

## **Board Agenda**

**Friday, October 22, 2010**

**William Green Building**

Level 2, Room 3

8:00 a.m. – 9:30 a.m.

---

---

### **Call to Order**

Bill Lhota, Board Chair

### **Roll Call**

Larry Rhodebeck, Scribe

Bill Lhota, Chair

- Approval of minutes of the September 24, 2010 Board meeting
  - Review meeting agenda
- 

### **Committee Reports**

#### **Actuarial Committee**

Jim Matesich, Committee Vice-Chair

1. Approval of Mortality Study and Annuity Table, Rule 4123-17-60
2. Public Employer (PEC) taxing district rate change effective Jan. 1, 2011

#### **Audit Committee**

Ken Haffey, Committee Chair

#### **Investment Committee**

Bob Smith, Committee Chair

1. Approval to issue Request for Proposals for a BWC Full Service Investment Consultant
2. Annual Report Draft (Fiscal 2010) on the Performance and Value of each Investment class

#### **Medical Services and Safety Committee**

James Harris, Committee Chair

1. Health Care Provider Quality Assurance Advisory Committee, Rule 4123-6-22
2. 2011 Inpatient Hospital Fee Schedule Rule, 4123-6-37.1

---

**Quarterly Update on the HB 100 Comprehensive Report Recommendations**  
Shadya Yazback, Policy Development and Analysis

---

**Monthly Enterprise Report**  
Tracy Valentino, Chief, Fiscal & Planning Division

---

**Administrator's Report**  
Marsha P. Ryan, Administrator

---

**Adjourn**  
Bill Lhota, Board Chair

---

**Next Meeting: Friday, November 19, 2010**

\* Not all agenda items have material.

\*\* Agenda subject to change

## Quarterly Implementation Progress Report

### Accomplishments since July Report

87 Recommendations in process

- 31 stage upgrades
- 9 more recommendations "In Place"
- 5 "No Action" decisions

### Key Projects for FY 11

- Class Ratemaking Evaluation
- Self-Insurance Securitization
- Subrogation Implementation
- Development of Rerating Policy
- MCO Effectiveness Improvements

### Redesigned Quarterly Report

Main Report identifies recommendations In Process

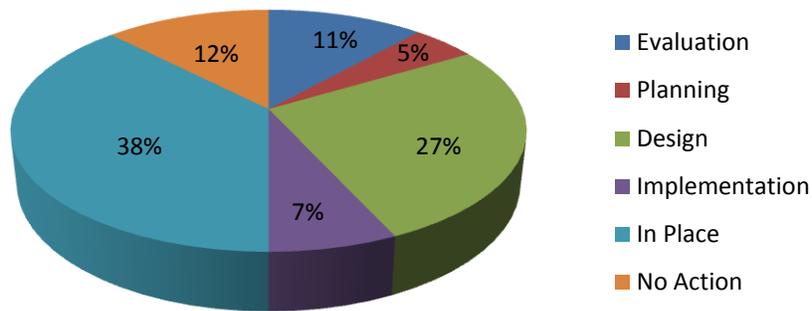
Appendix A: Recommendations "In Place"

Appendix B: "No Action" Recommendations

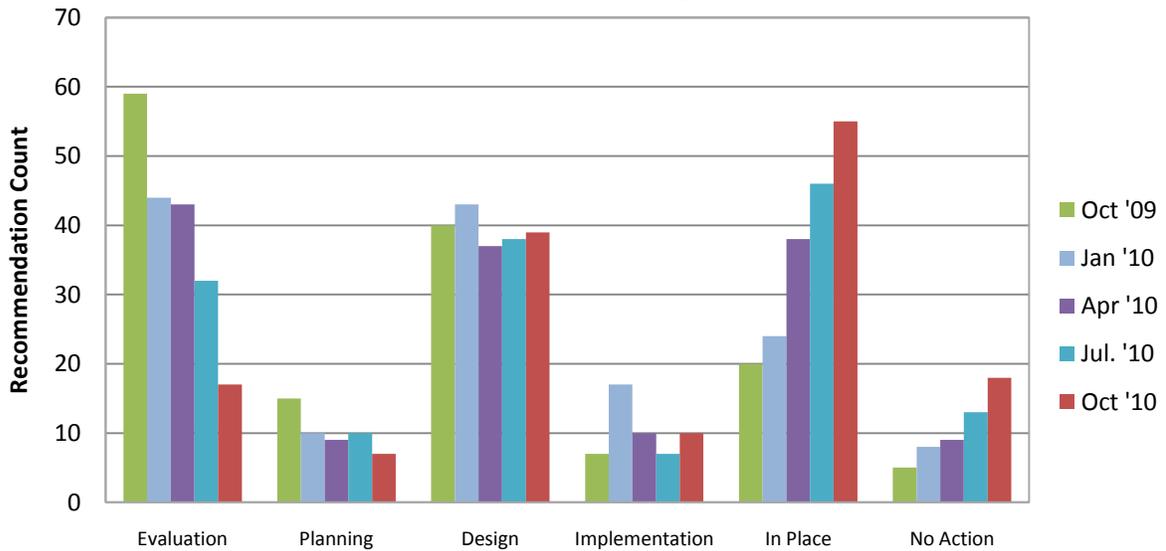
- Alternative solution has been identified
- Solution is not cost-effective for the potential risks identified

Appendix C: All Recommendations -- Stage of Implementation

### Stages of Implementation



### Implementation Progress



### Historical Progress

Stage	Oct '09	Jan '10	Apr '10	Jul. '10	Oct '10
Evaluation	59	44	43	32	17
Planning	15	10	9	10	7
Design	40	43	37	38	39
Implementation	7	17	10	7	10
In Place	20	24	38	46	55
No Action	5	8	9	13	18
<b>Total</b>	<b>146</b>	<b>146</b>	<b>146</b>	<b>146</b>	<b>146</b>

## Recommendations in Process, August - October 2010

### Actuarial Audit Reserves and Expected Payments

- 2.1 1 Include Risk Margins
- 2.1 4 Further study of LSS Savings
- 2.1 5 Analyze risk of inflation on DWRF
- 2.1 6 Increase internal emphasis on actuarial audit reserves
- 2.1 13 Consider claims counts for given type of loss when calculating historical severity patterns

### Actuarial Organization

- 4.4 1 Establish Rating & Programs Pricing Team
- 4.4 2 Establish Reserving & Net Asset Level Analysis Function
- 4.4 3 Establish Data Management
- 4.4 4 Actuarial Hiring and Development Program
- 4.4 5 Expand the BWC actuarial division responsibilities

### Ancillary (Specialty) Funds

- 4.1 9 Address Large Unfunded Obligation Including Possible Long Term Funding
- 4.1 10 Change DWRF from Pay-As-You-Go Basis to Support Reducing Unfunded Obligations
- 4.1 11 Set DWRF Rates to Meet Payments and Reduce Burden to Future Employers for DWRF Benefits
- 4.1 12 Establish a Good, Clear, and Long Term Rationale for Funding DWRF Benefits
- 4.1 13 Set Policy Rationale for Equity between Past, Current and Future Benefits to Pay DWRF Benefits
- 4.1 14 Charge Some Premium for CWPF Coverage with Credits/Dividends for Long Term CWPF Employers
- 4.1 15 Develop Funding Policies for Each Ancillary Fund (DWRF, MIF, CWPF)
- 4.1 16 Conduct Further Research to Support Legislative Change to Combine Funds

### Change of Employer Experience Rates

- 4.2 1 Eliminate/Restrict Changes to Employer Rates Due to Changes in Claims
- 4.2 2 Restrict Time to Report Errors
- 4.2 3 Establish Shorter and Clearly Defined Time Constraints

### Class Ratemaking

- 1.1 9 Calculate Catastrophe Factor by NCCI Hazard Group
- 1.1 10 Provide More Detailed Documentation for Each Adjustment Factor
- 1.1 11 Use Alternative Indication of Class Loss Costs to Credibility Weight Class Loss Costs
- 1.1 12 Separate Case Reserves in Estimating Historical Loss Costs

### Experience Aggregation Approach

- 4.1 19 Use NCCI Approach to Common Majority Ownership for Experience Rating
- 4.1 20 Discontinue the current practice of relying primarily on the federal tax identification number to identify separate employers

### Experience Rating

- 1.1 30 Change Credibility for Individual Experience to be In Line with Industry Practices

	Evaluation	No Action	Planning	Design	Implementation	In Place	FY12 or later
2.1 1 Include Risk Margins	✓						▶
2.1 4 Further study of LSS Savings			✓				▶
2.1 5 Analyze risk of inflation on DWRF					✓		▶
2.1 6 Increase internal emphasis on actuarial audit reserves					✓		▶
2.1 13 Consider claims counts for given type of loss when calculating historical severity patterns						✓	▶
4.4 1 Establish Rating & Programs Pricing Team				✓			▶
4.4 2 Establish Reserving & Net Asset Level Analysis Function					✓		▶
4.4 3 Establish Data Management				✓			▶
4.4 4 Actuarial Hiring and Development Program			✓				▶
4.4 5 Expand the BWC actuarial division responsibilities				✓			▶
4.1 9 Address Large Unfunded Obligation Including Possible Long Term Funding		✓					▶
4.1 10 Change DWRF from Pay-As-You-Go Basis to Support Reducing Unfunded Obligations	✓						▶
4.1 11 Set DWRF Rates to Meet Payments and Reduce Burden to Future Employers for DWRF Benefits	✓						▶
4.1 12 Establish a Good, Clear, and Long Term Rationale for Funding DWRF Benefits	✓						▶
4.1 13 Set Policy Rationale for Equity between Past, Current and Future Benefits to Pay DWRF Benefits	✓						▶
4.1 14 Charge Some Premium for CWPF Coverage with Credits/Dividends for Long Term CWPF Employers	✓						▶
4.1 15 Develop Funding Policies for Each Ancillary Fund (DWRF, MIF, CWPF)		✓					▶
4.1 16 Conduct Further Research to Support Legislative Change to Combine Funds					✓		▶
4.2 1 Eliminate/Restrict Changes to Employer Rates Due to Changes in Claims				✓			▶
4.2 2 Restrict Time to Report Errors				✓			▶
4.2 3 Establish Shorter and Clearly Defined Time Constraints				✓			▶
1.1 9 Calculate Catastrophe Factor by NCCI Hazard Group				✓			▶
1.1 10 Provide More Detailed Documentation for Each Adjustment Factor						✓	▶
1.1 11 Use Alternative Indication of Class Loss Costs to Credibility Weight Class Loss Costs				✓			▶
1.1 12 Separate Case Reserves in Estimating Historical Loss Costs				✓			▶
4.1 19 Use NCCI Approach to Common Majority Ownership for Experience Rating		✓					▶
4.1 20 Discontinue the current practice of relying primarily on the federal tax identification number to identify separate employers		✓					▶
1.1 30 Change Credibility for Individual Experience to be In Line with Industry Practices				✓			▶

## Recommendations in Process, August - October 2010

### Group Rating

- 1.1 13 Change the structure of the Group Rating Program to mitigate present inequities
- 1.1 14 Incent groups to focus on accident prevention and loss mitigation activities
- 1.1 15 Eliminate the use of the individual e-mod formula for group rating
- 1.1 16 Determine group rating through the use of a group discount factor
- 1.1 17 Establish a minimum number of years of experience for a group to qualify
- 1.1 18 Develop a group discount formula based on the past performance of each group
- 1.1 19 Apply a separate group rating off-balance adjustment to the group discount factors
- 1.1 20 Develop the group discount factor based on the actual past performance of each group
- 1.1 21 Include the experience of all group members only during the period they were in the group
- 1.1 22 Apply the group discount factor to the individual e-mod adjusted premium of each
- 1.1 23 Develop a group discount formula based on a loss ratio or loss rating approach
- 1.1 24 Vary the maximum discount factor with the premium size of the group
- 1.1 25 Apply a phase-in period of at least two years to new group members
- 1.1 26 Evaluate Group Dividend plan as a group rating alternative
- 1.1 28 Evaluate Per Accident Loss Limitations as a group rating alternative
- 1.1 29 Evaluate Tiering within a single group as a group rating alternative

### Handicap Reimbursement Program

- 3.3 2 Exclude Arthritis as a Handicap
- 3.3 3 Require That Existing Conditions be the Proximate Cause of a More Severe Second Injury
- 3.3 4 Reduce the Lag Time Allowed for Handicap Reimbursement

### MCO Effectiveness

- 2.6 2 Study feasibility of price-of-service competition among MCOs
- 2.6 4 Legislate Change to Mandatory IME Requirement at 90 Days Lost Time
- 2.6 5 Give MCOs More Flexibility in Allowable Condition Determinations
- 2.6 6 Establish ODG as Mandated Disability Duration Guidelines (replacement for DODM)
- 2.6 7 Integrate use of ODG into the overall MCO performance measurement and compensation system
- 2.6 8 Re-institute Customer Surveys
- 2.6 10 Improve Provider Profiling, Credentialing, and De-Certification
- 2.6 12 Build a database and study causes of increasing average medical costs

### Medical Payments

- 2.3 1 Phase in pay-for-performance or Tiered Fee Schedule for all service types
- 2.3 1 Update the fee schedule every one-to-two years
- 2.3 2 Address Medical Payment Process Duplication
- 2.3 2 Standardize bill review edits
- 2.3 2 Explore elimination of MCO medical bill review process
- 2.3 3 Eliminate the required employer waiver in proactive allowance
- 2.3 4 Continue development of Blue Ribbon panel with provider incentives
- 2.3 5 Continue development of EDI submission of C-9's

### Minimum Premium Review

- 4.1 6 Examine the Feasibility of Raising the Minimum Premium
- 4.1 8 Consider a different minimum premium for domestic employees

	Evaluation	No Action	Planning	Design	Implementation	In Place	FY12 or later
1.1 13				✓			▶
1.1 14				✓			▶
1.1 15				✓			▶
1.1 16				✓			▶
1.1 17				✓			▶
1.1 18				✓			▶
1.1 19				✓			▶
1.1 20				✓			▶
1.1 21				✓			▶
1.1 22				✓			▶
1.1 23				✓			▶
1.1 24				✓			▶
1.1 25				✓			▶
1.1 26				✓			▶
1.1 28				✓			▶
1.1 29				✓			▶
3.3 2	✓						
3.3 3	✓						
3.3 4	✓						
2.6 2	✓						
2.6 4		✓					
2.6 5						✓	
2.6 6					✓		
2.6 7					✓		▶
2.6 8	✓						▶
2.6 10					✓		
2.6 12					✓		
2.3 1				✓			
2.3 1						✓	
2.3 2				✓			▶
2.3 2				✓			▶
2.3 2				✓			▶
2.3 3						✓	
2.3 4					✓		
2.3 5				✓			▶
4.1 6	✓						▶
4.1 8	✓						▶

## Recommendations in Process, August - October 2010

### NCCI Classification System

- 4.1 1 Consider Using NCCI Class Codes for Public Taxing Districts
- 4.1 2 Monitor Procedures used to Code Construction Classes

### PES Rate Setting

- 3.1 1 Change the Manner in which PES Rates are Calculated
- 3.1 2 Change the Method Used to Determine Expected Paid Losses in the Prospective Policy Year

### Retrospective Rating

- 3.1 3 Redesign the Retrospective Rating Program

### Safety Programs

- 3.1 4 Develop the capability to track the experience of employers participating in the safety & hygiene program

### Salary Continuation / \$15K Med Only Program

- 1.1 38 Perform periodic actuarial studies to evaluate the appropriateness of the credits offered under the various discount programs

### Self-Insurance

- 1.4 2 Require Additional Security for Employers Applying for Self-Insurance
- 1.4 4 Consider Trends within Industries to Determine Self-insurance Criteria
- 1.4 5 Incorporate Objective Financial Criteria as Part of the Self-Insurance application
- 1.4 6 Consider Offering Enhanced Customer Service Aid to Employers
- 1.4 7 Consider Requiring an Anti-Fraud Program as Part of the Self-Insurance Application
- 1.4 8 Consider Requiring a Formal Safety Program as Part of the Self-Insurance Application
- 1.4 12 Do Not Allow Self-Insurers to Leave the State Insurance Fund Multiple Times
- 1.4 13 Expand Reporting Forms to Allow for More Detailed Internal Analysis

### Statewide Rate Level

- 1.1 6 Display Impact of Collecting Premium in Arrears on the Rate Change Indication

### Subrogation

- 1.2 1 Limit caseloads to no more than 400
- 1.2 2 Build functionality in V-3 to manage subrogation claims
- 1.2 3 Establish a more robust set of performance metrics
- 1.2 4 Investigate utilization of text mining

### Vocational Rehabilitation Program

- 4.1 17 Change Rules to Give BWC Sole Authority to Direct Rehab Services
- 4.1 18 Reconsider the Rules Associated with the Experience Rating Treatment of LM Claims

	Evaluation	No Action	Planning	Design	Implementation	In Place	FY12 or later
4.1 1 Consider Using NCCI Class Codes for Public Taxing Districts	✓						▶
4.1 2 Monitor Procedures used to Code Construction Classes						✓	
3.1 1 Change the Manner in which PES Rates are Calculated				✓			▶
3.1 2 Change the Method Used to Determine Expected Paid Losses in the Prospective Policy Year				✓			▶
3.1 3 Redesign the Retrospective Rating Program	✓						▶
3.1 4 Develop the capability to track the experience of employers participating in the safety & hygiene program					✓		▶
1.1 38 Perform periodic actuarial studies to evaluate the appropriateness of the credits offered under the various discount programs				✓			
1.4 2 Require Additional Security for Employers Applying for Self-Insurance					✓		
1.4 4 Consider Trends within Industries to Determine Self-insurance Criteria						✓	
1.4 5 Incorporate Objective Financial Criteria as Part of the Self-Insurance application				✓			
1.4 6 Consider Offering Enhanced Customer Service Aid to Employers				✓			
1.4 7 Consider Requiring an Anti-Fraud Program as Part of the Self-Insurance Application	✓						
1.4 8 Consider Requiring a Formal Safety Program as Part of the Self-Insurance Application	✓						
1.4 12 Do Not Allow Self-Insurers to Leave the State Insurance Fund Multiple Times				✓			
1.4 13 Expand Reporting Forms to Allow for More Detailed Internal Analysis				✓			
1.1 6 Display Impact of Collecting Premium in Arrears on the Rate Change Indication						✓	
1.2 1 Limit caseloads to no more than 400				✓			▶
1.2 2 Build functionality in V-3 to manage subrogation claims				✓			
1.2 3 Establish a more robust set of performance metrics				✓			
1.2 4 Investigate utilization of text mining				✓			
4.1 17 Change Rules to Give BWC Sole Authority to Direct Rehab Services			✓				
4.1 18 Reconsider the Rules Associated with the Experience Rating Treatment of LM Claims						✓	
<b>Count = 87 Recommendations in Process</b>	<b>17</b>	<b>5</b>	<b>7</b>	<b>39</b>	<b>10</b>	<b>9</b>	<b>47</b>

## Appendix A: Recommendations in Place

### Actuarial Audit Reserves and Expected Payments

- 2.1 2 Disclose Margins/Discounts
- 2.1 3 Require Statement of Actuarial Opinion
- 2.1 7 Additional documentation in the Annual Actuarial Audit Report
- 2.1 8 Retrospective analysis of prior estimates in the Annual Actuarial Audit Report
- 2.1 9 Additional actuarial methods in the Annual Actuarial Audit Report (assess reserving risks)
- 2.1 10 An evaluation date prior to June 30th for the Annual Actuarial Audit Report
- 2.1 11 Consider supplementing PEC and PES historical development patterns
- 2.1 12 Limit potential distortions that may occur in the unpaid claim estimate
- 2.1 13 Consider claims counts for given type of loss when calculating historical severity patterns
- 2.1 14 Consider alternate methods to estimate unpaid losses for years 1976 & prior

### Actuarial Organization

- 4.4 6 Transition data gathering from the Rating team to a data management team
- 4.4 7 Utilize external actuarial resources to supplement internal actuarial resources

### Administrative Cost Calculation

- 2.5 1 Re-evaluate portion of Administrative Expenses allocated to LAE

### Class Ratemaking

- 1.1 7 Eliminate Use of ER Off-Balance Adjustment Factor for Class Base Rates
- 1.1 8 Apply Individual ER Off-Balance Adjustment to Individual ER Risks Only
- 1.1 10 Provide More Detailed Documentation for Each Adjustment Factor

### Excess Insurance and Reinsurance

- 2.4 5 Limit impact of CAT event to 5-10% of Net Assets
- 2.4 6 Test Reinsurance Market for CAT Protection

### Experience Rating

- 1.1 31 Prohibit Exclusion of Claims from Experience Rating Calculation

### Group Rating

- 1.1 27 Evaluate Group Retro Plan as a group rating alternative

### MCO Effectiveness

- 2.6 1 Sustain Trend of Decreasing Numbers of Participating MCOs
- 2.6 3 Remove the BWC from the ADR Appeal Process
- 2.6 5 Give MCOs More Flexibility in Allowable Condition Determinations
- 2.6 9 Continue Public Forums
- 2.6 11 Update All Fee Schedules Every One-to-Two Years (duplicate of 2.3.1.2)

### Medical Payments

- 2.3 1 Conduct fee schedule update and maintenance
- 2.3 1 Update the fee schedule every one-to-two years
- 2.3 3 Eliminate the required employer waiver in proactive allowance

### **Minimum Premium Review**

- 4.1 7 Increase Premium Audits for Accounts that Report No Payroll but Have Claims

### **MIRA II Reserving**

- 1.1 34 Study the Impact of MIRA II Reserves on Class Rates and Experience Rating

### **NCCI Classification System**

- 4.1 2 Monitor Procedures used to Code Construction Classes
- 4.1 3 Audit most employers every three to five years
- 4.1 4 Increase Scope of Premium Audit Function
- 4.1 5 Consider an Audit Scoring Tool to Prioritize Audits

### **Net Asset Level**

- 2.4 1 Adopt a Funding Policy with Guidelines
- 2.4 2 Develop a customized approach to managing net asset level using a few key metrics
- 2.4 3 Target a Funding Ratio Range & Recommended Actions
- 2.4 4 Policy Guidance with Premium Options based on Funding Ratio

### **Out-of-State Employer Experience Rating**

- 4.3 1 Utilize only Ohio based Information to Determine Eligibility for Experience Rating

### **Safety Programs**

- 3.2 1 Make Grants Available Even if No Claims Related to the Intervention
- 3.2 2 Require Safety Report With Application for Safety Intervention Grant
- 3.2 3 Combine DFWP and DF-EZ Programs

### **Salary Continuation / \$15K Med Only Program**

- 1.1 37 Consider an Appropriately Priced Deductible Program as an Alternative

### **Self-Insurance**

- 1.4 1 Require an Actuarial Study for Self-Insurance Applicants
- 1.4 4 Consider Trends within Industries to Determine Self-insurance Criteria
- 1.4 9 Require Organization Documents for Self-Insurance Application
- 1.4 11 Continuation of Security upon Returning to the State Insurance Fund

### **SIEGF**

- 1.3 2 Collect Enhanced Data
- 1.3 3 Require Collateral from Higher Risk Employers

### **Statewide Rate Level**

- 1.1 1 Provide More Responsiveness to Ohio Trends
- 1.1 2 Perform Baseline Indication Before Discounting
- 1.1 3 Develop the range of indicated rate changes (Optimistic to Conservative)
- 1.1 4 Include Alternative Method in Calculating Indicated Rate Change
- 1.1 5 Display Historical Loss Costs at Proposed Cost and Wage Levels
- 1.1 6 Display Impact of Collecting Premium in Arrears on the Rate Change Indication

### **Vocational Rehabilitation Program**

- 4.1 18 Reconsider the Rules Associated with the Experience Rating Treatment of LM Claims

## Appendix B: No Action Items

In its review and consideration of the 146 recommendations resulting from the Comprehensive Study (the "Study"), BWC staff has categorized 17 recommendations as "No Action" items.

"No Action" items are items where:

1. Staff has identified an alternative solution addressing the concern raised by Deloitte Consulting in making the recommendation, or
2. Staff has evaluated the risk inherent in the concern raised by Deloitte and, after evaluation of the proposed solution and alternatives, determined the solutions are cost prohibitive for the amount of risk they are intended to address.

The tables on the following pages discuss the recommendations.

### No Action Items: Alternative solution has been identified

Area	No.	Recommendation	Discussion
Ancillary Funds	4.1.9	Address Large Unfunded Obligation Including Possible Long Term Funding	DWRF is being examined in a study that will review Deloitte's other recommendations relating to DWRF (Recommendations 2.1.5, 4.1.10, 4.1.11, 4.1.12, and 4.1.13). Management will monitor the unfunded obligation closely.
	4.1.15	Develop Funding Policies for Each Ancillary Fund (DWRF, MIF, CWPF)	We are pursuing Recommendation 4.1.16 at this time. Combining the funds would negate the need for individual funding policies for the ancillary funds.
Handicap Reimbursement Program	3.3.1	Terminate the Handicap Reimbursement Program	It is not our intention to terminate the Handicap Reimbursement Program at this time. The three alternative solutions offered by Deloitte (Recommendations 3.3.2, 3.3.3, and 3.3.4) and two additional remedies are being pursued to limit abuse and return the program to its intended purpose.
MCO Effectiveness	2.6.4	Legislate Change to Mandatory IME Requirement at 90 Days Lost Time	Management has determined that a February 09 rule change negated the concern raised by Deloitte.
Medical Payments	2.3.2.3	Adopt an audit model of provider medical payment monitoring	Alternative solution (Recommendation 2.3.2) was selected to address the concern raised by Deloitte.
Out-of-State Employer Experience Rating	4.3.2	Adopt the Industry Standard of using Base Premiums as the Eligibility Criteria for Experience Rating	Alternative solution (Recommendation 4.3.1) was selected to address the concern raised by Deloitte.
Salary Continuation/ \$15K Med Only Program	1.1.35	Terminate the Salary Continuation Program	It is not our intention to eliminate the Salary Continuation Program at this time. The problem of not accounting for all of the costs that salary continuation presents is being addressed by making salary continuation claims with dates of injury on or after January 1, 2011 eligible for a claim reserve (both medical and indemnity reserve).
	1.1.36	Terminate the \$15,000 Medical Only Program	It is not our intention to eliminate the \$15,000 Medical-Only Program (\$15K) at this time. Instead, BWC will eliminate MIRA transition rules that systematically reduce or eliminate reserves associated with medical-only claims. Employers actively participating in the \$15K Program will not see a reserve on those medical-only claims until they remove the claim from the \$15K Program.  A small deductible program was suggested by Deloitte (Recommendation 1.1.37) as an alternative to the \$15k program. The small deductible program is now in place.
Self-Insurance	1.4.1	Require an Actuarial Study for Self-Insurance Applicants	Actuarial studies are already being used in select cases to establish exposure to the fund when the risk or exposure are unknown (e.g. collateral reduction requests, no parental guarantee, etc.). Other recommendations such as collecting enhanced reserves data (1.4.5 and 1.4.6), retooling the model for securitization (1.4.2), and enhancing the governance (1.4.13) of the SI program will allow for enhanced underwriting of the risk to the fund.

**No Action Items: Alternative solution has been identified**

Self-Insurance	1.4.10	Require an Actuarial Study for Self-Insurers Returning to the SIF	Re-entry into SI is rare and circumstances surrounding departure are already closely considered during the underwriting of each application.
SIEGF	1.3.1	Institute Pre-Assessment Alternatives	Alternative solutions are being deployed to protect the SIEGF. If the concern raised by Deloitte is not resolved by restructuring SI securization and collateral requirements, then this recommendation may be revisited in the future.
	1.3.4	Revise Assessment Base	This is an expensive, long-term, and perhaps iterative process. If the concern raised by Deloitte is not resolved by restructuring SI securization and collateral requirements, then this recommendation may be revisited in the future.
	1.3.5	Reinsure Certain Bankruptcy Losses	The reinsurance market has been approached. There was no compatible product as of the fall of 2009. The SI community is pursuing alternative securitization options.

**No Action Items: Solution is not cost-effective for potential risk identified**

Area	No.	Recommendation	Discussion
Experience Aggregation Approach	4.1.19	Use NCCI Approach to Common Majority Ownership for Experience Rating	Current remedies are in place to check for duplicate policies and successor rules provide some protection from the issue Deloitte raised. Management accepts the risk associated with not implementing this recommendation.
	4.1.20	Discontinue the current practice of relying primarily on the federal tax identification number to identify separate employers.	Current remedies are in place to check for duplicate policies and successor rules provide some protection from the issue Deloitte raised. Management accepts the risk associated with not implementing this recommendation.
MIRA II Reserving	1.1.32	Develop an Alternative to the Exclusive Use of MIRA II	The plan is to allow the MIRA II data to mature, then re-evaluate the reserving accuracy in a few years. In the short-term, BWC is focusing claims staff on claims resolution rather than setting reserves. To date, MIRA II has provided an unparalleled level of consistency and confidence in reserving compared to former reserving systems/methods. If additional precision is desired after a future evaluation, this recommendation may be reconsidered.
	1.1.33	Determine Where MIRA II Claim Values are Most Predictive	
Self-Insurance	1.4.3	Consider Offering Group Self-Insurance	It is imperative that the fundamental structure of the group rating program be repaired before considering this recommendation, as this recommendation offers an additional level of complexity to the group rating program. BWC may consider this product in the future.

## All Recommendations -- Stage of Implementation

### Actuarial Audit Reserves and Expected Payments

- 2.1 1 Include Risk Margins
- 2.1 2 Disclose Margins/Discounts
- 2.1 3 Require Statement of Actuarial Opinion
- 2.1 4 Further study of LSS Savings
- 2.1 5 Analyze risk of inflation on DWRF
- 2.1 6 Increase internal emphasis on actuarial audit reserves
- 2.1 7 Additional documentation in the Annual Actuarial Audit Report
- 2.1 8 Retrospective analysis of prior estimates in the Annual Actuarial Audit Report
- 2.1 9 Additional actuarial methods in the Annual Actuarial Audit Report (assess reserving risks)
- 2.1 10 An evaluation date prior to June 30th for the Annual Actuarial Audit Report
- 2.1 11 Consider supplementing PEC and PES historical development patterns
- 2.1 12 Limit potential distortions that may occur in the unpaid claim estimate
- 2.1 13 Consider claims counts for given type of loss when calculating historical severity patterns
- 2.1 14 Consider alternate methods to estimate unpaid losses for years 1976 & prior

### Actuarial Organization

- 4.4 1 Establish Rating & Programs Pricing Team
- 4.4 2 Establish Reserving & Net Asset Level Analysis Function
- 4.4 3 Establish Data Management
- 4.4 4 Actuarial Hiring and Development Program
- 4.4 5 Expand the BWC actuarial division responsibilities
- 4.4 6 Transition data gathering from the Rating team to a data management team
- 4.4 7 Utilize external actuarial resources to supplement internal actuarial resources

### Administrative Cost Calculation

- 2.5 1 Re-evaluate portion of Administrative Expenses allocated to LAE

### Ancillary (Specialty) Funds

- 4.1 9 Address Large Unfunded Obligation Including Possible Long Term Funding
- 4.1 10 Change DWRF from Pay-As-You-Go Basis to Support Reducing Unfunded Obligations
- 4.1 11 Set DWRF Rates to Meet Payments and Reduce Burden to Future Employers for DWRF Benefits
- 4.1 12 Establish a Good, Clear, and Long Term Rationale for Funding DWRF Benefits
- 4.1 13 Set Policy Rationale for Equity between Past, Current and Future Benefits to Pay DWRF Benefits
- 4.1 14 Charge Some Premium for CWPF Coverage with Credits/Dividends for Long Term CWPF Employers
- 4.1 15 Develop Funding Policies for Each Ancillary Fund (DWRF, MIF, CWPF)
- 4.1 16 Conduct Further Research to Support Legislative Change to Combine Funds

### Change of Employer Experience Rates

- 4.2 1 Eliminate/Restrict Changes to Employer Rates Due to Changes in Claims
- 4.2 2 Restrict Time to Report Errors
- 4.2 3 Establish Shorter and Clearly Defined Time Constraints

	Evaluation	No Action	Planning	Design	Implementation	In Place	FY12 or later
2.1 1 Include Risk Margins	✓						
2.1 2 Disclose Margins/Discounts						✓	
2.1 3 Require Statement of Actuarial Opinion						✓	
2.1 4 Further study of LSS Savings			✓				▶
2.1 5 Analyze risk of inflation on DWRF					✓		▶
2.1 6 Increase internal emphasis on actuarial audit reserves					✓		▶
2.1 7 Additional documentation in the Annual Actuarial Audit Report						✓	
2.1 8 Retrospective analysis of prior estimates in the Annual Actuarial Audit Report						✓	
2.1 9 Additional actuarial methods in the Annual Actuarial Audit Report (assess reserving risks)						✓	
2.1 10 An evaluation date prior to June 30th for the Annual Actuarial Audit Report						✓	
2.1 11 Consider supplementing PEC and PES historical development patterns						✓	
2.1 12 Limit potential distortions that may occur in the unpaid claim estimate						✓	
2.1 13 Consider claims counts for given type of loss when calculating historical severity patterns						✓	
2.1 14 Consider alternate methods to estimate unpaid losses for years 1976 & prior						✓	
4.4 1 Establish Rating & Programs Pricing Team				✓			▶
4.4 2 Establish Reserving & Net Asset Level Analysis Function					✓		▶
4.4 3 Establish Data Management				✓			▶
4.4 4 Actuarial Hiring and Development Program			✓				▶
4.4 5 Expand the BWC actuarial division responsibilities				✓			▶
4.4 6 Transition data gathering from the Rating team to a data management team						✓	
4.4 7 Utilize external actuarial resources to supplement internal actuarial resources						✓	
2.5 1 Re-evaluate portion of Administrative Expenses allocated to LAE						✓	
4.1 9 Address Large Unfunded Obligation Including Possible Long Term Funding		✓					
4.1 10 Change DWRF from Pay-As-You-Go Basis to Support Reducing Unfunded Obligations	✓						▶
4.1 11 Set DWRF Rates to Meet Payments and Reduce Burden to Future Employers for DWRF Benefits	✓						▶
4.1 12 Establish a Good, Clear, and Long Term Rationale for Funding DWRF Benefits	✓						▶
4.1 13 Set Policy Rationale for Equity between Past, Current and Future Benefits to Pay DWRF Benefits	✓						▶
4.1 14 Charge Some Premium for CWPF Coverage with Credits/Dividends for Long Term CWPF Employers	✓						
4.1 15 Develop Funding Policies for Each Ancillary Fund (DWRF, MIF, CWPF)		✓					
4.1 16 Conduct Further Research to Support Legislative Change to Combine Funds					✓		▶
4.2 1 Eliminate/Restrict Changes to Employer Rates Due to Changes in Claims				✓			
4.2 2 Restrict Time to Report Errors				✓			
4.2 3 Establish Shorter and Clearly Defined Time Constraints				✓			

## All Recommendations -- Stage of Implementation

### Class Ratemaking

- 1.1 7 Eliminate Use of ER Off-Balance Adjustment Factor for Class Base Rates
- 1.1 8 Apply Individual ER Off-Balance Adjustment to Individual ER Risks Only
- 1.1 9 Calculate Catastrophe Factor by NCCI Hazard Group
- 1.1 10 Provide More Detailed Documentation for Each Adjustment Factor
- 1.1 11 Use Alternative Indication of Class Loss Costs to Credibility Weight Class Loss Costs
- 1.1 12 Separate Case Reserves in Estimating Historical Loss Costs

### Excess Insurance and Reinsurance

- 2.4 5 Limit impact of CAT event to 5-10% of Net Assets
- 2.4 6 Test Reinsurance Market for CAT Protection

### Experience Aggregation Approach

- 4.1 19 Use NCCI Approach to Common Majority Ownership for Experience Rating
- 4.1 20 Discontinue the current practice of relying primarily on the federal tax identification number to identify separate employers

### Experience Rating

- 1.1 30 Change Credibility for Individual Experience to be In Line with Industry Practices
- 1.1 31 Prohibit Exclusion of Claims from Experience Rating Calculation

### Group Rating

- 1.1 13 Change the structure of the Group Rating Program to mitigate present inequities
- 1.1 14 Incent groups to focus on accident prevention and loss mitigation activities
- 1.1 15 Eliminate the use of the individual e-mod formula for group rating
- 1.1 16 Determine group rating through the use of a group discount factor
- 1.1 17 Establish a minimum number of years of experience for a group to qualify
- 1.1 18 Develop a group discount formula based on the past performance of each group
- 1.1 19 Apply a separate group rating off-balance adjustment to the group discount factors
- 1.1 20 Develop the group discount factor based on the actual past performance of each group
- 1.1 21 Include the experience of all group members only during the period they were in the group
- 1.1 22 Apply the group discount factor to the individual e-mod adjusted premium of each
- 1.1 23 Develop a group discount formula based on a loss ratio or loss rating approach
- 1.1 24 Vary the maximum discount factor with the premium size of the group
- 1.1 25 Apply a phase-in period of at least two years to new group members
- 1.1 26 Evaluate Group Dividend plan as a group rating alternative
- 1.1 27 Evaluate Group Retro Plan as a group rating alternative
- 1.1 28 Evaluate Per Accident Loss Limitations as a group rating alternative
- 1.1 29 Evaluate Tiering within a single group as a group rating alternative

### Handicap Reimbursement Program

- 3.3 1 Terminate the Handicap Reimbursement Program
- 3.3 2 Exclude Arthritis as a Handicap
- 3.3 3 Require That Existing Conditions be the Proximate Cause of a More Severe Second Injury
- 3.3 4 Reduce the Lag Time Allowed for Handicap Reimbursement

	Evaluation	No Action	Planning	Design	Implementation	In Place	FY12 or later
<b>Class Ratemaking</b>							
1.1 7						✓	
1.1 8						✓	
1.1 9				✓			▶
1.1 10						✓	
1.1 11				✓			▶
1.1 12				✓			▶
<b>Excess Insurance and Reinsurance</b>							
2.4 5						✓	
2.4 6						✓	
<b>Experience Aggregation Approach</b>							
4.1 19		✓					
4.1 20		✓					
<b>Experience Rating</b>							
1.1 30				✓			▶
1.1 31						✓	
<b>Group Rating</b>							
1.1 13				✓			▶
1.1 14				✓			▶
1.1 15				✓			▶
1.1 16				✓			▶
1.1 17				✓			▶
1.1 18				✓			▶
1.1 19				✓			▶
1.1 20				✓			▶
1.1 21				✓			▶
1.1 22				✓			▶
1.1 23				✓			▶
1.1 24				✓			▶
1.1 25				✓			▶
1.1 26				✓			▶
1.1 27						✓	
1.1 28				✓			▶
1.1 29				✓			▶
<b>Handicap Reimbursement Program</b>							
3.3 1	✓						
3.3 2	✓						
3.3 3	✓						
3.3 4	✓						

## All Recommendations -- Stage of Implementation

### MCO Effectiveness

- 2.6 1 Sustain Trend of Decreasing Numbers of Participating MCOs
- 2.6 2 Study feasibility of price-of-service competition among MCOs
- 2.6 3 Remove the BWC from the ADR Appeal Process
- 2.6 4 Legislate Change to Mandatory IME Requirement at 90 Days Lost Time
- 2.6 5 Give MCOs More Flexibility in Allowable Condition Determinations
- 2.6 6 Establish ODG as Mandated Disability Duration Guidelines (replacement for DODM)
- 2.6 7 Integrate use of ODG into the overall MCO performance measurement and compensation system
- 2.6 8 Re-institute Customer Surveys
- 2.6 9 Continue Public Forums
- 2.6 10 Improve Provider Profiling, Credentialing, and De-Certification
- 2.6 11 Update All Fee Schedules Every 1 - 2 Years (duplicate of 2.3.1.2)
- 2.6 12 Build a database and study causes of increasing average medical costs

### Medical Payments

- 2.3 1 Conduct fee schedule update and maintenance
- 2.3 1 Phase in pay-for-performance or Tiered Fee Schedule for all service types
- 2.3 1 Update the fee schedule every one-to-two years
- 2.3 2 Address Medical Payment Process Duplication
- 2.3 2 Standardize bill review edits
- 2.3 2 Explore elimination of MCO medical bill review process
- 2.3 2 Adopt an audit model of provider medical payment monitoring
- 2.3 3 Eliminate the required employer waiver in proactive allowance
- 2.3 4 Continue development of Blue Ribbon panel with provider incentives
- 2.3 5 Continue development of EDI submission of C-9's

### Minimum Premium Review

- 4.1 6 Examine the Feasibility of Raising the Minimum Premium
- 4.1 7 Increase Premium Audits for Accounts that Report No Payroll but Have Claims
- 4.1 8 Consider a different minimum premium for domestic employees

### MIRA II Reserving

- 1.1 32 Develop an Alternative to the Exclusive Use of MIRA II
- 1.1 33 Determine Where MIRA II Claim Values are Most Predictive
- 1.1 34 Study the Impact of MIRA II Reserves on Class Rates and Experience Rating

### NCCI Classification System

- 4.1 1 Consider Using NCCI Class Codes for Public Taxing Districts
- 4.1 2 Monitor Procedures used to Code Construction Classes
- 4.1 3 Audit most employers every three to five years
- 4.1 4 Increase Scope of Premium Audit Function
- 4.1 5 Consider an Audit Scoring Tool to Prioritize Audits

### Net Asset Level

- 2.4 1 Adopt a Funding Policy with Guidelines
- 2.4 2 Develop a customized approach to managing net asset level using a few key metrics
- 2.4 3 Target a Funding Ratio Range & Recommended Actions
- 2.4 4 Policy Guidance with Premium Options based on Funding Ratio

	Evaluation	No Action	Planning	Design	Implementation	In Place	FY12 or later
2.6 1 Sustain Trend of Decreasing Numbers of Participating MCOs	✓					✓	
2.6 2 Study feasibility of price-of-service competition among MCOs	✓					✓	
2.6 3 Remove the BWC from the ADR Appeal Process						✓	
2.6 4 Legislate Change to Mandatory IME Requirement at 90 Days Lost Time		✓					
2.6 5 Give MCOs More Flexibility in Allowable Condition Determinations						✓	
2.6 6 Establish ODG as Mandated Disability Duration Guidelines (replacement for DODM)					✓		
2.6 7 Integrate use of ODG into the overall MCO performance measurement and compensation system				✓			▶
2.6 8 Re-institute Customer Surveys	✓						▶
2.6 9 Continue Public Forums						✓	
2.6 10 Improve Provider Profiling, Credentialing, and De-Certification					✓		
2.6 11 Update All Fee Schedules Every 1 - 2 Years (duplicate of 2.3.1.2)					✓		
2.6 12 Build a database and study causes of increasing average medical costs					✓		
2.3 1 Conduct fee schedule update and maintenance						✓	
2.3 1 Phase in pay-for-performance or Tiered Fee Schedule for all service types				✓			
2.3 1 Update the fee schedule every one-to-two years						✓	
2.3 2 Address Medical Payment Process Duplication			✓				▶
2.3 2 Standardize bill review edits			✓				▶
2.3 2 Explore elimination of MCO medical bill review process			✓				▶
2.3 2 Adopt an audit model of provider medical payment monitoring		✓					
2.3 3 Eliminate the required employer waiver in proactive allowance						✓	
2.3 4 Continue development of Blue Ribbon panel with provider incentives					✓		
2.3 5 Continue development of EDI submission of C-9's			✓				▶
4.1 6 Examine the Feasibility of Raising the Minimum Premium	✓						▶
4.1 7 Increase Premium Audits for Accounts that Report No Payroll but Have Claims						✓	
4.1 8 Consider a different minimum premium for domestic employees	✓						▶
1.1 32 Develop an Alternative to the Exclusive Use of MIRA II		✓					
1.1 33 Determine Where MIRA II Claim Values are Most Predictive		✓					
1.1 34 Study the Impact of MIRA II Reserves on Class Rates and Experience Rating						✓	
4.1 1 Consider Using NCCI Class Codes for Public Taxing Districts	✓						▶
4.1 2 Monitor Procedures used to Code Construction Classes						✓	
4.1 3 Audit most employers every three to five years						✓	
4.1 4 Increase Scope of Premium Audit Function						✓	
4.1 5 Consider an Audit Scoring Tool to Prioritize Audits						✓	
2.4 1 Adopt a Funding Policy with Guidelines						✓	
2.4 2 Develop a customized approach to managing net asset level using a few key metrics						✓	
2.4 3 Target a Funding Ratio Range & Recommended Actions						✓	
2.4 4 Policy Guidance with Premium Options based on Funding Ratio						✓	

## All Recommendations -- Stage of Implementation

### Out-of-State Employer Experience Rating

- 4.3 1 Utilize only Ohio based Information to Determine Eligibility for Experience Rating
- 4.3 2 Adopt the Industry Standard of using Base Premiums as the Eligibility Criteria for Experience Rating

### PES Rate Setting

- 3.1 1 Change the Manner in which PES Rates are Calculated
- 3.1 2 Change the Method Used to Determine Expected Paid Losses in the Prospective Policy Year

### Retrospective Rating

- 3.1 3 Redesign the Retrospective Rating Program

### Safety Programs

- 3.2 1 Make Grants Available Even if No Claims Related to the Intervention
- 3.2 2 Require Safety Report With Application for Safety Intervention Grant
- 3.2 3 Combine DFWP and DF-EZ Programs
- 3.1 4 Develop the capability to track the experience of employers participating in the safety & hygiene program

### Salary Continuation / \$15K Med Only Program

- 1.1 35 Terminate the Salary Continuation Program
- 1.1 36 Terminate the \$15,000 Medical Only Program
- 1.1 37 Consider an Appropriately Priced Deductible Program as an Alternative
- 1.1 38 Perform periodic actuarial studies to evaluate the appropriateness of the credits offered under the various discount programs

### Self-Insurance

- 1.4 1 Require an Actuarial Study for Self-Insurance Applicants
- 1.4 2 Require Additional Security for Employers Applying for Self-Insurance
- 1.4 3 Consider Offering Group Self-Insurance
- 1.4 4 Consider Trends within Industries to Determine Self-insurance Criteria
- 1.4 5 Incorporate Objective Financial Criteria as Part of the Self-Insurance application
- 1.4 6 Consider Offering Enhanced Customer Service Aid to Employers
- 1.4 7 Consider Requiring an Anti-Fraud Program as Part of the Self-Insurance Application
- 1.4 8 Consider Requiring a Formal Safety Program as Part of the Self-Insurance Application
- 1.4 9 Require Organization Documents for Self-Insurance Application
- 1.4 10 Require an Actuarial Study for Self-Insurers Returning to the SIF
- 1.4 11 Continuation of Security upon Returning to the State Insurance Fund
- 1.4 12 Do Not Allow Self-Insurers to Leave the State Insurance Fund Multiple Times
- 1.4 13 Expand Reporting Forms to Allow for More Detailed Internal Analysis

### SIEGF

- 1.3 1 Institute Pre-Assessment Alternatives
- 1.3 2 Collect Enhanced Data
- 1.3 3 Require Collateral from Higher Risk Employers
- 1.3 4 Revise Assessment Base
- 1.3 5 Reinsure Certain Bankruptcy Losses

	Evaluation	No Action	Planning	Design	Implementation	In Place	FY12 or later
4.3 1						✓	
4.3 2		✓					
3.1 1				✓			▶
3.1 2				✓			▶
3.1 3	✓						▶
3.2 1						✓	
3.2 2						✓	
3.2 3						✓	
3.1 4					✓		▶
1.1 35		✓					
1.1 36		✓					
1.1 37						✓	
1.1 38				✓			
1.4 1		✓					
1.4 2					✓		
1.4 3		✓					
1.4 4						✓	
1.4 5				✓			
1.4 6				✓			
1.4 7	✓						
1.4 8	✓						
1.4 9						✓	
1.4 10		✓					
1.4 11						✓	
1.4 12				✓			
1.4 13				✓			
1.3 1		✓					
1.3 2						✓	
1.3 3						✓	
1.3 4		✓					
1.3 5		✓					

## All Recommendations -- Stage of Implementation

### Statewide Rate Level

- 1.1 1 Provide More Responsiveness to Ohio Trends
- 1.1 2 Perform Baseline Indication Before Discounting
- 1.1 3 Develop the range of indicated rate changes (Optimistic to Conservative)
- 1.1 4 Include Alternative Method in Calculating Indicated Rate Change
- 1.1 5 Display Historical Loss Costs at Proposed Cost and Wage Levels
- 1.1 6 Display Impact of Collecting Premium in Arrears on the Rate Change Indication

### Subrogation

- 1.2 1 Limit caseloads to no more than 400
- 1.2 2 Build functionality in V-3 to manage subrogation claims
- 1.2 3 Establish a more robust set of performance metrics
- 1.2 4 Investigate utilization of text mining

### Vocational Rehabilitation Program

- 4.1 17 Change Rules to Give BWC Sole Authority to Direct Rehab Services
- 4.1 18 Reconsider the Rules Associated with the Experience Rating Treatment of LM Claims

	Evaluation	No Action	Planning	Design	Implementation	In Place	FY12 or later
1.1 1						✓	
1.1 2						✓	
1.1 3						✓	
1.1 4						✓	
1.1 5						✓	
1.1 6						✓	
1.2 1				✓			▶
1.2 2				✓			
1.2 3				✓			
1.2 4				✓			
4.1 17			✓				
4.1 18						✓	
<b>Count = 146 total recommendations:</b>	<b>17</b>	<b>18</b>	<b>7</b>	<b>39</b>	<b>10</b>	<b>55</b>	<b>47</b>

# **Enterprise Report**

October 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.*

## September Financial Analysis

- o BWC's net assets increased by \$437 million in September resulting in net assets of \$4.9 billion at September 30, 2010 compared to \$4.5 billion at August 31, 2010.

<i>(\$ in millions)</i>	<b>Month Ended</b> Sept. 30, 2010	<b>Month Ended</b> Aug. 31, 2010	<b>Month Ended</b> Sept. 30, 2009
Operating Revenues	\$154	\$153	\$181
Operating Expenses	(223)	(212)	(190)
Operating Transfers	(1)	–	–
Net Operating Gain (Loss)	(70)	(59)	(9)
Net Investment Income (Loss)	507	199	463
Increase (Decrease) in Net Assets	437	140	454
Net Assets End of Period	\$4,932	\$4,495	\$3,848

- o During the month of September, year-end adjustments were recorded to fiscal year 2010 resulting in a \$44 million decrease to the beginning net asset balance for fiscal year 2011. Subsequently, net assets at August 31, 2010 are now \$4,495 million compared to the previously reported total of \$4,539 million.
- o Premium and assessment income of \$155 million along with other income of \$5 million net of a \$6 million provision for uncollectible accounts receivable and net of \$0.5 million in ceded reinsurance premiums resulted in operating revenues of \$154 million in September. The accrual of ceded reinsurance premiums is netted against earned premiums in the Statement of Operations. Other income is primarily penalties billed to private employers for the late filing and payment of premiums that were due on August 31.
- o Premium and assessment income in September included reductions of \$9 million for safety council participation credits granted to over 2,800 employers. Eligible employers participating in BWC's Safety Council program earned a 2% premium discount.
- o Benefits and compensation adjustment expenses of \$213 million along with other expenses of \$10 million resulted in operating expenses of \$223 million.

<i>(\$ in millions)</i>	<b>Month Ended</b> Sept. 30, 2010	<b>Month Ended</b> Aug. 31, 2009	<b>Increase</b> <b>(Decrease)</b>
Change in Reserves	\$22	\$26	\$(4)
Net Benefit Payments	163	143	20
Payments for Comp Adjust Expenses	16	16	–
MCO Admin Payments	12	17	(5)
Other expenses	10	10	–
	\$223	\$212	\$11

- o Benefit payments issued in September included three bi-weekly payment cycles. September MCO administrative payments are lower due to quarterly performance payments being made in August.
- o A \$445 million increase in the fair value of the investment portfolio in September along with interest and dividend income of \$62 million for the month, resulted in net investment income of \$507 million for the month after investment expenses of \$0.6 million. The increase in the fair value of the portfolio is comprised of \$23 million in net realized gains and \$422 million in net unrealized gains.
- o Cash and cash equivalents include \$134 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 October.
- o Premium and assessment receipts of \$69 million were collected in September compared to \$88 million in September 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

- o BWC's total net assets have increased by \$1.1 billion for fiscal year-to-date 2011 resulting in net assets of \$4.9 billion at September 30, 2010 compared to \$3.8 billion at September 30, 2009.

(\$ in millions)	Fiscal YTD Sept. 30, 2010	Projected FYTD Sept. 30, 2010	Fiscal YTD Sept. 30, 2009
Operating Revenues	\$466	\$471	\$547
Operating Expenses	(620)	(650)	(575)
Operating Transfers	(1)	(1)	–
Net Operating Gain (Loss)	(155)	(180)	(28)
Net Investment Income (Loss)	1,262	243	1,360
Increase (Decrease) in Net Assets	1,107	63	1,332
Net Assets End of Period	\$4,932	\$3,888	\$3,848

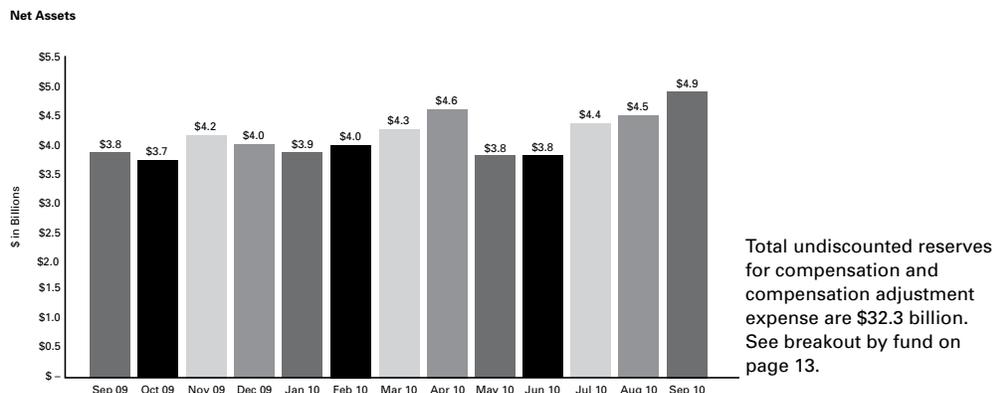
- o BWC's premium and assessment income for fiscal year-to-date 2011 is \$488 million compared to \$567 million for fiscal year-to-date 2010 reflecting decreased premium rates for private and state agency employers effective July 1, 2010 and January 1, 2010 for public employer taxing districts.
- o Benefit and compensation adjustment expenses increased by \$38 million for fiscal year-to-date 2011 compared to prior fiscal year-to-date expenses.

(\$ in millions)	Fiscal YTD Sept. 30, 2010	Fiscal YTD Sept. 30, 2009	Increase (Decrease)
Change in Reserves	\$66	\$18	\$48
Net Benefit Payments	442	445	(3)
Payments for Comp Adjust Expenses	43	52	(9)
MCO Admin Payments	42	40	2
	\$593	\$555	\$38

- o BWC's net investment income for fiscal year-to-date 2011 totaled \$1,262 million comprised primarily of \$938 million in net unrealized gains and \$153 million in net realized gains, along with \$171 million of interest and dividend income, net of \$1.8 million in investment expenses. This compares to prior fiscal year-to-date net investment income of \$1,360 million.
- o Declines in private employer premium rates have contributed to premium collections being \$76 million less than prior fiscal year-to-date collections.

## 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.
- o As of October 8th, 19,200 private employer accounts with estimated premium of \$11.8 million remained in a lapse status for failing to report payroll for the January through June 2010 policy period. This compares to 24,600 accounts that were initially billed estimated premiums of \$24.6 million on September 21, 2010. Accounts that have still failed to report payroll will be certified to the Ohio Attorney General's office for collection on October 25th.



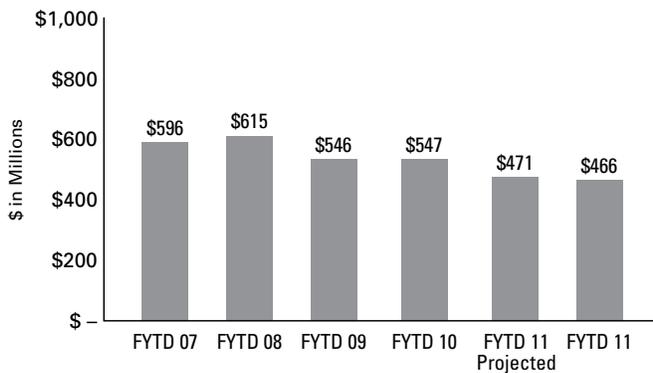
# Statement of Operations

Fiscal year to date September 30, 2010

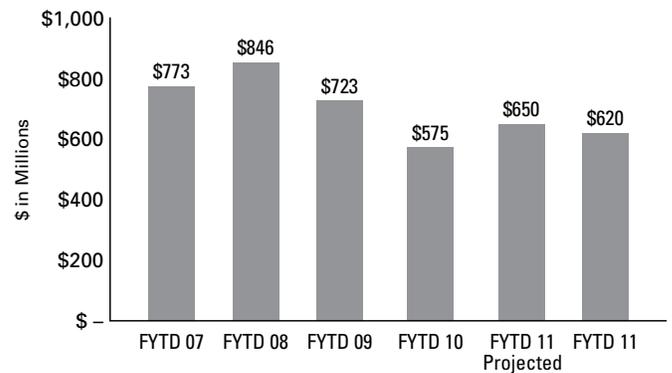
(in millions)

	Actual	Projected	Variance to Projected	Prior Yr. Actual	Year to Year Increase (Decrease)
<b>Operating Revenues</b>					
Premium & Assessment Income	\$488	\$476	\$12	\$567	\$(79)
Ceded Premiums	(1)	(1)	-	-	(1)
Provision for Uncollectibles	(27)	(11)	(16)	(27)	-
Other Income	6	7	(1)	7	(1)
<b>Total Operating Revenue</b>	<b>466</b>	<b>471</b>	<b>(5)</b>	<b>547</b>	<b>(81)</b>
<b>Operating Expenses</b>					
Benefits & Compensation Adj. Expense	593	618	25	555	38
Other Expenses	27	32	5	20	7
<b>Total Operating Expenses</b>	<b>620</b>	<b>650</b>	<b>30</b>	<b>575</b>	<b>45</b>
<b>Operating Transfers</b>	<b>(1)</b>	<b>(1)</b>	<b>-</b>	<b>-</b>	<b>(1)</b>
<b>Net Operating Gain (Loss)</b>	<b>(155)</b>	<b>(180)</b>	<b>25</b>	<b>(28)</b>	<b>(127)</b>
<b>Net Investment Income (Loss)</b>	<b>1,262</b>	<b>243</b>	<b>1,019</b>	<b>1,360</b>	<b>(98)</b>
<b>Increase (Decrease) in Net Assets</b>	<b>\$1,107</b>	<b>\$63</b>	<b>\$1,044</b>	<b>\$1,332</b>	<b>\$(225)</b>

Operating Revenues



Operating Expenses



# Statement of Operations – Combining Schedule

Fiscal year to date September 30, 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	\$390,358	\$19,183	\$1,071	\$86	\$128	\$1,800	\$75,888	\$488,514
Ceded Premiums	(1,431)	-	-	-	-	-	-	(1,431)
Provision for Uncollectibles	(24,923)	14	(57)	-	-	(118)	(1,986)	(27,070)
Other Income	4,592	-	-	-	-	-	1,114	5,706
<b>Total Operating Revenues</b>	<b>368,596</b>	<b>19,197</b>	<b>1,014</b>	<b>86</b>	<b>128</b>	<b>1,682</b>	<b>75,016</b>	<b>465,719</b>
<b>Operating Expenses:</b>								
Benefits & Compensation Adj Expenses	521,362	20,222	844	31	56	1,775	48,560	592,850
Other Expenses	4,063	47	16	-	33	-	22,674	26,833
<b>Total Operating Expenses</b>	<b>525,425</b>	<b>20,269</b>	<b>860</b>	<b>31</b>	<b>89</b>	<b>1,775</b>	<b>71,234</b>	<b>619,683</b>
Net Operating Income (Loss) before Operating Transfers Out	(156,829)	(1,072)	154	55	39	(93)	3,782	(153,964)
Operating Transfers Out	-	-	(725)	-	-	-	(213)	(938)
<b>Net Operating Income (Loss)</b>	<b>(156,829)</b>	<b>(1,072)</b>	<b>(571)</b>	<b>55</b>	<b>39</b>	<b>(93)</b>	<b>3,569</b>	<b>(154,902)</b>
<b>Investment Income:</b>								
Investment Income	155,760	12,867	2,825	169	126	13	1,453	173,213
Net Realized Gains (Losses)	37,514	93,343	21,692	-	-	-	-	152,549
Net Unrealized Gains (Losses)	999,641	(49,477)	(12,919)	509	380	-	-	938,134
Total Realized & Unrealized Capital Gains (Losses)	1,037,155	43,866	8,773	509	380	-	-	1,090,683
Investment Manager & Operational Fees	(1,685)	(74)	(28)	(2)	(2)	-	-	(1,791)
Gain (Loss) on Disposal of Fixed Assets	-	-	-	-	-	-	(30)	(30)
Total Non-Operating Revenues, Net	1,191,230	56,659	11,570	676	504	13	1,423	1,262,075
<b>Increase (Decrease) in Net Assets (Deficit)</b>	<b>1,034,401</b>	<b>55,587</b>	<b>10,999</b>	<b>731</b>	<b>543</b>	<b>(80)</b>	<b>4,992</b>	<b>1,107,173</b>
<b>Net Assets (Deficit), Beginning of Period</b>	<b>3,305,546</b>	<b>1,044,635</b>	<b>193,297</b>	<b>22,568</b>	<b>16,398</b>	<b>7,025</b>	<b>(764,390)</b>	<b>3,825,079</b>
<b>Net Assets (Deficit), End of Period</b>	<b>\$4,339,947</b>	<b>\$1,100,222</b>	<b>\$204,296</b>	<b>\$23,299</b>	<b>\$16,941</b>	<b>\$6,945</b>	<b>\$(759,398)</b>	<b>\$4,932,252</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.

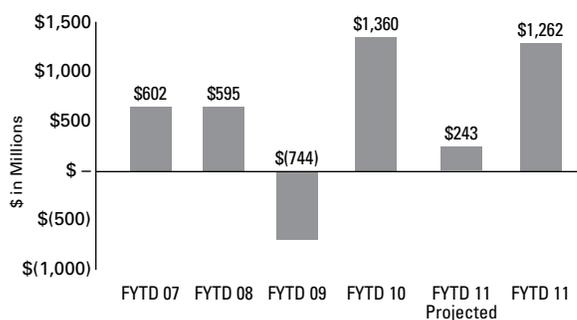
# Statement of Investment Income

Fiscal year to date September 30, 2010

(in thousands)

	Actual	Projected	Variance to Projected	Prior Yr. Actual	Year to Year Increase (Decrease)
<b>Investment Income</b>					
Bond Interest	\$149,292	\$167,970	\$(18,678)	\$182,893	\$(33,601)
Dividend Income-Domestic & International	21,483	30,180	(8,697)	20,723	760
Money Market/Commercial Paper Income	128	393	(265)	592	(464)
Misc. Income (Corp Actions, Settlements)	2,310	1,200	1,110	705	1,605
<b>Total Investment Income</b>	<u>173,213</u>	<u>199,743</u>	<u>(26,530)</u>	<u>204,913</u>	<u>(31,700)</u>
<b>Realized &amp; Unrealized Capital Gains and (Losses)</b>					
Bonds - Net Realized Gains (Losses)	129,589	–	129,589	(54,242)	183,831
Stocks - Net Realized Gains (Losses)	29,384	–	29,384	(18,937)	48,321
Non -U.S. Equities - Net Realized Gains (Losses)	(6,424)	–	(6,424)	(639)	(5,785)
Subtotal - Net Realized Gains (Losses)	<u>152,549</u>	<u>–</u>	<u>152,549</u>	<u>(73,818)</u>	<u>226,367</u>
Bonds - Net Unrealized Gains (Losses)	306,996	–	306,996	665,645	(358,649)
Stocks - Net Unrealized Gains (Losses)	367,592	45,420	322,172	541,890	(174,298)
Non -U.S. Equities - Net Unrealized Gains (Losses)	263,546	–	263,546	23,200	240,346
Subtotal - Net Unrealized Gains (Losses)	<u>938,134</u>	<u>45,420</u>	<u>892,714</u>	<u>1,230,735</u>	<u>(292,601)</u>
<b>Change in Portfolio Value</b>	<u>1,090,683</u>	<u>45,420</u>	<u>1,045,263</u>	<u>1,156,917</u>	<u>(66,234)</u>
<b>Investment Manager &amp; Operational Fees</b>	<u>(1,791)</u>	<u>(1,851)</u>	<u>60</u>	<u>(1,313)</u>	<u>478</u>
<b>Net Investment Income (Loss)</b>	<u>\$1,262,105</u>	<u>\$243,312</u>	<u>\$1,018,793</u>	<u>\$1,360,517</u>	<u>\$(98,412)</u>

Net Investment Income (Loss)



# Administrative Cost Fund Expense Analysis

September 2010

- o BWC Administrative Cost Fund expenses for September 2010 are approximately \$6.7 million (9.6%) less than budgeted and approximately 1.5% more than last fiscal year.
- o Decreases in payroll from September 2009 to September 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 September 2010 than through September 2009. Through September 2010 journal entries BWC staff have taken 57,000 (32%) of the available 177,360 hours for a savings of approximately \$1.5 million. Usage is expected to increase during November and December due to the holidays.
- o The timing of the receipt of invoices for payment in fiscal year 2011 contributed to actual expenditures being less than the amount budgeted through September 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. Payments to the Attorney General were greater in September 2010 than in September 2009 due to a change in the frequency of payment from quarterly to monthly. Payments in Other Personal Services increased in fiscal year 2011 due to the timing of invoice payments and a new contract for services to assist in calculating the financial strength of public and private employers to determine whether they are appropriate candidates for self-insurance and the large deductible program. Changes to the Safety Grant Program in fiscal year 2010 caused a reduction in activity for that fiscal year.
- o Identification of additional costs 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 \$57 million (17%) less than appropriated by the General Assembly.

# Administrative Cost Fund Budget Summary

As of September 30, 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	212,595	212,595	0	0.00%	897,947	214,372	(1,777)	-0.83%
BWC Administration	16	368,177	368,413	236	0.06%	1,516,352	347,488	20,689	5.95%
Customer Service	1,394	27,450,929	27,457,457	6,528	0.02%	104,790,556	28,088,657	(637,728)	-2.27%
Medical	118	2,587,816	2,587,813	(3)	0.00%	10,018,643	2,921,257	(333,441)	-11.41%
Special Investigations	125	2,696,901	2,694,784	(2,117)	-0.08%	10,498,764	2,726,456	(29,555)	-1.08%
Fiscal and Planning	67	1,266,644	1,260,247	(6,397)	-0.51%	4,795,501	1,329,843	(63,199)	-4.75%
Actuarial	22	499,286	499,243	(43)	-0.01%	2,006,188	535,475	(36,189)	-6.76%
Investments	10	318,885	318,885	0	0.00%	1,224,162	329,798	(10,913)	-3.31%
Infrastructure & Technology	277	7,376,572	7,394,999	18,427	0.25%	28,635,428	7,431,862	(55,290)	-0.74%
Legal	76	1,809,065	1,809,146	81	0.00%	7,134,496	1,763,249	45,816	2.60%
Communications	18	404,367	404,517	150	0.04%	1,592,484	428,552	(24,185)	-5.64%
Human Resources	62	1,329,026	1,329,025	(1)	0.00%	5,207,191	1,334,544	(5,518)	-0.41%
Internal Audit	13	327,577	328,084	507	0.15%	1,253,515	346,463	(18,886)	-5.45%
Ombuds Office	7	133,059	133,059	0	0.00%	517,730	147,277	(14,218)	-9.65%
<b>Total Payroll</b>	<b>2,217</b>	<b>46,780,899</b>	<b>46,798,267</b>	<b>17,368</b>	<b>0.04%</b>	<b>180,088,957</b>	<b>47,945,293</b>	<b>(1,164,394)</b>	<b>-2.43%</b>
<b>Personal Services</b>									
Information Technology		1,164,715	1,778,650	613,935	34.52%	8,022,453	1,061,380	103,335	9.74%
Legal - Special Counsel		40,654	264,255	223,601	84.62%	1,057,000	8,563	32,091	374.76%
Legal - Attorney General		1,568,261	1,155,462	(412,799)	-35.73%	4,621,850	1,007,745	560,516	55.62%
Other Personal Services		1,211,720	2,287,577	1,075,857	47.03%	8,535,995	775,308	436,412	56.29%
<b>Total Personal Services</b>		<b>3,985,350</b>	<b>5,485,944</b>	<b>1,500,594</b>	<b>27.35%</b>	<b>22,237,298</b>	<b>2,852,996</b>	<b>1,132,354</b>	<b>39.69%</b>
<b>Maintenance</b>									
William Green Rent		1,552,110	1,554,697	2,587	0.17%	19,049,395	1,930,362	(378,252)	-19.59%
Other Rent and Leases		3,138,808	3,216,231	77,423	2.41%	9,736,249	2,694,927	443,881	16.47%
Software and Equipment Maintenance and Repairs		4,271,931	7,817,444	3,545,513	45.35%	14,771,447	4,075,031	196,900	4.83%
Inter Agency Payments		992,278	1,152,615	160,337	13.91%	4,717,920	716,887	275,391	38.41%
Communications		651,773	958,141	306,368	31.98%	4,127,924	730,173	(78,400)	-10.74%
Safety Grants and Long Term Care Loan		640,808	985,000	344,192	34.94%	4,000,000	118,955	521,853	438.70%
Supplies and Printing		232,802	325,710	92,908	28.52%	1,417,848	164,684	68,118	41.36%
Other Maintenance		732,401	843,851	111,450	13.21%	3,407,235	820,379	(87,978)	-10.72%
<b>Total Maintenance</b>		<b>12,212,911</b>	<b>16,853,689</b>	<b>4,640,778</b>	<b>27.54%</b>	<b>61,228,018</b>	<b>11,251,398</b>	<b>961,513</b>	<b>8.55%</b>
<b>Equipment</b>		<b>82,571</b>	<b>629,229</b>	<b>546,658</b>	<b>86.88%</b>	<b>8,015,603</b>	<b>66,110</b>	<b>16,461</b>	<b>24.90%</b>
<b>Total Administrative Cost Fund Expenses</b>		<b>63,061,731</b>	<b>69,767,129</b>	<b>6,705,398</b>	<b>9.61%</b>	<b>271,569,876</b>	<b>62,115,797</b>	<b>945,934</b>	<b>1.52%</b>

Total Agency Appropriation 328,602,765  
Budget to Appropriation Variance 57,032,889  
Percentage Variance 17.36%

# State Insurance Fund

## Administrative Expense Summary

As of September 30, 2010

	Actual FYTD 2011	Encumbrance Balance	FYTD Actual & Encumbrance	Actual FYTD 2010
<b>Investment Administrative Expenses</b>				
JP Morgan Chase - Performance Reporting	\$36,833	\$65,835	\$102,668	\$5,792
Mercer Investment Consulting	163,333	415,248	578,581	121,249
Other Investment Expenses	149,409	261,640	411,049	99,048
	<u>349,575</u>	<u>742,723</u>	<u>1,092,298</u>	<u>226,089</u>
<b>Actuarial Expenses</b>				
Oliver Wyman - Actuarial Services	0	0	0	202,129
Shoenfelt Consulting Inc	0	0	0	6,370
Deloitte Consulting - Actuarial Services	300,184	2,054,668	2,354,852	0
	<u>300,184</u>	<u>2,054,668</u>	<u>2,354,852</u>	<u>208,499</u>
<b>Reinsurance Expenses</b>				
Towers Watson	3,052,238	1,526,119	4,578,357	0
<b>Ohio Rehabilitation Services</b>	<u>605,407</u>	<u>0</u>	<u>605,407</u>	<u>605,407</u>
<b>TOTAL</b>	<u>\$4,307,404</u>	<u>\$4,323,510</u>	<u>\$8,630,914</u>	<u>\$1,039,995</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 September 30, 2010

	FYTD 2011	FYTD 2010	Source
Workers' Compensation Council	\$ -	\$ 108,333	Administrative Cost Fund
Ohio Dept. of Natural Resources	725,000	-	Coal Workers' Pneumoconiosis Fund
Ohio Inspector General	212,500	212,500	Administrative Cost Fund
<b>TOTAL</b>	<u>\$ 937,500</u>	<u>\$320,833</u>	

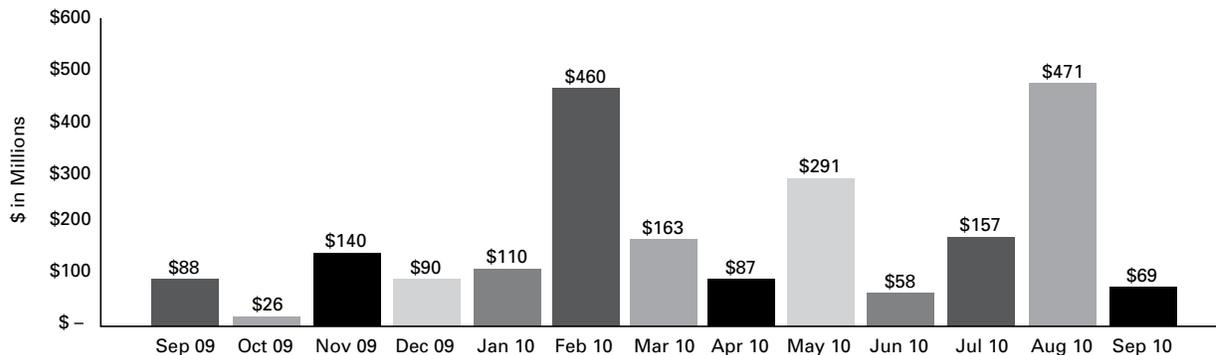
# Statement of Cash Flows

Fiscal year to date September 30, 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	\$697	\$715	\$(18)	\$773	\$(76)
Cash Receipts – Other	8	8	–	12	(4)
Cash Disbursements for Claims	(506)	(530)	24	(502)	(4)
Cash Disbursements for Other	(101)	(114)	13	(96)	(5)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>98</u>	<u>79</u>	<u>19</u>	<u>187</u>	<u>(89)</u>
<b>Net Cash Flows from Noncapital Financing Activities</b>	(1)	(1)	–	–	(1)
<b>Net Cash Flows from Capital and Related Financing Activities</b>	(3)	(2)	(1)	(3)	–
<b>Net Cash Provided (Used) by Investing Activities</b>	<u>(24)</u>	<u>–</u>	<u>(24)</u>	<u>890</u>	<u>(914)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	70	76	(6)	1,074	(1,004)
<b>Cash and Cash Equivalents, Beginning of Period</b>	<u>436</u>	<u>436</u>	<u>–</u>	<u>504</u>	<u>(68)</u>
<b>Cash and Cash Equivalents, End of Period</b>	\$506	\$512	\$(6)	\$1,578	\$(1,072)

## Premium and Assessment Receipts



# Statement of Net Assets

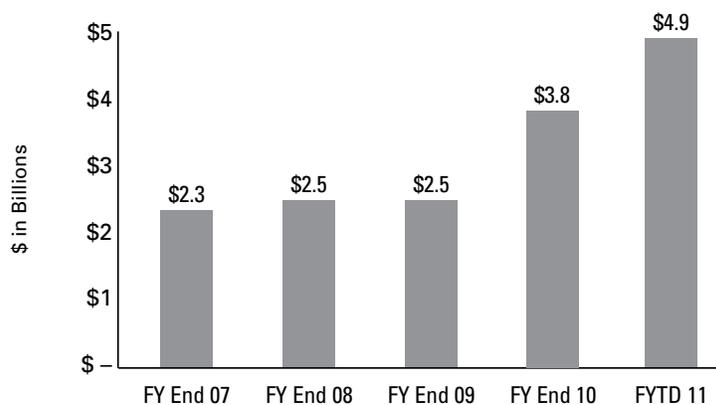
As of September 30, 2010

(in millions)

	Actual	Prior Yr. Actual	Year to Year Increase (Decrease)
<b>Assets</b>			
Bonds	\$13,875	\$12,995	\$880
U.S. Equities	4,024	4,120	(96)
Non-U.S. Equities	1,914	799	1,115
Cash & Cash Equivalents	<u>506</u>	<u>1,578</u>	<u>(1,072)</u>
Total Cash and Investments	20,319	19,492	827
Accrued Premiums	4,274	4,178	96
Other Accounts Receivable	257	324	(67)
Investment Receivables	301	969	(668)
Other Assets	<u>102</u>	<u>106</u>	<u>(4)</u>
<b>Total Assets</b>	<u>25,253</u>	<u>25,069</u>	<u>184</u>
<b>Liabilities</b>			
Reserve for Compensation and Compensation Adj. Expense	\$19,871	\$19,264	\$607
Accounts Payable	30	50	(20)
Investment Payable	239	1,714	(1,475)
Other Liabilities	<u>181</u>	<u>193</u>	<u>(12)</u>
<b>Total Liabilities</b>	<u>20,321</u>	<u>21,221</u>	<u>(900)</u>
<b>Net Assets</b>	<u>\$4,932</u>	<u>\$3,848</u>	<u>\$1,084</u>

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

## Net Assets (Deficit)



# Statement of Net Assets – Combining Schedule

As of September 30, 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	\$12,707,279	\$ 902,576	\$ 220,480	\$ 25,549	\$ 19,089	\$ -	\$ -	\$ -	\$13,874,973
U.S. Equities	3,726,132	261,973	35,951	-	-	-	-	-	4,024,056
Non-U.S. Equities	1,758,483	134,845	20,416	-	-	-	-	-	1,913,744
Private Equities	35	-	-	-	-	-	-	-	35
Cash & Cash Equivalents	447,594	2,282	1,085	337	443	48,189	5,747	-	505,677
Total Cash & Investments	18,639,523	1,301,676	277,932	25,886	19,532	48,189	5,747	-	20,318,485
Accrued Premiums	1,479,333	1,767,706	-	259	-	852,192	175,047	-	4,274,537
Other Accounts Receivable	192,935	19,584	114	-	1	(7)	44,935	-	257,562
Interfund Receivables	13,654	59,937	82	69	5	2,312	146,508	(222,567)	-
Investment Receivables	300,863	38	3	-	-	4	-	-	300,908
Other Assets	25,648	21	-	-	-	-	76,035	-	101,704
<b>Total Assets</b>	<b>\$20,651,956</b>	<b>\$ 3,148,962</b>	<b>\$ 278,131</b>	<b>\$ 26,214</b>	<b>\$ 19,538</b>	<b>\$ 902,690</b>	<b>\$ 448,272</b>	<b>\$ (222,567)</b>	<b>\$25,253,196</b>
<b>Liabilities</b>									
* Reserve for Compensation & Compensation Adj. Expense	\$15,746,700	\$ 2,036,700	\$ 73,000	\$ 2,900	\$ 2,400	\$ 893,300	\$ 1,115,900	\$ -	\$19,870,900
Accounts Payable	29,260	-	-	-	-	-	799	-	30,059
Investment Payable	238,813	1	-	-	-	-	-	-	238,814
Interfund Payables	207,974	11,990	112	13	33	2,445	-	(222,567)	-
Other Liabilities	89,262	49	723	2	164	-	90,971	-	181,171
<b>Total Liabilities</b>	<b>16,312,009</b>	<b>2,048,740</b>	<b>73,835</b>	<b>2,915</b>	<b>2,597</b>	<b>895,745</b>	<b>1,207,670</b>	<b>(222,567)</b>	<b>20,320,944</b>
<b>Net Assets</b>	<b>\$ 4,339,947</b>	<b>\$ 1,100,222</b>	<b>\$ 204,296</b>	<b>\$ 23,299</b>	<b>\$ 16,941</b>	<b>\$ 6,945</b>	<b>\$ (759,398)</b>	<b>\$ -</b>	<b>\$ 4,932,252</b>

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

(in thousands)

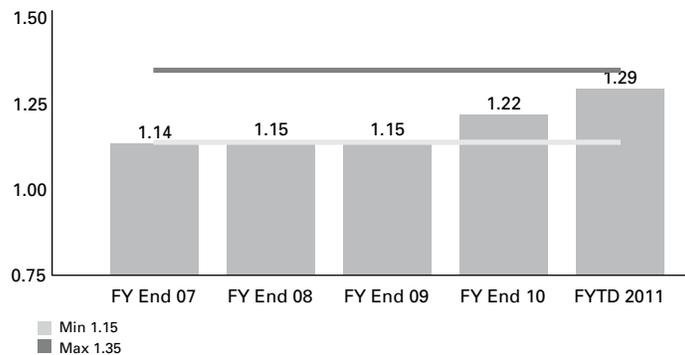
SIF	\$24,874,900
DWRF	3,505,200
CWPF	181,950
PWRE	4,600
MIF	3,575
SIEGF	1,944,625
ACF	1,790,700
<b>Total</b>	<b>\$32,305,550</b>

# Financial Performance Metrics

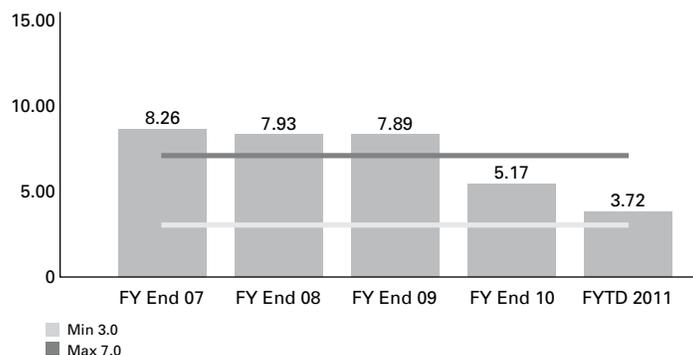
	Actual FY11 As of 9/30/10	Projected FY11 As of 9/30/10	Actual FY10 As of 9/30/09	Guidelines
<b>Funding Ratio (State Insurance Fund)</b>	<b>1.29</b>	<b>1.22</b>	<b>1.23</b>	<b>1.15 to 1.35</b>
<b>Net Leverage Ratio (SIF)</b>	<b>3.72</b>	<b>4.81</b>	<b>4.68</b>	<b>3.0 to 7.0</b>
Loss Ratio	104.3%	109.4%	81.4%	
LAE Ratio - MCO	7.2%	9.0%	7.1%	
LAE Ratio - BWC	<u>9.9%</u>	<u>11.3%</u>	<u>9.3%</u>	
<b>Net Loss Ratio</b>	121.4%	129.7%	97.8%	102.5%
Expense Ratio	<u>5.5%</u>	<u>6.7%</u>	<u>3.6%</u>	7.5%
<b>Combined Ratio</b>	126.9%	136.4%	101.4%	110.0%
Net Investment Income Ratio	<u>35.1%</u>	<u>41.6%</u>	<u>35.9%</u>	
<b>Operating Ratio (Trade Ratio)</b>	<u><u>91.8%</u></u>	<u><u>94.8%</u></u>	<u><u>65.5%</u></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**

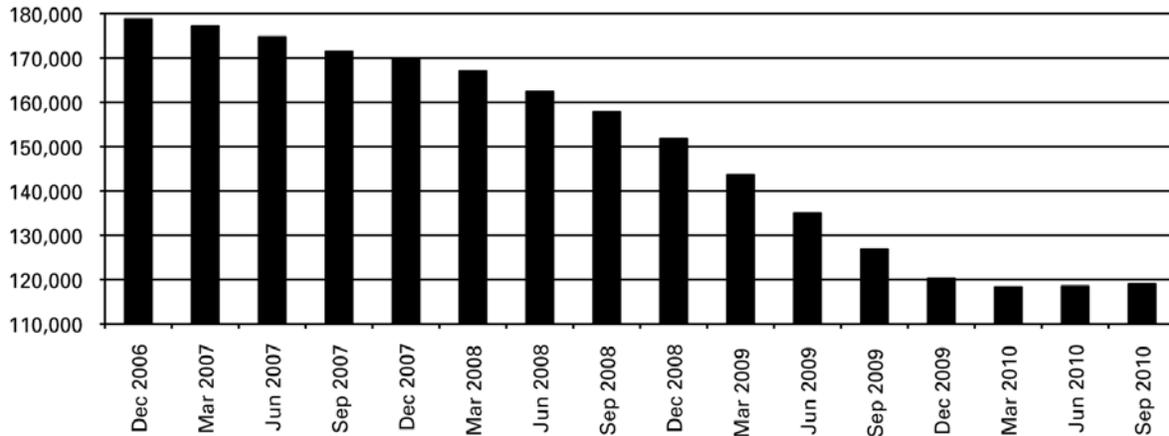


**Net Leverage Ratio**

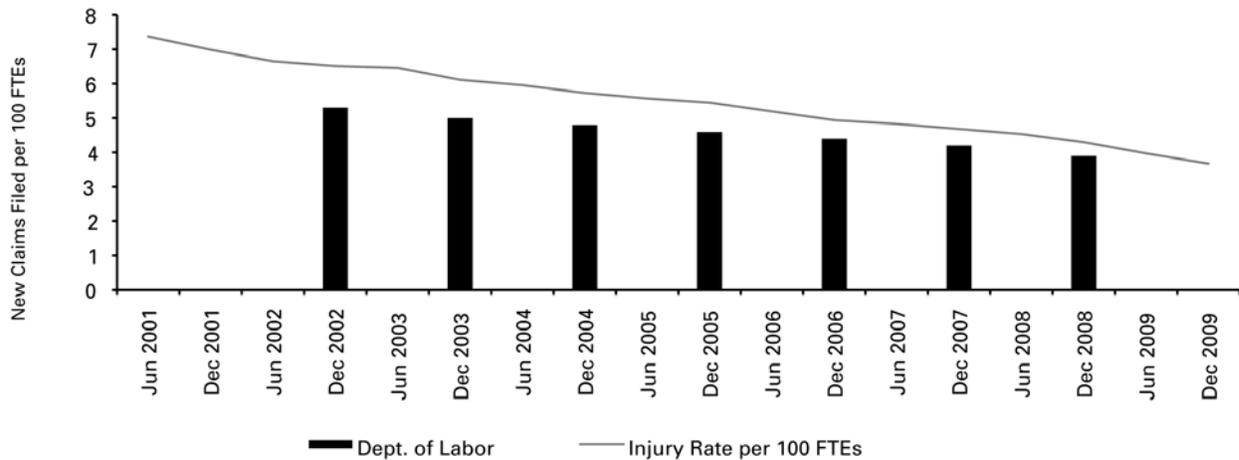


# Operational Performance Metrics

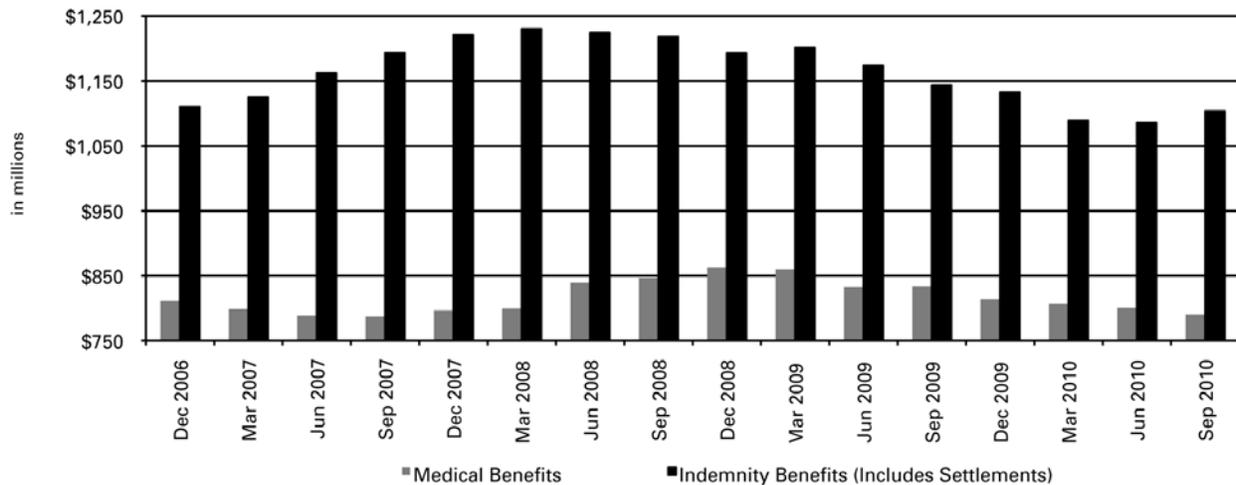
**New Claims Filed - Twelve months ended**



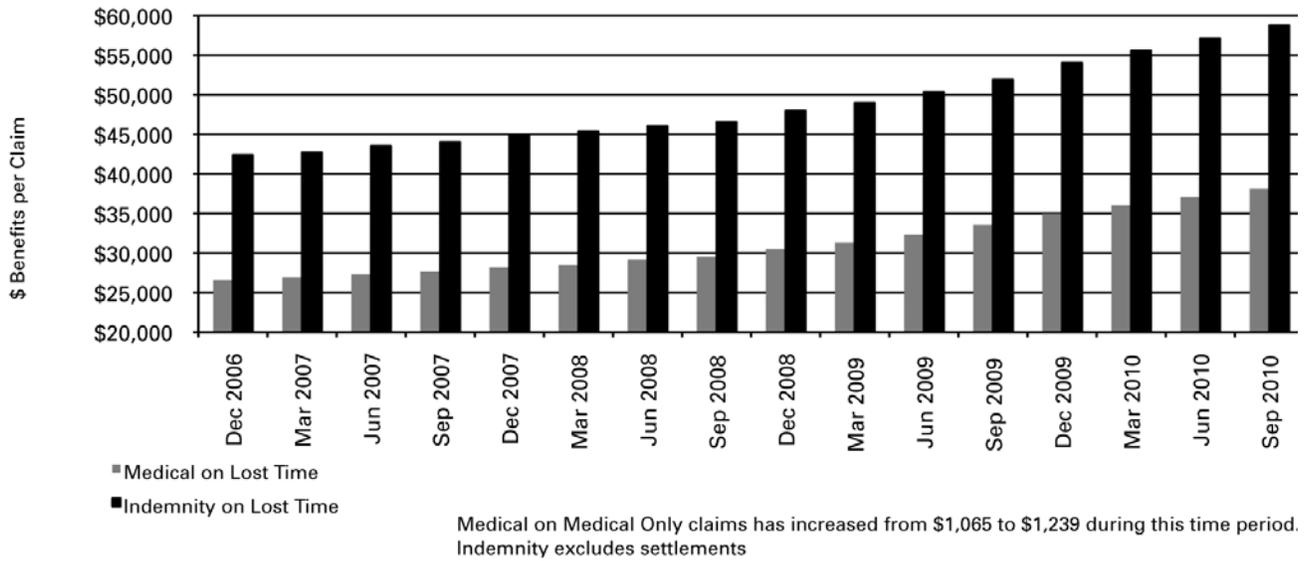
**Frequency - Reported semi-annually**



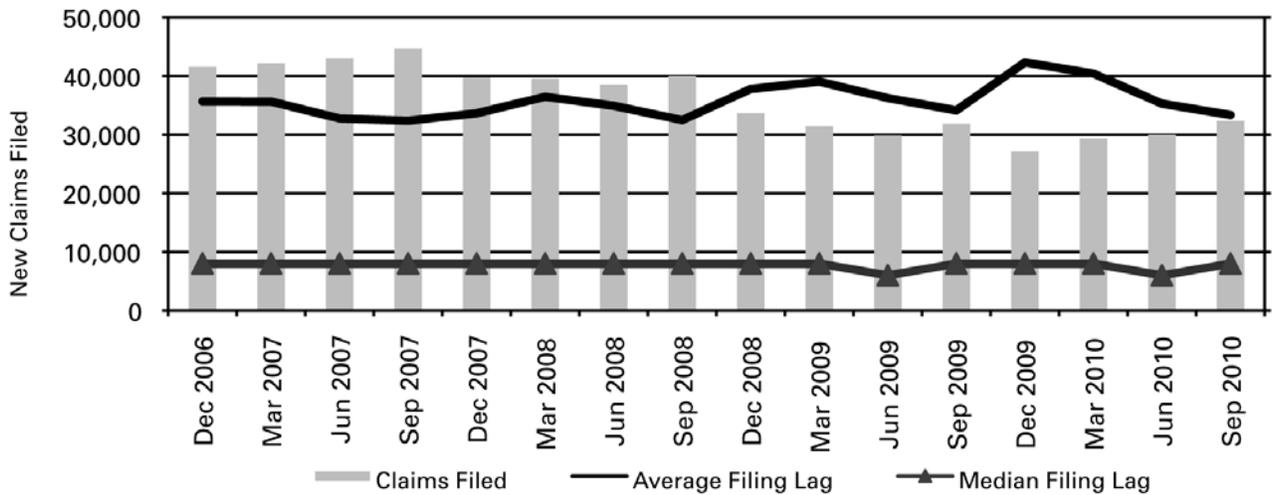
**Benefit Payments - Twelve months ended**



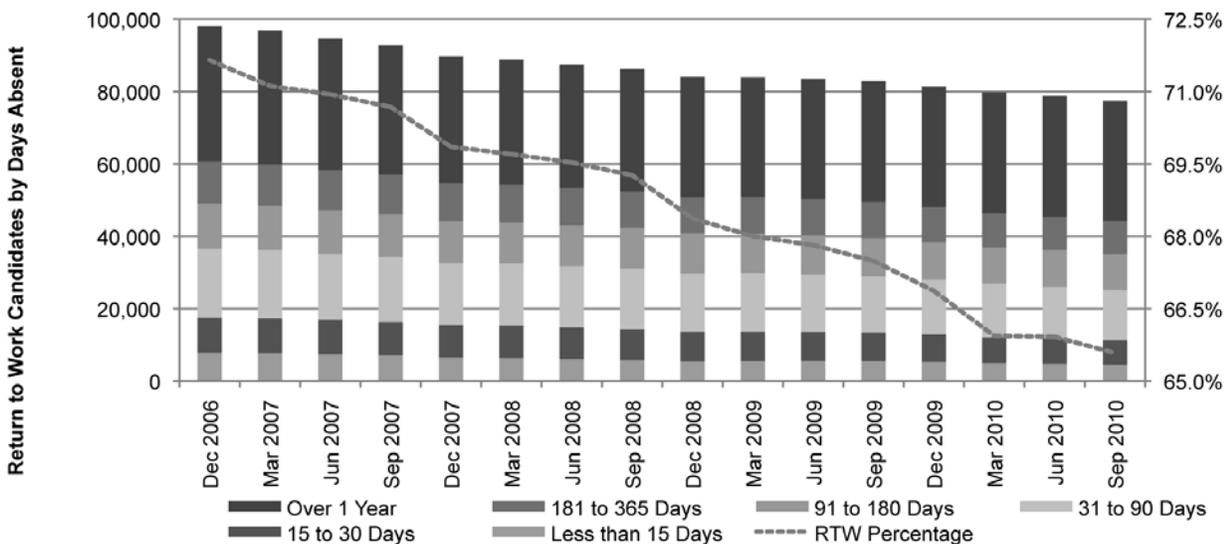
### Severity



### Claim Filing Lag



### Return to work

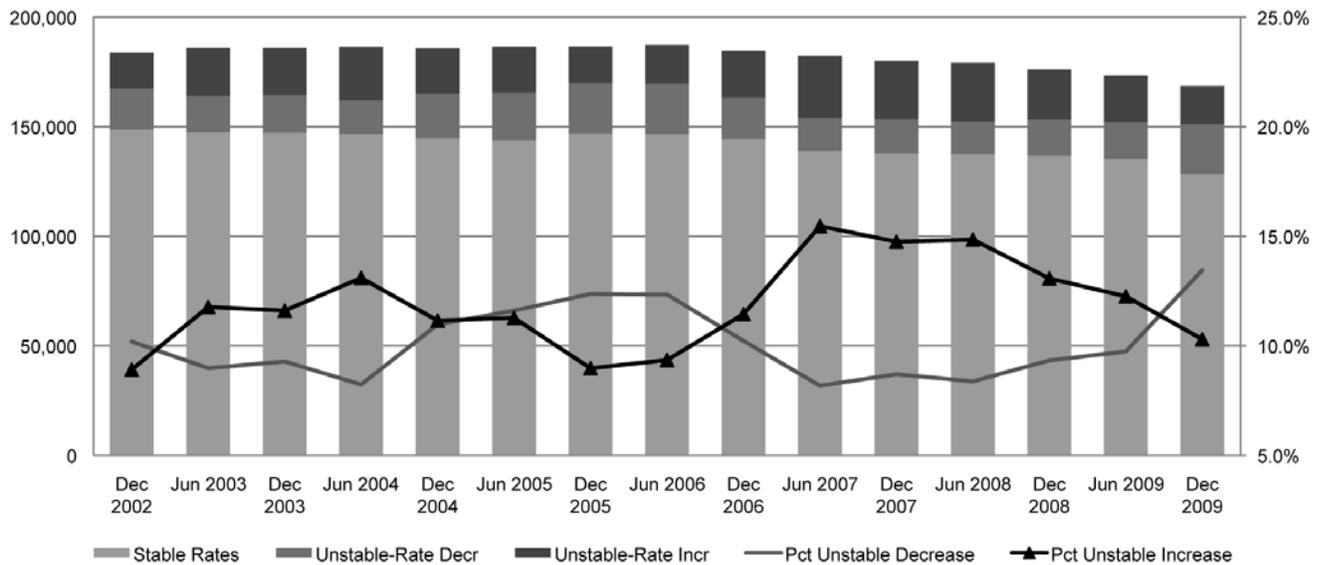


### Aggregate Reported Payroll- Twelve months ended

(\$ 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.