



Florida Workers Compensation Joint Underwriting Association, Inc.

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

• Tel (941) 378-7400 • Fax (941) 378-7405 • www.fwcjua.com

VIA EMAIL

BOARD OF GOVERNORS BULLETIN 08-05

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

FROM: Laura S. Torrence, Executive Director

DATE: January 31, 2008

RE: **FEBRUARY 22, 2008 BOARD OF GOVERNORS TELECONFERENCE MEETING
AGENDA**

Enclosed for your review is the agenda for the Board of Governors teleconference meeting scheduled for Friday, February 22, 2008 at 10:00 a.m. An operator will dial out to the following parties:

Dan Dannenhauer	239-939-1400
Brett Stiegel	407-671-3772
Rick Hodges	863-665-6060
Terry Butler	850-413-2913
Jim Ward	407-562-3303
Claude Revels	904-378-4629
Jim Watford	850-413-5368
Tom Maida	850-513-3377
Bonnie Shek	303-672-9099
Mark Mulvaney	303-672-9099

All other parties please contact Kathy Coyne at (941) 378-7408 to participate in the teleconference. Should you have any questions concerning the teleconference call, please do not hesitate to contact me.

Enclosure

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

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

**AGENDA FOR THE MEETING OF THE BOARD OF GOVERNORS OF THE
FLORIDA WORKERS' COMPENSATION JOINT UNDERWRITING ASSOCIATION, INC.
TO BE HELD ON FRIDAY, FEBRUARY 22, 2008 AT 10:00 A.M. VIA TELECONFERENCE**

- | | | |
|--------------|---|-----------------|
| I. | CALL TO ORDER AND OPENING REMARKS | Dan Dannenhauer |
| II. | ANTI-TRUST PREAMBLE (Attachment A) | Tom Maida |
| III. | APPROVAL OF MINUTES (Attachment B) | Dan Dannenhauer |
| IV. | LEGISLATIVE UPDATE | Tom Maida |
| V. | OPERATIONS COMMITTEE REPORT | Brett Stiegel |
| | <ul style="list-style-type: none">• Service Provider Fee Adjustment Proposal (Attachment C)• Service Provider Selection Process (Attachment D)• Disaster Recovery (Attachment E)• Document Management & Retention (Attachment F) | |
| VI. | RATES & FORMS COMMITTEE REPORT | Rick Hodges |
| | <ul style="list-style-type: none">• 2007 Year-End Reserves (Attachment G)• Rates Effective January 1, 2008 (Attachment H) | |
| VII. | INVESTMENT COMMITTEE REPORT | Fred Bennett |
| | <ul style="list-style-type: none">• Investment Policy Exception (Attachment I) | |
| VIII. | GENERAL ANNOUNCEMENTS | |
| IX. | ADJOURNMENT AND CLOSING REMARKS | Dan Dannenhauer |

ANTI-TRUST PREAMBLE

We are here to discuss and act on matters relating to the business of the Florida Workers' Compensation Joint Underwriting Association (FWCJUA) and not to discuss or pursue the business interests of our individual funds or companies.

We should proceed with caution and alertness towards the requirements and prohibitions of federal and state anti-trust laws.

We should not engage in discussions – either at this meeting or in private conversations – of our individual fund's or companies' plans or contemplated activities. We should concern ourselves only with the business of the Florida Workers' Compensation Joint Underwriting Association as set forth in the agenda for this meeting.

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

APPROVAL OF MINUTES

The Board shall consider approval of the attached minutes from the December 11, 2007 meeting of the Board of Governors as well as the attached minutes from the December 11, 2007 Annual Membership meeting.

Additionally, the Board members who serve on the Operations Committee shall consider approval of the attached minutes from the February 8, 2008 meeting of the Operations Committee. The members of the Operations Committee are Brett Stiegel (Chair), Fred Bennett and Rick Hodges.

The Board and Operations Committee shall determine whether to approve the above-referenced meeting minutes.

**MINUTES OF THE MEETING OF THE BOARD OF GOVERNORS OF THE
FLORIDA WORKERS' COMPENSATION JOINT UNDERWRITING ASSOCIATION, INC.
HELD ON DECEMBER 11, 2007 AT 8:30 A.M. IN SARASOTA AT THE FWCJUA OFFICE**

PRESIDING: Charlie Clary, *Chair*

PRESENT: Fred Bennett
Dan Dannenhauer
Rick Hodges
Bob Milligan, *participated via phone for a portion of the meeting*
Claude Revels
Brett Stiegel
Beth Vecchioli
James Ward

EXECUTIVE DIRECTOR: Laura Torrence

GENERAL COUNSEL: Tom Maida

**OFFICE OF INSURANCE
REGULATION LIAISON:** Jim Watford

STAFF: Mark Babin
Michael Cleary
Kathy Coyne
Laura Lopez

SERVICE PROVIDERS: Mike Buccina, *RSI*
Steve Coonrod, *McConaughay, Duffy, Coonrod, Pope & Weaver*
Jeff Deaton, *Benfield Group*
Arleen Desmond, *Travelers*
Cliff English, *English Resources*
Bill Fleischhacker, *Benfield Group*
Andy Gray, *Thomas Howell Ferguson*
John McLaughlin, *Travelers*
Andy Rappoport, *Benfield Group*
Kathy Thompson, *RSI*
Keith Thurman, *Benfield Group*

OTHERS PRESENT: Terry Butler, *Consumer Advocates Office, attended via phone*
Lauri Goldman, *Consumer Advocates Office, attended via phone*
Scott Fields, *Guy Carpenter*
Laura Pearce, *FAIA*
Fred Wicks, *Guy Carpenter*
Ray Neff, *Neff Consulting*

I. CALL TO ORDER AND OPENING REMARKS: The Chair called the meeting to order at 8:50 a.m. The roll was called and a quorum being established the meeting began.

II. ANTITRUST PREAMBLE: Prior to the consideration of any business, Maida reminded the Board of the previously read Antitrust Preamble, a copy of which is attached hereto as Exhibit "A", and that the anti-trust admonition should continue to be adhered to.

III. APPROVAL OF MINUTES: The minutes of the October 15, 2007 joint & concurrent meeting of the Board of Governors, Rates & Forms Committee and Reinsurance Committee and Producer Appeals Committee were submitted for approval.

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

The minutes of the November 29, 2007 Reinsurance Committee meeting were submitted for approval.

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

The minutes of the November 30, 2007 Audit Committee meeting were submitted for approval.

MOTION by Milligan, seconded by Bennett, to accept the meeting minutes as presented. PASSED

The minutes of the December 3, 2007 joint & concurrent meeting of the Executive Compensation Committee, Operations Committee and Rates & Forms Committee were submitted for approval. Watford commented that he believed Cleary's date of hire reflected in the minutes does not seem correct. Torrence agreed to amend the minutes to reflect Cleary's date of hire as 1995, instead of 2005.

MOTION by Bennett, seconded by Stiegel, to accept the meeting minutes as corrected. PASSED

IV. RECOGNITION OF SERVICE OF PRIOR CHAIR: Given the recent transition of the Board, the Chair suggested that the Board recognize the invaluable service of the prior Board chair, Ray Neff. The Board formally expressed their appreciation to Ray Neff for his years of devoted service as Chair of the FWCJUA Board of Governors and requested that the resolution, a copy of which is attached hereto as Exhibit B, be included into the record.

MOTION by Dannenhauer, seconded by Vecchioli, to adopt the resolution as presented. PASSED.

V. 2008 MEETING SCHEDULE: The 2008 Board of Governors "quarterly" meeting schedule was presented. Vecchioli expressed concern regarding the meeting dates, as NAIC meetings are generally held around the same time. The Chair then voiced his concern having all Board meetings in Sarasota and Milligan suggested that at least one Board meeting be held in another location. Clary echoed Milligan's comment and Torrence noted that the Board had contemplated other locations a couple of years ago, but resolved to conduct meetings in Sarasota because the costs associated with a Sarasota meeting were considerably less than those associated in other locations. Further discussion ensued and it was agreed to keep the March meeting location in Sarasota.

MOTION by Hodges, seconded by Bennett to keep the March meeting date and location in Sarasota. PASSED,

The conversation then turned to the June meeting and it was suggested that the June meeting be shifted to Wednesday, June 11th and move it from the FWCJUA's office in Sarasota to Orlando to coincide with other industry conferences going on that same week.

MOTION by Dannenhauer, seconded by Bennett to shift the June meeting date to Wednesday, June 11th and move it from the FWCJUA's office in Sarasota to a location in Orlando to coincide with other industry conferences. PASSED.

As a result of the decisions rendered above, it was agreed to re-evaluate the September and December meeting dates and locations at the March 11, 2008 Board meeting.

VI. IMPACT OF SENATE BILL 1894 & HOUSE BILL 7169: Torrence summarized the significant changes mandated by Senate Bill 1894 and House Bill 7169, which became effective July 1, 2007. She then provided a status report on the implementation of the bills and indicated that no Board action was required on this agenda item.

VII. ETHICS AND SUNSHINE MATTERS: Maida reported that as part of SB 1894, the FWCJUA's law was changed to formally include both the Sunshine Law and ethic matters, to include public records. He advised that the FWCJUA has always followed these principles since 1994 in practice; however in 2007, they are now legally applicable to the FWCJUA. Maida then highlighted information regarding these laws and

**MINUTES OF THE MEETING OF THE BOARD OF GOVERNORS OF THE
FLORIDA WORKERS' COMPENSATION JOINT UNDERWRITING ASSOCIATION, INC.
HELD ON DECEMBER 11, 2007 AT 8:30 A.M. IN SARASOTA AT THE FWCJUA OFFICE**

cautioned Board members to be careful with their conversations with each other. Maida emphasized that Board members should avoid private conversations with each other regarding FWCJUA business. He explained that Board members can have conversations with each other about other things; however, private conversations about FWCJUA business are strictly prohibited. He then indicated that Board members may only discuss FWCJUA business with each other during properly noticed meetings.

Maida then handed out a pocket guide and explained that the guide provides only a general idea of what Florida's Open Meetings and Public Records laws are about. He stated that the actual Open Meetings and Public Records laws are quite complex and suggested that if a Board member has questions and/or doubts about the application or interpretation of the laws to consult with him directly.

VIII. ELECTION OF VICE CHAIR & OFFICERS: Clary then advised that the Board will consider nominations and elect the FWCJUA's Vice Chair and corporate officers. He indicated that the current officers of the FWCJUA are himself, as President, Torrence as Secretary, Cleary as Asst. Secretary and Lopez as Treasurer. He advised that the Vice President position also holds the Vice Chair position and that position is currently vacant. Torrence then advised of the background check requirement for newly appointed officers. Stiegel then nominated Dannenhauer for Vice Chair and Vice President. Dannenhauer indicated that he would be willing to serve in such capacity and comply with the background check requirement.

MOTION by Stiegel, seconded by Vecchioli to elect Dan Dannenhauer as Vice-Chair and Vice President of the FWCJUA, Inc. PASSED.

Further discussion ensued with the consensus of the Board being that Torrence, Cleary and Lopez retain their officer positions.

MOTION by Hodges, seconded by Stiegel, to retain Torrence as Secretary; Cleary as Asst. Secretary; Lopez as Treasurer; and authorize staff to update the FWCJUA banking records accordingly. PASSED.

IX. AUDIT COMMITTEE REPORT:

Code of Business Conduct and Ethics.

Bennett reported that the Board shall consider the Audit Committee's recommendation to adopt proposed revisions to the FWCJUA's Code of Business Conduct and Ethics policy that incorporate provisions of Senate Bill 1894, which became law effective July 1, 2007. Torrence noted that the revisions address the various provisions in the new law.

MOTION by Bennett, seconded by Milligan, to adopt the Audit Committee's proposed revisions to the FWCJUA's Code of Business Conduct and Ethics policy. PASSED.

Torrence then advised that she would finalize the document and distribute it to the Board and FWCJUA staff for signature.

Statement of Policy Regarding Potential Conflicts of Interest.

Torrence advised that the same situation applies to the Conflict of Interest policy in that it was revised to address the new law and that the new verbiage has come right from the statute.

MOTION by Bennett, seconded by Milligan, to adopt the Audit Committee's proposed revisions to the FWCJUA's Statement of Policy Regarding Potential Conflicts of Interest. PASSED.

Torrence then advised that she would finalize the document and distribute it to the Board and FWCJUA staff for signature.

Procurement.

Torrence reported that the Board shall consider the Audit Committee recommendations that it confirm the engagement of Thomas Howell Ferguson (THF) to perform the 2007 year-end audit in accordance with the

**MINUTES OF THE MEETING OF THE BOARD OF GOVERNORS OF THE
FLORIDA WORKERS' COMPENSATION JOINT UNDERWRITING ASSOCIATION, INC.
HELD ON DECEMBER 11, 2007 AT 8:30 A.M. IN SARASOTA AT THE FWCJUA OFFICE**

existing engagement and engage Thomas Howell Ferguson (THF) for the year-end 2008 audit. Bennett noted that at its November 30th meeting, the Audit Committee was updated on the procurement requirements that became effective July 1, 2007 as a result of the enactment of Senate Bill 1894 and consider the future auditor appointment process. He explained that the Committee reviewed the procurement policy and procedures staff implemented in July and found them to be reasonable. He indicated that the Committee recognized the fact that auditing services were exempt from the competitive solicitation requirements of the procurement provisions of the law, and agreed it would be in the best interest of the FWCJUA to maintain its current auditor/tax adviser given both the recent Board transition as well as the on-going transition of the organization to a federal income tax exempt entity. Torrence then reported that since the Audit Committee meeting, THF has agreed to extend its engagement with the FWCJUA recognizing tax services may no longer be required given the FWCJUA tax status is expected to change. The fee structure for such engagement will not exceed the fee structure contained within the current engagement.

MOTION by Bennett, seconded by Vecchioli, to confirm the engagement of THF to perform the 2007 year-end financial audit and to engage THF to perform the year-end 2008 financial audit. PASSED.

June 30, 2007 Financial Audit.

Bennett referred to Attachment K and explained that the Board shall receive the Audit Committee's report regarding the June 30, 2007 financial audit. Torrence then explained that legislation effective July 1, 2007 required that the FWCJUA submit a request to the Internal Revenue Service for a private letter ruling or determination on the plan's eligibility as a tax-exempt entity. Given such, staff had recommended to the Board that an audit of the FWCJUA's financial statement be commissioned to document the "probable" closing of the FWCJUA as a taxable entity as of June 30, 2007. Accordingly, at its June 12, 2007 meeting during a discussion on implementation issues related to the passage of the legislation, the Board had resolved to engage THF to file the private letter request for tax exempt status and to perform the financial audit and prepare the tax return for the period ending June 30, 2007. Gray then reported that the FWCJUA had received an unqualified opinion with no material weaknesses.

Federal Income Tax Exemption Filing Update.

Bennett then reported that at its November 30th meeting, the Audit Committee was informed that Andy Gray with THF had drafted the request for a private letter ruling from the IRS regarding the FWCJUA's federal income tax filing status. Gray indicated that the draft had already been reviewed by staff and was currently being reviewed by General Counsel. Gray further advised that he had initiated pre-filing discussions with the IRS to ensure that the private letter ruling request appropriately addressed all significant matters. He then indicated that the anticipated filing date for the request was on or before December 20, 2007. He reported that the Committee was informed that the FWCJUA would recognize a 2007 out-of-budget expense of \$10,000 for the filing fee. Gray then advised the Board that it should not expect a response from the IRS right away, as it has placed a "hold" on all federal tax exemption rulings for entities to be considered an integral part of the state until the new guidelines are rewritten. He explained that he had a lengthy conversation with the IRS representative and it is unknown when the new guidelines will be completed. However, the IRS representative understood that the state did expect to receive an affirmative ruling and wanted to work towards that end within a timely manner.

2006 Market Conduct Final Examination Report.

Torrence then reported that at its November 30th meeting, the Audit Committee also reviewed the 2006 Market Conduct Final Examination Report covering the scope of January 1, 2003 through June 30, 2006, which was received by the FWCJUA in August 2007 and received a staff update on the actions taken in response to the report. She indicated that most importantly, there were no compliance issues raised in the report. The exam was quite comprehensive and resulted in a favorable report on FWCJUA operations. She indicated that the exam was an operational review and was conducted by OIR's contracted outside audit firm of Buttner Hammock & Company (BHC). BHC reviewed four general areas of the FWCJUA's operations, those being (1) organizational structure and administration; (2) financial performance; (3) payments, allocations, recoveries and financial auditing; and (4) IT systems operations and administration, disaster preparedness. The policyholder cost for the exam totaled \$75,486.91. Torrence then commented that there were only ten relatively minor recommendations for the FWCJUA to consider, and OIR Market Investigations indicated that the FWCJUA was not obligated to implement any of the recommendations within the report.

Bennett then mentioned that upon review of the recommendations and the action taken, it was the consensus of the Audit Committee that all the recommendations were being reasonably and adequately addressed. He further reported that he was pleased and impressed with the results of the report.

Audit Committee Charter Procedures Checklist.

Torrence reported that as required by the Audit Committee Charter, the Audit Committee utilized the Audit Committee Charter Procedures Checklist to ensure it addressed all of its required functions in 2007. The checklist is included for the Board's perusal. She then highlighted a few of the Audit Committee's exceptional activities during 2007: (1) the Audit Committee reviewed 2 financial audits this year, both the 12/31/06 and 6/30/07. Both financial audits were completed by Thomas Howell Ferguson and were issued with unqualified opinions; (2) the Audit Committee reviewed and confirmed or recommended Board adoption of new and revised policies and procedures that were developed to implement SB 1894 & HB 7169 as well as address the 2006 Market Conduct Final Examination Report recommendations (e.g., payroll procedures, procurement procedures, code of conduct, and conflict of interest statement); and (3) The Committee reviewed the 2006 Market Conduct Final Examination Report.

X. RATES & FORMS COMMITTEE REPORT:

Selection of Actuary.

Hodges reported that the Board shall consider the Rates & Forms Committee recommendation to engage Milliman to perform the 2007 year-end actuarial reserve analysis with opinion. He indicated that at its December 3rd meeting, the Rates & Forms Committee considered three informal quotations for the 2007 year-end reserve study with opinion. Milliman's proposal for the services was quoted at a flat fee of \$25,000. Towers Perrin/Tillinghast proposed a time and expense basis fee which it estimated would come to \$75,000. Actuarial & Technical Solutions, Inc. proposed a fee of \$25,000. Given Milliman's satisfactory performance, the Rates & Forms Committee resolved to recommend that Milliman be engaged to provide the 2007 year-end reserve analysis with opinion. He indicated that with regard to future actuarial services, it was the consensus of the Committee that the FWCJUA should issue an RFP to procure the necessary actuarial services. Accordingly, an RFP process has been incorporated into the Operations Committee's proposed 2008 Business Plan to be considered by the Board under a separate agenda item.

MOTION by Hodges, seconded by Stiegel, to adopt the Rates & Forms Committee recommendation that Milliman be engaged for the 2007 year-end actuarial reserve study analysis with opinion. PASSED.

XI. REINSURANCE COMMITTEE REPORT:

2008 Reinsurance Program

Vecchioli reported that on November 29th the Reinsurance Committee met to discuss the options for the 2008 reinsurance program. She explained that the Committee's primary goal was to maximize coverage at a premium rate affordable to the FWCJUA. She indicated that the Board of Governors had previously resolved to raise retention to \$1M plus AAD to recognize the improved surplus position. She then advised the Board that the Committee did not want the total reinsurance structure to exceed 10.8% of earned premium as projected in the FWCJUA's 1/1/08 rate filing. Milligan commented earlier that he supported the Committee's recommendation, but wanted to know if the FWCJUA had ever hit the 4th or 5th layers of the reinsurance program and if not, why purchase the layers. Torrence explained that the cost is minor and well worth the price if there is a single catastrophic event. Fleischhacker then described an event that occurred last week in Jacksonville, Florida in which a four story parking garage under construction collapsed during work hours injuring twenty-four construction workers. He explained that an accumulation of such losses arising out of a single event could cause serious financial difficulties, if it were not for the safety valve provided by the catastrophe layers. Further discussion ensued and it was agreed to direct Benfield to obtain the most favorable terms and coverages for the 2008 reinsurance program.

MOTION by Vecchioli, seconded by Revels to instruct Benfield to obtain the most favorable terms and coverages for the 2008 FWCJUA reinsurance program as follows:

**MINUTES OF THE MEETING OF THE BOARD OF GOVERNORS OF THE
FLORIDA WORKERS' COMPENSATION JOINT UNDERWRITING ASSOCIATION, INC.
HELD ON DECEMBER 11, 2007 AT 8:30 A.M. IN SARASOTA AT THE FWCJUA OFFICE**

1. Purchase the \$10,000,000 xs \$20,000,000 catastrophe layer on a Per Occurrence basis with One Reinstatement at 100% and an MAOL of \$5,000,000;
2. Purchase the \$10,000,000 xs \$10,000,000 catastrophe layer on a Per Occurrence basis with One Reinstatement at 100%; and an MAOL of \$5,000,000;
3. Purchase the \$5,000,000 xs \$5,000,000 layer on a Per Occurrence basis with One Reinstatement at 100%.
4. Purchase the \$4,000,000 xs \$1,000,000 layer with an AAD of no more than 2.28%.
5. Terminate all existing reinsurance coverages on a on a cut-off basis effective 12/31/2007. PASSED.

XII. EXECUTIVE COMPENSATION:

2008 Executive Compensation

Clary reported that the Board shall consider the Executive Compensation Committee's recommendation regarding the 2008 executive compensation. He advised that at its December 3rd meeting, the Executive Compensation Committee reviewed the designated duties and responsibilities of the executive staff as outlined in their respective job descriptions and agreed that they were reasonable. It further formulated Board recommendations regarding the 2008 compensation for the executive staff recognizing the FWCJUA will meet and exceed its 2007 goals and taking into consideration both the prior Chair's assessment of the executive staff as well as Cleary's promotional increase in 2007, the Executive Compensation Committee resolved to recommend a 4.0% increase for Torrence and Lopez and a 3.5% increase for Cleary to become effective January 1, 2008.

MOTION by Bennett, seconded by Stiegel, to adopt the Executive Compensation Committee's recommendation that Laura Torrence and Laura Lopez receive a 4.0% increase in the amount of their current fixed annual compensation effective January 1, 2008; and further, that Michael Cleary receive a 3.5% increase in the amount of his current fixed annual compensation effective January 1, 2008. PASSED.

Discussion then turned to the executive compensation plan and the report prepared by the Hay Group several years ago. Stiegel suggested that Torrence distribute copies of the Hay Group's analysis and then recommended that the Board permit another national study of executive compensation be conducted by the Hay Group to determine where the executive staff's compensation fits with similar organizations. The Board agreed with Stiegel and directed Torrence to distribute copies of the Hay Group's analysis and to engage the Hay Group to conduct a further study of the executive staff's compensation. Torrence then advised that the 2008 Business Plan and Forecast will be amended to include the study.

XIII. OPERATIONS COMMITTEE REPORT:

2008 Business Plan & Forecast

Stiegel reported that the Board shall consider the Operations Committee recommendation that it adopt the attached proposed 2008 Business Plan & Forecast. Torrence highlighted the key activities, pointing out that the business plan and forecast contemplates that legal services continue to be provided by contracted attorneys in lieu of in-house attorneys. She explained that the FWCJUA currently contracts with only two attorneys directly. Tom Maida, of Foley & Lardner, has been the FWCJUA's General Counsel since 1994 and Steve Coonrod, of McConaughay, Duffy, Coonrod, Pope & Weaver, provides claims litigation management services. The General Counsel has provided assistance through his firm on a multitude of issues such as office leases, reinsurance commutation agreements, settlement agreements, service provider contracts, antitrust matters, ethics matters, insurance matters, tax matters, constitutional law matters, regulatory matters, legislative matters, corporate matters, etc. The forecast contemplates a fee of \$150,000 for the General Counsel plus \$5,000 for his expenses. Given the wide range of expertise at the General Counsel's firm, the FWCJUA would not be able to cost effectively hire an in-house attorney to perform these services let alone keep the individual busy on a full-time basis. With regard to claims litigation management,

**MINUTES OF THE MEETING OF THE BOARD OF GOVERNORS OF THE
FLORIDA WORKERS' COMPENSATION JOINT UNDERWRITING ASSOCIATION, INC.
HELD ON DECEMBER 11, 2007 AT 8:30 A.M. IN SARASOTA AT THE FWCJUA OFFICE**

again it would not be cost effective to hire an in-house attorney to provide these services because of the very limited time we anticipate utilizing the services.

Discussion ensued with regard to the litigation expenses recorded in the forecast and it was agreed to modify the forecast to breakout litigation expenses more clearly, i.e., General Counsel, Litigation and Legislative Monitoring. Torrence advised that several of the 2008 forecast amounts are also estimates that will be updated in the forecast when the actual contract terms are known. These items are highlighted in the forecast with the significant items being the reinsurance premium, D&O insurance premiums, and office space CAM adjustment.

Upon discussing the business plan, Torrence reported that it was the consensus of the Operations Committee that the FWCJUA had adequate procedures in place to minimize business interruption should a key employee become unwilling or unable to perform his or her duties and therefore, agreed not to recommend the development of a formal documented Succession Plan as part of the 2008 Business Plan as recommended by the Audit Committee. The Board agreed with the Operations Committee that the services for General Counsel and claims litigation management should continue to be performed by contracted attorneys rather than in-house attorneys, and also endorsed continuing the relationship with both of the FWCJUA's current outside attorneys.

MOTION by Stiegel, seconded by Dannenhauer to adopt the Operations Committee's proposed 2008 Business Plan & Forecast recognizing that the forecast amounts associated with the reinsurance premium, D&O insurance premiums, and rent will be updated to coincide with contract terms. It was further agreed to adopt modifications to the Forecast to breakout litigation expenses more clearly and include the Hay Group Study into the 2008 Business Plan and Forecast. PASSED.

Document Management & Retention

Stiegel reported that the Operations Committee reviewed the proposed Records Management and Retention Policy which was developed to comply with the Public Records Rule 119.01 effective July 1, 2007 and also considered recommendations made in the 2006 Market Conduct Final Examination Report issued in August 2007.

Stiegel noted that an inventory of records maintained by the FWCJUA was performed to identify the record retention schedules. The State of Florida's General Records Schedule GS1-SL was used in preparing the majority of the FWCJUA's Record Retention schedule. The retention periods for FWCJUA specific records not on the State of Florida's General Records Schedule GS1-SL were established based on the insurance company record retention requirements of the National Association of Insurance Commissioners' ("NAIC") Market Conduct Record Retention Model Regulation (the "Record Retention Model Regulation"); and a review of Florida's insurance statutes and regulations.

Torrence further noted that the FWCJUA specific records with proposed retention schedules will be submitted to the Department of State, Division of Library and Information Services on the appropriate Records Retention Form. She also noted that it was her intention to name Kathy Coyne as the Records Management liaison with the state.

MOTION by Stiegel, seconded by Bennett to adopt the proposed FWCJUA Records Management and Retention Policy. PASSED.

Disaster Recovery Matters

Stiegel then reported that the Operations Committee had reviewed and confirmed the Executive Director's modifications to the Disaster Recovery & Emergency Preparedness Plan (DR&EP Plan) which was modified to reflect Board action taken in June 2007 regarding systems backup as well as to incorporate auditor recommendations included in the 2006 Market Conduct Exam.

Service Provider Audit Report

Stiegel reported that at its December 3rd meeting, the Operations Committee received a report on the FWCJUA's audit of the policy administration and managed care service provider, Travelers. He explained

that the staff audit report found that Travelers is fulfilling its obligations as a service provider for the FWCJUA. This is based on an overall rating of 92.9% that the service provider received for its compliance with established FWCJUA performance standards. The Travelers' dedicated units for the FWCJUA continue to be well run, and perform well in all aspects of policy administration, loss prevention and claims handling. There continues to be a positive working relationship between the FWCJUA and the Travelers' management team as well as the Travelers' front line personnel. Further, the report found the Travelers Anti-Fraud and Disaster Recovery Plans to be comprehensive and adequate.

XIV. PRODUCER APPEALS COMMITTEE REPORT: Dannenhauer reported that the Producer Appeals Committee was to consider an agency/producer request for reinstatement of privilege to submit business to the FWCJUA at a meeting scheduled on December 10, 2007; however, the meeting was postponed until after the first of the year at the request of the agency/producer.

XV. REPORT ON OPERATIONS:

2007 Business Plan Status Report: Torrence referred to Report on Operations – 1 and noted that the fourth quarter status of the FWCJUA's key activities and objectives had been substantively covered during the various Committee reports and asked if there were any questions. There were no questions.

Operations Analysis: Torrence referred the Board to Report of Operations – 2 and noted that as of October 31, 2007, the FWCJUA has 2,292 policies "IN-FORCE" with a corresponding written premium of \$20,677,638. Discussion then turned to the Mid-Term Cancellation Report and Watford suggested that the report, specifically, category 1A and 1B be amended to reflect "FWCJUA" instead of the word "Company". Staff agreed to revise the report as recommended by Watford.

Loss Summary Report: Torrence reported that there are currently 20 claims of \$400,000 or greater with a total incurred of \$26M and noted that seven of the claims listed on the report have been settled.

Collections Report: Torrence referred the Board to Report of Operations – 4 and Buccina, with RSI reported that that volume is down, but the recovery percentage has increased to 19.3%.

XVI. FINANCIAL REPORT:

Comparative Statutory Financial Statements: Lopez reported that the cumulative surplus as of September 30, 2007 was \$58.1M. She further reported that Subplan D's deficit was \$4.5M with "prior A, B & C" recognizing a \$38.5M surplus and the three rating tiers recognizing a combined surplus of \$24.2M. She reported that written premiums for 2007 were 63% less than written premiums in 2006 suggesting continued depopulation. Losses paid in 2007 are 24% less than the 2006 year with net losses coming in less as a result of the lower loss ratios being used to book reserves. The overall net income for 2007 before taxes was \$14.9M with an estimated federal income tax incurred of \$3.4M.

Budget Variance: In referring to Financial Report – 2, Lopez reported that as of September 30th, Net Earned Premium was 30% less than projected. She then reported that legal fees and bank charges were over budget. She explained that a new engagement was signed by General Counsel after approval of the budget and the increased bank charges were offset by an increase in interest earned. She reported that in February the FWCJUA moved to a new type of interest earning cash account with SunTrust that does not offset bank fees based upon compensating balances in other accounts. She then reported that the interest rate being earned on the FWCJUA's new cash account is 5.3% and noted that the additional \$9,475 in bank fees is offset by the approximate \$85,000 in additional interest earnings so far this year.

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

Investment Portfolio: Lopez in referring to Financial Report – 4, noted that as of September 30th the current portfolio return was 4.85%, up from 4.37% in December and up from 4.21% in September of 2006. She noted that the portfolio return is beginning to improve as interest rates are increasing and maturities have been reinvested at higher interest rates. She reminded the Board that the FWCJUA portfolio is a buy and

**MINUTES OF THE MEETING OF THE BOARD OF GOVERNORS OF THE
FLORIDA WORKERS' COMPENSATION JOINT UNDERWRITING ASSOCIATION, INC.
HELD ON DECEMBER 11, 2007 AT 8:30 A.M. IN SARASOTA AT THE FWCJUA OFFICE**

hold strategy, however, with maturities during 2007, the overall return has increased by 48 basis points. Lopez then advised the Board that as a result of the current drop in interest rates; a few of the FWCJUA's bonds have been called and have been re-invested at a lower rate. Therefore, the portfolio return may begin to fall with the current trend of lower interest rates.

XVII. GENERAL ANNOUNCEMENTS: Torrence reminded the Board that its next meeting will be held Tuesday, March 11th, at the FWCJUA's office.

XVIII. ADJOURNMENT AND CLOSING REMARKS: There being no further business, the meeting was adjourned at 11:50 a.m.

Respectfully submitted,

Charlie Clary, *Chair*

**MINUTES OF THE MEMBERSHIP MEETING OF THE
FLORIDA WORKERS' COMPENSATION JOINT UNDERWRITING ASSOCIATION, INC.
HELD ON DECEMBER 11, 2007 AT 8:30 A.M. IN SARASOTA
AT THE FWCJUA OFFICE**

PRESIDING: Charlie Clary, *Chair*

PRESENT: Fred Bennett
Dan Dannenhauer
Rick Hodges
Bob Milligan, *participated via phone*
Claude Revels
Brett Stiegel
Beth Vecchioli
James Ward

EXECUTIVE DIRECTOR: Laura Torrence

GENERAL COUNSEL: Tom Maida

**OFFICE OF INSURANCE
REGULATION LIAISON:** Jim Watford

STAFF: Mark Babin
Michael Cleary
Kathy Coyne
Laura Lopez

SERVICE PROVIDERS: Mike Buccina, *RSI*
Steve Coonrod, *McCoonnaughay, Duffy, Coonrod, Pope & Weaver*
Jeff Deaton, *Benfield Group*
Arleen Desmond, *Travelers*
Cliff English, *English Resources*
William Fleischhacker, *Benfield Group*
John McLaughlin, *Travelers*
Andy Rappoport, *Benfield Group*
Kathy Thompson, *RSI*
Keith Thurman, *Benfield Group*

OTHERS PRESENT: Terry Butler, *Consumer Advocates Office, attended via phone*
Lauri Goldman, *Consumer Advocates Office, attended via phone*
Laura Pearce, *FAIA*
Scott Fields, *Guy Carpenter*
Fred Wicks, *Guy Carpenter*

I. CALL TO ORDER AND OPENING REMARKS: The Chair called the meeting to order at 8:40 a.m. The roll was called and a quorum being established the meeting began.

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

III. 2006 OVERVIEW: The Chair asked Torrence to provide a brief overview of the FWCJUA's 2006 operations. Torrence referred to Attachment B and briefly commented on each exhibit. The Chair then solicited discussion and none ensued.

IV. QUESTION AND ANSWER SESSION: There were no questions.

V. ADJOURNMENT AND CLOSING REMARKS: There was no further business. The meeting was adjourned at 8:50 a.m.

Respectfully submitted,

Charlie Clary, *Chair*

**MINUTES OF THE MEETING OF THE OPERATIONS COMMITTEE OF THE
FLORIDA WORKERS' COMPENSATION JOINT UNDERWRITING ASSOCIATION, INC.
HELD ON FEBRUARY 8, 2008 AT 10:00 A.M. VIA TELECONFERENCE**

PRESIDING: Brett Stiegel, *Chair*

COMMITTEE MEMBERS: Fred Bennett
Rick Hodges

BOARD MEMBERS PRESENT: Dan Dannenhauer
Terry Butler

EXECUTIVE DIRECTOR: Laura Torrence

GENERAL COUNSEL: Leonard Shulte, *alternate for Tom Maida*

**OFFICE OF INSURANCE
REGULATION LIAISON:** Theresa Eaton, *alternate for Jim Watford*

STAFF PRESENT: Marc Babin
Michael Cleary
Kathleen Coyne
Laura Lopez

SERVICE PROVIDERS PRESENT: Arleen Desmond, *Travelers*
John McLaughlin, *Travelers*
Bronwyn Sikes, *Travelers*
Claudia Vicory, *Travelers*

OTHERS PRESENT: Carolyn Cocharan, *Colodny, Fass, Talenfeld, Karlinsky, Abate*

I. CALL TO ORDER AND OPENING REMARKS: The Chair called the meeting to order at 10:17 a.m. The roll was called and a quorum being established the meeting began. The Chair asked if the Operations Committee was properly noticed, and Torrence responded that the meeting was properly noticed in the Administrative Weekly as well as on the FWCJUA's website.

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

III. SERVICE PROVIDER FEE ADJUSTMENT PROPOSAL: Torrence reported that the Committee shall consider whether to recommend that the Board adjust Travelers' service provider fee for the 2008 contract year. She explained that she had received a proposal from Travelers for consideration of a fee adjustment for the 2008 contract year which was consistent with the terms of the Service Provider Agreement.

Torrence then proceeded to explain that in March 2005, the FWCJUA had issued an RFP for policy administration and managed care services (PAMC services) for policies with effective dates of January 1, 2006 through December 31, 2008. She indicated that the policy administration services included the issuance of policies and appropriate endorsements; premium billing and collection; auditing; claims management including managed care services; loss control and safety engineering; fraud investigation and prevention; financial and statistical data reporting; and customer satisfaction services. She advised that the RFP contemplated the selection of a maximum of two service providers and required respondents to state service fees as a percent of collected written premium, excluding all written premium collected by the FWCJUA's designated collection agent.

**MINUTES OF THE MEETING OF THE OPERATIONS COMMITTEE OF THE
FLORIDA WORKERS' COMPENSATION JOINT UNDERWRITING ASSOCIATION, INC.
HELD ON FEBRUARY 8, 2008 AT 10:00 A.M. VIA TELECONFERENCE**

She pointed out that at that time, the FWCJUA had statutorily capped rates and minimum premiums in both Tiers 1 & 2, with actuarially sound rates and minimum premiums in Tier 3. She reported that Florida Statutes provided that actuarially sound rates and minimum premiums could be promulgated for Tiers 1 & 2 effective January 1, 2007; and thus, the FWCJUA was anticipating significant rate and minimum premium increases during the contract period based upon actuarial projections in 2005.

Torrence then advised that following the 2005 RFP process, the FWCJUA contracted with Travelers to provide PAMC services for polices with effective dates of January 1, 2006 through December 31, 2008. She referred to Attachment B and explained that the current Service Provider Agreement with Travelers provides for the servicing fee rates listed and noted that these fee rates are expressed as a percentage of collected premiums and apply evenly to all of the FWCJUA's rating plan tiers.

Torrence referred to the service fee compensation grid and explained that it is valid over the term of the Service Provider Agreement, provided that the FWCJUA's rates, rating plans and service requirements do not depart materially in scope and nature from the provisions outlined in the 2005 RFP, including the FWCJUA's 2005 rates and rating plans. However, in the event that there are material changes affecting the FWCJUA's rates, rating plans or service requirements, the Service Provider Agreement provides that the FWCJUA and Travelers may negotiate revisions to the servicing fee structure reflecting the impact of such changes. Specifically, the Agreement provided that the FWCJUA and Travelers may renegotiate the service provider fee in the event that a change, or series of changes, to rates and rating plans result in a cumulative premium impact to FWCJUA policyholders in any rating tier that is more than +/-25%. She explained that this feature of the Agreement was intended to protect both the FWCJUA and Travelers from material changes in service compensation levels that resulted directly from unanticipated changes in the policyholder rate structure. Further, the provision helped to protect the FWCJUA from escalating costs and unjustified enrichment to Travelers that would result from substantial rate level increases and conversely would protect Travelers from having to absorb material reductions in service compensation that would be the consequence of the FWCJUA implementing significant rate reductions.

Torrence then explained that if such an event were to become necessary, Travelers is required to submit a proposal to the FWCJUA within a reasonable time period of the triggering event, with a proposed effective date of no earlier than the date of the triggering event. She referred to Exhibit I and explained that the FWCJUA has implemented changes to its rates and rating plans that taken together through January 1, 2008 have an accumulated total premium level impact of -32.6%, since the inception of the current service contract with Travelers. She then moved to Exhibit II which shows the proposed amounts Travelers believes to be fair and reasonable to the dramatic changes in the rate levels since January 1, 2006. She indicated that theoretically, the adjustment that would be made to servicing fee rates in order to be "revenue neutral" given premium levels decreasing by -32.6% would be to increase the servicing fee percentage rate by about an additional 50%. However, Travelers understands that if such a full adjustment were to be made all at once it would generate a substantial increase in the FWCJUA's expenses and as such, is offering in good faith to accept half of the indicated adjustment that would apply for policies with effective dates of January 1, 2008 through December 31, 2008.

Torrence then advised that Travelers has also introduced a minimum annual service fee amount of \$1,250,000, which only impacts the FWCJUA if premium drops below \$4,864,000. She indicated that a minimum annual service fee in our business is not unusual. She referred to the spreadsheet on page 10, which Lopez put together, and explained that it shows the effect of Travelers proposed service fee of \$806,860, effective January 1, 2008 versus \$1.2 million of the calculated adjusted service fee utilizing the FWCJUA 2008 premium forecast of \$21 million. She then referred to the next exhibit on page 11, and explained that this exhibit reflects the impact of the FWCJUA rate changes in 2006 and 2007 on Travelers service provider fee structure. She indicated that staff strongly recommends that the Travelers service provider fee structure be adjusted as proposed to include the minimum annual service fee.

Discussion ensued and Hodges expressed concern with paying as much as 25.7% of premium on servicing carrier fees, particularly when rates have declined over the last four years. Torrence referred to the spreadsheet on page 12, which outlines Travelers service fee, including minimum fee amounts paid since May 1995 and indicated that from a historic perspective the fees have gone up over the years.

**MINUTES OF THE MEETING OF THE OPERATIONS COMMITTEE OF THE
FLORIDA WORKERS' COMPENSATION JOINT UNDERWRITING ASSOCIATION, INC.
HELD ON FEBRUARY 8, 2008 AT 10:00 A.M. VIA TELECONFERENCE**

However, years ago the FWCJUA had compared the fees the FWCJUA paid with the fees paid by the National Pool and we found that our service fees were about 24% less compared to what the National Pool was paying its service providers for similar services. She explained that one of the reasons Travelers fees have gone up over the years is the fact the FWCJUA requires additional processing work on an individual policy file basis, which has also helped to bring the FWCJUA uncollectible premiums down. She then went on to explain that if the FWCJUA and Travelers fail to agree on an appropriate servicing fee adjustment, the FWCJUA must agree to release Travelers from issuing new policies, or renewing existing policies, on its behalf upon 180 days' notice.

Discussion then led to the proposed minimum annual service fee amount and it was the consensus of the Committee to accept the minimum annual service fee of \$1,250,000.

MOTION by Bennett, seconded by Stiegel, to recommend to the Board that it adjust the service fee as proposed by Travelers for the policies they issue on behalf of the FWCJUA with policy effective dates of January 1, 2008 through December 31, 2008. PASSED, with Hodges opposed.

MOTION by Hodges, seconded by Bennett, to recommend to the Board that it permit Travelers fee schedule include a minimum annual service fee of \$1,250,000. PASSED, unanimously.

Upon further discussion, the Committee agreed to refer Milliman's analysis to the Rates & Forms Committee for consideration of a potential premium level change as a result of the change in the service fee assumption.

IV. SERVICE PROVIDER SELECTION PROCESS: Torrence reported that the Operations Committee shall provide direction to staff on its proposed service provider selection process and timeline for securing policy administration and managed care services beyond December 31, 2008. She explained that typically the policy administration services include the issuance of policies and appropriate endorsements; premium billing and collection; auditing; claims management including managed care services; loss control and safety engineering; fraud investigation and prevention; financial and statistical data reporting; and customer satisfaction services. She further reported that managed care services include medical management and disability management. Torrence then advised the Committee that in the past, the Board preferred a bundled service approach to maintain communications among the service areas, rather than unbundled services, but asked the Committee what it preferred. After some discussion, the Committee unanimously agreed to keep the services bundled.

Torrence then reported that at this time, the draft RFP contemplates policy administration services including managed care for a period of five years, that being for policies issued with effective dates of January 1, 2009 through December 31, 2013. She explained that in the past, the services were provided for a period of three years, but staff felt that the three year period was a bit too short. She then suggested that the Committee consider a contract period for three years with two, one year renewal options by mutual agreement of the parties. Bennett commented that a contract period for five years is a long time and pointed out that a lot can change within the organization in five years. He expressed to the other Committee members that he likes Torrence's suggested three year contract period with two one year renewal options, as it provides the FWCJUA with a little more flexibility. Dannenhauer then asked if the three year contract period is standard and/or regulated by OIR. Torrence responded that there is no OIR regulation for contract periods, but believes the National Pool contract is for three years as well. Desmond commented that the contract period for the National Pool is three years, but contains a renewal provision. Discussion followed and the Committee agreed to a contract period for three years rather than five years with the option to renew twice with one year extensions.

Torrence then explained that the draft RFP contemplates that a committee will be selected to evaluate the proposals submitted in response to the RFP. Members of the Evaluation Committee will be designated by the Chair of the FWCJUA Board of Governors. The Evaluation Committee will include a qualified, independent individual who is not an employee of the FWCJUA or the Florida Office of Insurance Regulation. Other professional staff may also assist in the initial mandatory requirements review, contacting of references, or answering technical questions from the Evaluation Committee. Torrence then

**MINUTES OF THE MEETING OF THE OPERATIONS COMMITTEE OF THE
FLORIDA WORKERS' COMPENSATION JOINT UNDERWRITING ASSOCIATION, INC.
HELD ON FEBRUARY 8, 2008 AT 10:00 A.M. VIA TELECONFERENCE**

asked the Committee whether it wanted to continue to use an Evaluation Committee or require certain Board members to evaluate the proposals. It was the consensus of the Operations Committee to continue to use an Evaluation Committee to include an independent individual to help evaluate the proposals submitted in response to the RFP.

Torrence then advised the Committee that it is anticipated that a notice regarding the RFP will be published in *Business Insurance* at the end of February with reference to the complete official notice of the RFP being published in the Florida Administrative Weekly on March 7, 2008. Interested parties will be informed that they may obtain the RFP on or after March 28, 2008 by written request to the Executive Director. She then referred to the proposed timetable for the RFP and explained that the award of a contract resulting from the RFP shall be based on the best proposal(s) received from the respondents meeting the mandatory requirements of the RFP who offer the lowest compensation requirements; the most cost effective administration for FWCJUA business; and the strongest emphasis on the reduction of operating losses. The FWCJUA shall reserve the right to decline to accept any or all RFP responses.

V. DISASTER RECOVERY MATTERS: Torrence then referred to Attachment D, including the supplemental information, and reported that the Operations Committee shall consider whether to recommend to the Board that it contract with SunGard to provide vaulting services for all the FWCJUA's critical data including databases, document management (public records) and working documents. She explained that the FWCJUA's 2008 Business Plan requires staff to explore additional options for document management data redundancy and make appropriate recommendations to the Operations Committee. Accordingly, the vaulting services proposal was secured from SunGard, the FWCJUA's current remote vaulting vendor, to better address document management data redundancy. The cost associated with the proposed vaulting services is not contemplated in the 2008 Forecast and would be considered an out-of-budget expenditure.

Babin then reported that currently, the FWCJUA data backup plan contemplates the backup of all of our data to tape every weeknight with our equipment at the SunGard Alpharetta facility (the "FWCJUA Offsite Location"). SunGard techs physically swap the backup tapes for us; however, the validity of the backup tapes is completely the FWCJUA's responsibility. Much of the data is also replicated between Sarasota and the FWCJUA Offsite Location, with the exception of the document management data due to a storage limitation in Sarasota. This means that there is no other redundancy for the document management data other than the backup tapes at the FWCJUA Offsite Location.

Babin further explained to the Committee that SunGard's proposal outlines a plan that SunGard will install custom software that will backup all FWCJUA data being "remote vaulted" in Alpharetta to their Philadelphia facility; and thus, SunGard will assume responsibility for ensuring the data is securely maintained and backups are successfully taking place. The new online backup process is a differential backup which means it will backup all data that is changed or new since the last backup. The data can be stored as long as we want and the price is based on the size of the backup. The longer we keep the data the larger the backup becomes. Initially, staff suggests a plan to have capacity for about 2 weeks before old data is overwritten. This process will allow us to simplify our backup/restore for disaster recovery planning. We can restore our data to any revision point that we have in the archive. Since the backup is securely vaulted at another remote site all data will now be protected from anything happening at the Alpharetta facility.

Torrence then reported that the cost of SunGard's vaulting services proposal is \$1,806 monthly with a \$1,178 install fee. There are additional costs associated with longer storage and more growth; but such would not appear to be necessary at this time. She then indicated that staff would recommend accepting the SunGard vaulting services proposal as it will provide a more reliable backup of the public records data with our remote vaulting vendor. The out-of-budget expense for securing vaulting services under SunGard's proposal would approximate \$22,850.

The Chair asked how long the FWCJUA has contracted with SunGard and Babin responded that the FWCJUA contracted with SunGard in August of last year. The Chair then asked why wasn't the vaulting

**MINUTES OF THE MEETING OF THE OPERATIONS COMMITTEE OF THE
FLORIDA WORKERS' COMPENSATION JOINT UNDERWRITING ASSOCIATION, INC.
HELD ON FEBRUARY 8, 2008 AT 10:00 A.M. VIA TELECONFERENCE**

services contemplated at that time and Torrence responded that the FWCJUA was not responsible for public records under the act at that time.

MOTION by Bennett, seconded by Hodges, to recommend to the Board that it contract with SunGard for vaulting services as proposed and thus, authorize a \$22,850 out-of-budget expenditure for 2008. PASSED, unanimously.

VI. DOCUMENT MANAGEMENT & RETENTION UPDATE: Torrence reported that the Committee shall consider whether to recommend that the Board adopt staff's proposed revisions to the Board adopted Records Management and Retention Policy, specifically the Records Retention Schedule, which were necessitated as a result of the Department of State, Division of Library's review of the policy.

She explained that at its December 11, 2007 meeting, the Board adopted an FWCJUA Records Management and Retention Policy as recommended by the Operations Committee for filing with the Department of State, Division of Library. Accordingly, the Records Management Liaison Officer form and the FWCJUA retention schedules were submitted to the Department of State, Division of Library and Information Services in December 2007. Since that time, staff has worked with the Division to streamline and clarify the FWCJUA retention schedules in accordance with the Division's directives. At the direction of the Division, staff eliminated the FWCJUA specific Personnel Records retention schedule by distributing the records in this series into the States General Records Schedule GS1-SL Personnel categories and reconsidered the need to maintain many documents permanently. Accordingly, staff is now only proposing five FWCJUA specific records for retention with the Division, with revised retention schedules as well as a revision in the placement of individual records within the FWCJUA specific Underwriting records. Further, staff has revised the placement of individual records within the States General Records Schedule GS1-SL as well as the retention schedules of these records.

MOTION by Hodges, seconded by Bennett, to recommend to the Board that it adopt the proposed revisions to the FWCJUA Records Management and Retention Policy. PASSED, unanimously.

VII. REPORT ON OPERATIONS: Given the Board's limited agenda in March and to avoid unnecessary expenses, Torrence reported that the Board Chair has rescheduled the March 11, 2008 Board meeting in Sarasota to coincide with the previously scheduled Board teleconference meeting to be held on Friday, February 22, 2008. She indicated that the agenda topics for the teleconference meeting scheduled for February 22nd will include approval of minutes; legislative update; Operations, Rates & Forms, and Investment Committee reports on service provider fee adjustment proposal, service provider selection process, disaster recovery matters, document management & retention, reserves, rates, and Investment Policy exception. She then explained that the normal quarterly Board reports will not be available at the February 22nd teleconference meeting, but will be available mid March and mailed to the Board for review.

VIII. GENERAL ANNOUNCEMENTS: There were no general announcements.

IX. ADJOURNMENT AND CLOSING REMARKS: There being no further business, the meeting was adjourned at 11:33 a.m.

Respectfully submitted,

Brett Stiegel, *Chair*

OPERATIONS COMMITTEE REPORT

Service Provider Fee Adjustment Proposal

The Board shall consider an Operations Committee recommendation that a service provider fee adjustment for Travelers be adopted for the 2008 contract year.

In March 2005, the FWCJUA issued an RFP for policy administration and managed care services (PAMC services) for policies with effective dates of January 1, 2006 through December 31, 2008. Policy administration services include, but are not limited to, the issuance of policies and appropriate endorsements; premium billing and collection; auditing; claims management including managed care services; loss control and safety engineering; fraud investigation and prevention; financial and statistical data reporting; and customer satisfaction services. Managed care services include, but are not limited to, medical management and disability management. The RFP contemplated the selection of a maximum of two service providers and required respondents to state service fees as a percent of collected written premium, excluding all written premium collected by the FWCJUA’s designated collection agent.

At that time of the RFP, the FWCJUA had statutorily capped rates and minimum premiums in both Tiers 1 & 2, with actuarially sound rates and minimum premiums in Tier 3. Florida Statutes provided that actuarially sound rates and minimum premiums could be promulgated for Tiers 1 & 2 effective January 1, 2007; and thus, the FWCJUA was anticipating potentially significant rate and minimum premium increases during the contract period based upon actuarial projections in 2005.

Following the 2005 RFP process, the FWCJUA contracted with Travelers to provide PAMC services for polices with effective dates of January 1, 2006 through December 31, 2008. Among other things, the current Service Provider Agreement provides for the servicing fee rates found below. These fee rates are expressed as a percentage of collected premium and apply evenly to all of the FWCJUA’s rating plan tiers.

Annual FWCJUA Premium Band*	Service Fee as a % of Annual Collected Premium within Band*
\$1 to \$12,500,000	20.7%
\$12,500,001 to \$25,000,000	19.4%
\$25,000,001 and greater	18.5%

* For the purposes of the calculation of servicing fee, “annual collected premium” shall mean premium actually collected by Service Provider on all policies assigned to Service Provider, in all rating tiers combined, having effective dates commencing during each annual period of the SERVICE PROVIDER AGREEMENT (i.e. 2006, 2007 and 2008 policy years). With the beginning of a new policy year, the aggregation of premium to be applied toward these bands will revert back to the first dollar of premium. **Some illustrative examples of this calculation can be found in “Appendix B: Exhibit I” of this Attachment B.**

The service fee compensation grid above is valid over the term of the Service Provider Agreement, provided that the FWCJUA’s rates, rating plans and service requirements do not depart materially in scope and nature from the provisions outlined in the 2005 RFP, including the FWCJUA’s 2005 rates and rating plans. In the event that there are any material changes affecting the FWCJUA’s rates, rating plans or service requirements, the Service Provider Agreement provides that the FWCJUA and Travelers will undertake to negotiate in good faith revisions to the servicing fee structure reflecting the impact of such changes.

Specifically, with respect to the FWCJUA’s rates and rating plans, the Service Provider Agreement provides that the FWCJUA and Travelers shall renegotiate the service provider fee in the event that a change, or series of changes, to rates and rating plans result in a cumulative premium impact to FWCJUA policyholders in any rating tier that is more than +/-25%. In such an event, the FWCJUA and Travelers are required to negotiate in good faith a revision to the applicable servicing fee rates in the specific FWCJUA rating tier such that the resulting adjusted rates would be “revenue neutral” to the service fee compensation grid above. If such an event were to become necessary, Travelers is required to submit a proposal to the FWCJUA within a reasonable time period of the triggering event, with a proposed effective date of no earlier than the date of the triggering event. If the parties under such circumstances fail to agree on appropriate servicing fee

adjustments, the FWCJUA has agreed to release Travelers from issuing new policies, or renewing existing policies, on its behalf upon 180 days' notice.

Attached for the Board's review is Travelers proposal for an increase in the servicing fee rates that would apply to policies with effective dates of January 1, 2008 through December 31, 2008. Travelers is also proposing a minimum annual service fee amount of \$1,250,000, which only impacts the FWCJUA if premium drops below \$4,864,000.

For discussion purposes, the 2008 projected premium is \$21 million. Further, the FWCJUA has agreed to minimum annual service fees in the past for policy administration and managed care services, especially when premium was anticipated to be small. Additionally, attached are two staff spreadsheets, Effect of Travelers Proposed Service Provider Fee Effective 1/1/2008 vs Calculated Adjusted Service Provider Fee Utilizing the FWCJUA 2008 Forecast for Premium and Bad Debt and Impact of FWCJUA Rate Changes in 2006 & 2007 on Travelers Service Provider Fee that provide analyses of the Travelers proposed fee adjustment. Also attached is a staff spreadsheet, Historic Service Provider Fees for Travelers as Sole PAMC Service Provider, which outlines Travelers service provider fee and any minimum annual service fee since May 1995.

For further consideration, attached is an analysis prepared by Milliman that outlines the impact of the Travelers proposed service fee adjustment on the FWCJUA rates effective January 1, 2008. The table below presents the summary findings of Milliman's analysis when the service fee rate assumption is changed from .2017, as was contemplated in the 1/1/2008 rates, to .2452 if the proposed adjustment is implemented.

	1/1/2008 Rates	Impact of Proposed Adjustment
Service Fee Rate Assumption	.2017	.2452
Targeted Premium Change	-9.8%	-2.0%
Indicated Maximum Minimum Premium	\$2,400	\$2,600
Indicated Tier 1 Surcharge	25%	37%
Indicated Tier 2 Surcharge	83%	99%
Indicated Tier 3 Surcharge	134%	155%
Average Weighted Surcharge	80%	96%

The Operations Committee recommends that the Travelers service provider fee structure be adjusted as proposed to include the minimum annual service fee. Further, the Board shall also consider a probable Rates & Forms Committee recommendation appearing later in this agenda that addresses Milliman's analysis of the impact of the service provider fee adjustment on the 1/1/2008 rates, if the Board is inclined to adopt the proposed service fee adjustment.

The Board shall determine whether to adjust the service fee as proposed by Travelers for the policies they issue on behalf of the FWCJUA with policy effective dates of January 1, 2008 through December 31, 2008, to include a minimum annual service fee of \$1,250,000.

SERVICE PROVIDER COMPENSATION
Illustrative Examples of Fee Calculation under differing Scenarios

1.FWCJUA Annual Premium \$50,000,000

<u>Annual Premium Band *</u>	<u>Svc Fee Rate in Band</u>	<u>STP @ 100% Quota</u>	
		<u>Premium in Band *</u>	<u>Service Fee</u>
\$1 to \$12,500,000	20.7%	\$12,500,000	\$2,587,500
\$12,500,001 to \$25,000,000	19.4%	\$12,500,000	\$2,425,000
\$25,000,001 and greater	18.5%	<u>\$25,000,000</u>	<u>\$4,625,000</u>
		\$50,000,000	\$9,637,500
		Implied Rate	19.3%

2. FWCJUA Annual Premium \$37,500,000

<u>Annual Premium Band *</u>	<u>Svc Fee Rate in Band</u>	<u>STP @ 100% Quota</u>	
		<u>Premium in Band *</u>	<u>Service Fee</u>
\$1 to \$12,500,000	20.7%	\$12,500,000	\$2,587,500
\$12,500,001 to \$25,000,000	19.4%	\$12,500,000	\$2,425,000
\$25,000,001 and greater	18.5%	<u>\$12,500,000</u>	<u>\$2,312,500</u>
		\$37,500,000	\$7,325,000
		Implied Rate	19.5%

3. FWCJUA Annual Premium \$100,000,000

<u>Annual Premium Band *</u>	<u>Svc Fee Rate in Band</u>	<u>STP @ 100% Quota</u>	
		<u>Premium in Band *</u>	<u>Service Fee</u>
\$1 to \$12,500,000	20.7%	\$12,500,000	\$2,587,500
\$12,500,001 to \$25,000,000	19.4%	\$12,500,000	\$2,425,000
\$25,000,001 and greater	18.5%	<u>\$75,000,000</u>	<u>\$13,875,000</u>
		\$100,000,000	\$18,887,500
		Implied Rate	18.9%

* Service Provider Collected Premium



Jonathan B. Hale

Vice President & Actuary
Travelers
Residual Markets, 4SH1B

(860) 277-4697
(860) 954-6009 (fax)

One Tower Square
Hartford, CT 06183

December 14, 2007

Ms. Laura Torrence
Executive Director
FWCJUA
6003 Honore Avenue
Suite 204
Sarasota, FL 34238

Re: Proposed Adjustments to Travelers Servicing Fee Matrix due to FWCJUA Premium and Rate Level Activity

Dear Laura:

As you know, the services that Travelers provides to the FWCJUA are primarily compensated through a service fee structure that is dependent upon FWCJUA premiums collected from policyholders. The fee matrix currently in effect was established in conjunction with Travelers bid response to the servicing RFP that went into effect on 1/1/2006. The Travelers proposal included a feature that would trigger an adjustment to our servicing fee rate if the cumulative premium level changes resulting from FWCJUA rate and/or rating plan action over the contract term was outside of a band equal to +/- 25% of the premium levels that were then in effect. This feature was intended to protect both the FWCJUA and Travelers from material changes in service compensation levels that resulted directly from unanticipated changes in the policyholder rate structure. Ideally, this provision protects the FWCJUA from escalating costs and unjustified enrichment to Travelers that would result from substantial rate level increases, and conversely also protects Travelers from having to absorb material reductions in service compensation that would be the consequence of the FWCJUA implementing significant rate reductions.

Based on the above, we are currently at a point in time where the specified circumstance has been "triggered." Specifically, as depicted in the attached Exhibit 1, the FWCJUA has implemented changes to its rates and rating plans that taken together through 1/1/2008 have an accumulated total premium level impact of -32.6% since the inception of the current service contract with Travelers. If left as is, without any compensating adjustments, this means that our level of remuneration will have been reduced more than 30% from what was anticipated in our bid. I would also like to note that these changes that I reference are in addition to the loss of service revenue that we are absorbing resulting from the successful depopulation efforts of the FWCJUA in recent years.

In consideration of all these factors, the purpose of this letter is to propose to you and your Board for consideration an adjustment to the Travelers servicing fee matrix. Our proposal, which is

shown in Exhibit 2 (attached) is designed to be what we believe to be a fair and reasonable response to the dramatic changes in FWCJUA policyholder rate levels since 1/1/2006. On a theoretical basis, the adjustment that would be made to servicing fee rates in order to be “revenue neutral,” given premium levels decreasing by -32.6%, would be to increase the servicing fee percentage rate by about +48% (= 1.00 divided by [1.00 - .326]). We understand that if such a full adjustment were to be made all at once it would generate a substantial jump in the FWCJUA expense loads, and we are therefore offering in good faith to accept only 50% of the indicated adjustment. The determination of this adjustment can be found in attached Exhibit 2. The adjusted matrix results in changes to both the servicing fee rates (increased), and the annual premium band thresholds that determine the fee rate (thresholds have been reduced). The proposed increases in servicing fee rate range between 4.5% and 5.0% of collected premium (depending on premium band), while the reductions in the band thresholds are beneficial to the FWCJUA because the lower fee rates are attained at lower levels of annual premium.

One other change that we are proposing to the fee schedule is to implement a minimum annual service fee amount of \$1,250,000. The minimum provides additional protection to Travelers, but only has significance if the annual FWCJUA premium drops down below \$4,864,000.

We hope that the attached proposal is acceptable to the FWCJUA and its Board. We further hope that you understand the circumstances under which it is being proposed, and will give it due consideration in time to become effective with policies effective 1/1/2008 and subsequent.

I will be out of the office after today until December 27th. If you have any questions relative to this proposal in the interim, you can contact Arleen Desmond to discuss.

Sincerely,

Jonathan B. Hale

Cc: Mike Cleary – FWCJUA
Arleen Desmond - Travelers

**FWCJUA Premium Level Changes
By Rating Tier and in Total
1/1/2006 to Current**

Change Eff Date	Tier 1	Tier 2	Tier 3	Overall	
1/1/2006	-12.9%	-12.9%	2.0%	-5.9%	
1/1/2007	-5.6%	18.5%	-21.4%	-3.5%	Original
R1/1/2007	-21.5%	-24.4%	-11.3%	-17.4%	Revised
T1/1/2007	-20.8%	-5.9%	-32.7%	-20.6%	Total
1/1/2008	-4.9%	-7.0%	-18.1%	-9.8%	
Cumulative Premium Level Changes:				-32.6%	

**Travelers/FWCJUA Proposed Servicing Fee Matrix
Adjusted for Policyholder Premium Level Changes - Effective 1/1/2008**

Original

<u>Annual FWCJUA Premium Band</u>	<u>Service Fee %</u>
\$1 to \$12,500,000	20.7%
\$12,500,001 to \$25,000,000	19.4%
\$25,000,001 and greater	18.5%

Calculated Adjusted *

<u>Annual FWCJUA Premium Band</u>	<u>Service Fee %</u>
\$1 to \$8,424,161	30.7%
\$8,424,162 to \$16,848,323	28.8%
\$16,848,324 and greater	27.5%

Proposed **

<u>Annual FWCJUA Premium Band</u>	<u>Service Fee %</u>
\$1 to \$8,400,000	25.7%
\$8,400,001 to \$16,800,000	24.1%
\$16,800,001 and greater	23.0%

Subject to a minimum service fee of \$1,250,000

*** Calculation adjustments:**

Adj. Service Fee % = Current Fee % / (1.00 + Cumulative Prem Level Changes)

Adjusted Premium Band Limits = Current Band Limits X (1.00 + Cumulative Prem Lvl Changes)

**** Proposed Service Fees and Banding**

Proposed Service Fee % = Average of Current Fee % and Adjusted Fee %

Proposed Premium Bands = Adjusted Premium Band Limits (rounded)

Effect of Travelers Proposed Service Provider Fee Effective 1/1/2008 vs. Calculated Adjusted Service Provider Fee Utilizing the FWCJUA 2008 Forecast for Premium & Bad Debt

Original SPF	21,000,000			
bad debt	<u>2,940,000</u>	14.0%		
	18,060,000			
	0	12,500,000	20.7%	2,587,500
	12,500,000	25,000,000	19.4%	1,078,640
	25,000,000	and above	18.5%	<u>0</u>
				3,666,140

Proposed SPF	21,000,000			
bad debt	<u>2,940,000</u>	14.0%		
	18,060,000			
	0	8,400,000	25.7%	2,158,800
	8,400,001	16,800,000	24.1%	2,024,400
	16,800,001	and above	23.0%	<u>289,800</u>
				4,473,000

Calculated Adjusted SPF	21,000,000	
bad debt	<u>2,940,000</u>	14.0%
	18,060,000	

	0	8,424,161	30.7%	2,586,217
	8,424,162	16,848,323	28.8%	2,775,122
	16,848,324	and above	27.5%	<u>333,211</u>
				5,694,550

806,860 difference
3.84% of premiums written

1,221,550 difference between adjusted & proposed
5.82% of premiums written

Note: Proposed SPF is \$414,690 (34%) less than Calculated Adjusted SPF.

Impact of FWCJUA Rate Changes in 2006 & 2007 on Travelers Service Provider Fee

2006 Collected Premium

ACTUAL			
46,657,955			
0	12,500,000	20.7%	2,587,500
12,500,000	25,000,000	19.4%	2,425,000
25,000,000	and above	18.5%	<u>4,006,722</u>
			9,019,222

+ 5.9% Premium Decrease

2,752,819 loss of premium from - 5.9%

49,410,774			
0	12,500,000	20.7%	2,587,500
12,500,000	25,000,000	19.4%	2,425,000
25,000,000	and above	18.5%	<u>4,515,993</u>
			9,528,493

509,272 less SPF paid

**2007 Collected Premium
through 11/2007**

ACTUAL			
20,173,755			
0	12,500,000	20.7%	2,587,500
12,500,000	25,000,000	19.4%	1,488,708
25,000,000	and above	18.5%	<u>0</u>
			4,076,208

+ 26.5% Premium Decrease

5,346,045 loss of premium from - 26.5%

25,519,800			
0	12,500,000	20.7%	2,587,500
12,500,000	25,000,000	19.4%	2,425,000
25,000,000	and above	18.5%	<u>96,163</u>
			5,108,663

1,032,455 less SPF paid

1,541,726 total less SPF paid in 2006 & 2007 due to FWCJUA premium level decreases

FWCJUA
Historic Service Provider Fees for Travelers as Sole PAMC Service Provider

	5/1/1995 - 5/31/1996	6/1/1996 - 5/31/1997	6/1/1997 - 5/31/1998	6/1/1998 - 5/31/1999	6/1/1999 - 5/31/2000	6/1/2000 - 5/31/2001	6/1/2001 - 5/31/2002	6/1/2002 - 5/31/2003	6/1/2003 - 7/25/2003	A,B,C 7/26/2003 - 5/31/2004	D 7/26/2003 - 5/31/2004	A,B,C 6/1/2004 - 6/30/2004	D 6/1/2004 - 6/31/2004	7/1/2004 - 12/31/2005
\$0 - \$7.5M	13.5%	13.5%	16.1%	16.1%	16.1%	607,500	607,500	607,500	16.1%	19.0%	32.6%	19.0%	32.6%	21.8%
\$7.5M - \$15M	13.5%	13.5%	16.1%	15.6%	15.6%	15.6%	15.6%	15.6%	15.6%	18.5%	32.1%	18.5%	32.1%	21.3%
\$15M - \$22.5M	13.5%	13.5%	16.1%	14.5%	14.5%	15.6%	15.6%	15.6%	15.6%	18.5%	32.1%	18.5%	32.1%	21.3%
\$22.5M - \$30M	13.5%	13.5%	16.1%	13.5%	13.5%	14.5%	14.5%	14.5%	14.5%	17.4%	31.0%	17.4%	31.0%	20.2%
\$30M - \$45M	13.5%	13.5%	16.1%	12.5%	12.5%	13.5%	13.5%	13.5%	13.5%	16.4%	30.0%	16.4%	30.0%	19.2%
\$45M and higher	13.5%	13.5%	16.1%	11.5%	11.5%	13.0%	13.0%	13.0%	13.0%	15.9%	29.5%	15.9%	29.5%	18.7%
Minimum Service Fee	N/A	N/A	N/A	\$1,207,500	\$1,207,500	\$607,500	\$607,500	\$607,500	\$1,207,500	N/A	N/A	N/A	N/A	\$1,185,266
Per Policy Fee	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$250	N/A	\$425	N/A	\$425	N/A

	Original 1/1/2006 12/31/2008	Proposed 1/1/2008 12/31/2008
\$0 - \$12.5M	20.7%	\$0 - \$8.4M 25.7%
\$12.5M - \$25M	19.4%	\$8.4M - \$16.8M 24.1%
\$25M and higher	18.5%	\$16.8M and above 23.0%
Minimum Service Fee	N/A	\$1,250,000
Per Policy Fee	N/A	N/A

Florida Workers' Compensation Joint Underwriting Association

Calculation of Proposed Tier Surcharge
Based on bound policies 4/1/06-9/11/07

\$1 Million Retention Level, 1/1/08 Traveler's Schedule
Minimum calculated using indicated weighted average surcharge

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	<i>Current Maximum Minimum</i>	<i>Current 1/1/2007 Surcharge</i>	<i>Total EAP @ 1/1/2007 NCCI Rates</i>	<i>Total EAP @ 1/1/2008 NCCI Rates</i>	<i>Change due to 1/1/08 NCCI Rates</i>	<i>1/1/2008 Target Premium Change</i>	<i>Prior Target Premium Change</i>
					(4)/(3) - 1.0		
Tier 1	2,600	10%	7,027,736	6,019,836	-14.3%	3.3%	-4.9%
Tier 2	2,600	64%	7,343,611	6,293,997	-14.3%	1.0%	-7.0%
Tier 3	2,600	145%	6,628,653	5,672,747	-14.4%	-11.1%	-18.1%
Totals		71%	21,000,000	17,986,579	-14.3%	-2.0%	-9.8%

	(8)	(9)	(10)	(11)	(12)	(13)
	<i>Proposed Maximum Minimum</i>	<i>Indicated Surcharge</i>	<i>Indicated Change in Surcharge</i>	<i>Prior Indicated Surcharge</i>	<i>Total EAP @ Proposed Rates</i>	<i>Premium Change</i>
						(12)/(3) - 1.0
Tier 1	2,600	37%	24.6%	25.4%	7,259,804	3.3%
Tier 2	2,600	99%	21.6%	82.8%	7,417,118	1.0%
Tier 3	2,600	155%	4.0%	134.1%	5,892,674	-11.1%
Totals		96%		79.8%	20,569,596	-2.0%

	(14)	(15)	(16)	(17)	(18)	(19)
	<i>Proposed Maximum Minimum</i>	<i>Indicated Surcharge</i>	<i>Indicated Change in Surcharge</i>	<i>Prior Indicated Surcharge</i>	<i>Total EAP @ Proposed Rates</i>	<i>Premium Change</i>
						(12)/(3) - 1.0
Tier 1	2,400	38%	25.4%	25.4%	7,259,599	3.3%
Tier 2	2,400	102%	22.9%	82.8%	7,424,056	1.1%
Tier 3	2,400	155%	4.1%	134.1%	5,892,678	-11.1%
Totals		97%		79.8%	20,576,333	-2.0%

Notes: Columns (1) and (2) from 1-1-07 Rate Filing.
Column (3) from Exhibit III, item (3).
Columns (4), (12) and (18) calculated from (3) and bound policy detail provided by FWCJUA.
Column (6) from Exhibit I, item (15).
Columns (7), (11) and (17) from Exhibit A of 1-1-08 Rate Filing.
Column (8) from Exhibit C, Column (7).
Columns (9) and (15) calculated to achieve Premium Change in Cols. (13) and (19) to match Col. (6)
Column (10) equals $[1.0+(9)]/[1.0+(2)] - 1.0$
Column (16) equals $[1.0+(15)]/[1.0+(2)] - 1.0$

Florida Workers' Compensation Joint Underwriting Association

DETERMINATION OF INDICATED PREMIUM LEVEL CHANGE

\$1 Million Retention Level, 1/1/08 Traveler's Schedule

	Tier 1	Tier 2	Tier 3
(1) Estimated Tier 2 PY 2007 Loss & ALAE Ratio [Exhibit II, Sheet 1]	42.7%	43.2%	44.7%
(2) Present Value Factor [Appendix H, Sheet 1]	88.0%	88.0%	88.0%
(3) Reinsurance Cost [Exhibit III]	10.6%	10.6%	10.6%
(4) Uncollectible Premium Percentage	14.0%	14.0%	14.0%
(5) Present Value of Losses & ALAE, plus Reinsurance as a percent of Collectible Premium (1)x(2)+[(3)/(1.0-(4))]	49.9%	50.3%	51.6%
(6) Taxes Licenses and Fees	0.1%	0.1%	0.1%
(7) Servicing Carrier Allowance [Exhibit III]	24.5%	24.5%	24.5%
(8) Total Other Variable Expenses (6)+(7)	24.6%	24.6%	24.6%
(9) Commissions [Exhibit III]	4.0%	2.8%	1.7%
(10) JUA General and Administrative Expenses [Exhibit III (3)/(11)]	16.2%	15.8%	9.6%
(11) Total Fixed Expenses (9)+(10)	20.1%	18.6%	11.3%
(12) Contingency Factor	0.0%	0.0%	0.0%
(13) Surplus Factor	0.0%	0.0%	0.0%
(14) Total Contingency and Surplus (12) + (13)	0.0%	0.0%	0.0%
(15) Indicated Premium Level Change [[[(1) x (2) x (1.0 - (4))] + (11)] / [1.0 - (3) - (4) - (8) - (14)]] - 1.0 Prior Indicated Premium Level Change	3.3%	1.0%	-11.1%
(16) Change due to NCCI 1-1-08 Rate Filing	-14.3%	-14.3%	-14.4%
(17) Additional Premium Change (15) - (16)	17.6%	15.3%	3.3%

Florida Workers' Compensation Joint Underwriting Association

**CALCULATION OF FWCJUA MAXIMUM MINIMUM PREMIUM
\$1 Million Retention Level, 1/1/08 Traveler's Schedule**

<i>(1)</i>	<i>(2)</i>	<i>(3)</i>	<i>(4)</i>	<i>(5)</i>	<i>(6)</i>	<i>(7)</i>
	<i>Current Maximum Minimum Premium</i>	<i>Expense Constant</i>	<i>Change in State Average Weekly Wage</i>	<i>Proposed Premium Level Change</i>	<i>Indicated Maximum Minimum Premium</i>	<i>Selected Maximum Minimum Premium</i>
<i>\$1M Retention</i>	2,600	200	0.0%	-2.0%	2,551	2,600

Notes: Columns (2) and (3) provided by FWCJUA
 Column (4) 1-1-07 Used for 1-1-07 filing. 1-1-08 not yet available.
 Column (5) from Exhibit B.
 Column (6) equals [(2)-(3)] x [1.0 +(4)] x [1.0 + (5)] + (3).

Florida Workers' Compensation Joint Underwriting Association

PROJECTED EXPENSES BY TIER

\$1 Million Retention Level, 1/1/08 Traveler's Schedule

		Tier1	Tier2	Tier3	Total/Avg.
(1)	Projected New Applications	89	453	178	721
(2)	Projected Total Policies	977	954	363	2,294
(3)	Projected Total Premium on 1/1/07 Rate Level	7,027,736	7,343,611	6,628,653	21,000,000
(4)	Expense Constant and Policy Fee	675	675	675	
(5)	Surcharge Percent	10%	64%	145%	
(6)	Impact of NCCI 1/1/08 Rate Filing	-14.3%	-14.3%	-14.4%	-14.3%
(7)	Premium with No Surcharge ((3)-(2)x(4))/(1+(5))x(1+(6))	4,959,107	3,501,139	2,229,877	10,690,123
(8)	Average Unsurcharged Premium (7)/(2)	5,077	3,669	6,147	
(9)	Commissions as a Percent of Unsurcharged Premium	5.6%	5.8%	5.1%	
(10)	JUA Underwriting Expenses (Total Allocated by (1))	82,643	420,055	165,218	667,916
(11)	JUA Administration Expenses (Total Allocated by (7))	1,052,619	743,151	473,313	2,269,084
(12)	JUA General and Administration (10)+(11)	1,135,263	1,163,207	638,531	2,937,000
Expense Percentages for Filing Purposes:					
(13)	Commissions as a Percent of Premium at Actual Rates	4.0%	2.8%	1.7%	2.8%
(14)	Reinsurance	10.618%	10.618%	10.618%	10.618%
(15)	JUA General and Administration	16.154%	15.840%	9.633%	13.986%
(16)	Premium Tax	0.000%	0.000%	0.000%	0.000%
(17)	Administrative Trust Fund	0.000%	0.000%	0.000%	0.000%
(18)	SDTF Assess	0.000%	0.000%	0.000%	0.000%
(19)	Miscellaneous Tax	0.100%	0.100%	0.100%	0.100%
(20)	Uncollectible Premium	14.000%	14.000%	14.000%	14.000%
(21)	Servicing Carrier Allowance	24.520%	24.520%	24.520%	24.520%
(22)	Prior Servicing Carrier Allowance	20.174%	20.174%	20.174%	20.174%

Notes:

- (1)-(3) Estimated by Milliman from FWCJUA Historical Data
- (9) From FWCJUA Producer Fee Table using (7)
- (10),(11) Total from FWCJUA
- (13) (9)x(7)/(3)
- (14), (16)-(20) From FWCJUA
- (15) (12)/(3)

OPERATIONS COMMITTEE REPORT**Service Provider Selection Process**

At its March 8th meeting, the Operations Committee provided direction to staff on the service provider selection process and timeline for securing policy administration and managed care services beyond December 31, 2008.

Given Operations Committee direction, the draft RFP now contemplates soliciting proposals to provide policy administration services including managed care for a three year period, that being for policies issued with effective dates of January 1, 2009 through December 31, 2013. Policy administration services include, but are not limited to, the issuance of policies and appropriate endorsements; premium billing and collection; auditing; claims management including managed care services; loss control and safety engineering; fraud investigation and prevention; financial and statistical data reporting; and customer satisfaction services. Managed care services include, but are not limited to, medical management and disability management. Claims administration services, which have historically been provided to the FWCJUA by the policy administration services vendors, may be provided by either vendor or a combination of both. Proposals will be accepted for either: 1) policy administration services including managed care proposed by a single entity; or 2) policy administration services with a managed care arrangement proposed by a partnership/joint venture. No stand alone proposals will be accepted. Further, the draft RFP contemplates the selection of a maximum of two service providers and requires respondents to state service fees as a percent of collected written premium, excluding all written premium collected by the FWCJUA's designated collection agent(s).

The draft RFP also contemplates that a committee will be selected to evaluate the proposals submitted in response to the RFP. Members of the Evaluation Committee will be designated by the Chair of the FWCJUA Board of Governors. The Evaluation Committee will include a qualified, independent individual who is not an employee of the FWCJUA or the Florida Office of Insurance Regulation. Other professional staff may also assist in the initial mandatory requirements review, contacting of references, or answering technical questions from the Evaluation Committee.

It is anticipated that a notice regarding the RFP will be published in *Business Insurance* at the end of February with reference to the complete official notice of the RFP being published in *Florida Administrative Weekly* on March 7, 2008. Interested parties will be informed that they may obtain the RFP on or after March 28, 2008 by written request to the Executive Director. The proposed timetable for the RFP follows:

TIME TABLE

- RFP released March 28, 2008
- RFP Conference April 11, 2008
- Proposals due May 9, 2008
- Interviews, if required May 28 & 29, 2008
- Contract award(s) issued anticipated June 11, 2008
- Contract effective date anticipated January 1, 2009
- Contract duration: three (3) years from the contract effective date with the option of two (2) one-year extensions by mutual agreement of the parties.

The award of a contract resulting from the RFP shall be based on the best proposal(s) received from the respondents meeting the mandatory requirements of the RFP who offer the lowest compensation requirements; the most cost effective administration for FWCJUA business; and the strongest emphasis on the reduction of operating losses. The FWCJUA shall reserve the right to decline to accept any or all RFP responses.

No Board action is required on this item.

OPERATIONS COMMITTEE REPORT**Disaster Recovery**

The Board shall consider an Operations Committee recommendation that FWCJUA contract with SunGard to provide vaulting services for all the FWCJUA's critical data including databases, document management (public records) and working documents.

The FWCJUA's 2008 Business Plan requires staff to explore additional options for document management data redundancy and make appropriate recommendations to the Operations Committee. Accordingly, the attached vaulting services proposal was secured from SunGard, the FWCJUA's current remote vaulting vendor, to better address document management data redundancy. The cost associated with the proposed vaulting services is not contemplated in the 2008 Forecast and would be considered an out-of-budget expenditure.

Currently, the FWCJUA data backup plan contemplates the backup of all of our data to tape every weeknight with our equipment at the SunGard Alpharetta facility (the "FWCJUA Offsite Location"). SunGard techs physically swap the backup tapes for us; however, the validity of the backup tapes is completely the FWCJUA's responsibility. Much of the data is also replicated between Sarasota and the FWCJUA Offsite Location, with the exception of the document management data due to a storage limitation in Sarasota. This means that there is no other redundancy for the document management data other than the backup tapes at the FWCJUA Offsite Location.

SunGard's proposal outlines a plan that SunGard will install custom software that will backup all FWCJUA data being "remote vaulted" in Alpharetta to their Philadelphia facility; and thus, SunGard will assume responsibility for ensuring the data is securely maintained and backups are successfully taking place. The new online backup process is a differential backup which means it will backup all data that is changed or new since the last backup. The data can be stored as long as we want and the price is based on the size of the backup. The longer we keep the data the larger the backup becomes. Initially, staff suggests a plan to have capacity for about 2 weeks before old data is overwritten. This process will allow us to simplify our backup/restore for disaster recovery planning. We can restore our data to any revision point that we have in the archive. Since the backup is securely vaulted at another remote site all data will now be protected from anything happening at the Alpharetta facility.

The cost of SunGard's vaulting services proposal is \$1,806 monthly with a \$1,178 install. There are additional costs associated with longer storage and more growth; but such would not appear to be necessary at this time. The Operations Committee recommends accepting the SunGard vaulting services proposal as it will provide a more reliable backup of the public records data with our remote vaulting vendor. The out-of-budget expense for securing vaulting services under SunGard's proposal would approximate \$22,850. Further, the attached revisions to the FWCJUA Disaster Recovery and Emergency Preparedness Plan would be made if the Board elects to purchase the proposed vaulting services.

The Board shall determine whether to contract with SunGard for vaulting services as proposed and thus, authorize a \$22,850 out-of-budget expenditure for 2008.

SunGard Availability Services

Vaulting Services

Prepared for:
FWCJUA

Prepared By:
Robert Wilson

SunGard Vaulting Services Proposal to FWCJUA

Table of Contents

- I. SunGard Availability Services Overview
- II. SunGard Vaulting Services Architecture
- III. Benefits of the SunGard Vaulting Services
- IV. Pricing Summary

SunGard Vaulting Services Proposal to FWCJUA

I. SunGard Overview

Today, businesses need information always available and faster than ever before. SunGard Availability Services is the pioneer and leading provider of Information Availability—uninterrupted access to data and systems—solutions that meet those needs.

More than 10,000 businesses and institutions across North America and Europe rely on SunGard to help them keep their people connected with the information they require in order to do business. These customers include corporations and non-profits in nearly every sector of the economy. SunGard's Information Availability solutions, such as Managed IT, Professional and Business Continuity services, help organizations to minimize their exposure to threats with the potential to interrupt their operations. These include breaches of security, network or hardware failures, data loss, power failure, and extreme events ranging from natural disaster to terrorism.

We offer our expertise in identifying Information Availability requirements, defining business continuity strategies, and developing specialized software for data protection and related needs. We also offer access to more than 3 million square feet of hardened facilities at 65 data centers. These are linked by a 25,000 mile-dedicated network and supplemented by more than 50 mobile facilities. Our technology infrastructure supports more than 30 computing platforms.

SunGard leverages this extensive infrastructure and experience in IT operations to provide customers with a range of managed IT services, including application and data center outsourcing and managed services.

In 1978, SunGard invented the business of disaster recovery, which has evolved into Information Availability services. Since that time, we have completed more than 1,500 recoveries with a 100 percent rate of success and supported our customers in more than 200,000 tests.

Financial Highlights.

SunGard Availability Services' parent company, SunGard Data Systems, is a global leader in integrated software and processing solutions, primarily for financial services and higher education. SunGard also helps information-dependent enterprises of all types to ensure the continuity of their business. SunGard serves more than 25,000 customers in more than 50 countries, including the world's 50 largest financial services companies. Our strength is grounded in our complete focus on Information Availability.

SunGard Vaulting Services Proposal to FWCJUA

II. Architecture of SunGard Vaulting Service

The SunGard Vaulting Service provides numerous technical, strategic, operational and financial benefits.

The SunGard Vaulting Software is a suite of data protection and recovery software that enables a server or group of servers to back up their data to a remote storage device over common communication lines. The software is offered as a licensed product and is the core for the data protection and recovery service.

Vaulting Control is a program residing on a Windows workstation, which configures and then manages local and/or remote Vaulting Agents. With Vaulting Control, administrators can manage hundreds of backups from computers across local and wide area networks from a single system. Vaulting Control empowers the user to define, implement, and manage backup policies for their entire organization. Through the Vaulting Control, which utilizes a Windows Explorer design structure, the administration would also initiate all restorations of data.

Vaulting Agent is an application that runs native on the servers designated for backup. The Agent “wakes up” at the assigned time, and analyzes the changed data files that occurred since the prior backup. The Agent utilizes delta change technology that captures the block level changes that occur inside the file structure. The Agent then compresses and encrypts the changed data file, and transmits the information to the Vaulting Director.

Vaulting Director is the final piece of the Vaulting Service solution. The Director’s key function is to manage the storage and migration of backup data. Based on the retention policy established, each backup has a lifespan and may be migrated from online storage to archive or deleted. In the event of a restoration, the Vaulting Director will reconfigure the delta blocks of data, and restore the data back to the desired location. The Vaulting Director application operates on a dedicated Windows 2000 Server-based hardware configuration with multiple Central Processing Units and manages a Redundant Array of Independent Disk (RAID) arrays.

III. Benefits of the SunGard Vaulting Service

Clients of the Protect service exploit many different benefits by moving to a disk to disk backup solution.

Business Benefits

- Instantaneous access to file level restores
- Integrated solutions for full system restores
- Automate backup and restore processes
- Minimize or eliminate downtime
- Solidify business continuity for your mission critical data
- Increase security
- Conform to regulations

SunGard Vaulting Services Proposal to FWCJUA

Operational Benefits

- Manage data growth (scalable)
- Reduce IT staff time
- High availability
- Reduce points of failure
- Increase reliability

Financial Benefits

- Meet recovery timeframes
- Reduce data exposure
- Eliminate costly downtime expenses and business loss
- Minimize capital expenditures
- Reduce infrastructure costs
- Ensure business continuity
- Reduce IT staff time

SunGard Vaulting Services Proposal to FWCJUA

IV. Pricing Summary

Monthly Recurring Charges:

Volume of Data	36 Month Term	Excess Compressed GB Fee
Vaulting Services – Mid Range Less Than 150 GB Compressed Data	\$1,806	\$10.15

- Monthly Support fees (**required**):
 - \$___/mo: 24x7x365 Tech Support
- One Time Installation fees (**required for Vaulting Services Small and Mid-Range**):
 - Varies according to amount/size of vaulted data (See below)
- Professional Installation Services fees (**required for Vaulting Services - Large with Bandwidth and Vaulting Services - Large without Bandwidth.**)
- Other monthly options:
 - \$__: 10 Mbps LAN Bridging from Recovery Center to Designated Vault location in the event of disaster
 - \$__: 100 Mbps LAN Bridging from Recovery Center to Designated Vault location in the event of disaster

Installation Charges:

\$1,178

FWCJUA DISASTER RECOVERY & EMERGENCY PREPAREDNESS PLAN

SECTION XII: SOFTWARE BACKUP

~~The FWCJUA creates a backup copy of major software and data (the server) nightly. 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) ~~tapes are~~ is readily available for immediate ~~removal~~ 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 ~~tape~~ backups are still performed at the offsite facility ~~and tapes are located with the servers by the Vaulting Services Vendor.~~ Due to the size, document retention archives and email services are not replicated between sites.

~~If the Email or Document Management systems become damaged or corrupt, restoring from backup tape is the only probable option.~~

OPERATIONS COMMITTEE REPORT**Document Management & Retention**

The Board shall consider an Operations Committee recommendation that it adopt proposed revisions to the Records Management and Retention Policy, specifically the Records Retention Schedule, which were necessitated as a result of the Department of State, Division of Library's review of the policy.

At its December 11, 2007 meeting, the Board adopted an FWCJUA Records Management and Retention Policy as recommended by the Operations Committee for filing with the Department of State, Division of Library. Accordingly, the Records Management Liaison Officer form and the FWCJUA retention schedules were submitted to the Department of State, Division of Library and Information Services in December 2007. Since that time, staff has worked with the Division to streamline and clarify the FWCJUA retention schedules in accordance with the Division's directives. At the direction of the Division, staff eliminated the FWCJUA specific Personnel Records retention schedule by distributing the records in this series into the States General Records Schedule GS1-SL Personnel categories and reconsidered the need to maintain many documents permanently. Accordingly, staff is now only proposing five FWCJUA specific records for retention with the Division, with revised retention schedules as well as a revision in the placement of individual records within the FWCJUA specific Underwriting records. Further, staff has revised the placement of individual records within the States General Records Schedule GS1-SL as well as the retention schedules of these records.

Attached for the Board's review are copies of the redlined revision to the FWCJUA specific records retention schedule as well as the *"FWCJUA GENERAL RECORD SCHEDULE GS1-SL AND AGENCY SCHEDULE RETENTION PERIOD."*

The Board shall determine whether to adopt the proposed revisions to the FWCJUA Records Management and Retention Policy.

INDIVIDUAL RECORD SERIES - FWCJUA AGENCY SPECIFIC RETENTION PERIOD	
Recommended Record Series Title	Retention Period
<u>Claims/Reinsurance</u>	
Reinsurance Program	Permanent. No less than 25 years, and at least 2 years after final claim is closed.
<u>Collections</u>	
Collection Activity Records	Permanent Current + 10 years after receipt of final payment.
<u>Contracts</u>	
Service Provider Records	Permanent. No less than 25 years, and at least 2 years after final claim is closed.
<u>Personnel Records</u>	
Personnel Records	6 years after separation or termination of employment.
<u>Reporting & Filing</u>	
Federal & State Tax Forms/Reports	Permanent Current + 25 years after filing or reporting date.
State Reporting & Other Filings	Permanent Current + 25 years after filing or reporting date.
<u>Underwriting</u>	
Application, Claim, Collection Related Records	7 years after termination of contract, closure of claim or payment of collection 7 years from date received.
Agency Producer Records	7 years after completion or termination of agreement
Authorizations records, Certificate of Insurance	7 years from date received.
Revocations/Suspension records	Permanent

ACCOUNTING, BUDGET & FINANCE	
RECORD SERIES TITLE	RETENTION PERIOD
<u>Bank Statements: Reconciliation</u>	<u>Current + 7 years</u>
Analysis Statements	Current + 7 years
Investment Statements	Current + 7 years
Statements / Reconciliations	Current + 7 years
SunTrust Investments	Current + 7 years
Sweep Statements	Current + 7 years
<u>Budget Records: Approved Annual Budget</u>	<u>Permanent</u>
Budget - Annual	Permanent
<u>Disbursement Records: Detail</u>	<u>Current + 7 years</u>
ACH / EFT	Current + 7 years
Check Payments	Current + 7 years
<u>Financial History Summary Records</u>	<u>Permanent</u>
Financial Statement Summary Detail	Permanent
NCCI Applications	Permanent
Service Carrier Interest	Permanent
Service Carrier Monthly Report	Permanent
<u>Financial Reports: Annual (Local Government) Supporting Documents</u>	<u>Current + 7 years</u>
Bad Debt Write-Offs	Current + 7 years
Journal Entries	Current + 7 years
Payroll Bi-weekly	Current + 7 years
<u>Property Control Records</u>	<u>Current + 7 years</u>
Fixed Asset Package	Current + 7 years
<u>Receipt/Revenue Records: Detail</u>	<u>Current + 7 years</u>
Check Deposits	Current + 7 years
Increase/Decrease Adjustment	Current + 7 years
<u>Receipt/Revenue Records: Summary</u>	<u>Current + 7 years</u>
Recoveries	Current + 7 years
RSI Monthly	Current + 7 years
BOARD/COMMITTEE & EXECUTIVE	
<u>Administrator Records: Agency Director/Program Manager</u>	<u>Current + 10 years</u>
Anti Fraud Plan/Premium Fraud	Current + 10 years
Annual Report of Grievances	Current + 10 years
Board/Committee Bulletin	Current + 10 years
Deposit & Advanced Premium	Current + 10 years
Misc. Analyses - Old Application Report	Current + 10 years
Monthly Report	Current + 10 years
Rate Analysis	Current + 10 years
Service Provider/Producer Bulletin	Current + 10 years
<u>Committee/Board Appointment Records</u>	<u>4 years after term of office or committee/board is abolished.</u>
Board/Committee Contact List	4 years after term of office or committee/board is abolished.
Board Election Appts	4 years after term of office or committee/board is abolished.
Board Selection Records	Current + 4 years
Code of Conduct/Conflict Board Signature	4 years after term of office or committee/board is abolished.
Committee Structure	4 years after term of office or committee/board is abolished.
<u>Committee/Board Appointment Records - Non Selected Applicants</u>	<u>Current + 4 years</u>
<u>Correspondence and Memoranda: Program & Policy Development</u>	<u>Current + 5 years</u>
Correspondence	Current + 5 years
Information Notice	Current + 5 years
Faxes	Current + 5 years
<u>Legislation Records</u>	<u>Retain until obsolete, superseded, or administrative value is lost.</u>
Enabling Statute	Retain until obsolete, superseded, or administrative value is lost.
<u>Minutes: Official Meetings (Supporting Docs)</u>	<u>Current + 2 years after adoption of the official minutes</u>

RECORD SERIES TITLE	BOARD/COMMITTEE POLICY RETENTION PERIOD
<u>Charters/Amendments/Bylaws/Constitutions</u>	<u>Permanent</u>
Articles of Incorporation	Permanent
Audit Committee Charter	Permanent
Bylaws	Permanent
Operations Manual	Permanent
<u>Minutes: Official Meetings</u>	<u>Permanent</u>
Agenda	Permanent
Agenda Topic Listing	Permanent
Minutes	Permanent
<u>Resolutions</u>	<u>Permanent</u>
Bank Resolution Records	Permanent
Business Plan/Forecast	Permanent
Code of Conduct Policy	Permanent
Conflict of Interest Policy	Permanent
Executive Compensation Plan	Permanent
Investment Policy	Permanent
Procurement Policy	Permanent
Records Management & Retention	Permanent
Travel and Expense Policy	Permanent
<u>EXECUTIVE/ADMINISTRATION</u>	
<u>Administrative Convenience Records</u>	<u>Administrative Convenience Records</u>
<u>Advertisements: Legal</u>	<u>Current + 5 years</u>
Legal Classified	Current + 5 years
<u>Attendance & Leave Records</u>	<u>Current + 3 years</u>
Vacation Requests	Current + 3 years
<u>Calendars</u>	<u>Current + 1 year</u>
Calendars	Current + 1 year.
<u>Correspondence and Memoranda:</u>	<u>Current + 5 years</u>
Bad Debt Write Off Authorizations	Current + 5 years
Correspondence: Administrative	Current + 5 years
Correspondence - Agency Producer	Current + 5 years
Legal Correspondence	Current + 5 years
Faxes	Current + 5 years
<u>Directives/Policies/Procedures</u>	Current + 2 years Current + 7 years
Accounting Policies & Procedures	Current + 7 years
Claims Procedures	Current + 2 years Current + 7 years
Document Retention Procedures	Current + 2 years Current + 7 years
Reporting Manual	Current + 7 years
Underwriting Procedures	Current + 2 years Current + 7 years
<u>Information Request Records</u>	<u>Current + 1 year</u>
<u>Inventory: Agency Records</u>	<u>Retain until obsolete, superseded, or administrative value is lost.</u>
<u>Mail - Registered & Certified Receipts</u>	<u>Current + 1 year</u>
<u>Mail - Undeliverable</u>	<u>Current + 1 year</u>
<u>Records Disposition Documents</u>	<u>Permanent</u>
<u>Records Retention Schedules - Agency</u>	<u>Permanent</u>
<u>CONTRACTS</u>	
<u>Bid Records: Non-Capital Improvement (RFP's)</u>	<u>Current + 5 years after awarded</u>
RFP's	Current + 5 years after awarded
<u>Contracts/Leases/Agreements: Capital Improvement/Real Property</u>	<u>Current + 15 years after completion or termination of contract/ lease/ agreement</u>
Office Space - Lease	Current + 15 years after completion or termination of contract/ lease/ agreement
<u>Contracts/Leases/Agreements: Non-Capital Improvement</u>	<u>Current + 5 years after completion or termination of contract/ lease/agreement</u>
401K	Current + 5 yrs after completion or termination of contract/ lease/ agreement
Actuary	Current + 5 yrs after completion or termination of contract/ lease/ agreement
Audit & Tax	Current + 5 yrs after completion or termination of contract/ lease/ agreement

CONTRACTS	
RECORD SERIES TITLE	RETENTION PERIOD
Banking/Investment	Current + 5 yrs after completion or termination of contract/ lease/ agreement
Collections	Current + 5 yrs after completion or termination of contract/ lease/ agreement
Consultant	Current + 5 yrs after completion or termination of contract/ lease/ agreement
Engagement/Legislative	Current + 5 yrs after completion or termination of contract/ lease/ agreement
General Counsel	Current + 5 yrs after completion or termination of contract/ lease/ agreement
FSIFGA Agreement	Current + 5 yrs after completion or termination of contract/ lease/ agreement
NCCI	Current + 5 yrs after completion or termination of contract/ lease/ agreement
Office Equipment	Current + 5 yrs after completion or termination of contract/ lease/ agreement
Office Services	Current + 5 yrs after completion or termination of contract/ lease/ agreement
Payroll	Current + 5 yrs after completion or termination of contract/ lease/ agreement
<u>Insurance Records: Agency</u>	<u>Current + 5 years after final disposition of claim or expiration of policy</u>
D&O Insurance	Current + 5 years after final disposition of claim or expiration of policy
Dental Insurance	Current + 5 years after final disposition of claim or expiration of policy
Disability & Life	Current + 5 years after final disposition of claim or expiration of policy
Fidelity Bond	Current + 5 years after final disposition of claim or expiration of policy
FSA	Current + 5 years after final disposition of claim or expiration of policy
Health Insurance	Current + 5 years after final disposition of claim or expiration of policy
Property & Liability Insurance	Current + 5 years after final disposition of claim or expiration of policy
Workers Comp. Audit	Current + 5 years after final disposition of claim or expiration of policy
Workers Comp Insurance	Current + 5 years after final disposition of claim or expiration of policy
<u>Reinsurance Program</u>	<u>Permanent No less than 25 years, and at least 2 years after final claim is closed.</u>
Loss Portfolio Transfer Agreement	<u>Permanent No less than 25 years, and at least 2 years after final claim is closed.</u>
Reinsurance Program Contract	<u>Permanent No less than 25 years, and at least 2 years after final claim is closed.</u>
<u>Service Provider Records</u>	<u>Permanent No less than 25 years, and at least 2 years after final claim is closed.</u>
Performance Bond	<u>Permanent No less than 25 years, and at least 2 years after final claim is closed.</u>
Policy/Admin Managed Care Provider	<u>Permanent No less than 25 years, and at least 2 years after final claim is closed.</u>
Reporting Manual	Permanent-Moved to Executive/Administration
HUMAN RESOURCES, PERSONNEL & PAYROLL	
<u>Employment Application and Selection Record</u>	<u>Permanent</u>
Application	Permanent
<u>Pension Records: Plan/Fund</u>	<u>Permanent</u>
401K Bi-weekly	Permanent
401K Quarterly	Permanent
401K Summary Plan Des.	Permanent
5500	Permanent
<u>Personnel Records: Non-Florida Retirement System (Local Government)</u>	<u>Permanent</u>
401K Enrollment Beneficiary	Permanent
Form I-9	Permanent
Resignation Letter/Employee Exit	Permanent
Dental Insurance Application	Permanent
Health Insurance Application	Permanent
Life Insur. App. Beneficiary	Permanent
Employment Offers	Permanent
<u>Personnel Records</u>	<u>6 years after separation or termination of employment. Moved to Personnel Records: Non-Florida Retirement System</u>
Dental Insurance Application	<u>6 years after separation or termination of employment. Moved to Personnel Records: Non-Florida Retirement System</u>
Direct Deposit	<u>6 years after separation or termination of employment. Moved to Payroll Record</u>
Disciplinary Action/Warning	<u>6 years after separation or termination of employment. Moved to Personnel Records Supplemental</u>

HUMAN RESOURCES, PERSONNEL & PAYROLL

RECORD SERIES TITLE	RETENTION PERIOD
Employee Administration Documents	6 years after separation or termination of employment Moved to Personnel Records Supplemental
Employment Offers	6 years after separation or termination of employment Moved to Personnel Records: Non-Florida Retirement System
Employment Verification	6 years after separation or termination of employment Moved to Personnel Records Supplemental
FSA Enrollment	6 years after separation or termination of employment Moved to Payroll Record
Life Insur. App. Beneficiary	6 years after separation or termination of employment
Salary Changes/Reviews	6 years after separation or termination of employment Moved to Personnel Records Supplemental
W-4	6 years after separation or termination of employment
Payroll Record: Deduction Authorizations	6 years after separation or termination of employment
Direct Deposit	6 years after separation or termination of employment
FSA Enrollment	6 years after separation or termination of employment
W-4	6 years after separation or termination of employment
Personnel Records: Supplemental Document	6 years after separation or termination of employment
Code of Conduct Signature Page	6 years after separation or termination of employment
Conflict of Interest Signature Page	6 years after separation or termination of employment
Disciplinary Action/Warning	6 years after separation or termination of employment
Employee Administration Documents	6 years after separation or termination of employment
Employment Verification	6 years after separation or termination of employment
Salary Changes/Reviews	6 years after separation or termination of employment
<u>IT/TECHNICAL</u>	
<u>Electronic Records Software and Documentation</u>	<u>Retain as long as software-dependent records are retained</u>
Licensing	Retain as long as software-dependent records are retained
Software	Retain as long as software-dependent records are retained
<u>MAINTENANCE/PROPERTY/SECURITY</u>	
<u>Disaster Preparedness Plans</u>	<u>Current + 5 years</u>
Disaster Recovery & Emergency Preparedness Plan	Current + 5 years
<u>Disaster Preparedness Drill Records</u>	<u>Current + 2 years</u>
<u>Equipment/Vehicle Maintenance Records</u>	<u>Current + 1 year after disposition of equipment.</u>
Equipment Maintenance Records	Current + 1 year after disposition of equipment
Asset Invoices	Current + 1 year after disposition of equipment
<u>Inspection Reports: Fire/Security/Safety</u>	<u>Current + 4 years after inspection</u>
Inspections	Current + 4 years after inspection
Inspections Report - Fire Extinguisher	Current + 4 years after inspection
<u>Inventory: Agency Property</u>	<u>Current + 3 years</u>
<u>License Occupational</u>	<u>Current + 1 year after expiration, revocation, or denial of license</u>
License Occupational	Current + 1 year after expiration, revocation, or denial of license
<u>REINSURANCE</u>	
<u>Reinsurance Program</u>	Permanent <u>No less than 25 yrs. and at least 2 yrs after final claim closed.</u>
Actuarial Analysis of Exposure	Permanent <u>No less than 25 years, and at least 2 years after final claim is closed.</u>
Claims Not Covered (Claims)	Permanent <u>No less than 25 years, and at least 2 years after final claim is closed.</u>
LPT Monthly/Quarterly	Permanent <u>No less than 25 years, and at least 2 years after final claim is closed.</u>
Reinsurance Notification	Permanent <u>No less than 25 years, and at least 2 years after final claim is closed.</u>
Reinsurance Recovery Received	Permanent <u>No less than 25 years, and at least 2 years after final claim is closed.</u>
Reinsurance Reimbursement Request	Permanent <u>No less than 25 years, and at least 2 years after final claim is closed.</u>
Reinsurance Notification Summary Rpt	Permanent <u>No less than 25 years, and at least 2 years after final claim is closed.</u>

REPORTING & FILINGS	
RECORD SERIES TITLE	RETENTION PERIOD
<u>Audits: Auditor General</u>	<u>Current + 10 years</u>
Auditor General	Current + 10 years
<u>Audits: Independent</u>	Current + 10 years
Accounting Policies & Procedures	Current + 10 years Moved to Executive/Administration
Audit/financial	Permanent
Auditors Report on Internal Controls	Current + 10 years
Travelers Operational Review	Current + 10 years
Trip Report/Claim Review	Current + 10 years
<u>Audits: State/Federal</u>	<u>Current + 10 years</u>
AHCA Compliance Survey	Current + 10 years
Audit OIR Market Conduct Exam	Current + 10 years
<u>Federal and State Income/Employment Tax</u>	<u>Permanent</u>
<u>Form/Reports</u>	
940	Permanent
941	Permanent
1096/1099	Permanent
UCT-6	Permanent
W-3 / W-2	Permanent
Unemployment Tax Rate	Permanent
<u>Federal & State Tax Forms/Reports</u>	Permanent Current + 25 years after filing or reporting date.
DOL Assessments	Permanent Current + 25 years after filing or reporting date.
DOL USL&H	Permanent Current + 25 years after filing or reporting date.
Federal Tax Return-1120PC	Permanent Current + 25 years after filing or reporting date.
Intangible Personal Property	Permanent Current + 25 years after filing or reporting date.
Premium Taxes	Permanent Current + 25 years after filing or reporting date.
Tangible Personal Property	Permanent Current + 25 years after filing or reporting date.
<u>Financial Reports: Comprehensive Annual (Local Government)</u>	<u>Permanent</u>
Financial Detail	Permanent
<u>Records Management Compliance</u>	<u>Current + 1 year</u>
Records Management Compliance Statements	Current + 1 year
<u>State Reporting & Other Filings</u>	Permanent Current + 25 years after filing or reporting date.
Abandoned Property	Permanent Current + 25 years after filing or reporting date.
Actuarial Analysis & Opinion	Permanent Current + 25 years after filing or reporting date.
Corp Business Report	Permanent Current + 25 years after filing or reporting date.
Financial Statements Annual & Quarterly	Permanent Current + 25 years after filing or reporting date.
Forms Filing	Permanent Current + 25 years after filing or reporting date.
Managed Care Arrangement Renewal	Permanent Current + 25 years after filing or reporting date.
Mgmt. Disc & Analysis	Permanent Current + 25 years after filing or reporting date.
Minimum Premium	Permanent Current + 25 years after filing or reporting date.
NCCI Financial Calls	Permanent Current + 25 years after filing or reporting date.
Operations Manual Revisions	Permanent Current + 25 years after filing or reporting date.
Program to Eliminate the Deficit	Permanent Current + 25 years after filing or reporting date.
Rate Filing	Permanent Current + 25 years after filing or reporting date.
Reinsurance Program Filing	Permanent Current + 25 years after filing or reporting date.
Statistical Codes Filing	Permanent Current + 25 years after filing or reporting date.
UNDERWRITING	
<u>Application, Claim, Collection Related Records</u>	7 years after termination of contract, closure of claim or payment of collection. 7 years from date received.
Applications	7 years after termination of contract, closure of claim or payment of collection. 7 years from date received.
Audit Disputes	7 years after termination of contract, closure of claim or payment of collection. 7 years from date received.
Bad Debt Write Off Authorization - Moved to Correspondence	7 years after termination of contract, closure of claim or payment of collection.
Bound	7 years after termination of contract, closure of claim or payment of collection. 7 years from date received.

RECORD SERIES TITLE	UNDERWRITING RETENTION PERIOD
Certificate of Insurance	7 years after termination of contract, closure of claim or payment of collection. 7 years from date received.
Claims Not Covered (Claims)	7 years after termination of contract, closure of claim or payment of collection. 7 years from date received.
Correspondence Moved to Correspondence and Memoranda	7 years after termination of contract, closure of claim or payment of collection.
DFS Consumer Complaints	7 years after termination of contract, closure of claim or payment of collection. 7 years from date received.
Litigation Management Info -Moved to Litigation Case Files	7 years after termination of contract, closure of claim or payment of collection
Rejected	7 years after termination of contract, closure of claim or payment of collection. 7 years from date received.
Settlement Moved to Collection Activity Records	7 yrs after termination of contract, closure of claim or payment of collection
Settlement Authorization (Claims) - Moved to Collection Activity Records	7 yrs after termination of contract, closure of claim or payment of collection
Withdrawn	7 years after termination of contract, closure of claim or payment of collection. 7 years from date received.
<u>Agency Producer Records</u>	7 years after completion or termination of agreement.
Agency Misconduct Authorization Package	7 years after completion or termination of agreement— Permanent
Certificate of Insurance	7 years after completion or termination of agreement— 7 Years after receipt date
Correspondence Moved to Correspondence and Memoranda	7 years after completion or termination of agreement—
E/O Expiration	7 years after completion or termination of agreement— 7 Years after receipt date
Expiration Notice	7 years after completion or termination of agreement— 7 Years after receipt date
Rejected/Returned Package	7 years after completion or termination of agreement— 7 Years after receipt date
Revocation/Suspension	7 years after completion or termination of agreement— Permanent
<u>Collection Activity Records</u>	Permanent
Bad Debt Write Off Report	Permanent
Financial Reports Annual	Permanent Current + 10 years after receipt of final payment.
Bankruptcy	Permanent Current + 10 years after receipt of final payment.
Mid AM-Collection Summary	Permanent Current + 10 years after receipt of final payment.
Settlements	Permanent Current + 10 years after receipt of final payment.
<u>Litigation Case Files</u>	7 years after case closed.
Fraud Investigations	7 years after case closed
Legal Correspondence	7 years after case closed.
Legal Documents (Bankruptcy, Final	7 years after case closed
Legal Opinions	7 years after case closed.

RATES & FORMS COMMITTEE REPORT**2007 Year-End Reserves**

The Board shall consider a probable February 21st Rates & Forms Committee recommendation related to the FWCJUA's carried ultimate liabilities for year-end 2007.

The FWCJUA's preliminary 12/31/07 statutory financial statements are attached for the Board's reference. Also attached, are the following exhibits which will be considered, in part, by the Rates and Forms Committee at its meeting:

Exhibit 1: Executive Summary of Milliman's Draft Actuarial Analysis of Loss and LAE Reserves as of December 31, 2007.

Exhibit 2: Summary exhibit showing Milliman's Best Estimate compared to the FWCJUA's Carried Ultimates

Subsequent to the Rates & Forms Committee meeting of February 21st, staff anticipates releasing the following additional exhibit along with the Committee's recommendation under separate cover for the Board's perusal prior to its February 22nd meeting:

Exhibit 3: Summary exhibit showing Milliman's Best Estimate compared to the FWCJUA's Carried Reserves both Before and After the Rates & Forms Committee Recommendation.

In recent years when considering reserves, the Committee and Board has typically chosen to book Milliman's best estimate indicated net reserves for the more mature years as well as Milliman's best estimate for ULAE; however, it has chosen to take a more conservative approach with the most recent three years to reflect the uncertainty inherent in the most immature years and has booked 20% in excess of Milliman's best estimate indicated net reserves for each of the most recent three years. In setting the reserves as of June 30, 2007, given the FWCJUA's on-going continued favorable development and its sizable surplus, the Committee and Board agreed to book Milliman's best estimate indicated net reserves for the years 1994 through 2006 as well as for the period January 1, 2007 through June 30, 2007 and further, to book Milliman's best estimate for ULAE. This action resulted in an \$8.65 million downward adjustment in reserves as of June 30, 2007. At the time of this most recent reserve decision, the Committee and Board noted that such action would not preclude the Committee and the Board from again modifying its reserve philosophy in the future based upon the circumstances at that time.

The Board of Governors, subject to a probable February 21st Rates & Forms Committee recommendation, shall determine what to authorize staff to book for the indicated net reserves for the years 1994 through 2007 and for ULAE as of December 31, 2007.

<u>Balance Sheet</u>	<u>Grp. Code</u>	<u>Admitted Balances 12/31/07</u>
<i>Assets:</i>		
Bonds	1	65,120,498
Cash	2	25,759,518
Short-term investments	3	<u>9,682,255</u>
Cash and invested assets		100,562,271
Premiums receivable	4	4,977,750
Premiums deferred		2,586,529
Premiums EBUB	4.5	268,610
Misc. Receivable	6	563,407
Reinsurance Recovery	6.5	59,819
Federal Income Tax Recoverable	6.8	112,935
Deferred Tax Asset	5	-
EDP equipment	7	100,306
Interest income accrued	8	755,496
Furniture and fixtures	9	-
Computer software	10	-
Leasehold improvements	11	-
Prepaid expenses	12	-
Security deposits	13	-
Excess Deposits due Reins.	13.5	<u>1,778,940</u>
Total assets		<u>111,766,064</u>
<i>Liabilities:</i>		
Loss and ALAE reserves	14	(33,024,232)
Retroactive Reinsurance	14.5	5,182,280
ULAE reserves	15	(3,200,054)
Servicing carrier fees payable	16	(1,066,439)
Commissions payable	17	(288,558)
Other accrued expenses	18	(6,095,712)
Taxes, licenses and fees	19	-
Unearned premiums	20	(9,194,350)
Ceded Unearned Premium		-
Unearned Producer Fees	20.5	(38,173)
Reins. premiums payable	21	(0)
Provision for Reinsurance		-
Federal income taxes	22	-
Deposit premiums	23	(3,189,664)
State Authorization Payable	24	(83,460)
Advance Premiums	25	<u>(199,814)</u>
Total liabilities		(51,198,177)
<i>Surplus:</i>		
Unassigned surplus (deficit)	26	54,473,179
Assigned/Special surplus	26.5	<u>6,094,708</u>
Total Surplus:		60,567,887
Total liabilities and surplus		<u>(111,766,064)</u>

<u>Income Statement</u>	<u>Grp. Code</u>	<u>Admitted Balances 12/31/07</u>
Premiums written - direct	27	15,258,469
Premiums written - EBUB		(1,024,706)
Premiums written - ceded	28	(4,150,860)
Change in unearned	29	<u>8,417,098</u>
<i>Premiums earned</i>		18,500,001
Losses paid - direct	30	6,148,008
Change in reserves - direct	32	<u>(4,422,250)</u>
<i>Losses incurred - direct</i>		1,725,759
Losses paid - ceded	33	(1,277,740)
Change in reserves - ceded	34	<u>(4,505,585)</u>
<i>Losses incurred - ceded</i>		(5,783,325)
<i>Net losses incurred</i>		(4,057,567)
Loss expenses incurred	35	3,201,426
Other underwriting expenses	36	<u>5,391,236</u>
<i>Total underwriting expenses</i>		4,535,095
<i>Net underwriting gain (loss)</i>		13,964,907
Net investment income	37	4,812,070
Net realized gains (losses)	38	<u>(40,152)</u>
<i>Net investment gain (loss)</i>		4,771,917
Other income	39	(2,255,721)
Loss from Reinsurance (LPT)	39.5	<u>(90,000)</u>
<i>Income before tax</i>		16,391,103
Federal income taxes	40	<u>3,408,428</u>
Net income		<u>12,982,675</u>
Gains (losses) in surplus:		
Net income		12,982,675
Change in n/a assets		1,822,637
Deferred Tax Asset/Liability		(3,031,516)
<i>Change in deficit</i>		11,773,797
Beginning surplus /(deficit)		<u>48,794,091</u>
Ending surplus / (deficit)		<u>60,567,888</u>

0



Florida Workers Compensation Joint Underwriting Association, Inc.

LOSS AND LOSS ADJUSTMENT EXPENSE UNPAID CLAIM ESTIMATES AS OF DECEMBER 31, 2007

Prepared by:



Denver, Colorado
(303) 299-9400

February 15, 2008

Contents

Introduction.....	1
Summary of Findings.....	2
Change from Previous Estimates.....	3
Payout of Reserves.....	4
Limitations.....	4
Related Issues.....	6
Closing.....	9

Introduction

The Florida Workers' Compensation Joint Underwriting Association (FWCJUA) began operations on January 1, 1994. Milliman was retained by the FWCJUA to perform an actuarial evaluation of its unpaid loss and loss adjustment expense liabilities for accident years 1994-2007 as of December 31, 2007 using data evaluated as of December 31, 2007 in order to assist management in preparing their financial reports as well as to provide a Statement of Actuarial Opinion. As directed by the National Association of Insurance Commissioners, the report should be retained at your offices for a period of seven years and should be available for regulatory examination. For the remainder of this report, we will refer to unpaid claim estimates as "reserves" unless otherwise noted. All estimates should be considered "actuarial central estimates," meaning that they are intended to represent the expected values over reasonably possible outcomes. This analysis includes reserves both net and gross of reinsurance.

This report presents the findings of our analysis and is organized in two sections. This section is an executive summary. In this section, we will:

- Summarize our findings regarding the FWCJUA's loss and loss adjustment expense reserves.
- Discuss limitations on actuarial analyses.
- Present information on issues related to actuarial analyses of reserves, including those required by the Schedule P instructions regarding Statements of Actuarial Opinion.

The second section is a technical appendix which provides a detailed description of the methods and assumptions underlying our reserve estimates.

Summary of Findings

Our estimate of the reserve for unpaid loss and loss adjustment expenses net of reinsurance¹, as of December 31, 2007 is approximately \$33.0 million. Table 1 shows this reserve split between losses and allocated loss adjustment expenses (ALAE) combined and unallocated loss adjustment expenses (ULAE).

The \$33.0 million estimate falls in a range of reasonableness of \$29.7 million to \$38.6 million. This range is intended to reflect our evaluation of the range of reasonable estimates of the unpaid liabilities. The FWCJUA's booked reserve of \$XX million falls within this range. Exhibit 2 shows the net loss and ALAE reserves by accident year.

Table 1. Indicated Net Reserves (\$000)

Losses and ALAE	\$30,164
ULAE	\$2,800
Total	\$32,964

Our estimate of the reserve gross of reinsurance is approximately \$52.5 million. Loss and ALAE liabilities account for \$49.7 million of this amount. The remaining \$2.8 million is the ULAE reserve. The range around our gross reserve indication is \$47.3 million to \$57.5 million. The FWCJUA's booked reserve of \$XX million falls within this range. Exhibit 1 shows the gross loss and ALAE reserves by accident year.

Table 2. Ultimate Loss and ALAE Ratios

Accident Year	Gross	Net
1994	55.2%	55.2%
1995	38.3%	38.1%
1996	58.1%	50.1%
1997	33.1%	33.1%
1998	34.6%	36.6%
1999	69.0%	24.3%
2000	59.7%	57.9%
2001	19.2%	23.1%
2002	11.4%	13.4%
2003	21.0%	22.6%
2004	34.4%	32.8%
2005	26.7%	21.5%
2006	25.3%	24.9%
2007	37.3%	38.1%
Total	35.0%	33.5%

Table 2 shows the ultimate loss and ALAE ratios implied by our estimates, separately by accident year, and both gross and net of reinsurance.

¹ The JUA entered into a loss portfolio transfer on August 1, 2000 transferring the liabilities for accidents years 1999 and prior. Our analysis does not include the impact of that loss portfolio transfer.

Change from Previous Estimates

The amounts discussed in the previous section represent our estimate of FWCJUA's unpaid liabilities for claims occurring each year. Tables 3 and 4 present summaries of the changes in our estimates of ultimate medical and indemnity losses and ALAE for Accident Years 1994 through 2006 between this analysis and our previous analysis.

The decrease of \$5.4 million in the estimate of the gross of reinsurance ultimate loss and ALAE estimate is primarily due to better than expected experience as well as to the decrease in the approved NCCI trends. The indemnity trend was decreased from -3% in our June, 2007 analysis to -6.5%. The medical trend was decreased from 0.5% to -1.5%. We estimate that the decrease due to the change in trend alone is approximately \$1 million.

The change in the estimate of the net of reinsurance ultimate loss and ALAE is a decrease of \$4.3 million, also due to better than expected experience and the decrease in the approved NCCI trends.

Table 3: Change in Gross Ultimate Loss and ALAE Estimates (\$000)

Accident Year	Estimated 12/31/2007	Estimated 6/30/2007	Difference
1994	\$23,210	\$23,411	-\$201
1995	30,070	30,550	-480
1996	22,190	21,959	231
1997	6,480	6,572	-92
1998	5,630	5,726	-96
1999	5,620	5,464	156
2000	2,510	2,513	-3
2001	1,180	1,241	-61
2002	2,160	2,137	23
2003	9,770	10,104	-334
2004	21,510	22,191	-681
2005	20,630	21,517	-887
2006	13,200	16,156	-2,956
Total	\$164,160	\$169,538	-\$5,378

Table 4: Change in Net Ultimate Loss and ALAE Estimates (\$000)

Accident Year	Estimated 12/31/2007	Estimated 6/30/2007	Difference
1994	\$23,210	\$23,411	-\$201
1995	27,660	27,839	-179
1996	17,630	17,812	-182
1997	6,030	6,124	-94
1998	5,330	5,326	4
1999	1,810	1,764	46
2000	2,190	2,194	-4
2001	1,150	1,141	9
2002	2,040	1,937	103
2003	8,854	8,908	-54
2004	16,853	16,922	-70
2005	14,106	15,633	-1,526
2006	11,000	13,156	-2,156
Total	\$137,863	\$142,166	-\$4,303

Payout of Reserves

The table below shows the expected future payments for losses that have occurred on or before December 31, 2007 for accident years 2007 and prior. This may assist in some of the investment decisions, as well as providing a rough yardstick for future performance. If next year's payments are lower than predicted, that would be an indication that the ultimate level of losses may be lower than that contemplated in the reserve figure. However, it only provides an indication of the appropriateness of the reserve value, not conclusive evidence. Since both the ultimate amounts and the timing of payments are subject to uncertainty, payments lower than predicted may also be indicative of a lengthening of the payment pattern rather than a lower level of ultimate losses.

Table 2 below shows the payments estimated based on Milliman's estimated loss and allocated loss adjustment reserves.

Table 1 - Expected Payout of Estimated Loss and ALAE Reserves as of 12/31/2007.

	Total Reserves	Payments made during calendar years			
		2008	2009-2011	2012-2016	2017+
Gross	49,736	10,787	17,360	12,783	8,804
Net	30,164	8,692	12,192	6,605	2,674

Appendix H shows the payout by subplan quarterly for 2008, as well as the amounts expected to be paid in 2 to 4 years, in 4 to 9 years, and over 9 years.

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.

The IBNR values shown cannot strictly be assigned to any one claim or to any one year. Instead, the total IBNR is the best actuarial estimate of the aggregate estimated IBNR for all accident years. There

is frequently substantial year to year variation in the development of losses. The IBNR values shown represent an estimate for the average future development. This allows the favorable development of one year to be used to offset the unfavorable development of another year.

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 Lopez, Controller/Treasurer 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

This report was prepared for the use of and only to be relied upon by the management of the FWCJUA. No portion of the report may be provided to any other party without Milliman's prior written consent. In the event such consent is provided, the report must be provided in its entirety. Milliman does not intend to benefit any third party recipient of its work product, even if Milliman consents to the release of its work product to such third party.

We hereby agree that a copy of this report may be given to state insurance regulators and the FWCJUA's current auditors provided that they agree not to distribute it further unless, in the case of state insurance regulators, they are required to do so by law. We recommend that any such party have their own actuary review the report to ensure that the party understands the assumptions and uncertainties inherent in our estimates. In the event that any audit reveals any error or inaccuracy in the data underlying this report, Milliman requests that the auditor notify Milliman as soon as possible.

Related Issues

Risk Factors

The risk factors of the policies that the Association writes expose the Association's reserves to a 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 having been a significant influence on the Association's reserves.

The Association 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.

The FWCJUA's per claim retention was unlimited for Accident Year 1994 and limited to \$500,000 through 2002². The Association had also taken on 50% of the layer from \$500,000 to \$1.0 million for accident years 2003 and 2004 until December 31, 2005 when this treaty was commuted. They thus have full liability up to \$1,000,000 for accident years January 1, 2003 to September 30, 2004 and 50% of the \$500,000 to \$1 million layer for the last accident quarter of 2004. For 2005 the association cedes 40% of the layer from \$350,000 to \$1 million and 100% excess of \$1 million, however, there is an annual aggregate deductible for the layer \$ 350,000 to \$500,000 making this coverage layer behave very much like a 40% of \$500,000 excess of \$500,000 layer. In 2007 the Quanta Re reinsurance treaty which covered 15% of the layer from 9 million excess of \$1 million in accident year 2005 was also commuted. For the 2006 and 2007 years, the association cedes 50% of the layer \$650,000 excess of \$350,000 and 100% excess of \$1 million. Again, however, the annual aggregate deductibles substantially erode the coverage of \$650,000 excess of \$350,000 making the reinsurance behave like an excess of \$1 million coverage only. Workers' compensation coverage has the potential to generate very large claims. The

² FWCJUA has purchased reinsurance for the 250x250 layer for accident years 1999-2002. However, a deductible applies to this layer which makes the effective limit approximately 500,000.

emergence of a few such claims, particularly in a year with a high retention, could affect our reserve estimate significantly.

The identification and quantification of risk factors is an extremely subjective area, since there are many factors that will influence the variability of a company's reserves.

Pools and Associations

Management has indicated that the FWCJUA does not participate in any pools or associations.

Salvage and Subrogation

The FWCJUA reports its loss and LAE reserves gross of anticipated salvage and subrogation and Special Disability Trust Fund recoveries. Our analysis similarly projects reserves gross of these recoveries.

Discounting

Our reserve estimates reflect no provision for discounting. We understand that the FWCJUA does not reflect any provision for discounting in its reported reserves.

Retroactive and Financial Reinsurance and Commutations

The Association completed a Loss Portfolio Transfer (LPT) effective August 1, 2000 transferring all net claims liability for all claims with accident years January 1, 1994 through December 31, 1999. The reserves described in this report are before the impact of this loss portfolio transfer. The Association has recorded a contra liability of \$5,182,280 against the net reserve as a write-in liability amount in accordance with statutory accounting provisions.

Reinsurance

The Association management has indicated that they are not aware of any problems in collecting reinsurance recoverables. We have relied upon descriptions of the FWCJUA's reinsurance provided by the FWCJUA's management. We have not reviewed the actual reinsurance contracts which affect these reserves. Contingent liability exists with respect to ceded reinsurance which would become an actual liability in the event that the reinsurance companies do not meet their obligations to the FWCJUA according to our understanding of existing reinsurance agreements.

Mass Torts

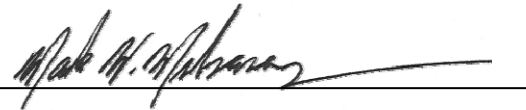
The Association management has indicated that they have not written policies that expose the FWCJUA to environmental impairment, terrorist claims, or other mass tort exposures. The Company currently has no environmental and asbestos claims, and environmental and asbestos claims have not as yet emerged as a significant exposure for workers' compensation insurers.

Closing

We appreciate the opportunity for Milliman to perform this analysis for the Florida Workers' Compensation Joint Underwriting Association. We are available to answer any questions regarding our estimates.



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



Mark W. Mulvaney
Fellow, Casualty Actuarial Society
Member, American Academy of Actuaries

Milliman, Inc
February 15, 2008

Florida Workers' Compensation Joint Underwriting Association

Exhibit A

COMPARISON OF GROSS ESTIMATED ULTIMATES

Accident Year	Estimated Ultimate at 12/31/07				Estimated Ultimate at 06/30/07				Difference			
	(1) Indemnity	(2) Medical	(3) ALAE	(4) TOTAL	(5) Indemnity	(6) Medical	(7) ALAE	(8) TOTAL	(9) Indemnity (1)-(5)	(10) Medical (2)-(6)	(11) ALAE (3)-(7)	(12) TOTAL
1994	\$11,500	\$10,700	\$1,010	\$23,210	\$11,500	\$10,900	\$1,011	\$23,411	\$0	-\$200	-\$1	-\$201
1995	13,700	14,500	1,870	30,070	13,700	15,000	1,850	30,550	0	-500	20	-480
1996	8,300	11,600	2,290	22,190	8,100	11,600	2,259	21,959	200	0	31	231
1997	2,300	3,300	880	6,480	2,300	3,400	872	6,572	0	-100	8	-92
1998	2,300	2,600	730	5,630	2,300	2,700	726	5,726	0	-100	4	-96
1999	1,800	3,600	220	5,620	1,600	3,700	164	5,464	200	-100	56	156
2000	1,000	1,300	210	2,510	1,000	1,300	213	2,513	0	0	-3	-3
2001	420	610	150	1,180	400	700	141	1,241	20	-90	9	-61
2002	620	1,300	240	2,160	600	1,300	237	2,137	20	0	3	23
2003	3,800	4,700	1,270	9,770	3,800	5,100	1,204	10,104	0	-400	66	-334
2004	6,400	12,400	2,710	21,510	6,600	13,100	2,491	22,191	-200	-700	219	-681
2005	4,500	13,500	2,630	20,630	5,300	13,600	2,617	21,517	-800	-100	13	-887
2006	3,600	7,700	1,900	13,200	4,600	9,300	2,256	16,156	-1,000	-1,600	-356	-2,956
Total	\$60,240	\$87,810	\$16,110	\$164,160	\$61,800	\$91,700	\$16,038	\$169,538	-\$1,560	-\$3,890	\$72	-\$5,378

Notes: (1) and (5) Appendix A, Sheet 1
(2) and (6) Appendix B, Sheet 1
(3) and (7) Appendix E, Sheet 1a
Ultimates at 6/30/07 adjusted for reclassification of Travelers ULAE to ALAE.

Florida Workers' Compensation Joint Underwriting Association

Exhibit B

COMPARISON OF NET ESTIMATED ULTIMATES

Accident Year	Estimated Ultimate at 12/31/07				Estimated Ultimate at 06/30/07				Difference			
	(1) Indemnity	(2) Medical	(3) ALAE	(4) TOTAL	(5) Indemnity	(6) Medical	(7) ALAE	(8) TOTAL	(9) Indemnity (1)-(5)	(10) Medical (2)-(6)	(11) ALAE (3)-(7)	(12) TOTAL
1994	\$11,500	\$10,700	\$1,010	\$23,210	\$11,500	\$10,900	\$1,011	\$23,411	\$0	-\$200	-\$1	-\$201
1995	13,000	12,900	1,760	27,560	13,000	13,100	1,739	27,839	0	-200	21	-179
1996	7,300	8,100	2,230	17,630	7,300	8,300	2,212	17,812	0	-200	18	-182
1997	2,200	3,000	830	6,030	2,200	3,100	824	6,124	0	-100	6	-94
1998	2,200	2,400	730	5,330	2,200	2,400	726	5,326	0	0	4	4
1999	700	940	170	1,810	700	900	164	1,764	0	40	6	46
2000	900	1,100	190	2,190	900	1,100	194	2,194	0	0	-4	-4
2001	400	600	150	1,150	400	600	141	1,141	0	0	9	9
2002	600	1,200	240	2,040	600	1,100	237	1,937	0	100	3	103
2003	3,582	4,023	1,250	8,854	3,482	4,223	1,204	8,908	100	-200	46	-54
2004	5,257	8,986	2,610	16,853	5,057	9,386	2,480	16,922	200	-400	130	-70
2005	3,427	8,190	2,490	14,106	4,227	8,790	2,616	15,633	-800	-600	-126	-1,526
2006	3,200	5,900	1,900	11,000	4,200	6,700	2,256	13,156	-1,000	-800	-356	-2,156
Total	\$54,265	\$68,038	\$15,560	\$137,863	\$55,765	\$70,598	\$15,803	\$142,166	-\$1,500	-\$2,560	-\$243	-\$4,303

Notes: (1) and (5) Appendix C, Sheet 1, 1994 Appendix A, Sheet 1
(2) and (6) Appendix D, Sheet 1, 1994 Appendix B, Sheet 1
(3) and (7) Appendix E, Sheet 1b
2003-2005 Adjusted for commutation amounts.
Ultimates at 6/30/07 adjusted for reclassification of Travelers ULAE to ALAE.

Florida Workers' Compensation Joint Underwriting Association

Exhibit 1

CALCULATION OF ESTIMATED GROSS RESERVE (\$000)

Accident Year	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
	Indemnity	Medical	ALAE	ULAE	CY GER	L+ALAE Ratio	Indemnity	Medical	ALAE	ULAE	Indicated Gross Reserve	Case	IBNR	# Open Claims
1994	\$11,500	\$10,700	\$1,010		\$42,052	55.2%	\$10,968	\$9,472	\$993		\$1,778	\$402	\$1,376	3
1995	13,700	14,500	1,870		78,414	38.3%	12,854	12,625	1,831		2,760	727	2,034	5
1996	8,300	11,600	2,290		38,213	58.1%	7,315	8,921	2,228		3,726	2,219	1,507	1
1997	2,300	3,300	880		19,553	33.1%	2,128	2,855	861		636	0	636	0
1998	2,300	2,600	730		16,284	34.6%	2,018	2,272	696		645	280	365	2
1999	1,800	3,600	220		8,148	69.0%	910	2,586	161		1,963	1,632	331	2
2000	1,000	1,300	210		4,202	59.7%	976	1,170	205		159	0	159	0
2001	420	610	150		6,153	19.2%	331	483	132		234	53	181	1
2002	620	1,300	240		18,865	11.4%	515	836	216		593	286	307	2
2003	3,800	4,700	1,270		46,522	21.0%	2,771	3,446	1,021		2,532	1,066	1,466	6
2004	6,400	12,400	2,710		62,519	34.4%	4,191	8,319	1,905		7,094	4,132	2,962	21
2005	4,500	13,500	2,630		77,374	26.7%	1,890	5,582	1,283		11,875	5,349	6,526	33
2006	3,600	7,700	1,900		52,161	25.3%	1,155	2,808	655		8,581	968	7,613	36
2007	2,100	4,900	1,460		22,651	37.3%	271	893	136		7,160	814	6,346	60
										Loss+ALAE	\$49,736			
										ULAE	\$2,800			
Total	\$62,340	\$92,710	\$17,570	\$35,744	\$493,110	35.0%	\$48,294	\$62,268	\$12,323	\$32,944	\$52,536	\$17,928	\$31,808	172

Notes: (1) Appendix A, Sheet 1
 (2) Appendix B, Sheet 1
 (3) Appendix E, Sheet 1a
 2007 is 6 months and is calculated from selected LR.
 (4) Exhibit 3 + Col. (10)
 (5) Data provided by FWC JUA.

(6) [(1)+(2)+(3)] / (5)
 (7) Appendix A, Sheet 3
 (8) Appendix B, Sheet 3
 (9) Appendix E, Sheet 4a
 (10) Data provided by FWC JUA.

(11) Equals (1)+(2)+(3)-(7)-(8)-(9)
 (11) ULAE equals (4) - (10)
 (12) Appendix A + B, Sheet 2, Col. (2)
 (13) Equals (11)-(12)
 (14) Appendix F, Sheet 6

Florida Workers' Compensation Joint Underwriting Association

Exhibit 2

CALCULATION OF ESTIMATED NET RESERVE (\$000)

Accident Year	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
	Indemnity	Medical	ALAE	ULAE	CY NEP	L+ALAE Ratio	Indemnity	Medical	ALAE	ULAE	Indicated Net Reserve	Case	IBNR	# Open Claims
1994	\$11,500	\$10,700	\$1,010		42,052	55.2%	\$10,968	\$9,472	\$993		\$1,778	\$402	\$1,376	3
1995	13,000	12,900	1,760		72,570	38.1%	12,441	12,193	1,720		1,306	221	1,084	5
1996	7,300	8,100	2,230		35,171	50.1%	7,029	7,670	2,182		749	0	749	1
1997	2,200	3,000	830		18,209	33.1%	2,121	2,830	813		266	0	266	0
1998	2,200	2,400	730		14,549	36.6%	2,018	2,272	696		345	190	154	2
1999	700	940	170		7,439	24.3%	630	894	161		126	0	126	2
2000	900	1,100	190		3,784	57.9%	875	1,007	187		120	0	120	0
2001	400	600	150		4,982	23.1%	331	483	132		204	53	151	1
2002	600	1,200	240		15,218	13.4%	515	836	216		473	286	187	2
2003	3,582	4,023	1,250		39,260	22.6%	2,653	3,269	1,021		1,912	1,066	846	6
2004	5,257	8,986	2,610		51,309	32.8%	3,427	6,997	1,894		4,534	2,051	2,483	21
2005	3,427	8,190	2,490		65,708	21.5%	1,606	4,987	1,283		6,231	1,770	4,462	33
2006	3,200	5,900	1,900		44,112	24.9%	1,155	2,808	655		6,381	968	5,413	36
2007	1,800	3,900	1,340		18,500	38.1%	271	893	136		5,740	814	4,926	60
										Loss+ALAE	\$30,164			
										ULAE	\$2,800			
Total	\$56,065	\$71,938	\$16,900	\$35,509	\$432,863	33.5%	\$46,042	\$56,610	\$12,087	\$32,709	\$32,964	\$7,821	\$22,343	172

Notes: (1) Appendix C, Sheet 1, 1994 Appendix A, Sheet 1
 (2) Appendix D, Sheet 1, 1994 Appendix B, Sheet 1
 2003-5 Ultimate less Commutation amounts.
 2007 is 6 months and is calculated from selected LR.
 (3) Appendix E, Sheet 1b
 (4) Exhibit 3 + Col. (10)

(5) Data provided by FWC JUA.
 (6) [(1)+(2)+(3)] / (5)
 (7) Appendix C, Sheet 3, 1994 Appendix A, Sheet 3
 (8) Appendix D, Sheet 3, 1994 Appendix B, Sheet 3
 2004 Paid less Converium Commutation amount
 (9) Appendix E, Sheet 4b

(10) Data provided by FWC JUA.
 (11) Equals (1)+(2)+(3)-(7)-(8)-(9)
 (12) App. C + D, Sh. 2, 1994 App. A + B, Sh. 2
 (13) Equals (11)-(12)
 (14) Appendix F, Sheet 6

Florida Workers' Compensation Joint Underwriting Association

Exhibit 3

DERIVATION OF ULAE RESERVE

(A) Selected ULAE Ratio:	7.80%
(B) Gross loss case reserves @12/31/07:	\$17,928
(C) Indicated gross bulk and IBNR loss reserves @12/31/07:	\$26,560
(D) Indicated ULAE reserves @12/31/07: (A) x [.5 x (B) + (C)]	\$ 2,800

Notes: Dollar amounts are in thousands.

(A) NCCI Filing 1/1/07

(B) App. A, Sheet 2 + App. B, Sheet 2, Case Reserves Total.

(C) [App. A, Sheet 1 + App. B, Sheet 1, Selected Ultimates Total]
- [App. A, Sheet 3 + App. B, Sheet 3, Paid Losses Total] - (B).

(D) Rounded to nearest hundred thousand.

GROSS ULTIMATE LOSSES excluding ULAE					
As of December 31, 2007					
	Earned Premiums	Milliman Best Estimate	FWCJUA Carried	Difference	FWCJUA IBNR Reserves
1994	42,051,708	23,210,000	23,410,984	200,984	1,576,786
1995	78,414,365	30,070,000	30,549,941	479,941	2,513,480
1996	38,213,161	22,190,000	21,996,172	(193,828)	1,313,091
1997	19,552,879	6,480,000	6,571,917	91,917	727,963
1998	16,283,856	5,630,000	5,725,793	95,793	460,561
1999	8,147,775	5,620,000	5,480,031	(139,969)	191,243
2000	4,201,512	2,510,000	2,512,509	2,509	161,091
2001	6,153,016	1,180,000	1,240,866	60,866	241,850
2002	18,865,364	2,160,000	2,136,715	(23,285)	283,248
2003	46,522,485	9,770,000	10,103,535	333,535	1,799,520
2004	62,518,631	21,510,000	22,200,194	690,194	3,652,090
2005	77,373,659	20,630,000	21,527,959	897,959	7,423,994
2006	52,161,019	13,200,000	16,155,585	2,955,585	10,568,940
2007	22,650,862	8,460,000	7,288,365	(1,171,635)	5,174,306
Total	493,110,292	\$172,620,000	\$176,900,568	\$4,280,568	36,088,163

NET ULTIMATE LOSSES excluding ULAE					
As of December 31, 2007					
	Earned Premiums	Milliman Best Estimate	FWCJUA Carried	Difference	FWCJUA IBNR Reserves
1994	42,051,708	23,210,000	23,410,984	200,984	1,576,786
1995	72,570,197	27,660,000	27,838,658	178,658	1,263,033
1996	35,170,675	17,630,000	17,812,422	182,422	931,659
1997	18,208,853	6,030,000	6,124,039	94,039	359,713
1998	14,549,457	5,330,000	5,325,793	(4,207)	150,225
1999	7,438,919	1,810,000	1,763,939	(46,061)	79,580
2000	3,783,912	2,190,000	2,194,235	4,235	124,480
2001	4,981,868	1,150,000	1,140,866	(9,134)	141,850
2002	15,218,231	2,040,000	1,936,715	(103,285)	83,248
2003	39,260,404	8,854,000	8,907,535	53,535	899,109
2004	51,308,817	16,853,000	16,922,811	69,811	2,553,506
2005	65,708,267	14,106,000	15,632,294	1,526,294	5,986,882
2006	44,111,668	11,000,000	13,155,585	2,155,585	7,568,940
2007	18,500,002	7,040,000	5,598,365	(1,441,635)	3,484,306
Total	432,862,978	\$144,903,000	\$147,764,243	\$2,861,243	\$25,203,317

ULAE Reserves as of December 31, 2007			
	Milliman Best Estimate	FWCJUA Carried	Difference
	\$ 2,800,000	\$ 3,200,054	\$ 400,054

RATES & FORMS COMMITTEE REPORT

Rates Effective January 1, 2008

The Board shall consider a probable February 21st Rates & Forms Committee recommendation related to whether the FWCJUA's January 1, 2008 rates should be adjusted to reflect the proposed Travelers' service provider fee increase for the 2008 contract year, if adopted.

As discussed in Attachment C of this agenda, the Operations Committee has recommended that the Board adjust the service provider fee as proposed by Travelers for the policies they issue on behalf of the FWCJUA with policy effective dates of January 1, 2008 through December 31, 2008, to include a minimum annual service fee of \$1,250,000. Given that such a fee increase was not contemplated in the FWCJUA's rates effective January 1, 2008, the Rates & Forms Committee will be considering the earlier referenced and attached analysis by Milliman that outlines the impact of the Travelers proposed service fee adjustment on said rates at its February 21st meeting. Again, the table below presents the summary findings of Milliman's analysis when the service fee rate assumption is changed from .2017, as was contemplated in the 1/1/2008 rates, to .2452 if the proposed adjustment is implemented.

	1/1/2008 Rates	Impact of Proposed Adjustment
Service Fee Rate Assumption	.2017	.2452
Targeted Premium Change	-9.8%	-2.0%
Indicated Maximum Minimum Premium	\$2,400	\$2,600
Indicated Tier 1 Surcharge	25%	37%
Indicated Tier 2 Surcharge	83%	99%
Indicated Tier 3 Surcharge	134%	155%
Average Weighted Surcharge	80%	96%

Staff is recommending to the Rates & Forms Committee that should the Travelers service provider fee structure be adjusted by the Board as proposed to include the minimum annual service fee, there be no adjustment to the 1/1/2008 rates. Given the timing of the Committee's meeting, the Committee's recommendation was not available at the time of the release of this agenda. However, subsequent to the Rates & Forms Committee of February 21st meeting, staff will release the Committee's recommendation under separate cover for the Board's perusal prior to its February 22nd meeting.

The Board of Governors, subject to a probable February 21st Rates & Forms Committee recommendation, shall determine whether to adjust the FWCJUA rates effective January 1, 2008 to reflect the proposed increase in Travelers' service provider fee for the 2008 contract year, if adopted.

INVESTMENT COMMITTEE REPORT

Investment Policy Exception

The Board shall consider confirming an Investment Committee decision to approve an Investment Policy Exception for four downgraded bonds.

The Investment Committee met on January 24, 2008 to primarily discuss an Investment Policy exception. In addition, the Investment Committee received an Investment Marketplace Update from the FWCJUA's Investment Manager regarding both the current happenings in the investment marketplace as well as the FWCJUA's portfolio. At that time, the FWCJUA's portfolio was yielding 4.55% with an average maturity of 1.7 years. It is anticipated though with short term rates declining, bonds maturing and bonds being called that the overall portfolio return will begin to decline this year.

The Investment Committee also received an update to the Cash Management Policy with the addition of the Loss Payout Pattern Report. The FWCJUA's investments have been fairly distributed relative to its loss liabilities considering the very favorable returns the FWCJUA had been experiencing on its short term investments. However, currently the FWCJUA and its investment manager and advisor are exploring and looking at all available options to maintain a favorable rate of return as the current rates have been dropping fast since December 2007. Both Evergreen Investments and SunTrust Capital Markets are monitoring the situation closely and looking for the best rate of returns that provide both security and liquidity necessary for the policyholders and claimants of the FWCJUA.

A compliance review of the FWCJUA's current Investment Policy determined that a possible exception to the Investment Policy may be warranted as several of the FWCJUA bonds were downgraded to below an "A" rating.

Moody's	S&P	Bond Name	Maturity Date	Par Value	Cost	Market Value	Yield to Maturity
BAA3	BBB+	Countrywide Home Loans	5/21/2008	270,000	265,035	243,991	4.250%
BAA3	BBB+	Countrywide Home Loans	9/15/2009	3,500,000	3,384,850	2,567,317	5.803%
BAA1	BBB+	Home Depot	6/15/2009	135,000	134,321	132,546	3.850%
BAA2	A -	Washington Mutual	1/15/2009	80,000	78,271	75,332	5.060%

While these above bonds have been downgraded to BAA/BBB, these bond ratings are still considered investment grade by Moody's and S&P although of medium grade. Medium-grade obligations are adequately protected and secured, but nonetheless may be unreliable if relevant economic conditions have long-run adverse effects on revenue source.

In considering whether to make an exception and hold these investments or sell them at a loss, a number of factors were considered by the Investment Committee: the company's ability to make both interest payments as well as their ability to pay maturity amounts on time; the company's industry relative to the current economy as well as the individual companies position in their industry; the yield on maturity; the estimated capital loss if the investment is sold; and the comfort level of both Evergreen Investments and SunTrust Capital Markets with these bonds at this time. The FWCJUA's portfolio also holds a number of industrial bonds (primarily banks and other companies with financial operations) which were also discussed at length as they could also be affected by the downturn of the marketplace. Following discussion, the Committee determined that an Investment Policy exception was warranted with regard to the four downgraded bonds.

Attached is a copy of the FWCJUA's Investment Policy, which includes the following exception clause:

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

The Board shall determine whether to confirm the Investment Committee's decision to authorize an exception to the FWCJUA's Investment Policy for the four downgraded bonds currently being held in the FWCJUA's portfolio.

FLORIDA WORKERS' COMPENSATION JOINT UNDERWRITING ASSOCIATION, INC.

INVESTMENT POLICY

Investment Objectives

1. To provide sufficient liquidity to meet the routine and projected cash requirements of the Florida Workers' Compensation Joint Underwriting Association, Inc. (FWCJUA).
2. To provide safety of principal and interest.
3. To generate a market rate of return that will protect the purchasing power of the funds deposited with the FWCJUA consistent with restrictions imposed in this policy.
4. The investment portfolio shall at all times reflect sound investment practices; including adequate diversification, limiting the FWCJUA's exposure to changing interest rates, and consideration of current and anticipated economic conditions.
5. Investments shall be made in accordance with the Prudent Investor Rule as defined by Florida Statute (F.S. 518.11).
6. Adhere to Florida Statutes defining the FWCJUA (F.S. 627.311).

Duties and Responsibilities

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

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

1. Establish portfolio objectives and investment guidelines.
2. Monitor performance of investments to ensure that objectives are being met and guidelines are being followed.
3. Direct the Executive Director to implement the established investment policy and report investment results to the Investment Committee, in the directed format, on a quarterly basis.

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

Acceptable Portfolio Investments

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

Composition of Assets

1. Cash and cash equivalents to meet daily liquidity of the FWCJUA. Minimum liquidity requirement of 5% of total JUA funds (cash and investments). Minimum liquidity requirement shall be established by the Investment Committee, reviewed and adjusted as necessary.
2. Short Term Investments in Certificates of Deposit, Commercial Paper, Bankers Acceptances, U.S. Government and Government Agency Securities to meet liquidity needs and optimize interest income.
3. Investments in securities, including U.S. Government and U.S. Government Agency securities, corporate notes and corporate bonds, certificates of deposit, deposit notes, municipal bonds, and pooled funds, based on anticipated liquidity needs, economic conditions, and interest rate changes to optimize interest income and preserve the purchasing power of the funds deposited with the FWCJUA.
4. For purposes of classification, holdings in the following issuer is included in the Debt Obligations (Notes & Bonds) category and must adhere to all portfolio limits and allocation restrictions of that category: Canadian public debt including provinces or other subdivisions.
5. Classifications are defined at time of purchase and must be reviewed and updated at least annually.

Maturities

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

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

Diversification

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

Safekeeping

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

Exceptions to this Policy:

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

Adopted December 14, 1994 and Revised June 14, 2006
By the FWCJUA Board of Governors