

# **Enterprise Report**

July 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.*

## June Financial Analysis

BWC's net assets increased by \$563 million in June resulting in net assets of \$2.5 billion at June 30, 2009 compared to \$1.9 billion at May 31, 2009.

<i>(\$ in millions)</i>	<b>Fiscal YTD</b> May 31, 2009	<b>Month Ended</b> June 30, 2009	<b>Fiscal Year</b> June 30, 2009
Operating Revenues	\$1,987	\$376	\$2,363
Operating Expenses	2,085	128	2,213
Operating Transfers to ODNR & WCC	(5)	–	(5)
Net Operating Gain (Loss)	(103)	248	145
Net Investment Income (Loss)	(507)	315	(192)
Increase (Decrease) in Net Assets	(610)	563	(47)
Net Assets End of Period	\$1,893	\$2,456	\$2,456

- o Premium and assessment income of \$406 million net of a \$30 million reduction in the provision for uncollectible accounts receivable resulted in operating revenues of \$376 million in June.
- o Premium and assessment income for June increased by \$20 million from the adjustment of accruals to actual premiums and assessments reported by private employers for the six month policy period ended December 31, 2008. Income also increased by \$75 million from the adjustment of accruals to actual premiums and assessments reported by public employer taxing districts for the policy year ended December 31, 2008. Net audit findings posted to employer accounts in June contributed to a \$51 million increase to premium income.
- o Benefits and compensation adjustment expenses of \$120 million along with other expenses of \$8 million resulted in operating expenses of \$128 million in June.
- o Benefits and compensation adjustment expenses were reduced by \$57 million in June as a result of adjustments from the recently completed actuarial audit. The impact of the discount rate reduction was off-set by lower liabilities for medical benefits and lump sum settlements.
- o A \$247 million increase in portfolio market value in June along with interest and dividend income of \$69 million for the month, resulted in a net investment income of \$315 million for the month after investment expenses. The increase in portfolio market value is comprised of \$113 million in net realized losses and \$360 million in unrealized gains.
- o Payments by private employers of the second 50/50 installment contributed to premium and assessment receipts of \$65 million in June.
- o Claim payments issued in June were \$163 million, including \$14 million in claim settlements and \$4 million in Ohio Hospital Association (OHA) settlement payments.

## Fiscal Year-to-Year Comparisons

BWC's total net assets have decreased by \$47 million for fiscal year 2009 resulting in net assets of \$2.45 billion at June 30, 2009 compared to \$2.5 billion at June 30, 2008.

<i>(\$ in millions)</i>	<b>Fiscal Year</b> June 30, 2009	<b>Projected FY</b> June 30, 2009	<b>Fiscal Year</b> June 30, 2008
Operating Revenues	\$2,363	\$2,170	\$2,161
Operating Expenses	2,213	2,634	2,682
Operating Transfer Out to ODNR	(5)	(6)	–
Net Operating Gain (Loss)	145	(470)	(521)
Net Investment Income (Loss)	(192)	1,046	719
Increase (Decrease) in Net Assets	(47)	576	198
Net Assets End of Period	\$2,456	\$3,079	\$2,503

- o BWC's operating revenues for fiscal year 2009 are \$2.4 billion, an increase of \$202 million compared to fiscal year 2008. This increase is primarily due to increases in accruals for unbilled premiums receivable related to increased DWRF and SIEGF reserves for compensation. Also contributing to increased operating revenues is a \$62 million increase in net billings to private employers for audit findings, rate adjustments, and discount programs.
- o Benefit and compensation adjustment expenses decreased by \$469 million in fiscal year 2009 primarily due to a decrease in the change in reserves for compensation and compensation adjustment expenses. The fiscal year 2009 reserves reflect a decline in the discount rate that is off-set by lower liabilities for medical benefits and lump sum settlements.

#### Changes in Reserves for Compensation and Comp. Adj. Expenses

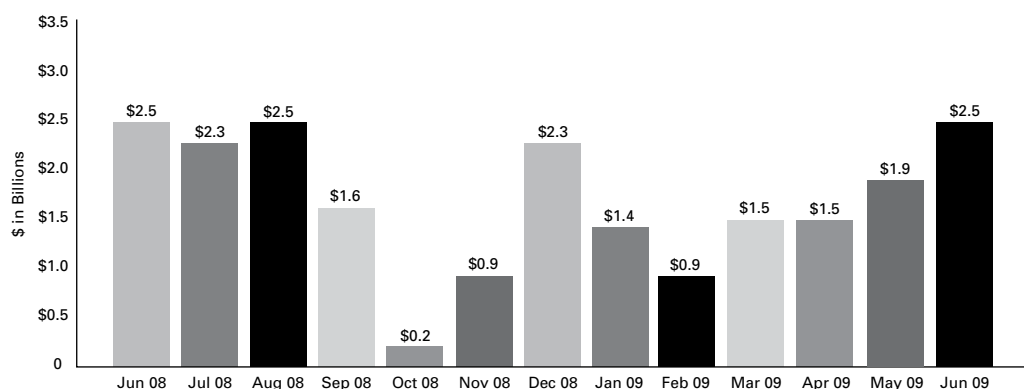
<i>(\$ in millions)</i>	Fiscal Year 2009	Fiscal Year 2008	Increase (Decrease)
<b>Reserves Beginning of Year</b>	<b>\$19,435</b>	<b>\$19,271</b>	<b>\$164</b>
Incurring Current Accident Year	2,034	2,219	(185)
Incurring Prior Accident Years	(785)	369	(1,154)
Decrease in Discount Rate	870	—	870
<b>Total Incurred</b>	<b>2,119</b>	<b>2,588</b>	<b>(469)</b>
Paid Current Accident Year	396	415	(19)
Paid Prior Accident Years	1,869	2,009	(140)
<b>Total Paid</b>	<b>2,265</b>	<b>2,424</b>	<b>(159)</b>
<b>Reserves End of Year</b>	<b>\$19,289</b>	<b>\$19,435</b>	<b>\$(146)</b>

- o BWC's net investment loss for fiscal year 2009 totaled \$192 million, comprised of \$355 million in net realized losses and \$570 million in net unrealized losses, partially off-set by \$738 million of interest and dividend income net of \$5 million in investment expenses.
- o Fiscal year 2009 premium collections are \$28 million less than the prior fiscal year, but \$119 million more than projected.
- o A total of \$185 million was redeemed from investment managers in fiscal year 2009 to meet operating cash flow needs. These redemptions compare to the \$155 million that was redeemed in fiscal year 2008.

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

- o Cash disbursements will increase as payments are made to settle the remaining \$10 million liability resulting from the OHA lawsuit disputing fee schedules that were not adopted through the Ohio Revised Code Chapter 119 rules process.
- o While fiscal year 2009 cash receipts from employer premiums were only 1% less than the prior fiscal year and almost 5% higher than projected, we are aware that these trends may not continue into this next fiscal year. Ohio's Office of Budget and Management indicates that Ohio employment decreased by 262,100 jobs during the 12 month period ended May 31, 2009. We expect this will negatively impact our premium collections.

#### Net Assets



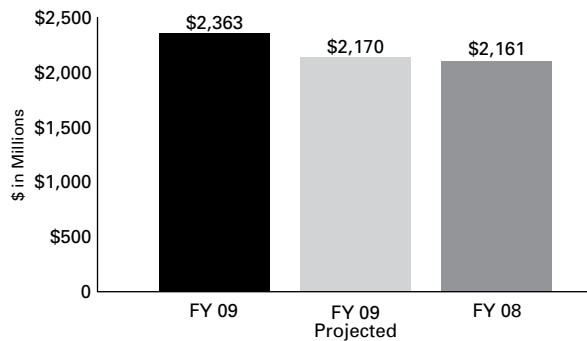
# Statement of Operations

Fiscal year June 30, 2009

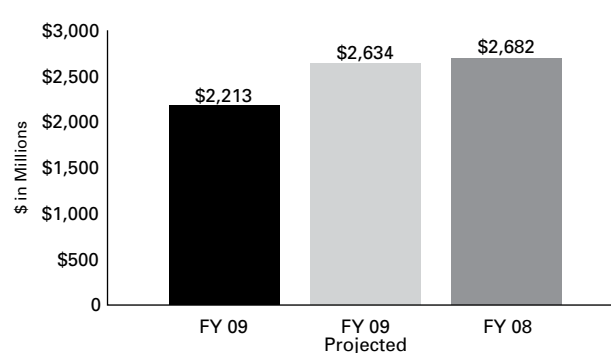
(in millions)

	Actual	Projected	Variance to Projected	Prior Yr. Actual	Year to Year Increase (Decrease)
<b>Operating Revenues</b>					
Premium & Assessment Income	\$2,454	\$2,224	\$230	\$2,235	\$219
Provision for Uncollectibles	(108)	(73)	(35)	(96)	(12)
Other Income	17	19	(2)	22	(5)
<b>Total Operating Revenue</b>	<b>2,363</b>	<b>2,170</b>	<b>193</b>	<b>2,161</b>	<b>202</b>
<b>Operating Expenses</b>					
Benefits & Compensation Adj. Expense	2,119	2,543	424	2,588	(469)
Other Expenses	94	91	(3)	94	-
<b>Total Operating Expenses</b>	<b>2,213</b>	<b>2,634</b>	<b>421</b>	<b>2,682</b>	<b>(469)</b>
<b>Operating Transfers</b>	<b>(5)</b>	<b>(6)</b>	<b>1</b>	<b>-</b>	<b>(5)</b>
<b>Net Operating Gain (Loss)</b>	<b>145</b>	<b>(470)</b>	<b>615</b>	<b>(521)</b>	<b>666</b>
<b>Net Investment Income (Loss)</b>	<b>(192)</b>	<b>1,046</b>	<b>(1,238)</b>	<b>719</b>	<b>(911)</b>
<b>Increase (Decrease) in Net Assets</b>	<b>\$(47)</b>	<b>\$576</b>	<b>\$(623)</b>	<b>\$198</b>	<b>\$(245)</b>

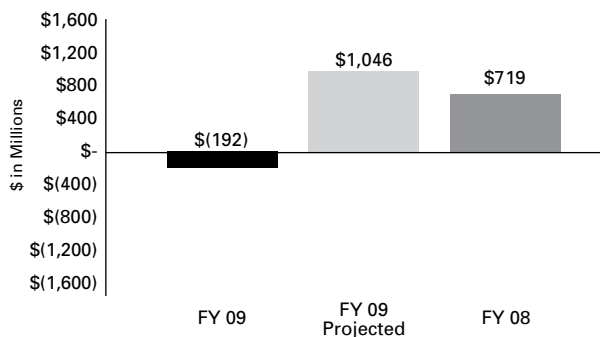
Operating Revenues



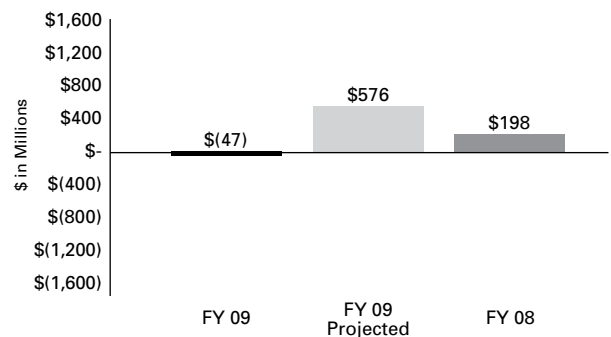
Operating Expenses



Net Investment Income (Loss)



Change in Net Assets



# Statement of Operations – Combining Schedule

Fiscal year June 30, 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	\$1,919,874	\$92,357	\$1,677	\$150	\$761	\$65,825	\$373,495	\$2,454,139
Provision for Uncollectibles	(96,224)	(3,055)	–	–	–	(133)	(9,208)	(108,620)
Other Income	10,186	–	–	–	–	–	7,011	17,197
<b>Total Operating Revenues</b>	<b>1,833,836</b>	<b>89,302</b>	<b>1,677</b>	<b>150</b>	<b>761</b>	<b>65,692</b>	<b>371,298</b>	<b>2,362,716</b>
<b>Operating Expenses:</b>								
Benefits & Compensation Adj Expenses	1,706,940	87,183	3,070	(327)	(624)	68,341	254,929	2,119,512
Other Expenses	23,215	329	90	1	80	1	69,970	93,686
<b>Total Operating Expenses</b>	<b>1,730,155</b>	<b>87,512</b>	<b>3,160</b>	<b>(326)</b>	<b>(544)</b>	<b>68,342</b>	<b>324,899</b>	<b>2,213,198</b>
Net Operating Income (Loss) before Operating								
Transfers Out	103,681	1,790	(1,483)	476	1,305	(2,650)	46,399	149,518
Operating Transfers Out	(3,289)	–	(4,540)	–	–	–	2,780	(5,049)
<b>Net Operating Income (Loss)</b>	<b>100,392</b>	<b>1,790</b>	<b>(6,023)</b>	<b>476</b>	<b>1,305</b>	<b>(2,650)</b>	<b>49,179</b>	<b>144,469</b>
<b>Investment Income:</b>								
Investment Income	672,646	48,263	10,258	667	499	668	4,784	737,785
Net Realized Gains (Losses)	(234,740)	(98,658)	(21,544)	–	–	–	–	(354,942)
Net Unrealized Gains (Losses)	(621,007)	42,049	8,603	132	99	–	–	(570,124)
Total Realized & Unrealized Capital Gains (Losses)	(855,747)	(56,609)	(12,941)	132	99	–	–	(925,066)
Investment Manager & Operational Fees	(4,353)	(276)	(161)	(4)	(3)	(2)	–	(4,799)
Gain (Loss) on Disposal of Fixed Assets	–	–	–	–	–	–	(220)	(220)
Total Non-Operating Revenues, Net	(187,454)	(8,622)	(2,844)	795	595	666	4,564	(192,300)
<b>Increase (Decrease) in Net Assets (Deficit)</b>	<b>(87,062)</b>	<b>(6,832)</b>	<b>(8,867)</b>	<b>1,271</b>	<b>1,900</b>	<b>(1,984)</b>	<b>53,743</b>	<b>(47,831)</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>\$2,119,860</b>	<b>\$841,895</b>	<b>\$170,472</b>	<b>\$20,621</b>	<b>\$15,331</b>	<b>\$6,935</b>	<b>\$(719,656)</b>	<b>\$2,455,458</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 June 30, 2009

(in thousands)

	Actual	Projected	Variance to Projected	Prior Yr. Actual	Year to Year Increase (Decrease)
<b>Investment Income</b>					
Bond Interest	\$648,646	\$761,893	\$(113,247)	\$786,840	\$(138,194)
Dividend Income—Domestic & International	75,050	69,000	6,050	63,525	11,525
Money Market/Commercial Paper Income	5,378	9,759	(4,381)	17,493	(12,115)
Misc. Income (Corp Actions, Settlements)	8,711	3,600	5,111	4,311	4,400
Private Equity	—	—	—	4,621	(4,621)
Securities Lending Income, Net of Fees	—	—	—	—	—
<b>Total Investment Income</b>	<u>737,785</u>	<u>844,252</u>	<u>(106,467)</u>	<u>876,790</u>	<u>(139,005)</u>
<b>Realized &amp; Unrealized Capital Gains and (Losses)</b>					
Bonds – Net Realized Gains (Losses)	(157,200)	—	(157,200)	(85,728)	(71,472)
Stocks – Net Realized Gains (Losses)	(197,876)	—	(197,876)	35,761	(233,637)
Subtotal – Net Realized Gains (Losses)	<u>(355,076)</u>	<u>—</u>	<u>(355,076)</u>	<u>(49,967)</u>	<u>(305,109)</u>
Bonds – Net Unrealized Gains (Losses)	57,393	—	57,393	506,327	(448,934)
Stocks – Net Unrealized Gains (Losses)	(627,517)	207,000	(834,517)	(551,468)	(76,049)
Subtotal – Net Unrealized Gains (Losses)	<u>(570,124)</u>	<u>207,000</u>	<u>(777,124)</u>	<u>(45,141)</u>	<u>(524,983)</u>
Net Gain (Loss) – PE	134	—	134	(48,402)	48,536
<b>Change in Portfolio Value</b>	<u>(925,066)</u>	<u>207,000</u>	<u>(1,132,066)</u>	<u>(143,510)</u>	<u>(781,556)</u>
<b>Investment Manager &amp; Operational Fees</b>	<u>(4,799)</u>	<u>(5,022)</u>	<u>223</u>	<u>(14,120)</u>	<u>(9,321)</u>
<b>Net Investment Income (Loss)</b>	<u>\$(192,080)</u>	<u>\$1,046,230</u>	<u>\$(1,238,310)</u>	<u>\$719,160</u>	<u>\$(911,240)</u>

# Administrative Cost Fund Expense Analysis

June 2009

- o BWC Administrative Cost Fund expenses are approximately \$29.3 million (9.6%) less than budgeted and approximately 5% less than last fiscal year.
- o Changes in payroll within divisions, including BWC Administration, Customer Service, Medical 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. BWC's early retirement offering that ended January 31, 2008, resulted in Early Retirement Expenses in fiscal year 2008.
- 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 June. A closer evaluation of projects and the need for IT consultants continues to cause a reduction in IT personal services.
- 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 2009.
- o Positions not yet filled led to a reduction in the fiscal year 2009 budget as of June. The payroll budget will be increased as employees are hired.
- o BWC's current fiscal year 2009 budget is approximately \$28.7 million (8.6%) less than appropriated by the General Assembly.

# Administrative Cost Fund Budget Summary

As of June 30, 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	12	927,417	925,085	(2,332)	-0.25%	925,085	809,017	118,400	14.64%
Workers' Comp Council		72,323	72,323	0	0.00%	72,323	0	72,323	100.00%
BWC Administration	8	835,391	835,391	0	0.00%	835,391	630,263	205,128	32.55%
Customer Service	1,484	111,299,931	111,421,256	121,325	0.11%	111,421,256	118,741,353	(7,441,422)	-6.27%
Medical	135	11,797,558	11,808,358	10,800	0.09%	11,808,358	10,495,934	1,301,624	12.40%
Special Investigations	141	11,153,018	11,154,759	1,741	0.02%	11,154,759	11,240,594	(87,576)	-0.78%
Fiscal and Planning	70	5,041,979	5,076,509	34,530	0.68%	5,076,509	4,787,108	254,871	5.32%
Actuarial	24	1,718,482	1,724,089	5,607	0.33%	1,424,089	1,560,561	157,921	10.12%
Investments	11	1,189,720	1,191,590	1,870	0.16%	1,191,590	1,005,090	184,630	18.37%
Infrastructure & Technology	364	29,685,132	29,891,335	206,203	0.69%	29,891,335	29,058,417	626,715	2.16%
Legal	77	6,725,236	6,725,056	(180)	0.00%	6,725,056	6,203,721	521,515	8.41%
Communications	22	2,429,507	2,427,535	(1,972)	-0.08%	2,427,535	2,770,428	(340,921)	-12.31%
Human Resources	63	5,468,280	5,468,970	690	0.01%	5,468,970	5,233,149	235,131	4.49%
Internal Audit	14	1,396,316	1,397,392	1,076	0.08%	1,397,392	1,481,543	(85,227)	-5.75%
Ombuds Office	9	574,819	575,118	299	0.05%	575,118	409,710	165,109	40.30%
Early Retirement Expenses				0	0.00%		780,793	(780,793)	-100.00%
<b>Total Payroll</b>	<b>2,434</b>	<b>190,315,109</b>	<b>190,694,766</b>	<b>379,657</b>	<b>0.20%</b>	<b>190,394,766</b>	<b>195,207,681</b>	<b>(4,892,572)</b>	<b>-2.51%</b>
<b>Personal Services</b>									
Information Technology		10,331,288	13,539,105	3,207,817	23.69%	13,539,105	14,440,776	(4,109,488)	-28.46%
Legal - Special Counsel		1,186,095	1,571,015	384,920	24.50%	1,571,015	1,613,734	(427,639)	-26.50%
Legal - Attorney General		4,224,601	4,444,085	219,484	4.94%	4,444,085	4,099,303	125,298	3.06%
Other Personal Services		5,740,376	8,221,661	2,481,285	30.18%	8,221,661	4,334,101	1,406,275	32.45%
<b>Total Personal Services</b>		<b>21,482,360</b>	<b>27,775,866</b>	<b>6,293,506</b>	<b>22.66%</b>	<b>27,775,866</b>	<b>24,487,914</b>	<b>(3,005,554)</b>	<b>-12.27%</b>
<b>Maintenance</b>									
William Green Rent		20,578,304	20,686,500	108,196	0.52%	20,686,500	20,237,720	340,584	1.68%
Other Rent and Leases		11,133,139	11,910,383	777,244	6.53%	11,910,383	10,484,342	648,797	6.19%
Software and Equipment Maintenance and Repairs		13,977,650	19,604,789	5,627,139	28.70%	19,604,789	14,993,916	(1,016,266)	-6.78%
Inter Agency Payments		3,389,176	3,659,962	270,786	7.40%	3,659,962	3,474,666	(85,490)	-2.46%
Communications		3,674,236	6,962,294	3,288,058	47.23%	6,962,294	3,664,013	10,223	0.28%
Safety Grants and Long Term Care Loan		3,878,339	6,000,000	2,121,661	35.36%	6,000,000	3,683,829	194,510	5.28%
Supplies and Printing		1,569,754	3,188,396	1,618,642	50.77%	3,188,396	2,224,813	(655,059)	-29.44%
Other Maintenance		3,143,150	3,748,222	605,072	16.14%	3,748,222	3,178,006	(34,856)	-1.10%
<b>Total Maintenance</b>		<b>61,343,748</b>	<b>75,760,546</b>	<b>14,416,798</b>	<b>19.03%</b>	<b>75,760,546</b>	<b>61,941,305</b>	<b>(597,557)</b>	<b>-0.96%</b>
<b>Equipment</b>									
		1,456,589	9,680,865	8,224,276	84.95%	9,680,865	7,735,353	(6,278,764)	-81.17%
<b>Total Administrative Cost Fund Expenses</b>		<b>274,597,806</b>	<b>303,912,043</b>	<b>29,314,237</b>	<b>9.65%</b>	<b>303,612,043</b>	<b>289,372,253</b>	<b>(14,774,447)</b>	<b>-5.11%</b>

Total Agency Appropriation 332,360,479  
 Budget to Appropriation Variance 28,748,436  
 Percentage Variance 8.65%

# State Insurance Fund

## Administrative Expense Summary

As of June 30, 2009

	Actual FY 2009	Encumbrance Balance	FYTD Actual & Encumbrance	Encumbrance Closing Date	Actual FY 2008
<b>Investment Administrative Expenses</b>					
UBS Securities LLC	\$275,191	\$0	\$275,191	6/30/08	\$5,094,342
Wilshire Associates Inc.	0	0	0		480,368
JP Morgan Chase - Performance Reporting	92,583	8,751	101,334	6/30/08	242,305
Mercer Investment Consulting	474,996	536,493	1,011,489	6/30/10	151,527
Other Investment Expenses	<u>218,498</u>	<u>253,811</u>	<u>472,309</u>	6/30/09	<u>257,882</u>
	1,061,268	799,055	1,860,323		6,226,424
<b>Actuarial Expenses</b>					
Mercer Oliver Wyman	626,083	881,364	1,507,447	12/31/09	829,051
Oliver Wyman Consulting	535,413	1,418,946	1,954,359	12/31/09	0
Deloitte Consulting LLP	1,550,095	0	1,550,095	12/31/08	580,255
Shoenfelt Consulting	6,370	5,550	11,920	3/31/09	0
AON Risk Consultants	<u>0</u>	<u>0</u>	<u>0</u>		<u>263,599</u>
	2,717,961	2,305,860	5,023,821		1,672,905
<b>Ohio Rehabilitation Services</b>	<u>605,407</u>	<u>0</u>	<u>605,407</u>	6/30/09	<u>605,407</u>
<b>TOTAL</b>	<b>\$4,384,636</b>	<b>\$3,104,915</b>	<b>\$7,489,551</b>		<b>\$8,504,736</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.

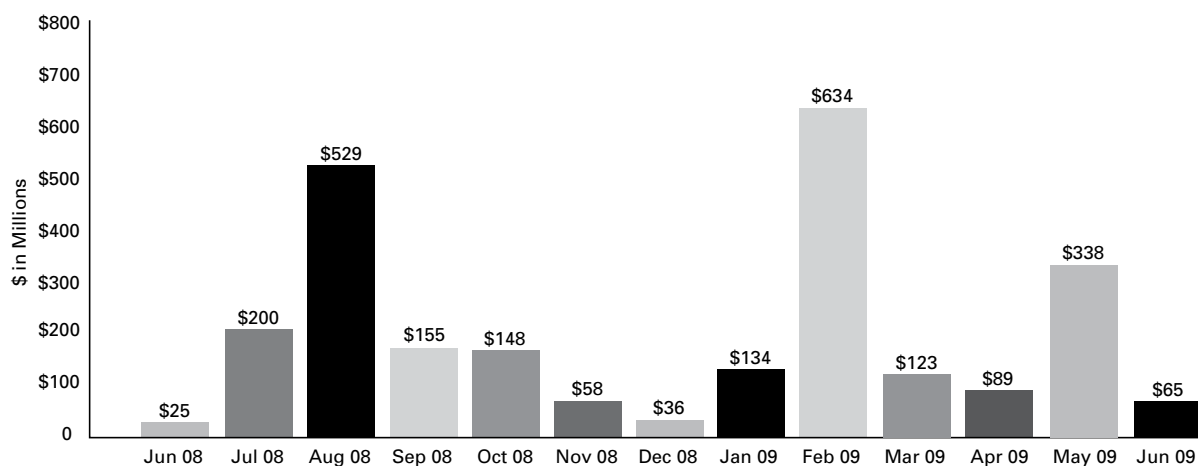
# Statement of Cash Flows

Fiscal year June 30, 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	\$2,510	\$2,391	\$119	\$2,538	\$(28)
Cash Receipts – Other	36	29	7	33	3
Cash Disbursements for Claims	(2,128)	(2,169)	41	(2,238)	110
Cash Disbursements for Other	<u>(428)</u>	<u>(446)</u>	<u>18</u>	<u>(455)</u>	<u>27</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	(10)	(195)	185	(122)	112
<b>Net Cash Flows from Noncapital Financing Activities</b>	(5)	(6)	1	–	(5)
<b>Net Cash Flows from Capital and Related Financing Activities</b>	(23)	(21)	(2)	(30)	7
<b>Net Cash Provided (Used) by Investing Activities</b>	<u>163</u>	<u>168</u>	<u>(5)</u>	<u>202</u>	<u>(39)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	125	(54)	179	50	75
<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>	\$503	\$324	\$179	\$378	\$125

## Premium and Assessment Receipts



# Statement of Net Assets

As of June 30, 2009

(in millions)

	Actual	Prior Yr. Actual	Year to Year Increase (Decrease)
<b>Assets</b>			
Bonds	\$13,043	\$13,724	\$(681)
Stocks	3,518	3,164	354
Private Equities	–	15	(15)
Cash & Cash Equivalents	503	378	125
Total Cash and Investments	17,064	17,281	(217)
Accrued Premiums	4,473	4,513	(40)
Other Accounts Receivable	211	185	26
Investment Receivables	532	282	250
Other Assets	108	118	(10)
<b>Total Assets</b>	<b>22,388</b>	<b>22,379</b>	<b>9</b>
<b>Liabilities</b>			
Reserve for Compensation and Compensation Adj. Expense	\$19,289	\$19,435	\$(146)
Accounts Payable	32	45	(13)
Investment Payable	394	130	264
Other Liabilities	217	266	(49)
<b>Total Liabilities</b>	<b>19,932</b>	<b>19,876</b>	<b>56</b>
<b>Net Assets</b>	<b>\$2,456</b>	<b>\$2,503</b>	<b>\$(47)</b>

# Statement of Net Assets – Combining Schedule

As of June 30, 2009

(in thousands)

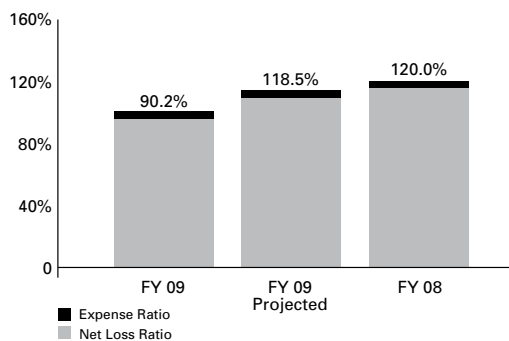
	State Insurance Fund Account	Disabled Workers' Relief Fund Account	Coal-Workers Pneumoconiosis Fund Account	Public Work Relief Employees' Fund Account	Marine Industry Fund Account	Self-Insuring Employers' Guaranty Fund Account	Administrative Cost Fund Account	Eliminations	Totals
<b>Assets</b>									
Bonds	\$ 11,940,709	\$ 875,403	\$ 186,336	\$ 23,221	\$ 17,349	\$ -	\$ -	\$ -	\$ 13,043,018
Stocks	3,251,985	220,142	46,322	-	-	-	-	-	3,518,449
Private Equities	197	-	-	-	-	-	-	-	197
Cash & Cash Equivalents	<u>429,350</u>	<u>6,913</u>	<u>1,846</u>	<u>132</u>	<u>200</u>	<u>54,570</u>	<u>9,531</u>	<u>-</u>	<u>502,542</u>
Total Cash & Investments	\$ 15,622,241	\$ 1,102,458	\$ 234,504	\$ 23,353	\$ 17,549	\$ 54,570	\$ 9,531	\$ -	\$ 17,064,206
Accrued Premiums	1,950,817	1,539,846	-	113	-	719,414	262,483	-	4,472,673
Other Accounts Receivable	181,778	20,173	-	29	5	(1,235)	9,852	-	210,602
Interfund Receivables	13,941	56,115	1	145	27	811	120,473	(191,513)	-
Investment Receivables	251,673	231,921	48,824	-	-	13	-	-	532,431
Other Assets	<u>25,340</u>	<u>22</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>82,325</u>	<u>-</u>	<u>107,687</u>
Total Assets	<u>\$ 18,045,790</u>	<u>\$ 2,950,535</u>	<u>\$ 283,329</u>	<u>\$ 23,640</u>	<u>\$ 17,581</u>	<u>\$ 773,573</u>	<u>\$ 484,664</u>	<u>\$ (191,513)</u>	<u>\$ 22,387,599</u>
<b>Liabilities</b>									
Reserve for Compensation & Compensation Adj. Expense	\$ 15,495,001	\$ 1,873,400	\$ 64,900	\$ 3,000	\$ 2,100	\$ 763,603	\$ 1,087,000	\$ -	\$ 19,289,004
Accounts Payable	32,497	-	-	-	-	-	-	-	32,497
Investment Payable	123,835	222,625	47,117	-	-	-	-	-	393,577
Interfund Payables	175,814	12,532	86	17	29	3,035	-	(191,513)	-
Other Liabilities	<u>98,783</u>	<u>83</u>	<u>754</u>	<u>2</u>	<u>121</u>	<u>-</u>	<u>117,320</u>	<u>-</u>	<u>217,063</u>
Total Liabilities	<u>15,925,930</u>	<u>2,108,640</u>	<u>112,857</u>	<u>3,019</u>	<u>2,250</u>	<u>766,638</u>	<u>1,204,320</u>	<u>(191,513)</u>	<u>19,932,141</u>
<b>Net Assets</b>	<u>\$ 2,119,860</u>	<u>\$ 841,895</u>	<u>\$ 170,472</u>	<u>\$ 20,621</u>	<u>\$ 15,331</u>	<u>\$ 6,935</u>	<u>\$ (719,656)</u>	<u>\$ -</u>	<u>\$ 2,455,458</u>

# Financial Performance Metrics

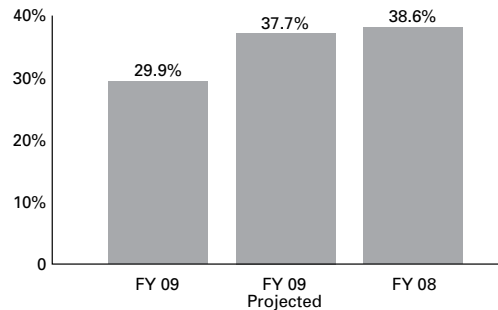
	Actual FY09 As of 6/30/09	Projected FY09 As of 6/30/09	Actual FY08 As of 6/30/08	Target
Loss Ratio	69.1%	92.6%	97.6%	
LAE Ratio - MCO	6.9%	8.5%	5.7%	
LAE Ratio - BWC	10.4%	13.3%	12.5%	
<b>Net Loss Ratio</b>	86.4%	114.4%	115.8%	120.0%
Expense Ratio	3.8%	4.1%	4.2%	5.0%
<b>Combined Ratio</b>	90.2%	118.5%	120.0%	125.0%
Net Investment Income Ratio	29.9%	37.7%	38.6%	
<b>Operating Ratio (Trade Ratio)</b>	60.3%	80.8%	81.4%	100.0%
<b>Operating Cashflow Ratio</b>	128.8%	124.6%	126.9%	118.0%
<b>Total Reserves to Net Assets</b>	8 to 1	6 to 1	8 to 1	7 to 1
<b>Investments to Loss Reserves</b>	88.5%	94.3%	88.9%	110.0%
<b>Equities to Net Assets</b>	1.43 to 1	1.12 to 1	1.26 to 1	
<b>Bonds to Net Assets</b>	5.3 to 1	4.7 to 1	5.5 to 1	
<b>Funding Ratio (State Insurance Fund)</b>	1.14	1.19	1.15	
<b>Net Leverage Ratio (SIF)</b>	8.22	6.35	7.93	

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.

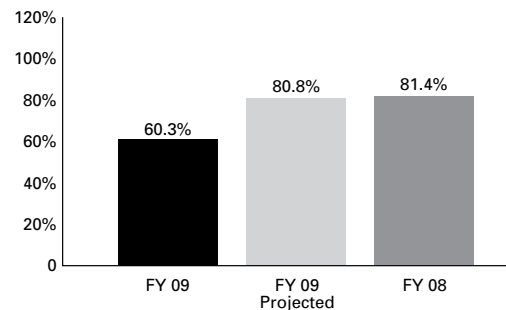
**Combined Ratio**



**Investment Income Ratio**

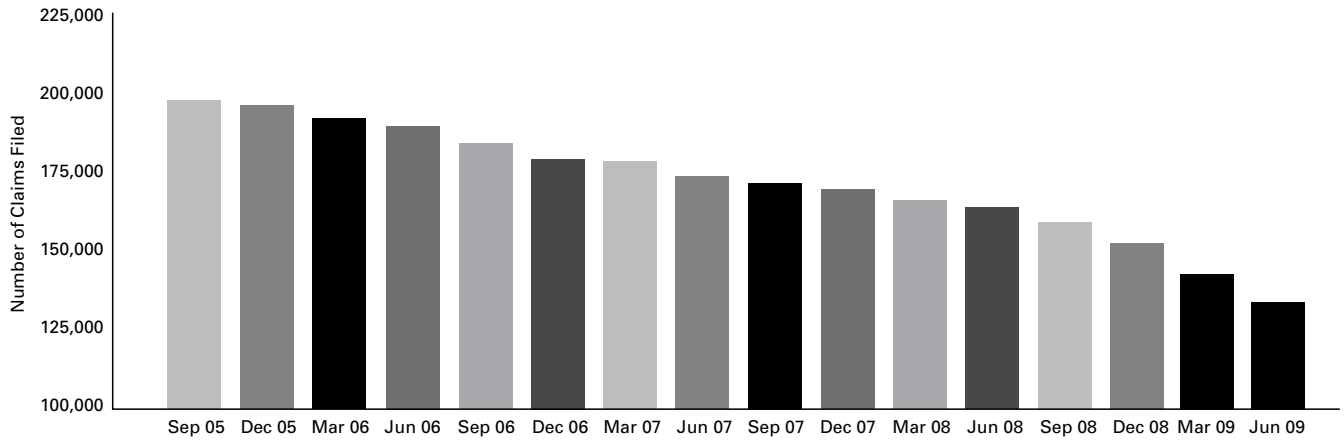


**Operating Ratio**

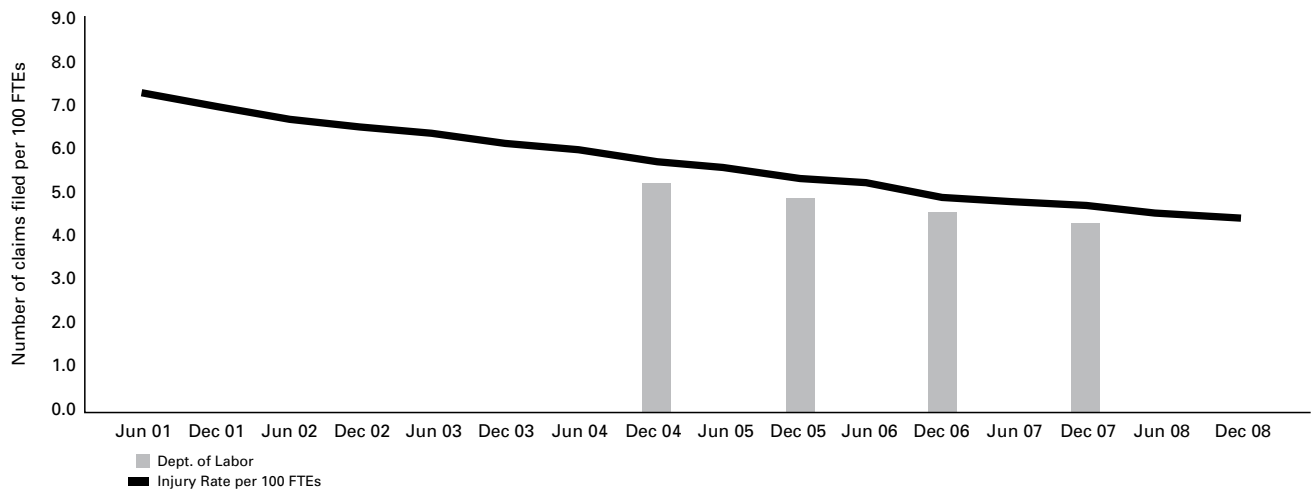


# Operational Performance Metrics

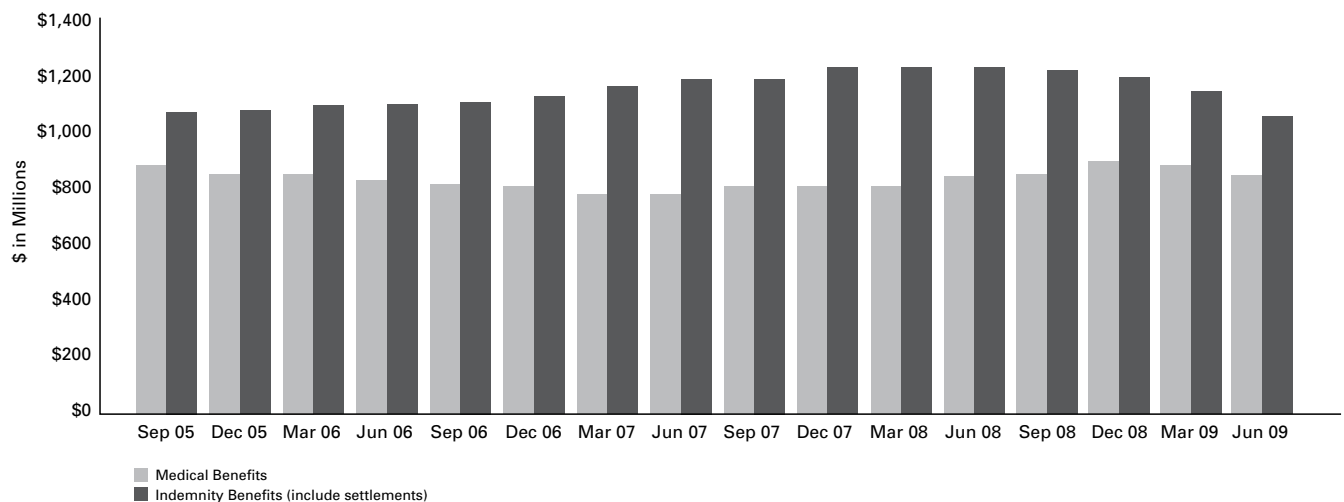
**New Claims Filed - Twelve months ended**



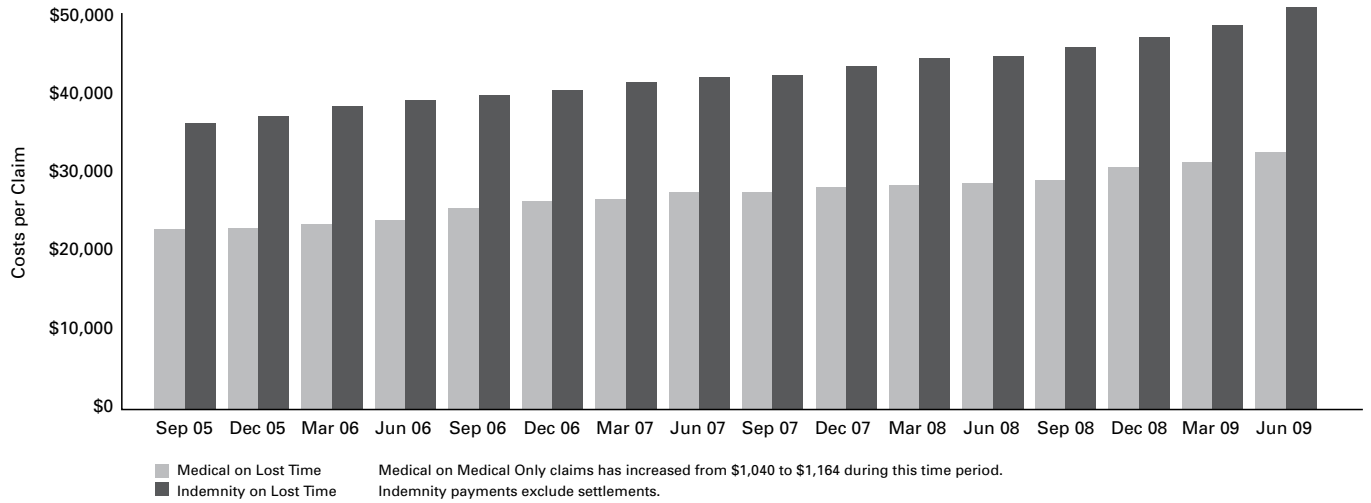
**Frequency - Reported semi-annually**



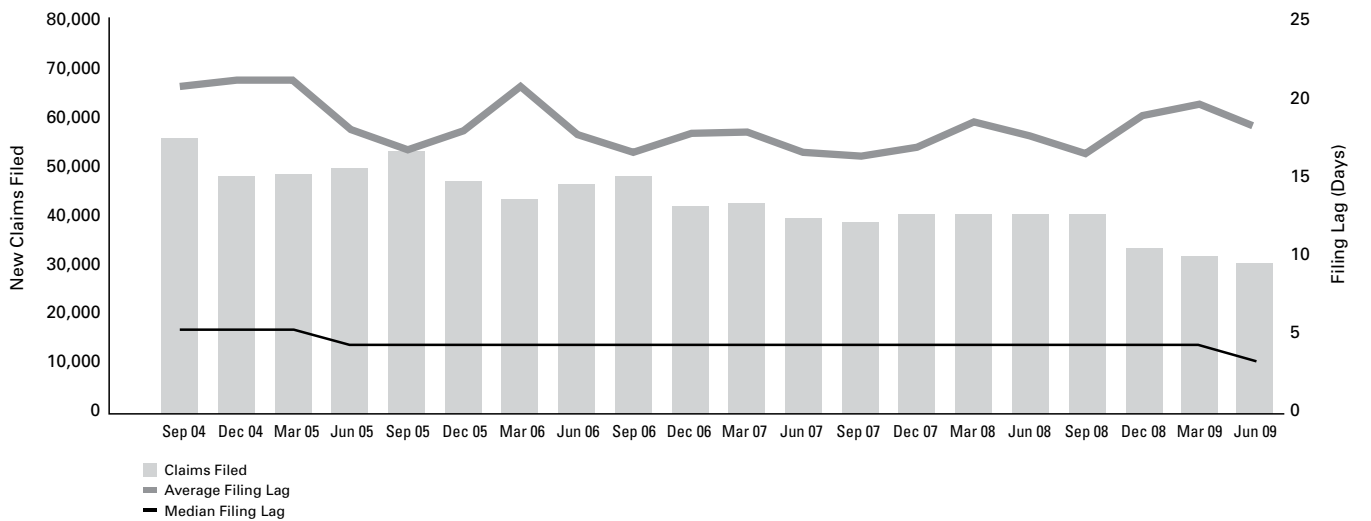
**Benefit Payments - Twelve months ended**



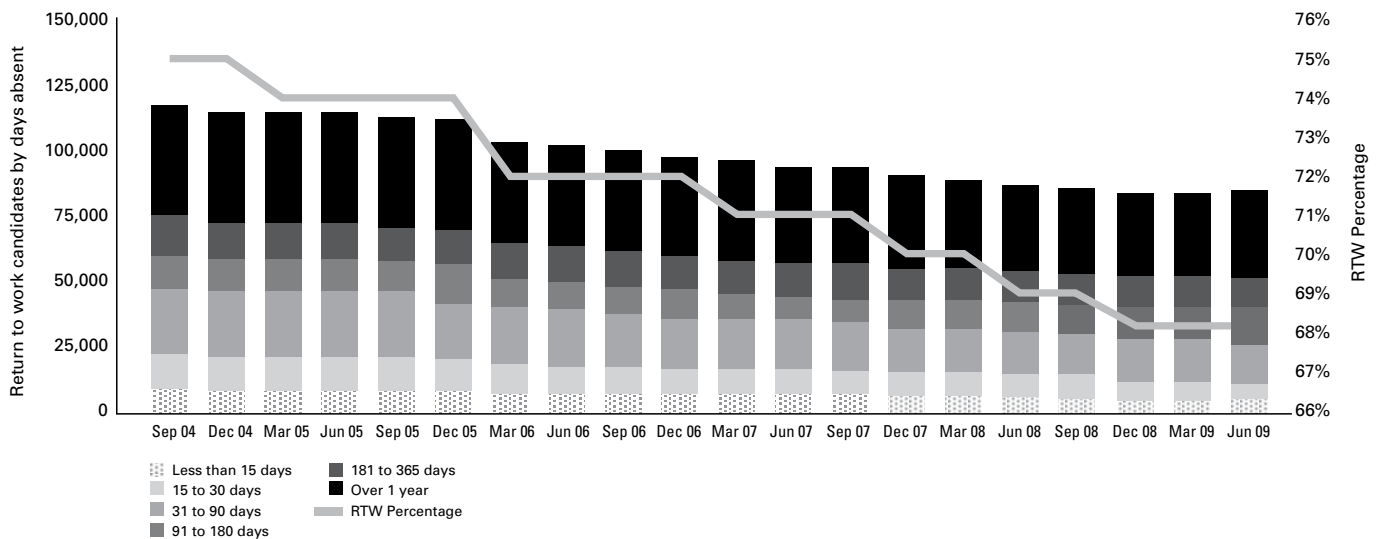
### Severity



### Claim Filing Lag



### Return to work

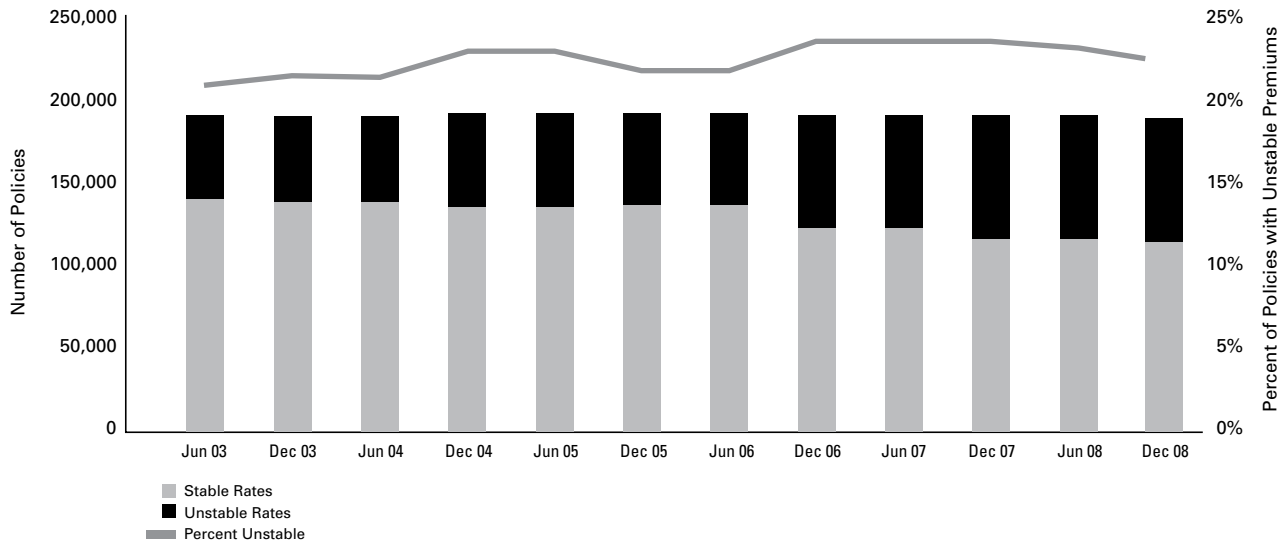


**Aggregate Reported Payroll – Twelve Months Ending**

(\$ 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
Dec 2008	\$94,580	\$19,778	\$7,065	\$134	\$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.

## **Net Leverage Ratio**

Measures the combination of BWC's exposure to pricing errors and errors in estimating its liabilities in relation to net assets. Premium income plus reserves for compensation and compensation adjustment expense divided by net assets.

## **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.