

Enterprise Report

June 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.*

May Financial Analysis

BWC's net assets increased by \$350 million in May resulting in net assets of \$1.9 billion at May 31, 2009 compared to \$1.5 billion at April 30, 2009.

<i>(\$ in millions)</i>	Fiscal YTD April 30, 2009	Month Ended May 31, 2009	Fiscal YTD May 31, 2009
Operating Revenues	\$1,803.5	\$183.9	\$1,987.4
Operating Expenses	1,896.6	188.6	2,085.2
Operating Transfers to ODNR & WCC	(4.7)	–	(4.7)
Net Operating Gain (Loss)	(97.8)	(4.7)	(102.5)
Net Investment Income (Loss)	(862.7)	354.9	(507.8)
Increase (Decrease) in Net Assets	(960.5)	350.2	(610.3)
Net Assets End of Period	\$1,542.8	\$1,893.0	\$1,893.0

- o Premium and assessment income of \$176 million and an \$8 million reduction in the provision for uncollectible accounts receivable resulted in operating revenues of \$184 million in May.
- o Benefits and compensation adjustment expenses of \$180 million along with other expenses of \$9 million resulted in operating expenses of \$189 million in May.
- o A \$283 million increase in portfolio market value in May along with interest and dividend income of \$72 million for the month, resulted in a net investment income of \$355 million for the month after investment expenses. The increase in portfolio market value is comprised of \$283 million in net unrealized gains.
- o Premium payments from public employer taxing districts for the 2008 policy year and payment of the second 50/50 installment by private employers contributed to premium and assessment receipts of \$338 million in May. Collections were \$68 million more than projected for the month.
- o Claim payments issued in May were \$152 million, including almost \$16 million in claim settlements.
- o May 15, 2009 was the due date for public employer taxing districts to report their 2008 payroll and pay at least 45% of the premium due. A total of 473 accounts were initially lapsed for not reporting and making timely payment. As of June 10, 2009 the number of lapsed accounts has declined to 119.

Fiscal Year-to-Year Comparisons

BWC's total net assets have decreased by \$610 million for fiscal year-to-date 2009 resulting in net assets of \$1.9 billion at May 31, 2009 compared to \$2.4 billion at May 31, 2008.

<i>(\$ in millions)</i>	Fiscal YTD May 31, 2009	Projected FYTD May 31, 2009	Fiscal YTD May 31, 2008
Operating Revenues	\$1,987	\$1,994	\$2,010
Operating Expenses	2,085	2,413	2,841
Operating Transfer Out to ODNR	(5)	(6)	–
Net Operating Gain (Loss)	(103)	(425)	(831)
Net Investment Income (Loss)	(507)	959	887
Increase (Decrease) in Net Assets	(610)	534	56
Net Assets End of Period	\$1,893	\$3,037	\$2,362

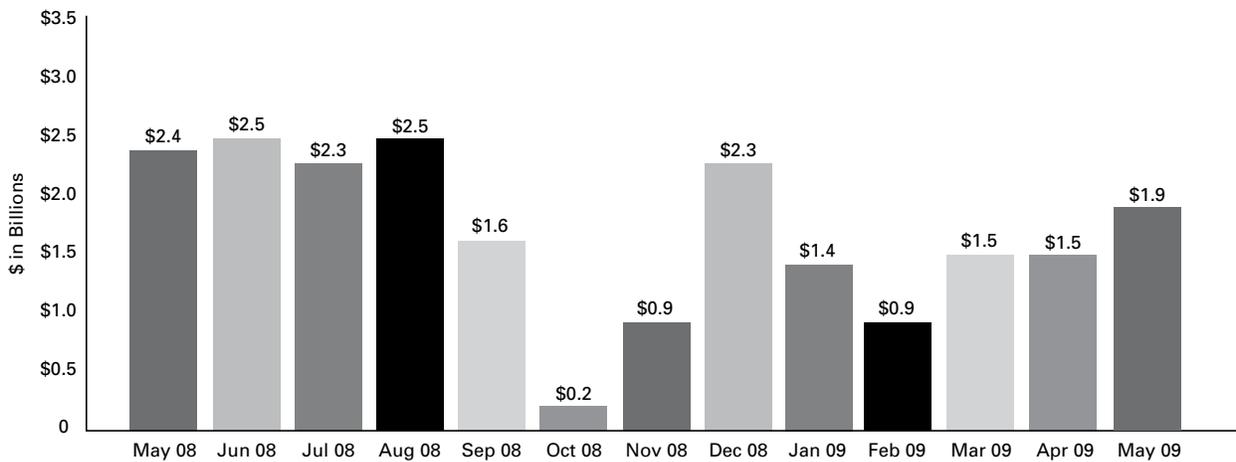
- o BWC's operating revenues for fiscal year-to-date 2009 are almost \$2 billion, a decrease of \$23 million compared to fiscal year-to-date 2008. The decrease is primarily due to declines in accruals for unbilled premiums receivable because of lower than expected losses for state agencies, self-insured employers, and DWRF.

- o Benefit and compensation adjustment expenses have decreased by \$755 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 \$329 million or 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 \$507 million, comprised of \$242 million in net realized losses and \$930 million in net unrealized losses, partially off-set by \$669 million of interest and dividend income net of \$4 million in investment expenses.
- o Fiscal year-to-date premium collections are \$68 million less than the prior fiscal year and are \$74 million more than projected. Moving the due date for the second 50/50 installment from May 1st to June 1st 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 \$14.5 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 second installment from private employers participating in the 50/50 program was due June 1, 2009. A total of 2,987 employers owing \$14.4 million did not make this payment by the due date. This represents 14% of the employers who participated in the 50/50 program.

Net Assets



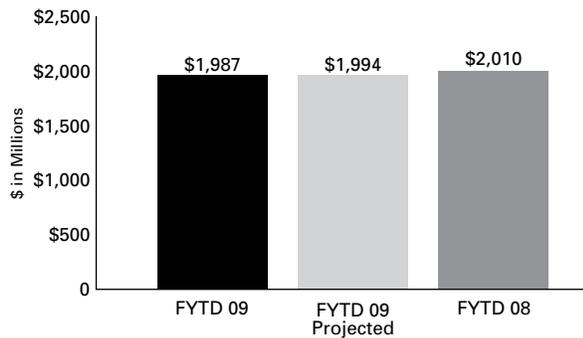
Statement of Operations

Fiscal year to date May 31, 2009

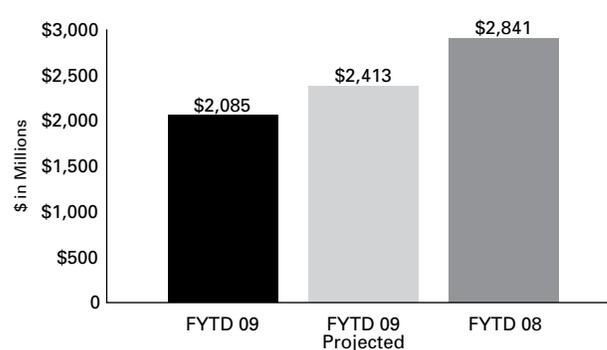
(in millions)

	Actual	Projected	Variance to Projected	Prior Yr. Actual	Year to Year Increase (Decrease)
Operating Revenues					
Premium & Assessment Income	\$2,048	\$2,054	\$(6)	\$2,076	\$(28)
Provision for Uncollectibles	(79)	(79)	-	(82)	3
Other Income	18	19	(1)	16	2
Total Operating Revenue	1,987	1,994	(7)	2,010	(23)
Operating Expenses					
Benefits & Compensation Adj. Expense	2,000	2,329	329	2,755	(755)
Other Expenses	85	84	(1)	86	(1)
Total Operating Expenses	2,085	2,413	328	2,841	(756)
Operating Transfers	(5)	(6)	1	-	(5)
Net Operating Gain (Loss)	(103)	(425)	322	(831)	728
Net Investment Income (Loss)	(507)	959	(1,466)	887	(1,394)
Increase (Decrease) in Net Assets	\$(610)	\$534	\$(1,144)	\$56	\$(666)

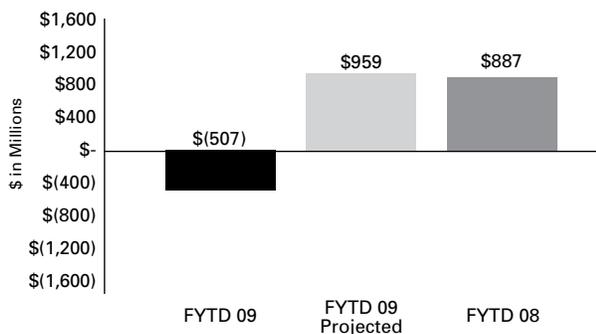
Operating Revenues



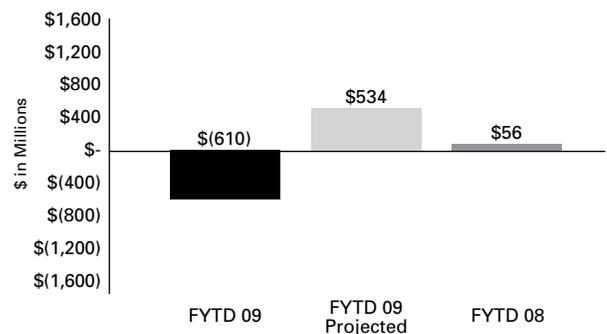
Operating Expenses



Net Investment Income (Loss)



Change in Net Assets



Statement of Operations – Combining Schedule

Fiscal year to date May 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	\$1,619,122	\$73,235	\$1,677	\$144	\$713	\$17,416	\$336,040	\$2,048,347
Provision for Uncollectibles	(73,225)	(2,394)	-	-	-	(253)	(2,703)	(78,575)
Other Income	10,773	-	-	-	-	-	6,849	17,622
Total Operating Revenues	1,556,670	70,841	1,677	144	713	17,163	340,186	1,987,394
Operating Expenses:								
Benefits & Compensation Adj Expenses	1,670,256	71,679	899	(112)	461	19,945	236,516	1,999,644
Other Expenses	21,241	302	81	1	113	1	63,746	85,485
Total Operating Expenses	1,691,497	71,981	980	(111)	574	19,946	300,262	2,085,129
Net Operating Income (Loss) before Operating Transfers Out	(134,827)	(1,140)	697	255	139	(2,783)	39,924	(97,735)
Operating Transfers Out	(3,232)	-	(4,540)	-	-	-	2,889	(4,883)
Net Operating Income (Loss)	(138,059)	(1,140)	(3,843)	255	139	(2,783)	42,813	(102,618)
Investment Income:								
Investment Income	609,952	43,758	9,295	457	342	655	4,453	668,912
Net Realized Gains (Losses)	(219,972)	(18,716)	(3,358)	-	-	-	-	(242,046)
Net Unrealized Gains (Losses)	(860,958)	(55,691)	(13,359)	48	36	-	-	(929,924)
Total Realized & Unrealized Capital Gains (Losses)	(1,080,930)	(74,407)	(16,717)	48	36	-	-	(1,171,970)
Investment Manager & Operational Fees	(4,029)	(253)	(149)	(2)	(1)	(2)	-	(4,436)
Gain (Loss) on Disposal of Fixed Assets	-	-	-	-	-	-	(220)	(220)
Total Non-Operating Revenues, Net	(475,007)	(30,902)	(7,571)	503	377	653	4,233	(507,714)
Increase (Decrease) in Net Assets (Deficit)	(613,066)	(32,042)	(11,414)	758	516	(2,130)	47,046	(610,332)
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	\$1,593,856	\$816,685	\$167,925	\$20,108	\$13,947	\$6,789	\$(726,353)	\$1,892,957

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 May 31, 2009

(in thousands)

	Actual	Projected	Variance to Projected	Prior Yr. Actual	Year to Year Increase (Decrease)
Investment Income					
Bond Interest	\$586,298	\$698,401	\$(112,103)	\$707,003	\$(120,705)
Dividend Income—Domestic & International	68,868	63,250	5,618	57,310	11,558
Money Market/Commercial Paper Income	5,243	8,945	(3,702)	16,675	(11,432)
Misc. Income (Corp Actions, Settlements)	8,503	3,300	5,203	3,992	4,511
Private Equity	—	—	—	4,395	(4,395)
Securities Lending Income, Net of Fees	—	—	—	—	—
Total Investment Income	<u>668,912</u>	<u>773,896</u>	<u>(104,984)</u>	<u>789,375</u>	<u>(120,463)</u>
Realized & Unrealized Capital Gains and (Losses)					
Bonds – Net Realized Gains (Losses)	(153,629)	—	(153,629)	(81,970)	(71,659)
Stocks – Net Realized Gains (Losses)	(88,551)	—	(88,551)	41,855	(130,406)
Subtotal – Net Realized Gains (Losses)	<u>(242,180)</u>	<u>—</u>	<u>(242,180)</u>	<u>(40,115)</u>	<u>(202,065)</u>
Bonds – Net Unrealized Gains (Losses)	(189,955)	—	(189,955)	460,465	(650,420)
Stocks – Net Unrealized Gains (Losses)	(739,969)	189,750	(929,719)	(258,130)	(481,839)
Subtotal – Net Unrealized Gains (Losses)	<u>(929,924)</u>	<u>189,750</u>	<u>(1,119,674)</u>	<u>202,335</u>	<u>(1,132,259)</u>
Net Gain (Loss) – PE	134	—	134	(51,531)	51,665
Change in Portfolio Value	<u>(1,171,970)</u>	<u>189,750</u>	<u>(1,361,720)</u>	<u>110,689</u>	<u>(1,282,659)</u>
Investment Manager & Operational Fees	<u>(4,436)</u>	<u>(4,852)</u>	<u>416</u>	<u>(12,347)</u>	<u>(7,911)</u>
Net Investment Income (Loss)	<u>\$507,494</u>	<u>\$958,794</u>	<u>\$(1,466,288)</u>	<u>\$887,717</u>	<u>\$(1,395,211)</u>

Administrative Cost Fund Expense Analysis

May 2009

- o BWC Administrative Cost Fund expenses are approximately \$27.6 million (9.5%) less than budgeted and approximately 2.5% 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 May. 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 May. The payroll budget will be increased as employees are hired.
- o BWC's current fiscal year 2009 budget is approximately \$28.5 million (8.6%) less than appropriated by the General Assembly.

Administrative Cost Fund Budget Summary

As of May 31, 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	859,057	856,622	(2,435)	-0.28%	885,263	737,445	121,612	16.49%
Workers' Comp Council		72,323	72,323	0	0.00%	73,659		72,323	100.00%
BWC Administration	9	798,753	798,753	0	0.00%	838,256	596,406	202,347	33.93%
Customer Service	1,469	106,929,009	107,046,733	117,724	0.11%	111,350,959	109,691,011	(2,762,002)	-2.52%
Medical	135	11,340,392	11,350,990	10,598	0.09%	11,813,040	10,088,208	1,252,184	12.41%
Special Investigations	136	10,709,272	10,710,444	1,172	0.01%	11,143,856	10,707,168	2,104	0.02%
Fiscal and Planning	69	4,832,966	4,867,198	34,232	0.70%	5,059,223	4,604,946	228,020	4.95%
Actuarial	23	1,640,637	1,645,744	5,107	0.31%	1,715,835	1,499,442	141,195	9.42%
Investments	11	1,139,416	1,141,132	1,716	0.15%	1,194,395	962,153	177,263	18.42%
Infrastructure & Technology	300	28,538,851	28,708,042	169,191	0.59%	29,881,803	27,916,993	621,858	2.23%
Legal	74	6,461,501	6,461,321	(180)	0.00%	6,728,198	5,954,354	507,147	8.52%
Communications	25	2,345,521	2,343,548	(1,973)	-0.08%	2,421,905	2,656,036	(310,515)	-11.69%
Human Resources	63	5,260,893	5,261,585	692	0.01%	5,476,444	5,027,096	233,797	4.65%
Internal Audit	16	1,336,594	1,337,472	878	0.07%	1,398,010	1,434,959	(98,365)	-6.85%
Ombuds Office	10	551,147	551,447	300	0.05%	577,576	391,883	159,264	40.64%
Early Retirement Expenses				0	0.00%		258,880	(258,880)	-100.00%
Total Payroll	2,352	182,816,332	183,153,354	337,022	0.18%	190,558,422	182,526,980	289,352	0.16%
Personal Services									
Information Technology		9,465,509	12,430,903	2,965,394	23.86%	13,539,105	12,650,298	(3,184,789)	-25.18%
Legal - Special Counsel		1,170,127	1,440,863	270,736	18.79%	1,571,015	1,301,604	(131,477)	-10.10%
Legal - Attorney General		4,224,601	4,444,085	219,484	4.94%	4,444,085	4,099,303	125,298	3.06%
Other Personal Services		5,373,912	7,566,471	2,192,559	28.98%	8,221,661	3,848,540	1,525,372	39.64%
Total Personal Services		20,234,149	25,882,322	5,648,173	21.82%	27,775,866	21,899,745	(1,665,596)	-7.61%
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		11,019,645	11,752,447	732,802	6.24%	11,910,383	10,178,300	841,345	8.27%
Software and Equipment Maintenance and Repairs		13,620,138	18,417,929	4,797,791	26.05%	19,604,789	13,358,402	261,736	1.96%
Inter Agency Payments		2,906,421	3,483,862	577,441	16.57%	3,659,962	3,075,308	(168,887)	-5.49%
Communications		3,373,089	6,356,264	2,983,175	46.93%	6,962,294	3,322,150	50,939	1.53%
Safety Grants and Long Term Care Loan		3,897,904	6,000,000	2,102,096	35.03%	6,000,000	3,686,177	211,727	5.74%
Supplies and Printing		1,477,650	2,873,085	1,395,435	48.57%	3,188,396	1,878,654	(401,004)	-21.35%
Other Maintenance		2,917,439	3,458,788	541,349	15.65%	3,748,222	2,927,704	(10,265)	-0.35%
Total Maintenance		59,790,590	73,028,875	13,238,285	18.13%	75,760,546	58,664,415	1,126,175	1.92%
Equipment									
		870,160	9,318,443	8,448,283	90.66%	9,680,865	7,414,778	(6,544,618)	-88.26%
Total Administrative Cost Fund Expenses		263,711,231	291,382,994	27,671,763	9.50%	303,775,699	270,505,918	(6,794,687)	-2.51%

Total Agency Appropriation 332,360,479
 Budget to Appropriation Variance 28,584,780
 Percentage Variance 8.60%

State Insurance Fund

Administrative Expense Summary

As of May 31, 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	86,958	14,376	101,334	6/30/08	220,930
Mercer Investment Consulting	435,413	86,080	521,493	6/30/09	72,341
Other Investment Expenses	218,498	253,811	472,309	6/30/09	219,911
	1,016,060	354,267	1,370,327		6,087,892
Actuarial Expenses					
Mercer Oliver Wyman	551,339	956,118	1,507,457	12/31/09	731,498
Oliver Wyman Consulting	394,291	1,560,068	1,954,359	12/31/09	0
Deloitte Consulting LLP	1,550,095	0	1,550,095	12/31/08	580,255
Shoenfelt Consulting	6,370	5,550	11,920	3/31/09	0
AON Risk Consultants	0	0	0		263,599
	2,502,095	2,521,736	5,023,831		1,575,352
Ohio Rehabilitation Services	605,407	0	605,407	6/30/09	605,407
TOTAL	\$4,123,562	\$2,876,003	\$6,999,565		\$8,268,651

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.

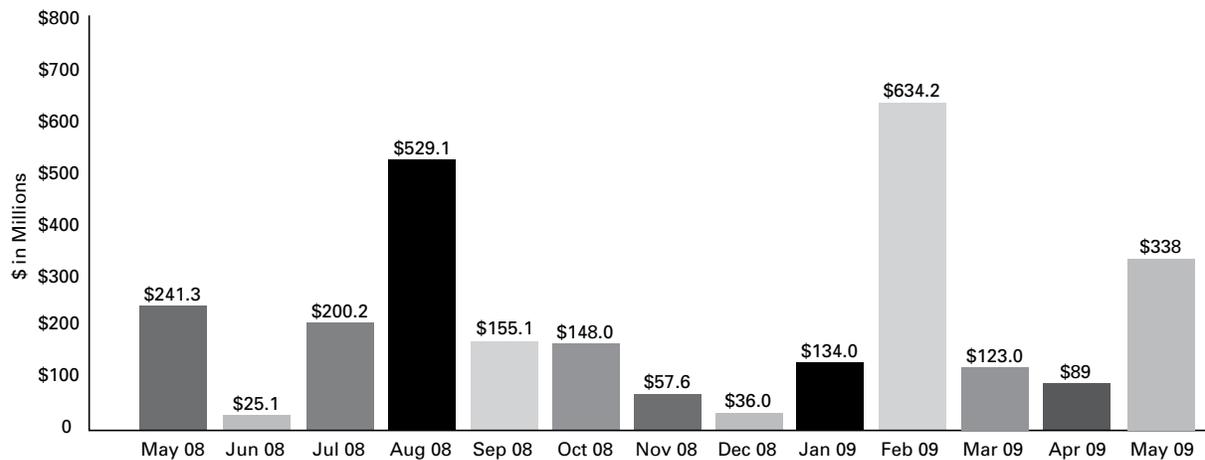
Statement of Cash Flows

Fiscal year to date May 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	\$2,445	\$2,371	\$74	\$2,513	\$(68)
Cash Receipts – Other	30	27	3	30	–
Cash Disbursements for Claims	(1,958)	(2,003)	45	(2,050)	92
Cash Disbursements for Other	<u>(400)</u>	<u>(407)</u>	<u>7</u>	<u>(432)</u>	<u>32</u>
Net Cash Provided (Used) by Operating Activities	117	(12)	129	61	56
Net Cash Flows from Noncapital Financing Activities	(5)	(5)	–	–	(5)
Net Cash Flows from Capital and Related Financing Activities	(22)	(21)	(1)	(24)	2
Net Cash Provided (Used) by Investing Activities	<u>169</u>	<u>167</u>	<u>2</u>	<u>171</u>	<u>(2)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	259	129	130	208	51
Cash and Cash Equivalents, Beginning of Period	<u>378</u>	<u>378</u>	<u>–</u>	<u>328</u>	<u>50</u>
Cash and Cash Equivalents, End of Period	\$637	\$507	\$130	\$536	\$101

Premium and Assessment Receipts



Statement of Net Assets

As of May 31, 2009

(in millions)

	Actual	Prior Yr. Actual	Year to Year Increase (Decrease)
Assets			
Bonds	\$12,794	\$13,582	\$(788)
Stocks	3,452	3,457	(5)
Private Equities	–	13	(13)
Cash & Cash Equivalents	637	536	101
Total Cash and Investments	16,883	17,588	(705)
Accrued Premiums	4,137	4,375	(238)
Other Accounts Receivable	248	190	58
Investment Receivables	350	587	(237)
Other Assets	109	116	(7)
Total Assets	<u>21,727</u>	<u>22,856</u>	<u>(1,129)</u>
Liabilities			
Reserve for Compensation and Compensation Adj. Expense	\$19,353	\$19,791	\$(438)
Accounts Payable	57	53	4
Investment Payable	218	385	(167)
Other Liabilities	206	265	(59)
Total Liabilities	<u>19,834</u>	<u>20,494</u>	<u>(660)</u>
Net Assets	\$1,893	\$2,362	\$(469)

Statement of Net Assets – Combining Schedule

As of May 31, 2009

(in thousands)

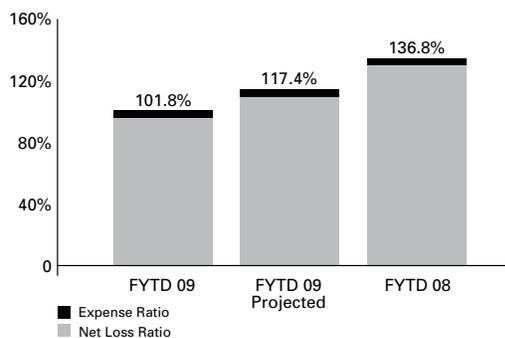
	State Insurance Fund Account	Disabled Workers' Relief Fund Account	Coal-Workers Pneumoconiosis Fund Account	Public Work Relief Employees' Fund Account	Marine Industry Fund Account	Self-Insuring Employers' Guaranty Fund Account	Administrative Cost Fund Account	Eliminations	Totals
Assets									
Bonds	\$ 11,718,048	\$ 854,178	\$ 182,311	\$ 22,927	\$ 17,129	\$ -	\$ -	\$ -	\$12,794,593
Stocks	3,188,431	217,402	45,735	-	-	-	-	-	3,451,568
Private Equities	197	-	-	-	-	-	-	-	197
Cash & Cash Equivalents	<u>569,215</u>	<u>7,760</u>	<u>1,727</u>	<u>140</u>	<u>327</u>	<u>54,709</u>	<u>3,410</u>	<u>-</u>	<u>637,288</u>
Total Cash & Investments	\$ 15,475,891	\$ 1,079,340	\$ 229,773	\$ 23,067	\$ 17,456	\$ 54,709	\$ 3,410	\$ -	\$16,883,646
Accrued Premiums	1,708,344	1,521,634	-	288	-	671,321	235,599	-	4,137,186
Other Accounts Receivable	217,728	19,176	1	(7)	-	(873)	12,019	-	248,044
Interfund Receivables	12,081	63,654	109	-	33	759	142,062	(218,698)	-
Investment Receivables	320,235	24,773	4,935	-	-	17	-	-	349,960
Other Assets	<u>25,388</u>	<u>22</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>83,199</u>	<u>-</u>	<u>108,609</u>
Total Assets	\$ 17,759,667	\$ 2,708,599	\$ 234,818	\$ 23,348	\$ 17,489	\$ 725,933	\$ 476,289	\$ (218,698)	\$21,727,445
Liabilities									
Reserve for Compensation & Compensation Adj. Expense	\$ 15,609,089	\$ 1,866,209	\$ 62,800	\$ 3,231	\$ 3,232	\$ 716,764	\$1,092,343	\$ -	\$19,353,668
Accounts Payable	48,652	-	-	-	-	-	7,983	-	56,635
Investment Payable	199,883	14,677	3,252	-	-	-	-	-	217,812
Interfund Payables	205,153	10,919	68	7	171	2,380	-	(218,698)	-
Other Liabilities	<u>103,034</u>	<u>109</u>	<u>773</u>	<u>2</u>	<u>139</u>	<u>-</u>	<u>102,316</u>	<u>-</u>	<u>206,373</u>
Total Liabilities	16,165,811	1,891,914	66,893	3,240	3,542	719,144	1,202,642	(218,698)	19,834,488
Net Assets	\$ 1,593,856	\$ 816,685	\$ 167,925	\$ 20,108	\$ 13,947	\$ 6,789	\$ (726,353)	\$ -	\$ 1,892,957

Financial Performance Metrics

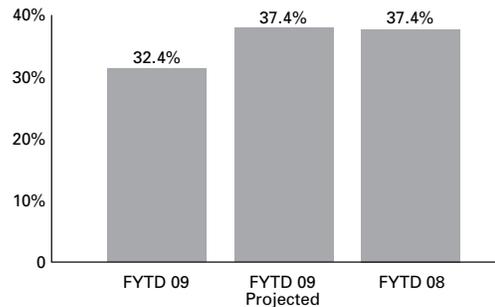
	Actual FY09 As of 5/31/09	Projected FY09 As of 5/31/09	Actual FY08 As of 5/31/08	Target
Loss Ratio	78.8%	91.6%	111.0%	
LAE Ratio - MCO	7.2%	8.6%	8.6%	
LAE Ratio - BWC	11.6%	13.2%	13.1%	
Net Loss Ratio	97.6%	113.4%	132.7%	120.0%
Expense Ratio	4.2%	4.0%	4.1%	5.0%
Combined Ratio	101.8%	117.4%	136.8%	125.0%
Net Investment Income Ratio	32.4%	37.4%	37.4%	
Operating Ratio (Trade Ratio)	69.4%	80.0%	99.4%	100.0%
Operating Cashflow Ratio	134.5%	131.4%	134.1%	118.0%
Total Reserves to Net Assets	10 to 1	6 to 1	8 to 1	7 to 1
Investments to Loss Reserves	87.2%	92.1%	88.9%	110.0%
Equities to Net Assets	1.82 to 1	1.13 to 1	1.46 to 1	
Bonds to Net Assets	6.8 to 1	4.7 to 1	5.8 to 1	
Funding Ratio (State Insurance Fund)	1.11	1.19	1.14	
Net Leverage Ratio (SIF)	10.81	6.39	8.43	

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.

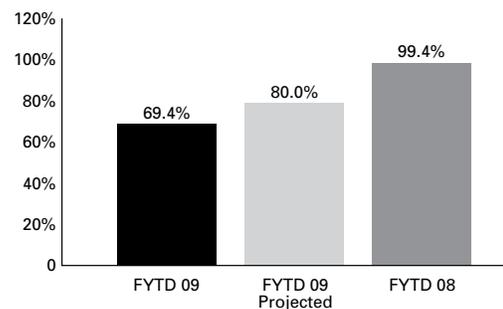
Combined Ratio



Investment Income Ratio

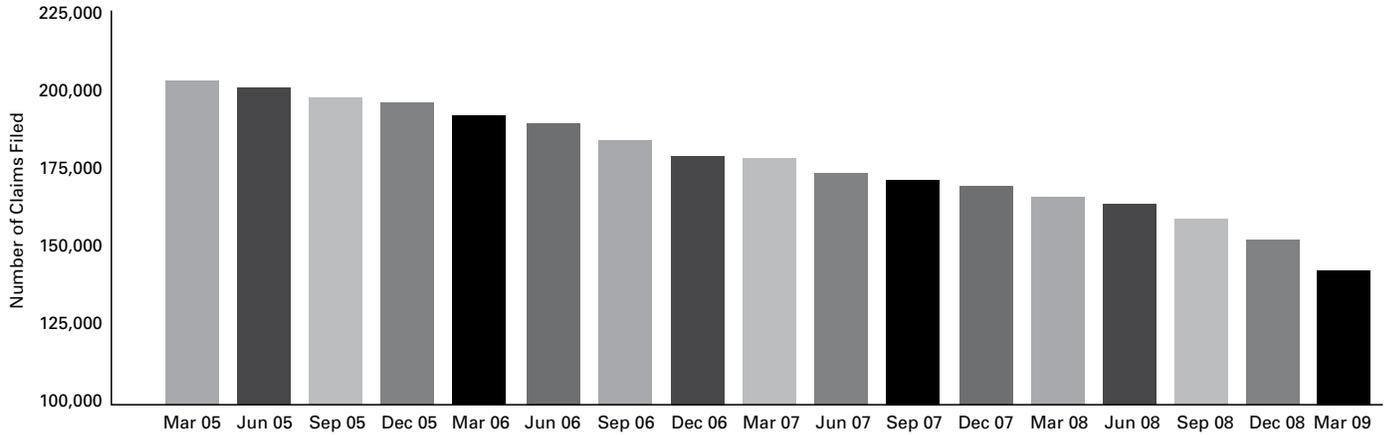


Operating Ratio

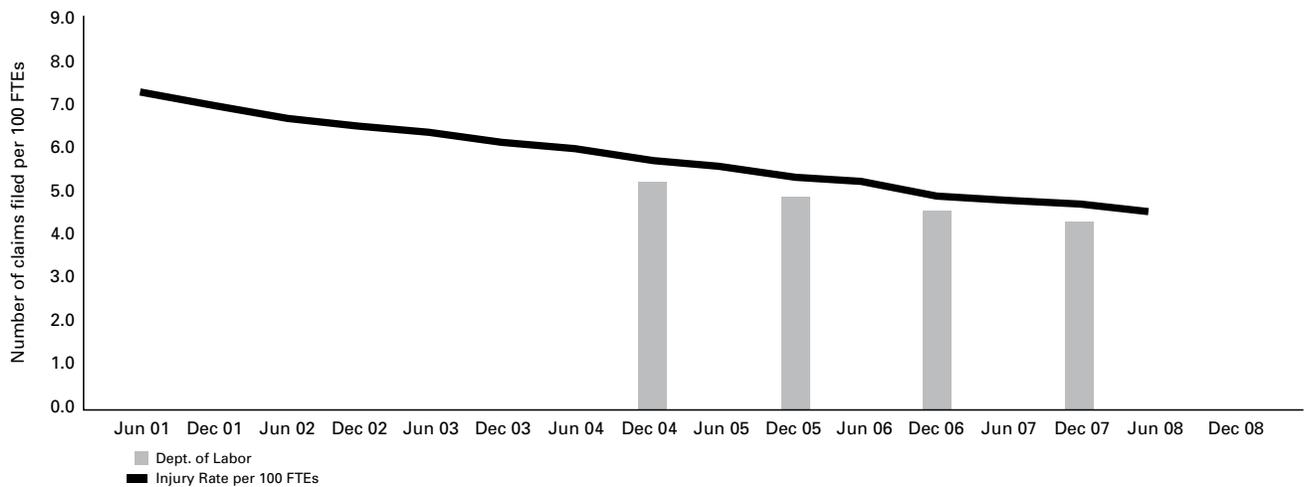


Operational Performance Metrics

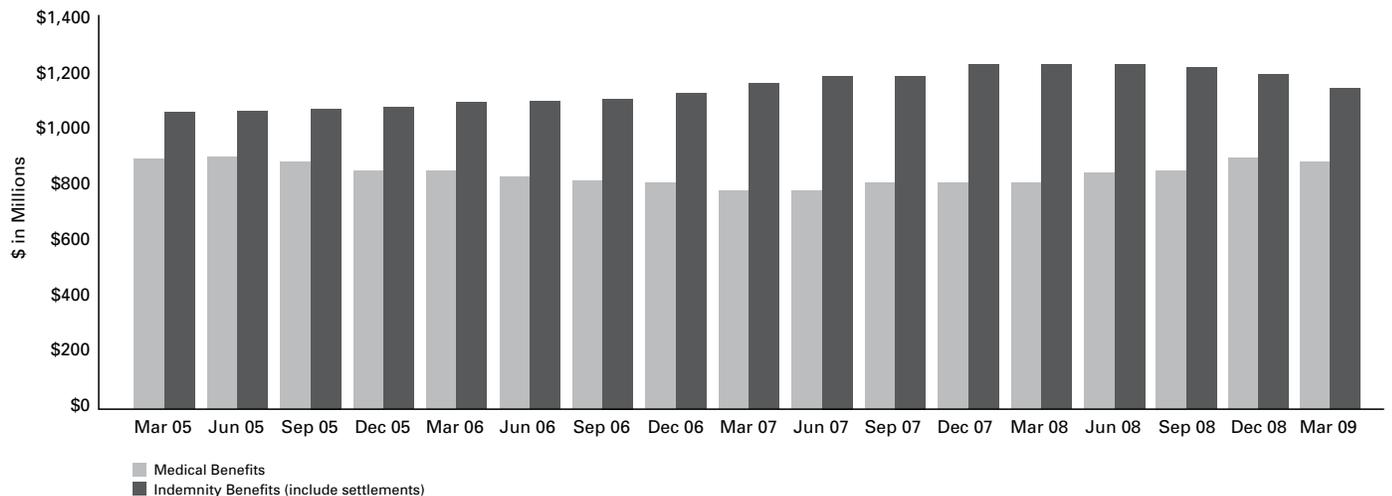
New Claims Filed - Twelve months ended



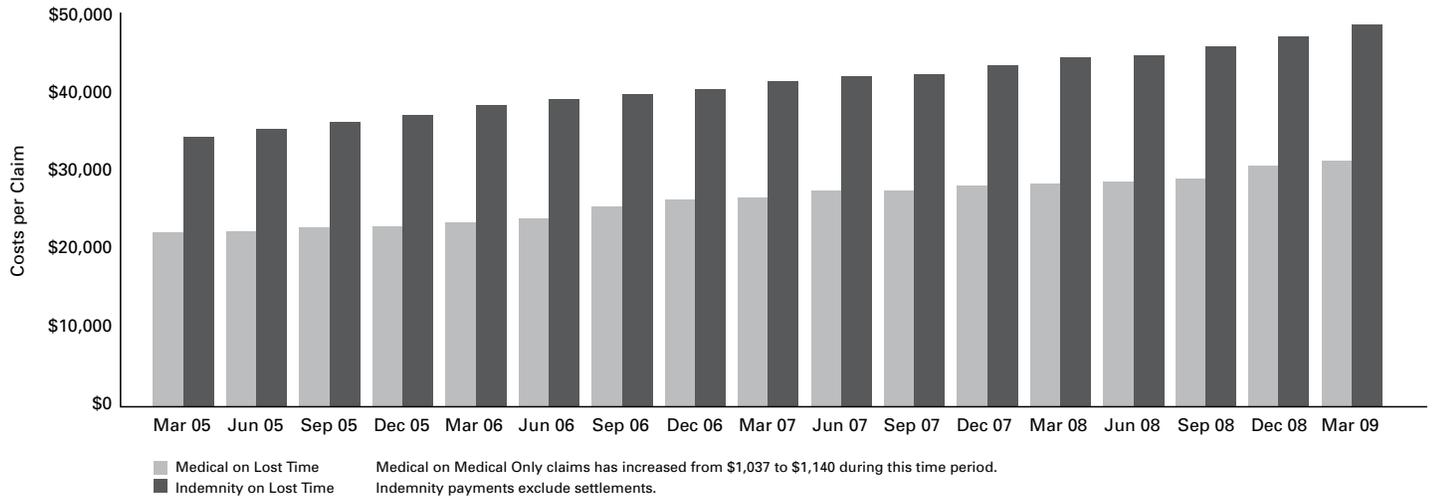
Frequency - Reported semi-annually



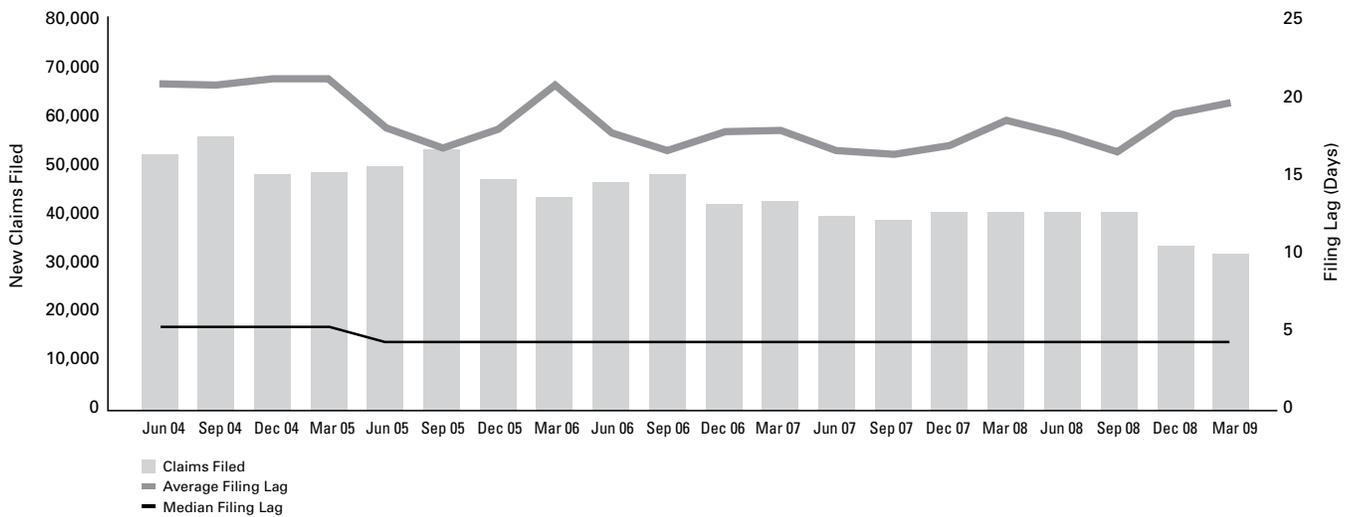
Benefit Payments - Twelve months ended



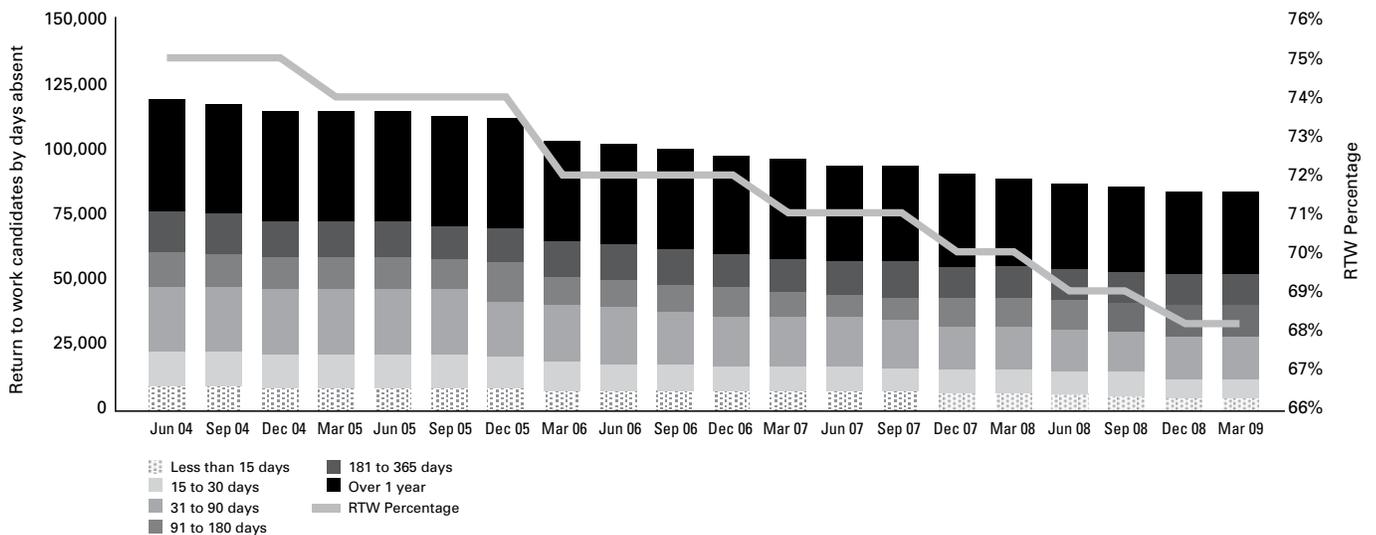
Severity



Claim Filing Lag



Return to work

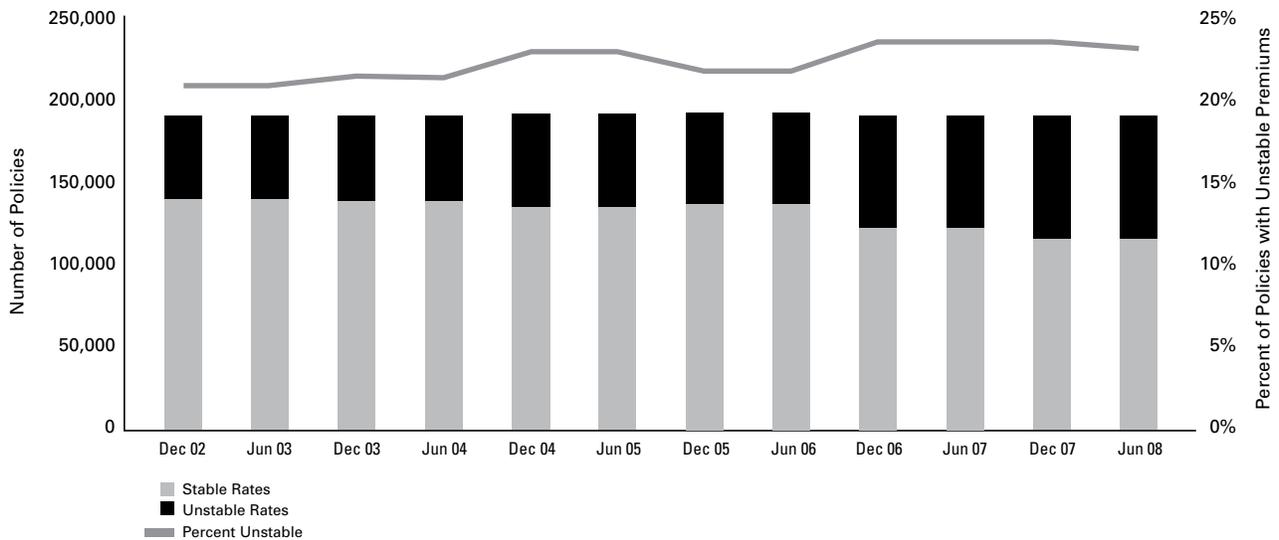


Aggregate Reported Payroll – Twelve Months Ending

(\$ 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

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.

Board

Legislative Update

We will email material and
a hard copy will be inserted
into your binder.

I. Administrator's Flexible Performance Agreement (with Governor Strickland)

1. **Make Ohio's Workers' Compensation System more competitive regionally and nationally by identifying and applying actuarial principles to all aspects of BWC rates and premium assessments and reducing base rates overall, while also maintaining the highest level of quality care for injured workers.**
 - Complete Group Rating design for 2010 (announce plan to stakeholder groups by Fall '09); continue rate reform efforts (split plan, etc.)
 - Communicate BWC's message of restoring operational excellence: "Stable Costs, Better Services, Accurate Rates, Safe Workplaces"

2. **Ohio's employers will have access to a robust and informative reserving system, enabling them to better understand the costs associated with workers' compensation claims.**
 - Completed. (Maintenance mode: Continue evaluation of MIRA II, and preparation of system for Split Plan implementation.)

3. **BWC's administrative expenses will be benchmarked with private insurers and other state funds to determine best practices to ensure lowest assessments consistent with quality service.**
 - Informed by Deloitte findings re: competitive costs, continue to delve into comparison w/ other workers' comp carriers
 - Continue agency-wide process mapping (90% complete at eoFY09)
 - Identify and pursue additional opportunities to centralize non-core services across the Enterprise (State of Ohio)
 - On-board tenants at WGB
 - Implement amendments in HB15 (potential cost increases)

4. **By 2010, BWC will have created the system capacity to effectively evaluate the quality and costs of the managed care system for injured workers.**
 - In partnership with OSU College of Public Health, expand our medical resources and research capabilities
 - Implement and staff new Board Committee to focus on medical issues

II. Leadership:

- Accomplish BWC FY10 Portfolio of Projects, Tier 1 (Agency-wide goals)
- Align goals throughout all levels of agency
- Continue agency-wide efficiency initiatives

III. Planning:

- Continue development and utilization of Enterprise Reporting Package and associated metrics
- Improve structure/organization of Board meetings; implement changes identified in 2009 BOD Self-Assessment
- Implement specified Deloitte Study recommendations, pursuant to plan presented to Board of Directors
- Emphasize Safety & Hygiene as integral part of BWC

IV. Interaction with External Parties

- Continue emphasis on visits, interactions, and informal speaking engagements with trade associations, business groups and labor organizations
- Messages: good governance, transparency, actuarially sound and performance-based rates, planned and timely-announced implementation of agency initiatives

V. Integrity and Ethics

- Continue emphasis on ethics training and adherence for all staff
- Promote documentation and controls rigor to encourage sound decision-making
- Emphasize transparency with internal and external stakeholders

VI. Board of Directors

- Enhance strategic discussions; focus on evaluation of Deloitte Study recommendations

VII. Key Principles for Restoring Operational Excellence:

- BWC will be a stable, performance-focused agency which recognizes and serves its various constituencies while contributing to economic vitality in Ohio;
- BWC will have an internal culture that promotes accountability and innovation, and motivates staff to strive for improvement in quality and efficiencies in all aspects of work; and
- BWC will be a partner with other Ohio state agencies to achieve efficiencies in support services for the entire enterprise (State of Ohio).



Stakeholder feedback and recommendations for changes to Non-Complying Employer Rule 4123-14

Rule #	Draft Rule Concerns/Suggestions	Stakeholder Rationale	BWC Response	Resolution
4123-14-01	TPA doesn't think it is appropriate to lapse coverage for non-payment of outstanding balances.	These balances are subject to collection actions, including placing liens on employer property.	Collection action is time consuming and may result in limited returns.	No changes made to draft rule.
4123-14-01	TPA suggested that employer be allowed to enter into payment plans without placing lien on property. Concern that employers would not be able to place bids on jobs if they are considered to be non-compliant. Concern that employers could become ineligible for alternative rating plans because of lapse in coverage.	TPA feels lapsing the employer's account for non-payment of bills is a harsh consequence.	The Attorney General administers partial payment plans for BWC and liens are filed to secure our position in the event the employer defaults on the payment plan. Delinquent and unpaid accounts impact every other Ohio employer who must subsidize non-compliance through higher premiums and administrative fees.	No changes made to draft rule.

Common Sense Business Regulation (BWC Rules)

(Note: The below criteria apply to existing and newly developed rules)

Rule 4123-17-32

Rule Review

1. The rule is needed to implement an underlying statute.

Citation: R.C. 4123.34, 4123.35

2. The rule achieves an Ohio specific public policy goal.

What goal(s): This rule provides for the assessments for self-insuring employers for the administrative cost fund, the self insured surplus fund, and various other optional self insured employer assessments. This rule establishes the rates and informs employers of the rates for the policy year 7/1/2009 through 6/30/2010.

3. Existing federal regulation alone does not adequately regulate the subject matter.

4. The rule is effective, consistent and efficient.

5. The rule is not duplicative of rules already in existence.

6. The rule is consistent with other state regulations, flexible, and reasonably balances the regulatory objectives and burden.

7. The rule has been reviewed for unintended negative consequences.

8. Stakeholders, and those affected by the rule were provided opportunity for input as appropriate.

Explain: Met with members of the Ohio Self-Insurers Association and did not receive any negative comments regarding the proposed rates that will be effective July 1, 2009.

9. The rule was reviewed for clarity and for easy comprehension.

10. The rule promotes transparency and predictability of regulatory activity.

11. The rule is based on the best scientific and technical information, and is designed so it can be applied consistently.

12. The rule is not unnecessarily burdensome or costly to those affected by rule.

If so, how does the need for the rule outweigh burden and cost? _____

13. The Chief Legal Officer, or his designee, has reviewed the rule for clarity and compliance with the Governor's Executive Order.

No Legislative Update this month