BWC Board of Directors
Audit Committee

FY 10 1st Quarter Executive Summary Report

December 16, 2009

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To: Audit Committee Members

From: Caren Murdock, Chief of Internal Audit

Date: December 16, 2009

Fiscal Year 2010 1st Quarter Executive Summary report

Following you will find the Fiscal Year 2010 1st Quarter Executive Summary (QES) Report containing:

1. Audit Comment Status
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BWC Internal Audit Division
Consulting Project Activity – 1st Quarter Activity

Pending available resources, the Internal Audit Division (IAD) performs consulting projects for management when requested. Consulting services do not necessarily seek to attest or provide assurance; rather, they are advisory in nature and the scope is agreed upon with the client. Consulting services are intended to add value and improve an organization's governance, risk management and control processes without the internal auditor assuming management responsibility. Recommendations resulting from consulting services are advisory in nature and management assumes the risk for implementing or not implementing the recommendations. IAD does not opine on the process controls as a whole.

Employer Complaint and Adjudicating Committee Process - October 2009

The Internal Audit Division (IAD) conducted a consulting review of the Employer Complaint (EC) and Adjudicating Committee (AC) process. Prior to the consulting review, management implemented significant changes to the EC and AC process for the purpose of decreasing resolution times and increasing process efficiencies. Issues, complaints and protests filed between January 1, 2009 and March 31, 2009 were reviewed to fulfill the following objectives:

- Determine if key internal control design and implementation can be improved for administering the EC and AC processes;
- Assess opportunities to improve existing quality assurance procedures;
- Verify compliance with BWC policy, procedures and statutory requirements; and
- Evaluate the efficiency and effectiveness of the employer complaint and adjudicating appeal process.

Consistent with management's continuous improvement efforts, IAD provided 10 recommendations to improve internal controls, compliance, efficiency and effectiveness of the process.

Black Lung & Marine Industry Fund - October 2009

As part of the Fiscal Year 2010 Internal Audit Plan, the Bureau of Workers' Compensation (BWC) Internal Audit Division conducted a consulting review of the Coal Workers' Pneumoconiosis, or "Black Lung" and Marine Fund Claims process. Black Lung (BL) and Marine Industry Fund (MIF) responsibilities were housed within BWC's Legal Division until management moved the underwriting functions to Employer Management Services and the claims process to the Special Claims Unit in May of 2009. The Legal Division is responsible for representation of the BL and MIF before the U.S. Department of Labor.

IAD evaluated the current BL and MIF claims and bill payment procedures to assist management in identifying control weaknesses and areas for process improvements during the transition from the Legal Division. Consistent with management's continuous improvement efforts, IAD provided 13 recommendations to improve internal controls, compliance, and effectiveness and efficiency of the BL and MIF Claims process.

BWC Internal Audit Division
Comments Issued – 1st Quarter Activity

Managed Care Organization (MCO) Audit #8 - November 2009

This audit focused primarily on the evaluation of internal controls and compliance with contractually required policies and procedures established by BWC.

The audit scope consisted of payment transactions completed between August 1, 2008 and July 31, 2009. The audit included a review of the following:

I. Activity Reviewed:

- Evaluated internal control design and whether controls were placed in operation;
- Assessed compliance with contract requirements and policy established by BWC;
- Areas of focus included:
  - Case management;
  - Provider account controls and accuracy;
  - Bill processing;
  - Bill payments;
  - Adjustment processing;
  - Contractual compliance; and
  - Resolution of prior audit recommendations (BWC issues, SAS 70 audit findings, and external auditor issues).

This is the eighth MCO audit conducted since 2007. The MCO audit number in no way should be used to identify the specific MCO audited.

	Recommendation	Disposition
1	Take steps to ensure program change control policies are followed and that management is informed of and is able to test and approve changes to key systems. **Rating: Material Weakness**	MCO management will take steps to ensure program change control policies are followed and that changes to key systems are tested and approved. Documentation will be maintained to record the process of all system changes. **Target Resolution Date: October 2009** **Current Status: In Process**
2	Ensure that the zero balancing reconciliation is performed completely each month. **Rating: Significant Weakness**	MCO management will ensure that the zero balancing reconciliation is performed completely each month. The Chief Operating Officer and the accountant will address each item on the reconciliation and the zero balancing report each month and agree differences identified to the transactions needed to clear the items.

Recommendation		Disposition
		The Chief Executive Officer will approve the reconciliation. **Target Resolution Date: June 2009** **Current Status: Implemented**
3	Revise the payment receipt process to include controls to provide reasonable assurance that checks received are properly processed and recorded. **Rating: Significant Weakness**	MCO management will revise the payment receipt process in order to provide segregation of duties and function as a check and balance between the responsibilities for the receipt of cash/checks, deposits, and recording the transactions. **Target Resolution Date: October 2009** **Current Status: In Process**
4	Revise adjustment tracking procedures to ensure that all adjustments are logged upon notification and monitored to ensure timely and accurate completion. **Rating: Significant Weakness**	MCO management will revise the tracking procedures to ensure that all adjustments are logged upon notification that they are needed and will monitor the adjustment log periodically to ensure that corrective transactions are completed accurately and in a timely manner. **Target Resolution Date: December 2009** **Current Status: In Process**
5	Modify the network or Internet connections used for work at home employees to prohibit access to the MCO system from any location other than the secure workstation. **Rating: Significant Weakness**	MCO management will institute a modified policy for the network or Internet connections used for staff in the home setting to prohibit access to the MCO system from any location other than the secure workstation. **Target Resolution Date: December 2009** **Current Status: In Process**
6	Increase the business liability aggregate coverage amount to the required $3,000,000. **Rating: Significant Weakness**	MCO management will purchase an umbrella policy to increase the business liability aggregate coverage amount to the required $3,000,000. **Target Resolution Date: October 2009** **Current Status: In Process**

Auditor Opinion:

Overall, internal controls for the MCO were generally well designed and functioning effectively. However, the audit identified a material weakness related to program change controls and other weakness related to reconciliation and payment receipt procedures, which should receive immediate attention from management. The audit also identified one minor recommendation for management's consideration.

BWC Internal Audit Division
Outstanding Comments as of September 30, 2009

Note: Comments designated as "Implemented" are based on managements' assertions and have not been validated by Internal Audit.

Medical Billing and Adjustments – May 2006

	Recommendation	Disposition
1	Implement a systematic process to ensure all eligible medical adjustments are identified and reviewed by the Employer Rate Adjustment unit to determine if an employer rate adjustment is needed. **Rating: Significant Weakness**	Infrastructure and Technology (IT) developed a program to systematically identify and process medical cost adjustments required each quarter. The few issues noted during testing are being reviewed by IT. **Responsible**: **Chief Actuarial Officer** **Target Resolution Date: December 2010** **Previous Target Date(s): March 2007, September 2007, March 2008, September 2008, December 2008, April 2009** **Current Resolution Status: In Process**
2	To ensure the current interest payment methodology operates in accordance with statutory requirements, management should obtain clarification regarding interest payment calculation and ensure Medical Invoice Information System and Cambridge Systems calculations are consistent. **Rating: Significant Weakness**	Changes to Cambridge system were implemented on 11/1/09. BWC is currently testing with the managed care organizations. Complete implementation is anticipated for 12/1/09. **Responsible**: **Chief of Medical Services and Compliance** **Target Resolution Date: December 2009** **Previous Target Date(s): July 2007, September 2008, December 2008, March 2009** **Current Resolution Status: In Process**
3	Consider converting all medical payments to the Cambridge system and prioritize the elimination of the MIIS system. **Rating: Significant Weakness**	The HPP Systems Vendor request for proposal (RFP) will address this issue as well as the future vision for medical bill payment processing. **Responsible**: **Chief of Medical Services, Chief Information Officer** **Target Resolution Date: June 2011** **Previous Target Date(s): December 2007, June 2008** **Current Resolution Status: In Process**

Risk/Employer Operational Review – June 2006

	Recommendation	Disposition
1	Partner with other agencies to conduct system cross-checks to identify non-complying and non-covered employers. **Rating: Material Weakness**	The areas of the state demonstrating the most need received the primary focus. As a result, employer compliance investigations teams have been deployed to two of three regions in the state. Other BWC resources are being remotely deployed on an ad hoc basis to the third region. Management will continue to evaluate the plan to determine if this approach meets their needs or if additional staff is necessary. **Responsible**: **Chief of Customer Services** **Target Resolution Date: March 2010** **Previous Target Date(s): December 2006, December 2007, April 2008, August 2008, March 2009, June 2009, October 2009** **Current Status: In Process**
2	Consider increasing either the Premium Security Deposit (PSD) or Minimum premium to compensate for potential losses incurred by BWC. **Rating: Material Weakness**	The Deloitte Study recommended examining the feasibility of raising the minimum premium, conducting further analysis of the characteristics of minimum premium employers, and increasing premium audit functions to address potential underreporting or fraud. Management will further analyze this issue and the problems inherent in the minimum premium employer population. **Responsible**: **Chief Actuarial Officer** **Target Resolution Date: July 2011** **Previous Target Date(s): December 2006, June 2007, December 2007, December 2008** **Current Status: In Process**
3	Conduct reviews of estimated payroll to determine if PSD are correct. **Rating: Significant Weakness**	Management has amended the premium audit program to require a review of the appropriateness of the premium security deposit of each employer audited. **Responsible**: **Chief of Customer Services** **Target Resolution Date: October 2009** **Previous Target Date(s): December 2007, June 2008, December 2008, May 2009, September 2009** **Current Status: In Process**

Manual Override – December 2006

	Recommendation	Disposition
1	Resolve the current rating inequity between group rated and non-group rated employers. Also, adopt standard controls to prevent rate manipulation by employer groups. **Rating: Material Weakness**	Elements of the plan to reform rate setting methods are in discussion with the Board of Directors. These new strategies are being developed by staff, with analysis by the actuarial consultants, and with input from affected employers, group sponsoring organizations, and third party administrators. For policy year July 2009 – June 2010, rates for non-group employers are more consistent with the risk they bring to the system. **Responsible**: **Chief of Actuarial** **Target Resolution Date: July 2011** **Previous Target Date(s): December 2006, June 2007, July 2009** **Current Status: In Process**

IT and Application Controls Risk Assessment – January 2007

	Recommendation	Disposition
1	Implement security violation monitoring by using trending or advanced analysis for violation enforcement. **Rating: Material Weakness**	IT has identified BWC's powerful system IDs and utilities. In addition, current logging sources and monitoring processes have been documented on BWC's Log SharePoint site. This work was reviewed with OBM's IT Auditors and additional steps have been identified to address the remaining issues. **Responsible**: **Chief Information Officer** **Target Resolution Date: April 2010** **Previous Target Date(s): March 2008, June 2008, August 2008, December 2008, March 2009, June 2009, September 2009** **Current Resolution Status: In Process**

Pharmacy Benefit Manager (PBM) Audit – May 2007

	Recommendation	Disposition
1	Develop action plan to strengthen oversight and improve management of the program. **Rating: Significant Weakness**	A proposal for the strategic direction of the pharmacy program has been drafted and is scheduled for review with the Administrator and senior staff. This plan rests upon implementation of three core initiatives designed to address program weaknesses in utilization review, cost

Recommendation		Disposition
		control and therapeutic decision making. The document contains specific operational goals and timeframes. **Responsible**: **Chief of Medical Services and Compliance** **Target Resolution Date: December 2009** **Previous Target Date(s): September 2007** **Current Status: In Process**
2	Periodically test transactions to ensure discounts are passed-through to BWC. **Rating: Significant Weakness**	BWC is working with the current rebate aggregator to obtain sufficient data for validating that discounts are passed through to BWC. BWC will continue to periodically test transactions with any new rebate aggregator. The rebate administrator RFP has been released. **Responsible**: **Chief of Medical Services and Compliance** **Target Resolution Date: March 2010** **Previous Target Date(s): March 2008, April 2008, August 2008, October 2009** **Current Status: In Process**
3	Conduct sufficient review and analysis to identify opportunities. **Rating: Significant Weakness**	The transition to a new PBM vendor, SXC, presents the pharmacy program with the opportunity to redefine the reporting expectations for a PBM. The SXC Account Manager will be present at BWC on a monthly basis to ensure that meaningful reports are submitted on a timely basis and that issues are addressed in a timely manner. **Responsible**: **Chief of Medical Services and Compliance** **Target Resolution Date: October 2009** **Previous Target Date(s): November 2007, March 2008, April 2008, August 2008** **Current Status: In Process**

Vocational Rehabilitation Audit – October 2007

Recommendation		Disposition
1	Implement processes to review the actual vocational rehabilitation costs billed in claims for reasonableness and appropriateness. **Significance Rating: Material Weakness**	Communication to the Disability Management Coordinators (DMCs) of analysis results will be completed by the end of December 2009. **Responsible**: **Chief of Medical Services and Compliance**

	Recommendation	Disposition
		Target Resolution Date: December 2009 **Previous Target Date(s): April 2008, June 2008, December 2008, April 2009, October 2009** **Current Resolution Status: In Process**
2	Eliminate the potential conflict of interest created by MCOs that refer vocational rehabilitation cases to their related companies. **Significance Rating: Material Weakness**	BWC's Board of Directors requested an analysis of the MCO self-referral/conflict of interest issue. This analysis, as well as recommendations on next steps, is projected to be presented to the board in December 2009. **Responsible**: **Chief of Medical Services and Compliance** **Target Resolution Date: January 2010** **Previous Target Date(s): October 2008** **Current Resolution Status: In Process**
3	Implement controls over the coordination agreement with the Rehabilitation Services Commission (RSC) to ensure costs expended under that program are only incurred for eligible injured workers and are reasonable and appropriate. **Significance Rating: Material Weakness**	The Cooperative Agreement was signed by both agency Administrators in August 2009. This agreement requires the RSC to provide specific data elements that will enable BWC to analyze the costs for reasonableness and appropriateness. Rehab Policy is developing a procedure for the quarterly analysis of RSC data and subsequent disposition of any issues that are identified. It is anticipated that BWC will have one quarter of data by January 2010 for analysis. **Responsible**: **Chief of Medical Services and Compliance** **Target Resolution Date: January 2010** **Previous Target Date(s): June 2008, October 2008, June 2009** **Current Resolution Status: In Process**
4	Establish effective quality assurance review procedures to ensure controls and activities performed by DMCs are proper, timely, and in accordance with policies and statutes. **Significance Rating: Significant Weakness**	Training is scheduled for all DMCs and their supervisors on "Service Delivery Expectations of DMCs". The presentation of a "review" tool will be included and will be used by the DMCs' supervisors to assure service delivery is timely and being maintained. This "review" tool is anticipated to become an "audit" tool for quality assurance by the supervisors, with a required number of claims to be reviewed per month for each DMC. IT support is still required to automate diaries in V-3 for DMCs. **Responsible**: **Chief of Medical Services**

Recommendation		Disposition
		and Compliance **Target Resolution Date: January 2010** **Previous Target Date(s): June 2008, August 2008, April 2009** **Current Resolution Status: In Process**

Permanent Total Disability (PTD) Claims Audit – January 2008

Recommendation		Disposition
1	Meet with IT management and evaluate the cost benefit of updating the V3 system to better assist in the process of PTD and Disabled Workers' Relief Fund (DWRF) or develop compensating controls. **Significance Rating: Significant Weakness**	The only outstanding item related to this finding is the regionalization of the PTD process. This initiative has been placed on hold at this time and will be evaluated later in Calendar Year 2009 based on other agency-wide initiatives and recommendations from the Claims Complexity Team. **Responsible**: **Chief of Customer Services** **Target Resolution Date: June 2010** **Previous Target Date(s): December 2008** **Current Resolution Status: In Process**
2	Determine the overall impact and best course of action regarding the incorrect overpayments to ensure the accounts receivable balance and BWC financial statements are accurate. Identify and correct the erroneous DWRF overpayments. **Significance Rating: Significant Weakness**	The Customer Service Division has removed $8.0 million of erroneous DWRF overpayments. The rest should be removed by December 2009. **Responsible**: **Chief of Customer Services** **Target Resolution Date: December 2009** **Previous Target Date(s): February 2009, June 2009, August 2009** **Current Resolution Status: In Process**

Medical Bill Payment Process Audit – March 2008

Recommendation		Disposition
1	Monitor and track the certification application process to verify all providers are routinely reapplying for certification and providing the Bureau with credentialing information. **Significance Rating: Significant Weakness**	The Ohio Elections Commission has not responded to the formal written opinion request, or to the numerous follow up inquiries made by BWC. An agency risk assessment was requested that will allow senior management to determine BWC's risks if we were to proceed without the response. That opinion was received by the medical division in October 2009. On 10/26/09, BWC accepted the risk and is proceeding with the certification and recertification processes. **Responsible**: **Chief of Medical Services**

Recommendation		Disposition
		and Compliance **Target Resolution Date: December 2009** **Previous Target Date(s): December 2008, June 2009** **Current Resolution Status: In Process**
2	Implement a comprehensive bill tracking and reporting process to include MCO timelines to monitor compliance with BWC policies and consider reimbursing providers directly from BWC. **Significance Rating: Significant Weakness**	An RFP that includes transition to direct provider payment is in development. **Responsible**: **Chief of Medical Services and Compliance** **Target Resolution Date: January 2010** **Previous Target Date(s): December 2008** **Current Resolution Status: In Process**

Subrogation Audit – May 2008

Recommendation		Disposition
1	Develop ongoing reporting and conduct detailed trending and analysis of data to assist in monitoring the subrogation processes. **Significance Rating: Significant Weakness**	A Universal Document Service (UDS) workflow has been approved by Fiscal and IT. Updates to the Access database have been made and reporting capability will be developed. The Subrogation Unit has met with IT to view a prototype of the UDS workflow. **Responsible**: **Chief Legal Officer** **Target Resolution Date: December 2009** **Current Resolution Status: In Process**
2	Collaborate with IT to explore potential system enhancements to better support the subrogation process. **Significance Rating: Significant Weakness**	The Project Governance Board approved funding to study feasibility of a new subrogation database. This study was approved for FY 10. UDS was approved by Fiscal and IT for FY 09. The feasibility study began in November 2009. A process map for subrogation is being created. **Responsible**: **Chief Legal Officer** **Target Resolution Date: July 2010** **Previous Target Date(s): December 2009** **Current Resolution Status: In Process**

Lump Sum Settlement Process Audit – October 2008

Recommendation		Disposition
1	Define the mission of the settlement process and clearly describe measurable agency-wide goals and objectives for the program. Additionally, develop a	A defined mission of the settlement process was created during Phase I of the Settlement Enhancement Team. Phase II of the Settlement Enhancement Team

Recommendation		Disposition
	process to identify claims that should be settled and evaluate the impact on actuarial reserves and investments. **Significance Rating: Material Weakness**	includes creating measurable agency-wide goals and objectives for the program. Phase III creates tools to assist with identifing types of claims that should be settled. Some of our agency-wide goals do evaluate the impact on actuarial reserves, however analyzing the investment return over future years prior to negotiating a claim willl take several years. **Responsible**: **Chief of Customer Services** **Target Resolution Date: April 2010** **Previous Target Date(s): February 2009, January 2010** **Current Resolution Status: In Process**
2	Conduct trending and analysis of settled claims to identify whether goals and objectives are being met; expand management reporting to address analysis of performance with identified goals and objectives. **Significance Rating: Significant Weakness**	The consultant performed benchmarking and analyses to assist BWC in addressing the weaknesses in the Settlement process. Ongoing management reporting will be developed during Phase II and Phase III of the Settlement Enhancement Team. **Responsible**: **Chief of Customer Services** **Target Resolution Date: April 2010** **Previous Target Date(s): June 2009, January 2010** **Current Resolution Status: In Process**
3	Evaluate the Medicare Secondary Payer laws for BWC potential liability and risk exposure and develop a Position (White) Paper to document the position of BWC. **Significance Rating: Significant Weakness**	The draft Medicare Secondary Payer Act policy has been circulated internally and with external stakeholders for comment. **Responsible**: **Chief of Customer Services, Chief Legal Officer** **Target Resolution Date: December 2009** **Previous Target Date(s): June 2009** **Current Resolution Status: In Process**
4	Develop and implement a process to verify the compensation audits are performed accurately and in accordance with policy. **Significance Rating: Significant Weakness**	An Injury Management Supervisor (IMS) Daily Compensation Validation Tracker has been created and deployed to the offices. The expectation is that the Service Office Manager (SOM) or SOM designee confirm that the daily compensation audits were conducted in accordance with policy. The tracker should be updated by the 10th of the following month. Field Operations will create a standard document for all field offices including Self Insured (SI) Bankrupt to track and record that IMSs

Recommendation		Disposition
		are complying with the daily compensation audit requirements. **Responsible**: **Chief of Customer Services** **Target Resolution Date: November 2009** **Previous Target Date(s): June 2009, October 2009** **Current Resolution Status: In Process**

Device and Media Control - December 2008

Recommendation		Disposition
1	Create policies and procedures for operational situations regarding device and media controls. **Significance Rating: Significant Weakness**	A team established to develop and implement an action plan to address all issues raised in the audit report continues to meet regularly. All tasks appear to remain on schedule. **Responsible**: **Chief Information Officer** **Target Resolution Date: December 2009** **Current Resolution Status: In Process**
2	Enhance the current Device Loss/Theft Procedure by utilizing the State of Ohio's IT Policy B.7- Security Incident Response for guidance. **Significance Rating: Significant Weakness**	Management has agreed upon language for the Lost and Stolen Equipment policy, and is inserting a new form and several hyperlinks for policy. Management has also agreed upon draft language for the Breach of Sensitive Data policy. Management plans to conduct a simulated breach to determine if the policy is sound or if adjustments are needed. **Responsible**: **Chief of Medical Services and Compliance** **Target Resolution Date: November 2009** **Previous Target Date(s): April 2009, September 2009** **Current Resolution Status: In Process**

Fleet Management Audit - March 2009

Recommendation		Disposition
1	Conduct a vehicle needs analysis to make sure BWC maintains an optimal size fleet. **Significance Rating: Significant Weakness**	IT and Fiscal have decided to wait for the Department of Administrative Services to issue the contract to be used for vehicle purchase. This contract is expected to be available in late October, 2009. Management will work with Fiscal on vehicle purchase when contract is available.

Recommendation		Disposition
		Responsible: **Chief Information Officer** **Target Resolution Date: December 2009** **Previous Target Date(s): July 2009** **Current Resolution Status: In Process**
2	Develop and implement written policies and procedures with sufficient controls to provide assurance that the monthly vehicle expense reports submitted by assigned drivers and pool vehicle administrators are accurate. **Significance Rating: Significant Weakness**	Monthly vehicle expense reports will require supervisor review and signoff effective with the October reports. Process mapping is complete. **Responsible**: **Chief Information Officer** **Target Resolution Date: December 2009** **Previous Target Date(s): January 2009** **Current Resolution Status: In Process**

Employer Policy Application Process Audit - March 2009

Recommendation		Disposition
1	Revise procedures to issue prior to coverage (PTC) payroll reports covering the entire period since employers first hired employees and came under obligation to obtain workers' compensation coverage. **Significance Rating: Significant Weakness**	Applications with PTC periods have all been referred for audit pending Workers' Compensation Insurance System (WCIS) system changes to remove the limitation. Interim measure achieved by using amended payroll reports instead of Audit form FA5. Policies & Procedures to be completed October 2009. **Responsible**: **Chief of Customer Services** **Target Resolution Date: July 2010** **Current Resolution Status: In Process**
2	Develop an electronic interface to eliminate the manual re-keying of data from online applications into the WCIS system and ensure the capture of all supplemental owner information. **Significance Rating: Significant Weakness**	WCIS access has been modified appropriately. **Responsible**: **Chief of Customer Services, Chief of Fiscal & Planning** **Target Resolution Date: January 2011** **Current Resolution Status: In Process**
3	Ensure steps are taken to obtain tax identification numbers from applicants and deny coverage when this information is not provided. **Significance Rating: Significant Weakness**	A report indentifying policies without valid tax identification numbers has been run, and the initial plan is unworkable. A secondary plan has been formulated. **Responsible**: **Chief of Customer Services** **Target Resolution Date: December 2009** **Previous Resolution Date(s): October 2009** **Current Resolution Status: In Process**
4	Ensure adherence to policy requirements and timeframes for contacting applicants to obtain missing information.	QA process checks will be implemented to provide assurance regarding documentation of contact attempts when additional information is needed to

Recommendation		Disposition
	Significance Rating: Significant Weakness	finalize applications. Staff is currently working to modify a database in order to capture contact attempts. **Responsible**: **Chief of Customer Services** **Target Resolution Date: December 2009** **Current Resolution Status: In Process**
5	Develop controls to provide assurance that applications are processed in the order received. **Significance Rating: Significant Weakness**	Policy Processing staff receive application assignments in order received. We are on target for reassignment of Underwriting resources that will also be assigned in order received. **Responsible**: **Chief of Customer Services** **Target Resolution Date: October 2009** **Current Resolution Status: In Process**
6	Revise policies and procedures to clarify which duplicate policy searches (e.g., by owner/officer name) are to be performed and require supporting documentation in UDS and/or WCIS. **Significance Rating: Significant Weakness**	Written policies and procedures have been completed for the new WCIS Duplicate Policy Check. Management is evaluating changes to improve the ease of processing/reviewing potential duplicates. **Responsible**: **Chief of Customer Services** **Target Resolution Date: October 2009** **Previous Target Date(s): June 2009** **Current Resolution Status: In Process**
7	Design a mechanism for detecting policies finalized outside of the UDS system and subject them to formal quality assurance reviews. **Significance Rating: Significant Weakness**	A method of detection will be developed in order to identify policies finalized outside of UDS which may have an incorrect coverage status. Once developed, a quality assurance process will be created and implemented. **Responsible**: **Chief of Customer Services** **Target Resolution Date: April 2010** **Current Resolution Status: In Process**

Auto Adjudication Audit (AA) - April 2009

Recommendation		Disposition
1	Develop policies and procedures for changes to AA rules, allowable International Classification of Diseases (ICD-9) codes, and rule sets that include a review and approval process. **Significance Rating: Material Weakness**	Procedures will be formalized for enacting programming changes to AA, including an approval process and production of an annual AA performance report. Management disagrees that this is a material comment. **Responsible**: **Chief of Customer Services** **Target Resolution Date: December 2009** **Current Resolution Status: In Process**
2	Establish a project team to evaluate the costs and benefits of converting to	A 90-day analysis project was approved by the project governance board. A

Recommendation		Disposition
	ICD-10 coding conventions, monitor the U.S. Department of Health and Human Services ICD-10 compliance date and guidelines, identify impacted information technology systems, and develop an ICD-10 conversion plan and timeline. **Significance Rating: Significant Weakness**	subgroup of the agency-wide team is identifying the tasks required for ICD-10 implementation. **Responsible**: **Chief of Medical Services and Compliance** **Target Resolution Date: October 2013** **Current Resolution Status: In Process**
3	Establish a process and/or decision making body to institute programmatic goals and performance measures that assess the progress toward achieving those goals or identify issues for further investigation. Access and use existing Data Warehouse reports to support ongoing management and monitoring of manual activities performed in support of looping AA claims. **Significance Rating: Significant Weakness**	Management mostly concurs. While the Customer Service Division is currently pleased with the reports generated by V-3 Customer Support, they will consider additional reporting and take under advisement empanelling a formalized review body. **Responsible**: **Chief of Customer Services** **Target Resolution Date: December 2009** **Current Resolution Status: In Process**
4	Develop and implement procedures to evaluate claims with invalid social security numbers (SSNs) to determine the extent of losses, management's tolerance of risks, and strategies to mitigate risks and their associated costs. **Significance Rating: Significant Weakness**	Management has cross-matched all SSNs with the Internal Revenue Service and will be deploying a cleanup project in preparation for mandatory Medicare reporting. By January 2010, we will be cross matching all new claims with Social Security Administration. Management has decided to exclude injured workers (IWs) with claims that have been disallowed, dismissed, or active SIs in their cross match plan. **Responsible**: **Chief of Customer Services** **Target Resolution Date: January 2010** **Current Resolution Status: In Process**

Resource Access Control Facility Security Audit (RACF) - April 2009

Recommendation		Disposition
1	Create a Resource Access Control Facility (RACF) security standard, which documents the rationale for all production settings, even at the individual user level. **Rating: Significant Weakness**	Procedure development in process and currently on schedule to be completed in December. **Responsible**: **Chief Information Officer** **Target Resolution Date: December 2009** **Current Resolution Status: In Process**

Change Management Audit - June 2009

Recommendation		Disposition
1	Update the policy to include all types of activities that are not required to follow the change management procedures. Enforce the adherence to the change management policy and procedures with all staff. **Rating: Significant Weakness**	A team has been established to address this and aspects of the other Change Management recommendations. Little progress has been made since the lead resource has been heavily involved in another project. **Responsible**: **Chief Information Officer** **Target Resolution Date: January 2010** **Previous Target Date(s): September 2009** **Current Status: In Process**
2	Convene regular meetings to discuss all changes and assess the impact. Require non-emergency changes go through the normal approval process. **Rating: Significant Weakness**	A team has been established to address this and aspects of the other Change Management recommendations. Little progress has been made since the lead resource has been heavily involved in another project. **Responsible**: **Chief Information Officer** **Target Resolution Date: March 2010** **Previous Target Date(s): November 2009** **Current Status: In Process**
3	Better communicate or define an emergency change and require service level agreements with the end-user community. **Rating: Significant Weakness**	A team has been established to address this and aspects of the other Change Management recommendations. Little progress has been made since the lead resource has been heavily involved in another project. **Responsible**: **Chief Information Officer** **Target Resolution Date: March 2010** **Previous Target Date(s): November 2009** **Current Status: In Process**
4	Enforce compliance with the prescribed change management processes, either through tool enhancements or management review of the change requests. **Rating: Significant Weakness**	A team has been established to address this and aspects of the other Change Management recommendations. Little progress has been made since the lead resource has been heavily involved in another project. **Responsible**: **Chief Information Officer** **Target Resolution Date: March 2010** **Previous Target Date(s): November 2009** **Current Status: In Process**

Bankrupt Self Insured (BSI) Securitization Process Audit - June 2009

Recommendation		Disposition
1	Develop and implement all-inclusive	Management is working with an external

Recommendation		Disposition
	policies and procedures for the BSI securitization process. **Rating: Material Weakness**	workgroup to establish all inclusive policies and procedures. Initial process mapping has been completed and a UDS test site is in place for Direct Billing. Plans are formulating to work with Self Insured (SI) in order to make sure that work flows smoothly between the two departments. **Responsible**: **Chief of Customer Services, Chief of Fiscal & Planning** **Target Resolution Date: December 2009** **Current Status: In Process**
2	Create a policy and process map that outlines routine collections efforts and certifies amounts past due to the Attorney General's Office, write-off accounts that are settled or uncollectible, and create a centralized system to track and retain documents pertaining to collections efforts. **Rating: Material Weakness**	The UDS test site to maintain documents related to surety accounts has been established. Comprehensive process maps to outline collection activities are expected to be completed by the end of October. **Responsible**: **Chief of Fiscal & Planning** **Target Resolution Date: October 2009** **Current Status: In Process**
3	Determine and document the effective dates for securitization and Self Insured Employers Guaranty Fund (SIEGF) periods, maintain a complete list of all BSI employers including the effective beginning and ending SIEGF and/or securitization dates, fix any incorrect dates in the Rates and Payments system and make the appropriate reimbursements to the Surplus Fund and the SIEGF. **Rating: Material Weakness**	Accounting has identified policies and information that is needed from SI. Exceptions are being processed as information is received from SI. Accounting has policies and procedures in place for establishing the effective dates for SIEGF charges. **Responsible**: **Chief of Fiscal & Planning** **Target Resolution Date: November 2009** **Current Status: In Process**
4	Implement adequate internal controls to help ensure that all BSI employers are referred to the Self Insured Review Panel and appropriate customer accounts are created. Accurately enter BSI employer information into the Rates and Payments System and the Bond Detail Report (BDR), and bill securities in a timely manner. **Rating: Material Weakness**	A six sigma process mapping exercise is scheduled for November 2009. Attendees will include SI underwriting and Accounts Receivable Direct Billing (ARDB). The purpose is to document the cross functional process between SI underwriting and ARDB, concerning defaulted claims and billable securities. Follow up will be conducted as appropriate to finalize a written policy concerning the appropriate referral of defaulted risks and securities from SI to ARDB, complete with internal controls. **Responsible**: **Chief of Customer Services, Chief of Fiscal & Planning**

Recommendation		Disposition
		Target Resolution Date: March 2010 **Previous Target Date(s): June 2009, December 2009** **Current Status: In Process**
5	Segregate the duties of requesting the security, receiving and recording the security, and having access to the security. **Rating: Significant Weakness**	Underwriting will finalize a written segregation of duties policy for securities. Any necessary modifications to the UDS workflow will be implemented as well. **Responsible**: **Chief of Customer Services** **Target Resolution Date: January 2010** **Previous Target Date(s): June 2009, August 2009** **Current Status: In Process**
6	Recover securities from the Treasurer of State's Office and store them in a central location; inventory all securities and maintain a complete list; and determine if any securities have been misplaced. **Rating: Significant Weakness**	All securities held by the Treasurer have been recovered; three safes with working locks are in place; and a complete inventory of all securities is 50% complete. **Responsible**: **Chief of Customer Services** **Target Resolution Date: March 2011** **Current Status: In Process**
7	Develop and implement record retention policies and procedures to provide evidence that decisions are appropriate, reviewed, and follow established procedures. Determine if any of the bond accounts that are not being billed, but have available balances, could be billed. **Rating: Significant Weakness**	Management will require supporting documentation to evidence decisions are appropriate and all BSI accounts with balances noted as "do not bill" will be researched to identify and document the reason for the notation. Focus has been on getting information to bill new accounts or accounts that were not previously referred to Direct Billing for set-up. **Responsible**: **Chief of Fiscal & Planning** **Target Resolution Date: December 2009** **Previous Target Date(s): September 2009** **Current Status: In Process**
8	Develop procedures with sufficient controls to help ensure that all future Data Warehouse queries for initial manual billings of claims are completed accurately and in a timely manner. **Rating: Significant Weakness**	The Accounting department has updated the BSI billing checklist to identify information required to set up accounts and to document supervisory review. Policies and procedures will be updated to require supervisor or manager approval prior to posting initial manual charges. **Responsible**: **Chief of Fiscal & Planning** **Target Resolution Date: December 2009** **Previous Target Date(s): June 2009, September 2009** **Current Status: In Process**

Recommendation		Disposition
9	Request reimbursement from the responsible active SI employer for claims payments that were made by BWC and then charged to securities or the SIEGF. Remove BSI employers' customer accounts from the Rates and Payments System, the BDR and the SIEGF database for employers that are not in default of claims payments and update the Version 3 status for those that had defaulted. **Rating: Significant Weakness**	Management will be establishing regular meetings with Fiscal. **Responsible**: **Chief of Customer Services, Chief of Fiscal & Planning** **Target Resolution Date: December 2009** **Current Status: In Process**
10	Work with IT to create a new system for tracking securitization balances or implement additional controls specific to the Microsoft Excel format. **Rating: Significant Weakness**	An additional review and approval process have been implemented to improve accuracy of current process for tracking security balances. IT has completed a scope and requirements document for this project. Because this is not a tier 1 strategic project, work is performed as time permits. **Responsible**: **Chief of Fiscal & Planning** **Target Resolution Date: May 2010** **Previous Target Date(s): December 2009** **Current Status: In Process**

Collections Audit - June 2009

Recommendation		Disposition
1	Revise payment processing procedures to help ensure that all payments received and processed by Collections are properly safeguarded from misappropriation. **Rating: Significant Weakness**	Responsibility for processing checks received for collections-related activities has been transferred to the Cash Control Department. Management accepts the risk concerning issues remaining about segregation of duties and controls to assure that all checks are actually deposited to the bank. **Responsible**: **Chief of Fiscal and Planning** **Target Resolution Date: N/A** **Current Status: Not Implemented**
2	Establish controls to help ensure that sensitive employer information is retained in a secure manner. **Rating: Significant Weakness**	Management has instructed staff to secure documents containing sensitive information and is in the process of updating policies and developing controls to provide assurance that sensitive employer information is maintained in a secure manner. **Responsible**: **Chief of Fiscal and Planning**

Recommendation		Disposition
		Target Resolution Date: December 2009 **Previous Target Date(s): October 2009** **Current Status: In Process**
3	Review and update existing policies and procedures annually for consistency, clarity, and relevance. **Rating: Significant Weakness**	Management will take steps to update the department policies and procedures manual. **Responsible**: **Chief of Fiscal and Planning** **Target Resolution Date: June 2010** **Current Status: In Process**

BWC Internal Audit Division
Audit Report Follow-Up Procedures

The *International Professional Practices Framework* specifically addresses Resolution of Senior Management's Acceptance of Risks in Standard 2600. One of our primary responsibilities as professional auditors is determining that the audit customer takes corrective action on recommendations. This applies in all cases except where " senior management has accepted the risk of not taking action." When senior management accepts the risk of not taking action the comment will be forwarded to the Administrator for review, and the Chief of Internal Audit will report the comment with management's response to the Audit Committee for consideration.

Being an integral part of the internal audit process, follow-up should be scheduled along with the other steps necessary to perform the audit. However, specific follow-up activity depends on the results of the audit and can be carried out at the time the report draft is reviewed with management personnel or after the issuance of the report. Typically, audit follow up should occur within 90 days of the issuance of the final report.

Follow-up activities may generally be broken down into three areas:

Casual - This is the most basic form of follow-up and may be satisfied by review of the audit customer's procedures or an informal phone call. Memo correspondence may also be used. This is usually applicable to the less critical findings.

Limited - Limited follow-up typically involves more audit customer interaction. This may include actually verifying procedures or transactions and, in most cases, is not accomplished through memos or phone calls with the audit customer.

Detailed - Detailed follow-up is usually more time-consuming and can include substantial audit customer involvement. Verifying procedures and audit trails, as well as substantiating account balances and computerized records, are examples. The more critical audit findings usually require detailed follow-up.

Follow-up scheduling can begin when corrective action is confirmed by acceptance of an audit recommendation or when management elects to accept the risk of not implementing the recommendation. Based on the risk and exposure involved, as well as the degree of difficulty in achieving the recommended action, follow-up activity should be scheduled to monitor the situation or confirm completion of the changes that were planned. These same factors establish whether a simple phone call would suffice or whether further audit procedures would be required.

At the end of each quarter, a summary follow-up report is prepared. This report reflects all current period findings with appropriate comments to reflect end of quarter status. Additionally, this report highlights all outstanding findings from prior periods and their status. The intent of this summary report is to track all findings so that they are appropriately resolved.

BWC Internal Audit Division
Audit Comment Rating Criteria

Comment Rating	Description of Factors	Reporting Level
Material Weakness	• Overall control environment does not provide reasonable assurance regarding the safeguarding of assets, reliability of financial records, and compliance with Bureau policies and/or laws and regulations. A significant business risk or exposure to the Bureau that requires immediate attention and remediation efforts. • A significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected by employees in the normal course of their work, or that a major operational or compliance objective would not be achieved.	Audit Committee, Senior Management, Department Management
Significant Weakness	• Issue represents a control weakness, which could have or is having some adverse affect on the ability to achieve process objectives. The controls in place need improvement and if not improved could lead to an overall unsatisfactory or unacceptable state of control. Requires near-term management attention. • A control deficiency, or combination of control deficiencies, that results in a remote likelihood that a misstatement of the Bureau's annual or interim financial statements is more than inconsequential will not be prevented or detected by employees in the normal course of their work, or that a major operational or compliance objective would not be achieved.	Senior Management, Department Management, Audit Committee (optional)
Minor Weakness	• Issue represents a process improvement opportunity or a minor control weakness with minimal impact. Observations with this rating should be addressed by line level management. • A control deficiency that would result in less than a remote likelihood that the deficiency could reasonably result in a material misstatement of the financial statements or materially affect the ability to achieve key operational or compliance objectives.	Department Management, Senior Management (optional)

NOTE: When management's action plans for Significant Weakness comments are materially delayed from the intended implementation date the comment may be elevated to a Material Weakness (pending circumstances).

BWC Internal Audit Division
FY 2010 Annual Audit Plan

Focus Area	1st Qtr.			2nd Qtr.			3rd Qtr.			4th Qtr.			Audit Effort
	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	
Coal Workers' Pneumoconiosis/Marine Fund Claims													4
SI Audit Consulting Engagement													4
Drug Utilization Review													5
WCIS Credits/Claims Cost Transfer													4
External Audit Assistance													5
Warrant Printing Process													2
Coal Mine Safety Program													2
Investment Accounting & Reconciliation Processes													4
Death Benefits													4
Fixed Assets													3
Self Insured Underwriting													3
Investment Compliance Monitoring													3
Premium Audit													5
Employer Rate Adjustments													4
Safety & Hygiene													4
DWRF													4
FY 2011 Audit Plan													3
Employer Compliance													5
Temporary Total Disability Benefits													4
Investment Personal Trading Policy													2
Audit Validation Testing													5
MCO Audits													5

(**Note:** The above does not include IT audits to be performed by OIA.)

Audit Effort Explanations

Number	Level of Audit Effort	Hours
1	Extra Small	< 100 hours
2	Small	100 - 300 hours
3	Medium	301 - 500 hours
4	Large	501 - 800 hours
5	Extra Large	801 - 1200 hours

Original Audit Plan
Revised Audit Plan

BWC Internal Audit Division
QES Acronyms

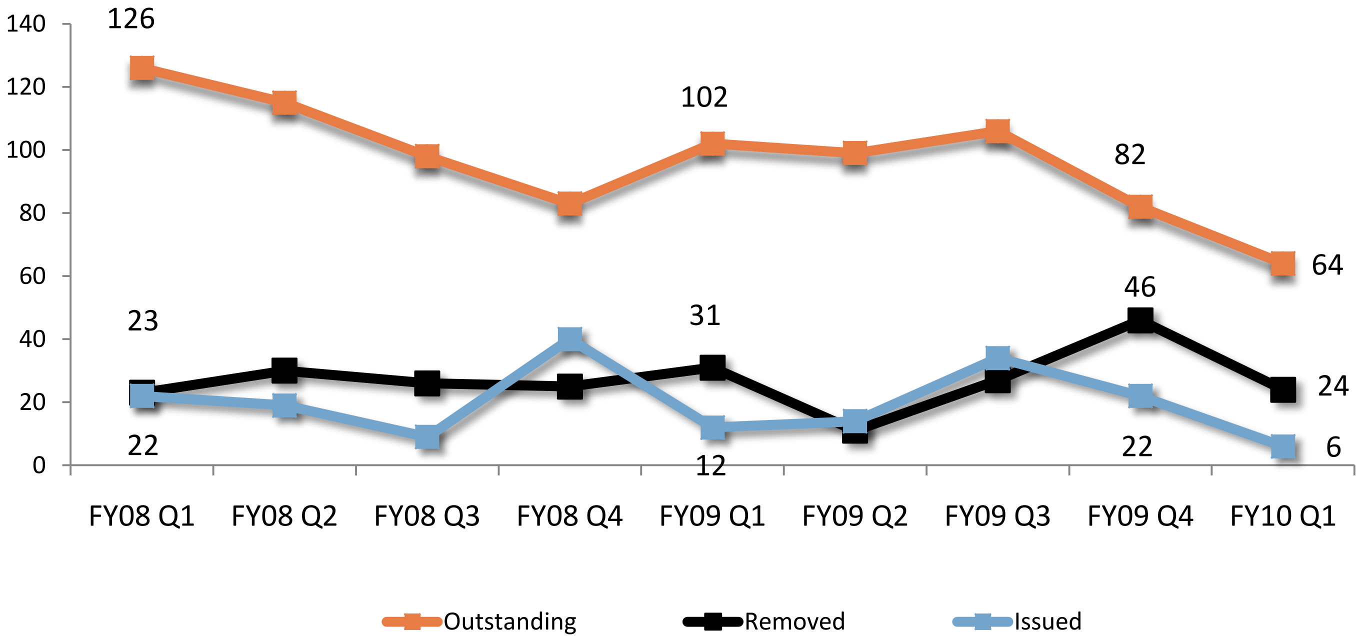
Acronym	Description
AA	Auto Adjudication
AC	Adjudicating Committee
ARDB	Accounts Receivable Direct Billing
BDR	Bond Detail Report
BL	Black Lung
BSI	Bankrupt Self Insured
BWC	Bureau of Workers’ Compensation
DMC	Disability Management Coordinator
DWRF	Disabled Workers’ Relief Fund
EC	Employer Complaint
FY	Fiscal Year
IAD	Internal Audit Division
ICD	International Classification of Diseases
IMS	Injury Management Supervisor
IT	Infrastructure and Technology or Information Technology
IW	Injured Worker
MCO	Managed Care Organization
MIF	Marine Industry Fund
MSPA	Medicare Secondary Payer Act
PBM	Pharmacy Benefit Management
PSD	Premium Security Deposit
PTC	Prior to Coverage
PTD	Permanent Total Disability
QA	Quality Assurance
QES	Quarterly Executive Summary
RACF	Resource Access Control Facility
RFP	Request For Proposal
RSC	Rehabilitation Services Commission
SI	Self Insured
SIEGF	Self Insured Employers Guaranty Fund

Acronym	Description
SIU	Self Insured Underwriting
SOM	Service Office Manager
SSN	Social Security Number
UDS	Universal Document Service
WCIS	Workers' Compensation Insurance System

BWC Internal Audit Division

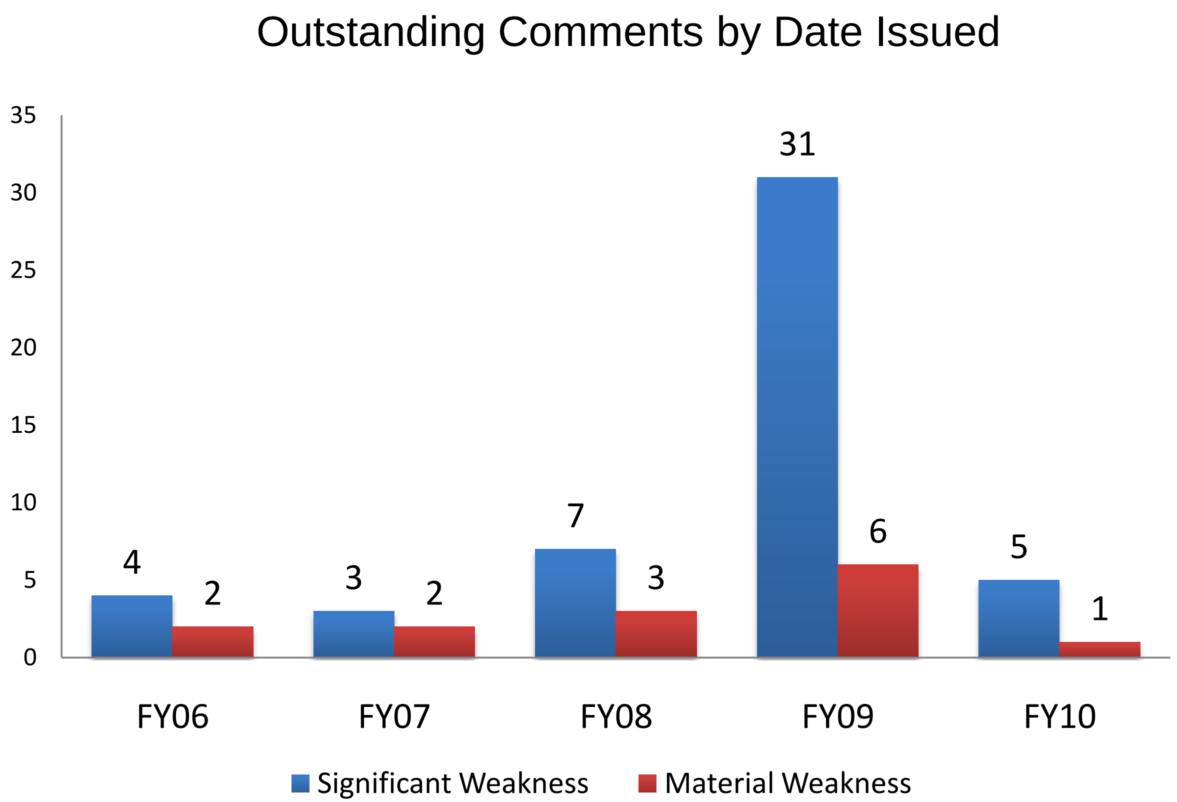
	FY09 2nd Qtr	FY09 3rd Qtr	FY09 4th Qtr	FY10 1st Qtr
Prior Total: Comments Outstanding	102	99	106	82
Plus: New Comments Issued	11	34	22	6
Minus: Comments Removed	-14	-27	-46	-24
New Total: Comments Outstanding	**99**	**106**	**82**	**64**
Not Rated	1	1	0	0
Material Weakness	21	20	17	14
Significant Weakness	77	85	65	50
New Total: Comments Outstanding	**99**	**106**	**82**	**64**

BWC Internal Audit Division



Note: Chart excludes 23 consulting recommendations issued this quarter

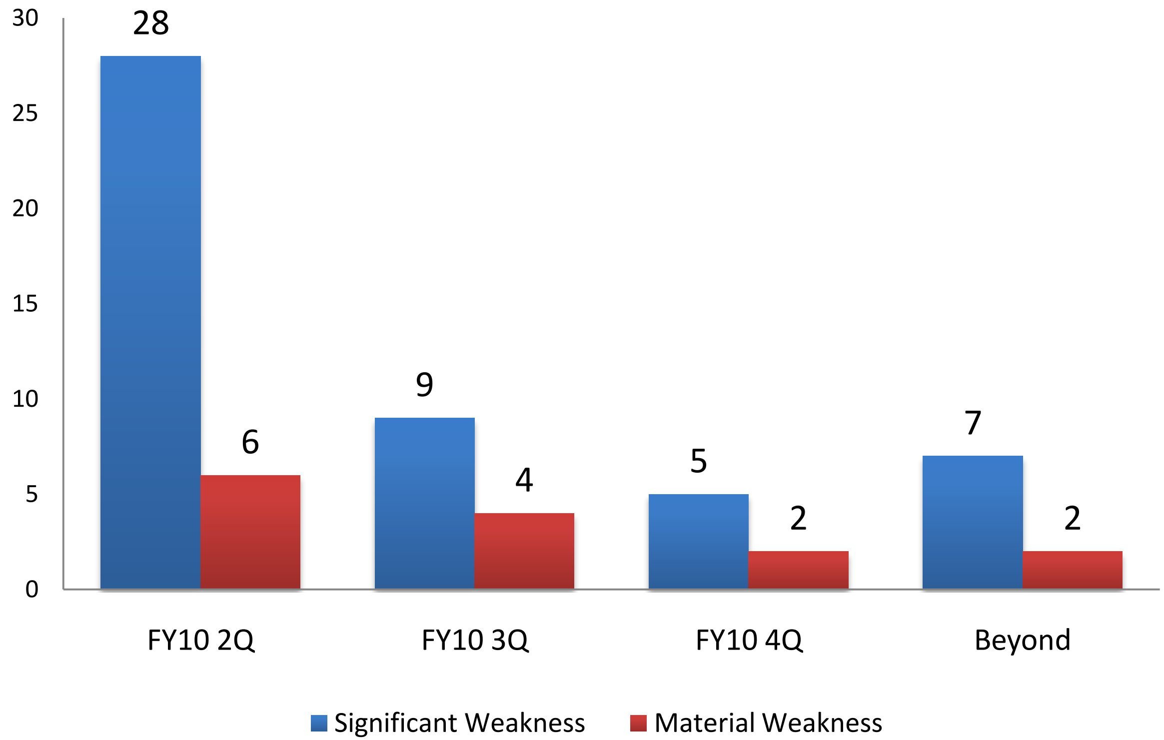
BWC Internal Audit Division



Note: Chart is based on a standard fiscal year.

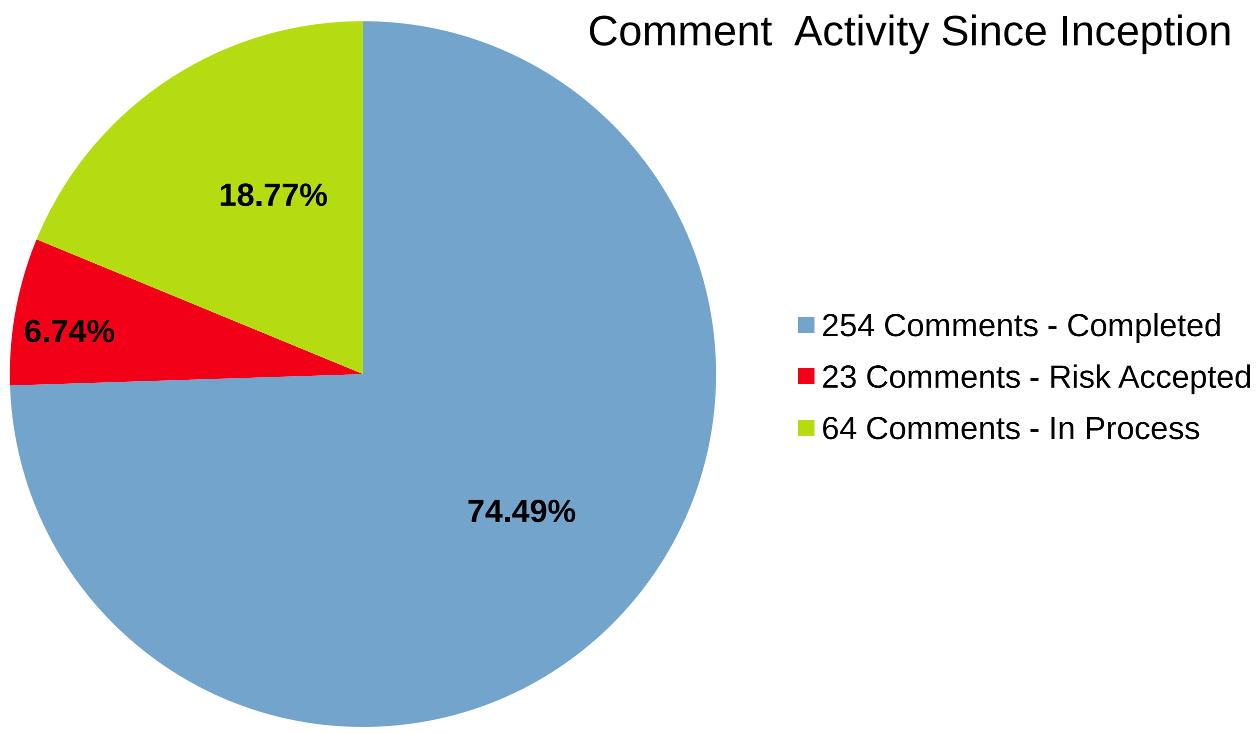
BWC Internal Audit Division

Validation schedule for remaining comments



Note: Chart excludes 1 comment for which Management accepts the risk.

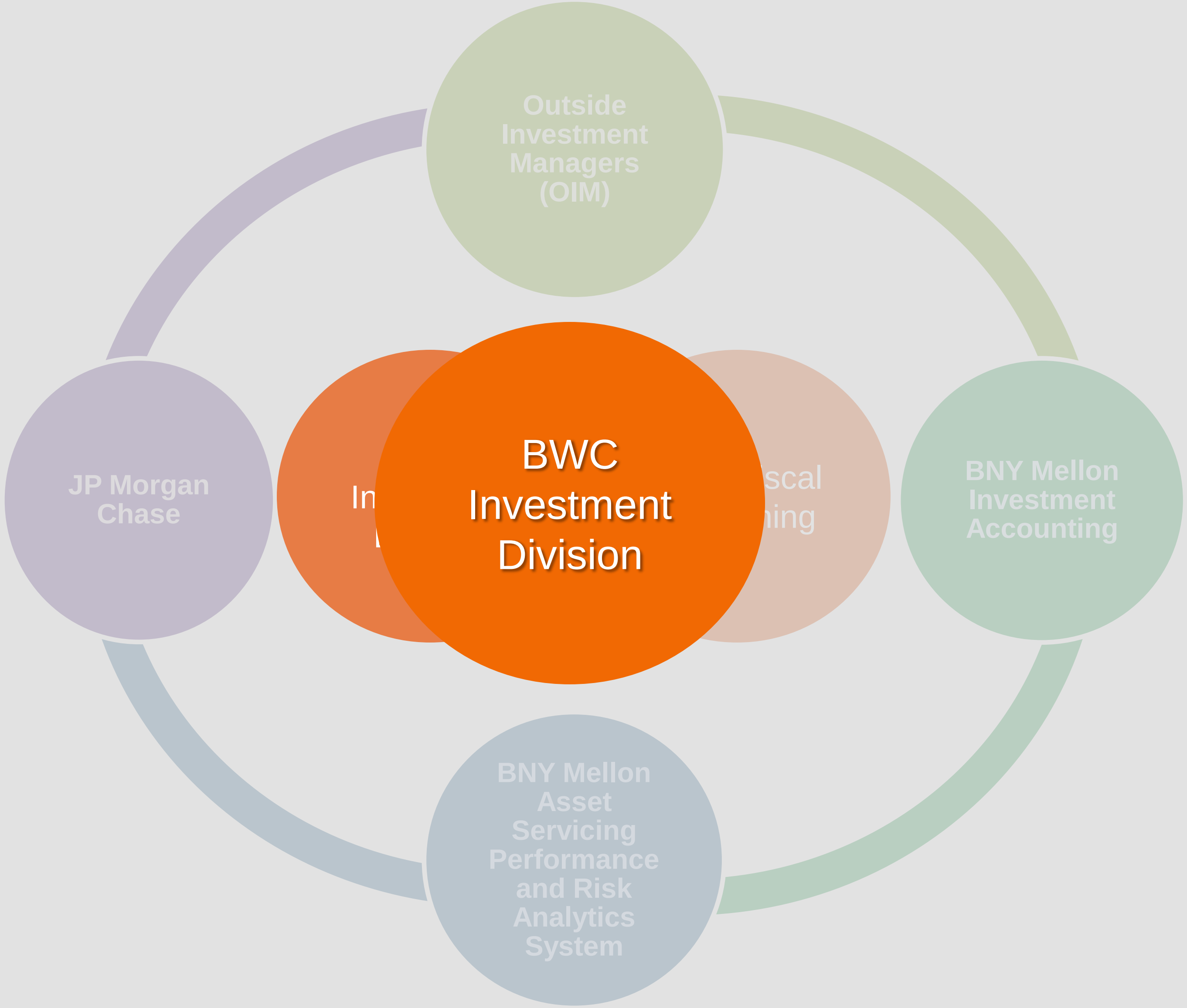
BWC Internal Audit Division



Total Comments Issued = 341

BWC Internal Audit Investment Compliance Monitoring

Internal Audit Investment Compliance Monitoring



FY 2010 Investment Audit Activities

Focused Efforts

Generally contained in the annual internal audit plan.

External Audit

Efforts defined by Schneider Downs and focused on financial statement reporting requirements.

Continuous Monitoring

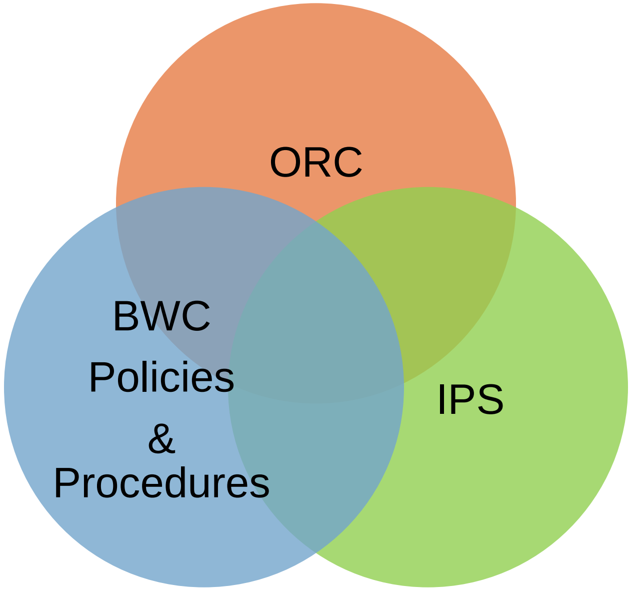
A comprehensive, on-going approach to verify that management's procedures and practices ensure compliance with policies and regulations (in development).

Future Efforts

Monthly review of Investment Committee materials.

Continuous Investment Monitoring

Step One



Identify Compliance Requirements:

Document investment-related requirements in ORC sections 4121 & 4123.

Compare investment compliance requirements mandated by the ORC with those documented in the Investment Policy Statement (IPS). Identify additional requirements included in the IPS.

Continuous Investment Monitoring

Step Two

Understand Process to Monitor Compliance

Identify the processes used by the Investment Division (in most cases) for ensuring compliance with statutory & IPS requirements.

Assess the design of the controls used to assure compliance.

Reassess periodically for changes in:

- Compliance requirements;
- Compliance processes; or
- Any other changes affecting compliance.

Continuous Investment Monitoring

Step Three

Evaluate Compliance Risk

Evaluate risk significance;

Evaluate how existing controls are expected to mitigate the likelihood of risks.

Continuous Investment Monitoring

Step Four

Develop Periodic Tests of Controls

Continuously monitor and review processes and controls at appropriate frequencies.

As a result of monitoring efforts, focused audits will be incorporated into the Internal Audit Division's Annual Risk-Based Audit Plan.

Continuous Investment Monitoring

Example 1

Requirement:

Per ORC section 4121.12, F(8), the BWC Board shall review and publish the investment policy no less than annually and make copies available to interested parties.

Coordinate with IPS:

This requirement is included in section VII of the IPS (last reviewed/revised 6/19/2009).

Testing & Frequency:

Internal Audit will examine Investment Committee and Board meeting minutes to determine if the IPS is reviewed annually. The publication requirement is satisfied through posting on BWC's web site.

Continuous Investment Monitoring

Example 2

Requirement:

The ORC requires that Outside Investment Managers' (OIM) employees have never been convicted of or pleaded guilty to a financial or investment crime.

Coordinate with IPS:

The requirements are documented in section III C of the IPS.

Testing & Frequency:

A focused review of recent RFP's for inclusion of the requirement;

Verify fingerprinting and background checks completed for new OIM's and new accounts opened; and

A quarterly review of OIM report cards to assure OIM personnel changes were discussed and background checks were completed for new OIM staff.

Continuous Investment Monitoring

Step Five

Reporting of Results

Results from Compliance Monitoring will be communicated in summary with quarterly QES reports. The first one is anticipated in June 2010.

Questions?

Caren Murdock
Chief of Internal Audit
(614) 728-8021

Karl Zarins
Internal Audit Director
(614) 466-0048

Applicable ORC	Ohio Laws & Rules	Risk	IPS	Inv Div Controls	Assessment of Control Design	Testing Approach	Testing Frequency	Operational Effectiveness
4121.12 (F) 8	**Example #1** Review and publish the investment policy no less than annually and make copies available to interested parties.		§VII					
4123.445 (B)	**Example #2** An investment manager who has entered into a contract with the bureau of workers' compensation for the investment of assets of bureau of workers' compensation funds shall not contract with a business entity for the investment of those assets if any employee of that business manager who will be investing assets of bureau of workers' compensation funds has been convicted of or pleaded guilty to a financial or investment crime.		§III C xi					

Legend:

Risk	H = High, M = Medium, L=Low
IPS	Investment Policy Statement
Inv Div Controls	Investment Division Controls

Ohio | Industrial Commission

Ohio | Bureau of Workers' Compensation

Annual Report

July 1, 2008, to June 30, 2009

DRAFT

BWC and the IC

Mission statements

BWC — To protect injured workers and employers from loss as a result of workplace accidents, and to enhance the general health and well-being of Ohioans and the Ohio economy

IC — To serve injured workers and Ohio employers through expeditious and impartial resolution of issues arising from workers' compensation claims and through establishment of adjudication policy

Ohio Bureau of Workers' Compensation
30 W. Spring St.
Columbus, OH 43215-2256
ohiobwc.com
1-800-OHIOBWC

Industrial Commission of Ohio
30 W. Spring St., Seventh floor
Columbus, OH 43215-2233
www.ohioic.com
800-521-2691

Trustees of Ohio's workers' compensation system

Two agencies administer Ohio's workers' compensation system: the Ohio Bureau of Workers' Compensation (BWC) and the Industrial Commission of Ohio (IC). BWC is the administrative and insurance arm, collecting workers' compensation insurance premiums from employers, and overseeing compensable claims of injured workers. The IC is the claims adjudicative branch that resolves disputes arising from a workers' compensation claim.

Joint BWC/IC annual report

To ensure fairness and impartiality within the system, BWC and the IC operate as independent agencies. However, Ohio law requires BWC to prepare and publish an annual report for both agencies each year. This joint BWC/IC annual report fulfills this requirement for fiscal year 2009.

Comprehensive reporting

In addition to this document, BWC is required to submit the following reports:

- BWC's Division of Safety & Hygiene annual report
- Outcomes and Savings of the Health Partnership Program (semi-annual report)
- Fiscal Year 2009 Investment Class Annual Report Comments
- Audited Financial Statements

Table of contents

BWC — Investing in long-term improvement

DRAFT

Administrator's letter

Dear Governor Strickland,

I am pleased to present the Ohio Bureau of Workers' Compensation (BWC) annual report for fiscal year 2009 (FY09).

The year was one in which BWC and its Board of Directors charted a path to improve the agency's performance and brought greater stability to Ohio's workers' compensation system. Our core mission of protecting workers and employers from loss has been a significant driver for the progress we've made toward long-term reform.

We have also been guided by the recommendations outlined in the results of the mandated, comprehensive study of Ohio's workers' compensation system. While we continue to analyze and schedule implementation of many of the 146 recommendations, a number of these recommendations have been important in guiding our ongoing rate reform efforts. We are already seeing tremendous results which include:

- A 25.3 percent base rate reduction for non group-rated employers;
- A collective savings of more than $139 million for more than half of Ohio's private employers;
- New insurance products to help employers save on workers' compensation costs;
- More accurate and transparent reserving;
- Reduction in base rates for 441 or Ohio's 532 manual classifications; and
- Rates that are now competitive with those of many other states.

While rate reform represents a significant accomplishment for FY09, this report will highlight a number of other achievements in our mission to serve injured workers and Ohio employers. These include:

- Creation of a performance-based process to incent prompt treatment and timely payment by managed care organizations;
- Significant improvements to BWC's pharmacy program;
- Skilled investment management which kept BWC's investment portfolio solid — experiencing just a 1.1 percent loss — when other funds were deeply impacted by economic turmoil;
- Adoption of a new investment policy statement and an implementation strategy for diversifying the State Insurance Fund's fixed-income and equity investments; and
- Cost savings initiatives that lowered administrative spending by $21 million.

I am pleased with the progress we are making toward strengthening and renewing confidence in Ohio's workers' compensation system. I have no doubt you will find the information in this report clearly demonstrates BWC's ongoing commitment to injured workers and Ohio employers.

Sincerely,

Marsha P. Ryan

Marsha P. Ryan
BWC Administrator

Operational overview

About us

BWC was created in 1912 to protect the health and well-being of Ohio workers, while providing insurance coverage for their employers. As a state-operated insurance fund, the agency provides total workers' compensation services for employers and their injured employees.

The State Insurance Fund covers medical expenses and lost wages for approximately two-thirds of the state's work force. The remaining third receives workers' compensation coverage directly through their employers who are part of the self-insurance program guided by strict qualifications set by BWC.

Claims and employer services

Following a national trend, Ohio saw fewer workplace injuries in FY 2009. BWC handled 132,549 claims for state-fund employers, compared with 159,611 last year. Of those, 118,855 were allowable claims versus 143,199 last year. Medical-only claims totaled 101,791 followed by 15,428 lost-time claims. There were also 1,439 occupational disease claims. Tragically, 197 workers lost their lives as a result.

In fiscal year 2009, compensation to injured workers totaled nearly $2 billion; just slightly less than the $2.1 billion paid the previous fiscal year. Employer premium collections and assessments amounted to $2.4 billion this fiscal year.

Financial summary

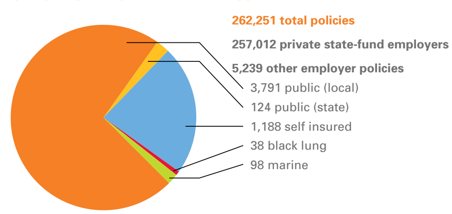
At the close of fiscal year 2009, BWC had assets totaling $22.4 billion. Adequate net assets are required to fund the costs of our 1.3 million open claims.

A breakdown of BWC's total invested assets on June 30, 2009, shows a fair value of almost $17.1 billion. Passively managed bonds make up most of the investment portfolio. However, it also includes passively managed stocks, as well as cash and cash equivalents.

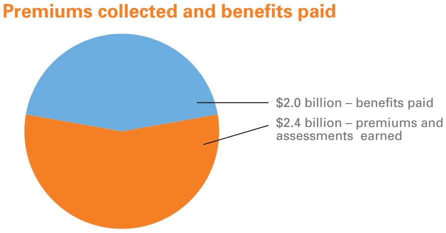
During an extremely volatile market, BWC's portfolio performed well. The total rate of return on invested assets this fiscal year was negative 1.1 percent. Net investment income for this fiscal year was negative $195 million. This included $738 million in interest and dividend income, less $928 million decline in the fair value of investments and $5 million in investment expenses.

For complete financial details please refer to the section of this report titled Fiscal Year 2009 Audited Financial Statements for BWC and the IC.

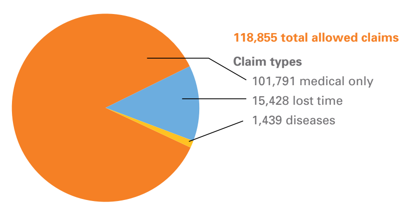
Employer policy totals and types



Premiums collected and benefits paid



Claim totals and types



Source: BWC data warehouse. All statistics are as of June 30, 2009.

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BWC Board of Directors

Appointed by Governor Ted Strickland, the BWC Board of Directors provides professional expertise, accountability, transparency and a broad representation of BWC's customers – Ohio workers and employers. The Board has direct authority to advise BWC's administrator and to set overall policy for the agency.

Board members represent the interests of Ohio workers and employers, and the public at large. By law, four members must have specific expertise in the areas of investments (two members), accounting and actuarial science. The Board has three committees mandated by law: the actuarial, audit and investment committees, which convene monthly. There is also a governance committee that was created to oversee board operations.

Fiscal year 2009 accomplishments

As fiduciaries of Ohio's workers' compensation system, the BWC Board of Directors develops policies for establishing actuarially sound premium rates that reflect the exposure employers bring to the system. In 2009, the Board was actively engaged as the agency implemented new rates and created new programs aimed at stabilizing premiums and providing relief for small businesses.

The Board's FY09 achievements include:

- Adoption of a rate-reform plan designed to improve pricing accuracy and premium equity among group- and non group-rated employers;
- Approval of a cap on premium increases intended to limit extreme cost swings for employers and provide financial relief for many small businesses;
- Selection of Deloitte Consulting LLC as the actuarial consultant for rate making, reserving and special projects;
- Updating the State Insurance Fund investment policy statement to further diversify the passively managed fixed income and equity investments. The State Insurance Fund's investment portfolio asset target is 70 percent fixed income investments and 30 percent equities; and
- Hosting three public forums to gain input from Ohio's workers' compensation community.

Board leadership

William J. Lhota, Chair

Lhota, of Worthington, has been president and CEO of the Central Ohio Transit Authority (COTA) since 2004. Lhota previously spent 37 years at American Electric Power where he served in various management positions.

James W. Harris, Vice Chair

Harris, of Gahanna, works part time for the United Auto Workers (UAW) on workers' compensation legislation. He retired in 2003 after more than 20 years of experience on the UAW international staff. Harris also served as the director of the Ohio Department of Industrial Relations from 1983 to 1991.

William J. Lhota, Chair
Represents self-insured employers
Term expires June 12, 2010

James W. Harris, Vice Chair
Represents employee organizations
Term expires June 12, 2010

Charles A. Bryan
Chair of the Actuarial Committee, actuary
Term expires June 12, 2010

David Lee Caldwell
Represents employee organizations
Term expires June 12, 2012

Alison L. Falls
Chair of the Governance Committee
Investment and securities expert
Term expires June 12, 2010

Kenneth M. Haffey
Chair of the Audit Committee
Certified public accountant
Term expires June 12, 2012

James A. Hummel
Represents state-fund employers with more than 100 employees
Term expires June 12, 2011

Jim M. Matesich
Represents state-fund employers with fewer than 100 employees
Term expires June 12, 2012

Thomas R. Pitts
Represents employees
Term expires June 12, 2011

Larry Price
Represents the public
Term expires June 12, 2011

Robert C. Smith
Chair of the Investment Committee
Investment and securities expert
Term expires June 12, 2012

BWC executive leadership

Administrator Marsha P. Ryan

Appointed by Governor Strickland in 2007, Ryan continues to lead BWC toward achieving its mission to protect injured workers and employers from loss as a result of workplace accidents, and to enhance the general health and well-being of Ohioans and the Ohio economy. With an outstanding dedication to quality customer service, Ryan is directing efforts to make the agency more responsive and accountable to Ohio's workforce and employers.

In fiscal year 2009, BWC continued to strengthen its accountability and commitment to Ohio's employers and injured workers. Recommendations from the comprehensive study conducted in 2008 by Deloitte Consulting were evaluated, and timelines for implementation have been established.

Administrator
Marsha P. Ryan

Chief Operating Officer
Raymond Mazzotta

Fiscal and Planning
Tracy Valentino

Customer Services
Tina Kielmeyer

Medical Services and Compliance
Robert Coury

Infrastructure and Technology
Thomas Croyle

Actuarial
John Pedrick

Investments
C. Bruce Dunn

Internal Audit
Caren Murdock

Legal
James Barnes

Communications
Maria Smith

Legislative and policy
Christina Madriguera

Medical director
Dr. Robert J. Balchick

Human Resources
Toni Brokaw

Listing above is as of June 30, 2009.

BWC: Realizing long-term rate reform and better services

Stabilizing Ohio's rating program

Comprehensive rate reform is bringing greater equity and stability to Ohio's group-rating program, making certain each employer pays the right rate for the risk they bring to the system. To create this balance, rates for non group-rated employers were reduced by an average of 25.3 percent, effective July 1, 2009.

Group-rated employers will pay an average of 9.6 percent more in premium due to a decrease in the credibility table, lowering the maximum discount from 85 percent to 77 percent.

Additionally, a cap was placed on premium increases to limit extreme cost swings for many employers. The capping plan stabilizes premiums and provides additional relief for small businesses.

Simplifying various rating plans was an essential component of rate reform. Effective July 1, 2009, two new plans were available for private-sector employers. They are:

- A new, standard deductible program that affords businesses an up-front premium discount in exchange for the employer assuming a portion of claims costs up to a set amount; and
- The group-retrospective rating program which enables employers to pool their collective risk with the potential to earn refunds based on the outstanding safety performance of their group.

Transitioned to a new claims reserving system

In July 2008, BWC successfully activated a new claims reserving system. Micro Insurance Reserving Analysis (MIRA) II provides more accurate, individual claim reserves than its predecessor, and provides full transparency by allowing employers to see the cost drivers that impact their premiums.

MIRA II is also helping to improve the performance and stability of Ohio's workers' compensation rates, and has proven to be a valuable tool in setting accurate premiums for Ohio employers.

Better services

Prompt, effective medical care leads to quicker recovery, a timely return to work and improved quality of life for injured workers. To effectively meet the needs of injured workers, BWC is focused on improving services.

BWC is expanding its medical resources and research capabilities by partnering with the Ohio State University's College of Public Health's Center for Health Outcomes, Policy and Evaluation Studies. The College possesses experience, skill and ability in conducting applied health services research studies that assist organizations in evaluating clinical effectiveness, quality of care, cost of medical services and other investigations in the areas of health outcomes and policy. The agency's first collaboration with the College will be in the development of a strategy for optimal usage of pharmacologic treatment for pain management of injured workers. This will help to improve the safety, quality and cost-effectiveness of pain-management programs.

Enhanced medical provider network

BWC's Medical Services Division is replacing its provider enrollment system. The system maintains provider demographic information, credentials, certification and bill processing. The new system improves provider outreach and recruitment, and facilitates the decertification of repeat, non-compliant providers. In addition, we are working to improve our recruitment of quality medical providers.

To improve outreach to current and prospective providers, a communications plan was implemented that includes new education and orientation Web offerings as well as enhanced training methods.

Better benefits plans

For injured workers to have access to high-quality medical care, BWC provides an appropriate benefits plan and terms of service with competitive fee schedules. The agency substantially improved its medical, vocational rehabilitation and pharmaceutical benefits plans by overhauling provider fee and reimbursement schedules. The new fee schedule provides a necessary increase in reimbursement rates for approximately 85 percent of services and products rendered. Further, BWC updated the terms of service which improves clarity and accountability.

A new pharmacy program director is leading BWC's efforts in pharmacy program integrity, centralization and efficiency. To ensure proper usage of medications, BWC has placed tighter controls on the most often-prescribed drugs. These Medical Services reforms, along with the implementation of a rebate collection policy have resulted in a savings of several million dollars in fiscal year 2009. Finally, the agency selected a new pharmacy benefit manager which is expected to help improve drug utilization.

Better managed care processes

Managed care organizations (MCOs) oversee the medical portion of injured workers' claims. They are the link between injured workers, employers, medical providers and BWC.

In fiscal year 2009, BWC continued to strengthen the measurements that assess managed care outcome and performance by requiring greater accountability and improved performance from MCOs. The 2009-2010 MCO contract emphasizes performance as a basis for payment.

Qualifications for disability-management coordinators have been strengthened and improvements to the alternative dispute resolution (ADR) process were implemented. These changes will provide customers with more timely, effective and efficient resolution of medical treatment disputes. The current ADR process will be shortened by more than 67 percent, or 21 days, while maintaining fairness and due process for all parties.

Enhanced medical bill payment services

BWC implemented a clinical editing program to assure providers receive appropriate reimbursement for their services and guarantees processing consistency. This program identifies improperly billed services, enforces billing standards and identifies variances across MCO bill payments. It is believed that these first edits will result in a yearly savings of approximately $1 million.

In addition, the 2009 inpatient hospital fee schedule features new Medicare-based pricing methodology for outlier payments; those services or products beyond the standard bill payment agreement. This update identifies the true outlier bills for appropriate payment which eliminates overpayment and guarantees equitable reimbursement to hospitals.

Safer workplaces

Prevention is one of the cornerstones of BWC's business philosophy. The BWC Division of Safety & Hygiene (DSH) provides year-round training and consultation to Ohio employers and their work-force, and offers many value-added safety services at no additional cost.

DSH developed a research plan to monitor and improve specialized field safety services. The preferred markets program is a two-year customer outreach occupational safety and accident injury prevention effort. The program provides services to 1,661 selected employers from four industry groups, which experience high claims frequency and severity. The goal is to assist these companies in improving safety at their workplaces and consequently reduce injuries and workers' compensation costs. The primary objective is to decrease frequency, severity of claims and costs by 5 percent in each of the four customer groups over a two-year period.

In addition, DSH began to evaluate three major areas for our safety intervention and drug-free workplace grants.

- Make safety grants available to employers even if no claims have occurred.
- Require applicants to submit a safety consultation report with their applications.
- Retool and modernize our drug-free workplace programs.

Education and outreach

DSH offers education and outreach to promote safe workplaces for all Ohioans. These services include safety education and training; on-site and field consulting safety services; publications; library and research services; safety grants and loan programs. BWC supports more than 80 safety councils statewide and sponsors the annual Ohio Safety Congress & Expo, the largest of its kind in the Midwest.

Introduced last spring, BWC Education on Demand affords business groups and trade associations the opportunity to market workers' compensation-themed classes to their membership at their convenience. BWC staff members teach the courses.

Additional accomplishments

Legal

In fiscal year 2009, BWC's Legal Division achieved success in: pursuing subrogation, serving as a model for records and information management, and improving employer adjudication. The Division's subrogation unit collected nearly $19.4 million from third-party insurers involved with workers' compensation claims. This is an increase of 10.26 percent over last fiscal year's collections of $17.7 million. The division expects these collections to increase through fiscal year 2010.

Records and information management

Three state agencies — the Department of Administrative Services, the Office of the Ohio Attorney General (AG) and the Office of the Ohio Secretary of State — recognized BWC as the agency to model for records and information management (RIM). The agency's state-of-the-art system stores and shares record inventories with more than 820 record retention schedules.

In addition, Microsoft featured BWC in a case study of best practices for the RIM unit's use of the company's SharePoint product. The case study showcased BWC as an industry leader.

Employer adjudication

Utilizing the Kaizen method to eliminate unnecessary processes, the Division's adjudicating unit made great strides toward improving customer service to Ohio employers. BWC's total adjudication process previously averaged 169 days. After implementing the Kaizen method, the process has been reduced to 56 days, with final orders being dispatched in an average of 7.9 days. The implementation of an adjudicating tracker system in February 2009 has also increased efficiency. The system generates reports with certain performance indicators, leading to further process improvements.

Special investigations

BWC's special investigations department's (SID's) mission is to prevent loss to the workers' compensation system. The special investigations unit (SIU) and the safety violations investigation unit (SVIU) comprise the department.

Performance results

The SIUs achieved these results in fiscal year 2009.

Year end statistics	FY 2008	FY 2009
New allegations	5,135	5,149
Rejected allegations	2,256	2,272
Cases closed	2,965	2,781
Open cases	1,526	1,328
Referred for prosecution	314	222
Indicted	102	101
Convicted	119	92

Customer services

Quality service to injured workers and Ohio employers is a cornerstone of BWC's mission, and the Customer Services Division continually looks for ways to enhance the customer's workers' compensation experience.

Certified sponsors

To strengthen BWC's group-rating plans, the Division is requiring all current and new group-rating and retrospective-rating sponsors to apply for BWC-certification every three years. Only a certified sponsor or an affiliate can market and enroll employers in the group-retrospective and group-rating plans.

Interstate jurisdiction

During fiscal year 2009, Ohio employers benefited from changes to interstate jurisdiction laws which expanded the definition of an employee. The change is helping Ohio employers avoid paying double to cover work done outside the state.

Additionally, the law prohibits an employee from filing a claim for Ohio benefits if he or she has or will file a claim for the same injury in another state. It also grants BWC the authority to regain the costs for any claim found to be under the jurisdiction of another state.

DSH

In March 2009, BWC hired a new superintendent of DSH to lead the division in its efforts to keep Ohio workers safe. In addition to its many service offerings, DSH is leading a program designed to enhance safety training for group rating sponsors. A BWC safety professional is assigned to each sponsoring organization and meets with the group sponsor quarterly, advising the sponsor on occupational safety and health communication and education strategies. The assigned safety professional also evaluates the group sponsor's annual safety plan to assure compliance with the Group-Rating Safety Requirement and for certification.

New employer compliance department

In August 2008, BWC rolled out its employer compliance department to engage employers and educate them on the importance of compliance with Ohio's requirement that all firms obtain and maintain workers' compensation coverage. It identifies non-complying employers, assists them in recognizing their obligations to the state insurance fund and develops plans to reinstate compliance. The Department identifies employers who persist in operating without coverage or who evade their true premium rate for further remedies, including criminal investigation, collections enforcement, or in some cases, injunction from operation.

To date, the Department has identified more than 8,500 non-compliant employers and has confirmed more than $60.5 million in recovered premium, penalties and interest. It has restored more than 2,500 employers to full compliance with more than 175 employers participating in payment plans to assist them in obtaining compliance.

Dayton/Springfield consolidation

In March 2009, BWC merged the Springfield Customer Service Office with the Dayton Customer Service Office allowing for greater efficiency and cost savings by eliminating service and operational redundancies, decreasing per capita administrative costs and saving on commercial lease expenses. The merger resulted in relocating 29 staff members to the Dayton office and an annual savings of more than $760,000.

Next steps

BWC will make additional evaluations and improvements in fiscal year 2010 with the comprehensive study serving as a guide for fundamental, long-term improvements to Ohio's workers' compensation system.

BWC year end statistics

	FY 2009	FY 2008	FY 2007
State-fund claims filed			
Lost time	15,428	18,738	19,487
Medical only	101,791	122,540	133,221
Occupational disease	1,439	1,685	1,793
Death	197	236	176
Disallowed or dismissed	13,694	16,412	17,015
Total	132,549	159,611	171,692
Net allowed injuries	118,855	143,199	154,677

Note: Every claim is evaluated at 60 days after filing for purposes of claim type, state fund versus self-insured, combine status and allowance status. Values exclude combined and self-insured claims.

	FY 2009	FY 2008	FY 2007
Open claims (per statute)			
Lost time	407,841	486,942	532,262
Medical only	913,373	928,549	1,008,281
Total	1,321,214	1,415,491	1,540,543
Benefits paid			
Medical benefits paid	$833,508,906	$839,466,966	$788,735,401
Compensation paid			
Wage loss	$19,123,153	$18,351,000	$19,566,863
Temporary total	258,845,993	254,370,076	257,483,825
Temporary partial	48,179	69,398	151,507
Permanent partial	23,361,375	23,812,862	25,871,729
% permanent partial	84,406,058	80,295,738	88,224,580
Lump sum settlement	206,137,108	312,317,176	242,020,469
Lump sum advancement	20,581,269	20,396,760	16,543,090
Permanent total & DWRF	385,463,075	385,273,687	383,661,796
Death	82,396,222	81,991,570	79,870,369
Rehabilitation	43,429,274	40,371,244	37,774,178
Other	6,973,290	7,148,595	10,867,270
Total compensation paid	$1,130,764,996	$1,224,398,106	$1,162,035,675
Total benefits paid	$1,964,273,902	$2,063,865,072	$1,950,771,076

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	FY 2009	FY 2008	FY 2007
Fraud statistics			
Fraud dollars identified	$65,183,784	$73,528,436	$100,019,724
Dollars spent to dollars saved ratio	1 to 5.65	1 to 5.99	1 to 8.33
Prosecution referrals	222	314	301
Active employers by type			
Private	257,012	264,870	270,499
Public (local)	3,791	3,810	3,783
Public (state)	124	125	126
Self-insured	1,188	1,174	1,139
Black lung	38	39	37
Marine fund	98	92	95
Total	262,251	270,110	275,679
BWC personnel	2,158	2,412	2,542
MCO fees paid	$161,317,153	$168,327,075	$173,138,584

BWC combined funds financial data
(000s omitted)

	FY 2009	FY 2008	FY 2007
Operating revenues			
Premium and assessment income, net of provision for uncollectibles	$2,360,930	$2,138,402	$2,395,421
Assessment income due to statutory change	$ —	$ —	$1,875,512
Other income	17,197	22,247	17,703
Total operating revenues	$2,378,127	$2,160,649	$4,288,636
Non-operating revenues			
Net investment earnings	$733,284	$862,670	$802,270
Increase (decrease) in fair value	(928,019)	(143,510)	109,160
Net investment income (loss)	$(194,735)	$ 719,160	$911,430
Dividends, rebates and credits			
Dividends and credits	$ —	$ —	$ —
Total BWC assets	$22,420,349	$22,381,974	$22,140,786
Total net assets (deficit)	$2,515,342	$2,503,289	$2,305,546

Note: Due to improvements in BWC data capture and reporting systems, prior year data may not agree with amounts previously reported.

The IC — Building on a history of fiscal prudence

Chairperson's letter

Doing More With Less

During fiscal year 2009, the IC successfully moved forward with technological advancements that better enabled us to answer Governor Strickland's call for accountability, efficiency and transparency in state government. The implementation of cutting-edge technologies continued to help us streamline operations while reducing costs. Over the past decade, there has been a 25 percent reduction in our personnel due, in part, to automation. Yet, injured workers and employers are receiving faster service that utilizes less money and less labor.

We continued to build on our history of fiscal prudence, while excelling in the following areas during fiscal year 2009:

- Consolidated office space in our Columbus office, which will save $800,000 annually;
- Consolidated district offices resulting in an annual savings of more than $2 million;
- Converted from standard to Internet Protocol telephone service, which will save $200,000 per year;
- Reduced employee overtime and overnight delivery expenses resulting in a savings of $58,000 annually;
- Continued a long history of minimal budget increases that have averaged only six-tenths of 1 percent;
- Maintained a high success and compliance rate in adjudicating claims well within the statutorily imposed time frames;
- Maintained an equitable rate assessment for employers by continually monitoring our caseload.

In the next fiscal year, we will continue our commitment to foster quality customer service and ensure all parties receive prompt and fair hearings on disputed workers' compensation claims. While we continue to do more with less, when the ultimate goal is great public service, each year brings new challenges to serve a constantly changing population with the utmost fiscal prudence.

Sincerely,

Gary M. DiCeglio
Chairman of the Ohio Industrial Commission

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About the IC

The IC conducts more than 175,000 hearings annually, and most of these hearings take place within 45 days of the original claim appeal. That means you may expect great customer service as the IC provides a forum for appealing BWC and self-insured employer decisions. Since 1912, the IC has been resolving issues between parties who have a dispute in a workers' compensation claim. Throughout the appeals process, the agency offers information and resources to assist parties, including a customer service phone line and assorted Web services.

The IC conducts hearings on disputed claims at three levels: the District level, the Staff level and the Commission level. The governor appoints the three-member Commission and the Ohio Senate confirms these appointments. By previous vocation, employment or affiliation, one member must represent employees, one must represent employers and one must represent the public. This fiscal year, Kevin Abrams represented the general public; William E. Thompson represented employers; and Gary M. DiCeglio represented the interests of injured workers. DiCeglio is the Chairman of the Commission.

Fiscal year's highlights

The agency's work force decreased by more than 150 employees during the past decade. Yet, it has continually met and exceeded statutory requirements for timely service. Upgrades in technology and early retirement incentives facilitated this reduction. So, the IC has not had to lay off employees. The IC is an agency that is already used to maximizing productivity while minimizing expenditures, a philosophy that is serving it well in these tough economic times. Prudent planning has allowed the agency's budget to remain relatively flat while implementing many upgrades in technology and servicing a steady level of the number of claims heard each year.

The IC conducted 175,726 hearings in fiscal year 2009. In addition to the Commissioners, there are 99 hearing officers — all attorneys — in five regional and eight district offices throughout the state. These hearing officers make decisions — District and Staff hearing levels — before an appeal may be heard by the Commission. Commission level hearings are granted on a discretionary basis.

In fiscal year 2009, the IC continued its high success rate in handling claims well within the 45 day time frame mandated by statute. From the date of the filing of the appeal to the date of hearing, District level (first level) hearings averaged 29.5 days. Staff level (second level) hearing appeals averaged 27.5 days.

The statistics from the date the appeal was filed to the date the order was mailed are just as favorable. For the District level, the appeal filing to mailing date took 32.8 days on average during the fiscal year. For the Staff level, it averaged 30.5 days.

The agency's continued success is due, in part, to technological advances that have made it easier than ever to file appeals on the Web via the Industrial Commission Online Network (ICON). There were 66,539 first-level appeals filed on the ICON during the fiscal year. There were also 69,241 second-level or above appeals (Staff and Commission level appeals) filed on ICON during the fiscal year. That marks an increase of 9 percent from last year's online filings at both levels.

Ask IC is another technological tool that has helped increase customer satisfaction. It is an e-mail feature of the IC's Web site, www.ohioic.com. Ask IC gives injured workers, employers and their representatives the opportunity to submit questions to the agency's customer service department.

This fiscal year, the IC's customer service department received and responded to 819 Ask IC submissions. The department also scheduled 1,165 interpreters to help facilitate hearings where language could be a barrier. In addition, the IC's toll-free customer service line received 12,081 calls this fiscal year. In person, staff assisted 6,365 people at its Columbus office.

Key customer service initiatives

The IC underwent a very public facelift during the past fiscal year when it launched the brand new www.ohioic.com. The new site accelerated the IC's service to customers via streamlined navigation and Quick Links for ease of use. In addition, the agency updated its online manuals to user and printer friendly PDFs. Plus, it now displays the latest IC news and events on the site's homepage.

In addition, the site now meets the Americans with Disabilities Act (ADA) Compliance Guidelines as well as the State of Ohio Executive Branch Web Site Standardization Policy. The Web Site Standardization Policy requires cabinet-level state agencies to build sites that look similar to www.Ohio.gov, so that customers may grow accustomed to using similar navigation tools when they visit state agency Web sites.

The IC added several other enhancements since the launch of the new www.ohioic.com. These include the brand new Medical Specialist Resources section, which features the IC's *Mediscene* newsletter for medical examiners. This new section also features an examiner credentialing page that breaks down the requirements for becoming a specialist who performs medical exams on behalf of the Commission. It also includes information regarding the maintenance of examiner credentials. A team of information technology and communications staff members designed and built the entire site from the ground up, utilizing only the cost of labor.

The new www.ohioic.com has also helped the IC fulfill Governor Strickland's call for transparency in state government. The agency added a link to the 2010/2011 Budget Booklet titled *Building on a History of Fiscal Prudence* to its home page. It published this booklet in March 2009 to provide information about the IC to legislators during the state's biennium budget process. It is loaded with information about cost savings initiatives undertaken by the agency in the past fiscal year, data on agency productivity, as well as the IC's plan to continue its history of fiscal prudence. The agency has also added more of its internal reports than ever before to the site, including its annual "Production Activity Report." This report examines statistical data on operational activities to estimate appropriate agency resources.

In addition to a new Internet site, the IC implemented several other high-tech initiatives including: Helpdesk Expert Automation Tool (HEAT), the Customer Service Pool, the Word Processing Pool and VoIP phones. A Claims Examining Pool is also in the works.

HEAT is a new tracking system for customer service. During each phone call, a customer service associate types in specific information about the type of call and the response to the call. Management can then run reports and study the types of calls, phone call lengths and the IC's responses to customers.

The Customer Service Pool came into being when a vacancy arose in the agency's customer service department. Instead of hiring a new customer service associate (CSA), staff members arranged the transfer of calls from Columbus to the Dayton office. Since two offices had recently consolidated, the Dayton office had two more CSAs than they needed. Thus, those CSAs could pick up the extra workload to make up for the vacancy in the Columbus office. In this case, the pool created a more efficient way of doing business and prevented layoffs.

The IC also implemented a Word Processing Pool in a similar manner. Since the IC went paperless a few years ago, it does all word processing online. This new pool allows word processors in a less busy IC office to pull up and complete work from other offices. The pool spreads the work out across the state so that the workload of one office is not overwhelming, while another office does not have enough work to do.

Cost savings initiatives

During the past fiscal year, the IC sought out and implemented numerous cost saving initiatives. In an effort toward greater efficiency, the agency consolidated several district offices. This includes:

- Springfield closed and moved into the Dayton office;
- Canton closed and moved into the Akron office;
- Bridgeport and Zanesville closed and combined into a new Cambridge office;
- Hamilton closed and moved into the Cincinnati office.

The IC also consolidated the space it used in its Columbus headquarters, which will save $800,000 in rent annually. The IC expects all of these consolidations, combined with other cost saving implementations, to save the agency more than 15 million dollars during the next five years.

A huge cost saver for the fiscal year has been the installation of Voice over Internet Protocol (VoIP) phones in most agency offices. Because these new phones operate via the Internet, they do not need landlines. They are not only more reliable, but the IC no longer has to pay for the installation and usage of each individual phone line. The IC estimates the installation of these new phones alone during the next five years will save it $865,000.

The agency also significantly reduced employee overtime and overnight delivery expenses. This has resulted in a savings of more than $58,000 annually. Furthermore, it reduced the purchases of supplies by more than $60,000 per year.

Finally, the IC will save thousands of dollars in printing and mailing costs annually due to the elimination of hard copy dissemination of its annual newsletter, the *Adjudicator*. The *Adjudicator* provides Supreme Court case updates, updates to the *Hearing Officer Manual* and other IC news. During fiscal year 2009, the IC began collecting the e-mail addresses of employers, employer representatives, legislators and other parties interested in continuing to receive the Adjudicator. This will enable it to distribute the publication exclusively via e-mail. January 2010 will mark the first round of electronic dissemination of this valuable publication.

Appendixes

BWC's Division of Safety and Hygiene Annual Report

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Division of Safety & Hygiene Financial Information

BWC's Division of Safety and Hygiene (DSH) budget appropriation for fiscal year 2009 was $20.7 million, which excludes safety grants, the loan program and OSHA On-Site's Federal Grant. Additionally, $6 million were appropriated for grants (Safety Intervention Grant and Drug-Free Workplace training) and loans programs. As of June 30, 2009, DSH's disbursements for safety services were $18.32 million. Grant and loan disbursements were $3.95 million. Table B provides a general description of the DSH disbursements for safety services. The total premium assessment for Fiscal Year 2009 was $22.42 million (Table C). Federal OSHA-On-Site Grant provided an additional source of funding, which was $1.55 million.

BWC's Occupational Safety and Health Services

DSH provides a wide variety of occupational safety and health services to Ohio employers and employees. Primarily, DSH's services include safety education and training, safety councils, safety congress, safety grants and loan programs, on-site and field consulting safety services and library services. Table A provides general statistics about the number of employers who benefited from these services.

Table A: Overview of BWC's occupational safety and health services statistics by policy type, Fiscal Year 2009.

Service Type	Number of Employers Served by Employer Type					
	Private employers	Public employers	State agencies	Self-insured	Marine Fund	Total
Training and education	3,795	242	31	214	-	4,282
Safety congress	1,837	331	-	329	-	2,497
Safety council	7,725	906	13	448	1	9,093
Video library	1,435	187	18	152		1,792
Specialized field consulting services	4,239	462	38	309	-	5,048
OSHA on-site	654	N/A	N/A	N/A	-	654
PERRP*	N/A	911	N/A	N/A	-	911
Total	19,685	3,039	100	1,452	1	24,277

*= Public Employer Risk Reduction Program calendar year 2008 figures.
^ = 9,971 employees completed safety training through this service;
** = A total number of 94 Safety Intervention Grants were awarded to 90 employers.

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Table B: Division of Safety & Hygiene disbursements.

	Safety Admin	Field Consultations	Meetings & Conventions Safety Council & Congress	Education Services	Customer Contact Center	Resource Center	Technical Advisors	Business Development	OSHA State Fund Match	PERRP	Training Overhead	Totals	Safety Grants	Long Term Care Loan
Payroll	$80,634	$11,360,279	$294,364	$277,632	$161,004	$313,278	$626,566	$437,555	$222,075	$986,783	$0	$14,760,170	$0	
Overtime	$0	4	$0	$4,193	$42	$0	$0	$0		$9	$0	$4,248	$0	
Purchased services		0	$17,654	$411,818	$0	$0	$10,000	$0	$5,257	$0	$0	$444,729	$0	
Other Pers Service	$6,605	$4,611	$0	$6,939	$0	$59,729	$255	$195	$1,574	$1,795	$6,010	$87,713	$0	
Total	$87,239	$11,364,894	$312,018	$700,582	$161,046	$373,007	$636,821	$437,750	$228,906	$988,587	$6,010	$15,296,860	$0	
Edible products	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	
Supplies	$211,268	$24,009	$2,444	$19,536	$0	$112,145	$40,309	$1,015	$1,833	$1,880	$0	$414,439	$0	
Vehicle maintenance	$11,363	$173,595	$1,169	-$6	$0	$0	$11,582	$0	$1,988	$13,088	$0	$212,779	$0	
Travel	$115	$66,110	$14,019	$11,041	$10	$176	$4,813	$0	$2,713	$2,966	$0	$101,963	$0	
Communications	$39,867	$105,539	$11,200	$828	$0	$2,182	$2,219	$569	$1,300	$5,417	$0	$169,121	$0	
Fuel/Utilities	$0	$0	$0	$0	$0	$0	$0	$0		$0	$0	$0	$0	
Maintenance/Repairs	$19,736	$12,835	$0	$881	$0	$6,276	$13,966	$99	$1,044	$0	$0	$54,837	$0	
Rentals	$590,268	$250	$156,487	$55,287	$0	$0	$0	$0	$0	$0	$0	$802,292	$0	
Printing/Advertising	$1,014	$0	$6,241	$5,648	$0	$52,037	$0	$0	$0	$0	$0	$64,940	$0	
General/Other/Subsidies	$50,337	$38,868	$1,066,354	$34,626	$0	$9,278	$1,706	$510	$1,241	$4,556	$0	$1,207,476	$3,950,733	$15,590
Total	$923,968	$421,206	$1,257,914	$127,841	$10	$182,094	$74,595	$2,193	$10,119	$27,907	$0	$3,027,847	$3,950,733	$15,590
Office Equipment	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Motor Vehicles	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Communication Equipment	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Med/Lab/Therpeut	$0	$0	$0	$863	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Data Proc Equipment	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Copy/Print Equipment	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total	$0	$0	$0	$863	$0	$0	$0	$0	$0	$0	$0	$863	$0	$0
Grand Total *	$1,011,207	$11,786,100	$1,569,932	$829,286	$161,056	$555,101	$711,416	$439,943	$239,025	$1,016,494	$6,010	$18,325,570	$3,950,733	$15,590

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Table C: Fiscal Year 2009 Division of Safety & Hygiene premium assessments.

Employer type	Assessments
Private	$16,632,399
Public taxing districts	$3,004,267
Public state	$758,142
Self-insured	$2,029,109
Total assessments	$22,423,917

Training and education services

BWC's safety education and training services conducts classroom and Web-based safety courses in industrial and construction safety, industrial hygiene, ergonomics and risk management. BWC offered 70 courses through 367 classes at 11 locations. Seventy–eight additional classes were held at employers' businesses. Additionally, six online courses were offered through BWC's Learning Management System and were completed by 458 students. More than 1,260 new employers participated in training and education classes last year. A total of 9,791 students successfully completed a training class. Fifty-two percent of these students were first time students.

DSH's Customer Contact Center provides technical support to address questions related to occupational safety and health, refers customers to other BWC business units and helps students register for safety training courses.

The center handled 12,846 calls from employers and employees throughout Ohio:

- 6,441 calls were placed by private employers;
- 477 calls were placed by public employer taxing districts;
- 1,340 calls were placed by state agency public employers;
- 567 calls were placed by self-insured employers;
- 4,021 calls were received through transfer, interagency or other parties.

Ohio Safety Council Program

The Ohio Safety Council Program provides a forum for promoting occupational safety and health, loss prevention, worker compensation cost control and management and networking to Ohio employers through monthly meetings. In fiscal year 2009, BWC continued to co-sponsor 80 safety councils, organized through chambers of commerce, trade and manufacturing associations, American Red Cross Chapters and other local community organizations.

In fiscal year 2009, BWC provided $1,064,044 in subsidies toward the direct costs of these councils and paid $27.7 million in premium rebates to employers who met the Safety Councils' enrollment, active participation and performance requirements during fiscal year 2008. Beyond subsidies and rebates, of the 9,092 safety council member employers enrolled in safety councils, DSH recognized 8,811 employers through a structured awards program for demonstrating strong injury prevention records.

Ohio Safety Congress & Exposition

The Ohio annual Safety Congress & Exposition originated in 1927 and is the largest state conference of its kind. This year, congress hosted representatives from 2,497 businesses during three days. Nearly 5,000 employer representatives participated in the free event, which showcased the latest advances in safety and health education and training, equipment and technology.

While continuing to maintain a superb level of customer service to the participants, expenditures were decreased by 30 percent. For the first time in over a decade, revenue exceeded operational costs by $11,980. The event also provided BWC's employees a platform for professional development and training, reducing the funding needed to provide for such purposes through external sources.

In a post event survey, participants estimated the value of services provided to be $2.8 million. Fifty-eight percent of the participants indicated the congress helped them recognize cost-reduction safety measures for their businesses. Furthermore, about 50 percent of participants indicated a savings by utilizing the event as a venue for safety training and continuing education.

Grant and loan programs[1]

The primary focus of BWC's safety grant and loan programs is to assist employers in managing the financial costs associated with implementing safety measures to prevent accidents and injuries in the workplace. Another major goal is to establish safety best practices in the field of occupational safety and health. The grant and loan programs include the Safety Intervention Grant (SIG) Program, Drug-Free Workplace Grant (DFWP) Program and the Long Term Care Loan Program. In fiscal year 2009, BWC awarded $3,950,733 in 1,633 SIG and DFWP grants to 1,479 employers compared to $3,776,064 in 1,206 SIG and DFWP grants to 1,142 employers in Fiscal Year 2008.

Safety Intervention Grant Program

The SIG Program, now in its 10th year, provides financial assistance to employers to purchase safety equipment. The program provided 4-to-1 matching funds, up to a maximum of $40,000. The use of the funds can only be directed toward the purchase or improvement of equipment to reduce or eliminate the risk of injury. In fiscal year 2009, BWC awarded 94 SIG grants totaling $2,528,095 to 90 employers; compared to 98 grants totaling $2,725,961 to 96 employers in fiscal year 2008.

In fiscal year 2009, 72 percent of the awards went to employers with 200 or fewer employees. The majority of employers who participated in the program were manufacturing employers (36) followed by construction (seven).

To establish industry best-practices in occupational safety and health, employers receiving grant funds through the SIG program were required to provide two year-end case studies and provide quarterly reports to document their experience with the equipment purchased through the grant funds. The collected data is used to establish baseline best practices in safety, advance knowledge in the area of occupational safety and health and benefit other employers facing similar hazards at their workplaces.

Last year, 26 employers completed their participation in the grant program. Showing a reduction in claims from the baseline total of 192 to 69 in the follow-up period, the return-on-investment for this group of completed participants is estimated at 1.9 years.

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[1] Certain number of grants were applied for toward the end of one Fiscal Year and were awarded during the beginning of the next Fiscal year, which explains any differences when adding dollar amounts.

Drug-Free Workplace Grant Program

These grants help Ohio's employers initiate training needed to maintain a drug-free workplace. In fiscal year 2009, there were a total of 1,539 grants amounting to $1,394,004 awarded to 1,391 employers in 19 industries. Construction and manufacturing accounted for 51 percent of participating employers. Twenty-five special taxing districts and schools benefited from these grants. In comparison, in fiscal year 2008 BWC awarded 1,108 drug-free workplace grants totalling $1,050,103 to 1,050 employers.

Long Term Care Loan Program

This program provides Ohio's nursing homes and hospitals interest reimbursement for loans. Recipients use the loans to purchase lift equipment to reduce the frequency and severity of workplace injuries to employees who lift residents or patients. Participating employers may purchase sit-to-stand floor lifts, ceiling lifts, other lifts and fast electric beds. In fiscal year 2009, BWC provided $15,590 in interest reimbursements to five employers.

BWC's on-site and field consulting services

BWC's on-site and field consulting safety services includes the OSHA On-Site Consultation Program, Public Employer Risk Reduction Program (PERRP) and specialized field consulting safety services. BWC's on-site and field safety specialists work directly with all employers on hazard and risk assessment and mitigation as well as the introduction of safety interventions in the workplace.

OSHA On-Site Consultation Program

The OSHA On-Site Consultation Program is 90 percent funded by a Federal OSHA grant of $1,546,308 with the remaining 10 percent funded by BWC. The program is directed toward providing highly specialized services to relatively small employers (less than 250 employees at one site) in high hazard/high risk industries.

In fiscal year 2009, the program field consultants conducted 957 visits to workplaces throughout Ohio and improved workplace safety for 654 employers with 50,182 employees. Also, the program provided safety on-site training for 1,329 employees.

PERRP

Legislation created in 1994 requires the adoption and application of federal occupational safety and health rules for general industry and construction to public employers and employees. PERRP is responsible for assisting the public sector work force in creating safe and healthy working environments. PERRP staff provides free safety and health inspections, consultations, site-specific evaluations, written program reviews, safety training, and hazard recognition.

PERRP's safety and health consultants identified 9,310 serious hazards at 911 public employer workplaces that affected 27,275 employees. Written reports of findings were processed within 14 days on average. Expeditious reporting allows employers to begin the abatement process and address these serious hazards. Additionally, PERRP's consultants provided on-site safety training to close to 1,300 employees at 27 employer locations throughout Ohio.

Specialized field consulting safety services

Specialized consulting services provided through the BWC customer service offices help employers implement safety programs, identify hazards and apply remediation techniques. These field activities included thousands of noise measurements, air quality sampling, ergonomic surveys and safety audits in workplaces throughout Ohio.

Field consultants made 18,270 visits to 9,292 Ohio workplaces belonging to 5,048 employers to provide consulting services in industrial hygiene, industrial and construction safety, and ergonomics. It is estimated that those employers who benefited from these services employ close to 1.2 million employees.

BWC's library services

BWC's library services are part of the larger Ohio State Library System and provide free access to safety literature and video resources dealing with state of the art developments in occupational safety and health, workers' compensation and rehabilitation of injured workers. BWC's library is the only library of its kind in Ohio and among a few in the nation with such specialized services.

The library collection was opened to the Ohiolink library system this year. The video library offers a large selection of safety and health videotapes and DVDs. Over the years, this collection has proved to be a convenient and popular source for Ohio employers to obtain training aids for their workers. In fiscal year 2009, the video library serviced 1,792 employers and circulated 11,291 videotapes and DVDs to these employers.

BWC's technical advisors unit

The technical advisors unit provides state-wide specialized technical support to BWC's on-site and field consulting specialists in ergonomics and industrial hygiene as well as industrial and construction safety.

The unit is tasked with maintaining and updating the Ohio Administrative Code Specific Safety Requirements and monitors new advancements in safety literature, standards and technology. The technical advisors provide technical support for the training courses and modules, as well as teaching several occupational safety and industrial hygiene courses. This unit is also tasked with the technical pre-approval evaluation and post-approval monitoring of the safety intervention grants.

BWC's industrial hygiene laboratory

BWC's industrial hygiene laboratory provides a wide variety of laboratory support services to BWC's field consultants. The laboratory handles the inventory, repairs, maintenance and calibration of more than 2,000 measurement devices and tools used by industrial hygienists. Last year, the laboratory performed certified calibration of 963 devices used by field consultants saving BWC more than $148,000.

Working with an external specialized laboratory, BWC's laboratory coordinated elaborate testing of about 13,000 air quality samples to measure workers' exposure to a wide variety of chemicals at 863 Ohio workplaces.

Research Activities and Initiatives

BWC continues to improve its services by capitalizing on several research projects and initiatives. In fiscal year 2009, DSH continued the tracking and reporting on two fiscal year 2008 projects: The Ohio Occupational Fatalities Report and the Preferred Customer Market Initiative. The agency also completed another research data driven project dealing with the nature and extent of injuries in Ohio's Restaurants.

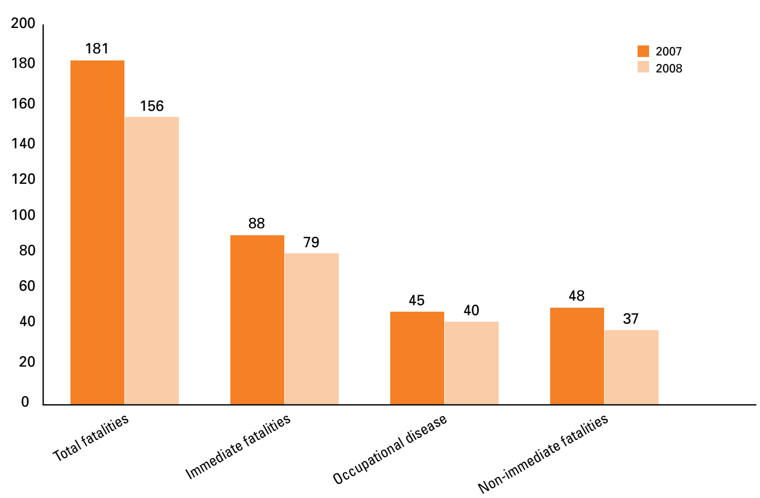
Ohio occupational fatalities for calendar year 2008

BWC's calendar year 2008 claims data shows that 156 workers lost their lives in Ohio as a result of workplace injuries or occupational diseases.2 In 79 (50.7 percent) cases the deaths were immediate fatal events. In 37 cases (23.7 percent), the fatality took place on a date subsequent to the injury date. The remaining 40 fatalities (25.6 percent) resulted from occupational diseases. Figure 1 provides an overview of the fatalities statistics in Ohio for calendar years 2007 and 2008.

The fatality analysis has also revealed several observations including:

- Proportional to the number of individuals working, more fatal events took place on the job between midnight and 8 a.m. than other times of the day;
- Fatalities involving men were at a rate of 16.3 to 1 compared to women — 147 males compared to nine females;
- There was a marked increase in fatal events in Ohio's southwestern region, up from 21 percent in 2007 to 33.9 percent in 2008. On the other hand, fatalities decreased in Ohio's northeast region, down from 33.7 percent in 2007 to 27.6 percent in 2008. These two regions account for 61.5 percent of all occupational fatalities in 2008;
- Transportation-related accidents continue to be a leading cause of occupational fatalities in Ohio. Close to 34 percent of all occupational fatalities in 2008 in Ohio were transportation-related accidents;
- Most of calendar year 2008 occupational fatalities in Ohio occurred in the construction, commercial and transportation sectors;
- Asbestosis and cardiac events lead the causes of occupational related diseases in 2008.

Figure 1 – Ohio occupational fatalities, 2007 & 2008



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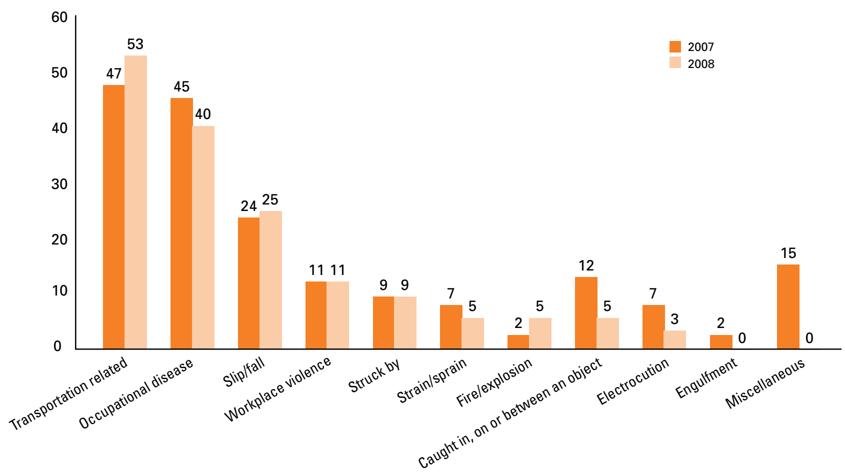
[2] Calendar Year 2008 data is not yet fully mature. Claims can be filed for up to two years from the accident or death date. Calendar Year 2008 occupational fatality data are not considered complete until the end of Calendar Year 2010.

Occupational fatalities by causation

The causes of Ohio's workplace fatalities reflect national trends. Transportation-related accidents accounted for 34 percent of Ohio fatalities in calendar year 2008. Occupational disease accounted for 25.6 percent and slips and/or falls for 16 percent. These three categories made up 75.6 percent of all fatality claims. Fatalities resulting from workplace violence accounted for 7 percent. Figure 2 provides an overview of the distribution of Ohio's fatalities by causation for calendar years 2007 and 2008.

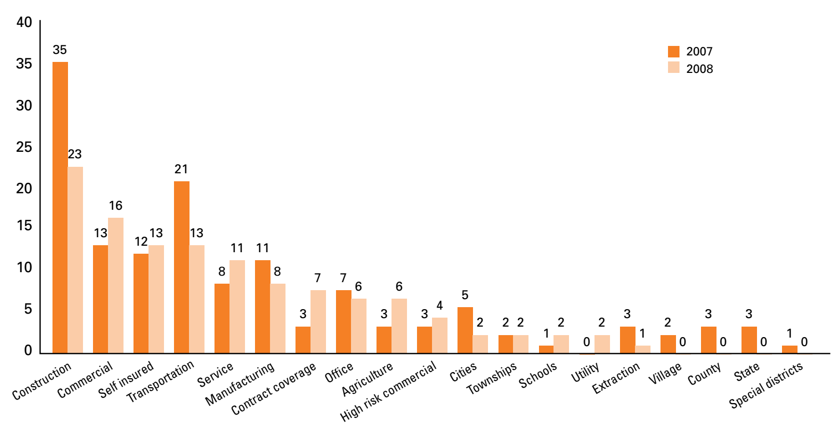
Figure 2 – Ohio occupational fatalities by causation, 2007 & 2008



Occupational fatalities by industry type

According to the U.S. Census Bureau, construction jobs represented 4.5 percent of Ohio jobs, yet 19.8 percent of all immediate workplace fatalities (not including occupational disease) were in the construction sector. Commercial sector fatalities comprised 14 percent and the transportation sector fatalities comprised 11 percent of the 2008 fatalities. Together, these three sectors totaled 45 percent of all the identified workplace fatalities in Ohio. Figure 3 provides an overview of the distribution of Ohio's fatalities by industry type for calendar years 2007 and 2008.

Figure 3 – Ohio occupational fatalities by industry, 2007 & 2008



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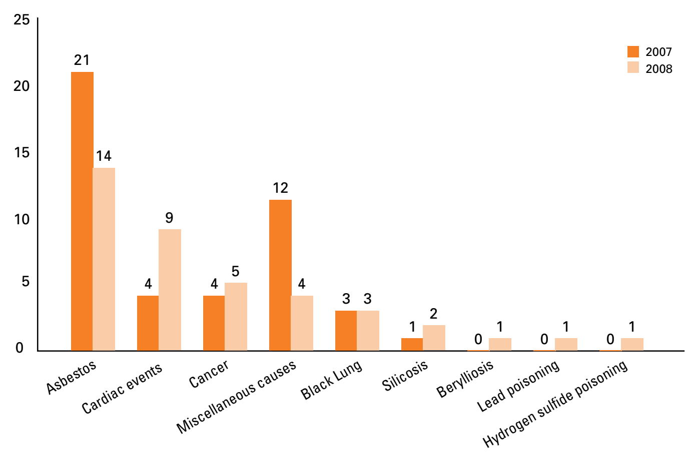
Occupational disease fatalities by disease type

BWC data shows 40 occupational disease-related fatalities in 2008. The majority of occupational disease deaths are the result of chronic exposure to asbestos (35 percent), followed by occupational exposures resulting in cardiac events (22.5 percent), cancers (12.5 percent) and black lung claims from coal mining operations (7.5 percent). Together, these represent 77.5 percent of all occupational disease fatalities. Figure 4 provides an overview of the distribution of Ohio's occupational disease fatalities by disease type for calendar years 2007 and 2008.

Figure 4 – Ohio occupational disease fatalities by disease type



Preferred customer market (PCM)

BWC selected 1,661employers from four industry groups with a large number of claims and high costs. The goal: to assist these companies in improving safety at their workplaces and consequently reduce injuries and workers' compensation costs. The selected employers include: 75 public employer taxing districts limited to cities, counties and schools; 864 construction companies; 85 temporary staffing agencies with 15 or more manual classifications (not professional employer organizations); and 637 nursing homes.

The primary objective was to decrease frequency and severity of claims and costs by 5 percent in each of the four customer groups over a two-year period. This was considered to be an attainable goal based on similar effort by DSH in the years 2002 and 2004.

A summary of the services provided to these employers is shown in Table D. Many of the selected customers participated in one or more DSH service. Field consulting services devoted about 5.1 percent of their time to these customers in fiscal year 2009.

Table E provides a summary of the results relative to reductions in claim frequency and severity for Fiscal Year 2009. Overall, for all PCM employers who benefited from BWC's safety services, the number of claims filed decreased by 11.7 percent and the number of days away decreased by 6.8 percent when compared to fiscal year 2008. Cost estimates were not made due to changes to BWC's reserving system (MIRA).

Table D: Percent of PCM employers participating in BWC's occupational safety and health services.

DSH services*	Construction	Nursing homes	Public employer taxing district	Temporary agencies
Safety training	28.8	35.3	69.3	37.7
Safety congress	13.4	10.2	53.3	9.4
Safety councils	43.3	53.1	92	77.7
Drug-free program	64.0	45.8	16	28.2
Premium discount program	46.0	43.6	30.7	58.8
Retrospective rated	2.8	1.6	73.3	3.5
Safety grants	30.9	28.7	41.3	12.9
Library training aids	11	7.5	53.3	14.1
Workers' Comp University	10.1	13.0	48.0	15.3
Field consulting* (% of staff time)	2.0	0.9	2.0	0.2

** Field consulting results list the percent of time field consulting staff spent with the selected employers out of the total field consultants' time.*

Table E: Summary of PCM employer claims frequency and severity results for Fiscal Year 2009.

Select employer	Total employers by classification	Number of employers touched	Claims frequency Payroll adjusted %	Lost time days away Payroll adjusted %
Construction	864	515	-20.5	-8.1
Nursing homes	637	292	-4.3	-12.2
Public employer taxing district	75	59	-7.9	-5.1
Temporary agency	85	48	-^	-^

^ No reliable estimates could be made due to the nature of highly fluctuating payroll reporting and high turnover rates among employees working for temporary agencies.

Nature and extent of workplace injuries in Ohio's restaurants

In collaboration with the Ohio Restaurant Association, BWC analyzed the data for 4,381 claims reported between 2003 and 2006 for 712 restaurants throughout Ohio. The analysis revealed that open wound (44 percent), sprain (18 percent), and burn (13 percent) injuries comprise 75 percent of these claims.

The claims data for these three types of injuries were further analyzed to understand the major factors that contributed to the incidents leading to these claims and injuries. Based on these factors, a set of occupational safety intervention measures were targeted to prevent these common incidents in restaurants. Safety intervention measures and strategies related to employee training and education, housekeeping procedures, and use of better tools and equipment were researched to assist restaurants in preventing injuries. This research was used to develop specific training and education aids, including the design of specialized classes to prevent these types of injuries in restaurants.

BWC - OSHA alliance

BWC worked with OSHA, CBS Personnel Holdings Inc., and the Ohio Staffing and Search Association to create a training video for temporary staff workers to utilize before they are sent out to a job. The video can be viewed on BWC's Web site. Additionally, four half-day safety classes were designed and taught to staffing companies. The Alliance is working on producing the training materials and DVD in Spanish.

Market Value of BWC Safety & Hygiene Services

Table F provides estimates of the market value of DSH's services as it relates to the number of employers who benefited from these services in fiscal year 2009. The estimates are based on private market fee schedules to provide such services.

Table F: Estimated market value of BWC's occupational safety and health services based on number of service hours provided at private market fee schedules.

Employer Type	DSH Services							
	Consultative	Video-library	Training center	Congress	Library/ other	PERRP	On-Site	Total
Private	$10,232,140	$1,454,940	$1,772,295	$1,318,800			$1,952,250	$16,730,425
Public taxing districts	$2,108,904	$271,800	$188,070	$306,600		$737,766		$3,613,140
Public state	$495,981	$103,500	$225,290	$148,575		$208,088		$1,181,434
Self insured	$1,609,440	$181,400	$278,295	$521,850				$2,590,985
Other		$20,700	$41,145		$411,551			$473,396
Marine fund	$1,250							$1,250
Total	$14,447,715	$2,032,340	$2,505,095	$2,295,825	$411,551	$945,854	$1,952,250	**$24,590,630**

Outcomes and Savings of the Health Partnership Program

semi-annual report

Jan. 1 to June 30, 2009

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The Health Partnership Program

The Health Partnership Program (HPP) has been BWC's system for providing managed care services since its implementation in March 1997. BWC publishes this HPP outcomes and savings report every six months. Per law, the agency also presents this report to the governor, the speaker of the House of Representatives and the president of the Senate.

BWC's chief of medical services and compliance directs the program. The Medical Services Division coordinates BWC's health-care services through a network of provider and managed care organizations (MCOs).

The agency determines compensability and pays indemnity benefits. However, it contracts with MCOs to manage the medical component of workers' compensation claims. MCOs educate employers and injured workers on HPP and process *First Report of an Injury, Occupational Disease or Death* (FROI) forms. They also help employers establish transitional/early return-to-work programs. In addition, MCOs process medical bills and make provider payments.

BWC monitors how MCOs perform. For example, BWC measures the effectiveness of the MCOs' return-to-work efforts using the Degree of Disability Management (DoDM) model. The agency also measures their FROI timing, FROI data accuracy, bill timing and bill-data accuracy. In addition, it publishes most of these measures in an annual MCO Report Card. BWC encourages employers to view this report before selecting an MCO.

There are now 18 certified MCOs statewide. This is a decrease of one MCO since BWC's last report (July 2009).

Medical Services Division objectives

Medical Services' goal is to ensure prompt, quality, cost-effective health care for injured workers to facilitate their early, safe and sustained return to work and quality of life. The division coordinates health-care delivery through provider networks and MCOs. It does this by using management, pricing and payment strategies that benefit injured workers and employers.

Medical Services specific responsibilities are to:

- Develop, maintain and execute quality and cost-effective medical, vocational rehabilitation and pharmaceutical benefits plans and associated fee schedules;
- Develop and support the appropriate managed-care processes, including contract management and training;
- Establish and maintain a quality pool of medical and vocational service providers to make certain injured workers have access to quality, cost-effective and timely care;
- Evaluate and process medical bills, guaranteeing proper and timely payment consistent with benefits plan criteria.

In March 2009, Deloitte Consulting LLP completed its comprehensive review of BWC's workers' compensation program. As part of that review, Deloitte studied:

- MCO effectiveness (Report 2.6);
- BWC's current medical bill-payment processes (Report 2.3);
- The vocational rehabilitation program (Report 4.1).

The division is evaluating Deloitte's recommendations to ensure their proper alignment with existing divisional and BWC-wide objectives.

Benefits plan design

For injured workers to have access to high-quality medical care, BWC must have appropriate benefits plans and terms of service with competitive fee schedules. This, in turn, enhances the medical provider network. Medical Services has begun to improve medical, vocational rehabilitation and pharmaceutical services by revising the benefits plans and their corresponding fee schedules. The division has instituted annual reviews.

Further, it revised the pharmacy drug benefits plan. The division expanded the list of prior authorization categories for drugs not typically used to treat workers' compensation injuries. In the past year, Medical Services has placed tighter controls on BWC's most prescribed drugs. This guarantees injured workers will use them as intended. These and other plan reforms resulted in a savings of several million dollars in the second quarter of fiscal year 2009, which continued into the first half of 2010.

Medical Services has also completed a cost and feasibility study for implementation of the Ambulatory Procedure Classification reimbursement methodology for outpatient hospital services. It also started the analysis and design needed to implement the new methodology.

Below is a summary of the fee schedule updates already in place or scheduled for calendar year 2009.

Fee schedule	Effective date	Update summary
Providers — physicians, therapists, etc.	Feb. 19, 2009	Updated to Medicare's 2008 *relative value units* (RVUs) and updated BWC's conversion factors
Update to providers — physicians, therapists, etc.	Proposed: Sept. 21, 2009 Revised to: Nov. 1, 2009	Updated to Medicare's 2009 *RVUs* and other refinements as needed to the Feb. 19, 2009 fee schedule
Providers — vocational rehabilitation	Originally proposed: Nov. 16, 2009 Deferred to late March 2010 at the earliest	This will update the fee schedule for the 76 codes specific to vocational rehabilitation, which were last updated in 1999
Ambulatory Surgical Centers	April 1, 2009	Implemented a new Medicare-based pricing methodology
Hospitals — in-patient setting	Feb. 1, 2009	Updated the Medicare Severity — Diagnosis Related Grouping to the 2009 federal fiscal-year values
Hospitals — out-patient setting	April 1, 2009	Updated to the state fiscal year 2007 cost-to-charge ratios

Managed-care processes

Medical Services selected a new pharmacy benefits manager through a competitive bid process. SXC Health Solutions Corp. will allow BWC to offer new, state-of-the-art, Web-based prior authorization technology. This will enable prescribers to obtain instant approvals to fill many pharmaceutical requests. In addition, per the terms of the contract, BWC expects to significantly reduce the turnaround time for reimbursing injured workers for out-of-pocket expenses.

The division also plans to increase the use of generic medications to lower pharmaceutical spending, without impacting the quality of care for injured workers. In addition, Medical Services has begun to collect rebates from drug manufacturers and anticipate revenue of more than $5 million for this effort in calendar year 2009.

The 2009-2010 MCO contract enhancements further support several managed-care improvement goals. For example, starting Jan. 1, 2010, each MCO will staff a certified medical coder. This will lend support to the MCOs' provider bill processing and make certain the appropriateness of provider payments. Also, effective Jan. 1, 2010, the division will tighten benchmarks for several key process measures.

The division has completed BWC's re-design of the alternative dispute resolution (ADR) process for treatment authorization disputes. It implemented the streamlined process effective Nov. 1, 2009. Medical Services plans additional changes for 2010.

Medical providers

Medical Services is replacing the agency's provider enrollment system. The system maintains provider demographic information, certification, credentialing and billing-support services (a shared goal with BWC's Infrastructure & Technology Division). The divisions will complete full system installation and refinement in 2009 and 2010.

In addition, Medical Services and the Communications Division have put in place a revised provider communications plan. The plan includes new education and orientation Web offerings for medical providers. It also calls for delivery of physician information packets when providers receive their BWC notice of certification. The division will continue to enhance communications and training processes for new and existing providers.

It will also complete a provider penetration analysis to determine access-to-care levels. This will provide direction in developing our recruitment and retention efforts.

Also, Medical Services will continue provider outreach and educational programs, and will continue to eliminate unnecessary barriers for participating providers. Finally, it will create and institute provider performance measures and non-compliance reforms.

Medical bill payment

Medical Services implemented a new medical bill-payment clinical editing software on June 30, 2008. It allows BWC to identify improperly billed services, enforce billing standards, identify the effectiveness of MCO bill review and ensure the consistency of bill processing. It also permits us to capture data that identifies outliers. The division estimates these first edits will result in a yearly savings in excess of $1 million.

By the end of 2009, Medical Services will issue a request for proposal for a new medical bill-payment and managed-care system. Such a system would allow for direct provider payments, medical document submission and other improvements. This system would also integrate services such as clinical editing and hospital pricing methodologies that separate software contracts now handle. The contract will:

- Yield an improved cost-benefit ratio;
- Simplify providers' interaction with Ohio's workers' compensation system;
- Reduce duplication of efforts between MCOs and BWC.

The next two pages show selected measurements of the HPP's impact during the last four years.

Selected HPP measurements

All dollar amounts are shown in 1,000s.

The figures below are limited to the HPP.

Measurement	Time period July 1 to Dec. 31, 2005	Time period Jan. 1 to June 30, 2006	Time period July 1 to Dec. 31, 2006	Time period Jan. 1 to June 30, 2007	Time period July 1 to Dec. 31, 2007	Time period Jan. 1 to June 30, 2008	Time period July 1 to Dec. 31, 2008	Time period Jan. 1 to June 30, 2009
Active employers (1)	252,440	252,433	251,591	244,973	238,900	238,064	234,772	231,438
Active claims (2)	367,773	343,128	332,104	319,974	307,572	294,683	283,510	267,647
FROI timing (3)	16.72	18.30	16.19	16.83	16.00	17.15	16.88	17.77
% of FROIs filed within seven days of date of injury (4)	71.78%	73.25%	73.17%	73.84%	74.23%	74.44%	73.80%	73.87%
% of claims determined within 14 days of date of injury (5)	68.29%	67.29%	68.25%	70.55%	69.19%	70.29%	72.00%	74.42%
Bill timing (6)	82.69	82.65	81.23	81.30	83.97	84.05	83.15	79.80
LDOS–MCO	66.94	67.20	65.76	65.97	67.72	68.63	68.42	67.62
MCO–BWC	6.63	6.41	6.32	6.26	7.10	6.10	5.35	5.86
BWC–MCO	7.18	7.09	7.20	7.12	7.20	7.38	7.42	4.37
MCO–Provider	1.95	1.95	1.95	1.95	1.95	1.95	1.95	1.95
Total regular medical payments (7)	$413,805	$407,462	$379,926	$385,381	$388,302	$427,933	$411,857	$397,314
Payments for file reviews and IMEs (8)	$9,753	$10,191	$10,381	$9,873	$9,452	$10,145	$9,500	$10,470
MCO fees (9)	$83,754	$89,068	$84,588	$88,551	$77,328	$90,999	$81,167	$80,151
Total medical payments plus MCO fees	$507,312	$506,721	$474,896	$483,805	$475,082	$529,077	$502,523	$487,934
Total indemnity payments (10)	$530,231	$543,163	$550,011	$592,531	$610,727	$598,066	$579,472	$535,611
Grand total (11) Benefits paid (Total medical payments plus MCO fees plus total indemnity payments)	$1,027,790	$1,039,693	$1,014,525	$1,066,463	$1,076,357	$1,116,998	$1,072,496	$1,013,076

(1) Average number of employers in an active, reinstated or debtor in possession status assigned to an MCO during the time frames noted

(2) Average number of active claims (claims with a payment or application submitted to us within the last 13 months) assigned to an MCO during the time frames noted

(3) Average time, in calendar days, from date of injury to date BWC received a FROI for all FROIs received during the time frames noted for claims assigned to an MCO

(4) Percent of claims assigned to an MCO where BWC receipt of the FROI is within seven calendar days from the date of injury where FROI was received during the time frames noted

(5) Percent of claims assigned to an MCO determined within 14 days of the date of injury where the determination was during the periods indicated regardless of date of injury or filing date. BWC considers a claim determined when we place it in Allow/Appeal or Disallow/Appeal status.

(6) Average time, in calendar days, between the last date of service being billed (LDOS) to a check being issued to the provider for bills processed by the MCOs. This does not include bills for prescription drugs processed through BWC's pharmacy benefits manager. It is further broken down into the component steps of the process:

- *LDOS to MCO receipt;*
- *MCO receipt (for review and payment determination) to BWC receipt;*
- *BWC receipt (for review and final payment determination) to date monies are deposited into the MCO's provider account;*
- *MCO receipt of the final payment information and monies to the MCO issuing the check to the provider.*

The agency recently concluded a desk audit of the MCOs' current check issuance timing and has updated the report to reflect the findings.

(7) Payments for medical services made on claims assigned to an MCO during the time frames noted. Amounts include payments on claims associated with bankrupt self-insured claims assigned to the MCOs and payments for prescription drugs processed through BWC's pharmacy benefits manager. Regular denotes that this category includes payments for physicians, hospitals, therapies, diagnostic testing, etc. It excludes payments made for file reviews and independent medical examinations (IMEs) requested to facilitate administrative decisions in the claim.

(8) Payments made for file reviews and IMEs during the time frames noted that are requested to facilitate administrative decisions in the claim

(9) Payments issued to the MCOs during the time frames noted per the MCO Agreement for their services. BWC bases MCO contracts on calendar years. Fluctuations in the amounts paid to the MCOs between six-month periods are attributable to several factors, including:

- *Changes in the overall amount available to the MCOs from year to year;*
- *Timing of different types of payments (administrative payments are monthly, outcome payments are quarterly, and in the past, we made exceptional performance payments annually);*
- *Change in 2008 where BWC pre-paid MCOs a portion of their outcome payment throughout the quarter. The increase seen in the Jan. 1 to June 30, 2008 time period is due to the introduction of pre-payment of outcome monies.*
- *BWC made some payments after the end of the contract. For example, the agency made the 2005 exceptional performance payment in February 2006.*

(10) Payments for salary compensation made on claims assigned to an MCO during the time frames noted. This includes payments for temporary total, living maintenance, wage loss, lump sum settlements, etc. Amounts include payments on claims associated with bankrupt self-insured claims assigned to the MCOs.

(11) Excludes payments for file reviews and IMEs as these are not benefits paid to or on behalf of an injured worker but are conducted to facilitate administrative decisions in the claim

Fiscal Year 2009

Investment Class Annual Report Comments

DRAFT

Background

The U.S. and global financial markets experienced an extreme level of volatility in valuation and performance over the 2009 fiscal year period from July 1, 2008 through June 30, 2009. This was brought about by a weakening economy aggravated by questionable lending underwriting practices and leveraged asset management strategies employed by a number of prominent financial institutions. These conditions resulted in the bankruptcy of Lehman Brothers and the U.S. federal government takeover of Fannie Mae, Freddie Mac and AIG in September 2008 as well as necessary financial support given by the U.S. Treasury to some of the largest U.S. commercial banks, insurance companies and investment banks. These developments created significant stress on the daily functioning of certain credit markets over 4Q2008 and 1Q2009 and resulted in a worldwide flight by investors away from perceived risky assets to safe liquid assets.

The investment portfolio of the Bureau held up relatively well in market value during the very challenging period of fiscal year 2009, especially when compared to most public fund institutional portfolios. The portfolio provided a total return of negative 1.1% (net of investment management fees) during this period. This is attributable to the emphasis placed on high quality fixed income investments by the investment policy of the Bureau. The average credit quality of the fixed income portfolio of the Bureau was “AA” over the fiscal year. At the beginning of fiscal 2009, the investment policy asset allocation targets were 80% fixed income (including 1% cash) and 20% equities for each of the three largest trust funds of the Bureau (State Insurance Fund, Disabled Workers’ Relief Fund and Coal Workers’ Pneumoconiosis Fund) which aggregate over 99% of invested assets of the Bureau.

The Board of Directors of the Bureau in April 2009 approved a change in asset allocation targets for the State Insurance Fund to 70% fixed income and 30% equities, with the 10% increase in equities allocated to international equities (formerly 0% allocation) and the 10% reduction in fixed income reducing long duration bond exposure. In addition to this portfolio asset allocation change, there were several asset allocation target changes made within the portfolio fixed income classes also approved by the Board to further reduce average duration of the bond portfolio. These decisions were made by the Board after several careful reviews of a rigorous asset-liability modeling study requested of the Bureau’s investment consulting firm. The new asset allocation mix for the State Insurance Fund, representing approximately 92% of total Bureau invested assets, is expected to increase its portfolio return and lower its variance or dispersion of expected annual portfolio return over the long term.

Due to the necessary planning and preparation period required to carefully transition asset classes of large size, the new asset allocation targets were not yet reflected in the State Insurance Fund portfolio at the end of fiscal year 2009. The transitioning of such assets to the new investment policy allocation targets are being implemented and executed at a carefully planned systematic pace during the first six months of fiscal year 2010 ending December 2009. At the request of the Board, similar asset-liability studies will be performed on four additional Bureau trust funds by the Bureau’s investment consultant. The outcome of these studies could result in additional asset class allocation target changes beneficial to these trust funds as well.

Valuation and Performance

Total investment assets at fair value held by the Bureau were $17,077 million on June 30, 2009, a decrease of $208 million when compared to $17,285 million on June 30, 2008. As stated earlier, the total rate of return on invested assets of the Bureau for the fiscal year 2009 ended June 30, 2009 was a negative 1.1% net of investment management fees. Net investment income reported for fiscal year 2009 was a negative $195 million, comprised of $738 million in interest and dividend income less $928 million in decrease in fair value of investments and $5 million in investment expenses, including $3 million in investment manager fees. These investment fees represented an average annual fee of less than 2 basis points (2/100 of 1%) of total average month-end value of bond and stock assets managed by outside passive indexed managers for fiscal 2009.

The asset allocation mix of the Bureau investment portfolio at fair value on June 30, 2009 was 76.4% bonds, 20.6% stocks and 3.0% cash and cash equivalents. This asset mix compares to 79.4% bonds, 18.4% stocks and 2.2% cash and cash equivalents on June 30, 2008.

There were two significant portfolio quarterly rebalancing events executed during fiscal year 2009 as well as several investment manager redemption events initiated for either operational cash purposes or for minor portfolio rebalancing purposes involving redeployment of month-end bond cash interest income received. These activities are important to highlight in that they had a material impact on the respective fair value levels of both the bond and equity portfolios over the course of fiscal 2009.

Each identified bond and equity asset class in the Bureau's investment policy has a target portfolio allocation and a defined asset allocation range. During the tumultuous period of the first nine months of fiscal 2009 ending March 31, 2009 in which U.S. stocks significantly underperformed bonds during each of the first three quarters, the stock portfolio allocation of the Bureau's total investment portfolio fell below the defined minimum target range of 17% for stock ownership at the end of each of the calendar quarters ending December 2008 and March 2009. This development triggered the need to rebalance the investment portfolio of each affected trust fund per the investment policy of the Bureau. The investment policy requires purchasing the asset class that is below minimum ownership percentage and selling the asset class that is above targeted ownership percentage in sufficient amounts so as to achieve a portfolio asset mix whereby each asset class is once again within acceptable ownership ranges as consistent with the investment policy.

As a result of the above, the two major quarterly portfolio rebalancing events that occurred in early January 2009 and early April 2009 involved a total of $979 million of additional investments made in stocks (passive managed S&P index funds) that were funded from bond portfolio directed redemptions of $899 million in value ($739 million from long duration bonds and $160 million from TIPS) and $80 million of operational cash. Remaining asset redemption activity during the fiscal year resulted from (i) the need to raise cash to fund operations ($253 million all from long duration bond portfolio redemptions), (ii) monthly rebalancing activity from long duration bond cash interest redirected to stocks ($126 million) and (iii) the deployment of $39 million in cash to fund initial commingled intermediate duration bond fund investments for the Public Work-Relief Employees' Fund and Marine Industry Fund.

To summarize these portfolio rebalancing and operational need redemption activities, the bond portfolio had net investment manager redemptions of $1,239 million consisting of $1,118 million from long duration bonds and $160 million from TIPS, offset by $39 million invested in intermediate duration bonds. The stock portfolio of S&P 500 indexed stocks had a net inflow of funds totaling $1,093 million from directed portfolio rebalancing purchases.

The total fair value of the bond portfolio of the Bureau was $13,050 million on June 30, 2009 compared to $13,724 million on June 30, 2008, representing a reduction of $674 million. As explained herein, the bond portfolio had net investment manager redemptions of $1,239 million during the fiscal year period initiated for several purposes. Excluding these net redemptions, the bond portfolio had an increase in fair value of $565 million for fiscal year 2009. The total rate of return of bonds owned by the Bureau was 4.1% for fiscal year 2009. Virtually all bonds owned during fiscal year 2009 were passively managed by several index managers under contract to match targeted benchmark index returns.

A total fair value of $7,424 million of bonds directly owned (excluding $40 million in commingled funds) or approximately 57% of total bonds owned at fair value on June 30, 2009 represented direct U.S. government obligations, including $3,456 million of U.S. Treasury inflation protected securities (TIPS) representing 26% of total bonds owned at fair value and 20% of total Bureau invested assets owned at fair value. The total rate of return of the TIPS portfolio was a negative 1.4% for fiscal year 2009.

The total fair value of $13,050 million for the bond portfolio of the Bureau on June 30, 2009 was comprised of $9,554 million of long duration index bonds, $3,456 million of TIPS index bonds and $40 million of intermediate duration bonds represented in a commingled index fund. This compares to June 30, 2008 fair values of $10,061 million for long duration bonds and $3,663 for TIPS, with no ownership of intermediate duration bonds. A long duration bond is defined as having a final remaining maturity of ten years or longer. An intermediate duration bond has a final remaining maturity of between one and ten years.

The long duration bond portfolio of the Bureau had a total rate of return of 5.9% for fiscal year 2009. The intermediate duration bond investments in a commingled index fund were made in February 2009 by the Public Work-Relief Employees' Fund and the Marine Industry Fund in the amount of $39 million funded by cash held. These intermediate duration bond investments had a total rate of return of 1.5% from February 2009 inception through June 30, 2009.

The total fair value of the equities portfolio of the Bureau was $3,516 million on June 30, 2009 compared to $3,180 million on June 30, 2008, representing an increase of $336 million. As mentioned earlier, the equities portfolio had net inflow of funds of $1,093 million from directed portfolio rebalancing purchases. If these portfolio rebalancing inflows are excluded, the equities portfolio had a decrease in fair value of $757 million. The total rate of return of equity investments of the Bureau was negative 26.0% for fiscal year 2009 which matched the S&P 500 index return over this period. All but $4 million of miscellaneous equity investments in the Bureau's equity portfolio on June 30, 2009 were represented by passively managed S&P 500 indexed portfolios.

At the end of fiscal year 2008 ending June 30, 2008, a total of 66 private equity partnerships had been sold by the Bureau since June 2007 for total proceeds of $399 million, with all such proceeds reinvested in an S&P 500 indexed portfolio. The last remaining private equity fund investment targeted for sale was sold in fiscal year 2009 on October 2008 for proceeds of $0.9 million. There currently remains one private equity partnership owned by the Bureau on June 30, 2009 that is being liquidated via its own portfolio sales. A cash distribution of $1 million was received by the Bureau from this partnership in fiscal year 2009, reducing its carrying value to under $0.2 million on June 30, 2009.

The Bureau received cash distributions totaling $13.1 million from the capital coin fund during fiscal year 2009, representing liquidation proceeds and legal settlements achieved from the coin fund liquidation firm contracted by the State of Ohio to oversee the liquidation of remaining coin fund assets. As a result of these significant coin fund distributions in fiscal 2009, the Bureau has now received a total of $54.5 million, net of coin-related expenses paid directly by the Bureau, compared to its total coin fund investment of $50 million. All remaining unencumbered coin and collectible assets not reserved for litigation claims were liquidated in fiscal year 2009 with the completion of several small auctions and a direct sale transaction with a dealer. There are believed to be sufficient funds retained in a capital coin fund bank account to pay future projected professional fees and possible litigation settlements.

Total cash and cash equivalents of the Bureau had a fair value of $504 million on June 30, 2009 compared to $378 million on June 30, 2008. The Bureau utilized an institutional U.S. government money market fund offered by its custodian bank throughout fiscal year 2009 to earn interest income on its short-term invested assets. The total rate of return earned by the Bureau on its cash and cash-equivalent assets was 1.2% for fiscal year 2009.

The following table provides a summary of asset class valuations, relevant funds transfer activity and performance returns as stated herein.

Asset class fair value/performance summary

Fiscal year 2009 ending June 30, 2009

($millions)	(A)	(B)	(C)	(D)	(E)	(F)	(G)	
Asset class	**Fair value 6/30/09**	**Fair value 6/30/08**	**Actual fair value change**	**Net From portfolio rebalancing**	**Net for fundings**	**Total inflow/ (outflow)**	**Adjusted fair value change**	**FY 2009 annual return**
Long duration bonds	$ 9,554	$ 10,061	$ (507)	$ (865)	$ (253)	$ (1,118)	$ 611	+ 5.9%
U.S. TIPS	3,456	3,663	(207)	(160)		(160)	(47)	- 1.4%
Commingled fund bonds	40		40		39	39	1*	+ 1.5%*
Total bonds	13,050	13,724	(674)	(1,025)	(214)	(1,239)	565	4.1%
U.S. equities	3,516	3,180	336	1,105	(12)	1,093	(757)	-26.0%
Miscellaneous	6	3	3				3	
Cash and equivalents	504	378	126	(80)	225	145	(19)	+ 1.2%
Net change			$ (208)	0	0	0	$ (208)	
Total invested assets	$17,077	$17,285	$ (208)					- 1.1%

Asset class fair values shown exclude accrued investment income and trade payables/receivables
Amounts rounded to nearest $1 million as reflective in several summations in table
*Return since February 2009 inception with fair value appreciation of $1 million

Column Definitions

C = A minus B
F = D plus E
G = C minus F

Audited Financial Statements

OHIO BUREAU OF WORKERS' COMPENSATION
AND INDUSTRIAL COMMISSION OF OHIO
(A DEPARTMENT OF THE STATE OF OHIO)

Columbus, Ohio

Financial Statements
and
Supplementary Financial Information
For the years ended June 30, 2009 and 2008

And Independent Auditors' Report Thereon

CONTENTS

OHIO BUREAU OF WORKERS' COMPENSATION
AND
INDUSTRIAL COMMISSION OF OHIO
(A DEPARTMENT OF THE STATE OF OHIO)

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section presents management's discussion and analysis of the Ohio Bureau of Workers' Compensation's (BWC's) and the Industrial Commission of Ohio's (IC's) financial performance for fiscal years ended June 30, 2009, 2008, and 2007. BWC and IC are collectively referred to as BWC/IC. This information is based on BWC/IC's financial statements, which begin on Page 8.

Financial highlights

- BWC/IC's total assets at June 30, 2009 were $22.4 billion, an increase of $38 million or 0.2 percent compared to June 30, 2008.
- BWC/IC's total liabilities at June 30, 2009 were $19.9 billion, an increase of $26 million or 0.1 percent compared to June 30, 2008.
- BWC/IC's operating revenues for fiscal year 2009 were $2.4 billion, an increase of $217 million or 10.1 percent compared to fiscal year 2008.
- BWC/IC's operating expenses for fiscal year 2009 were $2.2 billion, a decrease of $516 million or 19.2 percent from fiscal year 2008.
- BWC/IC's total net assets increased by $12 million in fiscal year 2009, compared to a $198 million increase in fiscal year 2008.

Financial statement overview

BWC/IC's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. Management's discussion and analysis is intended to serve as an introduction to BWC/IC's financial statements, which are prepared using the accrual basis of accounting and the economic resources measurement focus.

- Statement of Net Assets - This statement presents information reflecting BWC/IC's assets, liabilities and net assets. Net assets represent the amount of total assets less total liabilities. The statement is categorized by current and noncurrent assets and liabilities. For the purpose of the accompanying financial statements, current assets and liabilities are generally defined as those assets and liabilities with immediate liquidity or those that are collectible or will be due within 12 months of the statement date.
- Statement of Revenues, Expenses and Changes in Net Assets - This statement reflects the operating revenues and expenses, as well as non-operating revenues and expenses, for the fiscal year. Major sources of operating revenues are premium and assessment income. Major sources of operating expenses are workers' compensation benefits and compensation adjustment expenses. Revenues and expenses related to capital and investing activities are reflected in the non-operating component of this statement.
- Statement of Cash Flows - The statement of cash flows is presented using the direct method of reporting, which reflects cash flows from operating, noncapital financing, capital and related financing, 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 for the fiscal year.
- Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of BWC/IC's financial position and results of operations presented in the financial statements.
- Supplemental Information - This section includes supplemental schedules presenting the statement of net assets and the statement of revenues, expenses and changes in net assets for the individual accounts administered by BWC/IC. This section also includes required supplemental information that presents 10 years of revenue and reserve development information.

Continued

Financial analysis

Components of BWC/IC's Statements of Net Assets and Statements of Revenues, Expenses and Changes in Net Assets as of June 30, 2009, June 30, 2008, and June, 30, 2007, and for the years then ended were as follows (000's omitted):

	2009	2008	2007
Current assets	$ 2,260,793	$ 1,921,520	$ 1,953,056
Noncurrent assets	20,159,556	20,460,454	20,187,730
Total assets	$22,420,349	$22,381,974	$22,140,786
Current liabilities	$ 2,791,337	$ 2,625,578	$ 2,697,850
Noncurrent liabilities	17,113,670	17,253,107	17,137,390
Total liabilities	$19,905,007	$19,878,685	$19,835,240
Net assets invested in capital assets, net of related debt	$ 24,058	$ 18,368	$ 5,179
Unrestricted net assets	2,491,284	2,484,921	2,300,367
Total net assets	$ 2,515,342	$ 2,503,289	$ 2,305,546
Net premium and assessment income, including provision for uncollectibles	$2,360,930	$2,138,402	$ 2,395,421
Assessment income due to statutory change	-	-	1,875,512
Other income	17,197	22,247	17,703
Total operating revenues	$2,378,127	$2,160,649	$ 4,288,636
Workers' compensation benefits and compensation adjustment expenses	$2,073,534	$2,587,483	$ 2,667,148
Other expenses	92,536	94,364	100,527
Total operating expenses	$2,166,070	$2,681,847	$ 2,767,675
Operating transfers out	$ (5,049)	$ -	$ -
Net investment income (loss)	(194,735)	719,160	911,430
Loss on disposal of capital assets	(220)	(219)	(224)
Increase in net assets	$ 12,053	$ 197,743	$ 2,432,167

BWC/IC's total net assets increased by $12 million during fiscal year 2009, compared to a $198 million increase during fiscal year 2008.

- Net premium and assessment income exceeded workers' compensation benefits and compensation adjustment expenses by $287 million in fiscal year 2009. In fiscal year 2008, workers' compensation benefits and compensation adjustment expenses exceeded net premium and assessment income by $449 million.
- Workers' compensation benefits and compensation adjustment expenses were $2.1 billion in fiscal year 2009, compared to $2.6 billion in fiscal year 2008. This decrease is primarily attributable to continuing favorable improvements in medical payments, lump sum settlements, and loss development during the last 12 months. An offset to these decreases is an increase in liability due to the lowering of the discount rate from 5.0 percent to 4.5 percent.

Continued

- The favorable trends in medical payments resulted in a change to the medical inflation assumptions used in the fiscal year 2009 actuarial evaluation. Medical inflation is assumed to be 6.0 percent in the first year of development, increasing by 1.0 percent in each of the next two years, with a long-term inflation assumption of 9.0 percent. The fiscal year 2008 actuarial evaluation used a long term medical inflation assumption of 9.0 percent beginning in the first year of development. Medical reserves for claims occurring on or before June 30, 2008 declined by $732 million in fiscal year 2009. In fiscal year 2008, the medical reserves for claims occurring on or before June 30, 2007 declined by $701 million.

- In fiscal year 2009, BWC/IC recorded net investment losses of $195 million, compared to net investment income of $719 million in fiscal year 2008. The decline in net investment income was primarily attributable to a $928 million decline in the fair value of the investment portfolio in fiscal year 2009.

- A total of 67 private equity partnerships have been sold by BWC/IC since June 2007 for total proceeds of $400 million. All proceeds from the private equity sales were reinvested in the passively managed large-cap domestic equity portfolio. At June 30, 2009, there remains one private equity fund investment owned by BWC/IC, that is being liquidated via its own portfolio asset sales and resulting distributions to its investors. Cash distributions totaling $13.1 million were received in fiscal year 2009 from the coin fund liquidation firm contracted by the State to oversee the liquidation of the remaining coin fund related assets.

- Ohio House Bill 100 passed in June 2007, granting BWC/IC the authority to assess employers in future periods for amounts needed to fund the Disabled Workers' Relief Fund (DWRF). BWC/IC recorded an unbilled receivable equal to DWRF's discounted reserve for compensation and compensation adjustment expenses in the statement of net assets. This statutory change resulted in premium and assessment income increasing by $1.9 billion in fiscal year 2007.

As of June 30, 2009 and June 30, 2008, BWC/IC had debt in special obligation bonds of $80.7 million and $97.3 million, respectively. These bonds were issued in 2003, through the Ohio Building Authority (OBA) to refund the 1993 William Green Building Series A bonds. The bonds are collateralized by lease rental payments pledged by BWC/IC to OBA. These bonds were rated Aa3 by Moody's Investors Service, Inc.

Continued

Conditions expected to affect financial position or results of operations

BWC/IC has identified four areas of focus for comprehensive improvements to the workers' compensation system:

- Provide stable costs to avoid unexpected financial hardship for employers;
- Develop better services to clearly demonstrate BWC/IC's value and enhance Ohio's quality of life;
- Establish accurate rates to fairly match rates with risks and to ensure proper distribution of costs among all employers; and
- Create safe workplaces by promoting safety awareness to prevent claims that cause loss.

Private employer base rates decreased an average of 12 percent for premiums effective July 1, 2009 preceded by a 5 percent premium rate decrease effective July 1, 2008. BWC/IC decreased public employer taxing district premiums by an average of 5 percent for the January 1, 2009 policy year. Premium rates for state agencies, universities, and university hospitals decreased by 10 percent effective July 1, 2008 followed by a 3.75 percent reduction for July 1, 2009.

The BWC Board of Directors approved a comprehensive rate reform plan to set rates more accurately and equitably. The maximum discount for group rated employers has been reduced to 77 percent and a 100 percent cap has been placed on increases to an employer's experience modifier to limit extreme premium swings for many employers. The deductible program and group retrospective plans are two new insurance options designed to lower out-of-pocket costs for employers and to improve safety for workers.

BWC/IC will continue to work with internal and external customers to create new, responsive rating plans that promote employer/employment growth in Ohio, including implementing a split-experience rating plan and the development of a properly priced group-rating structure.

Paid medical costs for workers' compensation claims were almost $45 million, or 5.2 percent, lower than expected medical costs for fiscal year 2009. The reduced costs continue a positive trend by BWC/IC and other Ohio stakeholders to implement containment measures designed to curb increasing medical costs. Medical costs now account for approximately 50.3 percent of the total benefits for private employers and almost 58 percent for public taxing district employers, compared to approximately 48.7 percent for private employers and 50.6 percent for public taxing district employers for injuries occurring during 1997.

Injured worker access to high-quality medical care is accomplished by establishing appropriate benefit plans and terms of service with competitive fee schedules which, in turn, enhances the medical provider network. BWC/IC has begun to improve the medical, vocational rehabilitation and pharmaceutical benefits plans by revising the benefit plan and corresponding fee schedules. This includes instituting annual reviews, expanding prior authorization drug categories for those drugs not typically used to treat workers' compensation injuries, and limiting coverage of certain drugs to their FDA approved uses. Medical resources and research will be expanded through a partnership with The Ohio State University's College of Public Health.

The State Insurance Fund Investment Policy Statement (IPS) has been updated to provide further diversification within both fixed income and equity investments. The portfolio will remain passively managed and will be comprised of 70 percent fixed income and 30 percent equities. The IPS aims to reduce portfolio risk and lessen the impact of market volatility while ensuring there are sufficient assets to support the liabilities.

Continued

From time to time, BWC/IC is involved in judicial proceedings arising in the ordinary course of its business. BWC/IC will vigorously defend these suits and expects to prevail; however, there can be no assurance that we will be successful in our defense. During fiscal year 2008, BWC/IC settled a lawsuit with the Ohio Hospital Association disputing fee schedules that were not adopted through the Ohio Revised Code Chapter 119 rules process. A total of $63 million has been paid in settlement of this lawsuit with an approximately $10 million liability accrued and remaining to be paid as of June 30, 2009.

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INDEPENDENT AUDITORS' REPORT

Ohio Bureau of Workers' Compensation and Industrial Commission of Ohio
(A Department of the State of Ohio)
Columbus, Ohio

We have audited the accompanying statements of net assets of the Ohio Bureau of Workers' Compensation and Industrial Commission of Ohio (BWC/IC), a department of the State of Ohio (State), as of June 30, 2009 and 2008 and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the BWC/IC's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of BWC/IC are intended to present the financial position and changes in financial position and cash flows of only that portion of the governmental activities, business-type activities, major funds and remaining fund information of the State that is attributable to the transactions of BWC/IC. They do not purport to, and do not, present fairly the financial position and changes in financial position and cash flows, where applicable, of the State in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material aspects, the financial position of the BWC/IC as of June 30, 2009 and 2008 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2009 on our consideration of the BWC/IC's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of

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that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

The Management's Discussion and Analysis and required supplemental revenue and reserve development information on Pages 1 through 5 and 30 through 31, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that comprise BWC/IC's basic financial statements. The supplemental schedule of net assets and schedule of revenues, expenses, and changes in net assets included in Pages 32 through 34 are presented for purposes of additional analysis and are not a required part of the basic financial statements. This supplemental information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Schneider, Downs & Co., Inc.

Columbus, Ohio
September 30, 2009

OHIO BUREAU OF WORKERS' COMPENSATION
AND
INDUSTRIAL COMMISSION OF OHIO
(A DEPARTMENT OF THE STATE OF OHIO)

STATEMENTS OF NET ASSETS

June 30, 2009 and 2008

(000's omitted)

	2009	2008
ASSETS		
Current assets:		
Cash and cash equivalents (Note 2)	$ 504,313	$ 378,078
Collateral on loaned securities (Note 2)	6,076	2,933
Premiums in course of collection	812,831	858,949
Assessments in course of collection	186,906	212,562
Accounts receivable, net of allowance for uncollectibles of $988,162 in 2009; $882,730 in 2008	211,042	184,583
Investment trade receivables	346,239	81,315
Accrued investment income	186,206	200,414
Other current assets	7,180	2,686
Total current assets	2,260,793	1,921,520
Noncurrent assets:		
Fixed maturities, at fair value (Note 2)	13,050,126	13,723,521
Domestic equity securities:		
Common stocks, at fair value (Note 2)	3,512,366	3,158,589
Preferred stocks, at fair value (Note 2)	3,841	5,794
International securities, at fair value (Note 2)	-	78
Investments in limited partnerships, at fair value (Note 2)	161	15,427
Unbilled premiums receivable	3,205,975	3,157,579
Retrospective premiums receivable	282,372	283,720
Capital assets (Notes 3 and 5)	103,737	114,530
Restricted cash (Note 2)	978	1,216
Total noncurrent assets	20,159,556	20,460,454
Total assets	$ 22,420,349	$ 22,381,974

	2009	2008
LIABILITIES		
Current liabilities:		
Reserve for compensation (Note 4)	$ 1,823,493	$ 1,892,226
Reserve for compensation adjustment expenses (Note 4)	479,038	481,030
Warrants payable	32,371	37,164
Bonds payable (Notes 5 and 6)	15,930	16,005
Investment trade payables	401,074	129,896
Accounts payable	3,649	7,687
Obligations under securities lending (Note 2)	6,076	2,933
Other current liabilities (Note 6)	29,706	58,637
Total current liabilities	2,791,337	2,625,578
Noncurrent liabilities:		
Reserve for compensation (Note 4)	15,602,880	15,708,119
Reserve for compensation adjustment expenses (Note 4)	1,340,961	1,353,964
Premium payment security deposits (Note 6)	88,474	88,918
Bonds payable (Notes 5 and 6)	64,727	81,281
Other noncurrent liabilities (Note 6)	16,628	20,825
Total noncurrent liabilities	17,113,670	17,253,107
Total liabilities	$ 19,905,007	$ 19,878,685
Commitments and contingencies (Note 9)		
NET ASSETS		
Invested in capital assets, net of related debt	24,058	18,368
Unrestricted net assets	2,491,284	2,484,921
Total net assets (Note 10)	$ 2,515,342	$ 2,503,289

The accompanying notes are an integral part of the financial statements.

OHIO BUREAU OF WORKERS' COMPENSATION
AND
INDUSTRIAL COMMISSION OF OHIO
(A DEPARTMENT OF THE STATE OF OHIO)

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the years ended June 30, 2009 and 2008

(000's omitted)

	2009	2008
Operating revenues:		
Premium income	$ 1,896,525	$ 1,851,763
Assessment income	573,025	383,329
Provision for uncollectibles	(108,620)	(96,690)
Other income	17,197	22,247
Total operating revenues	2,378,127	2,160,649
Operating expenses:		
Workers' compensation benefits (Note 4)	1,667,092	2,180,823
Compensation adjustment expenses (Note 4)	406,442	406,660
Personal services	44,284	50,564
Other administrative expenses	48,252	43,800
Total operating expenses	2,166,070	2,681,847
Net operating income (loss)	212,057	(521,198)
Non-operating (loss) revenues:		
Net investment (loss) income (Note 2)	(194,735)	719,160
Loss on disposal of capital assets	(220)	(219)
Total non-operating (loss) revenues	(194,955)	718,941
Net transfers out	(5,049)	-
Increase in net assets	12,053	197,743
Net assets, beginning of year	2,503,289	2,305,546
Net assets, end of year	$ 2,515,342	$ 2,503,289

The accompanying notes are an integral part of the financial statements.

OHIO BUREAU OF WORKERS' COMPENSATION
AND
INDUSTRIAL COMMISSION OF OHIO
(A DEPARTMENT OF THE STATE OF OHIO)

STATEMENTS OF CASH FLOWS

For the years ended June 30, 2009 and 2008

(000's omitted)

	2009	2008
Cash flows from operating activities:		
Cash receipts from premiums and assessments	$ 2,510,392	$ 2,538,165
Cash receipts - other	35,611	32,489
Cash disbursements for claims	(2,128,360)	(2,237,987)
Cash disbursements to employees for services	(246,428)	(244,568)
Cash disbursements for other operating expenses	(77,746)	(83,005)
Cash disbursements for employer refunds	(102,196)	(127,142)
Net cash used for operating activities	(8,727)	(122,048)
Cash flows from noncapital financing activities:		
Operating transfers in	3,289	3,179
Operating transfers out	(8,338)	(3,179)
Net cash used by noncapital financing activities	(5,049)	-
Cash flows from capital and related financing activities:		
Purchase of capital assets, net of retirements	(2,013)	(9,401)
Principal and interest payments on bonds	(20,601)	(20,346)
Net cash used in capital and related financing activities	(22,614)	(29,747)
Cash flows from investing activities:		
Investments sold	3,561,024	7,017,302
Investments matured	-	6,037
Investments purchased	(4,145,874)	(7,667,843)
Interest and dividends received	752,293	859,795
Investment expenses	(4,818)	(13,333)
Net cash provided by investing activities	162,625	201,958
Net increase in cash and cash equivalents	126,235	50,163
Cash and cash equivalents, beginning of year	378,078	327,915
Cash and cash equivalents, end of year	$ 504,313	$ 378,078

The accompanying notes are an integral part of the financial statements.

OHIO BUREAU OF WORKERS' COMPENSATION
AND
INDUSTRIAL COMMISSION OF OHIO
(A DEPARTMENT OF THE STATE OF OHIO)

STATEMENTS OF CASH FLOWS, Continued

For the years ended June 30, 2009 and 2008

(000's omitted)

	2009	2008
Reconciliation of net operating (loss) to net cash used for operating activities:		
Net operating income (loss)	$ 212,057	$ (521,198)
Adjustments to reconcile net operating income (loss) to net cash used for operating activities:		
Provision for uncollectible accounts	108,620	96,690
Depreciation	12,586	11,579
Amortization of discount and issuance costs on bonds payable	3,972	4,556
Unclaimed Intentional Tort Fund premiums	-	(5,687)
(Increases) decreases in assets and increases (decreases) in liabilities:		
Premiums and assessments in course of collection	71,774	1,448
Unbilled premiums receivable	(48,396)	203,197
Accounts receivable	(135,079)	(110,392)
Retrospective premiums receivable	1,348	6,330
Other assets	(4,494)	450
Restricted cash	238	348
Reserves for compensation and compensation adjustment expenses	(188,967)	164,145
Premium payment security deposits	(444)	1,110
Warrants payable	(4,793)	(8,375)
Accounts payable	(4,038)	(1,778)
Other liabilities	(33,111)	35,529
Net cash used for operating activities	$ (8,727)	$ (122,048)
Noncash investing, capital and financing activities		
Change in fair values of investments	$ (928,019)	$ (143,510)

The accompanying notes are an integral part of the financial statements.

1. Background and Summary of Significant Accounting Policies

Organization

The Ohio Bureau of Workers' Compensation (BWC) and the Industrial Commission of Ohio (IC) were created in 1912 and 1925, respectively, and are the exclusive providers of workers' compensation insurance to private and public employers in Ohio that have not been granted the privilege of paying compensation and medical benefits directly (self-insured employers). BWC and IC are collectively referred to herein as BWC/IC. BWC/IC was created and is operated pursuant to Chapters 4121, 4123, 4127, and 4131 of the Ohio Revised Code (the Code).

The Governor of the State of Ohio (the State) appoints the BWC Administrator and the three members of the IC. In June 2007, House Bill 100 created a new 11-member BWC Board of Directors (Board), which replaced the Workers' Compensation Oversight Commission. All members have full voting rights. On July 31, 2007, the Governor named the members to the Board, effectively abolishing the Workers' Compensation Oversight Commission. The BWC Administrator, with the advice and consent of the Board, is responsible for the operations of the workers' compensation system, while the IC is responsible for administering claim appeals.

BWC/IC is a department of the primary government of the State and is a proprietary operation for purposes of financial reporting. The accompanying financial statements include all accounts, activities and functions of BWC/IC and are not intended to present the financial position, results of operations or cash flows of the State taken as a whole. The financial information presented herein for BWC/IC will be incorporated within the State's financial statements.

Basis of Presentation

BWC/IC has prepared its financial statements in accordance with accounting principles generally accepted in the United States of America. Accordingly, these financial statements were prepared using the accrual basis of accounting and the economic resources measurement focus. For internal reporting purposes, BWC/IC maintains separate internal accounts as required by the Code. For external financial reporting purposes, BWC/IC has elected to report as a single column business-type activity, since the individual accounts do not have external financial reporting accountability requirements. All significant interaccount balances and transactions have been eliminated.

Continued

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting," BWC/IC follows GASB guidance as applicable to proprietary funds and Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements. As permitted by Generally Accepted Accounting Standards, BWC/IC has elected not to apply Financial Accounting Standards Board Statements and Interpretations issued after November 10, 1989.

BWC/IC administers the following accounts:

State Insurance Fund (SIF)
Disabled Workers' Relief Fund (DWRF)
Coal-Workers Pneumoconiosis Fund (CWPF)
Public Work-Relief Employees' Fund (PWREF)
Marine Industry Fund (MIF)
Self-Insuring Employers' Guaranty Fund (SIEGF)
Administrative Cost Fund (ACF)

Description of the Accounts

SIF, CWPF, PWREF and MIF provide workers' compensation benefits to qualifying employees sustaining work-related injuries or diseases.

DWRF provides supplemental cost-of-living benefits to persons who are permanently and totally disabled and are receiving benefits from SIF or PWREF. The maximum benefit levels are changed annually based on the United States Department of Labor National Consumer Price Index.

SIEGF provides for the payment of compensation and medical benefits to employees of self-insured employers that are bankrupt or in default.

ACF provides for the payment of administrative and operating costs of all accounts except DWRF, CWPF and MIF, which pay such costs directly. ACF also includes the portion of premiums paid by employers earmarked for the safety and loss prevention activities performed by the Safety & Hygiene Division.

Operating revenues and expenses generally result from providing services in connection with ongoing operations. Operating revenues are primarily derived from premiums and assessments. Operating expenses include the costs of claims and related administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Continued

The GASB has recently issued the following new accounting pronouncements that will be effective in future years and may be relevant to BWC/IC:

- GASB No. 51, "Accounting and Financial Reporting for Intangible Assets"
- GASB No. 54, "Fund Balance Reporting"

Management has not yet determined the impact that these new GASB Pronouncements will have on BWC/IC's financial statements.

Cash and Cash Equivalents

Cash and cash equivalents in the accompanying statements of net assets and for the purposes of the statements of cash flows include cash and all highly liquid debt instruments purchased with a maturity of three months or less. Cash equivalents are stated at amortized cost, which approximates fair value.

Investments

BWC/IC's investments consist of fixed maturities, domestic equity securities, international securities, collateral on securities lending, investments in limited partnerships, investments in a commingled bond index fund, and investments in a commingled equity index fund.

Investments in fixed maturities, domestic equity securities, commingled equity funds, and commingled bond index funds are stated at fair value. Fair values of fixed maturities are based on quotations from national security exchanges. Fair values of domestic and international equity securities are based on quotations from national or international exchanges and are valued at the last reported sales price at current exchange rates. The fair value of the commingled bond index funds and commingled equity funds are based on the value of the underlying net assets of the fund. Dividends, interest earnings, the net increase (decrease) in the fair value of investments (which includes both the change in fair value and realized gains and losses), and investment expenses are aggregated and reported as net investment income in the statements of revenues, expenses and changes in net assets. The cost of securities sold is determined using the average cost method. Purchases and sales of investments are recorded as of the trade date.

Prior to fiscal year 2008, BWC/IC, through the use of 68 outside money managers, participated as a limited partner in partnerships investing in equities, bonds, notes and other assets. Investments in limited partnerships were stated at fair value. Limited partnerships are generally valued-based on March 31 net asset values plus or minus purchases, sales and cash flows from April 1 through June 30 of the reporting year. During fiscal year 2009, one limited partnership was sold and a $752 thousand loss was recognized. During fiscal year 2008, 66 of the 68 private equity partnerships were sold. Net losses of $51.2 million from the private equity partnerships were recognized during fiscal year 2008. BWC/IC had no unfunded commitments to the limited partnerships at June 30, 2009 or 2008.

Continued

Restricted Cash

Restricted cash balances are maintained in accordance with the 2003 bond agreement for special obligation bonds issued through the Ohio Building Authority.

Premium Income

SIF, CWPF, PWREF and MIF premium income is recognized over the coverage period and is collected in subsequent periods for all accounts except MIF, which collects premiums in advance of the coverage period. Premiums earned but not yet invoiced are reflected as premiums in course of collection in the statements of net assets. Premiums are based on rates that are approved by the Board and on the employers' payroll, except self-insured employer assessments, which are based on paid compensation. SIF rates for private and public taxing district employers meeting certain size criteria are adjusted automatically based on their own claims experience.

Retrospective rating plans and group rating plans are offered to qualified employers. SIF recognizes estimated ultimate premium income on retrospectively rated businesses during the coverage period. Retrospective rating adjustments related to the coverage period are collected in subsequent periods, as experience develops on injuries incurred during the coverage period. The estimated future retrospective rating adjustments are reflected in the statements of net assets as retrospective premiums receivable.

The Code permits State employers to pay into SIF on a terminal funding (pay-as-you-go) basis. Additionally, certain benefits are paid from the SIF Surplus Fund (see Note 10) for self-insured employers. Because BWC/IC has the statutory authority to assess premiums against the State and self-insured employers in future periods, an unbilled premiums receivable equal to their share of the discounted reserve for compensation and compensation adjustment expenses, less BWC/IC's portion of the discounted reserve, is reflected in the statements of net assets.

Assessment Income

DWRF I (DWRF benefits awarded for injuries incurred prior to January 1, 1987) and ACF assessment income is recognized over the period for which the assessment applies and is collected in subsequent periods. These amounts are reflected as assessments in course of collection in the statements of net assets. DWRF II (DWRF benefits awarded for injuries incurred on or after January 1, 1987) and SIEGF assessments received or in the course of collection, but not yet recognized, are reflected as a reduction to unbilled premiums receivable.

The Code permits employers to pay into DWRF and SIEGF on a terminal funding (pay-as-you-go) basis. Because BWC has the statutory authority to assess employers in future periods, an unbilled premiums receivable equal to the discounted reserve for compensation and compensation adjustment expenses for DWRF and SIEGF, less BWC/IC's portion of the discounted reserve, is reflected in the statements of net assets.

DWRF I assessments are based on employers' payroll and a statutorily determined rate. DWRF II and ACF assessments are based on rates that are approved by the Board and on

Continued

employers' payroll, except for ACF assessments of self-insured employers, which are based on paid workers' compensation benefits. SIEGF assessments are based on the financial strength of self-insured employers and paid workers' compensation benefits with the exception of new self-insured employers, which are based on a percentage of base-rated premium.

Premium Payment Security Deposits

Premium payment security deposits are collected in advance from private employers to reduce credit risk for premiums collected in subsequent periods. A deposit is submitted upon application for coverage and generally represents 30% of an estimated eight-month premium, with a maximum deposit of $1 thousand. The deposit is applied to outstanding premiums or refunded to the employer upon cancellation of coverage.

Allowance for Uncollectible Accounts

BWC/IC provides an allowance for uncollectible accounts by charging operations for estimated receivables that will not be collected. The adequacy of the allowance is determined by management based on a review of aged receivable balances and historical loss experience.

Capital Assets

Capital assets are carried at cost, net of accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Description	Estimated Useful Lives (Years)
Buildings	30
Furniture and fixtures	10
Vehicles and equipment	5

When assets are disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in the statements of revenues, expenses and changes in net assets. The cost of maintenance and repairs is charged to operations as incurred; significant renewals and betterments are capitalized.

Reserves for Compensation and Compensation Adjustment Expenses

The reserve for compensation includes actuarial estimates for both reported claims and claims incurred but not reported (IBNR). The reserve for compensation adjustment expenses is determined by estimating future expenses to be incurred in settlement of the claims. The reserve for compensation is based on the estimated ultimate cost of settling the claims, including the effects of inflation and other societal and economic factors and projections as to future events, including claims frequency, severity, persistency and inflationary trends for medical claim reserves. The reserve for compensation adjustment expenses is based on

Continued

projected claim-related expenses, estimated costs of the managed care Health Partnership Program, and the reserve for compensation. The methods of making such estimates and for establishing the resulting liabilities are reviewed quarterly and updated based on current circumstances. Any adjustments resulting from changes in estimates are recognized in the current period. The reserves for compensation and compensation adjustment expenses are discounted at 4.5% at June 30, 2009 and 5.0% at June 30, 2008 to reflect the present value of future benefit payments. The selected discount rate approximates an average yield on United States government securities with a duration similar to the expected claims underlying BWC/IC's reserves.

Management believes that the recorded reserves for compensation and compensation adjustment expenses make for a reasonable and appropriate provision for expected future losses. While management uses available information to estimate the reserves for compensation and compensation adjustment expenses, future changes to the reserves for compensation and compensation adjustment expenses may be necessary based on claims experience and changing claims frequency and severity conditions.

Income Taxes

As a department of the State, the income of BWC/IC is not subject to federal or state income tax.

Use of Estimates

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses for the reporting period. Actual results could differ from those estimates.

Reclassification

Certain 2008 financial statement amounts have been reclassified in order to conform to their 2009 presentation.

Continued

2. Cash and Investments

BWC/IC is authorized by Section 4123.44 of the Code to invest using an investment policy established by the Board, which uses the prudent person standard. The prudent person standard requires investments be made with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims, and by diversifying the investments of the assets so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so.

Custodial Credit Risk – Deposits

The custodial credit risk for deposits is the risk that in the event of a bank failure, BWC/IC's deposits may not be recovered. Banks must provide security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in addition to amounts insured by the Federal Deposit Insurance Corporation (FDIC), or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. At June 30, 2009 and 2008, the carrying amount of BWC/IC's cash deposits were $15.133 million and $13.263 million, respectively, and the bank balances were $12.213 million and $12.085 million, respectively. The entire bank balance is insured through December 31, 2009 by FDIC as BWC's financial institution is participating in the Temporary Liquidity Guarantee Program. Additionally, the bank deposits are covered by collateral held in the name of BWC/IC's pledging financial institution, as required by state statute. BWC/IC is not exposed to custodial credit risk for these bank deposits.

Custodial Credit Risk – Investments

Custodial credit risk for investments is the risk that, in the event of a failure of a counter party to a transaction, BWC/IC will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. At June 30, 2009, BWC/IC has $304 million held by the investments' counterparty and thus exposed to custodial credit risk. The Board approved the use of commingled passively managed equity and bond index funds for portions of the specialty account investment portfolios. These commingled funds are held in BWC's name at the respective counterparty. At June 30, 2008, BWC/IC's investments were not exposed to custodial credit risk, as all investments were held in the name of BWC/IC by the Treasurer of the State of Ohio as custodian.

Continued

The composition of investments held at June 30, 2009 and 2008 is presented below.

	2009 Fair Value	2008 Fair Value
Fixed maturities:		
Corporate bonds	$ 4,136,273	$ 4,406,190
U.S. government agency obligations	545,146	777,250
Corporate mortgage backed securities	-	246
U.S. government obligations	3,968,766	4,061,015
U.S. state and local government agency	283,375	226,004
Treasury inflationary index notes	3,455,575	3,663,090
Yankee bonds	238,765	207,874
Sovereign bonds	347,744	340,162
Supranational issues	34,288	41,690
Commingled bond index	40,194	-
Total fixed maturities	13,050,126	13,723,521
Domestic equity securities:		
Common stocks	3,512,366	3,158,589
Preferred stocks	3,841	5,794
International securities:	-	78
Securities lending short-term collateral	6,076	2,933
Investments in limited partnerships	161	15,427
Cash and cash equivalents:		
Cash	15,133	13,263
Short-term money market fund	489,180	364,815
Total cash and cash equivalents	504,313	378,078
	$ 17,076,883	$ 17,284,420

Net investment (loss) income for the years ended June 30, 2009 and 2008 is summarized as follows (000's omitted):

	2009	2008
Fixed maturities	$ 648,265	$ 779,549
Commingled bond index fund	382	11,603
Equity securities	84,060	63,525
Investments in limited partnerships	-	4,621
Cash equivalents	5,378	17,493
Total interest and dividends	738,085	876,791
Decrease in fair value of investments	(928,019)	(143,510)
Investment expenses	(4,801)	(14,121)
	$ (194,735)	$ 719,160

Continued

Short-Term Money Market Fund

The underlying securities in the short-term money market fund are high-quality, short-term debt securities issued or guaranteed by the U.S. government or by U.S. government agencies or instrumentalities and repurchase agreements fully collateralized by U.S. Treasury and U.S. government securities. This U.S. Government Money Market Fund carries a AAA credit rating. Although the Fund is generally less sensitive to interest rate changes than are funds that invest in longer-term securities, changes in short-term interest rates will cause changes to the Fund's yield resulting in some interest rate risk.

Interest Rate Risk – Fixed-Income Securities

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. BWC/IC manages the exposure to fair value loss arising from increasing interest rates by requiring that each fixed-income portfolio be invested with duration characteristics that are within a range from a maximum duration equal to the Barclays Capital Long U.S. Government/Credit Index to a minimum duration equal to the Barclays Capital Intermediate U.S. Government/Credit Index.

Duration is a measure of a debt investment's exposure to fair value changes arising from changing interest rates. It uses the present value of cash flow, weighted for those cash flows as a percentage of the investment's full price. Effective duration makes assumptions regarding the most likely timing and amounts of variable cash flows arising from such investments such as callable bonds, prepayments, and variable-rate debt. The effective duration measures the sensitivity of the market price to parallel shifts in the yield curve.

At June 30, 2009 and 2008, the effective duration of BWC's fixed-income portfolio is as follows ($ in thousands):

	June 30, 2009		June 30, 2008	
Investment Type	Fair Value	Effective Duration	Fair Value	Effective Duration
Corporate bonds	$ 4,136,273	11.22	$ 4,406,190	11.33
Yankee bonds	238,765	11.04	207,874	11.00
U.S. government agency obligations	545,146	8.77	777,250	8.59
Corporate mortgage backed securities	-	-	246	4.14
U.S. government obligations	3,968,766	11.32	4,061,015	10.58
Sovereign bonds	347,744	7.75	340,162	8.24
Supranational issues	34,288	11.51	41,690	11.64
Commingled bond index	40,194	3.86	-	-
U.S. state and local government agencies	283,375	11.57	226,004	12.05
Treasury inflationary index notes	3,455,575	4.00	3,663,090	7.33
Total Fixed Maturities	$ 13,050,126		$ 13,723,521	

Continued

Credit Risk – Fixed-Income Securities

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the holder of the investment. BWC/IC manages the exposure to investment credit risk by requiring an average credit quality no lower than an A rating. Government agency obligations have an implied AAA rating. Obligations of the U.S. government are explicitly guaranteed by the U.S. government and are not considered to have credit risk.

BWC/IC's fixed-income securities were rated by Standard and Poor's (S&P) and/or an equivalent national rating organization and the ratings are presented below using the S&P rating scale (000's omitted). In fiscal year 2009, $40 million in fixed maturities is held in a commingled bond index fund in the custody of counterparty, while the remaining balance presented as of June 30, 2009 was held by the custodian on behalf of BWC/IC. In fiscal year 2008, all fixed maturity holdings were held by the custodian on behalf of BWC/IC.

Quality Rating	2009 Fair Value	2008 Fair Value
AAA	$ 193,956	$ 311,321
AA	619,068	545,132
A	2,188,753	2,306,172
BBB	2,001,417	2,000,690
BB	74,812	58,851
Not rated	2,633	-
Total credit risk debt securities	5,080,639	5,222,166
Government agency obligations	545,146	777,250
U.S. government obligations	3,968,766	4,061,015
Treasury inflationary index notes	3,455,575	3,663,090
Total fixed maturities	$ 13,050,126	$ 13,723,521

Concentration of Credit Risk

Concentration of credit risk is the risk of loss that may be attributed to the magnitude of a government's investment in a single issuer. In 2009 and 2008, there is no single issuer that comprises 5% or more of the overall portfolio.

Foreign Currency Risk – Investments

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. BWC's exposure to foreign currency risk as of June 30, 2009 and 2008 is as follows (000's omitted):

Currency	2009 Fair Value	2008 Fair Value
Euro	-	$ 78

Continued

Securities Lending

At June 30, 2009 and 2008, BWC/IC had no securities out on loan. BWC/IC has been allocated with cash collateral of $6 million in 2009 and $3 million in 2008 from the securities lending program administered through the Treasurer of State's Office based on the amount of cash equity the State's common cash and investment account.

3. Capital Assets

Capital asset activity and balances as of and for the years ended June 30, 2009 and 2008 are summarized as follows (000's omitted):

	Balance at 6/30/2007	Increases	Decreases	Balance at 6/30/2008	Increases	Decreases	Balance at 6/30/2009
Capital assets not being depreciated							
Land	$ 11,994	-	-	$ 11,994	-	-	$ 11,994
Capital assets being depreciated							
Buildings	205,189	$ 373	-	205,562	$ 209	-	205,771
Furniture and equipment	54,686	9,148	$ (18,680)	45,154	1,829	$ (12,258)	34,725
Land improvements	66	-	-	66	-	-	66
Subtotal	259,941	9,521	(18,680)	250,782	2,038	(12,258)	240,562
Accumulated depreciation							
Buildings	(111,450)	(6,787)	-	(118,237)	(6,787)	-	(125,024)
Furniture and equipment	(43,506)	(4,791)	18,341	(29,956)	(5,798)	12,013	(23,741)
Land improvements	(52)	(1)	-	(53)	(1)	-	(54)
Subtotal	(155,008)	(11,579)	18,341	(148,246)	(12,586)	12,013	(148,819)
Net capital assets	$ 116,927	$ (2,058)	$ (339)	$ 114,530	$ (10,548)	$ (245)	$ 103,737

4. Reserves for Compensation and Compensation Adjustment Expenses

The reserve for compensation consists of reserves for indemnity and medical claims resulting from work-related injuries or illnesses. The recorded liability for compensation and compensation adjustment expenses is based on an estimate by BWC/IC's independent consulting actuary. Management believes that the recorded liability makes for a reasonable and appropriate provision for expected future losses; however, the ultimate liability may vary from the amounts provided.

All reserves have been discounted at 4.5% at June 30, 2009 and 5.0% at June 30, 2008. A decrease in the discount rate to 3.5% would result in the reserves for compensation and compensation adjustment expenses increasing to $21.2 billion at June 30, 2009, while an increase in the rate to 5.5% would result in the reserves for compensation and compensation adjustment expenses decreasing to $17.6 billion. A decrease in the discount rate to 4.0% would result in the reserves for compensation and compensation adjustment expenses increasing to $21.4 billion at June 30, 2008, while an increase in the rate to 6.0% would result in the reserves for compensation and compensation adjustment expenses decreasing to $17.8 billion. The undiscounted reserves for compensation and compensation adjustment expenses were $33.7 billion at June 30, 2009 and $36.4 billion at June 30, 2008. The net operating income would have been $190 million lower in fiscal year 2009 and $697 million

Continued

lower in fiscal year 2008, if the reserves for compensation and compensation adjustment expenses were not discounted.

The changes in the reserves for compensation and compensation adjustment expenses for the years ended June 30, 2009 and 2008 are summarized as follows (in millions):

	2009	2008
Reserves for compensation and compensation adjustment expenses, beginning of period	$ 19,435	$ 19,271
Incurred:		
Provision for insured events of current period	2,064	2,219
Net (decrease) increase in provision for insured events of prior periods net of discount accretion of $875 in 2009 and $964 in 2008	(790)	368
Decrease in discount rate	859	-
Total incurred	2,133	2,587
Payments:		
Compensation and compensation adjustment expenses attributable to insured events of current period	458	415
Compensation and compensation adjustment expenses attributable to insured events of prior periods	1,864	2,008
Total payments	2,322	2,423
Reserves for compensation and compensation adjustment expenses, end of period	$ 19,246	$ 19,435

Continued

5. Bonds Payable

On April 22, 2003, BWC/IC issued special obligation bonds through the Ohio Building Authority (OBA) to refund the 1993 William Green Building Series A bonds. The 2003 bonds bear predetermined interest rates ranging from 1.61% to 3.95%, compared to interest rates ranging from 3.25% to 5.125% on the 1993 bonds. The reacquisition price exceeded the net carrying amount of the old debt by $5.1 million. This amount is netted against the new debt and amortized over the life of the new debt. As a result of the refunding, BWC/IC reduced its total debt service requirements by $9.8 million, which resulted in an economic gain of $8.9 million.

The bonds are collateralized by lease rental payments pledged by BWC/IC to OBA. The lease period coincides with the State's biennial budget and is renewable for successive two-year periods until the bonds are retired. Lease payments are based on the estimated debt service of the bonds, but are limited to an amount appropriated by the Ohio General Assembly in BWC/IC's biennial budget. Lease rental payments totaled $20.6 million and $20.4 million for the years ended June 30, 2009 and 2008, respectively. These payments included interest of $4.6 million and $5.3 million for the years ended June 30, 2009 and 2008, respectively.

The building continues to be reflected in capital assets and the related obligation has been reflected as bonds payable in the statements of net assets. Future principal and interest payments are as follows (000's omitted):

Fiscal Year	Principal	Interest	Total
2010	$ 15,930	$ 3,867	$ 19,797
2011	15,865	3,109	18,974
2012	15,890	2,326	18,216
2013	15,915	1,543	17,458
2014	15,200	751	15,951
Deferred loss on refunding	(875)	-	(875)
Unamortized bond premium and issuance costs	2,732	-	2,732
Total	$ 80,657	$ 11,596	$ 92,253

Continued

6. Long-Term Obligations

Activity for long-term obligations (excluding the reserves for compensation and compensation adjustment expenses – see Note 4) for the years ended June 30, 2009 and 2008, is summarized as follows (000's omitted):

	Balance at 6/30/2007	Increases	Decreases	Balance at 6/30/2008	Due Within One Year
Premium payment security deposits	$ 87,808	$ 4,007	$ (2,897)	$ 88,918	-
Bonds payable	113,076	5,848	(21,638)	97,286	$ 16,005
Other liabilities	48,832	113,937	(83,307)	79,462	58,637
	$ 249,716	$ 123,792	$ (107,842)	$ 265,666	$ 74,642

	Balance at 6/30/2008	Increases	Decreases	Balance at 6/30/2009	Due Within One Year
Premium payment security deposits	$ 88,918	$ 1,826	$ (2,270)	$ 88,474	-
Bonds payable	97,286	4,994	(21,623)	80,657	$ 15,930
Other liabilities	79,462	44,571	(77,699)	46,334	29,706
	$ 265,666	$ 51,391	$ (101,592)	$ 215,465	$ 45,636

7. Benefit Plans

Pension Plans

BWC/IC contributes to the Ohio Public Employees Retirement System of Ohio (OPERS). OPERS administers three separate pension plans:

- The Traditional Plan - a cost-sharing, multiple-employer defined benefit pension plan.
- The Member-Directed Plan – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under this plan, members accumulate retirement assets equal to the value of member and vested employer contributions plus any investment earnings thereon.
- The Combined Plan – a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the Traditional Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the Traditional Plan and Combined Plans. Members of the

Member-Directed Plan do not qualify for ancillary benefits. Benefits are established and may be amended by State statute. OPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642. As of June 30, 2009, the most recent report issued by OPERS is as of December 31, 2008.

Chapter 145 of the Ohio Revised Code provides OPERS statutory authority for employee and employer contributions. For the year ended December 31, 2008, the employee contribution rate was 10%, and the employer contribution rate was 14% of covered payroll. For the year ended December 31, 2007, the employee contribution rate was 9.5%, and the employer contribution rate was 13.77% of covered payroll. BWC/IC's contributions, representing 100% of the dollar amount billed, are as follows (000's omitted):

Twelve months ended June 30, 2009	$24,113
Twelve months ended June 30, 2008	$23,606
Twelve months ended June 30, 2007	$23,179

Post-Retirement Health Care

OPERS provides retirement, disability, survivor and post-retirement health care benefits, which include a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional and the Combined Plans; however, health care benefits are not statutorily guaranteed. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. To qualify for post-retirement health care coverage, age and service retirees must have 10 or more years of qualifying Ohio service credit. Health care coverage for disabled recipients and primary survivor recipients is available. The Code provides statutory authority for employer contributions and requires public employers to fund post-retirement health care through their contributions to OPERS.

The health care coverage provided by the retirement system is considered an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pension." The Code provides statutory authority for employer contributions and requires public employers to fund post-retirement health care through their contributions to OPERS.

OPERS's Post-Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of the employer's contribution to OPERS set aside for the funding of OPEB was 7.0% for calendar year 2008, compared to 5.0% from January 1 through June 30, 2007, and 6.0% from July 1 through December 31, 2007. Active members do not make contributions to the OPEB Plan. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

Continued

Based upon the portion of each employer's contribution to OPERS set aside for funding OPEB as described above, BWC/IC's contribution for the 12 months ended June 30, 2009 allocated to OPEB was approximately $12.1 million and $10.3 million for the 12 months ended June 30, 2008.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, 2007 and 2008, which allowed additional funds to be allocated to the health care plan.

8. Risk Management

BWC/IC is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To cover these risks, BWC/IC maintains commercial insurance and property insurance. There were no reductions in coverage in either fiscal year 2009 or 2008. Claims experience over the past three years indicates there were no instances of losses exceeding insurance coverage. Additionally, BWC/IC provides medical benefits for its employees on a fully insured basis with independent insurance companies or the State's self-insured benefit plan.

9. Contingent Liabilities

BWC/IC is a party in various legal proceedings, which normally occur as part of BWC/IC's operations.

A class action complaint pending in the 8th District Court of Appeals contends that subrogation allowed under Ohio Revised Code 4123.931 is unconstitutional. The Ohio Supreme Court in Holeton v. Crouse Cartage declared the subrogation statute unconstitutional. The trial court certified the class, granted summary judgment to the plaintiffs, and awarded attorney fees. A liability of $50 million was accrued as of June 30, 2005. This case was settled in July 2006, with payments of $46.9 million being made during fiscal year 2007, $1.9 million during fiscal year 2008 and $1.1 million during fiscal year 2009. Management does not expect the ultimate payments to be materially different than the amount accrued.

A class action case was filed alleging that BWC/IC identifies PTD recipients not represented by counsel and encourages them to settle their PTD claims for substantially less than their actuarial present value. The plaintiffs contend that BWC/IC refuses to conduct good-faith settlement negotiations with PTD recipients represented by counsel. The trial court denied BWC/IC's motion to dismiss and/or change of venue, and granted class certification. The 8th District Court of Appeals issued a ruling affirming the trial court's rulings. BWC/IC appealed to the Ohio Supreme Court. In May 2008, the Ohio Supreme Court reversed the Court of Appeals' decision and held that, because this matter is a claim against the state for money due under a contract, and not a claim of equitable restitution, it must be brought before the Ohio Court of Claims. To date, plaintiffs have not filed action in the Court of Claims. Accordingly, no provision for any liability has been reported in the financial statements for this matter.

Continued

BWC/IC was also involved in litigation in which the plaintiff argued that BWC/IC can only change reimbursement rates by promulgating a rule under ORC Chapter 119. The trial court issued a declaration that BWC/IC improperly reduced reimbursement fees to the hospitals. BWC appealed to the 10th District Court of Appeals. A decision was issued in March 2007 affirming the decision of the trial court. BWC/IC did not appeal the decision to the Ohio Supreme Court. BWC/IC has offered to settle with hospitals that may be impacted by this case. In February 2008, BWC/IC sent settlement release agreements to 274 affected hospitals. An estimated liability of $73.7 million was accrued with payments of $33.1 million made during fiscal year 2008 and $30.3 million during fiscal year 2009.

BWC/IC is involved in litigation challenging policies related to lump-sum advancements made to PTD recipients. This action alleges that BWC/IC has improperly recouped monies from PTD recipients by continuing to deduct monies from the plaintiff's benefits in an amount greater than the advance plus interest. The ultimate outcome of the litigation cannot presently be determined. Accordingly, no provision for any liability has been reported in the financial statements for this matter. Management is vigorously defending this case.

A class action case was filed against BWC/IC alleging that non-group-rated employers subsidize group-rated employers, and that this bias in premiums violates various provisions of the Ohio Constitution. Plaintiffs have asked the court to declare the group rating plan unconstitutional and require BWC/IC to repay to the class members all excessive premiums collected by BWC/IC, with interest and attorney fees. In April 2008, plaintiffs filed a motion for a preliminary injunction enjoining BWC/IC from enforcing the group rating statutes during pendency of the action (beginning July 1, 2008). A hearing was held on the injunction request in August 2008. In December 2008 the court issued the requested preliminary injunction restraining BWC from continuing its current group rating plan for the policy year beginning July 1, 2009. At the same time, they ordered that BWC enact a group retrospective rating plan for the policy year beginning July 1, 2009. BWC filed an appeal and a motion for stay with the common pleas court. On December 17, 2008, the General Assembly passed House Bill 79 clarifying that Ohio's group rating program was not intended to be retrospective only. On January 6, 2009 the Governor signed the bill making it effective immediately. On January 7, 2009 BWC filed a motion to dissolve the preliminary injunction and in March 2009 the court issued an order vacating the preliminary injunction. Plaintiff has filed a motion for class certification and BWC filed a response in opposition. The ultimate outcome of the litigation cannot presently be determined. Accordingly, no provision for any liability has been reported in the financial statements for this matter. Management is vigorously defending this case.

Although the outcome of these cases is not quantifiable or determinable at this time, an unfavorable outcome in any one of them could have a material effect of the financial position of BWC/IC.

BWC/IC is also involved in other claims and legal actions arising in the ordinary course of business. In the opinion of management, after consultation with the Attorney General, the ultimate disposition of these matters is not likely to have a material adverse effect on BWC/IC's financial position.

Continued

10. Net Assets

Individual fund net asset (deficit) balances at June 30, 2009 and 2008 were as follows (000's omitted):

	2009	2008
SIF	$ 3,986,476	$ 3,799,897
SIF Surplus Fund	(1,918,671)	(1,708,959)
SIF Premium Payment Security Fund	124,083	115,984
Total SIF Net Assets	2,191,888	2,206,922
DWRF	835,859	848,727
CWPF	166,383	179,339
PWREF	19,406	19,350
MIF	15,570	13,431
SIEGF	6,935	8,919
ACF	(720,699)	(773,399)
Total Net Assets (Deficit)	$ 2,515,342	$ 2,503,289

As mandated by the Code, SIF net assets are separated into three separate funds; the main fund, the Surplus Fund, and the Premium Payment Security Fund (PPSF).

The SIF Surplus Fund is established by the Code and is financed by a percentage of all SIF premiums paid by private, self-insured and public employers (excluding State employers). The SIF Surplus Fund has been appropriated for specific charges, including compensation related to claims of handicapped persons or employees of noncomplying employers, and the expense of providing rehabilitation services, counseling, training, living maintenance payments and other related charges to injured workers. The SIF Surplus Fund may also be charged on a discretionary basis as ordered by BWC/IC, as permitted by the Code. The Code limits contributions to the SIF Surplus Fund to 5% of premiums. This allocation of premiums is insufficient to fund the charges to the SIF Surplus Fund.

The SIF PPSF is established by the Code and is financed by a percentage of all premiums paid by private employers. Amounts are charged to the PPSF when the employer's premium due for a payroll period is determined to be uncollectible by the Attorney General of Ohio and the employer's premium payment security deposit is not sufficient to cover the premiums due for the payroll period.

The ACF fund deficit is a result of recognizing the actuarially estimated liabilities in accordance with accounting principles generally accepted in the United States of America, even though the funding for ACF is on a terminal funding basis in accordance with the Code. Consequently, the incurred expenses are not fully funded.

OHIO BUREAU OF WORKERS' COMPENSATION
AND
INDUSTRIAL COMMISSION OF OHIO

(A DEPARTMENT OF THE STATE OF OHIO)

REQUIRED SUPPLEMENTAL REVENUE AND RESERVE DEVELOPMENT INFORMATION, UNAUDITED

(See Accompanying Independent Auditors' Report)

June 30, 2009 and 2008

GASB Statement No. 30, "Risk Financing Omnibus," requires the presentation of ten years of supplemental revenue and reserve development information, if available.

The table on the following page illustrates how BWC/IC's gross premium revenues and investment income compare to related costs of workers' compensation benefits (compensation) and other expenses incurred by BWC/IC as of the end of each of the last ten and one-half reporting periods. The rows of the table are defined as follows: (1) This line shows the total of each period's gross premium revenues and investment income. (2) This line shows each period's operating expenses, including overhead and compensation adjustment expenses not allocable to individual claims. (3) This line shows incurred compensation and allocated compensation adjustment expenses (both paid and accrued) as originally reported at the end of the first period in which the injury occurred. (4) This section of ten rows shows the cumulative amounts paid as of the end of successive periods for each period. (5) This section of ten rows shows how each period's incurred compensation increased or decreased as of the end of successive periods. (6) This line compares the latest re-estimated incurred compensation amount to the amount originally established (line 3) and shows whether this latest estimate of compensation cost is greater or less than originally estimated. As data for individual periods mature, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of incurred compensation currently recognized in less mature periods. The columns of the table show data for successive periods on an undiscounted basis for the fiscal years ended June 30, 1999 through 2009.

Continued

OHIO BUREAU OF WORKERS' COMPENSATION
AND
INDUSTRIAL COMMISSION OF OHIO
(A DEPARTMENT OF THE STATE OF OHIO)

REQUIRED SUPPLEMENTAL REVENUE AND RESERVE
DEVELOPMENT INFORMATION, UNAUDITED, Continued
(See Accompanying Independent Auditors' Report)
(In Millions of Dollars)

	Fiscal Years Ended June 30										
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
1. Gross premiums, assessments, and investment income	$ 2,296	$ 2,968	$ 5,251	$ 3,015	$ 3,272	$ 3,558	$ 2,886	$ 2,032	$ 2,535	$ 4,344	$ 3,609
2. Unallocated expenses	97	108	109	170	179	188	169	194	292	258	273
3. Estimated incurred compensation and compensation adjustment expense, end of period	2,139	2,219	2,327	2,270	2,392	2,335	2,405	2,233	2,109	2,052	1,891
Discount	1,472	1,892	2,099	2,147	2,227	2,447	2,544	2,374	2,443	2,274	2,576
Gross liability as originally estimated	3,611	4,111	4,426	4,417	4,619	4,782	4,949	4,607	4,552	4,326	4,467
4. Paid (cumulative) as of :											
End of period	458	415	423	417	449	449	485	456	434	404	422
One year later		755	747	743	795	843	872	853	821	757	809
Two years later			926	927	979	1,037	1,096	1,063	1,038	967	984
Three years later				1,066	1,121	1,181	1,248	1,230	1,194	1,122	1,122
Four years later					1,238	1,302	1,371	1,351	1,325	1,245	1,232
Five years later						1,408	1,485	1,459	1,423	1,355	1,325
Six years later							1,570	1,559	1,518	1,439	1,411
Seven years later								1,645	1,605	1,519	1,479
Eight years later									1,680	1,597	1,542
Nine years later										1,665	1,605
Ten years later											1,699
5. Re-estimated incurred compensation and compensation adjustment expenses (gross):											
One year later		3,192	3,523	3,670	4,007	4,155	4,183	4,028	4,022	3,953	3,612
Two years later			3,037	3,462	3,636	3,920	4,027	3,943	4,007	3,818	3,695
Three years later				2,993	3,480	3,689	3,827	3,787	3,856	3,880	3,534
Four years later					3,053	3,393	3,638	3,639	3,617	3,680	3,453
Five years later						3,040	3,302	3,376	3,441	3,448	3,183
Six years later							3,009	3,124	3,119	3,222	3,001
Seven years later								2,899	2,982	2,936	2,807
Eight years later									2,781	2,854	2,584
Nine years later										2,659	2,495
Ten years later											2,399
6. Decrease in gross estimated incurred compensation and compensation adjustment expenses from end of period		(919)	(1,389)	(1,424)	(1,566)	(1,742)	(1,940)	(1,708)	(1,771)	(1,667)	(2,068)

OHIO BUREAU OF WORKERS' COMPENSATION
AND
INDUSTRIAL COMMISSION OF OHIO
(A DEPARTMENT OF THE STATE OF OHIO)
SUPPLEMENTAL SCHEDULE OF NET ASSETS
(See Accompanying Independent Auditors' Report)
June 30, 2009
(000's omitted)

	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									
Current assets:									
Cash and cash equivalents	$ 429,350	$ 6,913	$ 1,846	$ 132	$ 200	$ 54,570	$ 11,302	$ -	$ 504,313
Collateral on loaned securities	-	-	-	-	-	-	6,076	-	6,076
Premiums in course of collection	812,718	-	-	113	-	-	-	-	812,831
Assessments in course of collection	-	41,570	-	-	-	-	145,336	-	186,906
Accounts receivable, net of allowance for uncollectibles	181,777	20,173	-	29	5	(1,235)	10,293	-	211,042
Interfund receivables	13,941	56,115	1	145	27	811	120,473	(191,513)	-
Investment trade receivables	80,500	219,551	46,188	-	-	-	-	-	346,239
Accrued investment income	171,187	12,370	2,636	-	-	13	-	-	186,206
Other current assets	2,972	-	-	-	-	-	4,208	-	7,180
Total current assets	1,692,445	356,692	50,671	419	232	54,159	297,688	(191,513)	2,260,793
Non-current assets:									
Fixed maturities	11,948,193	875,403	186,336	23,006	17,188	-	-	-	13,050,126
Domestic equity securities:									
Common stocks	3,248,145	218,289	45,932	-	-	-	-	-	3,512,366
Preferred stocks	3,841	-	-	-	-	-	-	-	3,841
International securities	-	-	-	-	-	-	-	-	-
Investments in limited partnerships	161	-	-	-	-	-	-	-	161
Unbilled premiums receivable	829,789	1,548,993	-	-	-	721,584	105,609	-	3,205,975
Retrospective premiums receivable	282,372	-	-	-	-	-	-	-	282,372
Capital assets	22,368	22	-	-	-	-	81,347	-	103,737
Restricted cash	-	-	-	-	-	-	978	-	978
Total noncurrent assets	16,334,869	2,642,707	232,268	23,006	17,188	721,584	187,934	-	20,159,556
Total assets	$ 18,027,314	$ 2,999,399	$ 282,939	$ 23,425	$ 17,420	$ 775,743	$ 485,622	$ (191,513)	$ 22,420,349

OHIO BUREAU OF WORKERS' COMPENSATION
AND
INDUSTRIAL COMMISSION OF OHIO
(A DEPARTMENT OF THE STATE OF OHIO)
SUPPLEMENTAL SCHEDULE OF NET ASSETS, Continued
(See Accompanying Independent Auditors' Report)
June 30, 2009
(000's omitted)

	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
LIABILITIES									
Current liabilities:									
Reserve for compensation	$ 1,693,638	$ 105,738	$ 1,258	$ 182	$ 390	$ 22,287	$ -	$ -	$ 1,823,493
Reserve for compensation adjustment expenses	166,605	404	75	-	44	990	310,920	-	479,038
Warrants payable	32,371	-	-	-	-	-	-	-	32,371
Bonds payable	-	-	-	-	-	-	15,930	-	15,930
Investment trade payables	131,332	222,625	47,117	-	-	-	-	-	401,074
Accounts payable	126	-	-	-	-	-	3,523	-	3,649
Interfund payables	175,813	12,532	86	17	29	3,036	-	(191,513)	-
Obligations under securities lending	-	-	-	-	-	-	6,076	-	6,076
Other current liabilities	11,020	83	43	2	121	-	18,437	-	29,706
Total current liabilities	2,210,905	341,382	48,579	201	584	26,313	354,886	(191,513)	2,791,337
Noncurrent liabilities:									
Reserve for compensation	13,037,362	1,766,362	62,842	3,818	1,191	731,305	-	-	15,602,880
Reserve for compensation adjustment expenses	499,395	55,796	4,425	-	75	11,190	770,080	-	1,340,961
Premium payment security deposits	87,764	-	710	-	-	-	-	-	88,474
Bonds payable	-	-	-	-	-	-	64,727	-	64,727
Other noncurrent liabilities	-	-	-	-	-	-	16,628	-	16,628
Total noncurrent liabilities	13,624,521	1,822,158	67,977	3,818	1,266	742,495	851,435	-	17,113,670
Total liabilities	15,835,426	2,163,540	116,556	4,019	1,850	768,808	1,206,321	(191,513)	19,905,007
NET ASSETS (DEFICIT)									
Invested in capital assets, net of related debt	22,369	22	-	-	-	-	1,667	-	24,058
Restricted for Surplus Fund	(1,918,671)	-	-	-	-	-	-	-	(1,918,671)
Restricted for Premium Payment Security Fund	124,083	-	-	-	-	-	-	-	124,083
Unrestricted net assets (deficit)	3,964,107	835,837	166,383	19,406	15,570	6,935	(722,366)	-	4,285,872
Total net assets (deficit)	$ 2,191,888	$ 835,859	$ 166,383	$ 19,406	$ 15,570	$ 6,935	$ (720,699)	$ -	$ 2,515,342

OHIO BUREAU OF WORKERS' COMPENSATION
AND
INDUSTRIAL COMMISSION OF OHIO
(A DEPARTMENT OF THE STATE OF OHIO)
SUPPLEMENTAL SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

(See Accompanying Independent Auditors' Report)
For the year ended June 30, 2009
(000's omitted)

	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
Operating revenues:									
Premium income	$ 1,893,936	$ -	$ 1,678	$ 150	$ 761	$ -	$ -	$ -	$ 1,896,525
Assessment income	-	143,074	-	-	-	67,994	361,957	-	573,025
Provision for uncollectibles	(96,223)	(3,055)	-	-	-	(133)	(9,209)	-	(108,620)
Other income	10,185	-	-	-	-	-	7,012	-	17,197
Total operating revenues	1,807,898	140,019	1,678	150	761	67,861	359,760	-	2,378,127
Operating expenses:									
Workers' compensation benefits	1,453,028	141,083	6,370	673	(973)	66,911	-	-	1,667,092
Compensation adjustment expenses	155,911	1,269	470	-	(50)	3,599	245,243	-	406,442
Personal services	-	48	15	-	8	-	44,213	-	44,284
Other administrative expenses	23,215	12	4	1	71	1	24,948	-	48,252
Total operating expenses	1,632,154	142,412	6,859	674	(944)	70,511	314,404	-	2,166,070
Net operating income (loss)	175,744	(2,393)	(5,181)	(524)	1,705	(2,650)	45,356	-	212,057
Non-operating revenues:									
Net investment income	(187,489)	(10,475)	(3,235)	580	434	666	4,784	-	(194,735)
Loss on disposal of capital assets	-	-	-	-	-	-	(220)	-	(220)
Total non-operating revenues	(187,489)	(10,475)	(3,235)	580	434	666	4,564	-	(194,955)
Net transfers out	(3,289)	-	(4,540)	-	-	-	2,780	-	(5,049)
Increase (decrease) in net assets (deficit)	(15,034)	(12,868)	(12,956)	56	2,139	(1,984)	52,700	-	12,053
Net assets (deficit), beginning of year	2,206,922	848,727	179,339	19,350	13,431	8,919	(773,399)	-	2,503,289
Net assets (deficit), end of year	$ 2,191,888	$ 835,859	$ 166,383	$ 19,406	$ 15,570	$ 6,935	$ (720,699)	$ -	$ 2,515,342

12-Month Audit Committee Calendar

Date	December 2009	Notes
12/16/2009	1. Internal Audit QES Review	
	2. Internal Audit Continuous Investment Monitoring	
	3. FY 2009 Comprehensive Annual Report	
Date	**January 2010**	
1/21/2010	1. Annual Disaster Recovery/Business Continuity Plan	
	2. External Audit Comments - Update	
	3. Quarterly Litigation Update	
Date	**February 2010**	
2/25/2010	1. Office of Budget and Management Audit Update	
Date	**March 2010**	
3/25/2010	1. Inspector General Annual Report	
	2. Internal Audit QES Review	
Date	**April 2010**	
4/29/2010	1. Discussion of External Audit	
	2. FY 2011 Administrative Budget (1st Reading)	
	3. Quarterly Litigation Update	
	4. External Audit Comments - Update	
Date	**May 2010**	
5/27/2010	1. FY 2011 Administrative Budget (2nd Reading)	
Date	**June 2010**	
6/17/2010	1. FY 2011 Financial Projections (1st Reading)	
	2. FY 2011 Audit Plan	
	3. Internal Audit QES Review	
	4. External Audit Update	
Date	**July 2010**	
7/29/2010	1. FY 2011 Financial Projections (2nd Reading)	
	2. External Audit Update	
	3. Quarterly Litigation Update	
Date	**August 2010**	
8/26/2010	1. BWC Code of Ethics Review	

12-Month Audit Committee Calendar

Date	September 2010	Notes
9/23/2010	1. Internal Audit QES Review	
	2. Inspector General Semi-Annual Report	
Date	**October 2010**	
10/21/2010	1. Audit Committee Charter Review (1st Reading)	
	2. Quarterly Litigation Update	
Date	**November 2010**	
11/18/2010	1. External Audit Update	
Date	**December 2010**	
12/15/2010	1. Internal Audit QES Review	
	2. Office of Budget and Management Update – BWC Staff Transfer	

Reinsurance Structure – "Natural" Perils & NBCR Terrorism Perils Separate