

# **Enterprise Report**

March 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.*

## February Financial Analysis

BWC's net assets decreased by \$506 million in February resulting in net assets of \$940 million at February 28, 2009 compared to \$1.4 billion at January 31, 2009.

<i>(\$ in millions)</i>	<b>Fiscal YTD</b> Jan. 31, 2009	<b>Month Ended</b> Feb. 28, 2009	<b>Fiscal YTD</b> Feb. 28, 2009
Operating Revenues	\$1,288.1	\$186.2	\$1,474.3
Operating Expenses	1,325.1	177.2	1,502.3
Operating Transfer Out to ODNR	(3.3)	–	(3.3)
Net Operating Gain (Loss)	(40.3)	9.0	(31.3)
Net Investment Income (Loss)	(1,016.4)	(515.3)	(1,531.7)
Increase (Decrease) in Net Assets	(1,056.7)	(506.3)	(1,563.0)
Net Assets End of Period	\$1,446.6	\$940.3	\$940.3

- o Premium and assessment income of \$188 million net of a \$2 million provision for uncollectible accounts receivable resulted in operating revenues of \$186 million in February.
- o Benefits and compensation adjustment expenses of \$171 million along with other expenses of \$6 million resulted in operating expenses of \$177 million in February.
- o A \$542 million decrease in portfolio market value in February exceeded interest and dividend income of \$27 million for the month, resulting in a net investment loss of \$515 million for the month after investment expenses. The decrease in portfolio market value is comprised of \$21 million in net realized losses and \$521 million in net unrealized losses. Over \$12 million of the \$21 million in net realized losses resulted from sales and permanent impairment charges for securities held in the miscellaneous holdings account.
- o Private employer premium payments for the six month period ended December 31, 2008 contributed to premium and assessment receipts of \$634 million in February. Collections were \$52 million more than projected for the month.
- o Claim payments issued in February were \$152 million, including \$12 million in claim settlements.
- o A total of \$60 million was redeemed from investment managers during February to provide an additional level of liquidity and in anticipation of a rebalancing of the investment portfolio.

## Fiscal Year-to-Year Comparisons

BWC's total net assets have decreased by \$1.6 billion for fiscal year-to-date 2009 resulting in net assets of \$940 million at February 28, 2009 compared to \$2.5 billion at February 29, 2008.

<i>(\$ in millions)</i>	<b>Fiscal YTD</b> Feb. 28, 2009	<b>Projected FYTD</b> Feb. 28, 2009	<b>Fiscal YTD</b> Feb. 28, 2008
Operating Revenues	\$1,474	\$1,466	\$1,510
Operating Expenses	1,502	1,728	2,267
Operating Transfer Out to ODNR	(3)	(4)	–
Net Operating Gain (Loss)	(31)	(266)	(757)
Net Investment Income (Loss)	(1,532)	697	985
Increase (Decrease) in Net Assets	(1,563)	431	228
Net Assets End of Period	\$940	\$2,934	\$2,533

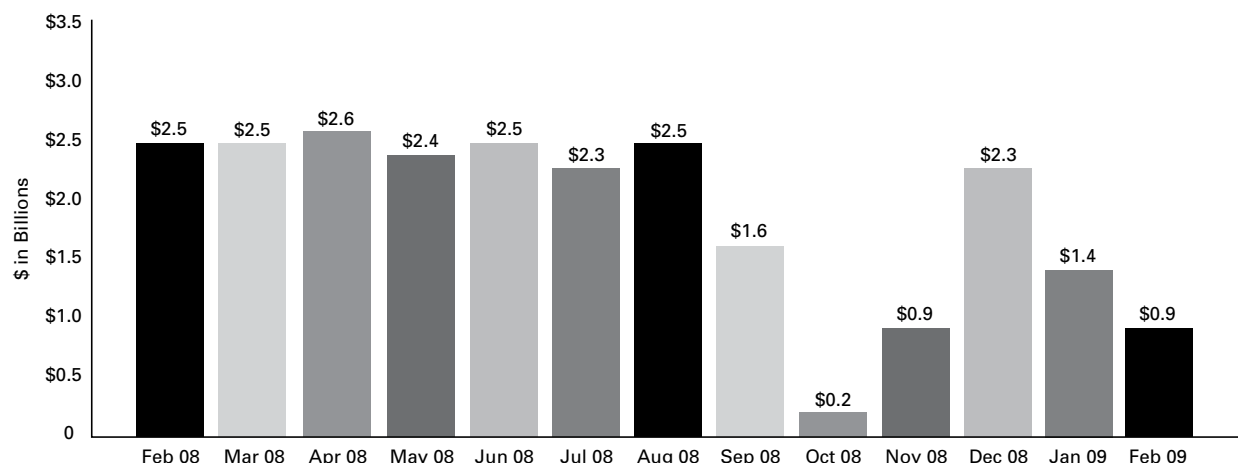
- o BWC's operating revenues for fiscal year-to-date 2009 were \$1.5 billion, a decrease of \$36 million compared to fiscal year-to-date 2008. The decrease is primarily due to declines in accruals for unbilled premium receivable because of lower than expected losses for state agencies, self-insured employers, and DWRF.
- o The adjustment of private employer accruals to actual premiums and assessments for the coverage period ended June 30, 2008 contributed to premium and assessment income being almost 2% higher than projected.

- o Benefit and compensation adjustment expenses have decreased by \$764 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 \$59 million in fiscal year 2009 compared to an almost \$573 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 \$55 million for fiscal year-to-date 2009 compared to the same period in fiscal year 2008. Claim settlements have declined by \$64 million and permanent partial payments have declined by \$2 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 \$226 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 \$1.5 billion, comprised of \$168 million in net realized losses and \$1.8 billion in net unrealized losses, partially off-set by \$447 million of interest and dividend income net of \$3 million in investment expenses.
- o Fiscal year-to-date premium collections are almost 2% higher than projected; contributing to the \$49 million favorable variance in cash provided by operating activities.
- o A total of \$265 million has been redeemed from investment managers in fiscal year 2009 to meet operating cash flow needs and anticipated portfolio rebalancing. 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 The number of private employers participating in the 50/50 payment program increased by almost 20% this collection period compared to the collection period ended August 31, 2008. These employers will be paying \$176 million in premiums by June 1, 2009 to maintain active coverage.
- o Approximately 43,000 or 16.6% of private employers were lapsed effective March 1, 2009 due to untimely reporting and payment of premiums for the July 1 through December 31, 2008 coverage period. The percentage of employers whose coverage lapsed has remained fairly consistent over the last five reporting periods.

Net Assets



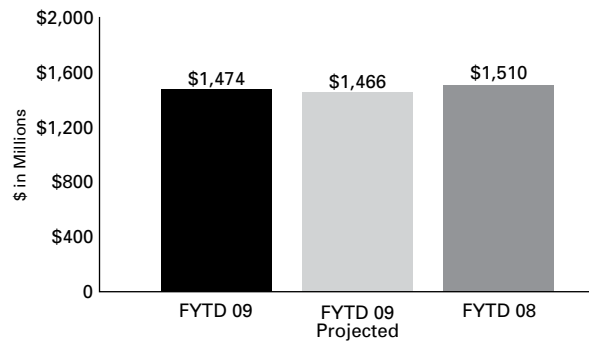
# Statement of Operations

Fiscal year to date February 28, 2009

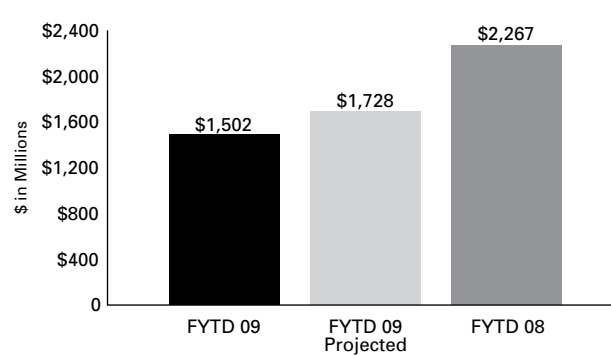
(in millions)

	Actual	Projected	Variance to Projected	Prior Yr. Actual	Year to Year Increase (Decrease)
<b>Operating Revenues</b>					
Premium & Assessment Income	\$1,514	\$1,488	\$26	\$1,539	\$(25)
Provision for Uncollectibles	(46)	(30)	(16)	(36)	(10)
Other Income	6	8	(2)	7	(1)
<b>Total Operating Revenue</b>	<b>1,474</b>	<b>1,466</b>	<b>8</b>	<b>1,510</b>	<b>(36)</b>
<b>Operating Expenses</b>					
Benefits & Compensation Adj. Expense	1,441	1,667	226	2,205	(764)
Other Expenses	61	61	-	62	(1)
<b>Total Operating Expenses</b>	<b>1,502</b>	<b>1,728</b>	<b>226</b>	<b>2,267</b>	<b>(765)</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>(31)</b>	<b>(266)</b>	<b>235</b>	<b>(757)</b>	<b>726</b>
<b>Net Investment Income (Loss)</b>	<b>(1,532)</b>	<b>697</b>	<b>(2,229)</b>	<b>985</b>	<b>(2,517)</b>
<b>Increase (Decrease) in Net Assets</b>	<b>\$(1,563)</b>	<b>\$431</b>	<b>\$(1,994)</b>	<b>\$228</b>	<b>\$(1,791)</b>

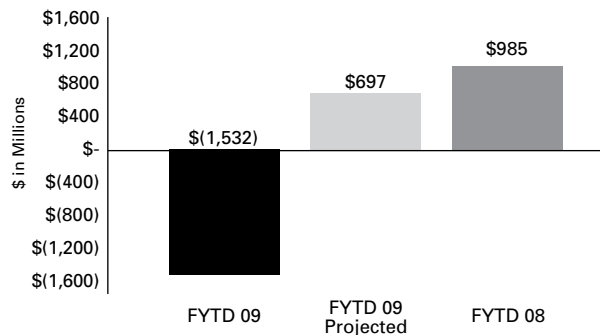
Operating Revenues



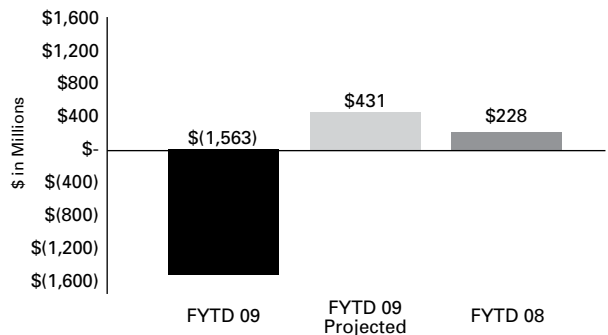
Operating Expenses



Net Investment Income (Loss)



Change in Net Assets



# Statement of Operations – Combining Schedule

Fiscal year to date February 28, 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	\$1,200,273	\$53,591	\$750	\$152	\$563	\$13,273	\$245,725	\$1,514,327
Provision for Uncollectibles	(40,783)	(1,243)	-	-	-	536	(4,949)	(46,439)
Other Income	4,622	-	-	-	-	-	1,807	6,429
<b>Total Operating Revenues</b>	<b>1,164,112</b>	<b>52,348</b>	<b>750</b>	<b>152</b>	<b>563</b>	<b>13,809</b>	<b>242,583</b>	<b>1,474,317</b>
<b>Operating Expenses:</b>								
Benefits & Compensation Adj Expenses	1,205,691	49,081	619	(67)	241	16,191	169,371	1,441,127
Other Expenses	14,922	176	52	1	98	1	45,884	61,134
<b>Total Operating Expenses</b>	<b>1,220,613</b>	<b>49,257</b>	<b>671</b>	<b>(66)</b>	<b>339</b>	<b>16,192</b>	<b>215,255</b>	<b>1,502,261</b>
Net Operating Income (Loss) before Operating Transfers Out	(56,501)	3,091	79	218	224	(2,383)	27,328	(27,944)
Operating Transfers Out	(2,197)	-	(3,106)	-	-	-	2,020	(3,283)
<b>Net Operating Income (Loss)</b>	<b>(58,698)</b>	<b>3,091</b>	<b>(3,027)</b>	<b>218</b>	<b>224</b>	<b>(2,383)</b>	<b>29,348</b>	<b>(31,227)</b>
<b>Investment Income:</b>								
Investment Income	407,140	29,130	6,187	239	178	596	3,125	446,595
Net Realized Gains (Losses)	(153,898)	(11,337)	(2,498)	-	-	-	-	(167,733)
Net Unrealized Gains (Losses)	(1,665,511)	(115,755)	(25,567)	(241)	(180)	-	-	(1,807,254)
Total Realized & Unrealized Capital Gains (Losses)	(1,819,409)	(127,092)	(28,065)	(241)	(180)	-	-	(1,974,987)
Investment Manager & Operational Fees	(2,969)	(185)	(111)	(1)	-	(1)	-	(3,267)
Gain (Loss) on Disposal of Fixed Assets	-	-	-	-	-	-	(74)	(74)
Total Non-Operating Revenues, Net	(1,415,238)	(98,147)	(21,989)	(3)	(2)	595	3,051	(1,531,733)
<b>Increase (Decrease) in Net Assets (Deficit)</b>	<b>(1,473,936)</b>	<b>(95,056)</b>	<b>(25,016)</b>	<b>215</b>	<b>222</b>	<b>(1,788)</b>	<b>32,399</b>	<b>(1,562,960)</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>\$732,986</b>	<b>\$753,671</b>	<b>\$154,323</b>	<b>\$19,565</b>	<b>\$13,653</b>	<b>\$7,131</b>	<b>\$(741,000)</b>	<b>\$940,329</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 February 28, 2009

(in thousands)

	Actual	Projected	Variance to Projected	Prior Yr. Actual	Year to Year Increase (Decrease)
<b>Investment Income</b>					
Bond Interest	\$384,841	\$507,928	\$(123,087)	\$480,865	\$(96,024)
Dividend Income-Domestic & International	50,028	46,000	4,028	40,439	9,589
Money Market/Commercial Paper Income	4,571	6,505	(1,934)	13,241	(8,670)
Misc. Income (Corp Actions, Settlements)	7,155	2,400	4,755	3,434	3,721
Private Equity	-	-	-	3,919	(3,919)
Securities Lending Income, Net of Fees	-	-	-	-	-
<b>Total Investment Income</b>	<u>446,595</u>	<u>562,833</u>	<u>(116,238)</u>	<u>541,898</u>	<u>(95,303)</u>
<b>Realized &amp; Unrealized Capital Gains and (Losses)</b>					
Bonds - Net Realized Gains (Losses)	(95,701)	-	(95,701)	(71,782)	(23,919)
Stocks - Net Realized Gains (Losses)	(72,166)	-	(72,166)	45,690	(117,856)
Subtotal - Net Realized Gains (Losses)	<u>(167,867)</u>	<u>-</u>	<u>(167,867)</u>	<u>(26,092)</u>	<u>(141,775)</u>
Bonds - Net Unrealized Gains (Losses)	(400,780)	-	(400,780)	956,546	(1,357,326)
Stocks - Net Unrealized Gains (Losses)	(1,406,474)	138,000	(1,544,474)	(433,427)	(973,047)
Subtotal - Net Unrealized Gains (Losses)	<u>(1,807,254)</u>	<u>138,000</u>	<u>(1,945,254)</u>	<u>523,119</u>	<u>(2,330,373)</u>
Net Gain (Loss) - PE	134	-	134	(45,967)	46,101
<b>Change in Portfolio Value</b>	<u>(1,974,987)</u>	<u>138,000</u>	<u>(2,112,987)</u>	<u>451,060</u>	<u>(2,426,047)</u>
<b>Investment Manager &amp; Operational Fees</b>	<u>(3,267)</u>	<u>(3,548)</u>	<u>281</u>	<u>(8,246)</u>	<u>(4,979)</u>
<b>Net Investment Income (Loss)</b>	<u>\$ (1,531,659)</u>	<u>\$ 697,285</u>	<u>\$ (2,228,944)</u>	<u>\$ 984,712</u>	<u>\$ (2,516,371)</u>

# Administrative Cost Fund Expense Analysis

February 2009

- o BWC Administrative Cost Fund expenses are approximately \$23.6 million (11.7%) less than budgeted and approximately 1.5% 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 February. A closer evaluation of projects and the need for IT consultants caused 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 February. The payroll budget will be increased as employees are hired.
- o BWC's current fiscal year 2009 budget is approximately \$28 million (8%) less than appropriated by the General Assembly.

# Administrative Cost Fund Budget Summary

As of February 28, 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	643,057	641,471	(1,586)	-0.25%	887,291	496,968	146,089	29.40%
Workers' Comp Council	1	72,323	72,323	0	0.00%	83,011	0	72,323	100.00%
BWC Administration	10	525,164	525,164	0	0.00%	755,108	375,088	150,076	40.01%
Customer Service	1,484	76,842,496	76,930,900	88,404	0.11%	111,450,800	79,538,936	(2,696,440)	-3.39%
Medical	138	8,151,835	8,162,137	10,302	0.13%	11,922,549	7,297,127	854,708	11.71%
Special Investigations	140	7,767,253	7,768,723	1,470	0.02%	11,304,862	7,729,118	38,135	0.49%
Fiscal and Planning	67	3,440,509	3,463,728	23,219	0.67%	5,028,454	3,382,683	57,826	1.71%
Actuarial	20	1,156,727	1,157,334	607	0.05%	1,719,066	1,071,726	85,001	7.93%
Investments	11	800,923	802,171	1,248	0.16%	1,227,669	683,726	117,197	17.14%
Infrastructure and Technology	299	20,660,116	20,749,077	88,961	0.43%	30,123,875	20,175,925	484,191	2.40%
Legal	77	4,628,516	4,628,336	(180)	0.00%	6,763,360	4,300,103	328,413	7.64%
Communications	24	1,786,240	1,784,368	(1,872)	-0.10%	2,476,772	1,900,368	(114,128)	-6.01%
Human Resources	66	3,789,541	3,790,233	692	0.02%	5,509,085	3,626,803	162,738	4.49%
Internal Audit	16	925,897	926,193	296	0.03%	1,409,693	1,067,182	(141,285)	-13.24%
Ombuds Office	10	390,416	390,715	299	0.08%	599,751	271,127	119,289	44.00%
Early Retirement Expenses				0	0.00%		163,564	(163,564)	-100.00%
<b>Total Payroll</b>	<b>2,376</b>	<b>131,581,013</b>	<b>131,792,873</b>	<b>211,860</b>	<b>0.16%</b>	<b>191,261,346</b>	<b>132,080,444</b>	<b>(499,431)</b>	<b>-0.38%</b>
<b>Personal Services</b>									
Information Technology		6,419,286	9,080,302	2,661,016	29.31%	13,509,987	9,252,599	(2,833,313)	-30.62%
Legal - Special Counsel		660,359	1,045,537	385,178	36.84%	1,566,244	827,448	(167,089)	-20.19%
Legal - Attorney General		3,225,701	3,333,064	107,363	3.22%	4,444,085	3,139,623	86,078	2.74%
Other Personal Services		<u>3,952,242</u>	<u>6,046,527</u>	<u>2,094,285</u>	<u>34.64%</u>	<u>8,212,044</u>	<u>2,714,671</u>	<u>1,237,571</u>	<u>45.59%</u>
<b>Total Personal Services</b>		<b>14,257,588</b>	<b>19,505,430</b>	<b>5,247,842</b>	<b>26.90%</b>	<b>27,732,360</b>	<b>15,934,341</b>	<b>(1,676,753)</b>	<b>-10.52%</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		9,647,673	11,061,396	1,413,723	12.78%	13,692,169	9,594,961	52,712	0.55%
Software and Equipment Maintenance and Repairs		10,650,283	13,722,246	3,071,963	22.39%	19,604,579	10,556,488	93,795	0.89%
Inter Agency Payments		1,881,898	2,645,614	763,716	28.87%	3,660,962	2,129,763	(247,865)	-11.64%
Communications		2,526,741	4,727,876	2,201,135	46.56%	6,964,313	2,502,948	23,793	0.95%
Safety Grants and Long Term Care Loan		2,710,061	4,500,000	1,789,939	39.78%	6,000,000	2,789,270	(79,209)	-2.84%
Supplies and Printing		968,570	2,140,560	1,171,990	54.75%	3,186,668	1,199,655	(231,085)	-19.26%
Other Maintenance		<u>2,075,611</u>	<u>2,492,699</u>	<u>417,088</u>	<u>16.73%</u>	<u>3,747,941</u>	<u>2,100,354</u>	<u>(24,743)</u>	<u>-1.18%</u>
<b>Total Maintenance</b>		<b>30,965,374</b>	<b>41,811,828</b>	<b>10,846,454</b>	<b>25.94%</b>	<b>75,761,346</b>	<b>31,452,861</b>	<b>(487,487)</b>	<b>-1.55%</b>
<b>Equipment</b>									
		<u>811,809</u>	<u>8,190,653</u>	<u>7,378,844</u>	<u>90.09%</u>	<u>9,680,865</u>	<u>841,600</u>	<u>(29,791)</u>	<u>-3.54%</u>
<b>Total Administrative Cost Fund Expenses</b>		<b>177,615,784</b>	<b>201,300,784</b>	<b>23,685,000</b>	<b>11.77%</b>	<b>304,435,917</b>	<b>180,309,246</b>	<b>(2,693,462)</b>	<b>-1.49%</b>

Total Agency Appropriation 332,360,479  
 Budget to Appropriation Variance 27,924,562  
 Percentage Variance 8.40%

# State Insurance Fund

## Administrative Expense Summary

As of February 28, 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	\$4,784,833
Wilshire Associates Inc.	0	0	0		272,083
JP Morgan Chase - Performance Reporting	70,249	31,085	101,334	6/30/08	0
Mercer Investment Consulting	277,081	244,412	521,493	6/30/09	0
Other Investment Expenses	154,550	310,259	464,809	6/30/09	112,459
	<u>777,071</u>	<u>585,756</u>	<u>1,362,827</u>		<u>5,169,375</u>
<b>Actuarial Expenses</b>					
Mercer Oliver Wyman	480,620	1,026,837	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	1,550,095	0	1,550,095	12/31/08	0
AON Risk Consultants	0	0	0		263,599
	<u>2,178,541</u>	<u>2,833,370</u>	<u>5,011,911</u>		<u>687,914</u>
<b>Ohio Rehabilitation Services</b>	<u>605,407</u>	<u>0</u>	<u>605,407</u>	6/30/09	<u>0</u>
<b>TOTAL</b>	<b>\$3,561,019</b>	<b>\$3,419,126</b>	<b>\$6,980,145</b>		<b>\$5,857,289</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.

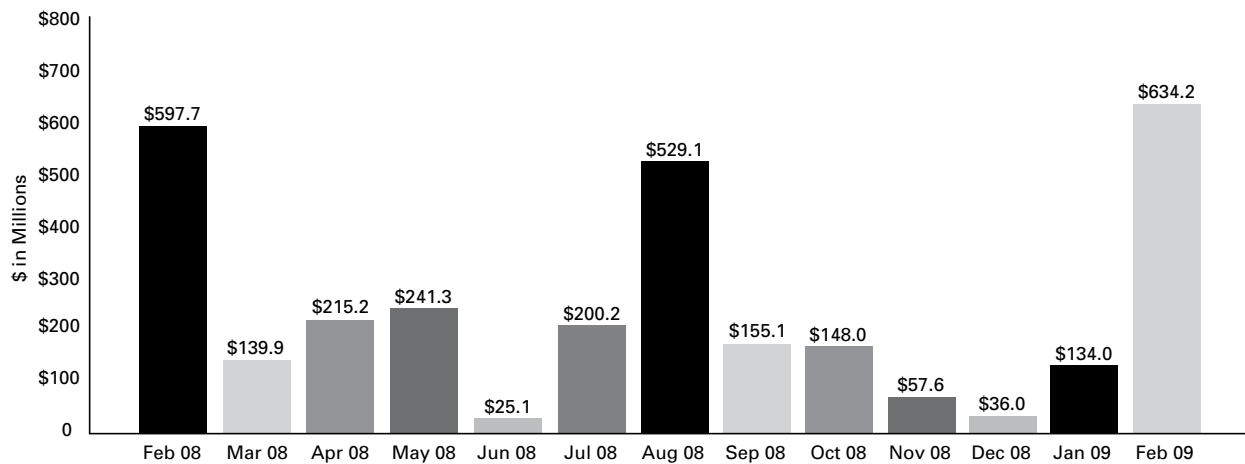
# Statement of Cash Flows

Fiscal year to date February 28, 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	\$1,895	\$1,860	\$35	\$1,917	\$(22)
Cash Receipts - Other	17	19	(2)	18	(1)
Cash Disbursements for Claims	(1,424)	(1,442)	18	(1,461)	37
Cash Disbursements for Other	<u>(309)</u>	<u>(307)</u>	<u>(2)</u>	<u>(325)</u>	<u>16</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	179	130	49	149	30
<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>197</u>	<u>166</u>	<u>31</u>	<u>288</u>	<u>(91)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	369	290	79	433	(64)
<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>	\$747	\$668	\$79	\$761	\$(14)

## Premium and Assessment Receipts



# Statement of Net Assets

As of February 28, 2009

(in millions)

	Actual	Prior Yr. Actual	Year to Year Increase (Decrease)
<b>Assets</b>			
Bonds	\$12,716	\$13,851	\$(1,135)
Stocks	2,471	3,258	(787)
Private Equities	–	26	(26)
Cash & Cash Equivalents	747	761	(14)
Total Cash and Investments	15,934	17,896	(1,962)
Accrued Premiums	4,318	4,525	(207)
Other Accounts Receivable	131	143	(12)
Investment Receivables	360	331	29
Other Assets	112	116	(4)
<b>Total Assets</b>	<b>20,855</b>	<b>23,011</b>	<b>(2,156)</b>
<b>Liabilities</b>			
Reserve for Compensation and Compensation Adj. Expense	\$19,376	\$19,844	\$(468)
Accounts Payable	94	92	2
Investment Payable	221	232	(11)
Other Liabilities	224	310	(86)
<b>Total Liabilities</b>	<b>19,915</b>	<b>20,478</b>	<b>(563)</b>
<b>Net Assets</b>	<b>\$940</b>	<b>\$2,533</b>	<b>\$(1,593)</b>

# Statement of Net Assets – Combining Schedule

As of February 28, 2009

(in thousands)

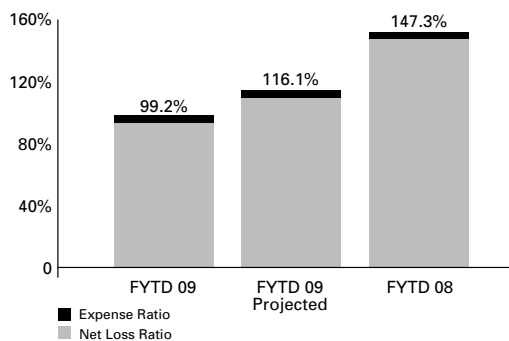
	State Insurance Fund Account	Disabled Workers' Relief Fund Account	Coal-Workers Pneumoconiosis Fund Account	Public Work Relief Employees' Fund Account	Marine Industry Fund Account	Self-Insuring Employers' Guaranty Fund Account	Administrative Cost Fund Account	Eliminations	Totals
<b>Assets</b>									
Bonds	\$ 11,665,173	\$ 833,969	\$ 177,176	\$ 22,419	\$ 16,750	\$ -	\$ -	\$ -	\$12,715,487
Stocks	2,268,611	166,982	35,225	-	-	-	-	-	2,470,818
Private Equities	197	-	-	-	-	-	-	-	197
Cash & Cash Equivalents	<u>677,859</u>	<u>11,771</u>	<u>3,194</u>	<u>129</u>	<u>365</u>	<u>52,468</u>	<u>1,249</u>	<u>-</u>	<u>747,035</u>
Total Cash & Investments	\$ 14,611,840	\$ 1,012,722	\$ 215,595	\$ 22,548	\$ 17,115	\$ 52,468	\$ 1,249	\$ -	\$15,933,537
Accrued Premiums	1,883,608	1,527,159	-	330	-	669,063	238,103	-	4,318,263
Other Accounts Receivable	55,470	25,037	-	-	-	1,505	48,993	-	131,005
Interfund Receivables	13,407	59,686	-	-	8	4,129	97,987	(175,217)	-
Investment Receivables	330,003	24,999	5,348	7	5	25	-	-	360,387
Other Assets	<u>25,654</u>	<u>21</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>86,015</u>	<u>-</u>	<u>111,690</u>
<b>Total Assets</b>	<b>\$ 16,919,982</b>	<b>\$ 2,649,624</b>	<b>\$ 220,943</b>	<b>\$ 22,885</b>	<b>\$ 17,128</b>	<b>\$ 727,190</b>	<b>\$ 472,347</b>	<b>\$ (175,217)</b>	<b>\$20,854,882</b>
<b>Liabilities</b>									
Reserve for Compensation & Compensation Adj. Expense	\$ 15,621,965	\$ 1,874,075	\$ 62,800	\$ 3,311	\$ 3,218	\$ 717,369	\$ 1,093,204	\$ -	\$19,375,942
Accounts Payable	93,533	-	-	-	-	-	183	-	93,716
Investment Payable	207,278	10,692	2,989	-	-	-	-	-	220,959
Interfund Payables	161,224	11,142	95	9	57	2,690	-	(175,217)	-
Other Liabilities	<u>102,996</u>	<u>44</u>	<u>736</u>	<u>-</u>	<u>200</u>	<u>-</u>	<u>119,960</u>	<u>-</u>	<u>223,936</u>
<b>Total Liabilities</b>	<b>16,186,996</b>	<b>1,895,953</b>	<b>66,620</b>	<b>3,320</b>	<b>3,475</b>	<b>720,059</b>	<b>1,213,347</b>	<b>(175,217)</b>	<b>19,914,553</b>
<b>Net Assets</b>	<b>\$ 732,986</b>	<b>\$ 753,671</b>	<b>\$ 154,323</b>	<b>\$ 19,565</b>	<b>\$ 13,653</b>	<b>\$ 7,131</b>	<b>\$ (741,000)</b>	<b>\$ -</b>	<b>\$ 940,329</b>

# Financial Performance Metrics

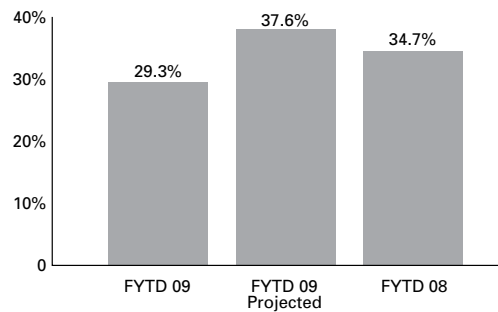
	Actual FY09 As of 2/28/09	Projected FY09 As of 2/28/09	Actual FY08 As of 2/28/08	Target
Loss Ratio	76.8%	89.9%	117.9%	
LAE Ratio - MCO	7.2%	8.7%	12.3%	
LAE Ratio - BWC	11.2%	13.4%	13.1%	
Net Loss Ratio	95.2%	112.0%	143.3%	120.0%
Expense Ratio	4.0%	4.1%	4.0%	5.0%
<b>Combined Ratio</b>	99.2%	116.1%	147.3%	125.0%
Net Investment Income Ratio	29.3%	37.6%	34.7%	
<b>Operating Ratio (Trade Ratio)</b>	69.9%	78.5%	112.6%	100.0%
Operating Cashflow Ratio	138.6%	139.4%	139.6%	118.0%
<b>Total Reserves to Net Assets</b>	21 to 1	7 to 1	8 to 1	7 to 1
<b>Investments to Loss Reserves</b>	82.2%	94.1%	90.2%	110.0%
<b>Equities to Net Assets</b>	2.63 to 1	1.14 to 1	1.29 to 1	
<b>Bonds to Net Assets</b>	13.5 to 1	4.8 to 1	5.5 to 1	
<b>Funding Ratio (State Insurance Fund)</b>	1.05	1.18	1.16	

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.

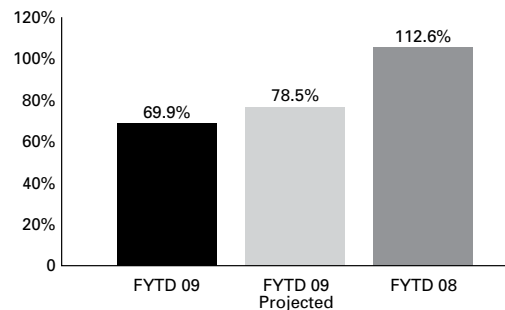
**Combined Ratio**



**Investment Income Ratio**

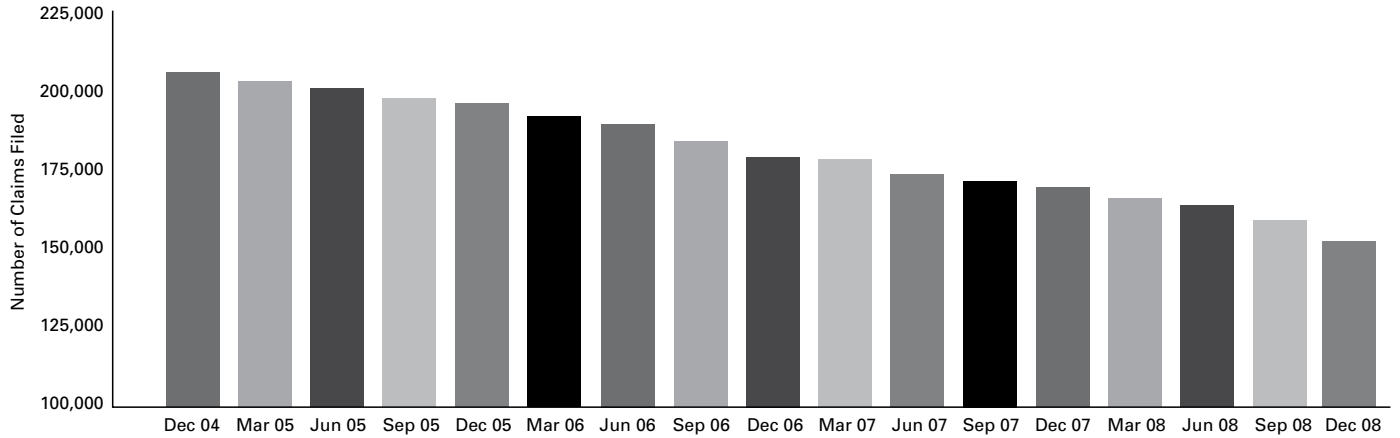


**Operating Ratio**

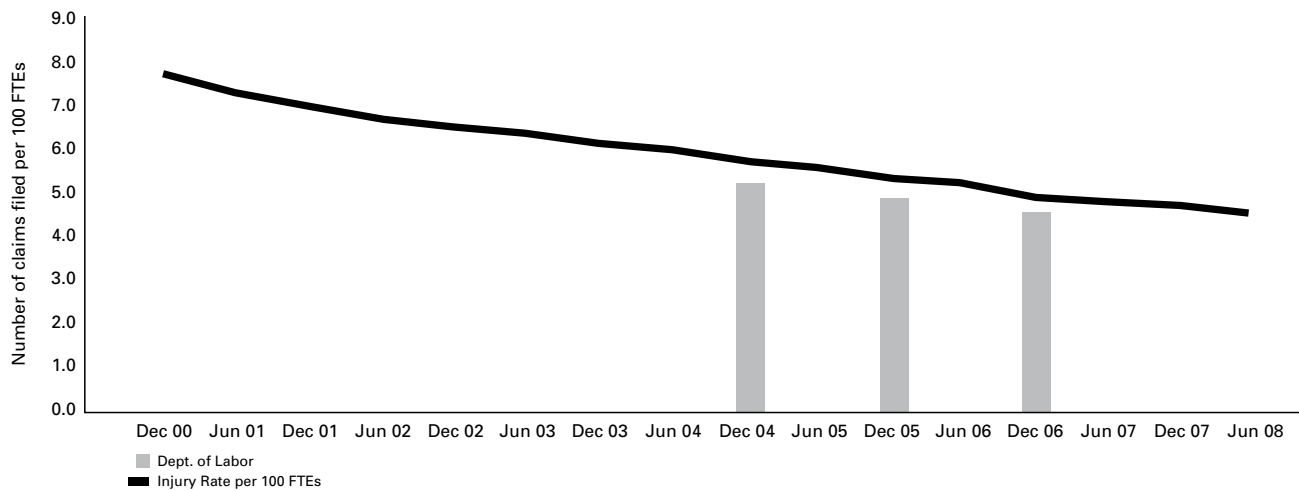


# Operational Performance Metrics

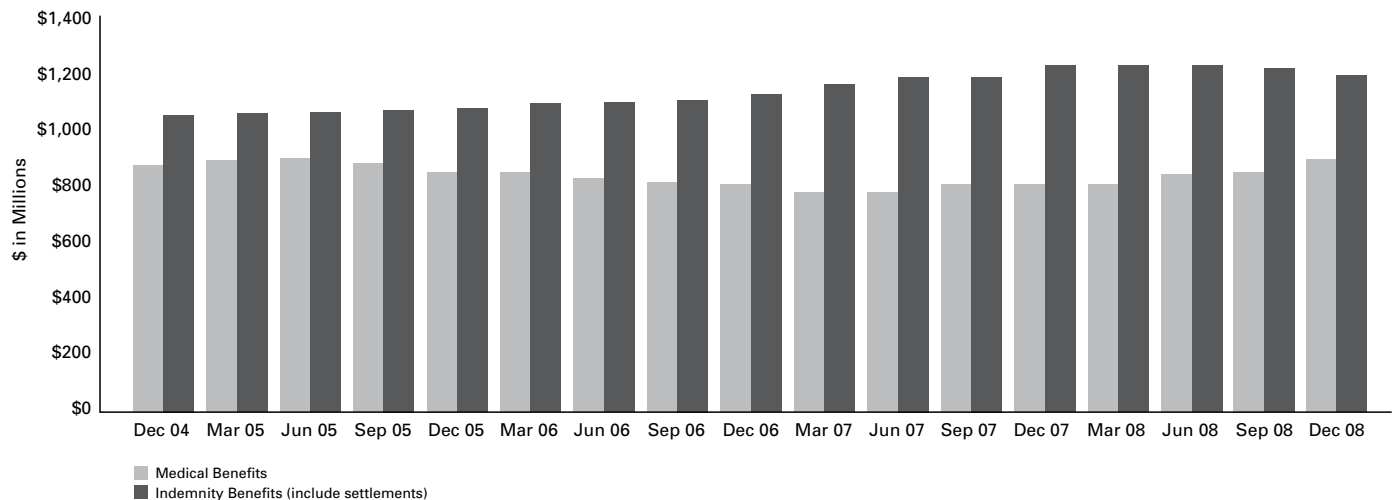
**New Claims Filed - Twelve months ended**



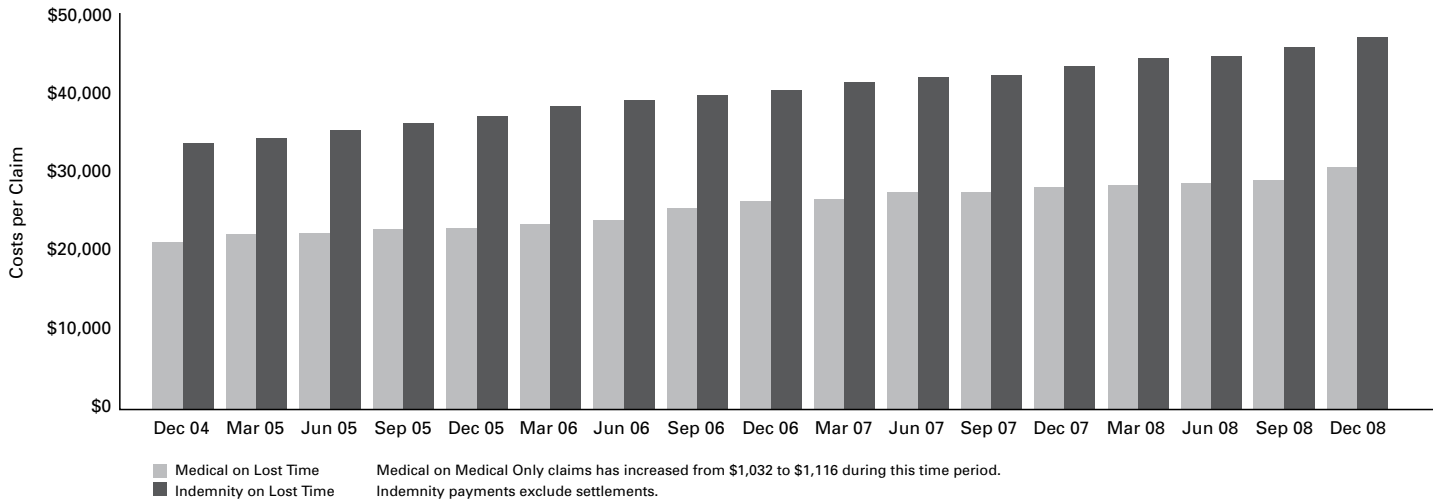
**Frequency - Reported semi-annually**



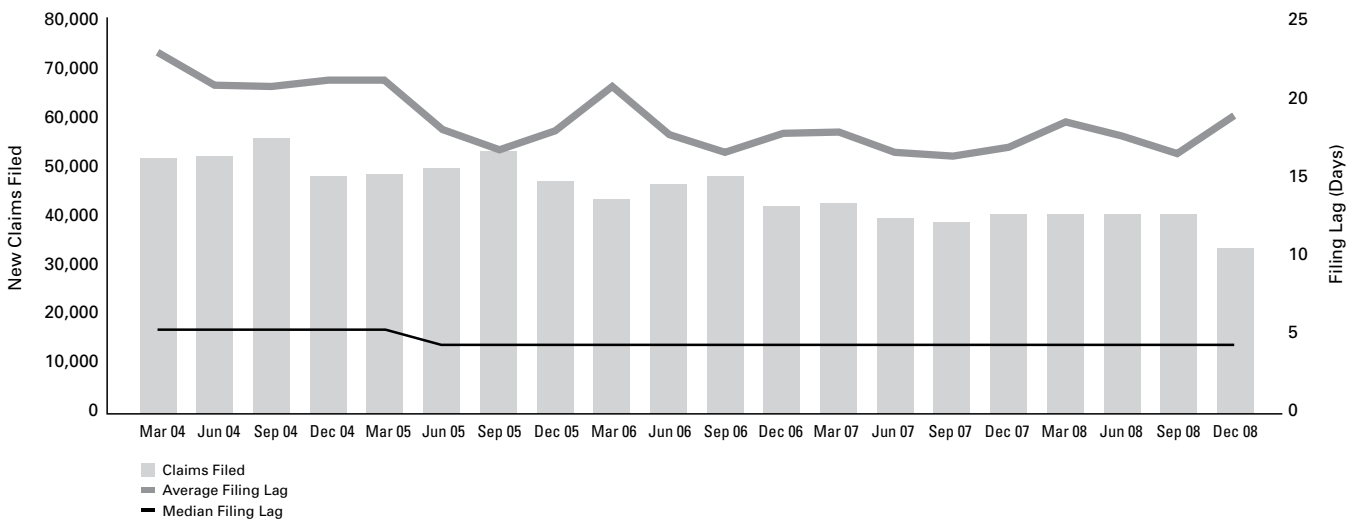
**Benefit Payments - Twelve months ended**



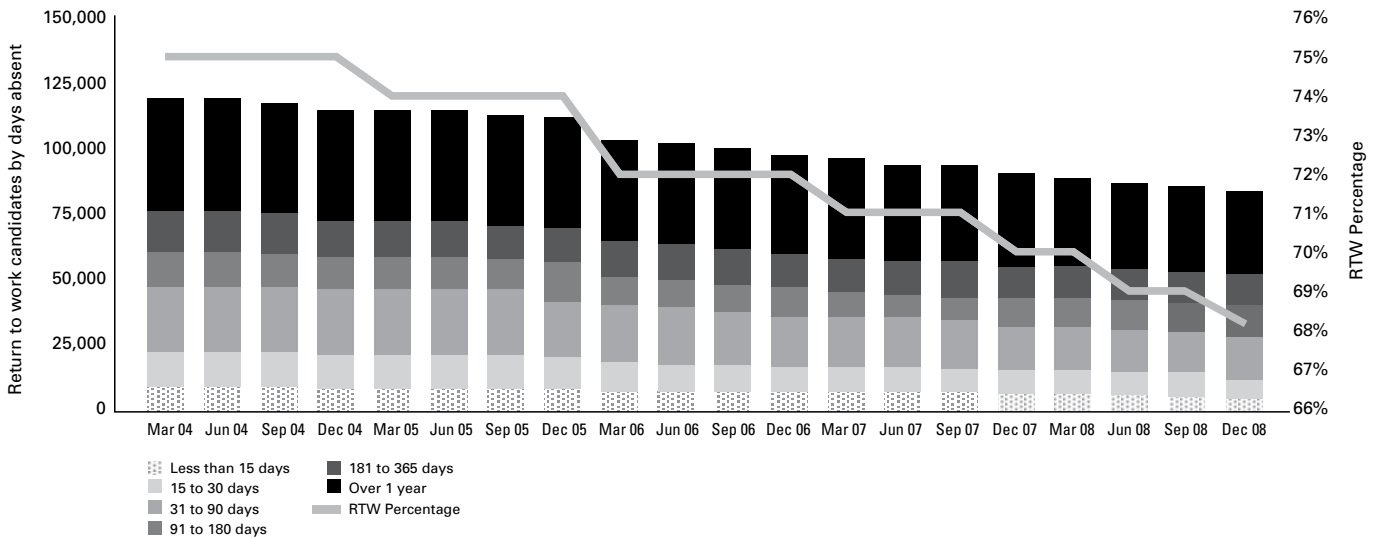
### Severity



### Claim Filing Lag



### Return to work

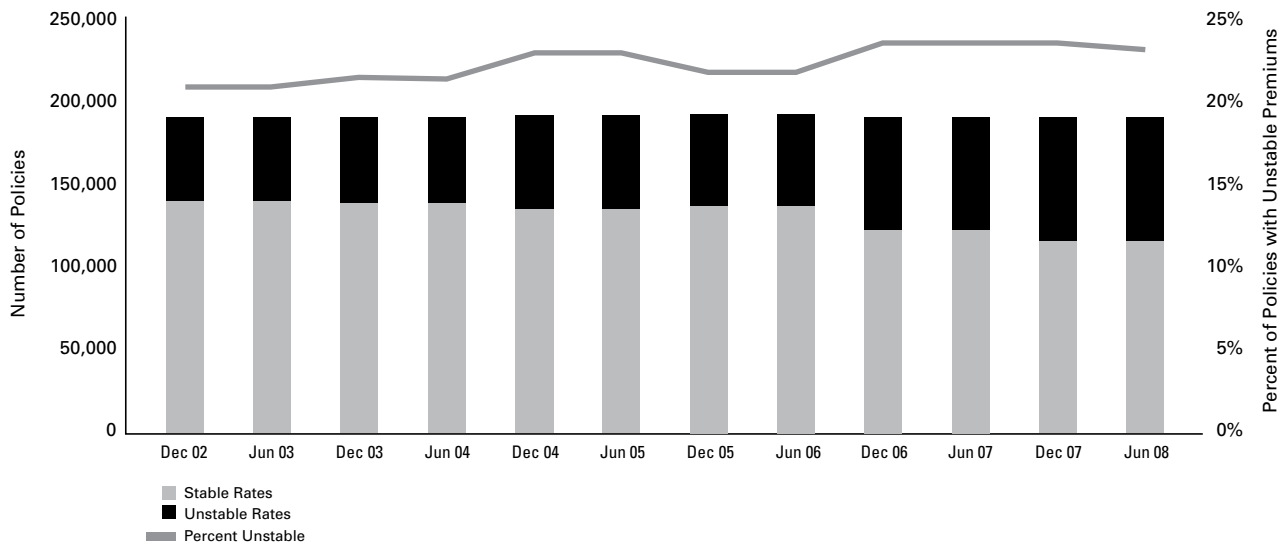


**Aggregate Reported Payroll – Twelve Months Ending**

(\$ 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.