



Oversight Commission

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

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

Mary Beth Carroll
 Vice President,
 FirstEnergy
representing self-insured

Michael C. Koettters
 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

Charles W. Kranstuber, LPA
 President,
 The Law Offices of Kranstuber
representing injured workers

OVERSIGHT COMMISSION

Agenda

Date: Nov. 16, 2006
Time: 11:30 a.m.
Location: William Green Building, Second Floor, Room 3

Opening remarks

Chairman's comments..... William Sopko

Old business

Approval of previous meeting minutes William Sopko

New Business

1. Administrator's comments..... Bill Mabe
2. CFO financial statement review..... Tracy Valentino
3. Agenda 06 (*update*)..... James Barnes, Chief of Legal
 Bruce Dunn, Chief Investment Officer
 Leo Genders, Chief Information Officer
 Jeremy Jackson, Chief Marketing Officer
 Dr. Greg Jewell, Chief of Medical Services
 Tina Kielmeyer, Chief Operations Officer
 Tracy Valentino, Chief Finance Officer
 Barb Young, Chief Human Resource Officer
 Cathy Moseley, Chief of Staff
4. Audit Committee (*update*) Denise Farkas
5. Investment Committee (*update*) Mike Koettters
6. Wilshire contract renewal, *first consideration, possible vote*
 Mike Koettters
7. Custodian Structure recommendation, *first consideration, possible vote* Bruce Dunn
8. Securities Lending recommendation, *first consideration, possible vote* Bruce Dunn
9. State Street S&P 500 Index Fund investment recommendation, *first consideration, possible vote* Bruce Dunn

The next WCOG

Date: Dec. 14, 2006
 Time: 11 a.m.
 Location: William Green Building,
 Second Floor, Room 3



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Rules

1. BWC Ethics five-year rule review (4123-15 OAC), *first consideration, possible vote* Cathy Moseley and Tom Sico
2. BWC Ethics Standards of Conduct (4123-15-03 OAC), *first consideration, possible vote* Cathy Moseley and Tom Sico
3. HPP Provider Credentialing rule (4123-6-2.02 OAC), *first consideration, possible vote* Dr. Greg Jewell

Rate

Rate Recommendation, Public Employer Taxing Districts;

1. Contribution to the state insurance fund (4123-17-34), *first consideration, possible vote* Liz Bravender
2. Credibility table used for experience rating (4123-17-33), *first consideration, possible vote* Liz Bravender

Adjourn William Sopko

The next WCOG

Date: Dec. 14, 2006
Time: 11:00 a.m.
Location: William Green Building,
Second Floor, Room 3

WORKERS' COMPENSATION OVERSIGHT COMMISSION

**THURSDAY, SEPTEMBER 28, 2006, 11:40 A.M.
DAYTON CONVENTION CENTER
22 EAST FIFTH STREET, ROOMS 302—304
DAYTON, OHIO 45402**

Members Present: Bill Sopko, Chairman
Michael Koettters
Mary Beth Carroll
Charles Kranstuber
William Burga
Denise Farkas
Edwin McCausland
Senator Steve Stivers
Representative Tim Schaffer

Members Absent: Senator Eric Fingerhut
Representative Timothy Cassell

ROLL CALL

Mr. Sopko called the meeting to order at 11:40 a.m. and the roll call was taken.

CHAIRMAN'S COMMENTS

Mr. Sopko introduced Charles Kranstuber, new member of the Oversight Commission. Mr. Kranstuber is an attorney and member of the Board of Directors of the Dublin Counseling Center. He is a former member of Dublin City Council and former mayor of Dublin. Mr. Kranstuber has a Bachelor of Arts degree from The Ohio State University and a Juris Doctor degree from the University of San Diego School of Law.

Mr. McCausland reported that he had made a recent presentation to the Ohio Steel Council on recent changes in investments. Comments from the audience were largely favorable. Mr. Burga and Mr. Sopko thanked Mr. McCausland for making the presentation

MINUTES OF AUGUST 24, 2006

Mr. Burga moved that the minutes of August 24, 2006, be approved. Ms. Carroll seconded and the minutes were approved by a roll call vote of four ayes and no nays. Mr. Kranstuber abstained.

ADMINISTRATOR'S COMMENTS

William Mabe, BWC Administrator, reported the financial statements show continuous improvement because of pricing discipline and cost management.

The Workers' Compensation University is currently running and BWC anticipates attendance of more than 8,000 employers in all sessions throughout the state.

MANAGED CARE ORGANIZATIONS 2007 CONTRACT

Mr. Mabe reported BWC is currently meeting with the Managed Care Organizations (MCOs) about the next MCO contract. BWC will be seeking three things: a reduction in MCO fees, implementation of risk-based auditing, and increased use of technology. Discussions will be ongoing over the next months. BWC is planning a stakeholder meeting which includes many groups.

CFO FINANCIAL STATEMENT REVIEW

Tracy Valentino, Interim Chief Financial Officer, reported on the financial statements for July and August. BWC has made adjustments to fiscal year 2006 reports to reflect results from the actuarial audit. BWC net assets were increased from \$622 million to \$1.6 billion. This resulted from a decrease in reserves and removal of liability for overruling of the *Price* decision. Operating revenues have increased because of higher premium collections and investment income and gains. Bond interest is higher because of the shift in the portfolio. Accounts receivable have increased because of employers electing to participate in the 50/50 program.

Ms. Valentino also stated that the reports now include projections for September and the next three quarters. BWC projects \$137 million in net income for fiscal year 2007.

Ms. Valentino reported that because of the change in reserves, the trade ratio is reduced to 61.99%, adjusted from the July reports. BWC projects a trade ratio of 94.5% as of the end of fiscal year 2007.

Mr. Koettters requested that a footnote be added to the reports to reflect an extraordinary event. Ms. Valentino replied that the actuarial adjustment is not an extraordinary event, so a footnote would not be required. Nevertheless, she and Mr. Made agreed to add descriptive language going forward for any significant changes/adjustments to the numbers.

ACTUARIAL AUDIT

Jeff Scott, Jeff Scholl, and Allan Crowe, from Mercer Oliver Wyman, reported on the BWC actuarial audit. Mr. Scott stated that an audit is required by the Ohio Revised Code every two years, but BWC conducts one every year. The reserves are also reviewed by an accredited actuary as part of the financial audit. Mr. Scholl reported on the methodology and used, as an example, the tables produced for analysis of temporary total disability payments.

Mr. Koettters asked for tables showing payments as a percentage of paid premiums.

Mr. Scott also reported on the results of the audit as adjustments to the BWC financial statements. This reserve is \$1 billion less than projected in the 2005 actuarial audit, a change of 5.7%.

The history of reserves from 1988 to the present shows a sharp rise from 1988 to 1993 because of medical costs. Reserves remained flat until 2001. There was another increase from 2001 to 2005. Mr. McCausland asked if these changes reflect the changes in the discount rate. Mr. Scott replied that the decline in the discount rate from 7% would increase reserves. Mr. Koettters asked if Mercer used a 5.25% discount rate in calculating both rates. Mr. Scott replied 5.25% was used in both fiscal years 2005 and 2006. Mercer is not able to forecast interest rate changes.

Mr. Scholl stated that big changes in reserves result in changes in net income and changes in the size of the surplus. The history of the surplus is also affected by returns of premiums to employers. The factors leading to improvement in reserves include an increase in interest amortization of \$700 million, the reversal of the *Price* decision, and the impact of medical cost schedules. The net affect is a decline of \$200 million.

Mr. McCausland asked for a discussion of the affect of individual changes. Mr. Schott stated that it would be difficult to separate the factors.

Ms. Farkas stated that if the pool is stable, so changes should not create sharp differences. Mr. Scott replied that this was true overall; however medical cost changes do have an affect.

Mr. Koettters asked how comfortable Mercer was with the recommended reserve levels and resulting change in the reserve. Mr. Scott replied he was comfortable with the change in the reserve balance by $\pm 5\%$. Mr. Crowe stated he would be comfortable with a wider range. All three Mercer representatives indicated it would not be unusual for various actuaries to arrive at different answers given the same data. This is a result of the professional judgment and assumptions applied to the data will generate different, but appropriate, opinions.

DOLLARS AND SENSE

Mr. Sopko tabled the presentation by Jeremy Jackson, Chief Marketing Officer, on the new BWC publication *Dollars and Sense*.

AUDIT COMMITTEE REPORT

Ms. Farkas reported that the Audit Committee met this morning and heard a report from Ms. Valentino on the initial progress of the audit of Schneider Downs & Co., Inc. as external auditor. The final draft of the financial audit is due December 11, if on track. BWC will know by November 30 if it is not. The committee also reviewed the relationship with State Street Bank and Trust Company. BWC, Wilshire, and the Audit Committee are comfortable with the relationship. Nevertheless, the Audit Committee has requested that the Internal Audit Division conduct an internal audit of State Street as a matter of standard auditing practices.

INVESTMENT COMMITTEE REPORT

Mr. Koettters reported that the Investment Committee met this morning and because all members of the Oversight Commission were present, he would dispense with a further report.

INVESTMENT POLICY RECOMMENDATION, BWC ANCILLARY PORTFOLIOS

Ms. Farkas moved that the Workers' Compensation Oversight Commission approved WCOC Resolution 06-39 relating to the approval and adoption of revised asset allocations for the BWC ancillary funds, including those for disabled workers, coal workers, public relief workers, marine industry workers, and workers for former self-insured employers, for the Bureau of Workers' Compensation Statement of Investment Policy and Guidelines, as set forth on Appendices X.B. through X.F. to this motion, which are incorporated herein. Mr. McCausland seconded the motion.

Senator Stivers requested information on the size of the market for Treasury Inflation Proof Securities (TIPS). Mr. Brubaker stated that the size of the total market is \$330 billion. BWC would be obtaining about 1% of the market. TIPS are operated by index funds in about sixteen or seventeen securities firms. Discussions with the firms indicate no problem in operations. Implementation of investment or sale of TIPS is the biggest problem.

Senator Stivers stated he was concerned about owning 1% of the market, about ranges of asset allocations, and the speed of implementation. Mr. Brubaker stated that TIPS are liquid and are needed by BWC for diversification and inflation indexing. Mr. Dunn added that the biggest problem relating to liquidation is when an investor is the largest client of a securities manager.

Mr. McCausland added that BWC is not operating a trading portfolio. BWC will buy TIPS and hold them.

The motion passed in a roll call vote of seven ayes and no nays.

TRANSITION MANAGERS RECOMMENDATION

Mr. McCausland moved that the Workers' Compensation Oversight Commission approve Workers' Compensation Oversight Commission Resolution WCOC 06-40 and accept the

recommendation of the Investment Committee to approve the selection of Barclays Global Investors, Russell Investment Group, and State Street Global Markets to serve as the transition managers for BWC assets upon such terms as are set forth in the firms' responses to the RFP issued June 03, 2006, and such other terms as are favorable to the Bureau, and that BWC investment staff have the discretion to select among these managers for specific transition assignments. Mr. Burga seconded the motion.

Mr. Dunn reported on the RFP process in selection of managers.

The motion was approved by a unanimous roll call vote of seven ayes and no nays.

DERIVATIVES

Mr. Sopko tabled the discussion on derivatives.

SECURITIES LENDING ACTIVITY REPORT

Mr. Koettters moved that the Workers' Compensation Oversight Commission approve WCOC resolution 06-41 to approve and adopt an amendment to Section IV.C.vii of the Bureau of Workers' Compensation Statement of Investment Policy and Guidelines for the purpose of changing the action date for the Commission's review of securities lending activities from "June 2006" to "January 2007." Mr. McCausland seconded the motion.

Mr. Koettters reported that BWC had recommended changes to the policy because it is in violation. A decision to cease securities lending would disrupt the portfolio.

The motion was approved by a unanimous roll call vote of seven ayes and no nays.

INVESTMENT MANAGER FOR OHIO PASSIVE BOND MARKET INDEX FUND

Mr. Sopko tabled the discussion on the passive bond market index fund managed by State Street.

WCOC 2007 CALENDAR

Mr. Sopko presented the schedule of meetings for the Oversight Commission for 2007. This is the earliest that a calendar has been made available.

RULES/RESOLUTION FOR FIRST CONSIDERATION: ATTORNEY FEES FOR CHILD SUPPORT, OHIO ADMINISTRATIVE CODE RULE, 4123-3-10

Tom Sico, Director of Legal Operations, recommended amendment of Ohio Administrative Code Rule 4123-3-10 to include provisions regarding payment of attorney fees in

connection with family support orders. Am. Sub S.B. 7 made changes which went into effect on June 30 and are being followed by BWC. These amendments are not part of the referendum. Some issues have arisen in recent months relating to implementation. The Ohio Association of Trial Lawyers supports the changes.

Mr. Sico reviewed specific changes. BWC is to pay the injured worker and his attorney. The attorney shall file a copy of the fee agreement and an affidavit with BWC and provide a copy to the injured worker. The rule sets forth the requirements of the affidavit and supporting documentation. BWC shall not pay an attorney fee under this provision and also honor a power of attorney. The rule also applies to self-insuring employers.

Mr. Burga requested that approval of the rule be tabled because the Trial Lawyers had objected to some of the rule provisions.

Mr. Kranstuber stated that the Trial Lawyers had no major concerns because the rule amendments follow S.B. 7 and the rule provides more help in processing fee applications.

Mr. Sopko requested a motion on the rule amendment.

Mr. Burga moved that the Workers' Compensation Oversight Commission approve WCOC Resolution 06-43 relating to rules on the payment of attorney fees for a lump sum payment in a claim in which there is a child support order, as required by Amended Substitute Senate Bill 7. The resolution consents to the Administrator adopting Rule 4123-3-10 of the Administrative Code as presented here today. Mr. Kranstuber second and the motion was approved by unanimous roll call vote.

RATE INDICATION FOR PUBLIC EMPLOYER TAXING DISTRICTS

Liz Bravender, Actuarial Director, reported on the rate recommendation for Public Employer Taxing Districts for the policy year beginning January 1, 2007. The premiums are payable in May and September 2008. The recommendation is based on a range of changes recommended by Mercer. The first recommendation is based on the June 20, 2006, audit and would increase overall rates by 3.2%. An optimistic forecast would lower rates by 0.6%. The conservative recommendation would raise rates by 7.5%. If BWC were to change the discount rate from 5.25% to 5%, then the assumptions of first recommendation would require an increase of 6.1%. Also, the first recommendation sets rates at 6% less than those in 1994 and 1995 if fees and expenses for MCOs and the Health Partnership Program are deducted.

Mr. Sopko moved that the Workers' Compensation Oversight Commission approve WCOC Resolution 06-42 relating to the Public Employer Taxing District employer premium rates effective January 1, 2007. The resolution consents to the Administrator fixing Public Employer Taxing District rates to achieve an overall increase of Three and Two-Tenths percent (3.2%) in the total collectible premium from the previous year, and consents to the Administrator preparing rate rules consistent with this policy. Ms. Carroll seconded and the motion was approved by a roll call vote of three ayes and no nays. Mr. Burga and Mr. Kranstuber were not present for the vote.

ADJOURNMENT

Mr. Sopko announced the next meetings of the Oversight Commission and its committees will be November 16.

Ms. Carroll moved to adjourn and Mr. Sopko adjourned the meeting.

Prepared by: Larry Rhodebeck, BWC Attorney
H:\Word\ldr\WCOC0906.doc
October 17, 2006

October '06

Financial Reporting
Package



Ohio Bureau of Workers' Compensation >>



BWC's efforts to complete Agenda '06 projects are producing positive financial results for the first quarter of fiscal year 2007. Net assets have increased from \$1.6 billion at June 30, 2006 to \$2.1 billion at September 30, 2006.

Net investment income contributed \$602.2 million to the growth of net assets. This growth is partially offset by an operating loss of \$177.3 million. While premium and assessment income increased, workers' compensation benefits and compensation adjustment expenses also increased from the prior fiscal year.

The fiscal year 2007 results are being positively impacted by growth in private employer premiums resulting from the 3.9 percent rate increase for the July 1, 2006 policy period.

Discounts issued to eligible employers for participating in the safety council incentive program reduced premium income by \$22.9 million in September 2006 compared to a \$6.8 million reduction in September 2005. The amount of the discount increased from 2 percent to 4 percent and the number of employers eligible for the discount increased.

The increased expenses in fiscal year 2007 are primarily due to increases in the projected reserves for permanent total disability (PTD) claims compared to the projected reserves for these claims in the prior fiscal year. Medical payments in fiscal year 2007 are \$23.5 million lower than in the same period of fiscal year 2006. Payouts for lump sum settlements have increased by \$10.3 million this fiscal year due to the settlement pilot focusing on higher reserve PTD and death claim settlements.

These operating results are producing a trade combined ratio of 89.4 compared to 107.5 during this same time period a year ago.



Statement of Operations

➤➤ Fiscal year to date September 30, 2006

<i>(in millions)</i>	Actual	Projected	Variance	Prior Yr. Actual	Increase (Decrease)
Total Operating Revenues	\$ 596	\$ 641	\$ (45)	\$ 569	\$ 27
Total Operating Expenses	<u>773</u>	<u>813</u>	<u>40</u>	<u>745</u>	<u>28</u>
Net Operating Gain (Loss)	(177)	(172)	(5)	(176)	(1)
Net Investment Income	<u>602</u>	<u>81</u>	<u>521</u>	<u>449</u>	<u>153</u>
Increase (Decrease) in Net Assets	425	(91)	516	273	152
Net Assets Beginning of Period	<u>1,627</u>	<u>1,627</u>	<u>–</u>	<u>722</u>	<u>905</u>
Net Assets End of Period	\$ 2,052	\$ 1,536	\$ 516	\$ 995	\$ 1,057

Statement of Operations

➤➤ Fiscal year to date September 30, 2006

<i>(in millions)</i>	Actual	Projected	Variance	Prior Yr. Actual	Increase (Decrease)
Operating Revenues					
Premium & Assessment Income	\$ 620	\$ 642	\$ (22)	\$ 568	\$ 52
Provision for Uncollectibles	(32)	(7)	(25)	(5)	(27)
Other Income	<u>8</u>	<u>6</u>	<u>2</u>	<u>6</u>	<u>2</u>
Total Operating Revenue	596	641	(45)	569	27
Operating Expenses					
Benefits & Compensation Adj. Expense	748	785	37	716	32
Other Expenses	<u>25</u>	<u>28</u>	<u>3</u>	<u>29</u>	<u>(4)</u>
Total Operating Expenses	<u>773</u>	<u>813</u>	<u>40</u>	<u>745</u>	<u>28</u>
Net Operating Gain (Loss)	(177)	(172)	(5)	(176)	(1)
Investment Income					
Interest and dividend income	222	220	2	144	78
Realized & unrealized capital gains (losses)	383	(136)	519	314	69
Investment manager and operational fees	(3)	(3)	–	(9)	(6)
Gain (loss) on disposal of fixed assets	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
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Statement of Net Assets

➤➤ As of September 30, 2006

<i>(in millions)</i>	Actual	Projected	Variance	Prior Yr. Actual	Increase (Decrease)
Assets					
Total Cash and Investments	\$ 17,022	\$ 16,574	\$ 448	\$ 16,247	\$ 775
Accrued Premiums	2,067	1,698	369	2,007	60
Other Accounts Receivable	247	572	(325)	282	(35)
Investment Receivables	3	2	1	62	(59)
Other Assets	<u>126</u>	<u>125</u>	<u>1</u>	<u>130</u>	<u>(4)</u>
Total Assets	\$ 19,465	\$ 18,971	\$ 494	\$ 18,728	\$ 737
Liabilities					
Reserve for Compensation and Compensation Adj. Expense	\$ 16,667	\$ 16,667	\$ –	\$ 16,985	\$ (318)
Accounts Payable	61	56	5	40	21
Other Liabilities	<u>685</u>	<u>712</u>	<u>(27)</u>	<u>708</u>	<u>(23)</u>
Total Liabilities	<u>17,413</u>	<u>17,435</u>	<u>(22)</u>	<u>17,733</u>	<u>(320)</u>
Net Assets	\$ 2,052	\$ 1,536	\$ 516	\$ 995	\$ 1,057

Statement of Cash Flows

➤➤ Fiscal year to date September 30, 2006

<i>(in millions)</i>	Actual	Projected	Variance	Prior Yr. Actual	Increase (Decrease)
Cash flows from operating activities:					
Cash receipts from premiums	\$ 821	\$ 880	\$ (59)	\$ 836	\$ (15)
Cash receipts – other	9	3	6	4	5
Cash disbursements for claims	(509)	(514)	5	(524)	15
Cash disbursements for other	<u>(139)</u>	<u>(116)</u>	<u>(23)</u>	<u>(118)</u>	<u>(21)</u>
Net cash provided (used) by operating activities	182	253	(71)	198	(16)
Net cash flows from capital and related financing activities	(5)	(3)	(2)	(3)	(2)
Net cash provided (used) by investing activities	<u>9</u>	<u>7</u>	<u>2</u>	<u>918</u>	<u>(909)</u>
Net increase (decrease) in cash and cash equivalents	186	257	(71)	1,113	(927)
Cash and cash equivalents, beginning of period	<u>194</u>	<u>194</u>	<u>–</u>	<u>1,283</u>	<u>(1,089)</u>
Cash and cash equivalents, end of period	\$ 380	\$ 451	\$ (71)	\$ 2,396	\$ (2,016)

Statement of Investment Income

➤➤ Fiscal year to date September 30, 2006

	Actual	Projected	Variance	Prior Yr. Actual	Increase (Decrease)
Interest Income					
Bond Interest	\$ 210,425,631	\$ 210,000,000	\$ 425,631	\$ 91,903,662	\$ 118,521,969
Dividend Income (Dom & Int'l)	99,113	-	99,113	20,569,048	(20,469,935)
Money Market/ Commercial Paper Income	3,413,767	6,000,000	(2,586,233)	12,157,389	(8,743,622)
Misc. Income (Corp actions, etc.)	1,403,869	900,000	503,869	17,958,496	(16,554,627)
Private Equity	4,984,705	1,950,000	3,034,705	379,514	4,605,191
Net Securities Lending Income	<u>1,541,324</u>	<u>1,500,000</u>	<u>41,324</u>	<u>1,569,547</u>	<u>(28,223)</u>
Total Interest Income	<u>221,868,409</u>	<u>220,350,000</u>	<u>1,518,409</u>	<u>144,537,656</u>	<u>77,330,753</u>
Realized & Unrealized Capital Gains and (Losses)					
Net realized gain (loss) - Stocks (Dom & Int'l)	881,489	-	881,489	180,848,416	(179,966,927)
Net realized gain (loss) - Bonds	(75,423)	-	(75,423)	(674,865)	599,442
Net gain (loss) - PE	2,807,629	5,910,000	(3,102,371)	(866,203)	3,673,832
Unrealized gain (loss) - Stocks (Dom & Int'l)	(1,911,863)	-	(1,911,863)	230,274,655	(232,186,518)
Unrealized gain (loss) - Bonds	<u>382,119,778</u>	<u>(141,667,000)</u>	<u>523,786,778</u>	<u>(95,529,879)</u>	<u>477,649,657</u>
Change in Portfolio Value	<u>383,821,610</u>	<u>(135,757,000)</u>	<u>519,578,610</u>	<u>314,052,124</u>	<u>69,769,486</u>
Investment Expenses-Manager & Operational Fees	<u>(3,411,150)</u>	<u>(3,782,250)</u>	<u>371,100</u>	<u>(9,093,993)</u>	<u>(5,682,843)</u>
Total Investment Income	<u>\$ 602,278,869</u>	<u>\$ 80,810,750</u>	<u>\$ 521,468,119</u>	<u>\$ 449,495,787</u>	<u>\$ 152,783,082</u>

Projected Statement of Operations

➤➤ July 1, 2006 – September 30, 2006

<i>(in millions)</i>	Actual July 31, 2006	Actual Aug. 31, 2006	Actual Sept. 30, 2006	Actual Quarter Sept. 30, 2006
Total Operating Revenues	\$ 206	\$ 213	\$ 177	\$ 596
Total Operating Expenses	<u>233</u>	<u>290</u>	<u>250</u>	<u>773</u>
Net Operating Gain (Loss)	(27)	(77)	(73)	(177)
Net Investment Income	<u>212</u>	<u>245</u>	<u>145</u>	<u>602</u>
Increase (Decrease) In Net Assets	185	168	72	425
Net Assets Beginning of Period	<u>1,627</u>	<u>1,812</u>	<u>1,980</u>	<u>1,627</u>
Net Assets End of Period	\$ 1,812	\$ 1,980	\$ 2,052	\$ 2,052

<i>(in millions)</i>	Projected Quarter Dec. 31, 2006	Projected Quarter March 31, 2007	Projected Quarter June 30, 2007	Projected Fiscal Year June 30, 2007
Total Operating Revenues	\$ 623	\$ 627	\$ 599	\$ 2,445
Total Operating Expenses	<u>805</u>	<u>795</u>	<u>833</u>	<u>3,206</u>
Net Operating Gain (Loss)	(182)	(168)	(234)	(761)
Net Investment Income	<u>(41)</u>	<u>191</u>	<u>197</u>	<u>949</u>
Increase (Decrease) In Net Assets	(223)	23	(37)	188
Net Assets Beginning of Period	<u>2,052</u>	<u>1,829</u>	<u>1,852</u>	<u>1,627</u>
Net Assets End of Period	\$ 1,829	\$ 1,852	\$ 1,815	\$ 1,815

Projected Statement of Cash Flows

➤➤ July 1, 2006 – September 30, 2006

<i>(in millions)</i>	Actual July 31, 2006	Actual Aug. 31, 2006	Actual Sept. 30, 2006	Actual Quarter Sept. 30, 2006
Cash flows from operating activities:				
Cash receipts from premiums	\$ 194	\$ 513	\$ 114	\$ 821
Cash receipts – other	3	4	2	9
Cash disbursements for claims	(156)	(198)	(155)	(509)
Cash disbursements for other	<u>(55)</u>	<u>(48)</u>	<u>(36)</u>	<u>(139)</u>
Net cash provided (used) by operating activities	(14)	271	(75)	182
Net cash flows from capital and related financing activities	–	(1)	(4)	(5)
Net cash provided (used) by investing activities	<u>6</u>	<u>3</u>	<u>–</u>	<u>9</u>
Net increase (decrease) in cash and cash equivalents	(8)	273	(79)	186
Cash and cash equivalents, beginning of period	<u>194</u>	<u>186</u>	<u>459</u>	<u>194</u>
Cash and cash equivalents, end of period	\$ 186	\$ 459	\$ 380	\$ 380

<i>(in millions)</i>	Projected Quarter Dec. 31, 2006	Projected Quarter March 31, 2007	Projected Quarter June 30, 2007	Projected Fiscal Year June 30, 2007
Cash flows from operating activities:				
Cash receipts from premiums	\$ 188	\$ 1,002	\$ 482	\$ 2,493
Cash receipts – other	3	3	3	18
Cash disbursements for claims	(515)	(508)	(534)	(2,066)
Cash disbursements for other	<u>(95)</u>	<u>(101)</u>	<u>(103)</u>	<u>(438)</u>
Net cash provided (used) by operating activities	(419)	396	(152)	7
Net cash flows from capital and related financing activities	–	(17)	–	(22)
Net cash provided (used) by investing activities	<u>56</u>	<u>(2)</u>	<u>6</u>	<u>69</u>
Net increase (decrease) in cash and cash equivalents	(363)	377	(146)	54
Cash and cash equivalents, beginning of period	<u>380</u>	<u>17</u>	<u>394</u>	<u>194</u>
Cash and cash equivalents, end of period	\$ 17	\$ 394	\$ 248	\$ 248

Projected Statement of Investment Income

➤➤ July 1, 2006 – September 30, 2006

	Actual July 31, 2006	Actual Aug. 31, 2006	Actual Sept. 30, 2006	Actual Quarter Sept. 30, 2006
Interest Income				
Bond Interest	\$ 70,098,846	\$ 70,156,246	\$ 70,170,539	\$ 210,425,631
Dividend Income (Dom & Int'l)	(20,789)	13,886	106,016	99,113
Money Market/ Commercial Paper Income	568,681	1,028,705	1,816,381	3,413,767
Misc. Income (Corp actions, etc.)	1,097,092	157,358	149,419	1,403,869
Private Equity	114,582	3,504,085	1,366,038	4,984,705
Net Securities Lending Income	664,058	415,565	461,701	1,541,324
Total Interest Income	<u>72,522,470</u>	<u>75,275,845</u>	<u>74,070,094</u>	<u>221,868,409</u>
Realized & Unrealized Capital Gains and (Losses)				
Net realized gain (loss) - Stocks (Dom & Int'l)	(1,185)	867,983	14,691	881,489
Net realized gain (loss) - Bonds	(5,214)	(366,548)	296,339	(75,423)
Net gain (loss) - PE	(26,189)	1,920,224	913,594	2,807,629
Unrealized gain (loss) - Stocks (Dom & Int'l)	(583,938)	(175,052)	(1,152,873)	(1,911,863)
Unrealized gain (loss) - Bonds	140,107,659	170,342,163	71,669,956	382,119,778
Change in Portfolio Value	<u>139,491,133</u>	<u>172,588,770</u>	<u>71,741,707</u>	<u>383,821,610</u>
Investment Expenses-Manager & Operational Fees	<u>(350,623)</u>	<u>(2,159,994)</u>	<u>(900,533)</u>	<u>(3,411,150)</u>
Total Investment Income	<u>\$ 211,662,980</u>	<u>\$ 245,704,621</u>	<u>\$ 144,911,268</u>	<u>\$ 602,278,869</u>

	Projected Quarter Dec. 31, 2006	Projected Quarter March 31, 2007	Projected Quarter June 30, 2007	Projected Fiscal Year June 30, 2007
Interest Income				
Bond Interest	\$ 198,600,000	\$ 200,062,500	\$ 202,987,500	\$ 812,075,631
Dividend Income (Dom & Int'l)	3,600,000	7,312,500	7,537,500	18,549,113
Money Market/ Commercial Paper Income	6,000,000	6,456,250	7,368,750	23,238,767
Misc. Income (Corp actions, etc.)	900,000	900,000	900,000	4,103,869
Private Equity	1,770,000	490,000	-	7,244,705
Net Securities Lending Income	1,500,000	1,500,000	1,500,000	6,041,324
Total Interest Income	<u>212,370,000</u>	<u>216,721,250</u>	<u>220,293,750</u>	<u>871,253,409</u>
Realized & Unrealized Capital Gains and (Losses)				
Net realized gain (loss) - Stocks (Dom & Int'l)	-	21,000,000	-	21,881,489
Net realized gain (loss) - Bonds	(220,000,000)	-	(2,000,000)	(222,075,423)
Net gain (loss) - PE	5,325,000	(18,525,000)	-	(10,392,371)
Unrealized gain (loss) - Stocks (Dom & Int'l)	14,001,000	28,220,083	28,656,249	68,965,469
Unrealized gain (loss) - Bonds	(48,334,000)	(45,390,000)	(46,170,000)	242,225,778
Change in Portfolio Value	<u>(249,008,000)</u>	<u>(14,694,917)</u>	<u>(19,513,751)</u>	<u>100,604,942</u>
Investment Expenses-Manager & Operational Fees	<u>(4,420,725)</u>	<u>(11,310,799)</u>	<u>(3,430,800)</u>	<u>(22,573,474)</u>
Total Investment Income	<u>\$ (41,058,725)</u>	<u>\$ 190,715,534</u>	<u>\$ 197,349,199</u>	<u>\$ 949,284,877</u>



Insurance Ratios

➤➤ July 1, 2006 – September 30, 2006

	Actual FY07	Projected FY07	Actual FY06
Loss Ratio	100.77%	97.25%	105.86%
LAE Ratio - MCO	8.34%	10.29%	8.66%
LAE Ratio - BWC	<u>11.54%</u>	<u>14.68%</u>	<u>11.66%</u>
Net Loss Ratio	120.65%	122.22%	126.18%
Expense Ratio	4.00%	4.39%	5.16%
Policyholder Dividend Ratio	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Combined Ratio	124.65%	126.61%	131.34%
Net Investment Income Ratio	<u>35.22%</u>	<u>33.74%</u>	<u>23.87%</u>
Operating Ratio (Trade Ratio)	89.43%	92.87%	107.47%

	Actual FY07	Projected FY07	Actual FY06
Premiums to surplus	0.30	0.42	0.57
Assets to liabilities	1.12	1.09	1.06
Total reserves to surplus	8.12	10.85	17.07
Loss reserves to surplus	7.34	9.80	15.34
Investments to loss reserves	1.13	1.10	1.06
Cash + bonds to loss reserves	1.10	1.07	0.59
Cash % of total investments	2%	3%	15%
Bond % of total investments	95%	94%	41%
Equities % of total investments	0%	0%	42%
Equities as % of surplus	0%	0%	680%

Projected Insurance Ratios

➤➤ Fiscal years 2002 – 2007

	Projected FY 07	Preliminary FY06	Preliminary FY05	FY04	FY03	FY02
Loss Ratio	100.04%	73.41%	111.9%	96.7%	128.9%	105.6%
LAE Ratio - MCO	10.41%	8.43%	7.3%	9.1%	8.8%	9.4%
LAE Ratio - BWC	<u>13.53%</u>	<u>6.59%</u>	<u>15.1%</u>	<u>8.3%</u>	<u>12.9%</u>	<u>9.2%</u>
Net Loss Ratio	123.98%	88.43%	134.3%	114.2%	150.6%	124.1%
Expense Ratio	3.94%	3.89%	4.1%	5.1%	4.1%	4.0%
Policyholder Dividend Ratio	<u>0.00%</u>	<u>-0.37%</u>	<u>10.6%</u>	<u>18.6%</u>	<u>28.7%</u>	<u>62.4%</u>
Combined Ratio	127.92%	91.95%	149.0%	137.9%	183.4%	190.5%
Net Investment Income Ratio	<u>33.38%</u>	<u>29.96%</u>	<u>22.8%</u>	<u>20.5%</u>	<u>23.9%</u>	<u>27.0%</u>
Operating Ratio (Trade Ratio)	94.54%	61.99%	126.2%	117.3%	159.5%	163.5%

Note: FY 06 ratios have been significantly impacted by improvements in medical payment trends due to reductions in the cost of pharmacy benefits and lower payments to hospitals. These trends contributed to an approximately \$1 billion reduction in loss expenses in FY 06.

	Projected FY 07	Preliminary FY06	Preliminary FY05	FY04	FY03	FY02
Premiums to surplus	1.95	1.35	3.04	2.59	4.04	1.25
Assets to liabilities	1.07	1.09	1.03	1.04	1.03	1.09
Total reserves to surplus	13.30	10.12	23.31	18.90	28.93	7.88
Loss reserves to surplus	12.02	9.14	20.94	16.98	25.90	7.02
Investments to loss reserves	1.07	1.09	1.11	1.12	1.13	1.30
Cash + bonds to loss reserves	0.86	1.06	0.63	0.65	0.75	0.85
Cash % of total investments	2%	1%	8%	10%	13%	14%
Bond % of total investments	78%	96%	49%	48%	54%	52%
Equities % of total investments	20%	0%	38%	36%	30%	32%
Equities as % of surplus	258%	1%	880%	680%	869%	292%

November '06

Financial Reporting
Package



Ohio Bureau of Workers' Compensation >>



Agenda 06 projects are continuing to produce positive financial results. Net assets increased from \$1.7 billion at June 30, 2006 to \$2.2 billion at October 31, 2006.

Net investment income contributed \$714 million to the growth of net assets. This growth is partially offset by an operating loss of \$170 million. While premium and assessment income increased and workers' compensation benefits decreased from the prior fiscal year these improvements alone are not enough to generate positive operating results.

The fiscal year 2007 results are being positively impacted by growth in the estimated collectible premium for private employers resulting from the 3.9 percent increase in private employer rates for the July 1, 2006 policy period.

October results include decreases of approximately \$47 million to the reserves for compensation and compensation adjustment expenses based on projections prepared by BWC's actuarial consultants reflecting payment trends from the first quarter of fiscal year 2007.

Medical payments in fiscal year 2007 are \$25 million lower than in the same period of fiscal year 2006. Lump sum settlement payments have increased by \$16.6 million this fiscal year compared to last fiscal year due to the settlement pilot focusing on higher reserve PTD and death claim settlements.

The net investment income ratio is being impacted by higher interest earnings resulting from the transition of the investment portfolio to a bond index fund during the third quarter of fiscal year 2006. The transition of the portfolio to a passively managed index fund is resulting in lower investment expenses.

The fiscal year-to-date 2007 operating results have generated an almost 25 point decrease in the trade combined ratio. The trade combined ratio is 80.88 percent at October 31, 2006 compared to 105.53 percent at October 31, 2005.



Statement of Operations

➤➤ Fiscal year to date October 31, 2006

<i>(in millions)</i>	Actual	Projected	Variance	Prior Yr. Actual	Increase (Decrease)
Total Operating Revenues	\$ 801	\$ 854	\$ (53)	\$ 768	\$ 33
Total Operating Expenses	<u>971</u>	<u>1,009</u>	<u>38</u>	<u>986</u>	<u>(15)</u>
Net Operating Gain (Loss)	(170)	(155)	(15)	(218)	48
Net Investment Income	<u>714</u>	<u>138</u>	<u>576</u>	<u>266</u>	<u>448</u>
Increase (Decrease) in Net Assets	544	(17)	561	48	496
Net Assets Beginning of Period	<u>1,667</u>	<u>1,667</u>	<u>—</u>	<u>722</u>	<u>945</u>
Net Assets End of Period	\$ 2,211	\$ 1,650	\$ 561	\$ 770	\$ 1,441

Statement of Operations

➤➤ Fiscal year to date October 31, 2006

<i>(in millions)</i>	Actual	Projected	Variance	Prior Yr. Actual	Increase (Decrease)
Operating Revenues					
Premium & Assessment Income	\$ 838	\$ 855	\$ (17)	\$ 764	\$ 74
Provision for Uncollectibles	(44)	(7)	(37)	(2)	(42)
Other Income	<u>7</u>	<u>6</u>	<u>1</u>	<u>6</u>	<u>1</u>
Total Operating Revenue	801	854	(53)	768	33
Operating Expenses					
Benefits & Compensation Adj. Expense	938	972	34	946	(8)
Other Expenses	<u>33</u>	<u>37</u>	<u>4</u>	<u>40</u>	<u>(7)</u>
Total Operating Expenses	<u>971</u>	<u>1,009</u>	<u>38</u>	<u>986</u>	<u>(15)</u>
Net Operating Gain (Loss)	(170)	(155)	(15)	(218)	48
Investment Income					
Interest and dividend income	298	294	4	216	82
Realized & unrealized capital gains (losses)	420	(151)	571	86	334
Investment manager and operational fees	(4)	(5)	1	(36)	(32)
Gain (loss) on disposal of fixed assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Investment Income	<u>714</u>	<u>138</u>	<u>576</u>	<u>266</u>	<u>448</u>
Increase (Decrease) in Net Assets	544	(17)	561	48	496
Net Assets Beginning of Period	<u>1,667</u>	<u>1,667</u>	<u>-</u>	<u>722</u>	<u>945</u>
Net Assets End of Period	\$ 2,211	\$ 1,650	\$ 561	\$ 770	\$ 1,441

Statement of Net Assets

➤➤ As of October 31, 2006

<i>(in millions)</i>	Actual	Projected	Variance	Prior Yr. Actual	Increase (Decrease)
Assets					
Total Cash and Investments	\$ 16,968	\$ 16,485	\$ 483	\$ 15,982	\$ 986
Accrued Premiums	2,303	1,933	370	2,186	117
Other Accounts Receivable	140	489	(349)	209	(69)
Investment Receivables	73	72	1	64	9
Other Assets	<u>126</u>	<u>124</u>	<u>2</u>	<u>131</u>	<u>(5)</u>
Total Assets	\$ 19,610	\$ 19,103	\$ 507	\$ 18,572	\$ 1,038
Liabilities					
Reserve for Compensation and Compensation Adj. Expense	\$ 16,673	\$ 16,673	\$ –	\$ 17,039	\$ (366)
Accounts Payable	66	69	(3)	57	9
Other Liabilities	<u>660</u>	<u>711</u>	<u>(51)</u>	<u>706</u>	<u>(46)</u>
Total Liabilities	<u>17,399</u>	<u>17,453</u>	<u>(54)</u>	<u>17,802</u>	<u>(403)</u>
Net Assets	\$ 2,211	\$ 1,650	\$ 561	\$ 770	\$ 1,441

Statement of Cash Flows

➤➤ Fiscal year to date October 31, 2006

<i>(in millions)</i>	Actual	Projected	Variance	Prior Yr. Actual	Increase (Decrease)
Cash flows from operating activities:					
Cash receipts from premiums	\$ 959	\$ 1,000	\$ (41)	\$ 949	\$ 10
Cash receipts – other	11	4	7	10	1
Cash disbursements for claims	(673)	(676)	3	(685)	12
Cash disbursements for other	<u>(209)</u>	<u>(151)</u>	<u>(58)</u>	<u>(154)</u>	<u>(55)</u>
Net cash provided (used) by operating activities	88	177	(89)	120	(32)
Net cash flows from capital and related financing activities	(5)	(3)	(2)	(4)	(1)
Net cash provided (used) by investing activities	<u>18</u>	<u>9</u>	<u>9</u>	<u>619</u>	<u>(601)</u>
Net increase (decrease) in cash and cash equivalents	101	183	(82)	735	(634)
Cash and cash equivalents, beginning of period	<u>194</u>	<u>194</u>	<u>–</u>	<u>1,283</u>	<u>(1,089)</u>
Cash and cash equivalents, end of period	\$ 295	\$ 377	\$ (82)	\$ 2,018	\$ (1,723)

Statement of Investment Income

➤➤ Fiscal year to date October 31, 2006

	Actual	Projected	Variance	Prior Yr. Actual	Increase (Decrease)
Interest Income					
Bond Interest	\$ 281,426,993	\$ 280,000,000	\$ 1,426,993	\$ 121,605,634	\$ 159,821,359
Dividend Income (Dom & Int'l)	1,951,090	-	1,951,090	27,847,189	(25,896,099)
Money Market/ Commercial Paper Income	4,683,550	8,000,000	(3,316,450)	18,706,348	(14,022,798)
Misc. Income (Corp actions, etc.)	1,477,239	1,200,000	277,239	19,380,859	(17,903,620)
Private Equity	5,523,943	2,540,000	2,983,943	2,033,276	3,490,667
Net Securities Lending Income	<u>2,047,598</u>	<u>2,000,000</u>	<u>47,598</u>	<u>1,993,678</u>	<u>53,920</u>
Total Interest Income	<u>297,110,413</u>	<u>293,740,000</u>	<u>3,370,413</u>	<u>191,566,984</u>	<u>105,543,429</u>
Realized & Unrealized Capital Gains and (Losses)					
Net realized gain (loss) - Stocks (Dom & Int'l)	826,400	-	826,400	215,358,955	(214,532,555)
Net realized gain (loss) - Bonds	(75,435)	-	(75,435)	(21,788,033)	21,712,598
Net gain (loss) - PE	3,354,166	7,685,000	(4,330,834)	1,466,818	1,887,348
Unrealized gain (loss) - Stocks (Dom & Int'l)	(1,792,821)	-	(1,792,821)	51,673,982	(53,466,803)
Unrealized gain (loss) - Bonds	<u>417,739,550</u>	<u>(158,334,000)</u>	<u>576,073,550</u>	<u>(160,662,907)</u>	<u>578,402,457</u>
Change in Portfolio Value	<u>420,051,860</u>	<u>(150,649,000)</u>	<u>570,700,860</u>	<u>86,048,815</u>	<u>334,003,045</u>
Investment Expenses-Manager & Operational Fees	<u>(3,679,805)</u>	<u>(5,048,000)</u>	<u>1,368,195</u>	<u>(11,454,341)</u>	<u>(7,774,536)</u>
Total Investment Income	\$ 713,482,468	\$ 138,043,000	\$ 575,439,468	\$ 266,161,458	\$ 447,321,010

Projected Statement of Operations

➤➤ July 1, 2006 – October 31, 2006

<i>(in millions)</i>	Actual Quarter Sept. 30, 2006	Actual Oct. 31, 2006	Projected Nov. 30, 2006	Projected Dec. 31, 2006	Projected Quarter Dec. 31, 2006
Total Operating Revenues	\$ 596	\$ 205	\$ 183	\$ 228	\$ 616
Total Operating Expenses	<u>773</u>	<u>197</u>	<u>282</u>	<u>232</u>	<u>711</u>
Net Operating Gain (Loss)	(177)	8	(99)	(4)	(95)
Net Investment Income	<u>602</u>	<u>111</u>	<u>(51)</u>	<u>(47)</u>	<u>13</u>
Increase (Decrease) In Net Assets	425	119	(150)	(51)	(82)
Net Assets Beginning of Period	1,667	2,092	2,211	2,061	2,092
Net Assets End of Period	\$ <u>2,092</u>	\$ <u>2,211</u>	\$ <u>2,061</u>	\$ <u>2,010</u>	\$ <u>2,010</u>

<i>(in millions)</i>	Projected Quarter March 31, 2007	Projected Quarter June 30, 2007	Projected Fiscal Year June 30, 2007
Total Operating Revenues	\$ 627	\$ 600	\$ 2,439
Total Operating Expenses	<u>748</u>	<u>785</u>	<u>3,017</u>
Net Operating Gain (Loss)	(121)	(185)	(578)
Net Investment Income	<u>191</u>	<u>197</u>	<u>1,003</u>
Increase (Decrease) In Net Assets	70	12	425
Net Assets Beginning of Period	<u>2,010</u>	<u>2,080</u>	<u>1,667</u>
Net Assets End of Period	\$ <u>2,080</u>	\$ <u>2,092</u>	\$ <u>2,092</u>

Projected Statement of Cash Flows

➤➤ July 1, 2006 – October 31, 2006

<i>(in millions)</i>	Actual Quarter Sept. 30, 2006	Actual Oct. 31, 2006	Projected Nov. 30, 2006	Projected Dec. 31, 2006	Projected Quarter Dec. 31, 2006
Cash flows from operating activities:					
Cash receipts from premiums	\$ 821	\$ 138	\$ 40	\$ 29	\$ 207
Cash receipts – other	9	2	1	1	4
Cash disbursements for claims	(509)	(164)	(196)	(157)	(517)
Cash disbursements for other	<u>(139)</u>	<u>(70)</u>	<u>(31)</u>	<u>(30)</u>	<u>(131)</u>
Net cash provided (used) by operating activities	182	(94)	(186)	(157)	(437)
Net cash flows from capital and related financing activities	(5)	–	–	–	–
Net cash provided (used) by investing activities	<u>9</u>	<u>9</u>	<u>2</u>	<u>2</u>	<u>13</u>
Net increase (decrease) in cash and cash equivalents	186	(85)	(184)	(155)	(424)
Cash and cash equivalents, beginning of period	<u>194</u>	<u>380</u>	<u>295</u>	<u>111</u>	<u>380</u>
Cash and cash equivalents, end of period	\$ 380	\$ 295	\$ 111	\$ (44)	\$ (44)

<i>(in millions)</i>	Projected Quarter March 31, 2007	Projected Quarter June 30, 2007	Projected Fiscal Year June 30, 2007
Cash flows from operating activities:			
Cash receipts from premiums	\$ 1,002	\$ 482	\$ 2,512
Cash receipts – other	3	3	19
Cash disbursements for claims	(508)	(534)	(2,068)
Cash disbursements for other	<u>(101)</u>	<u>(103)</u>	<u>(474)</u>
Net cash provided (used) by operating activities	396	(152)	(11)
Net cash flows from capital and related financing activities	(17)	–	(22)
Net cash provided (used) by investing activities	<u>(2)</u>	<u>6</u>	<u>26</u>
Net increase (decrease) in cash and cash equivalents	377	(146)	(7)
Cash and cash equivalents, beginning of period	<u>(44)</u>	<u>333</u>	<u>194</u>
Cash and cash equivalents, end of period	\$ 333	\$ 187	\$ 187

Projected Statement of Investment Income

➤➤ July 1, 2006 - October 31, 2006

	Actual Quarter Sept. 30, 2006	Actual Oct. 31, 2006	Projected Nov. 30, 2006	Projected Dec. 31, 2006	Projected Quarter Dec. 31, 2006
Interest Income					
Bond Interest	\$ 210,425,631	\$ 71,001,361	\$ 66,200,000	\$ 62,400,000	\$ 199,601,361
Dividend Income (Dom & Int'l)	99,113	1,851,977	1,200,000	2,400,000	5,451,977
Money Market/ Commercial Paper Income	3,413,767	1,269,784	2,000,000	2,000,000	5,269,784
Misc. Income (Corp actions, etc.)	1,403,869	73,370	300,000	300,000	673,370
Private Equity	4,984,705	539,238	590,000	590,000	1,719,238
Net Securities Lending Income	1,541,324	506,275	500,000	500,000	1,506,275
Total Interest Income	221,868,409	75,242,005	70,790,000	68,190,000	214,222,005
Realized & Unrealized Capital Gains and (Losses)					
Net realized gain (loss) - Stocks (Dom & Int'l)	881,489	(55,089)	-	-	(55,089)
Net realized gain (loss) - Bonds	(75,423)	(12)	(110,000,000)	(110,000,000)	(220,000,012)
Net gain (loss) - PE	2,807,629	546,537	1,775,000	1,775,000	4,096,537
Unrealized gain (loss) - Stocks (Dom & Int'l)	(1,911,863)	119,042	4,667,000	9,334,000	14,120,042
Unrealized gain (loss) - Bonds	382,119,778	35,619,771	(16,667,000)	(15,000,000)	3,952,771
Change in Portfolio Value	383,821,610	36,230,249	(120,225,000)	(113,891,000)	(197,885,751)
Investment Expenses-Manager & Operational Fees	(3,411,150)	(268,655)	(1,473,042)	(1,681,933)	(3,423,630)
Total Investment Income	\$ 602,278,869	\$ 111,203,599	\$ (50,908,042)	\$ (47,382,933)	\$ 12,912,624

	Projected Quarter March 31, 2007	Projected Quarter June 30, 2007	Projected Fiscal Year June 30, 2007
Interest Income			
Bond Interest	\$ 200,062,500	\$ 202,987,500	\$ 813,076,992
Dividend Income (Dom & Int'l)	7,312,500	7,537,500	20,401,090
Money Market/ Commercial Paper Income	6,456,250	7,368,750	22,508,551
Misc. Income (Corp actions, etc.)	900,000	900,000	3,877,239
Private Equity	490,000	-	7,193,943
Net Securities Lending Income	1,500,000	1,500,000	6,047,599
Total Interest Income	216,721,250	220,293,750	873,105,414
Realized & Unrealized Capital Gains and (Losses)			
Net realized gain (loss) - Stocks (Dom & Int'l)	21,000,000	-	21,826,400
Net realized gain (loss) - Bonds	-	(2,000,000)	(222,075,435)
Net gain (loss) - PE	(18,525,000)	-	(11,620,834)
Unrealized gain (loss) - Stocks (Dom & Int'l)	28,220,083	28,656,249	69,084,511
Unrealized gain (loss) - Bonds	(45,390,000)	(46,170,000)	294,512,549
Change in Portfolio Value	(14,694,917)	(19,513,751)	151,727,191
Investment Expenses-Manager & Operational Fees	(11,310,799)	(3,430,800)	(21,576,379)
Total Investment Income	\$ 190,715,534	\$ 197,349,199	\$ 1,003,256,226



Insurance Ratios

➤➤ July 1, 2006 – October 31, 2006

	Actual FY07	Projected FY07	Actual FY06
Loss Ratio	92.48%	89.17%	104.76%
LAE Ratio - MCO	6.85%	8.75%	7.76%
LAE Ratio - BWC	<u>12.66%</u>	<u>15.70%</u>	<u>11.36%</u>
Net Loss Ratio	111.99%	113.62%	123.88%
Expense Ratio	3.92%	4.35%	5.23%
Policyholder Dividend Ratio	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Combined Ratio	115.91%	117.97%	129.11%
Net Investment Income Ratio	<u>35.03%</u>	<u>33.74%</u>	<u>23.58%</u>
Operating Ratio (Trade Ratio)	80.88%	84.23%	105.53%

	Actual FY07	Projected FY07	Actual FY06
Premiums to surplus	0.38	0.52	0.99
Assets to liabilities	1.13	1.09	1.04
Total reserves to surplus	7.54	10.10	22.13
Loss reserves to surplus	6.81	9.12	19.88
Investments to loss reserves	1.13	1.10	1.04
Cash + bonds to loss reserves	1.10	1.06	0.58
Cash % of total investments	2%	2%	13%
Bond % of total investments	96%	95%	43%
Equities % of total investments	0%	0%	41%
Equities as % of surplus	0%	0%	861%

Projected Insurance Ratios

➤➤ Fiscal years 2002 – 2007

	Projected FY 07	Preliminary FY06	Preliminary FY05	FY04	FY03	FY02
Loss Ratio	92.90%	72.10%	111.9%	96.7%	128.9%	105.6%
LAE Ratio - MCO	9.16%	8.29%	7.3%	9.1%	8.8%	9.4%
LAE Ratio - BWC	<u>13.84%</u>	<u>6.47%</u>	<u>15.1%</u>	<u>8.3%</u>	<u>12.9%</u>	<u>9.2%</u>
Net Loss Ratio	115.90%	86.86%	134.3%	114.2%	150.6%	124.1%
Expense Ratio	3.82%	3.82%	4.1%	5.1%	4.1%	4.0%
Policyholder Dividend Ratio	<u>0.00%</u>	<u>-0.37%</u>	<u>10.6%</u>	<u>18.6%</u>	<u>28.7%</u>	<u>62.4%</u>
Combined Ratio	119.72%	90.31%	149.0%	137.9%	183.4%	190.5%
Net Investment Income Ratio	<u>33.76%</u>	<u>29.43%</u>	<u>22.8%</u>	<u>20.5%</u>	<u>23.9%</u>	<u>27.0%</u>
Operating Ratio (Trade Ratio)	85.96%	60.88%	126.2%	117.3%	159.5%	163.5%

Note: FY 06 ratios have been significantly impacted by improvements in medical payment trends due to reductions in the cost of pharmacy benefits and lower payments to hospitals. These trends contributed to an approximately \$1 billion reduction in loss expenses in FY 06.

	Projected FY 07	Preliminary FY06	Preliminary FY05	FY04	FY03	FY02
Premiums to surplus	1.21	1.34	3.04	2.59	4.04	1.25
Assets to liabilities	1.12	1.10	1.03	1.04	1.03	1.09
Total reserves to surplus	8.18	9.87	23.31	18.90	28.93	7.88
Loss reserves to surplus	7.37	8.92	20.94	16.98	25.90	7.02
Investments to loss reserves	1.12	1.09	1.11	1.12	1.13	1.30
Cash + bonds to loss reserves	0.89	1.06	0.63	0.65	0.75	0.85
Cash % of total investments	2%	1%	8%	10%	13%	14%
Bond % of total investments	78%	96%	49%	48%	54%	52%
Equities % of total investments	20%	0%	38%	36%	30%	32%
Equities as % of surplus	165%	1%	880%	680%	869%	292%

Dollars & Sense

A comprehensive update on the progress of Agenda '06 as of September 30, 2006



Breaking news



BWC surpasses Agenda '06 goal in only nine months

The Ohio Bureau of Workers' Compensation (BWC) proudly announces it has surpassed its calendar year 2006 goal of \$424 million in only nine months. BWC exceeded the goal by more than \$37 million.

"We made a promise, and we delivered," BWC Administrator/CEO William Mabe said. "These tremendous achievements once again demonstrate that BWC can be trusted in caring for Ohio's most important assets – the state's workers and employers."

The most significant area of improvement came from investments. After transitioning from a total return approach to a heavy focus on fixed-income, BWC generated an additional \$177 million in interest income relative to the same period in 2005.

Additionally, collections increased by more than \$162 million, and medical expenses declined \$63 million compared to the first nine months of last year. Further gains resulted from fraud findings, subrogation and a reduction in personnel.

In addition to an immediate improvement in BWC's finances, Agenda '06 had a significant impact on employer reserves as well. Changes to fee schedules and the implementation of a more stringent prescription drug program were significant factors in a recommendation made by Mercer, an outside actuary, to BWC regarding reducing claim reserves by approximately \$1 billion.

As a result, BWC's surplus stands at more than \$2 billion, and the agency is in position to consider offering a dividend.

"BWC is committed to providing value to its customers and meeting their expectations," Mabe said. "By focusing on providing quality treatment to injured workers while being mindful of improving our bottom line, we're successfully balancing our responsibilities to our customers and helping to make Ohio's workers' compensation system more competitive."

Total assets
As of Sept. 30, 2006
\$19.4 billion

Total liabilities
As of Sept. 30, 2006
\$17.4 billion

Net assets
As of Sept. 30, 2006
\$2 billion



Trade combined ratio



The trade combined ratio is an indicator of the potential profitability of BWC's business. The trade combined ratio includes the impact of BWC's operating and investment revenues, and all related expenses.

Currently, BWC incurs expenses of approximately \$.89 for every \$1 it earns.

As of Sept. 30, 2006

89.43%

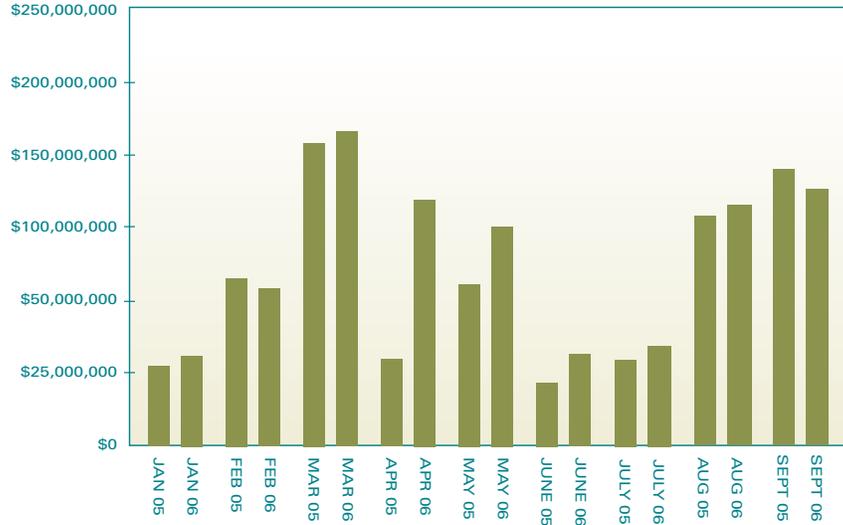


Increasing revenue

Revenue collection ➔➔

Savings to date
\$172 million

BWC Receipts



Accounts receivable

Collections for calendar year 2006 continue to outpace those of 2005 by more than \$162 million.

Employer compliance

The employer compliance department (ECD) conducted more than 1,100 audits in September and identified a net debit of \$915,000 in outstanding obligations that employers owe to BWC. Through the first nine months of September, the ECD has identified more than \$4.1 million in additional premium.

Better investment management ➔

Savings to date
\$177 million

Total Fund

BWC's Total Fund, comprised of the State Insurance Fund (SIF) and all ancillary accounts, slightly underperformed its benchmark, the Lehman Brothers Aggregate Index and the Merrill Lynch 3 Month US T-Bill, by two basis points during September 2006. The Total Fund returned 0.86% on both a net-of-fee and gross-of-fee basis. The Total Fund value as of September 2006 was \$17 billion.

SIF

By generating an additional \$26 million in investment income for the month of September 2006 versus September 2005, BWC increased its year to date total variance to \$177 million, surpassing its goal of generating an additional \$100 million dollars during calendar year 2006 by \$77 million with three months remaining.

Performance Measures Gross of Fees Month ending September 31, 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 SIF Fund Investments	0.86%	0.88%	-0.02%	3.72%	3.81%	-0.09%

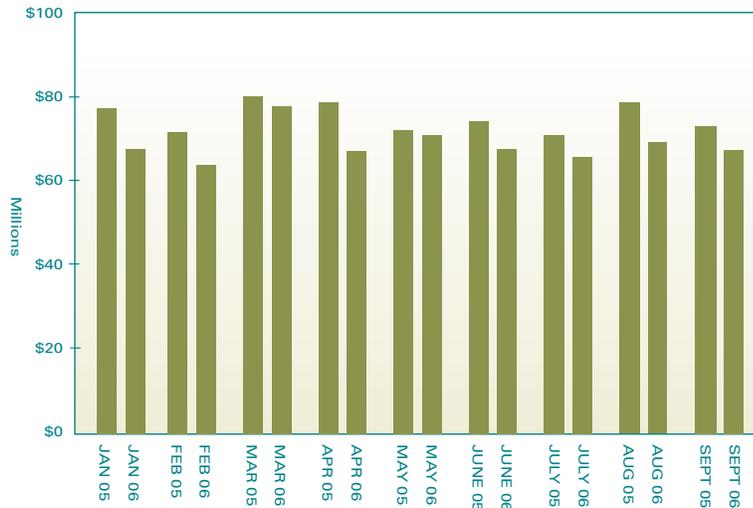
Improving customer value and productivity



Reducing expenses >>>

Savings to date
\$110 million

Medical Payments



Medical

By controlling health-care costs through revising reimbursement methodologies and integrating drug utilization reviews with medical management, BWC's medical services division has saved nearly \$63 million through calendar year 2006 relative to the same period in 2005. In September 2006, BWC paid \$66 million in medical costs, which is 9 percent less than what BWC paid in September 2005. Medical payments to hospitals were \$210.4 million for the calendar year through September 2006, compared to \$241.5 million for the same period last year, accounting for \$31 million in savings. Pharmacy costs have also declined more than \$20 million for the calendar year compared to last year.

Indemnity

Indemnity payments are approximately 3 percent higher for calendar year 2006 compared to calendar year 2005 primarily because of BWC's settlement initiative. Temporary total payments during that time have decreased \$6.6 million. Overall, settlement payouts have increased by more than \$21 million through September of this calendar year compared to the same period last year.

Special investigations unit

BWC's commitment to identifying fraud and abuse in the workers' compensation system remains strong. To date in calendar year 2006 the special investigations unit (SIU) has identified \$69 million in savings. For every dollar spent on resources and personnel for the SIU, it returns a savings of \$10.48. These efforts have been a big reason why the SIU has saved BWC more than \$1 billion since 1993.



Adding value >>>

Savings to date
\$3.1 million

Customer service index

There was a slight decrease in the customer service index, which measures customer service performance based on feedback from all BWC customer types. Overall, BWC's score was 86.4, down slightly from 86.5 in the previous month. The customer growth index is comprised of feedback from injured workers, employers, other constituents, and BWC employees.



Statement of Operations

➤➤ Fiscal year to date September 30, 2006

<i>(in millions)</i>	Actual	Projected	Variance	Prior Yr. Actual	Increase (Decrease)
Total Operating Revenues	\$ 596	\$ 641	\$ (45)	\$ 569	\$ 27
Total Operating Expenses	<u>773</u>	<u>813</u>	<u>40</u>	<u>745</u>	<u>28</u>
Net Operating Gain (Loss)	(177)	(172)	(5)	(176)	(1)
Net Investment Income	<u>602</u>	<u>81</u>	<u>521</u>	<u>449</u>	<u>153</u>
Increase (Decrease) in Net Assets	425	(91)	516	273	152
Net Assets Beginning of Period	<u>1,627</u>	<u>1,627</u>	<u>–</u>	<u>722</u>	<u>905</u>
Net Assets End of Period	\$ 2,052	\$ 1,536	\$ 516	\$ 995	\$ 1,057

This table reflects BWC's financial performance, including the amount of money we're earning (revenues), the amount of costs we are incurring (expenses), and our surplus position (net assets).

Actual – The amounts of revenue earned and expenses incurred for the given period

Projected – The estimated amount expected for the given period

Variance – The difference between the actual and projected amounts

Prior Year Actual – The amount of revenues earned and the expenses incurred for the given period

Increase (Decrease) – The difference between current year actual and prior year actual



A look ahead



Payroll reports will be mailed out in December, and premium payments will be due February 28. As a reminder, you can pay your premium by going online to ohiobwc.com. It's easy, convenient, and will save you the cost of a stamp or a trip to your local service office.

Executive Summary
Five-Year Rule Review
Chapter 4123-15: Code of Ethics

Introduction

Chapter 4123-15 of the Administrative Code contains the rules relating to the Code of Ethics. The BWC rules are parallel to the IC rules of Chapter 4121-15 of the Administrative Code.

Five-Year Rule Review

Pursuant to H.B. 473, effective September 26, 1996, state agencies are required to review all agency rules every five years to determine whether to amend the rules, rescind the rules, or continue the rules without change. The legislation requires the agency to assign a rule review date for each of its rules so that approximately one-fifth of the rules are scheduled for review during each calendar year. The Code of Ethics rules of Chapter 4123-15 of the Administrative Code are scheduled for five year rule review on March 1, 2007. BWC last performed a five year rule review of these rules in 2002. BWC first enacted the Ethics rules on January 1, 1978.

Background Law

The Ethics rules are based upon Divisions (B) and (C) of R.C. 4121.122, enacted effective January 1, 1977, under S.B. 545, as part of a reform bill following ethical problems at the Industrial Commission and Bureau. Divisions (B) and (C) of R.C. 4121.122 provide:

... (B) The administrator and the commission shall jointly adopt, in the form of a rule, a code of ethics for all employees of the bureau and the commission and post copies of the rule in a conspicuous place in every bureau and commission office.

(C) The administrator and the commission shall jointly adopt rules setting forth procedures designed to eliminate outside influence on bureau and commission employees, produce an impartial workers' compensation claims handling process, and avoid favoritism in the claims handling process. Failure to adopt and enforce these rules constitutes grounds for removal of the administrator and the members of the commission. ...

Rule Changes

There are 9 rules in this Chapter, rules 4123-15-01 to 4123-15-09. BWC is proposing to keep all of these rules as they current are worded, except for rule 4123-15-03. There have not been any changes in the underlying statutes upon which these rules are based, and the IC recently reviewed their parallel set of Ethics rules and proposed making similar changes to their rule 4121-15-03. Thus, BWC and the IC will maintain uniformity and consistency in these ethics rules.

The changes to Rule 4123-15-03 are to adopt the Model Ethics Policy for state agencies from the Ohio Ethics Commission. Most of the detailed provisions in the Model Code are based on the Ohio Ethics law and the Financial Disclosure sections, which are items that were lacking in the current BWC and IC Code of Ethics.

4123-15-03 Standards of Conduct

Paragraph (A) of the prior rule, on “confidential information,” is deleted, but moved in its entirety to new Paragraph (H). New Paragraph (A) states the purpose and scope of the revised ethics rule.

Paragraph (B), on “gifts and gratuities,” is deleted in favor of the language in the Model Ethics Policy in new Paragraph (B), which describe thirteen areas of “prohibited conduct.” BWC employees shall not:

- Solicit or accept anything of value from anyone doing business with the IC or BWC;
- Solicit or accept employment from anyone doing business with the IC or BWC, except under certain conditions;
- Use the employee’s position to obtain benefits for the employee or related parties;
- Accept compensation for personal services rendered on a matter before, or sell goods or services to the IC or BWC;
- Accept compensation for personal services rendered on a matter before, or sell goods or services to any state agency other than the IC or BWC, except under certain conditions;
- Hold or benefit from a contract with the IC or BWC, except as provided in the rule;
- Use the employee’s position to secure approval of an IC or BWC contract in which the employee or related party has an interest;
- Accept honoraria except that employees who are not financial disclosure filers may receive an honorarium under certain conditions;
- During public service, and for one year after leaving public service, represent any person before any public agency on a matter in which the employee personally participated while serving with the IC or BWC;
- Use or disclose confidential information protected by law, unless authorized;
- Use the employee’s title, the name of the IC or BWC, or the agencies logos in a manner that suggests impropriety, favoritism, or bias;
- Accept any compensation, except as allowed by law, to perform official duties or any act or service in the employee’s official capacity;
- Sponsor parties or other entertainment for IC or BWC personnel, the costs of which are covered in whole or in part by donations or receipts from the sale of tickets to individuals or entities who are doing or seeking to do business with the IC or BWC.

Paragraphs (C) to (G) of the rule are unchanged.

New Paragraph (I) provides information on employees who must file a financial disclosure statement with the Ohio Ethics Commission by April 15 of each year.

Chapter 4123-15 Ethics Rules

4123-15-01 Code of ethics, title and rules covering.

This rule and rules 4123-15-02 to 4123-15-04 and 4121-15-01 to 4121-15-04 of the Administrative Code shall be titled, "Code of Ethics for Employees of the Bureau of Workers' Compensation and the Industrial Commission of Ohio" and shall contain the code of ethics for employees of these agencies.

HISTORY: Eff 1-1-78
Rule promulgated under: RC Chapter 119.
Rule amplifies: RC 4121.122(B)
119.032 Review Date: 7-31-02; 3-1-07

4123-15-02 Policy.

(A) It is essential that the public has confidence in the administration of the industrial commission and the bureau of workers' compensation. This public confidence depends in a large degree on whether the public trusts that employees of these agencies are impartial, fair, and act only in the interest of the people, uninfluenced by any consideration of self-interest, except those inherent in the proper performance of their duties. Each employee, of whatever position, should, therefore, maintain the highest standards of personal integrity, since the public often judges the actions of an employee as reflecting the standards of the employing agency.

(B) The industrial commission and the bureau of workers' compensation are entrusted with the collection and distribution of a large fund. Their employees must respect this trust and should welcome public scrutiny of the way in which they perform their duties in connection with the administration of this fund. They should be willing to accept restrictions on their conduct that may not be necessary of public employees in other agencies, who are not in similar positions of trust. They must avoid not only impropriety, but the appearance of impropriety.

HISTORY: Eff 1-1-78
Rule promulgated under: RC Chapter 119.
Rule amplifies: RC 4121.122(B)
119.032 Review Date: 7-31-02; 3-1-07

4123-15-03 Standards of conduct.

~~(A) Confidential information.~~

~~The confidentiality of all information which comes into possession of commission and bureau employees shall be respected. In order to properly discharge this duty, all associates must acquaint themselves with those areas of information that are designated as confidential by statutes, by the courts and by the attorney general.~~

~~Furthermore, they must become familiar with the circumstances under which and the persons to whom such information can be released.~~

~~(B) Gifts and gratuities.~~

- ~~(1) No gift, gratuity, money, service, hospitality, loan, promise or anything of economic value shall be sought, solicited or accepted from or on behalf of any individual or entity who is doing or seeking to do business of any kind with the commission or bureau under any circumstances from which the officer or employee could reasonably infer that the gift or benefit was intended to influence the employee in the performance of the employee's duties or was intended as a reward for any official action on the employee's part.~~
- ~~(2) Commission and/or bureau employees shall not sponsor parties or other entertainment for the personnel of their agencies, the costs of which are covered in whole or in part by donations or receipts from the sale of tickets to individuals or entities, who are doing or seeking to do business with the commission or bureau.~~
- ~~(3) The commission and bureau of workers' compensation hereby adopt the provisions of the Ohio Ethics law.~~

(A) Purpose

It is the policy of the industrial commission and the bureau of workers' compensation to carry out its mission in accordance with the strictest ethical guidelines and to ensure that commission and bureau employees conduct themselves in a manner that fosters public confidence in the integrity of the commission and the bureau, its processes, and its accomplishments.

The commission and the bureau hereby adopt the provisions of the Ohio ethics law, including but not limited to the provisions of Chapters 102. and 2921. of the Ohio Revised Code, and as interpreted by the Ohio ethics commission and Ohio courts.

(B) Prohibited Conduct

- (1) No industrial commission member, the administrator of workers' compensation, oversight commission member, commission employee, or bureau employee shall do any of the following acts:
 - (a) Solicit or accept anything of value from anyone doing business with the commission or the bureau;
 - (b) Solicit or accept employment from anyone doing business with the commission or the bureau, unless the member or employee completely withdraws from any commission or bureau discretionary or decision-

making activity regarding the party offering employment, and the commission or the bureau approves the withdrawal;

- (c) Use his or her public position to obtain benefits for the member or employee, a family member, or anyone with whom the member or employee has a business or employment relationship;
- (d) Be paid or accept any form of compensation for personal services rendered on a matter before, or sell goods or services to the commission or the bureau;
- (e) Be paid or accept any form of compensation for personal services rendered on a matter before, or sell (except by competitive bid) goods or services to, any state agency other than the commission or the bureau, as applicable, unless the member or employee first discloses the services or sales and withdraws from matters before the commission or the bureau that directly affect officials and employees of the other state agency, as directed in section 102.04 of the Revised Code;
- (f) Hold or benefit from a contract with, authorized by, or approved by the commission or the bureau, (the ethics law does accept some limited stockholdings, and some contracts objectively shown as the lowest cost services, where all criteria under section 2921.42 of the Revised Code are met);
- (g) Vote, authorize, recommend, or in any other way use his or her position to secure approval of a commission or bureau contract (including employment or personal services) in which the member or employee, a family member, or anyone with whom the member or employee has a business or employment relationship, has an interest;
- (h) Solicit or accept honoraria (see division (H) of section 102.01 and division (H) of section 202.03 of the Revised Code) except that employees who are not financial disclosure filers may receive an honorarium only if the honorarium is paid in recognition of a demonstrable business, profession, or esthetic interest of the employee that exists apart from public office or employment, and is not paid by any person or other entity, or by a representative or association of those persons or entities, doing business with the commission or the bureau, as applicable;
- (i) During public service, and for one year after leaving public service, represent any person, in any fashion, before any public agency, with respect to a matter in which the member or employee personally participated while serving with the commission or the bureau, as applicable;

- (j) Use or disclose confidential information protected by law, unless appropriately authorized;
- (k) Use, or authorize the use of, his or her title, the name of the commission or the bureau, or the agencies logos in a manner that suggests impropriety, favoritism, or bias by the commission or the bureau, or by a member or employee; and
- (l) Solicit or accept any compensation, except as allowed by law, to perform his or her official duties or any act or service in his or her official capacity;
- (m) Sponsor parties or other entertainment for the personnel of their agencies, the costs of which are covered in whole or in part by donations or receipts from the sale of tickets to individuals or entities, who are doing or seeking to do business with the commission or bureau.

(2) For purposes of this rule, these phrases have the following meanings:

- (a) “Anything of value” includes anything of monetary value, including, but not limited to, money, loans, gifts, food or beverages, social event tickets and expenses, travel expenses, golf outings, consulting fees, compensation, or employment. “Value” means worth greater than de minimis or nominal.
- (b) “Anyone doing business with the commission or the bureau” includes, but is not limited to, any person, corporation, or other party that is doing or seeking to do business with, regulated by, or has interests before the commission or the bureau, including anyone who is known or should be known to be an agent or acting on behalf of such party, including any person or entity marketing or otherwise attempting to secure business with the commission or the bureau.

(C) Conflict of interest.

No employee of these agencies shall engage in outside employment that results in a conflict or apparent conflict with the employee’s official duties and responsibilities.

- (1) Outside employment or activity in which an employee with or without pay represents a claimant or employer in any matter before the industrial commission, a regional board of review or the bureau of workers’ compensation is prohibited.
- (2) Outside employment with an attorney, representative or entity that involves work concerning industrial claims, whether filed or to be filed, or which is in any way related to workers’ compensation matters is prohibited.

(D) Professional code of ethics.

In the event there is any conflict between a professional code of ethics governing any employee of these agencies and this code of ethics for employees, the professional code of ethics shall take precedence over the code of ethics for employees but the conflict shall be promptly reported to the employing agency. In such case the agency shall promptly determine the degree of conflict and take such further action as may be indicated.

(E) An employee shall not use state property of any kind for other than approved activities. The employee shall not misuse or deface state property. The taking or use of state property for the private purposes of an employee is prohibited. The employee shall protect and conserve all state property, including equipment and supplies entrusted to or issued to the employee.

(F) Diligence and impartiality in work.

Employees are encouraged to avoid absenteeism and tardiness, to not use sick leave unless necessary and to abide by rules of the Ohio civil service. Recognizing that the industrial commission and bureau of workers' compensation serve many people whose interests are divergent, employees should work in a speedy and efficient manner, strive to be courteous, fair and impartial to the people they serve, and responsive to the problems that come before them. All segments of the public are to be treated equally, without regard to age, race, sex, religion, country of origin, or handicap.

(G) It is understood that standards of ethical conduct may involve a myriad of situations. The good conscience of individual employees shall remain the best guarantee of the moral quality of their activities. The overall intent of this code of ethics is that employees avoid any action, whether or not prohibited by the preceding provisions, which result in, or create the appearance of:

(1) Using public office for private gain, or

(2) Giving preferential treatment to any person, entity, or group.

(H) Confidential information

The confidentiality of all information which comes into possession of commission and bureau employees shall be respected. In order to properly discharge this duty, all employees must acquaint themselves with those areas of information that are designated as confidential by statutes, by the courts and by the attorney general. Furthermore, they must become familiar with the circumstances under which and the persons to whom such information can be released.

(I) Every member or employee required to file a financial disclosure statement must file a complete and accurate statement with the Ohio Ethics Commission by April 15 of

each year. Any member or employee appointed, or employed in a filing position after February 15 and required to file a financial disclosure statement must file a statement within 90 days of appointment or employment.

HISTORY: Eff 1-1-78
Rule promulgated under: RC Chapter 119.
Rule amplifies: RC 4121.122(B)
119.032 Review Date: 7-31-02; 3-1-07

4123-15-04 Posting, distribution and employee acknowledgement and receipt.

(A) The code of ethics for employees of the bureau of workers' compensation and industrial commission shall be posted in a conspicuous place in every office of the bureau and commission.

(B) A copy of this code of ethics shall be distributed to each employee. After two weeks from such receipt each employee will certify that the employee has received and read this code. The certification shall be placed in the employee's personnel file.

HISTORY: Eff 1-1-78
Rule promulgated under: RC Chapter 119.
Rule amplifies: RC 4121.122(B)
119.032 Review Date: 7-31-02; 3-1-07

4123-15-05 Purpose: eliminating outside influence; producing impartiality in handling of claims and employer risk accounts and avoiding favoritism.

In accordance with division (C) of section 4121.122 of the Revised Code and division (M) of section 4121.121 of the Revised Code, the rules 4123-15-05 to 4123-15-09 and 4121-15-05 to 4121-15-09 of the Administrative Code are for the purpose of eliminating improper outside influence on employees of the bureau of workers' compensation and the industrial commission, producing an impartial workers' compensation claims and employer risk account handling process and avoiding favoritism in that process.

HISTORY: Eff 1-1-78
Rule promulgated under: RC Chapter 119.
Rule amplifies: RC 4121.122(C), 4121.121(M)
119.032 Review Date: 7-31-02; 3-1-07

4123-15-06 Furnishing employees' code of ethics and rules on improper influence to representatives.

To the extent possible, all those who represent claimants or employers shall be furnished without charge with a copy of the "Code of Ethics for Employees of the Bureau of Workers' Compensation and the Industrial Commission of Ohio" and with a copy of the

rules concerning the elimination of outside influence, producing impartial claims and risk account handling, and avoiding favoritism in this process. These rules shall also, to the extent possible, be furnished to employees or agents of those who represent claimants or employers and who may be permitted to inspect claims and employer risk files, or whose work requires personal contact with employees of the bureau or commission.

HISTORY: Eff 1-1-78

Rule promulgated under: RC Chapter 119.

Rule amplifies: RC 4121.122(C), 4121.121(M)

119.032 Review Date: 7-31-02; 3-1-07

4123-15-07 Representatives' responsibility relative to employees' code of ethics.

Representatives of claimants and employers as well as their employees and agents shall conduct their business with the employees of the bureau of workers' compensation, the regional boards of review and the industrial commission in accordance with the highest moral principles and are expected to support the "Code of Ethics for Employees of the Bureau of Workers' Compensation and the Industrial Commission of Ohio" by conduct that will not tempt employees of the bureau and commission to violate that code but will encourage them to fully observe it. Employees of the bureau and commission shall report to their immediate superior any activity which is, or appears to be, in violation of this rule, for further action by the administrator or by the industrial commission, as the case may be.

HISTORY: Eff 1-1-78

Rule promulgated under: RC Chapter 119.

Rule amplifies: RC 4121.122(C), 4121.121(M)

119.032 Review Date: 7-31-02; 3-1-07

4123-15-08 Remedial action against persons exercising improper influence and engaging in favoritism.

Upon receipt of information indicating a violation of the preceding rule, the industrial commission or the administrator, as the case may be, shall refer the matter, provided the circumstances warrant it, to the internal security committee for investigation or to the attorney general for whatever steps are necessary, to ensure proper corrective action.

HISTORY: Eff 1-1-78

Rule promulgated under: RC Chapter 119.

Rule amplifies: RC 4121.122(C), 4121.121(M)

119.032 Review Date: 7-31-02; 3-1-07

4123-15-09 Prohibition against unnecessary claim file possession.

No employee shall have possession of a workers' compensation claim file unless the file is necessary to the performance of the employee's duties. In case of violation or apparent violation of this rule, the section director, office director or the state coordinator shall refer the matter to the internal security committee for investigation, or to the administrator or the industrial commission for action consistent with division (A) of section 4121.122 of the Revised Code. A copy of this rule shall be distributed to each employee for certification that he has received and read this rule. This certification shall be placed in the employee's personnel file.

HISTORY: Eff 1-1-78

Rule promulgated under: RC Chapter 119.

Rule amplifies: RC 4121.31(B)

119.032 Review Date: 7-31-02; 3-1-07

h:rules subjects/Ch 15 Ethics rules (11-06).doc

November 2006

Executive Summary

HPP Provider Certification Rule

Background

Chapter 4123-6 of the Administrative Code contains BWC rules implementing the Health Partnership Program (HPP) for state fund employers, including rules pertaining to the credentialing of providers to participate in the HPP.

The HPP provider credentialing rules were first promulgated in 1996, prior to the implementation of the HPP in 1997. The rules were significantly amended in 2002.

BWC presented further proposed changes to the provider credentialing rules to the Workers' Compensation Oversight Commission (WCOC) in May 2006, which were subsequently approved by the WCOC by Resolution 06-34 on July 20, 2006.

BWC subsequently held a public hearing on the rules as required by Ohio Revised Code Chapter 119 on September 14, 2006. BWC received significant comments to one of these rules, Ohio Administrative Code 4123-6-02.2. BWC has revised this proposed rule based on the comments received during the public hearing, and is bringing the revised rule back to the WCOC for consideration.

4123-6-02.2 Provider access to the HPP - provider credentialing criteria.

The proposed rule changes add several new credentialing criteria, specifying that the provider must:

- Be currently licensed to practice without disciplinary restrictions that are related to chemical dependency or substance abuse.
- Not have a history of court supervised intervention or treatment in lieu of conviction pursuant to section 2951.041 of the Revised Code or the equivalent law of another state.
- Provide proof of and maintain adequate, current professional malpractice and liability insurance, as determined by the bureau.
- Provide proof of and maintain workers' compensation coverage to the extent required under Ohio law or the equivalent law of another state, as applicable.
- Not have been excluded or removed from participation in other health plans for cause, or have lost hospital privileges for cause.
- Not have a pattern or practice (three or more documented instances) of failing to submit retroactive medical treatment reimbursement requests, without just cause, for services which require prior authorization.
- Not have a pattern or practice (three or more documented instances) of failing to submit medical documentation, upon request, as required by rule 4123-6-20 of the Administrative Code.

The proposed rule also clarifies that only CARF accredited programs shall be eligible for certification, changes several references from "Medicare certification" to "Medicare participation" and the "Health Care Financing Administration (HCFA)" to the "Centers for Medicare & Medicaid Services (CMS)" to reflect changes in terminology, and makes additional minor changes.

Changes to the proposed rule from the version approved by the WCOC in July 2006 are detailed below.

Revised proposed OAC 4123-6-02.2:

- (1) Clarifies that retro C-9 "three strikes" paragraph applies to physicians or other treating providers eligible to submit medical treatment reimbursement requests on form C-9 or equivalent;
- (2) Eliminates the reference in the retro C-9 "three strikes" paragraph to the BWC Provider Billing & Reimbursement Manual;
- (3) Clarifies that the failure to submit medical documentation "three strikes" paragraph applies to practitioners;
- (4) Eliminates the reference in the failure to submit medical documentation "three strikes" paragraph to the BWC Provider Billing & Reimbursement Manual;
- (5) Clarifies that the failure to submit medical documentation "three strikes" paragraph applies either when the practitioner fails to comply with rule OAC 4123-6-20 or, if the request for medical documentation was made via C-9A or equivalent, the practitioner failed to comply with the instructions on the C-9A;
- (6) Eliminates the vocational rehabilitation "three strikes" paragraph and references to it;
- (7) Adds "ambulatory surgery center" to the provider types listed in OAC 4123-6-02.2(C) [it was inadvertently deleted from the rule as filed with JCARR];
- (8) Eliminates the education requirement for vocational rehabilitation case managers and interns.

4123-6-02.2 Provider access to the HPP - provider credentialing criteria.

(A) The bureau shall establish minimum credentialing criteria for providers to qualify for participation in the HPP. Providers must meet all licensing, certification, or accreditation requirements necessary to provide services in Ohio. A provider licensed, certified or accredited pursuant to the equivalent law of another state shall qualify as a provider under this rule in that state.

(B) The minimum credentials for a provider, where applicable based upon the type of provider, are as follows. The provider shall:

(1) Be currently licensed to practice, as applicable, without disciplinary restrictions that affect the provider's ability to treat patients, ~~or that compromise patient care,~~ or that are related to chemical dependency or substance abuse.

(2) Meet other general certification requirements for the specific provider type, as provided in paragraph (C) of this rule.

(3) Possess a current and unrestricted drug enforcement agency registration, unless it is not required by the provider's discipline and scope of practice.

(4) Be currently eligible for participation in medicare, medicaid or the Ohio workers' compensation system.

(5) Not have a history of a felony conviction in any jurisdiction, a conviction under a federal controlled substance act, a conviction for an act involving dishonesty, fraud, or misrepresentation, a conviction for a misdemeanor committed in the course of practice, or court supervised intervention or treatment in lieu of conviction pursuant to section 2951.041 of the Revised Code or the equivalent law of another state.

(6) Provide proof of and maintain adequate, current professional malpractice and liability insurance. The bureau shall establish the appropriate amount of such insurance coverage for each provider type. In establishing the appropriate amount of insurance coverage for out of state providers, the bureau may consider the regulations or the community standards of the provider's state of practice.

(7) Provide documentation of the provider's malpractice history for the previous five years.

(8) Not have any outstanding provider overpayment or other indebtedness to the bureau which has been certified to the attorney general for collection.

(9) Provide proof of and maintain workers' compensation coverage to the extent required

under Ohio law or the equivalent law of another state, as applicable.

(10) Not have been excluded or removed from participation in other health plans for cause, or have lost hospital privileges for cause.

(11) If a physician or other treating provider eligible to submit medical treatment reimbursement requests via form C-9 or equivalent, not have a pattern or practice (three or more documented instances) of submitting retroactive medical treatment reimbursement requests more than seven calendar days from the initiation of treatment, without just cause, for services which require prior authorization.

For purposes of this paragraph, "just cause" includes, but is not limited to:

(a) The treatment requested was emergency treatment;

(b) The provider was not aware that services were for a workers' compensation claim;

(c) The provider was non-bureau certified and had no established relationship with the injured worker;

(d) The provider was initially bureau certified within six months prior to the treatment request;

(e) The treatment requested was for a pending claim allowance with the bureau or industrial commission;

(f) The treatment requested was for a pending claim allowance with the bureau or industrial commission;

(g) The treatment provided was within the bureau's presumptive authorization guidelines;

(h) The treatment provided does not require prior authorization per the bureau's provider billing and reimbursement manual;

(i) Other documented justification as deemed sufficient by the bureau.

(12) If a practitioner, not have a pattern or practice (three or more documented instances) of failing to submit medical documentation upon request, as required by rule 4123-6-20 of the Administrative Code or, if the request for medical documentation was made via form C-9A or equivalent, in compliance with the instructions on the C-9A or equivalent form;

As used in paragraphs (B)(11) and (B)(12) of this rule, the three or more documented instances shall be within a twenty-four month period, and shall be determined by the bureau. For both the first and second documented instances, the provider shall receive written notification from the bureau of the documented violation and of the behavior to be corrected, and shall be given thirty calendar days to correct the behavior. For the third documented instance, the provider shall receive written notification from the bureau of the documented violation, which shall include a notice of proposed decertification in accordance with paragraph (D) of rule 4123-6-17 of the Administrative Code.

Providers who are decertified or denied recertification pursuant to paragraphs (B)(11) or (B)(12) of this rule shall be eligible to apply for and be considered for recertification at any time after two years from the date of the final administrative or judicial order of decertification or denial of recertification.

(C) The following minimum credentials apply to the providers listed below as provided in this rule.

(1) ~~Air Ambulance, ambulette or air ambulance or, transport operator service: FAA pilot license; air ambulance, treating attendant: certified paramedic with basic life support training~~ license from Ohio medical transportation board if private; Medicare participation if government/public.

(2) Ambulance service: license from state ambulance board or medicare certification Ambulatory surgical center: license from Ohio department of health and medicare participation.

(3) Ambulatory surgical facility: license from Ohio department of health Athletic trainer: license from Ohio occupational therapy, physical therapy, and athletic trainer board.

(4) Athletic trainer: licensed by the Ohio occupational therapy, physical therapy, and athletic trainer board Audiologist: license from Ohio board of speech-language pathology and audiology.

(5) Audiologist: license from state board of speech pathology and audiology; CCC-A certificate of clinical competence in audiology Alcohol and drug counseling clinic: certified by Ohio department of alcohol and drug addiction services to administer outpatient counseling.

(6) Alcohol and drug counseling clinic: certified with the state department of alcohol and drug addiction services to administer outpatient counseling Dentist: license from Ohio state dental board.

(7) Dialysis center: license from Ohio department of health and medicare certification

participation.

(8) Durable medical equipment supplier, excludes orthotics, prosthetics and pedorthics: state vendors license, medicare ~~certification~~ participation, or joint commission on accreditation of healthcare organization ("JCAHO") accreditation.

(9) Ergonomist: certification for certified professional ergonomist (CPE), certified human factors professional (CHFP), associate ergonomics professional (AEP), associate human factors professional (AHFP), certified ergonomics associate (CEA), certified safety professional (CSP) with "ergonomics specialist" designation, certified industrial ergonomist (CIE), certified industrial hygienist (CIH), assistive technology practitioner (ATP), or rehabilitation engineering technologist (RET).

(10) Hearing aid dealer: license ~~required by state~~ from Ohio hearing aid dealers and fitters licensing board.

(11) Home health agency: medicare ~~certification~~ participation, joint commission on accreditation of healthcare organization (JCAHO) accreditation, or community health accreditation program (CHAP) accreditation.

(12) Hospital: approved by ~~health care financing administration (HCFA)~~ the centers for medicare & medicaid services (CMS) for medicare, title XVIII of the Social Security Act; obtained national accreditation (joint commission on accreditation of healthcare organization (JCAHO), or American osteopathic association (AOA) accreditation, or commission on accreditation of rehabilitation facilities (CARF) for rehabilitation hospitals).

(13) ~~Independent~~ Licensed social worker or licensed independent social worker (ISW) (LSW) or (LISW): licensed by the license from Ohio counselor and social worker board.

(14) Laboratory: valid licensing from clinical laboratory improvement amendment (CLIA); ~~acceptable error rates.~~

(15) Massage therapist: certified by ~~the~~ Ohio state medical board.

(16) Non-physician acupuncturist: certificate of registration from ~~the~~ Ohio state medical board.

(17) Certified registered nurse anesthetist (CRNA): certified by ~~the~~ national council on certification of nurse anesthetists or other certifying agency recognized by the ~~state~~ nursing Ohio board of nursing.

(18) Certified nurse practitioner: certified by ~~the~~ American nurses credentialing center or

other certifying agency recognized by the ~~state nursing~~ Ohio board of nursing.

(19) Clinical nurse specialist: certified by ~~the American nurses credentialing center or~~ other certifying agency recognized by the ~~state nursing~~ Ohio board of nursing.

(20) Nursing home: ~~medicaid certification or state license~~ from Ohio department of health.

(21) Occupational therapist: ~~licensed by the~~ license from Ohio occupational therapy, physical therapy, and athletic trainer board.

(22) Optician: ~~licensed by the state~~ license from Ohio optical dispensers board.

(23) Optometrist: ~~must be a doctor of optometry, licensed by the state~~ license from Ohio board of optometry; ~~therapeutic certification to prescribe drugs (if applicable to practice)~~.

(24) Orthotist, prosthetist or pedorthist: ~~licensed by the~~ license from Ohio state board of orthotics, prosthetics and pedorthics.

(25) Physical therapist: ~~licensed by~~ license from Ohio occupational therapy, physical therapy, and athletic trainer board.

(26) Physician assistant: certified by ~~the national commission on certification of~~ physician assistants; and certificate of registration from Ohio state medical board.

(27) Physician (M.D. or D.O.): license from Ohio state medical board.

(28) Chiropractic physician (D.C.): license from Ohio state chiropractic board.

(29) Podiatric physician (D.P.M.): license from Ohio state medical board.

(30) ~~Professional~~ Licensed professional clinical counselor (PCC) or (LPCC) or licensed professional counselor (LPC); ~~licensed by the~~ license from Ohio counselor and social worker board.

~~(28)~~ (31) ~~Professional counselor (PC) or (LPC); licensed by the Ohio counselor and social worker board~~ Psychologist: license from Ohio state board of psychology .

~~(29)~~ (32) Radiology services; (free-standing) state licensing, registration or accreditation; (mobile) state, county or city registration, or medicare participation or medicaid certification.

~~(30)~~ (33) Residential care/assisted living facility: ~~medicaid certification or state license~~

from Ohio department of health.

~~(31)~~ (34) Social worker (SW) ~~or (LSW): licensed by the~~ license from Ohio counselor and social worker board.

~~(32)~~ (35) Speech pathologist: ~~licensed by the state~~ license from Ohio board of speech pathology and audiology.

~~(33)~~ (36) Traumatic brain injury (TBI) program: CARF accreditation for brain injury services (acute or post-acute).

~~(34)~~ (37) Vocational/~~medical~~ rehabilitation case managers: certification for occupational health nursing (COHN(S)), certified rehabilitation counselor (CRC), ~~or~~ certified disability management specialist (CDMS), certified vocational evaluator (CVE), certified rehabilitation registered nurse (CRRN), or certified case manager (CCM).

~~(35)~~ (38) Vocational rehabilitation case management interns:

(a) Vocational rehabilitation case management may be provided by a bureau-certified intern. An intern is a non-credentialed individual who provides vocational case management services and is supervised by a credentialed vocational case manager, as identified in paragraph (C)(34) of this rule.

(b) To become eligible for bureau certification and provide service as an intern, the intern must:

(i) Enroll with the bureau as an intern.

(ii) Qualify to take one of the examinations to become credentialed, as identified in paragraph (C)(34) (36) of this rule.

(c) Bureau certification of vocational rehabilitation case management interns shall be for a period of four years.

(d) Vocational rehabilitation case management interns may not be recertified for additional four-year periods.

~~(36)~~ (38) Comprehensive pain management services program ~~category one or two:~~ CARF accreditation ~~or compliance with rule 4123-6-02.21 of the Administrative Code.~~

~~(37)~~ (39) Occupational rehabilitation programs ~~category one or two:~~ CARF accreditation.

EXECUTIVE SUMMARY

RATE RECOMMENDATIONS PUBLIC EMPLOYER TAXING DISTRICTS

1/1/2007

Rule 4123-17-34 Public employer taxing districts contribution to the state insurance fund

Rule 4123-17-33 Public employer taxing districts credibility table used for experience rating

Public Employer Taxing Districts are the approximately 3,800 cities, counties, villages, townships, schools, and miscellaneous special districts in Ohio who are provided workers' compensation insurance through the Ohio State Insurance Fund.

At the October WCOC meeting, the Administrator recommended and the WCOC provided its consent for a 3.2% increase in Public Employer Taxing Districts' overall premium rate level for the January 1, 2007 policy year. This is a change in the overall average collectible rate. Some categories of employers may have greater rate increases and some categories may have rate decreases. Individual employers may also have rate changes that are based upon their own loss experience.

Base rates must be approved and filed with the Secretary of State and Legislative Services Commission on or before December 20, 2006, to be effective January 1, 2007. The consent of the Workers' Compensation Oversight Commission is necessary for the adoption of premium rates.

Base rates for all manual classifications have been calculated using the change in premium rate level that the Workers' Compensation Oversight Commission adopted in October. Base and Expected Loss Rates and the Credibility Table (a technical document supporting experience rating) are being presented in rule form for the consent of the Oversight Commission.

Draft – Not for Filing

4123-17-34 Public employer taxing districts contribution to the state insurance fund

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 section 4121.121 of the Revised Code. The administrator hereby sets base rates and expected loss rates to be effective January 1, ~~2006~~ 2007, applicable to the payroll reporting period January 1, ~~2006~~ 2007 through December 31, ~~2006~~ 2007, for public employer taxing districts as indicated in the attached appendix A.

TO BE AMENDED

Appendix A

NCCI Classification Code	NCCI Classification Description	Base Rate Per \$100 of Payroll		Expected Loss Rate Per \$100 of Payroll	
		2.47	<u>2.43</u>	0.86	<u>0.84</u>
9430	County employees: all employees & clerical, clerical telecommuter, salespersons, drivers	2.47	<u>2.43</u>	0.86	<u>0.84</u>
9431	City employees: all employees & clerical, clerical telecommuter, salespersons, drivers	4.12	<u>4.56</u>	1.48	<u>1.55</u>
9432	Village employees: all employees & clerical, clerical telecommuter, salespersons, drivers	5.23	<u>6.10</u>	1.18	<u>1.27</u>
9433	Township employees: all employees & clerical, clerical telecommuter, salespersons, drivers	5.92	<u>6.02</u>	1.30	<u>1.20</u>
9434	Local school districts: all employees & clerical, clerical telecommuter, salespersons, drivers	1.17	<u>1.18</u>	0.38	<u>0.37</u>
9435	Public libraries: all employees & clerical, clerical telecommuter, salespersons, drivers	1.17	<u>1.18</u>	0.38	<u>0.37</u>

NCCI Classification Code	NCCI Classification Description	Base Rate Per \$100 of Payroll		Expected Loss Rate Per \$100 of Payroll	
		1.17	<u>1.18</u>	0.38	<u>0.37</u>
9436	Special public universities: all employees & clerical, clerical telecommuter, salespersons, drivers	1.17	<u>1.18</u>	0.38	<u>0.37</u>
9437	Joint vocational schools: all employees & clerical, clerical telecommuter, salespersons, drivers	1.17	<u>1.18</u>	0.38	<u>0.37</u>
9438	Public work-relief Employees	0.56	<u>0.39</u>	0.19	<u>0.11</u>
9439	Public employer emergency services organizations: contract coverage (See note below)	37.10	<u>48.23</u>	7.43	<u>8.67</u>
9440	Public hospitals: all employees & clerical, clerical telecommuter, salespersons, drivers	2.63	<u>2.01</u>	0.73	<u>0.57</u>
9441	Special public institutions: all employees & clerical, clerical telecommuter, salespersons, drivers	2.63	<u>2.01</u>	0.73	<u>0.57</u>
9442	Public transit authorities: all employees & clerical, clerical telecommuter, salespersons, drivers	5.60	<u>5.28</u>	1.79	<u>1.82</u>
9443	Special public authorities: all employees & clerical, clerical telecommuter, salespersons, drivers	4.17	<u>4.15</u>	1.13	<u>1.11</u>

(Revised January 1, ~~2006~~ 2007, applicable to the payroll reporting period January 1, ~~2006~~ 2007 through December 31, ~~2006~~ 2007)

Note: for classification code 9439, contract coverage, actual payroll is to be reported at with a minimum of three hundred dollars (\$300.00) per enrolled person per year, with a minimum reportable payroll of \$4,500.00.

Note: the bureau shall assign claims for emergency management workers occurring due to a disaster or an emergency as provided under sections 4123.031 to 4123.037 of the Revised Code to the risk of the public employer taxing district that administered the loyalty oath. The bureau shall charge all of the costs of such claims to the surplus fund. There is no payroll to be reported or premium charged for this coverage.

Effective Date: January 1, 2007

Certification: _____

Date

Promulgated Under: R.C. Sec. 111.15
Rule Amplifies: R.C. Sec. 4123.39, 4123.40
Rule Authorized By: R.C. Sec. 4121.12, 4121.121
Prior Effective Date: 1/1/06, 1/1/05, 1/1/04, 1/1/03, 1/1/02, 1/1/01, 1/1/00,
1/1/99, 1/1/98, 1/1/97, 3/15/96, 1/1/96 (Emer.), 5/15/95,
1/1/95, 1/1/94, 1/1/93, 1/1/92, 1/1/91, 1/1/90

Draft – Not for Filing

4123-17-33 Public employer taxing districts credibility table used for experience rating

The administrator of workers' compensation, with the advice and consent of the workers' compensation oversight commission, has authority to calculate contributions made to the state insurance fund by employers pursuant to section 4121.121 of the Revised Code. The administrator hereby sets the credibility table parts A, B, and C to be effective January 1, ~~2006~~ 2007 applicable to the payroll reporting period January 1, ~~2006~~ 2007 through December 31, ~~2006~~ 2007 for public employer taxing districts as indicated in the attached appendixes A, B, and C.

Effective date: January 1, 2007

Certification: _____

Date

Promulgated under:

R.C. Sec. 111.15

Rule amplifies:

R.C. Sec. 4123.39, 4123.40

Rule authorized by:

R.C. Sec. 4121.12, 4121.121

Prior effective dates:

1/1/06, 1/1/05, 1/1/04, 1/1/03, 1/1/02, 1/1/01, 1/1/00,
1/1/99, 1/1/98, 1/1/97, 3/15/96, 1/1/96 (Emer.), 1/1/95,
1/1/94, 1/1/93, 1/1/92, 1/1/91, 1/1/90

**APPENDIX A
TABLE 1
PART A**

Credibility and Maximum Value of a Loss

Credibility Group	Expected Losses*	Credibility Percent	Group Maximum Value
1	8,000	05	12,500
2	15,000	09	12,500
3	27,000	14	25,000
4	45,000	19	37,500
5	62,500	23	55,000
6	90,000	28	75,000
7	122,500	33	87,500
8	160,000	37	100,000
9	202,500	42	112,500
10	250,000	47	125,000
11	302,500	51	137,500
12	360,000	56	150,000
13	422,500	60	162,500
14	490,000	65	175,000
15	562,500	70	187,500
16	640,000	74	200,000
17	722,500	79	212,500
18	810,000	84	225,000
19	902,500	88	237,500
20	1,000,000	93	250,000

Catastrophe value equals \$250,000.

*Expected losses are lower limits of credibility groups

Revised 1-1-2007 applicable to 2007 calendar year payroll

APPENDIX B

TABLE 1

PART B

INDUSTRY GROUP	MANUAL CLASSIFICATIONS
01	9430
02	9431
03	9432
04	9433
05	9434, 9435, 9436, 9437
06	9438
07	9439
08	9440, 9441
20	9442
22	9443

Revised 1-1-2007 applicable to 2007 calendar year payroll

**APPENDIX C
TABLE 1
PART C
INDUSTRY GROUP
(LLR)**

Credibility Group	1	2	3	4	5	6	7	8	20	22
1	0.3542	0.4193	0.3742	0.3921	0.3815	0.7938	0.2982	0.4037	0.3102	0.3781
2	0.3542	0.4193	0.3742	0.3921	0.3815	0.7938	0.2982	0.4037	0.3102	0.3781
3	0.5031	0.5732	0.5070	0.5141	0.5293	0.9545	0.4237	0.5300	0.4447	0.5249
4	0.6079	0.6720	0.5927	0.5996	0.6300	1.0000	0.5094	0.6307	0.5435	0.6291
5	0.7130	0.7651	0.6780	0.6882	0.7305	1.0000	0.6000	0.7430	0.6411	0.7290
6	0.7935	0.8297	0.7499	0.7592	0.8061	1.0000	0.6820	0.8223	0.7351	0.7982
7	0.8288	0.8582	0.7878	0.7945	0.8394	1.0000	0.7256	0.8469	0.7794	0.8263
8	0.8573	0.8808	0.8210	0.8244	0.8674	1.0000	0.7659	0.8707	0.8159	0.8498
9	0.8806	0.8989	0.8523	0.8512	0.8905	1.0000	0.8005	0.8944	0.8412	0.8699
10	0.8997	0.9140	0.8772	0.8749	0.9097	1.0000	0.8304	0.9136	0.8658	0.8879
11	0.9164	0.9273	0.8981	0.8961	0.9261	1.0000	0.8569	0.9307	0.8905	0.9051
12	0.9306	0.9390	0.9158	0.9137	0.9399	1.0000	0.8777	0.9440	0.9097	0.9222
13	0.9429	0.9497	0.9315	0.9285	0.9519	1.0000	0.8960	0.9564	0.9239	0.9376
14	0.9540	0.9594	0.9455	0.9429	0.9622	1.0000	0.9137	0.9649	0.9367	0.9494
15	0.9638	0.9681	0.9588	0.9570	0.9711	1.0000	0.9290	0.9729	0.9473	0.9596
16	0.9725	0.9762	0.9708	0.9689	0.9789	1.0000	0.9440	0.9788	0.9579	0.9687
17	0.9801	0.9834	0.9811	0.9778	0.9853	1.0000	0.9591	0.9841	0.9684	0.9766
18	0.9871	0.9896	0.9879	0.9858	0.9908	1.0000	0.9733	0.9894	0.9790	0.9844
19	0.9938	0.9951	0.9940	0.9932	0.9957	1.0000	0.9866	0.9947	0.9896	0.9922
20	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

Effective 1-1-2007 applicable to 2007 calendar year payroll

**PE TAXING DISTRICT RATES EFFECTIVE 1-1-2007
APPLICABLE TO 2007 PAYROLL**

Manual	Classification Description	Base Rate Per \$100 of Payroll Effective 1-1-2006	Base Rate Per \$100 of Payroll Effective 1-1-2007	Percent of Change *
9430	County employees: all employees & clerical, clerical telecommuter, salespersons, drivers	\$2.47	\$2.43	-2
9431	City employees: all employees & clerical, clerical telecommuter, salespersons, drivers	4.12	4.56	+11
9432	Village employees: all employees & clerical, clerical telecommuter, salespersons, drivers	5.23	6.10	+17
9433	Township employees: all employees & clerical, clerical telecommuter, salespersons, drivers	5.92	6.02	+2
9434	Local school districts: all employees & clerical, clerical telecommuter, salespersons, drivers	1.17	1.18	+1
9435	Public libraries: all employees & clerical, clerical telecommuter, salespersons, drivers	1.17	1.18	+1
9436	Special public universities: all employees & clerical, clerical telecommuter, salespersons, drivers	1.17	1.18	+1
9437	Joint vocational schools: all employees & clerical, clerical telecommuter, salespersons, drivers	1.17	1.18	+1
9438	Public works relief employees	0.56	0.39	-30
9439	Public employer emergency services organizations – contract coverage	37.10	48.23	+30
9440	Public hospitals: all employees & clerical, clerical telecommuter, salespersons, drivers	2.63	2.01	-24
9441	Special public institutions: all employees & clerical, clerical telecommuter, salespersons, drivers	2.63	2.01	-24
9442	Public transit authorities: all employees & clerical, clerical telecommuter, salespersons, drivers	5.60	5.28	-6
9443	Special public authorities, excluding transit authorities: all employees & clerical, clerical telecommuter, salespersons, drivers	4.17	4.15	-1

*Rounded to the nearest whole percent

1-1-2007 Public Employer Taxing District Rate Summary

Public Employer Taxing District Premium Rates

1. Change in public employer taxing district premium rates at the industry level:

Industry Group	Name	Percent Change	Average Collectible Rate per \$100 Unit of Payroll
1	Counties	-3	\$2.14
2	Cities	+10	\$4.08
3	Villages	+12	\$3.25
4	Townships	+3	\$3.65
5	Schools	-1	\$0.95
6	Public Works' Relief Employees	-27	\$0.33
7	Contract Coverage	+13	\$25.14
8	Hospitals	-20	\$1.58
20	Transit Authorities	-10	\$4.56
22	Special Districts Excluding Transit Authorities	+1	\$2.82
	Total	+3.2	\$1.84

2. Projected payroll is \$19.7 billion. Estimated premium is \$363 million.
3. Average assessment for a public employer taxing district per \$100 of reported payroll:

Premium (average collectible base rate)	\$1.84
Administrative Cost- BWC (8.15% based on the 1/1/2006 Admin. Cost Rate)	.1500
Administrative Cost- IC (1.90% based on the 1/1/2006 Admin. Cost Rate)	.0349
Disabled Workers' Relief Fund	.08
Additional Disabled Workers' Relief Fund (.1% of premium at base rate)	.0018
Total Collectible Rate	2.1067

4. Disabled Workers' Relief Fund rate was reduced to \$0.08 per \$100 unit of payroll, effective January 1, 2005.

Miscellaneous Rates and Assessments

- A. Safety & Hygiene loading factor remained at 1% of premium.
- B. Additional Disabled Workers' Relief Fund remained at .1% of premium at base rate.
- C. Administrative Cost Rate is unknown at this time. We have used the 1/1/2006 administrative cost assessment rate for illustration purposes.