



**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 E-MAIL

**OPERATIONS COMMITTEE BULLETIN 11-05
RATES & FORMS COMMITTEE BULLETIN 11-05**

TO: Florida Workers' Compensation Joint Underwriting Association, Inc. Operations Committee
and Rates & Forms Committee

FROM: Laura S. Torrence, Executive Director

DATE: May 24, 2011

RE: **MAY 27, 2011 JOINT & CONCURRENT OPERATIONS COMMITTEE AND
RATES & FORMS COMMITTEE TELECONFERENCE MEETING AGENDA**

Enclosed for your review is the agenda for the FWCJUA joint and concurrent Operations Committee and Rates & Forms Committee teleconference meeting scheduled for 10:00 a.m. (Eastern Time) on Friday, May 27, 2011. 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.

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

**AGENDA FOR THE JOINT & CONCURRENT MEETING OF THE
OPERATIONS COMMITTEE AND THE RATES & FORMS COMMITTEE OF THE
FLORIDA WORKERS' COMPENSATION JOINT UNDERWRITING ASSOCIATION, INC.
TO BE HELD ON MAY 27, 2011 AT 10:00 A.M. VIA TELECONFERENCE**

- | | | |
|-------------|---|-----------------------------------|
| I. | CALL TO ORDER AND OPENING REMARKS | Rick Hodges &
Brett Stiegel |
| II. | ANTI-TRUST PREAMBLE (Attachment A) | Donovan Brown |
| III. | LEGISLATIVE UPDATE (Attachment B) | Donovan Brown |
| IV. | RATES & FORMS COMMITTEE <ul style="list-style-type: none">• Return of Premium Dividend (Attachment C)• Program to Eliminate the 2010 Subplan D Deficit (Attachment D)• 2011 Loss Ratio Selection (Attachment E)• Operations Manual (Attachment F) | Rick Hodges &
Laura Torrence |
| V. | OPERATIONS COMMITTEE <ul style="list-style-type: none">• IT Audit Results (Attachment G)• 2010 Operations Report (Attachment H)• Disaster Recovery Matters (Attachment I)• Report on Operations (Attachment J) | Brett Stiegel &
Laura Torrence |
| VI. | GENERAL ANNOUNCEMENTS | |
| VII. | ADJOURNMENT AND CLOSING REMARKS | Rick Hodges
Brett Stiegel |

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.

LEGISLATIVE UPDATE

The Committees shall be provided a legislative update by Donovan Brown.

Following is a brief synopsis regarding the bills/issues that the FWCJUA was monitoring during the 2011 Regular Session:

1. **HB 4095** by Gaetz

Workers' Compensation and Employer's Liability Insurance: Deletes provision prohibiting insurer from providing workers' compensation & employer's liability insurance to persons or to their affiliates if certain payments to joint underwriting plan operating as Florida Workers' Compensation Joint Underwriting Association, Inc., are delinquent.

Effective Date: July 1, 2011

Last Event: Died in Insurance & Banking Subcommittee on Saturday, May 07, 2011 2:07 AM

2. **HB 4083** by Albritton

Workers' Compensation: Repeals provision relating to Workers' Compensation Administrator, to abolish position; deletes obsolete transitional requirement for certain policies of Florida Workers' Compensation Joint Underwriting Association.

Effective Date: July 1, 2011

Last Event: 05/07/11 S Died in Messages on Monday, May 09, 2011 3:08 PM

3. **HB 4073** by Crisafulli

Workers' Compensation: Deletes obsolete transitional requirement for certain policies of Florida Workers' Compensation Joint Underwriting Association.

Effective Date: July 1, 2011

Last Event: Died in Insurance & Banking Subcommittee on Saturday, May 07, 2011 2:07 AM

4. **HB 7201** by Insurance & Banking Subcommittee and Cruz

Repeal of Workers' Compensation Reporting Requirement: Repeals provision relating to duty of DFS to make annual report on administration of ch. 440, F.S., Workers' Compensation Law, to specified officials.

Effective Date: July 1, 2011

Last Event: 05/07/11 S Died in Messages on Monday, May 09, 2011 3:08 PM

5. **HB 933** by Gaetz

Employee Leasing Companies: Requires employee licensing company to carry workers' compensation & provide notice when employee leasing agreement is terminated; requires client company to provide certain written information regarding certain contractual relationships; sets deadline to provide notice when client company enters into subcontractor agreements; requires employee leasing company to secure workers' compensation before obtaining or renewing license; provides circumstances requiring person to become employee of leasing company; requires client company to report hiring of specified employees, carry workers' compensation for such employees, & be liable for payment of workers' compensation for failure to report certain information; requires employee leasing company to notify each leased employee or specified client company of termination of employee leasing agreement; specifies period in which specified leased employee will no longer be covered by workers' compensation; requires issuance of multiple coordinated policy to employee leasing company when obtaining workers' compensation; requires client company to apply its experience rating modification factor to workers' compensation charges made by employee leasing company under specified condition; requires client company that meets specified condition to have its own experience rating modification factor used by workers' compensation carrier; requires employee leasing company meeting specified condition to provide client company certain records; specifies that immunity from liability applies only under specified condition; deletes provision allowing lessor to make certain decisions regarding workers' compensation; requires lessor applying for or covered under workers' compensation to provide certain information to insurer; revises time period to notify all covered under workers' compensation policy of cancellation of such policy.

Effective Date: July 1, 2011

Last Event: Died in Business & Consumer Affairs Subcommittee on Saturday, May 07, 2011 2:07 AM

6. **SB 1360** by Bogdanoff

Employee Leasing Companies: Revises the provisions that must be addressed in a contractual arrangement between an employee leasing company and a client company. Provides that during the term

of a leasing agreement, employees who are directly hired by a client company or who commence work for the client company become employees of the leasing company. Provides that responsibility for workers' compensation for leased employees is by way of a multiple coordinated policy issued to the leasing company, etc.

Effective Date: upon becoming a law

Last Event: 05/07/11 S Died in Banking and Insurance on Monday, May 09, 2011

7. **CS/HB 723** by Insurance & Banking Subcommittee and Weinstein (CO-SPONSORS) Dorworth
Extraterritorial Reciprocity in Workers' Compensation Claims: Exempts certain employees working in state & employers of such workers from Florida's Workers' Compensation Law under certain conditions; provides requirements for establishment of prima facie evidence that employer carries certain workers' compensation insurance; requires courts to take judicial notice of construction of certain laws; provides requirements for claims made in other states; provides criteria for employees to be considered temporarily in state; provides application.

Effective Date: July 1, 2011

Last Event: Ordered enrolled on Tuesday, May 03, 2011 5:12 PM

8. **CS/HB 1087** by Economic Affairs Committee and Holder
Insurance: Authorizes payment of workers' compensation benefits on prepaid card under certain circumstances; revises dates applicable to calculations of annual assessments upon certain workers' compensation insurers relating to special disability trust fund; provides exemption from having to obtain certificate of authority to insurers that cover only nonresidents of U.S. under certain conditions; requires funds collected for insurer to be held in bank insured by FDIC, etc.

Effective Date: July 1, 2011

Last Event: Ordered enrolled on Monday, May 02, 2011 4:28 PM

No Committee action is required on this agenda item.

**RATES & FORMS COMMITTEE
RETURN OF PREMIUM DIVIDEND**

The Rates & Forms Committee shall consider whether to recommend that the Board authorize a return of premium dividend for policy year 7/26/2003 – 6/30/2004 "new" Subplans A & C policyholders while retaining an underwriting gain. Further, the Committee shall consider whether it would be reasonable to return some of the State's money pre-paid to eliminate the Subplan D deficit at this time.

The 7/26/2003 – 6/30/2004 "new" Subplans A & C and Subplan D policy year financial information is attached for the Committee's review. Staff has no recommendation related to the Subplan D matter; however, staff does recommend a return of premium dividend declaration for the "new" Subplans A & C policyholders with a 5% underwriting gain retention. Should the Committee agree to recommend a return of premium dividend for these policyholders, staff will prepare the methodology analysis and the expense calculation exhibits for consideration by the Board possibly at its June 7th meeting.

The Rates & Forms Committee shall determine whether to recommend that the Board authorize a gross policyholder dividend amount for the 7/26/2003 – 6/30/2004 policy year for "new" Subplans A & C policyholders of \$4,786,574, retaining a 5% underwriting gain. Further, the Committee shall determine whether to recommend that the Board authorize the return of a portion of the State's money pre-paid to eliminate the Subplan D deficit.

Financial Information by POLICY YEAR
As of December 31, 2010

Balance as of 12/31/2010
5% U/W Gain Retention

	Subplan A 7/26/2003 - 6/30/2004	Subplan C 7/26/2003 - 6/30/2004	Subplan D 7/26/2003 - 6/30/2004
Gross Earned Premium	213,682	30,737,809	28,869,558
Reinsurance Premium *	29,291	4,155,987	6,682,991
Paid Losses & LAE	15,569	4,986,446	12,689,317
Case Reserves	-	479,108	767,145
Net Underwriting Gain / (Loss)	168,822	21,116,269	8,730,105
Net Loss Ratio w/out IBNR	8.4%	20.6%	60.7%
IBNR & ULAE Reserve	74	354,598	890,466
Net Underwriting Gain / (Loss)	168,748	20,761,671	7,839,639
Net Loss Ratio with IBNR	8.5%	21.9%	64.7%
Uncollectible Premium	-	6,371,362	5,219,169
% of Gross Earned Premium	0.0%	20.7%	18.1%
Other Underwriting Expenses	64,878	5,138,518	8,841,244
Misc Income / (Expense)	-	28,852	7,896,965
Federal Income Taxes	33,392	3,016,972	-
Underwriting Gain / (Loss)	70,478	6,263,671	1,676,191
% of Underwriting Gain/(Loss) / Gross Earned Premium	33.0%	20.4%	5.8%
Reasonable % "Underwriting Gain"	5%	5%	5%
Reasonable \$ "Underwriting Gain"	10,684	1,536,890	1,443,478
Excess "Underwriting Gain"	59,794	4,726,780	232,713
Policyholder Dividend Declared	-	-	-
Remaining Excess "Underwriting Gain"	59,794	4,726,780	232,713
% of Excess Underwriting Gain/(Loss) / Gross Earned Premium	28.0%	15.4%	0.8%
<i>Estimated Investment Income</i>	11,398	2,353,930	1,182,219
Total Net Income / (Loss)	81,875	8,617,600	2,858,410
% of Total Net Income / Gross Earned Premium	38.3%	28.0%	9.9%
Total Policies Issued	109	768	4,189
Total Claims Reported	3	361	309
Total Open Claims	0	1	4
Net Case Reserves O/S	\$0	\$479,108	\$767,145
Net IBNR Reserves O/S	\$74	\$354,598	\$890,466
Total net reserves	\$74	\$833,706	\$1,657,611

Financial Information by POLICY YEAR
As of December 31, 2010

Balance as of 12/31/2010
10% U/W Gain Retention

	Subplan A 7/26/2003 - 6/30/2004	Subplan C 7/26/2003 - 6/30/2004	Subplan D 7/26/2003 - 6/30/2004
Gross Earned Premium	213,682	30,737,809	28,869,558
Reinsurance Premium *	29,291	4,155,987	6,682,991
Paid Losses & LAE	15,569	4,986,446	12,689,317
Case Reserves	-	479,108	767,145
Net Underwriting Gain / (Loss)	168,822	21,116,269	8,730,105
Net Loss Ratio w/out IBNR	8.4%	20.6%	60.7%
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Misc Income / (Expense)	-	28,852	7,896,965
Federal Income Taxes	33,392	3,016,972	-
Underwriting Gain / (Loss)	70,478	6,263,671	1,676,191
% of Underwriting Gain/(Loss) / Gross Earned Premium	33.0%	20.4%	5.8%
Reasonable % "Underwriting Gain"	10%	10%	10%
Reasonable \$ "Underwriting Gain"	21,368	3,073,781	2,886,956
Excess "Underwriting Gain"	49,109	3,189,890	(1,210,765)
Policyholder Dividend Declared	-	-	-
Remaining Excess "Underwriting Gain"	49,109	3,189,890	(1,210,765)
% of Excess Underwriting Gain/(Loss) / Gross Earned Premium	23.0%	10.4%	-4.2%
<i>Estimated Investment Income</i>	11,398	2,353,930	1,182,219
Total Net Income / (Loss)	81,875	8,617,600	2,858,410
% of Total Net Income / Gross Earned Premium	38.3%	28.0%	9.9%
Total Policies Issued	109	768	4,189
Total Claims Reported	3	361	309
Total Open Claims	0	1	4
Net Case Reserves O/S	\$0	\$479,108	\$767,145
Net IBNR Reserves O/S	\$74	\$354,598	\$890,466
Total net reserves	\$74	\$833,706	\$1,657,611

RATES & FORMS COMMITTEE
PROGRAM TO ELIMINATE THE 2010 SUBPLAN D DEFICIT

The Rates & Forms Committee shall consider the attached draft correspondence to OIR outlining the FWCJUA's program for eliminating the 2010 Subplan D deficit.

The FWCJUA recognized a \$79,992,636 surplus in 2010. 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 of \$1,442,590, the Board previously agreed to update its plan to eliminate this individual rating plan deficit and submit said updated plan to OIR. Staff is proposing 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 it be authorized to finalize the draft letter as such and submit the plan no later than August 11th, which is 90 days from the date that the audit was filed (May 13th).

The Rates & Forms Committee shall determine whether to recommend that the Board authorize staff to finalize the draft letter to OIR outlining the program to eliminate the FWCJUA's 2010 Subplan D deficit through May actuals and submit no later than August 11, 2011.



Florida Workers Compensation Joint Underwriting Association, Inc.

P.O. Box 48957, Sarasota, FL 34230-5957

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{DATE}

Mr. Kevin M. McCarty
Commissioner
Florida Office of Insurance Regulation
c/o Mr. James D. Watford, A.C.A.S., M.A.A.A.
200 East Gaines Street
Tallahassee, Florida 32399-0308

**Re: FLORIDA WORKERS' COMPENSATION JOINT UNDERWRITING ASSOCIATION, INC.
PROGRAM TO ELIMINATE THE 2010 SUBPLAN D DEFICIT**

Dear Mr. McCarty:

At the direction of the Board of Governors of the Florida Workers' Compensation Joint Underwriting Association, Inc., I am submitting the FWCJUA's program to eliminate the 2010 Subplan D deficit.

The FWCJUA recognized a \$79,992,636 surplus in 2010. This surplus can be broken down by subplan and tier as follows:

SUBPLAN/TIER	EFFECTIVE DATE OF SUBPLAN/TIER	2009 TOTAL SURPLUS/(DEFICIT)
Subplans A, B & C	January 1, 1994	\$38,102,747
Subplan D	July 26, 2003	(\$1,442,590)
Tier 1	July 1, 2004	\$6,304,495
Tier 2	July 1, 2004	\$15,990,705
Tier 3	July 1, 2004	\$21,037,279

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 is updating its plan to eliminate this individual rating plan deficit and submitting said updated plan to OIR.

The FWCJUA currently has on file with OIR a program to eliminate the 2009 Subplan D deficit that relied on the use of monies from the contingency reserve. The 2009 program relied on a cash flow model that has already been updated to recognize the 2010 Subplan D deficit and thus, is used again as our program to eliminate the entire Subplan D deficit. Pursuant to Milliman's enclosed Subplan D cash flow model as of May 31, 2011, the total state funds needed to fund the Subplan D obligations through the contingency reserve are approximately \$5.0 million. This is \$2.0 million less than the \$7.9 million already received; and thus, no additional cash needs are anticipated.

Please feel free to contact me should you have any questions regarding the foregoing program to eliminate the FWCJUA's 2010 Subplan D deficit.

Respectfully submitted,

Florida Workers' Compensation Joint Underwriting Association, Inc.

Laura S. Torrence
Executive Director

Enclosure

c: FWCJUA Board of Governors
Tom Maida, General Counsel
Mark Mulvaney, Milliman
Bonnie Shek, Milliman

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

RATES & FORMS COMMITTEE
2011 LOSS RATIO SELECTION

The Rates & Forms Committee shall confirm the booking of the 2011 losses utilizing the latest 2011 filed rates along with the loss ratios indicated from the loss experience evaluated as of the prior year-end.

This procedure was adopted in 2008 at Milliman's recommendation and thus, was used to estimate the FWCJUA's loss ratios by rating tier since that time. The attached letter prepared by Milliman demonstrates the methodology that produces the following 2011 loss ratios that are being booked by rating tier. Milliman's analysis utilized the January 1, 2011 filed rate changes along with the loss ratios indicated from the loss experience evaluated as of December 31, 2010.

RATING TIER	PROJECTED 2011 NET LOSS RATIOS	PROJECTED 2011 GROSS LOSS RATIOS
Tier 1	20.5%	23.1%
Tier 2	27.2%	30.6%
Tier 3	29.7%	33.4%

It should be noted that Milliman does not recommend any changes to the FWCJUA's current procedure for booking the current year's losses.

The Rates & Forms Committee shall determine whether to confirm booking the 2011 losses utilizing the latest 2011 filed rate changes along with the loss ratios indicated from the loss experience evaluated as of the prior year-end.



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milliman.com

April 28, 2011

Laura Torrence
Florida Workers' Compensation
Joint Underwriting Association, Inc.
6003 Honore Avenue, Suite 204
Sarasota, FL 34238

Dear Laura:

You requested Milliman to project the FWCJUA 2011 loss ratios by Tier on the basis of the information in the 1-1-11 rate filing. This procedure was introduced in the board agenda of March 13, 2007 and was used to estimate your 2008, 2009 and 2010 loss ratios. We used the 1-1-11 filed changes along with the loss ratios indicated from the loss experience used in the rate filing which was evaluated as of June 30, 2010.

As shown on the attached exhibit this methodology produces the following 2011 loss ratios:

	Tier 1	Tier 2	Tier 3
Net Loss Ratio	20.5%	27.2%	29.7%
Gross Loss Ratio	23.1%	30.6%	33.4%

Limitations

Variability of Results

As with any actuarial analysis, the results presented herein are subject to significant variability. While these estimates represent our best professional judgment, it is probable that the actual results will differ from those projected. The degree of such variation could be substantial and could be in either direction from our estimates. The risk factors discussed in the next section outline the causes of this variability.

Data Sources

In performing this analysis we have relied on data and other information provided to us by or at the direction of Ms. Laura Torrence, Executive Director of the FWCJUA. We have not audited or verified this data and information. If the underlying data or information is inaccurate or incomplete, the results of our analysis may likewise be inaccurate or incomplete.

We have performed a limited review of the data used directly in our analysis for reasonableness and consistency, and have not found material defects in the data. If there are material defects in the data, it is possible that they would be uncovered by a detailed, systematic review and comparison of the data to search for data values that are questionable or relationships that are materially inconsistent. Such a review was beyond the scope of our assignment.

Distribution

Milliman's work has been prepared solely for the internal use of FWCJUA. No portion of Milliman's work may be provided to any other party without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of its work. Milliman's work may not be filed with the SEC or other securities regulatory bodies. In addition, references to Milliman or its estimates in communication with third parties are not authorized. Should FWCJUA make reference to the engagement of an independent actuary (without specifically identifying Milliman) in any SEC filing, the SEC may require disclosure of the name of the actuary. Such disclosure is prohibited without Milliman's prior written consent.

Milliman's consent to release its work product to any third party may be conditioned on the third party signing a Third Party Release Agreement, subject to the following exceptions:

- (a) FWCJUA may provide a copy of Milliman's work to its accounting auditor ("Auditor") to be used solely for audit purposes. In the event the Auditor's audit reveals any error or inaccuracy in the data underlying Milliman's work, Milliman requests the Auditor or FWCJUA notify Milliman as soon as possible.
- (b) FWCJUA may provide a copy of Milliman's work to governmental entities, as required by law.

In the event Milliman consents to release its work product, it must be provided in its entirety. We recommend that any such party have its own actuary or other qualified professional review the work product to ensure that the party understands the assumptions and uncertainties inherent in our estimates. No third party recipient of Milliman's work product should rely upon Milliman's work product.

Use of Milliman's Name

Milliman does not permit the use of Milliman's name, trademarks, service marks, or any reference to Milliman directly or indirectly in any media release, public announcement or public disclosure, including any promotional or marketing materials, customers lists, referral lists, web site or business presentations without Milliman's prior written consent, which shall be given at Milliman's sole discretion.

Related Issues

Risk Factors

The risk factors of the policies that the FWCJUA write expose their reserves to significant variability. We have identified the major risk factors as the long settlement patterns, the change in the mix of risk as reflected in changes in premium volume, residual market function, potential for large claims and legislative and judicial changes. The absence of other risk factors from this listing does not imply that additional risk factors will not be identified in the future as being a significant influence on the Association's reserves.

The FWCJUA does not have a sufficiently long history or large enough volume of experience upon which to make projections of future development. It is necessary to refer to industry experience to derive assumptions regarding the emergence of claims. The lack of historical data adds to uncertainty in our estimates.

The fluctuation in the premium volume from one year to the next along with probable shifts in the quality of the business written also increases uncertainty.

Uncertainty

To calculate loss ratios for 2011 it is necessary to project future loss and loss adjustment expense payments. Actual future losses and loss adjustment expenses will not develop exactly as projected and may, in fact, vary significantly from the projections. Further, our projections make no provision for extraordinary future emergence of new classes of losses or types of losses not sufficiently represented in the Company's historical database or that are not yet quantifiable.

Reinsurance

We have relied upon descriptions of the FWCJUA's reinsurance provided by its management. We have not reviewed the actual reinsurance contracts which affect these reserves. Contingent liability exists with respect to ceded reinsurance. That is, the amounts by which losses have been reduced for anticipated reinsurance recoveries would become the liability of the FWCJUA in the event that the reinsurance companies do not meet their obligations to the FWCJUA in accordance with our understanding of the existing reinsurance agreements. We have not provided for any such contingent liability.



Laura Torrence
April 28, 2011
Page 4

We have not reviewed the FWCJUA's reinsurance contracts for possible contingent premium or commission arrangements. If these contracts contain such provisions, it is possible that the FWCJUA may have liabilities for additional payments to its reinsurers.

Please give us a call with any questions.

Bonnie C. Shek

Bonnie C. Shek
Fellow, Casualty Actuarial Society
Member, American Academy of Actuaries

Enclosure

Florida Workers' Compensation Joint Underwriting Association

Projected 2011 Net and Gross Loss Ratios

		Tier 1	Tier 2	Tier 3
(1)	Selected Loss Ratio at 1/1/11 Collectible Premium Level	23.0%	28.8%	31.8%
(2)	Collectible Premium Factor	95.0%	95.0%	95.0%
(3)	Loss Ratio at 1/1/11 Earned Premium Level	21.8%	27.4%	30.2%
(4)	1/1/11 Implemented Premium Changes	-12.2%	-1.5%	-3.3%
(5)	Percent of 2011 Earned Exposure Written at 1/1/10 Rates	50.0%	50.0%	50.0%
(6)	Percent of 2011 Earned Exposure Written at 1/1/11 Rates	50.0%	50.0%	50.0%
(7)	Projected 2011 Net Earned Loss Ratios by Tier	20.5%	27.2%	29.7%
(8)	Estimated 2011 \$1 Million Limit Factor	0.889	0.889	0.889
(9)	Projected 2011 Gross Earned Loss Ratios by Tier	23.1%	30.6%	33.4%

Notes:

- (1) from 1-1-11 Rate Filing, Exhibit I, Row (1).
- (2) equals $1.0 - [1-1-11 \text{ Rate Filing, Exhibit I, Row (4)}]$.
- (3) equals $(1) \times (2)$.
- (4) from 1-1-11 Rate Filing, Exhibit I, Row (15).
- (5) and (6) based on assumption of uniform exposure volume in 2011.
- (7) equals $(3) \times [(6) + (5) \times (1.0 + (4))]$
- (8) from 1-1-11 NCCI Rate Filing.
- (9) equals $(7) / (8)$.

**RATES & FORMS COMMITTEE
OPERATIONS MANUAL**

The Rates & Forms Committee shall consider confirming a filed and approved revision to the Contractor Supplemental Application that went into effect on April 1, 2011, applicable to new and renewal business. Further, the Committee shall consider proposed revisions to the FWCJUA Operations Manual recommended by the MAP and Safety Committees that:

1. clarify there is no longer a need to exclude the incurred loss ratio for any applicant from the "keep out" or depopulation reports;
2. modify the current list of governing classification codes requiring loss control services for policies with estimated annual premium between \$10,000 and \$25,000, based on the latest claim and policy data by governing classification for policy years 2001 through 2010; and

At its December 7th meeting, the Board agreed to authorize staff to pursue the enhancement of the Online Application for Coverage to ensure the completion of supplemental applications and the ERM-14 Form as required prior to application submission. While testing the enhanced Online Application for Coverage in March, it became apparent that question 14 on the Contractor Supplemental Application had not been appropriately revised to ensure that it would not be left blank during the Application for Coverage submission and review process. Given the enhanced Online Application for Coverage was to go live on April 1, 2011, staff revised the Contractor Supplemental Application, consistent with the Board's December 7th decision, and filed it with OIR on March 30th for an April 1, 2011 effective date. OIR immediately approved the filing for the FWCJUA. Thus, staff is now seeking the Committee's recommendation that the Board confirm this form revision. Attached is the revision that was made to the Contractor Supplemental application for the Committee's review.

With regards to the Committee recommendations for revisions to the Operations Manual, below are the proposed revisions with the Committee recommending the revisions noted to become effective July 1, 2011. New information to be added to the Manual is indicated in underline with yellow highlight, while information to be deleted from the Manual is indicated in "strike-through" with yellow highlight.

PART TWO – MARKET ASSISTANCE PLAN (MAP) (MAP Committee Recommendation – Effective July 1, 2011).

F. MAP ASSISTANCE PROGRAMS

1. **Employers Applying for Coverage Through the FWCJUA:**
 - a. At the end of each working day, the MAP Manager shall provide the MAP–Account Profiles (~~excludes the incurred loss ratio for applications not submitted online~~) for the Applications for Coverage received by the FWCJUA on that day to each Insurer, authorized Agency or its Designated Producer who has requested to participate in this depopulation program.
2. **Employers who have Secured Coverage Through the FWCJUA:**
 - a. **Applications Bound and Awaiting Processing**

This report provides the Map–Account Profiles (~~excludes the incurred loss ratio for applications not submitted online~~) for all Employers for which the FWCJUA bound coverage in the prior month.
 - b. **Policies in Force**

This report provides the MAP–Account Profiles (~~excludes the total number of employees covered under the policy policy~~) for all Employers currently written by the FWCJUA.

PART THREE – SERVICE PROVIDERS

D. PERFORMANCE STANDARDS FOR SERVICE PROVIDERS

16. Loss Control and Safety (Safety Committee Recommendation – Effective July 1, 2011)

a. Loss Prevention Services to be Provided:

- (5) A minimum of one consulting survey for each single- and multiple-location policyholder, subject to Timing and Procedures (4)(a), (4)(b), and (4)(c) below, with estimated annual premium between \$10,000 and \$25,000, and a governing class code represented by the following list. If no critical or important recommendations are made and the Employer does not qualify for loss prevention services for any other reason other than premium, then a follow-up consulting survey for both single and multiple locations must be performed once every three years, unless the Service Provider, in its professional

judgment, deems it otherwise necessary.

List of Governing Codes												
0008	1699	2702	3081	3620	4206	4665	5348	6229	7016	7502	8288	9082
0034	1701	2710	3082	3632	4207	4683	5403	6235	7024	7538	8292	9083
0037	1741	2714	3085	3634	4239	4703	5437	6236	7038	7539	8293	9088
0042	1747	2759	3110	3642	4250	4720	5445	6251	7046	7515	8304	9156
0050	1748	2802	3114	3647	4251	4740	5473	6252	7047	7540	8380	9170
0083	1803	2881	3146	3685	4283	4741	5474	6260	7050	7610	8500	9178
0106	1852	2883	3180	3724	4307	4771	5479	6319	7090	7704	8709F	9179
0401	1860	2915	3188	3726	4410	4828	5506	6504	7098	7705	8824	9180
1005	1925	2916	3227	3803	4420	4829	5535	6801F	7099	7720	8826	9186
1164	2014	2923	3241	3821	4459	5022	5551	6824F	7309F	7855	8829	9403
1165	2081	2942	3257	3824	4470	5037	5610	6826F	7313F	8018	8831	9410
1320	2089	2960	3270	3881	4484	5040	5645	6828F	7317F	8021	8832	9501
1322	2095	3004	3307	4021	4493	5057	5651	6834	7350F	8031	8833	9505
1430	2130	3018	3365	4034	4511	5059	5703	6836	7360	8106	8835	9534
1438	2211	3022	3372	4038	4557	5069	5705	6843F	7370	8107	8842	
1452	2220	3027	3373	4053	4558	5160	6004	6845F	7403	8203	8864	
1472	2288	3028	3383	4062	4568	5183	6006F	6854	7405	8215	8868	
1624	2305	3030	3400	4101	4581	5190	6204	6872F	7420	8227	9014	
1642	2501	3042	3507	4113	4583	5213	6206	6874F	7422	8263	9015	
1654	2623	3069	3574	4130	4635	5222	6216	6882	7425	8265	9016	
1655	2688	3076	3612	4149	4653	5223	6217	6884	7431	8279	9019	

The Rates & Forms Committee shall determine whether to recommend that the Board confirm the revision made to the Contractor Supplemental Application as filed by staff on March 30, 2011, with an effective date of April 1, 2011. The Committee shall also determine whether to further recommend that the Board authorize staff to file for OIR approval the revisions to the Operations Manual proposed by the MAP Committee and the Safety Committee to become effective July 1, 2011.

FLORIDA WORKERS COMPENSATION JOINT UNDERWRITING ASSOCIATION, INC.
CONTRACTOR SUPPLEMENTAL APPLICATION

Where space restricts a complete answer, attach answer on separate sheets of paper.

1. Name: _____
2. Business Address: _____ City: _____ State: _____ Zip Code: _____
3. Phone: Home: _____ Business: _____ Cell Phone: _____
Email Address: _____ Website Address: _____
If no website address, enter the word "none"
4. Federal ID Number: _____
5. Do you operate a business in a licensed trade? Yes _____ No _____
 - a. If yes, provide a copy of the license issued by or under authority of the Department of Business & Professional Regulation (DBPR).
 - b. If you are operating a business that requires a license issued by or under authority of the DBPR but you are NOT the license holder, provide the name of the individual (the Qualifier) whose license you are using to qualify your business. If not applicable, enter the words "none."
Name: _____ License #: _____
6. Who manages your office, answers the telephone? _____
7. List all "Affiliated" entities, as defined in s. 440.02(15)(b), Florida Statutes, and their FEINs. If there are no "Affiliated" entities, please enter the word "none" on line 1. and the first line of the FEIN.
 1. _____ FEIN: _____
 2. _____ FEIN: _____
 3. _____ FEIN: _____
 4. _____ FEIN: _____
8. List all jobs you have in progress, with the customer's name and daytime phone number, jobsite address, and dollar amount of the job/contract. If no jobs are in progress, enter the word "none" on line 1.

Job Address:	Description	Customer's Name & Daytime Phone Number	(\$) Amount of Job / Contract
--------------	-------------	--	--------------------------------
9. Please list the different types of construction work you anticipate performing during the policy term:

10. Estimate the number of jobs you perform annually: _____
11. Give a complete description of how you obtain jobs. If not applicable, enter the word "none."

12. List all equipment owned and/or used in your business. Enter the word "none", if you do not own or use equipment in your business.

13. If you are a sole proprietor, please attach a copy of your schedule C filed last year.
14. If you have no employees and do not use subcontractors, please answer the following questions (be specific and if not applicable, enter the word "none"):
 - a. How is the work performed? _____
 - b. Who performs the work? _____
 - c. Why do you need workers compensation insurance? _____

15. Do you require all subcontractors to provide a foreperson or superintendent at each jobsite? Yes _____ No _____
16. Do you use any subcontractors who perform the work themselves and have no employees? Yes _____ No _____

FLORIDA WORKERS COMPENSATION JOINT UNDERWRITING ASSOCIATION, INC.
CONTRACTOR SUPPLEMENTAL APPLICATION

17. It is required, using the space provided below, to list the names of all subcontractors you use or anticipate using and the type of work they perform. (Attach a certificate of insurance that lists your company as the certificate holder, issued within the last 30 days or an exemption certificate with a notarized letter * for each subcontractor). If there are more subcontractors than the number of spaces provided on this form, please attach a separate sheet with the required information. If you do not use subcontractors, please enter the word "none" in each of the boxes in line 1. only and check the box labeled "None" in the last column.

Subcontractor's Legal Business Name and Mailing Address	Subcontractor's FEIN	Type of Work Performed	# of Workers Assigned to Job	Estimated \$ Amount to be Paid for Labor Only	Check the box of Applicable Documents & Attach Copies
1.				\$	<input type="checkbox"/> Certificate of Insurance (COI) <input type="checkbox"/> Exemption Form AND Notarized Letter* <input type="checkbox"/> Leasing Company (COI) AND Notarized Letter** <input type="checkbox"/> None
2.				\$	<input type="checkbox"/> Certificate of Insurance (COI) <input type="checkbox"/> Exemption Form AND Notarized Letter* <input type="checkbox"/> Leasing Company (COI) AND Notarized Letter** <input type="checkbox"/> None
3.				\$	<input type="checkbox"/> Certificate of Insurance (COI) <input type="checkbox"/> Exemption Form AND Notarized Letter* <input type="checkbox"/> Leasing Company (COI) AND Notarized Letter** <input type="checkbox"/> None
4.				\$	<input type="checkbox"/> Certificate of Insurance (COI) <input type="checkbox"/> Exemption Form AND Notarized Letter* <input type="checkbox"/> Leasing Company (COI) AND Notarized Letter** <input type="checkbox"/> None
5.				\$	<input type="checkbox"/> Certificate of Insurance (COI) <input type="checkbox"/> Exemption Form AND Notarized Letter* <input type="checkbox"/> Leasing Company (COI) AND Notarized Letter** <input type="checkbox"/> None

** For all subcontractors using Workers' Compensation Exemptions, please provide a notarized affidavit from an Officer/Member disclosing the number of employees they have and the identity of all their subcontractors. **NOTE: A sole proprietor or owner-operator with no employees, working as a subcontractor, will cause all the payroll of the Construction Executive Supervisor or Construction Superintendent to be assigned to the highest rated construction classification code applicable to the policy, rather than to Code 5606.**

** For all subcontractors using leased workers, please provide a certificate of insurance from the leasing company along with a notarized affidavit from the subcontractor on his/her letterhead, certifying that the subcontractor understands that its contract with the employee leasing company limits its Workers' Compensation coverage to enrolled worksite employees only and does not cover uninsured subcontractors or casual labor exposures. The subcontractor must further certify that 100% of his/her workers are covered as enrolled worksite employees with the employee leasing company and that he/she does not hire any casual or uninsured labor outside of the employee leasing arrangement; in the event that he/she hires any workers not covered by the leasing company's workers' compensation policy, the subcontractor will notify the captioned employer prior to allowing said worker(s) onto the worksite.

IMPORTANT INFORMATION REGARDING THE USE OF OUT-OF-STATE SUBCONTRACTORS:

In accordance with Florida Administrative Code Rule 69L-6.019, every employer who is required to provide workers' compensation coverage for employees engaged in work in Florida shall obtain a Florida policy or endorsement for such employees that utilizes Florida class codes, rates, and manuals that are in compliance with and approved under the provisions of Chapter 440, F.S., and the Florida Insurance Code, pursuant to Sections 440.10(1)(g) and 440.38(7), F.S.

IMPORTANT INFORMATION REGARDING LICENSING:

Chapter 489.113(2), F.S., states: No person who is not certified or registered shall engage in the business of contracting in this state. If you are a contractor licensed by or under the authority of the Department of Business and Professional Regulation (DBPR), you are required to hire and pay the subcontractors directly. Pulling permits for others, who are not licensed to engage in the business of contracting is prohibited. **NOTE: Subcontractors must be paid directly by the qualified business entity that pulls the permits.**

The FWCJUA recommends that all employers who hire subcontractors register with the Department of Financial Services to aid in tracking uninsured subcontractors. Go to www.myfloridacfo/wc and click on the icon labeled "Construction Policy Tracking Database". Follow the instructions for registering and the Department will endeavor to notify you when any of your subcontractors receive notification of cancellation and/or reinstatement to their policies. An employer insured by the FWCJUA is responsible for paying premium on all uninsured subcontractors.

I understand that any person who knowingly and with intent to injure, defraud, or deceive any insurer files a statement of claim or an application containing any false, incomplete, or misleading information is guilty of a felony of the third degree and swear that the information provided in this supplemental is accurate. In addition, I certify that I have read and understand the above statements regarding my responsibilities under the Florida Workers' Compensation Law and the FWCJUA rules.

Applicant's/Employer's Name (Please Print) State of _____ County of _____ 20__ by _____ Notary Public Signature _____	Applicant's/Employer's Signature (Please Sign) Sworn to (or affirmed) and subscribed before me this _____ day of _____ <input type="checkbox"/> Personally known Or <input type="checkbox"/> Produced identification Type of Identification Produced _____ Notary (Print, type or stamp commission name of Notary Public) _____
--	---

FLORIDA WORKERS COMPENSATION JOINT UNDERWRITING ASSOCIATION, INC.

CONTRACTOR SUPPLEMENTAL APPLICATION (Question # 16 continued)

Subcontractor's Legal Business Name and Mailing Address	Subcontractor's FEIN	Type of Work Performed	# of Workers Assigned to Job	Estimated \$ Amount to be Paid for Labor Only	Check the box of Applicable Documents & Attach Copies
6.				\$	<input type="checkbox"/> Certificate of Insurance (COI) <input type="checkbox"/> Exemption Form AND Notarized Letter* <input type="checkbox"/> Leasing Company (COI) AND Notarized Letter** <input type="checkbox"/> None
7.				\$	<input type="checkbox"/> Certificate of Insurance (COI) <input type="checkbox"/> Exemption Form AND Notarized Letter* <input type="checkbox"/> Leasing Company (COI) AND Notarized Letter** <input type="checkbox"/> None
8.				\$	<input type="checkbox"/> Certificate of Insurance (COI) <input type="checkbox"/> Exemption Form AND Notarized Letter* <input type="checkbox"/> Leasing Company (COI) AND Notarized Letter** <input type="checkbox"/> None
9.				\$	<input type="checkbox"/> Certificate of Insurance (COI) <input type="checkbox"/> Exemption Form AND Notarized Letter* <input type="checkbox"/> Leasing Company (COI) AND Notarized Letter** <input type="checkbox"/> None
10.				\$	<input type="checkbox"/> Certificate of Insurance (COI) <input type="checkbox"/> Exemption Form AND Notarized Letter* <input type="checkbox"/> Leasing Company (COI) AND Notarized Letter** <input type="checkbox"/> None
11.				\$	<input type="checkbox"/> Certificate of Insurance (COI) <input type="checkbox"/> Exemption Form AND Notarized Letter* <input type="checkbox"/> Leasing Company (COI) AND Notarized Letter** <input type="checkbox"/> None
12.				\$	<input type="checkbox"/> Certificate of Insurance (COI) <input type="checkbox"/> Exemption Form AND Notarized Letter* <input type="checkbox"/> Leasing Company (COI) AND Notarized Letter** <input type="checkbox"/> None
13.				\$	<input type="checkbox"/> Certificate of Insurance (COI) <input type="checkbox"/> Exemption Form AND Notarized Letter* <input type="checkbox"/> Leasing Company (COI) AND Notarized Letter** <input type="checkbox"/> None
14.				\$	<input type="checkbox"/> Certificate of Insurance (COI) <input type="checkbox"/> Exemption Form AND Notarized Letter* <input type="checkbox"/> Leasing Company (COI) AND Notarized Letter** <input type="checkbox"/> None
15.				\$	<input type="checkbox"/> Certificate of Insurance (COI) <input type="checkbox"/> Exemption Form AND Notarized Letter* <input type="checkbox"/> Leasing Company (COI) AND Notarized Letter** <input type="checkbox"/> None
16.				\$	<input type="checkbox"/> Certificate of Insurance (COI) <input type="checkbox"/> Exemption Form AND Notarized Letter* <input type="checkbox"/> Leasing Company (COI) AND Notarized Letter** <input type="checkbox"/> None
17.				\$	<input type="checkbox"/> Certificate of Insurance (COI) <input type="checkbox"/> Exemption Form AND Notarized Letter* <input type="checkbox"/> Leasing Company (COI) AND Notarized Letter** <input type="checkbox"/> None
18.				\$	<input type="checkbox"/> Certificate of Insurance (COI) <input type="checkbox"/> Exemption Form AND Notarized Letter* <input type="checkbox"/> Leasing Company (COI) AND Notarized Letter** <input type="checkbox"/> None
19.				\$	<input type="checkbox"/> Certificate of Insurance (COI) <input type="checkbox"/> Exemption Form AND Notarized Letter* <input type="checkbox"/> Leasing Company (COI) AND Notarized Letter** <input type="checkbox"/> None
20.				\$	<input type="checkbox"/> Certificate of Insurance (COI) <input type="checkbox"/> Exemption Form AND Notarized Letter* <input type="checkbox"/> Leasing Company (COI) AND Notarized Letter** <input type="checkbox"/> None
21.				\$	<input type="checkbox"/> Certificate of Insurance (COI) <input type="checkbox"/> Exemption Form AND Notarized Letter* <input type="checkbox"/> Leasing Company (COI) AND Notarized Letter** <input type="checkbox"/> None

**OPERATIONS COMMITTEE
IT AUDIT RESULTS**

The Committee shall receive RSM McGladrey's report on the results of the 2011 IT security audit.

In April, RSM McGladrey conducted its "internal" audit of the FWCJUA's Disaster Recovery Plan related to IT systems. The audit tested both internal and external network security for which the FWCJUA received and overall "Satisfactory" rating. Attached for the Committee's review is RSM McGladrey's report regarding the audit. Actions taken on the recommendations made within the report are as follows and will be addressed in greater detail during the meeting:

EXTERNAL TESTING

IV.A. Unencrypted Authentication

IMAP and POP3 have been disabled from use.

Plain text FTP is in use for testing but all Data Transfers are being done securely with FTPS.

IV.B. Weak Encryption

Web service on new email server was restricted to TLSv1.

IV.C. Weak Encryption

Staff will be forcing a minimum of AES/256 cipher on the new servers for SSL.

IV.D. Information Leakage

Directory browsing on virtual directory has been disabled.

IV.E. Information Leakage

Header was corrected to not display internal IP.

IV.F. Information Leakage

Autocomplete is not disabled. This webserver is running third party application that we cannot configure.

IV.G. Information Leakage

Staff has disabled debugging on public servers.

INTERNAL TESTING

V.A. Default login

Default password for Subversion has been changed.

V.B. VxWorks debug agent

The firmware on the switch was updated to correct vendor configurations.

V.C. Community Name

All SNMP read attributes have been disabled.

V.D. Webserver uses plaintext

Issue was corrected at finding.

FIREWALL REVIEW

All rules have been reviewed and remaining duplicate rules are auto created by firewall policies and cannot be removed.

No Committee action is required on this agenda item.



**Florida Workers'
Compensation Joint
Underwriting Association, Inc.**

External/Internal Network Security Review

May 24, 2011



RSM McGladrey, Inc.



RSM McGladrey, Inc.
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Miami, Florida 33131
O 305.446.0114 F 305.442.7478
www.mcgladrey.com

May 24, 2011

Mr. Marc Babin, Systems Manager
Florida Workers' Compensation Joint Underwriting Association, Inc.
6003 Honore Avenue, Suite 204
Sarasota, Florida 34238

Dear Mr. Babin:

This report contains our findings and recommendations relating to the external/internal network security review performed for Florida Workers' Compensation Joint Underwriting Association, Inc. (FWCJUA). We have included our findings and recommendations as an attachment to this letter.

No assessment of controls or security can ever provide total assurance or 100 percent protection against possible control failures or security intrusions on your systems. The potential effectiveness of specific controls and security measures is subject to inherent limitations and, accordingly, errors or fraud may occur and not be detected. Furthermore, information networks, applications and control environments are extremely dynamic in nature and our examination of your control and security methods and procedures are conducted and documented as of the following specific period in time:

Assessment Service	Start Date	End Date
External Network Security Review	04/18/2011	04/20/2011
Internal Network Security Review	04/19/2011	04/19/2011
Firewall Security Review	04/19/2011	04/19/2011
Wireless Security Review	04/19/2011	04/19/2011

As a result, the projection of any conclusions, based on our examination, to future periods are subject to the risk that (1) changes are made to the systems or controls; (2) changes are made in processing requirements; (3) changes are required because of the passage of time; or (4) new security exploits are discovered that may alter the validity of such conclusions. Therefore, RSM McGladrey, Inc. takes no responsibility for any lack of specific controls, control failures, breach of security, or other errors or fraud related to any part of your business environment other than those controls and security measures specifically examined and for any period of time other than the period specifically covered by our assessment conducted. Any subsequent control or security issues that may arise within those areas examined or any control or security issues that are present at the time of this examination, but that are outside the scope of the examination are solely the responsibility of FWCJUA.

This report is intended solely for use by the management of FWCJUA, its internal and external auditors, and its regulatory examiners.

We appreciate the courtesies and cooperation extended to us during this project and appreciate the opportunity to be of service to FWCJUA. Please contact Mr. Shane Rolland at 305.446.0114 or Mr. Dave Pierce at 321.751.6227 if you have any questions regarding this report.

Sincerely,

RSM McGladrey, Inc.

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I. PROJECT BACKGROUND**A. BACKGROUND**

Security of technology assets has always been a high priority within the financial industry. However, with the advent of electronic commerce and the requirements for safeguarding customer information, the security of technology has become even more important as institutions and their service providers have connected their networks to the Internet.

B. OBJECTIVE OF THIS PROJECT

The primary objective of the project was to perform an external and internal network security review.

Our analysis utilized a multifaceted approach including the use of automated and manual tools to determine the ability of unauthorized persons to access Florida Workers' Compensation Joint Underwriting Association, Inc.'s (FWCJUA's) external and internal network and computing assets.

The management of FWCJUA is responsible for establishing and maintaining external controls. The objective of the external network security review is to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss, unauthorized use or disposition. In establishing external controls related to information systems (IS), estimates and judgments by management are required to assess the expected benefits and related costs of controls.

Because of inherent limitations in any external and internal controls, errors or fraud may occur and not be detected. Also, projection of any evaluation of the controls to future periods is subject to the risk that the controls may become inadequate because of changes in the control environment, or that the degree of compliance with the controls may deteriorate.

C. SCOPE

The scope of the review focused on the security controls of the external network servers and their associated applications and operating systems. Accordingly, we conducted our testing to determine the effectiveness of the logical security controls surrounding these systems.

D. APPROACH

To accomplish our objectives, we organized this project into the following activities:

External Network Security Review

Activities performed included:

- **Footprinting**

The footprinting process was used to determine the amount of information available through public sources concerning your organization. Our footprinting process included, but was not limited to, the following activities:

- Mapping of domain names used
- Mapping of domains linked to your domain names used

- American Registry of Internet Number (ARIN) searches
- Domain Name Service lookups
- Traceroutes of public systems

- Basic vulnerability testing

Basic vulnerability testing involved using various commercial and open-source tools to conduct further security testing. Our basic vulnerability testing included, but was not limited to:

- Ping scans of public Internet Protocol (IP) address blocks
- Port scans of public systems
- Basic vulnerability testing using commercial and open-source tools to determine how much information could be harvested from your public computing assets

- Advanced vulnerability testing

Advanced vulnerability testing involved running the vulnerability testing tools more aggressively as appropriate, and sorting and verifying the results. The results were verified through manual efforts to reduce the likelihood of false positive vulnerabilities being reported. This provided you with specific and appropriate remediation recommendations based on real vulnerabilities in consideration of the device type being tested.

Examples of some common devices tested, verified and reported on include:

- Network infrastructure such as routers and switches
- Security infrastructure, such as firewalls and intrusion detection/prevention systems
- Web servers
- Electronic mail servers
- Other servers, such as those for file transfers, remote device control or other non-Web services
- VPN servers
- Other public devices, as required

During our vulnerability testing, we conducted tests against the aforementioned devices. These tests included denial of service, port redirects, certain advanced application tests, such as cross-site scripting and buffer overflows and other, more severe or extreme vulnerability tests. While this testing involved some application vulnerability-like tests, this testing is not a replacement for application vulnerability testing and cannot be used as proof of an application vulnerability test.

Internal Network Security Review

The objective of the internal network security review is to identify and demonstrate that exploitable internal network vulnerabilities exist, not to demonstrate that a network is free of all vulnerabilities.

Because we were behind your organization's more rigorous security measures, we did not conduct testing that was as intrusive as external testing. Our testing was limited to basic tests designed for ensuring adequate security measures for an internal network.

Activities performed included, but were not limited to:

- Internal network discovery
 - Inventory scans of identified samples
 - Operating system identification and classification
 - Operating system-level scans (patches)
 - Implementation standards review (base image use, etc.)
- Server-specific testing
 - System hardening verification
 - Default services removed
 - Default shares removed or secured
 - Simple Network Management Protocol (SNMP) and other enumeration tools hardened
 - Scanning for remote control software, such as pcAnywhere, Carbon Copy, SubSeven, etc.
 - User authentication
 - Default users changed or removed as appropriate
 - User authentication parameters
 - Inactive account review for domain controllers as appropriate
 - Vulnerability scanning
 - Automated scans using Nessus, GFI LANguard and other automated tools
 - Manual testing using various open-source and customized tools
- Workstation-specific testing
 - System hardening verification
 - Default services removed
 - Default shares removed or secured

- SNMP and other enumeration tools hardened
- Scanning for remote control software, such as pcAnywhere, Carbon Copy, SubSeven, etc.
- Vulnerability scanning
 - Automated scans using Nessus and other automated tools
 - Manual testing using various open-source and customized tools
- Network device testing
 - Configuration review
 - Core device configuration review from a security standpoint
 - Management system review (user access, device database security, alarm profiles)
 - Vulnerability scanning
 - Automated scans using various commercial and open-source tools
 - Manual testing using various open-source and customized tools
 - Network administration and defense measures
 - Patching systems and methods
 - Virus protection measures and enforcement
 - System hardening techniques pre-rollout and post-rollout
 - Device change management controls

Firewall Security Review

The firewall security review included checking for common misconfigurations and the state of the established rules. These tests included, but were not limited to, passwords, missing patches, disabled, duplicate and or unused firewall rules, dangerous protocols and administration settings.

Wireless Security Review

The wireless security review included checking for actual encryption protocols used and determining the pattern of the wireless radio signals.

Reporting

We kept you informed of our progress throughout the engagement through periodic formal and informal status reports and meetings as appropriate. Upon completion of the review, we prepared this written report of our findings and recommendations.

II. EXECUTIVE SUMMARY

Network security is a dynamic field with new exploits and revisions and updates to security standards occurring on a regular basis. In the Fifteenth Annual Computer Security Institute Computer Crime and Security Survey, published in December 2010, 41.1 percent of respondents had experienced a security incident in the last year. Organizations have been taking more precautions such as decreasing the intervals between system audits, third-party security services, software, hardening techniques on system configurations, etc. All of the various security surveys RSM McGladrey, Inc. has reviewed indicate that the financial burden of cyber crimes continues to be detrimental to all industries.

Our external and internal network security review was designed to answer the following questions for FWCJUA:

- **Was RSM McGladrey able to compromise FWCJUA's external/internal network security?**

No. During the conduct of our review, we were not able to compromise FWCJUA's external/internal network security. We were also unable to obtain any customer information or gain sufficient access to any of FWCJUA's servers to gain control of those servers.

- **Did RSM McGladrey identify any issues that FWCJUA should be aware?**

Yes. Our review did identify some security issues related to FWCJUA's external and internal network. These issues are documented in detail in Sections IV, V, VI and VII.

- **What is RSM McGladrey's assessment of FWCJUA's external/internal/firewall/wireless network security?**

Based on a review of the results of our activities, we believe overall, your external/internal/firewall/wireless network security is **satisfactory** as of the date of our testing.

A **satisfactory** designation indicates that while there may be security improvements identified, FWCJUA appears to have taken appropriate action to ensure the security of FWCJUA's external/internal/firewall/wireless network. However, a satisfactory designation should not be construed as absolute assurance that FWCJUA's external/internal/firewall/wireless network is completely protected from attacks and/or intrusions.

A **needs improvement** designation indicates that, while FWCJUA has implemented some security measures, the security improvements identified are significant or pervasive enough that FWCJUA's external/internal/firewall/wireless network is at a higher-than-acceptable risk of a successful attack or intrusion.

An **unsatisfactory** designation indicates that, based on the issues identified, FWCJUA does not appear to have taken appropriate action to ensure the security of FWCJUA's external/internal/firewall/wireless network.

No assessment of controls or security can ever provide total assurance or 100 percent protection against possible control failures or security intrusions on your systems. The potential effectiveness of specific controls and security measures is subject to inherent limitations and, accordingly, errors or fraud may occur and not be detected. Furthermore, information networks, applications and control environments are extremely dynamic in nature and our examination of your control and security methods and procedures are conducted and documented as of the following specific period in time:

Assessment Service	Start Date	End Date
External Network Security Review	04/18/2011	04/20/2011
Internal Network Security Review	04/19/2011	04/19/2011
Firewall Security Review	04/19/2011	04/19/2011
Wireless Security Review	04/19/2011	04/19/2011

As a result, the projection of any conclusions, based on our examination, to future periods are subject to the risk that (1) changes are made to the systems or controls; (2) changes are made in processing requirements; (3) changes are required because of the passage of time; or (4) new security exploits are discovered that may alter the validity of such conclusions. Therefore, RSM McGladrey, Inc. takes no responsibility for any lack of specific controls, control failures, breach of security, or other errors or fraud related to any part of your business environment other than those controls and security measures specifically examined and for any period of time other than the period specifically covered by our assessment conducted. Any subsequent control or security issues that may arise within those areas examined or any control or security issues that are present at the time of this examination, but that are outside the scope of the examination are solely the responsibility of FWCJUA.

III. CONTROL CONCERNS

A summary of our control findings is described below. These items are described in detail in Sections IV, V, VI and VII of this report. The attached chart outlines all of the control concerns identified during this engagement, including:

- Control Concern Description is a brief description of the control concern.
- Relative Risk is a subjective evaluation of the severity of the concern and the potential impact on the operations. Items rated as "High" are considered to be of immediate concern and could cause significant operational issues if not addressed in a timely manner. Items rated as "Medium" may also cause operational issues and do not require immediate attention, but should be addressed as soon as possible. Items rated as "Low" could escalate into operational issues, but can be addressed through the normal course of conducting business. It should be noted that relative risk is not indicative of a security risk unless explicitly stated in the detailed finding and recommendation.
- Resolution Level of Difficulty is a subjective evaluation of the estimated level of difficulty to resolve the concern based on our experience and potential cost. Items rated as "High" are considered to be difficult to resolve and/or will require a significant amount of planning and management involvement/oversight in order to obtain resolution. Items rated as "Medium" are not as difficult to resolve and/or do not require a significant amount of planning, but may be time-consuming to resolve. Items rated as "Low" are items that are not complex and/or require significant amounts of planning and time to resolve.

We recommend FWCJUA's management consider each control concern and develop a detailed action plan to address the issues identified in this report. The action plan should include:

- Action description
- Responsible party(ies)
- Target start date
- Target completion date
- Resource requirements

Management of FWCJUA should be directly involved in the implementation of this action plan to ensure all issues are adequately resolved.

Summary of Control Concerns

Control Concern Description	Page	Relative Risk	Resolution Level of Difficulty
IV. External Findings and Recommendations.....	9		
A. Unencrypted Authentication	9	Medium	Medium
B. Weak Encryption Protocol—Secure Sockets Layer (SSL) v2.....	9	Medium	Low
C. Weak Encryption Algorithms—RC4 and IDEA.....	10	Low	Low
D. Information Leakage—Directory Indexes [REDACTED].....	11	Low	Low
E. Information Leakage—Internal IP Address [REDACTED].....	11	Low	Low
F. Information Leakage—Autocomplete.....	11	Low	Medium
G. Information Leakage—ASP.NET Debugging	12	Low	Low
V. Internal Findings and Recommendations	13		
A. Default Administrative User ID and Password in Place for Collabnet Subversion Source Code Repository [REDACTED] (80/TCP)	13	High	Low
B. VxWorks WDB Debug Agent [REDACTED] (17185/ User Datagram Protocol [UDP]).....	14	Medium	Low
C. Community Name of the Remote SNMP Server Can Be Guessed.....	14	Low	Low
D. Web Server Uses Plaintext Authentication Forms ...	15	Low	Low
VI. Firewall Review.....	16	NA	NA
VII. Wireless Review.....	17	NA	NA

NA = Not Applicable

IV. EXTERNAL FINDINGS AND RECOMMENDATIONS


A. UNENCRYPTED AUTHENTICATION

Relative Risk: Medium

Resolution Level of Difficulty: Medium

Finding:

Unencrypted authentication and data transfer services are available. A malicious individual could use network monitoring tools to capture user credentials and data.

IP Address	Port/Service
	110/Post Office Protocol 3 (POP3)
	143/Internet Message Access Protocol (IMAP)
	110/POP3
	110/POP3
	143/IMAP
	21/File Transfer Protocol (FTP)

Recommendation:

- We recommend disabling the plaintext IMAP and POP3 and only utilizing the encrypted IMAP and POP3 services.
- We recommend implementing a secure file transfer service to replace the plaintext FTP service. Secure Shell (SSH) and FTP Secure (FTPS) utilize implicit encryption protocols.


B. WEAK ENCRYPTION PROTOCOL—SECURE SOCKETS LAYER (SSL) v2

Relative Risk: Medium

Resolution Level of Difficulty: Low

Finding:

The SSLv2 protocol is susceptible to vulnerabilities that would allow communications to be compromised. Attackers take advantage of weaknesses in the protocol to force low-grade encryption to be used to facilitate decryption attacks or to compromise message integrity. For information pertaining to the SSLv2 vulnerabilities, see <http://www.schneier.com/paper-ssl.pdf>.

IP Address	Port/Service
	443/Hypertext Transport Protocol Secure (HTTPS)
	21/FTP

Recommendation:

We recommend using SSLv3 or Transport Layer Security (TLS) v1 encryption protocols. Reconfigure the SSL service to disable the SSLv2 protocol. For more information regarding recommended encryption standards, see http://csrc.nist.gov/publications/nistpubs/800-57/sp800-57_PART3_key-management_Dec2009.pdf. See <http://support.microsoft.com/kb/187498/> for more information.

C. WEAK ENCRYPTION ALGORITHMS—RC4 AND IDEA

Relative Risk: Low

Resolution Level of Difficulty: Low

Finding:

The SSL service is accepting connections using weak encryption algorithms susceptible to a higher risk of being compromised. Minimum encryption standards have been increased because cryptanalysis techniques have improved and faster hardware implementations have decreased the computation time necessary to decrypt communications. The RC4 and IDEA algorithms are no longer recommended for use. Malicious individuals can use network monitoring tools to capture communications protected with weak encryption and potentially decrypt the communications with brute-force techniques.

IP Address	Port/Service	Encryption Algorithm(s)
	443/HTTPS	RC4 128-bit
	443/HTTPS	RC4 128-bit
	443/HTTPS	RC4 128-bit
	110/POP3	RC4 128-bit
	25/Simple Mail Transfer Protocol (SMTP)	RC4 128-bit
	995/POP3 Secure (POP3S)	RC4 128-bit
	443/HTTPS	RC4 128-bit
	443/HTTPS	RC4 128-bit
	443/HTTPS	RC4 128-bit
	143/IMAP	RC4 128-bit
	110/POP3	RC4 128-bit
	25/SMTP	RC4 128-bit
	995/POP3S	RC4 128-bit
	443/HTTPS	RC4 128-bit
	143/IMAP	RC4 128-bit
	110/POP3	RC4 128-bit
	25/SMTP	RC4 128-bit
	995/POP3S	RC4 128-bit
	21/FTP	IDEA, RC4 128-bit

Recommendation:

We recommend using Advanced Encryption Standard (AES), Triple Data Encryption Standard (3DES) or more robust encryption algorithms. For information regarding the configuration of SSL on Windows systems, see <http://support.microsoft.com/kb/245030/>.

D. INFORMATION LEAKAGE—DIRECTORY INDEXES ([REDACTED])**Relative Risk: Low****Resolution Level of Difficulty: Low****Finding:**

The HTTP service on Transmission Control Protocol (TCP) Port 80 is configured to allow directory indexing. We were able to obtain the directory listings for all subdirectories and files in the /ig_common/ directory. We were able to download files from the directories.

Recommendation:

We recommend reconfiguring the Web server to disable directory browsing. Further, we recommend reconfiguring file access controls to ensure least privilege access.

E. INFORMATION LEAKAGE—INTERNAL IP ADDRESS ([REDACTED])**Relative Risk: Low****Resolution Level of Difficulty: Low****Finding:**

The HTTP service leaks a private IP address through the HTTP headers. The IP address leaked is [REDACTED]

Recommendation:

We recommend reconfiguring the HTTP service to prevent the leakage of an internal IP address. See <http://support.microsoft.com/kb/967342> and <http://support.microsoft.com/kb/834141/> for more information regarding the leakage of an internal IP address. Also, review the directions in the knowledge base article for reconfiguring the service.

F. INFORMATION LEAKAGE—AUTOCOMPLETE**Relative Risk: Low****Resolution Level of Difficulty: Medium****Finding:**

The password field on the login page does not have autocomplete set to off. Browsers may be able to cache credentials that could be used by a malicious individual to access the service.

IP Address	Port/Service	URL
[REDACTED]	443/HTTPS	/login.asp

Recommendation:

We recommend changing the Hypertext Markup Language (HTML) code setting the autocomplete element to off within the password parameter to mitigate the risk of credential leakage.

G. INFORMATION LEAKAGE—ASP.NET DEBUGGING**Relative Risk: Low****Resolution Level of Difficulty: Low****Finding:**

We were able to issue an HTTP request for the DEBUG HTTP method and the "Command: stop-debug." The application responded with an HTTP 200 and body content of "ok." This may expose information that an attacker could use to launch more focused attacks.

IP Address	Port/Service
[REDACTED]	80/HTTP and 443/HTTPS
[REDACTED]	80/HTTP and 443/HTTPS

Recommendation:

We recommend reconfiguring the service to disable debugging. It may be possible to change the configuration directive "compilation debug" in the Web.config file to "false" to disable debugging in ASP.NET. For information regarding the configuration of debugging options in ASP applications, refer to <http://support.microsoft.com/kb/815157>.

V. INTERNAL FINDINGS AND RECOMMENDATIONS

A. DEFAULT ADMINISTRATIVE USER ID AND PASSWORD IN PLACE FOR COLLABNET SUBVERSION SOURCE CODE REPOSITORY [REDACTED] (80/TCP)

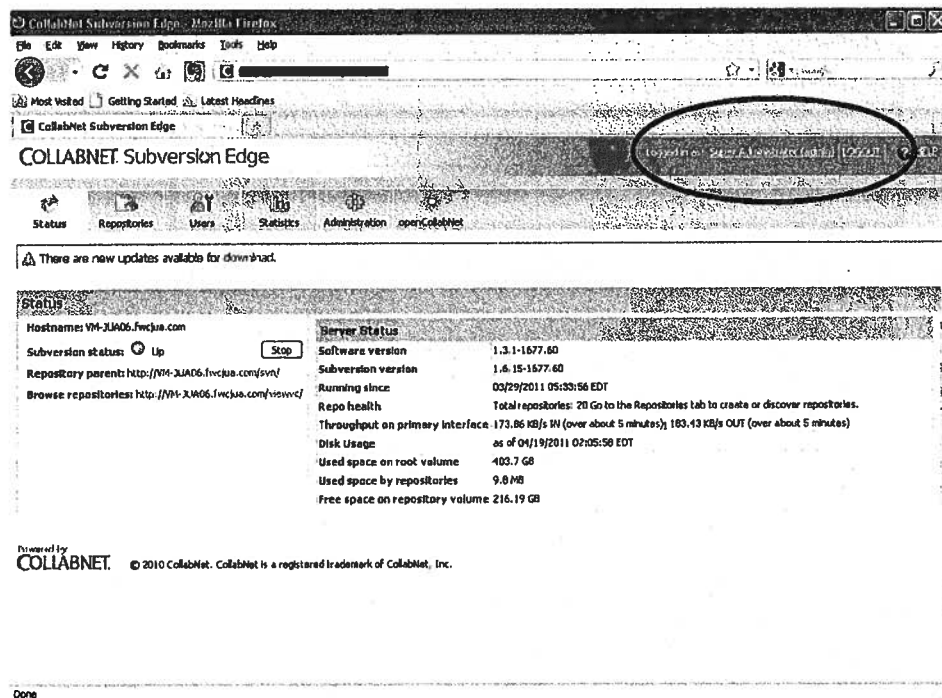
Relative Risk: High

Resolution Level of Difficulty: Low

Status: The completed remedial actions are satisfactory to close this finding.

Finding:

We were able to log into the administrative interface for the Collabnet Subversion source code repository using known default credentials.



Recommendation:

FWCJUA's management should change all of the default user credentials when deploying devices. The password strength should match the policy requirements.

B. VxWorks WDB DEBUG AGENT [REDACTED] (17185/USER DATAGRAM PROTOCOL [UDP])**Relative Risk: Medium****Resolution Level of Difficulty: Low****Status: Open****Finding:**

It may be possible to read or write any memory zone or execute arbitrary code on the host. An attacker can use this flaw to take complete control of the affected device.

Recommendation:

Management should consider ensuring that the device is at the latest supported version and disabling the debug agent.

C. COMMUNITY NAME OF THE REMOTE SNMP SERVER CAN BE GUESSED**Relative Risk: Low****Resolution Level of Difficulty: Low****Finding:**

The default community name (or password) is configured on the hosts listed below. An unauthorized user may use this information to gain more knowledge about the device and network.



IP Address	Port/Service	Status
[REDACTED]	161/UDP	Closed
	161/UDP	Open (The administrator tried to reconfigure; however, the device would not accept the change.)
	161/UDP	Closed
	161/UDP	Closed
	161/UDP	Closed
	161/UDP	Closed
	161/UDP	Closed
	161/UDP	Closed
	161/UDP	Closed

Recommendation:

FWCJUA's management should change all of the default user credentials when deploying devices. The password strength should match the policy requirements.

D. WEB SERVER USES PLAINTEXT AUTHENTICATION FORMS**Relative Risk: Low****Resolution Level of Difficulty: Low****Status: The completed remedial actions are satisfactory to close this finding.*****Finding:***

The Web server allows user credentials to be passed in clear text. This increases the likelihood of compromising user account credentials.

IP Address	Port/Service
	3334/TCP
	80/TCP

Recommendation:

FWCJUA's management should consider requiring user credentials to be encrypted while in transit.

VI. FIREWALL REVIEW

RSM McGladrey reviewed the firewall rule sets and configurations on the SonicWALL firewalls (██████████). The review included common misconfigurations and the state of established rules. The items below are not security risks, but could have an impact on the efficiency of the devices:

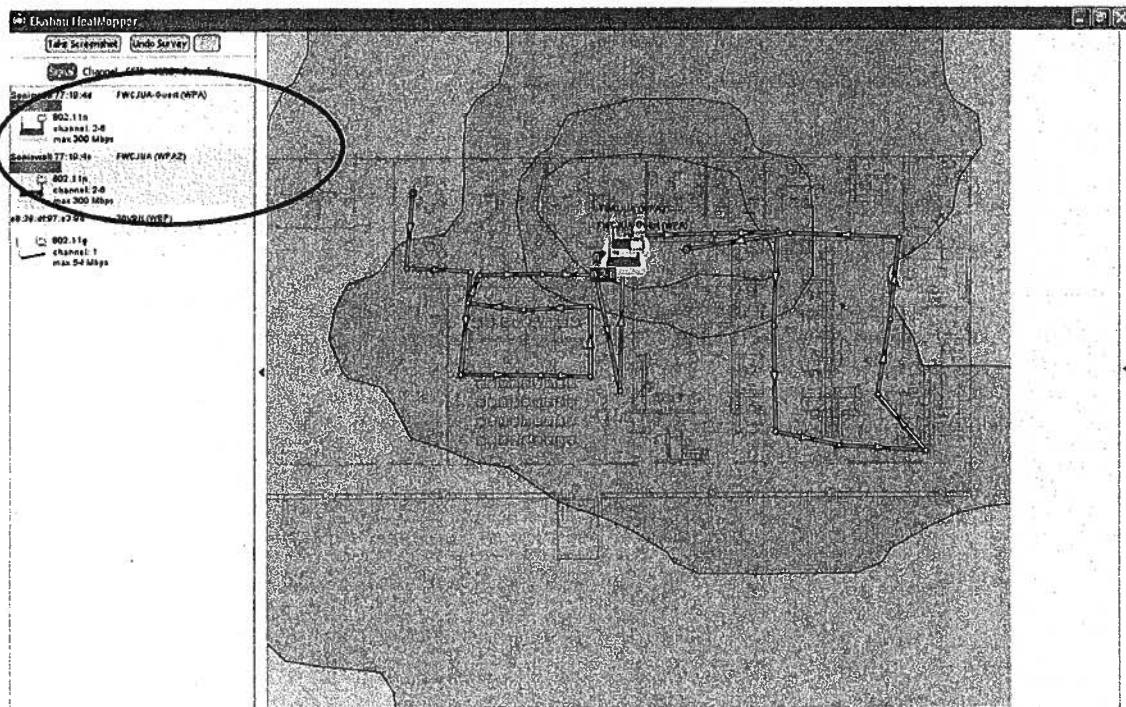
- Duplicate access rules were configured
- Disabled access rules were configured
- Unused access rules were configured at the access rule list end

Recommendation:

FWCJUA's management should consider reviewing the rule sets and eliminating duplicate, disabled and/or unused rules. These actions may increase the efficiency of the firewalls.

VII. WIRELESS REVIEW

RSM McGladrey reviewed the encryption settings and radio patterns for the wireless network. No significant issues were disclosed. Below is the radio pattern of the wireless network.



VIII. EXHIBITS

- A. TOOLS USED**
- B. FOOTPRINTING INFORMATION**
- C. ENUMERATION INFORMATION**
- D. VULNERABILITY REPORT KEY**
- E. EXTERNAL VULNERABILITY REPORTS**
- F. INTERNAL VULNERABILITY REPORTS**
- G. FIREWALL REVIEW REPORTS**
- H. SECURITY RESOURCES**

EXHIBIT A
TOOLS USED

EXHIBIT A

TOOLS USED

The following is a list of the tools available to RSM McGladrey, Inc.'s security consultants to assess an organization's data network. RSM McGladrey may not use all of these tools during an assessment. This list is provided to illustrate the variety and breadth of tools that can be used by RSM McGladrey's security consultants during network security reviews.

Commercial Tools

- Tenable Network Security—Nessus Scanner with ProfessionalFeed
- IBM's AppScan—used for Internet application security assessments
- Core Security Technologies' Core Impact Pro—used for penetration testing
- GFI LANguard—used for internal security assessments
- Application Security Inc.'s AppDetective
- CACE Technologies' AirPcap
- Sandstorm Enterprises' PhoneSweep
- Athena Security, Inc.'s FirePAC and Verify—used for the analysis of firewalls and network devices
- Qualys—vulnerability scanning appliance
- Other commercial network security testing tools

Publicly Available Tools

- Telnet
- SuperScan
- Sam Spade
- NSLookup
- NetStumbler
- Wireshark
- Kismet
- Air Snort and other wireless tools
- Other public domain tools and scripts from a variety of sources

EXHIBIT B
FOOTPRINTING INFORMATION

EXHIBIT B

FOOTPRINTING INFORMATION

"Footprinting" is the process of gathering information to identify all aspects of an organization's security posture. By using a combination of tools and techniques, an attacker can take an unknown network and reduce it to a specific range of domain names, network blocks and individual IP addresses of systems directly connected to the Internet. By using various methods, we were able to develop the footprint for FWCJUA. This information is included as an electronic file accompanying this report.

EXHIBIT C
ENUMERATION INFORMATION

EXHIBIT C

ENUMERATION INFORMATION

"Enumeration" is the term used to describe the process of extracting valid user/customer accounts. By using a combination of tools and techniques, we attempt to extract user/customer account information. These activities are intrusive in nature and involve creating active connections to systems. The following are the results of our enumeration activities. For brevity, we have not included the results of every enumeration attempt conducted unless those activities generated different results.

We were not able to penetrate FWCJUA's network and obtain any user/customer account information.

EXHIBIT D
VULNERABILITY REPORT KEY

EXHIBIT D

VULNERABILITY REPORT KEY

The following provides a general description of the information provided by the various commercial tools used to assess FWCJUA's external and/or internal network security.

The reports contained in the following sections are the raw, unanalyzed results of the automated security assessment tools. FWCJUA's management and technical personnel should refer to Sections IV and V of this report for our analysis and prioritization of the information contained in the following sections.

Session Information

This documents the information regarding the configuration of the application used to conduct the network security review. Key information available includes the policy used and time the assessment was started and ended.

Service Details

This section of the report provides information regarding the "well known" services (TCP/UDP Ports 1 – 1023) found running on these systems evaluated. Information provided includes the port number, type of port (TCP, UDP), service name and a short description of the service.

Banner Details

This section of the report provides additional information regarding any banner information that was retrieved when the target system was contacted over a particular service. Information provided includes the type of banner and the banner text received.

Others

This section contains any additional information retrieved by the various tests that were performed. Information available is free format and will vary depending on the types of services encountered and their responses to requests.

Vulnerability Details

This section of the report documents the vulnerabilities identified during the session. Each vulnerability identified during the session is assigned a severity by an icon indicating high, medium or low, a short description of the vulnerability, a discussion of the vulnerability (i.e., how it works, conditions under which it works, etc.), and a discussion of how to correct or remedy, if possible, the vulnerability.

Vulnerabilities assigned a high level of severity should be addressed immediately as they can be used to compromise the device or cause the device to become inoperative. Vulnerabilities assigned a medium level of severity may also be used to compromise the device or can be used in conjunction with other vulnerabilities to compromise the device or otherwise make the device inoperative. Vulnerabilities assigned a low level of severity are vulnerabilities that provide information that combined with other information or vulnerabilities allow unauthorized persons to improve their chances of compromising the device or making the device inoperative.

EXHIBIT E
EXTERNAL VULNERABILITY REPORTS

EXHIBIT E

EXTERNAL VULNERABILITY REPORTS

If the volume of external vulnerability reports is small, the hard copy of the reports is included here. Otherwise, the reports are accompanying this report in electronic format.

EXHIBIT F
INTERNAL VULNERABILITY REPORTS

EXHIBIT F

INTERNAL VULNERABILITY REPORTS

If the volume of internal vulnerability reports is small, the hard copy of the reports is included here. Otherwise, the reports are accompanying this report in electronic format.

EXHIBIT G
FIREWALL REVIEW REPORTS

EXHIBIT G

FIREWALL REVIEW REPORTS

If the volume of firewall review reports is small, the hard copy of the reports is included here. Otherwise, the reports are accompanying this report in electronic format.

EXHIBIT H
SECURITY RESOURCES

EXHIBIT H

SECURITY RESOURCES

Books

The following are considered seminal works on the subject of implementing network security from a physical, logical or procedural aspect:

- *Designing Network Security* by Merike Kaeo. Published by Pearson Education, Nov 2003. ISBN: 1587051176. You can find more information about this title at <http://www.informit.com>.
- *Hacking Exposed: Network Security Secrets & Solutions, Fifth Edition* by Stuart McClure, Joel Scambray and George Kurtz. Published by Osborne/McGraw Hill, 2005. ISBN: 0072260815. You can find more information about this title at <http://www.hackingexposed.com>.
- *The ePolicy Handbook, Designing and Implementing Effective E-Mail, Internet, and Software Policies* by Nancy Flynn. Published by AMACOM, 2001. ISBN: 0814470912. You can find more information about this title at <http://www.epolicyinstitute.com>.

Websites

The following websites are considered to be key sources of information regarding network security:

- National Institute of Standards and Technology (NIST) Computer Security Resource Center (CSRC)—<http://csrc.nist.gov>
- National Security Agency (NSA) Information Assurance (IA) Security Configuration Guides—http://www.nsa.gov/ia/guidance/security_configuration_guides/index.shtml
- The SANS Institute—<http://www.sans.org>
- The Center for Education and Research in Information Assurance and Security (CERIAS)—<http://www.cerias.purdue.edu>
- Security Focus—<http://www.securityfocus.com>
- United States Computer Emergency Readiness Team—<http://www.uscert.gov>
- CERT® Coordination Center—<http://www.cert.org>
- Open Web Application Security Project (OWASP)—http://www.owasp.org/index.php/Main_Page

OPERATIONS COMMITTEE
2010 OPERATIONS REPORT

On March 31st, the Operations Committee received a copy of the 2010 Annual Report that provided an in-depth operational review of the FWCJUA's 2010 book of business that was completed March 31st by Travelers, in conjunction with staff, to identify:

1. the current composition of the book of business, noting changes from prior years;
2. any trends that may be developing;
3. the level of Travelers' compliance with specified performance standards;
4. any recommendations for enhancing standards; and
5. any other recommendations for improving overall performance to benefit policyholders.

The 2010 operations review resulted in no recommendations for improving standards. Highlights of the review along with the five enhancements to Travelers' operations that were implemented in 2010 or will be implemented in 2011 as a result of this review follow:

2010 OPERATIONAL HIGHLIGHTS:

1. 15.7% reduction in policy count between 2009 and 2010, compared to 40.3% reduction in policy count from 2008 to 2009, shows the rate of depopulation slowing down;
2. 38% increase in the number of policies with premiums in excess of \$25,000;
3. 50.0% of policies issued in 2010 were in the construction industry;
4. 33.0% of policies issued in 2010 were in the service industry;
5. 20.0% of the policies in the service sector consists of domestic per capita codes;
6. 10.0% increase in policy retention from 2009 to 2010;
7. 37.0% reduction in mid-term cancellations from 2009 to 2010;
8. 26.9% increase in Tier 3 accounts from 2009 to 2010;
9. 64% of the 973 final and cancellation audits completed in 2010 were physical audits;
10. 25.6% of initial premium was returned at final audit for policies audited during 2010;
11. 18.4% reduction in the number of claims reported from 2009 to 2010;
12. 241% increase in the average incurred claim amount from 2009 to 2010;
13. 85.0% of claims are processed through the managed care network;
14. 40.7% of all incurred claims in 2010 were reported under Classification Code 4771 – Explosives or Ammunition Mfg. with the principle cause of loss being struck/injured by object;
15. 61.8% of claims reported in the 2010 accident year closed by year end;
16. 10.7% of policies received a loss survey in 2010, compared to 10.1% in 2009;
17. 42.6% of loss surveys completed in 2010 were on construction risks;
18. 27.2% reduction in the number of accounts referred to Travelers Premium SIU;
19. 75% of accounts referred to Premium SIU were referred for payroll suppression; and
20. 98.6% compliance with service provider performance standards.

2010 ENHANCEMENTS:

1. **Release of Web-Based Educational Material for FWCJUA Policyholders** – On September 30, 2010, a step-by-step guide was made available to all FWCJUA policyholders on the FWCJUA's website, detailing the completion of the Quarterly Tax Form, Employer's Affidavit, and the Employer's Self-

Reporting Form. Also, On January 7, 2011, a step-by-step guide was made available to all FWCJUA policyholders on the preparation for and completion of a policyholder's final audit.

2. **Automation of Final Audit Endorsement Process** – On March 15, 2010, Travelers automated its process to endorse the final audit information directly onto the policy, which eliminates a manual process to endorse the information onto the policy, thus eliminating input inaccuracies due to human error.

2011 ENHANCEMENTS & RECOMMENDATIONS:

1. **Implement Quarterly Self-Reporting Form and Employer's Affidavit Checklists** – During the second half of 2010 Travelers implemented a pilot sending Self-Reporting Forms and Employer's Affidavit Checklists (samples attached) to FWCJUA policyholders for use when completing the reports. The checklists are designed to help policyholders understand the process and encourage greater accuracy to the information. Given the success of the pilot, Travelers recommended using the checklists for all policyholders required to submit the reporting. Staff authorized this change and Travelers has implemented.
2. **Creation of Communication to all FWCJUA Policyholders How to Verify Subcontractor Coverage or Exemption Status via the Florida Department of Financial Services (FLDFS) Website** – Travelers proposes implementing a communication on the importance of confirming the existence of coverage or a valid exemption via the FLDFS Proof of Coverage website for all subcontractors being used during the policy term. The communication will provide details regarding accessing the FLDFS site, the procedures for confirming coverage and the importance of regularly reviewing the website for all subcontractors used. Staff authorized Travelers to develop the communication for FWCJUA review with an anticipated implementation in 3Q 2011.
3. **Availability of Remote Site – Audit Capabilities** – Over the past year, Travelers has developed the capability that will allow the FWCJUA to perform part, if not all, of its service provider compliance audit remotely. Thus, Travelers has recommended that the FWCJUA use this process for the upcoming audit. Based upon a review of the systems and information available remotely, staff believes it will be cost-effective to conduct a portion of the upcoming audit remotely; however, an on-site visit is still scheduled to review the billing system items as this system is not yet accessible through the remote access site.

No Committee action is required on this agenda item.

FWCJUA/Travelers Partnership

2010 Overview & Analysis

FL Quarterly Affidavit Checklist:

➤ Employers Affidavit – Page 1

Part 1 - Employer's Responsibilities and Business Information

- ☐ "Employer's Responsibilities" statement reviewed and understood?
- ☐ Business information section completed properly?

Part 2 - Questions A, B and C

- ☐ Questions A, B and C reviewed, understood and boxes checked?
- ☐ If "yes" is selected for Question C: provided PEO name and annual payroll for leased workers?

Part 3 – Officer or Principal's Attestation and Notarization of Affidavit

- ☐ Officer or Principal's name and signature provided and dated?
- ☐ Notary information completed in its entirety and document signed by the notary?
- ☐ Document embossed with Notary seal?

➤ Employers Affidavit – Page 2

Part 1 – Business Information and Important Information regarding subcontractors at bottom of page

- ☐ Legal Business Name, Policy Number and Quarter Being Reported sections completed?
- ☐ Important information regarding subcontractors reviewed and understood?

Part 2 – Subcontractor Information

- ☐ Are all the applicable fields listed below completed for each subcontractor?

1. Subcontractor's Name and Address	5. Actual Amount Paid for Quarter
2. Subcontractor's FEIN	6. Estimated Amount Paid for Year
3. Type of Work Performed	7. Applicable Coverage Information Provided
4. Number of Employees	

➤ Necessary Subcontractor Information

Subcontractors Providing Certificates of Insurance:

- ☐ Do all certificates include coverage for Workers Compensation (located in Section B of each certificate)?
- ☐ Is every subcontractor's coverage effective for the quarter being reported?

Subcontractors Providing Exemption Forms and Notarized Letters:

- ☐ Did all subcontractors provide an actual copy of his or her exemption card?
- ☐ Are all exemptions valid for the quarter being reported?
- ☐ Are all notarized statements dated within your policy term?
- ☐ Do all notarized statements include wording addressing "no employees" and "no subcontractors"?
- ☐ If exemption holders used subcontractors, are they listed on the individual's notarized statement?

Leasing Company Certificates of Insurance and Notarized Letters:

- ☐ Do all certificates include coverage for Workers Compensation (located in Section B of the certificate)?
- ☐ Is every leasing company's coverage effective for the quarter being reported?
- ☐ Is each subcontractor listed in the comments section of the appropriate certificate as being covered by the leasing company's workers compensation?
- ☐ Are all notarized statements dated within your policy term?

FWCJUA/Travelers Partnership

2010 Overview & Analysis

FL Quarterly Payroll Reporting Form Checklist:

➤ Insured Information Section

- ☐ All insured information requested in the header completed?
- ☐ Has insured information section been updated to reflect the correct reporting quarter?
- ☐ Form completed, signed and submitted even if no wages reported for the quarter?

➤ Step 1 - Information

- ☐ Employee Information table completed entirely? This includes:
 - 1. Full employee name
 - 2. Detailed description of work performed
 - 3. Gross wages (including overtime)
 - 4. Time and one half overtime
 - 5. Double time
- ☐ Included individuals performing work on a "contract" basis who have not provided you with a certificate of insurance for workers compensation coverage or a certificate of exemption?

➤ Step 2 - Officer/Managing Partner, Partner or Individual Owner Information

- ☐ Officer/Managing Partner, Partner or Individual Owner table completed entirely? This includes:
 - 1. Officer/Partner title
 - 2. Full name
 - 3. Specific duties performed
 - 4. Actual earnings
- ☐ Officer/managing partner, partner or individual owner earnings, draws or profits for quarter included under actual earnings?
- ☐ All principals included regardless of pay or coverage status?

➤ Part 3 - Additional Questions Section

- ☐ Questions A, B and C reviewed, understood and answered "yes" or "no"?
- ☐ If any of the above questions are answered "yes", were the additional questions below the respective letter answered completely?

➤ Part 4 - Officer/Owner/Member or Partner Signature

- ☐ Signature section commentary and certification reviewed and understood prior to signing?
- ☐ Signature in this section that of an officer, owner, member or partner of the insured entity?
- ☐ Signature section completed entirely?

➤ Part 5 – Mailing of Information

- ☐ The following information should be included with your quarterly report:
 - 1. Quarterly Payroll Reporting Form
 - 2. Completed copy of Quarterly State Wage Report (UCT-6)
 - 3. Completed copy of Employers Affidavit Form
 - 4. Subcontractor coverage information (if applicable)
- ☐ Information can either be faxed to 1-877-634-3710 or mailed to Travelers, P.O. Box 3556, Orlando, FL 32802.

**OPERATIONS COMMITTEE
DISASTER RECOVERY MATTERS**

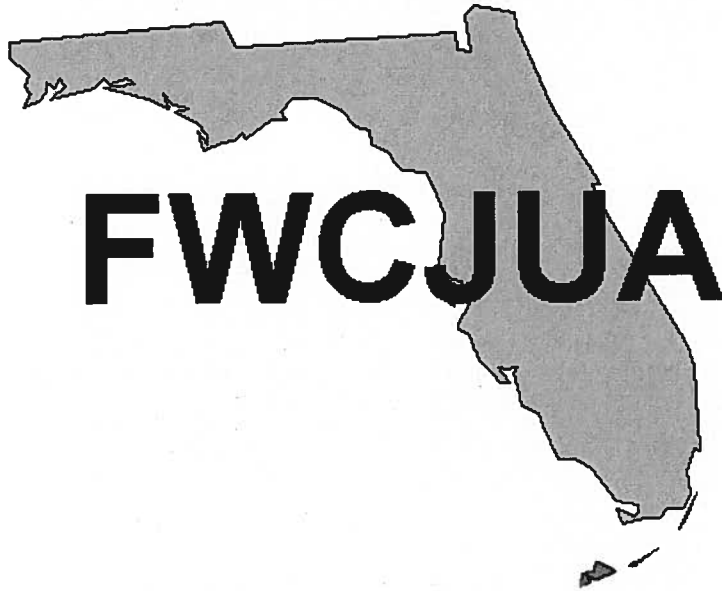
The Operations Committee shall confirm the Executive Director's modifications to the Disaster Recovery & Emergency Preparedness Plan (DR&EP Plan).

Attached for the Committee's consideration are the revised sections of the FWCJUA DR&EP Plan (Revised May 24, 2011). The following Sections and Appendices of the Plan have been updated to reflect current processes, procedures and information:

1. Section III: Location of Alternate Facilities;
2. Section XI: Systems Backup & Alternate Facilities;
3. Section XII: Software Backup;
4. Section XIII: Data Files Backup;
5. Appendix A: Distribution List;
6. Appendix C: Employee Contact Information,
Global Speed Dial Directory,
Global E-mail Directory;
7. Appendix E: Systems Back-up Procedures;
8. Appendix F: FWCJUA Master Vendor Contacts & Phone Numbers;
9. Appendix G: System Administrator's Passwords, Access Protocols & Network Infrastructure;
10. Appendix H: Hardware & Software Inventory; and
11. Appendix I: Departmental, Equipment & Training/Update Checklists

Attached for the Committee's consideration is an exhibit identifying the modifications to the four sections of the Plan referenced above.

The Committee shall consider whether to confirm the revisions to the DR&EP Plan.



**FLORIDA WORKERS' COMPENSATION
JOINT UNDERWRITING ASSOCIATION, INC.**

**DISASTER RECOVERY & EMERGENCY PREPAREDNESS PLAN
(DR&EP Plan)**

Revised: May 21, 2009-24, 2011
Updated: February 9, 2011

SECTION III: LOCATION OF ALTERNATE FACILITIES

Alternate Facility Options

1. The safe room at the FWCJUA facility.
2. The homes of the management team, at least for initial assembly, assessments and assignments, and then as needed an alternate facility in Sarasota.
3. The mobile facility provided by the Mobile Recovery Vendor (refer to Appendix J to activate this alternate facility option)
4. The PAMC Service Provider's Florida office with accommodations at nearby hotels for personnel.
5. Alternate site for processing servers is a real time offsite hosting facility.

Activation of Alternate Facility

In the event the FWCJUA facility is unusable, a determination will be made by the Executive Director as to duration and if it is anticipated that the FWCJUA facility will be condemned or not be readily available, an alternate site in Sarasota will be obtained by the Executive Director, in consultation with the Chair, Vice Chair or Operations Committee Chair (as available). If a suitable Sarasota alternate site is unavailable, including the mobile facility, the PAMC Service Provider's Florida office will be activated as the alternate site. When an alternate site is activated, the following actions will be initiated:

1. A situation assessment will be conducted identifying the systems, communication and personnel requirements with the goal of resuming vital operations (processing applications, to include processing premium payments, and responding to inquiries) as promptly as reasonable.
2. The notifications of the alternate facility activation shall be made as identified below, to include the identification of personnel assignments and respective temporary housing accommodations.
3. Critical computer/network systems and communication vendors shall be contacted to arrange for transition services, as required, for the alternate facility. It is imperative that the establishment of such systems be promptly addressed for the alternate facility. Equipment needs to implement the transition of services shall be promptly identified and reasonably fulfilled.
4. Alternate site access will be enabled.
5. The software will be installed on the alternate server (if available) and activated and an immediate assessment made to determine the extent of data loss and system processing restrictions. If the alternate server is not available, the Emergency Equipment Replacement Plan in Section XV will be activated and the necessary equipment will be purchased and installed at the alternate facility. If the alternate site is the PAMC Service Provider's Florida office and suitable equipment is available, it will be temporarily assigned to the FWCJUA.

Notifications of Alternate Facility Activation

Should the FWCJUA facility be damaged or evacuated, all employees should report to the alternate facility as directed by the Executive Director. Should the incident occur after hours, Appendix C contact information shall be utilized to inform all employees of the situation and provide instructions as to the alternate facility location.

When an alternate facility is selected, the Board members, General Counsel and OIR shall be notified by the Executive Director of the alternate facility location and apprised of the expected duration of the arrangement and any anticipated communication of such to vendors and producers (refer to Appendices C & D).

Vendors and producers shall be notified of the alternate facility location, as warranted. Appropriate notifications should be made as soon as possible and may be made by any and all methods available to include, but not be limited to, phone, fax, e-mail, website, OIR, Administrative Weekly, agents' associations, and newspaper announcements. The Disaster Recovery Coordinators have the logistical responsibility for making the notifications utilizing the available tools and resources (refer to Appendices C & F).

Offsite Facility

The Offsite Facility is hosted at a secure ~~Sungard~~ facility in Winterhaven, FL. ~~Alpharetta, GA, activated September 2007.~~ At the Offsite location the FWCJUA maintains all the processing servers and data for the business operations of the FWCJUA. Several Servers are located at the Main Office for replication purposes and provide for performance issues. A VPN connection is maintained between the two sites and has redundant Internet providers on both ends. If a disaster is declared for the

Sarasota (Main Office) location the Offsite facility is completely functional as a standalone environment excluding faxing. Faxing is handled in conjunction with the Main Office phone system and the Email server located at the Offsite facility. Without access to the Offsite servers the Main Office can only operate the primary Underwriting and Accounting functions.

Access to the Offsite location is accessible anywhere we can acquire/maintain a secure Internet connection. The FWCJUA maintains synchronized Citrix and web servers at each location.

The Offsite Facility has 24hr staff and security personnel onsite.

SECTION XI: SYSTEMS BACKUP & ALTERNATE FACILITIES

Recovery Requirements

This section of the DR&EP Plan meets the following basic recovery requirements.

1. Short-term to mid-term emergency: Ten to eighteen employees should be available for deployment either to the FWCJUA facility's "safe room," management homes; mobile facility; or the PAMC Service Provider's Florida office. If the damage is such that the long term plan is required, all personnel requirements and availability will be evaluated in view of the new location.
2. The optimum recovery goal: Recommencing sufficient operations to communicate with producers and customers, bind coverage, transfer funds (pay claims) and pay bills - is dependent upon having the key people at the alternate site and operational within 24 to 48 hours. (Note: The FWCJUA facility with the safe room and generator should meet this requirement during a "routine" emergency.)
3. System recovery priorities:
 - a. Telecommunications – being able to get to the server/data and to the customer (phone, internet and fax connection)
 - b. Internet / Website
 - c. FLARE / TROPICS
 - d. General Ledger
 - e. Financial System
 - f. Document Management System
 - g. Personal Computer files
4. Maximum data loss: The FWCJUA will tolerate a maximum of one day's data loss. (e.g., the incident causes the system to crash prior to the evening update or back-up tape dump.)
5. License security: All needed software will be stored off-site in a vault with management access.
6. The Alternative Operations Center: It will contain:
 - a. Secure space with alternative power source;
 - b. Printer;
 - c. Copier/fax/scanner
 - d. Internet access
 - e. Phone access;
 - f. FWCJUA Software; and
 - g. Eight "workstations" – desk & chairs.
7. Cost Recovery: Additional expenses as a result of implementing the Disaster Recovery Plan are covered under the Business Income and Extra Expense Coverage Form which is a component of the Special Commercial Package Policy.

Activation

This section of the DR&EP Plan would not be activated in the event of a short-term disaster. Management would secure the building, ensure that the people understood when to report and communicate with the appropriate personnel in accordance with the other sections of the Plan. There would be no requirement to activate the off-site procedures until day three. Website and phone cutover will be determined by end of day one thus providing the capability to commence limited operations from home. In the event of activation:

1. The systems will be activated. If needed the systems with the required data (prior saved daily activity) would be "loaded" on site from the daily backup tape.
2. Currently, if an alternate facility is required, then the assumption is that some or all of the hardware may be destroyed or unusable. Therefore, the necessary equipment (primarily the

servers) will be secured immediately through the Mobile Recovery Vendor or through direct acquisition and 'set-up' with the backup software in order for the FWCJUA to continue to provide coverage to our insureds.

3. Advise the insurer and broker of the Special Commercial Package Policy of the disaster and the need to use the business income and extra expense coverage form.

SECTION XII: SOFTWARE BACKUP

Data is backed up on a nightly basis by the Vaulting Services Vendor. ~~to an online secure vault at a separate facility of the Vaulting Services Vendor. The backup data is available almost anywhere via a secure web management interface.~~ The FWCJUA controls what data is protected and how long it is stored.

The current data (past 24 hours) is readily available for immediate backup in the event of an emergency evacuation

1. Maximum data loss will be 24 hours.
2. Databases and most data are mirrored between Main office and Offsite hosting providing dual copies of data.
3. FLARE data is updated between Main office and Offsite hosting to ensure integrity and with a complete back-up nightly.
4. All needed software licenses and media copies are stored off-site in a vault with management access, or with vendor.

SECTION XIII: DATA FILES BACKUP

The FWCJUA maintains the majority of the data processing servers at a secure offsite hosting facility. All data is stored at the offsite secure facility. Some of the data is replicated between sites for speed and ease of access. Nightly backups are still performed at the offsite facility by the Vaulting Services Vendor. ~~Due to the size, document retention archives~~ and email services are not replicated between sites.

**OPERATIONS COMMITTEE
REPORT ON OPERATIONS**

Highlights of the operational objectives that have been recently addressed include:

1. On March 18th, the Statement of Actuarial Opinion for 2010 was filed with OIR. 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.
2. On March 18th, the required actuarial analysis on the loss liabilities of the FWCJUA was completed and distributed to the Board.
3. On March 24th, Aon Benfield received for dissemination to the reinsurers notice of a "new" large loss claim with a significant brain injury that occurred March 23rd. Injured worker was on a ladder when he fell 20-25 feet striking his head on a concrete column before landing on an aluminum roof. Injured worker has a significant brain injury and his prognosis is guarded. Posted \$600K in medical reserves but will revisit when we receive update from Paradigm. Likely exposure in excess of \$2M.
4. On March 24, 2011, the First DCA issued a disappointing per curiam affirmed opinion regarding an appeal from a Final Order of the OIR reversing a workers compensation insurance premium assessment related to a collection dispute, essentially choosing to punt and not address the issues in the case.
5. On March 28th, sent notice to all policyholders and authorized agencies/designated producers of the free seminars that the Division of Workers Compensation and OSHA offer around the State on Florida's Workers' Compensation Laws and Workplace Safety. Also, posted notice regarding the seminars on the FWCJUA's website.
6. On March 30th, the FWCJUA timely filed the Management Discussion and Analysis with OIR.
7. As of March 31st, the FWCJUA is under budget for G&A expenses by \$19,917.
8. As of March 31st, the current cumulative uncollectible premium was 14.55%, which is slightly better than the established 2011 target of 14.6%.
9. On April 1st, the Online Application for Coverage was updated to improve navigation through the system and provide step-by-step instructions to the "Create Documents", "Attach Documents", and "E-message" screen pages to help producers properly download and complete supplemental application forms without difficulty and communicate more effectively with the FWCJUA.
10. On April 5th, OIR issued notice of its acceptance to the list of the top 20 foreign and domestic carriers/groups in the state of Florida as of 12/31/10, and the letters to domestic insurers regarding Board nominees were issued.
11. On April 8th, OIR provided with the nominees submitted by the FAIA to be considered by the Financial Services Commission to represent it on the FWCJUA Board of Governors for the term 7/1/2011 thru 6/30/2015.
12. On April 7th, letters to foreign insurers regarding Board nominees were issued.
13. On April 11th, sent status updates to Aon Benfield for dissemination to the reinsurers on twelve (12) large loss serious injury claims.
14. On April 21st, the MAP "keep-out" depopulation report was upgraded to permit users to pull the data from our website in a CSV (Comma-Separated Values) file to make it easier for insurers to utilize the MAP – Account Profile data as this format shares data with programs that take CSV files (e.g., Microsoft Excel) thereby permitting the creation of spreadsheets. All three MAP depopulation reports are now accessible through the FWCJUA's website in a CSV file.
15. On April 21st, staff received Travelers' First Quarter Self Audit Performance Report, resulting in a cumulative score of 98.7%.
16. On April 21st, OIR provided with the nominees submitted by the Domestic and Foreign Insurers to be considered by the Financial Services Commission to represent these insurers on the FWCJUA Board of Governors for the term 7/1/2011 thru 6/30/2015.

17. On April 29th, the FWCJUA filed reinsurance recoveries with Aon Benfield on five (5) of the FWCJUA's serious injuries, whose total paid amounts exceeded the reinsurance limits within the accident year.
18. On May 2nd, the 2010 Annual Report that provides an in-depth operational review of the FWCJUA's 2010 book of business was distributed to the Operations Committee.
19. On May 2nd, sent status update on companion claimant to Aon Benfield in reply to an inquiry received from a reinsurer.
20. On May 6th, 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 (LSRP). However, the FWCJUA LSRP remains a ready "shelf product" to be filed and implemented, if warranted.
21. On May 6th, sent notice to all authorized agencies and designated producers that the FWCJUA will not accept the designated producer's notarization on any FWCJUA application and/or form.
22. On May 9th, sent notice to all authorized agencies and designated producers that a policy declarations page and/or a binder of insurance does not constitute proof of Errors & Omissions coverage.
23. On May 9th, sent status updates to Aon Benfield for dissemination to the reinsurers on three (3) large loss serious injury claims.
24. On May 11th, 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 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 post test assessment was conducted to identify further improvements in the process.
25. On May 12th, sent status update to Aon Benfield for dissemination to the reinsurer that asked for an update to one of the large loss serious injury claims.
26. On May 13th, the 2010 Statutory Financial Audit performed by THF was filed with OIR. The FWCJUA received an unqualified opinion with no material weaknesses.
27. On May 13th, the 2010 First Quarter Financial Statement was filed in which the FWCJUA recognized an \$80,396,895 surplus, with a subplan D deficit of \$1,501,967.
28. The 2001, 2002 and 2003 Policyholder Return of Premium Dividend distribution results are noted on the last page of this report.

2001,2002 & 2003 POLICYHOLDER RETURN OF PREMIUM DIVIDEND RESULTS

(as of April 30, 2011)

Net Dividend Declaration for All Years: \$9,154,939.30

2001 POLICYHOLDER

DISPOSITION OF CHECKS ISSUED	2001 # OF RECIPIENTS	2001 % OF RECIPIENTS	2001 DOLLARS DISBURSED	2001 % OF DOLLARS DISBURSED
Cashed *	431	96.4%	\$836,107.77	99.0%
Outstanding	16	3.6%	\$8,023.10	1.0%
CHECKS - SUBTOTAL	447	100.0%	\$844,130.87	100.0%
DISPOSITION OF OTHER PAYABLE DOLLARS	# OF IMPACTED		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	1.0%
Withheld for Noncompliance with Final Audit in another Policy Year.	2		\$3,006.65	0.4%
OTHER - SUBTOTAL	9		\$14,414.22	1.7%
TOTAL	453		\$858,545.09	

2002 POLICYHOLDER

DISPOSITION OF CHECKS ISSUED	2002 # OF RECIPIENTS	2002 % OF RECIPIENTS	2002 DOLLARS DISBURSED	2002 % OF DOLLARS DISBURSED
Cashed *	725	95.5%	\$2,575,925.02	95.5%
Outstanding	34	4.5%	\$120,143.38	4.5%
CHECKS - SUBTOTAL	759	100.0%	\$2,696,068.40	100.0%
DISPOSITION OF OTHER PAYABLE DOLLARS	# OF IMPACTED		PAYABLE DOLLARS RETAINED	% OF TOTAL PAYABLE DOLLARS
Paid Outstanding Collection Fees due in other Policy Years.	9*		\$27,070.77	1.0%
Paid Outstanding Premium Due in other Policy Years.	7		\$20,636.72	0.8%
Withheld for Noncompliance with Final Audit in another Policy Year.	4		\$2,545.97	0.1%
Rounding Difference	-		\$0.13	0.0%
OTHER - SUBTOTAL	20		\$50,253.59	1.8%
TOTAL	770		\$2,746,321.99	

2003 POLICYHOLDER

DISPOSITION OF CHECKS ISSUED	2003 # OF RECIPIENTS	2003 % OF RECIPIENTS	2003 DOLLARS DISBURSED	2003 % OF DOLLARS DISBURSED
Cashed *	1138	91.0%	\$5,341,680.07	95.1%
Outstanding	112	9.0%	\$273,059.96	4.9%
CHECKS - SUBTOTAL	1250	100.0%	\$5,614,740.03	100.0%
DISPOSITION OF OTHER PAYABLE DOLLARS	# OF IMPACTED		PAYABLE DOLLARS RETAINED	% OF TOTAL PAYABLE DOLLARS
Paid Outstanding Collection Fees due in other Policy Years.	31*		\$35,025.01	0.6%
Paid Outstanding Premium Due in other Policy Years.	2		\$5,007.85	0.1%
Withheld for Noncompliance with Final Audit in another Policy Year.	6		\$14,954.29	0.3%
Rounding Difference	-		-\$0.27	0.0%
OTHER - SUBTOTAL	39		\$54,986.88	1.0%
TOTAL	1,258		\$5,669,726.91	

* checks were issued less the dollars retained to pay outstanding collection fees/outstanding premium due in other policy years