

Enterprise Report

December 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.*

November Financial Analysis

BWC's net assets increased by \$476 million in November resulting in net assets of \$4.2 billion at November 30, 2009 compared to \$3.7 billion at October 31, 2009.

<i>(\$ in millions)</i>	Month Ended Nov. 30, 2009	Month Ended Oct. 31, 2009	Month Ended Nov. 30, 2008
Operating Revenues	\$206	\$159	\$189
Operating Expenses	(202)	(214)	(197)
Operating Transfers to ODNR & WCC	-	(1)	-
Net Operating Gain (Loss)	4	(56)	(8)
Net Investment Income (Loss)	472	(116)	729
Increase (Decrease) in Net Assets	476	(172)	721
Net Assets End of Period	\$4,152	\$3,676	\$945

- o Premium and assessment income of \$190 million and a \$16 million reduction in the provision for uncollectible accounts receivable resulted in operating revenues of \$206 million. The reduction in the provision for uncollectible receivables is based on a review of the aged trial balance and is being impacted by adjustments to reduce audit findings that were reserved as 67% uncollectible. In October, premium and assessment income included reductions of \$20 million related to rate adjustments and employer audits.
- o Benefits and compensation adjustment expenses of \$193 million along with other expenses of \$9 million resulted in operating expenses of \$202 million in November. November payments include \$6 million in quarterly performance payments made to managed care organizations and an additional \$7 million in costs allocated to compensation adjustment expenses due to three payrolls being processed in November. Claim payments issued in October included three bi-weekly payment cycles increasing October benefit payments by approximately \$25 million.
- o A \$416 million increase in portfolio market value in November 2009 along with interest and dividend income of \$57 million for the month, resulted in net investment income of \$472 million for the month after investment expenses. The increase in portfolio market value is comprised of \$4 million in net realized gains and \$412 million in net unrealized gains.
- o Cash and cash equivalents include slightly over \$1 billion in money market holdings in the outside investment manager accounts. These funds are committed to covering a \$961 million net investment trade payable for transactions that will settle in December.
- o Premium and assessment receipts of \$140 million were collected in November. These receipts contained a significant portion of the second 50/50 payment plan installment which was due by December 1, 2009.
- o Other receipts include \$12.7 million collected from securitizations that had been provided by self-insured employers to cover claims costs in the event of bankruptcy or default.

Fiscal Year-to-Year Comparisons

BWC's total net assets have increased by \$1.6 billion for fiscal year-to-date 2010 resulting in net assets of \$4.2 billion at November 30, 2009 compared to \$945 million at November 30, 2008.

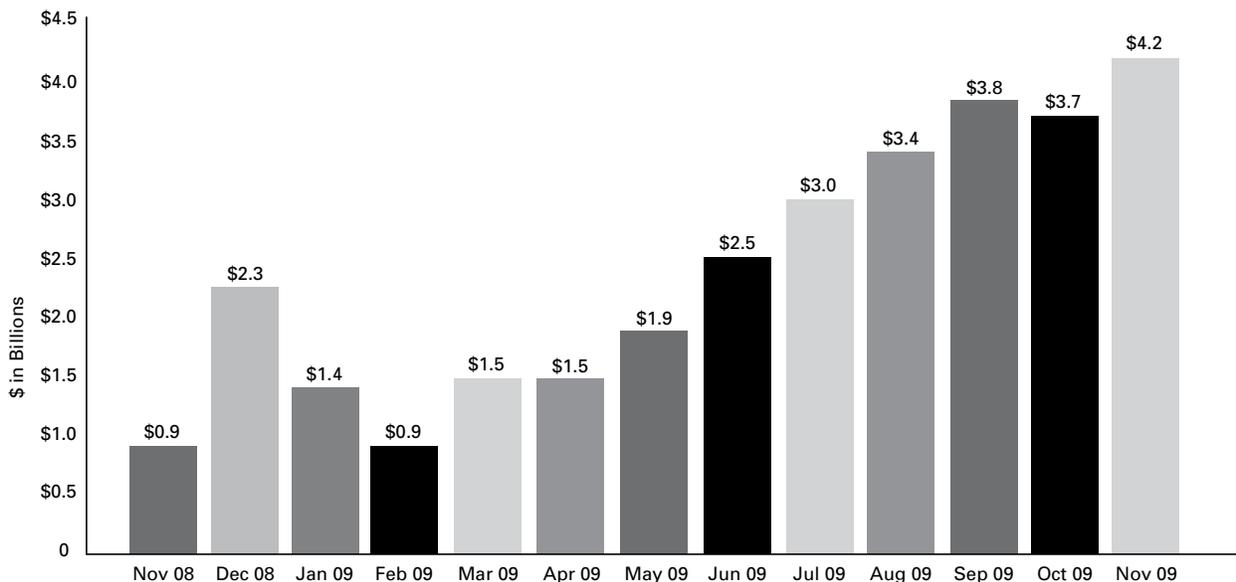
<i>(\$ in millions)</i>	Fiscal YTD Nov. 30, 2009	Projected FYTD Nov. 30, 2009	Fiscal YTD Nov. 30, 2008
Operating Revenues	\$912	\$920	\$899
Operating Expenses	(991)	(1,011)	(972)
Operating Transfer Out	(1)	(3)	(2)
Net Operating Gain (Loss)	(80)	(94)	(75)
Net Investment Income (Loss)	1,716	349	(1,484)
Increase (Decrease) in Net Assets	1,636	255	(1,559)
Net Assets End of Period	\$4,152	\$2,770	\$945

- o BWC's premium and assessment income for fiscal year-to-date 2010 is \$920 million compared to \$928 million for the 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 DWRF and SIEGF.
- o Benefit and compensation adjustment expenses increased by \$21 million for fiscal year-to-date 2010. Reserves for compensation and compensation adjustment expenses have increased by \$29 million in 2010 compared to a \$31 million decrease in 2009. This increase has been partially off-set by lower payments for benefits and compensation adjustment expenses.
- o BWC's net investment income for fiscal year-to-date 2010 totaled \$1.7 billion, comprised of \$646 million in net realized losses and \$2,045 million in net unrealized gains, along with \$320 million of interest and dividend income net of \$2 million in investment expenses. This compares to last year's net investment loss of \$1.5 billion that primarily resulted from net unrealized losses.
- o Fiscal year-to-date 2010 premium collections are \$119 million less than projected as a result of an 8% decline in private employer payroll and timing differences in the payment of premiums. Declines in private employer payroll and last year's 5% decrease in private employer premium rates have contributed to premium collections being \$151 million less than prior fiscal year-to-date collections.

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

- o The second 50/50 installment was due December 1, 2009. Coverage lapsed for 2,681 employers who failed to make this payment in a timely manner. These employers owed almost \$11 million and represent approximately 14% of the employers participating in the 50/50 program.
- o In December, approximately \$58 million will be redeemed from investment managers to support operations during the end of December and January until there are sufficient cash flows from employer premium payments. Significant premium collections are not made until the last week of January.

Net Assets



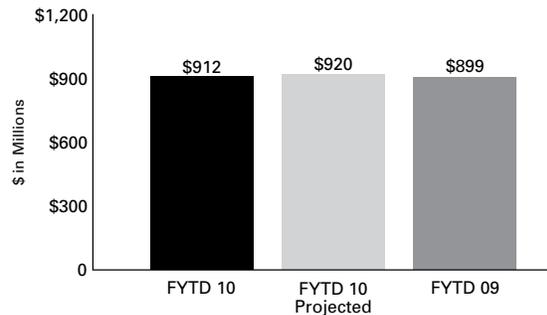
Statement of Operations

Fiscal year to date November 30, 2009

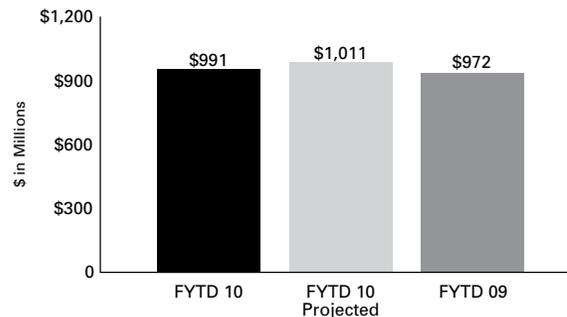
(in millions)

	Actual	Projected	Variance to Projected	Prior Yr. Actual	Year to Year Increase (Decrease)
Operating Revenues					
Premium & Assessment Income	\$920	\$951	\$(31)	\$928	\$(8)
Provision for Uncollectibles	(14)	(37)	23	(36)	22
Other Income	6	6	-	7	(1)
Total Operating Revenue	912	920	(8)	899	13
Operating Expenses					
Benefits & Compensation Adj. Expense	954	972	18	933	21
Other Expenses	37	39	2	39	(2)
Total Operating Expenses	991	1,011	20	972	19
Operating Transfers	(1)	(3)	2	(2)	1
Net Operating Gain (Loss)	(80)	(94)	14	(75)	(5)
Net Investment Income (Loss)	1,716	349	1,367	(1,484)	3,200
Increase (Decrease) in Net Assets	\$1,636	\$255	\$1,381	\$(1,559)	\$3,195

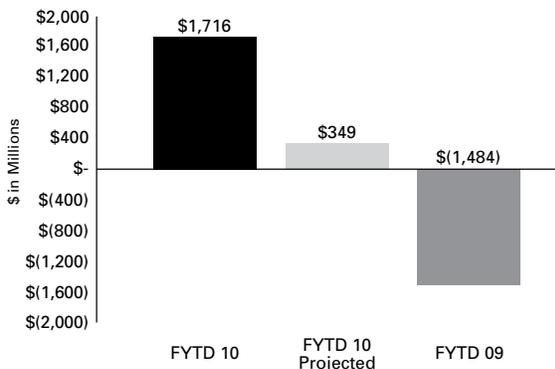
Operating Revenues



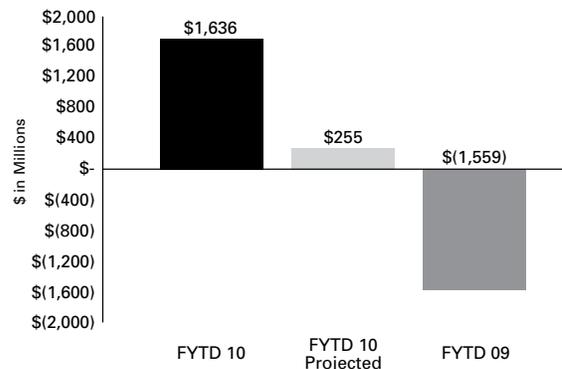
Operating Expenses



Net Investment Income (Loss)



Change in Net Assets



Statement of Operations – Combining Schedule

Fiscal year to date November 30, 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	\$694,002	\$68,818	\$964	\$94	\$203	\$19,327	\$137,129	\$920,537
Provision for Uncollectibles	(24,136)	8,483	–	–	(2)	248	1,215	(14,192)
Other Income	4,659	–	–	–	–	–	1,106	5,765
Total Operating Revenues	674,525	77,301	964	94	201	19,575	139,450	912,110
Operating Expenses:								
Benefits & Compensation Adj Expenses	755,900	80,468	411	(2)	75	19,190	98,047	954,089
Other Expenses	10,198	87	33	–	33	–	26,256	36,607
Total Operating Expenses	766,098	80,555	444	(2)	108	19,190	124,303	990,696
Net Operating Income (Loss) before Operating Transfers Out	(91,573)	(3,254)	520	96	93	385	15,147	(78,586)
Operating Transfers Out	(150)	–	(965)	–	–	–	(388)	(1,503)
Net Operating Income (Loss)	(91,723)	(3,254)	(445)	96	93	385	14,759	(80,089)
Investment Income:								
Investment Income	288,642	23,187	4,961	197	147	37	2,596	319,767
Net Realized Gains (Losses)	(648,442)	2,490	402	–	–	–	–	(645,550)
Net Unrealized Gains (Losses)	1,930,799	92,699	19,821	960	717	–	–	2,044,996
Total Realized & Unrealized Capital Gains (Losses)	1,282,357	95,189	20,223	960	717	–	–	1,399,446
Investment Manager & Operational Fees	(2,235)	(118)	(64)	(4)	(3)	(1)	–	(2,425)
Gain (Loss) on Disposal of Fixed Assets	–	–	–	–	–	–	(210)	(210)
Total Non-Operating Revenues, Net	1,568,764	118,258	25,120	1,153	861	36	2,386	1,716,578
Increase (Decrease) in Net Assets (Deficit)	1,477,041	115,004	24,675	1,249	954	421	17,145	1,636,489
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	\$3,668,929	\$950,863	\$191,058	\$20,655	\$16,524	\$7,356	\$(703,554)	\$4,151,831

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 November 30, 2009

(in thousands)

	Actual	Projected	Variance to Projected	Prior Yr. Actual	Year to Year Increase (Decrease)
Investment Income					
Bond Interest	\$281,855	\$272,050	\$9,805	\$354,279	\$(72,424)
Dividend Income—Domestic & International	36,108	32,450	3,658	29,481	6,627
Money Market/Commercial Paper Income	837	2,080	(1,243)	3,821	(2,984)
Misc. Income (Corp Actions, Settlements)	967	2,000	(1,033)	706	261
Total Investment Income	<u>319,767</u>	<u>308,580</u>	<u>11,187</u>	<u>388,287</u>	<u>(68,520)</u>
Realized & Unrealized Capital Gains and (Losses)					
Bonds – Net Realized Gains (Losses)	(17,072)	–	(17,072)	(63,218)	46,146
Stocks – Net Realized Gains (Losses)	(616,079)	–	(616,079)	(57,571)	(558,508)
International Equity – Net Realized Gains (Losses)	(12,399)	–	(12,399)	–	(12,399)
Subtotal – Net Realized Gains (Losses)	<u>(645,550)</u>	<u>–</u>	<u>(645,550)</u>	<u>(120,789)</u>	<u>(524,761)</u>
Bonds – Net Unrealized Gains (Losses)	743,339	–	743,339	(849,849)	1,593,188
Stocks – Net Unrealized Gains (Losses)	1,249,742	43,100	1,206,642	(898,501)	2,148,243
International Equity – Net Unrealized Gains (Losses)	51,915	–	51,915	(4)	51,919
Subtotal – Net Unrealized Gains (Losses)	<u>2,044,996</u>	<u>43,100</u>	<u>2,001,896</u>	<u>(1,748,354)</u>	<u>3,793,350</u>
Net Gain (Loss) – PE	–	–	–	(752)	752
Change in Portfolio Value	<u>1,399,446</u>	<u>43,100</u>	<u>1,356,346</u>	<u>(1,869,895)</u>	<u>3,269,341</u>
Investment Manager & Operational Fees	<u>(2,425)</u>	<u>(2,362)</u>	<u>(63)</u>	<u>(1,900)</u>	<u>525</u>
Net Investment Income (Loss)	<u>\$1,716,788</u>	<u>\$349,318</u>	<u>\$1,367,470</u>	<u>\$(1,483,508)</u>	<u>\$3,200,296</u>

Administrative Cost Fund Expense Analysis

November 2009

- o BWC Administrative Cost Fund expenses are approximately \$13.8 million (11%) 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 104,000 (56%) of the available 186,000 hours for a savings of approximately \$3.1 million. Usage is expected to continue to increase in 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 November. 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 November.
- 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 November.
- o BWC's current fiscal year 2010 budget is approximately \$35 million (10%) less than appropriated by the General Assembly.

Administrative Cost Fund Budget Summary

As of November 30, 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	423,264	423,264	0	0.00%	863,178	474,492	(51,228)	-10.80%
Workers' Comp Council	0	0	0	0	0.00%	0	47,919	(47,919)	-100.00%
BWC Administration	13	615,012	615,012	0	0.00%	1,512,676	345,792	269,220	77.86%
Customer Service	1,448	48,650,655	48,703,621	52,966	0.11%	108,204,481	51,426,210	(2,775,555)	-5.40%
Medical	133	5,002,953	5,003,599	646	0.01%	11,128,618	5,427,861	(424,908)	-7.83%
Special Investigations	123	4,716,468	4,716,424	(44)	0.00%	10,565,479	5,185,301	(468,833)	-9.04%
Fiscal and Planning	68	2,284,401	2,314,730	30,329	1.31%	5,111,499	2,258,393	26,008	1.15%
Actuarial	24	940,118	940,208	90	0.01%	2,281,271	761,765	178,353	23.41%
Investments	11	567,525	568,335	810	0.14%	1,307,472	531,433	36,092	6.79%
Infrastructure & Technology	300	12,896,225	12,966,346	70,121	0.54%	29,434,084	13,852,211	(955,986)	-6.90%
Legal	77	3,055,830	3,055,830	0	0.00%	6,885,084	3,062,702	(6,872)	-0.22%
Communications	21	731,253	732,370	1,117	0.15%	1,654,455	1,255,243	(523,990)	-41.74%
Human Resources	68	2,266,565	2,266,674	109	0.00%	5,137,392	2,541,644	(275,079)	-10.82%
Internal Audit	14	589,538	590,288	750	0.13%	1,312,761	600,148	(10,610)	-1.77%
Ombuds Office	7	248,585	248,585	0	0.00%	540,493	253,804	(5,219)	-2.06%
Total Payroll	2,319	82,988,392	83,145,286	156,894	0.19%	185,938,943	88,024,918	(5,036,526)	-5.72%
Personal Services									
Information Technology		2,329,967	3,017,316	687,349	22.78%	7,967,203	4,054,332	(1,724,365)	-42.53%
Legal - Special Counsel		311,216	631,250	320,034	50.70%	1,515,000	93,042	218,174	234.49%
Legal - Attorney General		2,156,499	2,310,925	154,426	6.68%	4,621,850	2,114,679	41,820	1.98%
Other Personal Services		1,914,909	2,987,712	1,072,803	35.91%	7,127,594	2,244,508	(329,599)	-14.68%
Total Personal Services		6,712,591	8,947,203	2,234,612	24.98%	21,231,647	8,506,561	(1,793,970)	-21.09%
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		5,344,147	5,965,087	620,940	10.41%	13,769,156	5,443,611	(99,464)	-1.83%
Software and Equipment Maintenance and Repairs		6,693,233	7,725,805	1,032,572	13.37%	18,539,264	7,866,925	(1,173,692)	-14.92%
Inter Agency Payments		1,398,389	1,571,990	173,601	11.04%	3,689,624	1,153,832	244,557	21.20%
Communications		1,116,535	2,778,723	1,662,188	59.82%	6,851,744	1,535,731	(419,196)	-27.30%
Safety Grants and Long Term Care Loan		343,127	2,833,335	2,490,208	87.89%	6,000,000	1,383,848	(1,040,721)	-75.20%
Supplies and Printing		324,207	1,386,269	1,062,062	76.61%	3,387,738	589,143	(264,936)	-44.97%
Other Maintenance		1,259,143	1,665,596	406,453	24.40%	3,959,945	1,419,795	(160,652)	-11.32%
Total Maintenance		18,409,143	25,860,203	7,451,060	28.81%	76,069,266	21,679,208	(3,270,065)	-15.08%
Equipment		121,242	4,059,274	3,938,032	97.01%	10,316,835	60,237	61,005	101.27%
Total Administrative Cost Fund Expenses		108,231,368	122,011,966	13,780,598	11.29%	293,556,691	118,270,924	(10,039,556)	-8.49%

Total Agency Appropriation 328,821,765
 Budget to Appropriation Variance 35,265,074
 Percentage Variance 10.72%

State Insurance Fund

Administrative Expense Summary

As of November 30, 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	34,126	56,626	90,752	43,583
Mercer Investment Consulting	202,916	333,577	536,493	197,915
Other Investment Expenses	<u>172,695</u>	<u>152,444</u>	<u>325,139</u>	<u>101,509</u>
	409,737	542,647	952,384	618,198
Actuarial Expenses				
Oliver Wyman - Actuarial Services	407,141	1,893,167	2,300,308	426,258
Deloitte Consulting - Comprehensive Study	0	0	0	1,416,755
Deloitte Consulting - Actuarial Services	<u>156,316</u>	<u>1,568,434</u>	<u>1,724,750</u>	<u>0</u>
	563,457	3,461,601	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>\$1,578,601</u>	<u>\$4,609,655</u>	<u>\$6,188,256</u>	<u>\$3,066,618</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.

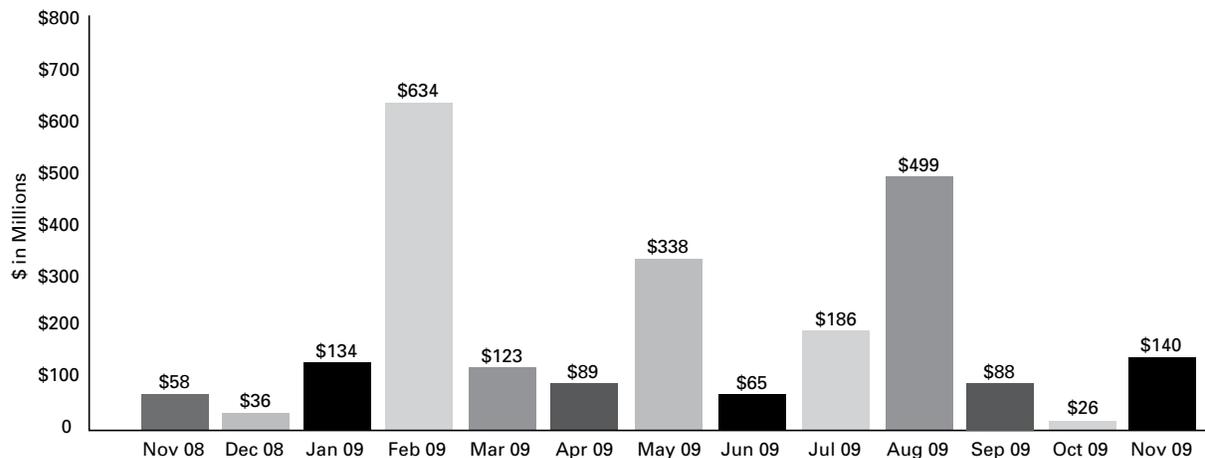
Statement of Cash Flows

Fiscal year to date November 30, 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	\$939	\$1,058	\$(119)	\$1,090	\$(151)
Cash Receipts – Other	31	14	17	11	20
Cash Disbursements for Claims	(866)	(869)	3	(918)	52
Cash Disbursements for Other	(174)	(204)	30	(198)	24
Net Cash Provided (Used) by Operating Activities	(70)	(1)	(69)	(15)	(55)
Net Cash Flows from Noncapital Financing Activities	(2)	(3)	1	(2)	–
Net Cash Flows from Capital and Related Financing Activities	(3)	(2)	(1)	(3)	–
Net Cash Provided (Used) by Investing Activities	939	4	935	42	897
Net Increase (Decrease) in Cash and Cash Equivalents	864	(2)	866	22	842
Cash and Cash Equivalents, Beginning of Period	504	504	–	378	126
Cash and Cash Equivalents, End of Period	\$1,368	\$502	\$866	\$400	\$968

Premium and Assessment Receipts



Statement of Net Assets

As of November 30, 2009

(in millions)

	Actual	Prior Yr. Actual	Year to Year Increase (Decrease)
Assets			
Bonds	\$12,794	\$13,089	\$(295)
Stocks	4,247	2,240	2,007
International Equities	1,248	–	1,248
Private Equities	–	–	–
Cash & Cash Equivalents	<u>1,368</u>	<u>400</u>	<u>968</u>
Total Cash and Investments	19,657	15,729	3,928
Accrued Premiums	4,556	4,425	131
Other Accounts Receivable	168	150	18
Investment Receivables	204	270	(66)
Other Assets	<u>104</u>	<u>115</u>	<u>(11)</u>
Total Assets	<u>24,689</u>	<u>20,689</u>	<u>4,000</u>
Liabilities			
Reserve for Compensation and Compensation Adj. Expense	\$19,276	\$19,405	\$(129)
Accounts Payable	59	44	15
Investment Payable	1,015	69	946
Other Liabilities	<u>187</u>	<u>226</u>	<u>(39)</u>
Total Liabilities	<u>20,537</u>	<u>19,744</u>	<u>793</u>
Net Assets	<u>\$4,152</u>	<u>\$945</u>	<u>\$3,207</u>

Statement of Net Assets – Combining Schedule

As of November 30, 2009

(in thousands)

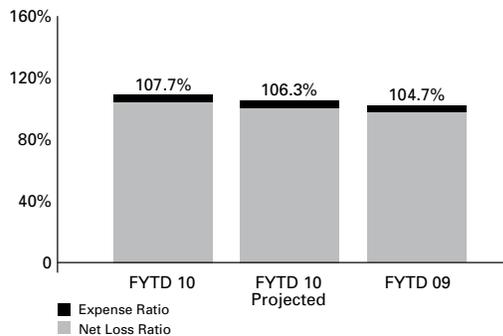
	State Insurance Fund Account	Disabled Workers' Relief Fund Account	Coal-Workers Pneumoconiosis Fund Account	Public Work Relief Employees' Fund Account	Marine Industry Fund Account	Self-Insuring Employers' Guaranty Fund Account	Administrative Cost Fund Account	Eliminations	Totals
Assets									
Bonds	\$11,596,535	\$ 951,532	\$ 203,545	\$ 24,161	\$ 18,051	\$ -	\$ -	\$ -	\$12,793,824
Stocks	3,929,064	262,986	55,337	-	-	-	-	-	4,247,387
International Equities	1,247,561	-	-	-	-	-	-	-	1,247,561
Private Equities	52	-	-	-	-	-	-	-	52
Cash & Cash Equivalents	<u>1,305,578</u>	<u>6,089</u>	<u>2,005</u>	<u>226</u>	<u>318</u>	<u>54,917</u>	<u>(640)</u>	<u>-</u>	<u>1,368,493</u>
Total Cash & Investments	\$18,078,790	\$ 1,220,607	\$ 260,887	\$ 24,387	\$ 18,369	\$ 54,917	\$ (640)	\$ -	\$19,657,317
Accrued Premiums	1,951,012	1,621,948	-	207	-	731,589	250,760	-	4,555,516
Other Accounts Receivable	144,780	15,314	-	-	3	(254)	8,385	-	168,228
Interfund Receivables	18,388	54,395	-	-	13	528	143,151	(216,475)	-
Investment Receivables	184,347	16,420	2,690	-	-	4	-	-	203,461
Other Assets	<u>25,681</u>	<u>22</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>78,414</u>	<u>-</u>	<u>104,117</u>
Total Assets	\$20,402,998	\$2,928,706	\$ 263,577	\$ 24,594	\$ 18,385	\$ 786,784	\$ 480,070	\$ (216,475)	\$24,688,639
Liabilities									
Reserve for Compensation & Compensation Adj. Expense	\$15,397,000	\$ 1,949,420	\$ 68,595	\$ 3,925	\$ 1,715	\$ 774,162	\$ 1,081,000	\$ -	\$19,275,817
Accounts Payable	54,446	-	-	-	-	-	4,939	-	59,385
Investment Payable	998,385	13,766	3,073	-	-	-	-	-	1,015,224
Interfund Payables	196,582	14,539	69	10	9	5,266	-	(216,475)	-
Other Liabilities	<u>87,656</u>	<u>118</u>	<u>782</u>	<u>4</u>	<u>137</u>	<u>-</u>	<u>97,685</u>	<u>-</u>	<u>186,382</u>
Total Liabilities	16,734,069	1,977,843	72,519	3,939	1,861	779,428	1,183,624	(216,475)	20,536,808
Net Assets	\$ 3,668,929	\$ 950,863	\$ 191,058	\$ 20,655	\$ 16,524	\$ 7,356	\$ (703,554)	\$ -	\$ 4,151,831

Financial Performance Metrics

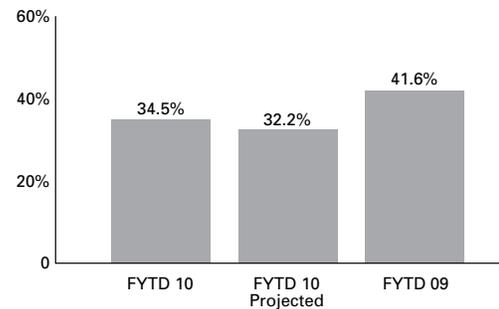
	Actual FY10 As of 11/30/09	Projected FY10 As of 11/30/09	Actual FY09 As of 11/30/08	Guidelines
Funding Ratio (State Insurance Fund)	1.25	1.17	1.05	1.02 to 1.35
Net Leverage Ratio (SIF)	4.39	6.67	21.69	3.0 to 8.0
Loss Ratio	85.3%	82.9%	81.1%	
LAE Ratio - MCO	7.6%	7.3%	7.3%	
LAE Ratio - BWC	10.8%	12.0%	12.0%	
Net Loss Ratio	103.7%	102.2%	100.4%	120.0%
Expense Ratio	4.0%	4.1%	4.3%	5.0%
Combined Ratio	107.7%	106.3%	104.7%	125.0%
Net Investment Income Ratio	34.5%	32.2%	41.6%	
Operating Ratio (Trade Ratio)	73.2%	74.1%	63.1%	100.0%

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

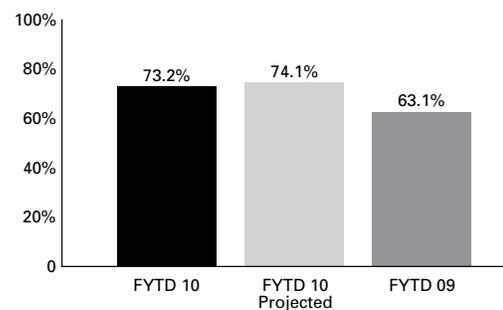
Combined Ratio



Investment Income Ratio

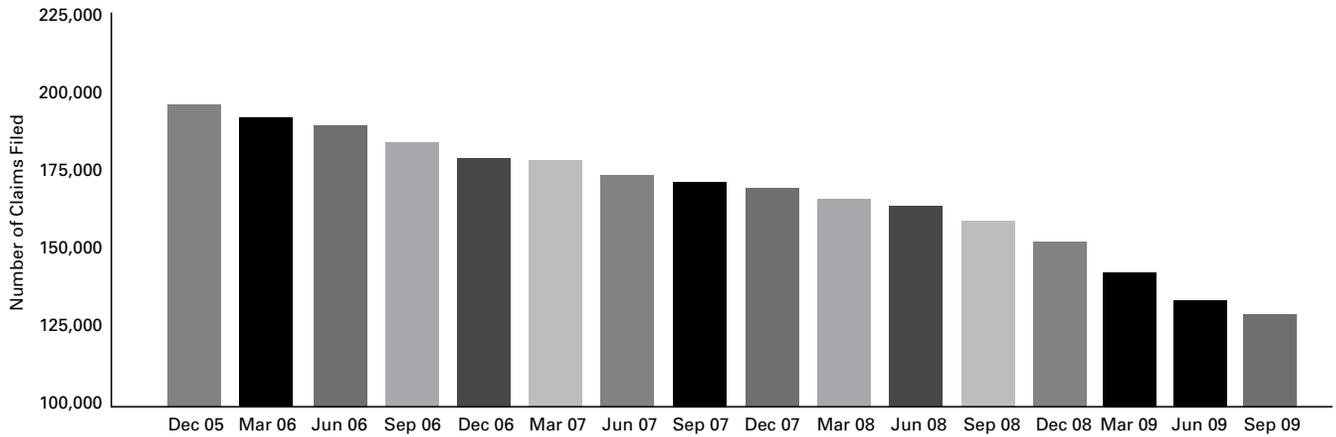


Operating Ratio

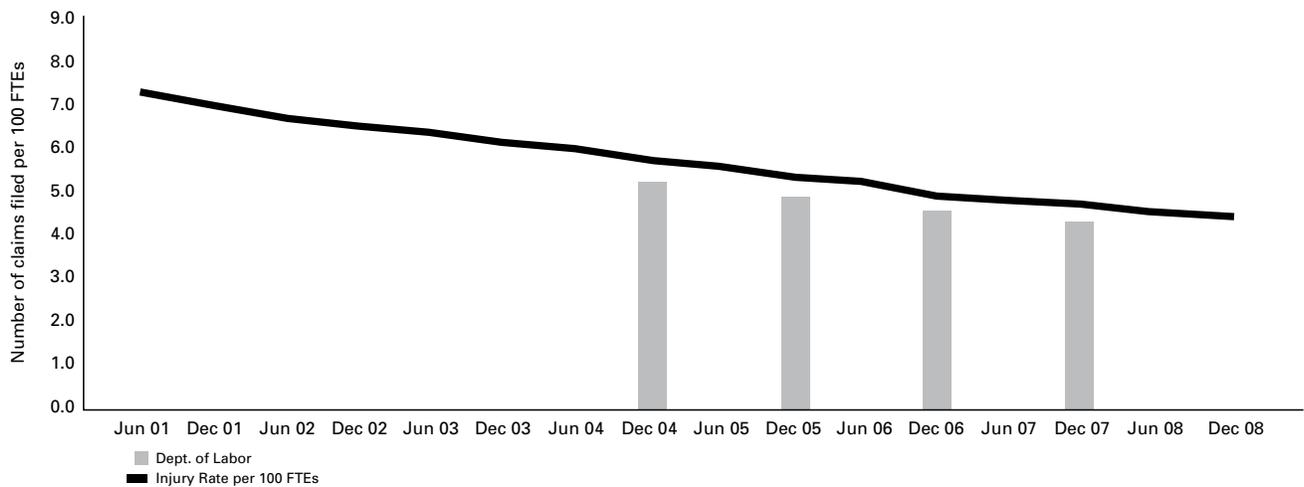


Operational Performance Metrics

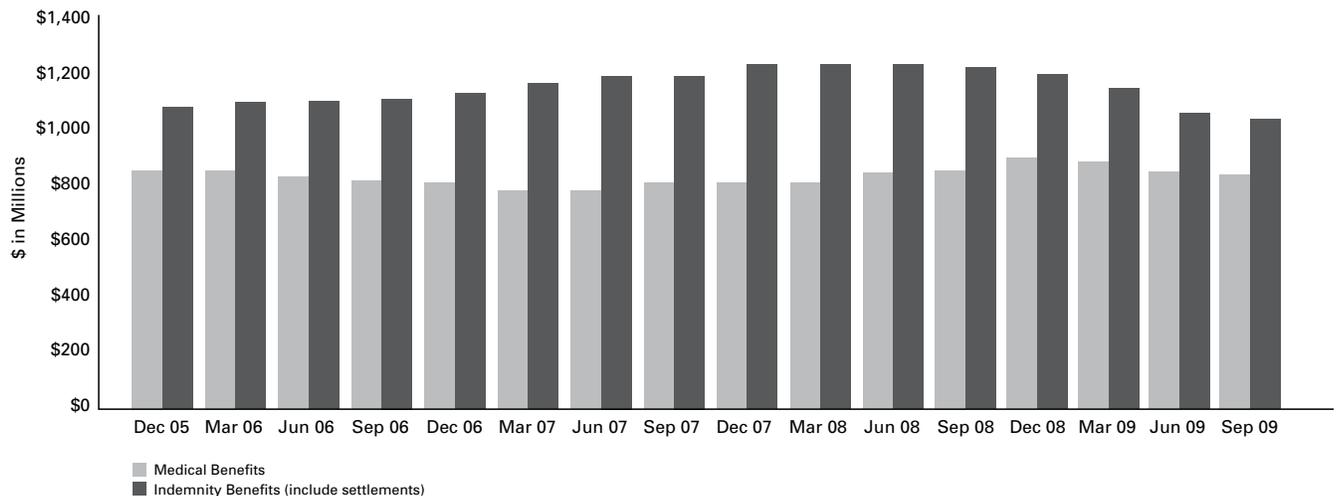
New Claims Filed - Twelve months ended



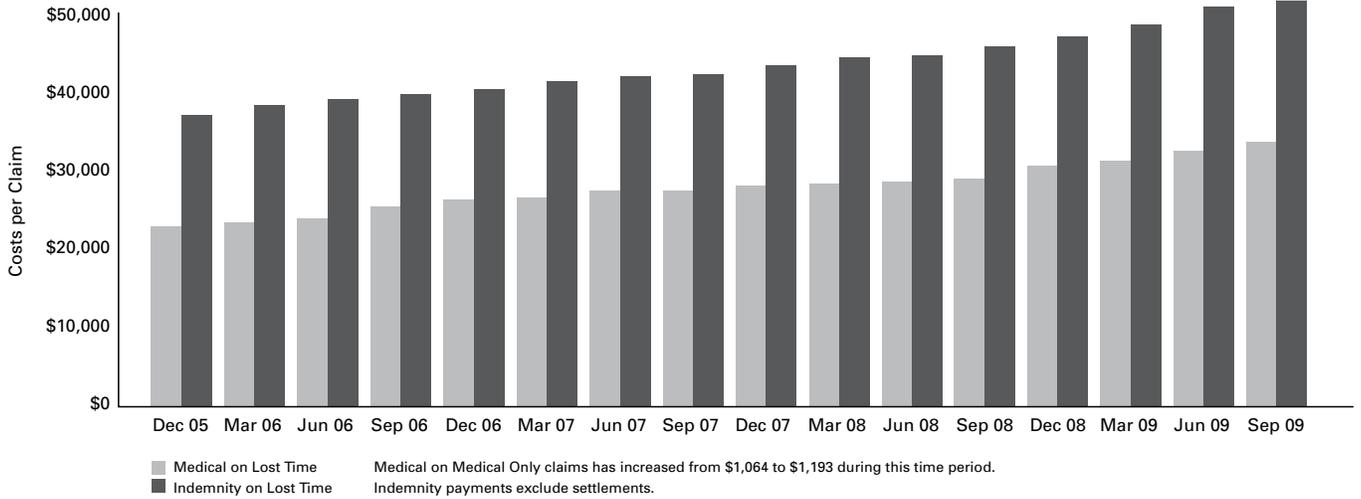
Frequency - Reported semi-annually



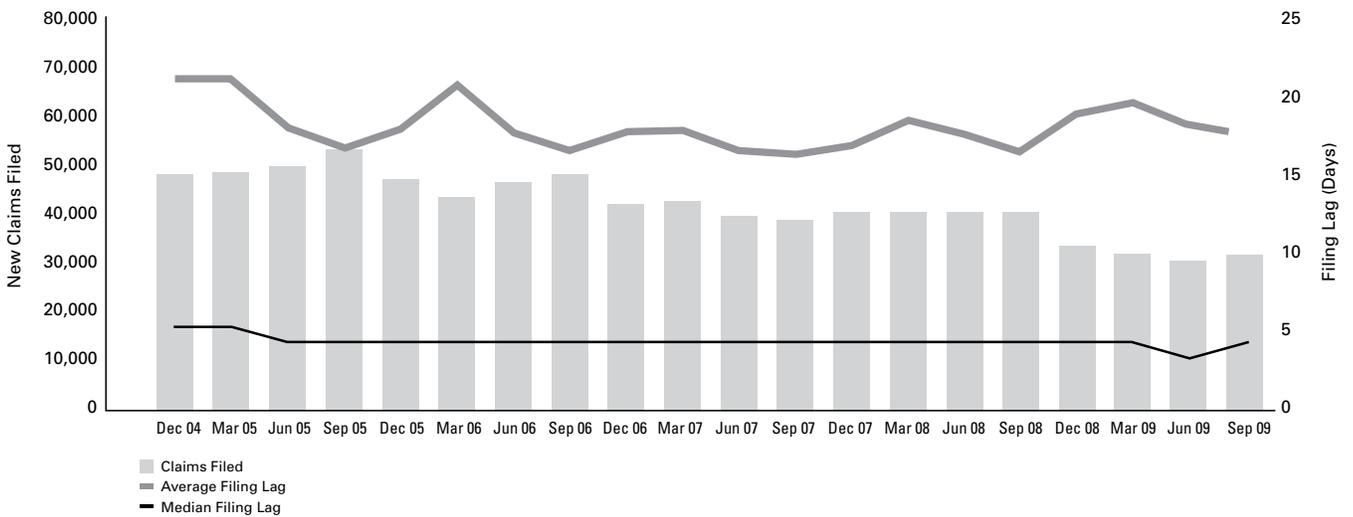
Benefit Payments - Twelve months ended



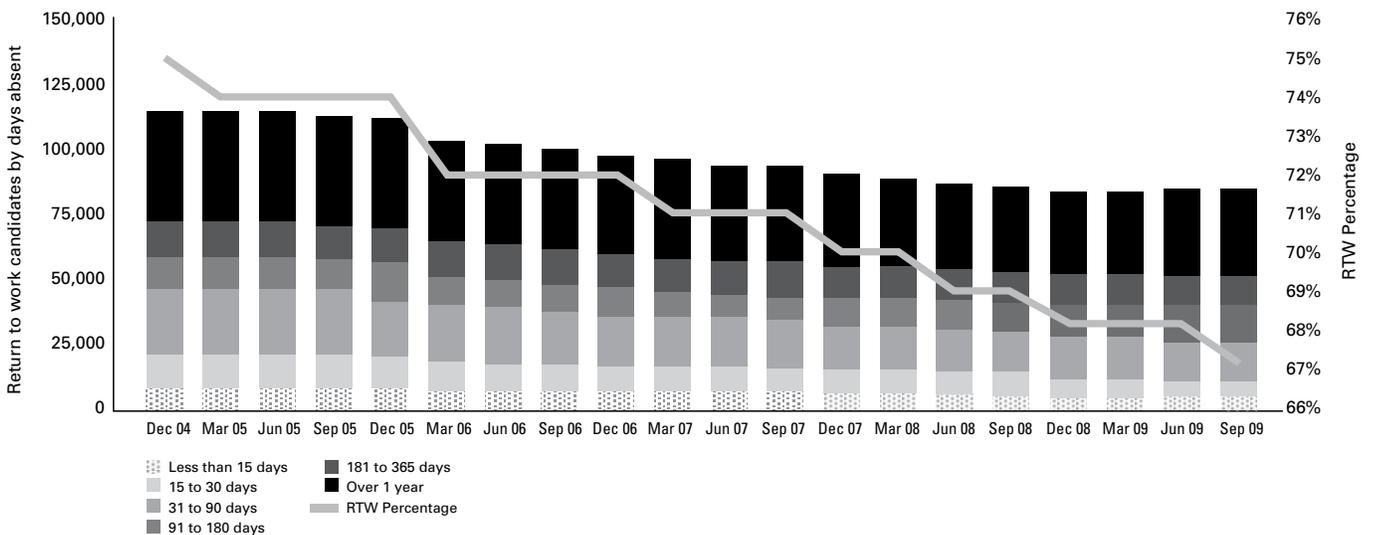
Severity



Claim Filing Lag



Return to work

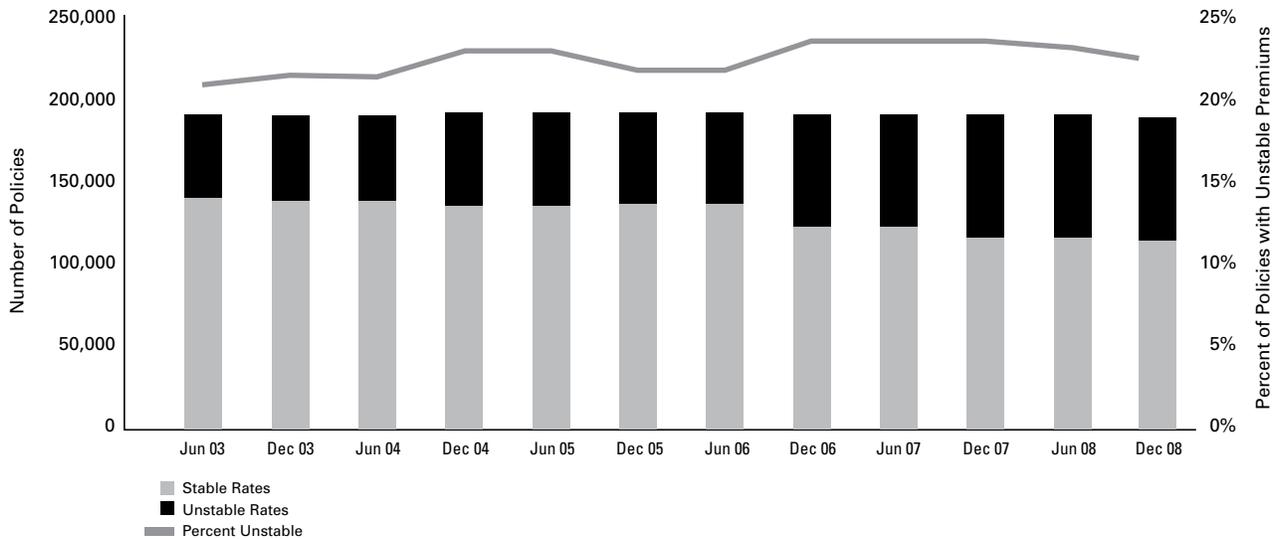


Aggregate Reported Payroll – Twelve Months Ending

(\$ 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 Board of Directors Update, December 17, 2009

Senate Bill 213—(Sen. Faber-R-Celina) Introduced November 19, 2009. Creates a two-year moratorium on rate changes and makes other changes to BWC's rate structure for PY 2010 and beyond.

- Creates a two-year moratorium on application of the Break-even Factor and requires the maximum group discount to remain at 65% during that time. (uncodified law)
- Requires BWC to study premium rates (collaboratively with stakeholders) during the first year of the moratorium and submit a report to legislative leaders that includes a determination of the direction of future rates and make recommendations based on that determination. Directs the BWC Board to approve and adopt rules in accordance with the study and recommendations. (uncodified law)
- Requires all discounts to be set annually not later than September 1st for the upcoming policy year. Similar provision was included in HB 15 (BWC budget). This provision was vetoed by the Governor.

SB 213 is currently active in the Senate Insurance Commerce and Labor Committee

- 12/1 Sponsor Testimony
- 12/8—Proponent Testimony: Charlie Howard--Ohio Automobile Dealers Association
Tom Jackson—Ohio Grocers Association
Linc Ketterer—Duggan and Meyers Construction Company
Ohio Association of School Business Officials (written)
Ohio Hotel and Lodging Association (written)
Opponent Testimony: John Pedrick, Chief Actuary, BWC
William Hanson, Oliver Wyman
Dennis Davis, Ohio Manufacturers' Association
Stuart Garson, Seaman & Garson, LLC
Steve Mindzak, United Auto Workers
- 3rd hearing and possible vote on 12/15 was cancelled.
- The Workers' Compensation Council is reviewing for financial impact on BWC.

Senate Resolution 118--(Sen. Grendell-R-Chesterland)--To review the feasibility of allowing employers the option to obtain private insurance to insure their obligations under the workers' compensation system of Ohio

- This resolution was approved by the Senate by a 19-14 vote on November 18, and is not subject to House approval.
- Creates a taskforce of 23 including the Administrator and Board of Directors' Chair or their designee and the Director of the Department of Insurance who is designated as co-chair.
- Awaiting Senate appointments of the remaining 20 members.
- The Workers' Compensation Council has no plans to review this resolution.

House Bill 216--(Rep. Carney-D-Columbus) Introduced June 9, 2009. Professional Employer Organizations

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 ORC with laws in neighboring states.
- Legislative Affairs and BWC staff met on several occasions in December with industry proponents and legislative leaders aimed at forging a compromise on several key provisions contained in the legislation.
- Revised legislation is expected to move in the Ohio House in January 2010.

House Bill 259--(Rep. Batchelder-R-Medina) July 29, 2009. WC investments

Specify the classes of investments in which BWC may invest the assets of the State Insurance Fund and other funds (Pneumoconiosis Fund, Marine Industry Fund, etc.). Require criminal background checks for contracted for investment consultants

- If enacted, this legislation would significantly reduce the influence of the Investment Committee and the Board in formulating and adjusting BWC investment policy as appropriate. It would also significantly limit BWC's ability to maximize the full potential of the investment portfolio.
- The legislation is nearly identical to HB 79 (Rep. Batchelder) from the 127th General Assembly. That legislation passed the House by party line vote and stalled in the Senate.
- Scheduled Sponsor Testimony on 12/16 in House Insurance Committee was cancelled at the request of the sponsor.

Senate Bill 195--(Sen. Patton-R-Strongsville) -- To create a uniform standard to determine whether an individual performing services for an employer is an employee of that employer.

- Similar legislation has been introduced in the House by Rep. Denise Driehaus (D-Cincinnati).
- The legislation is intended to address the independent contractor misclassification issue and assist in developing a common statutory definition for "employee".
- The Attorney General's office is continuing agency discussion on this issue through its coordinated multi-agency Worker Misclassification Work Group.
- Rep. Debbie Phillips (D-Athens) is drafting similar legislation.
- Next work group meeting is scheduled for 1/12/10.

Senate Bill 94--(Sen. Patton-R-Strongsville) April 7, 2009. Emergency service workers-cancer/infectious diseases-presume incurred on job.

To provide that a firefighter, police officer, or public emergency medical services worker who is disabled as a result of specified types of cancer or certain contagious or infectious diseases is presumed for purposes of the laws governing workers' compensation and the Ohio Police and Fire Pension Fund to have incurred the disease while performing official duties as a firefighter, police officer, or public emergency medical services worker.

- No recent activity.

House Bill 249--(Rep. Heard-D-Columbus) July 7, 2009. Redefine "journalist" for the purpose of accessing claimant contact information under R.C. 4123.88

To redefine the definition of "journalist" (R.C. 149.43(B)(9)) to include "trade and business association newsletter". To permit access to bulk lists of claimant contact information.

- No recent activity.
- The Ohio Association for Justice, NFIB, and the OMA are opposed to the bill. At this time, BWC is an interested party but may actively oppose the bill.

WORKERS' COMPENSATION COUNCIL:

- The 3 member Advisory Council for the WCC met on December 1 to discuss pending legislation and the role the Council should take in such matters. A number of interested parties attended. Sen. Buehrer indicated SB 213 was the first priority for the council to review.
- The full WCC met on December 8 expecting to move forward on SB213, but the staff indicated there hadn't been sufficient time to adequately study the ramifications.
- The next meeting is scheduled for January 27, 2010.