

Enterprise Report

February 2010

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.*

January Financial Analysis

BWC's net assets decreased by \$45 million in January resulting in net assets of \$3.9 billion at January 31, 2010 compared to \$3.95 billion at December 31, 2009.

<i>(\$ in millions)</i>	Month Ended Jan. 31, 2010	Month Ended Dec. 31, 2009	Month Ended Jan. 31, 2009
Operating Revenues	\$138	\$159	\$164
Operating Expenses	(179)	(195)	(160)
Operating Transfers	(1)	–	(1)
Net Operating Gain (Loss)	(42)	(36)	3
Net Investment Income (Loss)	(3)	(166)	(868)
Increase (Decrease) in Net Assets	(45)	(202)	(865)
Net Assets End of Period	\$3,905	\$3,950	\$1,447

- o Premium and assessment income net of the provision for uncollectible accounts receivable resulted in operating revenues of \$138 million in January. The \$15 million reduction in the provision for uncollectible receivables recorded in December increased revenues for that month.
- o Decreases in premium rates of 12% for private employers, 17% for public employer taxing districts and 3.75% for state agencies have resulted in decreased operating revenues in January 2010 compared to January 2009.
- o Benefit and compensation adjustment expenses of \$173 million along with other expenses of \$6 million resulted in operating expenses of \$179 million. January expenses are lower than December expenses due in part to a \$13 million decrease in claim payments. Payments were lower for all benefit types led by a \$5 million decline in medical payments, a \$3 million decline in settlements, and a \$2 million decline in payments for percent permanent partial awards.
- o Operating transfers made in January included \$213,000 in funding for the Deputy Inspector General and \$926,000 to the Ohio Department of Natural Resources for the mine safety program.
- o A \$54 million decrease in portfolio market value in January along with interest and dividend income of \$52 million for the month, resulted in net investment losses of \$3 million for the month after investment expenses of \$0.7 million. The decrease in portfolio market value is comprised of \$53.7 million in net unrealized losses and \$0.3 million in net realized losses.
- o Cash and cash equivalents include \$839 million in money market holdings in the outside investment manager accounts. These funds are committed to covering a \$736 million net investment trade payable for transactions that will settle in February.
- o Premium and assessment receipts of \$110 million were collected in January. Receipts in January 2010 are \$24 million lower than collections during this same period last year reflecting reduced premium rates and employer payroll.

Fiscal Year-to-Year Comparisons

BWC's total net assets have increased by \$1.4 billion for fiscal year-to-date 2010 resulting in net assets of \$3.9 billion at January 31, 2010 compared to \$1.4 billion at January 31, 2009.

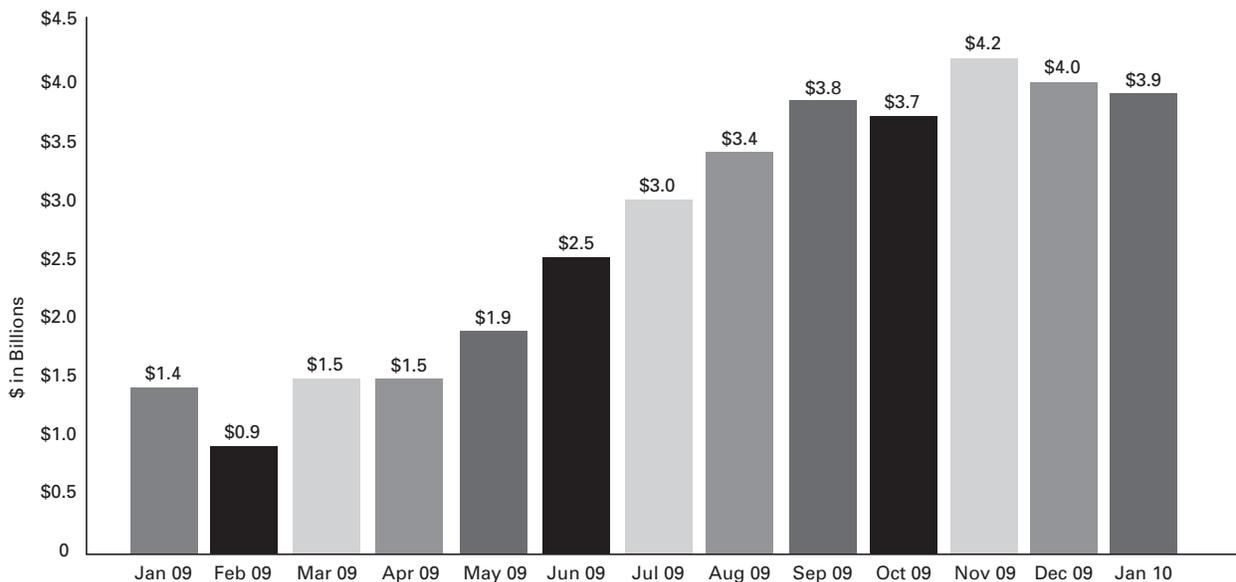
<i>(\$ in millions)</i>	Fiscal YTD Jan. 31, 2010	Projected FYTD Jan. 31, 2010	Fiscal YTD Jan. 31, 2009
Operating Revenues	\$1,209	\$1,276	\$1,288
Operating Expenses	(1,364)	(1,408)	(1,325)
Operating Transfers	(3)	(4)	(3)
Net Operating Gain (Loss)	(158)	(136)	(40)
Net Investment Income (Loss)	1,548	489	(1,017)
Increase (Decrease) in Net Assets	1,390	353	(1,057)
Net Assets End of Period	\$3,905	\$2,868	\$1,447

- o BWC's premium and assessment income for fiscal year-to-date 2010 is \$1.2 billion compared to \$1.3 billion for the same period last year. Decreases in premium rates for private and state agency employers effective July 1, 2009 and January 1, 2010 for public employer taxing districts are off-set by increased unbilled receivables for DWRF and SIEGF. Actual income is less than projected primarily due to the adjustment recorded in December to reflect the anticipated impact that unemployment will have on private employer payroll for the July through December policy period and considering this same impact in premium accruals for the January through June policy period.
- o Benefit and compensation adjustment expenses increased by \$44 million for fiscal year-to-date 2010. Reserves for compensation and compensation adjustment expenses for DWRF and SIEGF have increased by \$41 million in 2010. This increase has been partially off-set by lower payments for benefits and compensation adjustment expenses. While settlements and medical payments have decreased by over \$63 million, there have been increases in temporary total and permanent total disability costs of approximately \$9 million.
- o BWC's net investment income for fiscal year-to-date 2010 totaled \$1.5 billion, comprised of \$596 million in net realized losses and \$1,720 million in net unrealized gains, along with \$428 million of interest and dividend income net of \$4 million in investment expenses. This compares to last year's net investment loss of just over \$1 billion that primarily resulted from net unrealized losses.
- o Fiscal year-to-date 2010 premium collections are \$127 million less than projected as a result of an 8% decline in private employer premium payments. Declines in private employer payroll and decreases in premium rates have contributed to premium collections being \$121 million less than prior fiscal year-to-date collections.

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

- o Through February 11th approximately 128,000 or 51% of the private employers have filed their payroll report for the July through December 2009 policy period compared to 45% for the same period last year. Management is monitoring the status of collections on a daily basis.
- o While new claim filings continue to trend downward, the average cost per claim has increased. BWC is continuing to analyze the factors causing the increases in severity.

Net Assets



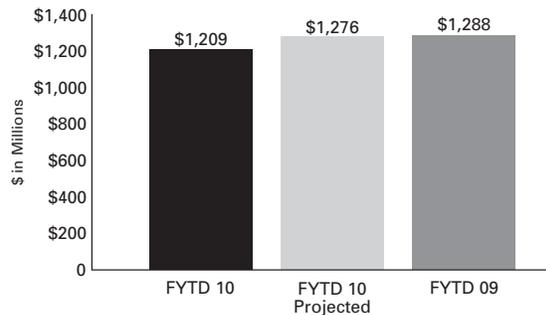
Statement of Operations

Fiscal year to date January 31, 2010

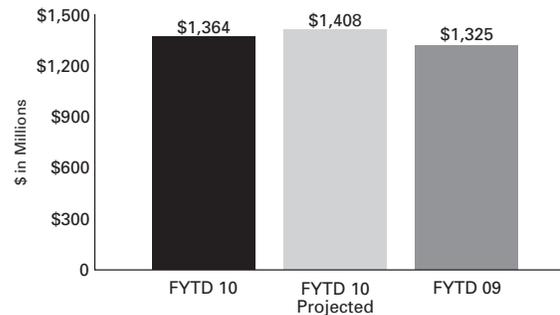
(in millions)

	Actual	Projected	Variance to Projected	Prior Yr. Actual	Year to Year Increase (Decrease)
Operating Revenues					
Premium & Assessment Income	\$1,202	\$1,314	\$(112)	\$1,327	\$(125)
Provision for Uncollectibles	1	(44)	45	(45)	46
Other Income	6	6	-	6	-
Total Operating Revenue	1,209	1,276	(67)	1,288	(79)
Operating Expenses					
Benefits & Compensation Adj. Expense	1,314	1,352	38	1,270	44
Other Expenses	50	56	6	55	(5)
Total Operating Expenses	1,364	1,408	44	1,325	39
Operating Transfers	(3)	(4)	1	(3)	-
Net Operating Gain (Loss)	(158)	(136)	(22)	(40)	(118)
Net Investment Income (Loss)	1,548	489	1,059	(1,017)	2,565
Increase (Decrease) in Net Assets	\$1,390	\$353	\$1,037	\$(1,057)	\$2,447

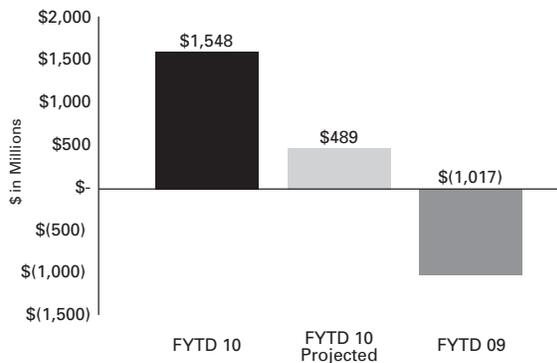
Operating Revenues



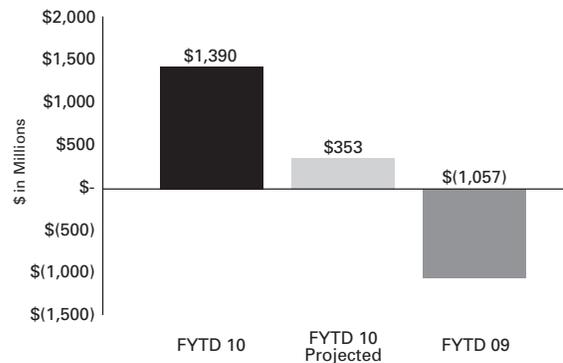
Operating Expenses



Net Investment Income (Loss)



Change in Net Assets



Statement of Operations – Combining Schedule

Fiscal year to date January 31, 2010

(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	\$902,601	\$92,231	\$964	\$142	\$290	\$27,803	\$178,106	\$1,202,137
Provision for Uncollectibles	(15,304)	15,194	–	–	(3)	521	413	821
Other Income	4,523	–	–	–	–	–	1,471	5,994
Total Operating Revenues	891,820	107,425	964	142	287	28,324	179,990	1,208,952
Operating Expenses:								
Benefits & Compensation Adj Expenses	1,042,933	109,720	561	(10)	100	27,645	133,657	1,314,606
Other Expenses	13,564	146	44	1	42	–	35,835	49,632
Total Operating Expenses	1,056,497	109,866	605	(9)	142	27,645	169,492	1,364,238
Net Operating Income (Loss) before Operating Transfers Out	(164,677)	(2,441)	359	151	145	679	10,498	(155,286)
Operating Transfers Out	(150)	–	(1,892)	–	–	–	(600)	(2,642)
Net Operating Income (Loss)	(164,827)	(2,441)	(1,533)	151	145	679	9,898	(157,928)
Investment Income:								
Investment Income	385,257	31,625	6,767	384	287	42	3,530	427,892
Net Realized Gains (Losses)	(600,144)	3,648	467	–	–	–	–	(596,029)
Net Unrealized Gains (Losses)	1,636,772	66,977	14,568	750	561	–	–	1,719,628
Total Realized & Unrealized Capital Gains (Losses)	1,036,628	70,625	15,035	750	561	–	–	1,123,599
Investment Manager & Operational Fees	(3,413)	(166)	(89)	(5)	(4)	(1)	–	(3,678)
Gain (Loss) on Disposal of Fixed Assets	–	–	–	–	–	–	(182)	(182)
Total Non-Operating Revenues, Net	1,418,472	102,084	21,713	1,129	844	41	3,348	1,547,631
Increase (Decrease) in Net Assets (Deficit)	1,253,645	99,643	20,180	1,280	989	720	13,246	1,389,703
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	\$3,445,533	\$935,502	\$186,563	\$20,686	\$16,559	\$7,655	\$(707,453)	\$3,905,045

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 January 31, 2010

(in thousands)

	Actual	Projected	Variance to Projected	Prior Yr. Actual	Year to Year Increase (Decrease)
Investment Income					
Bond Interest	\$377,841	\$373,870	\$3,971	\$368,474	\$9,367
Dividend Income	46,733	48,430	(1,697)	39,301	7,432
Money Market/Commercial Paper Income	967	2,912	(1,945)	4,406	(3,439)
Misc. Income (Corp Actions, Settlements)	2,351	2,800	(449)	6,963	(4,612)
Total Investment Income	<u>427,892</u>	<u>428,012</u>	<u>(120)</u>	<u>419,144</u>	<u>8,748</u>
Realized & Unrealized Capital Gains and (Losses)					
Bonds – Net Realized Gains (Losses)	(809)	–	(809)	(77,660)	76,851
U.S. Equities – Net Realized Gains (Losses)	(588,933)	–	(588,933)	(68,219)	(520,714)
Non-U.S. Equities – Net Realized Gains (Losses)	(6,287)	–	(6,287)	–	(6,287)
Subtotal – Net Realized Gains (Losses)	<u>(596,029)</u>	<u>–</u>	<u>(596,029)</u>	<u>(145,879)</u>	<u>(450,150)</u>
Bonds – Net Unrealized Gains (Losses)	545,137	–	545,137	(180,721)	725,858
U.S. Equities – Net Unrealized Gains (Losses)	1,185,768	64,340	1,121,428	(1,105,282)	2,291,050
Non-U.S. Equities – Net Unrealized Gains (Losses)	(11,277)	–	(11,277)	(4)	(11,273)
Subtotal – Net Unrealized Gains (Losses)	<u>1,719,628</u>	<u>64,340</u>	<u>1,655,288</u>	<u>(1,286,007)</u>	<u>3,005,635</u>
Net Gain (Loss) – PE	–	–	–	(752)	752
Change in Portfolio Value	<u>1,123,599</u>	<u>64,340</u>	<u>1,059,259</u>	<u>(1,432,638)</u>	<u>2,556,237</u>
Investment Manager & Operational Fees	<u>(3,678)</u>	<u>(3,468)</u>	<u>(210)</u>	<u>(2,914)</u>	<u>764</u>
Net Investment Income (Loss)	<u>\$1,547,813</u>	<u>\$488,884</u>	<u>\$1,058,929</u>	<u>\$(1,016,408)</u>	<u>\$2,564,221</u>

Administrative Cost Fund Expense Analysis

January 2010

- o BWC Administrative Cost Fund expenses are approximately \$18.6 million (11.5%) less than budgeted and approximately 9% less than last fiscal year.
- o Decreases in payroll, including Customer Service, Infrastructure and Technology, Special Investigations, Medical 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. Through January journal entries BWC staff have taken over 150,000 (81%) of the available 184,800 hours for a savings of approximately \$4.5 million.
- 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 January. 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. Wrapping up of several court cases has resulted in the reduction of fiscal year 2010 Special Counsel costs. A reduced number of safety grant applications resulted in lower expenditures in fiscal year 2010.
- o Various delays in project plans caused a delay in the completion of the equipment purchases through January. Some purchase orders have been completed and payments will be made in future months. This is causing actual expenditures to be less than the budgeted year to date amount through January.
- 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 January.
- o BWC's current fiscal year 2010 budget is approximately \$39 million (11.8%) less than appropriated by the General Assembly.

Administrative Cost Fund Budget Summary

As of January 31, 2010

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	501,400	501,400	0	0.00%	815,624	567,086	(65,686)	-11.58%
Workers' Comp Council	0	0	0	0	0.00%	0	64,603	(64,603)	-100.00%
BWC Administration	14	834,182	834,182	0	0.00%	1,449,967	457,945	376,237	82.16%
Customer Service	1,447	64,820,416	64,873,526	53,110	0.08%	107,186,632	68,766,499	(3,946,083)	-5.74%
Medical	130	6,642,234	6,642,981	747	0.01%	11,041,602	7,282,618	(640,384)	-8.79%
Special Investigations	121	6,277,773	6,277,545	(228)	0.00%	10,426,549	6,946,216	(668,443)	-9.62%
Fiscal and Planning	65	3,032,315	3,063,481	31,166	1.02%	5,069,718	3,065,129	(32,814)	-1.07%
Actuarial	23	1,258,924	1,259,680	756	0.06%	2,217,583	1,026,684	232,240	22.62%
Investments	11	757,019	758,153	1,134	0.15%	1,286,108	710,300	46,719	6.58%
Infrastructure & Technology	297	17,188,127	17,304,132	116,005	0.67%	28,798,855	18,497,374	(1,309,247)	-7.08%
Legal	78	4,064,695	4,064,693	(2)	0.00%	6,725,543	4,128,492	(63,797)	-1.55%
Communications	21	979,384	981,054	1,670	0.17%	1,639,688	1,630,715	(651,331)	-39.94%
Human Resources	65	3,019,726	3,019,875	149	0.00%	5,049,199	3,391,526	(371,800)	-10.96%
Internal Audit	14	781,355	782,155	800	0.10%	1,298,360	812,922	(31,567)	-3.88%
Ombuds Office	6	319,466	319,467	1	0.00%	527,979	347,396	(27,930)	-8.04%
Total Payroll	2,304	110,477,016	110,682,324	205,308	0.19%	183,533,407	117,695,505	(7,218,489)	-6.13%
Personal Services									
Information Technology		3,327,032	4,770,882	1,443,850	30.26%	8,305,015	5,412,886	(2,085,854)	-38.53%
Legal - Special Counsel		380,903	883,750	502,847	56.90%	1,515,000	588,914	(208,011)	-35.32%
Legal - Attorney General		3,126,992	3,466,387	339,395	9.79%	4,621,850	3,225,701	(98,709)	-3.06%
Other Personal Services		<u>2,548,723</u>	<u>4,437,802</u>	<u>1,889,079</u>	<u>42.57%</u>	<u>7,229,085</u>	<u>3,367,362</u>	<u>(818,639)</u>	<u>-24.31%</u>
Total Personal Services		9,383,650	13,558,821	4,175,171	30.79%	21,670,950	12,594,863	(3,211,213)	-25.50%
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		7,188,834	8,543,419	1,354,585	15.86%	13,769,156	7,450,097	(261,263)	-3.51%
Software and Equipment Maintenance and Repairs		8,268,330	10,815,383	2,547,053	23.55%	18,539,264	9,715,088	(1,446,758)	-14.89%
Inter Agency Payments		2,328,348	2,033,644	(294,704)	-14.49%	3,711,503	1,492,700	835,648	55.98%
Communications		1,584,089	3,941,929	2,357,840	59.81%	6,835,671	2,178,309	(594,220)	-27.28%
Safety Grants and Long Term Care Loan		710,112	3,166,669	2,456,557	77.58%	6,000,000	2,385,865	(1,675,753)	-70.24%
Supplies and Printing		526,696	2,019,443	1,492,747	73.92%	3,381,432	754,488	(227,792)	-30.19%
Other Maintenance		<u>1,568,642</u>	<u>2,301,643</u>	<u>733,001</u>	<u>31.85%</u>	<u>3,959,945</u>	<u>1,837,285</u>	<u>(268,643)</u>	<u>-14.62%</u>
Total Maintenance		24,105,413	34,755,528	10,650,115	30.64%	76,068,766	28,100,155	(3,994,742)	-14.22%
Equipment		770,675	4,604,143	3,833,468	83.26%	8,479,115	783,260	(12,585)	-1.61%
Total Administrative Cost Fund Expenses		144,736,754	163,600,816	18,864,062	11.53%	289,752,238	159,173,783	(14,437,029)	-9.07%

Total Agency Appropriation 328,821,765
 Budget to Appropriation Variance 39,069,527
 Percentage Variance 11.88%

State Insurance Fund

Administrative Expense Summary

As of January 31, 2010

	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	41,458	49,294	90,752	65,041
Mercer Investment Consulting	243,749	292,744	536,493	237,498
Other Investment Expenses	<u>233,902</u>	<u>131,237</u>	<u>365,139</u>	<u>147,994</u>
	519,109	473,275	992,384	725,724
Actuarial Expenses				
Oliver Wyman – Actuarial Services	583,051	500,000	1,083,051	607,657
Deloitte Consulting – Comprehensive Study	0	0	0	1,545,169
Deloitte Consulting – Actuarial Services	<u>234,965</u>	<u>1,489,785</u>	<u>1,724,750</u>	<u>0</u>
	818,016	1,989,785	2,807,801	2,152,826
Ohio Rehabilitation Services	<u>605,407</u>	<u>605,407</u>	<u>1,210,814</u>	<u>605,407</u>
TOTAL	<u>\$1,942,532</u>	<u>\$3,068,467</u>	<u>\$5,010,999</u>	<u>\$3,483,957</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.

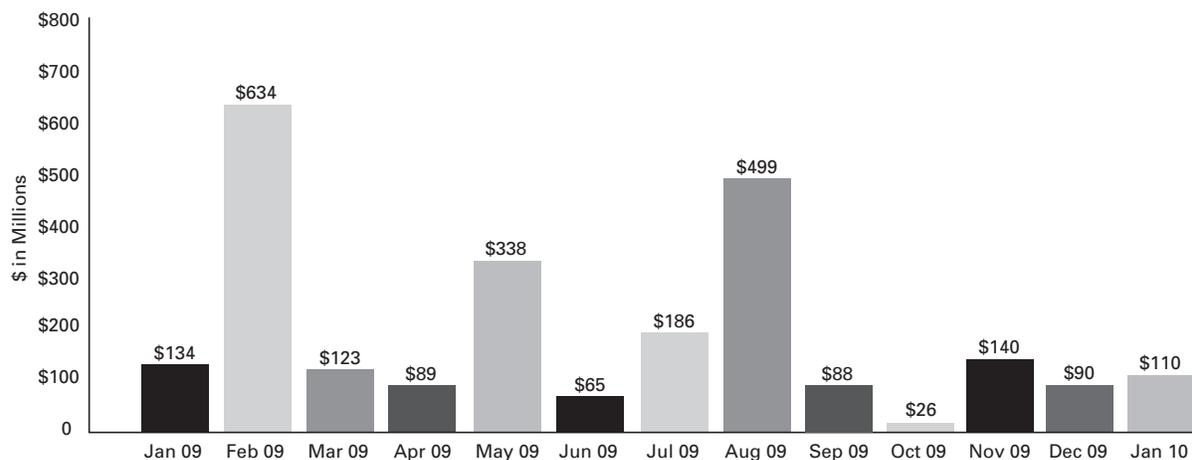
Statement of Cash Flows

Fiscal year to date January 31, 2010

(in millions)

	Actual	Projected	Variance to Projected	Prior Yr. Actual	Year to Year Increase (Decrease)
Cash Flows from Operating Activities:					
Cash Receipts from Premiums	\$1,139	\$1,266	\$(127)	\$1,260	\$(121)
Cash Receipts – Other	37	19	18	14	23
Cash Disbursements for Claims	(1,195)	(1,206)	11	(1,258)	63
Cash Disbursements for Other	(243)	(290)	47	(279)	36
Net Cash Provided (Used) by Operating Activities	(262)	(211)	(51)	(263)	1
Net Cash Flows from Noncapital Financing Activities	(3)	(4)	1	(3)	–
Net Cash Flows from Capital and Related Financing Activities	(3)	(2)	(1)	(4)	1
Net Cash Provided (Used) by Investing Activities	820	163	657	194	626
Net Increase (Decrease) in Cash and Cash Equivalents	552	(54)	606	(76)	628
Cash and Cash Equivalents, Beginning of Period	504	504	–	378	126
Cash and Cash Equivalents, End of Period	\$1,056	\$450	\$606	\$302	\$754

Premium and Assessment Receipts



Statement of Net Assets

As of January 31, 2010

(in millions)

	Actual	Prior Yr. Actual	Year to Year Increase (Decrease)
Assets			
Bonds	\$12,653	\$12,905	\$(252)
U.S. Equities	3,745	2,773	972
Non-U.S. Equities	1,616	–	1,616
Private Equities	–	–	–
Cash & Cash Equivalents	<u>1,056</u>	<u>302</u>	<u>754</u>
Total Cash and Investments	19,070	15,980	3,090
Accrued Premiums	4,693	4,680	13
Other Accounts Receivable	146	155	(9)
Investment Receivables	522	404	118
Other Assets	<u>103</u>	<u>113</u>	<u>(10)</u>
Total Assets	<u>24,534</u>	<u>21,332</u>	<u>3,202</u>
Liabilities			
Reserve for Compensation and Compensation Adj. Expense	\$19,288	\$19,383	\$(95)
Accounts Payable	44	40	4
Investment Payable	1,110	238	872
Other Liabilities	<u>187</u>	<u>224</u>	<u>(37)</u>
Total Liabilities	<u>20,629</u>	<u>19,885</u>	<u>744</u>
Net Assets	\$3,905	\$1,447	\$2,458

Statement of Net Assets – Combining Schedule

As of January 31, 2010

(in thousands)

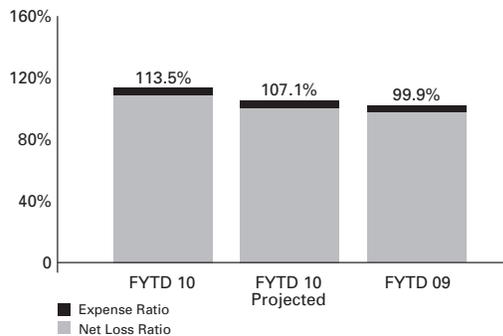
	State Insurance Fund Account	Disabled Workers' Relief Fund Account	Coal-Workers Pneumoconiosis Fund Account	Public Work Relief Employees' Fund Account	Marine Industry Fund Account	Self-Insuring Employers' Guaranty Fund Account	Administrative Cost Fund Account	Eliminations	Totals
Assets									
Bonds	\$ 11,482,989	\$ 929,606	\$ 198,565	\$ 24,135	\$ 18,032	\$ -	\$ -	\$ -	\$ 12,653,327
U.S. Equities	3,439,549	251,823	53,440	-	-	-	-	-	3,744,812
Non-U.S. Equities	1,615,526	-	-	-	-	-	-	-	1,615,526
Private Equities	35	-	-	-	-	-	-	-	35
Cash & Cash Equivalents	995,047	6,223	1,468	204	350	49,863	2,942	-	1,056,097
Total Cash & Investments	\$ 17,533,146	\$ 1,187,652	\$ 253,473	\$ 24,339	\$ 18,382	\$ 49,863	\$ 2,942	\$ -	\$ 19,069,797
Accrued Premiums	2,065,745	1,637,390	-	255	-	733,318	256,439	-	4,693,147
Other Accounts Receivable	90,325	23,119	-	-	2	6,255	26,389	-	146,090
Interfund Receivables	13,041	43,425	-	-	128	281	109,459	(166,334)	-
Investment Receivables	490,989	26,237	5,198	-	-	2	-	-	522,426
Other Assets	25,526	22	-	-	-	-	76,891	-	102,439
Total Assets	\$ 20,218,772	\$ 2,917,845	\$ 258,671	\$ 24,594	\$ 18,512	\$ 789,719	\$ 472,120	\$ (166,334)	\$ 24,533,899
Liabilities									
Reserve for Compensation & Compensation Adj. Expense	\$ 15,397,000	\$ 1,957,868	\$ 68,593	\$ 3,895	\$ 1,721	\$ 777,518	\$ 1,081,000	\$ -	\$ 19,287,595
Accounts Payable	43,637	-	-	-	-	-	712	-	44,349
Investment Payable	1,093,694	13,722	2,676	-	-	-	-	-	1,110,092
Interfund Payables	151,043	10,658	69	10	8	4,546	-	(166,334)	-
Other Liabilities	87,865	95	770	3	224	-	97,861	-	186,818
Total Liabilities	16,773,239	1,982,343	72,108	3,908	1,953	782,064	1,179,573	(166,334)	20,628,854
Net Assets	\$ 3,445,533	\$ 935,502	\$ 186,563	\$ 20,686	\$ 16,559	\$ 7,655	\$ (707,453)	\$ -	\$ 3,905,045

Financial Performance Metrics

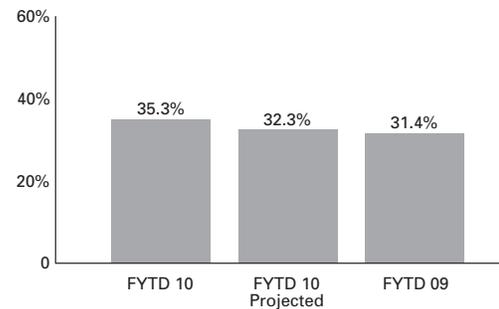
	Actual FY10 As of 1/31/10	Projected FY10 As of 1/31/10	Actual FY09 As of 1/31/09	Guidelines
Funding Ratio (State Insurance Fund)	1.24	1.18	1.08	1.02 to 1.35
Net Leverage Ratio (SIF)	4.73	6.54	13.84	3.0 to 8.0
Loss Ratio	90.3%	83.4%	77.4%	
LAE Ratio - MCO	7.8%	7.1%	6.9%	
LAE Ratio - BWC	11.3%	12.4%	11.4%	
Net Loss Ratio	109.4%	102.9%	95.7%	120.0%
Expense Ratio	4.1%	4.2%	4.2%	5.0%
Combined Ratio	113.5%	107.1%	99.9%	125.0%
Net Investment Income Ratio	35.3%	32.3%	31.4%	
Operating Ratio (Trade Ratio)	78.2%	74.8%	68.5%	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.

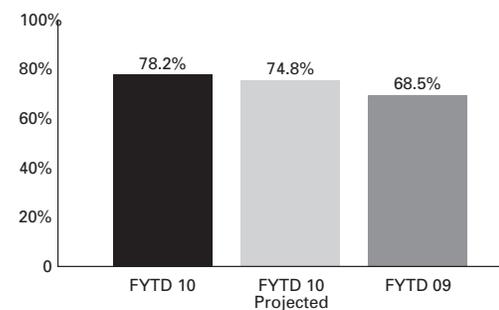
Combined Ratio



Investment Income Ratio

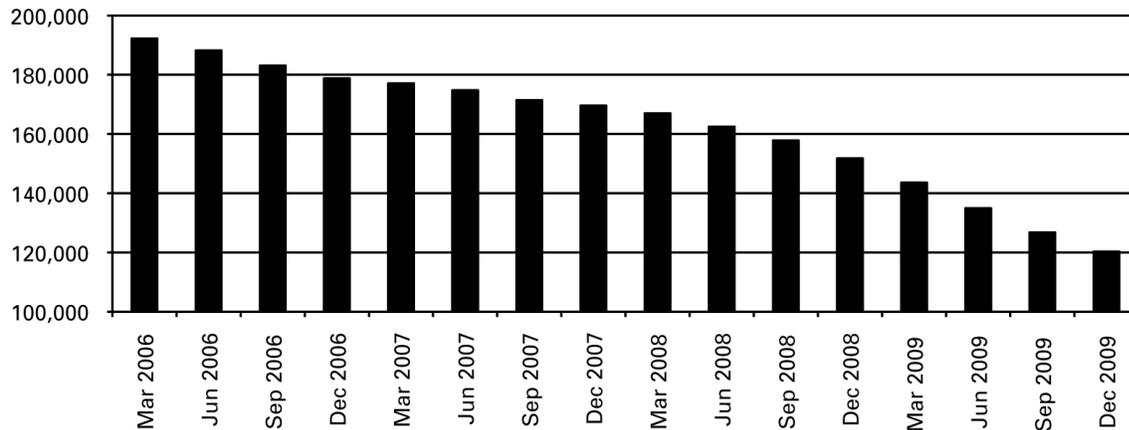


Operating Ratio

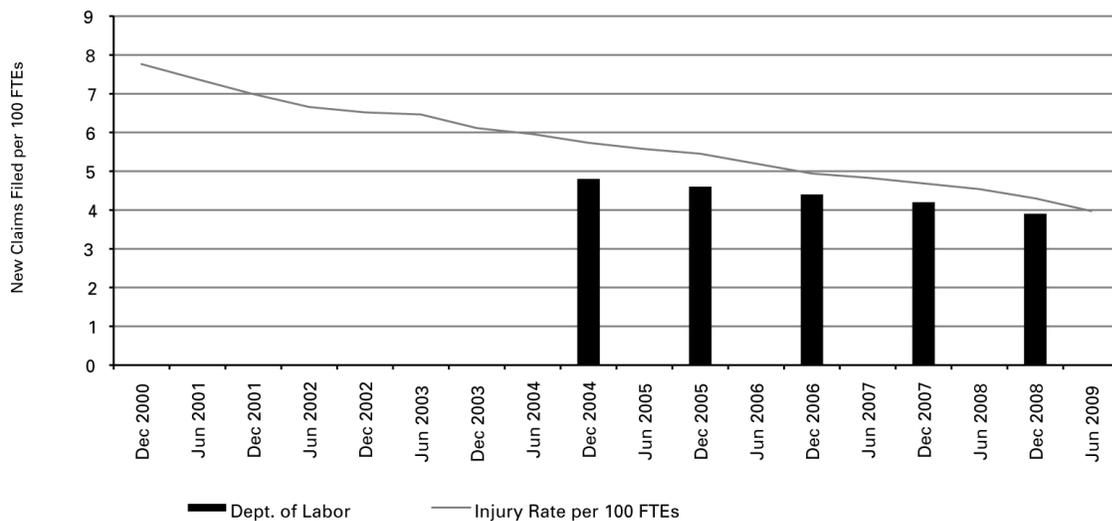


Operational Performance Metrics

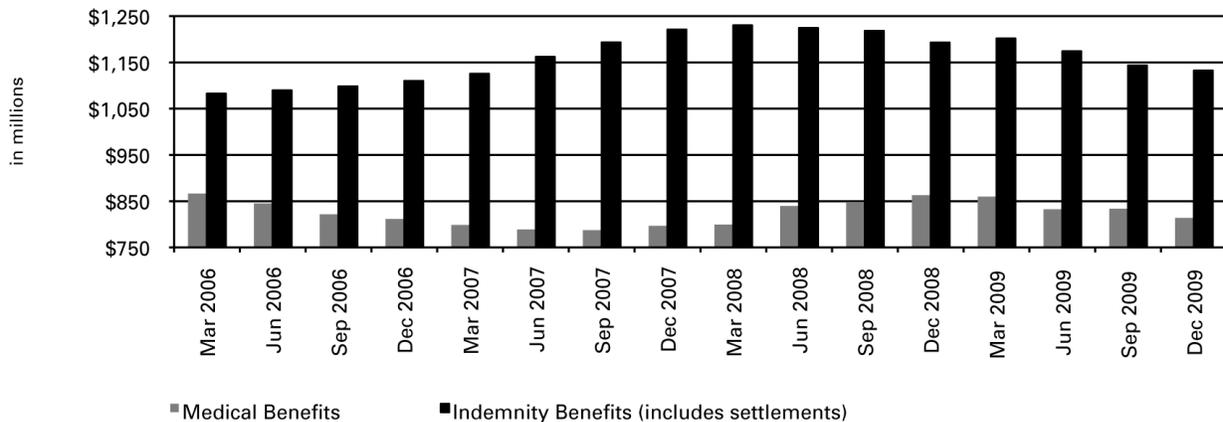
New Claims Filed - Twelve months ended



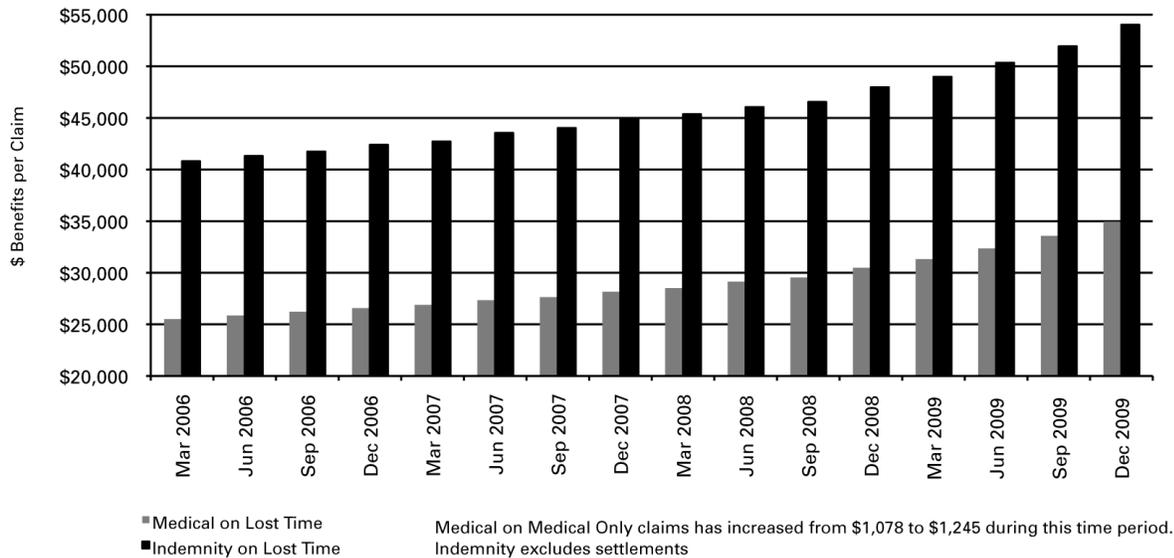
Frequency - Reported semi-annually



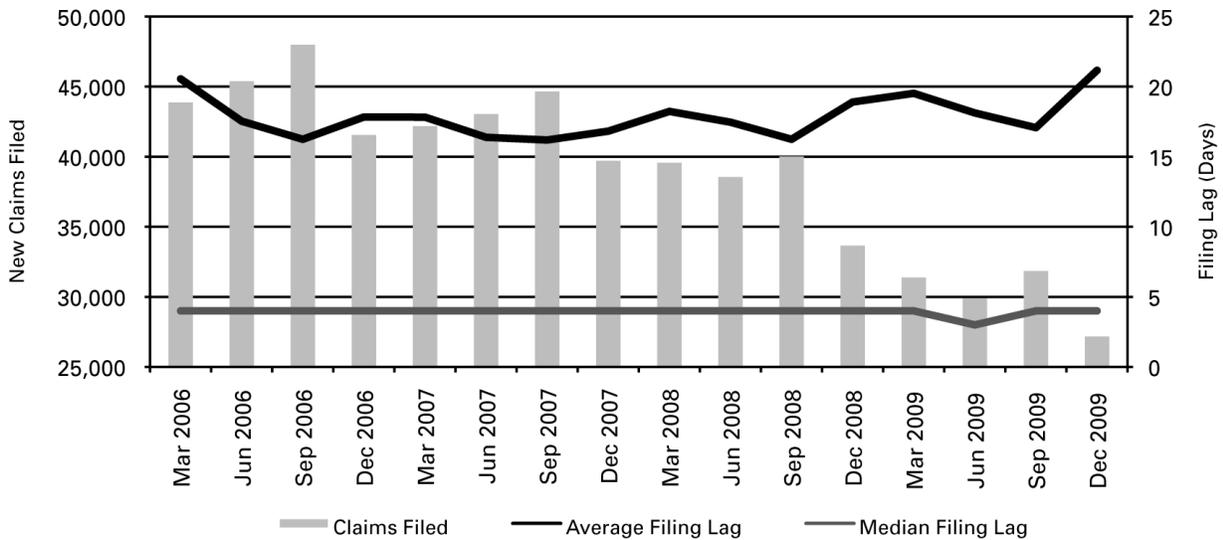
Benefit Payments - Twelve months ended



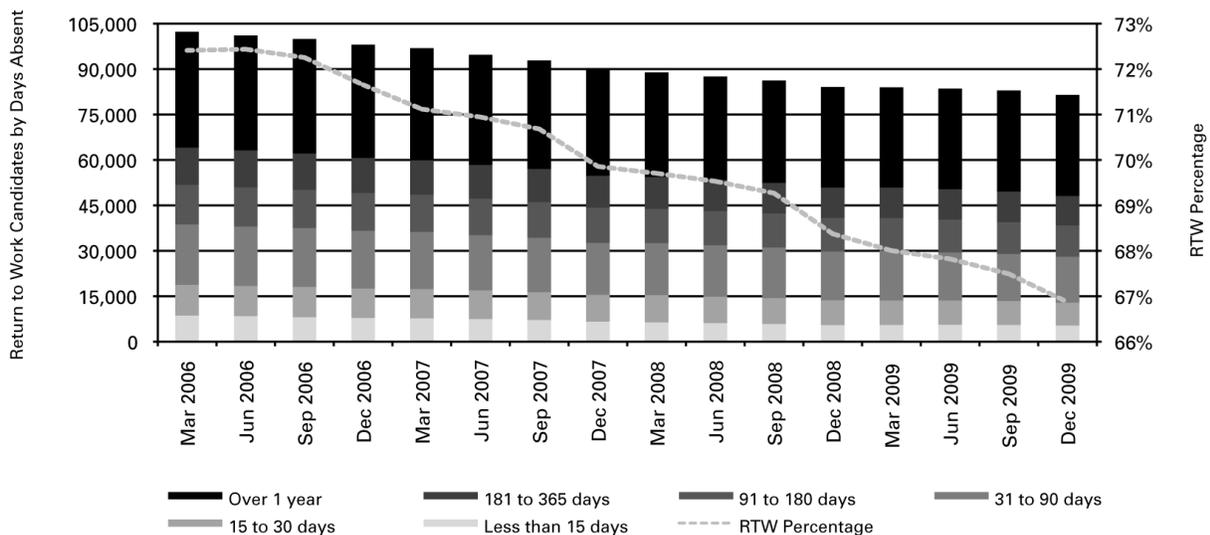
Severity



Claim Filing Lag



Return to work

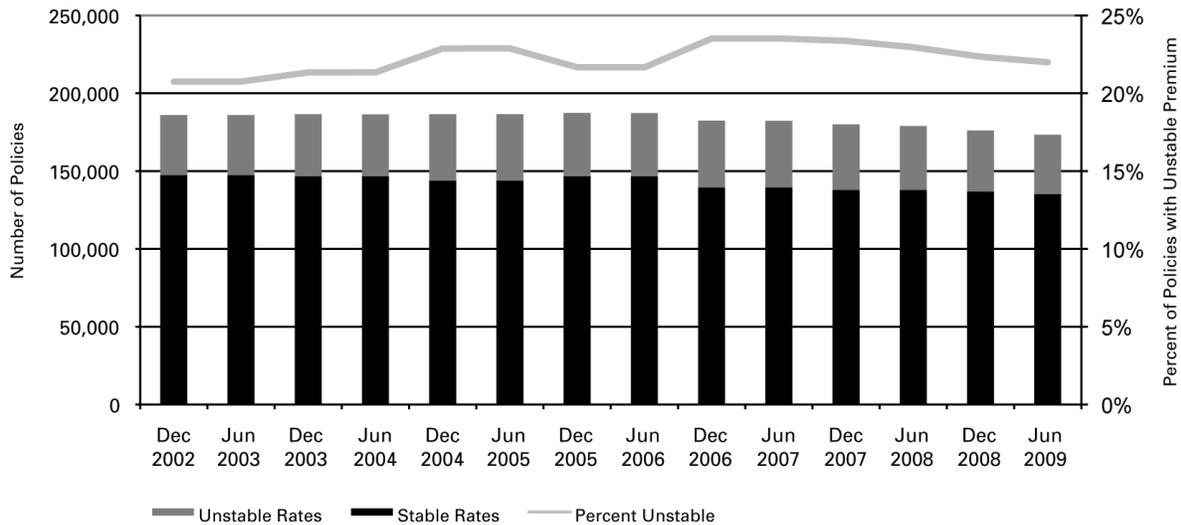


Aggregate Reported Payroll- Twelve months ended

(\$ 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
Jun 2009	\$91,066	\$19,778	\$7,194	\$150	\$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.

A check mark indicates recent activity.

SB 213—(Sen. Faber, R-Celina)—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 during the first year (collaboratively with stakeholders) of the moratorium. Then make a report to legislative leaders that includes a determination the direction of future rates. And then to make recommendations based on that determination. And then, subject to BWC Board approval, 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 discussed during deliberations on HB 15 (BWC budget). This provision was ultimately vetoed by the Governor.
- ✓ Insurance Commerce and Labor Committee amended provision on January 26 along party line vote to prohibit the BWC Board from issuing dividends or refunds to State Fund employers in any gubernatorial election occurs without approval of the General Assembly through legislative enactment.
- ✓ Passed out of Insurance Commerce and Labor Committee on January 26, (7-4 vote, Senator Kearney voting in favor, Senator Seitz voting against.)
- ✓ The Workers' Compensation Council staff provided a detailed analysis of SB 213 on January 27. The Council Chair elected not to take a vote on the acceptance of the actuarial analysis.
- ✓ Full Senate voted January 27 in favor of the bill by 20-11 vote with Senator Kearney voting with the majority.
- ✓ House Insurance Committee took sponsor testimony on February 17.

SR 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. Creates a taskforce of 23 including the Administrator and Board of Director Chair or their designee and the Director of the Department of Insurance.

- ✓ Senate appointments announced January 22.
- ✓ Task force convened February 17, 2010.
- ✓ Next meeting March 18.

Senate Bill 4—(Schaffer)— Requires the Auditor of State to conduct performance audits of the Bureau of Workers' Compensation, the Environmental Protection Agency, the Department of Natural Resources, the Department of Agriculture, and the Department of Health.

- ✓ Passed by unanimous vote in Senate on 1/27

HB 216—(Rep. Carney, D-Columbus)--To establish certain financial capacity requirements for professional employer organizations (PEOs), 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 met in December with House policy staff, Rep. Carney, and Chairman Kenny Yuko (D-Elyria) to discuss BWC's various concerns with the bill and prepared suggested revisions to the bill that were agreed upon by all interested parties.

HB 259--(Rep. Batchelder, R-Medina)--To 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 Board in formulating and adjusting BWC investment policy as appropriate. And, significantly limit BWC's ability to maximize the full potential of investment portfolio.
- The legislation is nearly identical to HB 79 (Rep. Batchelder) from the 127th GA. That legislation passed the House by party line vote, then stalled in the Senate, was later stripped of its investment provisions and used as a vehicle to pass the "group-rating fix" in December 2008.
- Sponsor Testimony provided on 1/13 in House Insurance Committee.

SB 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. The legislation is intended to address the independent contractor misclassification issue.

- The Attorney General's office is continuing agency discussion on this issue through its coordinated Worker Misclassification Work Group

SB 94--(Sen. Patton, R-Strongsville)--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.

- ✓ Deloitte reviewed for financial impacts to the State Insurance Fund.
- ✓ Proponent Testimony provided to the Senate ICL committee on 2/9 by Mark Drum, Fraternal Order of Police, Lawrence Petrick, Ohio Association of Professional Fire Fighters. Written testimony provided by William Estabrook, Exec. Dir., Ohio Police and Fire Pension Fund.
- ✓ Impact statement provided to Workers' Compensation Council February 17, 2010.

HB 249--(Rep. Heard, D-Columbus)--To redefine the definition of "journalist" (R.C. 149.43(B)(9) to include "trade and business association newsletter". Permits access to bulk lists of claimant contact information under R.C. 4123.88.

- No recent activity.
- The Ohio Association for Justice, NFIB, and the OMA are opposed to the bill.

WORKERS' COMPENSATION COUNCIL:

- ✓ Full council met on January 27. Actuarial impact of SB 213 (Faber) discussed.
- ✓ Next meeting scheduled February 24.