



Florida Workers Compensation Joint Underwriting Association, Inc.

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VIA E-MAIL

INVESTMENT COMMITTEE BULLETIN 10-01

TO: Florida Workers' Compensation Joint Underwriting Association, Inc. Investment Committee
FROM: Laura S. Torrence, Executive Director
DATE: January 26, 2010
RE: **JANUARY 29, 2010 INVESTMENT COMMITTEE MEETING AGENDA**

Enclosed for your review is the agenda for the FWCJUA Investment Committee teleconference meeting scheduled for Friday, January 29, 2010, at 10:00 a.m. (Eastern Time). To participate in the teleconference meeting, please contact Kathy Coyne at (941) 378-7408.

Please contact me should you have any questions regarding the agenda for this meeting.

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

BOARD OF GOVERNORS: Charlie Clary, *Chair*; Dan Dannenhauer, *Vice Chair*; Fred Bennett;
Rick Hodges; Claude Revels; Sean Shaw; Brett Stiegel; Beth Vecchioli; James Ward

**AGENDA FOR THE MEETING OF THE INVESTMENT COMMITTEE OF THE
FLORIDA WORKERS' COMPENSATION JOINT UNDERWRITING ASSOCIATION, INC.
TO BE HELD ON FRIDAY, JANUARY 29, 2010, AT 10:00 A.M. VIA TELECONFERENCE**

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| I. CALL TO ORDER AND OPENING REMARKS | Fred Bennett |
| II. ANTI-TRUST PREAMBLE (Attachment A) | Tom Maida |
| III. COMPLIANCE REVIEW OF CURRENT
INVESTMENT PORTFOLIO (Attachment B) | Laura Lopez |
| IV. GENERAL ANNOUNCEMENTS | Fred Bennett |
| V. ADJOURNMENT AND CLOSING REMARKS | Fred Bennett |

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.

COMPLIANCE REVIEW OF CURRENT INVESTMENT PORTFOLIO

The Investment Committee 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.

At its December 8th meeting, the Board reconfirmed the continued holding of six bonds downgraded below an "A" rating within the FWCJUA's portfolio as authorized Investment Policy exceptions, those bonds being issued by Lehman Brothers, Anheuser Busch, SunTrust, CitiGroup and Vulcan Materials. The second Lehman Brothers bond being held within the portfolio matures January 27th and will settle when the bankruptcy proceedings conclude unless otherwise disposed of at the direction of the Committee or Board.

At its October 30th meeting, the Investment Committee reassessed the merits of continuing to hold the Lehman Brothers bonds and agreed to do so for now, given current trading values are below the present value of the anticipated bankruptcy recovery. Further, the FWCJUA is holding senior debt which will take priority over both subordinate debt and equity in the Lehman bankruptcy. Staff and the Investment Manager are continuing efforts to secure a summary of anticipated creditor priority in the Lehman's bankruptcy.

Accordingly, identified in the table below are the six specific holdings that are currently being maintained within the FWCJUA's portfolio as exceptions to the Investment Policy. The Investment Committee shall receive a report regarding the latest status and outlook on these bonds as well as commentary regarding any "Watch Listed" investment holdings.

Moody's	S&P	Bond Name	Maturity Date	Par Value	Cost	Market Value as of 1/22/10	Yield to Maturity
--	--	Lehman Brothers	Matured 11/1/2009	115,000	136,876	?	6.616%
--	--	Lehman Brothers	1/27/2010	250,000	243,893	?	4.356%
BAA2	BBB+	Anheuser Busch Cos	4/1/2010	328,000	344,584	331,106	4.740%
BAA2	BBB	SunTrust, Inc.	5/1/2010	1,600,000	1,639,664	1,628,800	5.269%
BAA1	A -	CitiGroup, Inc.	8/27/2012	250,000	253,335	262,550	5.355%
BAA2	BBB	Vulcan Materials	11/30/2012	500,000	499,110	536,390	5.636%

As the Committee is aware, it may reconfirm the continued holding of each of the individual downgraded bonds identified in the above table 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 Committee's review is a copy of the Investment Portfolio Comparison with Investment Policy as of January 22, 2010 that illustrates compliance with the policy.

The Committee shall determine whether to re-confirm the continued holding of the two Lehman Brothers bonds, the Anheuser Busch bond, the SunTrust bond, 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	%
				1/22/2010	1/22/2010
1. U.S. Government Treasury Securities	100%				
U.S. Treasury Note		TSY	TSY	400,000	0.4%
U.S. Treasury Bills		TSY	TSY	-	0.0%
				400,000	0.4%
2. U.S. Government Agency Securities (subject to 35% limit in any one agency)	100%				
Federal Home Loan Mortgage Corporation (FHLMC)		AGY	AGY	6,595,099	6.2%
Federal National Mortgage Association (FNMA)		AGY	AGY	6,330,644	5.9%
Federal Home Loan Bank (FHLB)		AGY	AGY	1,551,903	1.5%
Federal Farm Credit Banks (FFCB)		AGY	AGY	98,695	0.1%
				14,576,341	13.7%
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	100,923	0.1%
Abbott Labs		A1	AA	508,629	0.5%
Aetna Inc.		A3	A -	429,920	0.4%
Alabama Power Company		A2	A	599,806	0.6%
American Home Products		A1	AA	436,610	0.4%
Anheuser Busch Companies Inc		BAA2	BBB+	329,837	0.3%
Bank of America		A2	A	455,140	0.4%
Bank of New York		AA2	AA -	1,003,954	0.9%
Berkshire Hathaway		AA2	AAA	59,813	0.1%
Boeing Cap Corp		A2	A	823,291	0.8%
Caterpillar, Inc.		A2	A	982,196	0.9%
Citibank NA (FDIC)		AAA	AAA	125,603	0.1%
CitiGroup Funding (SunTrust)		A3	A	1,014,603	1.0%
CitiGroup Inc. - sub notes		BAA1	A -	252,062	0.2%
Conocophillips		A1	A	905,726	0.9%
Dover Corp		A2	A	257,178	0.2%
Emerson Electric		A2	A	185,651	0.2%
General Electric Cap		AAA	AAA	2,006,775	1.9%
General Electric Cap		AA2	AA+	1,213,311	1.1%
Goldman Sachs		A1	A	514,214	0.5%
Hewlett Packard Co.		A2	A	1,023,861	1.0%
HSBC		A3	A	312,626	0.3%
IBM Intl Group		A	A+	51,169	0.0%
JP Morgan Chase Co		AA3	A+	2,333,766	2.2%
John Deere Cap Corp		A2	A	1,100,622	1.0%
Kimberly Clark Corp		A2	A	1,174,071	1.1%
Lehman Brothers Holdings (plus \$115K par matured but no payment rec'd yet due to bankruptcy)		NR	NR	249,437	0.4%
Lowe's Companies Inc		A1	A+	996,293	0.9%
McDonalds Corp		A3	A	489,942	0.5%
Merrill Lynch Co		A2	A	526,286	0.5%
Morgan Stanley		A2	A	1,702,841	1.6%
Nucor Corp		A1	A	209,189	0.2%
Occidental Petroleum		A2	A	554,655	0.5%
Oracle Corp Ozark		A2	A	518,590	0.5%
PNC Funding Corp		A3	A	979,831	0.9%
Pepsi Bottling Co.		AA2	A+	334,742	0.3%
Pepsico Inc		AA2	A+	199,885	0.2%
Pfizer Inc		A1	AA	364,563	0.3%
Praxair Inc		A2	A	260,426	0.2%
SBC Communications		A2	A	921,829	0.9%
SunTrust Banks - sub notes		BAA2	BBB	1,607,270	1.5%
Target Corp		A2	A+	1,133,817	1.1%
United Technology Corp		A2	A	652,749	0.6%
US Bancorp		AA3	A+	500,354	0.5%
Vulcan Materials		BAA2	BBB	499,354	0.5%
Walt Disney Co		A2	A	360,758	0.3%
Wal-Mart Stores		AA2	AA	579,769	0.5%
Wells Fargo & Company		A1	AA -	249,496	0.2%
Wyeth / Pfizer		A1	AA	438,173	0.4%
				32,531,605	30.6%
5a. C.D.'s fully insured by FDIC	100%			49,765,330	46.8%
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%
<u>Additional Requirements:</u>					
- Minimum liquidity requirement of 5% of total JUA funds (cash & investments)	5%				
Money Market Funds & Investments with < 1 year to maturity				44,670,512	
SunTrust Bank /Sabal Palm accounts				8,421,445	46%
				53,091,957	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				\$ 106,409,285	