

# **Enterprise Report**

February 2009

# Enterprise Report

BWC's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. The statements are prepared using the accrual basis of accounting and the economic resources measurement focus.

## **Statement of Operations**

This statement reports operating revenues and expenses, as well as net investment revenues for the current fiscal year to date, projected, and prior fiscal year to date. A combining schedule for the statement of operations presents the current fiscal year to date revenue and expenses by fund. *Pages 5 and 6.*

## **Statement of Investment Income**

This statement provides information on the sources of investment income, changes in investment fair value, and investment expenses. Information is presented for the current fiscal year to date, projected, and prior fiscal year to date. *Page 7.*

## **Administrative Cost Fund Budget Summary**

This statement reports actual fiscal year to date administrative expenses and budget compared to the budget for the fiscal year and prior fiscal year to date expenses for BWC. The fiscal year budget is also compared to the agency appropriation. *Pages 8 and 9.*

## **State Insurance Fund Administrative Expense Summary**

This statement reports administrative expenses that are permitted to be paid from the State Insurance Fund for the current and prior fiscal year to date along with the remaining open encumbrances for each of the contracts. *Page 10.*

## **Statement of Cash Flows**

This statement presents cash flows from operating, capital and related financing activities, and investing activities. Cash collections and payments are reflected in this statement to arrive at the net increase or decrease in cash and cash equivalents. *Page 11.*

## **Statement of Net Assets**

This statement presents information reflecting BWC's assets, liabilities, and net assets. Net assets represent the amount of total assets less liabilities. This statement would be referred to as a balance sheet in the private sector. A combining schedule presents this information by fund. *Pages 12 and 13.*

## **Financial Performance Metrics**

Financial ratios reflecting BWC's performance are presented here. These financial ratios are insurance industry recognized financial metrics. *Page 14.*

## **Operational Performance Metrics**

Measures reflecting BWC's operational performance are presented here. *Pages 15 through 17.*

## **Performance Metrics Glossary**

Glossary provides definitions and information on calculations for each performance metric. *Page 18.*

## January Financial Analysis

BWC's net assets decreased by \$865 million in January resulting in net assets of \$1.4 billion at January 31, 2009 compared to \$2.3 billion at December 31, 2008.

<i>(\$ in millions)</i>	<b>Fiscal YTD</b> Dec. 31, 2008	<b>Month Ended</b> Jan. 31, 2009	<b>Fiscal YTD</b> Jan. 31, 2009
Operating Revenues	\$1,123.9	\$164.2	\$1,288.1
Operating Expenses	1,165.0	160.1	1,325.1
Operating Transfer Out to ODNR	(1.7)	(1.5)	(3.2)
Net Operating Gain (Loss)	(42.8)	2.6	(40.2)
Net Investment Income (Loss)	(148.8)	(867.6)	(1,016.4)
Increase (Decrease) in Net Assets	(191.6)	(865.0)	(1,056.6)
Net Assets End of Period	\$2,311.7	\$1,446.7	\$1,446.7

- o Premium and assessment income of \$169 million net of a \$5 million provision for uncollectible accounts receivable resulted in operating revenues of \$164 million in January.
- o Premium and assessment income in January included reductions of \$15.5 million for discounts earned by employers participating in the premium discount program.
- o Benefits and compensation adjustment expenses of \$154 million along with other expenses of \$6 million resulted in operating expenses of \$160 million in January.
- o Oliver Wyman's quarterly review of the projected reserves for compensation and compensation adjustment expenses resulted in an \$8 million decrease in January expenses.
- o An \$865 million decrease in portfolio market value along with net interest and dividends of negative \$2 million, resulted in a net investment loss of \$868 million for the month after investment expenses. The decrease in portfolio market value is comprised of \$1 million in net realized losses and \$864 million in net unrealized losses. Interest earnings were significantly impacted by a \$65.7 million decline in the principal value of TIPS holdings resulting from a 1.9% decline in the monthly inflation index ratio. TIPS principal values are adjusted monthly based on changes in the consumer price index. However, the principal value will not fall below the original issued value. The semi-annual interest payments are based on a fixed rate applied to the adjusted principal value.
- o Private employer premium payments for the six month period ended December 31, 2008 contributed to premium and assessment receipts of \$134 million in January. The current economic situation has resulted in slower reporting and payment of premiums by private employers. Collections were \$71 million less than projected for the month.
- o Claim payments issued in January were \$147 million, including \$14 million in claim settlements and \$2.6 million in Ohio Hospital Association (OHA) settlements.
- o A total of \$50 million was redeemed from investment managers during January. This cash is being used to support operational cash needs.

## Fiscal Year-to-Year Comparisons

BWC's total net assets have decreased by \$1.1 billion for fiscal year-to-date 2009 resulting in net assets of \$1.4 billion at January 31, 2009 compared to \$2.7 billion at January 31, 2008.

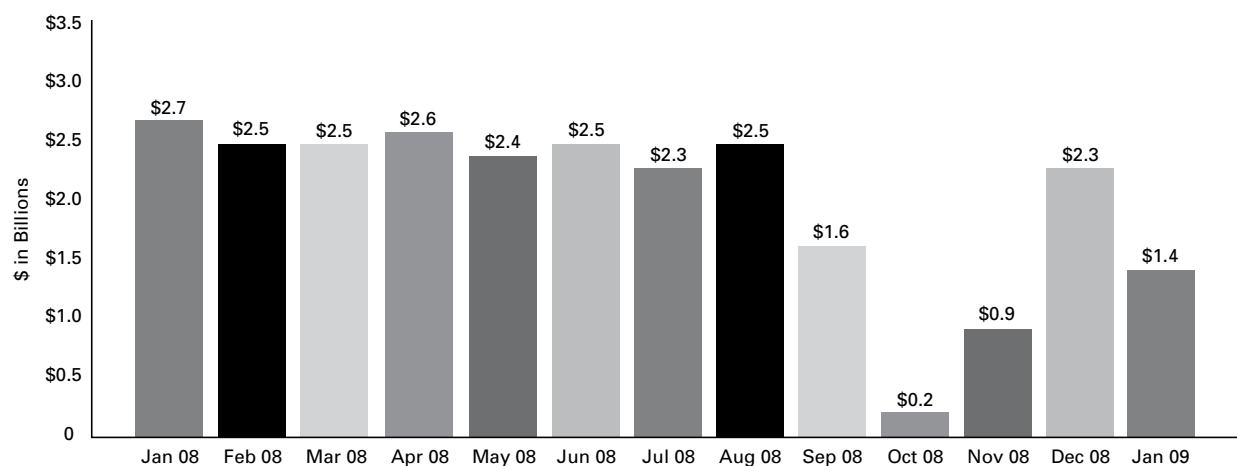
<i>(\$ in millions)</i>	<b>Fiscal YTD</b> Jan. 31, 2009	<b>Projected FYTD</b> Jan. 31, 2009	<b>Fiscal YTD</b> Jan. 31, 2008
Operating Revenues	\$1,288	\$1,276	\$1,316
Operating Expenses	1,325	1,517	1,993
Operating Transfer Out to ODNR	(3)	(4)	-
Net Operating Gain (Loss)	(40)	(245)	(677)
Net Investment Income (Loss)	(1,016)	610	1,079
Increase (Decrease) in Net Assets	(1,056)	365	402
Net Assets End of Period	\$1,447	\$2,868	\$2,707

- o BWC's operating revenues for fiscal year-to-date 2009 were \$1.3 billion, a decrease of \$28 million compared to fiscal year-to-date 2008. The decrease is primarily due to declines in accruals for unbilled premium receivable because of lower than expected losses for state agencies, self-insured employers, and DWRF.
- o The adjustment of private employer accruals to actual premiums and assessments for the coverage period ended June 30, 2008 has contributed to premium and assessment income being 2% higher than projected.
- o Benefit and compensation adjustment expenses have decreased by \$668 million in fiscal year 2009 due to a decrease in the change in reserves for compensation and compensation adjustment expenses. Reserves for compensation and compensation adjustment expenses have decreased by almost \$52 million in fiscal year 2009 compared to a \$501 million increase in fiscal year 2008. The fiscal year 2009 reserve projections are based on payment trends through December 31, 2008 and include a short-term medical inflation assumption of 6% compared to the 9% medical inflation rate used in the fiscal year 2008 actuarial audit.
- o Claim payments, excluding Ohio Hospital Association (OHA) settlements, have decreased by \$45 million for fiscal year-to-date 2009 compared to the same period in fiscal year 2008. Claim settlements have declined by \$51 million and permanent partial payments have declined by \$1.6 million. These declines were partially off-set by increased payments for percent permanent partial disability, and permanent total disability benefits. Over \$23 million has been paid this fiscal year in settlement of the OHA lawsuit.
- o Benefit and compensation adjustment expenses are \$193 million or 13% less than projected due to lower than projected disbursements for claims and claims adjustment expenses.
- o BWC's net investment loss for fiscal year-to-date 2009 totaled \$1.0 billion, comprised of \$147 million in net realized losses and \$1.3 billion in net unrealized losses, partially off-set by \$419 million of interest and dividend income net of \$3 million in investment expenses.
- o Fiscal year-to-date premium collections are almost 1.5% lower than projected; contributing to the \$28 million unfavorable variance in cash used by operating activities.
- o A total of \$205.3 million has been redeemed from investment managers in fiscal year 2009 to meet operating cash flow needs. These redemptions compare to the \$155 million that was redeemed during this same time frame last fiscal year.

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

- o Cash disbursements will increase as payments are made to settle the remaining \$14.7 million liability resulting from the Ohio Hospital Association lawsuit disputing fee schedules that were not adopted through the Ohio Revised Code Chapter 119 rules process.
- o Premium collections for January were \$71 million less than projected. Collections in January through the first 7 business days of February are almost 20% less than during this same period six months ago and 24% less than this same period one year ago. Management is monitoring the status of collections on a daily basis.

### Net Assets



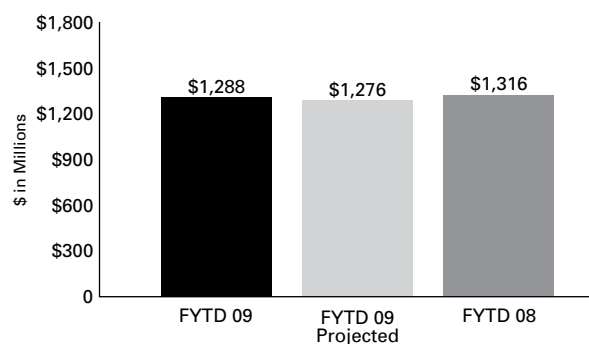
# Statement of Operations

Fiscal year to date January 31, 2009

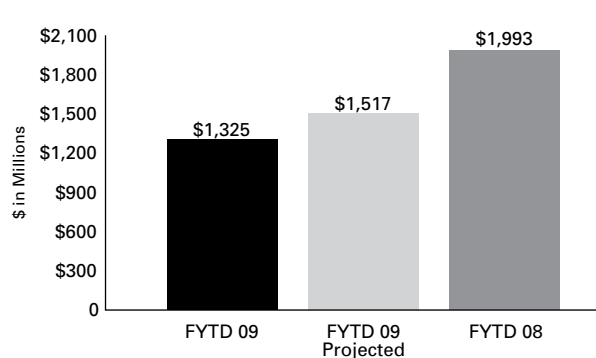
(in millions)

	Actual	Projected	Variance to Projected	Prior Yr. Actual	Year to Year Increase (Decrease)
<b>Operating Revenues</b>					
Premium & Assessment Income	\$1,327	\$1,298	\$29	\$1,345	\$(18)
Provision for Uncollectibles	(45)	(29)	(16)	(35)	(10)
Other Income	6	7	(1)	6	-
<b>Total Operating Revenue</b>	<b>1,288</b>	<b>1,276</b>	<b>12</b>	<b>1,316</b>	<b>(28)</b>
<b>Operating Expenses</b>					
Benefits & Compensation Adj. Expense	1,270	1,463	193	1,939	(669)
Other Expenses	55	54	(1)	54	1
<b>Total Operating Expenses</b>	<b>1,325</b>	<b>1,517</b>	<b>192</b>	<b>1,993</b>	<b>(668)</b>
<b>Operating Transfers</b>	<b>(3)</b>	<b>(4)</b>	<b>1</b>	<b>-</b>	<b>(3)</b>
<b>Net Operating Gain (Loss)</b>	<b>(40)</b>	<b>(245)</b>	<b>205</b>	<b>(677)</b>	<b>637</b>
<b>Net Investment Income (Loss)</b>	<b>(1,016)</b>	<b>610</b>	<b>(1,626)</b>	<b>1,079</b>	<b>(2,095)</b>
<b>Increase (Decrease) in Net Assets</b>	<b>\$(1,056)</b>	<b>\$365</b>	<b>\$(1,421)</b>	<b>\$402</b>	<b>\$(1,458)</b>

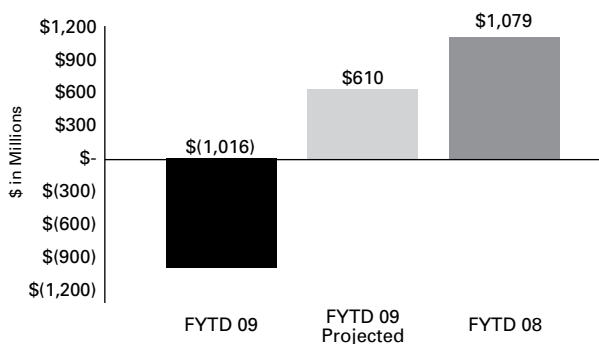
Operating Revenues



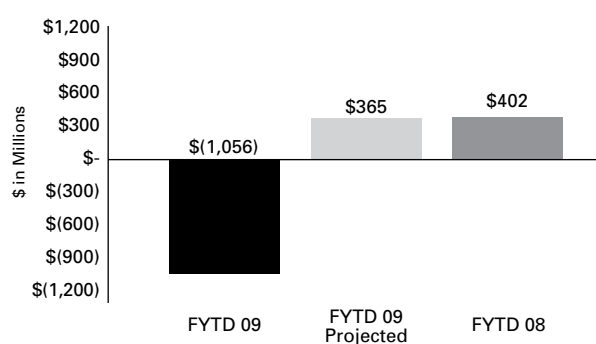
Operating Expenses



Net Investment Income (Loss)



Change in Net Assets



# Statement of Operations – Combining Schedule

Fiscal year to date January 31, 2009

(in thousands)

	State Insurance Fund Account	Disabled Workers' Relief Fund Account	Coal-Workers Pneumoconiosis Fund Account	Public Work Relief Employees' Fund Account	Marine Industry Fund Account	Self-Insuring Employers' Guaranty Fund Account	Administrative Cost Fund Account	Totals
<b>Operating Revenues:</b>								
Premium & Assessment Income	\$1,052,493	\$47,410	\$748	\$133	\$513	\$11,078	\$214,309	\$1,326,684
Provision for Uncollectibles	(39,441)	(1,031)	-	-	-	536	(4,945)	(44,881)
Other Income	4,652	-	-	-	-	-	1,653	6,305
<b>Total Operating Revenues</b>	<b>1,017,704</b>	<b>46,379</b>	<b>748</b>	<b>133</b>	<b>513</b>	<b>11,614</b>	<b>211,017</b>	<b>1,288,108</b>
<b>Operating Expenses:</b>								
Benefits & Compensation Adj Expenses	1,061,272	43,252	538	(49)	223	13,996	150,676	1,269,908
Other Expenses	14,003	157	45	-	64	1	40,847	55,117
<b>Total Operating Expenses</b>	<b>1,075,275</b>	<b>43,409</b>	<b>583</b>	<b>(49)</b>	<b>287</b>	<b>13,997</b>	<b>191,523</b>	<b>1,325,025</b>
Net Operating Income (Loss) before Operating Transfers Out	(57,571)	2,970	165	182	226	(2,383)	19,494	(36,917)
Operating Transfers Out	(1,825)	-	(3,106)	-	-	-	1,648	(3,283)
<b>Net Operating Income (Loss)</b>	<b>(59,396)</b>	<b>2,970</b>	<b>(2,941)</b>	<b>182</b>	<b>226</b>	<b>(2,383)</b>	<b>21,142</b>	<b>(40,200)</b>
<b>Investment Income:</b>								
Investment Income	382,395	27,208	5,777	232	173	571	2,788	419,144
Net Realized Gains (Losses)	(136,066)	(8,482)	(2,082)	-	-	-	-	(146,630)
Net Unrealized Gains (Losses)	(1,185,828)	(81,817)	(18,359)	-	-	-	-	(1,286,004)
Total Realized & Unrealized Capital Gains (Losses)	(1,321,894)	(90,299)	(20,441)	-	-	-	-	(1,432,634)
Investment Manager & Operational Fees	(2,651)	(163)	(98)	(1)	-	(1)	-	(2,914)
Gain (Loss) on Disposal of Fixed Assets	-	-	-	-	-	-	(74)	(74)
Total Non-Operating Revenues, Net	(942,150)	(63,254)	(14,762)	231	173	570	2,714	(1,016,478)
<b>Increase (Decrease) in Net Assets (Deficit)</b>	<b>(1,001,546)</b>	<b>(60,284)</b>	<b>(17,703)</b>	<b>413</b>	<b>399</b>	<b>(1,813)</b>	<b>23,856</b>	<b>(1,056,678)</b>
<b>Net Assets (Deficit), Beginning of Period</b>	<b>2,206,922</b>	<b>848,727</b>	<b>179,339</b>	<b>19,350</b>	<b>13,431</b>	<b>8,919</b>	<b>(773,399)</b>	<b>2,503,289</b>
<b>Net Assets (Deficit), End of Period</b>	<b>\$1,205,376</b>	<b>\$788,443</b>	<b>\$161,636</b>	<b>\$19,763</b>	<b>\$13,830</b>	<b>\$7,106</b>	<b>\$(749,543)</b>	<b>\$1,446,611</b>

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

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

# Statement of Investment Income

Fiscal year to date January 31, 2009

(in thousands)

	Actual	Projected	Variance to Projected	Prior Yr. Actual	Year to Year Increase (Decrease)
<b>Investment Income</b>					
Bond Interest	\$368,474	\$444,437	\$(75,963)	\$427,432	\$(58,958)
Dividend Income—Domestic & International	39,301	40,250	(949)	32,651	6,650
Money Market/Commercial Paper Income	4,406	5,692	(1,286)	11,995	(7,589)
Misc. Income (Corp Actions, Settlements)	6,963	2,100	4,863	3,017	3,946
Private Equity	—	—	—	3,919	(3,919)
Securities Lending Income, Net of Fees	—	—	—	—	—
<b>Total Investment Income</b>	<u>419,144</u>	<u>492,479</u>	<u>(73,335)</u>	<u>479,014</u>	<u>(59,870)</u>
<b>Realized &amp; Unrealized Capital Gains and (Losses)</b>					
Bonds – Net Realized Gains (Losses)	(77,659)	—	(77,659)	(73,723)	(3,936)
Stocks – Net Realized Gains (Losses)	(68,219)	—	(68,219)	45,724	(113,943)
Subtotal – Net Realized Gains (Losses)	<u>(145,878)</u>	<u>—</u>	<u>(145,878)</u>	<u>(27,999)</u>	<u>(117,879)</u>
Bonds – Net Unrealized Gains (Losses)	(180,721)	—	(180,721)	1,001,895	(1,182,616)
Stocks – Net Unrealized Gains (Losses)	(1,105,283)	120,750	(1,226,033)	(323,208)	(782,075)
Subtotal – Net Unrealized Gains (Losses)	<u>(1,286,004)</u>	<u>120,750</u>	<u>(1,406,754)</u>	<u>678,687</u>	<u>(1,964,691)</u>
Net Gain (Loss) – PE	(752)	—	(752)	(43,396)	42,644
<b>Change in Portfolio Value</b>	<u>(1,432,634)</u>	<u>120,750</u>	<u>(1,553,384)</u>	<u>607,292</u>	<u>(2,039,926)</u>
<b>Investment Manager &amp; Operational Fees</b>	<u>(2,914)</u>	<u>(2,784)</u>	<u>(130)</u>	<u>(6,853)</u>	<u>(3,939)</u>
<b>Net Investment Income (Loss)</b>	<u>\$(1,016,404)</u>	<u>\$610,445</u>	<u>\$(1,626,849)</u>	<u>\$1,079,453</u>	<u>\$(2,095,857)</u>

# Administrative Cost Fund Expense Analysis

January 2009

- o BWC Administrative Cost Fund expenses are approximately \$21 million (11.7%) less than budgeted and approximately the same as this time last fiscal year.
- o Changes in payroll within divisions, including BWC Administration, Customer Service, Human Resources and Ombuds Office, varied due to vacant management positions that were filled in fiscal year 2009, vacancies resulting from the fiscal year 2008 Early Retirement Incentive, hiring controls implemented by OBM and positions moving due to reorganization.
- o The timing of the receipt of invoices for payment in fiscal year 2009 caused actual expenditures to be less than the amount budgeted through January. A closer evaluation of projects and the need for IT consultants caused a reduction in IT personal services. The Attorney General's office encountered issues with the new OAKS system in 2008 causing delays in issuing invoices. Third quarter 2008 invoices were not received at BWC until February 2008.
- o Restrictions implemented for all state agencies concerning the purchase of equipment led to BWC more closely evaluating equipment needs and the reduction of equipment purchases in fiscal year 2008 and 2009.
- o Positions not yet filled led to a reduction in the fiscal year 2009 budget as of January. The payroll budget will be increased as employees are hired.
- o BWC's current fiscal year 2009 budget is approximately \$27 million (8%) less than appropriated by the General Assembly. BWC's appropriation was increased \$2,500,000 by the General Assembly to allow for additional expenditures for Safety Grants.

# Administrative Cost Fund Budget Summary

As of January 31, 2009

Expense Description	FTE's	Actual FY09	Budgeted FYTD09	FYTD09 Variance	FYTD09 Percentage Variance	FY09 Budget	FYTD08 Expenses	Increase (Decrease) in FY09	FYTD09 Percentage Variance
<b>Payroll</b>									
BWC Board of Directors	13	567,086	566,000	(1,086)	-0.19%	873,277	419,816	147,270	35.08%
Workers' Comp Council	1	64,603	64,603	0	0.00%	77,963	0	64,603	100.00%
BWC Administration	6	457,945	457,945	0	0.00%	745,375	318,707	139,238	43.69%
Customer Service	1,485	68,766,499	68,840,581	74,082	0.11%	112,004,145	72,195,495	(3,428,996)	-4.75%
Medical	138	7,282,618	7,291,641	9,023	0.12%	11,993,310	6,496,894	785,724	12.09%
Special Investigations	141	6,946,216	6,947,411	1,195	0.02%	11,401,575	6,866,571	79,645	1.16%
Fiscal and Planning	68	3,065,129	3,077,531	12,402	0.40%	5,041,077	2,726,591	338,538	12.42%
Actuarial	20	1,026,684	1,027,291	607	0.06%	1,728,206	948,700	77,984	8.22%
Investments	10	710,300	711,392	1,092	0.15%	1,243,265	609,242	101,058	16.59%
Infrastructure & Technology	304	18,497,374	18,565,563	68,189	0.37%	30,284,063	17,925,324	572,050	3.19%
Legal	78	4,128,492	4,128,312	(180)	0.00%	6,797,092	3,820,707	307,785	8.06%
Communications	27	1,630,715	1,628,844	(1,871)	-0.11%	2,560,799	1,688,622	(57,907)	-3.43%
Human Resources	66	3,391,526	3,392,219	693	0.02%	5,540,784	2,202,086	1,189,440	54.01%
Internal Audit	16	812,922	813,427	505	0.06%	1,411,181	947,713	(134,791)	-14.22%
Ombuds Office	10	347,396	347,695	299	0.09%	608,990	234,872	112,524	47.91%
Early Retirement Expenses				0	0.00%		151,212	(151,212)	-100.00%
<b>Total Payroll</b>	<b>2,383</b>	<b>117,695,505</b>	<b>117,860,455</b>	<b>164,950</b>	<b>0.14%</b>	<b>192,311,102</b>	<b>117,552,552</b>	<b>142,953</b>	<b>0.12%</b>
<b>Personal Services</b>									
Information Technology		5,412,886	7,972,882	2,559,996	32.11%	13,509,987	8,173,286	(2,760,400)	-33.77%
Legal - Special Counsel		588,914	915,352	326,438	35.66%	1,566,244	814,765	(225,851)	-27.72%
Legal - Attorney General		3,225,701	3,333,064	107,363	3.22%	4,444,085	2,034,675	1,191,026	58.54%
Other Personal Services		<u>3,367,362</u>	<u>5,473,243</u>	<u>2,105,881</u>	<u>38.48%</u>	<u>8,057,613</u>	<u>2,195,706</u>	<u>1,171,656</u>	<u>53.36%</u>
<b>Total Personal Services</b>		<b>12,594,863</b>	<b>17,694,541</b>	<b>5,099,678</b>	<b>28.82%</b>	<b>27,577,929</b>	<b>13,218,432</b>	<b>(623,569)</b>	<b>-4.72%</b>
<b>Maintenance</b>									
William Green Rent		504,537	521,437	16,900	3.24%	18,904,714	579,422	(74,885)	-12.92%
Other Rent and Leases		9,231,883	10,903,018	1,671,135	15.33%	13,692,169	9,268,094	(36,211)	-0.39%
Software and Equipment Maintenance and Repairs		9,715,088	12,088,668	2,373,580	19.63%	19,604,579	9,700,105	14,983	0.15%
Inter Agency Payments		1,492,700	2,200,928	708,228	32.18%	3,658,452	1,431,867	60,833	4.25%
Communications		2,178,309	4,188,694	2,010,385	48.00%	6,964,313	2,139,133	39,176	1.83%
Safety Grants and Long Term Care Loan		2,385,865	3,000,000	614,135	20.47%	6,000,000	2,139,091	246,774	11.54%
Supplies and Printing		754,488	1,860,583	1,106,095	59.45%	3,186,668	1,053,174	(298,686)	-28.36%
Other Maintenance		<u>1,837,285</u>	<u>2,201,278</u>	<u>363,993</u>	<u>16.54%</u>	<u>3,750,451</u>	<u>1,918,368</u>	<u>(81,083)</u>	<u>-4.23%</u>
<b>Total Maintenance</b>		<b>28,100,155</b>	<b>36,964,606</b>	<b>8,864,451</b>	<b>23.98%</b>	<b>75,761,346</b>	<b>28,229,254</b>	<b>(129,099)</b>	<b>-0.46%</b>
<b>Equipment</b>									
		<u>783,260</u>	<u>7,816,007</u>	<u>7,032,747</u>	<u>89.98%</u>	<u>9,680,865</u>	<u>749,131</u>	<u>34,129</u>	<u>4.56%</u>
<b>Total Administrative Cost Fund Expenses</b>		<b>159,173,783</b>	<b>180,335,609</b>	<b>21,161,826</b>	<b>11.73%</b>	<b>305,331,242</b>	<b>159,749,369</b>	<b>(575,586)</b>	<b>-0.36%</b>

Total Agency Appropriation 332,360,479  
 Budget to Appropriation Variance 27,029,237  
 Percentage Variance 8.13%

# State Insurance Fund

## Administrative Expense Summary

As of January 31, 2009

	Actual FYTD 2009	Encumbrance Balance	FYTD Actual & Encumbrance	Encumbrance Closing Date	Actual FYTD 2008
<b>Investment Administrative Expenses</b>					
UBS Securities LLC	\$275,191	\$0	\$275,191	6/30/08	\$4,476,182
Wilshire Associates Inc.	0	0	0	2/24/08	272,083
JP Morgan Chase - Performance Reporting	65,041	36,293	101,334	6/30/08	0
Mercer Investment Consulting	237,498	283,995	521,493	6/30/09	0
Other Investment Expenses	147,994	316,815	464,809	6/30/08	74,176
	725,724	637,103	1,362,827		4,822,441
<b>Actuarial Expenses</b>					
Mercer Oliver Wyman	459,831	1,047,626	1,507,457	12/31/09	424,315
Oliver Wyman Consulting	147,826	1,806,533	1,954,359	12/31/09	0
Deloitte Consulting LLP	1,545,169	4,926	1,550,095	12/31/08	0
AON Risk Consultants	0	0	0	6/30/07	263,599
	2,152,826	2,859,085	5,011,911		687,914
<b>Ohio Rehabilitation Services</b>	605,407	0	605,407	6/30/09	0
<b>TOTAL</b>	<b>\$3,483,957</b>	<b>\$3,496,188</b>	<b>\$6,980,145</b>		<b>\$5,510,355</b>

The above expenses are paid from the non-appropriated State Insurance Fund.

The investment administrative expense are included in the investment expenses reported on the statement of investment income on page 7.

The encumbrance balance is the amount remaining on the contract and may extend beyond the end of this fiscal year.

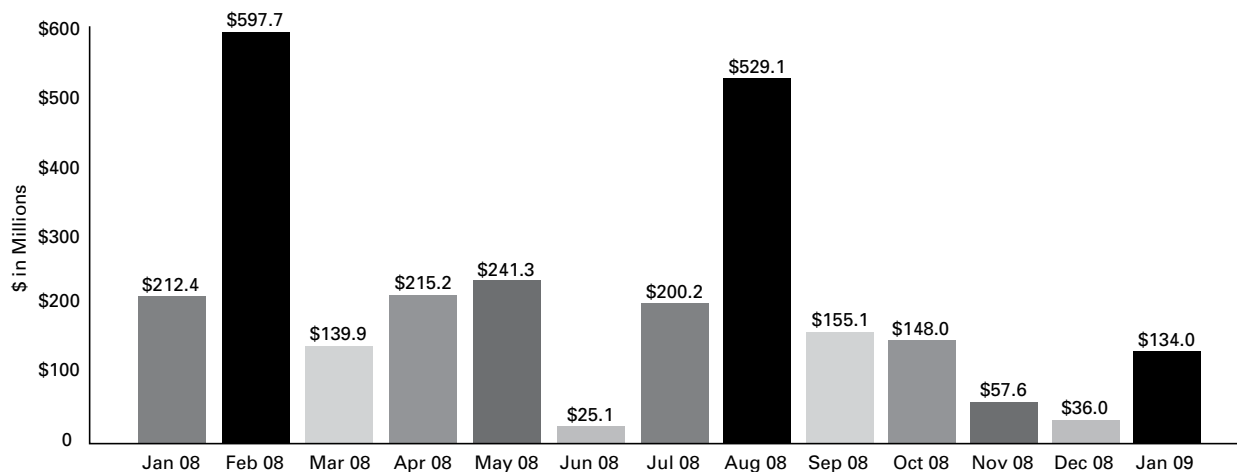
# Statement of Cash Flows

Fiscal year to date January 31, 2009

(in millions)

	Actual	Projected	Variance to Projected	Prior Yr. Actual	Year to Year Increase (Decrease)
<b>Cash Flows from Operating Activities:</b>					
Cash Receipts from Premiums	\$1,260	\$1,278	\$(18)	\$1,319	\$(59)
Cash Receipts – Other	14	17	(3)	17	(3)
Cash Disbursements for Claims	(1,258)	(1,260)	2	(1,282)	24
Cash Disbursements for Other	<u>(279)</u>	<u>(270)</u>	<u>(9)</u>	<u>(280)</u>	<u>1</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	(263)	(235)	(28)	(226)	(37)
<b>Net Cash Flows from Noncapital Financing Activities</b>	(3)	(4)	1	–	(3)
<b>Net Cash Flows from Capital and Related Financing Activities</b>	(4)	(2)	(2)	(4)	–
<b>Net Cash Provided (Used) by Investing Activities</b>	<u>194</u>	<u>166</u>	<u>28</u>	<u>575</u>	<u>(381)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(76)	(75)	(1)	345	(421)
<b>Cash and Cash Equivalents, Beginning of Period</b>	<u>378</u>	<u>378</u>	<u>–</u>	<u>328</u>	<u>50</u>
<b>Cash and Cash Equivalents, End of Period</b>	\$302	\$303	\$(1)	\$673	\$(371)

## Premium and Assessment Receipts



# Statement of Net Assets

As of January 31, 2009

(in millions)

	Actual	Prior Yr. Actual	Year to Year Increase (Decrease)
<b>Assets</b>			
Bonds	\$12,905	\$13,815	\$(910)
Stocks	2,773	3,366	(593)
Private Equities	–	30	(30)
Cash & Cash Equivalents	302	673	(371)
Total Cash and Investments	15,980	17,884	(1,904)
Accrued Premiums	4,680	4,891	(211)
Other Accounts Receivable	155	139	16
Investment Receivables	404	306	98
Other Assets	113	117	(4)
<b>Total Assets</b>	<b>21,332</b>	<b>23,337</b>	<b>(2,005)</b>
<b>Liabilities</b>			
Reserve for Compensation and Compensation Adj. Expense	\$19,383	\$19,772	\$(389)
Accounts Payable	40	66	(26)
Investment Payable	238	476	(238)
Other Liabilities	224	316	(92)
<b>Total Liabilities</b>	<b>19,885</b>	<b>20,630</b>	<b>(745)</b>
<b>Net Assets</b>	<b>\$1,447</b>	<b>\$2,707</b>	<b>\$(1,260)</b>

# Statement of Net Assets – Combining Schedule

As of January 31, 2009

(in thousands)

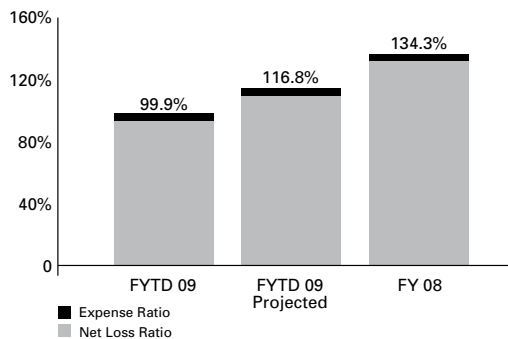
	State Insurance Fund Account	Disabled Workers' Relief Fund Account	Coal-Workers Pneumoconiosis Fund Account	Public Work Relief Employees' Fund Account	Marine Industry Fund Account	Self-Insuring Employers' Guaranty Fund Account	Administrative Cost Fund Account	Eliminations	Totals
<b>Assets</b>									
Bonds	\$ 11,869,171	\$ 855,181	\$ 180,880	\$ -	\$ -	\$ -	\$ -	\$ -	\$12,905,232
Stocks	2,550,690	183,824	38,520	-	-	-	-	-	2,773,034
Private Equities	311	-	-	-	-	-	-	-	311
Cash & Cash Equivalents	<u>189,625</u>	<u>11,747</u>	<u>3,372</u>	<u>22,782</u>	<u>17,169</u>	<u>54,990</u>	<u>2,060</u>	<u>-</u>	<u>301,745</u>
Total Cash & Investments	\$ 14,609,797	\$ 1,050,752	\$ 222,772	\$ 22,782	\$ 17,169	\$ 54,990	\$ 2,060	\$ -	\$15,980,322
Accrued Premiums	2,187,086	1,542,798	-	311	-	667,171	282,457	-	4,679,823
Other Accounts Receivable	99,890	24,725	-	-	-	5,330	25,167	-	155,112
Interfund Receivables	12,250	46,656	1	-	138	637	66,867	(126,549)	-
Investment Receivables	368,746	29,096	6,204	16	12	39	-	-	404,113
Other Assets	<u>25,691</u>	<u>21</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>86,886</u>	<u>-</u>	<u>112,598</u>
<b>Total Assets</b>	<b>\$ 17,303,460</b>	<b>\$ 2,694,048</b>	<b>\$ 228,977</b>	<b>\$ 23,109</b>	<b>\$ 17,319</b>	<b>\$ 728,167</b>	<b>\$ 463,437</b>	<b>\$ (126,549)</b>	<b>\$21,331,968</b>
<b>Liabilities</b>									
Reserve for Compensation & Compensation Adj. Expense	\$ 15,626,257	\$ 1,876,697	\$ 62,800	\$ 3,337	\$ 3,214	\$ 717,571	\$1,093,491	\$ -	\$19,383,367
Accounts Payable	39,592	-	-	-	-	-	246	-	39,838
Investment Payable	216,513	18,091	3,709	-	-	-	-	-	238,313
Interfund Payables	112,234	10,725	71	9	20	3,490	-	(126,549)	-
Other Liabilities	<u>103,488</u>	<u>92</u>	<u>761</u>	<u>-</u>	<u>255</u>	<u>-</u>	<u>119,243</u>	<u>-</u>	<u>223,839</u>
<b>Total Liabilities</b>	<b>16,098,084</b>	<b>1,905,605</b>	<b>67,341</b>	<b>3,346</b>	<b>3,489</b>	<b>721,061</b>	<b>1,212,980</b>	<b>(126,549)</b>	<b>19,885,357</b>
<b>Net Assets</b>	<b>\$ 1,205,376</b>	<b>\$ 788,443</b>	<b>\$ 161,636</b>	<b>\$ 19,763</b>	<b>\$ 13,830</b>	<b>\$ 7,106</b>	<b>\$(749,543)</b>	<b>\$ -</b>	<b>\$ 1,446,611</b>

# Financial Performance Metrics

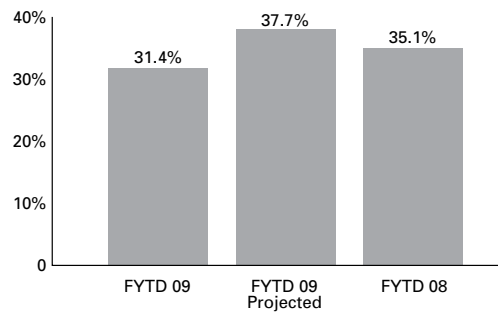
	Actual FY09 As of 1/31/09	Projected FY09 As of 1/31/09	Actual FY08 As of 1/31/08	Target
Loss Ratio	77.4%	90.9%	119.5%	
LAE Ratio - MCO	6.9%	8.2%	11.6%	
LAE Ratio - BWC	11.4%	13.6%	13.0%	
<b>Net Loss Ratio</b>	<b>95.7%</b>	<b>112.7%</b>	<b>144.1%</b>	<b>120.0%</b>
Expense Ratio	4.2%	4.1%	4.1%	5.0%
<b>Combined Ratio</b>	<b>99.9%</b>	<b>116.8%</b>	<b>148.2%</b>	<b>125.0%</b>
Net Investment Income Ratio	31.4%	37.7%	35.1%	
<b>Operating Ratio (Trade Ratio)</b>	<b>68.5%</b>	<b>79.1%</b>	<b>113.1%</b>	<b>100.0%</b>
<b>Operating Cashflow Ratio</b>	<b>110.8%</b>	<b>116.7%</b>	<b>114.8%</b>	<b>118.0%</b>
<b>Total Reserves to Net Assets</b>	<b>13 to 1</b>	<b>7 to 1</b>	<b>7 to 1</b>	<b>7 to 1</b>
<b>Investments to Loss Reserves</b>	<b>82.4%</b>	<b>91.8%</b>	<b>90.5%</b>	<b>110.0%</b>
<b>Equities to Net Assets</b>	<b>1.92 to 1</b>	<b>1.16 to 1</b>	<b>1.25 to 1</b>	
<b>Bonds to Net Assets</b>	<b>8.9 to 1</b>	<b>4.9 to 1</b>	<b>5.1 to 1</b>	
<b>Funding Ratio (State Insurance Fund)</b>	<b>1.09</b>	<b>1.18</b>	<b>1.18</b>	

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

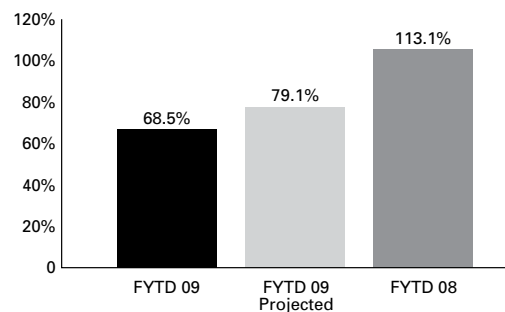
**Combined Ratio**



**Investment Income Ratio**

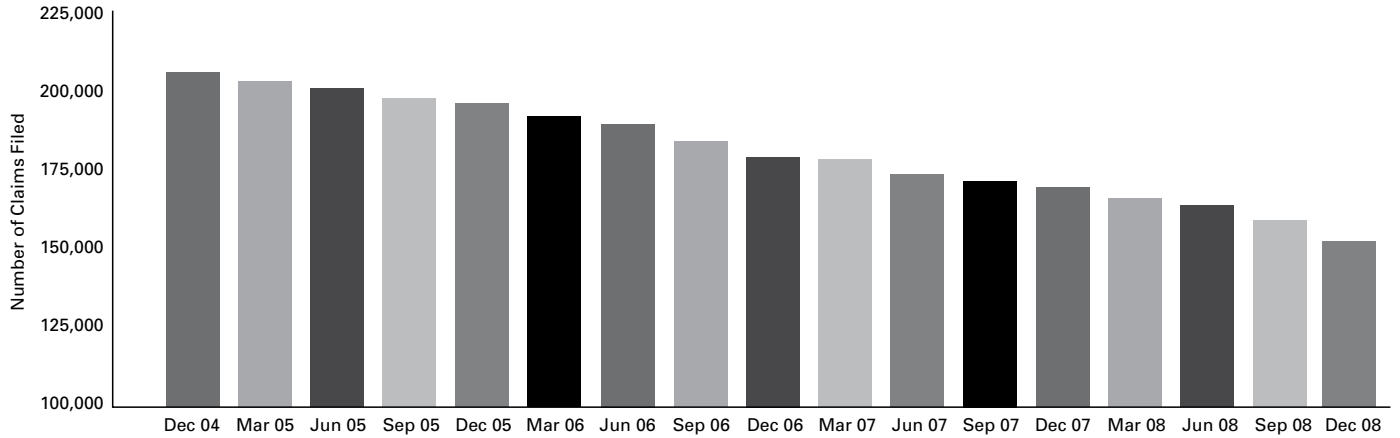


**Operating Ratio**

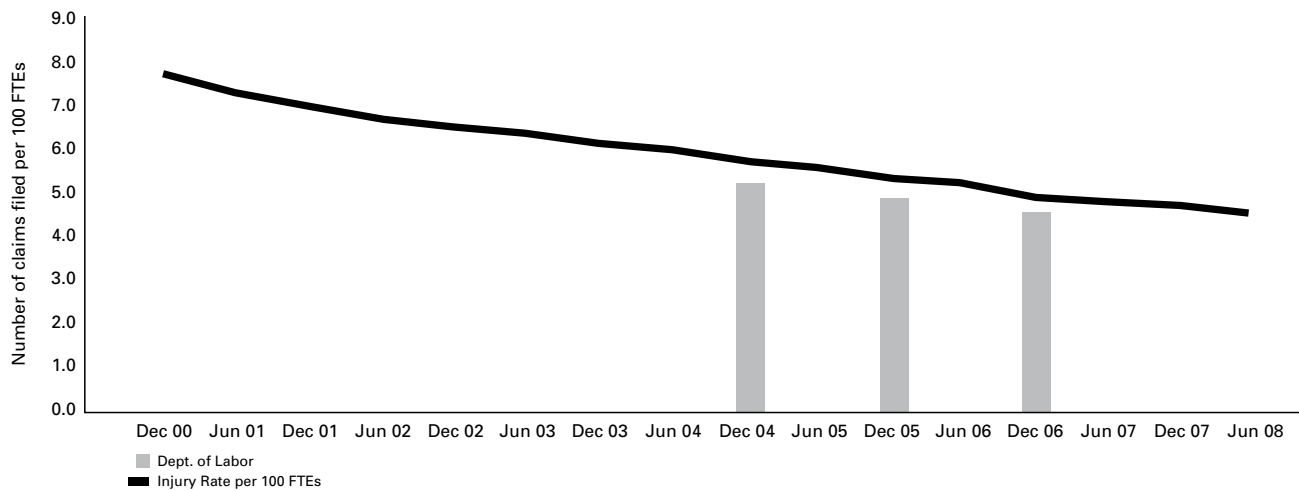


# Operational Performance Metrics

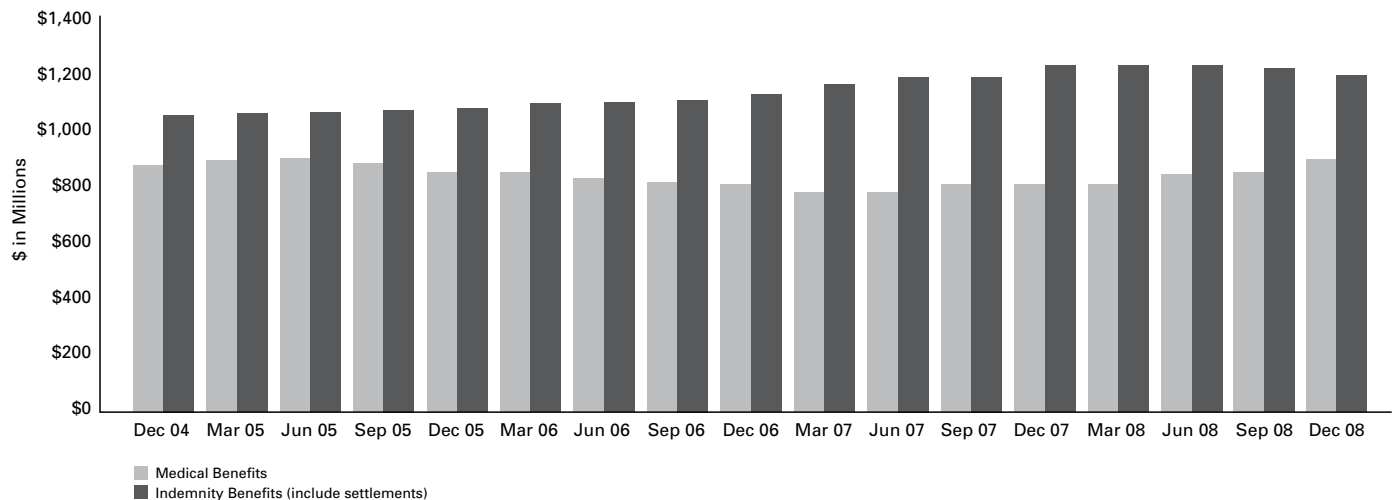
**New Claims Filed - Twelve months ended**



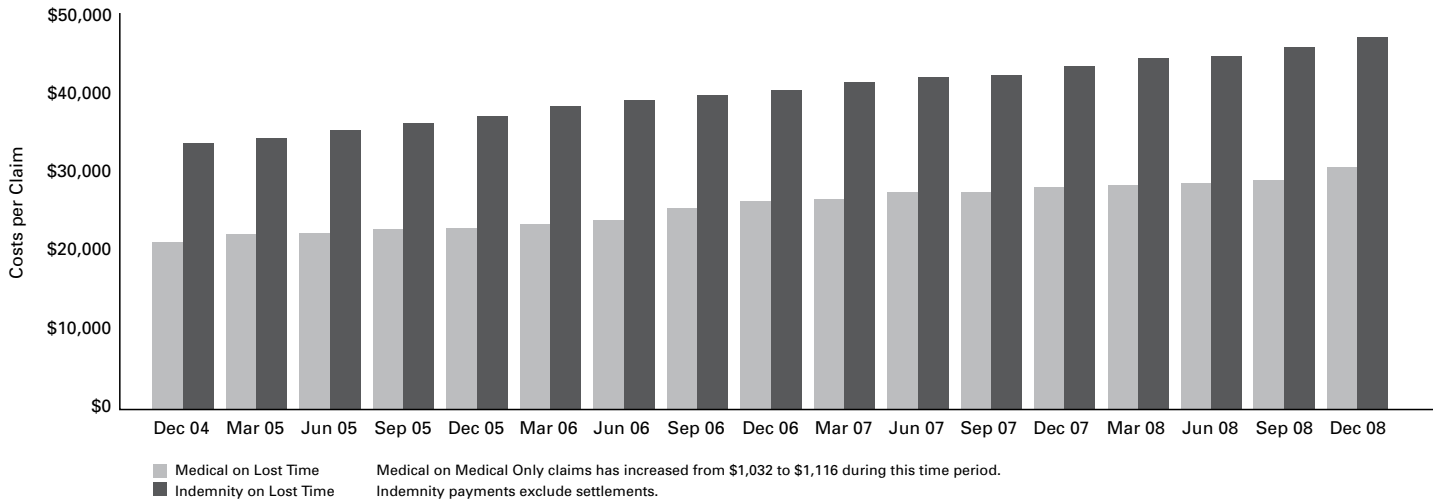
**Frequency - Reported semi-annually**



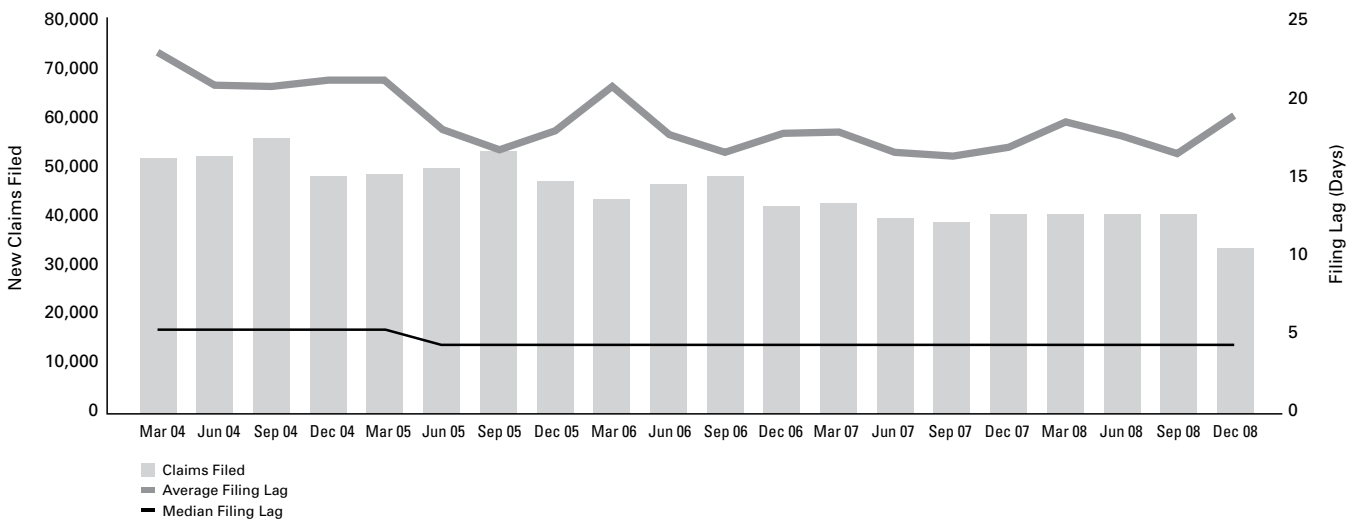
**Benefit Payments - Twelve months ended**



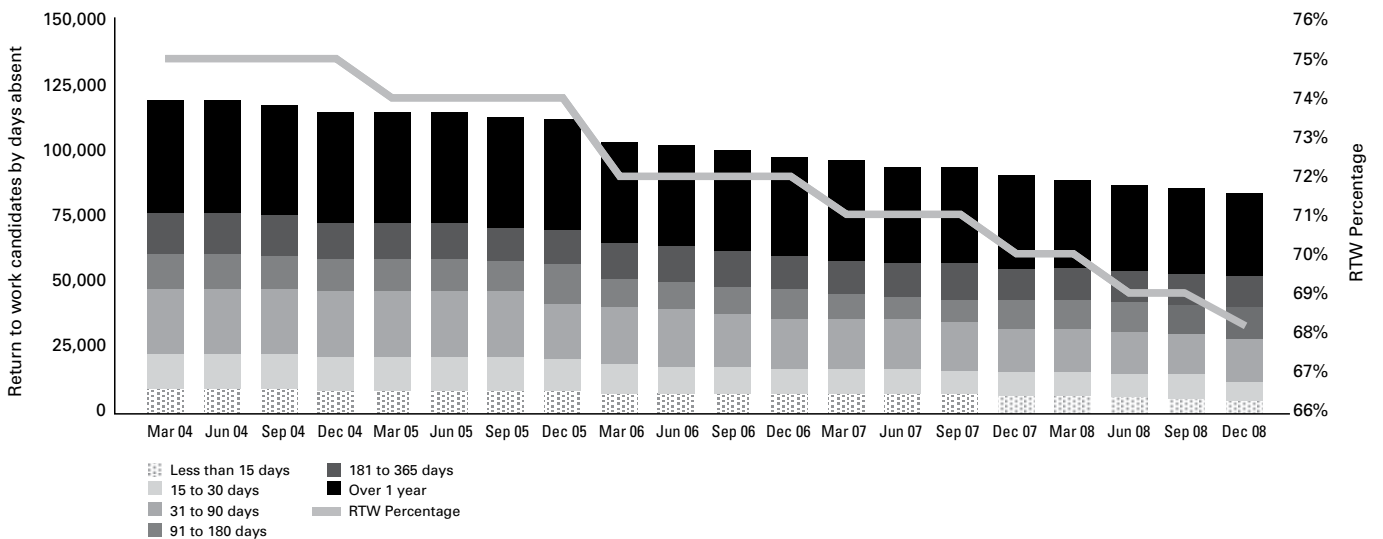
### Severity



### Claim Filing Lag



### Return to work

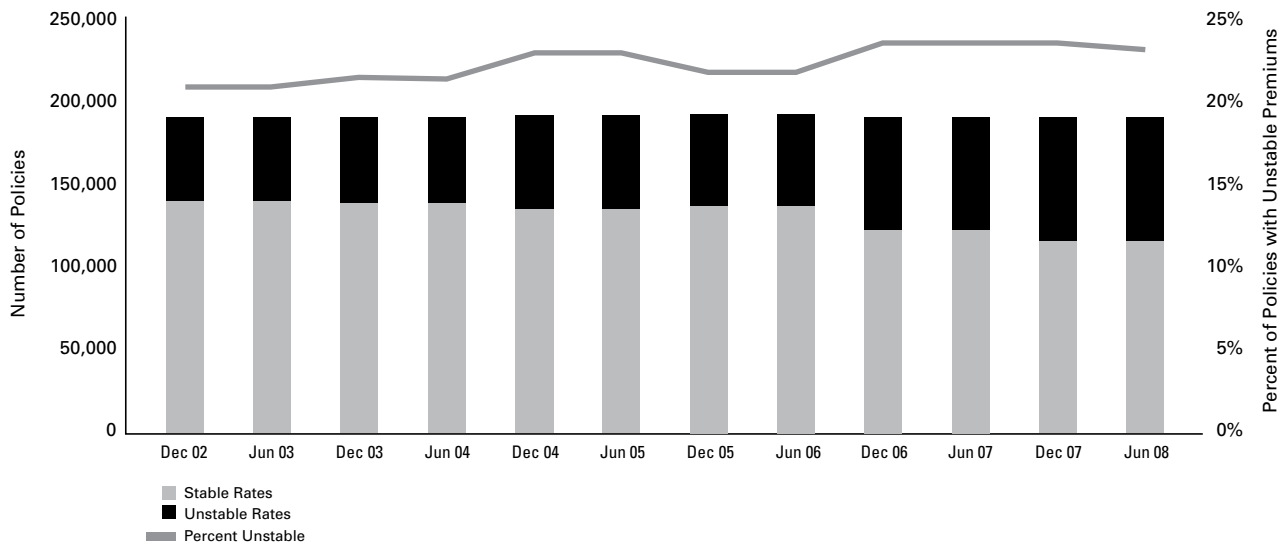


**Aggregate Reported Payroll – Twelve Months Ending**

(\$ in millions)	Private	PEC	PES	Black Lung	Marine
Dec 2002	\$82,400	\$17,611	\$5,823	\$64	\$3
Jun 2003	\$83,090	\$17,611	\$5,924	\$51	\$4
Dec 2003	\$83,304	\$18,022	\$6,005	\$59	\$4
Jun 2004	\$83,741	\$18,022	\$6,076	\$73	\$3
Dec 2004	\$85,492	\$18,545	\$6,184	\$84	\$3
Jun 2005	\$86,530	\$18,545	\$6,266	\$82	\$4
Dec 2005	\$87,902	\$18,594	\$6,388	\$87	\$4
Jun 2006	\$90,414	\$18,594	\$6,524	\$98	\$5
Dec 2006	\$91,830	\$18,946	\$6,654	\$98	\$5
Jun 2007	\$93,636	\$18,946	\$6,788	\$100	\$4
Dec 2007	\$94,890	\$19,427	\$6,914	\$107	\$4
Jun 2008	\$95,027	\$19,427	\$7,032	\$117	\$5

PEC employers report payroll only once per year, while other employers report twice per year. Therefore, the same PEC payroll is presented twice in each fiscal year in the above table.

**Premium Stability**



# Performance Metrics Glossary

## **Loss Ratio**

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

## **LAE Ratio**

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

## **Net Loss Ratio**

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

## **Expense Ratio**

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

## **Combined Ratio**

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

## **Net Investment Income Ratio**

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

## **Operating Ratio**

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

## **Operating Cash Flow Ratio**

Measures the relationship between operating receipts and disbursements – Collections from operating activities (premiums, interest and dividends net of investment expenses) divided by operating disbursements.

## **Total Reserves to Net Assets**

Measures the relationship between future claims and claim adjustment liabilities and net assets – Total reserves divided by premium and assessment income.

## **Investments to Loss Reserves**

Measures the relationship of the investment portfolio to total reserves – Total cash and investments dividend by total loss reserves.

## **Equities to Net Assets**

Measures the exposure of net assets to BWC's investment in equities – Equities divided by net assets.

## **Bonds to Net Assets**

Measures the exposure of net assets to BWC's investment in bonds – Bonds divided by net assets.

## **Funding Ratio**

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

## **New Claims Filed**

Measures the number of new State Insurance Fund claims filed for rolling twelve month periods measured quarterly.

## **Frequency**

Measures the number of injuries reported per 100 workers covered by the State Insurance Fund updated semi-annually.

## **Benefit Payments**

Measures the dollar amount of medical and indemnity payments for rolling twelve month periods updated quarterly.

## **Severity**

Measures the average cost of medical and indemnity expenses per lost time claim.

## **Claim Filing Lag**

Measures the average and median number of days from the date of injury to the date of claim filing.

## **Return to Work Rates**

Measures the percentage of injured workers who have returned to work relative to the claim population eligible to return to work.

## **Aggregate Reported Payroll**

Measures reported payroll by employer type for a rolling twelve month period, updated semi-annually.

## **Premium Stability**

Measures the number of employers whose premium rate changed more than 5 percent and total premium changed more than \$500 from the prior year.