

BWC Board of Directors

Board Agenda

Thursday, March 24, 2011

William Green Building

Level 2, Room 3

8:15 a.m. – 8:30 a.m.

Call to Order

Nicholas Zuk, Board Chair

Roll Call

Jill Whitworth, Scribe

Nicholas Zuk, Board Chair

- Approval of minutes of the February 24, 2011 Board meeting
-

Committee Reports

Governance Committee

Larry Price, Committee Vice-Chair

Chair Recommendations for Committee Assignments

Nicholas Zuk, Board Chair

Adjourn

Nicholas Zuk, Board Chair

Next Meeting: Friday, March 25, 2011

*Unless previous meeting adjourns earlier

**Not all agenda items have material.

***Agenda subject to change

Board Agenda
Friday, March 25, 2011
William Green Building
Level 2, Room 3
8:00 a.m. – 10:00 a.m.

Call to Order

Nicholas Zuk, Board Chair

Roll Call

Larry Rhodebeck, Scribe

Board Chair

- Approval of minutes of the March 24, 2011 Board meeting
 - Review meeting agenda
-

Committee Reports

Actuarial Committee

Steve Lehecka, Committee Chair

1. NCCI Classification Code changes, Rule 4123-17-04
2. PA Deductible Program, Rule 4123-17-72

Audit Committee

Ken Haffey, Committee Chair

1. Electronic Submission of Documents Rule 4125-1-02

Investment Committee

Bob Smith, Committee Chair

1. Approve recommendation for Full Service Investment Consultant
2. Approve renewal of BWC transition manager optional use contracts
3. IPS revisions regarding long duration credit active management

Medical Services and Safety Committee

James Hummel, Committee Vice-Chair

1. Claimant Reimbursement Rule 4123-6-26
-

Monthly Enterprise Report

Tracy Valentino, Chief, Fiscal & Planning Division

Administrator's Report

Steve Buehrer, Administrator

Adjourn

Board Chair

Next Meeting: Friday, April 29, 2011

* Unless previous meeting adjourns earlier

** Not all agenda items have material.

*** Agenda subject to change

Enterprise Report

March 2011

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.*

February Financial Analysis

BWC's net assets increased by \$310 million in February resulting in net assets of \$5.3 billion at February 28, 2011 compared to \$5.0 billion at January 31, 2011.

<i>(\$ in millions)</i>	Month Ended Feb. 28, 2011	Month Ended Jan. 31, 2011	Month Ended Feb. 28, 2010
Operating Revenues	\$147	\$150	\$171
Operating Expenses	(199)	(203)	(185)
Operating Transfers	-	(1)	-
Net Operating Gain (Loss)	(52)	(54)	(14)
Net Investment Income (Loss)	362	45	119
Increase (Decrease) in Net Assets	310	(9)	105
Net Assets End of Period	\$5,321	\$5,011	\$4,010

- o Premium and assessment income net of the provision for uncollectible accounts receivable and ceded reinsurance premiums resulted in operating revenues of \$147 million in February. The accrual of ceded reinsurance premiums is netted against earned premiums in the Statement of Operations.
- o Benefits and compensation adjustment expenses of \$190 million along with other expenses of \$9 million resulted in operating expenses of \$199 million.

<i>(\$ in millions)</i>	Month Ended Feb. 28, 2011	Month Ended Jan. 31, 2011	Increase (Decrease)
Change in Reserves	\$22	\$22	\$ -
Net Benefit Payments	136	146	(10)
Payments for Comp Adjust Expenses	15	14	1
MCO Admin Payments	17	12	5
Other expenses	9	9	-
	\$199	\$203	\$(4)

- o A decrease of \$6 million in medical benefits along with a \$2.6 million decline in settlements contributed to decreased net benefit payments in February. Medical payments of \$61.5 million issued in February are the third lowest monthly total issued in the last 24 months. The previous monthly lows for medical payments were January 2010 and February 2010 with \$60.2 million and \$60.7 million, respectively. February payments include \$5 million in quarterly performance payments made to managed care organizations.
- o A \$305 million increase in the fair value of the investment portfolio in February along with interest and dividend income of \$58 million for the month, resulted in net investment income of \$362 million for the month after investment expenses of \$0.7 million. The increase in the fair value of the portfolio is comprised of \$0.6 million in net realized gains and \$304 million in net unrealized gains.
- o Cash and cash equivalents include \$162 million in money market holdings in the outside investment manager accounts. These funds are committed to covering a \$105 million net investment trade payable for transactions that will settle in March.
- o Premium and assessment receipts of \$501 million were collected in February compared to \$460 million in February 2010 when the last day of the month was Sunday. Approximately 212,000 or 85% of private employers timely filed their payroll report for the July through December 2010 policy period compared to 84% for the same period last year.

Fiscal Year-to-Year Comparisons

BWC's total net assets have increased by \$1.5 billion for fiscal year-to-date 2011 resulting in net assets of \$5.3 billion at February 28, 2011 compared to \$4.0 billion at February 28, 2010.

(\$ in millions)	Fiscal YTD Feb. 28, 2011	Projected FYTD Feb. 28, 2011	Fiscal YTD Feb. 28, 2010
Operating Revenues	\$1,253	\$1,261	\$1,380
Operating Expenses	(1,629)	(1,672)	(1,549)
Operating Transfers	(5)	(3)	(3)
Net Operating Gain (Loss)	(381)	(414)	(172)
Net Investment Income (Loss)	1,877	643	1,667
Increase (Decrease) in Net Assets	1,496	229	1,495
Net Assets End of Period	\$5,321	\$4,054	\$4,010

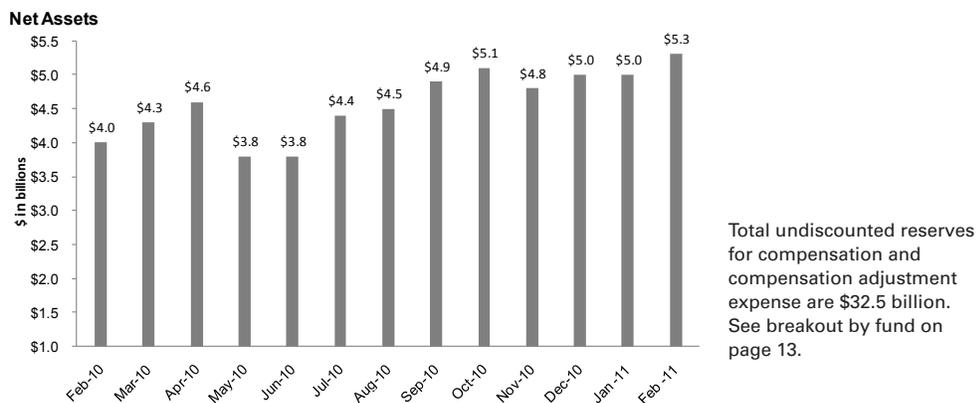
- o BWC's premium and assessment income for fiscal year-to-date 2011 is \$1.3 billion compared to \$1.4 billion for fiscal year-to-date 2010 reflecting decreased payroll and premium rates for private and state agency employers effective July 1, 2010 and January 1, 2010 and 2011 for public employer taxing districts.
- o Benefit and compensation adjustment expenses increased by \$60 million for fiscal year-to-date 2011 compared to prior fiscal year-to-date expenses.

(\$ in millions)	Fiscal YTD Feb. 28, 2011	Fiscal YTD Feb. 28, 2010	Increase (Decrease)
Change in Reserves	\$174	\$47	\$127
Net Benefit Payments	1,140	1,181	(41)
Payments for Comp Adjust Expenses	125	153	(28)
MCO Admin Payments	113	111	2
	\$1,552	\$1,492	\$60

- o BWC's net investment income for fiscal year-to-date 2011 totaled \$1,877 million comprised primarily of \$1,219 million in net unrealized gains and \$206 million in net realized gains, along with \$457 million of interest and dividend income, net of \$5 million in investment expenses. This compares to last year's fiscal year-to-date net investment income of \$1,667 million.
- o Declines in private employer and public employer taxing district premium rates have contributed to premium collections being \$33 million less than prior fiscal year-to-date collections.

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

- o Approximately 21,400 employers participating in the 50/50 payment plan will be paying \$151 million in premiums by June 1, 2011 to maintain active coverage. These numbers are up from the 20,200 employers that participated last year that owed \$146 million for the second installment.
- o Coverage was lapsed March 1, 2011 for almost 38,000 private employers that failed to report payroll and pay premium by the February 28th due date. As of March 11th, coverage remained in a lapsed status for over 29,000 private employers who owe an estimated \$31.3 million in premiums. Estimated premium will be billed to employers that are still in a lapsed status the weekend of March 19th.
- o Based upon the quarterly reserve analysis completed by Deloitte, reserves for compensation and compensation adjustment expenses will be reduced by approximately \$14 million through February 28th. This reduction in estimated reserves is primarily a result of lower than expected benefit payments.



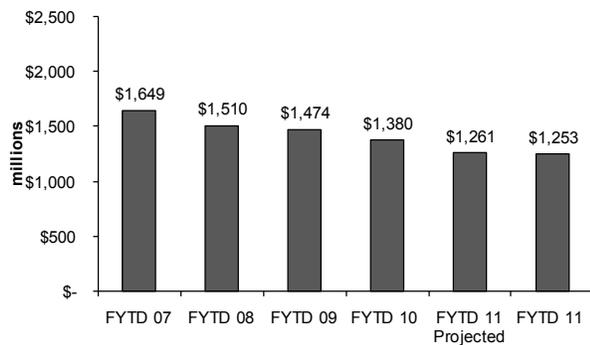
Statement of Operations

Fiscal year to date February 28, 2011

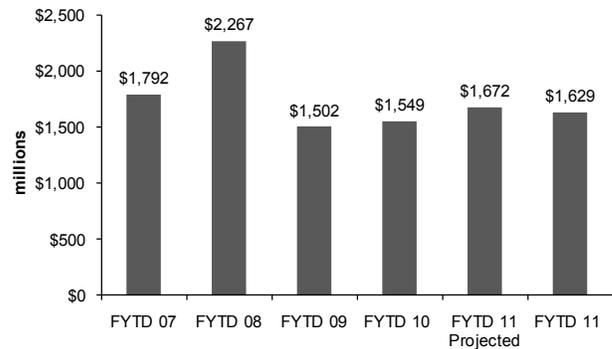
(in millions)

	Actual	Projected	Variance to Projected	Prior Yr. Actual	Year to Year Increase (Decrease)
Operating Revenues					
Premium & Assessment Income	\$1,291	\$1,286	\$5	\$1,378	(87)
Ceded Premiums	(4)	(4)	–	–	(4)
Provision for Uncollectibles	(40)	(27)	(13)	(4)	(36)
Other Income	6	6	–	6	–
Total Operating Revenue	1,253	1,261	(8)	1,380	(127)
Operating Expenses					
Benefits & Compensation Adj. Expense	1,552	1,585	33	1,492	60
Other Expenses	77	87	10	57	20
Total Operating Expenses	1,629	1,672	43	1,549	80
Operating Transfers	(5)	(3)	(2)	(3)	(2)
Net Operating Gain (Loss)	(381)	(414)	33	(172)	(209)
Net Investment Income (Loss)	1,877	643	1,234	1,667	210
Increase (Decrease) in Net Assets	\$1,496	\$229	\$1,267	\$1,495	\$1

Operating Revenues



Operating Expenses



Statement of Operations – Combining Schedule

Fiscal year to date February 28, 2011

(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	\$1,016,344	\$56,418	\$1,250	\$288	\$331	\$17,985	\$198,050	\$1,290,666
Ceded Premiums	(3,748)	-	-	-	-	-	-	(3,748)
Provision for Uncollectibles	(35,880)	(261)	(113)	-	(1)	(369)	(3,355)	(39,979)
Other Income	3,903	-	-	-	-	-	2,210	6,113
Total Operating Revenues	980,619	56,157	1,137	288	330	17,616	196,905	1,253,052
Operating Expenses:								
Benefits & Compensation Adj Expenses	1,344,699	51,672	702	43	20	17,050	137,356	1,551,542
Other Expenses	13,157	140	190	1	78	-	63,879	77,445
Total Operating Expenses	1,357,856	51,812	892	44	98	17,050	201,235	1,628,987
Net Operating Income (Loss) before Operating Transfers Out	(377,237)	4,345	245	244	232	566	(4,330)	(375,935)
Operating Transfers Out	-	-	(4,425)	-	-	-	(425)	(4,850)
Net Operating Income (Loss)	(377,237)	4,345	(4,180)	244	232	566	(4,755)	(380,785)
Investment Income:								
Investment Income	426,930	20,721	4,588	334	250	25	3,626	456,474
Net Realized Gains (Losses)	89,769	94,608	22,039	-	-	-	-	206,416
Net Unrealized Gains (Losses)	1,223,843	1,508	(7,013)	65	49	-	-	1,218,452
Total Realized & Unrealized Capital Gains (Losses)	1,313,612	96,116	15,026	65	49	-	-	1,424,868
Investment Manager & Operational Fees	(4,639)	(143)	(31)	(6)	(5)	-	-	(4,824)
Gain (Loss) on Disposal of Fixed Assets	-	-	-	-	-	-	(20)	(20)
Total Non-Operating Revenues, Net	1,735,903	116,694	19,583	393	294	25	3,606	1,876,498
Increase (Decrease) in Net Assets (Deficit)	1,358,666	121,039	15,403	637	526	591	(1,149)	1,495,713
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	\$4,664,212	\$1,165,674	\$208,700	\$23,205	\$16,924	\$7,616	\$(765,539)	\$5,320,792

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.

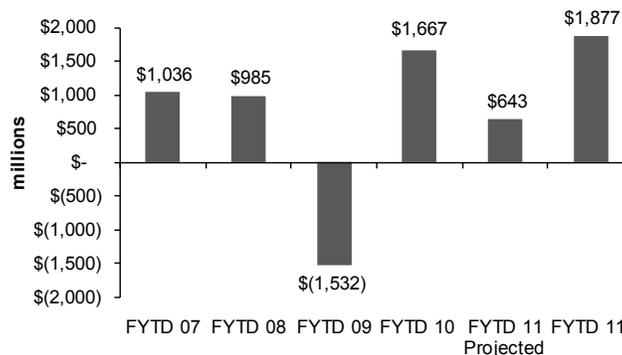
Statement of Investment Income

Fiscal year to date February 28, 2011

(in thousands)

	Actual	Projected	Variance to Projected	Prior Yr. Actual	Year to Year Increase (Decrease)
Investment Income					
Bond Interest	\$399,738	\$441,940	\$(42,202)	\$415,105	\$(15,367)
Dividend Income—Domestic & International	55,967	59,330	(3,363)	55,107	860
Money Market/Commercial Paper Income	202	1,048	(846)	993	(791)
Misc. Income (Corp Actions, Settlements)	567	3,200	(2,633)	2,448	(1,881)
Total Investment Income	<u>456,474</u>	<u>505,518</u>	<u>(49,044)</u>	<u>473,653</u>	<u>(17,179)</u>
Realized & Unrealized Capital Gains and (Losses)					
Bonds – Net Realized Gains (Losses)	160,976	–	160,976	41,340	119,636
Stocks – Net Realized Gains (Losses)	51,884	–	51,884	(585,951)	637,835
Non –U.S. Equities – Net Realized Gains (Losses)	(6,444)	–	(6,444)	(21,381)	14,937
Subtotal – Net Realized Gains (Losses)	<u>206,416</u>	<u>–</u>	<u>206,416</u>	<u>(565,992)</u>	<u>772,408</u>
Bonds – Net Unrealized Gains (Losses)	(291,551)	–	(291,551)	460,611	(752,162)
Stocks – Net Unrealized Gains (Losses)	1,033,897	142,740	891,157	1,300,656	(266,759)
Non –U.S. Equities – Net Unrealized Gains (Losses)	476,106	–	476,106	2,640	473,466
Subtotal – Net Unrealized Gains (Losses)	<u>1,218,452</u>	<u>142,740</u>	<u>1,075,712</u>	<u>1,763,907</u>	<u>(545,455)</u>
Change in Portfolio Value	<u>1,424,868</u>	<u>142,740</u>	<u>1,282,128</u>	<u>1,197,915</u>	<u>226,953</u>
Investment Manager & Operational Fees	<u>(4,824)</u>	<u>(5,074)</u>	<u>250</u>	<u>(4,368)</u>	<u>456</u>
Net Investment Income (Loss)	<u>\$1,876,518</u>	<u>\$643,184</u>	<u>\$1,233,334</u>	<u>\$1,667,200</u>	<u>\$209,318</u>

Net Investment Income (Loss)



Administrative Cost Fund Expense Analysis

February 2011

- o BWC Administrative Cost Fund expenses through fiscal year to date (FYTD) February 2011 are approximately \$11.7 million (6.7%) less than budgeted and 2% less than last fiscal year to date.
- o Decreases in payroll through FYTD February 2011 are a result of decreases in staffing due to retirements and hiring controls. As of February 2011, there were approximately 170 less full time equivalent positions compared to the same time 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 February 2011 journal entries, BWC staff have taken 148,700 (88%) of the available 169,000 hours of cost savings days for a savings of approximately \$4.4 million, which is about the same as last fiscal year.
- 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 February. Purchase orders have been completed in the Personal Services and Maintenance categories to encumber the FYTD 2011 budgeted amounts. Excess postage available from the previous fiscal year resulted in a significant reduction in the amount of postage purchased in FY 2011. This caused Communication expenses to be less than budgeted FYTD. A delay in FY11 projects resulted in FYTD actual Equipment costs being less than budgeted and less than the previous fiscal year. Special Counsel expenditures 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 The use of cost savings days, identification of additional costs savings and reevaluation of approved projects resulted in a \$21 million reduction in the fiscal year 2011 budget.
- o BWC's current fiscal year 2011 budget is approximately \$65 million (19.8%) less than appropriated by the General Assembly.

Administrative Cost Fund Budget Summary

As of February 28, 2011

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	503,381	503,381	0	0.00%	806,362	573,213	(69,832)	-12.18%
BWC Administration	13	957,038	957,274	236	0.02%	1,385,728	945,929	11,109	1.17%
Customer Service	1,319	70,528,675	70,511,709	(16,966)	-0.02%	101,500,574	73,190,364	(2,661,689)	-3.64%
Medical	116	6,669,905	6,669,905	0	0.00%	9,666,940	7,486,814	(816,909)	-10.91%
Special Investigations	117	7,025,486	7,023,272	(2,214)	-0.03%	10,109,311	7,101,276	(75,790)	-1.07%
Fiscal and Planning	102	5,056,561	5,047,103	(9,458)	-0.19%	7,386,661	3,418,008	1,638,553	47.94%
Actuarial	21	1,315,363	1,315,820	457	0.03%	1,952,138	1,421,317	(105,954)	-7.45%
Investments	10	815,703	815,703	0	0.00%	1,196,873	856,720	(41,017)	-4.79%
Information Technology	229	16,895,932	16,934,219	38,287	0.23%	24,800,979	19,423,434	(2,527,502)	-13.01%
Legal	76	4,644,290	4,644,637	347	0.01%	6,880,619	4,593,016	51,274	1.12%
Communications	16	985,992	986,292	300	0.03%	1,372,777	1,108,394	(122,402)	-11.04%
Human Resources	64	3,458,541	3,458,308	(233)	-0.01%	5,107,085	3,419,105	39,436	1.15%
Internal Audit	13	837,082	836,974	(108)	-0.01%	1,226,629	882,549	(45,467)	-5.15%
Ombuds Office	7	355,791	355,791	0	0.00%	517,757	354,646	1,145	0.32%
Total Payroll	2,115	120,049,740	120,060,388	10,648	0.01%	173,910,433	124,774,785	(4,725,045)	-3.79%
Personal Services									
Information Technology		3,556,873	5,153,946	1,597,073	30.99%	8,036,531	3,882,486	(325,613)	-8.39%
Legal - Special Counsel		673,979	707,712	33,733	4.77%	1,060,032	404,798	269,181	66.50%
Legal - Attorney General		3,629,276	3,466,387	(162,889)	-4.70%	4,621,850	3,126,992	502,284	16.06%
Other Personal Services		3,926,613	5,554,739	1,628,126	29.31%	7,442,144	3,804,313	122,300	3.21%
Total Personal Services		11,786,741	14,882,784	3,096,043	20.80%	21,160,557	11,218,589	568,152	5.06%
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		7,111,767	7,540,866	429,099	5.69%	9,607,149	7,454,541	(342,774)	-4.60%
Software and Equipment Maintenance and Repairs		9,965,717	11,477,402	1,511,685	13.17%	14,625,922	8,921,790	1,043,927	11.70%
Inter Agency Payments		3,304,715	3,085,469	(219,246)	-7.11%	4,740,593	3,124,728	179,987	5.76%
Communications		1,812,230	2,860,943	1,048,713	36.66%	4,067,824	1,767,765	44,465	2.52%
Safety Grants and Long Term Care Loan		2,164,672	2,995,000	830,328	27.72%	4,000,000	940,751	1,223,921	130.10%
Supplies and Printing		697,065	950,114	253,049	26.63%	1,417,848	627,679	69,386	11.05%
Other Maintenance		1,773,748	2,314,362	540,614	23.36%	3,513,404	2,035,784	(262,036)	-12.87%
Total Maintenance		28,382,024	32,778,853	4,396,829	13.41%	61,022,135	26,803,400	1,578,624	5.89%
Equipment									
		1,102,087	5,300,713	4,198,626	79.21%	7,256,424	1,857,426	(755,339)	-40.67%
Total Administrative Cost Fund Expenses		161,320,592	173,022,738	11,702,146	6.76%	263,349,549	164,654,200	(3,333,608)	-2.02%

Total Agency Appropriation 328,602,765
 Budget to Appropriation Variance 65,253,216
 Percentage Variance 19.86%

State Insurance Fund

Administrative Expense Summary

As of February 28, 2011

	Actual FYTD 2011	Encumbrance Balance	FYTD Actual & Encumbrance	Actual FYTD 2010
Investment Administrative Expenses				
JP Morgan Chase - Performance Reporting	\$63,250	\$39,418	\$102,668	\$56,167
Mercer Investment Consulting	326,667	251,914	578,581	325,416
Other Investment Expenses	264,136	146,913	411,049	286,461
	<u>654,053</u>	<u>438,245</u>	<u>1,092,298</u>	<u>668,044</u>
Actuarial Expenses				
Oliver Wyman - Actuarial Services	0	0	0	583,051
Deloitte Consulting - Actuarial Services	1,046,785	1,308,067	2,354,852	670,257
	<u>1,046,785</u>	<u>1,308,067</u>	<u>2,354,852</u>	<u>1,253,308</u>
Reinsurance Expenses				
Towers Watson	4,578,357	0	4,578,357	0
Ohio Rehabilitation Services	<u>605,407</u>	<u>0</u>	<u>605,407</u>	<u>605,407</u>
TOTAL	<u>\$6,884,602</u>	<u>\$1,746,312</u>	<u>\$8,630,914</u>	<u>\$2,526,759</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 February 28, 2011

	FYTD 2011	FYTD 2010	Source
Workers' Compensation Council	\$ -	\$ 325,000	Administrative Cost Fund
Ohio Dept. of Natural Resources			
Mine Safety Fund	2,145,000	1,891,575	Coal Workers' Pneumoconiosis Fund
Strip Mining Admin Fund	2,280,000	-	Coal Workers' Pneumoconiosis Fund
Ohio Inspector General	<u>425,000</u>	<u>425,000</u>	Administrative Cost Fund
TOTAL	<u>\$ 4,850,000</u>	<u>\$2,641,575</u>	

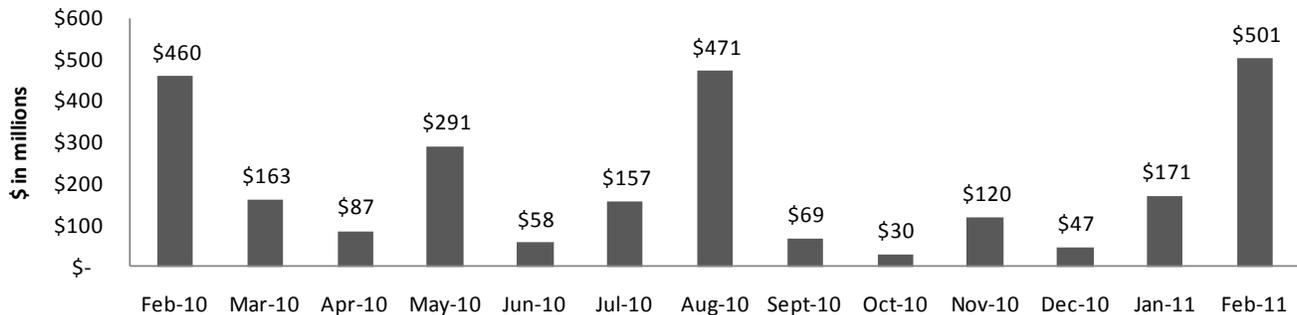
Statement of Cash Flows

Fiscal year to date February 28, 2011

(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	\$1,566	\$1,479	\$87	\$1,599	\$(33)
Cash Receipts – Other	24	21	3	40	(16)
Cash Disbursements for Claims	(1,315)	(1,377)	62	(1,351)	36
Cash Disbursements for Other	(252)	(283)	31	(272)	20
Net Cash Provided (Used) by Operating Activities	23	(160)	183	16	7
Net Cash Flows from Noncapital Financing Activities	(5)	(3)	(2)	(3)	(2)
Net Cash Flows from Capital and Related Financing Activities	(4)	(2)	(2)	(4)	–
Net Cash Provided (Used) by Investing Activities	188	61	127	745	(557)
Net Increase (Decrease) in Cash and Cash Equivalents	202	(104)	306	754	(552)
Cash and Cash Equivalents, Beginning of Period	436	436	–	504	(68)
Cash and Cash Equivalents, End of Period	\$638	\$332	\$306	\$1,258	\$(620)

Premium and Assessment Receipts



Statement of Net Assets

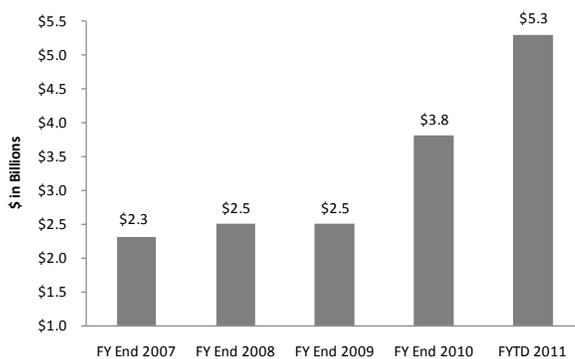
As of February 28, 2011

(in millions)

	Actual	Prior Yr. Actual	Year to Year Increase (Decrease)
Assets			
Bonds	\$13,501	\$12,687	\$814
U.S. Equities	4,623	3,867	756
Non-U.S. Equities	2,126	1,615	511
Cash & Cash Equivalents	<u>638</u>	<u>1,258</u>	<u>(620)</u>
Total Cash and Investments	20,888	19,427	1,461
Accrued Premiums	4,361	4,396	(35)
Other Accounts Receivable	206	193	13
Investment Receivables	223	3,457	(3,234)
Other Assets	<u>99</u>	<u>102</u>	<u>(3)</u>
Total Assets	<u>25,777</u>	<u>27,575</u>	<u>(1,798)</u>
Liabilities			
Reserve for Compensation and Compensation Adj. Expense	\$19,979	\$19,294	\$685
Accounts Payable	99	79	20
Investment Payable	196	4,004	(3,808)
Other Liabilities	<u>182</u>	<u>188</u>	<u>(6)</u>
Total Liabilities	<u>20,456</u>	<u>23,565</u>	<u>(3,109)</u>
Net Assets	\$5,321	\$4,010	\$1,311

Total undiscounted reserves for compensation and compensation adjustment expense are \$32.5 billion. See breakout by fund on page 13.

Net Assets



Statement of Net Assets – Combining Schedule

As of February 28, 2011

(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	\$12,337,541	\$ 900,366	\$ 218,916	\$ 25,419	\$ 19,165	\$ -	\$ -	\$ -	\$13,501,407
U.S. Equities	4,280,367	302,688	39,960	-	-	-	-	-	4,623,015
Non-U.S. Equities	1,953,456	149,816	22,683	-	-	-	-	-	2,125,955
Private Equities	35	-	-	-	-	-	-	-	35
Cash & Cash Equivalents	589,257	1,504	297	200	206	44,817	1,648	-	637,929
Total Cash & Investments	19,160,656	1,354,374	281,856	25,619	19,371	44,817	1,648	-	20,888,341
Accrued Premiums	1,552,683	1,772,420	-	462	-	854,336	181,395	-	4,361,296
Other Accounts Receivable	135,999	21,060	47	-	1	3,256	44,979	-	205,342
Interfund Receivables	11,508	57,655	12	-	34	8,643	149,720	(227,572)	-
Investment Receivables	223,368	-	-	-	-	1	-	-	223,369
Other Assets	25,367	22	-	-	-	-	72,940	-	98,329
Total Assets	\$21,109,581	\$ 3,205,531	\$ 281,915	\$ 26,081	\$ 19,406	\$ 911,053	\$ 450,682	\$ (227,572)	\$25,776,677
Liabilities									
* Reserve for Compensation & Compensation Adj. Expense	\$15,845,936	\$ 2,029,536	\$ 72,400	\$ 2,836	\$ 2,336	\$ 901,764	\$1,123,736	\$ -	19,978,544
Accounts Payable	\$ 97,689	-	-	-	-	-	1,015	-	98,704
Investment Payable	196,476	-	-	-	-	-	-	-	196,476
Interfund Payables	215,468	10,262	105	35	29	1,673	-	(227,572)	-
Other Liabilities	89,800	59	710	5	117	-	91,470	-	182,161
Total Liabilities	16,445,369	2,039,857	73,215	2,876	2,482	903,437	1,216,221	(227,572)	20,455,885
Net Assets	\$ 4,664,212	\$ 1,165,674	\$ 208,700	\$ 23,205	\$ 16,924	\$ 7,616	\$ (765,539)	\$ -	\$ 5,320,792

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

(in thousands)

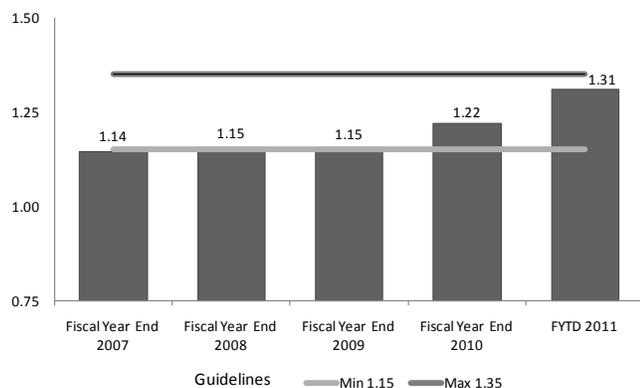
SIF	\$25,020,100
DWRF	3,494,733
CWPF	181,867
PWRE	4,600
MIF	3,533
SIEGF	1,966,967
ACF	1,802,000
Total	\$32,473,800

Financial Performance Metrics

	Actual FY11 As of 2/28/11	Projected FY11 As of 2/28/11	Actual FY10 As of 2/28/10	Guidelines
Funding Ratio (State Insurance Fund)	1.31	1.24	1.25	1.15 to 1.35
Net Leverage Ratio (SIF)	3.61	4.80	4.64	3.0 to 7.0
Loss Ratio	100.1%	102.3%	88.9%	
LAE Ratio - MCO	9.5%	9.2%	8.1%	
LAE Ratio - BWC	10.6%	11.7%	11.3%	
Net Loss Ratio	120.2%	123.2%	108.3%	102.5%
Expense Ratio	6.0%	6.8%	4.2%	7.5%
Combined Ratio	126.2%	130.0%	112.5%	110.0%
Net Investment Income Ratio	35.0%	38.9%	34.1%	
Operating Ratio (Trade Ratio)	91.2%	91.1%	78.4%	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.

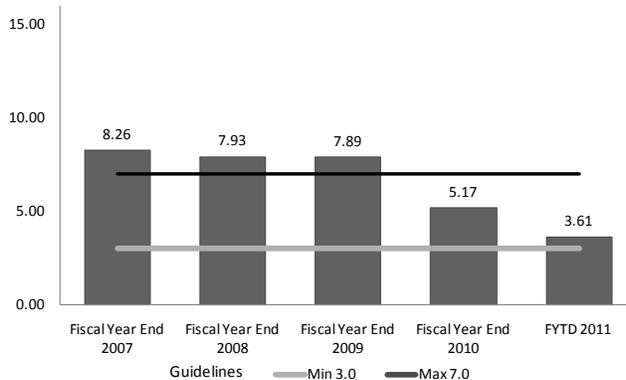
LAE Ratio

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

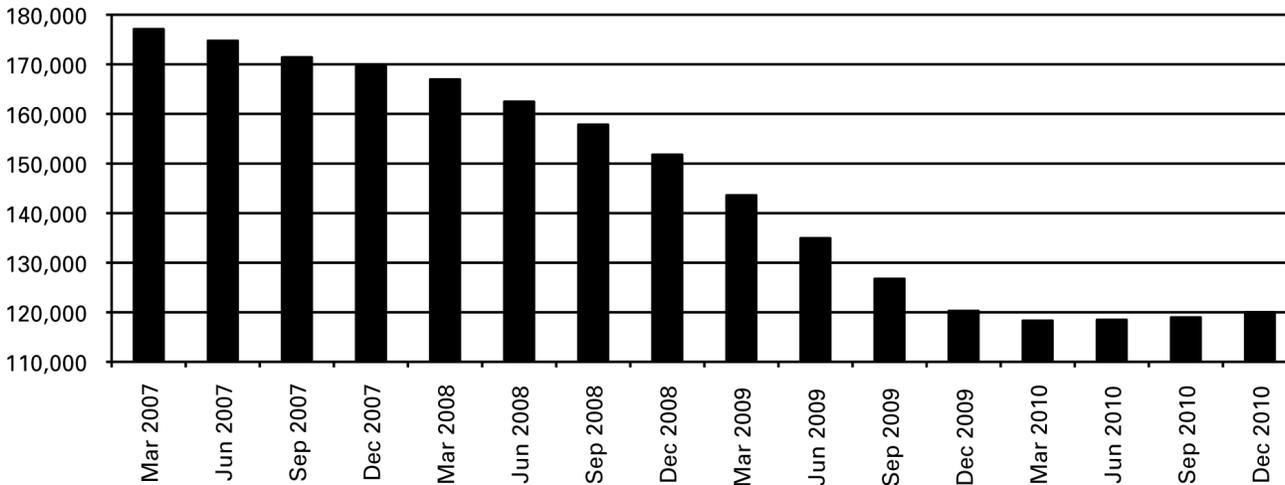
Measures the investment income component of profitability – Interest and dividend income less investment expenses divided by premium and assessment income. This ratio does not include realized or unrealized capital gains and losses.

Operating Ratio

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

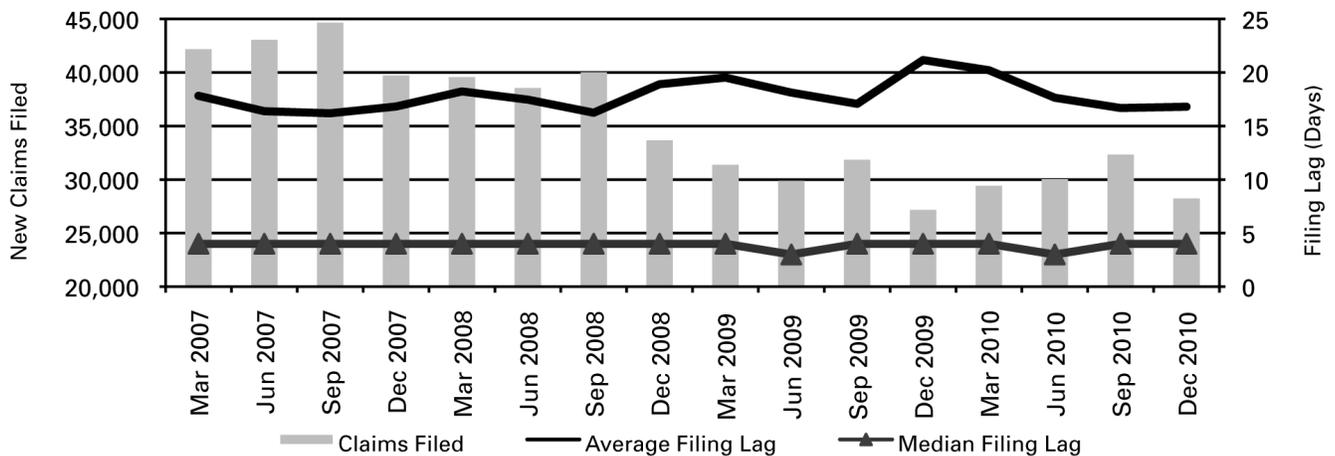
Operational Performance Metrics

New Claims Filed - Twelve months ended



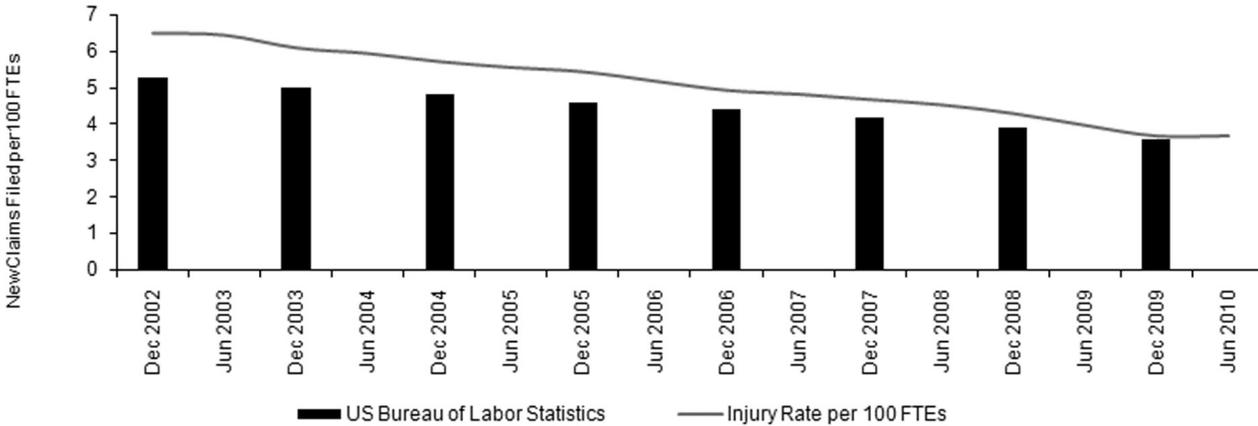
New Claims Filed measures the number of new State Insurance Fund claims filed in rolling twelve month periods measured quarterly. A steady downward trend was in place from the twelve months ended March 31, 2007 through the twelve months ended December 31, 2009 (from 177,107 new claims to 120,279 new claims). The trend has been relatively flat over the past four quarters with 120,015 new claims filed in the twelve months ended December 31, 2010.

Claim Filing Lag - Reported quarterly



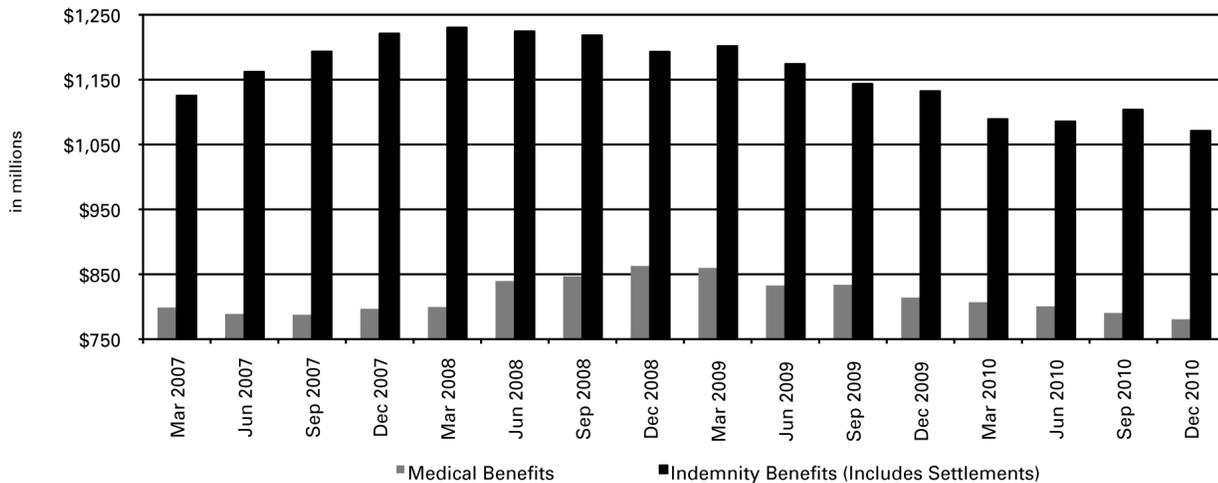
Claim Filing Lag measures the average and median number of days from the date of injury to the date of claim filing. Average claim filing lag has varied from 16.19 days to 21.16 days from the quarter ended March 31, 2007 through the quarter ended December 31, 2010. The median claim filing lag has varied 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 a low of 27,173 in the quarter ended December 31, 2009 and were at 28,235 in the quarter ended December 31, 2010.

Frequency - Reported semi-annually



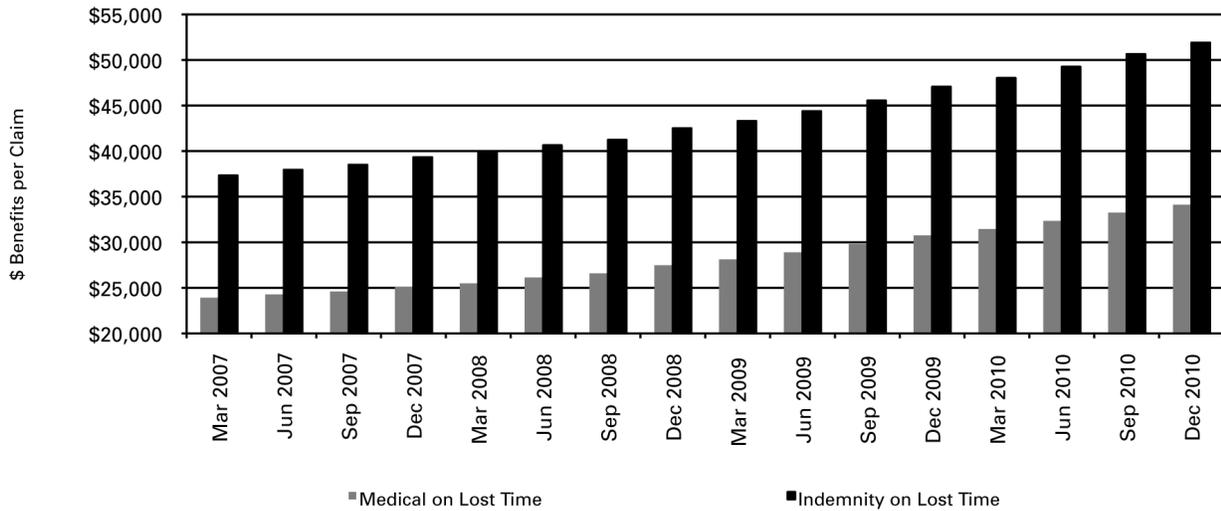
Frequency measures the number of injuries reported per 100 workers covered by the State Insurance Fund updated semi-annually. The US Bureau of Labor Statistics figure decreased from 5.3 injuries per 100 workers in 2002 to 3.6 injuries per 100 workers in 2009. The BWC figure decreased from 6.52 injuries per 100 workers in December 2002 to 3.68 injuries per 100 workers as of December 2009 and June 2010. Numbers of employees for BWC statistics are calculated by dividing reported payroll by the statewide average weekly wage.

Benefit Payments - Twelve months ended



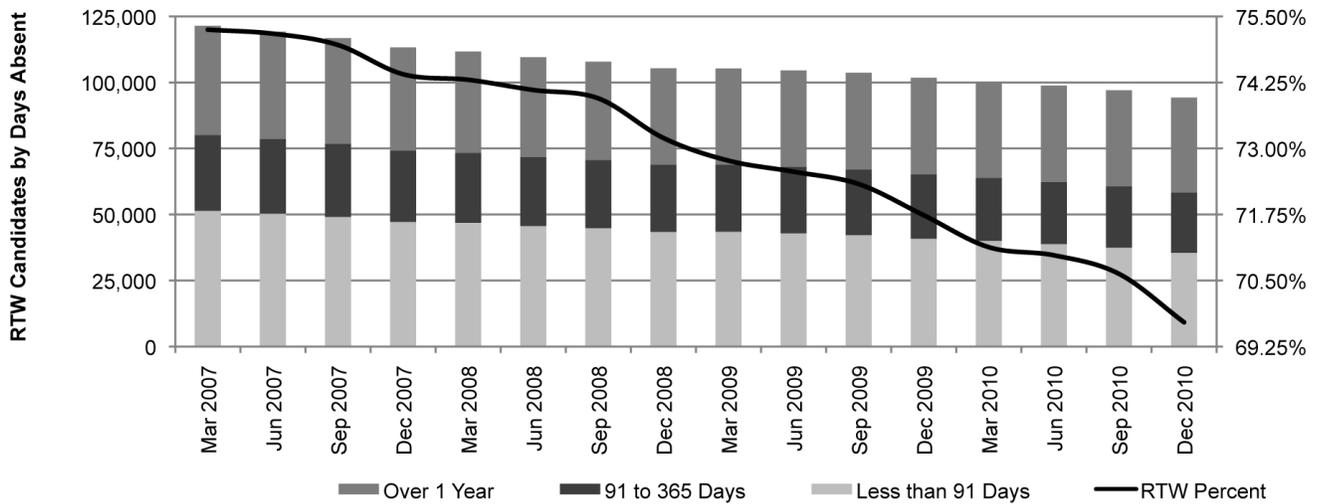
Benefit Payments measures the dollar amount of medical and indemnity payments for rolling twelve month periods updated quarterly. Indemnity payments include settlements and peaked at \$1.230 billion in the twelve months ended March 31, 2008 and have trended down to \$1.071 billion in the twelve months ended December 31, 2010. Medical payments peaked at \$863 million in the twelve months ended December 31, 2008 and have decreased to \$781 million in the twelve months ended December 31, 2010.

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



Severity measures the average cost of medical and indemnity expenses per active lost time claim. Indemnity amounts exclude settlements. BWC changed the definition of active claims in October 2010 from claims receiving payment or filing an application for benefits within thirteen months to twenty-four months. This change in definition increased the number of active claims by over 40%. Prior quarters have been re-stated to present an accurate quarter to quarter comparison. Average medical expenses per active lost time claim have increased from \$23,917 as of March 31, 2007 to \$34,118 as of December 31, 2010. Average indemnity expenses per active lost time claim have increased from \$37,329 to \$51,901 over the same period. Medical expenses on Medical Only claims (not reflected in chart) have increased from \$949 to \$1,139 during this period.

Return to Work - Reported quarterly



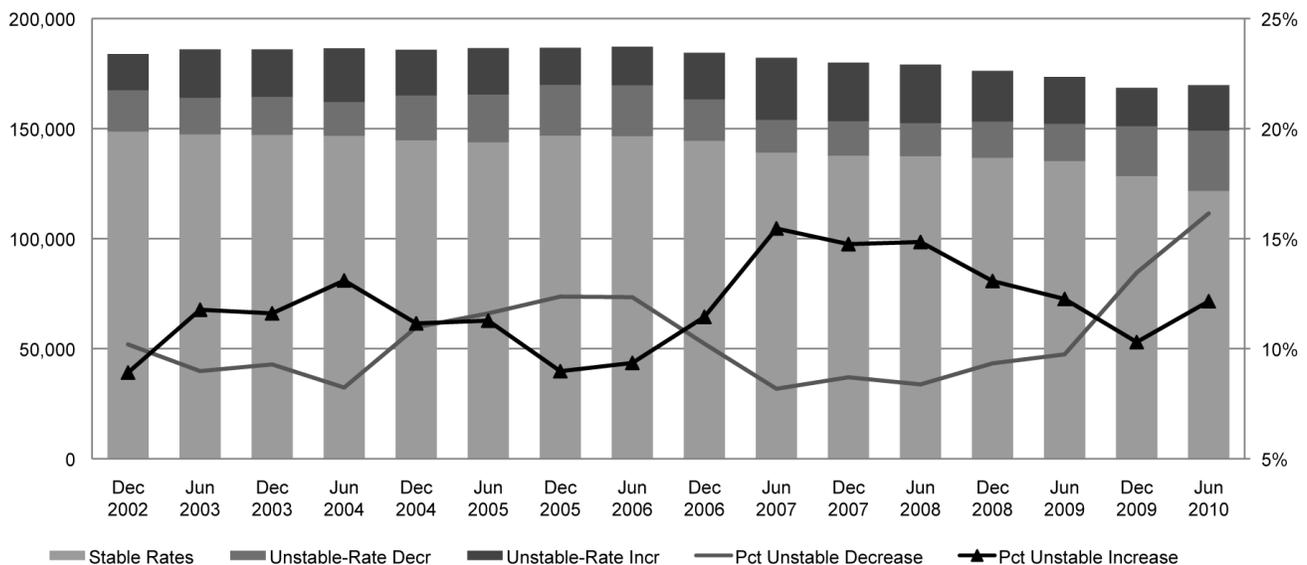
Return to Work (RTW) measures the percentage of injured workers with active claims who have returned to work relative to the claim population that has received temporary income replacement benefits. Prior quarters have been re-stated to present an accurate quarter to quarter comparison based on the new definition of active claims. The total number of active claims receiving temporary income replacement benefits has dropped from 121,409 as of March 31, 2007 to 94,234 as of December 31, 2010. The RTW rate has dropped from 75.2% to 69.7% 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	\$19,753	\$7,384	\$139	\$4
Jun 2010	\$86,408	\$19,753	\$7,161	\$153	\$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 four 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 the percentage of employers with unstable rate decreases exceeded those with unstable rate increases. This trend continued in June 2010.

Legislative Affairs Update for BWC Board of Directors March 2011

HB 123- (Hottinger) - BWC Budget for fiscal years 2012 and 2013.

- For fiscal years 2010 and 2011, BWC's combined appropriation was \$657.6 million. Comparatively, the proposed budget for fiscal years 2012 and 2013 is \$578.9 million; this reflects a reduction of nearly 12 percent in overall expenditures.
- In addition to our appropriations, there are several statutory changes in the bill. However, none of these changes directly affect benefit levels for injured workers. They also will not have a premium impact on employers. Instead, these changes are meant to clarify ambiguous language or simplify interactions with our customers. Some of the statutory changes are:
 - o Permit payment to providers who provided services before a claim is overturned by an employer's appeal on a claim.
 - o Reduce the time limit for submitting medical bills from two years to one year.
 - o Clarify the discrepancy and account for the funding of claims costs for rehab claims of state agency- or state university-employees.
 - o Waive some of the requirements our cities and counties currently face when applying for self insurance.
- Passed out of the House of Representatives on 3.23.11 with a vote of 95-0
- Moves to the Ohio Senate for consideration

HB 93 – (Burke) - To establish and modify the prevention of prescription drug abuse, development of information programs by the State Medical Board, and Medicaid coverage of prescription drugs.

- Includes the provision applicable to BWC: Not later than July 1, 2012, the administrator of workers' compensation shall adopt rules in accordance with Chapter 119. of the Revised Code to implement a coordinated services program for claimants under this chapter or Chapter 4123., 4127., or 4131. of the Revised Code who are found to have obtained prescription drugs that were reimbursed pursuant to an order of the administrator or of the industrial commission or by a self-insuring employer but were obtained at a frequency or in an amount that is not medically necessary. The program shall be implemented in a manner that is substantially similar to the coordinated services programs established for the Medicaid program under section 5111.085 and 5111.179 of the Revised Code.
- Passed out of the House of Representatives 3.9.11
- Received first hearing in the Senate Health, Human Services and Aging Committee 3.23.11.

HB 137- (Phillips, Driehaus) - SB 107 (Skindell)- Uniform definition of employee

- To create a generally uniform definition of employee for specified labor laws and to create a uniform standard to determine whether an individual performing services for an employer is an employee of that employer.
- HB 137 was introduced on 3.2.11 and is pending in the House Commerce and Labor Committee
- SB 107 was introduced on 3.2.11 and is pending in the Senate Insurance Committee
- Neither bill is scheduled for consideration