



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

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**VIA EMAIL**

**BOARD OF GOVERNORS BULLETIN 08-06**

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

**FROM:** Laura S. Torrence, Executive Director

**DATE:** February 21, 2008

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

Enclosed for your review is supplemental agenda information related to the Rates & Forms Committee Report for the Board of Governors teleconference meeting scheduled for February 22, 2008 at 10:00 a.m.

Please contact me should you have any questions concerning this supplemental information.

Enclosure

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

**RATES & FORMS COMMITTEE REPORT**

**2007 Year-End Reserves – Supplemental Information**

At its February 21<sup>st</sup> meeting, the Rates & Forms Committee resolved to recommend that the Board direct staff to book Milliman's best estimates of the reserve for unpaid loss and loss adjustment expenses both net and gross of reinsurance, as of December 31, 2007.

During its discussion, the Rates & Forms Committee reviewed the Milliman's report and agreed that it is conservative enough and just accepting it at the best estimate level is the best course of action. Accordingly, attached for the Board's perusal is:

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.

**The Board of Governors shall determine whether to adopt the Rates & Forms Committee recommendation that staff be directed to book Milliman's best estimates of the reserve for unpaid loss and loss adjustment expenses both net and gross of reinsurance, as of December 31, 2007.**

GROSS ULTIMATE LOSSES excluding ULAE  
As of December 31, 2007

	(Before)			% over Best	(After)			Gross Earned Premium	\$ over as % of Premium	(Before)		(After)		Milliman IBNR Reserves	% over IBNR
	Milliman Best Estimate	FWCJUA Carried	Difference		FWCJUA Carried	Difference	Best			Best	FWCJUA IBNR Reserves	FWCJUA IBNR Reserves	IBNR Reserves		
1994	23,210,000	23,410,984	200,984	0.87%	23,210,000	0	0.0%	42,051,708	0.0%	1,576,786	1,375,802	1,376,000	0.0%		
1995	30,070,000	30,549,941	479,941	1.60%	30,070,000	0	0.0%	78,414,365	0.0%	2,513,480	2,033,539	2,034,000	0.0%		
1996	22,190,000	21,996,172	(193,828)	-0.87%	22,190,000	0	0.0%	38,213,161	0.0%	1,313,091	1,506,919	1,507,000	0.0%		
1997	6,480,000	6,571,917	91,917	1.42%	6,480,000	0	0.0%	19,552,879	0.0%	727,963	636,046	636,000	0.0%		
1998	5,630,000	5,725,793	95,793	1.70%	5,630,000	0	0.0%	16,283,856	0.0%	460,561	364,768	365,000	0.0%		
1999	5,620,000	5,480,031	(139,969)	-2.49%	5,620,000	0	0.0%	8,147,775	0.0%	191,243	331,212	331,000	0.0%		
2000	2,510,000	2,512,509	2,509	0.10%	2,510,000	0	0.0%	4,201,512	0.0%	161,091	158,582	159,000	0.0%		
2001	1,180,000	1,240,866	60,866	5.16%	1,180,000	0	0.0%	6,153,016	0.0%	241,850	180,984	181,000	0.0%		
2002	2,160,000	2,136,715	(23,285)	-1.08%	2,160,000	0	0.0%	18,865,364	0.0%	283,248	306,533	307,000	0.0%		
2003	9,770,000	10,103,535	333,535	3.41%	9,770,000	0	0.0%	46,522,485	0.0%	1,799,520	1,465,985	1,466,000	0.0%		
2004	21,510,000	22,200,194	690,194	3.21%	21,510,000	0	0.0%	62,518,631	0.0%	3,652,090	2,961,896	2,962,000	0.0%		
2005	20,630,000	21,527,959	897,959	4.35%	20,630,000	0	0.0%	77,373,659	0.0%	7,423,994	6,526,035	6,526,000	0.0%		
2006	13,200,000	16,155,585	2,955,585	22.39%	13,200,000	0	0.0%	52,161,019	0.0%	10,568,940	7,613,355	7,613,000	0.0%		
2007	8,460,000	7,288,365	(1,171,635)	-13.85%	8,460,000	0	0.0%	22,650,862	0.0%	5,174,306	6,345,941	6,346,000	0.0%		
Total	\$172,620,000	176,900,568	\$4,280,568	2.48%	172,620,000	\$0	0.0%	493,110,292	0.0%	\$36,088,163	\$31,807,595	\$31,809,000	0.0%		

\$4,280,568 decrease all years

NET ULTIMATE LOSSES excluding ULAE  
As of December 31, 2007

	(Before)			% over Best	(After)			Net Earned Premium	\$ over as % of Premium	(Before)		(After)		Milliman IBNR Reserves	% over IBNR
	Milliman Best Estimate	FWCJUA Carried	Difference		FWCJUA Carried	Difference	Best			Best	FWCJUA IBNR Reserves	FWCJUA IBNR Reserves	IBNR Reserves		
1994	23,210,000	23,410,984	200,984	0.87%	23,210,000	0	0.0%	42,051,708	0.0%	1,576,786	1,375,802	1,376,000	0.0%		
1995	27,660,000	27,838,658	178,658	0.65%	27,660,000	0	0.0%	72,570,197	0.0%	1,263,033	1,084,375	1,084,000	0.0%		
1996	17,630,000	17,812,422	182,422	1.03%	17,630,000	0	0.0%	35,170,675	0.0%	931,659	749,237	749,000	0.0%		
1997	6,030,000	6,124,039	94,039	1.56%	6,030,000	0	0.0%	18,208,853	0.0%	359,713	265,674	266,000	0.0%		
1998	5,330,000	5,325,793	(4,207)	-0.08%	5,330,000	0	0.0%	14,549,457	0.0%	150,225	154,432	154,000	0.0%		
1999	1,810,000	1,763,939	(46,061)	-2.54%	1,810,000	0	0.0%	7,438,919	0.0%	79,580	125,641	126,000	0.0%		
2000	2,190,000	2,194,235	4,235	0.19%	2,190,000	0	0.0%	3,783,912	0.0%	124,480	120,245	120,000	0.0%		
2001	1,150,000	1,140,866	(9,134)	-0.79%	1,150,000	0	0.0%	4,981,868	0.0%	141,850	150,984	151,000	0.0%		
2002	2,040,000	1,936,715	(103,285)	-5.06%	2,040,000	0	0.0%	15,218,231	0.0%	83,248	186,533	187,000	0.0%		
2003	8,854,000	8,907,535	53,535	0.60%	8,854,000	0	0.0%	39,260,404	0.0%	899,109	845,574	846,000	0.0%		
2004	16,853,000	16,922,811	69,811	0.41%	16,853,000	0	0.0%	51,308,817	0.0%	2,553,506	2,483,695	2,483,000	0.0%		
2005	14,106,000	15,632,294	1,526,294	10.82%	14,106,000	0	0.0%	65,708,267	0.0%	5,986,882	4,460,588	4,462,000	0.0%		
2006	11,000,000	13,155,585	2,155,585	19.60%	11,000,000	0	0.0%	44,111,668	0.0%	7,568,940	5,413,355	5,413,000	0.0%		
2007	7,040,000	5,598,365	(1,441,635)	-20.48%	7,040,000	0	0.0%	18,500,002	0.0%	3,484,306	4,925,941	4,926,000	0.0%		
Total	\$144,903,000	\$147,764,243	\$2,861,243	1.97%	144,903,000	\$0	0.0%	432,862,977	0.0%	\$25,203,317	\$22,342,074	\$22,343,000	0.0%		

\$605,835 reduction in LPT years  
 \$2,655,462 reduction in 2000 - 2007 and ULAE  
 0.00% over Milliman Net Loss, ALAE and ULAE Reserves  
 (IBNR & ULAE Reserves only)

ULAE Reserves as of December 31, 2007

	(Before)			% over Best	(After)		
	Milliman Best Estimate	FWCJUA Carried	Difference		FWCJUA Carried	Difference	Best
	\$ 2,800,000	\$ 3,200,054	\$ 400,054	14.29%	\$2,800,000	\$0	0.0%

**RATES & FORMS COMMITTEE REPORT****Rates Effective January 1, 2008 – Supplemental Information**

At its February 21<sup>st</sup> meeting, the Rates & Forms Committee resolved to recommend to the Board that there be no adjustments to the January 1, 2008 rates should the Board accept the Operations Committee recommendation that a service provider fee adjustment for Travelers be adopted for the 2008 contract year.

During its discussion, the Committee was advised that staff engaged Milliman for a \$3,500 fee to perform an analysis to quantify the impact of the proposed Travelers' service fee increase on the January 1, 2008 rates. Milliman performed its analysis in two phases. Phase One considered the initial rate filing effective January 1, 2008 and changed no other assumption except for the Travelers' service provider expense load in that filing. This one rate assumption revision changed the targeted premium change from the -9.8%, which the FWCJUA implemented, to a -2.0%. Phase Two considered the observed favorable reserve run-off in the 2007 year-end reserve analysis changing no other assumption except for the Travelers service provider expense load and resulted in a targeted premium change indication of -9.2%. Given the indications resulting from Milliman's two-phase analysis and staff's recommendation, the Committee quickly reached a consensus that a rate change would not be necessary should the Board choose to accept the Operations Committee recommendation to adjust Travelers' service fee for the 2008 contract year.

**Should the Board of Governors adopt the Operations Committee's recommendation to adjust the service provider fee for Travelers for the 2008 contract period, as proposed, the Board shall then determine whether to adopt the Rates & Forms Committee's recommendation that no adjustments to the January 1, 2008 rates be filed to reflect the adjustment to Travelers' service provider fee for the 2008 contract year.**