

Board Agenda

Friday, November 19, 2010

William Green Building

Level 2, Room 3

9:30 a.m.-11:30 am

Call to Order

Bill Lhota, Board Chair

Roll Call

Larry Rhodebeck, Scribe

Bill Lhota, Chair

- Approval of minutes of the October 22, 2010 Board meeting
 - Review meeting agenda
-

Committee Reports

Actuarial Committee

Chuck Bryan, Committee Chair

1. Approval of Actuarial Committee Charter
2. Public Employer (PEC) taxing district base rates and expected loss rates, Rules 4123-17-33 and 4123-17-34, (effective Jan. 1, 2011)

Audit Committee

Ken Haffey, Committee Chair

1. Approval of Audit Committee Charter

Investment Committee

Bob Smith, Committee Chair

1. Approval of Investment Committee Charter
2. Annual Report

Medical Services and Safety Committee

James Harris, Committee Chair

1. Approval of Medical Services and Safety Committee Charter

Governance Committee

Alison Falls, Committee Chair

1. Approval of Governance Committee Charter
2. Approval of Governance Guidelines

Monthly Enterprise Report

Tracy Valentino, Chief, Fiscal & Planning Division

Administrator's Report

Marsha P. Ryan, Administrator

Adjourn

Bill Lhota, Board Chair

Next Meeting: Thursday, December 16, 2010

* Not all agenda items have material.

** Agenda subject to change

Enterprise Report

November 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 18.*

October Financial Analysis

BWC's net assets increased by \$152 million in October resulting in net assets of \$5.1 billion at October 31, 2010 compared to \$4.9 billion at September 30, 2010.

<i>(\$ in millions)</i>	Month Ended Oct. 31, 2010	Month Ended Sept. 30, 2010	Month Ended Oct. 31, 2009
Operating Revenues	\$163	\$154	\$159
Operating Expenses	(205)	(223)	(214)
Operating Transfers	–	(1)	(1)
Net Operating Gain (Loss)	(42)	(70)	(56)
Net Investment Income (Loss)	194	507	(116)
Increase (Decrease) in Net Assets	152	437	(172)
Net Assets End of Period	\$5,084	\$4,932	\$3,676

- o Premium and assessment income net of the provision for uncollectible accounts receivable and ceded reinsurance premiums resulted in operating revenues of \$163 million in October. The accrual of ceded reinsurance premiums is netted against earned premiums in the Statement of Operations.
- o Operating revenues 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 \$193 million along with other expenses of \$12 million resulted in operating expenses of \$205 million.

<i>(\$ in millions)</i>	Month Ended Oct. 31, 2010	Month Ended Sept. 30, 2010	Increase (Decrease)
Change in Reserves	\$21	\$22	\$(1)
Net Benefit Payments	140	163	(23)
Payments for Comp Adjust Expenses	20	16	4
MCO Admin Payments	12	12	–
Other expenses	12	10	2
	\$205	\$223	\$(18)

- o Lower benefit payments issued in October are a result of an additional bi-weekly benefit payment occurring in September. The increase in payments for compensation adjustment expenses and other expenses are the result of an additional payroll cycle in October.
- o A \$144 million increase in the fair value of the investment portfolio in October along with interest and dividend income of \$51 million for the month, resulted in net investment income of \$194 million for the month after investment expenses of \$0.6 million. The increase in the fair value of the portfolio is comprised of \$14 million in net realized gains and \$130 million in net unrealized gains.
- o At October 31, 2010, cash and cash equivalents included \$122 million in money market holdings in the outside investment manager accounts compared to \$997 million at October 31, 2009 to cover net investment trade payables for transactions that settle in the following month.
- o Premium and assessment receipts of \$30 million were collected in October compared to \$26 million in October 2009.

Fiscal Year-to-Year Comparisons

BWC's total net assets have increased by \$1.3 billion for fiscal year-to-date 2011 resulting in net assets of \$5.1 billion at October 31, 2010 compared to \$3.7 billion at October 31, 2009.

(\$ in millions)	Fiscal YTD Oct. 31, 2010	Projected FYTD Oct. 31, 2010	Fiscal YTD Oct. 31, 2009
Operating Revenues	\$629	\$620	\$706
Operating Expenses	(825)	(863)	(789)
Operating Transfers	(1)	(2)	(1)
Net Operating Gain (Loss)	(197)	(245)	(84)
Net Investment Income (Loss)	1,456	320	1,245
Increase (Decrease) in Net Assets	1,259	75	1,161
Net Assets End of Period	\$5,084	\$3,900	\$3,676

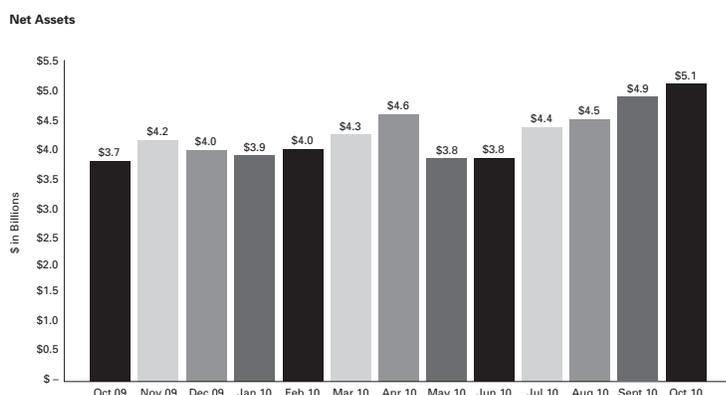
- o BWC's premium and assessment income for fiscal year-to-date 2011 is \$651 million compared to \$731 million for fiscal year-to-date 2010 reflecting decreased premium rates for private and state agency employers effective July 1, 2010 and January 1, 2010 for public employer taxing districts.
- o Benefit and compensation adjustment expenses increased by \$25 million for fiscal year-to-date 2011 compared to prior fiscal year-to-date expenses.

(\$ in millions)	Fiscal YTD Oct. 31, 2010	Fiscal YTD Oct. 31, 2009	Increase (Decrease)
Change in Reserves	\$87	\$24	\$63
Net Benefit Payments	582	615	(33)
Payments for Comp Adjust Expenses	63	71	(8)
MCO Admin Payments	54	51	3
	\$786	\$761	\$25

- o BWC's net investment income for fiscal year-to-date 2011 totaled \$1,456 million comprised primarily of \$1,068 million in net unrealized gains and \$166 million in net realized gains, along with \$224 million of interest and dividend income, net of \$2.4 million in investment expenses. This compares to last year's net investment income of \$1,245 million.
- o Declines in private employer premium rates have contributed to premium collections being \$72 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 November 9th, 12,700 private employer accounts with estimated premium of \$7 million remained in a lapsed status for failing to report payroll for the January through June 2010 policy period. This compares to 12,000 accounts with estimated premium of \$7.6 million that remained lapsed as of May 7th for failing to report payroll for the July through December 2009 policy period.



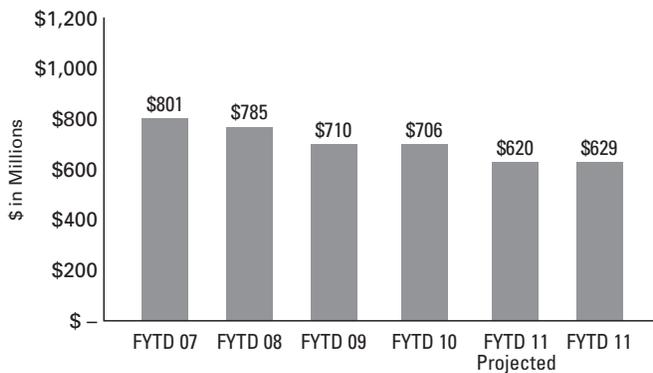
Statement of Operations

Fiscal year to date October 31, 2010

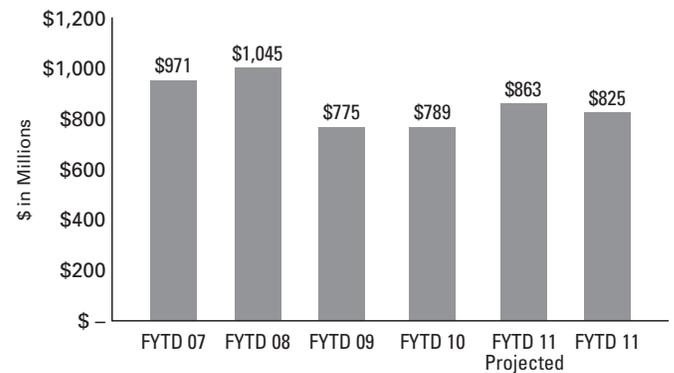
(in millions)

	Actual	Projected	Variance to Projected	Prior Yr. Actual	Year to Year Increase (Decrease)
Operating Revenues					
Premium & Assessment Income	\$651	\$639	\$12	\$731	\$(80)
Ceded Premiums	(2)	(2)	-	-	(2)
Provision for Uncollectibles	(26)	(23)	(3)	(31)	5
Other Income	6	6	-	6	-
Total Operating Revenue	629	620	9	706	(77)
Operating Expenses					
Benefits & Compensation Adj. Expense	786	817	31	761	25
Other Expenses	39	46	7	28	11
Total Operating Expenses	825	863	38	789	36
Operating Transfers	(1)	(2)	1	(1)	-
Net Operating Gain (Loss)	(197)	(245)	48	(84)	(113)
Net Investment Income (Loss)	1,456	320	1,136	1,245	211
Increase (Decrease) in Net Assets	\$1,259	\$75	\$1,184	\$1,161	\$98

Operating Revenues



Operating Expenses



Statement of Operations – Combining Schedule

Fiscal year to date October 31, 2010

(in thousands)

	State Insurance Fund Account	Disabled Workers' Relief Fund Account	Coal-Workers Pneumoconiosis Fund Account	Public Work Relief Employees' Fund Account	Marine Industry Fund Account	Self-Insuring Employers' Guaranty Fund Account	Administrative Cost Fund Account	Totals
Operating Revenues:								
Premium & Assessment Income	\$514,201	\$28,352	\$1,071	\$114	\$172	\$8,466	\$98,921	\$651,297
Ceded Premiums	(1,891)	-	-	-	-	-	-	(1,891)
Provision for Uncollectibles	(24,021)	(349)	(113)	-	(1)	249	(1,863)	(26,098)
Other Income	3,930	-	-	-	-	-	1,269	5,199
Total Operating Revenues	492,219	28,003	958	114	171	8,715	98,327	628,507
Operating Expenses:								
Benefits & Compensation Adj Expenses	678,671	28,032	324	7	29	8,431	70,052	785,546
Other Expenses	6,080	73	25	-	39	-	32,695	38,912
Total Operating Expenses	684,751	28,105	349	7	68	8,431	102,747	824,458
Net Operating Income (Loss) before Operating Transfers Out	(192,532)	(102)	609	107	103	284	(4,420)	(195,951)
Operating Transfers Out	-	-	(725)	-	-	-	(213)	(938)
Net Operating Income (Loss)	(192,532)	(102)	(116)	107	103	284	(4,633)	(196,889)
Investment Income:								
Investment Income	206,451	12,858	2,822	169	126	18	1,902	224,346
Net Realized Gains (Losses)	51,180	93,345	21,693	-	-	-	-	166,218
Net Unrealized Gains (Losses)	1,095,368	(20,818)	(7,479)	636	475	-	-	1,068,182
Total Realized & Unrealized Capital Gains (Losses)	1,146,548	72,527	14,214	636	475	-	-	1,234,400
Investment Manager & Operational Fees	(2,312)	(86)	(30)	(3)	(2)	-	-	(2,433)
Gain (Loss) on Disposal of Fixed Assets	-	-	-	-	-	-	(30)	(30)
Total Non-Operating Revenues, Net	1,350,687	85,299	17,006	802	599	18	1,872	1,456,283
Increase (Decrease) in Net Assets (Deficit)	1,158,155	85,197	16,890	909	702	302	(2,761)	1,259,394
Net Assets (Deficit), Beginning of Period	3,305,546	1,044,635	193,297	22,568	16,398	7,025	(764,390)	3,825,079
Net Assets (Deficit), End of Period	\$4,463,701	\$1,129,832	\$210,187	\$23,477	\$17,100	\$7,327	\$(767,151)	\$5,084,473

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.

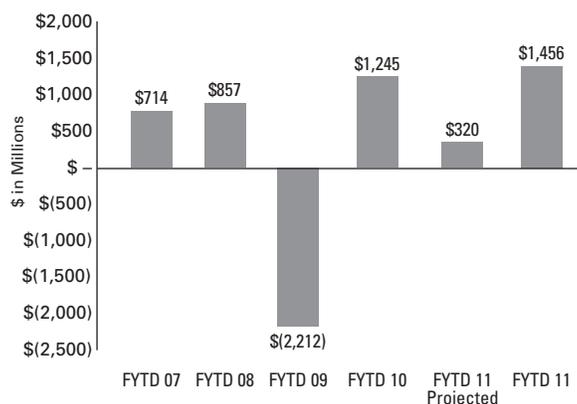
Statement of Investment Income

Fiscal year to date October 31, 2010

(in thousands)

	Actual	Projected	Variance to Projected	Prior Yr. Actual	Year to Year Increase (Decrease)
Investment Income					
Bond Interest	\$198,456	\$220,970	\$(22,514)	\$235,451	\$(36,995)
Dividend Income—Domestic & International	25,583	34,536	(8,953)	26,050	(467)
Money Market/Commercial Paper Income	164	524	(360)	735	(571)
Misc. Income (Corp Actions, Settlements)	143	1,600	(1,457)	976	(833)
Total Investment Income	<u>224,346</u>	<u>257,630</u>	<u>(33,284)</u>	<u>263,212</u>	<u>(38,866)</u>
Realized & Unrealized Capital Gains and (Losses)					
Bonds – Net Realized Gains (Losses)	141,022	–	141,022	(28,047)	169,069
Stocks – Net Realized Gains (Losses)	31,603	–	31,603	(615,267)	646,870
Non –U.S. Equities – Net Realized Gains (Losses)	(6,407)	–	(6,407)	(6,687)	280
Subtotal – Net Realized Gains (Losses)	<u>166,218</u>	<u>–</u>	<u>166,218</u>	<u>(650,001)</u>	<u>816,219</u>
Bonds – Net Unrealized Gains (Losses)	220,005	–	220,005	593,061	(373,056)
Stocks – Net Unrealized Gains (Losses)	519,271	64,884	454,387	1,029,702	(510,431)
Non –U.S. Equities – Net Unrealized Gains (Losses)	328,906	–	328,906	10,556	318,350
Subtotal – Net Unrealized Gains (Losses)	<u>1,068,182</u>	<u>64,884</u>	<u>1,003,298</u>	<u>1,633,319</u>	<u>(565,137)</u>
Change in Portfolio Value	<u>1,234,400</u>	<u>64,884</u>	<u>1,169,516</u>	<u>983,318</u>	<u>251,082</u>
Investment Manager & Operational Fees	<u>(2,433)</u>	<u>(2,498)</u>	<u>65</u>	<u>(1,774)</u>	<u>659</u>
Net Investment Income (Loss)	<u>\$1,456,313</u>	<u>\$320,016</u>	<u>\$1,136,297</u>	<u>\$1,244,756</u>	<u>\$211,557</u>

Net Investment Income (Loss)



Administrative Cost Fund Expense Analysis

October 2010

- o BWC Administrative Cost Fund expenses for fiscal year to date October 2010 are approximately \$6.5 million (6.8%) less than budgeted and approximately 9.5% more than last fiscal year.
- o Posting three payroll cycles in October 2010 resulted in an increase in Payroll compared to last fiscal year to date. In fiscal year 2010, this additional payroll cycle did not occur until November. Additionally, BWC staff continued to use fewer cost savings days in fiscal year 2011 than in fiscal year 2010. Through October 2010 journal entries BWC staff have taken 70,000 (40%) of the available 176,000 hours for a savings of approximately \$1.9 million. As of October 2009, staff had used 47% of the hours available for a savings of \$2.6 million. Fiscal year 2011 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 October. Purchase orders have been completed in Personal Services, Maintenance and Equipment categories to encumber the fiscal year 2011 budgeted amounts. The increase in fiscal year 2011 Software and Equipment Maintenance and Repairs expenses of \$1.9 million over 2010 is due to the delay in receipt and payment of annual maintenance invoices in fiscal year 2010. 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 \$58 million (17.8%) less than appropriated by the General Assembly.

Administrative Cost Fund Budget Summary

As of October 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)
Payroll									
BWC Board of Directors	12	345,479	345,479	0	0.00%	951,444	286,222	59,257	20.70%
BWC Administration	16	535,698	535,933	235	0.04%	1,503,406	451,927	83,771	18.54%
Customer Service	1,379	39,416,467	39,425,099	8,632	0.02%	104,321,753	36,302,461	3,114,006	8.58%
Medical	118	3,700,178	3,700,178	0	0.00%	9,903,495	3,754,152	(53,974)	-1.44%
Special Investigations	125	3,894,979	3,892,009	(2,970)	-0.08%	10,428,423	3,529,725	365,254	10.35%
Fiscal and Planning	108	2,746,432	2,737,965	(8,467)	-0.31%	7,524,589	1,718,747	1,027,685	59.79%
Actuarial	21	716,317	716,275	(42)	-0.01%	1,985,917	692,632	23,685	3.42%
Investments	10	451,522	451,522	0	0.00%	1,213,860	423,730	27,792	6.56%
Information Technology	236	9,406,010	9,434,013	28,003	0.30%	25,427,966	9,613,492	(207,482)	-2.16%
Legal	77	2,569,054	2,569,402	348	0.01%	7,058,347	2,278,858	290,196	12.73%
Communications	18	563,961	564,111	150	0.03%	1,486,630	546,148	17,813	3.26%
Human Resources	64	1,893,220	1,892,989	(231)	-0.01%	5,169,413	1,708,219	185,001	10.83%
Internal Audit	13	469,526	470,033	507	0.11%	1,249,344	442,451	27,075	6.12%
Ombuds Office	7	192,991	192,991	0	0.00%	516,925	188,985	4,006	2.12%
Total Payroll	2,204	66,901,834	66,927,999	26,165	0.04%	178,741,512	61,937,749	4,964,085	8.01%
Personal Services									
Information Technology		1,702,933	2,414,143	711,210	29.46%	8,022,453	1,758,982	(56,049)	-3.19%
Legal - Special Counsel		79,156	352,340	273,184	77.53%	1,057,000	287,493	(208,337)	-72.47%
Legal - Attorney General		1,797,784	2,310,925	513,141	22.21%	4,621,850	1,942,359	(144,575)	-7.44%
Other Personal Services		1,755,492	2,876,188	1,120,696	38.96%	8,301,607	1,328,189	427,303	32.17%
Total Personal Services		5,335,365	7,953,596	2,618,231	32.92%	22,002,910	5,317,023	18,342	0.34%
Maintenance									
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		4,959,386	4,877,815	(81,571)	-1.67%	9,736,249	4,573,594	385,792	8.44%
Software and Equipment Maintenance and Repairs		6,766,244	8,524,331	1,758,087	20.62%	14,771,447	4,848,558	1,917,686	39.55%
Inter Agency Payments		1,269,447	1,426,474	157,027	11.01%	4,717,920	842,838	426,609	50.62%
Communications		817,676	1,243,371	425,695	34.24%	4,127,924	916,049	(98,373)	-10.74%
Safety Grants and Long Term Care Loan		807,359	985,000	177,641	18.03%	4,000,000	192,556	614,803	319.29%
Supplies and Printing		318,864	438,481	119,617	27.28%	1,417,848	258,164	60,700	23.51%
Other Maintenance		954,863	1,126,786	171,923	15.26%	3,407,235	1,056,908	(102,045)	-9.66%
Total Maintenance		17,445,949	20,176,955	2,731,006	13.54%	61,228,018	14,619,029	2,826,920	19.34%
Equipment									
		87,171	1,287,142	1,199,971	93.23%	8,015,603	73,042	14,129	19.34%
Total Administrative Cost Fund Expenses		89,770,319	96,345,692	6,575,373	6.82%	269,988,043	81,946,843	7,823,476	9.55%

Total Agency Appropriation 328,602,765
 Budget to Appropriation Variance 58,614,722
 Percentage Variance 17.84%

State Insurance Fund

Administrative Expense Summary

As of October 31, 2010

	Actual FYTD 2011	Encumbrance Balance	FYTD Actual & Encumbrance	Actual FYTD 2010
Investment Administrative Expenses				
JP Morgan Chase - Performance Reporting	\$36,833	\$65,835	\$102,668	\$19,667
Mercer Investment Consulting	163,333	415,248	578,581	162,083
Other Investment Expenses	<u>242,929</u>	<u>168,120</u>	<u>411,049</u>	<u>151,487</u>
	443,095	649,203	1,092,298	333,237
Actuarial Expenses				
Oliver Wyman - Actuarial Services	0	0	0	407,141
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	407,141
Reinsurance Expenses				
Towers Watson	3,052,238	1,526,119	4,578,357	0
Ohio Rehabilitation Services				
	<u>605,407</u>	<u>0</u>	<u>605,407</u>	<u>605,407</u>
TOTAL	<u>\$4,400,924</u>	<u>\$4,229,990</u>	<u>\$8,630,914</u>	<u>\$1,345,785</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 October 31, 2010

	FYTD 2011	FYTD 2010	Source
Workers' Compensation Council	\$ -	\$ 216,666	Administrative Cost Fund
Ohio Dept. of Natural Resources	725,000	965,461	Coal Workers' Pneumoconiosis Fund
Ohio Inspector General	<u>212,500</u>	<u>212,500</u>	Administrative Cost Fund
TOTAL	<u>\$ 937,500</u>	<u>\$1,394,627</u>	

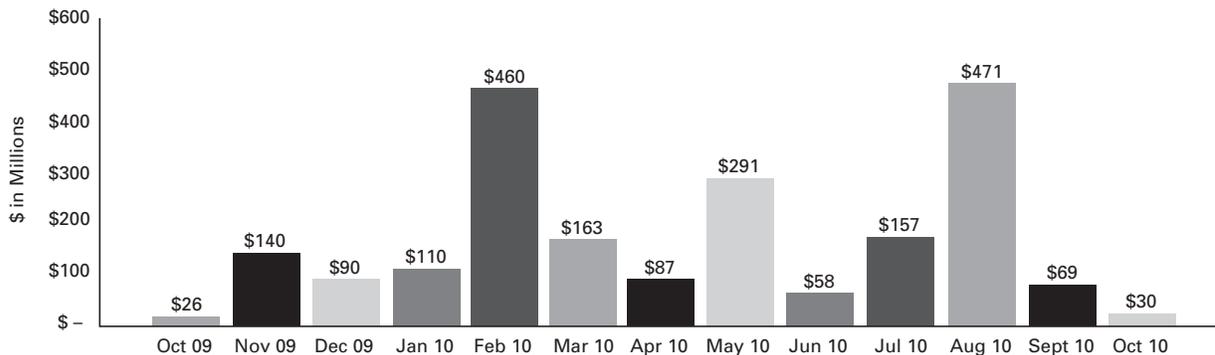
Statement of Cash Flows

Fiscal year to date October 31, 2010

(in millions)

	Actual	Projected	Variance to Projected	Prior Yr. Actual	Year to Year Increase (Decrease)
Cash Flows from Operating Activities:					
Cash Receipts from Premiums, Net of Reinsurance	\$727	\$738	\$(11)	\$799	\$(72)
Cash Receipts – Other	10	11	(1)	16	(6)
Cash Disbursements for Claims	(670)	(708)	38	(704)	34
Cash Disbursements for Other	(129)	(152)	23	(134)	5
Net Cash Provided (Used) by Operating Activities	(62)	(111)	49	(23)	(39)
Net Cash Flows from Noncapital Financing Activities	(1)	(2)	1	(1)	–
Net Cash Flows from Capital and Related Financing Activities	(3)	(2)	(1)	(3)	–
Net Cash Provided (Used) by Investing Activities	(36)	8	(44)	931	(967)
Net Increase (Decrease) in Cash and Cash Equivalents	(102)	(107)	5	904	(1,006)
Cash and Cash Equivalents, Beginning of Period	436	436	–	504	(68)
Cash and Cash Equivalents, End of Period	\$334	\$329	\$5	\$1,408	\$(1,074)

Premium and Assessment Receipts



Statement of Net Assets

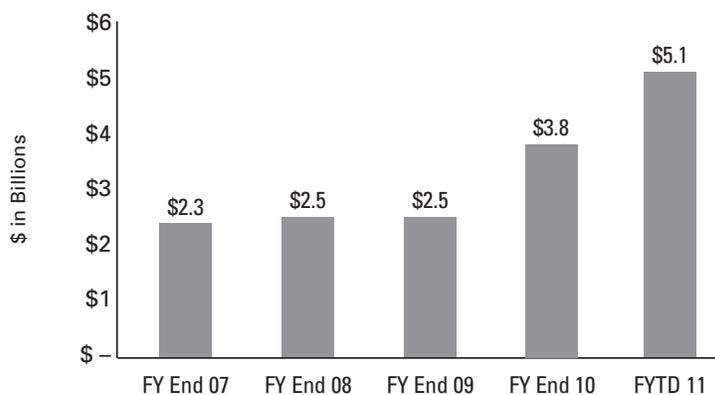
As of October 31, 2010

(in millions)

	Actual	Prior Yr. Actual	Year to Year Increase (Decrease)
Assets			
Bonds	\$13,849	\$12,581	\$1,268
U.S. Equities	4,185	4,021	164
Non-U.S. Equities	1,979	1,194	785
Cash & Cash Equivalents	<u>334</u>	<u>1,408</u>	<u>(1,074)</u>
Total Cash and Investments	20,347	19,204	1,143
Accrued Premiums	4,427	4,363	64
Other Accounts Receivable	245	278	(33)
Investment Receivables	255	1,044	(789)
Other Assets	<u>101</u>	<u>105</u>	<u>(4)</u>
Total Assets	<u>25,375</u>	<u>24,994</u>	<u>381</u>
Liabilities			
Reserve for Compensation and Compensation Adj. Expense	\$19,892	\$19,270	\$622
Accounts Payable	31	34	(3)
Investment Payable	187	1,828	(1,641)
Other Liabilities	<u>181</u>	<u>186</u>	<u>(5)</u>
Total Liabilities	<u>20,291</u>	<u>21,318</u>	<u>(1,027)</u>
Net Assets	\$5,084	\$3,676	\$1,408

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 October 31, 2010

(in thousands)

	State Insurance Fund Account	Disabled Workers' Relief Fund Account	Coal-Workers Pneumoconiosis Fund Account	Public Work Relief Employees' Fund Account	Marine Industry Fund Account	Self-Insuring Employers' Guaranty Fund Account	Administrative Cost Fund Account	Eliminations	Totals
Assets									
Bonds	\$ 12,664,087	\$ 916,430	\$ 223,823	\$ 25,676	\$ 19,184	\$ -	\$ -	\$ -	\$13,849,200
U.S. Equities	3,875,485	272,173	37,351	-	-	-	-	-	4,185,009
Non-U.S. Equities	1,818,368	139,452	21,114	-	-	-	-	-	1,978,934
Private Equities	34	-	-	-	-	-	-	-	34
Cash & Cash Equivalents	277,931	1,091	1,047	393	409	48,999	3,936	-	333,806
Total Cash & Investments	18,635,905	1,329,146	283,335	26,069	19,593	48,999	3,936	-	20,346,983
Accrued Premiums	1,595,119	1,776,409	-	288	-	858,563	196,342	-	4,426,721
Other Accounts Receivable	180,726	20,851	58	-	1	(482)	43,721	-	244,875
Interfund Receivables	13,000	52,016	-	-	25	1,148	128,727	(194,916)	-
Investment Receivables	255,111	2	-	-	-	4	-	-	255,117
Other Assets	25,592	22	-	-	-	-	75,256	-	100,870
Total Assets	\$ 20,705,453	\$ 3,178,446	\$ 283,393	\$ 26,357	\$ 19,619	\$ 908,232	\$ 447,982	\$ (194,916)	\$25,374,566
Liabilities									
* Reserve for Compensation & Compensation Adj. Expense	\$ 15,761,368	\$ 2,037,168	\$ 72,400	\$ 2,868	\$ 2,368	\$ 898,132	\$1,117,268	\$ -	\$19,891,572
Accounts Payable	23,179	-	-	-	-	-	7,714	-	30,893
Investment Payable	186,988	-	-	-	-	-	-	-	186,988
Interfund Payables	180,665	11,385	79	9	5	2,773	-	(194,916)	-
Other Liabilities	89,552	61	727	3	146	-	90,151	-	180,640
Total Liabilities	16,241,752	2,048,614	73,206	2,880	2,519	900,905	1,215,133	(194,916)	20,290,093
Net Assets	\$ 4,463,701	\$ 1,129,832	\$ 210,187	\$ 23,477	\$ 17,100	\$ 7,327	\$(767,151)	\$ -	\$ 5,084,473

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

(in thousands)

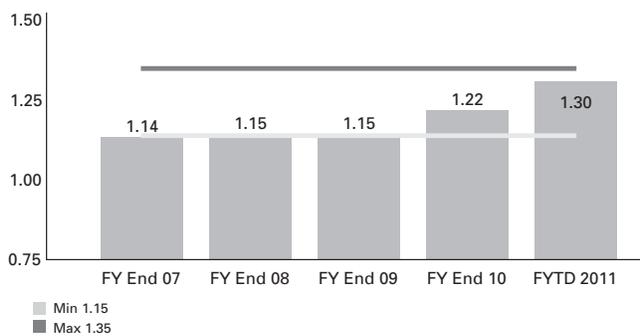
SIF	\$24,891,800
DWRF	3,504,967
CWPF	181,833
PWRE	4,600
MIF	3,567
SIEGF	1,952,633
ACF	1,791,500
Total	\$32,330,900

Financial Performance Metrics

	Actual FY11 As of 10/31/10	Projected FY11 As of 10/31/10	Actual FY10 As of 10/31/09	Guidelines
Funding Ratio (State Insurance Fund)	1.30	1.22	1.22	1.15 to 1.35
Net Leverage Ratio (SIF)	3.65	4.82	4.94	3.0 to 7.0
Loss Ratio	100.8%	107.2%	87.1%	
LAE Ratio - MCO	9.1%	8.7%	7.1%	
LAE Ratio - BWC	10.7%	12.1%	9.9%	
Net Loss Ratio	120.6%	128.0%	104.1%	102.5%
Expense Ratio	6.0%	7.1%	3.8%	7.5%
Combined Ratio	126.6%	135.1%	107.9%	110.0%
Net Investment Income Ratio	34.1%	40.0%	35.7%	
Operating Ratio (Trade Ratio)	92.5%	95.1%	72.2%	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



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.

Loss Ratio

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

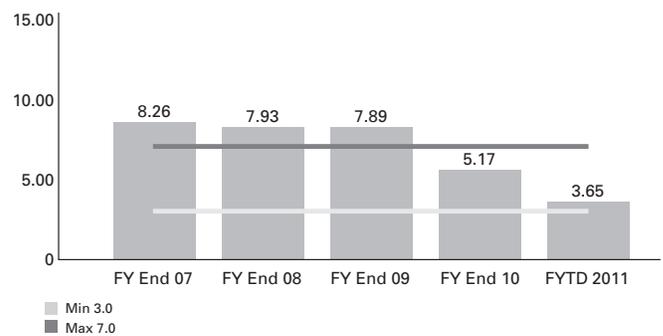
LAE Ratio

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 and LAE ratios.

Net Leverage Ratio



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

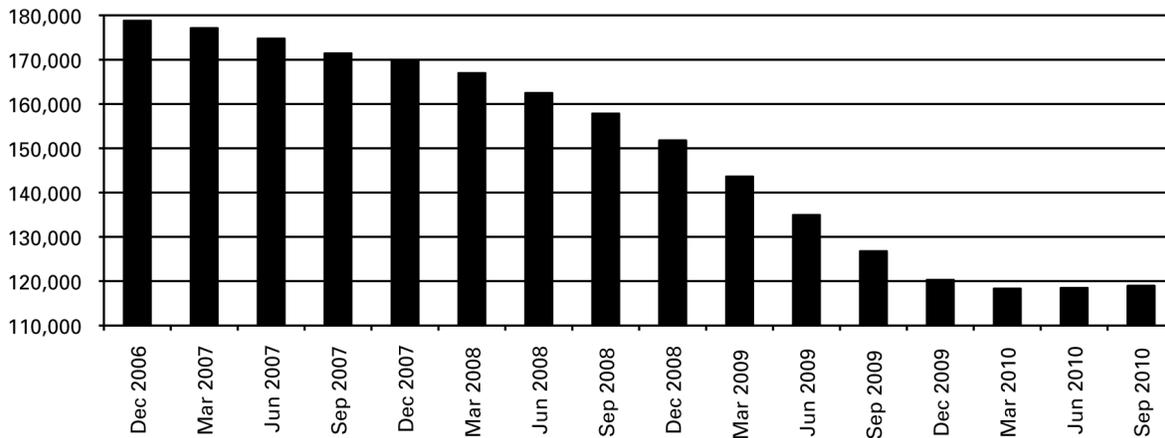
Measures the investment income component of profitability – Interest and dividend income less investment expenses divided by premium and assessment income. This ratio does not include realized or unrealized capital gains and losses.

Operating Ratio

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

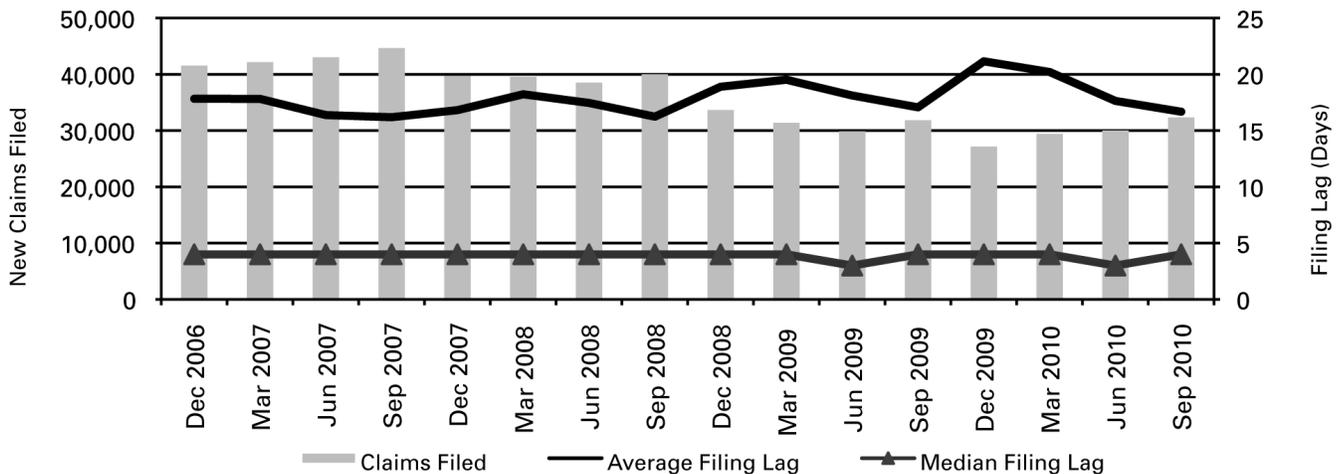
Operational Performance Metrics

New Claims Filed - Twelve months ended



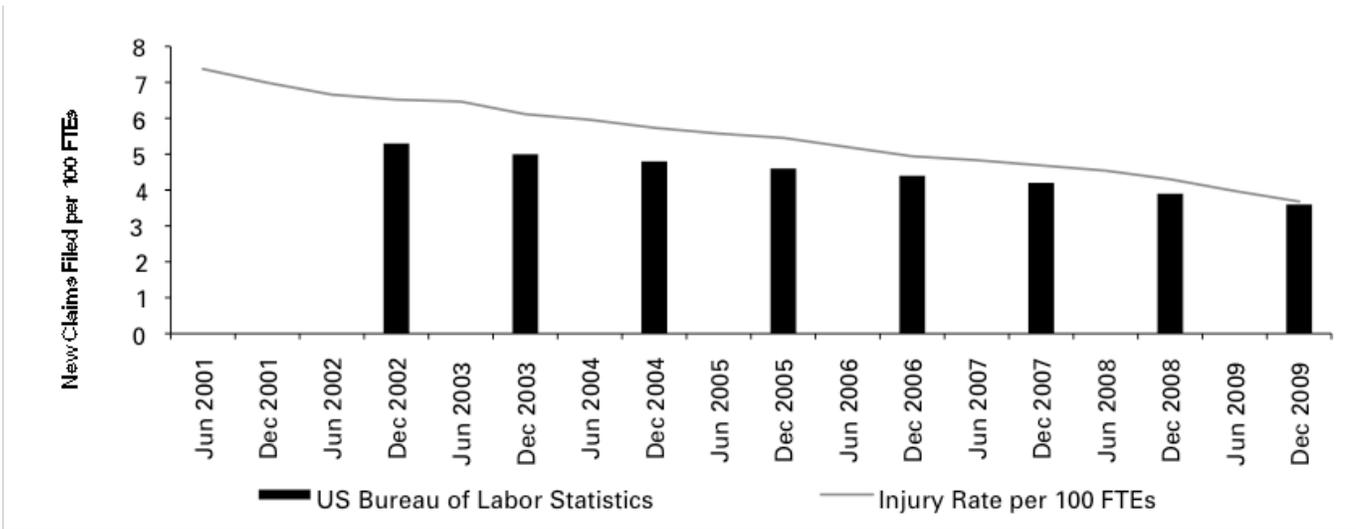
New Claims Filed measures the number of new State Insurance Fund claims filed in rolling twelve month periods measured quarterly. A steady downward trend was in place from the twelve months ended December 31, 2006 through the twelve months ended December 31, 2009 (from 178,795 new claims to 120,279 new claims). The trend has been flat over the past three quarters with 118,953 new claims filed in the twelve months ended September 30, 2010.

Claim Filing Lag - Reported quarterly



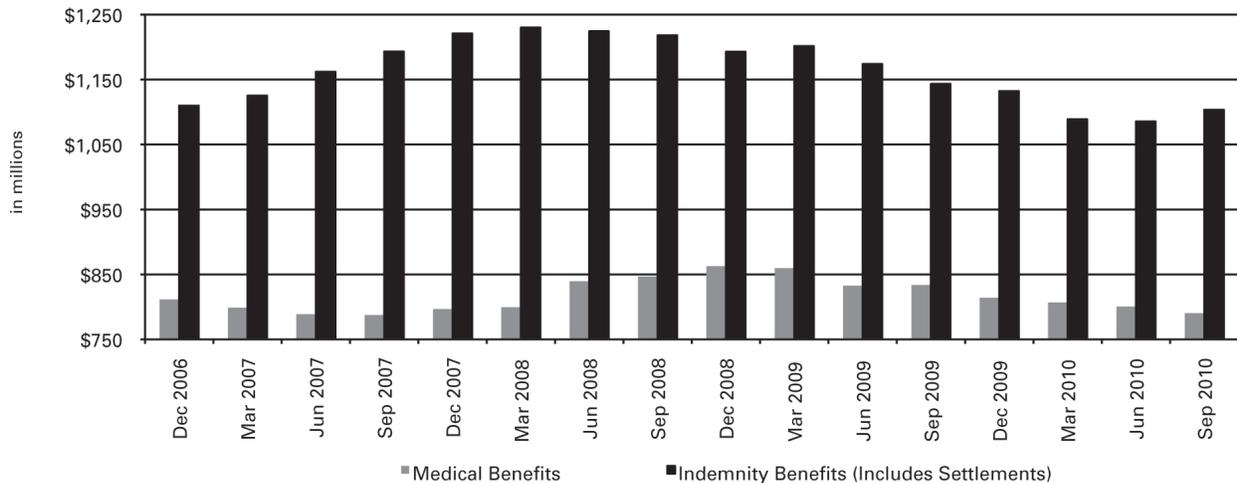
Claim Filing Lag measures the average and median number of days from the date of injury to the date of claim filing. Average claim filing lag has varied from 16.19 days to 21.16 days from the quarter ended December 31, 2006 through the quarter ended September 30, 2010. The median claim filing lag has varied between three and four days over the same time period. Numbers of new claims filed per quarter are also provided and peaked at 44,656 in the quarter ended September 30, 2007, trended down to 27,173 in the quarter ended December 31, 2009 and trended up to 32,335 in the quarter ended September 30, 2010.

Frequency - Reported semi-annually



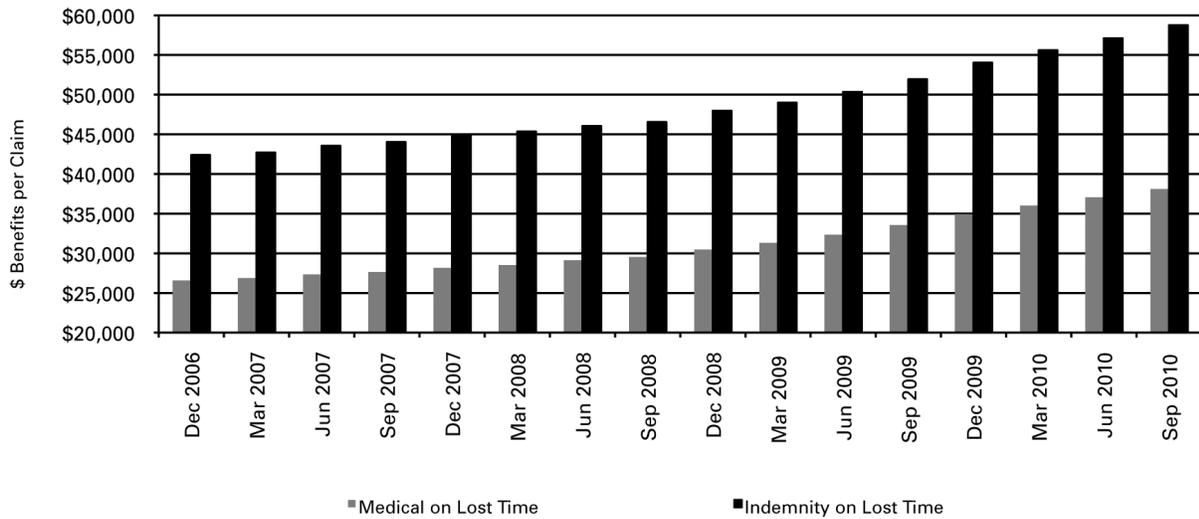
Frequency measures the number of injuries reported per 100 workers covered by the State Insurance Fund updated semi-annually. The US Bureau of Labor Statistics (USBS) released its 2009 figure (3.6 injuries per 100 workers) on October 21, 2010. The BWC figure (3.68 injuries per 100 workers as of December 2009) will be updated through June 2010 in the January 2011 report. Numbers of employees for BWC statistics are calculated by dividing reported payroll by the statewide average weekly wage. USBS and BWC numbers are trending steadily downward.

Benefit Payments - Twelve months ended



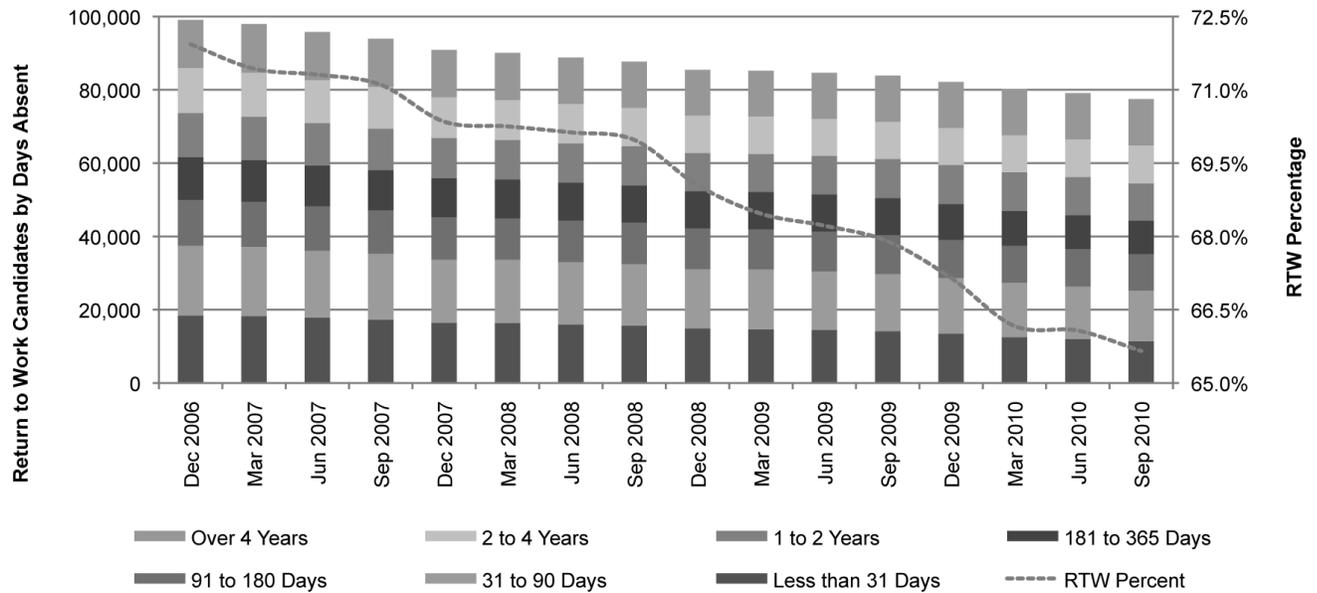
Benefit Payments measures the dollar amount of medical and indemnity payments for rolling twelve month periods updated quarterly. Indemnity payments include settlements and peaked at \$1.230 billion in the twelve months ended March 31, 2008 then declined through the twelve months ended June 30, 2010 and increased to \$1.104 billion in the twelve months ended September 30, 2010. Medical payments peaked at \$863 million in the twelve months ended December 31, 2008 and have decreased to \$790 million in the twelve months ended September 30, 2010.

Severity - Cumulative from date of injury through end of reporting quarter



Severity measures the average cost of medical and indemnity expenses per lost time claim regardless of injury year. Indemnity amounts exclude settlements. Average medical expenses per lost time claim have increased from \$26,574 as of December 31, 2006 to \$38,100 as of September 30, 2010. Average indemnity expenses per lost time claim have increased from \$42,395 to \$58,759 over the same period. Medical expenses on Medical Only claims (not reflected in chart) have increased from \$1,065 to \$1,239 during this period.

Return to Work - Reported quarterly



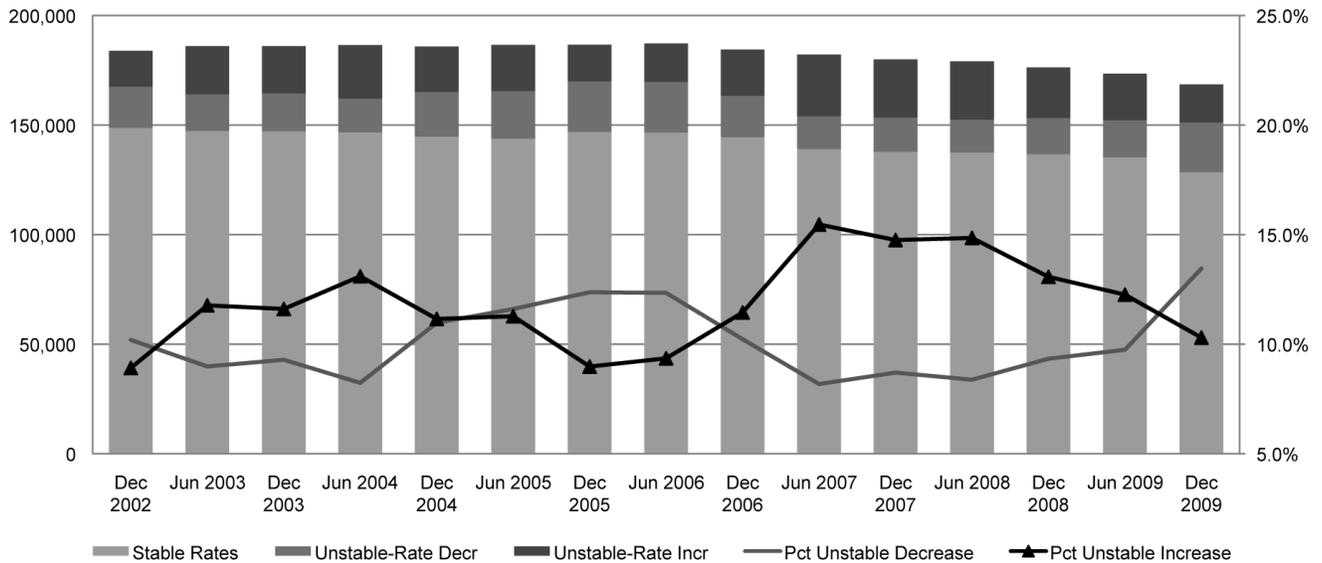
Return to Work (RTW) measures the percentage of injured workers who have returned to work relative to the claim population that has received temporary income replacement benefits. The total number of claims receiving temporary income replacement benefits has dropped from 99,075 as of December 31, 2006 to 77,481 as of September 30, 2010 and the RTW rate has dropped from 72% to 66% over the same period.

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

Aggregate Reported Payroll measures reported payroll by employer type for a rolling twelve month period, updated semi-annually. 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. The bulk of payroll is reported by Private employers which rose steadily from December 2002 through June 2008 but has decreased over the past three reporting periods.

Premium Stability



Premium Stability measures the number of employers whose premium rate changed more than five percent and total premium changed more than \$500 from the previous year broken down into the number of employers that experienced increases versus decreases. Employers with significant payroll changes (> \$10,000, at least 20% of first or second year payroll and > \$500 premium change) are excluded. December 2009 was the first payroll period since June 2006 where employers with unstable rate decreases exceeded those with unstable rate increases.