

**BWC Board of Directors**  
**Thursday, April 24, 2008, 9:30 AM**  
**William Green Building Auditorium**  
30 W. Spring St., 2<sup>ND</sup> Floor (Mezzanine)  
Columbus, Ohio 43215

Members Present: William Lhota, Chairman  
James Harris, Vice Chairman  
Alison Falls  
Philip Fulton  
James Matesich  
Larry Price  
David Caldwell  
Robert Smith  
Ken Haffey  
James Hummel

Members Absent: Charles Bryan

Counsel Present: John Williams, Assistant Attorney General

**Call to order**

Mr. Lhota called the meeting to order at 9:30 am, Thursday, April 24, 2008.

**Public Forum – Provider issues**

A public forum was conducted for the purposes of identifying barriers that if removed, would promote participation and enhance the delivery of quality, cost-effective medical treatment; and identifying strategies BWC could implement to enhance provider performance for the delivery of quality, cost-effective health care and return-to-work services. Pre-registered participants spoke at the forum for five minute periods. A record was made of the forum, via video and audio recording.

**Recess:**

The meeting was recessed by Mr Lhota at 12:10 pm.

**BWC Board of Directors**  
**Friday April 25, 2008, 8:00 AM**  
**William Green Building Auditorium**  
30 W. Spring St., 2<sup>ND</sup> Floor (Mezzanine)  
Columbus, Ohio 43215

Members Present: William Lhota, Chairman  
James Harris, Vice Chairman  
Charles Bryan  
Alison Falls  
Philip Fulton  
James Hummel  
James Matesich  
Robert Smith  
Kenneth Haffey  
Larry Price  
David Caldwell

Members Absent: none

Counsel Present: John Williams, Assistant Attorney General  
Ronald O'Keefe, Fiduciary Counsel

**Call to order**

Mr. Lhota reconvened the meeting at 8:00 am.

**Roll call**

Roll call was taken and all members were present.

**Minutes of March 27 and March 28, 2008 Meetings**

With respect to the minutes of the March 28th meeting several changes were made. Mr. Matesich requested that at the bottom of page three, the minutes should read: "...and his board membership with the Wholesale Beer and Wine Association." In addition, at the top of page four, the minutes shall read: "Mr. Matesich has resigned his board membership with the Ohio Association of Wholesale Distributors effective March 24, 2008." In the first sentence of the first full paragraph on page two, the sentence should read: "Discussion was made of Administrator Ryan's objectives ...". At the bottom of page four, the last sentence shall read: "It was agreed that board members would use broad interpretation of section seven to disclose board memberships." Ms. Falls stated she had additions that she would provide to the Board Liaison, Don Berno, for inclusion as well.

Upon motion of Kenneth Haffey, seconded by Robert Smith, the minutes of March 28, 2008 as amended, were approved unanimously. Upon motion of Charles Bryan, seconded by Alison Falls, the minutes of March 27, 2008 Joint Committee Meeting, were approved unanimously.

**AGENDA**

Chairman Lhota announced his request to change the order of some agenda items. Specifically, he asked that the agenda item "Deep Dive" be moved to the end of the meeting. At the conclusion of

the “Deep Dive”, the board would enter executive session for the purpose of discussing pending litigation and personnel matters. Upon motion by Mr. Caldwell, seconded by Mr. Bryan, the agenda change was approved unanimously. Chairman Lhota requested that Board Liaison, Don Berno, place folders for each individual board member on the counter in the meeting room for the purpose of providing additional documents to the Directors for the board and committee meetings.

## **COMMITTEE REPORTS**

### **Actuarial Committee:**

Mr. Bryan reported on committee matters. The board entertained six motions from the Actuarial Committee.

Motion was made by Mr. Bryan, seconded by Mr. Harris, as follows: that the Bureau of Workers’ Compensation Board of Directors consents to the Administrator fixing state agency and state university employer rates beginning July 1, 2008, to achieve an overall ten percent decrease in the total collectible premium rate from the previous year. Roll call was taken, and the motion passed unanimously.

Motion was made by Mr. Bryan, seconded by Mr. Hummel, as follows: that the Bureau of Workers’ Compensation Board of Directors consents to the Administrator adopting rule 4123-17-33.1 of the Administrative Code, public employer taxing district credibility table used for experience rating. Roll call was taken, and the motion passed unanimously.

Motion was made by Mr. Bryan, seconded by Mr. Matesich, as follows: that the Bureau of Workers’ Compensation Board of Directors consents to the Administrator adopting rule 4123-17-04 of the Administrative Code, classification of occupations or industries. The motion consents to the adoption of the rule 4123-17-04 as presented here today. Roll call was taken, and the motion passed unanimously.

Motion was made by Mr. Bryan, seconded by Mr. Harris, as follows: that the Bureau of Workers’ Compensation Board of Directors consents to the Administrator’s recommendation of no rate change in the rates for the coal workers’ pneumoconiosis fund, and maintaining the moratorium on premium collections for employers who have been subscribers to the fund since May 15, 1999. The motion consents to retaining rule 4123-17-20 of the Administrative Code, employer contribution to the coal workers’ pneumoconiosis fund, as presented here today. Roll call was taken, and the motion passed unanimously.

Motion was made by Mr. Bryan, seconded by Mr. Hummel, as follows: that the Bureau of Workers’ Compensation Board of Directors consents to the Administrator’s Recommendation relating to the Marine Industry fund rates, beginning July 1, 2008, to achieve an overall ten percent decrease in the total collectible premium rate from the previous year. The motion consents to amending rule 4123-17-19 of the Administrative Code, employer contribution to the Marine Industry fund, as presented here today. Roll call was taken, and the motion passed unanimously. Mr. Fulton emphasized that government is very capable of monitoring this fund, and that he would have preferred that the board be more aggressive with the discount. While he supported the ten percent decrease voted on by the Board, a fifteen to twenty percent discount would be preferable to Mr. Fulton.

Motion was made by Mr. Bryan, seconded by Mr. Harris, as follows: that the Bureau of Workers' Compensation Board of Directors consents to the Administrator's Recommendation relating to the Disabled Workers' Relief Fund rule, beginning July 1, 2008, to reduce the private employer assessment from nine cents per one hundred dollar unit of payroll, and maintaining the current rates for public employer taxing districts and state agency employers. The motion consents to amending rule 4123-17-29 of the Administrative Code, "Disabled Workers' Relief Fund; Employers' Assessments and Self Insurers' Payments," as presented here today. Roll call was taken, and the motion passed unanimously.

Mr. Price suggested that the Bureau staff and Board of Directors closely monitor the Marine Fund so that the rates maintain Ohio's competitive position.

### **Audit Committee:**

Kenneth Haffey discussed Audit Committee matters.

Motion was made by Mr. Haffey, seconded by Mr. Fulton, as follows: that the Bureau of Workers' Compensation Board of Directors approve changes to Rule 4123-1-01 of the Administrative Code, notice procedure for the adoption, amendment, or rescission of rules, pursuant to the five year rule review. The motion consents to the Administrator amending rule 4123-1-01 as presented here today. Roll call was taken, and the motion passed unanimously.

Motion was made by Mr. Haffey, seconded by Mr. Fulton, as follows: that the Bureau of Workers' Compensation Board of Directors approve changes to rules 4123-6-31 and 4123-7-14 of the Administrative Code, rules on the payment for acupuncture, to comply with changes in the law enacted in Senate Bill 33 of the 127<sup>th</sup> General Assembly. The motion consents to the Administrator amending rules 4123-6-31 and 4123-7-14 as presented here today. Roll call was taken, and the motion passed unanimously.

Motion was made by Mr. Haffey, seconded by Mr. Fulton, as follows: that the Bureau of Workers' Compensation Board of Directors approve changes to the construction industry safety rules of Chapter 4123:1-3 of the Administrative Code pursuant to the five year rule review. This motion consents to the Administrator retaining five rules and amending twenty two rules of chapter 4123:1-3 as presented here today. Roll call was taken, and the motion passed unanimously. Mr. Fulton noted that he and Mr. Caldwell had discussed the process used by the Division of Safety and Hygiene to review and develop these rules, and was encouraged by the review committee's desire to continue meeting as a work group.

Mr. Haffey discussed the external audit that will begin in May of 2008, with internal audit staff assisting. A report should be issued by September 30, 2008. Mr. Haffey anticipates we will receive a draft management letter in mid-July. Joe Bell, Chief of Internal Audit is working hard to implement House Bill 166 through his position as Acting Director of the OBM project. At the audit committee meeting, James Barnes, Chief Legal Officer, provided a litigation update.

## **Governance Committee:**

Ms. Falls reported that an ad hoc legal affairs committee was discussed at the Governance Committee meeting. It was suggested that the Audit Committee establish a sub committee that would address legal affairs. It was noted that all committees should have the authority to establish sub committees, and that the Governance Committee was recommending that all committee charters be amended to reflect this ability.

Also at the Governance Committee, Mr. Fulton noted that there is a lack of understanding of the Board's progress at the General Assembly. Before both the committee and the full board, Mr. Fulton suggested that the board prepare an update on its progress for the General Assembly. The report should discuss what the board is doing, what we have accomplished and where the Board is headed. Mr. Matesich agreed with this idea, and also expressed that individual board members can assist with this communication when they speak at public functions. Mr. Caldwell indicated that it is also important that a collective message be prepared that represents the whole board. Mr. Lhota indicated he was willing to meet with both House and Senate Insurance Committees to present the report, and emphasized that this idea be given priority.

## **Investment Committee:**

Mr. Smith reported that Bruce Dunn, Chief Investment Officer, discussed the request for quote for an intermediate duration U.S. fixed income passive index manager. The selection process was rigorous, and was assisted by Mercer Consulting. Motion was made by Mr. Smith, seconded by Mr. Harris, as follows: that the Workers' Compensation Board of Directors adopt the recommendation of the Investment Committee and approve the selection of Barclays Global Investors to serve as an intermediate duration U.S. fixed income commingled passive index manager for the Bureau of Workers' Compensation, upon such terms as are outlined in Barclays Global Investors' response to the request for quote issued March 11, 2008 and such other terms as are favorable to the Bureau. Roll call was taken, and the motion passed unanimously.

Ms. Falls noted that Mercer Consulting was complimentary of the Bureau's process for selecting the fund manager, and was supportive of the decision to select Barclays. Further, this is consistent with the mandate for proceeding with securities lending with Barclays. A discussion of asset allocation ensued.

## **Monthly Financial Report**

Tracy Valentino, Chief of Fiscal and Planning, presented to the Board. A handout was included, and is incorporated by reference into the minutes. For the second consecutive month, there was a reduction in net assets due to an operating loss. This is a consequence of less than expected premiums and a monthly loss of seventy million dollars. Other aspects of the financial statements were discussed by Ms. Valentino. The bonds for the William Greene building are scheduled to be retired by 2014. Director Matesich queried why, if there were two annual payments, they weren't equal in value. Ms. Valentino responded that one payment was for principal, the other for interest. In response to a question from Mr. Bryan, Ms. Valentino discussed initiatives to reduce costs, including electronic funds transfer of benefits, the renting of office space, and employer premium payment compliance. With respect to the administrative budget, the highest percentage of costs is allocated to operations, with the second highest percentage allocated to information technology. Ms. Valentino indicated that a fiscal year budget is prepared as a result of internal processes to allocate resources based upon services performed and planned strategies for the year. Marsha Ryan, Bureau Administrator, discussed metrics being combined for enterprise reporting package.

This is a work in progress. Variance analysis shall be incorporated. The Board will be able to see what is occurring over time. Ms. Falls complimented the staff work and the presentation of the financials. Ray Mazzotta, Chief Operating Officer, indicated that the Board will be able to use these as a guide. Ms. Ryan noted that enterprise reporting will assist the Board with decision making. Mr. Price emphasized the need to report changes over time, so as to demonstrate the progress that the Bureau has been making. Ms. Valentino will supply to Director Fulton and the Board a review of the changes in SB 7 that relate to the collection of delinquent accounts to see if the changes were helpful.

## **Administrator Briefing**

Ms. Ryan mentioned that House Bill 456 is a bill involving healthcare reform, which includes a premium discount program for wellness programs. This bill needs more discussion and actuarial analysis to determine effect. The pneumoconiosis mine safety bill was introduced Wednesday of this week. A handout explaining this bill is incorporated into the minutes by reference. Ms. Ryan has provided the board with packets concerning this bill. Triggers will be placed in implementation mine safety program funding rules, which triggers shall monitor both net asset to liability and expense to investment income ratios. In response to a question on the mine safety funding program asked by Mr. Harris, Mr. Dunn noted that there was a subcommittee of Bureau staff formed to discuss and formulate financial threshold triggers for the Coal Workers' Pneumoconiosis Fund related to the proposed mine safety fund program including, in particular, the trigger indicating that the total expenses of the fund may not exceed seventy percent of the interest and dividend income of the fund in the second year and beyond. Money to be utilized for funding of the program is the interest and dividend income generated by the Coal Workers' Pneumoconiosis Fund. The bill originated in the governor's office, subsequent to a study that was conducted. Ms. Ryan mentioned that she, along with staff including Mr. Dunn and Lee Damsel, Director of Investments, met with the Treasurer of State, Richard Cordray, to discuss the banking needs of the Bureau. The discussion went very well. Mr. Haffey noted that Ms. Ryan recently made an outstanding presentation to a Cleveland area employer assistance group. This presentation is indicative of the good will demonstrated by the Bureau and Ms. Ryan, to the stakeholders of the workers' compensation system.

Ms. Falls noted that yesterday's public forum was excellent. Ms. Falls raised an issue regarding the process for follow up and response. Ms. Ryan indicated that the process includes sending letters to the participants and assigning issues raised by participants for further evaluation and prioritization. Bob Coury, Chief of Medical Services and Compliance, indicated that the process has already begun with regard to yesterday's forum, as he is putting together a document to provide participants on issues being pursued. Ms. Ryan emphasized the importance of follow up. Ms. Falls noted that Board feedback is ongoing.

Mr. Lhota recessed the meeting at 9:41 am, for a short break. The meeting was reconvened by Mr. Lhota at 9:50 am.

## **Deep dive**

A presentation was made concerning the managed care organization (MCO) program and Ohio's Health Partnership Program (HPP). George Smith, Executive Director of the MCO League of Ohio, was introduced by Ms. Ryan. The presentation, along with a handout incorporated into the minutes by reference, was made by Mr. Smith. Mr. Smith emphasized the importance of the partnership aspect of the HPP, including the fact that it arose out of bipartisan legislation, it is

administrated by the Bureau, and includes vendors known as MCOs. HPP began March 1, 1997. The program was designed to help oversee the effective management of medical services and indemnity costs of injured workers, thereby favorably impacting employer premiums. Mr. Smith indicated there are currently twenty-four MCOs today in HPP versus fifty-seven in 1997. Mr. Fulton noted that there is a disconnect between the system and the treatment guidelines. Observations on connecting these have been made. Mr. Smith noted there are checks and balances in the systems, and perhaps a more liberal interpretation of the Miller criteria needs to be considered. Mr. Smith noted that there are MCOs and employer groups with economic relationships, and that some groups endorse MCOs, while others do not.

Mr. Fulton noted that there was a firewall between third party administrators and MCOs, and that there were administrative rules to prevent MCO's from direct financial benefit from the endorsements of groups or Third Party Administrators.. Mr. Matesich raised the issue of conflicts of interest that were mentioned at the open forum the day before, and asked for more information about those alleged conflicts. Mr. Smith responded that statutes, rules and contracts state how MCO's should provide services. He also noted that the MCOs follow established national practices regarding referrals. Mr. Hummel raised the issue of pay for performance and report cards. While he supports this idea, Mr. Hummel asked whether there are better ways to handle the issue. Mr. Smith noted that it is difficult for implementation in the public sector, as a consequence of freedom of choice regarding doctors, and agency permission for any provider to participate. The MCOs now have access to information regarding prescription drugs in individual claims, with the prescriptions being managed by a pharmacy benefits manager. Ms. Ryan noted that a study is being conducted concerning this issue. Mr. Fulton noted that freedom of choice of provider is important in the system. Mr. Haffey noted that HPP implies a partnership, and he seeks an altruistic system that is fair for everybody.

Upon motion by Mr. Harris, seconded by Mr. Matesich, the Board entered into executive session, to discuss pending litigation with representatives of the Attorney General's office, and to discuss Bureau personnel matters. Roll call was taken, and the motion passed 11-0. The Board entered executive session at 11:56 am.

## **Adjournment**

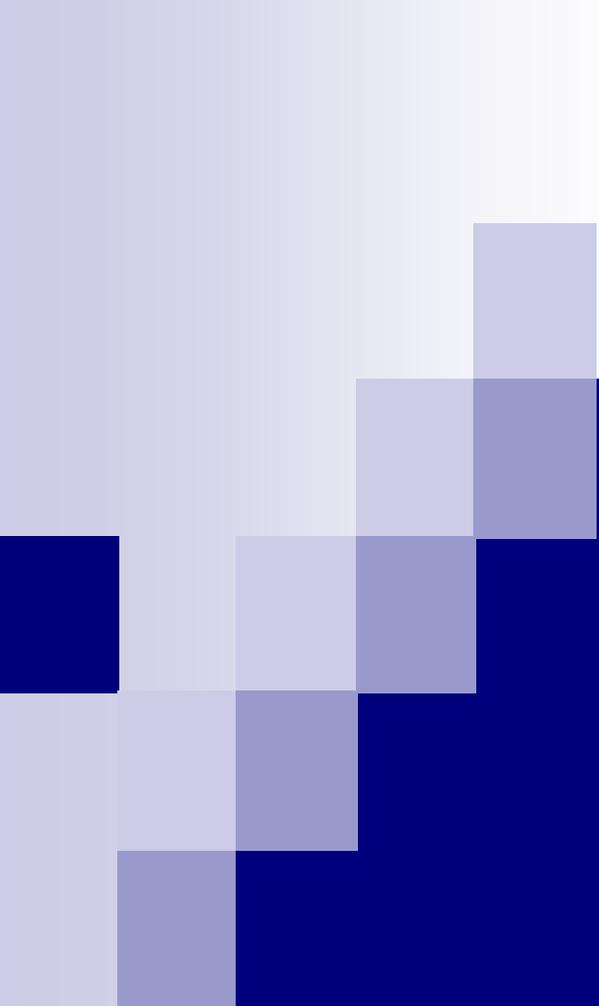
Upon completion of the executive session to discuss pending legal actions and personnel matters the public was invited to return to the board room. A roll call vote was taken upon a motion made in executive session by Director Harris and seconded by Director Hummel to adjourn from executive session. The roll call vote was passed 10 – 0.

Chair Lhota indicated for the record that Director Fulton participated in the discussions on pending legal matters but adjourned from the board room and thus did not participate in any way when the board discussed personnel matters.

Upon a motion by Director Matesich and seconded by Director Caldwell the board voted 10 – 0 to adjourn the meeting.

The meeting was adjourned at 1:00 pm.

Minutes taken by Tom Woodruff, BWC Staff Counsel



# BWC Financial Report

April 2008 Results

Presented by: Tracy Valentino  
Chief Fiscal and Planning Officer  
May 30, 2008

# BWC Financial Report

April 2008 Results

- Significant Events in April
  - Increase in Net Assets
    - Quarterly Review - Reserve for Compensation and Compensation Adjustment Expenses
    - Operating Income
    - Net Investment Income

# Operations Overview

Fiscal Year to Date – April 30, 2008

\$ in millions

|                            | Actual  | Plan    | Prior Month |
|----------------------------|---------|---------|-------------|
| ■ Operating Revenues       | \$1,836 | \$2,157 | \$1,691     |
| ■ Operating Expenses       | \$2,556 | \$2,978 | \$2,529     |
| ■ Net Operating Loss       | \$(720) | \$(821) | \$(838)     |
| ■ Net Investment Income    | \$1,049 | \$493   | \$993       |
| ■ Net Assets End of Period | \$2,635 | \$1,978 | \$2,461     |
| ■ Combined Ratio           | 136.1%  | 136.1%  | 146.0%      |
| ■ Operating Ratio          | 99.7%   | 105.5%  | 110.6%      |

# Operations Overview

as of April 30, 2008

\$ in millions

## Net Assets by Fund

|                       | Actual  | Plan    | Prior Month |
|-----------------------|---------|---------|-------------|
| ■ SIF                 | \$2,319 | \$1,794 | \$2,158     |
| ■ DWRF                | \$865   | \$798   | \$862       |
| ■ Coal Workers'       | \$185   | \$171   | \$184       |
| ■ PWRE                | \$19    | \$18    | \$19        |
| ■ Marine              | \$14    | \$14    | \$14        |
| ■ SIEGF               | \$8     | \$7     | \$8         |
| ■ Administrative Cost | \$(775) | \$(824) | \$(784)     |
| ■ Total               | \$2,635 | \$1,978 | \$2,461     |

# Operations Overview

Fiscal Year to Date – April 30, 2008

\$ in millions

## Cash Flows

|  | Actual    | Plan      | Prior Month |
|--|-----------|-----------|-------------|
| ■ Premium Receipts                           | \$2,272   | \$2,357   | \$2,057     |
| ■ Other Receipts                             | \$28      | \$16      | \$20        |
| ■ Claims Disbursements                       | \$(1,836) | \$(1,847) | \$(1,635)   |
| ■ Other Disbursements                        | \$(400)   | \$(338)   | \$(358)     |
| ■ Net Capital Cash Flows                     | \$(22)    | \$(20)    | \$(21)      |
| ■ Investment Cash Flows                      | \$4       | \$(65)    | \$6         |
| ■ Cash Redemptions from IMs                  | \$155     |           | \$155       |
| ■ Net Change in Cash                         | \$201     | \$103     | \$224       |
| ■ Cash and Cash<br>Equivalents End of Period | \$529     | \$431     | \$552       |

# BWC Financial Report

as of April 30, 2008

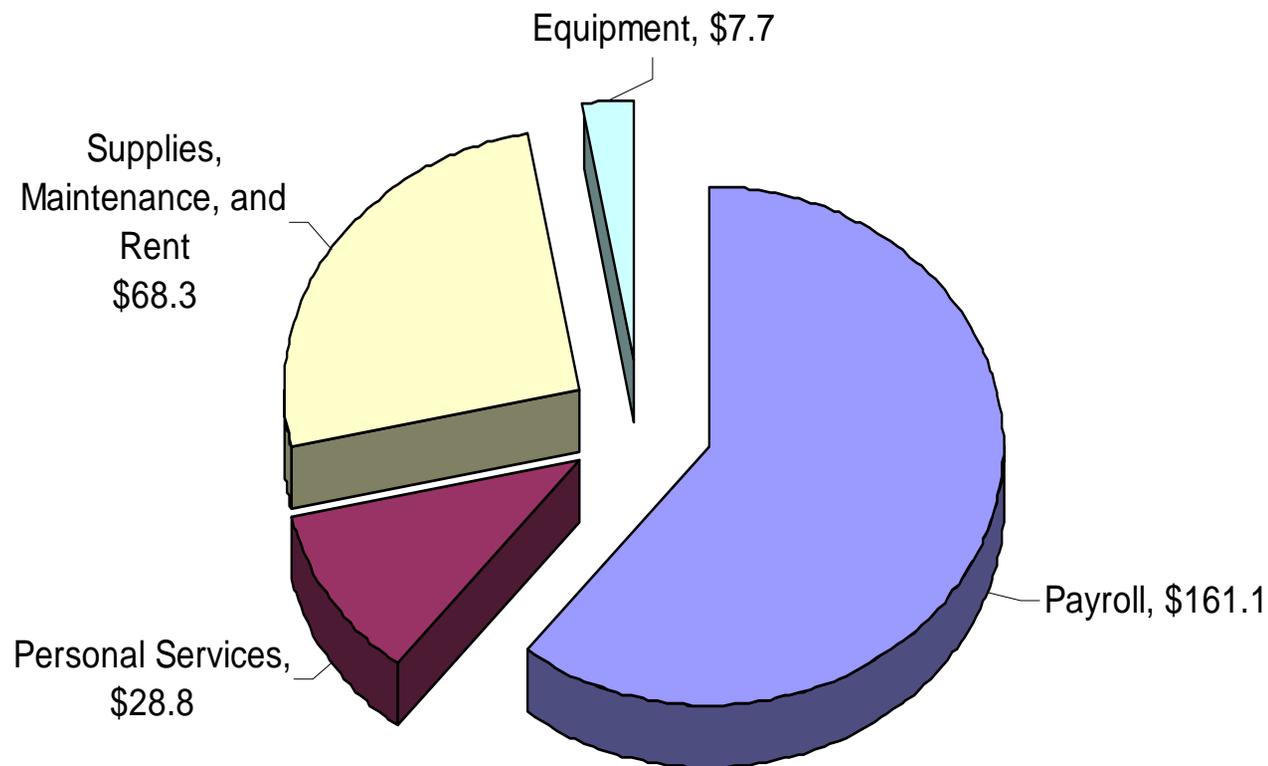
## Performance Metrics

| Measure   | FY Actual | FY Plan | PFY Actual | Target |
|---|-----------|---------|------------|--------|
| <b>Net Loss Ratio:</b><br>(Losses+ LAE/Earned Premium)          | 132.00%   | 132.43% | 107.87%    | 120%   |
| <b>Expense Ratio:</b><br>(Non-LAE Expenses / Earned Premium)    | 4.14%     | 3.66%   | 3.95%      | 5%     |
| <b>Combined Ratio:</b><br>(Losses & LAE & Exp / Earned Premium) | 136.14%   | 136.09% | 111.82%    | 125%   |
| <b>Operating Ratio</b>  | 99.67%    | 105.52% | 78.69%     | 100%   |
| <b>Total Return on Invested Assets</b>                          | 5.90%     | N/A     | 6.90%      | TBD    |
| <b>Loss and LAE Reserves to NA</b>                              | 7 to 1    | 10 to 1 | 24 to 1    | 7 to 1 |
| <b>Operating Cash Flow</b>                                      | 133.29%   | 138.71% | 121.88%    | 118%   |
| <b>Investment to Loss Reserves</b>                              | 90.15%    | 86.06%  | 89.83%     | 110%   |

# BWC Financial Report

Fiscal Year to Date - April 30, 2008

Administrative Budget Information  
(\$ in millions)

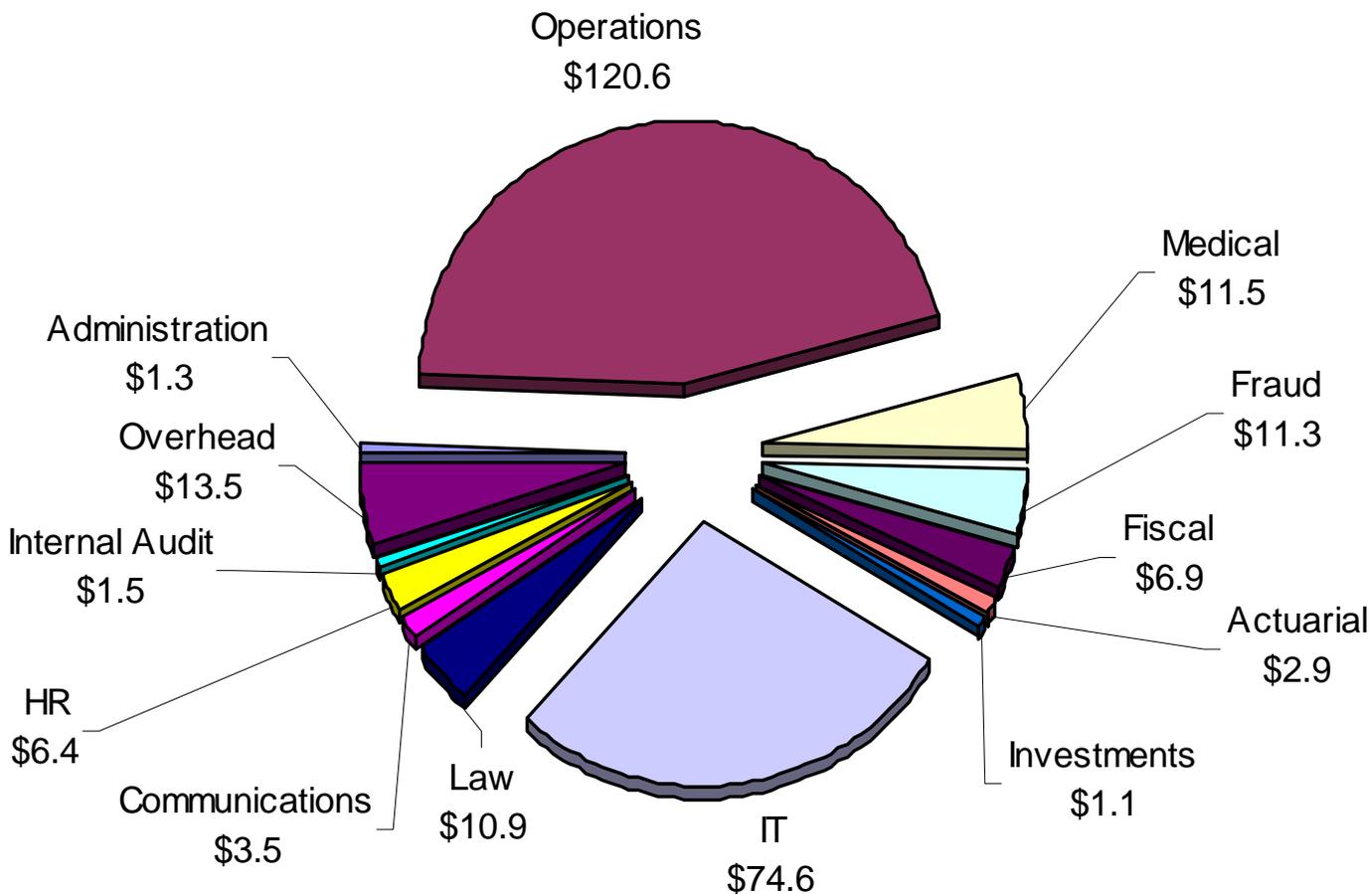


Total Year to Date expenditures - \$266

# BWC Financial Report

Fiscal Year to Date - April 30, 2008

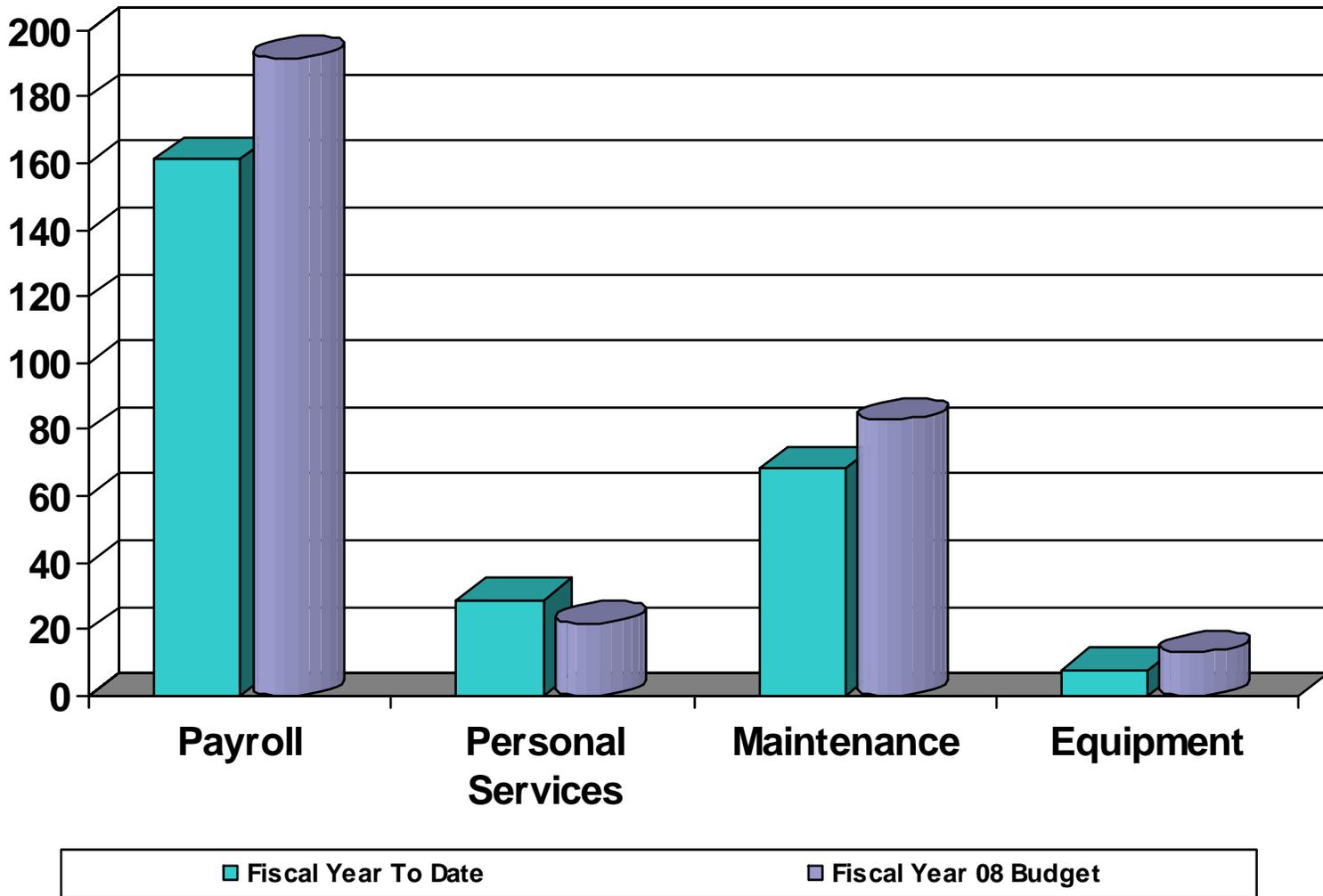
## Division Budget Information (\$ in millions)



Total Year to Date expenditures - \$266

# Fiscal Year To Date Expenses & Encumbrances Compared Fiscal Year 2008 Budget

April 30, 2008  
(\$ in millions)



# Financial**Report**

May '08

# Financial Report

May '08

This section presents management's discussion and analysis of the Ohio Bureau of Workers' Compensation's (BWC's) financial performance for fiscal year to date ended April 30, 2008.

## Fiscal Year-to-Year Comparisons

- BWC's total assets at April 30, 2008 were \$22.9 billion, an increase of \$2.0 billion or 9.2 percent compared to April 30, 2007.
- BWC's total liabilities at April 30, 2008 were \$20.2 billion, an increase of \$79 million or 0.4 percent compared to April 30, 2007.
- BWC's operating revenues for fiscal year to date April 30, 2008 were \$1.8 billion, a decrease of \$159 million or 8.0 percent compared to fiscal year to date April 30, 2007.
- BWC's operating expenses for fiscal year 2008 were \$2.6 billion, an increase of \$285 million or 12.5 percent from fiscal year to date April 30, 2007.
- BWC's net investment income for fiscal year to date April 30, 2008 totaled \$1.0 billion, comprised of \$694 million of interest and dividend income and \$365 million in higher portfolio fair market value reduced by \$10 million of investment expenses.
- BWC's total net assets have increased by \$1.8 billion since April 30, 2007.

## April Financial Analysis

BWC's net assets increased by \$174 million in April 2008 resulting in net assets of \$2.635 billion at April 30, 2008 compared to \$2.461 billion at March 31, 2008.

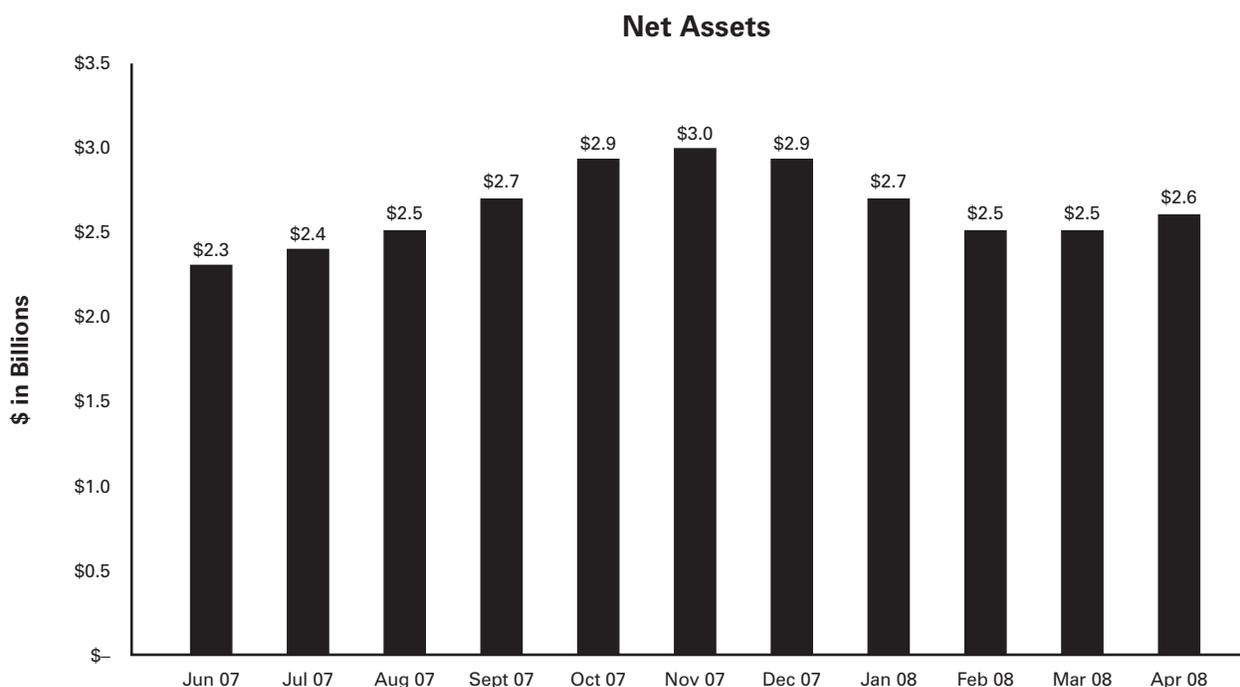
|                                   | Fiscal YTD<br>March 31, 2008 | Month Ended<br>April 30, 2008 | Fiscal YTD<br>April 30, 2008 |
|-----------------------------------|------------------------------|-------------------------------|------------------------------|
| Operating Revenues                | \$ 1,691                     | \$ 145                        | \$ 1,836                     |
| Operating Expenses                | 2,529                        | 27                            | 2,556                        |
| Net Operating Loss                | (838)                        | 118                           | (720)                        |
| Net Investment Income             | 993                          | 56                            | 1,049                        |
| Increase (Decrease) in Net Assets | 155                          | 174                           | 329                          |
| Net Assets End of Period          | \$ 2,461                     | \$ 2,635                      | \$ 2,635                     |

- Premium and assessment income is trending 14 percent less than projected and 8 percent lower than the prior fiscal year primarily due to lower than expected losses for state agency and self-insured employer groups.
- BWC's actuarial consultants have updated projections for the reserves for compensation and compensation adjustment expenses using payment data through March 31, 2008. Favorable payment trends, led by medical benefits that are 6 percent lower than expected, resulted in reserves for compensation and compensation adjustment expenses being lowered by \$243 million in April. These favorable developments have resulted in operating expenses being 14 percent less than projected.
- A decrease in the discount rate from 5.25% to 5.0% is a major factor in the \$288 million increase in benefit and compensation adjustment expenses compared to the prior fiscal year. As the discount rate decreases, reserves increase, and expenses increase.
- Claim payments issued in April were \$181 million. Fiscal year-to-date 2008 claim payments have increased by \$86 million, primarily due to increased claim settlements. Settlement activities should generate long-term savings by lessening future claim payments.
- Included in April claim payments are \$13 million in payments to hospitals resulting from the Ohio Hospital Association lawsuit disputing fee schedules that were not adopted through the Ohio Revised Code Chapter 119 rules process. A total of \$16 million has been paid in settlement of this lawsuit with an estimated \$57 million remaining to be paid.

- Interest and dividend income in April of \$71 million exceeded the reduction in portfolio fair market value of \$14 million for the month, resulting in net investment income of \$56 million for the month after investment expenses.
- Net investment income of \$56 million in April and \$1.0 billion for fiscal year-to-date 2008 has off-set operating losses, leading to the growth in net assets.
- Cash provided by operating activities continues to be lower than projected due to 4% lower premium payments and increased claim settlements, payments resulting from the hospital association lawsuit and employer refunds for safety council and premium discount program incentives.
- Cash provided by operating activities continues to trend higher than the prior fiscal year-to-date. Premium collections have increased as a result of the 3.9% private employer premium rate increase that first impacted collection patterns in January 2007. Disbursements in fiscal year 2007 include \$45 million in payments made in settlement of the Santos subrogation case.

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

- Cash disbursements will continue to increase as payments are made to settle the remaining \$57 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.
- At this time, BWC's actuarial consultants do not expect significant changes to the June 30, 2008 projected reserves for compensation and compensation adjustment expenses.
- Receivables are expected to decline as the second installment from employers participating in the 50/50 payment plan was due by May 1. This expected decline maybe somewhat off-set from increases in public taxing district employers (PEC) premium receivables. The 2007 PEC payroll and a minimum 45 percent premium payment were due by May 15 with the remainder due by September 1.



# Statement of **Operations**

➤➤ Fiscal year to date April 30, 2008

| <i>(in millions)</i>                     | <b>Actual</b> | <b>Projected</b> | <b>Variance</b> | <b>Prior Yr.<br/>Actual</b> | <b>Increase<br/>(Decrease)</b> |
|--|---------------|------------------|-----------------|-----------------------------|--------------------------------|
| Total operating revenues                 | \$ 1,836      | \$ 2,157         | \$ (321)        | \$ 1,995                    | \$ (159)                       |
| Total operating expenses                 | <u>2,556</u>  | <u>2,978</u>     | <u>422</u>      | <u>2,271</u>                | <u>285</u>                     |
| <b>Net operating gain (loss)</b>         | (720)         | (821)            | 101             | (276)                       | (444)                          |
| Net investment income                    | <u>1,049</u>  | <u>493</u>       | <u>556</u>      | <u>1,189</u>                | <u>(140)</u>                   |
| <b>Increase (decrease) in net assets</b> | 329           | (328)            | 657             | 913                         | (584)                          |
| <b>Net assets beginning of period</b>    | <u>2,306</u>  | <u>2,306</u>     | <u>—</u>        | <u>(127)</u>                | <u>2,433</u>                   |
| <b>Net assets end of period</b>          | \$ 2,635      | \$ 1,978         | \$ 657          | \$ 786                      | \$ 1,849                       |

# Statement of Operations

➤➤ Fiscal year to date April 30, 2008

| <i>(in millions)</i>                            | <b>Actual</b>       | <b>Projected</b>    | <b>Variance</b>   | <b>Prior Yr.<br/>Actual</b> | <b>Increase<br/>(Decrease)</b> |
|---|---------------------|---------------------|-------------------|-----------------------------|--------------------------------|
| <b>Operating revenues</b>                       |                     |                     |                   |                             |                                |
| Premium & assessment income                     | \$ 1,878            | \$ 2,188            | \$ (310)          | \$ 2,031                    | \$ (153)                       |
| Provision for uncollectibles                    | (59)                | (45)                | (14)              | (53)                        | (6)                            |
| Other income                                    | <u>17</u>           | <u>14</u>           | <u>3</u>          | <u>17</u>                   | <u>-</u>                       |
| <b>Total operating revenues</b>                 | <b>1,836</b>        | <b>2,157</b>        | <b>(321)</b>      | <b>1,995</b>                | <b>(159)</b>                   |
| <b>Operating expenses</b>                       |                     |                     |                   |                             |                                |
| Benefits & compensation<br>adj. expense         | 2,479               | 2,898               | 419               | 2,191                       | 288                            |
| Other expenses                                  | <u>77</u>           | <u>80</u>           | <u>3</u>          | <u>80</u>                   | <u>(3)</u>                     |
| <b>Total operating expenses</b>                 | <b><u>2,556</u></b> | <b><u>2,978</u></b> | <b><u>422</u></b> | <b><u>2,271</u></b>         | <b><u>285</u></b>              |
| <b>Net operating gain (loss)</b>                | <b>(720)</b>        | <b>(821)</b>        | <b>101</b>        | <b>(276)</b>                | <b>(444)</b>                   |
| <b>Investment income</b>                        |                     |                     |                   |                             |                                |
| Interest and dividend income                    | 694                 | 679                 | 15                | 681                         | 13                             |
| Realized & unrealized<br>capital gains (losses) | 365                 | (175)               | 540               | 516                         | (151)                          |
| Investment manager and<br>operational fees      | (10)                | (11)                | 1                 | (8)                         | 2                              |
| Gain (loss) on disposal<br>of fixed assets      | <u>-</u>            | <u>-</u>            | <u>-</u>          | <u>-</u>                    | <u>-</u>                       |
| <b>Net investment income</b>                    | <b><u>1,049</u></b> | <b><u>493</u></b>   | <b><u>556</u></b> | <b><u>1,189</u></b>         | <b><u>(140)</u></b>            |
| <b>Increase (decrease) in net assets</b>        | <b>329</b>          | <b>(328)</b>        | <b>657</b>        | <b>913</b>                  | <b>(584)</b>                   |
| <b>Net assets beginning of period</b>           | <b><u>2,306</u></b> | <b><u>2,306</u></b> | <b><u>-</u></b>   | <b><u>(127)</u></b>         | <b><u>2,433</u></b>            |
| <b>Net assets end of period</b>                 | <b>\$ 2,635</b>     | <b>\$ 1,978</b>     | <b>\$ 657</b>     | <b>\$ 786</b>               | <b>\$ 1,849</b>                |

# Statement of **Operations - Combining** Schedule

➤➤ Fiscal year to date April 30, 2008

| <i>(in thousands)</i>   | State Insurance<br>Fund account | Disabled<br>Workers'<br>Relief<br>Fund account | Coal-Workers<br>Pneumoconiosis<br>Fund account | Public Work-<br>Relief<br>Employees'<br>Fund account | Marine<br>Industry<br>Fund account | Self-Insuring<br>Employers'<br>Guaranty<br>Fund account | Administrative<br>Cost<br>Fund account | Totals           |
|---|---------------------------------|--|--|--|------------------------------------|---|--|------------------|
| <b>Operating revenues</b>   |                                 |  |  |  |                                    |   |  |                  |
| Premium & assessment<br>income  | \$ 1,452,792                    | \$ 122,014                                     | \$ 1,250                                       | \$ 80  | \$ 657                             | \$ 185  | \$ 300,802                             | \$ 1,877,780     |
| Provision for uncollectibles  | (51,901)                        | (2,234)  | –  | –  | (8)                                | (50)  | (4,591)                                | (58,784)         |
| Other income  | <u>11,087</u>                   | <u>–</u>                                       | <u>–</u>                                       | <u>–</u>   | <u>–</u>                           | <u>–</u>  | <u>5,560</u>                           | <u>16,647</u>    |
| <b>Total operating revenues</b>                                       | <u>1,411,978</u>                | <u>119,780</u>                                 | <u>1,250</u>                                   | <u>80</u>  | <u>649</u>                         | <u>135</u>  | <u>301,771</u>                         | <u>1,835,643</u> |
| <b>Operating expenses</b>   |                                 |  |  |  |                                    |   |  |                  |
| Benefits & compensation<br>adj. expense                               | 2,125,509                       | 114,107  | 926  | 460  | 507                                | (156)   | 237,243                                | 2,478,596        |
| Other expenses  | <u>16,301</u>                   | <u>407</u>                                     | <u>87</u>                                      | <u>1</u>   | <u>71</u>                          | <u>2</u>  | <u>60,817</u>                          | <u>77,686</u>    |
| <b>Total operating expenses</b>                                       | <u>2,141,810</u>                | <u>114,514</u>                                 | <u>1,013</u>                                   | <u>461</u>   | <u>578</u>                         | <u>(154)</u>  | <u>298,060</u>                         | <u>2,556,282</u> |
| <b>Net operating income (loss)<br/>before operating transfers out</b> | <u>(729,832)</u>                | <u>5,266</u>                                   | <u>237</u>                                     | <u>(381)</u>   | <u>71</u>                          | <u>289</u>  | <u>3,711</u>                           | <u>(720,639)</u> |
| <b>Operating transfers out</b>  | <u>(3,164)</u>                  | <u>–</u>                                       | <u>–</u>                                       | <u>–</u>   | <u>–</u>                           | <u>–</u>  | <u>3,164</u>                           | <u>–</u>         |
| <b>Net operating income (loss)</b>                                    | <u>(732,996)</u>                | <u>5,266</u>                                   | <u>237</u>                                     | <u>(381)</u>   | <u>71</u>                          | <u>289</u>  | <u>6,875</u>                           | <u>(720,639)</u> |
| <b>Investment income</b>  |                                 |  |  |  |                                    |   |  |                  |
| Investment income   | <u>633,976</u>                  | <u>44,932</u>                                  | <u>9,546</u>                                   | <u>727</u>   | <u>534</u>                         | <u>1,848</u>  | <u>2,917</u>                           | <u>694,480</u>   |
| Bonds - realized & unrealized<br>gains (losses)                       | 631,675                         | 29,006   | 6,680  | 50   | 36                                 | –   | –                                      | 667,447          |
| Equities - realized & unrealized<br>gains (losses)                    | <u>(284,333)</u>                | <u>(14,563)</u>                                | <u>(3,265)</u>                                 | <u>–</u>   | <u>–</u>                           | <u>–</u>  | <u>–</u>                               | <u>(302,161)</u> |
| Total realized & unrealized<br>capital gains (losses)                 | 347,342                         | 14,443   | 3,415  | 50   | 36                                 | –   | –                                      | 365,286          |
| Investment manager and<br>operational fees                            | (9,555)                         | (120)  | (53)   | –  | –                                  | –   | –                                      | (9,728)          |
| Gain (loss) on disposal<br>of fixed assets                            | <u>–</u>                        | <u>–</u>                                       | <u>–</u>                                       | <u>–</u>   | <u>–</u>                           | <u>–</u>  | <u>(57)</u>                            | <u>(57)</u>      |
| Total non-operating<br>revenues, net                                  | <u>971,763</u>                  | <u>59,255</u>                                  | <u>12,908</u>                                  | <u>777</u>   | <u>570</u>                         | <u>1,848</u>  | <u>2,860</u>                           | <u>1,049,981</u> |
| <b>Increase (decrease)<br/>in net assets (deficit)</b>                | 238,767                         | 64,521   | 13,145   | 396  | 641                                | 2,137   | 9,735                                  | 329,342          |
| <b>Net assets (deficit)<br/>beginning of period</b>                   | 2,080,045                       | 800,185  | 171,741  | 18,295   | 13,802                             | 6,208   | (784,730)                              | 2,305,546        |
| <b>Net assets (deficit)<br/>end of period</b>                         | \$ 2,318,812                    | \$ 864,706                                     | \$ 184,886                                     | \$ 18,691  | \$ 14,443                          | \$ 8,345  | \$ (774,995)                           | \$ 2,634,888     |

# Statement of **Investment Income**

➤➤ Fiscal year to date April 30, 2008

|   | <b>Actual</b>          | <b>Projected</b>      | <b>Variance</b>       | <b>Prior Yr.<br/>Actual</b> | <b>Increase<br/>(Decrease)</b> |
|---|------------------------|-----------------------|-----------------------|-----------------------------|--------------------------------|
| <b>Investment income</b>  |                        |                       |                       |                             |                                |
| Bond interest   | \$ 621,430,497         | \$ 617,800,000        | \$ 3,630,497          | \$ 615,861,786              | \$ 5,568,711                   |
| Dividend income (dom & int'l)                                   | 49,548,615             | 48,000,000            | 1,548,615             | 16,034,560                  | 33,514,055                     |
| Money market/<br>commercial paper income                        | 15,677,975             | 10,400,000            | 5,277,975             | 20,454,836                  | (4,776,861)                    |
| Misc. income (corp actions, etc.)                               | 3,903,082              | 3,000,000             | 903,082               | 10,896,996                  | (6,993,914)                    |
| Private equity  | 3,920,508              | 700,000               | 3,220,508             | 13,914,560                  | (9,994,052)                    |
| Securities lending income,<br>net of fees                       | —                      | —                     | —                     | 3,730,215                   | (3,730,215)                    |
| <b>Total investment income</b>                                  | <u>694,480,677</u>     | <u>679,900,000</u>    | <u>14,580,677</u>     | <u>680,892,953</u>          | <u>13,587,724</u>              |
| <b>Realized &amp; unrealized capital<br/>gains and (losses)</b> |                        |                       |                       |                             |                                |
| Bonds - Net realized gains (losses)                             | (66,307,180)           | —                     | (66,307,180)          | (3,830,214)                 | (62,476,966)                   |
| Bonds - Net unrealized gains                                    | <u>733,755,899</u>     | <u>(354,000,000)</u>  | <u>1,087,755,899</u>  | <u>400,731,139</u>          | <u>333,024,760</u>             |
| Subtotal - bonds  | <u>667,448,719</u>     | <u>(354,000,000)</u>  | <u>1,021,448,719</u>  | <u>396,900,925</u>          | <u>270,547,794</u>             |
| Stocks - Net realized gains (losses)                            | 41,855,254             | —                     | 41,855,254            | (861,253)                   | 42,716,507                     |
| Stocks - Net Unrealized gains<br>(losses)                       | <u>(294,428,432)</u>   | <u>178,800,000</u>    | <u>(473,228,432)</u>  | <u>85,498,763</u>           | <u>(379,927,195)</u>           |
| Subtotal - stocks   | <u>(252,573,178)</u>   | <u>178,800,000</u>    | <u>(431,373,178)</u>  | <u>84,637,510</u>           | <u>(337,210,688)</u>           |
| Net gain (loss) - PE  | <u>(49,586,948)</u>    | —                     | <u>(49,586,948)</u>   | <u>34,586,058</u>           | <u>(84,173,006)</u>            |
| <b>Change in portfolio value</b>                                | <u>365,288,593</u>     | <u>(175,200,000)</u>  | <u>540,488,593</u>    | <u>516,124,493</u>          | <u>(150,835,900)</u>           |
| <b>Investment manager &amp;<br/>operational fees</b>            | <u>(9,729,497)</u>     | <u>(11,156,000)</u>   | <u>1,426,503</u>      | <u>(8,020,959)</u>          | <u>1,708,538</u>               |
| <b>Net investment income</b>                                    | <u>\$1,050,039,773</u> | <u>\$ 493,544,000</u> | <u>\$ 556,495,773</u> | <u>\$1,188,996,487</u>      | <u>\$(138,956,714)</u>         |

# Statement of **Net Assets**

➤➤ **As of April 30, 2008**

| <i>(in millions)</i>                                   | <b>Actual</b>           | <b>Projected</b>        | <b>Variance</b>      | <b>Prior Yr.<br/>Actual</b> | <b>Increase<br/>(Decrease)</b> |
|--|-------------------------|-------------------------|----------------------|-----------------------------|--------------------------------|
| <b>Assets</b>  |                         |                         |                      |                             |                                |
| Bonds  | \$ 13,840               | \$ 13,527               | \$ 313               | \$ 13,624                   | \$ 216                         |
| Stocks   | 3,408                   | 3,381                   | 27                   | 2,588                       | 820                            |
| Private equities                                       | 21                      | –                       | 21                   | 452                         | (431)                          |
| Cash & cash equivalents                                | <u>529</u>              | <u>431</u>              | <u>98</u>            | <u>604</u>                  | <u>(75)</u>                    |
| Total cash and investments                             | 17,798                  | 17,339                  | 459                  | 17,268                      | 530                            |
| Accrued premiums                                       | 4,369                   | 4,523                   | (154)                | 3,024                       | 1,345                          |
| Other accounts receivable                              | 279                     | 300                     | (21)                 | 213                         | 66                             |
| Investment receivables                                 | 307                     | 183                     | 124                  | 313                         | (6)                            |
| Other assests  | <u>115</u>              | <u>114</u>              | <u>1</u>             | <u>122</u>                  | <u>(7)</u>                     |
| <b>Total assets</b>                                    | <b>\$ <u>22,868</u></b> | <b>\$ <u>22,459</u></b> | <b>\$ <u>409</u></b> | <b>\$ <u>20,940</u></b>     | <b>\$ <u>1,928</u></b>         |
| <b>Liabilities</b>                                     |                         |                         |                      |                             |                                |
| Reserve for compensation and compensation adj. Expense | \$ 19,744               | \$ 20,149               | \$ 405               | \$ 19,223                   | \$ 521                         |
| Accounts payable                                       | 65                      | 94                      | 29                   | 84                          | (19)                           |
| Investment payable                                     | 148                     | –                       | (148)                | 213                         | (65)                           |
| Other liabilities                                      | <u>276</u>              | <u>238</u>              | <u>(38)</u>          | <u>634</u>                  | <u>(358)</u>                   |
| <b>Total liabilities</b>                               | <b><u>20,233</u></b>    | <b><u>20,481</u></b>    | <b><u>248</u></b>    | <b><u>20,154</u></b>        | <b><u>79</u></b>               |
| <b>Net assets</b>                                      | <b>\$ 2,635</b>         | <b>\$ 1,978</b>         | <b>\$ 657</b>        | <b>\$ 786</b>               | <b>\$ 1,849</b>                |

# Statement of **Net Assets - Combining** Schedule

➤➤ **As of April 30, 2008**

| <i>(in thousands)</i>                     | State Insurance<br>Fund account | Disabled<br>Workers'<br>Relief<br>Fund account | Coal-Workers<br>Pneumoconiosis<br>Fund account | Public Work-<br>Relief<br>Employees'<br>Fund account | Marine<br>Industry<br>Fund account | Self-Insuring<br>Employers'<br>Guaranty<br>Fund account | Administrative<br>Cost<br>Fund account | Eliminations        | Totals               |
|---|---------------------------------|--|--|--|------------------------------------|---|--|---------------------|----------------------|
| <b>Assets</b>                             |                                 |  |  |  |                                    |   |  |                     |                      |
| Bonds                                     | \$ 12,721,787                   | \$ 924,520                                     | \$ 194,142                                     | \$ -   | \$ -                               | \$ -  | \$ -                                   | \$ -                | \$ 13,840,449        |
| Stocks                                    | 3,142,814                       | 216,410  | 49,292   | -  | -                                  | -   | -                                      | -                   | 3,408,516            |
| Private equities                          | 20,814                          | -  | -  | -  | -                                  | -   | -                                      | -                   | 20,814               |
| Cash & cash equivalents                   | 413,160                         | 6,677  | 2,146  | 22,480   | 16,690                             | 57,529  | 10,304                                 | -                   | 528,986              |
| Total cash and investments                | \$ 16,298,575                   | \$ 1,147,607                                   | \$ 245,580                                     | \$ 22,480  | \$ 16,690                          | \$ 57,529   | \$ 10,304                              | \$ -                | \$ 17,798,765        |
| Accrued premiums                          | 1,798,199                       | 1,654,071                                      | -  | 268  | -                                  | 676,996   | 238,963                                | -                   | 4,368,497            |
| Other accounts receivable                 | 242,297                         | 18,323   | 5  | (1)  | -                                  | 1,381   | 17,267                                 | -                   | 279,272              |
| Interfund receivables                     | 12,702                          | 67,182   | 176  | -  | 27                                 | 1,502   | 97,315                                 | (178,904)           | -                    |
| Investment receivables                    | 282,720                         | 19,700   | 4,212  | 46   | 34                                 | 118   | -                                      | -                   | 306,830              |
| Other assets                              | 26,209                          | 22   | -  | -  | -                                  | -   | 88,361                                 | -                   | 114,592              |
| <b>Total assets</b>                       | <b>\$ 18,660,702</b>            | <b>\$ 2,906,905</b>                            | <b>\$ 249,973</b>                              | <b>\$ 22,793</b>                                     | <b>\$ 16,751</b>                   | <b>\$ 737,526</b>                                       | <b>\$ 452,210</b>                      | <b>\$ (178,904)</b> | <b>\$ 22,867,956</b> |
| <b>Liabilities</b>                        |                                 |  |  |  |                                    |   |  |                     |                      |
| Reserve for comp and<br>comp adj. Expense | \$ 15,824,127                   | \$ 2,021,507                                   | \$ 62,271                                      | \$ 4,085   | \$ 2,036                           | \$ 726,490  | \$ 1,103,424                           | \$ -                | \$ 19,743,940        |
| Accounts payable                          | 63,614                          | -  | -  | -  | -                                  | -   | 97,856                                 | -                   | 161,470              |
| Investment payable                        | 136,215                         | 9,586  | 1,997  | -  | -                                  | -   | -                                      | -                   | 147,798              |
| Interfund payables                        | 164,970                         | 11,082   | 96   | 17   | 48                                 | 2,691   | -                                      | (178,904)           | -                    |
| Other liabilities                         | 152,964                         | 24   | 723  | -  | 224                                | -   | 25,925                                 | -                   | 179,860              |
| <b>Total liabilities</b>                  | <b>16,341,890</b>               | <b>2,042,199</b>                               | <b>65,087</b>                                  | <b>4,102</b>   | <b>2,308</b>                       | <b>729,181</b>  | <b>1,227,205</b>                       | <b>(178,904)</b>    | <b>20,233,068</b>    |
| <b>Net assets</b>                         | <b>\$ 2,318,812</b>             | <b>\$ 864,706</b>                              | <b>\$ 184,886</b>                              | <b>\$ 18,691</b>                                     | <b>\$ 14,443</b>                   | <b>\$ 8,345</b>   | <b>\$ (774,995)</b>                    | <b>\$ -</b>         | <b>\$ 2,634,888</b>  |

# Statement of **Cash Flows**

➤➤ Fiscal year to date April 30, 2008

| <i>(in millions)</i>  | <b>Actual</b> | <b>Projected</b> | <b>Variance</b> | <b>Prior Yr.<br/>Actual</b> | <b>Increase<br/>(Decrease)</b> |
|---|---------------|------------------|-----------------|-----------------------------|--------------------------------|
| <b>Cash flows from operating activities:</b>                            |               |                  |                 |                             |                                |
| Cash receipts from premiums   | \$ 2,272      | \$ 2,357         | \$ (85)         | \$ 2,153                    | \$ 119                         |
| Cash receipts – other   | 28            | 16               | 12              | 28                          | –                              |
| Cash disbursements for claims   | (1,836)       | (1,847)          | 11              | (1,744)                     | (92)                           |
| Cash disbursements for other  | <u>(400)</u>  | <u>(338)</u>     | <u>(62)</u>     | <u>(459)</u>                | <u>59</u>                      |
| <b>Net cash provided (used) by<br/>operating activities</b>             | 64            | 188              | (124)           | (22)                        | 86                             |
| <b>Net cash flows from capital<br/>and related financing activities</b> | (22)          | (20)             | (2)             | (24)                        | 2                              |
| <b>Net cash provided (used)<br/>by investing activities</b>             | <u>159</u>    | <u>(65)</u>      | <u>224</u>      | <u>456</u>                  | <u>(297)</u>                   |
| <b>Net increase (decrease) in cash<br/>and cash equivalents</b>         | 201           | 103              | 98              | 410                         | (209)                          |
| <b>Cash and cash equivalents,<br/>beginning of period</b>               | <u>328</u>    | <u>328</u>       | <u>–</u>        | <u>194</u>                  | <u>134</u>                     |
| <b>Cash and cash equivalents,<br/>end of period</b>                     | \$ 529        | \$ 431           | \$ 98           | \$ 604                      | \$ (75)                        |

# Insurance Ratios

➤➤ April 30, 2008

|  | <b>Actual<br/>FY08</b><br>April 30, 2008 | <b>Projected<br/>FY08</b><br>April 30, 2008 | <b>Actual<br/>FY07</b><br>April 30, 2007 | <b>Target</b> |
|--|--|---|--|---------------|
| Loss ratio                             | 110.72%                                  | 108.08%                                     | 84.74%                                   |               |
| Lae ratio - MCO                        | 8.52%                                    | 10.60%                                      | 7.37%                                    |               |
| Lae ratio - BWC                        | <u>12.76%</u>                            | <u>13.75%</u>                               | <u>15.76%</u>                            |               |
| <b>Net loss ratio</b>                  | 132.00%                                  | 132.43%                                     | 107.87%                                  | 120.00%       |
| Expense ratio                          | 4.14%                                    | 3.66%                                       | 3.95%                                    | 5.00%         |
| Policyholder dividend ratio            | <u>0.00%</u>                             | <u>0.00%</u>                                | <u>0.00%</u>                             |               |
| <b>Combined ratio</b>                  | 136.14%                                  | 136.09%                                     | 111.82%                                  | 125.00%       |
| Net investment income ratio            | <u>36.47%</u>                            | <u>30.57%</u>                               | <u>33.13%</u>                            |               |
| <b>Operating ratio (trade ratio)</b>   | 99.67%                                   | 105.52%                                     | 78.69%                                   | 100.00%       |
| <b>Operating Cashflow Ratio</b>        | 133.29%                                  | 138.71%                                     | 121.88%                                  | 118.00%       |
| <b>Total Reserves to Net Assets</b>    | 7 to 1                                   | 10 to 1                                     | 24 to 1                                  | 7 to 1        |
| <b>Total Return on Invested Assets</b> | 5.9%                                     | N/A   | 6/9%                                     |               |
| <b>Investments to Loss Reserves</b>    | 90.15%                                   | 86.06%                                      | 89.83%                                   | 110.00%       |
| <b>Equities to Net Assets</b>          | 1.3 to 1                                 | 1.7 to 1                                    | 3.3 to 1                                 |               |
| <b>Bonds to Net Assets</b>             | 5.3 to 1                                 | 6.8 to 1                                    | 17.3 to 1                                |               |

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.

# Fiscal Year End Insurance Ratios

➤➤ Fiscal years ended June 30, 2003 – 2008

|                                      | Projected<br>June 30, 2008 | Audited |       |        |        |        |
|--------------------------------------|----------------------------|---------|-------|--------|--------|--------|
|                                      |                            | FY 07   | FY06  | FY05   | FY04   | FY03   |
| Loss ratio                           | 111.3%                     | 46.9%   | 74.3% | 106.7% | 96.7%  | 128.9% |
| LAE Ratio - MCO                      | 9.3%                       | 3.8%    | 8.6%  | 7.1%   | 9.1%   | 8.8%   |
| LAE Ratio - BWC                      | 12.8%                      | 10.9%   | 6.4%  | 14.7%  | 8.3%   | 12.9%  |
| <b>Net loss ratio</b>                | 133.4%                     | 61.6%   | 89.3% | 128.5% | 114.2% | 150.6% |
| Expense ratio                        | 4.0%                       | 2.3%    | 4.0%  | 4.0%   | 5.1%   | 4.1%   |
| Policyholder dividend ratio          | 0.0%                       | 0.0%    | -0.4% | 10.3%  | 18.6%  | 28.7%  |
| <b>Combined ratio</b>                | 137.4%                     | 63.9%   | 92.9% | 142.8% | 137.9% | 183.4% |
| Net investment income ratio          | 35.6%                      | 18.5%   | 30.4% | 22.1%  | 20.5%  | 23.9%  |
| <b>Operating ratio (trade ratio)</b> | 101.8%                     | 45.4%   | 62.5% | 120.7% | 117.3% | 159.5% |

Note 1: FY 07 ratios have been significantly impacted by a statutory change in accounting for the Disabled Workers' Relief Fund that increased premium and assessment income by \$1.9 billion.

Note 2: FY 06 ratios have been significantly impacted by improvements in medical payment trends that contributed to a reduction of approximately \$1 billion in loss expenses.

|                              |          |          |          |          |          |           |
|------------------------------|----------|----------|----------|----------|----------|-----------|
| Operating Cashflow Ratio     | 112.7%   | 114.2%   | 121.8%   | 94.0%    | 96.1%    | 50.8%     |
| Total Reserves to Net Assets | 8 to 1   | 8 to 1   | 999 to 1 | 999 to 1 | 19 to 1  | 29 to 1   |
| Investments to Loss Reserves | 88.7%    | 86.9%    | 85.7%    | 86.8%    | 100.5%   | 101.1%    |
| Equities to Net Assets       | 1.4 to 1 | 1.1 to 1 | 0        | 999 to 1 | 6.8 to 1 | 8.7 to 1  |
| Bonds to Net Assets          | 5.5 to 1 | 5.8 to 1 | 999 to 1 | 999 to 1 | 9.2 to 1 | 15.7 to 1 |

# Administrative Cost Fund Budget Summary

➤➤ As of April 30, 2008

## Report Analysis

BWC's Fiscal Year 2008 (FY08) budget as of April 30, 2008, is \$309 million. This is almost \$20 million, or 6%, less than the amount appropriated in House Bill 100. The savings are a result of the change in leadership that occurred in the first half of the fiscal year. The appointment of a new administrator and a new Board of Directors led to a delay in the prioritization and implementation of strategic initiatives as BWC developed more defined strategic goals focusing on communications, cost reduction, customer service, revenue capture and internal controls and documentation.

In addition to the changes in leadership, the initiation of hiring and equipment controls by the Office of Budget and Management resulted in delays associated with replacement of staff and purchases of equipment. These controls require BWC to carefully evaluate and justify staff replacements and equipment needs.

Some divisions within the agency have used more resources than expected due to the following:

- Unexpected temporary services were necessary due to delays in filling vacancies. Temporary resource requests are evaluated on a case-by-case basis to ensure services are only used to fill critical operational areas or support specific projects.
- Annual encumbrances for services paid for throughout the year result in a reduction of available budget resources. These include the costs associated with certain types of consultants or fees associated with outside legal counsel. Encumbrances are evaluated periodically throughout the fiscal year to ensure that resources are not unnecessarily committed.
- Unplanned consulting services to meet specific strategic needs.

Evaluation of BWC's current spending patterns and planned spending for the remaining two months of the fiscal year indicate BWC's administrative spending will be significantly below the FY08 appropriation. Continued implementation of strategic projects in Fiscal Year 2009 will enable the agency to properly leverage next year's available resources.

# BWC Administrative Cost Fund—Budget Summary

➤ As of April 30, 2008

|                               | FTE's | FYTD Expenses | FYTD Budget | FYTD Variance | FYTD Percentage Variance | FYTD Encumbrances | FYTD Exp. & Encumb. | FY08 Budget | Available Budget | Percentage Available Budget |
|-------------------------------|-------|---------------|-------------|---------------|--------------------------|-------------------|---------------------|-------------|------------------|-----------------------------|
| <b>Agency Summary</b>         |       |               |             |               |                          |                   |                     |             |                  |                             |
| Payroll                       |       | 161,128,855   | 161,387,368 | 258,513       | 0.16%                    | 0                 | 161,128,855         | 191,536,541 | 30,407,686       | 15.88%                      |
| Personal Services             |       | 16,231,614    | 19,362,778  | 3,131,164     | 16.17%                   | 12,575,633        | 28,807,247          | 21,906,050  | (6,901,197)      | (31.50%)                    |
| Maintenance                   |       | 58,897,847    | 74,702,742  | 15,804,895    | 21.16%                   | 9,424,593         | 68,322,440          | 82,852,988  | 14,530,548       | 17.54%                      |
| Equipment                     |       | 4,612,130     | 12,211,537  | 7,599,407     | 62.23%                   | 3,077,616         | 7,689,746           | 13,040,855  | 5,351,109        | 41.03%                      |
| <b>Agency Total</b>           |       | 240,870,446   | 267,664,425 | 26,793,979    | 10.01%                   | 25,077,842        | 265,948,288         | 309,336,434 | 43,388,146       | 14.03%                      |
| <b>BWC Divisions</b>          |       |               |             |               |                          |                   |                     |             |                  |                             |
| BWC Board of Directors        | 13    | 882,171       | 1,102,365   | 220,194       | 19.97%                   | 22,504            | 904,675             | 1,326,361   | 421,686          | 31.79%                      |
| Workers' Compensation Council |       | 0             | 258,324     | 258,324       | 100.00%                  | 0                 | 0                   | 375,132     | 375,132          | 100.00%                     |
| BWC Administration            | 6     | 709,448       | 641,372     | (68,076)      | (10.61%)                 | 1,013             | 710,461             | 742,873     | 32,412           | 4.36%                       |
| Customer Service              | 1,518 | 118,613,337   | 121,396,168 | 2,782,831     | 2.29%                    | 1,303,218         | 119,916,555         | 141,780,743 | 21,864,188       | 15.42%                      |
| Medical                       | 133   | 11,012,465    | 11,477,605  | 465,140       | 4.05%                    | 455,210           | 11,467,675          | 13,405,269  | 1,937,594        | 14.45%                      |
| Special Investigations        | 145   | 11,136,844    | 11,216,577  | 79,733        | 0.71%                    | 122,566           | 11,259,409          | 13,058,700  | 1,799,291        | 13.78%                      |
| Fiscal and Planning           | 61    | 6,265,436     | 6,402,560   | 137,124       | 2.14%                    | 629,826           | 6,895,262           | 7,501,831   | 606,569          | 8.09%                       |
| Actuarial                     | 18    | 2,031,160     | 2,786,520   | 755,360       | 27.11%                   | 841,000           | 2,872,160           | 3,072,494   | 200,334          | 6.52%                       |
| Investments                   | 9     | 1,135,514     | 1,278,179   | 142,665       | 11.16%                   | 1,807             | 1,137,321           | 1,529,870   | 392,549          | 25.66%                      |
| Information Technology        | 309   | 60,325,980    | 72,905,885  | 12,579,905    | 17.25%                   | 14,290,296        | 74,616,276          | 81,800,901  | 7,184,625        | 8.78%                       |
| Legal                         | 74    | 9,541,133     | 9,775,996   | 234,863       | 2.40%                    | 1,332,281         | 10,873,414          | 11,914,174  | 1,040,760        | 8.74%                       |
| Communications                | 36    | 3,409,368     | 3,917,760   | 508,392       | 12.98%                   | 47,831            | 3,457,199           | 4,562,479   | 1,105,280        | 24.23%                      |
| Human Resources               | 69    | 6,351,121     | 6,235,299   | (115,822)     | (1.86%)                  | 48,893            | 6,400,014           | 7,192,088   | 792,074          | 11.01%                      |
| Internal Audit                | 14    | 1,514,755     | 1,549,870   | 35,115        | 2.27%                    | 86                | 1,514,841           | 1,826,429   | 311,588          | 17.06%                      |
| Ombuds Office                 | 6     | 415,845       | 409,859     | (5,986)       | (1.46%)                  | 0                 | 415,845             | 491,380     | 75,535           | 15.37%                      |
| Overhead Accounts             |       | 7,525,869     | 16,310,066  | 8,784,217     | 53.86%                   | 5,981,312         | 13,507,181          | 18,755,710  | 5,248,529        | 27.98%                      |
| <b>Divisions Total</b>        | 2,411 | 240,870,446   | 267,664,425 | 26,793,979    | 10.01%                   | 25,077,842        | 265,948,288         | 309,336,434 | 43,388,146       | 14.03%                      |

Total Agency Appropriation 328,956,361  
 Budget to Appropriation Variance 19,619,927  
 Percentage Variance 5.96%

□ Green  
 □ Yellow  
 □ Red

# Customer Contact Center (CCC)

Bill Teeven

Director - Customer Contact Services

# The beginnings of 1-800 OHIOBWC...

- Started in 1999
- Designed to be multi-purpose:
  - Respond to basic inquiries
  - Update demographics and e-account maintenance
  - Process FROIs
  - Take payroll report and process payments
  - Assist with fraud calls
  - Enroll customers into EFT program
  - Direct calls to Subject Matter Experts

# One Number, Many Destinations

- Customer-focused services:
  - Claims (WGB & GH)
  - Employer (WGB & GH)
  - Provider (WGB)
  - Fraud (WGB)
  - Safety & Hygiene (OCOSH)

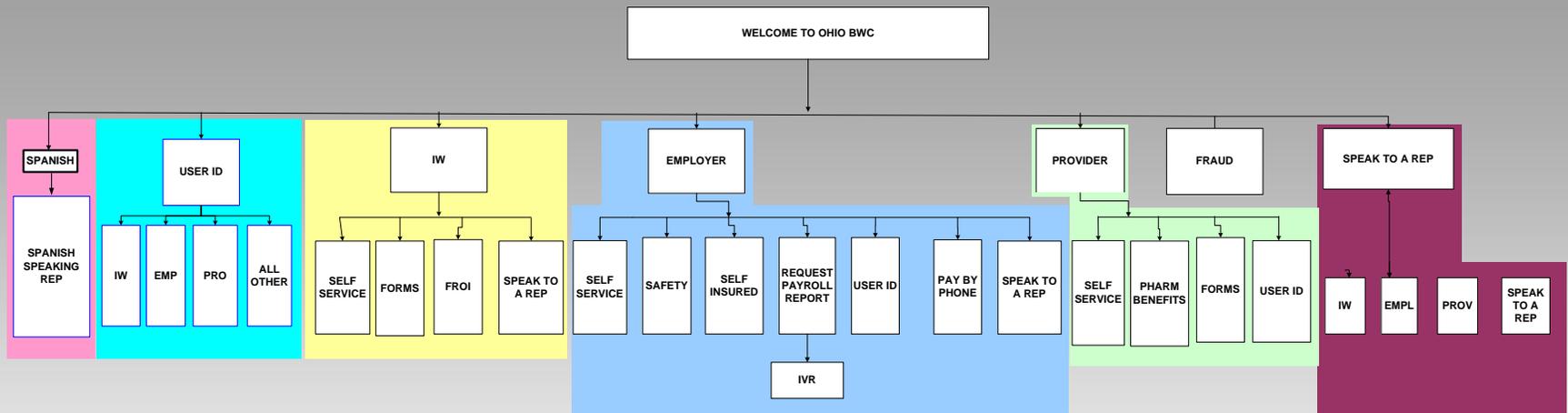
# Communicating with our customers through dynamic media

- Multiple ways for customers to interact with BWC:
  - Calls
  - Faxes
  - E-mails
  - Web chats
  - Ohio Business Gateway

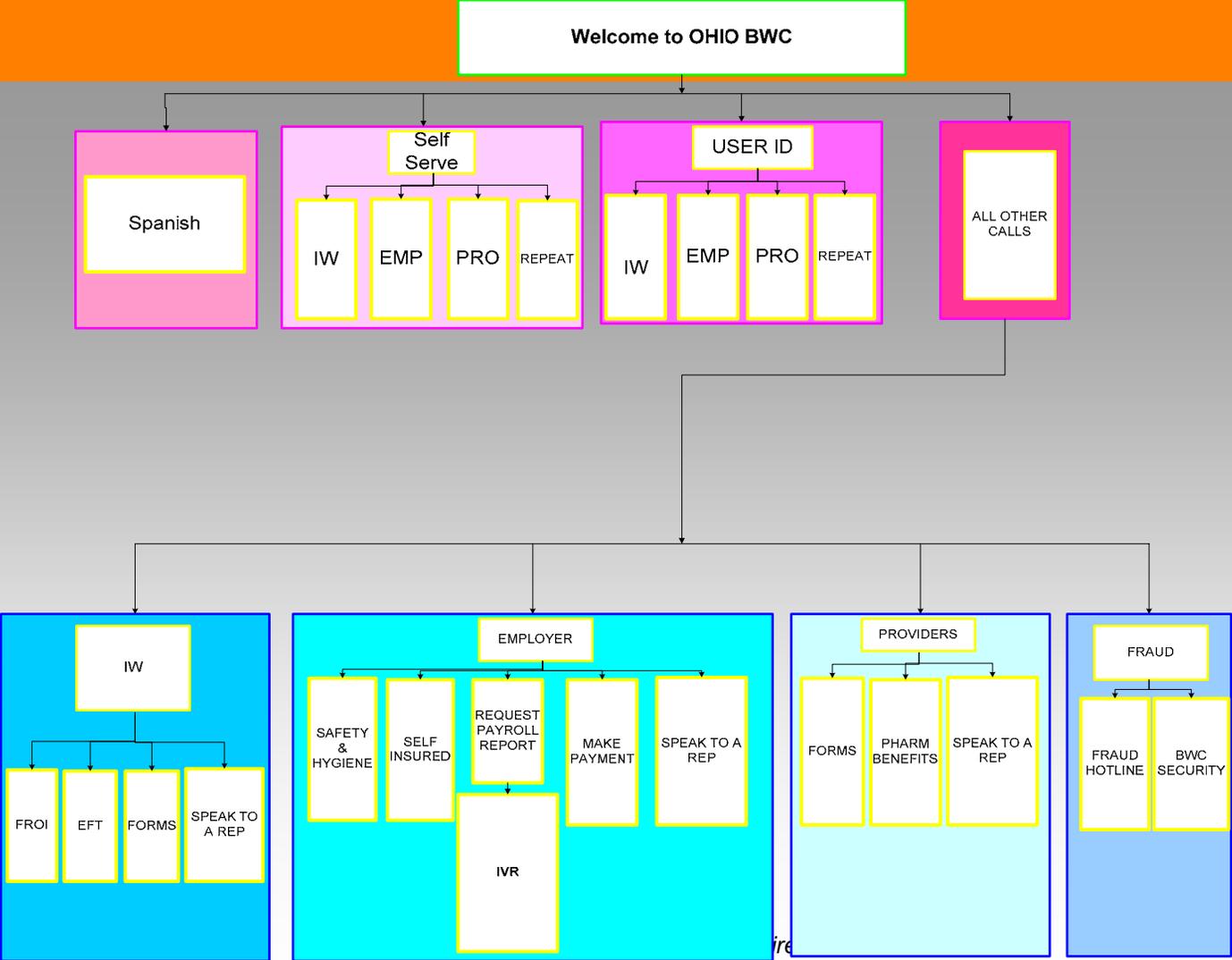
# The portal to 1-800-OHIOBWC

- Current staffing levels:
  - 32 Claims Service Rep positions – 6 vacancies
  - 24 Employer Service Rep positions – 4 vacancies
  - Three Customer Service Assistant positions
  - Six supervisors
- Turnover: Reps can promote out after 4 months (10 – 80% annual turnover)
- Plan to establish career path within CCC

# Former Automated Call Distributor



# Current Automated Call Distributor

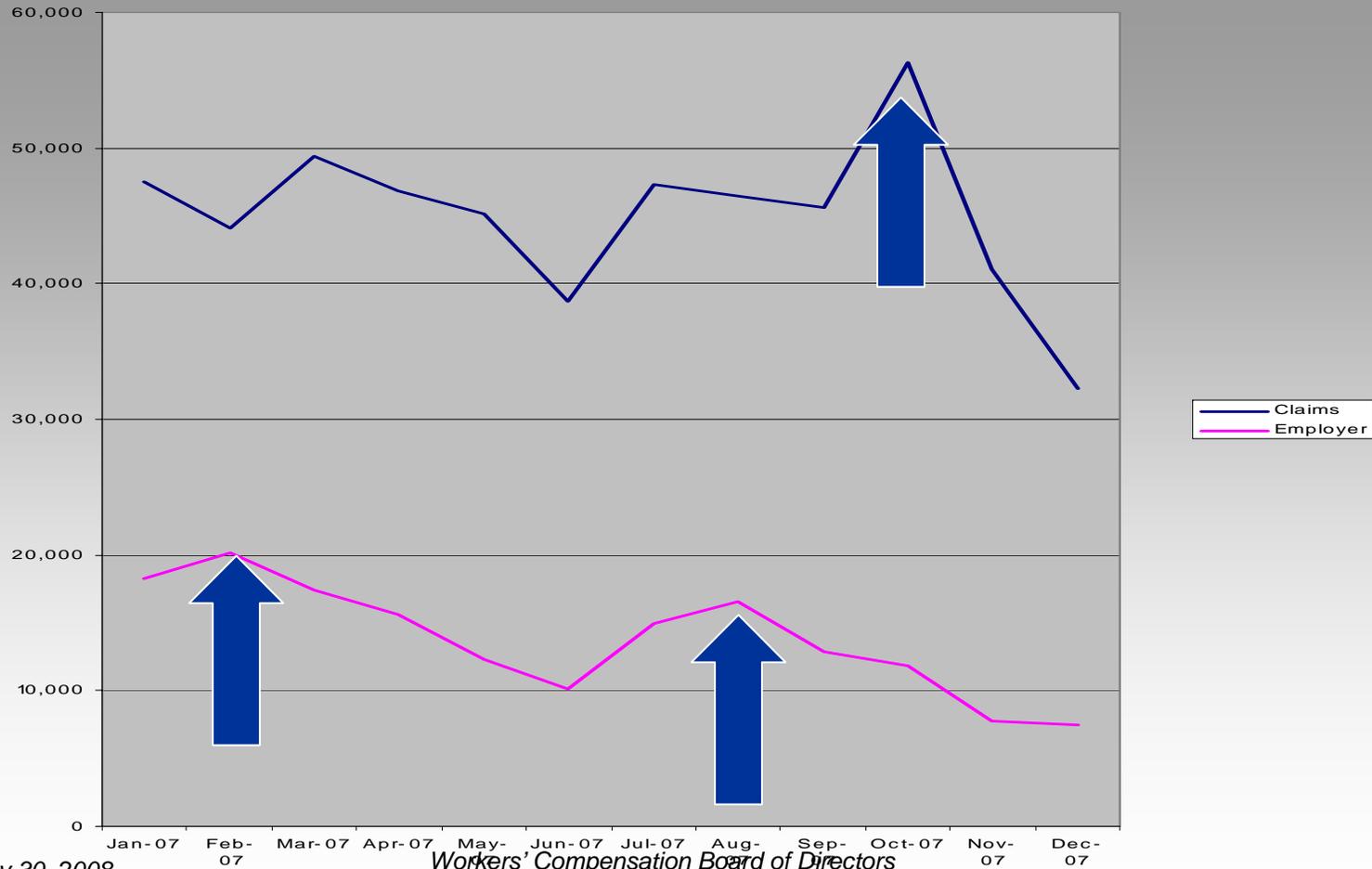


# Over 1 Million “Live” Inquiries per year

Breakdown of contacts during 2007 calendar year:

- 540,657 Claims Calls (48.6%)
- 165,311 Employer Calls (14.9%)
- 38,756 Opt out Calls (3.5%)
- 60,657 Fraud & Provider Calls (5.5%)
- 15,393 Safety & Hygiene Calls (1.4%)
- 29,675 Web Chats (2.7%)
- 260,248 Self Service (23.4%)

# 2007 Call Volumes



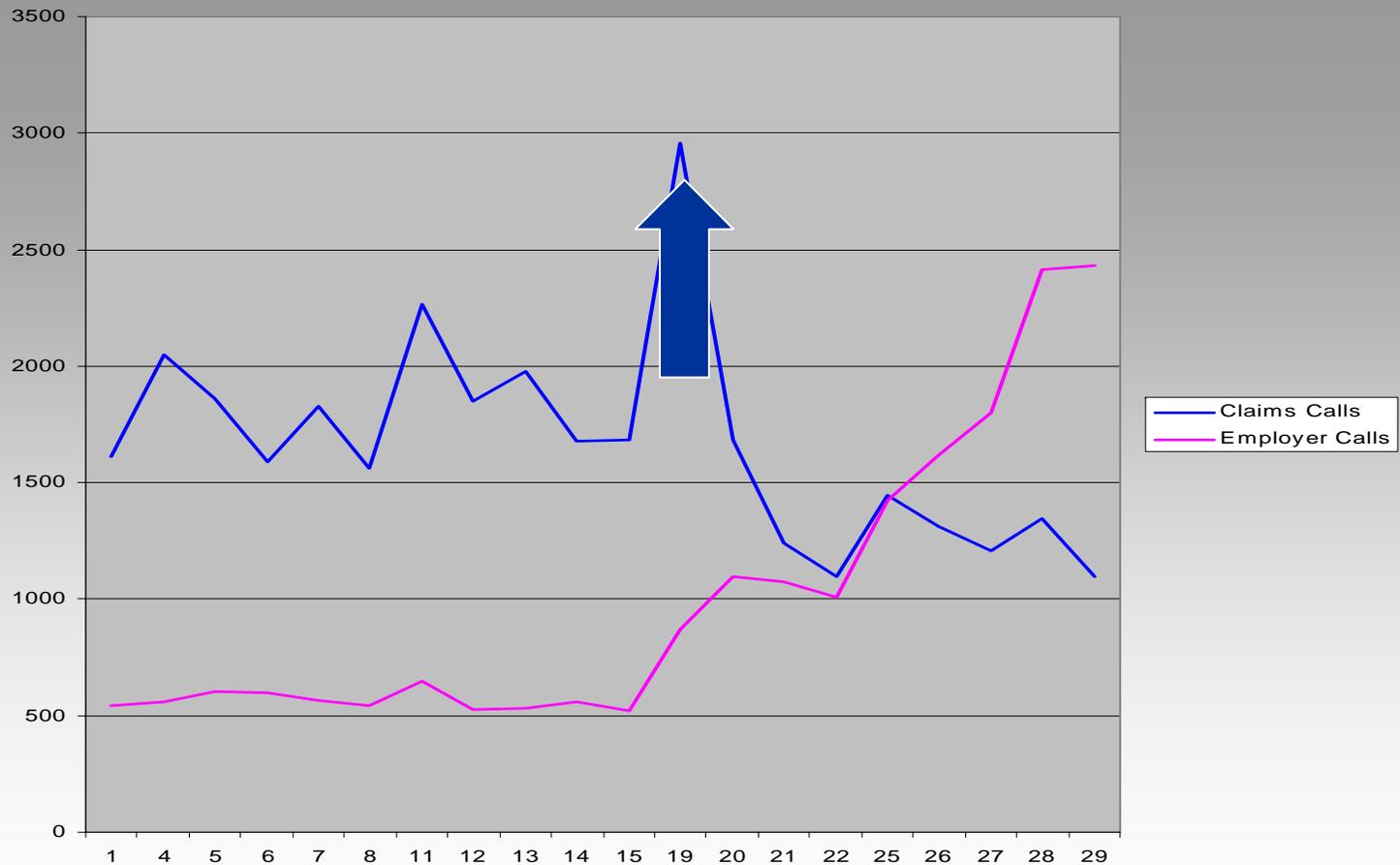
Friday, May 30, 2008

Workers' Compensation Board of Directors

# Dynamic Volumes

- Peak periods:
  - Payroll (February and August)
  - Safety Congress (March)
  - Policy changes (random)
  - News articles (random)

# February 2008 Call Volumes



# Service levels

- Where we are
- Where we want to be
- How we're going to get there

# ePowerCenter Contact History

Case, Doe, John (INJURED WORKER) (New Caller) - ePowerCenter\* - Microsoft Internet Explorer

New ... Quick Close Delete Case

### Add Mode

---

**Case**

Status:  Contact Method:  Initial Agent: \_\_\_\_\_  
 Received: 05/16/2008 10:13AM Contact Source: \_\_\_\_\_ Dept: \_\_\_\_\_  
 Closed: \_\_\_\_\_ Nature of Inquiry: \_\_\_\_\_ Responsible Agent: \_\_\_\_\_  
 Caller Language:  Dept: \_\_\_\_\_

---

**Caller**

Caller Type:  Company Name:   
 Special Contact Name: \_\_\_\_\_  
 Name:     
 Address1:  E-Mail: \_\_\_\_\_  
 Address2: \_\_\_\_\_ Phones: Home   
 City:  Work   
 State:  Cell \_\_\_\_\_  
 Zip Code:   
 Country:

---

**Issue**

Reason:  Assigned To:  Issue Status:   
 Reason:  Referral Name:  Resolution Code:   
 Issue Type:  Referred To:

CLAIM # (Dash Required):  POLICY #:   
 SSN (No Dashes):  FID/SSN #:   
 DOI (YYYY-MM-DD):  PROVIDER #:

Security Threat:   
 IW Name:   
 DOB:   
 Str Addr:   
 PO Box:   
 City St Zip:   
 Phone #:  Ext   
 Add Eff:   
 Clm Status:   
 Act/Inact:   
 Ben Type:   
 Accd Type:   
 Serv Off:   
 Clm Rep:   
 Cl Rep Ph:  Ext

Pol Name:   
 Entity:   
 Emp Type:   
 Cov Status:   
 Status Dt:   
 Orig Eff:   
 Ult Succ #:   
 EMOD:   
 Total Bal:   
 Reg Bal:   
 Appeal Bal:   
 AG Bal:   
 Pend Bal:   
 Curr Bal:

Prov Name:   
 Phys Loc:   
 PO Box:   
 City St Zip:   
 Prov Ph #:  Ext   
 Prov Type:   
 Enroll Status:   
 Enroll Eff Dt:   
 MCO Name:   
 MCO Number:   
 MCO Cs Mgr:   
 MCO Ph #:  Ext

---

**Text**

1 - Issue Summary  
 Text Type:  Added By: \_\_\_\_\_ Date Added: \_\_\_\_\_  
 Description:  Modified By: \_\_\_\_\_ Last Modified: \_\_\_\_\_

# Analyzing customer data

- The role of Customer Trend Analysis
- How the process works
- Initial successes

# The Future

- Triage inquiries – multi-tiered reps
- Intermittent staff to cover lunches & peaks
- Roll out ePC to service offices
- Improve self-service options (IVR)
- Speech recognition
- Automated Pay by phone
- Predictive dialer to automate callbacks to customers
- Call recording and indexing software

## Active Bills

### **SB 323 (Niehaus-R-New Richmond) Pneumoconiosis Fund –Transfer portion of interest for ODNR Mine Safety Program.**

- 10/26/07 – Administrator Ryan presented high-level concept as FYI to Board of Directors in her report
- BWC Legislative Affairs, Kris Long, John Pedrick met with Sen. Stivers relative to Fund and Mine Safety Program on 2/26—draft legislation just recently made available from Governor’s office. Sen. Stivers suggested changes relative to protecting/ensuring the solvency of the fund. Sen. Stivers indicated that while he supports the measure as a short-term funding solution, ODNR and the Administration should seek a long-term funding solution outside of the Pneumoconiosis Fund interest.
- **Legislative Affairs met with Senator Tom Niehaus (Chairman), Senator Tim Schaffer (Vice-Chairman), and Senator Sue Morano (Ranking Minority Member) week of 5/5**
- **Proponent Testimony provided by Chairman Niehaus on 5/7/08. Legislation unanimously voted out of Senate Environment and Natural Resources Committee**
- **MIRA II date change amendment added to legislation by unanimous vote in committee**
- **Legislation approved unanimously (32- 0) by Senate on 5/7/08**
- **Assigned to House Agriculture and Natural Resources Committee, Rep. Jim Aslanides (R-Coshocton), Chair**

### **SB 334 (Rep. Faber-R-Celina)--Interstate Jurisdiction – Senator Keith Faber (Vice-Chair, Senate Insurance, Commerce, and Labor Committee)**

- Sen. Faber intent: legislation would prohibit 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.
- **Legislative Affairs met with Senator Faber on 5/7/08 to discuss proposed legislation**
- **Sponsor Testimony provided on 5/14/08 in Senate Insurance, Commerce and Labor Committee**
- **Proponent, Opponent, Interested Party testimony on 5/21/08 in Senate ICL**

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

- Bill would 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.
- **Sponsor Testimony provided on 5/13/08**
- **Bill not scheduled for testimony week of 5/19**

## **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

- Sponsor testimony on HB 397 delivered 1/15/08
- Interested party meeting on HB 397 on 1/30/08
- Proponent testimony provided for HCL 2/5/08—Keith Flagg, Federal Marine Terminals, Inc, Lauri Justen, Midwest Terminals of Toledo International, Inc., Tony Fiore, Ohio Chamber of Commerce.
- Sen. Wagoner introduced companion bill SB 290 on 2/12/08
- 3/11/08 4<sup>th</sup> Hearing Proponent/Opponent/Interested Party— BWC supported [amendment](#) added to bill without opposition.
- Sponsor testimony on SB 290 delivered by Senator Wagoner on 4/16/08 in Senate Insurance, Commerce and Labor Committee.
- **Neither bill is scheduled for testimony the week of 5/19**

## **HB 461 (Rep. Batchelder-R-Medina)/ SB287 (Senator Stivers-R-Columbus)**

- 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.
- **Neither bill scheduled for testimony the week of 5/19**

## **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.
- Introduced 1/15/08, referred to House Commerce and Labor Committee "HCL"
- Sponsor testimony in HCL Committee on 2/19/08
- 2<sup>nd</sup> Hearing Proponent Testimony on 3/11/08 in HCL Committee.
- 3<sup>rd</sup> Hearing Opponent Testimony heard on 4/1/08. No opposition testimony provided. However, three letters of opposition/concern were submitted to the committee by the [city of Cleveland](#), the [Ohio Ambulance and Medical Transportation Association](#), and the [Ohio Municipal League](#).
- **Bill is not scheduled for a hearing the week of May 5/19**
- **Substitute bill likely to be introduced at next hearing date. New bill will include only specific types of cancer prevalent in the firefighting community, pre-employment health screenings, and minimum employment periods.**

## **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.
- Sponsor Testimony provided by Rep. Raussen on 2/06/08. Rep. Raussen indicated the bill is and will be a work in progress, a starting point. The House Health Care Access and Affordability Committee will continue to hear testimony in the weeks and months ahead. Hearings will be scheduled by subject matter.
- Gregg Paul, Laura Abu-Absi, and CAO John Pedrick met with Rep. Raussen on 3/12/08 to discuss concerns with BWC employer premium discount provisions.
- **Gregg Paul provided [Interested Party/Opponent Testimony](#) on 5/1/08.**
- **Substitute introduced in committee on 5/15/08. BWC-related provisions remain in substitute bill.**