

# **Enterprise Report**

June 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.*

## May Financial Analysis

BWC's net assets increased by \$350 million in May resulting in net assets of \$1.9 billion at May 31, 2009 compared to \$1.5 billion at April 30, 2009.

<i>(\$ in millions)</i>	Fiscal YTD April 30, 2009	Month Ended May 31, 2009	Fiscal YTD May 31, 2009
Operating Revenues	\$1,803.5	\$183.9	\$1,987.4
Operating Expenses	1,896.6	188.6	2,085.2
Operating Transfers to ODNR & WCC	(4.7)	–	(4.7)
Net Operating Gain (Loss)	(97.8)	(4.7)	(102.5)
Net Investment Income (Loss)	(862.7)	354.9	(507.8)
Increase (Decrease) in Net Assets	(960.5)	350.2	(610.3)
Net Assets End of Period	\$1,542.8	\$1,893.0	\$1,893.0

- o Premium and assessment income of \$176 million and an \$8 million reduction in the provision for uncollectible accounts receivable resulted in operating revenues of \$184 million in May.
- o Benefits and compensation adjustment expenses of \$180 million along with other expenses of \$9 million resulted in operating expenses of \$189 million in May.
- o A \$283 million increase in portfolio market value in May along with interest and dividend income of \$72 million for the month, resulted in a net investment income of \$355 million for the month after investment expenses. The increase in portfolio market value is comprised of \$283 million in net unrealized gains.
- o Premium payments from public employer taxing districts for the 2008 policy year and payment of the second 50/50 installment by private employers contributed to premium and assessment receipts of \$338 million in May. Collections were \$68 million more than projected for the month.
- o Claim payments issued in May were \$152 million, including almost \$16 million in claim settlements.
- o May 15, 2009 was the due date for public employer taxing districts to report their 2008 payroll and pay at least 45% of the premium due. A total of 473 accounts were initially lapsed for not reporting and making timely payment. As of June 10, 2009 the number of lapsed accounts has declined to 119.

## Fiscal Year-to-Year Comparisons

BWC's total net assets have decreased by \$610 million for fiscal year-to-date 2009 resulting in net assets of \$1.9 billion at May 31, 2009 compared to \$2.4 billion at May 31, 2008.

<i>(\$ in millions)</i>	Fiscal YTD May 31, 2009	Projected FYTD May 31, 2009	Fiscal YTD May 31, 2008
Operating Revenues	\$1,987	\$1,994	\$2,010
Operating Expenses	2,085	2,413	2,841
Operating Transfer Out to ODNR	(5)	(6)	–
Net Operating Gain (Loss)	(103)	(425)	(831)
Net Investment Income (Loss)	(507)	959	887
Increase (Decrease) in Net Assets	(610)	534	56
Net Assets End of Period	\$1,893	\$3,037	\$2,362

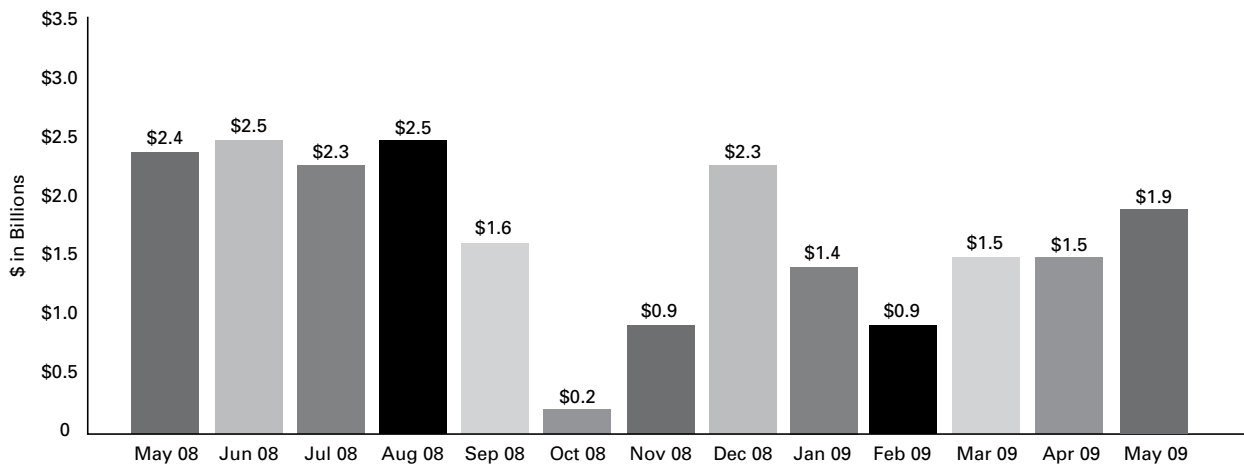
- o BWC's operating revenues for fiscal year-to-date 2009 are almost \$2 billion, a decrease of \$23 million compared to fiscal year-to-date 2008. The decrease is primarily due to declines in accruals for unbilled premiums receivable because of lower than expected losses for state agencies, self-insured employers, and DWRF.

- o Benefit and compensation adjustment expenses have decreased by \$755 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 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 Benefit and compensation adjustment expenses are \$329 million or 14% 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 \$507 million, comprised of \$242 million in net realized losses and \$930 million in net unrealized losses, partially off-set by \$669 million of interest and dividend income net of \$4 million in investment expenses.
- o Fiscal year-to-date premium collections are \$68 million less than the prior fiscal year and are \$74 million more than projected. Moving the due date for the second 50/50 installment from May 1<sup>st</sup> to June 1<sup>st</sup> contributed to the decline in premium collections.
- o A total of \$185 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 \$14.5 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 The second installment from private employers participating in the 50/50 program was due June 1, 2009. A total of 2,987 employers owing \$14.4 million did not make this payment by the due date. This represents 14% of the employers who participated in the 50/50 program.

**Net Assets**



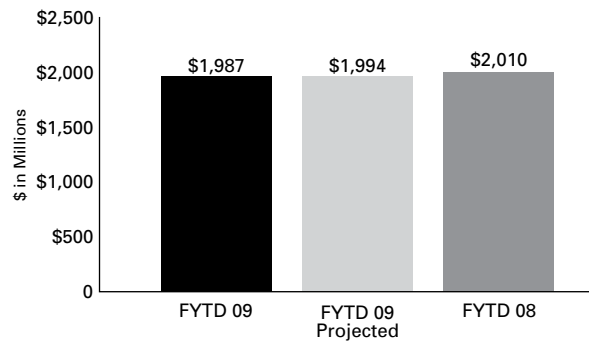
# Statement of Operations

Fiscal year to date May 31, 2009

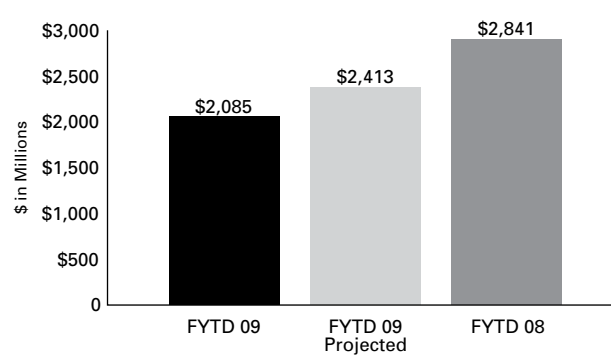
(in millions)

	Actual	Projected	Variance to Projected	Prior Yr. Actual	Year to Year Increase (Decrease)
<b>Operating Revenues</b>					
Premium & Assessment Income	\$2,048	\$2,054	\$(6)	\$2,076	\$(28)
Provision for Uncollectibles	(79)	(79)	-	(82)	3
Other Income	18	19	(1)	16	2
<b>Total Operating Revenue</b>	<b>1,987</b>	<b>1,994</b>	<b>(7)</b>	<b>2,010</b>	<b>(23)</b>
<b>Operating Expenses</b>					
Benefits & Compensation Adj. Expense	2,000	2,329	329	2,755	(755)
Other Expenses	85	84	(1)	86	(1)
<b>Total Operating Expenses</b>	<b>2,085</b>	<b>2,413</b>	<b>328</b>	<b>2,841</b>	<b>(756)</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>(103)</b>	<b>(425)</b>	<b>322</b>	<b>(831)</b>	<b>728</b>
<b>Net Investment Income (Loss)</b>	<b>(507)</b>	<b>959</b>	<b>(1,466)</b>	<b>887</b>	<b>(1,394)</b>
<b>Increase (Decrease) in Net Assets</b>	<b>\$(610)</b>	<b>\$534</b>	<b>\$(1,144)</b>	<b>\$56</b>	<b>\$(666)</b>

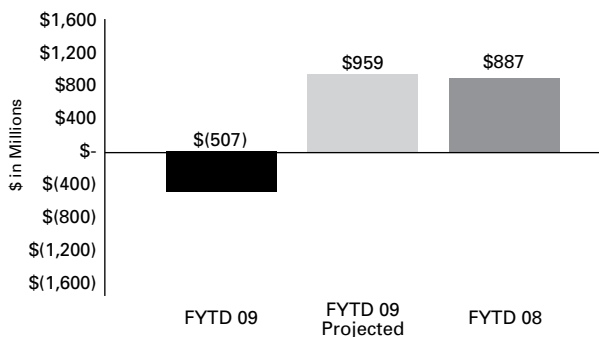
Operating Revenues



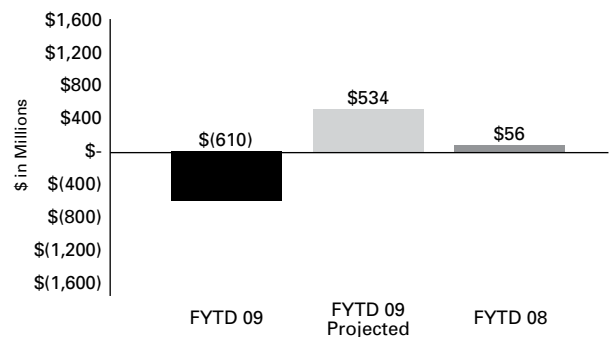
Operating Expenses



Net Investment Income (Loss)



Change in Net Assets



# Statement of Operations – Combining Schedule

Fiscal year to date May 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	\$1,619,122	\$73,235	\$1,677	\$144	\$713	\$17,416	\$336,040	\$2,048,347
Provision for Uncollectibles	(73,225)	(2,394)	-	-	-	(253)	(2,703)	(78,575)
Other Income	10,773	-	-	-	-	-	6,849	17,622
<b>Total Operating Revenues</b>	<b>1,556,670</b>	<b>70,841</b>	<b>1,677</b>	<b>144</b>	<b>713</b>	<b>17,163</b>	<b>340,186</b>	<b>1,987,394</b>
<b>Operating Expenses:</b>								
Benefits & Compensation Adj Expenses	1,670,256	71,679	899	(112)	461	19,945	236,516	1,999,644
Other Expenses	21,241	302	81	1	113	1	63,746	85,485
<b>Total Operating Expenses</b>	<b>1,691,497</b>	<b>71,981</b>	<b>980</b>	<b>(111)</b>	<b>574</b>	<b>19,946</b>	<b>300,262</b>	<b>2,085,129</b>
Net Operating Income (Loss) before Operating Transfers Out	(134,827)	(1,140)	697	255	139	(2,783)	39,924	(97,735)
Operating Transfers Out	(3,232)	-	(4,540)	-	-	-	2,889	(4,883)
<b>Net Operating Income (Loss)</b>	<b>(138,059)</b>	<b>(1,140)</b>	<b>(3,843)</b>	<b>255</b>	<b>139</b>	<b>(2,783)</b>	<b>42,813</b>	<b>(102,618)</b>
<b>Investment Income:</b>								
Investment Income	609,952	43,758	9,295	457	342	655	4,453	668,912
Net Realized Gains (Losses)	(219,972)	(18,716)	(3,358)	-	-	-	-	(242,046)
Net Unrealized Gains (Losses)	(860,958)	(55,691)	(13,359)	48	36	-	-	(929,924)
<b>Total Realized &amp; Unrealized Capital Gains (Losses)</b>	<b>(1,080,930)</b>	<b>(74,407)</b>	<b>(16,717)</b>	<b>48</b>	<b>36</b>	<b>-</b>	<b>-</b>	<b>(1,171,970)</b>
Investment Manager & Operational Fees	(4,029)	(253)	(149)	(2)	(1)	(2)	-	(4,436)
Gain (Loss) on Disposal of Fixed Assets	-	-	-	-	-	-	(220)	(220)
<b>Total Non-Operating Revenues, Net</b>	<b>(475,007)</b>	<b>(30,902)</b>	<b>(7,571)</b>	<b>503</b>	<b>377</b>	<b>653</b>	<b>4,233</b>	<b>(507,714)</b>
Increase (Decrease) in Net Assets (Deficit)	(613,066)	(32,042)	(11,414)	758	516	(2,130)	47,046	(610,332)
Net Assets (Deficit), Beginning of Period	2,206,922	848,727	179,339	19,350	13,431	8,919	(773,399)	2,503,289
Net Assets (Deficit), End of Period	\$1,593,856	\$816,685	\$167,925	\$20,108	\$13,947	\$6,789	\$(726,353)	\$1,892,957

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 May 31, 2009

(in thousands)

	Actual	Projected	Variance to Projected	Prior Yr. Actual	Year to Year Increase (Decrease)
<b>Investment Income</b>					
Bond Interest	\$586,298	\$698,401	\$(112,103)	\$707,003	\$(120,705)
Dividend Income—Domestic & International	68,868	63,250	5,618	57,310	11,558
Money Market/Commercial Paper Income	5,243	8,945	(3,702)	16,675	(11,432)
Misc. Income (Corp Actions, Settlements)	8,503	3,300	5,203	3,992	4,511
Private Equity	—	—	—	4,395	(4,395)
Securities Lending Income, Net of Fees	—	—	—	—	—
<b>Total Investment Income</b>	<u>668,912</u>	<u>773,896</u>	<u>(104,984)</u>	<u>789,375</u>	<u>(120,463)</u>
<b>Realized &amp; Unrealized Capital Gains and (Losses)</b>					
Bonds – Net Realized Gains (Losses)	(153,629)	—	(153,629)	(81,970)	(71,659)
Stocks – Net Realized Gains (Losses)	(88,551)	—	(88,551)	41,855	(130,406)
Subtotal – Net Realized Gains (Losses)	<u>(242,180)</u>	<u>—</u>	<u>(242,180)</u>	<u>(40,115)</u>	<u>(202,065)</u>
Bonds – Net Unrealized Gains (Losses)	(189,955)	—	(189,955)	460,465	(650,420)
Stocks – Net Unrealized Gains (Losses)	(739,969)	189,750	(929,719)	(258,130)	(481,839)
Subtotal – Net Unrealized Gains (Losses)	<u>(929,924)</u>	<u>189,750</u>	<u>(1,119,674)</u>	<u>202,335</u>	<u>(1,132,259)</u>
Net Gain (Loss) – PE	134	—	134	(51,531)	51,665
<b>Change in Portfolio Value</b>	<u>(1,171,970)</u>	<u>189,750</u>	<u>(1,361,720)</u>	<u>110,689</u>	<u>(1,282,659)</u>
<b>Investment Manager &amp; Operational Fees</b>	<u>(4,436)</u>	<u>(4,852)</u>	<u>416</u>	<u>(12,347)</u>	<u>(7,911)</u>
<b>Net Investment Income (Loss)</b>	<u>\$507,494</u>	<u>\$958,794</u>	<u>\$(1,466,288)</u>	<u>\$887,717</u>	<u>\$(1,395,211)</u>

# Administrative Cost Fund Expense Analysis

May 2009

- o BWC Administrative Cost Fund expenses are approximately \$27.6 million (9.5%) less than budgeted and approximately 2.5% 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 May. 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 2008 and 2009.
- o Positions not yet filled led to a reduction in the fiscal year 2009 budget as of May. The payroll budget will be increased as employees are hired.
- o BWC's current fiscal year 2009 budget is approximately \$28.5 million (8.6%) less than appropriated by the General Assembly.

# Administrative Cost Fund Budget Summary

As of May 31, 2009

Expense Description	FTE's	Actual FY09	Budgeted FYT09	FYTD09 Variance	FYTD09 Percentage Variance	FY09 Budget	FYTD08 Expenses	Increase (Decrease) in FY09	FYTD09 Percentage Variance
<b>Payroll</b>									
BWC Board of Directors	12	859,057	856,622	(2,435)	-0.28%	885,263	737,445	121,612	16.49%
Workers' Comp Council		72,323	72,323	0	0.00%	73,659		72,323	100.00%
BWC Administration	9	798,753	798,753	0	0.00%	838,256	596,406	202,347	33.93%
Customer Service	1,469	106,929,009	107,046,733	117,724	0.11%	111,350,959	109,691,011	(2,762,002)	-2.52%
Medical	135	11,340,392	11,350,990	10,598	0.09%	11,813,040	10,088,208	1,252,184	12.41%
Special Investigations	136	10,709,272	10,710,444	1,172	0.01%	11,143,856	10,707,168	2,104	0.02%
Fiscal and Planning	69	4,832,966	4,867,198	34,232	0.70%	5,059,223	4,604,946	228,020	4.95%
Actuarial	23	1,640,637	1,645,744	5,107	0.31%	1,715,835	1,499,442	141,195	9.42%
Investments	11	1,139,416	1,141,132	1,716	0.15%	1,194,395	962,153	177,263	18.42%
Infrastructure & Technology	300	28,538,851	28,708,042	169,191	0.59%	29,881,803	27,916,993	621,858	2.23%
Legal	74	6,461,501	6,461,321	(180)	0.00%	6,728,198	5,954,354	507,147	8.52%
Communications	25	2,345,521	2,343,548	(1,973)	-0.08%	2,421,905	2,656,036	(310,515)	-11.69%
Human Resources	63	5,260,893	5,261,585	692	0.01%	5,476,444	5,027,096	233,797	4.65%
Internal Audit	16	1,336,594	1,337,472	878	0.07%	1,398,010	1,434,959	(98,365)	-6.85%
Ombuds Office	10	551,147	551,447	300	0.05%	577,576	391,883	159,264	40.64%
Early Retirement Expenses				0	0.00%		258,880	(258,880)	-100.00%
<b>Total Payroll</b>	<b>2,352</b>	<b>182,816,332</b>	<b>183,153,354</b>	<b>337,022</b>	<b>0.18%</b>	<b>190,558,422</b>	<b>182,526,980</b>	<b>289,352</b>	<b>0.16%</b>
<b>Personal Services</b>									
Information Technology		9,465,509	12,430,903	2,965,394	23.86%	13,539,105	12,650,298	(3,184,789)	-25.18%
Legal - Special Counsel		1,170,127	1,440,863	270,736	18.79%	1,571,015	1,301,604	(131,477)	-10.10%
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		5,373,912	7,566,471	2,192,559	28.98%	8,221,661	3,848,540	1,525,372	39.64%
<b>Total Personal Services</b>		<b>20,234,149</b>	<b>25,882,322</b>	<b>5,648,173</b>	<b>21.82%</b>	<b>27,775,866</b>	<b>21,899,745</b>	<b>(1,665,596)</b>	<b>-7.61%</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		11,019,645	11,752,447	732,802	6.24%	11,910,383	10,178,300	841,345	8.27%
Software and Equipment Maintenance and Repairs		13,620,138	18,417,929	4,797,791	26.05%	19,604,789	13,358,402	261,736	1.96%
Inter Agency Payments		2,906,421	3,483,862	577,441	16.57%	3,659,962	3,075,308	(168,887)	-5.49%
Communications		3,373,089	6,356,264	2,983,175	46.93%	6,962,294	3,322,150	50,939	1.53%
Safety Grants and Long Term Care Loan		3,897,904	6,000,000	2,102,096	35.03%	6,000,000	3,686,177	211,727	5.74%
Supplies and Printing		1,477,650	2,873,085	1,395,435	48.57%	3,188,396	1,878,654	(401,004)	-21.35%
Other Maintenance		2,917,439	3,458,788	541,349	15.65%	3,748,222	2,927,704	(10,265)	-0.35%
<b>Total Maintenance</b>		<b>59,790,590</b>	<b>73,028,875</b>	<b>13,238,285</b>	<b>18.13%</b>	<b>75,760,546</b>	<b>58,664,415</b>	<b>1,126,175</b>	<b>1.92%</b>
<b>Equipment</b>									
		870,160	9,318,443	8,448,283	90.66%	9,680,865	7,414,778	(6,544,618)	-88.26%
<b>Total Administrative Cost Fund Expenses</b>		<b>263,711,231</b>	<b>291,382,994</b>	<b>27,671,763</b>	<b>9.50%</b>	<b>303,775,699</b>	<b>270,505,918</b>	<b>(6,794,687)</b>	<b>-2.51%</b>

Total Agency Appropriation 332,360,479  
Budget to Appropriation Variance 28,584,780  
Percentage Variance 8.60%

# State Insurance Fund

## Administrative Expense Summary

As of May 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	\$5,094,342
Wilshire Associates Inc.	0	0	0		480,368
JP Morgan Chase - Performance Reporting	86,958	14,376	101,334	6/30/08	220,930
Mercer Investment Consulting	435,413	86,080	521,493	6/30/09	72,341
Other Investment Expenses	218,498	253,811	472,309	6/30/09	219,911
	1,016,060	354,267	1,370,327		6,087,892
<b>Actuarial Expenses</b>					
Mercer Oliver Wyman	551,339	956,118	1,507,457	12/31/09	731,498
Oliver Wyman Consulting	394,291	1,560,068	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	0	0	0		263,599
	2,502,095	2,521,736	5,023,831		1,575,352
<b>Ohio Rehabilitation Services</b>	605,407	0	605,407	6/30/09	605,407
<b>TOTAL</b>	<b>\$4,123,562</b>	<b>\$2,876,003</b>	<b>\$6,999,565</b>		<b>\$8,268,651</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.

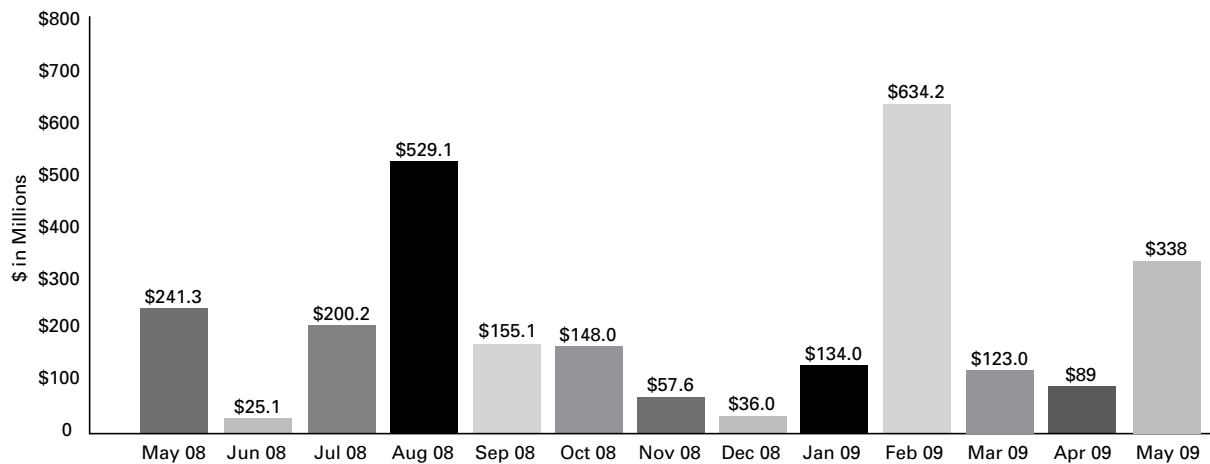
# Statement of Cash Flows

Fiscal year to date May 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	\$2,445	\$2,371	\$74	\$2,513	\$(68)
Cash Receipts – Other	30	27	3	30	–
Cash Disbursements for Claims	(1,958)	(2,003)	45	(2,050)	92
Cash Disbursements for Other	<u>(400)</u>	<u>(407)</u>	<u>7</u>	<u>(432)</u>	<u>32</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	117	(12)	129	61	56
<b>Net Cash Flows from Noncapital Financing Activities</b>	(5)	(5)	–	–	(5)
<b>Net Cash Flows from Capital and Related Financing Activities</b>	(22)	(21)	(1)	(24)	2
<b>Net Cash Provided (Used) by Investing Activities</b>	<u>169</u>	<u>167</u>	<u>2</u>	<u>171</u>	<u>(2)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	259	129	130	208	51
<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>	\$637	\$507	\$130	\$536	\$101

## Premium and Assessment Receipts



# Statement of Net Assets

As of May 31, 2009

(in millions)

	Actual	Prior Yr. Actual	Year to Year Increase (Decrease)
<b>Assets</b>			
Bonds	\$12,794	\$13,582	\$(788)
Stocks	3,452	3,457	(5)
Private Equities	–	13	(13)
Cash & Cash Equivalents	637	536	101
Total Cash and Investments	16,883	17,588	(705)
Accrued Premiums	4,137	4,375	(238)
Other Accounts Receivable	248	190	58
Investment Receivables	350	587	(237)
Other Assets	109	116	(7)
<b>Total Assets</b>	<b>21,727</b>	<b>22,856</b>	<b>(1,129)</b>
<b>Liabilities</b>			
Reserve for Compensation and Compensation Adj. Expense	\$19,353	\$19,791	\$(438)
Accounts Payable	57	53	4
Investment Payable	218	385	(167)
Other Liabilities	206	265	(59)
<b>Total Liabilities</b>	<b>19,834</b>	<b>20,494</b>	<b>(660)</b>
<b>Net Assets</b>	<b>\$1,893</b>	<b>\$2,362</b>	<b>\$(469)</b>

# Statement of Net Assets – Combining Schedule

As of May 31, 2009

(in thousands)

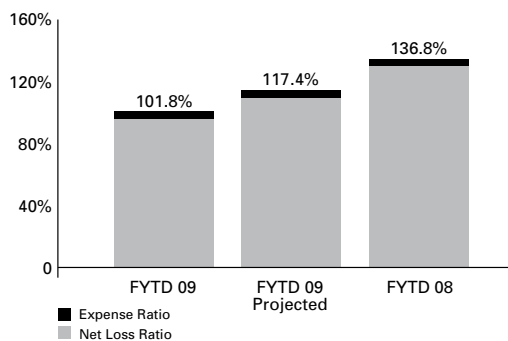
	State Insurance Fund Account	Disabled Workers' Relief Fund Account	Coal-Workers Pneumoconiosis Fund Account	Public Work Relief Employees' Fund Account	Marine Industry Fund Account	Self-Insuring Employers' Guaranty Fund Account	Administrative Cost Fund Account	Eliminations	Totals
<b>Assets</b>									
Bonds	\$ 11,718,048	\$ 854,178	\$ 182,311	\$ 22,927	\$ 17,129	\$ -	\$ -	\$ -	\$12,794,593
Stocks	3,188,431	217,402	45,735	-	-	-	-	-	3,451,568
Private Equities	197	-	-	-	-	-	-	-	197
Cash & Cash Equivalents	<u>569,215</u>	<u>7,760</u>	<u>1,727</u>	<u>140</u>	<u>327</u>	<u>54,709</u>	<u>3,410</u>	<u>-</u>	<u>637,288</u>
Total Cash & Investments	\$ 15,475,891	\$ 1,079,340	\$ 229,773	\$ 23,067	\$ 17,456	\$ 54,709	\$ 3,410	\$ -	\$16,883,646
Accrued Premiums	1,708,344	1,521,634	-	288	-	671,321	235,599	-	4,137,186
Other Accounts Receivable	217,728	19,176	1	(7)	-	(873)	12,019	-	248,044
Interfund Receivables	12,081	63,654	109	-	33	759	142,062	(218,698)	-
Investment Receivables	320,235	24,773	4,935	-	-	17	-	-	349,960
Other Assets	<u>25,388</u>	<u>22</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>83,199</u>	<u>-</u>	<u>108,609</u>
<b>Total Assets</b>	<b>\$ 17,759,667</b>	<b>\$ 2,708,599</b>	<b>\$ 234,818</b>	<b>\$ 23,348</b>	<b>\$ 17,489</b>	<b>\$ 725,933</b>	<b>\$ 476,289</b>	<b>\$ (218,698)</b>	<b>\$21,727,445</b>
<b>Liabilities</b>									
Reserve for Compensation & Compensation Adj. Expense	\$ 15,609,089	\$ 1,866,209	\$ 62,800	\$ 3,231	\$ 3,232	\$ 716,764	\$1,092,343	\$ -	\$19,353,668
Accounts Payable	48,652	-	-	-	-	-	7,983	-	56,635
Investment Payable	199,883	14,677	3,252	-	-	-	-	-	217,812
Interfund Payables	205,153	10,919	68	7	171	2,380	-	(218,698)	-
Other Liabilities	<u>103,034</u>	<u>109</u>	<u>773</u>	<u>2</u>	<u>139</u>	<u>-</u>	<u>102,316</u>	<u>-</u>	<u>206,373</u>
<b>Total Liabilities</b>	<b>16,165,811</b>	<b>1,891,914</b>	<b>66,893</b>	<b>3,240</b>	<b>3,542</b>	<b>719,144</b>	<b>1,202,642</b>	<b>(218,698)</b>	<b>19,834,488</b>
<b>Net Assets</b>	<b>\$ 1,593,856</b>	<b>\$ 816,685</b>	<b>\$ 167,925</b>	<b>\$ 20,108</b>	<b>\$ 13,947</b>	<b>\$ 6,789</b>	<b>\$ (726,353)</b>	<b>\$ -</b>	<b>\$ 1,892,957</b>

# Financial Performance Metrics

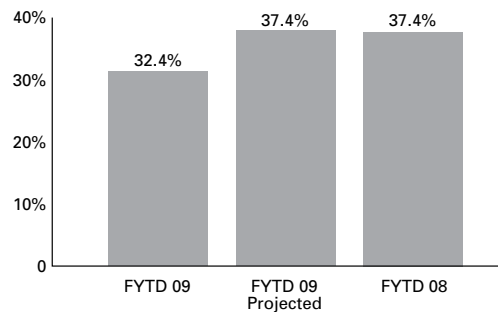
	Actual FY09 As of 5/31/09	Projected FY09 As of 5/31/09	Actual FY08 As of 5/31/08	Target
Loss Ratio	78.8%	91.6%	111.0%	
LAE Ratio - MCO	7.2%	8.6%	8.6%	
LAE Ratio - BWC	11.6%	13.2%	13.1%	
<b>Net Loss Ratio</b>	<b>97.6%</b>	<b>113.4%</b>	<b>132.7%</b>	<b>120.0%</b>
Expense Ratio	4.2%	4.0%	4.1%	5.0%
<b>Combined Ratio</b>	<b>101.8%</b>	<b>117.4%</b>	<b>136.8%</b>	<b>125.0%</b>
Net Investment Income Ratio	32.4%	37.4%	37.4%	
<b>Operating Ratio (Trade Ratio)</b>	<b>69.4%</b>	<b>80.0%</b>	<b>99.4%</b>	<b>100.0%</b>
<b>Operating Cashflow Ratio</b>	<b>134.5%</b>	<b>131.4%</b>	<b>134.1%</b>	<b>118.0%</b>
<b>Total Reserves to Net Assets</b>	<b>10 to 1</b>	<b>6 to 1</b>	<b>8 to 1</b>	<b>7 to 1</b>
<b>Investments to Loss Reserves</b>	<b>87.2%</b>	<b>92.1%</b>	<b>88.9%</b>	<b>110.0%</b>
<b>Equities to Net Assets</b>	<b>1.82 to 1</b>	<b>1.13 to 1</b>	<b>1.46 to 1</b>	
<b>Bonds to Net Assets</b>	<b>6.8 to 1</b>	<b>4.7 to 1</b>	<b>5.8 to 1</b>	
<b>Funding Ratio (State Insurance Fund)</b>	<b>1.11</b>	<b>1.19</b>	<b>1.14</b>	
<b>Net Leverage Ratio (SIF)</b>	<b>10.81</b>	<b>6.39</b>	<b>8.43</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.

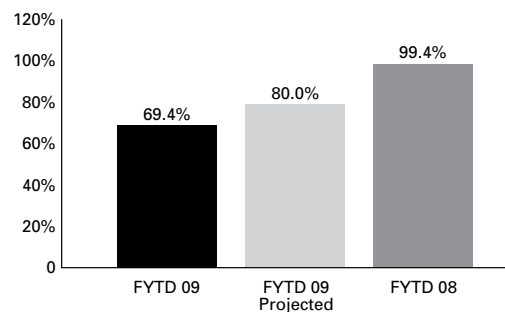
**Combined Ratio**



**Investment Income Ratio**

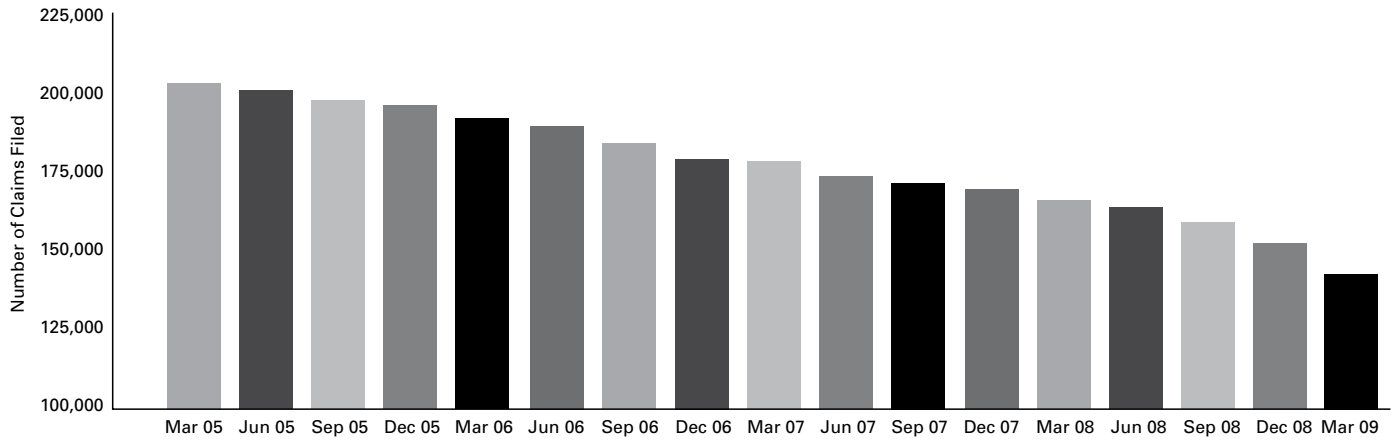


**Operating Ratio**

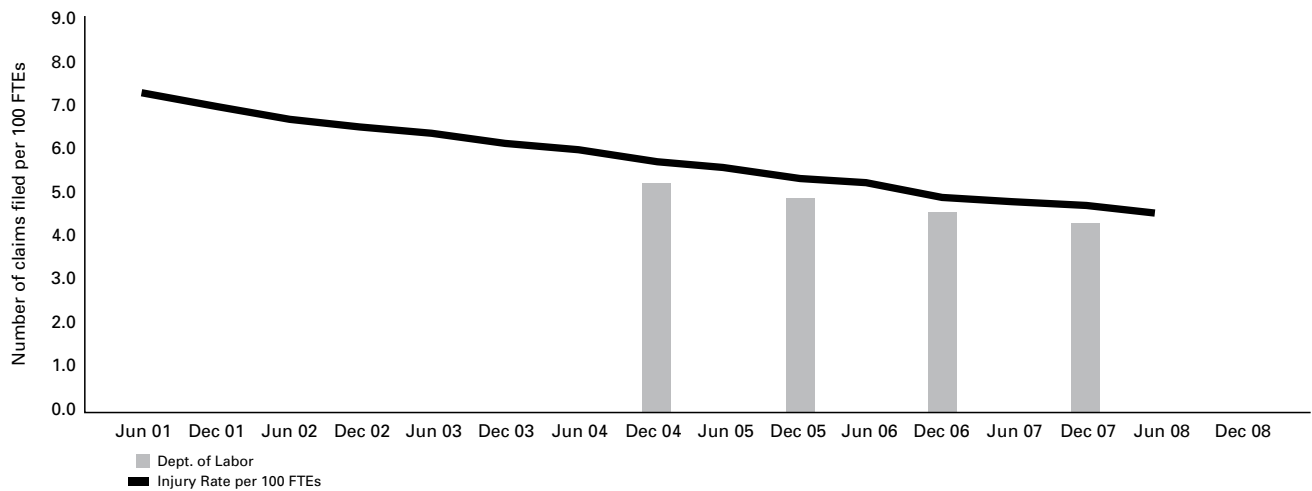


# Operational Performance Metrics

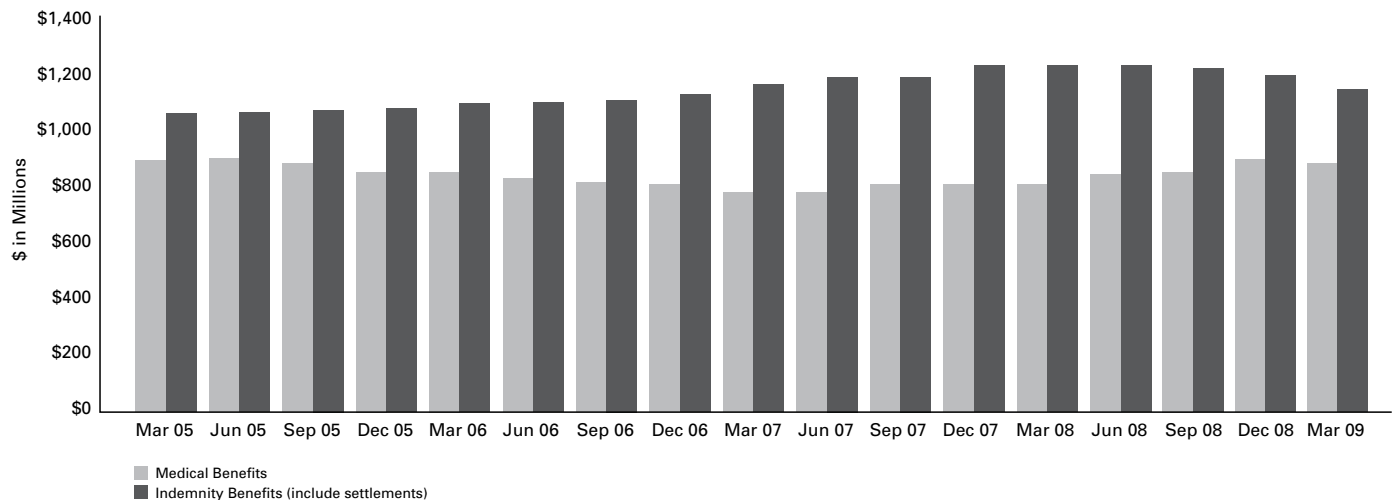
**New Claims Filed - Twelve months ended**



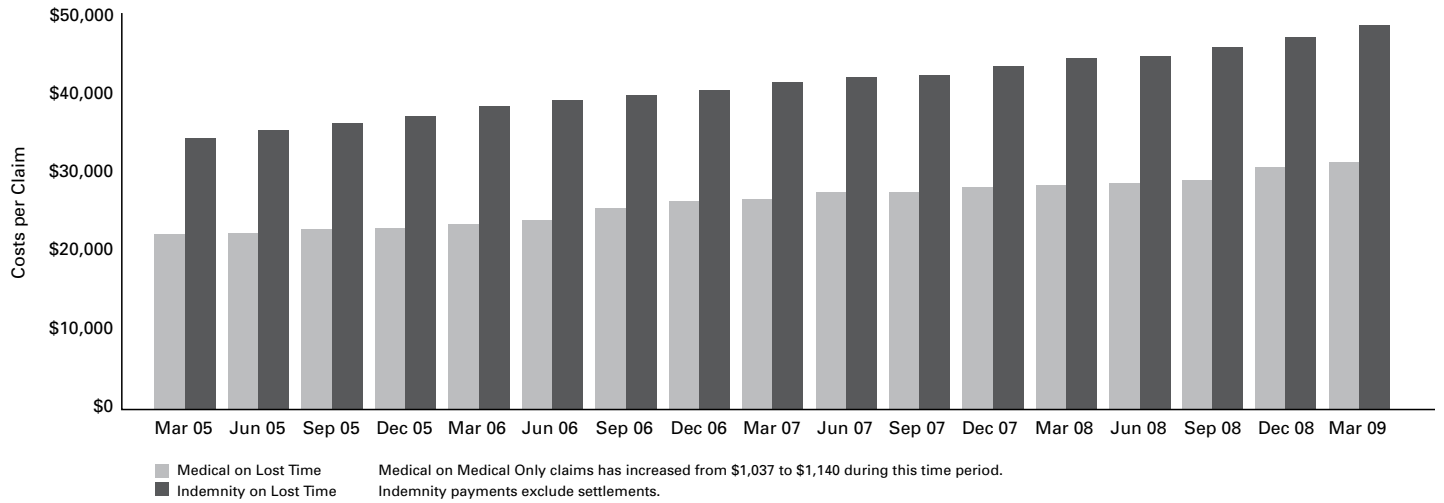
**Frequency - Reported semi-annually**



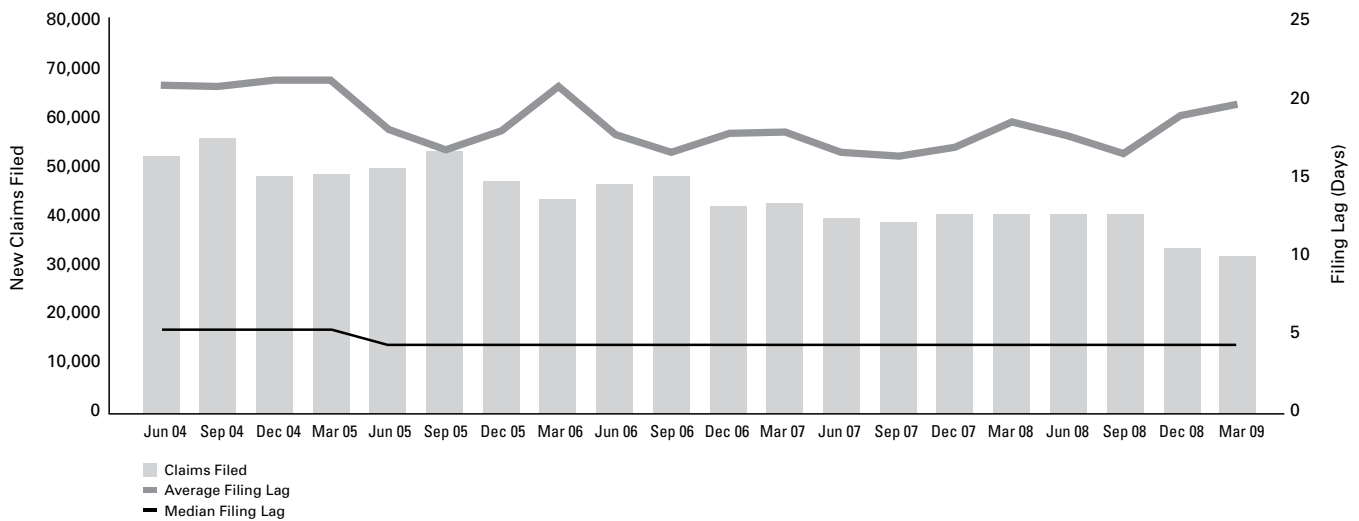
**Benefit Payments - Twelve months ended**



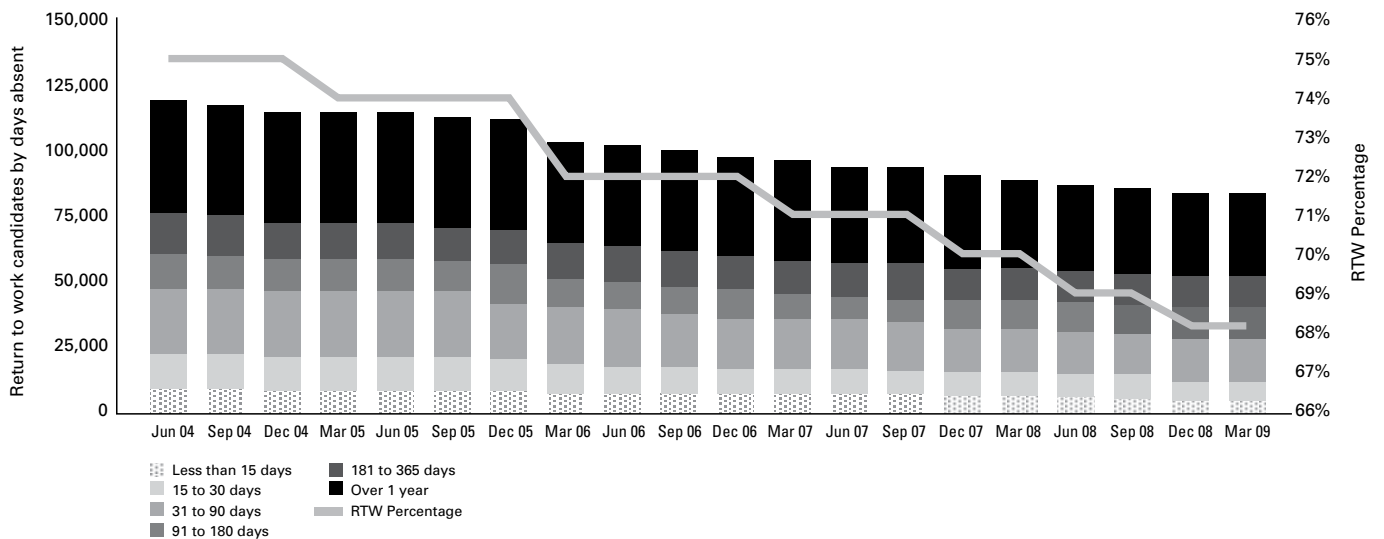
### Severity



### Claim Filing Lag



### Return to work

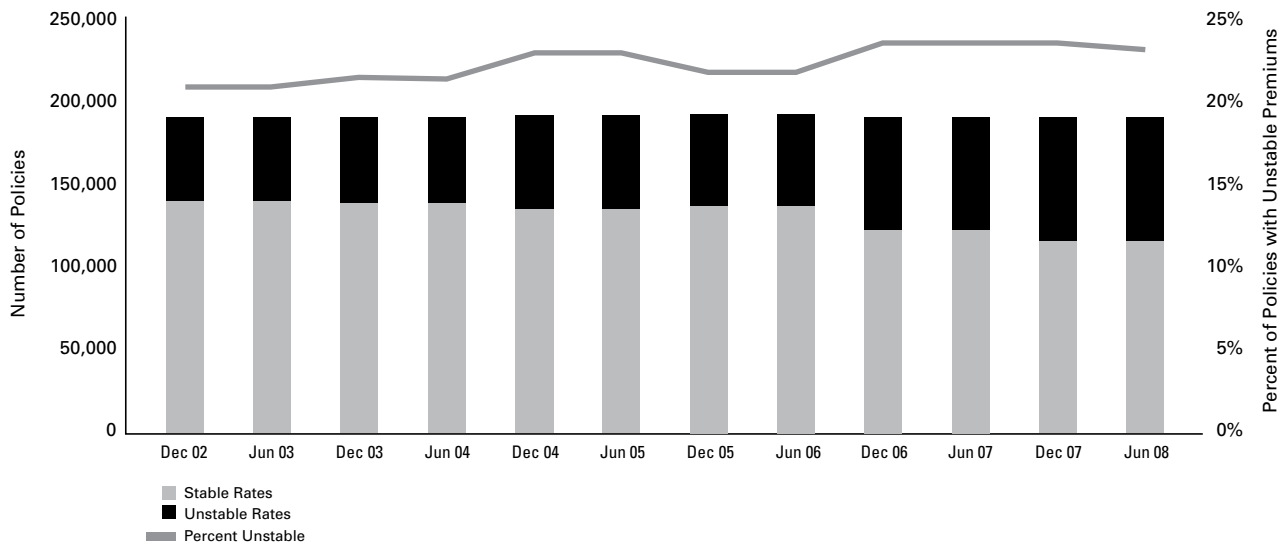


**Aggregate Reported Payroll – Twelve Months Ending**

(\$ 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.

## **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.