Workers' Compensation
Oversight
Commission

Oversight Committee

Agenda
August 24, 2006
William Green Building, Second Floor, Room 3
11:00 a.m.

Chairman's comments .... William Sopko

Old business

Approval of previous meeting minutes .... William Sopko

New Business

Administrator's comments .... Bill Mabe

CFO Financial statement review .... Tracy Valentino

Administrative Budget update... Tracy Valentino

Audit Committee update ....Denise Farkas

Investment Committee update.. Mike Koetters

CIO report .... Mike Koetters and Bruce Dunn

Private Equity Placement Agent RFP Process Summary...............Bruce Dunn

Private Equity Placement Agent Recommendation ....
.... Bruce Dunn and Marc Friedberg

Finalist Presentation, first consideration, possible vote

Investment Policy Recommendation *(corrective/clarification changes to investment policy)*, possible vote ....John Williams and Bruce Dunn

Rates

Public Employer Retrospective Rating Plan Minimum Premium table change, first consideration, possible vote .... Liz Bravender

Adjourn .... William Sopko

Oversight Commission

William E. Sopko, Chairman
President,
STAMCO Industries
representing state-fund employers

Thomas H. Bainbridge, Jr.
Partner,
Ward, Kaps, Bainbridge,
Maurer & Melvin
representing injured workers

William A. Burga
President
Ohio AFL-CIO
representing organized labor

Mary Beth Carroll
Vice President,
FirstEnergy
representing self-insured employers

Michael C. Koetters
Retired Chief Investment Officer,
Wellpoint, Inc.
representing the public

Denise M. Farkas, CFA
Senior Vice President,
Spero Smith Investment Advisers
representing investments

Edwin McCausland, CFA
President,
Investment Perspectives, LLC
representing investments

The next WCOC meeting is scheduled for:
September 28, 2006
Dayton Convention Center (additional details to follow)
11:00 A.M.

WORKERS' COMPENSATION OVERSIGHT COMMISSION

FRIDAY JULY 20, 2006, 11:00 A.M.
WILLIAM GREEN BUILDING
THE NEIL SCHULTZ CONFERENCE CENTER
30 WEST SPRING ST., 2nd FLOOR (MEZZANINE)
COLUMBUS, OHIO 43215

Members Present:	Bill Sopko, Chairman
	Michael Koetters
	Mary Beth Carroll
	Thomas Bainbridge, Jr.
	Denise Farkas
	Edwin McCausland
	Representative Tim Schaffer
	Representative Timothy Cassell

Members Absent:	William Burga
	Senator Steve Stivers
	Senator Eric Fingerhut

ROLL CALL

Mr. Sopko called the meeting to order at 11:00 a.m. and the roll call was taken.

CHAIRMAN'S COMMENTS

Mr. Sopko reported that Mr. Burga would be delayed today by a personal matter.

Mr. Sopko reported that the appointment of Ian Lanoff, Groom Law Group, had been continued until November by the Attorney General. The Oversight Commission will be replacing him with Ohio-based fiduciary counsel.

The Oversight Commission received the report from Evaluation Associates on behalf of the Ohio Inspector General. Senator Fingerhut has written Senator Stivers and requested legislation based on this report. The Oversight Commission will not comment on the report, and the Inspector General has stated that it need not do so. However, the Oversight Commission may invite Evaluation Associates to report its findings at a future meeting.

MINUTES OF JUNE 16, 2006

Ms. Carroll moved that the minutes of June 16, 2006, be approved. Mr. Koetters seconded and the minutes were approved by a unanimous roll call vote.

ADMINISTRATOR'S COMMENTS

William Mabe, BWC Administrator, reported on developments in Agenda 06. One goal is for BWC to show $400 million in financial improvements; currently, it has achieved $200 million in savings. The primary reasons are medical cost containment and improved revenue collections. BWC has also added additional investment staff and reorganized its Internal Audit Department.

Mr. Mabe reported that the *Santos* case had been settled. BWC will soon begin distribution of funds collected prior to 2001 through subrogation.

CFO FINANCIAL STATEMENT REVIEW

Tracy Valentino, Chief Financial Officer, reported on the May financial statements. Projected operating revenue is ahead of projections. The reasons are that BWC is receiving more premium revenue than it had expected and BWC has reduced the reserve for uncollectible accounts. Net investment income has been most affected by unrealized losses in the portfolio. Net assets stand at $666 million. Combined ratios continue to decrease further and now stand at 108.5%; the combined ratio is expected to further decline in June to 107.5%.

Mr. Sopko thanked Ms. Valentino for making changes in these reports in previous months as requested by the Oversight Commission and for reducing the accounts receivable.

Mr. McCausland requested that future reports include ratios from the industry to compare performance. Ms. Valentino replied that the Request for Proposal (RFP) for an independent actuary includes review of BWC claims and risk management performance and includes information on industry performance.

Mr. Koetters asked if the RFP included comparison of financial statements. Cathy Moseley, Chief of Staff, replied that it did not. However, comparison with financial performance of other workers' compensation insurers is part of the overall change of BWC.

Mr. Bainbridge asked what the status of the RFP is. Ms. Moseley replied that BWC needs the vendor to sign the contract.

FY 2007 PROJECTIONS

Ms. Valentino reported on the projected financial statements for fiscal year 2007. The resources for the statements include, first, projected payroll, rates, and collectible rates provide by the Actuarial Department in connection with rate indication information prepared by the external actuarial consultant; the most recent fiscal year payment trends for Managed Care Organization (MCO), medical, and indemnity expense; projected administrative disbursements prepared by the BWC Budget Department and the Industrial Commission; reserve development patterns identified during the 2005 fiscal year actuarial audit completed by the BWC external actuarial consultant; and investment information from the Investment Division.

The next actuarial audit is due at the end of August and may change assumption in claims reserves. Revenue increases will increase from premium increases, wage increases, and a significant reduction in the reserve for uncollectible accounts. The projections do not use changes in interest rates or the discount rate or improvements in medical management. Thus, the projections are most conservative. An interest rate reduction could result in a reduction in net assets to $370 million. BWC projects a positive cash flow, in contrast to previous years and BWC will not need to draw from investments to pay claims. BWC projects a combined ratio of 88% by the end of fiscal year 2007.

Ms. Farkas asked if operating trade ratios are included. Mr. Mabe responded that these are a factor in BWC initiatives.

AUDIT COMMITTEE REPORT

Ms. Farkas reported that the Audit Committee had met this morning and heard a report of the Internal Audit Department on its audit plan for fiscal year 2007. Ms. Farkas also reported that BWC had received no proposals on the RFP for the fiscal year 2005 and 2006 external audit. Accordingly, the Auditor of State will perform the audit and has begun to plan this with BWC management.

INVESTMENT COMMITTEE REPORT—WILSHIRE ASSET LIABILITY PROPOSAL

Mr. Koetters reported that the Investment Committee met this morning and approved the asset allocation proposal from Wilshire Consulting.

Mark Brubaker, Wilshire Consulting, recommended that the Oversight Commission adopt an investment policy which uses 20% investment in equities, 79% in fixed income, and 1% in cash. Equity investments are further distributed to 15% for United States stocks and 5% for foreign stocks. Fixed income allocations include 54% for long duration fixed income; 5% for high yield; and 20% for inflation-protected.

The six factors leading to this recommendation are, first, the obligations of the State Insurance Fund are long-term in nature, with a duration of approximately 10.4 years. Second, the State Insurance Fund has minimal short-term cash needs as current premiums are approximately equal to current claims and are expected to ultimately exceed claims. Third, there is no asset allocation that can eliminate risk due to the relatively weak capital structure of the State Insurance Fund and the medical inflation risk embedded in the claims. Fourth, BWC is a monopoly and not subject to competition, therefore, future premiums are relatively predictable. Fifth, premiums are currently based on discounted (5.25%) future claims, thereby setting a hurdle rate of return on investments for the State Insurance Fund. Finally, BWC views itself as an ongoing entity.

With a 20% equity allocation, BWC has a 59% probably of funding all future expected claims and expenses. However, dividend payments will reduce the likelihood of success. The asset allocation will take some time to implement, and most likely will be complete by March 2007. BWC will need managers for transition, benchmarking investment results, and fund management.

Bruce Dunn, Chief Investment Officer, endorsed the recommendation. The mixture of fixed income and equities is good. He had concerns about the short-term implementation to increase equities to 20% because of recent market performance. He was also concerned because tying up assets in long-term investments leads to volatility caused by interest rate changes.

Mr. McCausland explained the delay in adopting the recommendation had arisen from the need for Wilshire to explain the process about how it came to its recommendation, which it did very well. He was troubled by prediction of a 59% success probability, depending on the dividends. After the actuarial audit, consultants will be able to recommend a dividend policy to the Administrator.

Mr. Sopko stated that the policy will be fluid. The allocation part of the policy is an appendix which can be changed as needed.

John Williams, Assistant Attorney General, reported on specific changes to the investment policy. The Oversight Commission is to advise the Administrator on standards for approving premium dividends. The Chief Investment Officer is to report compliance with investment guidelines. The policy changes benchmark indices to those recommended by Wilshire. The policy adds a new section and appendix on the asset allocation criteria.

Ms. Farkas moved that the Workers' Compensation Oversight Commission approve WCOC Resolution 06-35 relating to the approval and adoption of the amendments to the Statement of Investment Policy and Guidelines, as submitted to the Oversight Commission by the Investment Committee. Upon adoption of the motion, the Statement of Investment Policy and Guidelines shall read as set forth in the Appendix to WCOC Resolution 06-35. Mr. McCausland seconded and the motion was approved by a roll call vote of six ayes and no nays.

RULES/RESOLUTION FOR SECOND CONSIDERATION: PROVIDER CERTIFICATION RULES, OHIO ADMINISTRATIVE CODE RULES 4123.6.02.2, 4123-6-02.21, 4123-6-02.51, & 4123-6-02.9

Mr. Sopko asked if there were any changes in the rules since they were first reported at the May meeting. Tom Sico, Director of Legal Operations, reported that BWC had received comments from stakeholders which lead to changes. Also, changes were made because of the referendum on Am. Sub. S. B. 7.

Dr. Greg Jewell, Chief Medical Officer, reported that Ohio Administrative Code Rule 4123-6-02.2 had been further changed to include definitions of “just cause” in several clauses.

BWC had also removed language on coding. Providers will also be given thirty days to correct behavior for chronic failure to submit documentation within twenty-four hours. The Ohio State Medical Association and the Ohio State Chiropractic Association both approved the changes.

Mr. Bainbridge thanked BWC for acceding to his request to table the rule from an earlier meeting and for taking comments from stakeholders.

Dr. Jewell also reported that Administrative Code Rule 4123-6-02.21 on the chronic pain program is being rescinded because it is little used. New Rule 4123-6-02.21 enables BWC to enroll non-BWC certified providers who are eligible for payment and persons who do not fall within the provider categories. The rule has received no comments. Administrative Code Rule 4123-6-02.51 contains SB 7 provisions on decertification of providers and has also received comments. There were no comments to changes to Ohio Administrative Code Rule 4123-6-02.9.

Mr. Bainbridge moved that the Workers' Compensation Oversight Commission approve WCOC Resolution 06-34 relating to rules on provider certification in the Health Partnership Program. The resolution consents to the Administrator adopting Rules 4123-6-02.2, 4123-6-02.21, 4123-6-02.51 of the Administrative Code as presented today and rescinding former Administrative Code Rule 4123-6-02.21. Ms. Carroll seconded and the motion was approved by unanimous roll call vote.

RULES/RESOLUTION FOR SECOND CONSIDERATION: SENATE BILL 7 RULES, HEALTH PARTNERSHIP PROGRAM NEW ALTERNATIVE DISPUTE RESOLUTION/C-9 RULES, OHIO ADMINISTRATIVE CODE RULES 4123-6-16 & 4123-6-16.2

Mr. Sico reported that BWC had pulled provisions which are subject to the referendum. Because of the procedures for rule approval by the Joint Committee on Agency Rule Review (JCARR), there will be additional comments from the public. If the referendum fails, rules will be brought back to the Oversight Commission for advice and consent. Also, some rules approved by the Oversight Commission at the June meeting were not filed with JCARR.

Dr. Jewell reported that Ohio Administrative Code Rule 4123-6-16(F) is added to permit the MCO to refer a dispute directly to BWC for an order. New Rule 4123-16-16.2 specifies requirements on processing Form C-9 for medical treatment, duties of MCOs, and requirements for reactivation of claims. BWC received no comments on this rule.

Ms. Carroll moved that the Workers' Compensation Oversight Commission approve WCOC Resolution 06-26 relating to rules on the alternative dispute resolution process in the Health Partnership Program. The Resolution consents to the Administrator adopting Rules 4123-6-16 and 4123-6-16.2 of the Administrative Code as presented today. Mr. Koetters seconded and the motion was approved by unanimous roll call vote.

NEW BUSINESS: FUTURE MEETINGS

Mr. Sopko reported that the October meeting is cancelled. The September 28 meeting will be held in Dayton in connection with the session of Workers' Compensation University. The

Audit Committee meeting for August 24 will commence at 8 a. m.; the Investment Committee will begin at 8:45 a. m.; and the Oversight Commission meeting will begin at 11 a. m.

ADJOURNMENT

It was moved and seconded that the meeting be adjourned and the meeting was adjourned by Mr. Sopko.

Prepared by: Larry Rhodebeck, BWC Attorney
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July 26, 2006

Appendix B
Tier II

Retrospective Rating
Minimum Premium Percentages
Public Employer

Premium Range			$100,000 Claim Limit 150%	$125,000 Claim Limit 150%
25,000	-	29,999	0.87	0.87
30,000	-	34,999	0.84	0.84
35,000	-	39,999	0.81	0.81
40,000	-	44,999	0.79	0.79
45,000	-	49,999	0.77	0.77
50,000	-	54,999	0.75	0.75
55,000	-	59,999	0.73	0.73
60,000	-	64,999	0.72	0.72
65,000	-	69,999	0.70	0.70
70,000	-	74,999	0.69	0.69
75,000	-	79,999	0.68	0.68
80,000	-	84,999	0.66	0.66
85,000	-	89,999	0.65	0.65
90,000	-	94,999	0.64	0.64
95,000	-	99,999	0.64	0.64
100,000	-	112,499	0.62	0.62
112,500	-	124,999	0.60	0.60
125,000	-	137,499	0.59	0.59
137,500	-	149,999	0.57	0.57
150,000	-	162,499	0.57	0.56
162,500	-	174,999	0.55	0.55
175,000	-	187,499	0.55	0.54
187,500	-	199,999	0.54	0.53
200,000	-	224,999	0.53	0.52
225,000	-	249,999	0.52	0.51
250,000	-	299,999	0.51	0.49
300,000	-	349,999	0.50	0.48
350,000	-	399,999	0.49	0.47
400,000	-	499,999	0.48	0.46
500,000	-	999,999	0.46	0.43
1,000,000	-	1,999,999	0.45	0.42
2,000,000	-	2,999,999	0.44	0.41
3,000,000	-	3,999,999	0.44	0.41
4,000,000	-	4,999,999	0.44	0.41
5,000,000	-	5,999,999	0.44	0.41
6,000,000	-	6,999,999	0.44	0.41
7,000,000	-	7,999,999	0.44	0.41
8,000,000	-	8,999,999	0.44	0.41
9,000,000	-	9,999,999	0.44	0.41
10,000,000	-	10,999,999	0.44	0.41
11,000,000	-	11,999,999	0.44	0.41
12,000,000	-	12,999,999	0.44	0.41

Appendix A
Tier I

Retrospective Rating
Minimum Premium Percentages
Public Employer

Premium Range			$200,000 Claim Limit 150%	$200,000 Claim Limit 200%	$300,000 Claim Limit 150%	$300,000 Claim Limit 200%	$400,000 Claim Limit 150%	$400,000 Claim Limit 200%	No Claim Limit 150%	No Claim Limit 200%
25,000	-	29,999	0.87	0.71	0.87	0.71	0.87	0.71	0.87	0.71
30,000	-	34,999	0.84	0.68	0.84	0.68	0.84	0.68	0.84	0.68
35,000	-	39,999	0.81	0.65	0.81	0.65	0.81	0.65	0.81	0.65
40,000	-	44,999	0.79	0.63	0.79	0.63	0.79	0.63	0.79	0.63
45,000	-	49,999	0.77	0.61	0.77	0.61	0.77	0.61	0.77	0.61
50,000	-	54,999	0.75	0.59	0.75	0.59	0.75	0.59	0.75	0.59
55,000	-	59,999	0.73	0.57	0.73	0.57	0.73	0.57	0.73	0.57
60,000	-	64,999	0.72	0.56	0.72	0.56	0.72	0.56	0.72	0.56
65,000	-	69,999	0.70	0.54	0.70	0.54	0.70	0.54	0.70	0.54
70,000	-	74,999	0.69	0.53	0.69	0.53	0.69	0.53	0.69	0.53
75,000	-	79,999	0.68	0.52	0.68	0.52	0.68	0.52	0.68	0.52
80,000	-	84,999	0.66	0.51	0.66	0.51	0.66	0.51	0.66	0.51
85,000	-	89,999	0.65	0.50	0.65	0.50	0.65	0.50	0.65	0.50
90,000	-	94,999	0.64	0.49	0.64	0.49	0.64	0.49	0.64	0.49
95,000	-	99,999	0.64	0.49	0.64	0.49	0.64	0.49	0.64	0.49
100,000	-	112,499	0.62	0.47	0.62	0.47	0.62	0.47	0.62	0.47
112,500	-	124,999	0.60	0.46	0.60	0.46	0.60	0.46	0.60	0.46
125,000	-	137,499	0.59	0.45	0.59	0.45	0.59	0.45	0.59	0.45
137,500	-	149,999	0.57	0.43	0.57	0.43	0.57	0.43	0.57	0.43
150,000	-	162,499	0.56	0.43	0.56	0.43	0.56	0.43	0.56	0.43
162,500	-	174,999	0.54	0.42	0.54	0.41	0.54	0.41	0.54	0.41
175,000	-	187,499	0.53	0.41	0.53	0.40	0.53	0.40	0.53	0.40
187,500	-	199,999	0.53	0.41	0.53	0.40	0.53	0.40	0.53	0.40
200,000	-	224,999	0.51	0.40	0.51	0.39	0.51	0.39	0.51	0.39
225,000	-	249,999	0.50	0.39	0.50	0.38	0.50	0.38	0.50	0.38
250,000	-	299,999	0.48	0.38	0.48	0.37	0.48	0.37	0.48	0.37
300,000	-	349,999	0.46	0.38	0.46	0.36	0.46	0.35	0.46	0.35
350,000	-	399,999	0.44	0.37	0.44	0.35	0.44	0.34	0.44	0.34
400,000	-	499,999	0.43	0.37	0.42	0.34	0.42	0.34	0.42	0.33
500,000	-	999,999	0.40	0.36	0.38	0.33	0.38	0.32	0.37	0.31
1,000,000	-	1,999,999	0.37	0.36	0.35	0.33	0.34	0.31	0.33	0.27
2,000,000	-	2,999,999	0.36	0.36	0.34	0.33	0.32	0.31	0.31	0.25
3,000,000	-	3,999,999	0.36	0.36	0.33	0.33	0.32	0.31	0.30	0.23
4,000,000	-	4,999,999	0.36	0.36	0.33	0.33	0.32	0.31	0.29	0.23
5,000,000	-	5,999,999	0.36	0.36	0.33	0.33	0.31	0.31	0.29	0.22
6,000,000	-	6,999,999	0.36	0.36	0.33	0.33	0.31	0.31	0.29	0.22
7,000,000	-	7,999,999	0.36	0.36	0.33	0.33	0.31	0.31	0.28	0.22
8,000,000	-	8,999,999	0.36	0.36	0.33	0.33	0.31	0.31	0.28	0.22
9,000,000	-	9,999,999	0.36	0.36	0.33	0.33	0.31	0.31	0.28	0.22
10,000,000	-	10,999,999	0.36	0.36	0.33	0.33	0.31	0.31	0.28	0.22
11,000,000	-	11,999,999	0.36	0.36	0.33	0.33	0.31	0.31	0.28	0.22
12,000,000	-	12,999,999	0.36	0.36	0.33	0.33	0.31	0.31	0.28	0.22

August '06

Financial and Operational Report

Ohio Bureau of Workers' Compensation

From the Administrator

June is a significant milestone in the Ohio Bureau of Workers' Compensation's (BWC's) journey to complete Agenda '06. It represents the halfway point in our efforts to achieve savings of $424 million by the end of the calendar year.

To date, we improved our bottom line by $288.5 million, which puts us in a great position to ultimately succeed in hitting our goal. Investments, with interest income of $100 million more than last year, and finance, with collections that are $138 million greater than 2005, are the primary drivers of this success. In addition medical costs have declined $42 million, though indemnity payments as a result of settlement activities have increased, thereby depreciating those savings in the near term.

Our trade combined ratio has declined from 126.2 at the beginning of the fiscal year to 107.7 as of June 30. Preliminary projections indicate that, if current trends continue, our trade combined ratio could be as low as 88.7 by the end of next fiscal year.

While the trade combined ratio has declined, however, so has our surplus position. Much of that can be attributed to a series of interest rate increases from the Federal Reserve, though the equity markets have largely been flat during the past six months as well.

Regardless, we need both a strong trade combined ratio and surplus to reduce employers' financial burden. It does appear the surplus position will improve. Earlier this month, the Federal Reserve did not raise interest rates, and it appears further increases are unlikely at this point. Additionally, we will be transitioning back into equities. While this may lower interest income, it will likely increase our surplus position. Lastly, if we continue to be successful with controlling costs, this will have a positive impact on reserves, which could also lead to an improvement in surplus.

While much has been reported on the failures of past management, we're working aggressively to improve the operation and make it financially stable and dependable. Undoubtedly, there are more challenges to face. Additional cost-cutting opportunities remain, and we must also focus our efforts to make the system easier to navigate for workers and employers. But I am confident that very soon BWC will maintain a positive trade combined ratio and surplus position. Such results will make Ohio more competitive in the national marketplace.

William Mabe
Administrator / CEO

Statement of Operations

July 1, 2005 - June 30, 2006

(in millions)	Actual	Projected	Variance	Prior Yr. Actual	Increase (Decrease)
Total Operating Revenues	$ 2,150	$ 2,083	$ 67	$ 2,138	$ 12
Total Operating Expenses	3,033	3,079	46	3,270	(237)
Net Operating Gain (Loss)	(883)	(996)	113	(1,132)	249
Net Investment Income	783	988	(205)	993	(210)
Increase (Decrease) in Net Assets	(100)	(8)	(92)	(139)	39
Net Assets Beginning of Period	722	722	–	861	(139)
Net Assets End of Period	$ 622	$ 714	$ (92)	$ 722	$ (100)

Statement of Operations

July 1, 2005 - June 30, 2006

(in millions)	Actual	Projected	Variance	Prior Yr. Actual	Increase (Decrease)
Operating Revenues					
Premium & Assessment Income	$ 2,205	$ 2,185	$ 20	$ 2,194	$ 11
Provision for Uncollectibles	(70)	(114)	44	(68)	(2)
Other Income	15	12	3	12	3
Total Operating Revenue	2,150	2,083	67	2,138	12
Operating Expenses					
Benefits & Compensation Adj. Expense	2,880	2,915	35	2,925	(45)
Other Expenses	153	164	11	345	(192)
Total Operating Expenses	3,033	3,079	46	3,270	(237)
Net Operating Gain (Loss)	(883)	(996)	113	(1,132)	249
Investment Income					
Interest and dividend income	694	670	24	546	148
Realized & unrealized capital gains (losses)	124	354	(230)	488	(364)
Investment manager and operational fees	(35)	(36)	1	(46)	11
Gain (loss) on disposal of fixed assets	–	–	–	5	(5)
Net Investment Income	783	988	(205)	993	(210)
Increase (Decrease) in Net Assets	(100)	(8)	(92)	(139)	39
Net Assets Beginning of Period	722	722	–	861	(139)
Net Assets End of Period	$ 622	$ 714	$ (92)	$ 722	$ (100)

Statement of Operations

Quarter ending June 30, 2006

(in millions)	Actual	Projected	Variance	Prior Yr. Actual	Increase (Decrease)
Total Operating Revenues	$ 539	$ 532	$ 7	$ 388	$ 151
Total Operating Expenses	771	799	28	709	62
Net Operating Gain (Loss)	(232)	(267)	35	(321)	89
Net Investment Income	(3)	32	(35)	299	(302)
Increase (Decrease) in Net Assets	(235)	(235)	–	(22)	(213)
Net Assets Beginning of Period	857	949	(92)	744	113
Net Assets End of Period	$ 622	$ 714	$ (92)	$ 722	$ (100)

Statement of Operations

Quarter ending June 30, 2006

(in millions)	Actual	Projected	Variance	Prior Yr. Actual	Increase (Decrease)
Operating Revenues					
Premium & Assessment Income	$ 576	$ 570	$ 6	$ 430	$ 146
Provision for Uncollectibles	(36)	(41)	5	(42)	6
Other Income	(1)	3	(4)	–	(1)
Total Operating Revenue	539	532	7	388	151
Operating Expenses					
Benefits & Compensation Adj. Expense	726	745	19	682	44
Other Expenses	45	54	9	27	18
Total Operating Expenses	771	799	28	709	62
Net Operating Gain (Loss)	(232)	(267)	35	(321)	89
Investment Income					
Interest and dividend income	212	218	(6)	163	49
Realized & unrealized capital gains (losses)	(211)	(183)	(28)	149	(360)
Investment manager and operational fees	(4)	(3)	(1)	(13)	9
Gain (loss) on disposal of fixed assets	–	–	–	–	–
Net Investment Income	(3)	32	(35)	299	(302)
Increase (Decrease) in Net Assets	(235)	(235)	–	(22)	(213)
Net Assets Beginning of Period	857	949	(92)	744	113
Net Assets End of Period	$ 622	$ 714	$ (92)	$ 722	$ (100)

Statement of Net Assets

Month ending June 30, 2006

(in millions)	Actual	Projected	Variance	Prior Yr. Actual	Increase (Decrease)
Assets					
Total Cash and Investments	$ 16,235	$ 16,302	$ (67)	$ 16,755	$ (520)
Accrued Premiums	2,329	2,309	20	2,339	(10)
Other Accounts Receivable	151	157	(6)	172	(21)
Investment Receivables	2	36	(34)	843	(841)
Other Assets	127	125	2	132	(5)
Total Assets	$ 18,844	$ 18,929	$ (85)	$ 20,241	$ (1,397)
Liabilities					
Reserve for Compensation and Compensation Adj. Expense	$ 17,470	$ 17,470	$ –	$ 16,824	$ 646
Accounts Payable	45	44	(1)	54	(9)
Investment Payables	–	–	–	1,933	(1,933)
Other Liabilities	707	701	(6)	708	(1)
Total Liabilities	18,222	18,215	(7)	19,519	(1,297)
Net Assets	$ 622	$ 714	$ (92)	$ 722	$ (100)

Statement of Cash Flows

July 1, 2005 – June 30, 2006

(in millions)	Actual	Projected	Variance	Prior Yr. Actual	Increase (Decrease)
Cash flows from operating activities:					
Cash receipts from premiums	$ 2,315	$ 2,335	$ (20)	$ 1,880	$ 435
Cash receipts – other	27	21	6	20	7
Cash disbursements for claims	(2,106)	(2,207)	101	(2,150)	44
Cash disbursements for other	(423)	(431)	8	(404)	(19)
Net cash provided (used) by operating activities	(187)	(282)	95	(654)	467
Net cash flows from capital and related financing activities	(23)	(26)	3	3	(26)
Net cash provided (used) by investing activities	(887)	(702)	(185)	316	(1,203)
Net increase (decrease) in cash and cash equivalents	(1,097)	(1,010)	(87)	(335)	(762)
Cash and cash equivalents, beginning of period	1,283	1,283	–	1,618	(335)
Cash and cash equivalents, end of period	$ 186	$ 273	$ (87)	$ 1,283	$ (1,097)

Statement of Cash Flows

Quarter ending June 30, 2006

(in millions)	Actual	Projected	Variance	Prior Yr. Actual	Increase (Decrease)
Cash flows from operating activities:					
Cash receipts from premiums	$ 413	$ 440	$ (27)	$ 216	$ 197
Cash receipts – other	6	3	3	6	–
Cash disbursements for claims	(525)	(596)	71	(542)	17
Cash disbursements for other	(97)	(101)	4	(96)	(1)
Net cash provided (used) by operating activities	(203)	(254)	51	(416)	213
Net cash flows from capital and related financing activities	(2)	(3)	1	–	(2)
Net cash provided (used) by investing activities	(73)	93	(166)	211	(284)
Net increase (decrease) in cash and cash equivalents	(278)	(164)	(114)	(205)	(73)
Cash and cash equivalents, beginning of period	464	437	27	1,488	(1,024)
Cash and cash equivalents, end of period	$ 186	$ 273	$ (87)	$ 1,283	$ (1,097)

Statement of Investment Income

July 1, 2005 – June 30, 2006

	Actual	Projected	Variance	Prior Yr. Actual	Increase (Decrease)
Interest Income					
Bond Interest	$ 547,334,381	$ 547,887,556	$ (553,175)	$ 356,692,792	$ 190,641,589
Dividend Income (Dom & Int'l)	60,176,635	42,174,551	18,002,084	128,761,493	(68,584,858)
Money Market/ Commercial Paper Income	53,476,549	43,759,374	9,717,175	25,701,812	27,774,737
Misc. Income (Corp actions, etc.)	21,021,324	22,713,077	(1,691,753)	2,898,429	18,122,895
Private Equity	6,091,945	8,001,132	(1,909,187)	26,800,736	(20,708,791)
Net Securities Lending Income	5,582,950	5,675,144	(92,194)	5,281,390	301,560
Total Interest Income	693,683,784	670,210,834	23,472,950	546,136,652	147,547,132
Realized & Unrealized Capital Gains and (Losses)					
Net realized gain (loss) - Stocks (Dom & Int'l)	1,456,244,213	1,290,399,379	165,844,834	401,136,399	1,055,107,814
Net realized gain (loss) - Bonds	(228,353,474)	31,564,976	(259,918,450)	123,668,677	(352,022,151)
Net gain (loss) - PE	19,988,606	22,223,687	(2,235,081)	(163,545,533)	183,534,139
Unrealized gain (loss) - Stocks (Dom & Int'l)	(689,602,866)	(685,976,850)	(3,626,016)	90,639,511	(780,242,377)
Unrealized gain (loss) - Bonds	(434,112,716)	(303,647,588)	(130,465,128)	36,214,048	(470,326,764)
Change in Portfolio Value	124,163,763	354,563,604	(230,399,841)	488,113,102	(363,949,339)
Investment Expenses-Manager & Operational Fees	(34,818,278)	(36,160,953)	1,342,675	(45,809,493)	10,991,215
Total Investment Income	$ 783,029,269	$ 988,613,485	$(205,584,216)	$ 988,440,261	$(205,410,992)

Statement of Investment Income

Quarter ending June 30, 2006

	Actual	Projected	Variance	Prior Yr. Actual	Increase (Decrease)
Interest Income					
Bond Interest	$ 205,366,371	$ 199,500,000	$ 5,866,371	$ 92,806,064	$ 112,560,307
Dividend Income (Dom & Int'l)	1,639,156	–	1,639,156	47,511,697	(45,872,541)
Money Market/ Commercial Paper Income	7,716,302	13,000,000	(5,283,698)	8,782,378	(1,066,076)
Misc. Income (Corp actions, etc.)	155,922	1,500,000	(1,344,078)	272,900	(116,978)
Private Equity	(269,166)	1,700,000	(1,969,166)	13,940,765	(14,209,931)
Net Securities Lending Income	(2,429,553)	1,500,000	(3,929,553)	1,632,964	(4,062,517)
Total Interest Income	212,179,032	217,200,000	(5,020,968)	164,946,768	47,232,264
Realized & Unrealized Capital Gains and (Losses)					
Net realized gain (loss) - Stocks (Dom & Int'l)	(166,995)	–	(166,995)	86,174,992	(86,341,987)
Net realized gain (loss) - Bonds	(2,901,800)	–	(2,901,800)	25,270,417	(28,172,217)
Net gain (loss) - PE	10,814,760	2,500,000	8,314,760	25,323,800	(14,509,040)
Unrealized gain (loss) - Stocks (Dom & Int'l)	(153,496)	–	(153,496)	(69,810,248)	69,656,752
Unrealized gain (loss) - Bonds	(218,402,567)	(185,000,000)	(33,402,567)	82,052,372	(300,454,939)
Change in Portfolio Value	(210,810,098)	(182,500,000)	(28,310,098)	149,011,333	(359,821,431)
Investment Expenses-Manager & Operational Fees	(4,195,211)	(2,966,314)	(1,228,897)	(14,352,639)	10,157,428
Total Investment Income	$ (2,826,277)	$ 31,733,686	$ (34,559,963)	$ 299,605,462	$ (302,431,739)

Insurance Ratios

Fiscal years 2001 – 2006

	Actual FY 2006	Projected FY06	Preliminary FY05	FY04	FY03	FY02	FY01
Loss Ratio	110.61%	112.17%	111.9%	96.7%	128.9%	105.6%	102.1%
LAE Ratio	20.99%	22.15%	22.4%	17.4%	21.7%	18.6%	21.5%
Net Loss Ratio	131.60%	134.32%	134.3%	114.2%	150.6%	124.2%	123.6%
Expense Ratio	6.36%	6.59%	4.1%	5.1%	4.1%	4.0%	4.6%
Policyholder Dividend Ratio	-0.37%	0.00%	10.6%	18.6%	28.7%	62.4%	80.4%
Combined Ratio	137.59%	140.92%	149.0%	137.9%	183.4%	190.6%	208.6%
Net Investment Income Ratio	29.89%	29.02%	22.8%	20.5%	23.9%	27.0%	41.5%
Operating Ratio (Trade Ratio)	107.70%	111.90%	126.2%	117.3%	159.5%	163.6%	167.1%

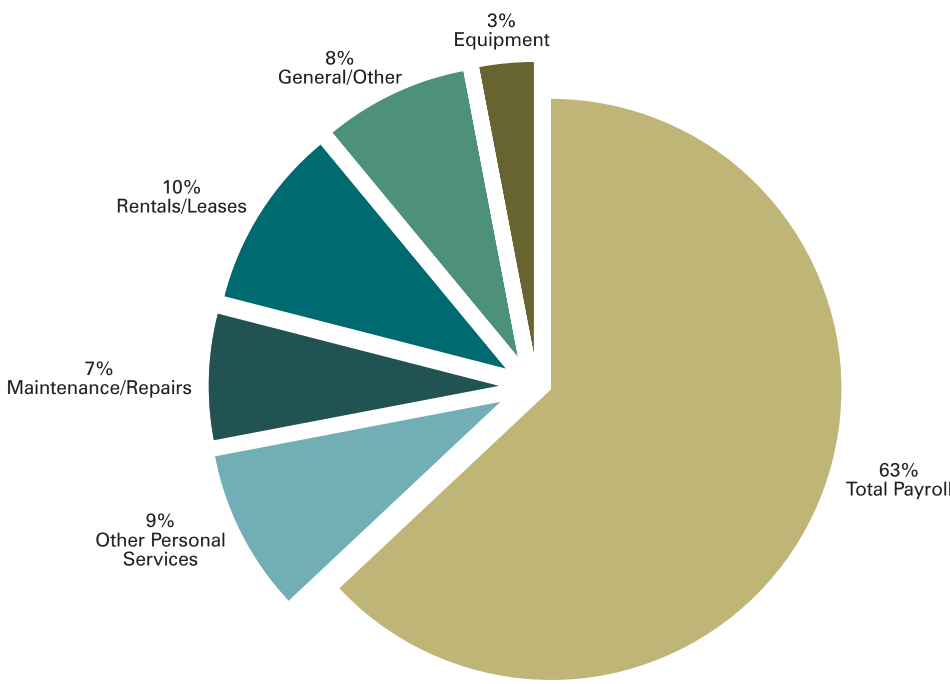
	Actual FY 2006	Projected FY06	Preliminary FY05	FY04	FY03	FY02	FY01
Premiums to surplus	3.55	3.06	3.04	2.59	4.04	1.25	0.45
Assets to liabilities	1.03	1.04	1.03	1.04	1.03	1.09	1.24
Total reserves to surplus	28.09	24.47	23.31	18.90	28.93	7.88	3.13
Loss reserves to surplus	25.23	21.98	20.94	16.98	25.90	7.02	2.77
Investments to loss reserves	1.03	1.04	1.11	1.12	1.13	1.30	1.51
Cash + bonds to loss reserves	0.97	0.97	0.63	0.65	0.75	0.85	0.94
Cash % of total investments	1%	2%	8%	10%	13%	14%	9%
Bond % of total investments	96%	95%	49%	48%	54%	52%	53%
Equities % of total investments	0.1%	0%	38%	36%	30%	32%	36%
Equities as % of surplus	2%	0%	880%	680%	869%	292%	152%

BWC Administrative Cost Fund Budget Summary

July 1, 2005 – June 30, 2006

	Actual	Budget	Variance
Catagory			
Personal Service	$ 219,901,788	$ 219,084,139	$ (817,649)
Maintenance	74,483,285	77,396,150	2,912,865
Equipment	10,200,433	13,451,176	3,250,743
Total	$ 304,585,506	$ 309,931,465	$ 5,345,959

Actual Expenses by Line Item %



1 Improving Financial Performance

Better Investment Management

Agenda '06 goal
$100,000,000

Current
$100,000,000

Total Fund
BWC's Total Fund, which is comprised of the State Insurance Fund (SIF) and all ancillary accounts, kept pace with its benchmarks, the Lehman Brothers Aggregate Index and the Merrill Lynch 3 Month US T-Bill. The Total Fund's performance was up 0.21 percent for the period ending June 30, 2006. The Total Fund is comprised of the SIF Bond Total (88.09 percent), Non-SIF (ancillary account) Bond Total (8.30 percent), international stock total (0.01 percent), alternative assets (2.76 percent), and cash reserve (0.84 percent). The Total Fund is currently valued at $16,226,458,400.

SIF
The performance of the SIF matched its new benchmark, the Lehman Aggregate Index and the Merrill Lynch 3 Month T-Bill. The SIF's performance was up 0.21 percent for the period ending June 30, 2006. The fund is currently composed of 96.06 percent bonds while the remaining 3.94 percent of the portfolio is comprised of international stock (0.01 percent), alternative assets (3.01 percent), and cash reserve (0.92 percent). The SIF is currently valued at $14,880,367,627.

By generating an additional $14.6 million in investment income for the month compared to June 2005, BWC increased it's year to date total variance to $100 million, meeting the goal of $100 million in savings for the year with six months remaining.

1

Better Investment Management

OHIO BUREAU OF WORKERS' COMPENSATION

State Insurance Fund
June 2006
Executive Summary

Domestic Fixed Income Overview

Overall, most economic reports released in the second quarter point to an ongoing moderation in the pace of economic activity. Labor market conditions softened substantially with payrolls averaging a meager 101,000 in the April-May period bringing down the three-month average to 125,000. The unemployment rate edged down to 4.6 percent in May marking a new cycle-low for the series. Rising gas prices took a toll on consumer confidence, with the Conference Board Consumer Confidence index falling to 105.7 by the end of June from 107.5 in March. The University of Michigan confidence gauge also weakened, dropping to 84.9 from 88.9 at the end of the first quarter. The manufacturing sector, on the other hand, remained healthy throughout the quarter, with both regional and national surveys holding up at respectable levels.

Housing market data released in the last three months point to the prospect of at least a temporary stabilization of the housing market. Sales of existing homes, although noisy, account for roughly 85 percent of the housing market and have only declined modestly since the beginning of the year. The purchase component of the weekly index of new mortgage applications has also shown signs of leveling out.

On the inflation front, consumer prices accelerated throughout the course of the quarter with the core CPI increasing by 0.3 percent for three consecutive months since March and now up 2.4 percent on a year-on-year basis. The core PCE deflator, following two consecutive 0.2 percent increases, is still up 2.1 percent year-on-year.

The Treasury yield curve inverted more over the quarter, as the spread between two- and five-year Treasury notes ended June at -6 basis points (bps), down from -1 bp at the end of March. The six-month bill showed the greatest change in yield, rising 43 bps to end at 5.23 percent.

Source: JP Morgan Chase

1

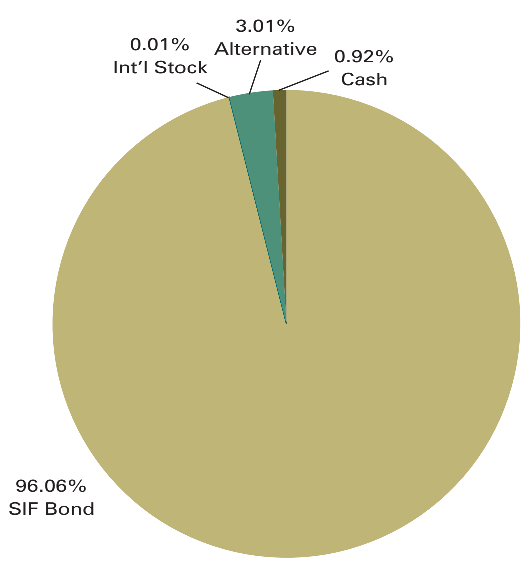
Better Investment
Management

Ohio Bureau of Workers' Compensation
State Insurance Fund

Portfolio Market Value & Asset Allocation

June 2006 – Portfolio Balances

Portfolio	Market Value	Percent of Total Assets
SIF Bond Total	$ 14,294,540,945	96.06%
International Stock Total*	1,770,868	0.01%
Alternative Asset Total	447,707,507	3.01%
Cash Reserve Total	136,348,307	0.92%
Grand Total	**$ 14,880,367,627**	100.00%



*International Equity Holdings are comprised of dividend and tax reclaim receivables from previous international equity investments and international currencies resulting from such payments.

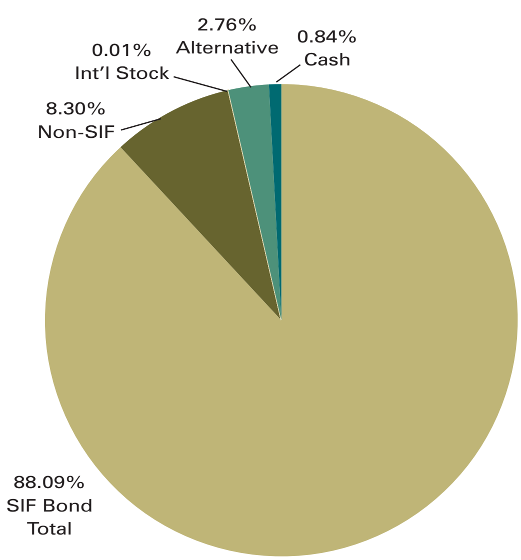
Source: JP Morgan Chase

Ohio Bureau of Workers' Compensation
Total Fund

Portfolio Market Value & Asset Allocation

June 2006 – Portfolio Balances

Portfolio	Market Value	Percent of Total Assets
SIF Bond Total	$ 14,294,540,945	88.09%
Non-SIF Bond Total	1,346,090,773	8.30%
International Stock Total*	1,770,868	0.01%
Alternative Asset Total	447,707,507	2.76%
Cash Reserve Total	136,348,307	0.84%
Grand Total	**$ 16,226,458,400**	



*International Equity Holdings are comprised of dividend and tax reclaim receivables from previous international equity investments and international currencies resulting from such payments.

Source: JP Morgan Chase

1

Better Investment Management

Ohio Bureau of Workers' Compensation
State Insurance Fund

Performance Measures Gross of Fees

Month ending June 30, 2006

	BWC Investment Returns Monthly (Gross of Fees)	New Benchmark Returns Monthly	New Benchmark Variance	BWC Investment Returns 3 Month Trailing (Gross of Fees)	New Benchmark Returns 3 Month Trailing	New Benchmark Variance	BWC Investment Returns 12 Month Trailing (Gross of Fees)
BWC SIF Fund Investments	0.21%	0.21%	0.00%	0.07%	-0.08%	0.15%	6.88%
SIF Bonds	0.20%	0.21%	-0.01%	-0.06%	-0.08%	0.02%	0.59%
International Stocks	0.88%	N/A	N/A	4.79%	N/A	N/A	21.46%
Alternative	0.56%	N/A	N/A	4.45%	N/A	N/A	9.44%
Cash	0.87%	0.38%	0.49%	1.22%	1.16%	0.06%	4.32%
Tranche #3 – TM	-5.14%	0.21%	-5.35%	-7.07%	-0.08%	-6.99%	N/A

BENCHMARK INFORMATION:
- Lehman Brothers Aggregate Index
- M.L. 3 Month US T-Bill

Summary of Monthly Performance Attribution:

- **BWC's Total SIF performed comparably with its benchmark for the period.**
- **Performance relative to benchmark performance:**
  (–) BWC's SIF bond portfolio underperformed its benchmark for the current period.
  (+) BWC's cash portfolio outperformed its benchmark for the current period.

Source: JP Morgan Chase

1

Better Investment Management

Ohio Bureau of Workers' Compensation
State Insurance Fund

Performance Measures Net of Fees

Month ending June 30, 2006

	BWC Investment Returns Monthly (Net of Fees)	New Benchmark Returns Monthly	New Benchmark Variance	BWC Investment Returns 3 Month Trailing (Net of Fees)	New Benchmark Returns 3 Month Trailing	New Benchmark Variance	BWC Investment Returns 12 Month Trailing (Net of Fees)
BWC SIF Fund Investments	0.21%	0.21%	0.00%	0.05%	-0.08%	0.13%	6.69%
SIF Bonds	0.20%	0.21%	-0.01%	-0.06%	-0.08%	0.02%	0.59%
International Stocks	0.88%	N/A	N/A	4.79%	N/A	N/A	21.24%
Alternative	0.56%	N/A	N/A	4.44%	N/A	N/A	9.44%
Cash	0.71%	0.38%	0.33%	1.01%	1.16%	-0.15%	4.11%
Tranche #3 – TM	-5.14%	0.21%	-5.35%	-7.07%	-0.08%	-6.99%	N/A

BENCHMARK INFORMATION:
- Lehman Brothers Aggregate Index
- M.L. 3 Month US T-Bill

Summary of Investment Manager Fee Impact:
- **Investment Manager fees did not dampen total performance for the period.**

Source: JP Morgan Chase

Ohio Bureau of Workers' Compensation
Total Fund

Performance Measures Gross of Fees

Month ending June 30, 2006

	BWC Investment Returns Monthly (Gross of Fees)	New Benchmark Returns Monthly	New Benchmark Variance	BWC Investment Returns 3 Month Trailing (Gross of Fees)	New Benchmark Returns 3 Month Trailing	New Benchmark Variance	BWC Investment Returns 12 Month Trailing (Gross of Fees)
BWC SIF Fund Investments	0.22%	0.21%	0.01%	0.06%	-0.08%	0.14%	6.83%
Non-SIF bonds	0.25%	0.21%	0.04%	-0.01%	-0.08%	0.07%	1.19%
SIF Bonds	0.20%	0.21%	-0.01%	-0.06%	-0.08%	0.02%	0.59%
International Stocks	0.88%	N/A	N/A	4.79%	N/A	N/A	21.46%
Alternative	0.56%	N/A	N/A	4.45%	N/A	N/A	9.44%
Cash	0.87%	0.38%	0.49%	1.22%	1.16%	0.06%	4.32%
Tranche #3 – TM	-5.14%	0.21%	-5.35%	-7.07%	-0.08%	-6.99%	N/A

BENCHMARK INFORMATION:
- Lehman Brothers Aggregate Index
- M.L. 3 Month T-Bill

Summary of Monthly Performance Attribution:

- **BWC's Total Fund outperformed its' benchmark by 0.01 percent for the period.**
- **Performance relative to benchmark performance:**
  - (+) BWC's non-SIF bond portfolio outperformed its benchmark for the current period.
  - (–) BWC's SIF bond portfolio underperformed its benchmark for the current period.
  - (+) BWC's cash portfolio outperformed its benchmark for the current period.

Source: JP Morgan Chase

Ohio Bureau of Workers' Compensation
Total Fund

Performance Measures Net of Fees

Month ending June 30, 2006

	BWC Investment Returns Monthly (Net of Fees)	New Benchmark Returns Monthly	New Benchmark Variance	BWC Investment Returns 3 Month Trailing (Net of Fees)	New Benchmark Returns 3 Month Trailing	New Benchmark Variance	BWC Investment Returns 12 Month Trailing (Net of Fees)
BWC SIF Fund Investments	0.21%	0.21%	0.00%	0.05%	-0.08%	0.13%	6.66%
Non-SIF bonds	0.25%	0.21%	0.04%	-0.01%	-0.08%	0.07%	1.19%
SIF Bonds	0.20%	0.21%	-0.01%	-0.06%	-0.08%	0.02%	0.59%
International Stocks	0.88%	N/A	N/A	4.79%	N/A	N/A	21.24%
Alternative	0.56%	N/A	N/A	4.44%	N/A	N/A	9.44%
Cash	0.71%	0.38%	0.33%	1.01%	1.16%	-0.15%	4.11%
Tranche #3 – TM	-5.14%	0.21%	-5.35%	-7.07%	-0.08%	-6.99%	N/A

BENCHMARK INFORMATION:
- Lehman Brothers Aggregate Index
- M.L. 3 Month T-Bill

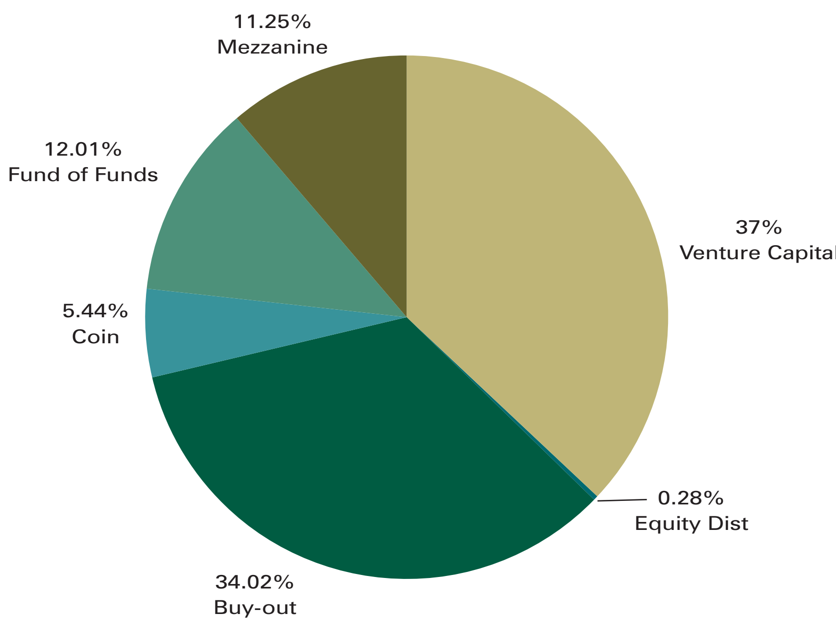
Summary of Monthly Performance Attribution:
- **Investment manager fees dampened the total perfromance for the period by 0.01 percent.**

Source: JP Morgan Chase

1

Better Investment Management

Alternative Asset Allocation
June 2006



Source: JP Morgan Chase

2 Improving Financial Performance

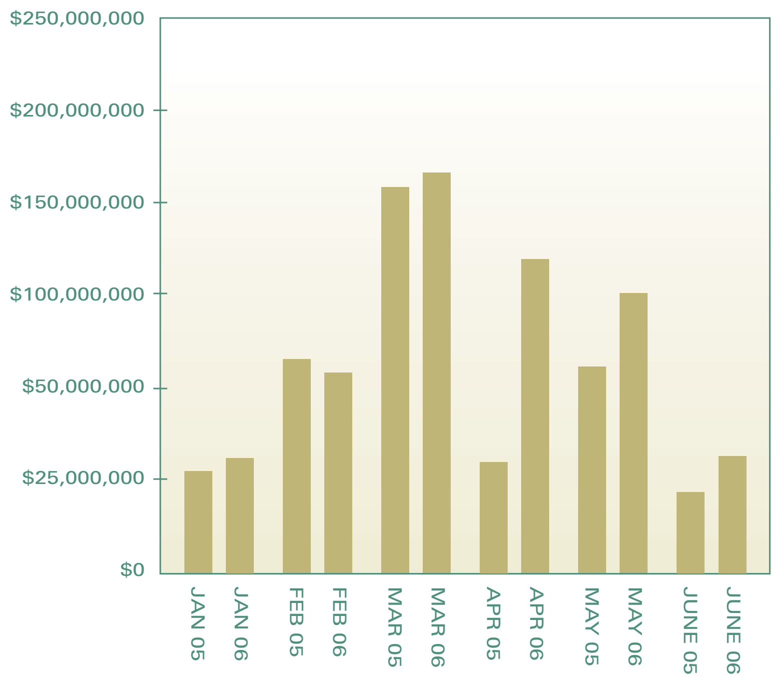
Increasing revenue

Agenda '06 goal
$105,000,000

Current
$148,700,000

Accounts Receivable
Collections through June 2006 are $138 million, exceeding the goal of $105 million set forth at the beginning of the calendar year. More than $33 million was collected in June, which is $7 million more than the same period last year, though this is largely the result of an increase in employer premiums.

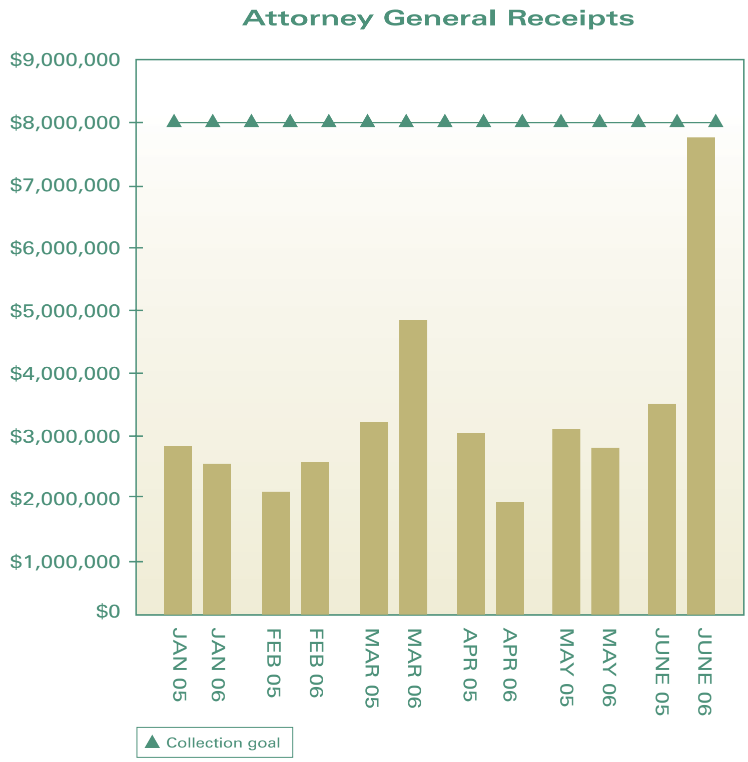
BWC Receipts



2

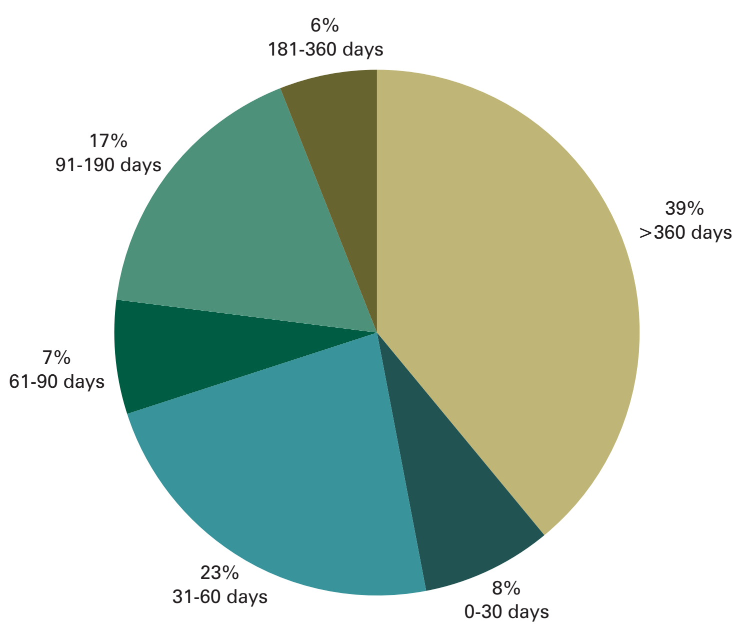
Increasing revenue

The Attorney General's (AG's) collections are $7.8 million for the month of June.



The net A/R balance declined almost $15 million from May 2006 to June 2006 and now stands at $151 million.

Balances in the 31 – 60 day aging category increased from 8 percent of the net A/R balance at May 2006 to 23 percent of the total balance at June 2006. This expected increase is due to public employer taxing district employers, who are required to only pay 45 percent of their annual premium by May 15, with the remainder due by September 1.

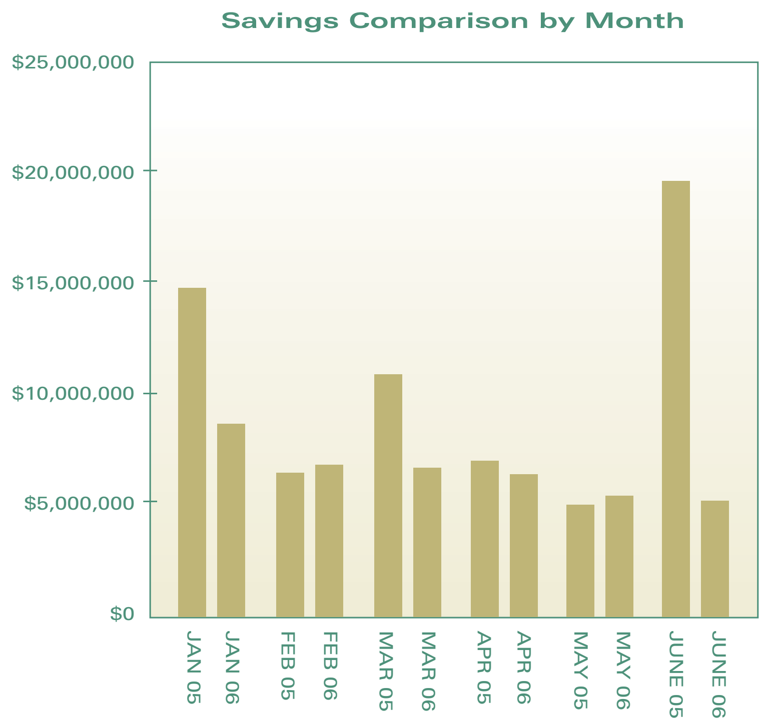


2

Increasing revenue

Special Investigations Unit

BWC's special investigations unit identified $90 million in savings for fiscal year 2006, including $4.8 million in June. Approximately 85 percent of these savings are due to injured worker fraud, with the remainder of the cases comprised of employer and provider fraud.



Subrogation

BWC's subrogation collections continue to outpace last year's performance. For calendar year 2006, the bureau has collected over $4.5 million, which is 50 percent more than calendar year 2005. BWC has exceeded its fiscal year collection goal by collecting $8.5 million through June, surpassing its goal of $7 million.

Audit

In June, the employer compliance department identified more than $1.4 million in savings for BWC, bringing the overall aggregate savings for calendar year 2006 to more than $1.5 million.

GOING FORWARD

The employer compliance department intends to initiate a campaign in which it encourages employers to bring forward other businesses that do not maintain active workers' compensation coverage. The unit hopes to use this tool as a means to increase compliance and ensure accurate reporting. The campaign is scheduled to begin in September.

3 Improving Financial Performance

Reducing expenses

Agenda ’06 goal
$216,000,000

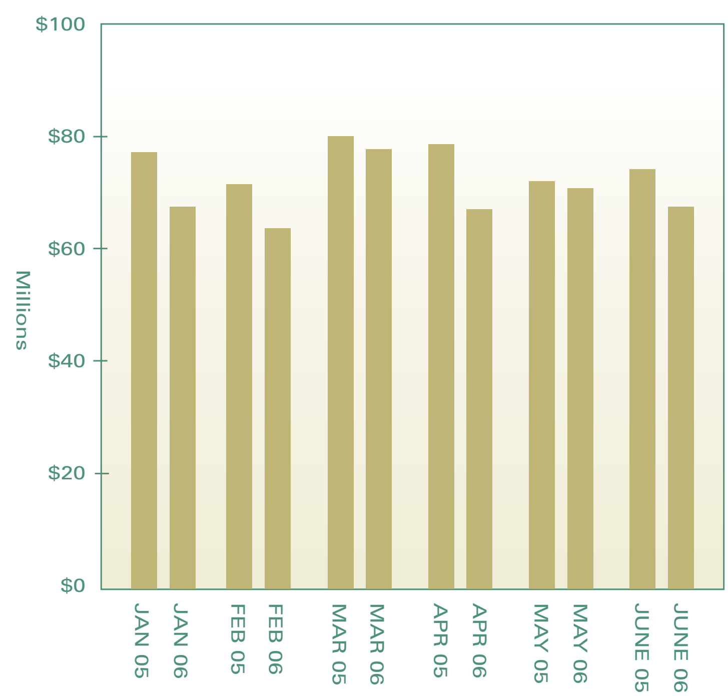
Current
$36,700,000

Medical
By controlling health care costs through revising reimbursement methodologies and integrating drug utilization reviews with medical management, the medical division has saved $42 million dollars through calendar year 2006 relative to the same period in 2005.

Medical payments to hospitals were $143 million for the calendar year ending June 2006, compared to $162 million for the same period last year, accounting for $19 million in savings.

In June 2006, BWC paid $68 million in medical costs, which is about $8 million less than what the bureau paid in June 2005. Most notably, June’s prescription drug costs are down 25 percent from the same period last year.

Medical Payments



3

Reducing expenses

Indemnity

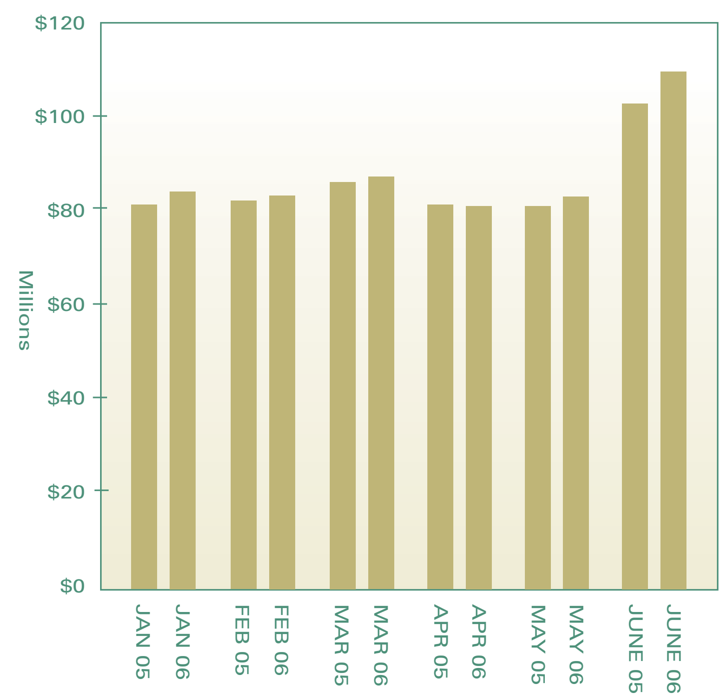
Indemnity payments are approximately $14 million higher for calendar year 2006 compared to calendar year 2005.

With respect to temporary total payments, BWC paid $271 million in fiscal year 2006, which represents a decrease of approximately $15 million. Total payout for temporary total and living maintenance rehab were down by over $1 million dollars. BWC is continuing process and management improvements to ensure benefits are promptly paid to deserving injured workers and that collaboration with all parties is occuring to ensure a prompt, safe return-to-work.

Overall, our settlement payouts increased by $22,933,741. This is due to our Agenda '06 focus on high reserve, PTD and death claim settlements. Our reserve savings to date are $8,737,520 with limited service offices participating in the pursuit of settlement pilot.

Another indemnity increase is attributed to an increase in the percent of permanent partial per claim payout. In June 2005, the average percent of permanent partial award was $2,380 whereas in June 2006 the average award paid was $2,501.

Total Indemnity Cost by Month



GOING FORWARD

The Joint Commission on Agency Rule Review unanimously approved BWC's new inpatient hospital reimbursement rule. The fee schedule will utilize Medicare reimbursement rates plus 15 percent. The goal is to have the fee schedule in place by October 1; it is expected to generate more than $20 million in additional annual savings.

Improving Customer Value and Productivity

Give customers the right service at the right time

Agenda '06 goal
$3,000,000

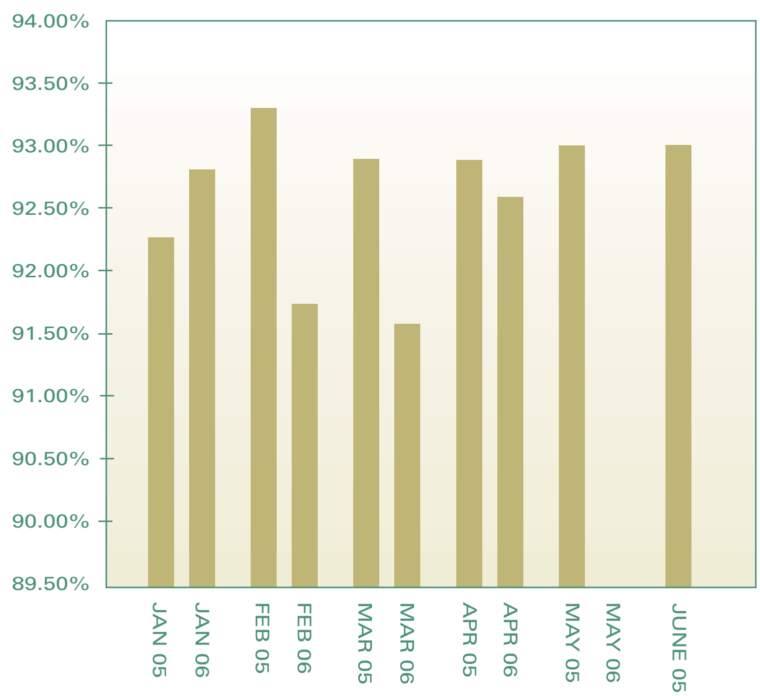
Current
$3,100,000

Call center statistics
The bureau's call center received 87,754 calls for the month of June. Of those, 64 percent requested personal service. Calls resolved in the IVR took an average of 50 seconds to resolve, while those inquiries requiring personal assistance required an average of 208 seconds.

Return to work
In April, 92.61 percent of injured workers were at work on the sixtieth day after BWC was notified of the injury. This is a 0.3 percent decrease from April 2005 but an increase of 0.76 percent from March 2006.

This measurement looks at all claims that are not disallowed, dismissed or disallowed appealed to determine if they are at work or off work on the sixtieth day after the BWC is notified of the injury.

Return to work with 60 days from date of filing for all customer service offices



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Give customers the right service at the right time

Early retirement initiative

Starting in the fall of 2005, BWC offered an early retirement incentive in which more than 150 bureau employees participated in. To date, total savings has exceeded $3.1 million resulting from positions that have not been backfilled.

Customer service index

There was a slight increase in the customer service index, which measures customer service performance based on feedback from all BWC customer types. Overall, the bureau's score was 86.7, which is up from 86.5 in the previous month. The score was helped by a more positive score with respect to complaint resolution, which increased by more than 4 percent from the previous month

BWC Demographics

Audience	March 2006	June 2006	Variance
Private employers	248,261	270,766	+9%
SI employers	1,137	1,131	–
Public employers	3,864	3,862	–
Active policies	253,262	275,759	+9%
PDP+ employers	3,088	3,019	-3%
DFWP employers	9,087	9,706	+7%
One claim employers	709	694	-2%
Retrospective employers	157	164	+5%
Group rating employers	93,393	93,135	–

BWC's Demographics are designed to provide information on the bureau's customers. The above data provides a breakdown of employer types. It also indicates how many employers are participating in discount programs.

The data is updated on a quarterly basis.

Workers' Compensation Oversight Commission

<u>Public Employer Taxing District</u>
<u>Retrospective Rating Plan Minimum Premium Percentages</u>

Description of Program: Retrospective Rating is an alternative rating program for employers who choose to accept claims cost risk in exchange for lower initial premiums. The program began in 1987. It is similar to a stop loss program in which the employer selects a maximum per claim limit and a maximum premium limit. The employer begins by paying a percentage of their experience rated premium with the payroll reports due in May following the policy year. Annually for 10 years, the BWC issues a bill for the actual claim costs paid for the claims incurred during the policy year up to the maximum claim limit and the maximum premium limit selected. In the 10^{th} year, the BWC "closes-out" the plan by charging the employer with any remaining reserves subject to the limits selected.

Table Description: The employer's minimum premium amount is calculated using the percentages listed in the tables from rule 4123-17-54. The minimum premium is intended to pay for and cover the additional insurance charges beyond the policy year claim costs. The insurance charges include those claim costs that are charged to the Surplus Fund, funding of the Safety & Hygiene Fund, the Premium Payment Security Fund and a loading factor to pay for defaults on future retrospectively rated premiums and annual billings. The total expense factor is 15.7%.

The Retrospective Rating tables were last updated in 1998.

The minimum premium percentages table change will affect approximately 59 employers and may generate an additional 24.4% or $9.4 million dollars of minimum premiums based upon the PEC Retro employers enrolled in the 2005 policy year.

4123-17-54 PUBLIC EMPLOYER RETROSPECTIVE RATING PLAN MINIMUM PREMIUM PERCENTAGES

The administrator of workers' compensation, with the advice and consent of the workers' compensation oversight commission, has authority to approve contributions made to the state insurance fund by employers pursuant to sections 4121.121, 4123.29, and 4123.34 of the Revised Code. The administrator hereby sets the public employer taxing districts retrospective rating plan minimum premium percentages to be effective for the January 1, ~~1998~~ 2007 policy year, as indicated in the attached appendixes A (Tier I) and B (Tier II).

Effective: 1/1/2007
Prior Effective Dates: 1/1/92; 1/1/93; 1/1/94; 1/1/98