DRAFT
BWC Board of Directors

Friday, October 31, 2008, 8:00 a.m.
William Green Building
Neil Schultz Conference Center
30 West Spring Street, 2nd Floor (Mezzanine)
Columbus, Ohio 43215

Members Present:	William Lhota, Chairman Charles Bryan David Caldwell Alison Falls Kenneth Haffey James Harris James Hummel Thomas Pitts Larry Price Robert Smith James Matesich
Members Absent:	None.

CALL TO ORDER
Mr. Lhota called the meeting to order at 8 a.m.

ROLL CALL
Roll call was taken by the scribe. All members were present.

SEPTEMBER 26, 2008 MINUTES
Motion was made by James Harris, seconded by James Hummel, to approve the minutes, with changes as follows: on page three to reflect that the portfolio for the month to date has experienced a 3.7% decrease. On page five, to reflect that modeling is needed for a set of assumptions. Roll call was taken and the motion to approve the minutes passed 11-0.

The meeting agenda was reviewed. The Governance Committee was added to committee reports. There would be no need to call an Executive Session. It was agreed that the chairman would be permitted to recess the meeting as needed.

Larry Price expressed his gratitude to the Bureau staff and the Board of Directors for condolences concerning the passing of his mother.

COMMITTEE REPORTS:

ACTUARIAL COMMITTEE

Charles Bryan presented the Actuarial Committee report. Discussion was made of the selection of a discount rate for public employer taxing district rate indication. The Committee considered the Chief Actuarial Officer's recommendation to the Administrator, based on a range of indicated changes from Oliver Wyman. The Committee focused on analyses using both 5% and 4% discount rates, and different cost trends found in the Oliver Wyman supplied materials. The Committee discussed the need to make decisions on rates by looking at the actuarial assumptions and the resulting impact on Net Assets. The Funding Ratio proposed by Deloitte will help in this type of discussion in the future. Since we have not developed Net Asset policy, and because of their current level there was some sentiment to recommend no decrease. Mr. Bryan noted that a 1% decrease in the discount rate would raise the rate indication 9%. Motion was made by Mr. Bryan, seconded by David Caldwell, as follows: that the Bureau of Workers' Compensation Board of Directors approve the Administrator's recommendation concerning the public employer taxing district employer premium rates effective January 1, 2009. The resolution consents to the Administrator fixing public employer taxing district employer rates to achieve an overall decrease of five percent in the total collectible premium from the previous year, and consents to the Administrator preparing rate rules consistent with this policy. Roll call was taken and the motion passed 11-0.

Next month, the committee will consider two specific rules for rates for public employer taxing districts to implement the overall change approved today.

John Pedrick, Chief Actuarial Officer, discussed two caps and proposed rules for the first reading. The first cap would limit changes due to the experience of the employer. As the oldest year in the experience period falls away and a new year enters, employers can see very large increases in premium. This is particularly difficult for employers that are removed from groups. The first cap limits the change in experience modifier (EM) to 100%. The second cap would focus on premium changes due solely to changes in the credibility table. This cap would be 30%. Mr. Bryan noted we have used caps before. Mr. Pedrick discussed transition (to be complete by July 1, 2011) with respect to split experience rating, including annual review of the impact of and need for premium caps. Caps are expected to be in place until they have no substantial impact on premiums.

The committee charter has been approved for Governance Committee review. The Committee will continue to review reserves and quarterly reserve changes. The Oliver Wyman contract expires December 31, 2009. A request for proposal concerning a new contract is being developed. The committee should begin the RFP process by the first quarter of 2009. Finally, Mr. Bryan reported that the MIRA II implementation has proceeded with very few issues.

AUDIT COMMITTEE

Kenneth Haffey presented the Audit Committee report. The meeting was held Tuesday, October 28 at the Mansfield Service Office. Motion was made by Mr. Haffey, seconded by Mr. Smith, as follows: that the Workers' Compensation Board of Directors approve the Administrator's recommendation to name Caren R. Murdock as the Bureau's Chief of Internal Audit. Roll call was taken and the motion passed 11-0. Marsha Ryan, Bureau Administrator, noted Ms. Murdock has successfully stepped into the role of the former Chief, Joe Bell. She has been very professional, with a seamless transition into the position. Ms. Ryan is confident in recommending Ms. Murdock to the position.

At the committee meeting presentation was made by Tom Sico, Assistant General Counsel, and Kim Robinson, Director of Policy, on the five year rule review of the claims procedure rules. Motion as was made by Mr. Haffey, seconded by Mr. Matesich, as follows: that the Bureau of Workers' Compensation Board of Directors approve the Administrator's recommendations on the five year rule review of the rules of chapter 4123-3 of the Administrative Code, the claims procedure rules. The motion consents to the Administrator amending fourteen rules, rescinding four rules, adopting one new rule, and retaining without change eleven rules of chapter 4123-3 of the Administrative Code as presented and approved at the Audit Committee. Roll call was taken and the motion passed 11-0.

The second rule change addressed changes in the reimbursement for hospital inpatient services. Mr. Haffey reported that a number of questions concerning these changes were addressed to Bob Coury, Chief of Medical Services, and were answered to the committee's satisfaction. Motion was made by Mr. Haffey, seconded by Thomas Pitts, as follows: that the Bureau of Workers' Compensation Board of Directors approve the Administrator's recommendation to amend rule 4123-6-37.1 of the Administrative Code, "Payment of hospital inpatient services." The motion consents to the Administrator amending rule 4123-6-37.1 as presented and approved at the Audit Committee. Roll call was taken and the motion passed 11-0.

The committee reviewed the committee charter with changes presented. The proposed changes shall be presented to the Governance Committee. There is a proposal to change the name of the committee to the Audit and Finance Committee, with expanded duties, including working directly with Tracy Valentino, Chief of Fiscal and Planning, concerning enterprise reporting. With respect to the external audit, there will be a full presentation November 20 by Schneider Downs. Ms. Valentino noted that the financial statements were prepared as of June 30, 2008 and signed September 30, 2008. As a consequence of subsequent events, footnotes will be added to explain these events, and consequent financial changes.

INVESTMENT COMMITTEE

Mr. Smith presented the Investment Committee report. The committee has no action items. The charter was reviewed, and forwarded to the Governance Committee for their consideration. Discussion was made of capital markets and the investment portfolio, including presentation by Mercer Consulting. The value of all funds is estimated at approximately $15.3 billion dollars and net assets are estimated at approximately $150 million dollars. Invested assets had an estimated negative return of 5.8% for calendar year 2008 ended in September, an estimated negative return of 8.5% October to date, and an estimated negative return of 14.3% calendar year to date. There was thorough discussion of capital markets, and portfolio rebalancing with Mercer Consulting. Bruce Dunn, Chief Investments Officer discussed securities lending at length. The Bureau will not be engaging in securities lending because of the current state of capital markets. There was an educational session concerning minority investment managers. Alison Falls noted there was a detailed discussion and evaluation of the issue of tactical versus strategic asset allocation. Mercer has evaluated this topic extensively, and recommends strategic management over tactical management. Mercer further recommends that portfolio balancing not be made under current market conditions. Mr. Smith announced that Mercer will begin introducing the asset liability modeling process at the November committee meeting. Charles Bryan asked if the level of net assets would create a problem with operating cash flow. Ms. Falls responded in the negative.

GOVERNANCE COMMITTEE

Ms. Falls presented the report. There was no formal meeting this month. The committee is reviewing the Board Governance Guidelines and all committee charters as part of the required annual review of all charters. There has been and electronic and hard copy distribution of the Governance Guidelines and committee charters. Ms. Falls requested any comments or edits be provided to Don Berno, Board Liaison, by noon, November 6. The full Board will consider the proposed revisions at the November Board meeting.

MONTHLY FINANCIAL REPORT:

The enterprise report was presented by Tracy Valentino, Chief of Fiscal and Planning. The Bureau has experienced $155 million dollars in cash collections. This was an increase over projections due to the fact that the last day for reporting payroll and paying premiums was on a weekend. Therefore the cash collection impacted the September financial statements. Cash projections have been completed through January 2009. As a result, there will be a need to generate approximately $150 million in December. Finance is working with Investments as this will be accomplished through call backs from the investment portfolio managers. The Investment Division will determine the most effective way to accomplish this. There has been a $16 million dollar decrease in premium and assessment collections due to safety council participation credits. Also, the last day for premium payments fell on a Saturday, so the book entry was made on Tuesday, September 4. There was an $864 million dollar investment loss recorded in September 2008. Net assets as of September 30, 2008 were $1.6 billion dollars, as of August 31, 2008, the amount was $2.5 billion dollars. Ms. Ryan stated the Bureau clearly has the ability to pay all claims, and there is no need to increase premiums, as a result of successful long term management and planning on the part of the Bureau. Mr. Haffey stated he has weekly conversations with Ms. Valentino concerning the financial condition of the Bureau, and is diligently following the market impact on the Bureau. Mr. Matesich emphasized that money has not been lost by the Bureau, but rather, there has been a negative change in the value of the Bureau's assets. Mr. Price noted that there have been some realized losses in the investment portfolio. When asked, Ms. Valentino noted the Bureau has a competitive advantage, as a state monopoly, to withstand negative market impacts, as it is not regulated by the Department of Insurance, nor does the Bureau have minimum capital requirements. Mr. Smith noted there have been points in BWC's history where we had negative net assets. Mr. Bryan emphasized the importance of operating the Bureau on a fiscally sound basis. Ms. Valentino noted the Bureau has sufficient cash flow to satisfy operational expenses, pay claims, and provide services. Chairman Lhota noted we could not borrow money to help with cash flow issues which could result in selling securities at a loss. The Bureau is implementing various premium payment programs to encourage prompt payment. Ms. Ryan focused on premium payment packages that are available, in particular, enhancements designed to assist employers through the premium payment period. Ms. Falls would like to see the funded ratio added to the performance metrics of the enterprise reporting.

NCCI STATE OF THE LINE

Mr. Pedrick and Liz Bravender, Director of Actuarial, made a presentation on various workers compensation statistics. A handout and power point presentation were included, and are incorporated by reference into the minutes. Comparative data was discussed at length by Ms. Bravender. There is a trend of decreasing premiums nationwide. The Bureau, has had some increase in rates in recent years. The Bureau's rates decreased in 2008. The Bureau is working on smoothing the peaks and valleys of premium changes. The Bureau is working towards achieving stability in rate making. Medical costs have increased as a percentage of the costs of lost time claims. Claim frequency is declining in both Ohio and nationwide. There has been a decrease in total claims, as well as severity, in Ohio, in recent years. The Bureau Actuary follows trends to assist projecting future claims frequency. Workplace safety has improved. The payroll mix by industry classification has changed. Payroll in the manufacturing classification has decreased over the years. Bob Coury, Chief, Medical Services and Compliance briefly discussed allowing pharmacy benefit managers to keep and manage rebates. This decreases the Bureau's cost of managing rebates.

Mr. Lhota recessed the meeting at 9:55 am. The meeting was reconvened at 10:10 am.

ADMINISTRATOR BRIEFING:
Ms. Ryan noted the meeting of the Workers' Compensation Council, Wednesday, October 29, 2008. There were two parts of a presentation by Deloitte. Part three shall be made either November or December 2008. October 23, Ms. Ryan spoke on regulatory reform before a special legislative committee session. There was discussion concerning what agencies are doing with regulatory reform. More specifically, Ms. Ryan discussed changes in the adjudicating process, public forums, checklists and discussions with stakeholders for rule changes. Discussion was made of the Cleveland area group rating case. Hearing has been held on a request for injunctive relief and a decision is awaited. There is a pending motion for certification of employers as a class. Steve Miller represents the Bureau's interests in the case. Restacking of the Bureau is going as planned. The restacking is creating a rational use of floor space, including space to be rented to other agencies. The call center is being relocated to the OCOSH facility in Pickerington. Much research went into this decision. Floors four, five, and six have been vacated for prospective renters. The Bureau will offer floor space at a competitive price. The Bureau will further make rational utilization of the vacant cafeteria in the William Green Building.

One relevant agenda item concerning the General Assembly is the creation of a line item to delineate funding of the Workers' Compensation Council. There has been follow up with phone calls to speakers at the self insurance public forum by the Self Insurance Department.

The greater Cleveland partnership event is scheduled for November 2008. It has been determined that Board members must pay to attend the event, in the event they choose to attend.

Discussion was made of public employer taxing districts. There are about 4900 public employer accounts. Some public employers are experiencing financial challenges. Many public employers experience a high frequency of claims, as well as turnover in management of workers compensation. There is an issue with consistency and focus in the management of their claims. The Bureau is working on improving the relationship it has with public employers. The Mansfield service office is working with cities on a program of "in service at the bureau". These programs utilize best practices, in addition to customized packages developed by al disciplines at the Bureau. The program has already begun to experience success.

CALENDER MATTERS
Don Berno, Board Liaison, made discussion of material preparation for Board meetings, including the desire of Board members to receive materials two weeks prior to the next month's scheduled meetings. There are several issues facing

the preparation of Board materials, including the consolidation of printing with the Department Administrative Services. This clearly impacts materials development. In order for the materials to be delivered two weeks in advance, the materials would need to be prepared the same day as the current Board meeting. It takes one week to complete the enterprise report. There will be short turnaround time for preparation of Board materials for the November and December meetings. Mr. Smith commended the Bureau staff with regard to efficient and timely preparation of Board materials. Mr. Matesich and Mr, Hummel expressed an interest in receiving the materials via electronic transmission. Mr. Price appreciates Ms. Ryan's monthly updates.

Upon motion by Mr. Harris, seconded by Mr. Smith to adjourn, the Board adjourned at 10:45 am. following a roll call vote that passed 11-0.

October 31 prepared by: Thomas Woodruff, Interim Director Self Insured Department

11/21/2008 2:26 PM

Enterprise Report

November 2008

Printed within BWC

Ohio Bureau of Workers' Compensation

Enterprise Report

BWC's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. The statements are prepared using the accrual basis of accounting and the economic resources measurement focus.

Statement of Operations
This statement reports operating revenues and expenses, as well as net investment revenues for the current fiscal year to date, projected, and prior fiscal year to date. A combining schedule for the statement of operations presents the current fiscal year to date revenue and expenses by fund. *Pages 5 and 6.*

Statement of Investment Income
This statement provides information on the sources of investment income, changes in investment fair value, and investment expenses. Information is presented for the current fiscal year to date, projected, and prior fiscal year to date. *Page 7.*

Administrative Cost Fund Budget Summary
This statement reports actual fiscal year to date administrative expenses and budget compared to the budget for the fiscal year and prior fiscal year to date expenses for BWC. The fiscal year budget is also compared to the agency appropriation. *Pages 8 and 9.*

State Insurance Fund Administrative Expense Summary
This statement reports administrative expenses that are permitted to be paid from the State Insurance Fund for the current and prior fiscal year to date along with the remaining open encumbrances for each of the contracts. *Page 10.*

Statement of Cash Flows
This statement presents cash flows from operating, capital and related financing activities, and investing activities. Cash collections and payments are reflected in this statement to arrive at the net increase or decrease in cash and cash equivalents. *Page 11.*

Statement of Net Assets
This statement presents information reflecting BWC's assets, liabilities, and net assets. Net assets represent the amount of total assets less liabilities. This statement would be referred to as a balance sheet in the private sector. A combining schedule presents this information by fund. *Pages 12 and 13.*

Financial Performance Metrics
Financial ratios reflecting BWC's performance are presented here. These financial ratios are insurance industry recognized financial metrics. *Page 14.*

Operational Performance Metrics
Measures reflecting BWC's operational performance are presented here. *Pages 15 through 17.*

Performance Metrics Glossary
Glossary provides definitions and information on calculations for each performance metric. *Page 18.*

October Financial Analysis

BWC's net assets decreased by $1.4 billion in October 2008 resulting in net assets of $224 million at October 31, 2008 compared to $1.6 billion at September 30, 2008.

($ in millions)	**Fiscal YTD** Sept. 30, 2008	**Month Ended** Oct. 31, 2008	**Fiscal YTD** Oct. 31, 2008
Operating Revenues	$546	$164	$710
Operating Expenses	723	52	775
Operating Transfer Out to ODNR	(2)	–	(2)
Net Operating Gain (Loss)	(179)	112	(67)
Net Investment Income (Loss)	(744)	(1,468)	(2,212)
Increase (Decrease) in Net Assets	(923)	(1,356)	(2,279)
Net Assets End of Period	$1,580	$224	$224

- Premium and assessment income of $180 million net of a $15 million provision for uncollectible accounts receivable and a $1 million reduction in other income resulted in operating revenues of $164 million in October. The reduction to other income is primarily due to penalties that have been voided for the late filing and payment of premiums.
- Premium and assessment income in October included reductions of $11 million to accruals for unbilled premiums receivable resulting from lower than expected losses for state agencies and the Disabled Workers' Relief Fund (DWRF).
- Benefits and compensation adjustment expenses of $43 million along with other expenses of $9 million resulted in operating expenses of $52 million in October 2008. Benefits and compensation adjustment expenses were lowered by $160 million in October to reflect the latest reserve projections from BWC's actuarial consultants using payment data through September 30, 2008.
- The $1.52 billion decrease in portfolio market value in October exceeded interest and dividend income of $51 million for the month, resulting in a net investment loss of $1.5 billion for the month after investment expenses. The $1.5 billion decrease in portfolio market value is comprised of $18 million in net realized losses and $1,499 million in net unrealized losses.
- Premium and assessment collections were $148 million in October or approximately $10 million less than projected. This unfavorable variance is timing related as employers participating in the 50/50 program waited until November to make their second payment.
- Claim payments issued in October were $208 million, including $22 million in claim settlements and $16 million in Ohio Hospital Association (OHA) lawsuit settlements. October included three bi–weekly scheduled payment cycles increasing October payments by over $24 million compared to months with two bi-weekly payment cycles.

Fiscal Year–to–Year Comparisons

BWC's total net assets have decreased by $2.3 billion during the four months ended October 31, 2008 resulting in net assets of $224 million compared to $2.9 billion at October 31, 2007.

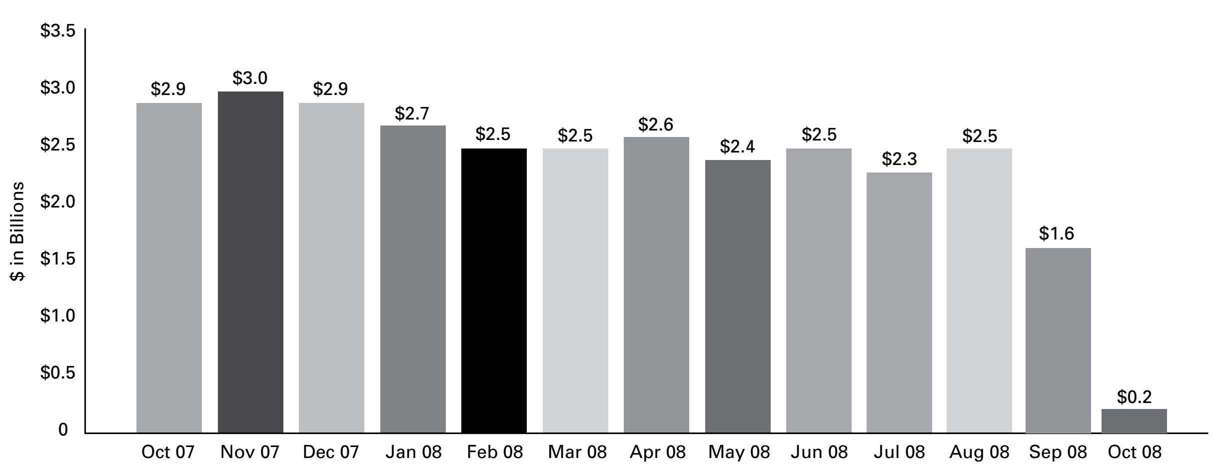
($ in millions)	**Fiscal YTD** Oct. 31, 2008	**Projected FYTD** Oct. 31, 2008	**Fiscal YTD** Oct. 31, 2007
Operating Revenues	$710	$722	$785
Operating Expenses	775	878	1,045
Operating Transfer Out to ODNR	(2)	(3)	–
Net Operating Gain (Loss)	(67)	(159)	(260)
Net Investment Income (Loss)	(2,212)	349	857
Increase (Decrease) in Net Assets	(2,279)	190	597
Net Assets End of Period	$224	$2,693	$2,902

- o BWC's operating revenues for fiscal year–to–date 2009 were $710 million, a decrease of $75 million compared to fiscal year–to–date 2008. This is primarily due to lower accruals for unbilled premiums receivable because of lower than expected losses for state agencies and DWRF. Changes in the safety council discount program resulted in premium reductions of almost $13 million less than the prior fiscal year. This year employers were eligible to earn a 2% premium discount for participation and a 2% performance bonus for reducing either frequency or severity of claims by 10% or more below the previous year, or maintaining both frequency and severity at the previous year's level. The participation discounts were posted in September and the performance bonuses are expected to be posted in December. Last fiscal year, the employers were eligible to earn a 4% premium discount for participation in the safety council discount program.
- o Premium and assessment income is almost 2% or $14 million less than projected.
- o Benefit and compensation adjustment expenses have decreased by $270 million in fiscal year 2009 due to a decrease in the change in reserves for compensation and compensation adjustment expenses. Reserves for compensation and compensation adjustment expenses have decreased by almost $25 million in fiscal year 2009 compared to a $254 million increase in fiscal year 2008. The fiscal year 2009 reserve projections are based on payment trends through September 30, 2008 and include a short–term medical inflation assumption of 6%.
- o Claim payments have increased by $29 million for fiscal year–to–date 2009 compared to the same period in fiscal year 2008. Temporary total, permanent total, percent permanent partial disability and survivor benefits are almost $30 million higher than last year due to the extra bi–weekly payment cycle in October 2008. Last fiscal year, the extra bi–weekly payment cycle occurred in November 2007. Also included in fiscal year–to–date 2009 are $19 million in OHA lawsuit settlement payments. These increases were partially off–set by a $20 million decrease in lump sum settlements.
- o Benefit and compensation adjustment expenses are $104 million or almost 12% less than projected due to lower than projected disbursements for claims and claims adjustment expenses.
- o BWC's net investment loss for fiscal year–to–date 2009 totaled $2.2 billion, comprised of a $119 million in realized losses and $2,418 million in unrealized losses, partially off–set by $327 million of interest and dividend income net of $1.6 million in investment expenses.
- o Cash provided by operating activities is trending lower than the prior fiscal year primarily due to the extra bi–weekly payment cycle and OHA lawsuit settlement payments. Fiscal year–to–date premium collections that are 3% higher than projected are contributing the $22 million favorable variance in cash provided by operating activities.

Conditions expected to affect financial position or results of operations include:

- o The second installment for private employers participating in the 50/50 program was due November 4, 2008. Of the 17,237 employers participating in the 50/50 program, 2,296 employers failed to make the second payment on a timely basis resulting in their coverage lapsing. The percentage of employers failing to pay the second installment on a timely basis has remained fairly steady over the last seven reporting periods.
- o Cash disbursements will increase as payments are made to settle the remaining $21 million liability resulting from the Ohio Hospital Association lawsuit disputing fee schedules that were not adopted through the Ohio Revised Code Chapter 119 rules process.

Net Assets



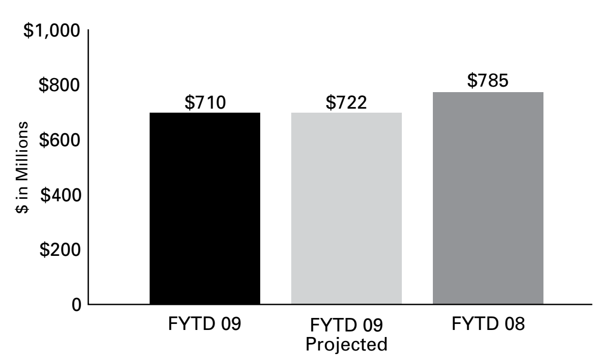
Statement of Operations

Fiscal year to date October 31, 2008

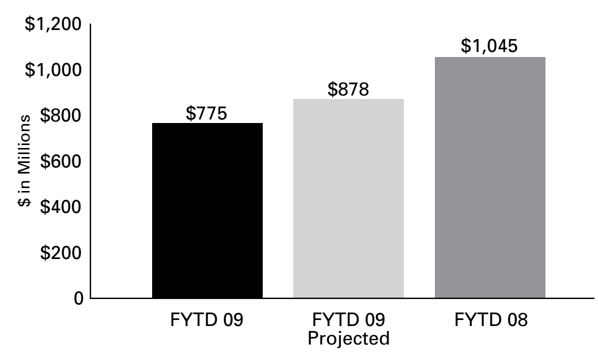
(in millions)

	Actual	Projected	Variance to Projected	Prior Yr. Actual	Year to Year Increase (Decrease)
Operating Revenues					
Premium & Assessment Income	$731	$745	$(14)	$798	$(67)
Provision for Uncollectibles	(28)	(30)	2	(20)	(8)
Other Income	7	7	–	7	–
Total Operating Revenue	710	722	(12)	785	(75)
Operating Expenses					
Benefits & Compensation Adj. Expense	743	847	104	1,013	(270)
Other Expenses	32	31	(1)	32	–
Total Operating Expenses	775	878	103	1,045	(270)
Operating Transfers	(2)	(3)	1	–	(2)
Net Operating Gain (Loss)	(67)	(159)	92	(260)	193
Net Investment Income (Loss)	(2,212)	349	(2,561)	857	(3,069)
Increase (Decrease) in Net Assets	$(2,279)	$190	$(2,469)	$597	$(2,876)

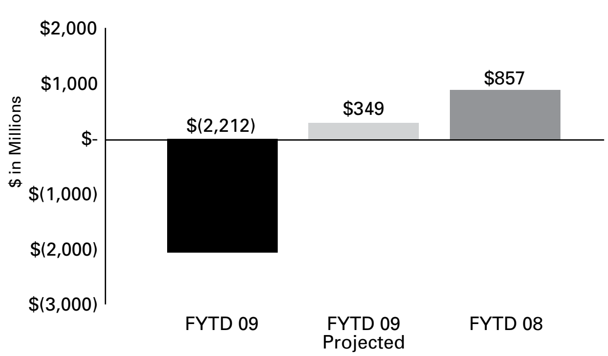
Operating Revenues



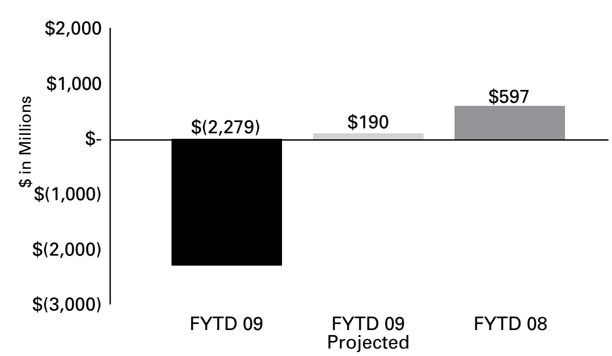
Operating Expenses



Net Investment Income (Loss)



Change in Net Assets



Statement of Operations – Combining Schedule

Fiscal year to date October 31, 2008

(in thousands)

	State Insurance Fund Account	Disabled Workers' Relief Fund Account	Coal–Workers Pneumoconiosis Fund Account	Public Work Relief Employees' Fund Account	Marine Industry Fund Account	Self–Insuring Employers' Guaranty Fund Account	Administrative Cost Fund Account	Totals
Operating Revenues:								
Premium & Assessment Income	$572,673	$29,548	$773	$77	$282	$6,285	$122,062	$731,700
Provision for Uncollectibles	(28,164)	(906)	–	–	–	394	308	(28,368)
Other Income	5,439	–	–	–	–	–	1,475	6,914
Total Operating Revenues	549,948	28,642	773	77	282	6,679	123,845	710,246
Operating Expenses:								
Benefits & Compensation Adj Expenses	617,588	31,369	338	(29)	171	9,732	84,179	743,348
Other Expenses	9,055	83	20	1	50	1	22,579	31,789
Total Operating Expenses	626,643	31,452	358	(28)	221	9,733	106,758	775,137
Net Operating Income (Loss) before Operating Transfers Out	(76,695)	(2,810)	415	105	61	(3,054)	17,087	(64,891)
Operating Transfers Out	(798)	–	(1,745)	–	–	–	798	(1,745)
Net Operating Income (Loss)	(77,493)	(2,810)	(1,330)	105	61	(3,054)	17,885	(66,636)
Investment Income:								
Investment Income	299,089	21,463	4,545	163	122	401	1,609	327,392
Bonds – Realized & Unrealized Gains (Losses)	(1,620,942)	(117,421)	(24,679)	–	–	–	–	(1,763,042)
Equities – Realized & Unrealized Gains (Losses)	(714,753)	(48,958)	(11,177)	–	–	–	–	(774,888)
Total Realized & Unrealized Capital Gains (Losses)	(2,335,695)	(166,379)	(35,856)	–	–	–	–	(2,537,930)
Investment Manager & Operational Fees	(1,402)	(92)	(59)	–	–	–	–	(1,553)
Gain (Loss) on Disposal of Fixed Assets	–	–	–	–	–	–	(28)	(28)
Total Non–Operating Revenues, Net	(2,038,008)	(145,008)	(31,370)	163	122	401	1,581	(2,212,119)
Increase (Decrease) in Net Assets (Deficit)	(2,115,501)	(147,818)	(32,700)	268	183	(2,653)	19,466	(2,278,755)
Net Assets (Deficit), Beginning of Period	2,206,922	848,727	179,339	19,350	13,431	8,919	(773,399)	2,503,289
Net Assets (Deficit), End of Period	$91,421	$700,909	$146,639	$19,618	$13,614	$6,266	$(753,933)	$224,534

This report shows operating activity for each of the funds administered by BWC.

The deficit in net assets for the Administrative Cost Fund is a result of recognizing the actuarially estimated liabilities for loss adjustment expenses while funding for ACF is on a pay–as–you–go basis.

Statement of Investment Income

Fiscal year to date October 31, 2008

(in thousands)

	Actual	Projected	Variance to Projected	Prior Yr. Actual	Year to Year Increase (Decrease)
Investment Income					
Bond Interest	$301,389	$253,964	$47,425	$228,242	$73,147
Dividend Income–Domestic & International	22,029	23,000	(971)	15,269	6,760
Money Market/Commercial Paper Income	3,274	3,252	22	8,265	(4,991)
Misc. Income (Corp Actions, Settlements)	700	1,200	(500)	1,657	(957)
Private Equity	–	–	–	4,523	(4,523)
Securities Lending Income, Net of Fees	–	–	–	–	–
Total Investment Income	327,392	281,416	45,976	257,956	69,436
Realized & Unrealized Capital Gains and (Losses)					
Bonds – Net Realized Gains (Losses)	(66,702)	–	(66,702)	(77,902)	11,200
Bonds – Net Unrealized Gains (Losses)	(1,696,340)	–	(1,696,340)	560,940	(2,257,280)
Subtotal – Bonds	(1,763,042)	–	(1,763,042)	483,038	(2,246,080)
Stocks – Net Realized Gains (Losses)	(52,741)	–	(52,741)	46,913	(99,654)
Stocks – Net Unrealized Gains (Losses)	(721,395)	69,000	(790,395)	55,821	(777,216)
Subtotal – Stocks	(774,136)	69,000	(843,136)	102,734	(876,870)
Net Gain (Loss) – PE	(752)	–	(752)	15,204	(15,956)
Change in Portfolio Value	(2,537,930)	69,000	(2,606,930)	600,976	(3,138,906)
Investment Manager & Operational Fees	(1,553)	(1,540)	(13)	(2,067)	(514)
Net Investment Income (Loss)	$(2,212,091)	$348,876	$(2,560,967)	$856,865	$(3,068,956)

Administrative Cost Fund Expense Analysis

October 2008

- BWC Administrative Cost Fund expenses are approximately $14.7 million (14%) less than budgeted and approximately 3% more than last fiscal year.

- Changes in payroll within divisions varied due to vacant management positions that were filled in fiscal year 2009, vacancies resulting from the fiscal year 2008 Early Retirement Incentive, hiring controls implemented by OBM and positions moving due to reorganization.

- The timing of the receipt of invoices for payment in fiscal year 2009 caused actual expenditures to be less than the amount budgeted through September and more than fiscal year 2008.

- Restrictions implemented for all state agencies concerning the purchase of equipment led to BWC more closely evaluating equipment needs and the reduction of equipment purchases.

- Positions not yet filled led to a reduction in the fiscal year 2009 budget as of September. The payroll budget will be increased as employees are hired.

- BWC's current fiscal year 2009 budget is approximately $23.6 million (7%) less than appropriated by the General Assembly.

Administrative Cost Fund Budget Summary

As of October 31, 2008

Expense Description	FTE's	Actual FY09	Budgeted FYTD09	FYTD09 Variance	FYTD09 Percentage Variance	FY09 Budget	FYTD08 Expenses	Increase (Decrease) in FY09	FYTD09 Percentage Variance
Payroll									
BWC Board of Directors	14	320,383	320,795	412	0.13%	860,332	179,811	140,572	78.18%
Workers' Comp Council	1	33,203	33,203	0	0.00%	55,915	0	33,203	
BWC Administration	6	261,188	261,188	0	0.00%	796,824	161,612	99,576	61.61%
Customer Service	1,485	38,518,765	38,559,182	40,417	0.10%	111,941,164	40,051,506	(1,532,741)	–3.83%
Medical	150	4,045,107	4,049,345	4,238	0.10%	12,013,384	3,631,508	413,599	11.39%
Special Investigations	134	3,887,068	3,888,050	982	0.03%	11,407,174	3,833,801	53,267	1.39%
Fiscal and Planning	67	1,673,886	1,690,860	16,974	1.00%	4,993,557	1,515,722	158,164	10.43%
Actuarial	19	568,836	567,689	(1,147)	–0.20%	1,720,092	521,700	47,136	9.04%
Investments	10	397,079	397,703	624	0.16%	1,301,813	339,766	57,313	16.87%
Infrastructure & Technology	310	10,362,331	10,425,607	63,276	0.61%	30,555,531	9,681,473	680,858	7.03%
Legal	78	2,273,842	2,273,841	(1)	0.00%	6,795,354	2,495,201	(221,359)	–8.87%
Communications	30	969,567	967,695	(1,872)	–0.19%	2,606,797	942,533	27,034	2.87%
Human Resources	67	1,905,888	1,906,579	691	0.04%	5,559,142	1,215,345	690,543	56.82%
Internal Audit	14	443,131	443,658	527	0.12%	1,358,131	537,656	(94,525)	–17.58%
Ombuds Office	10	184,144	184,457	313	0.17%	628,658	110,414	73,730	66.78%
Early Retirement Expenses				0	0.00%		51,656	(51,656)	–100.00%
Total Payroll	2,395	65,844,418	65,969,852	125,434	0.19%	192,593,868	65,269,704	574,714	0.88%
Personal Services									
Information Technology		3,118,205	4,444,571	1,326,366	29.84%	13,502,331	2,602,727	515,478	19.81%
Legal – Special Counsel		93,042	523,396	430,354	82.22%	1,564,843	0	93,042	
Legal – Attorney General		1,003,658	2,222,043	1,218,385	54.83%	4,444,085	923,654	80,004	8.66%
Other Personal Services		1,661,574	3,390,148	1,728,574	50.99%	7,985,906	836,168	825,406	98.71%
Total Personal Services		5,876,479	10,580,158	4,703,679	44.46%	27,497,165	4,362,549	1,513,930	34.70%
Maintenance									
William Green Rent		504,537	521,437	16,900	3.24%	18,904,714	579,422	(74,885)	–12.92%
Other Rent and Leases		5,059,901	7,025,794	1,965,893	27.98%	12,996,444	6,617,653	(1,557,752)	–23.54%
Software and Equipment Maintenance and Repairs		6,796,944	7,080,715	283,771	4.01%	20,321,331	4,333,133	2,463,811	56.86%
Inter Agency Payments		679,783	1,345,332	665,549	49.47%	3,636,452	1,040,655	(360,872)	–34.68%
Communications		1,308,243	2,390,626	1,082,383	45.28%	6,977,919	1,145,962	162,281	14.16%
Safety Grants and Long Term Care Loan		1,139,197	1,500,000	360,803	24.05%	6,000,000	697,903	441,294	63.23%
Supplies and Printing		516,508	957,273	440,765	46.04%	3,187,164	365,374	151,134	41.36%
Other Maintenance		1,280,785	1,287,621	6,836	0.53%	3,756,483	1,145,502	135,283	11.81%
Total Maintenance		17,285,898	22,108,798	4,822,900	21.81%	75,780,507	15,925,604	1,360,294	8.54%
Equipment		26,878	5,146,697	5,119,819	99.48%	9,720,856	331,895	(305,017)	–91.90%
Total Administrative Cost Fund Expenses		89,033,673	103,805,505	14,771,832	14.23%	305,592,396	85,889,752	3,143,921	3.66%

Total Agency Appropriation	329,210,479
Budget to Appropriation Variance	23,618,083
Percentage Variance	7.17%

State Insurance Fund
Administrative Expense Summary

As of October 31, 2008

	Actual FYTD 2009	Encumbrance Balance	FYTD Actual & Encumbrance	Encumbrance Closing Date	Actual FYTD 2008
Investment Administrative Expenses					
UBS Securities LLC	$275,191	$0	$275,191	6/30/08	$773,161
Wilshire Associates Inc.	0	0	0	2/24/08	217,667
JP Morgan Chase – Performance Reporting	32,416	51,318	83,734	6/30/08	0
Mercer Investment Consulting	158,332	363,161	521,493	6/30/09	0
Other Investment Expenses	56,925	396,085	453,010	6/30/08	36,895
	522,864	810,564	1,333,428		1,027,723
Actuarial Expenses					
Oliver Wyman	426,258	1,081,199	1,507,457	12/31/09	258,837
Deloitte Consulting LLP	1,416,755	133,339	1,550,094	12/31/08	0
AON Risk Consultants	0	0	0		263,599
	1,843,013	1,214,538	3,057,551		522,436
Ohio Rehabilitation Services	605,407	0	605,407	6/30/09	0
TOTAL	$2,971,284	$2,025,102	$4,996,386		$1,550,159

The above expenses are paid from the non–appropriated State Insurance Fund.

The investment administrative expense are included in the investment expenses reported on the statement of investment income on page 7.

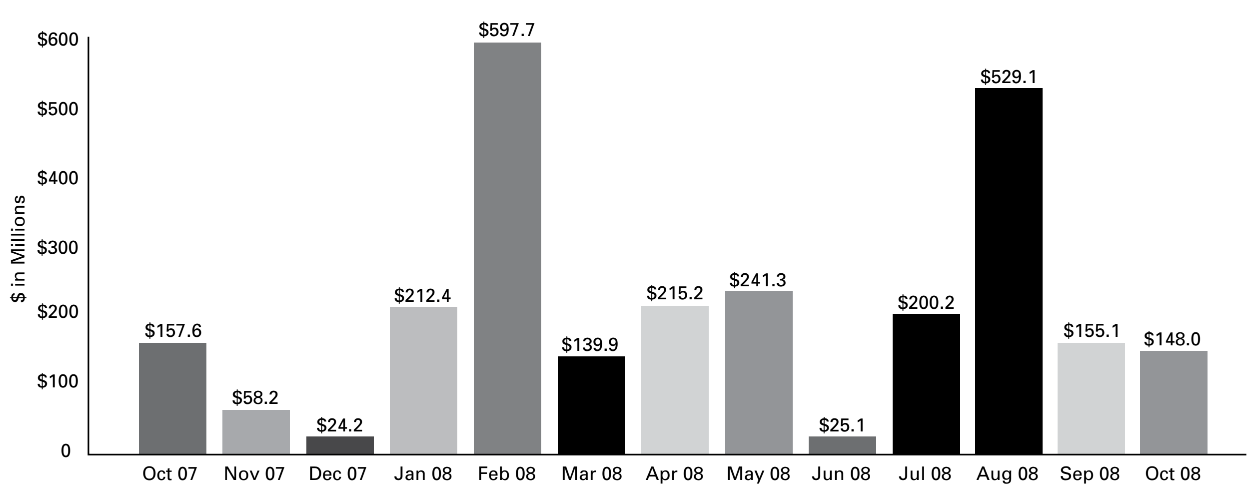
The encumbrance balance is the amount remaining on the contract and may extend beyond the end of this fiscal year.

Statement of Cash Flows

Fiscal year to date October 31, 2008

(in millions)	Actual	Projected	Variance to Projected	Prior Yr. Actual	Year to Year Increase (Decrease)
Cash Flows from Operating Activities:					
Cash Receipts from Premiums	$1,032	$998	$34	$1,024	$8
Cash Receipts – Other	9	10	(1)	11	(2)
Cash Disbursements for Claims	(753)	(757)	4	(719)	(34)
Cash Disbursements for Other	(164)	(149)	(15)	(167)	3
Net Cash Provided (Used) by Operating Activities	124	102	22	149	(25)
Net Cash Flows from Noncapital Financing Activities	(2)	(3)	1	–	(2)
Net Cash Flows from Capital and Related Financing Activities	(3)	(2)	(1)	(4)	1
Net Cash Provided (Used) by Investing Activities	(45)	6	(51)	61	(106)
Net Increase (Decrease) in Cash and Cash Equivalents	74	103	(29)	206	(132)
Cash and Cash Equivalents, Beginning of Period	378	378	–	328	50
Cash and Cash Equivalents, End of Period	$452	$481	$(29)	$534	$(82)

Premium and Assessment Receipts



Statement of Net Assets

As of October 31, 2008

(in millions)	Actual	Prior Yr. Actual	Year to Year Increase (Decrease)
Assets			
Bonds	$12,281	$13,654	$(1,373)
Stocks	2,428	3,302	(874)
Private Equities	–	203	(203)
Cash & Cash Equivalents	452	534	(82)
Total Cash and Investments	15,161	17,693	(2,532)
Accrued Premiums	4,256	4,549	(293)
Other Accounts Receivable	207	194	13
Investment Receivables	319	405	(86)
Other Assets	116	119	(3)
Total Assets	20,059	22,960	(2,901)
Liabilities			
Reserve for Compensation and Compensation Adj. Expense	$19,411	$19,525	$(114)
Accounts Payable	53	67	(14)
Investment Payable	140	232	(92)
Other Liabilities	231	234	(3)
Total Liabilities	19,835	20,058	(223)
Net Assets	$224	$2,902	$(2,678)

Statement of Net Assets – Combining Schedule

As of October 31, 2008

(in thousands)

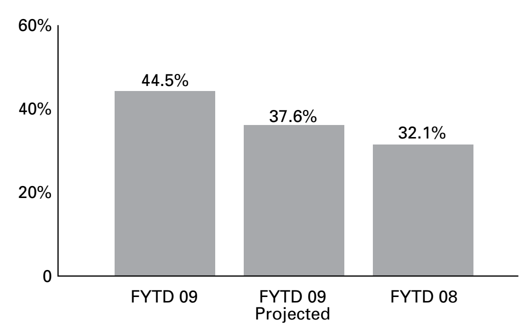
	State Insurance Fund Account	Disabled Workers' Relief Fund Account	Coal–Workers Pneumoconiosis Fund Account	Public Work Relief Employees' Fund Account	Marine Industry Fund Account	Self–Insuring Employers' Guaranty Fund Account	Administrative Cost Fund Account	Eliminations	Totals
Assets									
Bonds	$11,295,710	$ 814,697	$ 170,355	$ –	$ –	$ –	$ –	$ –	$12,280,762
Stocks	2,240,011	153,038	34,891	–	–	–	–	–	2,427,940
Private Equities	311	–	–	–	–	–	–	–	311
Cash & Cash Equivalents	342,153	6,264	2,826	22,775	17,050	57,259	3,740	–	452,067
Total Cash & Investments	$13,878,185	$ 973,999	$ 208,072	$ 22,775	$ 17,050	$ 57,259	$ 3,740	$ –	$15,161,080
Accrued Premiums	1,823,385	1,532,230	–	254	–	670,825	229,585	–	4,256,279
Other Accounts Receivable	181,700	17,143	25	–	–	(2,373)	10,703	–	207,198
Interfund Receivables	17,344	70,540	–	–	30	1,537	126,361	(215,812)	–
Investment Receivables	296,970	17,878	4,359	37	28	92	–	–	319,364
Other Assets	25,806	22	–	–	–	–	89,796	–	115,624
Total Assets	$16,223,390	$ 2,611,812	$ 212,456	$ 23,066	$ 17,108	$ 727,340	$ 460,185	$ (215,812)	$20,059,545
Liabilities									
Reserve for Compensation and Compensation Adj. Expense	$15,640,513	$ 1,888,044	$ 62,800	$ 3,416	$ 3,198	$ 718,257	$1,094,472	$ –	$19,410,700
Accounts Payable	53,539	–	–	–	–	–	123	–	53,662
Investment Payable	130,676	7,259	2,150	–	–	–	–	–	140,085
Interfund Payables	197,316	15,511	106	32	30	2,817	–	(215,812)	–
Other Liabilities	109,925	89	761	–	266	–	119,523	–	230,564
Total Liabilities	16,131,969	1,910,903	65,817	3,448	3,494	721,074	1,214,118	(215,812)	19,835,011
Net Assets	$ 91,421	$ 700,909	$ 146,639	$ 19,618	$ 13,614	$ 6,266	$ (753,933)	$ –	$ 224,534

Financial Performance Metrics

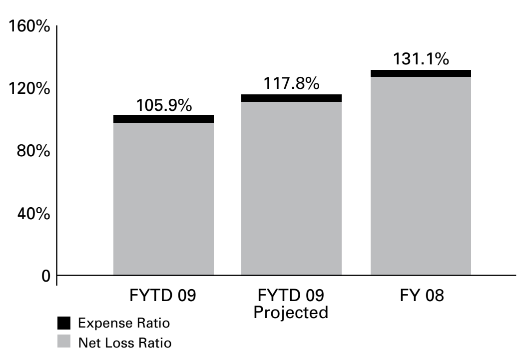
	Actual FY09 As of 9/30/08	Projected FY09 As of 9/30/08	Actual FY08 As of 9/30/07	Target
Loss Ratio	83.0%	92.3%	106.7%	
LAE Ratio – MCO	7.1%	7.9%	9.0%	
LAE Ratio – BWC	11.5%	13.5%	11.3%	
Net Loss Ratio	101.6%	113.7%	127.0%	120.0%
Expense Ratio	4.3%	4.1%	4.1%	5.0%
Combined Ratio	105.9%	117.8%	131.1%	125.0%
Net Investment Income Ratio	44.5%	37.6%	32.1%	
Operating Ratio (Trade Ratio)	61.4%	80.2%	99.0%	100.0%
Operating Cashflow Ratio	149.6%	142.1%	144.9%	118.0%
Total Reserves to Net Assets	86 to 1	7 to 1	7 to 1	7 to 1
Investments to Loss Reserves	78.1%	90.9%	90.6%	110.0%
Equities to Net Assets	10.82 to 1	1.18 to 1	1.14 to 1	
Bonds to Net Assets	54.7 to 1	5.2 to 1	4.7 to 1	
Funding Ratio (State Insurance Fund)	1.01		1.18	

Target measures represent long–term goals for the agency. Business practices, peer group results, and historical data were considered in the establishment of the targets.

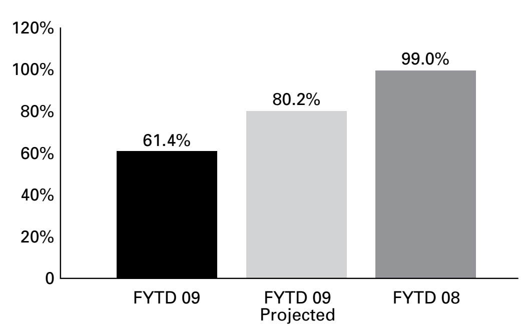
Investment Income Ratio



Combined Ratio

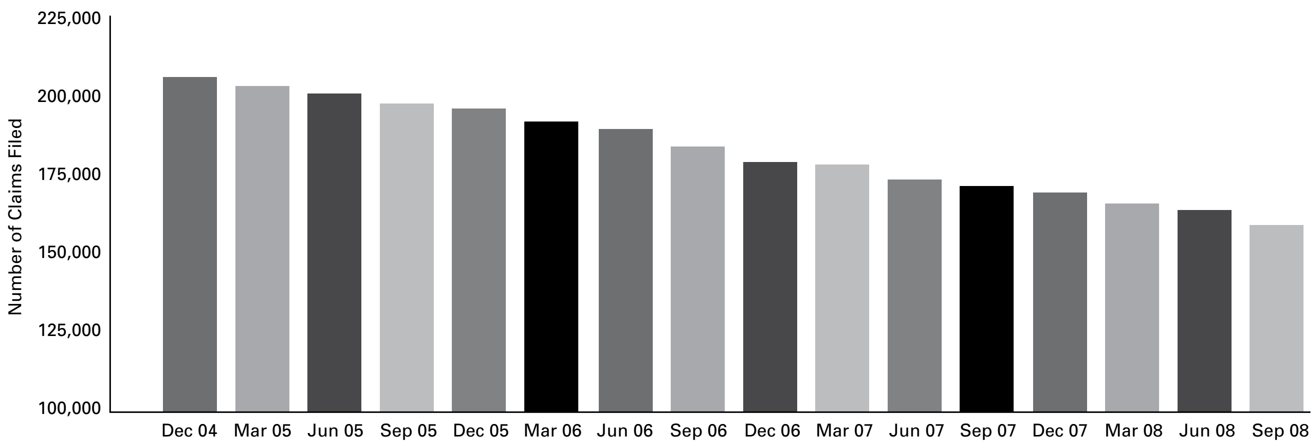


Operating Ratio

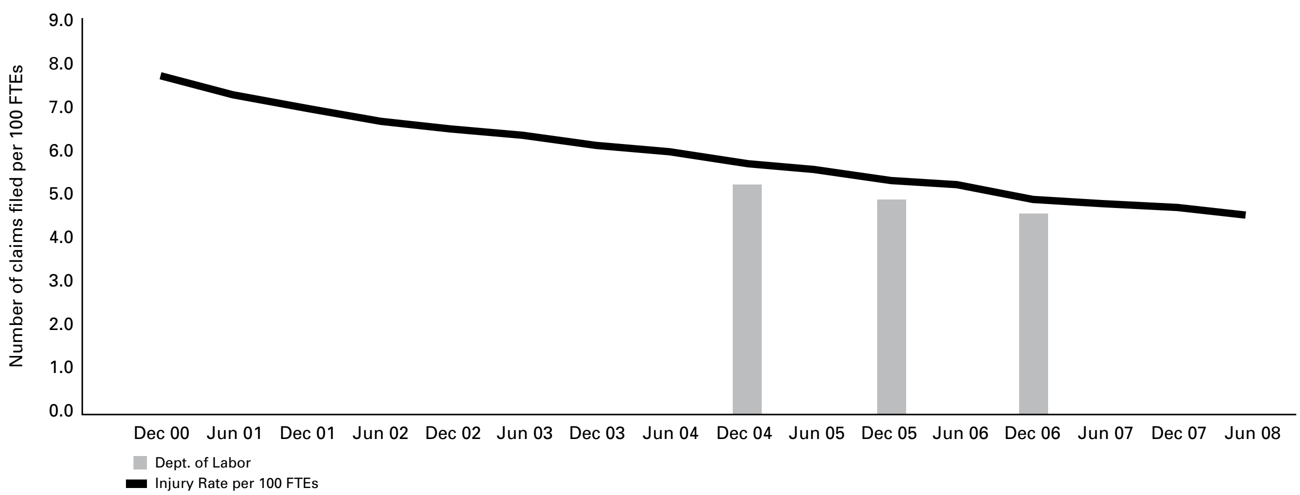


Operational Performance Metrics

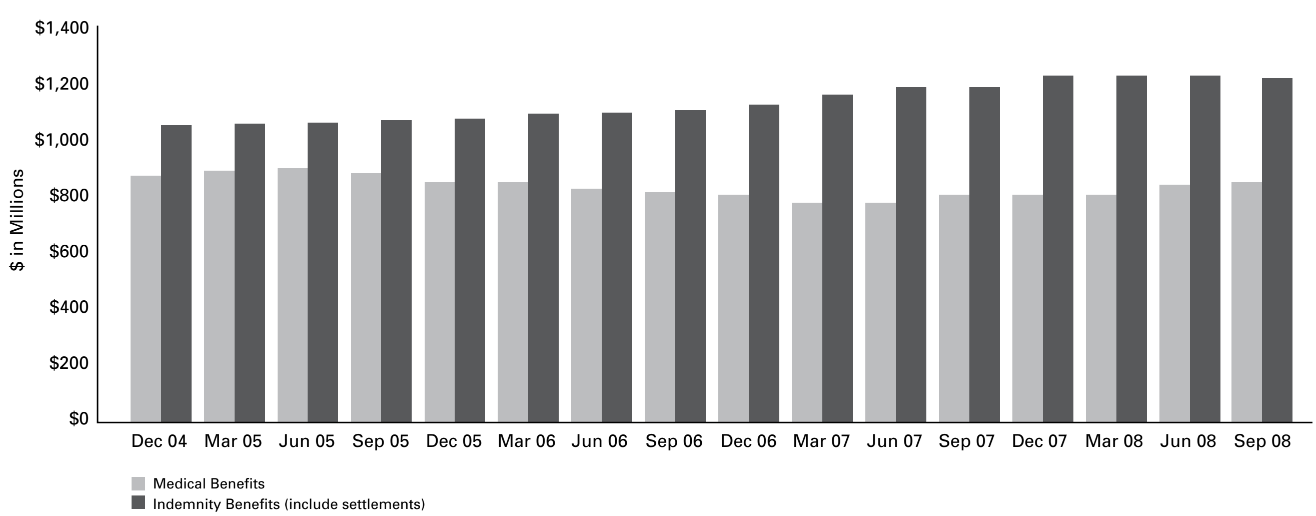
New Claims Filed - *Twelve months ended*



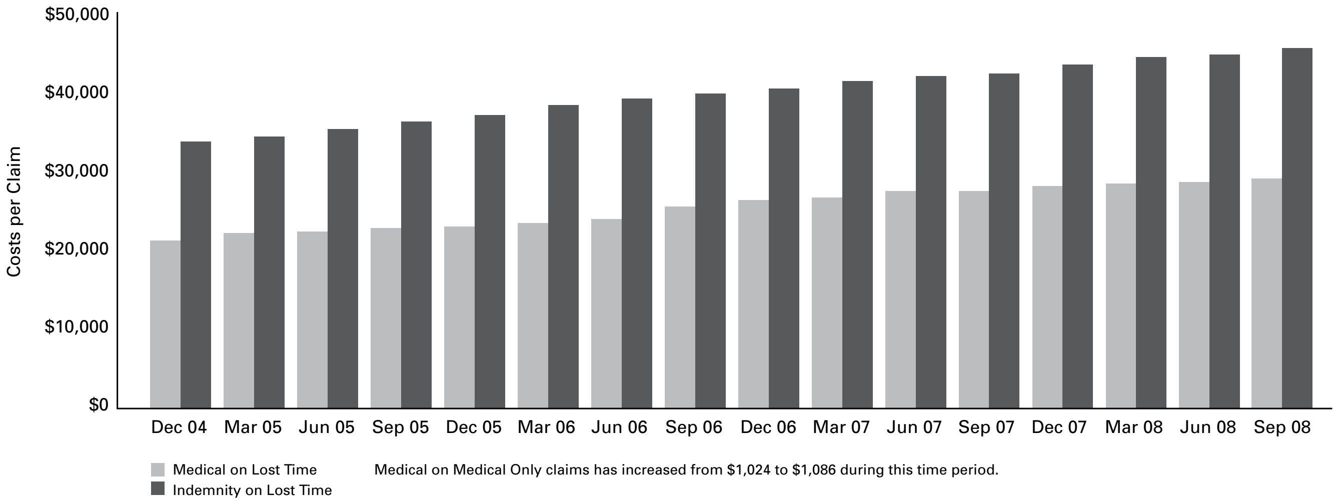
Frequency - *Reported semi-annually*



Benefit Payments - *Twelve months ended*

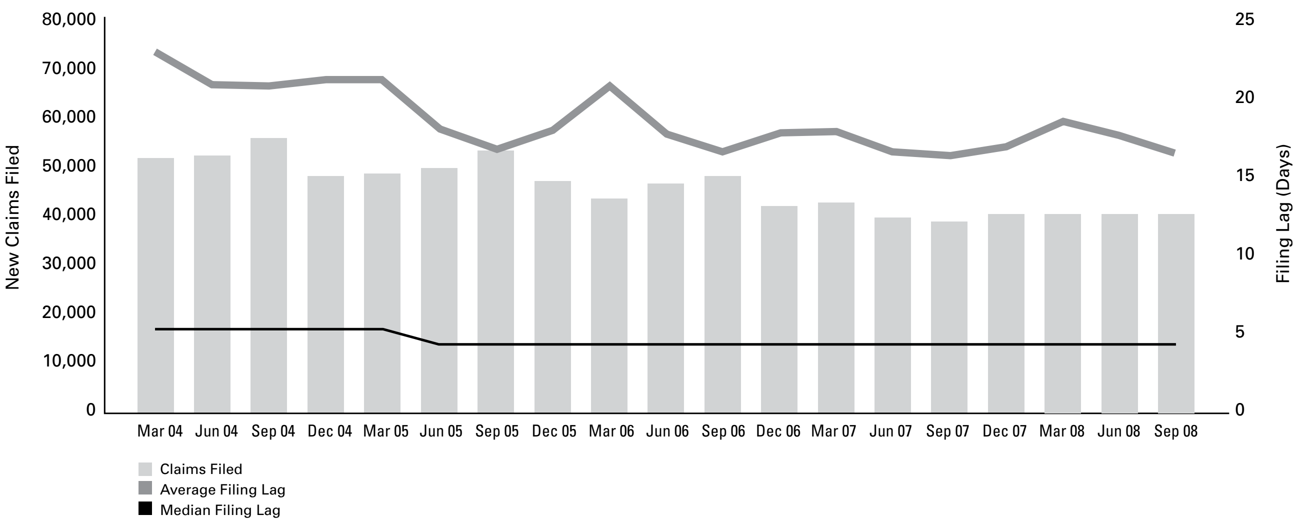


Severity

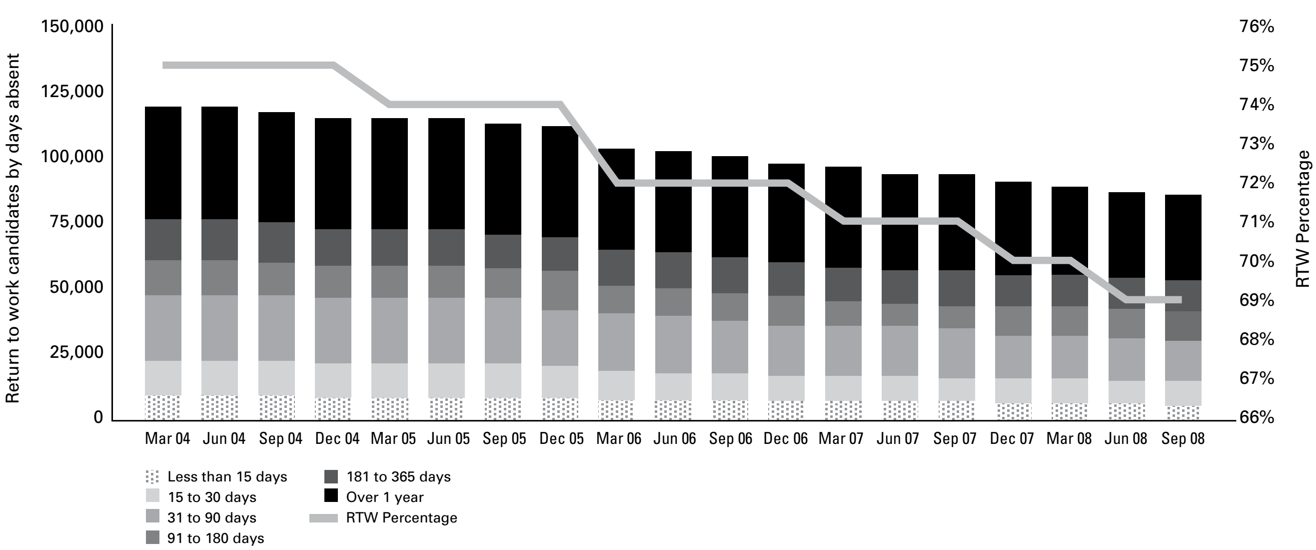


Medical on Medical Only claims has increased from $1,024 to $1,086 during this time period.

Claim Filing Lag



Return to work

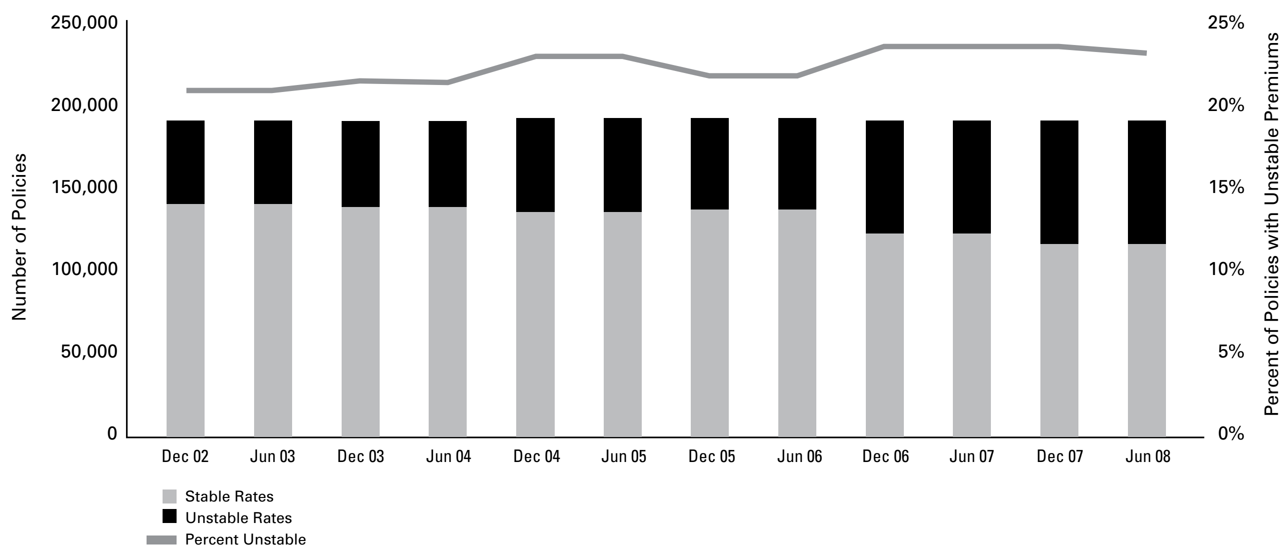


Aggregate Reported Payroll – *Twelve Months Ending*

($ in millions)	Private	PEC	PES	Black Lung	Marine
Dec 2002	$82,400	$17,611	$5,823	$64	$3
Jun 2003	$83,090	$17,611	$5,924	$51	$4
Dec 2003	$83,304	$18,022	$6,005	$59	$4
Jun 2004	$83,741	$18,022	$6,076	$73	$3
Dec 2004	$85,492	$18,545	$6,184	$84	$3
Jun 2005	$86,530	$18,545	$6,266	$82	$4
Dec 2005	$87,902	$18,594	$6,388	$87	$4
Jun 2006	$90,414	$18,594	$6,524	$98	$5
Dec 2006	$91,830	$18,946	$6,654	$98	$5
Jun 2007	$93,636	$18,946	$6,788	$100	$4
Dec 2007	$94,890	$19,427	$6,914	$107	$4
Jun 2008	$95,027	$19,427	$7,032	$117	$5

PEC employers report payroll only once per year, while other employers report twice per year. Therefore, the same PEC payroll is presented twice in each fiscal year in the above table.

Premium Stability



Performance Metrics Glossary

Loss Ratio
Measures loss experience – Compensation benefit expenses divided by premium and assessment income.

LAE Ratio
Measures loss adjustment experience – Loss adjustment expenses divided by premium and assessment income.

Net Loss Ratio
Measures underlying profitability or total loss experience – Sum of the loss ratio and the LAE ratios.

Expense Ratio
Measures operational efficiency – Other administrative expenses divided by premium and assessment income.

Combined Ratio
Measures overall underwriting profitability – Sum of net loss and expense ratios.

Net Investment Income Ratio
Measures the investment income component of profitability – Interest and dividend income less investment expenses divided by premium and assessment income. This ratio does not include realized or unrealized capital gains and losses.

Operating Ratio
Measures overall profitability from underwriting and investing activities – Combined ratio less net investment income ratio.

Operating Cash Flow Ratio
Measures the relationship between operating receipts and disbursements – Collections from operating activities (premiums, interest and dividends net of investment expenses) divided by operating disbursements.

Total Reserves to Net Assets
Measures the relationship between future claims and claim adjustment liabilities and net assets – Total reserves divided by premium and assessment income.

Investments to Loss Reserves
Measures the relationship of the investment portfolio to total reserves – Total cash and investments dividend by total loss reserves.

Equities to Net Assets
Measures the exposure of net assets to BWC's investment in equities – Equities divided by net assets.

Bonds to Net Assets
Measures the exposure of net assets to BWC's investment in bonds – Bonds divided by net assets.

Funding Ratio
Provides an indication of financial strength and security – Funded assets divided by funded liabilities.

New Claims Filed
Measures the number of new State Insurance Fund claims filed for rolling twelve month periods measured quarterly.

Frequency
Measures the number of injuries reported per 100 workers covered by the State Insurance Fund updated semi–annually.

Benefit Payments
Measures the dollar amount of medical and indemnity payments for rolling twelve month periods updated quarterly.

Severity
Measures the average cost of medical and indemnity expenses per lost time claim.

Claim Filing Lag
Measures the average and median number of days from the date of injury to the date of claim filing.

Return to Work Rates
Measures the percentage of injured workers who have returned to work relative to the claim population eligible to return to work.

Aggregate Reported Payroll
Measures reported payroll by employer type for a rolling twelve month period, updated semi–annually.

Premium Stability
Measures the number of employers whose premium rate changed more than 5 percent and total premium changed more than $500 from the prior year.

Statement of Operations
Month Ended October 31, 2008

($ in millions)	Fiscal YTD Sept 30, 2008	Month Ended Oct 31, 2008	Fiscal YTD Oct 31, 2008
Operating Revenues	$ 546	$ 164	$ 710
Operating Expenses	723	52	775
Operating Transfer Out to ODNR	(2)	-	(2)
Net Operating Income (Loss)	(179)	112	(67)
Net Investment Income (Loss)	(744)	(1,468)	(2,212)
Increase (Decrease) in Net Assets	(923)	(1,356)	(2,279)
Net Assets End of Period	$ 1,580	$ 224	$ 224

Net Investment Income

Month Ended October 31, 2008

($ in millions)	Fiscal YTD Sept 30, 2008	Month Ended Oct 31, 2008	Fiscal YTD Oct 31, 2008
Interest and Dividends	$ 277	$ 51	$ 328
Net Realized Losses	(102)	(18)	(120)
Net Unrealized Losses	(918)	(1,500)	(2,418)
Investment Mangager & Operational Fees	(1)	(1)	(2)
Net Investment Income	$ (744)	$ (1,468)	$ (2,212)

Statement of Operations

Fiscal Year to Date October 31, 2008

(in millions)

	Actual	Projected	Variance to Projected	Prior Yr. Actual	Year to Year Increase (Decrease)
Operating Revenues					
Premium & Assessment Income	$ 731	$ 745	$ (14)	$ 798	$ (67)
Provision for Uncollectibles	(28)	(30)	2	(20)	(8)
Other Income	7	7	-	7	-
Total Operating Revenue	710	722	(12)	785	(75)
Operating Tranfers					
Operating Expenses					
Benefits & Compensation Adj. Expense	743	847	104	1,013	(270)
Other Expenses	32	31	(1)	32	-
Total Operating Expenses	775	878	103	1,045	(270)
Operating Transfers	(2)	(3)	1	-	(2)
Net Operating Gain (Loss)	(67)	(159)	92	(260)	193
Net Investment Income (Loss)	(2,212)	349	(2,561)	857	(3,069)
Increase (Decrease) in Net Assets	$ (2,279)	$ 190	$ (2,469)	$ 597	$ (2,876)

Ohio | Bureau of Workers' Compensation

Fiscal Year 2009

Financial Projections

(As of October 31, 2008)

Presented by: Tracy Valentino, Chief Fiscal & Planning Officer

November 21, 2008

Fiscal Year 2009 Revised Financial Projections

The fiscal year 2009 financial projections have been revised to include updated projections for reserves for compensation and compensation adjustment expenses and the 5% overall rate decrease for public employer taxing districts approved for the January 1, 2009 policy year.

The latest reserve projections from Oliver Wyman used payment data through September 30, 2008 and assumed short-term medical inflation of 6% compared to medical inflation of 9% in the original projections. This resulted in a $65 million decrease in unbilled premiums and assessments and a $661 million decrease to benefits and compensation adjustment expenses.

The 5% public employer taxing district rate decrease results in a $10 million decrease to premium and assessment income.

Projected Statement of Operations
Fiscal Year Ending June 30, 2009

(in millions)

	Updated Forecast Fiscal Year June 30, 2009	Original Fiscal Year Projected June 30, 2009	Forecast to Original Increase (Decrease)	Fiscal Year Audited June 30, 2008	Forecast to FY08 Increase (Decrease)
Operating Revenues					
Premium & Assessment Income	$2,210	$2,299	($89)	$2,235	($25)
Provision for Uncollectibles	(70)	(73)	3	(97)	27
Other Income	18	19	(1)	22	(4)
Total Operating Revenues	2,158	2,245	(87)	2,160	(2)
Operating Expenses					
Benefits & Compensation Adj. Expense	2,439	3,205	($766)	2,588	(149)
Other Expenses	92	91	1	95	(3)
Total Operating Expenses	2,531	3,296	(765)	2,683	(152)
Net Operating Gain (Loss)	(373)	(1,051)	678	(523)	150
Operating Transfer Out	(5)	(5)	-	0	(5)
Investment Income					
Interest and Dividend Income	890	844	46	877	13
Change in Fair Value of Investment Portfolio	(2,400)	207	(2,607)	(144)	(2,256)
Investment Expenses	(5)	(5)	-	(13)	8
Net Investment Income	(1,515)	1,046	(2,561)	720	(2,235)
Increase (Decrease) in Net Assets	(1,893)	(10)	(1,883)	197	(2,090)
Net Assets Beginning of Period	2,503	2,223	280	2,306	197
Net Assets End of Period	$610	$2,213	($1,603)	$2,503	($1,893)

Projected Insurance Ratios

	Updated Forecast Fiscal Year June 30, 2009	Original Fiscal Year Projected June 30, 2009	Fiscal Year Audited June 30, 2008
Loss Ratio	89.5%	115.5%	97.6%
LAE Ratio - MCO	8.2%	9.3%	5.7%
LAE Ratio - BWC	12.7%	14.6%	12.5%
Net Loss Ratio	110.4%	139.4%	115.8%
Expense Ratio	4.2%	3.9%	4.2%
Combined Ratio	114.6%	143.3%	120.0%
Net Investment Income Ratio	40.0%	36.5%	38.6%
Operating (Trade Ratio)	74.6%	106.8%	81.4%

BWC Board of Directors
Legislative Report
Gregg Paul, Laura Abu-Absi--Legislative Affairs
November 7, 2008

<u>Senate and House Session Schedule:</u>
November 12, 13, 18, 19
November 20 (if needed)
December 2, 3, 9, 10, 16, 17
December 4 (Committee Hearings)
December 11, 18 (if needed)

<u>Pending Legislation in the 127th General Assembly—Active bill</u>

SB 370 (Senator Seitz-R-Cincinnati)/HB 631 (Rep. Blessing-R-Cincinnati)—Disclosure requirements for asbestos tort claimants

- Both bills introduced the week of November 3rd
- Internal guidance requested to determine impact, if any, on workers' compensation laws and the State Insurance Fund
- Bills seek to prevent multiple recoveries by asbestos tort claimants by requiring claimant disclosure of pending or past tort claims when any new claims are filed

HB 420 (Rep. Brinkman-R-Cincinnati)—State spending-collect relevant information and publish

- Legislation scheduled for 2nd and 3rd Hearings in Senate Finance and Financial Institutions Committee the week of November 12th—Possible substitute bill
- Directs each state agency to designate a qualified senior real property officer to implement certain objectives of real property asset management plan specified in the bill
- Creates the Ohio Real Property Council within OBM to help agencies facilitate the success of its asset management plan
- OBM in consultation with the Governor shall develop management standards that are to be considered the best practices to which state agencies must adhere. Agency implementation of these best practices to be monitored and graded by OBM
- Requires OBM at least once every two years to assess each state program for overall effectiveness and make recommendations for improvements
- Requires OBM to establish and maintain a website, accessible to the public at no cost, which includes a list of companies that have received grants, loans, or similar means of financial assistance from the state. Information to be included is the location of the company, the nature of the transaction being funded, the amount of financial assistance and the identity of a parent company if applicable.

<u>Pending Legislation in the 127th General Assembly—Inactive bills</u>

SB 332 (Senator Roberts-D-Trotwood)—Charter/Community Schools-BWC premium arrearage

- To prohibit community school sponsors from renewing contracts with charters that owe money to BWC. Sponsors must confirm no arrearage exist prior to renewal of contract. Sponsors must request balance from BWC and schools found to have arrearages of more than one year would be suspended.

HB 461 (Rep. Batchelder-R-Medina)/ SB287 (Senator Stivers-R-Columbus)—Expand 15K Medical Only Program

- Creates a deductible program for the first $15,000 of every claim. The intent is to eliminate the first $15,000 of any injury from an employer's experience rating.
  - The sponsors cite stats used in our group rating materials in terms of premium increases and their negative impact on employers to demonstrate need for the program.

- Would have all $15K program claims managed by the MCO's and would enable employers to use BWC's fee schedule.
  - In the current $15K medical-only program, employers completely bypass the BWC system, working directly with medical providers
  - This would be an increased administrative burden on BWC
  - The sponsors cite the fact that currently, claims in the $15K medical-only program are the only state fund claims in any BWC program that cannot have their claims managed by the MCOs.

HB 431 (Rep. Patton-R-Strongsville) Presumes emergency workers incur disease while on duty

- Provides that a firefighter or EMS who is disabled as a result of cancer or certain contagious or infectious diseases is presumed for purposes of laws governing workers' compensation and the Ohio Police and Fire Pension Fund to have incurred the disease while performing official duties.

HB 456 (Raussen-R-Springdale) Healthcare Reform – Ohio C.A.R.E.

- The bill creates two BWC discount programs as an incentive to employers to implement wellness measures for their employees:
  - Up to a 15% discount, for up to three years, for qualifying employers who offer a qualifying health insurance plan to employees that previously did not offer such a plan.
  - Up to a 5% discount, for up to three years, for qualifying employers who offer a health and wellness program for their employers.
  - Employers eligible for both programs may receive up to a 20% premium discount on top of any other BWC premium discounts they are already receiving.
- The bill creates the Office of Pharmaceutical Purchasing Coordination (OPPC) within the Department of Administrative Services (DAS.)
  - All BWC pharmaceutical purchases would be made through this office unless written documentation were provided to DAS demonstrating that BWC was able to obtain prescriptions at the cost by which OPPC would obtain them.

Workers' Compensation Council—Rep. Bill Batchelder—Chair

Scheduled meeting:
November 12—No topic or issue announced as of November 7th

Enacted legislation currently under rule development:

SB 334 (Sen. Faber-R-Celina)--Interstate Jurisdiction

Summary: Prohibits injured workers from double-recovery on claims in multiple jurisdictions for same injury (Ohio and another state.) To provide interstate workers' compensation for Ohio employers. To provide for the segregation of payrolls. Provides BWC Administrator the discretionary and contingency authority to make charges to the surplus fund. Prohibits Workers' Compensation Council from reviewing this legislation.

- Legislation effective 9/11/2008
- Rule-making process currently underway with BWC staff and stakeholders
- Redesign of forms including the First Report of Occupational Injury or Death (FROI) underway

HB 397/SB 290 (Rep. Szollosi-D-Oregon, Senator Wagoner-R-Ottawa Hills) Eliminates concurrent jurisdiction.

Summary: Exempts workers covered under federal Longshore and Harbor Workers' Compensation Act (FLHWCA) from state coverage unless it is elected by the employer.

- All provisions of HB 397 added to HB 562 Budget Corrections Omnibus Amendment
- Provisions of new law effective 9/24/08
- Rule-making process currently underway with BWC staff and stakeholder