BWC Board of Directors

Board Agenda

Friday, April 29, 2011
William Green Building
Level 2, Room 3
10:00 a.m. – 12:00 p.m.

Call to Order
Nicholas Zuk, Board Chair

Roll Call
Larry Rhodebeck, Scribe

Board Chair
- Approval of minutes of the March 25, 2011 Board meeting
- Review meeting agenda

Committee Reports

Actuarial Committee
Steve Lehecka, Committee Chair

Audit Committee
Ken Haffey, Committee Chair

Investment Committee
Bob Smith, Committee Chair
1. Approve Request for Proposals for BWC Active Long Duration Investment Grade Credit Only Fixed Income Managers Search

Medical Services and Safety Committee
James Hummel, Committee Chair
1. Vocational Rehabilitation Fee Schedule Rule
2. Medical Treatment Reimbursement Requests 4123-6-16.2 (C-9 Rule)
3. Outpatient Medication Reimbursement Rule 4123-6-21
4. Self-insured Outpatient Medication Reimbursement Rule 4123-6-21.1

Quarterly Update on the HB 100 Comprehensive Report Recommendations
Shadya Yazback, Legal Counsel

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

Administrator's Report
Steve Buehrer, Administrator

Adjourn
Board Chair

Next Meeting: Friday, May 27, 2011

House Bill 100 Comprehensive Study Implementation Project: Review of Progress, April 2011

Introduction

In 2007, House Bill 100 required BWC to commission an outside consulting firm to perform a comprehensive study of the workers' compensation system in Ohio. Deloitte Consulting presented its findings in April 2009. Deloitte made 146 recommendations in 27 topic areas that span the enterprise's operations and touch almost every division in the agency.

This report marks the two-year milestone for the Comprehensive Study Implementation project. At the time of this report, a solution has been put in place for 73 of the recommendations; a solution is in process for an additional 49 recommendations; 16 recommendations require further evaluation, and staff has determined no action will be taken on 8 recommendations.

Accomplishments

To date, 73 recommendations from the Comprehensive Study have reached final disposition, meaning that the solution for each recommendation is in effect for, and, if applicable, visible to at least one segment of external customers. These recommendations continue to be monitored by staff for effectiveness of implementation and to determine whether adjustments can be made to improve on the outcomes expected from implementation.

- Strengthened the **financial position of the agency** by adopting a net asset funding policy and financial performance metrics, as well as examining options to protect the agency against catastrophic losses (8 recommendations)

- Streamlined procedures for the agency's medical partners, improved process for updating fee schedules, and implemented metrics and updated treatment guidelines to improve the **timeliness and quality of service provision for injured workers** (12 recommendations)

- Enhanced the **self-insurance securitization** model to more closely align collateralization requirements with the risk a self-insured employer reflects. (13 recommendations)

- Realigned **premium audit** efforts to target areas that claims data suggests payroll is improperly reported and to audit most employers every three to five years (5 recommendations)

- Made improvements to **safety programs** (3 recommendations)

- Made changes to ratemaking, experience rating, reserving methods, out-of-state employer experience rating, and discount programs to bring **actuarial practices** more in-line with industry standards (20 recommendations)

- Made improvements to the agency's actuarial division's structure and made changes to increase transparency in, improve timing of, and move closer to industry standard with **the Annual Actuarial Audit Report** (12 recommendations)

Solutions "in Process"

The items grouped below were in the planning, design, or implementation stages on March 31, 2011.

Actuarial and Ratemaking

- Additional efforts to improve the agency's actuarial division's structure and move closer to industry standard with the Annual Actuarial Audit Report (8 recommendations)
- Changes to ratemaking, experience rating, reserving methods, out-of-state employer experience rating, and discount programs to bring actuarial practices more in-line with industry standards (23 recommendations)`

MCO Effectiveness and Medical Payments

- Improve provider credentialing and tie new and existing metrics to provider incentives to improve quality of service to injured workers and control costs (5 recommendations)
- Improve the bill review process (3 recommendations)
- Study the causes of increasing average medical costs (1 recommendation)
- Give BWC sole authority to direct rehab services (1 recommendation)

Other Efforts

- Develop the ability to track the experience of employers participating in Safety & Hygiene programs (1 recommendation)
- Consider the combination of the State Insurance Fund and Ancillary Funds for investment purposes (1 recommendation)
- Improve internal processes to increase the ease with which BWC staff can identify potential subrogation claims and enhance operational efficiency for the Subrogation Unit (4 recommendations)
- Offer enhanced customer service aid to self-insured employers (1 recommendation)

Recommendations Requiring further Evaluation

The following groups of recommendations are policy-related recommendations that will be examined as the new administration continues to determine agency priorities.

Proposed Actuarial Changes (6 recommendations):

- Minimum Premium Changes
- Handicap Reimbursement Program Changes
- Include Risk Margins in Recorded Reserves

Proposed changes impacting the HPP and MCO's (2 recommendations):

- Study Price-of-Service Competition among MCO's
- Re-Institute Customer Surveys

Recommendations impacting specific employer groups (3 recommendations):

- New Safety and Anti-Fraud Program Requirements for Self-Insured Applicants
- Use of NCCI Class Codes for Public Taxing Districts

Recommendations impacting Specialty Funds (5 recommendations):

- Restructure DWRF Funding and Benefits
- Consider Changing CWPF Premium Payment Structure

"No Action" Items

"No Action" items are those for which staff has evaluated the risk inherent in the concern raised by Deloitte and, after evaluation of the proposed solution and alternatives, has determined the solutions are cost prohibitive for the amount of risk they are intended to address.

- *Restrict time to report errors in calculation of employer experience rates* (Recommendation 4.2.2).

  Deloitte's recommendation suggests conforming to typical industry practice, but that is not possible under our current premium billing system. Typical industry practice is to bill premiums prospectively; the issue Deloitte raises cannot be addressed in a system that bills in arrears.

- *Use NCCI common majority ownership for experience rating and discontinue the current practice of relying on the federal tax identification number to identify separate employers* (Recommendations 4.1.19 and 4.1.20).

  Mechanisms already exist to check for duplicate policies and successor rules provide some protection from the issue Deloitte raised.

- *Develop an alternative to the exclusive use of MIRA II and determine where MIRA II claim values are most predictive* (Recommendations 1.1.32 and 1.1.33).

  To date, MIRA II has provided an unparalleled level of consistency and confidence in reserving compared to former reserving systems and methods. Once the MIRA II data has had a few years to mature, staff will re-evaluate the system's reserving accuracy. If additional precision is desired after future evaluation, these recommendations may be reconsidered.

- *Consider offering group self-insurance* (Recommendation 1.4.3).

  Other states' experiences have demonstrated the complexity associated with administering group self-insurance plans, particularly with regard to determining appropriate capitalization requirements and risk management strategies. The potential for group self-insurance plans to operate as unregulated insurance companies presents considerable challenges for BWC to undertake at this time. With further study and significant planning efforts, BWC may consider this product in the future.

- *Do not allow self-insurers to leave the State Insurance Fund multiple times* (Recommendation 1.4.12).

  A review of SI records indicated only one employer has exited the State Insurance Fund on multiple occasions. As it is not a recurring issue, it is unnecessary to proceed with this recommendation.

- *Redesign the Retrospective Rating Program* (Recommendation 3.1.3).

  This recommendation speaks to the 10-year individual retrospective approach, not group retrospective rating. The structure of the program is appropriate. BWC will continue to look at minimum premium amounts and appropriate adjustments from year-to-year, but a wholesale redesign of the program is not expected.

Recommendation Matrix

The following pages present a matrix tracking the progress of all 146 recommendations from the Comprehensive Study.

Recommendations are numbered according to topical area, and numbered by report and order in which they appear in the report: the first two numbers of the recommendation reference the report number in which the recommendation appears, and the last number identifies the order in which it appears (Recommendation 2.6.6, for example, is the sixth recommendation appearing in report 2.6).

Red text indicates a change in stage for the reporting period.

The stages of progress are as follows:

- **Evaluation** – Staff is evaluating the recommendation to determine basic factors such as congruence with agency's policy direction, feasibility, cost, effort, and expected results.
- **Planning** – Implementation steps, resource needs, and timing are being determined for the recommendation.
- **Design** – Method for implementing the recommendation is in development.
- **Implementation** – Roll-out of solution is in process, but not yet visible to external customers.
- **In Place** – Recommendation is in effect for at least one external customer, and will be tracked and monitored by staff for the effectiveness of implementation.
- **Alternative Solution** – Staff has identified an alternative solution addressing the concern raised by Deloitte Consulting in making the recommendation.
- **No action** – Staff has evaluated the risk inherent in the concern raised by Deloitte and, after evaluation of the proposed solution and alternatives, has determined the solutions are cost prohibitive for the amount of risk they are intended to address.

All Recommendations -- Stage of Implementation

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

All Recommendations -- Stage of Implementation

Recommendation	Evaluation	Alt. Solution/No Action	Planning	Design	Implementation	In Place
Class Ratemaking						
1.1 7 Eliminate Use of ER Off-Balance Adjustment Factor for Class Base Rates						✓
1.1 8 Apply Individual ER Off-Balance Adjustment to Individual ER Risks Only		A				
1.1 9 Calculate Catastrophe Factor by NCCI Hazard Group				✓		
1.1 10 Provide More Detailed Documentation for Each Adjustment Factor						✓
1.1 11 Use Alternative Indication of Class Loss Costs to Credibility Weight Class Loss Costs				✓		
1.1 12 Separate Case Reserves in Estimating Historical Loss Costs				✓		
Excess Insurance and Reinsurance						
2.4 5 Limit impact of CAT event to 5-10% of Net Assets						✓
2.4 6 Test Reinsurance Market for CAT Protection						✓
Experience Aggregation Approach						
4.1 19 Use NCCI Approach to Common Majority Ownership for Experience Rating		N				
4.1 20 Discontinue the current practice of relying primarily on the federal tax identification number to identify separate employers		N				
Experience Rating						
1.1 30 Change Credibility for Individual Experience to be In Line with Industry Practices				✓		
1.1 31 Prohibit Exclusion of Claims from Experience Rating Calculation						✓
Group Rating						
1.1 13 Change the structure of the Group Rating Program to mitigate present inequities				✓		
1.1 14 Incent groups to focus on accident prevention and loss mitigation activities				✓		
1.1 15 Eliminate the use of the individual e-mod formula for group rating				✓		
1.1 16 Determine group rating through the use of a group discount factor				✓		
1.1 17 Establish a minimum number of years of experience for a group to qualify				✓		
1.1 18 Develop a group discount formula based on the past performance of each group				✓		
1.1 19 Apply a separate group rating off-balance adjustment to the group discount factors				✓		
1.1 20 Develop the group discount factor based on the actual past performance of each group				✓		
1.1 21 Include the experience of all group members only during the period they were in the group				✓		
1.1 22 Apply the group discount factor to the individual e-mod adjusted premium of each				✓		
1.1 23 Develop a group discount formula based on a loss ratio or loss rating approach				✓		
1.1 24 Vary the maximum discount factor with the premium size of the group				✓		
1.1 25 Apply a phase-in period of at least two years to new group members				✓		
1.1 26 Evaluate Group Dividend plan as a group rating alternative				✓		
1.1 27 Evaluate Group Retro Plan as a group rating alternative						✓
1.1 28 Evaluate Per Accident Loss Limitations as a group rating alternative				✓		
1.1 29 Evaluate Tiering within a single group as a group rating alternative				✓		
Handicap Reimbursement Program						
3.3 1 Terminate the Handicap Reimbursement Program		A				
3.3 2 Exclude Arthritis as a Handicap	✓					
3.3 3 Require That Existing Conditions be the Proximate Cause of a More Severe Second Injury	✓					
3.3 4 Reduce the Lag Time Allowed for Handicap Reimbursement	✓					

All Recommendations -- Stage of Implementation

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

All Recommendations -- Stage of Implementation

Recommendation	Evaluation	Alt. Solution/No Action	Planning	Design	Implementation	In Place
Net Asset Level						
2.4 1 Adopt a Funding Policy with Guidelines						✓
2.4 2 Develop a customized approach to managing net asset level using a few key metrics						✓
2.4 3 Target a Funding Ratio Range & Recommended Actions						✓
2.4 4 Policy Guidance with Premium Options based on Funding Ratio						✓
Out-of-State Employer Experience Rating						
4.3 1 Utilize only Ohio based Information to Determine Eligibility for Experience Rating						✓
4.3 2 Adopt the Industry Standard of using Base Premiums as the Eligibility Criteria for Experience Rating		A				
PES Rate Setting						
3.1 1 Change the Manner in which PES Rates are Calculated				✓		
3.1 2 Change the Method Used to Determine Expected Paid Losses in the Prospective Policy Year				✓		
Retrospective Rating						
3.1 3 Redesign the Retrospective Rating Program		N				
Safety Programs						
3.2 1 Make Grants Available Even if No Claims Related to the Intervention						✓
3.2 2 Require Safety Report With Application for Safety Intervention Grant						✓
3.2 3 Combine DFWP and DF-EZ Programs						✓
3.1 4 Develop the capability to track the experience of employers participating in the safety & hygiene program					✓	
Salary Continuation / $15K Med Only Program						
1.1 35 Terminate the Salary Continuation Program		A				
1.1 36 Terminate the $15,000 Medical Only Program		A				
1.1 37 Consider an Appropriately Priced Deductible Program as an Alternative						✓
1.1 38 Perform periodic actuarial studies to evaluate the appropriateness of the credits offered under the various discount programs						✓
Self-Insurance						
1.4 1 Require an Actuarial Study for Self-Insurance Applicants		A				
1.4 2 Require Additional Security for Employers Applying for Self-Insurance						✓
1.4 3 Consider Offering Group Self-Insurance		N				
1.4 4 Consider Trends within Industries to Determine Self-insurance Criteria						✓
1.4 5 Incorporate Objective Financial Criteria as Part of the Self-Insurance application						✓
1.4 6 Consider Offering Enhanced Customer Service Aid to Employers					✓	
1.4 7 Consider Requiring an Anti-Fraud Program as Part of the Self-Insurance Application	✓					
1.4 8 Consider Requiring a Formal Safety Program as Part of the Self-Insurance Application	✓					
1.4 9 Require Organization Documents for Self-Insurance Application						✓
1.4 10 Require an Actuarial Study for Self-Insurers Returning to the SIF		A				
1.4 11 Continuation of Security upon Returning to the State Insurance Fund		A				
1.4 12 Do Not Allow Self-Insurers to Leave the State Insurance Fund Multiple Times		N				
1.4 13 Expand Reporting Forms to Allow for More Detailed Internal Analysis						✓

All Recommendations -- Stage of Implementation

		Recommendation	Evaluation	Alt. Solution/No Action	Planning	Design	Implementation	In Place
SIEGF								
1.3	1	Institute Pre-Assessment Alternatives		A				
1.3	2	Collect Enhanced Data						✓
1.3	3	Require Collateral from Higher Risk Employers		A				
1.3	4	Revise Assessment Base		A				
1.3	5	Reinsure Certain Bankruptcy Losses		A				
Statewide Rate Level								
1.1	1	Provide More Responsiveness to Ohio Trends						✓
1.1	2	Perform Baseline Indication Before Discounting						✓
1.1	3	Develop the range of indicated rate changes (Optimistic to Conservative)						✓
1.1	4	Include Alternative Method in Calculating Indicated Rate Change						✓
1.1	5	Display Historical Loss Costs at Proposed Cost and Wage Levels						✓
1.1	6	Display Impact of Collecting Premium in Arrears on the Rate Change Indication						✓
Subrogation								
1.2	1	Limit caseloads to no more than 400				✓		
1.2	2	Build functionality in V-3 to manage subrogation claims				✓		
1.2	3	Establish a more robust set of performance metrics				✓		
1.2	4	Investigate utilization of text mining				✓		
Vocational Rehabilitation Program								
4.1	17	Change Rules to Give BWC Sole Authority to Direct Rehab Services			✓			
4.1	18	Reconsider the Rules Associated with the Experience Rating Treatment of LM Claims						✓
		Count = 146 total recommendations:	16	25	7	32	10	56

Enterprise Report

April 2011

Ohio | Bureau of Workers' Compensation

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.*

March Financial Analysis

BWC's net assets decreased by $34 million in March resulting in net assets of $5.29 billion at March 31, 2011 compared to $5.32 billion at February 28, 2011.

($ in millions)	**Month Ended** March 31, 2011	**Month Ended** Feb. 28, 2011	**Month Ended** March 31, 2010
Operating Revenues	$144	$147	$174
Operating Expenses	(220)	(199)	(203)
Operating Transfers	–	–	–
Net Operating Gain (Loss)	(76)	(52)	(29)
Net Investment Income (Loss)	42	362	326
Increase (Decrease) in Net Assets	(34)	310	297
Net Assets End of Period	$5,287	$5,321	$4,307

- Premium and assessment income net of the provision for uncollectible accounts receivable and ceded reinsurance premiums resulted in operating revenues of $144 million in March. The accrual of ceded reinsurance premiums is netted against earned premiums in the Statement of Operations.
- Benefits and compensation adjustment expenses of $209 million along with other expenses of $11 million resulted in operating expenses of $220 million in March.

($ in millions)	**Month Ended** March 31, 2011	**Month Ended** Feb. 28, 2011	**Increase (Decrease)**
Change in Reserves	$6	$22	$(16)
Net Benefit Payments	175	136	39
Payments for Comp Adjust Expenses	16	15	1
MCO Admin Payments	12	17	(5)
Other expenses	11	9	2
	$220	$199	$21

- Deloitte's quarterly review of the projected reserves for compensation and compensation adjustment expenses resulted in a $16 million decrease in March expenses. This decrease is a result of lower than expected payments through the second quarter of fiscal year 2011 driven by fewer claims in recent accident years and fewer claim settlements.
- The increase in net benefit payments is primarily a result of three bi-weekly payment cycles occurring in March coupled with an increase in medical payments. Medical payments of $71.6 million were issued in March compared to $61.5 million in February. The March payment is the fourth highest monthly total for medical in the past two years while the February payment is the third lowest monthly total in the past two years.
- A $34 million decrease in the fair value of the investment portfolio in March along with interest and dividend income of $77 million for the month, resulted in net investment income of $42 million for the month after investment expenses of $0.9 million. The decrease in the fair value of the portfolio is comprised of $3 million in net realized gains and $37 million in net unrealized losses.
- Cash and cash equivalents include $93 million in money market holdings in the outside investment manager accounts. These funds are committed to covering a $45 million net investment trade payable for transactions that will settle in April.
- Premium and assessment receipts of $107 million were collected in March compared to $163 million in March 2010. February 28th, the last year the last day for timely payment of premiums was a Sunday in 2010, contributing to the higher March receipts.
- Principal and interest payments of $17.4 million were made on the William Green building bonds. These bonds mature in 2014 and have a remaining principal balance of $47 million.

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 March 31, 2011 compared to $4.3 billion at March 31, 2010.

($ in millions)	**Fiscal YTD** March 31, 2011	**Projected FYTD** March 31, 2011	**Fiscal YTD** March 31, 2010
Operating Revenues	$1,397	$1,415	$1,553
Operating Expenses	(1,849)	(1,907)	(1,751)
Operating Transfers	(5)	(3)	(3)
Net Operating Gain (Loss)	(457)	(495)	(201)
Net Investment Income (Loss)	1,919	730	1,993
Increase (Decrease) in Net Assets	1,462	235	1,792
Net Assets End of Period	$5,287	$4,060	$4,307

- BWC's premium and assessment income for fiscal year-to-date 2011 is $1.4 billion compared to $1.6 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.
- Benefit and compensation adjustment expenses increased by $75 million for fiscal year-to-date 2011 compared to prior fiscal year-to-date expenses.

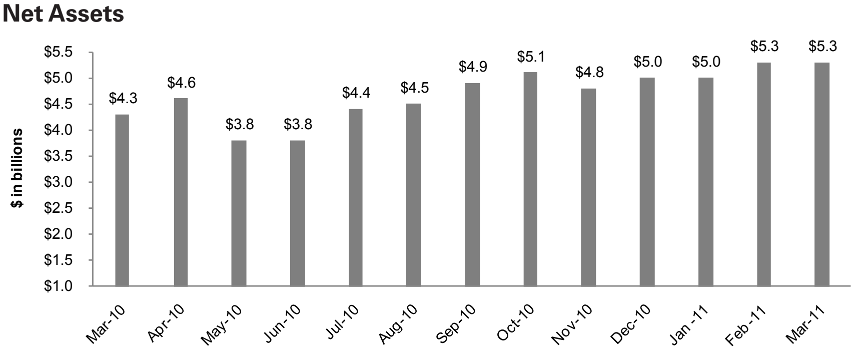
($ in millions)	**Fiscal YTD** March 31, 2011	**Fiscal YTD** March 31, 2010	**Increase (Decrease)**
Change in Reserves	$180	$53	$127
Net Benefit Payments	1,315	1,338	(23)
Payments for Comp Adjust Expenses	141	173	(32)
MCO Admin Payments	125	122	3
	$1,761	$1,686	$75

- Fiscal year-to-date 2011 included an additional bi-weekly payment cycle increasing net benefit payments by approximately $26 million. This additional payment cycle did not occur until April in fiscal year 2010.
- BWC's net investment income for fiscal year-to-date 2011 totaled $1,919 million comprised primarily of $1,181 million in net unrealized gains and $210 million in net realized gains, along with $534 million of interest and dividend income, net of $6 million in investment expenses. This compares to last year's fiscal year-to-date net investment income of $1,993 million.
- Declines in private employer and public employer taxing district premium rates have contributed to premium collections being $89 million less than prior fiscal year-to-date collections.

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

- 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.
- 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. Estimated premiums of $19 million were billed to 24,000 employers the weekend of March 19th. As of April 8th, coverage remained in a lapsed status for over 17,000 private employers who owe an estimated $10.2 million in premiums. Accounts remaining unpaid will be certified to the Ohio Attorney General's Office for collection on April 25th.

Net Assets



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

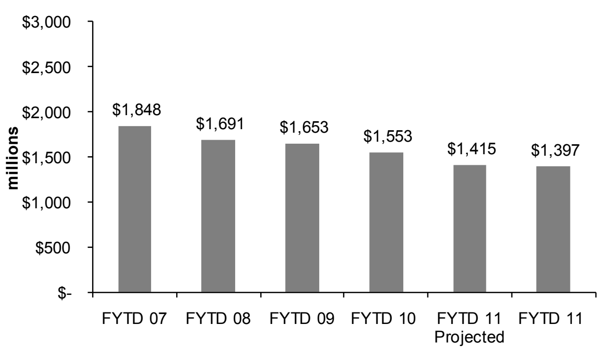
Statement of Operations

Fiscal year to date March 31, 2011

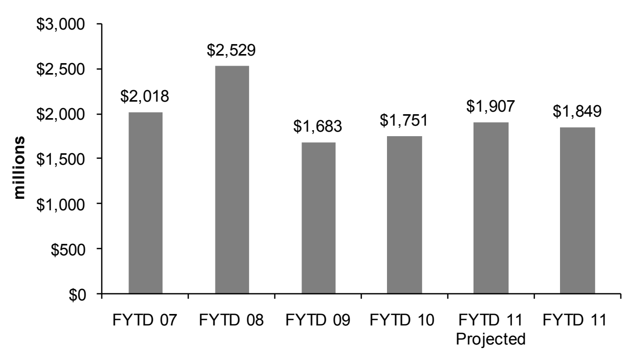
(in millions)

	Actual	Projected	Variance to Projected	Prior Yr. Actual	Year to Year Increase (Decrease)
Operating Revenues					
Premium & Assessment Income	$ 1,435	$ 1,446	$(11)	$ 1,551	(116)
Ceded Premiums	(4)	(4)	–	–	(4)
Provision for Uncollectibles	(48)	(39)	(9)	(12)	(36)
Other Income	14	12	2	14	–
Total Operating Revenue	1,397	1,415	(18)	1,553	(156)
Operating Expenses					
Benefits & Compensation Adj. Expense	1,761	1,809	48	1,686	75
Other Expenses	88	98	10	65	23
Total Operating Expenses	1,849	1,907	58	1,751	98
Operating Transfers	(5)	(3)	(2)	(3)	(2)
Net Operating Gain (Loss)	(457)	(495)	38	(201)	(256)
Net Investment Income (Loss)	1,919	730	1,189	1,993	(74)
Increase (Decrease) in Net Assets	$ 1,462	$235	$1,227	$ 1,792	$(330)

Operating Revenues



Operating Expenses



Statement of Operations – Combining Schedule

Fiscal year to date March 31, 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	$1,124,324	$66,035	$2,433	$346	$360	$19,914	$221,915	$1,435,327
Ceded Premiums	(4,169)	–	–	–	–	–	–	(4,169)
Provision for Uncollectibles	(43,780)	(868)	(114)	–	(1)	(414)	(3,252)	(48,429)
Other Income	8,240	–	–	–	–	–	5,747	13,987
Total Operating Revenues	1,084,615	65,167	2,319	346	359	19,500	224,410	1,396,716
Operating Expenses:								
Benefits & Compensation Adj Expenses	1,525,547	64,076	(2,031)	75	(50)	18,979	154,267	1,760,863
Other Expenses	15,086	185	197	–	83	–	72,157	87,708
Total Operating Expenses	1,540,633	64,261	(1,834)	75	33	18,979	226,424	1,848,571
Net Operating Income (Loss) before Operating Transfers Out	(456,018)	906	4,153	271	326	521	(2,014)	(451,855)
Operating Transfers Out	–	–	(4,425)	–	–	–	(425)	(4,850)
Net Operating Income (Loss)	(456,018)	906	(272)	271	326	521	(2,439)	(456,705)
Investment Income:								
Investment Income	492,189	29,740	6,636	490	368	26	4,106	533,555
Net Realized Gains (Losses)	92,700	94,615	22,040	–	–	–	–	209,355
Net Unrealized Gains (Losses)	1,190,942	(1,628)	(7,765)	(98)	(74)	–	–	1,181,377
Total Realized & Unrealized Capital Gains (Losses)	1,283,642	92,987	14,275	(98)	(74)	–	–	1,390,732
Investment Manager & Operational Fees	(5,443)	(202)	(42)	(7)	(6)	(1)	–	(5,701)
Gain (Loss) on Disposal of Fixed Assets	–	–	–	–	–	–	(33)	(33)
Total Non–Operating Revenues, Net	1,770,388	122,525	20,869	385	288	25	4,073	1,918,553
Increase (Decrease) in Net Assets (Deficit)	1,314,370	123,431	20,597	656	614	546	1,634	1,461,848
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	$4,619,916	$1,168,066	$213,894	$23,224	$17,012	$7,571	$(762,756)	$5,286,927

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.

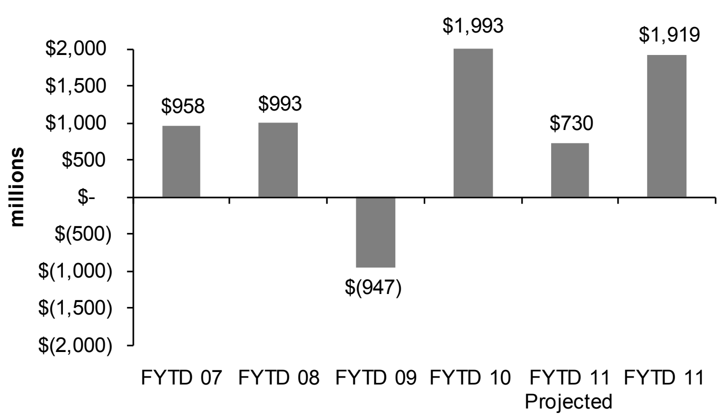
Statement of Investment Income

Fiscal year to date March 31, 2011

(in thousands)

	Actual	Projected	Variance to Projected	Prior Yr. Actual	Year to Year Increase (Decrease)
Investment Income					
Bond Interest	$468,985	$503,910	$(34,925)	$473,396	$(4,411)
Dividend Income–Domestic & International	63,710	64,696	(986)	61,398	2,312
Money Market/Commercial Paper Income	211	1,179	(968)	1,039	(828)
Misc. Income (Corp Actions, Settlements)	649	3,600	(2,951)	2,600	(1,951)
Total Investment Income	533,555	573,385	(39,830)	538,433	(4,878)
Realized & Unrealized Capital Gains and (Losses)					
Bonds – Net Realized Gains (Losses)	162,180	–	162,180	75,732	86,448
Stocks – Net Realized Gains (Losses)	53,582	–	53,582	(586,326)	639,908
Non –U.S. Equities – Net Realized Gains (Losses)	(6,407)	–	(6,407)	(21,368)	14,961
Subtotal – Net Realized Gains (Losses)	209,355	–	209,355	(531,962)	741,317
Bonds – Net Unrealized Gains (Losses)	(335,072)	162,204	(497,276)	342,132	(677,204)
Stocks – Net Unrealized Gains (Losses)	1,045,701	–	1,045,701	1,537,585	(491,884)
Non –U.S. Equities – Net Unrealized Gains (Losses)	470,748	–	470,748	111,849	358,899
Subtotal – Net Unrealized Gains (Losses)	1,181,377	162,204	1,019,173	1,991,566	(810,189)
Change in Portfolio Value	1,390,732	162,204	1,228,528	1,459,604	(68,872)
Investment Manager & Operational Fees	(5,701)	(5,701)	–	(5,194)	507
Net Investment Income (Loss)	$1,918,586	$729,888	$1,188,698	$1,992,843	$(74,257)

Net Investment Income



Administrative Cost Fund Expense Analysis

March 2011

- o BWC Administrative Cost Fund expenses through fiscal year to date (FYTD) March 2011 are approximately $12 million (5.8%) less than budgeted and 2.9% less than last fiscal year to date.

- o Decreases in payroll through FYTD March 2011 are a result of decreases in staffing due to retirements and hiring controls. As of March 2011, there were approximately 180 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 March 2011 journal entries BWC staff have taken 153,000 (91%) of the available 168,000 hours of cost savings days for a savings of approximately $4.6 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 March. 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. 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 March 31, 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	575,019	575,019	0	0.00%	802,254	758,005	(182,986)	-24.14%
BWC Administration	13	1,064,025	1,064,261	236	0.02%	1,385,602	1,054,591	9,434	0.89%
Customer Service	1,307	78,236,734	78,214,568	(22,166)	-0.03%	101,389,512	81,503,104	(3,266,370)	-4.01%
Medical	114	7,416,985	7,416,985	0	0.00%	9,689,105	8,297,093	(880,108)	-10.61%
Special Investigations	117	7,797,936	7,789,581	(8,355)	-0.11%	10,104,107	7,909,300	(111,364)	-1.41%
Fiscal and Planning	102	5,636,151	5,620,535	(15,616)	-0.28%	7,376,582	3,800,290	1,835,861	48.31%
Actuarial	21	1,468,881	1,469,838	957	0.07%	1,947,450	1,579,534	(110,653)	-7.01%
Investments	10	907,749	907,749	0	0.00%	1,193,627	953,912	(46,163)	-4.84%
Information Technology	227	18,785,990	18,832,433	46,443	0.25%	24,679,522	21,628,760	(2,842,770)	-13.14%
Legal	76	5,154,357	5,154,705	348	0.01%	6,831,692	5,122,136	32,221	0.63%
Communications	17	1,085,300	1,085,751	451	0.04%	1,376,428	1,237,809	(152,509)	-12.32%
Human Resources	64	3,852,358	3,852,128	(230)	-0.01%	5,088,719	3,826,242	26,116	0.68%
Internal Audit	13	930,203	930,095	(108)	-0.01%	1,222,336	983,051	(52,848)	-5.38%
Ombuds Office	7	396,247	396,247	0	0.00%	517,721	390,844	5,403	1.38%
Total Payroll	2,100	133,307,935	133,309,895	1,960	0.00%	173,604,657	139,044,671	(5,736,736)	-4.13%
Personal Services									
Information Technology		4,245,904	5,850,232	1,604,328	27.42%	7,577,312	4,489,549	(243,645)	-5.43%
Legal - Special Counsel		704,709	802,401	97,692	12.17%	1,066,636	541,483	163,226	30.14%
Legal - Attorney General		3,684,671	3,466,387	(218,284)	-6.30%	4,621,850	3,872,380	(187,709)	-4.85%
Other Personal Services		4,255,485	6,012,365	1,756,880	29.22%	7,411,708	4,202,804	52,681	1.25%
Total Personal Services		12,890,769	16,131,385	3,240,616	20.09%	20,677,506	13,106,216	(215,447)	-1.64%
Maintenance									
William Green Rent		18,984,377	19,049,395	65,018	0.34%	19,049,395	19,809,377	(825,000)	-4.16%
Other Rent and Leases		7,253,370	7,596,000	342,630	4.51%	9,607,149	7,500,472	(247,102)	-3.29%
Software and Equipment Maintenance and Repairs		10,560,542	12,487,384	1,926,842	15.43%	14,626,132	10,804,182	(243,640)	-2.26%
Inter Agency Payments		3,752,398	3,357,969	(394,429)	-11.75%	4,735,543	3,493,487	258,911	7.41%
Communications		2,150,267	3,144,725	994,458	31.62%	4,065,198	2,275,171	(124,904)	-5.49%
Safety Grants and Long Term Care Loan		2,469,713	2,995,000	525,287	17.54%	4,000,000	1,360,649	1,109,064	81.51%
Supplies and Printing		801,114	1,023,264	222,150	21.71%	1,386,534	763,559	37,555	4.92%
Other Maintenance		1,997,632	2,616,638	619,006	23.66%	3,513,404	2,180,751	(183,119)	-8.40%
Total Maintenance		47,969,413	52,270,375	4,300,962	8.23%	60,983,355	48,187,648	(218,235)	-0.45%
Equipment		2,176,516	6,860,967	4,684,451	68.28%	8,010,472	1,858,658	317,858	17.10%
Total Administrative Cost Fund Expenses		196,344,633	208,572,622	12,227,989	5.86%	263,275,990	202,197,193	(5,852,560)	-2.89%

Total Agency Appropriation	328,602,765
Budget to Appropriation Variance	65,326,775
Percentage Variance	19.88%

State Insurance Fund
Administrative Expense Summary

As of March 31, 2011

	Actual FYTD 2011	Encumbrance Balance	FYTD Actual & Encumbrance	Actual FYTD 2010
Investment Administrative Expenses				
JP Morgan Chase - Performance Reporting	$83,875	$18,793	$102,668	$56,167
Mercer Investment Consulting	408,333	170,248	578,581	366,249
R V Kuhns & Associates Investment Consulting	0	134,500	134,500	0
Other Investment Expenses	307,785	103,264	411,049	307,669
	799,993	426,805	1,226,798	730,085
Actuarial Expenses				
Oliver Wyman - Actuarial Services	0	0	0	583,051
Deloitte Consulting - Actuarial Services	1,169,456	1,185,396	2,354,852	670,257
	1,169,456	1,185,396	2,354,852	1,253,308
Reinsurance Expenses				
Towers Watson	4,578,357	0	4,578,357	0
Ohio Rehabilitation Services	605,407	0	605,407	605,407
TOTAL	$7,153,213	$1,612,201	$8,765,414	$2,588,800

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 March 31, 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	425,000	425,000	Administrative Cost Fund
TOTAL	$ 4,850,000	$2,641,575	

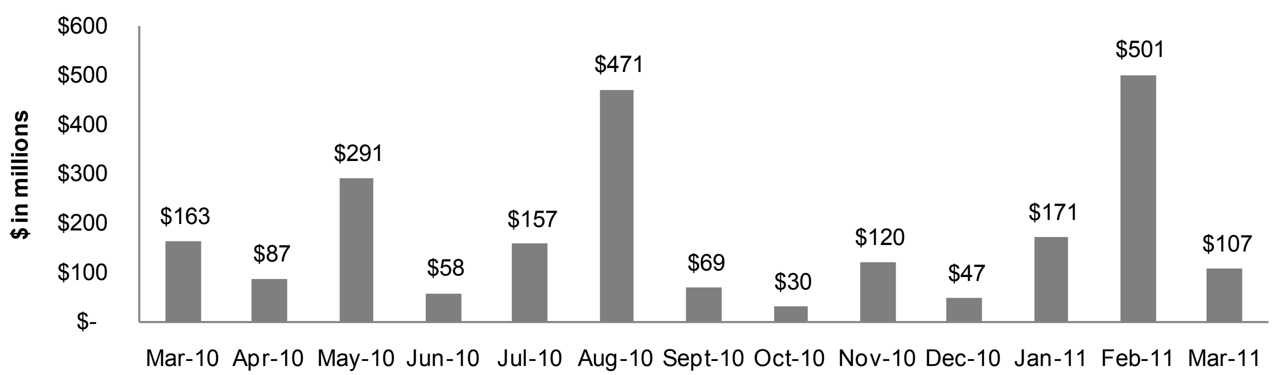
Statement of Cash Flows

Fiscal year to date March 31, 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	$1,673	$1,626	$47	$1,762	$(89)
Cash Receipts – Other	26	24	2	43	(17)
Cash Disbursements for Claims	(1,515)	(1,574)	59	(1,522)	7
Cash Disbursements for Other	(276)	(311)	35	(302)	26
Net Cash Provided (Used) by Operating Activities	(92)	(235)	143	(19)	(73)
Net Cash Flows from Noncapital Financing Activities	(5)	(3)	(2)	(3)	(2)
Net Cash Flows from Capital and Related Financing Activities	(23)	(19)	(4)	(22)	(1)
Net Cash Provided (Used) by Investing Activities	119	60	59	454	(335)
Net Increase (Decrease) in Cash and Cash Equivalents	(1)	(197)	196	410	(411)
Cash and Cash Equivalents, Beginning of Period	436	436	–	504	(68)
Cash and Cash Equivalents, End of Period	$435	$239	$196	$914	$(479)

Premium and Assessment Receipts



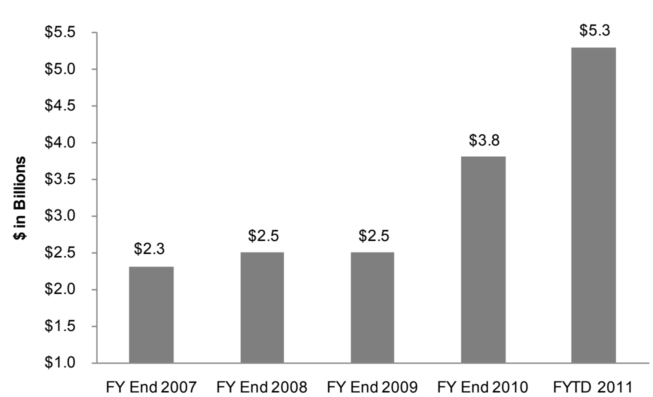
Statement of Net Assets

As of March 31, 2011

(in millions)	Actual	Prior Yr. Actual	Year to Year Increase (Decrease)
Assets			
Bonds	$13,523	$12,688	$835
U.S. Equities	4,651	4,111	540
Non-U.S. Equities	2,120	1,724	396
Cash & Cash Equivalents	435	914	(479)
Total Cash and Investments	20,729	19,437	1,292
Accrued Premiums	4,230	4,220	10
Other Accounts Receivable	315	340	(25)
Investment Receivables	241	270	(29)
Other Assets	99	101	(2)
Total Assets	25,614	24,368	1,246
Liabilities			
Reserve for Compensation and Compensation Adj. Expense	$19,985	$19,299	$686
Accounts Payable	29	36	(7)
Investment Payable	148	556	(408)
Other Liabilities	165	170	(5)
Total Liabilities	20,327	20,061	266
Net Assets	$ 5,287	$ 4,307	$980

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 March 31, 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	$12,353,169	$ 905,247	$ 220,081	$ 25,409	$ 19,158	$ –	$ –	$ –	$13,523,064
U.S. Equities	4,306,372	304,023	40,137	–	–	–	–	–	4,650,532
Non–U.S. Equities	1,948,355	149,418	22,622	–	–	–	–	–	2,120,395
Private Equities	35	–	–	–	–	–	–	–	35
Cash & Cash Equivalents	374,435	538	202	165	207	52,384	7,176	–	435,107
Total Cash & Investments	18,982,366	1,359,226	283,042	25,574	19,365	52,384	7,176	–	20,729,133
Accrued Premiums	1,424,794	1,772,715	–	520	–	855,681	175,897	–	4,229,607
Other Accounts Receivable	239,315	20,958	58	–	1	887	53,835	–	315,054
Interfund Receivables	17,332	60,512	1,171	–	48	2,908	131,449	(213,420)	–
Investment Receivables	241,307	–	–	–	–	–	–	–	241,307
Other Assets	25,315	22	–	–	–	–	73,232	–	98,569
Total Assets	$20,930,429	$ 3,213,433	$ 284,271	$ 26,094	$ 19,414	$ 911,860	$ 441,589	$ (213,420)	$25,613,670
Liabilities									
*Reserve for Compensation & Compensation Adj. Expense	$15,854,172	$ 2,029,653	$ 69,547	$ 2,855	$ 2,256	$ 901,853	$1,124,372	$ –	19,984,708
Accounts Payable	24,514	–	–	–	–	–	4,996	–	29,510
Investment Payable	147,800	–	–	–	–	–	–	–	147,800
Interfund Payables	195,194	15,647	120	12	11	2,436	–	(213,420)	–
Other Liabilities	88,833	67	710	3	135	–	74,977	–	164,725
Total Liabilities	16,310,513	2,045,367	70,377	2,870	2,402	904,289	1,204,345	(213,420)	20,326,743
Net Assets	$ 4,619,916	$ 1,168,066	$ 213,894	$ 23,224	$ 17,012	$ 7,571	$ (762,756)	$ –	$ 5,286,927

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

(in thousands)

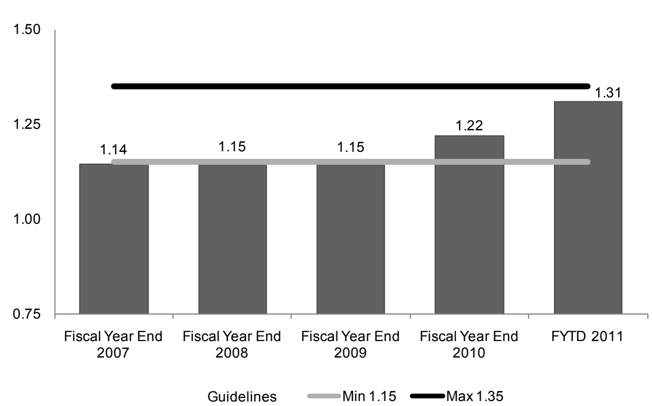
SIF	$25,031,250
DWRF	3,495,250
CWPF	176,775
PWRE	4,600
MIF	3,450
SIEGF	1,972,575
ACF	1,803,050
Total	$32,486,950

Financial Performance Metrics

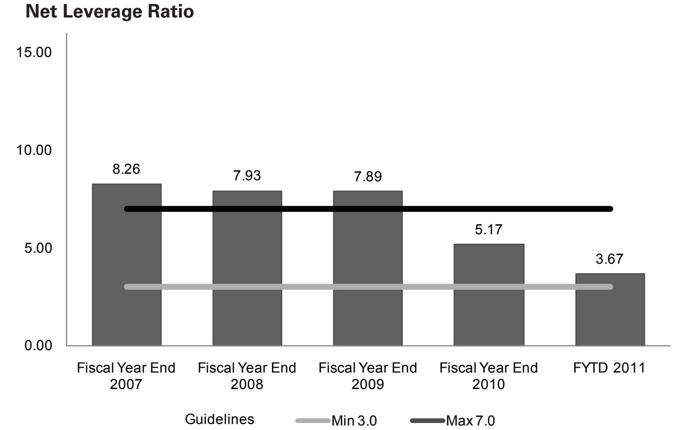
	Actual FY11 As of 3/31/11	Projected FY11 As of 3/31/11	Actual FY10 As of 3/31/10	Guidelines
Funding Ratio (State Insurance Fund)	**1.31**	**1.23**	**1.26**	**1.15 to 1.35**
Net Leverage Ratio (SIF)	**3.67**	**4.84**	**4.34**	**3.0 to 7.0**
Loss Ratio	102.6%	104.3%	89.5%	
LAE Ratio - MCO	9.4%	9.1%	7.9%	
LAE Ratio - BWC	10.7%	11.7%	11.3%	
Net Loss Ratio	122.7%	125.1%	108.7%	**102.5%**
Expense Ratio	6.1%	6.8%	4.2%	**7.5%**
Combined Ratio	128.8%	131.9%	112.9%	**110.0%**
Net Investment Income Ratio	36.8%	39.3%	34.4%	
Operating Ratio (Trade Ratio)	92.0%	92.6%	78.5%	**90.0%**

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

Funding Ratio



Net Leverage Ratio



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.

Expense Ratio
Measures operational efficiency – Other administrative expenses divided by premium and assessment income.

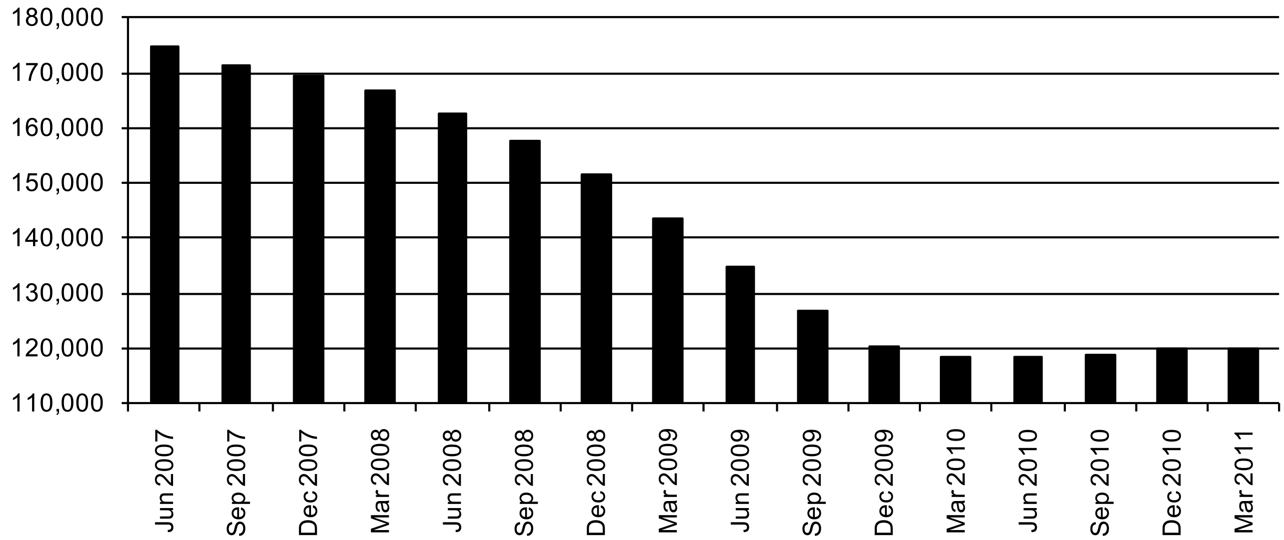
Combined Ratio
Measures overall underwriting profitability – Sum of net loss and expense ratios.

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.

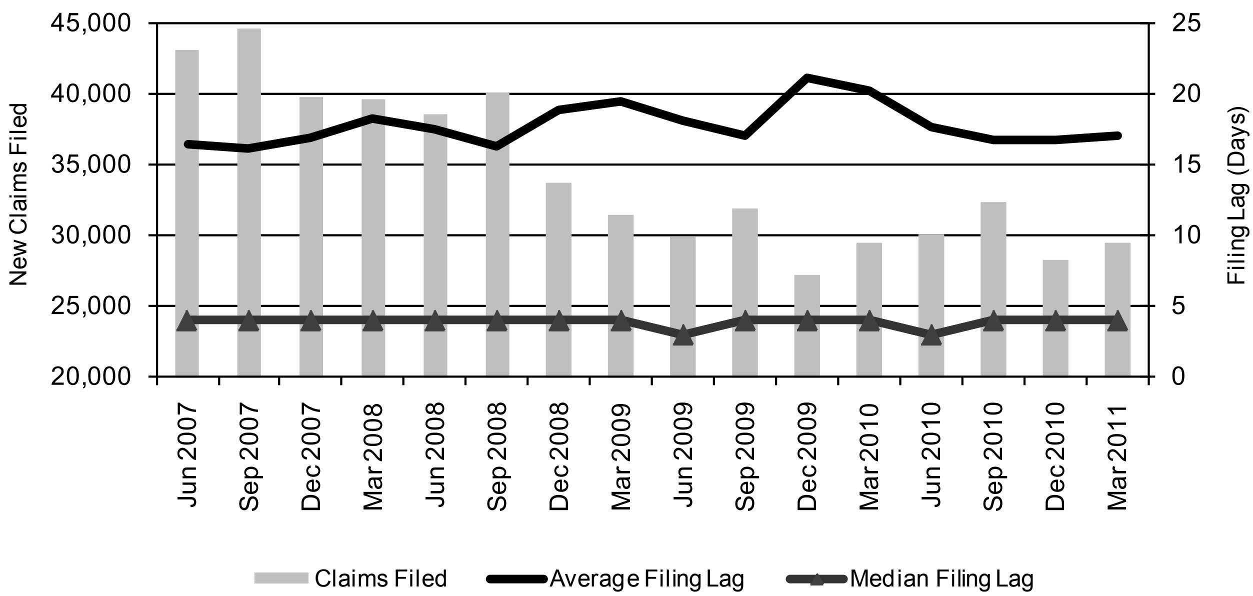
Operational Performance Metrics

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 June 30, 2007 through the twelve months ended December 31, 2009 (from 174,761 new claims to 120,279 new claims). The trend has been relatively flat over the past five measurement periods with 120,106 new claims filed in the twelve months ended March 31, 2011.

Claim Filing Lag - *Reported quarterly*

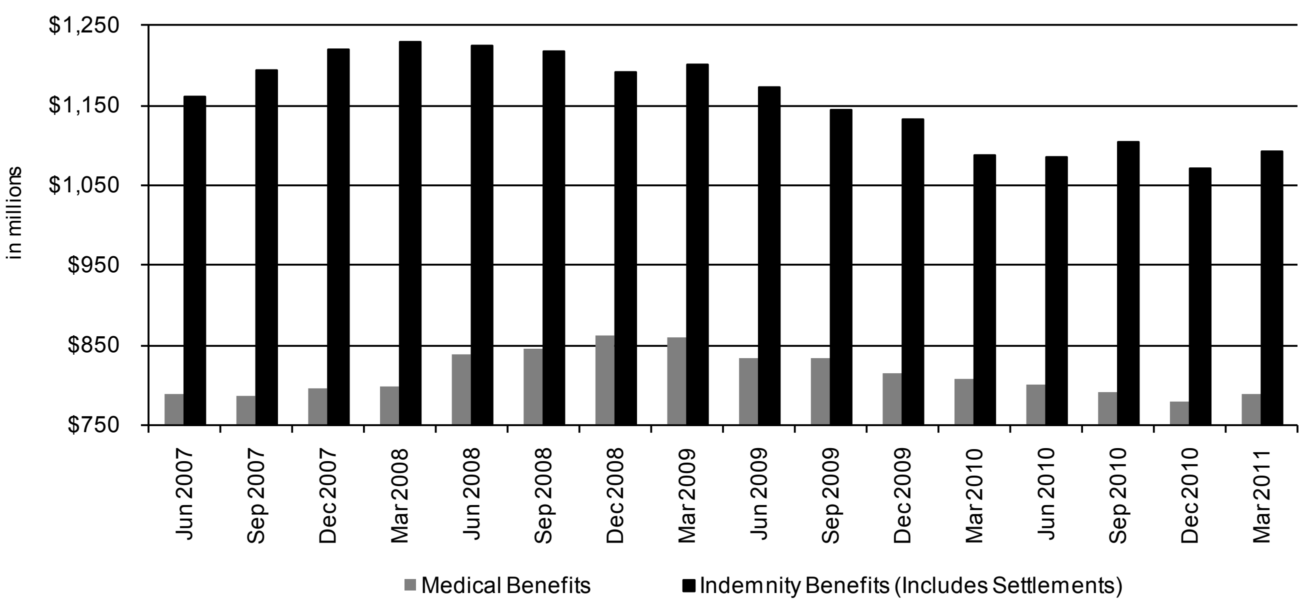


Claim Filing Lag measures the average and median number of days from the date of injury to the date of claim filing. Average claim filing lag has varied from 16.19 days to 21.16 days from the quarter ended June 30, 2007 through the quarter ended March 31, 2011. The median claim filing lag has varied 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 29,501 in the quarter ended March 31, 2011.

Frequency - *Reported semi-annually*

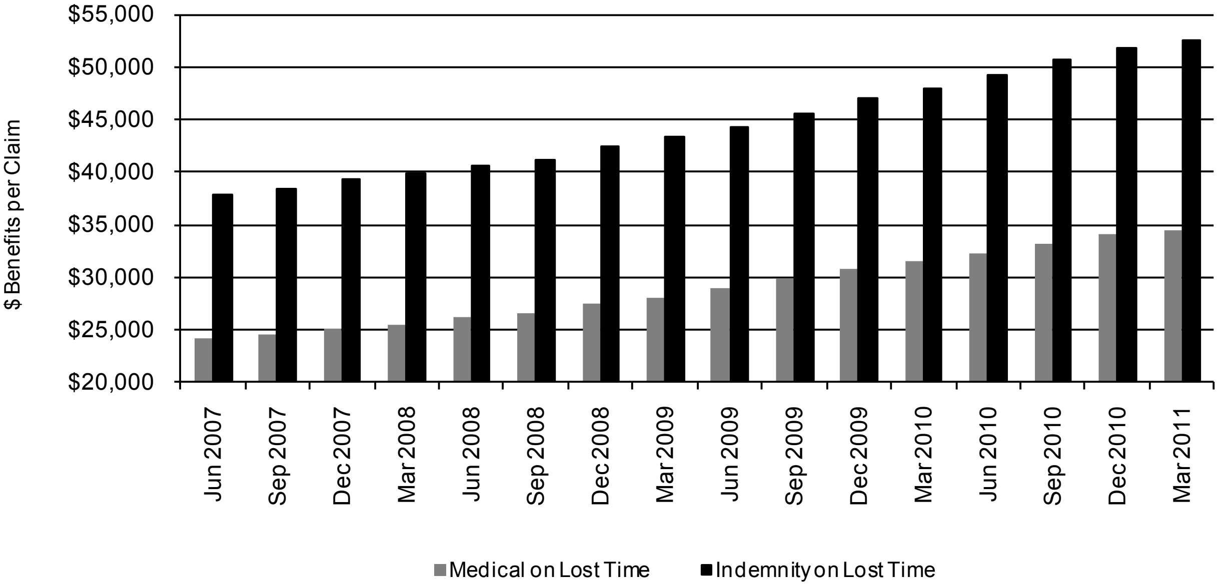
Frequency measures the number of injuries reported per 100 workers covered by the State Insurance Fund updated semi-annually. The US Bureau of Labor Statistics figure decreased from 5.3 injuries per 100 workers in 2002 to 3.6 injuries per 100 workers in 2009. The BWC figure decreased from 6.52 injuries 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*



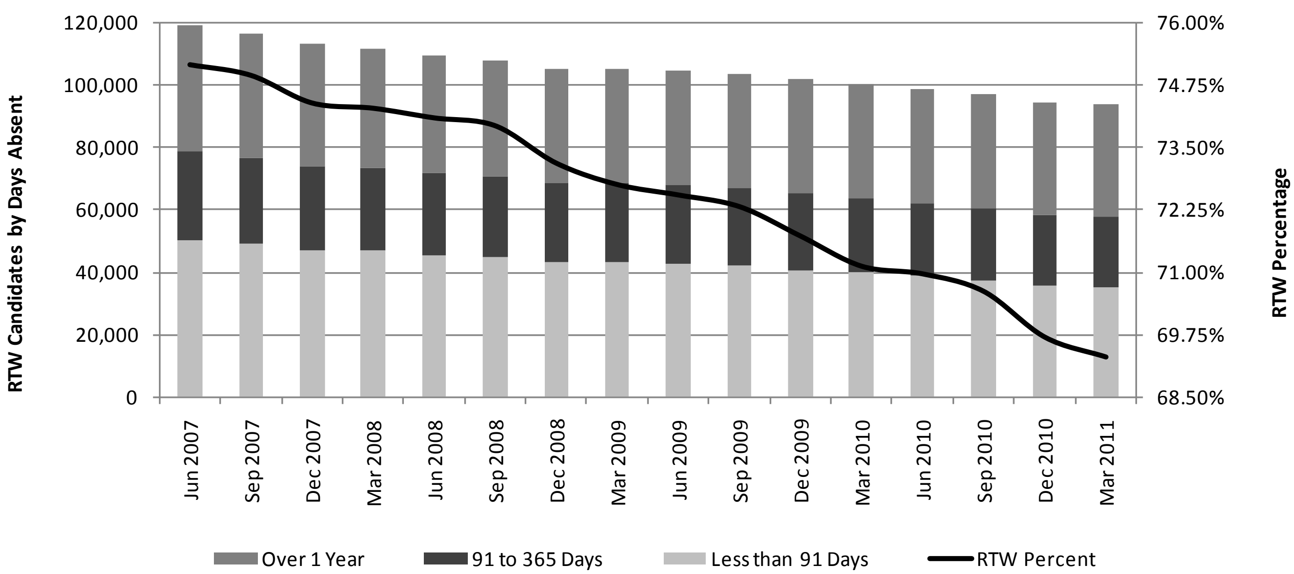
Benefit Payments measures the dollar amount of medical and indemnity payments for rolling twelve month periods updated quarterly. Indemnity payments include settlements and peaked at $1.230 billion in the twelve months ended March 31, 2008 and have trended down to $1.093 billion in the twelve months ended March 31, 2011. Medical payments peaked at $863 million in the twelve months ended December 31, 2008 and have decreased to $788 million in the twelve months ended March 31, 2011.

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%. Quarters prior to December 2010 have been re-stated to present accurate quarter to quarter comparisons. Average medical expenses per active lost time claim have increased from $24,271 as of June 30, 2007 to $34,524 as of March 31, 2011. Average indemnity expenses per active lost time claim have increased from $37,949 to $52,459 over the same period. Medical expenses on Medical Only claims (not reflected in chart) have increased from $942 to $1,147 during this period.

Return to Work - *Reported quarterly*



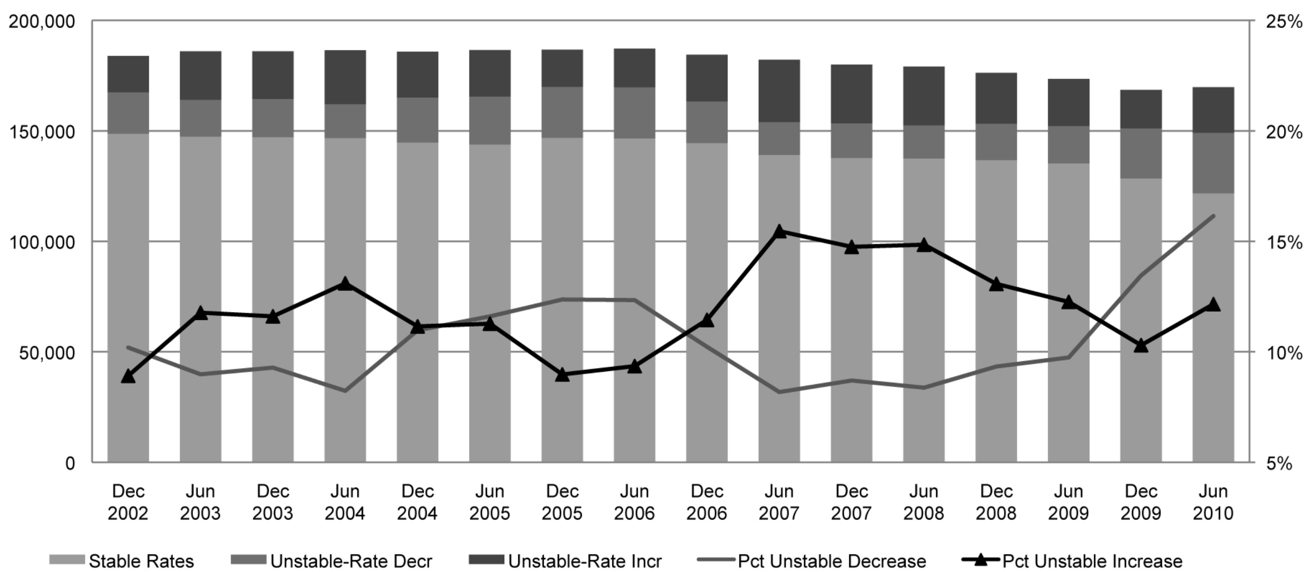
Return to Work (RTW) measures the percentage of injured workers with active claims who have returned to work relative to the claim population that has received temporary income replacement benefits. Data prior to December 31, 2010 has been re-stated to present accurate quarter to quarter comparisons based on the new definition of active claims. The total number of active claims receiving temporary income replacement benefits has dropped from 119,177 as of June 30, 2007 to 93,849 as of March 31, 2011. The RTW rate has dropped from 75.2% to 69.3% 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 rolling twelve month periods, 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 April 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.
- The following amendments were adopted in the Senate Insurance Committee:
  - **Exemptions to 1 year-** timeline for submitting medical bills does not apply to requests made by Medicare/Medicaid and includes other exemptions that shall be addressed by rule
  - **Coal Workers' Fund-** reduces funding from the Coal Workers' Fund that was included for a medical study of the causes and effects of black lung disease
  - **Self-Insurance for public employers-** public employers must meet criteria established in rules in order for the Administrator to consider using his discretion to waive criteria established for self-insurance
  - **Inclusion of SB 20 -** prevents public officials who are convicted of crimes in office from receiving state disability benefits for alleged disabilities relating to the criminal conduct involved.
- Amended and Reported out of Senate Insurance- April 5, 2011 (10-1)
- Passed the Senate April 6, 2011 (28-4)
- Concurrence – April 13, 2011 (94-3)
- Signed by Governor Kasich April 25, 2011

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 three hearings in the Senate Health, Human Services and Aging Committee

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

SB 139 (Hughes) and Senate Bill 186 (R. Adams) - Professional Employer Organization (PEO) Law

- To establish certain financial capacity requirements for professional employer organizations, clarify rights and liabilities of professional employer organizations and client employers, and make other changes to the professional employer organization law.
- SB 139 introduced 3.31.11 and is pending in the Senate Insurance, Commerce and Labor Committee
- HB 186 introduced 4.5.11 and is pending in the House Commerce and Labor Committee