

Enterprise Report

November 2009

Enterprise Report

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

Statement of Operations

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

Statement of Investment Income

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

Administrative Cost Fund Budget Summary

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

State Insurance Fund Administrative Expense Summary

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

Statement of Cash Flows

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

Statement of Net Assets

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

Financial Performance Metrics

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

Operational Performance Metrics

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

Performance Metrics Glossary

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

October Financial Analysis

BWC's net assets decreased by \$172 million in October resulting in net assets of \$3.7 billion at October 31, 2009 compared to \$3.8 billion at September 30, 2009.

<i>(\$ in millions)</i>	Month Ended Oct. 31, 2009	Month Ended Sept. 30, 2009	Month Ended Oct. 31, 2008
Operating Revenues	\$159	\$181	\$164
Operating Expenses	(214)	(190)	(52)
Operating Transfers to ODNR & WCC	(1)	-	-
Net Operating Gain (Loss)	(56)	(9)	112
Net Investment Income (Loss)	(116)	463	(1,468)
Increase (Decrease) in Net Assets	(172)	454	(1,356)
Net Assets End of Period	\$3,676	\$3,848	\$224

- o Premium and assessment income of \$163 million net of a \$3 million provision for uncollectible accounts receivable and a \$1 million reduction in other income resulted in operating revenues of \$159 million in October. The reduction to other income is primarily due to penalties that have been voided for the late filing and payment of premiums.
- o Premium and assessment income included reductions of \$20 million related to rate adjustments and employer audits posted to employer accounts in October 2009.
- o Benefits and compensation adjustment expenses of \$206 million along with other expenses of \$8 million resulted in operating expenses of \$214 million in October. Claim payments issued in October included three bi-weekly payment cycles increasing October benefit payments by approximately \$25 million. Benefit and compensation adjustment expenses were lowered by \$160 million in October 2008, reflecting projections from the quarterly reserve analysis and a lowering of the medical inflation assumptions from 9% to a short-term inflation assumption of 6% that gradually increases to 9%. A review of the September 30, 2009 quarterly reserve analysis projecting reserves for June 30, 2010 indicated that no adjustments were needed at this time.
- o A \$174 million decrease in portfolio market value in October 2009 along with interest and dividend income of \$58 million for the month, resulted in a net investment loss of \$116 million for the month after investment expenses. The decrease in portfolio market value is comprised of \$576 million in net realized losses and \$402 million in net unrealized gains. The change in net unrealized gains reflects the conversion of unrealized losses that were recognized in prior periods to losses that were realized in the current period.
- o Cash and cash equivalents include almost \$997 million in money market holdings in the outside investment manager accounts. These funds are committed to covering a \$931 million net investment trade payable for transactions that will settle in November.
- o Premium and assessment receipts of \$26 million were collected in October. October 2008 premium and assessment receipts were \$148 million and contained a significant portion of the second 50/50 payment plan installment which was due by November 1, 2008. The second installment of this year's 50/50 payment plan is not due until December 1st.

Fiscal Year-to-Year Comparisons

BWC's total net assets have increased by \$1.2 billion for fiscal year-to-date 2010 resulting in net assets of \$3.7 billion at October 31, 2009 compared to \$224 million at October 31, 2008.

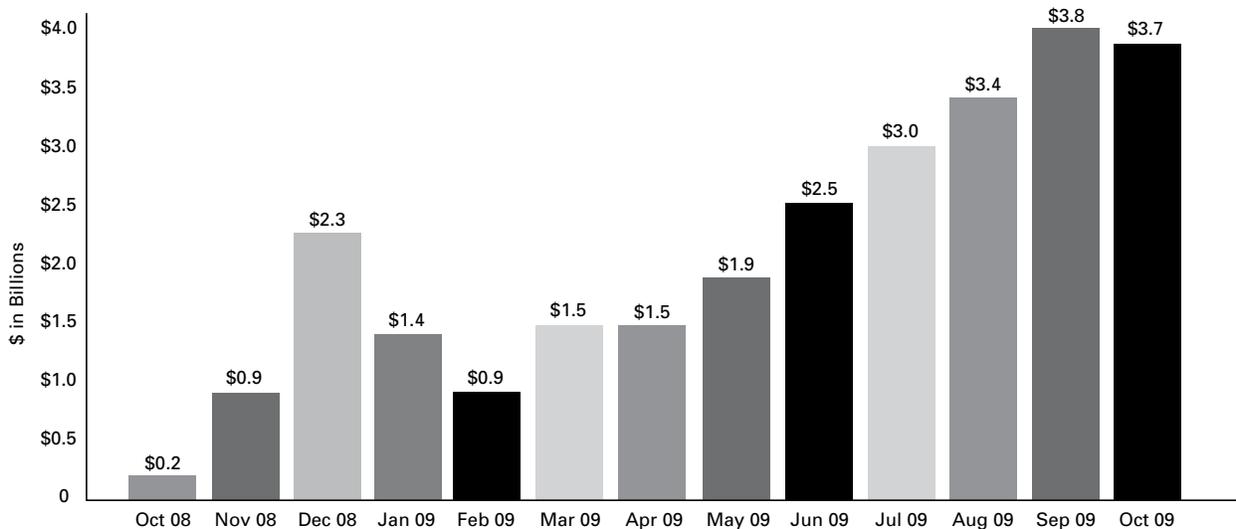
<i>(\$ in millions)</i>	Fiscal YTD Oct. 31, 2009	Projected FYTD Oct. 31, 2009	Fiscal YTD Oct. 31, 2008
Operating Revenues	\$706	\$735	\$710
Operating Expenses	(789)	(818)	(775)
Operating Transfer Out	(1)	(3)	(2)
Net Operating Gain (Loss)	(84)	(86)	(67)
Net Investment Income (Loss)	1,245	279	(2,212)
Increase (Decrease) in Net Assets	1,161	193	(2,279)
Net Assets End of Period	\$3,676	\$2,708	\$224

- o BWC's premium and assessment income has remained stable during fiscal 2010 compared to this same period last year. Decreases in premium rates for private and state agency employers effective July 1, 2009 are off-set by increased unbilled receivables for DWRP and SIEGF.
- o Benefit and compensation adjustment expenses increased by \$18 million for fiscal year-to-date 2010. Reserves for compensation and compensation adjustment expenses have increased by \$24 million in 2010 compared to a \$25 million decrease in 2009. This increase has been partially off-set by lower benefit and compensation adjustment expense payments.
- o BWC's net investment income for fiscal year-to-date 2010 totaled \$1.2 billion, comprised of \$650 million in net realized losses and \$1,633 million in net unrealized gains, along with \$262 million of interest and dividend income net of \$2 million in investment expenses. This compares to last year's net investment loss of \$2.2 billion that primarily resulted from net unrealized losses.
- o Fiscal year-to-date 2010 premium collections are \$146 million less than projected as a result of an 8% decline in private employer payroll and timing differences in the payment of premiums. Timing differences in the due date for the second 50/50 payment plan installment and last year's 5% decrease in private employer premium rates have contributed to premium collections being \$233 million less than prior fiscal year-to-date collections.

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

- o The number of private employers participating in the 50/50 payment program declined slightly this collection period compared to the collection period ended February 28, 2009. These employers will be paying approximately \$149 million in premiums by December 1, 2009 to maintain active coverage. The \$149 million is down by 15 percent from last collection period's second installment of \$176 million.

Net Assets



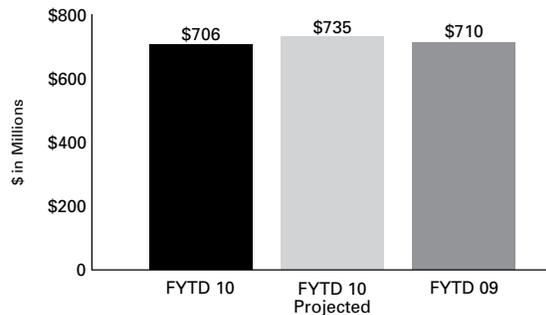
Statement of Operations

Fiscal year to date October 31, 2009

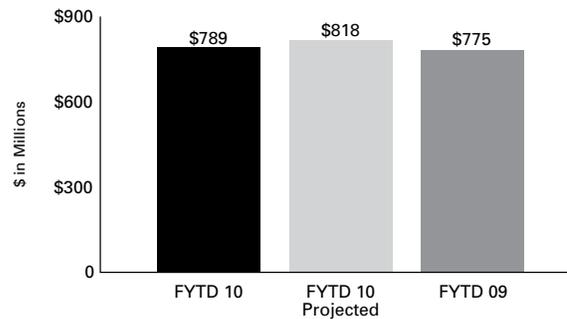
(in millions)

	Actual	Projected	Variance to Projected	Prior Yr. Actual	Year to Year Increase (Decrease)
Operating Revenues					
Premium & Assessment Income	\$731	\$757	\$(26)	\$731	\$ -
Provision for Uncollectibles	(31)	(29)	(2)	(28)	(3)
Other Income	6	7	(1)	7	(1)
Total Operating Revenue	706	735	(29)	710	(4)
Operating Expenses					
Benefits & Compensation Adj. Expense	761	787	26	743	18
Other Expenses	28	31	3	32	(4)
Total Operating Expenses	789	818	29	775	14
Operating Transfers	(1)	(3)	2	(2)	1
Net Operating Gain (Loss)	(84)	(86)	2	(67)	(17)
Net Investment Income (Loss)	1,245	279	966	(2,212)	3,457
Increase (Decrease) in Net Assets	\$1,161	\$193	\$968	\$(2,279)	\$3,440

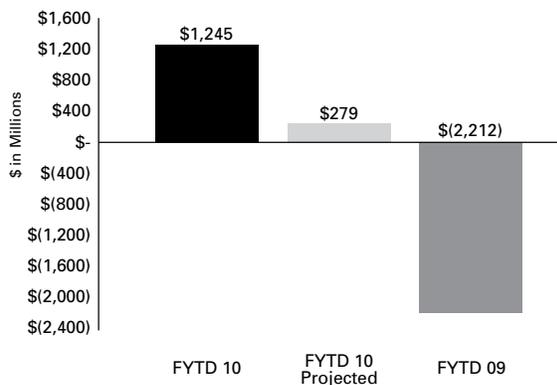
Operating Revenues



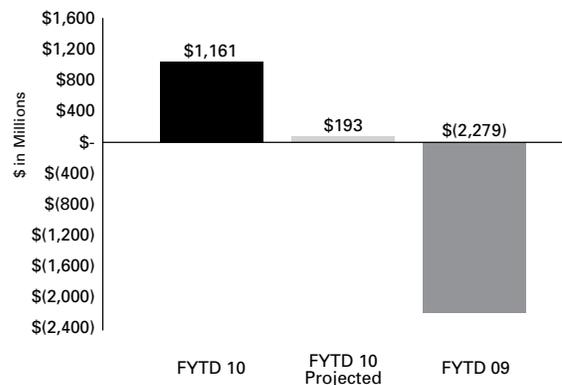
Operating Expenses



Net Investment Income (Loss)



Change in Net Assets



Statement of Operations – Combining Schedule

Fiscal year to date October 31, 2009

(in thousands)

	State Insurance Fund Account	Disabled Workers' Relief Fund Account	Coal-Workers Pneumoconiosis Fund Account	Public Work Relief Employees' Fund Account	Marine Industry Fund Account	Self-Insuring Employers' Guaranty Fund Account	Administrative Cost Fund Account	Totals
Operating Revenues:								
Premium & Assessment Income	\$550,992	\$55,089	\$964	\$75	\$158	\$13,587	\$109,852	\$730,717
Provision for Uncollectibles	(38,336)	7,621	-	-	(2)	211	(150)	(30,656)
Other Income	5,150	-	-	-	-	-	983	6,133
Total Operating Revenues	517,806	62,710	964	75	156	13,798	110,685	706,194
Operating Expenses:								
Benefits & Compensation Adj Expenses	609,607	66,110	347	3	63	13,465	71,262	760,857
Other Expenses	8,201	62	22	-	27	-	19,533	27,845
Total Operating Expenses	617,808	66,172	369	3	90	13,465	90,795	788,702
Net Operating Income (Loss) before Operating Transfers Out	(100,002)	(3,462)	595	72	66	333	19,890	(82,508)
Operating Transfers Out	(150)	-	(965)	-	-	-	(280)	(1,395)
Net Operating Income (Loss)	(100,152)	(3,462)	(370)	72	66	333	19,610	(83,903)
Investment Income:								
Investment Income	237,892	18,810	4,022	197	147	33	2,111	263,212
Net Realized Gains (Losses)	(652,053)	1,732	320	-	-	-	-	(650,001)
Net Unrealized Gains (Losses)	1,551,447	66,502	14,247	643	480	-	-	1,633,319
Total Realized & Unrealized Capital Gains (Losses)	899,394	68,234	14,567	643	480	-	-	983,318
Investment Manager & Operational Fees	(1,623)	(94)	(51)	(3)	(2)	(1)	-	(1,774)
Gain (Loss) on Disposal of Fixed Assets	-	-	-	-	-	-	(196)	(196)
Total Non-Operating Revenues, Net	1,135,663	86,950	18,538	837	625	32	1,915	1,244,560
Increase (Decrease) in Net Assets (Deficit)	1,035,511	83,488	18,168	909	691	365	21,525	1,160,657
Net Assets (Deficit), Beginning of Period	2,191,888	835,859	166,383	19,406	15,570	6,935	(720,699)	2,515,342
Net Assets (Deficit), End of Period	\$3,227,399	\$919,347	\$184,551	\$20,315	\$16,261	\$7,300	\$(699,174)	\$3,675,999

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

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

Statement of Investment Income

Fiscal year to date October 31, 2009

(in thousands)

	Actual	Projected	Variance to Projected	Prior Yr. Actual	Year to Year Increase (Decrease)
Investment Income					
Bond Interest	\$235,451	\$217,640	\$17,811	\$301,389	\$(65,938)
Dividend Income—Domestic & International	26,050	25,960	90	22,029	4,021
Money Market/Commercial Paper Income	735	1,664	(929)	3,274	(2,539)
Misc. Income (Corp Actions, Settlements)	976	1,600	(624)	700	276
Total Investment Income	<u>263,212</u>	<u>246,864</u>	<u>16,348</u>	<u>327,392</u>	<u>(64,180)</u>
Realized & Unrealized Capital Gains and (Losses)					
Bonds – Net Realized Gains (Losses)	(28,047)	–	(28,047)	(66,702)	38,655
Stocks – Net Realized Gains (Losses)	(615,267)	–	(615,267)	(52,741)	(562,526)
International Equity – Net Realized Gains (Losses)	(6,687)	–	(6,687)	–	(6,687)
Subtotal – Net Realized Gains (Losses)	<u>(650,001)</u>	<u>–</u>	<u>(650,001)</u>	<u>(119,443)</u>	<u>(530,558)</u>
Bonds – Net Unrealized Gains (Losses)	593,061	–	593,061	(1,696,340)	2,289,401
Stocks – Net Unrealized Gains (Losses)	1,029,702	34,480	995,222	(721,395)	1,751,097
International Equity – Net Unrealized Gains (Losses)	10,556	–	10,556	(3)	10,559
Subtotal – Net Unrealized Gains (Losses)	<u>1,633,319</u>	<u>34,480</u>	<u>1,598,839</u>	<u>(2,417,738)</u>	<u>4,051,057</u>
Net Gain (Loss) – PE	<u>–</u>	<u>–</u>	<u>–</u>	<u>(752)</u>	<u>752</u>
Change in Portfolio Value	<u>983,318</u>	<u>34,480</u>	<u>948,838</u>	<u>(2,537,933)</u>	<u>3,521,251</u>
Investment Manager & Operational Fees	<u>(1,774)</u>	<u>(1,910)</u>	<u>136</u>	<u>(1,553)</u>	<u>221</u>
Net Investment Income (Loss)	<u>\$1,244,756</u>	<u>\$279,434</u>	<u>\$965,322</u>	<u>\$(2,212,094)</u>	<u>\$3,456,850</u>

Administrative Cost Fund Expense Analysis

October 2009

- o BWC Administrative Cost Fund expenses are approximately \$11.7 million (12.5%) less than budgeted and approximately 8% less than last fiscal year.
- o Decreases in payroll, including Customer Service, Infrastructure and Technology, Special Investigations and Communications are due to a decrease in staff as a result of hiring controls implemented by OBM, a July payroll period not requiring health care premium payments and employees use of cost savings days. BWC staff have taken over 88,000 (47%) of the available 186,000 hours for a savings of approximately \$2.6 million. Usage is expected to increase during November and December due to the holidays.
- o The timing of the receipt of invoices for payment in fiscal year 2010 caused actual expenditures to be less than the amount budgeted through October. An evaluation of consultant resources in Infrastructure and Technology resulted in a reduction in the number of consultants and Personal Service costs. Consultant rates were also renegotiated, which contributed to the decrease in fiscal year 2010 from 2009. A reduced number of safety grant applications resulted in lower expenditures in fiscal year 2010.
- o Gathering information and obtaining DAS approval for equipment purchases caused a delay in the completion of the purchases. Purchase orders were completed in September and October with payments made in future months. This is causing actual expenditures to be less than the budgeted year to date amount through October.
- o Identification of additional costs savings, a payroll period not requiring health care premium payments in July, the use of cost savings days and approved projects awaiting final cost estimates led to a reduction in the fiscal year 2010 budget as of October.
- o BWC's current fiscal year 2010 budget is approximately \$34 million (10%) less than appropriated by the General Assembly.

Administrative Cost Fund Budget Summary

As of October 31, 2009

Expense Description	FTE's	Actual FY10	Budgeted FYTD10	FYTD10 Variance	FYTD10 Percentage Variance	FY10 Budget	FYTD09 Expenses	Increase (Decrease) in FY10	FYTD10 Percentage Increase (Decrease)
Payroll									
BWC Board of Directors	12	286,222	286,222	0	0.00%	792,505	320,383	(34,161)	-10.66%
Workers' Comp Council	0	0	0	0	0.00%	0	33,203	(33,203)	-100.00%
BWC Administration	13	451,927	451,927	0	0.00%	1,530,435	261,188	190,739	73.03%
Customer Service	1,450	36,302,461	36,398,916	96,455	0.26%	108,541,534	38,518,765	(2,216,304)	-5.75%
Medical	140	3,754,152	3,754,699	547	0.01%	11,352,858	4,045,107	(290,955)	-7.19%
Special Investigations	123	3,529,725	3,530,438	713	0.02%	10,598,970	3,887,068	(357,343)	-9.19%
Fiscal and Planning	67	1,718,747	1,748,692	29,945	1.71%	5,164,250	1,673,886	44,861	2.68%
Actuarial	24	692,632	692,662	30	0.00%	2,307,513	568,836	123,796	21.76%
Investments	11	423,730	424,378	648	0.15%	1,314,576	397,079	26,651	6.71%
Infrastructure & Technology	300	9,613,492	9,681,219	67,727	0.70%	29,514,854	10,362,331	(748,839)	-7.23%
Legal	78	2,278,858	2,278,859	1	0.00%	6,908,985	2,273,842	5,016	0.22%
Communications	21	546,148	546,989	841	0.15%	1,660,066	969,567	(423,419)	-43.67%
Human Resources	61	1,708,219	1,708,303	84	0.00%	5,033,364	1,905,888	(197,669)	-10.37%
Internal Audit	14	442,451	442,701	250	0.06%	1,317,225	443,131	(680)	-0.15%
Ombuds Office	7	188,985	188,985	0	0.00%	542,602	184,144	4,841	2.63%
Total Payroll	2,321	61,937,749	62,134,990	197,241	0.32%	186,579,739	65,844,418	(3,906,669)	-5.93%
Personal Services									
Information Technology		1,758,982	2,899,813	1,140,831	39.34%	8,574,145	3,118,205	(1,359,223)	-43.59%
Legal - Special Counsel		287,493	505,000	217,507	43.07%	1,515,000	93,042	194,451	208.99%
Legal - Attorney General		1,942,359	2,310,925	368,566	15.95%	4,621,850	1,003,658	938,701	93.53%
Other Personal Services		1,328,189	2,280,456	952,267	41.76%	7,078,952	1,661,574	(333,385)	-20.06%
Total Personal Services		5,317,023	7,996,194	2,679,171	33.51%	21,789,947	5,876,479	(559,456)	-9.52%
Maintenance									
William Green Rent		1,930,362	1,933,398	3,036	0.16%	19,871,795	2,286,323	(355,961)	-15.57%
Other Rent and Leases		4,573,594	5,349,567	775,973	14.51%	13,769,156	3,278,115	1,295,479	39.52%
Software and Equipment Maintenance and Repairs		4,848,558	6,178,847	1,330,289	21.53%	18,539,264	6,796,944	(1,948,386)	-28.67%
Inter Agency Payments		842,838	1,066,430	223,592	20.97%	3,689,624	679,783	163,055	23.99%
Communications		916,049	2,230,555	1,314,506	58.93%	6,851,744	1,308,243	(392,194)	-29.98%
Safety Grants and Long Term Care Loan		192,556	1,666,668	1,474,112	88.45%	6,000,000	1,139,197	(946,641)	-83.10%
Supplies and Printing		258,164	1,119,972	861,808	76.95%	3,387,738	516,508	(258,344)	-50.02%
Other Maintenance		1,056,908	1,337,183	280,275	20.96%	3,959,945	1,280,785	(223,877)	-17.48%
Total Maintenance		14,619,029	20,882,620	6,263,591	29.99%	76,069,266	17,285,898	(2,666,869)	-15.43%
Equipment		73,042	2,650,710	2,577,668	97.24%	10,316,835	26,878	46,164	171.75%
Total Administrative Cost Fund Expenses		81,946,843	93,664,514	11,717,671	12.51%	294,755,787	89,033,673	(7,086,830)	-7.96%

Total Agency Appropriation 328,821,765
 Budget to Appropriation Variance 34,065,978
 Percentage Variance 10.36%

State Insurance Fund

Administrative Expense Summary

As of October 31, 2009

	Actual FYTD 2010	Encumbrance Balance	FYTD Actual & Encumbrance	Actual FYTD 2009
Investment Administrative Expenses				
UBS Securities LLC	\$0	\$0	\$0	\$275,191
JP Morgan Chase - Performance Reporting	19,667	71,085	90,752	32,416
Mercer Investment Consulting	162,083	374,410	536,493	158,332
Other Investment Expenses	<u>151,487</u>	<u>223,573</u>	<u>375,060</u>	<u>56,925</u>
	333,237	669,068	1,002,305	522,864
Actuarial Expenses				
Oliver Wyman - Actuarial Services	407,140	1,893,168	2,300,308	426,258
Deloitte Consulting - Comprehensive Study	0	0	0	1,416,755
Deloitte Consulting - Actuarial Services	<u>0</u>	<u>1,724,750</u>	<u>1,724,750</u>	<u>0</u>
	407,140	3,617,918	4,025,058	1,843,013
Ohio Rehabilitation Services	<u>605,407</u>	<u>605,407</u>	<u>1,210,814</u>	<u>605,407</u>
TOTAL	<u>\$1,345,784</u>	<u>\$4,892,393</u>	<u>\$6,238,177</u>	<u>\$2,971,284</u>

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

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

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

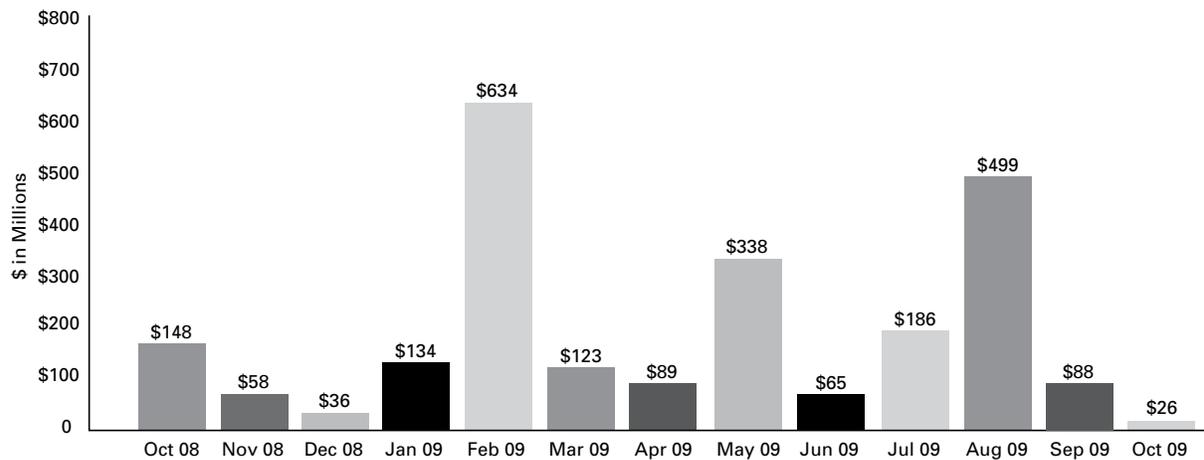
Statement of Cash Flows

Fiscal year to date October 31, 2009

(in millions)

	Actual	Projected	Variance to Projected	Prior Yr. Actual	Year to Year Increase (Decrease)
Cash Flows from Operating Activities:					
Cash Receipts from Premiums	\$799	\$945	\$(146)	\$1,032	\$(233)
Cash Receipts – Other	16	11	5	9	7
Cash Disbursements for Claims	(704)	(706)	2	(753)	49
Cash Disbursements for Other	(134)	(155)	21	(164)	30
Net Cash Provided (Used) by Operating Activities	(23)	95	(118)	124	(147)
Net Cash Flows from Noncapital Financing Activities	(1)	(2)	1	(2)	1
Net Cash Flows from Capital and Related Financing Activities	(3)	(2)	(1)	(3)	–
Net Cash Provided (Used) by Investing Activities	932	–	932	(45)	977
Net Increase (Decrease) in Cash and Cash Equivalents	905	91	814	74	831
Cash and Cash Equivalents, Beginning of Period	504	504	–	378	126
Cash and Cash Equivalents, End of Period	\$1,409	\$595	\$814	\$452	\$957

Premium and Assessment Receipts



Statement of Net Assets

As of October 31, 2009

(in millions)

	Actual	Prior Yr. Actual	Year to Year Increase (Decrease)
Assets			
Bonds	\$12,581	\$12,281	\$300
Stocks	4,020	2,428	1,592
International Equities	1,194	–	1,194
Private Equities	–	–	–
Cash & Cash Equivalents	1,409	452	957
Total Cash and Investments	19,204	15,161	4,043
Accrued Premiums	4,363	4,256	107
Other Accounts Receivable	278	207	71
Investment Receivables	1,044	319	725
Other Assets	105	116	(11)
Total Assets	24,994	20,059	4,935
Liabilities			
Reserve for Compensation and Compensation Adj. Expense	\$19,270	\$19,411	\$(141)
Accounts Payable	34	53	(19)
Investment Payable	1,828	140	1,688
Other Liabilities	186	231	(45)
Total Liabilities	21,318	19,835	1,483
Net Assets	\$3,676	\$224	\$3,452

Statement of Net Assets – Combining Schedule

As of October 31, 2009

(in thousands)

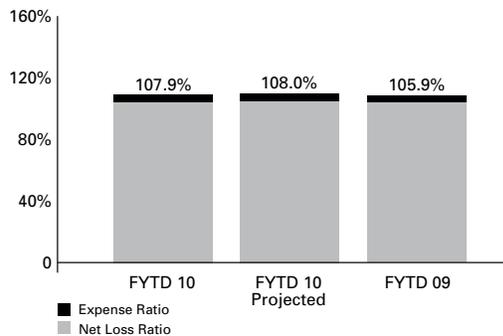
	State Insurance Fund Account	Disabled Workers' Relief Fund Account	Coal-Workers Pneumoconiosis Fund Account	Public Work Relief Employees' Fund Account	Marine Industry Fund Account	Self-Insuring Employers' Guaranty Fund Account	Administrative Cost Fund Account	Eliminations	Totals
Assets									
Bonds	\$11,414,781	\$ 926,205	\$ 198,134	\$ 23,843	\$ 17,814	\$ -	\$ -	\$ -	\$12,580,777
Stocks	3,720,166	248,104	52,206	-	-	-	-	-	4,020,476
International Equities	1,194,055	-	-	-	-	-	-	-	1,194,055
Private Equities	52	-	-	-	-	-	-	-	52
Cash & Cash Equivalents	<u>1,336,424</u>	<u>8,022</u>	<u>1,601</u>	<u>242</u>	<u>336</u>	<u>55,801</u>	<u>6,031</u>	<u>-</u>	<u>1,408,457</u>
Total Cash & Investments	\$17,665,478	\$ 1,182,331	\$ 251,941	\$ 24,085	\$ 18,150	\$ 55,801	\$ 6,031	\$ -	\$19,203,817
Accrued Premiums	1,803,296	1,608,661	-	188	-	726,368	224,893	-	4,363,406
Other Accounts Receivable	202,935	21,480	(14)	-	3	(297)	53,643	-	277,750
Interfund Receivables	19,508	59,631	22	-	18	1,475	117,456	(198,110)	-
Investment Receivables	1,007,154	29,554	7,519	-	-	5	-	-	1,044,232
Other Assets	<u>25,723</u>	<u>22</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>79,279</u>	<u>-</u>	<u>105,024</u>
Total Assets	\$20,724,094	\$ 2,901,679	\$ 259,468	\$ 24,273	\$ 18,171	\$ 783,352	\$ 481,302	\$ (198,110)	\$24,994,229
Liabilities									
Reserve for Compensation & Compensation Adj. Expense	\$15,397,000	\$ 1,945,196	\$ 68,596	\$ 3,940	\$ 1,712	\$ 772,484	\$1,081,000	\$ -	\$19,269,928
Accounts Payable	31,799	-	-	-	-	-	2,569	-	34,368
Investment Payable	1,802,681	20,076	5,430	-	-	-	-	-	1,828,187
Interfund Payables	177,398	16,966	133	15	30	3,568	-	(198,110)	-
Other Liabilities	<u>87,817</u>	<u>94</u>	<u>758</u>	<u>3</u>	<u>168</u>	<u>-</u>	<u>96,907</u>	<u>-</u>	<u>185,747</u>
Total Liabilities	17,496,695	1,982,332	74,917	3,958	1,910	776,052	1,180,476	(198,110)	21,318,230
Net Assets	\$ 3,227,399	\$ 919,347	\$ 184,551	\$ 20,315	\$ 16,261	\$ 7,300	\$ (699,174)	\$ -	\$ 3,675,999

Financial Performance Metrics

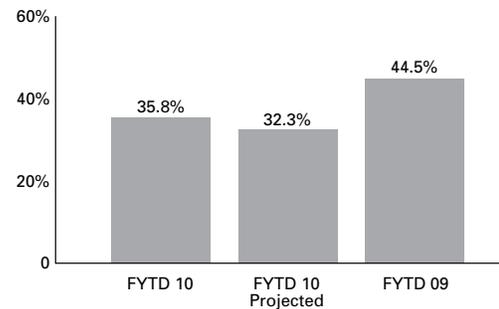
	Actual FY10 As of 10/31/09	Projected FY10 As of 10/31/09	Actual FY09 As of 10/31/08	Guidelines
Funding Ratio (State Insurance Fund)	1.22	1.16	1.01	1.02 to 1.35
Net Leverage Ratio (SIF)	4.94	6.77	177.35	3.0 to 8.0
Loss Ratio	87.1%	85.2%	83.0%	
LAE Ratio - MCO	7.1%	6.9%	7.1%	
LAE Ratio - BWC	9.9%	11.8%	11.5%	
Net Loss Ratio	104.1%	103.9%	101.6%	120.0%
Expense Ratio	3.8%	4.1%	4.3%	5.0%
Combined Ratio	107.9%	108.0%	105.9%	125.0%
Net Investment Income Ratio	35.8%	32.3%	44.5%	
Operating Ratio (Trade Ratio)	72.1%	75.7%	61.4%	100.00

Guidelines represent long-term goals for the agency. Business practices, peer group results, and historical data were considered in the establishment of the guidelines.

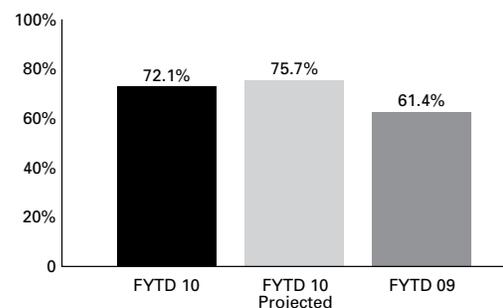
Combined Ratio



Investment Income Ratio

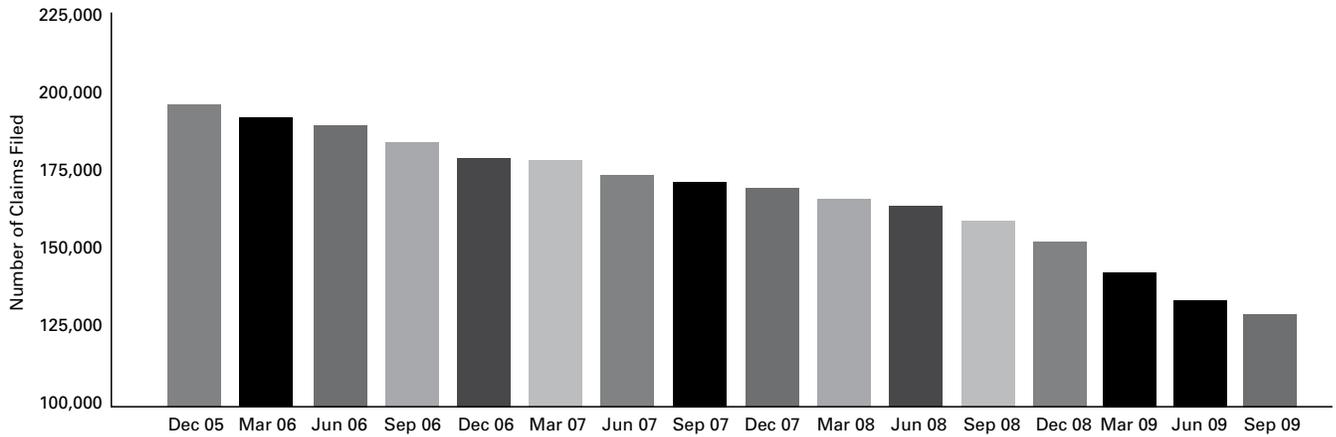


Operating Ratio

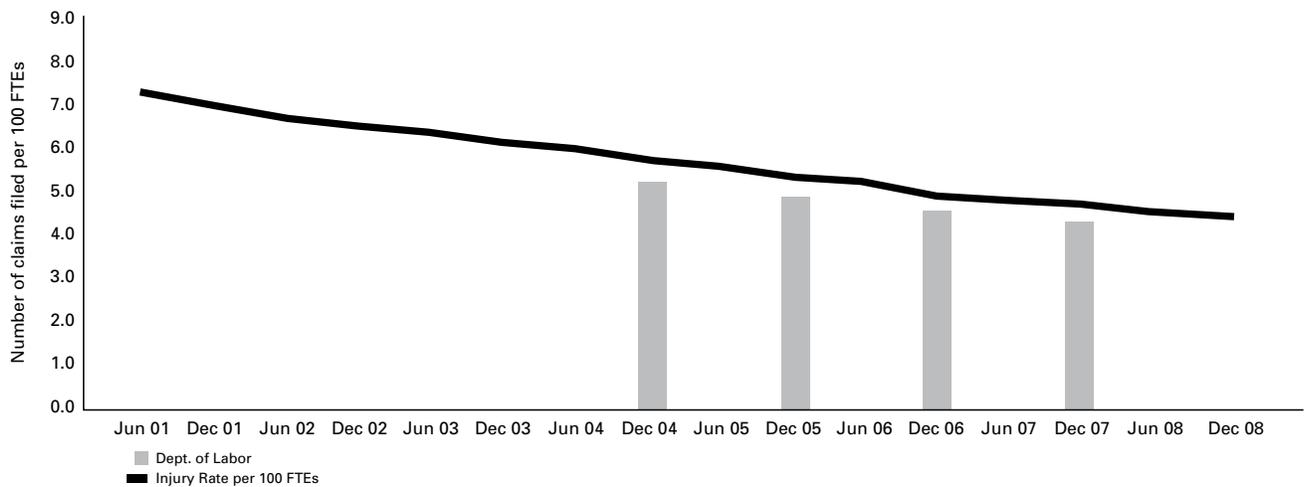


Operational Performance Metrics

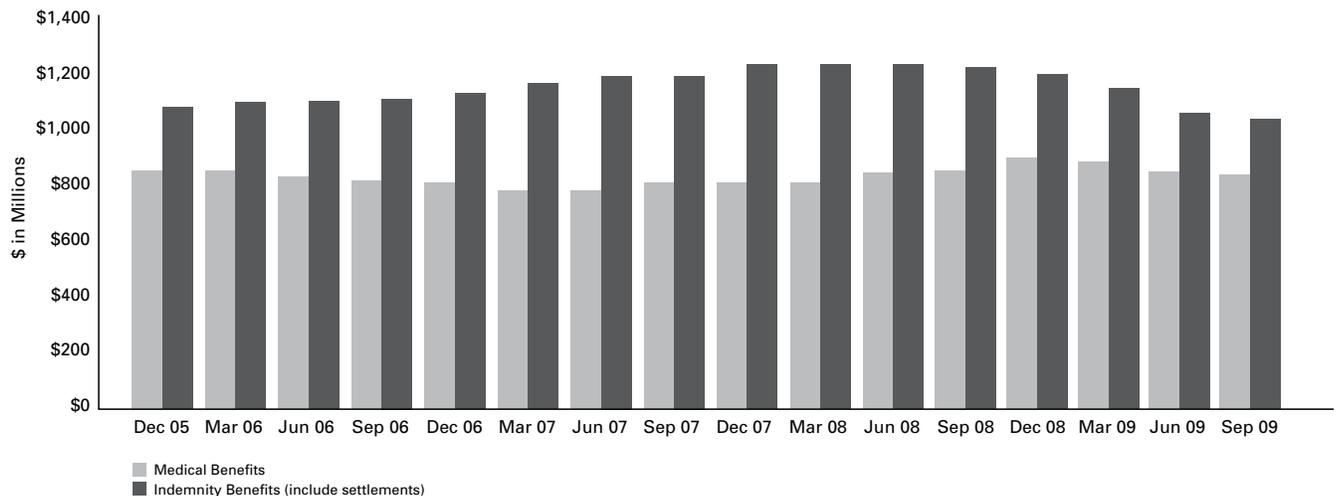
New Claims Filed - Twelve months ended



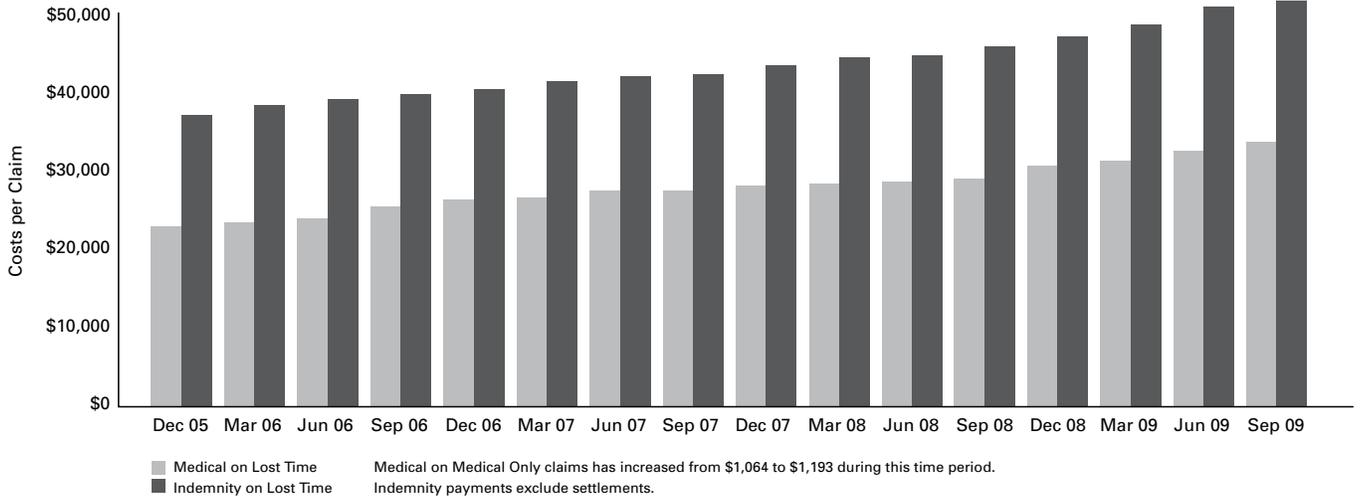
Frequency - Reported semi-annually



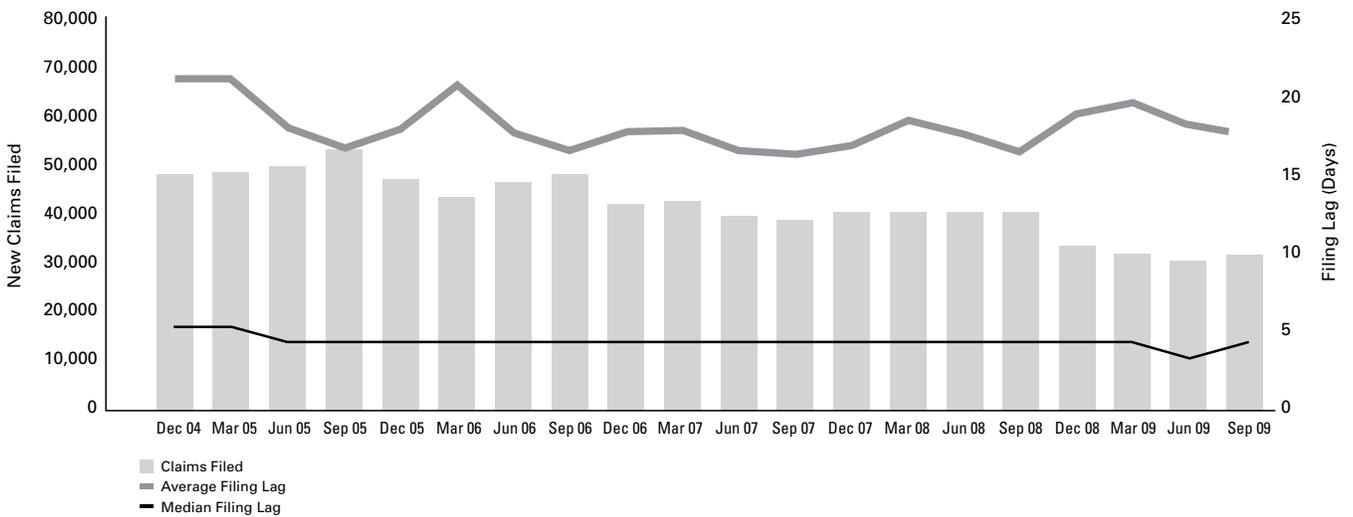
Benefit Payments - Twelve months ended



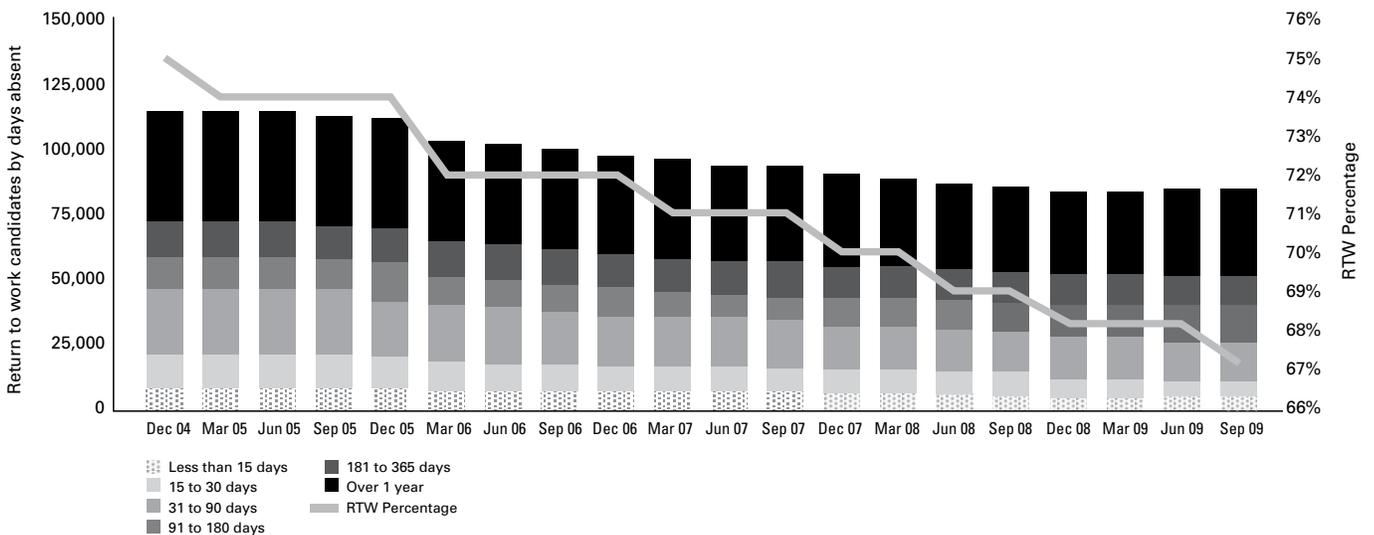
Severity



Claim Filing Lag



Return to work

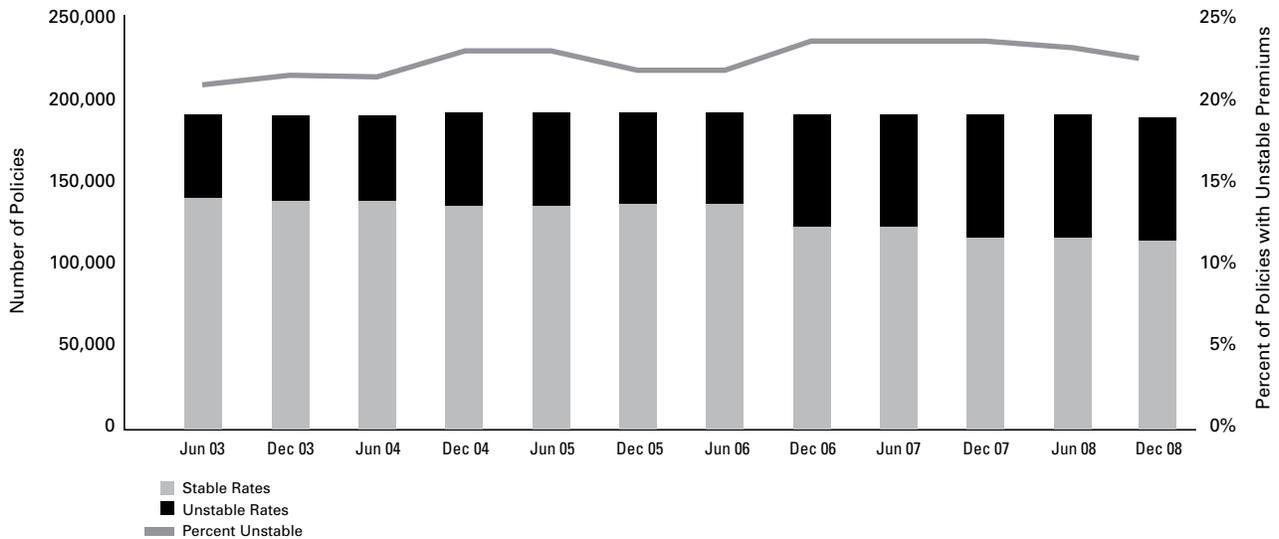


Aggregate Reported Payroll – Twelve Months Ending

(\$ in millions)	Private	PEC	PES	Black Lung	Marine
Dec 2002	\$82,400	\$17,611	\$5,823	\$64	\$3
Jun 2003	\$83,090	\$17,611	\$5,924	\$51	\$4
Dec 2003	\$83,304	\$18,022	\$6,005	\$59	\$4
Jun 2004	\$83,741	\$18,022	\$6,076	\$73	\$3
Dec 2004	\$85,492	\$18,545	\$6,184	\$84	\$3
Jun 2005	\$86,530	\$18,545	\$6,266	\$82	\$4
Dec 2005	\$87,902	\$18,594	\$6,388	\$87	\$4
Jun 2006	\$90,414	\$18,594	\$6,524	\$98	\$5
Dec 2006	\$91,830	\$18,946	\$6,654	\$98	\$5
Jun 2007	\$93,636	\$18,946	\$6,788	\$100	\$4
Dec 2007	\$94,890	\$19,427	\$6,914	\$107	\$4
Jun 2008	\$95,027	\$19,427	\$7,032	\$117	\$5
Dec 2008	\$94,580	\$19,778	\$7,065	\$134	\$5

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

Premium Stability



Performance Metrics Glossary

Loss Ratio

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

LAE Ratio

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

Net Loss Ratio

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

Expense Ratio

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

Combined Ratio

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

Net Investment Income Ratio

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

Operating Ratio

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

Operating Cash Flow Ratio

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

Total Reserves to Net Assets

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

Investments to Loss Reserves

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

Equities to Net Assets

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

Bonds to Net Assets

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

Funding Ratio

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

Net Leverage Ratio

Measures the combination of BWC's exposure to pricing errors and errors in estimating its liabilities in relation to net assets. Premium income plus reserves for compensation and compensation adjustment expense divided by net assets.

New Claims Filed

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

Frequency

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

Benefit Payments

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

Severity

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

Claim Filing Lag

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

Return to Work Rates

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

Aggregate Reported Payroll

Measures reported payroll by employer type for a rolling twelve month period, updated semi-annually.

Premium Stability

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



Legislative Affairs Update Prepared for the BWC Board of Directors November 18, 2009

Pending Legislation

Four pieces of legislation and a resolution relevant to the workers' compensation system have been introduced since last spring in the General Assembly. SR 118 creates a task force to study the feasibility of allowing employers to obtain private workers' compensation insurance. HB 249 addresses the expansion of the "Journalist Exception" as it pertains to public record requests; SB 94 identifies and provides that certain cancers and infectious diseases contracted by safety service personnel are considered workplace injuries; HB 216 specifies requirements for professional employer organizations; and HB 259 governs BWC investments.

1. Senate Resolution 118 – Passed by the Senate on November 18, by vote 19-14, all Democrats opposed joined by two Republicans (Hughes-Columbus and Coughlin-Akron).

The specific mission of the Task Force is to review and issue a report on the following:

- A. Evaluate the current Ohio workers' compensation offerings to determine if such offerings are actuarially sound and competitive with those in other states, taking into account variations in benefit levels;
- B. Evaluate and describe the efforts made by other states within the last fifteen years to open those states' workers' compensation markets to private competition;
- C. Identify best practices in planning and implementing a transition for a state fund to a market that includes private competition;
- D. Identify at least three business plan options through which Ohio can introduce viable private workers' compensation competition with or without a state fund administered by BWC.

The Task Force must submit its findings not later than June 30, 2010.

The 23 member Task Force is composed of the following members appointed by the President of the Senate:

- 2 Representatives of Employees (claimants)—One employed by a state fund employer and one employed by a self-insured employer *and* one of these representatives shall be employed by an employer that employs workers represented by a labor organization and one shall be employed by an employer that does not have employees represented by a labor organization
- 1 Representative from a state fund employer
- 1 Representative from a self-insuring employer
- 1 Representative who primarily represents claimants before the IC
- 1 Representative who primarily represents employers before the IC
- 1 Representative who is a full-time employee of a TPA
- 1 Representative who is a full time employee of an MCO
- 2 Representatives who are full time employees of property and casualty insurance companies domiciled in Ohio or doing business in Ohio that offer WC coverage in at least 10 other states
- 1 Representative who is a state fund employer who conducts business in at least one other state
- 1 Representative who is a self-insuring employer who conducts business in at least one other state
- 4 Members of the Senate, one from each party, appointed by the President of the Senate. The member appointed by the majority party shall serve as co-chair of the task force
- The Administrator of BWC or a designee
- The Chairperson of the BWC Board of Directors or a designee
- The Superintendent of Insurance who shall serve as co-chair
- 2 Representatives who are full-time employees of property and casualty insurance companies not domiciled in Ohio that offer WC coverage in at least 30 other states

- 2 Representatives of political subdivisions recommended by associations representing county commissioners, municipalities, townships, or school districts.

2. Summary of HB 249—As Introduced. One hearing (October 6th sponsor testimony).

Primary sponsors—Rep. Tracy Heard (D-Columbus), Rep. Tom Letson (D-Warren)

Cosponsors—Reps. Matt Lundy (D-Elyria), Barbara Boyd (D-Cleveland Hts.), Robert Hagan (D-Youngstown), Jay Goyal (D-Mansfield), Dennis Murray (D-Sandusky).

As introduced, HB 249 seeks to permit trade and business associations potentially unlimited access to confidential injured worker and dependent contact information. The bill expands on the current “journalist exception” in 4123.88 (D) to accomplish this goal.

HB 249 was assigned to House Civil and Commercial Law Committee— Rep. Mark Okey (D-Carrollton)--Chair.

Sponsor Testimony was provided by Reps. Heard and Letson on October 6th. As of this date, no further hearings are scheduled.

Background

Existing R.C. 4123.88 provides that injured worker claim files are not a public record. Further, under SB 7 of the 126th General Assembly, any information directly or indirectly identifying the address or telephone number of an injured worker is not a public record. SB 7 carved out one exception to this general confidentiality rule – upon the request of a journalist (defined in R.C. 149.43), an injured workers’ name, address and telephone number must be released.

Existing R.C. 149.43(B)(9) clearly defines a journalist for the purposes of Ohio Public Records Law but does not permit a journalist unlimited access to bulk or exhaustive injured worker contact information. General requests by legitimate journalists that are not overly broad are permitted.

Protection of injured worker contact information was further protected through SB 334 of the 127th General Assembly. This legislation tightened the statutory language around who qualifies as a journalist and specified claimant information can only be released to one whose “primary occupation is that of a journalist”. This language was included in code in an effort to address situations when professionals requested injured worker contact information for purposes of solicitation, by citing their role as a “journalist” via a quarterly newsletter, online blog or direct mailing.

BWC Policy

It is clear from existing statute that injured worker contact information is not a public record. BWC is statutory steward of this sensitive information and, therefore, must properly assess whether an individual purporting to be a journalist under the statute is gathering the information for a public purpose and with the intent to disseminate to the general public.

Effect of Proposed Legislation

Instead of amending current statute that shields injured worker contact information from the general public, HB 249 seeks to permit the “journalist exception” to swallow the general rule against public disclosure of this sensitive information. HB 249 seeks to accomplish that which SB 7 of the 126th General Assembly sought to curb – unfettered and potentially unlimited access to injured worker contact information.

General Issues for Consideration

Social Security Disability applicant contact information is not a public record nor is beneficiary contact information possessed by the Ohio Department of Job and Family Services. Both agencies require a signed release before any information, including contact information, can be released.

3. Summary of SB 94—As Introduced. One hearing (May 19th sponsor testimony).

Primary sponsors—Sen. Tom Patton (R-Strongsville)

Cosponsors—Sens. Jimmy Steward (R-Albany), Tim Schaffer (R-Lancaster), Jim Hughes (R-Columbus), Dale Miller (D-Cleveland)

As introduced, SB 94 seeks to provide a rebuttable presumption that specified types of cancer or contagious or infectious diseases contracted by a firefighter, police officer, or public emergency medical services worker are presumed, for the purposes of workers' compensation and the Ohio Police and Fire Pension Fund, to have been incurred while performing work or job-related duties. This bill could have actuarial implications and presumably would be sent to the Workers' Compensation Council for review.

Contraction of certain contagious or infectious diseases that give rise to the presumption are those adopted in rule by the Public Health Council that are reasonably likely to be transmitted by air or blood during the normal course of duties by an emergency medical services worker. These diseases include; hepatitis B and C and HIV and AIDS and others.

The bill creates a presumption for specific types of cancer that have a higher rate of prevalence in firefighters. Those cancers are: lung, brain, kidney, bladder, rectal, stomach, skin, prostate, colorectal, testicular, non-Hodgkin's lymphoma, leukemia, and multiple myeloma.

Note: Nearly all of these forms of cancer were cited in a University of Cincinnati study as being more prevalent in firefighters. The study was paid for, in part, by a grant from BWC in 2006.

This legislation is currently pending in the Senate Insurance, Commerce and Labor Committee. Sen. Patton provided sponsor testimony on May 19th. As of this date, no further hearings are scheduled.

Background

The bill is similar to HB 431 (Rep. Patton) from the 127th General Assembly. That bill received several hearings in House committee last year. The bill was opposed by the City of Cleveland, the Ohio Municipal League, and the Ohio Ambulance and Medical Transportation Association.

Activity in Other States

The International Association of Fire Fighters provides that 41 states have enacted presumptive disability laws that presume that cardiovascular diseases, certain cancers and certain infectious diseases contracted by fire fighters are job-related for purposes of workers' compensation and disability retirement unless proven otherwise.

In 2002, the State of Washington enacted legislation that created a rebuttable presumption for certain cancers after the fire fighter has served at least 10 years and was given a qualified medical examination upon becoming a firefighter that showed no evidence of cancer. In 2007, the Washington legislature further expanded the list of cancers presumed to be occupational diseases.

From 2002 – 2008 under this recently modified presumption statute, the State of Washington reported 12 cancer claims and 9 infection-related illness claims. These claims include state fund and self-insured employers.

4. Summary of HB 216—As Introduced.

Primary sponsor—Rep. John Carney (D-Columbus)

Cosponsors—Reps. John Domenick (D-Smithfield), Dennis Murray (D-Sandusky), David Daniels (R-Greenfield)

As introduced, HB 216 seeks to establish certain financial capacity requirements for professional employer organizations, clarify rights and liabilities of professional employer organizations and client employers, and make other changes to the professional employer organization law.

This legislation is intended to update Ohio's PEO statutes and better harmonize our state's laws with those of neighboring states.

3rd Hearing testimony provided on November 17th. At the direction of House Commerce and Labor Committee Chair, Rep. Kenny Yuko (D-Elyria), the committee adopted a substitute bill that adds the following provisions:

- Prohibit a PEO from co-employing an individual who is an independent contractor of a client employer

- Prohibit multiple, unrelated PEOs from combining together for the purposes of obtaining workers' compensation coverage or for forming any type of self-insurance arrangement available under the PEO statutes
- Requires a PEO to report any transfer of employees between related PEO entities to the BWC within 14 calendar days after the date of transfer

Background

Our primary concern rests with existing R.C. 4125.04, which permits the PEO to become the “employer of record” for the purposes of reporting payroll and paying premium. By becoming the employer of record for reporting purposes, client employers are able to secure a more favorable rate by evading an unfavorable claims experience. This practice; while currently permitted under Ohio law, has led to auditing difficulties, experience-rating difficulties, experience modifier avoidance, and premium slippage. BWC and JFS have previously expressed these concerns to Rep. Carney.

5. Summary of HB 259—As Introduced. No hearings.

Primary sponsor—Rep. Bill Batchelder (R-Medina)
 Cosponsors—numerous House Republican cosponsors

As introduced, the bill replaces the “prudent person” standard that guides BWC investment policy. In its place is a requirement that BWC must invest “custodial funds” (SIF, MIF, DWRF, Pneumoconiosis Fund, etc.) in the classes of investments specified in the bill.

The bill also makes changes relative to contracts for investment consultant services and requires background checks on all employees of investment consultants prior to issuing a contract.

The bill was recently assigned to the House Insurance Committee, Rep. Dan Dodd (D-Licking Township)—Chair. As of this date, no hearings are scheduled.

General Assembly Committee and Session Schedule

December 2009 [Back to Top]	Senate	House
Dec. 01	Session (if needed)	Session (if needed)
Dec. 02	Session (if needed)	Session (if needed)
Dec. 08	Session	Session
Dec. 09	Session	Session
Dec. 10	Committee Hearings	Committee Hearings
Dec. 15	Session (if needed)	Session (if needed)
Dec. 16	Session (if needed)	Session (if needed)