

Board Agenda

Thursday, December 16, 2010

William Green Building

Level 2, Room 3

9:00 a.m.-11:00 am*

Call to Order

Bill Lhota, Board Chair

Roll Call

Larry Rhodebeck, Scribe

Bill Lhota, Chair

- Approval of minutes of the November 19, 2010 Board meeting
 - Review meeting agenda
-

Committee Reports

Actuarial Committee

Chuck Bryan, Committee Chair

Investment Committee

Bob Smith, Committee Chair

Medical Services and Safety Committee

James Harris, Committee Chair

1. Ambulatory Surgical Center Fee Schedule Rule – Rule 4123-6-37.3
2. Outpatient Hospital Fee Schedule – Rule 4123-6-37.2
3. Medical Services Provider Fee Schedule
4. FY 2009 Annual Report of the Division of Safety and Hygiene

Governance Committee

Alison Falls, Committee Chair

Audit Committee

Ken Haffey, Committee Chair

1. Comprehensive Annual Report
-

Monthly Enterprise Report

Tracy Valentino, Chief, Fiscal & Planning Division

Administrator's Report

Marsha P. Ryan, Administrator

Adjourn

Bill Lhota, Board Chair

Next Meeting: Friday, January 21, 2011

* Unless previous meeting adjourns earlier

* Not all agenda items have material.

** Agenda subject to change

Enterprise Report

December 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.*

November Financial Analysis

BWC's net assets decreased by \$271 million in November resulting in net assets of \$4.8 billion at November 30, 2010 compared to \$5.1 billion at October 31, 2010.

<i>(\$ in millions)</i>	Month Ended Nov. 30, 2010	Month Ended Oct. 31, 2010	Month Ended Nov. 30, 2009
Operating Revenues	\$163	\$163	\$206
Operating Expenses	(211)	(205)	(202)
Operating Transfers	(3)	-	-
Net Operating Gain (Loss)	(51)	(42)	4
Net Investment Income (Loss)	(220)	194	472
Increase (Decrease) in Net Assets	(271)	152	476
Net Assets End of Period	\$4,813	\$5,084	\$4,152

- 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 November. The accrual of ceded reinsurance premiums is netted against earned premiums in the Statement of Operations.
- o Benefits and compensation adjustment expenses of \$201 million along with other expenses of \$10 million resulted in operating expenses of \$211 million.

<i>(\$ in millions)</i>	Month Ended Nov. 30, 2010	Month Ended Oct. 31, 2010	Increase (Decrease)
Change in Reserves	\$22	\$21	\$1
Net Benefit Payments	146	140	6
Payments for Comp Adjust Expenses	16	20	(4)
MCO Admin Payments	17	12	5
Other expenses	10	12	(2)
	\$211	\$205	\$6

- o Permanent partial benefit payments increased by \$4 million in November primarily due to a change in paying scheduled loss awards in a lump sum payment rather than as bi-weekly scheduled payments. Medical payments issued in November increased by \$2 million, but are within the expected range of payments based on history from the past two years.
- o Two payroll cycles in November compared to three in October contributed to the decline in payments for compensation adjustment expenses and other expenses. November payments include \$5 million in quarterly performance payments made to managed care organizations.
- o As required by Senate Bill 181 of the 128th General Assembly, a transfer of \$2.28 million was made from the Coal Workers' Pneumoconiosis Fund to the Ohio Department of Natural Resources (ODNR) Strip Mining Administration Fund. A quarterly transfer of \$725,000 was made to the ODNR Mine Safety Fund.
- o A \$276 million decline in the fair value of the investment portfolio in November along with interest and dividend income of \$56 million for the month, resulted in net investment losses of \$220 million for the month after investment expenses of \$0.6 million. The decrease in the fair value of the portfolio is comprised of \$17 million in net realized gains and \$293 million in net unrealized losses.
- o Cash and cash equivalents include \$147 million in money market holdings in the outside investment manager accounts. These funds are committed to covering a \$67 million net investment trade payable for transactions that will settle in December.
- o Premium and assessment receipts of \$120 million were collected in November. These receipts contained a significant portion of the \$133 million second 50/50 payment plan installment which was due by December 1, 2010.

Fiscal Year-to-Year Comparisons

BWC's total net assets have increased by \$988 million for fiscal year-to-date 2011 resulting in net assets of \$4.8 billion at November 30, 2010 compared to \$4.2 billion at November 30, 2009.

(\$ in millions)	Fiscal YTD Nov. 30, 2010	Projected FYTD Nov. 30, 2010	Fiscal YTD Nov. 30, 2009
Operating Revenues	\$792	\$783	\$913
Operating Expenses	(1,036)	(1,071)	(991)
Operating Transfers	(4)	(2)	(2)
Net Operating Gain (Loss)	(248)	(290)	(80)
Net Investment Income (Loss)	1,236	400	1,716
Increase (Decrease) in Net Assets	988	110	1,636
Net Assets End of Period	\$4,813	\$3,935	\$4,152

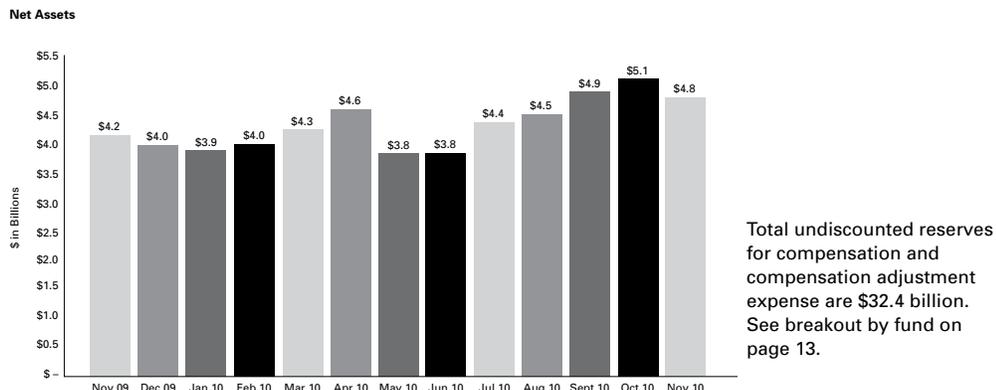
- o BWC's premium and assessment income for fiscal year-to-date 2011 is \$815 million compared to \$921 million for fiscal year-to-date 2010 reflecting decreased payroll and premium rates for private and state agency employers effective July 1, 2010 and January 1, 2010 for public employer taxing districts.
- o Benefit and compensation adjustment expenses increased by \$33 million for fiscal year-to-date 2011 compared to prior fiscal year-to-date expenses.

(\$ in millions)	Fiscal YTD Nov. 30, 2010	Fiscal YTD Nov. 30, 2009	Increase (Decrease)
Change in Reserves	\$109	\$29	\$80
Net Benefit Payments	727	757	(30)
Payments for Comp Adjust Expenses	80	98	(18)
MCO Admin Payments	71	70	1
	\$987	\$954	\$33

- o BWC's net investment income for fiscal year-to-date 2011 totaled \$1,236 million comprised primarily of \$776 million in net unrealized gains and \$183 million in net realized gains, along with \$280 million of interest and dividend income, net of \$3 million in investment expenses. This compares to last year's net investment income of \$1,716 million.
- o Declines in private employer payroll and premium rates have contributed to premium collections being \$92 million less than prior fiscal year-to-date collections.

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

- o The second 50/50 installment was due December 1, 2010. Coverage lapsed for 2,743 employers who failed to make this payment in a timely manner. These employers owe almost \$12 million and represent approximately 14% of the employers participating in the 50/50 program. This percentage has remained stable each of the last four reporting periods. Accounts remaining unpaid will be certified to the Attorney General for collection on December 18th.
- o During December and early January, it is anticipated that approximately \$200 million will need to be redeemed from the investment portfolio to meet operating cash needs until there are sufficient cash flows from employer premium payments. Significant premium collections do not occur until the last week of January.



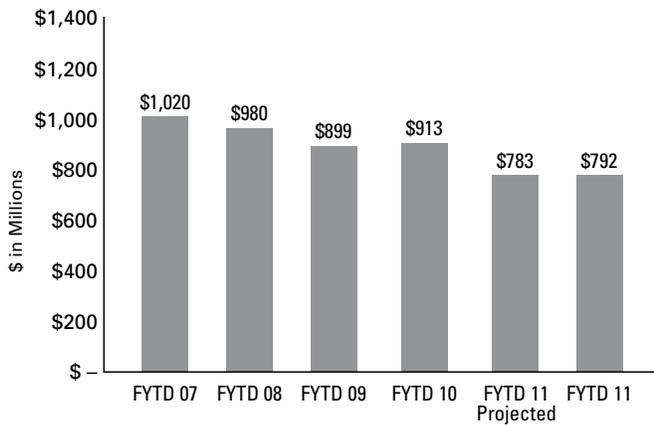
Statement of Operations

Fiscal year to date November 30, 2010

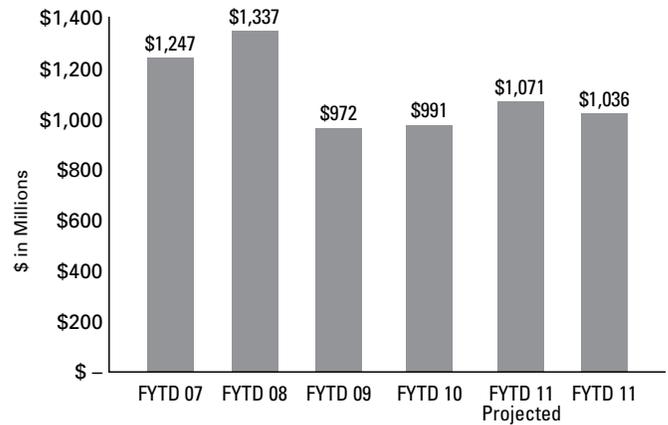
(in millions)

	Actual	Projected	Variance to Projected	Prior Yr. Actual	Year to Year Increase (Decrease)
Operating Revenues					
Premium & Assessment Income	\$815	\$800	\$15	\$921	(106)
Ceded Premiums	(2)	(2)	-	-	(2)
Provision for Uncollectibles	(26)	(20)	(6)	(14)	(12)
Other Income	5	5	-	6	(1)
Total Operating Revenue	792	783	9	913	(121)
Operating Expenses					
Benefits & Compensation Adj. Expense	987	1,015	28	954	33
Other Expenses	49	56	7	37	12
Total Operating Expenses	1,036	1,071	35	991	45
Operating Transfers	(4)	(2)	(2)	(2)	(2)
Net Operating Gain (Loss)	(248)	(290)	42	(80)	(168)
Net Investment Income (Loss)	1,236	400	836	1,716	(480)
Increase (Decrease) in Net Assets	\$988	\$110	\$878	\$1,636	\$(648)

Operating Revenues



Operating Expenses



Statement of Operations – Combining Schedule

Fiscal year to date November 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
Operating Revenues:								
Premium & Assessment Income	\$644,427	\$35,237	\$1,071	\$144	\$215	\$10,867	\$123,658	\$815,619
Ceded Premiums	(2,369)	-	-	-	-	-	-	(2,369)
Provision for Uncollectibles	(24,450)	(187)	(113)	-	(1)	105	(1,650)	(26,296)
Other Income	3,675	-	-	-	-	-	1,461	5,136
Total Operating Revenues	621,283	35,050	958	144	214	10,972	123,469	792,090
Operating Expenses:								
Benefits & Compensation Adj Expenses	854,255	33,246	455	9	27	10,822	88,112	986,926
Other Expenses	7,703	91	31	-	43	-	41,053	48,921
Total Operating Expenses	861,958	33,337	486	9	70	10,822	129,165	1,035,847
Net Operating Income (Loss) before Operating Transfers Out	(240,675)	1,713	472	135	144	150	(5,696)	(243,757)
Operating Transfers Out	-	-	(3,730)	-	-	-	(213)	(3,943)
Net Operating Income (Loss)	(240,675)	1,713	(3,258)	135	144	150	(5,909)	(247,700)
Investment Income:								
Investment Income	261,966	12,858	2,823	169	126	20	2,352	280,314
Net Realized Gains (Losses)	67,552	93,346	21,847	-	-	-	-	182,745
Net Unrealized Gains (Losses)	820,967	(35,179)	(10,801)	460	344	-	-	775,791
Total Realized & Unrealized Capital Gains (Losses)	888,519	58,167	11,046	460	344	-	-	958,536
Investment Manager & Operational Fees	(2,958)	(103)	(23)	(4)	(3)	-	-	(3,091)
Gain (Loss) on Disposal of Fixed Assets	-	-	-	-	-	-	(23)	(23)
Total Non-Operating Revenues, Net	1,147,527	70,922	13,846	625	467	20	2,329	1,235,736
Increase (Decrease) in Net Assets (Deficit)	906,852	72,635	10,588	760	611	170	(3,580)	988,036
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	\$4,212,398	\$1,117,270	\$203,885	\$23,328	\$17,009	\$7,195	\$(767,970)	\$4,813,115

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.

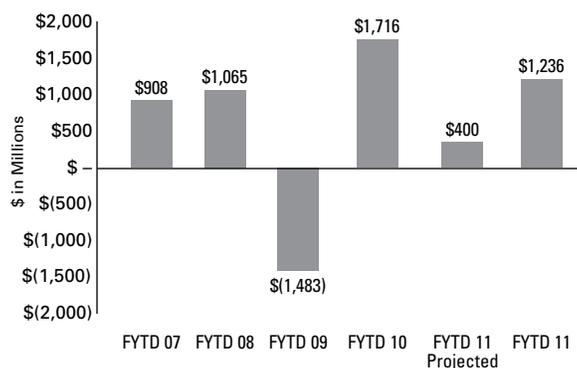
Statement of Investment Income

Fiscal year to date November 30, 2010

(in thousands)

	Actual	Projected	Variance to Projected	Prior Yr. Actual	Year to Year Increase (Decrease)
Investment Income					
Bond Interest	\$245,454	\$273,970	\$(28,516)	\$281,855	\$(36,401)
Dividend Income—Domestic & International	34,384	42,122	(7,738)	36,108	(1,724)
Money Market/Commercial Paper Income	179	655	(476)	837	(658)
Misc. Income (Corp Actions, Settlements)	297	2,000	(1,703)	967	(670)
Total Investment Income	<u>280,314</u>	<u>318,747</u>	<u>(38,433)</u>	<u>319,767</u>	<u>(39,453)</u>
Realized & Unrealized Capital Gains and (Losses)					
Bonds – Net Realized Gains (Losses)	156,748	–	156,748	(17,072)	173,820
Stocks – Net Realized Gains (Losses)	32,404	–	32,404	(616,079)	648,483
Non –U.S. Equities – Net Realized Gains (Losses)	(6,407)	–	(6,407)	(12,399)	5,992
Subtotal – Net Realized Gains (Losses)	<u>182,745</u>	<u>–</u>	<u>182,745</u>	<u>(645,550)</u>	<u>828,295</u>
Bonds – Net Unrealized Gains (Losses)	(10,263)	–	(10,263)	743,339	(753,602)
Stocks – Net Unrealized Gains (Losses)	533,620	84,348	449,272	1,249,742	(716,122)
Non –U.S. Equities – Net Unrealized Gains (Losses)	252,434	–	252,434	51,915	200,519
Subtotal – Net Unrealized Gains (Losses)	<u>775,791</u>	<u>84,348</u>	<u>691,443</u>	<u>2,044,996</u>	<u>(1,269,205)</u>
Change in Portfolio Value	<u>958,536</u>	<u>84,348</u>	<u>874,188</u>	<u>1,399,446</u>	<u>(440,910)</u>
Investment Manager & Operational Fees	<u>(3,091)</u>	<u>(3,075)</u>	<u>(16)</u>	<u>(2,425)</u>	<u>666</u>
Net Investment Income (Loss)	<u>\$1,235,759</u>	<u>\$400,020</u>	<u>\$835,739</u>	<u>\$1,716,788</u>	<u>\$(481,029)</u>

Net Investment Income (Loss)



Administrative Cost Fund Expense Analysis

November 2010

- o BWC Administrative Cost Fund expenses through fiscal year to date (FYTD) November 2010 are approximately \$8.3 million (7.2%) less than budgeted and approximately 1% less than last fiscal year.
- o Decreases in payroll through FYTD November 2010 are a result of decreases in staffing as a result of hiring controls. As of November 2010, there were 2,196 full time equivalent positions compared to 2,319 last year. Payroll changes within the Fiscal and Planning and Information Technology divisions are the result of Office Services and Facilities departments moving between divisions. Through November 2010 journal entries BWC staff have taken 77,000 (44%) of the available 175,700 hours for a savings of approximately \$3.2 million. As of November 2009, staff had used 56% of the hours available for a savings of \$2.1 million. Fiscal year 2011 usage is expected to increase in 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 November. Purchase orders have been completed in Personal Services, Maintenance and Equipment categories to encumber the fiscal year 2011 budgeted amounts. Payments in Other Personal Services and Special Counsel were greater for FYTD 2011 than FYTD 2010 due to timing of invoice payments and additional contract hours for Special Counsel services. 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 resulted in a \$14 million reduction in the fiscal year 2011 budget.
- o BWC's current fiscal year 2011 budget is approximately \$59 million (17.8%) less than appropriated by the General Assembly.

Administrative Cost Fund Budget Summary

As of November 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)
Payroll									
BWC Board of Directors	12	417,215	417,215	0	0.00%	947,434	423,264	(6,049)	-1.43%
BWC Administration	15	650,387	650,623	236	0.04%	1,497,162	615,012	35,375	5.75%
Customer Service	1,374	47,343,192	47,346,760	3,568	0.01%	103,923,908	48,650,655	(1,307,463)	-2.69%
Medical	118	4,451,467	4,451,466	(1)	0.00%	9,879,367	5,002,953	(551,486)	-11.02%
Special Investigations	124	4,698,260	4,695,579	(2,681)	-0.06%	10,378,507	4,716,468	(18,208)	-0.39%
Fiscal and Planning	108	3,336,885	3,328,105	(8,780)	-0.26%	7,546,032	2,284,401	1,052,484	46.07%
Actuarial	21	865,393	865,350	(43)	0.00%	1,976,786	940,118	(74,725)	-7.95%
Investments	10	543,032	543,032	0	0.00%	1,210,078	567,525	(24,493)	-4.32%
Information Technology	234	11,313,268	11,336,619	23,351	0.21%	25,367,062	12,896,225	(1,582,957)	-12.27%
Legal	77	3,086,485	3,086,832	347	0.01%	7,014,659	3,055,830	30,655	1.00%
Communications	18	673,147	673,447	300	0.04%	1,454,107	731,253	(58,106)	-7.95%
Human Resources	65	2,283,356	2,283,125	(231)	-0.01%	5,179,086	2,266,565	16,791	0.74%
Internal Audit	13	562,907	563,159	252	0.04%	1,245,056	589,538	(26,631)	-4.52%
Ombuds Office	7	231,945	231,945	0	0.00%	515,387	248,585	(16,640)	-6.69%
Total Payroll	2,196	80,456,939	80,473,257	16,318	0.02%	178,134,631	82,988,392	(2,531,453)	-3.05%
Personal Services									
Information Technology		2,194,495	3,052,435	857,940	28.11%	8,022,453	2,329,967	(135,472)	-5.81%
Legal - Special Counsel		614,981	440,425	(174,556)	-39.63%	1,057,000	311,216	303,765	97.61%
Legal - Attorney General		2,086,110	2,310,925	224,815	9.73%	4,621,850	2,156,499	(70,389)	-3.26%
Other Personal Services		2,278,617	3,931,709	1,653,092	42.05%	8,597,766	1,914,909	363,708	18.99%
Total Personal Services		7,174,203	9,735,494	2,561,291	26.31%	22,299,069	6,712,591	461,612	6.88%
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		5,141,305	5,089,518	(51,787)	-1.02%	9,736,249	5,344,147	(202,842)	-3.80%
Software and Equipment Maintenance and Repairs		7,113,616	9,149,234	2,035,618	22.25%	14,771,447	6,693,233	420,383	6.28%
Inter Agency Payments		2,145,113	1,997,279	(147,834)	-7.40%	4,717,920	1,398,389	746,724	53.40%
Communications		975,375	1,641,755	666,380	40.59%	4,127,924	1,116,535	(141,160)	-12.64%
Safety Grants and Long Term Care Loan		1,160,755	1,990,000	829,245	41.67%	4,000,000	343,127	817,628	238.29%
Supplies and Printing		365,399	551,848	186,449	33.79%	1,417,848	324,207	41,192	12.71%
Other Maintenance		1,152,495	1,436,795	284,300	19.79%	3,514,804	1,259,143	(106,648)	-8.47%
Total Maintenance		19,606,168	23,411,126	3,804,958	16.25%	61,335,587	18,409,143	1,197,025	6.50%
Equipment									
		112,305	2,075,458	1,963,153	94.59%	8,065,603	121,242	(8,937)	-7.37%
Total Administrative Cost Fund Expenses		107,349,615	115,695,335	8,345,720	7.21%	269,834,890	108,231,368	(881,753)	-0.81%

Total Agency Appropriation 328,602,765
 Budget to Appropriation Variance 58,767,875
 Percentage Variance 17.88%

State Insurance Fund

Administrative Expense Summary

As of November 30, 2010

	Actual FYTD 2011	Encumbrance Balance	FYTD Actual & Encumbrance	Actual FYTD 2010
Investment Administrative Expenses				
JP Morgan Chase - Performance Reporting	\$55,208	\$47,460	\$102,668	\$34,126
Mercer Investment Consulting	245,000	333,581	578,581	202,916
Other Investment Expenses	<u>242,929</u>	<u>168,120</u>	<u>411,049</u>	<u>172,695</u>
	543,137	549,161	1,092,298	409,737
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>156,316</u>
	300,184	2,054,668	2,354,852	563,457
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>\$4,500,966</u>	<u>\$4,129,948</u>	<u>\$8,630,914</u>	<u>\$1,578,601</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 November 30, 2010

	FYTD 2011	FYTD 2010	Source
Workers' Compensation Council	\$ -	\$ 325,000	Administrative Cost Fund
Ohio Dept. of Natural Resources			
Mine Safety Fund	1,450,000	965,461	Coal Workers' Pneumoconiosis Fund
Strip Mining Admin Fund	2,280,000	-	Coal Workers' Pneumoconiosis Fund
Ohio Inspector General	<u>212,500</u>	<u>212,500</u>	Administrative Cost Fund
TOTAL	<u>\$ 3,942,500</u>	<u>\$1,502,961</u>	

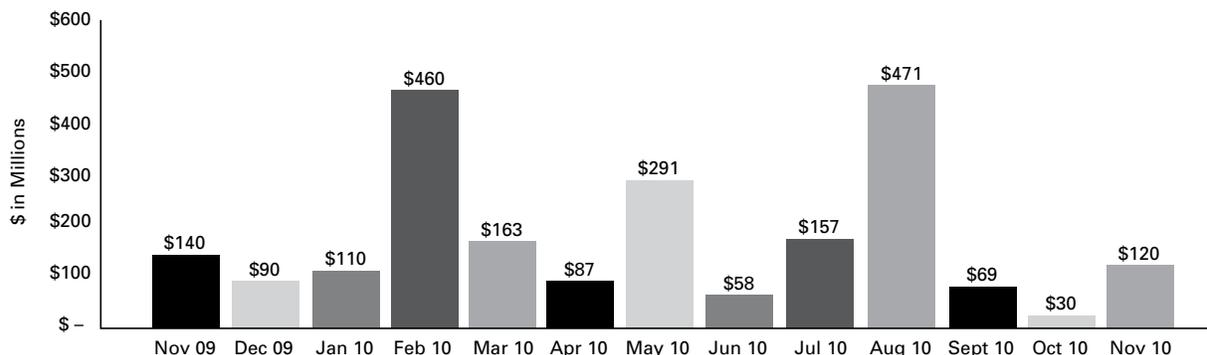
Statement of Cash Flows

Fiscal year to date November 30, 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	\$847	\$875	\$(28)	\$939	\$(92)
Cash Receipts – Other	13	13	–	31	(18)
Cash Disbursements for Claims	(838)	(881)	43	(866)	28
Cash Disbursements for Other	(165)	(185)	20	(174)	9
Net Cash Provided (Used) by Operating Activities	(143)	(178)	35	(70)	(73)
Net Cash Flows from Noncapital Financing Activities	(4)	(2)	(2)	(2)	(2)
Net Cash Flows from Capital and Related Financing Activities	(3)	(2)	(1)	(3)	–
Net Cash Provided (Used) by Investing Activities	(9)	8	(17)	939	(948)
Net Increase (Decrease) in Cash and Cash Equivalents	(159)	(174)	15	864	(1,023)
Cash and Cash Equivalents, Beginning of Period	436	436	–	504	(68)
Cash and Cash Equivalents, End of Period	\$277	\$262	\$15	\$1,368	\$(1,091)

Premium and Assessment Receipts



Statement of Net Assets

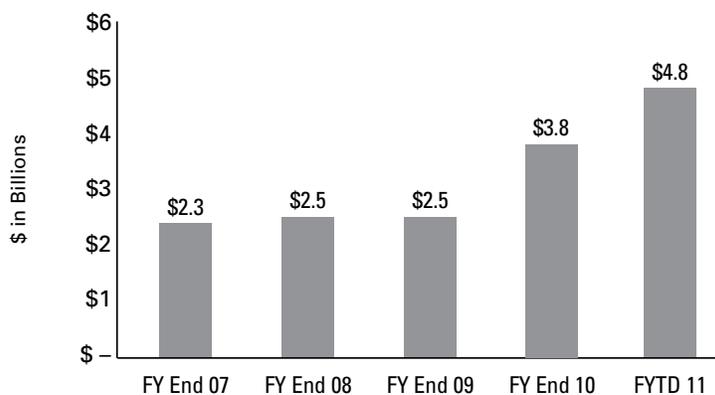
As of November 30, 2010

(in millions)

	Actual	Prior Yr. Actual	Year to Year Increase (Decrease)
Assets			
Bonds	\$13,652	\$12,794	\$858
U.S. Equities	4,206	4,247	(41)
Non-U.S. Equities	1,902	1,248	654
Cash & Cash Equivalents	<u>277</u>	<u>1,368</u>	<u>(1,091)</u>
Total Cash and Investments	20,037	19,657	380
Accrued Premiums	4,586	4,556	30
Other Accounts Receivable	151	168	(17)
Investment Receivables	282	204	78
Other Assets	<u>100</u>	<u>104</u>	<u>(4)</u>
Total Assets	<u>25,156</u>	<u>24,689</u>	<u>467</u>
Liabilities			
Reserve for Compensation and Compensation Adj. Expense	\$19,913	\$19,276	\$637
Accounts Payable	39	59	(20)
Investment Payable	210	1,015	(805)
Other Liabilities	<u>181</u>	<u>187</u>	<u>(6)</u>
Total Liabilities	<u>20,343</u>	<u>20,537</u>	<u>(194)</u>
Net Assets	<u>\$4,813</u>	<u>\$4,152</u>	<u>\$661</u>

Total undiscounted reserves for compensation and compensation adjustment expense are \$32.4 billion. See breakout by fund on page 13.

Net Assets (Deficit)



Statement of Net Assets – Combining Schedule

As of November 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
Assets									
Bonds	\$ 12,481,553	\$ 905,896	\$ 220,265	\$ 25,499	\$ 19,051	\$ -	\$ -	\$ -	\$13,652,264
U.S. Equities	3,895,583	273,711	36,252	-	-	-	-	-	4,205,546
Non-U.S. Equities	1,748,101	134,063	20,298	-	-	-	-	-	1,902,462
Private Equities	35	-	-	-	-	-	-	-	35
Cash & Cash Equivalents	<u>223,680</u>	<u>588</u>	<u>256</u>	<u>383</u>	<u>435</u>	<u>48,631</u>	<u>2,801</u>	<u>-</u>	<u>276,774</u>
Total Cash & Investments	18,348,952	1,314,258	277,071	25,882	19,486	48,631	2,801	-	20,037,081
Accrued Premiums	1,723,406	1,783,071	-	317	-	860,331	218,508	-	4,585,633
Other Accounts Receivable	126,890	16,310	58	-	1	(411)	7,961	-	150,809
Interfund Receivables	14,039	51,594	1	-	33	426	138,701	(204,794)	-
Investment Receivables	282,518	-	-	-	-	3	-	-	282,521
Other Assets	<u>25,544</u>	<u>22</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>74,665</u>	<u>-</u>	<u>100,231</u>
Total Assets	\$ 20,521,349	\$ 3,165,255	\$ 277,130	\$ 26,199	\$ 19,520	\$ 908,980	\$ 442,636	\$ (204,794)	\$25,156,275
Liabilities									
* Reserve for Compensation & Compensation Adj. Expense	\$ 15,782,510	\$ 2,035,260	\$ 72,400	\$ 2,860	\$ 2,360	\$ 899,040	\$ 1,118,885	\$ -	\$19,913,315
Accounts Payable	37,951	-	-	-	-	-	955	-	38,906
Investment Payable	210,029	-	-	-	-	-	-	-	210,029
Interfund Payables	189,189	12,694	141	9	16	2,745	-	(204,794)	-
Other Liabilities	<u>89,272</u>	<u>31</u>	<u>704</u>	<u>2</u>	<u>135</u>	<u>-</u>	<u>90,766</u>	<u>-</u>	<u>180,910</u>
Total Liabilities	<u>16,308,951</u>	<u>2,047,985</u>	<u>73,245</u>	<u>2,871</u>	<u>2,511</u>	<u>901,785</u>	<u>1,210,606</u>	<u>(204,794)</u>	<u>20,343,160</u>
Net Assets	\$ 4,212,398	\$ 1,117,270	\$ 203,885	\$ 23,328	\$ 17,009	\$ 7,195	\$(767,970)	\$ -	\$ 4,813,115

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

(in thousands)

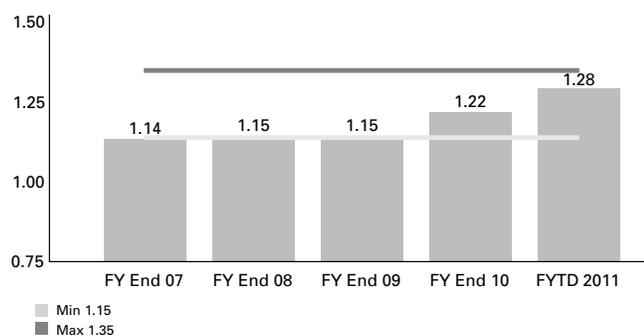
SIF	\$24,923,875
DWRF	3,502,408
CWPF	181,842
PWRE	4,600
MIF	3,558
SIEGF	1,956,217
ACF	<u>1,794,125</u>
Total	<u>\$32,366,625</u>

Financial Performance Metrics

	Actual FY11 As of 11/30/10	Projected FY11 As of 11/30/10	Actual FY10 As of 11/30/09	Guidelines
Funding Ratio (State Insurance Fund)	1.28	1.23	1.25	1.15 to 1.35
Net Leverage Ratio (SIF)	3.90	4.81	4.39	3.0 to 7.0
Loss Ratio	100.7%	105.5%	85.3%	
LAE Ratio - MCO	9.5%	9.3%	7.6%	
LAE Ratio - BWC	10.8%	12.1%	10.8%	
Net Loss Ratio	121.0%	126.9%	103.7%	102.5%
Expense Ratio	6.0%	7.0%	4.0%	7.5%
Combined Ratio	127.0%	133.9%	107.7%	110.0%
Net Investment Income Ratio	34.0%	39.5%	34.5%	
Operating Ratio (Trade Ratio)	93.0%	94.4%	73.2%	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.

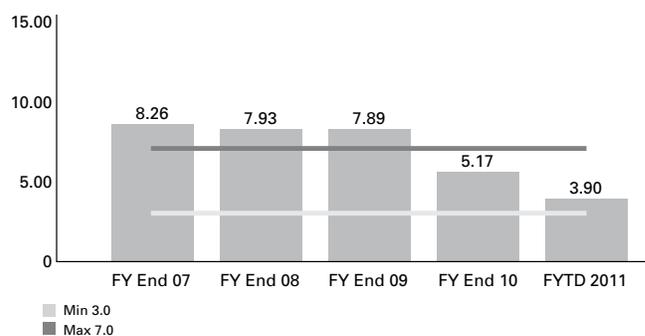
LAE Ratio

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

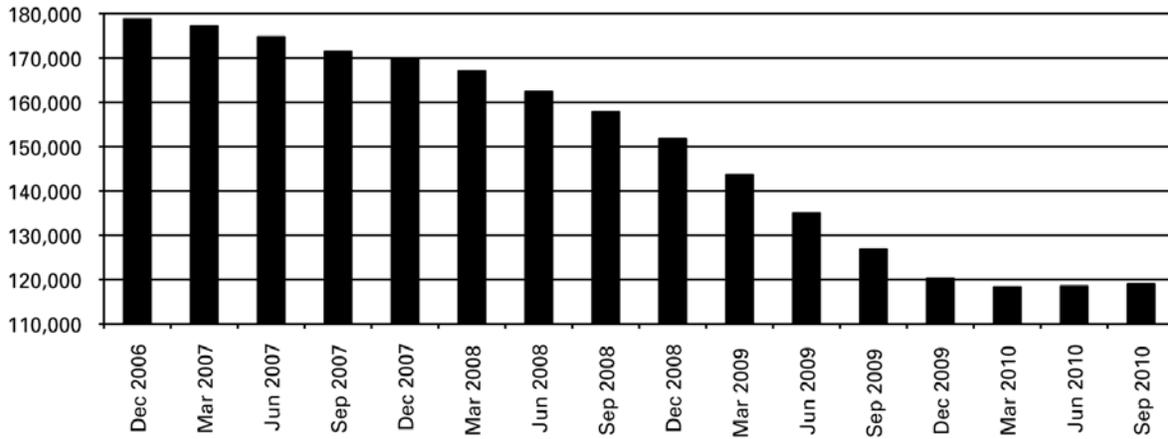
Measures the investment income component of profitability – Interest and dividend income less investment expenses divided by premium and assessment income. This ratio does not include realized or unrealized capital gains and losses.

Operating Ratio

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

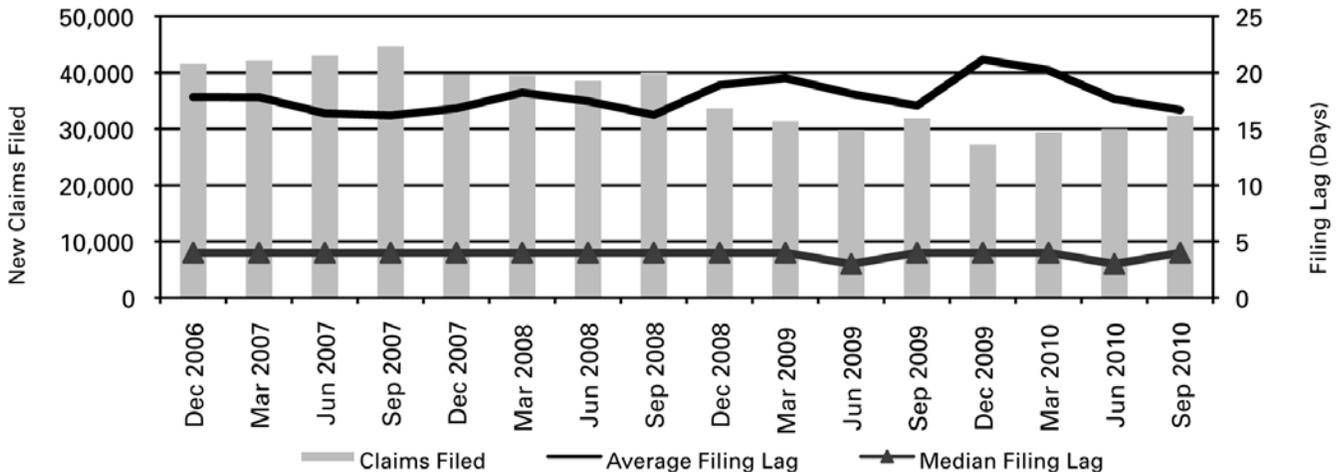
Operational Performance Metrics

New Claims Filed - Twelve months ended



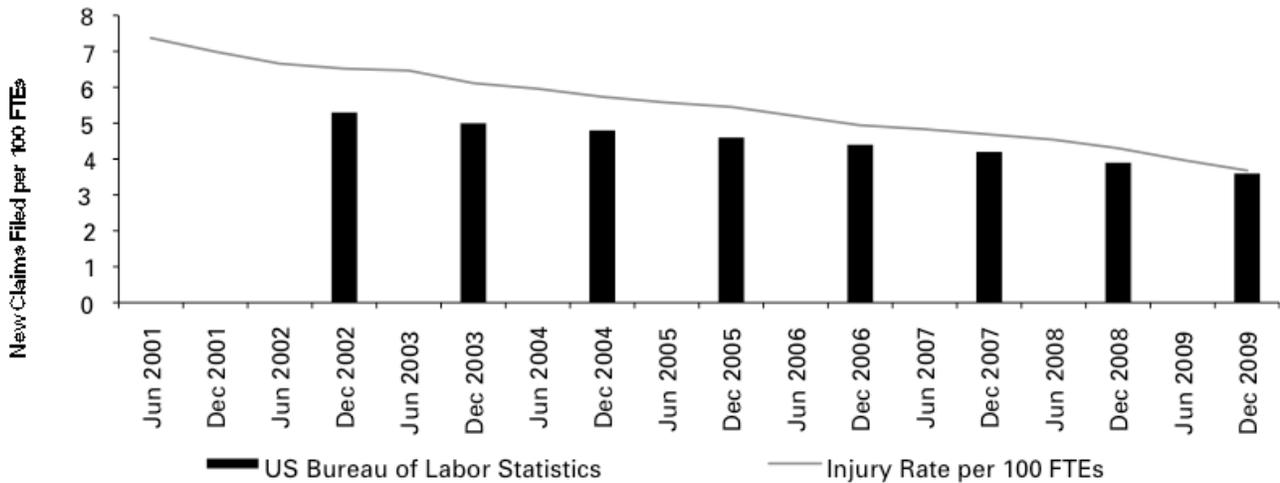
New Claims Filed measures the number of new State Insurance Fund claims filed in rolling twelve month periods measured quarterly. A steady downward trend was in place from the twelve months ended December 31, 2006 through the twelve months ended December 31, 2009 (from 178,795 new claims to 120,279 new 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



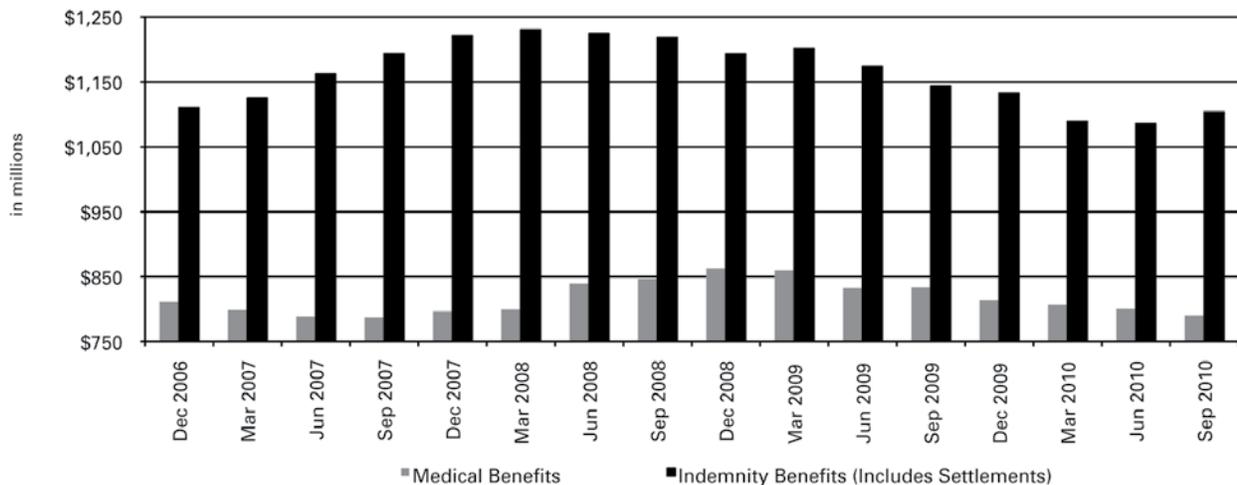
Claim Filing Lag measures the average and median number of days from the date of injury to the date of claim filing. Average claim filing lag has varied from 16.19 days to 21.16 days from the quarter ended December 31, 2006 through the quarter ended September 30, 2010. The median claim filing lag has 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



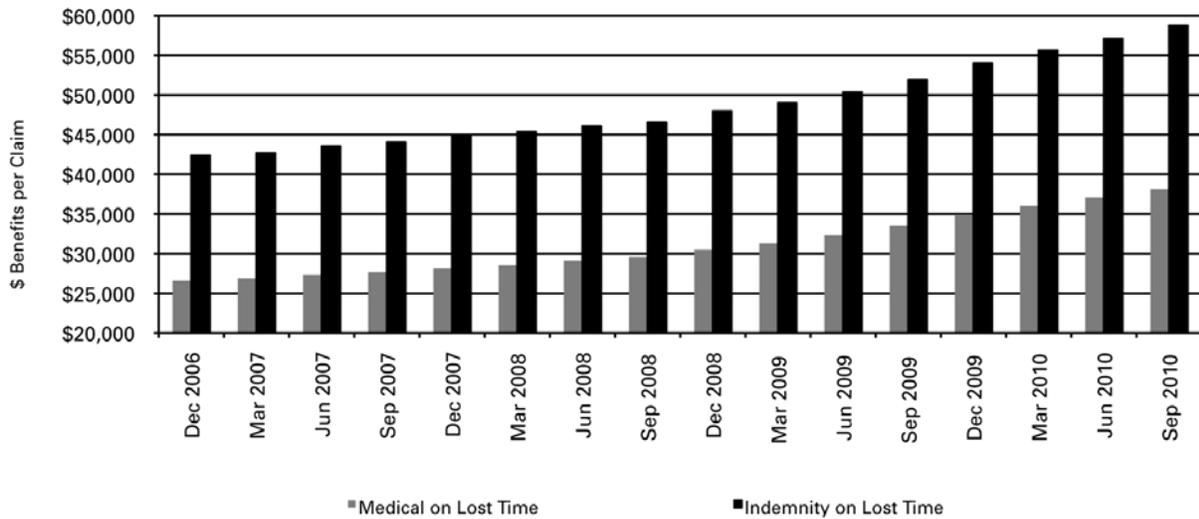
Frequency measures the number of injuries reported per 100 workers covered by the State Insurance Fund updated semi-annually. The US Bureau of Labor Statistics (USBLS) released its 2009 figure (3.6 injuries per 100 workers) on October 21, 2010. The BWC figure (3.68 injuries per 100 workers as of December 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. USBLS and BWC numbers are trending steadily downward.

Benefit Payments - Twelve months ended



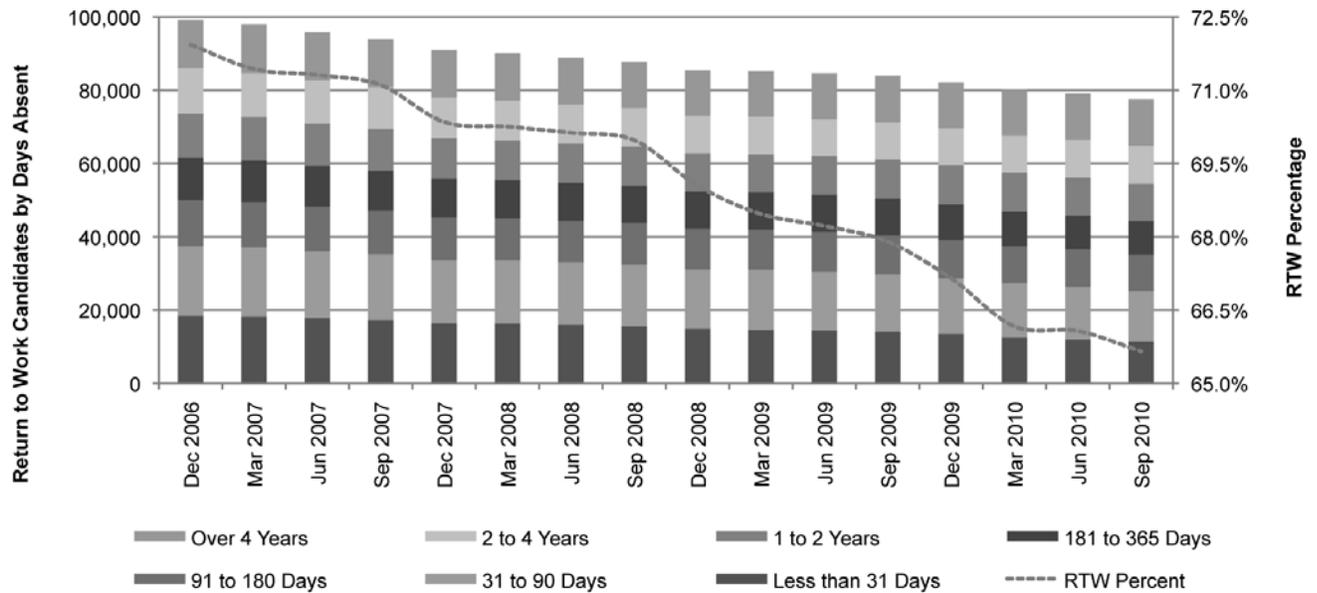
Benefit Payments measures the dollar amount of medical and indemnity payments for rolling twelve month periods updated quarterly. Indemnity payments include settlements and peaked at \$1.230 billion in the twelve months ended March 31, 2008 then declined through the twelve months ended June 30, 2010 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



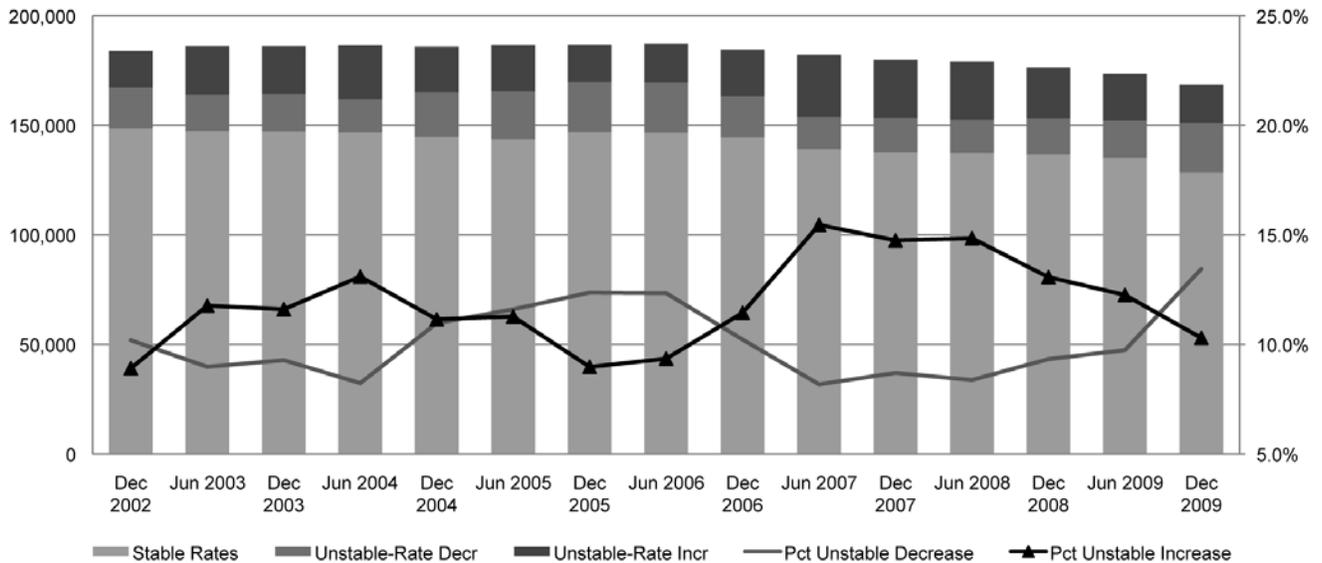
Return to Work (RTW) measures the percentage of injured workers who have returned to work relative to the claim population that has received temporary income replacement benefits. The total number of claims receiving temporary income replacement benefits has dropped from 99,075 as of December 31, 2006 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.