

Board Agenda
Friday, July 29, 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 16, 2011 Board meeting
 - Review meeting agenda
-

Committee Reports

Actuarial Committee

Steve Lehecka, Committee Chair

Audit Committee

Ken Haffey, Committee Chair

Governance Committee

Mark Palmer, Committee Chair

1. Approve Board and Committee Self-assessment and action steps

Investment Committee

Bob Smith, Committee Chair

Medical Services and Safety Committee

Jim Matesich, Committee Chair

Monthly Enterprise Report

Tracy Valentino, Chief, Fiscal & Planning Division

Administrator's Report

Steve Buehrer, Administrator

Adjourn

Nicholas Zuk, Board Chair

Next Meeting: Friday, August 26, 2011

Enterprise Report

July 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.*

June Financial Analysis

BWC's net assets decreased by \$213 million in June resulting in net assets of \$5.7 billion at June 30, 2011 compared to \$5.9 billion at May 31, 2011.

<i>(\$ in millions)</i>	Month Ended June 30, 2011	Month Ended May 31, 2011	Month Ended June 30, 2010
Operating Revenues	\$210	\$120	\$155
Operating Expenses	(196)	(158)	(215)
Operating Transfers	-	-	(1)
Net Operating Gain (Loss)	14	(38)	(61)
Net Investment Income (Loss)	(227)	135	126
Increase (Decrease) in Net Assets	(213)	97	65
Net Assets End of Period	\$5,662	\$5,875	\$3,825

- o Premium and assessment income net of the provision for uncollectible accounts receivable and ceded reinsurance premiums resulted in operating revenues of \$210 million in June. The accrual of ceded reinsurance premiums is netted against earned premiums in the Statement of Operations.
- o Increased premium and assessment income in June is associated with a \$51 million private employer true-up of actual to accrued premiums for the July through December 2010 policy period. Private employer payroll reported for this policy period increased almost 2% and premiums increased 1.4% compared to the same policy period last year.
- o Benefits and compensation adjustment expenses of \$185 million along with other expenses of \$11 million resulted in operating expenses of \$196 million in June.

<i>(\$ in millions)</i>	Month Ended June 30, 2011	Month Ended May 31, 2011	Increase (Decrease)
Change in Reserves	\$15	\$(33)	\$48
Net Benefit Payments	139	140	(1)
Payments for Comp Adjust Expenses	19	21	(2)
MCO Admin Payments	12	17	(5)
Other expenses	11	13	(2)
	\$196	\$158	\$38

- o The increased June expense is primarily a result of reserve adjustments recorded in May based on Deloitte's comprehensive annual actuarial analysis using data as of March 31, 2011. The lowering of reserves in May was 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 MCO administrative payments in June are lower as quarterly performance payments of \$5 million were made in May.
- o A \$318 million decrease in the fair value of the investment portfolio in June along with interest and dividend income of \$92 million for the month, resulted in a net investment loss of \$227 million for the month after investment expenses of \$0.7 million. The decrease in the fair value of the portfolio is comprised of \$27 million in net realized gains and \$345 million in net unrealized losses.
- o Cash and cash equivalents include \$140 million in money market holdings in the outside investment manager accounts. These funds are committed to covering an \$86 million net investment trade payable for transactions that will settle in July.
- o Premium and assessment receipts of \$33 million were collected in June compared to \$277 million in May. May receipts included payments made by public employer taxing districts for annual premiums and retrospective rating plan billings and a significant portion of the second 50/50 installment for private employers.

Fiscal Year-to-Year Comparisons

BWC's total net assets have increased by \$1.8 billion for fiscal year 2011 resulting in net assets of \$5.7 billion at June 30, 2011 compared to \$3.8 billion at June 30, 2010.

(\$ in millions)	Unaudited FY 2011	Projected FY 2011	Audited FY 2010
Operating Revenues	\$1,872	\$1,878	\$2,133
Operating Expenses	(2,393)	(2,555)	(2,868)
Operating Transfers	(6)	(4)	(5)
Net Operating Gain (Loss)	(527)	(681)	(740)
Net Investment Income (Loss)	2,364	974	2,050
Increase (Decrease) in Net Assets	1,837	293	1,310
Net Assets End of Period	\$5,662	\$4,118	\$3,825

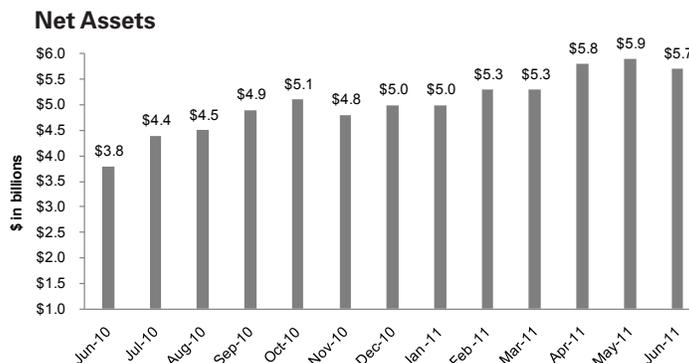
- o BWC's premium and assessment income for fiscal year 2011 is \$1.9 billion compared to \$2.1 billion for fiscal year 2010 reflecting decreased premium rates for private and state agency employers effective July 1, 2010 and January 1, 2010 and 2011 for public employer taxing districts.
- o Benefit and compensation adjustment expenses decreased by \$464 million for fiscal year 2011 compared to prior fiscal year expenses.

(\$ in millions)	Unaudited FY 2011	Audited FY 2010	Increase (Decrease)
Change in Reserves	\$182	\$558	\$(376)
Net Benefit Payments	1,731	1,803	(72)
Payments for Comp Adjust Expenses	194	211	(17)
MCO Admin Payments	166	165	1
	\$2,273	\$2,737	\$(464)

- o The decrease in reserve changes is primarily a result of the following which occurred in fiscal year 2010: The discount rate was lowered from 4.5% to 4.0%. However, the financial effect of the discount rate change was lessened by a decrease in the medical inflation assumptions used in estimating the reserves for compensation and compensation adjustment expenses.
- o Declines in settlements of \$37 million and medical payments of \$11 million have contributed to lower net benefit payments for fiscal year 2011.
- o BWC's net investment income for fiscal year 2011 totaled \$2,364 million comprised primarily of \$1,346 million in net unrealized gains and \$254 million in net realized gains, along with \$772 million of interest and dividend income, net of \$8 million in investment expenses. This compares to last year's fiscal year's net investment income of \$2,050 million.
- o Declines in private employer and public employer taxing district premium rates have contributed to premium collections being \$114 million less than collections in the prior fiscal year.

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

- 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 July 15th, coverage remained in a lapsed status for 5,879 private employers who owe an estimated \$2.8 million in premiums.
- o Approximately 250,000 private employers will be reporting payroll for the January 1, 2011 through June 30, 2011 policy period by August 31, 2011. The number of payroll reporting forms mailed was reduced by 31% as 5,500 employers have opted to receive electronic alerts and postcard reminders were sent to 74,000 employers that filed electronically the last reporting period. This reduction produced estimated savings of approximately \$18,000 in printing and postage costs.



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

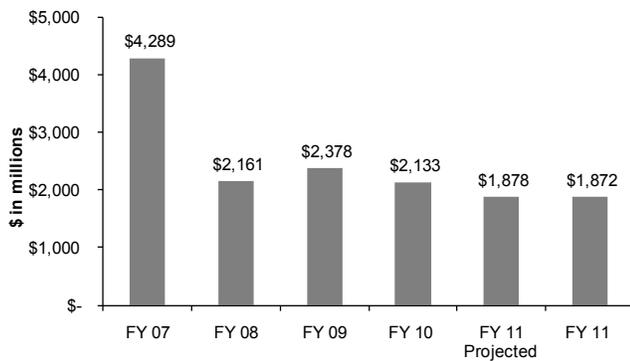
Statement of Operations

Fiscal year June 30, 2011

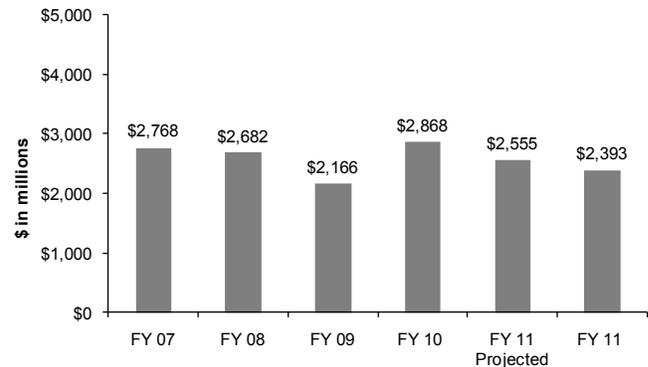
(in millions)

	Actual	Projected	Variance to Projected	Prior Yr. Actual	Year to Year Increase (Decrease)
Operating Revenues					
Premium & Assessment Income	\$1,911	\$1,920	\$(9)	\$2,149	(238)
Ceded Premiums	(6)	(6)	–	(1)	(5)
Provision for Uncollectibles	(48)	(49)	1	(30)	(18)
Other Income	15	13	2	15	–
Total Operating Revenue	1,872	1,878	(6)	2,133	(261)
Operating Expenses					
Benefits & Compensation Adj. Expense	2,273	2,421	148	2,737	(464)
Other Expenses	120	134	14	131	(11)
Total Operating Expenses	2,393	2,555	162	2,868	(475)
Operating Transfers	(6)	(4)	(2)	(5)	(1)
Net Operating Gain (Loss)	(527)	(681)	154	(740)	213
Net Investment Income (Loss)	2,364	974	1,390	2,050	314
Increase (Decrease) in Net Assets	\$1,837	\$293	\$1,544	\$1,310	\$527

Operating Revenues



Operating Expenses



Statement of Operations – Combining Schedule

Fiscal year June 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	\$1,499,827	\$72,213	\$2,433	\$503	\$447	\$35,945	\$299,035	\$1,910,403
Ceded Premiums	(5,885)	-	-	-	-	-	-	(5,885)
Provision for Uncollectibles	(42,107)	(1,684)	(147)	-	-	(478)	(3,659)	(48,075)
Other Income	8,754	-	-	-	-	-	6,235	14,989
Total Operating Revenues	1,460,589	70,529	2,286	503	447	35,467	301,611	1,871,432
Operating Expenses:								
Benefits & Compensation Adj Expenses	1,968,956	65,490	3,747	313	(153)	35,010	199,923	2,273,286
Other Expenses	20,230	80	167	1	61	-	99,829	120,368
Total Operating Expenses	1,989,186	65,570	3,914	314	(92)	35,010	299,752	2,393,654
Net Operating Income (Loss) before Operating Transfers Out	(528,597)	4,959	(1,628)	189	539	457	1,859	(522,222)
Operating Transfers Out	-	-	(5,120)	-	-	-	(425)	(5,545)
Net Operating Income (Loss)	(528,597)	4,959	(6,748)	189	539	457	1,434	(527,767)
Investment Income:								
Investment Income	710,189	45,351	10,246	656	492	27	5,486	772,447
Net Realized Gains (Losses)	135,437	96,639	22,184	1	-	-	-	254,261
Net Unrealized Gains (Losses)	1,341,938	7,910	(4,935)	271	204	-	-	1,345,388
Total Realized & Unrealized Capital Gains (Losses)	1,477,375	104,549	17,249	272	204	-	-	1,599,649
Investment Manager & Operational Fees	(7,314)	(308)	(62)	(10)	(7)	(1)	-	(7,702)
Gain (Loss) on Disposal of Fixed Assets	-	-	-	-	-	-	35	35
Total Non-Operating Revenues, Net	2,180,250	149,592	27,433	918	689	26	5,521	2,364,429
Increase (Decrease) in Net Assets (Deficit)	1,651,653	154,551	20,685	1,107	1,228	483	6,955	1,836,662
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	\$4,957,199	\$1,199,186	\$213,982	\$23,675	\$17,626	\$7,508	\$(757,435)	\$5,661,741

This report shows operating activity for each of the funds administered by BWC.

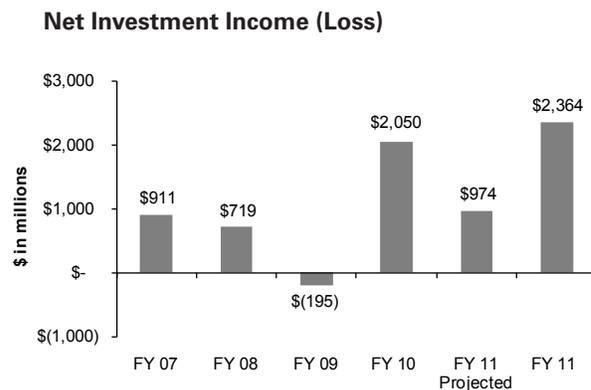
The deficit in net assets for the Administrative Cost Fund is a result of recognizing the actuarially estimated liabilities for loss adjustment expenses while funding for ACF is on a pay-as-you-go basis.

Statement of Investment Income

Fiscal year June 30, 2011

(in thousands)

	Actual	Projected	Variance to Projected	Prior Yr. Actual	Year to Year Increase (Decrease)
Investment Income					
Bond Interest	\$686,076	\$671,880	\$14,196	\$638,902	\$47,174
Dividend Income—Domestic & International	85,390	83,014	2,376	79,007	6,383
Money Market/Commercial Paper Income	219	1,572	(1,353)	1,175	(956)
Misc. Income (Corp Actions, Settlements)	762	4,800	(4,038)	3,446	(2,684)
Total Investment Income	772,447	761,266	11,181	722,530	49,917
Realized & Unrealized Capital Gains and (Losses)					
Bonds – Net Realized Gains (Losses)	182,103	–	182,103	89,713	92,390
Stocks – Net Realized Gains (Losses)	78,523	–	78,523	(472,064)	550,587
Non –U.S. Equities – Net Realized Gains (Losses)	(6,365)	–	(6,365)	(21,449)	15,084
Subtotal – Net Realized Gains (Losses)	254,261	–	254,261	(403,800)	658,061
Bonds – Net Unrealized Gains (Losses)	(131,374)	220,596	(351,970)	899,858	(1,031,232)
Stocks – Net Unrealized Gains (Losses)	997,848	–	997,848	940,746	57,102
Non –U.S. Equities – Net Unrealized Gains (Losses)	478,914	–	478,914	(102,569)	581,483
Subtotal – Net Unrealized Gains (Losses)	1,345,388	220,596	1,124,792	1,738,035	(392,647)
Change in Portfolio Value	1,599,649	220,596	1,379,053	1,334,235	265,414
Investment Manager & Operational Fees	(7,702)	(7,662)	(40)	(7,143)	559
Net Investment Income (Loss)	\$2,364,394	\$974,200	\$1,390,194	\$2,049,622	\$314,772

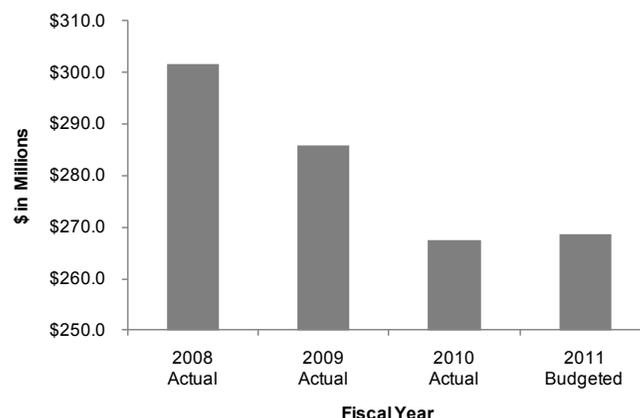


Administrative Cost Fund Expense Analysis

June 2011

- o BWC Administrative Cost Fund expenses through fiscal year to date (FYTD) June 2011 are approximately \$11.7 million (4%) less than budgeted and 1.5% less than last fiscal year to date.
- o Decreases in payroll through FYTD June 2011 are a result of decreases in staffing due to retirements and hiring controls. As of June 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. FYTD payroll savings of \$5 million achieved through cost savings days were offset with an unexpected 27th payroll posted in fiscal year 2011 rather than fiscal year 2012. Budget adjustments were made to the fiscal year 2011 budget to cover the extra payroll.
- 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 June. Purchase orders have been completed in the Personal Services and Maintenance categories to encumber the FYTD 2011 budget variances. Payments will continue to be made against fiscal year 2011 encumbrances through November 2011. 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 expenses 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 and less than fiscal year 2010 expenses.
- o Staff reductions, identification of additional costs savings and cancellation of projects resulted in a \$15.5 million reduction in the fiscal year 2011 budget.
- o BWC's fiscal year 2011 budget is approximately \$60 million (18%) 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 June 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	850,863	850,863	0	0.00%	850,863	855,371	(4,508)	-0.53%
BWC Administration	13	1,439,564	1,439,800	236	0.02%	1,439,800	1,370,980	68,584	5.00%
Customer Service	1,279	104,642,884	104,655,020	12,136	0.01%	104,655,020	106,043,726	(1,400,842)	-1.32%
Medical	110	9,941,145	9,941,045	(100)	0.00%	9,941,045	10,682,078	(740,933)	-6.94%
Special Investigations	118	10,457,681	10,436,648	(21,033)	-0.20%	10,436,648	10,296,288	161,393	1.57%
Fiscal and Planning	99	7,550,704	7,534,891	(15,813)	-0.21%	7,534,891	4,892,555	2,658,149	54.33%
Actuarial	17	1,978,980	1,982,668	3,688	0.19%	1,982,668	2,028,200	(49,220)	-2.43%
Investments	9	1,202,536	1,202,536	0	0.00%	1,202,536	1,250,135	(47,599)	-3.81%
Information Technology	221	25,310,503	25,360,010	49,507	0.20%	25,360,010	28,221,337	(2,910,834)	-10.31%
Legal	74	6,922,841	6,923,189	348	0.01%	6,923,189	6,705,083	217,758	3.25%
Communications	17	1,443,829	1,444,280	451	0.03%	1,444,280	1,618,278	(174,449)	-10.78%
Human Resources	60	5,228,042	5,227,810	(232)	0.00%	5,227,810	5,012,094	215,948	4.31%
Internal Audit	11	1,239,472	1,239,364	(108)	-0.01%	1,239,364	1,276,278	(36,806)	-2.88%
Ombuds Office	7	533,401	533,401	0	0.00%	533,401	507,209	26,192	5.16%
Total Payroll	2,047	178,742,445	178,771,525	29,080	0.02%	178,771,525	180,759,612	(2,017,167)	-1.12%
Personal Services									
Information Technology		6,103,995	7,619,832	1,515,837	19.89%	7,619,832	6,306,289	(202,294)	-3.21%
Legal - Special Counsel		1,285,579	1,684,577	398,998	23.69%	1,684,577	750,639	534,940	71.26%
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		5,530,978	7,381,815	1,850,837	25.07%	7,381,815	5,437,437	93,541	1.72%
Total Personal Services		17,206,494	21,308,074	4,101,580	19.25%	21,308,074	16,695,937	510,557	3.06%
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		9,472,528	9,607,149	134,621	1.40%	9,607,149	9,518,894	(46,366)	-0.49%
Software and Equipment Maintenance and Repairs		13,179,257	14,626,132	1,446,875	9.89%	14,626,132	13,038,320	140,937	1.08%
Inter Agency Payments		5,398,843	4,734,643	(664,200)	-14.03%	4,734,643	5,039,790	359,053	7.12%
Communications		2,731,735	4,065,198	1,333,463	32.80%	4,065,198	2,975,252	(243,517)	-8.18%
Safety Grants and Long Term Care Loan		3,727,469	4,000,000	272,531	6.81%	4,000,000	2,810,693	916,776	32.62%
Supplies and Printing		1,025,152	1,387,054	361,902	26.09%	1,387,054	1,119,162	(94,010)	-8.40%
Other Maintenance		2,611,124	3,513,784	902,660	25.69%	3,513,784	2,926,658	(315,534)	-10.78%
Total Maintenance		57,130,485	60,983,355	3,852,870	6.32%	60,983,355	57,238,146	(107,661)	-0.19%
Equipment									
		3,709,939	7,450,472	3,740,533	50.21%	7,450,472	6,171,993	(2,462,054)	-39.89%
Total Administrative Cost Fund Expenses		256,789,363	268,513,426	11,724,063	4.37%	268,513,426	260,865,688	(4,076,325)	-1.56%

Total Agency Appropriation 328,602,765
 Budget to Appropriation Variance 60,089,339
 Percentage Variance 18.29%

State Insurance Fund

Administrative Expense Summary

As of June 30, 2011

	Actual FY 2011	Encumbrance Balance	FY Actual & Encumbrance	Actual FY 2010
Investment Administrative Expenses				
JP Morgan Chase - Performance Reporting	\$96,458	\$6,210	\$102,668	\$0
Mercer Investment Consulting	479,167	99,414	578,581	70,083
RV Kuhns & Associates Investment Consulting	89,667	44,833	134,500	447,916
Other Investment Expenses	333,120	77,929	411,049	360,495
	<u>998,412</u>	<u>228,386</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	1,709,359	645,493	2,354,852	1,251,444
	<u>1,709,359</u>	<u>645,493</u>	<u>2,354,852</u>	<u>1,996,072</u>
Reinsurance Expenses				
Towers Watson	6,100,286	0	6,100,286	1,526,119
Ohio Rehabilitation Services	<u>605,407</u>	<u>0</u>	<u>605,407</u>	<u>605,407</u>
TOTAL	<u>\$9,413,464</u>	<u>\$873,879</u>	<u>\$10,287,343</u>	<u>\$5,006,092</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 June 30, 2011

	FY 2011	FY 2010	Source
Workers' Compensation Council	\$ -	\$ 325,000	Administrative Cost Fund
Ohio Dept. of Natural Resources			
Mine Safety Fund	2,840,491	3,776,919	Coal Workers' Pneumoconiosis Fund
Strip Mining Admin Fund	2,280,000	-	Coal Workers' Pneumoconiosis Fund
Ohio Inspector General	<u>425,000</u>	<u>425,000</u>	Administrative Cost Fund
TOTAL	<u>\$ 5,545,491</u>	<u>\$4,526,919</u>	

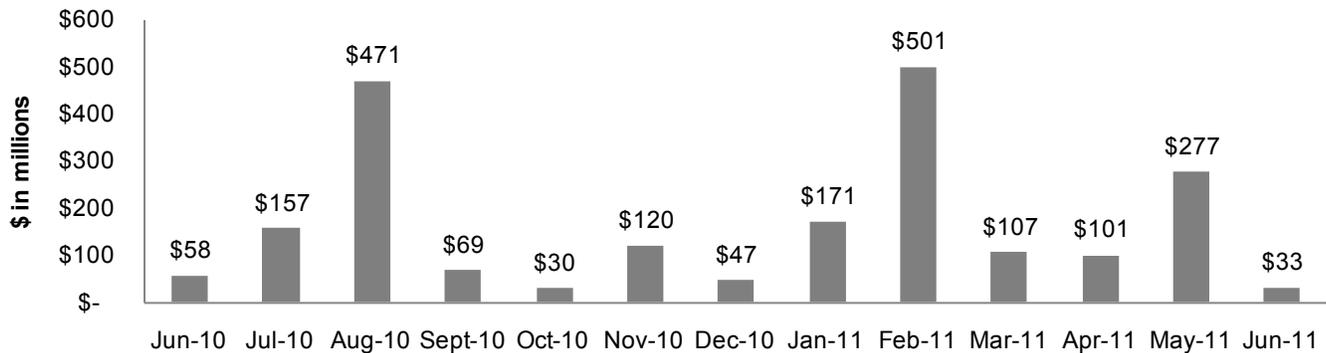
Statement of Cash Flows

Fiscal year June 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	\$2,084	\$2,020	\$64	\$2,198	\$(114)
Cash Receipts - Other	41	37	4	54	(13)
Cash Disbursements for Claims	(2,001)	(2,097)	96	(2,057)	56
Cash Disbursements for Other	(365)	(397)	32	(391)	26
Net Cash Provided (Used) by Operating Activities	(241)	(437)	196	(196)	(45)
Net Cash Flows from Noncapital Financing Activities	(6)	(4)	(2)	(5)	(1)
Net Cash Flows from Capital and Related Financing Activities	(24)	(19)	(5)	(27)	3
Net Cash Provided (Used) by Investing Activities	179	170	9	160	19
Net Increase (Decrease) in Cash and Cash Equivalents	(92)	(290)	198	(68)	(24)
Cash and Cash Equivalents, Beginning of Period	436	436	-	504	(68)
Cash and Cash Equivalents, End of Period	\$344	\$146	\$198	\$436	\$(92)

Premium and Assessment Receipts



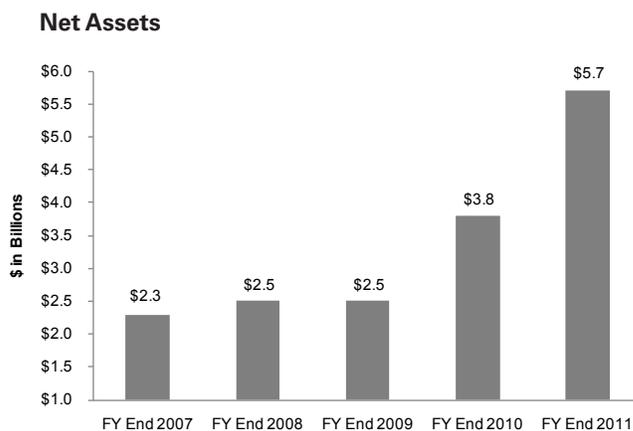
Statement of Net Assets

As of June 30, 2011

(in millions)

	Actual	Prior Yr. Actual	Year to Year Increase (Decrease)
Assets			
Bonds	\$13,947	\$13,381	\$566
U.S. Equities	4,634	3,640	994
Non-U.S. Equities	2,128	1,509	619
Cash & Cash Equivalents	<u>344</u>	<u>436</u>	<u>(92)</u>
Total Cash and Investments	21,053	18,966	2,087
Accrued Premiums	4,497	4,586	(89)
Other Accounts Receivable	129	144	(15)
Investment Receivables	239	288	(49)
Other Assets	<u>97</u>	<u>107</u>	<u>(10)</u>
Total Assets	<u>26,015</u>	<u>24,091</u>	<u>1,924</u>
Liabilities			
Reserve for Compensation and Compensation Adj. Expense	\$19,986	\$19,805	\$181
Accounts Payable	21	31	(10)
Investment Payable	174	229	(55)
Other Liabilities	<u>172</u>	<u>201</u>	<u>(29)</u>
Total Liabilities	<u>20,353</u>	<u>20,266</u>	<u>87</u>
Net Assets	<u>\$5,662</u>	<u>\$3,825</u>	<u>\$1,837</u>

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



Statement of Net Assets – Combining Schedule

Fiscal year June 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	\$12,742,758	\$ 932,149	\$ 226,591	\$ 25,942	\$ 19,559	\$ -	\$ -	\$ -	\$13,946,999
U.S. Equities	4,300,826	293,362	39,415	-	-	-	-	-	4,633,603
Non-U.S. Equities	1,955,673	149,973	22,706	-	-	-	-	-	2,128,352
Private Equities	35	-	-	-	-	-	-	-	35
Cash & Cash Equivalents	285,885	4,691	1,046	171	269	51,673	693	-	344,428
Total Cash & Investments	19,285,177	1,380,175	289,758	26,113	19,828	51,673	693	-	21,053,417
Accrued Premiums	1,638,107	1,768,146	-	80	-	870,309	219,888	-	4,496,530
Other Accounts Receivable	108,915	15,331	24	68	1	53	4,951	-	129,343
Interfund Receivables	11,494	53,732	-	456	34	375	145,722	(211,813)	-
Investment Receivables	239,194	-	-	-	-	-	-	-	239,194
Other Assets	25,169	22	-	-	-	-	71,687	-	96,878
Total Assets	\$21,308,056	\$ 3,217,406	\$ 289,782	\$ 26,717	\$ 19,863	\$ 922,410	\$ 442,941	\$ (211,813)	\$26,015,362
Liabilities									
* Reserve for Compensation & Compensation Adj. Expense	\$15,869,604	\$ 2,008,308	\$ 74,992	\$ 2,996	\$ 2,100	\$ 911,600	\$1,116,800	\$ -	\$19,986,400
Accounts Payable	19,834	-	-	-	-	-	902	-	20,736
Investment Payable	174,122	-	-	-	-	-	-	-	174,122
Interfund Payables	198,531	9,829	93	44	14	3,302	-	(211,813)	-
Other Liabilities	88,766	83	715	2	123	-	82,674	-	172,363
Total Liabilities	16,350,857	2,018,220	75,800	3,042	2,237	914,902	1,200,376	(211,813)	20,353,621
Net Assets	\$ 4,957,199	\$ 1,199,186	\$ 213,982	\$ 23,675	\$ 17,626	\$ 7,508	\$(757,435)	\$ -	\$ 5,661,741

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

(in thousands)

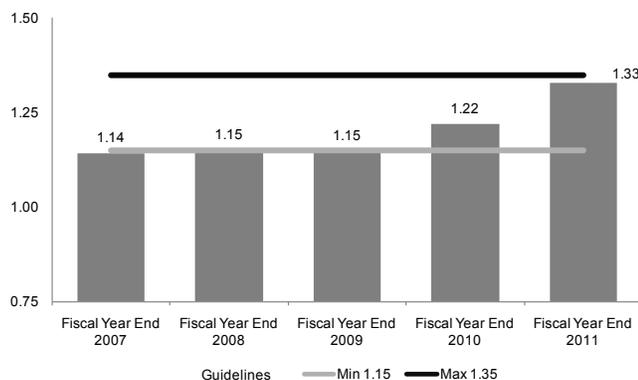
SIF	\$25,028,700
DWRF	3,505,400
CWPF	199,300
PWRE	4,900
MIF	3,300
SIEGF	2,007,700
ACF	1,789,400
Total	\$32,538,700

Financial Performance Metrics

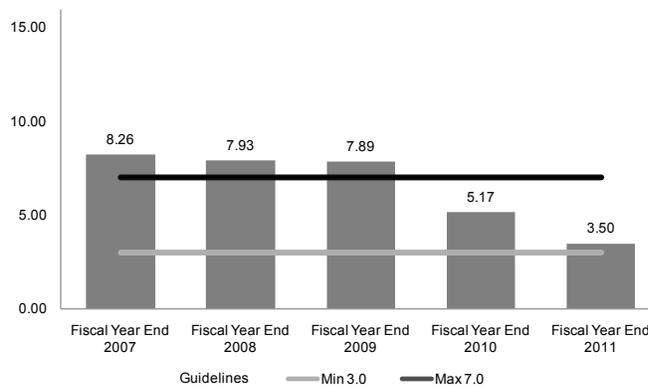
	Actual FY11 As of 6/30/11	Projected FY11 As of 6/30/11	Actual FY10 As of 6/30/10	Guidelines
Funding Ratio (State Insurance Fund)	1.33	1.24	1.24	1.15 to 1.35
Net Leverage Ratio (SIF)	3.50	4.88	5.17	3.0 to 7.0
Loss Ratio	99.2%	104.9%	104.9%	
LAE Ratio - MCO	9.3%	9.2%	13.4%	
LAE Ratio - BWC	10.5%	12.0%	9.1%	
Net Loss Ratio	119.0%	126.1%	127.4%	102.5%
Expense Ratio	6.3%	7.0%	6.1%	7.5%
Combined Ratio	125.3%	133.1%	133.5%	110.0%
Net Investment Income Ratio	40.0%	39.3%	33.3%	
Operating Ratio (Trade Ratio)	85.3%	93.8%	100.2%	90.0%

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

Funding Ratio



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

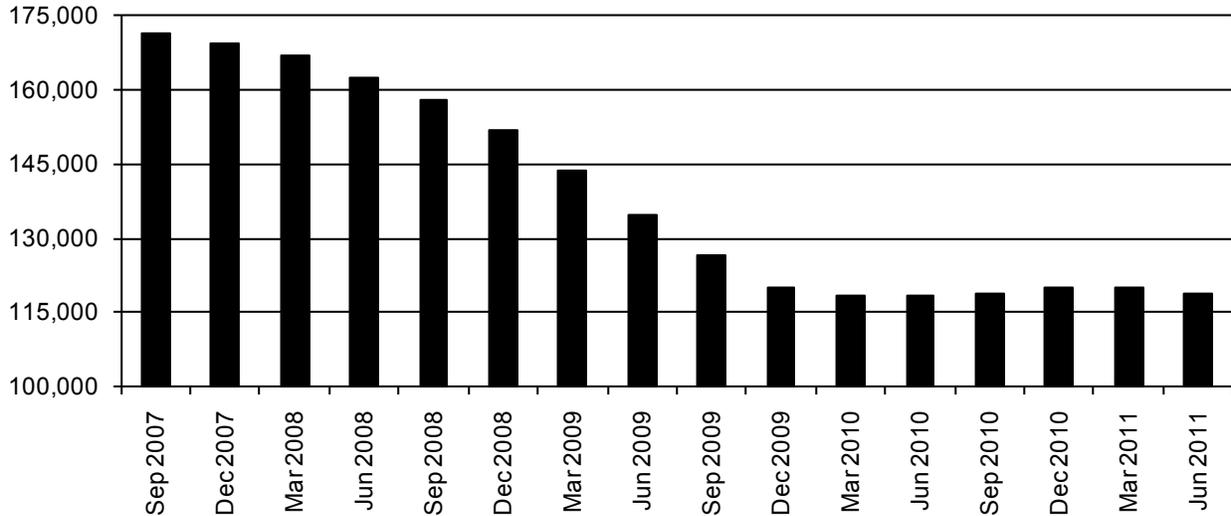
Measures the investment income component of profitability – Interest and dividend income less investment expenses divided by premium and assessment income. This ratio does not include realized or unrealized capital gains and losses.

Operating Ratio

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

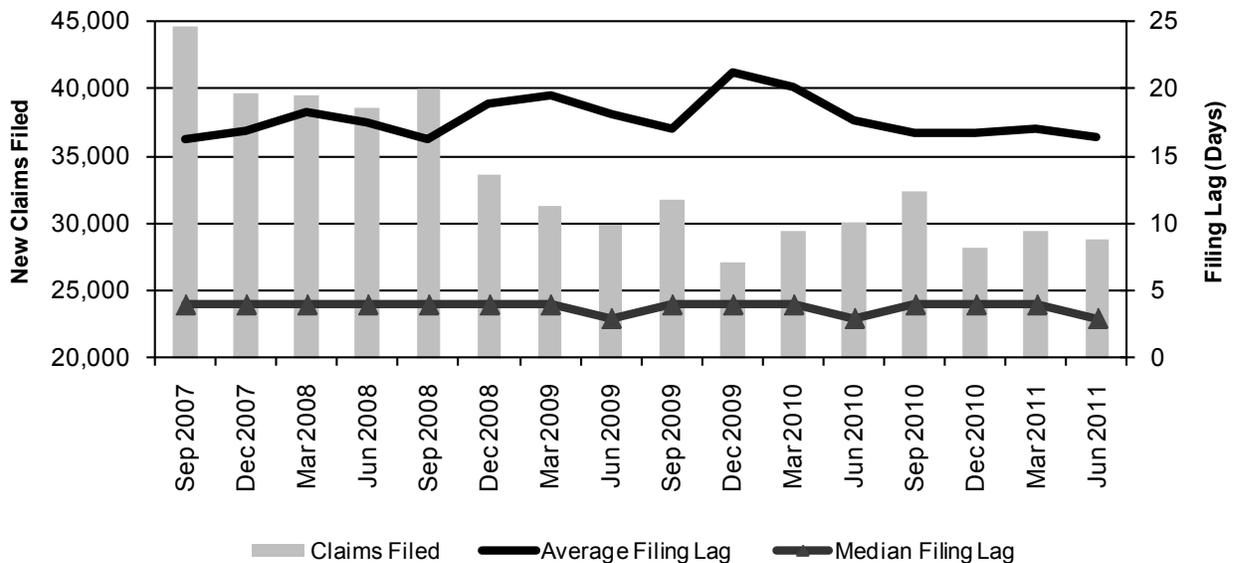
Operational Performance Metrics

New Claims Filed - Twelve months ended



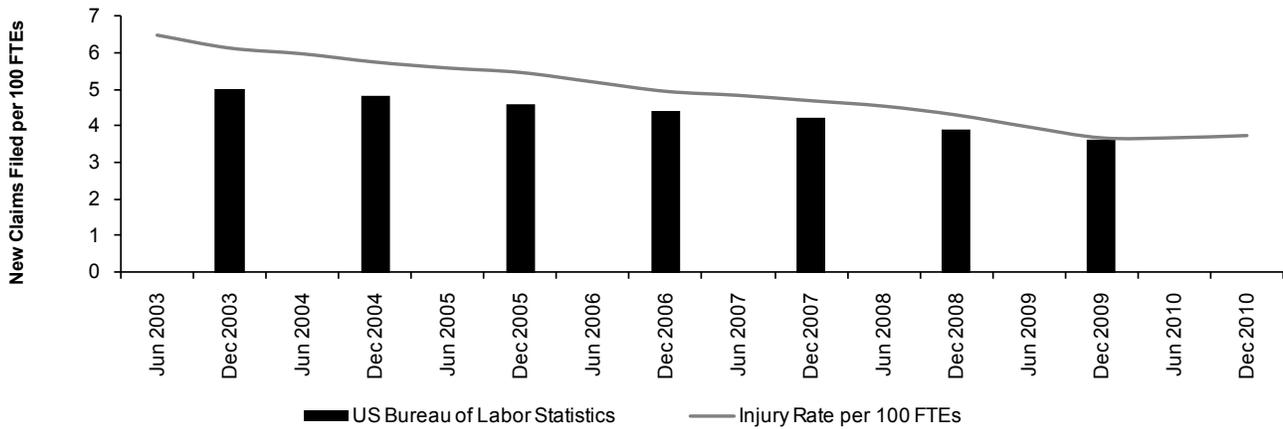
New Claims Filed measures the number of new State Insurance Fund claims filed in rolling twelve month periods measured quarterly. A steady downward trend was in place from the twelve months ended September 30, 2007 through the twelve months ended December 31, 2009 (from 171,430 new claims to 120,279 new claims). The trend has been relatively flat over the past six measurement periods with 118,971 new claims filed in the twelve months ended June 30, 2011.

Claim Filing Lag - Reported quarterly



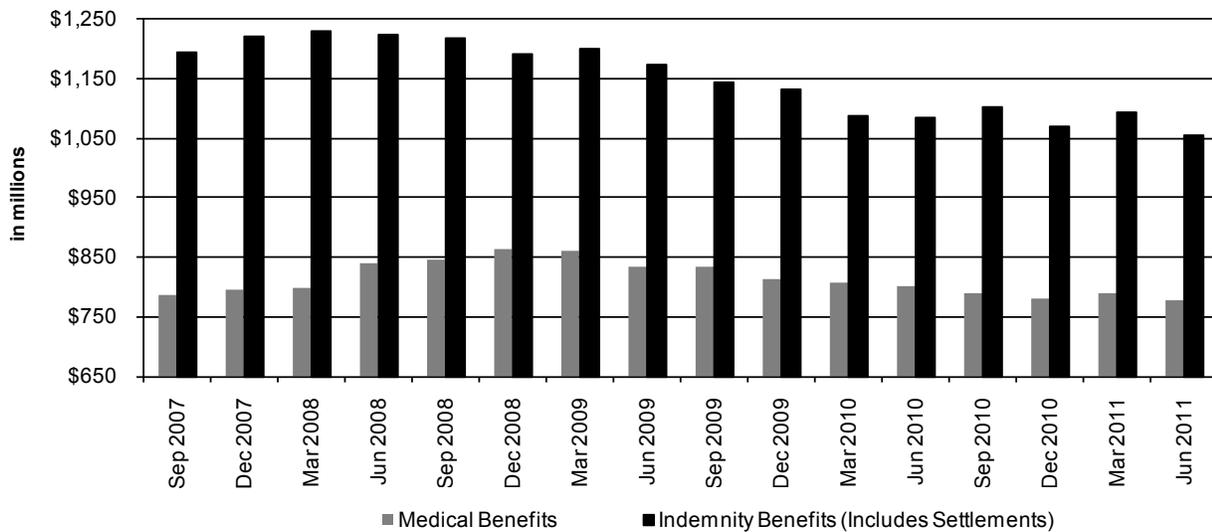
Claim Filing Lag measures the average and median number of days from the date of injury to the date of claim filing. Average claim filing lag has varied from 16.19 days to 21.16 days from the quarter ended September 30, 2007 through the quarter ended June 30, 2011. The median claim filing lag has varied 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 28,900 in the quarter ended June 30, 2011.

Frequency - Reported semi-annually



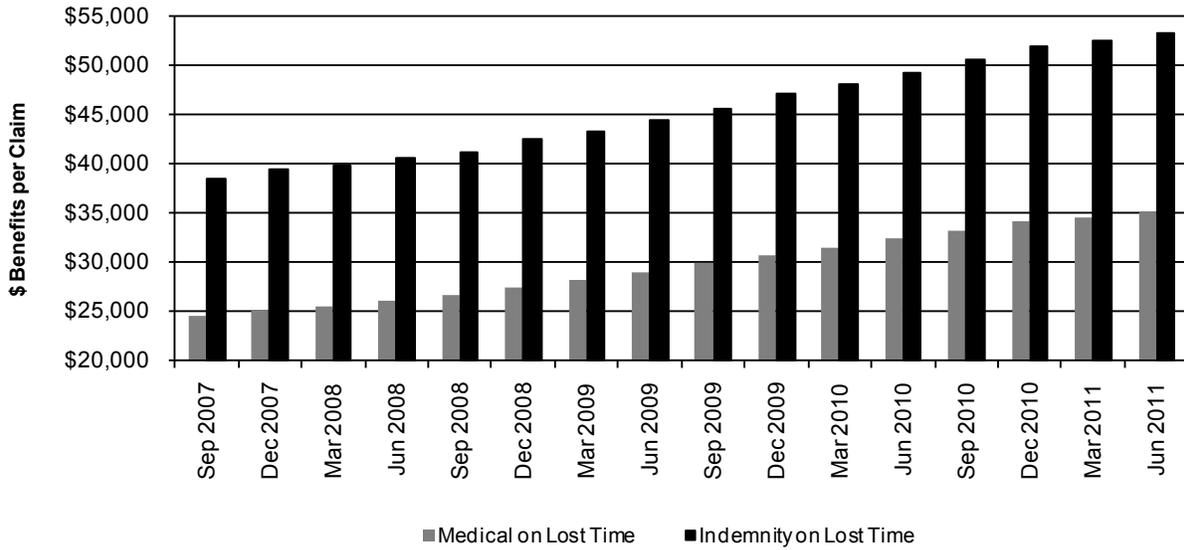
Frequency measures the number of injuries reported per 100 workers covered by the State Insurance Fund updated semi-annually. The US Bureau of Labor Statistics figure decreased from 5.0 injuries per 100 workers in 2003 to 3.6 injuries per 100 workers in 2009. The BWC figure decreased from 6.46 injuries per 100 workers in June 2003 to 3.68 injuries per 100 workers as of December 2009 and June 2010 and increased to 3.74 injuries per 100 workers as of December 2010. Numbers of employees for BWC statistics are calculated by dividing reported payroll by the statewide average weekly wage.

Benefit Payments - Twelve months ended



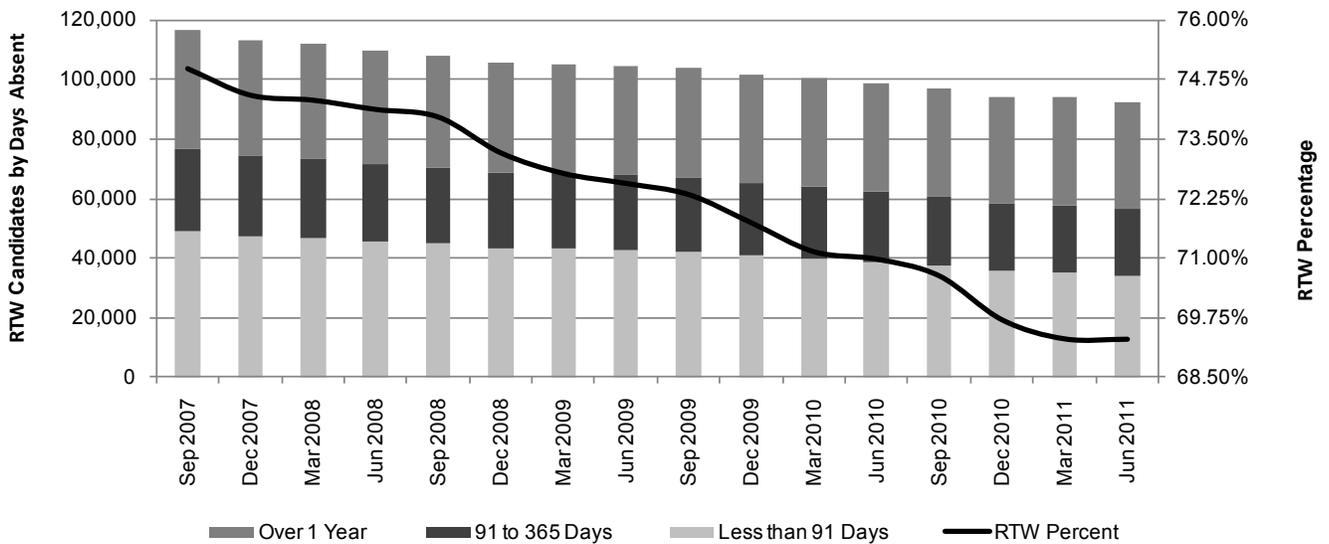
Benefit Payments measures the dollar amount of medical and indemnity payments for rolling twelve month periods updated quarterly. Indemnity payments include settlements and peaked at \$1.230 billion in the twelve months ended March 31, 2008 and have trended down to \$1.054 billion in the twelve months ended June 30, 2011. Medical payments peaked at \$863 million in the twelve months ended December 31, 2008 and have decreased to \$779 million in the twelve months ended June 30, 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 \$24,601 as of September 30, 2007 to \$35,163 as of June 30, 2011. Average indemnity expenses per active lost time claim have increased from \$38,499 to \$53,198 over the same period. Medical expenses on Medical Only claims (not reflected in chart) have increased from \$936 to \$1,145 during this period.

Return to Work - Reported quarterly



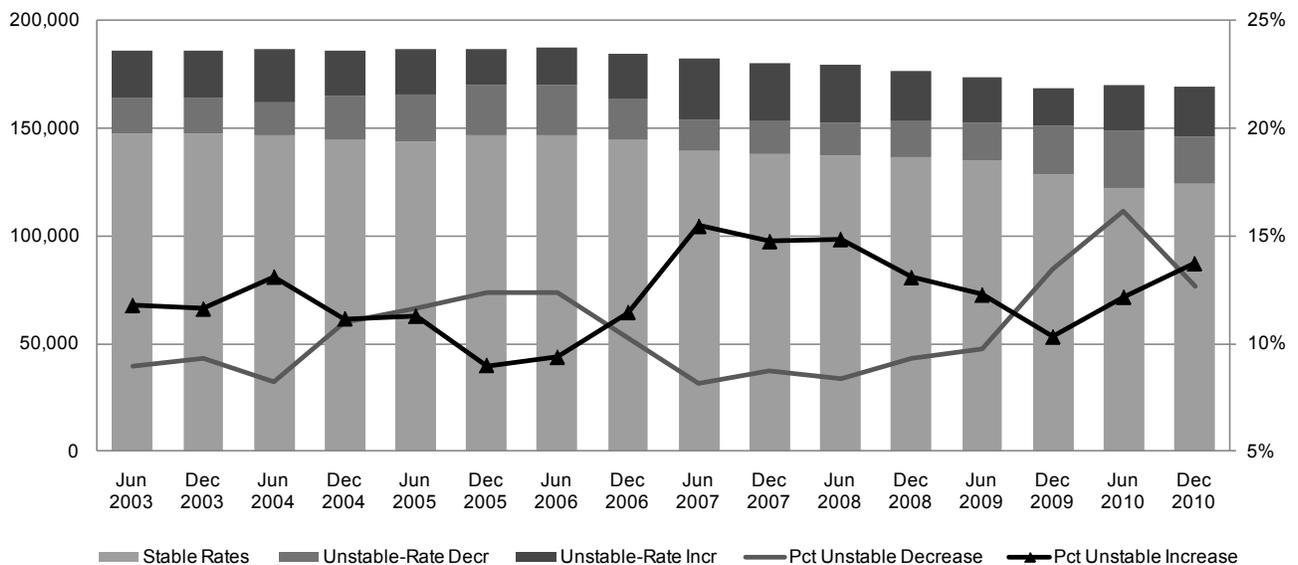
Return to Work (RTW) measures the percentage of injured workers with active claims who have returned to work relative to the claim population that has received temporary income replacement benefits. Data prior to December 31, 2010 has been re-stated to present accurate quarter to quarter comparisons based on the new definition of active claims. The total number of active claims receiving temporary income replacement benefits has dropped from 116,744 as of September 30, 2007 to 92,591 as of June 30, 2011. The RTW rate has dropped from 75.0% to 69.3% over the same period.

Aggregate Reported Payroll- Twelve months ended

(\$ in millions)	Private	PEC	PES	Black Lung	Marine
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
Dec 2010	\$87,239	\$19,169	\$7,245	\$156	\$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 June 2003 through June 2008 then decreased over the next four reporting periods and increased during the most recent reporting period.

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 and reversed in December 2010.

Legislative Affairs Update for BWC Board of Directors July 2011

HB 137- (Phillips, Driehaus) and 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 March 2, 2011 and received 1st Hearing/Sponsor Testimony in the House Commerce and Labor Committee on May 25, 2011.
- SB 107 was introduced on March 2, 2011 and is pending in the Senate Insurance Committee.

SB 139 (Hughes) and HB 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 was introduced on March 31, 2011 and received 1st Hearing/Sponsor Testimony in the Senate Insurance, Commerce and Labor Committee on May 10, 2011.
- HB 186 was introduced on April 5, 2011 and has received 3 hearings in the House Commerce and Labor Committee.

HB 264 (Burke, Grossman) and 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
- HB 264 was introduced on June 14, 2011 and received 2 hearings in the House State Government and Elections Committee.
- SB 171 was introduced on May 17, 2011, received 1 hearing and passed out of the Senate State and Local Government and Veterans Affairs Committee.
- SB 171 passed out of the Senate June 21, 2011 (33-0)
- SB 171 received 1 hearing and passed out of the House State Government and Elections Committee on June 22, 2011.
- SB 171 passed out of the House of Representatives (95-1) and concurred by the Senate (32-1) on June 23, 2011.
- SB 171 was signed by the Governor and effective immediately on June 30, 2011.

HB 252- (Young) – Immigration Status- Convicted Felon

- Includes a provision to make illegal aliens ineligible for certain state public benefits; including workers' compensation by stating an employee does not mean an illegal alien.
- Introduced June 7, 2011 and is pending in the House Transportation, Public Safety and Homeland Security.

HB 153- (Amstutz) - State Operating Budget for Fiscal Years 2012-2013

- Includes provisions eliminating the Workers' Compensation Council and the transfer of assets to BWC
- Signed by the Governor June 30, 2011 and effective immediately