

Beacon Plan to Address DBR Recommendations

June 29, 2007



Overview

Beacon has been very proactive in improving its operations over the past 12 months since the issuance of the Guiliani Report. We have conducted an extensive analysis to document the internal control activities for most major processes. This process has helped us to identify the risks to Beacon and control points for these activities. Since April, 2006, Beacon has begun working on over 75 corporate improvement projects to create better policies and procedures and implement other best practices.

The DBR Market Conduct Examination has resulted in 79 recommendations. Of the Beacon projects already identified or scheduled, 24 of these projects specifically relate to the majority of issues in the Market Conduct Examination presented to Beacon on April 23, 2007. Beacon has also identified 5 new projects as a result of this Examination.

Beacon is committed to addressing these recommendations with specific goals:

- Provide third-party validation by Ward Group* that Beacon's response addresses the DBR recommendations
- Implement best practices into Beacon practices
- Ensure projects are completed within scheduled timeframe
- Return to DBR to validate that projects have been completed
- Continue to provide superior service and coverage to Rhode Island employers

* Ward Group information available at www.wardinc.com

Beacon Plan Address to DBR Recommendations – June 29, 2007



Recommendations Response (Highlighted items have been completed)

Recommendation	Completed	Project In Process	Project To Be Developed	Alternative Solution
1	1			
2*	1	1		
3		1		
4		1		
5		1		
6	1			
7	1			
8		1		
9		1		
10		1		
11		1		
12*	1	1		
13*	1	1		
14	1			
15	1			
16			1	
17		1		
18		1		
19		1		
20		1		
21		1		
22	1			
23		1		
24		1		
25		1		
26	1			1
27		1		
28	1			
29		1		
30		1		
31		1		
32		1		
33		1		
34		1		
35		1		
36		1		
37			1	
38	1			
39			1	
40		1		

Recommendation	Completed	Project In Process	Project To Be Developed	Alternative Solution
41	1			1
42	1			1
43			1	
44			1	
45			1	
46*	1	1		
47		1		
48		1		
49		1		
50		1		
51		1		
52*	1	1		
53		1		
54		1		
55		1		
56		1		
57	1			
58*	1	1		
59	1			
60		1		
61		1		
62		1		
63		1		
64		1		
65		1		
66		1		1
67	1			
68	1			
69	1			
70		1		
71		1		
72	1			1
73	1			
74	1			
75		1		
76	1			
77	1			
78*	1	1		
79		1		
Total	28	52	6	5

* Indicates recommendations complete but projects address additional procedures being implemented.

Note: Recommendations 43-45 addressed by same project

Task Name	Project Number	Qtr 1, 2007			Qtr 2, 2007			Qtr 3, 2007			Qtr 4, 2007			Qtr 1, 2008			Qtr 2, 2008			Qtr 3, 2008			Qtr 4, 2008										
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec								
UW Philosophy & Pricing Policy	3.7.1	UW Philosophy & Pricing Policy																															
SKM Internal Control Review	3.1	SKM Internal Control Review																															
Safety Group Rate Filing	6.0	Safety Group Rate Filing																															
Automate Schedule Rating Form	3.11.1	Automate Schedule Rating Form																															
Board Development Plan	2.3.2	72 Board Development Plan																															
Agency Management Strategy	3.8.1	85 Agency Management Strategy																															
Agency Compensation Strategy	3.12	86 Agency Compensation Strategy																															
Update Procedures Manual	3.7.2	82 Update Procedures Manual																															
Automate Exp Med Interface	3.11.5			58 Automate Exp Med Interface																													
Establish Quality Assurance Function	3.9.1				72 Establish Quality Assurance Function																												
Contract Management Process	3.5					79 Contract Management Process																											
Improve Board Reporting	3.6					86 Improve Board Reporting																											
Contingent Commission Process	3.4.2					75 Contingent Commission Process																											
Employee Expense Coding	3.18					Employee Expense Coding																											
Collection Process Consolidation	3.4.4					70 Collection Process Consolidation																											
Regulatory Filing Process	3.13.2						83 Regulatory Filing Process																										
Formalize UW Marketing	3.8.5						85 Formalize UW Marketing																										
UW Functional Reorganization	3.8.4						85 UW Functional Reorganization																										
Inter-Departmental Collaboration	3.8.3						86 Inter-Departmental Collaboration																										
Disbursements & CEO Expenses	3.3.1						86 Disbursements & CEO Expenses																										
Regulatory Alert System	3.13.1							80 Regulatory Alert System																									
Shared Earnings Process Improvements	3.4.3							86 Shared Earnings Process Improvements																									
Auto Endorsement to Audit	3.11.2								88 Auto Endorsement to Audit																								
W-9 Processing/Vendor Maintenance	3.3.3								83 W-9 Processing/Vendor Maintenance																								
Loss Prevention Services	3.17								Loss Prevention Services																								
Out of State Automation	3.15								Out of State Automation																								
U/W Learning Environment	3.10								89 U/W Learning Environment																								
Imaging Update	3.16								89 Imaging Update																								
Establish Policy Services	3.8.2								82 Establish Policy Services																								
Regulatory Compliance Review	3.13.4																					84											