

BWC Board of Directors

Board Agenda

Wednesday, June 15, 2011

William Green Building

Level 2, Room 3

8:15 a.m. - 8:30 a.m.

Call to Order

Board Chair

Roll Call

Jill Whitworth, Scribe

Board Chair

- Approval of minutes of the May 27, 2011 Board meeting
- Review meeting agenda
- Administer Oath of Office to new Directors

Committee Reports

Governance Committee

Chair Recommendations for Committee Assignments

Board Chair

Adjourn

Board Chair

Next Meeting: Thursday, June 16, 2011

Board Agenda

Thursday, June 16, 2011

William Green Building

Level 2, Room 3

8:00 am – 9:30 am

Call to Order

Nicholas Zuk, Board Chair

Roll Call

Larry Rhodebeck, Scribe

Nicholas Zuk, Board Chair

- Approval of minutes of the June 15, 2011 Board meeting
 - Review meeting agenda
-

Committee Reports

Actuarial Committee

Steve Lehecka, Committee Chair

1. Administrative Cost Fund – Rule 4123-17-36
2. Safety & Hygiene Assessment – Rules 4123-17-34 and 4123-17-37
3. Self-Insured Assessments – Rule 4123-17-32
4. Program Compatibility – Rule 4123-17-74, Appendix C
5. PEC Credibility Table – Rule 4123-17-33.1
6. PEC Group Break-even Factor – Rule 4123-17-64.2

Audit Committee

Ken Haffey, Committee Chair

1. FY 2012 Internal Audit Plan

Investment Committee

Bob Smith, Committee Chair

1. Investment Manager Contract Renewal Recommendation

Medical Services and Safety Committee

Jim Matesich, Committee Chair

1. Limitations on the filing of fee bills -- Rule 4123-3-23
2. Outpatient Medication Formulary – Rule 4123-6-21.3

Monthly Enterprise Report

Tracy Valentino, Chief, Fiscal & Planning Division

Administrator's Report

Steve Buehrer, Administrator

Review Board Self-assessment (Executive Session)

Nicholas Zuk, Board Chair

Adjourn

Nicholas Zuk, Board Chair

Next Meeting: Friday, July 29, 2011

Enterprise Report

June 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.*

May Financial Analysis

BWC's net assets increased by \$97 million in May resulting in net assets of \$5.9 billion at May 31, 2011 compared to \$5.8 billion at April 30, 2011.

| <i>(\$ in millions)</i> | Month Ended May 31, 2011 | Month Ended April 30, 2011 | Month Ended May 31, 2010 |
|-----------------------------------|------------------------------------|--------------------------------------|------------------------------------|
| Operating Revenues | \$120 | \$146 | \$266 |
| Operating Expenses | (158) | (191) | (680) |
| Operating Transfers | - | (1) | - |
| Net Operating Gain (Loss) | (38) | (46) | (414) |
| Net Investment Income (Loss) | 135 | 537 | (468) |
| Increase (Decrease) in Net Assets | 97 | 491 | (882) |
| Net Assets End of Period | \$5,875 | \$5,778 | \$3,760 |

- o Premium and assessment income net of the provision for uncollectible accounts receivable and ceded reinsurance premiums resulted in operating revenues of \$120 million in May. The accrual of ceded reinsurance premiums is netted against earned premiums in the Statement of Operations.
- o Benefits and compensation adjustment expenses of \$145 million along with other expenses of \$13 million resulted in operating expenses of \$158 million in May.

| <i>(\$ in millions)</i> | Month Ended May 31, 2011 | Month Ended April 30, 2011 | Increase (Decrease) |
|-----------------------------------|------------------------------------|--------------------------------------|--------------------------------------|
| Change in Reserves | \$(33) | \$20 | \$(53) |
| Net Benefit Payments | 140 | 135 | 5 |
| Payments for Comp Adjust Expenses | 21 | 14 | 7 |
| MCO Admin Payments | 17 | 13 | 4 |
| Other expenses | 13 | 9 | 4 |
| | \$158 | \$191 | \$(33) |

- o May expenses are impacted by adjustments resulting from Deloitte's comprehensive annual actuarial analysis using data as of March 31, 2011. The decrease is a result of lower than expected payments through the third quarter of fiscal year 2011 driven by lower medical payments and fewer lump sum settlements.
- o The increase in net benefit payments is primarily due to medical payments increasing by \$3 million from \$64 million in April to \$67 million in May. Payments in both months are within the expected range based on history from the last two years.
- o May payments for compensation adjustment expenses and other expenses have both increased primarily as the result of an additional payroll cycle. MCO administrative payments include \$5 million in quarterly performance payments made in May.
- o A \$53 million increase in the fair value of the investment portfolio in May along with interest and dividend income of \$83 million for the month, resulted in net investment income of \$135 million for the month after investment expenses of \$0.6 million. The increase in the fair value of the portfolio is comprised of \$11 million in net realized gains and \$42 million in net unrealized gains.
- o Cash and cash equivalents include \$135 million in money market holdings in the outside investment manager accounts. These funds are committed to covering a \$68 million net investment trade payable for transactions that will settle in June.
- o Premium and assessment receipts of \$277 million were collected in May compared to \$291 million in May 2010. This decrease is primarily due to timing differences in payments made by public employer taxing districts for annual premiums and retrospective rating plan billings and by private employers for the second 50/50 installment.

Fiscal Year-to-Year Comparisons

BWC's total net assets have increased by \$2.0 billion for fiscal year-to-date 2011 resulting in net assets of \$5.9 billion at May 31, 2011 compared to \$3.8 billion at May 31, 2010.

| (\$ in millions) | Fiscal YTD May 31, 2011 | Projected FYTD May 31, 2011 | Fiscal YTD May 31, 2010 |
|-----------------------------------|----------------------------|--------------------------------|----------------------------|
| Operating Revenues | \$1,662 | \$1,722 | \$1,978 |
| Operating Expenses | (2,197) | (2,339) | (2,653) |
| Operating Transfers | (6) | (4) | (4) |
| Net Operating Gain (Loss) | (541) | (621) | (679) |
| Net Investment Income (Loss) | 2,591 | 886 | 1,924 |
| Increase (Decrease) in Net Assets | 2,050 | 265 | 1,245 |
| Net Assets End of Period | \$5,875 | \$4,090 | \$3,760 |

- o BWC's premium and assessment income for fiscal year-to-date 2011 is \$1.7 billion compared to \$2.0 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 decreased by \$450 million for fiscal year-to-date 2011 compared to prior fiscal year-to-date expenses.

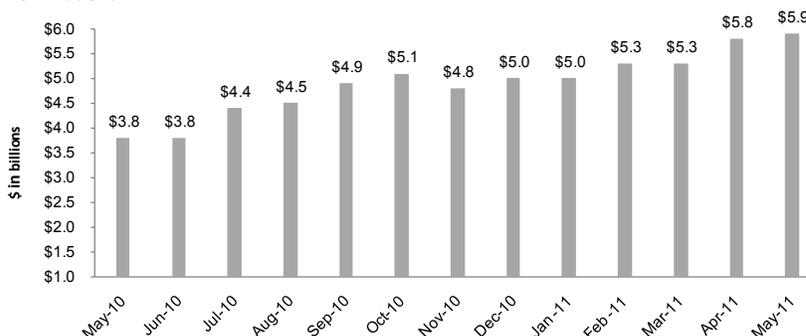
| (\$ in millions) | Fiscal YTD May 31, 2011 | Fiscal YTD May 31, 2010 | Increase (Decrease) |
|-----------------------------------|----------------------------|----------------------------|------------------------|
| Change in Reserves | \$166 | \$550 | \$(384) |
| Net Benefit Payments | 1,592 | 1,652 | (60) |
| Payments for Comp Adjust Expenses | 175 | 182 | (7) |
| MCO Admin Payments | 154 | 153 | 1 |
| | \$2,087 | \$2,537 | \$(450) |

- o The decrease in reserve changes are primarily a result of the change in the discount rate from 4.5% to 4.0% and changes in actuarial assumptions made in fiscal year 2010.
- o Declines in settlements of \$34 million 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 \$2,591 million comprised primarily of \$1,690 million in net unrealized gains and \$227 million in net realized gains, along with \$681 million of interest and dividend income, net of \$7 million in investment expenses. This compares to last year's fiscal year-to-date net investment income of \$1,924 million.
- o 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:

- o The second 50/50 installment was due June 1, 2011. Coverage lapsed for almost 3,000 employers who failed to make this payment in a timely manner. These employers owed approximately \$15 million and represent approximately 14% of the employers participating in the 50/50 program. This percentage has remained stable each of the last five reporting periods. Accounts remaining unpaid will be certified to the Attorney General for collection on June 27th.
- 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 June 10th, coverage remained in a lapsed status for 7,451 private employers who owe an estimated \$3.5 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. A total of 180 PEC policies were lapsed for not reporting and making timely payments. This compares to 179 policies that were lapsed last year.

Net Assets



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

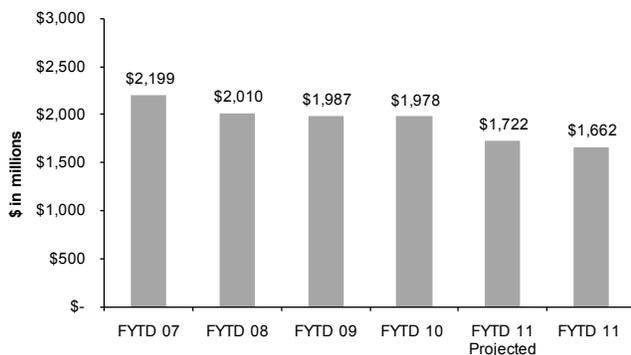
Statement of Operations

Fiscal year to date May 31, 2011

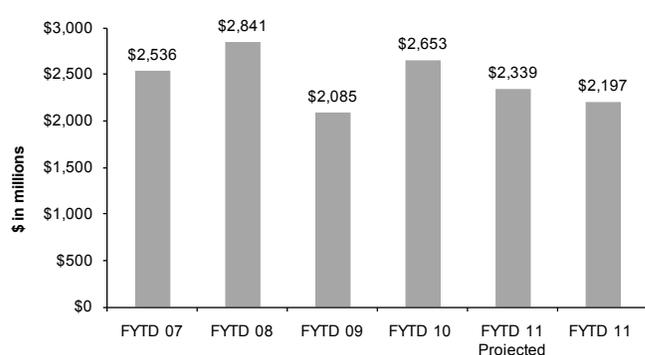
(in millions)

| | Actual | Projected | Variance to Projected | Prior Yr. Actual | Year to Year Increase (Decrease) |
|--|-----------------|--------------|-----------------------|------------------|----------------------------------|
| Operating Revenues | | | | | |
| Premium & Assessment Income | \$ 1,716 | \$ 1,759 | \$(43) | \$ 1,990 | (274) |
| Ceded Premiums | (5) | (5) | – | (1) | (4) |
| Provision for Uncollectibles | (64) | (46) | (18) | (25) | (39) |
| Other Income | 15 | 14 | 1 | 14 | 1 |
| Total Operating Revenue | 1,662 | 1,722 | (60) | 1,978 | (316) |
| Operating Expenses | | | | | |
| Benefits & Compensation Adj. Expense | 2,087 | 2,218 | 131 | 2,537 | (450) |
| Other Expenses | 110 | 121 | 11 | 116 | (6) |
| Total Operating Expenses | 2,197 | 2,339 | 142 | 2,653 | (456) |
| Operating Transfers | (6) | (4) | (2) | (4) | (2) |
| Net Operating Gain (Loss) | (541) | (621) | 80 | (679) | 138 |
| Net Investment Income (Loss) | 2,591 | 886 | 1,705 | 1,924 | 667 |
| Increase (Decrease) in Net Assets | \$ 2,050 | \$265 | \$ 1,785 | \$ 1,245 | \$805 |

Operating Revenues



Operating Expenses



Statement of Operations – Combining Schedule

Fiscal year to date May 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 | \$1,347,361 | \$64,913 | \$2,432 | \$447 | \$423 | \$32,708 | \$267,590 | \$1,715,874 |
| Ceded Premiums | (5,277) | - | - | - | - | - | - | (5,277) |
| Provision for Uncollectibles | (55,933) | (2,241) | (147) | - | (1) | (625) | (4,577) | (63,524) |
| Other Income | 8,669 | - | - | - | - | - | 6,173 | 14,842 |
| Total Operating Revenues | 1,294,820 | 62,672 | 2,285 | 447 | 422 | 32,083 | 269,186 | 1,661,915 |
| Operating Expenses: | | | | | | | | |
| Benefits & Compensation Adj Expenses | 1,810,575 | 61,090 | 3,383 | 262 | (168) | 31,772 | 180,777 | 2,087,691 |
| Other Expenses | 18,199 | 230 | 212 | - | 92 | 1 | 90,896 | 109,630 |
| Total Operating Expenses | 1,828,774 | 61,320 | 3,595 | 262 | (76) | 31,773 | 271,673 | 2,197,321 |
| Net Operating Income (Loss) before Operating Transfers Out | (533,954) | 1,352 | (1,310) | 185 | 498 | 310 | (2,487) | (535,406) |
| Operating Transfers Out | - | - | (5,120) | - | - | - | (425) | (5,545) |
| Net Operating Income (Loss) | (533,954) | 1,352 | (6,430) | 185 | 498 | 310 | (2,912) | (540,951) |
| Investment Income: | | | | | | | | |
| Investment Income | 638,496 | 29,740 | 6,635 | 491 | 368 | 27 | 4,998 | 680,755 |
| Net Realized Gains (Losses) | 110,683 | 94,620 | 22,183 | - | - | - | - | 227,486 |
| Net Unrealized Gains (Losses) | 1,658,991 | 30,948 | (878) | 482 | 363 | - | - | 1,689,906 |
| Total Realized & Unrealized Capital Gains (Losses) | 1,769,674 | 125,568 | 21,305 | 482 | 363 | - | - | 1,917,392 |
| Investment Manager & Operational Fees | (6,689) | (256) | (52) | (9) | (7) | (1) | - | (7,014) |
| Gain (Loss) on Disposal of Fixed Assets | - | - | - | - | - | - | (26) | (26) |
| Total Non-Operating Revenues, Net | 2,401,481 | 155,052 | 27,888 | 964 | 724 | 26 | 4,972 | 2,591,107 |
| Increase (Decrease) in Net Assets (Deficit) | 1,867,527 | 156,404 | 21,458 | 1,149 | 1,222 | 336 | 2,060 | 2,050,156 |
| 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 | \$5,173,073 | \$1,201,039 | \$214,755 | \$23,717 | \$17,620 | \$7,361 | \$(762,330) | \$5,875,235 |

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.

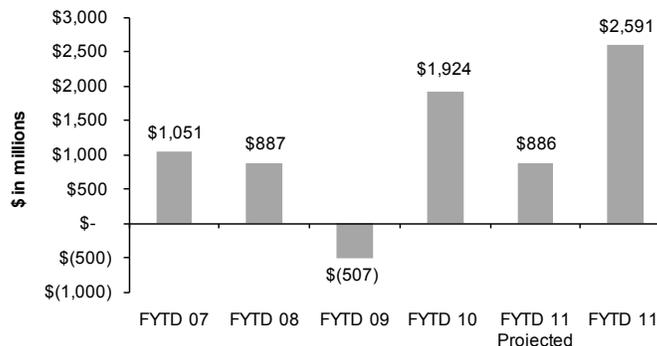
Statement of Investment Income

Fiscal year to date May 31, 2011

(in thousands)

| | Actual | Projected | Variance to Projected | Prior Yr. Actual | Year to Year Increase (Decrease) |
|---|--------------------|------------------|-----------------------|--------------------|----------------------------------|
| Investment Income | | | | | |
| Bond Interest | \$602,883 | \$609,910 | \$(7,027) | \$583,612 | \$19,271 |
| Dividend Income—Domestic & International | 77,005 | 76,538 | 467 | 73,909 | 3,096 |
| Money Market/Commercial Paper Income | 217 | 1,441 | (1,224) | 1,135 | (918) |
| Misc. Income (Corp Actions, Settlements) | 650 | 4,400 | (3,750) | 2,914 | (2,264) |
| Total Investment Income | 680,755 | 692,289 | (11,534) | 661,570 | 19,185 |
| Realized & Unrealized Capital Gains and (Losses) | | | | | |
| Bonds – Net Realized Gains (Losses) | 173,537 | – | 173,537 | 80,625 | 92,912 |
| Stocks – Net Realized Gains (Losses) | 60,356 | – | 60,356 | (472,479) | 532,835 |
| Non –U.S. Equities – Net Realized Gains (Losses) | (6,407) | – | (6,407) | (21,368) | 14,961 |
| Subtotal – Net Realized Gains (Losses) | 227,486 | – | 227,486 | (413,222) | 640,708 |
| Bonds – Net Unrealized Gains (Losses) | 70,360 | 201,132 | (130,772) | 601,053 | (530,693) |
| Stocks – Net Unrealized Gains (Losses) | 1,109,453 | – | 1,109,453 | 1,167,203 | (57,750) |
| Non –U.S. Equities – Net Unrealized Gains (Losses) | 510,093 | – | 510,093 | (85,653) | 595,746 |
| Subtotal – Net Unrealized Gains (Losses) | 1,689,906 | 201,132 | 1,488,774 | 1,682,603 | 7,303 |
| Change in Portfolio Value | 1,917,392 | 201,132 | 1,716,260 | 1,269,381 | 648,011 |
| Investment Manager & Operational Fees | (7,014) | (7,035) | 21 | (6,513) | 501 |
| Net Investment Income (Loss) | \$2,591,133 | \$886,386 | \$1,704,747 | \$1,924,438 | \$666,695 |

Net Investment Income (Loss)

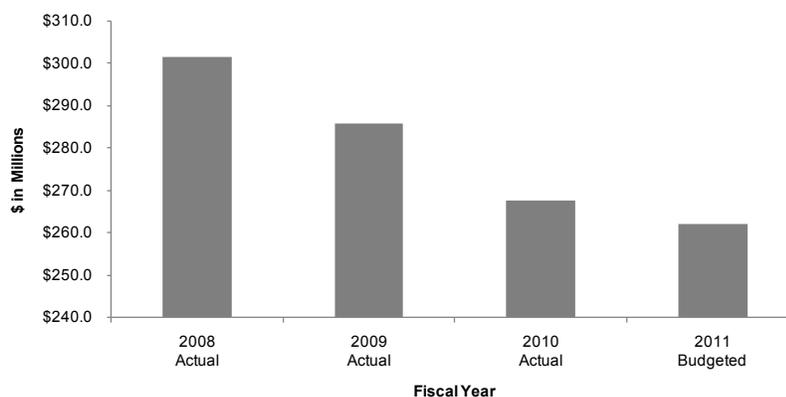


Administrative Cost Fund Expense Analysis

May 2011

- o BWC Administrative Cost Fund expenses through fiscal year to date (FYTD) May 2011 are approximately \$11 million (4.5%) less than budgeted and 2.4% less than last fiscal year to date.
- o Decreases in payroll through FYTD May 2011 are a result of decreases in staffing due to retirements and hiring controls. As of May 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 May 2011 journal entries BWC staff have taken the majority of the available 168,000 hours of cost savings days for a savings of approximately \$5 million.
- 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 May. Purchase orders have been completed in the Personal Services and Maintenance categories to encumber the FYTD 2011 budget variances. The annual invoice for various state agency fees was paid a month earlier in fiscal year 2011, which caused Inter Agency Payments to exceed the FYTD 2011 budget and FYTD 2010 expenses. Excess postage available from the previous fiscal year resulted in a significant reduction in the amount of postage purchased in fiscal year 2011. This caused Communication expenses to be less than budgeted FYTD. 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. The cancellation of fiscal year 2011 IT infrastructure projects resulted in FYTD actual Equipment costs being less than budgeted. Replacing chillers in the William Green Building caused FYTD 2011 equipment expenditures to be greater than FYTD 2010.
- o The use of cost savings days, identification of additional costs savings and cancellation of projects resulted in a \$22 million reduction in the fiscal year 2011 budget.
- o BWC's current fiscal year 2011 budget is approximately \$66 million (20%) less than appropriated by the General Assembly.

Administrative Spending Trends



2008 – 2010 is actual spending. 2011 is the current annual budget.

Administrative Cost Fund Budget Summary

As of May 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 | 721,058 | 721,058 | 0 | 0.00% | 793,160 | 787,109 | (66,051) | -8.39% |
| BWC Administration | 14 | 1,330,276 | 1,330,512 | 236 | 0.02% | 1,384,545 | 1,315,625 | 14,651 | 1.11% |
| Customer Service | 1,285 | 97,077,676 | 97,055,889 | (21,787) | -0.02% | 100,879,160 | 101,899,412 | (4,821,736) | -4.73% |
| Medical | 111 | 9,223,772 | 9,223,669 | (103) | 0.00% | 9,587,480 | 10,277,952 | (1,054,180) | -10.26% |
| Special Investigations | 119 | 9,693,857 | 9,673,208 | (20,649) | -0.21% | 10,054,835 | 9,889,133 | (195,276) | -1.97% |
| Fiscal and Planning | 94 | 7,016,612 | 7,000,480 | (16,132) | -0.23% | 7,289,829 | 4,706,094 | 2,310,518 | 49.10% |
| Actuarial | 20 | 1,842,262 | 1,844,950 | 2,688 | 0.15% | 1,925,053 | 1,952,945 | (110,683) | -5.67% |
| Investments | 9 | 1,123,198 | 1,123,198 | 0 | 0.00% | 1,170,845 | 1,200,031 | (76,833) | -6.40% |
| Information Technology | 221 | 23,460,348 | 23,513,256 | 52,908 | 0.23% | 24,586,986 | 27,094,092 | (3,633,744) | -13.41% |
| Legal | 75 | 6,412,656 | 6,413,003 | 347 | 0.01% | 6,690,532 | 6,432,529 | (19,873) | -0.31% |
| Communications | 17 | 1,339,672 | 1,340,123 | 451 | 0.03% | 1,388,571 | 1,554,422 | (214,750) | -13.82% |
| Human Resources | 62 | 4,833,182 | 4,832,948 | (234) | 0.00% | 5,039,248 | 4,810,829 | 22,353 | 0.46% |
| Internal Audit | 11 | 1,155,680 | 1,155,572 | (108) | -0.01% | 1,204,279 | 1,226,323 | (70,643) | -5.76% |
| Ombuds Office | 7 | 492,562 | 492,562 | 0 | 0.00% | 512,807 | 488,106 | 4,456 | 0.91% |
| Total Payroll | 2,057 | 165,722,811 | 165,720,428 | (2,383) | 0.00% | 172,507,330 | 173,634,602 | (7,911,791) | -4.56% |
| Personal Services | | | | | | | | | |
| Information Technology | | 5,660,437 | 6,914,437 | 1,254,000 | 18.14% | 7,577,312 | 5,729,177 | (68,740) | -1.20% |
| Legal - Special Counsel | | 1,247,091 | 1,593,571 | 346,480 | 21.74% | 1,681,636 | 743,648 | 503,443 | 67.70% |
| Legal - Attorney General | | 4,285,942 | 4,621,850 | 335,908 | 7.27% | 4,621,850 | 4,201,572 | 84,370 | 2.01% |
| Other Personal Services | | 5,187,670 | 7,038,883 | 1,851,213 | 26.30% | 7,427,276 | 4,926,994 | 260,676 | 5.29% |
| Total Personal Services | | 16,381,140 | 20,168,741 | 3,787,601 | 18.78% | 21,308,074 | 15,601,391 | 779,749 | 5.00% |
| 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 | | 9,232,428 | 9,576,749 | 344,321 | 3.60% | 9,607,149 | 9,469,388 | (236,960) | -2.50% |
| Software and Equipment Maintenance and Repairs | | 12,389,740 | 13,891,519 | 1,501,779 | 10.81% | 14,626,132 | 12,357,642 | 32,098 | 0.26% |
| Inter Agency Payments | | 5,364,214 | 4,368,310 | (995,904) | -22.80% | 4,734,643 | 4,418,673 | 945,541 | 21.40% |
| Communications | | 2,554,124 | 3,711,547 | 1,157,423 | 31.18% | 4,065,198 | 2,726,324 | (172,200) | -6.32% |
| Safety Grants and Long Term Care Loan | | 3,272,316 | 4,000,000 | 727,684 | 18.19% | 4,000,000 | 2,365,588 | 906,728 | 38.33% |
| Supplies and Printing | | 972,343 | 1,246,513 | 274,170 | 21.99% | 1,387,054 | 943,526 | 28,817 | 3.05% |
| Other Maintenance | | 2,510,926 | 3,223,386 | 712,460 | 22.10% | 3,513,784 | 2,693,335 | (182,409) | -6.77% |
| Total Maintenance | | 55,280,468 | 59,067,419 | 3,786,951 | 6.41% | 60,983,355 | 54,783,853 | 496,615 | 0.91% |
| Equipment | | 3,369,565 | 7,254,224 | 3,884,659 | 53.55% | 7,450,472 | 2,642,218 | 727,347 | 27.53% |
| Total Administrative Cost Fund Expenses | | 240,753,984 | 252,210,812 | 11,456,828 | 4.54% | 262,249,231 | 246,662,064 | (5,908,080) | -2.40% |

Total Agency Appropriation 328,602,765
 Budget to Appropriation Variance 66,353,534
 Percentage Variance 20.19%

State Insurance Fund

Administrative Expense Summary

As of May 31, 2011

| | Actual FYTD 2011 | Encumbrance Balance | FYTD Actual & Encumbrance | Actual FYTD 2010 |
|--|---------------------|------------------------|------------------------------|---------------------|
| Investment Administrative Expenses | | | | |
| JP Morgan Chase - Performance Reporting | \$90,167 | \$12,501 | \$102,668 | \$70,083 |
| Mercer Investment Consulting | 479,167 | 99,414 | 578,581 | 447,916 |
| R V Kuhns & Associates Investment Consulting | 44,833 | 89,667 | 134,500 | 0 |
| Other Investment Expenses | 333,120 | 77,929 | 411,049 | 360,495 |
| | <u>947,287</u> | <u>279,511</u> | <u>1,226,798</u> | <u>878,494</u> |
| Actuarial Expenses | | | | |
| Oliver Wyman - Actuarial Services | 0 | 0 | 0 | 744,628 |
| Deloitte Consulting - Actuarial Services | 1,515,777 | 839,075 | 2,354,852 | 1,082,363 |
| | <u>1,515,777</u> | <u>839,075</u> | <u>2,354,852</u> | <u>1,826,991</u> |
| Reinsurance Expenses | | | | |
| Towers Watson | 4,578,357 | 0 | 4,578,357 | 1,526,119 |
| Ohio Rehabilitation Services | | | | |
| | 605,407 | 0 | 605,407 | 605,407 |
| TOTAL | <u>\$7,646,828</u> | <u>\$1,118,586</u> | <u>\$8,765,414</u> | <u>\$4,837,011</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 May 31, 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> | |

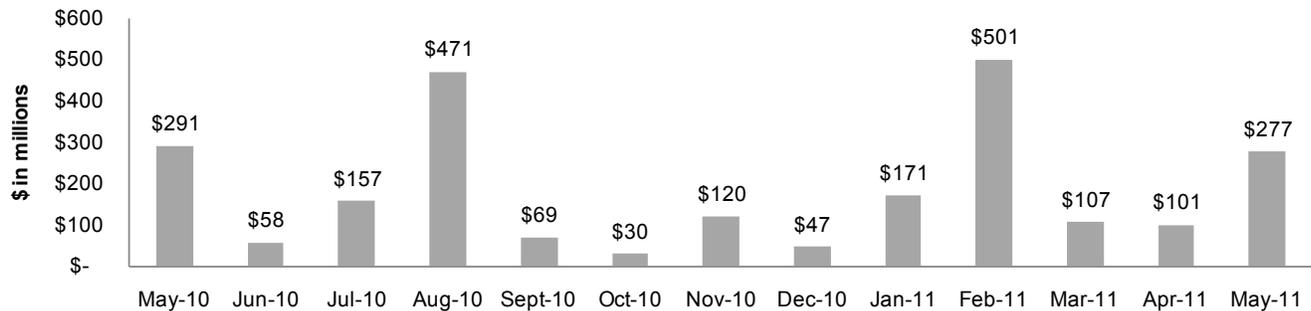
Statement of Cash Flows

Fiscal year to date May 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 | \$ 2,051 | \$ 1,979 | \$72 | \$ 2,140 | \$ (89) |
| Cash Receipts – Other | 38 | 33 | 5 | 52 | (14) |
| Cash Disbursements for Claims | (1,840) | (1,923) | 83 | (1,889) | 49 |
| Cash Disbursements for Other | (335) | (377) | 42 | (367) | 32 |
| Net Cash Provided (Used) by Operating Activities | (86) | (288) | 202 | (64) | (22) |
| Net Cash Flows from Noncapital Financing Activities | (6) | (4) | (2) | (4) | (2) |
| Net Cash Flows from Capital and Related Financing Activities | (24) | (19) | (5) | (22) | (2) |
| Net Cash Provided (Used) by Investing Activities | 162 | 71 | 91 | 254 | (92) |
| Net Increase (Decrease) in Cash and Cash Equivalents | 46 | (240) | 286 | 164 | (118) |
| Cash and Cash Equivalents, Beginning of Period | 436 | 436 | – | 504 | (68) |
| Cash and Cash Equivalents, End of Period | \$ 482 | \$ 196 | \$ 286 | \$ 668 | \$(186) |

Premium and Assessment Receipts



Statement of Net Assets

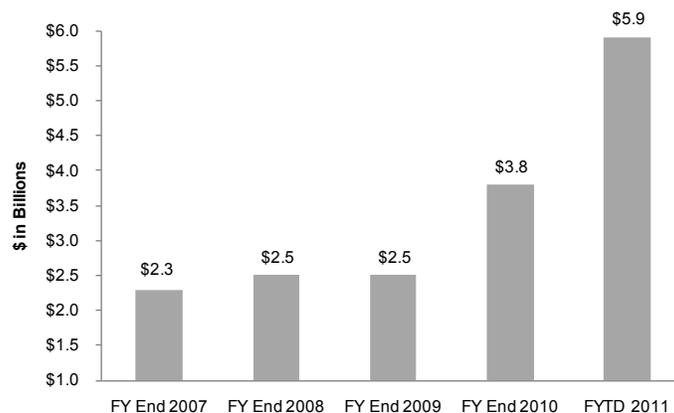
As of May 31, 2011

(in millions)

| | Actual | Prior Yr. Actual | Year to Year Increase (Decrease) |
|---|----------------|---------------------|--|
| Assets | | | |
| Bonds | \$14,055 | \$13,044 | \$1,011 |
| U.S. Equities | 4,730 | 3,863 | 867 |
| Non-U.S. Equities | 2,160 | 1,526 | 634 |
| Cash & Cash Equivalents | <u>482</u> | <u>668</u> | <u>(186)</u> |
| Total Cash and Investments | 21,427 | 19,101 | 2,326 |
| Accrued Premiums | 4,317 | 4,436 | (119) |
| Other Accounts Receivable | 145 | 195 | (50) |
| Investment Receivables | 266 | 210 | 56 |
| Other Assets | <u>97</u> | <u>100</u> | <u>(3)</u> |
| Total Assets | <u>26,252</u> | <u>24,042</u> | <u>2,210</u> |
| Liabilities | | | |
| Reserve for Compensation and Compensation Adj. Expense | \$19,971 | \$19,796 | \$ 175 |
| Accounts Payable | 48 | 41 | 7 |
| Investment Payable | 193 | 274 | (81) |
| Other Liabilities | <u>165</u> | <u>171</u> | <u>(6)</u> |
| Total Liabilities | <u>20,377</u> | <u>20,282</u> | <u>95</u> |
| Net Assets | <u>\$5,875</u> | <u>\$3,760</u> | <u>\$2,115</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 May 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 | \$ 12,853,929 | \$ 929,564 | \$ 225,988 | \$ 25,988 | \$ 19,593 | \$ - | \$ - | \$ - | \$ 14,055,062 |
| U.S. Equities | 4,379,896 | 309,463 | 40,130 | - | - | - | - | - | 4,729,489 |
| Non-U.S. Equities | 1,984,507 | 152,190 | 23,042 | - | - | - | - | - | 2,159,739 |
| Private Equities | 35 | - | - | - | - | - | - | - | 35 |
| Cash & Cash Equivalents | 419,896 | 523 | 1,181 | 203 | 238 | 53,290 | 7,121 | - | 482,452 |
| Total Cash & Investments | 19,638,263 | 1,391,740 | 290,341 | 26,191 | 19,831 | 53,290 | 7,121 | - | 21,426,777 |
| Accrued Premiums | 1,495,899 | 1,761,773 | - | 555 | - | 867,341 | 190,995 | - | 4,316,563 |
| Other Accounts Receivable | 126,089 | 13,353 | 25 | (7) | 1 | 12 | 5,212 | - | 144,685 |
| Interfund Receivables | 38,273 | 81,246 | - | - | 41 | 855 | 158,748 | (279,163) | - |
| Investment Receivables | 266,395 | - | - | - | - | - | - | - | 266,395 |
| Other Assets | 25,215 | 22 | - | - | - | - | 72,338 | - | 97,575 |
| Total Assets | \$ 21,590,134 | \$ 3,248,134 | \$ 290,366 | \$ 26,739 | \$ 19,873 | \$ 921,498 | \$ 434,414 | \$ (279,163) | \$ 26,251,995 |
| Liabilities | | | | | | | | | |
| *Reserve for Compensation & Compensation Adj. Expense | \$ 15,853,537 | \$ 2,011,349 | \$ 74,776 | \$ 2,988 | \$ 2,125 | \$ 910,175 | \$ 1,116,300 | \$ - | 19,971,250 |
| Accounts Payable | 42,423 | - | - | - | - | - | 5,805 | - | 48,228 |
| Investment Payable | 192,580 | - | - | - | - | - | - | - | 192,580 |
| Interfund Payables | 239,399 | 35,648 | 118 | 30 | 6 | 3,962 | - | (279,163) | - |
| Other Liabilities | 89,122 | 98 | 717 | 4 | 122 | - | 74,639 | - | 164,702 |
| Total Liabilities | 16,417,061 | 2,047,095 | 75,611 | 3,022 | 2,253 | 914,137 | 1,196,744 | (279,163) | 20,376,760 |
| Net Assets | \$ 5,173,073 | \$ 1,201,039 | \$ 214,755 | \$ 23,717 | \$ 17,620 | \$ 7,361 | \$(762,330) | \$ - | \$ 5,875,235 |

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

(in thousands)

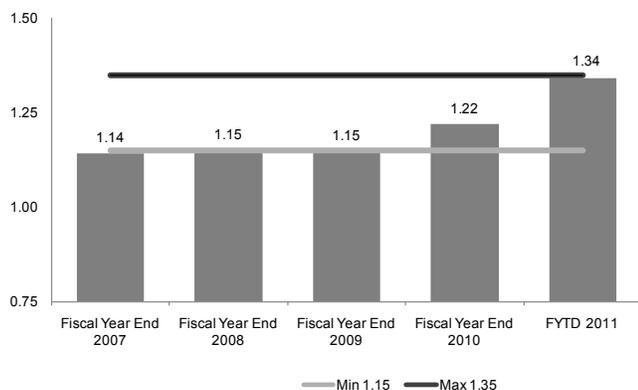
| | |
|--------------|---------------------|
| SIF | \$25,006,600 |
| DWRF | 3,506,217 |
| CWPF | 197,842 |
| PWRE | 4,875 |
| MIF | 3,325 |
| SIEGF | 2,001,917 |
| ACF | 1,788,700 |
| Total | \$32,509,476 |

Financial Performance Metrics

| | Actual FY11 As of 5/31/11 | Projected FY11 As of 5/31/11 | Actual FY10 As of 5/31/10 | Guidelines |
|---|---------------------------------|------------------------------------|---------------------------------|---------------------|
| Funding Ratio (State Insurance Fund) | 1.34 | 1.24 | 1.22 | 1.15 to 1.35 |
| Net Leverage Ratio (SIF) | 3.32 | 4.87 | 5.23 | 3.0 to 7.0 |
| Loss Ratio | 101.6% | 104.8% | 107.4% | |
| LAE Ratio - MCO | 9.6% | 9.3% | 11.4% | |
| LAE Ratio - BWC | 10.5% | 12.0% | 8.7% | |
| Net Loss Ratio | 121.7% | 126.1% | 127.5% | 102.5% |
| Expense Ratio | 6.4% | 6.9% | 5.8% | 7.5% |
| Combined Ratio | 128.1% | 133.0% | 133.3% | 110.0% |
| Net Investment Income Ratio | 39.3% | 39.0% | 32.9% | |
| Operating Ratio (Trade Ratio) | 88.8% | 94.0% | 100.4% | 90.0% |

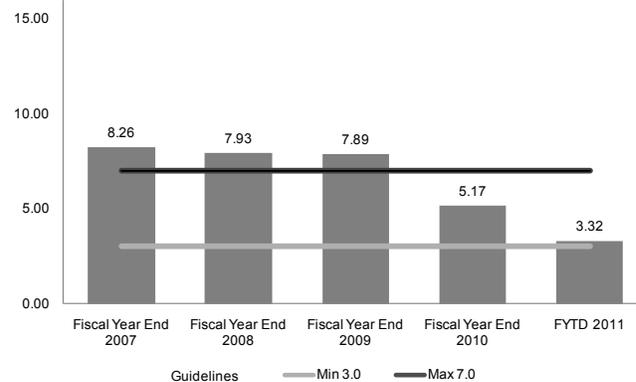
Guidelines represent long-term goals for the agency. Business practices, peer group results, and historical data were considered in the establishment of the guidelines.

Funding Ratio



Net Leverage Ratio

Net Leverage Ratio



Expense Ratio

Provides an indication of financial strength and security – Funded assets divided by funded liabilities.

Expense Ratio

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

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.

Combined Ratio

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

Loss Ratio

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

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.

LAE Ratio

Measures loss adjustment experience – Loss adjustment expenses divided by premium and assessment income.

Operating Ratio

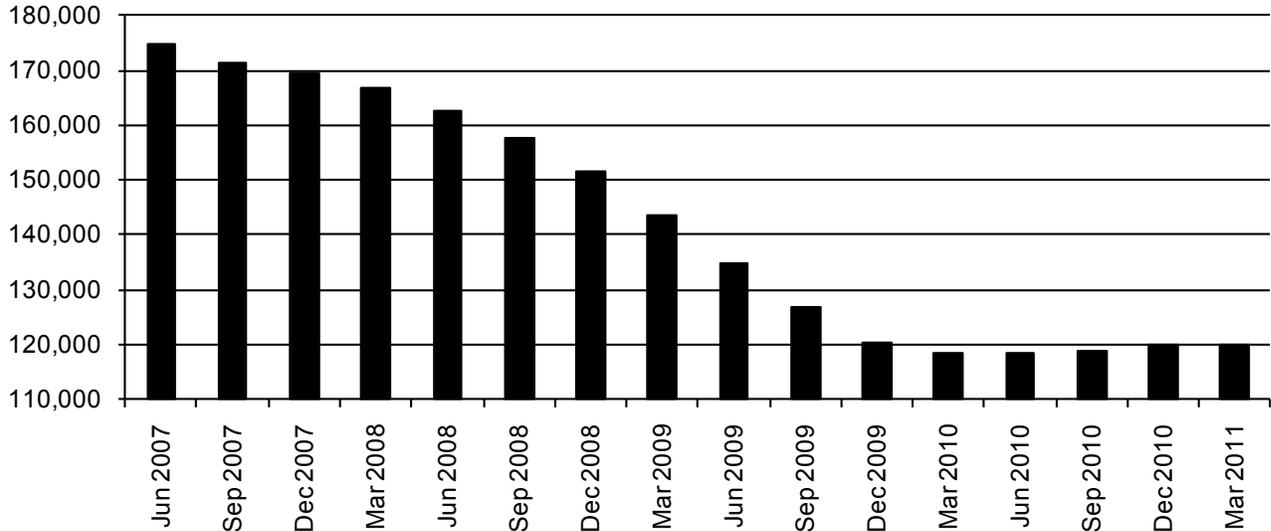
Measures overall profitability from underwriting and investing activities – Combined ratio less net investment income ratio.

Net Loss Ratio

Measures underlying profitability or total loss experience – Sum of the loss and LAE ratios.

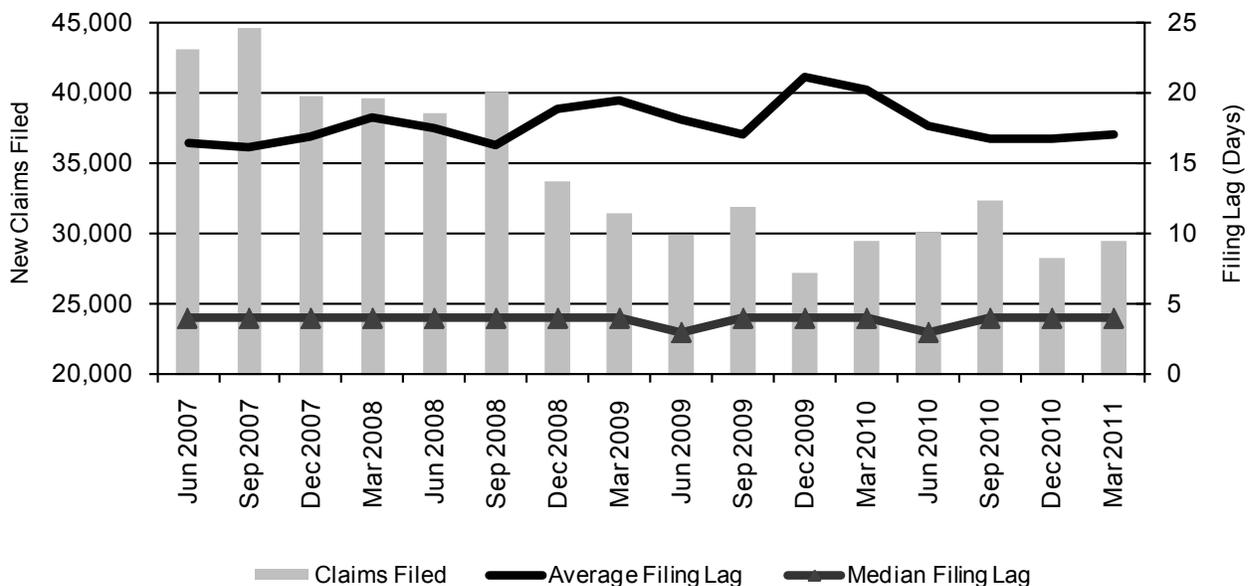
Operational Performance Metrics

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



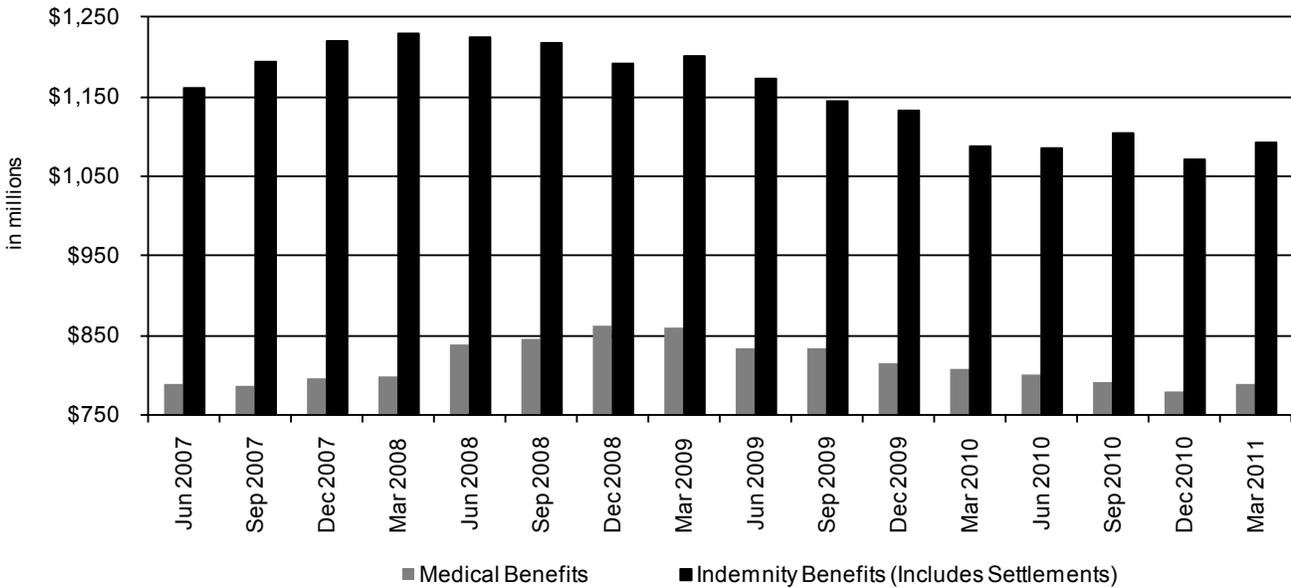
Claim Filing Lag measures the average and median number of days from the date of injury to the date of claim filing. Average claim filing lag has varied from 16.19 days to 21.16 days from the quarter ended June 30, 2007 through the quarter ended March 31, 2011. The median claim filing lag has varied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



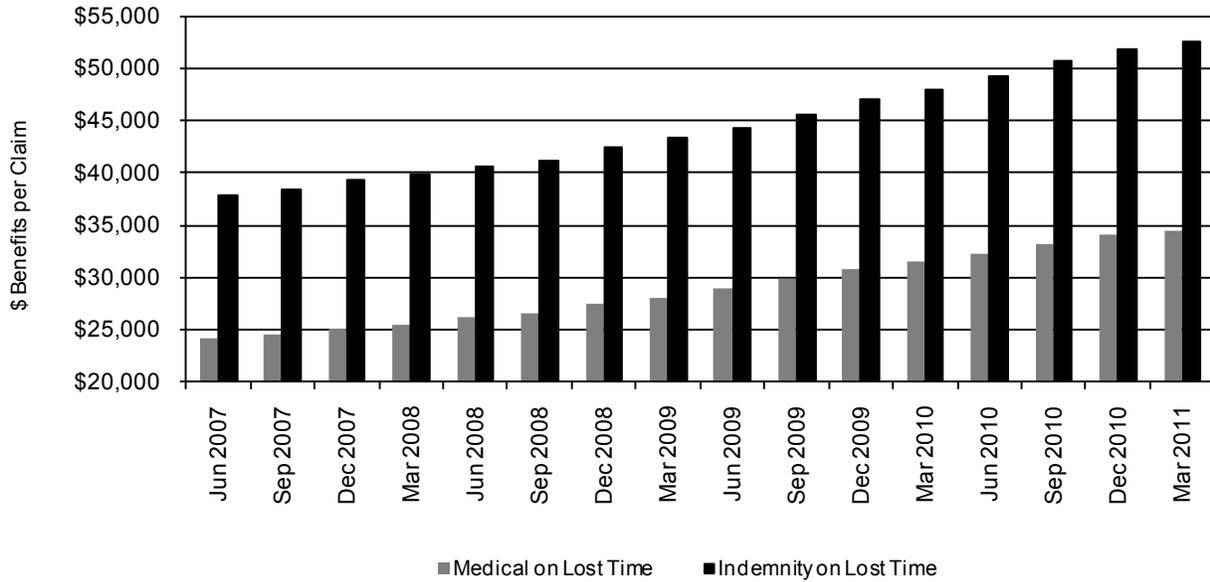
Frequency measures the number of injuries reported per 100 workers covered by the State Insurance Fund updated semi-annually. The US Bureau of Labor Statistics figure decreased from 5.3 injuries per 100 workers in 2002 to 3.6 injuries per 100 workers in 2009. The BWC figure decreased from 6.52 injuries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



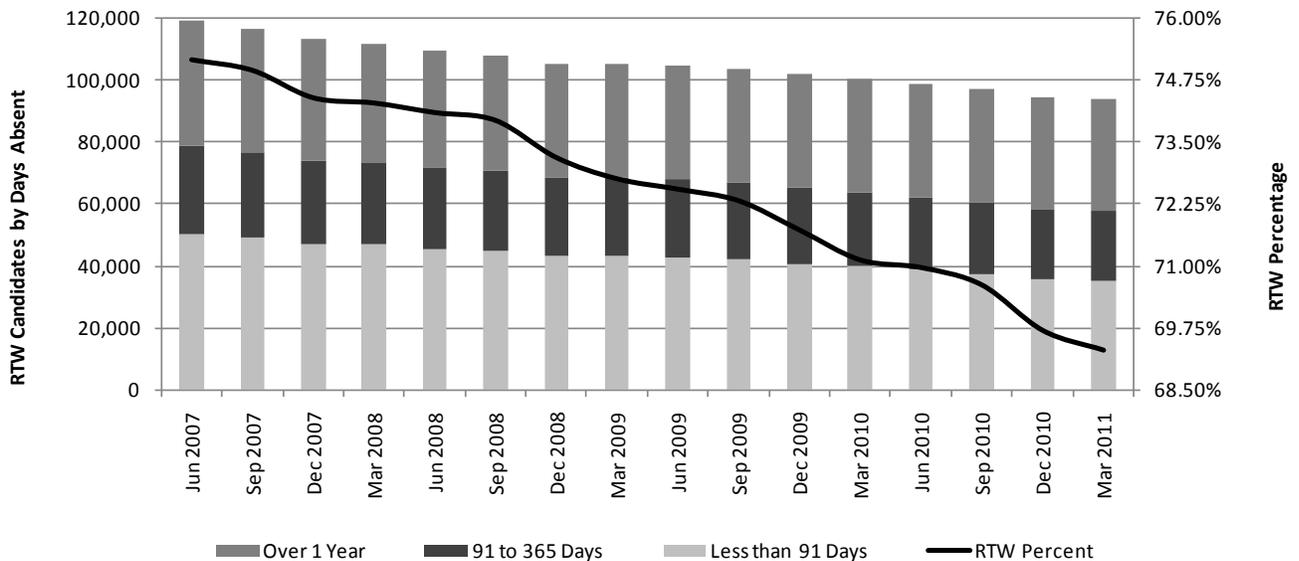
Benefit Payments measures the dollar amount of medical and indemnity payments for rolling twelve month periods updated quarterly. Indemnity payments include settlements and peaked at \$1.230 billion in the twelve months ended March 31, 2008 and have trended down to \$1.093 billion in the twelve months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



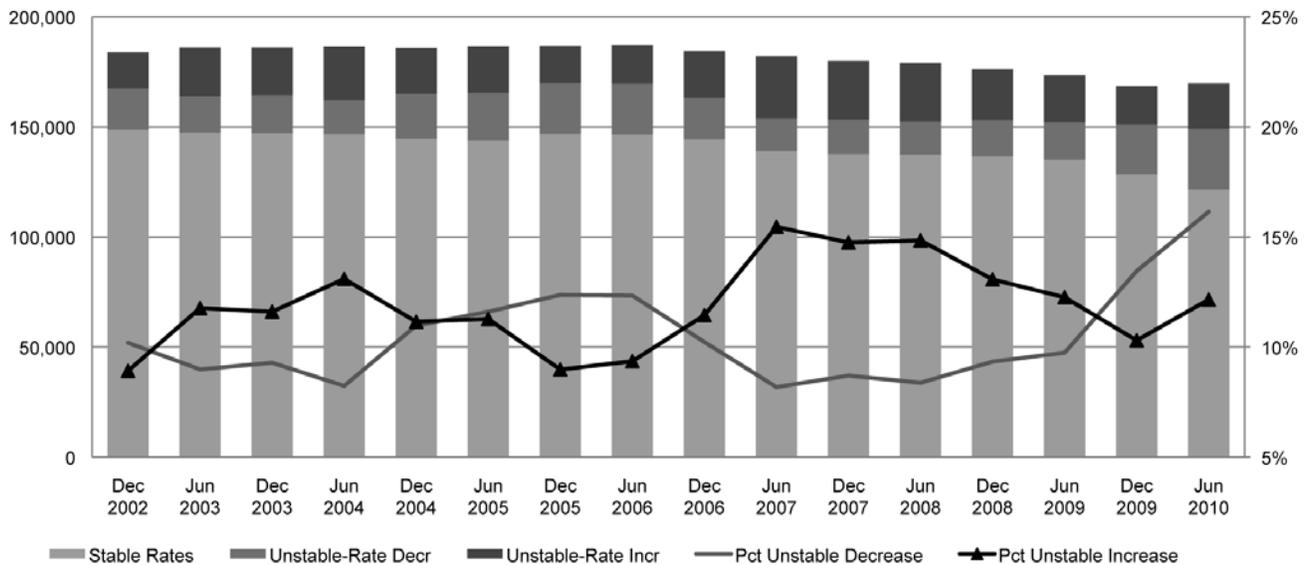
Return to Work (RTW) measures the percentage of injured workers with active claims who have returned to work relative to the claim population that has received temporary income replacement benefits. Data prior to December 31, 2010 has been re-stated to present accurate quarter to quarter comparisons 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.