY FUTURE STATUTORY DEFICITS.

- **a)** Update the Subplan “D” actuarial cash flow model with quarterly results, to include any changes to the Subplan D loss ratio, to identify potential deficiencies and recommend courses of action to the Board.
- **b)** Identify any future statutory deficits and develop and timely file a program to eliminate said deficits.

2. MAINTAIN RATE ADEQUACY.

a) Assure rate adequacy through conducting semiannual rate adequacy analyses culminating in the implementation, as appropriate, of revised rates and/or rating plans consistent with the FWCJUA's mission and statutory charge to provide workers' compensation and employer's liability coverage to those unable to obtain it in the voluntary market.

3. MINIMIZE THE OPERATING LOSS.

a) Monitor the ~~federal income tax exemption filed for in December 2007~~ IRS progress on the development of regulation or any other published guidance with regard to the topic of what constitutes an integral part of a state, local, or Indian tribal government for federal income tax purposes such that a Private Letter Ruling may be further pursued as appropriate.

b) The operation will continue to concentrate on underwriting - determination of actual exposures and proper pricing, prompt policy issuance, premium collection, fraud prevention, market assistance, and evaluation of current performance standards.

(1) Analyze the composition and experience of new and renewal business, and modify as appropriate, underwriting, collections and fraud prevention practices and procedures to ensure that existing programs realize maximum effectiveness and efficiencies. Develop new practices, procedures or programs as analysis dictates.

(2) File and implement the FWCJUA Loss Sensitive Rating Plan, as warranted.

c) Ensure that the final audit for 2009 is completed no later than May 1, 2010.

d) Satisfy any recommendations presented in the Auditor's Letter to Management no later than June 1, 2010.

e) Manage to the G&A budget.

f) Prepare and file the FWCJUA Annual Financial Statement no later than March 1, 2010 and the Quarterly Financial Statements no later than May 15, August 15, and November 15, 2010.

g) Prior to July 1st, notify the Office of Insurance Regulation of the amount of the FWCJUA's gross written premiums for the preceding calendar year pursuant to section 440.51(14), Florida Statutes. (Whenever the plan's gross written premiums reported to the Office are less than $30 million, the Office shall transfer to the plan, subject to appropriation by the Legislature, an amount not to exceed the plan's fixed administrative expenses for the preceding calendar year, subject to a maximum of $750,000)

4. MAINTAIN SOLVENCY WITHOUT AN FWCJUA POLICYHOLDER ASSESSMENT PROVIDED RATE ADEQUACY EXISTS.

a) Manage the Cash Flow and Projection Models by subplan and tier to anticipate potential solvency problems and recommend courses of action to the Board.

b) Ensure that the Statement of Actuarial Opinion for 2009 is completed no later than April 1, 2010.

c) Conduct a reserve analysis on the loss liabilities of the FWCJUA to include case reserves and IBNR losses, the adequacy of case reserves to pay reported open claims; and a comparison of assets and liabilities with a recommendation by subplan as to the necessity of an assessment to fund outstanding liabilities.

d) Review the existing reinsurance program early in the renewal cycle to ensure it meets both current and anticipated needs; release the renewal submission early in order to review additional options; and negotiate an appropriate renewal.

e) Confirm Aon Benfield to act on behalf of the FWCJUA and approach selected direct markets with respect to the placement of the FWCJUA's 2011 reinsurance program.

f) From a strategic perspective, review different types of reinsurance programs that are available and recommend any strategic perspective alternatives to the current casualty-based program.

g) Conduct a risk assumption analysis in conjunction with either the reinsurance intermediary's actuary or the FWCJUA's consulting actuary that describes how much risk the FWCJUA could assume at various attachment points and the implications of that risk assumption.

h) Ensure timely and accurate reporting to the reinsurers with full disclosure of large and/or serious injuries.

i) Continue the proactive role in monitoring serious injury claims, the regular, formal review of "old" and large open claims and the requirement for settlement authorization for amounts of $50,000 or greater.

j) If a deficit is recognized at the 2009 audit, a program to eliminate the deficit will be developed and filed with OIR.

k) Monitor the 1994 – 1999 LPT transaction to determine the status of the restrictive surplus and the status of the aggregate limit.

l) Prepare and file the Management Discussion and Analysis ~~on schedule~~ no later than April 1, 2010.

m) ~~Ensure that any FWCJUA Policyholder Dividend Policy adopted by the Board is implemented appropriately~~ Implement any Policyholder Return of Premium Dividend directed by the Board in a timely manner.

5. PURSUE SOUND INVESTMENTS.

a) Evaluate short-term and intermediate cash flow needs according to the cash management policy along with current economic conditions and modify the investment strategy as warranted.

b) Evaluate, direct and monitor the performance of the investment manager to ensure that performance is at or above market benchmark returns.

c) Continue to conduct monthly Investment Committee meetings as scheduled to monitor investment compliance, as necessary and re-evaluate quarterly the additional investment parameters added in June 2008 to determine if the parameters are still warranted.

d) Secure pricing comparisons through a solicitation process to ensure that the FWCJUA is receiving the appropriate investment management services at a competitive rate.

6. MANAGE UNCOLLECTIBLE PREMIUM WITHIN ACCEPTABLE LIMITS.

a) Evaluate and monitor the collection activity by subplan and tier to ensure that uncollectible premium is held to or below our average policy year uncollectible premium for policy years 1994 through 2007 of ~~15.6~~____% as of 12/31/09.

b) Identify the leading drivers of uncollectible premium and adjust collection programs to enhance collection efforts.

7. MAINTAIN A DYNAMIC, RESPONSIVE ORGANIZATION CAPABLE OF RESPONDING TO MARKET FLUCTUATIONS IN A TIMELY MANNER.

a) ~~Evaluate and redesign, as deemed appropriate by the Board,~~ "Go-live" with the web-based on-line interactive application process ~~to provide agencies with the ability to submit application information through the system for FWCJUA eligibility review and underwriting prior to the submission of hard copies and monies to further streamline the submission process and improve cost efficiencies~~ no later than March 1, 2010.

b) Continue FLARE[4] enhancements, to include updates required due to procedural changes ~~as well as web-site integration,~~ and conduct on-going maintenance to ensure its continued effectiveness.

c) Address the recommendations resultant from the IT systems disaster recovery "internal" security audit and satisfy as warranted.

d) ~~Evaluate and develop, if feasible,~~ Develop a project plan with associated costs, to be considered by the Board, for purchasing software in 2011 to implement an on-line process that would permit agencies to issue certificates of insurance that would capture certificate holder information for policyholder underwriting and audit.

e) ~~Evaluate and develop, if feasible, a process to transfer the application and binding information digitally to the policy administration service provider~~ Confirm Milliman's on-going engagement as the FWCJUA's actuary for the rate/reserve analyses to be conducted in 2010.

f) ~~Test and implement the developed enhancement to the on-line agency authorization renewal process~~ Select the Financial Auditor for the 2010 - 2012 audits with options for two one-year extensions.

g) ~~Upgrade the email system to Exchange 2007 and provide a higher level of redundancy to the system for disaster recovery purposes~~ Ensure, through a competitive solicitation process, that the FWCJUA's banking services are being provided at competitive rates.

h) ~~Replace older servers with virtualization technology to allow for greater efficiency and reduced costs~~ Ensure, through a competitive solicitation process, that the FWCJUA's 401K investment management/administrator services are being provided at competitive rates.

i) Ensure that the FWCJUA website is "real-time" with respect to: 1) rules; 2) procedures; 3) applications; 4) forms; 5) rates; 6) the premium calculator; 7) the "authorized agency/producer" locator; 8) answers to FAQ's; 9) MAP reports; and 9) general information.

j) Continue to explore and implement disaster recovery initiatives as deemed appropriate by the Board.

k) Evaluate the effectiveness of MAP and make appropriate recommendations to the MAP Committee.

l) ~~Upgrade the computer room cooling system to ensure appropriate cooling at maximum efficiency with dependable redundancy~~ Identify and purchase, at the Board's direction, a comprehensive investment software package that may be utilized in first quarter 2010 to facilitate the tracking and reporting of the various investments, especially CDs.

m) Actively pursue Producer, Employer and Claimant fraud through conducting cooperative investigation with the Service Provider; preparing and submitting fraud reports; and participating in the state's prosecution activities.

n) Support the Division of Compliance's monitoring of FWCJUA employers who are cancelled or do not renew coverage and also applicants who do not purchase FWCJUA coverage.

o) ~~Extend RSI's engagement for collection services through June 30, 2010~~ Select a collections service provider to provide collection services effective July 1, 2010.

p) Conduct an ~~annual on-site~~ audit~~, to include a review of its Disaster Recovery Plan, Document Retention Policy, and Antifraud Plan,~~ of any areas in which deficiencies were identified in the 2009 on-site audit as well as quarterly reviews of the policy administration/managed care service provider's performance to ensure adherence to FWCJUA rules and service standards.

q) ~~Assist with the on-site training of the policy administration service provider's underwriters, adjusters and auditors with regard to the prevention of uncollectible premium~~ Select a telecommunications vendor to provide service when the current agreement expires in February 2011.

r) Prepare and submit, at least quarterly, to the Commission on Ethics a list of names of the senior managers, officers, and members of the Board who are subject to the public disclosure requirements under section 112.3145, Florida Statutes, with the first list submitted no later than March 31, 2010.

s) Explore additional options for document management data redundancy and make appropriate recommendations to the Operations Committee.

t) Continue to explore and implement eco-friendly office programs that involve reduction, reuse or recycling.

u) ~~Conduct a review of the staff benefits program to determine what, if any, updates should be made to the program with recommendations to be presented for Executive Compensation Committee consideration in the fall~~ Install free document management system upgrade to Isynergy version 3.9 to enhance application level security and audit trails for document check-in and check-out and develop appropriate reports to aid in auditing records and scheduling record destruction.

v) Explore opportunities available to further upgrade the current document management system in 2011 to improve document retrieval capabilities as well as reporting capabilities for auditing records and scheduling electronic record retention & destruction, and if the current system is deemed the best option, replace the document scanning software with ScanDox to permit improved document scanning, importing and indexing prior to submitting to the document management system

w) Update document retention/management policies and procedures to incorporate any changes adopted by the Board related to application processing, agency authorization, and investment management.

x) Evaluate whether it would be beneficial to replace our network firewalls with newer technology in 2011.

y) Expand the VMware environment by adding another server to the SunGard site to add redundancy and additional performance and by upgrading the two physical Citrix servers as virtual servers to improve performance and reliability.

8. IMPLEMENT AN ASSESSMENT, IF ONE BECOMES NECESSARY.

- **a)** Continue to explore alternative ways to minimize assessment potential.

9. PROMOTE LOSS PREVENTION AND SAFETY IN THE WORKPLACE OF OUR POLICYHOLDERS.

- **a)** Conduct causes of loss analyses and modify the safety program as warranted to satisfy any deficiencies given our emerging book of business.
- **b)** Explore "alternative" methods and techniques for accepting and using safety programs and make appropriate recommendations to the Safety Committee.
- ~~**c)** Explore additional cost-effective marketing strategies that may be implemented to increase policyholder awareness of loss prevention services and opportunities provided by the FWCJUA to promote workplace safety.~~

Florida Workers' Compensation Joint Underwriting Association, Inc.
Premium and Loss Forecast With Budgeted Expenses
For Year Ending December 31, 2010

9/3/2009 10:44

	Forecast 2009	Forecast 2010	Increase (Decrease)	% Change	% Change
REVENUE:					
Direct written premium (new & renewals with PY 2010)	12,000,000	8,000,000	(4,000,000)	-33.3%	*rate filing projection (approx. 800 policies)*
Direct written premium (prior years' adjustments)	1,000,000	1,000,000	-	0.0%	
Direct earned premium (new & renewals with PY 2010)	7,800,000	5,200,000	(2,600,000)	-33.3%	
Direct earned premium (prior years' adjustments & UEP)	6,000,000	4,000,000	(2,000,000)	-33.3%	
Reinsurance premium (15.070% E.P.)	2,079,660	1,386,440	(693,220)	-33.3%	*2009 reinsurance rates*
Net earned premium	11,720,340	7,813,560	(3,906,780)	-33.3%	
Interest income ($90M @ 3.5%; $100M @ 3.0%)	3,250,000	3,000,000	(250,000)	-7.7%	*assuming slightly lower interest rates*
Producer authorizations	84,550	10,000	(74,550)	-88.2%	*2 year agreement - 2009 is 1st renewal period*
Miscellaneous	20,000	-	(20,000)	-100.0%	*Payment plan with interest now paid in full.*
TOTAL REVENUE	**15,074,890**	**10,823,560**	**(4,251,330)**	**-28.2%**	
OPERATING EXPENSES:					
Loss & LAE incurred - (% of earned premium x loss ratio)	4,604,800	2,944,200	(1,660,600)	-36.1%	*Gross Loss Ratio for 2009 as of 6/09 - 30.1%*
Ceded reinsurance recoverables	(571,907)	(590,623)	(18,717)	3.3%	*Ceded Loss Ratio for 2009 as of 6/09 - 42.6%*
Net loss & LAE incurred	4,032,894	2,353,577	(1,679,317)	-41.6%	*(includes $175K for litigation mgmt & not covered claims)*
Service provider fees - written premium less bad debt	2,715,200	2,100,200	(615,000)	-22.7%	*New 3 yr agreement for 2009 - graduated scale*
Producer fees - written premium less bad debt	285,743	170,078	(115,664)	-40.5%	*average on surcharged premium: 2.286%*
Rating/statistical organization fees	100,000	25,000	(75,000)	-75.0%	*reduced as premiums have declined substantially*
Bad-debt write-off - (13% / 7%)	1,560,000	560,000	(1,000,000)	-64.1%	*7% assumption now being used*
Bad debt write off - (suspected fraud adj.)	1,000,000	1,000,000	-	0.0%	
Collection expense - 12.5% est. collections @ 30%	58,500	21,000	(37,500)	-64.1%	
Taxes and assessments - (0.05% / 0.05% of written prem.)	6,000	4,000	(2,000)	-33.3%	*US DOL USL&H assessment*
TOTAL OPERATING EXPENSES	**9,758,336**	**6,233,855**	**(3,524,481)**	**-36.1%**	

Florida Workers' Compensation Joint Underwriting Association, Inc.
Premium and Loss Forecast With Budgeted Expenses
For Year Ending December 31, 2010

9/3/2009 10:44

	Forecast 2009	Forecast 2010	Increase (Decrease)	% Change	% Change
GENERAL & ADMINISTRATIVE EXPENSES:					
Professional Services					
Actuarial services	74,000	78,000	4,000	5.4%	*New 3 year agreement*
Auditing - financial	72,000	67,000	(5,000)	-6.9%	*Estimated 2010 pricing*
Audting - IT	8,500	8,500	-	100.0%	
Audit fee recovery - Travelers	(15,500)	(21,700)	(6,200)	40.0%	*% of audit fee*
Consulting - systems & financial	30,000	30,000	-	0.0%	*IT consulting*
Legal - *(General Counsel - $157K;*	157,000	157,000	-	0.0%	*Include both general counsel work (84%)*
Legal GC Expenses - $5K	5,000	5,000	-	100.0%	*& legislative oversight (16%)*
Litigation-Collections - $12K)	12,000	12,000	-	0.0%	*Court costs & # of suits has increased*
Security & other services	19,900	16,480	(3,420)	-17.2%	*Reduced expenses and services*
Temporary employees	10,000	-	(10,000)	-100.0%	*No longer necessary at this time*
Total Professional Services	372,900	352,280	(20,620)	-5.5%	
General					
Rent	167,789	167,428	(361)	-0.2%	
Bank charges	5,400	6,600	1,200	22.2%	*Direct expenses now*
Telecommunications	49,060	47,260	(1,800)	-3.7%	*Ave cost of teleconference less than budgeted*
Insurance - BI/GL/WC/D&O	99,790	95,750	(4,040)	-4.0%	*prices declined slightly in 2009*
Licenses and fees	1,500	250	(1,250)	-83.3%	
Office equipment and supplies	111,199	98,649	(12,550)	-11.3%	*reduced expenses due to decline in business*
Disaster Recovery Plan Maintenance	70,296	4,440	(65,856)	100.0%	*moved Sungard to Projects.*
Utilities	18,000	12,000	(6,000)	-33.3%	*ave FPL bill has declined with 'green' initiatives*
Postage and printing	25,620	10,140	(15,480)	-60.4%	*no overnight mail to Travelers*
Depreciation/amortization	218,883	200,517	(18,366)	-8.4%	
Total General	767,537	643,034	(124,503)	-16.2%	
Personnel					
Compensation	1,185,330	984,195	(201,135)	-17.0%	
Benefits	239,459	189,914	(49,545)	-20.7%	
Payroll taxes	85,928	65,361	(20,567)	-23.9%	
Employee recruitment/training/education	44,500	25,000	(19,500)	-43.8%	*minimal education expenses for staff*
Total Personnel	1,555,217	1,264,470	(290,747)	-18.7%	

Florida Workers' Compensation Joint Underwriting Association, Inc.
Premium and Loss Forecast With Budgeted Expenses
For Year Ending December 31, 2010

9/3/2009 10:44

	Forecast 2009	Forecast 2010	Increase (Decrease)	% Change	% Change
Travel and Business Expenses					
Travel - employees	32,000	20,000	(12,000)	-37.5%	*reduced expenses - minimum travel budgeted*
Travel - board/committee meetings	20,600	10,300	(10,300)	-50.0%	*2 physical board meetings in JUA office*
Total Travel and Business Expenses	52,600	30,300	(22,300)	-42.4%	
TOTAL GENERAL & ADMINISTRATIVE EXPENSES	**2,748,254**	**2,290,084**	**(458,170)**	**-16.7%**	
KEY INITIATIVE EXPENSES:					
Litigation	50,000	50,000	-	0.0%	
Legislative initiatives	100,000	100,000	-	0.0%	
Legal - Special Projects	TBD	TBD	-	0.0%	
Second rate filing	15,000	15,000	-	0.0%	
Sungard - offsite server hosting	-	69,984	69,984	100.0%	*2009 G&A expense moved to project work*
A/C Issues	5,000	-	(5,000)	-100.0%	*approved 6/9/2009 Board Meeting*
Virtualization Project (capital expenditures only)	47,000	-	(47,000)	-100.0%	
Online Interactive Application Process	530,000	78,892	(451,108)	-85.1%	*approved 6/9/2009 Board Meeting*
Investment Management Software & Implementation	-	60,000	60,000	100.0%	*2010 Project*
Project Work - (personnel expenses only)	-	83,696	83,696	100.0%	*2009 G&A expense moved to project work*
Disaster Recovery Deployment	TBD	TBD	-	0.0%	
TOTAL KEY INITIATIVE EXPENSES	**747,000**	**373,876**	**(373,124)**	**-49.9%**	
Total G&A and Key Initiatives	**3,495,254**	**2,663,960**	**(831,294)**	**-23.8%**	
TOTAL ALL EXPENSES	**13,253,590**	**8,897,815**	**(4,355,775)**	**-32.9%**	
Anticipated $750,000 Appropriation per Florida Statutes	**-**	**750,000**	**750,000**	**100.0%**	
GAIN	**1,821,300**	**2,675,745**	**854,445**	**46.9%**	
GAIN w/o $750,000 Appropriation	**1,821,300**	**1,925,745**	**104,445**	**5.73%**	

TBD - To Be Determined

Florida Workers' Compensation Joint Underwriting Association, Inc.
Budgeted Capital Expenditures
For Year Ending December 31, 2010

Hardware		
Citrix Server replacements		11,500
Vmware expansion		6,500
Upgrade old server (disks & memory)		4,000
Thin clients, monitors		5,500
Firewalls / wireless AP		
PC upgrades		3,000
Misc hardware (UPS, keyboards, mice, small printer, patchcords, etc)		3,050
Software		
Investment Software		41,500
Network/Server Monitoring Software		
Development Tools		1,500
Crystal Reports		
	Total	**76,550**

25,517
annual depreciation / amortization *

OPERATIONS COMMITTEE REPORT:
DISASTER RECOVERY MATTERS

At its August 24th meeting, the Operations Committee received an update on the modifications to the Disaster Recovery & Emergency Preparedness Plan (DR&EP Plan). The Committee noted that the DR&EP Plan (Revised May 21, 2009) had not been revised since the Operations Committee last reviewed it on May 29, 2009; however, the following appendices were updated and distributed on August 19, 2009.

Appendix C: Employee Contact Information
Global Speed Dial Directory
Global E-mail Directory

Appendix F: FWCJUA Master Vendor Contacts & Phone Numbers

No Board action is required on this agenda item.

OPERATIONS COMMITTEE REPORT: SERVICE PROVIDER AUDIT RESULTS

At its August 24th meeting, the Operations Committee received a report on the FWCJUA's audit of the policy administration and managed care service provider, Travelers.

The staff audit report found that Travelers is fulfilling its obligations as a service provider for the FWCJUA. The performance audit resulted in a cumulative score of 98.3% and an overall "Commendable" rating for Travelers. This is an improvement on last year's performance audit results which reflected a cumulative score of 96.3% and an overall "Commendable" rating. Further, staff reviewed Travelers' Anti-Fraud and Disaster Recovery Plans as part of the audit and found them both to be comprehensive and adequate.

Last year, there were two elements within the FWCJUA's comprehensive performance standards wherein Travelers received less than a satisfactory rating; one element was related to loss prevention while the other was related to audit. Given the extremely small qualifying sample on the loss prevention element, staff re-tested the element at the beginning of the year with a larger sample to ensure a credible test result and of the nine (9) additional files tested; staff found that Travelers met the loss prevention standard 100% of the time within the required timeframe. The audit element at issue last year was related to proper audit documentation and Travelers had addressed this matter with its auditors last year and implemented additional controls to ensure adherence to the specific performance standard. This year, there was a significant improvement in Travelers' performance related to proper audit documentation. Staff found that 95% of the policy files reviewed with either a preliminary or final physical audit, contained the proper audit documentation, giving Travelers a "Commendable" performance rating within this element of the performance audit.

Overall, the Travelers' dedicated units for the FWCJUA continue to be well run, and perform well in all aspects of policy administration. There continues to be a positive working relationship between the FWCJUA and the Travelers' management team as well as the Travelers' front line personnel.

No Board action is required on this agenda item.

OPERATIONS COMMITTEE REPORT:
EMPLOYEE BENEFITS

At its August 24th meeting, the Operations Committee considered whether to establish a severance (separation) policy for the FWCJUA, given the FWCJUA is now contemplating a workforce reduction.

The Committee quickly agreed that severance is appropriate for those employees who would qualify for separation pay and suggested that General Counsel work with the Executive Director to draft a policy for Board consideration at a later date. It was agreed that the Committee members would individually provide input to the General Counsel regarding their thoughts on what should be contemplated within any severance policy or guidelines. Torrence indicated that when a draft was available for review, she would schedule another Committee meeting.

No Board action is required on this agenda item.

OPERATIONS COMMITTEE REPORT: SECTION 627.311(5)(t), FLORIDA STATUTES

At its August 24th meeting, the Operations Committee considered the positive impact that section 627.311(5)(t), Florida Statutes, has had on the FWCJUA's ability to manage its uncollectible premium.

Effective July 1, 1998, Senate Bill 1108 became law adding a provision to the FWCJUA's enabling statute prohibiting any insurer from offering workers compensation and employer's liability insurance to any person who is delinquent in the payment of premiums, assessments, penalties or surcharges owed to the FWCJUA. Effective July 1, 2004, House Bill 1251 became law and strengthened this voluntary market prohibition by including in the FWCJUA's enabling statute a definition for the term "affiliated person."

Section 627.311(5)(t), Florida Statutes:
No insurer shall provide workers' compensation and employer's liability insurance to any person who is delinquent in the payment of premiums, assessments, penalties, or surcharges owed to the plan or to any person who is an affiliated person of a person who is delinquent in the payment of premiums, assessments, penalties, or surcharges owed to the plan. For purposes of this paragraph, the term "affiliated person" of another person means:

1. The spouse of such other natural person;
2. Any person who directly or indirectly owns or controls, or holds with the power to vote, 5 percent or more of the outstanding voting securities of such other person;
3. Any person who directly or indirectly owns 5 percent or more of the outstanding voting securities that are directly or indirectly owned or controlled, or held with the power to vote, by such other person;
4. Any person or group of persons who directly or indirectly control, are controlled by, or are under common control with such other person;
5. Any officer, director, trustee, partner, owner, manager, joint venturer, or employee, or other person performing duties similar to persons in those positions, of such other persons; or
6. Any person who has an officer, director, trustee, partner, or joint venturer in common with such other person.

Since the enactment of these two bills, there has been dramatic improvement in the FWCJUA's cumulative uncollectible premium.

FWCJUA Uncollectible Ratio as of June 30, 2009			
	1994 - 1998	**1999 – 2004**	**2005 – 2007**
Written Premium	$197,881,958	$177,624,712	$118,426,735
Uncollectible Premium	$37,526,887	$27,709,305	$8,652,939
Uncollectible Ratio	18.96%	15.60%	7.31%

According to Revenue Systems, as of May 21st, section 627.311(5)(t), Florida Statutes, provided them with the leverage necessary to collect on 41% of the accounts in which there was a recoverable in 2009. More importantly, nearly 82% of the dollars collected were from these accounts which were vulnerable to this statutory provision.

The Committee was informed that staff had been advised that the Legislature may be asked to consider limiting the FWCJUA's reach with regard to persons who are delinquent in the payment of premiums. Thus, given the FWCJUA's success in reducing the uncollectible premium through the leverage this statute provides, the Committee agreed that the FWCJUA should vigilantly watch for any legislative activity that might seek to revise section 627.311(5)(t), Florida Statutes.

No Board action is required on this agenda item.

PRODUCER COMMITTEE REPORT: AGENCY PRODUCER AGREEMENT

At its August 24th meeting, the Producer Committee agreed to pursue a perpetual Agency Producer Agreement as soon as practicable.

It was the consensus of the Committee that the Agency Producer Agreement should be modified to permit a one-time Agency authorization with a perpetual agreement, as amended from time to time, until otherwise terminated. This would reduce the handling expenses for the authorization process on the part of both the FWCJUA as well as the Agencies and is consistent with the voluntary market process. In order to implement such a change in the authorization process, the Committee directed staff and General Counsel to redraft the Agency Producer Agreement and the necessary corresponding Operations Manual revisions for the Producer Committee's review. At that time, the process for rolling out the new Agreement as well as the process for future Agreement amendments will also be considered by the Committee and finalized for Board consideration at a later date. If the changes are ultimately adopted by the Board, the Agreement and the Manual would be filed for OIR approval.

No Board action is required on this agenda item.

PRODUCER COMMITTEE REPORT: REVOCATION/SUSPENSION RULES

At its August 24th meeting, the Producer Committee agreed to pursue revisions clarifying the Operations Manual rule regarding the termination, suspension or revocation of an Agency and/or its Designated Producers and CSRs as soon as practicable.

Upon reviewing the Agency Producer Agreement and the Operations Manual, it was the consensus of the Committee that the Manual should be revised to clarify that the Executive Director may terminate the Agreement if the Agency or the Designated Producer no longer meets the minimum standards of eligibility to be an authorized Agency or Designated Producer or upon a change of control of 10 percent or more of the Agency's voting shares or other voting ownership interest. In order to implement clarifications to the Agency and/or the Designated Producer Suspension or Revocation rule, the Committee directed staff and General Counsel to redraft the FWCJUA Operations Manual and possibly the Agency Producer Agreement for the Producer Committee's review and finalization prior to Board consideration at a later date. If the changes are ultimately adopted by the Board, the Agreement and the Manual would be filed for OIR approval.

No Board action is required on this agenda item.

PRODUCER COMMITTEE REPORT:
ON-LINE APPLICATION PROCESS

The Board shall consider a Producer Committee recommendation that the FWCJUA require all Applications for Coverage be submitted via the web-based on-line interactive application process, if pursued for implementation, with the use of the on-line interactive application process becoming mandatory six (6) months from the implementation date.

At its August 24th meeting, the Producer Committee considered whether Agencies should ultimately be required or otherwise incented to submit applications via the on-line process, given the expenses that will be incurred to move forward with this significant endeavor. Staff recommended that all authorized Agencies be required to submit Applications for Coverage via the on-line process, if implemented. Staff also recommended that should manual application submissions continue to be permitted, consideration be given to creating appropriate incentives/disincentives to ensure that a significant majority of applications are submitted through the on-line process to ensure the endeavor's cost-effectiveness. As an example, staff suggested that it might be appropriate to consider collecting a fee of $25.00 for each manual application submission, with the burden of such fee being born solely by the Agency (i.e., not a pass through to the employer).

During its discussion, the Producer Committee favored requiring all Applications for Coverage be submitted via the on-line interactive application process. Watford indicated that if an Agency prefers to submit a manual application submission instead of submitting through an on-line process that the Agency should bear the expense to process the application submission manually. He further indicated that if the FWCJUA were to require that all Applications for Coverage be submitted via the on-line process, Agencies should be provided with a period of time to transition to the on-line process. Upon concluding its discussion, the Committee agreed to recommend that the Board require that all Applications for Coverage be submitted via the web-based on-line interactive application process, if pursued for implementation, within six (6) months from the "go live" implementation date.

The Board shall determine whether to require all Applications for Coverage be submitted via the web-based on-line interactive application process, if pursued for implementation, within six (6) months from the "go live" implementation date.

RATES & FORMS COMMITTEE REPORT:
CONFIRMATION OF ACTUARY

At its August 31st meeting, the Rates & Forms Committee reaffirmed Milliman as the FWCJUA's actuary for calendar year 2010 actuarial activities.

On June 11, 2008, the Board selected Milliman to serve as the FWCJUA's actuary as a result of a Request for Proposals (RFP) issued by the FWCJUA on April 11, 2008, to engage a reputable actuarial firm to advise and assist the FWCJUA with actuarial matters for services through 2011. On June 30, 2008, the FWCJUA executed an actuarial sevices engagment with Milliman for services through 2011. Given Milliman's continued professionalism, performance and understanding of the FWCJUA's unique requirements, the Committee did not believe a change in the FWCJUA's actuary was warranted.

No Board action is required on this agenda item.

RATES & FORMS COMMITTEE REPORT:
2009 LOSS RATIO SELECTION

At its August 31st meeting, the Rates & Forms Committee confirmed booking of the 2009 losses utilizing the July 1, 2009 NCCI rate rollback along with the loss ratios indicated from the loss experience evaluated as of December 31, 2008.

The Rates & Forms Committee recognized that the procedure of utilizing the current year's latest filed rates along with the loss ratios indicated from the loss experience evaluated as of the prior year-end to book the FWCJUA's current year's estimated net loss ratios was adopted in 2008 by the Board at Milliman's recommendation. The Committee further recognized that this procedure was most recently reconfirmed by the Board in June 2009, prior to the July 1, 2009 NCCI rate rollback. Given Milliman's continued support of the FWCJUA's procedure for booking the current year's losses, the Committee confirmed staff's booking of the below projected 2009 net loss ratios that resulted from Milliman's updated analysis of the projected 2009 net loss ratios utilizing the July 1, 2009 NCCI rate rollback along with the loss ratios indicated from the loss experience evaluated as of December 31, 2008:

RATING TIER	PROJECTED 2009 NET LOSS RATIOS
Tier 1	27.1%
Tier 2	34.0%
Tier 3	34.3%

No Board action is required on this agenda item.

RATES & FORMS COMMITTEE REPORT: REVIEW OF RATES, RATING PLANS & POLICY FORMS AND ASSOCIATED MATTERS TO INCLUDE APPLICATION FORMS

2010 Rate Indication

The Board shall consider a Rates & Forms Committee recommendation that it effectuate a premium level decrease of 9.4% effective January 1, 2010 for new and renewal business to be adjusted to reflect any approved voluntary market rate level and class relativity changes that may become effective January 1, 2010 and further, that it adopt an ongoing policy that the Tier 3 surcharge shall not be less than the Tier 2 surcharge.

Attached for the Board's review are exhibits prepared by Milliman related to the premium level needs for all three rating tiers including key assumptions at the current reinsurance retention level. Please note that the 1-1-09 State Average Weekly Wage (SAWW) was used in Milliman's analysis as the 1-1-10 SAWW is not yet available.

The Board shall determine whether to effectuate an overall average premium level decrease of 9.4% effective January 1, 2010 for new and renewal business to be adjusted to reflect any approved voluntary market rate level and class relativity changes that may become effective January 1, 2010 and further, whether to adopt an ongoing policy that the Tier 3 surcharge shall not be less than the Tier 2 surcharge.

Florida Workers' Compensation Joint Underwriting Association

SUMMARY OF INDICATED PREMIUM LEVEL CHANGES AS OF 6-30-09
With NCCI Filed 1-1-10 Rates and Trends

I. Indications to Rates & Forms Committee:

		Tier 1	Tier 2	Tier 3	Total
A	EP = $8.0M, with $750K Credit	-11.7%	0.1%	-10.7%	-9.4%
B	EP = $8.0M, w/o $750K Credit	8.2%	21.6%	4.7%	9.3%
C	EP = $6.0M, with $750K Credit	7.1%	20.7%	4.9%	8.6%
D	EP = $6.0M, w/o $750K Credit	34.9%	50.8%	26.5%	34.7%

II. Indicated Surcharges EP = $8.0M with 750K Credit:

		Tier 1	Tier 2	Tier 3	Total
	Current Surcharge	35%	126%	139%	85%
1.	Indicated	26%	144%	121%	77%
2.	Limit Tier 2= Tier 3	28%	125%	125%	76%

Florida Workers' Compensation Joint Underwriting Association

Indicated Premium Level Change
With NCCI 1-1-10 Filed Rates
$1 Million Retention Level

	(1) Current Maximum Minimum	(2) Current 1/1/2009 Surcharge	(3) Total EAP @ 1/1/2009 NCCI Rates	(4) Target Premium Change	(5) Impact of 1/1/2010 NCCI Rate Filing
Tier 1	2,400	35%	4,030,693	-11.7%	-6.0%
Tier 2	2,400	126%	1,322,721	0.1%	-5.2%
Tier 3	2,400	139%	2,646,586	-10.7%	-3.9%
Totals		85%	8,000,000	-9.4%	-5.2%

	(6) Additional Premium Change	(7) Proposed Maximum Minimum	(8) Indicated Surcharge	(9) Indicated Change in Surcharge	(10) Total EAP @ Proposed Rates
Tier 1	-5.7%	2,200	28%	-5.0%	3,559,102
Tier 2	5.3%	2,200	125%	-0.5%	1,324,044
Tier 3	-6.8%	2,200	125%	-5.9%	2,363,401
Totals	-4.2%		76%		7,246,547

Notes: Columns (1) and (2) from 1-1-09 FWCJUA Rate Filing.
Column (3) from Exhibit III-A, item (3).
Column (4) from Exhibit I-A, item (15).
Columns (5), (8), (10) calculated from (3) and bound policy detail 4/1/06-6/30/09 provided by FWCJUA.
Column (7) from Exhibit C, Item (7).
Column (8) constraint: T3 = T2
Column (9) equals [1.0 + (8)] / [1.0 + (2)] - 1.0

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TOTAL PREMIUM LEVEL CHANGE

(1)	(2) Loss Ratio	(3) Surplus and Contingency Factor	(4) Reinsurance Cost	(5) Target Premium Level Change	(6) Change due to NCCI 1/1/2010 Rate Filing	(7) Additional Premium Level Change
w/ $750M G&A Credit	30.0%	0.0%	15.1%	-9.4%	-5.2%	-4.2%
w/o $750M G&A Credit	30.0%	0.0%	15.1%	9.3%	-5.2%	14.4%

Notes: Column (2) from Exhibit II, Sheet 1, item (4).
Columns (3), (4), (5) and (6) from Exhibit I-A and Exhibit I-B.
Column (7) equals [(5) - (6)].

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Calculation of FWCJUA Maximum Minimum Premium

(1)	Current Maximum Minimum	2,400
(2)	Current Expense Constant	200
(3)	Change in State Average Weekly Wage	2.5%
(4)	Proposed Change in Premium Level	-9.4%
(5)	Proposed Expense Constant	200
(6)	Indicated Maximum Minimum Premium	2,244
(7)	Selected Maximum Minimum	2,200

Calculation of FWCJUA Minimum Premium Multiplier

(8)	State Average Weekly Wage - 1/1/09	765.15
(9)	State Average Annual Wage	39,788
(10)	50% of State Average Annual Wage ($00's)	199
(11)	Selected Minimum Premium Multiplier	199

Notes:
(1), (2), (5) provided by FWCJUA.
(3) = [765.15 / 746.16]
(4) from Exhibit I, item (15).
(6) equals [(1) - (2)] x [1.0 + (3)] x [1.0 + (4)] + (5)
(8) SAWW from DFS-02-2008.
(9) equals [(8) x 52].
(10) equals [0.5 x (9)] / 100.

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DETERMINATION OF INDICATED PREMIUM LEVEL CHANGE
$1 Million Retention Level
G&A Expenses Net of $750,000 Credit = $1.55M
2010 Estimated Earned Premium = $8.0M

		Tier 1	Tier 2	Tier 3	Total
(1)	Estimated PY 2010 Loss & ALAE Ratio [Exhibit II, Sheet 1]	23.1%	29.6%	31.2%	30.0%
(2)	Present Value Factor [Appendix H, Sheet 1]	92.6%	92.6%	92.6%	92.6%
(3)	Reinsurance Cost [Exhibit III-A, Sheet 1]	15.1%	15.1%	15.1%	15.1%
(4)	Uncollectible Premium Percentage	7.0%	7.0%	7.0%	7.0%
(5)	Present Value of Losses & ALAE, plus Reinsurance as a percent of Collectible Premium (1)x(2)+[(3)/[(1.0-(4)]	37.6%	43.6%	45.1%	44.0%
(6)	Taxes Licenses and Fees	0.0%	0.0%	0.0%	0.0%
(7)	Servicing Carrier Allowance [Exhibit III-A, Sheet 1]	27.7%	27.7%	27.7%	27.7%
(8)	Total Other Variable Expenses (6)+(7)	27.7%	27.7%	27.7%	27.7%
(9)	Commissions [Exhibit III-A, Sheet 1]	3.8%	2.5%	2.0%	2.8%
(10)	JUA General and Administrative Expenses [Exhibit III-A, Sheet 1]	20.6%	22.3%	16.0%	19.4%
(11)	Total Fixed Expenses (9)+(10)	24.4%	24.8%	18.0%	22.2%
(12)	Contingency Factor	0.0%	0.0%	0.0%	0.0%
(13)	Surplus Factor	0.0%	0.0%	0.0%	0.0%
(14)	Total Contingency and Surplus (12) + (13)	0.0%	0.0%	0.0%	0.0%
(15)	**Indicated Premium Level Change** [[(1) x (2) x (1.0 - (4))] + (11)] / [1.0 - (3) - (4) - (8) - (14)]] - 1.0 Total equals Tier average weighted by projected premium (Exhibit III-A, Sheet 1)	-11.7%	0.1%	-10.7%	-9.4%
(16)	Change due to NCCI 1-1-10 Rate Filing	-6.0%	-5.2%	-3.9%	-5.2%
(17)	Indicated Additional Premium Change (15) - (16)	-5.7%	5.3%	-6.8%	-4.2%

Florida Workers' Compensation Joint Underwriting Association

DERIVATION OF AVERAGE PROJECTED LOSS & ALAE RATIO

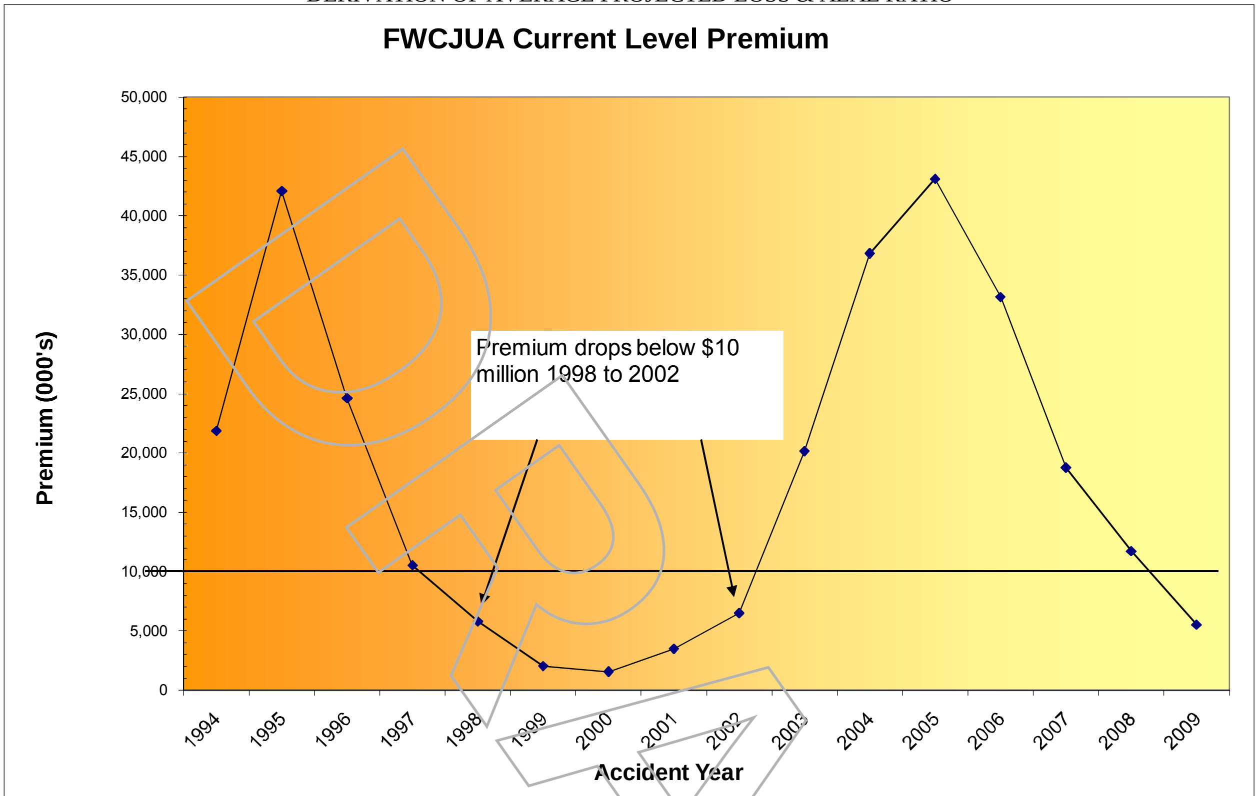
Accident Year	(1) On-Level Collectible Earned Premium	(2) On-Level Ultimate Losses and ALAE	(3) Projected Loss & ALAE Ratio (2) / (1)
1994	20,348	7,063	34.7%
1995	39,148	11,591	29.6%
1996	22,898	7,960	34.8%
1997	9,791	2,942	30.0%
1998	5,385	2,769	51.4%
1999	1,903	994	52.2%
2000	1,453	1,302	89.6%
2001	3,256	637	19.6%
2002	6,050	1,368	22.6%
2003	18,747	5,202	27.7%
2004	34,255	11,586	33.8%
2005	40,080	8,502	21.2%
2006	30,835	6,606	21.4%
2007	17,454	3,669	21.0%
2008	10,898	2,776	25.5%
2009	5,130	1,541	30.0%
Total	267,629	76,508	28.6%
		Simple Average	34.1%
		Average ex hi/low	31.1%
		Premium Avg. 03-08	25.2%
		(4) Selected Loss Ratio at $1M Retention	30.0%

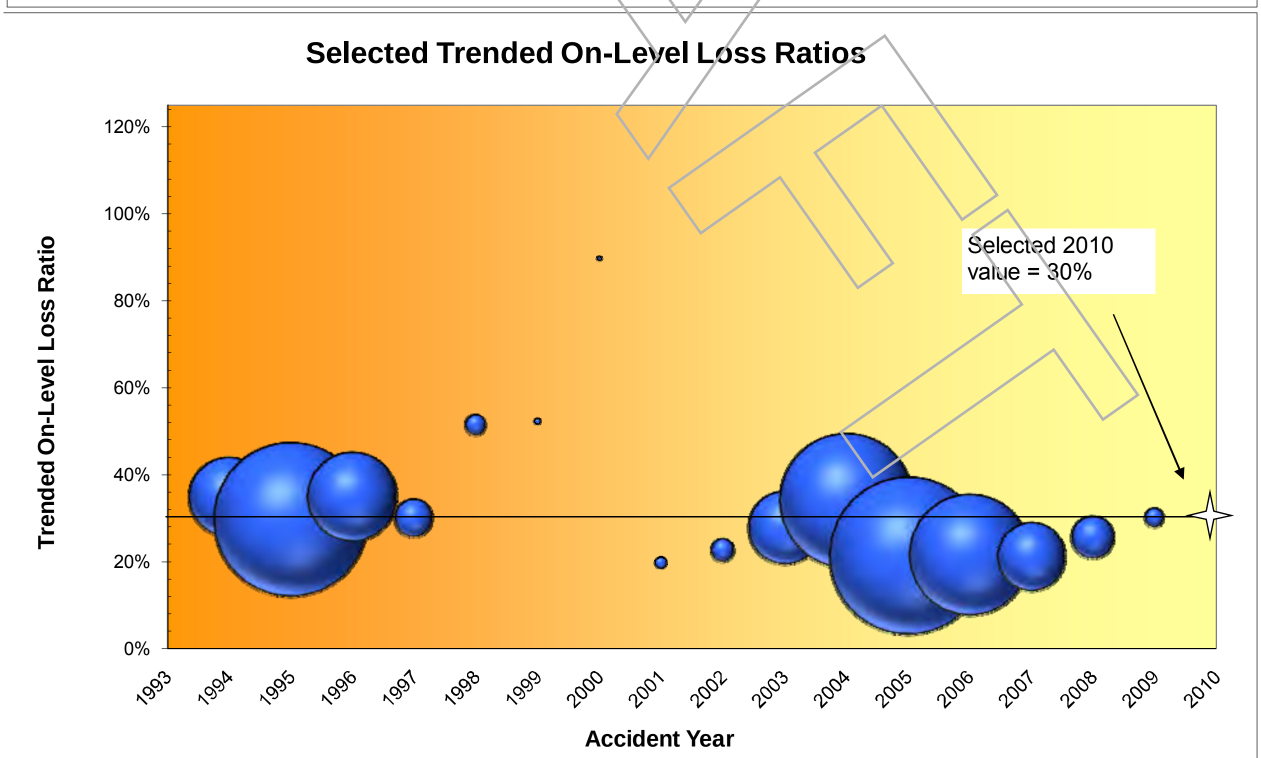
	(5) Loss Ratio Relativity (App A, Sheet 1)	(6) Premium On-Level Factor (App A, Sheet 2)	(7) $1M Retention On-Level Loss Ratio (4) x (5) x (6)
Tier 1	0.549	1.405	23.1%
Tier 2	1.048	0.942	29.6%
Tier 3	1.211	0.859	31.2%

Notes: Column (1) from Appendix G, Sheet 1, Col. (1), adjusted for percentage of uncollectable premium from Exhibit I, item (4).
Column (2) from Exhibit II, Sheet 3.

Florida Workers' Compensation Joint Underwriting Association

DERIVATION OF AVERAGE PROJECTED LOSS & ALAE RATIO





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DERIVATION OF ULTIMATE LOSSES ON PROJECTED BENEFIT LEVEL

Accident Year	(1) Estimated Net Ultimate Indemnity Losses	(2) Estimated Net Ultimate Medical Losses	(3) Estimated Ultimate ALAE Losses	(4) Indemnity Benefit On-Level Factor	(5) Medical Benefit On-Level Factor	(6) Managed Care On-Level Factor	(7) Indemnity Trend Factor -7.0%	(8) Medical Trend Factor -4.0%	(9) ALAE Trend Factor	(10) Retention Adjustment Factor	(11) Selected Ultimate Loss and ALAE
	(App C, Sheet 1)	(App D, Sheet 1)	(App E, Sheet 1)	(App B, Sheet 1)	(App B, Sheet 1)	(App B, Sheet 2)				(App G, Sheet 8)	
1994	11,400	10,100	810	0.819	0.989	0.925	0.313	0.520	0.411	0.876	7,063
1995	12,900	12,900	1,050	0.813	0.989	0.934	0.337	0.542	0.439	1.109	11,591
1996	7,200	8,100	1,370	0.808	0.989	0.979	0.362	0.565	0.469	1.109	7,960
1997	2,200	3,000	490	0.804	0.989	0.984	0.389	0.588	0.504	1.109	2,942
1998	2,200	2,400	590	0.799	0.989	1.000	0.419	0.613	0.520	1.109	2,769
1999	700	900	140	0.794	0.989	1.000	0.450	0.638	0.556	1.109	994
2000	900	1,100	180	0.794	0.989	1.000	0.484	0.665	0.583	1.109	1,302
2001	400	500	110	0.794	0.986	1.000	0.520	0.693	0.616	1.109	637
2002	600	1,200	190	0.794	0.971	1.000	0.560	0.721	0.667	1.109	1,368
2003	3,400	3,900	880	0.837	0.986	1.000	0.602	0.751	0.682	1.000	5,202
2004	4,800	8,800	1,850	1.000	1.013	1.000	0.647	0.783	0.735	1.012	11,586
2005	2,400	6,600	1,480	1.000	0.992	1.000	0.696	0.815	0.783	1.041	8,502
2006	2,300	4,700	1,020	1.000	0.991	1.000	0.748	0.849	0.816	1.015	6,606
2007	1,200	2,500	540	1.000	0.995	1.000	0.804	0.885	0.859	1.011	3,669
2008	800	1,900	410	0.983	0.985	1.000	0.865	0.922	0.905	1.000	2,776
2009	400	1,000	280	0.957	0.957	1.000	0.930	0.960	0.951	1.000	1,541
Total	53,800	69,600	11,390								76,508

Note: Dollar amounts are in thousands.
2003 and 2004 indemnity and medical adjusted for Converium commutation.
2005 indemnity and medical adjusted for Quanta Re commutation.
(7), (8), (9) Losses are trended to 7/1/2010.
(10) Retention factors bring all years to current retention of $1 million
(11)=(10)x[(1)x(4)x(7)+(2)x(5)x(6)x(8)+(3)x(9)]
NCCI 1-1-10 Filed Trends: Medical -4.0%, Indemnity -7.0%.
ALAE trend factor is weighted average of Indemnity and Medical trends.

Florida Workers' Compensation Joint Underwriting Association

PROJECTED EXPENSES BY TIER
$1 Million Retention Level
G&A Expenses Net of $750,000 credit = $1.55M
2010 Estimated Earned Premium = $8.0M

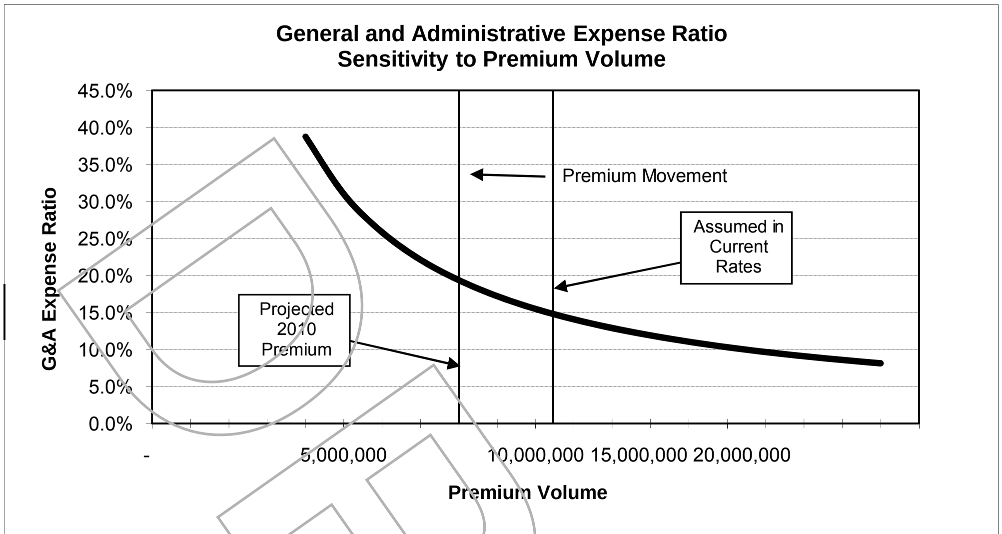
		Tier1	Tier2	Tier3	Total/Avg.
(1)	Projected New Applications	60	88	70	218
(2)	Projected Total Policies	918	231	165	1,313
(3)	Projected Total Premium on 1/1/09 Rate Level	4,030,693	1,322,721	2,646,586	8,000,000
(4)	Expense Constant and Policy Fee	675	675	675	675
(5)	Current Surcharge Percent	35%	126%	139%	85%
(6)	Premium with No Surcharge ((3)-(2)x(4))/(1+(5))	2,521,703	515,718	1,059,336	4,096,757
(7)	Average Unsurcharged Premium (6)/(2)	2,748	2,231	6,438	3,120
(8)	Commissions as a Percent of Unsurcharged Premium	6.1%	6.3%	5.0%	5.5%
(9)	JUA Underwriting Expenses (Total Allocated by (1))	99,826	145,754	115,817	361,398
(10)	JUA Administration Expenses (Total Allocated by (7))	731,628	149,627	307,348	1,188,602
(11)	JUA General and Administration (9)+(10)	831,454	295,381	423,165	1,550,000
Expense Percentages for Filing Purposes:					
(12)	Commissions as a Percent of Premium at Actual Rates	3.8%	2.5%	2.0%	2.8%
(13)	Reinsurance	15.070%	15.070%	15.070%	15.070%
(14)	JUA General and Administration	20.628%	22.331%	15.989%	19.375%
(15)	Premium Tax	0.000%	0.000%	0.000%	0.000%
(16)	Adminstrative Trust Fund	0.000%	0.000%	0.000%	0.000%
(17)	SDTF Assess	0.000%	0.000%	0.000%	0.000%
(18)	Miscellaneous Tax	0.005%	0.005%	0.005%	0.005%
(19)	Uncollectible Premium	7.000%	7.000%	7.000%	7.000%
(20)	Servicing Carrier Allowance	27.688%	27.688%	27.688%	27.688%

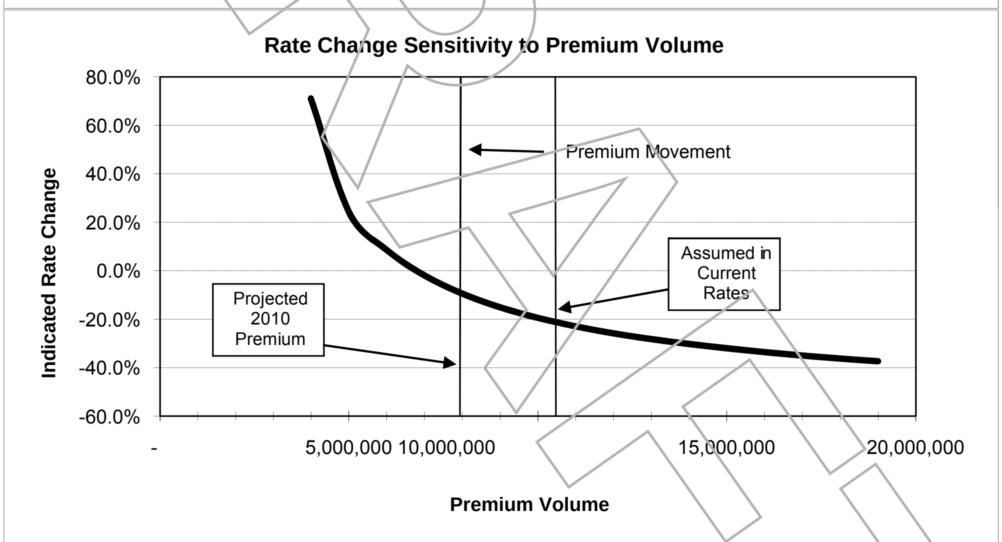
Notes:

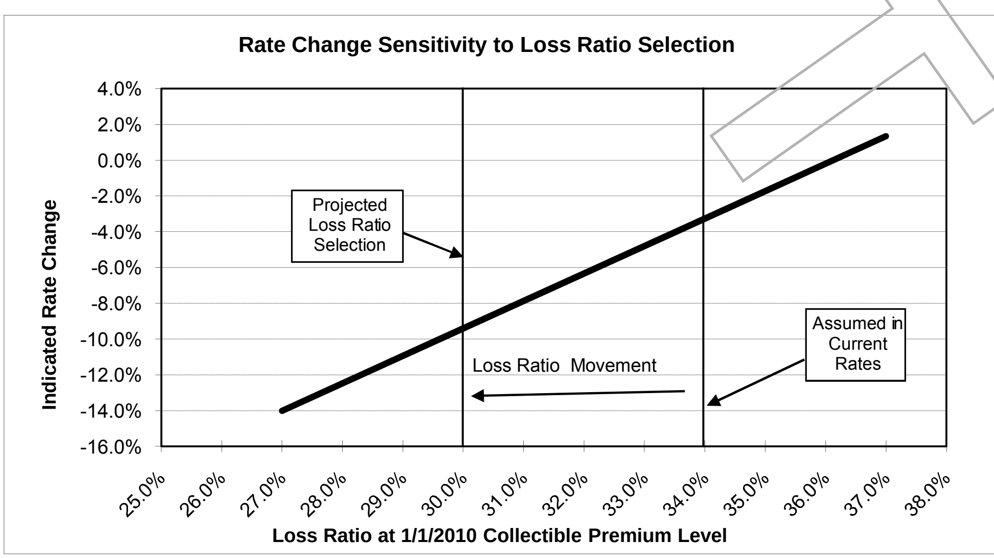
(1)-(3) Estimated by Milliman from FWCJUA Historical Data
(8) From FWCJUA Producer Fee Table using (7)
(9),(10) Total from FWCJUA
(12) (8)x(6)/(3)
(13), (15)-(20) From FWCJUA
(14) (11)/(3)

Florida Workers' Compensation Joint Underwriting Association
G&A Expenses Net of $750K credit ($1.550M)

PREMIUM LEVEL CHANGE SENSITIVITY ANALYSIS







RATES & FORMS COMMITTEE REPORT: POLICYHOLDER DIVIDEND POLICY

Policy Revisions

The Board shall consider a Rates & Forms Committee recommendation that the FWCJUA Policyholder Dividend Policy be revised to clarify how a dividend distribution will be handled for policyholders with outstanding final audits in other years.

Upon implementing the 2001 policyholder dividend, staff identified two policyholders which were both eligible and qualified to receive the dividend; however, the policyholders had not complied with final audit requirements in subsequent years. When staff was unable to locate the two policyholders, it became apparent that the dividend amounts could be forever suspended on the FWCJUA's books as a possible liability given the current Dividend Policy indicates that such dividends will be withheld until all outstanding final audits are completed.

Upon discussing this matter at its August 31st meeting, the Rates & Forms Committee agreed that a policyholder should forever forfeit its dividend distribution if the policyholder does not fully resolve all of its outstanding final audits from other policy years within 12 months from notification of the dividend. Accordingly, attached for the Board's consideration is the proposed revision to the FWCJUA Policyholder Dividend Policy that is recommended for adoption by the Committee.

The Board shall determine whether to adopt the proposed clarifying revision to the FWCJUA Policyholder Dividend Policy.

On January 1, 1994, pursuant to section 627.311(5a), Florida Statutes, the FWCJUA began providing workers' compensation and employer's liability insurance to applicants who are required by law to maintain workers' compensation and employer's liability insurance and who are in good faith entitled to but who are unable to procure such insurance through the voluntary market. In addition, Florida Statutes section 627.311(26f), states that any premium or assessments collected by the plan in excess of the amount necessary to fund projected ultimate incurred losses and expenses of the plan and not paid to insured of the plan in conjunction with loss prevention or dividend programs shall be retained by the plan for future use. Any state funds received by the plan in excess of the amount necessary to fund deficits in subplan D or any tier shall be returned to the state.

In mid-2007, as a result of the December 31, 2006 surplus position, the FWCJUA Board of Governors agreed to consider a policyholder dividend program. After many discussions and policy year financial statement analyses, the following FWCJUA Policyholder Dividend Policy and Methodology has been developed.

Policyholder Dividend Philosophy

In determining the gross amount of a policyholder dividend, a policy year profit and loss calculation will be determined. The actual amount of underwriting gain and/or loss will be the starting point in determining the gross amount of the policyholder dividend. Generally a 5% underwriting gain will be retained, however depending upon the volatility of any particular policy year's results; a 10% underwriting gain may be retained. Therefore the individual policy year specifics will be taken into consideration in determining a reasonable underwriting gain. These specifics will include such items as the total number of claims reported, the total number of open claims at the time of dividend declaration, any catastrophic or serious injuries within that policy year as well as other factors such as the policy year's premium volume, total number of policies written, change in premium volume, changes in rates, and changes to the mix of policyholders. Each policy year will be reviewed upon its own merits. Once the Board of Governors determines what appropriate amount of underwriting gain is reasonable to retain, any additional underwriting gain will be distributed as a policyholder dividend.

All investment income earned on premium payments collected by the FWCJUA will be retained for future use. Monies retained for future use should reasonably ensure that there will be sufficient funds to pay any unexpected losses unknown at the time of a dividend declaration or utilized to offset any underwriting losses developed in prior or future policy years to minimize the possibility of an assessment. It will also provide the FWCJUA with additional options related to reinsurance attachment points, contingency and surplus factors as well as an offset to general and administrative expenses utilized in rate making.

After determining the gross amount of the policyholder dividend, expenses associated with completing the policyholder dividend will also need to be deducted before determining how much the net policyholder dividend amount will be. Once the net amount is determined, the individual policyholder dividend calculation will proceed. Each individual policy will be reviewed to determine if it meets the following criteria and thus, qualifies for a dividend payment.

Policy years eligible to be considered for a policyholder dividend: A determination as to whether a policyholder dividend will be made and for what amount will be made once a policy year has been closed for 5 calendar years. For example: the 2001 Policy year is completely closed at the end of the 2002 calendar year + 5 calendar years would result in the 2001 Policy year to be eligible for dividend consideration after the 2007 annual statement and audit are complete.

Policy Years 1994 – 1999: These policy years are not eligible for policyholder dividends as an LPT Reinsurance Agreement was purchased removing the possibilities of sufficient gain or loss. The LPT Reinsurance Agreement essentially closed these years to both a policyholder dividend as well as a policyholder assessment

Minimum Premium Policies: Minimum Premium policies would not be eligible for any policyholder dividends as these policies were charged the absolute minimum premium amount for a policy that assumed limited exposure and thus, the minimum premium charged was not sufficient to generate underwriting results sufficient to warrant a policyholder dividend. Therefore any positive development or underwriting gain experienced within the policy year will not be attributed to the minimum premium policies.

Policies with No Final Audit: Any policy for the year under consideration for a policyholder dividend where the final audit was not completed because the policyholder did not comply with the FWCJUA's final audit requirements will not be eligible for any policyholder dividend amount.

Polices with Unpaid Assessments: Any policy for the year under consideration for a policyholder dividend where the policyholder did not pay an FWCJUA policyholder assessment will not be eligible for any policyholder dividend amount.

Policies with Uncollected Premium: Any policy for the year under consideration for a policyholder dividend where the policyholder did not pay 100% of its earned premium, excluding any collection fees and penalties, within 12 months from policy expiration or cancellation will not be eligible for any policyholder dividend amount. If the policyholder entered into a settlement agreement for less than 100% of the earned premium, less collection fees and penalties, and paid said earned premium, the policyholder will not be eligible for any policyholder dividend amount given there remains an outstanding uncollected premium to the FWCJUA. Further, any outstanding collection fees and penalties on any policy for the year under consideration for a policyholder dividend will be deducted from any eligible policyholder's dividend amount.

Policyholder Dividend Calculation Methodology:

Once a dividend has been declared by the Board of Governors, a number of calculations must be completed to determine which policies in that policy year are eligible to receive a policyholder dividend payment.

First, a calculation of the policy year's combined ratio (excluding investment income and expenses) will need to be determined, which will essentially become the 'standard' for those policies within the policy year which has been declared to receive a policyholder dividend. If an individual policy meets or exceeds this 'standard' underwriting result, then it will qualify and receive a policyholder dividend payment. The combined ratio is the sum of the reinsurance premium expense ratio plus the administrative expense ratio plus the selected dividend loss & ALAE ratio.

Utilizing data from the particular policy year of which the Board has declared a policyholder dividend, the three components of the policy year's total expense ratio are calculated as described below:

1) The reinsurance premium expense ratio is calculated using the financial information from the *Financial Information By Policy Year* report. The reinsurance premium expense ratio is equal to the total reinsurance premium allocated to the policy year divided by the total earned premium for that policy year.

2) The administrative expense ratio is the sum of the average servicing carrier fees (SCF) paid ratio plus the average producer fees paid ratio plus the general & administrative (G&A) expense ratio. If the individual policy year being considered has more than one subplan and/or tier, these calculations will need to be calculated for each individual subplan and/or tier separately. Both the servicing carrier fees paid ratio and the producer fees paid ratio are developed by utilizing the *J11 premium record* information from the FLARE database. The SCF paid ratio is the total of all SCF paid for all policies in that policy year divided by the total earned premiums for that policy year. The producer fees paid ratio is the total of all producer fees paid for all policies in that policy year divided by the total earned premiums for that policy year. The G&A expense ratio is the total general and administrative (G&A) expenses for that corresponding calendar year divided by the total earned premiums for that policy year

3) The selected dividend loss & ALAE ratio will be determined by selecting the highest of the following three loss ratios: a) cumulative FWCJUA net loss & ALAE ratio (for all years excluding Subplan D data); b) the cumulative individual policy year & ALAE ratio (excluding Subplan D data); or c) the subplan and/or tier's cumulative net loss & ALAE ratio. These ratios will be obtained from the *Ultimate Loss Summary* reports prepared by the FWCJUA each quarter as a detailed work paper for the Statutory Quarterly and Annual Statements filed with the Office of Insurance Regulation.

Once the 'standard' has been determined, a review of the individual policies in that particular policy year will be completed. Below is a step by step analysis of how to determine the policies that will qualify and receive a proportionate share of the net policyholder dividend to be declared.

<u>Step by Step Policy Analysis:</u>

Step 1: Determine if the policy is eligible. The policy is ineligible and is no longer considered in the analysis if the policy:

a. is a minimum premium policy, or
b. has no completed final audit, or
c. has an unpaid assessment, or

d. has an uncollected premium 12 months after policy expiration or cancellation.

Step 2: Calculate the individual policy's combined ratio. This would be the sum of the administrative expense ratio for the policy year + reinsurance premium expense ratio for the policy year + the individual policy's loss & ALAE ratio (sum of all loss & ALAE incurred / total earned premium for the policy).

Step 3: Determine if the policy qualifies. Compare the individual policy's combined ratio to the 'standard' policy year's combined ratio. If the individual policy's combined ratio is equal to or less than the 'standard' policy year's combined ratio, then the policy qualifies and will receive payment of the policyholder dividend on the basis of a proportionate share of the positive underwriting results of those policyholders participating in the policyholder dividend.

Step 4: Complete combined ratio analysis on all eligible policies. Sum up the total of the positive underwriting results for all of the qualified policies, as this is the amount used as the denominator in the proportionate share calculation of the actual policyholder dividend payment.

Step 5: Next is to determine the actual individual policy dividend payment amount. The policy's final positive underwriting results would be divided by the total positive underwriting results for that policy's proportionate share of the net policyholder dividend declared as shown in the following formula.

Positive Underwriting Results	X	Net Policyholder	=	Policy's Proportionate
Total Positive		Dividend Declared		Share of the Dividend
Underwriting Results				*(using 6 decimals places)*

A Sample Calculation could be:
Proportionate share = $1,000 / $1,500,000 = .000666
= .000666 X 750,000 = $499.50

Step 6: Before actual payment, it will be necessary to implement a further verification process to ensure that the policyholder does not have any uncollected premium, unpaid assessments, outstanding collection fees, outstanding penalties or outstanding final audits in any other policy year with the FWCJUA. If any uncollected premium, unpaid assessments, outstanding collection fees, or outstanding penalties are found for any other policy years, then the policy's proportionate share of the dividend would first be applied to these outstanding obligations/liabilities for that policyholder. If there is any positive dividend amount remaining, the positive balance will be distributed to the policyholder. ~~However, i~~If the policyholder has any outstanding final audits for any other policy year; the dividend will be withheld until all outstanding final audits are completed; however, the policyholder will forever forfeit the dividend if all outstanding final audits are not fully resolved within 12 months from notification of the dividend.

Step 7: All policyholder dividend payments will be sent via check to the most recent address on file for the policyholder. Payments will not be made for any amounts less than $1.00.

Approved by the Board of Governors on December 9, 2008
Revised September 9, 2009

RATES & FORMS COMMITTEE REPORT: POLICYHOLDER DIVIDEND POLICY

Policy Year 2002 Return of Premium Dividend

The Board shall consider a Rates & Forms Committee recommendation that the Board authorize a gross policyholder dividend amount for the 2002 policy year of $2,791,922.00, retaining a 5% underwriting gain, resulting in a net policyholder dividend amount after expenses of $2,746,321.99.

At its August 31st meeting, the Rates & Forms Committee considered the attached 2002 policy year information as well as the methodology analysis and the expense calculation exhibits. It was noted that the FWCJUA had booked several collections-related revisions for the 2001 policy year subsequent to the declaration of 2001 policy year dividend resulting in an additional $368,600 in underwriting gain above the 5% retention; however, the Committee did not believe further consideration of the 2001 policy year results were warranted at this time. Upon reviewing the 2002 policy year results in accordance with the FWCJUA Policyholder Dividend Policy, it was the consensus of the Committee that a dividend should be authorized, retaining a 5% underwriting gain.

The Board shall determine whether to authorize a gross policyholder dividend amount for the 2002 policy year of $2,791,922.00, retaining a 5% underwriting gain, resulting in a net policyholder dividend amount after expenses of $2,746,321.99.

FWCJUA Policyholder Dividend Methodology Analysis
Revised - August 12, 2009

	2002	
Policies Issued	1,161	
Minimum Premium Policies (at audit)	178	
Policies with No Final Audit	21	
Policies with Uncollectible Premium (or beyond payment guidelines)	47	*
Settled Premium Policies	5	*
Eligible for Policyholder Dividend	**910**	
(before consideration of Combined Ratio - % of policies eligible)	*78.4%*	
Policies with Claims	165	
Administrative Expense Ratio (SCF, Commissions and G&A)	17.09%	
Reinsurance Premium Expense Ratio	20.90%	
Cumulative FWCJUA Net Loss & ALAE Ratio	30.98%	
Cumulative Policy Year Loss & ALAE Ratio	13.50%	
Cumulative Subplan Policy Year Loss & ALAE Ratio	36.20%	
Selected Dividend Loss & ALAE Ratio *(use highest of the 3 averages)*	**36.20%**	

Therefore,
'standard' policy year combined ratio would be: **74.19%**

If the policy has a combined ratio less than or equal to the 'standard',
then the policy qualifies for payment of a policyholder dividend.

Data to be utlized:
1) Most recent actuarial reserve analysis at time of dividend declaration.
2) Most recent month-end claim and expense data available at time of individual dividend calculation.

* approximately as have not yet determined exactly.

Financial Information by <u>POLICY YEAR</u>
As of December 31, 2008

	2000	2001	2002
Gross Earned Premium	5,260,963	12,582,128	25,381,029
Reinsurance Premium *	762,951	2,305,892	5,303,863
Paid Losses & LAE	1,592,396	1,741,890	4,668,012
Case Reserves	0	44,291	216,238
Net Underwriting Gain / (Loss)	2,905,616	8,490,055	15,192,916
Net Loss Ratio w/out IBNR	**35.4%**	**17.4%**	**24.3%**
IBNR & ULAE Reserve	46,071	143,934	396,496
Net Underwriting Gain / (Loss)	2,859,545	8,346,121	14,796,420
Net Loss Ratio with IBNR	**36.4%**	**18.8%**	**26.3%**
Uncollectible Premium	1,057,609	3,210,398	1,941,551
% of Gross Earned Premium	20.1%	25.5%	7.6%
Other Underwriting Expenses	2,594,566	3,075,030	5,591,381
Misc Income / (Expense)	405,370	984,853	126,033
Federal Income Taxes	(349,929)	1,192,456	3,328,547
Underwriting Gain / (Loss)	**(37,331)**	**1,853,090**	**4,060,973**
% of Underwriting Gain/(Loss) / Gross Earned Premium	**-0.7%**	**14.7%**	**16.0%**
Reasonable % "Underwriting Gain"	**5.0%**	**5.0%**	**5.0%**
Reasonable $ "Underwriting Gain"	**263,048**	**629,106**	**1,269,051**
Excess "Underwriting Gain"	**(300,379)**	**1,223,984**	**2,791,922**
Policyholder Dividend Distributed	**0**	**855,384**	**0**
Remaining Excess "Underwriting Gain"	**(300,379)**	**368,600**	**2,791,922**
% of Excess Underwriting Gain/(Loss) / Gross Earned Premium	**-5.7%**	**2.9%**	**11.0%**
Estimated Investment Income	*78,456*	*771,258*	*2,077,063*
Total Net Income / (Loss)	***41,125***	***2,624,348***	***6,138,036***
% of Total Net Income / Gross Earned Premium	***0.8%***	***20.9%***	***24.2%***
Total Policies Issued	522	662	1,140
Total Claims Reported	86	120	229
Total Open Claims as of 12/31/08	0	1	1

Financial Information by POLICY YEAR
As of December 31, 2008

	2000	2001	2002
Gross Earned Premium	5,260,963	12,582,128	25,381,029
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Federal Income Taxes	(349,929)	1,192,456	3,328,547
Underwriting Gain / (Loss)	**(37,331)**	**1,853,090**	**4,060,973**
% of Underwriting Gain/(Loss) / Gross Earned Premium	**-0.7%**	**14.7%**	**16.0%**
Reasonable % "Underwriting Gain"	**10.0%**	**10.0%**	**10.0%**
Reasonable $ "Underwriting Gain"	**526,096**	**1,258,213**	**2,538,103**
Excess "Underwriting Gain"	**(563,427)**	**594,877**	**1,522,871**
Policyholder Dividend Distributed	**0**	**855,384**	**0**
Remaining Excess "Underwriting Gain"	**(563,427)**	**(260,507)**	**1,522,871**
% of Excess Underwriting Gain/(Loss) / Gross Earned Premium	**-10.7%**	**-2.1%**	**6.0%**
Estimated Investment Income	*78,456*	*771,258*	*2,077,063*
Total Net Income / (Loss)	***41,125***	***2,624,348***	***6,138,036***
% of Total Net Income / Gross Earned Premium	***0.8%***	***20.9%***	***24.2%***
Total Policies Issued	522	662	1,140
Total Claims Reported	86	120	229
Total Open Claims as of 12/31/08	0	1	1

FWCJUA

Calculation of the Net Policyholder Dividend Amount - **2002**

Gross Policyholder Dividend Amount	**1,522,871.00**	with 10% underwriting gain retained OR	
(Declared by Board)	**2,791,922.00**	with 5% underwriting gain retained	
less expenses :			
			hourly wage used:
determining eligibility	17.34	*30 minutes of time*	34.68
# of policies to be reviewed	1,161		
	20,131.74		
calculating share of dividend, verifying current address, processing & mailing check			
calculation of dividend share	17.34	*30 minutes of time*	*34.68*
verifying address	6.50	*RSI current address search*	
processing of check	3.06	*10 minutes of time*	*18.35*
cost of a check	0.37		
check cleared at bank charge	0.17		
postage	0.44		
paper & envelope	0.11		
	27.99		
# of dividend checks	910		
	25,468.28		
Total expenses	**45,600.02**		
Net Policyholder Dividend Amount	**1,477,270.99**	with 10% underwriting gain retained OR	
Net Policyholder Dividend Amount	**2,746,321.99**	with 5% underwriting gain retained	

* if a check needs to be reissued with a stop-pay as the original check is unable to be returned;
the stop pay fee will be deducted from the policyholder's dividend check amount.

REINSURANCE COMMITTEE REPORT:
2010 REINSURANCE PROGRAM GOALS AND MARKET STRATEGY

The Board shall receive a report from the Reinsurance Committee regarding the establishment of the 2010 reinsurance program goals and market strategy.

At its August 24th meeting, the Reinsurance Committee established the 2010 reinsurance program goals and market strategy. The goals and strategy for the 2010 reinsurance program have been designed to minimize policyholder resources devoted to reinsurance, create a program that reflects the proper balance between price and coverage, present the FWCJUA's excellent fifteen year experience/performance, and provide flexibility to accommodate unexpected growth or further depopulation. Further, the program goals take into consideration the FWCJUA's financial status; past performance; current book of business; as well as the 2009 premium and account mix, which are projected to remain the same for 2010. A critical assumption related to securing the 2010 reinsurance program is the $8 million earned premium projection with an assumed policy count of 800.

Given today's dynamic financial marketplace, the Committee also challenged the reinsurance intermediary to obtain, where possible, the contractual commitment from reinsurers that any letter of credit requirements be issued through banking institutions with a "stable" rating to include any and all banks with corresponding commitment shares. The Committee suggested that a "stable" rating should be defined such that the bank maintains or exceeds two of following minimum ratings:

1. S&P – no less than an A- rating;
2. Moody's – no less than an A- rating;
3. Bauer Financial – no less than a 3 star rating.

Attached for the Board's perusal is a copy of the 2010 FWCJUA Reinsurance Goals.

No Board action is required on this agenda item.

2010 FWCJUA REINSURANCE GOALS

The depopulation trend which started with the introduction of the tier rating plans in 2004 has continued through 2009. Over the last year, FWCJUA business decreased by approximately 50% as detailed in the table below.

	As of July 31, 2008	As of July 31, 2009	% Change
In-Force Policies	1,689	909	- 46%
In-Force Premium	$12,779,327	$6,474,280	- 49%
	Year-to-Date 2008 As of July 31, 2008	**Year-to-Date 2009 As of July 31, 2009**	
New Business Policies	257	117	- 54%
New Business Premium	$2,553,717	$1,200,047	- 53%
Renewal Business Policies	1001	509	- 49%
Renewal Business Premium	$7,029,234	$3,044,848	- 57%

The composition of the in-force book of business as well as new business (small contractor dominated) mirrors the 2008 year. However, claim activity involving serious injuries dropped considerably this year compared to last year, while severity and late reported claims remain the most significant claim related conditions. Both current years and cumulative loss results were again dramatically better than anticipated with reserves being adjusted downward. There is every indication that depopulation and favorable development trends will continue through 2009 given that Tiers 1, 2, & 3 have actuarially sound rates and minimum premiums.

The price for the FWCJUA reinsurance program decreased with the departure of Subplan “D” and stabilized with the advent of the Tier Rating Plan – 15.243% in 2005; 15.428% in 2006; 14.118% in 2007; and 10.437% in 2008 – and coverages improved somewhat. However, the significant decrease in the FWCJUA’s premium base over the last two years has influenced an increase of 15.07% in 2009 and we expect to maintain or see a slight increase in the price for the 2010 program due to the FWCJUA’s continued depopulation.

We perceive four (4) principal objectives in developing the 2010 reinsurance program:

1. Minimize resources devoted to reinsurance.
2. Create a program that reflects the proper balance between price and coverage – determining the optimum attachment points.
3. Present the FWCJUA’s excellent fifteen year experience and performance in the marketplace.
4. Obtain flexibility to accommodate unexpected growth or further depopulation.

We see the three (3) most significant strengths of the FWCJUA being:

1. The successful track record of solving problems through creative and innovative solutions. For example, legislative intervention in the FWCJUA which created Subplan “D” and the resulting deficit was resolved by influencing legislation that allowed for access to Administrative Trust Fund monies to reduce the deficit and created the experienced based Tier Rating Plan to avoid imminent assessments.
2. Consistency in philosophy along with competence and stability of staff. All decisions must first and foremost be sound business decisions and reflect the best interest of the policyholders. The Management Team has been together since 1994/5 and the key service providers (Travelers and General Counsel since 1994, actuary and collections staff since 1995 and the auditor since 2000).
3. An independent and active Board of Governors composed of experienced insurance professionals.

2010 PROGRAM GOALS

The 2010 reinsurance renewal program goals take into consideration the FWCJUA’s financial status, excellent past performance, current book of business, and the fact that the 2010 premium, account “mix” and uncollectible premium impact will probably track similar to the 1998 – 2000 and the 2005 - 2008 policy year/accident year profiles. The goals are:

1. Design the program based on projected 2010 earned premium level of $8.0 million and a policy count of 800.
2. Approach the 2010 program design by questioning the current structure and asking “is there an effective alternative structure or mechanism – e.g., combination risk transfer product/reinsurance program – that fits the FWCJUA from 2005 – 2009?” Step “out of the box” and place a risk assessment on various “creations” from dollar one to cat only programs.

3. Conduct a risk assumption analysis in conjunction with either the intermediary's actuary or the FWCJUA's consulting actuary that describes how much risk the FWCJUA could assume at various attachment points and the implications of that risk assumption.
4. Determine if a “new” profit share valuation/computation feature is advisable or available.
5. Obtain, where possible, collateral arrangements to be implemented in the event of reinsurer financial problems.
6. Obtain, where possible, the commitment from reinsurers that any letter of credit requirements be issued through banking institutions with a “stable” rating to include any and all banks with corresponding commitment shares. *A “stable” rating should be defined such that the bank maintains or exceeds two of following minimum ratings: (i) S&P – no less than an A- rating; (ii) Moody’s – no less than an A- rating; or (iii) Bauer Financial – no less than a 3 star rating.*
7. Attempt to get NBCR coverage in the regular program by removing the exclusion from the contract in 2010.
8. Evaluate the financial conditions of all current reinsurers and advise what actions, if any, are required.
9. Take whatever steps are appropriate to ensure that both current and potential markets are fully accessed.
10. Specifically, the 2010 program should:
    a. reduce rate and/or index it to unanticipated premium growth *(A reduction in overall rate or product cost, is the target.)*; The index to “unanticipated premium growth” has been included in the contracts since 2004. Although the circumstances which would trigger this provision of the contract seem rather unlikely at this time, the language should be retained;
    b. include a “one way” cancellation clause to allow the JUA to deal with dramatic reductions in premium at a minimal cost;
    c. protect the FWCJUA in the event of financial difficulties of the reinsurers;
    d. protect the FWCJUA in the event of financial difficulties of the banks that the reinsurers utilize to post letters of credit, including any and all banks with corresponding commitment shares;
    e. determine the optimum reinsurance coverage; strive to reinstate prior exposure types that were excluded; and review the AAD’s, MAOLs and attachment levels (consider higher attachment points similar to the 2009 program, i.e. $1M or $2M since the FWCJUA is in a surplus position);
    f. provide alternative approaches to obtain equivalent, better or different reinsurance coverage;
    g. obtain more favorable minimum premiums or, at the minimum, retain 2009 levels and spread the minimum premium for at least the first and second excess layers over a minimum of two years from January 1, 2009 through December 31, 2010 to help relieve any potential minimum premium penalty resulting from the FWCJUA’s decreasing premium volume; and
    h. obtain statutory limits if such a program is available at a reasonable price.

MOST SIGNIFICANT ANTICIPATED IMPACTS FOR 2010:

The FWCJUA shall remain a single-line insurer underwriting workers’ compensation and employer’s liability residual market coverage in Florida with actuarially sound rates. Since 2004, the FWCJUA has been both stable in the composition of the book of business and consistent in performance/loss development. Over the years, the positive loss development has exceeded actuarial expectations and resulted in dramatic reductions in all accident years’ loss reserves. There has been very little reinsurance activity and few payouts in the past and no projected increases in activity for 2010. The claim reforms introduced in 2003 have undoubtedly improved performance and when combined with the experienced Travelers’ adjusting team and the FWCJUA’s proactive claims management approach, the loss results have come in well below forecasts.

At this point in time, depopulation of the book of business is projected for 2010 – it is anticipated that:

1. there may be another rate decrease in the voluntary market;
2. subplan claims will continue to run-off with closings increasing as the claims mature;
3. the FWCJUA will write in the range of $7M to $8M in premium; and
4. the stable service environment will be maintained as the Travelers’ contract for policy administration/managed care services renewed in 2009 for another 3 years, Milliman’s engagement as the FWCJUA’s Actuary was also extended through 2011, and Aon Benfield was selected as the FWCJUA’s reinsurance intermediary on June 11, 2008, for a minimum of 3 years. The FWCJUA also extended Thomas Howell Ferguson’s engagement for the 2009 audit, but plans to conduct a competitive solicitation for the 2010 audit and beyond.

2010 PROGRAM CONSIDERATIONS

There are several conditions that we feel will continue well into 2010:

1. For purposes of reinsurance purchase, $8M in earned premium and 800 polices should be used.
2. We do not anticipate growth in 2010 for the following variety of reasons:
   a. Coverage is available and actively being written in the voluntary market.
   b. There appears to be no discernable changes in voluntary market underwriting requirements, restrictions and/or alterations in leasing company (PEO) selection criteria or rule changes governing the status of "non-reported" or non-leased employees.
   c. Voluntary market insurers appear to be able to obtain favorable reinsurance arrangements.
   d. The sluggish economy, particularly the housing construction slump, is expected to continue.
   e. The price differential between the FWCJUA rates and the voluntary market rates as well as the FWCJUA's "unattractive" producer fee schedule should continue to encourage producers to secure coverage for employers within the voluntary market.
   f. Employee leasing operations should continue to provide coverage for the small employer, including some contractors.
   g. The take-out/keep-out programs were enhanced in 2008 and will continue to be exploited.
3. The exposures – mix of business – should remain consistent:
   a. We anticipate that the current industry distribution will continue into 2010 with the contracting and goods and services groups comprising the majority of policyholders with a significant number of those being minimum premium policies. This situation will continue to expose the FWCJUA to the single catastrophic loss while limiting frequency. Further, it is anticipated that the past three years' loss history of the construction trades, accounting for 53% of the claims and 58% of the loss dollars will continue.
   b. The FWCJUA will continue to write a few accounts that are in Chapter 11. However, to be eligible for coverage, the account must pay the entire Estimated Annual Premium prior to binding. A recent study of all FWCJUA bankrupt accounts indicates that the programs and procedures currently in place are effective in virtually eliminating collections as an issue for accounts in bankruptcy at time of entry into the FWCJUA. Taking bankruptcy after the fact will always be a problem.
   c. The 34 - 36% "mid-term" cancellation rates experienced in the past will continue into 2010.
   d. Certain classes, such as small aviation exposures, charitable organizations, and other exotic exposures that are "unattractive" to reinsurers of voluntary market carriers will continue to be placed in the FWCJUA.
   e. The book of business is and will continue to resemble that of 1994 – 1996 and 2003 - 2005 in policy composition as well as types of claims. The one exception is accident year 2004 which certainly was an aberration as a result of Subplan "D". As such, the reinsurers should be far more confident in their ability to predict future performance than they have been for the most recent years.
4. The 2003 SB 50A claim reforms, the 2004 HB 1251 rating plan adjustments, and more enticing keep-out/take-out programs will continue to have a positive impact on the FWCJUA in 2010. Both the voluntary and residual markets will continue to receive the savings produced by the 2003 claim reforms resulting from the reductions in litigation activity, partitions filed and alternative medical evaluations requested. The legislation addressed additional conditions that are of particular relevance to the FWCJUA such as those sections dealing with illegal alien activity, prior injury contributions and those that produced improved claim handling efficiencies. A significant benefit of the 2003 reforms – restrictions on the claimant attorney's fees – was essentially reversed in October of 2008, by the Florida Supreme Court's decision in the Emma Murray case, but the passage of HB 903 on May 29, 2009, resolved any ambiguities and restored the SB 50A caps on claimant attorney fees and eliminated some hourly fees. Further, increasing medical costs remain a concern in both markets making the FWCJUA's mandatory, well established managed care arrangement and catastrophic claim management programs even more significant.
5. The surcharges on Tier 1, Tier 2 and Tier 3 are actuarially sound. The voluntary market may experience another rate decrease for 2010, due to the economy and HB 903 becoming law, which will ultimately affect the FWCJUA's basic rates (without surcharges).
6. The current keep-out/take-out program that allows the insurer who writes an FWCJUA applicant or policyholder to charge the FWCJUA rate for three (3) years has helped reduced the FWCJUA's policies in-force by 20% in 2009 and it is projected that this program will continue to place employers in the voluntary market in 2010. Further, within the last 15 months, the FWCJUA recognized a 5.0% success rate placing applicants in the voluntary market through its "MAP Partnership Program", which is a program that provides producers with direct access to multiple voluntary markets that they may not otherwise have contractually available to them prior to submitting the application to the FWCJUA.

7. The subplan rating programs were terminated on June 30, 2004 with policies and claims now in run-off. Of the 309 Subplan "D" claims with a total incurred of $11,856,314, only 7 remain open for $4,628,282.
8. Travelers will continue to be the policy administration/manged care service provider through 2011.
9. The 2009 and 2010 premium assumptions/projections will be revised each quarter and the Broker will be advised of any changes.
10. The FWCJUA will conduct a rate review in conjunction with the NCCI in the fall and respond appropriately.
11. The FWCJUA has **<u>reduced reserves</u>** for the twelfth consecutive year.

Some of the factors working against reductions in excess reinsurance pricing would include:

1. The depopulation of the FWCJUA, for several reasons:
    a. Lower premium volumes create greater volatility within the remaining business.
    b. When a residual market shrinks, it is presumed to keep that portion of its book which would be least attractive to voluntary market insurers.
    c. Decreasing economies of scale require a greater percentage of reinsurance premiums to address reinsurers fixed costs.
2. If there is a proposed Florida rate decrease which is generally seen as a reason for reinsurers to raise rates against premium. However, the FWCJUA is able to set surcharges to reach rates which will be actuarially sound.
3. Increases made to incurred values of several large claims in the last two years.

<u>SPECIAL REQUIREMENTS</u>

There are certain "realities" that need to be considered in developing the 2010 program:

1. Effective communication with the FWCJUA, the Reinsurance Committee, and the Board of Governors is essential to the efficient development and on time implementation of a successful 2010 program.
2. Given the Board of Governor's fiduciary responsibilities and the potential for assessments, the balance between coverage and price as well as the reinsurer's financial strength must be managed to the FWCJUA's benefit.

<u>BASIC FWCJUA ONGOING ISSUES</u>

Regardless of the ultimate size or structure of the 2010 residual market, the following basic, long standing FWCJUA issues should be considered in developing the 2010 reinsurance program:

1. *Program Risk v Cost*. The FWCJUA now has a consistent history of rate adequacy and annual <u>reductions</u> in reserves due primarily to a consistent conservative loss development posture but also to aggressive claims management. It is important to note that since inception, the FWCJUA has experienced only 281 claims of $100,000 or greater total incurred and of those only 24 ($28.5M) exceed $500,000 and 9 ($18.3M) exceed $1,000,000. There have been no claims above $3,161,905.
2. *Reinsurer Financial Condition.* The financial condition of current and potential reinsurers remains a concern and will require consideration and evaluation again this year. Given the industry's property problems, special attention should be paid to those with significant property books.
3. *Minimum Premiums.* As premium stabilizes or even decreases with depopulation and/or a possible decrease in voluntary market rates, managing the reinsurance rate becomes very important. The program should compensate for premium volume by exploring alternative rating structures such as indexing rate to premium. Minimums should not be forgotten nor should the possibility of utilizing alternative premium subject bases such as collected premium.
4. *Assumption of Risk.* Coverages were reduced, altered or modified in the past for many good reasons – not required, too expensive or not available – and with depopulation and the excellent experience, they must again be reviewed: 1) evaluate/determine all attachment points; 2) evaluate the use of AAD's and if the "trade-off" is not sufficient, consider retaining the layer; and 3) determine the appropriate MAOL coverage.
5. *Terrorism Exposure.* Given the size of the FWCJUA TRIA deductible, the Board may wish to consider the purchase of a commercial product that would cover the "NCBR" perils currently excluded from reinsurance coverage.
6. *"Exotic" Exposures.* The inclusion of the "exotic" exposures (such as cumulative trauma, asbestosis, aviation, strip mining, and mold if not universally excluded, etc.) is important even though we currently have little or no known exposures. The availability of those coverages was the primary reason the Board elected to purchase the more expensive casualty-based program. The Board felt

that as the Florida residual market, the FWCJUA could not exclude those coverages should the employer meet all other eligibility criteria.

UNDERWRITING FACTORS - EXPOSURE

Two 2009 studies are available upon request that present complete data (applications bound, policies in-force and claim activity) "sliced" in such ways to provide a thorough analysis of the Book of Business. The first is the 2008 Travelers/FWCJUA Operations Review completed in April 2009. The second study is the 2009 Cause of Loss & Safety Program Analysis also completed in April of this year.

The following specific underwriting factors should be considered when pursuing the 2010 renewal. Further, it should be noted that the below data is taken from applications bound as this represents the accounts that the FWCJUA is putting on the books thus, an accurate point-in-time "snapshot" of the Florida residual market.

Distribution – Premium (Tier Rating Plan)

The 2010 projections are based upon Tier Rating Plan distribution of new and renewal policies from 01/01/09 through 06/30/2009 and applied to 800 polices and $8,000,000 in premium.

2009 Tier Distribution Projections Based Upon 800 Policies and $8M Premium*			
Element	**Tier 1**	**Tier 2**	**Tier 3**
# @ 800	437	232	131
$ @ $8,000,000	3,254,400	1,956,000	2,789,600
% of #	54.6%	29.0%	16.4%
% of $	40.7%	24.4%	34.9%

*Based upon applications bound.

The 2007 - 2009 Tier distribution displayed below and is anticipated to be similar in 2010:

Applications Bound 01/01/2007 Through 06/30/2009 – By Tier									
	2007			**2008**			**2009**		
Apps	**Tier 1**	**Tier 2**	**Tier 3**	**Tier 1**	**Tier 2**	**Tier 3**	**Tier 1**	**Tier 2**	**Tier 3**
# Bound	95	535	270	35	203	103	10	58	38
$ Bound	581,917	3,194,037	4,411,558	281,543	1,447,571	1,698,014	78,568	326,204	633,985
% of #	10.6	59.4	30.0	10.2	59.5	30.2	9.4	54.8	35.8
% of $	7.0	39.0	54.0	8.2	42.2	49.5	7.6	31.4	61.0

*Based upon applications bound.

Distribution – Exposure (Industry Group)

The 2007 – 2009 Industry Group & Minimum Premium distribution displayed below is anticipated to be similar in 2010:

Distribution of Tier Applications & Minimum Premium Applications By Industry Group - 01/01/2007 to 06/30/2009									
01/01/2007 – 12/31/2007									
Element	**Mfg**	**Contract**	**Clerical**	**Goods & Services**	**Misc.**	**USL&H**	**Maritime**	**Other**	**Total**
Premium	133,548	3,298,455	1,862,394	1,559,512	1,147,808	0	99,920	85,875	8,187,269
Number	14	423	170	186	93	0	3	11	900
% Total #	1.6	47.0	18.89	20.67	10.33	0.0	0.33	1.22	
% Total $	1.63	40.31	22.74	19.04	14.01	0.0	1.22	1.05	
Min Prem	3	206	11	34	23	0	1	1	279
% Total	0.33	22.89	1.22	3.78	2.56	0.0	0.11	0.11	
% Group	21.43	48.70	6.47	18.28	24.73	0.0	33.33	9.09	
0 Payroll	1	113	2	15	13	0	0	0	145
% Total	0.11	12.56	0.22	1.67	1.44	0.0	0.0	0.0	
% Group	7.14	26.71	1.18	8.06	13.98	0.0	0.0	0.0	

*Based upon applications bound.

Distribution of Tier Applications & Minimum Premium Applications By Industry Group - 01/01/2007 to 06/30/2009									
01/01/2008 – 12/31/2008									
Element	**Mfg**	**Contract**	**Clerical**	**Goods & Services**	**Misc.**	**USL&H**	**Maritime**	**Other**	**Total**
Premium	126,649	942,980	591,863	876,088	772,454	9,903	12,455	94,736	3,427,128
Number	5	136	51	89	47	1	1	11	341
% Total #	1.47	39.88	14.96	26.10	13.78	0.29	0.29	3.23	
% Total $	3.70	27.52	17.27	25.56	22.54	0.29	0.36	2.76	
Min Prem	0	67	5	9	16	0	0	1	98
% Total	0.0	19.65	1.47	2.64	4.69	0.0	0.0	0.29	
% Group	0.0	49.26	9.80	10.11	34.04	0.0	0.0	9.09	
0 Payroll	0	47	0	5	5	0	0	0	57
% Total	0.0	13.78	0.0	1.47	1.47	0.0	0.0	0.0	
% Group	0.0	34.56	0.0	5.62	10.64	0.0	0.0	0.0	

*Based upon applications bound.

Distribution of Tier Applications & Minimum Premium Applications By Industry Group - 01/01/2009 to 06/30/2009									
01/01/2009 – 6/30/2009									
Element	**Mfg**	**Contract**	**Clerical**	**Goods & Services**	**Misc**	**USL&H**	**Maritime**	**Other**	**Total**
Premium	15,778	254,606	362,501	124,147	281,725	0	0	0	1,038,757
Number	2	42	19	23	20	0	0	0	106
% Total #	1.89	39.62	17.92	21.70	18.87	0.0	0.0	0.0	
% Total $	1.52	24.51	34.90	11.95	27.12	0.0	0.0	0.0	
Min Prem	0	23	2	4	6	0	0	0	35
% Total	0.0	21.70	1.89	3.77	5.66	0.0	0.0	0.0	
% Group	0.0	54.76	10.53	17.39	30.00	0.0	0.0	0.0	
0 Payroll	0	13	1	0	1	0	0	0	15
% Total	0.0	12.26	0.94	0.0	0.94	0.0	0.0	0.0	
% Group	0.0	30.95	5.26	0.0	5.0	0.0	0.0	0.0	

*Based upon applications bound.

EXPOSURE – SERIOUS INJURIES

Distribution – Serious Injuries

A Serious Injury/Special Interest Claim is defined as any claim involving: 1) a fatality, amputation, spinal cord damage, brain damage, blindness, extensive burns, or multiple fractures; or 2) multiple claimants for a single occurrence; or 3) there are significant coverage issues or major SIU involvement; or 4) the total incurred exceeds $100,000. Below is a chart reflecting the distribution of large claim activity ($100,000 or greater Total Incurred) by accident year and status from 01/01/1994 to 06/30/2009. Additional detail is available in the 2009 Cause of Loss & Safety Analysis.

Accident Year	Total #	Total $	# Open	$ Open	Avg. Claim	% of AY Tot # Open	% of AY Tot $ Open
1994							
100K or >	50	$11,605,003	1	$720,408	$232,100	2.00%	6.20%
All Claims	1595	$21,652,828	2	$800,461	$13,575	0.125%	3.69%
1995							
100K or >	68	$15,399,538	2	$1,186,004	$226,463	2.94%	7.70%
All Claims	2014	$27,326,737	5	$1,325,712	$13,568	0.24%	4.85%
1996							
100K or >	38	$11,787,817	1	$3,616,906	$310,206	2.63%	30.68%
All Claims	1033	$19,898,950	1	$3,616,906	$19,263	0.096%	18.17%
1997							
100K or >	13	$2,126,880	0	$0	$163,606	0.00%	0.00%
All Claims	467	$5,462,037	0	$0	$11,696	0.00%	0.00%
1998							
100K or >	15	$2,812,081	1	$600,839	$187,472	6.66%	21.36%
All Claims	259	$5,142,648	1	$600,839	$19,856	0.386%	11.68%
1999							
100K or >	4	$5,305,540	2	$4,873,302	$1,326,385	50.00%	91.85%
All Claims	76	$5,753,721	2	$4,873,302	$75,707	2.63%	84.69%
2000							
100K or >	6	$1,669,500	0	$0	$278,250	0.00%	0.00%
All Claims	73	$2,318,909	0	$0	$31,765	0.00%	0.00%
2001							
100K or >	3	$439,754	1	$170,409	$146,585	33.33%	38.75%
All Claims	87	$968,149	1	$170,409	$11,128	1.14%	17.60%
2002							
100K or >	1	$309,985	1	$309,985	$309,985	100.00%	100.00%
All Claims	175	$1,782,588	1	$309,985	$10,186	0.571%	17.38%
2003							
100K or >	15	$3,523,434	1	$847,867	$234,896	6.66%	24.06%
All Claims	487	$7,910,818	2	$928,004	$16,244	.410%	11.73%
2004							

100K or >	28	$11,536,957	7	$5,624,228	$412,034	25.0%	48.74%
All Claims	782	$18,195,726	10	$5,768,753	$23,268	1.27%	31.70%
2005							
100K or >	17	$6,531,350	3	$2,672,074	$384,197	17.64%	40.91%
All Claims	539	$10,965,259	10	$3,026,313	$20,343	1.85%	27.59%
2006							
100K or >	13	$2,961,155	5	$918,895	$227,781	38.46%	31.03%
All Claims	419	$6,048,782	7	$1,006,018	$14,436	1.67%	16.63%
2007							
100K or >	6	$1,205,237	2	$627,675	$200,872	33.33%	52.07%
All Claims	205	$2,686,451	13	$1,059,286	$13,104	6.34%	39.43%
2008							
100K >	4	$632,791	2	$350,321	$158,197	50.00%	55.36%
All Claims	151	$1,767,048	23	$996,134	$11,702	15.23%	56.37%
2009							
100K>	0	$0	0	$0	$0	0.00%	0.00%
All Claims	46	290,153	10	$215,935	$6,305	21.73%	74.42%

Experience - Severity

For all accident years, the FWCJUA has experienced a severity problem rather than frequency issues and the 2006, 2007 and 2008 year to date accident years provide a more typical than unique profile of the FWCJUA's fourteen year history and the indications are that the same type of serious injuries will occur in 2009 and for the same reasons. There are many reasons for this situation but the most prevalent are:

1. Nature of the predominate business being written – small contractors and small businesses that have few employees and fewer claims per policy and rely heavily on:
    a. contract short term labor (many of the claimants were on the job less than three days (mandatory time required to report payroll);
    b. a percentage of uninsured sub-contractors;
    c. workers and subcontractors paid in cash;
    d. illegal and semi-legal workers; and
    e. misconceptions regarding employee and independent subcontractor statutes.
2. Nature of the labor force:
    a. certain percentage of the workforce unaware of effective risk management techniques;
    b. the existence of some language barriers;
    c. a lack of transferable skills;
    d. misconception regarding the employer – employee relationship; and
    e. a reliance on labor contractors to provide short term employees.
3. Late reported or un-reported claims (only 65.5% of FWCJUA claims are reported within the first seven days) that encourage reporting by attorneys and health care providers.
4. Lack of risk management and safety knowledge/equipment usage.
5. Lack of understanding of the workers' compensation "system" and its purpose and the impact of light duty program availability.
6. No claim "internal" investigations other than those conducted by FWCJUA/Travelers SIU, police, OSHA and/or Travelers Loss Control & Safety engineers.
7. Insureds that are less than honest in their reporting of payroll and claims; lax or no employment practices or records; and are unreliable at best and uncooperative at worst throughout the adjudication process.
8. Difficulty in finding the actual employer and non-cooperation throughout the adjudication process.
9. Partial involvement of PEO's and leasing organizations – i.e., three crews on the job, two insured via the PEO and the third paid directly by the employer usually in cash; Injured Worker therefore not reported to the PEO and is judged to be uninsured and a 'food chain" claim results with the general contractor having to pick up the claim when the GC was provided with a presumably valid Certificate of Insurance.

The data further suggests that over the years and especially since the implementation of the claim reforms of 2003, the FWCJUA/Travelers Team has been quite successful in dealing with the severity issues. The most significant reasons are:

1. First and foremost is the FWCJUA philosophy of closing claims as soon as it is practical to obtain a settlement that is beneficial to the FWCJUA policyholders and fair to the claimant.

2. Of equal significance is the fact that the Travelers' adjusting team has been together essentially since 1995 with the large loss (serious injury) adjusters having over 20 years experience each. The Travelers Orlando claims management and Home Office large claims unit has been actively supervising the FWCJUA account since 1995. This stability coupled with the FWCJUA staff and the Litigation Manager being the same since 1995 and actively involved in the process has allowed the claim handling practices to remain consistent and for statutory changes to be implemented promptly.
3. The FWCJUA – Travelers Team immediately recognized the significance of the 2003 reforms and pursued their application aggressively.
4. The industry, especially the FWCJUA, continues to realize the impact of the reforms on yearly results. [The FWCJUA's favorable reserve development occurring in prior years has helped produce substantial positive reserve adjustments.]
5. The case by case application of the 2003 reforms has encouraged more effective claims handling which allows claims to be settled more quickly and reasonably; e.g.:
    a. Settlement/Closure of claims occurs faster due to less extraneous attorney activity on specific claims and claims in general, allowing adjusters and their supervisors to concentrate on adjudicating claims efficiently. (Actually there is not less representation for FWCJUA claims due to the reasons sited above but there is certainly less activity surrounding each represented claim and thus more incentive to settle).
    b. Statute revisions have strengthened the handling of illegal aliens and fraudulent claims, which produced more reasonable settlements concluded over shorter time frames.
6. The composition of the book of business has remained relatively consistent over the past several years which allows for a consistent approach to claims handling.

Loss Experience

The FWCJUA has ***excellent loss experience*** to date. Performance has been outstanding over the past few years:

1. Claim activity has been consistent with only nine (9) claims exceeding $1M, with six (6) open; and fifteen (15) claims between $500K and $1M of which six (6) remain open; and fifty-one (51) claims from $250K to $499,999 of which four (4) are open.
2. Even though policy counts and applications received have declined, 2009 monthly claim activity remains below the fifteen year average and is considerably less than the same period in 2008 - the monthly average since 1994 is 46 claims while the 2008 monthly average is 13 claims and to date for 2009 it's only 7.
3. The ratio of Medical Only to Lost Time claims continues to be in the 60:40 range.

TIMETABLE

The following timetable is suggested:

July

1. Broker presents the general program concept and market approach.

August

1. Broker finalizes the Underwriting / Submission data requirements and delivery schedule and submits to the FWCJUA.
2. Broker advises FWCJUA of potential market's special underwriting / claim information requirements.
3. FWCJUA submits requested original data to broker (As of 06/30/2009 & all 2008 financial data that they do not already have).

September

1. FWCJUA and broker agree on the 2010 Reinsurance Renewal Program goals.
2. Broker designs the proposed program, meets with the Reinsurance Committee and takes the program to market.
3. FWCJUA provides updated premium and loss information.

October

1. Broker and staff present the FWCJUA "story" to reinsurers.

November

1. Broker provides the Reinsurance Committee with the consensus terms for each contract as provided by the reinsurers and a quote. Also, modeling of the various options.
2. Reinsurance Committee makes recommendations to the Board.

REINSURANCE COMMITTEE REPORT:
COMMUTATION MATTERS

The Board shall receive an update from the Reinsurance Committee on the status of the FWCJUA's reinsurers to include commutation matters.

It was reported at the August 24th meeting of the Reinsurance Committee that since the A.M. Best downgrade of PMA from A- to B++ in October of 2003, the payment patterns of PMA were monitored and the potential for commutation was considered by the Reinsurance Committee and the Board regularly. At the point that payment of claims by PMA showed a pattern of significant delay (early 2008), the FWCJUA provided a commutation offer to PMA. The offer was forwarded to PMA in April 2008 and was viewed by the reinsurer to be too high. Several discussions occurred between Aon Benfield and PMA to try to close the gap, specifically addressing the individual open claims, discounting rates, and IBNR. Though at one point a counteroffer seemed forthcoming, over two months of discussion with PMA did not produce one and the FWCJUA ended up pulling its commutation offer off the table, as PMA was not likely to agree to any offer, while its acquisition by Armour Re was pending. The Armour Re purchase of PMA has still not occurred because it is currently awaiting approval by the Pennsylvania Insurance Department. If the transaction is not complete by the end of October, either party may withdraw.

Unable to settle on a commutation agreement with PMA, the FWCJUA, in early April 2009, requested funding of bulk IBNR for the 2003 Accident Year by letter of credit (LOC) according to a contractual obligation triggered by the 2003 downgrade. PMA responded that it could not provide an LOC, based on its current credit standing. Aon Benfield then asked PMA for funding according to its contractual obligation via cash, but has not heard back from PMA, as yet. Under the circumstances, PMA has made it known that the satisfaction of such a request may take some time as it requires the approval of the Pennsylvania Insurance Department.

The "PMA years" allow an option for mutually agreed commutation. The 2003 treaty also includes the contractual obligation of PMA to collateralize losses and IBNR in its layer upon a downgrade to an A.M. Best rating of "B++" or lower. This was the only contract to require PMA to collateralize, as this contractual obligation was new to the industry. The contracts do carry a late payment article which penalizes PMA for delaying payment for a substantial period of time. Though PMA has repeatedly crossed the threshold which would trigger a penalty, the amounts of late payment penalty are small and PMA seems to act as if it does not expect cedents to spend resources to pursue these small amounts. The LOC does not change the exposure to PMA based on case reserves as it would cover IBNR ($80,000) in 2003. Further, there are only two open claims in 2003 with a combined total incurred of approximately $930,000 with the larger claim reserved at just under $850,000. Neither of these two open claims is expected to penetrate the 2003 $9M xs $1M reinsurance layer in which PMA participates at 20%.

To date, no other downgrades have occurred that would demand action. Suffice it to say, PMA, to a significant degree, has delayed payments longer and paid less attention to its contractual obligations than other reinsurers.

Although there is an arbitration clause in the FWCJUA's contract with PMA, attempting to address PMA's nonperformance under the contract in this manner probably would not be cost effective. At the August 24th Reinsurance Committee meeting, it was agreed that the Committee Chair would reach out to an acquaintance that was a Deputy within the Pennsylvania Insurance Department to discuss the FWCJUA's concerns related to PMA. The Committee further authorized staff and the reinsurance intermediary to work directly with the Committee Chair to set the FWCJUA's concerns in writing, should that be required by the Pennsylvania Insurance Department with copies provided to the appropriate parties.

Attached for the Board's perusal is an exhibit identifying the FWCJUA Loss Reserves Ceded to PMA.

No Board action is required on this agenda item.

Florida Workers' Compensation JUA, Inc.

Loss Reserves Ceded to PMA

As of 8/12/09

Treaty Year	Contract	Ceded Paid Loss & LAE	Ceded Incurred Loss	Ceded Loss Reserves (Gross Exposure)	Exposure with LOC
1-Jan-1995	2ND XS CASUALTY	64,174	93,564	29,389	29,389
1-Jan-1996	2ND XS CASUALTY	278,143	1,113,262	835,119	835,119
1-Jan-1997	2ND XS CASUALTY	0	0	0	0
1-Jan-1998	2ND XS CASUALTY	0	0	0	0
1-Jan-1999	1st Xs Cas	164,021	250,000	85,980	85,980
1-Jan-2000	1st Xs Cas	19,516	19,516	0	0
1-Jan-2001	UL XS Cas	0	0	0	0
1-Jan-2003	2ND XS CASUALTY	0	0	0	0
Total		**525,853**	**1,476,341**	**950,488**	**950,488**

REINSURANCE COMMITTEE REPORT:
REINSURANCE INTERMEDIARY CONFIRMATION

The Board shall consider a Reinsurance Committee recommendation that it confirm Aon Benfield as the FWCJUA's reinsurance intermediary for the placement of the FWCJUA's 2010 reinsurance program.

As you may recall, the FWCJUA issued a Request for Qualifications (RFQ) on April 11, 2008, to engage a reputable reinsurance intermediary to advise and assist the FWCJUA with its reinsurance matters for a period of three years, to include the placement of its 2009, 2010 and 2011 reinsurance programs, with the option of two (2) one-year extensions by mutual agreement of the parties. On June 11, 2008, the Board selected Aon Benfield to serve as the FWCJUA's reinsurance intermediary as a result of this RFQ process. Further, the FWCJUA's 2009 Business Plan requires that the FWCJUA take action to confirm Aon Benfield to act as the reinsurance intermediary on behalf of the FWCJUA and approach selected direct markets with respect to the placement of the FWCJUA's 2010 reinsurance program.

Given Aon Benfield's continued exceptional performance, understanding of the FWCJUA's unique requirements and their ability to access markets that are willing to compete for FWCJUA business, the Reinsurance Committee agreed on August 24th to recommend that Aon Benfield be confirmed as the FWCJUA's reinsurance intermediary for the placement of the FWCJUA's 2010 reinsurance program.

The Board shall determine whether to confirm Aon Benfield as the FWCJUA's reinsurance intermediary for the placement of the FWCJUA's 2010 reinsurance program.

AUDIT COMMITTEE REPORT:
AUDIT COMMITTEE CHARTER PROCEDURES CHECKLIST

The Board shall be updated on the Audit Committee's review and compliance with the Audit Committee Charter.

At its August 20th meeting, the Audit Committee reviewed its third quarter responsibilities for the financial reporting period ending December 31, 2009 as prescribed in the Audit Committee Charter Procedures Checklist. The Committee's third quarter responsibilities which were discussed and satisfied are outlined below:

1) Review the audit committee charter to determine whether its responsibilities are adequately described.

2) Develop a meeting planner to make sure that the Committee meets its responsibilities as outlined in its Charter.

3) Discuss any significant risks faced by the Association in the current environment. Provide information to the Committee on the Association's structure, controls and types of transactions.

4) Evaluate whether management exhibits and fosters a culture and environment that promotes high-quality financial reporting, including addressing adequacy and effectiveness of internal control issues as well as approval and monitoring of special or complex transactions.

5) Receive update from management about reports received from regulators and their responses to those reports.

6) Review quality control procedures of the independent auditor over the audit function. Review planned scope of the independent auditors, results of their work, changes in the planned scope, the extent of control testing to be performed, and the extent and appropriateness of the coordination of their activities.

7) Determine that the independent auditors are appropriately compensated to provide well-trained, highly experienced personnel required to perform the necessary procedures for a high-quality audit. Establish a process for the appointment, compensation and oversight of the independent auditors. Also, establish a process for pre-approving the audit and non-audit services to be provided by the independent auditors. When warranted, termination and reappointment of a replacement auditor.

8) Inquire about the independent auditors' quality control safeguards and independence. Inquire as to the results of the independent auditors' latest peer reviews, as well as the status of significant litigation or disciplinary actions by regulatory bodies.

A copy of the Audit Committee Charter Procedures Checklist is attached.

No Board action is required on this agenda item.

Florida Workers' Compensation Joint Underwriting Association, Inc.
Audit Committee Charter Procedures Checklist
For the financial reporting period ended December 31, 2009

Attachment AA

Understanding Roles and Responsibilities	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	As Needed	Done by: (initials)	Completed	Comments
1. Review the audit committee charter to determine whether its responsibilities are adequately described.			X				8/20/2009	Discussed at 8/20/09 meeting - no changes necessary.
2. Discuss the committee's communication and performance expectations with management and independent auditors.				X				
3. Engage internal and external resources as the committee determines necessary to carry out its duties.					X			
4. Establish direct access to the independent auditors.					X		Yes	A Business Conduct Letter is given to all employees annually.
5. Establish a process to respond to any reports from the corporate attorneys regarding material violations of laws or breaches of fiduciary duties.					X			
6. Develop a meeting planner to make sure that the committee meets its responsibilities as outlined in its Charter.	X	X	X	X	X		4/27/2009	2009 meeting schedule is as follows: 8/20/09 at 10 am and 11/18/09 at 10 am.
7. Prepare minutes for all meetings and circulate in draft form to members prior to being finalized.	X	X	X	X	X			Minutes are prepared and included in the next Audit committee or Board of Governors meeting agenda for approval.
8. Provide orientation training for new committee members.					X		4/27/2009	A summary introduction was attached for the new Consumer Advocate representative to the Committee.

Understanding the Business	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	As Needed	Done by: (initials)	Completed	Comments
1. Provide information to the Committee on the Association's structure, controls and types of transactions.	X	X	X	X	X		4/27/2009 8/20/2009	Discussed in regards to the audit and were determined to be operating effectively with minor recommendations.
2. Communicate the types of significant risks faced by the Association in the current environment including:							4/27/2009 8/20/2009	A number of risks were discussed which included the depopulation of the FWCJUA, investing risk and cash exposure at any one bank as well as the impact of the Emma Murray case. An update to the PMA LOC was given and being handled by the Reinsurance Committee.
• Competitive trends.	X	X	X	X				
• Significant customers and suppliers.					X			
• Regulatory requirements	X	X	X	X				

Florida Workers' Compensation Joint Underwriting Association, Inc.
Audit Committee Charter Procedures Checklist
For the financial reporting period ended December 31, 2009

Attachment AA

Understanding the Business (cont.)	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	As Needed	Done by: (initials)	Completed	Comments
3. Evaluate whether management exhibits and fosters a culture and environment that promotes high-quality financial reporting, including addressing internal control issues.	X	X	X	X			4/27/2009 8/20/2009	There has not been any pressure and management is always open and asks questions to be sure they have high-quality financial reporting.
4. Determine how management is assessing the adequacy and effectiveness of internal controls.	X	X	X	X			4/27/2009 8/20/2009	Discussed in regards to the audit and were determined to be operating effectively with minor recommendations. Staff has implemented procedures to address these recommendations.
5. Discuss with the independent auditors any significant improvement recommendations in internal controls and whether management has adequately addressed them.		X					4/27/2009	THF suggested minor recommendations and management has already modified current procedures to address these recommendations.
6. Assess whether the Association has an appropriate business continuity plan and whether that plan has been tested.					X			The FWCJUA is continuously updating the business continuity and disaster recovery plan document.
7. Discuss with the independent auditors whether they noted any instances of employee fraud, questionable or illegal payments, or violations of laws or regulations.		X					4/27/2009	THF advised that nothing came to their attention during the audit.
9. Assess whether there are adequate controls over the approval and monitoring of special or complex transactions.	X	X	X	X			4/27/2009 8/20/2009	Discussed and were determined to be operating effectively.
8. Obtain an understanding of management's compensation structure and whether the current structure could increase the possibility of inappropriate behavior to maximize compensation.					X			Audit Chair sits on Executive Compensation Committee which meets several times a year.
10. Receive update from management about reports received from regulators and their responses to those reports.					X		8/20/2009	None received to date.
11. Receive an update from the general counsel on legal and regulatory matters that may have a material effect on the financial statements.	X				X		4/27/2009	General Counsel commented that he knew of none.

Florida Workers' Compensation Joint Underwriting Association, Inc.
Audit Committee Charter Procedures Checklist
For the financial reporting period ended December 31, 2009

Attachment AA

Oversight of Financial Reporting Process	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	As Needed	Done by: (initials)	Completed	Comments
1. Distribute and discuss the Association's financial results and the consistency of reported and planned results.	X	X	X	X			Yes	Quarterly financial statements are distributed to the Board; both filed financial statements as well as projected financials with year-to-date actuals
2. Review significant balance sheet changes or changes in trends or important financial statement relationships.	X	X	X	X			Yes	Included with projected / actual financial reports are explanations if actual results are different than projected.
3. Review Association's accounting principles (including changes in them) and practices and compare to industry norms.				X	X			
4. Review management's process for identifying related party transactions.					X			Not applicable at this time.
5. Review any new or proposed accounting and auditing topics affecting the company.				X	X			
6. Question management and the auditors about how they assess the risk of material misstatement, what the significant risks are, and how they respond to identified risks.		X					4/27/2009	While materiality calculation is not discussed with management, THF described their process of determining materiality and the areas of greatest concern - cash, investments, losses, loss reserves and unearned premium.
7. Challenge management and the auditors to identify the difficult areas (e.g. significant estimates and judgments) and to fully explain how they each made their judgments in those areas.		X					4/27/2009	Discussion regarding the cyclical nature and the current depopulation and how it affects budgeting as well as expense management
8. Review proposed significant, complex, and/or unusual transactions and their financial statement effects.		X			X		4/27/2009	Discussed in regards to the audit - however no real complex or unusual transactions at this time.
9. Obtain an understanding of why management did not correct audit differences that were identified and what the effect would be on the financial statements if those differences were corrected in the current period.		X					4/27/2009	One audit adjustment was booked on the audited financials showing a difference between the audit and annual, while the other was waived since immaterial and really just as a timing difference.
10. Review actuarial analysis report and have opportunity to confer independently with actuary.	X						4/27/2009	The entire Board decides the loss reserves to be booked on the financials after review presented by Milliman and each Board member has direct access to the FWCJUA's actuary.

Oversight of Audit Function	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	As Needed	Done by: (initials)	Completed	Comments
1. Inquire as to the results of the independent auditors' latest peer and internal reviews, as well as the status of significant litigation or disciplinary actions by regulatory bodies.			X				8/20/2009	Discussed on 8/20/09, THF had '*clean*' peer review in 2007 and next is summer of 2010 - no litigation or disciplinary action against THF.
2. Review quality control procedures of the independent auditor over the audit function			X				8/20/2009	Procedures ensure independence by THF and all staff.
3. Review planned scope of the independent auditors, results of their work, changes in the planned scope, the extent of control testing to be performed, and the extent and appropriateness of the coordination of their activities.			X				8/20/2009	Discussed on 8/20/09 as interim work on control testing will begin on claims and premium in late Sept/Oct. with remaining testing and audit to begin in January 2010.
4. Determine that the independent auditors are appropriately compensated to provide well-trained, highly experience personnel required to perform the necessary procedures for a high-quality audit.			X				8/20/2009	Discussed on 8/20/09 to add as 2010 Business Plan Objective to complete a price and qualifications comparison for audit services for 2010 and beyond.
5. Establish a process for the appointment, compensation and oversight of the independent auditors. Also, establish a process for pre-approving the audit and non-audit services to be provided by the independent auditors. When warranted, termination and reappointment of a replacement auditor.			X		X		Yes	Discussed on 8/21/08, Audit Committee recommend to Board; and Board confirmed to engage THF for 2009 audit and complete a price comparison for 2010 and beyond.

Audit Committee Communication	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	As Needed	Done by: (initials)	Completed	Comments
1. Provide meaningful and focused updates to the Board of Governors after each committee meeting.	X	X	X	X	X		4/27/2009	12/31/08 Audit results will be presented to the Board at the May teleconference. Financials are discussed at each Board meeting.
2. Provide an opportunity for the independent auditors to be available to the full Board of Governors at least annually to review the results of the audit.		X					4/27/2009	Both THF partner & manager presented the audit and THF is always available to the Board when requested.
3. Meet at least annually to assess management's effectiveness and communicate the results of that assessment.		X					4/27/2009	Both Committee members and auditors commented on management's effectiveness and great communication.

Audit Committee Communication (cont.)	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	As Needed	Done by: (initials)	Completed	Comments
4. Inquire of the auditors about management's corrective actions regarding control deficiencies identified.		X					4/27/2009	There were no control deficiencies noted.
5. Inquire of the auditors about pressure by management to accept less than high-quality financial reporting.		X					4/27/2009	Advised by THF that there was no pressure from management.
6. Inquire about the independent auditors' quality control safeguards and independence.			X				8/20/2009	THF informed the Committee of their procedures regarding THF's independence and quality control.
7. Provide vehicle for employees or others to have direct access to audit committee to report concerns. Annually all Board Members, Officers and Employees will read and sign the Code of Conduct and/or Conflict of Interest Statements.				X	X		Yes	An updated Business Conduct Letter was given to all employees on 12/4/2008 with the change of audit committee members.
8. Annual Report to the full Board of Governors on the audit committee functions during the year with their completion following the audit charter checklist.				X				

AUDIT COMMITTEE REPORT:
UPDATE ON FEDERAL TAX MATTERS

The Board shall receive an update from the Audit Committee on the status of the 2007 federal tax filing.

At its August 20th meeting, the Audit Committee was advised that the IRS Appeals Officer had ruled in favor of the FWCJUA in its appeal of the penalty assessed against the final tax return as of June 20, 2007. Accordingly, the penalty of $12,810.54 will be abated in full.

The Audit Committee also agreed that the following initiative should be included in the 2010 Business Plan:

> Monitor the IRS progress on the development of regulation or any other published guidance with regard to the topic of what constitutes an integral part of a state, local, or Indian tribal government for federal income tax purposes such that a Private Letter Ruling may be further pursued as appropriate.

No Board action is required on this agenda item.

2009 BUSINESS PLAN STATUS REPORT

The following status of the FWCJUA's key activities and objectives indicates that the FWCJUA is on target to meet its 2009 Business Plan.

1. **MANAGE THE SUBPLAN "D" DEFICIT IN ACCORDANCE WITH OUR FILED PROGRAM TO ELIMINATE THIS INDIVIDUAL RATING PLAN DEFICIT AND ADDRESS ANY FUTURE STATUTORY DEFICITS.**
   - **a)** Update the Subplan "D" actuarial cash flow model with quarterly results, to include any changes to the Subplan D loss ratio, to identify potential deficiencies and recommend courses of action to the Board.
     Third Quarter: The Subplan D Cash Flow Model has been updated using the 5/31/09 actual results as well as the updated Subplan D loss ratio based on the FWCJUA's 12/31/08 reserve analysis and indicates that no additional state funds should be required to fund the Subplan D deficit.
     Second Quarter: On April 29th, the Subplan D Cash Flow Model was updated using the 3/31/09 actual results as well as the updated Subplan D loss ratio based on the FWCJUA's 12/31/08 reserve analysis. The model indicates that no assessment is necessary and that as of December 31, 2008 the total state funds that are needed will be approximately $5.0 million. This is $2.9 million less than the $7.9 million already received. However, this amount could change if actual cash flows beyond March 2009 differ from the expected amounts.
     First Quarter: The Subplan D Cash Flow Model has been updated using the 12/31/08 actual results as well as the updated Subplan D loss ratio based on the FWCJUA's 12/31/08 reserve analysis and indicates that no additional state funds should be required to fund the Subplan D deficit.
   - **b)** Identify any future statutory deficits and develop and timely file a program to eliminate said deficits.
     Third Quarter: The program to eliminate the 2008 Subplan D deficit utilizing May actuals was filed June 24, 2009.
     Second Quarter: At its June 9th meeting, the Board authorized a Rates & Forms Committee recommendation to finalize correspondence to OIR outlining the program to eliminate the FWCJUA's 2008 Subplan D deficit through May actuals and submit no later than August 6th.
     First Quarter: The FWCJUA recognized a $79,571,324 surplus in 2008. Only one of the individual rating plans posted a 2008 year-end deficit, that being Subplan D with a deficit of $2,818,667. Given the FWCJUA is in a surplus position; it is not statutorily required pursuant to section 627.311(5)(g), Florida Statutes, to submit a deficit elimination plan to the Office of Insurance Regulation ("OIR"). However, with Subplan D posting a deficit, the FWCJUA will update its plan to eliminate this individual rating plan deficit and submit said updated plan to the Office of Insurance Regulation ("OIR") within 90 days of filing the audited 2008 financial statements, which we anticipate filing in May.

2. **MAINTAIN RATE ADEQUACY.**
   - **a)** Assure rate adequacy through conducting semiannual rate adequacy analyses culminating in the implementation, as appropriate, of revised rates and/or rating plans consistent with the FWCJUA's mission and statutory charge to provide workers' compensation and employer's liability coverage to those unable to obtain it in the voluntary market.
     Third Quarter: At its September 9th meeting, the Board shall consider a Rates & Forms Committee recommendation that it effectuate an overall average premium level decrease of 9.4% effective January 1, 2010 for new and renewal business to be adjusted to reflect any approved voluntary market rate level and class relativity changes that may become effective January 1, 2010 and further, that it adopt an ongoing policy that the Tier 3 surcharge shall not be less than the Tier 2 surcharge.
     Second Quarter: **1.** On June 10th, the FWCJUA filed revised rates to reflect the impact of HB 903 becoming law effective July 1, 2009. The revised rates were effective July 1, 2009 for new and renewal policies. The revised rates also applied to the unexpired portion of outstanding policies as of July 1, 2009 to which the April 1, 2009 rate increase was applied. **2.** At its June 9th meeting, the Board unanimously agreed to roll back the April 1, 2009 FWCJUA rates and rating values to

the January 1, 2009 FWCJUA rates and rating values resulting in a 3.7% rate level decrease for FWCJUA policyholders. **3.** April 1, 2009 rates and minimum premiums were successfully implemented and timely made available on the FWCJUA's website.

First Quarter: 1. On March 17th, the FWCJUA clarified that the FWCJUA was effectuating an overall average premium level increase of 3.7% as it implemented its revised rates that were filed on March 2nd to become effective April 1, 2009, applicable to new and renewal business. Given the FWCJUA utilizes the voluntary market rates, the FWCJUA filed to implement the approved April 1, 2009 voluntary market rate increase of 6.4% for the Emma Murray decision. As indicated in the Actuarial Memorandum filed on March 2nd, the estimated premium effect of the April 1, 2009 voluntary market rates on the FWCJUA book is an increase of 4.2%. The target premium change based on experience as of December 31, 2008 is an increase of 3.7% above the January 1, 2009 FWCJUA rate level. Thus, the additional premium level change after the implementation of the April 1, 2009 voluntary market rate increase is a decrease of 0.5%. **2.** At its February 20th meeting, the Board adopted a Rates & Forms Committee recommendation to effectuate an overall average premium level decrease of 0.5% effective April 1, 2009 applicable to new and renewal business to be adjusted to reflect the approved voluntary market rate level and class relativity changes that may become effective April 1, 2009, pursuant to Milliman's updated analysis. **3. J**anuary 1, 2009 rates and minimum premiums were successfully implemented and available on the FWCJUA's website.

3. MINIMIZE THE OPERATING LOSS.

a) Monitor the federal income tax exemption filed for in December 2007.

Third Quarter: 1. At its August 20th meeting, the Audit Committee agreed that the following initiative should be included in the 2010 Business Plan: Monitor the IRS progress on the development of regulation or any other published guidance with regard to the topic of what constitutes an integral part of a state, local, or Indian tribal government for federal income tax purposes such that a Private Letter Ruling may be further pursued as appropriate. **2.** On July 14th, the IRS Appeals Officer issued notice that she had ruled in favor of the FWCJUA in its appeal of the penalty assessed against the final tax return as of June 20, 2007. Accordingly, the penalty of $12,810.54 will be abated in full.

Second Quarter: At its May 1st meeting, the Board received an update from the Audit Committee that the 2007 tax return was in appeal regarding a penalty, as the IRS was viewing the return as a 12 month return instead of a 6 month return and advised the Board that the penalty as of June 2008 was $12,810 plus interest.

b) The operation will continue to concentrate on underwriting - determination of actual exposures and proper pricing, prompt policy issuance, premium collection, fraud prevention, market assistance, and evaluation of current performance standards.

(1) Analyze the composition and experience of new and renewal business, and modify as appropriate, underwriting, collections and fraud prevention practices and procedures to ensure that existing programs realize maximum effectiveness and efficiencies. Develop new practices, procedures or programs as analysis dictates.

Second Quarter: 1. At its June 9th meeting the Board received an overview from the Operations Committee of the in-depth operational review of the FWCJUA's 2008 book of business, which resulted in no recommendations for improving standards. **2.** On May 29th the Operations Committee received an overview from staff of the in-depth operational review of the FWCJUA's 2008 book of business, which resulted in no recommendations for improving standards. **3.** The 2008 Annual Report was distributed to the Operations Committee on May 20th. **4.** On May 15th, the FWCJUA implemented formalized procedures developed to address the underwriting of accounts within the construction industry that utilize qualifying agents. If the qualifying agent is not an owner, officer, managing member or an employee of a qualified business entity, the FWCJUA shall reject the application for coverage and the Travelers shall non-renew and/or cancel the policy. Several qualified business entities have attempted to exclude the qualifying agent from coverage by either taking the position that the qualifying agent does not receive any monetary compensation or that the qualifying agent is a friend or relative that is just doing them a favor to qualify the business. These insureds have insisted that the qualifying agent is not an employee. However, the FWCJUA confirmed with DBPR

that a qualifying agent must be an owner, officer, managing member, or an employee of the qualified business entity. If not, the business entity is operating illegally.
First Quarter: The annual operations analysis is underway with a target completion date of March 31st and any recommendations will be submitted for consideration by the appropriate Committee(s).

(2) File and implement the FWCJUA Loss Sensitive Rating Plan, as warranted.
Third Quarter: Given that the FWCJUA has no accounts exceeding $300K EAP, there is no need at this time to file and implement the FWCJUA's Loss Sensitive Rating Plan.
Second Quarter: The second quarter review of the book of business identified no accounts exceeding $300K EAP. Accordingly, staff determined that there remains insufficient activity to warrant activating the FWCJUA Loss Sensitive Rating Plan. However, the FWCJUA LSRP remains a ready "shelf-product" to be filed and implemented, if warranted.
First Quarter: The first quarter review of the Book of Business identified one account exceeding $300K EAP, as a result of an uninsured subcontractor exposure. Accordingly, staff determined that there remains insufficient activity to warrant activating the LSRP. However, the FWCJUA Loss Sensitive Rating Plan will remain a ready "shelf-product" to be filed and implemented, if warranted.

c) Ensure that the final audit for 2008 is completed no later than May 1, 2009.
Completed First/Second Quarters: The 2008 Statutory Financial Audit performed by THF was received and accepted by the Audit Committee on April 27th and filed with OIR on May 8th. The FWCJUA received an unqualified opinion with no material weaknesses. Additionally, THF identified two control deficiencies that it determined did not constitute significant deficiencies or material weaknesses. The two areas of concern were related to reinsurance recoverable and the calculation of the Schedule F penalty.

d) Satisfy any recommendations presented in the Auditor's Letter to Management no later than June 1, 2009.
Completed First/Second/Third Quarters: There were no management recommendations to satisfy. However, at its August 20th teleconference meeting, the Audit Committee was advised by staff that it had implemented procedures to address the auditor's verbal and written recommendations from the 12/31/08 Financial Audit.

e) Manage to the G&A budget.
Third Quarter: As of June 30, 2009, the FWCJUA is under budget for G&A expenses by $221,373.
Second Quarter: As of March 31, 2009, the FWCJUA is under budget for G&A expenses by $164,809.
First Quarter: The FWCJUA was under budget for G&A expenses by $307,307 as of December 31, 2008.

f) Prepare and file the FWCJUA Annual Financial Statement no later than March 1, 2009 and the Quarterly Financial Statements no later than May 15, August 15, and November 15, 2009.
Third Quarter: The Second Quarter Financial Statement was timely filed on August 14, 2009.
Second Quarter: The First Quarter Financial Statement was timely filed on May 15, 2009.
First Quarter: The FWCJUA's 2008 Annual Statement was timely filed on February 27, 2009.

g) Prior to July 1st, notify the Office of Insurance Regulation of the amount of the FWCJUA's gross written premiums for the preceding calendar year pursuant to section 440.51(14), Florida Statutes. (Whenever the plan's gross written premiums reported to the Office are less than $30 million, the Office shall transfer to the plan, subject to appropriation by the Legislature, an amount not to exceed the plan's fixed administrative expenses for the preceding calendar year, subject to a maximum of $750,000).
Completed Second Quarter: On April 2, 2009, DFS and OIR were provided notice pursuant to section 440.51(13), Florida Statutes, that in calendar year 2008, the FWCJUA had gross written premiums of $6,427,550 and fixed administrative expenses, as that term is defined in section 440.51(13)(b), Florida Statutes, totaling $2,559,384.

Other:
Third Quarter: At its August 20th meeting, the Audit Committee completed its quarterly review which consisted of planning for the 12/31/09 Financial Audit.

4. MAINTAIN SOLVENCY WITHOUT AN FWCJUA POLICYHOLDER ASSESSMENT PROVIDED RATE ADEQUACY EXISTS.

a) Manage the Cash Flow and Projection Models by subplan and tier to anticipate potential solvency problems and recommend courses of action to the Board.
Third Quarter: The cash flow and projection models by subplan and tier continue to be monitored with no trends or solvency problems being observed.
Second Quarter: The cash flow and projection models by subplan and tier continue to be monitored with no trends or solvency problems being observed.
First Quarter: The cash flow and projection models by subplan and tier continue to be monitored with no new trends or solvency problems being observed. The Subplan D actuarial cash flow model using December 31, 2008 actual results was updated in February and indicates no additional funding needs for Subplan D obligations.

b) Ensure that the Statement of Actuarial Opinion for 2008 is completed no later than April 1, 2009.
Completed Second Quarter: The Statement of Actuarial Opinion for 2008 was filed with OIR on March 31st. It is the opinion of the actuary that carried reserves meet the requirements of the insurance laws of Florida; are consistent with the reserves computed in accordance with the Standards of Practice issued by the Actuarial Standards Board; and make a reasonable provision for all unpaid loss and loss expense obligations of the FWCJUA.

c) Conduct a reserve analysis on the loss liabilities of the FWCJUA to include case reserves and IBNR losses, the adequacy of case reserves to pay reported open claims; and a comparison of assets and liabilities with a recommendation by subplan as to the necessity of an assessment to fund outstanding liabilities.
Completed Second Quarter: The required actuarial analysis on the loss liabilities of the FWCJUA was completed and distributed to the Board on April 1st.
First Quarter: At its February 20th meeting, the Board reviewed Milliman's preliminary findings and authorized staff to book Milliman's best estimate of the reserve for unpaid loss and loss adjustment expenses both net and gross of reinsurance, as of December 31, 2008.

d) Review the existing reinsurance program early in the renewal cycle to ensure it meets both current and anticipated needs; release the renewal submission early in order to review additional options; and negotiate an appropriate renewal.
Third Quarter: 1. On August 24, 2009, the Reinsurance Committee established the goals and marketing strategy for the 2010 Reinsurance Program. **2.** On August 14th, staff responded to the reinsurance intermediary's underwriting information request for the 2010 reinsurance renewal and as in years past, supplied reinsurers with this information via the reinsurance submission to facilitate analyses of the FWCJUA book of business.
Second Quarter: The 2010 reinsurance program renewal cycle commenced ahead of schedule on May 7th, with staff meeting with several reinsurers in Orlando, FL with additional meetings scheduled for October.
First Quarter: Staff filed the FWCJUA's 2009 Reinsurance Program with OIR on January 8, 2009.

e) Confirm Benfield to act on behalf of the FWCJUA and approach selected direct markets with respect to the placement of the FWCJUA's 2010 reinsurance program.
Third Quarter: 1. At its September 9th meeting, the Board shall consider confirming Aon Benfield as the FWCJUA's reinsurance intermediary for the placement of the FWCJUA's 2010 reinsurance program. **2.** At its August 24th meeting, the Reinsurance Committee agreed to recommend that the Board confirm Aon Benfield as the FWCJUA reinsurance intermediary for the placement of the FWCJUA's 2010 reinsurance program.

f) From a strategic perspective, review different types of reinsurance programs that are available and recommend any strategic perspective alternatives to the current casualty-based program.
Scheduled for Third/Fourth Quarters

g) Conduct a risk assumption analysis in conjunction with either the reinsurance intermediary's actuary or the FWCJUA's consulting actuary that describes how much risk the FWCJUA could assume at various attachment points and the implications of that risk assumption.
Scheduled for Third/Fourth Quarters

h) Ensure timely and accurate reporting to the reinsurers with full disclosure of large and/or serious injuries.

Third Quarter: Reinsurers continue to receive timely, accurate reporting of large and/or serious injuries on an on-going basis. Additionally, staff filed reinsurance recoveries with Aon Benfield for four (4) of the FWCJUA's serious injuries, whose total paid amounts exceeded the reinsurance limits within the accident year.

Second Quarter: Reinsurers continue to receive timely, accurate reporting of large and/or serious injuries on an on-going basis.

First Quarter: Reinsurers continue to receive timely, accurate reporting of large and/or serious injuries on an on-going basis.

i) Continue the proactive role in monitoring serious injury claims, the regular, formal review of "old" and large open claims and the requirement for settlement authorization for amounts of $50,000 or greater.

Third Quarter: The next semi-annual review of serious injury claims and claim operations is expected to be completed in the fourth quarter.

Second Quarter: 1. The semi-annual review of serious injury claims and claim operations was conducted Monday, June 22nd in Orlando. **2.** On June 11th, staff received Travelers' First Quarter Medical Provider Payments Deviation Report.

First Quarter: The semi-annual review of serious injury claims and claim operations will be completed in the second quarter.

j) If a deficit is recognized at the 2008 audit, a program to eliminate the deficit will be developed and filed with OIR.

Third Quarter: The program to eliminate the 2008 Subplan D deficit through May actuals was filed June 24, 2008.

Second Quarter: At its June 9th meeting, the Board unanimously approved a Rates & Forms Committee recommendation to authorize staff to finalize proposed correspondence to OIR outlining the program to eliminate the FWCJUA's 2008 Subplan D deficit through May actuals and submit to OIR no later than August 6, 2009.

First Quarter: The FWCJUA recognized a $79,571,324 surplus in 2008. Only one of the individual rating plans posted a 2008 year-end deficit, that being Subplan D with a deficit of $2,818,667. Given the FWCJUA is in a surplus position; it is not statutorily required pursuant to section 627.311(5)(g), Florida Statutes, to submit a deficit elimination plan to the Office of Insurance Regulation ("OIR"). However, with Subplan D posting a deficit, the FWCJUA will update its plan to eliminate this individual rating plan deficit and submit said updated plan to the Office of Insurance Regulation ("OIR") within 90 days of filing the audited 2008 financial statements, which we anticipate filing in May.

k) Monitor the 1994 – 1999 LPT transaction to determine the status of the restrictive surplus and the status of the aggregate limit.

First/Second/Third Quarters: The LPT transaction is reviewed monthly and there continues to be no change in the status of the restricted surplus and the aggregate limit.

l) Complete the Management Discussion and Analysis on schedule.

Completed Second Quarter: The Management Discussion and Analysis was timely completed and filed with OIR on April 1, 2009.

First Quarter: Staff anticipates timely completion and filing of the MD&A by April 1st.

m) Ensure that any FWCJUA Policyholder Dividend Policy adopted by the Board is implemented appropriately.

Third Quarter: 1. At its September 9th teleconference meeting, the Board will consider a Rate & Forms Committee recommendation to adopt a proposed clarifying revision to the FWCJUA Policyholder Dividend Policy. Further, the Board shall also consider a Rates & Forms Committee recommendation to authorize a gross policyholder dividend amount for the 2002 policy year of $2,791,922.00, retaining a 5% underwriting gain, resulting in a net policyholder dividend amount after expenses of $2,746,321.99. **2.** Please refer to the last page of this report for the August 31st distribution results for the 2001 Policyholder Return of Premium Dividend.

Second Quarter: Please refer to the last page of this report for the June 3rd distribution results for the 2001 Policyholder Return of Premium Dividend.

First Quarter: All 673 of the 2001 policies issued have now been thoroughly reviewed to determine eligibility and qualification for a policyholder return of premium dividend. Of the 673 policies, 452 policies will be receiving individual dividends calculated by distributing the net dividend amount of $858,390.56, which was declared by the Board on December 9, 2008. On February 26th, staff began to mail dividend checks to eligible policyholders and expects to complete the distribution by March 6th. The average dividend check, excluding the one extraordinary dividend, is $1,134.50.

Other:

Third Quarter: At its August 24th meeting, the Reinsurance Committee reviewed the status of the FWCJUA's reinsurers to include commutation matters. Given PMA's nonperformance, it was agreed that the Committee Chair would reach out to an acquaintance that was a Deputy within the Pennsylvania Insurance Department to discuss the FWCJUA's concerns related to PMA. The Committee further authorized staff and the reinsurance intermediary to work directly with the Committee Chair to set the FWCJUA's concerns in writing, should that be required by the Pennsylvania Insurance Department with copies provided to the appropriate parties.

5. PURSUE SOUND INVESTMENTS.

a) Evaluate short-term and intermediate cash flow needs according to the cash management policy along with current economic conditions and modify the investment strategy as warranted.

Third Quarter: 1. At its September 9th meeting, the Board shall consider an Investment Committee recommendation to amend the Investment Policy that authorizes a 100% investment allocation to CD's issued by banks or thrift institutions that are fully insured by the FDIC. 2. At its September 9th meeting, the Board shall consider re-affirming the continued holding of the Home Depot bond, the two Lehman Brothers bonds, the two SunTrust bonds, the two Anheuser Busch bonds, the CitiGroup bond and the Vulcan Materials bond within the FWCJUA's portfolio as authorized Investment Policy exceptions.

Second Quarter: 1. At its June 26th, the Investment Committee re-confirmed the continued holding of the Home Depot bond, the two Lehman Brothers bonds, the two SunTrust bonds, the two Anheuser Busch bonds, the CitiGroup bond and the Vulcan Materials bond within the FWCJUA's portfolio as authorized Investment Policy exceptions. **2.** On June 15th, OIR granted approval to the changes to the FWCJUA Investment Policy that formalizes the FWCJUA's current procedures related to the investment manager providing timely notice of security downgrades, adopted by the Board on June 9th. **3.** At its June 9th meeting, the Board authorized, confirmed and re-confirmed the continued holding of the following Investment Policy exceptions: a Home Depot bond, two (2) Anheuser Busch bonds, two (2) Lehman Brothers bonds, the two (2) SunTrust Bank bonds, and the CitiGroup bond. **4.** The Board also approved an Investment Committee proposed change to the FWCJUA Investment Policy to formalize the FWCJUA's current procedures related to the investment manager providing timely notice of security downgrades. **5.** On May 15th, OIR granted approval to the changes to the FWCJUA's Investment Policy that reflected the extension of the Temporary Liquidity Guarantee Program (TLGP), effective May 1, 2009. **6.** At its May 1st meeting, the Board approved an Investment Committee proposed change to the FWCJUA Investment Policy reflecting the extension of the TLGP by the FDIC. **7.** The Board also authorized, confirmed and re-confirmed the continued holding of the following Investment Policy exceptions: two (2) SunTrust Bank bonds, a CitiGroup bond, a Home Depot bond, two (2) Lehman Brothers bonds, two (2) Anheuser Busch bonds and a Vulcan Materials bond.

First Quarter: 1. At its February 20th meeting, the Board adopted revisions to the FWCJUA's Investment Policy as recommended by the Investment Committee from its January 5th meeting and additional revisions recommended by staff, subsequent to the Committee's meeting. **2.** The Investment Committee also met January 30th and re-confirmed the currently authorized Investment Policy exceptions to continue to hold the Home Depot bond, the two Anheuser Busch bonds, the two Lehman Brothers bonds and the Vulcan Materials bond within the FWCJUA's portfolio.

b) Evaluate, direct and monitor the performance of the investment manager to ensure that performance is at or above market benchmark returns.

Third Quarter: 1. On August 18th, the FWCJUA was notified that Laura Lake will be assuming the portfolio management responsibilities from Lori Hinkle over the next several months as part of

Evergreen Investments transition to Wells Capital Management. **2.** On July 8th, Evergreen Investments informed the FWCJUA that Wachovia Capital Markets, LLC, will now operate under the brand Wells Fargo Securities, LLC.

Second Quarter: 1. At its June 9th meeting, the Board approved an Investment Committee recommendation to continue the relationship with the current investment manager, Evergreen Investments, given the current financial environment, outstanding performance, and competitive fee structure. **2.** The Investment Committee met on May 27th and conducted its annual review of performance of the investment manager.

c) Continue to conduct monthly Investment Committee meetings as scheduled to monitor investment compliance, as necessary and re-evaluate quarterly the additional investment parameters added in June 2008 to determine if the parameters are still warranted.

Third Quarter: The July and August meetings of the Investment Committee were cancelled given there was no significant activity related to the status or outlook of the nine bonds being held within the portfolio as exceptions, i.e., the authorized exceptions continue to be holding stable.

Second Quarter: 1. On June 26th, the Investment Committee met and authorized the continued holding of the of the Home Depot bond, the two Lehman Brothers bonds, the two SunTrust bonds, the two Anheuser Busch bonds, the CitiGroup bond and the Vulcan Materials bond within the FWCJUA's portfolio as authorized Investment Policy exceptions. Further, the Committee agreed to recommend that the Board adopt an amendment to the Investment Policy permitting a 100% investment allocation to CD's issued by banks or thrift institutions that are fully insured by the FDIC. **2.** On May 27th, the Investment Committee met and authorized the continued holding of the further downgraded Vulcan Materials bond and reconfirmed the continued holding of the eight other bonds downgraded below an "A" rating within the FWCJUA's portfolio. **3.** On May 1st, the Board authorized the continued holding of the downgraded SunTrust bond with an October 2009 maturity as well as reconfirmed the continued holding of eight other bonds downgraded below an "A" rating to be held within the portfolio. **4.** On April 24th, the Investment Committee authorized the continued holding of the downgraded SunTrust Bank bond with a May 2010 maturity as well as reconfirmed the continued holding of the seven other bonds downgraded below an "A" rating within the portfolio.

First Quarter: 1. On March 26th, the Investment Committee authorized the continued holding of the downgraded Citigroup bond as well as reconfirmed the continued holding of the six other bonds downgraded below an "A" rating within the portfolio. **2.** The Investment Committee met February 27th and re-confirmed the currently authorized Investment Policy exceptions to permit the FWCJUA to maintain a total of six bonds downgraded below an "A" rating within its portfolio, those bonds being issued by Home Depot, Anheuser Busch, Lehman Brothers, and Vulcan Materials. **3.** The Investment Committee also met January 30th and re-confirmed the currently authorized Investment Policy exceptions to continue to hold the Home Depot bond, the two Anheuser Busch bonds, the two Lehman Brothers bonds and the Vulcan Materials bond within the FWCJUA's portfolio.

6. MANAGE UNCOLLECTIBLE PREMIUM WITHIN ACCEPTABLE LIMITS.

a) Evaluate and monitor the collection activity by subplan and tier to ensure that uncollectible premium is held to or below our average policy year uncollectible premium for policy years 1994 through 2006 of 15.6% as of 12/31/08.

Third Quarter: As of June 30, 2009, the current cumulative uncollectible premium was 15.3%, which is below the 15.6% target established for 2009.

Second Quarter: As of March 31, 2009, the current cumulative uncollectible premium was 15.5%, which is slightly under the 15.6% target established for 2009.

b) Identify the leading drivers of uncollectible premium and adjust collection programs to enhance collection efforts.

Third Quarter: On August 19th, the FWCJUA was served in the matter of an Action for Declaratory Relief related to the outstanding premium obligation owed to the FWCJUA in which Old Republic is providing voluntary market coverage. Responsive pleadings must be filed within 20 days of service. The insured is also challenging OIR's determination of affiliation and has requested a review by the OIR General Counsel's office.

Second Quarter: 1. On June 2nd, the FWCJUA sought OIR's assistance to compel Old Republic to comply with the statute and on June 5th, OIR advised Old Republic that its policy should be cancelled pursuant to Section 627.4133, Florida Statutes, due to a failure to comply with underwriting requirements. OIR explained that it is an underwriting requirement of all insurance carriers that the insured be legally entitled to coverage and the entity is not legally entitled to coverage and Old Republic is prohibited from providing workers compensation coverage pursuant to Florida law. OIR further explained that when the outstanding premiums are paid to the FWCJUA, then the entity will be eligible for coverage. **2.** On May 6th and again on May 15th, the FWCJUA informed Old Republic General Corporation that it is providing workers' compensation and employer's liability insurance to an employer that is ineligible for such coverage pursuant to Section 627.311(5)(t), Florida Statutes. **3.** Premium collection debts are becoming more challenging. A growing number of companies are going out of business due to the tough economy. Those we see as most affected by the economy are in the construction industry, roofing companies and general contractors. The FWCJUA continues to collect outstanding premiums with understanding and persistence and on a case-by-case basis are accepting more relaxed pay arrangements with longer payouts to minimize uncollectible premium.

Other:

Third Quarter: At its August 24th meeting, the Operations Committee considered the positive impact that section 627.311(5)(t), Florida Statutes, has had on the FWCJUA's ability to manage its uncollectible premium. Further, the Committee was informed that staff had been advised that the Legislature may be asked to consider limiting the FWCJUA's reach with regard to persons who are delinquent in the payment of premiums. The preliminary 2010 Forecast includes a legislative budget.

7. MAINTAIN A DYNAMIC, RESPONSIVE ORGANIZATION CAPABLE OF RESPONDING TO MARKET FLUCTUATIONS IN A TIMELY MANNER.

a) Evaluate and redesign, as deemed appropriate by the Board, the web-based on-line application process to provide agencies with the ability to submit application information through the system for FWCJUA eligibility review and underwriting prior to the submission of hard copies and monies to further streamline the submission process and improve cost efficiencies.

Third Quarter: 1. At its September 9th meeting, the Board shall consider a Producer Committee recommendation that it require all Applications for Coverage be submitted via the web-based on-line interactive application process, if pursued for implementation, with the use of the on-line interactive application process becoming mandatory six (6) months from the implementation date **2.** At its September 9th meeting, the Board shall consider a recommendation to engage Tropics Software Technologies to implement a customizable, pre-built software solution for a workers compensation web-based on-line interactive application process as the result of the issuance of a Quote Solicitation issued on July 2nd for such a solution, given General Counsel's suggestion that a more formal selection process be completed.

Second Quarter: At its June 9th teleconference meeting, the Board authorized a 2009 budget expenditure of $530,000 to implement an on-line interactive application process by January 1, 2010, subject to General Counsel providing a written opinion that the solicitation process used by the FWCJUA met statutory requirements as well as the requirements of the FWCJUA's Bylaws.

First Quarter: Staff is in the process of evaluating several proposals to design a web-based on-line interactive application process for agencies as well as develop its own action plan for consideration with estimated delivery times and costs associated with creating an interactive on-line application process.

b) Continue FLARE[4] enhancements, to include updates required due to procedural changes as well as web-site integration, and conduct on-going maintenance to ensure its continued effectiveness.

Second Quarter: 1. On June 30th**, s**taff implemented an isolated development testing environment for FLARE[4] and the FWCJUA's website. **2.** The FWCJUA's website was enhanced to manage a user's access and movement with the website. In addition, staff built a new application in the website to allow Travelers to download application binder images. **3.** Staff developed and set up a test environment in FLARE[4].

First Quarter: 1. Staff developed an administration module to manage a user's access to the web portal within the FWCJUA's website. **2.** FLARE[4] was enhanced to expand the search function within the bad debt database to be able to connect an individual corporate officers other company affiliations with bad debt.

c) Address the recommendations resultant from the IT systems disaster recovery "internal" audit and satisfy as warranted.

Third Quarter: 1. RSM McGladrey commenced the "internal" audit of the FWCJUA's Disaster Recovery Plan related to IT systems on August 17th. **2.** Within the first two weeks of August, staff began to test equipment and prepare the documentation for the "internal" audit of the FWCJUA's Disaster Recovery Plan related to IT systems scheduled for August 17th.

d) Evaluate and develop, if feasible, an on-line process that would permit agencies to issue certificates of insurance that would capture certificate holder information for policyholder underwriting and audit.

Third Quarter: At its September 9th meeting, the Board shall provide comments on the preliminary outline of the 2010 Business Plan which includes the following initiative: develop a project plan with associated costs, to be considered by the Board, for purchasing software in 2011 to implement an on-line process that would permit agencies to issue certificates of insurance that would capture certificate holder information for policyholder underwriting and audit.

Second Quarter: Staff is still working to determine whether there is a feasible method in which the FWCJUA might be able to roll-up the daily transactional data received from Travelers and develop an on-line process that would permit agencies to issue certificates of insurance.

First Quarter: Staff confirmed with Travelers that it does not have a web-based certificate of insurance issuance program for any of its workers' compensation markets. The daily electronically submitted policy information provided to the FWCJUA by Travelers does contain most of the policy information required to issue a certificate of insurance; however, the information does not specifically identify minimum premium policies or policies with pending cancelations. Staff is currently working with Travelers to determine whether there is a feasible method in which the FWCJUA might receive this additional information and develop an on-line process that would permit agencies to issue certificates of insurance.

e) Evaluate and develop, if feasible, a process to transfer the application and binding information digitally to the policy administration service provider.

Third Quarter: The project to transfer application and binding information to Travelers through a digital image is in its final testing phase. Staff and Travelers continue to conduct weekly tests to validate the image structure and modify, if necessary, the format or the process.

Second Quarter: 1. On May 11th, the FWCJUA began to transfer application and binding information electronically through a secure website portal process to Travelers eliminating overnight courier expenses. **2.** The project to transfer application and binding information digitally to Travelers is in its final preparation phase. The FWCJUA has received the necessary approvals from the various Travelers departments and has the specifications developed for the project when it receives the go-ahead from Travelers to move the process forward. Once approved, Travelers expects to complete the project within 3 to 4 months.

First Quarter: Staff and Travelers are currently evaluating the feasibility to transfer application and binding information digitally to Travelers and expect to complete the feasibility study to implement such a process by the end of the second quarter.

f) Test and implement the developed enhancement to the on-line agency authorization renewal process.

Third Quarter: On August 24th, the Producer Committee directed staff to work with General Counsel to develop a perpetual Agency Producer Agreement.

Second Quarter: Phase II of the on-line agency authorization process to permit the data being entered by the Agency to be imported into the FWCJUA's database is on hold, pending the Board's decision to accept a proposal from a potential service provider to design and implement a web-based on-line interactive application process for authorized agencies.

First Quarter: 1. Staff completed Phase I of the on-line Agency Producer Agreement Renewal Process for the website and made it available to Agencies and their Designated Producers on February 24, 2009, to help expedite the renewal process for authorized Agencies and Designated Producers whose Agency Producer Agreement will expire this year, beginning April 1, 2009. **2.** FLARE[4] was updated to include agency and producer renewal data elements and capture renewal dates for reporting purposes. **3.** Phase II of the on-line agency authorization process to permit the data entered by the Agency to be imported into the FWCJUA's database is currently scheduled to be completed by the end of the second quarter.

g) Upgrade the email system to Exchange 2007 and provide a higher level of redundancy to the system for disaster recovery purposes.

Completed Second Quarter: The new email system upgrade to Exchange 2007 was installed and activated March 23, 2009.

First Quarter: Preparations to install Exchange 2007 is underway and the staff expects to activate the new upgrade by March 31st.

h) Replace older servers with virtualization technology to allow for greater efficiency and reduced costs.

Third Quarter: Staff continues to monitor and adjust the virtual servers for performance.

Second Quarter: Staff completed the initial stage of the virtualization project on March 10th with the final stage being completed April 6th. The new mail server as well as other critical services, e.g., file and document management, are now up and running in the new virtual environment with redundant capabilities.

First Quarter: Staff has received the software to replace old servers with virtualization technology and has begun to install and test the software. Implementation will be done in stages and staff expects to completely unveil and utilize the new technology by June 30th.

i) Ensure that the FWCJUA website is "real-time" with respect to: 1) rules; 2) procedures; 3) applications; 4) forms; 5) rates; 6) the premium calculator; 7) the "authorized agency/producer" locator; 8) answers to FAQ's; 9) MAP reports; and 9) general information.

Third Quarter: 1. IT staff transferred the management console to the internal server to provide more security than the web portal can manage and gives staff more control over content and user security in the website. **2.** Implemented additional safeguards for login attempts and tested for exposed vulnerabilities pursuant to last years internal IT audit. **3.** Staff also restructured deployment of the website into production from development cycles.

Second Quarter: 1. On June 23rd the FWCJUA's website was amended to incorporate the 7/1/2009 rates; minimum premiums; tier surcharge amounts; and miscellaneous values. **2.** On April 2nd the FWCJUA's website was amended to incorporate a schedule of free workplace safety seminars being conducted all over the state of Florida by the Division of Workers Compensation and OSHA.

First Quarter: 1. The website has been amended to incorporate the 4/1/2009 rates; minimum premiums; tier surcharge amounts; and miscellaneous values. **2.** The website was amended to incorporate the 1/1/2009 rates and revised Tier surcharge amounts as well as to remove Code 0916 from the website given the reason the FWCJUA established the code no longer exists due to classification changes adopted in the voluntary market.

j) Continue to explore and implement disaster recovery initiatives as deemed appropriate by the Board.

Third Quarter: 1. At its August 24th teleconference meeting, the Executive Director informed the Operations Committee of updates to Appendixes C & F in the Disaster Recovery & Emergency Preparedness Plan (DR&EP Plan). **2.** On August 21st, staff conducted a Disaster Recovery & Emergency Preparedness Plan test. The office as well as individual work areas were prepared for disaster recovery by dismantling computer equipment; moving computer equipment into a secure room; placing the open underwriting files into cabinets in the secure room; and secured the facility. A checklist by department was used to ensure procedures were followed properly. Further, a test assessment was conducted to identify further improvements in the process.

Second Quarter: 1. At its May 29th teleconference meeting, the Operations Committee confirmed the Executive Directors modifications to Section VIII of the Disaster Recovery & Emergency Preparedness Plan (DR&EP Plan) to reflect that first aid supplies are also maintained in a second location and to update Appendixes C, D, E, F, G & H. **2.** The virtualization platform now allows the FWCJUA to create back-up copies of all of its servers as well as provide efficient fail over procedures. **3.** On April 16th, staff conducted a test of the FWCJUA's Disaster Recovery & Emergency Preparedness Plan (DR&EP Plan) that focused on evacuation procedures. In addition, staff continues monthly testing of the server back-up systems and the gas powered generator to prepare for the upcoming storm season. The generator has also been refueled.

First Quarter: Staff is currently gauging the level of internet bandwidth at SunGard to determine if the burstable configuration versus static speed is adequate given current network changes. Staff expects to complete its assessment within the next few months.

k) Evaluate the effectiveness of MAP and make appropriate recommendations to the MAP Committee.

Completed Second Quarter: 1. On April 22nd the MAP Committee reviewed the FWCJUA's various market assistance efforts and the quantifiable results of several of the programs which resulted in no recommended modifications to the plan for Board consideration. **2.** On April 21st the FWCJUA sent notice to all Florida licensed Insurers regarding the FWCJUA's free internet-based MAP product that provides access to key application data to evaluate potential employers insured through the FWCJUA, including the MAP Partnership Program. **3.** On April 21st, the FWCJUA issued a bulletin to all authorized agencies and designated producers requesting their assistance to recruit additional depopulation partners to be a part of the MAP Partnership Program.

First Quarter: 1. Staff's analysis of MAP is scheduled to be completed by the end of the second quarter and presented to the MAP Committee for review. **2.** Beginning in December 2008, a domestic insurer has utilized MAP to take out 121 accounts for a total estimated annual premium of $672,340 and has quoted an additional 170 accounts for a total estimated annual premium of $157,221. A majority of the businesses taken out of the FWCJUA were domestic in-servant risks as well as outside sales risks.

l) Upgrade the computer room cooling system to ensure appropriate cooling at maximum efficiency with dependable redundancy.

Second Quarter: 1. On June 15th, the new A/C mini-split cooling system for the computer room was installed. **2.** At its June 9th meeting, the Board approved an Operations Committee recommendation to authorize an expenditure of $5,000 for the anticipated key initiative related to the configuration of the computer room cooling system and further, to authorize staff to contract with both Agua Plumbing & Air to install a new mini-split cooling system for the computer room for a fee of $4,034 and Ace Electric to perform the related electrical work for a fee of $965. **3.** On May 29th staff presented three quotes to the Operations Committee for consideration and recommendation to the Board to enhance the effectiveness of its A/C system.

m) Actively pursue Producer, Employer and Claimant fraud through conducting cooperative investigation with the Service Provider; preparing and submitting fraud reports; and participating in the state's prosecution activities.

Third Quarter: The FWCJUA/Travelers referred one (1) account to DFS, Division of Insurance Fraud; five (5) accounts to Florida's Department of Business and Professional Regulation; five (5) accounts to the Division of Workers' Compensation, Bureau of Compliance; one (1) to Agent & Agency Services; and three (3) to Travelers SIU department.

Second Quarter: The FWCJUA/Travelers referred four (4) accounts to Florida's Department of Business and Professional Regulation; four (4) accounts to the Division of Workers' Compensation, Bureau of Compliance; three (3) to Agent & Agency Services; and five (5) accounts to other carriers' SIU departments.

First Quarter: The FWCJUA/Travelers referred two (2) accounts to the Division of Insurance Fraud this quarter; one (1) account to the Division of Workers' Compensation, Bureau of Compliance; one (1) to Agent & Agency Services; and one (1) to another carriers' SIU.

n) Support the Division of Compliance's monitoring of FWCJUA employers who are cancelled or do not renew coverage and also applicants who do not purchase FWCJUA coverage.

Second/Third Quarter: The FWCJUA continually sends information to DFS, Division of Workers' Compensation, Bureau of Compliance that contains the names and addresses of employers whose policies have either cancelled or non-renewed or applied but do not end up purchasing FWCJUA coverage.

First Quarter: At the end of each month, the FWCJUA submits two reports to DFS, Division of Workers Compensation, Bureau of Compliance that identifies the names and addresses of employers whose policies have either been cancelled or non-renewed and a report that provides the names and addresses of applicants who have applied but do not end up purchasing FWCJUA coverage.

o) Extend RSI's engagement for collection services through June 30, 2010.
Completed First Quarter: On March 18th, RSI's engagement for collection services was extended through June 30, 2010.

p) Conduct an annual on-site audit, to include a review of its Disaster Recovery Plan, Document Retention Policy, and Antifraud Plan, as well as quarterly reviews of the policy administration/managed care service provider's performance to ensure adherence to FWCJUA rules and service standards.
Third Quarter: 1. On August 24, 2009, staff presented the Operations Committee with its findings of the Operational Performance Audit of Travelers. **2.** On July 23, 2009, Staff received Travelers' Second Quarter Self Audit Performance Report. **3.** Staff conducted an Operational Performance Audit of Travelers at Travelers Orlando office location on July 13th and 14th. Staff also reviewed the Travelers Disaster Recovery Plan, Document Retention Plan, SIU Plan as well as its Anti-Fraud Plan.
Second Quarter: The FWCJUA's annual on-site audit of Travelers has been scheduled for Monday, July 13th thru Tuesday, July 14th.

q) Assist with the on-site training of the policy administration service provider's underwriters, adjusters and auditors with regard to the prevention of uncollectible premium.
Third Quarter: On September 10th, Travelers with FWCJUA staff assistance will conduct an on-site training session, from 9:00 a.m., to 12:00 p.m., related to the prevention of uncollectible premium.

r) Prepare and submit, at least quarterly, to the Commission on Ethics a list of names of the senior managers, officers, and members of the Board who are subject to the public disclosure requirements under section 112.3145, Florida Statutes, with the first list submitted no later than March 31, 2009.
Third Quarter: Written notification will be submitted to the Commission on Ethics on 9/10/09.
Second Quarter: Written notification was submitted to the Commission on Ethics on 6/10/09.
First Quarter: Written notification was submitted to the Commission on Ethics on 3/10/09.

s) Explore additional options for document management data redundancy and make appropriate recommendations to the Operations Committee.
Second Quarter: Pursuant to notification from the Florida Records Management Program on February 2nd that Rule 1B-24, *Florida Administrative Code*, Public Records Scheduling and Disposition went into effect, staff incorporated the required revised Records Retention Schedule ("105") form within our document management procedures.

t) Continue to explore and implement eco-friendly office programs that involve reduction, reuse or recycling.
Third Quarter: Electrical usage has been reduced an average of 8% due to conservation efforts of staff. The afternoon mail courier service was eliminated and overnight mail courier service is now utilized only on an exceptional basis. Default printing was set to double-sided to reduce paper usage. Implemented 75% use of recycled copy paper with the goal of 100% to be achieved by year-end.
Second Quarter: On May 11th, the FWCJUA began to transfer application and binding information electronically through a secure website portal process to Travelers eliminating a paper process and overnight courier expenses thereby reducing our carbon footprint.
First Quarter: Began testing various types of recycled copy paper to determine feasibility of utilizing with our current copiers and printers.

u) Conduct a review of the staff benefits program to determine what, if any, updates should be made to the program with recommendations to be presented for Executive Compensation Committee consideration in the fall.
Third Quarter: 1. At its September 9th meeting, the Board shall consider amending the 401K plan to enhance the total compensation package for the executive staff and increasing the amount of company-paid life insurance benefits for the executive staff. **2.** At its August 31st meeting, the Executive Compensation Committee agreed to consider four possible improvements to the executive staff benefits program. **3.** At its August 24th meeting, the Operations Committee agreed to formulate a severance (separation) policy for Board consideration at a later date.

Other:

Third Quarter: 1. At its September 9th meeting, the Board shall receive an update on OIR's concerns with the filing of the Eighth Amended Bylaws. **2.** On August 31st, the Rates & Forms Committee confirmed Milliman as the FWCJUA's actuary for calendar year 2010 actuarial activities. **3.** The Rates & Forms Committee also confirmed booking the 2009 losses utilizing the latest 2009 filed rate changes along with loss ratios indicated from the loss experience evaluated as of the prior year-end at it August 31st teleconference meeting. **4.** At its August 24th teleconference meeting, the Producer Committee directed staff to work with the General Counsel to clarify the rules regarding the termination, suspension or revocation of an Agency and/or its Designated Producers and CSRs.

Second Quarter: 1. At its June 9th meeting, the Board approved the proposed Eighth Amended Bylaws to be filed for approval with OIR that shall permit the Annual meeting of the membership to be conducted by teleconference. In addition, the Board authorized an Operations Committee recommendation to conduct the two remaining quarterly Board meetings and the Annual meeting of the membership by teleconference in lieu of physical meetings in Sarasota to further reduce FWCJUA expenses, provided OIR timely approves the revised Bylaws. **2.** At its February 3rd teleconference meeting, the Producer Committee directed staff to work with the Producer Committee Chair to develop penalty guidelines for the purpose of maintaining a consistent approach to suspend or revoke an agency's and/or designated producer's privilege to act as an agency or designated producer for the FWCJUA upon the occurrence of a violation. On May 19th, staff and the Producer Committee Chair finalized the individual parameters that surround suspension, revocation and/or termination of an Agency's and/or Designated Producer's privilege to submit business to the FWCJUA.

8. IMPLEMENT AN ASSESSMENT, IF ONE BECOMES NECESSARY.

a) Continue to explore alternative ways to minimize assessment potential.
First/Second/Third Quarters: Actuarially sound rates in all rating tiers are in place.

9. PROMOTE LOSS PREVENTION AND SAFETY IN THE WORKPLACE OF OUR POLICYHOLDERS.

a) Conduct causes of loss analyses and modify the safety program as warranted to satisfy any deficiencies given our emerging book of business.
Completed Second Quarter: The 2008 year-end cause of loss analysis conducted in conjunction with Travelers was completed and presented April 23, 2009, to the Safety Committee. The Committee concluded that the FWCJUA-Travelers Loss Control and Safety Program successfully satisfy the FWCJUA Safety Policy. The Board was presented with the Safety Committee's findings on May 1st.
First Quarter: The 2008 year-end cause of loss analysis is scheduled for completion by April 1st. Accordingly, the evaluation of the loss prevention and safety programs will commence in the second quarter.

b) Explore "alternative" methods and techniques for accepting and using safety programs and make appropriate recommendations to the Safety Committee.
Completed Second Quarter: At its April 23rd meeting, the Safety Committee resolved not to recommend any modifications to the current FWCJUA loss control and safety programs, including the performance standards to the Board, given that the FWCJUA through its service provider offers a variety of loss prevention and safety related services as well as the opportunity for its policyholders to receive a premium savings.
First Quarter: Following completion of the 2008 year-end cause of loss analysis, staff will formulate any appropriate recommendations regarding alternative methods and techniques for accepting and using safety programs for Safety Committee consideration.

c) Explore additional cost-effective marketing strategies that may be implemented to increase policyholder awareness of loss prevention services and opportunities provided by the FWCJUA to promote workplace safety.
Completed Second Quarter: The Safety Committee at its April 23rd meeting could not identify any additional cost-effective marketing strategies given all the tools and opportunities the FWCJUA provides to its policyholders to promote workplace safety and increase a policyholder's awareness of loss prevention services.

First Quarter: Following completion of the 2008 year-end cause of loss analysis, staff will formulate any appropriate recommendations regarding additional cost-effective marketing strategies that may be implemented to increase policyholder awareness of loss prevention services for Safety Committee consideration.

2001 POLICYHOLDER RETURN OF PREMIUM DIVIDEND RESULTS (As of August 31, 2009)				
DISPOSITION OF CHECKS ISSUED	# OF RECIPIENTS	% OF RECIPIENTS	DOLLARS DISBURSED	% OF DOLLARS DISBURSED
Cashed*	409	91.7%	$808,399.19	95.7%
Returned (Deceased)	10	2.2%	$6,546.38	0.8%
Returned (Can't Locate)	1	0.2%	$2,465.21	0.3%
Outstanding	26	5.9%	$26,565.58	3.2%
CHECKS - SUBTOTAL	**446**	**100.0%**	**$843,976.36**	**100.0%**
DISPOSITION OF OTHER PAYABLE DOLLARS	**# OF IMPACTED INSUREDS**		**PAYABLE DOLLARS RETAINED**	**% OF TOTAL PAYABLE DOLLARS**
Paid Outstanding Collection Fees due in other Policy Years	**3***		$3,210.50	0.4%
Paid Outstanding Premium Due in other Policy Years	**4**		$8,197.07	0.9%
Withheld for Noncompliance with Final Audit in other Policy Years	**2**		$3,006.65	0.4%
OTHER - SUBTOTAL	**9**		**$14,414.22**	**1.7%**
TOTAL	**452**		**$858,390.58**	

** 3 checks were issued less the dollars retained to pay outstanding collection fees due in other policy years*

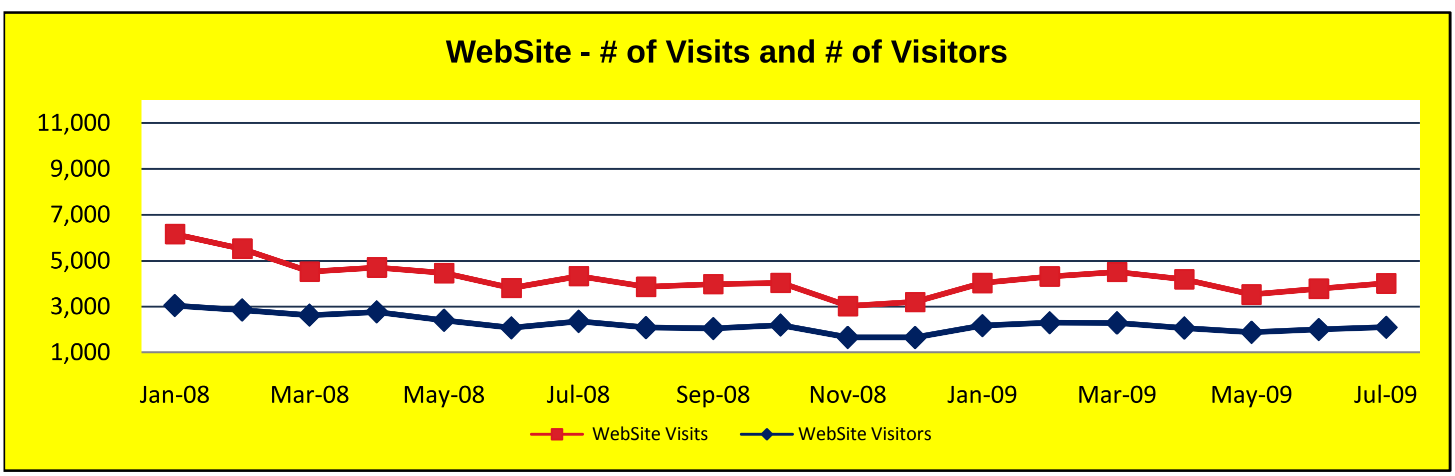
FWCJUA OPERATIONS ANALYSIS
THROUGH JULY 31, 2009

TOTAL PREMIUMS WRITTEN as of July 31, 2009 - Policy Count: 626 - Premium: $4,244,895

POLICIES IN FORCE BY SUBPLAN / TIER - as of July 31, 2009	Policies	TEAP & Deposit
Tier 1	534	$2,794,414
Tier 2	233	$1,412,638
Tier 3	142	$2,267,228
TOTAL	909	$6,474,280

NEW BUSINESS INFORMATION	M-T-D 2008	M-T-D 2009	% CHG	Y-T-D 2008	Y-T-D 2009	% CHG
Phone Calls	2,838	2,403	-15%	20,590	15,045	-27%
External Web Site Visits	4,333	4,015	-7%	33,535	28,372	-15%
Timeliness (Days to Process)	5.9	5.6	-5%	7.2	5.8	-19%
Apps Received	63	53	-16%	656	373	-43%
Apps Rejected	39	38	-3%	368	213	-42%
TOTAL APPS BOUND	24	11	-54%	257	117	-54%
TOTAL EAP	$234,024	$161,169	-31%	$2,553,717	$1,200,047	-53%
AVERAGE POLICY PREMIUM SIZE	$9,751	$14,652	50%	$9,937	$10,257	3%
Tier 1: Apps Bound	0	0	0%	32	10	-69%
Tier 1: Premium Bound	$0	$0	0%	$275,714	$78,568	-72%
Tier 2: Apps Bound	13	8	-38%	146	66	-55%
Tier 2: Premium Bound	$77,433	$86,816	12%	$1,043,187	$413,020	-60%
Tier 3: Apps Bound	11	3	-73%	79	41	-48%
Tier 3: Premium Bound	$156,591	$74,353	-53%	$1,234,816	$708,459	-43%
TOTAL: Apps Bound	24	11	-54%	257	117	-54%
TOTAL: Premium Bound	$234,024	$161,169	-31%	$2,553,717	$1,200,047	-53%

AUTHORIZED AGENCIES & PRODUCERS	as of 12/31/2008	as of 7/31/2009	% change
Agencies	856	718	-16.1%
Designated Producers	1,443	1,143	-20.8%



FWCJUA MID-TERM CANCELLATION REPORT
July 1, 2008 - June 30, 2009

INDUSTRY GROUPS		FWCJUA 1A	FWCJUA 1D	FWCJUA 1I	FWCJUA 1J	FWCJUA 9	Producer 2	Finance 3B	Insured 4A	Insured 4B	Insured 4D	Insured 4E	Insured 4F	Insured 5	Insured 6	Number	$ Amount	Avg. Days	%
1	Manufacturing	1	0	0	2	1	0	0	0	1	0	0	1	1	0	7	$113,401.00	149.9	2.07%
2	Contracting	53	7	4	35	54	0	3	0	36	14	8	11	15	14	254	$2,368,312.00	191.6	43.32%
3	Office and Clerical	19	1	2	59	21	0	1	0	28	4	1	1	7	6	150	$1,270,207.00	178.9	23.23%
4	Goods & Services	13	2	0	93	21	0	0	1	28	7	2	3	9	2	181	$1,122,316.00	194.4	20.53%
5	Miscellaneous	10	1	2	11	9	0	0	0	13	3	1	4	5	2	61	$592,722.00	179.4	10.84%
6	USL&HWC	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	$0.00	0	0.00%
7	Maritime	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	$0.00	0	0.00%
8	Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	$0.00	0	0.00%
TOTALS		**96**	**11**	**8**	**200***	**106**	**0**	**4**	**1**	**124****	**28**	**12**	**20**	**37**	**24**	**653**	**$5,466,958.00**	**188**	**100.00%**

Average Active Policies = **1,314**
Policies Cancelled Mid Term = **653 or 50%**

Average Active Policies Premium = **$ 9,534,920**
Policies Cancelled Mid Term Premium = **$ 5,466,958 or 57%**

FWCJUA Request = **421 or 64.5%**
Producer Request = **0**
Finance Co. Request = **4 or 0.612%**
Insured Request = **228 or 34.9%**

***The significant increase in the number of FWCJUA Requests - Cancelled by Underwriter, was due to one domestic insurer that had issued quotes on a number of FWCJUA policies, which were subsequently cancelled in the 1st quarter, as the policyholder was no longer eligible for FWCJUA coverage.**

KEY: CATEGORY

- *1A FWCJUA Request - Nonpayment of Premium*
- *1D FWCJUA Request - Failure to Comply*
- *1I FWCJUA Request - Uncooperative w/Audit*
- *1J FWCJUA Request - Cancelled by Underwriter*
- *9 FWCJUA Request - Underwriting*
- *2 Producer Request*
- *3B Finance Company Request*
- *4A Insured Request - Business Sold*
- *4B Insured Request - Placed w/ Another Carrier*
- *4C Insured Request - Rewrite*
- *4D Insured Request - No Employees*
- *4E Insured Request - Work Completed*
- *4F Insured Request - Out of Business*
- *5 Insured Request - Rewrite*
- *6 Insured Request - No Reason Given*

**Placed w/ Another Insurer	#	%	$	%	Avg. Days
Manufacturing	1	1%	$ 17,634	1%	13
Contracting	36	34%	$ 303,691	24%	168.4
Office and Clerical	28	26%	$ 483,954	39%	143.1
Goods & Services	28	26%	$ 245,335	20%	151.1
Miscellaneous	13	12%	$ 203,054	16%	94.2
USL&HWC	0	0%	$ -	0%	0
Maritime	0	0%	$ -	0%	0
Total	**106**	**100%**	**$ 1,253,668**	**100%**	**146**

NOTE: Forty-one (41) Insurance Companies have been involved in taking 106 policyholders out of the FWCJUA from July 1, 2008 - June 30, 2009. Five (5) of the Insurance Companies have taken 5 or more policyholders on average out of the FWCJUA and the remaining thirty-six (36) companies have taken out on average less than four (4).

FWCJUA Loss Summary as of June 30, 2009

Category	# of Claims	Case Reserve	Paid	Expense	Incurred
Claims > $100K (No IBNR)	281	$4,141,444	$54,255,150	$3,062,363	$61,458,957
Claims < $100K (No IBNR)	8,127	$752,027	$53,150,468	$10,034,921	$63,937,416
All Claims (No IBNR)	**8,408**	**$4,893,471**	**$107,405,618**	**$13,097,285**	**$125,396,374**
Average / All Claims		**$582**	**$12,774**	**$1,558**	**$14,914**
No. of Claims > $100K	-----	29	280	272	-----
No. of Claims < $100K	-----	59	7,677	5,317	-----
Average / Claims > $100K	1	$142,808	$193,768	$11,259	$347,835
Average / Claims < $100K	1	$12,746	$6,923	$1,887	$21,557

Category	# of Claims	Case Reserve	Paid	Expense	Incurred
Open Claims (No IBNR)	113	$4,893,471	$5,198,052	$716,107	$10,807,630
Closed Claims (No IBNR)	8,295	$0	$102,207,567	$12,381,178	$114,588,745
All Claims (No IBNR)	**8,408**	**$4,893,471**	**$107,405,618**	**$13,097,285**	**$125,396,374**
Average / All Claims		**$582**	**$12,774**	**$1,558**	**$14,914**
No. of Claims Open	-----	113	105	66	-----
No. of Claims Closed	-----	0	7,852	5,523	-----
Average / Open Claim	1	$43,305	$49,505	$10,850	$103,660
Average / Closed Claim	1	$0	$13,017	$2,242	$15,259

Category	# of Claims	Case Reserve	Paid	Expense	Incurred
Open Claims (By Sub Plan / Tier)					
Sub Plan A	0	$0	$0	$0	$0
Sub Plan C	4	$737,410	$291,324	$36,177	$1,064,911
Sub Plan D1	8	$1,434,085	$1,056,798	$195,421	$2,686,304
Sub Plan D2	0	$0	$0	$0	$0
Sub Plan - Prior to 7/26/03	13	$893,198	(47,223)	$151,980	$997,955
Tier 1	10	$141,408	$223,955	$36,478	$401,841
Tier 2	29	$803,127	$2,007,249	$172,996	$2,983,372
Tier 3	49	$884,244	$1,665,949	$123,054	$2,673,247
Total	**113**	**$4,893,471**	**$5,198,052**	**$716,107**	**$10,807,630**

FWCJUA Loss Summary as of June 30, 2009

LOSS RATIO - WITHOUT IBNR					
Premium & Losses	**Loss Ratio**	**Net Earned Premium**	**Case Reserves**	**Paid & Expense**	**Total Incurred**
Accident Year 1994	52.0%	42,051,708	333,004	21,540,482	21,873,486
Accident Year 1995	36.7%	72,570,197	155,645	26,460,920	26,616,565
Accident Year 1996	48.0%	35,170,675	13,988	16,874,235	16,888,223
Accident Year 1997	31.7%	18,208,853	0	5,764,326	5,764,326
Accident Year 1998	35.7%	14,549,457	142,836	5,048,611	5,191,447
Accident Year 1999	22.2%	7,438,919	0	1,654,318	1,654,318
Accident Year 2000	54.7%	3,783,912	0	2,069,755	2,069,755
Accident Year 2001	20.1%	4,981,868	40,182	958,833	999,015
Accident Year 2002	12.1%	15,218,231	207,543	1,632,189	1,839,732
Accident Year 2003	20.1%	39,343,223	568,324	7,337,912	7,906,236
Accident Year 2004	28.2%	51,308,817	1,718,358	12,765,054	14,483,412
Accident Year 2005	13.7%	65,708,267	590,951	8,410,862	9,001,813
Accident Year 2006	14.0%	44,111,668	182,715	6,011,257	6,193,972
Accident Year 2007	15.2%	18,500,002	263,840	2,545,366	2,809,206
Accident Year 2008	19.6%	9,248,990	478,529	1,332,960	1,811,489
Accident Year 2009	279.6%	104,915	197,556	95,819	293,375
Cumulative @ 6-30-2009	**28.4%**	**$442,299,703**	**$4,893,471**	**$120,502,903**	**$125,396,373**
Policy Year 1994	43.8%	82,540,615	412,672	35,778,053	36,190,725
Policy Year 1995	40.5%	53,574,994	75,977	21,607,308	21,683,285
Policy Year 1996	35.8%	27,708,509	13,988	9,913,962	9,927,950
Policy Year 1997	43.1%	15,820,629	142,836	6,677,031	6,819,867
Policy Year 1998	39.2%	6,761,302	0	2,647,377	2,647,377
Policy Year 1999	36.3%	4,572,072	0	1,658,017	1,658,017
Policy Year 2000	31.1%	4,843,363	0	1,505,218	1,505,218
Policy Year 2001	12.2%	11,410,980	40,182	1,349,556	1,389,738
Policy Year 2002	13.3%	21,733,198	207,543	2,685,065	2,892,608
Policy Year 2003	21.0%	54,351,808	568,324	10,822,615	11,390,939
Policy Year 2004	24.4%	56,558,285	2,177,432	11,624,681	13,802,113
Policy Year 2005	17.0%	51,265,554	312,599	8,408,892	8,721,491
Policy Year 2006	11.5%	30,440,708	185,945	3,323,768	3,509,713
Policy Year 2007	14.0%	13,074,722	185,373	1,640,384	1,825,757
Policy Year 2008	19.2%	7,297,208	543,458	854,137	1,397,595
Policy Year 2009	9.8%	345,756	27,142	6,841	33,983
Cumulative @ 6-30-2009	**28.4%**	**$442,299,703**	**$4,893,471**	**$120,502,903**	**$125,396,373**

FWCJUA Loss Summary as of June 30, 2009

LOSS RATIO - WITH IBNR						
Premium & Losses -	**Loss Ratio**	**Net Earned Premium**	**IBNR Reserves**	**Case Reserves**	**Paid & Expense**	**Total Incurred**
Accident Year 1994	55.5%	42,051,708	1,466,514	333,004	21,540,482	23,340,000
Accident Year 1995	38.1%	72,570,197	1,053,435	155,645	26,460,920	27,670,000
Accident Year 1996	49.6%	35,170,675	551,777	13,988	16,874,235	17,440,000
Accident Year 1997	33.2%	18,208,853	275,674	0	5,764,326	6,040,000
Accident Year 1998	36.8%	14,549,457	158,553	142,836	5,048,611	5,350,000
Accident Year 1999	23.8%	7,438,919	115,683	0	1,654,318	1,770,001
Accident Year 2000	57.9%	3,783,912	120,245	0	2,069,755	2,190,000
Accident Year 2001	21.1%	4,981,868	50,985	40,182	958,833	1,050,000
Accident Year 2002	13.5%	15,218,231	210,268	207,543	1,632,189	2,050,000
Accident Year 2003	21.9%	39,343,223	703,764	568,324	7,337,912	8,610,000
Accident Year 2004	31.6%	51,308,817	1,726,588	1,718,358	12,765,054	16,210,000
Accident Year 2005	18.0%	65,708,267	2,858,187	590,951	8,410,862	11,860,000
Accident Year 2006	20.5%	44,111,668	2,846,028	182,715	6,011,257	9,040,000
Accident Year 2007	27.5%	18,500,002	2,270,794	263,840	2,545,366	5,080,000
Accident Year 2008	39.2%	9,248,990	1,818,511	478,529	1,332,960	3,630,000
Accident Year 2009	288.2%	104,915	8,949	197,556	95,819	302,324
Cumulative @ 6-30-2009	**32.0%**	**$442,299,703**	**$16,235,955**	**$4,893,471**	**$120,502,903**	**$141,632,328**
Policy Year 1994	46.3%	82,540,615	2,005,722	412,672	35,778,053	38,196,447
Policy Year 1995	41.9%	53,574,994	790,115	75,977	21,607,308	22,473,400
Policy Year 1996	37.3%	27,708,509	413,726	13,988	9,913,962	10,341,675
Policy Year 1997	45.0%	15,820,629	296,390	142,836	6,677,031	7,116,257
Policy Year 1998	40.0%	6,761,302	57,842	0	2,647,377	2,705,218
Policy Year 1999	38.8%	4,572,072	117,964	0	1,658,017	1,775,981
Policy Year 2000	32.3%	4,843,363	60,123	0	1,505,218	1,565,340
Policy Year 2001	12.6%	11,410,980	50,985	40,182	1,349,556	1,440,723
Policy Year 2002	14.3%	21,733,198	210,268	207,543	2,685,065	3,102,876
Policy Year 2003	22.3%	54,351,808	703,764	568,324	10,822,615	12,094,703
Policy Year 2004	31.4%	56,558,285	3,946,936	2,177,432	11,624,681	17,749,049
Policy Year 2005	23.7%	51,265,554	3,452,807	312,599	8,408,892	12,174,298
Policy Year 2006	16.8%	30,440,708	1,614,272	185,945	3,323,768	5,123,985
Policy Year 2007	22.3%	13,074,722	1,088,443	185,373	1,640,384	2,914,200
Policy Year 2008	38.7%	7,297,208	1,425,369	543,458	854,137	2,822,964
Policy Year 2009	10.2%	345,756	1,229	27,142	6,841	35,212
Cumulative @ 6-30-2009	**32.0%**	**$442,299,703**	**$16,235,955**	**$4,893,471**	**$120,502,903**	**$141,632,328**

OPEN LOSSES EXCEEDING $400,000
AS OF 08/31/09

Claimant	1	**Type of Injury**	Head Injury	**Minimum Premium**	No	**Total Paid**	594,673.50
Policy Year	2004	**Benefit Type**	Settled - Temporary Total	**Type of Business**	Marine Construction	**Total Reserved**	1,820,912.50
Accident Year	2005	**Rating Plan**	T2			**Total Incurred**	**2,415,586.00**

Description of Accident

IW is a 41 yr old short term general laborer who struck his head on a 2X4 in what appeared to be a minor accident. IW was driven home by a co-worker who indicated that IW was complaining of a severe headache. While taking a shower, IW became ill, 911 was called and he was taken to the emergency room at Cape Canaveral where he was diagnosed with a subarachnoid hemorrage and transferred to Halifax Medical Center for further treatment. SIU commenced an investigation of the accident and compensability including examining the possibility of the cause being an aneurysm or if the IW's history of alcohol abuse was a contributing factor. Staff and counsel reviewed causation and compensability issues and determined that we would not be able to overcome Section 20, Presumption under the Longshore Act, and therefore would accept the case as compensable.

Previous Annual Activity

2/28/08: We have results of the independent neuropshchological exam and we will be reviewing it with the Paradigm Medical Case Manager to determine if recommendations can be implemented. Reserves are on actuarial review and the assumptions are appropriate. **6/24/08:** From what I can tell from the neuropshchological exam, no further immediate intervention is being pursued. It appears that the IW has already reached MMI and further treatment is mainly pallative in nature. He will require a follow up visit with neurosurgeon, ophthalmologist, and the psychiatrist if he is agreeable. He also may need a driving evaluation but from what I gather his drivers license is suspended. Once, it is no longer suspended, the IW is encouraged to undergo driving evaluation to determine his ability to drive. Discussion was also made in regards to the patients financial affairs, and from what I gather, this has also been addressed by the psychologist and I would like to refer the recommendation to the neurophysiologist in regards to the patient's handling of his financial affairs in the future. Labor survey is being assigned to address the potential options of any employment to be provided to this IW as well as determine if he prefers to stay at the residence location under Communicare with the IW making the payment against the apartment residence from his own monies as well as pay his own expenses, rent, cell phone, electricity, etc.It is confirmed that the IW would clearly have to have a guardianship against any monies and/or settlement options to be reached as his condition will decrease in time due to his personality and mood disorders. **07/11/08:** Critical Care Technical Specialist handling Longshore Act claim to which Paradigm medical handling closed out 5/31/08. IW being addressed by Specialist for wage loss exposure with Labor Market Survey investigation being directed to three locations: Pinellas, Cocoa Beach, and Fort Lauderdale. Specialist to endeavor to prove injured worker has the capacity to perform gainful employments with Function Capacity Evaluation, Peer Review Evaluation again all medical treatments to date and Labor Market Survey Reporting confirming employment availabilitie. **09/08/08:** Had lenthy meeting with CCM regarding the status of the medicals on this claim and to discuss what direction to go with regard to peer reviews and IME's. Will proceed with getting a peer medical review with a pshchiatrist and then send those results for a peer medical review with a neurosurgeon experienced in brain surgery. **11/20/08:** Structured settlement preparations are underway for both indemnity and medical. Awaiting Psych MMI to determine restrictions to return to work and review wage loss assessment over Permanent Total Disability (PTD) with Cost of Living Adjustment (COLA). Awaiting Labor Market Survey to address employment potential applicable to work restrictions in Cocoa Beach, Pinellas, Titusville, and Pembroke Park to assess future wage loss exposure.

Latest Annual Activity

1st Qrtr **2/20/09:** Gave Adjuster and D/A authority to settle for $910K, inclusive.

2nd Qrtr **5/12/09:** Issued settlement offer (cash and structured $250K). No response from IW's attorney to this settlement offer as well as a change from TTD to PPD in accordance with Labor Market Survey and medical evaluations against MMI confirmation by treating physician. Indemnity exposure has changed from Temporary Total Benefits of $373.33 to Permanent Partial Wage Loss Benefits of $160.00 a week being issued in two week payments. D/A still pushing for counter demand from IW's attorney. Mediation scheduled for 7/13/09 @ 10:00 a.m., in Tampa. Reserves have been reduced by approximately $2.6M as a result of the change in benefits.

3rd Qrtr **8/11/09:** Mediation ended at an impasse. Last demand was $850K and our last offer was $525K. Settlement negotiations continue in an effort to resolve the claim by the end of the year. **8/31/09:** Claim settled for $663,700 inclusive, with both parties awaiting U.S. Dept. of Labor approval.

Claimant	2	**Type of Injury**	Fall - Paraplegic	**Minimum Premium**	Yes	**Total Paid**	1,447,293.00
Policy Year	1996	**Benefit Type**	Permanent Total	**Type of Business**	Construction	**Total Reserved**	2,226,983.00
Accident Year	1996	**Rating Plan**	C			**Total Incurred**	**3,674,276.00**

Description of Accident

This is a CATASTROPHIC claim. IW is a 49 year old non-English speaking Hispanic male. He is a paraplegic and wheelchair bound. IW had fallen off a ladder fracturing his ribs and vertebrae. His wife provides attendant care for 5 hours per day, 7 days per week at federal minimum wage.

Previous Annual Activity

02/27/08: Recent settlement talks have gone nowhere, because without knowing how much the MSA would be, claimant had no idea how much he would pocket. We decided to send the MSA to Medicare for approval and that way, we could tell claimant exactly how much he would pocket and how much would have to be set aside. We sent the MSA to Medicare on 12/14/07. It can take 3 or more months for a response. Our MSA consultant confirmed the MSA was received by the Philidelphia Office on 02/13/08, so we could get a response in a matter of days or weeks. Once we get the approval or reach an agreement with CMS on how much the MSA should be, we can make a final effort at settling the case. Coincidentally, we have state mediation on this case set for 3/4/08 on past issues, which we think are irrelevant, but we can use the time to talk settlement. It is remotely possible we'll have the an approval form Medicare and can discuss firm numbers with them. In any event, we may be weeks away from being able to make a final offer and settle on the case or not. The estimates are on actuarial and are based on lifetime exposure. We review them on an annual basis to make sure they are appropriate. **06/24/08:** I note that the third party case has been rescheduled for October 2008. We have asked counsel to obtain all of the expert depositions and exhibits. We wrote to O/C a final time telling him drop-dead date on our settlement offer. He did not respond. We have attempted to settle this case for years and claimant doesn't respond, even after we received approval of the MSA. I'll take no further action on settling and will await the outcome of the 3rd party trial. **8/25/08:** No change. 1**1/19/08:** The 3rd party trial began 10/08/08. The case settled globally for $2,000,000. The court reserved the issue of our w/c lien, and intends to schedule a Equitable Distribution hearing. The judge left the lien open, and ordered defendants to draw up releases for a full and final settlement. This allows for settlement of the tort case and court determination of lien recovery. Our liability defense attorney has asked for the plaintiff and defendants economic expert and rehabilitation expert reports so that we can determine full case value. It is that determination that will allow us to calculate lien recovery which also is applied as a percentage to the future credit offset. CMS approved the MSA on 2/20/08 for $391,403. Of this $251,899 is for future medical and $139,513 is for future medications. The seed money is $41,200 and there will be 19 annual payments of $18,431. The cost to annuitize this is $254,019. We made a final offer to O/C of $1 million including the MSA. O/C told D/A that claimant wants us to pay for the half of the MSA, on top of the settlement previously offered. Of course we can not do that. Now that the claimant has settled the 3rd party case, he might become interested in settling the w/c case. We anticipate we will be awarded a future credit against indemnity and medical benefits. Although he may have no financial incentive to settle, he will be faced with paying a portion of his ongoing medical costs and having his indemnity checks reduced. That often leads to settlement when the claimant finds the process cumbersome. We should receive a lump sum credit for benefits already paid and that will be credited to the file. Once we know the percentage of our future credit, we will start taking it as soon as possible.

Latest Annual Activity

1st Qrtr **2/20/09:** Third party subrogation case was settled for $2 million. We are attempting to receive recovery of $55,917 on the past lien and an additional $90,000 for the future lien to resolve this matter completely.

2nd Qrtr **4/10/09:** As documented ealier, the third party case was settled for $2 million. The equitable distribution formula applied to this matter is based upon a full value of $20M, without offset for negligence. Plaintiffs counsel settled the tort case for $2M, which is $18M below full value. Of the $2M received, the loss consortium claim (Spouse) was allowed $500K. This reduced the amount to which the lien would attached to $1.5M. Applying the Manfredo Formula, we arrive at a net settlement of $825K. A credit rate of 4.1% applied to the plaintiffs net recovery of $825K provides a recovery in the amount of $55,916.88, applied to both medical and indemnity. Recent mediation impassed over van issue. Claimant wants the current van repaired or replaced. Trying to determine which is appropriate. D/A will send me the original stip on the current van. From there, we will create a plan to address the van issue.

3rd Qrtr **8/11/09:** Primary issue continues to be claimant seeking van replacement. Based on a 9/23/97 stip, we didn't owe any more vans. We will agree to provide medical transportation only in accordance with the original stipulation, or in the alternative, we will offer a lump sum to cover all future transportation costs ($25K to wash out future transportation costs).

Claimant	**3**	**Type of Injury**	Head Injury	**Minimum Premium**	No	**Total Paid**	1,507,128.00
Policy Year	1999	**Benefit Type**	Permanent Total	**Type of Business**	Roofing	**Total Reserved**	1,582,303.00
Accident Year	1999	**Rating Plan**	C			**Total Incurred**	**3,089,431.00**

Description of Accident

45 yr. old illegal Haitian IW was climbing down a ladder when he fell to the concrete floor below striking his head suffering a laceration to the frontal area. A bifrontal crainiotomy evacuating the hemotomas has been performed and a plate inserted. There is no subro because the ladder was not defective and the IW fell when he mis-stepped and caused the ladder to shift. We had previously reached an agreement in December 2006 and funded an annuity in acticipation of settlement. However, claimant backed out of the settlement,

Previous Annual Activity

02/21/08: After the meeting on 2/13/08, The adjuster made an additional effort to settle the case when the guardian ad litem talked privately to D/A after the meeting. Apparently, the w/c attorney had not informed him of our increase offer (5% inflation factor every 3 years) prior to the meeting. Since the hold-up seemed to be $67.500 per year not being enough, we increased the annual payment to $72,500 with a 5% inflation factor every 3 years. So for now, we will hold off seeking any refund of the annuity payment, to see if this increase offer will yield some results. **06/24/08**: Annual review and placement of medical estimates on actuarial. Efforts to settle the case over the past 16 months failed with claimant's guardian recently rejecting all offers. We had previously reached an agreement in December 2006 and funded an annuity in anticipation of settlement. Claimant backed out of the settlement, so the annuity was refunded. It does not appear this claim will settle in the foreseeable future and MCU has recommended actuarial estimate be established. Indemnity remains on actuarial. Biweekly benefits for 2008 are $386.76 including PT supplement benefits. We also increased claim-legal expense by $184.800 due to ongoing guardian and guardianship attorney fees, which average $8,400 per year and with a 22 year life expectancy that came out to an additional $184,800. Claimant's medical costs are fairly static. He resides in an assisted living facility due to his brain injury. The monthly cost is $4,680. Other than this, he occasionally sees a PCP for routine follow up on a VP shunt. Claimant has diabetes, but we've taken the position it it not related and are not responsible for payment of treatment. We've estimated annual physician and diagnotic bills to be $500. Total annual rate is $56,660 and this was approved. Expense estimate is $65,000 with $37,045 outstanding. Of this, $15,116 is legal defense costs and $21,929 for medical cost containment fees. **8/25/08:** There is no update to provide. We tried to reach a settlement but were not able to do so. 1**1/19/08:** We have agreed to fund a day program for claimant to go to Rescare for cognitive socialization twice a week. The cost including transportation will be about $214 per day. Our MCM said claimant wasn't getting any stimulation at the ALF and this might be good for his overall health and affect. She also suggested that claimant would like to return to Haiti to live with his family and be cared for by them. We contacted the guardian and they are willing to consider it, but wonder if he will be able to get the proper level of care. MCM assured them she can set up appropriate medical care for him, even if he has to travel to the capital city of Port Au Prince. We asked D/A to contact O/C and he is aware they are considering claimant's relocation to Haiti. We don't think the guardian has considered that case would have to be settled to effect this move, but we can discuss that at the appropriate time. One concern of theirs is whether claimant would be allowed back into the U.S. should he need specialized treatment. That is highly unlikely but MCM said claimant can get the care he needs in Haiti. O/C is to speak with the guardian about settling the case, but we have not heard from him in several weeks. We will ask O/C to follow up with him. His continued lack of control over guardian is a hinderance to getting the case settled. We are prepared to consider settlement but the guardian ad litem, guardian, guardianship attorney and claimant w/c attorney must get on the same page and decide if settlement is appropriate. Until then, our hands our tied and we will continue to manage the claim on a daily basis.

Latest Annual Activity

1st Qrtr **2/20/09:** We have moved the claimant to a new ALF at his guardians request. The new facility is owned by a Haitian, with Creole speaking staff. IW will no longer require transportation to Rescare for cognitive socialization twice a week, as the new ALF will be able to send him to outings for only $350 extra a month. We are still working towards returning the claimant to Haiti.

2nd Qrtr **4/13/09:** Claimant moved to new ALF. He is now living at Lamercie Home. The cost is $2,500 per month plus $350 per month for weekly outings. He is no longer going to Rescare Premiere for outings. Still working towards returning claimant to Haiti. Guardian is worried that IW will not be able to receive same care. However, MCM has assured Guardian that the IW would only need outside treatment for treatment to the brain shunt, which has been stable. It was mentioned that IW could go to Santa Domingo without a visa or could apply for a visa to go to Cuba for treatment. Cuba has some excellent doctors, many of whom go to Haiti to treat patients. MCM noted that any problem IW has could be treated in Haiti, Santa Domingo or Cuba, so there would be no need for him to return to the U.S. Guardian has put any further discussion regarding this matter on hold because claimant doe not have the proper papers to be allowed back into the U.S., if he need medical attention. Guardian is not convinced IW could get the necessary treatment elsewhere. Will continue to follow up with MCM to see if any progress can be made with the guardian on allowing claimant to return to Haiti and live with his family.

3rd Qrtr **8/11/09:** Received a request to provide skilled nursing for IW's diabetes. On 8/5/09 we started a skilled nursing service to administer insulin. Found out later that the agency that was administering the insulin injections had developed a way to pre-measure or pre-package the IW's insulin injections and claimant has now started self injecting.

Claimant	**4**	**Type of Injury**	Fall - Spine Fracture	**Minimum Premium**	No	**Total Paid**	545,997.70
Policy Year	2004	**Benefit Type**	Settled - Permanent Total	**Type of Business**	Roofing	**Total Reserved**	2,324,636.30
Accident Year	2004	**Rating Plan**	D			**Total Incurred**	**2,870,634.00**

Description of Accident

42 yr old IW fell 40 feet through a skylight, causing injury and need for surgery of T11 through L3 area of his spine. He underwent spinal fusion with hardware placement and had right knee tear, right heel fracture and osteopenia of the right foot. Hardware removal and a fusion revision from T11 to L3 were performed in July 2005. He is stable but does have paralysis of his right foot.

Previous Annual Activity

02/28/08: PTD as of 5/26/06. We now have demand for $1.5 million. Gave D/A $410,000 authority to begin settlement talks once again. Ongoing medical treatment and medications. **06/24/08:** Reviewed file - no change. Discussed file with D/A. We continue with settlement talks on this file and the last demand was $750K inclusive. Our last offer was $445K inclusive. MSA is $335K which would be placed in annuity. Claimant council is also once again noting that his client needs 24 hour attendant care to be provided by his wife. Treating physician last recommended 8 hours per day and we offered outside provider which was denied by the IW. We did authorize because they were requesting she be paid based on her loss of income but they could not prove any earnings for the wife. We are aware that the wife's family does own a restaurant and it is believed she was paid cash with no taxable income. If we are unable to settle this claim, we will need to resolve the attendant care issue and would suggest we offer the wife a minimum wage of $5.85 per hour, but at this time, I have requested that D/A set conference with physician to address ongoing attendant care needs and hours recommended as the 8 hour recommendation is from last year. Claimant's attorney alleged that the care he needs during the night can only be provided by the wife which of course he never outlined what those needs may be. The attendant care issue did not progress until we noted the indemnity overpayment due to the correct AWW/CR and offset of SSDI until the IW reaches age 62. IW is currently 45. We did modify his vehicle so that he is able to drive and get around as needed so the attendant care issue at night does not seem to fit. **09/17/08:** Reviewed file for annual medical actuarial reservce update and agree with CCM's recommendation to maintain the current annual medical rate. 10/01/08: Gave adjuster settlement authorization of $600K inclusive. **11/19/08:** We have confirmation from claimant council that the IW has accepted our settlement offer of $600,000 inclusive with both parties agreeing to wait for CMS approval of MSA. We do not however have copy of signed paperwork yet as IW lives in Michigan and is mailing paperwork back to O/C. Once we have received signed copy we will secure revised MSA and forward to CMS for approval. Our current MSA is $335,000 which would be placed in annuity but as it is over 6 months we must reconfirm that amount. Prior to this settlement we have recovered our entire overpayment on the file based on the correct AWW/CR, we will also continue to SSDI offset of $192.86 per week from his PTD benefit. Medical would have continued to increase in the future and we also had attendant care issue outstanding on the file, so all thing considered this was a good settlement with file impact of $1,773,000.

Latest Annual Activity

1st Qrtr **2/20/09:** We entered into settlement of this claim for $600,000.00 inclusive with both parties agreeing to wait for CMS approval of the MSA.

2nd Qrtr **4/10/09:** CMS received MSA on 3/10/09 and we expect either approval or disapproval within 60 days from 3/10/09.

3rd Qrtr **8/11/09:** We are still finalizing settlement of file. Recovery opportunity is remote - subrogation to be closed once a final lien letter is sent. We do not anticipate claimant's attorney will continue pursuit of the civil action.

Claimant	5	**Type of Injury**	Fall - Multiple Fractures	**Minimum Premium**	No	**Total Paid**	657,773.20
Policy Year	1998	**Benefit Type**	Permanent Total	**Type of Business**	Construction	**Total Reserved**	1,198,411.80
Accident Year	1999	**Rating Plan**	C			**Total Incurred**	**1,856,185.00**

Description of Accident

36 yr. old IW fell approximately 16 to 20 feet from a truss fracturing left and right wrists, right hip, right calcaneous, right scapulae and injuring left knee. Claim late reported due to coverage issue - claimant stated that he was exempt and was not. Thus, our insured is responsible.

Previous Annual Activity

2/28/08: Accepted PTD 12/1/03. No interest in settlement to date. Continues with conservative medical treatment. **6/24/08:** Reviewed file for annual medical actuarial reserve update and not CCM recommendation to increase the annual medical rate from $6,000 to a new rate of $16,000/year based upon actual medical payout. Reviewed file notes and recent medical reports and agree with the recommended increase in the annual medical rate. 07/08/08: Major Case Unit increase expense reserves by $10K to cover medical case management fees on the file based on physician yearly cost of $3,200 which is based on IW life expectancy of 31 years using the 20% allowed for cost containment. **8/25/08:** Benefit management. **11/19/08:** No change. IW has no interest in settlement.

Latest Annual Activity

1st Qrtr **2/20/09:** No change. File marked benefit management.

2nd Qrtr **4/30/09:** No change. No interest in settlement.

3rd Qrtr **8/11/09:** No change. A pain pump stimulator was recommended by the pain management physician, but was refused by the claimant as he would have to be cleared by psychiartrist which he refused. Adjuster received a call from the Doctor and he has reviewed medical records sent. He is not willing to accept the IW for right ankle/heel injury. Adjuster called IW and IW will get the treating physician to determine if he has any recommendation as we have exhausted our network of doctors and once they hear the age of the claim they refuse to see the IW for potential follow up to his ankle/heel injury with surgery performed back at time of loss.

Claimant	6	**Type of Injury**	Knee Injury	**Minimum Premium**	No	**Total Paid**	449,393.30
Policy Year	1995	**Benefit Type**	Permanent Total	**Type of Business**	Building Management	**Total Reserved**	657,535.70
Accident Year	1995	**Rating Plan**	C			**Total Incurred**	**1,106,929.00**

Description of Accident

The IW was 47 years old at time of the accident. The IW was moving a stove out of a mobile home and injured her back and neck. She has multiple herniated disks at C-4-5-6-6 and T1. She has subsequently suffered from chronic depression and is in a pain management program.

Previous Annual Actiivty

2/28/08: Accepted PTD 10/3/02. Still no interest in settlement. We have been sucessful denying massage therapy and physical therapy under claim. Most of the medical exposure on file is for prescription medications. **07/05/08:** IW expressed interest in settlement. We have private mediation scheduled for July 28th at 2:00 p.m. **8/25/08:** Some interest in settlement - private mediation set for 11/03/08 **11/19/08:** IW has now expressed interest in settlement, so a private mediation has been scheduled for December 7, 2008. Travelers has settlement authorization of $200,000.

Latest Annual Activity

1st Qrtr **2/20/09**: No change since last resolution plan. Claims Case Manager reports settlement is not an option at this time.

2nd Qrtr **4/30/09:** Claimant backed out of settlement, as she and the attorney were not pleased with the MSA amount of $443,758.

3rd Qrtr **8/11/09:** We have no outstanding legal issues or medical issues on the file at this time. The IW continues her medical treatment with Doctor who from time to time will write script for massage therapy or physical therapy, which we continue to deny based on EMA performed by other doctor who concluded that the claimant had adequate time to self apply ice or heat and perform independent stretching programs. Doctor's report did support our position of denying indefinite massage therapy and physical therapy which will alos reduce medical cost under the claim.

Claimant	7	**Type of Injury**	Fall - Multiple Injuries	**Minimum Premium**	No	**Total Paid**	199,822.90
Policy Year	2004	**Benefit Type**	Permanent Total	**Type of Business**	Construction	**Total Reserved**	713,383.10
Accident Year	2004	**Rating Plan**	C			**Total Incurred**	**913,206.00**

Description of Accident

37 yr old IW fell approximately 30' from a makeshift scaffold, landing on his back causing a collasped lung, broken ribs and broken right ankle.

Previous Annual Activity

2/28/08: PTD as of 4/20/05. Still no interest in settlement to date. Denied SSDI and IW has not appealed. Should he be accepted, we will have SSDI offset to age 62. Medical is stable. **06/24/08:** We received SSDI information and IW was accepted SSDI. We have weekly offset of $123.77 until IW reaches his 62nd birthday which is 10/30/08. We began offset on 6/16/08. **8/25/08:** No change - Still no interested in settlement. **11/20/08**: IW still has no interest in settlement to date. We have secured SSDI offset of $123.77 per week until he reaches 62 years of age and continue to pay PTD and Supps at 3% from date of loss. IW has been placed at MMI with a 35% impairment rating. Reserves remain on actuarial and properly set under the claim.

Latest Annual Activity

1st Qrtr **2/20/09:** File marked benefit management.

2nd Qrtr **4/21/09:** No change, file marked benefit management.

3rd Qrtr **8/11/09:** Reviewed file. No change - claim is marked benefit management.

Claimant	**8**	**Type of Injury**	Fall - Knee Injuries	**Minimum Premium**	No	**Total Paid**	288,814.70
Policy Year	2003	**Benefit Type**	Permanent Total	**Type of Business**	Construction - Roofing	**Total Reserved**	597,858.30
Accident Year	2003	**Rating Plan**	D			**Total Incurred**	**886,673.00**

Date of Accident

Late Reported. 41 yr old IW was on roof unloading building materials and fell 12' off the upper part of the roof to lower roof injuring both knees and left shoulder.

Previous Annual Activity

02/28/08: Accepted PTD 4/3/06. No interest in settlement at this time. IW may have unrelated kidney cancer. D/A has filed subpeona to secure medical records. **06/24/08:** Discussed filed with D/A now that we have revised MSA of $73,327.17. D/A will contact claimant attorney to determine if they have any interest in settlement. D/A has also secured medical records from claimant's hospital stay for kidney cancer, which appears that his entire kidney was removed and is now cancer free. Of course, we know that a person can live a long time with one kidney. We are hopeful that will express some interest in settlement as the original MSA was $180,879.00, but it noted 3 total knee replacements in IW's life time but when D/A conferenced with the Doctor, he noted that he would only expect 1 total knee replacement in the claimant's lifetime, so this reduced the MSA by quite a bit of money. However, should they express interest in settlement and should we reach settlement we will consider waiting for CMS approval and placing MSA money in annuity. Reserves remain as posted and are on actuarial. **8/25/08:** Most recent issue has been request from Doctor to perform lumbar discogram, which has been denied because it is not medically necessary. **11/19/08:** We have secured MSA of $73,327 based on the need for a number of knee replacements in the IW's lifetime. No interest in settlement at this time.

Latest Annual Activity

1st Qrtr **2/20/09:** Reviewed file - private mediation was set for January 29,2009, but was cancelled by claimant's attorney as injured worker has alleged injury to his stomach during physical therapy, and the injured worker stated that he was going to the hospital emergency room for treatment, our D/A will secure medical records from his alleged ER visit.

2nd Qrtr **4/10/09:** Attended private mediation on 3/12/09. Opening demand was $550,334 inclusive and our opening offer was $100,000 inclusive. Final demand was $531K inclusive. Mediation was stopped at that time as the IW stated if the Insurance Company does not have a lot of money to "throw" at him, then they will just have to live with an open claim. Adjuster has settlement authorization of $198,300 with an MSA of $73,327.

3rd Qrtr **8/11/09:** Review file and IW has now had EMA physician who opined that the percutaneous discogram/discectomy was not medically necessary. However, he is of the opinion that the claimant may be a candidate for another surgical procedure for his lower back.

Claimant	**9**	**Type of Injury**	Fall - Multiple Fractures	**Minimum Premium**	No	**Total Paid**	360,271.80
Policy Year	1997	**Benefit Type**	Permanent Total	**Type of Business**	Window Cleaner	**Total Reserved**	248,747.20
Accident Year	1998	**Rating Plan**	C			**Total Incurred**	**609,019.00**

Description of Accident

52 yr old IW was hooking up safety harness when he fell 130 feet suffering multiple open fractures to legs and feet.

Previous Annual Activity

02/28/08: File marked as benefit management. IW is not really interested in settlement. We are going to request activity check as the IW has not been to the doctor since 7/11/06, and his indemnity checks are direct deposited - need to make sure IW is alive and well. **6/24/08:** IW has now shown interest in settlement. Based on further review of the claim and exposure of PTD we offered $85,700 inclusive of which the MSA would be included in settlement offer. Will follow up within the next month wth the IW's translator regarding settlement offer. **09/03/08:** Reviewed file. We did make settlement offer to Mr. Santos of $85,700 and we heard from his son noting that his father was insulted by our settlement offer. He made a counter demand of $385,700. We assured him that we did not have that type of exposure in the file so I expect settlement will not be obtained on this file. **11/19/08:** We did make settlement offer to IW of $85,700 and heard from IW's son, noting that offer was insulting. IW countered for $385,700. We assured IW that he did not have that type of exposure. Therefore, it is unlikely that we will settle claim at this time. File marked benefit management. IW reached MMI with 28% impairment rating.

Latest Annual Activity

1st Qrtr **2/20/09:** IW still has not interest in settlement and the file is marked benefit management.

2nd Qrtr **4/30/09:** No change.

3rd Qrtr **8/11/09:** We continue to follow all activity on the file and have minimal medical treatment. IW has no interest in settlement and the file is marked benefit management.

Claimant	**10**	**Type of Injury**	Fall - Fracture	**Minimum Premium**	No	**Total Paid**	460,687.30
Policy Year	2004	**Benefit Type**	Temp. Partial - RTW	**Type of Business**	Construction	**Total Reserved**	130,057.70
Accident Year	2004	**Rating Plan**	T3			**Total Incurred**	**590,744.00**

Description of Accident

52 yr old IW was taking pictures for insured on a wet second story roof when he slipped and fell fracturing his ankle, damaged & cut his knee, and dislocated his right shoulder. In October of 2006, IW was re-admitted to hospital for additional surgery due to an infection in his right leg.

Previous Annual Activity

02/28/08: IW is once again back to work with the insured. Treating physician will not address impairment rating until August of 2008, which is one year from his last surgery. File will remain open as we do not expect impairment rating. Minimal medical treatment. **07/10/08:** Reviewed file and increased reserves to cover life of claim. IW is 56 years old with life expectancy of 23.3 years. We continue to wait for impairment rating on this file which is not expected to be addressed until August of 2008. **8/25/08:** No change **11/19/08:** We had previously reviewed file and increased reserves to cover life of claim back in May 2008. IW is a 56 years old with a life expectancy of 23.3 years. Medical is finally back to normal with follow up visits two times a year. We continue to wait for impairment rating on this file. IW has returned to work full duty, full time with no restrictions as of 7/10/07 with the insured.

Latest Annual Activity

1st Qrtr **2/20/09:** We have finally received MMI with 6% impairment rating, which is less than the previous rating of 9%. Therefore, we have no impairment benefits due or owing. As we expected surgery improved the medical condition. IW continues to work for the insured with no interest in settlement of his claim.

2nd Qrtr **4/22/09:** IW continues to work for the insured with no interest to settle his claim. File is marked benefit management.

3rd Qrtr **8/11/09:** File is marked benefit management and reserves remain as posted.

Claimant	**11**	**Type of Injury**	RSD in Right Wrist	**Minimum Premium**	No	**Total Paid**	463,824.90
Policy Year	1994	**Benefit Type**	Settled - Permanent Total	**Type of Business**	Medical Office	**Total Reserved**	93,354.10
Accident Year	1994	**Rating Plan**	C			**Total Incurred**	**557,179.00**

Description of Accident

61 year old IW doing data entry for 5 years; pain in right hand and wrist. The IW developed RSD while performing repetitive data entry. The condition has worsened over the years and the psychological problems have intensified.

Previous Annual Activity

02/29/08: PTD as of 11/23/00. IW has backed out of settlement four (4) times in the past. Minimal medical treatment, but we continue to pay for attendant care provided by the spouse. We just became aware that the spouse now has cancer and we confirmed that attendant care is still necessary with the treating physician, so if the spouse should pass away, we will most likely have to assign to one of our providers for attendant care. **06/24/08:** We have private mediation scheduled for 8/6/08. As we do have SDF recovery on the file, we will need to secure permission from them to move forward with settlement should we reach settlement at the upcoming mediation. We continue to pay PTD benefits under claim with supplemental paid by the state. **08/25/08:** Mediation was originally scheduled for 8/14/08, but has been rescheduled, as we have not received authorization from the State regarding recovery from Disability Fund. **11/19/08:** IW has now expressed interest in settlement once again. Her husband recently passed away which may now have put her in a financial position that would warrant a settlement. D/A is waiting for confirmed authorization from the State to move forward with settlement talks based on the $250K settlement authorization. The State had once before provided us with permission to pursue settlement but it was many years ago, so we will need an updated agreement from them before we set private mediation. We have secured MSA which is $188,147 and both the IW and her attorney have been provided with a copy.

Latest Annual Activity

1st Qrtr **2/20/09:** IW has agreed to a settlement of her workers comp case for $250K, inclusive of fees and costs. The settlement is contingent on the MSA of $50K estimate being approved by Medicare and SDF (State Disability Fund) approval.

2nd Qrtr **4/13/09:** Settlement is still pending while we wait for MSA approval.

3rd Qrtr **8/10/09:** Claim has now been settled as of 8/4/09, with settlment checks being issued today. Total settlement was $250K with recovery of $50,798 from SDF (46% recovery). Once we have all outstanding bills paid, will close file.

Claimant	**12**	**Type of Injury**	MVA - Multiple Injuries	**Minimum Premium**	No	**Total Paid**	471,347.80
Policy Year	2006	**Benefit Type**	Temporary Total	**Type of Business**	Excavation - Land Clearing	**Total Reserved**	316,347.20
Accident Year	2007	**Rating Plan**	T2			**Total Incurred**	**789,695.00**

Description of Accident

IW is a 43 year old male who was involved in a motor vehicle accident causing him to be ejected from his truck resulting in multple injuries. IW continues as in inpatient and is still not totally out of danger which could result in his death. IW suffered a sever lung injury, fracture femur and vertebrae fractures.

Previous Annual Activity

2/20/08: IW still complains of pain/tenderness over the area of the T12 compression fracture. He mentioned the prescription for the physical therapy and we reminded him of the wellness program that he already had available. The Doctor has scheduled the surgical removal of the rod in the right leg for 03/10/08. He has a pre-operative appointment with Doctor for 2/28/08 and we will have someone accompany him to this appointment to make certain that all arrangements are in order so we can get this done. **7/4/08:** Reviewed file. Reserves have been adjusted. Increased indemnity based on 7% rating. MMI not expected for another 3 to 6 months. Posted impairment benefits based on expected overall MMI of 20% less 25% safety violoation from indemnity which results in 55 weeks @ $120. No settlement value has been posted to date. IW did have hardware removal surgery performed on 3/10/08 for right femur. He has however continued to complain that no doctor is helping him and continues with medications which seem to have increased over the claim. Paradigm nurse did suggest Rosomoff Pain Clinic in Miami and IW did agree to stay at the clinic for the 4 week program. This should help him in his pain control and of course reduce his intake of pain medications. We continue to pay TTD less 25% reduction due to safety violation. **08/25/08:** Reviewed file and IW has now completed his in-patient 4 week program at the Rosonoff Pain Clinic and is back at home. Reserves remain as posted basee on continued indemnity and expected overall MMI. We have received 7% impairment rating from the Doctor for the shoulder injury and projected a 10% from other Doctor who notes MMI is not expected for another 6 months, which is not possible as we have already paid out 91 weeks of a 104 week statutory MMI which means IW only have 13 weeks of benefits remaining. **11/19/08:** IW has completed an in-patient 4 week program at the Rosonoff Pain Clinic and is back at home. The company IW worked for at the time was owned by his girlfriend and it has since been closed down as he was the only employee. Once we have overall MMI, we will determine settlement exposure on the file and most likely will recommend setting private mediation to pursue resolution of the claim. Reserves remain as posted.

Latest Annual Activity

1st Qrtr **2/20/09**: IW did reach statutory overall MMI as of 1/7/09 with a 23% impairment rating. We continue to pay impairment benefits at this time which will run to May 2009. D/A is currently addressing future medical care with physicians and once we obtain information, we will revisit reserves and review file for settlement value.

2nd Qrtr **4/30/09:** IW continues with medical treatment. D/A has been in contact with IW's attorney to determine if there is any interest in settlement. In the meantime, IW has been turned down three times for social security benefits. His attorney is now helping him with that, should he secure SSDI and expect they will be looking at PTD, which we would defend since IW has a four year college degree, is under 50 years old, and should secure some form of gainful employment. We continue to pay out impairment benefits at this time.

3rd Qrtr **8/11/09:** In the process of determining if the claimant and his attorney have any interest in settlement. We are also trying to secure banking information to determine if IW is running any other business since closing down the business insured by the FWCJUA.

Claimant	**13**	**Type of Injury**	Head Injury	**Minimum Premium**	No	**Total Paid**	502,480.00
Policy Year	2005	**Benefit Type**	Settled (Was Temp Total)	**Type of Business**	Machineray & Equiipment Erection	**Total Reserved**	1,001.00
Accident Year	2006	**Rating Plan**	T3			**Total Incurred**	**503,481.00**

Description of Accident

58 yr old IW, first day on the job, was standing on the ground when he was struck in the head by a piece of stone that fell from the 17th floor

Previous Annual Activity

02/28/08: Claim settled for $253,750 inclusive on 7/19/06, but remains open for subrogation. **06/18/08:** Case is open for subrogation purposes only. A motion for summary judgement was granted to the defendant late last year. The Plaintiff has appealed and a decision is unlikely to be rendered until later this year. The plaintiff's chances of success at overturning the MSJ is viewed as poor. **08/25/08:** No new developments **11/19/08:** Subro claim handler reviewed the file for the status of the appeal and there has been no new developments. She will continue to monitor this case for appeal decision, which may not be rendered for a while.

Latest Annual Activity

1st Qrtr **2/20/09**: File is open for subrogation purposes only. Third party claim was dismissed on a Motion for Summary Judgement filed by the Defendant. However, claimant has filed an appeal and that matter is pending and we expect it to do so for a while.

2nd Qrtr **4/30/09:** Case is moving to jury trial.

3rd Qrtr **8/11/09:** Trial date is scheduled for 9/7/09. However, subro claim handler doubts this case will proceed to trial.

Claimant	14	**Type of Injury**	Head Injury	**Minimum Premium**	No	**Total Paid**	101,887.60
Policy Year	2004	**Benefit Type**	Temp. Total (Suspended)	**Type of Business**	Residential Construction	**Total Reserved**	403,669.40
Accident Year	2004	**Rating Plan**	D			**Total Incurred**	**505,547.00**

Description of Accident

PEO Involvement/Dispute. Coverage initially denied. This is a catastrophic CLOSED HEAD INJURY. The IW was 19 yrs old at time of accident. The IW fell from 12' - 14' on to a concrete floor fracturing his skull causing what appears to be a severe brain injury.

Previous Annual Activity

02/28/08: We fought for the carrier of the subcontractor (Packard Insurance) to take over responsibility for this claim. The attorney for the carrier agreed to do so in a joint stipulation signed by the JCC on 10/1/07. Packard will pay future claim and medical benefits but reserves the right to seek contribution from us. We accepted this agreement because we reserved the right to file a third party claim against subcontractor if they file a claim for contribution. We are waiting 6 months before closing the file. **06/25/08**: We were to consider closing file in June due to inactivity, but I was notified that mediation between the claimant and the servicing carrier Packard was to be held on 5/30/08. Called former D/A today to see if he knows whether the mediation went forward. He was not in, so I left a message. I told him we planned on closing our file since Southeast Personnel had taken over handling the case but wanted to know if the mediation took place. 07/11/08: Mediation was at an impasse. Final hearing is scheduled for 8/27/08. We are not a party to the hearing as Packard Ins., is handling the case on behalf of Southeast Personnel. The issue appears to be E/C's efforts to move claimant from Communicare, where hi is in-patient in thier head trama program. Mediation may have been an attempt to settle the claim but no agreement was reached. IW is still a resident of Communicare and htis is being paid for by the other carrier. I anticipate the other carrier will try again to settle the overall case but I am uncertain whether they will seek some contribution from us. We will want to wait till after the hearing of 8/27/08 before closing our file. **09/18/08:** Final hearing has been moved to 11/11/08 from 8/27/08 and again, we are not a party to it. **11/19/08:** There has been no attempt by claimant or the other carrier to involve the FWCJUA in the claim since our agreement that the other carrier would handle the claim. There has been continued litigation between the claimant and the other carrier due to the other carriers efforts to move claimant form Communicare, a head injury facility. Apparently, a hearing was set for 8/27/08 and then it was continued until 11/12/08. We have not been able to learn if the hearing went forward but will keep checking with D/A. According to the JCC website, many depositions of experts were taken and memos of law filed by both parties. We will determine if the hearing occurred on 11/12/08 adn whether it changes our plan for handling this case.

Latest Annual Activity

1st Qrtr **2/20/09**: Private mediation between IW and Southeast Personnel Leasing was held on 2/13/09. Mediation was set after recent litigation in which the JCC ruled in favor of the IW remaining at Communicare. Attorney for Leasing Company tried to get the JCC to allow them to move IW to another facility, but the JCC ruled against them. This was the 3rd attempt to settle the case. Although, the case did not settle, we got a much clearer idea of claimant's current condition and treatment as well as the thinking of both parties toward settlement value. O/C's demand was for a settlement package costing $1.5 million, which was similar to his last demand and was not supported with details. Final demand was $1.3 million, so there wasn't much movement by either party. Attorney for leasing company has filed a Notice of Contribution because they believe our insured had other employees working for him that were not listed with the leasing company. He maintains that our insured did not intend to report claimant as an employee and he believes he can prove this. The fact remains that no one says the claimant worked for the insured longer than a few days before he was injured and there is no evidence he was to be paid cash. We noticed the leasing company's attorney on our plan to file the 3rd party suit and he has asked us to hold off until we address his further evidence. For now, Southeast will continue to handle the claim.

2nd Qrtr **4/10/09:** D/A discussed concerns with this case and that with every passing weak, our case is less and less strong. Subpoenas sent to the other two leasing companies have not been aswered, so we don't know if they show employees listed on the payroll. D/A recommends that we try to settle with Leasing Company and let the Leasing Company resolve the underlying claim. We will attempt to settle with Leasing Company - authorized $300,000 toward settlement. If that doesn't work, we will consider global mediation with Leasing Company and Claimant and try to settle. In separate discussions, Subro MCU and Adjuster are in agreement that we need to serve 3rd party lawsuit to maintain negotiating leverage with Leasing Company.

3rd Qrtr **8/10/09:** Our attorney received message from D/A. According to him, they have paid out $825,000.00 so far which is more than we calculated from their payout sheets. It may include attorney's fees, costs and investigations, everything. He says that there is an outstanding attorney's fees demand of $157K, which he plans on getting out of for less than that. There is also exposure for a future settlement and some outstanding medical bills. He said he has no specific authority from his client, but that he would recommend a split. He is clear that would include everything he has paid out including expenses, fees and he would add in anything we have paid out and divide that by two with equal responsibility between the two carriers. He would recommend it to his client but he has no specific authority. As far as a lump sum, he said that if we paid something that he thought high enough he may take on the risk of the future benefits. However, he would consider that but he would prefer just having a 50/50 split. We think he has this case valued somewhere between $1,250,000.00 and $1,500,000.00 himself. We are trying to set this case for private mediation in Tampa so that all can attend.

FWCJUA Collections Report
RSI Performance Report
July 27, 1998 to July 31, 2009

	RSI - Total		RSI - Actual		RSI - 3X	
Category - *(First Placements)*	**Number**	**$ Amount**	**Number**	**$ Amount**	**Number**	**$ Amount**
Accounts Submitted for Collection	2,757	110,569,320	1,230	57,492,235	1,527	53,077,084
Adjustments & Revisions	708	43,067,607	128	14,682,023	580	28,463,006
Prinicipal after Adjustments	2,049	67,325,392	1,102	42,810,212	947	24,515,180
Principal Recovered		15,074,797		11,919,261		3,155,536
Collection Fees Recovered		561,678		457,893		103,785
Total Recovery		15,636,475		12,377,154		3,259,321
Collection Fees		1,410,823		1,136,303		274,520
Average Balance Submitted (after adj.)		24,420		34,805		16,054
Paid in Full	698	7,751,752	498	5,915,914	200	1,835,838
Settled in Full	221	5,073,431	190	4,334,337	31	739,094
Collected / Settled	**919**	**12,825,183**	**688**	**10,250,251**	**231**	**2,574,932**
Legal in Progress	81	8,486,631	49	6,082,828	32	2,403,803
Active (still in collection process)	110	1,786,031	51	882,776	59	903,255
Work in Progress	**191**	**10,272,661**	**100**	**6,965,603**	**91**	**3,307,058**
Judgment Awarded	94	15,349,760	61	13,585,866	33	1,763,894
On Hold	8	49,276	2	9,924	6	39,352
Potentially Collectible	**102**	**15,399,036**	**63**	**13,595,790**	**39**	**1,803,246**
Uncollectible / Write-Offs	**837**	**23,757,529**	**251**	**8,263,833**	**586**	**15,493,697**
Withdrawn / Revised to Zero	**708**	**16,819,133**	**128**	**6,162,822**	**580**	**10,656,311**
Principal Recovered but returned		176,320		77,423		98,898
Summary Statistics - On Submitted						
% of Accounts Collected / Settled		33.3%		55.9%		15.1%
% of Accounts Withdrawn / Revised to Zero		25.7%		10.4%		38.0%
% of Accounts Uncollectible / Written-Off		30.4%		20.4%		38.4%
% of Accounts Potentially Collectible / In Progress		10.6%		13.3%		8.5%
% of Premium Collected / Settled		11.6%		17.8%		4.9%
% of Premium Withdrawn / Revised to Zero		15.2%		10.7%		20.1%
% of Premium Uncollectible / Written-Off		21.5%		14.4%		29.2%
% of Premium Potentially Collectible / In Progress		23.2%		35.8%		9.6%
% of Premium Adjusted		28.5%		21.3%		36.3%
Summary Statistics - On Principal after Adjustments						
Total Recovery % (Premium & Fees Collected)		23.2%		28.9%		13.3%
Total Recovery % (Accounts Collected)		44.9%		62.4%		24.4%
Premium Recovery %		22.4%		27.8%		12.9%
RSI Fees Recovery %		39.8%		40.3%		37.8%
FWCJUA Average Collection Expense %		5.6%		5.7%		5.4%

FWCJUA Collections Report

2009 Collections Activity compared to 2008

January 1, 1994 to July 31, 2009

(1st and 2nd Placements)

July 2009 Activity	As of 7/31/2009	As of 12/31/2008	Difference	% Difference
Accounts Submitted for Collection - #	5,629	5,580	49	0.88%
Accounts Submitted for Collection - $	$141,278,118	$139,807,582	$1,470,535	1.05%
Total Gross Recovery (includes fees recovered)	$23,593,771	$22,918,554	$675,217	2.95%
Collection Fees	$2,388,408	$2,340,336	$48,072	2.05%
Total Net Recovery (less fees)	$21,205,363	$20,578,218	$627,145	3.05%
Recovery % - (Gross)	16.70%	16.39%		0.31%
Recovery % - (Net)	15.01%	14.72%		0.29%

July 2008 Activity	As of 07/31/2008	As of 12/31/2007	Difference	% Difference
Accounts Submitted for Collection - #	5,541	5,444	97	1.78%
Accounts Submitted for Collection - $	$138,303,726	$135,515,216	$2,788,510	2.06%
Total Gross Recovery (includes fees recovered)	$22,160,510	$21,012,735	$1,147,775	5.46%
Collection Fees	$2,291,548	$2,203,930	$87,619	3.98%
Total Net Recovery (less fees)	$19,868,961	$18,808,805	$1,060,156	5.64%
Recovery % - (Gross)	16.02%	15.51%		0.52%
Recovery % - (Net)	14.37%	13.88%		0.49%

FWCJUA Collections Report
RSI Recovery Analysis
by size type of account *(1st placements)*
July 27, 1998 to July 31, 2009

	# of Accounts	% of Total	Principal after Adjustments	% of Total	Principal Recovered	% Recovery of category	% Recovery of Total
$100,000 & Over	**134**	**6.5%**	**40,678,440**	**60.4%**	**4,144,824**	**10.2%**	**27.8%**
3X	61	3.0%	12,985,195	19.3%	1,345,112	10.4%	9.0%
Actual	73	3.6%	27,693,245	41.1%	2,799,712	10.1%	18.8%
$50,000 - $99,999	**124**	**6.1%**	**8,757,897**	**13.0%**	**3,112,165**	**35.5%**	**20.9%**
3X	47	2.3%	3,175,736	4.7%	234,266	7.4%	1.6%
Actual	77	3.8%	5,582,161	8.3%	2,877,899	51.6%	**19.3%**
$15,000 - $49,999	**426**	**20.8%**	**11,189,747**	**16.6%**	**4,226,584**	**37.8%**	**28.4%**
3X	197	9.6%	5,058,625	7.5%	569,163	11.3%	3.8%
Actual	229	11.2%	6,131,122	9.1%	3,657,421	59.7%	**24.6%**
$0- $14,999	**1,365**	**66.6%**	**6,699,309**	**10.0%**	**3,411,269**	**50.9%**	**22.9%**
3X	642	31.3%	3,295,625	4.9%	908,097	27.6%	6.1%
Actual	723	35.3%	3,403,683	5.1%	2,503,172	73.5%	**16.8%**
Grand Total	**2,049**	**100.0%**	**67,325,392**	**100.0%**	**14,894,842**	**22.1%**	**100.0%**
3X	**947**	**46.2%**	**24,515,180**	**36.4%**	**3,056,638**	**12.5%**	**20.5%**
Actual	**1,102**	**53.8%**	**42,810,212**	**63.6%**	**11,838,204**	**27.7%**	**79.5%**

26,771 policies were issued from August 1, 1998 - July 31, 2009 - therefore 7.7% of these policies issued have actually ended up in collections. Of the 2,049 policies in collections, 919 have paid or been settled in full. So only 4.2% of policies issued are generating the uncollectible premium situation for the FWCJUA.

Of the 134 accounts over $100K - only 4 accounts are over $1M for a total of $10.4M of the $40.7M uncollectible. (.2% of all uncollectible accounts are generating 15% of the total uncollectible premium.) 47 of the 134 accounts totaling $8M are either bankrupt, corporation dissolved or out of business and therefore collection efforts are not possible. 10 of the 134 accounts have been paid or settled in full.

Balance Sheet	Final Balances 6/30/2009	Final Balances 6/30/2008	12 - month Dollar Change	12 - month Percent Change	Final Balances 12/31/2008	Year to Date Dollar Change	Year to Date Percent Change	Comments
Assets:								
Bonds	**54,973,570**	**79,099,357**	(24,125,787)	-30.5%	**78,073,507**	(23,099,937)	-29.6%	Result of operations
CD's less than 1 year	**22,964,500**	**-**	22,964,500	0.0%	**-**	22,964,500	0.0%	Result of operations
CD's greater than 1 year	**18,642,330**	**-**	18,642,330	0.0%	**-**	18,642,330	0.0%	Result of operations
Cash	**5,286,345**	**15,077,584**	(9,791,239)	-64.9%	**12,253,704**	(6,967,359)	-56.9%	Result of operations
Short-term investments	**5,826,078**	**14,974,861**	(9,148,783)	-61.1%	**18,148,803**	(12,322,725)	-67.9%	Result of operations
Cash and invested assets	**107,692,823**	**109,151,802**	(1,458,979)	-1.3%	**108,476,013**	(783,191)	-0.7%	Result of operations
Premiums receivable	**1,112,337**	**3,114,702**	(2,002,365)	-64.3%	**2,011,133**	(898,796)	-44.7%	Due to decline in premium writings
Premiums deferred	**804,391**	**2,108,077**	(1,303,686)	-61.8%	**1,823,376**	(1,018,985)	-55.9%	Due to decline in premium writings
Premiums EBUB	**(56,519)**	**-**	(56,519)	N/A	**-**	(56,519)	N/A	SAP codification requirement in 2001
Misc. Receivable	**179,370**	**316,233**	(136,863)	-43.3%	**97,670**	81,700	83.6%	Servicing Carrier Receivable
EDP Equipment	**71,647**	**84,165**	(12,518)	-14.9%	**59,857**	11,790	19.7%	New Equipment & Depreciation
Interest income accrued	**842,194**	**1,030,554**	(188,360)	-18.3%	**1,076,750**	(234,556)	-21.8%	Investment Income
Reinsurance Recovery Receivabl	**64,156**	**64,064**	92	0.1%	**60,414**	3,742	6.2%	Have recovered $204,862 YTD
Excess Deposits from Reinsurers	**-**	**-**	-	0.0%	**650,019**	(650,019)	-100.0%	When Rate or Minimum < Deposit Premium
Total Assets	**$ 110,710,398**	**$ 115,869,596**	**$ (5,159,198)**	**-4.5%**	**$ 114,255,233**	**$ (3,544,834)**	**-3.1%**	
Liabilities:								
Loss and ALAE reserves	**21,129,422**	**29,958,649**	(8,829,227)	-29.5%	**22,455,161**	(1,325,739)	-5.9%	2009 Activity
Retroactive Reinsurance	**(4,262,725)**	**(4,488,952)**	226,227	-5.0%	**(4,333,528)**	70,803	-1.6%	Losses transferred under LPT
ULAE reserves	**2,778,018**	**2,847,712**	(69,694)	-2.4%	**2,899,994**	(121,976)	-4.2%	Statutory ULAE required
Servicing carrier fees payable	**344,504**	**748,270**	(403,766)	-54.0%	**501,833**	(157,329)	-31.4%	Due to decline in premium writings
Commissions payable	**65,381**	**184,309**	(118,928)	-64.5%	**134,796**	(69,415)	-51.5%	Due to decline in premium writings
Other accrued expenses	**5,169,844**	**5,693,064**	(523,220)	-9.2%	**5,637,894**	(468,050)	-8.3%	Monthly Settlements & Other Expenses
Unearned premiums	**2,964,441**	**6,911,693**	(3,947,252)	-57.1%	**4,831,199**	(1,866,758)	-38.6%	Due to decline in premium writings
Reins. premiums payable	**361,600**	**446,298**	(84,698)	-19.0%	**0**	361,600	N/A	Reinsurance contract premium due
Deposit premiums	**1,219,821**	**2,716,176**	(1,496,355)	-55.1%	**1,562,055**	(342,234)	-21.9%	Deposit requirements effective 1/1/97
Advance premiums	**-**	**56,757**	(56,757)	-100.0%	**-**	-	N/A	SAP codification requirement in 2001
State authorization payable	**66,840**	**86,640**	(19,800)	-22.9%	**86,580**	(19,740)	-22.8%	Active agent authorizations
Provision for Reinsurance	**-**	**-**	-	N/A	**129,252**	(129,252)	-100.0%	Reinsurance Recovery > LOC
Policyholder Dividend	**-**	**-**	-	N/A	**858,391**	(858,391)	-100.0%	2001 Policyholder Dividend
Unearned producer fees	**31,036**	**$ 27,451**	3,585	13.1%	**14,203**	16,833	118.5%	New agency 2 year authorizations
Total liabilities	**$ 29,868,182**	**$ 45,188,067**	$ (15,319,885)	-33.9%	**$ 34,777,830**	$ (4,909,648)	-14.1%	
Surplus / (Deficit):								
Unassigned surplus / (deficit)	**74,747,509**	**64,586,821**	10,160,688	15.7%	**73,382,695**	1,364,814	1.9%	
Assigned/Special surplus	**6,094,708**	**6,094,708**	-	0.0%	**6,094,708**	-	0.0%	Restricted surplus from LPT
Total Surplus / (Deficit)	**80,842,217**	**70,681,529**	10,160,688	14.4%	**79,477,403**	1,364,814	1.7%	
Total liabilities and surplus	**$ 110,710,398**	**$ 115,869,596**	**$ (5,159,198)**	**-4.5%**	**$ 114,255,233**	**$ (3,544,835)**	**-3.1%**	

	Final Balances 6/30/2009	Final Balances 6/30/2008	12 - month Dollar Change	12 - month Percent Change	Final Balances 12/31/2008	Year to Date Dollar Change	Year to Date Percent Change	Comments
Income Statement								
Premiums written - direct	**(441,204)**	**4,061,013**	(4,502,217)	-110.9%	**6,726,006**	(7,167,210)	-106.6%	2009 Activity
Premiums written - EBUB	**(55,041)**	**(298,456)**	243,415	-81.6%	**(298,456)**	243,415	-81.6%	SAP codification requirement in 2001
Change in unearned - direct	**1,233,958**	**1,511,800**	(277,842)	-18.4%	**4,363,151**	(3,129,193)	-71.7%	Due to decline in premium writings
Premiums written - ceded	**(1,265,600)**	**(1,541,711)**	276,111	-17.9%	**(1,541,711)**	276,111	-17.9%	2009 annual reinsurance contract
Change in unearned - ceded	**632,800**	**770,856**	(138,056)	-17.9%	**-**	632,800	N/A	Reinsurance contract amount unearned
Premiums earned	**104,913**	**4,503,502**	**(4,398,589)**	-97.7%	**9,248,990**	(9,144,077)	-98.9%	
Losses paid - direct	**1,513,653**	**586,306**	927,347	158.2%	**2,887,434**	(1,373,781)	-47.6%	2009 Activity
Change in reserves - direct	**(3,205,345)**	**827,962**	(4,033,307)	-487.1%	**(5,527,803)**	2,322,458	-42.0%	2009 Activity
Losses incurred - direct	**(1,691,692)**	**1,414,268**	(3,105,960)	-219.6%	**(2,640,369)**	948,677	-35.9%	
Losses paid - ceded	**(208,604)**	**(64,215)**	(144,389)	224.9%	**547,026**	(755,630)	-138.1%	2009 Activity
Change in reserves - ceded	**1,879,607**	**(1,032,303)**	2,911,910	-282.1%	**(2,180,026)**	4,059,633	-186.2%	2009 Activity
Losses incurred - ceded	**1,671,003**	**(1,096,518)**	2,767,521	-252.4%	**(1,633,000)**	3,304,003	-202.3%	
Net losses incurred	**(20,689)**	**317,750**	(338,439)	-106.5%	**(4,273,369)**	4,252,680	-99.5%	
Loss expenses incurred	**516,821**	**1,074,775**	(557,954)	-51.9%	**1,775,566**	(1,258,745)	-70.9%	
Other underwriting expenses	**564,613**	**1,891,087**	(1,326,474)	-70.1%	**2,651,972**	(2,087,359)	-78.7%	Due to decline in premium writings
Total underwriting expenses	**1,060,745**	**3,283,612**	(2,222,867)	-67.7%	**154,169**	906,576	588.0%	
Net underwriting gain (loss)	**$ (955,832)**	**$ 1,219,890**	**$ (2,175,722)**	**-178.4%**	**$ 9,094,821**	**$ (10,050,653)**	**-110.5%**	
Net investment income	**1,628,329**	**2,011,332**	(383,003)	-19.0%	**3,877,926**	(2,249,597)	-58.0%	Rapid decline in current interest rates
Net realized gains (losses)	**-**	**-**	-	0.0%	**(30,134)**	30,134	-100.0%	
Net investment gain (loss)	**1,628,329**	**2,011,332**	(383,003)	-19.0%	**3,847,792**	(2,219,463)	-57.7%	
Other income	**230,743**	**(108,783)**	339,526	-312.1%	**137,950**	92,793	67.3%	DOL funding for Subplan D, Reinsurance Profit Share & Producer Authorizations
Loss from Reinsurance (LPT)	**-**	**-**	-	0.0%	**(60,000)**	60,000	-100.0%	Decrease in LPT reserves (94 - 99)
Total Other Income	**230,743**	**(108,783)**	339,526	-312.1%	**77,950**	152,793	196.0%	
Net income	**$ 903,240**	**$ 3,122,439**	**$ (2,219,199)**	**-71.1%**	**$ 13,020,563**	**$ (12,117,323)**	**-93.1%**	
Policyholder Dividends	**(3,007)**	**-**	(3,007)	N/A	**858,391**	(861,398)	-100.4%	
Net income after dividends	**$ 906,247**	**$ 3,122,439**	**$ (2,216,192)**	**-71.0%**	**$ 12,162,172**	**$ (11,255,925)**	**-92.5%**	
Gains (losses) in surplus:								
Net income	**906,248**	**3,122,439**	(2,216,191)	-71.0%	**12,162,172**	(11,255,924)	-92.5%	2009 Activity
Change in n/a assets	**458,566**	**1,295,622**	(837,056)	-64.6%	**1,051,761**	(593,195)	-56.4%	90 days P/R & other non-admits
Change in deficit	**1,364,814**	**4,418,061**	(3,053,247)	-69.1%	**13,213,933**	(11,849,119)	-89.7%	
Beginning surplus/(deficit)	**79,477,404**	**66,263,469**	13,213,935	19.9%	**66,263,469**	13,213,935	19.9%	
Ending surplus/(deficit)	**$ 80,842,218**	**$ 70,681,529**	**$ 10,160,689**	**14.4%**	**$ 79,477,402**	**$ 1,364,816**	**1.7%**	

Final Balances 6/30/2009	Final Balances 6/30/2008	12 - month Dollar Change	12 - month Percent Change	Final Balances 12/31/2008	Year to Date Dollar Change	Year to Date Percent Change	Comments

**** EBUB Update:**

As of June 30, 2009 - the calculated EBUB is $(55,041)
After deducting for commissions, SCFs, reinsurance premiums and taxes & assessments - the net income effect would be $(36,196).

Since the FWCJUA booked the cumulative effect of EBUB in the 2001 financial statements, only the change each quarter is booked on the financial statements. Therefore on the 2009 Financials, the following changes were booked:
an earned premium of $(55,041); an decrease in expenses of $(18,845); for a net income effect of $(36,196).

Balance Sheet	**Balance Increase (Decrease) 2nd Qtr. 2009**	**Balance Increase (Decrease) 1st Qtr. 2009**
Assets:		
Bonds	(558,219)	(22,541,718)
Cash	1,132,773	(8,100,132)
CD's less than 1 year	22,964,500	-
CD's greater than 1 year	18,642,330	-
Short-term investments	(42,785,264)	30,462,539
Cash and invested assets	(603,880)	(179,311)
Premiums receivable	(27,199)	(871,597)
Premiums deferred	(930,339)	(88,646)
Premiums EBUB	29,143	(85,662)
Misc. Receivables	147,807	(66,107)
EDP Equipment	(10,280)	22,070
Interest income accrued	171,597	(406,153)
Reinsurance Recovery Receivable	(98,114)	101,856
Excess Deposits from Reinsurers	-	(650,019)
Total Assets	**$ (1,321,265)**	**$ (2,223,569)**
Liabilities:		
Loss and ALAE reserves	(459,652)	(866,087)
Retroactive Reinsurance	36,655	34,148
ULAE reserves	(81,297)	(40,679)
Servicing carrier fees payable	(83,983)	(73,346)
Commissions payable	(19,104)	(50,311)
Other accrued expenses	(426,748)	(41,302)
Unearned premiums	(356,722)	(1,510,036)
Reins. premiums payable	(452,000)	813,600
Deposit premiums	(242,733)	(99,501)
Advance Premiums	-	-
State authorization payable	(22,320)	2,580
Policyholder Dividend	(11,224)	(847,167)
Provision for Reinsurance	-	(129,252)
Unearned producer fees	(22,748)	39,581
Total liabilities	$ (2,141,876)	$ (2,767,772)
Surplus / Deficit:		
Change in unassigned surplus/deficit	820,611	544,203
Change in assigned surplus/deficit	-	-
Total Surplus / Deficit	$ 820,611	$ 544,203
Total liabilities and surplus	**(1,321,265)**	**(2,223,569)**

Income Statement	Balance Increase (Decrease) 2nd Qtr. 2009	Balance Increase (Decrease) 1st Qtr. 2009
Premiums written - direct	(1,026,897)	585,693
Premiums written - EBUB	21,896	(76,937)
Premiums written - ceded	673,123	560,835
Change in unearned - direct	-	(1,265,600)
Change in unearned - ceded	(316,400)	949,200
Premiums earned	(648,278)	753,191
Losses paid - direct	580,440	933,213
Change in reserves - direct	(2,448,333)	(757,012)
Losses incurred - direct	(1,867,893)	176,201
Losses paid - ceded	(40,166)	(168,438)
Change in reserves - ceded	1,988,682	(109,075)
Losses incurred - ceded	1,948,516	(277,513)
Net losses incurred	80,623	(101,312)
Loss expenses incurred	204,875	311,946
Other underwriting expenses	(171,342)	735,955
Total underwriting expenses	114,156	946,589
Net underwriting gain (loss)	$ (762,434)	$ (193,398)
Net investment income	856,736	771,593
Net realized gains (losses)	-	-
Net investment gain (loss)	856,736	771,593
Other income	202,221	28,522
Loss from Reinsurance (LPT)	-	-
Total Other Income	202,221	28,522
Net Income	296,523	606,717
Policyholder Dividends	(3,007)	-
Net income after dividends	$ 299,530	$ 606,717
	-	-
Gains (losses) in surplus:		
Net income	299,531	606,717
Change in n/a assets	521,079	(62,513)
Deferred Tax Asset/Liability	-	-
Change in deficit	820,610	544,204
Beginning surplus/(deficit)	-	79,477,404
Ending surplus/(deficit)	$ 820,610	$ 80,021,608

Florida Workers' Compensation Joint Underwriting Association, Inc. **Financial Report - 2**
Budget Variance
For January 1, 2009 - June 30, 2009

	Actual $	Budget $	Variance	% of Budget	Actual % (% of earned premium)	Budget % (% of earned premium)	Variance (% of earned premium)
REVENUE:							
PY 2009 Written Premium	3,543,176	6,000,000	(2,456,824)	59%			
EBUB Written Premium	(55,308)	0	(55,308)	N/A			
Prior PY Written Premium	(4,023,809)	500,000	(4,523,809)	-805%			
PY 2009 Earned Premium	978,556	3,900,000	(2,921,444)	25%			
EBUB Earned Premium	(55,308)	0	(55,308)	N/A			
Prior PY Earned Premium	(185,534)	3,000,000	(3,185,534)	-6%			
Reinsurance Premium	632,800	1,039,830	(407,030)	61%			
Net Earned Premium	104,914	5,860,170	(5,755,256)	2%			
Interest Income	1,628,329	1,625,000	3,329	100%			
Producers Authorization	86,507	42,275	44,232	205%			
Other Income	19,236	10,000	9,236	192%			
DOL Funding	125,000	0	0	N/A			
Gain/(Loss) from Reinsurance	0	0	0	N/A			
TOTAL REVENUE	**1,963,987**	**7,537,445**	**(5,573,459)**	**26%**			
OPERATING EXPENSES:							
Losses and LAE Incurred	(1,409,143)	2,252,400	(3,661,543)	-63%	-177.69%	32.64%	-210.34%
Reinsurance Recoveries	1,671,003	(285,954)	1,956,956	-584%	210.71%	-4.14%	214.86%
Net Losses and LAE Incurred	261,860	1,966,447	(1,704,587)	13%	33.02%	28.50%	4.52%
Servicing Carrier Fees	569,834	1,357,600	(787,766)	42%	71.86%	19.68%	52.18%
Commissions & Producers Fees	16,695	142,872	(126,176)	12%	2.11%	2.07%	0.03%
EBUB Expenses	(18,846)	0	(18,846)	N/A	-2.38%	0.00%	-2.38%
NCCI Admin. Fees	17,169	50,000	(32,831)	34%	2.17%	0.72%	1.44%
Bad Debt Write-Off / Recoveries	(1,118,571)	1,280,000	(2,398,571)	-87%	-141.05%	18.55%	-159.60%
Collection Expense	135,518	29,250	106,268	463%	17.09%	0.42%	16.66%
Taxes & Assessments	1,660	3,000	(1,340)	55%	0.21%	0.04%	0.17%
TOTAL OPERATING EXPENSES	**(134,681)**	**4,829,168**	**(4,963,849)**	**-3%**	**-16.98%**	**69.99%**	**-86.97%**
GENERAL & ADMINISTRATIVE EXPENSES:							
Professional Services							
Actuarial Service	51,119	37,000	14,119	138%	6.45%	0.54%	5.91%
Auditing - Financial	30,000	36,000	(6,000)	83%	3.78%	0.52%	3.26%
Auditing - IT	0	4,250	(4,250)	0%	0.00%	0.06%	-0.06%
Audit Fee Recovery - Travelers	0	(7,750)	7,750	0%	0.00%	-0.11%	0.11%
Consulting - Systems/Financial	10,552	15,000	(4,448)	70%	1.33%	0.22%	1.11%
Legal - General Counsel	67,446	81,000	(13,554)	83%	8.50%	1.17%	7.33%
Legal - Collections	7,670	6,000	1,670	128%	0.97%	0.09%	0.88%
Security & Other Services	6,974	9,950	(2,976)	70%	0.88%	0.14%	0.74%
Temporary Employees	0	5,000	(5,000)	0%	0.00%	0.07%	-0.07%
Total Professional Services	**173,761**	**186,450**	**(12,689)**	**93%**	**21.91%**	**2.70%**	**19.21%**

Florida Workers' Compensation Joint Underwriting Association, Inc. **Financial Report - 2**
Budget Variance
For January 1, 2009 - June 30, 2009

	Actual $	Budget $	Variance	% of Budget	Actual % (% of earned premium)	Budget % (% of earned premium)	Variance (% of earned premium)
General							
Rent	81,823	83,895	(2,072)	98%	10.32%	1.22%	9.10%
Bank Charges	3,948	2,700	1,248	146%	0.50%	0.04%	0.46%
Telecommunications	20,110	24,530	(4,420)	82%	2.54%	0.36%	2.18%
Insurance	48,986	49,895	(909)	98%	6.18%	0.72%	5.45%
Licenses & Fees	0	750	(750)	0%	0.00%	0.01%	-0.01%
Office Equipment & Supplies	11,920	55,600	(43,679)	21%	1.50%	0.81%	0.70%
Disaster Recovery Plan Maintenance	34,645	35,148	(503)	99%	4.37%	0.51%	3.86%
Utilities	5,125	9,000	(3,875)	57%	0.65%	0.13%	0.52%
Postage & Printing	5,764	12,810	(7,046)	45%	0.73%	0.19%	0.54%
Depreciation / Amortization	70,282	109,442	(39,160)	64%	8.86%	1.59%	7.28%
Total General	**282,602**	**383,769**	**(101,167)**	**74%**	**35.64%**	**5.56%**	**30.07%**
Personnel							
Compensation	541,275	592,665	(51,390)	91%	68.25%	8.59%	59.67%
Benefits	114,545	119,730	(5,184)	96%	14.44%	1.74%	12.71%
Payroll Tax	41,321	42,964	(1,643)	96%	5.21%	0.62%	4.59%
Training/Education/Recruitment	2,999	22,250	(19,251)	13%	0.38%	0.32%	0.06%
Total Personnel	**700,140**	**777,609**	**(77,469)**	**90%**	**88.29%**	**11.27%**	**77.02%**
Travel & Entertainment							
Travel - Employee	1,804	16,000	(14,196)	11%	0.23%	0.23%	0.00%
Travel - Board/Committee Meeting	0	10,300	(10,300)	0%	0.00%	0.15%	-0.15%
Total Travel & Entertainment	**1,804**	**26,300**	**(24,496)**	**7%**	**0.23%**	**0.38%**	**-0.15%**
Total General & Administrative Expenses	**1,158,307**	**1,374,127**	**(215,820)**	**84%**	**146.06%**	**19.91%**	**126.15%**
SPECIAL PROJECTS EXPENSES							
Litigation	37,118	50,000	(12,882)	74%	4.68%	0.72%	3.96%
Legal - Legislative Matters	0	100,000	(100,000)	0%	0.00%	1.45%	-1.45%
Legal - Special Projects	0	*TBD*	0		0.00%		
Second Rate Filing	0	15,000	(15,000)	0%	0.00%	0.22%	-0.22%
* A/C Issues	4,035	5,000	(965)	81%	0.51%	0.07%	0.44%
Virtualization Project (*capital expenditures CE only)*	42,952	47,000	(4,048)	91%	5.42%	0.68%	4.74%
* Online Interactive Application Process (*CE only)*	0	*TBD*	0		0.00%		
Disaster Recovery Deployment	0	*TBD*	0		0.00%		
Total Special Projects Expenses	**84,105**	**217,000**	**(132,895)**	**39%**	**10.61%**	**2.46%**	**2.73%**
Total G&A and Special Project Expenses	**1,242,412**	**1,591,127**	**(348,715)**	**78%**	**156.67%**	**23.06%**	**133.61%**
GRAND TOTAL OF EXPENSES	**1,107,731**	**6,420,295**	**(5,312,564)**	**17%**	**139.68%**	**93.05%**	**46.64%**
less $750,000 per Florida Statute & Appropriation	*0*	*(750,000)*					
GRAND TOTAL OF EXPENSES	**1,107,731**	**5,670,295**					
GAIN / (LOSS) BEFORE ASSESSMENT	**856,256**	**1,867,150**	**(5,573,459)**	**46%**			
less fixed assets	*(46,987)*						
GAIN / (LOSS) BEFORE ASSESSMENT	**903,243**						
*less Policyholder Dividend **	*(3,007)*						
GAIN / (LOSS) BEFORE ASSESSMENT	**906,249**						

TBD - To Be Determined

* Approved additions to the 2009 budget at the June 9, 2009 Board of Governors Meeting

Florida Workers' Compensation Joint Underwriting Association, Inc.
Budgeted Capital Expenditures
For Year Ending December 31, 2009
(as of June 30, 2009)

		Budget	Actual	Variance
Hardware				
Servers (2) (for virtualization project)		27,500	23,961	(3,539)
Scanner PC replacement		1,200	993	(207)
Storage Array		9,600	9,410	(190)
Hardware upgrades		2,000	629	(1,371)
Printer		700	0	(700)
UPS replacements for servers		400	0	(400)
Misc: keyboards, mice, patchcords, NIC		750	0	(750)
Software				
Virtualization & Exchange (for virtualization project)		9,500	9,453	(47)
Network monitoring		1,500	0	(1,500)
Development tools		1,500	995	(505)
Adobe Upgrade		1,300	0	(1,300)
Property, Plant & Equipment				
AC Reconfiguration *		5,000	4,035	(965)
	Total	**60,950**	**49,476**	**(11,474)**

* Approved addition to the 2009 budget at the June 9, 2009 Board of Governors Meeting

FWCJUA - Effective PRIOR to 7/26/2003
Cash Flow Analysis

	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Total 2009
Cash Inflows													
Premiums Collected/Deposits	0	75,000	25,899	0	0	(112)	(2,388)						98,399
Net Collections Activity	8,423	12,630	11,623	11,293	10,279	10,000	4,550						68,798
Producer Authorizations	900	29,500	24,800	16,500	7,900	4,100	4,200						87,900
Interest Income	2,889	70,260	25,288	31,701	30,094	40,225	16,735						217,192
Reinsurance Recoveries	0	0	66,582	0	89,772	8,049	0						164,403
Miscellaneous Income	0	0	1,680	0	0	(1,680)	0						0
Total Cash Inflows	***12,212***	***187,390***	***155,872***	***59,494***	***138,045***	***60,582***	***23,097***	***0***	***0***	***0***	***0***	***0***	***636,692***
Cash Outflows													
Loss and LAE payments	0	28,269	19,114	21,652	16,747	20,864	18,625						125,272
Underwriting expenses	0	10,128	3,483	0	0	(21)	(207)						13,384
General & Administrative expenses	340,655	61,108	709,809	(75,096)	237,868	(223,756)	(7,050)						1,043,538
Taxes & Assessments	0	0	0	0	0	0	0						0
Reinsurance Premiums	0	(547,892)	(102,127)	0	549,784	0	(172,755)						(272,990)
Interest Expense	(0)	(1)	(1)	15	12	(9)	1						18
Investments	(512,000)	(3,037,145)	7,126,520	1,005,624	676,016	(533,500)	(722,000)						4,003,515
Funds Transfer	2,500,000	0	(5,359,000)	528,500	(1,576,026)	125,505	77,000						(3,704,021)
Total Cash Outflows	***2,328,655***	***(3,485,532)***	***2,397,799***	***1,480,696***	***(95,599)***	***(610,917)***	***(806,385)***	***0***	***0***	***0***	***0***	***0***	***1,208,716***
SunTrust Bank													
Beginning	2,766,913	450,470	4,123,393	1,881,466	460,264	693,908	1,365,407	2,194,889	2,194,889	2,194,889	2,194,889	2,194,889	2,766,913
Net Activity	(2,316,443)	3,672,922	(2,241,927)	(1,421,202)	233,644	671,499	829,482	0	0	0	0	0	(572,024)
SunTrust Ending	450,470	4,123,393	1,881,466	460,264	693,908	1,365,407	2,194,889	2,194,889	2,194,889	2,194,889	2,194,889	2,194,889	2,194,889
Cash (to) / from MMF	0	0	0	0	0	0	0	0	0	0	0	0	0
Cash (to) / from Commerical Paper	0	0	0	0	0	0	0	0	0	0	0	0	0
Ending Balance	**450,470**	**4,123,393**	**1,881,466**	**460,264**	**693,908**	**1,365,407**	**2,194,889**	**2,194,889**	**2,194,889**	**2,194,889**	**2,194,889**	**2,194,889**	**2,194,889**
Evergreen Money Market Fund													
Beginning	1,362,762	932,684	2,572,242	82,372	192,767	124,796	4,230	3,054	3,054	3,054	3,054	3,054	1,362,762
Interest Income	69,922	124,558	199,929	103,210	82,419	93,646	93,249						766,933
Additions / (Withdrawals)	(1,000,000)	0	(525,000)	(300,000)	(500,000)	(920,000)	(575,000)						(3,820,000)
Sales & Matured Securities	500,000	1,515,000	673,545	645,270	850,000	1,119,496	480,575						5,783,886
Purchases	0	0	(2,838,344)	(338,085)	(500,390)	(413,708)	0						(4,090,527)
Ending	**932,684**	**2,572,242**	**82,372**	**192,767**	**124,796**	**4,230**	**3,054**	**3,054**	**3,054**	**3,054**	**3,054**	**3,054**	**3,054**
Total **Prior** JUA Funds	35,399,726	37,152,875	45,348,467	39,032,495	38,368,153	38,149,661	38,498,367						38,498,367
Liquidity (<1 yr. maturity)	11,895,584	16,009,176	14,987,554	17,302,763	17,197,468	18,520,910	20,377,825						20,377,825
Liquidity Percentage *(should be 5% or >)*	33.60%	43.09%	33.05%	44.33%	44.82%	48.55%	52.93%						52.93%

FWCJUA - SubPlan A
Cash Flow Analysis

	Actual Jan-09	Actual Feb-09	Actual Mar-09	Actual Apr-09	Actual May-09	Actual Jun-09	Actual Jul-09	Actual Aug-09	Actual Sep-09	Actual Oct-09	Actual Nov-09	Actual Dec-09	Total 2009
Cash Inflows													
Premiums Collected/Deposits	0	0	0	0	0	0	0						0
Net Collections Activity	0	0	0	0	0	0	0						0
Interest Income	262	1,624	(1,306)	82	121	115	102						1,000
Reinsurance Recoveries	0	0	0	0	0	0	0						0
Miscellaneous Income	2,000,000	0	0	0	0	0	0						2,000,000
Total Cash Inflows	***2,000,262***	***1,624***	***(1,306)***	***82***	***121***	***115***	***102***	***0***	***0***	***0***	***0***	***0***	***2,001,000***
Cash Outflows													
Loss and LAE payments	0	0	0	0	0	0	0	0	0	0	0	0	0
Underwriting expenses	0	0	0	0	0	0	0	0	0	0	0	0	0
General & Administrative expenses	0	0	0	0	0	0	0	0	0	0	0	0	0
Taxes & Assessments	0	0	0	0	0	0	0	0	0	0	0	0	0
Reinsurance Premiums	0	0	0	0	0	0	0	0	0	0	0	0	0
Interest Expense	0	127	0	0	0	0	0	0	0	0	0	0	127
Funds Transfer	0	1,000,000	1,000,000	0	0	0	0						2,000,000
Total Cash Outflows	***0***	***1,000,127***	***1,000,000***	***0***	***0***	***0***	***0***	***0***	***0***	***0***	***0***	***0***	***2,000,127***
SunTrust Bank													
Beginning	80,159	2,080,421	1,081,919	80,612	80,694	80,816	80,931	81,032	81,032	81,032	81,032	81,032	80,159
Net Activity	2,000,262	(998,503)	(1,001,306)	82	121	115	102	0	0	0	0	0	873
SunTrust Ending	**2,080,421**	**1,081,919**	**80,612**	**80,694**	**80,816**	**80,931**	**81,032**	**81,032**	**81,032**	**81,032**	**81,032**	**81,032**	**81,032**
Deposit Liability	0	0	0	0	0	0	0	0	0	0	0	0	0
Available Cash	**2,080,421**	**1,081,919**	**80,612**	**80,694**	**80,816**	**80,931**	**81,032**	**81,032**	**81,032**	**81,032**	**81,032**	**81,032**	**81,032**

FWCJUA - SubPlan C
Cash Flow Analysis

	Actual Jan-09	Actual Feb-09	Actual Mar-09	Actual Apr-09	Actual May-09	Actual Jun-09	Actual Jul-09	Actual Aug-09	Actual Sep-09	Actual Oct-09	Actual Nov-09	Actual Dec-09	Total 2009
Cash Inflows													
Premiums Collected/Deposits	0	0	0	0	(136,787)	340,000	0						203,213
Net Collections Activity	0	0	0	0	(309,233)	0	0						(309,233)
Interest Income	987	19,115	1,100	(5,139)	10,700	2,634	2,617						32,015
Reinsurance Recoveries	0	0	0	0	0	0	0						0
Miscellaneous Income	0	0	0	0	0	0	0						0
Total Cash Inflows	***987***	***19,115***	***1,100***	***(5,139)***	***(435,320)***	***342,634***	***2,617***	***0***	***0***	***0***	***0***	***0***	***(74,005)***
Cash Outflows													
Loss and LAE payments	10,655	0	7,676	0	31,313	27,971	(6,046)						71,568
Underwriting expenses	0	0	0	0	6,360	60,721	(5,911)						61,170
General & Administrative expenses	5	1,089	105	2,033	205	5	38						3,480
Taxes & Assessments	0	0	0	0	0	0	0						0
Reinsurance Premiums	0	0	0	0	0	0	0						0
Interest Expense	0	0	0	0	(2)	(23)	(1)						(25)
Investments (CP)	0	0	0	0	0	0							0
Investments (LT)	0	(1,000,000)	0	204,958	0	0	0						(795,042)
Investments (CD)	1,000,000	286,000	958,500	95,500	0	449,000	0						2,789,000
Funds Transfer				(400,000)	0	(401,680)	(270,000)						(1,071,680)
Total Cash Outflows	***1,010,660***	***(712,911)***	***966,281***	***(97,509)***	***37,877***	***135,994***	***(281,920)***	***0***	***0***	***0***	***0***	***0***	***1,058,471***
SunTrust Bank													
Beginning	1,710,748	701,075	1,433,102	467,921	560,291	87,094	293,734	578,271	578,271	578,271	578,271	578,271	1,710,748
Net Activity	(1,009,673)	732,026	(965,181)	92,370	(473,197)	206,640	284,537	0	0	0	0	0	(1,132,477)
SunTrust Ending	**701,075**	**1,433,102**	**467,921**	**560,291**	**87,094**	**293,734**	**578,271**	**578,271**	**578,271**	**578,271**	**578,271**	**578,271**	**578,271**
Deposit Liability	13,423	13,423	13,423	13,423	13,423	13,423	13,439						13,439
Available Cash	**687,652**	**1,419,679**	**454,498**	**546,868**	**73,671**	**280,311**	**564,832**	**578,271**	**578,271**	**578,271**	**578,271**	**578,271**	**564,832**
LT Investments, CP & CD	8,126,552	7,427,804	8,324,943	8,342,060	8,157,274	8,134,449	8,002,992						8,002,992
Total - Cash & Invested Assets	**8,814,204**	**8,847,483**	**8,779,441**	**8,888,928**	**8,230,945**	**8,414,760**	**8,567,824**	**578,271**	**578,271**	**578,271**	**578,271**	**578,271**	**8,567,824**

FWCJUA - SubPlan D
Cash Flow Analysis

	Actual Jan-09	Actual Feb-09	Actual Mar-09	Actual Apr-09	Actual May-09	Actual Jun-09	Actual Jul-09	Actual Aug-09	Actual Sep-09	Actual Oct-09	Actual Nov-09	Actual Dec-09	Total 2009
Cash Inflows													
Premiums Collected	0	0	940	(24)	476	476	272	0	0	0	0	0	2,142
Net Collections Activity	433	24,161	897	1,716	(36)	300	2,795	0	0	0	0	0	30,266
Interest Income	1,140	1,201	54,152	2,686	3,392	3,328	3,150	0	0	0	0	0	69,047
Reinsurance Recoveries	0	0	0	0	15,285	15,285	0	0	0	0	0	0	30,570
Miscellaneous Income	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Cash Inflows	***1,572***	***25,362***	***55,988***	***4,378***	***19,117***	***19,389***	***6,218***	***0***	***0***	***0***	***0***	***0***	***132,025***
Cash Outflows													
Loss and LAE payments	22,144	0	92,441	20,171	120,996	22,194	(9,038)	0	0	0	0	0	268,909
Underwriting expenses	111	0	1,061	42	141	141	100	0	0	0	0	0	1,595
General & Administrative expenses	53	29	741	200	26	6	6	0	0	0	0	0	1,060
Taxes & Assessments	0	0	0	0	0	0	0	0	0	0	0	0	0
Reinsurance	0	0	0	0	(86,366)	0	(62,638)	0	0	0	0	0	(149,004)
Interest Expense	0	0	7	14	89	(77)	(1)	0	0	0	0	0	33
Investments (CP)	0	0	0	0	0	0	0	0	0	0	0	0	0
Investments (LT)	0	0	0	0	0	0	0	0	0	0	0	0	0
Investments (CD)	1,000,000	1,170,500	145,000	0	0	0	0	0	0	0	0	0	2,315,500
Funds Transfer	0	9,000	(9,000)	0	0	0	0	0	0	0	0	0	0
Total Cash Outflows	***1,022,308***	***1,170,529***	***239,250***	***20,427***	***34,886***	***22,264***	***(71,570)***	***0***	***0***	***0***	***0***	***0***	***2,438,094***
SunTrust Bank													
Beginning	2,822,225	1,801,489	656,323	473,061	457,012	441,243	438,369	516,156	516,156	516,156	516,156	516,156	2,822,225
Net Activity	(1,020,736)	(1,145,166)	(183,262)	(16,049)	(15,769)	(2,875)	77,788	0	0	0	0	0	(2,306,069)
SunTrust Ending	**1,801,489**	**656,323**	**473,061**	**457,012**	**441,243**	**438,369**	**516,156**	**516,156**	**516,156**	**516,156**	**516,156**	**516,156**	**516,156**
Deposit Liability	180,373	180,373	180,206	180,206	180,206	180,138	209,939	0	0	0	0	0	209,939
Available Cash	**1,621,117**	**475,950**	**292,855**	**276,806**	**261,037**	**258,231**	**306,217**	**516,156**	**516,156**	**516,156**	**516,156**	**516,156**	**306,217**
LT Investments, CP & CD	3,471,229	4,641,729	4,796,766	4,796,766	4,796,766	4,806,506	4,806,506	0	0	0	0	0	4,806,506
Total - Cash & Invested Assets	**5,092,346**	**5,117,679**	**5,089,621**	**5,073,572**	**5,057,803**	**5,064,737**	**5,112,724**	**516,156**	**516,156**	**516,156**	**516,156**	**516,156**	**5,112,724**

FWCJUA - Tier 1
Cash Flow Analysis

	Actual Jan-09	Actual Feb-09	Actual Mar-09	Actual Apr-09	Actual May-09	Actual Jun-09	Actual Jul-09	Actual Aug-09	Actual Sep-09	Actual Oct-09	Actual Nov-09	Actual Dec-09	Total 2009
Cash Inflows													
Premiums Collected/Deposits	219,946	343,539	177,821	172,845	6,187	3,485	165,071						1,088,896
Net Collections Activity	528	2,575	1,859	5,365	266	(450)	(623)						9,519
Interest Income	991	42,048	24,356	13,475	13,633	5,685	5,373						105,562
Reinsurance Recoveries	0	0	0	0	0	0	0						0
Miscellaneous Income	0	0	0	0	0	0	0						0
Total Cash Inflows	***221,465***	***388,162***	***204,036***	***191,686***	***20,086***	***8,721***	***169,821***	***0***	***0***	***0***	***0***	***0***	***1,203,977***
Cash Outflows													
Loss and LAE payments	90,841	19,411	31,083	131,354	0	(5,703)	14,463						281,448
Underwriting expenses	77,420	103,956	77,519	80,104	0	54,435	69,077						462,511
General & Administrative expenses	4	94,843	69,022	170,161	2,591	158,906	71,698						567,225
Taxes & Assessments	0	0	0	0	0	0	0						0
Reinsurance Premiums	153,680	0	153,680	0	13,260	0	153,680						474,300
Interest Expense	(1)	(5)	(10)	31	0	5	(5)						14
Investments (CP)	0	0	0	0	0	0	0						0
Investments (LT)	0	(2,500,000)	500,000	(1,288,824)	0	0	0						(3,288,824)
Investments (ST)	0	0	0	1,002,590	0	0	0						1,002,590
Investments (CD)	0	1,217,500	726,500	487,000	249,000	192,000	0						2,872,000
Funds Transfer		(28,500)	28,500	(400,000)	0	(400,000)	0						(800,000)
Total Cash Outflows	***321,944***	***(1,092,795)***	***1,586,294***	***182,416***	***264,851***	***(357)***	***308,912***	***0***	***0***	***0***	***0***	***0***	***1,571,265***
SunTrust Bank													
Beginning	994,670	894,192	2,375,148	992,890	1,002,160	757,395	766,473	627,382	627,382	627,382	627,382	627,382	994,670
Net Activity	(100,478)	1,480,957	(1,382,258)	9,269	(244,765)	9,078	(139,091)	0	0	0	0	0	(367,288)
SunTrust Ending	**894,192**	**2,375,148**	**992,890**	**1,002,160**	**757,395**	**766,473**	**627,382**	**627,382**	**627,382**	**627,382**	**627,382**	**627,382**	**627,382**
Deposit Liability	416,803	419,844	394,601	353,615	299,282	284,590	257,943						257,943
Available Cash	**477,389**	**1,955,305**	**598,290**	**648,545**	**458,113**	**481,883**	**369,439**	**627,382**	**627,382**	**627,382**	**627,382**	**627,382**	**369,439**
LT Investments, *CP & CD*	8,505,056	7,226,570	8,361,938	8,271,417	7,736,789	8,314,804	8,329,052						8,329,052
Total - Cash & Invested Assets	**8,982,445**	**9,181,874**	**8,960,227**	**8,919,962**	**8,194,902**	**8,796,688**	**8,698,491**	**627,382**	**627,382**	**627,382**	**627,382**	**627,382**	**8,698,491**

FWCJUA - Tier 2
Cash Flow Analysis

	Actual Jan-09	Actual Feb-09	Actual Mar-09	Actual Apr-09	Actual May-09	Actual Jun-09	Actual Jul-09	Actual Aug-09	Actual Sep-09	Actual Oct-09	Actual Nov-09	Actual Dec-09	Total 2009
Cash Inflows													
Premiums Collected/Deposits	163,801	40,953	211,514	22,076	22,988	(2,065)	91,509						550,776
Net Collections Activity	9,595	121,046	47,850	36,703	14,187	16,965	10,525						256,870
Interest Income	41,765	134,892	(8,910)	49,572	39,227	23,393	23,691						303,629
Reinsurance Recoveries	0	0	0	9,889	0	0	25,046						34,935
Miscellaneous Income	0	0	0	0	0	0	0						0
Total Cash Inflows	***215,160***	***296,891***	***250,454***	***118,240***	***76,402***	***38,293***	***150,771***	***0***	***0***	***0***	***0***	***0***	***1,146,211***
Cash Outflows													
Loss and LAE payments	296,921	0	143,462	69,530	45,890	53,846	58,032						667,681
Underwriting expenses	63,555	0	99,652	25,096	26,904	14,136	41,046						270,389
General & Administrative expenses	87	89,232	57,957	91,786	(3,089)	116,759	47,500						400,232
Taxes & Assessments	0	0	0	0	0	0	0						0
Reinsurance Premiums	144,640	0	144,640	0	(310,289)	0	183,045						162,037
Interest Expense	4	0	6	74	64	(47)	4						105
Investments (CP)	(498,310)	0	0	0	0	0	0						(498,310)
Investments (LT)	(2,000,000)	(8,000,000)	500,000	(590,084)	0	0	0						(10,090,084)
Investments (ST)	0	0	1,002,590	(993,782)	0	0	0						8,808
Investments (CD)	0	9,024,510	1,869,500	198,000	690,010	456,000	0						12,238,020
Funds Transfer	0	(73,000)	73,000	(300,000)	0	(375,000)	(130,000)						(805,000)
Total Cash Outflows	***(1,993,103)***	***1,040,742***	***3,890,808***	***(1,499,379)***	***449,490***	***265,694***	***199,626***	***0***	***0***	***0***	***0***	***0***	***2,353,878***
SunTrust Bank													
Beginning	2,330,972	4,539,235	3,795,384	155,030	1,772,649	1,399,561	1,172,160	1,123,305	1,123,305	1,123,305	1,123,305	1,123,305	2,330,972
Net Activity	2,208,263	(743,851)	(3,640,354)	1,617,619	(373,088)	(227,401)	(48,855)	0	0	0	0	0	(1,207,667)
SunTrust Ending	**4,539,235**	**3,795,384**	**155,030**	**1,772,649**	**1,399,561**	**1,172,160**	**1,123,305**	**1,123,305**	**1,123,305**	**1,123,305**	**1,123,305**	**1,123,305**	**1,123,305**
Deposit Liability	802,954	781,225	747,242	697,338	659,874	624,619	624,080						624,080
Available Cash	**3,736,281**	**3,014,159**	**(592,212)**	**1,075,311**	**739,687**	**547,541**	**499,225**	**1,123,305**	**1,123,305**	**1,123,305**	**1,123,305**	**1,123,305**	**499,225**
LT Investments, *CP & CD*	17,048,810	18,103,753	21,455,792	19,849,889	19,562,871	20,514,423	20,367,929						20,367,929
Total - Cash & Invested Assets	**20,785,091**	**21,117,912**	**20,863,580**	**20,925,199**	**20,302,558**	**21,061,964**	**20,867,154**	**1,123,305**	**1,123,305**	**1,123,305**	**1,123,305**	**1,123,305**	**20,867,154**

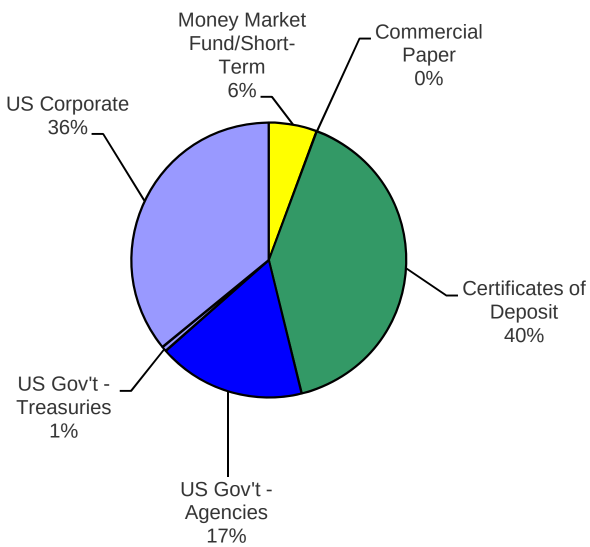
FWCJUA - Tier 3
Cash Flow Analysis

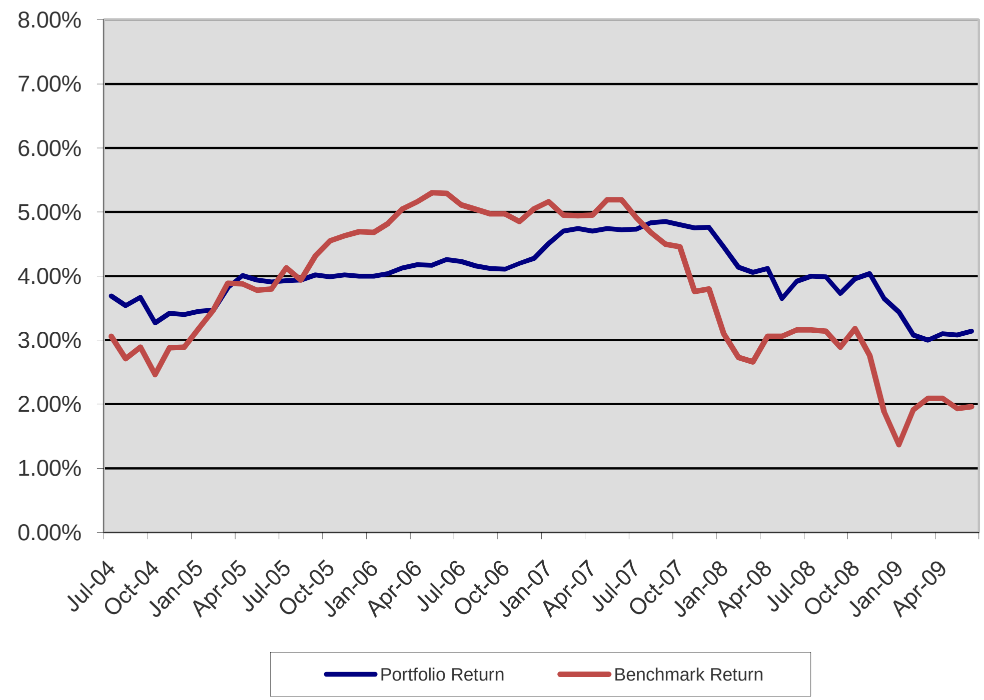
	Actual Jan-09	Actual Feb-09	Actual Mar-09	Actual Apr-09	Actual May-09	Actual Jun-09	Actual Jul-09	Actual Aug-09	Actual Sep-09	Actual Oct-09	Actual Nov-09	Actual Dec-09	Total 2009
Cash Inflows													
Premiums Collected/Deposits	303,745	86,790	204,665	16,676	76,436	(50,851)	293,983						931,445
Net Collections Activity	679	28,462	6,349	6,455	33,919	114,154	61,240						251,257
Interest Income	43,421	116,692	(9,263)	48,311	38,766	23,197	22,167						283,291
Reinsurance Recoveries	0	0	0	0	0	0	0						0
Miscellaneous Income	10,071	(10,071)	0	0	0	0	0						0
Travelers Transfer				2,328	40,924	(40,924)	0						2,328
Total Cash Inflows	***357,916***	***221,873***	***201,750***	***73,771***	***190,045***	***45,576***	***377,390***	***0***	***0***	***0***	***0***	***0***	***1,468,320***
Cash Outflows													
Loss and LAE payments	110,315	0	297,013	149,467	80,141	115,571	64,295						816,802
Underwriting expenses	87,997	0	117,576	13,736	25,428	(21,876)	111,596						334,457
General & Administrative expenses	66	69,501	60,666	103,981	1,235	119,116	53,932						408,496
Taxes & Assessments	0	0	0	0	0	0	0						0
Reinsurance Premiums	153,680	0	153,680	0	(166,389)	0	350,668						491,639
Interest Expense	0	0	20	124	61	(30)	(3)						172
Investments (CP)	(996,621)	0	0	0	0	0	0						(996,621)
Investments (LT)	(2,000,000)	(7,000,000)	500,000	(590,084)	0	0	0						(9,090,084)
Investments (ST)			1,002,590	(993,782)	0	0	0						8,808
Investments (CD)	0	9,700,000	570,500	291,000	637,016	528,000	0						11,726,516
Funds Transfer	(600,000)	3,500	(3,500)	(500,000)	0	(550,000)	(25,000)						(1,675,000)
Total Cash Outflows	***(3,244,562)***	***2,773,001***	***2,698,544***	***(1,525,557)***	***577,492***	***190,780***	***555,487***	***0***	***0***	***0***	***0***	***0***	***2,025,185***
SunTrust Bank													
Beginning	1,547,502	5,149,979	2,598,851	102,057	1,701,385	1,313,938	1,168,734	990,637	990,637	990,637	990,637	990,637	1,547,502
Net Activity	3,602,477	(2,551,128)	(2,496,795)	1,599,328	(387,446)	(145,204)	(178,097)	0	0	0	0	0	(556,865)
SunTrust Ending	**5,149,979**	**2,598,851**	**102,057**	**1,701,385**	**1,313,938**	**1,168,734**	**990,637**	**990,637**	**990,637**	**990,637**	**990,637**	**990,637**	**990,637**
Deposit Liability	108,617	107,446	92,526	89,319	82,687	83,292	80,633						80,633
Available Cash	**5,041,362**	**2,491,405**	**9,530**	**1,612,066**	**1,231,251**	**1,085,442**	**910,004**	**990,637**	**990,637**	**990,637**	**990,637**	**990,637**	**910,004**
LT Investments, *CP & CD*	20,494,284	23,234,386	25,259,965	23,589,407	23,219,132	24,217,507	24,060,438						24,060,438
Total - Cash & Invested Assets	**25,535,645**	**25,725,791**	**25,269,496**	**25,201,472**	**24,450,383**	**25,302,949**	**24,970,442**	**990,637**	**990,637**	**990,637**	**990,637**	**990,637**	**24,970,442**

FWCJUA INVESTMENTS

Report Period 7/1/2004 to 6/30/2009

Asset Subclasses vs. Benchmarks - Annual Yields





BENCHMARK	ASSET SUBCLASS	PORTFOLIO ALLOCATION
Money Market Index	Money Market Fund/Short-Term	5.7%
Commercial Paper Index	Commercial Paper	0.0%
Certificates of Deposit	Certificates of Deposit	40.5%
Bloomberg US Gov't Agencies	US Gov't - Agencies	17.3%
Bloomberg US Treasuries	US Gov't - Treasuries	0.6%
Bloomberg AA Industrials	US Corporate	35.9%
Total Portfolio		100.0%

Annual Yield as of June 30, 2009	
SUBCLASS RETURNS	BENCHMARK RETURNS
0.07%	0.07%
0.00%	0.00%
2.44%	2.44%
3.42%	0.59%
2.87%	0.54%
4.29%	2.40%
3.14%	1.96%

FWCJUA
Investment Portfolio Comparison with Investment Policy

	% allowed	Moody's	S&P	FWCJUA Portfolio *Book Value* 8/21/2009	% 8/21/2009
1. U.S. Government Treasury Securities	100%				
U.S. Treasury Note		TSY	TSY	198,790	0.2%
U.S. Treasury Bills		TSY	TSY	2,770,723	2.6%
				2,969,513	2.8%
2. U.S. Government Agency Securities *(subject to 35% limit in any one agency)*	100%				
Federal Home Loan Mortgage Corporation (FHLMC)		AGY	AGY	8,611,328	8.1%
Federal National Mortgage Association (FNMA)		AGY	AGY	6,849,742	6.4%
Federal Home Loan Bank (FHLB)		AGY	AGY	2,267,620	2.1%
Federal Farm Credit Banks (FFCB)		AGY	AGY	98,534	0.1%
				17,827,223	16.8%
3. Commerical Paper rated A-1 or P-1 provided the LT Debt rating is A or better.	25%			-	0.0%
4. Corporate Debt with LT Bond ratings of single A or better & a SVO of 1.	50%				
AT&T Inc		A2	A	100,993	0.1%
Abbott Labs		A1	AA	509,907	0.5%
Alabama Power Company		A2	A	599,825	0.6%
Allstate Corporation		A3	A -	201,595	0.2%
Anheuser Busch Companies Inc		BAA2	BBB+	432,269	0.4%
Bank of America		A2	A	455,796	0.4%
Bank of New York		AA2	AA -	1,004,230	0.9%
Berkshire Hathaway		AA2	AAA	59,669	0.1%
Boeing Cap Corp		A2	A+	828,935	0.8%
Caterpillar, Inc.		A2	A	987,056	0.9%
CitiGroup Inc. - sub notes		BAA1	A -	252,220	0.2%
Coca Cola Enterprises		A3	A	100,415	0.1%
Conocophillips		A1	A	906,124	0.9%
Countrywide Funding Corporation		A2	A	3,487,409	3.3%
Dover Corp		A2	A	258,441	0.2%
Emerson Electric		A2	A	187,813	0.2%
General Electric Cap		AAA	AAA	2,008,109	1.9%
General Electric Cap		AA2	AA+	1,214,623	1.1%
Gillette Company		AA3	AA -	839,219	0.8%
Goldman Sachs		A1	A	516,926	0.5%
Hewlett Packard Co.		A2	A	1,026,171	1.0%
Home Depot		BAA1	BBB+	134,957	0.1%
IBM Corp		A1	A+	1,149,141	1.1%
JP Morgan Chase Co		AA3	A+	2,453,842	2.3%
John Deere Cap Corp		A2	A	1,100,636	1.0%
Kimberly Clark Corp		A2	A	1,176,461	1.1%
Lehman Brothers Holdings		NR	NR	365,464	0.4%
Lowes Companies Inc		A1	A+	998,777	0.9%
McDonalds Corp		A3	A	491,388	0.5%
Merrill Lynch & Co		A2	A	539,293	0.5%
Morgan Stanley		A2	A	510,467	0.5%
National Rural Utilities		A2	A	1,103,189	1.0%
Nucor Corp		A1	A+	209,142	0.2%
Occidental Peteroleum		A2	A	557,704	0.5%
Oracle Corp Ozark		A2	A	522,145	0.5%
PNC Funding Corp		A3	A	459,943	0.4%
Pepsi Bottling Co.		AA2	A+	336,494	0.3%
Pepsico Inc		AA2	A+	199,878	0.2%
Pfizer Inc		AA2	AAA	364,510	0.3%
Praxair Inc		A2	A	261,382	0.2%
SBC Commmunications		A2	A	973,924	0.9%
SunTrust Banks - senior notes		BAA1	BBB+	3,007,770	2.8%
SunTrust Banks - sub notes		BAA2	BBB	1,639,664	1.5%
Target Corp		A2	A+	1,139,468	1.1%
United Technology Corp		A2	A	653,902	0.6%
US Bancorp		AA3	A+	500,371	0.5%
Vulcan Materials		BAA2	BBB	499,327	0.5%
Walt Disney Co		A2	A	360,824	0.3%
Wal-Mart Stores		AA2	AA	579,591	0.5%
Wells Fargo & Company		A1	AA -	249,126	0.2%
				38,516,525	36.2%
5a. C.D.'s fully insured by FDIC	50%			51,142,330	48.1%
5b. C.D.'s not fully insured by FDIC	25%			-	0.0%
6. Banker Acceptances issued & guaranteed by domestic commercial banks with commercial paper rated A1/P1 and bank deposit ratings of AA/Aa.	25%			-	0.0%
7. Repurchase agreements consisting of US Gov't and Gov't Agency Securities	100%			-	0.0%
8. Pooled fixed income funds consisting of securities in categories 1-7 provided securities are held in a member of the FRB & maturity does not exceed 2.5 years.	10%			-	0.0%
9. Municipal bonds - state and local general obligation bonds with no less than an "A" rating by Moody's or S&P and a "AA" rating for revenue-backed.	25%			-	0.0%
Additional Requirements:					
- Minimum liquidity requirement of 5% of total JUA funds (cash & investments)	5%				
Money Market Funds & Investments with < 1 year to maturity				41,203,734	
SunTrust Bank /Sabal Palm accounts				4,730,705	41%
				45,934,439	**OK**
- Maximum of 5% may be invested in obligations of a single issuer.					**OK**
- Average Portfolio Rating of Double A		**AA**	**AA**		**OK**
Total Portfolio - Cash & Invested Assets				**$ 106,389,846**	

Florida Workers Compensation Joint Underwriting Association, Inc.

P.O. Box 48957, Sarasota, FL 34230-5957
• Tel (941) 378-7400 • Fax (941) 378-7405 • www.fwcjua.com

VIA EMAIL

BOARD OF GOVERNORS BULLETIN 09-32

TO: Florida Workers' Compensation Joint Underwriting Association, Inc. Board of Governors

FROM: Laura S. Torrence, Executive Director

DATE: September 4, 2009

RE: **SEPTEMBER 9, 2009 BOARD MEETING AGENDA – SUPPLEMENTAL INFORMATION**

Enclosed for your review are two exhibits related to Attachment G of the agenda for the Board of Governors teleconference meeting scheduled for September 9, 2009 at 8:30 a.m.

Please contact me should you have any questions concerning this supplemental information.

Enclosures

c: Tom Maida, General Counsel
Jim Watford, Florida Office of Insurance Regulation
FWCJUA Interested Parties

MVP
Plan Administrators, Inc.

FWCJUA
401(K) NEW COMPARABILITY FOR 2009

Name	Employee Deferral Amount	Match	Profit Sharing ***	Total Employer Cost	Total Allocated Amount
Executives					
1	16,500	13,162	19,338	32,500	49,000
2	16,500	7,596	5,942	13,537	30,037
3	16,375	7,353	5,751	13,104	29,479
Subtotal:	49,375	28,111	31,031	59,141	108,516
All Other Employees					
4	7,490	5,553	4,306	9,859	17,349
5	5,600	4,092	3,220	7,312	12,912
6	2,537	1,854	2,918	4,772	7,309
7	5,800	3,391	2,668	6,059	11,859
8	4,873	3,166	2,491	5,657	10,530
9	16,500	2,877	2,264	5,141	21,641
10	3,937	2,877	2,264	5,141	9,078
11	2,288	1,672	2,105	3,777	6,065
12	2,365	1,620	2,177	3,797	6,162
13	12,533	2,442	1,922	4,364	16,897
14	3,054	2,232	1,756	3,988	7,042
15	2,063	1,502	1,186	2,688	4,751
Subtotal:	69,040	33,278	29,276	62,554	131,594
GRAND TOTAL:	$118,415	$61,389	$60,306	$121,695	$240,110

Group	Benefit		
Employee 1	Maximum benefit	2009 401K Budget	$93,386
All Other Employees	4.60% profit sharing	Rev. 401K Shortage	-$28,309
		Employee-Related 2009 Savings (realized to date)	$52,207
		2009 Savings w/Rev.	$23,898

MVP

Plan Administrators, Inc.

FWCJUA
401K NEW COMPARABILITY FOR 2010
2% Match & 6% Profit Sharing

Name	Employee Deferral Amount	Match	Profit Sharing ***	Total Employer Cost	Total Allocated Amount
Executives					
1	16,500	4,465	28,035	32,500	49,000
2	16,500	2,583	7,750	10,333	26,833
3	16,500	2,500	7,501	10,001	26,501
Subtotal:	49,500	9,549	43,286	52,835	102,335
All Other Employees					
4	7,601	1,872	5,616	7,488	15,089
5	5,600	1,400	4,200	5,600	11,200
6	2,537	1,269	3,806	5,074	7,611
7	5,800	1,160	3,480	4,640	10,440
8	4,873	1,083	3,249	4,332	9,205
9	16,500	984	2,953	3,937	20,437
10	2,288	915	2,746	3,661	5,949
11	3,054	764	2,291	3,054	6,108
12	3,937	984	2,953	3,937	7,874
Subtotal:	52,190	10,431	31,292	41,723	93,913
GRAND TOTAL:	$101,690	$19,979	$74,579	$94,558	$196,248

Group	Benefits		
Employee 1	Maximum benefit	2009 Budget (Before Rev.)	93,386
All Other Employees	2% match; 6% Profit Sharing		
		Increase in 401K Budget	$1,172
		Lay-off Savings Pay/401K Only	$124,083

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VIA EMAIL

BOARD OF GOVERNORS BULLETIN 09-33

TO: Florida Workers' Compensation Joint Underwriting Association, Inc. Board of Governors

FROM: Laura S. Torrence, Executive Director

DATE: September 8, 2009

RE: **SEPTEMBER 9, 2009 BOARD MEETING AGENDA – SUPPLEMENTAL INFORMATION**

Enclosed for your review is an additional set of Committee minutes related to Attachment B that shall be considered for approval at the Board of Governors teleconference meeting scheduled for September 9, 2009 at 8:30 a.m.

Please contact me should you have any questions concerning this supplemental information.

Enclosure

c: Tom Maida, General Counsel
Jim Watford, Florida Office of Insurance Regulation
FWCJUA Interested Parties

DRAFT - MINUTES OF THE MEETING OF THE EXECUTIVE COMPENSATION COMMITTEE OF THE FLORIDA WORKERS' COMPENSATION JOINT UNDERWRITING ASSOCIATION, INC. HELD ON AUGUST 31, 2009 AT 10:00 A.M. VIA TELECONFERENCE

PRESIDING:	Charlie Clary, *Chair*
COMMITTEE MEMBERS:	Fred Bennett Rick Hodges Brett Stiegel
EXECUTIVE DIRECTOR:	Laura Torrence
GENERAL COUNSEL:	Tom Maida
OFFICE OF INSURANCE REGULATION LIAISON:	Jim Watford
OTHERS PRESENT:	Joe Gordon, *Gordon Asset Management, LLC*

I. CALL TO ORDER AND OPENING REMARKS: The Chair called the meeting to order at 10:05 a.m. The roll was called and a quorum being established the meeting began.

II. ANTITRUST PREAMBLE: Prior to the consideration of any business, the Antitrust Preamble was read by Maida, a copy of which is attached hereto as Exhibit "A".

III. EXECUTIVE COMPENSATION: Torrence reported that the Executive Compensation Committee shall consider updating the executive staff's benefits package to ensure that the current offerings are sufficient to provide competitive total compensation to the executive staff.

Torrence reminded the Committee that it last discussed the FWCJUA's benefits program in December 2008. At that time, it was acknowledged that generally, the current benefits program was created about 14 years ago and had not been thoroughly reviewed in quite some time. The Committee was concerned that the program may need to be updated to ensure it is competitive in today's environment. Accordingly, it was agreed that a review of the program should be conducted.

The Committee was then asked to consider updating the following four areas of the benefits program given the 2008 HayGroup review of the FWCJUA's total executive compensation package:

1. increase the company-paid Life Insurance/Accidental Death & Dismemberment Policy for the executives to 2 x Salary;
2. increase the opportunities for the executive staff to maximize retirement/savings opportunities;
3. update the Executive Director's employment contract; and
4. adopt an executive severance pay practice.

During its discussion related to the suggested increase in the amount of the company-paid life insurance for the executive staff, the Committee recognized that 2 x Salary was the standard benefit of the other like workers' compensation residual markets in the Hay Group 2008 report. Further, the Committee recognized that a comparable type provision is common in the general market as well. The Committee also noted that it is generally acceptable for an organization to have different benefits based on classes of employees. While the FWCJUA currently provides for optional increased life coverage at the expense of the employee, the Committee felt this update was worthy of further consideration. The Committee questioned whether any possible increase in tax liability related to the increased benefit would be of concern to the executives, and Torrence replied that the benefit would be welcomed regardless of any possible increased tax liabilities. The Committee then directed Torrence to identify the additional expense associated with updating this benefit and bring it to the Board for consideration at its September 9th meeting. Torrence agreed to do so.

MOTION by Bennett, seconded by Stiegel to recommend that the Board consider increasing the amount of the company-paid Life Insurance/Accidental Death & Dismemberment Policy for the executives to 2 x Salary subject to the Board's review of the additional expense associated with updating this benefit. PASSED.

The Committee then turned its focus to whether to increase the opportunities for the executive staff to maximize retirement/savings opportunities. The Committee recognized that the market executive benefit for retirement/savings for workers' compensation residual markets per the Hay Group 2008 report included a Deferred Benefit Plan (2% per year of service based on final 3 years of service), a Defined Contribution Plan (7% of salary) and an Executive Retirement Plan (individually designed to meet the objectives of the organization in providing additional retirement benefits for the CEO). Torrence advised that the FWCJUA is currently offering only a 401K plan, which is a defined contribution plan. The Committee was further advised that the FWCJUA's 401K plan currently matches elective employee contributions dollar-for-dollar up to 8% of pay, subject to the IRS maximum contribution of $16,500 in 2009. It was then noted that Citizens offers both a 457(b) Deferred Compensation Plan and a 401A plan that has the same match contributions as the FWCJUA's 401K Plan.

Joe Gordon, the FWCJUA's 401K manager/adviser, then presented options available to the FWCJUA for addressing the retirement/savings benefits matter for the executive staff. He began by advising the Committee that the FWCJUA's 401K plan is a "homerun" type of plan in that it generously matches up to 8% of pay and provides an excellent core level of benefits for all employees. He then explained that the FWCJUA's current 401K does not have a safe harbor provision; thus, every year the Plan Administrator must perform testing to measure what the non-highly compensated employees contribute on average as a function of what the highly compensated employees contribute on average, noting that if the percentages are not within IRS guidelines, the highly compensated employees may receive a refund or cutback on their contributions. He then suggested that by "rearranging the furniture" in the plan, it might be possible for the FWCJUA to maximize the benefit for the Executive Director and any other executive staff that it so desired, to significantly better the benefit without taxing the FWCJUA's 401K budget.

Gordon proceeded to advise the Committee that by merely rearranging the way in which the match contribution budget is appropriated, it would be possible for the FWCJUA to maximize the benefit for the Executive Director and any other executive staff it so desired, as early as 2009. He then suggested that if the FWCJUA amended the profit sharing formula in the plan, which will require a one-time document fee of approximately $3,000 to the FWCJUA's Plan Administrator, MVP, the FWCJUA could structure a cross–tested new comparability formula for profit-sharing such that the Executive Director and any other executive staff can be put in their own individual rate classification groups and disproportionate profit sharing contributions could be made for each individual rate classification group relative to the other employees. He explained that if the FWCJUA were to rearrange the match contribution budget such that perhaps 2% would be the regular match, and 6% profit sharing, no employee would have any cutback for the current 8% match arrangement. Further, by allocating 6% to employees as profit-sharing instead of match, the FWCJUA could contribute additional benefits for the Executive Director and any other executive staff subject to the IRS maximum contribution into a 401K plan of $49,000 in 2009. Special profit-sharing formulas allow for disproportionate allocations to highly compensated employees, subject to testing by the record keeper, generally capped at a 3 to 1 ratio from the highest paid to the lowest paid groups for any employer. Since the additional profit sharing contribution results in the Executive Director reaching the maximum $49,000 combined contribution 401K limit, then effectively this portion of Executive Director's supplemental compensation would be taken care of completely on a pre-tax basis with complete creditor protection. But, it is only an additional $16,000/year or so.

Clary questioned whether a not-for-profit organization, such as the FWCJUA, could offer profit-sharing. Gordon clarified that ERISA defines 401K plans as profit sharing plans, and all 401K does is add a provision where employees can electively defer on a pre-tax basis. Conventionally, most employers use a 401K plan as simply an employee savings plan pre-tax plus some match. He then noted that the third way money can be contributed under a profit sharing plan, which is totally employer-funded, is not being utilized at all within the FWCJUA's 401K plan. He then indicated that by merely amending its current 401K plan, the FWCJUA could implement this type of formula and permit up to the maximum contribution benefit each year with no increase in the budget other than what the selected executives would get. He also indicated that the FWCJUA would not be required to contribute the maximum benefit each year, just like it currently is not required to do an 8% match each and every year. This provision of the plan can amended at any time. Clary then asked if what was being suggested was commonly done in not-for-profit programs. Gordon responded that it is commonly utilized by employers that sponsor 401K profit sharing plans depending on the objectives of the employer, regardless of whether the employer is a not-for-profit or for-profit organization.

The second option considered for improving executive retirement/savings opportunities was a combination 401K plan and Cash Balance Pension Plan, an ERISA defined benefit pension plan which has become very prevalent since the passage of the Pension Protection Act of 2006. Gordon explained that this option would add a Cash Balance Pension Plan to the FWCJUA's 401K plan, updated with the profit-sharing provision. The two plans then act as one for testing purposes with the IRS and provide for additional monies to be contributed to executives while spending only a de-minimus amount on all employees. After reviewing the FWCJUA's current employee census, it was actuarially determined that this option would require the FWCJUA to spend up to 18% of pay on all employees in order to provide a creditor safe pension benefit of up to another $125,000 for executives. Accordingly, this option was taken off the table given the associated costs; however, it was recognized it could always be reconsidered should the census change.

The third option considered for improving executive retirement/savings opportunities was adding a 457(b) or 457(f) Deferred Compensation Plan to the menu of retirement/savings opportunities. Again, it was noted that Citizens offers a 457(b) Deferred Compensation Plan along with its 401A. Gordon explained that a 457 plan acts essentially as a non-qualified plan for highly compensated employees. These plans permit employees to double down on elective deferrals up to $16,500 in 2009; however, the money is not in a trust set aside for the exclusive benefit of the employee, but is subject to the creditors of the employer. Furthermore, the money cannot be rolled over into an IRA like vehicle at retirement. The Committee was then informed that the FWCJUA's auditor/tax adviser indicated it was less than clear whether the FWCJUA would qualify under IRS rules to establish a 457 plan. Given such along with the associated creditor risk, the 457 plan option was taken off the table as well.

The final option considered for improving executive retirement/savings opportunities was traditional deferred compensation to supplement 401K savings. A classic example of such would be a salary continuation plan whereby the employer might secure "key man" insurance owned and payable to the employer and then enter into an agreement promising to pay the executive a certain amount of benefit. The downside to this type of plan is the creditor risk to the executive. Another alternative is the notion of executive bonus or controlled executive bonus. Gordon explained that this is an arrangement where you can use a life insurance policy except that the executive would own the policy and the cost would be funded similar to a Roth-type of contribution. It is taxed to the executive each year, but then it can be placed in an institutional grade variable universal life insurance policy providing both a death benefit but mainly a supplemental retirement benefit in excess of 401K plan benefits. The "controlled" aspect of this arrangement allows the Board to have some type of vesting and/or restriction on the executive's use of the funds during the employment years. This is simply seen as a light golden handcuff tying the executive to the organization. Gordon explained that this type of plan has a lot of appeal in the market, especially with employers with only a few executives who do not want to deal with the increased regulatory environment. In such cases, the employer opts to do something off balance sheet where the executive can pay the taxes upfront and then have all the money grow tax deferred and get tax free income out the back end.

Bennett observed that the simplest approach for improving executive retirement/savings opportunities appeared to be modifying the current 401K plan. He then asked whether we budgeted for the full 8% match for all employees in 2009. Torrence responded that the FWCJUA's policy is to budget as if each employee will qualify for the full matching contribution. Bennett then asked if there would be a budget impact if the plan was amended for 2009. Torrence responded that there would be no budget impact with regard to the 8% contribution; however, she reminded the Committee that there would be an approximate $3,000 expense for amending the plan, which she also noted could easily be absorbed within the current budget. It was observed, however, that any budget savings that may have been recognized for employees contributing less than 8% may not be saved if the suggested revision to the plan is adopted. Further, Gordon suggested that there would be no need to amend the plan in 2009 if the Board did not want to enhance the benefits for executives and address the first phase of any executive retirement benefit shortfall.

Discussion then turned to whether the Board would have to meet on a regular basis to discuss the profit sharing provision. It was recognized that the current 8% match is actually a discretionary match that may vary from year-to-year; however, the practice of the FWCJUA since the inception of its 401K plan has been to match 8%. Thus, it was agreed that once the Board established its policy there would be no need to take action each year on the 401K to discuss the contribution provisions.

MOTION by Bennett, seconded by Stiegel to recommend that the Board consider modifying the 401K plan in 2009 to improve the executive staff's retirement/savings opportunities by creating the discussed "safe haven" subject to the Board's review of the budgetary impact of this plan amendment. PASSED.

With regard to the suggestion that the Executive Director's employment contract be updated, the Committee was informed that the contract had not been updated since its inception in 1994. The Committee asked General Counsel to update the contract and bring it back to the Committee for consideration. Maida agreed to do so.

MOTION by Bennett; seconded by Hodges to authorize the update of the Executive Director's employment contract subject to the Committee's review of the salient changes at a later meeting. PASSED.

With regard to the suggestion that the Committee consider creating an executive severance pay practice, the Committee deferred action on this item until such time as the Operations Committee completed its review of a general severance (separation) policy for the organization.

MOTION by Bennett, seconded by Hodges to table discussion on an executive severance pay practice until the Operations Committee has completed its review of a general severance (separation) policy for the organization. PASSED.

IV. GENERAL ANNOUNCEMENTS: There were no general announcements.

V. ADJOURNMENT AND CLOSING REMARKS: There was no further business.

MOTION by Bennett, seconded by Hodges to adjourn. PASSED.

The meeting adjourned at 11:30 a.m.

Respectfully submitted,

Charlie Clary, *Chair*