Florida Workers Compensation Joint Underwriting Association, Inc.

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VIA EMAIL

BOARD OF GOVERNORS BULLETIN 11-06

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

FROM: Laura S. Torrence, Executive Director

DATE: February 17, 2011

RE: **FEBRUARY 22, 2011 BOARD OF GOVERNORS TELECONFERENCE MEETING AGENDA**

Enclosed for your review is the agenda for the FWCJUA Board of Governors teleconference meeting to be held at 10:00 a.m. (Eastern Time) on February 22, 2011. To participate in the teleconference meeting, please contact Kathy Coyne at (941) 378-7408.

Should you have any questions concerning the teleconference call or the agenda, please contact me.

Enclosure

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

AGENDA FOR THE MEETING OF THE BOARD OF GOVERNORS OF THE FLORIDA WORKERS COMPENSATION JOINT UNDERWRITING ASSOCIATION, INC. TO BE HELD FEBRUARY 22, 2011 AT 10:00 A.M. VIA TELECONFERENCE

I.	CALL TO ORDER AND OPENING REMARKS	Charlie Clary
II.	ANTI-TRUST PREAMBLE (Attachment A)	Wes Strickland
III.	APPROVAL OF MINUTES (Attachment B)	Charlie Clary
IV.	LEGISLATIVE UPDATE (Attachment C)	Wes Strickland
V.	BOARD APPOINTMENT PROCESS (Attachment D)	Wes Strickland
VI.	INVESTMENT COMMITTEE REPORT • Compliance Review of Investment Portfolio (Attachment E) • Investment Manager Selection (Attachment F)	Fred Bennett
VII.	OPERATIONS COMMITTEE REPORT • Collections Service Provider Selection (Attachment G) • Budget Expense Considerations (Attachment H) • Disaster Recovery Matters (Attachment I)	Brett Stiegel
VIII.	RATES & FORMS COMMITTEE REPORT • 2010 Reserves (Attachment J) • Operations Manual Revisions (Attachment K)	Rick Hodges
IX.	GENERAL ANNOUNCEMENTS	
X.	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 meeting minutes as listed below:

1. Minutes of the December 7, 2010 Board of Governors teleconference 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 December 10, 2010 Investment Committee Meeting *(Bennett, Revels, Butler)*
2. Minutes of the February 11, 2011 Investment Committee Meeting *(Bennett, Revels, Butler)*
3. Minutes of the February 11, 2011 Operations Committee Meeting *(Stiegel, Bennett, Hodges)*
4. Minutes of the February 18, 2011 Rates & Forms Committee Meeting *(Hodges, Stiegel, Clary) – to be distributed under separate cover.*

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 DECEMBER 7, 2010 AT 10:00 A.M. VIA TELECONFERENCE

PRESIDING:	Charlie Clary, *Chair*
BOARD MEMBERS:	Dan Dannenhauer, *Vice Chair* Fred Bennett Lauri Goldman, *alternate for Terry Butler* Rick Hodges Claude Revels Brett Stiegel Beth Vecchioli, *not present* Jim Ward
EXECUTIVE DIRECTOR:	Laura Torrence
GENERAL COUNSEL:	Tom Maida
OFFICE OF INSURANCE REGULATION LIAISON:	Jim Watford
STAFF:	Marc Babin Ivonne Belaval Michael Cleary
SERVICE PROVIDERS:	Jeffrey Deaton, *Aon Benfield* Bill Fleischhacker, *Aon Benfield* Keith Thurman, *Aon Benfield* Mike Buccina, *RSI* Liz Fabi-Piller, *Thomas Howell Ferguson* Arleen Desmond, *Travelers* John McLaughlin, *Travelers*
OTHERS:	Sally James, *Colodny, Fass, Talenfeld, Karlinsky, Abate*

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

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

III. APPROVAL OF MINUTES: The minutes of the September 8, 2010 Annual Membership meeting were submitted for approval.

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

The minutes of the September 8, 2010 Board of Governors meeting were submitted for approval. Torrence suggested the word "Present" be removed from the "Staff" and "Service Providers" captions identifying types of meeting attendees.

MOTION by Stiegel, seconded by Bennett, to accept the meeting minutes with the edits discussed. PASSED, unanimously.

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 November 1, 2010 Producer Committee meeting were submitted for approval.

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

The minutes of the November 18, 2010 Audit Committee meeting were submitted for approval. Torrence suggested the word "Present" be removed from the "Staff" and "Service Providers" captions identifying types of meeting attendees as well as adding the caption "Others" to properly classify Sally James' meeting attendance;

MOTION by Bennett, seconded by Goldman, to accept the meeting minutes with the edits discussed. PASSED, unanimously.

The minutes of the November 19, 2010 Investment Committee meeting were submitted for approval.

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

The minutes of the November 30, 2010 Reinsurance Committee meeting were submitted for approval. Torrence suggested the word "Present" be removed from the "Staff," "Service Providers," and "Others" captions identifying types of meeting attendees.

MOTION by Revels, seconded by Ward, to accept the meeting minutes with the edits discussed. PASSED, unanimously.

The minutes of the November 30, 2010 Executive Compensation Committee, Operations Committee and Rates & Forms Committee joint meeting were submitted for approval. Torrence suggested an edit correcting the initial header of the minutes to reflect the correct meeting date and time of the teleconference, i.e., November 30, 2010 at 1:00 PM.

MOTION by Stiegel, seconded by Hodges, to accept the meeting minutes with the edits discussed. PASSED, unanimously.

IV. LEGISLATIVE UPDATE: The Chair called on Maida to discuss the potential for workers compensation legislation in the upcoming legislative session. Maida began by reminding the board that, during the 2010 legislative session, the legislature passed a bill dealing with drug repackaging by physicians. He said this is a practice in which, rather than simply writing a prescription that the injured worker fills at a pharmacy, a doctor will buy the prescription drugs in bulk, repackage them, and dispense them directly to the patient. In doing so the physician avoids the pharmacy fee schedule, and the cost of the prescription is greater than if it were filled at the pharmacy. The 2010 measure would have applied the fee schedule to repackaged drugs. Maida said the legislation was ultimately vetoed by Governor Crist. However, given employers', insurers', and certain legislators' interest in the measure, it may resurface in 2011.

Maida also reported that the Legislature may choose to address the issue of apportionment. He said that earlier this year the 1st DCA handed down a decision that defined the concept of apportionment in a manner that was contrary to the way the insurance industry had for many years understood it. Under the concept of apportionment, when all or part of a workers compensation injury is connected to a preexisting condition, compensation is divided - or apportioned - so that the compensation for the preexisting condition is deducted from the amount the current insurer is liable for. Maida noted that, for many years, it was understood by insurers and administrative law judges that the apportionment statute applied to all preexisting disabilities – both work related and non-work related. Earlier this year, in a case called *Staffmark v. Merrell*, the 1st DCA ruled that the apportionment statute applies only where the preexisting condition is not work related. Maida said the *Staffmark* decision has the potential to increase workers compensation costs, and so it is possible the 2011 Legislature may take a look at the issue.

Finally, Maida mentioned that Governor-elect Scott has indicated a desire to further reduce workers compensation insurance costs by 35%. This was a point the Governor-elect raised during the gubernatorial campaign, and following the election, the Governor-elect reportedly reiterated the point in a speech before a leading business group. Maida said he had no details on how the cost reduction might be accomplished.

Maida concluded by saying it remained to be seen whether the new governor will propose legislation designed to reduce workers compensation costs and, if so, what the legislation might look like.

V. ELECTION OF VICE CHAIR & OFFICERS: Torrence advised that the Board shall consider nominations and elect the FWCJUA's Vice Chair and corporate officers. She reported that Dannenhauer was currently serving as Vice Chair. She also reported that the current officers of the FWCJUA are Clary as President, Dannenhauer as Vice President, Torrence as Secretary, and Cleary as Asst. Secretary with the Treasurer position currently vacant. Stiegel recommended that Torrence serve in the role of Secretary and Treasurer.

MOTION by Stiegel, seconded by Hodges to elect Torrence to serve as Secretary and Treasurer. PASSED, unanimously.

MOTION by Revels, seconded by Bennett to retain Dannenhauer as Vice-Chair and Vice President and Cleary as Asst. Secretary. PASSED, unanimously.

VI. 2011 MEETING SCHEDULE: The 2011 Board of Governors "quarterly" and annual membership meeting schedule was presented. Torrence recommended that the first "quarterly" meeting be scheduled for February 22nd to set prior year-end reserves prior to filing the Annual Statement on March 1st. She further recommended that the June and September "quarterly" meetings be scheduled as physical meetings in Sarasota, given the Board transition effective July 1, 2011.

MOTION by Dannenhauer, seconded by Bennett, to adopt its "quarterly" and annual membership meeting schedule for 2011 as presented. PASSED, unanimously.

VII. 401K PLAN AMENDMENT: Torrence reported that the Board shall consider authorizing the amendment of the FWCJUA's 401k Plan to incorporate law changes made by the Heroes Earnings and Assistance Relief Tax Act of 2008 (HEART). She explained that HEART provides a number of savings-related benefits to men and women serving in the U.S. military, in return for the sacrifices they are making on both personal and professional levels. She indicated that the FWCJUA must adopt the amendment for its 401k Plan to retain its tax-qualified status. Failure to complete this amendment could result in the disqualification of the FWCJUA's Plan. Further, the deadline for amending the FWCJUA's 401k Plan for HEART was December 31, 2010.

MOTION by Dannenhauer, seconded by Bennett to authorize the plan amendment required to incorporate law changes made by HEART to retain the FWCJUA's 401k Plan's tax-qualified status. PASSED unanimously.

VIII. 2011 BOARD APPOINTMENT PROCESS: Torrence called on Maida to brief the Board on the appointment process given each of the current Board members term of office will end on June 30, 2011. Maida summarized the process and noted that it will take place under the supervision of the OIR. He further commented that the OIR will not be able to name the 20 largest domestic and foreign insurers or insurer groups for 2010, when we begin the appointment process, so the FWCJUA will have to use information gathered by the OIR for 2009.

IX. PRODUCER COMMITTEE REPORT:

Agency Authorization Process: Dannenhauer reported at its November 1st meeting, the Producer Committee was advised that staff had implemented the online Agency Producer Agreement allowing the FWCJUA to capture Agency data into a web form, eliminating the need to retype information and ultimately gaining further efficiencies in the process.

Operations Manual: Dannenhauer then reported that at its November 1st meeting, the Producer Committee was also briefed on the reformatting of the Operations Manual including application form revisions being developed by staff for consideration by the Rates & Forms Committee on November 30th. He indicated that it was the consensus of the Committee to support staff's recommendation to reformat the Manual and approve the changes to the supplemental application forms. He indicated that the Board will receive a full report on these items during the Rates & Forms Committee report.

Application Submission Process: Dannenhauer reported that the Producer Committee was recommending that the Online Application for Coverage be enhanced to ensure the completion of supplemental applications and the ERM-14 Form as required prior to application submission at a fee not to exceed $30,625.

Specifically, the Committee was recommending that the Contractor's Supplemental Application, FWCJUA Supplemental Employee Leasing Application, Horse Trainer's Supplemental Application, Truckers Supplemental Application, and the ERM-14 Form – Confidential Request for Information be programmed similar to the ACORD 130 FL & ACORD 133 FL, such that these forms are populated and printed as required dependent on responses to specific questions posed during the online application submission process.

He explained that currently, the need to complete and submit supplemental applications and the ERM-14 Form was triggered during the online submission process through either a positive response to an underwriting question or by entry of a particular classification code. The required supplemental applications and ERM-14 Form then appear under the "Create Document" tab when all the information on a particular applicant has been entered into the system. The Producer must then open each document to be created by clicking on the document name and completing the form in a PDF format. Once the required documents have been completed, the Producer saves them and the system automatically downloads the completed documents as attachments to the online application submission. Unfortunately, as there was nothing built into the system that ensures that the required additional supplemental applications or ERM-14 Form are completed prior to submission, many Producers are failing to do so which delays eligibility review.

MOTION by Dannenhauer, seconded by Hodges to authorize staff to pursue the enhancement of the Online Application for Coverage to ensure the completion of supplemental applications and the ERM-14 Form as required prior to application submission at a fee not to exceed $30,625. PASSED, unanimously.

X. AUDIT COMMITTEE REPORT:

Audit Committee Charter Procedures Checklist: Bennett reported that at its November 18th meeting, 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 2010. He then highlighted a few of the Audit Committee's exceptional activities during 2010, particularly its decision to conduct a competitive review prior to the selection of the Financial Auditor for the 2010-2012 audits. He noted that although Thomas Howell Ferguson was engaged to continue as the FWCJUA's financial auditor, Bill Ferguson would rotate on as the Audit Partner.

XI. INVESTMENT COMMITTEE REPORT:

Compliance Review of the Current Investment Portfolio: Bennett reported that at its November 19th meeting, the Investment Committee reconfirmed the continued holding of the two Lehman Brothers bonds and the one CitiGroup bond downgraded below an "A" rating within the FWCJUA's portfolio as authorized Investment Policy exceptions given there were no new negative developments in the outlook on these bonds.

MOTION by Bennett, seconded by Revels to reconfirm the continued holding of the two Lehman Brothers bonds and the CitiGroup bond within the FWCJUA's portfolio as authorized Investment Policy exceptions. PASSED, unanimously.

Investment Manager Selection: Bennett then reported that the Board shall determine whether to enlist the assistance of Merrill Lynch as an investment adviser and broker on an interim basis not to exceed one year given the resignation of Wells Capital Management (WCM) as the FWCJUA's investment manager.

He explained that on September 28, 2010, WCM notified Torrence of its desire to resign its role as the FWCJUA's investment manager and on October 1, 2010, the FWCJUA no longer utilized the investment management services of WCM. He advised that Torrence had informed the Investment Committee members and the Board Chair of the resignation and notified them that analysts at SunTrust would be utilized for market reviews in the interim until the Committee selected a new investment adviser. At that time, suggestions were solicited with the expectation that the Committee would consider a replacement for WCM at its November meeting.

The two organizations that were contacted and submitted proposals were CapTrust Advisors and Merrill Lynch. He indicated that both organizations were suitably qualified and have agreed to provide investment advisory services for all the FWCJUA's invested assets (i.e., including CDs). Bennett indicated that the Investment Committee was recommending to the Board that it engage Merrill Lynch to access investment opportunities on a short-term basis, not to exceed one (1) year, and preferably with a 30 day cancellation provision. Further, the Committee also directed Torrence to work with Investment Committee Chair to develop a solicitation approach that would provide for consideration of various types of advising roles as well as pricing approaches. In the interim, it was further agreed that the FWCJUA should engage Merrill Lynch to provide investment advice and opportunities to the FWCJUA.

MOTION by Bennett, seconded by Goldman to select Merrill Lynch to access investment opportunities on a short-term basis, not to exceed one (1) year with a 30-day cancellation provision, while a solicitation process is developed and implemented for a long term investment management solution. PASSED, unanimously.

Review of Policy and Guidelines for the Investment of Assets and Associated Matters: Bennett reported that at its November 19th meeting, the Investment Committee was advised that the implementation of the Clearwater Analytics investment accounting and management reports and analytics solution was proceeding smoothly and advised that staff utilized it to facilitate the quarterly financial statement filing.

XII. REINSURANCE COMMITTEE REPORT:

2011 Reinsurance Program Options: Torrence reported that the Reinsurance Committee met on November 30, 2010, to discuss the options for the 2011 reinsurance program. Fleischhacker then ran through the Reinsurance Committee's recommended structure and summarized the program features and considerations. He commented that Aon Benfield's primary goal was to maximize coverage at the best possible price. Deaton then discussed the items that had a considerable impact on the FWCJUA's pricing, specifically depopulation and the current premium level. Fleischhacker and Deaton then summarized the catastrophe layer quotations as well as the working layer quotations. Torrence then reported that after reviewing the purchase considerations as well as the various layer options and associated structures and prices presented, it was the consensus of the Committee to recommend that the Board authorize the purchase of the 2011 reinsurance program structured as presented in the agenda and further agreed that staff and Aon Benfield be given the flexibility to negotiate the best economic outcome related to the quoted rates and minimum premiums.

MOTION by Ward, seconded by Revels, to authorize Aon Benfield with staff direction to place the 2011 reinsurance program as follows:

1. purchase the $10,000,000 xs $20,000,000 catastrophe layer on a Per Occurrence basis with One Reinstatement at 100%, and a $10,000,000 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 $10,000,000 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 on a Per Occurrence basis with a Reinstatement pattern of either "1 free, 1 @ 50%, 1 free" or "1 free and 1 @ 50%;"
5. terminate all existing reinsurance coverages on a cut-off basis effective December 31, 2010; and
6. provide staff and Aon Benfield the flexibility to negotiate the best economic outcome with these directives.

PASSED, unanimously.

Commutation Matters: Torrence reported that at its November 30th meeting, the Reinsurance Committee received a report from Aon Benfield who continues to monitor the payment patterns of Excalibur Re applying to its reinsurance obligations to the FWCJUA and other Aon Benfield clients. She indicated that Excalibur Re continues to show a pattern of significant delay when responding to billing requests, but continues to pay its obligations. While Aon Benfield identified a potential commutation the FWCJUA could offer Excalibur Re, The Committee was concerned about the hole it would leave in the FWCJUA's balance sheet. Thus, it was the consensus of the Reinsurance Committee that it would not be advisable to commute Excalibur Re's obligation to the FWCJUA at this time. It was also suggested that should the FWCJUA wait the situation out, it may well receive a better offer from Excalibur down the road. Accordingly, the Committee agreed to recommend that the FWCJUA stay the course with Excalibur Re for the time being.

MOTION by Ward, seconded by Revels to accept the recommendation of the Reinsurance Committee that the FWCJUA continue to monitor the payment patterns of Excalibur Re related to its reinsurance obligations to the FWCJUA, and if there is a significant change in payment pattern, to reconsider a possible commutation at that time. PASSED, unanimously.

XIII. RATES & FORMS COMMITTEE REPORT:

Milliman's Engagement: Hodges reported that the Board would consider a Rates & Forms Committee recommendation that it extend Milliman's engagement for one additional year. He explained that given all the Board members' terms presumably expire on June 30, 2011, it would be prudent to ensure that the actuary remains consistent during the Board transition. The new Board would then be given an opportunity to reconsider the actuary for the 2012 year-end reserves.

MOTION by Hodges, seconded by Stiegel to extend Milliman's engagement for an additional year at current terms. PASSED, unanimously.

Operations Manual Reformat: Hodges referred to Attachment R and reported that the Board would consider confirming the Rates & Forms Committee directive to staff authorizing the filing of the reformatted Operations Manual. He explained that the Operations Manual was converted from an InDesign document to a Word document for future ease of updating enabling greater staffing efficiencies. The reformatting resulted in a new look to the Manual with regards to headers, footers and tables/lists, but no substantive changes were made. Further, the reformatted Manual also included the complete definition for the Application for Coverage with appropriate references to the ACORD 130 FL & 133FL Additional Information Forms as illustrated in the agenda.

Torrence then reported that the reformatted Operations Manual was filed on November 30th with OIR for approval to become effective 12:01 a.m., January 1, 2011, applicable to new and renewal business. Further, the revised Manual pages that were necessitated as a result of the January 1, 2011 rate filing were included with the reformatted Manual for OIR approval. She also noted that staff had previously sent a draft of the reformatted Manual to OIR for comment and was informed that OIR had no issues with the proposed reformatted Manual.

MOTION by Hodges, seconded by Stiegel to confirm the Rates & Forms Committee's directive to staff that it file the reformatted Operations Manual with a January 1, 2011 effective date. PASSED, unanimously.

Application Form Revisions: Hodges referred to Attachment S and reported that the Board would consider the Rates & Forms Committee recommendation that it authorize staff to file for OIR approval application form revisions. Torrence commented that the forms changes take into consideration the Producer Committee's comments, the Rates & Forms Committee's comments and OIR's comments at the time each reviewed the forms revisions.

MOTION by Hodges, seconded by Stiegel to authorize staff to file for OIR approval the proposed application forms revisions as soon as practicable. PASSED, unanimously.

January 1, 2011 Revised Rates: Torrence reported that at its November 30th meeting, the Rates & Forms Committee was updated on the status of the FWCJUA's 2011 revised rates. She explained that on November 17, 2010, staff filed with OIR the revised rates effectuating the Board-approved overall average premium level decrease of 5.5% effective January 1, 2011, applicable to new and renewal business. She indicated that the FWCJUA will apply surcharges for Tier 1 and Tier 2 of 10% and 109%, respectively, to voluntary comparable premium. With regard to Tier 3, the FWCJUA will apply a surcharge of 109% to be applied to the voluntary comparable premium and the Assigned Risk Adjustment Program (ARAP), if applicable. Additionally, the selected maximum minimum premium of $2,100 represents a $100 decrease from January 1, 2010. She reported that no Board action was required on this item.

XIV. EXECUTIVE COMPENSATION COMMITTEE REPORT:

Executive Compensation & Benefits: The Chair advised the Board that it would consider an Executive Compensation Committee recommendation to update the employee benefits package to ensure that the current offerings are sufficient to provide competitive total compensation to the executive staff. Further, the Board would consider the amount of fixed annual compensation to be paid to Cleary and Torrence in 2011, to include a review of the Executive Staff Compensation Plan and the designated duties and responsibilities of the executive staff positions.

Torrence then reported that at its May 20, 2010 meeting, the Committee agreed to consider increasing the company paid Life Insurance/Accidental Death & Dismemberment Policy for the executives to 2xSalary in the fourth quarter when the employee benefits group package was reviewed and re-quoted for 2011. She summarized the quotes under consideration noting some slight pricing adjustments given forecasted salaries, and it was agreed that the 2nd UNUM quote provided the best opportunity to increase the executive staff's benefit.

MOTION by Stiegel, seconded by Hodges to increase the executive staff's life insurance benefit to 2xSalary subject to a $450,000 maximum benefit. PASSED, unanimously.

Torrence reported that additionally at its May 20th meeting, the Committee had agreed to consider correcting a benefit deficiency for the executive staff related to the long-term disability benefit level. She explained that currently, the FWCJUA's policy was to provide its employees with a long-term disability benefit of 60% of gross income. She noted that the group disability policy unfortunately did not meet that requirement for Cleary and Torrence. She referred to the quotes for increasing the maximum benefit of $6,000 per month for the group policy and given the reasonableness of the quotes, additional coverage options for the executive staff were not secured. She informed the Board of some slight pricing adjustments given actual forecasted salaries and it was agreed that the UNUM quote provided the best opportunity for the FWCJUA to correct the long term disability benefit deficiency for the executive staff.

MOTION by Hodges, seconded by Bennett to correct the benefit deficiency for the executive staff related to long-term disability by increasing the monthly maximum benefit within the group LTD policy consistent with the UNUM quote, thereby ensuring that the executive staff's long-term disability insurance benefit coincides with the benefit provided to all other staff. PASSED, unanimously.

Finally, Torrence reported that the Boar would consider the amount of fixed annual compensation to be paid to each member of the executive staff in 2011, to include a review of Executive Staff Compensation Plan and the designated duties and responsibilities of the executive staff positions. She indicated that there were no staff recommendations for revisions to the current executive compensation plan or the job descriptions for the executive staff positions. Given Belaval was hired in August 2010, Torrence did not recommend an adjustment in her fixed annual compensation in 2011. Torrence then reminded the Board that Cleary and she did not receive an adjustment in fixed annual compensation in 2010. She then reported that it was the consensus of the Committee that the Board authorize an increase of 3.0% for both Cleary and Torrence given each had performed exceptionally well, particularly with the unexpected shortage of senior staff in 2011.

MOTION by Dannenhauer, seconded by Hodges, to increase the amount of fixed annual compensation to be paid to Cleary and Torrence by 3% effective January 1, 2011. PASSED, unanimously.

XV. OPERATIONS COMMITTEE REPORT:

Server Co-Location/Cloud Hosting Services RFP Selection: Stiegel referred to Attachment V and reported that the Board would consider a recommendation directly from the Evaluation Team for the server co-location/ cloud hosting services RFP because the Committee felt it needed additional information on the costs and benefits of the two proposals being considered.

Torrence reported that the Board must consider whether to select co-location hosting or cloud hosting services with either DSM or SunGard. She explained that current services are being provided by SunGard, but those services expire in February. She commented that the FWCJUA requires more bandwidth as well as data backup storage. Thus, the FWCJUA's needs have expanded, which should help to explain the increased pricing. She then referred to the revised pricing sheet sent out yesterday and explained that there has been another revision because staff received final pricing on the fiber point-to-point. She explained the price differences between cloud hosting and co-location hosting. She indicated that the exhibit only includes pricing from DSM because the SunGard pricing was higher and it did not offer the same services and benefits as much as the DSM proposal.

She referred to the bottom of the revised Attachment V and explained the co-location hosting projected in 2010 as well as the cost the FWCJUA pays SunGard, which is $67,392. She explained that in order to have this type of hosting, the FWCJUA must have an internet connection along with certain hardware. She mentioned that there are also ancillary costs associated with co-location, such as buying the Oracle Enterprise System to be used with the Tropics system, which was included in the price when the FWCJUA contracted with Tropics. She then referred to the "Firewall Software Maintenance" which was added to show how much is paid to maintain the software for the co-location hosting, which is $1,700 a year. The entire price for the co-location hosting projected for 2010 was $132,622.

Torrence then explained that if the Board compares that to the co-location hosting services being offered by DSM, which is located in the middle table, it is actually much more competitive than SunGard and in 2011, the proposed co-location hosting solution will be $58,010. She explained that the $50,000 for hardware maintenance includes the purchase price of a SAN, which Babin explained is a storage area network that allows servers to share the same software. Torrence continued to review the projected co-location costs and the impact to the budget. She noted that in the revised attachment she added a Second Sonic Firewall Replacement, Switch, the Second SQL upgrade and the Firewall Software Maintenance and explained that the costs are associated with maintaining a second location. She explained that to buy the co-location with DSM, the price is $182,161 and at the end of the three year period, the FWCJUA would have paid under this proposal $445,899 for the co-location hosting services.

Torrence then ran through the cloud hosting proposal, explaining that the primary site will be in Winter Haven, Florida with the disaster recovery site being in Dallas, Texas. She indicated that the cloud hosting solution proposed by DSM in 2011 will be $185,855. She advised that she had received updated pricing for the Fiber Point-to-Point-20Mb after she had sent out the revision yesterday afternoon and instructed the Board to replace the $21,523 number listed in red with $22,931, which includes the taxes and surcharges with Telecom. She indicated that the total projected cloud hosting cost is now $209,786 and explained that one of the benefits to go with the cloud hosting would be not having to buy the Oracle Enterprise System and take advantage of the Tropic's Oracle system to reduce costs to $8,925 versus $36,000. She indicated that the FWCJUA's total budget implication in 2011, if the Board decides to accept the DSM cloud hosting would be $218,711.

Babin then explained the biggest difference between co-location and cloud hosting was how the site was managed and since the FWCJUA had gone to a complete virtual environment with VMware, cloud hosting would be more desirable. Discussion ensued and Stiegel commented that he disagreed with the evaluation team recommendation given the cost of cloud hosting was considerably more than co-location hosting, and the FWCJUA could accomplish its goals in either environment. Ward agreed with Stiegel that there appeared no real substantive benefit for spending the additional money. Hodges reported that the Committee discussed the issues thoroughly at its meeting and asked Stiegel to dig into the numbers further with staff following the meeting. Hodges then indicated that given today's supplemental information and Stiegel's assessment, he would certainly concur with Stiegel's position. Stiegel again asked Babin if each of the options accomplish the main goal and Babin responded that yes either option would accomplish the main goal to replicate the FWCJUA's environment offsite in case of a disaster. Stiegel then asked Torrence if she anticipates any staff changes from a data processing standpoint with either option, and Torrence responded no.

MOTION by Stiegel, seconded by Hodges, to engage DSM to provide co-location hosting services to the FWCJUA. PASSED, with Dannenhauer opposed.

Telecommunication Services RFP Selection: Torrence reported that this item was tied to the co-location/cloud hosting service and based on the Board's decision, the Comcast proposed solution would be recommended for internet connection. The cost quoted by Comcast for three years is a one time non-recurring charge of $1,000 plus monthly recurring charges of either $1,376 for 20Mb or $2,500 for 50Mb excluding "taxes, surcharges and other similar charges.

MOTION by Stiegel, seconded by Hodges to engage Comcast as the FWCJUA's telecommunication services provider for data utilizing its 50Mb solution. PASSED, unanimously.

Phone System RFP Selection: Stiegel referred to Attachment X and reported that the Operations Committee also considered a staff recommendation related to the selection of a phone system for the FWCJUA office.

Torrence briefly explained the RFP process noting that the FWCJUA received two timely responses to the RFP. She explained that one response was submitted by Telovations proposing a Voice over IP solution which would be completely hosted in its system. The solution proposed did not offer all the required features set forth in the RFP; specifically it did not offer a complete solution for messaging or faxing. She then indicated that a second response was submitted by Shared Technologies proposing a new NEC system. The Share Technologies proposed solution met all of the RFP requirements and allows for expansion.

She indicated that it was the recommendation of the evaluation team that the FWCJUA purchase the phone system proposed by Shared Technologies. The cost of the proposed phone system solution was $33,370, which includes the equipment, software with licensing, installation, training, and 5 years of support.

MOTION by Stiegel, seconded by Hodges, to authorize the acquisition of the phone system proposed by Shared Technologies at a cost of $33,370. PASSED, unanimously.

2011 Business Plan & Forecast: Torrence reported that since the last Committee meeting she added three projects to the list of key activities for 2011, as outlined in the agenda. She noted that the project related to the selection of a telecommunications vendor had been deleted from the preliminary draft given this activity was being addressed 4th quarter 2010. She also reported that the project related to ensuring that the FWCJUA was receiving appropriate investment management services at competitive rates had also been slightly reworded to accommodate the possibility of an RFP release in 2010. In addition, she mentioned that three projects have been redrafted to suggest the extension of current service provider engagements for Aon Benfield, Milliman and Travelers given the transition of the Board in mid-2011. She explained that in 2008, when these engagements were entered into by the FWCJUA, the possibility of two one-year extensions was contemplated and this would be the first consideration of such for each of these engagements.

Torrence then ran through the 2011 Forecast highlighting the changes in the revised exhibit sent out the day before the meeting, noting that several of the 2011 Forecast amounts remained estimates that would be updated in the Forecast when the contract terms became known (e.g., reinsurance premium, D&O insurance, health insurance, office space CAM adjustment, etc). She referred to the operating expenses noting that she reduced expenses around $3,000, due in part to producer fee and statistical organization fee projections. Also, she noted that there would be changes to the G&A expenses relating to the co-location decision in lieu of cloud hosting and pointed out that there was a miscalculation in the deprecation amortization of the Tropics product purchased in 2009 that had been corrected. Finally, Torrence reported that she had moved approximately $3,000 from the benefits area to the compensation area because it was not accounted for correctly. She also indicated that the FWCJUA expects more staff members to participate in the health plan, since one of the staff members was possibly rolling off of her husband's plan and we anticipate hiring a Program Manager.

MOTION by Dannenhauer, seconded by Stiegel, to adopt the proposed 2011 FWCJUA Business Plan & Forecast as amended including the projected capital expenditures. PASSED, unanimously.

Disaster Recovery Matters: Stiegel reported that at its November meeting, the Operations Committee confirmed modifications to the Disaster Recovery & Emergency Preparedness Plan (DR&EP Plan) appendices C, D, & G that were released on November 17th. No Board action was required on this agenda item.

XVI. NOTARY REQUIREMENTS: Dannenhauer reported on an issue related to the FWCJUA's notary requirements. He explained that agents in the field are having trouble getting the applicant's signature notarized since the agent cannot notarize the applicant's signature because he receives a commission. Thus, he would like to add this topic as a Producer Committee initiative to find out if there is an alternative without having to go outside industry practices. He further reported that the FAIA and the IIABA were also on board to review and assist with the issue.

XVII. REPORT ON OPERATIONS:

2010 Business Plan Status Report: Torrence referred to Report on Operations – 1, and highlighted that the FWCJUA was on target to meet its 2010 Business Plan. She highlighted the results of the 2003 Policyholder Return of Premium Dividend noting that many policyholders have expressed how happy they are to receive the dividend before the holidays. Finally, Torrence reported on a fraud case in which all three defendants pled guilty and the FWCJUA expects to receive full restitution for $93,317.

Operations Analysis: Torrence referred the Board to Report on Operations – 2 and reported that as of October 31, 2009, the FWCJUA had 746 policies "IN-FORCE" with a corresponding written premium of approximately $5.5 million. She further commented that the FWCJUA may be starting to see a bottoming-out on depopulation.

Loss Summary Report: Torrence reported that the FWCJUA has 75 open claims for a total incurred of $8.7 million. She then provided a brief update to the 10 open claims above $400,000.

Collections Report: Torrence reported that the total premium recovery rate is 23.1% and explained that it was much more difficult to collect as a result of the economy.

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XVIII. FINANCIAL REPORT:

Comparative Statutory Financial Statements: Belaval reported that the cumulative surplus as of September 30, 2010 was approximately $84.4M. She further reported that Subplan D's deficit was approximately $1.6M with "prior A, B & C" recognizing an approximate $43M surplus and the three rating tiers recognizing a combined surplus of approximately $43M. She reported that written premiums through September 2010 reflect $4M with $897,000 of negative written premium for prior years as a result of audit adjustments. Losses paid in 2010 are 13.3% more than 2009. The overall net income for 2009 has fallen almost 19% compared to September 2009.

Budget Variance: In referring to Financial Report – 2, Belaval reported that as of September 30th, Net Earned Premium was 55% of the amount projected. She further reported that G&A expenses were approximately $15,000 over budget.

Cash Flow Analysis: Belaval 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: Belaval in referring to Financial Report – 4, reported that as of September 30th the current portfolio return was 2.47%, down from 4.55% in January 2008, albeit considerably above current benchmarks. She then noted that the FWCJUA continues to employ a buy and hold strategy which has contributed to the FWCJUA's yields exceeding the general marketplace.

XIX. GENERAL ANNOUNCEMENTS: There were no general announcements.

XX. 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 INVESTMENT COMMITTEE OF THE FLORIDA WORKERS COMPENSATION JOINT UNDERWRITING ASSOCIATION, INC. HELD DECEMBER 10, 2010 AT 10:00 A.M. VIA TELECONFERENCE

PRESIDING:	Fred Bennett, *Chair*
COMMITTEE MEMBERS:	Claude Revels Terry Butler
EXECUTIVE DIRECTOR:	Laura Torrence
GENERAL COUNSEL:	Tom Maida
OFFICE OF INSURANCE REGULATION LIAISON:	Jim Watford
STAFF:	Michael Cleary
OTHERS:	Sally James*, 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. INVESTMENT MANAGEMENT: Bennett advised the Committee that it would provide direction on the proposed investment manager selection process and timeline for securing long-term investment management services as presented in the agenda for the meeting.

Torrence briefly outlined the draft Request for Proposals (RFP) for Non-Discretionary Investment Management Services for the Committee. The Committee quickly agreed to the general approach and timeline proposed for the RFP to include limiting information to be submitted and an evaluation process that focused on securing quality advice and depth in analytics with a 25% weight on the cost of services to be provided. The Committee also recognized that several areas would simply be scored pass/fail such as the mandatory documentation and conflict of interest disclosures. It was also agreed that the entire Committee would not participate in the actual review and scoring of the proposals received, but rather that Bennett and Torrence would handle the evaluation process with a recommendation to the Committee for consideration in February. Torrence was directed to work with Bennett in fine-tuning the RFP, particularly the evaluation process, prior to its release. Watford declined an offer to participate in the evaluation process as he was perfectly satisfied with the approach to be taken. Thus, it was the consensus of the Committee to move forward with the RFP in accordance with the general approach and timeline outlined in the agenda and as further discussed by the Committee, with Bennett and Torrence responsible for finalizing the RFP for release on December 17th and evaluating any and all responses received for recommendation to the Committee on February 11, 2011.

Watford then questioned whether there was a continued need to hold the already scheduled "quarterly" Investment Committee meeting on February 18, 2011. Torrence indicated that both meetings should remain on the Committee's schedule, given it was currently unknown how many interviews might be conducted in response to the RFP on September 11th.

IV. GENERAL ANNOUNCEMENTS: There were no general announcements.

V. ADJOURNMENT AND CLOSING REMARKS: There being no further business, the meeting was adjourned at 10:44 a.m.

Respectfully submitted,

Fred Bennett, *Chair*

DRAFT - MINUTES OF THE MEETING OF THE INVESTMENT COMMITTEE OF THE FLORIDA WORKERS COMPENSATION JOINT UNDERWRITING ASSOCIATION, INC. HELD FEBRUARY 11, 2011 AT 10:00 A.M. VIA TELECONFERENCE

PRESIDING:	Fred Bennett, *Chair*
COMMITTEE MEMBERS:	Claude Revels Terry Butler
EXECUTIVE DIRECTOR:	Laura Torrence
GENERAL COUNSEL:	Tom Maida
OFFICE OF INSURANCE REGULATION LIAISON:	Jim Watford
STAFF:	Michael Cleary
SERVICE PROVIDERS:	John McLaughlin, *Travelers*
OTHERS:	Sally James, *Colodny, Fass, Talenfeld, Karlinsky, Abate* Paul Mitchell, *Southern Strategy Group, representing Cutwater*

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. COMPLIANCE REVIEW OF INVESTMENT PORTFOLIO: Bennett asked for an update on the bonds currently being held in the portfolio as exceptions to the Investment Policy. Torrence advised the Committee that the Aetna bond held in the portfolio had been downgraded by Moody's Investors Service to Baa1 from A3 on May 10, 2010. The downgrade reflected the company's lower earnings outlook for 2010, as well as the continued sluggish economic environment and unfavorable political climate for the healthcare insurance sector. The outlook on Aetna and its operating subsidiaries is stable. Torrence apologized that this downgrade had been inadvertently missed by the investment manager and adviser as well as staff, but noted that the FWCJUA would soon be engaging an investment manager better suited to meeting the FWCJUA's service needs related to its investments. She then noted that the bond was due to mature on 3/1/2011 and was expected to mature without incident.

MOTION by Butler, seconded by Revels, to confirm the holding of the Aetna bond within the FWCJUA's portfolio as an authorized Investment Policy exception and reconfirm the continued holding of the two Lehman Brothers bonds and the CitiGroup bond within the FWCJUA's portfolio as authorized Investment Policy exceptions. PASSED, unanimously.

IV. INVESTMENT MANAGER'S SELECTION: Bennett advised that the Committee would consider whether to recommend one of the respondents to the FWCJUA's Request for Proposal (RFP) for Non-Discretionary Investment Management Services be engaged to provide non-discretionary investment management services to the FWCJUA for a three-year period with the option of two one-year extensions by mutual agreement of the parties. He further advised that the Evaluation Team, consisting of Torrence and he, was recommending that PFM Asset Management LLC be engaged in this role; and in the unlikely event that the FWCJUA was unable to come to contract terms with PFM, that Cutwater Investor Services Corp. be engaged as the alternative investment manager. Bennett then asked Torrence to brief the Committee on the process that led to the recommendation.

Torrence reported that the FWCJUA received compliant, eligible responses to its RFP for Non-Discretionary Investment Management Services from BPS Capital Management, Inc.; Cutwater Investor Services Corp.; Morgan Stanley Smith Barney LLC; PFM Asset Management LLC; and US Bancorp. She further reported that the Evaluation Team chose not to invite any of the respondents to participate in public oral interviews with the FWCJUA Investment Committee at this meeting. She then summarized how Cutwater's and PFM's proposals stood out to the Evaluation Team and where the other three proposals fell short as detailed in the agenda.

Torrence then proceeded to explain how the Evaluation Team chose PFM over Cutwater, which basically came down to the issue of the financial rating of Cutwater's parent company, MBIA. All things being virtually even in experience, analytics, references, and costs, this matter tipped the scale slightly in favor of PFM. Revels asked if both organizations had experience providing services to similar entities and Torrence responded that both companies provide services to insurance companies and the public sector and both have experience with Florida clients. She also noted that both PFM and Cutwater recently contracted with two of Florida's insurance guaranty associations to provide discretionary investment management services. Discussion then led to selecting an alternative in the unlikely event that the FWCJUA is unable to come to contract terms with PFM and it was quickly agreed to recommend that Cutwater be engaged as the FWCJUA's investment manager should this occur under the direction of the Committee.

MOTION by Bennett, seconded by Revels to recommend to the Board that PFM Asset Management LLC be engaged to provide non-discretionary investment management services to the FWCJUA for a three-year period with the option of two one-year extensions by mutual agreement of the parties; and in the unlikely event that the FWCJUA is unable to come to contract terms with PFM, that the Investment Committee be given authority to engage Cutwater Investor Services Corp. as the alternative investment manager. PASSED, unanimously.

Torrence then recommended that the Committee cancel its teleconference meeting scheduled for 10:00 a.m. on February 18, 2011, given it was able to address the portfolio's compliance at this meeting.

MOTION by Bennett, seconded by Revels, to cancel the Investment Committee teleconference meeting scheduled for February 18, 2011. PASSED, unanimously.

V. GENERAL ANNOUNCEMENTS: There were no general announcements.

VI. ADJOURNMENT AND CLOSING REMARKS: There being no further business, the meeting was adjourned at 10:32 a.m.

Respectfully submitted,

Fred Bennett, *Chair*

"DRAFT" MINUTES OF THE OPERATIONS COMMITTEE OF THE FLORIDA WORKERS COMPENSATION JOINT UNDERWRITING ASSOCIATION, INC. HELD FEBRUARY 11, 2011 AT 11:00 A.M. VIA TELECONFERENCE

PRESIDING:	Brett Stiegel, *Chair*
COMMITTEE MEMBERS:	Fred Bennett, *not present* Rick Hodges
EXECUTIVE DIRECTOR:	Laura Torrence
GENERAL COUNSEL:	Tom Maida
OFFICE OF INSURANCE REGULATION LIAISON:	Jim Watford
STAFF:	Michael Cleary
SERVICE PROVIDERS:	John McLaughlin, *Travelers*
OTHERS:	Sally James, *Colodny, Fass, Talenfeld, Karlinsky, Abate*

I. CALL TO ORDER AND OPENING REMARKS: The Chair called the Operations Committee meeting to order at 11:00 a.m. The roll was called and a quorum being established the meeting began.

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

III. SELECTION OF A COLLECTION SERVICES PROVIDER: Torrence reported that the Committee would consider the Staff Evaluation Team's recommendation that the FWCJUA continue to engage RSI as the FWCJUA's collection services provider for an additional five years. She then summarized the RFP process utilized to come to this recommendation as outlined in the agenda, noting that the two respondents to the RFP were deemed very capable of providing the required services with RSI submitting the most cost effective proposal.

MOTION by Hodges, seconded by Stiegel to recommend that the Board accept the Staff Evaluation Team's recommendation that Revenue Systems, Inc. continue as the sole-provider of collection services on behalf of the FWCJUA for the next five years with the option of two one-year extensions by mutual agreement of the parties beginning July 1, 2011 at its revised fee structure. PASSED, unanimously.

IV. BUDGET EXPENSE CONSIDERATIONS: Torrence reported that the FWCJUA's Controller resigned her position effective February 18, 2011. With the Chair's authorization, Dave Webber was engaged for a fee of $2,500/week to help with the transition. The cost associated with the search for the new Controller and the engagement of transition assistance was not contemplated in the 2011 Forecast; however, Torrence reported that it may be possible for these costs to be absorbed within the forecast depending upon how long it takes to find the replacement and the avenues utilized to conduct the search. No Committee action was required on this agenda item.

V. DISASTER RECOVERY: Torrence asked the Operations Committee to confirm the revisions to the Disaster Recovery & Emergency Preparedness Plan (DR&EP Plan) appendices C & F that were released on February 9th.

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

VI. REPORT ON OPERATIONS: Torrence highlighted the operational objectives addressed by staff during the fourth quarter. Stiegel asked for background on House Bill 4905 recently introduced by Rep. Matthew Gaetz. Torrence reported that Rep. Gaetz represented an FWCJUA insured in the panhandle wherein the statute was essential in the resolution of a large premium claim. Maida reported that the Board would be briefed on this item in further detail at its February 22nd meeting and would be asked for direction at that time.

VII. GENERAL ANNOUNCEMENTS: There were no general announcements.

VIII. ADJOURNMENT AND CLOSING REMARKS: There being no further business, the meeting was adjourned at 11:20 a.m.

MOTION by Hodges, seconded by Bennett to adjourn the meeting. PASSED, unanimously.

Respectfully submitted,

Brett Stiegel, *Chair*

LEGISLATIVE UPDATE

The Board shall receive a legislative update from Wes Strickland.

Following are the bills that directly impact the FWCJUA at this time:

HB 4073 – Amends section 627.312, Florida Statutes, and deletes a transitional provision of the "JUA law." The 2004 transitional provision required the rerating and placement of FWCJUA policies into one of the tiers created by the 2004 act. This bill would leave in tact the other transitional provision that mandated that no Subplan D policies would be subject to deficit assessments.

1. Introduced by Rep. Crisafulli on January 18, 2011
2. No companion in the Senate
3. Two references, never heard: Insurance & Banking and Economic Affairs.

HB 4083 - In addition to the substance of HB 4073, abolishes the position of Workers' Compensation Administrator created by section 627.092, Florida Statutes.

1. Introduced by Rep. Albritton on January 21, 2011
2. No companion in the Senate
3. One reference remaining - Economic Affairs Committee. Voted out of Insurance & Banking last week, 13-0.

HB 4095 - Repeals provision prohibiting an insurer from providing workers compensation and employers liability insurance to persons or their affiliates delinquent in the payment of premiums or other fees to the FWCJUA.

1. Introduced by Rep. Gaetz on January 31, 2011
2. No companion in the Senate
3. Has not received committee references yet

On September 9, 2009, the Board received the attached Operations Committee Report on the positive impact that section 627.311(5)(t), Florida Statutes, has had on the FWCJUA's ability to manage its uncollectible premium.

The Board shall provide direction with regards to proposed legislation.

OPERATIONS COMMITTEE REPORT: SECTION 627.311(5)(t), FLORIDA STATUTES

At its August 24th meeting, the Operations Committee considered the positive impact that section 627.311(5)(t), Florida Statutes, has had on the FWCJUA's ability to manage its uncollectible premium.

Effective July 1, 1998, Senate Bill 1108 became law adding a provision to the FWCJUA's enabling statute prohibiting any insurer from offering workers compensation and employer's liability insurance to any person who is delinquent in the payment of premiums, assessments, penalties or surcharges owed to the FWCJUA. Effective July 1, 2004, House Bill 1251 became law and strengthened this voluntary market prohibition by including in the FWCJUA's enabling statute a definition for the term "affiliated person."

Section 627.311(5)(t), Florida Statutes:
No insurer shall provide workers' compensation and employer's liability insurance to any person who is delinquent in the payment of premiums, assessments, penalties, or surcharges owed to the plan or to any person who is an affiliated person of a person who is delinquent in the payment of premiums, assessments, penalties, or surcharges owed to the plan. For purposes of this paragraph, the term "affiliated person" of another person means:

1. The spouse of such other natural person;
2. Any person who directly or indirectly owns or controls, or holds with the power to vote, 5 percent or more of the outstanding voting securities of such other person;
3. Any person who directly or indirectly owns 5 percent or more of the outstanding voting securities that are directly or indirectly owned or controlled, or held with the power to vote, by such other person;
4. Any person or group of persons who directly or indirectly control, are controlled by, or are under common control with such other person;
5. Any officer, director, trustee, partner, owner, manager, joint venturer, or employee, or other person performing duties similar to persons in those positions, of such other persons; or
6. Any person who has an officer, director, trustee, partner, or joint venturer in common with such other person.

Since the enactment of these two bills, there has been dramatic improvement in the FWCJUA's cumulative uncollectible premium.

FWCJUA Uncollectible Ratio as of June 30, 2009			
	1994 - 1998	**1999 – 2004**	**2005 – 2007**
Written Premium	$197,881,958	$177,624,712	$118,426,735
Uncollectible Premium	$37,526,887	$27,709,305	$8,652,939
Uncollectible Ratio	18.96%	15.60%	7.31%

According to Revenue Systems, as of May 21st, section 627.311(5)(t), Florida Statutes, provided them with the leverage necessary to collect on 41% of the accounts in which there was a recoverable in 2009. More importantly, nearly 82% of the dollars collected were from these accounts which were vulnerable to this statutory provision.

The Committee was informed that staff had been advised that the Legislature may be asked to consider limiting the FWCJUA's reach with regard to persons who are delinquent in the payment of premiums. Thus, given the FWCJUA's success in reducing the uncollectible premium through the leverage this statute provides, the Committee agreed that the FWCJUA should vigilantly watch for any legislative activity that might seek to revise section 627.311(5)(t), Florida Statutes.

No Board action is required on this agenda item.

BOARD APPOINTMENT PROCESS

The Board shall receive a status report on the board appointment process from Wes Strickland.

We have submitted a request to the Office of Insurance Regulation for calendar year 2010 premium data needed to identify the top 20 foreign and domestic workers compensation carriers or groups for purposes of initiating the balloting process for nominations to fill the four industry representative vacancies occurring June 30, 2011. The OIR has indicated that they expect to be able to provide us with the necessary premium data shortly after the carriers file their year-end reports with the NAIC on March 1. Assuming we are able to identify the top 20 foreign and domestic carriers or groups within the first two weeks of March (and receive OIR approval of the list), it is possible for us to have a slate of nominees placed on the agenda for the May 3, 2010 meeting of the Financial Services Commission, which is responsible for making the appointments. If we miss the agenda for the May 3rd meeting, there will be three more meetings of the FSC (May 17, June 1, and June 16) prior to expiration of the current terms on June 30th.

No Board action is required on this agenda item.

INVESTMENT COMMITTEE REPORT

Compliance Review of Investment Portfolio

The Board shall review the compliance of the FWCJUA's current investment portfolio and consider whether to continue the current exceptions to the Investment Policy given the state of the investment marketplace and the FWCJUA's portfolio performance.

At its February 11th meeting, the Investment Committee reconfirmed the continued holding of the two Lehman Brothers bonds and the one CitiGroup bond downgraded below an "A" rating within the FWCJUA's portfolio as authorized Investment Policy exceptions given there were no new negative developments in the outlook on these bonds. The Committee, further, confirmed the continued holding of the Aetna bond held in the portfolio that was downgraded by Moody's Investors Service to Baa1 from A3 back on May 10, 2010. The downgrade reflected the company's lower earnings outlook for 2010, as well as the continued sluggish economic environment and unfavorable political climate for the healthcare insurance sector. The outlook on Aetna and its operating subsidiaries is stable and thus, the bond is expected to mature on March 1, 2011 without incident. The Committee recognized the late reporting of this downgrade, but took comfort in the fact that the FWCJUA would soon engage an investment manager better aligned to meet its investment management service requirements.

FWCJUA PORTFOLIO HOLDINGS HELD AS EXCEPTIONS TO THE INVESTMENT POLICY as of February 7, 2011							
Moody's	**S&P**	**Bond Name**	**Maturity Date**	**Par Value**	**Cost**	**Market Value**	**Yield to Maturity**
--	--	Lehman Brothers	Matured 11/1/2009	115,000	136,876	17,343.75	6.62%
--	--	Lehman Brothers	Matured 1/27/2010	250,000	243,893	57,812.50	4.36%
Baa1	A -	Aetna, Inc.	3/1/2011	400,000	429,920	404,504.00	7.88%
Baa1	A -	CitiGroup, Inc.	8/27/2012	250,000	253,335	262,337.50	5.36%

As the Board is aware, it may reconfirm the continued holding of each of the individual downgraded bonds identified in the above table or it may authorize any of the downgraded bonds to be sold. Again, the FWCJUA Investment Policy has the following exception clause:

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

The current investment portfolio with the authorized exceptions noted above is in compliance with the Investment Policy. Further, the FWCJUA's current investments are in compliance with the insurer investment diversification requirements outlined in section 625.305, Florida Statutes. Attached for the Board's perusal are the following:

1. Investment Portfolio Comparison with the Investment Policy
2. Investment Portfolio Comparison with Diversification Requirements of s. 625.305, Florida Statutes

The Board shall determine whether to continue to hold the Aetna bond, the two Lehman Brothers bonds and the CitiGroup bond within the FWCJUA's portfolio as authorized Investment Policy exceptions.

FWCJUA
Investment Portfolio Comparison with Investment Policy
(ratings determined by the Securities Valuation Office of the NAIC)

	% allowed	Moody's	S&P	FWCJUA Portfolio *Book Value* 12/31/2010	% 12/31/2010
1. U.S. Government Treasury Securities	100%				
U.S. Treasury Note		TSY	TSY	400,000	0.4%
U.S. Treasury Bills		TSY	TSY	-	0.0%
				400,000	0.4%
2. U.S. Government Agency Securities (*subject to 35% limit in any one agency*)	100%				
Federal Home Loan Mortgage Corporation (FHLMC)		AGY	AGY	1,916,220	2.0%
Federal National Mortgage Association (FNMA)		AGY	AGY	1,374,138	1.4%
Federal Home Loan Bank (FHLB)		AGY	AGY	1,050,124	1.1%
Federal Farm Credit Banks (FFCB)		AGY	AGY	99,495	0.1%
				4,439,978	4.5%
3. Commerical Paper rated A-1 or P-1 provided the LT Debt rating is A or better.	25%			-	0.0%
4. Corporate Debt with LT Bond ratings of single A or better & a SVO of 1.	50%				
AT&T Inc (includes SBC Communications)		A2	A-	1,124,002	1.1%
Abbott Laboratories		A1	AA	501,986	0.5%
Aetna Inc		BAA1	A -	404,002	0.4%
Alabama Power Co		A2	A	599,891	0.6%
Amgen Inc		A3	A+	181,000	0.2%
BB&T Corporation		A2	A	499,114	0.5%
BHP Billiton Fin USA LTD		A1	A+	177,000	0.2%
Bank of America Corp		A2	A	451,739	0.5%
Bank of New York Mellon		AA2	AA -	1,002,379	1.0%
Bottling Group LLC (Pepsi Bottling Co)		AA3	A	325,594	0.3%
Caterpillar Inc		A2	A	956,836	1.0%
Cisco Systems Inc		A1	A+	192,000	0.2%
Citibank NA TLPG		AAA	AAA	125,199	0.1%
CitiGroup Inc		BAA1	A -	251,201	0.3%
ConocoPhillips		A1	A	903,414	0.9%
Cons Edison Co of NY		A3	A-	44,000	0.0%
Credit Suisse USA Inc		AA1	A+	624,483	0.6%
Dell Inc		A2	A-	50,000	0.1%
Dover Corp		A2	A	294,630	0.3%
HP Enterprise Services (Electronic Data Systems)		A2	A	175,000	0.2%
General Electric Cap Corp TLGP		AAA	AAA	2,000,087	2.0%
General Electric Cap Corp		AA2	AA+	1,206,455	1.2%
GlaxoSmithKline Cap Inc		A1	A	200,000	0.2%
Goldman Sachs Group Inc		A1	A	500,426	0.5%
Hershey Company		A2	A	41,000	0.0%
Hewlett-Packard Co		A2	A	1,011,763	1.0%
Honeywell International		A2	A	192,935	0.2%
HSBC Finance Corp		A3	A	303,202	0.3%
IBM Intl Group Capital		AA3	A+	600,071	0.6%
IBM Corp		AA3	A+	173,000	0.2%
JP Morgan Chase & Co TLGP		AAA	AAA	2,000,407	2.0%
JP Morgan Chase & Co		AA3	A+	746,840	0.8%
John Deere Capital Corp		A2	A	1,100,168	1.1%
Kimberly-Clark Corp		A2	A	1,211,673	1.2%
Lowes Companies Inc		A1	A	639,541	0.7%
McDonalds Corp		A2	A	482,377	0.5%
Merrill Lynch & Co		A2	A	508,325	0.5%
MetLife Inc		A3	A-	449,475	0.5%
Morgan Stanley		A2	A	1,640,994	1.7%
Nucor Corp		A2	A	209,468	0.2%
Occidental Peteroleum Cor		A2	A	855,202	0.9%
Oracle Corp		A2	A	500,561	0.5%
PepsiCo Inc		AA3	A-	199,922	0.2%
Pfizer Inc		A1	AA	364,761	0.4%
Praxair Inc		A2	A	445,333	0.5%
Sherman-Williams Co		A3	A	192,000	0.2%
Target Corp		A2	A+	610,277	0.6%
UBS AG Stamford Ct		AA3	A+	1,026,243	1.0%
US Bancorp		AA3	A+	500,266	0.5%
Wal-Mart Stores Inc		AA2	AA	208,000	0.2%
Walt Disney Company/The		A2	A	360,470	0.4%
Western Union Co/The		A3	A-	175,000	0.2%
Wyeth (American Home Products)		A1	AA	409,528	0.4%
				29,949,239	30.5%
5a. C.D.'s fully insured by FDIC	100%			53,727,390	54.7%
5b. C.D.'s not fully insured by FDIC	25%			-	0.0%
6. Banker Acceptances issued & guaranteed by domestic commercial banks with commercial paper rated A1/P1 and bank deposit ratings of AA/Aa.	25%			-	0.0%
7. Repurchase agreements consisting of US Gov't and Gov't Agency Securities	100%			-	0.0%
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%			-	0.0%
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%				
Money Market Funds & Investments with < 1 year to maturity				17,700,296	
SunTrust Bank /Sabal Palm accounts/Chase				8,626,023	25%
				26,326,319	**OK**
- Maximum of 5% may be invested in obligations of a single issuer.					
- Average Portfolio Rating of Double A					
Total Portfolio - Cash & Invested Assets				**$ 98,241,407**	

FWCJUA
Investment Portfolio Comparison with Diversification Requirements of s. 625.305, Florida Statutes

	% allowed	FWCJUA Portfolio Book Value 12/31/2010	% 12/31/2010
1. No more than 13% of an insurer's admitted assets in investments which are classified as medium to lower quality.	13.0%	0	0.0%
2. No more than 5% of an insurer's admitted assets in obligations that have been given a rating of 4, 5 or 6.	5.0%	0	0.0%
3. No more than 1.5% of an insurer's admitted assets in obligations that have been given a rating of 5 or 6.	1.5%	0	0.0%
4. No more than 0.5% of an insurer's admitted assets in obligations that have been given a rating of 6.	0.5%	0	0.0%
5. No more than 10% of an insurer's admitted assets, from issuers of any one industry.	10.0%		
Bank		8,851,372	8.2%
Beverage		525,516	0.5%
Chemicals		445,333	0.4%
Consumer		2,168,509	2.0%
Construction/Machinery		1,100,168	1.0%
Diversified Manufacturing		528,565	0.5%
Electric		599,891	0.6%
Electronics		2,460,395	2.3%
Energy		899,202	0.8%
Energy/Intg		903,414	0.8%
Financial-Diversified		4,510,852	4.2%
Financial-Consumer		377,135	0.4%
Insurance		853,477	0.8%
Leisure		360,470	0.3%
Pharmaceuticals		1,657,274	1.5%
Restaurants		482,377	0.4%
Retail		1,649,819	1.5%
Steel		209,468	0.2%
Technology		242,000	0.2%
Telecommunications		1,124,002	1.0%
		29,949,239	
6. No more than 2% of an insurer's admitted assets if the investment is in any one issuer.	2.0%		
AT&T Inc		1,124,002	1.0%
Abbott Laboratories		501,986	0.5%
Aetna Inc		404,002	0.4%
Amgen Inc		181,000	0.2%
BHP Billiton Limited		177,000	0.2%
Bank of America Corporation		960,064	0.9%
Caterpillar, Inc.		956,836	0.9%
Cisco Systems Inc		192,000	0.2%
CitiBank NA TLGP		125,199	0.1%
CitiGroup Inc		251,201	0.2%
ConocoPhillips		903,414	0.8%
Consolidated Edison Inc		44,000	0.0%
Credit Suisse Group AG		624,483	0.6%
Deere & Company		1,100,168	1.0%
Dell Inc		50,000	0.0%
Dover Corporation		294,630	0.3%
General Electric Cap TLGP		2,000,087	1.9%
General Electric Cap		1,206,455	1.1%
* GlaxoSmithKline PLC		200,000	0.2%
Hewlett Packard Company		1,186,763	1.1%
Honeywell International Inc		192,935	0.2%
HSBC Holdings PLC		303,202	0.3%
International Business Machines Corporation		773,071	0.4%
JP Morgan Chase & Co TLGP		2,000,407	1.9%
JP Morgan Chase & Co		746,840	0.7%
Kimberly-Clark Corporation		1,211,673	1.1%
Lowes Companies Inc		639,541	0.6%
McDonalds Corporation		482,377	0.4%
MetLife Inc		449,475	0.4%
Morgan Stanley		1,640,994	1.5%
Nucor Corporation		209,468	0.2%
Occidental Peteroleum Corporation		855,202	0.8%
Oracle Corporation		500,561	0.5%
PepsiCo Inc		525,516	0.5%
Pfizer Inc		774,289	0.7%
Praxair Inc		445,333	0.4%
Sterling Cap FDS		499,114	0.5%
Target Corporation		610,277	0.6%
The Bank of New York Mellon Corporation		1,002,379	0.9%
The Goldman Sachs Group Inc		500,426	0.5%
The Hershey Company		41,000	0.0%
The Sherman-Williams Company		192,000	0.2%
The Southern Corporation		599,891	0.6%
The Walt Disney Company		360,470	0.3%
UBS AG		1,026,243	1.0%
US Bancorp		500,266	0.5%
Wal-Mart Stores Inc		208,000	0.2%
The Western Union Company		175,000	0.2%
		29,949,239	
Total Admitted Assets		**$ 107,466,126**	**9/30/2010**

** special consent investment limitation as defined by FS 625.331 as less than 5% of admitted assets and have excess funds over entire reserves.*

INVESTMENT COMMITTEE REPORT

Investment Manager Selection

The Board shall consider the Investment Committee recommendation that it authorize staff to engage PFM Asset Management LLC as the FWCJUA's investment manager for a three-year period with the option of two one-year extensions by mutual agreement of the parties. Further, in the unlikely event that the FWCJUA is unable to come to contract terms with PFM, it is also recommended that the Committee be authorized to engage Cutwater Investor Services Corp. as the alternative investment manager.

At its February 11th meeting, the Investment Committee was advised that the FWCJUA received compliant, eligible responses to its RFP for Non-Discretionary Investment Management Services from BPS Capital Management, Inc.; Cutwater Investor Services Corp.; Morgan Stanley Smith Barney LLC; PFM Asset Management LLC; and US Bancorp. The Committee was further advised that all of the respondents were deemed capable to provide the services required by the FWCJUA and had good credentials. Cutwater's and PFM's proposals stood out given their effort to really discuss the FWCJUA's current position and offer food for thought in moving forward. Their respective responses under Tab 4, Scope of Services, "c" in which the FWCJUA asked for a simulated portfolio were clearly superior to the other responses. Both these two respondents identified specific areas within the FWCJUA's investing strategies that they believe can be improved upon or at least need to be reconsidered. Both these firms appeared to have considered the FWCJUA's current portfolio and position and offered constructive advice to assist the FWCJUA within its comfort zone. The FWCJUA's challenge over the next few years will be getting its maturing investments reinvested into longer term secure instruments as they become available and we need to discuss a reasonable cash position given the current environment. It appears that both these respondents are already considering how to specifically move the FWCJUA's portfolio forward.

Morgan Stanley offered the lowest cost proposal and has a good reputation; however, its proposal was a generic, "plain vanilla" response as was US Bancorp's. US Bancorp would have the edge between these two as the FWCJUA already works with them as investment custodians, so there is already a favorable and trusted relationship. These two organizations offered "cookie cutter" responses; whereas, Cutwater and PFM offered more "customized" proposals.

BPS offered a competitive proposal and suggested a specific approach for moving forward, but without any real commentary; thus, its overall proposal was not that impressive. BPS, however, did receive a favorable report from Brett Stiegel as Mike McLaren is FRSA's current investment adviser.

Neither BPS nor PFM offered custodial services within their respective fee structures; but this is not considered a deal breaker given the FWCJUA's current custodial fee schedule is 1 basis point for assets held. Further, staff is confident that it will be able to negotiate an improved fee structure for custodial services in 2011, especially with the engagement of an investment manager.

Cutwater's and PFM's SEC filings as Investment Advisers were reviewed. Both Cutwater and PFM most recently reported that 51% to 75% of their clients are state or municipal government entities. Cutwater's only other type of client reported is "other pooled investment funds (e.g., hedge funds)." PFM's other types of clients reported are "banks/thrifts," "investment companies (including mutual funds)," "pension and profit sharing plans (other than plan participants," "charitable organizations," and "corporations or other businesses not listed" with each being reported to be "up to 10%" of its client base. Further, PFM & Cutwater had no reported disclosures related to sanctions by the SEC, Commodity Futures Trading Commission, federal or state regulatory agencies, or foreign financial regulatory authorities. Cutwater did disclose an advisory affiliate's (MBIA's) one-day suspension by the National Association of Securities Dealers (NASD) for what appeared to me to be a relatively minor technical violation.

Further, both Cutwater's and PFM's reference checks resulted in very favorable feedback. The clients of both firms were extremely satisfied with the service and expertise they are receiving. It was noted by both firms' clients that their investment advisers go "above and beyond" the contracted terms offering expertise in many areas without additional fees.

Both Cutwater and PFM were approached individually to determine whether they could improve their pricing without jeopardizing the services to be provided. Cutwater was asked to consider improving its pricing, especially below $50M. PFM was asked to consider improving its pricing, especially above $50M. Revised quotes were received from both PFM and Cutwater. PFM's revised pricing is retro by level of invested assets which means that once we hit the next tier pricing fee all monthly billings on a go forward basis will be based on that single fee from dollar one, until another tier (up or down) is activated. These are two very good proposals with fairly comparable costs. It might be of concern that by reducing fees, the service would suffer; however, both Cutwater and PFM have assured the FWCJUA that this would not be the case. Attached is the pricing comparison for the RFP responses with the revised quotes noted separately.

It was explained to the Committee that the Evaluation Team's decision to recommend PFM over Cutwater came down to the issue of the financial rating of Cutwater's parent company, MBIA. All things being virtually even in experience, analytics, references, and costs, this matter tipped the scale slightly in favor of PFM. Both organizations have experience providing services to similar entities as well as the public sector and both have experience with Florida clients. Further, it was noted that both PFM and Cutwater recently contracted with two of Florida's insurance guaranty associations to provide discretionary investment management services. The Evaluation Team also recommended that Cutwater Investor Services Corp. be selected as the back up to PFM should we fail to come to contract terms.

The Committee quickly agreed to accept the recommendations of the Evaluation Team. Accordingly, the Investment Committee is recommending that PFM be engaged as the FWCJUA's investment manager. Further, the Committee is also recommending that it be given the authority to engage Cutwater as the investment manager should the FWCJUA be unable to come to contract terms with PFM.

The Board shall determine whether to engage PFM Asset Management LLC to provide non-discretionary investment management services to the FWCJUA for a three-year period with the option of two one-year extensions by mutual agreement of the parties; and in the unlikely event that the FWCJUA is unable to come to contract terms with PFM, authorize the Investment Committee to engage Cutwater Investor Services Corp. as the alternative investment manager.

FWCJUA RFP FOR NON-DISCRETIONARY INVESTMENT MANAGEMENT SERVICES

			QUOTED FEE SCHEDULES				**REVISED FEE SCHEDULES**				
	BPS	**Cutwater**	**MS**	**US Bank**		**PFM**	**PFM**			**Cutwater**	
$0 - $25M	10	10	6	10	$0 - $25M	8	**8**		$0 - $25M	**8**	
Next $25M	5	5	4	7	Next $25M	7	**7**	**Retro**	Next $25M	**5**	
Over $50M	2	2.5	2.5	2.5	Next $50M	6.5	**5**	**Retro**	Over $50M	**2.5**	
					Over $100M	6	**4**	**Retro**			
CAP	$48,000.00		MIN	$7,500.00							
	No Custodial					No Custodial	**No Custodial**				
$25M Anticipated Fee	$25,000.00	$25,000.00	$15,000.00	$25,000.00		$20,000.00	**$20,000.00**			**$20,000.00**	$25M Anticipated Fee
$45M Anticipated Fee	$35,000.00	$35,000.00	$23,000.00	$39,000.00		$34,000.00	**$31,500.00**			**$30,000.00**	$45M Anticipated Fee
							$35,000.00			**$32,500.00**	$50M Anticipated Fee
$75M Anticipated Fee	$42,500.00	$43,750.00	$31,250.00	$48,750.00		$53,750.00	**$37,500.00**			**$38,750.00**	$75M Anticipated Fee
$100M Anticipated Fee	$47,500.00	$50,000.00	$37,500.00	$55,000.00		$70,000.00	**$50,000.00**			**$45,000.00**	$100M Anticipated Fee
$115M Anticipated Fee	$50,500.00	$53,750.00	$41,250.00	$58,750.00		$79,000.00	**$46,000.00**			**$48,750.00**	$115M Anticipated Fee
	Caps at $48K						**$50,000.00**			**$51,250.00**	$125M Anticipated Fee
							$60,000.00			**$57,500.00**	$150M Anticipated Fee

OPERATIONS COMMITTEE REPORT

Collections Service Provider Selection

The Board shall consider the Operations Committee recommendation that Revenue Systems, Inc. (RSI) continue to be engaged as the FWCJUA's collections service provider for five years with the option of two one-year extensions by mutual agreement of the parties beginning July 1, 2011 at its revised fee structure.

At its February 11th meeting, the Operations Committee was informed that the FWCJUA received timely, eligible bid proposals to its RFP for Collection Services dated December 3, 2010 from Revenue Systems Inc. (RSI); and Receivable Management Services (RMS). Further, each of the two proposals was deemed to meet the minimum requirements as an acceptable bid, and each of the two respondents was deemed to be an eligible service provider pursuant to the RFP. The Committee was further advised that it was the unanimous recommendation of the Evaluation Team, consisting of Cleary and Torrence, that Revenue Systems, Inc. (RSI) continue as the sole-provider of collection services on behalf of the FWCJUA for the next five (5) years with the option of two one-year extensions by mutual agreement of the parties, beginning July 1, 2011 at its revised fee structure.

The assessment process comprised of a technical evaluation of the two proposals as well as reference checks of the two respondents. Upon completion of the assessment process, the evaluation team deliberated regarding the respondents and recognized the quality of the expertise, knowledge and abilities of the two respondents as well as the quality of their submitted proposals, agreeing that both candidates were quite capable of doing a good job providing collection services to the FWCJUA. Given the FWCJUA's positive experience working with RSI since 1998 and the fact that RSI's compensation request was the most cost effective, it was the consensus of the Evaluation Team that RSI be retained for the engagement contemplated by the RFP. The Committee concurred.

Below is a summary comparison of the respondents' compensation requests.

PREMIUM DUE	CURRENT FEES	REVENUE SYSTEMS, INC. (RSI)	RECEIVABLE MANAGEMENT SERVICES (RMS)
< $15,000			
Non-litigated	11.5%	11.5%	12.5%
Litigated	11.5% + Fees	11.5% + Fees	22% + Fees
$15,000 - $49,999			
Non-litigated	10%	10%	10.5%
Litigated	10% + Fees	10% + Fees	22% + Fees
> $50,000			
Non-litigated	6%	7%	8.5%
Litigated	6% + Fees	7% + Fees	22% + Fees

The Board shall determine whether to engage RSI as the FWCJUA's collections service provider for the next five years with the option of two one-year extensions by mutual agreement of the parties, beginning July 1, 2011 at its revised fee structure.

OPERATIONS COMMITTEE REPORT

Budget Expense Considerations

At its February 11th meeting, the Operations Committee discussed the transition related to the FWCJUA Controller's resignation effective February 18, 2011. With the Chair's authorization, Dave Webber was engaged to help with the transition until a permanent replacement is found. The cost associated with the search for the new Controller and the engagement of transition assistance is not contemplated in the 2011 Forecast. It is possible that the current budget may be able to absorb this cost; however, it will depend on how long it takes to find the replacement and the avenues utilized to conduct the search.

No Board action is required on this agenda item; however, discussion related to the search for the new Controller would be welcomed.

OPERATIONS COMMITTEE REPORT

Disaster Recovery Matters

At its February 11th meeting, the Operations Committee confirmed the Executive Director's modifications to the Disaster Recovery & Emergency Preparedness Plan (DR&EP Plan) appendices listed below that were released on February 9th. This updates the November 17th version of the DR&EP Plan in which only appendices were updated as well.

1. Appendix C: Employee Contact Information
   Global Speed Dial Directory
   Global E-mail Directory
2. Appendix F: FWCJUA Master Vendor Contacts & Phone Numbers

No Board action is required on this agenda item.

RATES & FORMS COMMITTEE REPORT

2010 Reserves

The Board shall consider a Rates & Forms Committee recommendation on whether to adjust the FWCJUA's carried ultimate liabilities for year-end 2010, which will be sent out under separate cover on February 18th following the Committee's meeting.

At its February 18th meeting, the Rates & Forms Committee shall determine if it is appropriate to adjust the FWCJUA's carried ultimate liabilities for year-end 2010 based upon Milliman's preliminary analysis of reserves and if so, formulate a recommendation for Board consideration. Following is an excerpt of the information that has been provided to the Committee for its consideration on February 18th:

1. Comparison of Ultimates - Milliman Best Estimate for 12/31/2010 and FWCJUA Carried, and
2. Milliman's 'Draft' Actuarial Analysis of Loss and LAE Unpaid Claim Estimates as of 12/31/2010 (Excerpt).

It has been recommended to the Committee that the FWCJUA book Milliman's best estimates of the reserve for unpaid loss and loss adjustment expenses both net and gross of reinsurance as well as ULAE, as of December 31, 2010. As noted in Milliman's preliminary analysis, the estimated ultimates in most of the accident years came down due to better than expected experience. The increase in accident year 2005 is due to a single large claim where a Judge of Compensation Claims found the FWCJUA to be the responsible party and further appeals became exhausted in 2010.

Subject to a Rates & Forms Committee recommendation, the Board shall determine whether to authorize staff to book Milliman's best estimates of the reserve for unpaid loss and loss adjustment expenses both net and gross of reinsurance for years 1994 through 2010 as well as ULAE as of December 31, 2010.

LOSS AND LOSS ADJUSTMENT EXPENSE UNPAID CLAIM ESTIMATES AS OF DECEMBER 31, 2010

Prepared for:
Florida Workers Compensation Joint Underwriting Association, Inc.

Prepared by:
Milliman, Inc.

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Florida Workers Compensation Joint Underwriting Association, Inc.

LOSS AND LOSS ADJUSTMENT EXPENSE UNPAID CLAIM ESTIMATES AS OF DECEMBER 31, 2010

INTRODUCTION

The Florida Workers' Compensation Joint Underwriting Association (FWCJUA) began operations on January 1, 1994. Milliman was retained by the FWCJUA to perform an actuarial evaluation of its unpaid loss and loss adjustment expense liabilities for accident years 1994-2010 as of December 31, 2010 using data evaluated as of December 31, 2010 in order to assist management in preparing their financial reports as well as to provide a Statement of Actuarial Opinion. As directed by the National Association of Insurance Commissioners, the report should be retained at your offices for a period of seven years and should be available for regulatory examination.

For the remainder of this report, we will refer to unpaid claim estimates as "reserves" unless otherwise noted. The use of the term "reserves" is common in the insurance industry. All references to the Milliman estimated reserves in this report indicate the Milliman estimated liability for unpaid loss and loss adjustment expense amounts on claims incurred as of December 31, 2010, and should not be construed as indicating a value carried on the FWCJUA's financial statements.

All estimates should be considered "actuarial central estimates," meaning that they are intended to represent the expected values over reasonably possible outcomes. This analysis includes reserves both net and gross of reinsurance.

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

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

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

SUMMARY OF FINDINGS

Our estimate of the reserve gross of reinsurance is approximately $34.3 million. Loss and allocated loss adjustment (ALAE) liabilities account for $32.4 million of this amount. The remaining $1.9 million is the unallocated loss adjustment expense (ULAE) reserve. The range around our gross reserve indication is $30.9 million to $37.8 million. This range is intended to reflect our evaluation of the range of reasonable estimates of the unpaid liabilities, it is not the range of all possible outcomes. The FWCJUA's booked reserve of $XXXmillion falls within this range. Exhibit 1 shows the gross loss and ALAE reserve estimates by accident year.

Our estimate of the reserve for unpaid loss and loss adjustment expenses net of reinsurance[1], as of December 31, 2010 is approximately $15.9 million. The $15.9 million estimate falls in a range of reasonableness of $14.3 million to $18.6 million. This range is intended to reflect our evaluation of the range of reasonable estimates of the unpaid liabilities, it is not the range of all possible outcomes. The FWCJUA's booked reserve of $XXX million falls within this range. Exhibit 2 shows the net loss and ALAE reserves by accident year.

Table 1 shows the reserves split between losses and allocated loss adjustment expenses (ALAE) combined and unallocated loss adjustment expenses (ULAE). Table 2 shows the range around our estimates. Table 3 shows the ultimate loss and ALAE ratios implied by our estimates, separately by accident year, and both gross and net of reinsurance. Note that audit premium returns contributed to the unusually high 2009 accident year loss ratio.

Table 1: Indicated Reserves ($000)

	Net	Gross
Losses and ALAE	$14,040	$32,396
ULAE	$1,900	$1,900
Total	$15,940	$34,296

Table 2: Range of Indicated Reserves ($000)

	Lower	Central	Upper
Net	$14,346	$15,940	$18,618
Gross	$30,867	$34,296	$37,780

Table 3: Ultimate Loss and ALAE Ratios

Accident Year	Gross	Net
1994	54.6%	54.6%
1995	38.5%	38.2%
1996	57.8%	49.0%
1997	32.7%	33.1%
1998	34.8%	36.7%
1999	78.1%	23.5%
2000	60.0%	57.9%
2001	18.5%	20.9%
2002	10.9%	13.5%
2003	19.5%	21.3%
2004	30.7%	30.4%
2005	25.8%	17.9%
2006	15.6%	16.6%
2007	20.7%	21.9%
2008	30.5%	30.8%
2009	52.3%	68.6%
2010	42.4%	46.5%
Total	32.7%	31.1%

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

CHANGE FROM PREVIOUS ESTIMATES

The amounts discussed in the previous section represent our estimate of FWCJUA's unpaid liabilities for claims occurring each year. Table 4 presents summaries of the changes in our estimates of ultimate medical and indemnity losses and ALAE for Accident Years 1994 through 2009 between this analysis and the 2009 year end analysis.

Table 4: 12 Month Change in Ultimate Loss and ALAE Estimates ($000)

Accident	Gross Estimates			Net Estimates		
Year	12/31/2010	12/31/2009	Difference	12/31/2010	12/31/2009	Difference
1994	$22,940	$23,140	-$200	$22,940	$23,140	-$200
1995	30,180	30,060	120	27,720	27,670	50
1996	22,090	22,390	-300	17,220	17,430	-210
1997	6,400	6,410	-10	6,030	6,040	-10
1998	5,670	5,560	110	5,340	5,340	0
1999	6,360	6,020	340	1,750	1,760	-10
2000	2,520	2,520	0	2,190	2,190	0
2001	1,140	1,140	0	1,040	1,040	0
2002	2,050	2,050	0	2,050	2,050	0
2003	9,080	9,100	-20	8,380	8,400	-20
2004	19,190	19,370	-180	15,600	15,990	-390
2005	19,970	12,990	6,980	11,740	10,360	1,380
2006	8,140	8,640	-500	7,310	7,770	-460
2007	4,680	4,790	-110	4,050	4,340	-290
2008	3,290	3,380	-90	2,850	2,930	-80
2009	1,560	1,800	-240	1,200	1,600	-400
Total	$165,260	$159,360	$5,900	$137,410	$138,050	-$640

The estimated ultimates in most of the accident years came down due to better than expected experience. The increase in accident year 2005 is due to a single large claim where a Judge of Compensation Claims found the FWCJUA to be the responsible party and further appeals became exhausted in 2010.

PAYOUT OF RESERVES

The table below shows the expected future payments for losses that have occurred on or before December 31, 2010 for accident years 2010 and prior. This may assist in some of the investment decisions, as well as providing a rough yardstick for future performance. If next year's payments are lower than predicted, that would be an indication that the ultimate level of losses may be lower than that contemplated in the reserve figure. However, it only provides an indication of the appropriateness of the reserve value, not conclusive evidence. Since both the ultimate amounts and the timing of payments are subject to uncertainty, payments lower than predicted may also be indicative of a lengthening of the payment pattern rather than a lower level of ultimate losses.

Table 5, below, shows the payments estimated based on Milliman's estimated loss and allocated loss adjustment reserves.

Table 5 - Expected Payout of Estimated Loss and ALAE Reserves ($000)

	Total Reserves	Payments made during calendar years				
		2011	2012	2013	2014	2015+
Gross	32,396	5,539	4,344	3,486	2,874	16,153
Net	14,040	3,100	2,204	1,627	1,312	5,797

Appendix H shows the payout by sub-plan quarterly for 2011 and 2012, as well as the amounts expected to be paid in 2013 and 2014.

LIMITATIONS

Variability of Results

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

The IBNR values shown cannot strictly be assigned to any one claim or to any one year. Instead, the total IBNR is the actuarial central estimate of the aggregate estimated IBNR for all accident years. There is frequently substantial year to year variation in the development of losses. The IBNR values shown represent an estimate for the average future development. This allows the favorable development of one year to be used to offset the unfavorable development of another year.

Sensitivity of Projections

The impact of key variables in the analysis (development factors, trends, and weighting of methods) was considered. The overall results are potentially sensitive to any of these and reasonable alternative selections could change the results in either direction.

Data Sources

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

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

RELATED ISSUES

Risk Factors

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

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

The fluctuation in the premium volume from one year to the next along with probable shifts in the quality of the business written also increases uncertainty. This variability is increased with the FWCJUA because they are a residual market.

Regulatory and legislative changes could expand the scope of indemnity benefits causing increased claim frequency from initially denied claims, late reported claims and reopened claims, or causing higher benefits payments. Economic conditions such as uncertainties about future medical cost inflation and contraction of the voluntary market could produce higher claim costs or additionally reported cases.

Workers' compensation coverage has the potential to generate very large claims. The emergence of a few such claims, particularly in a year with a high retention, could affect our reserve estimate significantly.

The variability is highest for the most recent policy periods where a smaller proportion of payments have been made and sufficient information may not be available to establish accurate case-basis reserves.

We believe that the risk factors above, coupled with the variability that is inherent in any estimate of unpaid loss and loss adjustment expense obligations, could result in material adverse deviation from the carried net reserve amounts. In making this determination, we have considered a material adverse deviation to be one in which the actual net outstanding losses and loss adjustment expenses exceed the company's booked net reserves by an amount greater than $XXX. This materiality standard is equal to 10% of the Company's statutory surplus shown on the Liabilities, Surplus and Other Funds page of the Annual Statement. Our selection of the materiality standard was based on the fact that this opinion is prepared for the regulatory review of the Company. Other measures of materiality might be used for reserves that are being evaluated in a different context.

Uncertainty

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

Reinsurance

The FWCJUA's per claim retention was unlimited for Accident Year 1994 and limited to $500,000 for accident years 1995 through 2002[2]. They had also taken on 50% of the layer from $500,000 to $1.0 million for accident years 2003 and 2004 until December 31, 2005 when the Converium portion of this treaty was commuted. A 50% placement with Max Re remains in effect for the last quarter of accident year 2004. For 2005 40% of the layer from $350,000 to $1 million and 100% excess of $1 million is ceded. However, there is an annual aggregate deductible for the layer $ 350,000 to $500,000 making this coverage layer behave very much like a 40% of $500,000 excess of $500,000 layer. In 2007 the Quanta Re reinsurance treaty which covered 15% of the layer from 9 million excess of $1 million in accident year 2005 was also commuted. For the 2006 and 2007 years, 50% of the layer $650,000 excess of $350,000 and 100% excess of $1 million is ceded. Again, however, the annual aggregate deductibles substantially erode the coverage of $650,000 excess of $350,000 making the reinsurance behave like an excess of $1 million coverage only. The 2008 and subsequent retention is $1 million per occurrence.

Table 6 sets forth the effective retentions currently in force:

Table 6: Retentions Currently In Force

Accident Period	Effective Retention
1994	Unlimited
1995 - 2002	$500,000
1/03 - 9/04	$1 million
10/04 - 12/04	$500,000 + 50% ($500,000 to $1 million)
2005	$500,000 + 60% ($500,000 to $1 million) plus 15% of $9M excess of $1M

The FWCJUA completed a Loss Portfolio Transfer (LPT) effective August 1, 2000 transferring all net claims liability for all claims with accident years January 1, 1994 through December 31, 1999. The reserves described in this report are before the impact of this loss portfolio transfer. A contra liability of $4,003,176 has been recorded against the net reserve as a write-in liability amount in accordance with statutory accounting provisions.

Based on representations made by Company management and its description of the Company's ceded and assumed reinsurance, we are not aware of any other reinsurance transaction that either has been or should have been accounted for as retroactive reinsurance

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

or as financial reinsurance (defined as contractual arrangements that do not include transfer of both timing and underwriting risk).

We reviewed the Company's ceded reinsurance balances as shown in Schedule F of the Company's Annual Statement. There are no material reinsurance recoverables on paid losses that are classified as over 90 days past due. Further, the Company has represented to me that it knows of no uncollectible reinsurance cessions and no disputed reinsurance balances. We also reviewed the ratings of the Company's reinsurers, using the A.M. Best Insurance Reports published as of January 29, 2010. There are no material reinsurance recoverables with assuming companies that were rated vulnerable (B or lower) by A.M. Best or that were reported to be in liquidation, conservation or receivership. Approximately 10% of reinsurance recoverable is from reinsurers for which no A.M. Best rating was available. We have performed no additional review of the collectability of the Company's reinsurance and are expressing no opinion on the financial condition of its reinsurers.

Based on the information cited above, our estimates of the loss and loss adjustment expense reserves net of ceded reinsurance assume that all ceded reinsurance is valid and collectible. We are not aware of any reinsurance that the Company treated as collectible but should have treated as uncollectible. We have not anticipated any contingent liabilities that could arise if the reinsurers do not meet their obligations to the Company as reflected in the data and other information provided to me.

Pools and Associations

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

Salvage and Subrogation

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

Discounting

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

Mass Torts

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

LIMITATIONS ON REPORT DISTRIBUTION

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

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

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

(b) FWCJUA may provide a copy of Milliman's work to governmental entities, as required by law.

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

Use of Milliman's Name

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

STATEMENT OF QUALIFICATIONS

This report may be considered a statement of actuarial opinion under guidelines promulgated by the American Academy of Actuaries. The below signed professionals are members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained herein.

CLOSING

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

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

Milliman, Inc
February 11, 2011

Florida Workers' Compensation Joint Underwriting Association

Exhibit A

COMPARISON OF GROSS ESTIMATED ULTIMATES

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Accident	Estimated Ultimate at 12/31/10				Estimated Ultimate at 12/31/09				Difference			
Year	Indemnity	Medical	ALAE	TOTAL	Indemnity	Medical	ALAE	TOTAL	Indemnity	Medical	ALAE	TOTAL
									(1)-(5)	(2)-(6)	(3)-(7)	
1994	$11,400	$10,500	$1,040	$22,940	$11,500	$10,600	$1,040	$23,140	-$100	-$100	$0	-$200
1995	13,900	14,300	1,980	30,180	13,800	14,300	1,960	30,060	100	0	20	120
1996	8,100	11,500	2,490	22,090	8,300	11,600	2,490	22,390	-200	-100	0	-300
1997	2,300	3,200	900	6,400	2,300	3,200	910	6,410	0	0	-10	-10
1998	2,400	2,500	770	5,670	2,300	2,500	760	5,560	100	0	10	110
1999	2,200	3,800	360	6,360	1,900	3,800	320	6,020	300	0	40	340
2000	1,000	1,300	220	2,520	1,000	1,300	220	2,520	0	0	0	0
2001	400	600	140	1,140	400	600	140	1,140	0	0	0	0
2002	600	1,200	250	2,050	600	1,200	250	2,050	0	0	0	0
2003	3,500	4,400	1,180	9,080	3,500	4,400	1,200	9,100	0	0	-20	-20
2004	6,100	10,700	2,390	19,190	6,100	10,800	2,470	19,370	0	-100	-80	-180
2005	3,700	14,200	2,070	19,970	3,300	7,800	1,890	12,990	400	6,400	180	6,980
2006	2,200	4,800	1,140	8,140	2,400	5,000	1,240	8,640	-200	-200	-100	-500
2007	1,200	2,800	680	4,680	1,300	2,700	790	4,790	-100	100	-110	-110
2008	900	1,800	590	3,290	900	1,900	580	3,380	0	-100	10	-90
2009	400	800	360	1,560	500	900	400	1,800	-100	-100	-40	-240
Total	$60,300	$88,400	$16,560	$165,260	$60,100	$82,600	$16,660	$159,360	$200	$5,800	-$100	$5,900

Notes: (1) and (5) Appendix A, Sheet 1
(2) and (6) Appendix B, Sheet 1
(3) and (7) Appendix E, Sheet 1

Florida Workers' Compensation Joint Underwriting Association

Exhibit B

COMPARISON OF NET ESTIMATED ULTIMATES

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Accident	Estimated Ultimate at 12/31/10				Estimated Ultimate at 12/31/09				Difference			
Year	Indemnity	Medical	ALAE	TOTAL	Indemnity	Medical	ALAE	TOTAL	Indemnity	Medical	ALAE	TOTAL
									(1)-(5)	(2)-(6)	(3)-(7)	
1994	$11,400	$10,500	$1,040	$22,940	$11,500	$10,600	$1,040	$23,140	-$100	-$100	$0	-$200
1995	13,100	12,900	1,720	27,720	13,000	12,900	1,770	27,670	100	0	-50	50
1996	7,000	8,000	2,220	17,220	7,200	8,000	2,230	17,430	-200	0	-10	-210
1997	2,200	3,000	830	6,030	2,200	3,000	840	6,040	0	0	-10	-10
1998	2,200	2,400	740	5,340	2,200	2,400	740	5,340	0	0	0	0
1999	700	900	150	1,750	700	900	160	1,760	0	0	-10	-10
2000	900	1,100	190	2,190	900	1,100	190	2,190	0	0	0	0
2001	400	500	140	1,040	400	500	140	1,040	0	0	0	0
2002	600	1,200	250	2,050	600	1,200	250	2,050	0	0	0	0
2003	3,400	3,800	1,180	8,380	3,400	3,800	1,200	8,400	0	0	-20	-20
2004	5,100	8,200	2,300	15,600	5,100	8,500	2,390	15,990	0	-300	-90	-390
2005	2,600	7,400	1,740	11,740	2,500	6,200	1,660	10,360	100	1,200	80	1,380
2006	2,100	4,100	1,110	7,310	2,200	4,400	1,170	7,770	-100	-300	-60	-460
2007	1,100	2,300	650	4,050	1,200	2,400	740	4,340	-100	-100	-90	-290
2008	800	1,500	550	2,850	800	1,600	530	2,930	0	-100	20	-80
2009	300	600	300	1,200	400	800	400	1,600	-100	-200	-100	-400
Total	$53,900	$68,400	$15,110	$137,410	$54,300	$68,300	$15,450	$138,050	-$400	$100	-$340	-$640

Notes: (1) and (5) Appendix C, Sheet 1, 1994 Appendix A, Sheet 1
(2) and (6) Appendix D, Sheet 1, 1994 Appendix B, Sheet 1
(3) and (7) Appendix E, Sheet 1
2003-2005 Adjusted for commutation amounts.

Florida Workers' Compensation Joint Underwriting Association

Exhibit 1

CALCULATION OF ESTIMATED GROSS RESERVE ($000)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
											Indicated			
Accident	Estimated Ultimate				CY	L+ALAE	Gross Payments				Gross			# Open
Year	Indemnity	Medical	ALAE	ULAE	GEP	Ratio	Indemnity	Medical	ALAE	ULAE	Reserve	Case	IBNR	Claims
1994	$11,400	$10,500	$1,040		$42,052	54.6%	$11,076	$9,630	$1,016		$1,218	$0	$1,218	1
1995	13,900	14,300	1,980		78,414	38.5%	13,004	12,692	1,875		2,609	757	1,852	3
1996	8,100	11,500	2,490		38,213	57.8%	7,234	8,997	2,269		3,590	2,233	1,358	2
1997	2,300	3,200	900		19,553	32.7%	2,128	2,855	861		556	0	556	0
1998	2,400	2,500	770		16,284	34.8%	2,070	2,296	707		596	239	358	1
1999	2,200	3,800	360		8,148	78.1%	1,068	2,008	167		3,117	2,684	434	2
2000	1,000	1,300	220		4,202	60.0%	976	1,170	205		169	0	169	0
2001	400	600	140		6,153	18.5%	356	483	132		169	28	141	1
2002	600	1,200	250		18,865	10.9%	520	908	226		396	229	167	1
2003	3,500	4,400	1,180		46,605	19.5%	2,997	3,614	1,072		1,397	544	853	1
2004	6,100	10,700	2,390		62,519	30.7%	5,205	9,143	2,102		2,740	718	2,022	5
2005	3,700	14,200	2,070		77,374	25.8%	2,712	7,163	1,603		8,492	6,568	1,924	3
2006	2,200	4,800	1,140		52,161	15.6%	1,719	3,563	946		1,913	10	1,903	3
2007	1,200	2,800	680		22,651	20.7%	807	1,904	512		1,457	7	1,450	2
2008	900	1,800	590		10,791	30.5%	510	1,143	373		1,264	40	1,223	10
2009	400	800	360		2,984	52.3%	111	332	127		990	39	951	4
2010	700	1,400	280		5,619	42.4%	148	477	30		1,725	906	819	31
										Loss+ALAE	$32,396			
										ULAE	$1,900			
Total	$61,000	$89,800	$16,840	$34,937	$512,586	32.7%	$52,643	$68,379	$14,222	$33,037	$34,296	$14,998	$17,398	70

Notes:
(1) Appendix A, Sheet 1
(2) Appendix B, Sheet 1
(3) Appendix E, Sheet 1a
(4) Exhibit 3 + Col. (10)
(5) Data provided by FWC JUA
(6) [(1)+(2)+(3)] / (5)
(7) Appendix A, Sheet 3
(8) Appendix B, Sheet 3
(9) Appendix E, Sheet 4a
(10) Data provided by FWC JUA
(11) Equals (1)+(2)+(3)-(7)-(8)-(9)
(11) ULAE equals (4) - (10)
(12) Appendix A + B, Sheet 2, Col. (2)
(13) Equals (11)-(12)
(14) Appendix F, Sheet 6

Florida Workers' Compensation Joint Underwriting Association

Exhibit 2

CALCULATION OF ESTIMATED NET RESERVE ($000)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
											Indicated			
Accident	Estimated Ultimate				CY	L+ALAE	Net Payments				Net			# Open
Year	Indemnity	Medical	ALAE	ULAE	NEP	Ratio	Indemnity	Medical	ALAE	ULAE	Reserve	Case	IBNR	Claims
1994	$11,400	$10,500	$1,040		42,052	54.6%	$11,076	$9,630	$1,016		$1,218	$0	$1,218	1
1995	13,100	12,900	1,720		72,570	38.2%	12,588	12,258	1,673		1,201	52	1,149	3
1996	7,000	8,000	2,220		35,171	49.0%	6,860	7,606	2,178		576	7	569	2
1997	2,200	3,000	830		18,209	33.1%	2,121	2,830	813		266	0	266	0
1998	2,200	2,400	740		14,549	36.7%	2,070	2,296	707		266	117	150	1
1999	700	900	150		7,439	23.5%	674	844	149		83	0	83	2
2000	900	1,100	190		3,784	57.9%	876	1,007	188		119	0	119	0
2001	400	500	140		4,982	20.9%	356	483	132		69	28	41	1
2002	600	1,200	250		15,218	13.5%	520	908	226		396	229	167	1
2003	3,400	3,800	1,180		39,343	21.3%	2,879	3,437	1,072		992	544	448	1
2004	5,100	8,200	2,300		51,309	30.4%	4,204	7,490	2,072		1,834	718	1,117	5
2005	2,600	7,400	1,740		65,708	17.9%	2,178	5,865	1,545		2,152	1,074	1,079	3
2006	2,100	4,100	1,110		44,112	16.6%	1,719	3,563	946		1,083	10	1,073	3
2007	1,100	2,300	650		18,500	21.9%	807	1,904	512		827	7	820	2
2008	800	1,500	550		9,249	30.8%	510	1,143	373		824	40	783	10
2009	300	600	300		1,750	68.6%	111	332	127		630	39	591	4
2010	600	1,300	260		4,642	46.5%	148	477	30		1,505	906	599	31
										Loss+ALAE	$14,040			
										ULAE	$1,900			
Total	$54,500	$69,700	$15,370	$34,937	$448,587	31.1%	$49,697	$62,073	$13,759	$33,037	$15,940	$3,769	$10,272	70

Notes:
(1) Appendix C, Sheet 1, 1994=Appendix A, Sheet 1
(2) Appendix D, Sheet 1, 1994=Appendix B, Sheet 1
2003-2005 Ultimate less Commutation amounts
(3) Appendix E, Sheet 1b
(4) Exhibit 3 + Col. (10)
(5) Data provided by FWC JUA
(6) [(1)+(2)+(3)] / (5)
(7) Appendix C, Sheet 3, 1994 Appendix A, Sheet 3
(8) Appendix D, Sheet 3, 1994 Appendix B, Sheet 3
2003 - 2005 Paid less Commutation amounts received
(9) Appendix E, Sheet 4b
(10) Data provided by FWC JUA
(11) Equals (1)+(2)+(3)-(7)-(8)-(9)
(11) ULAE equals (4) - (10)
(12) App. C + D, Sh. 2, 1994 App. A + B, Sh. 2
(13) Equals (11)-(12)
(14) Appendix F, Sheet 6

Florida Workers' Compensation Joint Underwriting Association

Exhibit 3

DERIVATION OF ULAE RESERVE

(A) Selected ULAE Ratio:	7.80%
(B) Gross loss case reserves @12/31/10:	$14,998
(C) Indicated gross bulk and IBNR loss reserves @12/31/10:	$17,398
(D) Indicated ULAE reserves @12/31/10: (A) x [.5 x (B) + (C)]	$1,900

Notes: Dollar amounts are in thousands.
(A) NCCI Filing 1/1/11.
(B) Exhibit I, Column (12).
(C) Exhibit I, Column (13).
(D) Rounded to nearest hundred thousand.

RATES & FORMS COMMITTEE REPORT

Operations Manual Revisions

The Board shall consider a Rates & Forms Committee recommendation on proposed revisions to the Operations Manual, which will be sent out under separate cover on February 18th following the Committee's meeting.

At its February 18th meeting, the Rates & Forms Committee will be considering whether to revise the Operations Manual to:

1. eliminate reference to the discontinued FWCJUA Supplemental Employee Leasing Application form with Side A and Side B and reference the replacement forms to be completed (i.e., Employee Leasing Labor Contractor Supplemental Application and the Employee Leasing Client Supplemental Application), if the Employer leases employees to or from another business; and
2. specify that members of an LLC in non-construction industries that meet the definition of an employee shall automatically be covered under an FWCJUA policy and outline the premium determination for such members of an LLC.

Below are the actual proposed revisions to the Manual that the Committee will be reviewing. New information to be added to the Manual is indicated in underline with yellow highlight, while information to be deleted from the Manual is indicated in "~~strike through~~" with yellow highlight.

FWCJUA OPERATIONS MANUAL

PART FOUR – AGENCY AND DESIGNATED PRODUCERS

C. APPLICATION FOR COVERAGE

2. Supporting Documentation Requirements

During the ***Online Application for Coverage*** submission and subsequent review process, the FWCJUA shall request additional information, at its sole discretion, to establish eligibility, assign appropriate classification codes, calculate applicable premium, and otherwise appropriately underwrite the Employer. If a supplemental application form is required to be completed, the Designated Producer will be prompted to review and complete the supplemental form(s) before the ***Online Application for Coverage*** is referred to the FWCJUA for review. The following supplemental forms shall be required to be completed upon the assignment of the specified classification codes to the Employer's operations at application:

a. **Contractor's Supplemental Application** is required upon the assignment of classification codes

0042	3724	5057	5183	5222	5443	5478	5508	5610	6004	6206	6233	6260	7605
0050	3726	5059	5188	5223	5445	5479	5509	5613	6006F	6213	6235	6306	7855
1322	5020	5069	5190	5348	5462	5480	5535	5645	6017	6214	6236	6319	8227
2799	5022	5102	5213	5402	5472	5491	5537	5651	6018	6216	6237	6325	9534
3365	5037	5146	5215	5403	5473	5506	5551	5703	6045	6217	6251	6400	or 9554
3719	5040	5160	5221	5437	5474	5507	5606	5705	6204	6229	6252	7538	

b. **Horse Trainer's Supplemental Application** is required upon the assignment of classification codes 7201, 7205, 8273, 8274, or 8279; and

c. **Truckers Supplemental Application** is required upon the assignment of classification code 7219. This supplemental application is also required upon the assignment of classification code 7380 if it has the highest estimated payroll allocation.

If the Employer leases employees to or from another business at application, the following supplemental forms shall be required to be completed as specified:

d. **Employee Leasing Client Supplemental Application** is required to be completed if the Employer is leasing employees from another business;

e. **~~FWCJUA Supplemental~~ Employee Leasing Labor Contractor Supplemental Application** is required to be completed ~~on Side A~~ if the Employer is leasing employees to another business ~~and on Side B if the Employer is leasing employees from another business~~;

f. **Employee Leasing - Consent to the Release of Client Initiation or Termination Information** is required if the Employer is leasing employees to another business~~.~~; and

~~e~~ g. **Acknowledgement by Labor Contractor and Client of Terms and Conditions of the Multiple Coordinated Policy** is required if the Employer is leasing employees to or from another business~~; and~~.

If the Employer does not have any employees at the time of application, the following supplemental form shall be required to be completed:

~~g~~ h. **Acknowledgement by Employer of Terms and Conditions of an "If Any" Policy.**

Additional supporting documentation that shall be required, as applicable, during the Application submission and subsequent review process shall include, but is not limited to, copies of the following:

~~h~~ i. **UCT-6 or 941 Payroll Verification Forms** for the last four quarters filed with the Department of Revenue;

~~i~~ j. **Exemption/Election Forms** on file or being filed with the Florida Bureau of Compliance;

~~j~~ k. **Experience Rating Worksheet** generated by NCCI;

~~k~~l. **ERM-14 Form (Confidential Request for Ownership Information)** to be filed by the FWCJUA with NCCI;

~~l~~ m. **Most Recent Workers Compensation Policy Information Page** reflecting class codes and payrolls;

~~m~~n. **Loss Runs** valued within the last thirty (30) calendar days generated by the prior workers compensation Insurer(s) identifying the loss history and corresponding premium of the Employer for, at most, the immediately preceding three years;

~~n~~o. **Certificates of Insurance** issued within the last thirty (30) calendar days for all subcontractors including those with leased workers regardless of exemption status;

~~o~~p. **State Contractor's Licenses** issued by the Florida Department of Business and Professional Regulation;

~~p~~q. **Contracts** that particularly establish workers compensation exposure, such as, but not limited to, employee leasing (PEO) arrangements, temporary employment agency contracts, franchise agreements;

~~q~~ r. **Pending and Current Bankruptcy filings and documentation;**

~~r~~ s. **Settlements** related to prior workers compensation insurance obligations;

~~s~~ t. **Valid Finance Agreement** if premium is being financed;

~~t~~ u. **Full Details on Any Voluntary Offers of Coverage;** and

~~u~~v. **Proof of Voluntary Coverage Declinations.**

All supporting documentation shall be submitted electronically to the FWCJUA using the "Attach Document" feature, found on the last page of the ***Online Application for Coverage*,** before referring the Application to the FWCJUA for eligibility and underwriting review.

PART SIX – COVERAGE AND RATING RULES AND PROCEDURES

F. SPECIAL CONDITIONS OR OPERATIONS AFFECTING COVERAGE AND/OR PREMIUM

1. Exemption and Election of Coverage

Corporate officers of a corporation shall automatically be covered under an FWCJUA policy unless the Employer files the proper exemption of coverage form with the Division of Workers Compensation, Bureau of Compliance. Officers of corporations or members of Limited Liability Companies (LLCs) in the construction industry are permitted to elect exemption only if they maintain at least a ten percent 10% stock ownership in the corporation; however, no more than three corporate officers/members within the corporation/LLC are permitted to be exempt. Corporate officers of corporations in non-construction industries are also permitted to elect exemption; however, without either of the above-referenced restrictions applicable within the construction industry.

The FWCJUA will recognize the intent of the exemption forms submitted at the time of application and will subsequently endorse the appropriate premium for the coverage provided for the corporate officers or members of an LLC from the policy effective date to the date that the exemption is approved by the Bureau of Compliance. The Employer is required to submit a copy of each certificate of election to be exempt from coverage to the Service Provider within sixty (60) calendar days of the policy effective date to avoid the premium charge for the corporate officers or members of an LLC. If the Employer does not submit copies of the certificate of election to be exempt within the sixty (60) calendar day grace period, the Service Provider shall charge the premium for the corporate officers or members of an LLC effective retroactive to the policy effective date.

Sole proprietors and partners in the construction industry shall automatically be covered under an FWCJUA policy and cannot elect exemption. Sole proprietors~~, members of an LLC~~ or partners in non-construction industries shall not be covered under an FWCJUA policy unless the Employer files the proper election of coverage form with the Bureau of Compliance.

The FWCJUA will recognize the intent of the election forms submitted at the time of application and will collect the appropriate premium for the coverage to be provided to the sole proprietor~~, members of an LLC~~ or partners in non-construction industries at the time coverage is bound. The Employer is required to submit a copy of the State's letter acknowledging the election of coverage to the Service Provider within sixty (60) calendar days of the policy effective date to secure coverage for the sole proprietor~~, members of an LLC~~ or partners in non-construction industries. If the Employer does not submit copies of the State's letter acknowledging the election of coverage within the sixty (60) calendar day grace period, the Service Provider shall reduce the premium to exclude the sole proprietor~~, members of an LLC~~ or partners from coverage under the policy effective retroactive to the policy effective date.

When exemption or election of coverage forms are submitted other than at the time of application to the FWCJUA, the Service Provider will include or exclude corporate officers, partners, members of an LLC or sole proprietors as of the date that the election or exemption was approved by the Bureau of Compliance. As such, the timely filing of any required exemption or election forms is required to ensure the proper coverage is being provided.

If a corporate officer files an exemption form and later wishes to be covered, or if a sole proprietor, ~~member of an LLC~~ or partner of non-construction industries files an election form and later wishes to be exempt, the Bureau of Compliance should be contacted to obtain the forms necessary to reverse any prior election or exemption forms filed.

Members of LLCs in non-construction industries that meet the definition of employee, as defined in section 440.02, Florida Statutes, shall automatically be covered under an FWCJUA policy. The premium to be charged for such members of an LLC will be determined utilizing either the Premium Determination for Partners and Sole Proprietors or the Maximum Remuneration for Executive Officers as identified in the Miscellaneous Values section of the FWCJUA rate pages. Members of such an LLC will be treated by default as a sole proprietor or partner, unless the LLC provides evidence that it has filed Form 8832 or Form 2553 with the IRS to be taxed as a corporation or as an S-Corporation. If these forms have been filed with the IRS, then the members of such an LLC will be treated as corporate officers for premium determination purposes.

Whether a corporate officer, sole proprietor, member of an LLC or partner is automatically included or excluded from coverage under the Law depends upon several factors. Agencies or their Designated Producers should contact the Bureau of Compliance to determine if, and when, any inclusion or exclusion forms should be filed. In order to determine the correct election or exemption form to file, or to obtain answers to any questions regarding filing procedures, please contact the following office:

Department of Financial Services
Division of Workers' Compensation
Bureau of Compliance
200 East Gaines Street
Tallahassee, Florida 32399-4228
Phone: (850) 413-1609

In all cases, the original election or exemption forms or any reversal of prior election or exemption forms are to be filed by the Employer with the Bureau of Compliance.

Subject to a Rates & Forms Committee recommendation, the Board shall determine whether to authorize staff to file the proposed Operations Manual revisions for OIR approval as soon as practicable.