

Enterprise Report

May 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.*

April Financial Analysis

BWC's net assets increased by \$20 million in April resulting in net assets of \$1.54 billion at April 30, 2009 compared to \$1.52 billion at March 31, 2009.

<i>(\$ in millions)</i>	Fiscal YTD March 31, 2009	Month Ended April 30, 2009	Fiscal YTD April 30, 2009
Operating Revenues	\$1,652.7	\$150.8	\$1,803.5
Operating Expenses	1,682.5	214.1	1,896.6
Operating Transfers to ODNR & WCC	(3.3)	(1.4)	(4.7)
Net Operating Gain (Loss)	(33.1)	(64.7)	(97.8)
Net Investment Income (Loss)	(947.1)	84.4	(862.7)
Increase (Decrease) in Net Assets	(980.2)	19.7	(960.5)
Net Assets End of Period	\$1,523.1	\$1,542.8	\$1,542.8

- o Premium and assessment income of \$173 million net of a \$25 million provision for uncollectible accounts receivable along with other income of \$3 million resulted in operating revenues of \$151 million in April.
- o Benefits and compensation adjustment expenses of \$206 million along with other expenses of \$8 million resulted in operating expenses of \$214 million in April.
- o A \$10 million increase in portfolio market value in April along with interest and dividend income of \$75 million for the month, resulted in a net investment income of \$84 million for the month after investment expenses. The increase in portfolio market value is comprised of \$28 million in net unrealized gains and \$18 million in net realized losses.
- o Premium payments from public employer taxing districts for the 2008 policy year contributed to premium and assessment receipts of \$89 million in April. Collections were \$19 million less than projected for the month.
- o Claim payments issued in April were \$187 million, including \$13 million in claim settlements. April included three bi-weekly scheduled payment cycles increasing April payments by approximately \$25 million compared to months with two bi-weekly payment cycles.
- o A total of \$80 million was transferred from operating cash to the large-cap equity mandate as part of a rebalancing of the investment portfolio.

Fiscal Year-to-Year Comparisons

BWC's total net assets have decreased by \$961 million for fiscal year-to-date 2009 resulting in net assets of \$1.5 billion at April 30, 2009 compared to \$2.6 billion at April 30, 2008.

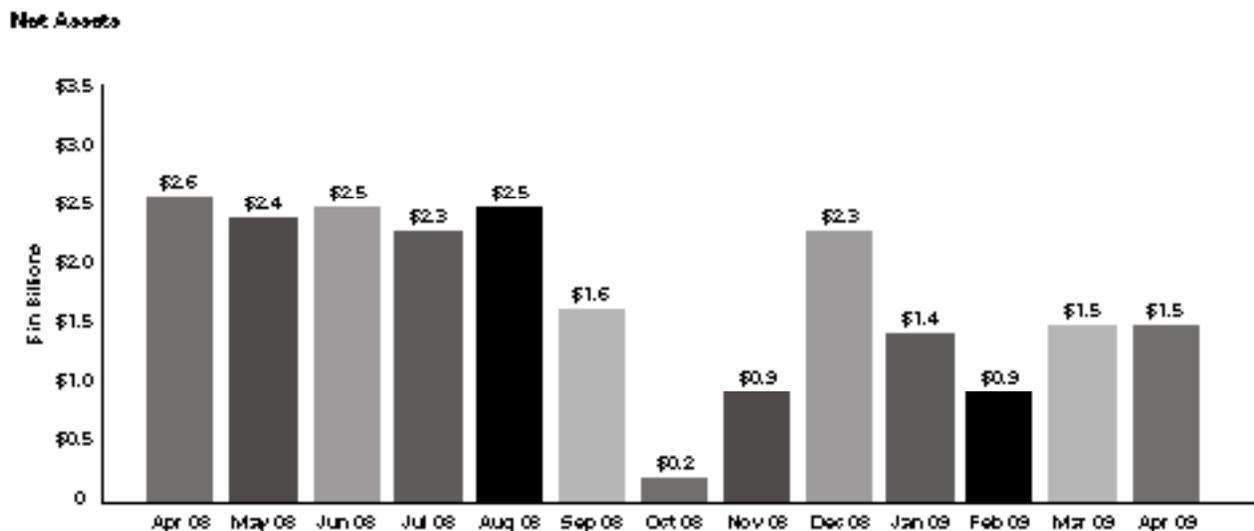
<i>(\$ in millions)</i>	Fiscal YTD April 30, 2009	Projected FYTD April 30, 2009	Fiscal YTD April 30, 2008
Operating Revenues	\$1,804	\$1,818	\$1,836
Operating Expenses	1,897	2,186	2,556
Operating Transfer Out to ODNR	(5)	(6)	-
Net Operating Gain (Loss)	(98)	(374)	(720)
Net Investment Income (Loss)	(863)	872	1,049
Increase (Decrease) in Net Assets	(961)	498	329
Net Assets End of Period	\$1,543	\$3,001	\$2,635

- o BWC's operating revenues for fiscal year-to-date 2009 were \$1.8 billion, a decrease of \$32 million compared to fiscal year-to-date 2008. The decrease is primarily due to an increase in the provision for uncollectible accounts receivable compared to fiscal year 2008.

- o Benefit and compensation adjustment expenses have decreased by \$659 million in fiscal year 2009 primarily due to a decrease in the change in reserves for compensation and compensation adjustment expenses. The fiscal year 2009 reserve projections are based on payment trends through December 31, 2008 and include a short-term medical inflation assumption of 6% compared to the 9% medical inflation rate used in the fiscal year 2008 actuarial audit.
- o Benefit and compensation adjustment expenses are \$290 million or almost 14% less than projected due to lower than projected disbursements for claims and claims adjustment expenses.
- o BWC's net investment loss for fiscal year-to-date 2009 totaled \$863 million, comprised of \$242 million in net realized losses and \$1.2 billion in net unrealized losses, partially off-set by \$597 million of interest and dividend income net of \$4 million in investment expenses.
- o Fiscal year-to-date premium collections are \$165 million less than the prior fiscal year and are on target with projected collections. Slower reporting and payment of premiums by public employer taxing districts and moving the due date for the second 50/50 installment from May 1st to June 1st has contributed to the decline in premium collections.
- o A total of \$185 million has been redeemed from investment managers in fiscal year 2009 to meet operating cash flow needs. These redemptions compare to the \$155 million that was redeemed during this same time frame last fiscal year.

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

- o Cash disbursements will increase as payments are made to settle the remaining \$14.7 million liability resulting from the Ohio Hospital Association lawsuit disputing fee schedules that were not adopted through the Ohio Revised Code Chapter 119 rules process.
- o The number of private employers participating in the 50/50 payment program increased by almost 20% this collection period compared to the collection period ended August 31, 2008. These employers will be paying \$176 million in premiums by June 1, 2009 to maintain active coverage.
- o Public employer taxing districts have until May 15th to report payroll and pay 45% of the premium due for the 2008 policy year. As of May 8, 2009 only 65% of public employer taxing districts had filed their report compared to 75% at this same time last year.



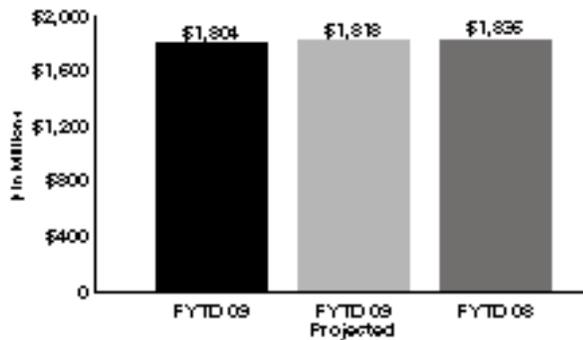
Statement of Operations

Fiscal year to date April 30, 2009

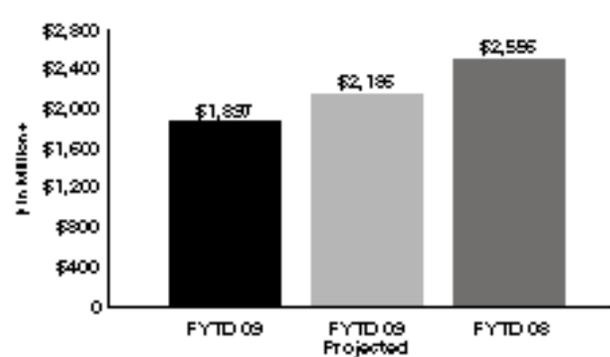
(in millions)

	Actual	Projected	Variance to Projected	Prior Yr. Actual	Year to Year Increase (Decrease)
Operating Revenues					
Premium & Assessment Income	\$1,873	\$1,854	\$19	\$1,878	\$(5)
Provision for Uncollectibles	(87)	(54)	(33)	(59)	(28)
Other Income	18	18	-	17	1
Total Operating Revenue	1,804	1,818	(14)	1,836	(32)
Operating Expenses					
Benefits & Compensation Adj. Expense	1,820	2,110	290	2,479	(659)
Other Expenses	77	76	(1)	77	-
Total Operating Expenses	1,897	2,186	289	2,556	(659)
Operating Transfers	(5)	(6)	1	-	(5)
Net Operating Gain (Loss)	(98)	(374)	276	(720)	622
Net Investment Income (Loss)	(863)	872	(1,735)	1,049	(1,912)
Increase (Decrease) in Net Assets	\$(961)	\$498	\$(1,459)	\$329	\$(1,290)

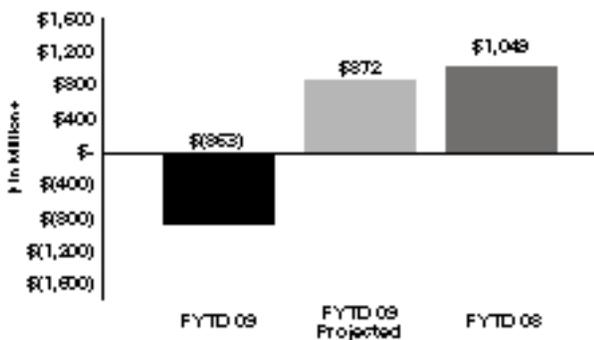
Operating Revenues



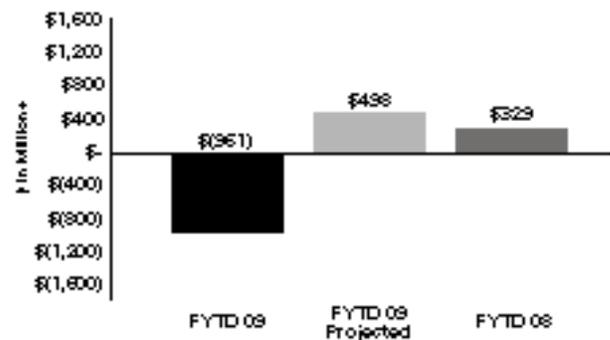
Operating Expenses



Net Investment Income (Loss)



Change in Net Assets



Statement of Operations – Combining Schedule

Fiscal year to date April 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	\$1,481,625	\$66,948	\$1,375	\$125	\$664	\$16,409	\$305,688	\$1,872,834
Provision for Uncollectibles	(81,055)	(3,267)	-	-	-	(253)	(2,745)	(87,320)
Other Income	11,286	-	-	-	-	-	6,685	17,971
Total Operating Revenues	1,411,856	63,681	1,375	125	664	16,156	309,628	1,803,485
Operating Expenses:								
Benefits & Compensation Adj Expenses	1,521,539	66,030	831	(91)	284	18,953	211,914	1,819,460
Other Expenses	19,221	272	68	-	106	1	57,423	77,091
Total Operating Expenses	1,540,760	66,302	899	(91)	390	18,954	269,337	1,896,551
Net Operating Income (Loss) before Operating Transfers Out	(128,904)	(2,621)	476	216	274	(2,798)	40,291	(93,066)
Operating Transfers Out	(3,039)	-	(4,540)	-	-	-	2,696	(4,883)
Net Operating Income (Loss)	(131,943)	(2,621)	(4,064)	216	274	(2,798)	42,987	(97,949)
Investment Income:								
Investment Income	543,972	38,982	8,277	458	341	637	3,943	596,610
Net Realized Gains (Losses)	(220,287)	(18,354)	(3,434)	-	-	-	-	(242,075)
Net Unrealized Gains (Losses)	(1,121,548)	(74,055)	(17,045)	(140)	(105)	-	-	(1,212,893)
Total Realized & Unrealized Capital Gains (Losses)	(1,341,835)	(92,409)	(20,479)	(140)	(105)	-	-	(1,454,968)
Investment Manager & Operational Fees	(3,706)	(230)	(136)	(1)	-	(2)	-	(4,075)
Gain (Loss) on Disposal of Fixed Assets	-	-	-	-	-	-	(220)	(220)
Total Non-Operating Revenues, Net	(801,569)	(53,657)	(12,338)	317	236	635	3,723	(862,653)
Increase (Decrease) in Net Assets (Deficit)	(933,512)	(56,278)	(16,402)	533	510	(2,163)	46,710	(960,602)
Net Assets (Deficit), Beginning of Period	2,206,922	848,727	179,339	19,350	13,431	8,919	(773,399)	2,503,289
Net Assets (Deficit), End of Period	\$1,273,410	\$792,449	\$162,937	\$19,883	\$13,941	\$6,756	\$(726,689)	\$1,542,687

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 April 30, 2009

(in thousands)

	Actual	Projected	Variance to Projected	Prior Yr. Actual	Year to Year Increase (Decrease)
Investment Income					
Bond Interest	\$523,333	\$634,910	\$(111,577)	\$621,430	\$(98,097)
Dividend Income—Domestic & International	59,823	57,500	2,323	49,549	10,274
Money Market/Commercial Paper Income	5,082	8,132	(3,050)	15,678	(10,596)
Misc. Income (Corp Actions, Settlements)	8,372	3,000	5,372	3,903	4,469
Private Equity	—	—	—	3,921	(3,921)
Securities Lending Income, Net of Fees	—	—	—	—	—
Total Investment Income	596,610	703,542	(106,932)	694,481	(97,871)
Realized & Unrealized Capital Gains and (Losses)					
Bonds – Net Realized Gains (Losses)	(157,462)	—	(157,462)	(66,307)	(91,155)
Stocks – Net Realized Gains (Losses)	(84,747)	—	(84,747)	41,855	(126,602)
Subtotal – Net Realized Gains (Losses)	(242,209)	—	(242,209)	(24,452)	(217,757)
Bonds – Net Unrealized Gains (Losses)	(298,536)	—	(298,536)	733,832	(1,032,368)
Stocks – Net Unrealized Gains (Losses)	(914,357)	172,500	(1,086,857)	(294,505)	(619,852)
Subtotal – Net Unrealized Gains (Losses)	(1,212,893)	172,500	(1,385,393)	439,327	(1,652,220)
Net Gain (Loss) – PE	134	—	134	(49,587)	49,721
Change in Portfolio Value	(1,454,968)	172,500	(1,627,468)	365,288	(1,820,256)
Investment Manager & Operational Fees	(4,075)	(4,018)	(57)	(10,322)	(6,247)
Net Investment Income (Loss)	\$(862,433)	\$872,024	\$(1,734,457)	\$1,049,447	\$(1,911,880)

Administrative Cost Fund Expense Analysis

April 2009

- o BWC Administrative Cost Fund expenses are approximately \$25.3 million (9.6%) less than budgeted and approximately 1.3% less than last fiscal year.
- o Changes in payroll within divisions, including BWC Administration, Customer Service, Medical and Ombuds Office, varied due to vacant management positions that were filled in fiscal year 2009, vacancies resulting from the fiscal year 2008 Early Retirement Incentive, hiring controls implemented by OBM and positions moving due to reorganization. BWC's early retirement offering that ended January 31, 2008, resulted in Early Retirement Expenses in fiscal year 2008.
- o The timing of the receipt of invoices for payment in fiscal year 2009 caused actual expenditures to be less than the amount budgeted through April. A closer evaluation of projects and the need for IT consultants continues to cause a reduction in IT personal services.
- o Restrictions implemented for all state agencies concerning the purchase of equipment led to BWC more closely evaluating equipment needs and the reduction of equipment purchases in fiscal year 2008 and 2009.
- o Positions not yet filled led to a reduction in the fiscal year 2009 budget as of April. The payroll budget will be increased as employees are hired.
- o BWC's current fiscal year 2009 budget is approximately \$28 million (8.5%) less than appropriated by the General Assembly.

Administrative Cost Fund Budget Summary

As of April 30, 2009

Expense Description	FTE's	Actual FY09	Budgeted FYTD09	FYTD09 Variance	FYTD09 Percentage Variance	FY09 Budget	FYTD08 Expenses	Increase (Decrease) in FY09	FYTD09 Percentage Variance
Payroll									
BWC Board of Directors	12	784,282	781,744	(2,538)	-0.32%	896,102	653,503	130,779	20.01%
Workers' Comp Council		72,323	72,323	0	0.00%	77,667		72,323	100.00%
BWC Administration	9	688,632	688,632	0	0.00%	846,644	512,531	176,101	34.36%
Customer Service	1,475	94,192,705	94,296,213	103,508	0.11%	111,520,175	96,979,822	(2,787,117)	-2.87%
Medical	135	10,004,586	10,014,986	10,400	0.10%	11,862,806	8,879,282	1,125,304	12.67%
Special Investigations	139	9,480,387	9,482,031	1,644	0.02%	11,214,524	9,435,004	45,383	0.48%
Fiscal and Planning	67	4,246,678	4,276,759	30,081	0.70%	5,046,268	4,087,301	159,377	3.90%
Actuarial	22	1,434,177	1,435,784	1,607	0.11%	1,718,150	1,315,136	119,041	9.05%
Investments	11	992,761	994,321	1,560	0.16%	1,207,069	835,885	156,876	18.77%
Infrastructure & Technology	299	25,197,777	25,344,280	146,503	0.58%	29,953,302	24,578,704	619,073	2.52%
Legal	76	5,687,090	5,686,909	(181)	0.00%	6,754,421	5,231,164	455,926	8.72%
Communications	24	2,107,116	2,105,245	(1,871)	-0.09%	2,418,675	2,322,081	(214,965)	-9.26%
Human Resources	64	4,642,049	4,642,741	692	0.01%	5,502,167	4,425,871	216,178	4.88%
Internal Audit	16	1,161,678	1,162,362	684	0.06%	1,404,114	1,286,161	(124,483)	-9.68%
Ombuds Office	10	483,682	483,981	299	0.06%	588,499	338,454	145,228	42.91%
Early Retirement Expenses				0	0.00%		247,957	(247,957)	-100.00%
Total Payroll	2,359	161,175,923	161,468,311	292,388	0.18%	191,010,583	161,128,856	47,067	0.03%
Personal Services									
Information Technology		8,647,869	11,324,260	2,676,391	23.63%	13,539,105	11,587,537	(2,939,668)	-25.37%
Legal - Special Counsel		1,134,477	1,310,678	176,201	13.44%	1,571,015	1,248,440	(113,963)	-9.13%
Legal - Attorney General		4,224,601	4,444,085	219,484	4.94%	4,444,085	3,139,623	1,084,978	34.56%
Other Personal Services		4,846,570	7,095,784	2,249,214	31.70%	8,221,661	3,395,637	1,450,933	42.73%
Total Personal Services		18,853,517	24,174,807	5,321,290	22.01%	27,775,866	19,371,237	(517,720)	-2.67%
Maintenance									
William Green Rent		20,578,304	20,686,500	108,196	0.52%	20,686,500	20,237,720	340,584	1.68%
Other Rent and Leases		10,269,375	11,595,570	1,326,195	11.44%	11,910,383	9,525,085	744,290	7.81%
Software and Equipment Maintenance and Repairs		12,772,928	16,897,875	4,124,947	24.41%	19,604,789	12,521,631	251,297	2.01%
Inter Agency Payments		2,507,508	3,029,068	521,560	17.22%	3,659,962	2,517,984	(10,476)	-0.42%
Communications		3,101,621	5,814,117	2,712,496	46.65%	6,962,294	3,008,980	92,641	3.08%
Safety Grants and Long Term Care Loan		3,647,403	4,500,000	852,597	18.95%	6,000,000	3,681,235	(33,832)	-0.92%
Supplies and Printing		1,212,859	2,653,440	1,440,581	54.29%	3,188,396	1,674,435	(461,576)	-27.57%
Other Maintenance		2,675,167	3,160,281	485,114	15.35%	3,748,222	2,591,154	84,013	3.24%
Total Maintenance		56,765,165	68,336,851	11,571,686	16.93%	75,760,546	55,758,224	1,006,941	1.81%
Equipment									
		827,653	8,955,996	8,128,343	90.76%	9,680,865	4,612,130	(3,784,477)	-82.05%
Total Administrative Cost Fund Expenses		237,622,258	262,935,965	25,313,707	9.63%	304,227,860	240,870,447	(3,248,189)	-1.35%

Total Agency Appropriation 332,360,479
 Budget to Appropriation Variance 28,132,619
 Percentage Variance 8.46%

State Insurance Fund

Administrative Expense Summary

As of April 30, 2009

	Actual FYTD 2009	Encumbrance Balance	FYTD Actual & Encumbrance	Encumbrance Closing Date	Actual FYTD 2008
Investment Administrative Expenses					
UBS Securities LLC	\$275,191	\$0	\$275,191	6/30/08	\$5,094,342
Wilshire Associates Inc.	0	0	0		480,368
JP Morgan Chase - Performance Reporting	81,333	20,001	101,334	6/30/08	208,971
Mercer Investment Consulting	395,830	125,663	521,493	6/30/09	72,341
Other Investment Expenses	218,498	253,811	472,309	6/30/09	219,666
	970,852	399,475	1,370,327		6,075,688
Actuarial Expenses					
Mercer Oliver Wyman	520,433	987,024	1,507,457	12/31/09	731,498
Oliver Wyman Consulting	317,232	1,637,127	1,954,359	12/31/09	0
Deloitte Consulting LLP	1,550,095	0	1,550,095	12/31/08	255,721
Shoenfelt Consulting	6,370	5,550	11,920	3/31/09	0
AON Risk Consultants	0	0	0		263,599
	2,394,130	2,629,701	5,023,831		1,250,818
Ohio Rehabilitation Services	605,407	0	605,407	6/30/09	605,407
TOTAL	\$3,970,389	\$3,029,176	\$6,999,565		\$7,931,913

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.

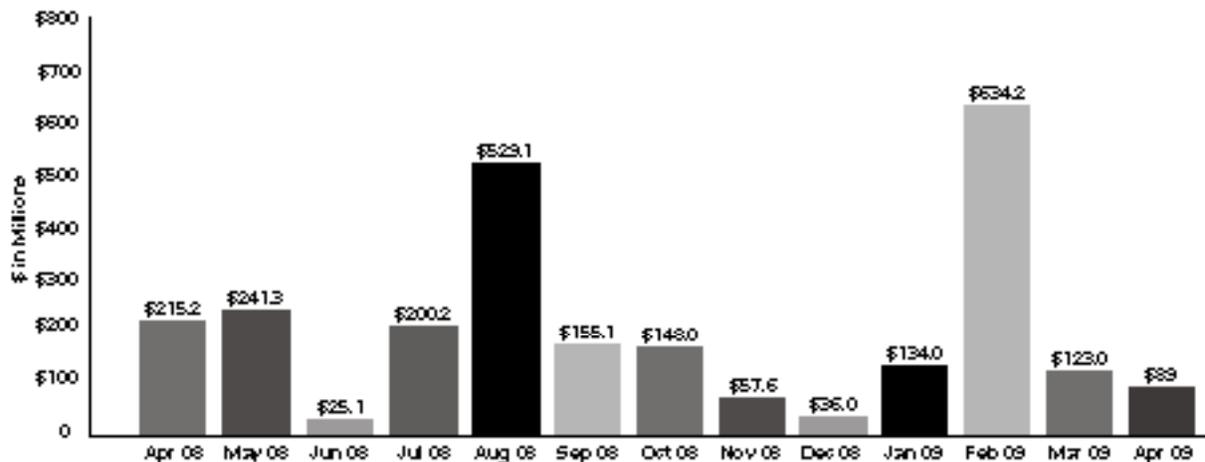
Statement of Cash Flows

Fiscal year to date April 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	\$2,107	\$2,101	\$6	\$2,272	\$(165)
Cash Receipts – Other	27	24	3	27	–
Cash Disbursements for Claims	(1,792)	(1,814)	22	(1,836)	44
Cash Disbursements for Other	(373)	(372)	(1)	(398)	25
Net Cash Provided (Used) by Operating Activities	(31)	(61)	30	65	(96)
Net Cash Flows from Noncapital Financing Activities	(5)	(6)	1	–	(5)
Net Cash Flows from Capital and Related Financing Activities	(22)	(21)	(1)	(22)	–
Net Cash Provided (Used) by Investing Activities	155	167	(12)	158	(3)
Net Increase (Decrease) in Cash and Cash Equivalents	97	79	18	201	(104)
Cash and Cash Equivalents, Beginning of Period	378	378	–	328	50
Cash and Cash Equivalents, End of Period	\$475	\$457	\$18	\$529	\$(54)

Premium and Assessment Receipts



Statement of Net Assets

As of April 30, 2009

(in millions)

	Actual	Prior Yr. Actual	Year to Year Increase (Decrease)
Assets			
Bonds	\$12,683	\$13,840	\$(1,157)
Stocks	3,214	3,409	(195)
Private Equities	–	21	(21)
Cash & Cash Equivalents	475	529	(54)
Total Cash and Investments	16,372	17,799	(1,427)
Accrued Premiums	4,151	4,368	(217)
Other Accounts Receivable	368	279	89
Investment Receivables	459	307	152
Other Assets	110	115	(5)
Total Assets	21,460	22,868	(1,408)
Liabilities			
Reserve for Compensation and Compensation Adj. Expense	\$19,361	\$19,744	\$(383)
Accounts Payable	31	65	(34)
Investment Payable	319	148	171
Other Liabilities	206	276	(70)
Total Liabilities	19,917	20,233	(316)
Net Assets	\$1,543	\$2,635	\$(1,092)

Statement of Net Assets – Combining Schedule

As of April 30, 2009

(in thousands)

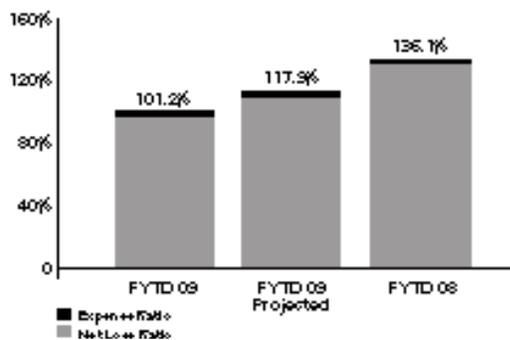
	State Insurance Fund Account	Disabled Workers' Relief Fund Account	Coal-Workers Pneumoconiosis Fund Account	Public Work Relief Employees' Fund Account	Marine Industry Fund Account	Self-Insuring Employers' Guaranty Fund Account	Administrative Cost Fund Account	Eliminations	Totals
Assets									
Bonds	\$11,619,540	\$ 844,375	\$ 179,797	\$ 22,738	\$ 16,989	\$ -	\$ -	\$ -	\$12,683,439
Stocks	2,964,552	205,729	43,279	-	-	-	-	-	3,213,560
Private Equities	197	-	-	-	-	-	-	-	197
Cash & Cash Equivalents	<u>404,276</u>	<u>9,787</u>	<u>1,854</u>	<u>159</u>	<u>346</u>	<u>55,259</u>	<u>3,183</u>	<u>-</u>	<u>474,864</u>
Total Cash & Investments	\$14,988,565	\$ 1,059,891	\$ 224,930	\$ 22,897	\$ 17,335	\$ 55,259	\$ 3,183	\$ -	\$16,372,060
Accrued Premiums	1,722,311	1,522,781	-	270	-	671,151	234,600	-	4,151,113
Other Accounts Receivable	284,066	25,462	(192)	(7)	-	(966)	59,427	-	367,790
Interfund Receivables	17,905	60,380	192	-	5	790	86,706	(165,978)	-
Investment Receivables	422,082	30,913	6,187	-	-	18	-	-	459,200
Other Assets	<u>25,453</u>	<u>22</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>84,065</u>	<u>-</u>	<u>109,540</u>
Total Assets	\$17,460,382	\$ 2,699,449	\$ 231,117	\$ 23,160	\$ 17,340	\$ 726,252	\$ 467,981	\$ (165,978)	\$21,459,703
Liabilities									
Reserve for Compensation & Compensation Adj. Expense	\$15,613,381	\$ 1,868,831	\$ 62,800	\$ 3,258	\$ 3,227	\$ 716,966	\$1,092,630	\$ -	\$19,361,093
Accounts Payable	30,745	-	-	-	-	-	346	-	31,091
Investment Payable	292,704	21,733	4,456	-	-	-	-	-	318,893
Interfund Payables	146,902	16,346	163	19	18	2,530	-	(165,978)	-
Other Liabilities	<u>103,240</u>	<u>90</u>	<u>761</u>	<u>-</u>	<u>154</u>	<u>-</u>	<u>101,694</u>	<u>-</u>	<u>205,939</u>
Total Liabilities	16,186,972	1,907,000	68,180	3,277	3,399	719,496	1,194,670	(165,978)	19,917,016
Net Assets	\$ 1,273,410	\$ 792,449	\$ 162,937	\$ 19,883	\$ 13,941	\$ 6,756	\$(726,689)	\$ -	\$ 1,542,687

Financial Performance Metrics

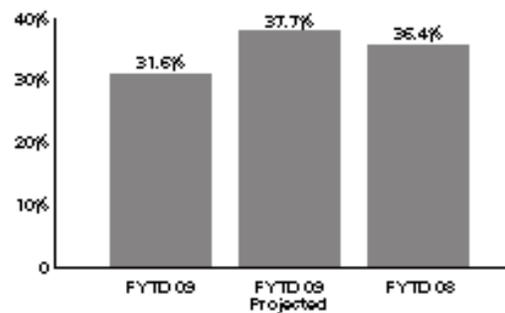
	Actual FY09 As of 4/30/09	Projected FY09 As of 4/30/09	Actual FY08 As of 4/30/08	Target
Loss Ratio	78.8%	92.3%	110.7%	
LAE Ratio - MCO	7.0%	8.3%	8.5%	
LAE Ratio - BWC	11.3%	13.2%	12.8%	
Net Loss Ratio	97.1%	113.8%	132.0%	120.0%
Expense Ratio	4.1%	4.1%	4.1%	5.0%
Combined Ratio	101.2%	117.9%	136.1%	125.0%
Net Investment Income Ratio	31.6%	37.7%	36.4%	
Operating Ratio (Trade Ratio)	69.6%	80.2%	99.7%	100.0%
Operating Cashflow Ratio	126.9%	129.2%	133.3%	118.0%
Total Reserves to Net Assets	13 to 1	6 to 1	7 to 1	7 to 1
Investments to Loss Reserves	84.6%	94.0%	90.2%	110.0%
Equities to Net Assets	2.08 to 1	1.13 to 1	1.29 to 1	
Bonds to Net Assets	8.2 to 1	4.8 to 1	5.3 to 1	
Funding Ratio (State Insurance Fund)	1.09	1.18	1.16	

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

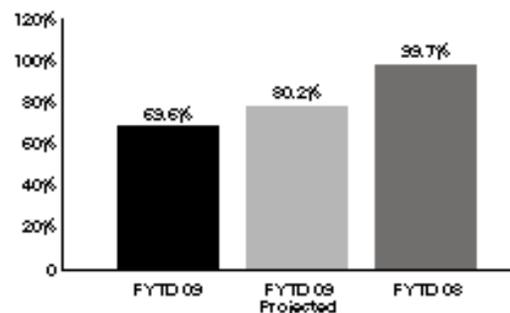
Combined Ratio



Investment Income Ratio

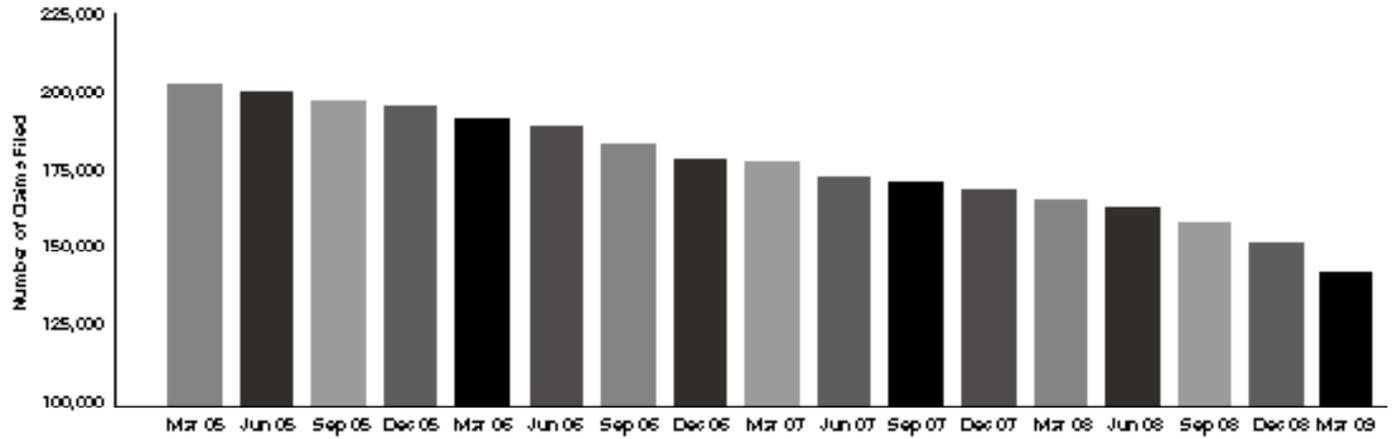


Operating Ratio

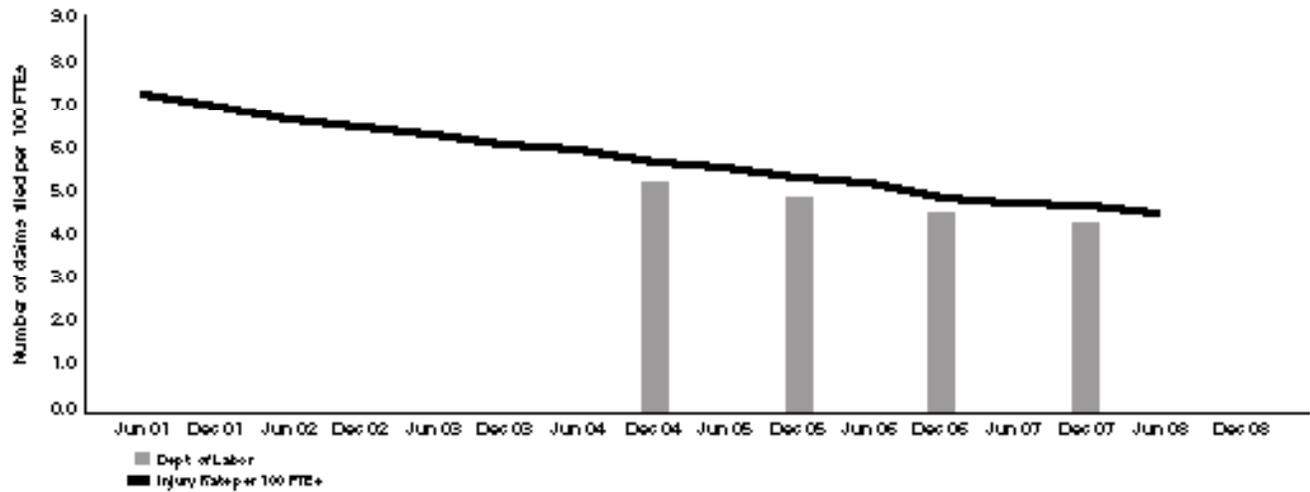


Operational Performance Metrics

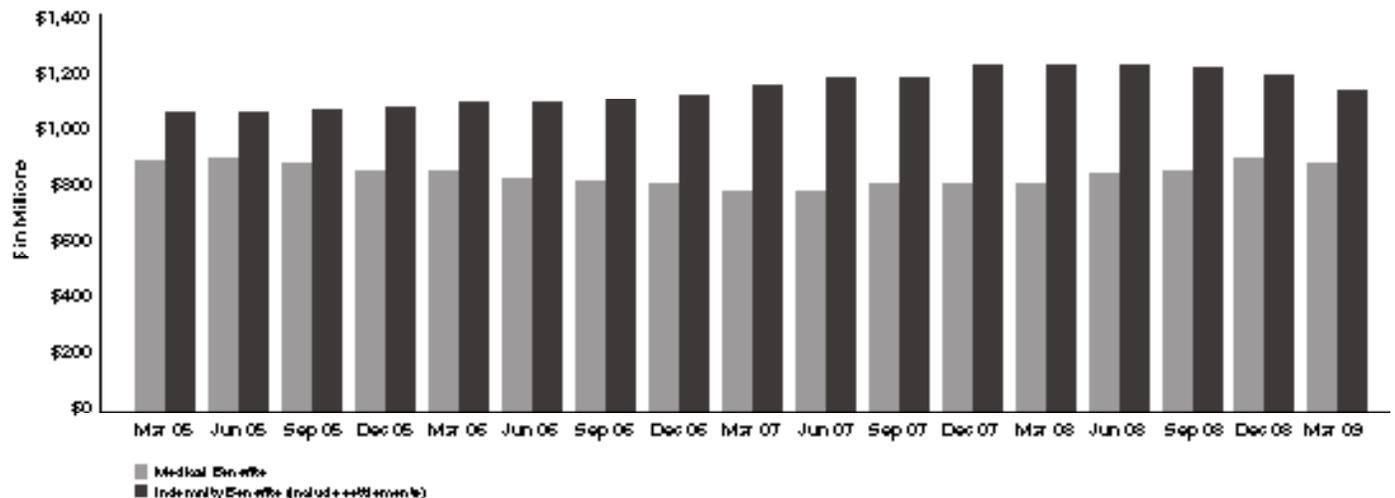
New Claims Filed - Twelve months ended



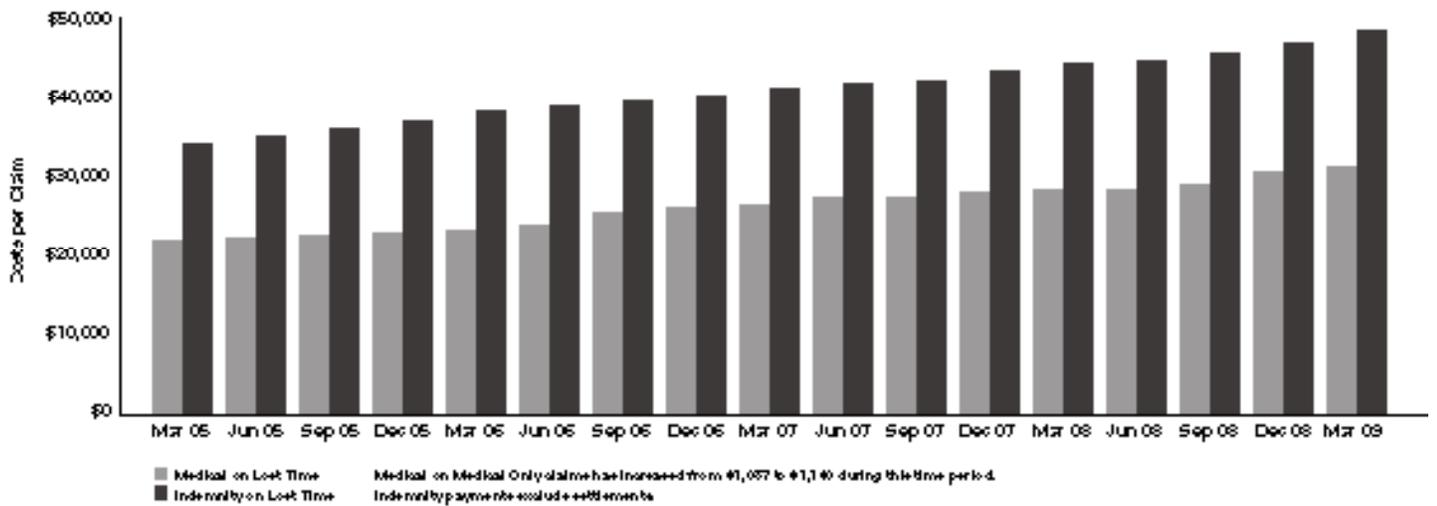
Frequency - Reported semi-annually



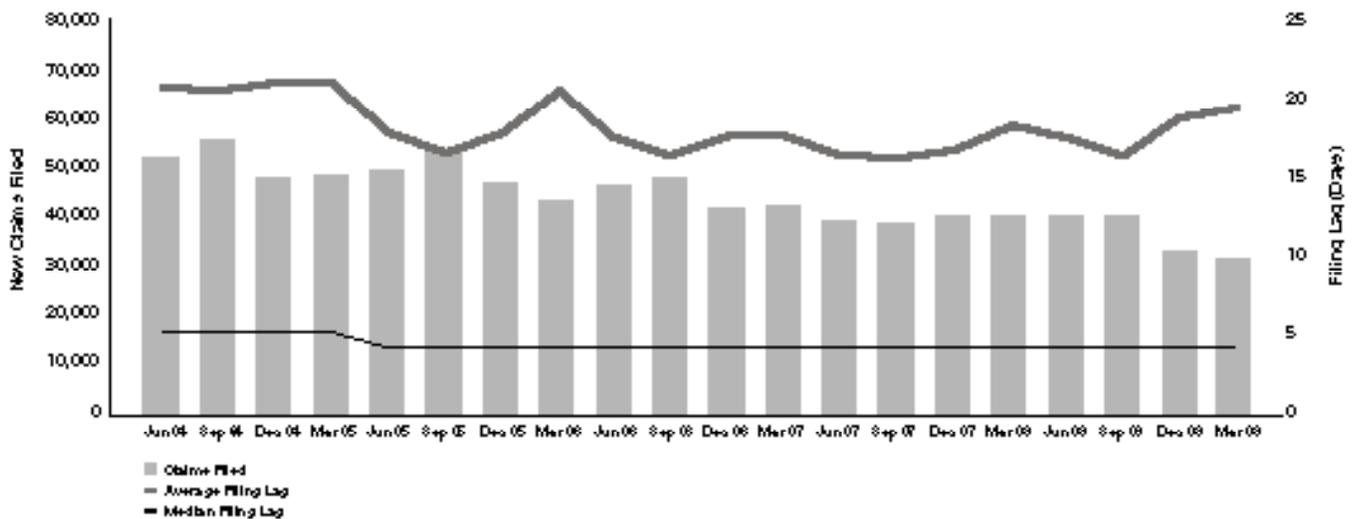
Benefit Payments - Twelve months ended



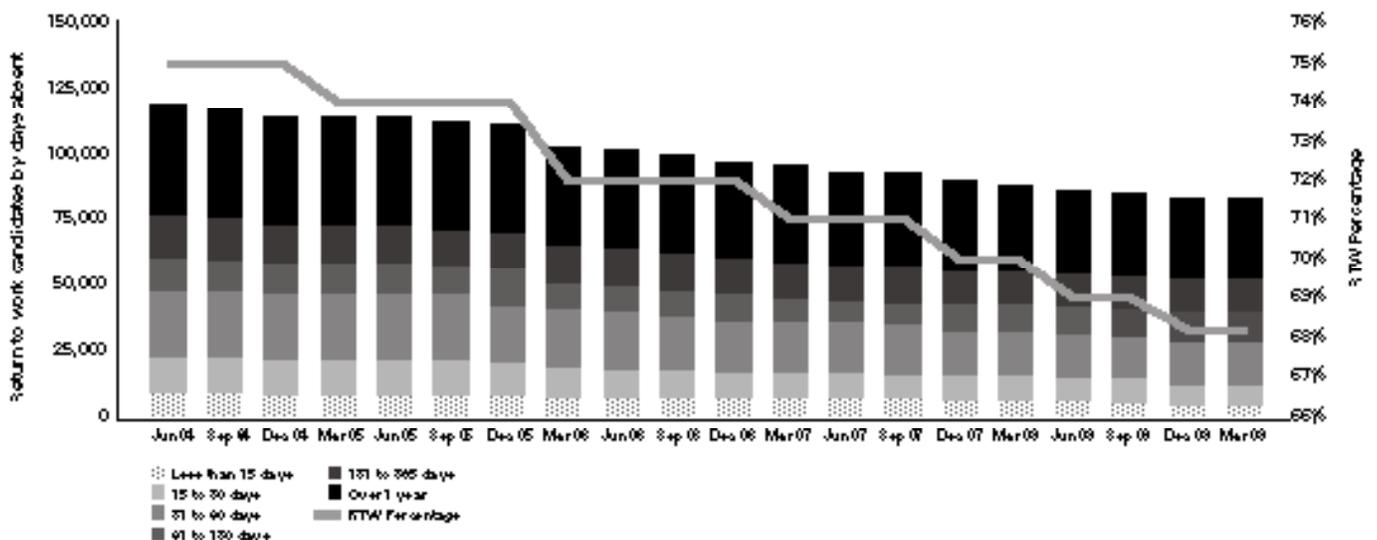
Quarterly



Claim Filing Lag



Return to work

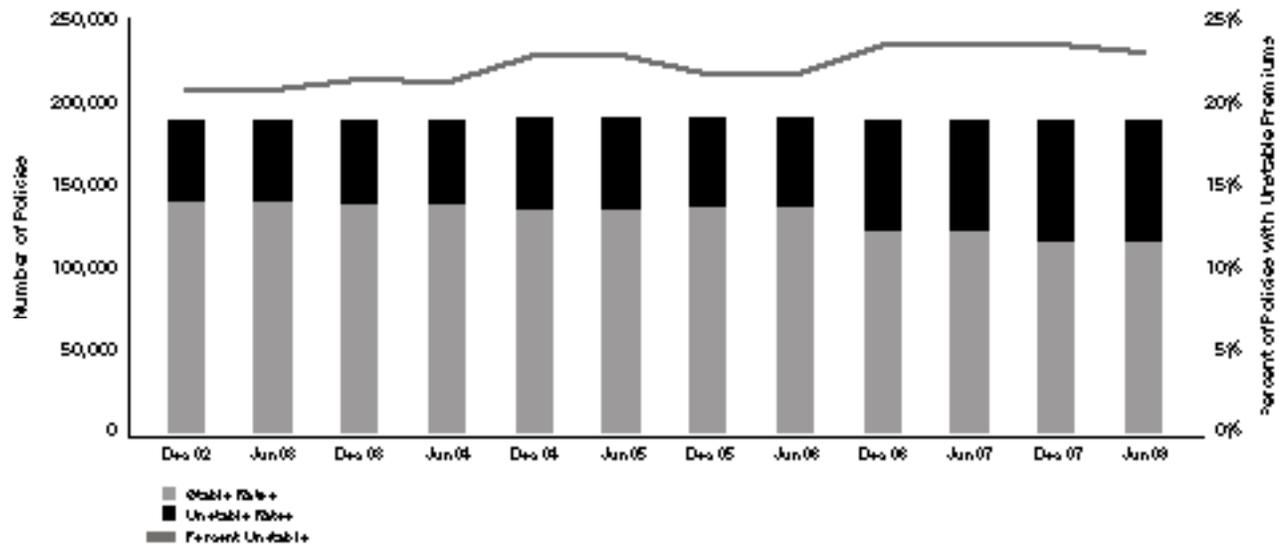


Aggregate Reported Payroll – Twelve Months Ending

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

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

Premium Stability



Performance Metrics Glossary

Loss Ratio

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

LAE Ratio

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

Net Loss Ratio

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

Expense Ratio

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

Combined Ratio

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

Net Investment Income Ratio

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

Operating Ratio

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

Operating Cash Flow Ratio

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

Total Reserves to Net Assets

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

Investments to Loss Reserves

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

Equities to Net Assets

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

Bonds to Net Assets

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

Funding Ratio

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

New Claims Filed

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

Frequency

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

Benefit Payments

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

Severity

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

Claim Filing Lag

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

Return to Work Rates

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

Aggregate Reported Payroll

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

Premium Stability

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

Introduced Legislation

Sub. HB 1—General Operating Budget 2010-11—Rep. Sykes (D-Akron)

Due to the current economic conditions, the House and Senate have been almost exclusively devoted to HB1. Consequently there has been little or no activity on non-budget related legislation affecting the Bureau.

April 22th—House Finance Committee unveiled substitute bill. The following provisions were added to the substitute bill:

- Permits the PERS Board, the Board of Trustees of the OP &F Pension Fund, the STRS Board, the SERS Board, the Chancellor of the Board of Regents, the Workers' Compensation Investment Committee, and the State Highway Patrol Retirement Board to set aside 15% of contracts with agent and investment managers for administration of funds for minority owned and controlled firms, firms owned and controlled by women, and ventures involving such firms that otherwise meet the established policies and criteria.
- Requires the PERS Board, the Ohio Venture Capital Authority, the Board of Trustees of the OP & F Pension Fund, the STRS Board, the SERS Board, the Chancellor of the Board of Regents, the Administrator of Workers' Compensation, and the State Highway Patrol Retirement Board to submit an annual report containing information regarding the minority or women-owned businesses with which it contracts, the amount of assets managed by minority or women-owned businesses, and efforts it has made to increase utilizations of minority or women-owned businesses.

Week of May 25th—Senate Republican Caucus expected to unveil substitute version of HB 1

HB 15-BWC Budget-Rep. Sykes (D-Akron)

Overview of BWC Budget Process:

- Assigned to House Insurance Committee, Rep. Dan Dodd, Chair (D-Licking Township);
- Per R.C. 4121.75(A) the Workers' Compensation Council (WCC) is to review any legislation involving or affecting the workers' compensation system. The WCC met on March 11th;

- Following WCC review, the bill is referred to the House Finance Committee, Rep. Sykes, Chair (D-Akron) for approval and recommended passage to the full House;
- Once approved by the full House, the Senate Insurance, Commerce and Labor Committee conducts similar legislative hearings before referral to the full Senate for vote;
- Substantive changes in policy or funding by the Senate committee or full Senate may prompt further review by the WCC;
- Additionally, substantive changes in policy or funding may prompt the full House not concur in the Senate amendments and, instead, proceed to a House/Senate Joint Conference Committee.

Legislative Action to date (May 29th):

Brief description of the amendments adopted unanimously by the House Insurance Committee in March:

- Specifying that a new director's appointment does not take effect until the expiration of the current director's term;
- Includes the WCC in the list of recipients of the Annual Investment Class Report;
- Removes the 10% language and allows the Administrator to transfer the funds necessary to balance the Surplus Fund Account;
- Establishes the WCC independent line item number and appropriation;
- Relocates from uncodified to codified law the quarterly billing reimbursement procedures for the Deputy Inspector General to BWC and IC.

Brief description of amendments tabled along party-line vote:

- To prohibit the Administrator or Board of Directors from modifying or eliminating the BWC Drug-Free Workplace Discount Program from July 1, 2009 – June 30, 2011— Motion to table the amendment approved 9-8;
- To require the Administrator in adopting rules that deal with the adjustment of premium rates or programs that effect premium rates, must adopt the rules no sooner than 1 year before the proposed rules take effect—Motion to table the amendment approved 9-8;
- To prohibit the Administrator from charging the experience of an employer for injuries to employees caused by a third party. Requires compensation to be paid from the surplus fund.—Motion to table the amendment approved 9-8.

Detail of activity:

March 11th—Workers' Compensation Council Members heard testimony from Administrator Ryan and Industrial Commission Chairman Gary DiCeglio that summarized their previous testimony on the agencies' respective budgets. The council recommended both measures for passage.

March 19th—Testimony before the full House Finance Committee. Proponent testimony provided by House Insurance Committee Chairman Dan Dodd. One technical amendment was

added by the committee without opposition. The same amendments as above that were tabled by the Insurance Committee were tabled along party lines by the full Finance Committee. Bill was unanimously approved and referred to the full House for passage.

March 24th—Full House of Representatives passed bill by a 90-8 vote.

April 28th—Proponent Testimony provided by Administrator Ryan before the Senate Insurance Commerce and Labor Committee, Chair, Sen. Stephen Buehrer (R-Delta). A number of questions were posed by the committee. Those requiring follow up have been addressed.

May 12th—2nd proponent/opponent testimony. Senator Grendell (R-Chesterland) testified in favor of establishing a bi-partisan task force to study the feasibility of privatization. This task force would be paid for by BWC and include representatives from the insurance industry. Also testifying in favor of the task force was Charles Burnham, from Liberty Mutual.

May 19th- 3rd proponent/opponent testimony scheduled. None provided.

May 26th—Last day for submission of amendments.

HB 16—Industrial Commission Budget Rep. Sykes (D-Akron)

Assigned to House Insurance Committee, Rep. Dan Dodd, Chair (D-Licking Township)

February 24th—Reported out of committee by unanimous vote

March 11th—Worker’s Compensation Council review

March 19th—Reported out of full House Finance Committee by unanimous vote

March 24th—Passed by full House by 96-2 vote

May 5th—First hearing before the Senate Insurance, Commerce and Labor Committee

May 12th — 2nd hearing proponent/opponent testimony

May 19th—3rd hearing proponent/opponent testimony

May 26th—Last day for submission of amendments.

SB 94--Emergency service workers-cancer/infectious diseases-presume incurred on job--Sen. Tom Patton (R-North Royalton)

- 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.
- May 5—Scheduled for 1st Hearing Sponsor Testimony. Pulled at the request of the sponsor. Not scheduled for testimony on May 19
- 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.
- Senator Patton has made several important changes to the bill in this General Assembly.

- First, instead of providing a rebuttable presumption for all forms of cancer, the bill lists 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.
- Second, the bill specifies that a firefighter or EMS worker must have been assigned at least 3 years of hazard duty before the presumptions apply.
- Third, the presumption does not apply if evidence of the cancer or contagious disease was revealed by a pre-employment physical examination.
- Over 30 states have created similar presumptions for firefighters and EMS.

Workers' Compensation Council

- One public member vacancy remains (for expired term of Mary Leonard, June 08)
- Next meeting is June 24. Expected topic is the actuarial study required in HB 100.

Board Agenda

Friday, May 29, 2009

William Green Building

Level 2, Room 3

8:00 a.m. – 12:00 p.m.

Call to Order

Bill Lhota, Board Chair

Roll Call

Larry Rhodebeck, Scribe

Bill Lhota, Chair

- Approval of minutes of the April 30, 2009 Board meeting
 - Review meeting agenda
-

Committee Reports

Audit Committee

Ken Haffey, Committee Chair

1. 50/50 Program, possible vote
2. FY 2010 Administrative Budget, possible vote

Governance Committee

Alison Falls, Committee Chair

1. Metal Casting Industry Rule 4123:1-7, possible vote
2. Steelmaking, Manufacture, Fabricating Rule 4123:1-9, possible vote
3. Laundering and Dry cleaning Rule 4123:1-11, possible vote
4. Elevators, Rule 4123:1, possible vote
5. Rubber and Plastics, Rule 4123:1-13, possible vote
6. Window Cleaning, Rule 4123:1-17, possible vote
7. Rehabilitation of Injured and Disabled Workers, Rule 4123-18, possible vote
8. Miscellaneous Provisions, Rule 4123-5, possible vote
9. Board self-assessment form and process, possible vote

Actuarial Committee

Chuck Bryan, Committee Chair

1. Group Break Even Factor Rule 4123-17-64.1, possible vote
2. Criteria for Group Experience Rating Rule 4123-17-61
3. Ancillary Fund Rates:
 - a. Disabled Workers Relief Fund – Rule 4123-17-29, possible vote
 - b. Additional Disabled Workers Relief Fund - Rule 4123-17-29, possible vote
 - c. Marine Industry Fund - Rule 4123-17-19, possible vote
 - d. Coal-Workers' Pneumoconiosis Fund - Rule 4123-17-20, possible vote
4. Public Employer State Agencies – Rule 4123-17-35, possible Vote

Investment Committee

Bob Smith, Committee Chair

1. Approve selection of Transition Managers
2. Approval of Passive Indexed Investment Managers RFP
3. Approve asset allocation implementation strategy for identified first priority transition of State Insurance Fund
4. Investment Policy Statement Revision Regarding Long Duration Fixed Income Benchmark Index for State Insurance Fund
5. Approval of Month-End Redemptions of Bond Cash Interest Income Earned to Reinvest Into Equities for State Insurance Fund

Monthly Enterprise Report

Tracy Valentino, Chief, Fiscal & Planning Division

Administrator Briefing

Marsha P. Ryan, Administrator

Executive Session

Adjourn

Bill Lhota, Board Chair

Next Meeting: Friday, June 19, 2009

*Not all agenda items may have material



Memo

To: BWC Investment Committee
BWC Board of Directors

Date: May 28, 2009

From: Guy M. Cooper
Jordan Nault

Subject: Transition to Barclay's Capital Aggregate Bond Index portfolio

We concur with the recommendation of the Chief Investment Officer to proceed with the hiring of a transition manager for the purpose of implementing the transition from long duration fixed income to a position in the Barclay's Aggregate Index.

4. I believe management's regular presentations on various aspects of the BWC's business are:
- Clear and understandable 1 2 3 4 5
 - Helpful in providing an accurate picture of the BWC's performance. 1 2 3 4 5

Comments:

5. The process by which the Board evaluates the Administrator's performance works well. 1 2 3 4 5

Comments:

6. I believe the rationale for proposed Board and Committee actions is adequately explained prior to action being taken. 1 2 3 4 5

Comments:

7. The pre-meeting reading materials are generally helpful and relevant. 1 2 3 4 5

Comments:

8. I am satisfied with the conduct of Board meetings in these respects:

- Agendas 1 2 3 4 5
- Opportunity for discussion 1 2 3 4 5
- Frequency 1 2 3 4 5

Comments:

9. Overall, I believe each of the Board's committees work well.

- Actuary Committee 1 2 3 4 5
- Audit Committee 1 2 3 4 5
- Investment Committee 1 2 3 4 5
- Governance Committee 1 2 3 4 5

Comments:

10. I believe the Board's review of the BWC's audit, audit process, accounting policies and financial statements enables me to gain a clear picture of the state of BWC's financial position. 1 2 3 4 5

Comments:

11. Overall, I believe I am provided the resources and tools I need to effectively exercise my fiduciary and oversight responsibilities. 1 2 3 4 5

Comments:

12. Overall, I believe the Board makes the appropriate use of the skills and experience of its members. 1 2 3 4 5

Comments:

13. Overall, I believe the Board engages in full and candid discussions of the issues before it and personally feel comfortable expressing my views at Board and Committee meetings. 1 2 3 4 5

Comments:

14. If there is one change I would make, it is . . .

Signature (optional)

DATE: May 28, 2009

TO: BWC Investment Committee
BWC Board of Directors

FROM: Bruce Dunn, CFA, Chief Investment Officer

SUBJECT: **Asset Allocation Change Implementation Recommendation
Monthly Fixed Income Interest Income Redemption/Reinvestment in Equities
State Insurance Fund**

Upon recommendation by the BWC Investment Committee, the BWC Board of Directors approved a new Investment Policy Statement of the Bureau on April 30, 2009 that included a new investment portfolio asset allocation mix for the State Insurance Fund (SIF) portfolio. An important change to the SIF asset allocation targets reflected in the new IPS was a reduction in the fixed income target to 70% from 80%, with this 10% fixed income ownership reduction redirected to the equities asset class which increased from 20% to 30%.

It is recommended by the CIO that a first step in executing a 10% portfolio allocation weighting shift for SIF from fixed income to equities would be the redemption of monthly bond cash interest received from each passive index managed fixed income account, with all such redemption proceeds to be redirected to equities investments. The monthly redemptions of bond cash interest received is an efficient action that does not require each fixed income manager to sell securities and incur transaction costs in order to reduce the SIF fixed income allocation per the new IPS. In order to minimize tracking error (performance variation) to the respective fixed income benchmark indices, it is recommended by the CIO that monthly cash interest income received from each SIF fixed income account be redeemed on the last trading day of each month and be redirected and reinvested in an appropriate SIF equity mandate managed by an approved BWC investment manager.

There are three fixed income accounts of SIF currently under separate account management from which monthly cash interest income would be redeemed. These accounts, with approximate current market values, consist of Long Duration Fixed Income passive indexed portfolios managed by State Street (\$7.0 billion) and Barclays (\$1.5 billion) as well as the passive indexed TIPS portfolio managed by State Street (\$3.1 billion). Based on recent projections, it is estimated that approximately **\$140 million** in cash interest income will be received in the three months May through July 2009 (\$62mm May; \$29mm June; \$49mm July).

Until such time as a transition manager is contracted by BWC to begin to effect the transition to the ACWI ex-U.S. equity benchmark index with funding from bond sales, all cash interest redeemed from these three fixed income accounts would be reinvested in the passive indexed S&P 500 account managed by Northern Trust. Once the transition manager is contracted by BWC to purchase assets consistent with the SIF portfolio objective to obtain investment exposure to the target ACWI ex-U.S. benchmark index, all future redemptions of cash interest income from the SIF fixed income managers could then be applied to help fund the transition manager to build the desired exposure to the ACWI ex-U.S. benchmark.

This recommended program to redeem such monthly cash interest income would be discontinued once both the respective target weightings of the two new SIF equity mandates (Russell 3000 index at 20% target weight and ACWI ex-U.S. index at 10% target weight) are achieved.



Memo

To: BWC Investment Committee
BWC Board of Directors

Date: May 28, 2009

From: Guy M. Cooper
Jordan Nault

Subject: Reinvestment of SIF bond interest income into equities

We concur with the recommendation of the Chief Investment Officer to reinvest month-end bond interest in equities to work toward increasing the equity allocation to its new target of 30% of total SIF assets.