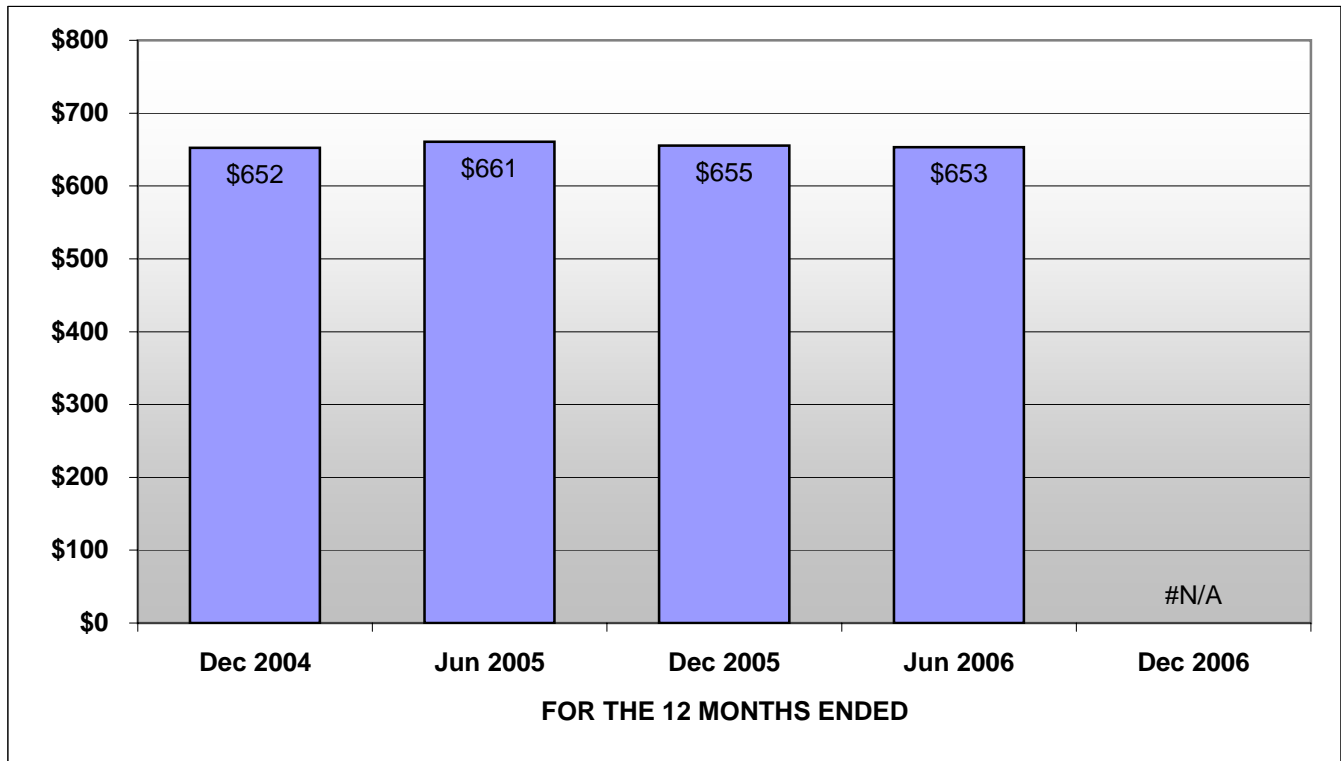


## Premium Cost Per State Fund Worker



### Commentary/Description:

This measure is designed to show employers the statewide average cost of workers' compensation per employee. This is not a measure showing the average cost per claim, as most employees never file one.

### Data Source/Calculation Methodology:

Total premium dollars are divided by the number of full time equivalent workers (FTEs) in the state.

Premium dollars are obtained from employers' payroll reports.

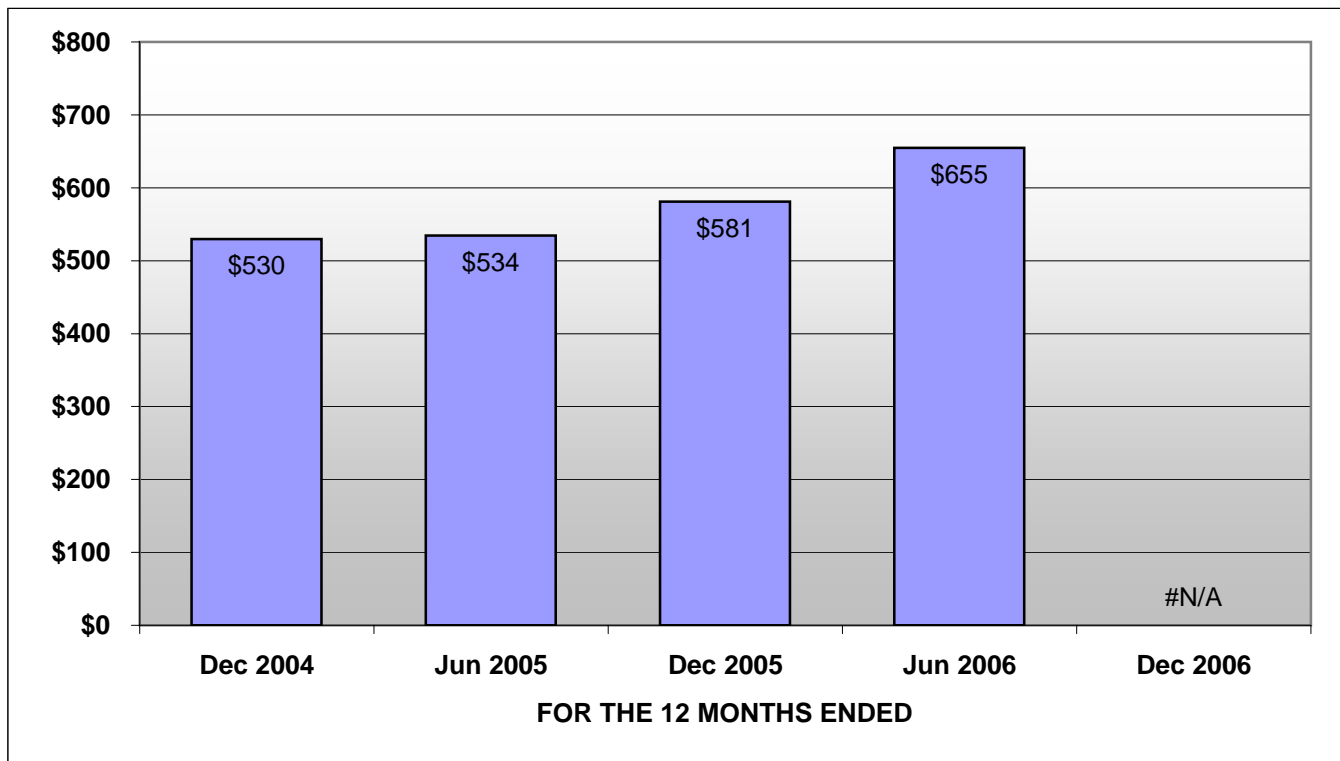
FTEs are calculated by multiplying the statewide average weekly wage by 52 to obtain the average annual wage, then by dividing the total payroll dollars reported by all employers by this annual wage.

### Analysis of current results:

Since payroll and premium are reported after the fact, the most recent reporting period cannot be completed.

Actual premiums for the 12 months ended June 30, 2006 were 0.6% lower than the previous fiscal year. At the same time, the number of FTEs statewide increased by 0.5%, resulting in a net decrease in the average premium cost per FTE of 1.1%.

### Premium Cost Per State Fund Worker After Premium Dividends, Credits and Rebates



#### Commentary/Description:

This measure is designed to show employers the statewide average cost of workers' compensation per employee after taking into consideration any dividends, credits and/or rebates.

#### Data Source/Calculation Methodology:

Total premium dollars are obtained from employers' payroll reports, then reduced by actual dividends, credits and/or rebates given back to employers to obtain net premiums.

Net premium dollars are divided by the number of full time equivalent workers (FTEs) in the state.

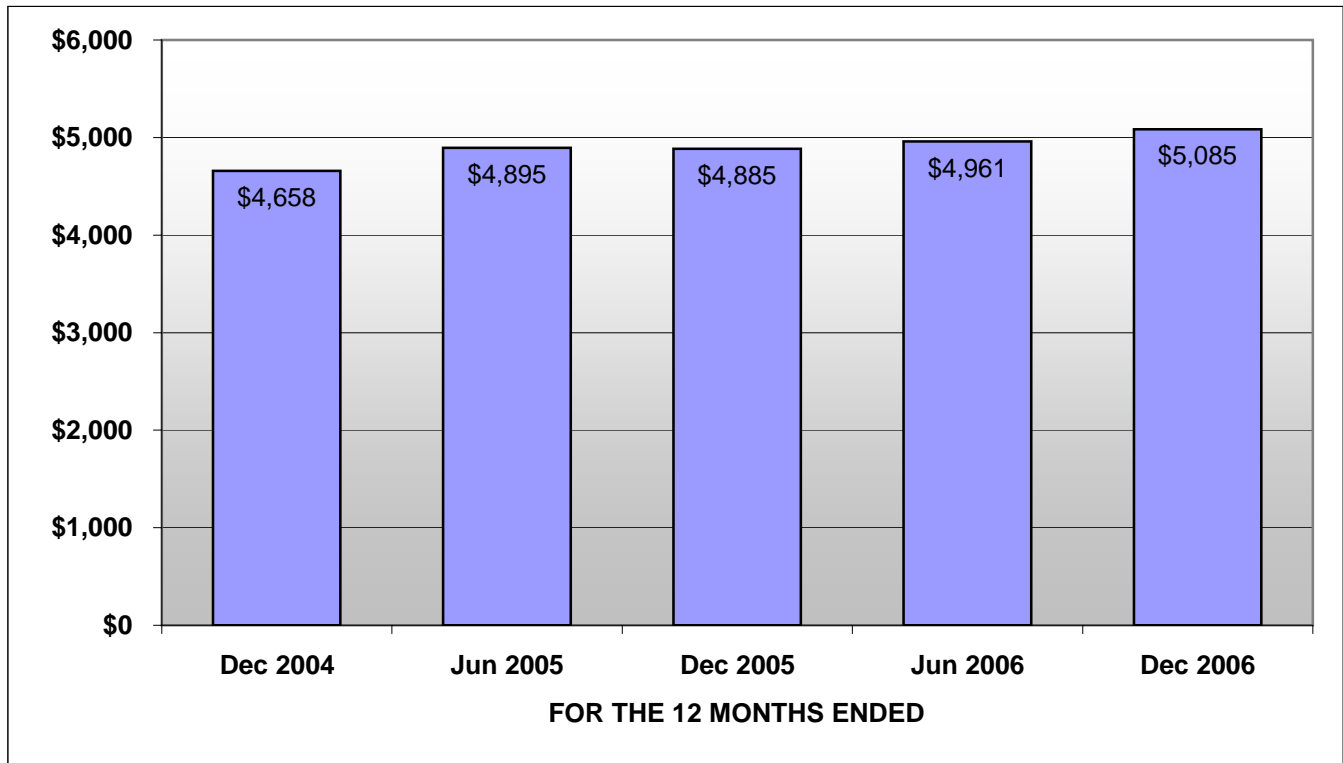
FTEs are calculated by multiplying the statewide average weekly wage by 52 to obtain the average annual wage, then by dividing the total payroll dollars reported by all employers by this annual wage.

#### Analysis of current results:

Since payroll and premium are reported after the fact, the most recent reporting period cannot be completed.

Actual premiums for the 12 months ended June 30, 2006 were 0.6% lower than the previous fiscal year. At the same time, the number of FTEs statewide increased by 0.5% and dividends ceased to be paid. The net result was an increase in the average premium cost per covered worker of 22.5 percent.

## Benefits Paid Per Claim



### Commentary/Description:

This measure is designed to show the average combined Medical and Indemnity costs per claim receiving benefits paid by BWC within the measurement year. This is not a measure of ultimate claim cost, as reserves for future costs are not included.

### Data Source/Calculation Methodology:

Indemnity, Medical costs and claims with benefits paid per Data Warehouse queries.

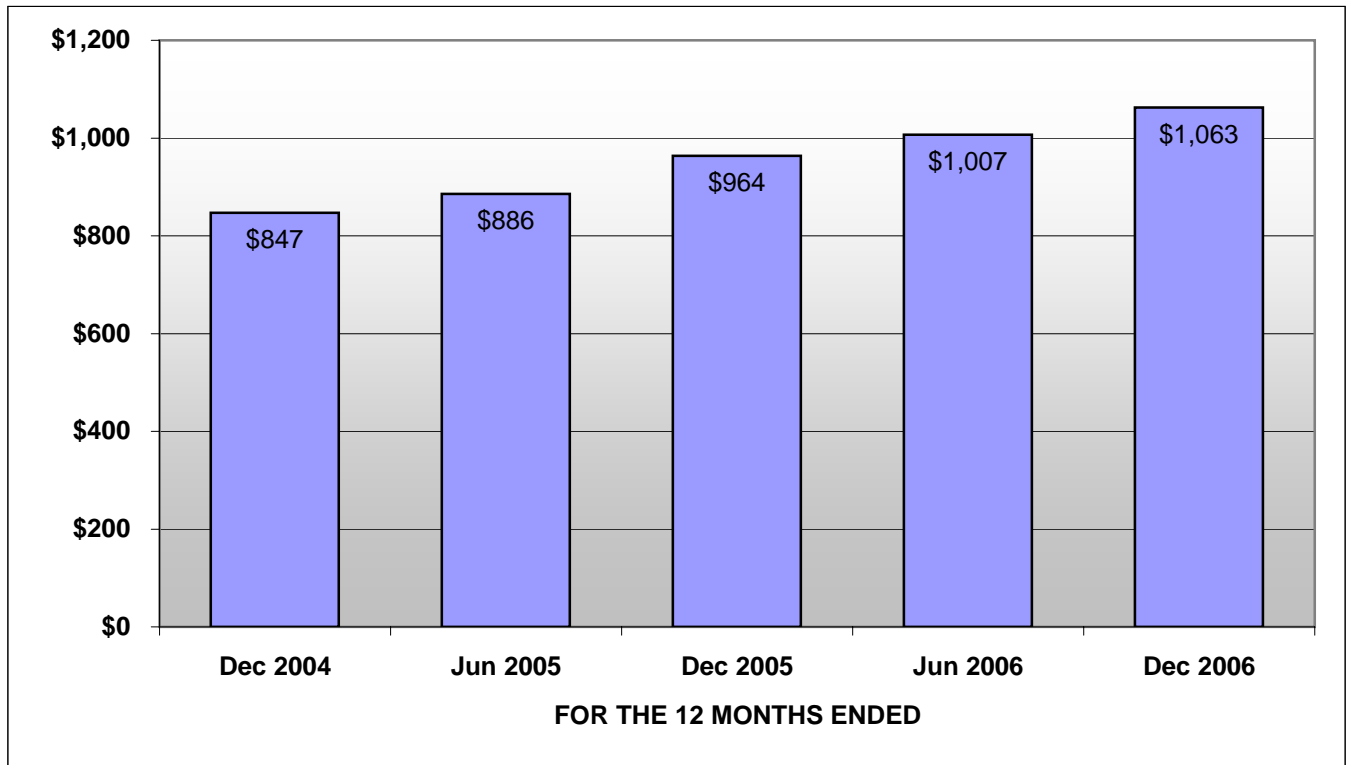
These are actual payments made, net of cancellations, and do not reflect any changes to actuarial reserves. Excludes interest paid on medical bills.

Benefits paid per claim is calculated by adding Indemnity and Medical to obtain the total benefits paid, then dividing by the number of claims on which benefits were paid during the year.

### Analysis of current results:

Compared to CY 2005, total benefits paid in CY 2006 were down by over 2%. However, the number of claims with medical or indemnity benefits paid were down by 5.9%, resulting in an increase in the average benefits paid per claim of 4.1%. The decline in the number of claims with benefits was partially caused by the decrease in new claims filed, and partially by a decrease in the number of older claims with payments.

## Total Administrative Cost Per Claim



### Commentary/Description:

This measure is designed to show the total administrative expense per claim.

Since administrative effort is expended on both newly filed and existing claims, this measure divides total administrative expenses by the number of claims in which there was activity during the year.

### Data Source/Calculation Methodology:

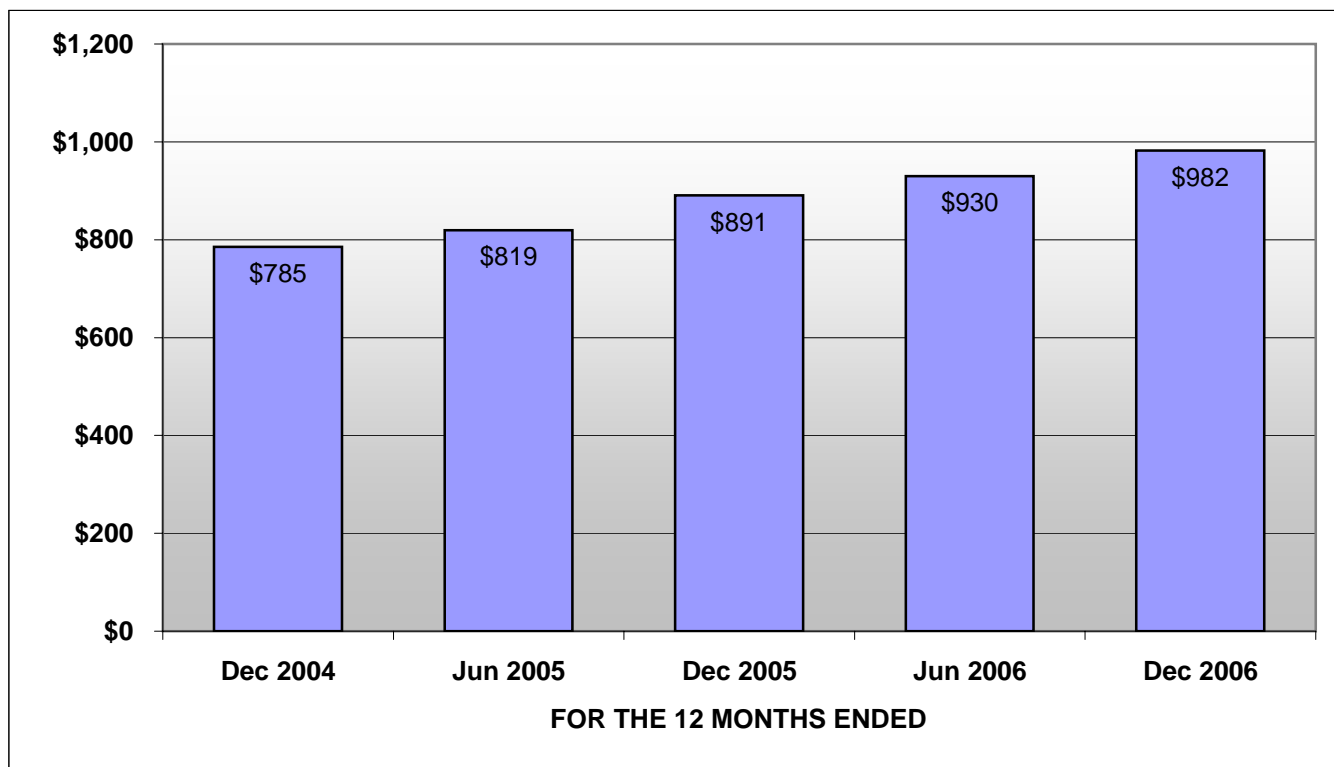
Administrative expenses include fees paid to Managed Care Organizations, as well as direct BWC and IC costs. These expenses are reduced by the amounts charged to self insuring employers via the Administrative Cost Fund Allocation, leaving the State Fund administrative costs.

State Fund administrative costs are divided by the number of State Fund claims with activity. Activity is generally defined as a claim filing, allowance determination, payment, application, or settlement.

### Analysis of current results:

Total Administration cost including the Industrial Commission increased by 2.7% from CY 2005 to CY 2006. At the same time, the State fund claims with activity declined by 6.8%. This resulted in an increase in the Cost per State fund claims by 10.2%.

## BWC Administrative Cost Per Claim



### Commentary/Description:

This measure is designed to show the administrative expense per claim, exclusive of IC costs.

Since administrative effort is expended on both newly filed and existing claims, this measure divides total expenses by the number of claims in which there was activity during the year.

### Data Source/Calculation Methodology:

Administrative expenses include direct BWC costs and fees paid to Managed Care Organizations.

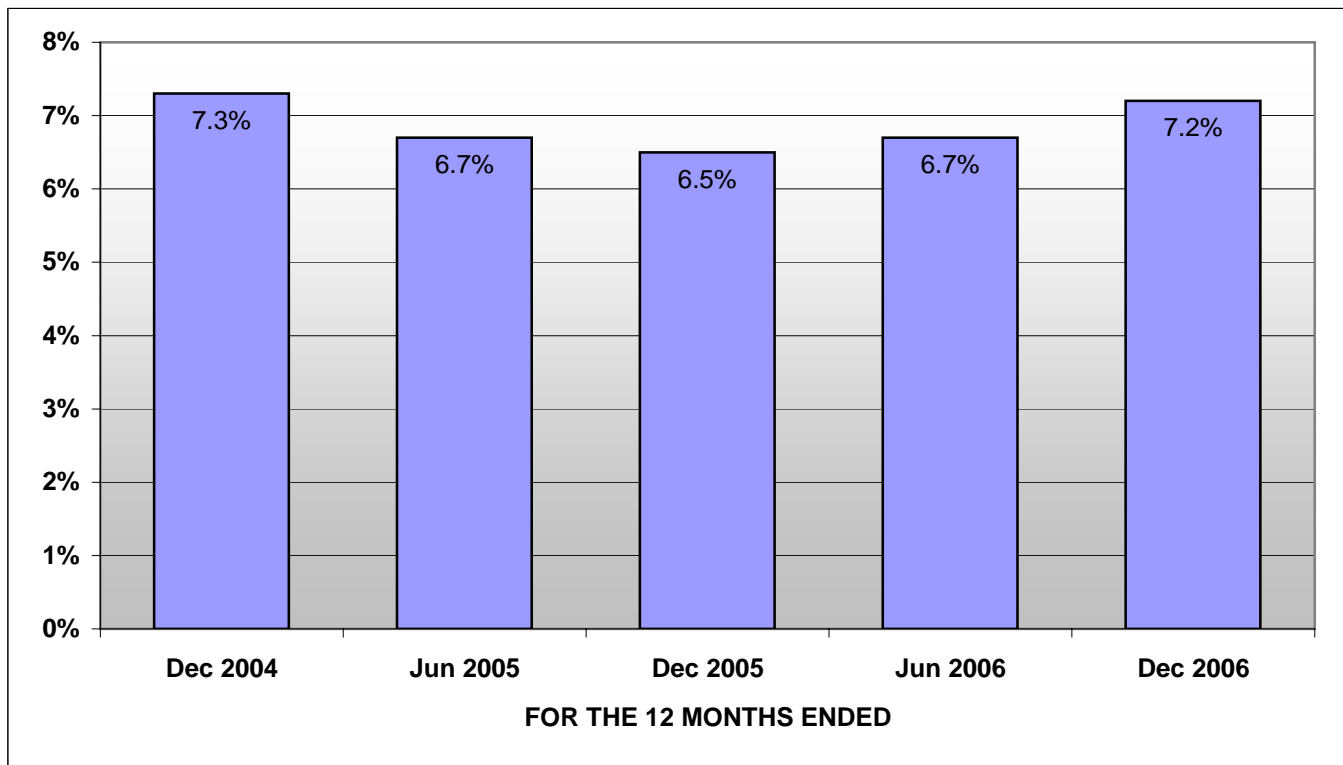
These expenses are reduced by the amount charged to self insuring employers via the Administrative Cost Fund Allocation, leaving the State Fund administrative costs.

State Fund administrative costs are divided by the number of State Fund claims with activity. Activity is generally defined as a claim filing, allowance determination, payment, application, or settlement.

### Analysis of current results:

Total Administrative cost (excluding IC) increased by 4.2% from CY 2005 to CY 2006. At the same time, the number of State fund claims with activity decreased by 6.8%. These factors combined to result in an overall increase in the BWC administrative cost per State fund claim of 10.3%.

## Investment Performance



### Commentary/Description:

This measure is designed to provide an indication of how BWC Investment Performance compared to the benchmark. Our objective is to meet or exceed our investment benchmark return.

### Data Source/Calculation Methodology:

Investment performance is calculated as a percentage by month, by quarter, and annually. Percentage calculation is comprised of income produced by the investments (e.g. dividends and interest received) and the gains/losses from the investments, both realized and unrealized.

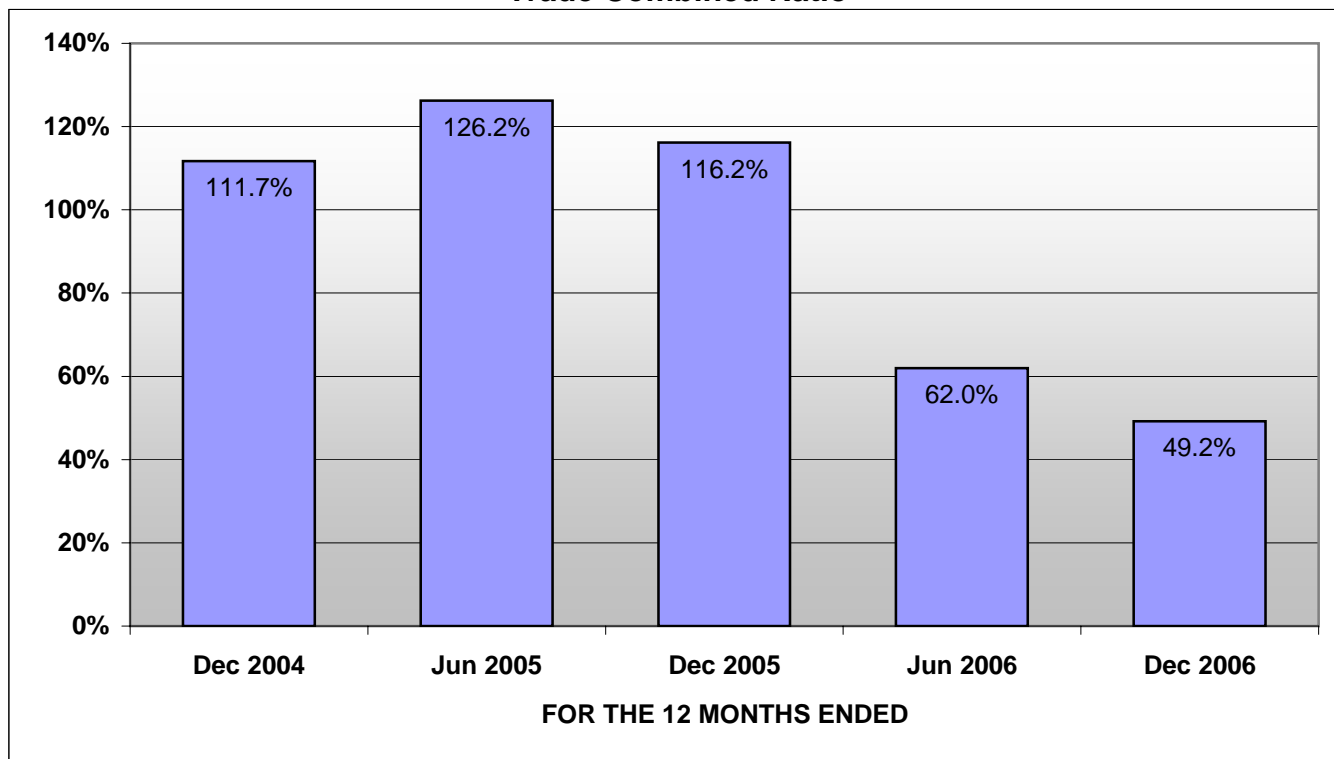
Prior to July 2006, performance results were calculated using only the State Insurance Fund, and did not reflect the impact of investment management fees. Historical results have been restated to a net of fees basis. Additionally, investment results should also reflect performance within the five ancillary funds. For the 12 months ended June 2006 and December 2006, inclusion of these funds did not change the overall investment result, as these funds had investment results very similar to those in the State Insurance Fund. Yearly performance results commencing in July 2006 will be reported for the Total Fund (to include the five ancillary funds), and will be presented net of fees.

### Analysis of current results:

Total Investment results differ from month to month and year to year depending upon the mix of investments (asset allocation) and also conditions in each of these financial markets. The mix of investments in 2004 and 2005 were approximately 60 percent in bonds and 40 percent in stocks. Financial markets were extraordinarily favorable for stocks in 2003 and provided more modest returns in 2004 and 2005.

The Total Fund mix of investments was transitioned to nearly 100 percent bonds at the end of first quarter 2006, and remained nearly 100 percent bonds throughout 2006. Interest rates remained in a relatively narrow range across all U.S. fixed income maturities during 2006 with only modest differences reflected between short-term and long-term yields.

## Trade Combined Ratio



### Commentary/Description:

This measure is designed to provide an indication of the profitability of BWC operations including net investment earnings. A ratio greater than 100% indicates expenses exceed premium and investment earnings.

### Data Source/Calculation Methodology:

The trade combined ratio is a combination of the net loss ratio, expense ratio, policy holder dividend ratio and net investment income ratio.

The net loss ratio is the ratio of benefits and compensation adjustment expenses to premium and assessment income. The expense ratio is the ratio of administrative expenses to premium and assessment income. The policy holder dividend ratio is the ratio of premium dividend credits to premium and assessment.

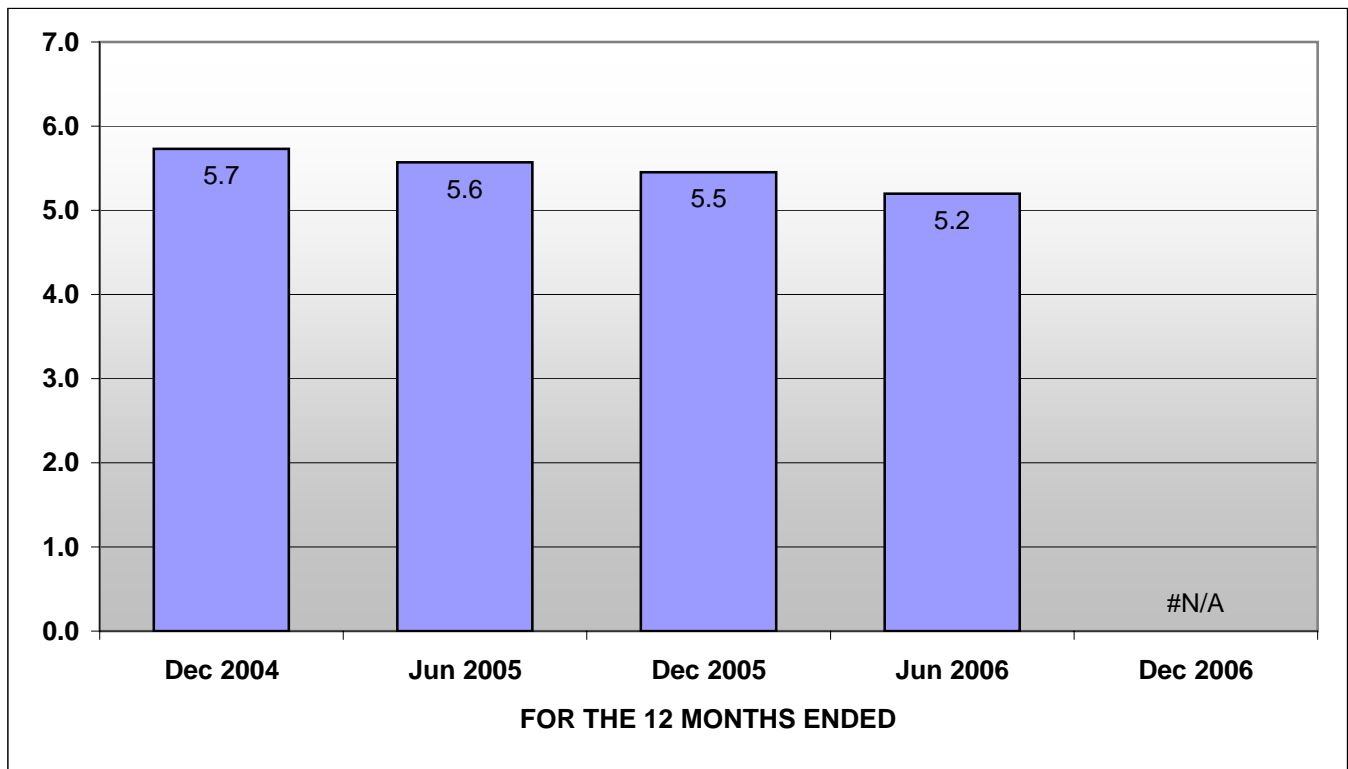
The net investment income ratio is the ratio of interest income net of investment expenses to premium and assessment income. Investment income does not include realized or unrealized gains and losses on the investment portfolio. The net loss ratio, expense ratio, and policy holder dividend ratio are added together to arrive at the combined ratio. The combined ratio is reduced by the net investment income ratio to arrive at the operating (trade) ratio.

The data to calculate these ratios is obtained from the financial statements prepared in accordance with generally accepted accounting principles (GAAP).

### Analysis of current results:

A major component of these calculations is workers' compensation benefits. Workers' compensation benefits are comprised of actual benefit payments and actuarial estimates of the reserves for compensation. The FY FY 2006 Actuarial Audit reported significant declines in the reserves for medical benefits. The declines in the medical reserves are a result of favorable improvements in medical costs over the past 12 months from reductions in the cost of pharmacy benefits and lower hospital reimbursements. Medical reserves declined by \$755 million and the removal of the reserves related to the Price case removed \$200 million from the reserves.

## Injury Rate Per 100 State Fund FTEs



### Commentary/Description:

This measure is designed to show the injury rate for workers covered under the State Fund.

### Data Source/Calculation Methodology:

Every claim is evaluated as of 60 days after filing. Claims that are combined, disallowed, or assigned to a Black Lung, Marine Industry Fund, or self-insuring employer as of that date are excluded. All remaining claims are counted as injuries.

The number of State Fund employees is calculated using total payroll as reported by employers. Total payroll is divided by the statewide average annual wage (52 times the SAWW) to obtain total full-time equivalent employees (FTEs) employed by State Fund employers.

Total injuries are divided by the number of FTEs, then multiplied by 100 to obtain the injury rate per 100 FTEs.

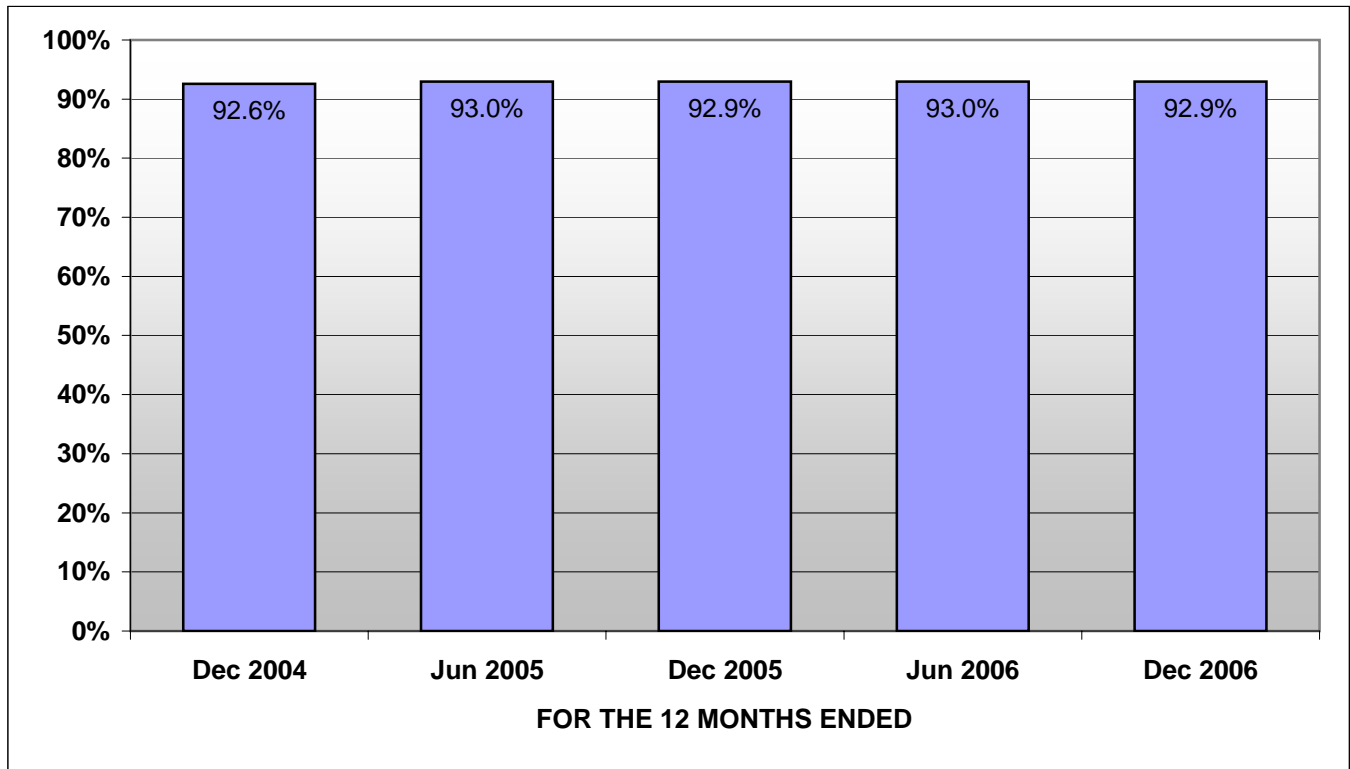
### Analysis of current results:

Since payroll is reported after the fact, the most recent reporting period cannot be completed.

Total claims were down by 6.3% from FY 2005 to FY 2006. At the same time, the number of State Fund FTEs increased by 0.5 %, and the percentage of claims disallowed remained almost unchanged. The combined effect of these three variables resulted in a decrease of 6.7%



## Percent of Injured Workers Returning to Work Within 60 Days



### Commentary/Description:

This measure is designed to show the percent of injured workers who return to work within 60 days of filing their claim. This measure is intended to be a snapshot of all workers' compensation cases, regardless of severity. Because that snapshot includes permanent total disability and death claims, a 100% return to work rate is impossible.

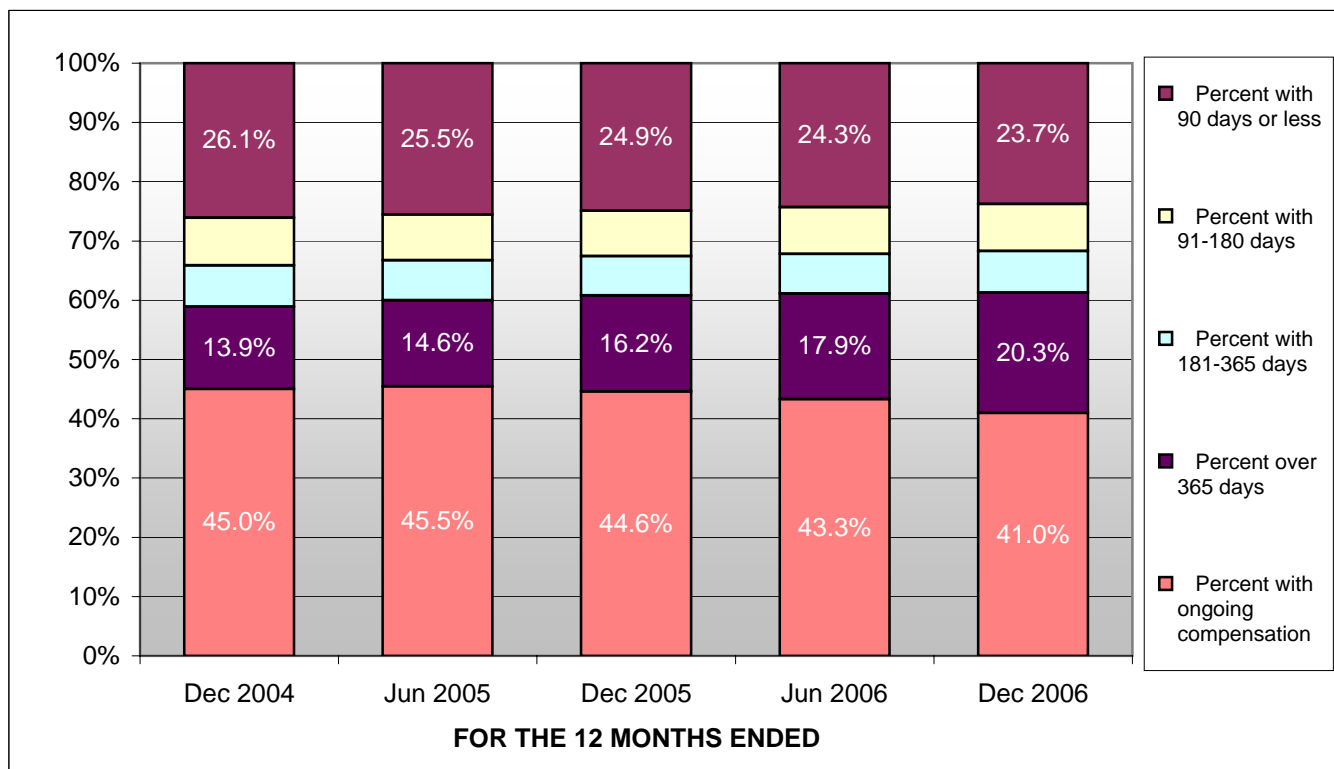
### Data Source/Calculation Methodology:

Claims included in this measure are those counted as injuries in the "Injury Rate per 100 State Fund FTEs" measure. Every injury is evaluated as of the 60th day after claim filing to determine whether the injured worker was off work or not.

### Analysis of current results:

The number of injuries declined by 9.2% from CY 2005 to CY 2006. Of those injuries, the percentage that returned to work within 60 days held constant.

## Claims With Temporary Indemnity Benefits



**Commentary/Description:**

This measure is designed to show how long injured workers receive temporary indemnity benefits.

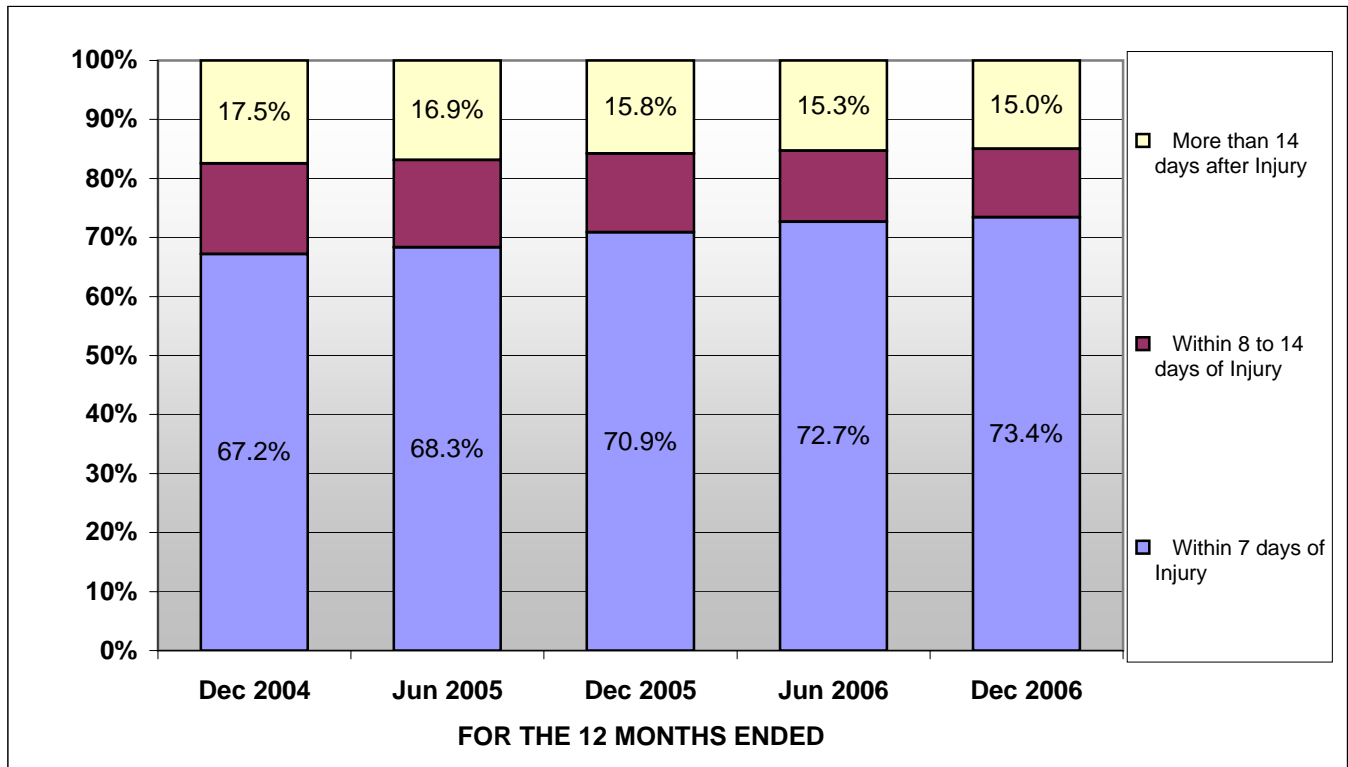
**Data Source/Calculation Methodology:**

This measure includes all claims that have a Temporary Total, Living Maintenance, Wage Loss, and/or Living Maintenance Wage Loss benefit paid for days in the measurement year. For these claims, days of temporary benefits paid are accumulated to the end of the measurement year. Claims with days of temporary compensation paid in the month following the end of the year are considered to have ongoing compensation. All others are grouped by the total number of days for which these benefits have been paid to date.

**Analysis of current results:**

In total, the number of claims receiving temporary indemnity benefits declined by 11.3% from CY 2005 to CY 2006. At the same time, the number of claims with ongoing compensation declined by 18.5%, and these claims now comprise a smaller portion of claims with paid compensation. There was an 11.4 % increase in the number of claims where compensation ceased after more than a year, indicating that efforts to target these long-duration claims for closure are having some success.

## Time Lag to Report Injury



### Commentary/Description:

This measure is designed to show how long it takes for workplace injuries to be reported.

### Data Source/Calculation Methodology:

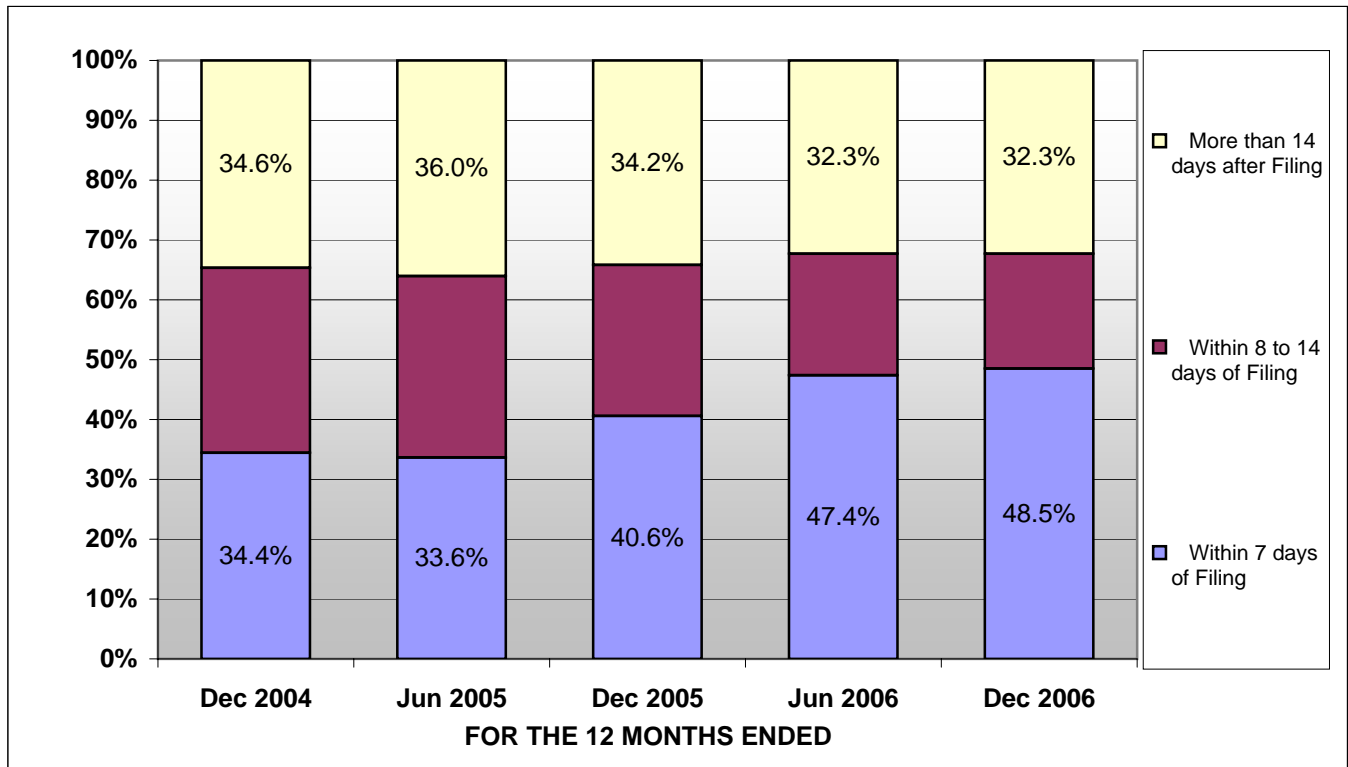
Every claim is evaluated as of 60 days after filing. Claims that are combined or assigned to a Black Lung, Marine Industry Fund, or self-insuring employer as of that date are excluded.

Claims are grouped on the basis of the number of days between injury and claim filing.

### Analysis of current results:

The percentage of claims reported within 7 days of injury increased from 70.9% in CY 2005 to 73.4% in CY 2006. This would indicate ongoing success in educating system participants of the benefits of early claim filing.

## Time Lag to Initial BWC Claim Determination



**Commentary/Description:**

This measure is designed to show how long it takes for claims to go through the initial allowance process. Claims may go through a hearing with the Industrial Commission if the initial decision is in dispute, but that adjudication process is not considered within this measure.

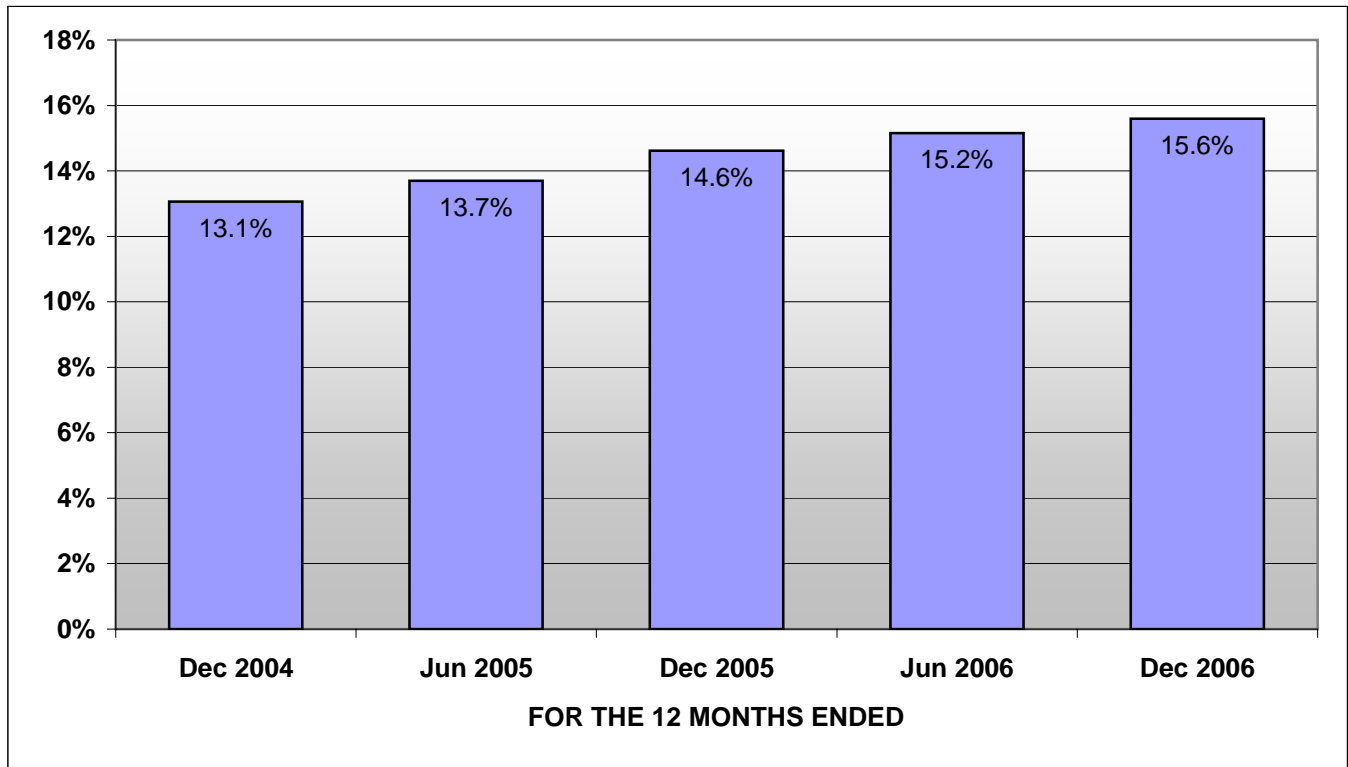
**Data Source/Calculation Methodology:**

Includes claims with an initial determination date during the measurement year. Excludes combined claims, as well as claims currently associated with a Black Lung, Marine Industry Fund, or self-insuring employer.

**Analysis of current results:**

The overall number of claims initially determined declined by 8.9% from CY 2005 to CY 2006. Of those, the number of claims adjudicated within 7 days of filing has increased by almost 9%. At the same time, the number of claims adjudicated more than 7 days after filing declined by 21%. This improvement is due, in part, to the auto-adjudication of low severity claims.

## Percent of Claims Contested



### Commentary/Description:

This measure is designed to show how frequently allowance decisions reached by BWC staff are contested to the Industrial Commission.

### Data Source/Calculation Methodology:

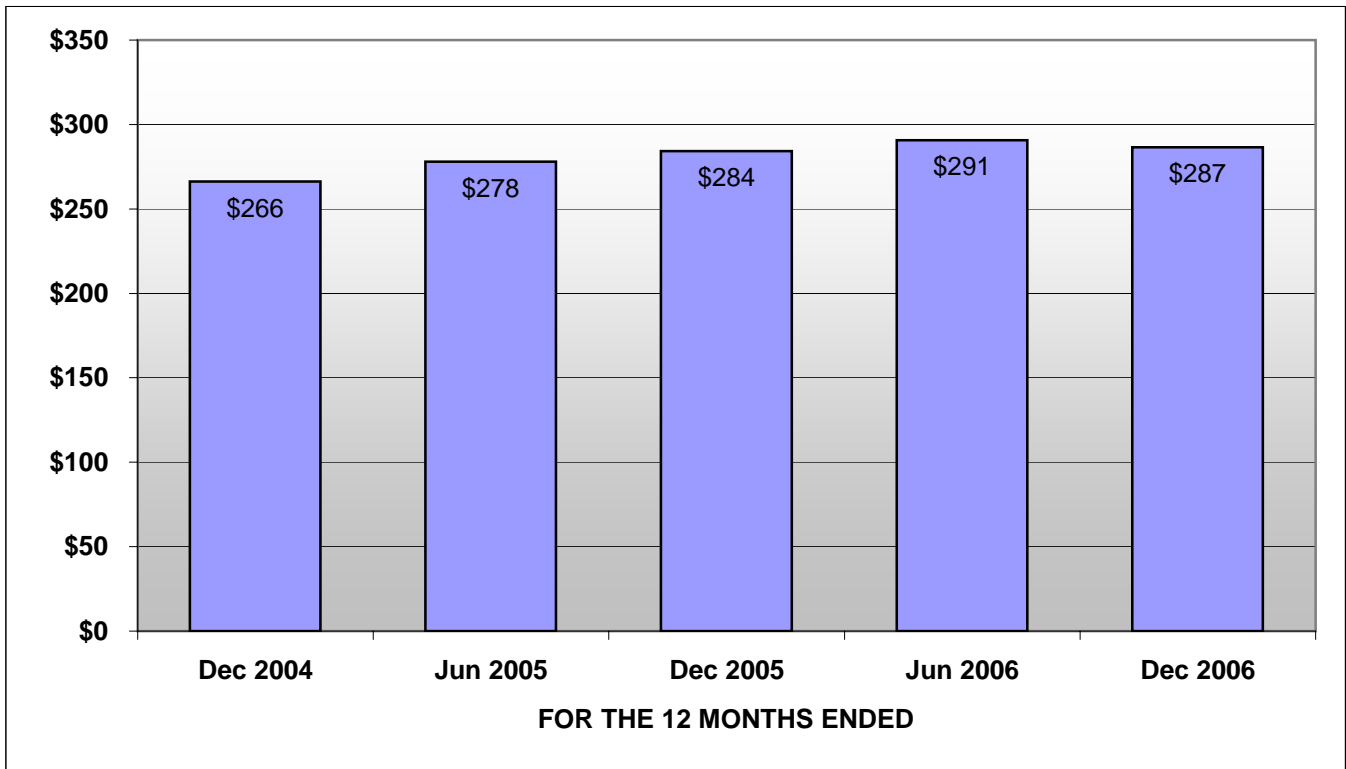
State Fund claims with hearings are obtained from the Management Reporting section of the Industrial Commission. Claims that are heard more than once within a reporting period are only counted once.

The number of State Fund claims with hearings are divided into the number of State Fund claims with activity. Activity is generally defined as a claim filing, allowance determination, payment, application, or settlement.

### Analysis of current results:

The number of State Fund claims heard by IC hearing Officers decreased by 0.6% from CY 2005 to CY 2006. At the same time, however, the number of claims with activity decreased by 6.8%. The net effect on the percent of claims contested was a 6.7% increase from CY 2005 to CY 2006.

## Average Cost Per Industrial Commission Hearing



### Commentary/Description:

This measure is designed to show the cost of dispute resolution in workers' compensation.

### Data Source/Calculation Methodology:

Total Industrial Commission expenses are divided by the number of hearings at all adjudicatory levels.

This measure, in contrast to all others presented, includes values associated with self-insuring employers. No distinction or differentiation is made between a hearing involving the claim of a self-insuring employer or one involving the claim of an employer covered by the State Fund.

### Analysis of current results:

The Industrial Commission's total expenditures remained constant from CY 2005 to CY 2006. However, the number of adjudicatory hearings at all levels declined by 0.8%, causing the average cost per Industrial Commission hearing to increase by 0.8%.