

BWC Board of Directors  
**Board Agenda**  
Friday, September 24, 2010  
William Green Building  
Level 2, Room 3  
8:00 a.m. – 10:00 a.m.

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**Call to Order**

Bill Lhota, Board Chair

**Roll Call**

Larry Rhodebeck, Scribe

Bill Lhota, Chair

- Approval of minutes of the August 27, 2010 Board meeting
- Review meeting agenda

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**Committee Reports**

**Actuarial Committee**

Chuck Bryan, Committee Chair

1. Program Compatibility Changes and Rule clean-up

**Audit Committee**

Ken Haffey, Committee Chair

**Governance Committee**

Alison Falls, Committee Chair

**Investment Committee**

Bob Smith, Committee Chair

1. Amend Section VIII (regarding qualified Minority and/or Women-owned investment managers and qualified Ohio investment managers) of the Investment Policy Statement

**Medical Services and Safety Committee**

James Harris, Committee Chair

1. Pharmacy and Therapeutics Committee Rule 4123-6-21.2

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**Monthly Enterprise Report**

Tracy Valentino, Chief, Fiscal & Planning Division

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**Administrator's Report**

Marsha P. Ryan, Administrator

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**Adjourn**

Bill Lhota, Board Chair

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**Next Meeting: Friday, October 22, 2010**

\* Not all agenda items have material.

\*\* Agenda subject to change

# **Enterprise Report**

September 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.*

## **Operating Transfers**

This statement reports operating transfers that fund programs administered by other governmental entities as permitted or required by the Ohio Revised Code. *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.*

## August Financial Analysis

BWC's net assets increased by \$140 million in August resulting in net assets of \$4.5 billion at August 31, 2010 compared to \$4.4 billion at July 31, 2010.

<i>(\$ in millions)</i>	<b>Month Ended</b> Aug. 31, 2010	<b>Month Ended</b> July 31, 2010	<b>Month Ended</b> Aug. 31, 2009
Operating Revenues	\$153	\$159	\$198
Operating Expenses	(212)	(186)	(179)
Operating Transfers	-	-	-
Net Operating Gain (Loss)	(59)	(27)	19
Net Investment Income (Loss)	199	557	365
Increase (Decrease) in Net Assets	140	530	384
Net Assets End of Period	\$4,539	\$4,399	\$3,394

- o During the month of August, year-end adjustments were recorded to fiscal year 2010 resulting in a \$73 million increase to the beginning net asset balance for fiscal year 2011. Subsequently, net assets at July 31, 2010 are now \$4,399 million compared to the previously reported total of \$4,326 million.
- o Premium and assessment income of \$166 million net of a \$12 million provision for uncollectible accounts receivable and net of \$0.5 million in ceded reinsurance premiums resulted in operating revenues of \$153 million in August. The accrual of ceded reinsurance premiums is netted against earned premiums in the Statement of Operations.
- o Benefits and compensation adjustment expenses of \$202 million along with other expenses of \$10 million resulted in operating expenses of \$212 million.

<i>(\$ in millions)</i>	<b>Fiscal YTD</b> Aug. 31, 2010	<b>Fiscal YTD</b> July 31, 2009	<b>Increase</b> <b>(Decrease)</b>
Change in Reserves	\$26	\$18	\$8
Net Benefit Payments	143	138	5
Payments for Comp Adjust Expenses	16	11	5
MCO Admin Payments	17	12	5
Other expenses	10	7	3
	\$212	\$186	\$26

- o A \$146 million increase in the fair value of the investment portfolio in August along with interest and dividend income of \$53 million for the month, resulted in net investment income of \$199 million for the month after investment expenses of \$0.7 million. The increase in the fair value of the portfolio is comprised of \$122 million in net realized gains and \$24 million in net unrealized gains.
- o Cash and cash equivalents include \$129 million in money market holdings in the outside investment manager accounts. These funds are committed to covering a \$72 million net investment trade payable for transactions that will settle in September.
- o Premium and assessment receipts of \$471 million were collected in August compared to \$499 million in August 2009. An average 12% rate decrease for private employers and timing differences in the payment of premiums by employers contributed to this decline.

## Fiscal Year-to-Year Comparisons

BWC's total net assets have increased by \$670 million for fiscal year-to-date 2011 resulting in net assets of \$4.5 billion at August 31, 2010 compared to \$3.4 billion at August 31, 2009.

(\$ in millions)	Fiscal YTD Aug. 31, 2010	Projected FYTD Aug. 31, 2010	Fiscal YTD Aug. 31, 2009
Operating Revenues	\$312	\$328	\$366
Operating Expenses	(397)	(415)	(385)
Operating Transfers	-	(1)	-
Net Operating Gain (Loss)	(85)	(88)	(19)
Net Investment Income (Loss)	755	163	897
Increase (Decrease) in Net Assets	670	75	878
Net Assets End of Period	\$4,539	\$3,944	\$3,394

- o BWC's premium and assessment income for fiscal year-to-date 2011 is \$334 million compared to \$384 million for fiscal year-to-date 2010 reflecting decreased premium rates for private and state agency employers effective July 1, 2010 and January 1, 2010 for public employer taxing districts.
- o Benefit and compensation adjustment expenses increased by \$7 million for fiscal year-to-date 2011 compared to prior fiscal year-to-date expenses.

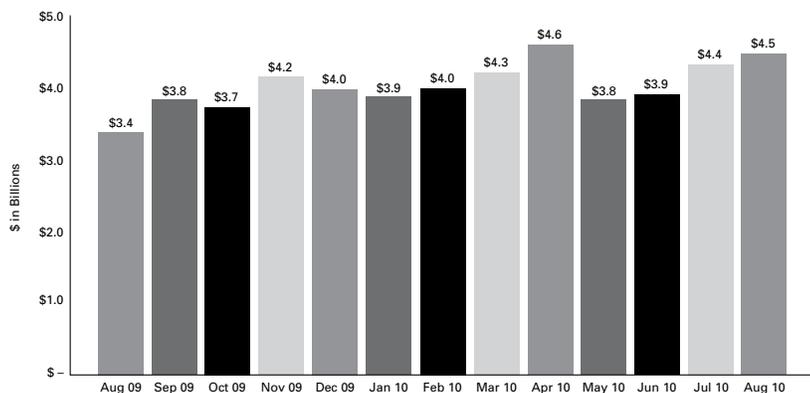
(\$ in millions)	Fiscal YTD Aug. 31, 2010	Fiscal YTD Aug. 31, 2009	Increase (Decrease)
Change in Reserves	\$44	\$12	\$32
Net Benefit Payments	280	301	(21)
Payments for Comp Adjust Expenses	27	32	(5)
MCO Admin Payments	29	28	1
	\$380	\$373	\$7

- o BWC's net investment income for fiscal year-to-date 2011 totaled \$755 million comprised of \$516 million in net unrealized gains and \$130 million in net realized gains, along with \$111 million of interest and dividend income, net of \$1.2 million in investment expenses. This compares to last year's net investment income of \$897 million.
- o Declines in private employer premium rates have contributed to premium collections being \$57 million less than prior fiscal year-to-date collections. Private employer payroll and premiums for the January 1, 2010 through the June 30, 2010 were due on August 31st. Approximately 85% of private employers timely filed their payroll report compared to 84% six months ago and 85% one year ago.

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

- o The approximately 19,300 employers participating in the 50/50 payment program will be paying \$132.5 million in premiums by December 1, 2010 to maintain active coverage. These numbers are down from the 22,000 employers that participated last collection cycle that owed \$146 million for the second installment.

Net Assets



Total undiscounted reserves for compensation and compensation adjustment expense are \$32.3 billion. See breakout by fund on page 13.

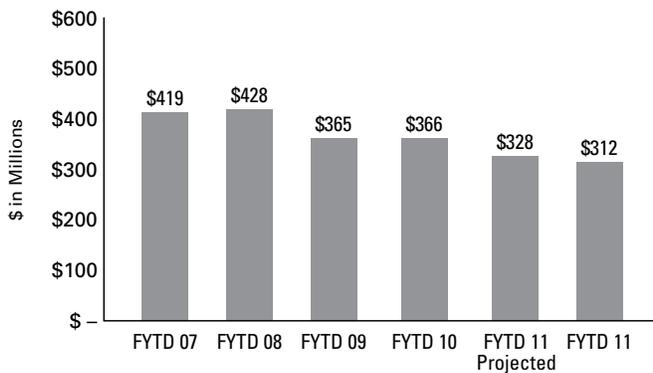
# Statement of Operations

Fiscal year to date August 31, 2010

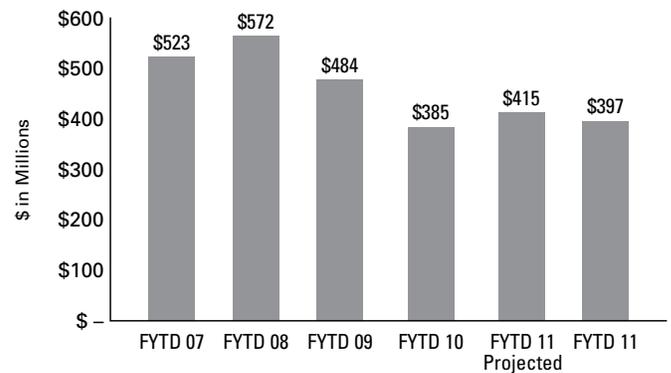
(in millions)

	Actual	Projected	Variance to Projected	Prior Yr. Actual	Year to Year Increase (Decrease)
<b>Operating Revenues</b>					
Premium & Assessment Income	\$334	\$336	\$(2)	\$384	\$(50)
Ceded Premiums	(1)	(1)	-	-	(1)
Provision for Uncollectibles	(21)	(7)	(14)	(18)	(3)
Other Income	-	-	-	-	-
<b>Total Operating Revenue</b>	<b>312</b>	<b>328</b>	<b>(16)</b>	<b>366</b>	<b>(54)</b>
<b>Operating Expenses</b>					
Benefits & Compensation Adj. Expense	380	394	14	373	7
Other Expenses	17	21	4	12	5
<b>Total Operating Expenses</b>	<b>397</b>	<b>415</b>	<b>18</b>	<b>385</b>	<b>12</b>
<b>Operating Transfers</b>	<b>-</b>	<b>(1)</b>	<b>1</b>	<b>-</b>	<b>-</b>
<b>Net Operating Gain (Loss)</b>	<b>(85)</b>	<b>(88)</b>	<b>3</b>	<b>(19)</b>	<b>(66)</b>
<b>Net Investment Income (Loss)</b>	<b>755</b>	<b>163</b>	<b>592</b>	<b>897</b>	<b>(142)</b>
<b>Increase (Decrease) in Net Assets</b>	<b>\$670</b>	<b>\$75</b>	<b>\$595</b>	<b>\$878</b>	<b>\$(208)</b>

Operating Revenues



Operating Expenses



# Statement of Operations – Combining Schedule

Fiscal year to date August 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
<b>Operating Revenues:</b>								
Premium & Assessment Income	\$268,864	\$12,213	\$773	\$58	\$84	\$381	\$51,305	\$333,678
Ceded Premiums	(979)	-	-	-	-	-	-	(979)
Provision for Uncollectibles	(19,375)	404	(57)	-	(1)	52	(2,097)	(21,074)
Other Income	204	-	-	-	-	-	316	520
<b>Total Operating Revenues</b>	<b>248,714</b>	<b>12,617</b>	<b>716</b>	<b>58</b>	<b>83</b>	<b>433</b>	<b>49,524</b>	<b>312,145</b>
<b>Operating Expenses:</b>								
Benefits & Compensation Adj Expenses	339,092	9,805	533	18	23	365	30,570	380,406
Other Expenses	2,291	27	10	-	29	-	14,391	16,748
<b>Total Operating Expenses</b>	<b>341,383</b>	<b>9,832</b>	<b>543</b>	<b>18</b>	<b>52</b>	<b>365</b>	<b>44,961</b>	<b>397,154</b>
Net Operating Income (Loss) before Operating Transfers Out	(92,669)	2,785	173	40	31	68	4,563	(85,009)
Operating Transfers Out	-	-	-	-	-	-	-	-
<b>Net Operating Income (Loss)</b>	<b>(92,669)</b>	<b>2,785</b>	<b>173</b>	<b>40</b>	<b>31</b>	<b>68</b>	<b>4,563</b>	<b>(85,009)</b>
<b>Investment Income:</b>								
Investment Income	102,403	6,378	1,373	-	-	8	952	111,114
Net Realized Gains (Losses)	14,606	93,343	21,692	-	-	-	-	129,641
Net Unrealized Gains (Losses)	612,861	(80,774)	(17,135)	564	421	-	-	515,937
Total Realized & Unrealized Capital Gains (Losses)	627,467	12,569	4,557	564	421	-	-	645,578
Investment Manager & Operational Fees	(1,125)	(63)	(25)	(2)	(1)	-	-	(1,216)
Gain (Loss) on Disposal of Fixed Assets	-	-	-	-	-	-	(37)	(37)
Total Non-Operating Revenues, Net	728,745	18,884	5,905	562	420	8	915	755,439
<b>Increase (Decrease) in Net Assets (Deficit)</b>	<b>636,076</b>	<b>21,669</b>	<b>6,078</b>	<b>602</b>	<b>451</b>	<b>76</b>	<b>5,478</b>	<b>670,430</b>
<b>Net Assets (Deficit), Beginning of Period</b>	<b>3,342,502</b>	<b>1,044,853</b>	<b>193,297</b>	<b>22,568</b>	<b>16,398</b>	<b>7,025</b>	<b>(757,627)</b>	<b>3,869,016</b>
<b>Net Assets (Deficit), End of Period</b>	<b>\$3,978,578</b>	<b>\$1,066,522</b>	<b>\$199,375</b>	<b>\$23,170</b>	<b>\$16,849</b>	<b>\$7,101</b>	<b>\$(752,149)</b>	<b>\$4,539,446</b>

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.

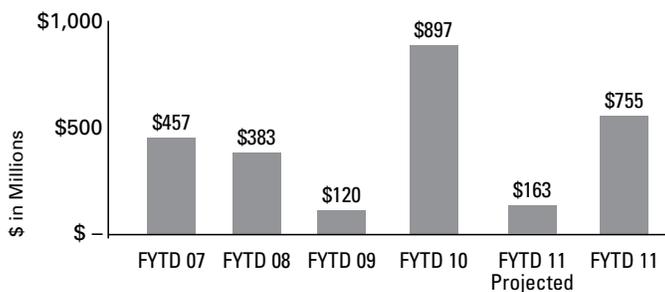
# Statement of Investment Income

Fiscal year to date August 31, 2010

(in thousands)

	Actual	Projected	Variance to Projected	Prior Yr. Actual	Year to Year Increase (Decrease)
<b>Investment Income</b>					
Bond Interest	\$96,804	\$111,980	\$(15,176)	\$140,265	\$(43,461)
Dividend Income—Domestic & International	14,181	20,490	(6,309)	14,473	(292)
Money Market/Commercial Paper Income	72	262	(190)	363	(291)
Misc. Income (Corp Actions, Settlements)	57	800	(743)	560	(503)
<b>Total Investment Income</b>	<u>111,114</u>	<u>133,532</u>	<u>(22,418)</u>	<u>155,661</u>	<u>(44,547)</u>
<b>Realized &amp; Unrealized Capital Gains and (Losses)</b>					
Bonds – Net Realized Gains (Losses)	107,212	–	107,212	(91,573)	198,785
Stocks – Net Realized Gains (Losses)	28,853	–	28,853	(10,956)	39,809
Non –U.S. Equities – Net Realized Gains (Losses)	(6,424)	–	(6,424)	–	(6,424)
Subtotal – Net Realized Gains (Losses)	<u>129,641</u>	<u>–</u>	<u>129,641</u>	<u>(102,529)</u>	<u>232,170</u>
Bonds – Net Unrealized Gains (Losses)	397,623	–	397,623	448,631	(51,008)
Stocks – Net Unrealized Gains (Losses)	27,626	30,280	(2,654)	398,410	(370,784)
Non –U.S. Equities – Net Unrealized Gains (Losses)	90,688	–	90,688	(1,957)	92,645
Subtotal – Net Unrealized Gains (Losses)	<u>515,937</u>	<u>30,280</u>	<u>485,657</u>	<u>845,084</u>	<u>(329,147)</u>
<b>Change in Portfolio Value</b>	<u>645,578</u>	<u>30,280</u>	<u>615,298</u>	<u>742,555</u>	<u>(96,977)</u>
<b>Investment Manager &amp; Operational Fees</b>	<u>(1,216)</u>	<u>(1,274)</u>	<u>58</u>	<u>(771)</u>	<u>445</u>
<b>Net Investment Income (Loss)</b>	<u>\$755,476</u>	<u>\$162,538</u>	<u>\$592,938</u>	<u>\$897,445</u>	<u>\$(141,969)</u>

**Net Investment Income (Loss)**



# Administrative Cost Fund Expense Analysis

August 2010

- o BWC Administrative Cost Fund expenses for August 2010 are approximately \$7.6 million (15%) less than budgeted and approximately 3.7% more than last fiscal year.
- o Decreases in payroll from August 2009 to August 2010 are due to a decrease in staff as a result of hiring controls. The decrease was partially offset by the use of fewer cost savings days through August 2010 than through August 2009. Through August journal entries, BWC staff have taken almost 40,000 (22%) of the available 179,300 hours for a savings of approximately \$1.1 million.
- o The timing of the receipt of invoices for payment in fiscal year 2011 contributed to actual expenditures being less than the amount budgeted in August and greater than fiscal year 2010 expenses. Purchase orders have been completed in Personal Services, Maintenance and Equipment categories to encumber the fiscal year 2011 budgeted amounts. Changes to the Safety Grant Program in fiscal year 2010 caused a reduction in activity for that fiscal year. The preparation of FY11 purchase orders in July enabled BWC to increase the volume of FY11 payments in August. This resulted in an increase in August expenditures compared to July. This includes expenditures for Information Technology, Legal – Attorney General, Other Rent and Leases and Software and Equipment Maintenance and Repairs.
- o Identification of additional cost savings and evaluation of approved projects led to a reduction in the fiscal year 2011 budget.
- o BWC's current fiscal year 2011 budget is approximately \$55 million (16.7%) less than appropriated by the General Assembly.

# Administrative Cost Fund Budget Summary

As of August 31, 2010

Expense Description	FTE's	Actual FY11	Budgeted FYTD11	FYTD11 Variance	FYTD11 Percentage Variance	FY11 Budget	FYTD10 Expenses	Increase (Decrease) in FY11	FYTD11 Percentage Increase (Decrease)
<b>Payroll</b>									
BWC Board of Directors	12	147,077	147,077	0	0.00%	908,175	142,504	4,573	3.21%
BWC Administration	15	267,453	267,453	0	0.00%	1,572,416	248,439	19,014	7.65%
Customer Service	1,403	19,660,776	19,663,130	2,354	0.01%	106,326,245	19,910,879	(250,103)	-1.26%
Medical	119	1,865,610	1,865,610	0	0.00%	10,079,214	2,080,272	(214,662)	-10.32%
Special Investigations	127	1,916,527	1,913,901	(2,626)	-0.14%	10,530,984	1,925,446	(8,919)	-0.46%
Fiscal and Planning	62	896,168	896,461	293	0.03%	4,736,715	947,961	(51,793)	-5.46%
Actuarial	22	356,656	356,656	0	0.00%	2,021,807	376,615	(19,959)	-5.30%
Investments	10	228,781	228,781	0	0.00%	1,229,350	234,035	(5,254)	-2.24%
Infrastructure & Technology	289	5,278,915	5,288,744	9,829	0.19%	28,765,019	5,264,496	14,419	0.27%
Legal	78	1,297,758	1,297,758	0	0.00%	7,183,671	1,260,014	37,744	3.00%
Communications	20	291,840	291,990	150	0.05%	1,604,974	306,478	(14,638)	-4.78%
Human Resources	64	955,437	955,437	0	0.00%	5,286,690	951,592	3,845	0.40%
Internal Audit	13	234,814	234,814	0	0.00%	1,258,166	248,594	(13,780)	-5.54%
Ombuds Office	7	93,909	93,909	0	0.00%	519,072	105,135	(11,226)	-10.68%
<b>Total Payroll</b>	<b>2,241</b>	<b>33,491,721</b>	<b>33,501,721</b>	<b>10,000</b>	<b>0.03%</b>	<b>182,022,498</b>	<b>34,002,460</b>	<b>(510,739)</b>	<b>-1.50%</b>
<b>Personal Services</b>									
Information Technology		505,443	1,160,275	654,832	56.44%	8,022,453	447,505	57,938	12.95%
Legal - Special Counsel		423	176,170	175,747	99.76%	1,057,000	1,764	(1,341)	-76.02%
Legal - Attorney General		1,037,729	1,155,462	117,733	10.19%	4,621,850	1,007,745	29,984	2.98%
Other Personal Services		471,445	1,600,318	1,128,873	70.54%	8,550,748	428,361	43,084	10.06%
<b>Total Personal Services</b>		<b>2,015,040</b>	<b>4,092,225</b>	<b>2,077,185</b>	<b>50.76%</b>	<b>22,252,051</b>	<b>1,885,375</b>	<b>129,665</b>	<b>6.88%</b>
<b>Maintenance</b>									
William Green Rent		0	0	0	0.00%	19,049,395	0	0	0.00%
Other Rent and Leases		2,260,423	3,147,088	886,665	28.17%	9,736,249	2,367,846	(107,423)	-4.54%
Software and Equipment Maintenance and Repairs		3,065,840	6,064,062	2,998,222	49.44%	14,905,125	1,416,429	1,649,411	116.45%
Inter Agency Payments		557,120	839,369	282,249	33.63%	4,730,616	572,440	(15,320)	-2.68%
Communications		440,090	673,361	233,271	34.64%	4,127,924	512,088	(71,998)	-14.06%
Safety Grants and Long Term Care Loan		491,289	985,000	493,711	50.12%	4,000,000	77,879	413,410	530.84%
Supplies and Printing		150,741	208,482	57,741	27.70%	1,402,934	90,478	60,263	66.61%
Other Maintenance		491,876	554,103	62,227	11.23%	3,407,235	487,959	3,917	0.80%
<b>Total Maintenance</b>		<b>7,457,379</b>	<b>12,471,465</b>	<b>5,014,086</b>	<b>40.20%</b>	<b>61,359,478</b>	<b>5,525,119</b>	<b>1,932,260</b>	<b>34.97%</b>
<b>Equipment</b>									
		24,092	535,114	511,022	95.50%	7,933,920	15,630	8,462	54.14%
<b>Total Administrative Cost Fund Expenses</b>		<b>42,988,232</b>	<b>50,600,525</b>	<b>7,612,293</b>	<b>15.04%</b>	<b>273,567,947</b>	<b>41,428,584</b>	<b>1,559,648</b>	<b>3.76%</b>

Total Agency Appropriation 328,602,765  
 Budget to Appropriation Variance 55,034,818  
 Percentage Variance 16.75%

# State Insurance Fund

## Administrative Expense Summary

As of August 31, 2010

	Actual FYTD 2011	Encumbrance Balance	FYTD Actual & Encumbrance	Actual FYTD 2010
<b>Investment Administrative Expenses</b>				
JP Morgan Chase - Performance Reporting	\$21,500	\$81,168	\$102,668	\$5,792
Mercer Investment Consulting	122,500	456,081	578,581	39,583
Other Investment Expenses	<u>128,202</u>	<u>242,847</u>	<u>371,049</u>	<u>93,548</u>
	272,202	780,096	1,052,298	138,923
<b>Actuarial Expenses</b>				
Oliver Wyman - Actuarial Services	0	0	0	104,959
Shoenfelt Consulting Inc	0	0	0	6,370
Deloitte Consulting - Actuarial Services	<u>300,184</u>	<u>2,054,668</u>	<u>2,354,852</u>	<u>0</u>
	300,184	2,054,668	2,354,852	111,329
<b>Reinsurance Expenses</b>				
Towers Watson	1,526,119	3,052,238	4,578,357	0
<b>Ohio Rehabilitation Services</b>	<u>605,407</u>	<u>0</u>	<u>605,407</u>	<u>0</u>
<b>TOTAL</b>	<u>\$2,703,912</u>	<u>\$5,887,002</u>	<u>\$8,590,914</u>	<u>\$250,252</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.

## Operating Transfers

As of August 31, 2010

	FYTD 2011	FYTD 2010	Source
Workers' Compensation Council	\$ -	\$ -	Administrative Cost Fund
Ohio Dept. of Natural Resources	-	-	Coal Workers' Pneumoconiosis Fund
Ohio Inspector General	<u>-</u>	<u>212,500</u>	Administrative Cost Fund
<b>TOTAL</b>	<u>\$ -</u>	<u>\$212,500</u>	

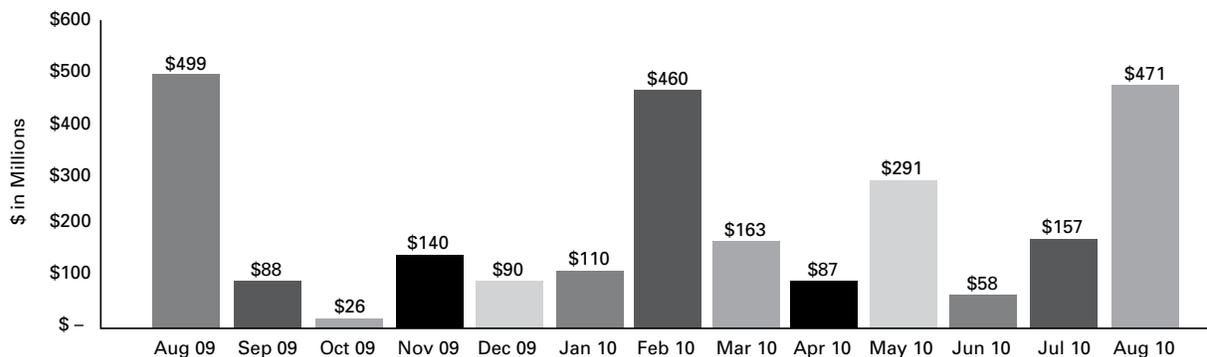
# Statement of Cash Flows

Fiscal year to date August 31, 2010

(in millions)

	Actual	Projected	Variance to Projected	Prior Yr. Actual	Year to Year Increase (Decrease)
<b>Cash Flows from Operating Activities:</b>					
Cash Receipts from Premiums, Net of Reinsurance	\$628	\$600	\$28	\$685	\$(57)
Cash Receipts – Other	5	5	–	8	(3)
Cash Disbursements for Claims	(326)	(348)	22	(338)	12
Cash Disbursements for Other	(65)	(73)	8	(67)	2
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>242</b>	<b>184</b>	<b>58</b>	<b>288</b>	<b>(46)</b>
<b>Net Cash Flows from Noncapital Financing Activities</b>	<b>–</b>	<b>(1)</b>	<b>1</b>	<b>–</b>	<b>–</b>
<b>Net Cash Flows from Capital and Related Financing Activities</b>	<b>(1)</b>	<b>–</b>	<b>(1)</b>	<b>(1)</b>	<b>–</b>
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>(29)</b>	<b>–</b>	<b>(29)</b>	<b>931</b>	<b>(960)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>212</b>	<b>183</b>	<b>29</b>	<b>1,218</b>	<b>(1,006)</b>
<b>Cash and Cash Equivalents, Beginning of Period</b>	<b>436</b>	<b>436</b>	<b>–</b>	<b>504</b>	<b>(68)</b>
<b>Cash and Cash Equivalents, End of Period</b>	<b>\$648</b>	<b>\$619</b>	<b>\$29</b>	<b>\$1,722</b>	<b>\$(1,074)</b>

## Premium and Assessment Receipts



# Statement of Net Assets

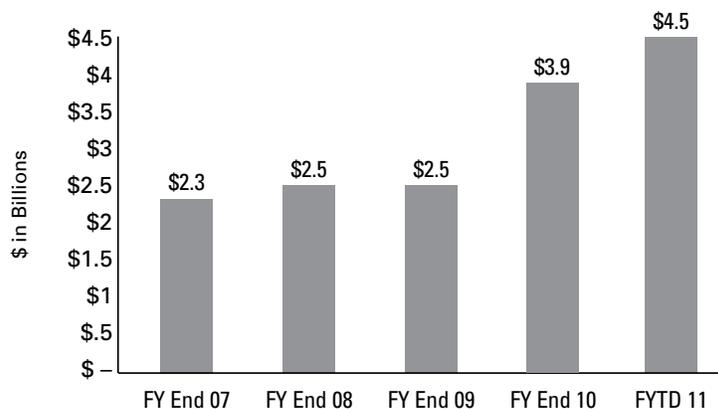
As of August 31, 2010

(in millions)

	Actual	Prior Yr. Actual	Year to Year Increase (Decrease)
<b>Assets</b>			
Bonds	\$13,898	\$13,092	\$806
U.S. Equities	3,674	3,974	(300)
Non-U.S. Equities	1,741	356	1,385
Cash & Cash Equivalents	<u>648</u>	<u>1,722</u>	<u>(1,074)</u>
Total Cash and Investments	19,961	19,144	817
Accrued Premiums	4,319	4,218	101
Other Accounts Receivable	200	220	(20)
Investment Receivables	276	857	(581)
Other Assets	<u>102</u>	<u>106</u>	<u>(4)</u>
<b>Total Assets</b>	<u>24,858</u>	<u>24,545</u>	<u>313</u>
<b>Liabilities</b>			
Reserve for Compensation and Compensation Adj. Expense	\$19,849	\$19,258	\$591
Accounts Payable	72	85	(13)
Investment Payable	215	1,613	(1,398)
Other Liabilities	<u>183</u>	<u>195</u>	<u>(12)</u>
<b>Total Liabilities</b>	<u>20,319</u>	<u>21,151</u>	<u>(832)</u>
<b>Net Assets</b>	<u>\$4,539</u>	<u>\$3,394</u>	<u>\$1,145</u>

Total undiscounted reserves for compensation and compensation adjustment expense are \$32.3 billion. See breakout by fund on page 13.

## Net Assets



# Statement of Net Assets – Combining Schedule

As of August 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
<b>Assets</b>									
Bonds	\$ 12,736,014	\$ 897,866	\$ 219,407	\$ 25,438	\$ 19,005	\$ -	\$ -	\$ -	\$ 13,897,730
U.S. Equities	3,401,818	239,435	32,858	-	-	-	-	-	3,674,111
Non-U.S. Equities	1,599,651	122,664	18,572	-	-	-	-	-	1,740,887
Private Equities	35	-	-	-	-	-	-	-	35
Cash & Cash Equivalents	591,312	5,168	1,229	346	421	44,807	4,654	-	647,937
Total Cash & Investments	18,328,830	1,265,133	272,066	25,784	19,426	44,807	4,654	-	19,960,700
Accrued Premiums	1,520,573	1,767,251	-	230	-	851,446	179,092	-	4,318,592
Other Accounts Receivable	137,133	19,350	(102)	69	1	1,793	41,832	-	200,076
Interfund Receivables	11,896	64,086	989	-	70	5,026	152,417	(234,484)	-
Investment Receivables	275,992	322	47	-	-	4	-	-	276,365
Other Assets	25,707	22	-	-	-	-	76,762	-	102,491
<b>Total Assets</b>	<b>\$ 20,300,131</b>	<b>\$ 3,116,164</b>	<b>\$ 273,000</b>	<b>\$ 26,083</b>	<b>\$ 19,497</b>	<b>\$ 903,076</b>	<b>\$ 454,757</b>	<b>\$ (234,484)</b>	<b>\$ 24,858,224</b>
<b>Liabilities</b>									
* Reserve for Compensation & Compensation Adj. Expense	\$ 15,723,400	\$ 2,039,400	\$ 72,800	\$ 2,900	\$ 2,400	\$ 893,700	\$ 1,114,200	\$ -	\$ 19,848,800
Accounts Payable	71,268	-	-	-	-	-	981	-	72,249
Investment Payable	214,968	3	-	-	-	-	-	-	214,971
Interfund Payables	221,963	10,128	66	9	43	2,275	-	(234,484)	-
Other Liabilities	89,954	111	759	4	205	-	91,725	-	182,758
<b>Total Liabilities</b>	<b>16,321,553</b>	<b>2,049,642</b>	<b>73,625</b>	<b>2,913</b>	<b>2,648</b>	<b>895,975</b>	<b>1,206,906</b>	<b>(234,484)</b>	<b>20,318,778</b>
<b>Net Assets</b>	<b>\$ 3,978,578</b>	<b>\$ 1,066,522</b>	<b>\$ 199,375</b>	<b>\$ 23,170</b>	<b>\$ 16,849</b>	<b>\$ 7,101</b>	<b>\$ (752,149)</b>	<b>\$ -</b>	<b>\$ 4,539,446</b>

\*The undiscounted reserves for compensation and compensation adjustment expenses are as follows:

(in thousands)

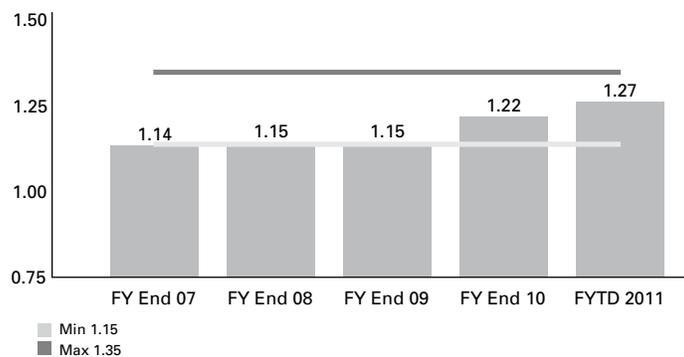
SIF	\$24,837,767
DWRF	3,508,533
CWPF	181,900
PWRE	4,600
MIF	3,583
SIEGF	1,942,517
ACF	1,787,467
<b>Total</b>	<b>\$32,266,367</b>

# Financial Performance Metrics

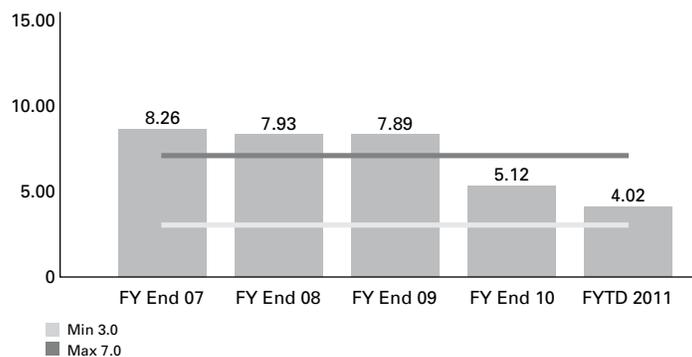
	Actual FY11 As of 8/31/10	Projected FY11 As of 8/31/10	Actual FY10 As of 8/31/09	Guidelines
<b>Funding Ratio (State Insurance Fund)</b>	<b>1.27</b>	<b>1.23</b>	<b>1.21</b>	<b>1.15 to 1.35</b>
<b>Net Leverage Ratio (SIF)</b>	<b>4.02</b>	<b>4.69</b>	<b>5.27</b>	<b>3.0 to 7.0</b>
Loss Ratio	97.3%	97.8%	81.2%	
LAE Ratio - MCO	7.5%	8.9%	7.3%	
LAE Ratio - BWC	<u>9.2%</u>	<u>10.7%</u>	<u>8.6%</u>	
<b>Net Loss Ratio</b>	114.0%	117.4%	97.1%	102.5%
Expense Ratio	<u>5.0%</u>	<u>6.2%</u>	<u>3.2%</u>	7.5%
<b>Combined Ratio</b>	119.0%	123.6%	100.3%	110.0%
Net Investment Income Ratio	<u>32.9%</u>	<u>39.4%</u>	<u>40.4%</u>	
<b>Operating Ratio (Trade Ratio)</b>	<u>86.1%</u>	<u>84.2%</u>	<u>59.9%</u>	90.0%

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

**Funding Ratio**

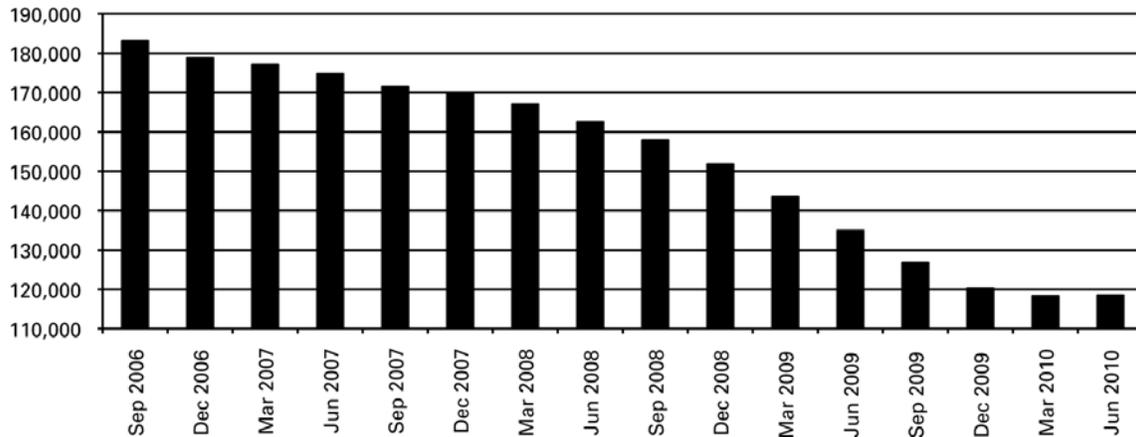


**Net Leverage Ratio**

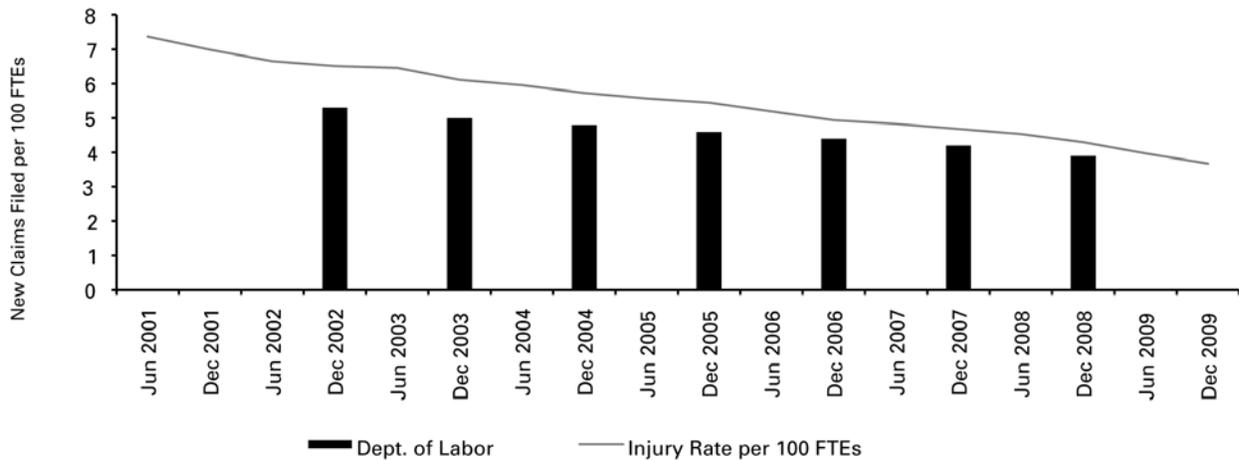


# Operational Performance Metrics

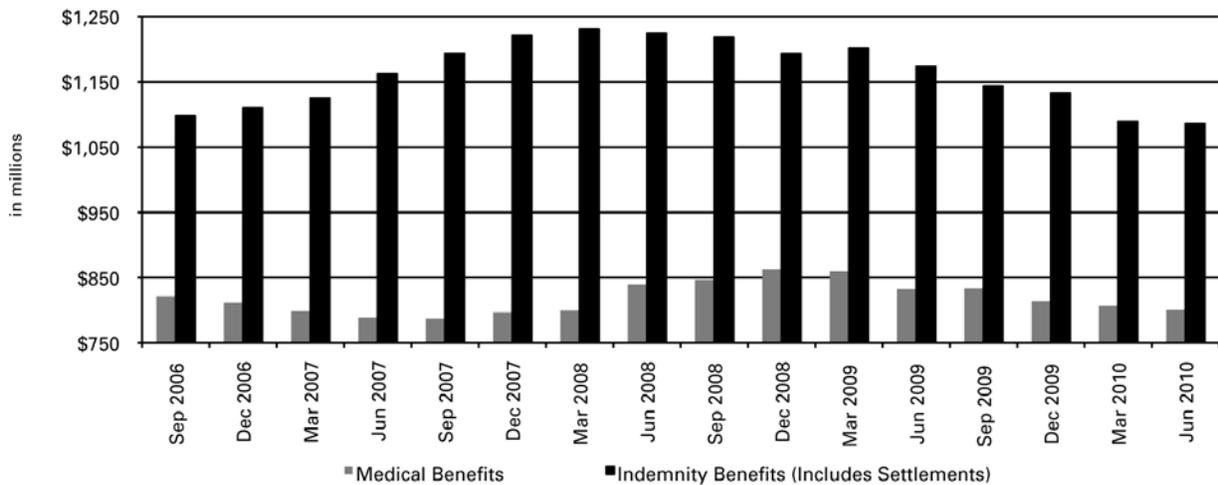
**New Claims Filed - Twelve months ended**



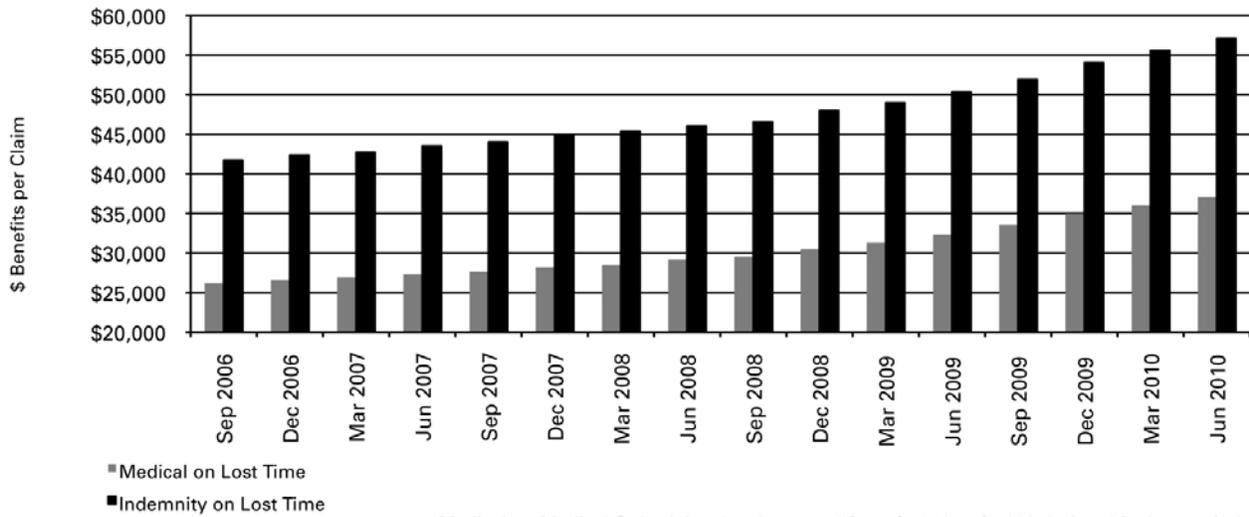
**Frequency - Reported semi-annually**



**Benefit Payments - Twelve months ended**

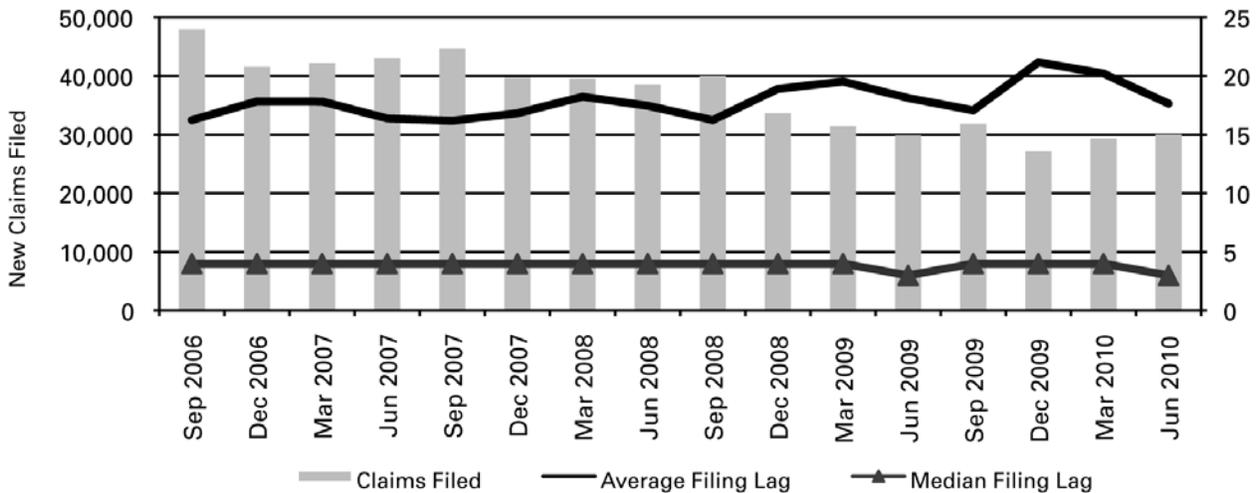


### Severity

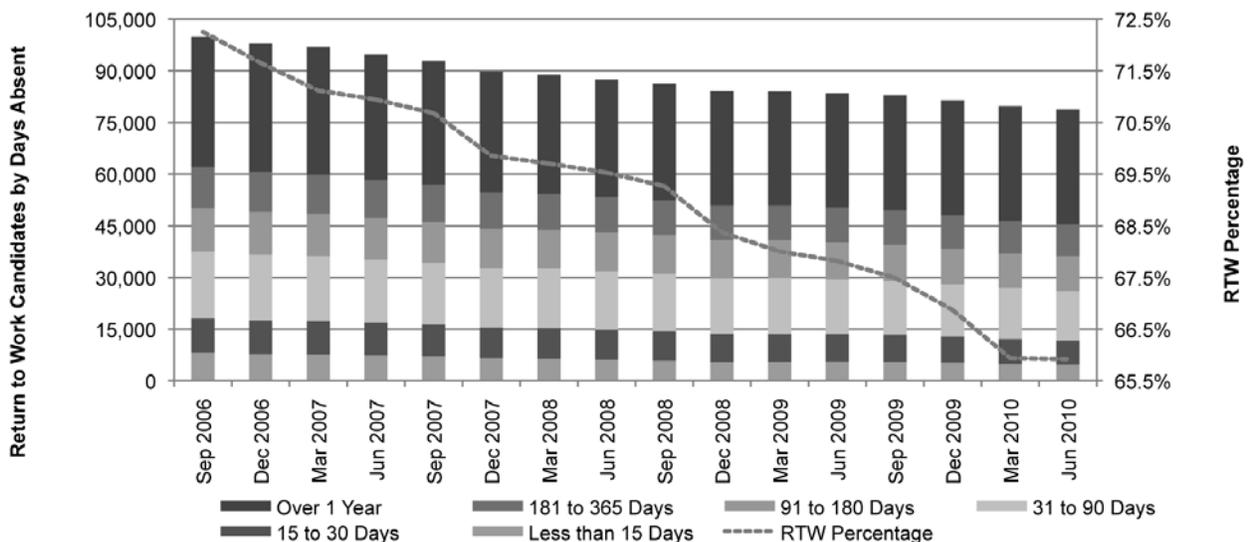


Medical on Medical Only claims has increased from \$1,049 to \$1,253 during this time period. Indemnity excludes settlements

### Claim Filing Lag



### Return to work

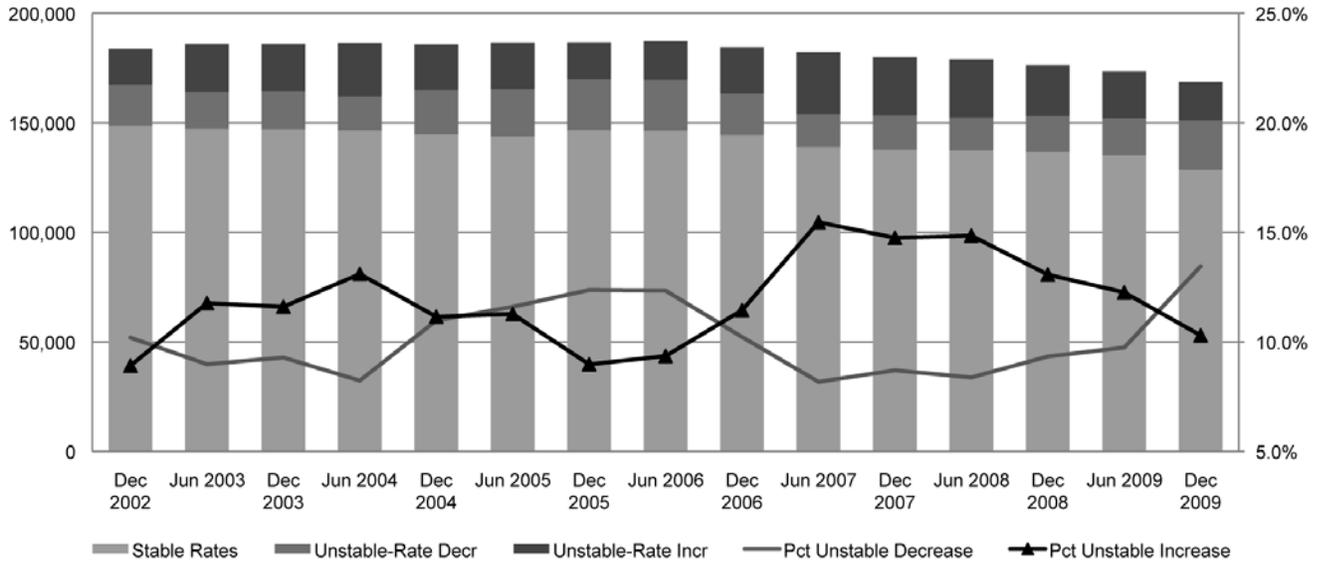


**Aggregate Reported Payroll- Twelve months ended**

(\$ 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
Dec 2009	\$87,696	\$19,759	\$7,384	\$139	\$4

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.