Florida Workers Compensation Joint Underwriting Association, Inc.

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

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

VIA EMAIL

BOARD OF GOVERNORS BULLETIN 08-40

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

FROM: Laura S. Torrence, Executive Director

DATE: December 4, 2008

RE: **DECEMBER 09, 2008 ANNUAL MEMBERSHIP MEETING AND BOARD OF GOVERNORS MEETING AGENDAS**

Enclosed for your review are the agendas for the Annual Membership and the Board of Governors meeting scheduled for 8:30 a.m., Tuesday, December 9, 2008 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, December 8th. The reservations are for 7:15 p.m. at Ruth's Chris Steak House located at 6700 S. Tamiami Trail, Sarasota, FL. Directions to the restaurant may be found on the following page. Dress for dinner is business casual.

Enclosure

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

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, turn right onto 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 RUTH'S CHRIS STEAK HOUSE
6700 S. TAMIAMI TRAIL, SARASOTA, FL
(941) 924-9442

From I-75

Take Exit 205, SR72/Siesta Key/Sarasota Clark Road. Turn west onto Clark Road and go approximately 5.0 miles. Turn left at the light onto S. Tamiami Trail and go approximately 0.2 miles. Turn right at the Ruth's Chris Steak House entrance at 6700 S. Tamiami Trail.

From Country Inns & 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 about 4.3 miles. Turn left at the light onto S. Tamiami Trail and go approximately 0.2 miles. Turn right at the Ruth's Chris Steak House entrance at 6700 S. Tamiami Trail.

DECEMBER 9, 2008

FWCJUA ANNUAL MEMBERSHIP MEETING AGENDA

FOR THE YEAR ENDED DECEMBER 31, 2007

AGENDA FOR THE ANNUAL MEMBERSHIP MEETING OF THE FLORIDA WORKERS' COMPENSATION JOINT UNDERWRITING ASSOCIATION, INC. TO BE HELD AT 8:30 A.M. ON TUESDAY, DECEMBER 9, 2008 AT THE FWCJUA OFFICE LOCATED AT 6003 HONORE AVENUE, SUITE 204, SARASOTA, FLORIDA

I.	CALL TO ORDER AND OPENING REMARKS	Charlie Clary
II.	ANTI-TRUST PREAMBLE (Attachment A)	Tom Maida
III.	2007 OVERVIEW (Attachment B)	Laura Torrence
IV.	QUESTION AND ANSWER SESSION	Laura Torrence
V.	ADJOURNMENT AND CLOSING REMARKS	Charlie Clary

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.

2007 OVERVIEW

Following is a brief synopsis of FWCJUA operations in 2007:

1. As of December 31, 2007, the FWCJUA had 2,160 policies in-force with a corresponding written premium of $18,989,206 assigned as follows:

Tier	Policies	% of Policies	TEAP & Deposit	% of TEAP & Deposit
Tier 1	808	37.4%	$ 5,094,472	26.8%
Tier 2	955	44.2%	$ 6,643,474	35.0%
Tier 3	397	18.4%	$ 7,251,260	38.2%
Total	2,160	100.0%	$18,989,206	100.0%

2. In 2007, application processing time averaged 7.4 days.
3. The FWCJUA had 1,391 authorized producers as of December 31, 2007.
4. In 2007, the FWCJUA book of business was comprised primarily of small contractors, small employers and those risks with poor loss histories – all high hazard risks.

Further, the FWCJUA recognized a $66,263,469 surplus in 2007. This surplus can be broken down by subplan and tier as follows:

SUBPLAN/TIER	EFFECTIVE DATE OF SUBPLAN/TIER	2006 TOTAL SURPLUS/(DEFICIT)
Subplans A, B & C	January 1, 1994	$40,435,700
Subplan D	July 26, 2003	($3,886,969)
Tier 1	July 1, 2004	$5,466,357
Tier 2	July 1, 2004	$9,640,105
Tier 3	July 1, 2004	$14,608,275

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 FWCJUA updated its 2006 plan to eliminate this individual rating plan deficit and submitted said updated plan to OIR on July 8, 2008.

The FWCJUA program to eliminate the 2006 Subplan D deficit relied on the use of monies from the contingency reserve. The 2006 program relied on a cash flow model that was updated to recognize the 2007 Subplan D deficit and thus, was used again as the FWCJUA’s program to eliminate the entire Subplan D deficit. Pursuant to Milliman’s Subplan D cash flow model as of May 31, 2008, the total state funds needed to fund the Subplan D obligations through the contingency reserve are approximately $6.3 million. This is $1.6 million less than the $7.9 million already received; and thus, no additional cash needs are anticipated.

Finally, legislation related specifically to the FWCJUA became law effective July 1, 2007, Senate Bill 1894 and House Bill 7169. Perhaps the most significant effect of Senate Bill 1894 was that it mandated changes in the board appointment process and the disposition of FWCJUA funds upon dissolution, which enabled the FWCJUA to achieve exempt status under the Internal Revenue Code. Senate Bill 1894, also expressly made the FWCJUA subject to the Public Records Act and the Sunshine Law, which made it essential from the FWCJUA’s standpoint that the legislature enact House Bill 7169, which granted public records and public meetings exemptions to the association.

Attached for the membership’s perusal is the following information regarding the FWCJUA:

1. FWCJUA Highlighted Summarized Financial Information for Years’ End 1997 through 2007
2. FWCJUA Comparable Data to Florida Workers’ Compensation Insurance Plan (FWCIP)
3. Management’s Discussion and Analysis for 2007
4. Program to Eliminate the 2007 Subplan D Deficit
5. Summary of the 2007 Legislation
6. FWCJUA Summarized Financial Information by Subplan/Tier as of 9/30/2008
7. FWCJUA Organizational Structure as of 11/17/2008

No action is required on this item.

Florida Workers' Compensation Joint Underwriting Association, Inc.
Financial Information Summary
(From Annual and Quarterly Statutory Statements)

Florida Workers' Compensation Joint Underwriting Association, Inc.
Financial Information Summary for years ending December 31, 1997 - December 31, 2007

	12/31/2007	12/31/2006	12/31/2005	12/31/2004	12/31/2003	12/31/2002	12/31/2001	12/31/2000	12/31/1999	12/31/1998	12/31/1997
Operations											
PREMIUMS:											
Direct Written	14,233,763	42,057,673	77,504,132	62,036,074	64,462,672	25,645,248	6,696,022	5,035,549	6,431,378	14,182,389	13,862,990
Ceded Written	(4,150,860)	(8,049,351)	(11,665,391)	(11,209,814)	(7,262,080)	(3,647,133)	(1,171,148)	(420,219)	(708,856)	(1,731,780)	(1,334,026)
Net Written Premiums	10,082,903	34,008,322	65,838,741	50,826,260	57,200,592	21,998,115	5,524,874	4,615,330	5,722,522	12,450,609	12,528,964
Net Earned	18,500,001	44,111,669	65,708,268	51,308,819	39,260,405	15,218,231	4,981,868	3,781,293	7,438,919	14,552,076	18,208,854
LOSSES INCURRED:											
Direct Incurred	(2,554,809)	(32,729,283)	15,433,569	31,343,827	28,740,041	10,313,597	4,768,954	5,051,668	(11,875,295)	(8,903,481)	12,635,770
Ceded Incurred	(4,364,000)	7,596,416	(1,574,663)	(2,524,607)	(12,758,547)	(4,381,726)	(1,288,115)	(2,181,569)	2,879,471	701,165	(3,066,044)
Net Losses Incurred	(6,918,809)	(25,132,867)	13,858,906	28,819,220	15,981,494	5,931,871	3,480,839	2,870,099	(8,995,824)	(8,202,316)	9,569,726
Operating Expenses & Commissions	6,178,438	16,804,787	27,967,734	30,075,154	21,523,144	3,359,799	2,567,369	2,373,124	9,128,288	8,432,887	8,761,447
Taxes, Licenses and Fees	687,436	3,380	2,277	1,629,433	3,681,218	1,725,414	447,515	400,829	512,002	854,836	1,026,022
NET INCOME (LOSS)	18,678,253	37,535,019	16,534,401	(3,138,231)	(7,323,645)	(1,670,595)	(542,607)	6,161,890	7,804,545	12,890,263	1,011,822
Financial Position											
ASSETS:											
Bonds	65,120,483	69,552,329	57,261,089	30,508,817	28,848,638	16,339,293	10,928,572	11,338,965	36,003,256	44,007,892	44,545,853
Cash	25,759,518	32,730,725	37,920,089	30,794,731	19,857,337	11,972,028	3,327,033	884,621	2,622,189	1,992,908	360,592
Short-term Investments	9,682,255	5,825,425	5,917,953	9,184,246	4,484,064	4,300,252	3,134,174	2,471,625	1,778,750	1,956,377	8,871,308
Premium Receivables	7,832,889	17,550,978	27,365,290	20,711,382	22,153,136	4,918,814	2,952,867	1,060,773	2,229,047	4,212,881	3,584,654
Other Assets	5,831,017	6,297,147	8,814,467	1,393,167	2,073,572	1,835,742	1,466,044	1,935,601	1,066,101	1,705,882	1,834,063
Total Assets	114,226,162	131,956,604	137,278,888	92,592,343	77,416,747	39,366,129	21,808,691	17,691,584	43,699,343	53,875,942	59,196,470
LIABILITIES:											
Claim Reserves	32,963,181	44,652,068	80,581,245	72,624,558	51,548,280	36,618,077	31,997,470	32,624,368	35,525,145	49,329,331	69,446,869
Retroactive Reinsurance	(4,576,445)	(5,376,511)	(8,498,765)	(12,160,023)	(13,832,879)	(19,938,960)	(24,135,614)	(27,632,308)	0	0	0
Unearned Premiums	9,194,350	17,611,448	27,714,795	27,584,322	28,066,881	10,126,693	3,346,809	2,803,803	1,969,766	3,686,163	5,787,629
Deposit Premiums	3,189,664	5,337,830	6,392,142	5,937,012	4,337,034	1,647,025	1,321,769	1,018,705	978,436	2,016,629	3,784,338
Other Liabilities	7,191,945	20,937,678	22,717,073	7,943,074	11,814,298	4,418,571	1,749,390	1,556,216	3,946,752	6,828,061	2,255,579
Total Liabilities	47,962,695	83,162,513	128,906,490	101,928,943	81,933,614	32,871,406	14,279,823	10,370,784	42,420,099	61,860,184	81,274,415
Unassigned Surplus / (Deficit)	60,168,760	42,699,383	2,377,690	(15,431,307)	(10,611,576)	400,015	1,434,160	1,226,092	1,279,244	(7,984,242)	(22,077,945)
Assigned/Special Surplus	6,094,708	6,094,708	6,094,708	6,094,708	6,094,708	6,094,708	6,094,708	6,094,708	0	0	0
TOTAL SURPLUS / (DEFICIT)	66,263,468	48,794,091	8,472,398	(9,336,599)	(4,516,868)	6,494,723	7,528,868	7,320,800	1,279,244	(7,984,242)	(22,077,945)

FWCJUA COMPARABLE DATA	**2007** FWCJUA RESULTS 12/31/2007	**2006** FWCJUA RESULTS 12/31/2006	**2005** FWCJUA RESULTS 12/31/2005	**2004** FWCJUA RESULTS 12/31/2004	**2003** FWCJUA RESULTS 12/31/2003	**2002** FWCJUA RESULTS 12/31/2002	**2001** FWCJUA RESULTS 12/31/2001	**2000** FWCJUA RESULTS 12/31/2000	**1999** FWCJUA RESULTS 12/31/1999	**1998** FWCJUA RESULTS * 12/31/1998	**1997** FWCJUA RESULTS 12/31/1997	**1996** FWCJUA RESULTS 12/31/1996	**1995** FWCJUA RESULTS 12/31/1995	**1994** FWCJUA RESULTS 12/31/1994	**1993** FWCIP RESULTS 12/31/1993
Written Premium (Calendar Year)	$14,233,763	$42,057,673	$77,504,132	$62,036,074	$64,462,672	$25,645,248	$6,696,022	$5,035,549	$6,431,378	$14,182,389	$13,862,990	$27,748,666	$69,102,344	$73,305,743	$328,159,749
Rate Differential from 1993 Assigned Risk Rates	2.176	2.255	2.255	2.178	2.220	2.893	2.640	2.640	3.141	2.293	1.771	1.653	1.500	1.424	1.000
Premium Volume at 1993 Assigned Risk Rates	$6,541,251	$18,650,853	$34,369,903	$28,483,046	$29,037,240	$8,864,586	$2,536,372	$1,907,405	$2,047,557	$6,185,080	$7,827,775	$16,786,852	$46,068,229	$51,478,752	$328,159,749
Annual Effective Premium Depopulation Rate	64.93%	45.73%	-20.67%	1.91%	-227.56%	-249.50%	-32.98%	6.84%	66.90%	20.99%	53.37%	63.56%	10.51%	84.31%	N/A
Cumulative Effective Premium Depopulation	87.29%														
Residual Market Share (Calendar Year)	< .5%	1.1%	2.1%	1.7%	2%	< 1%	< .3%	< .2%	< .2%	< .3%	< .7%	< 1.3%	2.6%	3.8%	12.7%
Net Underwriting Gain (Loss) (Calendar Year)	$17,237,970	$52,337,081	$24,415,301	($5,935,254)	($2,663,285)	$850,874	($1,513,855)	($1,862,758)	$6,794,454	$13,466,653	($2,636,295)	($783,968)	($11,737,914)	($16,099,132)	($238,081,657)
Net Operating Gain (Loss) (Calendar Year)	$18,678,253	$37,535,019	$16,534,402	($3,138,232)	($7,318,408)	($1,195,160)	($542,607)	$6,161,890	$9,850,630	$16,741,529	$1,087,022	$4,746,539	($8,938,682)	($15,294,615)	($131,860,000)
Surplus / (Deficit)	$66,263,467	$48,794,091	$8,472,399	($9,336,599)	($4,516,868)	$6,494,724	$7,528,868	$7,320,800	$1,279,245	($7,984,241)	($22,077,945)	($23,009,896)	($32,882,286)	($22,073,372)	N/A
Policies Issued Effective that Year	2,575	3,875	4,991	5,434	4,178	1,140	662	522	623	1,427	3,171	6,654	10,339	13,933	48,430
Annual Effective Policy Depopulation Rate	33.55%	22.36%	8.15%	-30.06%	-266.49%	-72.21%	-26.82%	16.21%	56.34%	55.00%	52.34%	35.64%	25.79%	71.23%	N/A
Cumulative Effective Policy Depopulation	81.52%														

* 1998 Written Premium includes $5.8M for 8 suspected fraud cases.

last revised: 5/1/2008

FWCJUA

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MANAGEMENT'S DISCUSSION AND ANALYSIS – 2007

1. OBJECTIVE & BACKGROUND

This discussion provides an assessment by management of the current financial position, results of operations, cash flow and liquidity, and changes in financial position for the Florida Workers' Compensation Joint Underwriting Association, Inc. (FWCJUA). Information presented in this discussion supplements the financial statements, schedules and exhibits in the 2007 Annual Statement.

The FWCJUA is a single-line insurer underwriting workers' compensation and employer's liability coverages in Florida with Net Premiums Earned of $ 18,500,001 for the year-end December 31, 2007.

In December 1993, the FWCJUA was formed as a Florida Corporation Not for Profit for the purpose of organizing, operating, and administering a workers' compensation joint underwriting plan, pursuant to section 627.311(4), Florida Statutes, as amended by Chapter 93-415, Laws of Florida, and as that section may be amended from time to time, and for such purposes as may be incidental thereto. On January 1, 1994, the FWCJUA began providing workers' compensation and employer's liability insurance to applicants who are required by law to maintain workers' compensation and employer's liability insurance and who are in good faith entitled to but who are unable to purchase such insurance through the voluntary market, and to collect premiums and assessments from its policyholders in order to satisfy the obligations of the Corporation. Further, the operation of the FWCJUA is subject to the supervision of a 9-member Board of Governors appointed by the Financial Services Commission and comprised of two representatives of the twenty largest domestic insurers, two representatives of the twenty largest foreign insurers, one representative of the state's largest property and casualty agents' association, the consumer advocate appointed under Florida Statute 627.0613 and three other persons apppointed by the Financial Services Commission.

2. FINANCIAL POSITION

The FWCJUA's statutory financial position at December 31 was as follows:

	2007	2006
ASSETS		
Bonds	65,120,483	69,552,329
Cash & Short Term Investments	35,441,773	38,556,150
Other Invested Assets	0	0
Premium Balances	7,832,889	17,550,978
Other Assets	3,104,646	6,297,147
Total Assets	111,499,792	131,956,604
LIABILITIES		
Unpaid Losses	30,162,989	41,952,068
Retroactive Reinsurance	(4,576,445)	(5,376,511)
Loss Adjustment Expenses	2,800,192	2,700,000
Unearned Premium	9,194,350	17,611,448
Accured Commissions & SCF	1,343,039	3,492,342
Other Liabilites	9,038,566	12,318,069
Accrued Taxes & Assessment	0	10,465,096
Total Liabilities	47,962,692	83,162,512
SURPLUS	63,537,101	48,794,091

Assets:
Total Assets decreased by 15.5% from $131,956,604 in 2006 to $111,499,792 in 2007, a $20,456,812 change.

Cash and Invested Assets decreased 7.0% from $108,108,479 in 2006 to $100,562,257 in 2007, a $7,546,222 change primarily attributable to the sharp decline in premiums collected net of reinsurance as a result of the substantial drop in premiums written in 2007 compared to 2006. The FWCJUA reported cash balances of $32,730,725 in 2006 and $25,759,518 in 2007, a 21.3% decrease of $6,971,207. Short-term Investments increased by $3,856,830 from $5,825,425 in 2006 to $9,682,255 in 2007, a 66.2% increase resultant from favorable short-term interest rates experienced in 2007. Bonds were reported at $65,120,483 in 2007 and $69,552,329 in 2006, representing a 6.4% decrease of $4,431,846. Cash flow from operations is invested in high quality (A-rated investments or better) securities with a maximum maturity of fifteen years.

Premium Receivable Balances decreased 55.4% from $17,550,978 in 2006 to $7,832,889 in 2007, a $9,718,089 change. The decrease in Premium Receivables can be attributed to continued depopulation in 2007 due largely to a healthy, competitive workers' compensation voluntary market in Florida. The FWCJUA does not anticipate any changes in collection activity with respect to the December 31, 2007 Premium Balances.

Non-Admitted Assets changed from $6,011,374 in 2006 to $2,481,390 in 2007, a decrease of $3,529,984. This 58.7% change in Non-Admitted Assets is primarily a net result of: 1) a 100% decrease in the non-admitted portion of the Deferred Tax Asset as the FWCJUA became an integral part of the state and has filed for Federal Tax Exemption as a result of SB1894 effective July 1, 2007 and 2) a 45.1% decrease of Premium Receivables greater than ninety (90) days past due.

Liabilities:
Loss and Loss Adjustment Expense (LAE) Reserves are stated at the company's estimate of the ultimate cost of settling all unpaid incurred claims, net of ceded reinsurance. Loss and LAE Reserves are not discounted nor are subrogation recoveries anticipated when setting loss reserves.

Activity with respect to Unpaid Losses and LAE for the last two years is displayed below:

LOSS AND LAE RESERVE SUMMARY	2007	2006
Unpaid Losses and LAE at Beginning of Year	44,652,069	80,581,245
Losses and LAE Incurred In Current Year		
For current year Losses and LAE	8,262,771	19,812,992
For prior year Losses and ALAE	(12,800,527)	(40,332,000)
For prior year ULAE	(1,889,226)	(4,001,733)
Income statement amounts	(6,426,982)	(24,520,741)
Losses and LAE Paid in Current Year		
For current year Losses and LAE	2,076,810	5,069,995
For prior year Losses and LAE	3,185,095	6,338,439
Paid Losses and LAE at End of Year	5,261,905	11,408,434
Unpaid Losses and LAE at End of Year	32,963,181	44,652,069

As indicated above, Loss and LAE Reserves decreased by 26.2% or $11,688,888 from 2006 to 2007. The net decrease in the loss reserves is the result of favorable loss development primarily in the past three years. Selecting the loss ratio for these three most recent, immature years has proven to be challenging given the FWCJUA's unstable year-to-year loss ratios, a constantly changing mix of business, and highly volatile premium levels.

Schedule F - Part 3 indicates that the FWCJUA has $59,819 in recoverables due from reinsurers for paid losses which have penetrated either the First or Second Excess Casualty layers to date. In addition, the FWCJUA has posted an estimated reinsurance recoverable of $19,572,554 (consisting of $1,454,829 from

1995; $2,977,121 from 1996; $370,372 from 1997; $300,000 from 1998; $1,837,686 from 1999; $38,337 from 2000, $30,000 from 2001; $120,000 from 2002; $620,411 from 2003; $2,559,496 from 2004; $5,644,302 from 2005; $2,200,000 from 2006 and $1,420,000 from 2007) based on payments made to reinsurers from 1995 to 2007 of $60,247,314 (consisting of $5,844,168 from 1995; $3,042,486 from 1996; $1,344,026 from 1997; $1,734,399 from 1998; $708,856 from 1999; $417,600 from 2000; $1,171,148 from 2001; $3,647,133 from 2002; $7,262,081 from 2003; $11,209,814 from 2004; $11,665,392 from 2005; $8,049,351 from 2006 and $4,150,860 from 2007).

Unearned Premium decreased by 47.8%or $8,417,098 from $17,611,448 in 2006 to $9,194,350 in 2007. Gross Written Premium decreased by 66.2% or $27,823,910 from $42,057,673 in 2006 to $14,233,763 in 2007 as a result of continued depopulation given a healthy, competitive workers' compensation voluntary market in Florida. Thus, the FWCJUA's market share is now estimated at less than 0.5%.

Accrued Commissions/Servicing Carrier Fees decreased by 61.5% or $2,149,303 from $3,492,342 in 2006 to $1,343,039 in 2007. This decrease is attributable to the decrease in premium receivable balances which is a direct result of the depopulation the FWCJUA is experiencing.

Other Liabilities decreased by $3,279,503 or 26.6% from $12,318,069 in 2006 to $9,038,566 in 2007. The decrease is primarily attributable to smaller deposit and advance premiums as a result of the decrease in premiums seen in 2007 and no reinsurance premium payable.

Accrued Taxes and Assessments decreased by $10,465,096 from $10,465,096 in 2006 to $0 in 2007 due to the FWCJUA becoming exempt from federal income taxes effective July 1, 2007.

Surplus:
The FWCJUA is not subject to the minimum surplus requirements or the deposit requirements required by Florida Statutes 624.408 and 624.411. Capital requirements of the FWCJUA are to be met either by retaining any excess of income over expenses or by assessments against its policyholders or by OIR levying a 'below-the-line assessment to employers' in the voluntary market. The FWCJUA may retain as surplus any excess of income over expenses in any given year and use that surplus to defray any deficits from subsequent years prior to assessing policyholders or levying a 'below-the-line assessment to employees' in the voluntary market.

At year-end 2007 and 2006, Surplus for the FWCJUA was $63,537,101 and $48,794,091, respectively, representing a 30.2% change attributable largely to favorable loss development primarily in the 2005 and 2006 years. In addition, $6.1million of the surplus is restricted surplus as a result of the LPT transaction for accident years 1994 – 1999.

The Net Gain before Taxes of $19,360,317 for 2007 was a 64.2% or $34,764,798 change from the Net Gain before Taxes of $54,125,115 for 2006.

Net Investment Income favorably impacted the Statutory Net Income for 2007. Net Investment Income increased 9.0% or $395,494 from $4,385,409 in 2006 to $4,780,903 in 2007. The increase in investment income in 2007 is primarily attributable to higher short-term cash interest rates received from the FWCJUA's bank during 2007, an increase in cash received by the FWCJUA from the implementation of the tier rating plan, improved overall collections and increased exposures identified and billed earlier in the underwriting process.

Non-Admitted Assets changed from $6,011,374 in 2006 to $2,481,390 in 2007, a decrease of $3,529,984. This 58.7% change in Non-Admitted Assets is primarily a net result of: 1) a 100% decrease in the non-admitted portion of the Deferred Tax Asset as the FWCJUA became an integral part of the state and has filed for Federal Tax Exemption as a result of SB1894 effective July 1, 2007 and 2) a 45.1% decrease of Premium Receivables greater than ninety (90) days past due.

Given the FWCJUA is in a surplus position of $63,537,101 as of year-end December 31, 2007; 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").

The FWCJUA's Statement of Actuarial Opinion for the Year-Ended December 31, 2007, as prepared by Mark Mulvaney of Milliman, Inc., opines that carried reserves meet the requirements of the insurance laws of Florida; are consistent with the reserves computed in accordance with the Standards of Practice issued by the Actuarial Standards Board; and make a reasonable provision for all unpaid loss and loss expense obligations of the FWCJUA.

3. RESULTS OF OPERATIONS

The FWCJUA's operating results for 2007 and 2006 and key financial ratios are presented in the following table:

	2007	2006
Premiums Written – Net	10,182,903	34,008,322
Change in Unearned Premium	8,417,098	10,103,347
Earned Premium - Net	18,500,001	44,111,669
Losses and LAE Incurred	(3,993,725)	(23,009,047)
Underwriting Expenses	5,255,756	14,783,635
Underwriting Gain / (Loss)	17,237,970	52,337,081
Net Investment Income	4,780,903	4,385,409
Other Income	(2,658,556)	(2,597,374)
Commissions	(102,806)	439,906
General & Administrative Expenses	640,594	526,020
Taxes & Assessments	5,377	3,380
Net Income / (Loss)	15,951,889	37,535,019
Loss Ratio	(37.4)%	(57.0)%
LAE Ratio	15.8%	4.8%
Expense Ratio	28.4%	33.5%
Combined Ratio – Gross	6.8%	(18.6)%
Investment & Other Income Ratio	11.5%	4.1%
Combined Ratio - Net	(4.7)%	(22.7)%

The Combined Ratio expresses the sum of the costs for losses, LAE and underwriting expenses as a percentage of Earned Premiums. The ratio is a recognized industry measure of underwriting performance. The FWCJUA reported a Gross Combined Ratio of 6.8% in 2007 and (18.6)% in 2006 and a Net Combined Ratio of (4.7)% in 2007 and (22.7)% in 2006. In prior years, the Gross Combined Ratios remained fairly steady from year-to-year due to the minimal changes made to ultimate losses and relatively consistent expenses. However, the Gross Combined Ratio increased in 2007 due to the reserve adjustment to the prior years as a result of favorable loss development. The Net Combined Ratio decreased from 2006 to 2007, again due to both favorable loss development in earlier years and an increase in investment income due to rising interest rates. The LAE ratio also decreased in conjunction with the reserve reduction in prior years. The Expense Ratio decreased from 2006 to 2007 primarily due to a reduction in bad debt write-offs. The Investment and Other Income Ratio increased due to the increase in investment income during 2007 as a result of rising interest rates.

4. CASH FLOW AND LIQUIDITY

Cash Flow:
Primary sources of Cash include cash flow from operations and cash provided from the sale or maturity of invested assets. Primary uses of Net Cash Flows include the payment of expenses in the normal course of business, the purchase of capital assets such as data processing equipment and purchase of long-term investments.

The Cash Flow of FWCJUA for 2007 and 2006 are summarized as follows:

	2007	2006
OPERATIONS		
Cash from Underwriting	19,069,794	17,457,618
Investment Income Received	4,865,402	4,327,058
Other – Net	(2,658,556)	(2,597,375)
Federal Income Taxes (Paid) Recovered	(13,986,459)	(14,505,765)
Cash Provided by Operations	(7,290,181)	4,681,536
INVESTMENT ACTIVITIES		
Proceeds from Sale or Maturity of Invested Assets	64,766,537	11,140,219
Cost of Invested Assets Acquired	(60,347,026)	(23,507,338)
Cash Provided by (Used in) Investment Activities	4,419,511	(12,367,119)
FINANCING ACTIVITIES		
Increase (Decrease) in Borrowed Money	0	0
Other – Net	(243,707)	2,403,691
Cash Provided by (Used in) Financing Activities	(243,707)	2,403,691
NET INCREASE (DECREASE IN CASH & SHORT TERM INVESTMENTS	(3,114,377)	(5,281,892)

The FWCJUA's Cash and Short-term Investments at year-end 2007 were $35,441,773 as compared to year-end 2006 of $38,556,150. The decrease in the Cash and Short-term Investments is attributed to the decrease in the 2007 premium volume resulting from depopulation.

Liquidity:
The FWCJUA invests policyholder premiums in assets whose maturities closely match the actuarial expected payout pattern of the related losses and LAE. The FWCJUA maintains a very liquid investment portfolio, as 41% of the balance sheet value of cash and invested assets as of December 31, 2007 will mature within one year. In regards to both the ability to generate adequate amounts of cash to meet current needs and solvency requirements normally quantified by risk based capital analysis, the FWCJUA has the statutory authority to assess its policyholders in Tier 3 and increase rates in all three rating tiers if it is unable to pay its obligations. For Tier 1 and Tier 2, the FWCJUA could request OIR to levy a 'below the line assessment' against premiums charged to insureds for workers' compensation insurance. Currently, the

FWCJUA has sufficient cash resources available to meet its balance sheet liabilities as they become due. However, any change in our projections could cause this situation to change.

5. RESIDUAL MARKET PERFORMANCE

As the FWCJUA was designed to depopulate the Florida workers' compensation residual market and invigorate the competitive or voluntary market, it is appropriate to compare the FWCJUA's results to that of its predecessor, the Florida Workers' Compensation Insurance Plan (FWCIP).

COMPARABLE DATA *(in millions)*	**2007 FWCJUA** RESULTS	**2006 FWCJUA** RESULTS	**2005 FWCJUA** RESULTS	**2004 FWCJUA** RESULTS	**2003 FWCJUA** RESULTS
Written Premium (Calendar Year)	$14,234	$42,057	$77,504	$62,036	$64,463
Rate Differential from 1993 Assigned Risk Rates	2.176	2.255	2.255	2.178	2.220
Premium Volume at 1993 Assigned Risk Rates	$6,541	$18,651	$34,370	$28,483	$29,037
Annual Effective Premium Depopulation Rate	64.93%	45.74%	-20.67%	1.91%	-227.56%
Cumulative Effective Premium Depopulation	87.29%				
Residual Market Share (Calendar Year)	< .5%	1.1%	2.1%	1.7%	2%
Net Underwriting Gain (Loss) (Calendar Year)	$17,238	$52,337	$24,415	($5,935)	($2,663)
Net Operating Gain (Loss) (Calendar Year)	$15,952	$37,535	$16,534	($3,138)	($7,318)
Surplus / (Deficit)	$63,537	$48,795	$8,472	($9,337)	($4,517)
Policies Issued Effective that Year	2,575	3,875	4,991	5,434	4,178
Annual Effective Policy Depopulation Rate	33.55%	22.36%	8.15%	-30.06%	-266.49%
Cumulative Effective Policy Depopulation	81.52%				

COMPARABLE DATA *(in millions)*	**2002 FWCJUA** RESULTS	**2001 FWCJUA** RESULTS	**2000 FWCJUA** RESULTS	**1999 FWCJUA** RESULTS	**1998 FWCJUA** RESULTS
Written Premium (Calendar Year)	$25,645	$6,696	$5,036	$6,431	$14,182
Rate Differential from 1993 Assigned Risk Rates	2.893	2.640	2.640	3.141	2.293
Premium Volume at 1993 Assigned Risk Rates	$8,865	$2,536	$1,907	$2,048	$6,185
Annual Effective Premium Depopulation Rate	-249.50%	-32.98%	6.84%	66.90%	20.99%
Cumulative Effective Premium Depopulation					
Residual Market Share (Calendar Year)	< 1%	< .3%	< .2%	< .2%	< .3%
Net Underwriting Gain (Loss) (Calendar Year)	$851	($1,514)	($1,863)	$6,794	$13,467
Net Operating Gain (Loss) (Calendar Year)	($1,195)	($543)	$6,162	$9,851	$16,742
Surplus / (Deficit)	$6,495	$7,529	$7,321	$1,279	($7,984)
Policies Issued Effective that Year	1,140	662	522	623	1,427
Annual Effective Policy Depopulation Rate	-72.21%	-26.82%	16.21%	56.34%	55.00%

COMPARABLE DATA *(in millions)*	**1997 FWCJUA** RESULTS	**1996 FWCJUA** RESULTS	**1995 FWCJUA** RESULTS	**1994 FWCJUA** RESULTS	**1993 FWCIP** RESULTS
Written Premium (Calendar Year)	$13,863	$27,749	$69,102	$73,306	$328,160
Rate Differential from 1993 Assigned Risk Rates	1.771	1.653	1.500	1.424	1.000
Premium Volume at 1993 Assigned Risk Rates	$7,828	$16,787	$46,068	$51,479	$328,160
Annual Effective Premium Depopulation Rate	53.37%	63.56%	10.51%	84.31%	N/A
Cumulative Effective Premium Depopulation					
Residual Market Share (Calendar Year)	< .7%	< 1.3%	2.6%	3.8%	12.7%
Net Underwriting Gain (Loss) (Calendar Year)	($2,636)	($784)	($11,738)	($16,099)	($238,082)
Net Operating Gain (Loss) (Calendar Year)	$1,087	$4,747	($8,939)	($15,295)	($131,860)
Surplus / (Deficit)	($22,078)	($23,010)	($32,882)	($22,073)	N/A
Policies Issued Effective that Year	3,171	6,654	10,339	13,933	48,430
Annual Effective Policy Depopulation Rate	52.34%	35.64%	25.79%	71.23%	N/A

Since the inception of the FWCJUA, there continues to be substantial improvement in the financial bottom line of the Florida workers compensation residual market as well as an overall improvement in the Florida workers compensation system as the comparative results indicate:

- **82% policyholder depopulation**
- **87% premium depopulation**
- **99% favorable change in the residual market share**
- **148% favorable change in net operating results – from a 1993 net operating loss of ($131,860,000) to a cumulative 14 year net operating surplus of $63,537,101.**

Further, the Florida Office of Insurance Regulation concluded in its 2007 Workers' Compensation Annual Report released in January 2008 that of the six most populous states, Florida is the largest market dominated by private insurers, rather than a state sponsored residual market. This degree of private activity indicates that coverage should be generally available in the voluntary market. The report also noted that the residual market is small, suggesting that the voluntary market is absorbing the vast majority of demand. This is a considerable improvement from 1993.

A major contributing factor to the remarkable increase in the availability of affordable, competitive voluntary market workers' compensation insurance coverage in Florida has arguably been the existence of a well managed, generally self-funded workers' compensation insurance residual market mechanism.

Respectfully submitted,

Florida Workers' Compensation Joint Underwriting Association, Inc.

Laura S. Torrence

Laura S. Torrence
Secretary & Executive Director

FWCJUA

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

July 8, 2008

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

Re: FLORIDA WORKERS' COMPENSATION JOINT UNDERWRITING ASSOCIATION, INC. PROGRAM TO ELIMINATE THE 2007 SUBPLAN D DEFICIT

Dear Mr. McCarty:

At the direction of the Board of Governors of the Florida Workers' Compensation Joint Underwriting Association, Inc., I am submitting the FWCJUA's program to eliminate the 2007 Subplan D deficit.

The FWCJUA recognized a $66,263,469 surplus in 2007. This surplus can be broken down by subplan and tier as follows:

SUBPLAN/TIER	EFFECTIVE DATE OF SUBPLAN/TIER	2007 TOTAL SURPLUS/(DEFICIT)
Subplans A, B & C	January 1, 1994	$40,435,700
Subplan D	July 26, 2003	($3,886,969)
Tier 1	July 1, 2004	$5,466,357
Tier 2	July 1, 2004	$9,640,105
Tier 3	July 1, 2004	$14,608,275

Given the FWCJUA is in a surplus position; it is not statutorily required pursuant to section 627.311(5)(g), Florida Statutes, to submit a deficit elimination plan to the Office of Insurance Regulation ("OIR"). However, with Subplan D posting a deficit, the FWCJUA is updating its plan to eliminate this individual rating plan deficit and submitting said updated plan to the Office of Insurance Regulation ("OIR").

The FWCJUA currently has on file with the OIR a program to eliminate the 2006 Subplan D deficit that relied on the use of monies from the contingency reserve. The 2006 program relied on a cash flow model that has already been updated to recognize the 2007 Subplan D deficit and thus, is used again as our program to eliminate the entire Subplan D deficit. Pursuant to Milliman's enclosed Subplan D cash flow model as of May 31, 2008, the total state funds needed to fund the Subplan D obligations through the contingency reserve are approximately $6.3 million. This is $1.6 million less than the $7.9 million already received; and thus, no additional cash needs are anticipated.

Please feel free to contact me should you have any questions regarding the foregoing program to eliminate the FWCJUA's 2007 Subplan D deficit.

Respectfully submitted,

Florida Workers' Compensation Joint Underwriting Association, Inc.

Laura S. Torrence

Laura S. Torrence
Executive Director

Enclosure

c: FWCJUA Board of Governors
Tom Maida, General Counsel

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Denver, CO 80202-1931
USA

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Fax+1 303 299 9018

milliman.com

June 23, 2008

Laura Torrence
Florida Workers' Compensation
Joint Underwriting Association, Inc.
353 Interstate Boulevard
Sarasota, FL 34240

Re: Subplan D Cash Flow Model

Dear Laura:

This letter presents the cash flow discussion model intended to assist the JUA board in the evaluation of the amount and the timing of alternative funding strategies for the business written in Subplan D through June 2004. We have included the May 2008 actual results in this update.

The model indicates that no assessment is necessary and that as of May 30, 2008 the total state funds that are needed will be $6.3 million. This is $1.6 million less than the $7.9 million already received. However, this amount could change if actual cash flows beyond May 2008 differ from the expected amounts.

Exhibits

Exhibit I shows that at 7/31/03 the present value of the funding necessary to pay the expected losses and expenses associated with this business is approximately $6.8 million. The JUA provided the annual interest rate of 1.8% that we have used in the model. Premium is assumed to be collected evenly. We have assumed that 41% of premium deposits will be retained to cover audit premiums and 59% of deposits will be returned to insureds. The loss ratio of 52.7% is the 12-07 booked loss ratio for Subplan D. We have used our accident year payment pattern from the 12-07 reserve study adjusted to a monthly basis. Commissions and the service carrier fee are paid when the premium is collected. Reinsurance is paid quarterly in advance. We have used the actual amounts for each of these categories through May 2008. The amounts for the balance of the payout period are the expected amounts less the amounts paid to date spread over the remaining months.

The calculations in Exhibits I and II take into account the following parameters:

1. The interest earnings column is calculated on the "Balance After State Funding" column for a full month, plus the interest on the "Net Cash Flow". The model credits the interest expected to be earned over the next three periods to the state payment.

2. The State's contribution is assumed to be made at exactly the end of the month, consequently, it does not earn interest until the next month when it is included in prior month's "Balance After State Funding" amount.

3. The "Balance Before Funding" is the amount the JUA would have the instant before the check from the state is received, the "Balance After State Funding" is the amount the instant afterwards.

4. The State contribution amount of $6.3 million is the amount that is expected to result in a zero balance in the JUA account when all the losses are paid out (by 5/31/18).

5. The future payments that are shown are based on current expectations and could change as actual amounts are known and as future expectations are adjusted.

Exhibit III presents the monthly assumptions for Subplan D from July, 2003 through May 2008. The ratios to written premium have been provided by the JUA with an adjustment for uncollectible premium. The estimated ultimate amounts are calculated by the application of the ratios to the written premium. The policies written on or after May 28, 2004, the effective date of House Bill 1251, are written in Subplan D only for the portion before July 1, 2004.

We anticipate that the model will need to be updated on a periodic basis as the estimated ultimate amounts are changed and to true up the actual cash paid.

Limitations

Variability

The results presented herein are subject to significant variability. In all projections of future results, it is probable that the actual results will differ from those projected. The degree of such variability could be substantial and could be in either direction from the projections contained herein.

This variability is due to the random nature of insurance and the unpredictability of trends in the economic, social and judicial environments. For this analysis, these factors are exacerbated by the long period of time over which the projections have been made. As noted earlier, the findings regarding the fund balance of the FWCJUA when all claims are paid are very sensitive to the underlying assumptions.

Reinsurance

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

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

Data

In performing this analysis we have relied on data, assumptions and other information provided to us by you or at your direction. We have not audited, verified, or reviewed this data and other information for reasonableness and consistency. Such a review is beyond the scope of our assignment. If the underlying data or information is inaccurate or incomplete, the results of our analysis may likewise be inaccurate or incomplete.

Distribution

This letter and exhibits are prepared solely for the internal use of and only to be relied upon by FWCJUA to evaluate alternative funding scenarios for its Subplan D deficit. No portion of the report may be provided to any other party without Milliman’s prior written consent. Milliman does not intend to benefit any third party recipient of its work product, even if Milliman consents to the release of its work product to such third party. We recommend that any such party have their own actuary review the report to ensure that the party understands the assumptions and uncertainties inherent in our estimates. This report may not be filed with the SEC or other securities regulatory bodies. In addition, references to Milliman’s estimates in securities filings, analyst meetings, and press releases are not authorized.

We refer readers of this letter to our report, “Loss and Loss Adjustment Expense Unpaid Claim Estimates as of December 31, 2007” for additional information regarding the derivation of and limitations on the indicated loss and expense ratios.

We understand that the FWCJUA may need to distribute Milliman reports to the State of Florida for regulatory purposes and to its auditors in connection with the preparation of the FWCJUA financial statements. We consent to such distribution as long as each work product is distributed in its entirety. The State of Florida and its auditors may want to have their own actuaries review the work. In the event that any audit reveals any error or inaccuracy in the data underlying the reports, Milliman requests that the auditor notify Milliman as soon as possible.

Please give us a call with any questions you may have regarding this cash flow model and its findings.

Bonnie C. Shek

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

The calculations in Exhibits I and II take into account the following parameters:

1. The interest earnings column is calculated on the "Balance After State Funding" column for a full month, plus the interest on the "Net Cash Flow". The model credits the interest expected to be earned over the next three periods to the state payment.

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We anticipate that the model will need to be updated on a periodic basis as the estimated ultimate amounts are changed and to true up the actual cash paid.

Limitations

Variability

The results presented herein are subject to significant variability. In all projections of future results, it is probable that the actual results will differ from those projected. The degree of such variability could be substantial and could be in either direction from the projections contained herein.

This variability is due to the random nature of insurance and the unpredictability of trends in the economic, social and judicial environments. For this analysis, these factors are exacerbated by the long period of time over which the projections have been made. As noted earlier, the findings regarding the fund balance of the FWCJUA when all claims are paid are very sensitive to the underlying assumptions.

Reinsurance

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

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

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Please give us a call with any questions you may have regarding this cash flow model and its findings.

Bonnie C. Shek

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Fellow, Casualty Actuarial Society
Member, American Academy of Actuaries

Exhibit I

FLORIDA WORKERS COMPENSATION JOINT UNDERWRITING ASSOCIATION
Cash Flows and Present Values - Business Written Through June 2004

Report Date: 6/23/2008 — *Annual Interest Rate:* 1.8%

Period Ending Date	*Time Index*	*Premium Collected*	*Net Loss*	*Expense Commission*	*Servicing Carrier*	*Premium Tax*	*Administrative Expense*	*Reinsurance Premium Ceded*	*Net Cash*	*Upward Sum PV Future Outflow*
07/31/03	7	27	0	0	0	0	0	0	27	-6835
08/31/03	8	1087	0	0	0	0	0	0	1087	-7933
09/30/03	9	486	0	0	0	0	0	0	486	-8431
10/31/03	10	1971	0	37	593	85	218	30	1008	-9452
11/30/03	11	862	0	0	0	0	0	0	862	-10329
12/31/03	12	1637	9	113	1347	0	195	0	-27	-10317
01/31/04	13	1837	42	66	732	0	365	321	312	-10644
02/29/04	14	1326	24	57	712	0	109	0	424	-11084
03/31/04	15	2053	55	85	781	486	105	0	541	-11642
04/30/04	16	1869	112	79	872	524	172	0	108	-11768
05/31/04	17	1660	117	59	682	0	109	1128	-435	-11350
06/30/04	18	461	155	72	655	0	159	0	-580	-10787
07/31/04	19	1551	188	60	600	290	56	1383	-1026	-9776
08/31/04	20	1020	480	48	354	0	7	1050	-918	-8871
09/30/04	21	436	310	31	269	0	0	0	-174	-8710
10/31/04	22	674	776	-2	-34	0	0	1583	-1649	-7072
11/30/04	23	-82	478	-4	-16	0	0	0	-540	-6543
12/31/04	24	690	268	17	158	0	0	0	247	-6799
01/31/05	25	343	290	5	95	0	0	0	-47	-6763
02/28/05	26	164	136	1	21	0	196	651	-841	-5931
03/31/05	27	538	290	9	115	9	0	0	115	-6055
04/30/05	28	45	538	-7	3	0	0	541	-1030	-5033
05/31/05	29	105	252	-6	-11	0	24	0	-154	-4886
06/30/05	30	288	110	1	35	0	3	0	139	-5033
07/31/05	31	126	102	0	71	0	0	237	-284	-4756
08/31/05	32	298	144	5	84	0	0	0	65	-4828
09/30/05	33	295	189	2	46	0	0	0	58	-4893
10/31/05	34	295	209	5	44	0	0	293	-256	-4645
11/30/05	35	149	277	2	25	0	0	0	-155	-4496
12/31/05	36	93	102	3	6	0	0	0	-18	-4485
01/31/06	37	63	-424	2	6	0	0	0	479	-4971
02/28/06	38	42	0	0	0	0	0	0	42	-5021
03/31/06	39	81	232	0	-2	0	0	-166	17	-5045
04/30/06	40	77	241	0	2	0	0	0	-166	-4886
05/31/06	41	67	167	0	2	0	0	-358	256	-5150
06/30/06	42	104	281	2	3	0	0	0	-182	-4975
07/31/06	43	63	136	1	15	0	0	0	-89	-4894
08/31/06	44	43	40	0	2	0	0	124	-123	-4778
09/30/06	45	15	0	0	0	0	0	0	15	-4800
10/31/06	46	-6	192	0	-5	0	0	0	-193	-4614
11/30/06	47	18	73	-7	-1	0	0	0	-47	-4574
12/31/06	48	16	54	0	0	0	0	25	-63	-4518
01/31/07	49	6	30	2	0	0	0	0	-26	-4498
02/28/07	50	15	-10	0	0	0	0	0	25	-4530
03/31/07	51	113	234	3	28	0	0	0	-152	-4385
04/30/07	52	3	83	0	0	0	0	0	-80	-4311
05/31/07	53	68	86	0	-1	0	0	-15	-2	-4316
06/30/07	54	-6	75	0	-1	0	0	0	-80	-4242

Exhibit I

FLORIDA WORKERS COMPENSATION JOINT UNDERWRITING ASSOCIATION
Cash Flows and Present Values - Business Written Through June 2004

Report Date: 6/23/2008 — *Annual Interest Rate:* 1.8%

Period Ending Date	*Time Index*	*Premium Collected*	*Net Loss*	*Expense Commission*	*Servicing Carrier*	*Premium Tax*	*Administrative Expense*	*Reinsurance Premium Ceded*	*Net Cash*	*Upward Sum PV Future Outflow*
07/31/07	55	1	35	0	-1	0	0	0	-33	-4215
08/31/07	56	5	52	0	-3	0	0	0	-44	-4177
09/30/07	57	-21	27	0	0	0	0	0	-48	-4136
10/31/07	58	27	176	0	0	0	0	0	-149	-3993
11/30/07	59	0	42	0	0	0	0	-12	-30	-3969
12/31/07	60	8	25	0	0	0	0	0	-17	-3957
01/31/08	61	6	24	0	0	0	0	0	-18	-3945
02/29/08	62	5	0	0	0	0	0	-69	74	-4025
03/31/08	63	101	13	0	-1	0	0	0	89	-4120
04/30/08	64	-4	36	0	0	0	0	0	-40	-4086
05/31/08	65	1	17	0	0	0	0	0	-16	-4076
06/30/08	66	0	137	0	0	0	0	0	-137	-3945
07/31/08	67	0	137	0	0	0	0	0	-137	-3814
08/31/08	68	0	136	0	0	0	0	0	-136	-3683
09/30/08	69	0	134	0	0	0	0	0	-134	-3555
10/31/08	70	0	130	0	0	0	0	0	-130	-3430
11/30/08	71	0	125	0	0	0	0	0	-125	-3310
12/31/08	72	0	123	0	0	0	0	0	-123	-3192
01/31/09	73	0	119	0	0	0	0	0	-119	-3078
02/28/09	74	0	114	0	0	0	0	0	-114	-2968
03/31/09	75	0	112	0	0	0	0	0	-112	-2861
04/30/09	76	0	109	0	0	0	0	0	-109	-2756
05/31/09	77	0	106	0	0	0	0	0	-106	-2653
06/30/09	78	0	103	0	0	0	0	0	-103	-2554
07/31/09	79	0	103	0	0	0	0	0	-103	-2455
08/31/09	80	0	100	0	0	0	0	0	-100	-2359
09/30/09	81	0	96	0	0	0	0	0	-96	-2266
10/31/09	82	0	89	0	0	0	0	0	-89	-2180
11/30/09	83	0	77	0	0	0	0	0	-77	-2106
12/31/09	84	0	75	0	0	0	0	0	-75	-2035
01/31/10	85	0	66	0	0	0	0	0	-66	-1972
02/28/10	86	0	57	0	0	0	0	0	-57	-1918
03/31/10	87	0	52	0	0	0	0	0	-52	-1869
04/30/10	88	0	46	0	0	0	0	0	-46	-1825
05/31/10	89	0	41	0	0	0	0	0	-41	-1786
06/30/10	90	0	34	0	0	0	0	0	-34	-1755
07/31/10	91	0	34	0	0	0	0	0	-34	-1723
08/31/10	92	0	34	0	0	0	0	0	-34	-1692
09/30/10	93	0	33	0	0	0	0	0	-33	-1661
10/31/10	94	0	33	0	0	0	0	0	-33	-1631
11/30/10	95	0	31	0	0	0	0	0	-31	-1602
12/31/10	96	0	31	0	0	0	0	0	-31	-1573
01/31/11	97	0	30	0	0	0	0	0	-30	-1546
02/28/11	98	0	29	0	0	0	0	0	-29	-1520
03/31/11	99	0	28	0	0	0	0	0	-28	-1494
04/30/11	100	0	27	0	0	0	0	0	-27	-1469
05/31/11	101	0	27	0	0	0	0	0	-27	-1445
06/30/11	102	0	26	0	0	0	0	0	-26	-1421

Exhibit I

FLORIDA WORKERS COMPENSATION JOINT UNDERWRITING ASSOCIATION
Cash Flows and Present Values - Business Written Through June 2004

Report Date: 6/23/2008

Annual Interest Rate: 1.8%

Period Ending Date	*Time Index*	*Premium Collected*	*Net Loss*	*Expense Commission*	*Servicing Carrier*	*Premium Tax*	*Administrative Expense*	*Reinsurance Premium Ceded*	*Net Cash*	*Upward Sum PV Future Outflow*
07/31/11	103	0	26	0	0	0	0	0	-26	-1397
08/31/11	104	0	26	0	0	0	0	0	-26	-1374
09/30/11	105	0	26	0	0	0	0	0	-26	-1350
10/31/11	106	0	26	0	0	0	0	0	-26	-1326
11/30/11	107	0	26	0	0	0	0	0	-26	-1302
12/31/11	108	0	26	0	0	0	0	0	-26	-1278
01/31/12	109	0	26	0	0	0	0	0	-26	-1255
02/29/12	110	0	26	0	0	0	0	0	-26	-1231
03/31/12	111	0	26	0	0	0	0	0	-26	-1207
04/30/12	112	0	26	0	0	0	0	0	-26	-1183
05/31/12	113	0	26	0	0	0	0	0	-26	-1159
06/30/12	114	0	26	0	0	0	0	0	-26	-1135
07/31/12	115	0	26	0	0	0	0	0	-26	-1111
08/31/12	116	0	25	0	0	0	0	0	-25	-1087
09/30/12	117	0	25	0	0	0	0	0	-25	-1064
10/31/12	118	0	24	0	0	0	0	0	-24	-1041
11/30/12	119	0	23	0	0	0	0	0	-23	-1020
12/31/12	120	0	22	0	0	0	0	0	-22	-999
01/31/13	121	0	21	0	0	0	0	0	-21	-980
02/28/13	122	0	20	0	0	0	0	0	-20	-961
03/31/13	123	0	19	0	0	0	0	0	-19	-943
04/30/13	124	0	19	0	0	0	0	0	-19	-926
05/31/13	125	0	18	0	0	0	0	0	-18	-909
06/30/13	126	0	17	0	0	0	0	0	-17	-894
07/31/13	127	0	17	0	0	0	0	0	-17	-878
08/31/13	128	0	17	0	0	0	0	0	-17	-862
09/30/13	129	0	17	0	0	0	0	0	-17	-846
10/31/13	130	0	17	0	0	0	0	0	-17	-830
11/30/13	131	0	17	0	0	0	0	0	-17	-814
12/31/13	132	0	17	0	0	0	0	0	-17	-798
01/31/14	133	0	17	0	0	0	0	0	-17	-782
02/28/14	134	0	17	0	0	0	0	0	-17	-766
03/31/14	135	0	17	0	0	0	0	0	-17	-750
04/30/14	136	0	17	0	0	0	0	0	-17	-734
05/31/14	137	0	17	0	0	0	0	0	-17	-718
06/30/14	138	0	17	0	0	0	0	0	-17	-702
07/31/14	139	0	17	0	0	0	0	0	-17	-686
08/31/14	140	0	17	0	0	0	0	0	-17	-669
09/30/14	141	0	17	0	0	0	0	0	-17	-653
10/31/14	142	0	17	0	0	0	0	0	-17	-637
11/30/14	143	0	17	0	0	0	0	0	-17	-621
12/31/14	144	0	17	0	0	0	0	0	-17	-605
01/31/15	145	0	17	0	0	0	0	0	-17	-588
02/28/15	146	0	17	0	0	0	0	0	-17	-572
03/31/15	147	0	17	0	0	0	0	0	-17	-556
04/30/15	148	0	17	0	0	0	0	0	-17	-539
05/31/15	149	0	17	0	0	0	0	0	-17	-523
06/30/15	150	0	17	0	0	0	0	0	-17	-507

Exhibit I

FLORIDA WORKERS COMPENSATION JOINT UNDERWRITING ASSOCIATION
Cash Flows and Present Values - Business Written Through June 2004

Report Date: 6/23/2008

Annual Interest Rate: 1.8%

Period Ending Date	*Time Index*	*Premium Collected*	*Net Loss*	*Expense Commission*	*Servicing Carrier*	*Premium Tax*	*Administrative Expense*	*Reinsurance Premium Ceded*	*Net Cash*	*Upward Sum PV Future Outflow*
07/31/15	151	0	17	0	0	0	0	0	-17	-490
08/31/15	152	0	17	0	0	0	0	0	-17	-474
09/30/15	153	0	17	0	0	0	0	0	-17	-457
10/31/15	154	0	17	0	0	0	0	0	-17	-441
11/30/15	155	0	17	0	0	0	0	0	-17	-424
12/31/15	156	0	17	0	0	0	0	0	-17	-408
01/31/16	157	0	17	0	0	0	0	0	-17	-391
02/29/16	158	0	17	0	0	0	0	0	-17	-374
03/31/16	159	0	17	0	0	0	0	0	-17	-358
04/30/16	160	0	17	0	0	0	0	0	-17	-341
05/31/16	161	0	17	0	0	0	0	0	-17	-325
06/30/16	162	0	17	0	0	0	0	0	-17	-308
07/31/16	163	0	17	0	0	0	0	0	-17	-291
08/31/16	164	0	17	0	0	0	0	0	-17	-274
09/30/16	165	0	17	0	0	0	0	0	-17	-258
10/31/16	166	0	17	0	0	0	0	0	-17	-241
11/30/16	167	0	17	0	0	0	0	0	-17	-224
12/31/16	168	0	17	0	0	0	0	0	-17	-207
01/31/17	169	0	17	0	0	0	0	0	-17	-190
02/28/17	170	0	17	0	0	0	0	0	-17	-173
03/31/17	171	0	17	0	0	0	0	0	-17	-156
04/30/17	172	0	17	0	0	0	0	0	-17	-139
05/31/17	173	0	17	0	0	0	0	0	-17	-123
06/30/17	174	0	17	0	0	0	0	0	-17	-106
07/31/17	175	0	17	0	0	0	0	0	-17	-88
08/31/17	176	0	16	0	0	0	0	0	-16	-72
09/30/17	177	0	15	0	0	0	0	0	-15	-57
10/31/17	178	0	14	0	0	0	0	0	-14	-43
11/30/17	179	0	11	0	0	0	0	0	-11	-33
12/31/17	180	0	10	0	0	0	0	0	-10	-23
01/31/18	181	0	8	0	0	0	0	0	-8	-15
02/28/18	182	0	6	0	0	0	0	0	-6	-9
03/31/18	183	0	4	0	0	0	0	0	-4	-5
04/30/18	184	0	3	0	0	0	0	0	-3	-2
05/31/18	185	0	2	0	0	0	0	0	-2	0
Sum:		23,214	11,873	741	8,281	1,395	1,718	6,746		

Exhibit II

FLORIDA WORKERS COMPENSATION JOINT UNDERWRITING ASSOCIATION
Demonstration of Funding Plan - Business Written Through June 2004

Report Date: 6/23/2008

Annual Interest Rate: 1.8%

		Total Account									
Period Ending Date	*Time Index*	*Net Cash Flow*	*Interest Earnings*	*Sum*	*Balance Before Funding*	*State Funding*	*Balance After State Funding*	*Assessment*	*Interest on Assessment*	*Assessment Balance*	*Balance Including Assessment*
		Primary Funding						*Secondary Funding*			
07/31/03	7	27	0	27	27		27				27
08/31/03	8	1087	0	1087	1114		1114				1,114
09/30/03	9	486	0	486	1600		1600				1,600
10/31/03	10	1008	0	1008	2608		2608				2,608
11/30/03	11	862	1	863	3471		3471				3,471
12/31/03	12	-27	1	-27	3445		3445				3,445
01/31/04	13	312	1	313	3757		3757				3,757
02/29/04	14	424	2	426	4183		4183				4,183
03/31/04	15	541	3	544	4727		4727				4,727
04/30/04	16	108	3	111	4839		4839				4,839
05/31/04	17	-435	3	-432	4406		4406				4,406
06/30/04	18	-580	4	-576	3830		3830				3,830
07/31/04	19	-1026	4	-1022	2808		2808				2,808
08/31/04	20	-918	3	-915	1893		1893				1,893
09/30/04	21	-174	3	-171	1721	574	2295				2,295
10/31/04	22	-1649	2	-1647	648		648				648
11/30/04	23	-540	1	-539	109		109				109
12/31/04	24	247	2	249	358	2,008	2366				2,366
01/31/05	25	-47	6	-41	2,325		2,325				2,325
02/28/05	26	-841	4	-837	1,488	2,950	4,438				4,438
03/31/05	27	115	11	126	4,564		4,564				4,564
04/30/05	28	-1,030	7	-1,023	3,541		3,541				3,541
05/31/05	29	-154	1	-153	**3,388**	1,142	4,530				4,530
06/30/05	30	139	15	154	4,684		4,684				4,684
07/31/05	31	-284	2	-282	4,402		4,402				4,402
08/31/05	32	65	12	77	**4,479**	1,223	5,702				5,702
09/30/05	33	58	18	76	5,778		5,778				5,778
10/31/05	34	-256	5	-251	5,527		5,527				5,527
11/30/05	35	-155	27	-128	5,399		5,399				5,399
12/31/05	36	-18	17	-1	5,398		5,398				5,398
01/31/06	37	479	8	487	5,885		5,885				5,885
02/28/06	38	42	28	70	5,955		5,955				5,955
03/31/06	39	17	17	34	**5,989**		5,989				5,989
04/30/06	40	-166	10	-156	5,833		5,833				5,833
05/31/06	41	256	36	292	6,125		6,125				6,125
06/30/06	42	-182	23	-159	**5,966**		5,966			0	5,966
07/31/06	43	-89	7	-82	5,884		5,884	0	0	0	5,884
08/31/06	44	-123	35	-88	5,796		5,796	0	0	0	5,796
09/30/06	45	15	33	48	**5,844**		5,844	0	0	0	5,844
10/31/06	46	-193	4	-189	5,655		5,655	0	0	0	5,655
11/30/06	47	-47	25	-22	5,633		5,633	0	0	0	5,633
12/31/06	48	-63	40	-23	**5,610**		5,610	0	0	0	5,610
01/31/07	49	-26	10	-16	5,594		5,594	0	0	0	5,594
02/28/07	50	25	44	69	5,663		5,663	0	0	0	5,663
03/31/07	51	-152	25	-127	**5,536**		5,536	0	0	0	5,536
04/30/07	52	-80	24	-56	5,480		5,480	0	0	0	5,480
05/31/07	53	-2	25	23	5,503		5,503	0	0	0	5,503
06/30/07	54	-80	24	-56	**5,447**		5,447	0	0	0	5,447

Exhibit II

FLORIDA WORKERS COMPENSATION JOINT UNDERWRITING ASSOCIATION
Demonstration of Funding Plan - Business Written Through June 2004

Report Date: 6/23/2008

Annual Interest Rate: 1.8%

Period Ending Date	Time Index	Net Cash Flow (Primary Funding)	Interest Earnings (Primary Funding)	Sum (Primary Funding)	Balance Before Funding (Total Account)	State Funding	Balance After State Funding	Assessment	Interest on Assessment (Secondary Funding)	Assessment Balance (Secondary Funding)	Balance Including Assessment
07/31/07	55	-33	25	-8	5,439		5,439		0	0	5,439
08/31/07	56	-44	-25	-69	5,370		5,370		0	0	5,370
09/30/07	57	-48	60	12	5,382		5,382		0	0	5,382
10/31/07	58	-149	17	-132	5,250		5,250		0	0	5,250
11/30/07	59	-30	12	-18	5,232		5,232		0	0	5,232
12/31/07	60	-17	16	-1	5,231		5,231		0	0	5,231
01/31/08	61	-18	10	-8	5,223		5,223		0	0	5,223
02/29/08	62	74	2	76	5,299		5,299		0	0	5,299
03/31/08	63	89	63	152	5,451		5,451		0	0	5,451
04/30/08	64	-40	23	-17	5,434		5,434		0	0	5,434
05/31/08	65	-16	6	-10	5,424		5,424		0	0	5,424
06/30/08	66	-137	8	-129	5,295		5,295		0	0	5,295
07/31/08	67	-137	8	-130	5,165		5,165		0	0	5,165
08/31/08	68	-136	8	-128	5,037		5,037		0	0	5,037
09/30/08	69	-134	7	-126	4,911		4,911		0	0	4,911
10/31/08	70	-130	7	-123	4,788		4,788		0	0	4,788
11/30/08	71	-125	7	-117	4,670		4,670		0	0	4,670
12/31/08	72	-123	7	-116	4,554		4,554		0	0	4,554
01/31/09	73	-119	7	-112	4,442		4,442		0	0	4,442
02/28/09	74	-114	7	-108	4,334		4,334		0	0	4,334
03/31/09	75	-112	6	-105	4,229		4,229		0	0	4,229
04/30/09	76	-109	6	-103	4,126		4,126		0	0	4,126
05/31/09	77	-106	6	-100	4,025		4,025		0	0	4,025
06/30/09	78	-103	6	-97	3,928		3,928		0	0	3,928
07/31/09	79	-103	6	-97	3,831		3,831		0	0	3,831
08/31/09	80	-100	6	-94	3,737		3,737		0	0	3,737
09/30/09	81	-96	5	-90	3,647		3,647		0	0	3,647
10/31/09	82	-89	5	-84	3,563		3,563		0	0	3,563
11/30/09	83	-77	5	-72	3,491		3,491		0	0	3,491
12/31/09	84	-75	5	-69	3,421		3,421		0	0	3,421
01/31/10	85	-66	5	-61	3,360		3,360		0	0	3,360
02/28/10	86	-57	5	-52	3,308		3,308		0	0	3,308
03/31/10	87	-52	5	-47	3,261		3,261		0	0	3,261
04/30/10	88	-46	5	-41	3,220		3,220		0	0	3,220
05/31/10	89	-41	5	-37	3,183		3,183		0	0	3,183
06/30/10	90	-34	5	-30	3,154		3,154		0	0	3,154
07/31/10	91	-34	5	-30	3,124		3,124		0	0	3,124
08/31/10	92	-34	5	-29	3,095		3,095		0	0	3,095
09/30/10	93	-33	5	-29	3,066		3,066		0	0	3,066
10/31/10	94	-33	5	-28	3,038		3,038		0	0	3,038
11/30/10	95	-31	4	-27	3,011		3,011		0	0	3,011
12/31/10	96	-31	4	-26	2,985		2,985		0	0	2,985
01/31/11	97	-30	4	-25	2,960		2,960		0	0	2,960
02/28/11	98	-29	4	-24	2,935		2,935		0	0	2,935
03/31/11	99	-28	4	-24	2,912		2,912		0	0	2,912
04/30/11	100	-27	4	-23	2,889		2,889		0	0	2,889
05/31/11	101	-27	4	-22	2,866		2,866		0	0	2,866
06/30/11	102	-26	4	-22	2,845		2,845		0	0	2,845

Exhibit II

FLORIDA WORKERS COMPENSATION JOINT UNDERWRITING ASSOCIATION
Demonstration of Funding Plan - Business Written Through June 2004

Report Date: 6/23/2008 | *Annual Interest Rate:* 1.8%

Period Ending Date	*Time Index*	*Net Cash Flow*	*Interest Earnings*	*Sum*	*Balance Before Funding*	*State Funding*	*Balance After State Funding*	*Assessment*	*Interest on Assessment*	*Assessment Balance*	*Balance Including Assessment*
		Total Account									
		Primary Funding						Secondary Funding			
07/31/11	103	-26	4	-22	2,823		2,823		0	0	2,823
08/31/11	104	-26	4	-22	2,802		2,802		0	0	2,802
09/30/11	105	-26	4	-22	2,780		2,780		0	0	2,780
10/31/11	106	-26	4	-22	2,759		2,759		0	0	2,759
11/30/11	107	-26	4	-22	2,737		2,737		0	0	2,737
12/31/11	108	-26	4	-22	2,715		2,715		0	0	2,715
01/31/12	109	-26	4	-22	2,694		2,694		0	0	2,694
02/29/12	110	-26	4	-22	2,672		2,672		0	0	2,672
03/31/12	111	-26	4	-22	2,650		2,650		0	0	2,650
04/30/12	112	-26	4	-22	2,628		2,628		0	0	2,628
05/31/12	113	-26	4	-22	2,606		2,606		0	0	2,606
06/30/12	114	-26	4	-22	2,584		2,584		0	0	2,584
07/31/12	115	-26	4	-22	2,562		2,562		0	0	2,562
08/31/12	116	-25	4	-22	2,541		2,541		0	0	2,541
09/30/12	117	-25	4	-21	2,520		2,520		0	0	2,520
10/31/12	118	-24	4	-20	2,500		2,500		0	0	2,500
11/30/12	119	-23	4	-19	2,481		2,481		0	0	2,481
12/31/12	120	-22	4	-19	2,462		2,462		0	0	2,462
01/31/13	121	-21	4	-17	2,445		2,445		0	0	2,445
02/28/13	122	-20	4	-16	2,428		2,428		0	0	2,428
03/31/13	123	-19	4	-16	2,413		2,413		0	0	2,413
04/30/13	124	-19	4	-15	2,397		2,397		0	0	2,397
05/31/13	125	-18	4	-14	2,383		2,383		0	0	2,383
06/30/13	126	-17	4	-14	2,369		2,369		0	0	2,369
07/31/13	127	-17	4	-14	2,356		2,356		0	0	2,356
08/31/13	128	-17	3	-14	2,342		2,342		0	0	2,342
09/30/13	129	-17	3	-14	2,328		2,328		0	0	2,328
10/31/13	130	-17	3	-14	2,315		2,315		0	0	2,315
11/30/13	131	-17	3	-14	2,301		2,301		0	0	2,301
12/31/13	132	-17	3	-14	2,287		2,287		0	0	2,287
01/31/14	133	-17	3	-14	2,273		2,273		0	0	2,273
02/28/14	134	-17	3	-14	2,260		2,260		0	0	2,260
03/31/14	135	-17	3	-14	2,246		2,246		0	0	2,246
04/30/14	136	-17	3	-14	2,232		2,232		0	0	2,232
05/31/14	137	-17	3	-14	2,218		2,218		0	0	2,218
06/30/14	138	-17	3	-14	2,204		2,204		0	0	2,204
07/31/14	139	-17	3	-14	2,190		2,190		0	0	2,190
08/31/14	140	-17	3	-14	2,176		2,176		0	0	2,176
09/30/14	141	-17	3	-14	2,162		2,162		0	0	2,162
10/31/14	142	-17	3	-14	2,148		2,148		0	0	2,148
11/30/14	143	-17	3	-14	2,134		2,134		0	0	2,134
12/31/14	144	-17	3	-14	2,120		2,120		0	0	2,120
01/31/15	145	-17	3	-14	2,106		2,106		0	0	2,106
02/28/15	146	-17	3	-14	2,092		2,092		0	0	2,092
03/31/15	147	-17	3	-14	2,078		2,078		0	0	2,078
04/30/15	148	-17	3	-14	2,064		2,064		0	0	2,064
05/31/15	149	-17	3	-14	2,050		2,050		0	0	2,050
06/30/15	150	-17	3	-14	2,036		2,036		0	0	2,036

Exhibit II

FLORIDA WORKERS COMPENSATION JOINT UNDERWRITING ASSOCIATION
Demonstration of Funding Plan - Business Written Through June 2004

Report Date: 6/23/2008

Annual Interest Rate: 1.8%

Period Ending Date	*Time Index*	*Net Cash Flow*	*Interest Earnings*	*Sum*	*Balance Before Funding*	*State Funding*	*Balance After State Funding*	*Assessment*	*Interest on Assessment*	*Assessment Balance*	*Balance Including Assessment*
		Total Account									
		Primary Funding						Secondary Funding			
07/31/15	151	-17	3	-14	2,022		2,022		0	0	2,022
08/31/15	152	-17	3	-14	2,008		2,008		0	0	2,008
09/30/15	153	-17	3	-14	1,993		1,993		0	0	1,993
10/31/15	154	-17	3	-14	1,979		1,979		0	0	1,979
11/30/15	155	-17	3	-14	1,965		1,965		0	0	1,965
12/31/15	156	-17	3	-14	1,951		1,951		0	0	1,951
01/31/16	157	-17	3	-14	1,936		1,936		0	0	1,936
02/29/16	158	-17	3	-14	1,922		1,922		0	0	1,922
03/31/16	159	-17	3	-14	1,908		1,908		0	0	1,908
04/30/16	160	-17	3	-14	1,893		1,893		0	0	1,893
05/31/16	161	-17	3	-14	1,879		1,879		0	0	1,879
06/30/16	162	-17	3	-14	1,865		1,865		0	0	1,865
07/31/16	163	-17	3	-14	1,850		1,850		0	0	1,850
08/31/16	164	-17	3	-14	1,836		1,836		0	0	1,836
09/30/16	165	-17	3	-14	1,821		1,821		0	0	1,821
10/31/16	166	-17	3	-14	1,807		1,807		0	0	1,807
11/30/16	167	-17	3	-14	1,792		1,792		0	0	1,792
12/31/16	168	-17	3	-15	1,778		1,778		0	0	1,778
01/31/17	169	-17	3	-15	1,763		1,763		0	0	1,763
02/28/17	170	-17	3	-15	1,749		1,749		0	0	1,749
03/31/17	171	-17	3	-15	1,734		1,734		0	0	1,734
04/30/17	172	-17	3	-15	1,720		1,720		0	0	1,720
05/31/17	173	-17	3	-15	1,705		1,705		0	0	1,705
06/30/17	174	-17	3	-15	1,690		1,690		0	0	1,690
07/31/17	175	-17	3	-15	1,676		1,676		0	0	1,676
08/31/17	176	-16	2	-14	1,662		1,662		0	0	1,662
09/30/17	177	-15	2	-13	1,649		1,649		0	0	1,649
10/31/17	178	-14	2	-11	1,638		1,638		0	0	1,638
11/30/17	179	-11	2	-8	1,629		1,629		0	0	1,629
12/31/17	180	-10	2	-8	1,622		1,622		0	0	1,622
01/31/18	181	-8	2	-5	1,616		1,616		0	0	1,616
02/28/18	182	-6	2	-3	1,613		1,613		0	0	1,613
03/31/18	183	-4	2	-2	1,611		1,611		0	0	1,611
04/30/18	184	-3	2	-1	1,610		1,610		0	0	1,610
05/31/18	185	-2	2	1	1,611	-1,611	0		0	0	0
					Sum:	6,286		0			

Exhibit III

FLORIDA WORKERS COMPENSATION JOINT UNDERWRITING ASSOCIATION

Projection of Cash Flows
Monthly Assumptions ($000)

6/23/2008

Time Index	7	8	9	10	11	12	13	14	15	16	17	18			
Month	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9
Year	2003	2003	2003	2003	2003	2003	2004	2004	2004	2004	2004	2004	2004	2004	2004
Expected Ratios to Written Premium															
Percent Collectible	80.5%	80.5%	80.5%	80.5%	80.5%	80.5%	80.5%	80.5%	80.5%	80.5%	80.5%	80.5%	80.5%	80.5%	80.5%
Net Incurred Loss Ratio	52.7%	52.7%	52.7%	52.7%	52.7%	52.7%	52.7%	52.7%	52.7%	52.7%	52.7%	52.7%	52.7%	52.7%	52.7%
Commission	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%
Servicing Carrier	30.6%	30.6%	30.6%	30.6%	30.6%	30.6%	30.6%	30.6%	30.6%	30.6%	30.6%	30.6%	30.6%	30.6%	30.6%
Ceded Reinsurance Premium	26.4%	26.4%	26.4%	26.4%	26.4%	26.4%	26.4%	26.4%	26.4%	26.4%	26.4%	26.4%	26.4%	26.4%	26.4%
Expected Amounts															
Written Premium	10	1,508	1,664	2,917	5,320	1,271	3,844	3,967	2,240	2,565	2,178	1,684			
Collectible Premium	8	1,214	1,339	2,348	4,283	1,023	3,094	3,194	1,803	2,065	1,753	1,355	-266		
Net Loss Incurred	4	585	645	1,132	2,064	493	1,491	1,539	869	995	845	1,209			
Commission	0	41	46	80	146	35	106	109	62	71	60	46	-61		
Servicing Carrier	3	461	508	891	1,625	388	1,174	1,212	684	784	665	514	-630		
Ceded Reinsurance Premium	3	398	439	770	1,405	336	1,015	1,047	591	677	575	-610	100		
Actual Amounts to Date															
Written Premium	6	1,288	1,426	2,457	4,688	1,013	3,288	3,422	1,878	2,144	1,838	3,951	-551	-602	-116
Collected Premium	27	1,087	486	1,971	862	1,637	1,837	1,326	2,053	1,869	1,660	461	1,551	1,020	436
Collected Deposits	8	176	181	422	267	324	433	377	346	413	305	254	-16	0	0
Net Interest Income	0	0	0	0	1	1	1	2	3	3	3	4	4	3	3
Net Loss & ALAE Paid	0	0	0	0	0	9	42	24	55	112	117	155	188	480	310
Commission	0	0	0	37	0	113	66	57	85	79	59	72	60	48	31
Servicing Carrier Fee	0	0	0	593	0	1,347	732	712	781	872	682	655	600	354	269
DOL/PremiumTax	0	0	0	85	0	0	0	0	486	524	0	0	290	0	0
Administrative Expense	0	0	0	218	0	195	365	109	105	172	109	159	56	7	0
Ceded Reinsurance Premium	0	0	0	30	0	0	321	0	0	0	1,128	0	1,383	1,050	0

Time Index															
Month	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12
Year	2004	2004	2004	2005	2005	2005	2005	2005	2005	2005	2005	2005	2005	2005	2005
Expected Ratios to Written Premium															
Percent Collectible	80.5%	80.5%	85.9%	85.9%	85.9%	85.9%	85.9%	85.9%	85.9%	85.9%	85.9%	85.9%	85.9%	85.9%	85.9%
Net Incurred Loss Ratio	52.7%	52.7%	52.7%	52.7%	52.7%	52.7%	52.7%	52.7%	52.7%	52.7%	52.7%	52.7%	52.7%	52.7%	52.7%
Commission	2.8%	2.8%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%
Servicing Carrier	30.6%	30.6%	36.6%	36.6%	36.6%	36.6%	36.6%	36.6%	36.6%	36.6%	36.6%	36.6%	36.6%	36.6%	36.6%
Ceded Reinsurance Premium	26.4%	26.4%	25.3%	25.3%	25.3%	25.3%	25.3%	25.3%	25.3%	25.3%	25.3%	25.3%	25.3%	25.3%	25.3%
Expected Amounts															
Written Premium															
Collectible Premium															
Net Loss Incurred															
Commission															
Servicing Carrier															
Ceded Reinsurance Premium															
Actual Amounts to Date															
Written Premium	357	1,015	0	-395	377	1,661	365	337	486	1,608	-605	921	-313	-348	-359
Collected Premium	674	-82	690	343	164	538	45	105	288	126	298	295	295	149	93
Collected Deposits	-302	-235	-309	-249	-302	-400	-311	-290	-306	-159	-63	-29	-20	-2	-5
Net Interest Income	2	1	2	6	4	11	7	1	15	2	12	18	5	27	17
Net Loss & ALAE Paid	776	478	268	290	136	290	538	252	110	102	144	189	209	277	102
Commission	-2	-4	17	5	1	9	-7	-6	1	0	5	2	5	2	3
Servicing Carrier Fee	-34	-16	158	95	21	115	3	-11	35	71	84	46	44	25	6
DOL/PremiumTax	0	0	0	0	0	9	0	0	0	0	0	0	0	0	0
Administrative Expense	0	0	0	0	196	0	0	24	3	0	0	0	0	0	0
Ceded Reinsurance Premium	1,583	0	0	0	651	0	541	0	0	237	0	0	293	0	0

Exhibit III

FLORIDA WORKERS COMPENSATION JOINT UNDERWRITING ASSOCIATION

Projection of Cash Flows
Monthly Assumptions ($000)

6/23/2008

Time Index												
Month	1	2	3	4	5	6	7	8	9	10	11	12
Year	2006	2006	2006	2006	2006	2006	2006	2006	2006	2006	2006	2006
Expected Ratios to Written Premi												
Percent Collectible	85.9%											
Net Incurred Loss Ratio	52.7%											
Commission	3.7%											
Servicing Carrier	36.6%											
Ceded Reinsurance Premium	25.3%											
Expected Amounts												
Written Premium												
Collectible Premium												
Net Loss Incurred												
Commission												
Servicing Carrier												
Ceded Reinsurance Premium												
Actual Amounts to Date												
Written Premium	-37	-1,326	-959	-232	272	690	169	-3	-6	-131	65	-1
Collected Premium	63	42	81	77	67	104	63	43	15	-6	18	16
Collected Deposits	-3	-1	-4	-3	0	-1	-4	-2	0	-3	-1	0
Net Interest Income	8	28	17	10	36	23	7	35	33	4	25	40
Net Loss & ALAE Paid	-424	0	232	241	167	281	136	40	0	192	73	54
Commission	2	0	0	0	0	2	1	0	0	0	-7	0
Servicing Carrier Fee	6	0	-2	2	2	3	15	2	0	-5	-1	0
DOL/PremiumTax	0	0	0	0	0	0	0	0	0	0	0	0
Administrative Expense	0	0	0	0	0	0	0	0	0	0	0	0
Ceded Reinsurance Premium	0	0	-166	0	-358	0	0	124	0	0	0	25

Time Index																		
Month	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	
Year	2007	2007	2007	2007	2007	2007	2007	2007	2007	2007	2007	2007	2008	2008	2008	2008	2008	Total
Expected Ratios to Written Premi																		
Percent Collectible																		85.9%
Net Incurred Loss Ratio																		52.7%
Commission																		3.7%
Servicing Carrier																		36.6%
Ceded Reinsurance Premium																		25.3%
Expected Amounts																		
Written Premium																		29,168
Collectible Premium																		23,214
Net Loss Incurred																		11,873
Commission																		741
Servicing Carrier																		8,281
Ceded Reinsurance Premium																		6,746
Actual Amounts to Date																		
Written Premium	0	-76	-29	-1	-13	-35	0	0	-23	-44	0	-327	-11	0	-17	0	6	29,168
Collected Premium	6	15	113	3	68	-6	1	5	-21	27	0	8	6	5	101	-4	1	23,214
Collected Deposits	0	0	0	0	0	0	1	-1	0	0	0	0	0	0	-3	0	0	484
Net Interest Income	10	44	25	24	25	24	25	-25	60	17	12	16	10	2	63	23	6	785
Net Loss & ALAE Paid	30	-10	234	83	86	75	35	52	27	176	42	25	24	0	13	36	17	7,591
Commission	2	0	3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	741
Servicing Carrier Fee	0	0	28	0	-1	-1	-1	-3	0	0	0	0	0	0	-1	0	0	8,281
DOL/PremiumTax	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1,395
Administrative Expense	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1,718
Ceded Reinsurance Premium	0	0	0	0	-15	0	0	0	0	0	-12	0	0	-69	0	0	0	6,746

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MEMORANDUM

CLIENT-MATTER NUMBER
058819-0102

TO: FWCJUA Board of Governor's

FROM: Tom Maida

CC: Laura Torrence
Jim Watford
Robbie Simpson
Arlene Desmond
Andy Gray

DATE: May 7, 2007

RE: Legislative Action

The Florida Legislature has enacted two bills related to the FWCJUA. As I advised in an email last week, the legislature enacted Committee Substitute for Committee Substitute for Committee Substitute for Senate Bill 1894 ("SB 1894") that will substantially affect the governance and operations of FWCJUA. Following the enactment of SB 1894, the legislature went on to enact House Bill 7169 ("HB 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.

Senate Bill 1894

Perhaps the most significant effect of SB 1894 is that it mandates changes in the board appointment process and the disposition of FWCJUA funds on dissolution. We believe these changes will enable the association to finally achieve exempt status under the Internal Revenue Code. The bill accomplishes more than that, however. The following is our initial summary of key provisions of the bill.

- Board Appointment Process. The FWCJUA will continue to be governed by a nine-member board. Under the new law, all of the members, except for the Consumer Advocate, will be appointed by the Financial Services Commission (the "FSC"). The Consumer Advocate will continue to be a

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member of the board with no appointment action required by the FSC. Two board members will be selected from among five nominees for each seat submitted by the 20 largest domestic writers of workers' compensation insurance in Florida. Two board members will be selected from among five nominees for each seat submitted by the 20 largest foreign writers of workers' compensation insurance in Florida. One member will be selected from among five nominees submitted by the largest property and casualty insurance agents' association in Florida. The FSC will select three additional members of the board, and the FSC will select one member to serve as the board chair. All members, except the Consumer Advocate, will serve at the pleasure of the FSC.

- Disposition of Surplus on Dissolution. Upon dissolution of the association, after payment of all claims, expenses, and other obligations, any remaining surplus is to be deposited into the Workers' Compensation Administration Trust Fund.

- Application for Tax-Exempt Status. By January 1, 2008, the association will be required to apply to the IRS for a determination of its eligibility as a tax-exempt entity.

- OIR Review of Plan of Operation. The association's plan of operation will be subject to continuous review by the OIR, which may withdraw approval of the plan if there is a change in conditions and the purposes of the plan require that the plan be changed.

- MAP Plan. The MAP plan must be reviewed and updated periodically.

- Procurement of Goods and Services. Purchases of most goods and services valued at between $2,500 and $25,000 must be made pursuant to an informal quotation process. Purchases of most goods and services valued in excess of $25,000 must be subject to a competitive bidding process. The board must approve all purchases valued at or more than $100,000. The goods and services provided by a sole source (e.g., local electrical power service) and services exempted by other provisions of Florida law are exempted from the procurement requirement. In addition, the board is required to make a determination as to whether it is in the association's best interests to hire in-house counsel or engage outside counsel.

- Use of Subplan C Surplus. Subplan C surplus must be used to fund any deficits in other former subplans, as well as Tier One or Tier Two deficits, before the OIR can levy below-the-line assessments.

- Subplan C Policyholder Assessment Liability. Policyholders in former Subplan C will no longer be subject to assessment liability.

- Extension of Assessment Authority. The OIR authority to levy below-the-line assessments will be extended from July 1, 2007 to July 1, 2012.

- Contingency Reserve. The $15 million contingency reserve created by the legislature will be allowed to sunset on July 1, 2007.

- Rates and Rating Plans. The association will retain its authority to "use and file rates," subject to OIR disapproval. If, however, the OIR disapproves a rate filing, the association will now, for the first time, be required to return the disapproved portion of the rates to its policyholders.

- Ethics Requirements. The FWCJUA's senior managers, officers, and board members will now become subject to certain of the financial disclosure requirements, conflict of interest limitations, and gift restrictions currently imposed on many public officials. The FWCJUA's board has already adopted significant conflict of interest and gift limitations, so the major effect of the new law will be that statements of financial interests will have to be filed.

- Market Conduct Examinations. The OIR will be required to conduct periodic market conduct examinations of the FWCJUA.

House Bill 7169

Passage of SB 1894, which expressly made the FWCJUA subject to the Public Records Act and the Sunshine Law, made it essential from our standpoint that the legislature also enact HB 7169, which grants public records and public meetings exemptions to the association. Without attempting here to provide a comprehensive summary of the exemptions, the following is a list of some of the more significant types of records that will be exempted from public disclosure:

- Underwriting files.

- Claims files until termination of litigation.

- Records obtained during the course of a payroll audit until after the audit is concluded.

- All medical records.

- Records relating to an employee's participation in an employee assistance plan.

- Records related to negotiations for reinsurance, reinsurance commutation agreements, and contractual services.

- Reports provided to or submitted by the association regarding suspected fraud, criminal activity or other wrongdoing untiul after the conclusion of the investigation.

- Attorney-client communications between the FWCJUA and its counsel.

In addition to the public records exemptions contained in HB 7169, the new law would also exempt from the open meeting requirements of the Sunshine Law portions of any meetings at which confidential records are discussed. Exempt portions of meetings will have to be recorded and transcribed, however, and under certain circumstances the recordings and transcripts may be subject to future release; e.g., claims files after the termination of all litigation in connection with the claim.

Conclusion

The FWCJUA will obviously face many implementation challenges. Most immediately, we will have to develop an understanding of the financial disclosure requirements and the applicability of the Public Records Act and Sunshine Law. Although the FWCJUA's board has long operated "in the sunshine" and has imposed conflict of interest and gift restrictions on itself and senior staff, strict adherence to the new laws are required. We will be working diligently in the coming weeks with Laura Torrence and her staff to develop appropriate implementation procedures.

There are also questions about the status of the current board on July 1, 2007, the date SB 1984 will take effect, if approved by the Governor. We will address those issues in the coming weeks, as well. Preliminarily, we simply note that at least the Consumer Advocate and the three "at-large" FSC appointees are described in both the current law and the new act.

We look forward to working with board, Laura, and her staff to implement the new laws, and we are available to answer any questions you may have.

FWCJUA
Statutory Financial Statements

BALANCE SHEET - as of September 30, 2008

	SubPlan A, B & C	SubPlan D	Tier 1	Tier 2	Tier 3	Consolidated FWCJUA
Assets:						
Bonds	37,878,057	2,461,385	5,005,476	16,584,844	18,108,025	80,037,787
Cash	1,724,101	660,288	1,429,411	1,744,038	1,401,484	6,959,322
Short-Term Investments	6,032,514	2,481,686	2,986,094	3,877,077	5,867,324	21,244,694
Premiums Receivable	179,513	0	1,428,171	1,944,574	1,608,907	5,161,165
Other Assets	642,472	8,520	189,071	185,526	267,118	1,119,537
Total Assets	**46,456,656**	**5,611,879**	**11,038,223**	**24,336,059**	**27,252,858**	**114,522,504**
Liabilities:						
Claim Reserves	8,301,579	3,894,884	2,240,855	9,930,409	7,952,670	32,320,397
Retroactive Reinsurance	(4,410,686)	0	0	0	0	(4,410,686)
Unearned Premium	0	0	2,013,882	1,724,218	2,172,498	5,910,597
Deposit Premiums	716,865	180,175	469,150	943,896	148,358	2,458,444
Other Liabilities	513,921	5,273,988	355,346	551,403	313,531	6,835,019
Total Liabilities	**5,121,679**	**9,349,047**	**5,079,232**	**13,149,926**	**10,587,057**	**43,113,771**
Surplus:						
Unassigned Surplus/(Deficit)	35,240,269	(3,737,168)	5,958,991	11,186,133	16,665,801	65,314,026
Restricted/Special Surplus	6,094,708	0	0	0	0	6,094,708
Total Surplus/(Deficit)	**41,334,977**	**(3,737,168)**	**5,958,991**	**11,186,133**	**16,665,801**	**71,408,734**
Total Liabilities/Surplus	**46,456,656**	**5,611,879**	**11,038,223**	**24,336,059**	**27,252,858**	**114,522,504**
	0	*0*	*0*	*0*	*0*	*0*

INCOME STATEMENT - through September 30, 2008

	SubPlan A, B & C	SubPlan D	Tier 1	Tier 2	Tier 3	Consolidated FWCJUA
Premiums:						
Premiums Written	(66,178)	(26,167)	3,019,732	1,161,050	1,632,656	5,721,093
Premiums Ceded	6,990	3,393	(395,828)	(371,682)	(399,156)	(1,156,283)
Change in Unearned Premium	0	0	(35,434)	1,594,486	1,339,273	2,898,325
Premiums Earned	**(59,188)**	**(22,774)**	**2,588,470**	**2,383,854**	**2,572,773**	**7,463,135**
Losses Incurred - Direct	62,192	(54,083)	681,765	800,655	872,583	2,363,112
Loses Incurred - Ceded	(112,045)	7,544	(95,089)	(128,580)	(115,500)	(443,670)
Net Losses Incurred	**(49,853)**	**(46,539)**	**586,676**	**672,075**	**757,083**	**1,919,442**
Loss Expenses Incurred	90,554	34,437	375,512	391,225	462,129	1,353,857
Other Underwriting Expenses	(246,190)	(147,384)	1,318,764	1,318,163	659,161	2,902,514
	(205,489)	(159,485)	2,280,952	2,381,464	1,878,372	6,175,813
Net Underwriting Gain / (Loss)	**146,301**	**136,711**	**307,518**	**2,391**	**694,401**	**1,287,322**
Net Investment Income	1,282,249	161,090	242,220	620,358	663,101	2,969,017
Net Realized Capital Gains/(Losses)	0	0	0	0	0	0
Net Investment Gain / (Loss)	**1,282,249**	**161,090**	**242,220**	**620,358**	**663,101**	**2,969,017**
Other Income	74,742	(147,001)	0	1,225	0	(71,034)
Net Income After Taxes	**1,503,292**	**150,800**	**549,738**	**623,974**	**1,357,502**	**4,185,305**

FWCJUA ORGANIZATIONAL STRUCTURE

(As of November 17, 2008)

The FWCJUA is currently organized as follows:

Board of Governors:
The operation of the FWCJUA is subject to the supervision of a 9-member Board of Governors. 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.

The current Board members are:

Commission Appointments:	**Charlie Clary,** *Commission appointed Chair* *DAG Architects*
	Fred Bennett *Lykes Brothers Inc.*
	Dan Dannenhauer *Five County Insurance Agency, Inc.*
	Rick T. Hodges *Summit Consulting Inc.*
	Claude Revels *JM Family Enterprises, Inc.*
	Brett Stiegel *FRSA Self Insurance Fund*
	Beth Vecchioli *Carlton Fields*
	James Ward *The Hartford Insurance Company*
Consumer Advocate:	**Sean Shaw** *Florida Department of Financial Services*

Executive Director, Staff and Service Providers:
The FWCJUA is directed, on a day to day basis by an Executive Director who implements the policies of the Board. The current Executive Director is Laura Torrence. Following is a list of the FWCJUA's principle service providers:

1.	General Counsel:	Tom Maida, Foley & Lardner (Tallahassee)
2.	Policy Administration/Managed Care:	St Paul Travelers
3.	Collections:	Revenue Systems, Inc.
4.	Actuarial Reserving:	Milliman
5.	Actuarial Ratemaking:	Milliman & NCCI, Inc.
6.	Financial Audit:	Thomas, Howell, Ferguson (THF)
7.	Investment Manager	Evergreen Investment Mgmt Co.
8.	Statistical:	NCCI, Inc.
9.	Reinsurance:	Aon Benfield

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, DECEMBER 9, 2008 AT THE FWCJUA OFFICE LOCATED AT 6003 HONORE AVENUE, SUITE 204, SARASOTA, FLORIDA

I.	CALL TO ORDER AND OPENING REMARKS	Charlie Clary
II.	ANTI-TRUST PREAMBLE (Attachment A)	Tom Maida
III.	APPROVAL OF MINUTES (Attachment B) • Board Meeting • Committee Meetings	Charlie Clary
IV.	ELECTION OF VICE CHAIR & OFFICERS (Attachment C)	Charlie Clary
V.	2009 MEETING SCHEDULE (Attachment D)	Charlie Clary
VI.	CASH DEPOSITS (Attachment E)	Laura Lopez
VII.	LEGISLATIVE REPORT (Attachment F)	Tom Maida
VIII.	REINSURANCE COMMITTEE REPORT • 2009 Reinsurance Program Options (Attachment G)	Claude Revels
IX.	RATES & FORMS COMMITTEE REPORT • Review of Rates (Attachment H) • Return of Premium Dividend (Attachment I)	Laura Torrence
X.	OPERATIONS COMMITTEE REPORT • Proposed 2009 Business Plan & Forecast (Attachment J) • Disaster Recovery Matters (Attachment K) • Service Provider Audit Report (Attachement L)	Brett Stiegel
XI.	INVESTMENT COMMITTEE REPORT • Compliance Review of the Current Investment Portfolio (Attachment M)	Fred Bennett
XII.	AUDIT COMMITTEE REPORT • Audit Committee Charter Procedures Checklist (Attachment N)	Fred Bennett
XIII.	EXECUTIVE COMPENSATION COMMITTEE REPORT • 2009 Executive Compensation & Benefits (Attachment O)	Charlie Clary
XIV.	REPORT ON OPERATIONS • 2008 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)	Laura Torrence
XV.	FINANCIAL REPORT • Comparative Statutory Financial Statements (Financial Report - 1) • Budget Variance (Financial Report - 2) • Cash Flow Analysis (Financial Report - 3) • Investment Portfolio (Financial Report - 4)	Laura Lopez
XVI.	GENERAL ANNOUNCEMENTS	
XVII.	ADJOURNMENT & CLOSING REMARKS	Charlie Clary

ANTI-TRUST PREAMBLE

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

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

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

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

APPROVAL OF MINUTES

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

1. Minutes of the September 9, 2008 Board of Governors meeting

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

1. Minutes of the November 19, 2008 Audit Committee meeting *(Bennett, Shaw & Vecchioli)*
2. Minutes of the November 24, 2008 Rates & Forms Committee meeting *(Hodges, Clary & Stiegel)*
3. Minutes of the December 1, 2008 Investment Committee meeting *(Bennett, Revels & Shaw)*
4. Minutes of the December 1, 2008 Reinsurance Committee meeting *(Vecchioli, Revels & Ward)*
5. Minutes of the December 1, 2008 Operations Committee meeting *(Stiegel, Bennett & Hodges)*
6. Minutes of the December 4, 2008 Executive Compensation Committee meeting *(Clary, Bennett, Hodges & Stiegel)*

The Board shall take action on the minutes presented.

DRAFT – MINUTES OF THE MEETING OF THE BOARD OF GOVERNORS OF THE FLORIDA WORKERS' COMPENSATION JOINT UNDERWRITING ASSOCIATION, INC. HELD ON SEPTEMBER 9, 2008 IN SARASOTA AT THE FWCJUA OFFICE

PRESIDING:	Charlie Clary, *Chair*
BOARD MEMBERS:	Dan Dannenhauer, *Vice Chair* Fred Bennett, *joined at 9:13 a.m., and participated via phone* Terry Butler Rick Hodges, *not present* Claude Revels Brett Stiegel Beth Vecchioli, *participated via phone* Jim Ward
EXECUTIVE DIRECTOR:	Laura Torrence
GENERAL COUNSEL:	Tom Maida
OFFICE OF INSURANCE REGULATION LIAISON:	Jim Watford
STAFF PRESENT:	Marc Babin Michael Cleary Laura Lopez Lisa Robertson
SERVICE PROVIDERS PRESENT:	Mike Buccina, *RSI* Kathy Thompson, *RSI* Cliff English, *English Resources* Jeffery Deaton, *Benfield Group* Bill Flieschhacker, *Benfield Group* Keith Thurman, *Benfield Group* Mark Mulvaney, *Milliman, participated via phone for a portion of the meeting* Bonnie Shek, *Milliman, participated via phone for a portion of the meeting* Andy Gray, *THF, participated via phone for a portion of the meeting* Arleen Desmond, *Travelers* John McLaughlin, *Travelers* Claudia Vicory*, Travelers*

I. CALL TO ORDER AND OPENING REMARKS: The Chair called the meeting to order at 8:38 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 of the June 11, 2008 Board of Governors meeting were submitted for approval.

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

The Chair then reported that the Board members who serve on the respective committees shall consider approval of the attached committee meeting minutes.

The minutes of the June 11, 2008 Producer Appeals Committee meeting were submitted for approval.

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

The minutes of the August 19, 2008 Reinsurance Committee meeting were submitted for approval.

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

The minutes of the August 20, 2008 Producer Committee meeting were submitted for approval.

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

The minutes of the August 21, 2008 Audit Committee meeting were submitted for approval.

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

The minutes of the August 26, 2008 Rates & Forms Committee meeting were submitted for approval.

MOTION by Clary, seconded by Stiegel, to accept the meeting minutes as presented. PASSED.

The minutes of the August 28, 2008 Operations Committee meeting were submitted for approval.

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

The minutes of the August 29, 2008 Investment Committee meeting were submitted for approval.

MOTION by Revels, seconded by Butler, to accept the meeting minutes as presented. PASSED.

IV. LEGISLATIVE REPORT: Maida reported that the workers' compensation insurance industry and the trial bar are eagerly awaiting the decision of the Emma Murray v. Mariner Health/Ace USA case, which will determine the constitutionality of attorney fee restrictions enacted as a part of the 2003 workers' compensation reform legislation. He indicated whether or not there is legislative activity in the field of workers compensation in 2009 may largely depend on how the Supreme Court rules in the Emma Murray case. He reported that in conversations he has had with insurance lobbyists in Tallahassee, it seems as though there may not be much of an appetite for taking up substantive workers' compensation legislation in 2009 even if the Emma Murray case overturns the attorney fee restrictions. He further noted that given the magnitude of the rate decrease that NCCI is asking for, it might make workers' compensation legislation even less likely. But, he went on to say that is very hard to predict. Maida then stated that he is unaware of any proposed legislation that would specifically address the FWCJUA, but he will continue to monitor the situation.

V. REINSURANCE COMMITTEE REPORT:
2009 Reinsurance Program Goals and Market Strategy: Vecchioli reported that the Reinsurance Committee met August 19th and established the 2009 reinsurance program goals and market strategy. She explained that the goals and strategy for the 2009 reinsurance program have been designed to minimize policyholder resources devoted to reinsurance, create a program that reflects the proper balance between price and coverage, and provide flexibility to accommodate unexpected growth or further depopulation. She further noted that the program goals take into consideration the FWCJUA's financial status; past performance; current book of business; as well as the 2008 premium and account mix, which are projected to remain the same for 2009. She reported that a critical assumption related to securing the 2009 reinsurance program is the $12 million earned premium projection with an assumed policy count of 1,700. Vecchioli then explained that during the Committee's discussion, concern was expressed about a possible OIR initiative that might reduce the collateral requirements for reinsurers. It was noted that any possible impact this may present for the FWCJUA will be examined, although it is anticipated that if the FWCJUA has an existing contract with a reinsurer, and the reinsurer subsequently asks for a collateral reduction, the contract terms would prevail. She further noted that the reinsurer contracts contain a provision requiring collateral to be posted by any market, non-alien, or alien, that is downgraded below A- by A.M. Best, regardless of OIR determined collateral requirements. She reported that no Board action was required on this agenda item.

Commutation Matters: Vecchioli reported that as the Board may recall, the FWCJUA provided an initial offer to PMA in April, which was viewed by the reinsurer to be too high. Several discussions occurred between Benfield and PMA to try to close the gap, specifically addressing the individual open claims, discounting rates and IBNR. She reported that although at one point a counteroffer seemed forthcoming, over two months of discussion with PMA did not produce one. She explained that as the details of the sale of PMA Re to Armour Re were made public, it appeared that PMA may have been limited as to how much they could offer in a commutation to the FWCJUA. At that point, the FWCJUA pulled its commutation offer to PMA off the table. She advised that a commutation may be further explored after the sale to Armour Re is complete. According to Benfield, as of this date, PMA has a current obligation of $43,000 to the FWCJUA, but we do not expect payment for at least 95 days.

VI. PRODUCER COMMITTEE REPORT:

Agency Producer Agreement: Dannenhauer reported that the Board shall consider several Producer Committee recommendations related to the Agency Producer Agreement authorization process as well as a corresponding Rates & Forms Committee recommendation related to the proposed procedural changes and clarifications. He then ran through the Producer Committee recommendations and referred to the proposed revised Agency Producer Agreement and corresponding revisions to the Operations Manual that the Rates & Forms Committee is recommending be adopted to implement these Producer Committee recommended procedural changes and clarifications. He indicated that if adopted by the Board, the revised Agreement and corresponding Operations Manual pages will be filed for OIR approval.

MOTION by Vecchioli, seconded by Stiegel, to adopt the proposed Producer Committee recommendations related to the Agency Producer Agreement authorization process; and to accept the Rates & Forms Committee recommendation to adopt the proposed revisions to the Agency Producer Agreement and corresponding revisions to the Operations Manual as the vehicles to implement these proposed procedural changes and clarifications as soon as practicable. PASSED

VII. AUDIT COMMITTEE REPORT:

Audit Committee Charter Procedures Checklist: Torrence reported that at its August 21st meeting, the Audit Committee reviewed its third quarter responsibilities for the financial reporting period ending December 31, 2008, as prescribed in the Audit Committee Charter Procedures Checklist. The Committee's third quarter responsibilities which were discussed and satisfied are outlined in Attachment G. She then advised that no Board action was required on this agenda topic.

Financial Auditor Appointment Process: Torrence reported that at its August 21st meeting, the Audit Committee considered the selection process for the FWCJUA's financial auditor for year-end 2009, given the need to address such in the 2009 Business Plan. During its discussion, the Committee recognized both that auditing services were specifically exempted from the competitive-solicitation requirements under section 287.057(5)(f), Florida Statutes, and that the FWCJUA had last performed a price review for the financial auditing services in June 2007. She explained that the Committee agreed that it was prudent to review such pricing every 3 to 4 years. With this in mind, it was the consensus of the Committee that it would not be necessary for the FWCJUA to conduct a competitive solicitation for the preparation of the 2009 financial audit, given the recent 2007 price review and the quality of the service that the FWCJUA is currently receiving from THF provided the engagement fees do not change substantially. As a result, she indicated that the Committee is recommending that the Board negotiate to extend THF's engagement for the 2009 audit and then obtain price comparisons for the 2010 audit and beyond.

MOTION by Vecchioli, seconded by Revels, to accept the Audit Committee's recommendation to negotiate an extension of Thomas Howell Ferguson's engagement through the 2009 financial audit. PASSED

VIII. RATES & FORMS COMMITTEE REPORT:

Review of Rates, Rating Plans and Policy Forms and Associated Matters to Include Application Forms:

1. ***2009 Rate Indication:*** Torrence reported that the Board shall consider analysis prepared by Milliman to determine whether to effectuate a premium level change effective January 1, 2009 for new and renewal business to be adjusted to reflect any approved voluntary market rate level and class relativity changes that may become effective January 1, 2009.

   She explained that at its August 26th meeting, the Rates & Forms Committee had agreed to recommend that the Board effectuate an overall premium level increase of 0.9% effective January 1, 2009 for new and renewal business to be adjusted to reflect any approved voluntary market rate level and class relativity changes that may become effective January 1, 2009. However, subsequent to the Committee's meeting, NCCI filed the voluntary market rate filing. Thus, Milliman revised its analysis to include the filed NCCI updated development factors and trends. Consistent with the direction of the Rates & Forms Committee and these filed updates, the proposed overall premium level change would now be a -4.8% decrease.

   Mulvaney referred to the Summary Exhibit and explained that the Exhibit, Item I reflects the indications to the Rates & Forms Committee recommendation before the NCCI filing, and Item II reflects the revised indications with NCCI's 1/1/09 filed trends and LDF's. He explained that the first line in both Items I and II contemplate funding from the State of Florida, since the FWCJUA's premium is below $30 million. He indicated that if the FWCJUA bases its 2009 indication to include NCCI's 1/1/09 filed trends and developments, as well as the $750,000 from the State to cover its fixed administrative expenses, the overall average premium level indication for the FWCJUA would be -4.8%. If, however, the FWCJUA does not anticipate the $750,000 from the State, it would need an overall average indicated premium level change of 7.8%. Mulvaney then proceeded to explain the impact of NCCI's 1/1/09 filing of -14.1% on the FWCJUA's book with the $750,000 and without the $750,000. He noted that if the FWCJUA implements the -4.8% premium level decrease, it must revise its surcharges to reflect a 31% surcharge for Tier 1, a 119% surcharge for Tier 2 and a 129% surcharge for Tier 3.

   Discussion then ensued regarding the possibility of the $750,000 of State funding. Torrence suggested that if the Board chooses to take the possible State funding into consideration when making its decision on the premium level change and ultimately the funding does not materialize, current FWCJUA surplus levels would be able to cover the FWCJUA's operating costs should the Board not desire to further revise the rates when the issue of the State funding becomes known in mid-2009. It was the consensus of the Board to assume the receipt of the State funding in 2009 for purposes of the rate indication, recognizing that the rate need could be reassessed in mid-2009 should the funding be denied.

   MOTION by Dannenhauer, seconded by Stiegel, to effectuate an overall average premium level decrease of 4.8% effective January 1, 2009 for new and renewal business to be adjusted to reflect any approved voluntary market rate level and class relativity changes that may become effective January 1, 2009. PASSED.

2. ***Self Audit Program:*** Torrence referred to Attachment J and indicated that the Board shall consider the Rates & Forms Committee recommendation that it confirm staff's revision to the FWCJUA Quarterly Payroll Reporting Form that was necessitated to secure OIR's approval of the form with the introduction of the FWCJUA Employer Quarterly Self Audit Program.

   She explained that at its June 11th, the Board accepted the Rates & Forms Committee recommendation to adopt an Employer Quarterly Self Audit Program on or before January 1, 2009 to supplement the payroll and classification verification process on a quarterly basis during policy currency, which included the introduction of the FWCJUA Quarterly Payroll Reporting Form. Accordingly, staff filed the program with OIR for approval. During the filing process, OIR requested that the form be revised to clarify that a "managing member" is actually an "LLC managing member." Staff complied with OIR's request and ultimately received OIR's approval to introduce the Self Audit Program effective October 1, 2008.

MOTION by Stiegel, seconded by Dannenhauer, to accept the Rates & Forms recommendation to confirm staff's revision to the FWCJUA Quarterly Payroll Reporting Form that was necessitated to secure OIR's approval of the form with the introduction of the FWCJUA Employer Quarterly Self Audit Program to become effective October 1, 2008, applicable to new and renewal business. PASSED.

Forms Associated with Agency Authorization Process:

1. ***Agency Producer Agreement:*** Torrence noted that the Board earlier during the Producer Committee's report took affirmative action on the Rates & Forms Committee's proposed revisions to the Agency Producer Agreement to implement procedural changes and clarifications related to the Agency Producer Agreement authorization process.

Operations Manual Revisions:

1. ***Reformatting & Revision:*** Torrence reported with Watford's concurrence that subsequent to the June 3rd Rates & Forms Committee and June 11th Board meetings, OIR determined that it was not necessary for the FWCJUA to reformat its Operations Manual to include the statutorily required Plan of Operation elements, which would be subject to approval by OIR order, and introduce a new manual that contains the FWCJUA's day-to-day policies and procedures, which would simply be subject to OIR approval. Accordingly, staff did not pursue the reformatting of the FWCJUA Operations Manual to include the introduction of a proposed FWCJUA Policies and Procedures Guide as directed by the Board at its June 11th meeting. Accordingly, she advised that no Board action was required on this item.

2. ***7/31/2008 Revision:*** Torrence reported that the Board shall consider a Rates & Forms Committee recommendation that it confirm staff's July 31, 2008 reprint/revision filing of the FWCJUA Operations Manual to incorporate all the June 11th Board directed Operations Manual and form revisions, including the introduction of two new forms, that were filed with and approved by OIR as well as to repaginate the Manual given the volume of the approved forms and revisions.

   She explained that at its June 11th meeting, the Board adopted revisions to MAP, reinstatement procedures for agencies and designated producers, Truckers Supplemental Application, Contractor's Supplemental Application, Employer's Affidavit, as well as agreed to introduce an employer's quarterly self audit program and more formerly address the FWCJUA premium payment options. In July, staff made the appropriate filings and received the required OIR approvals; however, it became apparent that given the volume of the approved forms and revisions the Manual effectively needed to be repaginated and reprinted. Accordingly, staff filed the July 31, 2008 reprint/revision of the Manual. OIR approved this Manual reprint/revision filing on August 1st to become effective September 1, 2008.

   MOTION by Stiegel, seconded by Butler, to accept the Rates & Forms Committee recommendation to confirm staff's decision to file and secure OIR's approval of the July 31, 2008 reprint/revision of the FWCJUA Operations Manual. PASSED.

3. ***Producer Committee Recommendation:*** Torrence noted that the Board earlier during the Producer Committee's report took affirmative action on the Rates & Forms Committee's proposed revisions to the Operations Manual to implement procedural changes and clarifications related to the Agency Producer Agreement authorization process.

4. **NCCI Affiliation Agreement:** Torrence referred to Attachment O and advised that the Board shall consider the Rates & Forms Committee recommendation that the FWCJUA execute a 2008 Affiliation Agreement with NCCI, provided the FWCJUA secures a letter of understanding from NCCI that it will continue to assess its premium based charges utilizing the FWCJUA's unsurcharged premium. She explained that at its August 26th meeting, the Rates & Forms Committee was advised that in late June, NCCI asked its affiliates to consider executing a revised 2008 Affiliation Agreement primarily as part of NCCI's ongoing efforts related to its new Medical Data Call which will begin in third quarter 2010, with initial reporting due in December 2010. NCCI determined that the Affiliation Agreement needed to be revised to adequately address the reporting and use of Medical Call data consistent with the direction of NCCI's Board of Directors. The revised Agreement addresses these issues including new provisions

relating to confidentiality and privacy as well as other modifications that are intended to improve the Affiliation Agreement which governs the relationship between NCCI and its affiliates.

Torrence reported that the FWCJUA is currently an NCCI Member with an Affiliation Agreement that became effective January 1, 2005, and expires on January 1, 2010. She further advised that NCCI had agreed in writing that it will continue to assess its premium based charges under the 2008 Affiliation Agreement utilizing the FWCJUA's unsurcharged premium. Torrence also advised that, subsequent to the Committee meeting, OIR had raised a concern over the insertion of the arbitration provision in the new Agreement, which NCCI suggested was added at the request of member companies. Discussion then ensued with regard to the arbitration provision and it was the consensus of the Board that it had no problem with the arbitration provision, as it is common among equal participants.

MOTION by Stiegel, seconded by Butler, to accept the Rates & Forms Committee recommendation that the FWCJUA terminate its current 2005 Affiliation Agreement with NCCI prior to its expiration and enter into the 2008 Affiliation Agreement with NCCI, as written. PASSED.

5. **Return of Premium Dividend:** Torrence then referred to Attachment P and stated that the Board shall consider a proposed FWCJUA policyholder dividend program philosophy and methodology. She explained that at its June 11th meeting, the Board directed staff to develop a proposed methodology for a return of premium dividend for future consideration by the Rates & Forms Committee and the Board. At its August 26th meeting, the Rates & Forms Committee reviewed the initial draft policy and suggested that staff clearly define within its methodology those policies considered "uncollectible" and "uncooperative" and of those, who would be eligible under the FWCJUA policyholder dividend program. It was the consensus of the Committee that the dividend policy be presented to the Board to include the edits discussed.

Lopez then reviewed the initial draft of the proposed FWCJUA Policyholder Dividend Policy and presented her analysis of the program. Gray noted that the FWCJUA's methodology is a methodology that has been approved by OIR on other transactions his organization has been involved with. Watford expressed concern with policyholders referred to an outside collection service provider being deemed ineligible even if the policyholder ultimately pays its outstanding premium obligation within a timely manner to the collection service provider. Considerable discussion ensued with regard to this issue and it was the consensus of the Board to further clarify the handling of policyholders who have not permitted a final audit and those who have not paid their outstanding premium obligation within a reasonable amount of time, even if referred to the FWCJUA's collections service provider. Staff agreed to further refine the proposed dividend policy for Rates & Forms Committee consideration.

IX. OPERATIONS COMMITTEE REPORT:

2009 Business Plan & Forecast Preliminary Outline: Stiegel reported that the Board shall consider the Operations Committee's attached preliminary outline of the 2009 Business Plan & Forecast, including the projected 2009 capital expenditures. Torrence then ran through the preliminary outline of the 2009 Business Plan & Forecast, highlighting critical discussion points. The Board resolved to remove the presentation of two one-day safety education seminars from the draft 2009 Business Plan and directed staff to consider a different approach to workplace safety through additional marketing to FWCJUA policyholders.

Discussion then led to the organization's sustainability and corporate responsibility to go green, and it was suggested that individual Board members email Torrence directly with initiatives to address sustainability to go green that will highlight business continuity. Torrence then referred to the Key Initiative Expenses, specifically the $100,000 under Legislative Initiatives and explained that this expense is there solely at our General Counsel's recommendation, based on the sensitivity of the Emma Murray case. Lopez then walked the Committee through the 2009 Forecast, including the projected 2009 capital expenditures.

Disaster Recovery Matters:

1. ***Disaster Recovery Review*:** Stiegel then reported that at its August 28th meeting, the Operations Committee reviewed the results of an "internal" audit of the FWCJUA's disaster recovery plan related to IT systems, to include security, documentation, and support. The purpose of the "internal" audit was to ensure the security of IT systems as well as the reliability of the documentation for IT systems disaster recovery. The report was favorable and identified some opportunities for improvement, all of which staff is committed to addressing and most of which were addressed by staff during the audit. No Board action was required.

2. ***Disaster Recovery & Emergency Preparedness Plan*:** Stiegel reported that at its April 28th meeting, the Operations Committee confirmed the Executive Director's modifications to the Disaster Recovery & Emergency Preparedness Plan (Revised August 25, 2008). Generally, the Plan has been modified to further clarify the duties of the Disaster Recovery Coordinators and the management team; further clarify the office evacuation procedures; specify the existence and response of the Special Commercial Package Policy; update the Vendor Contact; update the Department Checklist, including formalizing the procedures for public notification of an office closure; add a Tropical Storm & Hurricane Preparation appendix; add two "how to" appendices; and clean-up the document with non-substantive editorial revisions. No Board action was required.

Document Management & Retention: Stiegel reported that the Board shall consider revisions to the FWCJUA Records Management and Retention Policy as recommended by the Operations Committee. He summarized the changes and noted that if adopted by the Board pursuant to the Committee's recommendation, the revised FWCJUA retention schedule will be submitted to the Department of State, Division of Library and Information Services. It is anticipated that the Division will authorize both the placement of the "Insurance Policies Issued" records series within the FWCJUA specific Underwriting records as well as the revised placement of the "Audits/financial" records within the States General Records Schedule GS1-SL with its corresponding amended retention schedule.

MOTION by Bennett, seconded by Stiegel, to accept the Operations Committee recommendation to adopt the proposed revisions to the FWCJUA Records Management and Retention Policy.

X. INVESTMENT COMMITTEE REPORT:

Investment Custody and Investment Management Agreements: Bennett reported that the Board shall consider an Investment Committee recommendation that the FWCJUA update its investment custody and investment management agreements such that the FWCJUA's agreements would meet the requirements of 690-143, F.A.C., which specifically apply to Florida domestic stock insurers and not the FWCJUA.

Torrence explained that in June 2008, OIR had alerted staff that the FWCJUA's investment custody agreements with South Trust Estate & Trust Company of Florida (now US Bank/Evergreen Investment) and Sun Trust Capital Markets, Inc. did not meet all the requirements of 690-143, F.A.C. OIR further directed that the FWCJUA's agreements be amended to include and state certain requirements of the Code. Staff timely responded to OIR's request by identifying the fact that the FWCJUA was not a domestic stock insurer and as such, the regulations applicable to and governing equity securities of all domestic stock insurers outlined in 690-143, F.A.C., did not apply to the FWCJUA.

Torrence then stated that recognizing that the requirements of 690-143, F.A.C., were reasonable and desiring to take advantage of OIR's suggestions to enhance our agreements, staff contacted the FWCJUA's investment partners and inquired about the availability of these additional controls and disclosures. Both investment partners informed staff that the suggested enhanced requirements were readily available to the FWCJUA by simply executing new agreements. It was recognized that the FWCJUA's current agreements merely had not been updated since their original inception. Further, US Bank advised that if a new custodial agreement was executed, an updated Investment Management Agreement would be required.

Torrence explained that in considering the updated custodial agreements, questions came up in regards to the security of the FWCJUA's investment holdings at US Bank and SunTrust Bank in light of the many financial institution failures seen recently. The US Bank Custody Agreement as well as a separate letter from US Bank clearly indicates that the FWCJUA's investment holdings are clearly held in trust and are not assets of US Bank. The FWCJUA's investments are titled to the FWCJUA and therefore, would not be available to satisfy the claims of any US Bank creditor. In addition, US Bank also purchases securities insurance which would provide coverage to the FWCJUA if there was either a loss or damage to a negotiable or non-negotiable instrument while being held in trust by US Bank. SunTrust's First Amendment to Custody Agreement includes a new section 3 that provides a very clear indemnification statement that indicates it will indemnify the FWCJUA for any loss of securities. The original SunTrust agreement addressed the issue that all FWCJUA securities are held in a separate account titled in our name.

After some discussion, it was agreed to execute the agreements.

MOTION by Bennett, seconded by Butler, to accept the Investment Committee's recommendation to update the FWCJUA's investment custody and investment management agreements such that the FWCJUA's agreements would meet the requirements of 690-143, F.A.C. as identified by OIR. PASSED.

Compliance Review of the Current Investment Portfolio: Bennett reported that the Board shall consider confirming several Investment Committee resolutions related to investment holdings as well as whether to continue to hold the further downgraded Washington Mutual bond within the FWCJUA's portfolio or sell the bond for a loss. He provided the Board with a chronology of events and reported that the Investment Committee conducted a compliance review of the investment portfolio to determine whether additional exceptions to the Investment Policy were warranted given the state of the investment marketplace and the FWCJUA's portfolio performance. He indicated that no additional Investment Policy exceptions were authorized at the June 27th meeting; however, the Investment Committee on August 29th did authorize an investment policy exception to continue to hold the downgraded Anheuser Busch bonds and to re-confirm the previous exception to continue to hold the Home Depot bond in the portfolio. The Committee also authorized an Investment Policy exception on August 27th to hold the further downgraded Washington Mutual bond until such time as the Board could reconsider the investment. It was also noted that the Countrywide Home Loans bond holding had been upgraded to above an "A" rating.

Bennett then reported that the Board should also be aware that given the rapidly declining interest rates and unknowns in the financial marketplace, the Investment Committee resolved to adopt additional investing parameters as noted in the agenda to add more conservatism to the FWCJUA's investing philosophy. He explained that these investing parameters were developed to ensure that reasonable returns were being maintained within the portfolio while allowing the continued appropriate laddering of investment maturities.

Considerable discussion ensued with regard to the Washington Mutual bond and Lopez reported that the analysts believe that Washington Mutual's liquidity is good through 2009 given its current capital. She then explained that the worst case scenario is that Washington Mutual could be downgraded to junk status before January 2009, but there is a greater chance that it will be acquired before maturity. Further concern was expressed about holding the bond given the uncertainty facing the banking industry and Lopez responded that analysts are saying that Washington Mutual has the capital and thus, believe it will pay to maturity.

MOTION by Bennett, seconded by Steigel, to confirm the Investment Committee's decisions to authorize additional exceptions to the FWCJUA's Investment Policy to permit the continued holding of the Home Depot bond as well as the downgraded Anheuser Busch Companies bond in the FWCJUA's portfolio and to hold the further downgraded Washington Mutual bond within the FWCJUA's portfolio. PASSED.

XI. REPORT ON OPERATIONS:

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

Operations Analysis: Torrence referred the Board to the handout labeled Report of Operations – 2, Mid-Term Cancellation Report and advised that it was amended to include the kinds of accounts that are finding voluntary market homes in the current environment. She noted that approximately 50% of FWCJUA policyholders requesting mid-term cancellations are moving into the voluntary market. She further noted that fifty-one carriers have been involved in taking policyholders out of the FWCJUA within the last year and twelve carriers have taken 5 or more policyholders on average out of the FWCJUA.

Loss Summary Report: Torrence reported that there had been some minor revisions to the report after it was distributed to the Board, which is indicated in yellow highlight. She then updated the Board on the 2005 serious injury case that the Judge of Compensation Claims found the FWCJUA to be liable.

Collections Report: Torrence referred the Board to Report on Operations – 4 and asked Buccina to walk the Board through the reports. Buccina commented that over 50% of the accounts submitted for collection are cleared up or settled in full, even though the report only shows a 21.9% recovery. He explained that the 133 accounts with premium owed greater than $100,000 are virtually uncollectible when RSI receives the assignment from Travelers. He commented that the recovery is much stronger on the current inventory.

XII. FINANCIAL REPORT:

Comparative Statutory Financial Statements: Lopez reported that the cumulative surplus as of June 30, 2008 was $70.7M. She further reported that Subplan D's deficit was $3.8M with "prior A, B & C" recognizing a $42.2M surplus and the three rating tiers recognizing a combined surplus of $32.3M. She reported that written premiums for 2008 were 59% less than written premiums in 2007 suggesting continued depopulation. Losses paid in 2008 are also 85% less than in 2007. The overall net income for 2008 has fallen almost 14% compared to second quarter 2007, which is due in part to the large swings experienced in the financial marketplace that began in February 2008 and continue today.

Budget Variance: In referring to Financial Report – 2, Lopez reported that as of June 30th, Net Earned Premium was 57% less than projected. She further reported that G&A expenses are $183,000 under budget.

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

Investment Portfolio: Lopez in referring to Financial Report – 4, noted that as of June 30th the current portfolio return was 3.92%, down from 4.58% in December 2007. She reported that the FWCJUA's portfolio is still generally a buy and hold strategy which has allowed for a smaller drop in yields than the marketplace.

XIII. GENERAL ANNOUNCEMENTS: Vecchioli announced that Aon will acquire Benfield by the end of the year, at which point the two businesses will be merged and operate under the Aon Benfield Re brand. Fleischhacker commented that the FWCJUA should notice very little change in the handling of its business by either entity and Benfield's priority is to continue to maintain the highest standards of customer service. Over the longer term, the FWCJUA can expect to benefit from enhanced capabilities and services as Aon Benfield Re will seek to build on the strengths of both businesses. He indicated that both Benfield and Aon are focused on meeting and exceeding customer expectations and this will not change.

XIV. ADJOURNMENT AND CLOSING REMARKS: There being no further business, the meeting was adjourned at 12:13 p.m.

Respectfully submitted,

Charlie Clary, *Chair*

DRAFT - MINUTES OF THE MEETING OF THE AUDIT COMMITTEE OF THE FLORIDA WORKERS' COMPENSATION JOINT UNDERWRITING ASSOCIATION, INC. HELD ON NOVEMBER 19, 2008 AT 10:00 A.M. VIA TELECONFERENCE

PRESIDING:	Fred Bennett, *Chair*
COMMITTEE MEMBERS:	Terry Butler, *alternate for Sean Shaw* Beth Vecchioli
EXECUTIVE DIRECTOR:	Laura Torrence, *present for a portion of the meeting*
GENERAL COUNSEL:	Tom Maida, *not present*
OFFICE OF INSURANCE REGULATION LIAISON:	Jim Watford
STAFF PRESENT:	Laura Lopez
SERVICE PROVIDERS PRESENT:	Andy Gray, *Thomas Howell Ferguson* Arleen Desmond, *Travelers* John McLaughlin, Travelers
OTHERS PRESENT:	Carolyn Cocharan, *Colodny, Fass, Talenfeld, Karlinsky, Abate*

I. CALL TO ORDER AND OPENING REMARKS: The Chair called the meeting to order at 10:00 a.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 Bennett. A copy of the preamble is attached hereto as Exhibit "A".

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

1) Discuss the committee's communication and performance expectations with management and independent auditors. *Lopez stated that THF has already begun the annual audit process. Bennett commented that open lines of communication are very important and would like a dialogue with THF once they have completed their initial planning, focusing on the investments as well as the financial statements and other areas of focus during the audit.*

2) Discuss any significant risks faced by the Association in the current environment. *Lopez advised that the FWCJUA has been concerned about its cash deposits being at a single bank due to the recent bank failures and is therefore exploring the option of diversifying its cash deposits among multiple banks to maximize the available FDIC deposit insurance. Lopez advised that the FWCJUA has been purchasing short term treasuries to minimize cash exposure in a single bank although there has not been any negative news about SunTrust. The FWCJUA is expecting a proposal regarding a CDARS CD program to capitalize on the advantageous CD rates which will also allow full coverage for FDIC insurance. In addition, in regards to commercial paper most of the outstanding commercial paper has matured and some new CP has been purchased; however, the CP purchased has a SunTrust LOC thus securing the payment of the CP. This extra security on the CP is the only corporate CP being considered at this time.*

3) Receive an update from the general counsel on legal and regulatory matters that may have a material effect on the financial statements. *On October 23, 2008, the Florida Supreme Court overturned the First District Court of Appeal decision in the case of Emma Murray v. Mariner Health/Ace USA, ruling that claimant attorneys are entitled to "reasonable fees" in workers compensation insurance cases. In its decision, the Supreme Court indicated that when the Florida Legislature instituted widespread reform in the workers' compensation laws in 2003, an ambiguity was created involving how claimant attorneys' fees should be calculated. One section of the law instituted a fee formula based on contingency, while another section stated only that a fee should be reasonable, but it set no criteria for how to determine a reasonable fee. The court ruled that factors that should be considered in calculating a reasonable claimant's attorney fee should include the time and labor involved, the complexity of the case and the skill required to perform the necessary legal services. Consequently, the court's decision could return an hourly* *fee structure for attorneys who take on workers compensation cases and possibly significantly increasing the cost of coverage. Lopez further commented that as a result of this ruling NCCI will be filing effective March 1, 2009 one of two rate increases with the first being 8.9% for a total of 18.6%. This additional expense is currently being estimated on all open claims as well as will be considered when completing the annual reserve analysis.*

4) Provide information to the Committee on the Association's structure, controls and types of transactions. 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 as well as approval and monitoring of special or complex transactions. *This is a quarterly review item and the FWCJUA closely monitors all internal controls issues. Vecchioli asked about monitoring of investments. Bennett commented that the Investment Committee is meeting monthly to review and consider all investment concerns.*

5) Receive update from management about reports received from regulators and their responses to those reports. *At its September 9th meeting, the Board authorized staff to update the investment agreements and this has been completed.*

6) 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 statements relationships. *All financials are distributed quarterly and the large balance sheet changes being seen this year are primarily due to the large decline in premium during 2008. In addition, the Lehman Brothers bond was non-admitted from the 3rd quarter financial statement as Lehman Brothers has filed for bankruptcy and the recovery value is unknown at this time.*

7) Review Association's accounting principles (including changes in them) and practices and compare to industry norm. Review any new or proposed accounting and auditing topics affecting the company. *Gray commented that there are new accounting pronouncements; however, they will not apply to the FWCJUA.*

8) Annual Report to the full Board of Governors on the audit committee functions during the year with their completion following the audit charter checklist*. The checklist will be updated and presented to the full Board at its December 9th meeting.*

IV. GENERAL ANNOUNCEMENTS: There were no general announcements.

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

MOTION by Bennett, seconded by Butler to adjourn. PASSED. The meeting adjourned at 10:35 a.m.

Respectfully submitted,

Fred Bennett, Chair

DRAFT- MINUTES OF THE MEETING OF THE RATES & FORMS COMMITTEE OF THE FLORIDA WORKERS' COMPENSATION JOINT UNDERWRITING ASSOCIATION, INC. HELD ON NOVEMBER 24, 2008 AT 10:00 A.M. VIA TELECONFERENCE

PRESIDING:	Rick Hodges, *Chair*
COMMITTEE MEMBERS:	Charlie Clary Brett Stiegel
EXECUTIVE DIRECTOR:	Laura Torrence
GENERAL COUNSEL:	Tom Maida
OFFICE OF INSURANCE REGULATION LIAISON:	Jim Watford
STAFF PRESENT:	Michael Cleary Laura Lopez
SERVICE PROVIDERS PRESENT:	Arleen Desmond, *Travelers* Claudia Vicory, *Travelers* Andy Gray, *Thomas Howell Ferguson, joined at 10:40 a.m.*
OTHERS PRESENT:	Carolyn Cocharan, *Colodny, Fass, Talenfeld, Karlinsky, Abate, joined at 10:50 a.m.*

I. CALL TO ORDER AND OPENING REMARKS: The Chair called the meeting to order at 10:24 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 on November 14, 2008, NCCI submitted its rate filing to the Florida Office of Insurance Regulation in response to the Emma Murray decision of 10/23/08. He explained that NCCI estimates that the full impact of *Emma Murray* will be an increase in overall Florida workers compensation system costs. He noted that OIR is expected to schedule a public rate hearing in mid December and it is unclear whether NCCI's request for an increase will be granted. Maida further commented that there are conflicting views in Tallahassee about whether the legislature will even act to address the concerns expressed in the Emma Murray decision, because there are those in Tallahassee who believe that the budget shortfall is much more paramount than the attorney's fee issue.

Torrence then reported that the FWCJUA has 126 open claims with dates of accidents on or after 10/1/2003, 97 of which have attorney involvement. She indicated that staff is currently reviewing these open claims to determine if there will be additional liability created from the Court's decision. She then mentioned that it is expected that a significant unfunded liability will be created in the voluntary market due to the retroactive impact of this court decision. However, the FWCJUA is able, if necessary, to fund deficits resulting from unfunded liabilities through assessments. She then advised that no Committee action was required on this agenda item.

IV. REVIEW OF RATES: Torrence reported that the Committee shall consider recommending to the Board that it discontinue the FWCJUA's special classification code 0916 (Domestic Workers – Inside – Includes Babysitting Service; Home Health Care Service), given the reason the FWCJUA established the code no longer exists due to classification changes adopted in the voluntary market.

Torrence summarized Attachment C explaining that the FWCJUA established code 0916 in 1998 to equitably rate exposures associated with residential homeowners' employees who provided home help services. She also advised that the rating disparity that led to the creation of the FWCJUA's special classification code 0916 was fully addressed in the voluntary market in January 2008. Accordingly, Torrence recommended that special classification code 0916 be discontinued as soon as practicable to ensure that the FWCJUA is not competitive with the voluntary market. Torrence then reviewed the Operations Manual revisions that would be required if code 0916 was discontinued and advised that the statistical data collected for code 0916 would be rolled into code 8835 for rate making purposes.

MOTION by Stiegel, seconded by Clary, to recommend that the Board discontinue FWCJUA special classification code 0916 as soon as practicable. PASSED

V. RETURN OF PREMIUM DIVIDEND: Torrence reported that the Committee shall consider the attached proposed FWCJUA Policyholder Dividend Policy and possibly, whether to declare a dividend for the 2001 policy year. She then summarized the significant revisions to the draft policy that were made since the Board's September review.

MOTION by Clary, seconded by Stiegel, to recommend to the Board that it adopt the proposed FWCJUA Policyholder Dividend Policy. PASSED.

Discussion then led to whether to declare a dividend for the 2001 policy year as well as determine the underwriting percentage gain to be used, if a dividend is declared.

MOTION by Stiegel, seconded by Clary, to recommend that the Board approve a dividend declaration for the 2001 policy year with a gross policyholder dividend amount of $876,579, retaining a 5% underwriting gain, resulting in a net policyholder dividend amount after expenses of $858,390.56. PASSED.

Watford questioned the rationale for deeming all minimum premium policies ineligible for policyholder dividends. Torrence responded that minimum premium policies were deemed ineligible for policyholder dividends as, by definition, the minimum premium plus the JUA flat fee is lowest total policy premium for an FWCJUA policy. Following discussion, the Committee directed staff to review the aggregate minimum premium results and present such to the Board at its December 9th meeting for further consideration.

VI. GENERAL ANNOUNCEMENTS: There were no general announcements.

VII. ADJOURNMENT AND CLOSING REMARKS: There being no further business, the meeting was adjourned at 10:57 a.m.

MOTION by Stiegel, seconded by Clary, to adjourn. PASSED.

Respectfully submitted,

Rick Hodges, *Chair*

DRAFT- MINUTES OF THE MEETING OF THE INVESTMENT COMMITTEE OF THE FLORIDA WORKERS' COMPENSATION JOINT UNDERWRITING ASSOCIATION, INC. HELD ON DECEMBER 1, 2008 AT 10:00 A.M. VIA TELECONFERENCE

PRESIDING:	Fred Bennett, *Chair*
COMMITTEE MEMBERS:	Terry Butler, *designated alternate for Sean Shaw* Claude Revels
EXECUTIVE DIRECTOR:	Laura Torrence
GENERAL COUNSEL:	Tom Maida
OFFICE OF INSURANCE REGULATION LIAISON:	Jim Watford
STAFF PRESENT:	Laura Lopez
SERVICE PROVIDERS PRESENT:	Lori Hinkle, *Evergreen Investment Management* Tom Morgan*, Evergreen Investment Management* Jason Weinstein, *Evergreen Investment Management* Alicia Wyatt*, SunTrust Capital Markets*
OTHERS PRESENT:	Carolyn Cocharan, *Colodny, Fass, Talenfeld, Karlinsky, Abate*

I. CALL TO ORDER AND OPENING REMARKS: The Chair called the meeting to order at 10:00 a.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 which is attached hereto as Exhibit "A".

III. APPROVAL OF MINUTES: The minutes from the Investment Committee meeting held on October 31, 2008 were submitted for approval.

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

IV. COMPLIANCE REVIEW OF THE CURRENT INVESTMENT PORTFOLIO: Bennett introduced the topic advising that there is one new bond, Vulcan Materials, on our compliance review list. Lopez then advised that the two commercial papers previously on the compliance review list matured and paid without incident. Hinkle then reported that Home Depot, with no new changes in outlook or review from the analyst, remains a recommended hold. She also reported that it is recommended that the two Anheuser Busch bonds continue to be held given the merger with In Bev was completed in November with no negative rating actions. Hinkle then asked Tom Morgan, a financial analyst at Evergreen Investments, to report on Vulcan Materials as well as the financials. Morgan advised that Vulcan Materials is the leading supplier of construction materials in North America and is known for its conservative financial policies. He further advised that the main driver of the downgrades was the continued weakness in construction activity. He pointed out that following Vulcan's 2007 acquisition of Florida Rock Industries Inc for $4.6 billion, the significant downturn in construction activity along with the near-term negative outlook for construction activity has compounded the downturn's impact on Vulcan resulting in weaker-than-expected operating performance and a modest liquidity cushion. Morgan suggested however, that Vulcan's long-term outlook is positive given a number of favorable long-term trends. Bennett asked Morgan to provide the Committee with profile information on Vulcan Materials given the 11/2012 maturity of our bond holding, and Morgan agreed to provide the information.

Morgan then provided an update on the financial markets, noting that some actions taken by federal regulators following the very volatile month of September appear to be helping stabilize the financial markets thereby reducing panic. He reported that all of the banks in the portfolio have received some money from the Fed, which is actually a sign of approval of these banks by the regulators. During his report Morgan recommended the FWCJUA continue to hold the First Tennessee Bank bond as no negative rating activity is anticipated prior to the bond's maturity in 7 days. Morgan also recommended that the FWCJUA continue to hold the two Lehman Brothers bonds, given the estimated recovery value is anticipated to be much more than the current selling price of 10 cents on the dollar. The Committee discussed the outlook on the financials with the investment management team, particularly Bank of America and CitiGroup given that the FWCJUA is holding approximately $4.5 million in bonds issued by Bank of America, Countrywide and Merrill Lynch and a $1.14 million CitiGroup bond.

Hinkle provided updates on the Coca Cola Enterprises and Allstate bonds that had been "watch listed." She also advised the Committee of a minor concern with Target at this time given speculation of a possible recapitalization project.

The Committee was then advised about the recently finalized FDIC program known as the Temporary Liquidity Guarantee Program (TLGP), which guarantees newly issued senior unsecured debt of banks, thrifts, and certain holding companies, and provides full coverage of non-interest bearing deposit transaction accounts. The FDIC adopted the program because of disruptions in the credit market, particularly the interbank lending market. The program is designed to boost liquidity in the banking system. Through this program the FDIC will temporarily guarantee all newly issued senior unsecured debt up to prescribed limits issued by participating entities on or after October 14, 2008, through and including June 30, 2009. The guarantee would not extend beyond June 30, 2012. Staff will explore incorporating this investment opportunity into the Investment Policy and report back to the Committee.

Bennett advised the Committee that staff is also exploring another investment option known as Certificate of Deposit Account Registry Service (CDARS), which provides an easy convenient way to access complete FDIC protection on up to $50 million in CD investments. Torrence indicated that staff's report would be taken directly to the Board on December 9th for consideration as it was not possible to timely notice the topic for this meeting. Torrence then indicated that this option might be utilized to invest short term money in CD's up to 2 years in maturity if such provided higher rates of return than the money market funds. Bennett commented that this is a network which swaps $100K CD increments between participating banks behind the scenes, thus providing full FDIC insurance on CD amounts up to $50 million issued by a single participating bank.

MOTION by Revels, seconded by Butler, to authorize an Investment Policy exception to continue to hold the further downgraded Vulcan Materials bond within the FWCJUA's portfolio. PASSED.

MOTION by Butler, seconded by Revels, to re-confirm the currently authorized Investment Policy exceptions to continue to hold the Home Depot bond, the two Anheuser Busch bonds, the two Lehman Brothers bonds and the First Tennessee Bank bond within the FWCJUA's portfolio. PASSED.

V. GENERAL ANNOUNCEMENTS: Lopez informed the Committee about the next scheduled teleconference meeting of the Committee was scheduled for December 29th at 10:00 am. Given scheduling conflicts, the Committee agreed to reschedule the teleconference meeting for January 5, 2009. Staff indicated that it would notice the rescheduled meeting date for January 5, 2009 at 10:00 a.m.

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

MOTION by Bennett, seconded by Butler to adjourn. PASSED.

The meeting adjourned at 10:40 a.m.

Respectfully submitted,

Fred Bennett, Chair

DRAFT-MINUTES OF THE MEETING OF THE REINSURANCE COMMITTEE OF THE FLORIDA WORKERS' COMPENSATION JOINT UNDERWRITING ASSOCIATION, INC. HELD ON DECEMBER 1, 2008 AT 3:00 P.M. VIA TELECONFERENCE

PRESIDING:	Beth Vecchioli, *Chair*
COMMITTEE MEMBERS:	Claude Revels James Ward
EXECUTIVE DIRECTOR:	Laura Torrence
GENERAL COUNSEL:	Tom Maida
OFFICE OF INSURANCE REGULATION LIAISON:	Jim Watford
STAFF PRESENT:	Michael Cleary Laura Lopez
SERVICE PROVIDERS PRESENT:	Jeff Deaton, *Aon Benfield* Josie Fix, *Aon Benfield* Bill Fleischhacker, *Aon Benfield* Graham Jones, *Aon Benfield* Andy Rapoport, *Aon Benfield* Keith Thurman, *Aon Benfield* Arleen Desmond*, Travelers* John McLaughlin, *Travelers*
OTHERS PRESENT:	Carolyn Cocharan, *Colodny, Fass, Talenfeld, Karlinsky, Abate* Scott Fields, *Guy Carpenter*

I. CALL TO ORDER AND OPENING REMARKS: The Chair called the meeting to order at 3:00 p.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. 2009 REINSURANCE PROGRAM OPTIONS: The Chair explained that the purpose of today's meeting was to discuss the options for the 2009 reinsurance program and formulate a recommendation for Board consideration. Before he began his formal presentation, Fleischhacker reported that Benfield became Aon Benfield today. He then proceeded to summarize the structure of the FWCJUA's 2008 reinsurance program, the prices and the reinsurers on each portion of the program and their ratings. The conversation led to the 2008 pricing, specifically the rate of 10.437% and the minimum premium of $1,541,711 and Torrence explained that the 2008 rate was based on a projected $21M of earned premium. However, earned premium for 2008 appears like it will now be approximately $10.5M and as such, the minimum premiums will apply which results in a rate of 14.683%. Fleischhacker then proceeded to review the 2008 coverage parameters as well as the issues that would need to be resolved by the Committee when developing the 2009 program recommendations. Discussion ensued with regard to runoff versus cutoff and the Chair pointed out that the FWCJUA has historically terminated its reinsurance treaties on a cutoff basis. Fleischhacker explained when rates are increasing significantly one might want to consider terminating existing reinsurance treaties on a run-off basis to take advantage of the more favorable rates on an existing treaty. He further noted that running off the 2008 program could cause greater difficulty in administration and potentially increase 2009 reinsurance rates by further decreasing the subject base. Balancing these factors with the expectation that rates will not increase significantly, Fleischhacker suggested that the JUA might consider terminating the existing treaties on a cutoff basis.

Fleischhacker proceeded to summarize the current market conditions noting that reinsurers will perceive increased volatility in the FWCJUA's excess layers against the significantly decreased premium base. It was also noted that reinsurers are concerned with the Florida Supreme Court's 10/23/08 "Emma Murray" decision to eliminate the statutory caps on claimant attorney fees intended by the Florida Legislature, especially given that many attribute a significant portion of the approximate 60% decrease in voluntary market rates since 2003 to the statutory attorney fees cap. Deaton referred to the exhibit on page 10 of the agenda and explained that it reflects the increase in severity losses industry wide, which has impacted pricing at least according to one reinsurer incumbent to the program. Thurman hypothesized a possible quicker than expected repopulation of the JUA as a result of the Murray decision, which could allow reinsurers to increase economies of scale and result in more reinsurance premium than necessary for their pricing models. He explained that contractual language can be used to protect the FWCJUA in the event of a dramatic premium change. He further expressed that reinsurers are concerned with large loss development within the FWCJUA in recent years as it projects more loss in the reinsurance layers, although the development is primarily the result of setting actuarial reserves for one USL&H claim as part of the normal anticipated progression of the claim as well as a recent JCC order wherein the FWCJUA was found to be the responsible carrier for a 2005 claim with total benefits of more than $10M, which the FWCJUA is currently appealing.

Deaton then summarized the catastrophe layer quotations noting that reinsurers utilize "rate-on-line" pricing on these layers, measuring the premium they prefer to collect to cover a loss of the total $10M limit. He said that the quotations, in the context viewed by reinsurers, point to a slight decrease in pricing despite the increased percentage of earned premium allocated to these layers. He further reported that while the FWCJUA has been able to maintain 70% minimum premiums, there has been a lot of pressure against 70% minimum premiums from the quoting markets as a result of the FWCJUA's decreasing premium size. But, he is hopeful that the 2009 program will maintain the 70% minimum premium. Torrence pointed out that while the quoted rates have increased, the quoted minimum premium requirements have generally decreased; thus, the result could be the FWCJUA will pay less money if the minimum premiums come into play like they appear to be doing in 2008. Deaton then summarized the working layer quotations noting that some of the quotations include an AAD as well as different reinstatement options. Deaton also discussed the different reinstatement options for the $4M xs $1M layer noting three reinstatement patterns and the costs associated with each reinstatement pattern. Deaton further noted that he had discussed with the four major quoting markets on the $4M xs $1M layer about a potential decrease in reinsurance rate should the subject premium base increase and 3 of the 4 were receptive and open to discussing a formula that could be included within the contract to decrease the percentage of premium if for instance the FWCJUA's subject base increased by 30% or something. However, Max Re has been less inclined to be willing to do something like that because their price is not influenced by the decrease in the FWCJUA's subject premium base. So, it may be more difficult to negotiate that with them, which may keep us from getting an actual formula within the contract, but at a minimum we could have a situation where the subject base increases by a certain amount and we terminate and rewrite the program. He advised that there is potential to make an adjustment, if the small subject base, which is pushing the rates up, changes.

The actuarial loss cost key drivers in the $4M xs $1M reinsurance layer and their impact on loss costs were also reviewed by Fix and Rapoport. Fix also explained the Dynamic Financial Analysis (DFA) that was performed and summarized the exhibit on page 21 of the agenda. Rapoport then reviewed the results of the DFA with the Committee noting possible economic advantages to purchasing certain reinsurance structure options. He referred to page 27 and indicated that he calls this the "efficient frontier graph" which shows the balance between the volatility retained by the JUA and the expected return net of reinsurance costs. He explained that the upper left hand corner is the "optimal corner" with the highest return and the lowest risk. Options A, B and C, with a $1M retention, are on the "efficient frontier" and provide a better risk-return tradeoff than Options D and E, with higher retentions. Rapoport explained that using the simulation model, Benfield is able to give the FWCJUA a fairly consistent comparison of what the different structures look like, so we can compare the tradeoff of risk and return under each. He further explained that the analysis indicates that this year the reinsurers have given the FWCJUA fairly reasonable pricing. He explained that Options A, B and C are the best options to consider, as the resulting values are very similar. Rapoport then disclosed that he has done some work for IOA Re and Allied World which involved California earthquake modeling. He noted that the work did not involve anything in Florida and further commented that he was not involved in any interaction with these reinsurers as regards the JUA's program placement, but felt it necessary to disclose it to the Committee.

Discussion then turned to the various layer options and associated structures and prices presented. The Committee concentrated on Options A, B and C, since Options D and E are less desirable. Torrence reported that the reinstatement in Option C could greatly affect the FWCJUA as it relates to the budget. Options A and B are consistent with the current budgeting process. Thurman noted that the indicated rates reflected for the top two layers of each structure is incorrect, given these are not actually the anticipated rates for these layers but rather the "rates on line." Therefore, the total rate and reinsurance premium dollars presented at the bottom of each option are too high. The correct total rate for Option A is 15.07% with a reinsurance premium of $1,808,000; for Option B the total rate dropped to 13.57% with a reinsurance premium of $1,628,000; and for Option C, the total rate is 12.487% with a total reinsurance premium of $1,544,000. The Committee did not want to consider Options D & E further, so they did not require the corrections for these options be stated.

Discussion ensued and it was agreed that Option C was not as desirable as Options A and B, given the unpredictable costs associated with the reinstatements. The coverage difference between Options A and B was recognized to be the $300K AAD and as Benfield pointed out, they are not sure all the major reinsurers will agree to an AAD. However, it sounds as though from the DFA that even if the FWCJUA could get an AAD, Option A would still be just as desirable. It was the consensus of the Committee that Benfield should be directed to attempt to place Option B with the AAD and if unsuccessful, secure the similar coverage Option A without the AAD.

MOTION by Vecchioli, seconded by Revels, to recommend that the Board:

1. Purchase the $10,000,000 xs $20,000,000 catastrophe layer on a Per Occurrence basis with One Reinstatement at 100% and a $5,000,000 MAOL;

2. Purchase the $10,000,000 xs $10,000,000 catastrophe layer on a Per Occurrence basis with One Reinstatement at 100% and a $5,000,000 MAOL;

3. Purchase the $5,000,000 xs $5,000,000 layer on a Per Occurrence basis with One Reinstatement at 100%;

4. Purchase the $4,000,000 xs $1,000,000 layer with or without an AAD, preferably with an AAD not to exceed $300,000, and a reinstatement pattern of "1 free, 1 @ 50%, 1 free;"

5. Terminate all existing reinsurance coverages on a cut-off basis effective 12/31/2008.

PASSED.

Discussion then led to the alien reinsurer collateral requirements recently adopted by OIR. The Committee was advised that the FWCJUA will require the 2009 reinsurance contracts contain the same provision as is currently in the 2008 reinsurance contracts mandating 100% collateralization of alien reinsurers, regardless of OIR's new collateral requirements. Further, the Committee was advised that the FWCJUA will continue to require that 100% collateral be posted by any reinsurance market, alien or non-alien, downgraded below an A- by A.M. Best.

IV. GENERAL ANNOUNCEMENTS: There were no announcements.

V. ADJOURNMENT AND CLOSING REMARKS: There being no further business, the meeting was adjourned at 4:50 p.m.

Respectfully submitted,

Beth Vecchioli, *Chair*

DRAFT-MINUTES OF THE MEETING OF THE OPERATIONS COMMITTEE OF THE FLORIDA WORKERS' COMPENSATION JOINT UNDERWRITING ASSOCIATION, INC. HELD ON DECEMBER 1, 2008 AT 1:00 P.M. VIA TELECONFERENCE

PRESIDING:	Brett Stiegel, *Chair*
COMMITTEE MEMBERS:	Fred Bennett Rick Hodges
BOARD MEMBERS:	Terry Butler, *designated alternate for Sean Shaw*
EXECUTIVE DIRECTOR:	Laura Torrence
GENERAL COUNSEL:	Tom Maida
OFFICE OF INSURANCE REGULATION LIAISON:	Jim Watford
STAFF:	Marc Babin Michael Cleary Laura Lopez
SERVICE PROVIDERS:	Arleen Desmond, *Travelers* John McLaughlin, *Travelers*
OTHERS:	Carolyn Cocharan, *Colodny, Fass, Talenfeld, Karlinsky, Abate*

I. CALL TO ORDER AND OPENING REMARKS: The Chair called the meeting to order at 1:05 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 which is attached hereto as Exhibit "A".

III. LEGISLATIVE UPDATE: Maida reported that on November 14, 2008, NCCI submitted its rate filing to the Florida Office of Insurance Regulation in response to the Emma Murray decision of 10/23/08. He explained that NCCI estimates that the full impact of *Emma Murray* will be an increase in overall Florida workers compensation system costs. He noted that OIR is expected to schedule a public rate hearing in mid December and it is unclear whether NCCI's request for an increase will be granted. Maida further commented that there are conflicting views in Tallahassee about whether the legislature will even act to address the concerns expressed in the Emma Murray decision, because there are those in Tallahassee who believe that the budget and other fiscal matters are much more paramount than the attorney's fee issue.

Torrence then reported that she had received notice that OIR will be conducting a public rate hearing on December 16th, as it relates to the supplemental rate filing made by NCCI based on the recent Florida Supreme Court Emma Murray decision. She commented that the FWCJUA has 126 open claims with dates of accidents on or after 10/1/2003, 97 of which have attorney involvement. She then reported that staff is currently reviewing these open claims to determine if there will be additional liability created from the Court's decision and anticipates the review of open case reserves to be completed by year end.

IV. 2009 BUSINESS PLAN & FORECAST PRELIMINARY OUTLINE: Torrence referred to Attachment C and reported that the Committee shall finalize its proposal to the Board for the 2009 FWCJUA Business Plan and Forecast, including the projected 2009 capital expenditures. She then ran through the significant revisions to the second draft of the proposed 2009 Business Plan and Forecast incorporating the Board's September 9th meeting comments.

Discussion then ensued regarding the organization's sustainability and corporate responsibility to go green and Stiegel advised that he had recommended that staff consider video & teleconferencing alternatives for vendor participation at physical Board & Committee meetings to reduce the FWCJUA's carbon footprint. Torrence responded that she had spoken with several vendors and all seemed to generally favor the face-to-face with the Board. Desmond added that the travel to Sarasota is at times burdensome, but also noted that she likes the face-to-face with staff and the Board, which she believes to be quite beneficial. Torrence indicated that staff was committed to reducing the FWCJUA's carbon footprint and thus, would continue to explore such opportunities for implementation in 2009.

Lopez then walked the Committee through the 2009 Forecast, including the projected 2009 capital expenditures, noting that the forecasted 2009 reinsurance premium reflected 2008 pricing and the 2009 forecasted rent and insurance figures reflected estimates that will be updated in the forecast when the contract terms are known. Torrence also commented that the forecast for the 2009 virtualization project was changed from the original projection of $37,000 to $47,000 to incorporate the cost related to the storage array needed for the virtualization project, which was reflected in the budgeted capital expenditures.

MOTION by Hodges, seconded by Bennett to recommend to the Board that it adopt the 2009 Business Plan and Forecast as presented. PASSED.

V. DISASTER RECOVERY MATTERS: Torrence referred to Attachment D 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 had been modified to update the Table of Contents to reflect the new Appendix I Training/Update form, updates to Appendix C, Appendix D, Appendix F, and clean-up the document with non-substantive editorial revisions. She noted that the changes were indicated in red and yellow highlight with either strikeout or underscore for quick reference.

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

VI. SERVICE PROVIDER AUDIT REPORT: Torrence reported that in July 2008, staff audited the policy administration and managed care service provider, Travelers. She indicated that the performance audit resulted in a cumulative score of 96.3% and an overall "Commendable" rating for Travelers. She explained that this is an improvement on last year's performance audit results which reflected a cumulative score of 92.9% and an overall "Satisfactory" rating.

Torrence then reported that staff had again reviewed the Travelers' Anti-Fraud and Disaster Recovery Plans and found them both to be comprehensive and adequate. She further reported that there were two elements within the FWCJUA's comprehensive performance standards wherein Travelers received less than a satisfactory rating, one element was related to loss prevention while the other was related to audit. She explained that given an extremely small qualifying sample on the loss prevention element, the element will be retested with a larger sample to ensure a credible test result. The audit element was related to proper audit documentation and Travelers has already addressed this matter with its auditors and implemented additional controls to ensure adherence to the specific performance standard. She finally reported that no Committee action was required on this agenda item.

VII. GENERAL ANNOUNCEMENTS: There were no announcements.

VIII. ADJOURNMENT AND CLOSING REMARKS: There was no further business. The meeting adjourned at 1:32 p.m.

Respectfully submitted,

Brett Stiegel, *Chair*

DRAFT- MINUTES OF THE MEETING OF THE EXECUTIVE COMPENSATION COMMITTEE OF THE FLORIDA WORKERS' COMPENSATION JOINT UNDERWRITING ASSOCIATION, INC. HELD ON DECEMBER 4, 2008 AT 1:00 P.M. VIA TELECONFERENCE

PRESIDING:	Charlie Clary, *Chair*
COMMITTEE MEMBERS:	Fred Bennett Rick Hodges Brett Stiegel
EXECUTIVE DIRECTOR:	Laura Torrence
GENERAL COUNSEL:	Tom Maida
OFFICE OF INSURANCE REGULATION LIAISON:	Jim Watford
SERVICE PROVIDERS PRESENT:	Neville Kenning, *Hay Group*

I. CALL TO ORDER AND OPENING REMARKS: The Chair called the meeting to order at 1:08 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 presented by Maida, a copy of which is attached hereto as Exhibit "A".

III. 2009 EXECUTIVE COMPENSATION & BENEFITS: Torrence reported that the Executive Compensation Committee shall review the executive compensation plan and the designated duties and responsibilities of the executive staff as well as formulate a Board recommendation regarding the amount of fixed annual compensation to be paid to each member of the executive staff in 2009.

She then advised the Committee that she had no recommendation for revisions to the current executive compensation plan or the job descriptions for the executive staff positions. Torrence explained that she was comfortable that the current duties and responsibilities of the executive staff were adequately outlined in the job descriptions included with the agenda for this meeting. Accordingly, the Committee accepted Torrence's recommendation.

Torrence then reported on the general 2008 performance of the FWCJUA as well as the individual 2008 performance of Cleary and Lopez. She advised that the FWCJUA was on target to meet its 2008 Business Plan, with one exception. She explained that staff would be unable to deliver the redesigned web-based online application process by year-end given unanticipated delays that occurred in development and testing resulting from the turnover of two developers during 2008. The further advised that the redesigned web-based online application process would be delivered by January 21, 2009, barring any further turnover in the IT area. Torrence also advised that this delivery was not in any way related to the performance of either Cleary or Lopez. She suggested that both Cleary and Lopez met their individual objectives contributing to the overall success of the organization.

Following her performance report, Torrence recommended that the Committee consider recommending to the Board that Cleary and Lopez receive a 4.0% increase for 2009. She then explained that 3.5% to 4.0% appeared to be the average merit/cost of living increase in the area and within the industry. She also advised that a 4.0% increase would be in line with the other staff increases that were given this year. The Committee agreed that 3.5% to 4.0% appeared to be the average cost of living increase given recent reviews conducted with their own organizations and came to a quick consensus that an increase of 4.0% would be both reasonable and appropriate given the entire executive staff's overall performance.

The Committee then discussed the FWCJUA's benefits program. Torrence advised that generally, the current benefits program was created about 14 years ago and had not been thoroughly reviewed in quite some time. The Committee was concerned that the program may need to be updated to ensure it is competitive in today's environment. It was agreed that a review of the program should be conducted.

MOTION by Bennett, seconded by Hodges, to recommend to the Board that Laura Torrence, Michael Cleary and Laura Lopez receive a 4.0% increase in the amount of their current fixed annual compensation effective January 1, 2009. PASSED.

MOTION by Stiegel, seconded by Bennett, to direct Torrence to conduct a review of the staff benefits program to determine what, if any, updates should be made to the program with recommendations to be presented for Executive Compensation Committee consideration in the fall of 2009.

IV. GENERAL ANNOUNCEMENTS: Clary asked Torrence if there was any comments she would like to make with regard to next week's Board meeting. She indicated that she felt the agenda would go fairly quick and that the meeting would convene by lunchtime. There were no general announcements.

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

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

The meeting adjourned at 1:30 p.m.

Respectfully submitted,

Charlie Clary, Chair

ELECTION OF VICE CHAIR & OFFICERS

The Board shall consider nominations and elect the FWCJUA's Vice Chair and corporate officers.

The FWCJUA Seventh Amended ByLaws indicate that the FWCJUA shall have the following officers:

- **A.** A President, who shall be the Chair;
- **B.** 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;
- **C.** A Secretary, who shall be elected by the Board and shall serve at the pleasure of the Board;
- **D.** A Treasurer, who shall be elected by the Board and shall serve at the pleasure of the Board; and
- **E.** Such other officers as the Board may from time to time elect.

The current corporate officers of the FWCJUA are as follows with the elected positions having been filled by the Board at its December 11, 2007 meeting:

1. President: Charlie Clary (Chair) *non-elected position; appointed by FSC on 10/16/07*
2. Vice President: Dan Dannenhauer (Vice Chair)
3. Secretary: Laura Torrence (Executive Director)
4. Assistant Secretary: Michael Cleary (Operations Manager)
5. Treasurer: Laura Lopez (Controller)

The Board shall elect the Vice Chair and corporate officers and shall authorize staff to update the FWCJUA banking records accordingly.

2009 MEETING SCHEDULE

The following 2009 FWCJUA Board of Governors "quarterly" meeting schedule is submitted for the Board's consideration. Please note that unscheduled meetings may be required, however, such meetings would be coordinated with the Board members and then appropriately noticed.

DATE	TIME	FORMAT	LOCATION
Tuesday, March 10, 2009	8:30 a.m. – 12:00 p.m.	Quarterly Meeting	Sarasota
Tuesday, June 9, 2009	8:30 a.m. – 12:00 p.m.	Quarterly Meeting	Sarasota
Tuesday, September 8, 2009	8:30 a.m. – 12:00 p.m.	Quarterly Meeting	Sarasota
Tuesday, December 8, 2009	8:30 a.m. – 12:00 p.m.	Quarterly Meeting	Sarasota

The Board shall adopt its "quarterly" meeting schedule for 2009.

CASH DEPOSITS

The Board shall consider whether to participate in the Certificate of Deposit Account Registry Service, ("CDARS") utilizing the local Sarasota member bank, Sabal Palm Bank, who introduced the program to the FWCJUA for consideration.

CDARS, which is run by the Promontory Interfinancial Network LLC in Arlington, Virginia, was created more than five years ago and provides an easy, convenient way for various types of consumers to access complete FDIC protection on up to $50 million in CD investments. CDARS is a deposit-placement service in which participating member banks act as agents for depositors in placing funds at other participating member banks. In summary, the cash deposits placed at a member bank are passed to other member banks in amounts of $100,000 or less thus allowing them to be fully insured by the FDIC while allowing a single transaction at a single bank. By utilizing one member bank, a single statement is received from that bank identifying all the individual CD's and member banks they are placed with. In addition, all 2500 member banks have been reviewed before being allowed to join the network to ensure adequate capital, asset quality, liquidity and earnings as well as whether they currently have a formal regulatory action against them. For many businesses, CDARS can be a valuable cash management or longer-term investment tool.

It is believed that this investment option might be utilized by the FWCJUA to invest short term money in CD's up to 2 years in maturity if the CD's offer higher rates of return than the money market funds. As is common with CD's, there is an early withdrawal penalty; however, the FWCJUA will continue to closely monitor its cash flows to mitigate this risk. It is recommended that the Board consider allowing the FWCJUA to enter into the CDARS program as an option for investing cash securely, safely and with a reasonable return for the short term; utilizing Sabal Palm Bank as its member bank.

Sabal Palm Bank was founded in October, 2006 by experienced bankers, diverse professionals and community leaders all having deep ties to Sarasota and Manatee counties. It is a full service, locally owned bank located on Fruitville Road between Honore and Richardson Way in Sarasota. Listed below are Sabal Palm Bank's current CDARS rates for the FWCJUA.

TERM	RATE	APY
4 weeks	1.734	1.75
13 weeks	2.955	3.00
26 weeks	3.149	3.20
52 weeks	3.342	3.40
104 weeks	3.439	3.50
208 weeks	3.535	3.60

Attached for the Board's perusal are the following exhibits:

1. Why CDARS?
2. CDARS Founders, Board Members, and Bank Advisory Board
3. July 2003 Opinion Letter from the FDIC's Legal Division regarding the FDIC deposit insurance coverage available for deposits purchased through CDARS
4. Forms required to participate in CDARS utilizing Sabal Palm Bank
   - **a.** Entity Authorization
   - **b.** CDARS Deposit Placement Agreement
   - **c.** CDARS Early Withdrawal Penalties acknowledgement form
   - **d.** CDARS Customer Request for Account Placement
5. Sabal Palm Bank Third Quarter Call Report Excerpt

The Board shall determine whether to participate in the Certificate of Deposit Account Registry Service, ("CDARS") utilizing the local Sarasota member bank, Sabal Palm Bank, who introduced the program to the FWCJUA for consideration.

WHY CDARS?

Almost anyone who wants to combine the convenience of working with one financial institution with the security of FDIC insurance can benefit from CDARS.

Full Insurance. Using the CDARS service, you can access up to $50 million in FDIC protection on CD investments.[1]

One Bank. You work with a local CDARS network member — one you know and trust — to secure large deposits (from $10,000 to $50,000,000).

One Rate. You earn one interest rate on CD investments placed through CDARS. With CDARS, there is no need to negotiate multiple rates or manually tally disbursements for each CD.

One Statement. You receive one regular statement detailing your CD investments. You no longer need to consolidate statements at the end of each month, quarter, or year.

No Hidden Fees. There are no hidden fees of any kind. You will not be charged annual fees, subscription fees or transaction fees for using the CDARS service. The rate you see is the rate you get.

No Collateralization. Because CDARS deposits are eligible for full FDIC protection, you may not need to collateralize your deposits. This eliminates the time-consuming task of tracking collateral values.[2]

A Wide Variety of Maturities. You can select from various maturities — ranging from 4 weeks to 5 years (260 weeks) — and choose the terms that best suit your investment needs.

Community Involvement. Your funds can support lending initiatives, including special development projects that strengthen the local community.[3]

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[1] Funds may be submitted for placement only after a depositor enters into a CDARS Deposit Placement Agreement with a member institution.

[2] If a depositor is subject to restrictions with respect to the placement of funds in depository institutions, it is the responsibility of the depositor to determine whether the placement of the depositor's funds through CDARS or a particular CDARS transaction satisfies those restrictions.

[3] Because deposited funds are exchanged on a dollar-for-dollar basis with other banks in the network, the bank through which a depositor places his/her funds can use the full amount of a deposit placed through CDARS for local lending, satisfying some depositors' local investment goals/mandates. Alternatively, with a depositor's consent, the bank may choose to receive fee income instead of deposits from other banks. Under these circumstances, deposited funds would not be available for local lending.

Promontory Interfinancial Network, L.L.C.
Founders, Board Members, and Bank Advisory Board

Founders

Eugene A. Ludwig
Chairman & CEO
Former Comptroller of the Currency

Alan S. Blinder
Vice Chairman
Former Vice Chairman of the Board of Governors of the Federal Reserve System

Mark P. Jacobsen
President & COO
Former Chief of Staff of the FDIC and Office of the Comptroller of the Currency

Board Members & Bank Advisory Board Representation

Eugene A. Ludwig
Chairman & CEO, Promontory Interfinancial Network
Former Comptroller of the Currency

Alan S. Blinder
Vice Chairman, Promontory Interfinancial Network
Former Vice Chairman, Federal Reserve Board

James M. Culberson
Chairman Emeritus, First National Bank & Trust
Former President, American Bankers Association

Art Certosimo
Vice Chairman, Promontory Interfinancial Network
EVP and Head of Broker Dealer Services,
The Bank of New York

Kenneth M. Duberstein
Chairman & CEO, The Duberstein Group
Former White House Chief of Staff

Mark P. Jacobsen
President & COO, Promontory Interfinancial Network
Former Chief of Staff, Comptroller of the Currency and FDIC

Edward W. Kelley, Jr.
Former Governor, Federal Reserve Board

Frank N. Newman
Chairman & CEO, Shenzhen Development Bank, China
Chairman Emeritus, Bankers Trust Company

Donald G. Ogilvie
Chairman, American Bankers Association International
Former President and CEO, ABA

Warren Rudman
Partner, Paul, Weiss, Rifkind, Wharton & Garrison
Former U.S. Senator

Jeffrey B. Schreier
Managing Director, The Bank of New York

L. William Seidman
Chief Commentator of CNBC-TV
Former Chairman, FDIC

J. Michael Shepherd
President & COO, Bank of the West

O. Jay Tomson
Chairman, First Citizens National Bank, Mason City, IA
Former President, Independent Community Bankers of America

Frank G. Zarb
Chairman, Frank Zarb Associates
Former Chairman & CEO, NASD

William Isaac, Chairman, Bank Advisory Board
Chairman, The Secura Group
Former Chairman, FDIC

FDIC
Federal Deposit Insurance Corporation
550 17th Street, NW, Washington, DC 20429

Legal Division

July 29, 2003

Mark T. Young, Esquire
Sievert, Young & Donahoe LLP
Suite 1650
15910 Ventura Boulevard
Encino, California 91436-2842

Dear Mr. Young:

This is in response to your request for an opinion on the FDIC deposit insurance coverage available for deposits purchased through a program sponsored by Promontory Interfinancial Network ("Network"). Entitled the "Certificate of Deposit Account Registry Service" ("CDARS"), the program is a deposit-placement service designed to allow FDIC-insured depository institutions to accept deposits of more than $100,000 and obtain full coverage for the depositor by spreading the funds among as many separate FDIC-insured institutions as necessary so that no institution holds more than $100,000 (principal plus interest) for each depositor. Your view is that FDIC insurance would apply to all deposits placed through the CDARS program, assuming the program is operated as indicated in the materials enclosed with your letter.

The applicable materials you provided to us are marked "02/03 Version." The "Participating Institution Agreement" defines a *Participating Institution* as an institution participating in the CDARS program and indicates that a P*articipating institution* may act from time to time in one of three capacities: a *Relationship Institution* – an institution that submits its depositors' funds for placement though CDARS and acts as custodian with respect to its depositors' certificates of deposit ("CDs"); an *Issuing Institution* – an institution that issues CDs to depositors for funds placed with the P*articipating Institution* through CDARS; and a *Surplus Institution* – an institution that on an order date is willing to accept time deposits in excess of the funds, if any, it has submitted for placement through CDARS on that order date.

"The CDARS Deposit Placement Agreement" provides the terms and conditions upon which the *Relationship Institution* will place a depositor's funds with other FDIC-insured institutions (*Issuing Institutions*) that have entered into similar contracts with the Network. The agreement states that the *Relationship Institution* will act as the depositor's agent in placing funds in CDs with the *Issuing Institutions*. It indicates that: the *Relationship Institution* will act as the depositor's custodian with respect to the CDs and has entered into an agreement with The Bank of New York ("BNY") to act as the *Relationship Institution's* sub-custodian with respect to the CDs for which the

Relationship Institution is acting as the depositor's custodian; each CD for which the *Relationship Institution* is acting as the depositor's custodian will be recorded on the *Issuing Institution's* records in the name of the sub-custodian, BNY; the CD will be recorded on BNY's records in the *Relationship Institution's* name; and the CD will be recorded on the *Relationship Institution's* records in the depositor's name.

The Participating Institution Agreement contains these relevant disclosure and recordkeeping provisions:

> *Section 9.01* *Recordkeeping for FDIC Purposes*
>
> *As custodian for your Depositors, you will maintain, in accordance with applicable published requirements of the FDIC, a record of (i) the name, address, taxpayer identification number, and amount of the account of each Depositor for which CDs have been issued through CDARS and (ii) any representative capacity in which the Depositor may be acting.*
>
> *Section 9.04* *Recordation of CDs*
>
> *Each CD that you issue will be established on your deposit account records in the name of "[Name of Sub-custodian], acting as agent for itself and others, each acting for itself and others," or in such other manner of recordation as may be approved from time to time by the FDIC to permit "pass-through" of deposit insurance to the beneficial owner of the CD.*

The agreement between BNY (the sub-custodian) and the *Participating Institutions* specifies that the sub-custodian will:

> 2. *Record each CD as issued by you [the issuing institution] in the name of "BNY, as agent for itself and others, each acting for itself and others" (or such other manner of recordation as may be approved from time to time by the FDIC to permit "pass-through" of deposit insurance)* . . . . (Schedule A)

Discussion

Deposit insurance is provided under the Federal Deposit Insurance Act, as implemented by the FDIC's regulations, based on the rights and capacities in which deposits are held at FDIC-insured depository institutions. 12 U.S.C. §1821(a) and 12 CFR Part 330. For deposits held by an agent for its principals at FDIC-insured institutions, such as in the CDARS program, deposit insurance is said to "pass through" the holder of the account (the agent) to the owners of the funds (the principals). 12 CFR §330.7. The same logic applies where an agent is acting for multiple owners/principals and where there are multiple levels of agency relationships. The FDIC's deposit insurance regulations impose specific requirements for funds held in a fiduciary relationship. 12 CFR §330.5(b). Essentially, as long as the institution's deposit account records indicate that the funds are held in an agency capacity and the institution's records, the agent's records or an authorized third-party's records, maintained in good faith and in the ordinary course of business, designate the ownership interest of the principal(s) in the account, the FDIC will insure the funds on a pass-through basis as if each principal had placed his or her respective funds directly with the applicable depository institution.

For deposits held in multi-tiered fiduciary relationships, such as in the CDARS program, special rules apply. One way to satisfy the disclosure and recordkeeping requirements is for the deposit account records of an insured institution to indicate the existence of each and every level of the fiduciary relationships and disclose at each level the names and interest of the person (s) on whose behalf the party at that level is acting. Another way is to: expressly indicate on the deposit account records of the insured institution that there are multiple levels of fiduciary relationships; disclose the existence of additional levels of fiduciary relationships in records by parties at subsequent levels; and disclose at each of the levels the names and interests of the persons on whose behalf the party at that level is acting. 12 CFR §330.5(b)(3).

The CDARS program is a self-described deposit-placement service in which participating institutions act as agents for depositors in placing funds at other participating institutions. As specified in the above-quoted provisions of the applicable CDARS documents: (1) the *Issuing Institutions'* records will indicate that the deposits are being held by BNY "acting as agent for itself and others, each acting for itself and others"; (2) BNY's records will record each CD held by BNY as sub-custodian for the *Relationship Institution* as custodian for its depositors; and (3) the *Relationship Institution's* records (and/or an authorized third party's records) will contain the name, address and other identifying information of each depositor for which CDs are purchased through CDARS. This methodology conforms to the disclosure and recordkeeping requirements in section 330.5(b) of the FDIC's regulations. As such, the FDIC's requirements for agency pass-through deposit insurance coverage would be satisfied and, thus, the FDIC would regard each depositor/principal to be the insured party per participating institution for deposit insurance purposes.

As explained in the CDARS materials, please note that if the same depositor/principal also has an ownership interest in other deposits at the same *Issuing Institution*, those deposits would be added to his or her ownership interests in deposits (held in the same ownership capacity) placed through the CDARS system and insured in the aggregate to a limited of $100,000.

In summary, based on the CDARS information in the materials enclosed with your letter, we agree that deposits placed through the CDARS system would be insured on a pass-through basis under the FDIC's rules on the insurance coverage of agency or custodial accounts. For this coverage to be available, the recordkeeping and other applicable procedures specified in the materials would have to be followed. These views are based on the information contained in the version of the CDARS materials enclosed with your letter. Revisions to those documents on deposit ownership and recordkeeping may affect the deposit insurance coverage results. Also, this opinion addresses only the deposit insurance implications of the CDARS program. It is not intended to address any other legal or policy issues.

I hope this is fully responsive to your inquiry. Feel free to call me 202-898-7349 with any additional questions or comments.

Sincerely yours,,

Joseph A. DiNuzzo
Counsel

ENTITY AUTHORIZATION

ENTITY CERTIFICATIONS. I, Laura Torrence (Authorization Signer's name), certify that: I am a/the Secretary (Authorization Signer's title) designated to act on behalf of Florida Workers' Compensation Joint Underwriting Association, Incorporated (Authorizing Entity). Authorizing Entity is a Not for Profit Corporation (type of entity, like a "non-profit" corporation) and its Taxpayer Identification Number 59-3213885. I am authorized and directed to execute an original or a copy of this Authorization to Financial Institution, and anyone else requiring a copy. Authorizing Entity is duly organized, validly existing and in good standing under the laws of Florida and is duly qualified, validly existing and in good standing in all jurisdictions where Authorizing Entity operates or owns or leases property. Authorizing Entity has the power and authority to provide this Authorization, to confer the powers granted in this Authorization and to carry on Authorizing Entity's business and activities as now conducted. The designated Agents have the power and authority to exercise the actions specified in this Authorization and Authorizing Entity properly adopted these authorizations and appointed the Agents and me to act on its behalf. Authorizing Entity will notify Financial Institution before reorganizing, merging, consolidating, recapitalizing, dissolving or otherwise materially changing ownership, management or organizational form. Authorizing Entity will be fully liable for failing to notify Financial Institution of these material changes.

☐ Authorizing Entity conducts business and other activities under the additional trade name or fictitious name of ______________________________ and Authorizing Entity has the legal power and authority to use this trade name or fictitious name. Authorizing Entity will not use any trade name or fictitious name without Financial Institution's prior written consent and will preserve Authorizing Entity's existing name, trade names, fictitious names and franchises.

GENERAL AUTHORIZATIONS. I certify Authorizing Entity authorizes and agrees that: Sabal Palm Bank (Financial Institution) is designated to provide Authorizing Entity the financial accommodations indicated in this Authorization, subject to the Financial Institution's rules and regulations from time to time. All prior transactions obligating Authorizing Entity to Financial Institution by or on behalf of Authorizing Entity are ratified by execution of this Authorization. Any Agent, while acting on behalf of Authorizing Entity, is authorized, subject to any expressed restrictions, to make all other arrangements with Financial Institution which are necessary for the effective exercise of the powers indicated within this Authorization. The signatures of the Agents are conclusive evidence of their authority to act on behalf of Authorizing Entity. Unless otherwise agreed to in writing, this Authorization replaces any earlier related Authorization and will remain effective until Financial Institution receives and records an express written notice of its revocation, modification or replacement. Any revocation, modification or replacement of this Authorization must be accompanied by documentation, satisfactory to Financial Institution, establishing the authority for the change. Authorizing Entity agrees not to combine proceeds from collateral securing any debts owed to Financial Institution with unrelated funds.

SPECIFIC AUTHORIZATIONS. The following persons (Agents) are authorized to act on behalf of Authorizing Entity in fulfilling the purposes of this Authorization:

	Individual's Name, Title, & if applicable, Representative Entity's Name and Relationship to Authorizing Entity	Signature or Facsimile Signature
(a)	Laura Torrence, Secretary	
(b)	Michael Cleary, Assistant Secretary	
(c)	Charlie Clary, President	
(d)	Dan Dannenhauer, Vice President	
(e)		
(f)		

Authorizing Entity has adopted any facsimile signatures indicated above. Financial Institution may rely on those facsimile signatures that resemble the specimens within this Authorization or the specimens that Authorizing Entity periodically files with Financial Institution, regardless of by whom or by what means the signatures were affixed.

Authorizing Entity authorizes and directs the designated Agents to act, as indicated, on Authorizing Entity's behalf to:
(Indicate a, b, c, d, e and/or f to exercise each specific power):

a, b, c, d — Open or close any share or deposit accounts in Authorizing Entity's name, including, without limitation, accounts such as share draft, checking, savings, certificates of deposit or term share accounts, escrow, demand deposit, reserve, and overdraft line-of-credit accounts. Number of signatures required 02.

a, b, c, d — Enter into and execute any preauthorized electronic transfer agreements for automatic withdrawals, deposits or transfers initiated through an electronic ATM or point-of-sale terminal, telephone, computer or magnetic tape using an access device like an ATM or debit card, a code or other similar means. Number of signatures required 02.

a, b, c, d — Enter into and execute commercial wire transfer agreements that authorize transfers by telephone or other communication systems through the network chosen by Financial Institution. Number of signatures required 02.

a, b, c, d — Endorse for cash, deposit, negotiation, collection or discount by Financial Institution any and all deposit checks, drafts, certificates of deposit and other instruments and orders for the payment of money owned or held by Trust. Number of signatures required 02.

a, b, c, d — Sign checks or orders for the payment of money, withdraw or transfer funds on deposit with you. Number of signatures required 02.

a, b, c, d — Enter into and execute a written night depository agreement, a lock-box agreement or a safe deposit box lease agreement. Number of signatures required 02.

a, b, c, d — Borrow money or obtain other credit or financial accommodation from Financial Institution on behalf of and in the name of Authorizing Entity on the terms agreed to with Financial Institution. The designated Agents may execute and endorse promissory notes, acceptances or other evidences of indebtedness. ☐ If checked, the maximum outstanding credit limit for all available credit and financial accommodation to Authorizing Entity from Financial Institution must not exceed $ ______________ . Number of signatures required 02.

a, b, c, d — Grant a security interest, lien or other encumbrance to Financial Institution in any or all real or personal property that Authorizing Entity now owns or may acquire in the future for the payment or performance of:

☐ **Specific Debts.** The debts, liabilities and obligations, and their renewals, extensions, refinancing and modifications, evidenced by (describe): ______________

☐ **All Debts.** All debts, liabilities and obligations of every type and description owed now or in the future by Authorizing Entity to Financial Institution.

Number of signatures required 02.

a, b, c, d — Receive and acknowledge receipt for funds, whether payable to the order of Authorizing Entity or an Agent, without additional certification as to the use of the proceeds. Number of signatures required 02.

a, b, c, d — Guaranty the payment and performance of debts, liabilities and obligations owed to Financial Institution or its successors and assigns by ______________ (Borrower):

☐ **Specific Debts.** The debts, liabilities and obligations, and their renewals, extensions, refinancing and modifications, evidenced by (describe): ______________

☐ **All Debts.** All debts, liabilities and obligations, and their renewals, extensions, refinancing and modifications, that Borrower owes now or in the future to Financial Institution, to the extent allowed by law.

Number of signatures required 02.

______________ The designated Agents may also grant a security interest, lien or other encumbrance to Financial Institution in any or all real or personal property that Authorizing Entity now owns or may acquire in the future for the payment or performance of this guaranty. Number of signatures required 02.

a, b, c, d — Periodically amend, restructure, renew, extend, modify, substitute or terminate any agreements or arrangements with Financial Institution that relate to this Authorization. Number of signatures required 02.

a, b, c, d — Execute other agreements that Financial Institution may require, and perform or cause to be performed any further action necessary to carry out the purposes of this Authorization. Number of signatures required 02.

a, b, c, d — Other (specify) ______________.
Number of signatures required 02.

INTERPRETATION. Whenever used, the singular includes the plural and the plural includes the singular. The section headings are for convenience only and are not to be used to interpret or define the terms of this Authorization.

SIGNATURES. By signing, I certify and agree to the terms contained in this Authorization on behalf of Authorizing Entity on ______________ . I also acknowledge receipt of a copy of this Authorization.

Pennsylvania. The designation of an Agent does not create a power of attorney; therefore, Agents are not subject to the provisions of 20 Pa.C.S.A. Section 5601 et seq. (Chapter 56; Decedents, Estates and Fiduciaries Code) unless the agency was created by a separate power of attorney. Any provision that assigns Financial Institution rights to act on behalf of any person or entity is not subject to the provisions of 20 Pa.C.S.A. Section 5601 et seq. (Chapter 56; Decedents, Estates and Fiduciaries Code).

AUTHORIZATION'S SIGNERS:

By: ______________
Name Laura Torrence, Secretary

By: ______________
Attest: Name

FOR FINANCIAL INSTITUTION USE ONLY

Acct/Loan # ______________ Authorization and agreement completed and effective ______________.
By ______________ for the Financial Institution.

CDARS® Deposit Placement Agreement

To: Network Member

From: Promontory Interfinancial Network, LLC

Attached are the CDARS® Deposit Placement Agreement and a form of custodial agreement.

The CDARS Deposit Placement Agreement does not purport to address any third-party arrangements you may have established in connection with the CDARS service. If you are engaged in other arrangements regarding referral fees or other matters, the CDARS Deposit Placement Agreement would not disclose those arrangements. You should review with counsel any such third-party arrangement, including whether to provide any disclosures to depositors related to the arrangement.

Promontory is providing the attached form of custodial agreement for your convenience. Before using the form of custodial agreement, you should ensure that it complies with the laws of your state. Alternatively, you may wish to use your own form of custodial agreement. Please also note the following regarding the custodial agreement:

- In accordance with Section 8 of the CDARS Deposit Placement Agreement, you may wish to include in your custodial agreement your standard dispute resolution, arbitration, choice of law, venue, waiver of jury trial, and costs related to dispute provisions.
- The attached form of custodial agreement is not designed for use with Individual Retirement Accounts ("IRAs").

Please Note: A form of Custodial Agreement must accompany the Deposit Placement Agreement in order for funds to be placed through the CDARS service.

CDARS® Deposit Placement Agreement

Sabal Palm BANK

You, the undersigned, and
Sabal Palm Bank

(referred to in this agreement as "we" and "us") are entering into this agreement to set forth the terms and conditions under which we will assist you from time to time in placing your funds in time deposits with depository institutions (each an "Insured Institution") whose accounts are insured by the Federal Deposit Insurance Corporation ("FDIC"). Through an arrangement with Promontory Interfinancial Network, LLC ("Promontory"), we will endeavor to place your funds in time deposits ("CDs") issued by Insured Institutions through Promontory's Certificate of Deposit Account Registry Service®, or CDARS®, in principal amounts that, when aggregated with interest to accrue over the term of the CD, will not exceed the Standard Maximum Deposit Insurance Amount ("SMDIA") for deposits of one depositor at one Insured Institution (currently $100,000). Although certain "self-directed" retirement accounts, such as IRAs, may be eligible for coverage under a higher FDIC insurance limit (currently $250,000) for deposits of one depositor at one Insured Institution, CDs for these retirement accounts will be placed using CDARS in amounts that will not exceed the SMDIA. We will also act as your custodian with respect to your CDs pursuant to the custodial agreement that we have separately entered into with you ("Custodial Agreement"). The terms of our custodial relationship with you are set forth in the Custodial Agreement. Funds held in an account with us pending placement through CDARS or resulting from payments on CDs are subject to the SMDIA applicable to your deposits with us and therefore may not be fully insured by the FDIC.

CDARS is a proprietary process owned by Promontory that allocates orders submitted by participating financial institutions on behalf of their depositors on dates ("Order Dates") specified by Promontory. On each Order Date participating institutions submit orders requesting that Promontory allocate funds for their depositors to Insured Institutions that are willing to accept deposits through CDARS. On the "Order Allocation Date" Promontory allocates orders submitted on the Order Date.

CDARS offers different types of transactions through which we may place your funds with Insured Institutions. In a "CDARS Reciprocal℠ Transaction," we receive funds for deposit in an amount equal to the amount of your funds that we have placed using CDARS with respect to the Order Date for which your Order was submitted to Promontory, but we do not receive a fee. In a "CDARS One-Way℠ Transaction," we do not receive funds for deposit, but we receive a fee from one or more Insured Institutions that received deposits through CDARS with respect to the corresponding Order Date. Funds that we place for you through a CDARS transaction may be placed at an Insured Institution without regard to whether the Insured Institution is participating in CDARS on that Order Date through a CDARS Reciprocal Transaction or through a CDARS One-Way Transaction or otherwise. **We will place your funds through a CDARS Reciprocal Transaction unless we notify you that we will place your funds through a CDARS One-Way Transaction and you consent to our doing so. If you wish to have us place your funds only through a CDARS Reciprocal Transaction, you may check a box provided for this purpose at the end of this Agreement. If you do not check this box we will not place your funds through a CDARS One-Way Transaction without your consent.**

This agreement sets forth important information about the placement process. By signing this agreement you agree to be bound by its terms each time that you submit funds to us for placement. Please read it carefully. Some of the features of the CDs and the placement process are:

- When we place your funds, you will be issued CDs by Insured Institutions that have entered into agreements with Promontory.
- We will act as your custodian with respect to those CDs.
- The CDs issued to you by Insured Institutions will have the interest rates and annual percentage yields ("APY") you have agreed to with us.
- You will not be charged a fee in connection with CD placements.
- You may select the maturities and payment terms of your CDs from those that are available through CDARS at the time that you submit your funds for placement.
- You may designate any Insured Institution as ineligible to receive your funds.
- Early withdrawal of any CD you purchase may be available, but may be subject to substantial penalties.
- No secondary market for the CDs currently exists, but early withdrawal of any CD you purchase is available, subject to applicable penalties.

Section 1. Your Relationship With Us

(a) Agency and Custodial Relationship

We have entered into a contract with Promontory pursuant to which we will use CDARS to assist us in endeavoring to place your funds at other Insured Institutions that have also entered into contracts with Promontory. Pursuant to our contract with Promontory, we will adhere to Promontory's policies and procedures in placing your funds.

We will act as your agent in connection with the placement of your funds in CDs. As set forth above, we will place your funds through a CDARS Reciprocal Transaction unless you agree to having your funds placed through a CDARS One-Way Transaction. **Although we will act as your agent in connection with the placement of your funds, we are not acting as your investment adviser and have no obligation to advise you of alternative investments available through CDARS or otherwise. Further, we make no representations with respect to the interest rates on deposits available on an Order Date through us or through CDARS, and we may receive greater benefits when we place your funds through one type of CDARS transaction than when we do so through another type of CDARS transaction or than we would if you instructed us to make a deposit other than through a CDARS transaction.**

We will act as your custodian with respect to your CDs acquired through CDARS. We have entered into an agreement with The Bank of New York to act as our sub-custodian with respect to the CDs for which we are acting as your custodian. No physical certificates evidencing the CDs will be issued. Each CD for which we act as your custodian will be recorded on the records of the Insured Institution that issues the CD in the name of our sub-custodian, will be recorded on the records of the sub-custodian in our name, and will be recorded on our records in your name, all in a manner that will permit your CD to be FDIC insured to the same extent as if you held it directly with the Insured Institution. You will receive from us a written confirmation of the issuance of your CDs and periodic account statements that will reflect your ownership of your CDs. The confirmation of CD issuance and the account statement(s) will be the only evidence that you will receive of your ownership of the CDs. You should retain the confirmation and the account statement(s) for your records.

While we are acting as your custodian, (i) all payments with respect to the CDs by the Insured Institutions that issue the CDs will be made to us, and we will credit the funds to an account or accounts you maintain with us or disburse the funds pursuant to your instructions, and (ii) you can enforce your rights in the CDs through us. You may not transfer the CDs directly to another custodian. At your election, you may dismiss us as custodian, and your ownership of a CD may be recorded in your name on the books of the Insured Institution that issued the CD. If you choose to have the CD maintained in your name on the books of the Insured Institution that issued the CD, you will be able to enforce your rights in the CD directly against that Insured Institution.

(b) Fees

You will not pay a fee in connection with your placement of funds. If we place your funds through a CDARS Reciprocal Transaction, we will pay a fee to Promontory for using the CDARS order allocation services and certain other services. If we place your funds through a CDARS One-Way Transaction, we and Promontory will receive fees from one or more Insured Institutions receiving deposits through CDARS in respect of that Order Date. We may, in our discretion, waive some or all of our fee, and Promontory may, in its discretion, waive some or all of its fee. We and Promontory may receive different fees from different Insured Institutions in connection with the same transaction. Promontory may offer us and our employees non-cash incentives in connection with our placement of funds through CDARS.

(c) Limits on Placements

Although we, through our arrangement with Promontory, will endeavor to place your funds, on a particular Order Allocation Date Promontory may not be able to allocate orders in a way that results in the placement of some or any of your funds. The allocation process utilized by Promontory may reflect considerations of federal and state law, funding needs of Insured Institutions, economic conditions, Promontory's objectives or other factors determined by Promontory in its sole discretion.

If any of your funds cannot be placed, the unplaced funds will be returned to you. You may ask us to resubmit unplaced funds for placement through CDARS on another day on which Promontory performs its allocation service.

(d) Each CD Will Be an Obligation of the Issuer

Each CD will be a deposit obligation of the Insured Institution that issued the CD and will not be, either directly or indirectly, our obligation or an obligation of Promontory.

Your CD will not be issued until the issuing Insured Institution receives and accepts your funds.

(e) APY

If you are not a "consumer" for purposes of the Truth-in-Savings Act ("TSA"), or if our communication with you in connection with your placement of funds through CDARS is not an "advertisement" for purposes of TSA, we are not obligated to provide you with an APY on your CDs.

(f) Mutual Institution Voting and Subscription Rights

If a CD is issued to you by an Insured Institution in the mutual form of organization ("mutual institution") for funds placed for you through CDARS, you may receive through us a notice of a meeting of the depositor members of that mutual institution. Because your CD is identified on the books of the mutual institution in the name of the sub-custodian and not in your name, you will not be entitled to attend the meeting or vote by proxy. Under agreements that we have entered into with the sub-custodian that holds your CDs in its name on your behalf, the sub-custodian will forward meeting notices to us (for delivery to you) but it will not attend the meeting or vote by proxy.

It is possible that the mutual institution also may send notice of its intention to convert to a stock institution, and provide for priority, non-transferable subscription rights for depositor members of the mutual institution to purchase stock in the conversion. Because of the nature of our agreement with the sub-custodian, your CD will be identified on the books of the mutual institution in the name of the sub-custodian, and not in your name, and thus, you will not be entitled to exercise any subscription right to purchase the stock, or to vote on the conversion. The sub-custodian, which will own the subscription right, also will not purchase any stock in the conversion.

Accordingly, if you wish to receive meeting notices directly, attend meetings and vote (to convert from the mutual to stock form of ownership, form a mutual holding company or otherwise) with respect to a CD you have acquired from a mutual institution through CDARS, or wish to receive subscription rights in the event the mutual institution converts from mutual to stock form, you will have to dismiss us as custodian prior to the applicable record date (a date usually at least a year in advance from the date the mutual institution's board of directors adopts a plan of conversion) and have your ownership of the CD recorded in your name directly on the books of the mutual institution that issued the CD.

Section 2. Promontory

(a) General

Promontory is not your agent and is responsible solely to us for performing the services for which we have retained it. Promontory uses the proprietary process included in CDARS to allocate orders submitted on a specified Order Date by Insured Institutions to other Insured Institutions that are willing to accept deposits through CDARS.

On an Order Allocation Date, Promontory uses the CDARS allocation process to propose placements of funds with Insured Institutions wishing to receive funds, subject to your approval as set forth in the procedures set forth in Section 3 of this agreement ("Placement Procedures"). CDs for funds placed through CDARS will be issued to you on the business day immediately following the Order Allocation Date (the "Settlement Date"). A "business day" means any day other than a Saturday, a Sunday or a day on which banks in New York, New York are authorized or required by law or regulation to close.

In addition to the fees payable to it in connection with CDARS Reciprocal Transactions and CDARS One-Way Transactions, Promontory may realize profits or incur losses in connections with the placement of your funds at one or more Insured Insured Institutions on the terms you have selected.

(b) CDARS Reciprocal Transaction

When we notify Promontory that we wish to submit your funds for placement through a CDARS Reciprocal Transaction on an Order Date, we will agree to accept for deposit an equal or greater amount of deposits through CDARS. On the Settlement Date, CDs will be issued to you and we will accept deposits placed by other participating institutions.

Your funds may be placed at Insured Institutions that are submitting funds for placement through a CDARS Reciprocal Transaction or at Insured Institutions that have requested deposits through CDARS with respect to the same Order Date. When your funds are placed through a CDARS Reciprocal Transaction, we may make or receive payments based upon the difference between the interest rate we have agreed upon with you for your CDs and the interest rate we pay on CDs that we issue to customers of other Insured Institutions. These payments will be calculated pursuant to a formula that uses the projected volume-weighted average interest rate for deposits placed through CDARS Reciprocal Transactions on the same day your funds are placed. These payments are intended to provide us with the same interest cost on the CDs we issue to depositors of other Insured Institutions through a CDARS Reciprocal Transaction as we would have incurred had we issued the CDs directly to you.

Any payments made or received by us, or fees received by Promontory, will not change the terms we have agreed with you for your CDs.

(c) CDARS One-Way Transaction

On any Order Date, Promontory may receive commitments from Insured Institutions wishing to receive funds through a CDARS One-Way Transaction. Based on these commitments, Promontory communicates to us the maximum amount of funds that can be submitted for placement through CDARS One-Way Transactions in each CD maturity on that Order Date.

If we place your funds through a CDARS One-Way Transaction, we will not receive deposits on the Settlement Date, and we will not make or receive payments as described under "CDARS Reciprocal Transactions" above. Your funds may be placed at Insured Institutions that are submitting funds for placement through CDARS Reciprocal Transactions or that have requested funds for deposit on that Order Date.

As set forth above, we and Promontory each will receive a fee when we place your funds through a CDARS One-Way Transaction, and we or Promontory may waive all or part of this fee. Any fees received by us or Promontory will not change the terms we have agreed to with you for your CDs.

Section 3. Placement Procedures

(a) Order Dates and Terms of CDs

Each time you notify us that you wish to place funds through CDARS, we will inform you of (i) the available Order Dates, (ii) the CD maturities and payment terms available on each Order Date, (iii) whether early withdrawal of the CDs is available and whether any penalties (and processing fees, if applicable) will be imposed on you for early withdrawal, (iv) any limits with respect to placing funds and (v) whether we intend to submit the funds for placement through a CDARS One-Way Transaction.

The terms and conditions available for CDs may change from time to time. Each CD issued by an Insured Institution will have a principal amount that, when aggregated with interest to accrue during the term of the CD, will not exceed the basic FDIC insurance limit. You may obtain information about the terms of the CDs made available through CDARS on an Order Date at www.CDARS.com/products.

The interest rates and APYs for the CDs we offer to obtain for you through CDARS will be agreed upon by you and us. For placements through CDARS Reciprocal Transactions, the interest rate and APY we agree upon with you will reflect the interest rate and APY we are willing to pay, after paying a fee to Promontory. For placements through CDARS One-Way Transactions, the interest rate and APY we agree upon with you will reflect the interest rate and APY that Insured Institutions requesting funds through CDARS One-Way Transactions for that Order Date are willing to pay after paying fees to Promontory and us.

Interest on your CDs will compound daily. Payment options may vary based on the maturity of the CD. You may have the option with some CDs to choose between monthly payments of interest and payment of interest at maturity or other available interest payment terms. In addition, depending on the terms and conditions of a particular CD, you may be able to change the payment terms of the CD during the term of the CD. If you choose to have interest paid to you during the term of the CD, you may not be able to re-invest the interest you are paid at an interest rate as favorable to you as the interest rate paid on the CD.

Each CD will earn interest from the day your funds are deposited at the Insured Institution that issues the CD up to, but not including, the day your CD matures. If the date on which a payment with respect to a CD is due is not a business day, that payment will be made on the next business day.

(b) Presumption of CDARS Reciprocal Transaction

We will submit your funds for placement through a CDARS Reciprocal Transaction unless we inform you that we will place your funds through a CDARS One-Way Transaction and you agree to our doing so. If we submit your funds for placement through a CDARS One-Way Transaction and Promontory is not able to allocate our order, we may resubmit an order for your funds on that Order Date through a CDARS Reciprocal Transaction, unless you instruct us not to do so at the time you request that we submit your funds. If we so resubmit your funds through a CDARS Reciprocal Transaction, the CDs issued to you will have the same terms as the CDs that would have been issued to you through the CDARS One-Way Transaction.

If you are a public funds depositor or a non-profit institution submitting funds for placement and wish your funds to be placed only through CDARS Reciprocal Transactions, please inform us by checking the box at the end of this agreement.

(c) List of Insured Institutions

Each time you notify us that you desire to place funds through CDARS, you may obtain from us a list of Insured Institutions at which your funds may be placed. Not all of these Insured Institutions may be available to issue CDs with respect to an Order Date, and, before the list is provided to you, we may have designated some Insured Institutions as ineligible to receive funds from our depositors. You should review the list provided to you and inform us of the name(s) of any Insured Institution(s) at which you do not want to make a deposit, for any reason. At your option, you may also provide us with the names of Insured Institutions not then on the list at which you do not want to make a deposit. Once you have informed us of the name of an Insured Institution at which you do not want to make a deposit, your funds – whether submitted for placement through CDARS at the time you sign this agreement or in the future – will not be placed at that Insured Institution until you notify us in writing that funds may be placed in the Insured Institution. (For your convenience, at the time you sign this agreement you may indicate to us on Schedule 1 the names of Insured Institutions at which you do not want to make a deposit.) Upon your request, we will obtain from Promontory the list it maintains of Insured Institutions at which you do not wish to make a deposit. As set forth below, you are responsible for monitoring your deposits at each Insured Institution for purposes of FDIC insurance coverage.

(d) Request for Placement of Funds

When you request that we place your funds through CDARS, we will submit to Promontory a request for placement of your funds (an "Order"), including the type of CDARS transaction through which we are submitting the funds, the Order Date, the amount of funds to be placed and the terms (including interest rate and APY) of the CDs you are seeking. The Order will be in a form established by Promontory. In order for us to submit an Order, you must provide us with all information required by Promontory no later than the time specified in paragraph 1 of Schedule 2.

(e) Approval of Proposed Placements

We will not know the name(s) of Insured Institution(s) at which your funds will be placed at the time we submit an Order for your funds. On each Order Allocation Date for which we submitted an Order for your funds, we will make available to you a list of the names of Insured Institutions at which your funds are proposed to be placed, the proposed deposit amount at each Insured Institution and the names of proposed alternate Insured Institutions at which your funds may be placed. You may obtain that list from us on the Order Allocation Date at or after the time specified in paragraph 3 of Schedule 2, and, at any time prior to the time specified in paragraph 4 of Schedule 2, you may notify us of the name or names of any of the proposed or proposed alternate Insured Institutions at which you do not want to make a deposit. Although you may direct us not to place funds at a proposed or alternate proposed Insured Institution, you cannot direct us to place funds at a specific Insured Institution or specify the amount to be placed at any Insured Institution.

If you eliminate one or more of the proposed or proposed alternate Insured Institutions from the list, or if one or more of them becomes unavailable for placement for any reason, your funds will be placed at the Insured Institutions that were not eliminated. If a sufficient number of proposed and proposed alternate Insured Institutions are eliminated or become unavailable so that not all of your funds can be placed, only as much of your funds will be placed as can be deposited at the remaining Insured Institutions in CDs with principal amounts that, when aggregated with interest to accrue during the term of the CDs, will not exceed the SMDIA. Your remaining funds will not be allocated on the Order Allocation Date. In such case, we will inform you of the amount of your funds that will not be placed and you may request that we resubmit an Order for your unplaced funds on another Order Date by repeating the procedure outlined above.

If in connection with any placement of your funds using CDARS, you eliminate a proposed or proposed alternate Insured Institution in accordance with the above procedures, funds that you subsequently submit for placement will not be placed in that Insured Institution until you notify us otherwise in writing.

(f) Your Consent to Placement

Your funds will not be placed unless you have consented to their placement. You will be deemed to have consented to the placement of your funds at the proposed or proposed alternate Insured Institutions as of the time specified in paragraph 4 of Schedule 2 if by that time you:

(i) communicate your approval to us;
(ii) do not request the list of proposed and proposed alternate Insured Institutions from us;
(iii) request the list of proposed and proposed alternate Insured Institutions from us, but do not respond to the proposed list; or
(iv) respond to the list of proposed and proposed alternate Insured Institutions by eliminating one or more of the Insured Institutions, in which case you will be deemed to have consented to the placement of your funds at those Insured Institutions that you have not eliminated.

(g) Time by Which We Must Have Your Funds; Settlement of Transactions

Unless we have made other arrangements, each time that you agree to a placement of funds under this agreement you also agree that, by the time specified in paragraph 5 of Schedule 2, you will have in an account with us immediately available funds, which under applicable law are irreversible and are not subject to any lien, claim or encumbrance, equal to the amount of funds you have informed us that you are seeking to place. On the Settlement Date, your funds will be deposited at Insured Institutions, payments to be made in connection with the placement of CDs will be made, and the CDs will be issued.

(h) Additions and Early Withdrawal

No additions may be made to any CD. Insured Institutions impose a penalty on withdrawal of a CD prior to its maturity. However, no penalty will be charged for early withdrawal upon the death of an individual who is the sole account holder of the CD. This exception applies to an individual who is the named account holder as well as an individual who is the sole current mandatory or discretionary income beneficiary of a trust, including the sole current beneficiary of a unitrust or annuity trust. Written verification acceptable to the Insured Institution that issued the CD may be required in such an event. We will inform you of the early withdrawal penalty applicable to your CDs when you submit funds for placement. For a CD with a term of 4 or 13 weeks, the early withdrawal penalty is equal to 28 or 90 days, respectively, of simple interest calculated at the CD rate. The penalties for early withdrawal of 4 or 13 week CDs are equivalent to substantially all of the interest that would have been earned over the full term and will invade principal. For a CD with a term of 26 weeks or longer, the early withdrawal penalty is equal to simple interest calculated at the CD rate for approximately half the number of days in the full term. The penalties for early withdrawal of CDs with a term 26 weeks and longer are equivalent to half of the interest that would have been earned over the full term and may invade principal. The current schedule of products available and applicable early withdrawal penalties may be viewed at www.CDARS.com\products.

Pursuant to the Internal Revenue Code of 1986, as amended, the beneficiary of an Individual Retirement Account ("IRA") (but not a Roth IRA) may incur a penalty if the beneficiary does not begin making withdrawals from the IRA after age 70-1/2. A CD held in an IRA is not eligible for early withdrawal without penalty simply because the beneficiary must withdraw the CD to avoid a tax penalty.

Early withdrawal of a CD may be made only in whole, not in part. You may request early withdrawal by contacting us, at which time you may specify which of your CDs you would like us to withdraw. If you choose not to specify which of your CDs to withdraw, early withdrawals will be made using an automated process that generates random selections based on amount. In general, early withdrawal proceeds will be available to you two business days after we receive your early withdrawal request.

Neither we nor Promontory will advance funds in connection with early withdrawals, and early withdrawal proceeds will not be available to you until they are paid to us by the Insured Institution that issued the CD being withdrawn.

(i) No Automatic Renewal or Rollover

The CDs will mature on the date shown on the confirmation of CD issuance. Upon maturity, the principal amount of, and unpaid accrued interest on, the CD will be paid to you. The CDs will not be automatically renewed or rolled over, and interest on the CDs will not continue to accrue after the maturity date. If upon maturity you wish to re-deposit your funds in CDs through CDARS, you must instruct us to re-submit the funds as a new placement or you must take advantage of our preauthorized re-submission process.

(j) Preauthorized Re-submission

At the time you submit funds to us for placement through CDARS, you may request that we re-submit those funds for placement through CDARS upon the maturity of your CDs. Unless we have entered into a written re-submission arrangement with you, you must contact us before we re-submit your funds through CDARS to establish the new terms (including interest rate and APY) and the other specifics of your Order for your re-submitted funds.

(k) No Physical Certificates

As set forth in Section 1, no physical certificate evidencing a CD will be issued. You should not purchase a CD through CDARS if you need to take physical possession of a certificate.

Section 4. Important Considerations

(a) Compare Features

You should compare the rates of return and other features of a CD to other available deposit accounts before deciding to purchase CDs using the CDARS service. Although the CDs are issued by other Insured Institutions, the rates of interest paid on the CDs are determined by us based on (i) the interest rates and APYs we are willing to pay on deposits that we accept through CDARS on the Settlement Date (if your funds are placed by us through a CDARS Reciprocal Transaction) or (ii) the interest rate and APY that Insured Institutions that have requested funds through CDARS One-Way Transactions for that Settlement Date are willing to pay after paying fees to Promontory and us (if your funds are placed by us through a CDARS One-Way Transaction). **These rates may be higher or lower than the rates on**

CDs available through a CDARS One-Way Transaction (if we are placing your funds through a CDARS Reciprocal Transaction) or a CDARS Reciprocal Transaction (if we are placing your funds through a CDARS One-Way Transaction) or on comparable deposits available directly from us, from Insured Institutions that issue the CDs through CDARS, from other Insured Institutions, or from insured depository institutions not participating in CDARS.

(b) Uninsured Deposits With Us

Funds held in an account with us prior to placement using CDARS or prior to payment of CD interest and principal us may not be covered by FDIC insurance if, when aggregated with other deposits you maintain with us in the same capacity, the total amount of your deposits in accounts with us exceeds the FDIC insurance limit applicable to your deposits with us. You should discuss with us the options for holding your funds prior to placement and for having the payments on the CDs deposited with us or elsewhere.

(c) Insolvency of an Insured Institution

In the event an Insured Institution approaches insolvency or becomes insolvent, the Insured Institution may be placed in a regulatory conservatorship or receivership in which the FDIC is typically appointed as conservator or receiver. The FDIC may thereafter pay off the CDs issued by that Insured Institution prior to maturity or transfer the CDs to another insured depository institution. If the CDs are transferred to another institution, you may be offered a choice of retaining the CDs at a lower interest rate or having the CDs paid off. See Section 5 below, “FDIC Insurance Information.”

(d) Reinvestment Risk

If your CD is paid prior to maturity as a result of the issuing Insured Institution’s insolvency or a voluntary early withdrawal (see Section 3(h) above, “Additions and Early Withdrawal”), you may not be able to reinvest your funds at the same interest rate that you received on the original CD. Neither we nor Promontory is responsible to you for any losses you may incur as a result of a lower interest rate on an investment replacing your CD.

(e) Investment Restrictions

If you are subject to restrictions with respect to the placement of funds in depository institutions, it is your responsibility to determine whether the placement of your funds by us using CDARS satisfies those restrictions. For example, when placing funds for deposit using CDARS, some governmental unit depositors may be required by law or policy to place funds only using a CDARS Reciprocal Transaction, in which the institution placing the funds for deposit using CDARS receives funds for deposit in an amount equal to the amount of funds that was placed by the depositor using CDARS with respect to the corresponding Order Date. When we place funds for deposit using a CDARS One-Way Transaction, we will not receive matching funds using CDARS.

Section 5. FDIC Insurance Information

(a) Deposit Insurance Coverage

In general, all accounts and deposits that you maintain with an Insured Institution in the same insurable capacity (whether you are acting directly or through an intermediary) would be aggregated for purposes of the applicable FDIC insurance limit. Insurable capacities include individual accounts, joint accounts and individual retirement accounts. A tax identification number is not evidence of, and does not establish, an insurable capacity that is separate from another tax identification number used by the same person or entity. Upon request, we will provide you with a copy of the FDIC brochure “Your Insured Deposits – FDIC’s Guide to Deposit Insurance Coverage.” You may also obtain information about deposit insurance coverage by contacting the FDIC, Office of Consumer Affairs, by letter (550 17th Street, N.W., Washington, D.C. 20429), by telephone (877-275-3342, 800-925-4618 (TDD) or 202-942-3100), or by e-mail (dcainternet@fdic.gov), or by visiting the FDIC website at www.fdic.gov. You may wish to seek advice from your own attorney concerning FDIC insurance coverage of deposits held in more than one capacity.

FDIC deposit insurance coverage applies to the principal and accrued interest on all CDs and other deposit accounts maintained by you in the same insurable capacity at a single Insured Institution. The records maintained by the Insured Institution, us and our sub-custodian regarding ownership of CDs will be used to establish your eligibility for federal deposit insurance payments in respect of CDs issued through CDARS. In addition, you could be required to provide certain documentation to the FDIC before insurance payments would be released to you.

(b) Government Unit Deposits

The requirements for deposit insurance coverage of the deposits of the United States government, state, county and municipal governments and their political subdivisions, the District of Columbia and the Commonwealth of Puerto Rico are specifically set forth in regulations of the FDIC (12 C.F.R. 330.15). In general, such deposits will be insured up to the SMDIA and individual departments and political subdivisions within a governmental unit may be eligible for separate insurance if certain requirements are met. The use of separate tax identification numbers by different departments or political subdivisions of the same governmental unit will not by itself cause the deposits of such departments or political subdivisions to be eligible for separate FDIC insurance.

It is the obligation of each governmental entity to determine whether the requirements for deposit insurance have been met. Neither we, Promontory, not the insured Institution issuing CDs to you are responsible for uninsured losses resulting from placement of funds that are not eligible for deposit insurance.

(c) Deposit Insurance Payments

In the event that deposit insurance payments become necessary for your CDs, the FDIC is required to pay the original principal amount plus accrued interest to the date of the closing of the relevant Insured Institution, as prescribed by law, subject to the limits on FDIC deposit insurance coverage. No interest is earned on deposits from the time an Insured Institution is closed until insurance payments are received. We will notify you if we receive any payments from the FDIC with respect to your CDs.

As an alternative to a direct deposit insurance payment from the FDIC, the FDIC may transfer the insured deposits of an insolvent institution to a healthy institution. Subject to insurance verification requirements and the limits on FDIC deposit insurance coverage, the healthy institution may assume your CDs under their original terms or offer you a choice between either receiving payment of the CDs or maintaining the deposits at a different rate. We will advise you of your options in the event of a deposit transfer.

As with all federally insured deposits, if it becomes necessary for federal deposit insurance payments to be made on the CDs, there is no specific time period during which the FDIC must make the insurance payments available. Neither we nor Promontory will be obligated to make any payments to you in satisfaction of a loss you might incur as a result of (i) a delay in insurance payouts applicable to a CD, (ii) your receipt of a decreased interest rate on an investment replacing a CD that is repaid prior to its scheduled maturity, or (iii) payment in cash of the principal and accrued interest of a CD prior to maturity in connection with the liquidation of an Insured Institution or the assumption of all or a portion of its deposit liabilities. Also, neither we nor Promontory will be obligated to advance funds to you prior to payment from the FDIC.

Section 6. Responsibility to Monitor Deposits at Insured Institutions; Publicly Available Information

Funds we submit for placement on your behalf on any Settlement Date are placed in CDs at enough different Insured Institutions to prevent the principal amount and any interest to accrue over the term of each CD placed on that Settlement Date from exceeding the FDIC insurance limit. It is your responsibility, however, to monitor the total amount of deposits that you hold with each Insured Institution in order for you to determine the extent of FDIC deposit insurance coverage available to you on deposits at that Insured Institution, including the CDs issued through CDARS. See Section 5 above, “FDIC Insurance Information,” for more information on FDIC insurance coverage. The Insured Institution at which a deposit is made is responsible for the full amount deposited with it, and neither we nor Promontory is responsible for any insured or uninsured portion of any CD or any other deposit.

Publicly available financial information concerning the proposed and proposed alternate Insured Institutions can be obtained by you at the website of the National Information Center of the Federal Reserve System maintained at www.ffiec.gov/nic/. Neither we nor Promontory guarantees the financial condition of any Insured Institution or the accuracy of any publicly available financial information about the Insured Institution.

Section 7. Confidentiality of Information

We will provide your name, tax identification number and other pertinent identifying information to Promontory, our sub-custodian, and other parties providing services in connection with the placement of your funds and the issuance and holding of your CDs. We may also release such information to (i) an Insured Institution that has issued a CD to you, but only to the extent necessary to comply with any applicable law, rule or regulation or a judicial order, and (ii) the FDIC in connection with a claim for deposit insurance on your CD. You hereby consent to the release of that information to and its use by (a) Promontory, our sub-custodian, and other parties providing services in connection with the placement of your funds and the issuance and custodying of your CDs, (b) Insured Institutions that have issued CDs to you to the extent necessary to comply with any applicable law, rule, regulation or judicial order, and (c) the FDIC in connection with a claim for deposit insurance on your CDs. The information will not be disclosed to other Insured Institutions except as set forth herein and will not be used by Promontory, our sub-custodian, or any other parties to whom we release the information for any other purpose except as set forth herein or directed by you. Nothing in this section shall be deemed to prevent us from disclosing information to a third party if permitted or required by law.

Section 8. Disputes

Any disputes arising out of or in connection with this agreement will be governed by the dispute resolution, arbitration, choice of law, venue, waiver of jury trial, and costs related to dispute provisions, if any, contained in your Custodial Agreement with us under which we act as custodian for your CDs.

Section 9. Miscellaneous

Any information we are required to deliver to you pursuant to this agreement may be given to you by mail, facsimile or other electronic transmission.

This agreement:

- constitutes the entire agreement between us relating to the placement of deposits through CDARS and the other matters contained herein,
- supersedes all prior contracts or agreements relating to the placement of funds through CDARS, whether oral or written, and
- may not be amended by any oral representation made or oral agreement reached after the execution of this agreement.

We may amend this agreement or any related document prospectively by modifying or rescinding any of its existing provisions or by adding any new provisions at any time by sending written notice of the amendment to you. We may provide written notice of an amendment to this agreement by means of a letter, an entry on your account statement or other means. Any amendment will be effective as of the date established by us in the written notice of the amendment, subject to applicable law, provided that any amendment may not become effective until ten days after the written notice has been sent by us.

This agreement is not assignable, in whole or in part, by either party except by operation of law or as required by law.

The headings in this agreement are inserted for convenience and identification only, and are not intended to describe, interpret, define or limit the scope or intent of this agreement or any clause hereof.

By signing below, you acknowledge that you have received this agreement, that you have read and understood this agreement and that you were given the opportunity to ask us any questions you may have had with respect to this agreement, the transactions contemplated by it, the CDs and FDIC insurance coverage of the CDs and deposits maintained with us.

☐ **Check this box if you are a governmental unit or other depositor and wish your funds to be placed only through CDARS Reciprocal Transactions.**

DEPOSITOR(S)

Name of Depositor: Florida Workers' Compensation Joint Underwriting Associati

By: ______________________

Name: Laura Torrence

Title: Secretary

Depositor Tax ID or Other Depositor ID: 59-3213885

ID Type: Drivers License

Name of Depositor: Florida Workers' Compensation Joint Underwriting Associati

By: ______________________

Name: Michael Cleary

Title: Assistant Secretary

Depositor Tax ID or Other Depositor ID: 59-3213885

ID Type: Drivers License

Signed this ____________ day of ____________ , 200___

DEPOSITORY INSTITUTION

Sabal Palm Bank

(Print Name of Institution)

By: ______________________

Name: Angela Reeves

Title: AVP, Commercial Banking

Acknowledged this ____________ day of ____________ , 200___

SCHEDULE 1

INITIAL LIST OF INSURED INSTITUTIONS AT WHICH YOU DO NOT WANT TO MAKE A DEPOSIT (ATTACH ADDITIONAL PAGES AS NECESSARY)

Please include the city and state of the institution's main office (rather than the city and state of a branch location). You may include the institution's routing number and/or FDIC certificate number, if you have this information.

Name of Institution	City and State	Routing or FDIC No.
Name of Institution	City and State	Routing or FDIC No.
Name of Institution	City and State	Routing or FDIC No.
Name of Institution	City and State	Routing or FDIC No.
Name of Institution	City and State	Routing or FDIC No.
Name of Institution	City and State	Routing or FDIC No.
Name of Institution	City and State	Routing or FDIC No.

SCHEDULE 2

IMPORTANT TIMES AND DEADLINES IN CONNECTION WITH THE PLACEMENT OF YOUR FUNDS

This schedule contains important times and deadlines with respect to the placement of your funds. These times may change from time to time or on any particular Order Date or Order Allocation Date (which are currently the same business day), and we will inform you of any change in times, as applicable, before you submit your funds for placement. You may also obtain information about any changes to times set forth in paragraphs 2, 3 and 4 below or about any scheduling change resulting in the Order Allocation Date taking place on the business day immediately following an Order Date at www.CDARS.com/products.

1. Time and day by which your request to have your funds placed must be submitted: 4pm on Tuesday .
2. Time and day by which we must submit your Order to Promontory: **1:00 p.m. ET** on the Order Date.
3. Time and day at or after which you may obtain the list of names of the Insured Institutions at which your funds are proposed to be placed: **3:00 p.m. ET** on the Order Allocation Date.
4. Time and day by which you must inform us of the name or names of any proposed Insured Institution at which you do not want to make a deposit: **4:00 p.m. ET** on the Order Allocation Date.
5. Time and day by which we must have your available funds on account: 4pm on Tuesday.

Custodial Agreement

GENERAL AGREEMENT FOR CUSTODY OF CERTIFICATES OF DEPOSIT - FOR INDIVIDUAL(S), TRUSTS AND BUSINESS ENTITIES

To: [Depository Institution]
Sabal Palm Bank
5101 Fruitville Road
Sarasota, FL 34232

Please hold in safekeeping, and act as custodian with respect to, all time deposits including, but not limited to, certificates of deposit (all such time deposits will be referred to herein as "CDs") issued pursuant to the CDARS® Deposit Placement Agreement between you and the undersigned for funds of the undersigned placed through the Certificate of Deposit Account Registry Service®. It is agreed between us as follows:

For purposes of Article 8 of the Uniform Commercial Code as adopted in _________, you will act as the undersigned's securities intermediary with respect to, and will treat as financial assets, any CDs you hold for the undersigned.

You are authorized to collect for account of the undersigned all interest and other payments of income or principal pertaining to the CDs unless they are payable directly to the undersigned; to surrender for payment maturing CDs and those called for redemption; to endorse on behalf of the undersigned for the above purposes all checks and other instruments requiring endorsement; to cause the CDs to be registered in your name or in the name of your nominee if you consider it desirable; to deliver or transfer the CDs to another account with you as the undersigned may from time to time instruct; to receive the CDs for account of the undersigned; to place orders for the purchase of the CDs, on the instructions of the undersigned and to pay for the same provided the undersigned has funds on deposit with you or arranges to make funds available in advance for such purpose; and to execute and deliver or file on behalf of the undersigned all appropriate receipts and releases and other instruments, including whatever certificates may be required from custodians or may be necessary to obtain exemption from taxes and to name the undersigned when required for the purpose of the instrument.

Instructions may be given orally or in writing. The following are authorized to give instructions on behalf of the undersigned (check all that apply).

___ The undersigned (individual or partnership).

___ Any of the following individuals. (List names and legal capacities.)

x Any 2 of the following officers and their respective successors in office. (List names and their titles.)

The undersigned, or the undersigned's account, is one of the following:

___ Individual	__ Custody (including guardian, agent, nominee or conservator)
___ Joint __________________	
___ Sole Proprietorship	__ Payable Upon Death Account
___ Partnership	__ Irrevocable Trust
x Corporation	__ Other________________________

You may comply with any writ of attachment, execution, garnishment, tax levy, restraining order, subpoena, warrant or other legal process that you believe (correctly or otherwise) to be valid. You may notify the undersigned of such process by telephone, electronically or in writing. If you are not fully reimbursed for your record research, photocopying and handling costs by the party that served the process, you may charge such costs to the undersigned's account, in addition to any minimum fee you charge for complying with legal processes.

You may honor any legal process that is served personally, by mail, or by facsimile transmission at any of your offices or an office of your agent (including locations other than where the funds, records or property sought is held), even if the law requires personal delivery at the office where the undersigned's account or records are maintained.

You shall have no liability to the undersigned for any action taken or omitted by you hereunder in good faith.

The undersigned agrees to indemnify you and your nominees against, and to hold you and them harmless from, all expenses (including counsel fees), liabilities and claims arising out of the holding, delivery or transfer of the CDs and compliance with any legal process that you believe (correctly or otherwise) to be valid. The undersigned agrees to pay any service charges imposed by you on this custodial account.

This agreement may be terminated at any time at the option of either party, provided, however, that any termination by you will not become effective until the end of the term of any CD in your safekeeping at the time you notify the undersigned of your intention to terminate this agreement.

DEPOSITOR(S)

Name of Depositor: Florida Workers' Compensation Joint Underwriting Associati

By: ________________________________

Name: Laura Torrence
Title: Secretary

Name of Depositor: Florida Workers' Compensation Joint Underwriting Associat

By: ________________________________

Name: Michael Cleary
Title: Assistant Secretary

Signed this ____________________ day of ______________ , 200_____

DEPOSITORY INSTITUTION

Sabal Palm Bank
(Print name of institution)

By: ________________________________

Name: Angela Reeves
Title: AVP, Commerical Banking

Acknowledged this _______________ day of _____________ , 200_____

[NOTE: If the depositor is a corporation, the following certificate should be signed by an appropriate officer of the depositor other than one signing the form of custodial agreement.]

I Laura Torrence [name], Secretary [title of office] of the above named corporation signing the foregoing custodial agreement, hereby certify that: I am personally familiar with all instruments and records relating to the organization and operation of the corporation and the meetings and proceedings of its stockholders and all boards and committees entrusted with authority in the management of its affairs; by corporate action taken in conformity with such instruments and records and appearing from said records to be still in force, the foregoing custodial agreement was authorized to be signed and delivered on behalf of said corporation; and each of the persons signing on behalf of said corporation is the qualified holder of the office given opposite his/her signature and was authorized to sign the said custodial agreement in that capacity.

Signature: ________________________________

CDARS®

Early Withdrawal Penalties

If you withdraw a CD before the maturity date, the penalty as shown below will be imposed on you by the Issuing Institution. An early withdrawal penalty may invade principal. No penalty will be charged for early withdrawal of a CD upon the death of an individual who is the sole account holder of the CD. This penalty waiver applies to an individual who is the named account holder, as well as an individual who is the sole current mandatory or discretionary beneficiary of a trust, including the sole current beneficiary of a unitrust or annuity trust.

Early withdrawal of a CD may be made only in whole, not in part.

CD Term	Early Withdrawal Penalty (in days of simple interest)
4-week	28 days
13-week	90 days
26-week	90 days
52-week	180 days
2-year (104-week)	360 days
3-year (156-week)	540 days
5-year (260-week)	900 days

Any changes to early withdrawal penalties will be posted on www.CDARS.com/products and would be effective only with respect to CDs issued after the date the new penalties are posted.

Acknowledged receipt: _________________________ Dated:_____________

 11/06

Certificate of Deposit Account Registry Service® CDARS®

Customer Request for Account Placement*

Account Title: Florida Workers' Compensation Joint Underwriting Association, Inc Beneficiaries (For POD Accounts): 1. 2. 3.
Contact (for non-personal accounts): Laura Torrence/Laura Reay Lopez
Customer Class: ☐ Individual / Joint / Revocable Trust ☐ Estate / Irrevocable Trust ☒ Corporation / Limited Liability Corp ☐ Partnership / Limited Liability Partnership ☐ Sole Proprietorship ☐ Non-Profit Institution ☐ Clubs and Associations ☐ Public Entity ☐ Foreign Government ☐ Savings Bank / Credit Union ☐ Other Bank
Street Address: P.O. Box 48957
City / State / Zip: Sarasota, Florida 34230-5957

Telephone Number: 941-378-7401	U.S. Citizen: ☒ Yes ☐ No If No, country of citizenship ________	
Tax ID Number(s): 59-3213885	Type:	☐SSN ☒TIN ☐Non-Resident SSN ☐Non-Resident without TIN

Source of Funds: ☒ Available funds ☐ Wire ☐ Reinvestment of Principal / Interest ☐ Other ________
Account to be Used: ☐ Checking ☐ Money Market ☐ Savings Account # ________ ☐ Other

Order Information:

One-Way Sell? ☐ Yes ☒ No		IRA? ☐ Yes ☒ No		Amount $		
Date to be placed:				Annual Interest Rate: and / or APY:		
Term**	☐ 4 Weeks	☐ 13 Weeks	☐ 26 Weeks	☐ 52 Weeks	☐ 2 Years (104 weeks)	☐ 3 Years (156 weeks)
Interest Payment Frequency:		☐Month End	☐Quarter End	☐ Semiannual	☐ Year End	☐ At Maturity
Interest Paid via:		☐Credit to Principal	☐Check	☐Transfer	Account #:	
Reinvest? ☐ Yes ☐ No			Amount? ☐ Principal ☐ Principal & Interest ☐ Other Term? ☐ 4 Weeks ☐ 13 Weeks ☐ 26 Weeks ☐ 52 Weeks ☐ 2 Years ☐ 3 Years			

Additional Information:

*Funds may be submitted for placement only after entering into a Deposit Placement Agreement with us. **Early withdrawal penalties will be imposed by the institution that issued the CD and are as follows: 4 Weeks, 28 Days of simple interest; 13 Weeks, 90 Days of simple interest; 26 Weeks, 90 Days of simple interest; 52 Weeks, 180 Days of simple interest; 2 years, 360 days of simple interest; 3 years, 540 days of simple interest. An early withdrawal penalty may invade principal. No penalty will be charged for early withdrawal of a CD upon the death of the sole owner. ***CDs are issued and mature on **Thursdays each week**. If Thursday is a holiday, activities move to Friday.

Customer Exclusions:

Bank:	**TRN:**	**City, State:**
See Deposit Placement Agreement		
Use this to add any new exclusions after initial order		

________________________ ________
Signature Date

________________________ ________
Signature Date

Sabal Palm Bank
Legal Title of Bank
Sarasota
City
FL **34232**
State Zip Code
FDIC Certificate Number: 58372
Submitted to CDR on 10/30/2008 at 5:52 PM

Consolidated Report of Condition for Insured Commercial and State-Chartered Savings Banks for September 30, 2008

All schedules are to be reported in thousands of dollars. Unless otherwise indicated, report the amount outstanding as of the last business day of the quarter.

Schedule RC—Balance Sheet

Dollar Amounts in Thousands			RCON	Bil | Mil | Thou	
ASSETS					
1. Cash and balances due from depository institutions (from Schedule RC-A):					
a. Noninterest-bearing balances and currency and coin (1)			0081	699	1.a
b. Interest-bearing balances (2)			0071	0	1.b
2. Securities:					
a. Held-to-maturity securities (from Schedule RC-B, column A)			1754	0	2.a
b. Available-for-sale securities (from Schedule RC-B, column D)			1773	8,758	2.b
3. Federal funds sold and securities purchased under agreements to resell:					
a. Federal funds sold			B987	3,325	3.a
b. Securities purchased under agreements to resell (3)			B989	0	3.b
4. Loans and lease financing receivables (from Schedule RC-C):					
a. Loans and leases held for sale			5369	0	4.a
b. Loans and leases, net of unearned income	B528	40,111			4.b
c. LESS: Allowance for loan and lease losses	3123	1,536			4.c
d. Loans and leases, net of unearned income and allowance (item 4.b minus 4.c)			B529	**38,575**	4.d
5. Trading assets (from Schedule RC-D)			3545	0	5
6. Premises and fixed assets (including capitalized leases)			2145	788	6
7. Other real estate owned (from Schedule RC-M)			2150	0	7
8. Investments in unconsolidated subsidiaries and associated companies (from Schedule RC-M)			2130	0	8
9. Not Applicable					
10. Intangible assets:					
a. Goodwill			3163	0	10.a
b. Other intangible assets (from Schedule RC-M)			0426	0	10.b
11. Other assets (from Schedule RC-F)			2160	1,666	11
12. Total assets (sum of items 1 through 11)			2170	**53,811**	12

(1) Includes cash items in process of collection and unposted debits.
(2) Includes time certificates of deposit not held for trading.
(3) Includes all securities resale agreements, regardless of maturity.

Sabal Palm Bank
Legal Title of Bank

FDIC Certificate Number: 58372
Submitted to CDR on 10/30/2008 at 5:52 PM

Schedule RC - Continued

Dollar Amounts in Thousands			RCON	Bil | Mil | Thou	
LIABILITIES					
13. Deposits:					
a. In domestic offices (sum of totals of columns A and C from Schedule RC-E)			2200	40,458	13.a
(1) Noninterest-bearing (1)	6631	4,517			13.a.1
(2) Interest-bearing	6636	35,941			13.a.2
b. Not applicable					
14. Federal funds purchased and securities sold under agreements to repurchase:					
a. Federal funds purchased (2)			B993	0	14.a
b. Securities sold under agreements to repurchase (3)			B995	0	14.b
15. Trading liabilities (from Schedule RC-D)			3548	0	15
16. Other borrowed money (includes mortgage indebtedness and obligations under capitalized leases) (from Schedule RC-M)			3190	0	16
17. and 18. Not applicable					
19. Subordinated notes and debentures (4)			3200	0	19
20. Other liabilities (from Schedule RC-G)			2930	232	20
21. Total liabilities (sum of items 13 through 20)			2948	**40,690**	21
22. Minority interest in consolidated subsidiaries			3000	0	22
EQUITY CAPITAL					
23. Perpetual preferred stock and related surplus			3838	0	23
24. Common stock			3230	7,500	24
25. Surplus (exclude all surplus related to preferred stock)			3839	7,827	25
26. a. Retained earnings			3632	(2,244)	26.a
b. Accumulated other comprehensive income (5)			B530	38	26.b
27. Other equity capital components (6)			A130	0	27
28. Total equity capital (sum of items 23 through 27)			3210	**13,121**	28
29. Total liabilities, minority interest, and equity capital (sum of items 21, 22, and 28)			3300	**53,811**	29

Memorandum

To be reported with the March Report of Condition.

	RCON	Number	
1. Indicate in the box at the right the number of the statement below that best describes the most comprehensive level of auditing work performed for the bank by independent external auditors as of any date during 2007	6724	N/A	M.1

1 = Independent audit of the bank conducted in accordance with generally accepted auditing standards by a certified public accounting firm which submits a report on the bank

2 = Independent audit of the bank's parent holding company conducted in accordance with generally accepted auditing standards by a certified public accounting firm which submits a report on the consolidated holding company (but not on the bank separately)

3 = Attestation on bank management's assertion on the effectiveness of the bank's internal control over financial reporting by a certified public accounting firm

4 = Directors' examination of the bank conducted in accordance with generally accepted auditing standards by a certified public accounting firm (may be required by state chartering authority)

5 = Directors' examination of the bank performed by other external auditors (may be required by state chartering authority)

6 = Review of the bank's financial statements by external auditors

7 = Compilation of the bank's financial statements by external auditors

8 = Other audit procedures (excluding tax preparation work)

9 = No external audit work

(1) Includes total demand deposits and noninterest-bearing time and savings deposits.
(2) Report overnight Federal Home Loan Bank advances in Schedule RC, item 16, "Other borrowed money."
(3) Includes all securities repurchase agreements, regardless of maturity.
(4) Includes limited-life preferred stock and related surplus.
(5) Includes net unrealized holding gains (losses) on available-for-sale securities, accumulated net gains (losses) on cash flow hedges, and minimum pension liability adjustments.
(6) Includes treasury stock and unearned Employee Stock Ownership Plan shares.

Sabal Palm Bank
Legal Title of Bank
Sarasota
City
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Consolidated Report of Income for the period January 1, 2008 – September 30, 2008

All Report of Income schedules are to be reported on a calendar year-to-date basis in thousands of dollars.

Schedule RI—Income Statement

Dollar Amounts in Thousands	RCAD	Bil | Mil | Thou	
1. Interest Income:			
a. Interest and fee income on loans:			
(1) Loans secured by real estate:			
(a) Loans secured by 1-4 family residential properties	4435	161	1.a.1.a
(b) All other loans secured by real estate	4436	1,303	1.a.1.b
(2) Commercial and industrial loans	4012	327	1.a.2
(3) Loans to individuals for household, family, and other personal expenditures:			
(a) Credit cards	B485	0	1.a.3.a
(b) Other (includes single payment, installment, all student loans, and revolving credit plans other than credit cards)	B486	11	1.a.3.b
(4) Loans to foreign governments and official institutions	4056	0	1.a.4
(5) All other loans (1)	4058	0	1.a.5
(6) Total interest and fee income on loans (sum of items 1.a.(1)(a) through 1.a.(5))	4010	**1,802**	1.a.6
b. Income from lease financing receivables	4065	0	1.b
c. Interest income on balances due from depository institutions (2)	4115	0	1.c
d. Interest and dividend income on securities:			
(1) U.S. Treasury securities and U.S. Government agency obligations (excluding mortgage-backed securities)	B488	147	1.d.1
(2) Mortgage-backed securities	B489	226	1.d.2
(3) All other securities (includes securities issued by states and political subdivisions in the U.S.)	4060	0	1.d.3
e. Interest income from trading assets	4069	0	1.e
f. Interest income on federal funds sold and securities purchased under agreements to resell	4020	40	1.f
g. Other interest income	4518	0	1.g
h. Total interest income (sum of items 1.a.(6) through 1.g)	4107	**2,215**	1.h
2. Interest expense:			
a. Interest on deposits:			
(1) Transaction accounts (NOW accounts, ATS accounts, and telephone and preauthorized transfer accounts)	4508	4	2.a.1
(2) Nontransaction accounts:			
(a) Savings deposits (includes MMDAs)	0093	231	2.a.2.a
(b) Time deposits of $100,000 or more	A517	380	2.a.2.b
(c) Time deposits of less than $100,000	A518	204	2.a.2.c
b. Expense of federal funds purchased and securities sold under agreements to repurchase	4180	7	2.b
c. Interest on trading liabilities and other borrowed money	4185	0	2.c

(1) Includes interest and fee income on "Loans to depository institutions and acceptances of other banks," "Loans to finance agricultural production and other loans to farmers," "Obligations (other than securities and leases) of states and political subdivisions in the U.S.," and "Other loans."
(2) Includes interest income on time certificates of deposit not held for trading.

Schedule RI—Continued

Dollar Amounts in Thousands	RIAD	Year-to-date Bil | Mil | Thou		RIAD	Bil | Mil | Thou	
2. Interest expense (continued):						
d. Interest on subordinated notes and debentures	4200	0	2.d			
e. Total interest expense (sum of items 2.a through 2.d)	4073	**826**	2.e			
3. Net interest income (item 1.h minus 2.e)				4074	**1,389**	3
4. Provision for loan and lease losses				4230	1,182	4
5. Noninterest income:						
a. Income from fiduciary activities (1)	4070	0	5.a			
b. Service charges on deposit accounts	4080	3	5.b			
c. Trading revenue (2)	A220	0	5.c			
d. (1) Fees and commissions from securities brokerage	C886	0	5.d.1			
(2) Investment banking, advisory, and underwriting fees and commissions	C888	0	5.d.2			
(3) Fees and commissions from annuity sales	C887	0	5.d.3			
(4) Underwriting income from insurance and reinsurance activities	C386	0	5.d.4			
(5) Income from other insurance activities	C387	0	5.d.5			
e. Venture capital revenue	B491	0	5.e			
f. Net servicing fees	B492	0	5.f			
g. Net securitization income	B493	0	5.g			
h. Not applicable						
i. Net gains (losses) on sales of loans and leases	5416	0	5.i			
j. Net gains (losses) on sales of other real estate owned	5415	0	5.j			
k. Net gains (losses) on sales of other assets (excluding securities)	B496	0	5.k			
l. Other noninterest income*	B497	32	5.l			
m. Total noninterest income (sum of items 5.a through 5.l)				4079	**35**	5.m
6. a. Realized gains (losses) on held-to-maturity securities				3521	0	6.a
b. Realized gains (losses) on available-for-sale securities				3196	0	6.b
7. Noninterest expense:						
a. Salaries and employee benefits	4135	1,159	7.a			
b. Expenses of premises and fixed assets (net of rental income) (excluding salaries and employee benefits and mortgage interest)	4217	317	7.b			
c. (1) Goodwill impairment losses	C216	0	7.c.1			
(2) Amortization expense and impairment losses for other intangible assets	C232	0	7.c.2			
d. Other noninterest expense*	4092	508	7.d			
e. Total noninterest expense (sum of items 7.a through 7.d)				4093	**1,984**	7.e
8. Income (loss) before income taxes and extraordinary items and other adjustments (item 3 plus or minus items 4, 5.m, 6.a, 6.b, and 7.e)				4301	**(1,742)**	8
9. Applicable income taxes (on item 8)				4302	(632)	9
10. Income (loss) before extraordinary items and other adjustments (item 8 minus item 9)				4300	**(1,110)**	10
11. Extraordinary items and other adjustments, net of income taxes*				4320	0	11
12. Net income (loss) (sum of items 10 and 11)				4340	**(1,110)**	12

* Describe on Schedule RI-E—Explanations

(1) For banks required to complete Schedule RC-T, items 12 through 19, income from fiduciary activities reported in Schedule RI, item 5.a, must equal the amount reported in Schedule RC-T, item 19.

(2) For banks required to complete Schedule RI, Memorandum item 8, trading revenue reported in Schedule RI, item 5.c, must equal the sum of Memorandum items 8.a through 8.e.

LEGISLATIVE REPORT

The Committee shall receive a legislative update from Mr. Maida.

On October 23, 2008, the Florida Supreme Court issued its opinion in the case of *Emma Murray vs. Mariner Health Inc. and ACE USA*, No. SC07-244 ("*Emma Murray*"). The Supreme Court interpreted the statutory attorney fee changes included in Senate Bill 50A ("SB 50A"), a comprehensive workers compensation reform bill implemented on October 1, 2003. Prior to the Supreme Court's decision in *Emma Murray*, the lower courts had in several cases concluded that SB 50A limited claimant attorney fees to a schedule based on benefits secured. Hourly fees were only permitted in medical only cases and capped at $1,500.

The Supreme Court concluded that the SB 50A language purporting to limit claimant attorney fees is ambiguous and as a result, looked to sources outside Florida statute to interpret the meaning of "reasonable attorney's fee." The Court held that a reasonable attorney's fee is determined based on factors in the rules regulating the Florida Bar, including time spent. The impact of the Supreme Court's decision is to eliminate the statutory caps on claimant attorney fees intended by the Florida Legislature and to return Florida to pre-SB 50A law on claimant attorney fees, namely hourly fees.

After the Florida Supreme Court's ruling, there was some question as to how the decision would impact NCCI's amended 1/1/09 Florida workers' compensation rate filing. On October 23, 2008, OIR issued a release indicating that it was reviewing the Court's decision to determine its potential impact on the workers' compensation system as a whole and on future workers' compensation insurance rates in Florida. On October 24, 2008, NCCI issued a statement that the amended rate filing which proposes to reduce Florida rates by 18.6%, will not be impacted by the Murray decision. Instead, NCCI will file a separate law only filing for the impact of the Emma Murray decision with a proposed effective date of 3/1/09, which will apply to new, renewal, and outstanding policies. On October 29, 2008, OIR issued a final order approving NCCI's amended 01/01/09 rate filing, which marks the sixth consecutive drop in workers' compensation rates since 2003, for a cumulative overall statewide average rate decrease of 60.5%.

On November 14, 2008, NCCI submitted its rate filing to the Florida Office of Insurance Regulation in response to the Emma Murray decision of 10/23/08. NCCI estimates that the full impact of *Emma Murray* will be an increase in overall Florida workers compensation system costs of 18.6%. NCCI anticipates that it will take two years for the full impact to be realized, and therefore proposes a first year increase of half of the full impact. This equates to a proposed first year rate level increase of 8.9% in overall system costs. NCCI proposed that the increased rates will apply to new and renewal policies that are effective on or after March 1, 2009. Additionally, NCCI proposed that the increased rates will apply to all policies in effect on March 1, 2009 on a pro-rata basis through the remainder of the term of these policies. OIR has scheduled a public rate hearing on December 16, 2008 for the purpose of considering the NCCI filing.

This NCCI filing only addresses the expected increase in Florida workers compensation system costs for accidents occurring on or after March 1, 2009. However, the decision in *Emma Murray* is also expected to increase overall system costs in the state for accidents occurring prior to March 1, 2009 that have not yet been settled. Because workers compensation ratemaking is prospective only, insurers are not generally afforded the opportunity to recoup premium to cover such unforeseen increases in system costs. Therefore, it is expected that a significant unfunded liability will be created in the voluntary market due to the retroactive impact of this court decision. NCCI will be evaluating the magnitude of the unfunded liability, and will provide additional information at a later date.

The FWCJUA, however, may fund deficits resulting from unfunded liabilities through assessments. Through July 1, 2012, any remaining deficits attributable to the former subplans, Tier 1, or Tier 2 that cannot be fully funded by using FWCJUA policyholder surplus may be funded through a deficit assessment levied by OIR against employers insured in the workers' compensation voluntary market. Tier 3 deficits are to be funded through FWCJUA policyholder assessments levied against Tier 3 participants.

Currently, the FWCJUA is reviewing 126 open claims with dates of accidents on or after 10/1/2003, 97 of which are already litigated, to estimate the impact of the Court's decision. It is anticipated that this open claim review will be completed no later than December 31, 2008. The following table identifies the break down of these open claims by rating subplan or tier.

FWCJUA OPEN CLAIMS WITH ACCIDENT DATES OF 10/1/2003 AND SUBSEQUENT				
Rating Subplan or Tier	**Total Open Claim Count**	**Total Incurred (in millions)**	**Litigated Open Claim Count**	**Litigated Total Incurred (in millions)**
Subplan C	6	$1.2	6	$1.2
Subplan D	12	$5.6	12	$5.6
Tier One	23	$1.3	17	$1.1
Tier Two	39	$8.1	31	$7.3
Tier Three	46	$2.9	31	$1.9
Totals	**126**	**$19.1**	**97**	**$17.1**

No Board action is anticipated to be required on this agenda item.

REINSURANCE COMMITTEE REPORT:
2009 REINSURANCE PROGRAM OPTIONS

The Board shall consider the following Reinsurance Committee recommendations with regards to the FWCJUA's 2009 Reinsurance Program:

1. Purchase the $10,000,000 xs $20,000,000 catastrophe layer on a Per Occurrence basis with One Reinstatement at 100% and a $5,000,000 MAOL;
2. Purchase the $10,000,000 xs $10,000,000 catastrophe layer on a Per Occurrence basis with One Reinstatement at 100% and a $5,000,000 MAOL;
3. Purchase the $5,000,000 xs $5,000,000 layer on a Per Occurrence basis with One Reinstatement at 100%;
4. Purchase the $4,000,000 xs $1,000,000 layer with or without an AAD, preferably with an AAD not to exceed $300,000, and a reinstatement pattern of "1 free, 1 @ 50%, 1 free;"
5. Terminate all existing reinsurance coverages on a cut-off basis effective 12/31/2008.

Attached for the Board's perusal is summary information prepared by Aon Benfield regarding the Reinsurance Committee's considerations in formulating its recommendation.

The Board shall authorize Aon Benfield, as appropriate, to place a 2009 reinsurance program for the FWCJUA.

Florida Workers' Compensation Joint Underwriting Association

Board of Governors Meeting - December 9, 2008

Exhibit	Description
I.	Expiring Structure and Participating Reinsurers
II.	Expiring Terms and Conditions
III.	Catastrophe Quotation Summary
IV.	Excess Quotation Summary
V.	Dynamic Financial Analysis Results
VI.	Program Decisions
VII.	2009 Structure Options
VIII.	2009 Recommended Structure
IX.	Reinsurer Key Financial Report

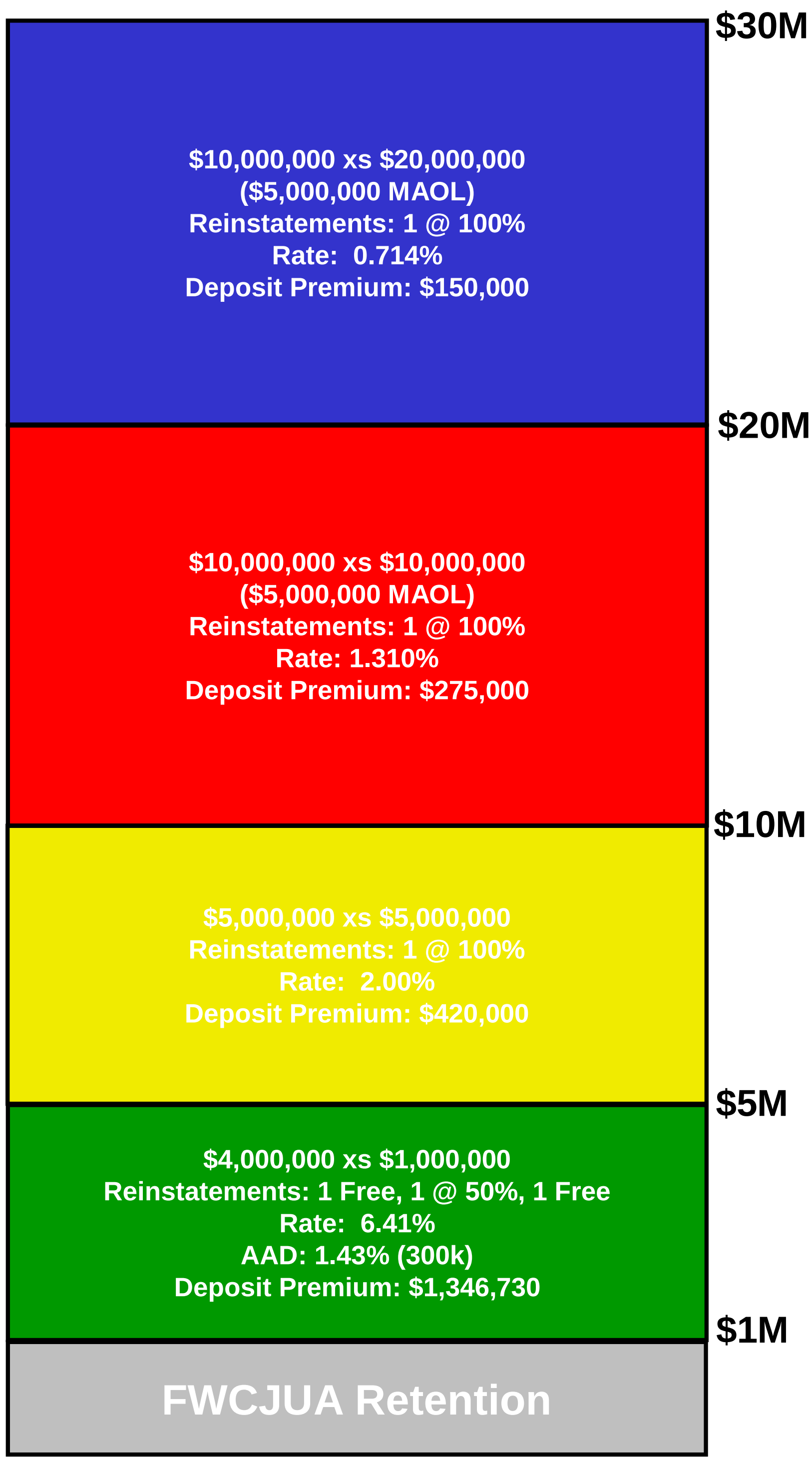
Exhibit I – Expiring Structure and Participating Reinsurers

$10M xs $20M:
42.5% Allied World (A, XV)
10.0% Catlin Syn 2003 (A, XV)
12.5% IOA Re / Flagstone (A-)
17.5% Imagine Syn 1400 (A)
10.0% Max Re (A-, XIV)
7.5% Paris Re (A-, XII)

$10M xs $10M
20.0% Arch Re (A, XV)
5.0% Aspen Ins UK (A, XIV)
6.0% Atrium Syn 570 (A)
2.5% Barbican Syn 1955 (A)
6.0% Brit Syn 2987 (A)
10.0% Catlin Syn 2003 (A, XV)
6.0% Faraday Syn 435 (A)
6.0% Heritage Syn 1200 (A)
12.5% IOA Re / Flagstone (A-)
15.0% Max Re (A-, XIV)
6.0% QBE Syn 2000 (A)
5.0% Paris Re (A-, XII)

$5M xs $5M
5.0% Aspen Ins UK (A, XIV)
2.5% Barbican Syn 1955 (A)
5.0% Brit Syn 2987 (A)
10.0% Catlin Syn 2003 (A, XV)
7.5% Faraday Syn 435 (A)
5.0% Heritage Syn 1200 (A)
35.0% Max Re (A-, XIV)
20.0% Munich Re Am (A+, XV)
10.0% Paris Re (A-, XII)

$4M xs $1M
10.0% Aspen Ins UK (A, XIV)
25.0% Catlin Syn 2003 (A, XV)
25.0% Max Re (A-, XIV)
30.0% Munich Re Am (A+, XV)
10.0% Paris Re (A-, XII)



Original SEP Estimate: $21M
Total Rate: 10.437%

Revised SEP Estimate: $10.5M
Total Effective Rate[1]: 14.683%

1) Effective rate increase due to minimum premium (70%)

AON BENFIELD

Exhibit II - Expiring Terms and Conditions

	$4,000,000 xs $1,000,000	$5,000,000 xs $5,000,000	$10,000,000 xs $10,000,000 ($5M MAOL)	$10,000,000 xs $20,000,000 ($5M MAOL)
LIMITS / COVERAGE	$4,000,000 xs $1,000,000	$5,000,000 xs $5,000,000	$10,000,000 xs $10,000,000	$10,000,000 xs $20,000,000
CONTRACT PERIOD	1/1/2008 - 12/31/2008	1/1/2008 - 12/31/2008	1/1/2008 - 12/31/2008	1/1/2008 - 12/31/2008
ACCOUNTING/CLAIM MECHANICS	Accident Year / Losses Occuring During	Accident Year / Losses Occuring During	Accident Year / Losses Occuring During	Accident Year / Losses Occuring During
ESTIMATED SNEP	$21,000,000	$21,000,000	$21,000,000	$21,000,000
BOUND %	100%	100%	100%	100%
REINSURANCE RATE AS A PERCENT OF SNEP	6.41%	2.00%	1.310%	0.714%
ESTIMATED DEVELOPED REINSURANCE COST	$1,346,730	$420,000	$275,000	$150,000
DEPOSIT PREMIUM	$1,346,730	$420,000	$275,000	$150,000
MINIMUM PREMIUM	70% of Deposit	70% of Deposit	72% of Deposit	70% of Deposit
AAD	1.43% (300k)	None	None	None
REINSTATEMENTS	1 Free, 1 @ 50%, 1 Free	1 @ 100%	1 @ 100%	1 @ 100%
ANNUAL AGGREGATE LIMIT	$16,000,000	$10,000,000	$20,000,000	$20,000,000
SUNSET / COMMUTATION	7yrs / 7yrs	7 yrs/ 7 yrs	7 yrs/ 7 yrs	7 yrs/ 7 yrs
LAE	Included	Included	Included	Included
ECO/XPL	90% / 90%	90% 90%	90% / 90%	90% / 90%
RUN- OFF FEATURES	Company Option	Company Option	Company Option	Company Option
OD/CT COVERAGE	72 hours sudden and accidental	72 hours sudden and accidental	72 hours sudden and accidental	72 hours sudden and accidental
TERRORISM	1 Limit excl NBCR	1 Limit excl NCBR	1 Terrorism Limit excluding NBC	1 Terrorism Limit excluding NBC
ADDITIONAL EXCLUSIONS	$8M Asbestosis sublimit, Commercial aviation crews while in flight	$5M Asbestosis sublimit, Commercial aviation crews while in flight	Commercial aviation crews while in flight	Commercial aviation crews while in flight

Exhibit III – Catastrophe Quotation Summary

Subject EP: **$12,000,000**
MAOL: **$5,000,000**

Layer	Occurrence Limit	Company's Retention	Reinsurer	AM Best Rating	ROL	Rate	Annual Deposit Premium	Annual Minimum Premium	Minimum Premium Percentage	Reinstatements	Expiring Line	Authorized
3	$10,000,000	$10,000,000	**Expiring Terms**		**2.75%**	**1.310%**	**$275,000**	**$200,000**	**70%**	**1 @ 100%**		
			Aspen	A	2.00%	1.670%	$200,000	$200,000	100%	1@ 100%	5.0%	5.0%
			Faraday	A	2.00%	1.670%	$200,000	$160,000	80%	1@ 100%	6.0%	20.0%
			QBE	A	2.00%	1.670%	$200,000	$160,000	80%	1@ 100%	6.0%	6.0%
			Max at Lloyds	A	2.00%	1.667%	$200,000	TBD	TBD	1@ 100%	0.0%	50.0%
			Brit	A	2.16%	1.800%	$216,000	$194,400	90%	1@ 100%	6.0%	10.0%
			Arch Re	A	2.40%	2.000%	$240,000	$180,000	75%	1@ 100%	20.0%	20.0%
			Max Re	A-	2.40%	2.000%	$240,000	$168,000	70%	1@ 100%	15.0%	15.0%
			IOA / Flagstone Suisse	A-	2.50%	2.083%	$250,000	$250,000	100%	1@ 100%	12.5%	25.0%
			Catlin	A	2.75%	2.292%	$275,000	$192,500	70%	1@ 100%	10.0%	20.0%
			Munich Re Am	A+	2.75%	2.290%	$275,000	$220,000	80%	1@ 100%	0.0%	25.0%
		Indication Only	Ace	A+	4.50%	3.750%	$450,000	$450,000	100%	1@ 100%		
4	$10,000,000	$20,000,000	**Expiring Terms**		**1.50%**	**0.714%**	**$150,000**	**$105,000**	**70%**	**1 @ 100%**		
			Max at Lloyds	A	1.25%	1.042%	$125,000	TBD	TBD	1@ 100%	17.5%	50.0%
			Max Re	A-	1.38%	1.150%	$138,000	$96,600	70%	1@ 100%	10.0%	15.0%
			Allied World	A	1.50%	1.250%	$150,000	$105,000	70%	1@ 100%	42.5%	100.0%
			Catlin	A	1.50%	1.250%	$150,000	$105,000	70%	1@ 100%	10.0%	20.0%
			IOA / Flagstone Suisse	A-	1.50%	1.250%	$150,000	$150,000	100%	1@ 100%	12.5%	25.0%
			Munich Re Am	A+	1.50%	1.250%	$150,000	$120,000	80%	1@ 100%	0.0%	25.0%
			Aspen	A	2.00%	1.670%	$200,000	$200,000	100%	1@ 100%	0.0%	TBD
			Faraday	A	1.75%	1.460%	$175,000	$140,000	80%	1@ 100%	0.0%	20.0%

Notes:
Max at Lloyds was previously Imagine Syn 1400
Brit would support an 80% minimum on the $10M xs $10M

Exhibit IV – Excess Quotation Summary

Subject EP: **$12,000,000**

Layer	Occurrence Limit	Company's Retention	Reinsurer	AM Best Rating	Rate	Annual Aggregate Deductible	Annual Deposit Premium	Annual Minimum Premium	Minimum Premium Percentage	Reinstatements	Expiring Line	Authorized
1 (A)	$4,000,000	$1,000,000	**Expiring Terms**		**6.413%**	**1.43% ($300K)**	**$1,346,730**	**$942,711**	**70%**	**1 Free, 1 @ 50%, 1 Free**		
			Aspen	A	8.000%	--	$960,000	$672,000	70%	1 @ 100%, 1 @ 50%	10.0%	10.0%
			Munich Re Am	A+	9.250%	--	$1,110,000	$1,110,000	100%	1 @ 100%, 1 @ 50%, 1 Free	30.0%	35.0%
			Max Re	A-	8.200%	2.5% (300K)	$984,000	$688,800	70%	1 Free, 1 @ 50%, 1 Free	25.0%	35.0%
			Catlin	A	8.470%	1.542% (185K)	$1,016,284	$711,399	70%	1 Free, 1 @ 50%, 1 Free	25.0%	40.0%
			Max Re	A-	9.200%	1.43% (171.6K)	$1,104,000	$772,800	70%	1 Free, 1 @ 50%, 1 Free	25.0%	35.0%
			Max Re	A-	10.000%	--	$1,200,000	$840,000	70%	1 Free, 1 @ 50%, 1 Free	25.0%	35.0%
			Munich Re Am	A+	11.000%	--	$1,320,000	$1,320,000	100%	1 Free, 1 @ 50%, 1 Free	30.0%	35.0%
			Hannover	A	15.110%	--	$1,813,200	$1,450,560	80%	1 Free, 1 @ 50%, 1 Free	0.0%	TBD
1 (B)	$3,000,000	$2,000,000	Max Re	A-	5.600%	--	$672,000	$470,400	70%	1 Free, 1 @ 50%		35.0%
			Hannover	A	11.000%	--	$1,320,000	$1,056,000	80%	1 Free, 1 @ 50%, 1 Free		TBD
1 (C)	$3,500,000	$1,500,000	Munich Re Am	A+	6.500%	--	$780,000	$780,000	100%	1 @ 100%, 1 @ 50%, 1 Free		35.0%
			Max Re	A-	7.100%	--	$852,000	$596,400	70%	1 Free, 1 @ 50%		35.0%
			Munich Re Am	A+	7.500%	--	$900,000	$900,000	100%	1 Free, 1 @ 50%, 1 Free		35.0%
1 (D)	$3,700,000	$1,300,000	Max Re	A-	8.250%	--	$990,000	$693,000	70%	1 Free, 1 @ 50%		35.0%
1 (E)	$3,750,000	$1,250,000	Munich Re Am	A+	7.750%	--	$930,000	$930,000	100%	1 @ 100%, 1 @ 50%, 1 Free		35.0%
			Munich Re Am	A+	9.070%	--	$1,088,400	$1,088,400	100%	1 Free, 1 @ 50%, 1 Free		35.0%
2	$5,000,000	$5,000,000	**Expiring Terms**		**2.000%**	--	**$420,000**	**$294,000**	**70%**	**1 @ 100%**		
			Munich Re Am	A+	2.000%	--	$240,000	$240,000	100%	1 @ 100%	20.0%	25.0%
			Max Re	A-	2.150%	--	$258,000	$180,600	70%	1 @ 100%	35.0%	35.0%
			Faraday	A	2.670%	--	$320,000	$256,000	80%	1 @ 100%	7.5%	20.0%
			Aspen	A	3.000%	--	$360,000	$252,000	70%	1 @ 100%	5.0%	5.0%
			Brit	A	3.000%	--	$360,000	$324,000	90%	1 @ 100%	5.0%	10.0%
			Catlin	A	3.500%	--	$420,000	$294,000	70%	1 @ 100%	10.0%	20.0%

Notes:

Munich Re Am requires signing on both 1st and 2nd layers

Exhibit V – Dynamic Financial Analysis Results

Calculation of Reinsurance Results by Layer

	Option A	Option B	Option C	Option D	Option E
Layer	*4x1*	*4x1*	*4x1*	*3.5x1.5*	*3x2*
AAD	*None*	*300K*	*None*	*None*	*None*
First Reinstatement	*Free*	*Free*	*100%*	*Free*	*Free*
Second Reinstatement	*50%*	*50%*	*50%*	*50%*	*50%*
Third Reinstatement	*Free*	*Free*	*Free*	*Free*	*Free*
Loss Costs*:					
2008 Est Loss Costs	12.4%	12.4%	12.4%	N/A	6.8%
2009 Est Loss Costs	13.5%	13.5%	13.5%	10.0%	8.1%
2009 Estimated Actuarial Pricing (Discounted)	10.3%	9.1%	10.3%	7.3%	4.8%
Actual Total Market Pricing	9.9%	8.3%	9.1%	7.1%	6.2%
Ratio of Actual to Actuarial	**95.7%**	**92.1%**	**88.3%**	**98.2%**	**130.0%**

*Loss costs are based on FWCJUA experience and do not contemplate AADs or reinstatement patterns.
Estimated pricing includes AADs, reinstatements, discounting and applies some weight to industry results.
2009 Estimated Subject Premium: $12,000,000

Summary of Results based on 50,000 ReMetrica Pro v4.3 simulations

	Gross	Option A	Option B	Option C	Option D	Option E
Return = Mean	*4,805,125*	*4,266,522*	*4,315,695*	*4,357,041*	*4,309,484*	*4,203,457*
Risk = Standard Deviation	*4,566,832*	*3,475,363*	*3,515,834*	*3,578,292*	*3,610,546*	*3,746,383*
Bubble Size = 100 Year PML	*8,624,622*	*2,840,799*	*2,904,805*	*3,146,879*	*3,360,918*	*4,064,443*
(1) Gross Risk - Option Risk		*1,091,468*	*1,050,997*	*988,539*	*956,286*	*820,448*
(2) Gross Return - Option Return		*538,604*	*489,430*	*448,084*	*495,641*	*601,668*
(3) Risk/Return Trade-off Ratio = (1)/(2)		***202.6%***	***214.7%***	***220.6%***	***192.9%***	***136.4%***

All options include purchase of the $5M xs $5M layer.

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Exhibit VI - 2009 Program Decisions

- Runoff vs Cutoff?
  - Pricing has not been secured on a new and renewal basis only (run-off).
  - With run-off, multiple retentions are possible if an occurrence involves multiple policies and each is subject to a different reinsurance structure.
  - Run-off accounting may be more cumbersome to administer.

- Pricing and Coverage Considerations
  - Market participation on a given layer may affect participation on other layers.
  - Many markets are quoting increased minimum premium requirements of 80% to even 100% on some layers (70% expiring).
  - Certain reinsurers have refused to quote layers with AADs and may not participate on a program with this provision.
  - With flexibility provided by the FWCJUA directives, Aon Benfield will endeavor to secure similar to expiring reinsurance coverage subject to market availability (e.g. 70% minimums, AAD, expiring reinstatement structure, etc.).

Exhibit VII - 2009 Structure Options

Expiring	Rate	Option A 4M xs 1M (Expiring Reinstatement Pattern)	Rate	Option B 4M xs 1M with AAD (Expiring Reinstatement Pattern)	Rate	Option C 4M xs 1M (1@100%, 1@50%, 1 Free)	Rate
$10,000,000 xs $20,000,000 1 @ 100% $5M MAOL	0.714%	$10,000,000 xs $20,000,000 1 @ 100% $5M MAOL	1.2%	$10,000,000 xs $20,000,000 1 @ 100% $5M MAOL	1.2%	$10,000,000 xs $20,000,000 1 @ 100% $5M MAOL	1.2%
$10,000,000 xs $10,000,000 1 @ 100% $5M MAOL	1.31%	$10,000,000 xs $10,000,000 1 @ 100% $5M MAOL	1.67%	$10,000,000 xs $10,000,000 1 @ 100% $5M MAOL	1.67%	$10,000,000 xs $10,000,000 1 @ 100% $5M MAOL	1.67%
$5,000,000 xs $5,000,000 1 @ 100%	2.0%	$5,000,000 xs $5,000,000 1 @ 100%	2.4%	$5,000,000 xs $5,000,000 1 @ 100%	2.4%	$5,000,000 xs $5,000,000 1 @ 100%	2.4%
$4,000,000 xs $1,000,000 1.43% AAD (300k) 1 Free, 1 @ 100%, 1 Free	6.413%	$4,000,000 xs $1,000,000 1 Free, 1 @ 50%, 1 Free	9.8%	$4,000,000 xs $1,000,000 2.5% AAD (300k) 1 Free, 1 @ 50%, 1 Free	8.3%	$4,000,000 xs $1,000,000 1 @ 100%, 1 @ 50%, 1 Free	7.6%
FWCJUA Retention		FWCJUA Retention		FWCJUA Retention		FWCJUA Retention	

Expiring	Option A	Option B	Option C
Original SEP Estimate: $21M Total Original Rate: 10.437% Revised SEP: $10.5M Total Effective Rate[1]: 14.683% Total Effective Premium: $1,541,711	Total Rate: 15.07% Reinsurance Premium: $1,808,400	Total Rate: 13.57% Reinsurance Premium: $1,628,400	Total Rate: 12.87% Reinsurance Premium: $1,544,400

1) Effective rate increase due to minimum premium (70%)

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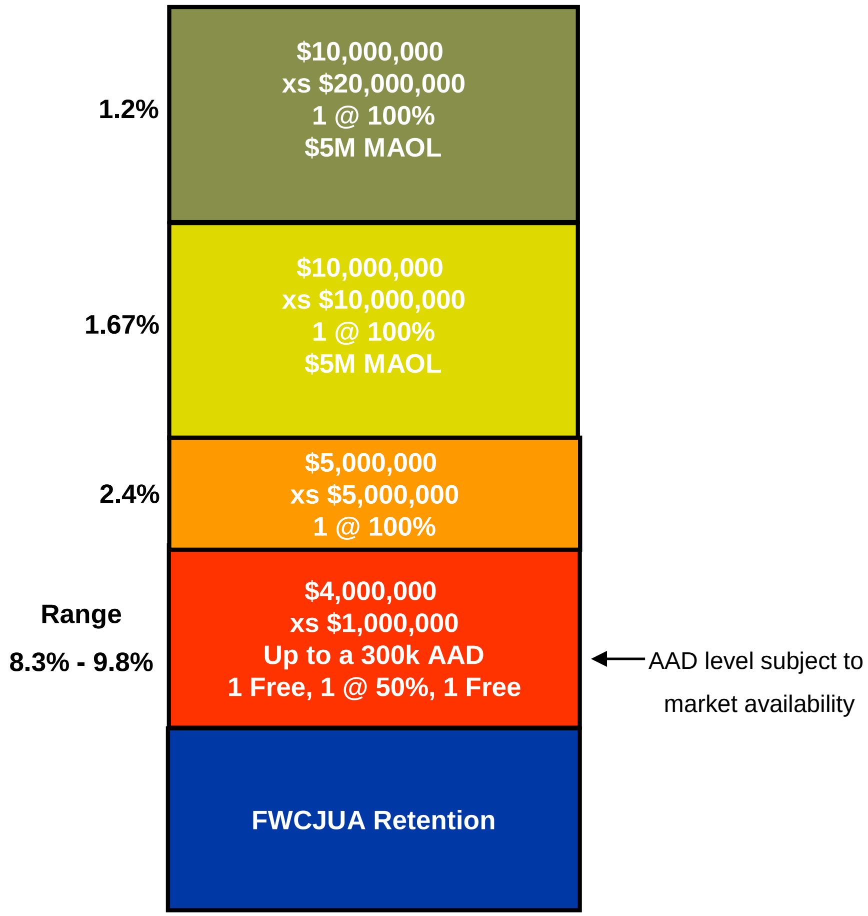
Exhibit VIII - 2009 Recommended Reinsurance Structure

Reinsurance Committee Recommended Structure



SEP: $12M
Total Rate Range: 13.57% - 15.07%
Deposit Premium Range: $1.628M – $1.808M

Program Features

- Primary Goal: To maximize coverage at a premium rate affordable to the JUA.
- Maintains $1M retention to recognize surplus position but adequately protect current policyholders
- Attempt to place an AAD on the $4M xs $1M layer not to exceed $300,000.
- Maintain current $5M MAOL on catastrophe layers to control cost.
- $4M xs $1M contemplates reinstatements at 1 free, 1 @ 50%, and 1 free.
- FWCJUA may prioritize 70% minimum premium over other terms / provisions.
- Cuts-off the 2008 reinsurance program at 12/31/2008.

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Reinsurer Key Financial Data - Marketing List

Prepared by BENFIELD

Ceding Company: Florida Workers' Compensation JUA

Reinsurance Program: Workers' Compensation Excess of Loss
Effective: January 1, 2009

	Manager / Reinsurers	A.M. Best Rating	S&P Rating	Surplus ($Millions)	As of Date	Change in Surplus %	Combined Ratio %	Net Prem Written to Surplus
UNITED STATES								
^	ACE Property & Casualty Insurance Company by ACE Tempest Re USA, LLC	A+ p XV (11/26/2007)	A+	1,716.7	30-Jun-2008	18.6%	85.5%	0.7
^	Arch Reinsurance Company	A r XV (8/2/2007)	A	751.7	30-Jun-2008	3.8%	103.9%	0.1
^	AXIS Reinsurance Company	A g XV (8/5/2008)	A	595.2	30-Jun-2008	9.3%	114.6%	0.3
^	Berkley Insurance Company	A+ g XV (8/24/2007)	A+	2,037.1	30-Jun-2008	1.4%	90.5%	0.7
^	Everest Reinsurance Company	A+ g XV (6/16/2008)	AA-	2,886.1	30-Jun-2008	6.3%	95.9%	0.7
^	Midwest Employers Casualty Company	A+ r XV (8/21/2007)	A+	133.4	30-Jun-2008	6.3%	87.9%	0.3
^	Motors Insurance Corporation (GMAC Re)	A- g XV (7/25/2008)	NR	1,923.6	30-Jun-2008	-49.3%	96.4%	1.4
^	Munich Reinsurance America, Inc.	A+ g XV (1/30/2008)	AA-	3,959.4	30-Jun-2008	12.7%	100.8%	0.5
^	Odyssey America Reinsurance Corporation	A g XV (10/15/2007)	A-	2,969.5	30-Jun-2008	14.4%	90.8%	0.6
^	Paladin Catastrophe Management LLC, USA on behalf of Protective Insurance Co.	A+ g IX (1/28/2008)	NR	343.8	30-Jun-2008	4.7%	87.7%	0.4
	Partner Reinsurance Company of the U.S.	A+ g XV (11/27/2007)	AA-	647.0	30-Jun-2008	3.6%	100.9%	1.1
^	Platinum Underwriters Reinsurance, Inc.	A g XIV (2/13/2008)	NR	566.4	30-Jun-2008	15.8%	80.0%	0.6
^	QBE Reinsurance Corporation	A g X (8/28/2008)	A+	525.4	30-Jun-2008	4.1%	106.4%	0.9
	Safety National Casualty Corporation	A g IX (5/8/2008)	A	474.1	30-Jun-2008	10.1%	100.6%	0.7
^	Swiss Re Underwriters Agency, Inc. (for Swiss Reinsurance America Corporation)	A+ g XV (3/20/2008)	AA-	4,194.7	30-Jun-2008	5.0%	110.3%	0.5
^	Transatlantic Reinsurance Company	A pu XV (9/15/2008)	AA-	3,597.8	30-Jun-2008	9.2%	95.3%	1.0
^	White Mountains Reinsurance Company of America (FolksAmerica)	A- XI (2/21/2008)	A-	781.0	30-Jun-2008	-24.5%	108.0%	0.9
^	XL Reinsurance America Inc.	A p XV (8/25/2008)	A+	2,184.1	30-Jun-2008	-4.4%	87.5%	0.3
BERMUDA								
* ^	Allied World Assurance Company Limited, Bermuda	A XV (10/22/2007)	A-	2,239.8	31-Dec-2007	0.9%	81.3%	0.5
^	Aspen Insurance Limited	A XII (12/7/2007)	A	1,216.7	31-Dec-2006	18.6%	77.8%	0.5
	Endurance Specialty Insurance Limited	A XV (11/20/2007)	A	2,935.6	31-Dec-2007	8.0%	78.8%	0.5
^	JRG Reinsurance Company, Ltd.	A- IX (1/28/2008)		250.0	31-Dec-2007			
	Maiden Insurance Company Limited	A- (6/12/2008)		512.2	31-Dec-2007		92.2%	0.5
^	Max Bermuda Ltd	A- XIV (10/16/2007)	-	1,583.9	31-Dec-2007	13.9%	103.1%	0.5
^	Montpelier Reinsurance Ltd.	A- XIV (12/19/2007)	A-	1,699.6	31-Dec-2007	-4.3%	64.3%	0.3
^	Platinum Underwriters Bermuda Limited	A g XIV (2/13/2008)	NR		31-Dec-2007			
* ^	Renaissance Reinsurance Ltd	A+ XIV (12/19/2007)	AA-	1,600.0	31-Dec-2007	0.0%	50.9%	0.4
^	Tokio Millennium Reinsurance Limited	A+ XI (8/28/2008)	AA	906.4	31-Dec-2007	17.4%	28.5%	0.3
^	Validus Reinsurance Ltd	A- XIV (8/29/2007)		1,809.9	31-Dec-2007	34.2%	53.8%	0.3
EUROPE								
^	Hannover Rueckversicherung-Aktiengesellschaft	A XV (7/16/2008)	AA-	7,088.8	31-Dec-2007	-0.1%	103.9%	1.0
^	IOA Re, Inc. on behalf of Flagstone Reassurance Suisse SA	A- (9/29/2008)		246.5	31-Dec-2007	154.0%	160.5%	0.1
	Imagine Underwriting ApS, Denmark on behalf of Lloyd's Syndicate No. 1400	A (7/11/2008)	A+		31-Dec-2007		70.8%	
	Paris Re, France	A- XII (5/27/2008)	A-	2175.133	31-Dec-2006		75.8%	0.6
UNITED KINGDOM								
	Arch Insurance Company (Europe) Limited	A r XV (8/2/2007)	A	114.3	31-Dec-2007	6.3%	102.9%	0.4
	Aspen Insurance UK Limited, UK, trading as Aspen Re	A XIV (12/7/2007)	A	1,591.9	31-Dec-2007	19.2%	81.9%	0.5
	Atrium Syndicate No. 570 (ATR)	A XV (7/11/2008)	A+		31-Dec-2007		93.2%	
	Barbican Syndicate No. 1955 (BAR)	A (7/11/2008)						
	BRIT Syndicate No. 2987 (BRT)	A (7/11/2008)	A+		31-Dec-2007		83.2%	
	Catlin Underwriting Inc. for and on behalf of Lloyd's Syndicate No.2003	A XV (7/11/2008)	A+		31-Dec-2007		85.2%	
	Chaucer Syndicate No. 1084 (CSL)	A XV (7/11/2008)	A+		31-Dec-2007		86.1%	
	Faraday Syndicate No. 435 (FDY)	A (7/11/2008)	A+		31-Dec-2007		58.8%	
	Heritage Syndicate No. 1200 (HMA)	A (7/11/2008)	A+		31-Dec-2007		86.0%	
	MAP Underwriting Syndicate No. 2791 (MAP)	A (7/11/2008)	A+		31-Dec-2007		73.9%	
	QBE Property Syndicate 2000 (QBP)	A (7/11/2008)	A+					

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RATES & FORMS COMMITTEE REPORT: REVIEW OF RATES

The Board shall consider a Rates & Forms Committee recommendation that the FWCJUA's special classification code 0916 (Domestic Workers – Inside – Includes Babysitting Service; Home Health Care Service) be discontinued, given the reason the FWCJUA established the code no longer exists due to classification changes adopted in the voluntary market.

By way of background, the FWCJUA established its special classification code 0916 (Domestic Workers – Inside – Includes Babysitting Service; Home Health Care Service) effective January 1, 1998 in order to equitably rate exposures associated with residential homeowners' employees who provided home help services to families with children, convalescent, aged and acutely or chronically ill or disabled persons. Prior to the establishment of code 0916, in the FWCJUA as in the voluntary market, such services hired by residential homeowners were assigned to code 0913 (Domestic Workers – Inside) which contemplated workers engaged exclusively in household or domestic work performed principally inside the residence (e.g., cooks, housekeepers, laundry workers, maids, butlers, companions, nurses and babysitters). If on the other hand, a hospital or health care organization hired a worker and sent the worker to a homeowner's residence to perform home help service to families with children, convalescent, aged and acutely or chronically ill or disabled persons, the employee was assigned to code 8835 (Nursing – Home Health). The difference between using code 0913 and code 8835 was who actually hired the worker. Home help service employees of both classification codes 0913 and 8835 were exposed to the same types of injuries; however, there was a significant rating disparity between the two classification codes.

This rating disparity was fully addressed in the voluntary market in January 2008 and the home help service employees are now assigned to code 8835 and charged a rate per $100 of payroll. Given the FWCJUA still utilizes a per capita premium charge for code 0916 which limits the premium collected for each employee, it is imperative that code 0916 be discontinued as soon as practicable to ensure that the FWCJUA is not competitive with the voluntary market.

The FWCJUA Operations Manual would need to be revised, repaginated, reformatted and reprinted to discontinue code 0916. Most significantly, the following revision would be required along with deleting code 0916 from the rate pages. Further, the FWCJUA's statistical data collected for code 0916 would be rolled into the statistical data for code 8835 for rate making purposes.

PART SIX— COVERAGE AND RATING RULES AND PROCEDURES
C. CLASSIFICATIONS

~~**3. Special classification procedure for Domestic Workers**~~

~~Code 0913 Domestic Workers – Inside – N/A to employees providing Babysitting or Home Health Care Service.~~

~~Applies to domestic workers engaged exclusively in household or domestic type work performed principally inside of the Insured's residence. This would include a cook, housekeeper, laundry worker, maid, and butler.~~

~~Code 0916 Domestic Workers – Inside – Includes Babysitting Service; Home Health Care Service.~~

~~Applies to domestic workers providing home help services to families with children, convalescent, aged, acutely or chronically ill or disabled persons. This code is assigned to workers who provide household services of a domestic nature as well as provide a degree of personal assistance of a nursing nature to residents of a household who are physically limited in the amount of personal care they are able to provide for themselves. The services typically provided include preparation of meals, performing light housekeeping chores, providing child care and companionship for the infirm or elderly as well as a degree of nursing services or other physical assistance as needed by these individuals.~~

The Board shall determine whether to accept the Rates & Forms Committee recommendation that the FWCJUA's special classification code 0916 be discontinued as soon as practicable.

RATES & FORMS COMMITTEE REPORT: RETURN OF PREMIUM DIVIDEND

The Board shall consider a Rates & Forms Committee recommendation that the attached proposed FWCJUA Policyholder Dividend Policy be adopted and further, whether to declare a dividend for the 2001 policy year. Additionally, one minor additional editorial revision has been included in the proposed dividend policy to clarify.

The significant revisions to the draft policy that were made since the Board's September review are indicated in red highlight and underscored. Further, the methodology analysis and the expense calculation exhibits for the 2001 policy year dividend consideration have been further clarified and updated.

At its November 24th meeting, the Rates & Forms Committee agreed to recommend this policy for adoption to the Board. However, given concerns regarding the rationale for deeming all minimum premium policies ineligible for policyholder dividends expressed by Watford, the Committee asked that aggregate minimum premium results be compiled and presented to the Board for further consideration. It is anticipated that the minimum premium analysis will be available for distribution at the meeting.

At its November 24th meeting, the Rates & Forms Committee also agreed that a dividend should be declared for the 2001 policy year retaining a 5% underwriting gain. The Committee's recommendation is that the Board approve a dividend declaration for the 2001 policy year with a gross policyholder dividend amount of $876,579, retaining a 5% underwriting gain, resulting in a net policyholder dividend amount after expenses of $858,390.56.

Attached for the Board's consideration is 2001 policy year financial information.

The Board shall determine whether to accept the Rates & Forms Committee recommendation to adopt the proposed FWCJUA Policyholder Dividend Policy and related calculation methodologies. Further, the Board shall also determine whether to authorize a gross policyholder dividend amount for the 2001 policy year of $876,579, retaining a 5% underwriting gain, resulting in a net policyholder dividend amount after expenses of $858,390.56.

On January 1, 1994, pursuant to section 627.311(5a), Florida Statutes, the FWCJUA began providing workers' compensation and employer's liability insurance to applicants who are required by law to maintain workers' compensation and employer's liability insurance and who are in good faith entitled to but who are unable to procure such insurance through the voluntary market. In addition, Florida Statutes section 627.311(26f), states that 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 insured of the plan in conjunction with loss prevention or dividend programs shall be retained by the plan for future use. Any state funds received by the plan in excess of the amount necessary to fund deficits in subplan D or any tier shall be returned to the state.

In mid-2007, as a result of the December 31, 2006 surplus position, the FWCJUA Board of Governors agreed to consider a policyholder dividend program. After many discussions and policy year financial statement analyses, the following FWCJUA Policyholder Dividend Policy and Methodology has been developed.

Policyholder Dividend Philosophy

In determining the gross amount of a policyholder dividend, a policy year profit and loss calculation will be determined. The actual amount of underwriting gain and/or loss will be the starting point in determining the gross amount of the policyholder dividend. Generally a 5% underwriting gain will be retained, however depending upon the volatility of any particular policy year's results; a 10% underwriting gain may be retained. Therefore the individual policy year specifics will be taken into consideration in determining a reasonable underwriting gain. These specifics will include such items as the total number of claims reported, the total number of open claims at the time of dividend declaration, any catastrophic or serious injuries within that policy year as well as other factors such as the policy year's premium volume, total number of policies written, change in premium volume, changes in rates, and changes to the mix of policyholders. Each policy year will be reviewed upon its own merits. Once the Board of Governors determines what appropriate amount of underwriting gain is reasonable to retain, any additional underwriting gain will be distributed as a policyholder dividend.

All investment income earned on premium payments collected by the FWCJUA will be retained for future use. Monies retained for future use should reasonably ensure that there will be sufficient funds to pay any unexpected losses unknown at the time of a dividend declaration or utilized to offset any underwriting losses developed in prior or future policy years to minimize the possibility of an assessment. It will also provide the FWCJUA with additional options related to reinsurance attachment points, contingency and surplus factors as well as an offset to general and administrative expenses utilized in rate making.

After determining the gross amount of the policyholder dividend, expenses associated with completing the policyholder dividend will also need to be deducted before determining how much the net policyholder dividend amount will be. Once the net amount is determined, the individual policyholder dividend calculation will proceed. Each individual policy will be reviewed to determine if it meets the following criteria and thus, qualifies for a dividend payment.

Policy years eligible to be considered for a policyholder dividend: A determination as to whether a policyholder dividend will be made and for what amount will be made once a policy year has been closed for 5 calendar years. For example: the 2001 Policy year is completely closed at the end of the 2002 calendar year + 5 calendar years would result in the 2001 Policy year to be eligible for dividend consideration after the 2007 annual statement and audit are complete.

Policy Years 1994 – 1999: These policy years are not eligible for policyholder dividends as an LPT Reinsurance Agreement was purchased removing the possibilities of sufficient gain or loss. The LPT Reinsurance Agreement essentially closed these years to both a policyholder dividend as well as a policyholder assessment

Minimum Premium Policies: Minimum Premium policies would not be eligible for any policyholder dividends as these policies were charged the absolute minimum premium amount for a policy that assumed limited exposure and thus, the minimum premium charged was not sufficient to generate underwriting results sufficient to warrant a policyholder dividend. Therefore any positive development or underwriting gain experienced within the policy year will not be attributed to the minimum premium policies.

Policies with No Final Audit: Any policy for the year under consideration for a policyholder dividend where the final audit was not completed because the policyholder did not comply with the FWCJUA's final audit requirements will not be eligible for any policyholder dividend amount.

Polices with Unpaid Assessments: Any policy for the year under consideration for a policyholder dividend where the policyholder did not pay an FWCJUA policyholder assessment will not be eligible for any policyholder dividend amount.

Policies with Uncollected Premium: Any policy for the year under consideration for a policyholder dividend where the policyholder did not pay 100% of its earned premium, excluding any collection fees and penalties, within 12 months from policy expiration or cancellation will not be eligible for any policyholder dividend amount. If the policyholder entered into a settlement agreement for less than 100% of the earned premium, less collection fees and penalties, and paid said earned premium, the policyholder will not be eligible for any policyholder dividend amount given there remains an outstanding uncollected premium to the FWCJUA. Further, any outstanding collection fees and penalties on any policy for the year under consideration for a policyholder dividend will be deducted from any eligible policyholder's dividend amount.

Policyholder Dividend Calculation Methodology:

Once a dividend has been declared by the Board of Governors, a number of calculations must be completed to determine which policies in that policy year are eligible to receive a policyholder dividend payment.

First, a calculation of the policy year's combined ratio (excluding investment income and expenses) will need to be determined, which will essentially become the 'standard' for those policies within the policy year which has been declared to receive a policyholder dividend. If an individual policy meets or exceeds this 'standard' underwriting result, then it will qualify and receive a policyholder dividend payment. The combined ratio is the sum of the reinsurance premium expense ratio plus the administrative expense ratio plus the selected dividend loss & ALAE ratio.

Utilizing data from the particular policy year of which the Board has declared a policyholder dividend, the three components of the policy year's total expense ratio are calculated as described below:

1) The reinsurance premium expense ratio is calculated using the financial information from the *Financial Information By Policy Year* report. The reinsurance premium expense ratio is equal to the total reinsurance premium allocated to the policy year divided by the total earned premium for that policy year.

2) The administrative expense ratio is the sum of the average servicing carrier fees (SCF) paid ratio plus the average producer fees paid ratio plus the general & administrative (G&A) expense ratio. If the individual policy year being considered has more than one subplan and/or tier, these calculations will need to be calculated for each individual subplan and/or tier separately. Both the servicing carrier fees paid ratio and the producer fees paid ratio are developed by utilizing the *J11 premium record* information from the FLARE database. The SCF paid ratio is the total of all SCF paid for all policies in that policy year divided by the total earned premiums for that policy year. The producer fees paid ratio is the total of all producer fees paid for all policies in that policy year divided by the total earned premiums for that policy year. The G&A expense ratio is the total general and administrative (G&A) expenses for that corresponding calendar year divided by the total earned premiums for that policy year

3) The selected dividend loss & ALAE ratio will be determined by selecting the highest of the following three loss ratios: a) cumulative FWCJUA net loss & ALAE ratio (for all years excluding Subplan D data); b) the cumulative individual policy year & ALAE ratio (excluding Subplan D data); or c) the subplan and/or tier's cumulative net loss & ALAE ratio. These ratios will be obtained from the *Ultimate Loss Summary* reports prepared by the FWCJUA each quarter as a detailed work paper for the Statutory Quarterly and Annual Statements filed with the Office of Insurance Regulation.

Once the 'standard' has been determined, a review of the individual policies in that particular policy year will be completed. Below is a step by step analysis of how to determine the policies that will qualify and receive a proportionate share of the net policyholder dividend to be declared.

Step by Step Policy Analysis:

Step 1: Determine if the policy is eligible. The policy is ineligible and is no longer considered in the analysis if the policy:

a. ~~the policy~~ is a minimum premium policy, or
b. has no completed final audit, or
c. has an unpaid assessment, or
d. has an uncollected premium 12 months after policy expiration or cancellation.

Step 2: Calculate the individual policy's combined ratio. This would be the sum of the administrative expense ratio for the policy year + reinsurance premium expense ratio for the policy year + the individual policy's loss & ALAE ratio (sum of all loss & ALAE incurred / total earned premium for the policy).

Step 3: Determine if the policy qualifies. Compare the individual policy's combined ratio to the 'standard' policy year's combined ratio. If the individual policy's combined ratio is equal to or less than the 'standard' policy year's combined ratio, then the policy qualifies and will receive payment of the policyholder dividend on the basis of a proportionate share of the positive underwriting results of those policyholders participating in the policyholder dividend.

Step 4: Complete combined ratio analysis on all eligible policies. Sum up the total of the positive underwriting results for all of the qualified policies, as this is the amount used as the denominator in the proportionate share calculation of the actual policyholder dividend payment.

Step 5: Next is to determine the actual individual policy dividend payment amount. The policy's final positive underwriting results would be divided by the total positive underwriting results for that policy's proportionate share of the net policyholder dividend declared as shown in the following formula.

$$\frac{\text{Positive Underwriting Results}}{\text{Total Positive Underwriting Results}} \times \text{Net Policyholder Dividend Declared} = \text{Policy's Proportionate Share of the Dividend}$$

(using 6 decimal places)

A Sample Calculation could be:
Proportionate share = \$1,000 / \$1,500,000 = .000666
= .000666 X 750,000 = \$499.50

Step 6: Before actual payment, it will be necessary to implement a further verification process to ensure that the policyholder does not have any uncollected premium, unpaid assessments, outstanding collection fees, outstanding penalties or outstanding final audits in any other policy year with the FWCJUA. If any uncollected premium, unpaid assessments, outstanding collection fees, or outstanding penalties are found for any other policy years, then the policy's proportionate share of the dividend would first be applied to these outstanding obligations/liabilities for that policyholder. If there is any positive dividend amount remaining, the positive balance will be distributed to the policyholder. However, if the policyholder has any outstanding final audits for any other policy year; the dividend will be withheld until all outstanding final audits are completed.

Step 7: All policyholder dividend payments will be sent via check to the most recent address on file for the policyholder. Payments will not be made for any amounts less than \$1.00.

Approved by the Board of Governors on XX XX, 2008

FWCJUA Policyholder Dividend Methodology Analysis

Revised - September 30, 2008

	2001	**2002**
Policies Issued	656	1,156
Minimum Premium Policies (at audit)	77	182
Policies with No Final Audit	21	37
Policies with Uncollectible Premium (or beyond payment guidelines)	7	17
Settled Premium Policies	4	9
Eligible for Policyholder Dividend	**547**	**911**
(before consideration of Combined Ratio - % of policies eligible)	*83.4%*	*78.8%*
Policies with Claims	56	109
Administrative Expense Ratio (SCF, Commissions and G&A)	17.35%	16.28%
Reinsurance Premium Expense Ratio	18.38%	21.13%
Cumulative FWCJUA Net Loss & ALAE Ratio	32.41%	32.41%
Cumulative Policy Year Loss & ALAE Ratio	23.10%	13.40%
Cumulative Subplan Policy Year Loss & ALAE Ratio	36.40%	36.40%
Selected Dividend Loss & ALAE Ratio *(use highest of the 3 averages)*	**36.40%**	**36.40%**
Therefore,		
'standard' policy year combined ratio would be:	**72.13%**	**73.81%**

If the policy has a combined ratio less than or equal to the 'standard',
then the policy qualifies for payment of a policyholder dividend.

Data to be utlized:

1) Most recent actuarial reserve analysis at time of dividend declaration.
2) Most recent month-end claim and expense data available at time of individual dividend calculation.

FWCJUA
Calculation of the Net Policyholder Dividend Amount - **2001**

Gross Policyholder Dividend Amount	**248,704.00**	with 10% underwriting gain retained OR	
(Declared by Board)	**876,579.00**	with 5% underwriting gain retained	
less expenses :			
			hourly wage used:
determining eligibility	11.56	*20 minutes of time*	34.68
# of policies to be reviewed	656		
	7,583.36		
calculating share of dividend, processing & mailing check			
calculation of dividend share	11.56	*20 minutes of time*	*34.68*
processing of check	3.06	*10 minutes of time*	*18.35*
cost of a check	0.37		
check cleared at bank charge	0.17		
postage - certified mail, electronic return receipt	4.12	(or 5.32 with card return receipt)	
paper & envelope	0.11		
	19.39		
# of dividend checks	547		
	10,605.08		
Total expenses	**18,188.44**		
Net Policyholder Dividend Amount	**230,515.56**	with 10% underwriting gain retained OR	
Net Policyholder Dividend Amount	**858,390.56**	with 5% underwriting gain retained	

Financial Information by POLICY YEAR
As of December 31, 2007

	LPT Years 1994 - 1999	2000	2001	2002	2003	2004	2005	2006	2007	Total
Gross Earned Premium	203,143,282	5,252,487	12,557,503	25,389,268	62,517,557	68,478,659	63,540,304	40,354,274	11,959,776	493,193,110
Reinsurance Premium *	12,865,321	762,951	2,305,892	5,303,863	9,071,326	11,418,605	10,008,160	6,262,673	2,248,521	60,247,313
Paid Losses & LAE	91,862,919	1,595,675	1,653,612	4,695,205	15,717,631	14,978,863	11,320,977	3,714,246	591,277	146,130,405
Case Reserves	813,286	0	117,934	220,907	1,100,951	3,296,574	1,269,616	542,359	459,290	7,820,917
Net Underwriting Gain / (Loss)	97,601,756	2,893,861	8,480,065	15,169,293	36,627,649	38,784,617	40,941,551	29,834,996	8,660,688	278,994,475
Net Loss Ratio w/out IBNR	**48.7%**	**35.5%**	**17.3%**	**24.5%**	**31.5%**	**32.0%**	**23.5%**	**12.5%**	**10.8%**	**35.6%**
IBNR & ULAE Reserve	4,244,974	65,705	222,440	177,866	1,072,503	6,500,596	6,235,685	3,543,013	3,079,484	25,142,266
Net Underwriting Gain / (Loss)	94,815,631	2,828,156	8,257,625	14,991,427	35,555,146	32,284,021	34,705,866	26,291,983	5,581,204	253,852,209
Net Loss Ratio with IBNR	**50.2%**	**37.0%**	**19.5%**	**25.4%**	**33.5%**	**43.4%**	**35.2%**	**22.9%**	**42.5%**	**41.4%**
Uncollectible Premium	38,883,515	1,069,802	3,520,624	1,773,555	11,947,277	10,900,424	6,487,043	1,433,071	56,279	76,071,590
% of Gross Earned Premium	19.1%	20.4%	28.0%	7.0%	19.1%	15.9%	10.2%	3.6%	0.5%	15.4%
Other Underwriting Expenses	42,673,694	2,589,863	3,024,944	5,653,468	15,657,089	17,947,788	12,081,406	8,210,815	5,077,766	112,916,833
Misc Income / (Expense)	(10,174,038)	405,370	984,853	126,033	343,672	259,839	146,816	143,820	112,438	(7,763,635)
Federal Income Taxes	9,637,431	(349,929)	1,192,456	3,328,547	2,862,515	721,506	7,855,527	4,604,072	91,715	29,943,840
Underwriting Gain / (Loss)	**(6,553,047)**	**(76,210)**	**1,504,454**	**4,361,889**	**5,431,937**	**2,974,142**	**8,428,706**	**12,187,845**	**467,882**	**27,156,311**
% of Underwriting Gain/(Loss) / Gross Earned Premium	**-3.2%**	**-1.5%**	**12.0%**	**17.2%**	**8.7%**	**4.3%**	**13.3%**	**30.2%**	**3.9%**	**5.5%**
Reasonable % "Underwriting Gain"		**5.0%**	**5.0%**	**5.0%**	**5.0%**	**5.0%**	**5.0%**	**5.0%**	**5.0%**	
Reasonable $ "Underwriting Gain"		**262,624**	**627,875**	**1,269,463**	**3,125,878**	**3,423,933**	**3,177,015**	**2,017,714**	**597,989**	**14,502,491**
Excess "Underwriting Gain"		**(338,834)**	**876,579**	**3,092,426**	**2,306,059**	**(449,791)**	**5,251,691**	**10,170,131**	**(130,107)**	**20,778,154**
% of Excess Underwriting Gain/(Loss) / Gross Earned Premium		**-6.5%**	**7.0%**	**12.2%**	**3.7%**	**-0.7%**	**8.3%**	**25.2%**	**-1.1%**	**7.2%**
Estimated Investment Income	*21,290,735*	*83,555*	*651,427*	*1,860,808*	*2,255,911*	*2,213,271*	*3,560,343*	*1,858,650*	*220,279*	*33,994,979*
Total Net Income / (Loss)	***14,737,688***	***7,345***	***2,155,881***	***6,222,697***	***7,687,848***	***5,187,413***	***11,989,049***	***14,046,495***	***688,161***	***61,151,290***
% of Total Net Income / Gross Earned Premium	***7.3%***	***0.1%***	***17.2%***	***24.5%***	***12.3%***	***7.6%***	***18.9%***	***34.8%***	***5.8%***	***12.4%***
Total Policies Written	36,147	522	662	1,140	4,178	5,434	4,991	3,875	2,575	59,524
Total Claims Reported	5,463	86	120	229	657	732	482	303	90	8,162
Total Open Claims as of 12/31/07	13	0	2	1	10	28	47	31	40	172

** 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, 2007

	LPT Years 1994 - 1999	2000	2001	2002	2003	2004	2005	2006	2007	Total
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Net Underwriting Gain / (Loss)	97,601,756	2,893,861	8,480,065	15,169,293	36,627,649	38,784,617	40,941,551	29,834,996	8,660,688	278,994,475
Net Loss Ratio w/out IBNR	**48.7%**	**35.5%**	**17.3%**	**24.5%**	**31.5%**	**32.0%**	**23.5%**	**12.5%**	**10.8%**	**35.6%**
IBNR & ULAE Reserve	4,244,974	65,705	222,440	177,866	1,072,503	6,500,596	6,235,685	3,543,013	3,079,484	25,142,266
Net Underwriting Gain / (Loss)	93,356,782	2,828,156	8,257,625	14,991,427	35,555,146	32,284,021	34,705,866	26,291,983	5,581,204	253,852,209
Net Loss Ratio with IBNR	**50.9%**	**37.0%**	**19.5%**	**25.4%**	**33.5%**	**43.4%**	**35.2%**	**22.9%**	**42.5%**	**41.4%**
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Misc Income / (Expense)	(10,174,038)	405,370	984,853	126,033	343,672	259,839	146,816	143,820	112,438	(7,763,636)
Federal Income Taxes	9,637,431	(349,929)	1,192,456	3,328,547	2,862,515	721,506	7,855,527	4,604,072	91,715	29,943,840
Underwriting Gain / (Loss)	**(8,011,896)**	**(76,210)**	**1,504,454**	**4,361,889**	**5,431,936**	**2,974,142**	**8,428,706**	**12,187,845**	**467,882**	**27,156,310**
% of Underwriting Gain/(Loss) / Gross Earned Premium	**-3.9%**	**-1.5%**	**12.0%**	**17.2%**	**8.7%**	**4.3%**	**13.3%**	**30.2%**	**3.9%**	**5.5%**
Reasonable % "Underwriting Gain"		**10.0%**	**10.0%**	**10.0%**	**10.0%**	**10.0%**	**10.0%**	**10.0%**	**10.0%**	
Reasonable $ "Underwriting Gain"		**525,249**	**1,255,750**	**2,538,927**	**6,251,756**	**6,847,866**	**6,354,030**	**4,035,427**	**1,195,978**	**27,809,005**
Excess "Underwriting Gain"		**(601,459)**	**248,704**	**1,822,963**	**(819,819)**	**(3,873,724)**	**2,074,676**	**8,152,418**	**(728,096)**	**7,003,758**
% of Excess Underwriting Gain/(Loss) / Gross Earned Premium		**-11.5%**	**2.0%**	**7.2%**	**-1.3%**	**-5.7%**	**3.3%**	**20.2%**	**-6.1%**	**2.5%**
Estimated Investment Income	*21,290,735*	*83,555*	*651,427*	*1,860,808*	*2,255,911*	*2,213,271*	*3,560,343*	*1,858,650*	*220,279*	*33,994,979*
Total Net Income / (Loss)	***13,278,839***	***7,345***	***2,155,881***	***6,222,697***	***7,687,847***	***5,187,413***	***11,989,049***	***14,046,495***	***688,161***	***61,151,289***
% of Total Net Income / Gross Earned Premium	***6.5%***	***0.1%***	***17.2%***	***24.5%***	***12.3%***	***7.6%***	***18.9%***	***34.8%***	***5.8%***	***12.4%***
Total Policies Written	36,147	522	662	1,140	4,178	5,434	4,991	3,875	2,575	59,524
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Total Open Claims as of 12/31/07	13	0	2	1	10	28	47	31	40	172

** No Reinsurance for AY 1994 claims*

** 2004 & 2005 - reduced by $ rec'd from the DOL Trust Fund*

OPERATIONS COMMITTEE REPORT:
PROPOSED 2009 BUSINESS PLAN & FORECAST

The Board shall consider the Operations Committee's recommendation to adopt the attached proposed 2009 FWCJUA Business Plan & Forecast, including the projected 2009 capital expenditures. Additionally, given an Executive Compensation Committee directive on December 4^{th}, one additional activity has been included in the proposed business plan regarding a review of the staff benefits program.

The substantive changes made to the outline of the 2009 Business Plan & Forecast which was presented to the Board in September are indicated in red highlight with either strikeout or underscore for quick reference. Further, it should be recognized that three of the 2009 forecast amounts are estimates that will be updated in the forecast when the contract terms are known. These items specifically relate to the reinsurance premium, D&O insurance, and the office space CAM adjustment.

The Board shall determine whether to adopt the Operations Committee's proposed 2009 Business Plan & Forecast recognizing that the forecast amounts associated with the reinsurance premium, D&O insurance premiums, and rent will be updated to coincide with contract terms.

PRELIMINARY OUTLINE
2009 FWCJUA BUSINESS PLAN

INTRODUCTION
Following is the FWCJUA business plan for 2009 defining our objectives and key activities. We are confident that in 2009 we will meet our obligations to the legislature and our policyholders through our results-oriented, bottom-line focus. We shall continue to concentrate on the critical activities that ensure continued success - managing expenses, properly pricing the product and providing creative solutions to problems generated by a constantly changing market.

MISSION
As the Board of Governors of the FWCJUA, we have been charged with the duty of administering the Florida Workers' Compensation residual market mechanism. In fulfilling that obligation, our goals are:

To provide workers' compensation and employer's liability insurance to employers who are required to maintain such coverage by law but are unable to procure it in the voluntary market and who are willing to implement reasonable loss prevention programs to provide safe work places;

To ensure that policyholders and claimants receive quality service;

To provide coverage and service efficiently and to establish rates that are actuarially sound and reasonably expected to ensure the ongoing solvency of the residual market mechanism without future policyholder assessments;

To establish and aggressively pursue programs designed to assist applicants and insureds of the residual market mechanism to obtain coverage in the voluntary market; and

To promote safety in the work place through the aggressive pursuit of safety programs for insureds of the residual market mechanism.

OBJECTIVES
Our 2009 objectives are:

1. Manage the Subplan “D” deficit in accordance with our filed program to eliminate this individual rating plan deficit and address any future statutory deficits.
2. Maintain rate adequacy.
3. Minimize the operating loss.
4. Maintain solvency without an FWCJUA policyholder assessment provided rate adequacy exists.
5. Pursue sound investments.
6. Manage uncollectible premiums within acceptable limits.
7. Maintain a dynamic, responsive organization capable of responding to market fluctuations in a timely manner.
8. Implement an assessment, if one becomes necessary.
9. Promote loss prevention and safety in the workplace of our policyholders.

KEY ACTIVITIES/SUCCESS FACTORS
Our 2009 objectives are supported by the key activities (success factors) defined on the following pages.

1. MANAGE THE SUBPLAN “D” DEFICIT IN ACCORDANCE WITH OUR FILED PROGRAM TO ELIMINATE THIS INDIVIDUAL RATING PLAN DEFICIT AND ADDRESS ANY FUTURE STATUTORY DEFICITS.

a) Update the Subplan “D” actuarial cash flow model with quarterly results, to include any changes to the Subplan D loss ratio, to identify potential deficiencies and recommend courses of action to the Board.

b) Identify any future statutory deficits and develop and timely file a program to eliminate said deficits.

2. **MAINTAIN RATE ADEQUACY.**
   a) 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.

3. **MINIMIZE THE OPERATING LOSS.**
   a) Monitor the federal income tax exemption filed for in December 2007.
   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.
      (2) File and implement the FWCJUA Loss Sensitive Rating Plan, as warranted.
   c) Ensure that the final audit for 2008 is completed no later than May 1, 2009.
   d) Satisfy any recommendations presented in the Auditor's Letter to Management no later than June 1, 2009.
   e) Manage to the G&A budget.
   f) Prepare and file the FWCJUA Annual Financial Statement no later than March 1, 2009 and the Quarterly Financial Statements no later than May 15, August 15, and November 15, 2009.
   g) Prior to July 1st, notify the Office of Insurance Regulation of the amount of the FWCJUA's gross written premiums for the preceding calendar year pursuant to section 440.51(14), Florida Statutes. (Whenever the plan's gross written premiums reported to the Office are less than $30 million, the Office shall transfer to the plan, subject to appropriation by the Legislature, an amount not to exceed the plan's fixed administrative expenses for the preceding calendar year, subject to a maximum of $750,000)

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.
   b) Ensure that the Statement of Actuarial Opinion for 2008 is completed no later than April 1, 2009.
   c) 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.
   d) 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.
   e) Confirm Benfield to act on behalf of the FWCJUA and approach selected direct markets with respect to the placement of the FWCJUA's 2010 reinsurance program.
   f) 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.
   g) 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.
   h) Ensure timely and accurate reporting to the reinsurers with full disclosure of large and/or serious injuries.
   i) 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.
   j) If a deficit is recognized at the 2008 audit, a program to eliminate the deficit will be developed and filed with OIR.

- **k)** Monitor the 1994 – 1999 LPT transaction to determine the status of the restrictive surplus and the status of the aggregate limit.
- **l)** Complete the Management Discussion and Analysis on schedule.
- **m)** Ensure that any FWCJUA Policyholder Dividend Policy adopted by the Board is implemented appropriately.

5. PURSUE SOUND INVESTMENTS.

- **a)** Evaluate short-term and intermediate cash flow needs according to the cash management policy along with current economic conditions and modify the investment strategy as warranted.
- **b)** Evaluate, direct and monitor the performance of the investment manager to ensure that performance is at or above market benchmark returns.
- **c)** Continue to conduct monthly Investment Committee meetings as scheduled to monitor investment compliance, as necessary and re-evaluate quarterly the additional investment parameters added in June 2008 to determine if the parameters are still warranted.

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 2006 of ??.?% as of 12/31/08.
- **b)** Identify the leading drivers of uncollectible premium and adjust collection programs to enhance collection efforts.

7. MAINTAIN A DYNAMIC, RESPONSIVE ORGANIZATION CAPABLE OF RESPONDING TO MARKET FLUCTUATIONS IN A TIMELY MANNER.

- **a)** Evaluate and redesign, as deemed appropriate by the Board, the web-based on-line application process to provide agencies with the ability to submit application information through the system for FWCJUA eligibility review and underwriting prior to the submission of hard copies and monies to further streamline the submission process and improve cost efficiencies.
- **b)** Continue FLARE[4] enhancements, to include updates required due to procedural changes as well as web-site integration, and conduct on-going maintenance to ensure its continued effectiveness.
- **c)** Address the recommendations resultant from the IT systems disaster recovery “internal” audit and satisfy as warranted.
- **d)** Evaluate and develop, if feasible, an on-line process that would permit agencies to issue certificates of insurance that would capture certificate holder information for policyholder underwriting and audit.
- **e)** Evaluate and develop, if feasible, a process to transfer the application and binding information digitally to the policy administration service provider.
- **f)** Test and implement the developed enhancement to the on-line agency authorization renewal process.
- **g)** Upgrade the email system to Exchange 2007 and provide a higher level of redundancy to the system for disaster recovery purposes.
- **h)** Replace older servers with virtualization technology to allow for greater efficiency and reduced costs.
- **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 agency/producer” locator; 8) answers to FAQ’s; 9) MAP reports; and 9) general information.
- **j)** Continue to explore and implement disaster recovery initiatives as deemed appropriate by the Board.
- **k)** Evaluate the effectiveness of MAP and make appropriate recommendations to the MAP Committee.
- **l)** Upgrade the computer room cooling system to ensure appropriate cooling at maximum efficiency with dependable redundancy.
- **m)** 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.

- **n)** 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.
- **o)** Extend RSI's engagement for collection services through June 30, 2010.
- **p)** Conduct an annual on-site audit, to include a review of its Disaster Recovery Plan, Document Retention Policy, and Antifraud Plan, as well as quarterly reviews of the policy administration/managed care service provider's performance to ensure adherence to FWCJUA rules and service standards.
- **q)** Assist with the on-site training of the policy administration service provider's underwriters, adjusters and auditors with regard to the prevention of uncollectible premium.
- **r)** Prepare and submit, at least quarterly, to the Commission on Ethics a list of names of the senior managers, officers, and members of the Board who are subject to the public disclosure requirements under section 112.3145, Florida Statutes, with the first list submitted no later than March 31, 2009.
- **s)** Explore additional options for document management data redundancy and make appropriate recommendations to the Operations Committee.
- **t)** ~~Engage Thomas Howell Ferguson as the financial auditor for the year ending December 31, 2009.~~ Continue to explore and implement eco-friendly office programs that involve reduction, reuse or recycling.
- **u)** Conduct a review of the staff benefits program to determine what, if any, updates should be made to the program with recommendations to be presented for Executive Compensation Committee consideration in the fall of 2009.

8. IMPLEMENT AN ASSESSMENT, IF ONE BECOMES NECESSARY.

- **a)** Continue to explore alternative ways to minimize assessment potential.

9. PROMOTE LOSS PREVENTION AND SAFETY IN THE WORKPLACE 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.
- **b)** Explore "alternative" methods and techniques for accepting and using safety programs and make appropriate recommendations to the Safety Committee.
- **c)** Explore additional cost-effective marketing strategies that may be implemented to increase policyholder awareness of loss prevention services and opportunities provided by the FWCJUA to promote workplace safety.

Florida Workers' Compensation Joint Underwriting Association, Inc.
Premium and Loss Forecast With Budgeted Expenses
For Year Ending December 31, 2009

12/4/2008 12:23

2008 Pricing is being used.
Estimate for 2009

	Forecast 2008	Forecast 2009	Increase (Decrease)	% Change	% Change
REVENUE:					
Direct written premium (new & renewals with PY 2009)	21,000,000	12,000,000	(9,000,000)	-42.9%	*rate filing projection (approx. 1,700 policies)*
Direct written premium (prior years' adjustments)	3,000,000	1,000,000	(2,000,000)	-66.7%	
Direct earned premium (new & renewals with PY 2009)	15,750,000	7,800,000	(7,950,000)	-50.5%	
Direct earned premium (prior years' adjustments & UEP)	2,000,000	6,000,000	4,000,000	200.0%	
Reinsurance premium (10.437% E.P.)	1,852,568	1,541,711	(310,857)	-16.8%	*minimum premium will apply - estimated here*
Net earned premium	15,897,433	12,258,289	(3,639,144)	-22.9%	
Interest income ($75M @ 4.5% / $90M @ 3.5%)	4,100,000	3,250,000	(850,000)	-20.7%	*assuming continued low interest rates*
Producer authorizations	10,000	84,550	74,550	745.5%	*2 year agreement - 2009 is 1st renewal period*
Miscellaneous	60,000	20,000	(40,000)	-66.7%	*interest on collection payment plan*
TOTAL REVENUE	**20,067,433**	**15,612,839**	**(4,454,594)**	**-22.2%**	
OPERATING EXPENSES:					
Loss & LAE incurred - (% of earned premium x loss ratio)	6,766,922	4,504,800	(2,262,122)	-33.4%	*Gross Loss Ratio for 2008 as of 6/08 - 32.1%*
Ceded reinsurance recoverables	(1,111,541)	(423,971)	687,570	-61.9%	*Ceded Loss Ratio for 2008 as of 6/08 - 27.5%*
Net loss & LAE incurred	5,655,381	4,080,829	(1,574,552)	-27.8%	*(includes $75K for litigation mgmt & not covered claims)*
Service provider fees - written premium less bad debt	3,666,140	2,715,200	(950,940)	-25.9%	*New 3 yr agreement for 2009 - graduated scale*
Producer fees - written premium less bad debt	456,918	285,743	(171,175)	-37.5%	*average on surcharged premium: 2.737%*
Rating/statistical organization fees	100,000	100,000	-	0.0%	
Bad-debt write-off - (14% / 13%)	2,940,000	1,560,000	(1,380,000)	-46.9%	*13% assumption now being used*
Bad debt write off - (suspected fraud adj.)	2,000,000	1,000,000	(1,000,000)	-50.0%	
Collection expense - 12.5% est. collections @ 30%	110,250	58,500	(51,750)	-46.9%	
Taxes and assessments - (0.05% / 0.05% of written prem.)	21,000	6,000	(15,000)	-71.4%	*US DOL USL&H assessment*
TOTAL OPERATING EXPENSES	**14,949,689**	**9,806,272**	**(5,143,417)**	**-34.4%**	

Florida Workers' Compensation Joint Underwriting Association, Inc.
Premium and Loss Forecast With Budgeted Expenses
For Year Ending December 31, 2009

12/4/2008 12:23

2008 Pricing is being used.
Estimate for 2009

	Forecast 2008	Forecast 2009	Increase (Decrease)	% Change	% Change
GENERAL & ADMINISTRATIVE EXPENSES:					
Professional Services					
Actuarial services	60,000	74,000	14,000	23.3%	*New 3 year agreement*
Auditing - financial	77,000	72,000	(5,000)	-6.5%	
Audting - IT	-	8,500	8,500	100.0%	
Audit fee recovery - Travelers	(16,750)	(15,500)	1,250	-7.5%	*% of audit fee*
Consulting - systems & financial	85,000	30,000	(55,000)	-64.7%	*IT consulting*
Legal - *(General Counsel - $157K;*	150,000	157,000	7,000	4.7%	*Include both general counsel work (84%)*
Legal GC Expenses - $5K	5,000	5,000	-	100.0%	*& legislative oversight (16%)*
Litigation-Collections - $12K)	5,000	12,000	7,000	140.0%	*Court costs & # of suits has increased*
Security & other services	19,900	19,900	-	0.0%	
Temporary employees	10,000	10,000	-	0.0%	*PT employee or temporary employee*
Total Professional Services	395,150	372,900	(22,250)	-5.6%	
General					
Rent	162,249	167,789	5,540	3.4%	*New Office Space annual increase*
Bank charges	7,800	5,400	(2,400)	-30.8%	*Direct expenses now*
Telecommunications	49,060	49,060	-	0.0%	
Insurance - BI/GL/WC/D&O	97,731	101,637	3,906	4.0%	*annual price increases*
Licenses and fees	1,500	1,500	-	0.0%	
Office equipment and supplies	94,585	111,199	16,614	17.6%	*annual price increases*
Disaster Recovery Plan Maintenance	37,044	70,296	33,252	100.0%	*Sungard offsite network hosting*
Utilities	16,800	18,000	1,200	7.1%	*annual price increases*
Postage and printing	25,920	25,620	(300)	-1.2%	
Depreciation/amortization	181,833	218,883	37,050	20.4%	
Total General	674,522	769,384	94,862	14.1%	
Personnel					
Compensation	1,153,938	1,185,330	31,392	2.7%	*annual increases*
Benefits	220,066	239,459	19,393	8.8%	*annual increases*
Payroll taxes	85,042	85,928	885	1.0%	*annual increases & increase in SUTA*
Employee recruitment/training/education	44,500	44,500	(0)	0.0%	*education & licenses*
Total Personnel	1,503,547	1,555,218	51,671	3.4%	

Travel and Business Expenses

Florida Workers' Compensation Joint Underwriting Association, Inc.
Premium and Loss Forecast With Budgeted Expenses
For Year Ending December 31, 2009

12/4/2008 12:23

2008 Pricing is being used.
Estimate for 2009

	Forecast 2008	Forecast 2009	Increase (Decrease)	% Change	% Change
Travel - employees	32,000	32,000	-	0.0%	
Travel - board/committee meetings	20,600	20,600	-	0.0%	*board meetings in JUA office*
Total Travel and Business Expenses	52,600	52,600	-	0.0%	
TOTAL GENERAL & ADMINISTRATIVE EXPENSES	**2,625,819**	**2,750,102**	**124,283**	**4.7%**	
KEY INITIATIVE EXPENSES:					
Litigation	10,000	50,000	40,000	400.0%	
Legislative initiatives	-	100,000	100,000	0.0%	
Legal - Special Projects	TBD	TBD	-	0.0%	
Second rate filing	15,000	15,000	-	0.0%	
A/C Issues	-	TBD	-	0.0%	
Virtualization Project (capital expenditures only)	-	47,000	47,000	100.0%	
Executive Compensation Study	16,000	-	(16,000)	-100.0%	
Disaster Recovery Analysis	34,300	-	(34,300)	-100.0%	
Disaster Recovery Deployment	TBD	TBD	-	0.0%	
TOTAL KEY INITIATIVE EXPENSES	**75,300**	**212,000**	**136,700**	**181.5%**	
Total G&A and Key Initiatives	**2,701,119**	**2,962,102**	**260,983**	**9.7%**	
TOTAL ALL EXPENSES	**17,650,808**	**12,768,374**	**(4,882,434)**	**-27.7%**	
less $750,000 per Florida Statute & Appropriation	**-**	**(750,000)**	**(750,000)**	**100.0%**	
LOSS BEFORE ASSESSMENTS	**2,416,625**	**3,594,465**	**1,177,840**	**48.7%**	

TBD - To Be Determined

Florida Workers' Compensation Joint Underwriting Association, Inc.
Budgeted Capital Expenditures
For Year Ending December 31, 2009

Hardware		
Servers (2) (for virtualization project)		27,500
Scanner PC replacement		1,200
Storage Array		9,600
Hardware upgrades		2,000
Printer		700
UPS replacements for servers (if needed as 3-4 yrs old now)		400
Small Printer		700
Misc: keyboards, mice, patchcords, NIC		750
Software		
Virtualization and Exchange (for virtualization project)		9,500
Network monitoring		1,500
Development tools		1,500
Adobe Upgrade		1,300
Property, Plant & Equipment		
	Total	**56,650**

18,883
annual depreciation / amortization *

OPERATIONS COMMITTEE REPORT:
DISASTER RECOVERY MATTERS

At its December 1st meeting, the Operations Committee confirmed the Executive Director's modifications to the Disaster Recovery & Emergency Preparedness Plan (Revised November 24, 2008). Generally, the Plan was modified to:

1. add the "Training, Testing & Update Schedule" to Appendix I;
2. update the individual and vendor contact information in Appendices C, D, & F; and
3. clean-up the document with non-substantive editorial revisions.

The Revised November 24, 2008 version of the FWCJUA DR&EP Plan was distributed on November 24th in accordance with the Plan document.

No Board action is required on this agenda item.

OPERATIONS COMMITTEE REPORT: SERVICE PROVIDER AUDIT REPORT

At its December 1st meeting, the Operations Committee received a report on the FWCJUA's audit of the policy administration and managed care service provider, Travelers.

The staff audit report found that Travelers is fulfilling its obligations as a service provider for the FWCJUA. The performance audit resulted in a cumulative score of 96.3% and an overall "Commendable" rating for Travelers. This is an improvement on last year's performance audit results which reflected a cumulative score of 92.9% and an overall "Satisfactory" rating. Further, staff reviewed Travelers' Anti-Fraud and Disaster Recovery Plans as part of the audit and found them both to be comprehensive and adequate.

Overall, the Travelers' dedicated units for the FWCJUA continue to be well run, and perform well in all aspects of policy administration. There continues to be a positive working relationship between the FWCJUA and the Travelers' management team as well as the Travelers' front line personnel.

No Board action is required on this item.

INVESTMENT COMMITTEE REPORT: COMPLIANCE REVIEW OF THE CURRENT INVESTMENT PORTFOLIO

The Board shall consider confirming several Investment Committee resolutions related to the FWCJUA's investment holdings.

On September 9, 2008, the Board confirmed the Investment Committee's August 29th decision to authorize Investment Policy exceptions to maintain a total of four bonds downgraded below an "A" rating within the FWCJUA's portfolio, those being the bonds issued by Home Depot, Anheuser Busch and Washington Mutual. The confirmed downgraded bond holdings, at that time, are outlined below:

Moody's	S&P	Bond Name	Maturity Date	Par Value	Cost	Market Value as of 8/31/08	Yield to Maturity
BAA1	BBB+	Home Depot	6/15/2009	135,000	134,450	133,145	3.850%
BAA3	BBB - *	Washington Mutual	1/15/2009	80,000	78,271	72,000	5.060%
A2	BBB+ **	Anheuser Busch Cos	12/1/2009	100,000	111,125	104,202	8.099%
A2	BBB+ **	Anheuser Busch Cos	4/1/2010	328,000	344,584	333,136	5.473%

* downgraded 7/23/08 by S&P from a BBB to a BBB- with a stable outlook.
Moody's has placed it on a negative watch.
** downgraded 7/14/08 by S&P to BBB+ after agreed to be acquired by InBev. Moody's
and Fitch have ratings on negative outlook but have not yet downgraded.

Subsequently, the Investment Committee met and conducted compliance reviews of the investment portfolio on September 26th, October 31st and December 1st to determine whether additional exceptions to the Investment Policy were warranted given the state of the investment marketplace and the FWCJUA's portfolio performance. At its September 26th meeting, the Investment Committee received a report regarding the latest status and outlook on the four bonds that had been previously authorized to be held with a downgrade. Most notably, Washington Mutual was seized by federal regulators on September 25, 2008. The Committee also considered the continued holding of two downgraded bonds issued by Lehman Brothers, who filed Chapter 11 bankruptcy on September 15, 2008, as well as two downgraded commercial papers (see chart below).

Moody's	S&P	Bond Name	Maturity Date	Par Value	Cost	Market Value as of 9/22/08	Yield to Maturity
A3 *	P2 *	American General - CP	11/6/2008	1,500,000	1,493,359	No bids	2.577%
A2 **	P1	McCormick - CP	11/26/2008	8,500,000	8,431,575	8,456,650	2.351%
E ***	BBB -	Washington Mutual	1/15/2009	80,000	78,271	?	5.060%
BAA1	BBB+	Home Depot	6/15/2009	135,000	134,450	132,782	3.850%
B3 ****	D ****	Lehman Brothers	11/1/2009	115,000	136,876	94,361	6.616%
A2	BBB+	Anheuser Busch Cos	12/1/2009	100,000	111,125	103,119	8.099%
B3 ****	D ****	Lehman Brothers	1/27/2010	250,000	243,893	46,250	4.356%
A2	BBB+	Anheuser Busch Cos	4/1/2010	328,000	344,584	331,779	5.473%

** downgraded 9/15/08 by S&P and Moody's given its holding company's (AIG's) severe capital shortages.*
*** downgraded 8/5/08 by Moody's after acquiring Lawry's.*
**** further downgraded 9/22/08 by Moody's given the further deterioration of its mortgage business;* ***SEIZED BY FEDERAL REGULATORS ON 9/25/08****.*
***** downgraded 9/15/08 by S&P and Moody's when filed for Chapter 11 bankruptcy on 9/15/08.*
Highlighted rows indicate previously Board approved downgrades to be held within portfolio.

Following its September 26th meeting discussion, the Committee re-confirmed the continued holding of the downgraded Home Depot and Anheuser Busch bonds and authorized the following investment policy exceptions:

1. The continued holding of the downgraded American General CP and McCormick CP;

2. The continued holding of the two downgraded Lehman Brothers bonds until more information is known, at which point, the Investment Committee Chair and the Executive Director, in consultation with the Investment Manager, are authorized to sell the bond as they deem appropriate prior to the next Investment Committee meeting;
3. The continued holding of the downgraded Washington Mutual bond of $80,000 until more information was known regarding the impact of the seizure of the bank by federal regulators on September 25th, at which point, the Investment Committee Chair and the Executive Director, in consultation with the Investment Manager, were authorized to sell the bond as they deem appropriate prior to the next Investment Committee meeting.

On October 2nd, the Washington Mutual bond was sold for $49,600 at the direction of the Investment Committee Chair and Executive Director after consultation with the Investment Manager. As the Washington Mutual bond was purchased for $78,271 less $49,600 received at sale less $7,013 interest earned, the net cash loss to be recorded by the FWCJUA shall be $21,658.

At its October 31st meeting, the Investment Committee received a report regarding the latest status and outlook on the commercial paper issues and bonds that were being held within the FWCJUA's portfolio that either had been previously authorized to be held with a downgrade or had to be considered for continued holding given a recent downgrade (see below chart, *new downgrades shown in green highlight*). The Committee was also advised that the Coca Cola Enterprises and Allstate bonds are "watch listed," given they both may have negative outlooks going forward due to earnings.

Moody's	S&P	Bond Name	Maturity Date	Par Value	Cost	Market Value as of 10/24/08	Yield to Maturity
A3	P2	American General - CP	11/6/2008	1,500,000	1,493,359	No bids	2.577%
A2	P1	McCormick - CP	11/26/2008	8,500,000	8,431,575	8,475,350	2.351%
BAA1	BBB+	Home Depot	6/15/2009	135,000	134,450	128,566	3.850%
B3	D	Lehman Brothers	11/1/2009	115,000	136,876	?	6.616%
BAA2*	BBB+	Anheuser Busch Cos	12/1/2009	100,000	111,125	101,131	8.099%
B3	D	Lehman Brothers	1/27/2010	250,000	243,893	?	4.356%
BAA2*	BBB+	Anheuser Busch Cos	4/1/2010	328,000	344,584	325,219	5.473%
A3	BBB+**	First Tennessee Bank	12/8/2008	100,000	99,989	98,538	5.345%
A3	BBB+***	Vulcan Materials	11/30/2012	500,000	499,110	493,510	5.833%

** downgraded 9/29/08 by Moody's with stable outlook.*
*** downgraded by S&P resultant from the negative housing news.*
**** downgraded by S&P; however, there are positive long term prospects.*
Non-highlighted rows indicate previously Committee approved downgrades to be held within portfolio.
Yellow highlighted row indicates previously Board approved downgrade to be held within portfolio.

Following its October 31st discussion, the Committee authorized an Investment Policy exception to continue to hold the further downgraded Anheuser Busch bonds within the FWCJUA's portfolio and to further authorize an Investment Policy exception to hold the newly downgraded First Tennessee Bank bond and the Vulcan Materials bond. In addition, the Committee re-confirmed the authorized Investment Policy exceptions to continue to hold the Home Depot bond, the Lehman Brothers bonds, the American General commercial paper and the McCormick commercial paper within the FWCJUA's portfolio.

During the month of November 2008, both the American General commercial paper and the McCormick commercial paper matured and paid without incident. Additionally, Vulcan Materials was downgraded by Moody's.

At its December 1st meeting, the Investment Committee received a report regarding the latest status on the Vulcan Materials downgrade as well as on the other bonds that were being held within the FWCJUA's portfolio that had been previously authorized to be held with a downgrade (see below chart, *new downgrade shown in green highlight*). The Committee also received updates on the Coca Cola Enterprises and Allstate bonds that had been "watch listed" and was advised of a minor concern with Target at this time given speculation of a possible recapitalization project. The Committee also discussed the outlook on the “financials” with the investment management team, particularly Bank of America and CitiGroup given that the FWCJUA is holding approximately $4.5 million in bonds issued by Bank of America, Countrywide and Merrill Lynch and a $1.14 million CitiGroup bond.

Moody's	S&P	Bond Name	Maturity Date	Par Value	Cost	Market Value as of 11/20/08	Yield to Maturity
A3	BBB+	First Tennessee Bank	12/8/2008	100,000	99,989	99,462	5.345%
BAA1	BBB+	Home Depot	6/15/2009	135,000	134,450	129,700	3.850%
B3	D	Lehman Brothers	11/1/2009	115,000	136,876	?	6.616%
BAA2	BBB+	Anheuser Busch Cos	12/1/2009	100,000	111,125	102,664	8.099%
B3	D	Lehman Brothers	1/27/2010	250,000	243,893	?	4.356%
BAA2	BBB+	Anheuser Busch Cos	4/1/2010	328,000	344,584	325,153	5.473%
BAA2*	BBB+	Vulcan Materials	11/30/2012	500,000	499,110	480,055	5.833%

** downgraded 11/13/08 by Moody’s, with negative outlook due to ailing construction industry.*
Non-highlighted rows indicate previously Committee approved downgrades to be held within portfolio.
Yellow highlighted row indicates previously Board approved downgrade to be held within portfolio.

Following its December 1st discussion, the Committee re-confirmed the Investment Policy exceptions to continue to hold the Home Depot bond, the Lehman Brothers bonds, the Anheuser Busch bonds, and the First Tennessee Bank bond within the FWCJUA’s portfolio. Further, the Committee authorized an Investment Policy exception to continue to hold the further downgraded Vulcan Materials bond within the FWCJUA’s portfolio.

It is anticipated that the First Tennessee Bank bond will mature and pay without incident on December 8, 2008.

The Board shall determine whether to re-confirm the currently authorized Investment Policy exception to continue to hold the Home Depot bond within the FWCJUA’s portfolio. Further, the Board shall determine whether to confirm the Investment Committee’s decisions to authorize additional exceptions to the FWCJUA’s Investment Policy to permit the continued holding of the downgraded Anheuser Busch bonds, Lehman Brothers bonds and Vulcan Materials bond within the FWCJUA’s portfolio or sell the bonds for a loss.

AUDIT COMMITTEE REPORT:
AUDIT COMMITTEE CHARTER PROCEDURE CHECKLIST

The Board shall receive the Audit Committee's annual report on its functions during 2008.

As required by the Audit Committee Charter, the Audit Committee utilized the Audit Committee Charter Procedures Checklist to ensure it addressed all of its required functions in 2008. The checklist is attached for the Board's perusal.

To highlight a few of the Audit Committee's activities during 2008:

1. Monitored the progress of the tax exempt filing with the Internal Revenue Service.
2. Reviewed the 12/31/2007 financial audit. The financial audit was completed by Thomas Howell Ferguson and issued with an unqualified opinion and no written comments.
3. Reviewed and confirmed the revised policy and procedure regarding transfers of funds to and from the FWCJUA Investment Account at US Bank allowing transfers only via the FWCJUA's Operating Account at SunTrust Bank.
4. Procured the auditor for the 2009 year-end financial audit.

No Board action is required on this item.

Florida Workers' Compensation Joint Underwriting Association, Inc.
Audit Committee Charter Procedures Checklist
For the financial reporting period ended December 31, 2008

Attachment N

Understanding Roles and Responsibilities	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	As Needed	Done by: (initials)	Completed	Comments
1. Review the audit committee charter to determine whether its responsibilities are adequately described.			X				Yes	Discussed at the 8/21/08 meeting with no recommended changes at this time.
2. Discuss the committee's communication and performance expectations with management and independent auditors.				X			Yes	Discussed at the 11/19/08 meeting - Bennett commented that open lines of communication are very important and would like a dialogue with THF once they have completed their initial planning focusing on the investments as well as any other areas of focus during the audit.
3. Engage internal and external resources as the committee determines necessary to carry out its duties.					X		N/A	
4. Establish direct access to the independent auditors.					X		Yes	
5. Establish a process to respond to any reports from the corporate attorneys regarding material violations of laws or breaches of fiduciary duties.					X		N/A	
6. Develop a meeting planner to make sure that the committee meets its responsibilities as outlined in its Charter.	X	X	X	X	X		Yes	2 teleconference dates were approved: August 21, 2008 at 10 am and November 19, 2008 at 10 am.
7. Prepare minutes for all meetings and circulate in draft form to members prior to being finalized.	X	X	X	X	X		Yes	Minutes are prepared and included in the next Audit committee or Board of Governors meeting agenda for approval.
8. Provide orientation training for new committee members.					X		Yes	An introduction was provided at the Nov. 30, 2007 meeting with more information available depending upon committee member request.

Understanding the Business	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	As Needed	Done by: (initials)	Completed	Comments
1. Provide information to the Committee on the Association's structure, controls and types of transactions.	X	X	X	X	X		Yes	Discussed on 4/9/08 related to 2007 year-end audit and at the 8/21/08 and 11/19/08 meetings.

Florida Workers' Compensation Joint Underwriting Association, Inc.
Audit Committee Charter Procedures Checklist
For the financial reporting period ended December 31, 2008

Understanding the Business (cont.)	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	As Needed	Done by: (initials)	Completed	Comments
2. Communicate the types of significant risks faced by the Association in the current environment including:							Yes	Items discussed during the year: LT Bonds being held as an exception to the Investment Policy as the bonds are currently rated below an 'A' rating, economic conditions further affecting the JUA's premium level, and the Emma Murray supreme court case ruling.
• Competitive trends.	X	X	X	X			Yes	The FWCJUA is concerned about its cash deposits being at a single bank due to the recent bank failures and is therefore exploring the option of diversifying its cash deposits among multiple banks to maximize on the available FDIC deposit insurance.
• Significant customers and suppliers.					X		Yes	
• Regulatory requirements	X	X	X	X			Yes	
3. Evaluate whether management exhibits and fosters a culture and environment that promotes high-quality financial reporting, including addressing internal control issues.	X	X	X	X			Yes	Bennett commented that discussions with THF indicate management has a good environment and that financial reporting capabilities are exceptional.
4. Determine how management is assessing the adequacy and effectiveness of internal controls.	X	X	X	X			Yes	Discussed at 4/9/08 meeting related to 2007 year-end audit. In June, additional controls were implemented regarding transfers to & from the FWCJUA's Investment accounts only via the FWCJUA's Operating Account at SunTrust - copies of policies presented to the Committee at the 8/21/08 meeting.
5. Discuss with the independent auditors any significant improvement recommendations in internal controls and whether management has adequately addressed them.		X					Yes	Discussed on 4/9/08 as THF had a recommendation last year regarding segregation of duties however issue addressed & no concerns at this time.
6. Assess whether the Association has an appropriate business continuity plan and whether that plan has been tested.					X		Yes	The FWCJUA is continuously updating the business continuity and disaster recovery plan document - as well as has recently completed a full IT audit.
7. Discuss with the independent auditors whether they noted any instances of employee fraud, questionable or illegal payments, or violations of laws or regulations.		X					Yes	Discussed at 4/9/08 meeting, THF advised that nothing came to THF's attention during the audit.

Florida Workers' Compensation Joint Underwriting Association, Inc.
Audit Committee Charter Procedures Checklist
For the financial reporting period ended December 31, 2008

Understanding the Business (cont.)	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	As Needed	Done by: (initials)	Completed	Comments
8. Obtain an understanding of management's compensation structure and whether the current structure could increase the possibility of inappropriate behavior to maximize compensation.					X		Yes	Audit Chair sits on Executive Compensation Committee which meets several times a year.
9. Assess whether there are adequate controls over the approval and monitoring of special or complex transactions.	X	X	X	X			Yes	Discussed at 4/9/08 meeting related to 2007 year-end audit and at the 8/21/08 & 11/19/08 meeting.
10. Receive update from management about reports received from regulators and their responses to those reports.					X		Yes	Received correspondence from OIR on June 9, 2008 and although not required as FWCJUA is not a domestic stock insurer, may be beneficial for FWCJUA to update its custodial agreements providing more security and additional controls - audit committee & board agreed.
11. Receive an update from the general counsel on legal and regulatory matters that may have a material effect on the financial statements.	X				X		Yes	On October 23, 2008, the Florida Supreme Court overturned the First District Court of Appeal decision in the case of Emma Murray v. Mariner Health/Ace USA, ruling that claimant attorneys are entitled to "reasonable fees" in workers compensation insurance cases.

Oversight of Financial Reporting Process	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	As Needed	Done by: (initials)	Completed	Comments
1. Distribute and discuss the Association's financial results and the consistency of reported and planned results.	X	X	X	X			Yes	Quarterly financial statements are distibuted to the Board; both filed financial statements as well as projected financials with year-to-date actuals
2. Review significant balance sheet changes or changes in trends or important financial statement relationships.	X	X	X	X			Yes	Included with projected / actual financial reports are explanations if actual results are different than projected.
3. Review Association's accounting principles (including changes in them) and practices and compare to industry norms.				X	X		Yes	Discussed at the 11/19/08 meeting - although there have been changes in some principles and practices, there are not applicable to the FWCJUA.
4. Review management's process for identifying related party transactions.					X		N/A	

Oversight of Financial Reporting Process (cont.)	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	As Needed	Done by: (initials)	Completed	Comments
5. Review any new or proposed accounting and auditing topics affecting the company.				X	X		Yes	Discussed at the 11/19/08 meeting - although there have been proposed insurance accounting and auditing topics - there are not applicable to the FWCJUA.
6. 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.		X					Yes	THF advised tha part of the audit process by looking at 'material' items and control testing on the material transaction cycles as well as testing balances - however noted no weakness in controls.
7. Challenge management and the auditors to identify the difficult areas (e.g. significant estimates and judgments) and to fully explain how they each made their judgments in those areas.		X					Yes	At the 4/9/08 meeting, loss reserves, unearned premium, premium receivables, deposit premiums and investments were discussed.
8. Review proposed significant, complex, and/or unusual transactions and their financial statement effects.		X			X		Yes	Discussed at 4/9/08 meeting related to 2007 year-end audit.
9. Obtain an understanding of why management did not correct audit differences that were identified and what the effect would be on the financial statements if those differences were corrected in the current period.		X					Yes	At the 4/9/08 meeting, THF advised there were none.
10. Review actuarial analysis report and have opportunity to confer independently with actuary.	X						Yes	The entire Board decides the loss reserves to be booked on the financials after review presented by Milliman and each Board member has direct access to the FWCJUA's actuary.

Oversight of Audit Function	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	As Needed	Done by: (initials)	Completed	Comments
1. Inquire as to the results of the independent auditors' latest peer and internal reviews, as well as the status of significant litigation or disciplinary actions by regulatory bodies.			X				Yes	Discussed on 8/21/08, THF received a clean opinion in 2007 with no written comments.
2. Review quality control procedures of the independent auditor over the audit function			X				Yes	Discussed on 8/21/08.

Oversight of Audit Function (continued)	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	As Needed	Done by: (initials)	Completed	Comments
3. 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.			X				Yes	Discussed on 8/21/08 with no substantial changes in scope with primary focus on loss reserves, UEP, P/R, investments and cash.
4. Determine that the independent auditors are appropriately compensated to provide well-trained, highly experience personnel required to perform the necessary procedures for a high-quality audit.			X				Yes	Discussed on 8/21/08.
5. Establish a process for the appointment, compensation and oversight of the independent auditors. Also, establish a process for pre-approving the audit and non-audit services to be provided by the independent auditors. When warranted, termination and reappointment of a replacement auditor.			X		X		Yes	Discussed on 8/21/08, Audit Committee will recommend to Board to engage THF for 2009 audit and complete a price comparison for 2010 and beyond.

Audit Committee Communication	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	As Needed	Done by: (initials)	Completed	Comments
1. Provide meaningful and focused updates to the Board of Governors after each committee meeting.	X	X	X	X	X		Yes	12/31/07 Audit results will be presented to the Board at the June meeting.
2. Provide an opportunity for the independent auditors to be available to the full Board of Governors at least annually to review the results of the audit.		X					Yes	THF is always available to the Board and will participate at the June meeting.
3. Meet at least annually to assess management's effectiveness and communicate the results of that assessment.		X					Yes	Discussed at the 4/9/08 meeting. Committee commented that FWCJUA has sound financial reporting and effective and open communication.
4. Inquire of the auditors about management's corrective actions regarding control deficiencies identified.		X					Yes	Discussed at 4/9/08 meeting and THF advised of no control deficiencies.
5. Inquire of the auditors about pressure by management to accept less than high-quality financial reporting.		X					Yes	Discussed at 4/9/08 meeting and it was consensus that FWCJUA definitely exhibits high-quality financial reporting.
6. Inquire about the independent auditors' quality control safeguards and independence.			X				Yes	Discussed at the 8/21/08 meeting.

Florida Workers' Compensation Joint Underwriting Association, Inc.
Audit Committee Charter Procedures Checklist
For the financial reporting period ended December 31, 2008

Audit Committee Communication	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	As Needed	Done by: (initials)	Completed	Comments
7. Provide vehicle for employees or others to have direct access to audit committee to report concerns. Annually all Board Members, Officers and Employees will read and sign the Code of Conduct and/or Conflict of Interest Statements.				X	X		January 2008	An updated Business Conduct Letter was given to all employees with the change of audit committee members.
8. Annual Report to the full Board of Governors on the audit committee functions during the year with their completion following the audit charter checklist.				X			12/9/2008 Board Meeting	To be presented to the Board at their Dec. 9th 2008 meeting.

EXECUTIVE COMPENSATION COMMITTEE REPORT: 2009 EXECUTIVE COMPENSATION & BENEFITS

The Board shall consider the Executive Compensation Committee's recommendation regarding the 2009 executive compensation.

At its December 4th meeting, the Executive Compensation Committee reviewed the designated duties and responsibilities of the executive staff as outlined in their respective job descriptions and agreed that they were reasonable and did not require revision. It further formulated Board recommendations regarding the 2009 compensation for the executive staff, which is currently comprised of the following individuals:

1. Laura Torrence, Executive Director
2. Michael Cleary, Operations Manager
3. Laura Lopez, Controller
4. Vacant, Program Manager *(there is no intent to hire in the near future)*

The Executive Compensation Committee recommends a 4.0% increase for Laura Torrence, Michael Cleary and Laura Lopez to become effective January 1, 2009.

The Committee also directed the Torrence to conduct a review of the staff benefits program to determine what, if any, updates should be made to the program with recommendations to be presented for Executive Compensation Committee consideration in the fall of 2009.

Attached for the Board's reference is a copy of the current Executive Staff Compensation Plan.

The Board shall determine whether to adopt the Executive Compensation Committee's recommendation that Laura Torrence, Michael Cleary and Laura Lopez receive a 4.0% increase in the amount of their current fixed annual compensation effective January 1, 2009.

FLORIDA WORKERS' COMPENSATION JOINT UNDERWRITING ASSOCIATION, INC.

REVISED EXECUTIVE STAFF COMPENSATION PLAN

Adopted by the Board of Governors on December 13, 2005
To be effective on January 1, 2006

On December 13, 2005, the Board of Governors adopted a Revised Executive Staff Compensation Plan (the "Plan") under which the executive staff will be compensated. The effective date of the Plan is January 1, 2006. Notwithstanding the adoption of the Plan, the executive staff compensation plan which was in effect on December 31, 2005 (the "Prior Plan"), will govern the payment of any compensation due as a result of the implementation of the Prior Plan.

1. No later than December 31 of each year, the Executive Compensation Committee will (a) review and revise, as it deems appropriate, the designated duties and responsibilities of the members of the executive staff; and (b) recommend to the Board of Governors the amount of fixed annual compensation which will be paid to each of the members of the executive staff in the ensuing year.

2. The Executive Director will recommend to the Executive Compensation Committee for its consideration the annual compensation which will be paid to the other members of the executive staff.

3. The compensation will be paid to the executive staff in periodic installments, in accordance with the usual and customary practices of the FWCJUA.

4. In addition to the annual compensation described above, the Executive Compensation Committee may, in its discretion, from time to time recommend to the Board of Governors that members of the executive staff be paid additional compensation for the extraordinary performance of their duties to the FWCJUA. The payment of additional compensation will not be made as a routine practice or as a matter of course, but only under exceptional circumstances. The final decision on the payment of additional compensation will be made in the sole discretion of the Board of Governors.

5. The members of the Executive Compensation Committee shall be appointed by the Chair of the Board, who will designate one of the committee members to serve as its chair.

2008 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 2008 Business Plan, with one exception. Staff will be unable to deliver the redesigned web-based online application process by year-end given unanticipated delays that occurred in development and testing resulting from the turnover of two developers during 2008. The redesigned web-based online application process will be delivered no later than January 21, 2009, barring any further turnover in the IT area.

1. **MANAGE THE SUBPLAN "D" DEFICIT IN ACCORDANCE WITH OUR FILED PROGRAM TO ELIMINATE THIS INDIVIDUAL RATING PLAN DEFICIT AND ADDRESS ANY FUTURE STATUTORY DEFICITS.**
   - **a)** Update the Subplan "D" actuarial cash flow model with quarterly results, to include any changes to the Subplan D loss ratio, to identify potential deficiencies and recommend courses of action to the Board.

     Fourth Quarter: The Subplan D Cash Flow Model has been updated using the 9/30/08 actual results and indicates the funding for Subplan D obligations through the contingency reserve to be approximately $6.2 million. This is an additional $1.7 million over the $7.9 million already received from the contingency reserve. Thus, no additional state funds should be required to fund the Subplan D deficit.

     Third Quarter: The Subplan D Cash Flow Model has been updated using the 5/31/08 actual results and indicates that no additional state funds should be required to fund the Subplan D deficit.

     Second Quarter: The Subplan D Cash Flow Model has been updated using the 3/31/08 actual results and indicates that no additional state funds should be required to fund the Subplan D deficit.

     First Quarter: The Subplan D Cash Flow Model has been updated using the 12/31/07 actual results as well as the updated Subplan D loss ratio based on the FWCJUA's 12/31/07 reserve analysis and indicates that no additional state funds are required to fund the Subplan D deficit.
   - **b)** Identify any future statutory deficits and develop and timely file a program to eliminate said deficits.

     Fourth Quarter: Per the Third Quarter Statement, the FWCJUA recognized a $71,408,735 surplus, with a subplan D deficit of $ 3,737,168.

     Third Quarter: Per the Second Quarter Statement filed in August, the FWCJUA recognized a $70,681,531 surplus in second quarter 2008, with a subplan D deficit of $ 3,808,579. The program to eliminate the 2007 Subplan D deficit utilizing May actuals was filed July 8, 2008.

     Second Quarter: At its June 11, 2008 meeting, the Board adopted a Rates & Forms Committee recommendation to authorize staff to finalize correspondence to OIR outlining the program to eliminate the FWCJUA's 2007 Subplan D deficit through May actuals and submit no later than July 14, 2008.

     First Quarter: The FWCJUA recognized a $63,537,101 surplus in 2007. Only one of the individual rating plans posted a 2007 year-end deficit, that being Subplan D with a deficit of $3,886,969. 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 2007 financial statements, which we anticipate filing in April.

2. **MAINTAIN RATE ADEQUACY.**
   - **a)** 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.

     Fourth Quarter: 1. The FWCJUA's 1/1/2009 rates and minimum premiums were filed and made available on the FWCJUA's website on November 14, 2008. **2.** Currently, staff is reviewing 126 open claims with dates of accidents on or after 10/1/2003 to estimate the impact of the Florida Supreme Court's decision on Emma Murray. The NCCI law only filing resultant from the Court's decision asks for an initial 8.9% rate increase effective 3/1/2009 and is scheduled for an OIR public

2008 BUSINESS PLAN STATUS REPORT

hearing on December 16th. Travelers has been instructed to endorse all policies with a pending the change endorsement.

Third Quarter: At its September 9th meeting, the Board adopted a Rates & Forms Committee recommendation to effectuate an overall average premium level decrease change of -4.8%, effective January 1, 2009, for new and renewal business to be adjusted to reflect any approved voluntary market rate level and class relativity changes that may become effective January 1, 2009.

First Quarter: 1. At its February 22nd meeting, the Board adopted a Rates & Forms Committee recommendation that no adjustments to the January 1, 2008 rates be filed to reflect the adjustment to Travelers' service provider fee for the 2008 contract year. **2.** January 1, 2008 rates and minimum premiums were successfully implemented and available on the FWCJUA's website.

3. MINIMIZE THE OPERATING LOSS.

a) Pursue the federal income tax exemption filed for in December 2007 without unduly jeopardizing operations or operating expenses.

Third Quarter: On July 9, 2008, the FWCJUA received a refund of its filing fee for the federal income tax exemption filing.

Second Quarter: On April 10, 2008, the FWCJUA received a letter from the IRS National Office wherein it declined to issue a letter ruling on the FWCJUA's request for federal income tax exemption, as the IRS is currently re-evaluating its regulations pertaining to this issue. The FWCJUA is also waiting to receive a refund of its filing fee.

First Quarter: Andy Gray of THF continues to discuss the filing with the IRS National Office. The IRS continues to want to avoid issuing any more private letter rulings on such matters until their rules can be formalized; however, they have said that the FWCJUA appears to have taken the necessary steps to be considered an integral part of the state. We remain committed to securing a private letter ruling, and thus, the IRS has asked for more time to work on the issue.

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.

Fourth Quarter: At its December 9th meeting, the Board will consider a Rates & Forms Committee recommendation to discontinue the FWCJUA's special classification code 0916 (Domestic Workers – Inside – Includes Babysitting Service; Home Health Care Service).

Third Quarter: 1. At the direction of the Board of Governors, staff filed revisions to the Contractor's Supplemental, Employer's Affidavit, and Truckers Supplemental Application with OIR on July 10th and on July 28th, OIR granted approval of the changes to become effective September 1, 2008. **2.** On July 11th, staff filed the "new" Acknowledgement of FWCJUA Premium Payment Options Form, including revisions to the ACORD 134 FL and the Supplemental Employee Leasing Application and on July 28th, OIR granted approval of the "new" form as well as the revisions to the other two application forms, effective September 1, 2008. **3.** On July 11th, staff had also filed the Employer Quarterly Self Audit Program with OIR and on July 29th, OIR approved the program as well as the Quarterly Payroll Reporting Form, effective October 1, 2008

Second Quarter: 1. Staff's ongoing analysis of the composition and experience of new and renewal business resulted in revisions to the Contractor's Supplemental Application and the Employer's Affidavit to address several premium disputes and collection issues that surfaced within the last year, specifically Code 5606 – Executive Supervisor; out-of-state subcontractors; and licensed contractors being prohibited to pull permits for others. **2.** The Truckers Supplemental Application was also amended to primarily update and correct typographical errors in the form. **3.** Staff also introduced an Employer Quarterly Self Audit Program to supplement the payroll and classification verification process on a quarterly basis during policy currency to avoid any potential uncollectible premiums. These form revisions as well as the Employer Quarterly

2008 BUSINESS PLAN STATUS REPORT

Self Audit Program were adopted by the Board at its June 11th meeting. **4.** The Board also resolved to continue the Optional Payroll Service with Premium Withholding Program. **5.** The 2007 Annual Operations Report was presented to the Operations Committee on May 30th and presented to the Board on June 11th. The report was completed by Travelers on March 31, 2008, with a recommendation to host a Workers' Compensation Complimentary Seminar for FWCJUA policyholders in Orlando, which Travelers conducted April 24, 2008. **6.** Staff continues to work with a Payroll Service Company to enroll as an Authorized Payroll Service Partner under the Optional Payroll Service with Premium Withholding Program. **7.** On June 11th, the Producer Appeals Committee met and agreed to reinstate a producer and his agency's eligibility to apply for authorization to submit business to the FWCJUA. **8.** Also, on June 11th, the Producer Appeals Committee agreed to modify the reinstatement provisions to permit the Executive Director to grant reinstatement, subject to appeal to the Producers Appeal Committee.

First Quarter: The annual operations analysis is underway with a target completion date of March 31st and any recommendations will be submitted for consideration by the appropriate committee(s).

(2) File and implement the FWCJUA Loss Sensitive Rating Plan, as warranted.

Fourth Quarter: Given that the FWCJUA has no accounts exceeding $300K EAP, there is no need at this time to file and implement the FWCJUA's Loss Sensitive Rating Plan.

Third Quarter: Given that the FWCJUA has no accounts exceeding $300K EAP, there is no need at this time to file and implement the FWCJUA's Loss Sensitive Rating Plan.

Second Quarter: The second quarter review of the Book of Business identified no accounts exceeding $300K EAP. Therefore, the FWCJUA Loss Sensitive Rating Plan will remain a ready "shelf product" to be filed and implemented, if warranted.

First Quarter: The first quarter review of the Book of Business identified one account exceeding $300K EAP. Accordingly, staff determined that there remains insufficient activity to warrant activating the LSRP. However, the FWCJUA Loss Sensitive Rating Plan will remain a ready "shelf-product" to be filed and implemented, if warranted.

c) Ensure that the financial audit for 2007 is completed no later than April 1, 2008.

Completed First/Second Quarters: The 2007 Statutory Financial Audit performed by THF, was received and accepted by the Audit Committee on April 9th and filed with OIR on April 15th. 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.

d) Satisfy any recommendations presented in the Auditor's Letter to Management no later than June 1, 2008.

Completed First/Second Quarters: There were no management recommendations to satisfy.

e) Manage to the G&A budget.

Fourth Quarter: The FWCJUA is under budget for G&A expenses by $308,510 as of September 30, 2008.

Third Quarter: The FWCJUA is under budget for G&A expenses by $182,999 as of June 30, 2008.

Second Quarter: As of March 31, 2008, The FWCJUA is under budget for G&A expenses by $119,537.

First Quarter: The FWCJUA was under budget for G&A expenses by $417,771 as of December 31, 2007.

f) Prepare and file the FWCJUA Annual Financial Statement no later than March 1, 2008 and the Quarterly Financial Statements no later than May 15, August 15, and November 15, 2008.

Fourth Quarter: The Third Quarter Financial Statement was timely filed on November 14, 2008

Third Quarter: The Second Quarter Financial Statement was timely filed on August 13, 2008.

Second Quarter: The First Quarter Financial Statement was timely filed on May 15, 2008.

First Quarter: The FWCJUA's 2007 Annual Statement was timely filed on February 29, 2008.

g) Prior to July 1st, notify the Office of Insurance Regulation of the amount of the FWCJUA's gross written premiums for the preceding calendar year pursuant to section 440.51(14), Florida Statutes. (Whenever the plan's gross written premiums reported to the Office are less than $30 million, the Office shall transfer to the plan, subject to appropriation by the Legislature, an amount not to exceed

2008 BUSINESS PLAN STATUS REPORT

the plan's fixed administrative expenses for the preceding calendar year, subject to a maximum of $750,000)

Third Quarter: On July 1st, the FWCJUA notified DFS of its 2007 fixed administrative expenses as defined by section 440.51(13)(b), Florida Statutes.

Second Quarter: At its June 11th meeting, the Board adopted an Operations Committee recommendation to authorize staff to notify DFS of the FWCJUA's 2007 fixed administrative expenses as defined by section 440.51(13)(b), Florida Statutes, and to calculate said expenses in accordance with staff's recommendation.

Other:

Fourth Quarter: 1. At its December 9th meeting, the Board shall consider a Rates & Forms Committee recommendation to adopt the proposed FWCJUA Policyholder Dividend Policy and related calculation methodologies. In addition, the Board shall consider a Rates & Forms Committee recommendation to declare a dividend for the 2001 policy year. **2.** Currently, staff is reviewing 126 open claims with dates of accidents on or after 10/1/2003 to estimate the impact of the Florida Supreme Court's decision on Emma Murray. It is anticipated that this open claim review will be completed no later than December 31, 2008.

Third Quarter: At its September 9th meeting, the Board of Governors provided further direction to staff to finalize the draft policyholder dividend policy, recommended by the Rates & Forms Committee.

Second Quarter: At its June 11th meeting, the Board approved a Rates & Forms Committee recommendation that it authorize staff to develop a proposed methodology for a return of premium dividend for future consideration by the Rates & Forms Committee and the Board.

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/Third/Fourth Quarters: The cash flow and projection models by subplan and tier continue to be monitored with no new trends or solvency problems being observed.

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, 2007 actual results was updated in February and indicates no additional funding needs for Subplan D obligations.

b) Manage the Loss Emergence Model to anticipate potential reserve adjustments and recommend courses of action to the Board.

Completed Second Quarter: At its June 11th meeting, the Board adopted a Rates & Forms Committee recommendation to confirm booking the 2008 losses utilizing the loss ratios that were booked by rating tier as of 12/31/2007.

First Quarter: All 2007 loss information was timely provided to Milliman for annual reserve analysis.

c) Ensure that the Statement of Actuarial Opinion for 2007 is completed no later than April 1, 2008.

Completed First Quarter: The Statement of Actuarial Opinion for 2007 was filed with OIR on March 12th. It is the opinion of the actuary that carried reserves meet the requirements of the insurance laws of Florida; are consistent with the reserves computed in accordance with the Standards of Practice issued by the Actuarial Standards Board; and make a reasonable provision for all unpaid loss and loss expense obligations of the FWCJUA.

d) 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.

Completed First Quarter: 1. The required actuarial analysis on the loss liabilities of the FWCJUA was completed and distributed to the Board on March 12th. **2.** At its February 22nd meeting, the Board reviewed Milliman's preliminary findings and authorized staff to book Milliman's best estimates of the reserve for unpaid loss and loss adjustment expenses both net and gross of reinsurance, as of December 31, 2007.

2008 BUSINESS PLAN STATUS REPORT

e) 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.

Fourth Quarter: 1. At its December 9th meeting, the Board shall consider a recommendation by the Reinsurance Committee regarding the 2009 reinsurance program. **2.** From October 26-29, staff met with numerous reinsurers in Scottsdale, AZ to discuss the FWCJUA's 2009 Reinsurance Goals and opportunities to improve renewal terms. **3.** Staff and Benfield reviewed and revised the desired provisions proposed to be in the 2009 reinsurance contracts.

Third Quarter: 1. On September 29, 2008, Staff issued notice of cancellation of the First and Second Excess Casualty Reinsurance and the Catastrophe Worker's Comp. Excess of Loss Reinsurance to ensure the re-evaluation of the FWCJUA's reinsurance structure for the 2009 treaty year. **2.** On September 9th, the Board of Governors adopted the goals and marketing strategy for the 2009 Reinsurance Program recommended by the Reinsurance Committee. **3.** On July 8th, the FWCJUA withdrew its commutation offer to PMA.

Second Quarter: 1. At its April 3, 2008 teleconference meeting, the Reinsurance Committee gave staff and Benfield authority to present a commutation offer to PMA that was in the best financial interest of the FWCJUA and should time remain of the essence, to provide the Reinsurance Committee Chair, staff and Benfield with full discretion to respond to any counteroffer by PMA utilizing the necessary experts to evaluate any counteroffer to ensure a commutation that is in the best financial interest of the FWCJUA. **2.** On April 23rd, Benfield presented the FWCJUA's commutation offer to PMA and we are currently awaiting a counteroffer.

First Quarter: 1. Staff and Benfield are analyzing a possible contract commutation for a past reinsurer that is in run-off. **2.** Staff filed the FWCJUA's 2008 Reinsurance Program with OIR on January 8, 2008.

f) 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 2009 reinsurance program.

Completed Second Quarter: The RFQ for Reinsurance Intermediary Services was issued on April 11, 2008, and on May 22nd, the Reinsurance Intermediary RFQ Evaluation Committee conducted oral interviews and on June 11th the Committee recommended and the Board approved the selection of Benfield as the FWCJUA's reinsurance intermediary for the next three years with the option of two one-year extensions by mutual agreement of the parties.

First Quarter: At its April 3rd meeting, the Reinsurance Committee shall provide guidance to staff regarding its proposed reinsurance intermediary selection process and timeline. The Request for Qualifications shall be released in April.

g) 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.

Fourth Quarter: 1. At is December 9th meeting, the Board shall consider the Reinsurance Committee's recommendations based upon significant analysis prepared by Benfield. **2.** On October 24th, Benfield provided a draft submission to reinsurance markets for the FWCJUA's 1/1/2009 reinsurance program renewal. The presentation did not require an identical structure and deductible in the working layers as the 2008 program, but rather indicated continued interest in mechanisms that mitigate costs.

h) 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.

Fourth Quarter: At its December 9th meeting, the Board will receive information regarding the FWCJUA 2009 Reinsurance program that includes a Dynamic Financial Analysis which examines loss distributions based on hazard group mix, historical loss experience and a variety of other assumptions to analyze the risk mitigation of various reinsurance purchases. The analysis also examines the various layers that the FWCJUA has historically purchased with some alterations influenced by availability in the reinsurance marketplace, including optional attachment points.

2008 BUSINESS PLAN STATUS REPORT

i) Ensure timely and accurate reporting to the reinsurers with full disclosure of large and/or serious injuries.
Fourth Quarter: Reinsurers were apprised of a significant, serious injury claim with a 2005 date of accident for which the FWCJUA has been denying coverage due to the cancellation of the employer's coverage well prior to the date of accident; but for which the FWCJUA may ultimately be held responsible for. Staff continued to provide timely, accurate reporting of large and/or serious injuries to reinsurers through Benfield.
First/Second/Third Quarters: Reinsurers continue to receive timely, accurate reporting of large and/or serious injuries on an on-going basis.

j) 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.
Fourth Quarter: The semi-annual review of serious injury claims and claim operations was conducted, Thursday, November 20th, and the resulting actions disseminated to the reinsurers..
Third Quarter: The semi-annual review of serious injury claims and claim operations was conducted Tuesday, July 22nd, and the resulting actions disseminated to the reinsurers. The next review is scheduled to be completed in the fourth quarter.
Second Quarter: The semi-annual review of serious injury claims and claim operations is scheduled for Tuesday, July 22, 2008 in Orlando.
First Quarter: The semi-annual review of serious injury claims and claim operations will be completed in the second quarter.

k) If a deficit is recognized at the 2007 audit, a program to eliminate the deficit will be developed and filed with OIR.
Completed Third Quarter: The program to eliminate the 2007 Subplan D deficit utilizing May actuals was filed July 8, 2008.
Second Quarter*:* At its June 11th meeting, the Board approved a Rates & Forms Committee recommendation to authorize staff to finalize proposed correspondence to OIR outlining the program to eliminate the FWCJUA's 2007 Subplan D deficit through May actuals and submit to OIR no later than July 14, 2008.
First Quarter: The FWCJUA recognized a $63,537,101 surplus in 2007. Only one of the individual rating plans posted a 2007 year-end deficit, that being Subplan D with a deficit of $3,886,969. 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 2007 financial statements, which we anticipate filing in April.

l) Monitor the 1994 – 1999 LPT transaction to determine the status of the restrictive surplus and the status of the aggregate limit.
First/Second/Third/Fourth Quarters: The LPT transaction is reviewed monthly and there continues to be no change in the status of the restrictive surplus and the aggregate limit.

m) Complete the Management Discussion and Analysis on schedule.
Completed Second Quarter: The Management Discussion & Analysis was timely completed and filed with OIR on April 1, 2008.
First Quarter: Staff anticipates timely completion and filing of the MD&A by April 1st.

5. PURSUE SOUND INVESTMENTS.

a) Evaluate short-term and intermediate cash flow needs according to the cash management policy along with current economic conditions and modify the investment strategy as warranted.
Fourth Quarter: **1.** At its December 9th meeting, the Board will receive an Investment Committee update on the FWCJUA's current investment portfolio compliance matters that have been addressed by the Committee since the Board last met in September. The Board will be asked to confirm the necessary Investment Policy exceptions authorized by the Committee. **2.** On December 1st, the Investment Committee re-confirmed the Investment Policy exceptions to continue to hold a Home

2008 BUSINESS PLAN STATUS REPORT

Depot bond, two Lehman Brothers bonds, two Anheuser Busch bonds, and a First Tennessee Bank bond within the FWCJUA's portfolio. Further, the Committee authorized an Investment Policy exception to continue to hold a further downgraded Vulcan Materials bond within the FWCJUA's portfolio. **3.** In November, the American General commercial paper and the McCormick commercial paper both matured and paid without incident. **4.** On October 31st, the Investment Committee authorized an Investment Policy exception to continue to hold two further downgraded Anheuser Busch bonds within the FWCJUA's portfolio and to further authorize an Investment Policy exception to hold a newly downgraded First Tennessee Bank bond and a Vulcan Materials bond. In addition, the Committee re-confirmed the authorized Investment Policy exceptions to continue to hold a Home Depot bond, two Lehman Brothers bonds, an American General commercial paper and a McCormick commercial paper within the FWCJUA's portfolio. **5.** On October 2nd, the Washington Mutual bond was sold for $49,600 at the direction of the Investment Committee Chair and Executive Director after consultation with the Investment Manager. As the Washington Mutual bond was purchased for $78,271 less $49,600 received at sale less $7,013 interest earned, the net cash loss to be recorded by the FWCJUA shall be $21,658. **6.** On September 26th, the Investment Committee re-confirmed the continued holding of a downgraded Home Depot bond and two Anheuser Busch bonds and authorized the following investment policy exceptions: the continued holding of a downgraded American General CP and a McCormick CP; the continued holding of two downgraded Lehman Brothers bonds until more information is known, at which point, the Investment Committee Chair and the Executive Director, in consultation with the Investment Manager, are authorized to sell the bond as they deem appropriate prior to the next Investment Committee meeting; the continued holding of the downgraded Washington Mutual bond of $80,000 until more information was known regarding the impact of the seizure of the bank by federal regulators on September 25th, at which point, the Investment Committee Chair and the Executive Director, in consultation with the Investment Manager, were authorized to sell the bond as they deem appropriate prior to the next Investment Committee meeting.

Third Quarter: 1. At its September 9th meeting, the Board shall consider an Investment Committee recommendation to update the FWCJUA's investment custody and investment management agreements such that the FWCJUA's agreements would meet the requirements of 690-143, F.A.C. as identified by OIR. **2.** The Investment Committee met on August 29th to review compliance of the current investment portfolio and authorized the continued holding of Home Depot Anheuser Busch and Washington Mutual. The Committee will reconsider Washington Mutual with current price information at the September 9th Board meeting. The Committee was also advised that Countrywide Home Loans bond has been upgraded to an AA by S&P and an Aa2 by Moody's, which brings it into compliance with the FWCJUA's Investment Policy. **3.** The Investment Committee met on June 27th to review compliance of the current investment portfolio and authorized the continued holding of Countrywide Home Loans, Home Depot and Washington Mutual The Committee also introduced additional investing parameters which are more conservative that the Investment Policy given the current volatile state of the financial market. The parameters include considering a maturity of more than 2 years, it must earn a minimum of a 4% return and a maturity of more than 5 years, must earn a minimum of 4.5% return.

Second Quarter: 1. At its June 11h meeting, the Board confirmed an Investment Committee's decision to authorize additional exceptions to the FWCJUA's Investment Policy to permit the continued holding of the further downgraded Washington Mutual and Countrywide Home Loans bonds in the FWCJUA's portfolio. **2.** The Investment Committee met on May 30th to review compliance of the current investment portfolio and authorized the continued holding of a further downgraded Countrywide Home Loans bond with the FWCJUA's portfolio. **3.** The Investment Committee met on April 25th and received an update regarding the current investment marketplace and reviewed the investment policy. At the meeting, the Committee authorized the continued holding of the further downgraded Washington Mutual bond within the FWCJUA's portfolio and resolved to convene monthly to review the compliance of the current investment portfolio, given the rapidly changing marketplace.

First Quarter: 1. At its February 22nd meeting, the Board confirmed the Investment Committee's January 24th decision to authorize an exception to the FWCJUA's Investment Policy for the four

2008 BUSINESS PLAN STATUS REPORT

downgraded bonds currently being held in the FWCJUA's portfolio. **2.** At its January 24th meeting, the Investment Committee also **(a)** reviewed the Cash Management Policy concurring that the investment maturities were appropriately aligned with projected loss payments and **(b)** received an investment marketplace update concurring that the current investment philosophy was appropriate considering the rapidly changing marketplace.

b) Evaluate, direct and monitor the performance of the investment manager to ensure that performance is at or above market benchmark returns.

Fourth Quarter: **1.** As of September 30th, the portfolio return was 3.73% and the benchmark return was 2.89%. **2.** On October 15th, Torrence & Lopez met with Jason Weinstein of Evergreen to discuss enhanced communications to ensure both staff and the Investment Committee are reasonably positioned to make timely decisions in the current extremely dynamic, volatile investment marketplace.

Third Quarter: As of June 30th, the portfolio return was 3.92% and the benchmark return was 3.16%.

Second Quarter: **1.** At its June 11th meeting, the Board approved an Investment Committee recommendation to continue the relationship with the current investment manager, Evergreen Investment Management Company, given the current financial environment, outstanding performance, and competitive fee structure. **2.** The Investment Committee met on April 25th and conducted its annual review of performance of the investment manager. **3.** As of March 31st, the portfolio return was 4.06% and the benchmark return was 2.66%. **4.** As of December 31, 2007, the portfolio return was 4.58% and the benchmark return was 3.81%.

First Quarter: In March, Lopez and Suarez met with the new individual representatives of the FWCJUA's Investment Manager (Evergreen) to review the FWCJUA's service expectations as well as its portfolio goals and investment philosophy. Staff was satisfied that the new Evergreen account representatives were qualified to respond to the dynamic marketplace and our investment needs.

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 2005 of 17.0% as of 12/31/07.

Fourth Quarter: As of September 30, 2008, the current cumulative uncollectible premium was 16.9%

Third Quarter: As of June 30, 2008, the current cumulative uncollectible premium was 16.9%.

Second Quarter: As of March 31, 2008, the current cumulative uncollectible premium was 17.0%, which meets the 17.0% target established for 2008.

First Quarter: **1.** As of December 31, 2007, the current cumulative uncollectible premium was 18.0%, which met the 18.0% target established for 2007. **2.** Bad Debt database enhancement implemented.

b) Identify the leading drivers of uncollectible premium and adjust collection programs to enhance collection efforts.

Fourth Quarter: On November 24th, Cleary requested assistance from DBPR's Deputy Secretary to expedite the resolution of several complaints filed within the last year and a half regarding licensed certified building contractors operating in the state who have yet to satisfy civil premium judgments obtained by the FWCJUA. Cleary is currently working with April Skilling, Deputy General Counsel to bring these complaints to resolution.

Third Quarter: **1.** On July 29th, OIR approved the FWCJUA's filing to introduce an Employer Quarterly Self Audit Program to become effective October 1, 2008. OIR also approved revisions to the Contractor's Supplemental Application, the Employer's Affidavit and the Truckers Supplemental Application effective September 1, 2008. **2.** On July 9th, the FWCJUA sent notice to all Florida licensed Insurers that the FWCJUA can be instrumental in the recovery of undisputed premium obligations and instructed insurers to report specified policy data of those insured employers that are delinquent in the payment of premiums owed to the insurer. The notice further explained that the FWCJUA will capture the policy data and terminate the coverage of or refuse future coverage to any insured employer that is delinquent in the payment of premiums owed to the insurer.

2008 BUSINESS PLAN STATUS REPORT

Second Quarter: 1. At its June 11th meeting, the Board adopted a Rates and Forms Committee recommendation to amend the Contractor's Supplemental Application and the Employer's Affidavit to address several of the premium disputes and collection issues that have surfaced within the last year. **2.** The Board also approved a Rates and Forms Committee recommendation to introduce an Employer Quarterly Self Audit Program to supplement the current payroll and classification verification process to avoid potential uncollectible premiums at final audit.
First Quarter: Cleary and Robertson met with RSI on February 25th and determined that a leading driver of uncollectible premium was uninsured out-of-state subcontractors operating in Florida and thus, revisions to the Contractor's Supplemental Application and the Employer's Affidavit are being developed for consideration by the Rates & Forms Committee.

7. **MAINTAIN A DYNAMIC, RESPONSIVE ORGANIZATION CAPABLE OF RESPONDING TO MARKET FLUCTUATIONS IN A TIMELY MANNER.**
   a) Redesign the web-based on-line application process to improve user interface with the FWCJUA and provide users the ability to upload application forms and/or information.
   Fourth Quarter: 1. Staff will be unable to deliver the redesigned web-based online application process by year-end given unanticipated delays that occurred in development and testing resulting from the turnover of two developers during 2008. The redesigned web-based online application process will be delivered no later than January 21, 2009, barring any further turnover in the IT area. **2.** The project development works in a repeating cycle of build and test. We are currently testing form validations and navigation and this has revealed problems that must be addressed. The next stage is generating and populating the application documents that are required to be executed followed by the final stage of populating the help system and constructing the management tool so that the underwriters may readily assist producers with problems related to the online process.
   Third Quarter: Continue to develop the redesign of the on-line application process. IT staff is also evaluating the web technology to ensure security from information learned during the RSM McGladrey audit.
   Second Quarter: The prototype development of the web-based on-line application process began the week of May 5th.
   First Quarter: Defined the scope of the project and outlined the project plan.
   b) Continue FLARE4 enhancements, to include updates required due to procedural changes as well as web-site integration, and conduct on-going maintenance to ensure its continued effectiveness.
   Fourth Quarter: Modifications to integrate web-based on-line application data into FLARE4 expected by year end.
   Third Quarter: Updated FLARE4 Interface to include changes to the bad debt database that allows further search capabilities, i.e., corporate officer information.
   Second Quarter: Adjusted data layers to be more consistent with the needed database schema changes to FLARE4 and the website.
   First Quarter: 1. The FLARE4 Bad Debt Database was updated to link an individual company's officer information as well as its ownership information between the bad debt database and the application eligibility database to ensure all applicants and affiliated persons are eligible for FWCJUA coverage. **2.** Modified database structure and GUI to allow for Agency E&O changes and reconciliation. **3.** Created automatic Termination routine based on E&O expirations.
   c) Pursue an outside disaster recovery analysis of the FWCJUA's IT Systems, subject to Board approval.
   Completed Third Quarter: 1. On August 28th, RSM McGladrey presented its favorable audit of the FWCJUA's Disaster Recovery Plan related to IT systems to the Operations Committee. **2.** Staff has already addressed most of RSM McGladrey's recommendations. **3.** On July 7th, RSM McGladrey commenced an internal audit of the FWCJUA's Disaster Recovery Plan related to IT systems.
   Second Quarter: 1. At its June 11th meeting, the Board approved an Operations Committee recommendation to choose RSM McGladrey for the FWCJUA's IT systems disaster recovery auditor. **2.** On May 28th, the FWCJUA received one response to its Quote Solicitation for its IT systems disaster recovery auditor. **3.** On May 12, 2008, the FWCJUA released a Quote Solicitation for the purpose of engaging a reputable independent accounting or consulting firm with sufficient resources

2008 BUSINESS PLAN STATUS REPORT

to assist the FWCJUA conduct an internal audit of the FWCJUA's Disaster Recovery Plan related to IT systems, to include security, documentation, and support.
First Quarter: At its February 22nd teleconference meeting, the Board adopted an Operations Committee recommendation to contract with SunGard for vaulting services.

d) Explore external audit of recovery plans and implement subject to Board approval.
Completed Third Quarter: On August 28th, RSM McGladrey presented its audit results to the Operations Committee. The review disclosed that FWCJUA has assembled an extensive business continuity plan (BCP) that includes provisions for disaster recovery and business resumption. The review also noted that the FWCJUA's current BCP documentation appears to be relatively mature, noting it was clear that the organization is truly committed to business continuity planning.
Second Quarter: At its June 11th meeting, the Board approved an Operations Committee recommendation to choose RSM McGladrey for the FWCJUA's IT systems disaster recovery auditor, which included a review of the FWCJUA's business continuity plan.

e) 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 agency/producer" locator; 8) answers to FAQ's; 9) MAP reports; and 9) general information.
Fourth Quarter: 1. The website was updated to include a new Board member appointment; the Third Quarter Financial Statement; the 1/1/2009 Rate Filing and associated Operations Manual revision filing; the 1/1/2009 rates and to utilize such in the pricing tool; upcoming public Board and Committee meetings with agendas; the latest monthly operations reports; and the revised Agency Producer Agreement and related Operations Manual revision.
Third Quarter: 1. The website was updated to expand the definition of "Key Application Data" in the FWCJUA's Market Assistance Plan (MAP) to include employers' total number of years in business as well as agency fax numbers and email addresses. **2.** The website was also updated to include the revised Truckers Supplemental, the revised Contractor's Supplemental, the revised Employer's Affidavit, the revised ACORD 134 FL form, the revised Supplemental Employee Leasing Application, as well as add the Acknowledgement of FWCJUA Premium Payment Options form and Operations Manual revisions upon OIR approval. **3.** The on-line application process was also updated to include the new and revised forms.
First Quarter: 1. The website was updated to incorporate the 2008 rates and revised Tier surcharge amounts. **2.** Enhanced portal section for reports, better logging, and content management interface. **3.** Modified over all web usage tracking by incorporating Google Analytics to generate detailed reports regarding website viewers.

f) Continue to explore and implement disaster recovery initiatives as deemed appropriate by the Board.
Fourth Quarter: 1. A "Training, Testing & Update Schedule" was developed and incorporated within Appendix I in the DR&EP Plan on November 24th. The Operations Committee confirmed the revision at its December 1st meeting. **2.** The FWCJUA's Disaster Recovery Coordinators participated in a four week webinar series about the importance of business continuity planning and preparedness, sponsored by Agility Recovery Solutions. **3.** Staff also conducted a quarterly test of the Disaster Recovery & Emergency Preparedness Plan (DR&EP Plan) with FWCJUA personnel that focused on the proper handling of bomb and biochemical threats.
Third Quarter: 1. At its August 28th meeting, the Operations Committee confirmed the Executive Director's modifications to the Disaster Recovery & Emergency Preparedness Plan (DR&EP Plan). **2.** On July 24th, staff conducted a Disaster Recovery & Emergency Preparedness Plan test. The office as well as individual work areas were prepared for disaster recovery by dismantling computer equipment; moving computer equipment into a secure room; placing the open underwriting files into cabinets in the secure room; and secured the facility. A checklist by department was used to ensure procedures were followed properly. Further, a post test assessment was conducted to identify further improvements in the process.
Second Quarter: At its May 30th meeting, the Operations Committee confirmed the Executive Director's modifications to the Disaster Recovery & Emergency Preparedness Plan (DR&EP Plan). The Plan was modified to incorporate the recently implemented SunGard vaulting services and accurately specify procedures. The Revised May 2008 version of the FWCJUA DR&EP Plan has been distributed in accordance with the Plan document.

2008 BUSINESS PLAN STATUS REPORT

First Quarter: On February 19th, the Department of State, Division of Library approved the FWCJUA Specific Records Retention Schedules December of 2007.

g) Evaluate the effectiveness of MAP and make appropriate recommendations to the MAP Committee.
Fourth Quarter: 1. On November 19, 2008, staff had a conversation with an Underwriting Manager, from a Domestic Insurer to determine the company's appetite to take out domestic type risks from the FWCJUA. We initiated discussions with this company as a result of a quote we had received from our MAP Partner during the application review process of one the FWCJUA's applicants. During the discussion, we explained the MAP program as well as the information made available on the FWCJUA's website. Based on the company's initial review of the MAP information, the Underwriting Manager expressed considerable interest in quoting to take out approximately 400 to 500 FWCJUA accounts from the policies in-force report. The Insurer further agreed to advise the FWCJUA which employers it intends to quote. **2.** On October 3, 2008, the FWCJUA sent notice to the top 20 Foreign Insurers and top 20 Domestic Insurers regarding the 20 largest premium accounts currently insured through the FWCJUA, which was generated from the FWCJUA's Market Assistance Program, and requested that the Insurers review and consider offering coverage to one or all of the insureds.
Third Quarter: 1. On July 14th, OIR approved the expansion of "Key Application Data" in the FWCJUA's Market Assistance Plan (MAP) to include employer's total number of years in business as well as the agency fax numbers and email addresses. **2.** On July 9th, the FWCJUA sent notice to all Florida licensed Insurers regarding the FWCJUA's free internet-based MAP product that provides access to key application data to evaluate potential employers insured through the FWCJUA.
Second Quarter: 1. On June 11th, the Board adopted a MAP Committee recommendation that MAP MAP be modified to include the employer's number of years in business, the agency's fax number, and the agency's email address in the "Key Application Data" that is used to generate the MAP - Account Profiles on employers seeking or securing coverage through the FWCJUA. **2**. On May 2nd the MAP Committee met to review the effectiveness of the FWCJUA's Market Assistance Plan (MAP) and resolved to recommend to the Board, at its June 11th meeting, that it modify the Market Assistance Plan to include the employer's number of years in business, the agency's fax number, and the agency's email address in the "Key Application Data" that is used to generate the MAP - Account Profiles on employers seeking or securing coverage through the FWCJUA.
First Quarter: 1. On January 22nd, the FWCJUA sent notice to the top 20 Foreign Insurers and top 20 Domestic Insurers regarding the FWCJUA's free internet-based MAP product that provides access to key application data to evaluate potential employers insured through the FWCJUA. **2.** Corrected logging of usage by producers on website to track who and how often they log in to the portal.

h) Issue an RFP to procure actuarial services for the next three to five years, beginning with the premium indication for January 1, 2009, as appropriate.
Completed Second Quarter: 1. At its June 11th meeting, the Board accepted the Rates & Forms Committee choice to select Milliman as the FWCJUA's consulting actuary. **2.** The Rates & Forms Committee met June 3rd to discuss the responses to the Actuarial Services RFP and selected Milliman as its choice for the FWCJUA's consulting actuary for recommendation to the Board. **3.** The RFP for Actuarial Services was released on April 11, 2008.
First Quarter: The RFP has been drafted and is scheduled for release in April.

i) Engage Thomas Howell Ferguson as the financial auditor for the year ending December 31, 2008.
Completed First Quarter: THF was engaged as the year-end 2008 financial auditor on January 8th.

j) 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.
Fourth Quarter: 1. To date, the FWCJUA/Travelers has referred seven (7) accounts to the Division of Insurance Fraud; twenty-nine (29) accounts to the Division of Worker's Compensation, Bureau of Compliance; six (6) accounts to Agent & Agency Services; Twelve (12) to the Department of Business & Professional Regulation; and ten (10) to other carriers' SIU **2.** On October 30, 2008, several South Florida men were sentenced to terms ranging from county jail time to nearly three years in prison after pleading guilty to their involvement in a $15 million check cashing scheme. The operation involved criminal charges of racketeering, workers compensation fraud, grand theft,

2008 BUSINESS PLAN STATUS REPORT

forgery and money laundering, among others. A total of six co-conspirators were prosecuted. The FWCJUA is expected to receive approximately $43,000 in restitution to make up the additional premium lost, as a result of several subcontractors using "rented" certificates of insurance that were presented to an FWCJUA policyholder, who was unaware of the scheme and was charged additional premium.

Third Quarter: 1. To date, the FWCJUA/Travelers has referred seven (7) accounts to the Division of Insurance Fraud; fifteen (15) accounts to the Division of Worker's Compensation, Bureau of Compliance; five (5) accounts to Agent & Agency Services; eleven (11) to the Department of Business & Professional Regulation; and ten (10) to other carriers' SIU. **2.** On August 12th, the Executive Director revoked an Agency's privileges as well as its Designated Producer's privileges to transact business with the FWCJUA for the Agency's and Designated Producer's failure under Section 6.4 of its Agreement not to issue COIs without the prior consent of the FWCJUA and issuing two bogus COIs. **3.** On July 14th, staff filed a revision to the FWCJUA's Agency and/or Designated Producer procedure for request for reinstatement following revocation of privileges and on July 28th, OIR approved the revisions to the procedure effective September 1, 2008. **4.** On June 8th, The FWCJUA issued notice to all Agencies and Designated Producers that the FWCJUA will take disciplinary action against any Agency or Designated Producer that issues a certificate of insurance without the prior consent or authorization from the FWCJUA or its service provider, including suspension or revocation of the Agency or the Designated Producer to submit any further business to the FWCJUA.

Second Quarter: To date, the FWCJUA/Travelers has referred one (1) account to the Division of Insurance Fraud; seven (7) accounts to the Division of Worker's Compensation, Bureau of Compliance; five (5) accounts to Agent & Agency Services; six (6) to the Department of Business & Professional Regulation; and six (6) to other carriers' SIU.

First Quarter: In the pursuit of fraud, the FWCJUA/Travelers partnership has referred four accounts to the Division of Workers' Compensation, Bureau of Compliance; three (3) to Agent & Agency Services; four (4) to the Department of Business & Professional Regulation; and one (1) to another carriers' SIU.

k) 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.

Second/Third/Fourth Quarters: The FWCJUA continually sends information to DFS, Division of Workers' Compensation, Bureau of Compliance that contains the names and addresses of employers whose policies have either cancelled, non-renewed or applied but do not end up purchasing FWCJUA coverage.

First Quarter: 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.

l) Implement a competitive solicitation process to procure policy administration and managed care services for the period January 1, 2009 through December 31, 2013.

Completed Second Quarter: 1. At its June 11th meeting, the Board adopted the Evaluation Committee's recommendation to retain Travelers for policy administration services including managed care, effective January 1, 2009, with the option of two one-year extensions upon the mutual agreement of the parties. **2.** The Evaluation Committee met May 28th to interview two respondents and finalize its recommendations to the Board. **3.** The RFP for policy administration services including managed care was released on March 28th to interested parties. Nine organizations responded with three organizations ultimately submitting proposals, with one of the proposals being disqualified.

First Quarter: At its February 8th meeting, the Operations Committee provided guidance to staff on its proposed service provider selection process and timeline for securing policy administration and managed care services beyond December 31, 2008. Notice regarding the RFP was published in *Business Insurance* in February and the Florida Administrative Weekly on March 7th. The RFP will be available to interested parties on or after March 28th.

2008 BUSINESS PLAN STATUS REPORT

m) Conduct an annual on-site audit, to include a review of its Disaster Recovery Plan, Document Retention Policy, and Antifraud Plan, as well as quarterly reviews of the policy administration/managed care service provider's performance to ensure adherence to FWCJUA rules and service standards.
Fourth Quarter: On December 1, 2008, staff presented the Operations Committee with its findings of the Operational Performance Audit of Travelers.
Third Quarter: Staff conducted an Operational Performance Audit of Travelers at Travelers Orlando office location on July 29th – 31st. Staff also reviewed the Travelers Disaster Recovery Plan, Document Retention Plan, SIU Plan as well as its Anti-Fraud Plan.
Second Quarter: The FWCJUA's annual on-site audit of Travelers has been scheduled for Monday, July 28th thru Wednesday, July 30th.

n) Develop a "constitution" to replace the Operations Manual as part of the FWCJUA Plan of Operation to ensure that Manual revisions approved by OIR may be timely distributed.
Completed Third Quarter: Subsequent to the June 3rd Rates & Forms Committee and June 11th Board meetings, OIR determined that it was not necessary for the FWCJUA to reformat its Operations Manual to include the statutorily required Plan of Operations elements, which would be subject to approval by OIR order, and introduce a new manual that contains the FWCJUA's day-to-day policies and procedures, which would simply be subject to OIR approval. Therefore, staff did not pursue the reformatting of the FWCJUA Operations Manual to include the introduction of a proposed FWCJUA Policies and Procedures Guide as directed by the Board.
Second Quarter: At its June 11th meeting, the Board approved a Rates & Forms Committee recommendation to authorize the revision of the FWCJUA's Operations Manual and the introduction of the proposed FWCJUA Policy and Procedures.
First Quarter: Work has begun on modifying the FWCJUA Plan of Operation to meet this objective and it is anticipated that the Board shall consider staff recommendations at its June meeting.

o) Develop a formal telecommuting policy for Board consideration.
Completed Second Quarter: At its June 11th meeting, the Board approved an Operations Committee recommendation to adopt the proposed FWCJUA Telecommuting Policy.
First Quarter: Staff began reviewing various forms of telecommuting policies and anticipates providing the Operations Committee with a draft policy for consideration in the second quarter.

p) Prepare and submit, at least quarterly, to the Commission on Ethics a list of names of the senior managers, officers, and members of the Board who are subject to the public disclosure requirements under section 112.3145, Florida Statutes, with the first list submitted no later than March 31, 2008.
Fourth Quarter: Commission on Ethics written notifications will be submitted on December 9, 2008. Further, the new Board member appointment was notified regarding his duty to comply with the reporting requirements of section 112.3145, Florida Statutes.
Third Quarter: Commission on Ethics written notifications were submitted on September 23, 2008.
Second Quarter: Commission on Ethics written notifications were submitted on June 23, 2008
First Quarter: Commission on Ethics written notifications were submitted on December 11th (officer change pursuant to Board resolution), December 12th (board member change due to Consumer Advocate appointment) and March 19th (no changes - required quarterly report). As required by the Commission on Ethics, updated the FWCJUA's "mailing list of public officials and employees required to file financial disclosure" directly on the Commission's website in January.

q) Explore additional options for document management data redundancy and make appropriate recommendations to the Operations Committee.
Fourth Quarter: 1. On November 4, 2008, the FWCJUA filed its annual Records Management Compliance Statement attesting that the FWCJUA is compliant with records disposition laws, rules, and procedures. **2.** On November 3rd, the Department of State, Division of Library and Information Services approved the FWCJUA's filing of the revised record series. **3.** On September 10th the FWCJUA filed revisions to its specific record series for "Underwritten Policy Information – prior to 1/1/07", "Underwritten Policy Information – 1/1/07 and subsequent, and Claim File Records with the Department of State, Division of Library and Information Services.
Third Quarter: At its September 9th meeting, the Board adopted revisions to the FWCJUA Records Management and Retention Policy recommended by the Operations Committee.

2008 BUSINESS PLAN STATUS REPORT

Second Quarter: On March 25th, SunGard and the FWCJUA's IT Manager installed the custom software to backup the FWCJUA's critical data, including databases, document management (public records) and working documents through remote vaulting services. Effective April 1, 2008, SunGard began to maintain and backup the FWCJUA's data.
First Quarter: At its February 22nd teleconference meeting, the Board adopted an Operations Committee recommendation to contract with SunGard for vaulting services and authorized a $22,850 out-of-budget expenditure for 2008.

r) Explore options for the audio recording of exempt portions of meetings and make appropriate recommendations to the Operations Committee.
Completed Second Quarter: 1. Staff explored options for audio recording of exempt portions of meeting from several vendors. Only one vendor, AudioVisual Innovations, would present a quote to the FWCJUA, but was unable to set up a recording within the required timeframe. Staff determined that it would be less expensive and within its budget to purchase the audio recording equipment directly for $1,700, instead of relying on a vendor to record exempt portions of FWCJUA meetings. **2.** Staff purchased and set up the audio recording equipment for the May 22nd Reinsurance Intermediary RFQ Evaluation Committee meeting.
First Quarter: Staff is currently exploring options, to include securing quotes, to address this objective and anticipates a second quarter delivery of its recommendation to the Committee.

s) Engage the Hay Group to update its 2005 executive compensation review of the FWCJUA to include total compensation compared to other workers compensation residual markets, other Florida residual markets and like organizations as well as private insurers with an approved budget for consideration by the Executive Compensation Committee.
Fourth Quarter: The Hay Group update was received on November 24th and distributed to the Executive Compensation Committee on November 26th. .
Second Quarter: At its June 11th meeting, the Board adopted an Operations Committee recommendation to authorize a 2008 Forecast update of $16,000 to engage the Hay Group to perform a review of executive compensation and benefits.
First Quarter: Neville Kenning of the Hay Group was contacted and the scope and cost for the review are being developed with an anticipated completion date in the second quarter.

Other:

Fourth Quarter: 1. Staff worked with several vendors this quarter to develop a Virtualization Project for the 2009 year that will help to reduce costs, consolidate server hardware, and improve system efficiencies. **2.** The revisions to the Agency Producer Agreement and the Operations Manual related to the Agency Producer Agreement authorization process were approved by OIR effective October 1, 2009.
Third Quarter: 1. At its September 9th meeting, the Board approved a Rates & Forms Committee recommendation to amend the Agency Producer Agreement as well as the Operations Manual related to the Agency Producer Agreement authorization process proposed by the Producer Committee. **2.** At its September 9th meeting, the Board adopted a Rates & Forms Committee recommendation to terminate the FWCJUA's current 2005 Affiliation Agreement with the NCCI prior to its expiration and enter into the 2008 Affiliation Agreement with the NCCI. **3.** At its September 9th meeting, the Board adopted an Audit Committee recommendation that THF be engaged for the 2009 year-end audit. The engagement was executed 9/9/2008. **4.** On July 1, 2008, the FWCJUA hired a new IT Programmer to replace the Programmer that was dismissed on June 20th.
Second Quarter: 1. On March 31, 2008, the FWJCUA hired a new IT Programmer to replace the Programmer that quit on March 3rd. **2.** On April 29, 2008, the FWCJUA switched from its current phone and internet provider, USLEC to Nuvox.
First Quarter: The IT Programmer quit March 3rd with less than a week's notice for personal reasons. We are currently searching for a replacement. The impact of the Programmer's resignation is currently being assessed with regard to 2008 IT deliverables and the Operations Committee will be provided with the results of the assessment shortly.

2008 BUSINESS PLAN STATUS REPORT

8. IMPLEMENT AN ASSESSMENT, IF ONE BECOMES NECESSARY.

a) Continue to explore alternative ways to minimize assessment potential.
First Quarter: Actuarially sound rates in all rating tiers were implemented January 1st.

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.
Completed Second Quarter: The 2007 year-end cause of loss analysis conducted in conjunction with Travelers was completed and presented April 30, 2008, to the Safety Committee. The Committee concluded that the FWCJUA-Travelers Loss Control and Safety Program successfully satisfy the FWCJUA Safety Policy. The Board was presented with the Safety Committee's findings on June 11th.
First Quarter: The 2007 year-end cause of loss analysis is scheduled for completion by April 1st. Accordingly, the evaluation of the loss prevention and safety programs will commence in the second quarter.

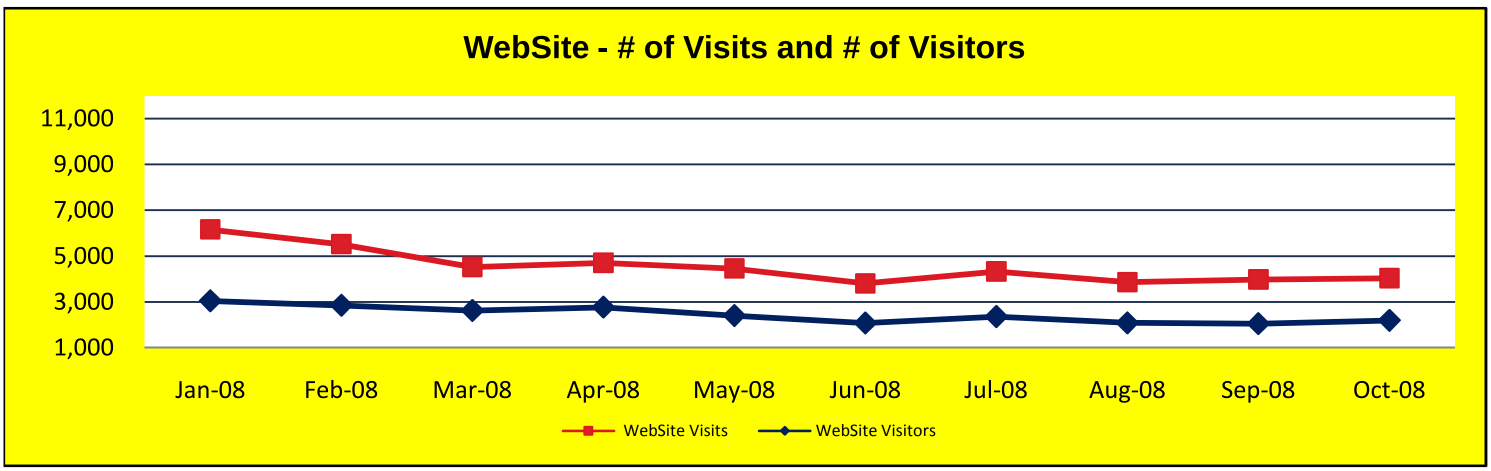
b) Explore "alternative" methods and techniques for accepting and using safety programs and make appropriate recommendations to the Safety Committee.
Second Quarter: At its April 30th meeting, the Safety Committee resolved not to recommend any modifications to the current FWCJUA loss control and safety programs, including the performance standards to the Board, given that the FWCJUA through its service provider offers a variety of loss prevention and safety related services as well as the opportunity for its policyholders to receive a premium savings.
First Quarter: Following the completion of the 2007 year-end cause of loss analysis, staff will formulate any appropriate recommendations regarding alternative methods and techniques for accepting and using safety programs for Safety Committee consideration.

FWCJUA OPERATIONS ANALYSIS
THROUGH OCTOBER 31, 2008

TOTAL PREMIUMS WRITTEN as of October 31, 2008 - Policy Count: 1,546 - Premium: $11,653,172

POLICIES IN FORCE BY SUBPLAN / TIER - as of October 31, 2008	Policies	TEAP & Deposit
Tier 1	769	$4,114,550
Tier 2	502	$3,080,872
Tier 3	242	$3,666,805
TOTAL	1,513	$10,862,227

NEW BUSINESS INFORMATION	M-T-D 2007	M-T-D 2008	% CHG	Y-T-D 2007	Y-T-D 2008	% CHG
Phone Calls	3,565	2,875	-19%	39,186	28,109	-28%
External Web Site Visits	9,262	4,038	-56%	85,973	45,421	-47%
Timeliness (Days to Process)	7.4	5.8	-22%	7.4	7.1	-4%
Apps Received	147	50	-66%	1,846	805	-56%
Apps Rejected	83	34	-59%	986	461	-53%
TOTAL APPS BOUND	61	12	-80%	789	301	-62%
TOTAL EAP	$485,412	$176,705	-64%	$7,391,241	$3,051,169	-59%
AVERAGE POLICY PREMIUM SIZE	$7,958	$14,725	85%	$9,368	$10,137	8%
Tier 1: Apps Bound	5	0	-100%	81	32	-60%
Tier 1: Premium Bound	$39,881	$0	-100%	$537,116	$275,714	-49%
Tier 2: Apps Bound	33	7	-79%	474	175	-63%
Tier 2: Premium Bound	$171,131	$60,447	-65%	$2,847,908	$1,299,009	-54%
Tier 3: Apps Bound	23	5	-78%	234	94	-60%
Tier 3: Premium Bound	$274,400	$116,258	-58%	$4,006,217	$1,476,446	-63%
TOTAL: Apps Bound	61	12	-80%	789	301	-62%
TOTAL: Premium Bound	$485,412	$176,705	-64%	$7,391,241	$3,051,169	-59%



TOTAL AUTHORIZED PRODUCERS: 1,462

FWCJUA MID-TERM CANCELLATION REPORT
October 1, 2007 - September 30, 2008

INDUSTRY GROUPS	CATEGORY														TOTALS			
	FWCJUA					Producer	Finance	Insured										
	1A	1D	1I	1J	9	2	3B	4A	4B	4D	4E	4F	5	6	Number	$ Amount	Avg. Days	%
1 Manufacturing	0	0	1	0	2	0	0	0	3	1	0	0	0	0	7	$81,986.00	204	1.08%
2 Contracting	62	8	2	2	77	0	1	1	86	22	8	17	16	20	322	$3,860,922.00	186	49.54%
3 Office and Clerical	17	3	4	0	33	0	1	1	46	13	0	4	11	4	137	$1,021,594.00	185	21.08%
4 Goods & Services	22	3	0	0	30	0	0	2	33	9	0	4	9	6	118	$1,418,553.00	162	18.15%
5 Miscellaneous	13	2	0	0	19	0	0	1	10	7	3	3	5	2	65	$966,184.00	199	10.00%
6 USL&HWC	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	$0.00	0	0.00%
7 Maritime	0	0	0	0	1	0	0	0	0	0	0	0	0	0	1	$25,816.00	153	0.15%
8 Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	$0.00	0	0.00%
TOTALS	**114**	**16**	**7**	**2**	**162**	**0**	**2**	**5**	**178****	**52**	**11**	**28**	**41**	**32**	**650**	**$7,375,055.00**	**182**	**100.00%**

Average Active Policies = **1,885** Average Active Policies Premium = **$ 15,527,000**
Policies Cancelled Mid Term = **650 or 34.5%** Policies Cancelled Mid Term Premium = **$ 7,375,055 or 47.5%**

FWCJUA Request = **301 or 46.31%**
Producer Request = **0**
Finance Co. Request = **2 or 00.310%**
Insured Request = **347 or 53.38%**

**Placed w/ Another Insurer	#	%	$	%	Avg. Days
Manufacturing	3	2%	$ 27,066	1%	**210**
Contracting	86	48%	$ 1,314,131	52%	**168**
Office and Clerical	46	26%	$ 537,671	21%	**165**
Goods & Services	33	18%	$ 239,448	9%	**137**
Miscellaneous	10	6%	$ 420,875	17%	**170**
USL&HWC	0	0%	$ -	0%	**0**
Maritime	0	0%	$ -	0%	**0**
Total	**178**	**100%**	**$ 2,539,191**	**100%**	**170**

NOTE: Fifty-six (56) Insurance Companies have been involved in taking 178 policyholders out of the FWCJUA from October 1, 2007 - September 30, 2008. Thirteen (13) of the Insurance Companies have taken 5 or more policyholders on average out of the FWCJUA and the remaining forty-three (43) companies have taken out on average less than four (4).

<u>**CATEGORY**</u>

1A FWCJUA Request - Nonpayment of Premium
1D FWCJUA Request - Failure to Comply
1I FWCJUA Request - Uncooperative w/Au
1J FWCJUA Request - Cancelled by Underv
9 FWCJUA Request - Underwriting
2 Producer Request
3B Finance Company Request
4A Insured Request - Business Sold
4B Insured Request - Placed w/ Another Car
4C Insured Request - Rewrite
4D Insured Request - No Employees
4E Insured Request - Work Complet
4F Insured Request - Out of Busine
5 Insured Request - Rewrite
6 Insured Request - No Reason Gi

FWCJUA Loss Summary as of September 30, 2008

Category	# of Claims	Case Reserve	Paid	Expense	Incurred
Claims > $100K (No IBNR)	278	$5,255,291	$53,211,855	$2,939,347	$61,406,493
Claims < $100K (No IBNR)	8,021	$1,168,992	$52,023,781	$9,693,570	$62,886,343
All Claims (No IBNR)	**8,299**	**$6,424,283**	**$105,235,636**	**$12,632,916**	**$124,292,835**
Average / All Claims		**$774**	**$12,681**	**$1,522**	**$14,977**
No. of Claims > $100K	-----	36	276	268	-----
No. of Claims < $100K	-----	93	7,570	5,280	-----
Average / Claims > $100K	1	$145,980	$192,797	$10,968	$349,745
Average / Claims < $100K	1	$12,570	$6,872	$1,836	$21,278

Category	# of Claims	Case Reserve	Paid	Expense	Incurred
Open Claims (No IBNR)	129	$6,424,283	$7,197,282	$898,443	$14,520,008
Closed Claims (No IBNR)	8,170	$0	$98,038,354	$11,734,473	$109,772,827
All Claims (No IBNR)	**8,299**	**$6,424,283**	**$105,235,636**	**$12,632,916**	**$124,292,835**
Average / All Claims		**$774**	**$12,681**	**$1,522**	**$14,977**
No. of Claims Open	-----	129	116	79	-----
No. of Claims Closed	-----	0	7,730	5,469	-----
Average / Open Claim	1	$49,801	$62,046	$11,373	$123,219
Average / Closed Claim	1	$0	$12,683	$2,146	$14,828

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	6	$792,919	$300,013	$66,761	$1,159,693
Sub Plan D1	11	$1,721,154	$1,377,108	$216,009	$3,314,271
Sub Plan D2	0	$0	$0	$0	$0
Sub Plan - Prior to 7/26/03	14	$952,768	$739,521	$149,868	$1,842,157
Tier 1	20	$470,453	$496,928	$84,784	$1,052,165
Tier 2	30	$1,701,441	$2,478,799	$212,110	$4,392,350
Tier 3	48	$785,548	$1,804,913	$168,910	$2,759,371
Total	**129**	**$6,424,283**	**$7,197,282**	**$898,443**	**$14,520,008**

FWCJUA Loss Summary as of September 30, 2008

LOSS RATIO - WITHOUT IBNR					
Premium & Losses	**Loss Ratio**	**Net Earned Premium**	**Case Reserves**	**Paid & Expense**	**Total Incurred**
Accident Year 1994	52.0%	42,051,708	352,985	21,510,491	21,863,476
Accident Year 1995	36.6%	72,570,197	167,150	26,405,909	26,573,059
Accident Year 1996	48.0%	35,170,675	0	16,885,361	16,885,361
Accident Year 1997	31.7%	18,208,853	0	5,764,326	5,764,326
Accident Year 1998	35.7%	14,549,457	157,284	5,034,164	5,191,448
Accident Year 1999	22.4%	7,438,919	1	1,668,678	1,668,679
Accident Year 2000	54.7%	3,783,912	0	2,069,755	2,069,755
Accident Year 2001	20.1%	4,981,868	46,346	952,670	999,016
Accident Year 2002	12.1%	15,218,231	216,500	1,624,577	1,841,077
Accident Year 2003	20.2%	39,343,223	657,888	7,271,273	7,929,161
Accident Year 2004	28.0%	51,308,817	1,906,349	12,481,845	14,388,194
Accident Year 2005	14.4%	65,708,267	1,136,851	8,341,994	9,478,845
Accident Year 2006	14.0%	44,111,668	753,870	5,417,967	6,171,837
Accident Year 2007	14.7%	18,500,002	621,291	2,092,576	2,713,867
Accident Year 2008	10.1%	7,463,134	407,768	346,965	754,733
Cumulative @ 9-30-2008	**28.2%**	**$440,408,931**	**$6,424,283**	**$117,868,552**	**$124,292,835**
Policy Year 1994	43.8%	82,540,615	469,829	35,710,622	36,180,451
Policy Year 1995	40.4%	53,574,994	50,306	21,591,931	21,642,237
Policy Year 1996	35.8%	27,708,509	0	9,922,893	9,922,893
Policy Year 1997	44.1%	15,455,054	157,284	6,662,583	6,819,867
Policy Year 1998	39.9%	6,637,706	1	2,647,428	2,647,429
Policy Year 1999	36.7%	4,552,470	0	1,672,324	1,672,324
Policy Year 2000	31.1%	4,834,887	0	1,505,218	1,505,218
Policy Year 2001	12.2%	11,386,355	46,346	1,343,475	1,389,821
Policy Year 2002	13.3%	21,697,040	216,500	2,677,996	2,894,496
Policy Year 2003	20.7%	55,235,811	689,991	10,716,570	11,406,561
Policy Year 2004	24.8%	57,056,324	2,877,929	11,249,075	14,127,004
Policy Year 2005	17.1%	51,748,822	752,961	8,071,638	8,824,599
Policy Year 2006	10.7%	30,663,112	354,744	2,930,297	3,285,041
Policy Year 2007	12.6%	14,314,859	697,570	1,102,667	1,800,237
Policy Year 2008	5.8%	3,002,374	110,822	63,835	174,657
Cumulative @ 9-30-2008	**28.2%**	**$440,408,931**	**$6,424,283**	**$117,868,552**	**$124,292,835**

FWCJUA Loss Summary as of September 30, 2008

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	1,346,524	352,985	21,510,491	23,210,000
Accident Year 1995	38.1%	72,570,197	1,086,941	167,150	26,405,909	27,660,000
Accident Year 1996	50.1%	35,170,675	744,639	0	16,885,361	17,630,000
Accident Year 1997	33.1%	18,208,853	265,674	0	5,764,326	6,030,000
Accident Year 1998	36.6%	14,549,457	138,552	157,284	5,034,164	5,330,000
Accident Year 1999	24.3%	7,438,919	141,321	1	1,668,678	1,810,000
Accident Year 2000	57.9%	3,783,912	120,245	0	2,069,755	2,190,000
Accident Year 2001	23.1%	4,981,868	150,984	46,346	952,670	1,150,000
Accident Year 2002	13.4%	15,218,231	198,923	216,500	1,624,577	2,040,000
Accident Year 2003	22.5%	39,343,223	924,839	657,888	7,271,273	8,854,000
Accident Year 2004	32.8%	51,308,817	2,464,806	1,906,349	12,481,845	16,853,000
Accident Year 2005	21.5%	65,708,267	4,627,155	1,136,851	8,341,994	14,106,000
Accident Year 2006	24.9%	44,111,668	4,828,163	753,870	5,417,967	11,000,000
Accident Year 2007	38.1%	18,500,002	4,326,133	621,291	2,092,576	7,040,000
Accident Year 2008	32.8%	7,463,134	1,694,269	407,768	346,965	2,449,002
Cumulative @ 9-30-2008	**33.5%**	**$440,408,931**	**$23,059,168**	**$6,424,283**	**$117,868,552**	**$147,352,002**
Policy Year 1994	46.4%	82,540,615	2,106,338	469,829	35,710,622	38,286,788
Policy Year 1995	41.7%	53,574,994	699,447	50,306	21,591,931	22,341,684
Policy Year 1996	37.6%	27,708,509	505,157	0	9,922,893	10,428,049
Policy Year 1997	45.9%	15,455,054	271,389	157,284	6,662,583	7,091,256
Policy Year 1998	40.9%	6,637,706	70,661	1	2,647,428	2,718,090
Policy Year 1999	39.6%	4,552,470	130,783	0	1,672,324	1,803,107
Policy Year 2000	32.4%	4,834,887	60,123	0	1,505,218	1,565,340
Policy Year 2001	13.5%	11,386,355	150,984	46,346	1,343,475	1,540,805
Policy Year 2002	14.3%	21,697,040	198,923	216,500	2,677,996	3,093,419
Policy Year 2003	22.4%	55,235,811	966,344	689,991	10,716,570	12,372,905
Policy Year 2004	36.2%	57,056,324	6,508,435	2,877,929	11,249,075	20,635,439
Policy Year 2005	25.8%	51,748,822	4,511,475	752,961	8,071,638	13,336,074
Policy Year 2006	18.5%	30,663,112	2,395,227	354,744	2,930,297	5,680,268
Policy Year 2007	40.7%	14,314,859	4,023,414	697,570	1,102,667	5,823,651
Policy Year 2008	21.2%	3,002,374	460,470	110,822	63,835	635,127
Cumulative @ 9-30-2008	**33.5%**	**$440,408,931**	**$23,059,168**	**$6,424,283**	**$117,868,552**	**$147,352,002**

Claimant	1	Type of Injury	Head Injury	Minimum Premium	No	Total Paid	461,143.00
Policy Year	2004	Benefit Type	Temporary Total	Type of Business	Marine Construction	Total Reserved	4,557,278.00
Accident Year	2005	Rating Plan	T2			Total Incurred	**5,018,421.00**

Description of Accident

W is a 41 yr old short term general laborer who struck his head on a 2X4 in what appeared to be a minor accident. IW was driven home by a co-worker who indicated that IW was complaining of a severe headache. While taking a shower, IW became ill, 911 was called and he was taken to the emergency room at Cape Canaveral where he was diagnosed with a subarachnoid hemorrage and transferred to Halifax Medical Center for further treatment. SIU commenced an investigation of the accident and compensability including examining the possibility of the cause being an aneurysm or if the IW's history of alcohol abuse was a contributing factor. Staff and counsel reviewed causation and compensability issues and determined that we would not be able to overcome Section 20, Presumption under the Longshore Act, and therefore would accept the case as compensable.

Previous Annual Activity

4/23/07: Neuropsych evaluation on IW has been completed. IW has not changed since the first evaluation. He continues to have residual cognitive impairment which falls into the mild to moderately impaired range. Further improvement is likely to be limited. He is now 19 months post injury. After discussions with the Paradigm Nurse and Physician, who is a neurologist, IW had some pre-existing psychiatric issues, however, it is impossible to differentiate between that and his work related injury. IW will need someone to supervise him from a distance for the rest of his life to make sure that he is eating, paying bills, etc. 5/29/07: IW remains in his program at Communicare, Inc. and continued in a community apartment. He receives daily visits from Program Manager. IW has not attended any of his scheduled volunteer activities and was discharged by St. Petersburg Community College from further volunteer work due to his absences. IW has scheduled two five hour computer classes. He began his reconditioning program at CORA and attended as scheduled but does not participate for the full two hours as he complains the program is not challenging enough. Communicare states that he has made significant gain in their neurobehavioural program and is no longer physically and verbally agressive and no longer sends long angry e-mails and Communicare recommends he continue in their program. 8/28/07: Claimant's attorney filed a Jones Act claim and we are considering termination of USL&H benefits. We elected to controvert benefits, but continue to pay until issue is resolved. Paradigm continues to medically manage file. 10/01/07: The contract with Paradigm is coming to a close and Dorothee Custer has obtained an ongoing treatment plan for Supervisor of IW once he reaches MMI. Apparently, he will be unable to return to gainful employment and Communicare is proposing we pay $124,100 per year for housing and supervision of this IW. The proposed cost is $324 per day and includes all aspects of daily living. We are reviewing this proposal and will discuss with D/A before we make a decision. We will be filing an LS207 but the decision has been made to continue paying IW and his medical care. We are currently paying 373.33 per week and Paradigm is paying all ongoing medicals. Reserves are adequate for our ongoing exposure at this time. The reserves are on actuarial and reviewed yearly to insure they remain adequate. 12/3/07: At this time, we are waiting on the updated medical to determine IW's future medical needs. We are also attempting to determine if IW is employable and if so, will get vocational consultant involved. Further, we are waiting for the Jones Act to be dismissed and once this has been accomplished we feel this case is approaching a settlement posture. We have obtained surveillance on IW and he is not working in any capacity, but he runs errands daily with no apparent problems. I feel once we get the updated medical report from IME physician we will be in a position to show claimant is employable at least in a sedentary capacity. If he is, we will get a vocational consultant involved to show job availability and LWEC for future settlement.

Latest Annual Activity

1st Qrtr 2/28/08: We have results of the independent neuropshchological exam and we will be reviewing it with the Paradigm Medical Case Manager to determine if recommendations can be implemented. Reserves are on actuarial review and the assumptions are appropriate.

2nd Qrtr 6/24/08: From what I can tell from the neuropshchological exam, no further immediate intervention is being pursued.It appears that the IW has already reached MMI and further treatment is mainly pallative in nature.He will require a follow up visit with neurosurgeon, ophthalmologist, and the psychiatrist if he is agreeable. He also may need a driving evaluation but from what I gather his drivers license is suspended. Once, it is no longer suspended, the IW is encouraged to undergo driving evaluation to determine his ability to drive. Discussion was also made in regards to the patients financial affairs, and from what I gather, this has also been addressed by the psychologist and I would like to refer the recommendation to the neurophysiologist in regards to the patient's handling of his financial affairs in the future. Labor survey is being assigned to address the potential options of any employment to be provided to this IW as well as determine if he prefers to stay at the residence location under Communicare with the IW making the payment against the apartment residence from his own monies as well as pay his own expenses, rent, cell phone, electricity, etc.It is confirmed that the IW would clearly have to have a guardianship against any monies and/or settlement options to be reached as his condition will decrease in time due to his personality and mood disorders.

3rd Qrtr 07/11/08: Critical Care Technical Specialist handling Longshore Act claim to which Paradigm medical handling closed out 5/31/08. IW being addressed by Specialist for wage loss exposure with Labor Market Survey investigation being directed to three locations: Pinellas, Cocoa Beach, and Fort Lauderdale. Specialist to endeavor to prove injured worker has the capacity to perform gainful employments with Function Capacity Evaluation, Peer Review Evaluation again all medical treatments to date and Labor Market Survey Reporting confirming employment availabilitie. 09/08/08: Had lenthy meeting with CCM regarding the status of the medicals on this claim and to discuss what direction to go with regard to peer reviews and IME's. Will proceed with getting a peer medical review with a pshchiatrist and then send those results for a peer medical review with a neurosurgeon experienced in brain surgery.

4th Qrtr 11/20/08: Structured settlement preparations are underway for both indemnity and medical. Awaiting Psych MMI to determine restrictions to return to work and review wage loss assessment over Permanent Total Disability (PTD) with Cost of Living Adjustment (COLA). Awaiting Labor Market Survey to address employment potential applicable to work restrictions in Cocoa Beach, Pinellas, Titusville, and Pembroke Park to assess future wage loss exposure.

Claimant	2	Type of Injury	Fall - Paraplegic	Minimum Premium	Yes	Total Paid	1,370,226.00
Policy Year	1996	Benefit Type	Permanent Total	Type of Business	Construction	Total Reserved	2,304,052.00
Accident Year	1996	Rating Plan	C			Total Incurred	**3,674,278.00**

Description of Accident

This is a CATASTROPHIC claim. IW is a 49 year old non-English speaking Hispanic male. He is a paraplegic and wheelchair bound. IW had fallen off a ladder fracturing his ribs and vertebrae. His wife provides attendant care for 5 hours per day, 7 days per week at federal minimum wage.

Previous Annual Activity

03/30/07: No hearing yet on IW's PFB increase in attendant care. We contacted claimant attorney by phone on 12-15-06 and followed up in writing to discuss settlement. The attorney and his client thought the MSA was too high, although he had no reason to doubt its accuracy. He suggested another MSA provider, Specialty Allocations, which might come up with one less than ours. They are not an approved provider, so we can not use them. No change in status of the 3rd party claim since claimant obtained a new 3rd party attorney. Our Subrogation MCU sent him an updated lien letter. 3rd Party Attorney told Subro MCU that there have been no settlement discussions, nor has a trial date been set. Subro MCU asked for copies of updated discovery, including depositions. He will continue to follow up with 3rd Party Attorney. Wrote to claimants attorney on 12-15-06 telling him that our offer of $1M plus a fee was non-negotiable and if the amended MSA came back higher than the previous one, it would mean less money in his client's pocket. He has not responded to that letter, although in our telephone coversation he said he would discuss it with his client.In addition, we wrote to attorney to see if he would allow a comprehensive medical evaluation for his client, but he has not responded. 05/02/07: We cannot compel IW to undergo a comprehensive medical assessment, nor can we compel him to settle his claim. O/C has little if any control over the claimant. Still no hearing date on an increase in attendant care hourly rates. We expect claimant will withdraw the claim rather than go to mediation, but if he doesn't we can address settlement and the CMA again. The subro MCU director has declined paying any costs toward an expert because IW 3rd party case is weak. It does not appear there will be any settlement efforts and the 3rd party case will go to trial or be dropped. Perhaps once the 3rd party case is concluded, IW may show interest in settling the w/c portion of his claim. Indemnity and medical reserves are on actuarial and reserved for lifetime exposure. We recently increased expense reserves for continued defense costs and medical costs containment fees. 06/06/07:There is still no hearing date yet on claimant's PFB for increase in attendant care. Claimant attorney has not responded to our calls or letters regarding a comprehensive medical assessment by a field nurse case manager. We hoped that this would give us insight as to the IW's needs and open the door to further settlement talks. We can't compel the claimant to have it. Without a PFB filed by the claimant, we can't require them to attend mediation. It's obvious the claimant attorney has no control over the IW. Repeated efforts to engage the IW or claimant attorney in settlement discussions have failed. It might require resolution of the 3rd party case before claimant is willing to settle the w/c case. It was recommended that this case be assigned to the Benefits Management unit pending further litigation. 08/28/07: Increased claimant's attendant care benefit to coincide with the new federal minimum wage law, effective 7/24/07. The new rate is $5.85 per hour. State mediation is set for 9/27/07, but there are no issues. It was set because JCC wanted to close file and O/C filed a motion that it remain open. 10/24/07: Preliminary MSA proposal indicates $608,644.85, which breaks out $380,944.97 for treatment and $227,699.88 for drugs. Additionally, there are $17,079.84 in non-Medicare covered items. Also, preliminary allocation did not include a rated age or seed money. Rated age will make a huge difference. 11/30/07:We have tried for years to settle this case and communication breakdown occurs between the claimant attorney and his client. O/C called in September saying his client wanted to settle, but needed to know how much the MSA would be. We told him we would get an updated MSA and we would make one more attempt at settling. In the past, claimant attorney tells us there is interest and then never follows through. We obtained MSA and faxed and mailed the claimant attorney our offer on 11/15/07.

(Cont)								
	Claimant	2	**Type of Injury**	Fall - Paraplegic	**Minimum Premium**	Yes	**Total Paid**	1,370,226.00
	Policy Year	1996	**Benefit Type**	Permanent Total	**Type of Business**	Construction	**Total Reserved**	2,304,052.00
	Accident Year	1996	**Rating Plan**	C			**Total Incurred**	**3,674,278.00**

Latest Annual Activity

1st Qrtr 02/27/08: Recent settlement talks have gone nowhere, because without knowing how much the MSA would be, claimant had no idea how much he would pocket. We decided to send the MSA to Medicare for approval and that way, we could tell claimant exactly how much he would pocket and how much would have to be set aside. We sent the MSA to Medicare on 12/14/07. It can take 3 or more months for a response. Our MSA consultant confirmed the MSA was received by the Philidelphia Office on 02/13/08, so we could get a response in a matter of days or weeks. Once we get the approval or reach an agreement with CMS on how much the MSA should be, we can make a final effort at settling the case. Coincidentally, we have state mediation on this case set for 3/4/08 on past issues, which we think are irrelevant, but we can use the time to talk settlement. It is remotely possible we'll have the an approval form Medicare and can discuss firm numbers with them. In any event, we may be weeks away from being able to make a final offer and settle on the case or not. The estimates are on actuarial and are based on lifetime exposure. We review them on an annual basis to make sure they are appropriate.

2nd Qrtr 06/24/08: I note that the third party case has been rescheduled for October 2008. We have asked counsel to obtain all of the expert depositions and exhibits. We wrote to O/C a final time telling him drop-dead date on our settlement offer. He did not respond. We have attempted to settle this case for years and claimant doesn't respond, even after we received approval of the MSA. I'll take no further action on settling and will await the outcome of the 3rd party trial.

3rd Qrtr 8/25/08: No change.

4th Qrtr 11/19/08: The 3rd party trial began 10/08/08. The case settled globally for $2,000,000. The court reserved the issue of our w/c lien, and intends to schedule a Equitable Distribution hearing. The judge left the lien open, and ordered defendants to draw up releases for a full and final settlement. This allows for settlement of the tort case and court determination of lien recovery. Our liability defense attorney has asked for the plaintiff and defendants economic expert and rehabilitation expert reports so that we can determine full case value. It is that determination that will allow us to calculate lien recovery which also is applied as a percentage to the future credit offset. CMS approved the MSA on 2/20/08 for $391,403. Of this $251,899 is for future medical and $139,513 is for future medications. The seed money is $41,200 and there will be 19 annual payments of $18,431. The cost to annuitize this is $254,019. We made a final offer to O/C of $1 million including the MSA. O/C told D/A that claimant wants us to pay for the half of the MSA, on top of the settlement previously offered. Of course we can not do that. Now that the claimant has settled the 3rd party case, he might become interested in settling the w/c case. We anticipate we will be awarded a future credit against indemnity and medical benefits. Although he may have no financial incentive to settle, he will be faced with paying a portion of his ongoing medical costs and having his indemnity checks reduced. That often leads to settlement when the claimant finds the process cumbersome. We should receive a lump sum credit for benefits already paid and that will be credited to the file. Once we know the percentage of our future credit, we will start taking it as soon as possible.`

Claimant	3	**Type of Injury**	Head Injury	**Minimum Premium**	No	**Total Paid**	1,396,935.00
Policy Year	1999	**Benefit Type**	Permanent Total	**Type of Business**	Roofing	**Total Reserved**	1,551,111.00
Accident Year	1999	**Rating Plan**	C			**Total Incurred**	**2,948,046.00**

Description of Accident

45 yr. old illegal Haitian IW was climbing down a ladder when he fell to the concrete floor below striking his head suffering a laceration to the frontal area. A bifrontal crainiotomy evacuating the hemotomas has been performed and a plate inserted. There is no subro because the ladder was not defective and the IW fell when he mis-stepped and caused the ladder to shift. We had previously reached an agreement in December 2006 and funded an annuity in acticipation of settlement. However, claimant backed out of the settlement,

Previous Annual Activity

03/30/07: Offered a new annuity of $67,500 annually increasing 5% every 3 years. The cost is about $90,000 more, but still within authority. The claimant attorney was going to discuss it with the guardian ad litem. A new hearing date has been set for April 11, 2007. We'll either get a counter offer from the guardian ad litem or he will accept our offer and ask the judge to approve it. Will follow up through our attorney after the hearing of 4/11/07 to see if we have settlement. 05/02/07: We are still trying to settle this claim, but won't have an answer until after the guardianship hearing. The hearing scheduled 4/11/07 was cancelled by the guardian. We've made a final offer in the form of an annuity, and hope the guardian ad litem will recommend it to the judge. Until then, we have ongoing guardian and guardianship attorney bills to be paid under claim legal and reserves are adequate. Increased claim legal to $87,715. This is an increase of $10,000 and should be adequate for these expenses until we can finalize the settlement. Both types of expense are paid under claim legal. Remaining Indemnity PT estimates represent the difference in the paid amount and the PDV of PT benefits. This is settlement value. Medical estimates are on acutuarial and are for lifetime exposure. We should know soon if the case will settle. Still awaiting results. If we are unable to settle, we will have to substantially increase claim legal for these lifetime costs and have indemnity placed on actuarial. 06/06/07: The hearing scheduled for 4/13/07 was cancelled by the guardian ad litem. Adjuster will ask the defense attorney to arrange a meeting with the guardian ad litem and claimant attorney in an effort to move this forward. If it doesn't appear we can reach settlement, I will ask that the annuity premium be refunded to the case until we can resolve settlement. 08/28/07: Meeting with Guardian Ad Litem on 8/31/07. The Guardian Ad Litem has raised a number of issues regarding the claimants issues regarding the claimant's residency status and social security status and more, the Guardian is "working through them". It looks as though the Guardian Ad Litem is looking very carefully at the Guardian (Caresource), as well. 10/24/07: Settlement on hold until our D/A meets with the guardian and guardian ad litem. The meeting was postponed and rescheduled for 11/13/07. 11/30/07: Meeting scheduled for 11/13/07, was again postponed by the guardian. Called D/A to see if meeting was rescheduled. She just received an e-mail from the guardian that she could not meet prior to February 2008. After further discussion on the issue, we decided to change tactics to move this along.

Latest Annual Activity

1st Qrtr 02/21/08: After the meeting on 2/13/08, The adjuster made an additional effort to settle the case when the guardian ad litem talked privately to D/A after the meeting. Apparently, the w/c attorney had not informed him of our increase offer (5% inflation factor every 3 years) prior to the meeting. Since the hold-up seemed to be $67.500 per year not being enough, we increased the annual payment to $72,500 with a 5% inflation factor every 3 years. So for now, we will hold off seeking any refund of the annuity payment, to see if this increase offer will yield some results.

2nd Qrtr 06/24/08: Annual review and placement of medical estimates on actuarial. Efforts to settle the case over the past 16 months failed with claimant's guardian recently rejecting all offers. We had previously reached an agreement in December 2006 and funded an annuity in anticipation of settlement. Claimant backed out of the settlement, so the annuity was refunded. It does not appear this claim will settle in the foreseeable future and MCU has recommended actuarial estimate be established. Indemnity remains on actuarial. Biweekly benefits for 2008 are $386.76 including PT supplement benefits. We also increased claim-legal expense by $184.800 due to ongoing guardian and guardianship attorney fees, which average $8,400 per year and with a 22 year life expectancy that came out to an additional $184,800. Claimant's medical costs are fairly static. He resides in an assisted living facility due to his brain injury. The monthly cost is $4,680. Other than this, he occasionally sees a PCP for routine follow up on a VP shunt. Claimant has diabetes, but we've taken the position it it not related and are not responsible for payment of treatment. We've estimated annual physician and diagnotic bills to be $500. Total annual rate is $56,660 and this was approved. Expense estimate is $65,000 with $37,045 outstanding. Of this, $15,116 is legal defense costs and $21,929 for medical cost containment fees.

3rd Qrtr 8/25/08: There is no update to provide. We tried to reach a settlement but were not able to do so.

4th Qrtr 11/19/08: We have agreed to fund a day program for claimant to go to Rescare for cognitive socialization twice a week. The cost including transportation will be about $214 per day. Our MCM said claimant wasn't getting any stimulation at the ALF and this might be good for his overall health and affect. She also suggested that claimant would like to return to Haiti to live with his family and be cared for by them. We contacted the guardian and they are willing to consider it, but wonder if he will be able to get the proper level of care. MCM assured them she can set up appropriate medical care for him, even if he has to travel to the capital city of Port Au Prince. We asked D/A to contact O/C and he is aware they are considering claimant's relocation to Haiti. We don't think the guardian has considered that case would have to be settled to effect this move, but we can discuss that at the appropriate time. One concern of theirs is whether claimant would be allowed back into the U.S. should he need specialized treatment. That is highly unlikely but MCM said claimant can get the care he needs in Haiti. O/C is to speak with the guardian about settling the case, but we have not heard from him in several weeks. We will ask O/C to follow up with him. His continued lack of control over guardian is a hinderance to getting the case settled. We are prepared to consider settlement but the guardian ad litem, guardian, guardianship attorney and claimant w/c attorney must get on the same page and decide if settlement is appropriate. Until then, our hands our tied and we will continue to manage the claim on a daily basis.

Claimant	**4**	**Type of Injury**	Fall - Spine Fracture	**Minimum Premium**	No	**Total Paid**	475,123.00
Policy Year	2004	**Benefit Type**	Settled - Permanent Total	**Type of Business**	Roofing	**Total Reserved**	2,410,768.00
Accident Year	2004	**Rating Plan**	D			**Total Incurred**	**2,885,891.00**

Description of Accident

42 yr old IW fell 40 feet through a skylight, causing injury and need for surgery of T11 through L3 area of his spine. He underwent spinal fusion with hardware placement and had right knee tear, right heel fracture and osteopenia of the right foot. Hardware removal and a fusion revision from T11 to L3 were performed in July 2005. He is stable but does have paralysis of his right foot.

Previous Annual Activity

05/31/07: Reviewed file, Paradigm contract has now been completed and file will continue to be followed by Medical Case Manager. IW was accepted PTD as of 6/22/05 and we continue to pay PTD and Supps under the claim. We do have settlement authorization of $216,000 Inclusive. We did attend mediation back in December with opening demand of $4M. Of course, we were unable to resolve the claim, right after that mediation. IW's wife alleged to the Paradigm nurse at the time that IW was physically abusive to her and the children and she requested to see Doctor by herself to discuss her issues, we did agree to that appointment, but she never kept the appointment nor are we aware that she ever rescheduled. We are not sure if allegation was used because we did not settle the claim or if in fact they are having problems at home and in their marriage. In any case, there is very little we can do about it if she does not bring it out in the open with the treating doctor. Defense attorney on the file continues to have issue with the AWW/CR which they continue to state was correctly reported at $2,800 per week. D/A did secure tax reports which show IW never earned more than $31,000 per year and we have also secured testimony from the Underwriting Manager at Florida Roofing & Sheet Metal SIF noting labor market earnings for roofers in the Florida area at the time IW was in the state working. Based on information provided we are using AWW $770.00 with CR $513.36 which we will continue to defend. Because of this adjustment we continue to recover overpayment by 20% per bi-weekly check. We also have SSDI offset of $192.88 weekly. 08/28/07: Continue to monitor and assess pain relief. Mediation is scheduled for 9/18/07. Initial mediation resulted in an impasse, as their demand of $4M was unreasonable. 10/01/07: Mediation was moved to November 15th because we did not receive a revised MSA back in time. 11/19/07: Attended private mediation on 11/15/07 with D/A and after 4 hours, we still had no demand other than IW noting to mediator that he could not understand why the carrier does not understand that all he wants is $1M in his pocket. Mediation ended. After mediation, we had a conversation with the claimant attorney who advised that he will need to spend some time with IW to go over the recommended annuity for the medicare portion and will have to help him understand how this is to his benefit. Have settlement authorization of $400K, but most recent MSA came in over $335,000, therefore, we may need settlement authorization of $550K inclusive to approach IW once again with settlement in the future.

Latest Annual Activity

1st Qrtr 02/28/08: PTD as of 5/26/06. We now have demand for $1.5 million. Gave D/A $410,000 authority to begin settlement talks once again. Ongoing medical treatment and medications.

2nd Qrtr 06/24/08: Reviewed file - no change. Discussed file with D/A. We continue with settlement talks on this file and the last demand was $750K inclusive. Our last offer was $445K inclusive. MSA is $335K which would be placed in annuity. Claimant council is also once again noting that his client needs 24 hour attendant care to be provided by his wife. Treating physician last recommended 8 hours per day and we offered outside provider which was denied by the IW. We did authorize because they were requesting she be paid based on her loss of income but they could not prove any earnings for the wife. We are aware that the wife's family does own a restaurant and it is believed she was paid cash with no taxable income. If we are unable to settle this claim, we will need to resolve the attendant care issue and would suggest we offer the wife a minimum wage of $5.85 per hour, but at this time, I have requested that D/A set conference with physician to address ongoing attendant care needs and hours recommended as the 8 hour recommendation is from last year. Claimant's attorney alleged that the care he needs during the night can only be provided by the wife which of course he never outlined what those needs may be. The attendant care issue did not progress until we noted the indemnity overpayment due to the correct AWW/CR and offset of SSDI until the IW reaches age 62. IW is currently 45. We did modify his vehicle so that he is able to drive and get around as needed so the attendant care issue at night does not seem to fit.

3rd Qrtr 09/17/08: Reviewed file for annual medical actuarial reservce update and agree with CCM's recommendation to maintain the current annual medical rate. 10/01/08: Gave adjuster settlement authorization of $600K inclusive.

4th Qrtr 11/19/08: We have confirmation from claimant council that the IW has accepted our settlement offer of $600,000 inclusive with both parties agreeing to wait for CMS approval of MSA. We do not however have copy of signed paperwork yet as IW lives in Michigan and is mailing paperwork back to O/C. Once we have received signed copy we will secure revised MSA and forward to CMS for approval. Our current MSA is $335,000 which would be placed in annuity but as it is over 6 months we must reconfirm that amount. Prior to this settlement we have recovered our entire overpayment on the file based on the correct AWW/CR, we will also continue to SSDI offset of $192.86 per week from his PTD benefit. Medical would have continued to increase in the future and we also had attendant care issue outstanding on the file, so all thing considered this was a good settlement with file impact of $1,773,000.

Claimant	**5**	**Type of Injury**	Fall - Multiple Fractures	**Minimum Premium**	No	**Total Paid**	619,070.00
Policy Year	1998	**Benefit Type**	Permanent Total	**Type of Business**	Construction	**Total Reserved**	1,214,772.00
Accident Year	1999	**Rating Plan**	C			**Total Incurred**	**1,883,842.00**

Description of Accident

36 yr. old IW fell approximately 16 to 20 feet from a truss fracturing left and right wrists, right hip, right calcaneous, right scapulae and injuring left knee. Claim late reported due to coverage issue - claimant stated that he was exempt and was not. Thus, our insured is responsible.

Previous Annual Activity

05/02/07: Reviewed file and IW is still in recovery from total hip replacement. IW was accepted PTD as of 7/28/2001 and we continue to pay PTD and Supps under the claim with SSDI offset. Medical Case Manager on file has authorized some therapy for IW and medical should be slowing down once again in the near future. IW's major problem is the severe right hip pain even with hip replacement. We expect he will still have two total hip replacements in his lifetime under claim. IW also underwent lumbar myelogram on 7/25/06, post operative changes at T12-L1. Post operative spine without evidence of acute abnormality. Pain management physician has also been authorized to treat the IW. We did obtain MSA for settlement purposes which is $85,698. IW has no interest in settlement of his claim. File will be marked benefits management in the near future. 06/07: Do not anticipate file will be resolved anytime soon. 08/28/07: Received request once again for trial of pain pump stimulator, which was unsuccessful because the IW did not comply with psychiatric evaluation, but Pain Management Doctor wants to try again with different leads. 10/01/07: File marked benefit management. 11/19/07: IW has no interest in settlement of this claim to date. Will remain as benefit management. IW's major problem is the severe right hip pain and even with total hip replacement we expect he will still have some chronic pain overall due to his injuries. He is also expected to have two total hip replacements in his lifetime under this claim.

Latest Annual Activity

1st Qrtr 2/28/08: Accepted PTD 12/1/03. No interest in settlement to date. Continues with conservative medical treatment.

2nd Qrtr 6/24/08: Reviewed file for annual medical actuarial reserve update and not CCM recommendation to increase the annual medical rate from $6,000 to a new rate of $16,000/year based upon actual medical payout. Reviewed file notes and recent medical reports and agree with the recommended increase in the annual medical rate. 07/08/08: Major Case Unit increase expense reserves by $10K to cover medical case management fees on the file based on physician yearly cost of $3,200 which is based on IW life expectancy of 31 years using the 20% allowed for cost containment.

3rd Qrtr 8/25/08: Benefit management

4th Qrtr 11/19/08: No change. IW has no interest in settlement.

Claimant	6	**Type of Injury**	Knee Injury	**Minimum Premium**	No	**Total Paid**	399,285.00
Policy Year	1995	**Benefit Type**	Permanent Total	**Type of Business**	Building Management	**Total Reserved**	679,086.00
Accident Year	1995	**Rating Plan**	C			**Total Incurred**	**1,078,371.00**

Description of Accident

The IW was 47 years old at time of the accident. The IW was moving a stove out of a mobile home and injured her back and neck. She has multiple herniated disks at C-4-5-6-6 and T1. She has subsequently suffered from chronic depression and is in a pain management program.

Previous Annual Actiivty

5/30/07: We continue to pay PTD and Supps under the claim and have now secured SSDI offset of $255.55 per week until the IW 62nd birthday. IW was accepted PTD as of 10/3/2002. Issues on file continue to be massage therapy which we continue to deny as not medically necessary due to excessive massage therapy already provided to the IW. We have had PA referral for this issue, IME and D/A has conference with Doctors noting that massage therapy is no longer needed for this IW and hsi is to just continue wiht home exercise program. D/A also obtained deposition of physical therapist who has been treating IW for years and she did note that IW has been a regular client for her palliative wc treatment and also comes in to treat for exacerbations that have been caused by activities in her private life. There exacerbations were caused with IW has been on trips, vacations or when lifting branches around her home after hurricane. Reserves adequate and will diary file to follow issues. 08/28/07: No change. 11/19/07: We continue to pay PTD and Supps under the claim and have now secured SSDI offset of $224.00 per week until the IW's 62 birthday. Issues on file continue to be massage therapy which we continue to deny as not medically necessary due to excessive massage therapy already provided to this claimant. No interest in settlement.

Latest Annual Activity

1st Qrtr 2/28/08: Accepted PTD 10/3/02. Still no interest in settlement. We have been sucessful denying massage therapy and physical therapy under claim. Most of the medical exposure on file is for prescription medications.

2nd Qrtr 07/05/08: IW expressed interest in settlement. We have private mediation scheduled for July 28th at 2:00 p.m.

3rd Qrtr 8/25/08: Some interest in settlement - private mediation set for 11/03/08

4th Qrtr 11/19/08: IW has now expressed interest in settlement, so a private mediation has been scheduled for December 7, 2008. Travelers has settlement authorization of $200,000.

Claimant	7	**Type of Injury**	Fall - Multiple Injuries	**Minimum Premium**	No	**Total Paid**	169,182.00
Policy Year	2004	**Benefit Type**	Permanent Total	**Type of Business**	Construction	**Total Reserved**	813,959.00
Accident Year	2004	**Rating Plan**	C			**Total Incurred**	**983,141.00**

Description of Accident

37 yr old IW fell approximately 30' from a makeshift scaffold, landing on his back causing a collasped lung, broken ribs and broken right ankle.

Previous Annual Activity

05/30/07: IW continued to refuse to have foot surgery as recommended by treating physician. His attorney had PFB requesting surgery and the carrier has authorized this surgery for over a year but IW continues to refuse. Surgery was addressed and authorized prior to any filing of the petition. We were also successful denying the tempur-pedic mattress which the treating physician noted was not medically necessary. Claimant attorney has since voluntarily dismissed their petition for the mattress. Last mediation was 11/13/06 and they continue to note they have no interest in settlement at this time. He claims to want to have his ankle surgery first. We continue to follow for SSDI offset, however IW has appealed denial and did have hearing which we are waiting for the results of that hearing. IW was accepted PTD as of 4/20/05 and we continue to pay PTD and Supps at 3% per date of loss. Benefits are also reduced by child support order. IW was placed at MMI with 35% rating under this claim. Medical has been posted based on $6,000 per year times life expectancy. 08/28/07: No interest in settlement. We are currently waiting for SSDI information back which was submitted to Social Security office last month. We do expect we will have offset on this file. We have no medical issues. Claimant continues to refuse, as in the past, to have foot surgery as recommended by treating physician. 11/19/07: IW has finally had right ankle subtalar fusion surgery performed on 10/1/07 - he has put this off for almost 2 years. No interest in settlement at this time. IW has had multiple surgeries to date. Reserves are on actuarial and are posted for the life of the claim.

Latest Annual Activity

1st Qrtr 2/28/08: PTD as of 4/20/05. Still no interest in settlement to date. Denied SSDI and IW has not appealed. Should he be accepted, we will have SSDI offset to age 62. Medical is stable.

2nd Qrtr 06/24/08: We received SSDI information and IW was accepted SSDI. We have weekly offset of $123.77 until IW reaches his 62nd birthday which is 10/30/08. We began offset on 6/16/08.

3rd Qrtr 8/25/08: No change - Still no interested in settlement.

4th Qrtr IW still has no interest in settlement to date. We have secured SSDI offset of $123.77 per week until he reaches 62 years of age and continue to pay PTD and Supps at 3% from date of loss. IW has been placed at MMI with a 35% impairment rating. Reserves remain on actuarial and properly set under the claim.

Claimant	8	**Type of Injury**	Fall - Knee Injuries	**Minimum Premium**	No	**Total Paid**	234,164.00
Policy Year	2003	**Benefit Type**	Permanent Total	**Type of Business**	Construction - Roofing	**Total Reserved**	656,136.00
Accident Year	2003	**Rating Plan**	D			**Total Incurred**	**890,298.00**

Date of Accident

Late Reported. 41 yr old IW was on roof unloading building materials and fell 12' off the upper part of the roof to lower roof injuring both knees and left shoulder.

Previous Annual Activity

05/30/07: IW was accepted PTD as of 4/3/2006, and we continue to pay PTD and Supps under the claim. We have authorized settlement for $198,000 Inclusive but no interest has been expressed for settlement of the claim. IW has won appeal for SSDI and we do expect an offset, we are currently waiting for information to determine the amount of that offset. IW did have total knee replacement 5/5/06. Once we begin social security offset it may raise the interest in settlement of the claim at which time I would suggest we set private mediation. 08/28/07: Reserves are on actuarial basis and no change is needed at this time. No interest in settlement to date has been expressed by the IW or the IW's attorney. 10/01/07: Reviewed file. Mediation is scheduled for October 29th and we have given the adjuster settlement authority of $198,300, inclusive to resolve. 11/14/07: IW has been diagnosed with possible kidney or renal cell carcinoma based on his last MRI, which of course is not related to this injury. IW has been referred to a urologist based on the MRI findings and our D/A will secure medical records once they become available. Any talks of scheduling of mediation are on hold at this time. We have secured social security offset of $152.02 per week which will continue to age 62.

Latest Annual Activity

1st Qrtr 02/28/08: Accepted PTD 4/3/06. No interest in settlement at this time. IW may have unrelated kidney cancer. D/A has filed subpeona to secure medical records.

2nd Qrtr 06/24/08: Discussed filed with D/A now that we have revised MSA of $73,327.17. D/A will contact claimant attorney to determine if they have any interest in settlement. D/A has also secured medical records from claimant's hospital stay for kidney cancer, which appears that his entire kidney was removed and is now cancer free. Of course, we know that a person can live a long time with one kidney. We are hopeful that will express some interest in settlement as the original MSA was $180,879.00, but it noted 3 total knee replacements in IW's life time but when D/A conferenced with the Doctor, he noted that he would only expect 1 total knee replacement in the claimant's lifetime, so this reduced the MSA by quite a bit of money. However, should they express interest in settlement and should we reach settlement we will consider waiting for CMS approval and placing MSA money in annuity. Reserves remain as posted and are on actuarial.

3rd Qrtr 8/25/08: Most recent issue has been request from Doctor to perform lumbar discogram, which has been denied because it is not medically necessary.

4th Qrtr 11/19/08: We have secured MSA of $73,327 based on the need for a number of knee replacements in the IW's lifetime. No interest in settlement at this time.

OPEN LOSSES EXCEEDING $400,000
AS OF 12/02/08

Claimant	9	**Type of Injury**	Lifting - Injured Lower Back	**Minimum Premium**	No	**Total Paid**	465,345.00
Policy Year	2005	**Benefit Type**	Permanent Total	**Type of Business**	Employment Service - Construction	**Total Reserved**	376,195.00
Accident Year	2006	**Rating Plan**	T2			**Total Incurred**	**841,540.00**

Description of Accident

51 yr old IW injured his lower back while painting. When he lifted 5 gallon paint can, he felt pain in lower back. Unrelated conditions: IW has epilepsy, which was diagnosed four years ago. His last siezure was two years ago in October.

Previous Annual Activity

3/14/07: IW is the process of being scheduled for lumbar surgery and therefore, reserves have been increased to cover the surgery, indemnity, medical and expense costs. Adjuster has also posted $35,000 to legal as claimants attorney did secure surgery and past due indemnity benefits. Final hearing was held to address apportionment on indemnity and medical benefits. Judge ruled in favor of the claimant and noted no apportionment applies to the claim. We have not posted impairment benefits or settlement value at this time, but will address in the future. 5/30/07: We are paying TPD benefits less child support order. IW is scheduled for lumbar fusion surgery on June 7, 2007; Medical Case Manager on the file continues to follow medical issues and needs. We do have attorney fee issues which will have to be resolved. 9/11/07: IW did have lumbar fusion surgery performed June 7, 2007 and continues out of work at this time. We have paid 71 weeks of statutory and 104 weeks of indemnity benefits. Present day value is $160,622.80 and have given settlement authorization to the adjuster of $97,000 inclusive, which is 60% of PDV. 11/19/07: IW has been released light duty. IW has returned to the Salvation Army and is working and living there earning $70.00 per week which of course we are offsetting against his TPD benefits. Overall MMI is expected by year end have directed D/A to once again determine if IW has any interest in settlement.

Latest Annual Activity

1st Qrtr 05/07/08: We have now received a Petition for Benefits for PTD. We discussed the file with D/A, who conferenced in Dr.Karp, who noted that the injured worker will never work again. IW did reach statutory MMI as of 3/21/2008 with 10% rating from Dr.Erb/pain management and D/A has now secured 13% rating from Dr.Karp. However, IW has been re-admitted to the hospital on 4/8/08 and remains in-patient to date. We have not accepted this hospital stay and D/A is in the process of securing medical records from the County. Once he has all records, D/A will conference with the infectious disease physician to determine if in fact any of IW's current treatment belongs under this claim. It should be noted that while IW was fighting this most recent infection he also had a heart attack. If we are responsible for this medical issue we will surely be on the hook for anything to do with his heart in the future. If we accept this most recent hospital stay we will need Major Case Unit to get involved as our future medical exposure will surely be over $1 million.

2nd Qrtr 06/05/08: Discussed file with D/A. D/A will file subpoena to take deposition of the Infectious Disease Doctor who is treating IW at the hospital, so we can determine if his ongoing medical condition is in fact related to his industrial accident of 3/10/06. In the meantime, we will respond to the PFB that the carrier continues to investigate if ongoing medical condition is causally related.

3rd Qrtr 8/4/08: Reviewed file since last resolution, as IW has been in and out of the hospital with MRSA, but his last hospital stay of 7/18/08 to 7/27/08 was not related this claim. It started with a tooth infection, so we will not be paying for the last hospital stay. IW has now returned to rehab for 1 month, which is part of the claim. Mediation is scheduled for 9/23/08.

4th Qrtr 11/19/08: Attended private mediation on October 7th. IW's opening demand was $335K plus fees and side stip of $44,100 for attorney reimbursement securing lumbar surgery back in 2007. We offered $100K inclusive plus side stip of $25K to resolve attorney fees for securing surgery. Final demand was $250K plus fees and side stip of $44,100 for securing surgery. Final offer was $230K inclusive plus $42,100 for side stip. IW then shared with everyone present that he would not accept anything less than $250K in his pocket as he was very concerned that he would have very high medical expenses in the future. We raised his drug use in the past as well as presently, which of course he denied. We also expressed our concern with his ongoing MRSA and shared with them that any ongoing hospital stays will be looked at very closely to address relationship to his injury versus drug use. Mediation was at an impasse.

Claimant	10	**Type of Injury**	Fall - Several Bone Fractures	**Minimum Premium**	No	**Total Paid**	503,684.00
Policy Year	2003	**Benefit Type**	Settled - Permanent Total	**Type of Business**	Construction	**Total Reserved**	8,398.00
Accident Year	2003	**Rating Plan**	D			**Total Incurred**	**512,083.00**

Description of Accident

45 yr old IW fell 28' from a scaffold causing fractures from L2 through L4 with burst fracture at L4. There are kidney problems but they appear to be personal in nature. Medical records are being obtained. Insured worked for KKK Stucco who has disappeared. Civil action determined that our insured is the statutory employer and therefore accepted as compensable.

Previous Annual Activity

04/09/07: IW was accepted PTD as of 9/13/2003 per stip. 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 on this claim. Exposure on the claim is as noted. Medical treatment continues to be active with possible future surgery. Adjuster is seeking settlement authorization of $275,000 inclusive to pursue settlement of the claim. 05/24/07: We now have private mediation scheduled for August 31, 2007 and we are in the process of obtaining MSA as the IW has received SSDI due to his injuries. We are waiting for social security information to determine offset should we not reach settlement on the file. D/A on file is putting together a MSA as there is so little medical billing and records that we have under the claim due to the delay in the file getting to us from the insured. This is a 2003 date of loss which we first accepted in 2006 due to other carriers involved and questionable employee/employer relationship. We continue to pay PTD and Supps @ 3% for this date of injury. Claimant's attorney has waived any attorney fees and costs regarding this PTD acceptance. We expect IW will have epidural injections in the future, P.T., possible surgery and Tens Unit. I also expect we will also have psychological problems regarding his chronic pain and unable to return to any type of gainful employment in the future. 10/01/07: On 8/31/07, adjuster attended private mediation with defense attorney. Mediation was at an impasse due to extensive medical issues that have been raised by the IW and his attorney. They have alleged additional lumbar surgery. We will follow up with treating physicians regarding current medical needs, possible surgery and expected future medical care and cost. We did accept IW PTD and continue to pay out PTD and supps under the file.

Latest Annual Activity

1st Qrtr 02/28/08: Mediation set for 4/17/08 and will pursue settlement. IW accepted PTD 9/13/06. Minimal medical treatment, as IW is not compliant wth medical recommendation, which in fact keeps medical costs down on the claim.

2nd Qrtr 04/18/08: It appears settlement was reached for $263,055.87, broken down as follows: (1) $237,823.34 lump sum to IW (includes $37,823.34, which will be allocated to fund MSA, which is the amount that was quoted to fund an annuity with a 15 year guarantee); (2) statutory fee of $24,532.33; (3) costs of $700.00; (4) Parties agree that MSA will be submitted to CMS for approval. If CMS says MSA is to low then, E/C will fund difference or back out of settlement. If CMS approves or if CMS indicates that MSA is unnecessary (unlikely) then deal is done. E/C agrees to continue payments/medicals to IW until CMS responds and JCC approves final fee motion. 06/24/08: We have entered into settlement with parties on this claim. Awaiting CMS approval.

3rd Qrtr 8/25/08: No change - awaiting settlement approval.

4th Qrtr 11/19/08: Reached settlement for $263,056 on April 17, 2008. Received signed settlement order from JCC on September 23rd. File impact of approximately $150,000.

Claimant	11	**Type of Injury**	Fall - Multiple Fractures	**Minimum Premium**	No	**Total Paid**	33,193.00
Policy Year	1997	**Benefit Type**	Permanent Total	**Type of Business**	Window Cleaner	**Total Reserved**	273,699.00
Accident Year	1998	**Rating Plan**	C			**Total Incurred**	**606,892.00**

Description of Accident

52 yr old IW was hooking up safety harness when he fell 130 feet suffering multiple open fractures to legs and feet.

Previous Annual Activity

02/27/07:This claim is PTD. IW goes to the Podiatrist twice a year for evaluation and replacement of orthotics. Reserves are posted for lifetime benefits and have been decreased based on the decreased level of medical treatment. Supplemental benefits are recalculated yearly. 06/02/07: This is a PTD. IW continues to treat periodically with the Podiatrist. The reserves are posted for lifetime benefits. This employee will turn 62 this year at which time supplemental benefits will cease. We will continue to make yearly attempts to contact the IW regarding any interest in settlement. 08/28/07: No change - maintenance. 12/01/07:This is a PTD claim. IW has only had periodic medical treatment with the latest treatment we have reported of being 9/18/06. Will follow up with provider ot confirm date of last treatment. IW turned 62 on 11/24 and PT supps and SSDI offset were discontinued. IN communicating new bi-weekly check amount with IW's sister made a comment about not retiring until 67. Will do some minimal surveillance to see what he is doing. Will have MSA completed and make offer of settlement since the IW now interested in hearing what we are willing ot offer him.

(Cont)								
	Claimant	11	**Type of Injury**	Fall - Multiple Fractures	**Minimum Premium**	No	**Total Paid**	33,193.00
	Policy Year	1997	**Benefit Type**	Permanent Total	**Type of Business**	Window Cleaner	**Total Reserved**	273,699.00
	Accident Year	1998	**Rating Plan**	C			**Total Incurred**	**606,892.00**

Latest Annual Activity

1st Qrtr 02/28/08: File marked as benefit management. IW is not really interested in settlement. We are going to request activity check as the IW has not been to the doctor since 7/11/06, and his indemnity checks are direct deposited - need to make sure IW is alive and well.

2nd Qrtr 6/24/08: IW has now shown interest in settlement. Based on further review of the claim and exposure of PTD we offered $85,700 inclusive of which the MSA would be included in settlement offer. Will follow up within the next month wth the IW's translator regarding settlement offer.

3rd Qrtr 09/03/08: Reviewed file. We did make settlement offer to Mr. Santos of $85,700 and we heard from his son noting that his father was insulted by our settlement offer. He made a counter demand of $385,700. We assured him that we did not have that type of exposure in the file so I expect settlement will not be obtained on this file.

4th Qrtr 11/19/08: We did make settlement offer to IW of $85,700 and heard from IW's son, noting that offer was insulting. IW countered for $385,700. We assured IW that he did not have that type of exposure. Therefore, it is unlikely that we will settle claim at this time. File marked benefit management. IW reached MMI with 28% impairment rating.

Claimant	12	**Type of Injury**	Fall - Fracture	**Minimum Premium**	No	**Total Paid**	459,351.00
Policy Year	2004	**Benefit Type**	Temp. Partial - RTW	**Type of Business**	Construction	**Total Reserved**	137,951.00
Accident Year	2004	**Rating Plan**	T3			**Total Incurred**	**597,003.00**

Description of Accident

52 yr old IW was taking pictures for insured on a wet second story roof when he slipped and fell fracturing his ankle, damaged & cut his knee, and dislocated his right shoulder. In October of 2006, IW was re-admitted to hospital for additional surgery due to an infection in his right leg.

Previous Annual Activity

05/24/07: IW is doing well. He has been released to light duty work and the employer was able to return him to a part time position working 20 hours per week and we continue to pay him TPD benefits less his earnings. IW did have hardware removed from his leg which resulted in an infection causing him to be readmitted to the hospital 9/26/06 for additional surgery which was performed in two stages so it was a long recovery for him due to this hardware removal and infection but he now seems to be back on track. Reserves are properly posted at this time with medical reserves posted per MCU recommendation. The IW has no interest in settlement of his claim so no settlement value has been posted to the file. 08/28/07: IW has returned to work full duty full time with no restrictions. IW has now been placed at MMI. 09/25/07: No change. Indmenity remains as posted to cover possible impairment benefits. Medical remains as follows: physician cost remaining = $12,850; Hospital cost remaining = $5,141; and other costs remaining = $20,564 to cover transportation, medications and DME, etc. Expense remains to cover medical case management fees. 11/14/07: IW is doing well. He has been back to work full time full duty since 7/10/07. No interest in settlement.

Latest Annual Activity

1st Qrtr 02/28/08: IW is once again back to work with the insured. Treating physician will not address impairment rating until August of 2008, which is one year from his last surgery. File will remain open as we do not expect impairment rating. Minimal medical treatment.

2nd Qrtr 07/10/08: Reviewed file and increased reserves to cover life of claim. IW is 56 years old with life expectancy of 23.3 years. We continue to wait for impairment rating on this file which is not expected to be addressed until August of 2008.

3rd Qrtr 8/25/08: No change

4th Qrtr 11/19/08: We had previously reviewed file and increased reserves to cover life of claim back in May 2008. IW is a 56 years old with a life expectancy of 23.3 years. Medical is finally back to normal with follow up visits two times a year. We continue to wait for impairment rating on this file. IW has returned to work full duty, full time with no restrictions as of 7/10/07 with the insured.

Claimant	13	**Type of Injury**	RSD in Right Wrist	**Minimum Premium**	No	**Total Paid**	168,097.00
Policy Year	1994	**Benefit Type**	Permanent Total	**Type of Business**	Medical Office	**Total Reserved**	377,354.00
Accident Year	1994	**Rating Plan**	C			**Total Incurred**	**545,451.00**

Description of Accident

61 year old IW doing data entry for 5 years; pain in right hand and wrist. The IW developed RSD while performing repetitive data entry. The condition has worsened over the years and the psychological problems have intensified.

Previous Annual Activity

06/01/07: File is marked as Benefit Management with life time benefits. This is a 66 year old female. We continue to pay PTD benefits under the under the claim. She was accepted PTD as of 1/9/97. She continues medical treatment for RSD/left lower extremity and right upper extremity. Attendant care is provided by her husband and is paid out of the claim at $395.50 bi-weekly. We do have recovery from the State Second Injury Fund at 50% on indemnity only. Reserves are properly set for life of claim. She did settle a malpractice suit and we have recovery on future medical at 6.34% up to $46,723. No outstanding legal issues on file. 08/28/07: No change since last update. 10/24/07: Received request for prescription medications written by Dr. Gatz who is not authorized under the claim. After investigation, we found that IW was treating with Dr. Gatz, but he was billing medicare. He may be writing the same meds as Dr. Morariu. We sent a medical release form to her attorney, so we could obtain records. Claimant's attorney tells me that she refuses to sign the release and for the carrier to do whatever we need to as he understands our concerns regarding possible duplicate treatment and/or medications. Attorney expressed interest in settlement of which I reminded him that we have been down that road 4 times before with IW and she has always backed out of the settlement. He felt that she may now be interested as her husband has cancer and is not expected to recover from the disease. Before we ever entertain settlement lets secure medical records from Dr. Gatz and once received we may want to conference with treating physician, Dr. Morariu regarding attendant care issue as we continue to pay husban $395.50 biweekly, which IW is most likely caring for him due to his illness. 11/14/07: File is marked as Benefit Management with life time benefits. This is a 66 year old female. We continue to pay PTD benefits under this claim.

Latest Annual Activity

1st Qrtr 02/29/08: PTD as of 11/23/00. IW has backed out of settlement four (4) times in the past. Minimal medical treatment, but we continue to pay for attendant care provided by the spouse. We just became aware that the spouse now has cancer and we confirmed that attendant care is still necessary with the treating physician, so if the spouse should pass away, we will most likely have to assign to one of our providers for attendant care.

2nd Qrtr 06/24/08: We have private mediation scheduled for 8/6/08. As we do have SDF recovery on the file, we will need to secure permission from them to move forward with settlement should we reach settlement at the upcoming mediation. We continue to pay PTD benefits under claim with supplemental paid by the state.

3rd Qrtr 08/25/08: Mediation was originally scheduled for 8/14/08, but has been rescheduled, as we have not received authorization from the State regarding recovery from Disability Fund.

4th Qrtr 11/19/08: IW has now expressed interest in settlement once again. Her husband recently passed away which may now have put her in a financial position that would warrant a settlement. D/A is waiting for confirmed authorization from the State to move forward with settlement talks based on the $250K settlement authorization. The State had once before provided us with permission to pursue settlement but it was many years ago, so we will need an updated agreement from them before we set private mediation. We have secured MSA which is $188,147 and both the IW and her attorney have been provided with a copy.

Claimant	**14**	**Type of Injury**	MVA - Multiple Injuries	**Minimum Premium**	No	**Total Paid**	398,575.00
Policy Year	2006	**Benefit Type**	Temporary Total	**Type of Business**	Excavation - Land Clearing	**Total Reserved**	130,853.00
Accident Year	2007	**Rating Plan**	T2			**Total Incurred**	**529,428.00**

Description of Accident

IW is a 43 year old male who was involved in a motor vehicle accident causing him to be ejected from his truck resulting in multple injuries. IW continues as in inpatient and is still not totally out of danger which could result in his death. IW suffered a sever lung injury, fracture femur and vertebrae fractures.

Previous Annual Activity

7/16/07: The other driver was cited at the accident, as he had no proof of insurance nor could he produce a valid driver's license. The other driver was also cited for causing the accident. The vehicle was a rental from Dollar Rental Car. The other driver was also injured and is in the ICU at the same hospital as IW. Both Bonnie Rothman and Debbie Baker have been following the medical issues and needs on the file, and both have met with the insured owner, Diane Shantz, who is also the girlfriend of the IW. We have taken the position to reduce indemnity benefits by 25% due to safety violation because the IW was not wearing his seat belt, which we did confirm was in the truck and in working condition. Disability for 12 months due to the IW's many injuries is not unreasonable at this time, all reserves have been posted based on indemnity, medical and expense exposure on the file. Reserves set as follows: TTD x 52 weeks = $11,093.68; TPD x 26 weeks = $5,546.84; and IIB is based on 15% $5,600.35. Medical is posted based on MCU recommendation of $350,000; Physician cost $75,000; hospital cost $250,000; and other cost $25,000 to cover ambulance fees, therapy, medications, diagnostics, DME, and possible nursing needs at home. Expense reserves are set at $28,500 to cover medical case management fees and expected defense cost. No settlement value has been placed on file at this time. 9/18/07:Subrogation department continues to follow lien. IW has been off the respirator for sometime now and is home but continues out of work due to these injuries. We continue to pay TTD benefits less 25% reduction due to safety violation as IW was not wearing his seat belt at time of injury. 11/19/07: IW continues with medical treatment and we continue to pay TTD benefits under the claim. No settlement value has been placed on the file at this time. Medical reserves are posted based on MCU recommendations and indemnity has been posted based on 104 week statutory MMI.

Latest Annual Activity

1st Qrtr 2/20/08: IW still complains of pain/tenderness over the area of the T12 compression fracture. He mentioned the prescription for the physical therapy and we reminded him of the wellness program that he already had available. The Doctor has scheduled the surgical removal of the rod in the right leg for 03/10/08. He has a pre-operative appointment with Doctor for 2/28/08 and we will have someone accompany him to this appointment to make certain that all arrangements are in order so we can get this done.

2nd Qrtr 7/4/08: Reviewed file. Reserves have been adjusted. Increased indemnity based on 7% rating. MMI not expected for another 3 to 6 months. Posted impairment benefits based on expected overall MMI of 20% less 25% safety violoation from indemnity which results in 55 weeks @ $120. No settlement value has been posted to date. IW did have hardware removal surgery performed on 3/10/08 for right femur. He has however continued to complain that no doctor is helping him and continues with medications which seem to have increased over the claim. Paradigm nurse did suggest Rosomoff Pain Clinic in Miami and IW did agree to stay at the clinic for the 4 week program. This should help him in his pain control and of course reduce his intake of pain medications. We continue to pay TTD less 25% reduction due to safety violation.

3rd Qrtr 08/25/08: Reviewed file and IW has now completed his in-patient 4 week program at the Rosonoff Pain Clinic and is back at home. Reserves remain as posted basee on continued indemnity and expected overall MMI. We have received 7% impairment rating from the Doctor for the shoulder injury and projected a 10% from other Doctor who notes MMI is not expected for another 6 months, which is not possible as we have already paid out 91 weeks of a 104 week statutory MMI which means IW only have 13 weeks of benefits remaining.

4th Qrtr 11/19/08: IW has completed an in-patient 4 week program at the Rosonoff Pain Clinic and is back at home. The company IW worked for at the time was owned by his girlfriend and it has since been closed down as he was the only employee. Once we have overall MMI, we will determine settlement exposure on the file and most likely will recommend setting private mediation to pursue resolution of the claim. Reserves remain as posted.

Claimant	**15**	**Type of Injury**	Head Injury	**Minimum Premium**	No	**Total Paid**	502,480.00
Policy Year	2005	**Benefit Type**	Settled (Was Temp Total)	**Type of Business**	Machineray & Equiipment Erection	**Total Reserved**	1,001.00
Accident Year	2006	**Rating Plan**	T3			**Total Incurred**	**503,481.00**

Description of Accident

58 yr old IW, first day on the job, was standing on the ground when he was struck in the head by a piece of stone that fell from the 17th floor

Previous Annual Activity

05/25/07: Do not anticipate subrogation case to be resolved for at least a year when appellant court decides the constitutional issues involved. Will continue to monitor. 08/28/07: File is open for subrogation purposes only. 10/01/07: MSJ made by defendant. Will want to follow for the outcome and any additional information on a scheduling order. Although, there may be an appeal, if the MSJ is ruled in favor of the plaintiff, there may be an opportunity to discuss settlement. A mediation may be effective at that point.

Latest Annual Activity

1st Qrtr 02/28/08: Claim settled for $253,750 inclusive on 7/19/06, but remains open for subrogation.

2nd Qrtr 06/18/08: Case is open for subrogation purposes only. A motion for summary judgement was granted to the defendant late last year. The Plaintiff has appealed and a decision is unlikely to be rendered until later this year. The plaintiff's chances of success at overturning the MSJ is viewed as poor.

3rd Qrtr No new developments

4th Qrtr 11/19/08: Subro claim handler reviewed the file for the status of the appeal and there has been no new developments. She will continue to monitor this case for appeal decision, which may not be rendered for a while.

Claimant	**16**	**Type of Injury**	Head Injury	**Minimum Premium**	No	**Total Paid**	80,977.00
Policy Year	2004	**Benefit Type**	Temp. Total (Suspended)	**Type of Business**	Residential Construction	**Total Reserved**	399,570.00
Accident Year	2004	**Rating Plan**	D			**Total Incurred**	**480,547.00**

Description of Accident

PEO Involvement/Dispute. Coverage initially denied. This is a catastrophic CLOSED HEAD INJURY. The IW was 19 yrs old at time of accident. The IW fell from 12' - 14' on to a concrete floor fracturing his skull causing what appears to be a severe brain injury.

Previous Annual Activity

3/30/07: We reviewed employment records at Southeast Personnel on 1/26/07. After review of those records and others received under a subpoena, it appears 20 to 30% of the employees were paid for work prior to the dates of their employment. We've asked the attorney for the carrier to stipulate, but they have not responded yet. They still want us to contribute 50% of the indemnity and medical. Mediation is set for 5/21/07 in an effort to settle the case on a global basis. Final hearing is set for 6/6/07, but will be pushed back due to a conflict of calendars by several of the parties. We discussed case on 2/19/07 and agreed to consider filing a Dec Action. D/A reviewed the file and agreed a Dec Action is appropriate. The attorney for the other carrier is taking claimants deposition and our attorney will also be there. It will be a good opportunity to observe the claimant in person. Once the depo is complete and the Dec Action filed, we will make a recommendation on settlement for mediation in May. 05/22/07: Adjuster attended mediation yesterday (5/21/07), and did not get close to settlement. Final demand was for us (the carriers) to spend $2 million on annuities to provide $10,000 per month to the claimant. No one really knows what type of housing or supervision claimant is going to transition into. If he were required to stay in Communicare for the rest of his life, the demand would have been reasonable. If he is able to move out and live on his own with some supervision, the value goes down. We will have a better idea of the value on this case when the claimant is transitioned from Communicare and we see if he is successful being on his own. We still believe Southeast should pay the full claim. Still pursuing third party case. Mediation ended in an impasse. 6/6/07: Mediation on 5/21/07 failed to settle the case. Carrier for subcontractor is paying indemnity and medical benefits, but keeps us in the case for contribution. IW is living in Communicare, a head injury facility but may be released in the next few weeks. Value of the case rests on whether IW can live on his own or requires assistance. We will have a better idea on that when he moves out of Communicare. We are taking additional depos on 6/21/07 and will have a better idea after that when to file 3rd party case against other carrier. 8/28/07: Reviewed estimates and increased legal expense estimates by $10,000. This if for ongoing defense fees associated with litigation over coverage/compensability. We have fought for the carrier of the subcontractor to take over responsibility for this claim and the attorney for this carrier just agreed to do so. The carrier will pay future claim and medical benefits but reserves the right to seek contribution from us. We therefore reserve the right to file a 3rd party claim against the subcontractor, if they file a claim for contribution. We will keep claim and medical estimates where they are at this time. 10/01/07: We have fought for the carrier of the subcontractor to take over responsibility for this claim and the attorney for the carrier has just agreed to do so. The carrier will pay future claim and medical benefits but reserves the right to seek contribution from us. We accepted this agreement because we reserve the right to file a 3rd party claim against the subcontractor if they file a claim for contribution. We do not recommend any takedown in claim or medical estimates at this time, as we may have to reach a settlement in the future to fully seal our position. I am not recommending it at this time, but do not want to decrease and then increase the estimate unnecessarily. Remaining claim expense of $66,804 and medical expense of $339,927 is for settlement value, not lifetime benefits. 11/30/07: We have remote exposure to a contribution claim from the other carrier, so estimates are being maintained for settlement purposes. Claimant and other carrier, mediated on 11/19/07, but we do not think a settlement was reached. Our D/A has a call into claimant's attorney to find out the result of mediation. We previsously stipulated with the other carrier that they pay indemnity and medical benefits, but they retained the right to seek contribution from us. Effectively, we are in a deadlock with them waiting on settlement. Whether they seek contribution from us is dependent on how much they settle the case for. Our D/A has ongoing contact with the claimant's attorney and attorney for the other carrier. Litigation expenses will continue until settlement is reached and a determination is made for contribution. If case did not settle last week, it might be another 6 months or so before they make another attempt.

Latest Annual Activity

1st Qrtr 02/28/08: We fought for the carrier of the subcontractor (Packard Insurance) to take over responsibility for this claim. The attorney for the carrier agreed to do so in a joint stipulation signed by the JCC on 10/1/07. Packard will pay future claim and medical benefits but reserves the right to seek contribution from us. We accepted this agreement because we reserved the right to file a third party claim against subcontractor if they file a claim for contribution. We are waiting 6 months before closing the file.

2nd Qrtr 06/25/08: We were to consider closing file in June due to inactivity, but I was notified that mediation between the claimant and the servicing carrier Packard was to be held on 5/30/08. Called former D/A today to see if he knows whether the mediation went forward. He was not in, so I left a message. I told him we planned on closing our file since Southeast Personnel had taken over handling the case but wanted to know if the mediation took place. 07/11/08: Mediation was at an impasse. Final hearing is scheduled for 8/27/08. We are not a party to the hearing as Packard Ins., is handling the case on behalf of Southeast Personnel. The issue appears to be E/C's efforts to move claimant from Communicare, where hi is in-patient in thier head trama program. Mediation may have been an attempt to settle the claim but no agreement was reached. IW is still a resident of Communicare and htis is being paid for by the other carrier. I anticipate the other carrier will try again to settle the overall case but I am uncertain whether they will seek some contribution from us. We will want to wait till after the hearing of 8/27/08 before closing our file.

3rd Qrtr 09/18/08: Final hearing has been moved to 11/11/08 from 8/27/08 and again, we are not a party to it.

4th Qrtr 11/19/08: There has been no attempt by claimant or the other carrier to involve the FWCJUA in the claim since our agreement that the other carrier would handle the claim. There has been continued litigation between the claimant and the other carrier due to the other carriers efforts to move claimant form Communicare, a head injury facility. Apparently, a hearing was set for 8/27/08 and then it was continued until 11/12/08. We have not been able to learn if the hearing went forward but will keep checking with D/A. According to the JCC website, many depositions of experts were taken and memos of law filed by both parties. We will determine if the hearing occurred on 11/12/08 adn whether it changes our plan for handling this case.

FWCJUA Collections Report
RSI Performance Report
July 27, 1998 to October 31, 2008

	RSI - Total		RSI - Actual		RSI - 3X	
Category - *(First Placements)*	**Number**	**$ Amount**	**Number**	**$ Amount**	**Number**	**$ Amount**
Accounts Submitted for Collection	2,694	108,407,442	1,198	56,420,173	1,496	51,987,269
Adjustments & Revisions	680	40,275,758	122	13,672,747	558	26,672,604
Prinicipal after Adjustments	2,014	67,963,193	1,076	42,747,426	938	25,215,767
Principal Recovered		14,097,630		11,194,467		2,903,163
Collection Fees Recovered		538,624		439,276		99,348
Total Recovery		14,636,254		11,633,743		3,002,511
Collection Fees		1,338,254		1,238,906		99,348
Average Balance Submitted (after adj.)		25,228		35,682		16,855
Paid in Full	684	7,303,183	491	5,662,859	193	1,640,324
Settled in Full	202	4,038,289	175	3,595,121	27	443,168
Collected / Settled	**886**	**11,341,472**	**666**	**9,257,980**	**220**	**2,083,492**
Legal in Progress	89	11,336,268	56	7,334,519	33	4,001,749
Active (still in collection process)	110	1,896,909	53	949,521	57	947,389
Work in Progress	**199**	**13,233,178**	**109**	**8,284,040**	**90**	**4,949,138**
Judgment Awarded	73	13,743,802	47	12,227,882	26	1,515,921
On Hold	26	1,701,792	9	1,017,987	17	683,805
Potentially Collectible	**99**	**15,445,594**	**56**	**13,245,869**	**43**	**2,199,726**
Uncollectible / Write-Offs	**830**	**22,046,867**	**245**	**7,621,094**	**585**	**14,425,773**
Withdrawn / Revised to Zero	**680**	**16,071,917**	**122**	**5,865,905**	**558**	**10,206,013**
Principal Recovered but returned		168,491		69,593		98,898
Summary Statistics - On Submitted						
% of Accounts Collected / Settled		32.9%		55.6%		14.7%
% of Accounts Withdrawn / Revised to Zero		25.2%		10.2%		37.3%
% of Accounts Uncollectible / Written-Off		30.8%		20.5%		39.1%
% of Accounts Potentially Collectible / In Progress		11.1%		13.8%		8.9%
% of Premium Collected / Settled		10.5%		16.4%		4.0%
% of Premium Withdrawn / Revised to Zero		14.8%		10.4%		19.6%
% of Premium Uncollectible / Written-Off		20.3%		13.5%		27.7%
% of Premium Potentially Collectible / In Progress		26.5%		38.2%		13.8%
% of Premium Adjusted		27.9%		21.5%		34.9%
Summary Statistics - On Principal after Adjustments						
Total Recovery % (Premium & Fees Collected)		21.5%		27.2%		11.9%
Total Recovery % (Accounts Collected)		44.0%		61.9%		23.5%
Premium Recovery %		20.7%		26.2%		11.5%
RSI Fees Recovery %		40.2%		35.5%		100.0%
FWCJUA Average Collection Expense %		5.7%		7.1%		0.0%

FWCJUA Collections Report

2008 Collections Activity compared to 2007
January 1, 1994 to October 31, 2008
(1st and 2nd Placements)

October 2008 Activity	As of 10/31/2008	As of 12/31/2007	Difference	% Difference
Accounts Submitted for Collection - #	5,566	5,444	122	2.24%
Accounts Submitted for Collection - $	$139,116,240	$135,515,216	$3,601,024	2.66%
Total Gross Recovery (includes fees recovered)	$22,548,549	$21,012,735	$1,535,814	7.31%
Collection Fees	$2,315,838	$2,203,930	$111,909	5.08%
Total Net Recovery (less fees)	$20,232,711	$18,808,805	$1,423,906	7.57%
Recovery % - (Gross)	16.21%	15.51%		0.70%
Recovery % - (Net)	14.54%	13.88%		0.66%

October 2007 Activity	As of 10/31/2007	As of 12/31/2006	Difference	% Difference
Accounts Submitted for Collection - #	5,414	5,183	231	4.46%
Accounts Submitted for Collection - $	$135,185,601	$125,957,372	$9,228,229	7.33%
Total Gross Recovery (includes fees recovered)	$20,766,350	$18,775,098	$1,991,252	10.61%
Collection Fees	$2,182,420	$2,028,455	$153,966	7.59%
Total Net Recovery (less fees)	$18,583,930	$16,746,644	$1,837,286	10.97%
Recovery % - (Gross)	15.36%	14.91%		0.46%
Recovery % - (Net)	13.75%	13.30%		0.45%

Report on Operations - 4

FWCJUA Collections Report
RSI Recovery Analysis
by size type of account *(1st placements)*
July 27, 1998 to October 31, 2008

	# of Accounts	% of Total	Principal after Adjustments	% of Total	Principal Recovered	% Recovery of category	% Recovery of Total
$100,000 & Over	**134**	**6.7%**	**41,895,372**	**61.6%**	**3,432,375**	**8.2%**	**24.6%**
3X	62	3.1%	13,867,459	20.4%	1,167,977	8.4%	8.4%
Actual	72	3.6%	28,027,913	41.2%	2,264,398	8.1%	16.3%
$50,000 - $99,999	**120**	**6.0%**	**8,438,524**	**12.4%**	**3,063,304**	**36.3%**	**22.0%**
3X	46	2.3%	3,098,375	4.6%	224,966	7.3%	1.6%
Actual	74	3.7%	5,340,149	7.9%	2,838,338	53.2%	**20.4%**
$15,000 - $49,999	**416**	**20.7%**	**10,971,389**	**16.1%**	**4,123,870**	**37.6%**	**29.6%**
3X	193	9.6%	4,954,396	7.3%	552,003	11.1%	4.0%
Actual	223	11.1%	6,016,993	8.9%	3,571,867	59.4%	**25.6%**
$0- $14,999	**1,344**	**66.7%**	**6,657,908**	**9.8%**	**3,309,141**	**49.7%**	**23.8%**
3X	637	31.6%	3,295,537	4.8%	859,319	26.1%	6.2%
Actual	707	35.1%	3,362,371	4.9%	2,449,822	72.9%	**17.6%**
Grand Total	**2,014**	**100.0%**	**67,963,193**	**100.0%**	**13,928,690**	**20.5%**	**100.0%**
3X	**938**	**46.6%**	**25,215,767**	**37.1%**	**2,804,265**	**11.1%**	**20.1%**
Actual	**1,076**	**53.4%**	**42,747,426**	**62.9%**	**11,124,425**	**26.0%**	**79.9%**

25,970 policies were issued from August 1, 1998 - October 31, 2008 - therefore 7.8% of these policies issued have actually ended up in collections. Of the 2,014 policies in collections, 886 have paid or been settled in full. So only 4.3% of policies issued are generating the uncollectible premium situation for the FWCJUA.

Of the 134 accounts over $100K - only 4 accounts are over $1M for a total of $10.5M of the $41.9M uncollectible. (.2% of all uncollectible accounts are generating 15% of the total uncollectible premium.) 48 of the 134 accounts totaling $11M are either bankrupt, corporation dissolved or out of business and therefore collection efforts are not possible. 8 of the 134 accounts have been paid or settled in full.

	Final Balances 9/30/2008	Final Balances 9/30/2007	12 - month Dollar Change	12 - month Percent Change	Final Balances 12/30/2007	Year to Date Dollar Change	Year to Date Percent Change	Comments
Balance Sheet								
Assets:								
Bonds	**80,037,787**	**72,481,372**	7,556,415	10.4%	**65,120,483**	14,917,304	22.9%	Result of operations
Cash	**6,959,322**	**12,287,343**	(5,328,021)	-43.4%	**25,759,518**	(18,800,196)	-73.0%	Result of operations
Short-term investments	**21,244,695**	**13,482,382**	7,762,313	57.6%	**9,682,255**	11,562,440	119.4%	Result of operations
Cash and invested assets	**108,241,803**	**98,251,097**	9,990,707	10.2%	**100,562,256**	7,679,548	7.6%	Result of operations
Premiums receivable	**2,800,916**	**8,240,747**	(5,439,831)	-66.0%	**4,977,750**	(2,176,834)	-43.7%	Due to decline in premium writings
Premiums deferred	**2,360,175**	**3,547,125**	(1,186,950)	-33.5%	**2,586,529**	(226,354)	-8.8%	Due to decline in premium writings
Premiums EBUB	**-**	**320,234**	(320,234)	-100.0%	**268,610**	(268,610)	-100.0%	SAP codification requirement in 2001
Misc. Receivable	**155,196**	**231,182**	(75,986)	-32.9%	**288,150**	(132,954)	-46.1%	Servicing Carrier Receivable
EDP Equipment	**70,814**	**115,970**	(45,156)	-38.9%	**100,306**	(29,492)	-29.4%	New Equipment & Depreciation
Interest income accrued	**754,035**	**912,758**	(158,723)	-17.4%	**764,496**	(10,461)	-1.4%	Investment Income
Reinsurance Recovery Receivabl	**37,477**	**56,250**	(18,773)	-33.4%	**59,819**	(22,342)	-37.3%	Have recovered $149,176 YTD
Federal Income Tax Recoverable	**-**	**112,935**	(112,935)	-100.0%	**2,839,303**	(2,839,303)	-100.0%	Final tax payment made and DTA no longer
Deferred Tax Asset	**-**	**-**	-	N/A	**-**	-	N/A	applicable since eligible for tax exemption
Excess Deposits from Reinsurers	**102,087**	**1,778,940**	(1,676,853)	-94.3%	**1,778,940**	(1,676,853)	-94.3%	When Rate < Deposit Premium
Total Assets	**$ 114,522,503**	**$ 113,567,238**	**$ 955,266**	**0.8%**	**$ 114,226,160**	**$ 296,345**	**0.3%**	
Liabilities:								
Loss and ALAE reserves	**29,483,449**	**33,955,475**	(4,472,026)	-13.2%	**30,162,989**	(679,540)	-2.3%	2008 Activity
Retroactive Reinsurance	**(4,410,686)**	**(5,228,926)**	818,240	-15.6%	**(4,576,445)**	165,759	-3.6%	Losses transferred under LPT
ULAE reserves	**2,836,948**	**3,227,062**	(390,114)	-12.1%	**2,800,192**	36,756	1.3%	Statutory ULAE required
Servicing carrier fees payable	**697,599**	**1,685,064**	(987,465)	-58.6%	**1,054,481**	(356,882)	-33.8%	Due to decline in premium writings
Commissions payable	**183,397**	**402,168**	(218,771)	-54.4%	**288,558**	(105,161)	-36.4%	Due to decline premium writings
Other accrued expenses	**5,847,381**	**6,004,300**	(156,919)	-2.6%	**5,527,455**	319,926	5.8%	Monthly Settlements & Other Expenses
Unearned premiums	**5,910,598**	**10,588,460**	(4,677,862)	-44.2%	**9,194,350**	(3,283,752)	-35.7%	Due to decline in premium writings
Reins. premiums payable	**0**	**0**	-	0.0%	**0**	-	0.0%	Reinsurance contract premium due
Federal income taxes	**0**	**0**	-	0.0%	**0**	-	0.0%	Federal income tax due
Deposit premiums	**2,458,444**	**3,578,097**	(1,119,653)	-31.3%	**3,189,664**	(731,220)	-22.9%	Deposit requirements effective 1/1/97
Advance premiums	**-**	**167,011**	(167,011)	-100.0%	**199,814**	(199,814)	-100.0%	SAP codification requirement in 2001
State authorization payable	**85,920**	**76,740**	9,180	12.0%	**83,460**	2,460	2.9%	Active agent authorizations
Provision for Reinsurance	**-**	**923,942**	(923,942)	N/A	**-**	-	N/A	Reinsurance Recovery > LOC
Unearned producer fees	**20,718**	**40,397**	(19,679)	-48.7%	**38,173**	(17,455)	-45.7%	New agency 2 year authorizations
Total liabilities	**$ 43,113,768**	**$ 55,419,790**	$ (12,306,022)	-22.2%	**$ 47,962,691**	$ (4,848,923)	-10.1%	
Surplus / (Deficit):								
Unassigned surplus / (deficit)	**65,314,027**	**52,052,740**	13,261,287	25.5%	**60,168,761**	5,145,266	8.6%	
Assigned/Special surplus	**6,094,708**	**6,094,708**	-	0.0%	**6,094,708**	-	0.0%	Restricted surplus from LPT
Total Surplus / (Deficit)	**71,408,735**	**58,147,448**	13,261,287	22.8%	**66,263,469**	5,145,266	7.8%	
Total liabilities and surplus	**$ 114,522,503**	**$ 113,567,238**	**$ 955,265**	**0.8%**	**$ 114,226,160**	**$ 296,343**	**0.3%**	

Income Statement

FWCJUA Comparative Statutory Financial Statements as of September 30, 2008

Financial Report - 1

	Final Balances 9/30/2008	Final Balances 9/30/2007	12 - month Dollar Change	12 - month Percent Change	Final Balances 12/30/2007	Year to Date Dollar Change	Year to Date Percent Change	Comments
Premiums written - direct	**6,019,549**	**14,736,703**	(8,717,154)	-59.2%	**15,258,469**	(9,238,920)	-60.5%	2008 Activity
Premiums written - EBUB	**(298,456)**	**(967,347)**	668,891	-69.1%	**(1,024,706)**	726,250	-70.9%	SAP codification requirement in 2001
Change in unearned - direct	**2,898,324**	**-**	2,898,324	N/A	**8,417,098**	(5,518,774)	-65.6%	Due to decline in premium writings
Premiums written - ceded	**(1,541,711)**	**(3,113,145)**	1,571,434	-50.5%	**(4,150,860)**	2,609,149	-62.9%	2008 annual reinsurance contract
Change in unearned - ceded	**385,428**	**5,985,273**	(5,599,845)	-93.6%	**-**	385,428	N/A	Reinsurance contract amount unearned
Premiums earned	**7,463,134**	**16,641,484**	**(9,178,350)**	-55.2%	**18,500,001**	(11,036,867)	-59.7%	
Losses paid - direct	**1,985,788**	**5,024,148**	(3,038,360)	-60.5%	**6,148,008**	(4,162,220)	-67.7%	2008 Activity
Change in reserves - direct	**377,323**	**(3,756,925)**	4,134,248	-110.0%	**(8,702,818)**	9,080,141	-104.3%	2008 Activity
Losses incurred - direct	**2,363,111**	**1,267,223**	1,095,888	86.5%	**(2,554,810)**	4,917,921	-192.5%	
Losses paid - ceded	**613,194**	**(1,188,942)**	1,802,136	-151.6%	**(1,277,740)**	1,890,934	-148.0%	2008 Activity
Change in reserves - ceded	**(1,056,864)**	**(4,239,667)**	3,182,803	-75.1%	**(3,086,260)**	2,029,396	-65.8%	2008 Activity
Losses incurred - ceded	**(443,670)**	**(5,428,609)**	4,984,939	-91.8%	**(4,364,000)**	3,920,330	-89.8%	
Net losses incurred	**1,919,441**	**(4,161,386)**	6,080,827	-146.1%	**(6,918,810)**	8,838,251	-127.7%	
Loss expenses incurred	**1,353,858**	**2,742,103**	(1,388,245)	-50.6%	**2,925,085**	(1,571,227)	-53.7%	
Other underwriting expenses	**2,902,515**	**4,331,383**	(1,428,868)	-33.0%	**5,255,756**	(2,353,241)	-44.8%	Due to decline in premium writings
Total underwriting expenses	**6,175,814**	**2,912,100**	3,263,714	112.1%	**1,262,031**	4,913,783	389.4%	
Net underwriting gain (loss)	**$ 1,287,320**	**$ 13,729,384**	**$ (12,442,064)**	**-90.6%**	**$ 17,237,970**	**$ (15,950,650)**	**-92.5%**	
Net investment income	**2,969,020**	**3,653,102**	(684,082)	-18.7%	**4,821,055**	(1,852,035)	-38.4%	Rapid decline in current interest rates
Net realized gains (losses)	**-**	**(40,152)**	40,152	-100.0%	**(40,152)**	40,152	-100.0%	
Net investment gain (loss)	**2,969,020**	**3,612,950**	(643,930)	-17.8%	**4,780,903**	(1,811,883)	-37.9%	
Other income	**(71,033)**	**(2,282,401)**	2,211,368	-96.9%	**(1,962,721)**	1,891,688	-96.4%	DOL funding for Subplan D, Reinsurance Profit Share & Producer Authorizations
Loss from Reinsurance (LPT)	**-**	**(90,000)**	90,000	-100.0%	**(695,835)**	695,835	-100.0%	Decrease in LPT reserves (94 - 99)
Income before tax	**4,185,306**	**14,969,932**	(10,784,626)	-72.0%	**19,360,316**	(15,175,010)	-78.4%	
Federal income taxes	**-**	**3,408,428**	(3,408,428)	-100.0%	**682,059**	(682,059)	-100.0%	
Net income	**$ 4,185,306**	**$ 11,561,504**	**$ (7,376,198)**	**-63.8%**	**$ 18,678,257**	**$ (14,492,951)**	**-77.6%**	
Gains (losses) in surplus:								
Net income	**4,185,306**	**11,561,504**	(7,376,198)	-63.8%	**18,678,257**	(14,492,951)	-77.6%	2008 Activity
Change in n/a assets	**959,960**	**823,369**	136,591	16.6%	**1,822,637**	(862,677)	-47.3%	90 days P/R & reinsurance provision
Deferred Tax Asset/Liability	**-**	**(3,031,516)**	3,031,516	-100.0%	**(3,031,516)**	3,031,516	-100.0%	DTA is being reversed as no longer
Change in deficit	**5,145,266**	**9,353,357**	(4,208,091)	-45.0%	**17,469,378**	(12,324,112)	-70.5%	applicable since eligible for tax exemption
Beginning surplus/(deficit)	**66,263,469**	**48,794,091**	17,469,378	35.8%	**48,794,091**	17,469,378	35.8%	
Ending surplus/(deficit)	**$ 71,408,735**	**$ 58,147,448**	**$ 13,261,287**	**22.8%**	**$ 66,263,469**	**$ 5,145,266**	**7.8%**	

	Final Balances 9/30/2008	Final Balances 9/30/2007	12 - month Dollar Change	Percent Change	Final Balances 12/30/2007	Year to Date Dollar Change	Percent Change	Comments

**** EBUB Update:**

As of September 30, 2008 - the calculated EBUB is $0.
After deducting for commissions, SCFs, reinsurance premiums and taxes & assessments - the net income effect would be $0.

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 2008 Annual Financials, the following changes were booked:
an earned premium of $(298,456); an decrease in expenses of $(100,684); for a net income effect of $(197,772).

Balance Sheet	Balance Increase (Decrease) 3rd Qtr. 2008	Balance Increase (Decrease) 2nd Qtr. 2008	Balance Increase (Decrease) 1st Qtr. 2008
Assets:			
Bonds	938,430	6,212,508	7,766,366
Cash	(8,118,262)	3,590,908	(14,272,842)
Short-term investments	6,269,834	(5,339,877)	10,632,483
Cash and invested assets	(909,998)	4,463,539	4,126,007
Premiums receivable	(313,786)	(1,459,774)	(403,274)
Premiums deferred	252,098	(239,979)	(238,473)
Premiums EBUB	0	0	(268,610)
Misc. Receivables	(161,037)	227,276	(199,193)
EDP Equipment	(13,351)	(5,192)	(10,949)
Interest income accrued	(276,519)	343,754	(77,696)
Reinsurance Recovery Receivable	(26,587)	10,109	(5,864)
Federal Income Tax Recoverable	-	(2,839,303)	-
Deferred Tax Asset	-	-	-
Excess Deposits from Reinsurers	102,087	0	(1,778,940)
Total Assets	**$ (1,347,095)**	**$ 500,428**	**$ 1,143,008**
Liabilities:			
Loss and ALAE reserves	(475,200)	(189,502)	(14,838)
Retroactive Reinsurance	78,266	63,157	24,336
ULAE reserves	(10,764)	26,358	21,162
Servicing carrier fees payable	(50,671)	(166,783)	(139,428)
Commissions payable	(912)	(56,809)	(47,440)
Other accrued expenses	154,317	(50,782)	216,391
Unearned premiums	(1,001,096)	(161,731)	(2,120,926)
Reins. premiums payable	(446,298)	(547,481)	993,779
Federal income taxes	-	-	-
Deposit premiums	(257,732)	(315,564)	(157,924)
Advance Premiums	(56,757)	(117,439)	(25,618)
State authorization payable	(720)	1,080	2,100
Provision for Reinsurance	-	-	-
Unearned producer fees	(6,733)	(5,695)	(5,027)
Total liabilities	$ (2,074,300)	$ (1,521,191)	$ (1,253,433)
Surplus / Deficit:			
Change in unassigned surplus/deficit	*727,206*	*2,021,618*	2,396,442
Change in assigned surplus/deficit	0	0	-
Total Surplus / Deficit	$ 727,206	$ 2,021,618	$ 2,396,442
Total liabilities and surplus	**(1,347,093)**	**500,428**	**1,143,008**

Income Statement	Balance Increase (Decrease) 3rd Qtr. 2008	Balance Increase (Decrease) 2nd Qtr. 2008	Balance Increase (Decrease) 1st Qtr. 2008
Premiums written - direct	1,958,536	1,322,359	2,738,654
Premiums written - EBUB	-	-	(298,456)
Premiums written - ceded	-	-	(1,541,711)
Change in unearned - direct	1,386,524	545,945	965,855
Change in unearned - ceded	(385,428)	(384,215)	1,155,071
Premiums earned	2,959,632	1,484,089	3,019,413
Losses paid - direct	1,399,482	(197,912)	784,218
Change in reserves - direct	(450,639)	739,022	88,940
Losses incurred - direct	948,843	541,110	873,158
Losses paid - ceded	677,409	(13,403)	(50,812)
Change in reserves - ceded	(24,561)	(928,525)	(103,778)
Losses incurred - ceded	652,848	(941,928)	(154,590)
Net losses incurred	1,601,691	(400,818)	718,568
Loss expenses incurred	279,083	525,044	549,731
Other underwriting expenses	1,011,428	678,341	1,212,746
Total underwriting expenses	2,892,202	802,567	2,481,045
Net underwriting gain (loss)	**$ 67,430**	**$ 681,522**	**$ 538,368**
Net investment income	957,688	1,058,398	952,934
Net realized gains (losses)	-	-	-
Net investment gain (loss)	957,688	1,058,398	952,934
Other income	37,750	69,788	(178,571)
Loss from Reinsurance (LPT)	-	-	-
Income before tax	1,062,868	1,809,708	1,312,730
Federal income taxes	-	-	-
Net income	**$ 1,062,868**	**$ 1,809,709**	**$ 1,312,730**
Gains (losses) in surplus:			
Net income	1,062,867	1,809,708	1,312,731
Change in n/a assets	(335,662)	211,911	1,083,711
Deferred Tax Asset/Liability	-	-	-
Change in deficit	727,205	2,021,619	2,396,442
Beginning surplus/(deficit)	-	-	66,263,469
Ending surplus/(deficit)	**$ 727,205**	**$ 2,021,618**	**$ 68,659,911**

Florida Workers' Compensation Joint Underwriting Association, Inc.
Budget Variance
For January 1, 2008 - September 30, 2008

	Actual $	Budget $	Variance	% of Budget	Actual % (% of earned premium)	Budget % (% of earned premium)	Variance (% of earned premium)
REVENUE:							
PY 2008 Written Premium	10,121,035	15,750,000	(5,628,965)	64%			
EBUB Written Premium	(298,456)	0	(298,456)	N/A			
Prior PY Written Premium	(4,101,486)	2,250,000	(6,351,486)	-182%			
PY 2008 Earned Premium	4,430,676	11,812,500	(7,381,824)	38%			
EBUB Earned Premium	(298,456)	0	(298,456)	N/A			
Prior PY Earned Premium	4,487,197	1,500,000	2,987,197	299%			
Reinsurance Premium	1,156,283	1,389,426	(233,143)	83%			
Net Earned Premium	7,463,134	11,923,074	(4,459,940)	63%			
Interest Income	2,969,020	3,075,000	(105,980)	97%			
Producers Authorization	31,895	7,500	24,395	425%			
Other Income	44,072	45,000	(928)	98%			
DOL Funding	(147,000)	0	(147,000)	N/A			
Gain/(Loss) from Reinsurance	0	0	0	N/A			
TOTAL REVENUE	**10,361,120**	**15,050,574**	**(4,689,454)**	**69%**			
OPERATING EXPENSES:							
Losses and LAE Incurred	3,185,616	5,075,192	(1,889,575)	63%	35.72%	38.12%	-2.40%
Reinsurance Recoveries	(443,670)	(833,656)	389,986	53%	-4.98%	-6.26%	1.29%
Net Losses and LAE Incurred	2,741,947	4,241,536	(1,499,589)	65%	30.75%	31.86%	-1.11%
Servicing Carrier Fees	1,429,053	2,749,605	(1,320,552)	52%	16.02%	20.65%	-4.63%
Commissions & Producers Fees	156,213	342,689	(186,476)	46%	1.75%	2.57%	-0.82%
EBUB Expenses	(100,684)	0	(100,684)	N/A	-1.13%	0.00%	-1.13%
NCCI Admin. Fees	51,831	75,000	(23,169)	69%	0.58%	0.56%	0.02%
Bad Debt Write-Off / Recoveries	160,967	3,705,000	(3,544,033)	4%	1.80%	27.83%	-26.03%
Collection Expense	14,813	82,688	(67,875)	18%	0.17%	0.62%	-0.46%
Taxes & Assessments	3,378	15,750	(12,372)	21%	0.04%	0.12%	-0.08%
TOTAL OPERATING EXPENSES	**4,457,517**	**11,212,267**	**(6,754,750)**	**40%**	**49.98%**	**84.22%**	**-34.24%**
GENERAL & ADMINISTRATIVE EXPENSES:							
Professional Services							
Actuarial Service	24,274	45,000	(20,726)	54%	0.27%	0.34%	-0.07%
Auditing/Taxes Finance	74,832	57,750	17,082	130%	0.84%	0.43%	0.41%
Audit Fee Recovery - Travelers	(21,712)	(12,563)	(9,150)	173%	-0.24%	-0.09%	-0.15%
Consulting - Systems/Financial	5,150	63,750	(58,600)	8%	0.06%	0.48%	-0.42%
Legal - General Counsel	90,791	116,250	(25,459)	78%	1.02%	0.87%	0.14%
Legal - Collections	17,415	3,750	13,665	464%	0.20%	0.03%	0.17%
Security & Other Services	10,535	14,925	(4,390)	71%	0.12%	0.11%	0.01%
Temporary Employees	0	7,500	(7,500)	0%	0.00%	0.06%	-0.06%
Total Professional Services	**201,284**	**296,363**	**(95,078)**	**68%**	**2.26%**	**2.23%**	**0.03%**

Florida Workers' Compensation Joint Underwriting Association, Inc.
Budget Variance
For January 1, 2008 - September 30, 2008

	Actual $	Budget $	Variance	% of Budget	(% of earned premium) Actual %	Budget %	Variance
General							
Rent	121,056	121,687	(630)	99%	1.36%	0.91%	0.44%
Bank Charges	7,432	5,850	1,582	127%	0.08%	0.04%	0.04%
Telecommunications	28,427	36,795	(8,368)	77%	0.32%	0.28%	0.04%
Insurance	71,386	73,298	(1,912)	97%	0.80%	0.55%	0.25%
Licenses & Fees	74	1,125	(1,052)	7%	0.00%	0.01%	-0.01%
Office Equipment & Supplies	47,933	70,939	(23,006)	68%	0.54%	0.53%	0.00%
Disaster Recovery Plan Maintenance	41,746	44,921	(3,175)	93%	0.47%	0.34%	0.13%
Utilities	8,706	12,600	(3,894)	69%	0.10%	0.09%	0.00%
Postage & Printing	12,899	19,440	(6,541)	66%	0.14%	0.15%	0.00%
Depreciation / Amortization	136,723	136,375	349	100%	1.53%	1.02%	0.51%
Total General	**476,382**	**523,029**	**(46,647)**	**91%**	**5.34%**	**3.93%**	**1.41%**
Personnel							
Compensation	781,390	865,454	(84,063)	90%	8.76%	6.50%	2.26%
Benefits	144,999	165,050	(20,051)	88%	1.63%	1.24%	0.39%
Payroll Tax	56,732	63,782	(7,049)	89%	0.64%	0.48%	0.16%
Training/Education/Recruitment	3,776	33,375	(29,599)	11%	0.04%	0.25%	-0.21%
Total Personnel	**986,897**	**1,127,660**	**(140,762)**	**88%**	**11.07%**	**8.47%**	**2.60%**
Travel & Entertainment							
Travel - Employee	5,701	24,000	(18,299)	24%	0.06%	0.18%	-0.12%
Travel - Board/Committee Meeting	7,726	15,450	(7,724)	50%	0.09%	0.12%	-0.03%
Total Travel & Entertainment	**13,427**	**39,450**	**(26,023)**	**34%**	**0.15%**	**0.30%**	**-0.15%**
Total General & Administrative Expenses	**1,677,991**	**1,986,501**	**(308,510)**	**84%**	**18.82%**	**14.92%**	**3.89%**
SPECIAL PROJECTS EXPENSES							
Litigation	7,017	10,000	(2,983)	70%	0.08%	0.08%	0.00%
Legal - Legislative Matters	0	0	0	N/A	0.00%		
Legal - Special Projects	0	TBD	0	N/A	0.00%		
Service Provder Selection	15,000	20,000	(5,000)	75%	0.17%	0.15%	0.02%
Second Rate Filing	0	15,000	(15,000)	N/A	0.00%	0.11%	-0.15%
Market Assistance Plan	0	10,000	(10,000)	N/A	0.00%	0.08%	-0.08%
Executive Compensation Study	8,000	16,000	0	N/A	0.09%		
Disaster Recovery Analysis	10,290	34,300	0	N/A	0.12%		
Disaster Recovery Deployment	0	TBD	0	N/A	0.00%		
Total Special Projects Expenses	**40,307**	**105,300**	**(64,993)**	**38%**	**0.45%**	**0.41%**	**-0.20%**
Total G&A and Special Project Expenses	**1,718,297**	**2,091,801**	**(373,504)**	**82%**	**19.27%**	**15.71%**	**3.55%**
GRAND TOTAL OF EXPENSES	**6,175,814**	**13,304,068**	**(7,128,253)**	**46%**	**69.25%**	**99.94%**	**-30.68%**
GAIN / (LOSS) BEFORE ASSESSMENT	**4,185,306**	**1,746,506**	**2,438,799**	**240%**			
less fixed assets	*0*						
GAIN / (LOSS) BEFORE ASSESSMENT	**4,185,306**						

Florida Workers' Compensation Joint Underwriting Association, Inc.
Budgeted Capital Expenditures
For Year Ending December 31, 2008

	Budget	Actual	Variance
Hardware			
Printers	7,000	5,985	(1,015)
ThinClient Replacements (6), Keyboards & Mice	3,700	2,016	(1,684)
Developer Laptop	3,400	3,257	(143)
UPS battery replacements	400	0	(400)
Software			
Development Tools	3,100	0	(3,100)
Adobe Creative Suite Upgrade	2,500	2,328	(172)
MS Office 2007 - upgrade from 2003	7,000	6,850	(150)
Property, Plant & Equipment			
Projector	2,400	2,308	(92)
Meeting auditory recording equipment	0	2,356	2,356
Total	**29,500**	**25,100**	**(4,400)**

9,833
annual depreciation / amortization *

FWCJUA - Effective PRIOR to 7/26/2003
Cash Flow Analysis

	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Total 2008
Cash Inflows													
Premiums Collected/Deposits	30,062	38,536	34,125	17,285	35,000	35,000	35,062	35,076	8,542	89,650			358,337
Net Collections Activity	10,000	8,340	7,389	7,089	6,820	(204)	14,437	29,664	20,470	26,625			130,630
Producer Authorizations	2,000	2,400	2,200	3,000	2,400	1,500	1,700	1,200	500	2,300			19,200
Interest Income	41,049	105,320	18,064	23,512	47,076	9,362	8,091	72,195	4,517	3,644			332,830
Reinsurance Recoveries	0	13,317	10,153	0	0	3,294	0	48,054	34,988	43,231			153,037
Miscellaneous Income	0	0	0	0	0	0	0	0	0	0			0
Total Cash Inflows	***83,111***	***167,913***	***71,931***	***50,886***	***91,296***	***48,952***	***59,290***	***186,189***	***69,017***	***165,450***	***0***	***0***	***994,034***
Cash Outflows													
Loss and LAE payments	24,474	18,944	18,448	11,401	(734,343)	27,011	38,952	17,966	18,369	40,947			(517,831)
Underwriting expenses	3,998	5,202	4,436	2,365	4,725	4,725	4,733	4,732	205	14,667			49,788
General & Administrative expenses	286,601	(58,967)	(143,529)	76,316	20,965	(17,434)	(50,313)	70,135	8,720	56,264			248,758
Taxes & Assessments	0	0	0	(1,044,047)	0	0	(10,000)	0	0	0			(1,054,047)
Reinsurance Premiums	0	(1,138,578)	(202,416)	0	0	0	321,213	740,028	0	0			(279,753)
Interest Expense	(621)	(33)	(20)	233	(660)	(6)	12	(19)	14	(20)			(1,119)
Investments	(994,263)	0	0	995,983	3,004,017	0	1,487,925	0	0	0			4,493,662
Total Cash Outflows	***(679,811)***	***(1,173,431)***	***(323,081)***	***42,250***	***2,294,704***	***14,297***	***1,792,522***	***832,842***	***27,308***	***111,858***	***0***	***0***	***2,939,458***
SunTrust Bank													
Beginning	3,122,470	3,885,392	5,226,736	5,621,748	5,630,384	3,426,976	3,461,631	1,728,398	1,081,746	1,123,455	1,177,046	1,177,046	3,122,470
Net Activity	762,922	1,341,344	395,012	8,636	(2,203,408)	34,655	(1,733,233)	(646,653)	41,709	53,591	0	0	(1,945,424)
SunTrust Ending	3,885,392	5,226,736	5,621,748	5,630,384	3,426,976	3,461,631	1,728,398	1,081,746	1,123,455	1,177,046	1,177,046	1,177,046	1,177,046
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	**3,885,392**	**5,226,736**	**5,621,748**	**5,630,384**	**3,426,976**	**3,461,631**	**1,728,398**	**1,081,746**	**1,123,455**	**1,177,046**	**1,177,046**	**1,177,046**	**1,177,046**
Evergreen Money Market Fund													
Beginning	603,788	659,819	2,369,326	2,997,915	2,574,605	7,561,899	3,734,514	2,891,179	3,427,008	2,569,239	835,741	835,741	603,788
Interest Income	56,031	135,507	128,589	91,076	61,249	34,129	44,133	185,216	188,532	108,701			1,033,163
Additions / (Withdrawals)	0	0	0	0	6,000,000	0	0	0	0	0			6,000,000
Sales & Matured Securities	0	1,574,000	500,000	1,500,000	345,000	500,000	994,664	766,663	245,000	0			6,425,327
Purchases	0	0	0	(2,014,386)	(1,418,955)	(4,361,514)	(1,882,132)	(416,050)	(1,291,301)	(1,842,199)			(13,226,537)
Ending	**659,819**	**2,369,326**	**2,997,915**	**2,574,605**	**7,561,899**	**3,734,514**	**2,891,179**	**3,427,008**	**2,569,239**	**835,741**	**835,741**	**835,741**	**835,741**
Total **Prior** JUA Funds	33,745,472	35,222,432	35,716,365	35,822,059	40,687,964	37,735,322	37,534,148	35,584,880	37,262,582	37,424,874			37,424,874
Liquidity (<1 yr. maturity)	13,565,593	11,211,264	11,745,110	10,227,798	10,028,605	10,196,687	7,716,944	6,641,585	10,200,865	12,542,957			12,542,957
Liquidity Percentage *(should be 5% or >)*	40.20%	31.83%	32.88%	28.55%	24.65%	27.02%	20.56%	18.66%	27.38%	33.52%			33.52%

FWCJUA - SubPlan A
Cash Flow Analysis

	Actual Jan-08	Actual Feb-08	Actual Mar-08	Actual Apr-08	Actual May-08	Actual Jun-08	Actual Jul-08	Actual Aug-08	Actual Sep-08	Actual Oct-08	Actual Nov-08	Actual Dec-08	Total 2008
Cash Inflows													
Premiums Collected/Deposits	0	0	0	0	0	0	0	0	0	0			0
Net Collections Activity	0	0	0	0	0	0	0	0	0	0			0
Interest Income	244	181	170	127	123	113	179	208	202	186			1,734
Reinsurance Recoveries	0	0	0	0	0	0	0	0	0	0			0
Miscellaneous Income	0	0	0	0	0	0	0	0	1	0			1
Total Cash Inflows	***244***	***181***	***170***	***127***	***123***	***113***	***179***	***208***	***203***	***186***	***0***	***0***	***1,735***
Cash Outflows													
Loss and LAE payments	0	0	0	0	0	0	0	0	0	0			0
Underwriting expenses	0	0	0	0	0	0	0	0	0	0			0
General & Administrative expenses	19	19	19	19	19	19	20	0	0	0			133
Taxes & Assessments	0	0	0	(3,517)	0	0	0	0	0	0			(3,517)
Reinsurance Premiums	0	0	0	0	0	0	0	0	0	0			0
Interest Expense	0	0	0	0	0	0	0	0	0	0			0
Total Cash Outflows	***19***	***19***	***19***	***(3,498)***	***19***	***19***	***20***	***0***	***0***	***0***	***0***	***0***	***(3,384)***
SunTrust Bank													
Beginning	74,712	74,937	75,099	75,251	78,876	78,979	79,074	79,233	79,441	79,644	79,831	79,831	74,712
Net Activity	225	162	151	3,625	103	94	159	208	203	186	0	0	5,119
SunTrust Ending	**74,937**	**75,099**	**75,251**	**78,876**	**78,979**	**79,074**	**79,233**	**79,441**	**79,644**	**79,831**	**79,831**	**79,831**	**79,831**
Deposit Liability	0	0	0	0	0	0	0	0	0	0	0	0	0
Available Cash	**74,937**	**75,099**	**75,251**	**78,876**	**78,979**	**79,074**	**79,233**	**79,441**	**79,644**	**79,831**	**79,831**	**79,831**	**79,831**

FWCJUA - SubPlan C
Cash Flow Analysis

	Actual Jan-08	Actual Feb-08	Actual Mar-08	Actual Apr-08	Actual May-08	Actual Jun-08	Actual Jul-08	Actual Aug-08	Actual Sep-08	Actual Oct-08	Actual Nov-08	Actual Dec-08	Total 2008
Cash Inflows													
Premiums Collected/Deposits	0	0	0	0	(14)	0	0	(500)	0	0			(514)
Net Collections Activity	1,890	268	3,595	3,322	1,883	1,714	2,293	1,397	2,525	1,459			20,345
Interest Income	15,548	13,398	1,476	32,448	3,805	692	11,867	19,580	1,321	1,213			101,349
Reinsurance Recoveries	0	0	0	0	0	0	0	0	0	0			0
Miscellaneous Income	0	0	0	0	0	0	0	0	0	0			0
Total Cash Inflows	***17,438***	***13,666***	***5,071***	***35,770***	***5,673***	***2,406***	***14,160***	***20,477***	***3,846***	***2,672***	***0***	***0***	***121,179***
Cash Outflows													
Loss and LAE payments	4,001	0	4,027	7,273	3,086	3,604	2,268	1,791	3,036	5,210			34,296
Underwriting expenses	(428)	0	0	0	(3)	0	0	(53)	0	0			(484)
General & Administrative expenses	49	45	32	783	817	54	36	1,060	10	11			2,898
Taxes & Assessments	0	0	0	(317,817)	0	0	0	0	0	0			(317,817)
Reinsurance Premiums	0	176,351	0	0	0	0	(2)	0	0	0			176,349
Interest Expense	9	0	9	10	3	6	3	3	4	3			50
Investments (CP)	(7,103)	0	0	(1,981,422)	0	0	991,950	0	0	0			(996,575)
Investments (LT)	1,000,000	0	0	0	2,500,000	0	(1,000,000)	0	0	0			2,500,000
Total Cash Outflows	***996,528***	***176,396***	***4,068***	***(2,291,173)***	***2,503,902***	***3,664***	***(5,744)***	***2,801***	***3,050***	***5,224***	***0***	***0***	***1,398,717***
SunTrust Bank													
Beginning	1,795,489	816,399	653,669	654,672	2,981,615	483,386	482,128	502,032	519,708	520,504	517,952	517,952	1,795,489
Net Activity	(979,090)	(162,730)	1,003	2,326,943	(2,498,229)	(1,258)	19,904	17,676	796	(2,552)	0	0	(1,277,537)
SunTrust Ending	**816,399**	**653,669**	**654,672**	**2,981,615**	**483,386**	**482,128**	**502,032**	**519,708**	**520,504**	**517,952**	**517,952**	**517,952**	**517,952**
Deposit Liability	13,590	13,590	13,590	13,590	13,590	13,590	13,423	13,423	13,423	13,423			13,423
Available Cash	**802,810**	**640,080**	**641,082**	**2,968,025**	**469,796**	**468,538**	**488,609**	**506,285**	**507,081**	**504,529**	**517,952**	**517,952**	**504,529**
LT Investments *(> 1 yr maturity) & CP*	7,478,602	7,497,155	7,514,117	5,547,668	8,045,482	8,038,453	8,040,965	8,061,551	8,102,836	8,092,741			8,092,741
Total - Cash & Invested Assets	**8,281,412**	**8,137,235**	**8,155,200**	**8,515,693**	**8,515,278**	**8,506,991**	**8,529,574**	**8,567,836**	**8,609,917**	**8,597,270**	**517,952**	**517,952**	**8,597,270**

FWCJUA - SubPlan D
Cash Flow Analysis

	Actual Jan-08	Actual Feb-08	Actual Mar-08	Actual Apr-08	Actual May-08	Actual Jun-08	Actual Jul-08	Actual Aug-08	Actual Sep-08	Actual Oct-08	Actual Nov-08	Actual Dec-08	Total 2008
Cash Inflows													
Premiums Collected	(847)	0	(3,195)	(1,939)	0	666	(882)	0	0	0	0	0	(6,197)
Net Collections Activity	6,886	4,474	100,133	(2,378)	1,312	3,223	7,904	(6,242)	3,748	1,363	0	0	120,423
Interest Income	10,318	2,453	54,050	23,089	5,455	5,047	3,874	1,720	52,501	403	0	0	158,909
Reinsurance Recoveries	0	0	0	0	0	0	0	0	0	0	0	0	0
Miscellaneous Income	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Cash Inflows	***16,357***	***6,927***	***150,988***	***18,772***	***6,767***	***8,936***	***10,895***	***(4,522)***	***56,249***	***1,766***	***0***	***0***	***273,135***
Cash Outflows													
Loss and LAE payments	23,853	0	13,067	35,537	16,601	19,784	14,395	13,237	47,479	260,001	0	0	443,956
Underwriting expenses	317	0	(824)	345	60	161	(22)	0	0	0	0	0	38
General & Administrative expenses	48	42	31	39	0	59	61	54	39	34	0	0	406
Taxes & Assessments	0	0	0	0	0	0	0	0	0	0	0	0	0
Reinsurance	0	(69,460)	0	0	0	0	(3,620)	0	0	0	0	0	(73,079)
Interest Expense	61	0	35	49	14	33	21	20	67	150	0	0	450
Investments (CP)	987,160	0	0	(1,981,422)	0	0	1,983,900	0	497,786	0	0	0	1,487,424
Investments (LT)	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Cash Outflows	***1,011,438***	***(69,418)***	***12,309***	***(1,945,452)***	***16,676***	***20,037***	***1,994,735***	***13,311***	***545,372***	***260,184***	***0***	***0***	***1,859,194***
SunTrust Bank													
Beginning	1,987,929	992,847	1,069,192	1,207,871	3,172,095	3,162,185	3,151,084	1,167,244	1,149,411	660,288	401,870	401,870	1,987,929
Net Activity	(995,081)	76,345	138,680	1,964,223	(9,909)	(11,101)	(1,983,840)	(17,833)	(489,123)	(258,418)	0	0	(1,586,059)
SunTrust Ending	**992,847**	**1,069,192**	**1,207,871**	**3,172,095**	**3,162,185**	**3,151,084**	**1,167,244**	**1,149,411**	**660,288**	**401,870**	**401,870**	**401,870**	**401,870**
Deposit Liability	182,779	183,353	180,175	180,175	180,175	180,175	180,175	180,175	180,175	180,138	0	0	180,138
Available Cash	**810,069**	**885,839**	**1,027,697**	**2,991,920**	**2,982,011**	**2,970,909**	**987,069**	**969,236**	**480,113**	**221,732**	**401,870**	**401,870**	**221,732**
Commerical Paper & LT	4,414,052	4,414,052	4,423,615	2,442,193	2,442,193	2,451,546	4,435,446	4,435,446	4,933,232	4,943,071	0	0	4,943,071
Total - Cash & Invested Assets	**5,224,121**	**5,299,891**	**5,451,312**	**5,434,113**	**5,424,204**	**5,422,455**	**5,422,515**	**5,404,682**	**5,413,345**	**5,164,803**	**401,870**	**401,870**	**5,164,803**

FWCJUA - Tier 1
Cash Flow Analysis

	Actual Jan-08	Actual Feb-08	Actual Mar-08	Actual Apr-08	Actual May-08	Actual Jun-08	Actual Jul-08	Actual Aug-08	Actual Sep-08	Actual Oct-08	Actual Nov-08	Actual Dec-08	Total 2008
Cash Inflows													
Premiums Collected/Deposits	403,380	471,813	338,547	196,559	373,619	163,536	304,022	192,101	194,393	242,260			2,880,231
Net Collections Activity	(300)	0	176,992	3,630	0	0	2,833	9,049	1,763	3,679			197,646
Interest Income	13,106	26,592	24,390	39,072	30,410	4,912	1,936	38,137	31,123	9,495			219,174
Reinsurance Recoveries	0	0	0	0	0	0	0	0	0	0			0
Miscellaneous Income	0	0	0	0	0	0	0	0	0	0			0
Total Cash Inflows	***416,186***	***498,406***	***539,928***	***239,261***	***404,029***	***168,448***	***308,791***	***239,288***	***227,278***	***255,434***	***0***	***0***	***3,297,050***
Cash Outflows													
Loss and LAE payments	78,323	25,598	42,159	45,664	90,753	55,512	34,752	26,704	84,790	24,701			508,956
Underwriting expenses	99,262	109,306	112,931	73,074	120,212	65,396	104,371	65,505	70,388	86,854			907,299
General & Administrative expenses	90	21,784	114,713	78,503	74,550	64,564	85,769	51,134	81,923	44,232			617,263
Taxes & Assessments	0	0	0	(257,295)	0	0	0	0	0	0			(257,295)
Reinsurance Premiums	120,550	21,224	0	120,550	0	0	170,511	0	0	150,550			583,384
Interest Expense	(486)	(726)	(184)	(48)	(112)	(46)	(226)	(150)	(56)	(75)			(2,108)
Investments (CP)	1,977,871	0	0	(1,974,142)	(997,992)	0	0	0	497,786	0			(496,476)
Investments (LT)	500,000	0	0	0	4,000,000	0	0	0	(1,000,000)	993,782			4,493,782
Total Cash Outflows	***2,775,609***	***177,187***	***269,619***	***(1,913,693)***	***3,287,412***	***185,426***	***395,177***	***143,193***	***(265,168)***	***1,300,043***	***0***	***0***	***6,354,804***
SunTrust Bank													
Beginning	3,442,556	1,083,134	1,404,353	1,674,662	3,827,616	944,233	927,256	840,871	936,965	1,429,411	384,802	384,802	3,442,556
Net Activity	(2,359,423)	321,219	270,309	2,152,954	(2,883,383)	(16,977)	(86,386)	96,094	492,447	(1,044,609)	0	0	(3,057,754)
SunTrust Ending	**1,083,134**	**1,404,353**	**1,674,662**	**3,827,616**	**944,233**	**927,256**	**840,871**	**936,965**	**1,429,411**	**384,802**	**384,802**	**384,802**	**384,802**
Deposit Liability	667,669	660,371	673,969	625,693	589,524	550,557	557,358	515,090	469,150	483,282			483,282
Available Cash	**415,465**	**743,982**	**1,000,693**	**3,201,923**	**354,709**	**376,699**	**283,513**	**421,875**	**960,261**	**(98,479)**	**384,802**	**384,802**	**(98,479)**
LT Investments *(> 1 yr maturity) & CP*	7,445,185	7,445,185	7,449,011	5,474,869	8,476,877	8,474,656	8,477,778	8,484,330	7,989,216	8,993,895			8,993,895
Total - Cash & Invested Assets	**7,860,651**	**8,189,167**	**8,449,703**	**8,676,791**	**8,831,587**	**8,851,355**	**8,761,291**	**8,906,205**	**8,949,478**	**8,895,416**	**384,802**	**384,802**	**8,895,416**

FWCJUA - Tier 2
Cash Flow Analysis

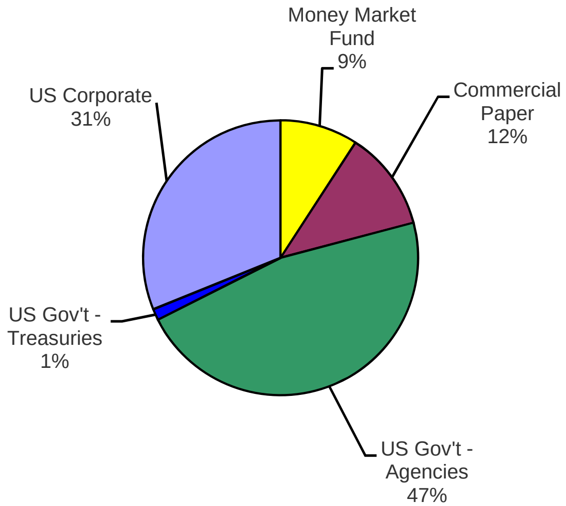
	Actual Jan-08	Actual Feb-08	Actual Mar-08	Actual Apr-08	Actual May-08	Actual Jun-08	Actual Jul-08	Actual Aug-08	Actual Sep-08	Actual Oct-08	Actual Nov-08	Actual Dec-08	Total 2008
Cash Inflows													
Premiums Collected/Deposits	436,289	130,346	285,911	432,030	196,790	290,185	46,314	59,668	106,458	103,052			2,087,043
Net Collections Activity	66,930	60,917	60,344	83,890	22,667	48,630	47,081	26,557	23,831	30,856			471,703
Interest Income	56,045	50,803	1,169	62,727	56,555	9,278	53,483	124,497	10,163	17,515			442,236
Reinsurance Recoveries	0	0	38,206	0	0	0	0	0	6,164	0			44,370
Miscellaneous Income	0	0	0	0	0	0	0	0	0	0			0
Total Cash Inflows	***559,264***	***242,067***	***385,630***	***578,647***	***276,012***	***348,093***	***146,878***	***210,721***	***146,617***	***151,423***	***0***	***0***	***3,045,352***
Cash Outflows													
Loss and LAE payments	77,268	0	141,117	224,980	64,485	126,725	106,964	311,065	101,332	116,515			1,270,451
Underwriting expenses	84,700	0	117,606	177,904	100,295	86,025	37,306	33,737	51,129	48,785			737,486
General & Administrative expenses	161	97,696	128,308	41,682	68,667	76,893	75,986	52,454	62,130	86,153			690,130
Taxes & Assessments	0	0	0	(535,108)	0	0	0	0	0	0			(535,108)
Reinsurance Premiums	224,650	(213,528)	0	224,650	0	0	(33,795)	0	0	224,650			426,627
Interest Expense	(132)	0	158	207	0	(9)	222	505	177	66			1,194
Investments (CP)	1,974,319	0	0	(2,964,853)	(997,992)	0	1,983,900	0	1,492,731	0			1,488,106
Investments (LT)	2,000,000	3,000,000	0	0	1,500,000	0	(1,000,000)	0	(1,000,000)	993,782			5,493,782
Total Cash Outflows	***4,360,966***	***2,884,168***	***387,189***	***(2,830,538)***	***735,456***	***289,633***	***1,170,582***	***397,760***	***707,498***	***1,469,952***	***0***	***0***	***9,572,666***
SunTrust Bank													
Beginning	6,952,822	3,151,121	509,019	507,459	3,916,644	3,457,201	3,515,661	2,491,957	2,304,918	1,744,037	425,508	425,508	6,952,822
Net Activity	(3,801,702)	(2,642,102)	(1,560)	3,409,185	(459,443)	58,460	(1,023,704)	(187,038)	(560,882)	(1,318,529)	0	0	(6,527,314)
SunTrust Ending	**3,151,121**	**509,019**	**507,459**	**3,916,644**	**3,457,201**	**3,515,661**	**2,491,957**	**2,304,918**	**1,744,037**	**425,508**	**425,508**	**425,508**	**425,508**
Deposit Liability	1,321,575	1,274,639	1,242,498	1,164,076	1,136,610	1,083,412	1,072,312	979,108	943,896	937,448			937,448
Available Cash	**1,829,545**	**(765,620)**	**(735,039)**	**2,752,568**	**2,320,590**	**2,432,249**	**1,419,644**	**1,325,811**	**800,140**	**(511,940)**	**425,508**	**425,508**	**(511,940)**
LT Investments *(> 1 yr maturity) & CP*	18,302,792	21,330,202	21,358,859	18,408,261	18,922,485	18,923,220	19,910,405	19,946,142	20,487,935	21,491,854			21,491,854
Total - Cash & Invested Assets	**20,132,338**	**20,564,582**	**20,623,821**	**21,160,829**	**21,243,075**	**21,355,469**	**21,330,050**	**21,271,953**	**21,288,075**	**20,979,914**	**425,508**	**425,508**	**20,979,914**

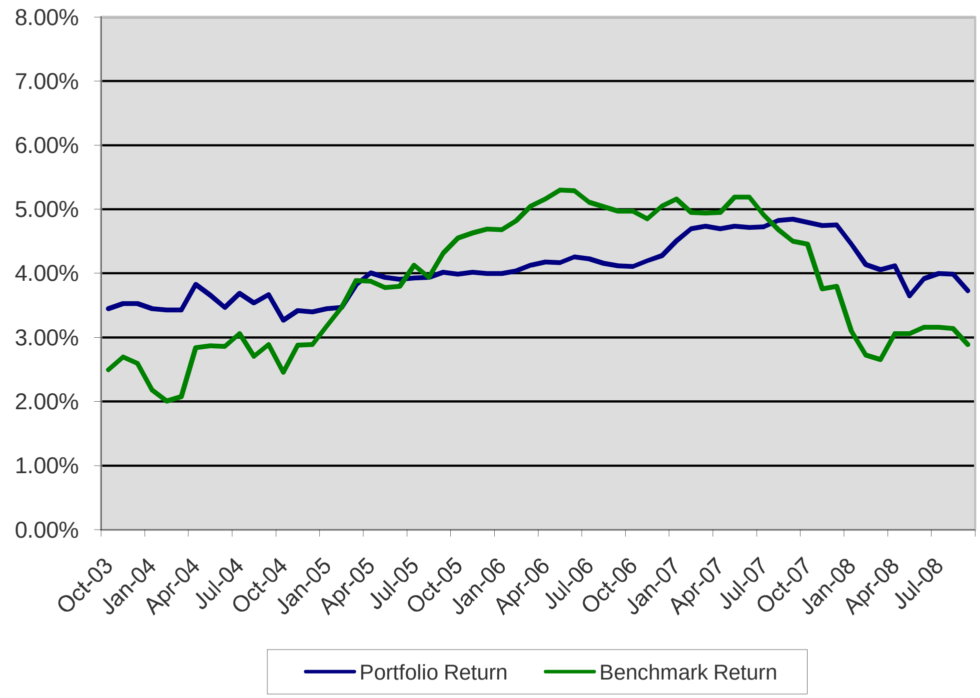
FWCJUA - Tier 3
Cash Flow Analysis

	Actual Jan-08	Actual Feb-08	Actual Mar-08	Actual Apr-08	Actual May-08	Actual Jun-08	Actual Jul-08	Actual Aug-08	Actual Sep-08	Actual Oct-08	Actual Nov-08	Actual Dec-08	Total 2008
Cash Inflows													
Premiums Collected/Deposits	316,212	438,577	508,044	343,481	455,807	380,837	345,788	(41,607)	108,515	204,994			3,060,647
Net Collections Activity	111,145	11,031	24,951	44,950	12,145	27,131	3,335	15,686	6,505	10,470			267,350
Interest Income	59,670	60,563	3,827	85,901	63,668	9,026	42,727	104,969	9,674	17,328			457,352
Reinsurance Recoveries	0	0	0	0	0	0	0	0	0	0			0
Miscellaneous Income	0	0	0	0	0	0	0	0	0	0			0
Total Cash Inflows	***487,027***	***510,171***	***536,822***	***474,332***	***531,620***	***416,993***	***391,850***	***79,048***	***124,694***	***232,791***	***0***	***0***	***3,785,349***
Cash Outflows													
Loss and LAE payments	148,825	87,249	102,821	89,016	87,621	(65,350)	47,390	87,093	131,185	157,479			873,329
Underwriting expenses	83,738	89,708	142,910	87,013	129,750	118,296	83,193	20,901	45,502	56,436			857,446
General & Administrative expenses	174	114,232	87,996	48,915	61,285	83,608	55,230	53,799	57,330	40,691			603,259
Taxes & Assessments	0	0	0	(681,520)	0	0	0	0	0	0			(681,520)
Reinsurance Premiums	202,733	(352,534)	0	202,733	0	0	93,626	0	0	172,733			319,290
Interest Expense	(11)	(349)	(263)	(35)	(94)	(473)	(165)	295	134	39			(923)
Investments (CP)	2,965,031	0	0	(2,958,489)	(1,995,067)	0	1,983,900	0	994,944	0			990,319
Investments (LT)	3,000,000	1,500,292	0	(2,000,000)	6,500,000	0	0	0	(1,000,000)	993,782			8,994,074
Total Cash Outflows	***6,400,489***	***1,438,598***	***333,463***	***(5,212,368)***	***4,783,494***	***136,081***	***2,263,175***	***162,087***	***229,096***	***1,421,159***	***0***	***0***	***11,955,274***
SunTrust Bank													
Beginning	8,383,041	2,469,579	1,541,153	1,744,512	7,431,211	3,179,337	3,460,249	1,588,924	1,505,885	1,401,483	213,115	213,115	8,383,041
Net Activity	(5,913,462)	(928,427)	203,359	5,686,700	(4,251,875)	280,912	(1,871,325)	(83,039)	(104,402)	(1,188,368)	0	0	(8,169,925)
SunTrust Ending	**2,469,579**	**1,541,153**	**1,744,512**	**7,431,211**	**3,179,337**	**3,460,249**	**1,588,924**	**1,505,885**	**1,401,483**	**213,115**	**213,115**	**213,115**	**213,115**
Deposit Liability	250,746	229,072	217,884	204,649	197,725	184,818	168,044	157,473	148,358	153,864			153,864
Available Cash	**2,218,833**	**1,312,080**	**1,526,628**	**7,226,562**	**2,981,612**	**3,275,431**	**1,420,880**	**1,348,412**	**1,253,125**	**59,252**	**213,115**	**213,115**	**59,252**
LT Investments *(> 1 yr maturity) & CP*	20,794,643	22,322,707	22,351,367	17,407,135	21,923,495	21,912,651	23,899,604	23,947,509	24,005,961	25,016,151			25,016,151
Total - Cash & Invested Assets	**23,013,476**	**23,634,787**	**23,877,995**	**24,633,697**	**24,905,106**	**25,188,082**	**25,320,484**	**25,295,921**	**25,259,086**	**25,075,402**	**213,115**	**213,115**	**25,075,402**

FWCJUA INVESTMENTS
Asset Subclasses vs. Benchmarks - Annual Yields

Report Period 10/1/2003 to 9/30/2008





BENCHMARK	ASSET SUBCLASS	PORTFOLIO ALLOCATION
Money Market Index	Money Market Fund	9.2%
Commercial Paper Index	Commercial Paper	11.7%
Bloomberg US Gov't Agencies	US Gov't - Agencies	46.7%
Bloomberg US Treasuries	US Gov't - Treasuries	1.3%
Bloomberg AA Industrials	US Corporate	31.1%
Total Portfolio		100.0%

Annual Yield as of Sept 30, 2008	
SUBCLASS RETURNS	BENCHMARK RETURNS
0.05%	0.05%
2.39%	2.39%
3.89%	3.09%
3.26%	1.63%
5.09%	3.69%
3.73%	2.89%

FWCJUA
Investment Portfolio Comparison with Investment Policy

	% allowed	Moody's	S&P	FWCJUA Portfolio Book Value 10/31/2008	% 10/31/2008
	*** Ratings as of 11/18/2008**				
1. U.S. Government Treasury Securities	100%				
U.S. Treasury Note		TSY	TSY	12,224,668	11.7%
				12,224,668	11.7%
2. U.S. Government Agency Securities *(subject to 35% limit in any one agency)*	100%				
Federal Home Loan Mortgage Corporation (FHLMC)		AGY	AGY	10,388,046	9.9%
Federal National Mortgage Association (FNMA)		AGY	AGY	9,812,428	9.4%
Federal Home Loan Bank (FHLB)		AGY	AGY	27,141,009	25.9%
Federal Farm Credit Banks (FFCB)		AGY	AGY	98,086	0.1%
				47,439,570	45.3%
3. Commerical Paper rated A-1 or P-1 provided the LT Debt rating is A or better.	25%			11,914,823	11.4%
4. Corporate Debt with LT Bond ratings of single A or better & a SVO of 1.	50%				
AT&T Inc		A2	A	101,179	0.1%
Abbott Labs		A1	AA	598,044	0.6%
Alabama Power Company		A2	A	599,764	0.6%
Allstate Corporation		A2	A+	204,400	0.2%
Anheuser Busch Companies Inc		BAA2	BBB+	437,656	0.4%
Bank of America		AA2	AA-	457,716	0.4%
Bank of New York		AA2	A+	1,005,128	1.0%
Berkshire Hathaway		AAA	AAA	59,225	0.1%
Boeing Cap Corp		A2	A+	845,798	0.8%
Canadian Natl RR		A3	A -	351,740	0.3%
Caterpillar, Inc.		A2	A	1,001,431	1.0%
Caterpillar Financial Services		A2	A	613,957	0.6%
CitiGroup Inc.		AA3	AA-	1,148,667	1.1%
Coca Cola Enterprises		A3	A	101,710	0.1%
Conocophillips		A1	A	907,492	0.9%
Countrywide Funding Corporation		Aa2	AA	3,445,939	3.3%
Dover Corp		A2	A	262,151	0.3%
Emerson Electric		A2	A	70,249	0.1%
First Tennessee Bank		A3	BBB+	99,983	0.1%
General Elec Cap		AAA	AAA	1,218,467	1.2%
Georgia Power Co		A2	A	500,149	0.5%
Gillette Company		AA3	AA -	836,847	0.8%
Goldman Sachs Group		AA3	AA -	424,443	0.4%
Harley Davidson Funding		A1	A	74,994	0.1%
Hewlett Packard Co.		A2	A	1,033,057	1.0%
Home Depot		BAA1	BBB+	134,857	0.1%
Household Finance Corp		AA3	AA -	269,946	0.3%
IBM Corp		A1	A+	1,142,666	1.1%
JP Morgan Chase Co		AA2	AA-	446,301	0.4%
John Deere Cap Corp		A2	A	1,100,917	1.1%
Kimberly Clark Corp		A2	A	1,183,468	1.1%
Lehman Brothers Holdings		B3	NR	?	0.4%
Lowes Companies Inc		A1	A+	1,006,137	1.0%
McDonalds Corp		A3	A	495,684	0.5%
Merrill Lynch & Co		A2	A	536,271	0.5%
Natl Rural Utilities		A2	A	1,118,356	1.1%
Nucor Corp		A1	A+	208,982	0.2%
PNC Funding Corp		A1	A+	461,053	0.4%
Pepsi Bottling Holdings		AA2	A+	465,954	0.4%
Pepsico Inc		AA2	A+	199,857	0.2%
Phillips Petroleum		A1	A	140,709	0.1%
Praxair Inc		A2	A	264,272	0.3%
SBC Commmunications		A2	A	979,923	0.9%
Target Corp		A2	A+	1,156,122	1.1%
US Bank Natl Assn		AA2	AA	110,061	0.1%
United Technology Corp		A2	A	1,094,797	1.0%
Vulcan Materials		BAA2	BBB+	499,185	0.5%
Walt Disney Co		A2	A	360,984	0.3%
Wal-Mart Stores		AA2	AA	579,021	0.6%
Wells Fargo & Company		AA1	AA +	247,949	0.2%
				30,603,657	29.2%
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%			-	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				41,813,898	
SunTrust Bank accounts				3,200,625	42%
				45,014,523	**OK**
- Maximum of 5% may be invested in obligations of a single issuer.					**OK**
- Average Portfolio Rating of Double A		**AA2**	**AA**		**OK**
Total Portfolio				**$ 104,785,542**	