

Board Agenda
Thursday, May 26, 2011
William Green Building
Level 2, Room 3
8:30 a.m. – 8:45 a.m.

Call to Order

Nicholas Zuk, Board Chair

Roll Call

Jill Whitworth, Scribe

Nicholas Zuk, Board Chair

- Approval of minutes of the April 29, 2011 Board meeting
 - Review meeting agenda
-

Committee Reports

Governance Committee

Larry Price, Committee Chair

1. Review and Approve FY 2011 Board Self-assessment materials
 2. Revise Governance Guidelines
-

Adjourn

Nicholas Zuk, Board Chair

Next Meeting: Friday, May 27, 2011

Board Agenda
Friday, May 27, 2011
William Green Building
Level 2, Room 3
8:00 a.m. – 9:30 a.m.

Call to Order

Nicholas Zuk, Board Chair

Roll Call

Larry Rhodebeck, Scribe

Nicholas Zuk, Board Chair

- Approval of minutes of the May 26, 2011 Board meeting
 - Review meeting agenda
-

Committee Reports

Actuarial Committee

Steve Lehecka, Committee Chair

1. Private Employer Rate Change Recommendation, Base Rates and Expected Loss Rates – Rules 4123-17-05 and 4123-17-06
2. Public Employer State Agency Rate Change Recommendation
3. Marine Industry Fund - Rule 4123-17-1
4. Disabled Workers' Relief Fund and Additional Disabled Workers' Relief Fund - Rule 4123-17-29
5. Coal-Workers' Pneumoconiosis Fund - Rule 4123-17-20

Audit Committee

Ken Haffey, Committee Chair

1. FY 2012 Administrative Budget
2. Internal Audit Division Charter

Investment Committee

Bob Smith, Committee Chair

Medical Services and Safety Committee

James Hummel, Committee Chair

1. Outpatient Medication Formulary Rule 4123-6-21.3

Monthly Enterprise Report

Tracy Valentino, Chief, Fiscal & Planning Division

Administrator's Report

Steve Buehrer, Administrator

Adjourn

Nicholas Zuk, Board Chair

Next Meeting: Thursday, June 16, 2011

Enterprise Report

May 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.*

April Financial Analysis

BWC's net assets increased by \$491 million in April resulting in net assets of \$5.8 billion at April 30, 2011 compared to \$5.3 billion at March 31, 2011.

<i>(\$ in millions)</i>	Month Ended April 30, 2011	Month Ended March 31, 2011	Month Ended April 30, 2010
Operating Revenues	\$146	\$144	\$158
Operating Expenses	(191)	(220)	(222)
Operating Transfers	(1)	-	(1)
Net Operating Gain (Loss)	(46)	(76)	(65)
Net Investment Income (Loss)	537	42	400
Increase (Decrease) in Net Assets	491	(34)	335
Net Assets End of Period	\$5,778	\$5,287	\$4,642

- o Premium and assessment income net of the provision for uncollectible accounts receivable and ceded reinsurance premiums resulted in operating revenues of \$146 million in April. The accrual of ceded reinsurance premiums is netted against earned premiums in the Statement of Operations.
- o Benefits and compensation adjustment expenses of \$182 million along with other expenses of \$9 million resulted in operating expenses of \$191 million in April.

<i>(\$ in millions)</i>	Month Ended April 30, 2011	Month Ended March 31, 2011	Increase (Decrease)
Change in Reserves	\$20	\$6	\$14
Net Benefit Payments	135	175	(40)
Payments for Comp Adjust Expenses	14	16	(2)
MCO Admin Payments	13	12	1
Other expenses	9	11	(2)
	\$191	\$220	\$(29)

- o March expenses were impacted by adjustments resulting from Deloitte's quarterly review of the projected reserves for compensation and compensation adjustment expenses. The decrease was 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.
- o Lower benefit payments issued in April are primarily a result of an additional bi-weekly payment cycle occurring in March. Medical payments decreased by \$7.5 million from \$71.6 million in March to \$64.1 million in April. March payments were the fourth highest monthly total for medical in the past two years.
- o A \$473 million increase in the fair value of the investment portfolio in April along with interest and dividend income of \$64 million for the month, resulted in net investment income of \$537 million for the month after investment expenses of \$0.7 million. The increase in the fair value of the portfolio is comprised of \$7 million in net realized gains and \$466 million in net unrealized gains.
- o Cash and cash equivalents include \$118 million in money market holdings in the outside investment manager accounts. These funds are committed to covering a \$50 million net investment trade payable for transactions that will settle in May.
- o Premium and assessment receipts of \$101 million were collected in April compared to \$87 million in April 2010. This increase is primarily a result of payments made by public employer taxing districts for the annual retrospective rating plan billings. Public employer taxing district payments of \$29.3 million were made in April 2011 compared to \$8.8 million in April 2010.
- o A transfer of \$695,000 was made from the Coal Workers' Pneumoconiosis Fund to Ohio Department of Natural Resources Mine Safety Fund.

Fiscal Year-to-Year Comparisons

BWC's total net assets have increased by almost \$2.0 billion for fiscal year-to-date 2011 resulting in net assets of \$5.8 billion at April 30, 2011 compared to \$4.6 billion at April 30, 2010.

(\$ in millions)	Fiscal YTD April 30, 2011	Projected FYTD April 30, 2011	Fiscal YTD April 30, 2010
Operating Revenues	\$1,542	\$1,560	\$1,712
Operating Expenses	(2,039)	(2,126)	(1,973)
Operating Transfers	(6)	(4)	(4)
Net Operating Gain (Loss)	(503)	(570)	(265)
Net Investment Income (Loss)	2,456	807	2,392
Increase (Decrease) in Net Assets	1,953	237	2,127
Net Assets End of Period	\$5,778	\$4,062	\$4,642

- o BWC's premium and assessment income for fiscal year-to-date 2011 is \$1.6 billion compared to \$1.7 billion for fiscal year-to-date 2010 reflecting decreased 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 \$43 million for fiscal year-to-date 2011 compared to prior fiscal year-to-date expenses.

(\$ in millions)	Fiscal YTD April 30, 2011	Fiscal YTD April 30, 2010	Increase (Decrease)
Change in Reserves	\$200	\$59	\$141
Net Benefit Payments	1,450	1,513	(63)
Payments for Comp Adjust Expenses	155	193	(38)
MCO Admin Payments	138	135	3
	\$1,943	\$1,900	\$43

- o Declines of \$31 million in settlements and \$6 million in medical benefits have contributed to lower net benefit payments for fiscal year-to-date 2011.
- o BWC's net investment income for fiscal year-to-date 2011 totaled \$2,456 million comprised primarily of \$1,648 million in net unrealized gains and \$216 million in net realized gains, along with \$598 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 \$2,392 million.
- o Declines in private employer and public employer taxing district premium rates have contributed to premium collections being \$75 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 May 6th, coverage remained in a lapsed status for 12,173 private employers who owe an estimated \$6 million in premiums.
- o Public employer taxing districts had until May 15th to report payroll and pay at least 45% of the premium due for the 2010 policy year. As of May 6th, 75% of the public employer taxing districts had filed their report compared to 74% at this same time last year.

Net Assets



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

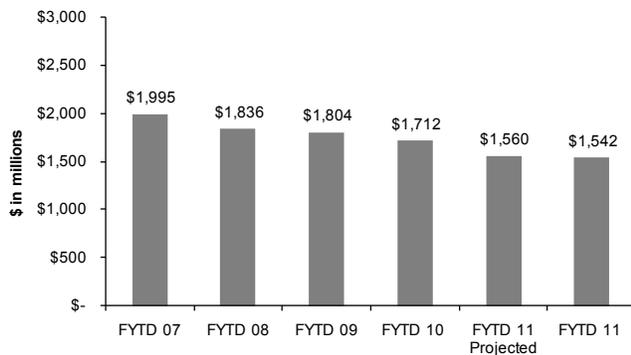
Statement of Operations

Fiscal year to date April 30, 2011

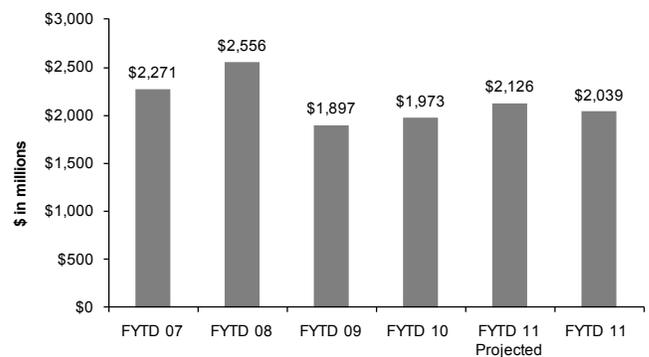
(in millions)

	Actual	Projected	Variance to Projected	Prior Yr. Actual	Year to Year Increase (Decrease)
Operating Revenues					
Premium & Assessment Income	\$ 1,585	\$ 1,602	\$(17)	\$ 1,713	(128)
Ceded Premiums	(5)	(5)	-	-	(5)
Provision for Uncollectibles	(53)	(51)	(2)	(15)	(38)
Other Income	15	14	1	14	1
Total Operating Revenue	1,542	1,560	(18)	1,712	(170)
Operating Expenses					
Benefits & Compensation Adj. Expense	1,943	2,017	74	1,900	43
Other Expenses	96	109	13	73	23
Total Operating Expenses	2,039	2,126	87	1,973	66
Operating Transfers	(6)	(4)	(2)	(4)	(2)
Net Operating Gain (Loss)	(503)	(570)	67	(265)	(238)
Net Investment Income (Loss)	2,456	807	1,649	2,392	64
Increase (Decrease) in Net Assets	\$ 1,953	\$237	\$1,716	\$ 2,127	\$(174)

Operating Revenues



Operating Expenses



Statement of Operations – Combining Schedule

Fiscal year to date April 30, 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	\$1,242,676	\$72,816	\$2,432	\$389	\$389	\$22,433	\$244,168	\$1,585,303
Ceded Premiums	(4,957)	-	-	-	-	-	-	(4,957)
Provision for Uncollectibles	(45,453)	(2,245)	(147)	-	-	(830)	(4,036)	(52,711)
Other Income	8,688	-	-	-	-	-	6,043	14,731
Total Operating Revenues	1,200,954	70,571	2,285	389	389	21,603	246,175	1,542,366
Operating Expenses:								
Benefits & Compensation Adj Expenses	1,683,895	70,148	(2,271)	94	(59)	21,498	169,702	1,943,007
Other Expenses	16,596	203	203	1	87	-	79,358	96,448
Total Operating Expenses	1,700,491	70,351	(2,068)	95	28	21,498	249,060	2,039,455
Net Operating Income (Loss) before Operating Transfers Out	(499,537)	220	4,353	294	361	105	(2,885)	(497,089)
Operating Transfers Out	-	-	(5,120)	-	-	-	(425)	(5,545)
Net Operating Income (Loss)	(499,537)	220	(767)	294	361	105	(3,310)	(502,634)
Investment Income:								
Investment Income	556,003	29,740	6,635	491	368	26	4,513	597,776
Net Realized Gains (Losses)	99,475	94,615	22,183	-	-	-	-	216,273
Net Unrealized Gains (Losses)	1,617,147	31,854	(1,500)	188	142	-	-	1,647,831
Total Realized & Unrealized Capital Gains (Losses)	1,716,622	126,469	20,683	188	142	-	-	1,864,104
Investment Manager & Operational Fees	(6,074)	(230)	(47)	(8)	(6)	(1)	-	(6,366)
Gain (Loss) on Disposal of Fixed Assets	-	-	-	-	-	-	(21)	(21)
Total Non-Operating Revenues, Net	2,266,551	155,979	27,271	671	504	25	4,492	2,455,493
Increase (Decrease) in Net Assets (Deficit)	1,767,014	156,199	26,504	965	865	130	1,182	1,952,859
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	\$5,072,560	\$1,200,834	\$219,801	\$23,533	\$17,263	\$7,155	\$(763,208)	\$5,777,938

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.

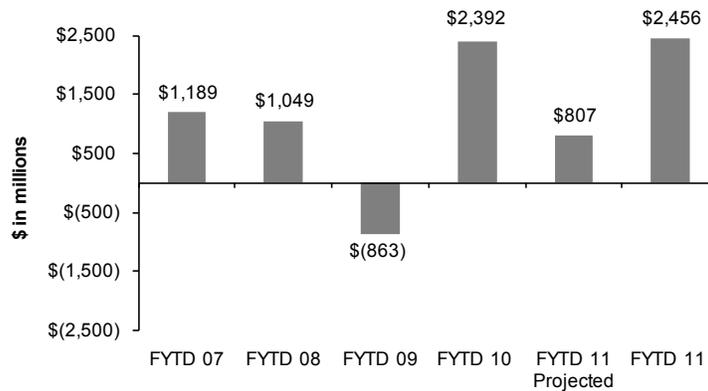
Statement of Investment Income

Fiscal year to date April 30, 2011

(in thousands)

	Actual	Projected	Variance to Projected	Prior Yr. Actual	Year to Year Increase (Decrease)
Investment Income					
Bond Interest	\$528,851	\$ 556,910	\$ (28,059)	\$522,736	\$6,115
Dividend Income—Domestic & International	68,063	69,052	(989)	65,440	2,623
Money Market/Commercial Paper Income	213	1,310	(1,097)	1,087	(874)
Misc. Income (Corp Actions, Settlements)	649	4,000	(3,351)	2,627	(1,978)
Total Investment Income	597,776	631,272	(33,496)	591,890	5,886
Realized & Unrealized Capital Gains and (Losses)					
Bonds – Net Realized Gains (Losses)	165,975	–	165,975	76,869	89,106
Stocks – Net Realized Gains (Losses)	56,705	–	56,705	(584,591)	641,296
Non –U.S. Equities – Net Realized Gains (Losses)	(6,407)	–	(6,407)	(21,368)	14,961
Subtotal – Net Realized Gains (Losses)	216,273	–	216,273	(529,090)	745,363
Bonds – Net Unrealized Gains (Losses)	(103,069)	181,668	(284,737)	619,313	(722,382)
Stocks – Net Unrealized Gains (Losses)	1,176,608	–	1,176,608	1,619,684	(443,076)
Non –U.S. Equities – Net Unrealized Gains (Losses)	574,292	–	574,292	96,421	477,871
Subtotal – Net Unrealized Gains (Losses)	1,647,831	181,668	1,466,163	2,335,418	(687,587)
Change in Portfolio Value	1,864,104	181,668	1,682,436	1,806,328	57,776
Investment Manager & Operational Fees	(6,366)	(6,408)	42	(5,941)	425
Net Investment Income (Loss)	\$ 2,455,514	\$ 806,532	\$ 1,648,982	\$2,392,277	\$63,237

Net Investment Income

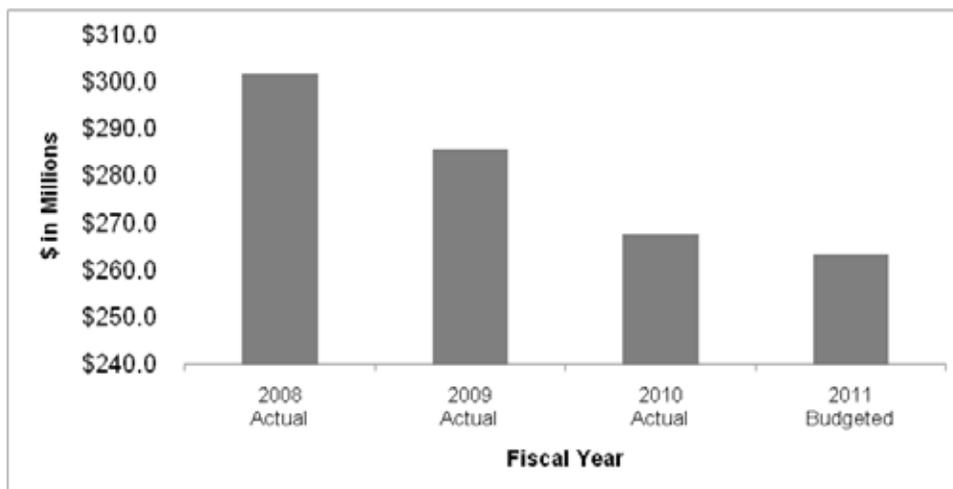


Administrative Cost Fund Expense Analysis

April 2011

- o BWC Administrative Cost Fund expenses through fiscal year to date (FYTD) April 2011 are approximately \$13 million (5.8%) less than budgeted and 3% less than last fiscal year to date.
- o Decreases in payroll through FYTD April 2011 are a result of decreases in staffing due to retirements and hiring controls. As of April 2011, there were approximately 200 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 April 2011 journal entries BWC staff have taken 159,000 (95%) of the available 166,000 hours of cost savings days for a savings of approximately \$4.7 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 April. 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 \$65.8 million (20%) less than appropriated by the General Assembly.

Administrative Spending Trends



Administrative Cost Fund Budget Summary

As of April 30, 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	646,504	646,504	0	0.00%	797,993	712,714	(66,210)	-9.29%
BWC Administration	13	1,169,113	1,169,349	236	0.02%	1,385,481	1,159,866	9,247	0.80%
Customer Service	1,297	85,844,240	85,817,962	(26,278)	-0.03%	101,110,544	89,685,009	(3,840,769)	-4.28%
Medical	113	8,151,562	8,151,562	0	0.00%	9,606,789	9,093,233	(941,671)	-10.36%
Special Investigations	117	8,561,470	8,545,473	(15,997)	-0.19%	10,071,902	8,703,277	(141,807)	-1.63%
Fiscal and Planning	96	6,200,823	6,184,423	(16,400)	-0.27%	7,338,598	4,154,909	2,045,914	49.24%
Actuarial	20	1,619,272	1,620,960	1,688	0.10%	1,939,366	1,726,750	(107,478)	-6.22%
Investments	10	996,958	996,958	0	0.00%	1,187,544	1,052,216	(55,258)	-5.25%
Information Technology	224	20,680,701	20,729,147	48,446	0.23%	24,603,051	23,821,639	(3,140,938)	-13.19%
Legal	76	5,661,077	5,661,424	347	0.01%	6,771,543	5,643,159	17,918	0.32%
Communications	17	1,188,245	1,188,696	451	0.04%	1,382,482	1,365,392	(177,147)	-12.97%
Human Resources	64	4,241,823	4,241,591	(232)	-0.01%	5,065,996	4,224,366	17,457	0.41%
Internal Audit	12	1,024,771	1,024,663	(108)	-0.01%	1,219,490	1,082,369	(57,598)	-5.32%
Ombuds Office	7	435,001	435,001	0	0.00%	515,983	429,805	5,196	1.21%
Total Payroll	2,078	146,421,560	146,413,713	(7,847)	-0.01%	172,996,762	152,854,704	(6,433,144)	-4.21%
Personal Services									
Information Technology		4,866,071	6,246,139	1,380,068	22.09%	7,577,312	5,087,402	(221,331)	-4.35%
Legal - Special Counsel		787,144	1,505,486	718,342	47.71%	1,681,636	632,589	154,555	24.43%
Legal - Attorney General		3,684,671	4,621,850	937,179	20.28%	4,621,850	4,201,572	(516,901)	-12.30%
Other Personal Services		4,765,774	6,624,509	1,858,735	28.06%	7,427,276	4,654,587	111,187	2.39%
Total Personal Services		14,103,660	18,997,984	4,894,324	25.76%	21,308,074	14,576,150	(472,490)	-3.24%
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		9,073,894	9,382,647	308,753	3.29%	9,607,149	9,124,170	(50,276)	-0.55%
Software and Equipment Maintenance and Repairs		11,197,556	13,108,125	1,910,569	14.58%	14,626,132	11,304,963	(107,407)	-0.95%
Inter Agency Payments		3,977,295	3,582,700	(394,595)	-11.01%	4,734,643	3,954,335	22,960	0.58%
Communications		2,329,360	3,423,645	1,094,285	31.96%	4,065,198	2,547,443	(218,083)	-8.56%
Safety Grants and Long Term Care Loan		2,808,009	2,995,000	186,991	6.24%	4,000,000	1,731,441	1,076,568	62.18%
Supplies and Printing		863,441	1,137,612	274,171	24.10%	1,387,054	822,808	40,633	4.94%
Other Maintenance		2,253,043	2,930,180	677,137	23.11%	3,513,784	2,447,592	(194,549)	-7.95%
Total Maintenance		51,486,975	55,609,304	4,122,329	7.41%	60,983,355	51,742,129	(255,154)	-0.49%
Equipment		2,294,493	6,576,716	4,282,223	65.11%	7,450,472	1,867,436	427,057	22.87%
Total Administrative Cost Fund Expenses		214,306,688	227,597,717	13,291,029	5.84%	262,738,663	221,040,419	(6,733,731)	-3.05%

Total Agency Appropriation 328,602,765
 Budget to Appropriation Variance 65,864,102
 Percentage Variance 20.04%

State Insurance Fund

Administrative Expense Summary

As of April 30, 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	\$70,083
Mercer Investment Consulting	449,167	129,414	578,581	407,083
R V Kuhns & Associates Investment Consulting	0	134,500	134,500	0
Other Investment Expenses	333,120	77,929	411,049	360,495
	<u>866,162</u>	<u>360,636</u>	<u>1,226,798</u>	<u>837,661</u>
Actuarial Expenses				
Oliver Wyman - Actuarial Services	0	0	0	744,628
Deloitte Consulting - Actuarial Services	1,169,456	1,185,396	2,354,852	1,082,363
	<u>1,169,456</u>	<u>1,185,396</u>	<u>2,354,852</u>	<u>1,826,991</u>
Reinsurance Expenses				
Towers Watson	4,578,357	0	4,578,357	0
Ohio Rehabilitation Services	605,407	0	605,407	605,407
TOTAL	<u>\$7,219,382</u>	<u>\$1,546,032</u>	<u>\$8,765,414</u>	<u>\$3,270,059</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 April 30, 2011

	FYTD 2011	FYTD 2010	Source
Workers' Compensation Council	\$ -	\$ 325,000	Administrative Cost Fund
Ohio Dept. of Natural Resources			
Mine Safety Fund	2,840,491	2,923,427	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	<u>\$ 5,545,491</u>	<u>\$3,673,427</u>	

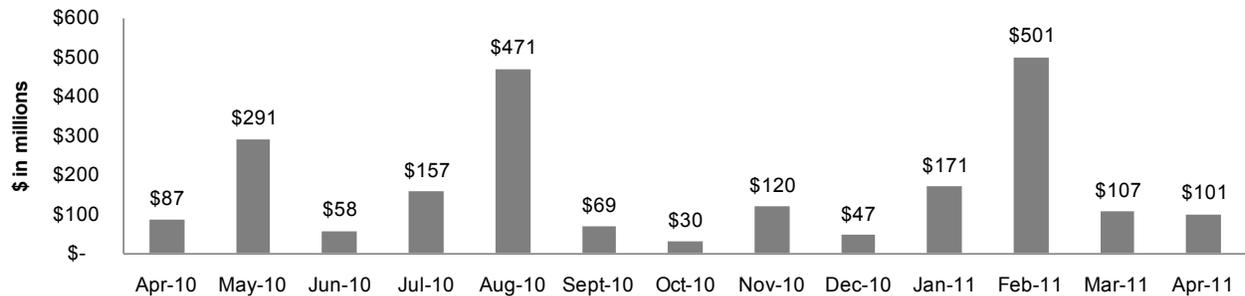
Statement of Cash Flows

Fiscal year to date April 30, 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	\$ 1,774	\$ 1,703	\$71	\$ 1,849	\$ (75)
Cash Receipts – Other	33	30	3	50	(17)
Cash Disbursements for Claims	(1,677)	(1,760)	83	(1,724)	47
Cash Disbursements for Other	(305)	(341)	36	(335)	30
Net Cash Provided (Used) by Operating Activities	(175)	(368)	193	(160)	(15)
Net Cash Flows from Noncapital Financing Activities	(6)	(4)	(2)	(4)	(2)
Net Cash Flows from Capital and Related Financing Activities	(23)	(19)	(4)	(22)	(1)
Net Cash Provided (Used) by Investing Activities	147	70	77	354	(207)
Net Increase (Decrease) in Cash and Cash Equivalents	(57)	(321)	264	168	(225)
Cash and Cash Equivalents, Beginning of Period	436	436	–	504	(68)
Cash and Cash Equivalents, End of Period	\$379	\$115	\$264	\$672	\$(293)

Premium and Assessment Receipts



Statement of Net Assets

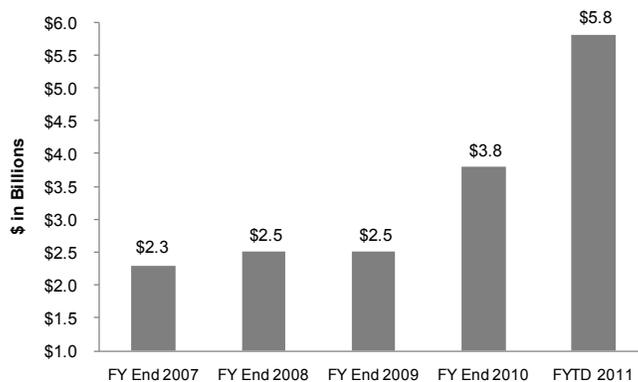
As of April 30, 2011

(in millions)

	Actual	Prior Yr. Actual	Year to Year Increase (Decrease)
Assets			
Bonds	\$ 13,793	\$12,952	\$ 841
U.S. Equities	4,787	4,200	587
Non-U.S. Equities	2,224	1,708	516
Cash & Cash Equivalents	<u>379</u>	<u>672</u>	<u>(293)</u>
Total Cash and Investments	21,183	19,532	1,651
Accrued Premiums	4,315	4,324	(9)
Other Accounts Receivable	289	316	(27)
Investment Receivables	310	481	(171)
Other Assets	<u>98</u>	<u>100</u>	<u>(2)</u>
Total Assets	<u>26,195</u>	<u>24,753</u>	<u>1,442</u>
Liabilities			
Reserve for Compensation and Compensation Adj. Expense	\$ 20,005	\$19,305	\$ 700
Accounts Payable	30	33	(3)
Investment Payable	218	603	(385)
Other Liabilities	<u>164</u>	<u>170</u>	<u>(6)</u>
Total Liabilities	<u>20,417</u>	<u>20,111</u>	<u>306</u>
Net Assets	<u>\$ 5,778</u>	<u>\$4,642</u>	<u>\$1,136</u>

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 April 30, 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	\$12,601,865	\$ 922,423	\$ 224,228	\$ 25,696	\$ 19,374	\$ -	\$ -	\$ -	\$13,793,586
U.S. Equities	4,433,304	313,032	40,593	-	-	-	-	-	4,786,929
Non-U.S. Equities	2,043,497	156,714	23,727	-	-	-	-	-	2,223,938
Private Equities	35	-	-	-	-	-	-	-	35
Cash & Cash Equivalents	319,080	498	1,247	152	240	53,751	4,041	-	379,009
Total Cash & Investments	19,397,781	1,392,667	289,795	25,848	19,614	53,751	4,041	-	21,183,497
Accrued Premiums	1,491,148	1,776,155	-	497	-	857,713	189,137	-	4,314,650
Other Accounts Receivable	219,415	20,805	25	(7)	1	14	48,389	-	288,642
Interfund Receivables	27,228	64,943	-	73	8	943	124,281	(217,476)	-
Investment Receivables	310,113	-	-	-	-	-	-	-	310,113
Other Assets	25,263	22	-	-	-	-	72,351	-	97,636
Total Assets	\$21,470,948	\$ 3,254,592	\$ 289,820	\$ 26,411	\$ 19,623	\$ 912,421	\$ 438,199	\$ (217,476)	\$26,194,538
Liabilities									
* Reserve for Compensation & Compensation Adj. Expense	\$15,873,880	\$ 2,027,970	\$ 69,230	\$ 2,850	\$ 2,240	\$ 902,670	\$1,125,880	\$ -	20,004,720
Accounts Payable	28,653	-	-	-	-	-	1,602	-	30,255
Investment Payable	217,539	-	-	-	-	-	-	-	217,539
Interfund Payables	189,056	25,716	77	25	6	2,596	-	(217,476)	-
Other Liabilities	89,260	72	712	3	114	-	73,925	-	164,086
Total Liabilities	16,398,388	2,053,758	70,019	2,878	2,360	905,266	1,201,407	(217,476)	20,416,600
Net Assets	\$ 5,072,560	\$ 1,200,834	\$ 219,801	\$ 23,533	\$ 17,263	\$ 7,155	\$ (763,208)	\$ -	\$ 5,777,938

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

(in thousands)

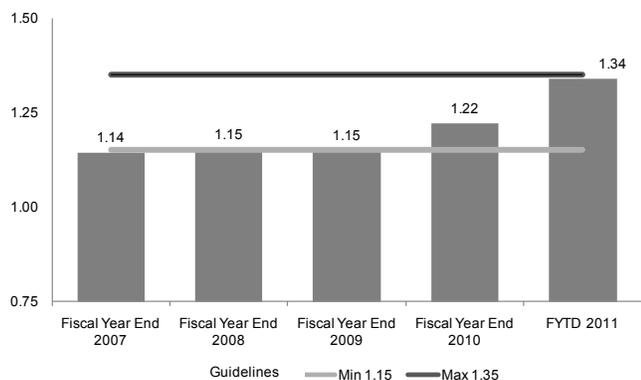
SIF	\$25,061,000
DWRF	3,493,033
CWPF	176,217
PWRE	4,600
MIF	3,433
SIEGF	1,976,383
ACF	1,805,500
Total	\$32,520,166

Financial Performance Metrics

	Actual FY11 As of 4/30/11	Projected FY11 As of 4/30/11	Actual FY10 As of 4/30/10	Guidelines
Funding Ratio (State Insurance Fund)	1.34	1.23	1.28	1.15 to 1.35
Net Leverage Ratio (SIF)	3.37	4.88	4.05	3.0 to 7.0
Loss Ratio	102.5%	105.2%	91.5%	
LAE Ratio - MCO	9.4%	9.0%	7.9%	
LAE Ratio - BWC	10.6%	11.7%	11.5%	
Net Loss Ratio	122.5%	125.9%	110.9%	102.5%
Expense Ratio	6.1%	6.8%	4.3%	7.5%
Combined Ratio	128.6%	132.7%	115.2%	110.0%
Net Investment Income Ratio	37.3%	39.0%	34.2%	
Operating Ratio (Trade Ratio)	91.3%	93.7%	81.0%	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.

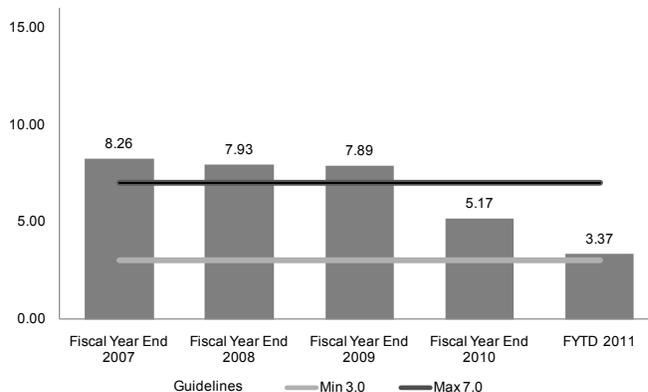
LAE Ratio

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

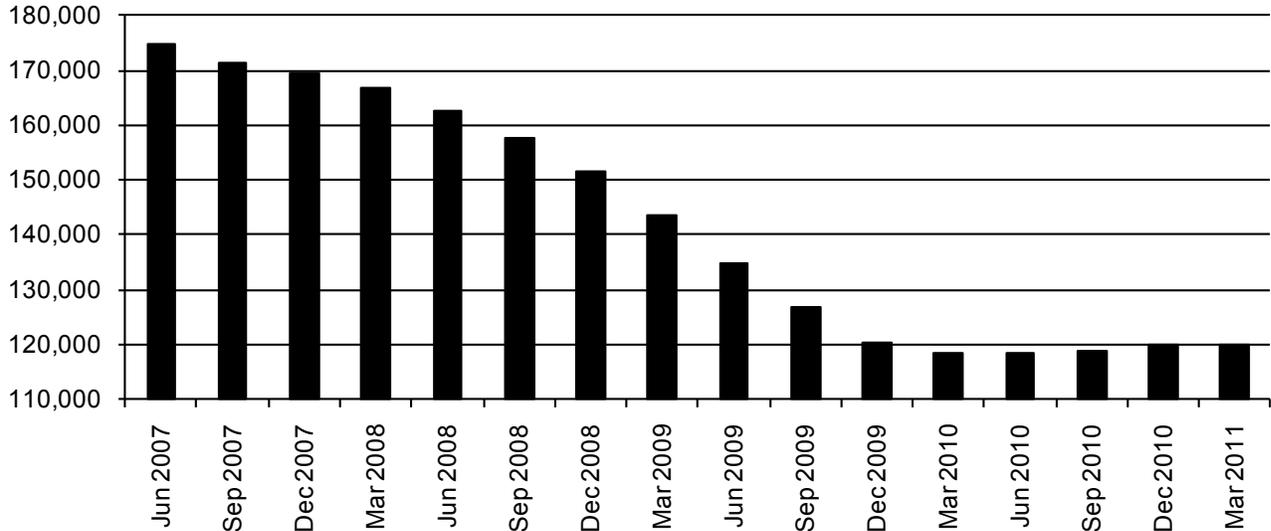
Measures the investment income component of profitability – Interest and dividend income less investment expenses divided by premium and assessment income. This ratio does not include realized or unrealized capital gains and losses.

Operating Ratio

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

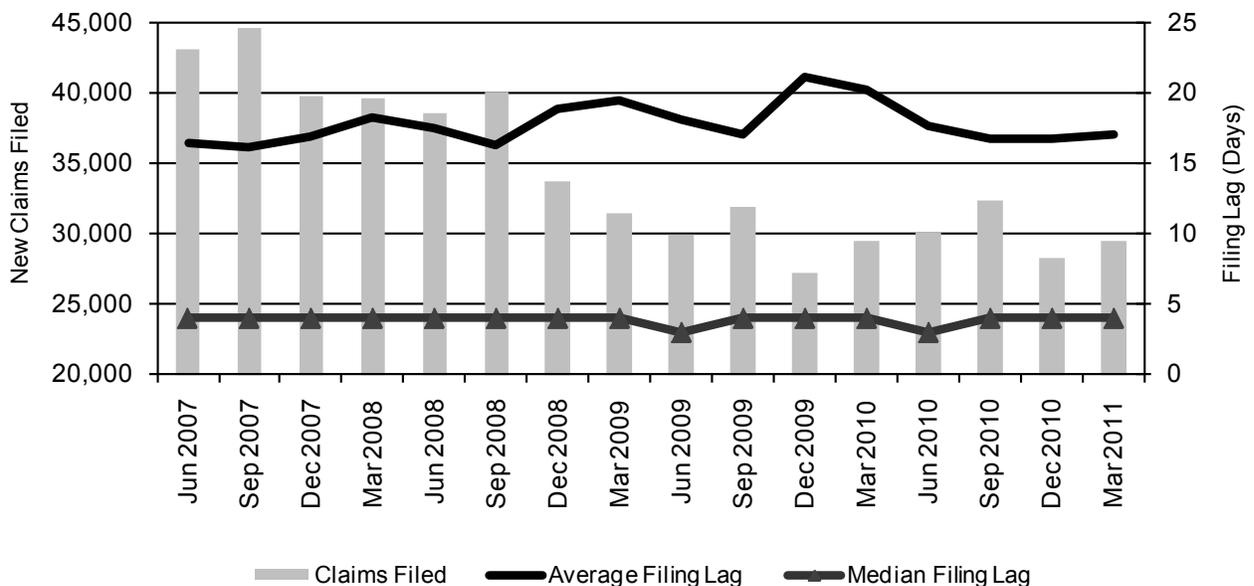
Operational Performance Metrics

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 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



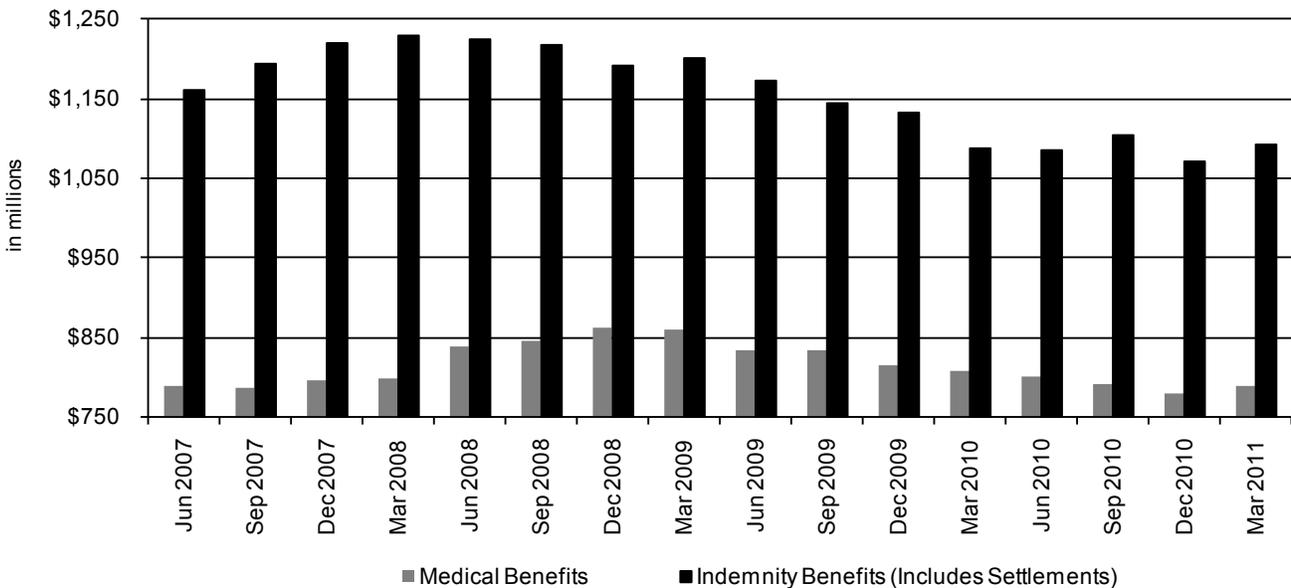
Claim Filing Lag measures the average and median number of days from the date of injury to the date of claim filing. Average claim filing lag has varied from 16.19 days to 21.16 days from the quarter ended June 30, 2007 through the quarter ended March 31, 2011. The median claim filing lag has varied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



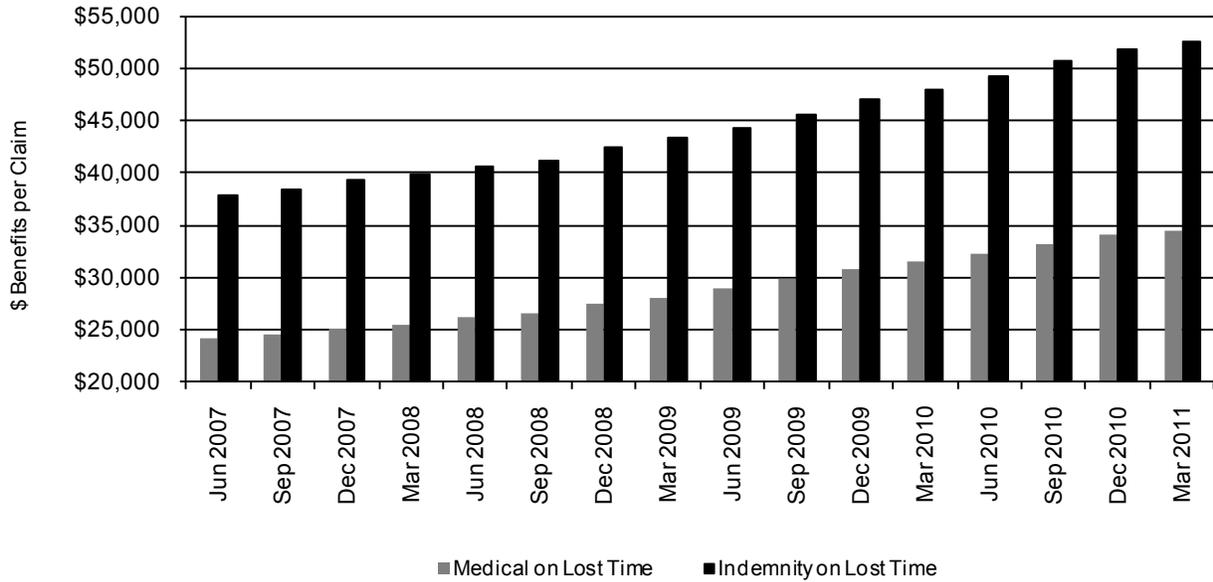
Frequency measures the number of injuries reported per 100 workers covered by the State Insurance Fund updated semi-annually. The US Bureau of Labor Statistics figure decreased from 5.3 injuries per 100 workers in 2002 to 3.6 injuries per 100 workers in 2009. The BWC figure decreased from 6.52 injuries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



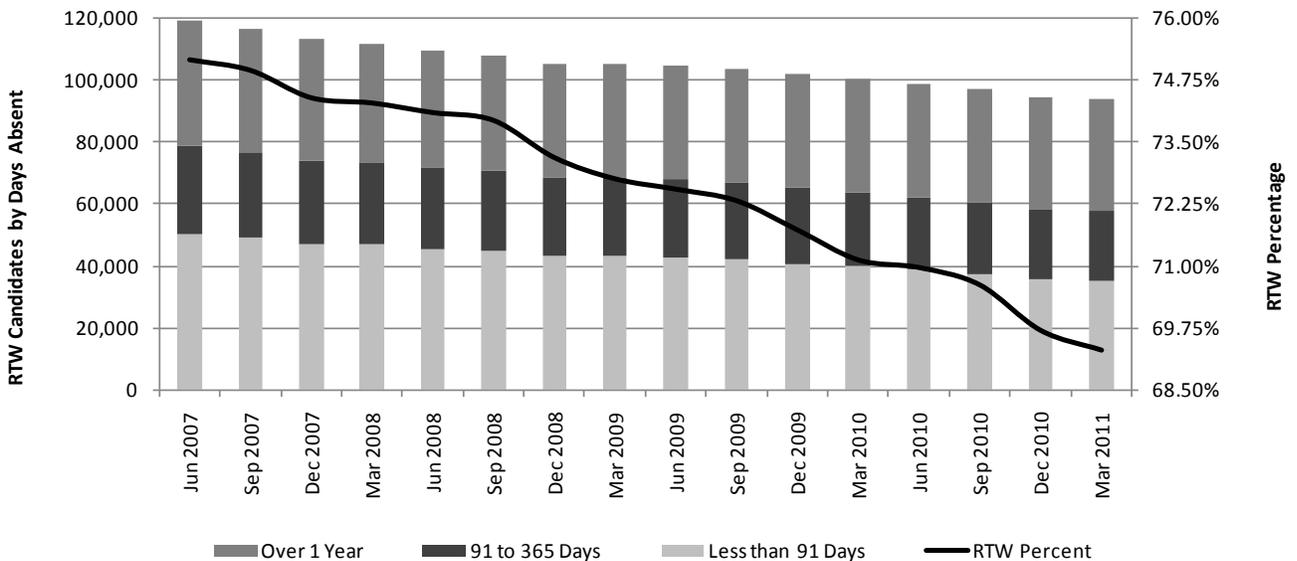
Benefit Payments measures the dollar amount of medical and indemnity payments for rolling twelve month periods updated quarterly. Indemnity payments include settlements and peaked at \$1.230 billion in the twelve months ended March 31, 2008 and have trended down to \$1.093 billion in the twelve months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



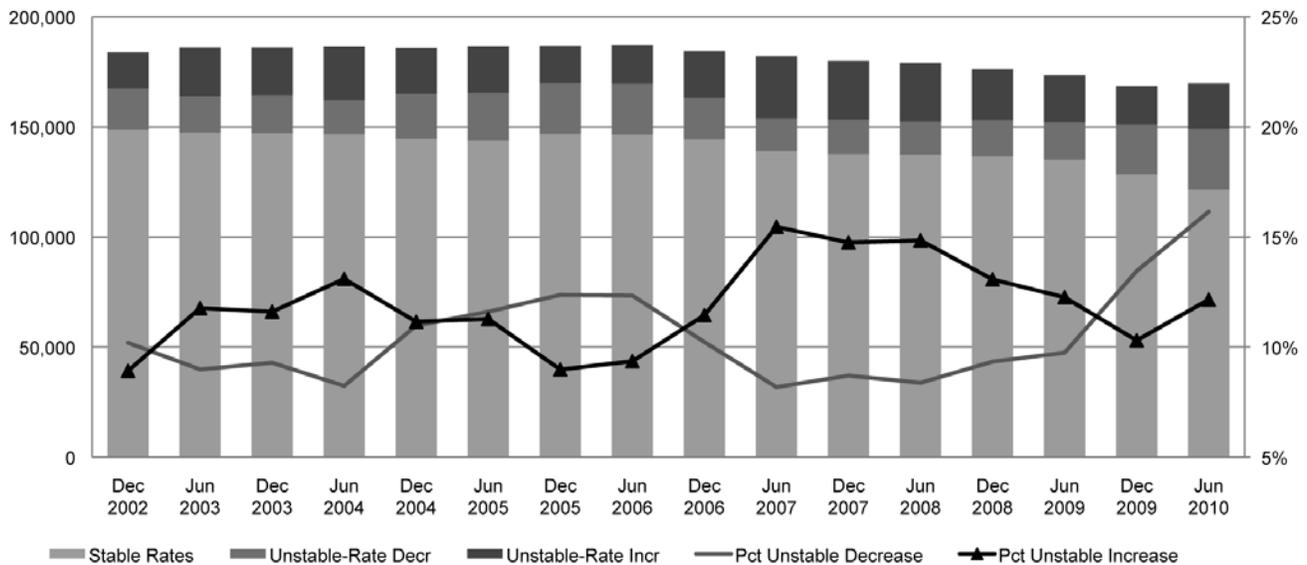
Return to Work (RTW) measures the percentage of injured workers with active claims who have returned to work relative to the claim population that has received temporary income replacement benefits. Data prior to December 31, 2010 has been re-stated to present accurate quarter to quarter comparisons 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 May 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.
- Includes the provision applicable to BWC on access to Ohio Automated Rx Reporting System (OARRS): On receipt of a request from the Administrator of Workers' Compensation the board may provide to the Administrator information from the database relating to a claimant under Chapter 4121., 4123., 4127., or 4131 of the Revised Code.
- Passed the Senate May 17, 2011 (30-0)
- Concurrence by the House of Representatives – May 18, 2011 (90-0)
- Signed by Governor Kasich May 20, 2011-effective immediately

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 received 1st Hearing/Sponsor Testimony on May 25, 2011 in the House Commerce and Labor Committee.
- SB 107 was introduced on March 2, 2011 and is pending in the Senate Insurance Committee

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 received 1st Hearing/Sponsor Testimony in the Senate Insurance, Commerce and Labor Committee on May 10, 2011.
- HB 186 received 1st Hearing/Sponsor Testimony in the House Commerce and Labor Committee on May 11, 2011 and 2nd Hearing/All Testimony on May 25, 2011.

SB 171- (Gillmor) – Sunset Review Committee Recommendations

- To implement the recommendations of the Sunset Review Committee by abolishing, terminating, transferring, or renewing various agencies and reestablishing the Sunset Review Committee but postponing operation until the 131st General Assembly, and to declare an emergency.
- Includes the elimination of the Workers' Compensation Council
- Introduced May 17, 2011 and is pending in the Senate State & Local Government & Veterans Affairs Committee.