



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 07-20

TO: Florida Workers' Compensation Joint Underwriting Association, Inc. Board of Governors
FROM: Laura S. Torrence, Executive Director
DATE: June 7, 2007
RE: **JUNE 12, 2007 BOARD OF GOVERNORS MEETING AGENDA**

Enclosed for your review is the agenda for the Board of Governors meeting scheduled for 8:30 a.m., Tuesday, June 12, 2007 at the FWCJUA's office located at 6003 Honore Avenue, Suite 204, Sarasota, FL. Dress for the meeting is business casual.

A dinner is planned for those Board members arriving Monday evening June 11th, 2007. The reservations are for 7:00 p.m. at Ophelia's on the Bay located at 9105 Midnight Pass Road, Sarasota, FL. For those staying at the Country Inn Suites, transportation will be provided to and from dinner. To take advantage of the group transportation, please meet in the hotel lobby at 6:30 p.m. Dress for dinner is business casual.

Enclosure

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

BOARD OF GOVERNORS: Ray Neff, *Chair*; Patrick Cannassa; Dan Dannenhauer;
Rick Hodges; Craig Johnson; Bob Milligan; Elissa Pacheco; Claude Revels; Beth Vecchioli

**DRIVING DIRECTIONS TO COUNTRY INNS & SUITES
5730 GANTT ROAD, SARASOTA, FL 34233
(941) 925-0631**

From I-75

Take Exit 205, SR72/Clark Road. Turn west onto Clark Road and get in the far right lane. Go approximately 0.8 of a mile through the light at Gantt Road and make a right immediately following the Exxon Station into the Pine Tree Plaza. The Country Inns & Suites will be on the left just behind the gas station.

**DRIVING DIRECTIONS TO FWCJUA
6003 HONORE AVENUE, SUITE 204,
SARASOTA, FL 34238
(941) 378-7400**

From I-75

Take Exit 205, SR72/Clark Road. Turn west onto Clark Road and get in the far left lane. Go approximately 1 mile and turn left at the light at Honore Avenue, staying in the left lane. Make the very first left onto Palmer Crossing Drive. The Boardwalk Office Building will be on your immediate right. The FWCJUA office is located in the Boardwalk Office Building on the second floor, Suite 204.

From Country Inns & Suites

Make a left out of the parking lot and turn right at Gantt Rd. At the light make a right at Clark Rd and get in the far left lane. Go to the next light and turn left at Honore Avenue, staying in the left lane. Make the very first left onto Palmer Crossing Drive. The Boardwalk Office Building will be on your immediate right. The FWCJUA office is located in the Boardwalk Office Building on the second floor, Suite 204.

**DRIVING DIRECTIONS TO OPHELIA'S ON THE BAY
9105 MIDNIGHT PASS ROAD
SARASOTA, FL 34242
(941) 349-2212**

From I-75

Take Exit 205, SR72/Clark Road. Turn west onto Clark Road (SR72) and go approximately 5.3 miles. Turn left on Midnight Pass Road (SR-758) and go approximately 2.8 miles. The restaurant will be on the left.

From Country Inn & Suites

Make a left out of the parking lot and turn right at Gantt Rd. At the light, turn right onto Clark Road and go approximately 5.3 miles. Turn left on Midnight Pass Road (SR-758) and go approximately 2.8 miles.

**AGENDA FOR THE MEETING OF THE BOARD OF GOVERNORS OF THE
FLORIDA WORKERS' COMPENSATION JOINT UNDERWRITING ASSOCIATION, INC.
TO BE HELD AT 8:30 A.M. ON TUESDAY, JUNE 12, 2007 AT THE FWCJUA OFFICE
LOCATED AT 6003 HONORE AVENUE, SUITE 204, SARASOTA, FLORIDA**

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|--------------|---|-----------------------------|
| I. | CALL TO ORDER AND OPENING REMARKS | Ray Neff |
| II. | ANTI-TRUST PREAMBLE (Attachment A) | Tom Maida |
| III. | CORRECTION & APPROVAL OF MINUTES (Attachment B) | Ray Neff |
| | <ul style="list-style-type: none"> • Board & Annual Membership Meetings • Committee Meetings | |
| IV. | ELECTION OF VICE CHAIR (Attachment C) | Ray Neff |
| V. | MARKET CONDUCT EXAM (Attachment D) | Laura Torrence |
| VI. | LEGISLATIVE REPORT (Attachment E) | Tom Maida |
| VII. | IMPLEMENTATION ISSUES RELATED TO
SB 1894 & HB 7169 (Attachment F) | Laura Torrence
Tom Maida |
| | <ul style="list-style-type: none"> • Plan of Operation <ol style="list-style-type: none"> 1. Seventh Amended Bylaws 2. Articles of Incorporation 3. Operations Manual • Code of Business Conduct and Ethics • Statement of Policy Regarding Potential Conflicts of Interest • Document Management and Retention Procedures • Procurement Procedures • Federal Tax Exemption Filing • Compliance Manual | |
| VIII. | OPERATIONS COMMITTEE REPORT | Pat Cannassa |
| | <ul style="list-style-type: none"> • Reorganization Issues (Attachment G) <ol style="list-style-type: none"> 1. Out-of-Budget Considerations 2. Business Priorities • Budgeted Expense Considerations (Attachment H) <ol style="list-style-type: none"> 1. Operations Manual Redesign • Disaster Recovery Matters (Attachment I) <ol style="list-style-type: none"> 1. Disaster Recovery & Emergency Preparedness Plan 2. Disaster Recovery Analysis & Planning | |
| IX. | PRODUCER COMMITTEE REPORT | Elissa Pacheco |
| | <ul style="list-style-type: none"> • Agency Producer Agreement Change Procedures (Attachment J) | |
| X. | SAFETY COMMITTEE REPORT | Elissa Pacheco |
| | <ul style="list-style-type: none"> • Cause, Frequency & Severity Analysis (Attachment K) | |
| XI. | RATES & FORMS COMMITTEE REPORT | Ray Neff
Laura Torrence |
| | <ul style="list-style-type: none"> • Review of Rates, Rating Plans And Policy Forms and
Associated Matters to Include Application Forms <ol style="list-style-type: none"> 1. Policy Information Page & Extension of
Information Page – Schedules (Attachment L) 2. Revisions to Supplemental Application Forms with
Florida Notary Requirement (Attachment M) 3. Revisions to Forms to Implement Senate Bill 1894 (Attachment N) • Forms Associated with Agency Authorization Process (Attachment O) • Operations Manual Revisions (Attachment P) • Actuarial Study of Loss Reserves as of 6/30/2007 (Attachment Q) • Program to Eliminate the Subplan D Deficit
as of 12/31/2006 (Attachment R) • Return of Premium Dividend (Attachment S) | |

<p>XII. INVESTMENT COMMITTEE REPORT</p> <ul style="list-style-type: none"> • Review of Investment Policy (Attachment T) • Review of Policies and Guidelines for the Investment of Assets and Associated Matters (Attachment U) • Investment Manager’s Performance/Selection (Attachment V) 	<p>Ray Neff Laura Torrence</p>
<p>XIII. AUDIT COMMITTEE REPORT</p> <ul style="list-style-type: none"> • 2006 Financial Audit (Attachment W) • Audit Committee Charter Procedures Checklist (Attachment X) 	<p>Ray Neff Andy Gray</p>
<p>XIV. PRODUCER APPEALS COMMITTEE REPORT (Attachment Y)</p>	<p>Dan Dannenhauer</p>
<p>XV. REPORT ON OPERATIONS</p> <ul style="list-style-type: none"> • 2007 Business Plan Status Report (Report on Operations - 1) • Operations Analysis (Report on Operations - 2) • Loss Summary Report (Report on Operations - 3) • Collections Report (Report on Operations - 4) 	<p>Laura Torrence</p>
<p>XVI. FINANCIAL REPORT</p> <ul style="list-style-type: none"> • Comparative Statutory Financial Statements (Financial Report - 1) • Budget Variance (Financial Report - 2) • Cash Flow Analysis (Financial Report - 3) • Investment Portfolio (Financial Report - 4) 	<p>Laura Lopez</p>
<p>XVII. GENERAL ANNOUNCEMENTS</p>	
<p>XVIII. ADJOURNMENT & CLOSING REMARKS</p>	<p>Ray Neff</p>

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.

CORRECTION AND APPROVAL OF MINUTES

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

1. Correction of the minutes of the September 21, 2004 Board meeting;
2. Correction of the minutes of the December 12, 2006 Annual Membership meeting;
3. Minutes of the March 13, 2007 Board meeting; and
4. Minutes of the April 12, 2007 Board meeting.

The Board members who serve on the respective committees shall consider approval of the attached committee meeting minutes as listed below.

1. Minutes of the January 23, 2006 Executive Compensation Committee meeting (to be distributed under separate cover);
2. Minutes of the December 4, 2006 Executive Compensation Committee meeting (to be distributed under separate cover);
3. Minutes of the March 27, 2007 Audit Committee meeting;
4. Minutes of the April 12, 2007 Reinsurance Committee meeting;
5. Minutes of the April 26, 2007 Safety Committee meeting;
6. Minutes of the May 24, 2007 Investment Committee meeting;
7. Minutes of the May 24, 2007 Producer Committee meeting;
8. Minutes of the May 29, 2007 Rates & Forms Committee meeting;
9. Minutes of the May 30, 2007 Operations Committee meeting; and
10. Minutes of the June 11, 2007 Producer Appeals Committee meeting (to be distributed under separate cover).

Attached for ease of reference are the committee appointments.

**DRAFT - MINUTES OF THE FLORIDA WORKERS' COMPENSATION
JOINT UNDERWRITING ASSOCIATION, INC.
BOARD OF GOVERNORS MEETING
SEPTEMBER 21, 2004 AT 10:00 A.M.
FCCI BUILDING, SARASOTA , FLORIDA
AS CORRECTED ON JUNE 12, 2007**

PRESIDING: Ray Neff, *Chair*

PRESENT: Steve Burgess
Patrick Cannassa
Dan Dannenhauer
Elissa Pacheco
Beth Vecchioli
Dave Webber
Laura Wehrle

EXECUTIVE DIRECTOR: Laura Torrence

GENERAL COUNSEL: Tom Maida

ALSO PRESENT: Jim Watford, *Office of Insurance Regulation*

OTHERS PRESENT: Mike Buccina, *RSI*
Jeff Berghorn, *UniSource Administrators*
Alan Carpenter, *St Paul Travelers*
Michael Cleary, *FWCJUA*
Jeff Deaton, *Benfield Group*
Cliff English, *Benfield Group*
William Fleischhacker, *Benfield Group*
Robert Glenn, *FWCJUA*
Jonathan Hale, *St Paul Travelers*
Arleen Lempicki, *St Paul Travelers*
Laura Lopez, *FWCJUA*
Jonathan Scharnberg, *St Paul Travelers*
Kathy Thompson, *RSI*
Keith Thurman, *Benfield Group*
Renee Webber, *RSI*
Fred Wicks, *Guy Carpenter*

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

II. ANTITRUST PREAMBLE: Prior to the consideration of any business, Maida presented the Antitrust Preamble, a copy of which is attached hereto as Exhibit "A" emphasizing the requirement to discuss only FWCJUA business.

III. APPROVAL OF MINUTES: The minutes of the June 22, 2004, Board of Governors' teleconference meeting were submitted for approval.

MOTION by Webber, seconded by Cannassa, to accept the meeting minutes as presented.
PASSED.

IV. ELECTION OF VICE CHAIR & OFFICERS:

Election of Vice-Chair: Neff advised that the ByLaws required the election of officers and Dannenhauer nominated David Webber for Vice-Chair.

MOTION by Dannenhauer, seconded by Pacheco to elect David Webber Vice-Chair and Vice President. PASSED.

Election of Officers: Dannenhauer nominated the current officers being Laura Torrence, Executive Director and Secretary; Laura Lopez, Controller and Treasurer; and Robert Glenn, Operations Manager and Assistant Treasurer.

MOTION by Dannenhauer seconded by Pacheco to elect the current officers. PASSED.

V. PROGRAM TO ELIMINATE THE DEFICIT: Watford summarized the September 16th meeting with the LBC staff and noted that he had advised them that OIR would request three months cash in September and December and subsequently each quarter thereafter. Torrence confirmed that the first installment would amount to approximately \$574,000 and reminded the Board that as the contingency provision would expire July 1, 2007, the below-the-line assessment process would have to commence in June 2006.

VI. 2005 REPORT TO THE LEGISLATURE: Torrence noted that Senate Bill 50A, which passed in a 2003 special session, requires the Board to present a report to the Legislature no later than January 1, 2005. In reviewing Attachment D, she emphasized that the report will be able to present many of the benefits resultant from the passage of HB 1251 such as the Tier Rating Plan, improved MAP, additional independent actuarial reviews, etc.. Discussion ensued with suggestions for additional elements to be considered for inclusion such as the possible "risk transfer product"; the quest for actuarially sound rates; and the need for stability after two years of almost constant change. Torrence then noted that the report will further identify the results of at least two actuarial analyses that have been conducted regarding FWCJUA rates since the passage of SB 50A. Further, given DFS must also prepare a similar report to the Legislature, staff shall collaborate with them, especially regarding the coverage availability findings and recommendations. Also, she noted that it is anticipated that the report will address the possible need for additional deficit funding, especially for Subplan "D". Neff then requested the members to send additional suggestions directly to staff and directed staff to bring the report to the December Board Meeting for approval.

VII. PRODUCER APPEALS COMMITTEE REPORT: Dannenhauer reported that the Committee recently conducted two hearings and did not uphold the revocation in the June 22nd case but did so with the producer at the September 20th hearing. Dannenhauer requested that the Producer Committee develop guidelines with more flexibility to determine the severity of penalties. The Chair instructed the Producer Committee to conduct a review and report back to the Board.

VIII. REINSURANCE COMMITTEE REPORT: Vecchioli noted that the Committee met on September 8th and discussed several issues. She then asked Bill Fleischhacker of Benfield to comment on the actions taken regarding Converium's financial situation and he responded that several actions have been taken to alleviate the situation: 1) the FWCJUA has sent a letter to the Connecticut Department of Insurance opposing any restructuring of Converium North America that would weaken it further; 2) Benfield has requested the immediate establishment of a Letter of Credit or other appropriate "guarantee" transaction in accordance with the contract; 3) negotiations are well underway with a suitable collateralized replacement, Max Re, to be effective on 10/01/2004; and 4) coverage with Converium will be terminated upon receipt of the LOC/alternative "guarantee" transaction. Vecchioli then asked Fleischhacker to comment on the SCOR Re and PMA Re situation and he responded that they were working with staff to develop a commutation offer. Deaton then informed the Committee that Benfield/FWCJUA developed a re-

allocation model reflecting a 24.24% Subplan "D" rate decrease that has been accepted by every market but one. Fleischhacker advised the Board that the 2005 Reinsurance Program submission was sent to market last week. Vecchioli concluded the status report by indicating that both Benfield and Guy Carpenter were actively exploring the liability transfer product options and would report back to the Committee.

MOTION by Burgess, seconded by Cannassa, to ratify the actions of the Reinsurance Committee and to authorize staff to terminate the Converium agreement when an appropriate replacement is obtained. PASSED.

IX. ST PAUL TRAVELERS FEE PROPOSAL: Torrence deferred to Jonathan Hale who directed the Board to Attachment F and proceeded to explain that St Paul Travelers has reduced their fees and eliminated the Subplan "D" per-policy charge to recognize the increased premiums resulting from the passage of HB 1251. He further indicated their willingness to extend the terms through 2005.

MOTION by Burgess, seconded by Dannenhauer to authorize staff to modify the contract to reflect the proposals in Attachment F. PASSED.

X. POLICY ADMINISTRATION SERVICE PROVIDER: Torrence noted that even though the two major changes and altered reporting requirements made in the last eighteen months have increased processing cost and that the FWCJUA is pleased with the service, it is time to put the process out to bid to determine if the price is reasonable. It was also noted that time was required to define the new requirements resulting from the many recent changes, keep reinsurers comfortable with a potential change and evaluate just what services should be outsourced and which ones brought in-house. The Board indicated that direction would be provided by the December meeting.

MOTION By Wehrle, seconded by Pacheco to extend St Paul Travelers' contract through 12/31/2005 and initiate a bid process as soon as possible after the first of the year. PASSED.

XI. OPTIONAL PAYROLL SERVICE: Maida noted that OIR solicited the JUA's assistance in determining the best ways to provide coverage rapidly and at a reasonable price to the contractors that would be assisting in the post hurricanes' reconstruction effort without jeopardizing the FWCJUA's solvency. Torrence then proceeded to explain the Pilot Project involving the payroll service, Paycheck, providing St Paul Travelers with payroll data and directly remitting the premium for employers that have signed up for the service. She noted that Paycheck and St Paul Travelers currently have this type of an arrangement in other areas making rapid implementation of this process possible. She then indicated that should an employer sign up with Paychex, they would be eligible for the "fast track" process which would reduce the deposit requirement to 1/12 of the annual premium plus the application fee and allow the FWCJUA to bind coverage within twenty-four hours of receipt of the completed application. Discussion ensued where it was noted that PEO's and Temp agencies will not be eligible; coverage will only be afforded to those employees who are on the payroll service; cash flow will be reduced; and that this is a competitive product given the low initial deposit.

MOTION by Cannassa, seconded by Burgess to authorize staff to implement the pilot payroll service program which reduces the amount of advance premium required to ~~1/12~~ 1/6 of the total estimated annual premium plus the application fee and the time to bind coverage to one day after receipt of a completed application. Further to consider the ~~1/12~~ 1/6 TEAP deposit as premium and to file the forms with OIR necessary to implement the program.

XII. OFFICE LEASE: Torrence reported that under the terms of our current agreement, the lease will terminate November 30, 2004, unless we exercise a one year extension in the lease arrangement or renegotiate terms for a longer term lease by September 30, 2004.

MOTION by Dannenhauer, seconded by Cannassa to provide staff with the authority to extend the FWCJUA's current office lease for an additional year and explore a month to month agreement. PASSED.

XIII. REPORT ON OPERATIONS: Torrence provided the Board with a status of the Auditor General's audit by noting that an audit team spent approximately two weeks in the FWCJUA office and indicated that they would be visiting St Paul Travelers. She noted that staff and our consulting actuaries have complied with numerous data request from the auditor's independent actuary. She then summarized the attachments commenting that the third quarter focus shifted to successfully implementing House Bill 1251; addressing special coverage considerations deemed necessary as a result of devastation caused by two major hurricanes; pursuing risk transfer options for the prior subplans; responding to the serious financial downgrading of several of our reinsurers; developing an acceptable cash flow model to enable disbursements from the contingency reserve by the Legislative Budget Commission; and securing rate reductions for reinsurance and policy administration services. She further noted the increased claim frequency and severity in 2004 but especially in the last three months. Further discussion ensued concerning the claim issues facing the FWDCJUA such as the increasing number of multiple injury occurrences; injuries involving illegal aliens; uninsured subcontractors that have some employees leased; and activity on minimum premium policies. It was also noted that contact has been made with a safety company that provides products and services directly to the insured over the internet to interact with the FWCJUA website.

XIV. FINANCIAL REPORT: Lopez reviewed the most significant financial exhibits noting that the FWCJUA deficit as of June 30, 2004 was \$15.8 million; the ultimate Subplan "D" deficit is still projected to exceed the \$15 million contingency funds; and that the FWCJUA was under G&A budget by \$155,375 for the same period. She commented that the cash flow model had been adjusted so that the data and assumptions tracked those of the actuarial model used in the Subplan "D" deficit presentation. She indicated that the Investment Committee had requested that staff contact OIR to obtain a ruling governing the purchase or ownership of "Yankee Bonds" and that she had done so and is awaiting an opinion. She concluded by noting that the investment results reflected the presence of older investments.

XV. GENERAL ANNOUNCEMENTS: Torrence advised that the next regularly scheduled Board meeting is December 17, 2004 in Tampa.

XVI. ADJOURNMENT AND CLOSING REMARKS:

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

There being no further business, the meeting was adjourned at 1:16 P.M.

Respectfully submitted,

Ray Neff, Chair

**DRAFT- MINUTES OF THE MEMBERSHIP MEETING OF THE
FLORIDA WORKERS' COMPENSATION JOINT UNDERWRITING ASSOCIATION, INC.
HELD ON DECEMBER 12, 2006 AT 9:30 A.M. IN SARASOTA AT THE FWCJUA OFFICE
AS CORRECTED ON JUNE 12, 2007**

PRESIDING: Ray Neff, *Chair*
Dave Webber, *Vice Chair*

PRESENT: Patrick Cannassa
Dan Dannenhauer
Lauri Goldman, *alternate for Steve Burgess participated via phone.*
Elissa Pacheco

EXECUTIVE DIRECTOR: Laura Torrence

GENERAL COUNSEL: Tom Maida

ALSO PRESENT: Jim Watford, *Office of Insurance Regulation*

OTHERS PRESENT: Jack Brown, *RSI (Brown & Regan, P.A.)*
Mike Buccina, *RSI*
Michael Cleary, *FWCJUA*
Robert Glenn, *FWCJUA*
Jeffery Deaton, *Benfield Group*
Arlene Desmond, *Travelers*
Bill Fleischhacker, *Benfield Group*
John McLaughlin, *Travelers*
Andy Rapoport, *Benfield Group*
Jonathan Scharnberg, *Travelers*
Keith Thurman, *Benfield Group*
Erin Treacy, *Colodny, Fass, Talenfeld, Karlinsky, Abate*
Claudia Vicory, *Travelers*

I. CALL TO ORDER AND OPENING REMARKS: The **Vice** Chair called the meeting to order at 8:30 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. 2005 OVERVIEW: The Chair asked Torrence to provide a brief overview of the FWCJUA's 2005 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.

MOTION by Cannassa, seconded by Pacheco, to adjourn. PASSED. The meeting was adjourned at 8:40 a.m.

Respectfully submitted,

Ray Neff, *Chair*

MKC 12/12/06

**DRAFT - MINUTES OF THE MEETING OF BOARD OF GOVERNORS OF THE
FLORIDA WORKERS' COMPENSATION JOINT UNDERWRITING ASSOCIATION, INC.
HELD ON MARCH 13, 2007 AT 8:30 A.M. IN SARASOTA AT THE FWCJUA OFFICE**

PRESIDING: Ray Neff, *Chair*

BOARD MEMBERS: Patrick Cannassa
Dan Dannenhauer
Maxine Hutchinson, *alternate for Rick Hodges*
Craig Johnson, *not present*
Elissa Pacheco, *participated by phone*
Claude Revels, *not present*
Vicki Twogood, *alternate for Bob Milligan*
Beth Vecchioli, *not present*

EXECUTIVE DIRECTOR: Laura Torrence

GENERAL COUNSEL: Tom Maida

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

STAFF PRESENT: Michael Cleary
Laura Lopez

**SERVICE PROVIDERS
PRESENT:** Mike Buccina, *RSI*
Steve Coonrod, *McConaughay, Duffy, Coonrod, Pope & Weaver, P.A.*
Jeffery Deaton, *Benfield Group*
Arleen Desmond, *Travelers*
Cliff English, *Benfield Group*
Bill Fleischhacker, *Benfield Group*
Andy Gray, *Thomas Howell Ferguson, participated by phone*
Terri Lindberg, *Travelers*
John McLaughlin, *Travelers*
Mark Mulvaney, *Milliman USA, participated by phone*
Jonathan Scharnberg, *Travelers*
Kathy Thompson, *RSI*
Keith Thurman, *Benfield Group*
Claudia Vicory, *Travelers*

OTHERS PRESENT: Scott Fields, *Guy Carpenter*
Bob King, *Guy Carpenter*
Robbie Simpson, *Florida Department of Financial Services*

I. CALL TO ORDER AND OPENING REMARKS: The Chair called the meeting to order at 8:30 a.m. The roll was called and a quorum being established the meeting began.

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

III. APPROVAL OF MINUTES: The minutes from the Membership Meeting of the Florida Workers' Joint Underwriting Association, Inc. meeting held December 12, 2006 were submitted for approval.

MOTION by Pacheco, seconded by Cannassa to accept the meeting minutes as presented. **PASSED.**

The minutes from the Board of Governors meeting held December 12, 2006 were submitted for approval and Watford requested that the second to last sentence, under Section X, Rates & Forms Committee Report of the minutes be modified to reflect the sentence to read as follows: "Watford advised that he personally liked the results as compared to the original starting point of \$4,200 and had no problem using this approach."

MOTION by Pacheco, seconded by Hutchinson to accept the meeting minutes as modified. PASSED.

The minutes from the Board of Governors teleconference meeting held February 22, 2007, were submitted for approval.

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

IV. LEGISLATIVE REPORT: Maida reported that the FWCJUA will face another challenging legislative session this year. He advised that the FWCJUA legislation supported by the Board has been formally filed in the Senate by Sen. Mike Bennett, and is now officially referred to as Senate Bill 2276 and the companion bill has also been filed in the House of Representatives by Rep. Mike Grant, and is referred to as House Bill 1429. Maida then reported that Senator Posey also introduced legislation to amend the laws governing the FWCJUA to provide greater accountability and oversight, to assist the FWCJUA achieve tax-exempt status, to authorize additional funding mechanisms and to require prior approval of rates. Further, Senator Posey's bill includes additional provisions related to the Code of Ethics, financial disclosures, and procurement of goods and services. Maida then summarized the significant provisions in Posey's bill as follows:

1. Board Oversight & Tax Exempt Status:
 - The bill revises the board appointment process by requiring the Financial Services Commission (FSC) to appoint all nine members instead of three members. The insurance industry would continue to have five representatives, as currently provided by law; but the FSC would select and appoint the representatives. The number of state governmental appointees would remain the same at four members, including the Consumer Advocate.
 - Upon dissolution of the FWCJUA, the bill requires all assets to become property of the State and deposited in the Workers' Compensation Administration Trust Fund.
 - The bill requires the FWCJUA to seek a letter ruling or determination from the IRS regarding the FWCJUA's eligibility as a tax-exempt organization.
2. Procurement of Goods and Service:
 - Competitive selection of goods and services valued at over \$25,000 is required.
3. Regulatory Oversight:
 - OIR must provide prior approval of the FWCJUA's rates prior to the FWCJUA implementing the rates. Currently, the FWCJUA is not subject to prior approval like the insurers in the voluntary market. Rather, the burden is on the OIR to determine that the rates are not actuarially sound.
 - OIR is authorized to require the FWCJUA to withdraw approval of all or part of the Plan of Operations. Currently, all changes of the plan are subject to approval by OIR.
4. Code of Ethics and Financial Disclosure:
 - Senior managers, officers, and Board members are subject to part III of ch. 112, F.S., including but not limited to, standards of conduct, public disclosure and reporting of financial interests to the Commission on Ethics on an annual basis. Currently, senior manager of state agencies are subject to these provisions.
 - The FWCJUA is prohibited from retaining an outside lobbyist; however, the FWCJUA is authorized to engage a full-time employee of the plan to register as a lobbyist for the plan. State agencies are currently subject to this requirement.
5. Deficit Funding:
 - The FWCJUA is required to use any policyholder surplus attributable to former Subplan C prior to requesting funding from the State or assessing policyholders in the voluntary market for funding Subplan D deficits on a cash flow basis.
 - Access to funds in contingency reserve for funding deficits in Subplan D is extended.

V. RATES & FORMS COMMITTEE REPORT:

Return of Premium Dividend: Torrence reported that the Board shall consider the Rates & Forms Committee recommendation that it consider whether a return of premium dividend to policyholders is advisable at this time given the year-end 2006 reserve adjustment.

She indicated that the Board had considered a return of premium dividend at year-end 2005 and at that time, the FWCJUA's actual surplus was \$11,854,434, which was only 2.8% of its \$418 million gross premium. The main consideration, at that time, was what a reasonable surplus should be after paying a dividend. It was noted that regardless of the amount of a declared dividend, it would be coupled with a federal tax recovery. For example, a \$6 million dividend declaration would be coupled with an approximate \$2.1 million maximum possible federal tax recovery (calculated at roughly 35% of the dividend declaration), leaving the surplus at \$7.9 million. While it was noted that the results of some years were favorable, the results of other years were relatively flat and other years' results were too immature to be considered. Concern was also expressed that the early years presented the problem of finding the policyholders and thus, it would be beneficial if the current escheat laws could be modified to ensure that the monies due the policyholders the FWCJUA could not locate would inure to the benefit of the other FWCJUA policyholders. The Board concluded after much deliberation that given the minimum amount of surplus at that time, declaring a dividend would not be consistent with the need to have sufficient funds to pay any unexpected losses.

She noted that as we again consider a possible return of premium dividend, there remain a number of methods that could be used to develop the allocation of a dividend and outlined some of the most common. She explained that a return of premium dividend can be calculated either separately for each accident year or for a group of accident years.

1. Policyholders positive account balance as a percentage of total positive account balances times the dividend to be paid for the year. The account balance is a policyholder's premium less losses and expenses. This method directly benefits those who had good experience.
2. Policyholder premium to total premium limited to policyholders with loss ratios less than a specific loss ratio times the dividend to be paid for the year. This method indirectly benefits those who had good experience.
3. Policyholder premium to total premium times the dividend to be paid. This method benefits policyholders based on their premium and not their experience.
4. A combination of 1 and 3. This provides some return to everyone who participates while also providing more return to larger accounts with good experience.
5. To receive a dividend you would have to be a current policyholder.

Other considerations include:

1. Whether to exclude any policyholder who has a loss ratio above a specific level.
2. Netting any potential dividend against amounts due or unpaid.
3. Additional charge for those who were participants for less than a 12 month period.
4. Formal process for perfecting rights to the dividends when the company is no longer in existence.
5. Whether the FWCJUA can be excluded from the escheat rules by requiring a policyholder to complete a claim for policyholder dividend within a 12 month period.

Torrence then reported that last year, the Rates & Forms Committee preferred the combination of actual experience, either on an account balance approach or on a loss ratio approach with more weight being given to individual experience. Accordingly, it recommended that if a dividend was declared, it be paid to policyholders based on a combination of individual loss experience and a proportion of premiums paid. It was also noted by the FWCJUA's auditor that this recommended approach was a fairly common approach.

With regard to the timing of the required payment of a declared dividend following the establishment of such a liability, Torrence reported that normally payment occurs by the end of the next tax year, but that it is not a hard and fast rule. Once a dividend is declared and a determination is made how payments will be distributed, the FWCJUA would need to seek OIR approval. She indicated that it was previously noted by

**MINUTES OF THE MEETING OF THE BOARD OF GOVERNORS OF THE
FLORIDA WORKERS' COMPENSATION JOINT UNDERWRITING ASSOCIATION, INC.
HELD ON MARCH 13, 2007 AT 8:30 A.M. IN SARASOTA AT THE FWCJUA OFFICE**

our auditor that he has seen a company take a deduction 3 years prior to actually distributing payments because it took the OIR that long to agree to the allocation of the dividend. Thus, the FWCJUA is permitted by code to deduct the dividend when it is declared, even though the dividend may not be paid in the year declared.

She then referred to the estimated profit and loss statement by policy year and by subplan and tier as well as the statutory financial statements by subplan and tier attached and reported that at this time, the FWCJUA's statutory surplus as of 12/31/2006 is \$48,794,092 (10.4% of its \$470,459,429 gross earned premium) while its actual surplus as of 12/31/2006 is \$50,982,003 (10.7% of its \$470,459,429 gross earned premium). She further reported that section 627.311(5), Florida Statutes, provides the following:

627.311(5)(d)4. The plan may offer rating, dividend plans, and other plans to encourage loss prevention programs.

627.311(5)(h) Any premium or assessments collected by the plan in excess of the amount necessary to fund projected ultimate incurred losses and expenses of the plan and not paid to insureds of the plan in conjunction with loss prevention or dividend programs shall be retained by the plan for future use.

Torrence indicated that it had been suggested that the Board consider identifying a reasonable philosophy for declaring dividends while retaining an appropriate surplus for future use. A possible approach might be to retain investment income for future use and to return a portion of the individual subplans and tiers underwriting income for the more mature years. She indicated that monies retained for future use would reasonably ensure that there would be sufficient funds to pay any unexpected losses and could provide the FWCJUA with options related to reinsurance attachment points, contingency and surplus factors utilized in rate making, etc. Ultimately, by establishing a reasonable methodology for declaring dividends while retaining an appropriate surplus for future use, the FWCJUA better positions itself to more readily declare appropriate dividends.

Lopez then walked the Board through the exhibits, specifically, the financial information and pointed out that she had rolled the 1994 to 1999 years together because those years were under one reinsurance contract and further noted that the highlighted areas on the exhibit reflects the FWCJUA's underwriting gains and losses by year, as that was the focus the last time the Board considered a premium dividend. She then reported that in 2003 and 2004, the FWCJUA had several different rating plans, which is reflected in the second exhibit and noted that the bottom of the exhibit shows how many policies written by year, how many claims reported by year, and how many claims reported are still open, which should give the Board a better understanding of the activity within those years.

Discussion ensued relating to the possibility of the FWCJUA being excluded from the escheat laws to ensure that monies due policyholders that the FWCJUA could not locate would inure to the benefit of the other FWCJUA policyholders. The conversation then led to the contingency reserve and Dannenhauer asked if the FWCJUA is required to return excess funds borrowed from the Administrative Trust Fund. Torrence responded that the funds borrowed have been used for Subplan "D", which is still in a \$2M deficit position and Watford commented that the State would expect excess funds to be returned, but explained that payment of a dividend is not about the deficit in Subplan "D". Cannassa then asked if staff has prepared an estimate of gross expenses to issue a dividend and Torrence responded that she is seeking direction from the Board whether to declare a dividend and then come back with the expense estimates to issue a dividend.

Considerable discussion ensued relating to what years to declare a dividend, as there needs to be a seasoning time as well as what to consider a reasonable amount and allocation as well as the methodology to be used.

MOTION by Dannenhauer, seconded by Cannassa, to instruct staff to investigate the possibility of declaring a dividend for the 2001, 2002 and 2003 policy years, giving consideration to the proper seasoning of losses; a reasonable surplus; and the monies borrowed from the contingency reserve. Staff is further directed to identify a recommended dividend amount and allocation as well as the methodology used to

**MINUTES OF THE MEETING OF THE BOARD OF GOVERNORS OF THE
FLORIDA WORKERS' COMPENSATION JOINT UNDERWRITING ASSOCIATION, INC.
HELD ON MARCH 13, 2007 AT 8:30 A.M. IN SARASOTA AT THE FWCJUA OFFICE**

determine the individual policyholder dividend for presentation to the Board at its next quarterly meeting.
PASSED.

Rate Indication: Torrence reported that the Rates & Forms Committee reviewed Milliman's indication at its March 9th meeting and recommends that the Board give serious consideration to a premium level decrease. In considering the amount of the premium level decrease, the Committee suggests that the Board determine the continued need for the 5% contingency factor utilized in the 1/1/2007 rate filing, as possibly a lower contingency might be advisable, recognizing the FWCJUA's current surplus position. If a premium level change is deemed advisable by the Board, the Committee further suggests that consideration be given to whether the adjustment be implemented retroactive to January 1, 2007 or some date in the future that staff could reasonably handle.

She explained that Mulvaney is prepared to review the attached indication but commented that as the Board considers Milliman's indication, it should note that pursuant to the Board's direction in September 2006, the FWCJUA filed revised rates effective January 1, 2007 to reflect the impact of the approved voluntary market rate decrease effective January 1, 2007 and to effectuate an overall average premium level change of -5.6% in Tier 1, +18.5% in Tier 2 and -21.4% in Tier 3.

Mulvaney then began his presentation with Exhibit A, Sheet I, and explained to the Board that it shows an indication, as if there was no previous calculation. He indicated that his approach was to calculate a substitute indication as of 1/1/07, reflecting the new numbers to be able to compare the changes from the previous indication. He stated that the top block on Exhibit A, Sheet I is labeled 5% Contingency, which means he used a contingency factor of 5%. He explained that column (2) reflects the 1/1/06 surcharges and column (5) shows what the NCCI rates would produce effective 1/1/07. He then referred to column (6) and explained that this column shows the original 1/1/07 premium changes which are already in effect and column (7) shows the revised premium changes, which is comparable to column (6). He indicated that the three rate changes in column (6) average a 3.5% reduction compared to -12% in column (7), using the new actuarial estimates. Column (8) shows the additional change from the original 1/1/07 indication. He then referred to the bottom block and explained that it shows a new proposed maximum minimum premium of \$2,800 instead of the current maximum minimum of \$2,900. Column (10) reflects the surcharges that will produce the premium change and if implemented, would generate an additional 12% reduction from 1/1/06, which is an 8.6% reduction from the current 1/1/07 rate indication.

He proceeded to Exhibit A, Sheet II and explained that he had recalculated the indication using the same numbers but with a change in the contingency factor of 0%. He explained that column (7) now shows the revised target as if the 1/1/07 rate change had not happened and column (8) reflects the additional premium change. He pointed out that the maximum minimum premium dropped a bit because the overall change dropped, but column (10) shows a potential problem with the indicated surcharge for Tier 1, which is inconsistent with the idea that the FWCJUA is a residual market. He referred to Exhibit 1, Sheet III, and stated that as a result, this exhibit proposes a minimum surcharge amount on the indication for Tier 1 of 10% and when that benefit is spread uniformly to Tiers 2 and 3, the overall percentage change in the top of the exhibit is the same but the surcharge for Tier 1 is no longer -1% and the surcharge for Tier 2 dropped by 1% and the surcharge for Tier 3 stayed the same, due to rounding, which seems more reasonable. He then reported that one of the difficulties he had with the three tiers was when he split them up. The indications within each tier are fairly volatile and in particular, Tier 1 has the smallest volume, but is the most volatile. However, as a residual market, the FWCJUA will continue to attract a lower quality risk, so some limitation on the surcharge, like 10% is reasonable in accordance with actuarial principles.

Mulvaney then referred to Exhibit B, Sheet 1 and explained that this exhibit shows the calculation of the maximum minimum premium and the minimum premium multiplier with a 5% contingency factor. He mentioned that the current minimum premium multiplier used for the original 1/1/07 indication was 178 and recommends that it be increased to 188 because the state average annual wage has been updated. He explained that it has been his practice to update the multiplier annually in accordance with the movement of the average annual wage. He then pointed out that the bottom of the exhibit uses the same formula adopted last time and reflects a resulting maximum minimum premium of \$2,800 for all three tiers. He referred to

**MINUTES OF THE MEETING OF THE BOARD OF GOVERNORS OF THE
FLORIDA WORKERS' COMPENSATION JOINT UNDERWRITING ASSOCIATION, INC.
HELD ON MARCH 13, 2007 AT 8:30 A.M. IN SARASOTA AT THE FWCJUA OFFICE**

Exhibit B, Sheet 2 and stated that the exhibit is identical in layout, but shows what the maximum minimum premium would be without a contingency factor.

Mulvaney then referred to Exhibit II, Sheet 1 and explained that the exhibit shows the real critical assumption, which is the reasonable projected loss ratio at current rate incorporating the revised reserve estimates. He indicated that column (3) looks at the on-level projected loss and ALAE ratio and explained that he took the losses from the reserve report and adjusted them to the current reinsurance structure and adjusted to the latest benefit level and then, trended them out to the mid point of the ratio. He explained that column (5) shows how good or bad the loss experience is for each tier compared to the average. He then referred to Exhibit II, Sheet 2 and explained that it shows the current premium level on the top half of the exhibit and the selected loss ratios along with the premium levels on the bottom half of the exhibit. He pointed out that the 1998 to 2002 years have exceedingly low premium volumes and therefore, he was unable to get much information out of those years. He explained that a 40% loss ratio was picked to represent the more recent years. He finally referred to Appendix G, Sheet 1, and explained that this exhibit reflects a change in assumption from the previous assumption made within the current 1/1/07 rate indication which deals with the projected uncollectible percent. He advised the Committee that the current in-force rates reflect a collectible assumption of 85% and we must assume that that amount will drop due to what the development method was suggesting the number should be for 2003, 2004 and 2005. Therefore, he raised the uncollectible percentage to 18.5%, which is a change in the original assumption. He then pointed out that reducing the percentage collectible has the affect of increasing the rate, so he is being a bit more conservative.

Considerable discussion ensued regarding the contingency factor, recognizing the FWCJUA's surplus position and when to effectuate the rate adjustment as well as rolling the negative surcharge amount for Tier 1 into the other surcharge amounts for Tiers 2 and 3.

MOTION by Dannenhauer, seconded by Pacheco, to amend the 1/1/2007 rate filing to reflect a 0% contingency factor; a revised loss ratio of 40%; a minimum surcharge amount of 10% for Tier 1, with no benefit being distributed to Tier 2 or Tier 3; a surcharge amount of 64% for Tier 2; a surcharge amount of 145% for Tier 3; and a maximum minimum premium of \$2,600 for all three rating tiers. PASSED.

2007 Loss Ratio Selection: Torrence referred the Board to Attachment F and reported that at it's March 9th meeting, the Rates & Forms Committee confirmed staff's booking of the 2007 losses utilizing the loss ratios that were booked by rating tier as of 12/31/2006, which is the FWCJUA's standard procedure, given there was no compelling reasons to change the FWCJUA's philosophy on the booking of the current years losses. She further reported that subsequent to the Committee's confirmation of the 2007 booking loss ratios, staff was advised by Milliman that it is possible to project 2007 loss ratios on the basis of the information in the rate indications, combined with the changes actually implemented. However, she explained that staff would like more time to review Milliman's calculation and suggested that this item be brought back to the Board at a later date for further consideration. Therefore, no Board action was required.

Contractor's Supplemental Application: Torrence referred the Board to Attachment G and reported that the Rates & Forms Committee recommends that the Board adopt the modifications to the Contractor's Supplemental Application to further clarify what information is required to complete the form accurately. She explained that the highlighted areas are the suggested revisions. The revisions primarily amend the language to help clarify the true meaning of the questions. The current version of the form seems to confuse many of the applicants resulting in a NO response or an incorrect response to the question. Therefore, it is believed that the proposed language will help the applicant's better understand the questions being asked, which in turn will get to more appropriate answers and help reduce the number of follow-up questions by the underwriters, which will ultimately reduce our timeliness.

Torrence then reviewed the proposed revisions to the supplemental application noting an additional correction to number 8, which should reflect "Contact Name & Daytime Telephone Number". During discussion, it was further suggested that staff reduce the number of columns on page 2, to increase the size of the font in the asterisk areas to draw more attention to the area. The Board agreed that the revisions as

**MINUTES OF THE MEETING OF THE BOARD OF GOVERNORS OF THE
FLORIDA WORKERS' COMPENSATION JOINT UNDERWRITING ASSOCIATION, INC.
HELD ON MARCH 13, 2007 AT 8:30 A.M. IN SARASOTA AT THE FWCJUA OFFICE**

well as the modifications discussed would provide beneficial information to both contractors and the FWCJUA.

MOTION by Hutchinson, seconded by Cannassa to adopt the proposed revisions to the Contractor's Supplemental Application as well as the modifications discussed. PASSED.

Operations Manual Revisions: Producer Authorization – Confirmation: Torrence referred to Attachment H and requested that the Board confirm the amended Operations Manual revisions that were filed and approved by OIR to implement the Agency Producer Agreement effective April 1, 2007. She explained that at its December 12, 2006 meeting, the Board authorized revisions to the Operations Manual to implement the Agency Producer Agreement. However, subsequent to the Board's action, staff determined that the Operations Manual revisions should be refined prior to filing, particularly to reflect the specific termination provisions appearing in the Agreement in the appropriate section of the Manual. Given time was of the essence and the amended revisions were not material given the Board approved Agreement, staff filed the Operations Manual revisions with the necessary amendments on January 22, 2007 and they were approved by OIR on February 1, 2007.

MOTION by Dannenhauer, seconded by Cannassa, to confirm the Operations Manual revisions that were ultimately filed and approved to implement the Agency Producer Agreement. PASSED

Operations Manual Revisions: FCCPAP Update: Torrence then referred to Attachment I and asked the Board to consider a revision to the Operations Manual to reflect OIR approved updates in the Florida Contracting Classification Premium Adjustment Program (FCCPAP) that were implemented in 2006. She explained that effective January 1, 2006, OIR had approved an update to the FCCPAP that added Classification Code 5537 to the list of eligible codes for FCCPAP and removed Code 5536 (refer to NCCI Item Filing B-1391). Further, effective July 1, 2006, OIR approved a filing that discontinued the use of Classification Codes 6003 and 6005 in Florida while introducing State Special Classification Codes 6004 and 6006F in Florida (refer to NCCI Item Filing 04-FL-2005). She noted that the FWCJUA had implemented these revisions, but merely overlooked the necessary Manual revision.

MOTION by Cannassa, seconded by Hutchinson, to authorize staff to revise the Operations Manual to reflect the OIR approved FCCPAP updates that were implemented in 2006. PASSED.

VI. REPORT ON OPERATIONS:

2007 Business Plan Status Report: Torrence then referred the members to Attachment J emphasizing that FWCJUA legislation which the Board supports has been introduced in both the House and Senate, as mentioned by Maida earlier this morning. She pointed out that Subplan D actuarial cash flow model has been updated using December 31, 2006 actual results as well as the Subplan D loss ratio based on the FWCJUA's 12/31/06 booked loss ratio and indicates that no assessment is necessary and that no additional state funds should be required to fund the Subplan D deficit. She indicated that the FWCJUA recognized a \$48,794,092 surplus in 2006. Only one individual rating plans posted a 2006 year-end deficit, that being Subplan D with a deficit of \$2,430,546. Given the FWCJUA is in a surplus position; it is not statutorily required pursuant to section 627.311(5)(g), Florida Statutes, to submit a deficit elimination plan to OIR. However, she expressed that the FWCJUA will update its plan to eliminate this individual rating plan deficit and submit said updated plan to OIR within 90 days of filing our audited 2006 financial statements. She reported that the FWCJUA's 1/1/07 rate revision was successfully implemented and timely made available on the FWCJUA's website and today, the Board agreed to amend the rate filing given the 2006 year-end reserve analysis. Torrence then reported that the 2006 financial audit commenced March 5th and is on target for an April 1st completion date and pointed out that the FWCJUA has yet to receive the results of OIR's Market Conduct Exam completed 10/31/06, but mentioned that Maida plans to contact OIR to find out when OIR will release the results. She mentioned that the FWCJUA is under budget for G&A expenses by \$199,177 as of 12/31/06 and staff filed the FWCJUA's 2007 Reinsurance Program with OIR on January 19, 2007. She indicated that the cash flow and projection models by Subplan and Tier continue to be monitored with no new trends or solvency problems being observed. Finally, she reported that as a result of the FWCJUA's positive financial position, a Liability Transfer Product for accident years 2000 through 2006 inclusive of Subplan D activity may not be necessary at this time and is being re-evaluated.

Operations Analysis: Torrence referred the Board to Attachment K and noted that as of February 28, 2007, the FWCJUA has 2,964 policies "IN-FORCE" with a corresponding written premium of \$31,685,766.

Loss Summary Report: Torrence reported that there are now twenty claims of \$400,000 or greater with a total incurred of \$26.5M. She noted that one claim in particular currently exceeds \$5M based on a comprehensive case review completed by the Travelers Catastrophe Management Team and Paradigm, which concluded that the injured worker's current mental condition and future prognosis warranted a \$4.4M increase in reserves. Cleary explained that it is highly unlikely that this IW will return to work in any meaningful capacity. Medically, it is anticipated that the injured worker will be placed in a long-term residential facility capable of dealing with violent behavior. He further mentioned that this is a USL&H claim which is much more expensive compared to state act claims.

Collections Report: Torrence referred the Board to Attachment M noting that the collection results are very good. Buccina then reported that volume is down, but recovery percentage is increasing.

X. FINANCIAL REPORT:

Comparative Statutory Financial Statements: Lopez referred the Board to Attachment N noting that the cumulative surplus as of December 31 was \$48.8M – however subplan D's deficit was \$2.4M with prior, A, B & C showing a \$39.9M surplus and the three (3) tiers showing an \$11.3M surplus. She indicated that written premiums for 2006 were less than 2005, therefore, we continue to see a depopulation. Losses paid are similar to the 2005 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 2006 before taxes was \$54.1M with \$16.6M federal income tax incurred.

Budget Variance: In referring to Attachment O, Lopez noted that as of December 31, Net Earned Premium was 151% more than projected; however, operating expenses were only 33% less than projected of those projected, as a result of the reserve adjustment. She indicated that there is an actual gain rather than a loss that was projected due to the additional premium, reserve adjustment and interest income. For G&A expenses, or controllable expenses, the FWCJUA came in about \$199,000 under budget. She further advised that also included within Attachment O is a fixed asset budget which shows that the FWCJUA spent less than budgeted, as a result of not buying new printers in 2006 and moving those dollars to 2007.

Cash Flow Analysis: Lopez referred the Board to Attachment P to review the Actual Cash Flow Analysis for the Subplans as well as the Tiers and there were no questions.

Investment Portfolio: Lopez in referring to Attachment Q noted that as of December 31 the current portfolio return was 4.37%, up from 4.21% in September and up from 4.13% in June. The portfolio return is beginning to improve as interest rates are increasing and maturities have been reinvested at higher interest rates. The FWCJUA portfolio is a buy and hold strategy, however, with maturities during 2006, the overall return has increased by 39 basis points from 3.98% as of 12/31/05 to 4.37% as of 12/31/06. She mentioned that Jeff Greenert will no longer be with Evergreen Investments as of 3/31/07, and advised that she may consider an RFP, if Evergreen's fees change. She finally reported that she had to sell \$10M, in order to pay the taxes.

VI. GENERAL ANNOUNCEMENTS: Torrence reported that in the next couple of days, the Chair will be appointing new members to serve on several of the Committees.

XII. ADJOURNMENT AND CLOSING REMARKS: There being no further business, the meeting was adjourned at 11:22 a.m.

Respectfully submitted,

Ray Neff, *Chair*

**DRAFT-MINUTES OF THE MEETING OF THE BOARD OF GOVERNORS OF THE
FLORIDA WORKERS' COMPENSATION JOINT UNDERWRITING ASSOCIATION, INC.
HELD ON APRIL 12, 2007 AT 11:00 A.M. VIA TELECONFERENCE**

PRESIDING: Ray Neff, *Chair*

BOARD MEMBERS: Pat Cannassa
Dan Dannenhauer
Rick Hodges
Craig Johnson
Bob Milligan
Elissa Pacheco
Claude Revels, *not present*
Beth Vecchioli

EXECUTIVE DIRECTOR: Laura Torrence

GENERAL COUNSEL: Tom Maida

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

STAFF PRESENT: Michael Cleary
Laura Lopez

SERVICE PROVIDERS PRESENT: Katie Black, *Benfield Group*
Jeff Deaton, *Benfield Group*
Bill Fleischhacker, *Benfield Group*
Keith Thurman, *Benfield Group*
Mark Mulvaney, *Milliman USA*
Andy Gray, *Thomas Howell Ferguson*
Arleen Desmond, *Travelers*
John McLaughlin, *Travelers*
Jonathan Scharnberg, *Travelers*

OTHERS PRESENT: Erin Treacy, *Colodny, Fass, Talenfeld, Karlinsky, Abate*

I. CALL TO ORDER AND OPENING REMARKS: The Chair called the meeting to order at 11:10 a.m. The roll was called and a quorum being established the meeting began.

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

III. LEGISLATIVE UPDATE: Maida reported that the FWCJUA is making a lot of progress in Tallahassee this legislative session. He advised that there are four bills: a House and Senate Substantive Bill that addresses the FWCJUA issues that the Board has discussed over the last several years; and a House and Senate Bill dealing with a public records exemption which is necessitated by the fact the first bill explicitly makes the government in the sunshine law and the public records act applicable to the FWCJUA. He then stated that the general Bill, the Bill that the FWCJUA has been discussing for several years is in the House. The Bill has passed all of its Committees and Councils and has one more step before it reaches the House floor and that step is the Policy and Budget Council. The current language in the House Bill reflects the results of the FWCJUA's negotiations with the Senate, except that the House Bill does not prohibit the FWCJUA from hiring lobbyists whereas the Senate Bill continues to prohibit the FWCJUA from hiring lobbyists. He explained that in the Senate, the Bill will be heard by the General Government Appropriations Committee and if successful, the Bill will then have one more stop in the Rules Committee in the Senate. He then advised that there are three outstanding issues in

the Substantive Bill. The first is the issue whether or not the FWCJUA would be permitted to hire outside lobbyists and he believes that the FWCJUA will find resolution on that issue and will continue to be optimistic. The second issue that surfaced within the last couple of weeks, which is not controversial, is more technical in nature involving the ethics provision, which he states that he is trying to fine tune. Maida then explained that the ethics provision of the Bill is not an issue the FWCJUA raised, but an issue raised by the Ethics Commission. He indicated that he is working with the Commission on the language and thinks it will be worked out. He reported that the third issue, which was introduced in the last couple of days, involves extending the assessment authority for Tier 1 and Tier 2 as well as the former Subplans. He reminded the Board that the Senate Bill extends the sunset of assessment authority from its current expiration date of July 1, 2007 and extends to July 1, 2012. He advised the Board that Associated Industries of Florida has registered its objection to extending the sunset provision. He explained that he is currently working with AIF and the House Sponsor to see if we can work through that issue. As for the public records exemption bill, Maida reported that it continues to move and explained that he recently had conversations with the First Amendment Foundation regarding the exemption and he personally met with the President of the Foundation, Ms. Peterson. He expressed that the President of the Foundation was fine with the exemption bill provided that he beefs up some of the public necessity language, which is basically a statement of intent. He will continue to work with the Foundation on that issue.

IV. QUANTA RE COMMUTATION: Vecchioli reported that the Reinsurance Committee discussed at length the attached exhibits with Benfield, Milliman, Thomas Howell Ferguson and staff and the Committee recommends that the Board accept Quanta Re's commutation offer.

MOTION by Vecchioli, seconded by Cannassa, to accept Quanta's offer of commutation. PASSED.

III. REINSURANCE INTERMEDIARY CONFIRMATION: Vecchioli then reported that as happens every year, the FWCJUA is ready to begin discussions with reinsurers regarding the state of its market and its reinsurance program needs for the coming year. Before discussions begin, however, she indicated that it is important for the FWCJUA to name its reinsurance intermediary. She indicated she and Tom Maida recently received communication from Guy Carpenter expressing interest in becoming the FWCJUA's reinsurance intermediary. She then referred the Board to the additional material distributed earlier this week regarding Guy Carpenter's interest. Vecchioli indicated that the Reinsurance Committee recognized and considered Guy Carpenter's interest, but recommends the Board confirm Benfield as the FWCJUA's reinsurance intermediary for placing the 2008 reinsurance program, given that reinsurance discussions are expected to begin in May. Further, she informed the Board that it was also the consensus of the Committee that it would be detrimental to the FWCJUA to postpone the reinsurance intermediary confirmation until the Board election process can be conducted or the outcome of the pending legislation regarding the FWCJUA is known.

MOTION by Vecchioli, seconded by Dannenhauer, to reaffirm Benfield as the reinsurance intermediary on behalf of the FWCJUA for the placement of the FWCJUA's 2008 reinsurance program. PASSED.

Milligan asked when the Board members' terms expire specifically questioning whether members automatically go off the Board or do they stay on until the member is replaced. Maida responded that a similar question was raised earlier in the week and he is currently looking into the matter. Discussion followed and Pacheco expressed that it might be better for the FWCJUA to have two brokers working on its behalf for the placement of the 2008 reinsurance program. Dannenhauer responded that in today's small nucleus of reinsurance markets, the FWCJUA might be better served having only one firm contacting the limited number of markets out there. The Chair then advised that he had a conversation with Torrence and Maida before this issue surfaced and that he had expressed concern as to what the FWCJUA would need to do to take care of its current responsibilities, give ongoing direction and be careful that this Board did not make decisions that

**Minutes of the Meeting of the Board of Governors of the
Florida Workers' Compensation Joint Underwriting Association, Inc.
Held on April 12, 2007 at 11:00 a.m. via Teleconference**

should be left to the next Board. He mentioned that one of the issues related to the fact that we do not know what the process is going to be as to Board replacements and we do not know at what moment in time this issue might be discussed again. Therefore, when you look at the activity associated with the reinsurance placement cycle, it gets started at this time of year. While we may not complete the cycle until two hours or a month before January 1st, we start the cycle now. The Chair then expressed that he personally believes that the recommendation from the Reinsurance Committee is very appropriate at this time.

Vecchioli remarked that she had similar concerns and the Committee evaluated the issues during its deliberation and believes it is beneficial to the FWCJUA to make this a very open process and to ensure that the FWCJUA gets the best deal. The Committee came to its conclusion and recommendation simply based on the fact that the FWCJUA does have to continue normal business operations and from a timing perspective, it seemed most prudent to reaffirm the current broker at least for the immediate future, so the FWCJUA can continue to conduct normally planned operations without disruption, regardless of the fact that the Board will be reconstituted in one way or another after June 30th.

VI. GENERAL ANNOUNCEMENTS: There were no announcements.

VII. ADJOURNMENT AND CLOSING REMARKS: There being no further business, the meeting was adjourned at 11:38 a.m.

MOTION by Cannassa, seconded by Pacheco, to adjourn at 11:38. PASSED

Respectfully submitted,

Ray Neff, *Chair*

PRESIDING: Ray Neff, *Chair*

COMMITTEE MEMBERS: Beth Vecchioli
Elissa Pacheco

BOARD MEMBERS PRESENT: Rick Hodges

EXECUTIVE DIRECTOR: Laura Torrence, *not present*

GENERAL COUNSEL: Tom Maida

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

STAFF PRESENT: Michael Cleary
Laura Lopez
Lavender Suarez

SERVICE PROVIDERS PRESENT: Andy Gray, *Thomas Howell Ferguson*
Chris Howell, *Thomas Howell Ferguson*
Arleen Desmond, *Travelers*
John McLaughlin, *Travelers*
Jonathan Scharnberg, *Travelers*

I. CALL TO ORDER AND OPENING REMARKS: The Chair called the meeting to order at 3:30 p.m. The roll was called and a quorum being established the meeting began.

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

III. APPROVAL OF MINUTES: The minutes of the November 30, 2006, Audit Committee teleconference meeting were submitted for approval. Gray advised that the new standards referred to by Webber only apply to the Annual Statement not the Quarterly so we may want to correct this reference. In addition, Gray requested a correction to number three of the Charter Procedures Checklist and suggested it read as follows: "Gray commented that there are new standards, however because of the FWCJUA's size, they would not apply."

MOTION by Pacheco, seconded by Vecchioli, to approve the meeting minutes with the above corrections. PASSED.

IV. 2006 FINANCIAL AUDIT: Lopez introduced the financial audit documents noting that an unqualified opinion was received, no audit adjustments were necessary, and the audit process overall, went very smooth. Lopez then requested that Gray present the Report to the Audit Committee on the Statutory Basis Financial Statements and Other Financial Information for the Years ended December 31, 2006 and 2005. Gray commented on the standard language of the qualifications letter which is required to be filed with OIR. Next, Gray referred the Committee to page one of the Financial Statements and advised that the Financial Statements present fairly, in all material respects, the financial position of the FWCJUA. The opinion is an unqualified opinion. Gray commented on the premium decrease, loss reserve decrease and the small use of funds received from the SDTF for Subplan D. As the financial statements have been reviewed by the Board already, Gray asked if anyone had questions regarding the financials.

As there were no questions, Gray reviewed the Auditor's Report on Internal Controls. Gray advised THF did not identify any deficiencies in internal control that they would consider material weaknesses while completing the audit. Thus internal controls appear to be operating effectively. Watford then asked why the 2nd paragraph of the Required Communications to the Audit

Committee report seemed to imply that significant deficiencies and material weaknesses in internal control were noted during the audit and reported in a separate letter. Gray advised that this is standard language and when the separate letter is read it clearly states, "We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above." Watford requested an additional sentence be added to the Required Communications to the Audit Committee report for clarification. Gray agreed to add the sentence found in the internal control letter of, "We did not identify any deficiencies in internal control that we consider to be material weaknesses."

Gray then reviewed the Required Communications to the Audit Committee. The majority of this report is standard language with no concerns to report. It was noted that an audit is performed to obtain reasonable assurance about whether the financial statements are free of material misstatement. In regards to Management Judgments, the most significant estimate is related to loss reserves which the Board has approved and the independent actuary has issued an unqualified opinion on the reasonableness. There were no unrecorded or recorded audit adjustments necessary. Gray advised this is very important and is not always the case with other firms but that Lopez discusses any unusual transactions or issues with THF before the audit, so there are no issues at the time the audit is conducted. Gray commented that there were no disagreements with management and that FWCJUA staff was completely prepared and helpful during the audit. Gray also advised that working with Webber and Staff throughout the review of documentation of Internal Controls resulted in a best practices considering size and staff of the FWCJUA and that it should probably be reviewed bi-annually.

MOTION by Vecchioli, seconded by Pacheco to direct the finalization of the audit report and file with the OIR by April 1st. PASSED.

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

- 1) *Develop a meeting planner for calendar year 2007 to make sure that the committee meets its responsibilities as outlined in the Charter. As the necessary committee dates are after June 2007 – it was recommended to wait to schedule these as the composition of the Board may change with the upcoming election.*
- 2) *Discuss any significant risks faced by the Association in the current environment. Neff commented that the only risk was the pending legislation.*
- 3) *Evaluate whether management exhibits and fosters a culture and environment that promotes high-quality financial reporting, including addressing adequacy and effectiveness of internal control issues. Inquire of the auditors about pressure by management to accept less than high-quality financial reporting. Gray commented that THF was unaware of any errors and that the FWCJUA just completed their internal control policy & procedure review and is getting ready to review Travelers performance as well.*
- 4) *Discuss with the independent auditors any significant improvement recommendations in internal controls and whether management's corrective actions regarding control deficiencies identified were adequately addressed. Gray noted that there were no internal control issues.*
- 5) *Discuss with the independent auditors whether they noted any instances of employee fraud, questionable or illegal payments, or violations of laws or regulations. Gray advised that they were unaware of any.*
- 6) *Provide information to the Committee on the Association's structure, control and types of transactions. Assess whether there are adequate controls over the approval and monitoring of special or complex transactions and their financial statement effects. Gray said that staff consults with them on the reporting of any special or complex transactions and that they were unaware of any control weaknesses.*

- 7) *Receive an update from the general counsel on legal and regulatory matters that may have a material effect on the financial statements.* Maida was unaware of any risks that would affect the financial statements of the FWCJUA.
- 8) *Question management and the auditors about how they assess the risk of material misstatement, what the significant risks are, and how they respond to identified risks.* Gray commented that the auditors review all loss data submitted to the actuary, premium activity and investment activity as well as any major balances.
- 9) *Challenge management and the auditors to identify the difficult areas (significant estimates and judgments) and to fully explain how they each made their judgments in those areas.* Discussed earlier in detail in regards to the loss reserves.
- 10) *Review actuarial analysis report and have opportunity to confer independently with actuary.* Neff noted that the Actuarial Analysis was presented and questions answered at the last Board meeting with the FWCJUA's consulting actuary. Neff is also a member of the Rates & Forms Committee which reviews the analysis before presentation to the Board. At this time, it was determined that there is no need to confer independently with the actuary further.
- 11) *Review quality control procedures of the independent auditor over the audit function.* This item should be moved to 3rd quarter before audit begins.
- 12) *Review planned scope of the independent auditors, results of their work, changes in the planned scope, the extent of control testing to be performed, and the extent and appropriateness of the coordination of their activities.* This item should be moved to 3rd quarter before audit begins.
- 13) *Distribute and discuss the Association's financial results and the consistency of reported and planned results. Review significant balance sheet changes or changes in trends or important financial statement relationships.* The 12/31/06 financial statements have been distributed and presented to the Board at their March meeting.
- 14) *Meet at least annually to assess management's effectiveness and communicate the results of that assessment.* Neff commented that Staff is doing a good job.

VI. GENERAL ANNOUNCEMENTS: Lopez informed the Committee that the FWCJUA did not receive any funds from the WCATF during 2006; and thus, the FWCJUA would not be required to file 2006 GAAP statements under the Single Audit Act this year. Also, to follow up to the last meeting, Maida had advised that in considering the new Bylaws there are no changes necessary to the Code of Conduct or Conflict of Interest statements. Gray commented about the new standards coming out of the NAIC as they will not be effective until 2010 and that they would only apply to carriers with written premiums in excess of \$500,000,000. Neff then asked about the review of financial statements before filing and advised that he would like the Audit Committee members to receive an email copy as soon as the statements are ready for review. The Committee members shall advise Lopez individually of their comments and/or concerns.

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

MOTION by Vecchioli, seconded by Pacheco to adjourn. PASSED. The meeting adjourned at 4:13 p.m.

Respectfully submitted,

Ray Neff, Chair

**DRAFT-MINUTES OF THE MEETING OF THE REINSURANCE COMMITTEE OF THE
FLORIDA WORKERS' COMPENSATION JOINT UNDERWRITING ASSOCIATION, INC.
HELD ON APRIL 12, 2007 AT 10:00 A.M. VIA TELECONFERENCE**

PRESIDING: Beth Vecchioli, *Chair*

COMMITTEE MEMBERS: Pat Cannassa
Claude Revels, *not present*

BOARD MEMBERS PRESENT: Craig Johnson
Bob Milligan
Rick Hodges

EXECUTIVE DIRECTOR: Laura Torrence

GENERAL COUNSEL: Tom Maida

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

STAFF PRESENT: Michael Cleary
Laura Lopez

SERVICE PROVIDERS PRESENT: Katie Black, *Benfield Group*
Jeff Deaton, *Benfield Group*
Bill Fleischhacker, *Benfield Group*
Keith Thurman, *Benfield Group*
Mark Mulvaney, *Milliman USA*
Andy Gray, *Thomas Howell Ferguson*
Arleen Desmond, *Travelers*
John McLaughlin, *Travelers*
Jonathan Scharnberg, *Travelers*

OTHERS PRESENT: Scott Fields, *Guy Carpenter*
Bob King, *Guy Carpenter*

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

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

III. APPROVAL OF MINUTES: The minutes from the Reinsurance Committee teleconference meeting held November 30, 2006 and reconvened December 1, 2006, were submitted for approval.

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

IV. QUANTA RE COMMUTATION: The Chair reported that the Reinsurance Committee shall consider a commutation offer received from Quanta Re which proposes to commute 15% of the 2005 \$9M xs \$1M layer. Fleischhacker advised that the goal of Quanta is to commute a majority of its contracts and run-off those that they are unable to commute. He indicated that Quanta has proposed a commutation for the 15% line of the \$9M xs \$1M layer for the 2005 accident year and that equates to a commitment on a per claim basis of \$1,350,000. He noted that Quanta had an A- rating in 2004 and held it through 2005, but now Quanta is no longer rated. Quanta's surplus was roughly \$64M at the end of 2004 and \$95M at the end of 2005. He explained that the Company was formed in late 2003 with \$500M and had commenced

operations in 2004, but had a bit of bad luck due to the number of hurricanes that year, since it was a property driven operation. He noted that Quanta did not increase surplus from year end 2004 to 2005, however, through other operations Quanta was able to raise some capital. He mentioned that in 2005 Quanta had a staff of 183, now it has a staff of 85 and it continues to reduce infrastructure and personnel expenses. Fleischhacker then reported that in late December 2006, claim CHK1907 went from \$1M to \$5.2M and we immediately put through a request for an LOC and Quanta put up \$683,646. He mentioned that there was another claim not much into the layer but that claim has now been settled out of the layer, below the \$1M retention. He further explained that there is \$683K up in the LOC and the claim is roughly \$670K. There is an overage in the LOC of about \$13K. He then explained that Quanta had come forward and put through an offer equal to the LOC amount and noted that the offer expires April 19, 2007.

Fleischhacker then referred to Exhibit II and explained that the exhibit shows how Quanta has made payments to Benfield and commented that it has a very favorable performance compared to other companies in a run-off situation. He then reported that Quanta continues to pay its claims which is significant even though it has taken them a little longer to pay, which may be a function of its staff. Deaton referred to Exhibit III and explained that the exhibit reflects an inventory of the serious injury claims as of March 7, 2007 and based on the exhibit, the Quanta commutation is pretty much derived from one claim, CHK1907. Cleary then explained that the four claims listed below CHK1907 have settled well below the retention layer. He further reported that out of the 37 claims listed in the exhibit, 26 have settled and expressed that he does not expect any of the claims to develop into the layer.

The Chair then asked if Mulvaney had developed the reserves and Deaton responded that the reserves are set by the FWCJUA and the Travelers. The Chair asked Mulvaney if he had reviewed the exhibit and Mulvaney responded that he did review the exhibit, but did not go through each individual claim. The issue is exactly as represented in any commutation. The risk is that one of the claims would develop adversely or there would be a late reported claim. But, as was mentioned, it certainly appears that CHK1907 claim, which is already in the layer, is more material than any of the other four claims in that row. He then stated that there is always a possibility that any of the other claims may develop upwards and the only way to know how realistic the possibility is to get inside the claim. Historically, the reserves have been set reasonably well and based on the actuarial study at year end, there was IBNR put up in that layer but not a tremendous amount. The Chair then expressed that she wants to be sure that we are comfortable with the numbers because if we decide to commute, then that will turn into a self-insured retention for the FWCJUA.

Deaton then referred to Exhibit IV and pointed out that the Exhibit shows the present value of Quanta's share based on medical escalation and the discount rate of future payments. Discussion ensued regarding the interest rate used for discounting and the Chair asked what a reasonable interest rate to be used today for discounting purposes would be and Lopez referred to the next Exhibit and explained that she projected 4%, although the FWCJUA is earning more than 4% right now, it is necessary to project an average over the next twenty years. Cannassa then asked if it was likely that another claim would rise to this level and Lopez reported that the FWCJUA has currently booked \$9M in IBNR for 2005, but has \$300K in potential ceded IBNR for 2005, which includes a cushion over the actuary's best estimate. While he cannot predict the future, Gray commented that if you look at the experience from the last three years and look at the claims still outstanding, it does not appear that the FWCJUA would have another claim that would pierce the \$9M vs \$1M layer and assuming everything holds, the longer the FWCJUA waits the less the FWCJUA will get from the commutation.

Further discussion followed and Mulvaney commented that Milliman's best estimate is the case reserves plus IBNR that it estimates to be ceded to the \$9M vs \$1M layer, multiplied by the Quanta Re 15% share, which includes claim CHK1907 and the \$300K of IBNR before application of the 15%. He then advised that on an undiscounted basis, Milliman's reserve estimate suggests that the nominal reserve will be \$677,537 and if the FWCJUA accepts the commutation,

it would have an income statement affect of \$6,109, which would be considered an immediate underwriting profit. He then referred to Analysis 2 and explained that it discounts Milliman's best estimate using a payment pattern reasonably applicable for the layer. The discount rate used was 3.1%, which reflects the current treasury yield that is tax affected, because investment income to the FWCJUA is taxable, so after taxes that discounts to the \$564,469 reflected in the analysis. After further discussion, the Committee agreed that Quanta's commutation offer is reasonable for the risk the FWCJUA is assuming.

MOTION by Cannassa, seconded by Vecchioli to recommend that the Board of Governors accept Quanta's offer of commutation. PASSED.

V. REINSURANCE INTERMEDIARY CONFIRMATION: Torrence reported that the Reinsurance Committee shall consider whether to continue to work with Benfield Group as the reinsurance intermediary on behalf of the FWCJUA for the placement of the FWCJUA's 2008 reinsurance program. She explained that Benfield has been providing reinsurance brokerage services to the FWCJUA since 1995. The core team of Benfield experts has been stable, professional, and creative over the years. The team has communicated well with the FWCJUA and, through long association, knows our unique business requirements, Board & Committee members and staff. Benfield's back-room personnel are also extremely familiar with the FWCJUA operations. Further, Benfield's has a proven ability to access multiple markets willing to compete for FWCJUA business that has allowed the FWCJUA to purchase quality reinsurance programs. As the FWCJUA Board will be required either by the Bylaws or by anticipated legislation to be reelected in July of this year, Torrence suggested that the FWCJUA continue its relationship with Benfield due to their intimate understanding of FWCJUA operations and their proven performance. She indicated that having a well educated reinsurance broker could prove invaluable during the transition to a new Board given the considerable reinsurance activity that shall occur in the third quarter 2007.

She explained to the Committee that the reinsurance process begins in May with meetings scheduled through the broker to educate reinsurers. She advised that staff provides information to the broker in July, who puts a book together for distribution to the reinsurance markets in August and staff as well as the broker finalize plans with the Committee and the Board in September, so quotes are available for consideration by the Board's December meeting. Torrence then reported that from the time when the agenda went out to the Committee, the Committee Chair and Mr. Maida had been contacted by Guy Carpenter suggesting it may better serve the Board to delay a decision until a newly elected Board is in place. Cannassa pointed out that Guy Carpenter is certainly well known in the industry and in fact, a number of years ago the FWCJUA received two presentations, one from Guy Carpenter and the other from Benfield and the Board chose Benfield. The Chair expressed that in the interest of time, it may be detrimental to wait until a new Board is in place to reaffirm a broker. She explained that it may be hazardous to the reinsurance program, as the FWCJUA may not have enough time to get everybody up to speed to place the 2008 reinsurance program. She further explained that while we believe this to be an open process and we wish to give all interested parties ample opportunity to express an interest, it may not make sense due to timing to delay the selection of a reinsurance intermediary at this time.

MOTION by Cannassa, seconded by Vecchioli, to recommend to the Board that Benfield Group continue to operate as the reinsurance intermediary on behalf of the FWCJUA for the placement of the FWCJUA's 2008 reinsurance program. PASSED.

VI. GENERAL ANNOUNCEMENTS: There were no announcements.

VII. ADJOURNMENT AND CLOSING REMARKS: There being no further business, the meeting was adjourned at 10:58 a.m.

MOTION by Cannassa, seconded by Vecchioli to adjourn. PASSED.

**DRAFT-MINUTES OF THE MEETING OF THE REINSURANCE COMMITTEE OF THE
FLORIDA WORKERS' COMPENSATION JOINT UNDERWRITING ASSOCIATION, INC.
HELD ON APRIL 12, 2007 AT 10:00 A.M. VIA TELECONFERENCE**

Respectfully submitted,

Beth Vecchioli, *Chair*

**DRAFT - MINUTES OF THE MEETING OF THE SAFETY COMMITTEE OF THE
FLORIDA WORKERS' COMPENSATION JOINT UNDERWRITING ASSOCIATION, INC.
HELD ON APRIL 26, 2007 AT 10:00 A.M. VIA TELECONFERENCE**

PRESIDING: Elissa Pacheco, *Chair*

COMMITTEE MEMBERS: Pat Cannassa
Claude Revels, *not present*

EXECUTIVE DIRECTOR: Laura Torrence, *not present*

GENERAL COUNSEL: Tom Maida, *not present*
Wes Strickland, *alternate for Tom Maida*

**OFFICE OF INSURANCE
REGULATION LIAISON:** Jim Watford, *not present*

STAFF PRESENT: Michael Cleary

SERVICE PROVIDERS PRESENT: Arleen Desmond, *Travelers*
John McLaughlin, *Travelers*
Jonathan Scharnberg, *Travelers*

OTHERS PRESENT: Michelle Alvarez, *Colodny, Fass, Talenfeld, Karlinsky, Abate*

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

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

III. APPROVAL OF MINUTES: The minutes from the Safety Committee meeting held April 28, 2006, were submitted for approval.

MOTION by Cannassa, seconded by Pacheco to approve the minutes, as presented. PASSED.

IV. CAUSE, FREQUENCY AND SEVERITY ANALYSIS: Cleary reported that the 2007 Business Plan states that the FWCJUA will "*Promote Loss Prevention And Safety In The Work Place Of Our Policyholders*" and requires that we conduct causes of loss analyses and modify the safety program as warranted to satisfy any deficiencies given our book of business. He stated that staff and Travelers personnel completed the loss analysis as part of Travelers annual operations review. The review concluded that the FWCJUA/Travelers Loss Control and Safety Program satisfy the FWCJUA Safety Policy.

Cleary then referred to Exhibit I and commented that the data from an historical perspective, demonstrates that the causes of both frequency and severity and the type of injuries have remained constant over the years and track with the types of businesses being written by the FWCJUA – small contractors, new in business and companies with poor loss/safety performance. Given this consistency and type of employer, it is apparent that the key to improvement is to continue to promote loss prevention and safety. He indicated that the depopulation trend, which started with the introduction of the tier rating plan in 2004, has continued through 2006. The number of policies in-force during 2006 decreased to 3,950, compared to 5,246 for policy year 2005 and 5,950 for policy year 2004. The number of engineering surveys conducted by Travelers decreased significantly as well to 577 during calendar year 2006, compared to 902 surveys in 2005 and 750 surveys in 2004. He explained that the focus has been

surveying the construction trades (67% of all surveys completed were on construction risks) and this effort will continue through 2007 – 2008. He further mentioned that the FWCJUA has “gone small” – minimum premium policies are now 37.9% of the business up from 36.2% in 2005 and 31.5% in 2004. These are primarily generated from the 69.1% of the overall business being in the construction trades. He noted that there are two positive signs – we are writing at least some policies that subscribe to a drug free workplace and 4% of our policyholders receive the safety credit, which is up from 2.7% in 2005. He then reported that the classes of business in the high Hazard / A.M. Best Classifications (e.g., 66% of the policies are in the high hazard classes and 71% of the premium with 56% of the premium residing in the construction classes) remained constant from 2005 to 2006 and will continue to trigger increased LC&E activity and more frequent communications with the FWCJUA and Travelers Underwriting.

Cleary then referred to the claim inventory and noted that well over 60% of all claims for this period were lost time claims yet the average size of the claims have remained at or below the prior years average. It is encouraging to note that out of the 8,816 claims incurred since the inception of the FWCJUA, only 280 were open on December 31, 2006 and of those, only 21 remain open from 1994 through 2003. He reported that since inception, the FWCJUA continues to face a severity rather than a frequency problem as indicated in the exhibit. As a result, staffs loss prevention efforts and claims handling efforts continue to be directed toward addressing those problems. The principal causes of the Severity problem are: 1) falling from roofs, second and third floors; 2) being struck by falling objects; and 3) motor vehicle accidents. He then referred to the Frequency analysis and reported that the frequency data, as with severity, reflects the construction and related trades that comprise the FWCJUA's book of business. He explained that the principal causes of the Frequency problem are: 1) strain from lifting; 2) falling; and 3) being struck from falling objects. He then reported that a substantial number, and most of the severe claims, have resulted from the construction or related trades. He commented that the percentage of serious injuries to the total number of claims in 2006 remained fairly constant to 2005 year – 365 claims of which 29 were serious injuries compared to 2005 with 528 claims and 41 serious injuries.

Cleary reported that the data reflects the following: 1) the percentages of minimum premium and construction related claims are fairly consistent as are the percentage of claimants that are represented. 2006 showed an increase in the number of claimants that are classified as illegal aliens; 2) the types of injuries are consistent from year to year and reflect the composition of the business – construction trades that fall and are struck by falling objects; and 3) we settle and close these claims faster than prior to the 2003 reforms. The data further suggests that over the years and especially since the implementation of the claim reforms in 2003, the FWCJUA/Travelers Team has been quite successful in dealing with the severity issues. The most significant reasons are: 1) the FWCJUA's philosophy of closing claims as soon as it is practical to obtain a settlement that is beneficial to the FWCJUA policyholders and fair to the claimant; 2) the fact that the Travelers' adjusting team has been together essentially since 1995 with the large loss (serious injury) adjusters having over 20 years experience each and Litigation Manager being the same since 1995 and actively involved has allowed the claim handling practices to remain consistent and for statutory changes to be implemented rapidly and consistently; and the FWCJUA – Travelers Team immediately recognized the significance of the 2003 reforms and pursued their application aggressively. Finally, Cleary reported that the composition of the book of business has remained relatively consistent over the past several years which allows for a consistent approach to claims handling.

Discussion then turned to the team's recommendations with Cleary noting that the study produced no recommendations that would significantly alter the revised Loss Control Standards of Performance or modify the Loss Control and Safety programs currently being utilized. However, recommendations were made that should increase the awareness of the importance of safety in the workplace. He referred to Attachment C and requested that the Committee considered staffs recommendations, as follows:

1. Promote loss prevention and safety through resources available at the Travelers Risk Control website (www.riskcontrol.com). In order to encourage the use of the Risk Control website, we recommend mailing a letter to all FWCJUA policyholders outlining the various resources available at no additional cost. This letter would be accompanied by a sample of the Risk Control

NewsBrief, which policy holders can subscribe to receive electronically on a monthly basis, again at no additional cost.

2. In addition, Cleary recommends mailing reminders of various Risk Control on-line resources along with the Employer's Affidavit reminders. Currently, FWCJUA insureds receive quarterly reminders to submit the Employer's Affidavit and Quarterly Tax forms. The safety reminder would be mailed with this letter but as a separate attachment. An example of what could be highlighted through the quarterly mailing is the 2007 Safety Webinar Series. This new series is an opportunity for policy holders to hear from industry experts on a variety of Risk Control topics without leaving their business locations. There is no cost to participate. Another example of safety related programs and incentives to promote through the quarterly reminders are the Florida - Employer Safety Premium Credit Program, and the Drug Free Workplace Credit.
3. In 2006, Cleary reported that it was recommended that notices be included on premium bills that address the most severe and frequent causes of accidents. Although we thought this would be an effective tool to promote and educate policyholders on safety issues, employees or potential claimants would not necessarily be the ones reviewing this information. In addition, the space available to include safety information in the premium bill is very limited. Therefore, it is now recommended that we discontinue the safety notices on premium billings and concentrate on the awareness and education approaches described above, which will require a minor Operations Manual revision be considered by the Rates & Forms Committee for recommendation to the Board.

Discussion ensued regarding the number of surveys conducted and Pacheco asked what the number or percentage of surveys were conducted as result of a claims being reported compared to the number conducted as result of the risk meeting the mandatory loss prevention survey eligibility requirements? Cleary responded that he did not have the numbers available, but would get the Committee that information, if desired. Pacheco then asked if staff and/or Travelers felt that the numbers varied from one to another. Basically, she wanted to know if we should do more of a preventative type of loss control. She indicated that she did not like to see the percentages go down, even a little bit, and suggested we reach out and touch more risks to get more policyholders on the safety band wagon? Therefore, should we add more risks to the parameters to conduct a mandatory loss prevention survey? Cleary responded that the recommendations as presented in Attachment C will help to promote loss prevention and safety much more frequently, every quarter, than before. He indicated that the recommendation includes mailing safety materials, on a quarterly basis, to every policyholder insured with the FWCJUA. Pacheco then suggested staff include in the annual analysis a snapshot of risks with claims frequency and severity by premium level, not just by class code. She suggested we look at it from a premium level stand point. Staff and Travelers agreed to include an additional chart that combines those elements in next year's analysis. Cannassa then pointed out that Travelers had conducted a total of 902 surveys in '05 and 577 in '06, which is a difference of approximately 325. The difference between the numbers of claims in '05 to '06 is approximately 166, so half of the drop in surveys came from the drop in claims. Therefore, it's not a lack of surveys being conducted, but that the FWCJUA is seeing improvement.

MOTION by Cannassa, seconded by Pacheco to recommend that the Board of Governors adopt the three recommendations to be implemented as soon as practicable. PASSED.

V. GENERAL ANNOUNCEMENTS: There were no general announcements.

VI. ADJOURNMENT AND CLOSING REMARKS: There being no further business, the meeting was adjourned at 10:30 a.m.

Respectfully submitted,

Elisa Pacheco, *Chair*

**MINUTES OF THE MEETING OF THE INVESTMENT COMMITTEE OF THE
FLORIDA WORKERS' COMPENSATION JOINT UNDERWRITING ASSOCIATION, INC.
HELD ON THURSDAY, MAY 24, 2007 AT 1:00 P.M. VIA TELECONFERENCE**

PRESIDING: Ray Neff, *Chair*

COMMITTEE MEMBERS: Craig Johnson
Claude Revels, *not present*

EXECUTIVE DIRECTOR: Laura Torrence

GENERAL COUNSEL: Wes Strickland, *alternate for Tom Maida*

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

STAFF PRESENT: Laura Lopez

**SERVICE PROVIDERS
PRESENT:** Jeff Greenert, *Evergreen Investment Management*
Jason Weinstein, *Evergreen Investment Management*
John McLaughlin, *Travelers*
Jonathan Scharnberg, *Travelers*

OTHERS PRESENT: Jennifer Pierce, *Colodny, Fass, Talenfeld, Karlinsky, Abate*

I. CALL TO ORDER AND OPENING REMARKS: The Chair called the meeting to order at 1:00 p.m. The roll was called and a quorum being established the meeting began.

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

III. APPROVAL OF MINUTES: The minutes from the May 11, 2006 meeting of the Investment Committee were submitted for approval. MOTION by Johnson, seconded by Neff to accept the meeting minutes as presented. PASSED.

Watford commented about the amount of time that passed from the date of meeting to today's approval of the meeting minutes especially since the committee members at the time are no longer on the Board. Torrence advised that Maida indicated it was acceptable for the current chair of the committee to sign the meeting minutes and that the current committee members can approve the minutes. Watford asked if it was possible to consider the approval of the minutes sooner than the next committee meeting. Neff advised that perhaps all committee meeting minutes during the quarter be taken to the next board meeting for committee action. Torrence indicated that with the changes in the upcoming law effective July 1, that the FWCJUA would take this into consideration when rewriting the FWCJUA's policies and procedures regarding meeting minutes.

IV. INVESTMENT MARKETPLACE UPDATE: Greenert introduced Jason Weinstein the new client service manager assigned to the FWCJUA's account so that the investment manager can focus solely only on the investments of the portfolio. Greenert then summarized his Investment Outlook & Portfolio Analysis. He indicated that although the economy is slow, it is still positive with concerns for consumers and the housing market. Greenert indicated that with consumer spending at 70% of GDP it will be a key factor of the economic growth in 2007. He then turned the focus of the discussion to the returns of the FWCJUA's portfolios. The FWCJUA

**MINUTES OF THE MEETING OF THE INVESTMENT COMMITTEE OF THE
FLORIDA WORKERS' COMPENSATION JOINT UNDERWRITING ASSOCIATION, INC.
HELD ON THURSDAY, MAY 24, 2007 AT 1:00 P.M. VIA TELECONFERENCE**

has 4 separate portfolios (prior to July 26, 2003; Subplan C, Tier 2 and Tier 3). Currently, the portfolios are relatively short term which has resulted in good returns as the highest point on the yield curve is currently 6 months. In addition, with maturities coming up, the opportunity to invest for greater than 5% will again increase the overall return of the FWCJUA's investments. Overall the FWCJUA portfolio with Evergreen is earning 4.54% at cost (relating to purchase price); 5.00% at market (repriced at current market values) with an average life of 1.3 years. Overall, the portfolios are performing well with additional yield being generated by investing in Corporates; and the quality of the portfolio is still a double-A rating providing the security of Government Agencies.

V. REVIEW OF INVESTMENT POLICY: Lopez referred the Committee to Attachment D of the agenda explaining that the FWCJUA's Investment Policy was included along with two investment compliance analyses which indicate that FWCJUA's portfolio is in compliance with both the FWCJUA's investment policy as well as the diversification requirements of Florida Statute 625.305. Lopez then informed the Committee that no deviations to the Investment Policy were necessary since the policy was last reviewed by the Committee in May 2006. Lopez also informed the Committee that the investment manager and staff are not recommending any changes to the Investment Policy at this time.

Johnson noted that the FWCJUA's investment policy generally provides only for maximum portfolio limits and Lopez concurred noting, however that there is a minimum liquidity requirement of 5%. Greenert then noted that although the policy does not have specific minimum requirements for specific types of investments, there are indirect minimums as a result of the maximums. For example, if only 50% of the funds can be invested in corporate bonds and other securities, then it is implied that the remaining funds will be allocated to government investments. Torrence indicated that the policy has never had specific minimum limitations since its inception and suggested this may be due to the conservative nature of the types of investments permitted in the policy. Johnson agreed with the conservative nature of the policy and agreed that given the current short term nature of the FWCJUA's investments, the policy seems to be appropriate at this time. Neff indicated he was also currently comfortable with the investment policy. Accordingly, it was the consensus of the Committee that no modifications to the investment policy were advisable at this time.

Neff then suggested, however, that it may now be appropriate for the FWCJUA to reconsider its investment criteria in connection with its liabilities, especially in light of the organization's comfortable surplus level. Torrence advised that staff concurred and the Committee would be discussing this matter when it considers the next agenda item.

VI. REVIEW OF POLICIES AND GUIDELINES FOR THE INVESTMENT OF ASSETS AND ASSOCIATED MATTERS: Torrence referred the Committee to Attachment E of the agenda indicating that the Committee was being asked to review the current Cash Management Policy and consider changes to the policy related to the segregation of duties and the addition of a Loss Payout Pattern Report as a consideration in estimating cash needs or projecting the cash flow situation of the FWCJUA.

Torrence then reviewed the recommended edits to the Cash Management Policy with the Committee. She suggested that Loss Payout Pattern Report be developed for cash management purposes to reflect data specific to each of the individual subplans and tiers utilizing the 2006 year-end reserve analysis so that the FWCJUA could better match investment maturities with loss liabilities. She also informed the Committee that Milliman would charge \$1,200 for the creation of a Loss Payout Pattern Report that reflects data specific to each of the individual subplans and tiers. Torrence noted it would be beneficial if this report were updated annually following the year-end reserve analysis; however, this decision could be delayed until a later time.

MOTION by Neff, seconded by Johnson to recommend that the Board adopt the specific revisions to the Cash Management Policy and authorize a 2007 out-of-budget expense of \$1,200

**MINUTES OF THE MEETING OF THE INVESTMENT COMMITTEE OF THE
FLORIDA WORKERS' COMPENSATION JOINT UNDERWRITING ASSOCIATION, INC.
HELD ON THURSDAY, MAY 24, 2007 AT 1:00 P.M. VIA TELECONFERENCE**

for the creation of a Loss Payout Pattern Report by Milliman to be utilized for cash management purposes. PASSED.

VII. INVESTMENT MANAGER'S PERFORMANCE: Torrence referred the Committee to Attachment F of the agenda indicating that the Committee would review the performance of the investment manager and consider whether a change in the investment manager was warranted at this time.

Torrence reported on the current fee structure the FWCJUA has with its investment manager. She also reported that the FWCJUA investments have consistently outperformed their comparable benchmarks. She noted that over the past 72 months (6 years), on average the FWCJUA portfolio has earned 4.24% with the comparative benchmarks earning on average 3.68%.

Given the FWCJUA's restrictive investment policy, Torrence reported that staff believes that the investment manager is getting just about the best returns possible. Further, Torrence indicated that staff has been happy with the individual performance of Jeff Greenert, the investment manager's designated representative to the FWCJUA, who has served as the FWCJUA's liaison for approximately 5½ years and has been very attentive to the FWCJUA account. Torrence noted, however, that with the number of mergers and acquisitions that have occurred related to the investment manager and the associated reorganizations, Greenert had been removed from our account for a short period of time which resulted in service concerns. Fortunately, the investment manager recognized the concerns and Jeff was reassigned to our account. Torrence advised that staff concerns remain as to how long the investment manager will remain committed to its service and fee structure, but a review of the current investment management marketplace suggests that the FWCJUA should continue to take advantage of its current fee structure for as long as possible given the performance of our portfolio, especially since staff had not been able to identify another investment management opportunity where proposed fees did not exceed our current fee structure by at least 35%. Thus, with the current environment, outstanding overall performance and extremely competitive fee structure, Torrence recommended an ongoing relationship with the current investment manager at this time.

MOTION by Johnson, seconded by Neff to recommend that the Board continue with the current investment manager relationship. PASSED.

VIII. GENERAL ANNOUNCEMENTS: There were no announcements.

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

MOTION by Johnson, seconded by Neff to adjourn. PASSED. The meeting adjourned at 1:55 p.m.

Respectfully submitted,

Ray Neff, Chair

**MINUTES OF THE MEETING OF THE PRODUCER COMMITTEE OF THE
FLORIDA WORKERS' COMPENSATION JOINT UNDERWRITING ASSOCIATION, INC.
HELD ON MAY 24, 2007 AT 10:00 A.M. VIA TELECONFERENCE**

PRESIDING: Elissa Pacheco, *Chair*

COMMITTEE MEMBERS: Dan Dannenhauer
Bob Milligan

EXECUTIVE DIRECTOR: Laura Torrence

GENERAL COUNSEL: Wes Strickland, *alternate for Tom Maida*

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

STAFF PRESENT: Michael Cleary

SERVICE PROVIDERS PRESENT: John McLaughlin, *Travelers*
Jonathan Scharnberg, *Travelers*

OTHERS PRESENT: Jennifer Pierce, *Colodny, Fass, Talenfeld, Karlinsky, Abate*

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

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

III. APPROVAL OF MINUTES: The minutes from the Producer Committee teleconference meeting held October 25, 2006, were submitted for review and approval. Dannenhauer requested that the minutes be modified under Section IV, page 2, second paragraph, last sentence, to reflect the following: "Pacheco then asked Strickland to clarify operationally if we cancel an Agency, would the FWCJUA be required to obtain a certificate of insurance of E&O every year after termination and Strickland responded that yes, staff must follow up each year for 5 years, with the terminated Agency and/or producer to obtain a copy of its E&O coverage."

MOTION by Dannenhauer, seconded by Milligan, to accept the meeting minutes as modified. PASSED.

IV. AGENCY PRODUCER AGREEMENT CHANGE PROCEDURES: Torrence reported that the Producer Committee shall consider staff's recommendation to permit the Agency principal to add or delete a Designated Producer or Customer Service Representative (CSR) from the original Agency Producer Agreement authorized by the FWCJUA.

Torrence began her presentation of the agenda materials by explaining to the Committee that the information related to the revised FWCJUA Supplemental Employee Leasing Application was inadvertently included with this agenda topic's materials; however, it should have been included in the following topic's agenda material. The Committee agreed to disregard the referenced application for purposes of the this topic.

She then informed the Committee that staff identified a concern while authorizing Agencies and their Designated Producers under the new Agency Producer Agreement. She explained that subsequent to approval of the Agreement, if the Agency finds it necessary to add or delete a Designated Producer and/or CSR from the original approved Agreement there is no vehicle to accomplish such while properly recognizing the date of the change without completing a new Agreement and terminating the old Agreement. Rather than complete a whole new Agency Producer Agreement, it was suggested that the FWCJUA develop a form to allow an Agency principal to simply add or delete a Designated Producer or

CSR from the authorized Agency Producer Agreement. Torrence indicated it is recommended that there be no charge associated for a change in a CSR or for the deletion of a Designated Producer; however, there would be a \$100 fee for the addition of a new Designated Producer, regardless of the remaining length of the Agreement. Given the Agency would have the discretion of entering into a new Agreement or modifying its current Agreement, the fee is reasonable as it is consistent with the fee charged per Designated Producer at the inception of the two-year Agreement.

She referred the Committee to the attached proposed Agency Producer Agreement Addendum to Exhibit A, and explained that the Addendum was not meant to replace the original Exhibit, but simply to add and/or delete information from the original Agreement. She further suggested that the effective date of the Addendum would be the date accepted by the FWCJUA. Torrence then identified the below Operations Manual revisions that staff thought would be appropriate to implement the form if such a change procedure were deemed appropriate by the Committee

1. Add to Part Four – Agency and Designated Producers, A. Eligibility, page 35, paragraph 7, as follows: The Agency and each of its Designated Producers must enter into an Agency Producer Agreement with the FWCJUA. A copy of the Agency Producer Agreement may be found in Part Seven of this Manual. Additionally, should the Agency desire to add or delete a Designated Producer or Customer Service Representative during the term of the Agreement, an Agency Producer Agreement Addendum to Exhibit A may be completed or the Agency may terminate the existing Agreement and enter into a new two-year Agreement. A copy of the Addendum may be found in Part Seven of this Manual.
2. Add to Part Seven – Forms, page 149, Agency Producer Agreement Addendum to Exhibit A.

Torrence then explained that the Producer Committee should first determine whether it thought the suggested Agency Producer Agreement change procedures should be recommended to the Board for consideration. If the Committee felt the change procedures were appropriate, then it should consider recommending that the Rates & Forms Committee consider the proposed Agency Producer Agreement Addendum to Exhibit A form and associated Operations Manual revisions as the vehicles to implement the change procedures.

MOTION by Dannenhauer, seconded by Milligan to recommend that the Board adopt the proposed change procedures for the Agency Producer Agreement to permit the Agency's principal to add or delete a Designated Producer or Customer Service Representative from the original Agreement. Further, to recommend that the Rates & Forms Committee consider the proposed Agency Producer Agreement Addendum to Exhibit A form and associated Operations Manual revisions for recommendation to the Board as the vehicles to implement the proposed change procedures to the Agency Producer Agreement as soon as practicable. PASSED.

V. AGENCY/DESIGNATED PRODUCER RESPONSIBILITY TO DISCLOSE FWCJUA PREMIUM PAYMENT OPTIONS & PAYMENT METHODS: Torrence reported that the Producer Committee shall consider several staff proposals to ensure that applicants are given the opportunity to make informed decisions with regard to selecting how they want to pay premiums to the FWCJUA if coverage is afforded.

She stated that staff found that some agencies/designated producers are not taking the time to explain all of the FWCJUA's premium payment options and methods at the time of application to employers; thus, employers are not being given the opportunity to make informed decisions with regard to paying for their FWCJUA policies. Of concern, is that some agencies/designated producers may be steering their clients who do not have all of the required premiums immediately available directly into financing agreements, for which the agency/designated producer receives compensation, rather than suggesting the FWCJUA's optional payroll service with premium withholding program. In one instance, an applicant who already utilized the services of an FWCJUA authorized payroll service partner was not told about the optional payroll service with premium withholding program and entered into a premium financing agreement to the applicant's financial detriment.

**MINUTES OF THE MEETING OF THE PRODUCER COMMITTEE OF THE
FLORIDA WORKERS' COMPENSATION JOINT UNDERWRITING ASSOCIATION, INC.
HELD ON MAY 24, 2007 AT 10:00 A.M. VIA TELECONFERENCE**

Torrence then provided some background to the optional payroll service with premium withholding program which requires an eligible employer with payroll to purchase minimum services from an FWCJUA authorized payroll service at its own expense; and in return, the program offers a significantly reduced advance premium and waives any deposit premium requirement, regardless of the employer's total estimated annual premium. She referred the Committee to the table which shows the upfront costs and associated costs with various total estimated annual premiums (TEAP's).

She further explained to the Committee that agencies and their designated producers that are authorized to submit business to the FWCJUA already have the obligation to disclose all of the FWCJUA premium payment options and payment methods; however, it appears prudent to specifically reference this requirement, at a minimum, in the Operations Manual. Accordingly, the following Operations Manual revision is recommended:

Page 35, PART FOUR – AGENCY AND DESIGNATED PRODUCERS, B. DUTIES AND RESPONSIBILITIES, amend the 6th paragraph as follows:

To explain to the Employer, at the time of application, that if determined to be eligible and in good faith entitled to FWCJUA coverage, the premium will be calculated using any applicable FWCJUA surcharges. The Agency or its Designated Producer must also notify and explain to the Employer, in writing, the eligibility criteria, applicable rates, applicable surcharges, all premium payment options and assessable feature for each rating tier.

Torrence reported that staff is also suggesting that the Committee consider recommending to the Board that all applicants seeking coverage through the FWCJUA be required to execute the attached proposed form, ACKNOWLEDGEMENT OF FWCJUA PREMIUM PAYMENT OPTIONS, as part of their FWCJUA Application for Coverage. This form requires the producer to review with the applicant the various premium payment options available to the applicant and provides the applicant with the opportunity to make an informed decision with regard to selecting how the applicant wants to pay premiums to the FWCJUA. According to several policyholders, if the producer had taken the time to explain all of the FWCJUA's premium payment options at time of application, the policyholder potentially would have taken advantage of the automated premium payment process offered through an FWCJUA authorized Payroll Service Partner given the reduced advance premium requirement and the waiver of a deposit premium. Therefore, it is extremely important that the producer take the time to review all the payment options with each employer, so the employer understands the choices available.

If the Committee determines that the introduction of such a form may be beneficial, the new form would have to be formatted for insertion into the Operations Manual and filed for approval with OIR. Also, Operations Manual revisions would be required to implement the form as presented in the Agenda as well as additional revisions to the ACORD 134 FL form and Side A of the Supplemental Employee Leasing Application.

Milligan commented that he views this action similar to other full disclosure activities and if the consumer signs the disclosure, he and/or she certifies that they have been advised of their options and have had an opportunity to review and agree to be bound by the terms of the option chosen. Pacheco then expressed her concern to require an agent to sell a payroll service, if the agent does not want to sell a payroll service to the client. She explained that PAYCHEX is a competitor, as it has an insurance agency and they are able to write business directly. She stated to disclose the program is one thing, but to sell it is another and she expressed that she is not comfortable with that. Milligan commented that he believes it to be a disclosure issue, not a selling issue. Torrence then explained that the FWCJUA had received complaints from consumers with regard to how expensive the FWCJUA coverage is and several years ago, after several hurricanes, OIR approached the FWCJUA and asked if there was anything the FWCJUA could do to help reduce an applicant's up front premium costs, without harming the FWCJUA. The end result was the Premium Withholding Program which allows the FWCJUA to significantly reduce an employer's advance premium requirement, waive the 50% deposit and be able to collect premium throughout the policy term. She explained that the program is not limited strictly to PAYCHEX. In fact, the FWCJUA has had a few payroll services express interest, but none have taken any further action past that point of

**MINUTES OF THE MEETING OF THE PRODUCER COMMITTEE OF THE
FLORIDA WORKERS' COMPENSATION JOINT UNDERWRITING ASSOCIATION, INC.
HELD ON MAY 24, 2007 AT 10:00 A.M. VIA TELECONFERENCE**

interest.

Discussion ensued regarding the advantages of premium financing and Pacheco commented that in general, payment plans available under an insurance premium finance arrangement consist of a low down payment followed by equal monthly installments. She explained that the amount of down payment required under a premium finance arrangement is much lower than under the FWCJUA's premium withholding program. Torrence then explained that under the premium withholding program an employer is only required to pay 1/6th of their total estimated annual premium, which is just under 17% of the TEAP. The conversation then led to PAYCHEX being the only payroll service partner authorized under the program and Torrence explained that the FWCJUA would like to add other payroll services, but none have yet to respond to our additional information requests for further consideration as an authorized payroll service partner. Milligan then expressed concern with using a single company, PAYCHEX, from a perception standpoint, who also happens to be under contract to provide payroll services to the FWJCUA. Torrence again explained to the Committee that there is no requirement that PAYCHEX be the only provider under this program. She noted that the payroll service companies that had expressed interest to participate in the program, for one reason or another choose not to continue through the approval process.

Further discussion followed and Pacheco suggested that the FWCJUA issue an RFP, given that a lot of employers in the state use a payroll service company. Torrence responded that an RFP would still limit the amount of participation by a service provider. Dannenhauer then commented that there appears to be two issues, the PAYCHEX issue and the disclosure issue and suggested the Committee keep each separate. He then expressed that it looks as though the Committee members are in agreement that the premium payment options be disclosed to each employer applying for coverage. Mulligan then asked if a payroll service needed to be licensed and if so, why couldn't the FWCJUA use the services of any licensed payroll service company. Torrence again explained that the payroll service company must be able to interact with Travelers, calculate the FWCJUA premium and transfer the data and the premium payment electronically to Travelers. The Committee generally agreed that it did not have an issue with the disclosure form, but its concern was with the program's execution through only one payroll service company, PAYCHEX.

After considerable discussion, it was suggested that staff provide the Board with an update on the whole payroll service with premium withholding program, (i.e., number of policies, number of audits performed, uncollectibles, etc.), to determine whether the program continues to be beneficial to the FWCJUA and should continue as a program. Torrence agreed to review the results of the payroll service with premium withholding program and bring the results of the review to the Board after implementation of the new law. Torrence then explained that she would advise the Board as well as the Rates & Forms Committee that the Producer Committee had withdrawn this item from consideration, as it was not prepared to act on it at this time. Therefore, it was the consensus of the Committee to table this item for further consideration until after implementation of the new law, effective July 1, 2007.

VI. GENERAL ANNOUNCEMENTS: There were no announcements.

VII. ADJOURNMENT AND CLOSING REMARKS: There being no further business, the meeting was adjourned at 10:58 a.m.

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

Respectfully submitted,

Elissa Pacheco, *Chair*

DRAFT - MINUTES OF THE MEETING OF THE RATES & FORMS COMMITTEE OF THE FLORIDA WORKERS' COMPENSATION JOINT UNDERWRITING ASSOCIATION, INC. HELD ON MAY 29, 2007 AT 10:00 A.M. VIA TELECONFERENCE

PRESIDING: Ray Neff, *Chair*

COMMITTEE MEMBERS: Pat Cannassa
Elissa Pacheco

EXECUTIVE DIRECTOR: Laura Torrence

GENERAL COUNSEL: Tom Maida

OFFICE OF INSURANCE REGULATION LIAISON: Jim Watford

STAFF PRESENT: Michael Cleary
Laura Lopez

SERVICE PROVIDERS PRESENT: Mark Mulvaney, *Milliman*
Bonnie Shek, *Milliman*
Andy Gray, *Thomas Howell Ferguson*
Arleen Desmond, *Travelers*
John McLaughlin, *Travelers*
Jonathan Scharnberg, *Travelers*
Claudia Vicory, *Travelers*

OTHERS PRESENT: Theresa Eaton, *Florida Office of Insurance Regulation*
Jennifer Pierce, *Colodny, Fass, Talenfeld, Karlinsky, Abate*
Robbie Simpson, *Florida Department of Financial Services*

- I. CALL TO ORDER AND OPENING REMARKS:** The Chair called the meeting to order at 10:04 a.m. The roll was called and a quorum being established the meeting began.
- II. ANTITRUST PREAMBLE:** Prior to the consideration of any business, the Antitrust Preamble was read by Maida, a copy of which is attached hereto as Exhibit "A".
- III. APPROVAL OF MINUTES:** The minutes from the Rates & Forms Committee meeting held March 9, 2007, were submitted for approval.

MOTION by Neff, seconded by Cannassa, to approve the minutes as presented. PASSED.

IV. REVIEW OF RATES, RATING PLANS AND POLICY FORMS AND ASSOCIATED MATTERS TO INCLUDE APPLICATION FORMS:

Policy Information Page & Extension of Information Page – Schedules. Torrence reported that the Rates & Forms Committee shall consider recommending that the Board authorize staff to file the FWCJUA's Policy Information Page (commonly referred to as the "Declarations" Page), and the Extension of Information Page – Schedules with OIR, pursuant to OIR's direction, as soon as practicable.

Recently, OIR discovered it had no record of issuing prior approval to the FWCJUA for the use of the Policy Information Page and Extension of Information Page – Schedules being used by Travelers on behalf of the FWCJUA. Therefore, OIR requested that the FWCJUA file for approval as soon as possible the form components of the FWCJUA's Information Page and Extension of Information Page – Schedules, in accordance with section 627.410, Florida Statutes.

**DRAFT - MINUTES OF THE MEETING OF THE RATES & FORMS COMMITTEE OF THE
FLORIDA WORKERS' COMPENSATION JOINT UNDERWRITING ASSOCIATION, INC.
HELD ON MAY 29, 2007 AT 10:00 A.M. VIA TELECONFERENCE**

During the discussion, Jim Watford asked that the Policy Change Endorsement also be filed with OIR and noted that there appeared to be several typos or printing errors on the forms included with the agenda materials.

MOTION by Cannassa, seconded by Pacheco, to recommend that the Board authorize staff to file the FWCJUA's current Policy Information Page, Extension of Information Page – Schedules and the Policy Change Endorsement with OIR as soon as practicable. Further, to recommend to the Board that staff be given the authority to go ahead and amend the forms, as may be directed by OIR during the filing process. PASSED.

Revisions to Supplemental Applications Forms with Florida Notary Requirement. Torrence reported that the Rates & Forms Committee shall consider whether to recommend to the Board that specified FWCJUA supplemental application forms be amended to remove the indicator that the notary to witness and authenticate an employer's authorized signer's signature should be a Florida state notary.

In practice, the FWCJUA already permits the following forms to be notarized by notaries that are not Florida notaries. Thus, the form amendments being considered are strictly "housekeeping" in nature and will reflect the current practice of the FWCJUA.

1. Employment & Wage Release Agreement
2. Applicant's Affidavit
3. Applicant's Affidavit As To Employee Leasing
4. Employee Leasing – Consent to the Release of Client Initiation or Termination Information
5. Acknowledgement by Labor Contractor of Terms and Client of Terms and Conditions of the MCP
6. Acknowledgement by Client of the Terms and Conditions of Continued Coverage under the MCP
7. Contractor's Supplemental Application
8. Acknowledgement by Employer of Terms and Conditions of an "If Any" Policy
9. Employer's Affidavit
10. Payroll Service With Premium Withholding Agreement

In addition, the Committee was informed that staff asked NCCI to consider similarly amending its Safety Program Premium Credit form to eliminate the requirement that the notary be a Florida notary. NCCI indicated that it will proceed with amending its form to permit the notary to be other than a Florida notary. Again, in practice, this is already permissible.

Torrence referred the Committee to the attached revised forms and advised that if the proposed form revisions are adopted, they will be formatted for insertion in the Operations Manual and filed with OIR for approval.

MOTION by Pacheco, seconded by Cannassa, to recommend that the Board adopt the changes to the supplemental application forms as presented in the agenda materials for this item to reflect the current practice of the FWCJUA to permit notaries, other than Florida notaries, to notarize an employer's authorized signer's signature with such form amendments becoming effective as soon as practicable. PASSED.

Revisions to Forms to Implement Senate Bill 1894. Torrence reported that the Rates & Forms Committee shall consider recommending that the Board authorize staff to file revisions to the ACORD 133 FL (2007/07) and the Assessable Policy Notice Endorsement (FWCJUA 04 01) to implement Senate Bill 1894, if it becomes law.

Torrence referred the Committee to the Attachment and commented that if adopted, the revised forms shall be formatted for insertion into the Operations Manual and filed with OIR for approval. Cannassa asked Maida to comment on the status of the law and Maida responded that the law has not yet been presented to the Governor and we are not sure when it will be presented, but we expect the Governor to approve the law, although there is no guarantee. Cannassa then asked if the wording is consistent with

what the new law would be if it's approved by the Governor and Maida responded that he believes it to be consistent.

MOTION by Cannassa, seconded by Pacheco, to recommend that the Board authorize staff to file the proposed revisions to the ACORD 133 FL (2007/07) and the Assessable Policy Notice Endorsement (FWCJUA 04 01), subject to Senate Bill 1894 becoming law. PASSED.

Acknowledgement of FWCJUA Payment Options. Torrence reported that this item was withdrawn for consideration, as a result of the Producer Committee decision to table this item for further review after implementation of the new law. Therefore, no action by the Rates & Forms Committee was required on this item at this time.

V. FORMS ASSOCIATED WITH AGENCY AUTHORIZATION PROCESS: Torrence referred to Attachment G and reported that the Rates & Forms Committee shall consider the proposed Agency Producer Agreement Addendum to Exhibit A form for recommendation to the Board as the vehicle to implement a May 24th Producer Committee recommendation regarding change procedures for the Agency Producer Agreement as well as the below associated Operations Manual revisions:

1. Add to Part Four – Agency and Designated Producers, A. Eligibility, page 35, paragraph 7, as follows: The Agency and each of its Designated Producers must enter into an Agency Producer Agreement with the FWCJUA. A copy of the Agency Producer Agreement may be found in Part Seven of this Manual. Additionally, should the Agency desire to add or delete a Designated Producer or Customer Service Representative during the term of the Agreement, an Agency Producer Agreement Addendum to Exhibit A may be completed or the Agency may terminate the existing Agreement and enter into a new two-year Agreement. A copy of the Addendum may be found in Part Seven of this Manual.
2. Add to Part Seven – Forms, page 149, Agency Producer Agreement Addendum to Exhibit A.

Torrence advised that the proposed Addendum to Exhibit A of the Agency Producer Agreement was created to permit the Agency principal to add or delete a Designated Producer or Customer Service Representative (CSR), from the original Agreement authorized by the FWCJUA, rather than complete a whole new Agency Producer Agreement. The proposed Addendum to Exhibit A is not meant to replace the original Exhibit A, but simply to add and/or delete information from the original Agreement. The effective date of the Addendum will be the date accepted by the FWCJUA. If adopted, the new form and associated Operations Manual revisions shall be formatted for insertion into the Operations Manual and filed for approval with OIR.

She reported that on May 24th, the Producer Committee met and will be recommending to the Board that there be no charge associated for a change in a CSR or for the deletion of a Designated Producer; however, there would be a \$100 fee for the addition of a new Designated Producer, regardless of the remaining length of the Agreement. Given the Agency would be given the discretion of entering into a new Agreement or modifying its current Agreement, the fee is reasonable as it is consistent with the fee charged per Designated Producer at the inception of the two-year Agreement.

MOTION by Pacheco, seconded by Cannassa, to recommend that should the Board resolve to implement the May 24th Producer Committee recommended change procedures for the Agency Producer Agreement to permit the Agency's principal to add or delete a Designated Producer or Customer Service Representative from the original Agreement, it do so by adopting the proposed Agency Producer Agreement Addendum to Exhibit A form and the associated Operations Manual revisions as soon as practicable. PASSED.

VI. OPERATIONS MANUAL REVISIONS: Torrence referred to Attachment H and indicated that the Rates & Forms Committee shall consider recommending that the Board authorize the proposed Operations Manual revisions to implement SB 1894, if it becomes law; one Safety Committee recommendation; one previously discussed May 24th Producer Committee recommendation; and several

"housekeeping" items.

Torrence then ran through the revisions, pointing out that the second item listed below 1, is being removed for consideration together with items 9, 10, 11, and 15, since the Acknowledgement of FWCJA Premium Payment Options form did not pass through the Producer Committee on May 24th.

Simpson commented that item 2 did not include the portion of the Bill that stated the Commission may request additional recommendations that were not on the first list of recommendations. Torrence responded that item 2 is simply informational to provide the composition of the Board. She further explained that the Bylaws will include the detail that Simpson suggested; however she noted this change could easily be made if desired by the Committee. Neff commented that item 2 is technically correct and therefore, there was no need to add any additional language.

MOTION by Cannassa, seconded by Pacheco, to recommend that the Board adopt the proposed Operations Manual revisions to implement SB 1894, if it becomes law; one Safety Committee recommendation; the previously discussed May 24th Producer Committee recommendation regarding Agency Producer Agreement change procedures and several "housekeeping" items and that said revisions be filed with OIR for approval as soon as practicable. PASSED.

VII. ACTUARIAL STUDY OF LOSS RESERVES AS OF 6/30/2007: Torrence reported that the Rates & Forms Committee shall consider whether to recommend that the Board authorize staff to enlist Milliman to perform a loss reserve analysis as of 6/30/2007, for purposes of effectively positioning the FWCJUA to apply for a federal tax-exemption; and if so, the Committee shall also consider whether to recommend that the Board authorize staff to negotiate a delay in filing the Second Quarter Statement with OIR, given the timing of the completion of the loss reserve analysis.

Torrence reported that if enacted, Senate Bill 1894 will require the FWCJUA to apply to the IRS for a determination of its eligibility as a tax-exempt entity by January 1, 2008. Thomas Howell Ferguson has advised that in order to effectively apply for the tax exemption the FWCJUA will need to have, among other things, a loss reserve analysis as of 6/30/2007.

Torrence also reported that Milliman had advised that the cost of a loss reserve analysis as of 6/30/2007 would be \$20,000. She noted that the cost of this additional loss reserve analysis was not contemplated within the 2007 forecast and thus, would be a 2007 out-of-budget expense. Further, Torrence advised the Committee that Milliman indicated that it would target mid-August to get the preliminary findings related to the reserve analysis to the Committee and Board for consideration. Given such, staff recommended that the Committee also recommend that the Board authorize staff to negotiate a delay in filing the Second Quarter Statement with OIR of no later than September 15th in lieu of August 15th to ensure that the second quarter financials reflect the loss reserve analysis as of 6/30/2007.

The Committee then discussed whether it was appropriate for the Board to take action on this item at this time. Neff reported that he had a conversation with the Executive Director and General Counsel on April 8th to discuss procedures to balance the Board's responsibilities; give appropriate direction to staff; and to pass this Board's thoughts onto the new Board, but not to make any binding commitments that the new Board might not appreciate or feel necessary. Neff also indicated that he felt it was very appropriate for the Committee to recommend Board action be taken on this particular item to ensure a timely filing for a federal tax exemption.

MOTION by Pacheco, seconded by Cannassa, to recommend that the Board authorize a 2007 out-of-budget expense of \$20,000 for Milliman to perform a loss reserve analysis as of 6/30/2007 to assist in positioning the FWCJUA to receive a favorable ruling related to its application for a federal tax exemption by January 1, 2008 if Senate Bill 1894 becomes law; and if so, to recommend that the Board also authorize staff to negotiate a delay in filing the Second Quarter Statement with OIR of no later than September 15, 2007. PASSED.

VIII. PROGRAM TO ELIMINATE THE SUBPLAN D DEFICIT AS OF 12/31/2006: Torrence reported that the Rates & Forms Committee shall consider the draft correspondence to OIR outlining the FWCJUA's program for eliminating the 2006 Subplan D deficit.

Torrence reported that the FWCJUA recognized a \$48,794,092 surplus in 2006. She also reported that given the FWCJUA is in a surplus position; it was not statutorily required pursuant to section 627.311(5)(g), Florida Statutes, to submit a deficit elimination plan to the Office of Insurance Regulation ("OIR"). However, with Subplan D posting a deficit, the Board previously agreed to update its plan to eliminate this individual rating plan deficit and submit said updated plan to the OIR. Torrence then advised that staff was proposing that the filing be based upon the Subplan D cash flow model updated through the May actuals which become available in mid-June and thus, that staff be authorized to finalize the attached draft letter as such and submit the plan no later than June 28th, which is 90 days from the date that the audit was filed.

The Committee then discussed whether it was appropriate for the Board to take action on this item at this time. The Committee agreed that it was appropriate for the current Board to take action on this item given it was responsible for the 2006 financial position of the FWCJUA and had developed the Subplan D cash flow model. Pacheco questioned whether a paragraph should be added to the end of the letter that explains that the Subplan D cash flow model is updated on a regular basis in order to prevent possible confusion by the new Board. Neff indicated that such an explanation would be better handled by staff as part of an orientation training session with the new Board.

MOTION by Cannassa, seconded by Pacheco, to recommend that the Board authorize staff to finalize the proposed draft letter to OIR outlining the program to eliminate the FWCJUA's 2006 Subplan D deficit utilizing May actuals and to submit the deficit elimination program to OIR no later than June 28, 2007. PASSED.

IX. RETURN OF PREMIUM DIVIDEND: Torrence then referred to Attachment K and reported that the Rates & Forms Committee shall consider whether to recommend that the Board declare a return of premium dividend for the 2001, 2002 and 2003 policy years.

She explained that earlier this year, the Rates & Forms Committee suggested that the Board consider identifying a reasonable philosophy for declaring dividends while retaining an appropriate surplus for future use. A possible approach might be to retain investment income for future use and to return a portion of the individual subplans and tiers underwriting income for the more mature years. Monies retained for future use would reasonably ensure that there would be sufficient funds to pay any unexpected losses and could provide the FWCJUA with options related to reinsurance attachment points, contingency and surplus factors utilized in rate making, etc. Ultimately, by establishing a reasonable methodology for declaring dividends while retaining an appropriate surplus for future use, the FWCJUA better positions itself to more readily declare appropriate dividends. She further noted that the Rates & Forms Committee also recommended that if a dividend was declared, it be paid to policyholders based on a combination of individual loss experience and a proportion of premiums paid.

Torrence then noted that the FWCJUA's statutory surplus as of 12/31/2006 is \$48,794,092 (10.4% of its \$470,459,429 gross earned premium) while its actual surplus as of 12/31/2006 is \$50,982,003 (10.7% of its \$470,459,429 gross earned premium). Further, section 627.311(5), Florida Statutes, provides the following:

627.311(5)(d)4. The plan may offer rating, dividend plans, and other plans to encourage loss prevention programs.

627.311(5)(h) Any premium or assessments collected by the plan in excess of the amount necessary to fund projected ultimate incurred losses and expenses of the plan and not paid to insureds of the plan in conjunction with loss prevention or dividend programs shall be retained by the plan for future use.

She explained that with regard to the timing of the required payment of a declared dividend following the establishment of such a liability, the Committee should understand that normally payment occurs by the end of the next tax year, but that it is not a hard and fast rule. Once a dividend is declared and a determination is made how payments will be distributed, the FWCJUA would need to seek OIR approval. It was previously noted by our auditor that he had seen a company take a deduction 3 years prior to actually distributing payments because it took the OIR that long to agree to the allocation of the dividend. Thus, the FWCJUA is permitted by code to deduct the dividend when it is declared, even though the dividend may not be paid in the year declared. Thus, a dividend declaration in second quarter 2007 will impact the FWCJUA's 2007 financials, including its federal income tax liability. Further, the federal tax recovery for a dividend declaration prior to 7/1/2007 would be roughly calculated at 35% of the dividend declaration.

At its March 13th meeting, the Board instructed staff to investigate the possibility of declaring a dividend for the 2001, 2002 and 2003 policy years, giving consideration to the proper seasoning of losses; a reasonable surplus; and the monies borrowed from the contingency reserve. Staff was also asked to identify a recommended dividend amount and allocation as well as the methodology used to determine the individual policyholder dividend for presentation to the Board at its next quarterly meeting.

Torrence advised the Committee that included in the agenda materials for this item was policy year income information as of 12/31/2006 developed by staff with input from Milliman and Thomas Howell Ferguson. The two exhibits differ by one assumption. What is a reasonable underwriting percentage gain for the FWCJUA? The two assumptions utilized in the exhibits are 5% and 10%. It is believed that the voluntary market is generally permitted as much as a 5% underwriting gain over a three year period in addition to the retention of investment income; but what is reasonable for a generally self-funded residual market with no guaranty fund to act as its safety net or the full financial backing of the State? Whether to declare a dividend requires this question to be answered pursuant to the Board's direction. She also indicated that the table contained in the agenda write-up for this item provide two scenarios related to the potential of defining a reasonable underwriting percentage gain of 5% and 10%.

Torrence then reported that another consideration for the Committee is whether it is appropriate to release any surplus through a dividend declaration prior to identifying and defining the impact of Senate Bill 1894 and House Bill 7169 becoming law, which will substantially affect the governance and operations of the association? Undeniably, there will be an increase in expenses to implement the new law, both initial expenses and ongoing expenses. Escheat issues may also be a greater cause for concern given the new law permits the use of surplus across the various rating subplans and tiers to resolve any deficits. Also, Senate Bill 1894 will require any State funds received by the FWCJUA in excess of the amount necessary to fund the deficit in Subplan "D" to be returned to the State. In the end, it may be advisable to delay declaring any policyholder dividends until the impact of Senate Bill 1894 and House Bill 7169 on the FWCJUA is fully understood and priced out. The most significant downside to delaying a dividend declaration beyond 6/30/2007 is that the FWCJUA would no longer qualify for a federal tax recovery of up to approximately 35% of the dividend declaration.

It was the consensus of the Committee that while considering a dividend was a worthwhile exercise, it was uncomfortable pursuing further discussions regarding the declaration of a return of premium dividend at this time. The Committee agreed it would be premature for this Board to declare a dividend given there were too many unknowns related to the enacted legislation. The Committee felt this issue was better left for the new Board to consider. Therefore, it was the consensus of the Committee that no action be taken on the declaration of a return of premium dividend at this time.

X. GENERAL ANNOUNCEMENTS: There were no general announcements.

XI. ADJOURNMENT AND CLOSING REMARKS: There being no further business, the meeting was adjourned at 11:04 a.m.

MOTION by Pacheco, seconded by Cannassa to adjourn. PASSED.

**DRAFT - MINUTES OF THE MEETING OF THE RATES & FORMS COMMITTEE OF THE
FLORIDA WORKERS' COMPENSATION JOINT UNDERWRITING ASSOCIATION, INC.
HELD ON MAY 29, 2007 AT 10:00 A.M. VIA TELECONFERENCE**

Respectfully submitted,

Ray Neff, *Chair*

**MINUTES OF THE MEETING OF THE OPERATIONS COMMITTEE OF THE
FLORIDA WORKERS' COMPENSATION JOINT UNDERWRITING ASSOCIATION, INC.
HELD ON MAY 30, 2007 AT 10:00 A.M. VIA TELECONFERENCE**

PRESIDING: Pat Cannassa, *Chair*

COMMITTEE MEMBERS: Rick Hodges
Ray Neff

EXECUTIVE DIRECTOR: Laura Torrence

GENERAL COUNSEL: Tom Maida

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

STAFF PRESENT: Marc Babin
Michael Cleary
Laura Lopez

SERVICE PROVIDERS PRESENT: Arleen Desmond, *Travelers*
John McLaughlin, *Travelers*
Jonathan Scharnberg, *Travelers*
Claudia Vicory, *Travelers*

OTHERS PRESENT: Sarah Robinson, *Colodny, Fass, Talenfeld, Karlinsky, Abate*
Robbie Simpson, *Florida Department of Financial Services*

I. CALL TO ORDER AND OPENING REMARKS: The Chair called the meeting to order at 10:07 a.m. The roll was called and a quorum being established the meeting began.

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

III. APPROVAL OF MINUTES: The minutes from the Operations Committee meeting held November 29, 2006, were submitted for approval.

MOTION by Neff, seconded by Cannassa, to approve the minutes as presented. PASSED.

IV. LEGISLATIVE UPDATE: Maida reported that the Florida Legislature in its final week enacted two bills related to the FWCJUA. The first bill (SB1894), the substitutive bill mandates changes in the board appointment process, financial disclosure requirements and the disposition of FWCJUA funds on dissolution, which he believes will enable the FWCJUA to achieve tax exempt status under the IRS. In addition, the bill made the FWCJUA subject to the Public Records Act and the Sunshine Law. He noted that the bill has not yet been presented to the Governor for action, but anticipates some sort of action from the Governor within the next several weeks. The other law that the legislature passed and therefore enacted was a public records exemption law, which was necessary in order to ensure that records that should be confidential and protected from disclosure are indeed confidential and protected from disclosure (i.e., claims files until termination of litigation, employee medical records, etc.). The exemption law that the legislature passed was drafted in sort of a collaborative effort between the FWCJUA, the staff of the legislature and the First Amendment Foundation, which was very instrumental assisting the FWCJUA in the passage of the bill, because the legislature is always interested in what the First Amendment Foundation thinks about public record exemption laws. He stated that as is the case with the substitutive bill, the public records exemption bill has not yet been presented to the Governor for his approval at this point. Each bill provides that it will take effect on July 1, 2007.

**MINUTES OF THE MEETING OF THE OPERATIONS COMMITTEE OF THE
FLORIDA WORKERS' COMPENSATION JOINT UNDERWRITING ASSOCIATION, INC.
HELD ON MAY 30, 2007 AT 10:00 A.M. VIA TELECONFERENCE**

Torrence questioned Maida as to what would happen to a bill if it is submitted to the Governor, but the Governor does not take any action on the bill. Maida responded that if the Governor does not act within 15 days after the bill has been officially presented to him by the legislature, the bill becomes law. Torrence then asked if it's possible for the implementation date of the bills to be later than the July 1, 2007 effective date, if the bills are not presented timely to the Governor and Maida responded that yes, it is possible.

V. REORGANIZATION ISSUES: Torrence reported on the significant reorganization issues related to the enactment of SB 1894 and HB 7169, specifically the Board Appointment Process, Public Records Act and Sunshine Law, Ethics Requirements and Procurement of Goods and Services and explained that our General Counsel as well as staff is looking into how all these issues need to be incorporated into the Plan of Operation as well as other governing documents and policies. She indicated that the one thing that is important for the Committee to recognize is that the Bylaws must be amended, adopted by the Board, and then approved by OIR, in order to begin the Board selection and appointment process. She then asked Maida to update the Committee on the selection process and Maida reported that the appointment process is now underway with the assistance of Watford with OIR to gather a list of the top 20 foreign and top 20 domestic writers of workers' compensation insurance in Florida to identify what carriers will participate in the selection process and that process will have to be memorialized in the Bylaws. He advised the Committee that he expects to have a draft of the Bylaws available for staff later this afternoon. He then mentioned that in the Board appointment process he is consulting with Dan Sumner, General Counsel with DFS to discuss with him and that agency its views on how we are looking at that process, because we do not have a tremendous amount of guidance in the law nor is there any case law precedents on how we are suppose to go about doing this, so we are trying to interpret the law in a reasonable fashion. He expressed that he certainly wants to be sure that the folks at the cabinet level who will be involved in the appointment process are in agreement with the way we view the selection and appointment process.

Maida then pointed out that he is also looking at the other issues listed under item V in the agenda and advised that he had promised to provide staff by Monday with a draft of an implementation or compliance manual, which will deal with the Ethics issues, Sunshine Law issues and the Public Records issues. Each of those subject matters has a number of moving parts, (i.e., financial disclosure issues and gift ban issues) that we need to advise the Board and senior staff accordingly. He noted that the Sunshine piece is probably the least complex, since the FWCJUA has already been operating under the Sunshine provisions of the law. He then explained that we have the subject of public records and how the FWCJUA is to comply with the Public Records Act and what the document retention policies will be required under the act. Therefore, staff will receive a pretty lengthy document from his office on Monday, which will try to anticipate as many issues as we can anticipate, but it will be a work in progress for sometime and we will look for comments from staff before releasing it to the Board for its comments.

Torrence commented that it is important for the Committee to realize that the current 2007 Business Plan & Forecast did not contemplate the reorganization and implementation resultant from the passage of Senate Bill 1894 and House Bill 7169. Accordingly, business priorities will shift and out-of budget expenses will be incurred. Out-of-budget considerations may include, but shall not be limited to, increased expenses for legal, audit, tax and actuarial services; increased IT/system expenses for physical storage, document management, disaster recovery and audio recording of meetings to include consulting services; increased expenses associated with staffing to include travel and training; and increased expenses associated with board members to include travel and training.

She then advised the Committee that staff has identified four primary IT areas that need to be addressed to facilitate implementation of SB 1894, and they are physical storage, document management, disaster recovery and audio recording for meetings. It is important to recognize, however, that other areas will also be affected as we implement the new law and realize the business processes that are more deeply affected or need to be recreated such as underwriting workflows and mail delivery. Discussion ensued with regard to the four primary IT areas that need to be addressed to facilitate implementation of SB 1894. The Committee Chair then asked Maida to provide some general information about the Public Records Act, as that appears to be driving the increased expenses for the FWCJUA in the IT areas.

**MINUTES OF THE MEETING OF THE OPERATIONS COMMITTEE OF THE
FLORIDA WORKERS' COMPENSATION JOINT UNDERWRITING ASSOCIATION, INC.
HELD ON MAY 30, 2007 AT 10:00 A.M. VIA TELECONFERENCE**

Maida responded that the Public Records Act in Florida is pretty tough and requires agencies to retain for some period of time documents which are part of its official business and that includes documents which the agency generates as well as documents that it receives which are part of its official business. He advised that staff will be given some guidance as to what documents have to be retained. However, a second issue is for what length of time do those documents have to be retained and the Public Records Act delegated authority to the Secretary of State to develop retention schedules for commonly produced and received documents. He explained that not all documents have to be retained permanently. It is important for staff to understand with our help what those documents are and the length of time those documents will have to be retained. He explained that the Secretary of State's guidelines do not attempt to anticipate every type of document an agency produces or receives and to the extent the Secretary of State's guidelines do not cover certain kinds of documents that the FWCJUA generates or receives, we will be able to propose a retention schedule to the Secretary of State office and receive guidance from the Secretary of State on whether or not it agrees with our proposed document retention policy. Maida then explained that the third part of the Public Records Act that the Committee needs to be concerned with is the manner in which the FWCJUA will have to respond to requests for the production of public records and again, he explained that he will provide the FWCJUA with some guidance on how to comply with those requests.

Considerable discussion ensued regarding storage issues, document management issues, disaster recovery issues and audio recording of meetings and Neff suggested that the Committee consider recommending to the Board that it go out to the membership and solicit participants for a document management subcommittee to help with the transition. Hearing no comment, Neff then suggested that the Committee look for a specific recommendation from staff based upon everything they know at the present time or prior to the June 12th Board meeting as to the equipment and infrastructure the JUA will need to acquire to deal with the challenges in storage, document management, disaster recovery and audio recordings of meetings.

MOTION by Neff, seconded by Hodges, to direct staff to recommend to the full Board on June 12th, as to the equipment and infrastructure the FWCJUA will need to purchase to deal with the challenges in storage, document management, disaster recovery and audio recordings of meetings, outlined in the new law. PASSED.

The discussion then led to the responsibilities of the new Board and Neff asked Maida to give the Committee an opinion as to whether the FWCJUA will have a Board in place come July 1st. He also asked Maida to explain what he thinks is the current Board; what he thinks is the interim Board and then, the ultimate Board under the new law. Maida responded that those are issues that he has been struggling with and has had conversations with Dan Sumner about. He explained that there are several ways the law can be looked at and one way it can potentially be viewed is that the consumer advocate and the three members previously appointed by the Financial Services Commission would continue on the Board until further action by the Financial Services Commission. He then advised that he is still trying to get his arms around that issue and obtain a legal opinion that all will agree with as quickly as possible because it is important that the FWCJUA get the answers to that issue by the next Board meeting scheduled for June 12th.

VI. BUDGET EXPENSE CONSIDERATIONS:

Operations Manual Redesign. Torrence then reported that the Operations Committee will consider a recommendation related to the Operations Manual redesign. She explained that in exploring options related to redesigning the format of the Operations Manual as required by the 2007 business plan, staff experimented with several applications for editing and output. The primary purpose of the review was to simplify the ongoing maintenance of the Manual, thereby, permitting enhanced staff redundancy related to the drafting and revision process. Word and Publisher were tested, and it was determined that leaving the document in the current application, Adobe InDesign, would be the most efficient tool in maintaining the Manual. InDesign is the industry standard application for creating and revising large documents like the Operations Manual. Another important consideration was the ability for simultaneous edition of the same document while providing for complete editorial control which the Adobe product, InCopy, adequately addresses. The final "format" of the Manual can be modified as needed, but staff believes the best tool for maintaining and creating the PDF document is still utilizing the Adobe products.

**MINUTES OF THE MEETING OF THE OPERATIONS COMMITTEE OF THE
FLORIDA WORKERS' COMPENSATION JOINT UNDERWRITING ASSOCIATION, INC.
HELD ON MAY 30, 2007 AT 10:00 A.M. VIA TELECONFERENCE**

Further, to maintain the Manual with Adobe products requires the purchase of upgrade versions of the products as well as an additional license with a total cost of \$1,780. We have the project in the budget as exploratory for \$2,600; however, it is recommended that additional training for two staffers be purchased to ensure that we are utilizing application abilities to the fullest extent. Training classes range from \$400 to \$2,000 per person. USF has a series of two classes in July at a cost of \$210 each totaling \$840 for the training of two staffers. A quick start online class is also available for \$70. Given the existing budget for staff training and the Manual redesign project, no further budget considerations are required if we continue with the Adobe products.

MOTION by Hodges, seconded by Neff, to recommend that the Board accept staff's recommendation to maintain the Operations Manual within its current application, Adobe InDesign, recognizing that upgraded versions of the appropriate Adobe products and an additional license will be purchased without further budget considerations in 2007. PASSED.

VII. DISASTER RECOVERY MATTERS:

Disaster Recovery & Emergency Preparedness Plan. Torrence referred to the next attachment and reported that the Operations Committee shall confirm modifications to the Disaster Recovery & Emergency Preparedness Plan (DR&EP Plan). She explained that generally the Plan has been modified to move the distribution list to the Appendix section as Appendix A and re-label the remaining appendices, reflect staffing adjustments, and clarify or specify procedures. She explained that the changes are indicated in red and yellow highlight with either strikeout or underscore for quick reference.

MOTION by Neff, seconded by Hodges, to confirm the revisions to the DR&EP Plan. PASSED.

Disaster Recovery Analysis & Planning. Torrence then advised the Committee that it shall consider recommending that the Board authorize an outside disaster recovery analysis of IT Systems.

She explained that staff received three quotes for consideration regarding our request for an internal IT Systems analysis. The request was made to RSM McGladrey, Inc., SAS70 Solutions, Inc., and KraftCPA's PLLC. The three firms were companies familiar to our auditors, Thomas Howell Ferguson.

She noted that the purpose of the IT Systems analysis is an internal request to ensure the reliability of documentation of IT Systems, Disaster Recovery and Continuity, and Personnel succession. The goal is to identify both limitations and consulting expertise in enhancing and suggesting improved documentation methods for procedures and systems, including development change management. Our goal is to have adequately documented systems and procedures to recover and continue operations in the case of any type of emergency or disaster with systems, facilities or personnel.

KraftCPAs PLLC from Nashville, Tennessee provided a proposal. This firm has a large regional presence and national affiliations with RSM McGladrey. KraftCPAs proposal focuses heavily on network configurations. Their select method is to use INFOSEC Assessment Methodology (IAM) encompassing Management, Technical, and Operational reviews. They also offer hands on security testing against the network infrastructure. They would act primarily in an auditing role rather than consulting. KraftCPAs fees are estimated at \$18,000 and out-of-pocket and travel would be additional expenses.

SAS70 Solutions from Tampa, FL. also provided an inclusive proposal. SAS70's proposal focuses around a SAS 70 Readiness Assessment. This is the initial process they perform for clients preparing for a full SAS 70 audit. Since a full SAS 70 audit is beyond the scope of what we requested they felt that this approach covers the documentation and controls examination the JUA is looking for. Their proposal details the examination of internal controls as a preset list of items to review from an auditing perspective. The proposed cost from SAS70 is \$15,000 with no out-of-pocket expenses.

RSM McGladrey, Inc. located in Melbourne Fl. provided a comprehensive proposal. They are a national company with considerable references and qualifications. They have experience with companies ranging from government agencies to small financial institutions. RSM has staff located throughout Florida and several within commuting distance to Sarasota. They have divided their proposal into to two phases.

**MINUTES OF THE MEETING OF THE OPERATIONS COMMITTEE OF THE
FLORIDA WORKERS' COMPENSATION JOINT UNDERWRITING ASSOCIATION, INC.
HELD ON MAY 30, 2007 AT 10:00 A.M. VIA TELECONFERENCE**

The first phase is Integrated Business Impact Analysis and Business Continuity Planning which includes reviewing existing policies and procedures, inventorying IT assets, and Development of risk based processes and systems continuity. The second proposed phase is System Development Life Cycle (SDLC) and Change Management. This phase is to focus on the processes involved with development of applications and systems. RSM was the only proposal to offer consulting and referencing the importance of SDLC as it applies to our continuity processes. The base fees for Phase I would be \$15,000 and, if desired, Phase II would be \$19,000 and out-of-pocket and travel would be additional expenses.

RSM McGladrey is the staff recommendation for the analysis based upon the level and type of consulting offered, keeping in mind that a secondary goal of the analysis is to gain a consulting partner that can provide ongoing expertise in systems processes to assist us in any situation from emergencies, upgrades, and succession. They have expertise in standards and formats such as CobiT and Six Sigma which will help ensure our generated policies and procedures will fall within industry expectations.

It was the consensus of the Committee to delay recommending action to the Board regarding the engagement of any one of the firms to perform an outside disaster recovery analysis of the FWCJUA's IT Systems until after implementation of the new law given that it might be prudent to expand the scope of the analysis to incorporate features related to the new law. Further, the Committee agreed this issue was better left for the new Board to consider.

IX. 2006 OPERATIONS REPORT: Torrence reported that each year Travelers, in conjunction with FWCJUA staff, performs an in-depth review of the FWCJUA's book of business to identify: the current composition of the book of business, noting changes from prior years; any trends that may be developing; the level of Travelers' compliance with specified performance standards; any recommendations for enhancing standards; and any other recommendations for improving overall performance to benefit policyholders.

She referred to the attached 2006 Operations Review and summarized the recommendations that resulted from the 2006 review of operations along with the implementation status of each recommendation. Torrence then explained that this item is informational and no action by the Committee is required.

X. PRELIMINARY SERVICE PROVIDER AUDIT RESULTS: Torrence reported that this item is informational and no Committee action is required. She indicated that the Business Plan requires the FWCJUA to conduct an audit of Travelers, which was originally scheduled for the third week in May, however, due to the five committee meetings and the Legislatures enactment of the two bills related to the FWCJUA, staff has postponed the audit until at least mid-July. She then referred to an NCCI carrier data quality report and noted that the FWCJUA scored an "A" as well as a "PASS" grade in the timeliness and quality of the 2006 Financial and Unit Statistical information reported. She noted that Travelers received a score of 99.8% which represents the amount of unit stat data reported on time and further pointed out that Lopez scored 100% reporting financial data to the NCCI.

XI. GENERAL ANNOUNCEMENTS: There were no general announcements.

XII. ADJOURNMENT AND CLOSING REMARKS: There being no further business, the meeting was adjourned at 11:30 a.m.

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

Respectfully submitted,

Pat Cannassa, *Chair*

FWCJUA COMMITTEES & MEMBERS

(As of June 6, 2007)

AUDIT COMMITTEE

Chair: Neff
Johnson
Vecchioli

EXECUTIVE COMPENSATION COMMITTEE

Chair: Neff
Cannassa
Hodges

INVESTMENT COMMITTEE

Chair: Neff
Johnson
Revels

MAP COMMITTEE

Chair: Milligan
Dannenhauer
Neff

OPERATIONS COMMITTEE

Chair: Cannassa
Hodges
Neff

PRODUCER COMMITTEE

Chair: Pacheco
Dannenhauer
Milligan

PRODUCER APPEALS COMMITTEE

Chair: Dannenhauer
Neff
Vecchioli

RATES & FORMS COMMITTEE

Chair: Neff
Cannassa
Pacheco

REINSURANCE COMMITTEE

Chair: Vecchioli
Cannassa
Revels

SAFETY COMMITTEE

Chair: Pacheco
Cannassa
Revels

FWCJUA COMMITTEES & MEMBERS

(As of June 6, 2007)

CANNASSA (CNA)

Operations (**Chair**)
Executive Compensation
Rates & Forms
Reinsurance
Safety

DANNENHAUER (FAIA)

Producer Appeals (**Chair**)
MAP
Producer

HODGES (Summit Holdings)

Operations
Executive Compensation

JOHNSON (FCCI Mutual)

Audit
Investment

MILLIGAN (Consumer Advocate)

MAP (**Chair**)
Producer

NEFF (FSC Appointment)

Audit (**Chair**)
Executive Compensation (**Chair**)
Investment (**Chair**)
Rates & Forms (**Chair**)
MAP
Operations
Producer Appeals

PACHECO (AIIS)

Producer (**Chair**)
Safety (**Chair**)
Rates & Forms

REVELS (FSC Appointment)

Investment
Reinsurance
Safety

VECCHIOLI (FSC Appointment)

Reinsurance (**Chair**)
Audit
Producer Appeals

ELECTION OF VICE CHAIR

The Board shall consider whether it is advisable, at this time, to fill the Vice Chair vacancy and thus, the corporate officer position of Vice President.

The FWCJUA Sixth Amended ByLaws provide that the FWCJUA shall have "... a Vice President, who shall be elected by the Board and shall serve at the pleasure of the Board, and who shall serve as Vice Chair;..."

The Board shall determine whether to elect a corporate Vice President and thus, a Vice Chair; and if so, direct staff on whether to update the FWCJUA banking records accordingly.

MARKET CONDUCT EXAM

The Board shall be provided with a summary of the draft findings of the market conduct exam if they are available at the time of the meeting and shall provide staff direction with regard to the FWCJUA's response to the draft findings.

LEGISLATIVE REPORT

Tom Maida shall provide the Board with an update on the status of Senate Bill 1894 and House Bill 7169.

IMPLEMENTATION ISSUES RELATED TO SB 1894 & HB 7169

The Board shall consider the implementation issues related to SB 1894 and HB 7169 becoming law. The significant provisions of the enacted legislation which immediately impact the day-to-day governance and operations of the FWCJUA relate to the Board Appointment Process, the Public Records Act and Sunshine Law, the Ethics Requirements and, to a lesser degree, the Procurement of Goods and Services.

The FWCJUA's Articles of Incorporation, Bylaws and Operations Manual are the three component parts of the FWCJUA's Plan of Operation. To implement the SB 1894 and HB 7169, it has been determined that the Bylaws and the Operations Manual will need to be revised. Seventh Amended Bylaws are in the process of being drafted and will be distributed under separate cover for Board consideration at the June 12th meeting. Further, the Operations Manual revisions, to include form revisions, have been included for Board consideration in the Rates & Forms Committee Report of this agenda.

With regard to the Seventh Amended Bylaws, it is important for the Board to recognize that the Bylaws must be amended, adopted by the Board, and then approved by OIR, in order to begin the Board selection and appointment process. At this time, the preparatory stages of the appointment process are underway. Watford and counsel are working together to identify the list of the top 20 foreign and top 20 domestic writers of workers' compensation insurance in Florida who may be able to participate in the nomination portion of the appointment process. Further, the specifics related to how the appointment process will be conducted are being drafted into the Bylaws. It should be noted that there is not a tremendous amount of guidance in the law nor is there any case law precedents on how we are suppose to view the overall appointment process, so we are trying to interpret the legislation in a reasonable fashion. At this time, we anticipate working with Dan Sumner, General Counsel with DFS, to develop a process is mutually acceptable.

Another issue that Maida will discuss with the Board at its June 12th meeting is the status of the Board as of July 1st. Legal research is being conducted to determine the status of the Board as of July 1st taking into consideration the current FWCJUA statute and the enacted FWCJUA legislation along with the "Hold Over" doctrine of Chapter 617; and it is anticipated that Maida will have the findings of the legal research available when he advise the Board on this matter at the meeting.

The FWCJUA's current "Code of Business Conduct and Ethics" and "Statement of Policy Regarding Potential Conflicts of Interest" are being reviewed and will be redrafted as warranted and when appropriate. If and when the enacted legislation becomes law, members of the Board of Governors officers and senior managers will be subject to the following provisions of the state Code of Ethics for Public Officers and Employees:

1. Section 112.313, standards of conduct
2. Section 112.3135, restrictions on employment of relatives
3. Section 112.3143, voting conflicts
4. Section 112.3145, disclosure of financial interests
5. Section 112.316, construction of code of ethics
6. Section 112.317, penalties.

With regard to the disclosure of financial interests, attached is the form that the Board members, officers and senior managers will be required to file. Further, it appears that the form must be filed with the Commission on Ethics and with the Office on Insurance Regulation no later than July 1 of each year.

Further, apparently a subject person must file a final statement (Commission on Ethics Form 1F) within 60 days after leaving office or employment. A new employee or appointee must file Form 1 within 30 days after the date of appointment or the beginning of employment. The 2007 legislation does not address financial disclosure by board members in office and senior managers employed as of the effective date of the act, but in an abundance of caution, it might be preferable for members, senior managers, and officers who become subject to the financial disclosure requirements by virtue of the new law to consider filing Form 1 by July 31, 2007 (30 days after the effective date of the new law).

With regard to the Public Records Act, the FWCJUA must readdress its document management and retention procedures immediately. First, we must appreciate the definition of a public record. Counsel has provided the following initial response to the question, “*What is a public record?*”

The public records law defines public records as any “documents, papers, letters, maps, books, tapes, photographs, films, sound recordings, data processing software, or other material, regardless of the physical form, characteristics, or means of transmission, made or received pursuant to law or ordinance or in connection with the transaction of official business by an agency.”

The key elements of this definition are that virtually any item in any form could be a public record, but an item is not a public record if it is neither:

- Made or received pursuant to law, nor
- Made or received in connection with the transaction of official business.

Under the leading Florida Supreme Court case on the subject, public records encompass all materials made or received by an agency in connection with official business which are used to perpetuate, communicate, or formalize knowledge.

A document or the equivalent need not be “final” in order to be considered a public record. Preliminary materials such as notes, interoffice memos, and drafts are public records if they are transmitted or intended to be transmitted to any person other than the individual who prepared the note, memo, or draft, but notes which are taken by a person and intended solely for that person’s own use in remembering certain things are not public records.

Records retention requirements related to public records are established by the Division of Library and Information Services of the Department of State. These requirements include general retention schedules establishing the minimum period of time for which a record must be preserved applicable to all agencies, specialized schedules for preservation of records that are unique to an agency and therefore not covered by the general schedule, and requirements that govern how a record must be preserved. General Records Schedule GS1-SL establishes the minimum records retention periods for most records that are held by most agencies. The current edition of this schedule is dated November 1, 2006 and is 85 pages long, thus it was not distributed with this agenda. Further, records retention schedules must be established for FWCJUA-specific items that are not covered by the general records retention schedule previously described. The Department of State establishes these schedules after receiving an application on Form LS5E105Reff.1-01. A separate form must be submitted for each “record series” (i.e., category of document). Finally, technical standards for maintenance of electronic records are governed by Rule 1B-26.003, Florida Administrative Code (copy attached). In general, these standards are intended to assure that the public has the same access to all records, regardless of whether they are stored electronically or as hard copy. The rule also specifies the required documentation and level of security, provides guidelines for selection of storage media, and specifies physical requirements to prevent degradation of long-term or permanently maintained information.

Obviously, staff and counsel will be reviewing the public record requirements and will formalize an internal plan for compliance. It should be noted that many more records will be required to be maintained for longer periods of time, so physical storage will become an issue. Also, staff has not yet been able to evaluate the methods available to an organization of our size with such public record requirements to determine the best approach for compliance. However, some initial IT concerns and recommendations were discussed with the Operations Committee at its May 30th meeting, and will be considered by the Board during the Operations Committee Report. Further, given the immediate need for additional scanning capacity in the FWCJUA office to comply with maintaining public records effective July 1, 2007, the Executive Director requisitioned on June 6th an additional scanner, PC and the appropriate licenses from our document management vendor and Dell at a cost of approximately \$15,000 with recurring maintenance costs of \$2,050 to ensure the equipment would be received and installed by July 1st. Finally, the Board should be aware that the public record requirements appear to support the need for additional staff. Until staff can determine the best workflow plans for the overall implementation of the enacted legislation, we are not yet ready to decide on job titles and responsibilities. Initially, any additional non-IT support staff requirements related to the public record requirements will be addressed through temporary services until a comprehensive staffing plan can be formulated.

The Procurement of Goods and Services provision of the legislation is cumbersome, and thus will require some adjustments to workflow and partially supports the need for an additional staff member. Again, until staff can determine the best workflow plans for the overall implementation of the enacted legislation, we are not yet ready to decide on job titles and responsibilities. Thus, any additional support staff requirements related to this provision will be addressed through temporary services until a comprehensive staffing plan can be formulated.

Preparations have also begun to ensure the association is positioned to effectively apply to the IRS for a determination of eligibility as a tax exempt entity by January 1, 2008. The Rates & Forms Committee is recommending in its report that the Board consider securing a loss reserve analysis as of 6/30/2007 from Milliman. Further, given time is of the essence and staff was unable to schedule an Audit Committee meeting prior to the Board meeting, the Board shall consider engaging an auditor to audit the FWCJUA's financial statements on a statutory basis for the period ending June 30, 2007. The Board shall further consider engaging a tax expert to file the private letter request for tax exempt status as an integral part of the state as well as to prepare the tax return for the period ending June 30, 2007.

Staff is recommending the engagement of Thomas Howell Ferguson (THF) for these services, given THF's familiarity with both the FWCJUA itself as well as the FWCJUA's quest for a federal tax exemption. Following is THF's estimate of fees as provided by Andy Gray for the following services:

1. Filing private letter request for exempt status as an integral part of the state \$10,000 - \$15,000 – not to exceed \$15,000.
2. Preparation of the tax return for the period ending June 30, 2007. \$6,000
3. Audit on a statutory basis for the period ending June 30, 2007. - \$50,000.

Additionally, THF has indicated that it is expected that for the year ending December 31, 2007 that the fee will be reduced from the current engagement letter by \$6,000 since it is assumed that a return will not be filed. The remaining fee should be reduced by approximately 15% due to the savings from the short period audit. Staff also secured a quote from another auditing/tax firm for said services and shall share their thoughts on the firm's proposal to provide the services at the meeting.

In closing, the Board should be aware that counsel recently provided staff with a first draft "Code of Ethics/Public Records/Open Meetings Compliance Manual." It is certainly a work in progress, but should assist staff in preparing for July 1st. Also, when finalized, the Manual should prove to be a valuable orientation tool for the new Board.




The Board shall determine what action should be taken with regard to the above-referenced issues and what on-going direction it should provide staff with regards to implementing the enacted legislation.

USING ELECTRONIC FORMS

There are two options for utilizing our online forms if you are using the Free Adobe Acrobat Reader®:

1. You may print a blank form, fill it out, sign it under oath, and send it in.
2. Or, you can type your disclosure information directly on the form and then print it out, sign it under oath, and send it in.

For Option 2:

- Select the hand tool  from the Acrobat toolbar menu.
- Move the hand inside a field. Click when it changes to an I-beam pointer . The I-beam pointer allows you to type text. The hand tool will also become a pointer tool when it passes over a box, which allows you to click and check the box.
- Press tab to accept the information you have typed and go to the next field.
- Press shift+tab to accept the information you have typed and go to the previous field.
- Typed text that goes beyond the limit of a field will not be printed. You may shorten the entry by using generally accepted abbreviations.
- You may also use your mouse to move from field to field.
- Use the zoom tool  to magnify the page for easier viewing.

IMPORTANT – PLEASE READ:

- OPEN UP THE APPROPRIATE SET OF INSTRUCTIONS FOR THE FORM OR PRINT THEM OUT. CAREFULLY READ AND FOLLOW THE INSTRUCTIONS FOR COMPLETING THE FORM. THEY CONTAIN HELPFUL INFORMATION AND EXAMPLES TO ASSIST YOU.
- **FORMS CANNOT BE ELECTRONICALLY SUBMITTED.**
- USE THE PRINT BUTTON ON THE ADOBE TOOL BAR TO PRINT THE FORM. YOUR INTERNET BROWSER'S PRINT BUTTON WILL NOT PRINT THE FORM.
- FILLED-IN FORMS **CANNOT BE SAVED ON YOUR COMPUTER.** IF YOU ATTEMPT TO SAVE YOUR FORM, IT WILL CLEAR ALL THE INFORMATION YOU INPUT.
- MAKE SURE THAT YOU MAKE A COPY OF YOUR COMPLETE DISCLOSURE FORM AND KEEP IT WITH YOUR IMPORTANT PAPERS.

FINANCIAL INTERESTS

Please print or type your name, mailing address, agency name, and position below:

LAST NAME -- FIRST NAME -- MIDDLE NAME : _____

MAILING ADDRESS : _____

CITY : _____ ZIP : _____ COUNTY : _____

NAME OF AGENCY : _____

NAME OF OFFICE OR POSITION HELD OR SOUGHT : _____

FOR OFFICE USE ONLY:

ID Code

ID No.

Conf. Code

P. Req. Code

You are not limited to the space on the lines on this form. Attach additional sheets, if necessary.

CHECK ONLY IF CANDIDATE OR NEW EMPLOYEE OR APPOINTEE

****BOTH PARTS OF THIS SECTION MUST BE COMPLETED****

DISCLOSURE PERIOD:

THIS STATEMENT REFLECTS YOUR FINANCIAL INTERESTS FOR THE PRECEDING TAX YEAR, WHETHER BASED ON A CALENDAR YEAR OR ON A FISCAL YEAR. PLEASE STATE BELOW WHETHER THIS STATEMENT IS FOR THE PRECEDING TAX YEAR ENDING EITHER (check one):

DECEMBER 31, 2006 OR SPECIFY TAX YEAR IF OTHER THAN THE CALENDAR YEAR: _____

MANNER OF CALCULATING REPORTABLE INTERESTS:

THE LEGISLATURE ALLOWS FILERS THE OPTION OF USING REPORTING THRESHOLDS THAT ARE ABSOLUTE DOLLAR VALUES, WHICH REQUIRES FEWER CALCULATIONS, OR USING COMPARATIVE THRESHOLDS, WHICH ARE USUALLY BASED ON PERCENTAGE VALUES (see instructions for further details). PLEASE STATE BELOW WHETHER THIS STATEMENT REFLECTS EITHER (check one):

COMPARATIVE (PERCENTAGE) THRESHOLDS OR DOLLAR VALUE THRESHOLDS

PART A -- PRIMARY SOURCES OF INCOME [Major sources of income to the reporting person]

NAME OF SOURCE OF INCOME	SOURCE'S ADDRESS	DESCRIPTION OF THE SOURCE'S PRINCIPAL BUSINESS ACTIVITY

PART B -- SECONDARY SOURCES OF INCOME [Major customers, clients, and other sources of income to businesses owned by the reporting person]

NAME OF BUSINESS ENTITY	NAME OF MAJOR SOURCES OF BUSINESS' INCOME	ADDRESS OF SOURCE	PRINCIPAL BUSINESS ACTIVITY OF SOURCE

PART C -- REAL PROPERTY [Land, buildings owned by the reporting person]

FILING INSTRUCTIONS for when and where to file this form are located at the bottom of page 2.

INSTRUCTIONS on who must file this form and how to fill it out begin on page 3.

OTHER FORMS you may need to file are described on page 6.

PART D — INTANGIBLE PERSONAL PROPERTY [Stocks, bonds, certificates of deposit, etc.]	
TYPE OF INTANGIBLE	BUSINESS ENTITY TO WHICH THE PROPERTY RELATES

PART E — LIABILITIES [Major debts]	
NAME OF CREDITOR	ADDRESS OF CREDITOR

PART F — INTERESTS IN SPECIFIED BUSINESSES [Ownership or positions in certain types of businesses]			
	BUSINESS ENTITY # 1	BUSINESS ENTITY # 2	BUSINESS ENTITY # 3
NAME OF BUSINESS ENTITY			
ADDRESS OF BUSINESS ENTITY			
PRINCIPAL BUSINESS ACTIVITY			
POSITION HELD WITH ENTITY			
I OWN MORE THAN A 5% INTEREST IN THE BUSINESS			
NATURE OF MY OWNERSHIP INTEREST			

IF ANY OF PARTS A THROUGH F ARE CONTINUED ON A SEPARATE SHEET, PLEASE CHECK HERE

SIGNATURE (required):

DATE SIGNED (required):

FILING INSTRUCTIONS:

WHAT TO FILE:

After completing all parts of this form, including signing and dating it, send back only the first sheet (pages 1 and 2) for filing.

If you have nothing to report in a particular section, you must write "none" or "n/a" in that section(s).

Facsimiles will not be accepted.

NOTE:

MULTIPLE FILING UNNECESSARY:

Generally, a person who has filed Form 1 for a calendar or fiscal year is not required to file a second Form 1 for the same year. However, a candidate who previously filed Form 1 because of another public position must at least file a copy of his or her original Form 1 when qualifying.

WHERE TO FILE:

If you were mailed the form by the Commission on Ethics or a County Supervisor of Elections for your annual disclosure filing, return the form to that location.

Local officers/employees file with the Supervisor of Elections of the county in which they permanently reside. (If you do not permanently reside in Florida, file with the Supervisor of the county where your agency has its headquarters.)

State officers or specified state employees file with the Commission on Ethics, P.O. Drawer 15709, Tallahassee, FL 32317-5709; physical address: 3600 Maclay Boulevard, South, Suite 201, Tallahassee, FL 32312.

Candidates file this form together with their qualifying papers.

To determine what category your position falls under, see the "Who Must File" Instructions on page 3.

WHEN TO FILE:

Initially, each local officer/employee, state officer, and specified state employee must file **within 30 days** of the date of his or her appointment or of the beginning of employment. Appointees who must be confirmed by the Senate must file prior to confirmation, even if that is less than 30 days from the date of their appointment.

Candidates for publicly-elected local office must file at the same time they file their qualifying papers.

Thereafter, local officers/employees, state officers, and specified state employees are required to file by July 1st following each calendar year in which they hold their positions.

Finally, at the end of office or employment, each local officer/employee, state officer, and specified state employee is required to file a final disclosure form (Form 1F) within 60 days of leaving office or employment.

INSTRUCTIONS FOR COMPLETING FORM 1 STATEMENT OF FINANCIAL INTERESTS

WHO MUST FILE FORM 1:

All persons who fall within the categories of "state officers," "local officers/employees," "specified state employees," as well as candidates for elective local office, are required to file Form 1. Positions within these categories are listed below. Persons required to file full financial disclosure (Form 6) and officers of the judicial branch do not file Form 1 (see Form 6 for a list of persons who must file that form).

STATE OFFICERS include the following positions for state officials:

1) Elected public officials not serving in a political subdivision of the state and any person appointed to fill a vacancy in such office, unless required to file full disclosure on Form 6.

2) Appointed members of each board, commission, authority, or council having statewide jurisdiction, excluding members of sole advisory bodies; but including judicial nominating commission members; Directors of the Florida Black Business Investment Board, Enterprise Florida, Scripps Florida Funding Corporation, Workforce Florida, and Space Florida; Members of the Florida Commission on Tourism, Florida Substance Abuse and Mental Health Corporation, and the Council on the Social Status of Black Men and Boys; and Governors and senior managers of Citizens Property Insurance Corporation.

3) The Commissioner of Education, members of the State Board of Education, the Board of Governors, and the local Boards of Trustees and Presidents of state universities.

LOCAL OFFICERS/EMPLOYEES include the following positions for officers and employees of local government:

1) Persons elected to office in any political subdivision (such as municipalities, counties, and special districts) and any person appointed to fill a vacancy in such office, unless required to file full disclosure on Form 6.

2) Appointed members of the following boards, councils, commissions, authorities, or other bodies of any county, municipality, school district, independent special district, or other political subdivision: the governing body of the subdivision; an expressway authority or transportation authority established by general law; members of the Tampa Bay Commuter Rail Authority; a community college or junior college district board of trustees; a board having the power to enforce local code provisions; a board of adjustment; a planning or zoning board having the power to recommend, create, or modify land planning or zoning within the political subdivision, except for citizen advisory committees, technical coordinating committees, and similar groups who only have the power to make recommendations to planning or zoning boards; a pension board or retirement board empowered to invest pension or retirement funds or to determine entitlement to or amount of a pension or other retirement benefit.

3) Any other appointed member of a local government board who is required to file a statement of financial interests by the appointing authority or the enabling legislation, ordinance, or resolution creating the board.

4) Persons holding any of these positions in local government: Mayor; county or city manager; chief administrative employee of a county, municipality, or other political subdivision; county or municipal attorney; chief county or municipal building inspector; county or municipal water resources coordinator; county or municipal pollution control director; county or municipal environmental control director; county or municipal administrator with power to grant or deny a land development permit; chief of police; fire chief; municipal clerk; appointed district school superintendent; community college president; district medical examiner; purchasing agent (regardless of title) having the authority to make any purchase exceeding \$15,000 for the local governmental unit.

SPECIFIED STATE EMPLOYEES include the following positions for state employees:

1) Employees in the office of the Governor or of a Cabinet member who are exempt from the Career Service System, excluding secretarial, clerical, and similar positions.

2) The following positions in each state department, commission, board, or council: Secretary, Assistant or Deputy Secretary, Executive Director, Assistant or Deputy Executive Director, and anyone having the power normally conferred upon such persons, regardless of title.

3) The following positions in each state department or division: Director, Assistant or Deputy Director, Bureau Chief, Assistant Bureau Chief, and any person having the power normally conferred upon such persons, regardless of title.

4) Assistant State Attorneys, Assistant Public Defenders, Public Counsel, full-time state employees serving as counsel or assistant counsel to a state agency, administrative law judges, and hearing officers.

5) The Superintendent or Director of a state mental health institute established for training and research in the mental health field, or any major state institution or facility established for corrections, training, treatment, or rehabilitation.

6) State agency Business Managers, Finance and Accounting Directors, Personnel Officers, Grant Coordinators, and purchasing agents (regardless of title) with power to make a purchase exceeding \$15,000.

7) The following positions in legislative branch agencies: each employee (other than those employed in maintenance, clerical, secretarial, or similar positions and legislative assistants exempted by the presiding officer of their house); and each employee of the Commission on Ethics.

INSTRUCTIONS FOR COMPLETING FORM 1:

INTRODUCTORY INFORMATION (At Top of Form):

If your name, mailing address, public agency, and position are already printed on the form, you do not need to provide this information unless it should be changed. To change any of this information, write the correct information on the form, then contact your agency's financial disclosure coordinator. Your coordinator is identified in the financial disclosure portal on the Commission on Ethics website: www.ethics.state.fl.us.

NAME OF AGENCY: This should be the name of the governmental unit which you serve or served, by which you are or were employed, or for which you are a candidate. For example, "City of Tallahassee," "Leon County," or "Department of Transportation."

OFFICE OR POSITION HELD OR SOUGHT: Use the title of the office or position you hold, are seeking, or held during the disclosure period (in some cases you may not hold that position now, but you still would be required to file to disclose your interests during the last year you held that position). For example, "City Council Member," "County Administrator," "Purchasing Agent," or "Bureau Chief." If you are a candidate for office or are a new employee or appointee, check the appropriate box.

MAILING ADDRESS: If your home address appears on the form but you prefer another address be shown, change the address as described above. If you are an active or former officer or employee listed in Section 119.071(4)(d), F.S., whose home address is exempt from disclosure, the Commission is required to maintain the confidentiality of your home address **if you submit a written request for confidentiality**. Persons

listed in Section 119.071(4)(d), F.S., are encouraged to provide an address other than their home address.

DISCLOSURE PERIOD: The tax year for most individuals is the calendar year (January 1 through December 31). If that is the case for you, then your financial interests should be reported for the calendar year 2006; just check the box and you do not need to add any information in this part of the form. However, if you file your IRS tax return based on a tax year that is not the calendar year, you should specify the dates of your tax year in this portion of the form and check the appropriate box. This is the time frame or "disclosure period" for your report.

MANNER OF CALCULATING REPORTABLE INTERESTS: As noted in this portion of the form, the Legislature has given filers the option of reporting based on either thresholds that are comparative (usually, based on percentage values) or thresholds that are based on absolute dollar values. The instructions on the following pages specifically describe the different thresholds. Simply check the box that reflects the choice you have made. You must use the type of threshold you have chosen for each part of the form. In other words, if you choose to report based on absolute dollar value thresholds, you cannot use a percentage threshold on any part of the form.

(CONTINUED on page 4) 

PART A — PRIMARY SOURCES OF INCOME

[Required by Sec. 112.3145(3)(a)1 or (b)1, Fla. Stat.]

Part A is intended to require the disclosure of your principal sources of income during the disclosure period. You do not have to disclose the amount of income received. The sources should be listed in descending order, with the largest source first. Please list in this part of the form the name, address, and principal business activity of each source of your income which (depending on whether you have chosen to report based on percentage thresholds or on dollar value thresholds) either:

exceeded five percent (5%) of the gross income received by you in your own name or by any other person for your benefit or use during the disclosure period, **or**

exceeded \$2,500.00 (of gross income received during the disclosure period by you in your own name or by any other person for your use or benefit).

You need not list your public salary received from serving in the position(s) which requires you to file this form, but this amount should be included when calculating your gross income for the disclosure period. The income of your spouse need not be disclosed. However, if you are reporting based on percentage thresholds and if there is joint income to you and your spouse from property held by the entireties (such as interest or dividends from a bank account or stocks held by the entireties), you should include all of that income when calculating your gross income and disclose the source of that income if it exceeded the 5% threshold.

“Gross income” means the same as it does for income tax purposes, including all income from whatever source derived, such as compensation for services, gross income from business, gains from property dealings, interest, rents, dividends, pensions, social security, distributive share of partnership gross income, and alimony, but not child support.

Examples:

— If you were employed by a company that manufactures computers and received more than 5% of your gross income (salary, commissions, etc.) from the company (or, alternatively, \$2,500), then you should list the name of the company, its address, and its principal business activity (computer manufacturing).

— If you were a partner in a law firm and your distributive share of partnership gross income exceeded 5% of your gross income (or, alternatively, \$2,500), then you should list the name of the firm, its address, and its principal business activity (practice of law).

— If you were the sole proprietor of a retail gift business and your gross income from the business exceeded 5% of your total gross income (or, alternatively, \$2,500), then you should list the name of the business, its address, and its principal business activity (retail gift sales).

— If you received income from investments in stocks and bonds, you are required to list only each individual company from which you derived more than 5% of your gross income (or, alternatively, \$2,500), rather than aggregating all of your investment income.

— If more than 5% of your gross income (or, alternatively, \$2,500) was gain from the sale of property (not just the selling price), then you should list as a source of income the name of the purchaser, the purchaser's address, and the purchaser's principal business activity. If the purchaser's identity is unknown, such as where securities listed on an exchange are sold through a brokerage firm, the source of income should be listed simply as “sale of (name of company) stock,” for example.

— If more than 5% of your gross income (or, alternatively, \$2,500) was in the form of interest from one particular financial institution (aggregating interest from all CD's, accounts, etc., at that institution), list the name of the institution, its address, and its principal business activity.

PART B — SECONDARY SOURCES OF INCOME

[Required by Sec. 112.3145(3)(a)2 or (b)2, Fla. Stat.]

This part is intended to require the disclosure of major customers, clients, and other sources of income to businesses in which you own an interest. You will **not** have anything to report **unless** :

(a) If you are reporting based on percentage thresholds:

(1) You owned (either directly or indirectly in the form of an equitable or beneficial interest) during the disclosure period more than five percent (5%) of the total assets or capital stock of a business entity (a corporation, partnership, limited partnership, proprietorship, joint venture, trust, firm, etc., doing business in Florida); **and**

(2) You received more than ten percent (10%) of your gross income during the disclosure period from that business entity; **and**

(3) You received more than \$1,500 in gross income from that business entity during the period.

(b) If you are reporting based on dollar value thresholds:

(1) You owned (either directly or indirectly in the form of an equitable or beneficial interest) during the disclosure period more than five percent (5%) of the total assets or capital stock of a business entity (a corporation, partnership, limited partnership, proprietorship, joint venture, trust, firm, etc., doing business in Florida); **and**

(2) You received more than \$5,000 of your gross income during the disclosure period from that business entity.

If your interests and gross income exceeded the appropriate thresholds listed above, then for that business entity you must list every source of income to the business entity which exceeded ten percent (10%) of the business entity's gross income (computed on the basis of the business entity's most recently completed fiscal year), the source's address, and the source's principal business activity.

Examples:

— You are the sole proprietor of a dry cleaning business, from which you received more than 10% of your gross income (an amount that was more than \$1,500) (or, alternatively, more than \$5,000, if you are using dollar value thresholds). If only one customer, a uniform rental company, provided more than 10% of your dry cleaning business, you must list the name of the uniform rental company, its address, and its principal business activity (uniform rentals).

— You are a 20% partner in a partnership that owns a shopping mall and your partnership income exceeded the thresholds listed above. You should list each tenant of the mall that provided more than 10% of the partnership's gross income, the tenant's address and principal business activity.

— You own an orange grove and sell all your oranges to one marketing cooperative. You should list the cooperative, its address, and its principal business activity if your income met the thresholds.


PART C — REAL PROPERTY

[Required by Sec. 112.3145(3)(a)3 or (b)3, Fla. Stat.]

In this part, please list the location or description of all real property (land and buildings) in Florida in which you owned directly or indirectly at any time during the previous tax year in excess of five percent (5%) of the property's value. This threshold is the same, whether you are using percentage thresholds or dollar thresholds. You are not required to list your residences and vacation homes; nor are you required to state the value of the property on the form.

Indirect ownership includes situations where you are a beneficiary of a trust that owns the property, as well as situations where you are more than a 5% partner in a partnership or stockholder in a corporation that owns the property. The value of the property may be determined by the most recently assessed value for tax purposes, in the absence of a more current appraisal.

The location or description of the property should be sufficient to enable anyone who looks at the form to identify the property. Although a legal description of the property will do, such a lengthy description is not required. Using simpler descriptions, such as “duplex, 115 Terrace Avenue, Tallahassee” or “40 acres located at the intersection of Hwy. 60 and I-95, Lake County” is sufficient. In some cases, the property tax identification number of the property will help in identifying it: “120 acre ranch on Hwy. 902, Hendry County, Tax ID # 131-45863.”

(CONTINUED on page 5) 

Examples:

— You own 1/3 of a partnership or small corporation that owns both a vacant lot and a 12% interest in an office building. You should disclose the lot, but are not required to disclose the office building (because your 1/3 of the 12% interest—which equals 4%—does not exceed the 5% threshold).

— If you are a beneficiary of a trust that owns real property and your interest depends on the duration of an individual's life, the value of your interest should be determined by applying the appropriate actuarial table to the value of the property itself, regardless of the actual yield of the property.

PART D — INTANGIBLE PERSONAL PROPERTY

[Required by Sec. 112.3145(3)(a)3 or (b)3, Fla. Stat.]

Provide a general description of any intangible personal property that, at any time during the disclosure period, was worth more than:

(1) ten percent (10%) of your total assets (if you are using percentage thresholds), or

(2) \$10,000 (if you are using dollar value thresholds),

and state the business entity to which the property related. Intangible personal property includes such things as money, stocks, bonds, certificates of deposit, interests in partnerships, beneficial interests in a trust, promissory notes owed to you, accounts receivable by you, IRA's, and bank accounts. Such things as automobiles, houses, jewelry, and paintings are not intangible property. Intangibles relating to the same business entity should be aggregated; for example, two certificates of deposit and a savings account with the same bank. Where property is owned by husband and wife as tenants by the entirety (which usually will be the case), the property should be valued at 100%.

Calculations: In order to decide whether the intangible property exceeds 10% of your total assets, you will need to total the value of all of your assets (including real property, intangible property, and tangible personal property such as automobiles, jewelry, furniture, etc.). When making this calculation, do not subtract any liabilities (debts) that may relate to the property—add only the fair market value of the property. Multiply the total figure by 10% to arrive at the disclosure threshold. List only the intangibles that exceed this threshold amount. Jointly owned property should be valued according to the percentage of your joint ownership, with the exception of property owned by husband and wife as tenants by the entirety, which should be valued at 100%. None of your calculations or the value of the property have to be disclosed on the form. If you are using dollar value thresholds, you do not need to make any of these calculations.

Examples for persons using comparative (percentage) thresholds:

— You own 50% of the stock of a small corporation that is worth \$100,000, according to generally accepted methods of valuing small businesses. The estimated fair market value of your home and other property (bank accounts, automobile, furniture, etc.) is \$200,000. As your total assets are worth \$250,000, you must disclose intangibles worth over \$25,000. Since the value of the stock exceeds this threshold, you should list "stock" and the name of the corporation. If your accounts with a particular bank exceed \$25,000, you should list "bank accounts" and bank's name.

— When you retired, your professional firm bought out your partnership interest by giving you a promissory note, the present value of which is \$100,000. You also have a certificate of deposit from a bank worth \$75,000 and an investment portfolio worth \$300,000, consisting of \$100,000 of IBM bonds and a variety of other investments worth between \$5,000 and \$50,000 each. The fair market value of your remaining assets (condominium, automobile, and other personal property) is \$225,000. Since your total assets are worth \$700,000, you must list each intangible worth more than \$70,000. Therefore, you would list "promissory note" and the name of your former partnership, "certificate of deposit" and the name of the bank, "bonds" and "IBM," but none of the rest of your investments.

PART E — LIABILITIES

[Required by Sec. 112.3145(3)(a)4 or (b)4, Fla. Stat.]

In this part of the form, list the name and address of each private or governmental creditor to whom you were indebted at any time during the disclosure period in an amount which exceeded:

(1) your net worth (if you are using percentage thresholds), or

(2) \$10,000 (if you are using dollar value thresholds).

You are not required to list the amount of any indebtedness or your net worth. You do not have to disclose any of the following: credit card and retail installment accounts, taxes owed (unless reduced to a judgment), indebtedness on a life insurance policy owed to the company of issuance, contingent liabilities, and accrued income taxes on net unrealized appreciation (an accounting concept). A "contingent liability" is one that will become an actual liability only when one or more future events occur or fail to occur, such as where you are liable only as a guarantor, surety, or endorser on a promissory note. If you are a "co-maker" and have signed as being jointly liable or jointly and severally liable, then this is not a contingent liability; if you are using the \$10,000 threshold and the total amount of the debt (not just the percentage of your liability) exceeds \$10,000, such debts should be reported.

Calculations for persons using comparative (percentage) thresholds: In order to decide whether the debt exceeds your net worth, you will need to total all of your liabilities (including promissory notes, mortgages, credit card debts, lines of credit, judgments against you, etc.). Subtract this amount from the value of all your assets as calculated above for Part D. This is your "net worth." You must list on the form each creditor to whom your debt exceeded this amount unless it is one of the types of indebtedness listed in the paragraph above (credit card and retail installment accounts, etc.). Joint liabilities with others for which you are "jointly and severally liable," meaning that you may be liable for either your part or the whole of the obligation, should be included in your calculations based upon your percentage of liability, with the following exception: joint and several liability with your spouse for a debt which relates to property owned by both of you as "tenants by the entirety" (usually the case) should be included in your calculations by valuing the asset at 100% of its value and the liability at 100% of the amount owed.

Examples for persons using comparative (percentage) thresholds:


— You owe \$15,000 to a bank for student loans, \$5,000 for credit card debts, and \$60,000 (with your spouse) to a savings and loan for a home mortgage. Your home (owned by you and your spouse) is worth \$80,000 and your other property is worth \$20,000. Since your net worth is \$20,000 (\$100,000 minus \$80,000), you must report only the name and address of the savings and loan.

— You and your 50% business partner have a \$100,000 business loan from a bank, for which you both are jointly and severally liable. The value of the business, taking into account the loan as a liability of the business, is \$50,000. Your other assets are worth \$25,000, and you owe \$5,000 on a credit card. Your total assets will be \$50,000 (half of a business worth \$50,000 plus \$25,000 of other assets). Your liabilities, for purposes of calculating your net worth, will be only \$5,000, because the full amount of the business loan already was included in valuing the business. Therefore, your net worth is \$45,000. Since your 50% share of the \$100,000 business loan exceeds this net worth figure, you must list the bank.

PART F — INTERESTS IN SPECIFIED BUSINESSES

[Required by Sec. 112.3145(5), Fla. Stat.]

The types of businesses covered in this disclosure are **only**: state and federally chartered banks; state and federal savings and loan associations; cemetery companies; insurance companies (including insurance agencies); mortgage companies; credit unions; small loan companies; alcoholic beverage licensees; pari-mutuel wagering companies, utility companies, entities controlled by the Public Service Commission; and entities granted a franchise to operate by either a city or a county government.

(CONTINUED on page 6) 

You are required to disclose in this part of the form the fact that you owned during the disclosure period an interest in, or held any of certain positions with, particular types of businesses listed above. You are required to make this disclosure if you own or owned (either directly or indirectly in the form of an equitable or beneficial interest) at any time during the disclosure period more than five percent (5%) of the total assets or capital stock of one of the types of business entities granted a privilege to operate in Florida that are listed above. You also must complete this part of the form for each of these types of businesses for which you are, or were at any time during the

disclosure period, an officer, director, partner, proprietor, or agent (other than a resident agent solely for service of process).

If you have or held such a position or ownership interest in one of these types of businesses, list (vertically for each business): the name of the business, its address and principal business activity, and the position held with the business (if any). Also, if you own(ed) more than a 5% interest in the business, as described above, you must indicate that fact and describe the nature of your interest.

(End of Instructions.)

PENALTIES

A failure to make any required disclosure constitutes grounds for and may be punished by one or more of the following: disqualification from being on the ballot, impeachment, removal or suspension from office or employment, demotion, reduction in salary, reprimand, or a civil penalty not exceeding \$10,000. [Sec. 112.317, Florida Statutes]

Also, if the annual form is not filed by September 1st, a fine of \$25 for each day late will be imposed, up to a maximum penalty of \$1,500. [Section 112.3145, F.S.]

OTHER FORMS YOU MAY NEED TO FILE IN ORDER TO COMPLY WITH THE ETHICS LAWS

In addition to filing Form 1, you *may* be required to file one or more of the special purpose forms listed below, depending on your particular position, business activities, or interests. As it is your duty to obtain and file any of the special purpose forms which may be applicable to you, you should carefully read the brief description of each form to determine whether it applies.

Form 1F — Final Statement of Financial Interests: Required of *local officers, state officers, and specified state employees* within 60 days after leaving office or employment. This form is used to report financial interests between January 1st of the last year of office or employment and the last day of office or employment. [Sec. 112.3145(2)(b), Fla. Stat.]

Form 1X — Amended Statement of Financial Interests: To be used by *local officers, state officers, and specified state employees* to correct mistakes on previously filed Form 1's. [Sec. 112.3145(9), Fla. Stat.]

Form 2 — Quarterly Client Disclosure: Required of *local officers, state officers, and specified state employees* to disclose the names of clients represented for compensation by themselves or a partner or associate before agencies at the same level of government as they serve. The form should be filed by the end of the calendar quarter (March 31, June 30, Sept. 30, Dec. 31) following the calendar quarter in which a reportable representation was made. [Sec. 112.3145(4), Fla. Stat.]

Form 3A — Statement of Interest in Competitive Bid for Public Business: Required of public officers and public employees prior to or at the time of submission of a bid for public business which otherwise would violate Sec. 112.313(3) or 112.313(7), Fla. Stat. [Sec. 112.313(12)(b), Fla. Stat.]

Form 4A — Disclosure of Business Transaction, Relationship, or Interest: Required of public officers and employees to disclose certain business transactions, relationships, or interests which otherwise would violate Sec. 112.313(3) or 112.313(7), Fla. Stat. [Sec. 112.313(12) and (12)(e), Fla. Stat.]

Form 8A — Memorandum of Voting Conflict for State Officers: Required to be filed by a state officer within 15 days after having voted on a measure which inured to his or her special

private gain (or loss) or to the special gain (or loss) of a relative, business associate, or one by whom he or she is retained or employed. Each appointed state officer who seeks to influence the decision on such a measure prior to the meeting must file the form before undertaking that action. [Sec. 112.3143, Fla. Stat.]

Form 8B — Memorandum of Voting Conflict for County, Municipal, and Other Local Public Officers: Required to be filed (within 15 days of abstention) by each local officer who must abstain from voting on a measure which would inure to his or her special private gain (or loss) or the special gain (or loss) of a relative, business associate, or one by whom he or she is retained or employed. Each appointed local official who seeks to influence the decision on such a measure prior to the meeting must file the form before undertaking that action. [Sec. 112.3143, Fla. Stat.]

Form 9 — Quarterly Gift Disclosure: Required of *local officers, state officers, specified state employees, and state procurement employees* to report gifts over \$100 in value. The form should be filed by the end of the calendar quarter (March 31, June 30, September 30, or December 31) following the calendar quarter in which the gift was received. [Sec. 112.3148, Fla. Stat.]

Form 10 — Annual Disclosure of Gifts from Governmental Entities and Direct Support Organizations and Honorarium Event Related Expenses: Required of *local officers, state officers, specified state employees, and state procurement employees* to report gifts over \$100 in value received from certain agencies and direct support organizations; also to be utilized by these persons to report honorarium event-related expenses paid by certain persons and entities. The form should be filed by July 1 following the calendar year in which the gift or honorarium event-related expense was received. [Sec. 112.3148 and 112.3149, Fla. Stat.]

AVAILABILITY OF FORMS; FOR MORE INFORMATION

Copies of these forms are available from the Supervisor of Elections in your county; from the Commission on Ethics, Post Office Drawer 15709, Tallahassee, Florida 32317-5709; telephone (850) 488-7864 (Suncom 278-7864); and at the Commission's web site: www.ethics.state.fl.us.

Questions about any of these forms or the ethics laws may be addressed to the Commission on Ethics, Post Office Drawer 15709, Tallahassee, Florida 32317-5709; telephone (850) 488-7864 (Suncom 278-7864).

CHAPTER 1B-26.003 RECORDS MANAGEMENT - STANDARDS AND REQUIREMENTS – ELECTRONIC RECORDKEEPING

(1) **PURPOSE.** These rules provide standards for record (master) copies of public records which reside in electronic recordkeeping systems. Recordkeeping requirements must be incorporated in the design and implementation of new systems and enhancements to existing systems. Public records are those as defined by Section 119.011(11), F.S.

(2) **AUTHORITY.** The authority for the establishment of these rules is Sections 257.36(1) and (6)(c), F.S.

(3) **SCOPE.**

(a)1. These rules are applicable to all agencies as defined by Section 119.011(2), F.S.

2. These rules establish minimum requirements for the creation, utilization, maintenance, retention, preservation, storage and disposition of record (master) copies, regardless of the media.

3. Electronic records include numeric, graphic, sound, video, and textual information which is recorded or transmitted in analog or digital form.

4. These rules apply to all electronic recordkeeping systems, including, but not limited to, microcomputers, minicomputers, main-frame computers, and image recording systems (regardless of storage media) in network or stand-alone configurations.

(b) Before existing records are committed to an electronic recordkeeping system, the agency shall conduct a cost benefit analysis to insure that the project or system contemplated is cost effective.

(c) Any electronic recordkeeping system not meeting the provisions of these rules may be utilized for long-term or permanent records provided the record (master) copy is maintained or microfilmed in accordance with the provisions of Rule 1B-26.0021, F.A.C., prior to disposition.

(4) **INTENT.** Electronic recordkeeping systems in use at the effective date of this rule, that are not in compliance with the requirements of this rule, may be used until the systems are replaced or upgraded. New and upgraded electronic recordkeeping systems created after the effective date of this rule shall comply with the requirements contained herein. The Department is aware that it may not be possible to implement this rule in its entirety immediately upon its enactment, and it is not the intent by this rule to disrupt existing recordkeeping practices provided that agencies make no further disposition of public records without approval of the Division of Library and Information Services of the Department of State.

(5) **DEFINITIONS.** For the purpose of these rules:

(a) “Database” means an organized collection of automated information.

(b) “Database management system” means a set of software programs that controls the organization, storage and retrieval of data (fields, records and files) in a database. It also controls the security and integrity of the database.

(c) “Data file” means related numeric, textual, sound, video, or graphic information that is organized in a prescribed form and format.

(d) “Electronic record” means any information that is recorded in machine readable form.

(e) “Electronic recordkeeping system” means an automated information system for the organized collection, processing, transmission, and dissemination of information in accordance with defined procedures.

(f) “System design” means the design of the nature and content of input, files, procedures, and output and their interrelationships.

(g) “Permanent or Long-term records” means any public records which have an established retention period of more than 10 years. See Section 119.011(11), F.S., for the definition of a public record.

(h) “Record (master) copy” means public records specifically designated by the custodian as the official record.

(i) “Geographic information system” means a computer system for capturing, storing, checking, integrating, manipulating, analyzing and displaying data related to positions on the Earth’s surface.

(j) “Open format” means a data format that is defined in complete detail and that allows transformation of the data to other formats without loss of information. An open format may be either standards-based or proprietary.

(6) **AGENCY DUTIES AND RESPONSIBILITIES.** The head of each agency shall:

(a) Develop and implement a program for the management of electronic records.

(b) Ensure that all records are included within records retention schedules, either by being included within an applicable General Records Schedule, or by developing and obtaining approval for a

specific records retention schedule. Each record series shall be considered on an individual basis by the Division of Library and Information Services in establishing this retention period. See subsection 1B-24.001(3), F.A.C., for the definition of a record series.

(c) Integrate the management of electronic records with other records and information resources management programs of the agency.

(d) Incorporate electronic records management objectives, responsibilities, and authorities in pertinent agency directives, or rules, as applicable.

(e) Establish procedures for addressing records management requirements, including recordkeeping requirements and disposition, before approving, recommending, adopting, or implementing new electronic recordkeeping systems or enhancements to existing systems.

(f) Provide training for users of electronic recordkeeping systems in the operation, care, and handling of the equipment, software, and media used in the system.

(g) Ensure that electronic recordkeeping systems meet state requirements for public access to records.

1. STANDARD. Each agency which maintains public records in an electronic recordkeeping system shall provide, to any person making a request pursuant to Chapter 119, F.S., a copy of any data in such records which is not specifically exempt. Said copy shall be on paper, disk, tape, optical disk, or any other electronic storage device or media requested by the person, if the agency currently maintains the record in that form, or as otherwise required by Chapter 119, F.S. Except as otherwise provided by state statute, the cost for providing a copy of such data shall be in accordance with the provisions of Sections 119.07(4), F.S.

2. STANDARD. Except as otherwise provided by law, no agency shall enter into a contract with, or otherwise obligate itself to, any person or entity if such contract or obligation impairs the right of the public under state law to inspect or copy the agency's nonexempt public records existing on-line in, or stored on a device or media used in connection with, a computer system or optical imaging system owned, leased or otherwise used by an agency in the course of its governmental functions.

3. STANDARD. Each agency shall ensure that current and proposed electronic recordkeeping systems adequately provide for the rights of the public to access public records under Chapter 119, F.S.

4. STANDARD. In addition to ensuring that electronic recordkeeping systems meet requirements for public access to public records, agencies shall ensure that procedures and controls maintain confidentiality for information which is exempt from public disclosure.

(h) Develop and maintain documentation about electronic recordkeeping systems used by the agency to specify technical characteristics necessary for reading or processing the records. Documentation for electronic records systems shall meet the following standards:

1. STANDARD. Each agency shall identify all inputs and outputs of the system; define the organization and contents of the files and records; define policies on access and use; define the purpose and function of the system; define update cycles or conditions and rules for adding information to the system, changing information in it, or deleting information; and ensure the timely, authorized disposition of the records in accordance with Chapter 1B-24, F.A.C.

2. STANDARD. Each agency shall specify the location and media in which electronic records are maintained to meet retention requirements, establish and document security controls for the protection of the records, and maintain inventories of electronic recordkeeping systems to facilitate disposition.

(7) DOCUMENTATION STANDARDS.

(a) STANDARD. Agencies shall maintain adequate and up-to-date technical documentation for each electronic recordkeeping system. Documentation for electronic records systems shall be maintained in printed form, and should also be maintained in computer-readable form to facilitate access to the records. The minimum documentation required is:

1. A narrative description of the system;

2. The physical and technical characteristics of the records, including a record layout or markup language that describes each file or field including its name, size, starting or relative position, and description of the form of the data (such as alphabetic, decimal, or numeric), or a data dictionary or the equivalent information associated with a database management system including a description of the relationship between data elements in databases;

3. For information coming from geographic information systems, the physical and technical characteristics of the records must be described including a data dictionary, a quality and accuracy report

and a description of the graphic data structure, such as recommended by the federal Spatial Data Transfer Standards; and

4. Any other technical information needed to read or process the records.

(8) CREATION AND USE OF ELECTRONIC RECORDS AS RECORD (MASTER) COPIES.

Electronic recordkeeping systems that maintain record (master) copies of public records on electronic media shall meet the following minimum requirements:

(a)1. Provide a method for all authorized users of the system to retrieve desired records;

2. Provide an appropriate level of security to ensure the integrity of the records, in accordance with the requirements of Chapter 282, F.S. Security controls should include, at a minimum, physical and logical access controls, backup and recovery procedures, and training for custodians and users. Automated methods for integrity checking should be incorporated in all systems that generate and use official file copies of records. Hashing algorithms and digital signatures should be considered for all official file copies of electronic records. The use of automated integrity controls, such as hashing algorithms and digital signatures, can reduce the need for other security controls. Hashing algorithms used to protect the integrity of official file copies of records should meet the requirements of US Federal Information Processing Standard Publication 180-1 (FIPS-PUB 180-1) (April 17, 1995) entitled "Secure Hash Standard," which is hereby incorporated by reference, and made a part of this rule. This publication is available from the National Technical Information Service (NTIS), 5285 Port Royal Road, U.S. Department of Commerce, Springfield, VA 22161, and at the Internet Uniform Resource Locator:

<http://www.itl.nist.gov/fipspubs/fip180-1.htm>. Agencies should also consider using only validated implementations of hashing algorithms in cases where the data being protected are of great intrinsic value or where the content and authenticity of the records are likely to be at issue in litigation.

3. Identify the open format or standard interchange format when necessary to permit the exchange of records on electronic media between agency electronic recordkeeping systems using different software/operating systems and the conversion or migration of records on electronic media from one system to another. For text records in the absence of other conversion capabilities, the word processing or text creation system should be able to import and export files in the ASCII format as prescribed by Federal Information Processing Standard Publication (FIPS PUB) Number 1-2; entitled Coded Character Sets – 7-Bit American National Standard Code for Information Exchange (7-Bit ASCII) (1986, R2002), which is hereby incorporated by reference, and made a part of this rule. This publication is available from the National Technical Information Service (NTIS), 5285 Port Royal Road, U.S. Department of Commerce, Springfield, VA 22161; and

4. Provide for the disposition of the records including, when appropriate, transfer to the Florida State Archives.

(b) STANDARD. Before a record (master) copy is created on an electronic recordkeeping system, the record shall be uniquely identified to enable authorized personnel to retrieve, protect, and carry out the disposition of records in the system. Agencies shall ensure that records maintained in such systems can be correlated with any existing related records on paper, microfilm, or other media.

(9) LEGAL AUTHENTICATION. Agencies shall implement the following procedures to enhance the legal admissibility of electronic records:

(a) Document that similar kinds of records generated and stored electronically are created by the same processes each time and have a standardized retrieval approach.

(b) Substantiate that security procedures prevent unauthorized addition, modification, or deletion of a record and ensure systems protection against such problems as power interruptions.

(c) Identify the electronic media on which records are stored throughout their life cycle, the maximum time span that records remain on each storage media, and the official retention requirements as approved by the Division of Library and Information Services.

(d) State agencies shall, and other agencies are encouraged to, establish and maintain integrity controls for record (master) copies of electronic records in accordance with the requirements of Chapter 282, F.S.

(10) SELECTION OF ELECTRONIC RECORDS STORAGE MEDIA. For storing record (master) copies of electronic public records throughout their life cycle, agencies shall select appropriate media and systems which meet the following requirements:

(a) Permit easy and accurate retrieval in a timely fashion;

(b) Retain the records in a usable format until their authorized disposition and, when appropriate, meet the requirements necessary for transfer to the Florida State Archives.

(c) Obtain recording media only from vendors whose guarantee of 10 years or more of readability is based upon documented accelerated aging tests which are linked to specific locations on the media.

(d) STANDARD. A scanning density with a minimum of 300 dots per inch is required for recording electronic records.

(e) STANDARD. Record (master) copies of digital images must be stored in accordance with the TIFF 6.0 specification (June 3, 1992), which is hereby incorporated by reference and made a part of this rule. This specification is available from the Aldus Corporation, 411 First Avenue South, Seattle, WA 98104-2871. If use of a proprietary image format is unavoidable, the agency must provide a gateway to lossless conversion to the TIFF 6.0 specification.

(f) The following factors are to be considered before selecting a storage media or converting from one media to another:

1. The authorized retention of the records as determined during the scheduling process;
2. The maintenance necessary to retain the records;
3. The cost of storing and retrieving the records;
4. The access time to retrieve stored records;
5. The portability of the medium (that is, selecting a medium that can be read by equipment offered by multiple manufacturers); and
6. The ability to transfer the information from one medium to another, such as from optical disk to magnetic tape.

(11) MAINTENANCE OF ELECTRONIC RECORDS.

(a) STANDARD. Agencies shall maintain all long-term and permanent backup/security electronic recording media in a storage facility, either on-site or off-site, with constant temperature (below 68 degrees Fahrenheit) and relative humidity (20 to 30 percent) controls. Storage and handling of long-term and permanent records on magnetic tape shall conform to the standards contained in Standard AES22-1997 "AES recommended practice for audio preservation and restoration – Storage and handling – Storage of polyester-base magnetic tape," (1997) which is hereby incorporated by reference and made a part of this rule. This publication is available from the Audio Engineering Society, Incorporated, 60 East 42nd Street, Room 2520, New York, New York, 10165-2520.

(b) STANDARD. Agencies shall annually read a statistical sample of all electronic media containing long-term or permanent records to identify any loss of information and to discover and correct the cause of data loss.

(c) STANDARD. Agencies shall test all long-term or permanent electronic records at least every 10 years and verify that the media are free of permanent errors.

(d) STANDARD. Agencies shall only rewind tapes immediately before use to restore proper tension. When tapes with extreme cases of degradation are discovered, they should be rewound to avoid more permanent damage. Tapes shall be played continuously from end to end to ensure even packing. Tapes shall be stored so that the tape is all on one reel or hub.

(e) STANDARD. Agencies shall prohibit smoking, eating, and drinking in areas where electronic records are created, stored, used, or tested.

(f) STANDARD. External labels (or the equivalent automated management system) for electronic recording media used to store long-term or permanent records shall provide unique identification for each storage media, including:

1. The name of the organizational unit responsible for the data;
2. System title, including the version number of the application;
3. Special security requirements or restrictions on access, if any; and
4. Software in use at the time of creation.

(g) STANDARD. For each electronic records series, agencies shall maintain human readable information specifying the metadata associated with the series, and technical documentation specifying recording methods, formats, languages, dependencies, and schema sufficient to ensure continued access to, and intellectual control over, the series. Additionally, the following information shall be maintained for each media used to store long-term or permanent electronic records:

1. File title;
2. Dates of creation;
3. Dates of coverage; and
4. Character code/software dependency.

(h) STANDARD. Electronic records shall not be stored closer than 2 meters from sources of magnetic fields, including generators, elevators, transformers, loudspeakers, microphones, headphones, magnetic cabinet latches and magnetized tools.

(i) STANDARD. Electronic records on magnetic tape or disk shall not be stored in metal containers unless the metal is non-magnetic. Storage containers shall be resistant to impact, dust intrusion and moisture. Compact disks shall be stored in hard cases, and not in cardboard, paper or flimsy sleeves.

(j) STANDARD. Agencies shall ensure that record (master) copies of electronic records are maintained by personnel properly trained in the use and handling of the records and associated equipment.

(k) STANDARD. Agencies shall not use floppy disks, audio cassettes, or VHS-format video cassettes for the storage of record (master) copies of long-term or permanent records. Long-term and permanent records on magnetic tape shall be stored on polyester-based media. Agencies shall use only previously unrecorded videotape for original record (master) copies of long-term or permanent video recordings. For long-term or permanent audio recordings of record (master) copies, agencies shall use only one quarter inch open-reel tapes at three and three-quarters or seven and one half inches per second, full track, using professional unrecorded polyester splice-free tape stock. For long term or permanent digital recordings of record (master) copies, agencies may use open reel one-half inch tape reels recorded at 1600 or more bits-per-inch; 3480, 3490, or 3590-type tape cartridges; or compact disk read-only-memory (CD-ROM) media.

(l) Agencies shall establish and adopt procedures for external labeling of the contents of diskettes, disks, tapes, or optical disks so that all authorized users can identify and retrieve the stored information.

(m) Agencies shall convert storage media to provide compatibility with the agency's current hardware and software to ensure that information is not lost due to changing technology or deterioration of storage media. Before conversion of information to different media, agencies must determine that authorized disposition of the electronic records can be implemented after conversion. Long-term or permanent electronic records stored on magnetic tape shall be transferred to new media as needed to prevent loss of information due to changing technology or deterioration of storage media.

(n) Agencies shall back up electronic records on a regular basis to safeguard against the loss of information due to equipment malfunctions or human error. Duplicate copies of long-term or permanent records shall be maintained in storage areas located in buildings separate from the location of the records that have been copied.

(12) RETENTION OF ELECTRONIC RECORDS. Agencies shall establish policies and procedures to ensure that electronic records and their documentation are retained as long as needed. These retention procedures shall include provisions for:

(a) STANDARD. Scheduling the retention and disposition of all electronic records, as well as related access documentation and indexes, in accordance with the provisions of Chapter 1B-24, F.A.C.

(b) STANDARD. Transferring a copy of the electronic records and any related documentation and indexes to the Florida State Archives at the time specified in the records retention schedule, if applicable. Transfer may take place at an earlier date if convenient for both the agency and the Archives.

(c) STANDARD. Establishing procedures for regular recopying, reformatting, and other necessary maintenance to ensure the retention and usability of the electronic records throughout their authorized life cycle.

(13) DESTRUCTION OF ELECTRONIC RECORDS. Electronic records may be destroyed only in accordance with the provision of Chapter 1B-24, F.A.C. At a minimum each agency should ensure that:

(a) Electronic records scheduled for destruction must be disposed of in a manner that ensures protection of any sensitive, proprietary, or security information, and;

(b) Recording media previously used for electronic records containing sensitive, proprietary, or security information are not reused if the previously recorded information can be compromised in any way by reuse.

Specific Authority 257.14, 257.36(7) FS. Law Implemented 257.36(1)(a) FS. History--New 8-16-92, Amended 5-13-03.

**OPERATIONS COMMITTEE REPORT:
REORGANIZATION ISSUES**

The Board shall consider staff recommendations at the direction of the Operations Committee related to IT equipment and infrastructure that will need to be acquired to facilitate the implementation of the enacted legislation if it becomes law.

At its May 30th meeting, the Operations Committee recognized that the current 2007 Business Plan & Forecast did not contemplate the reorganization and implementation resultant from the passage of Senate Bill 1894 and House Bill 7169. Accordingly, business priorities will shift and out-of budget expenses will be incurred. Out-of-budget considerations may include, but shall not be limited to, increased expenses for legal, audit, tax and actuarial services; increased IT/system expenses for physical storage, document management, disaster recovery and audio recording of meetings to include consulting services; increased expenses associated with staffing to include travel and training; and increased expenses associated with board members to include travel and training.

The Committee also recognized that the four primary IT areas that need to be addressed to facilitate implementation of SB 1894 are physical storage, document management, disaster recovery and audio recording for meetings. The Committee acknowledged that other areas of the FWCJUA's operations will be affected as we implement the new law and realize the business processes that are more deeply affected or need to be recreated such as underwriting workflows and mail delivery.

Becoming subject to the Public Records Act was identified as the cost driver for the FWCJUA in the IT areas. Maida reported to the Committee that the Public Records Act in Florida is pretty tough and requires agencies to retain for some period of time documents which are part of its official business and that includes documents which the agency generates as well as documents that it receives which are part of its official business. He advised that staff will be given some guidance from counsel as to what documents have to be retained in the upcoming weeks. However, a second issue is for what length of time do those documents have to be retained and the Public Records Act delegated authority to the Secretary of State to develop retention schedules for commonly produced and received documents. He explained that not all documents have to be retained permanently. It is important for staff to understand with counsel's help what those documents are and the length of time those documents will have to be retained. He explained that the Secretary of State's guidelines do not attempt to anticipate every type of document an agency produces or receives and to the extent the Secretary of State's guidelines do not cover certain kinds of documents that the FWCJUA generates or receives, we will be able to propose a retention schedule to the Secretary of State office and receive guidance from the Secretary of State on whether or not it agrees with our proposed document retention policy. Maida then explained that the third part of the Public Records Act that the Committee needs to be concerned with is the manner in which the FWCJUA will have to respond to requests for the production of public records and again, he explained that he will provide the FWCJUA with some guidance on how to comply with those requests.

Considerable discussion ensued regarding storage issues, document management issues, disaster recovery issues and audio recording of meetings and Neff suggested that the Committee consider recommending to the Board that it go out to the membership and solicit participants for a document management subcommittee to help with the transition. Hearing no comment, Neff then suggested that the Committee look for a specific recommendation from staff based upon everything they know at the present time or prior to the June 12th Board meeting as to the equipment and infrastructure the FWCJUA will need to acquire to deal with the challenges in storage, document management, disaster recovery and audio recordings of meetings. The Committee agreed.

Attached for the Board's perusal are the agenda materials which the Committee considered at its May 30th meeting related to this matter.

The Board shall hear the latest staff recommendations at the meeting and shall determine which are advisable to authorize at that time.

REORGANIZATION ISSUES**Board Appointment Process
Public Records Act and Sunshine Law
Ethics Requirements
Procurement of Goods and Services
Out-of-Budget Considerations
Business Priorities**

The Operations Committee shall be briefed on the reorganization issues related to the enactment of Senate Bill 1894 and House Bill 7169 and shall provide direction in preparation for the June 12th Board meeting.

First, it is important to realize that the current 2007 Business Plan & Forecast did not contemplate the reorganization and implementation resultant from the passage of Senate Bill 1894 and House Bill 7169. Accordingly, business priorities will shift and out-of budget expenses will be incurred. Out-of-budget considerations may include, but shall not be limited to, increased expenses for legal, audit, tax and actuarial services; increased IT/system expenses for physical storage, document management, disaster recovery and audio recording of meetings to include consulting services; increased expenses associated with staffing to include travel and training; and increased expenses associated with board members to include travel and training.

Further, new procedures related to the Board selection and appointment process, the committee structure, and the Board and Committee meeting protocols as well as operational workflows and procurement are being developed to address various provisions of the new law. The Plan of Operation is being reviewed and redrafting of the Bylaws and Operations Manual, including policy and application forms, is underway. The Code of Business Conduct and Ethics and the Conflict of Interest policies are being reviewed and will be redrafted as warranted. The financial disclosure requirements for board members, officers and senior managers are being identified and readied for dissemination. Preparations have also begun to ensure the association is positioned to effectively apply to the IRS for a determination of eligibility as a tax exempt entity by January 1, 2008.

At this time, staff has identified four primary IT areas that need to be addressed to facilitate implementation of SB 1894, and they are physical storage, document management, disaster recovery and audio recording for meetings. It is important to recognize, however, that other areas will also be affected as we implement the new law and realize the business processes that are more deeply affected or need to be recreated such as underwriting workflows and mail delivery.

Physical storage is a bit more simple than the others as it primarily requires hardware to store the data. Of course with storage, backup and recovery plans have to be adjusted to accommodate the data. We have solutions from Dell and CDW with hardware from EMC and IBM and both solutions utilize a Storage Area Network (SAN). This type of technology offers hardware reliability and redundancy and isolates the data from the servers reserving the server power for business applications rather than storage processing. There are two technologies available to connect the SAN to the servers, iSCSI and Fiber Channel. These methods both allow multiple servers to connect simultaneously to the SAN and utilize the storage as if it was a physically attached device. Fiber Channel offers a faster connection between the storage unit and the connected servers; however, this option is more costly and consumes more server processing power. iSCSI allows for a much more flexible configuration and utilizes the existing Ethernet infrastructure. It is believed that the iSCSI technology will better suit our environment and growth projections. SAN's offer easy scalability with dynamic space allocation and once at capacity simply adding an additional unit expands the storage while also making the system more efficient by the additional storage processing power from the new unit. Another option instead of a SAN that is much less flexible is adding a dedicated server with the necessary storage and making it available to the network. Some limitations to this option are that only one server has direct access to the storage restricting some usage by the email and database servers. Once at capacity, an additional server would have to be added and would remain isolated as an independent device rather than being pooled. The cost range for the SAN quotes are from \$40,000-\$48000. With the current projection of data storage after July 1st, we currently have enough capacity for one to two months max without additional hardware. Dell and CDW have 4-6 week lead times for the hardware. Both have extended 24-hour support contracts and Dell requires installation services to ensure a successful installation. Utilizing Dell for the

hardware is strongly recommended as our current network environment is exclusively Dell hardware, it's cost effective, reliable and service and warranties are easier to manage through a single vendor. With the suggested capacity, the storage is estimated to last up to two years before we reach capacity. There are several things that can affect the timetable; however, the application volume will be the greatest factor. **Recommendation: Purchase iSCSI SAN unit from Dell with approx. cost of \$47,000.**

Document Management is the most complex and critical piece to storing the new data. Not only do we have to ensure proper storage, the processes have to be in place to accommodate the volume and new type of documents that will be stored into the document management system. The system that we have recently implemented, iSynergy, has the capacity and features to handle the volume and process changes required for the Public Records requirements. We do need some consulting expertise from the iSynergy vendor, iDatix, to ensure we create the proper and efficient process changes needed. Due to estimated volume, we will need an additional scanning station consisting of a PC and scanner along with the appropriate licenses. We are still exploring the options and waiting on a formal quote, but we would anticipate approximately \$30,000 for the consulting and new hardware. Additional personnel may also be needed for the final processes once developed. Initial conversations with iDatix suggest we approach implementation in phases including the reconfiguration to ensure everything is getting entered into the system and then, analyze how we can create work flows and efficiencies around the documents already in the system rather than working from paper. The analysis and reconfiguration is critical and must be completed before implementation to be effective starting July 1st. We also need to archive email and faxes. We currently have the capability for archiving faxes, but we will need to purchase the companion software to archive the emails which will be around \$900. Full implementation for the archives will take about 1 week. **Recommendation: Consulting from iDatix, new scanning workstation, archiving software with approx. cost of \$31,000 + possible additional staff.**

Disaster Recovery must also be reconsidered due to the volume of data and the new processes that will be a daily consideration. We currently have a contract in place with Agility for a mobile recovery unit and necessary hardware. A revisited option for the data backup is to send the data over a secure connection to a vendor for online backups in a process called "remote vaulting." This process ensures that the data is constantly available regardless of the status or availability of our local equipment. This is not replication, but rather a nightly backup to a remote site in place of or along with tape backups. Sungard offers solutions for both the mobile unit and the remote vaulting. They also have the ability to preload the equipment on the mobile unit before deployment to us. Utilizing the Mobile Unit from Sungard would be \$1,600/month compared to \$345 with Agility. There are many other vendors that offer remote vaulting. EVault and AmeriVault have solutions for remote vaulting that can accommodate our data requirements and both EVault and AmeriVault have equipment hosted at Sungard's facility. The starting cost for remote vaulting is about \$1,600 setup and \$2,100/month. A more comprehensive solution is to host our critical servers completely offsite in a secure facility which allows the JUA to operate virtually from anywhere in case our main facility was not operational. However, this would make us dependant on our internet connections for normal operations. We currently have an offsite server hosted at ThePlanet in Texas replicating our website and database costing about \$600/month. The advantages of such a process are that we would no longer need the remote server at ThePlanet as we would operate the network as two facilities. We would need to have some equipment in Sarasota for various functions and development, but the concern for server continuity is almost completely resolved. Remote Hosting is less expensive then remote vaulting as the vaulting costs will increase as the data increases. There would be some upfront expenditures, such as the cost of moving the equipment and the purchase of two additional servers and firewall for the main office functions like printing and local replication. We would still have to maintain our equipment and follow our replacement policies. Lead time for hosting would be about 45 days. This would also potentially require at least 1 day downtime to move the servers. We would ship the servers and the Systems Manager would fly to Atlanta and install the servers and test functionality with staff back in Sarasota. Servers will be about \$8,500 each, firewall is \$3,500, and Switch is \$2,200 total hardware will be about \$22,700. Sungard's hosting will cost \$2,700/month and an initial \$1,600 allocation charge with a 60 month term, a shorter term of 36 months is \$2,800 and 24 month is \$3,000/month. Their quote includes burstable bandwidth (speed) for data rather than a bandwidth usage charge, and this is important as we would have a constant connection between the facilities, we can always increase the bandwidth at any point for an additional \$900/month. Most hosting companies contacted charge on usage not fixed bandwidth which would be cost prohibitive for this type of a solution. Our current offsite server is billed with usage levels with a certain amount included each month. We do need to fly up to Atlanta and take a look at the facilities before final negotiations as this would be a major commitment on how we structure our network. **Recommendation: Remote Hosting with Sungard with local hardware at an approx. cost of**

\$25,000 + shipping to Atlanta and \$2,800 monthly(36month term). Continuing contract with Agility for Mobile Recovery Unit at \$345/monthly.

Audio recording of meetings is another consideration, especially for exempt portions of meetings. The technology to record meetings ranges from the teleconferencing company recording calls, to mixing boards and equipment down to a tape recorder. Our goal should be to secure manageable recordings of the meetings that we can store. Using the phone company or conferencing company recording is a possibility, but not all meetings will be done by teleconference. Based upon their experience with government agencies, AVI Solutions, who we've worked with before, is recommending the installation of a permanent multimedia system in the board room with the equipment to record the audio of the meetings that permits us to save the recording to the network for archiving and management. We can, from that point, make audio CD's or other media as necessary. Options with tabletop microphones to ceiling mounted microphones have been discussed; however, with all the possible complexities associated with audio equipment, a "set and forget" solution is suggested as we don't want to have extra staff just to manage the recording system. Thus, the recommended solution is utilizing ceiling-mounted microphones with the mixing and recording system in the cabinet with simple access to activate recording. The phone system would output directly into the equipment for recording remote conversations. All meetings or portions of meetings needing to be recorded would have to be in the board room or have other options available. This is a 3-4 week lead time for installation. We are waiting for the formal quote, but we anticipate a cost of approximately \$25,000, which will include the installation of the projection system previously discussed for Board meetings and training. **Recommendation: Use AVI Solutions to install multimedia solution with an approx. cost of \$25,000.**

**OPERATIONS COMMITTEE REPORT:
BUDGETED EXPENSE CONSIDERATIONS**

Operations Manual Redesign

The Board shall consider an Operations Committee recommendation related to the Operations Manual redesign project.

At its May 30th meeting, the Operations Committee received staff's report that it had experimented with several applications for editing and output related to redesigning the format of the Operations Manual as required by the 2007 business plan. The primary purpose of staff's review was to simplify the ongoing maintenance of the Manual, thereby, permitting enhanced staff redundancy related to the drafting and revision process. Word and Publisher were tested, and it was determined that leaving the document in the current application, Adobe InDesign, would be the most efficient tool in maintaining the Manual. InDesign is the industry standard application for creating and revising large documents like the Operations Manual. Another important consideration was the ability for simultaneous edition of the same document while providing for complete editorial control which the Adobe product, InCopy, adequately addresses. The final "format" of the Manual can be modified as needed, but staff believes the best tool for maintaining and creating the PDF document is still utilizing the Adobe products.

Further, the Committee was advised that to maintain the Manual with Adobe products requires the purchase of upgrade versions of the products as well as an additional license with a total cost of \$1,780. We have the project in the budget as exploratory for \$2,600; however, it is recommended that additional training for two staffers be purchased to ensure that we are utilizing application abilities to the fullest extent. Training classes range from \$400 to \$2,000 per person. USF has a series of two classes in July at a cost of \$210 each totaling \$840 for the training of two staffers. A quick start online class is also available for \$70. Given the existing budget for staff training and the Manual redesign project, no further budget considerations are required if we continue with the Adobe products.

Following staff's report, the Committee agreed to recommend that the Operations Manual continue to be maintained within its current application, Adobe InDesign, recognizing that upgraded versions of the appropriate Adobe products and an additional license would be purchased in 2007 without further budget considerations.

The Board shall determine whether the FWCJUA should continue to maintain the Operations Manual within Adobe InDesign recognizing that upgraded versions of the appropriate Adobe products and an additional license will be purchased within the current constraints of the 2007 forecast.

**OPERATIONS COMMITTEE REPORT:
DISASTER RECOVERY MATTERS**

Disaster Recovery & Emergency Preparedness Plan

At its May 30th meeting, the Operations Committee confirmed the Executive Director's modifications to the Disaster Recovery & Emergency Preparedness Plan (DR&EP Plan). Generally, the Plan was modified to move the distribution list to the Appendix section as Appendix A and re-label the remaining appendices, reflect staffing adjustments, and clarify or specify procedures. The Revised May 2007 version of the FWCJUA DR&EP Plan has been distributed in accordance with the Plan document.

No Board action is required on this item.

Disaster Recovery Analysis & Planning

The Board shall consider the consensus of the Operations Committee that no action be taken at this time to select a vendor to perform an outside disaster recovery analysis of IT Systems.

At its May 30th meeting, the Operations Committee considered three quotes for an internal IT Systems analysis. Proposals to perform the IT Systems analysis had been received from RSM McGladrey, Inc., SAS70 Solutions, Inc., and KraftCPA's PLLC. The three firms were companies familiar to our auditors, Thomas Howell Ferguson.

It was the consensus of the Committee to delay recommending action to the Board regarding the engagement of any one of the firms to perform an outside disaster recovery analysis of the FWCJUA's IT Systems until after implementation of the new law given that it might be prudent to expand the scope of the analysis to incorporate features related to the new law. Further, the Committee agreed this issue was better left for the new Board to consider.

The Board shall determine whether to postpone action regarding the engagement of a firm to perform an outside disaster recovery analysis of the FWCJUA's IT Systems until after the implementation of the new law.

**PRODUCER COMMITTEE REPORT:
AGENCY PRODUCER AGREEMENT CHANGE PROCEDURES**

The Board shall consider a Producer Committee recommendation that the FWCJUA permit the Agency principal to add or delete a Designated Producer or Customer Service Representative (CSR) from the original Agency Producer Agreement authorized by the FWCJUA.

At its May 24th meeting, the Producer Committee recognized a problem with the recently implemented Agency Producer Agreement in that it was cumbersome to add or delete a Designated Producer or CSR to the Agreement. Currently, when an Agency finds it necessary to add or delete a Designated Producer and/or CSR from the original approved Agreement, it must complete an entirely new Agreement. Rather than complete a whole new Agency Producer Agreement, The Committee determined that the FWCJUA should develop a form to allow an Agency principal to simply add or delete a Designated Producer or CSR from the authorized Agency Producer Agreement. The Committee also agreed that there should be no charge associated for a change in a CSR or for the deletion of a Designated Producer; however, there should be a \$100 fee for the addition of a new Designated Producer, regardless of the remaining length of the Agreement. Given the Agency would have the discretion of entering into a new Agreement or modifying it's current Agreement, the Committee felt the fee was reasonable as it is consistent with the fee charged per Designated Producer at the inception of the two-year Agreement.

At its meeting the Committee also reviewed a copy of a proposed Agency Producer Agreement Addendum to Exhibit A, which would not be used to replace the original Exhibit, but simply to add and/or delete information from the original Agreement. It was suggested that the effective date of the Addendum would be the date accepted by the FWCJUA. Further, the Committee reviewed the Operations Manual revisions that staff had identified that would be appropriate to implement the form if such a change procedure were deemed appropriate. The Committee recognized during its discussions that the Rates & Forms Committee would need to consider the form and the Operations Manual revisions if the Producer Committee determined that the Agency Producer Agreement change procedures should be recommended to the Board for consideration. Thus, the Committee resolved to recommend that the Board adopt the change procedures for the Agency Producer Agreement to permit the Agency's principal to add or delete a Designated Producer or Customer Service Representative from the original Agreement. It also recommended that the Rates & Forms Committee consider the proposed Agency Producer Agreement Addendum to Exhibit A form and associated Operations Manual revisions for recommendation to the Board as the vehicles to implement the proposed change procedures to the Agency Producer Agreement as soon as practicable. Thus, if the Board determines that the recommended change procedures are appropriate, then it shall consider the vehicles to implement the Agency Producer Agreement change procedures as a part of the Rates & Forms Committee Report.

The Board shall determine whether to adopt the Producer Committee recommendation that the FWCJUA implement change procedures for the Agency Producer Agreement to permit the Agency's principal to add or delete a Designated Producer or Customer Service Representative from the original Agreement as soon as practicable.

**SAFETY COMMITTEE REPORT;
CAUSE, FREQUENCY & SEVERITY ANALYSIS**

The Board shall consider the following three Safety Committee's recommendations resultant from the 2007 Cause, Frequency and Severity Analysis.

The 2007 Business Plan states that the FWCJUA will "*Promote Loss Prevention And Safety In The Work Place Of Our Policyholders*" and requires that we conduct causes of loss analyses and modify the safety program as warranted to satisfy any deficiencies given our book of business. Staff and Travelers personnel completed the loss analysis as part of Travelers annual operations review and presented the findings to the Safety Committee at its April 26, 2007 meeting. The Committee concluded that the FWCJUA – Travelers Loss Control and Safety Program successfully satisfies the FWCJUA Safety Policy.

Below are the Committee's recommendations.

Recommendation:

1. Promote loss prevention and safety through resources available at the Travelers Risk Control website (www.riskcontrol.com). In order to encourage the use of the Risk Control website, Travelers shall mail a letter to all FWCJUA policyholders outlining the various resources available at no additional cost. This letter will be accompanied by a sample of the Risk Control NewsBrief, which policyholders can subscribe to receive electronically on a monthly basis, at no additional cost.
2. In addition, Travelers shall mail reminders of various Risk Control on-line resources along with the Employer's Affidavit reminders. Currently, FWCJUA insureds receive quarterly reminders to submit the Employer's Affidavit and Quarterly Tax forms. The safety reminder would be mailed with this letter but as a separate attachment. An example of what could be highlighted through the quarterly mailing is the 2007 Safety Webinar Series. This new series is an opportunity for policy holders to hear from industry experts on a variety of Risk Control topics without leaving their business locations. There is no cost to participate. Safety Webinars include topics such as Essentials of Fall Management, currently scheduled for June 2007, as well as ideas to overcome communication barriers to improve safety efforts, scheduled for September 2007. Another example of safety related programs and incentives to promote through the quarterly reminders are the Florida - Employer Safety Premium Credit Program, and the Drug Free Workplace Credit.
3. In 2006, the Committee had recommended and the Board approved adding wording to premium bills addressing the most severe and frequent causes of accidents. Although the Committee thought this would be an effective tool to promote and educate policyholders on safety issues, employees or potential claimants would not necessarily be the ones reviewing this information. In addition, the space available to include safety information in the premium bill is very limited. Therefore, it is now recommended that we discontinue the safety notices on premium billings and concentrate on the awareness and education approaches described above, which requires a minor Operations Manual revision that will be considered by the Board as part of the Rates & Forms Committee report on Operations Manual Revisions.

The Board shall determine whether to adopt the above referenced recommendations to further promote loss prevention and safety through additional resources available at the Travelers Risk Control website (www.riskcontrol.com) to be implemented as soon as practicable.

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

Policy Information Page & Extension of Information Page – Schedules

The Board shall consider a Rates & Forms Committee recommendation to authorize staff to file the FWCJUA's Policy Information Page (commonly referred to as the "Declarations" Page), and the Extension of Information Page – Schedules as well as the Policy Change Document with OIR, pursuant to OIR's direction, as soon as practicable giving staff the authority to amend the forms as may be directed by OIR during the filing process.

At its May 29th meeting, the Rates & Forms Committee was informed that OIR recently discovered it had no record of issuing prior approval to the FWCJUA for the use of the Policy Information Page and Extension of Information Page – Schedules being used by Travelers on behalf of the FWCJUA. Therefore, OIR had requested that the FWCJUA file for approval as soon as possible the form components of the FWCJUA's Information Page and Extension of Information Page – Schedules, in accordance with section 627.410, Florida Statutes. During the Committee meeting, Jim Watford asked that the Policy Change Endorsement also be filed with OIR. Thus, the Committee agreed that the three forms should be filed as soon as practicable with OIR and that staff should be given the authority to amend the forms as may be directed by OIR during the filing process.

Attached for the Board's perusal are the current form components of the FWCJUA's Information Page and Extension of Information Page – Schedules. The Policy Change Document has also been attached for consideration. This form being used to document a policy change mid-term, after policy issuance. The policy change document works in conjunction with other policy information page endorsements to summarize the specific change for a particular type of policy transaction. The change document will indicate the reason for the change and the specific items on the policy being changed. For instance, in the event of a mid-term policy change to the named insured's workplace address, the change document would specify the reason for the change and be accompanied by NCCI endorsement WC 89 06 08 (Change in Workplace of Insured).

The Board shall determine whether to authorize staff to file the FWCJUA's current Policy Information Page and Extension of Information Page – Schedules as well as the Policy Change Document with OIR as soon as practicable giving staff the authority to amend the forms as may be directed by OIR during the filing process.



FLORIDA WORKERS' COMPENSATION
JOINT UNDERWRITING ASSOCIATION, INC.

WORKERS COMPENSATION
AND
EMPLOYERS LIABILITY POLICY

TYPE **AR**

INFORMATION PAGE WC 00 00 01 (A)

POLICY NUMBER:

INSURER: **FLORIDA W.C. JUA**

NCCI CO CODE:

1.

INSURED:

PRODUCER:

MAILING ADDRESS:

INSURED IS A

OTHER WORK PLACES AND IDENTIFICATION NUMBERS ARE SHOWN IN THE SCHEDULE(S)
ATTACHED.

2. THE POLICY PERIOD IS FROM TO AT THE INSURED'S MAILING ADDRESS.

3. A. WORKERS COMPENSATION INSURANCE: PART ONE OF THE POLICY APPLIES TO THE
WORKERS COMPENSATION LAW OF THE STATE(S) LISTED HERE:

B. EMPLOYERS LIABILITY INSURANCE: PART TWO OF THE POLICY APPLIES TO WORK IN
EACH STATE LISTED IN ITEM 3.A. THE LIMITS OF OUR LIABILITY UNDER PART TWO
ARE:

BODILY INJURY BY ACCIDENT: \$	EACH ACCIDENT
BODILY INJURY BY DISEASE: \$	POLICY LIMIT
BODILY INJURY BY DISEASE: \$	EACH EMPLOYEE

C. OTHER STATES INSURANCE: PART THREE OF THE POLICY APPLIES TO THE STATES, IF
ANY, LISTED HERE:

D. THIS POLICY INCLUDES THESE ENDORSEMENTS AND SCHEDULES:

4. THE PREMIUM FOR THIS POLICY WILL BE DETERMINED BY OUR MANUAL OF RULES,
CLASSIFICATIONS, RATES AND RATING PLANS. ALL REQUIRED INFORMATION IS SUBJECT
TO VERIFICATION AND CHANGE BY AUDIT.

DATE OF ISSUE:
OFFICE:
PRODUCER:

ST ASSIGN:



WORKERS COMPENSATION
AND
EMPLOYERS LIABILITY POLICY

TYPE **AR**

INFORMATION PAGE WC 00 00 01 (A)

POLICY NUMBER:

CLASSIFICATION SCHEDULE:

CLASSIFICATIONS	CODE NO	PREMIUM BASIS TOTAL ESTIMATED ANNUAL REMUNERATION	RATES PER \$100 OF REMUNERATION	ESTIMATED ANNUAL PREMIUM
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SEE EXTENSION OF INFORMATION PAGE - SCHEDULES

SIC CODE:

PLEASE SEE CLASSIFICATION OF OPERATIONS SCHEDULE ATTACHED

STANDARD

TOTAL ESTIMATED ANNUAL STANDARD PREMIUM \$
 FLAT ASSIGNED RISK SURCHARGE
 PREMIUM DISCOUNT
 EXPENSE CONSTANT
 FOREIGN TERRORISM / TRIA
 FWCJUA MANDATORY DEPOSIT
 TOTAL ESTIMATED PREMIUM
 DEPOSIT AMOUNT DUE

A/R (FWCJUA) #

MINIMUM PREMIUM: \$

EMPLOYERS MINIMUM PREMIUM: \$

ST ASSIGN: **FL**

DATE OF ISSUE:
OFFICE:
PRODUCER:



WORKERS COMPENSATION
AND
EMPLOYERS LIABILITY POLICY

EXTENSION OF INFO PAGE – SCHEDULE WC 00 00 01 (A)

POLICY NUMBER:

INSURER: **FLORIDA W.C. JUA**

80179 - FL

INSURED'S NAME:

CLASSIFICATION	CODE	PREMIUM BASIS ESTIMATED TOTAL ANNUAL REMUNERATION	RATES PER \$100 OF REMUNERATION	ESTIMATED ANNUAL PREMIUM
----------------	------	--	---------------------------------------	--------------------------------

LOCATION

FEIN ENTITY CD

% EMPL. LIAB. INCREASED LIMITS \$
 ADD FOR INCREASED LIMITS MINIMUM
 EXPERIENCE MODIFICATION: MODIFIED PREMIUM
 TOTAL ESTIMATED ANNUAL STANDARD PREMIUM
 EXPENSE CONSTANT
 FOREIGN TERRORISM / TRIA
 TIER SURCHARGE
 ASSIGNED RISK FLAT SURCHARGE
 FWCJUA MANDATORY DEPOSIT
 TOTAL ESTIMATED PREMIUM
 DEPOSIT AMOUNT DUE

DATE OF ISSUE:

ST ASSIGN:

SCHEDULE NO: OF



WORKERS COMPENSATION
AND
EMPLOYERS LIABILITY POLICY
ENDORSEMENT WC 00 00 01 (A)

POLICY NUMBER:

LISTING OF ENDORSEMENTS
EXTENSION OF INFO PAGE

We agree that the following listed endorsements form a part of this policy on its effective date.

DATE OF ISSUE:

ST ASSIGN:

Page of



FLORIDA WORKERS' COMPENSATION
JOINT UNDERWRITING ASSOCIATION, INC.

**WORKERS COMPENSATION
AND
EMPLOYERS LIABILITY POLICY**

CHANGE DOCUMENT WC 99 99 98 (A)

POLICY NUMBER:

CHANGE EFFECTIVE DATE: - -

NCCI CO CODE:

INSURER:

INSURED'S NAME:

This Change is issued by the Company or Companies that issued the policy and forms a part of the policy. It is agreed that the policy is amended as follows:

An absence of an entry in the premium spaces below means that the premium adjustment, if any, will be made at time of audit.

ADDITIONAL PREMIUM \$
ADDITIONAL NON-PREMIUM \$

RETURN PREMIUM \$
RETURN NON-PREMIUM \$

DATE OF ISSUE: - -
POL. EFF. DATE: - -
OFFICE:
PRODUCER:

CHANGE NO:
POL. EXP. DATE: - -

PAGE:

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

Revisions to Supplemental Application Forms with Florida Notary Requirement

The Board shall consider a Rates & Forms Committee recommendation that specified FWCJUA supplemental application forms be amended to remove the indicator that the notary to witness and authenticate an employer's authorized signer's signature should be a Florida state notary.

In practice, the FWCJUA already permits the following forms to be notarized by notaries that are not Florida notaries. Thus, the form amendments being considered are strictly "housekeeping" in nature and will reflect the current practice of the FWCJUA.

1. Employment & Wage Release Agreement
2. Applicant's Affidavit
3. Applicant's Affidavit As To Employee Leasing
4. Employee Leasing – Consent to the Release of Client Initiation or Termination Information
5. Acknowledgement by Labor Contractor of Terms and Client of Terms and Conditions of the MCP
6. Acknowledgement by Client of the Terms and Conditions of Continued Coverage under the MCP
7. Contractor's Supplemental Application
8. Acknowledgement by Employer of Terms and Conditions of an "If Any" Policy
9. Employer's Affidavit
10. Payroll Service With Premium Withholding Agreement

In addition, staff has asked NCCI to consider similarly amending its Safety Program Premium Credit form to eliminate the requirement that the notary be a Florida notary. NCCI has indicated that it will proceed with amending its form to permit the notary to be other than a Florida notary. Again, in practice, this is already permissible.

Attached are the recommended form amendments for the Board's perusal. If the proposed form revisions are adopted, they will be formatted for insertion in the Operations Manual and filed with OIR for approval.

The Board shall determine whether to adopt the changes to the attached supplemental application forms to reflect the FWCJUA's current practice of permitting notaries, other than Florida notaries, to notarize an employer's authorized signer's signature with such form amendments becoming effective as soon as practicable.

FLORIDA WORKERS' COMPENSATION JOINT UNDERWRITING ASSOCIATION, INC.

EMPLOYMENT AND WAGE INFORMATION RELEASE AGREEMENT (FWCJUA 04 03)

This document supplements your ACORD 130 FL Application and the Addendum (ACORD 133 FL). Its content is considered a part of, and is incorporated by reference into, any workers' compensation and employer's liability insurance policy issued by the FWCJUA. The FWCJUA will issue your insurance policy through a service provider, if you are determined to be eligible for coverage.

The FWCJUA requires you to release certain employment and wage information maintained by the State of Florida pursuant to federal and state unemployment compensation laws except to the extent prohibited or limited under federal law. By entering into this policy, you consent to the release of the information to the FWCJUA and its authorized service providers.

We will safeguard the information and maintain its confidentiality. We will limit use of the information to verifying compliance with the terms of the policy.

I HEREBY CERTIFY THAT I HAVE READ AND FULLY UNDERSTAND THE PRECEDING STATEMENTS, AND CONSENT TO THE RELEASE OF THE INFORMATION MAINTAINED BY THE STATE OF FLORIDA PURSUANT TO FEDERAL AND STATE UNEMPLOYMENT COMPENSATION LAWS (THE "INFORMATION") TO THE FWCJUA AND ITS AUTHORIZED SERVICE PROVIDERS, EXCEPT TO THE EXTENT PROHIBITED OR LIMITED UNDER FEDERAL LAW. I UNDERSTAND AND AGREE THAT THIS CONSENT TO THE RELEASE OF THE INFORMATION SHALL APPLY TO ALL INFORMATION PREVIOUSLY RECEIVED BY THE STATE OF FLORIDA FOR ANY TAX/WAGE REPORTING PERIOD BEGINNING WITHIN ONE YEAR PRECEDING THE DATE OF THIS AGREEMENT, AS WELL AS TO ALL INFORMATION WHICH IS RECEIVED IN THE FUTURE BY THE STATE OF FLORIDA FOR ANY TAX/WAGE REPORTING PERIOD WHICH COINCIDES WITH THE PERIOD OF THE POLICY OR ANY RENEWAL THEREOF. THE FWCJUA AND ITS AUTHORIZED SERVICE PROVIDERS SHALL HAVE ACCESS TO THE INFORMATION BEGINNING ON THE DATE OF THIS AGREEMENT AND ENDING THREE YEARS AFTER EXPIRATION OF THE POLICY OR ANY RENEWAL THEREOF.

Applicant's /Employer's Name (Print)

Applicant's / Employer's Signature
(Must be an owner, partner or officer)

Applicant's Federal Employer
Identification Number (FEIN)

Print Name & Title of Representative Signing
Above on Behalf of Applicant /Employer

Applicant's Unemployment Compensation
Account Number

STATE OF FLORIDA
COUNTY OF _____

Sworn to (or affirmed) and subscribed before me this _____ day of _____, 20____, by _____ . He/She is personally known to me or has produced _____ as identification.

Notary Public

Printed Name
My Commission Expires:

FLORIDA WORKERS' COMPENSATION JOINT UNDERWRITING ASSOCIATION, INC.

APPLICANT'S AFFIDAVIT

This document supplements your ACORD 130 FL Application and the Addendum (ACORD 133 FL). Its content is considered a part of, and is incorporated by reference into, any workers' compensation and employers' liability insurance policy issued by the FWCJUA. The FWCJUA will issue your insurance policy through a Service Provider, if you are determined to be eligible for coverage.

It is the Producer's and his or her affiliated Insurance Agency's (the "Agency") duty and responsibility to assist you in obtaining coverage to meet your obligations under the Florida Workers' Compensation Law, preferably by securing coverage from an insurance company in the voluntary market. If you are unable to obtain such coverage, the Producer and his or her affiliated Agency then has the responsibility to assist you in obtaining coverage with the FWCJUA in a prompt and efficient manner and in explaining to you the necessity for securing coverage with the FWCJUA. The Producer and his or her affiliated Agency is to assist you in completing thoroughly and accurately an application, Addendum, and any other documents that may be required. It is also the Producer's and his or her affiliated Agency's duty and responsibility to explain to you, at the time of application, that if you are determined to be eligible and in good faith entitled to FWCJUA coverage, the premium will be calculated using any applicable FWCJUA surcharges or fees and that a FWCJUA policy has the potential of being an assessable policy.

Neither the Producer nor his or her affiliated Agency is an agent of the FWCJUA or any Service Provider, and has no authority, actual, apparent or implied, to bind either. The Producer and his or her affiliated Agency are not authorized to enlarge, modify, or interpret the questions asked or information provided in the application.

I HEREBY CERTIFY THAT I HAVE READ AND FULLY UNDERSTAND THE PRECEDING STATEMENTS, AND I ACKNOWLEDGE MY UNDERSTANDING THAT NEITHER THE PRODUCER NOR HIS OR HER AFFILIATED AGENCY IS NOT AN AGENT OF THE FWCJUA OR ANY SERVICE PROVIDER AND THAT THE PRODUCER AND HIS OR HER AFFILIATED AGENCY HAS NO AUTHORITY TO REPRESENT EITHER THE FWCJUA OR ANY SERVICE PROVIDER.

Applicant's/Employer's Name (Print)

Applicant's/Employer's Signature
(must be an owner, partner or officer)

Print Name & Title of Representative Signing
Above on Behalf of Applicant/Employer

State of Florida County of _____ Sworn to (or affirmed) and subscribed before me this
_____ day of _____, 20____, by _____

Notary (Signature of Notary Public)

Personally known _____
Or produced identification _____
Type of Identification Produced: _____

Notary (Print, typed or stamped
commissioned name of notary public)

FLORIDA WORKERS' COMPENSATION JOINT UNDERWRITING ASSOCIATION, INC.

APPLICANT'S AFFIDAVIT AS TO EMPLOYEE LEASING

This document supplements your ACORD 130 FL Application and Addendum (ACORD 133 FL). Its content is considered a part of, and is incorporated by reference into, any workers' compensation and employer's liability insurance policy issued by the FWCJUA.

You may have informed the FWCJUA that you do not currently lease any employees from an employee leasing company or through any employee leasing arrangement. While your FWCJUA insurance coverage is in effect, you are obligated to notify the FWCJUA within three (3) business days after you lease employees from an employee leasing company or otherwise enter into an employee leasing arrangement. You will be responsible for completely and accurately reporting to the FWCJUA the names, social security numbers and relevant job duties and payroll information regarding the leased employees.

Regardless of whether an employee leasing company provides workers' compensation and employer's liability insurance for the employees you lease, the FWCJUA will include the leased employees' payroll in determining your premium. You will be obligated to pay the FWCJUA any additional premium which may be due as a result of the inclusion of the leased employees' payroll in the determination of your premium.

I HEREBY CERTIFY THAT I HAVE READ AND FULLY UNDERSTAND THE PRECEDING STATEMENTS, AND I ACKNOWLEDGE THAT I AM OBLIGATED TO COMPLY WITH THEIR TERMS.

Applicant's/Employer's Name (Print)

Applicant's/Employer's Signature
(must be an owner, partner or officer)

Print Name & Title of Representative Signing
Above on Behalf of Applicant/Employer

State of Florida, County of _____, Sworn to (or affirmed) and subscribed before me this _____ day of _____, 20____, by _____.

Notary (Signature of Notary Public)

Personally known _____

Or produced identification _____

Type of Identification Produced: _____

Notary (Print, typed or stamped commissioned
Name of notary public)

EMPLOYEE LEASING – CONSENT TO THE RELEASE OF CLIENT INITIATION OR TERMINATION INFORMATION

This document supplements your ACORD 130 FL Application and the Addendum (ACORD 133 FL). Its content is considered a part of, and is incorporated by reference into, any workers' compensation and employer's liability insurance policy issued by the FWCJUA. The FWCJUA will issue your insurance policy through a service provider, if you are determined to be eligible for coverage.

The FWCJUA requires you to release certain client initiation or termination information maintained by the State of Florida pursuant to Chapter 468, Florida Statutes. By entering into this policy, you consent to the release of client initiation or termination information to the FWCJUA and its authorized service providers.

We will safeguard the information and maintain its confidentiality to the extent provided or permitted under Florida law. We will limit use of the information to verifying compliance with the terms of the policy, the FWCJUA Plan of Operations and Florida law.

I HEREBY CERTIFY THAT I HAVE READ AND FULLY UNDERSTAND THE PRECEDING STATEMENTS, AND CONSENT TO THE RELEASE OF CLIENT INITIATION OR TERMINATION INFORMATION MAINTAINED BY THE STATE OF FLORIDA PURSUANT CHAPTER 468, FLORIDA STATUTES (THE "INFORMATION") TO THE FWCJUA AND ITS AUTHORIZED SERVICE PROVIDERS. I UNDERSTAND AND AGREE THAT THIS CONSENT TO THE RELEASE OF THE INFORMATION SHALL APPLY TO ALL INFORMATION PREVIOUSLY RECEIVED BY THE STATE OF FLORIDA WITHIN ONE YEAR PRECEDING THE DATE OF THIS CONSENT, AS WELL AS TO ALL INFORMATION WHICH IS RECEIVED IN THE FUTURE BY THE STATE OF FLORIDA WHICH RELATES TO THE PERIOD OF THE POLICY OR ANY RENEWAL THEREOF. THE FWCJUA AND ITS AUTHORIZED SERVICE PROVIDERS SHALL HAVE ACCESS TO THE INFORMATION BEGINNING ON THE DATE OF THIS CONSENT AND ENDING THREE YEARS AFTER EXPIRATION OF THE POLICY OR ANY RENEWAL THEREOF.

Leasing Company (Print)

Leasing Company Representative's Signature
(Must be an owner, partner or officer)

Leasing Company's Federal Employer
Identification Number (FEIN)

Print Name & Title of Representative Signing
Above on Behalf of Leasing Company

Leasing Company's Unemployment Compensation
Account Number

Leasing Company's License Number

STATE OF FLORIDA
COUNTY OF _____

Sworn to (or affirmed) and subscribed before me this _____ day of _____, 20____, by _____ . He/She is personally known to me or has produced _____ as identification.

Notary Public

Printed Name
My Commission Expires:

FLORIDA WORKERS' COMPENSATION JOINT UNDERWRITING ASSOCIATION, INC.

**ACKNOWLEDGEMENT BY LABOR CONTRACTOR AND CLIENT
OF TERMS AND CONDITIONS OF THE MULTIPLE COORDINATED POLICY**

This document supplements your ACORD 130 FL Application and Addendum (ACORD 133 FL). Its content is considered a part of, and is incorporated by reference into, any workers' compensation and employer's liability insurance policy issued by the FWCJUA. The FWCJUA will issue your insurance policy through a service provider, if you are determined to be eligible for coverage.

The multiple coordinated policy is an assessable policy issued under Tier 3. If the FWCJUA is unable to pay its obligations, the policyholders in Tier 3 will be required to contribute on a pro rata earned premium basis the money necessary to meet any assessment levied for a Tier 3 deficit. The labor contractor and client are jointly liable under the multiple coordinated policy on a pro rata basis for that portion of the total assessment which corresponds to the earned premiums attributed to the client's leased workers covered under the policy. If the labor contractor fails to pay the assessment attributed to the client's leased workers, the client will be required to pay such assessment directly to the FWCJUA without regard to whether the client has made any payments to the labor contractor.

Certain words and phrases in the multiple coordinated policy are defined as follows:

"Labor contractor" means the person or entity furnishing some or all of the workers to another entity.

"Client" means the person or entity using the services of a labor contractor to obtain some or all of its workers.

"Temporary worker" means a worker who is furnished to a person or entity to substitute for a permanent employee on leave or to meet seasonal or short-term workload conditions.

The policy does not apply with respect to temporary workers provided to the client. The policy will only cover those leased employees who are specifically identified in the contract between the labor contractor and client. Disclosure to and acceptance by the FWCJUA of the leased employees named in the contract between the labor contractor and client are conditions precedent to the coverage provided under the policy. These conditions further apply with respect to modifications or amendments of the leased employees named in the contract between the labor contractor and client. The coverage provided by the policy for the client's leased employees is specifically conditioned upon the valid existence of the employee leasing contract between the labor contractor and client. If at any time the client's leased employees cease to be leased employees provided by the labor contractor named below and listed in the schedule to the endorsements attached to the policy, the policy will cease to afford coverage for those workers.

Part One (Workers Compensation Insurance) and Part Two (Employers Liability Insurance) of the client policy apply as though the labor contractor is an insured. If specified in the schedule to the endorsements attached to the policy, the insurance afforded by the policy applies only to work performed by a client under the contract or at the project named in the schedule.

Under Part One of the client policy we will reimburse the labor contractor named in the Schedule for the benefits required by the workers compensation law if we are not permitted to pay the benefits directly to the persons entitled to them.

The insurance afforded by the client policy is only intended to provide coverage for the leased employees named in the contract between the labor contractor and the client and will not satisfy the labor contractor's duty to secure any other obligations under the workers' compensation law. We will not file evidence of this insurance on behalf of the labor contractor with any government agency.

We will not ask any other insurer of the labor contractor to share with us a loss covered by the policy.

Premium will be charged for the client's leased employees while such leased employees are provided by the labor contractor. The client must obtain from the labor contractor and furnish to us a complete payroll record of the client's leased employees provided by the labor contractor to satisfy the client's obligations under Part Five (Premium), C.2. The premiums for the client's leased workers covered under the policy will be billed directly to the labor contractor, and we will send a copy of the bill to the client.

The labor contractor and client are jointly liable for the payment of premiums, assessments, penalties, fees and surcharges determined to be due to the FWCJUA for the client's leased employees covered under the policy. The client's payment to the labor contractor will not discharge the client's liability to the FWCJUA for the payment of premiums, assessments, penalties, fees and surcharges determined to be due for the client's leased employees covered under the policy. If the labor contractor fails to make payments of premiums, assessments, penalties, fees or surcharges attributed to the client's leased employees, the client will be required to make payments of such premiums, assessments, penalties, fees or surcharges directly to the FWCJUA without regard to whether the client has made any payments to the labor contractor.

The policy may be canceled according to its terms or for violation of rules applicable to employee leasing operations, provided that the labor contractor has been provided a reasonable opportunity to cure the violation. If the policy is canceled, we will send notice of such cancellation to the labor contractor, and we will also send a copy of the notice of cancellation to the client.

Part Four (Your Duties If Injury Occurs) of the policy applies to the client and the labor contractor. The labor contractor will recognize our right to defend under Parts One and Two and our right to inspect under Part Six (Conditions).

I HEREBY CERTIFY THAT I HAVE READ THE FOREGOING STATEMENTS AND FULLY UNDERSTAND THE TERMS AND CONDITIONS OF THE MULTIPLE COORDINATED POLICY WHICH MAY BE ISSUED TO THE LABOR CONTRACTOR AND THE CLIENT NAMED HEREIN.

Applicant's/Labor Contractor's Name (Print)

Applicant's/Client's Name (Print)

Applicant's/Labor Contractor's Signature
(must be an owner, partner or officer)

Applicant's/Client's Signature
(must be an owner, partner or officer)

Print Name & Title of Authorized Representative

Print Name & Title of Authorized Representative

State of **Florida**, County of _____. Sworn to (or affirmed) and subscribed before me this _____ day of _____, 20____, by _____ (Labor Contractor). He/She is personally known to me or has produced _____ as identification.

Notary Public: _____
Printed Name: _____
My Commission Expires: _____

State of **Florida**, County of _____. Sworn to (or affirmed) and subscribed before me this _____ day of _____, 20____, by _____ (Client). He/She is personally known to me or has produced _____ as identification.

Notary Public: _____
Printed Name: _____
My Commission Expires: _____

FLORIDA WORKERS' COMPENSATION JOINT UNDERWRITING ASSOCIATION, INC.

**ACKNOWLEDGEMENT BY CLIENT OF THE TERMS AND CONDITIONS
OF CONTINUED COVERAGE UNDER THE MULTIPLE COORDINATED POLICY**

A notice of cancellation has been issued to the labor contractor under the multiple coordinated policy.

Notwithstanding cancellation of the labor contractor's policy, if the FWCJUA determines that you are in compliance with the applicable terms of the multiple coordinated policy, you may have the option to continue the coverage afforded for the leased employees named in the contract between you and the labor contractor, through the date of expiration of the multiple coordinated policy, in exchange for your direct payment to the FWCJUA of any premiums, assessments, penalties, fees and surcharges both outstanding and which may hereafter become due for the remainder of the policy period for the leased employees named in the contract between you and the labor contractor.

If you elect to continue coverage for the leased employees named in the contract between you and the labor contractor after cancellation of the labor contractor's policy, the labor contractor will not be liable for any additional premiums, assessments, penalties, fees or surcharges which may be incurred by you for such leased employees on and after the effective date of cancellation of the labor contractor's policy. You and the labor contractor remain jointly liable for any premiums, assessments, penalties, fees and surcharges incurred for your leased employees prior to the effective date of cancellation of the labor contractor's policy.

If the labor contractor's policy is reinstated, you and the labor contractor will be jointly liable for the premiums, assessments, penalties, fees and surcharges attributed to the leased employees named in the contract between you and the labor contractor. If you elect to accept the FWCJUA's extension of continued coverage under the multiple coordinated policy, such coverage only applies to those leased employees named in the contract between you and the labor contractor as of the effective date of cancellation of the labor contractor's policy. Prior disclosure to and acceptance by the FWCJUA of any additional leased employees are conditions precedent to any coverage which may be afforded to leased employees not named in the contract between you and the labor contractor as of the effective date of cancellation of the labor contractor's policy.

The continued coverage extended by the FWCJUA under the multiple coordinated policy for the leased employees named in the contract between you and the labor contractor is specifically conditioned upon the valid existence of your employee leasing contract with the labor contractor. If at any time your leased employees cease to be leased employees provided by the labor contractor named in Item 1 of the Schedule to the Labor Contractor Endorsement, the multiple coordinated policy will cease to afford coverage for those workers.

I HEREBY CERTIFY THAT I HAVE READ THE FOREGOING STATEMENTS AND FULLY UNDERSTAND THE TERMS AND CONDITIONS OF THE CONTINUED COVERAGE WHICH MAY BE EXTENDED BY THE FWCJUA UNDER THE MULTIPLE COORDINATED POLICY.

Client's Name (Print)

Client's Signature
(must be an owner, partner or officer)

Print Name & Title of Authorized Representative

State of Florida, County of _____. Sworn to (or affirmed) and subscribed before me this _____ day of _____, 20____, by _____ (Client). He/She is personally known to me or has produced _____ as identification.

Notary Public: _____
Printed Name: _____
My Commission Expires: _____

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

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

1. Name: _____
2. Business Address: _____
3. Phone: Home: _____ Business: _____ Cell Phone: _____
4. Federal ID Number: _____ Email Address: _____
5. Do you operate a business in a licensed trade? Yes ___ No ___
 - a. If yes, provide a copy of the license issued by the Department of Business & Professional Regulation (DBPR).
 - b. If you are operating a business that requires a license issued by DBPR but you are NOT the license holder, provide the name of the individual (the Qualifier) whose license you are using to qualify your business:
Name: _____ License #: _____
6. Who manages your office, answers the telephone? _____
7. List all "Affiliated" entities, as defined in s. 440.02(15)(b), Florida Statutes, and their FEINs:
 1. _____ FEIN: _____
 2. _____ FEIN: _____
 3. _____ FEIN: _____
 4. _____ FEIN: _____
8. List all jobs you have in progress, with a contact name and daytime phone number, description of work, and dollar amount of the job/contract.

Job Name:	Description	Contact Name & Daytime Phone Number	(\$)	Amount of Job / Contract
1.	_____	_____	_____	_____
2.	_____	_____	_____	_____
3.	_____	_____	_____	_____
4.	_____	_____	_____	_____
9. Please list the different types of construction work you anticipate performing during the policy term:

10. Estimate the number of jobs you perform annually: _____
11. Give a complete description of how you obtain additional jobs: _____

12. List all equipment owned and/or used in your business: _____

13. If you are a sole proprietor, please attach a copy of your schedule C filed last year.
14. If you have no employees and do not use subcontractors, please answer the following questions (be specific):
 - a. How is the work performed? _____
 - b. Who performs the work? _____
 - c. Why do you need workers compensation insurance? _____

15. Do you require all subcontractors to provide a foreman or superintendent at each jobsite? Yes ___ No ___
 - a. If no, who provides DIRECT supervision over the workers? _____
 - b. Do you use any subcontractors who perform the work themselves and have no employees? Yes ___ No ___

CONTRACTOR'S SUPPLEMENTAL APPLICATION (Question # 16 continued)

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

FLORIDA WORKERS' COMPENSATION JOINT UNDERWRITING ASSOCIATION, INC.

ACKNOWLEDGEMENT BY EMPLOYER OF TERMS AND CONDITIONS OF AN "IF ANY" POLICY

This document supplements your ACORD 130 FL Application and the Addendum (ACORD 133 FL). Its content is considered a part of, and is incorporated by reference into, any workers' compensation and employer's liability insurance policy issued by the FWCJUA. The FWCJUA will issue your insurance policy through a service provider, if you are determined to be eligible for coverage.

This notice is being issued because you have applied for an "if any" policy, which provides workers' compensation and employer's liability insurance if you hire any Employee during the policy period.

Your application for insurance states that you do not have any Employees. You are required to notify us within three business days if you do hire any Employee during the policy period. Failure to timely notify us may be considered an intentional misrepresentation, which may result in the cancellation of your policy and in the denial of insurance coverage. You must report the hiring of any Employee by calling us at 1-800-247-7218.

Section 440.381 (6), Florida Statutes, provides:

(6) If an employer understates or conceals payroll, or misrepresents or conceals employee duties so as to avoid proper classification for premium calculations, or misrepresents or conceals information pertinent to the computation and application of an experience rating modification factor, the employer, or the employer's agent or attorney, shall pay to the insurance carrier a [penalty of 10 times the amount of the difference in premium paid and the amount the employer should have paid and reasonable attorney's fees. The penalty may be enforced in the circuit courts of this state.

Section 440.105, Florida Statutes, provides:

(4) Whoever violates any provision of this subsection commits insurance fraud, punishable as provided in paragraph (f).

(b) It shall be unlawful for any person:

5. To knowingly make any false, fraudulent, or misleading oral or written statement, or to knowingly omit or conceal material information, required by s. 440.185 or s. 440.381, for the purpose of obtaining workers' compensation coverage or for the purpose of avoiding, delaying, or diminishing the amount of payment of any workers' compensation premiums.

6. To knowingly misrepresent or conceal payroll, classification of workers, or information regarding an employer's loss history which would be material to the computation and application of an experience rating modification factor for the purpose of avoiding or diminishing the amount of payment of any workers' compensation premiums.

I hereby certify that I have read and fully understand the preceding statements, and I acknowledge my understanding that I am required to notify you within 3 business days if I hire any Employee during the policy period. Failure to timely notify you may be considered an intentional misrepresentation, which may result in the cancellation of my policy and in the denial of insurance coverage.

Applicant's/Employer Name (Print)

Applicant's/Employer Signature
(Must be an Owner, Partner or Officer)

Print Name & Title of Representative Signing
Above on Behalf of Applicant/Employer

State of Florida, County of _____ Sworn to (or affirmed) and subscribed before me this _____ day of _____ 20__, by _____. He/She is personally known to me or has produced _____ as identification.

Notary Public _____ Printed Name _____
My Commission Expires: _____

**FLORIDA WORKERS' COMPENSATION JOINT UNDERWRITING ASSOCIATION, INC.
EMPLOYER'S AFFIDAVIT**

EMPLOYER'S RESPONSIBILITIES Under section 440.381, Florida Statutes, you are required to submit payroll information each quarter to verify your Workers' Compensation policy premium. In order to keep your coverage in force, you must fully complete this affidavit, sign and return it by the due date specified. In addition, please be advised that by signing this affidavit, you attest that you understand the following aspects of the FWCJUA plan and section 440.381, Florida Statutes:

1. You are responsible for reporting the payroll of both employees and uninsured subcontractors. If you fail to provide this information, you may be held liable for claims filed in subsequent quarters by or on behalf of unreported employees, uninsured subcontractors or employees of uninsured subcontractors, unless you can prove that the claimant was hired after filing of the quarterly report.
2. The penalty for acts that result in underpayment of premium is 10 times the amount underpaid (plus any attorney fees incurred by the FWCJUA). Therefore, you should not: a) understate or conceal payroll; b) misrepresent employee duties so as to avoid proper classification for premium calculations, or; c) misrepresent or conceal information pertinent to the computation and application of an experience rating modification factor.
3. Your policy will be charged for subcontractor exposure unless you can furnish us with the following: a) a valid certificate of insurance showing proof of Florida workers' compensation insurance for said subcontractor, OR b) a valid certificate of exemption (form DWC-250) purged by the state for the contracted trade or occupation AND a notarized statement from the subcontractor attesting to not having any employees or subcontractors. If a subcontractor has an employee leasing arrangement providing workers' compensation insurance, you must furnish a valid certificate of insurance for the leasing company showing proof of Florida workers' compensation insurance, as well as an affidavit from the subcontractor attesting to not having any unreported employees.
4. Based on specific criteria outlined in the FWCJUA Manual, you are assigned to one of three tiers; each tier is subject to a specific surcharge applied to the voluntary comparable premium and is subject to FWCJUA minimum premiums. Refer to your policy information page for your tier assignment and surcharge. In addition, if you are assigned to Tier 3 you will be subject to the Assigned Risk Adjustment Program (ARAP), if applicable. The tier surcharge also applies to any premiums that may develop because you employ uninsured subcontractors.
5. If you are assigned to Tier 3, your policy is assessable. This means that if the FWCJUA is unable to pay its obligations, you will be required to contribute on a pro-rata-earned-premium basis the money necessary to meet any assessment levied for a Tier 3 deficit.

Legal Business Name	Federal ID # _____	Business Phone (____) - _____ - _____
Policy Number	Policy Effective Date	Quarter Being Reported (Quarter & Year)

<p>A) Do you have any full or part-time employees?</p> <p><input type="checkbox"/> Yes - Attach last quarter's 941 and UCT-6 for all employees.</p> <p><input type="checkbox"/> No</p>	<p>B) Is any part of your work performed by subcontractors?</p> <p><input type="checkbox"/> Yes - Complete the following schedule. Provide last quarter's actual expense for all subcontract labor as well as an estimate for the full 12 month period covered by this policy. Include a 12 month estimate for each & every subcontractor, actual & anticipated</p> <p><input type="checkbox"/> No - Explain how work is performed: _____</p>
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C) Do you lease employees? You are obligated to inform the FWCJUA of whether you currently lease any employees from an employee leasing company or through any employee leasing arrangement. You are responsible for completely and accurately reporting to the FWCJUA the names, social security numbers, relevant job duties and payroll information regarding any leased employees, as well as providing the FWCJUA with a copy of any employee leasing agreement which is in effect at any time while your FWCJUA insurance coverage is in effect. In addition, while your FWCJUA insurance coverage is in effect, you are obligated to notify the FWCJUA within three (3) business days after you lease employees from an employee leasing company, enter into an employee leasing arrangement, cease leasing employees from an employee leasing company or terminate any employee leasing agreement. Regardless of whether an employee leasing company provides workers' compensation and employer's liability insurance for the employees you lease, the FWCJUA will include the leased employees' payroll in determining your premium. You will be obligated to pay the FWCJUA any additional premium resulting from the inclusion of the leased employees' payroll in the determination of your premium.

Yes Provide PEO(s) name: _____
Annual payroll for leased workers: _____

No

I hereby attest that the information provided in this affidavit is accurate. In addition, I certify that I have read and understand the above statements regarding my responsibility under the Florida Workers' Compensation Statute and the FWCJUA rules.

State of Florida	Officer or Principal's Name (Please Print)	Officer or Principal's Signature (Please sign)	Date
County of _____	Sworn to (or affirmed) and subscribed before me this _____ day of _____, 20____, by _____	Personally known _____ Or produced identification _____	Type of Identification Produced _____
Notary (Signature of Notary Public - State of Florida)	Notary (Print, typed or stamped commissioned name of notary public)		

**FLORIDA WORKERS' COMPENSATION JOINT UNDERWRITING ASSOCIATION
EMPLOYER'S AFFIDAVIT**

Legal Business Name		Policy Number			Quarter Being Reported (Quarter & Year)	
SUBCONTRACTOR'S LEGAL BUSINESS NAME AND MAILING ADDRESS	SUBCONTRACTOR'S FEIN	TYPE OF WORK PERFORMED	# OF EMPLOYEES	AMOUNT YOU PAID TO SUBCONTRACTOR FOR LABOR - ACTUAL LAST QTR	AMOUNT YOU PAID TO SUBCONTRACTOR FOR LABOR - FULL POLICY ESTIMATE	INDICATE APPLICABLE DOCUMENTS & ATTACH COPIES (See # 3 on reverse side)
1				\$	\$	<input type="checkbox"/> Certificate of Insurance <input type="checkbox"/> Exemption Form AND Notarized Letter <input type="checkbox"/> Leasing Company Certificate of Insurance AND Notarized Letter <input type="checkbox"/> None
2				\$	\$	<input type="checkbox"/> Certificate of Insurance <input type="checkbox"/> Exemption Form AND Notarized Letter <input type="checkbox"/> Leasing Company Certificate of Insurance AND Notarized Letter <input type="checkbox"/> None
3				\$	\$	<input type="checkbox"/> Certificate of Insurance <input type="checkbox"/> Exemption Form AND Notarized Letter <input type="checkbox"/> Leasing Company Certificate of Insurance AND Notarized Letter <input type="checkbox"/> None
4				\$	\$	<input type="checkbox"/> Certificate of Insurance <input type="checkbox"/> Exemption Form AND Notarized Letter <input type="checkbox"/> Leasing Company Certificate of Insurance AND Notarized Letter <input type="checkbox"/> None
5				\$	\$	<input type="checkbox"/> Certificate of Insurance <input type="checkbox"/> Exemption Form AND Notarized Letter <input type="checkbox"/> Leasing Company Certificate of Insurance AND Notarized Letter <input type="checkbox"/> None
6				\$	\$	<input type="checkbox"/> Certificate of Insurance <input type="checkbox"/> Exemption Form AND Notarized Letter <input type="checkbox"/> Leasing Company Certificate of Insurance AND Notarized Letter <input type="checkbox"/> None
7				\$	\$	<input type="checkbox"/> Certificate of Insurance <input type="checkbox"/> Exemption Form AND Notarized Letter <input type="checkbox"/> Leasing Company Certificate of Insurance AND Notarized Letter <input type="checkbox"/> None
8				\$	\$	<input type="checkbox"/> Certificate of Insurance <input type="checkbox"/> Exemption Form AND Notarized Letter <input type="checkbox"/> Leasing Company Certificate of Insurance AND Notarized Letter <input type="checkbox"/> None
9				\$	\$	<input type="checkbox"/> Certificate of Insurance <input type="checkbox"/> Exemption Form AND Notarized Letter <input type="checkbox"/> Leasing Company Certificate of Insurance AND Notarized Letter <input type="checkbox"/> None
10				\$	\$	<input type="checkbox"/> Certificate of Insurance <input type="checkbox"/> Exemption Form AND Notarized Letter <input type="checkbox"/> Leasing Company Certificate of Insurance AND Notarized Letter <input type="checkbox"/> None
11				\$	\$	<input type="checkbox"/> Certificate of Insurance <input type="checkbox"/> Exemption Form AND Notarized Letter <input type="checkbox"/> Leasing Company Certificate of Insurance AND Notarized Letter <input type="checkbox"/> None
12				\$	\$	<input type="checkbox"/> Certificate of Insurance <input type="checkbox"/> Exemption Form AND Notarized Letter <input type="checkbox"/> Leasing Company Certificate of Insurance AND Notarized Letter <input type="checkbox"/> None

(Make additional copies to list additional subcontractors)

PAYROLL SERVICE WITH PREMIUM WITHHOLDING AGREEMENT (FWCJUA 04 04)

This document supplements your ACORD 130 FL Application and the Addendum (ACORD 133 FL). Its content is considered a part of, and is incorporated by reference into, any workers' compensation and employer's liability insurance policy issued by the FWCJUA. The FWCJUA will issue your insurance policy through a service provider, if you are determined to be eligible for coverage.

The FWCJUA requires you to execute a Paychex® Florida Workers' Compensation JUA Payment Service Agreement and a Paychex Service Agreement electing, at a minimum, Taxpay® (includes SUI Support Service) at your sole expense within 14 calendar days of coverage being bound by the FWCJUA in order to qualify for the modified deposit and advance premium requirements. The FWCJUA further requires you to maintain these two agreements with Paychex in good standing throughout your policy period with failure to do so resulting in cancellation of your policy. The FWCJUA further requires you to release certain employment and wage information maintained by Paychex pursuant to the two aforementioned agreements. By entering into this policy, you consent to timely execute these two agreements as required with Paychex at your sole expense and to maintain these two agreements in good standing with Paychex throughout the policy period. You further consent to the release of the information to the FWCJUA and its authorized service providers.

I HEREBY CERTIFY THAT I HAVE READ AND FULLY UNDERSTAND THE PRECEDING STATEMENTS, AND CONSENT TO THE REQUIREMENT TO EXECUTE A PAYCHEX FLORIDA WORKERS' COMPENSATION JUA PAYMENT SERVICE AGREEMENT AND A PAYCHEX SERVICE AGREEMENT ELECTING, AT A MINIMUM, TAXPAY (INCLUDES SUI SUPPORT SERVICE) AT MY SOLE EXPENSE WITHIN FOURTEEN CALENDAR DAYS OF COVERAGE BEING BOUND BY THE FWCJUA. I FURHTER CONSENT TO MAINTAIN BOTH OF THESE SAID AGREEMENTS WITH PAYCHEX IN GOOD STANDING THROUGHOUT MY POLICY PERIOD. I UNDERSTAND AND AGREE THAT MY FAILURE TO EXECUTE AND MAINTAIN IN GOOD STANDING THESE TWO SAID AGREEMENTS WITH PAYCHEX SHALL RESULT IN THE CANCELLATION OF MY POLICY. I FURTHER CONSENT TO THE RELEASE OF THE INFORMATION MAINTAINED BY PAYCHEX PURSUANT TO THE TWO AGREEMENTS I AM REQUIRED TO EXECUTE WITH PAYCHEX (THE "INFORMATION") TO THE FWCJUA AND ITS AUTHORIZED SERVICE PROVIDERS. I UNDERSTAND AND AGREE THAT THIS CONSENT TO THE RELEASE OF THE INFORMATION SHALL APPLY TO ALL INFORMATION RECEIVED BY PAYCHEX FOR ANY TAX/WAGE REPORTING PERIOD BEGINNING ON THE DATE OF THIS AGREEMENT, AS WELL AS TO ALL INFORMATION WHICH IS RECEIVED IN THE FUTURE BY PAYCHEX FOR ANY TAX/WAGE REPORTING PERIOD WHICH COINCIDES WITH THE PERIOD OF THE POLICY OR ANY RENEWAL THEREOF. THE FWCJUA AND ITS AUTHORIZED SERVICE PROVIDERS SHALL HAVE ACCESS TO THE INFORMATION BEGINNING ON THE DATE OF THIS AGREEMENT AND ENDING THREE YEARS AFTER EXPIRATION OF THE POLICY OR ANY RENEWAL THEREOF.

Applicant's /Employer's Name (Print)

Applicant's / Employer's Signature
(Must be an owner, partner or officer)

Applicant's Federal Employer
Identification Number (FEIN)

Print Name & Title of Representative Signing
Above on Behalf of Applicant /Employer

Applicant's Unemployment Compensation
Account Number

STATE OF **FLORIDA**
COUNTY OF _____

Sworn to (or affirmed) and subscribed before me this _____ day of _____, 20__, by _____ . He/She is personally known to me or has produced _____ as identification.

Notary Public

Printed Name
My Commission Expires:

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

Revisions to Forms to Implement Senate Bill 1894

The Board shall consider a Rates & Forms Committee recommendation that staff be authorized to file revisions to the ACORD 133 FL (2007/07) and the Assessable Policy Notice Endorsement (FWCJUA 04 01) to implement Senate Bill 1894, if it becomes law.

Attached for the Board's perusal are the proposed revisions to the two forms with edits highlighted in red and yellow as well as underline or strikethrough. If adopted, the revised forms shall be formatted for insertion into the Operations Manual and filed with OIR for approval.

The Board shall determine whether to authorize staff to file the proposed revisions to the ACORD 133 FL (2007/07) and the Assessable Policy Notice Endorsement (FWCJUA 04 01) to implement Senate Bill 1894, if it becomes law.



PRODUCER	PHONE (A/C, No, Ext):	APPLICANT NAME
CODE:	SUB CODE:	
AGENCY FEIN:		

This document supplements your ACORD 130 FL Application for workers compensation and employers liability insurance to be issued by the FWCJUA. Its content is considered a part of, and is incorporated by reference into, any workers compensation and employers liability insurance policy issued by the FWCJUA.

Request for Additional Information

1. Is the applicant legally related through common management or ownership, or does it exhibit any degree of control over any entity not listed on the Application, whether coverage is requested or not? If yes, please complete an ERM - 14 (Confidential Request for Information) form and attach to ACORD 130 FL. YES NO
2. Has there been a name change or a consolidation, merger or other ownership change during the past five years? If yes, complete an ERM - 14 (Confidential Request for Information) form and attach to ACORD 130 FL. YES NO
3. Is the applicant currently in bankruptcy or aware of pending bankruptcy proceedings? If yes, the applicant must submit 100% of the total estimated annual premium to secure coverage through the FWCJUA and a deposit premium, if applicable. The applicant must also provide copies of monthly trustee reports within five days of filing with the bankruptcy court to avoid cancellation. YES NO
4. Has the applicant previously leased employees from a PEO or an Employee Leasing Company? If yes, provide the name, address and telephone number of the PEO or the Employee Leasing Company. YES NO
5. How many individuals does the applicant currently employ?
Include Sole Proprietor, Partners or Officers, who may be exempt under the law. Full-Time: _____ Part-Time: _____
6. Do any of the applicant's employees go on board barges, boats, vessels and/or docks? If yes, please describe, in detail, the specific job duties related to the exposure. YES NO
7. Does the applicant anticipate the number of employees increasing during the course of the policy term? If yes, how many additional employees are anticipated? Full-Time: _____ Part-Time: _____ YES NO
8. Is the applicant exempt from federal income tax pursuant to s. 501(c)(3) of the Internal Revenue Code? If yes, provide a copy of Form 990, Return of Organization Exempt from Income Tax, or Form 990-EZ, Short Form Return of Organization Exempt from Income Tax. YES NO
9. Have you or any of your employees reported a workers compensation injury within the last 60 days? If yes, please provide details. YES NO

Statements:

The FWCJUA may issue your policy through a service provider, if you are determined to be eligible for coverage. To be eligible for coverage with the FWCJUA, you must be required to maintain workers compensation and employers liability insurance and be in good faith entitled to but unable to purchase such insurance through the voluntary market. You are not in good faith entitled to insurance if any of the following circumstances exist, at the time of application or thereafter, or other evidence exists that you are not in good faith entitled to insurance:

- (1) If, at the time of application, you are self-insured and are aware of pending bankruptcy proceedings; insolvency; cessation of operations; or conditions that would probably result in occupational disease or cumulative injury claims from exposures incurred while you were self-insured;
- (2) If you, while insurance is in force, knowingly refuse to meet reasonable health and safety requirements;
- (3) If you or an affiliated person has an undisputed outstanding obligation for workers compensation premium on current or previous insurance to any agent, broker, premium finance company, insurer, or other insurance company; or
- (4) If you, or your representative and/or your Producer knowingly makes a material misrepresentation on your Application or a change in ownership by omission or otherwise, including any of the following, then insurance hereunder may be refused or canceled: estimated annual premium, estimated payroll, offers of workers compensation insurance; nature of business, name or ownership of business; previous insurance history; or outstanding workers compensation premium obligation of yourself or other enterprise with a common managing interest.

As Florida law requires that applicants be unable to obtain voluntary coverage to be entitled to FWCJUA coverage, you must have applied for and been rejected within the past 60 days by at least two non-affiliated insurers authorized to write and actively writing workers compensation and employers liability in Florida for your type of business, specifically including, where applicable, the current insurer. The offer of any rating plan approved in Florida shall be deemed an offer of insurance in a regular manner, and such an offer makes you ineligible for FWCJUA coverage.

Receipt of valid payment of estimated annual or deposit premium is a condition precedent to the acceptance and consideration of the Application by the FWCJUA. In the event that such valid payment does not accompany the Application, the Application will be rejected and not considered as an application for coverage. A check or draft remitted for the estimated annual or deposit premium shall be valid payment only if honored on first presentation through usual banking facilities.

Likewise, the completion and signing of the Application is a condition precedent to its acceptance for consideration by the FWCJUA. If your Application is not signed by a representative having authority to bind you to an insurance contract, or your Application is materially incomplete, it shall be rejected by the FWCJUA and shall not be considered as an application for coverage. Your Application shall be materially incomplete when, in the sole discretion of the FWCJUA, information necessary to the processing of your Application, the determination of premium, or the binding of coverage is omitted or illegible.

All applications for coverage with the FWCJUA shall be reviewed for accuracy, completeness and compliance with the provisions contained herein, using any available historic information regarding yourself.

If you are determined by the FWCJUA to be eligible for coverage, coverage will be bound at 12:01 a.m. on whichever day is the later of (1) the expiration day of existing coverage; or (2) the day requested on your Application; or (3) the first day following the U.S. postmark date on the envelope in which your Application and estimated annual or deposit premium is mailed; or (4) the day of receipt of the envelope in which your Application and estimated annual or deposit premium is mailed if there should be no legible U.S. postmark date or if sent by overnight mail for next day delivery; or (5) the day after receipt of your Application and estimated annual or deposit premium inclusive of a flat fee, if made by personal delivery.

Upon obtaining coverage through the FWCJUA, you will be assigned to one of three rating tiers based upon the eligibility criteria outlined below:

Tier 1 Eligibility: An employer that has an experience modification rating shall be included in Tier 1 if the employer meets all of the following through the date immediately preceding the inception or renewal date of the employer's coverage through the FWCJUA: (1) the experience modification is below 1.00, and (2) the employer had no lost-time claims subsequent to the applicable experience rating period, and (3) the total of the employer's medical-only claims subsequent to the applicable experience rating period did not exceed 20% of premium. An employer that does not have an experience modification rating shall be included in Tier 1 if the employer meets all of the following for the 3-year period immediately preceding the inception date or renewal date of the employer's coverage through the FWCJUA: (1) the employer had no lost-time claims, and (2) the total of the employer's medical-only claims did not exceed 20% of premium, and (3) the employer secured workers compensation coverage for the entire 3 years, and (4) the employer provides his or her loss history generated by his or her prior workers compensation insurer(s), and (5) the employer is not a new business.

Tier 2 Eligibility: An employer that has an experience modification rating shall be included in Tier 2 if the employer meets all of the following through the date immediately preceding the inception or renewal date of the employer's coverage through the FWCJUA: (1) the experience modification is equal to or greater than 1.00 but not greater than 1.10, and (2) the employer had no lost-time claims subsequent to the applicable experience rating period, and (3) the total of the employer's medical-only claims subsequent to the applicable experience rating period did not exceed 20% of premium. An employer that does not have an experience modification rating shall be included in Tier 2 if (1) the employer is a new business or (2) the employer has less than 3 years of loss experience in the 3-year period immediately preceding the inception date or renewal date of the employer's coverage through the FWCJUA provided the employer meets all of the following for the 3-year period immediately preceding the inception date or renewal date of the employer's coverage through the FWCJUA: (a) the employer had no lost-time claims, and (b) the total of the employer's medical-only claims did not exceed 20% of premium, and (c) the employer provides his or her loss history generated by his or her prior workers compensation insurer(s).

Tier 3 Eligibility: An employer shall be included in Tier 3 if the employer does not meet the eligibility criteria for Tier 1 or Tier 2.

If you are assigned to Tier 1 or Tier 2, you shall not receive an assessable policy. **IF YOU ARE ASSIGNED TO TIER 3, YOU SHALL RECEIVE AN ASSESSABLE POLICY. THIS MEANS THAT IF THE PLAN IS UNABLE TO PAY ITS OBLIGATIONS, YOU WILL BE REQUIRED TO CONTRIBUTE ON A PRO-RATA-EARNED-PREMIUM BASIS THE MONEY NECESSARY TO MEET ANY ASSESSMENT LEVIED FOR TIER 3. YOU MAY BE ASSESSED MORE THAN ONCE, AND ANY ASSESSMENT MAY BE MADE EITHER WHILE YOUR POLICY IS IN EFFECT OR AT ANY TIME AFTER YOUR POLICY'S TERMINATION, EXPIRATION OR CANCELLATION. ASSESSMENTS LEVIED AGAINST YOU AS A TIER 3 PARTICIPANT SHALL COVER ONLY THE DEFICITS ATTRIBUTABLE TO TIER 3 AND MAY NOT BE OFFSET BY ANY SURPLUS GENERATED WITHIN SUBPLAN "A," SUBPLAN "B", SUBPLAN "C", SUBPLAN "D", TIER 1 OR TIER 2 REGARDLESS OF WHETHER YOU WERE EVER A PARTICIPANT IN ANOTHER RATING SUBPLAN OR TIER.**

I HEREBY ACKNOWLEDGE THAT I HAVE READ THE PRECEDING STATEMENTS AND SWEAR THAT AS THE EMPLOYER:

- (1) The responses to the preceding requests for additional information are accurate and the corresponding required or supporting forms are attached to my ACORD 130 FL Application;
- (2) I am in good faith entitled to but have been unable to purchase workers compensation and employers liability insurance through the voluntary market;
- (3) If there have been any offers of voluntary coverage, full details, including insurer name, representative, and terms of that coverage are attached to my ACORD 130 FL Application to the FWCJUA;

Effective July 1, 200~~4~~7

FLORIDA WORKERS COMPENSATION JOINT UNDERWRITING ASSOCIATION, INC.

ASSESSABLE POLICY NOTICE ENDORSEMENT (FWCJUA 04 01)

This endorsement is issued to explain the assessability feature of a policy issued in Tier 3. If you are assigned to Tier 1 or Tier 2, your policy is not assessable. Your tier assignment is located in the Schedule to the Tier and Premium Surcharge Notice Endorsement (FWCJUA 04 02) form which is attached to your policy.

IF YOU ARE ASSIGNED TO TIER 3, YOUR POLICY IS ASSESSABLE. THIS MEANS THAT IF THE PLAN IS UNABLE TO PAY ITS OBLIGATIONS, YOU WILL BE REQUIRED TO CONTRIBUTE ON A PRO-RATA, EARNED PREMIUM BASIS THE MONEY NECESSARY TO MEET ANY ASSESSMENT LEVIED FOR THE TIER TO WHICH YOU ARE ASSIGNED. PARTICIPANTS IN TIER 3 MAY BE ASSESSED MORE THAN ONCE, AND ANY ASSESSMENT MAY BE MADE EITHER WHILE THE TIER 3 POLICY IS IN EFFECT OR AT ANY TIME AFTER THE TERMINATION, EXPIRATION OR CANCELATION OF THE TIER 3 POLICY.

ASSESSMENTS LEVIED AGAINST YOU AS A TIER 3 PARTICIPANT SHALL COVER ONLY THE DEFICITS ATTRIBUTABLE TO TIER 3 ~~AND MAY NOT BE OFFSET BY ANY SURPLUS GENERATED WITHIN SUBPLAN "A," SUBPLAN "B," SUBPLAN "C," SUBPLAN "D," TIER 1 OR TIER 2 REGARDLESS OF WHETHER YOU WERE EVER A PARTICIPANT IN ANOTHER SUBPLAN OR TIER.~~

For further explanation of the eligibility criteria, applicable rates, applicable surcharges and assessability features for each of the three rating tiers, please refer to the ACORD 133 FL(200~~4~~7/07) which You completed as part of your FWCJUA Application and which is incorporated by reference into your policy.

**RATES & FORMS COMMITTEE REPORT:
FORMS ASSOCIATED WITH AGENCY AUTHORIZATION PROCESS**

The Board shall consider the Rates & Forms Committee recommendation that the attached proposed Agency Producer Agreement Addendum to Exhibit A form be adopted as the vehicle to implement the May 24th Producer Committee recommendation to the Board regarding change procedures for the Agency Producer Agreement as well as the below associated Operations Manual revisions:

1. Add to Part Four – Agency and Designated Producers, A. Eligibility, page 35, paragraph 7, as follows: The Agency and each of its Designated Producers must enter into an Agency Producer Agreement with the FWCJUA. A copy of the Agency Producer Agreement may be found in Part Seven of this Manual. Additionally, should the Agency desire to add or delete a Designated Producer or Customer Service Representative during the term of the Agreement, an Agency Producer Agreement Addendum to Exhibit A may be completed or the Agency may terminate the existing Agreement and enter into a new two-year Agreement. A copy of the Addendum may be found in Part Seven of this Manual.
2. Add to Part Seven – Forms, page 149, Agency Producer Agreement Addendum to Exhibit A.

Again, the proposed Addendum to Exhibit A of the Agency Producer Agreement was created to permit the Agency principal to add or delete a Designated Producer or Customer Service Representative (CSR), from the original Agreement authorized by the FWCJUA, rather than complete a whole new Agency Producer Agreement. The proposed Addendum to Exhibit A is not meant to replace the original Exhibit A, but simply to add and/or delete information from the original Agreement. The effective date of the Addendum will be the date accepted by the FWCJUA. If adopted, the new form and associated Operations Manual revisions shall be formatted for insertion into the Operations Manual and filed for approval with OIR.

On May 24th, the Producer Committee will also be considering recommending to the Board that there be no charge associated for a change in a CSR or for the deletion of a Designated Producer; however, there would be a \$100 fee for the addition of a new Designated Producer, regardless of the remaining length of the Agreement. Given the Agency would be given the discretion of entering into a new Agreement or modifying it's current Agreement, the fee is reasonable as it is consistent with the fee charged per Designated Producer at the inception of the two-year Agreement.

The Board shall determine whether to recommend that the Board implement any May 24th Producer Committee recommended change procedures for the Agency Producer Agreement to permit the Agency's principal to add or delete a Designated Producer or Customer Service Representative from the original Agreement by adopting the proposed Agency Producer Agreement Addendum to Exhibit A form and the associated Operations Manual revisions as soon as practicable.

**Agency Producer Agreement
Addendum to Exhibit A**

**AGENCY LOCATIONS, DESIGNATED PRODUCERS AND
CUSTOMER SERVICE REPRESENTATIVES ADDENDUM**

I _____(Name of Authorized Agency Principal) certify on behalf of _____(Agency Name) that (i) the Designated Producer(s), being added to this previously authorized Agency location is an individual(s) licensed by the Department as a general lines insurance agent (copy attached) with at least one qualifying appointment and (ii) the CSR(s), being added is duly licensed by the Department (copy attached), is an employee(s) of the Agency working under the direct supervision of a Designated Producer, and is authorized by the Agency to transact business related to the FWCJUA.

By executing this Addendum to Exhibit A, each Designated Producer hereby expressly acknowledges and agrees that he or she has received a complete copy of the Agency Producer Agreement to which this Exhibit A is attached, and such Designated Producer agrees to be bound by the terms of the Agreement.

A separate Addendum to Exhibit A should be completed and attached to the Agreement for each Agency location, and additional copies of Exhibit A may be copied as necessary to list additional Designated Producers and CSRs if additional space is needed.

Designated Producers and CSRs may be added or deleted by marking the appropriate check-box and including the date of the change. A Designated Producer only needs to sign this form if he or she is being added; no Designated Producer signature is required for a deletion.

AGENCY LOCATION INFORMATION:

Agency Name (including d/b/a if applicable)	Agency Location Address
Agency Location Telephone Number	Agency License or Registration Number
Name of Agent-In-Charge	

DESIGNATED PRODUCERS AT AGENCY LOCATION:

1) Add or Delete _____
(Date)

(Print Designated Producer Name)	(License number)	(Florida WC Insurer Appointment)
(Producer Signature)	(Phone Number)	(E-mail Address)

2) Add or Delete _____
(Date)

(Print Producer Name)	(License number)	(Florida WC Insurer Appointment)
(Producer Signature)	(Phone Number)	(E-mail Address)

ATTACH ADDITIONAL PAGES AS NEEDED

3) _____ Add or _____ Delete

 (Date)

 (Print Designated Producer Name) (License number) (Florida WC Insurer Appointment)

 (Producer Signature) (Phone Number) (E-mail Address)

CUSTOMER SERVICE REPRESENTATIVES:

1) _____ Add or _____ Delete

 (Date)

 (Print CSR Name) (License number) (Name of Supervising Designated Producer)

 (Phone Number) (E-mail Address)

2) _____ Add or _____ Delete

 (Date)

 (Print CSR Name) (License number) (Name of Supervising Designated Producer)

 (Phone Number) (E-mail Address)

3) _____ Add or _____ Delete

 (Date)

 (Print CSR Name) (License number) (Name of Supervising Designated Producer)

 (Phone Number) (E-mail Address)

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

By: _____
 (Authorized FWCJUA Representative's Signature) (Authorized Agency Principal's Signature)

Name: _____
 (Authorized FWCJUA Representative's Name) (Print Authorized Agency Principal's Name)

Title: _____
 (Agency FEIN Number)

Effective Date: _____
 (To be completed by FWCJUA)

ATTACH ADDITIONAL PAGES AS NEEDED

**RATES & FORMS COMMITTEE REPORT:
OPERATIONS MANUAL REVISIONS**

The Board shall consider a Rates & Forms Committee recommendation to adopt the following proposed Operations Manual revisions to implement SB 1894, if it becomes law; one Safety Committee recommendation; the one previously discussed May 24th Producer Committee recommendation; and several "housekeeping" items.

1. Amend Key Terms/Definitions as follows:

"Affiliated Person" of another person, as defined in section 627.311(5)(p)(t), Florida Statutes, means:

- (i) the spouse of such other natural person;
- (ii) any person who directly or indirectly owns or controls, or holds with the power to vote, 5 percent or more of the outstanding voting securities of such other person;
- (iii) any person who directly or indirectly owns 5 percent or more of the outstanding voting securities that are directly or indirectly owned or controlled, or held with the power to vote, by such other person;
- (iv) any person or group of persons who directly or indirectly control, are controlled by, or are under common control with such other person;
- (v) any officer, director, trustee, partner, owner, manager, joint venturer, or employee, or other person performing duties similar to persons in those positions, of such other person; or
- (vi) any person who has an officer, director, trustee, partner, or joint venturer in common with such other person. *(housekeeping)*

"MAP" means the Florida Market Assistance Plan, authorized by sections 627.311(5)(b)(c)4.d., and 627.311(5)(c)24., Florida Statutes. *(housekeeping)*

2. Amend the first paragraph of Part One, B. Board of Governors, as follows: *(SB 1894)*

The operation of the FWCJUA is subject to the supervision of a 9-member Board of Governors ~~comprised of two domestic Insurers, two foreign Insurers, 3 persons appointed by, and serving at the pleasure of the Commission, one person appointed by the largest property and casualty insurance agents' association in Florida, and the consumer advocate appointed under section 627.0613, Florida Statutes, or the consumer advocate's designee. The Commission is responsible for designating a member of the Board to serve as Chair. Eight board members are appointed by and serve at the pleasure of the Financial Services Commission (the "FSC") and the ninth board member is the consumer advocate appointed under section 627.0613, Florida Statutes. The FSC selects two board members from among five nominees for each seat submitted by the 20 largest domestic writers of workers' compensation insurance in Florida; two board members from among five nominees for each seat submitted by the 20 largest foreign writers of workers' compensation insurance in Florida; one board member from among five nominees submitted by the largest property and casualty insurance agents' association in Florida; and three additional board members. The FSC also selects one of the nine board members to serve as the board chair.~~

3. Amend the first paragraph of Part One, C. Rate Analysis as follows: *(housekeeping)*

~~Except as provided in Sections 627.311(5)(c)22, and 627.311(5)(c)23, Florida Statutes, t~~The FWCJUA must have actuarially sound rates that reasonably ensure that its is self-supporting. The FWCJUA shall establish and use its rates and rating plans in accordance with section 627.311(5), Florida Statutes.

4. Amend Part One, G. Retention of Surplus, as follows: *(SB 1894)*

Any premium or assessments collected by the FWCJUA in excess of the amount necessary to fund projected ultimate incurred losses and expenses of the FWCJUA and not paid to Insureds in conjunction with loss prevention or dividend programs shall be retained by the FWCJUA for future use. Any State funds received by the FWCJUA in excess of the amount necessary to fund deficits in Subplan "D" or any Tier Rating Plan shall be returned to the State.

5. Amend the first paragraph of Part One, H. Anti-Fraud Plan, as follows: *(housekeeping)*

The FWCJUA is committed to the prevention, detection, investigation, reporting, and prosecution of insurance fraud and shall establish, in accordance with section 626.9891(1), Florida Statutes, an Anti-Fraud Plan in order to fulfill this commitment.

6. Delete the last sentence of Part Three, D. Performance Standards For Service Providers, 14. Billing and Collection of Premium, (a) Billing Procedures: (1) Billing Statements., as follows: **(Safety Committee)**
~~This billing statement shall include a safety reminder with a reference to the FWCJUA website.~~
7. Amend Part Three, D. Performance Standards For Service Providers, 21. Fraud, as follows: **(housekeeping)**
The FWCJUA is committed to the prevention, detection, investigation, reporting, and prosecution of insurance fraud. The Service Provider shall have in place and operational an Anti-Fraud Plan that is in compliance with section 626.9891(1), of the Florida Statutes and consistent with the FWCJUA's Anti-Fraud Plan.
8. Amend the seventh paragraph of Part Four, A. Eligibility, as follows: **(Producer Committee)**
The Agency and each of its Designated Producers must enter into an Agency Producer Agreement with the FWCJUA. A copy of the Agency Producer Agreement may be found in Part Seven of this Manual. Additionally, should the Agency desire to add or delete a Designated Producer or Customer Service Representative during the term of the Agreement, an Agency Producer Agreement Addendum to Exhibit A may be completed or the Agency may terminate the existing Agreement and enter into a new two-year Agreement. A copy of the Addendum may be found in Part Seven of this Manual.
9. Amend the second paragraph of Part Six, B. Policy Information, 1. Assessable Policies, as follows: **(SB 1894)**
~~Assessments levied against Tier 3 participants shall cover only the deficits attributable to Tier 3 and may not be offset by any surplus generated within Subplan "A", Subplan "B", Subplan "C", Subplan "D", Tier 1, or Tier 2 regardless of whether the Employer was ever a participant in another rating Subplan or tier.~~
10. Amend Part Six, F. Special Conditions or Operations Affecting Coverage and/or Premium, 6. Tiers, as follows:
 - Tier One: Applicable Rates • FWCJUA rates ~~with Tier 1 and~~ minimum premiums **(housekeeping)**
 - Tier Two: Applicable Rates • FWCJUA rates ~~with Tier 2 and~~ minimum premiums **(housekeeping)**
 - Tier Three: Applicable Rates • FWCJUA rates ~~with Tier 3 and~~ minimum premiums **(housekeeping)**
Assessable Feature • Tier 3 is an assessable rating tier. Employers qualifying for Tier 3 shall receive an assessable policy and shall be required to contribute on a pro-rata-earned-premium basis the money necessary to meet any assessment levied to cover any deficit attributable to Tier 3. Participants in Tier 3 may be assessed more than once, and any assessment may be made either while the Tier 3 policy is in effect or at any time after the termination, expiration or cancellation of the Tier 3 policy. Assessments levied against Tier 3 participants shall cover only the deficits attributable to Tier 3 ~~and may not be offset by any surplus generated within Subplan "A", Subplan "B", Subplan "C", Subplan "D", Tier 1 or Tier 2 regardless of whether the Employer was ever a participant in another rating subplan or tier.~~ **(SB 1894)**
11. Amend the first paragraph following paragraph lettered "f" of Part Six, F. Special Conditions or Operations Affecting Coverage and/or Premium, 10. Florida Contracting Classification Premium Adjustment Program (FCCPAP), as follows: **(housekeeping)**
~~{ _____ }~~The policy credit factor to be applied to the current policy premium equals one minus the policy percentage credit (from d. or e. as outlined above).
12. Add to Part Seven – Forms, Agency Producer Agreement Addendum to Exhibit A **(Producer Committee)**

Further, as a separate item, staff proposes another "housekeeping" item to amend an error in the FWCJUA Supplemental Employee Leasing Application that appears in the Operations Manual. The form uses the old Operations Manual component parts that define an Application for Coverage and requires updating as presented in the attached copy of the form.

The Board shall determine whether to authorize staff to file with OIR for approval, as soon as practicable, the Rates & Forms Committee's twelve proposed Operations Manual revisions to

implement SB 1894, if it becomes law; the previously discussed April 26th Safety Committee recommendation; the previously discussed May 24th Producer Committee recommendation regarding Agency Producer Agreement change procedures; and several “housekeeping” items. Further, the Board shall determine whether to authorize staff to file its recommended correction to the FWCJUA Supplemental Employee Leasing Application that appears in the Operations Manual with OIR for approval as soon as practicable.

FWCJUA SUPPLEMENTAL EMPLOYEE LEASING APPLICATION

(Please print or type. Attach separate forms if necessary.)

*If you lease employees to another business you are required to cover the leased workers and the non-leased workers on a multiple coordinated policies basis and must **complete SIDE A.***

*If you lease employees from another business you are required to cover the leased workers possibly the non-leased workers and must **complete SIDE B.***

An Employer who is a labor contractor that secures coverage through the FWCJUA shall be required to cover any and all of its direct employees and any and all of its leased workers on a multiple coordinated policies basis.

SIDE A

Section I. (LABOR CONTRACTOR INFORMATION)

A labor contractor leasing workers to another entity or entities must supply all requested information on this side of the application. Exclude any temporary help service provided. For purposes of this application, temporary help service means a service whereby the labor contractor hires its own employees and assigns them to clients for a finite time period to support or supplement the client's work force in special work situations such as employee absences, temporary skill shortages and seasonal workloads.

Legal Business Name of Labor Contractor: _____ License #: _____

1. Provide a list of the names, addresses and FEINs of each client to which you lease employees and identify those clients for which you are not submitting an application for coverage. In the case where an application has not or will not be submitted for a client, please explain.
2. To the best of your knowledge, do any of the clients listed have outstanding premium obligations due on any workers compensation policy? Yes No. If yes, list firm, amount owed, to which company and whether the amount is under dispute.

Section II. (CLIENT INFORMATION)

The labor contractor must obtain and submit the following information or documentation for each client:

1. A completed FWCJUA application for each client which includes the ACORD 130 FL, ACORD 133 FL (Addendum to ACORD 130 FL), the Applicant's Affidavit, the Employment and Wage Information Release Agreement, [Applicant's Affidavit As To Employee Leasing](#), and the Acknowledgement By Labor Contractor and Client of Terms and Conditions of the Multiple Coordinated Policy.
2. Attach a list of the name, address, and FEIN (if known) of each labor contractor leasing employees to the client (exclude any temporary employment, i.e., arrangements when employees are furnished for short periods of time to substitute for permanent employees or to meet temporary work loads).
3. Attach a signed copy of the written contract(s) between you and the client covering leased workers.
4. Describe completely the kinds of operations that will be performed by the leased employees. Give a detailed description of the business and operation conducted.
5. Based on the description in 4 above for the client, provide a listing of all leased employees along with their Social Security number, classification code and wages.
6. Attach a sworn statement signed by the owner, partner or officer authorized to bind the client legally, that states:
 - a. The policy number and carrier for each workers compensation insurance policy issued to the client under each and every name the client has operated under in the preceding five (5) years.
 - b. All of the client's non-leased employees are covered by a workers compensation insurance policy. In addition, the sworn written statement must provide the policy number, carrier, a listing of the non-leased employees and the aggregate payroll applicable to each classification code. Attach a copy of a current Certificate of Insurance.

Labor Contractors Statement:

The labor contractor attests that all required information is attached and is accurate, to the best of the labor contractor's knowledge and belief. The labor contractor further attests that any and all charges to such information will be supplied to the FWCJUA. The labor contractor agrees to provide or cause to be provided to the FWCJUA claims and other information pertaining to each covered client as required to calculate each client's experience modification.

Labor Contractor Name: _____
(Print or type)

Signature: _____ Date: _____
(Officer, owner or person authorized to legally bind the labor contractor)

FWCJUA SUPPLEMENTAL EMPLOYEE LEASING APPLICATION

(Please print or type. Attach separate forms if necessary.)

*If you lease employees to another business you are required to cover the leased workers and the non-leased workers on a multiple coordinated policies basis and must **complete SIDE A.***

*If you lease employees from another business you are required to cover the leased workers and possibly the non-leased workers and must **complete SIDE B.***

An Employer who is a client in an employee leasing arrangement that secures coverage directly through the FWCJUA shall be required to cover any and all of its leased workers on the FWCJUA policy and shall be responsible for paying premium to the FWCJUA that includes any and all of its leased workers' payroll in addition to its direct employees (non-leased workers), regardless of whether a labor contractor provides workers' compensation and employer's liability insurance for any or all of the leased workers.

An Employer who is a client in an employee leasing arrangement that secures coverage through the FWCJUA on a multiple coordinated policies basis in coordination with a labor contractor shall maintain all of the leased workers on its FWCJUA policy. Direct employees (non-leased workers) of the client shall not be included on the FWCJUA policy issued on a multiple coordinated policies basis. The client may secure FWCJUA coverage for its direct employees (non-leased workers) under separate application to the FWCJUA; however, such coverage is only available through the FWCJUA while the Employer's multiple coordinated policy issued through the FWCJUA covering the non-leased workers is in force without a notice of cancellation.

SIDE B

Legal Business Name of Employer _____ Risk ID _____
Address _____ FEIN _____

1. Name, address, and FEIN (if known) of each company leasing employees to you. (Exclude any temporary employment, i.e., arrangements when employees are furnished for short periods of time to substitute for permanent employees or to meet temporary work loads.)
2. Attach a signed copy of the written contract(s) with the company leasing employees to you.
3. Describe completely the kinds of operations that will be performed by the leased employees.
4. Show the number of employees furnished and estimated payroll by work location.

Location	Class Code	No. of Employees	Estimated Payroll	Premium

5. List the names of leased employees

Name	Class Code	Social Security #	Name	Class Code	Social Security #

6. List the office address(es) where payroll records are kept for the leased employees and who keeps the records.

Name	Street	City	County	State	Zip

Applicant's Name (print or type) _____

Signature _____ Date _____

**RATES & FORMS COMMITTEE REPORT:
ACTUARIAL STUDY OF LOSS RESERVES AS OF 6/30/2007**

The Board shall consider a Rates & Forms Committee recommendation to authorize staff to enlist Milliman to perform a loss reserve analysis as of 6/30/2007 for purposes of effectively positioning the FWCJUA to apply for a federal tax-exemption; and if so, to also authorize staff to negotiate a delay in filing the Second Quarter Statement with OIR, given the timing of the completion of the loss reserve analysis.

If it becomes law, Senate Bill 1894 will require the FWCJUA to apply to the IRS for a determination of its eligibility as a tax-exempt entity by January 1, 2008. Thomas Howell Ferguson has advised that in order to effectively apply for the tax exemption the FWCJUA will need to have, among other things, a loss reserve analysis as of 6/30/2007.

At its May 29th meeting, the Rates & Forms Committee was advised that Milliman indicated that the cost of a loss reserve analysis as of 6/30/2007 would be \$20,000. It noted that the cost of this additional loss reserve analysis was not contemplated within the 2007 forecast and thus, would be a 2007 out-of-budget expense. Further, the Committee was advised that Milliman indicated that it would target mid-August to get the preliminary findings related to the reserve analysis to the Committee and Board for consideration. Given such, the Committee agreed that staff should be authorized to negotiate a delay in filing the Second Quarter Statement with OIR of no later than September 15th in lieu of August 15th to incorporate the loss reserve analysis as of 6/30/2007.

The Committee also discussed whether it was appropriate for the Board to take action on this item at this time. Neff reported that he had a conversation with the Executive Director and General Counsel on April 8th to discuss procedures to balance the Board's responsibilities; give appropriate direction to staff; and to pass this Board's thoughts onto the new Board, but not to make any binding commitments that the new Board might not appreciate or feel necessary. Neff also indicated that he felt it was very appropriate for the Committee to recommend Board action be taken on this particular item to ensure a timely filing for a federal tax exemption, and the Committee agreed.

The Board shall determine whether to authorize a 2007 out-of-budget expense of \$20,000 for Milliman to perform a loss reserve analysis as of 6/30/2007 to assist in positioning the FWCJUA to receive a favorable ruling related to its application for a federal tax exemption by January 1, 2008 if Senate Bill 1894 becomes law; and if so, whether to also authorize staff to negotiate a delay in filing the Second Quarter Statement with OIR of no later than September 15, 2007.

**RATES & FORMS COMMITTEE REPORT:
PROGRAM TO ELIMINATE THE SUBPLAN D DEFICIT AS OF 12/31/2006**

The Board shall consider the Rates & Forms Committee recommendation that staff be authorized to finalize the attached proposed draft letter to OIR outlining the program to eliminate the FWCJUA's 2006 Subplan D deficit utilizing May actuals and to submit the deficit elimination program to OIR no later than June 28, 2007.

At its May 29th meeting, the Rates & Forms Committee recognized that the FWCJUA had a \$48,794,092 surplus in 2006. The Committee also acknowledged that given the FWCJUA was in a surplus position; it was not statutorily required pursuant to section 627.311(5)(g), Florida Statutes, to submit a deficit elimination plan to the Office of Insurance Regulation ("OIR"). However, with Subplan D posting a deficit, the Board previously agreed to update its plan to eliminate this individual rating plan deficit and submit said updated plan to the OIR. Torrence then advised that staff was proposing that the filing be based upon the Subplan D cash flow model updated through the May actuals which become available in mid-June and thus, that staff be authorized to finalize the attached draft letter as such and submit the plan no later than June 28th, which is 90 days from the date that the audit was filed.

At its May 29th meeting, the Committee also discussed whether it was appropriate for the Board to take action on this item at this time. The Committee agreed that it was appropriate for the current Board to take action on this item given it was responsible for the 2006 financial position of the FWCJUA and had developed the Subplan D cash flow model.

The Board shall determine whether to authorize staff to finalize the proposed draft letter to OIR outlining the program to eliminate the FWCJUA's 2006 Subplan D deficit utilizing May actuals and to submit the deficit elimination program to OIR no later than June 28, 2007.

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

The Board shall consider the consensus of the Rates & Forms Committee that no action be taken on whether to declare a return of premium dividend for the 2001, 2002 and 2003 policy years at this time given there are still too many unknowns related to the enacted legislation.

At its May 29th meeting, the Rates & Forms Committee considered a return of premium dividend. During its deliberations the Committee focused on whether it was appropriate to release any surplus through a dividend declaration prior to identifying and defining the impact of Senate Bill 1894 and House Bill 7169 becoming law, which will substantially affect the governance and operations of the association? The Committee recognized that the most significant downside to delaying a dividend declaration beyond 6/30/2007 is that the FWCJUA would no longer qualify for a federal tax recovery of up to approximately 35% of the dividend declaration if the enacted legislation becomes law; however, it felt such a delay was warranted as it would be premature for this Board to declare a dividend given there are still too many unknowns related to the enacted legislation. The Committee agreed this issue was better left for the new Board to consider. Therefore, it was the consensus of the Committee that no action be taken on the declaration of a return of premium dividend at this time.

Attached for the Board's perusal is the Rates & Forms Committee's May 29th meeting agenda material for the return of premium dividend item.

The Board shall determine whether it is advisable to declare a return of premium dividend at this time.

RETURN OF PREMIUM DIVIDEND

The Rates & Forms Committee shall consider whether to recommend that the Board declare a return of premium dividend for the 2001, 2002 and 2003 policy years.

Earlier this year, the Rates & Forms Committee suggested that the Board consider identifying a reasonable philosophy for declaring dividends while retaining an appropriate surplus for future use. A possible approach might be to retain investment income for future use and to return a portion of the individual subplans and tiers underwriting income for the more mature years. Monies retained for future use would reasonably ensure that there would be sufficient funds to pay any unexpected losses and could provide the FWCJUA with options related to reinsurance attachment points, contingency and surplus factors utilized in rate making, etc. Ultimately, by establishing a reasonable methodology for declaring dividends while retaining an appropriate surplus for future use, the FWCJUA better positions itself to more readily declare appropriate dividends. The Rates & Forms Committee also recommended that if a dividend was declared, it be paid to policyholders based on a combination of individual loss experience and a proportion of premiums paid.

Again, it should be noted that the FWCJUA's statutory surplus as of 12/31/2006 is \$48,794,092 (10.4% of its \$470,459,429 gross earned premium) while its actual surplus as of 12/31/2006 is \$50,982,003 (10.7% of its \$470,459,429 gross earned premium). Further, section 627.311(5), Florida Statutes, provides the following:

627.311(5)(d)4. The plan may offer rating, dividend plans, and other plans to encourage loss prevention programs.

627.311(5)(h) Any premium or assessments collected by the plan in excess of the amount necessary to fund projected ultimate incurred losses and expenses of the plan and not paid to insureds of the plan in conjunction with loss prevention or dividend programs shall be retained by the plan for future use.

With regard to the timing of the required payment of a declared dividend following the establishment of such a liability, it should be noted that normally payment occurs by the end of the next tax year, but that it is not a hard and fast rule. Once a dividend is declared and a determination is made how payments will be distributed, the FWCJUA would need to seek OIR approval. It was previously noted by our auditor that he has seen a company take a deduction 3 years prior to actually distributing payments because it took the OIR that long to agree to the allocation of the dividend. Thus, the FWCJUA is permitted by code to deduct the dividend when it is declared, even though the dividend may not be paid in the year declared. Thus, a dividend declaration in second quarter 2007 will impact the FWCJUA's 2007 financials, including its federal income tax liability. Further, the federal tax recovery for a dividend declaration prior to 7/1/2007 would be roughly calculated at 35% of the dividend declaration.

At its March 13th meeting, the Board instructed staff to investigate the possibility of declaring a dividend for the 2001, 2002 and 2003 policy years, giving consideration to the proper seasoning of losses; a reasonable surplus; and the monies borrowed from the contingency reserve. Staff was also asked to identify a recommended dividend amount and allocation as well as the methodology used to determine the individual policyholder dividend for presentation to the Board at its next quarterly meeting.

Attached for the Committee's perusal is policy year income information as of 12/31/2006 developed by staff with input from Milliman and Thomas Howell Ferguson. The two exhibits differ by one assumption. What is a reasonable underwriting percentage gain for the FWCJUA? The two assumptions utilized in the exhibits are 5% and 10%. It is believed that the voluntary market is generally permitted as much as a 5% underwriting gain over a three year period in addition to the retention of investment income; but what is reasonable for a generally self-funded residual market with no guaranty fund to act as its safety net or the full financial backing of the State? Whether to declare a dividend requires this question to be answered pursuant to the Board's direction. The following tables provide two scenarios related to the potential of defining a reasonable underwriting percentage gain of 5% and 10%.

RETAIN INVESTMENT INCOME & RETURN EXCESS UNDERWRITING GAIN OF 5%				
	2001	2002	2003	2001 - 2003
Beginning Actual Surplus	1,732,877	5,442,361	5,424,869	12,600,107
Declared Dividend	560,470	2,754,668	559,539	3,874,677
Maximum Possible Federal Tax Recovery	<u>196,165</u>	<u>964,134</u>	<u>195,839</u>	<u>1,356,137</u>
Ending Surplus	1,368,572	3,651,827	5,061,169	10,081,567

RETAIN INVESTMENT INCOME & RETURN EXCESS UNDERWRITING GAIN OF 10%				
	2001	2002	2003	2001 - 2003
Beginning Actual Surplus	1,732,877	5,442,361	5,424,869	12,600,107
Declared Dividend	0	1,485,205	0	1,485,205
Maximum Possible Federal Tax Recovery	<u>0</u>	<u>519,822</u>	<u>0</u>	<u>519,822</u>
Ending Surplus	1,732,877	4,476,978	5,424,869	11,634,724

Another consideration for the Committee is whether it is appropriate to release any surplus through a dividend declaration prior to identifying and defining the impact of the anticipated enactment of Senate Bill 1894 and House Bill 7169, which will substantially affect the governance and operations of the association? Undeniably, there will be an increase in expenses to implement the new law, both initial expenses and ongoing expenses. Escheat issues may also be a greater cause for concern given the new law permits the use of surplus across the various rating subplans and tiers to resolve any deficits. Also, Senate Bill 1894 will require any State funds received by the FWCJUA in excess of the amount necessary to fund the deficit in Subplan "D" to be returned to the State. In the end, it may be advisable to delay declaring any policyholder dividends until the impact of Senate Bill 1894 and House Bill 7169 on the FWCJUA is fully understood and priced out. The most significant downside to delaying a dividend declaration beyond 6/30/2007 is that the FWCJUA would no longer qualify for a federal tax recovery of up to approximately 35% of the dividend declaration.

The Rates & Forms Committee shall determine whether to recommend that the Board consider a return of premium dividend to policyholders at this time.

Financial Information by POLICY YEAR

As of December 31, 2006

	LPT Years 1994 - 1999	2000	2001	2002	2003	2004	2005	2006	Total
Gross Earned Premium	203,138,109	5,252,469	12,557,503	25,389,268	61,770,638	69,023,717	66,601,122	26,726,603	470,459,429
Reinsurance Premium *	12,865,323	762,951	2,305,892	5,303,863	9,071,326	11,418,605	10,008,160	4,360,333	56,096,454
Paid Losses & LAE	90,663,318	1,581,998	1,617,529	4,800,661	12,505,764	15,644,939	8,713,008	1,785,446	137,312,663
Case Reserves	941,786	0	214,278	229,371	1,419,798	3,309,973	2,620,861	1,201,896	9,937,963
Net Underwriting Gain / (Loss)	98,667,682	2,907,520	8,419,804	15,055,373	38,773,750	38,650,200	45,259,093	19,378,928	267,112,349
Net Loss Ratio w/out IBNR	48.1%	35.2%	17.9%	25.0%	26.4%	32.9%	20.0%	13.4%	35.5%
IBNR & ULAE Reserve	3,175,420	26,888	715,890	769,011	4,740,588	11,017,718	8,766,044	3,990,458	33,202,017
Net Underwriting Gain / (Loss)	95,492,262	2,880,632	7,703,914	14,286,362	34,033,162	27,632,482	36,493,049	15,388,470	233,910,332
Net Loss Ratio with IBNR	49.8%	35.8%	24.9%	28.9%	35.4%	52.0%	35.5%	31.2%	43.5%
Uncollectible Premium	38,940,747	1,069,802	3,520,624	1,879,326	10,678,370	11,638,822	6,158,775	361,626	74,248,092
% of Gross Earned Premium	19.2%	20.4%	28.0%	7.4%	17.3%	16.9%	9.2%	1.4%	15.8%
Other Underwriting Expenses	43,616,269	2,601,074	3,046,710	5,578,435	17,035,468	17,252,544	14,442,410	6,508,139	110,081,049
Misc Income / (Expense)	(9,478,206)	405,370	984,853	126,033	249,831	259,839	146,816	143,820	(7,161,645)
Federal Income Taxes	8,142,068	(105,338)	933,088	2,930,502	2,921,083	1,107,861	7,354,846	3,251,288	26,535,398
Underwriting Gain / (Loss)	(4,685,028)	(279,536)	1,188,345	4,024,131	3,648,071	(2,106,906)	8,683,834	5,411,237	15,884,148
% of Underwriting Gain/(Loss) / Gross Earned Premium	-2.3%	-5.3%	9.5%	15.8%	5.9%	-3.1%	13.0%	20.2%	3.4%
Reasonable % "Underwriting Gain"		5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	
Reasonable \$ "Underwriting Gain"		262,623	627,875	1,269,463	3,088,532	3,451,186	3,330,056	1,336,330	13,366,066
Excess "Underwriting Gain"		(542,159)	560,470	2,754,668	559,539	(5,558,092)	5,353,778	4,074,906	7,203,110
% of Excess Underwriting Gain/(Loss) / Gross Earned Premium		-10.3%	4.5%	10.8%	0.9%	-8.1%	8.0%	15.2%	2.7%
<i>Estimated Investment Income</i>	20,691,172	83,908	544,532	1,418,230	1,776,798	1,582,438	2,490,126	626,871	29,214,075
Total Net Income / (Loss)	16,006,144	(195,628)	1,732,877	5,442,361	5,424,869	(524,468)	11,173,960	6,038,108	45,098,223
% of Total Net Income / Gross Earned Premium	7.9%	-3.7%	13.8%	21.4%	8.8%	-0.8%	16.8%	22.6%	9.6%
Total Policies Written	36,147	522	662	1,140	4,178	5,434	4,991	3,875	56,949
Total Claims Reported	5,463	86	120	229	656	727	466	190	7,937
Total Open Claims as of 12/31/06	17	0	3	3	23	57	102	78	283

* No Reinsurance for AY 1994 claims

* 2004 & 2005 - reduced by \$ rec'd from the DOL Trust Fund

Financial Information by POLICY YEAR

As of December 31, 2006

	LPT Years 1994 - 1999	2000	2001	2002	2003	2004	2005	2006	Total
Gross Earned Premium	203,138,109	5,252,469	12,557,503	25,389,268	61,770,638	69,023,717	66,601,122	26,726,603	470,459,429
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Paid Losses & LAE	90,663,318	1,581,998	1,617,529	4,800,661	12,505,764	15,644,939	8,713,008	1,785,446	137,312,663
Case Reserves	941,786	0	214,278	229,371	1,419,798	3,309,973	2,620,861	1,201,896	9,937,963
Net Underwriting Gain / (Loss)	98,667,682	2,907,520	8,419,804	15,055,373	38,773,750	38,650,200	45,259,093	19,378,928	267,112,349
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IBNR & ULAE Reserve	3,175,420	26,888	715,890	769,011	4,740,588	11,017,718	8,766,044	3,990,458	33,202,017
Net Underwriting Gain / (Loss)	95,492,262	2,880,632	7,703,914	14,286,362	34,033,162	27,632,482	36,493,049	15,388,470	233,910,332
Net Loss Ratio with IBNR	49.8%	35.8%	24.9%	28.9%	35.4%	52.0%	35.5%	31.2%	43.5%
Uncollectible Premium	38,940,747	1,069,802	3,520,624	1,879,326	10,678,370	11,638,822	6,158,775	361,626	74,248,092
% of Gross Earned Premium	19.2%	20.4%	28.0%	7.4%	17.3%	16.9%	9.2%	1.4%	15.8%
Other Underwriting Expenses	43,616,269	2,601,074	3,046,710	5,578,435	17,035,468	17,252,544	14,442,410	6,508,139	110,081,049
Misc Income / (Expense)	(9,478,206)	405,370	984,853	126,033	249,831	259,839	146,816	143,820	(7,161,645)
Federal Income Taxes	8,142,068	(105,338)	933,088	2,930,502	2,921,083	1,107,861	7,354,846	3,251,288	26,535,398
Underwriting Gain / (Loss)	(4,685,028)	(279,536)	1,188,345	4,024,131	3,648,071	(2,106,906)	8,683,834	5,411,237	15,884,148
% of Underwriting Gain/(Loss) / Gross Earned Premium	-2.3%	-5.3%	9.5%	15.8%	5.9%	-3.1%	13.0%	20.2%	3.4%
Reasonable % "Underwriting Gain"		10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	
Reasonable \$ "Underwriting Gain"		525,247	1,255,750	2,538,927	6,177,064	6,902,372	6,660,112	2,672,660	26,732,132
Excess "Underwriting Gain"		(804,783)	(67,405)	1,485,205	(2,528,993)	(9,009,278)	2,023,722	2,738,576	(6,162,956)
% of Excess Underwriting Gain/(Loss) / Gross Earned Premium		-15.3%	-0.5%	5.8%	-4.1%	-13.1%	3.0%	10.2%	-2.3%
<i>Estimated Investment Income</i>	20,691,172	83,908	544,532	1,418,230	1,776,798	1,582,438	2,490,126	626,871	29,214,075
Total Net Income / (Loss)	16,006,144	(195,628)	1,732,877	5,442,361	5,424,869	(524,468)	11,173,960	6,038,108	45,098,223
% of Total Net Income / Gross Earned Premium	7.9%	-3.7%	13.8%	21.4%	8.8%	-0.8%	16.8%	22.6%	9.6%
Total Policies Written	36,147	522	662	1,140	4,178	5,434	4,991	3,875	56,949
Total Claims Reported	5,463	86	120	229	656	727	466	190	7,937
Total Open Claims as of 12/31/06	17	0	3	3	23	57	102	78	283

* No Reinsurance for AY 1994 claims

* 2004 & 2005 - reduced by \$ rec'd from the DOL Trust Fund

**INVESTMENT COMMITTEE REPORT:
REVIEW OF INVESTMENT POLICY**

The Board shall receive a report from the Investment Committee regarding the Committee's annual review of investments to include its review of the Investment Policy.

At its May 24th meeting, the Investment Committee met and conducted its annual review of the FWCJUA's portfolio and cash flow situation with staff and Jeff Greenert of Evergreen Investment Management Company. Greenert discussed Evergreen's Investment Outlook with the Committee summarizing the FWCJUA's portfolio composition and performance through first quarter 2007.

The FWCJUA's current investment portfolio is yielding 4.74 % with an average maturity of 2.4 years. The portfolio is performing better than the 2-year Treasury bill at 4.63% and about equal to the 2-year treasury note of 4.73%. The portfolio is overall rated at AA+. With approximately \$12.8M of bonds maturing during 2007, these dollars can be reinvested at the somewhat higher yields being seen today; however, the yield curve is still relatively flat thus, not making it very attractive to invest too far out into the future (5-year treasuries are currently at 4.54% and 10-year treasuries are at 4.64%). In addition, the FWCJUA's cash flow reports suggest that the FWCJUA does not anticipate any short-term cash flow concerns at this time.

Given the state of the investment marketplace as well as the FWCJUA's portfolio performance and anticipated cash needs, there are no Investment Committee recommendations for modifications to the FWCJUA's Investment Policy or its current investment. Further, no deviations to the Investment Policy were necessary since the policy was last reviewed by the Investment Committee in May 2006. Finally, it should be noted that the FWCJUA's portfolio is in compliance with both the Investment Policy and the Diversification Requirements of section 625.305, Florida Statutes.

No action by the Board is needed on this item.

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

The Board shall consider the Investment Committee's recommendation to adopt the changes to the Cash Management Policy related to the segregation of duties and the addition of a Loss Payout Pattern Report.

At its May 24th meeting, the Investment Committee agreed that for cash management purposes, a Loss Payout Pattern Report should be developed to reflect data specific to each of the individual subplans and tiers utilizing the 2006 year-end reserve analysis so that the FWCJUA could better match investment maturities with loss liabilities. Milliman indicated that it would charge \$1,200 for the creation of a Loss Payout Pattern Report that reflects data specific to each of the individual subplans and tiers. Ultimately, this report will be updated annually following the year-end reserve analysis at no additional cost.

Attached is the FWCJUA's current Cash Management Policy with the Committee's recommended revisions indicated in red highlight and underline.

The Board shall determine whether to adopt the specified revisions to the Cash Management Policy and authorize a 2007 out-of-budget expense of \$1,200 for the creation of a Loss Payout Pattern Report by Milliman to be utilized for cash management purposes.

Cash Management Policy

Purpose: To define the necessary amount of cash needed in the FWCJUA bank accounts with the excess funds to be remitted and invested directly or with the FWCJUA's Investment Manager.

The necessary amount of cash will be a factor of the individual subplan / tiers financial activity for approximately the next 6 months. In addition, the loss payout pattern report should be utilized to properly time both investments and their maturities.

Segregation of Duties: Lavender Suarez prepares the cash flow reports after the bank reconciliations are complete. Laura Lopez reviews the reports and verifies if there is a need for cash in the bank accounts or if there is any excess cash which may be invested. If a determination of a need for cash or excess cash to be invested, Laura Lopez will discuss with Laura Torrence and a decision will be made as to where to obtain the necessary cash or where to invest the excess cash.

The FWCJUA has a separate bank account for each subplan/tier and therefore there is no commingling of funds between subplans/tiers. To determine the appropriate amount of cash, each account must be reviewed individually as each has its own volume of activity.

Items to take into consideration when determining the appropriate amount of cash to have in the bank account:

- 1) Average monthly payment to / from Travelers
- 2) Average loss payments as indicated by Loss Payout Pattern Report
- 3) Timing of reinsurance premium payments
- 4) Timing of tax / assessment payments
- 5) Amount of cash being deposited from new business
- 6) Timing of general and administrative expenses
- 7) Current rate of interest being earned in the cash account

A sample formula would be:

Two average monthly payment to service provider
+ 6 months of loss payments
+ 6 months of reinsurance premium payments
+ 6 months of tax / assessment payments
+ 6 months of average general & administrative expenses
- 6 months of cash deposited from new business and collections
Amount of cash needed in the bank account

One average / highest payment made to the service provider would be the absolute minimum for each bank account. This amount will be updated each year based on the prior year's activity. After review of 2006 activity, the minimums for each account would be the following:

Operating (Prior to July 26, 2003) - \$1,000,000
Subplan A – all available cash as currently less than \$100,000
Subplan C - \$200,000
Subplan D - \$350,000
Tier 1 - \$500,000
Tier 2 - \$1,000,000
Tier 3 - \$1,000,000

Next the amount of cash needed should be compared to the actual amount of cash in the bank account. The difference will be either a shortage of needed cash or an excess amount of cash. Before investment of the excess cash, there is one additional step necessary.

An analysis and review of the current rate of return on the cash account? As of April 2007, the cash accounts were earning 5.34%. This rate of return needs to be considered along with the cash flows of the subplan / tier for the next 12 months compared to the current rate of return possible if a longer term investment is purchased. Although the cash rate of return changes monthly, it may be more favorable than investing long term at that time. A discussion with the Investment Manager in regards to the current longer term rates of return will also be helpful in making this determination. All of these factors must be considered when deciding to invest long term or not.

**INVESTMENT COMMITTEE REPORT:
INVESTMENT MANAGER'S PERFORMANCE/SELECTION**

The Board shall consider the Investment Committee's recommendation to continue the FWCJUA's relationship with the current investment manager, Evergreen Investment Management Company.

At its May 24th meeting, the Investment Committee considered the performance of the investment manager, Evergreen Investment Management Company (formerly SouthTrust Asset Management) who has been the FWCJUA's investment manager since August 1995. Following is the FWCJUA's current, extremely competitive fee structure, which has not changed since August 1995:

10 basis points on the first \$25 million
5 basis points on the next \$25 million
2.5 basis points over \$50 million

In addition to the competitive fee structure, the FWCJUA investments have consistently outperformed their comparable benchmarks. Over the past 72 months (6 years), on average the FWCJUA portfolio has earned 4.24% with the comparative benchmarks earning on average 3.68%.

Given the FWCJUA's restrictive investment policy, the Investment Committee agreed that the investment manager is getting just about the best returns possible. Further, it recognized that staff has been happy with the individual performance of Jeff Greenert, the investment manager's designated representative to the FWCJUA, who has served as the FWCJUA's liaison for approximately 5½ years and has been very attentive to our account. The Committee noted, however, that with the number of mergers and acquisitions that have occurred related to the investment manager and the associated reorganizations, Jeff was removed from our account for a short period of time which resulted in service concerns. Fortunately, the investment manager recognized the FWCJUA's concerns and Jeff was reassigned to our account. The Committee recognized that staff concerns remain as to how long the investment manager will remain committed to its service and fee structure, but a staff review of the current investment management marketplace suggested that the FWCJUA should continue to take advantage of its current fee structure for as long as possible given the performance of our portfolio, especially since staff did not identify another investment management opportunity where proposed fees did not exceed our current fee structure by at least 35%. Thus, with the current environment, outstanding overall performance and extremely competitive fee structure, the Committee agreed to recommend an ongoing relationship with the current investment manager to the Board at this time.

The Board shall determine whether to continue with the FWCJUA's investment manager relationship as recommended by the Investment Committee.

**AUDIT COMMITTEE REPORT:
2006 FINANCIAL AUDIT**

The Board shall receive the Audit Committee's formal report regarding the 2006 statutory financial audit.

In summation, the FWCJUA received an unqualified opinion with no material weaknesses from Thomas Howell Ferguson (THF). Accordingly, the audit was filed with the Department of Financial Services on March 30, 2007. Additionally, the auditors made no recommendations to management with regards to internal controls, accounting practices or procedures. Further, given the FWCJUA did not receive any funds from the WCATF during 2006, the FWCJUA is not required to file 2006 GAAP statements under the Single Audit Act this year.

Attached for the Board's perusal is THF's Report to the Audit Committee. A copy of the statutory financial statements prepared by THF along with copies of THF's qualification letter and internal control letter were previously distributed to the Board in March and thus, have not been included in this agenda. However, a copy of these materials may be retrieved from our website, www.fwcjua.com, by clicking on "FWCJUA News & Information" located under the flag on the left side of our home page and then subsequently clicking on "2006 Statutory Audit Filing."

No action by the Board is required on this item.

To the Audit Committee
Florida Workers' Compensation Joint Underwriting Association, Inc.

This letter is intended to inform the Audit Committee of the Florida Workers' Compensation Joint Underwriting Association, Inc. (the Association) about significant matters related to the conduct of the annual audit so that it can appropriately discharge its oversight responsibility, and that we comply with our professional responsibilities to the Audit Committee.

In addition to our report on your statutory basis financial statements, we have provided under separate cover a letter, dated March 23, 2007, concerning significant deficiencies and material weaknesses in internal control that we noted during our audit of the Association's financial statements for the year ended December 31, 2006. We did not identify any deficiencies of internal control that we consider to be significant deficiencies or material weaknesses.

The following summarizes various matters which must be communicated to you under auditing standards generally accepted in the United States of America.

The Auditor's Responsibility Under Generally Accepted Auditing Standards

Our audit of the financial statements of the Association for the year ended December 31, 2006 was conducted in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error, fraudulent financial reporting or misappropriation of assets. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Accordingly, the audit was designed to obtain reasonable, rather than absolute, assurance about the financial statements. We believe that our audit accomplished that objective.

Management Judgments and Accounting Estimates

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. Management has informed us that they used all the relevant facts available to them at the time to make the best judgments about accounting estimates, and we considered this information in the scope of our audit. Estimates significant to the financial statements include loss and loss adjustment expense reserves.

Page Two

Loss and loss adjustment expense reserves represent the estimated unpaid ultimate net cost of all reported and unreported losses incurred through December 31, 2006. Loss and loss adjustment expense reserves are determined based on individual case-basis valuations, various statistical analyses, and industry data. The Association's recorded reserves are reviewed by an independent actuary who has issued an unqualified opinion on the reasonableness of the recorded amount. We have reconciled the data provided to the actuary to the Association's accounting information. This estimate is continually reviewed and adjusted as necessary as experience develops or new information becomes known; such adjustments are included in current operations.

The Audit Committee may wish to monitor throughout the year the process used to compute and record these accounting estimates.

Audit Adjustments

There were no audit adjustments made to the original trial balance presented to us to begin our audit.

Uncorrected Misstatements

There were no uncorrected misstatements to the original trial balance presented to us to begin our audit.

Accounting Policies and Alternative Treatments

Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Association. The Association did not adopt any significant new accounting policies nor have there been any changes in existing significant accounting policies during the current period which should be brought to your attention for approval.

We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Other Information in Documents Containing Audited Financial Statements

Included in the audited financial statements are supplemental disclosures presented to comply with the NAIC's *Accounting Practices and Procedures Manual*. This information has been subjected to auditing procedures applied in our audit of the statutory basis financial statements and, in our opinion, is fairly stated in all material respects in relation to the statutory basis financial statements taken as a whole.

Page Three

Disagreements with Management

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit or significant disclosures to be included in the financial statements.

Consultations with Other Accountants

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

Major Issues Discussed with Management Prior to Retention

No major issues were discussed with management prior to our retention to perform the aforementioned audit.

Difficulties Encountered in Performing the Audit

We did not encounter any difficulties in dealing with management relating to the performance of the audit.

Closing

We will be pleased to respond to any questions you have about the foregoing. We appreciate the opportunity to continue to be of service to the Association.

This report is intended solely for the information and use of the Audit Committee, Board of Governors, and management and is not intended to be and should not be used by anyone other than the specified parties.

Thomas Howell Ferguson P.A.

March 23, 2007

**AUDIT COMMITTEE REPORT:
AUDIT COMMITTEE CHARTER PROCEDURES CHECKLIST**

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

At its March 27th meeting, the Audit Committee reviewed its first and second quarter responsibilities for the financial reporting period ending December 31, 2007 as prescribed in the Audit Committee Charter Procedures Checklist. The Committee's first and second quarter responsibilities which were discussed and satisfied are summarized below:

- 1) Develop a meeting planner for calendar year 2007 to make sure that the committee meets its responsibilities as outlined in the Charter.
- 2) Discuss any significant risks faced by the Association in the current environment.
- 3) Evaluate whether management exhibits and fosters a culture and environment that promotes high-quality financial reporting, including addressing adequacy and effectiveness of internal control issues. Inquire of the auditors about pressure by management to accept less than high-quality financial reporting.
- 4) Discuss with the independent auditors any significant improvement recommendations in internal controls and whether management's corrective actions regarding control deficiencies identified were adequately addressed.
- 5) Discuss with the independent auditors whether they noted any instances of employee fraud, questionable or illegal payments, or violations of laws or regulations.
- 6) Provide information to the Committee on the Association's structure, controls and types of transactions. Assess whether there are adequate controls over the approval and monitoring of special or complex transactions and their financial statement effects.
- 7) Receive an update from the general counsel on legal and regulatory matters that may have a material effect on the financial statements.
- 8) Question management and the auditors about how they assess the risk of material misstatement, what the significant risks are, and how they respond to identified risks.
- 9) Challenge management and the auditors to identify the difficult areas (significant estimates and judgments) and to fully explain how they each made their judgments in those areas.
- 10) Review actuarial analysis report and have opportunity to confer independently with actuary.
- 11) Distribute and discuss the Association's financial results and the consistency of reported and planned results. Review significant balance sheet changes or changes in trends or important financial statement relationships.
- 12) Meet at least annually to assess management's effectiveness and communicate the results of that assessment.

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

No action by the Board is required on this item.

PRODUCER APPEALS COMMITTEE REPORT

Dan Dannenhauer shall provide the Board with a summary of the appeals hearing held on June 11, 2007.

2007 BUSINESS PLAN STATUS REPORT

The following status of the FWCJUA's key activities and objectives indicates that the FWCJUA is on target to meet its 2007 Business Plan.

1. MANAGE THE SUBPLAN "D", TIER 1, TIER 2 & TIER 3 DEFICITS IN ACCORDANCE WITH OUR FILED PROGRAM TO ELIMINATE THE INDIVIDUAL RATING PLAN DEFICITS AND ADDRESS ANY FUTURE STATUTORY DEFICITS.

- a. Identify and pursue legislative opportunities, with input from OIR, legislative staff and the Governor's office that will enable the Legislature to more effectively address Subplan "D" deficiencies during the 2007 Session.

Second Quarter: The Florida legislature enacted Senate Bill 1894 which substantially affects the governance and operations of the FWCJUA. Following the enactment of SB 1894, the legislature went on to enact House Bill 7169 which grants public records and public meetings exemptions to the association. Each bill is subject to approval by the Governor, and each bill provides that it will take effect on July 1, 2007. At its June 12th meeting, the Board will be briefed on the reorganization issues related to the enactment of SB 1894 and HB 7169. In addition, Staff timely responded to five requests for information and assistance from DFS on behalf of the CFO in her effort to learn more about FWCJUA operations.

First Quarter: The FWCJUA legislation which our Board supports has been introduced in both the House and Senate. Sen. Mike Bennett and Rep. Mike Grant introduced SB 2276 and HB 1429, respectively.

- b. As a last resort, request OIR to levy a "below-the-line" assessment to fund the remaining Subplan D deficit in accordance with the filed deficit elimination program and implement assessment collections methodology.

Second Quarter: The Subplan D actuarial cash flow model has been updated using March 31, 2007 actual results as well as the Subplan D loss ratio based on the FWCJUA's 12/31/2006 booked loss ratio and indicates that no assessment is necessary and that no additional state funds should be required to fund the Subplan D deficit.

First Quarter: The Subplan D actuarial cash flow model has been updated using December 31, 2006 actual results as well as the Subplan D loss ratio based on the FWCJUA's 12/31/2006 booked loss ratio and indicates that no assessment is necessary and that no additional state funds should be required to fund the Subplan D deficit.

- c. Identify any future statutory deficits and develop and timely file a program to eliminate said deficits.

Second Quarter: At its June 12th meeting, the Board shall consider proposed correspondence to OIR outlining the program for eliminating the 2006 Subplan D deficit utilizing May actuals to be filed no later than June 28, 2007.

First Quarter: The FWCJUA recognized a \$48,794,092 surplus in 2006. Only one of individual rating plans posted a 2006 year-end deficit, that being Subplan D with a deficit of \$2,430,546. Given the FWCJUA is in a surplus position; it is not statutorily required pursuant to section 627.311(5)(g), Florida Statutes, to submit a deficit elimination plan to the Office of Insurance Regulation ("OIR"). However, with Subplan D posting a deficit, the FWCJUA will update its plan to eliminate this individual rating plan deficit and submit said updated plan to the Office of Insurance Regulation ("OIR") within 90 days of filing our audited 2006 financial statements, which we anticipate filing on April 1st.

2. MAINTAIN RATE ADEQUACY.

- a. Implement actuarially sound rates and minimum premiums effective January 1, 2007 for Tier 1 and Tier 2.

First/Second Quarters: Based upon Board action at its March 13th meeting, amended rates and minimum premiums retroactive to January 1, 2007 were successfully implemented and available on the FWCJUA's website March 22, 2007. The FWCJUA's January 1, 2007 rate revision was successfully implemented and timely made available on the FWCJUA's website.

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

First Quarter: At its March 13th meeting, the Board shall receive a Rates & Forms Committee recommendation regarding premium level change that may be appropriate given the 2006 year-end reserve analysis.

3. MINIMIZE THE OPERATING LOSS.

- a. Identify and pursue legislative opportunities, with input from OIR, legislative staff and the Governor's office that effectively position the FWCJUA to apply for and receive a federal income tax exemption at the earliest reasonable opportunity without unduly jeopardizing operations or operating expenses.

Second Quarter: The Florida legislature enacted two bills related to the FWCJUA. The legislature enacted Senate Bill 1894 that substantially affects the governance and operations of the FWCJUA. Following the enactment of SB 1894, the legislature went on to enact House Bill 7169 which grants public records and public meetings exemptions to the association. Each bill is subject to approval by the Governor, and each bill provides that it will take effect on July 1, 2007. At its June 12th meeting, the Board will be briefed on the reorganization issues related to the enactment of SB 1894 and HB 7169. Additionally, the Board shall receive a Rates & Forms Committee recommendation to authorize a 2007 out-of-budget expense of \$20,000 for Milliman to perform a loss reserve analysis as of 6/30/2007 to assist in positioning the FWCJUA to receive a favorable ruling related to its application for a federal tax exemption as required by SB 1894, if it becomes law; and if so, the Rates & Forms Committee will further recommend that the Board authorize staff to negotiate a delay in filing the Second Quarter Statement with OIR of no later than September 15th, given the timing of completion of the loss reserve analysis.

First Quarter: The FWCJUA legislation which our Board supports has been introduced in both the House and Senate. Sen. Mike Bennett and Rep. Mike Grant introduced SB 2276 and HB 1429, respectively.

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

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

Second Quarter: 1. Staff's ongoing analysis of the composition and experience of new and renewal business resulted in revisions to (10) FWCJUA supplemental application forms to remove the indicator that the notary to witness and authenticate an employer's authorized signer's signature should be a Florida state notary. **2.** The ACORD 133 FL (2007/07) and the Assessable Policy Notice Endorsement (FWCJUA 04 01), shall be amended to implement SB 1894, if enacted. These revisions will be presented to the Board in the form of a Rates & Forms Committee recommendation at the June 12th meeting. **3.** The Board will also consider Operations Manual revisions to implement SB 1894, if enacted; One Safety Committee recommendation; a Producer Committee recommendation; and several housekeeping items. **4.** In accordance with DBPR, staff will report any licensed contractor for which a final premium judgment exists and DBPR will give the licensed contractor 90 days to pay or resolve the outstanding premium issue with the FWCJUA before it rescinds the contractor's license. For licensed contractors for which no final premium judgment exists, DBPR suggested that the FWCJUA file a written complaint against the licensed contractor and DBPR will require a written response from the contractor regarding its outstanding premium issue within 20 days. Then, the FWCJUA's complaint as well as the contractor's response will be forwarded to the Probable Cause Panel to evaluate for legal sufficiency and if the licensed contractor has previously been sanctioned, the license will be revoked or the contractor will be denied a renewal license. If the license holder has not been previously sanctioned, the issue will be referred to arbitration and the Arbitrator's order will be binding, if not contested within 30 days. **5.** Staff is working with a Payroll Service Company to enroll as an Authorized Payroll Service Partner under the FWCJUA's Optional Payroll Service With Premium Withholding Program. **6.** Based on Board action at its March 13th meeting, the Contractor's Supplemental Application was filed and approved for use effective April 1, 2007 as well as revisions to the Operations Manual to reflect OIR approved updates in the FCCPAP that were implemented in 2006. The form as well as the manual revisions were successfully implemented April 1, 2007, and made available on the FWCJUA's website. **7.** In accordance with the FWCJUA's Anti-Fraud Plan, staff assisted Travelers SIU conduct a premium fraud training class for its underwriting personnel on Tuesday, May 22, 2007. **8.** In accordance with s. 440.10(d)(1), Florida Statutes, the FWCJUA is pursuing an uninsured subcontractor for all benefits paid and payable, plus interest to an injured worker, as a result of the subcontractors negligence to allow his coverage to lapse without notice to the General Contractor, the FWCJUA's policyholder, who became legally obligated to make payments to the injured worker because the subcontractor improperly breached his duty to have workers' compensation coverage in force at the time of the accident.

First Quarter: 1. Staff's ongoing analysis of the composition and experience of new and renewal business resulted in revisions to the ACORD 134 FL (Instructions for Completing ACORD 130 FL) to accurately reflect the current surcharge percentage amount that is being utilized for Tier 1, Tier 2 and Tier 3 as well as update the FWCJUA Deposit Premium Threshold amount that is being used for all three rating tiers. Further, the Employer's Affidavit was amended to advise contractors of the FWCJUA's handling of leased workers and to remove any specific reference to a tier surcharge percentage amount to prevent filing this form each time the tier surcharge percentage amounts change. **2.** The Contractor's Supplemental Application was amended to clarify several of the questions that seem to confuse many FWCJUA applicants within the construction industry. These revisions will be presented to the Board in the form of a Rates & Forms Committee recommendation at the March 13th meeting. The Board will also consider revisions to the Operations Manual to reflect OIR approved updates in the Florida Contracting Classification Premium Adjustment Program (FCCPAP) that were implemented in 2006. **3.** In accordance with the FWCJUA's Anti-Fraud Plan, a premium fraud training class for FWCJUA personnel has been scheduled for March 14, 2007 with Travelers SIU.

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

Second Quarter: The second quarter review of the Book of Business identified no accounts exceeding \$300K EAP. Therefore, the FWCJUA Loss Sensitive Rating Plan remains a ready "shelf-product" to be filed and implemented, if warranted.

First Quarter: The first quarter review of the Book of Business identified five accounts exceeding \$300K EAP. Accordingly, staff determined that there remains insufficient activity to warrant activating the LSRP. However, the FWCJUA Loss Sensitive Rating Plan remains a ready "shelf-product" to be filed and implemented, if warranted.

- c. Ensure that the final audit for 2006 is completed no later than April 1, 2007.

Completed First/Second Quarters: The 2006 Statutory Financial Audit performed by THF, was received and accepted by the Audit Committee on March 27th and filed with OIR on March 30th. The FWCJUA received an unqualified opinion with no material weaknesses. Additionally, THF made no recommendations to management with regards to internal controls, accounting practices or procedures. The 2006 financial audit commenced March 5th and is on target for an April 1, 2007 completion date.

- d. Satisfy any recommendations presented in the Auditor's Letter to Management no later than June 1, 2007.

Completed First/Second Quarters: There were no recommendations to satisfy

- e. Promptly address any OIR Order regarding noncompliance that may result from the Market Conduct Exam as well as timely address or satisfy any recommendations regarding deficiencies.

First Quarter: The FWCJUA has yet to receive the results of OIR's Market Conduct Exam completed October 31, 2006.

- f. Manage to the G&A budget.

Second Quarter: At its June 12th meeting, the Board shall consider out-of-budget expenses to contemplate the reorganization and implementation resultant from the passage of SB 1894 and HB 7169, which may include, but shall not be limited to, increased expenses for legal, audit, tax and actuarial services; increased IT/system expenses for physical storage, document management, disaster recovery and audit recording of meetings to include consulting services; increased expenses associated with staffing to include travel and training; and increased expenses associated with board members to include travel and training. The FWCJUA is currently under budget for G&A expenses by \$129,445 as of March 31, 2007

First Quarter: The FWCJUA is under budget for G&A expenses by \$199,117 as of December 31, 2006

- g. Prepare and file the FWCJUA Annual Financial Statement no later than March 1, 2007 and the Quarterly Financial Statements no later than May 15, August 15, and November 15, 2007.

Second Quarter: The First Quarter Financial Statement was timely filed on May 15th. At its June 12th meeting, the Board shall consider authorizing staff to negotiate a filing date for the Second Quarter statement of not later than September 15, 2007.

First Quarter: The FWCJUA's 2006 Annual Statement was timely filed on February 28, 2007.

Other:

Second Quarter: At its May 28th meeting, the Rates & Forms Committee agreed not to recommend a declaration of a return of premium dividend for the 2001, 2002 and 2003 policy years at this time. The Board shall consider this matter at its June 12th meeting.

First Quarter: At its March 13th meeting, the Board shall consider whether a return of premium dividend to policyholders is advisable at this time. **2.** Staff filed the FWCJUA's 2007 Reinsurance Program with OIR on January 19, 2007.

4. **MAINTAIN SOLVENCY WITHOUT AN FWCJUA POLICYHOLDER ASSESSMENT PROVIDED RATE ADEQUACY EXISTS.**
- a. Manage the Cash Flow and Projection Models by subplan and tier to anticipate potential solvency problems and recommend courses of action to the Board.
Second Quarter: Revisions to the Cash Management Policy and an out-of-budget expense of \$1,200 for the creation of a Loss Payout Pattern Report by Milliman to be utilized for cash management purposes shall be presented to the Board in the form of an Investment Committee recommendation at the Board's June 12th meeting.
First Quarter: The cash flow and projection models by subplan and tier continue to be monitored with no new trends or solvency problems being observed. The Subplan D actuarial cash flow model using December 31, 2006 actual results was updated in February and indicates no additional funding needs for Subplan D obligations through the contingency reserve. This dramatic improvement can largely be attributed to the 2006 reserve reductions.
- b. Provide Actuarial Cash Flow Model results and any other required information to OIR quarterly, or as required, to ensure access to the allocated Trust Fund monies for Subplan "D" cash needs as made available by the Legislature.
First Quarter: The Subplan D actuarial cash flow model has been updated using December 31, 2006 actual results as well as the Subplan D loss ratio based on the FWCJUA's 12/31/2006 booked loss ratio and indicates that no assessment is necessary and that no additional state funds should be required to fund the Subplan D deficit.
- c. Manage the Loss Emergence Model to anticipate potential reserve adjustments and recommend courses of action to the Board.
Second Quarter: The Board shall receive a Rates & Forms Committee recommendation to authorize a 2007 out-of-budget expense of \$20,000 for Milliman to perform a loss reserve analysis as of 6/30/2007 to assist in positioning the FWCJUA to receive a favorable ruling related to its application for a federal tax exemption as required by SB 1894, if enacted. Therefore, it will not be necessary to update the Loss Emergence Model at this time.
First Quarter: All 2006 loss information has been sent to Milliman for annual reserve analysis.
- d. Ensure that the Statement of Actuarial Opinion for 2006 is completed no later than March 1, 2007.
Completed First Quarter: The Statement of Actuarial Opinion for 2006 was submitted by Milliman on February 28th and filed with OIR on March 6th. It is the opinion of the actuary that carried reserves meet the requirements of the insurance laws of Florida; are consistent with the reserves computed in accordance with Standards of Practice issued by the Actuarial Standards Board; and make a reasonable provision for all unpaid loss and loss expense obligations.
- e. Conduct a reserve analysis on the loss liabilities of the FWCJUA to include case reserves and IBNR losses, the adequacy of case reserves to pay reported open claims; and a comparison of assets and liabilities with a recommendation by subplan as to the necessity of an assessment to fund outstanding liabilities.
First Quarter: 1. The reserve analysis on the loss liabilities of the FWCJUA to include case reserves and IBNR losses, the adequacy of case reserves to pay reported open claims; and a comparison of assets and liabilities with a recommendation by subplan as to the necessity of an assessment to fund outstanding liabilities will be completed in March. **2.** At its February 22nd meeting, the Board reviewed Milliman's preliminary findings and authorized staff to book Milliman's best estimate indicated net reserves for the years 1994 through 2003; 20% in excess of Milliman's best estimate indicated net reserve for each of the years 2004, 2005 and 2006 to approximate a total of \$5.6 million; and Milliman's best estimate for ULAE. Given the surplus position of the FWCJUA, no assessment was necessary to fund any outstanding liabilities.
- f. Explore funding options for the purchase of a liability transfer product for accident years 2000 through 2006 inclusive of Subplan "D" activity.
First/Second Quarters: As a result of the FWCJUA's positive financial position, a Liability Transfer Product for accident years 2000 through 2006 inclusive of Subplan "D" activity was deemed unwarranted at this time.
- g. Review the existing reinsurance program early in the renewal cycle to ensure it meets both current and anticipated needs; release the renewal submission early in order to review additional options; and negotiate an appropriate renewal.
Second Quarter: On April 12th, the Reinsurance Committee and then the Board resolved to accept a commutation offer received from Quanta RE and confirmed Benfield Group as the Reinsurance Intermediary for the placement of the 2008 Reinsurance program.
First Quarter: Staff filed the FWCJUA's 2007 Reinsurance Program with OIR on January 19, 2007.
- h. Confirm one or more reinsurance intermediaries to act on behalf of the FWCJUA and approach selected direct markets with respect to the placement of the FWCJUA's 2008 reinsurance program.

Second Quarter: On April 12th, the Reinsurance Committee and the Board confirmed Benfield Group as the Reinsurance Intermediary for the placement of the 2008 Reinsurance program.

- i. From a strategic perspective, review different types of reinsurance programs that are available and recommend any strategic perspective alternatives to the current casualty-based program.
- j. Conduct a risk assumption analysis in conjunction with either the reinsurance intermediary's actuary or the FWCJUA's consulting actuary that describes how much risk the FWCJUA could assume at various attachment points and the implications of that risk assumption.
- k. Ensure timely and accurate reporting to the reinsurers with full disclosure of large and/or serious injuries.

Second Quarter: Reinsurers continue to receive timely, accurate reporting of large and/or serious injuries on an ongoing basis. In addition, Munich Re conducted an audit of the FWCJUA's large claim files at Travelers on May 17th. The auditor reviewed a total of 17 claim files with a focus on reserving, resolution planning and management. A report will be produced and submitted to Benfield and then to the FWCJUA. Preliminary comments from the auditor were all very positive and it appears we will be commended for our claim management, reserving and resolution planning. Further, the auditor had no suggestions and/or comments regarding the management of the claims.

First Quarter: Reinsurers are receiving timely, accurate reporting of large and/or serious injuries on an on-going basis.

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

Second Quarter: The semi-annual review of serious injury claims and claim operations will be conducted Thursday, June 14, 2007.

First Quarter: The semi-annual review of serious injury claims and claim operations will be completed in the second quarter.

- m. If a deficit is recognized at the 2006 audit, a program to eliminate the deficit will be developed and filed with OIR.

Second Quarter: At its June 12th meeting, the Board shall consider proposed correspondence to OIR outlining the program for eliminating the 2006 Subplan D deficit through May actuals and file it no later than June 28, 2007.

First Quarter: The FWCJUA recognized a \$48,794,092 surplus in 2006. Only one of individual rating plans posted a 2006 year-end deficit, that being Subplan D with a deficit of \$2,430,546. Given the FWCJUA is in a surplus position; it is not statutorily required pursuant to section 627.311(5)(g), Florida Statutes, to submit a deficit elimination plan to the Office of Insurance Regulation ("OIR"). However, with Subplan D posting a deficit, the FWCJUA will update its plan to eliminate this individual rating plan deficit and submit said updated plan to the Office of Insurance Regulation ("OIR") within 90 days of filing our audited 2006 financial statements, which we anticipate filing on April 1st.

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

First/Second Quarter: The LPT transaction is reviewed monthly and there continues to be no change in the status of the restrictive surplus and the aggregate limit.

- o. Complete the Management Discussion and Analysis on schedule.

First Quarters: The Management Discussion and Analysis was timely completed and filed on March 30, 2007.

5. PURSUE SOUND INVESTMENTS.

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

Second Quarter: On May 24th, the Investment Committee met and conducted its annual review of the FWCJUA's portfolio and cash flow situation. Given the performance of the FWCJUA's portfolio and our cash needs, the Investment Committee is making no new recommendations for modifications to the current Investment Strategy or Policy at the Board's June 12th meeting. However, the Board shall consider the Investment Committee's recommendation to amend the Cash Management Policy and purchase an out-of-budget expense of \$1,200 for the creation of a Loss Payout Pattern Report by Milliman to be utilized for cash management purposes.

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

Second Quarter: At its June 12th meeting, the Board shall consider the Investment Committee's recommendation to continue the relationship with the current investment manager, Evergreen Investment Management Company. The Investment Committee met on May 24th and conducted its annual review of the performance of the investment manager. Noting that the FWCJUA investments

have consistently outperformed their comparable benchmarks as well as the excellent performance and competitive fee structure of the current investment manager, the Committee agreed to recommend an ongoing relationship.

6. MANAGE UNCOLLECTIBLE PREMIUM WITHIN ACCEPTABLE LIMITS.

- a. Evaluate and monitor the collection activity by subplan and tier to ensure that uncollectible premium is held to or below our average policy year uncollectible premium for policy years 1994 through 2004 of 18.0% as of 12/31/06.

Second Quarter: As of March 31, 2007, the current cumulative uncollectible premium was 18.2%, which is slightly over the 18.0% target established for 2007.

First Quarter: As of December 31, 2006, the current cumulative uncollectible premium was 15.3%, which was below the 18.2% target established for 2006.

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

Second Quarter: On April 30th, staff contacted Linda Butler with DBPR, Division of Regulations to discuss active licensed contractors that owe outstanding premium to the FWCJUA and what, if anything, could the FWCJUA do to cause DBPR to terminate or suspend a contractor's license in order to facilitate payment of an outstanding premium obligation. According to Linda Butler, DBPR will revoke any reported license holder, if the insurance company has a judgment against that license holder. She further explained that DBPR will give the license holder 90 days to pay or resolve the outstanding premium issue before rescinding its license. Therefore, we are working with RSI to develop procedures to report a licensed contractor with a final premium judgment against it. In addition, for licensed contractors for which no judgment exists, DBPR suggested that the FWCJUA file a formal complaint against the license holder and DBPR will address the outstanding premium issue with the license holder and will require a response from the license holder within 20 days. Then, the FWCJUA's complaint as well as the license holder's response will be forwarded to the Probable Cause Panel to evaluate for legal sufficiency and if the license holder has previously been sanctioned, the license will be revoked or denied a renewal license. If the license holder has not been previously sanctioned, the issue will be referred to arbitration and the Arbitrator's order will be binding, if not contested within 30 days.

First Quarter: 1. On January 22nd, Cleary and Robertson met with RSI to discuss the leading drivers of uncollectible premium as well as the actions that the FWCJUA might consider to enhance collection efforts. 2. A leading driver of uncollectible premium relates to the appropriateness of a subcontractor exemption when the subcontractor's activities go beyond the trade or business listed on the exemption; thus on February 15th, staff issued a bulletin advising producers of potential exposures clients engaged in construction work may have when their subcontractors activities go beyond the trade or business listed on the certificate of exemption and encouraged producers to discuss with those clients engaged in construction work to carefully examine all Certificates of Election to be Exempt to determine that the work being conducted by the subcontractor is definitely represented on the certificate of exemption.

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

- a. Reseat the Board of Governors consistent with the Bylaws, to include conducting elections and seeking appropriate appointments.
- b. Revamp the current website to improve user responsiveness, increase security, and ensure the ease of updating and replication to the secondary web-site.

Second Quarter: Implementation of the Agency Producer Agreement on-line application process was delayed due to several issues with the redesign of the authorization process in FLARE4. The on-line process is currently in its final testing stage and will be available July 1, 2007.

First Quarter: The FWCJUA's website was updated February 5th to include the Agency Producer Agreement. The Agency Producer Agreement on-line application process is scheduled to be available by March 1, 2007.

- c. Redesign the FWCJUA Operations Manual to a more manageable format, i.e., improve ability to promptly update and ensure the document is web-site "friendly"

Second Quarter: At its June 13th meeting, the Board shall receive an Operations Committee recommendation to maintain the Operations Manual within its current application, Adobe InDesign, recognizing that upgraded versions of the appropriate Adobe products and an additional license will be purchased without further budget considerations in 2007. The FWCJUA Operations Manual was amended to incorporate the amended 1/1/2007 rates and minimum premiums effective March 22, 2007. The Contractor's Supplemental; ACORD 134 FL; and FCCPAP class code revisions were implemented April 1, 2007. Staff tested Microsoft Word and Microsoft Publisher as well as other

publishing applications and determined that it would be more cost effective and efficient to maintain the Operations Manual document in the Adobe InDesign application.

First Quarter: Staff has begun efforts to re-design the FWCJUA Operations Manual to a more manageable format.

- d. Continue FLARE⁴ enhancements, to include updates required due to procedural changes, and conduct on-going maintenance to ensure its continued effectiveness.

Second Quarter: Staff continues report enhancements to FLARE⁴. In addition, staff continues to document the FLARE 4 processes which will be completed July 1, 2007.

First Quarter: The project to rebuild FLARE⁴ for applications, claims and producers was completed for use January 1, 2007, with on-going maintenance. However, FLARE⁴ was amended to add the Agency Producer authorization process, which was released for use Wednesday, February 14, 2007.

- e. Convert to SQL 2005 to enhance recovery and security by increasing encryption capabilities.

Second Quarter: Staff has started researching the migration path to update from SQL 2000 to SQL 2005.

- f. Explore external audit of recovery plans and implement subject to Board approval.

Second Quarter: On May 30th, the Operations Committee considered an outside disaster recovery analysis of IT Systems and resolved to postpone any decision until the reorganization issues related to the enactment of SB 1894 and HB 7169 have been integrated. Staff had received three (3) quotes for consideration regarding an internal IT Systems analysis. The purpose of which was to ensure the reliability of documentation of IT Systems, Disaster Recovery and Continuity, and Personnel succession.

First Quarter: On February 7th, staff met with RSM McGladrey to discuss auditing the FWCJUA's recovery plan. A proposal has been submitted by RSM McGladrey and staff is in the process of identifying other firms to secure similar proposals.

- g. Improve security on external access to Citrix by installing a new hardware device that works in conjunction with the firewall to improve security and encryption for management access to internal Citrix servers.

First Quarter: New Citrix Access Gateway hardware was installed to improve security and encryption for management access to internal Citrix servers.

- h. Replace the two primary servers for data storage and domain management to improve reliability, performance and energy efficiency, while recycling the old servers as test machines for development and recovery testing.

Second Quarter: New servers have been installed and are in full production. Old servers have been phased out and are being recycled for development and recovery testing.

First Quarter: Ordered new server hardware and software to replace the existing servers for data storage and domain management to improve reliability and performance.

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

Second Quarter: The website was amended to incorporate the amended 2007 Tier surcharges, minimum premiums and deposit premium threshold. The FWCJUA's website was also updated to include the new Contractor's Supplemental; FCCPAP class code updates; and the revised ACORD 134 FL form.

First Quarter: The website was amended to incorporate the 2007 rates and revised Tier surcharges. The FWCJUA's website was also updated February 5, 2007 to incorporate the changes necessary to transition to the Agency Producer Agreement, effective April 1, 2007. In addition, the secure transfer for Agency Producer data from the FWCJUA to Travelers is being implemented in conjunction with the Agency Producer Agreement changes. Staff is currently working to revamp the Q& A's section of the website as well to be more user friendly.

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

Second Quarter: Staff continues to replicate data to an offsite server for disaster recovery initiatives. However, as a result of the enactment of SB 1894 and HB 7169, staff has identified four primary IT areas that will need to be addressed with the Board at its June 12th meeting to facilitate the implementation of both SB 1894 and HB 7169, which are physical storage, document management, disaster recovery and audit recording for meetings. Staff is currently revisiting an option for data backup to send the data over a secure connection to a vendor for online backups in a process called "remove vaulting". Staff has modified the Disaster Recovery & Emergency Preparedness Plan (DR&EP Plan) to move the distribution list to the Appendix section as Appendix A and re-label the remaining appendices, reflect staffing adjustments, and clarify or specify procedures, which the Operations Committee confirmed on May 30th.

- k. Continue to evaluate the effectiveness of MAP and implement enhancements as deemed appropriate by the Board.
- Second Quarter:** Staff is currently working with the FWCJUA's MAP Partner, CompLinx/Cennairus, to re-examine seven (7) in-force policies with premiums of \$100,000 or greater for placement in the voluntary market. As of 5/1/07, the FWCJUA's MAP Partner has quoted 33 accounts and bound 19.
- First Quarter:** On January 19th, Cleary and Robertson met with representatives from Florida Contractor Insurance and Payroll Consulting to discuss employee leasing arrangements as well as the Take-Out and Keep-Out Programs. On January 30th, Cleary had again met with MICM to respond to additional questions regarding the Take-Out and Keep-Out Programs.
- l. As directed by the Board, implement procedures to facilitate transition to the Agency Producer Agreement in an effective, efficient, and timely manner.
- Second Quarter:** At its June 12th meeting, the Board shall receive a recommendation from the Rates & Forms Committee to implement a May 24th Producer Committee recommendation to change a procedure for the Agency Producer Agreement that permits an Agency principal to add or delete a Designated Producer or Customer Service Representative from the original Agreement by adopting the proposed Agency Producer Agreement Addendum to Exhibit A form and the associated Operations Manual revisions as soon as practicable. To date, the FWCJUA has contracted with 270 Agencies and 890 Producers.
- First Quarter:** On March 13th, the Board will be asked to confirm the Operations Manual revisions that were ultimately filed and approved to implement the Agency Producer Agreement. At its December 12, 2006 meeting, the Board authorized revisions to the Operations Manual to implement the Agency Producer Agreement. Subsequent to the Board's action, staff determined that the Operations Manual revisions should be refined prior to filing, particularly to reflect the specific termination provisions appearing in the Agreement in the appropriate section of the Manual. Given time was of the essence and the amended revisions were not material given the Board approved Agreement, staff filed the Operations Manual revisions with the necessary amendments on January 22, 2007 and they were approved by OIR on February 1, 2007. On February 5th, the FWCJUA Operations Manual to become effective April 1st to implement the new agency authorization process was available on our website. Additionally, staff implemented procedures to transition Authorized Producers to an Agency Producer Authorization Process, which included contacting each Authorized Producer with a renewal policy, effective 4/1/07, to ensure a smooth transition from a Producer's Agreement to an Agency Producer Agreement. To date, the FWCJUA has contracted with 87 Agencies and 133 Producers. Staff is currently working with General Counsel to develop a more suitable way to address appeals to coincide with the implementation of the Agency Producer Agreement.
- m. Confirm Milliman as the FWCJUA's actuary for the rate/reserve analyses to be conducted in 2008 or implement a selection process for said services.
- Scheduled for Third Quarter.**
- n. Confirm Thomas, Howell, Ferguson's engagement as auditor/tax adviser for the 2007 fiscal year.
- Scheduled for Third Quarter.**
- o. Actively pursue Producer, Employer and Claimant fraud through conducting cooperative investigation with the Service Provider; preparing and submitting fraud reports; and participating in the state's prosecution activities.
- Second Quarter:** On June 11th, the Producer Appeals Committee will meet to hear from an Agency and a Producer that have appealed the termination of their authorization to act as an Agency and a Producer for the FWCJUA. On June 5th, Torrence, Cleary and Canton have a meeting scheduled with a DFS Investigator from the Division of Agent & Agency Services, Bureau of Investigations to discuss a specific referral regarding an agent who was engaged in the questionable practice of including an addendum to a premium finance agreement, whereby the consumer acknowledged that the broker fee is fully earned, non-refundable, and that it accrues interest from the date of signing the agreement, regardless of whether the policy was bound or not. On May 24th, jury trial with respect to an insurance fraud case was scheduled to take place and the SIU Prosecution Coordinator, the onsite case manager who assisted the handling of the claim, and the treating physician were all in attendance and prepared to testify. Instead, the injured worker entered a guilty plea to charges of insurance fraud and perjury. We are currently pursuing restitution in the amount of \$10,000 for legal expenses. To date, the FWCJUA/Travelers have submitted fourteen (14) accounts to SIU; six (6) to the Division of Insurance Fraud; four (4) to DBPR; nine (9) to Bureau of Compliance; and seven (7) to Agent & Agency Services.
- First Quarter:** To date, the FWCJUA has revoked four (4) producers and suspended one (1) for their failure under the Agreement not to charge additional fees or issue "bogus" certificates of insurance. The four revoked producers have been reported to DFS, Agent and Agency Services, Bureau of

Investigations. On February 5, 2007, staff performed a compliance audit of an Authorized Producer's FWCJUA files to find out if the Producer was following FWCJUA guidelines concerning certificates of insurance and discovered that the Producer had issued several COI's without permission and issued two 2 "bogus" COI's. In the pursuit of fraud, the FWCJUA/Travelers partnership submitted seventy (70) accounts to SIU for investigation; six (6) to the Division of Insurance Fraud; 5 to DBPR; 19 to the Bureau Compliance; and 13 to Agent & Agency Services in 2006. To date, seven (7) cases have been referred to SIU; one (1) to the Division of Fraud; three (3) to DBPR; five (5) to Bureau of Compliance; and four (4) to Agent & Agency Services.

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

First/Second Quarters: At the end of each month, the FWCJUA submits two reports to DFS, Division of Workers' Compensation, Bureau of Compliance that identifies the names and addresses of employers whose policies have either been cancelled or non-renewed and a report that provides the names and addresses of applicants who have applied but do not end up purchasing FWCJUA coverage. Further, staff continues to work with Bureau of Compliance regarding the applicability of exemptions when the exemption holders activities go beyond the trade or business listed on the exemption.

- q. Prepare a comparative analysis of the FWCJUA's policy administration fees paid versus other workers compensation residual markets to document the reasonableness of the compensation paid for said services.
- r. Conduct quarterly reviews of the policy administration/managed care service provider's performance to ensure adherence to FWCJUA rules and service standards.

Second Quarter: Travelers' 2007 First Quarter Operations Review of policy administration and claim services to ensure compliance with FWCJUA performance standards was measured at an overall compliance percentage of 94.5%. In addition, the FWCJUA received the results of NCCI's 2006 Data Quality Report that evaluates an insurance carrier's timeliness and quality of data being reported. The FWCJUA scored an "A" as well as a "PASS" grade in the timeliness and quality of the 2006 Financial and Unit Statistical information reported. In July, Staff plans to conduct a physical audit of Travelers to ensure adherence to FWCJUA rules and service standards. In April, Travelers, in conjunction with FWCJUA staff, completed an in-depth review of the FWCJUA's book of business to identify the current composition of the book of business as well as identify any trends. The report also provides recommendations for enhancing standards or improving performance to benefit FWCJUA policyholders.

First Quarter: Staff expects to receive Travelers' first quarter performance results April 10, 2007, and a physical audit process to assess Travelers performance has been scheduled for the week of May 21st.

Other:

Second Quarter: At its June 12th meeting, the Board shall be briefed on the reorganization issues related to the enactment of SB 1894 and HB 7169 and shall provide direction to staff regarding implementation, such as procedures related to the Board selection and appointment process, the committee structure, and the new Board and Committee meeting protocols as well as operational workflows and procurement procedures are being developed to address various provisions of the law. The Plan of Operation is being reviewed and redrafting the Bylaws and Operations Manual, including policy and application forms, is underway. The Code of Business Conduct and Ethics and the Conflict of Interest policies are being reviewed and will be redrafted as warranted. The financial disclosure requirements for board members, officers and senior managers are being identified and readied for dissemination. Preparations have also begun to ensure the association is positioned to effectively apply to the IRS for a determination of eligibility as a tax exempt entity by January 1, 2008. Board shall also receive a Rates & Forms Committee recommendation that it authorize staff to file the FWCJUA's current Policy Information Page, commonly referred to as the "Declarations Page"; Extension of Information Page – Schedules; and Policy Change Document with OIR as soon as practicable. The Rates & Forms Committee will further recommend that the Board adopt changes to ten (10) supplemental application forms to reflect the current practice of the FWCJUA to permit notaries, other than Florida notaries, to notarize an employer's authorized signer's signature with such form amendments becoming effective as soon as practicable.

8. IMPLEMENT AN ASSESSMENT, IF ONE BECOMES NECESSARY.

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

Second Quarter: The Florida Legislature enacted Senate Bill 1894 which permits the use of Subplan C surplus to be used to fund any deficits in other former Subplans as well as Tiers 1 or 2, before OIR can levy below-the-line assessments. Also, SB 1894 provides that policyholders in former Subplan C will no longer be subject to assessment liability.

First Quarter: The FWCJUA legislation which our Board supports has been introduced in both the House and Senate. Sen. Mike Bennett and Rep. Mike Grant introduced SB 2276 and HB 1429, respectively. These bills contain specific legislative language containing several potential solutions related to the implementation of assessments.

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

- a. Conduct causes of loss analyses and modify the safety program as warranted to satisfy any deficiencies given our emerging book of business.

Second Quarter: The 2006 year-end cause of loss analysis conducted in conjunction with Travelers was completed and presented April 26, 2007, to the Safety Committee. The Committee concluded that the FWCJUA-Travelers Loss Control and Safety Program successfully satisfies the FWCJUA Safety Policy. The Board will be presented with the Safety Committee's findings in June. On March 21st, Cleary met with Travelers (Desmond, Vicory, McLaughlin, Shaffer, and Furr) to discuss the causes of loss analyses and the safety program.

First Quarter: The 2006 year-end cause of loss analysis is scheduled for completion in March. Accordingly, the evaluation of the loss prevention and safety programs will commence shortly thereafter with the results subsequently presented to the Safety Committee.

- b. Explore "alternative" methods and techniques for accepting and using safety programs and make appropriate recommendations to the Safety Committee.

Second Quarter: At its June 12th meeting, the Board shall consider the Safety Committee's recommendations to promote loss prevention and safety through additional resources available at the Travelers Risk Control website (www.riskcontrol.com) and a revision to the Operations Manual to exclude a requirement that all premium bills address the most severe and frequent causes of accidents.

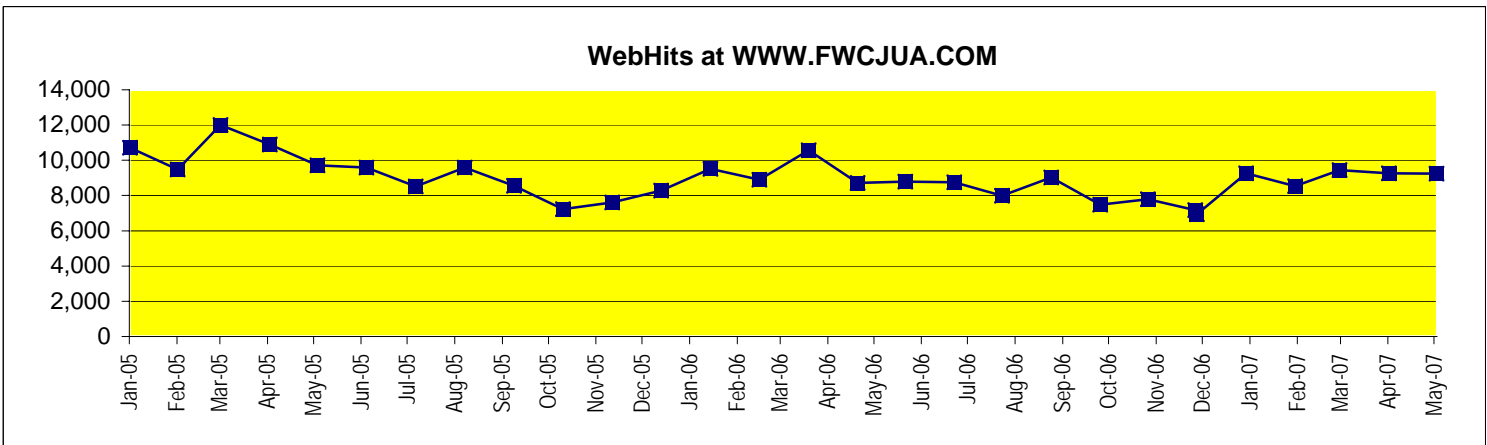
First Quarter: Staff continues to explore "alternative" methods and techniques for accepting and using safety programs.

FWCJUA OPERATIONS ANALYSIS THROUGH MAY 31, 2007

TOTAL PREMIUMS WRITTEN as of May 31, 2007 - Policy Count: 1,366 - Premium: \$11,489,970

POLICIES IN FORCE BY SUBPLAN / TIER - as of May 31, 2007		Policies	TEAP & Deposit
Tier 1		793	\$5,714,486
Tier 2		1,321	\$8,802,203
Tier 3		467	\$9,196,123
TOTAL		2,581	\$23,712,812

NEW BUSINESS INFORMATION	M-T-D 2006	M-T-D 2007	% CHG	Y-T-D 2006	Y-T-D 2007	% CHG
Phone Calls	3,013	2,403	-20%	17,356	13,623	-22%
External Web Hits	8,784	9,250	5%	46,471	45,748	-2%
Timeliness (Days to Process)	7.9	7.3	-8%	8.1	7.7	-5%
Apps Received	299	216	-28%	1,601	1,013	-37%
Apps Rejected	161	98	-39%	797	505	-37%
TOTAL APPS BOUND	133	85	-36%	762	443	-42%
TOTAL EAP	\$1,738,396	\$714,718	-59%	\$8,801,496	\$4,019,781	-54%
AVERAGE POLICY PREMIUM SIZE	\$13,071	\$8,408	-36%	\$11,551	\$9,074	-21%
Tier 1: Apps Bound	5	9	80%	48	46	-4%
Tier 1: Premium Bound	\$47,354	\$45,580	-4%	\$523,549	\$313,262	-40%
Tier 2: Apps Bound	94	53	-44%	545	259	-52%
Tier 2: Premium Bound	\$704,805	\$347,832	-51%	\$3,676,930	\$1,625,627	-56%
Tier 3: Apps Bound	34	23	-32%	169	138	-18%
Tier 3: Premium Bound	\$986,237	\$321,306	-67%	\$4,601,017	\$2,080,892	-55%
TOTAL: Apps Bound	133	85	-36%	762	443	-42%
TOTAL: Premium Bound	\$1,738,396	\$714,718	-59%	\$8,801,496	\$4,019,781	-54%



TOTAL AUTHORIZED PRODUCERS: 1,026

FWCJUA MID-TERM CANCELTION REPORT
April 1, 2006 - March 31, 2007

INDUSTRY GROUPS		CATEGORY											TOTALS			
		1A	1B	2	3B	4A	4B	4C	4D	4E	4F	5	Number	\$ Amount	Avg. Days	%
1	Manufacturing	5	2		1		7		1		2	6	24	\$ 360,916.00	153	1.8%
2	Contracting	192	140		6	4	111	7	21	13	28	115	637	\$ 18,389,318.00	181	50.4%
3	Office and Clerical	48	51		2	5	86		12	3	9	49	265	\$ 2,074,355.00	188	20.9%
4	Goods & Services	45	41		2	4	47	3	15	5	3	45	210	\$ 3,686,831.00	180	16.7%
5	Miscellaneous	32	28		1	2	15	3	3	4	11	26	125	\$ 1,702,672.00	175	9.9%
6	USL&HWC						3						3	\$ 113,217.00	236	0.2%
7	Maritime						1						1	\$ 54,805.00	50	0.1%
8	Other												0	\$ -		
TOTALS		322	262	0	12	15	270	13	52	25	53	241	1265	\$ 26,382,114.00	145	100.0%

Average Active Policies = **3,681**
Policies Cancelled Mid Term = **1,265 or 34%**

Average Active Policies Premium = **\$44,159,916**
Policies Cancelled Mid Term Premium = **\$26,382,114 or 59.7%**

FWCJUA, Producer, Finance Company Request = **596 or 47%**
1A + 1B + 2 + 3B

Insured Request = **428 or 34%**
4A + 4B + 4C + 4D + 4E+4F

Other = **241 or 19%**
5

KEY: CATEGORY

- 1A Company Request - Nonpayment of Premium
- 1B Company Request - Underwriting
- 2 Producer
- 3B Finance Company Request
- 4A Insured Request - Business Sold
- 4B Insured Request - Placed w/ Another Carrier
- 4C Insured Request - Rewrite
- 4D Insured Request - No Employees
- 4E Insured Request - Work Completed
- 4F Insured Request - Out of Business
- 5 Other (e.g., deceased)

FWCJUA Loss Summary as of March 31, 2007

Category	# of Claims	Case Reserve	Paid	Expense	Incurred
Claims > \$100K (No IBNR)	275	\$7,818,971	\$50,607,613	\$2,546,580	\$60,973,164
Claims < \$100K (No IBNR)	7,732	\$1,987,487	\$49,128,761	\$5,314,553	\$56,430,801
All Claims (No IBNR)	8,007	\$9,806,458	\$99,736,374	\$7,861,133	\$117,403,965
Average / All Claims		\$1,225	\$12,456	\$982	\$14,663
No. of Claims > \$100K	----	57	274	265	----
No. of Claims < \$100K	----	203	7,288	5,197	----
Average / Claims > \$100K	1	\$137,175	\$184,699	\$9,610	\$331,484
Average / Claims < \$100K	1	\$9,791	\$6,741	\$1,023	\$17,554

Category	# of Claims	Case Reserve	Paid	Expense	Incurred
Open Claims (No IBNR)	260	\$9,806,458	\$10,349,797	\$1,168,937	\$21,325,192
Closed Claims (No IBNR)	7,747	\$0	\$89,386,577	\$6,692,196	\$96,078,773
All Claims (No IBNR)	8,007	\$9,806,458	\$99,736,374	\$7,861,133	\$117,403,965
Average / All Claims		\$1,225	\$12,456	\$982	\$14,663
No. of Claims Open	----	260	234	195	----
No. of Claims Closed	----	0	7,328	5,267	----
Average / Open Claim	1	\$37,717	\$44,230	\$5,995	\$87,942
Average / Closed Claim	1	\$0	\$12,198	\$1,271	\$13,469

Category	# of Claims	Case Reserve	Paid	Expense	Incurred
Open Claims (By Sub Plan / Tier)					
Sub Plan A	0	\$0	\$0	\$0	\$0
Sub Plan C	11	\$986,542	\$427,763	\$114,966	\$1,529,271
Sub Plan D1	19	\$2,148,987	\$1,415,862	\$179,328	\$3,744,177
Sub Plan D2	5	\$165,472	\$79,776	\$50,769	\$296,017
Sub Plan - Prior to 7/26/03	29	\$1,806,202	\$1,526,847	\$249,523	\$3,582,572
Tier 1	35	\$363,215	\$701,206	\$52,057	\$1,116,478
Tier 2	75	\$2,421,342	\$3,219,165	\$298,693	\$5,939,200
Tier 3	86	\$1,914,698	\$2,979,178	\$223,601	\$5,117,477
Total	260	\$9,806,458	\$10,349,797	\$1,168,937	\$21,325,192

FWCJUA Loss Summary as of March 31, 2007

LOSS RATIO - WITHOUT IBNR					
Premium & Losses	Net Earned Premium	Case Reserves	Paid & Expense	Total Incurred	Loss Ratio
Accident Year 1994	42,051,708	385,880	21,207,726	21,593,606	51.4%
Accident Year 1995	72,570,197	250,763	25,618,582	25,869,345	35.6%
Accident Year 1996	35,170,675	88,006	16,016,038	16,104,044	45.8%
Accident Year 1997	18,208,853	0	5,430,287	5,430,287	29.8%
Accident Year 1998	14,549,457	206,043	4,822,531	5,028,574	34.6%
Accident Year 1999	7,438,919	0	1,650,420	1,650,420	22.2%
Accident Year 2000	3,783,912	0	2,055,520	2,055,520	54.3%
Accident Year 2001	4,981,868	58,989	909,160	968,149	19.4%
Accident Year 2002	15,218,231	298,436	1,506,321	1,804,757	11.9%
Accident Year 2003	39,260,404	986,300	6,840,787	7,827,087	19.9%
Accident Year 2004	51,308,817	2,974,670	10,541,729	13,516,399	26.3%
Accident Year 2005	65,708,267	1,635,150	7,547,937	9,183,087	14.0%
Accident Year 2006	44,111,668	2,321,318	3,070,505	5,391,823	12.2%
Accident Year 2007	6,205,506	600,904	379,962	980,866	15.8%
Cumulative @ 3-31-2007	\$420,568,482	\$9,806,458	\$107,597,507	\$117,403,965	27.9%
Policy Year 1994	82,540,615	576,766	35,044,995	35,621,761	43.2%
Policy Year 1995	53,574,994	76,759	20,740,058	20,816,817	38.9%
Policy Year 1996	27,708,509	71,125	9,338,100	9,409,225	34.0%
Policy Year 1997	15,453,737	184,819	6,370,898	6,555,717	42.4%
Policy Year 1998	6,635,231	21,223	2,513,778	2,535,001	38.2%
Policy Year 1999	4,551,089	0	1,671,325	1,671,325	36.7%
Policy Year 2000	4,834,869	0	1,479,008	1,479,008	30.6%
Policy Year 2001	11,386,355	134,131	1,239,947	1,374,078	12.1%
Policy Year 2002	21,742,135	223,296	2,588,784	2,812,080	12.9%
Policy Year 2003	54,426,581	1,575,128	9,296,005	10,871,133	20.0%
Policy Year 2004	57,799,561	3,075,129	9,957,274	13,032,403	22.5%
Policy Year 2005	53,634,188	2,572,597	5,857,868	8,430,465	15.7%
Policy Year 2006	25,894,143	1,282,813	1,494,358	2,777,171	10.7%
Policy Year 2007	386,475	12,672	5,110	17,782	4.6%
Cumulative @ 3-31-2007	\$420,568,482	\$9,806,458	\$107,597,507	\$117,403,965	27.9%

FWCJUA Loss Summary as of March 31, 2007

LOSS RATIO - WITH IBNR						
Premium & Losses -	Loss Ratio	Net Earned Premium	IBNR Reserves	Case Reserves	Paid & Expense	Total Incurred
Accident Year 1994 -	55.2%	42,051,708	1,616,394	385,880	21,207,726	23,210,000
Accident Year 1995 -	37.4%	72,570,197	1,270,655	250,763	25,618,582	27,140,000
Accident Year 1996 -	48.2%	35,170,675	835,956	88,006	16,016,038	16,940,000
Accident Year 1997 -	31.8%	18,208,853	359,713	0	5,430,287	5,790,000
Accident Year 1998 -	36.3%	14,549,457	251,426	206,043	4,822,531	5,280,000
Accident Year 1999 -	23.3%	7,438,919	79,580	0	1,650,420	1,730,000
Accident Year 2000 -	57.6%	3,783,912	124,480	0	2,055,520	2,180,000
Accident Year 2001 -	22.5%	4,981,868	151,851	58,989	909,160	1,120,000
Accident Year 2002 -	12.9%	15,218,231	165,243	298,436	1,506,321	1,970,000
Accident Year 2003 -	22.3%	39,260,404	912,913	986,300	6,840,787	8,740,000
Accident Year 2004 -	35.4%	51,308,817	4,640,601	2,974,670	10,541,729	18,157,000
Accident Year 2005 -	28.5%	65,708,267	9,526,913	1,635,150	7,547,937	18,710,000
Accident Year 2006 -	37.1%	44,111,668	10,979,577	2,321,318	3,070,505	16,371,400
Accident Year 2007 -	35.4%	6,205,506	1,214,134	600,904	379,962	2,195,000
Cumulative @ 3-31-2007	35.6%	\$420,568,482	\$32,129,436	\$9,806,458	\$107,597,507	\$149,533,402
Policy Year 1994 -	46.3%	82,540,615	2,583,639	576,766	35,044,995	38,205,400
Policy Year 1995 -	39.7%	53,574,994	463,760	76,759	20,740,058	21,280,577
Policy Year 1996 -	37.0%	27,708,509	855,462	71,125	9,338,100	10,264,687
Policy Year 1997 -	45.0%	15,453,737	405,384	184,819	6,370,898	6,961,101
Policy Year 1998 -	39.2%	6,635,231	65,689	21,223	2,513,778	2,600,690
Policy Year 1999 -	39.0%	4,551,089	102,030	0	1,671,325	1,773,355
Policy Year 2000 -	31.9%	4,834,869	62,240	0	1,479,008	1,541,248
Policy Year 2001 -	13.8%	11,386,355	193,457	134,131	1,239,947	1,567,535
Policy Year 2002 -	13.5%	21,742,135	123,639	223,296	2,588,784	2,935,719
Policy Year 2003 -	23.9%	54,426,581	2,153,309	1,575,128	9,296,005	13,024,442
Policy Year 2004 -	35.4%	57,799,561	7,416,224	3,075,129	9,957,274	20,448,627
Policy Year 2005 -	40.3%	53,634,188	13,205,173	2,572,597	5,857,868	21,635,638
Policy Year 2006 -	28.0%	25,894,143	4,473,826	1,282,813	1,494,358	7,250,997
Policy Year 2007 -	11.2%	386,475	25,604	12,672	5,110	43,386
Cumulative @ 3-31-2007	35.6%	\$420,568,482	\$32,129,436	\$9,806,458	\$107,597,507	\$149,533,402

OPEN LOSSES EXCEEDING \$400,000 AS OF 05/31/2007 - DETAIL

Claim ID	Policy Year	Accident Year	Total Paid	Total Reserve	Total Incurred	Accident Description & Current Status
TRAVELERS 556	1999	1999	1,242,562	1,951,776	3,194,338	<p>45 yr. old IW fell while climbing down a ladder hitting his head resulting in a closed head injury requiring a bi-frontal craniotomy with a plate inserted. PARADIGM has completed their process and the case has been determined to be PTD requiring supervision and 24 hour care. 03/00: Travelers has recommended establishing the Medical Reserves at \$999,735 and will establish the Indemnity Reserves as soon as a proper guardian can be appointed. 06/00: IW sufficiently stable to establish medical & indemnity reserves. 09/00: Long term care plan being developed. 12/00: Will accept as PT; push for MMI and prepare a custodial settlement plan. 03/01: Paradigm contract complete; settlement options being presented to claimant's attorney. 06/01: Pre-mediation conference scheduled for 10/01 to determine settlement potential. 09/01: Private mediation scheduled for 12/12/01 and structure options will be presented. Final authority TBD at 12/4/01 settlement conference. 12/01: Guardian continues unwilling to settle; therefore, actuarial reserves will be established in first quarter '02. Anticipate increase of \$489K mostly medical for long term care facility.</p> <p>03/02: Reserves actuarially increased to reflect long term exposure; no change in status. 06/02: No activity. Will stay the course & reopen settlement negotiations next year. 09/02: Reserves are adequate. 12/02: No change; reserves are adequate. 03/03: No change. Reserves adequate. 06/03: No change. Reserves adequate. 09/03: No intent by guardian to settle. Reserves adequate. 12/03: No change. Reserves adequate. 04/04: No change. Reserves adequate. 06/04: No change in condition. A complete actuarial review of reserves will be completed in the third quarter and adjustments made where necessary. 09/04: Actuarial reserves established and are considered adequate. 12/04: No change; reserves adequate. 03/05: As it has been four years, are conducting a complete medical evaluation and will take the appropriate action. Reserves adequate. 06/05: Medical evaluation continuing; reserves adequate. 09/05: Pre-condition hypertension caused diabetes 2. Given health developments there is some settlement interest & a mediation has been set for 2/23/06.</p> <p>12/05: Mediation rescheduled for 03/26/06 for Claimant attny to prepare a life plan. Reserves reduced as living expenses reduced by 50% with new rehab facility. 03/06: Mediation rescheduled for 08/31/06; medical data supplied to OC for their life plan computation. 06/06: Mediation rescheduled for October due to tropical storm. 09/06: Mediation scheduled for December 7, 2006. 12/06: SETTLED FOR \$880,750 inclusive of fees and costs.</p> <p>03/07: The possibility of settlement being approved in its current form is limited as both the guardian and guardian ad litem have concerns relating to unrelated costs and the availability of funds based upon the annual pay-out quoted. We are looking at alternatives quotes to include unrelated conditions of diabetes and hypertension, while staying within settlement value. However, if not accepted, it is likely that the agreement will not be approved. We have received additional quotes that will provide periodic increases in the annual annuity payment. Guardianship hearing has been pushed back to 3/14/07 due to the Guardian Ad Litem's schedule.</p> <p>05/07: Our counsel is still working with the guardian ad litem on the settlement, but he is frustrated that the guardian ad litem will not make a recommendation for settlement or demand. Counsel has provided guardian ad litem with all details of the settlement and our last offer. Other than refuse it, the guardian ad litem is not telling us what it will take to settle. If we do not see any progress in the next few months, we will ask for a refund on the annuity premium because settlement will not be likely at that time.</p>
HARTFORD 19175	1994	1994	340,668	367,602	708,270	<p>56 yr. Old IW doing data entry for 5 years; RSD in right wrist; poor prognosis. Reserves have been reevaluated and are now deemed adequate. 6/99: Settlement analysis being completed as there is a 3rd party that has been settled. 9/99: Received \$7K from 3rd party settlement. Will set mediation and increase settlement offer. 12/99: Exposure analysis indicates a total exposure of \$289,430, pushing attorney for a demand. 03/00: Accepted as PT, settlement efforts continuing. 06/00: No change. 09/00: No change. 12/00: Accepted for SDTF. Changing defense attorneys & completing a case assessment. 03/01: Assessment completed, settlement authority granted and a private mediation scheduled. 06/01: Mediation went to impasse as IW's demand is excessive; negotiations continue. 09/01: Mediation rescheduled due to son's motorcycle accident. Demand remains \$325K + fee. Authority adequate. 12/01: SETTLED for \$245K via structure & cash. Reserves to be reduced upon JOC ruling. 03/02: Remaining imediment to closing and reducing reserves is finalizing medicare Set-aside agreement. Approval taking 4+ months. 06/02: Rejected settlement; structure credit in process. Reserves to be evaluated & surveillance continues.</p> <p>09/02: No change. Reserves adequate. 12/02: No change; reserves adequate. 03/03: No change. Reserves adequate. 06/03: No change. Reserves adequate. 09/03: Mediation scheduled prior to year end. Reserves adequate. 12/03: Have recovered \$33K SDTF. In litigation in GA for a subsequent slip & fall; will be no settlement activity until that is resolved. 04/04: No settlement interest. Reserves adequate. 06/04: No change. Reserves adequate. 09/04: No change. Reserves adequate. 12/04: If no further activity, will consider placing in maintenance and reserving accordingly. Reserves currently adequate. 03/05: Proactively monitoring meds. Reserves adequate. 06/05: No change; reserves adequate. 09/05: No change; reserves adequate. 12/05: No change; reserves adequate. 03/06: No change; reserves adequate. 06/06: No change; reserves adequate. 09/06: No change - maintenance. Reserves adequate.</p> <p>03/07: File is marked as Benefit Management with life time benefits. We continue to pay PTD benefits under the claim and reserves are properly set for life of the claim. IW did settle a malpractice suit and we have recovery on future medical at 6.34% up to \$46,723.</p> <p>05/07: Reserves remain as posted on actuarial, however, we have \$42,976.00 posted under medical settlement which can be removed as settlement is not expected to happen on this claim as IW has no interest in any type of settlement.</p>

OPEN LOSSES EXCEEDING \$400,000 AS OF 05/31/2007 - DETAIL

Claim ID	Policy Year	Accident Year	Total Paid	Total Reserve	Total Incurred	Accident Description & Current Status
TRAVELERS 378	2004	2003	650,255	578,371	1,228,626	<p>SUBPLAN "C" MINIMUM PREMIUM "0" PAYROLL POLICY. 17 yr. old IW fell while on a roof and grabbed a bucket of tar causing 2nd & 3rd burns over 30% of his body. Paradigm involved. IW on the job 2 days. Illegal alien issues involved and SIU is investigating. 04/04: IW currently moved to rehab facility. Reserves adequate. 06/04: IW stable and in initial rehab. Paradigm contract completed & permanent program is being developed by Paradigm. Reserves adequate. 09/04: Additional graphs required to be completed as part of Paradigm in early 2005. Reserves adequate. 12/04: Claimant Attny has elected to pursue Coverage B and we will take the appropriate steps available under the new law. 03/05: Claimant attorney has not filed a liability claim. IW has shown improvement resulting from the head injury program and anticipate a 20% IR from the burns. IW expressed interest in returning to Mexico. Settlement evaluation is being prepared. Reserves adequate. 06/05: Settlement negotiations are underway. 09/05: Arranging for a guardian for settlement mediation; Subro monitoring suite against Developer. Reserves adequate for settlement; if does not settle will complete a reevaluation. 12/05: Neuro says guardian not now required. Mediation scheduled for 03/13/06. 03/06: Mediation rescheduled for 07/10/06 where a structure including cash and a custodial trust account through Medvest will be offered. 06/06: Mediation cancelled as additional surgery required; will reschedule w/i six months. 09/06: All indications are that IW wants to settle and retur</p> <p>05/21/07: Settled for \$575,000 inclusive of fees and costs, which included an annuity costing \$102,893.91.</p>
TRAVELERS 1146	2004	2004	134,327	832,029	966,356	<p>SUBPLAN "C" Multiple claimants (2 injuries). Potential premium fraud involved with SIU investigating. Late reported claim by the attorney. 37 yr IW old fell 30' from IW constructed makeshift scaffold landing on his back and leg causing a collapsed lung, broken ribs and broken rt ankle. Initial surgeries completed and the initial IR is 35% due to extensive ankle damage and anticipated future surgeries. Reserves have been increased to reflect PTD potential. 09/05: Ankle fusion is definitely required and a private mediation is scheduled with authority granted. 12/05: Awaiting MMI as fusion not yet performed. Reserves adequate. 03/06: IW refuses mediation; reserves adequate. 06/06: Accepted PTD; additional surgery will be required. Reserves adequate. 09/06: IW has no interest in settlement until pending ankle surgery is completed in January 2007. 03/07: Still no interest in settlement and the surgery issue continues to drag on due to IW. IW expresses that he wants the surgery, but never schedules it. Next doctor's appointment was scheduled for 2/20/07 and it will be interesting to see if IW is scheduled for surgery.</p> <p>05/07: IW declined to have the surgery and has not scheduled follow up. Reserves are properly set at this time.</p>
TRAVELERS 407*	1996	1996	1,235,541	2,557,384	3,792,925	<p>03/00: Mediation went to impasse. We will take no further settlement action for 6 to 12 months then determine if there is any potential for movement. If not, we will actuarially reserve. 06/00: No change; will evaluate in 4th quarter. 09/00: Settlement evaluation continuing; no activity. 12/00: Requiring a Voc Rehab; settlement authority adequate. 03/01: Filed a lien pending outcome of civil litigation against the ladder manufacturer. 06/01: Little progress; attempting to schedule an independent voc. rehab. evaluation. 09/01: Will determine the Medicare Set-aside & obtain approval based on current authority. Will reevaluate reserves in first qtr. 02. 12/01: As no current interest in settlement, anticipate actuarially increasing reserves in first quarter '02 by \$2.21million (\$300K indemnity & \$1.89M medical.). 03/02: Reserves actuarially increased to reflect long term exposure. 06/02: Upon review with TIC Home Office, JUA Litigation Mgr & attorneys, the settlement offer will be increased and a serious attempt to settle will be made this fall. 09/02: Negotiations continue. Reserves adequate. 12/02: Negotiations continue; reserves adequate.</p> <p>03/03: No change. Reserves adequate. 06/03: No change. Reserves adequate. 09/03: No change. Reserves adequate. 12/03: No change. Reserves adequate. 04/04: Has a new attorney; will pursue settlement. Reserves adequate to cover authorized settlement. 06/04: No change in condition. A complete actuarial review of reserves will be completed in the third quarter and adjustments made where necessary. 09/30: Actuarial reserve completed, reserves adjusted and are considered adequate. No change in condition. 12/04: Attempting to resolve multiple attorney fee issues and continue to pursue settlement. Reserves adequate. 03/05: Private mediation set for June 6th. Reserves adequate. 06/05: Hurricane Katrina has delayed negotiations but will resume. Reserves adequate. 09/05: Team concluded no settlement interest as met demand & treatment is consistent; therefore "backing off" aggressive settlement approach for 6 - 12 months then will reevaluate. 12/05: No change. Reserves adequate.</p> <p>03/06: A mediation is scheduled for late May and an offer will be made with the MSA structured. 06/06: Mediation cancelled by IW; will take no further aggressive action in 2006 and revisit in first qtr. 2007. 09/06: IW filed increase for hourly rate on attendant care and will defend. 03/07: Litigation over the hourly rate for attendant care continues. Impasse at Mediation and a final hearing has not yet been scheduled.</p> <p>05/07: Still no hearing date on an increase in attendant care hourly rates. We expect claimant will withdraw claim rather than go to mediation, but if he doesn't we can address settlement and the CMA again.</p>

OPEN LOSSES EXCEEDING \$400,000 AS OF 05/31/2007 - DETAIL

Claim ID	Policy Year	Accident Year	Total Paid	Total Reserve	Total Incurred	Accident Description & Current Status
TRAVELERS 3750*	1998	1999	503,241	884,812	1,388,054	<p>36 yr old IW fell 20' causing multiple fractures. Denied claim as claimant stated was exempt; determined he was not & our insured is responsible. 12/02: Settlement authority granted to include fees; anticipate settlement. 03/03: Claimant refused settlement. Continuing to fight PT as physicians say he is capable of sedentary work. 06/03: Settlement authority granted & negotiations have commenced. 09/03: Accepted as PTD as MMI is now 35%. Surgery to follow and reserves to be adjusted prior to year end. 12/03: Attorney issues resolved; having surgery; settlement talks will commence w/i 90 days. 04/04: Final surgery complete; anticipate settlement w/i authorized amount. 06/30/04: Settlement negotiations continuing. 09/04: No change. Reserves adequate. 12/04: No change. Reserves adequate. 03/05: Resetting a private mediation to attempt a structured settlement. 06/05: IW moved to Oregon and is undergoing treatment & pain management. Indemnity reserves increased to reflect lack of settlement activity. 09/05: Team determined IW does not want to settle as doubled demand. Reserves adequate. 12/05: No change. Reserves adequate. 03/06: No change; reserves adequate. 09/06: Settlement is on hold due to increase in medical treatment. 03/07: IW is recovering from his most total hip replacement.</p> <p>05/07: IW is tentatively scheduled for a permanent spinal cord stimulator for 6/13/2007, since the experimental spinal cord stimulator was effective.</p>
TRAVELERS 1811	1997	1998	314,023	307,980	622,003	<p>52 yr. old IW was hooking up safety harness when he fell 130 ft. suffering multiple open fractures to legs and feet. Declared PT as IR 28%. 06/00: Settlement Authority granted. Pursuing a structured settlement. 09/00: No change. 12/00: Structure plans developed to be presented at a private mediation. Authority adequate. 03/01: No change. 06/01: Settlement meeting scheduled. 09/01: As not represented, will present structure options at a 1st qtr. settlement conference. Authority adequate. 12/01: No change. 03/02: Spanish speaking adjuster assigned to commence settlement negotiations. 06/02: Having a medical reevaluation with Spanish speaking case manager/nurse. Reserves & Authority still adequate. 09/02: IW requires additional surgery on foot. Will revisit settlement upon recovery. 12/02: No change; reserves adequate. 03/03: No change. Reserves adequate. 06/03: Accepted for SSI & surgery is complete. Will resume negotiations upon recovery. 09/03: Not yet at MMI. Reserves adequate. 12/03: No change. Reserves adequate.</p> <p>04/04: No change. Reserves adequate. 06/04: No change. Reserves adequate. 09/04: No change. Reserves adequate. 12/04: No change. Reserves adequate. 03/05: Pursuing a structured settlement with a cash component that will provide for future medicals and a regular income. 06/05: No change; reserves adequate. 09/05: No change; reserves adequate. 12/05: No change. Reserves adequate. 03/06: No change; reserves adequate. 06/06: No change; reserves adequate. 09/06: No change - no interest in settlement. Reserves adequate. 03/07: No change; last medical treatment was on 7/11/06. This is a PTD claim that we continue to pay indemnity and supplemental benefits. We have completed our 2007 correction of the supplemental benefits and filed the appropriate forms. The orthopedist opined in July that he did not anticipate any additional surgical intervention and the IW would most likely be better served with a podiatrist.</p> <p>05/07: No change - maintenance.</p>
USF&G8681	1995	1995	279,228	777,996	1,057,224	<p>57 yr. old IW injured her knee requiring multiple surgeries including a replacement. Declared PTD in 2003. She has applied to SSD and turned down; is on appeal. Not motivated to settle after several mediations. 12/03: No change. Reserves adequate. 04/04: No change in settlement attitude. Will perform another reserve analysis in the 4th quarter which may result in an actuarial reserve. 06/04: No change. 09/04: No change. Reserves adequate. 12/04: No change. Reserves adequate. 03/05: IW appealing the SS Disability benefits decision; if unsuccessful, will renew settlement efforts. Reserves adequate. 06/05: No change; reserves adequate. 09/05: No change; reserves adequate. 12/05: Claim actuarially reserved. No other activity. 03/06: No change. 06/06: No change. 09/06: No change - maintenance; reserves adequate.</p> <p>03/07: We continue to pay PTD and Supps under the claim. Most recent issue is once again physical therapy treatment which we have denied based on defense attorney's conference with Dr.Hunter which resulted in the doctor noting that no further physical therapy is necessary. Claimant's attorney filed petition with script from Dr.Hunter dated July 2006 and we will be going to hearing on this issue. We are also following IW's appeal for SSDI which if accepted will result in an offset of the PTD benefits.</p> <p>05/07: We continue to pay PTD and Supps with an SSDI offset.</p>

OPEN LOSSES EXCEEDING \$400,000 AS OF 05/31/2007 - DETAIL

Claim ID	Policy Year	Accident Year	Total Paid	Total Reserve	Total Incurred	Accident Description & Current Status
TRAVELERS 9364	2004	2005	755,647	476,363	1,232,010	<p>Tier 2. 62 yr. old IW was driving on I-95 when he struck a disabled vehicle causing a severe laceration to his liver (2" deep"). 03/05: IW stabilized and out of ICU; exploring transfer to step-down facility as soon as possible. Long term home care is anticipated. SIU and Subrogation conducting investigations. Reserves are adequate at this time. 06/05: Medical evaluation and treatment continues. Reserves adequate. 09/05: IW requiring 7hrs/day attendant care. Have a demand & have granted settlement authority. 12/05: Mediation scheduled for 03/31/06. Reserves adequate. 03/06: IW claiming extensive memory loss but a reasonable settlement is possible. Reserves adequate. 06/06: Given age and anticipated high IR, will increase settlement value but medical reserves should be reduced. 09/06: Current settlement estimate and authorization have been reduced. Reserves adequate.</p> <p>03/07: Unable to reach settlement agreement at mediation on 1/10/07, and accepted IW PTD. IW is now 64 years old and is receiving social security retirement benefits, therefore, no supplementals will be due or owing under the claim.</p> <p>5/07: We have settlement in this matter and the terms are as follows: 1. \$85,000, inclusive of fees/costs; 2. \$32,155 MSA, to be self administered; 3. Should CMS not approve this MSA amount, E/C will agree to fund the difference up to \$5,000; 4. Should the difference exceed \$5,000, either party may, but is not required, to fund the balance over \$5,000. If either party is willing to do this, the settlement is void; 5. E/C will continue to pay the claimant the balance of the 104 weeks, after which indemnity and medical benefits will cease; 6. E/C will waive recoupment of the remainder of the overpayment; and 7. Paperwork will not be submitted to JCC for approval until CMS approval is received. This is a pretty good settlement in light of the medical and PTD issues facing us in this case. We have spent well over \$600,000 in medicals due to the claimant's extended hospitalizations and it seems that every time he needs a fairly minor procedure, he has significant complications.</p>
TRAVELERS 1907	2004	2005	432,436	4,805,549	5,237,985	<p>TIER 2. USL&H. Represented. 41 yr old short term general laborer struck his head on a 2X4 in what appeared to be a minor accident. Went home, became ill, and admitted with a subarachnoid hemorrhage. SIU and counsel investigated and accident deemed compensable under Section 20, Presumption under the Long shore Act. There are serious cognitive issues with the current prognosis indicating IW can become functional with semi-autonomous living. Paradigm is managing the medical recovery. Substance abuse is impacting the recovery process. 12/30: Exposure analysis will be performed in the second quarter when a more realistic prognosis is available. 03/06: Anticipate IW will be able to ultimately return to sedentary work. Will re-evaluate at MMI. Reserves adequate. 06/06: Still do not consider IW to be PTD; reserves adequate. 09/06: Will obtain a vocational consultant involvement and pursue settlement. Full file review scheduled for year end. May have to increase medical reserves.</p> <p>03/07: Completed a comprehensive review of the case involving the Catastrophe Management Team, Paradigm, the Orlando and New Orleans teams and concluded that the IW's current mental condition and the future prognosis warranted actuarially reserving with the resulting \$4.4 million dollar increase in reserves. In summary, at this stage it is highly unlikely that the IW will return to work in any meaningful capacity. Medically, it is anticipated that the IW will be placed in a long term residential facility that is capable of dealing with violent behavior (the projected annual medical rate is \$137,390). The IW has a history of prior conditions, but under the Longshore Act, if a work injury combines with pre-existing conditions but under disability or injury, the medical becomes the responsibility of the insurer (employer) for as long as the work related condition remains. Paradigm continues to pursue the goal of achieving Level IV and efforts to reduce the lifetime expenses will be aggressively pursued.</p>
TRAVELERS 6018	2004	2004	385,552	2,432,025	2,817,577	<p>Subplan D - Roofer. 42 yr. old IW fell through a skylight fracturing his spine resulting in fusion surgery. 03/05: IW is in rehab with some paralysis in the right leg; future surgery may be required to remove some bone fragments. Reserves will be reviewed when medical issues are resolved. 06/05: Paradigm contract purchased. Ind reserves under review. 09/05: IW has returned to MI for family care. Will adjust reserves in January upon receipt of revised medical evaluation; anticipate PTD. 12/05: Deposing Insured & IW to establish correct AWW. Will complete exposure analysis upon resolution of AWW & attempt settlement. Reserves will be increased. 03/06: Settlement authority granted. Our insured not cooperating. If cannot settle, will declare PTD and provide our insured with an attorney to resolve the AWW issue. 06/06: AWW resolved in our favor; attempting to set a private mediation. 09/06: Mediation scheduled for 12/15/06.</p> <p>03/07: IW was accepted PTD. Defense Attorney is in the process of scheduling a conference with all doctors to determine what expected future medical needs and costs will be. We have already reduced attendant care provided by the wife from 12 hours to 4 hours per day. Will continue to monitor file.</p> <p>05/07: No change</p>
TRAVELERS 9252	2003	2003	196,999	435,760	632,759	<p>Subplan D. 41 yr old IW fell 12' off upper roof to lower roof injuring both knees. IW has a learning disability and psych problems. IW declared PTD and knee surgeries recently completed with future replacements contemplated in the settlement authority granted. 03/06: Will pursue settlement when recovery from surgeries is complete. 06/06: Awaiting completion of psych evaluation before pursuing settlement. Reserves adequate. 09/06: No interest in settlement. Will obtain SSDI reduction. 03/07: No change in reserves at this time under the PTD claim. 05/07: IW was awarded SSDI and will determine SSDI offset on this file</p>

OPEN LOSSES EXCEEDING \$400,000 AS OF 05/31/2007 - DETAIL

Claim ID	Policy Year	Accident Year	Total Paid	Total Reserve	Total Incurred	Accident Description & Current Status
TRAVELERS 6633	2005	2006	99,190	328,425	427,615	<p>Tier 3. 64 yr old IW was at a customer site when a forklift backed into him rolling over his right foot resulting in multiple compound fractures to ankle, foot and leg. Given age and nature of the injuries, IW declared PTD. 03/06: IW at home and is stable but will require future surgeries. Reserves adequate. 06/06: Medicals are active and progress is slow. Reserves adequate. 09/06: Surgery scheduled for 11/12/06, which may delay 11/20/06 mediation. There is a desire by IW to settle. 03/07: Mediation was initially scheduled for 2/12/07, but has been postponed to 4/24/07, as IW had hardware removal surgery.</p> <p>05/07: Entered into settlement for \$150,000 inclusive with open lien. IW settled third party claim for \$1.2 million. IW should clear approximately \$650K, so we have directed the subrogation unit to resolve the lien at this time. We will continue to pay TTD benefits and medical needs until we receive the signed settlement order. We have also agreed should CMS not accept the recommended MSA amount, we will pay up to an additional \$5,000 should CMS require additional set aside.</p>
TRAVELERS 9319	2005	2006	350,154	40,994	391,148	<p>Tier 2. 49 yr old IW fell three floors down an elevator shaft fracturing his jaw, breaking his right leg in three places and injuring his knee and back. This was late reported by a reporter. IW worked for a sub-contractor who was insured by a PEO but the IW was not listed as he was "hired" that morning and was being shown the job site when injured. There are many coverage issues & SIU is heavily involved. The Division of Fraud is investigating the Sub-contractor and the PEO's carrier has been declared insolvent. 03/06: Reserves are adequate at this time. 06/06: Settlement authority has been granted and negotiations are underway. 09/06: Settled for \$145,000 Inclusive, including a confidentiality agreement. Action against PEO carrier will continue. Reserves will be adjusted accordingly. 03/07: Continue to pursue subrogation against the subcontractor who hired the claimant - hearing in this matter is scheduled for April 20, 2007.</p> <p>05/07: JCC ruled against us but will appeal that decision due to the JCC's failure to properly address promissory estoppel- the estoppel argument was essentially our entire case and the judge never really addressed it. Instead the JCC focused attention on whether the claimant was ever an actual employee of LF. Whether the claimant was or wasn't with LF was not the point. The point was that LF and their carrier provided a COI to our insured which was relied upon. If it is determined that the short paragraph that the JCC dedicated to addressing the estoppel argument was sufficient, then the JCC misapplied the doctrine in making the decision. We will also make an argument that the JCC lacked competent substantial evidence to rule against the promissory estoppel doctrine. Finally, we will argue that the JCC lacked competent substantial evidence to rule that the claimant was an employee of LC. While it shouldn't matter whether the claimant was an actual employee of LF, we believe it will be important to show that the claimant was in the very least employed by SC.</p>
TRAVELERS 5900	2004	2004	502,322	2,492	504,814	<p>Tier 3. 58 yr. old IW, first day on the job, was standing on the ground when struck on the head by a piece of stone falling from the 17th floor causing spinal cord compression and closed head trauma. 03/05: Making considerable progress and mental and physical rehab is continuing. SIU and Subrogation actively investigating. Reserves adequate at this time. 06/05: Investigation continue; reserves adequate. 09/05: Private mediation set and authority granted. Optimistic in pursuit of subrogation. 12/05: Another mediation set as accepted by SSDI; if can't settle will declare PTD. 03/06: SETTLED for \$253,750 Inclusive via a temporary life annuity (16 years). 06/06: Awaiting paperwork. 09/06: Still awaiting paperwork. 03/07: Claim previously settled, but remains open for subrogation recovery.</p> <p>05/07: Do not anticipate subrogation case to be resolved for at least a year when appellat court decides the constitutional issues involved. We continue to monitor.</p>
TRAVELERS 1175	2006	2006	197,743	225,427	420,171	<p>Tier 3. Not represented. Date reported 10/09/06. Amusement industry. IW is 79 years old. IW was driving up to PA and was involved in a multi vehicle accident, suffering a broken neck. Does not appear to have spinal cord or brain injury and is recovering from the cervical spine surgery. IW will be transferred to rehab center. 09/06: On-site nurse monitoring treatment. Reserves have been established and will pick up as PTD, given the IW age and injuries. \$171,000 in hospital bills are being reviewed. 03/07: IW has returned to work as of 1/15/07 within his restriction of no lifting over 10 lbs.</p> <p>05/07: Reduced reserves in all categories of \$170,000, as IW is back to work, discharged from medical care and placed a MMI with 6% impairment rating.</p>

OPEN LOSSES EXCEEDING \$400,000 AS OF 05/31/2007 - DETAIL

Claim ID	Policy Year	Accident Year	Total Paid	Total Reserve	Total Incurred	Accident Description & Current Status
TRAVELERS 8410	2004	2004	433,488	73,174	506,663	<p>Tier 3, bound on 08/06/04. Late reported. 52 year old IW was taking pictures for insured on a wet second story when he slipped and fell, fracturing ankle, damaged, cut his knee, and dislocated his right shoulder. IW underwent emergency surgery and was sent home to receive family attendant care. IW was readmitted for additional surgery due to infection in right leg. 09/06: Reserves increased to reflect current and future medicals. IW is motivated to return to work. 03/07: IW continues out of work, pursuant to Doctor. We continue to follow all medical issues and needs.</p> <p>5/07: IW is doing well. He has been released to light duty work, but employer has no work available at this time. We continue to pay TPD under the file at this time.</p>
TRAVELERS 6231	2004	2004	49,259	423,090	472,350	<p>Subplan D. Late Reported (01/16/06). 19 year old IW at time of accident. IW fell 12' to 14' on to concrete floor fracturing skull causing severe brain injury. Claim was initially denied. IW was employed by subcontractor insured with a PEO. However, PEO claims IW was not on policy at time of injury. Our insured is statutory employer, therefore, picked up claim. 09/06: We are currently evaluating the care required while aggressively pursuing recovery from PEO based on estoppel defense that it was the PEO's practice to accept employees mid week for the entire weekly reporting period with the exception being if a claim occurs. Currently, IW is in a continuing care facility undergoing treatment and rehab with future surgeries anticipated. Reserves will be reevaluated and a complete resolution plan, including litigation strategy, will be established upon completion of the case/exposure evaluation.</p> <p>03/07: No change in incurreds at this time. We are the carrier for the GC and had paid some benefits that the subcontractor's carrier had not agreed to pay. In the past two weeks, the subcontractor's carrier started paying medical and indemnity benefits and would like the JUA to contribute to a settlement at mediation which is scheduled for this May. We continue with discovery to reduce our exposure, but will keep current estimates which are based on settlement value.</p> <p>05/07: Attended mediation, which was an impasse. It is possible that the final hearing in the comp. case is set. If it is set for trial, we intend to file a third party complaint against Labor Contractor in circuit court. If the LC continues to pay benefits in this case and resets mediation, then we will keep third party case as a deterrent from them to seek contribution from us in the future.</p>
TRAVELERS 2532	2003	2003	159,391	458,731	618,123	<p>Subplan D. Late Reported (05/08/06). 45 year old IW fell 28' from a scaffold causing several bond fractures. There are also kidney problems but they appear to be personal in nature. There is potential having to provide attendant care for the past three years as well as in the future. IW is at MMI with a 15% IR. 04/06: IW has been accepted PTD. We continue to pay PTD and supps based on 3% for this date of loss. Benefits are due and owing until age 75, medical of course would be for lifetime should we not reach settlement. We do expect SSDI offset.</p> <p>05/07: Reserves are properly set based on lifetime of claim. Mediation scheduled for 8/31/07.</p>
TRAVELERS 5926	2006	2007	137,785	280,117	417,901	<p>Tier 2. Death Claim. 39 year old IW at time of accident. IW was on a 6 story building when he fell 6 stories onto a roof of an adjacent building. IW sustained significant facial, head and spinal injuries and passed away on 1/17/07. IW has two 2 children. 05/07: Mediation scheduled for 5/23/07, but we do not expect to settle at that time. Continue to pay fatality benefits. Actively pursuing uninsured subcontractor for reimbursement, as he intentionally allowed workers compensation coverage to cancel for non-payment of premium.</p>

* These claims are on minimum premium policies. ** USF&G Claims are now being handled by The Hartford.

Note: All claims are now being handled by the Travelers

Total Active: 20 \$26,636,912

FWCJUA Collections Report
RSI Performance Report
 July 27, 1998 to April 30, 2007

Category - (First Placements)	RSI - Total		RSI - Actual		RSI - 3X	
	Number	\$ Amount	Number	\$ Amount	Number	\$ Amount
Accounts Submitted for Collection	2,407	100,252,360	1,065	53,552,783	1,342	46,699,577
Adjustments & Revisions	578	33,854,204	105	11,207,285	473	22,646,919
Principal after Adjustments	1,829	66,398,156	960	42,345,498	869	24,052,658
Principal Recovered		11,252,215		9,081,983		2,170,232
Collection Fees Recovered		404,662		346,861		57,801
Total Recovery		11,656,877		9,428,843		2,228,034
Collection Fees		1,110,437		915,008		195,429
Average Balance Submitted (after adj.)		36,303		44,110		27,679
Paid in Full	563	5,340,066	419	4,315,846	144	1,024,219
Settled in Full	194	3,973,883	168	3,479,362	26	494,521
Collected / Settled	757	9,313,949	587	7,795,208	170	1,518,740
Legal in Progress	56	14,972,126	36	12,957,850	20	2,014,276
Active (still in collection process)	334	8,309,014	129	3,382,843	205	4,926,171
Work in Progress	390	23,281,140	165	16,340,693	225	6,940,447
Judgment Awarded	34	6,991,937	22	5,995,063	12	996,874
On Hold	83	6,191,583	34	3,506,837	49	2,684,745
Potentially Collectible	117	13,183,520	56	9,501,900	61	3,681,619
Uncollectible / Write-Offs	565	16,557,442	152	5,755,889	413	10,801,553
Withdrawn / Revised to Zero	578	11,815,335	105	3,696,704	473	8,118,632
Principal Recovered but returned		125,722		64,624		61,098
Summary Statistics - On Submitted						
% of Accounts Collected / Settled		31.4%		55.1%		12.7%
% of Accounts Withdrawn / Revised to Zero		24.0%		9.9%		35.2%
% of Accounts Uncollectible / Written-Off		23.5%		14.3%		30.8%
% of Accounts Potentially Collectible / In Progress		21.1%		20.8%		21.3%
% of Premium Collected / Settled		9.3%		14.6%		3.3%
% of Premium Withdrawn / Revised to Zero		11.8%		6.9%		17.4%
% of Premium Uncollectible / Written-Off		16.5%		10.7%		23.1%
% of Premium Potentially Collectible / In Progress		36.4%		48.3%		22.7%
% of Premium Adjusted		26.0%		19.5%		33.5%
Summary Statistics - On Principal after Adjustments						
Total Recovery % (Premium \$ Collected)		17.6%		22.3%		9.3%
Total Recovery % (Accounts Collected)		41.4%		61.1%		19.6%
Premium Recovery %		16.9%		21.4%		9.0%
RSI Fees Recovery %		36.4%		37.9%		29.6%
FWCJUA Average Collection Expense %		6.3%		6.3%		6.3%

FWCJUA Collections Report
RSI Recovery Analysis
by size type of account (*1st placements*)
July 27, 1998 to April 30, 2007

Report on Operations - 4

	# of Accounts	% of Total	Principal after Adjustments	% of Total	Principal Recovered	% Recovery of category	% Recovery of Total
\$100,000 & Over	124	6.8%	42,495,560	64.0%	2,052,555	4.8%	18.4%
3X	61	3.3%	13,504,276	20.3%	885,757	6.6%	8.0%
Actual	63	3.4%	28,991,284	43.7%	1,166,799	4.0%	10.5%
\$50,000 - \$99,999	113	6.2%	7,909,142	11.9%	2,650,771	33.5%	23.8%
3X	43	2.4%	2,896,156	4.4%	147,478	5.1%	1.3%
Actual	70	3.8%	5,012,986	7.5%	2,503,293	49.9%	22.5%
\$15,000 - \$49,999	379	20.7%	10,038,082	15.1%	3,580,237	35.7%	32.2%
3X	182	10.0%	4,655,464	7.0%	403,158	8.7%	3.6%
Actual	197	10.8%	5,382,619	8.1%	3,177,079	59.0%	28.6%
\$0 - \$14,999	1,213	66.3%	5,955,372	9.0%	2,842,929	47.7%	25.6%
3X	583	31.9%	2,996,762	4.5%	672,742	22.4%	6.0%
Actual	630	34.4%	2,958,610	4.5%	2,170,187	73.4%	19.5%
Grand Total	1,829	100.0%	66,398,156	100.0%	11,126,493	16.8%	100.0%
3X	869	47.5%	24,052,658	36.2%	2,109,134	8.8%	19.0%
Actual	960	52.5%	42,345,498	63.8%	9,017,358	21.3%	81.0%

22,950 policies were issued from August 1, 1998 - April 30, 2007 - therefore 7.9% of the policies issued have actually ended up in collections. Of the 1,829 policies in collections, 757 have paid or been settled in full. So 4.7% of policies issued are generating the uncollectible premium situation for the FWCJUA.

Of the 124 accounts over \$100K - only 6 accounts are over \$1M for a total of \$14.1M of the \$42M uncollectible. (.3% of all uncollectible accounts are generating 21% of the total uncollectible premium.) 31 of the 124 accounts totaling \$8.6M are either bankrupt, corporation dissolved or out of business and therefore collection efforts are not possible. 14 of the 124 accounts have been paid or settled in full.

FWCJUA Collections Report
 2007 Collections Activity compared to 2006
 January 1, 1994 to April 30, 2007
 (1st and 2nd Placements)

Report on Operations - 4

1st 4 months of 2007 Activity	As of 4/30/2007	As of 12/30/2006	Difference	% Difference
Accounts Submitted for Collection - #	5,279	5,183	96	1.85%
Accounts Submitted for Collection - \$	\$130,961,158	\$125,957,372	\$5,003,786	3.97%
Total Gross Recovery (includes fees recovered)	\$19,484,173	\$18,775,098	\$709,075	3.78%
Collection Fees	\$2,088,021	\$2,028,455	\$59,567	2.94%
Total Net Recovery (less fees)	\$17,396,152	\$16,746,644	\$649,508	3.88%
Recovery % - (Gross)	14.88%	14.91%		-0.03%
Recovery % - (Net)	13.28%	13.30%		-0.01%

1st 4 months of 2006 Activity	As of 4/30/2006	As of 12/31/2005	Difference	% Difference
Accounts Submitted for Collection - #	4,936	4,774	162	3.39%
Accounts Submitted for Collection - \$	\$115,171,945	\$111,323,901	\$3,848,044	3.46%
Total Gross Recovery (includes fees recovered)	\$17,185,976	\$15,926,518	\$1,259,457	7.91%
Collection Fees	\$1,880,692	\$1,756,586	\$124,106	7.07%
Total Net Recovery (less fees)	\$15,305,284	\$14,169,933	\$1,135,351	8.01%
Recovery % - (Gross)	14.92%	14.31%		0.62%
Recovery % - (Net)	13.29%	12.73%		0.56%

	Final Balances 3/31/2007	Final Balances 3/31/2006	12 - month Dollar Change	Percent Change	Final Balances 12/31/2006	Year to Date Dollar Change	Percent Change	Comments
Balance Sheet								
<i>Assets:</i>								
Bonds	59,526,701	61,051,037	(1,524,336)	-2.5%	69,552,329	(10,025,628)	-14.4%	Result of operations
Cash	36,225,720	34,621,355	1,604,365	4.6%	32,730,725	3,494,995	10.7%	Result of operations
Short-term investments	4,270,306	2,409,774	1,860,532	77.2%	5,825,425	(1,555,119)	-26.7%	Result of operations
Cash and invested assets	100,022,727	98,082,166	1,940,561	2.0%	108,108,479	(8,085,752)	-7.5%	Result of operations
Premiums receivable	10,817,331	15,508,435	(4,691,104)	-30.2%	11,751,864	(934,533)	-8.0%	Due to decline in premium writings
Premiums deferred	4,975,733	8,434,218	(3,458,485)	-41.0%	4,608,268	367,465	8.0%	Due to decline in premium writings
Premiums EBUB	505,944	1,619,099	(1,113,155)	-68.8%	1,190,846	(684,902)	-57.5%	SAP codification requirement in 2001
Misc. Receivable	243,066	1,970,173	(1,727,107)	-87.7%	1,296,754	(1,053,688)	-81.3%	Servicing Carrier Receivable
EDP Equipment	68,528	87,622	(19,094)	-21.8%	61,283	7,245	11.8%	New Equipment & Depreciation
Interest income accrued	665,731	798,156	(132,425)	-16.6%	829,060	(163,329)	-19.7%	Investment Income
Reinsurance Recovery Receivable	74,608	35,101	39,507	112.6%	848,534	(773,926)	-91.2%	Have recovered \$884,259 YTD
Deferred Tax Asset	2,950,100	5,433,979	(2,483,879)	0.0%	3,261,516	(311,416)	-9.5%	SAP codification requirement in 2001
Excess Deposits from Reinsurers	337,281	-	337,281	0.0%	-	337,281	0.0%	When Rate < Deposit Premium
Total Assets	\$120,661,049	\$131,968,949	\$(11,307,900)	-8.6%	\$131,956,604	\$(11,295,555)	-8.6%	
<i>Liabilities:</i>								
Loss and ALAE reserves	41,935,893	81,580,268	(39,644,375)	-48.6%	41,952,067	(16,174)	0.0%	2007 Activity
Retroactive Reinsurance	(5,336,773)	(8,484,398)	3,147,625	-37.1%	(5,376,511)	39,738	-0.7%	Losses transferred under LPT
ULAE reserves	2,740,011	5,720,727	(2,980,716)	-52.1%	2,700,000	40,011	1.5%	Statutory ULAE required
Servicing carrier fees payable	2,324,402	4,552,702	(2,228,300)	-48.9%	2,501,970	(177,568)	-7.1%	Due to decline in premium writings
Commissions payable	580,551	1,495,952	(915,401)	-61.2%	990,372	(409,821)	-41.4%	Due to decline premium writings
Other accrued expenses	6,277,955	4,486,791	1,791,164	39.9%	4,542,463	1,735,492	38.2%	Servicing Carrier & Other Expenses
Unearned premiums	16,774,763	27,451,540	(10,676,777)	-38.9%	17,611,448	(836,685)	-4.8%	Due to decline in premium writings
Reins. premiums payable	0	206,065	(206,065)	0.0%	1,569,351	(1,569,351)	0.0%	Additional reinsurance premium due
Federal income taxes	156,097	0	156,097	0.0%	10,465,096	(10,308,999)	0.0%	Federal income tax due
Deposit premiums	4,911,642	6,408,526	(1,496,884)	-23.4%	5,337,830	(426,188)	-8.0%	Deposit requirements effective 1/1/97
Advance premiums	215,019	767,771	(552,752)	-72.0%	551,466	(336,447)	-61.0%	SAP codification requirement in 2001
State authorization payable	34,320	90,540	(56,220)	-62.1%	86,760	(52,440)	-60.4%	Active agent authorizations
Provision for Reinsurance	-	-	-	N/A	230,000	(230,000)	N/A	Reinsurance Recovery > LOC
Unearned producer fees	22,880	-	22,880	0.0%	200	22,680	0.0%	New agency 2 year authorizations
Total liabilities	\$ 70,636,760	\$124,276,484	\$(53,639,724)	-43.2%	\$ 83,162,512	\$(12,525,752)	-15.1%	
<i>Surplus / (Deficit):</i>								
Unassigned surplus / (deficit)	43,929,581	1,597,756	42,331,825	2649.5%	42,699,383	1,230,198	2.9%	
Assigned/Special surplus	6,094,708	6,094,708	-	0.0%	6,094,708	-	0.0%	Restricted surplus from LPT
Total Surplus / (Deficit)	50,024,289	7,692,464	42,331,825	550.3%	48,794,091	1,230,198	2.5%	
Total liabilities and surplus	\$120,661,049	\$131,968,948	\$(11,307,899)	-8.6%	\$131,956,604	\$(11,295,555)	-8.6%	

	<u>Final Balances 3/31/2007</u>	<u>Final Balances 3/31/2006</u>	12 - month		<u>Final Balances 12/31/2006</u>	Year to Date		<u>Comments</u>
			Dollar <u>Change</u>	Percent <u>Change</u>		Dollar <u>Change</u>	Percent <u>Change</u>	
<u>Income Statement</u>								
Premiums written - direct	7,274,991	14,392,484	(7,117,493)	-49.5%	42,070,305	(34,795,314)	-82.7%	2007 Activity
Premiums written - EBUB	(761,002)	463,203	(1,224,205)	100.0%	(12,632)	(748,370)	100.0%	SAP codification requirement in 2001
Premiums written - ceded	(1,145,170)	(2,272,315)	1,127,145	-49.6%	(8,049,351)	6,904,181	-85.8%	Due to decline in premium writings
Change in unearned	836,685	263,254	573,431	217.8%	10,103,347	(9,266,662)	-91.7%	Due to decline in premium writings
<i>Premiums earned</i>	6,205,504	12,846,626	(6,641,122)	-51.7%	44,111,669	(37,906,165)	-85.9%	
Losses paid - direct	2,069,025	2,159,047	(90,022)	-4.2%	9,221,265	(7,152,240)	-77.6%	2007 Activity
Change in reserves - direct	1,480,374	7,633,289	(6,152,915)	-80.6%	(41,950,548)	43,430,922	-103.5%	2007 Activity
<i>Losses incurred - direct</i>	3,549,399	9,792,336	(6,242,937)	-63.8%	(32,729,283)	36,278,682	-110.8%	
Losses paid - ceded	(110,333)	(51,235)	(59,098)	115.3%	(1,024,955)	914,622	-89.2%	2007 Activity
Change in reserves - ceded	(1,496,548)	(1,334,265)	(162,283)	12.2%	8,621,371	(10,117,919)	-117.4%	2007 Activity
<i>Losses incurred - ceded</i>	(1,606,881)	(1,385,500)	(221,381)	16.0%	7,596,416	(9,203,297)	-121.2%	
<i>Net losses incurred</i>	1,942,518	8,406,836	(6,464,318)	-76.9%	(25,132,867)	27,075,385	-107.7%	
Loss expenses incurred	923,882	1,571,470	(647,588)	-41.2%	2,123,820	(1,199,938)	-56.5%	
Other underwriting expenses	1,327,653	6,906,172	(5,578,519)	-80.8%	14,783,635	(13,455,982)	-91.0%	Decrease in bad debt write-offs
<i>Total underwriting expenses</i>	4,194,053	16,884,478	(12,690,425)	-75.2%	(8,225,412)	12,419,465	-151.0%	
Net underwriting gain (loss)	\$ 2,011,451	\$ (4,037,852)	\$ 6,049,303	-149.8%	\$ 52,337,081	\$(50,325,630)	-96.2%	
Net investment income	1,185,301	986,982	198,319	20.1%	4,396,421	(3,211,120)	-73.0%	Rise in interest rates
Net realized gains (losses)	(40,152)	(9,553)	(30,599)	320.3%	(11,012)	(29,140)	264.6%	Gain/(loss) on bonds sold to pay taxes
<i>Net investment gain (loss)</i>	1,145,149	977,429	167,720	17.2%	4,385,409	(3,240,260)	-73.9%	
Other income	(2,408,967)	517,786	(2,926,753)	-565.2%	532,626	(2,941,593)	-552.3%	DOL funding for Subplan D, Reinsurance Profit Share & Producer Authorizations
Loss from Reinsurance (LPT)	-	-	-	0.0%	(3,130,000)	3,130,000	-100.0%	Decrease in LPT reserves (94 - 99)
<i>Income before tax</i>	747,632	(2,542,637)	3,290,269	-129.4%	54,125,115	(53,377,483)	-98.6%	
Federal income taxes	156,097	-	156,097	0.0%	16,590,096	(16,433,999)	-99.1%	
Net income	\$ 591,536	\$ (2,542,637)	\$ 3,134,173	-123.3%	\$ 37,535,019	\$(36,943,484)	-98.4%	
<u>Gains (losses) in surplus:</u>								
Net income	591,536	(2,542,637)	3,134,173	-123.3%	37,535,019	(36,943,483)	-98.4%	2007 Activity
Change in n/a assets	(711,991)	2,428,602	(3,140,593)	-129.3%	7,282,358	(7,994,349)	-109.8%	90 days P/R & reinsurance provision
Deferred Tax Asset/Liability	1,350,653	(665,900)	2,016,553	-302.8%	(4,495,684)	5,846,337	-130.0%	SAP codification requirement in 2001
<i>Change in deficit</i>	1,230,198	(779,935)	2,010,133	-257.7%	40,321,693	(39,091,495)	-96.9%	
Beginning surplus/(deficit)	48,794,091	8,472,397	40,321,694	475.9%	8,472,397	40,321,694	475.9%	
Ending surplus/(deficit)	\$ 50,024,289	\$ 7,692,462	\$ 42,331,827	550.3%	\$ 48,794,090	\$ 1,230,199	2.5%	

<u>Final</u> <u>Balances</u> <u>3/31/2007</u>	<u>Final</u> <u>Balances</u> <u>3/31/2006</u>	12 - month		<u>Final</u> <u>Balances</u> <u>12/31/2006</u>	Year to Date		<u>Comments</u>
		Dollar <u>Change</u>	Percent <u>Change</u>		Dollar <u>Change</u>	Percent <u>Change</u>	

**** EBUB Update:**

As of March 31, 2007 - the calculated EBUB is \$562,160 which is 6.93% of earned premium.
 After deducting for commissions, SCFs, reinsurance premiums and taxes & assessments - the net income effect would be \$350,612.

Since the FWCJUA booked the cumulative effect of EBUB in the 2001 financial statements, only the change each quarter is booked on the financial statements. Therefore on the 2007 Quarterly Financials, the following changes were booked: an earned premium of \$(761,002); an decrease in expenses of \$(268,157); for a net income effect of \$(492,845).

Florida Workers' Compensation Joint Underwriting Association, Inc.
Budget Variance
For January 1, 2007 - December 31, 2007

	Actual \$	Budget \$	Variance	% of Budget	(% of earned premium)		
					Actual %	Budget %	Variance
REVENUE:							
PY 2007 Written Premium	7,908,181	11,317,500	(3,409,319)	70%			
EBUB Written Premium	(761,002)	0	(761,002)	N/A			
Prior PY Written Premium	(550,532)	750,000	(1,300,532)	-73%			
PY 2007 Earned Premium	8,662,208	8,488,125	174,083	102%			
EBUB Earned Premium	(761,002)	0	(761,002)	N/A			
Prior PY Earned Premium	(550,532)	750,000	(1,300,532)	-73%			
Reinsurance Premium	<u>1,145,170</u>	<u>1,304,239</u>	<u>(159,069)</u>	<u>88%</u>			
Net Earned Premium	6,205,504	7,933,887	(1,728,382)	78%			
Interest Income	1,145,149	856,250	288,899	134%			
Producers Authorization	96,270	12,500	83,770	770%			
Other Income	26,763	15,000	11,763	178%			
DOL Funding	(2,532,000)	0	(2,532,000)	N/A			
Gain/(Loss) from Reinsurance	<u>0</u>	<u>0</u>	<u>0</u>	N/A			
TOTAL REVENUE	4,941,687	8,817,637	(3,875,950)	56%			
OPERATING EXPENSES:							
Losses and LAE Incurred	4,009,834	4,441,675	(431,841)	90%	49.43%	48.08%	1.35%
Reinsurance Recoveries	<u>(1,606,881)</u>	<u>(782,543)</u>	<u>(824,338)</u>	<u>205%</u>	<u>-19.81%</u>	<u>-8.47%</u>	<u>-11.34%</u>
Net Losses and LAE Incurred	2,402,953	3,659,132	(1,256,179)	66%	29.62%	39.61%	-9.99%
Servicing Carrier Fees	1,158,616	1,876,552	(717,936)	62%	14.28%	20.31%	-6.03%
Commissions & Producers Fees	(209,187)	227,029	(436,216)	-92%	-2.58%	2.46%	-5.04%
EBUB Expenses	(275,512)	0	(275,512)	N/A	-3.40%	0.00%	-3.40%
NCCI Admin. Fees	32,291	25,000	7,291	129%	0.40%	0.27%	0.13%
Bad Debt Write-Off / Recoveries	381,220	2,447,625	(2,066,405)	16%	4.70%	26.49%	-21.80%
Collection Expense	34,454	63,661	(29,207)	54%	0.42%	0.69%	-0.26%
Taxes & Assessments	<u>1,016</u>	<u>11,318</u>	<u>(10,302)</u>	9%	0.01%	0.12%	-0.11%
TOTAL OPERATING EXPENSES	3,525,851	8,310,316	(4,784,465)	42%	43.47%	89.96%	-46.49%
GENERAL & ADMINISTRATIVE EXPENSES:							
<i>Professional Services</i>							
Actuarial Service	18,538	19,250	(713)	96%	0.23%	0.21%	0.02%
Auditing/Taxes Finance	17,750	26,000	(8,250)	68%	0.22%	0.28%	-0.06%
Audit Fee Recovery - Travelers	0	(5,250)	5,250	0%	0.00%	-0.06%	0.06%
Consulting - Systems/Financial	9,703	21,800	(12,097)	45%	0.12%	0.24%	-0.12%
Legal	6,949	21,250	(14,301)	33%	0.09%	0.23%	-0.14%
Security & Other Services	3,845	4,975	(1,130)	77%	0.05%	0.05%	-0.01%
Temporary Employees	<u>0</u>	<u>2,500</u>	<u>(2,500)</u>	<u>0%</u>	<u>0.00%</u>	<u>0.03%</u>	<u>-0.03%</u>
Total Professional Services	56,785	90,525	(33,740)	63%	0.70%	0.98%	-0.28%

Florida Workers' Compensation Joint Underwriting Association, Inc.
Budget Variance
For January 1, 2007 - December 31, 2007

	Actual \$	Budget \$	Variance	% of Budget	(% of earned premium)		
					Actual %	Budget %	Variance
<i>General</i>							
Rent	39,226	39,519	(293)	99%	0.48%	0.43%	0.06%
Bank Charges	2,932	250	2,682	1173%	0.04%	0.00%	0.03%
Telecommunications	9,474	12,265	(2,791)	77%	0.12%	0.13%	-0.02%
Insurance	50,141	48,492	1,649	103%	0.62%	0.52%	0.09%
Licenses & Fees	0	375	(375)	0%	0.00%	0.00%	0.00%
Office Equipment & Supplies	21,018	24,281	(3,264)	87%	0.26%	0.26%	0.00%
Disaster Recovery Plan Maintenance	2,237	2,856					
Utilities	3,040	4,500	(1,460)	68%	0.04%	0.05%	-0.01%
Postage & Printing	5,082	7,680	(2,598)	66%	0.06%	0.08%	-0.02%
Depreciation / Amortization	42,136	46,125	(3,989)	91%	0.52%	0.50%	0.02%
Total General	175,285	186,343	(11,057)	94%	2.13%	1.99%	0.15%
<i>Personnel</i>							
Compensation	251,734	305,026	(53,292)	83%	3.10%	3.30%	-0.20%
Benefits	48,662	58,978	(10,316)	83%	0.60%	0.64%	-0.04%
Payroll Tax	20,285	22,526	(2,241)	90%	0.25%	0.24%	0.01%
Training/Education/Recruitment	1,486	9,250	(7,764)	16%	0.02%	0.10%	-0.08%
Total Personnel	322,167	395,780	(73,613)	81%	3.97%	4.28%	-0.31%
<i>Travel & Entertainment</i>							
Travel - Employee	645	7,500	(6,855)	9%	0.01%	0.08%	-0.07%
Travel - Board/Committee Meeting	820	5,000	(4,180)	16%	0.01%	0.05%	-0.04%
Total Travel & Entertainment	1,465	12,500	(11,035)	12%	0.02%	0.14%	-0.12%
Total General & Administrative Expenses	555,702	685,147	(129,445)	81%	6.85%	7.42%	-0.57%
SPECIAL PROJECTS EXPENSES							
Litigation	0	10,000	(10,000)	0%	0.00%	0.11%	-0.11%
Legal - Legislative Matters	112,500	175,000	(62,500)	64%	1.39%	1.89%	-0.51%
Legal - Special Projects	0	70,000	(70,000)	0%	0.00%	0.76%	-0.76%
Second Rate Filing	0	15,000	(15,000)	0%	0.00%	0.16%	-0.16%
Market Assistance Plan	0	10,000	(10,000)	0%	0.00%	0.11%	-0.11%
Disaster Recovery Analysis	0	TBD	0	N/A	0.00%	0.00%	0.00%
Disaster Recovery Deployment	0	TBD	0	N/A	0.00%	0.00%	0.00%
Operations Manual Redesign	0	TBD	0	N/A	0.00%	0.00%	0.00%
Total Special Projects Expenses	112,500	280,000	(167,500)	40%	1.39%	3.03%	-1.64%
Total G&A and Special Project Expenses	668,202	965,147	(296,945)	69%	8.24%	10.45%	-2.21%
GRAND TOTAL OF EXPENSES	4,194,053	9,275,464	(5,081,410)	45%	51.70%	100.40%	-48.70%
Federal Income Tax	156,097	0	156,097	100%			
GAIN / (LOSS) BEFORE ASSESSMENT	<u>591,536</u>	<u>(457,827)</u>	<u>1,049,363</u>	<u>-129%</u>			
<i>less fixed assets</i>	<i>0</i>						
GAIN / (LOSS) BEFORE ASSESSMENT	<u>591,536</u>						

Florida Workers' Compensation Joint Underwriting Association, Inc.
Proposed Capital Expenditures
For Year Ending December 31, 2007

	Budget	Actual	Variance
Hardware			
Printers	7,000	0	(7,000)
Servers Replacements - 2	22,000	13,532	(8,468)
ThinClient Replacements - 5	4,000	3,487	(513)
Monitor	450	521	71
Citrix Access Gateway	3,000	2,898	(102)
Software			
SQL Server 2005	12,500	8,303	(4,197)
Development Tools	2,000	0	(2,000)
Phone System Call Accounting Software	1,600	0	(1,600)
Remote Sync Software for Offsite Server	3,850	0	(3,850)
Visio 2007	1,500	876	(624)
Adobe Creative Suite	2,600	0	(2,600)
Property, Plant & Equipment			
Conference Room Speaker Phone	3,000	1,785	(1,215)
Projector & Sound System	10,000	0	(10,000)
Total	73,500	31,402	(42,098)

24,500

annual depreciation / amortization *

FWCJUA - Effective PRIOR to 7/26/2003

Cash Flow Analysis

	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07	Total 2007
Cash Inflows													
Premiums Collected/Deposits	12,840	0	31,616	28,652									73,108
Net Collections Activity	(2,679)	33,398	5,523	41,868									78,110
Producer Authorizations	9,500	2,218	55,284	29,481									96,483
Interest Income	84,598	21,202	42,833	33,559									182,192
Reinsurance Recoveries	0	0	(23,701)	281									(23,420)
Miscellaneous Income	0	0	0	0									0
Total Cash Inflows	104,259	56,818	111,555	133,841	0	0	0	0	0	0	0	0	406,473
Cash Outflows													
Loss and LAE payments	820,054	0	491,098	72,117									1,383,269
Underwriting expenses	7,758	0	4,150	10,244									22,153
General & Administrative expenses	428,902	(370,795)	126,825	134,632									319,564
Taxes & Assessments	0	0	(3,406,916)	300,000									(3,106,916)
Reinsurance Premiums	0	952,915	473,470	0									1,426,385
Interest Expense	3,345	0	968	232									4,545
Investments (CP)	(941,775)	(2,091,650)	0	0									(3,033,425)
Total Cash Outflows	318,283	(1,509,530)	(2,310,405)	517,226	0	0	0	0	0	0	0	0	(2,984,425)
SunTrust Bank													
Beginning	2,159,878	1,945,854	3,512,202	5,934,161	5,550,777	5,550,777	5,550,777	5,550,777	5,550,777	5,550,777	5,550,777	5,550,777	2,159,878
Net Activity	(214,024)	1,566,348	2,421,959	(383,385)	0	0	0	0	0	0	0	0	3,390,899
SunTrust Ending	1,945,854	3,512,202	5,934,161	5,550,777	5,550,777	5,550,777	5,550,777	5,550,777	5,550,777	5,550,777	5,550,777	5,550,777	5,550,777
Cash (to) / from MMF	0	0	0	0	0	0	0	0	0	0	0	0	0
Cash (to) / from Commerical Paper	0	0	0	0	0	0	0	0	0	0	0	0	0
Ending Balance	1,945,854	3,512,202	5,934,161	5,550,777	5,550,777	5,550,777	5,550,777	5,550,777	5,550,777	5,550,777	5,550,777	5,550,777	5,550,777
SouthTrust Money Market Fund													
Beginning	1,984,023	2,910,397	6,201,014	90,913	321,211	321,211	321,211	321,211	321,211	321,211	321,211	321,211	1,984,023
Interest Income	94,293	171,001	120,254	111,903									497,451
Additions / (Withdrawals)	0	(2,000,000)	(5,000,000)	0									(7,000,000)
Sales & Matured Securities	832,081	6,594,526	924,000	810,000									9,160,607
Purchases	0	(1,474,910)	(2,154,355)	(691,605)									(4,320,870)
Ending	2,910,397	6,201,014	90,913	321,211	321,211	321,211	321,211	321,211	321,211	321,211	321,211	321,211	321,211
Total Prior JUA Funds	36,799,992	36,532,730	34,018,570	33,746,924									0
Liquidity (<1 yr. maturity)	11,233,304	14,105,312	19,087,005	20,090,182									0
Liquidity Percentage (should be 5% or >)	30.53%	38.61%	56.11%	59.53%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

**FWCJUA - SubPlan A
Cash Flow Analysis**

	Actual Jan-07	Actual Feb-07	Actual Mar-07	Actual Apr-07	Actual May-07	Actual Jun-07	Actual Jul-07	Actual Aug-07	Actual Sep-07	Actual Oct-07	Actual Nov-07	Actual Dec-07	Total 2007
Cash Inflows													
Premiums Collected/Deposits	0	0	0	0									0
Net Collections Activity	0	0	0	0									0
Interest Income	406	367	308	296									1,376
Reinsurance Recoveries	0	0	0	0									0
Miscellaneous Income	0	0	0	0									0
Total Cash Inflows	406	367	308	296	0	0	0	0	0	0	0	0	1,376
Cash Outflows													
Loss and LAE payments	0	0	0	0									0
Underwriting expenses	0	0	0	0									0
General & Administrative expenses	0	0	188	19									207
Taxes & Assessments	0	0	24,168	0									24,168
Reinsurance Premiums	0	0	0	0									0
Interest Expense	0	0	0	0									0
Total Cash Outflows	0	0	24,356	19	0	0	0	0	0	0	0	0	24,375
SunTrust Bank													
Beginning	95,089	95,494	95,861	71,813	72,090	72,090	72,090	72,090	72,090	72,090	72,090	72,090	95,089
Net Activity	406	367	(24,048)	277	0	0	0	0	0	0	0	0	(22,999)
SunTrust Ending	95,494	95,861	71,813	72,090	72,090	72,090	72,090	72,090	72,090	72,090	72,090	72,090	72,090
Deposit Liability	0	0	0	0									0
Available Cash	95,494	95,861	71,813	72,090	72,090	72,090	72,090	72,090	72,090	72,090	72,090	72,090	72,090

FWCJUA - SubPlan C

Cash Flow Analysis

	Actual Jan-07	Actual Feb-07	Actual Mar-07	Actual Apr-07	Actual May-07	Actual Jun-07	Actual Jul-07	Actual Aug-07	Actual Sep-07	Actual Oct-07	Actual Nov-07	Actual Dec-07	Total 2007
Cash Inflows													
Premiums Collected/Deposits	200	(500)	68	0									(232)
Net Collections Activity	3,062	1,549	1,388	260									6,258
Interest Income	30,037	21,345	16,438	16,319									84,140
Reinsurance Recoveries		(218)	0	0									(218)
Miscellaneous Income		0	0	0									0
Total Cash Inflows	33,299	22,176	17,894	16,579	0	0	0	0	0	0	0	0	89,948
Cash Outflows													
Loss and LAE payments	40,683	0	(164,277)	11,431									(112,163)
Underwriting expenses	1,080	0	86	0									1,166
General & Administrative expenses	0	0	255	78									333
Taxes & Assessments	0	0	106,549	100,000									206,549
Reinsurance Premiums	0	0	0	0									0
Interest Expense	172	0	252	49									473
Investments (CP)	1,493,813	(1,493,813)	0	0									0
Investments (LT)	(1,000,000)	0	0	0									(1,000,000)
Total Cash Outflows	535,748	(1,493,813)	(57,134)	111,558	0	0	0	0	0	0	0	0	(903,641)
SunTrust Bank													
Beginning	2,797,340	2,294,891	3,810,880	3,885,908	3,790,929	3,790,929	3,790,929	3,790,929	3,790,929	3,790,929	3,790,929	3,790,929	2,797,340
Net Activity	(502,449)	1,515,989	75,028	(94,979)	0	0	0	0	0	0	0	0	993,589
SunTrust Ending	2,294,891	3,810,880	3,885,908	3,790,929	3,790,929	3,790,929	3,790,929	3,790,929	3,790,929	3,790,929	3,790,929	3,790,929	3,790,929
Deposit Liability	13,590	13,590	13,590	13,590									13,590
Available Cash	2,281,301	3,797,290	3,872,318	3,777,339	3,790,929	3,790,929	3,790,929	3,790,929	3,790,929	3,790,929	3,790,929	3,790,929	3,777,339
LT Investments (> 1 yr maturity) & CP	7,824,823	6,372,256	4,374,988	4,383,949									4,374,988
Total - Cash & Invested Assets	10,106,124	10,169,546	8,247,307	8,161,288	3,790,929	3,790,929	3,790,929	3,790,929	3,790,929	3,790,929	3,790,929	3,790,929	8,152,328

**FWCJUA - SubPlan D
Cash Flow Analysis**

	Actual Jan-07	Actual Feb-07	Actual Mar-07	Actual Apr-07	Actual May-07	Actual Jun-07	Actual Jul-07	Actual Aug-07	Actual Sep-07	Actual Oct-07	Actual Nov-07	Actual Dec-07	Total 2007
Cash Inflows													
Premiums Collected/Deposits	(1,339)		96,009	(920)									93,750
Net Collections Activity	6,748	14,674	17,455	4,624									43,501
Interest Income	9,847	43,839	25,485	24,324									103,496
Reinsurance Recoveries	0	10,381	0	0									10,381
Miscellaneous Income	0	0	0	0									0
Total Cash Inflows	15,256	68,895	138,949	28,029	0	0	0	0	0	0	0	0	251,128
Cash Outflows													
Loss and LAE payments	29,866	0	234,284	83,155									347,305
Underwriting expenses	1,234	0	31,251	4									32,489
General & Administrative expenses	0	0	401	96									497
Taxes & Assessments	0	0	0	0									0
Reinsurance Premiums	0	0	0	0									0
Interest Expense	134	0	692	363									1,189
Investments (CP)	4,979,375	(4,979,375)	0	0									0
Investments (LT)	0	0	0	0									0
Total Cash Outflows	5,010,609	(4,979,375)	266,628	83,619	0	0	0	0	0	0	0	0	381,481
SunTrust Bank													
Beginning	5,793,712	798,360	5,846,629	5,718,950	5,663,360	5,663,360	5,663,360	5,663,360	5,663,360	5,663,360	5,663,360	5,663,360	5,793,712
Net Activity	(4,995,353)	5,048,270	(127,679)	(55,590)	0	0	0	0	0	0	0	0	(130,352)
SunTrust Ending	798,360	5,846,629	5,718,950	5,663,360	5,663,360	5,663,360	5,663,360	5,663,360	5,663,360	5,663,360	5,663,360	5,663,360	5,663,360
Deposit Liability	177,528	177,528	177,528	177,528									177,528
Available Cash	620,832	5,669,101	5,541,422	5,485,832	5,663,360	5,663,360	5,663,360	5,663,360	5,663,360	5,663,360	5,663,360	5,663,360	5,485,832
LT Investments (CP)	4,979,375	0	0	0									0
Total - Cash & Invested Assets	5,600,207	5,669,101	5,541,422	5,485,832	5,663,360	5,663,360	5,663,360	5,663,360	5,663,360	5,663,360	5,663,360	5,663,360	5,485,832

**FWCJUA - Tier 1
Cash Flow Analysis**

	Actual Jan-07	Actual Feb-07	Actual Mar-07	Actual Apr-07	Actual May-07	Actual Jun-07	Actual Jul-07	Actual Aug-07	Actual Sep-07	Actual Oct-07	Actual Nov-07	Actual Dec-07	Total 2007
Cash Inflows													
Premiums Collected/Deposits	778,498	670,425	815,757	502,001									2,766,681
Net Collections Activity	0	11,351	8,937	(969)									19,319
Interest Income	23,399	42,416	19,613	15,100									100,529
Reinsurance Recoveries	0	206,847	0	0									206,847
Miscellaneous Income	0	0	0	0									0
Total Cash Inflows	801,897	931,039	844,308	516,132	0	0	0	0	0	0	0	0	3,093,376
Cash Outflows													
Loss and LAE payments	38,326	40,507	71,083	61,879									211,795
Underwriting expenses	167,846	154,554	186,078	111,276									619,753
General & Administrative expenses	0	24,077	7,923	4,864									36,864
Taxes & Assessments	0	0	1,708,314	100,000									1,808,314
Reinsurance Premiums	482,450	0	0	482,450									964,900
Interest Expense	(2,147)	(1,881)	(2,115)	(1,045)									(7,187)
Investments (CP)	4,481,438	(4,481,438)	0	0									0
Investments (LT)	(1,000,000)	1,000,000	1,000,000	1,000,000									2,000,000
Total Cash Outflows	4,167,912	(3,264,181)	2,971,282	1,759,424	0	0	0	0	0	0	0	0	5,634,438
SunTrust Bank													
Beginning	5,443,076	2,077,060	6,272,280	4,145,305	2,902,014	2,902,014	2,902,014	2,902,014	2,902,014	2,902,014	2,902,014	2,902,014	5,443,076
Net Activity	(3,366,015)	4,195,220	(2,126,975)	(1,243,292)	0	0	0	0	0	0	0	0	(2,541,062)
SunTrust Ending	2,077,060	6,272,280	4,145,305	2,902,014	2,902,014	2,902,014	2,902,014	2,902,014	2,902,014	2,902,014	2,902,014	2,902,014	2,902,014
Deposit Liability	923,931	912,255	928,048	895,072									0
Available Cash	1,153,129	5,360,025	3,217,257	2,006,942	2,902,014	2,902,014	2,902,014	2,902,014	2,902,014	2,902,014	2,902,014	2,902,014	2,902,014
LT Investments (> 1 yr maturity) & CP	5,970,505	2,489,067	3,494,342	4,494,342									0
Total - Cash & Invested Assets	7,123,634	7,849,092	6,711,599	6,501,283	2,902,014	2,902,014	2,902,014	2,902,014	2,902,014	2,902,014	2,902,014	2,902,014	2,902,014

**FWCJUA - Tier 2
Cash Flow Analysis**

	Actual Jan-07	Actual Feb-07	Actual Mar-07	Actual Apr-07	Actual May-07	Actual Jun-07	Actual Jul-07	Actual Aug-07	Actual Sep-07	Actual Oct-07	Actual Nov-07	Actual Dec-07	Total 2007
Cash Inflows													
Premiums Collected/Deposits	1,222,605	876,306	1,202,221	697,777									3,998,909
Net Collections Activity	47,048	57,929	68,341	72,980									246,298
Interest Income	60,346	103,031	35,538	77,254									276,169
Reinsurance Recoveries	0	47,088	23,701	0									70,789
Miscellaneous Income	0	0	0	0									0
Total Cash Inflows	1,329,998	1,084,355	1,329,801	848,011	0	0	0	0	0	0	0	0	4,592,165
Cash Outflows													
Loss and LAE payments	256,183	153,502	172,300	472,326									1,054,311
Underwriting expenses	298,112	236,396	263,812	216,936									1,015,255
General & Administrative expenses	0	294,692	83,802	56,921									435,415
Taxes & Assessments	0	0	2,942,741	250,000									3,192,741
Reinsurance Premiums	500,000	0	0	500,000									1,000,000
Interest Expense	(1,677)	(1,216)	(1,943)	853									(3,983)
Investments (CP)	5,975,250	(5,975,250)	0	0									0
Investments (LT)	(1,000,000)	(1,000,000)	1,000,000	1,000,000									0
Total Cash Outflows	6,027,867	(6,291,876)	4,460,713	2,497,035	0	0	0	0	0	0	0	0	6,693,739
SunTrust Bank													
Beginning	8,286,396	3,588,527	10,964,758	7,833,847	6,184,822	6,184,822	6,184,822	6,184,822	6,184,822	6,184,822	6,184,822	6,184,822	8,286,396
Net Activity	(4,697,869)	7,376,231	(3,130,911)	(1,649,025)	0	0	0	0	0	0	0	0	(2,101,574)
SunTrust Ending	3,588,527	10,964,758	7,833,847	6,184,822	6,184,822	6,184,822	6,184,822	6,184,822	6,184,822	6,184,822	6,184,822	6,184,822	6,184,822
Deposit Liability	2,916,720	2,815,755	2,626,715	2,431,473									0
Available Cash	671,807	8,149,003	5,207,132	3,753,349	6,184,822	6,184,822	6,184,822	6,184,822	6,184,822	6,184,822	6,184,822	6,184,822	6,184,822
LT Investments (> 1 yr maturity) & CP	20,091,780	13,137,123	14,165,399	15,176,024									0
Total - Cash & Invested Assets	20,763,587	21,286,126	19,372,531	18,929,373	6,184,822	6,184,822	6,184,822	6,184,822	6,184,822	6,184,822	6,184,822	6,184,822	6,184,822

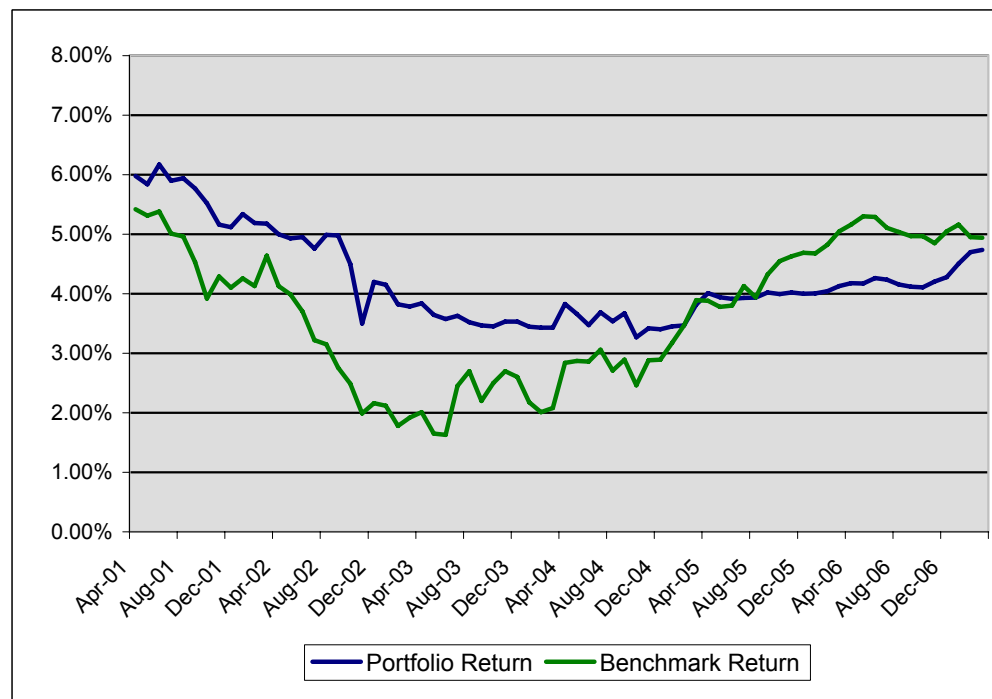
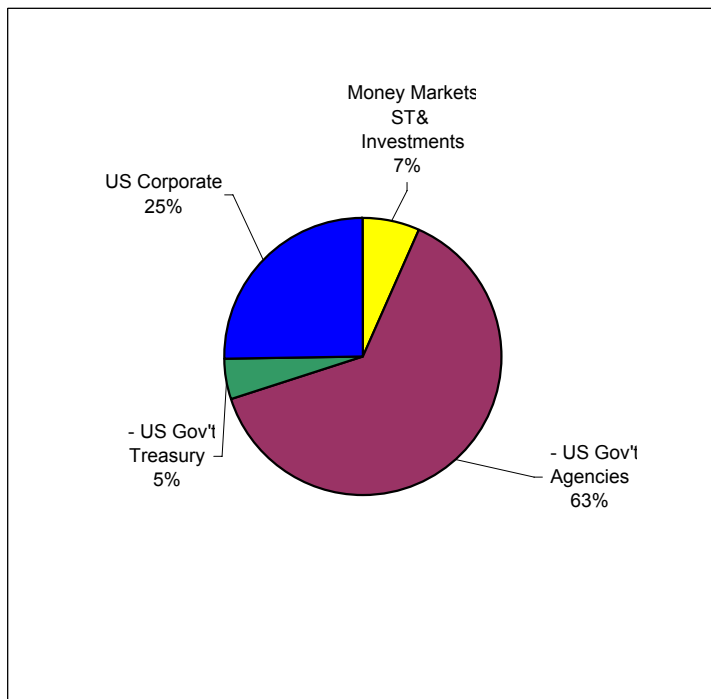
**FWCJUA - Tier 3
Cash Flow Analysis**

	Actual Jan-07	Actual Feb-07	Actual Mar-07	Actual Apr-07	Actual May-07	Actual Jun-07	Actual Jul-07	Actual Aug-07	Actual Sep-07	Actual Oct-07	Actual Nov-07	Actual Dec-07	Total 2007
Cash Inflows													
Premiums Collected/Deposits	1,428,571	1,051,186	560,882	348,457									3,389,096
Net Collections Activity	30,736	69,946	16,947	54,009									171,638
Interest Income	59,651	114,820	38,736	80,737									293,944
Reinsurance Recoveries	0	3,725	0	0									3,725
Miscellaneous Income	0	0	0	0									0
Total Cash Inflows	1,518,958	1,239,678	616,564	483,203	0	0	0	0	0	0	0	0	3,858,404
Cash Outflows													
Loss and LAE payments	484,025	156,169	280,919	192,660									1,113,773
Underwriting expenses	268,629	227,630	152,690	78,652									727,602
General & Administrative expenses	0	221,823	78,969	49,168									349,960
Taxes & Assessments	0	0	2,090,240	250,000									2,340,240
Reinsurance Premiums	500,000	0	(473,470)	500,000									526,530
Interest Expense	(1,494)	(1,627)	195	510									(2,417)
Investments (CP)	5,975,250	(5,975,250)	0	0									0
Investments (LT)	(1,000,000)	(1,090,000)	1,000,000	1,000,000									(90,000)
Total Cash Outflows	6,226,410	(6,461,255)	3,129,543	2,070,990	0	0	0	0	0	0	0	0	4,965,688
SunTrust Bank													
Beginning	8,154,733	3,447,281	11,148,214	8,635,235	7,047,448	7,047,448	7,047,448	7,047,448	7,047,448	7,047,448	7,047,448	7,047,448	8,154,733
Net Activity	(4,707,452)	7,700,933	(2,512,979)	(1,587,787)	0	0	0	0	0	0	0	0	(1,107,285)
SunTrust Ending	3,447,281	11,148,214	8,635,235	7,047,448	7,047,448	7,047,448	7,047,448	7,047,448	7,047,448	7,047,448	7,047,448	7,047,448	7,047,448
Deposit Liability	523,676	485,181	449,161	448,968									0
Available Cash	2,923,605	10,663,033	8,186,074	6,598,480	7,047,448	7,047,448	7,047,448	7,047,448	7,047,448	7,047,448	7,047,448	7,047,448	7,047,448
LT Investments (> 1 yr maturity) & CP	19,698,116	12,653,466	13,677,862	14,688,494									0
Total - Cash & Invested Assets	22,621,720	23,316,498	21,863,936	21,286,974	7,047,448	7,047,448	7,047,448	7,047,448	7,047,448	7,047,448	7,047,448	7,047,448	7,047,448

FWCJUA INVESTMENTS

Asset Subclasses vs. Benchmarks - Annual Yields

Report Period 4/1/2001 to 3/31/2007



BENCHMARK	ASSET SUBCLASS	PORTFOLIO ALLOCATION
Money Market Index	Money Markets & ST Investments	6.7%
Bloomberg US Gov't Agency	US Gov't - Agencies	63.4%
Bloomberg US Treasuries	US Gov't - Treasury	4.8%
Bloomberg AA Industrials	US Corporate	25.1%
Total Portfolio		100.0%

Annual Yield as of Mar 31, 2007	
SUBCLASS RETURNS	BENCHMARK RETURNS
6.40%	6.40%
4.59%	4.82%
3.65%	4.91%
4.89%	5.27%
4.74%	5.04%

Investment Portfolio Comparison with Investment Policy

Book Value %
3/31/2007 3/31/2007

	% allowed	Moody's	S&P	3/31/2007	3/31/2007
1. U.S. Government Treasury Securities	100%				
U.S. Treasury Note		TSY	TSY	3,039,110	3.0%
				3,039,110	3.0%
2. U.S. Government Agency Securities (subject to 35% limit in any one agency)	50%				
Federal Home Loan Mortgage Corporation (FHLMC)		AGY	AGY	5,779,017	5.8%
Federal National Mortgage Association (FNMA)		AGY	AGY	7,243,809	7.2%
Federal Home Loan Bank (FHLB)		AGY	AGY	28,013,716	28.0%
Federal Farm Credit Banks (FFCB)		AGY	AGY	97,230	0.1%
				41,133,772	41.1%
3. Commerical Paper rated A-1 or P-1 provided the LT Debt rating is A or better.	25%			2,273,438	2.3%
4. Corporate Debt with LT Bond ratings of single A or better & a SVO of 1.	50%				
Alabama Power Company		A2	A	666,649	0.7%
Allstate Corporation		A1	A+	209,685	0.2%
Anheuser Busch Companies Inc		A1	A+	447,797	0.4%
Bank of America		AA2	AA -	269,127	0.3%
Bank of New York		AA3	A+	491,259	0.5%
Bear Stearns Co Inc		A1	A	512,848	0.5%
Berkshire Hathaway		AAA	AAA	58,392	0.1%
Boeing Cap Corp		A2	A	127,214	0.1%
Caterpillar Financial Services		A2	A	610,628	0.6%
Chevron Texaco Capital		AA2	AA	547,045	0.5%
CitiGroup Inc.		AA1	AA -	345,718	0.3%
CitiGroup Holdings		A2	A	207,677	0.2%
Comerica Bank Notes		A2	A	100,370	0.1%
Consolidated Edison		A1	A	100,749	0.1%
Coca Cola Enterprises		A2	A	104,112	0.1%
Countrywide Funding Corporation		A3	A	267,294	0.3%
El Dupont		A2	A	69,237	0.1%
Emerson Electric		A2	A	324,621	0.3%
First Tennessee Bank		A1	A	99,984	0.1%
Gillette Company		AA3	AA -	679,603	0.7%
Goldman Sachs Group		AA3	A+	434,033	0.4%
Harley Davidson Funding		A1	A+	74,994	0.1%
Hewlett Packard		A3	A -	425,939	0.4%
Home Depot		AA3	AA	134,647	0.1%
Household Finance Corp		AA3	A	269,781	0.3%
International Lease Finance Corp		A1	AA -	119,089	0.1%
JP Morgan Chase Co		AA3	A+	512,046	0.5%
John Deere Cap Corp		A3	A -	575,511	0.6%
Kimberly-Clark Corp		AA2	AA -	373,743	0.4%
Lehman Brothers Holdings		A1	A+	512,921	0.5%
Lowe's Companies Inc		A1	A+	381,154	0.4%
McDonald's Corp		A2	A	149,951	0.1%
Mellon Bank		A1	A+	100,236	0.1%
Merrill Lynch & Co		AA3	A+	530,479	0.5%
MetLife Global		AA2	AA	148,651	0.1%
Morgan Stanley		AA3	A+	270,020	0.3%
National City Bank		AA3	A+	139,872	0.1%
Nat'l Rural Utilities Cooperative		A1	A+	118,893	0.1%
Pepsi Bottling Holdings		AA3	A+	469,774	0.5%
Phillips Petrlm		A1	A -	142,725	0.1%
PPG Industries		A2	A	2,705	0.0%
Proctor & Gamble Co		AA3	AA -	500,672	0.5%
Regions Bank Series		AA3	A+	138,544	0.1%
SBC Communciations		A2	A	48,599	0.0%
Stanley Works		A2	A	79,259	0.1%
Susa Partnership		AAA	AAA	261,592	0.3%
Sysco Corp		A1	A+	265,144	0.3%
Target Corporation		A2	A+	275,000	0.3%
Textron Fincial Corp		A3	A -	556,179	0.6%
TIAA Global Mkt		AAA	AAA	148,412	0.1%
US Bank Natl Assn		AA2	A+	110,625	0.1%
Unitedhealth Group		A2	A	89,321	0.1%
United Technology Corp		A2	A	447,004	0.4%
Verizon Global Series		A3	A+	361,968	0.4%
Wal-Mart Stores		AA2	AA	572,300	0.6%
Washington Mutual		A3	A -	78,488	0.1%
Wells Fargo & Company		AA1	AA -	245,743	0.2%
				16,306,025	16.3%
5. C.D. issued by commerical banks with a deposit rating of AA/Aa or better.	25%				
6. Banker Acceptances issued & guaranteed by domestic commercial banks with commercial paper rated A1/P1 and bank deposit ratings of AA/Aa.	25%				
7. Repurchase agreements consisting of US Gov't and Gov't Agency Securities	100%				
8. Pooled fixed income funds consisting of securities in categories 1-7 provided securities are held in a member of the FRB & maturity does not exceed 2.5 years.	10%				
9. Municipal bonds - state and local general obligation bonds with no less than an "A" rating by Moody's or S&P and a "AA" rating for revenue-backed.	25%	AAA	AAA	299,994	0.3%
		AAA	AAA	40,000	0.0%
Additional Requirements:					
- Minimum liquidity requirement of 5% of total JUA funds (cash & investments)	5%				
Evergreen Treasury Money Market Fund & Investments with < 1 year to maturity				19,619,699	
SunTrust Bank accounts + 30 day commerical paper (approximately)				36,225,720	56%
				55,845,419	OK
- Maximum of 5% may be invested in obligations of a single issuer.					OK
- Average Portfolio Rating of Double A		AA1	AA+		OK
Total Portfolio				\$ 100,002,727	

FWCJUA

Investment Portfolio Comparison with Diversification Requirements of s. 625.305, Florida Statutes

	% allowed	Moody's	S&P	FWCJUA Portfolio	
				Book Value 3/31/2007	% 3/31/2007
1. No more than 13% of an insurer's admitted assets in investments which are classified as medium to lower quality obligations.	13.0%			0	0.0%
2. No more than 5% of an insurer's admitted assets in obligations that have been given a rating 4, 5, or 6 by the Securities Valuation Office of the National Association of Insurance Commissioners	5.0%			0	0.0%
3. No more than 1.5% of an insurer's admitted assets in obligations that have been given a rating of 5 or 6 by the Securities Valuation Office of the National Association of Insurance Commissioners	1.5%			0	0.0%
4. No more than 0.5% of an insurer's admitted assets in obligations that have been given a rating of 6 by the Securities Valuation Office of the National Association of Insurance Commissioners	0.5%			0	0.0%
5. No more than 10% of an insurer's admitted assets, if the investments are in issuers from any one industry	10.0%				
Aerospace				127,214	0.1%
Bank				2,897,721	2.4%
Beverage				1,021,684	0.8%
Broker				2,260,301	1.9%
Chemicals				71,942	0.1%
Consumer				2,819,417	2.3%
Diversified Mfg				1,402,798	1.2%
Electric				886,291	0.7%
Energy				689,771	0.6%
Fin-Diversified/Consumer				804,937	0.7%
Insurance				447,656	0.4%
Retail				1,363,101	1.1%
Restaurant/Food				149,951	0.1%
Services				261,592	0.2%
Supermarket				265,144	0.2%
Technology				425,939	0.4%
Telecom				410,567	0.3%
				<u>16,306,025</u>	<u>13.5%</u>
6. No more than 2% of an insurer's admitted assets if the investment is in any one issuer	2.0%				
Alabama Power Company		A2	A	666,649	0.6%
Allstate Corporation		A1	A+	209,685	0.2%
Anheuser Busch Companies Inc		A1	A+	447,797	0.4%
Bank of America		AA2	AA -	269,127	0.2%
Bank of New York		AA3	A+	491,259	0.4%
Bear Stearns Co Inc		A1	A	512,848	0.4%
Berkshire Hathaway		AAA	AAA	58,392	0.0%
Boeing Cap Corp		A2	A	127,214	0.1%
Caterpillar Financial Services		A2	A	610,628	0.5%
Chevron Texaco Capital		AA2	AA	547,045	0.5%
CitiGroup Inc.		AA1	AA -	345,718	0.3%
CitiGroup Holdings		A2	A	207,677	0.2%
Comerica Bank Notes		A2	A	100,370	0.1%
Consolidated Edison		A1	A	100,749	0.1%
Coca Cola Enterprises		A2	A	104,112	0.1%
Countrywide Funding Corporation		A3	A	267,294	0.2%
E I Dupont		A2	A	69,237	0.1%
Emerson Electric		A2	A	324,621	0.3%
First Tennessee Bank		A1	A	99,984	0.1%
Gillette Company		AA3	AA -	679,603	0.6%
Goldman Sachs Group		AA3	A+	434,033	0.4%
Harley Davidson Funding		A1	A+	74,994	0.1%
Hewlett Packard		A3	A -	425,939	0.4%
Home Depot		AA3	AA	134,647	0.1%
Household Finance Corp		AA3	A	269,781	0.2%
International Lease Finance Corp		A1	AA -	119,089	0.1%
JP Morgan Chase Co		AA3	A+	512,046	0.4%
John Deere Cap Corp		A3	A -	575,511	0.5%
Kimberly-Clark Corp		AA2	AA -	373,743	0.3%
Lehman Brothers Holdings		A1	A+	512,921	0.4%
Lowes Companies Inc		A1	A+	381,154	0.3%
McDonald's Corp		A2	A	149,951	0.1%
Mellon Bank		A1	A+	100,236	0.1%
Merrill Lynch & Co		AA3	A+	530,479	0.4%
MetLife Global		AA2	AA	148,651	0.1%
Morgan Stanley		AA3	A+	270,020	0.2%
National City Bank		AA3	A+	139,872	0.1%
Nat'l Rural Utilities Cooperative		A1	A+	118,893	0.1%
Pepsi Bottling Holdings		AA3	A+	469,774	0.4%
Phillips Petrim		A1	A -	142,725	0.1%
PPG Industries		A2	A	2,705	0.0%
Proctor & Gamble Co		AA3	AA -	500,672	0.4%
Regions Bank Series		AA3	A+	138,544	0.1%
SBC Communications		A2	A	48,599	0.0%
Stanley Works		A2	A	79,259	0.1%
Susa Partnership		AAA	AAA	261,592	0.2%
Sysco Corp		A1	A+	265,144	0.2%
Target Corporation		A2	A+	275,000	0.2%
Textron Fincial Corp		A3	A -	556,179	0.5%
TIAA Global Mkt		AAA	AAA	148,412	0.1%
US Bank Natl Assn		AA2	A+	110,625	0.1%
Unitedhealth Group		A2	A	89,321	0.1%
United Technology Corp		A2	A	447,004	0.4%
Verizon Global Series		A3	A+	361,968	0.3%
Wal-Mart Stores		AA2	AA	572,300	0.5%
Washington Mutual		A3	A -	78,488	0.1%
Wells Fargo & Company		AA1	AA -	245,743	0.2%
				<u>16,306,025</u>	<u>13.5%</u>