

# 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.*

## September Financial Analysis

BWC's net assets decreased by \$923 million in September 2008 resulting in net assets of \$1.6 billion at September 30, 2008 compared to \$2.5 billion at August 31, 2008.

<i>(\$ in millions)</i>	Fiscal YTD Aug. 31, 2008	Month Ended Sept. 30, 2008	Fiscal YTD Sept. 30, 2008
Operating Revenues	\$364.7	\$181.5	\$546.2
Operating Expenses	483.5	240.0	723.5
Operating Transfer Out to ODNR	(1.7)	–	(1.7)
Net Operating Gain (Loss)	(120.5)	(58.5)	(179.0)
Net Investment Income	120.1	(864.4)	(744.3)
Increase (Decrease) in Net Assets	(0.4)	(922.9)	(923.3)
Net Assets End of Period	\$2,502.8	\$1,579.9	\$1,580.0

- o Net premium and assessment income of \$174 million, net of \$1 million in provision for uncollectibles, along with other income of \$8 million resulted in operating revenues of \$181 million in September. Other income is primarily penalties billed to private employers for the late filing and payment of premiums that were due on August 31.
- o Premium and assessment income in September included reductions of \$16 million from safety council participation credits granted to over 6,000 employers. Eligible employers participating in BWC's Safety Council Program earned a 2% premium discount.
- o Benefits and compensation adjustment expenses of \$232 million along with other expenses of \$8 million resulted in operating expenses of \$240 million in September 2008.
- o The \$947 million decrease in portfolio market value in September exceeded interest and dividend income of \$83 million for the month, resulting in a net investment loss of \$864 million for the month after investment expenses.
- o Premium and assessment collections were \$155 million in September or approximately \$52 million more than projected. This favorable variance is timing related as the last day (Aug. 31) for private employers to timely make premium payments fell on a holiday weekend.
- o Claim payments issued in September were \$164 million, including \$20 million in claim settlements.

## Fiscal Year-to-Year Comparisons

BWC's total net assets have decreased by \$923 million for fiscal year-to-date 2009 resulting in net assets of \$1.6 billion compared to \$2.7 billion at September 30, 2007.

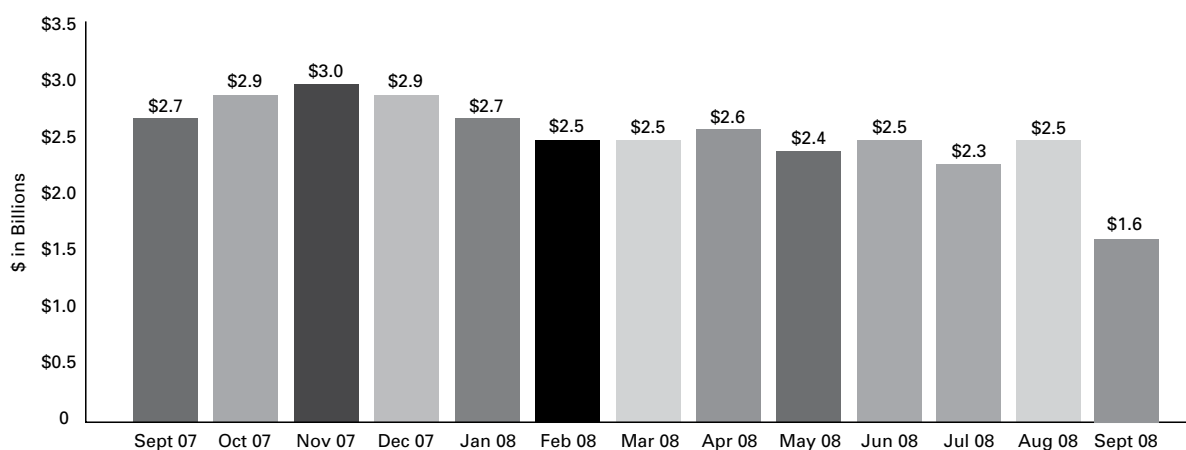
<i>(\$ in millions)</i>	Fiscal YTD Sept. 30, 2008	Projected FYTD Sept. 30, 2008	Fiscal YTD Sept. 30, 2007
Operating Revenues	\$546	\$549	\$615
Operating Expenses	723	799	846
Operating Transfer Out to ODNR	(2)	(2)	–
Net Operating Gain (Loss)	(179)	(252)	(231)
Net Investment Income	(744)	262	595
Increase (Decrease) in Net Assets	(923)	10	364
Net Assets End of Period	\$1,580	\$2,513	\$2,669

- o BWC's operating revenues for fiscal year-to-date 2009 were \$546 million, a decrease of \$69 million compared to fiscal year-to-date 2008. This is primarily due to lower accruals for unbilled premiums receivable because of lower than expected losses for state agency and self-insured employer groups and the Disabled Workers' Relief Fund. Changes in the safety council discount program resulted in premium reductions that were almost \$13 million less than the prior fiscal year. This year employers were eligible to earn a 2% premium discount for participation and a 2% performance bonus for reducing either frequency or severity of claims by 10% or more below the previous year, or maintaining both frequency and severity at the previous year's level. The participation discounts were posted in September and the performance bonuses are expected to be posted in December. Last fiscal year, employers were eligible to earn a 4% premium discount for participation in the safety council discount program.
- o Premium and assessment income is 3% or \$17 million less than projected.
- o Benefit and compensation adjustment expenses have decreased by \$121 million in fiscal year 2009 due to a decrease in the change in reserves for compensation and compensation adjustment expenses.
- o Claim payments have increased by almost \$1 million for fiscal year-to-date 2009 compared to the same period in fiscal year 2008. The increase is primarily due to increases of \$7 million in medical, \$3 million in percent permanent partial disability, and \$2 million in permanent total disability payments, and minor increases in other benefit types. These increases were partially off-set by a \$13 million decrease in settlement payments.
- o Benefit and compensation adjustment expenses are \$76 million or almost 10% 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 \$744 million, comprised of a \$1 billion decline in portfolio fair market value partially off-set by \$277 million of interest and dividend income net of \$936 thousand in investment expenses.
- o Cash used by operating activities is trending higher than prior fiscal year and projections. Fiscal year-to-date 2009 premium collections are \$17 million higher and cash disbursements for claims are \$4 million lower than the prior fiscal year. Fiscal year-to-date premium collections are 5% higher than projected while disbursements for claims are 4.5% lower than projected.

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

- o The impact of the increasingly unsettled financial markets has continued into October. The estimated decline in the net market value of BWC's investment portfolio through October 15, 2008 was over \$1 billion.
- o Cash disbursements will increase as payments are made to settle the remaining \$37 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.

Net Assets



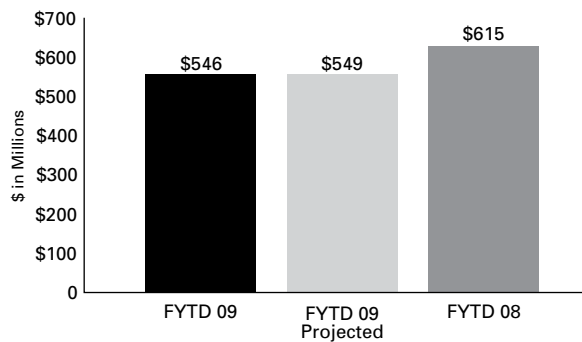
# Statement of Operations

Fiscal year to date September 30, 2008

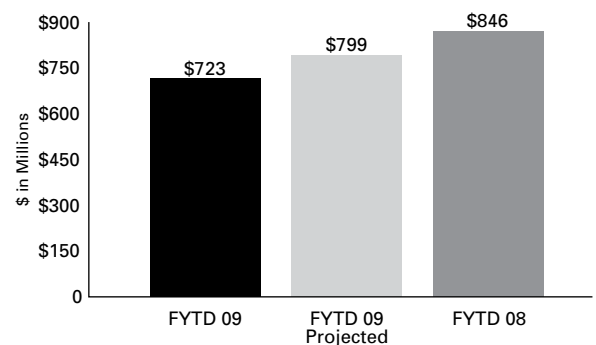
(in millions)

	Actual	Projected	Variance to Projected	Prior Yr. Actual	Year to Year Increase (Decrease)
<b>Operating Revenues</b>					
Premium & Assessment Income	\$551	\$568	\$(17)	\$628	\$(77)
Provision for Uncollectibles	(13)	(26)	13	(21)	8
Other Income	8	7	1	8	-
<b>Total Operating Revenue</b>	<b>546</b>	<b>549</b>	<b>(3)</b>	<b>615</b>	<b>(69)</b>
<b>Operating Expenses</b>					
Benefits & Compensation Adj. Expense	700	776	76	821	(121)
Other Expenses	23	23	-	25	(2)
<b>Total Operating Expenses</b>	<b>723</b>	<b>799</b>	<b>76</b>	<b>846</b>	<b>(123)</b>
<b>Operating Transfers</b>	<b>(2)</b>	<b>(2)</b>	<b>-</b>	<b>-</b>	<b>(2)</b>
<b>Net Operating Gain (Loss)</b>	<b>(179)</b>	<b>(252)</b>	<b>73</b>	<b>(231)</b>	<b>52</b>
<b>Net Investment Income</b>	<b>(744)</b>	<b>262</b>	<b>(1,006)</b>	<b>595</b>	<b>(1,339)</b>
<b>Increase (Decrease) in Net Assets</b>	<b>\$(923)</b>	<b>\$10</b>	<b>\$(933)</b>	<b>\$364</b>	<b>\$(1,287)</b>

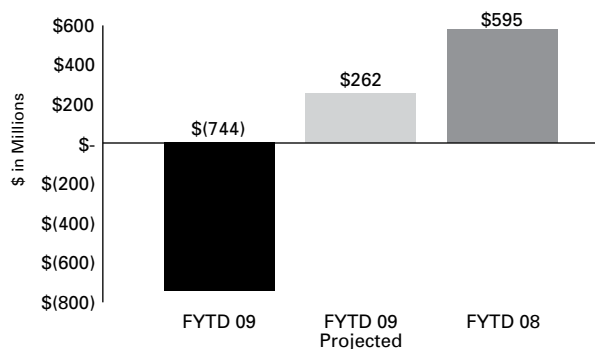
Operating Revenues



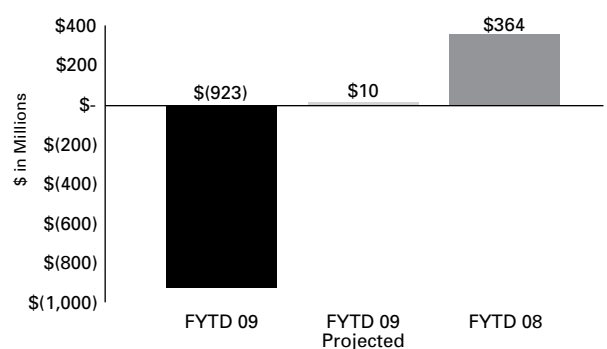
Operating Expenses



Net Investment Income (Loss)



Change in Net Assets



# Statement of Operations – Combining Schedule

Fiscal year to date September 30, 2008

(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	\$424,067	\$33,464	\$771	\$57	\$207	\$(129)	\$92,680	\$551,117
Provision for Uncollectibles	(6,656)	770	-	-	-	(40)	(7,259)	(13,185)
Other Income	6,985	-	-	-	-	-	1,318	8,303
<b>Total Operating Revenues</b>	<b>424,396</b>	<b>34,234</b>	<b>771</b>	<b>57</b>	<b>207</b>	<b>(169)</b>	<b>86,739</b>	<b>546,235</b>
<b>Operating Expenses:</b>								
Benefits & Compensation Adj Expenses	591,219	32,708	236	135	156	3,390	72,801	700,645
Other Expenses	5,821	62	14	-	47	1	16,937	22,882
<b>Total Operating Expenses</b>	<b>597,040</b>	<b>32,770</b>	<b>250</b>	<b>135</b>	<b>203</b>	<b>3,391</b>	<b>89,738</b>	<b>723,527</b>
Net Operating Income (Loss) before Operating Transfers Out	(172,644)	1,464	521	(78)	4	(3,560)	(2,999)	(177,292)
Operating Transfers Out	(485)	-	(1,745)	-	-	-	485	(1,745)
<b>Net Operating Income (Loss)</b>	<b>(173,129)</b>	<b>1,464</b>	<b>(1,224)</b>	<b>(78)</b>	<b>4</b>	<b>(3,560)</b>	<b>(2,514)</b>	<b>(179,037)</b>
<b>Investment Income:</b>								
Investment Income	253,027	18,131	3,840	126	94	308	1,114	276,640
Bonds – Realized & Unrealized Gains (Losses)	(677,835)	(49,599)	(10,472)	-	-	-	-	(737,906)
Equities – Realized & Unrealized Gains (Losses)	(260,224)	(17,822)	(4,074)	-	-	-	-	(282,120)
Total Realized & Unrealized Capital Gains (Losses)	(938,059)	(67,421)	(14,546)	-	-	-	-	(1,020,026)
Investment Manager & Operational Fees	(825)	(70)	(41)	-	-	-	-	(936)
Gain (Loss) on Disposal of Fixed Assets	-	-	-	-	-	-	(13)	(13)
Total Non-Operating Revenues, Net	(685,857)	(49,360)	(10,747)	126	94	308	1,101	(744,335)
<b>Increase (Decrease) in Net Assets (Deficit)</b>	<b>(858,986)</b>	<b>(47,896)</b>	<b>(11,971)</b>	<b>48</b>	<b>98</b>	<b>(3,252)</b>	<b>(1,413)</b>	<b>(923,372)</b>
<b>Net Assets (Deficit), Beginning of Period</b>	<b>2,206,922</b>	<b>848,727</b>	<b>179,339</b>	<b>19,350</b>	<b>13,431</b>	<b>8,919</b>	<b>(773,399)</b>	<b>2,503,289</b>
<b>Net Assets (Deficit), End of Period</b>	<b>\$1,347,936</b>	<b>\$800,831</b>	<b>\$167,368</b>	<b>\$19,398</b>	<b>\$13,529</b>	<b>\$5,667</b>	<b>\$(774,812)</b>	<b>\$1,579,917</b>

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

The deficit 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 September 30, 2008

(in thousands)

	Actual	Projected	Variance to Projected	Prior Yr. Actual	Year to Year Increase (Decrease)
<b>Investment Income</b>					
Bond Interest	\$255,798	\$190,473	\$65,325	\$170,838	\$84,960
Dividend Income—Domestic & International	17,655	17,250	405	11,817	5,838
Money Market/Commercial Paper Income	2,519	2,440	79	5,968	(3,449)
Misc. Income (Corp Actions, Settlements)	668	900	(232)	1,625	(957)
Private Equity	—	—	—	4,479	(4,479)
Securities Lending Income, Net of Fees	—	—	—	—	—
<b>Total Investment Income</b>	<u>276,640</u>	<u>211,063</u>	<u>65,577</u>	<u>194,727</u>	<u>81,913</u>
<b>Realized &amp; Unrealized Capital Gains and (Losses)</b>					
Bonds – Net Realized Gains (Losses)	(50,096)	—	(50,096)	(85,222)	35,126
Bonds – Net Unrealized Gains (Losses)	<u>(687,810)</u>	—	<u>(687,810)</u>	<u>422,701</u>	<u>(1,110,511)</u>
Subtotal – Bonds	<u>(737,906)</u>	—	<u>(737,906)</u>	<u>337,479</u>	<u>(1,075,385)</u>
Stocks – Net Realized Gains (Losses)	(51,840)	—	(51,840)	44,796	(96,636)
Stocks – Net Unrealized Gains (Losses)	<u>(230,280)</u>	<u>51,750</u>	<u>(282,030)</u>	<u>11,494</u>	<u>(241,774)</u>
Subtotal – Stocks	<u>(282,120)</u>	<u>51,750</u>	<u>(333,870)</u>	<u>56,290</u>	<u>(338,410)</u>
Net Gain (Loss) – PE	—	—	—	<u>7,929</u>	<u>(7,929)</u>
<b>Change in Portfolio Value</b>	<u>(1,020,026)</u>	<u>51,750</u>	<u>(1,071,776)</u>	<u>401,698</u>	<u>(1,421,724)</u>
<b>Investment Manager &amp; Operational Fees</b>	<u>(936)</u>	<u>(1,200)</u>	<u>264</u>	<u>(1,414)</u>	<u>(478)</u>
<b>Net Investment Income</b>	<u>\$744,322</u>	<u>\$261,613</u>	<u>\$(1,005,935)</u>	<u>\$595,011</u>	<u>\$(1,339,333)</u>

# Administrative Cost Fund Expense Analysis

September 2008

- o BWC Administrative Cost Fund expenses are approximately \$11.6 million (14%) less than budgeted and approximately 5% more than last fiscal year.
- o Changes in payroll within divisions varied due to vacant management positions that were filled in fiscal year 2009, vacancies resulting from the fiscal year 2008 Early Retirement Incentive, hiring controls implemented by OBM and positions moving due to reorganization.
- o The timing of the receipt of invoices for payment in fiscal year 2009 caused actual expenditures to be less than the amount budgeted through September. The Statewide implementation of the OAKS accounting system in fiscal year 2008 caused a delay in processing invoices in 2008.
- o Restrictions implemented for all state agencies concerning the purchase of equipment led to BWC closely evaluating equipment needs and the reduction of equipment purchases.
- o Positions not yet filled led to a reduction in the fiscal year 2009 budget as of September. The payroll budget will be increased as employees are hired.
- o BWC's current fiscal year 2009 budget is approximately \$23.9 million (7%) less than appropriated by the General Assembly.

# Administrative Cost Fund Budget Summary

As of September 30, 2008

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	14	243,588	243,897	309	0.13%	850,150	105,169	138,419	131.62%
Workers' Comp Council	1	28,669	28,669	0	0.00%	54,053	0	28,669	
BWC Administration	6	203,538	203,538	0	0.00%	802,190	123,784	79,754	64.43%
Customer Service	1,498	29,845,162	29,871,471	26,309	0.09%	112,049,132	31,820,196	(1,975,034)	-6.21%
Medical	139	3,125,080	3,127,348	2,268	0.07%	12,135,847	2,883,458	241,622	8.38%
Special Investigations	132	3,015,619	3,016,753	1,134	0.04%	11,412,607	3,025,028	(9,409)	-0.31%
Fiscal and Planning	66	1,285,225	1,304,471	19,246	1.48%	4,905,203	1,209,660	75,565	6.25%
Actuarial	19	442,369	441,222	(1,147)	-0.26%	1,686,294	408,257	34,112	8.36%
Investments	10	307,978	308,446	468	0.15%	1,318,931	261,023	46,955	17.99%
Infrastructure & Technology	312	8,024,525	8,078,969	54,444	0.67%	30,629,292	7,955,481	69,044	0.87%
Legal	77	1,756,925	1,756,925	0	0.00%	6,663,605	1,679,637	77,288	4.60%
Communications	31	768,181	767,210	(971)	-0.13%	2,826,731	743,723	24,458	3.29%
Human Resources	67	1,481,324	1,481,735	411	0.03%	5,656,668	962,375	518,949	53.92%
Internal Audit	13	349,707	350,039	332	0.09%	1,348,548	426,761	(77,054)	-18.06%
Ombuds Office	10	138,362	138,675	313	0.23%	635,135	88,076	50,286	57.09%
Early Retirement Expenses		0	0	0	0.00%	0	51,656	(51,656)	-100.00%
<b>Total Payroll</b>	<b>2,395</b>	<b>51,016,252</b>	<b>51,119,368</b>	<b>103,116</b>	<b>0.20%</b>	<b>192,974,386</b>	<b>51,744,284</b>	<b>(728,032)</b>	<b>-1.41%</b>
<b>Personal Services</b>									
Information Technology		1,852,896	3,337,508	1,484,612	44.48%	13,502,331	1,377,913	474,983	34.47%
Legal - Special Counsel		42,152	393,211	351,059	89.28%	1,564,843	0	42,152	
Legal - Attorney General		1,003,658	1,111,022	107,364	9.66%	4,444,085	0	1,003,658	
Other Personal Services		1,027,050	2,538,429	1,511,379	59.54%	7,740,119	649,340	377,710	58.17%
<b>Total Personal Services</b>		<b>3,925,756</b>	<b>7,380,170</b>	<b>3,454,414</b>	<b>46.81%</b>	<b>27,251,378</b>	<b>2,027,253</b>	<b>1,898,503</b>	<b>93.65%</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		4,303,297	4,861,083	557,786	11.47%	12,996,444	4,342,722	(39,425)	-0.91%
Software and Equipment Maintenance and Repairs		4,905,272	4,819,170	(86,102)	-1.79%	19,180,723	2,600,574	2,304,698	88.62%
Inter Agency Payments		566,847	1,315,034	748,187	56.89%	4,336,452	922,712	(355,865)	-38.57%
Communications		1,046,680	1,804,513	757,833	42.00%	6,977,919	672,565	374,115	55.63%
Safety Grants and Long Term Care Loan		727,893	1,500,000	772,107	51.47%	6,000,000	341,154	386,739	113.36%
Supplies and Printing		316,350	717,865	401,515	55.93%	3,186,593	259,359	56,991	21.97%
Other Maintenance		703,728	939,150	235,422	25.07%	3,756,883	873,133	(169,405)	-19.40%
<b>Total Maintenance</b>		<b>13,074,604</b>	<b>16,478,252</b>	<b>3,403,648</b>	<b>20.66%</b>	<b>75,339,728</b>	<b>10,591,641</b>	<b>2,482,963</b>	<b>23.44%</b>
<b>Equipment</b>									
		18,609	4,732,051	4,713,442	99.61%	9,680,856	282,055	(263,446)	-93.40%
<b>Total Administrative Cost Fund Expenses</b>		<b>68,035,221</b>	<b>79,709,841</b>	<b>11,674,620</b>	<b>14.65%</b>	<b>305,246,348</b>	<b>64,645,233</b>	<b>3,389,988</b>	<b>5.24%</b>

Total Agency Appropriation 329,210,479  
 Budget to Appropriation Variance 23,964,131  
 Percentage Variance 7.28%

# State Insurance Fund

## Administrative Expense Summary

As of September 30, 2008

	Actual FYTD 2009	Encumbrance Balance	FYTD Actual & Encumbrance	Encumbrance Closing Date	Actual FYTD 2008
<b>Investment Administrative Expenses</b>					
UBS Securities LLC	\$0	\$1,224,547	\$1,224,547	6/30/08	\$464,610
Wilshire Associates Inc.	0	0	0	2/24/08	163,250
JP Morgan Chase - Performance Reporting	21,750	61,984	83,734	6/30/08	0
Mercer Investment Consulting	79,166	442,327	521,493	6/30/09	0
Other Investment Expenses	50,369	402,640	453,009	6/30/08	36,895
	151,285	2,131,498	2,282,783		664,755
<b>Actuarial Expenses</b>					
Oliver Wyman	347,144	1,160,313	1,507,457	12/31/09	217,723
Deloitte Consulting LLP	1,085,109	464,985	1,550,094	12/31/08	0
AON Risk Consultants	0	0	0		263,599
	1,432,253	1,625,298	3,057,551		481,322
<b>Ohio Rehabilitation Services</b>	605,407	0	605,407	6/30/09	0
<b>TOTAL</b>	<b>\$2,188,945</b>	<b>\$3,756,796</b>	<b>\$5,945,741</b>		<b>\$1,146,077</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.

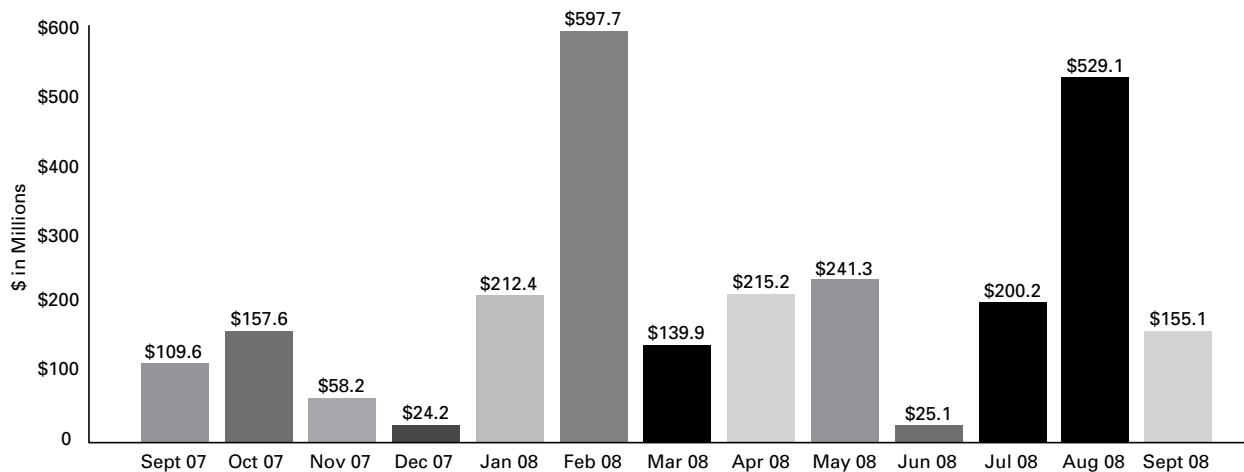
# Statement of Cash Flows

Fiscal year to date September 30, 2008

(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	\$884	\$840	\$44	\$867	\$17
Cash Receipts - Other	7	7	-	5	2
Cash Disbursements for Claims	(531)	(556)	25	(535)	4
Cash Disbursements for Other	(118)	(115)	(3)	(112)	(6)
<b>Net Cash Provided (used) by Operating Activities</b>	<b>242</b>	<b>176</b>	<b>66</b>	<b>225</b>	<b>17</b>
<b>Net Cash Flows from Noncapital Financing Activities</b>	<b>(2)</b>	<b>(1)</b>	<b>(1)</b>	<b>-</b>	<b>(2)</b>
<b>Net Cash Flows from Capital and Related Financing Activities</b>	<b>(3)</b>	<b>(2)</b>	<b>(1)</b>	<b>(4)</b>	<b>1</b>
<b>Net Cash Provided (used) by Investing Activities</b>	<b>(9)</b>	<b>5</b>	<b>(14)</b>	<b>89</b>	<b>(98)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>228</b>	<b>178</b>	<b>50</b>	<b>310</b>	<b>(82)</b>
<b>Cash and Cash Equivalents, Beginning of Period</b>	<b>378</b>	<b>378</b>	<b>-</b>	<b>328</b>	<b>50</b>
<b>Cash and Cash Equivalents, End of Period</b>	<b>\$606</b>	<b>\$556</b>	<b>\$50</b>	<b>\$638</b>	<b>\$(32)</b>

## Premium and Assessment Receipts



# Statement of Net Assets

As of September 30, 2008

(in millions)

	Actual	Prior Yr. Actual	Year to Year Increase (Decrease)
<b>Assets</b>			
Bonds	\$13,278	\$13,454	\$(176)
Stocks	2,913	3,066	(153)
Private Equities	2	376	(374)
Cash & Cash Equivalents	606	638	(32)
Total Cash and Investments	16,799	17,534	(735)
Accrued Premiums	4,087	4,432	(345)
Other Accounts Receivable	326	273	53
Investment Receivables	194	301	(107)
Other Assets	117	120	(3)
<b>Total Assets</b>	<b>21,523</b>	<b>22,660</b>	<b>(1,137)</b>
<b>Liabilities</b>			
Reserve for Compensation and Compensation Adj. expense	\$19,577	\$19,534	\$43
Accounts Payable	53	68	(15)
Investment Payable	67	154	(87)
Other Liabilities	246	235	11
<b>Total Liabilities</b>	<b>19,943</b>	<b>19,991</b>	<b>(48)</b>
<b>Net Assets</b>	<b>\$1,580</b>	<b>\$2,669</b>	<b>\$(1,089)</b>

# Statement of Net Assets – Combining Schedule

As of September 30, 2008

(in thousands)

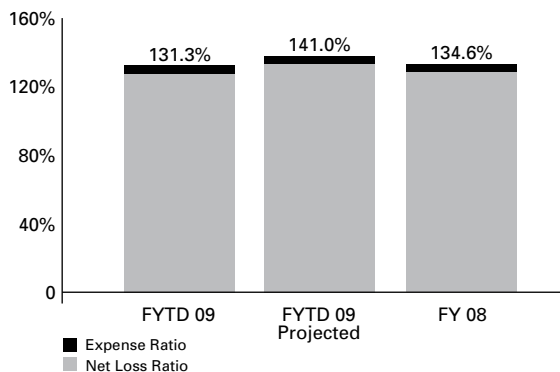
	State Insurance Fund Account	Disabled Workers' Relief Fund Account	Coal-Workers Pneumoconiosis Fund Account	Public Work Relief Employees' Fund Account	Marine Industry Fund Account	Self-Insuring Employers' Guaranty Fund Account	Administrative Cost Fund Account	Eliminations	Totals
<b>Assets</b>									
Bonds	\$12,213,573	\$ 879,623	\$ 184,263	\$ –	\$ –	\$ –	\$ –	\$ –	\$13,277,459
Stocks	2,687,192	184,062	41,972	–	–	–	–	–	2,913,226
Private Equities	1,997	–	–	–	–	–	–	–	1,997
Cash & Cash Equivalents	<u>492,263</u>	<u>9,664</u>	<u>2,013</u>	<u>22,714</u>	<u>17,091</u>	<u>56,850</u>	<u>5,631</u>	<u>–</u>	<u>606,226</u>
Total Cash & Investments	\$15,395,025	\$ 1,073,349	\$ 228,248	\$ 22,714	\$ 17,091	\$ 56,850	\$ 5,631	\$ –	\$16,798,908
Accrued Premiums	1,681,738	1,536,585	–	235	–	664,639	203,973	–	4,087,170
Other Accounts Receivable	251,808	26,121	23	–	–	(1,571)	49,997	–	326,378
Interfund Receivables	12,729	69,388	552	28	25	1,694	98,077	(182,493)	–
Investment Receivables	176,843	13,976	3,066	42	31	100	–	–	194,058
Other Assets	<u>25,854</u>	<u>22</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>90,761</u>	<u>–</u>	<u>116,637</u>
<b>Total Assets</b>	<b>\$17,543,997</b>	<b>\$ 2,719,441</b>	<b>\$ 231,889</b>	<b>\$ 23,019</b>	<b>\$ 17,147</b>	<b>\$ 721,712</b>	<b>\$ 448,439</b>	<b>\$ (182,493)</b>	<b>\$21,523,151</b>
<b>Liabilities</b>									
Reserve for Comp and Comp Adj. expense	\$15,788,064	\$ 1,901,789	\$ 62,793	\$ 3,612	\$ 3,203	\$ 713,796	\$1,103,876	\$ –	\$19,577,133
Accounts Payable	52,478	–	–	–	–	–	500	–	52,978
Investment Payable	60,297	5,605	899	–	–	–	–	–	66,801
Interfund Payables	168,900	11,146	85	9	104	2,249	–	(182,493)	–
Other Liabilities	<u>126,322</u>	<u>70</u>	<u>744</u>	<u>–</u>	<u>311</u>	<u>–</u>	<u>118,875</u>	<u>–</u>	<u>246,322</u>
<b>Total Liabilities</b>	<b>16,196,061</b>	<b>1,918,610</b>	<b>64,521</b>	<b>3,621</b>	<b>3,618</b>	<b>716,045</b>	<b>1,223,251</b>	<b>(182,493)</b>	<b>19,943,234</b>
<b>Net Assets</b>	<b>\$ 1,347,936</b>	<b>\$ 800,831</b>	<b>\$ 167,368</b>	<b>\$ 19,398</b>	<b>\$ 13,529</b>	<b>\$ 5,667</b>	<b>\$ (774,812)</b>	<b>\$ –</b>	<b>\$ 1,579,917</b>

# Financial Performance Metrics

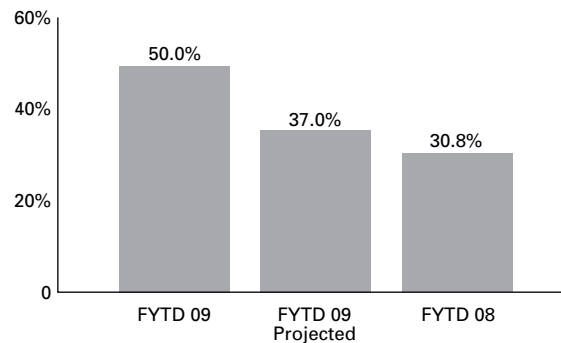
	Actual FY09 As of 9/30/08	Projected FY09 As of 9/30/08	Actual FY08 As of 9/30/07	Target
Loss Ratio	105.3%	112.1%	112.0%	
LAE Ratio – MCO	8.5%	9.5%	7.7%	
LAE Ratio – BWC	13.3%	15.3%	11.0%	
<b>Net Loss Ratio</b>	127.1%	136.9%	130.7%	120.0%
Expense Ratio	4.2%	4.1%	3.9%	5.0%
<b>Combined Ratio</b>	131.3%	141.0%	134.6%	125.0%
Net Investment Income Ratio	50.0%	37.0%	30.8%	
<b>Operating Ratio (Trade Ratio)</b>	81.3%	104.0%	103.8%	100.0%
<b>Operating Cashflow Ratio</b>	183.2%	157.6%	166.6%	118.0%
<b>Total Reserves to Net Assets</b>	12 to 1	8 to 1	7 to 1	7 to 1
<b>Investments to Loss Reserves</b>	85.8%	90.4%	89.8%	110.0%
<b>Equities to Net Assets</b>	1.84 to 1	1.29 to 1	1.15 to 1	
<b>Bonds to Net Assets</b>	8.4 to 1	5.5 to 1	5.0 to 1	

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.

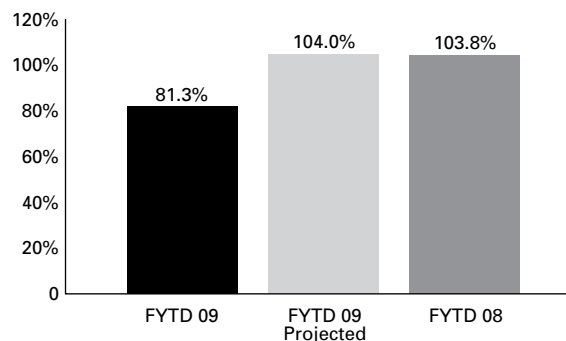
**Combined Ratio**



**Investment Income Ratio**

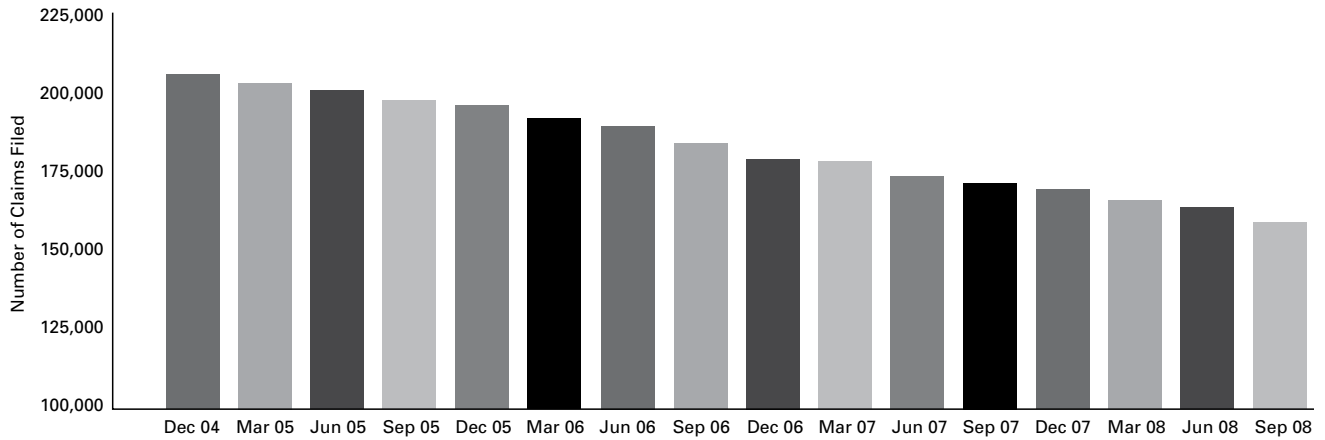


**Operating Ratio**

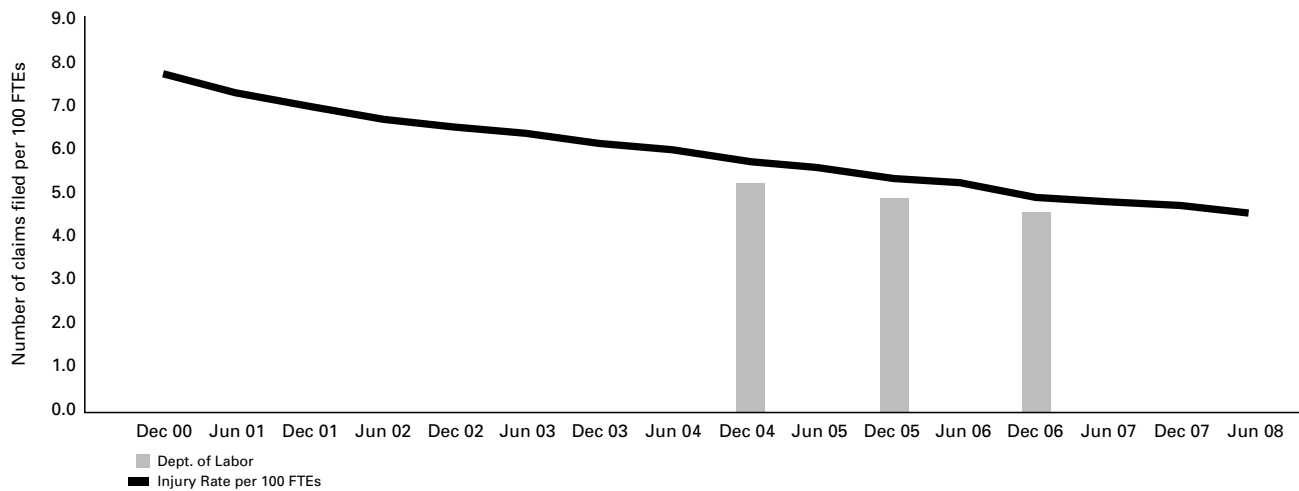


# Operational Performance Metrics

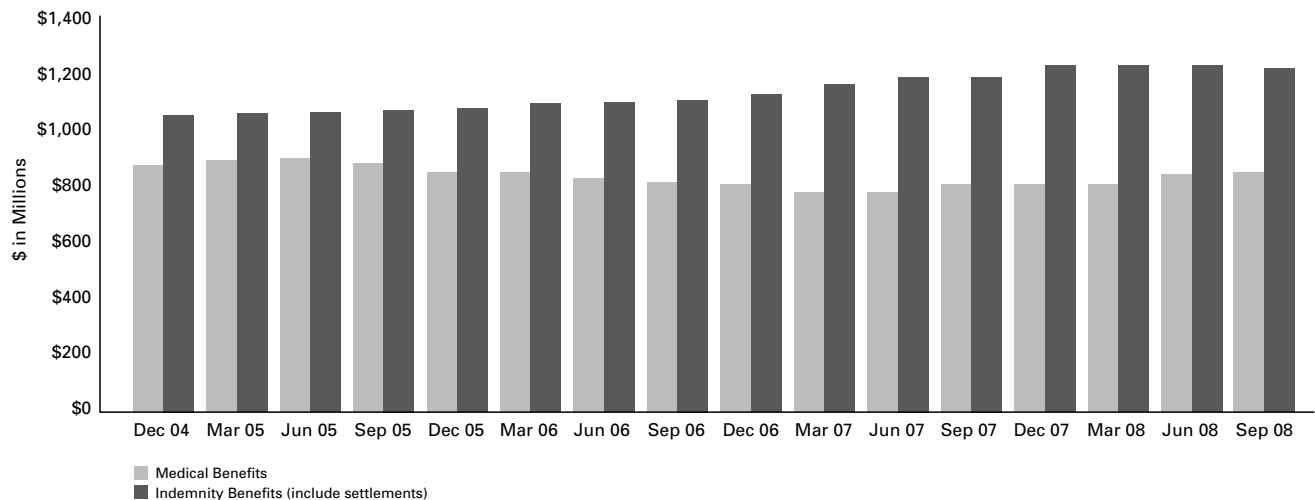
**New Claims Filed - Twelve months ended**



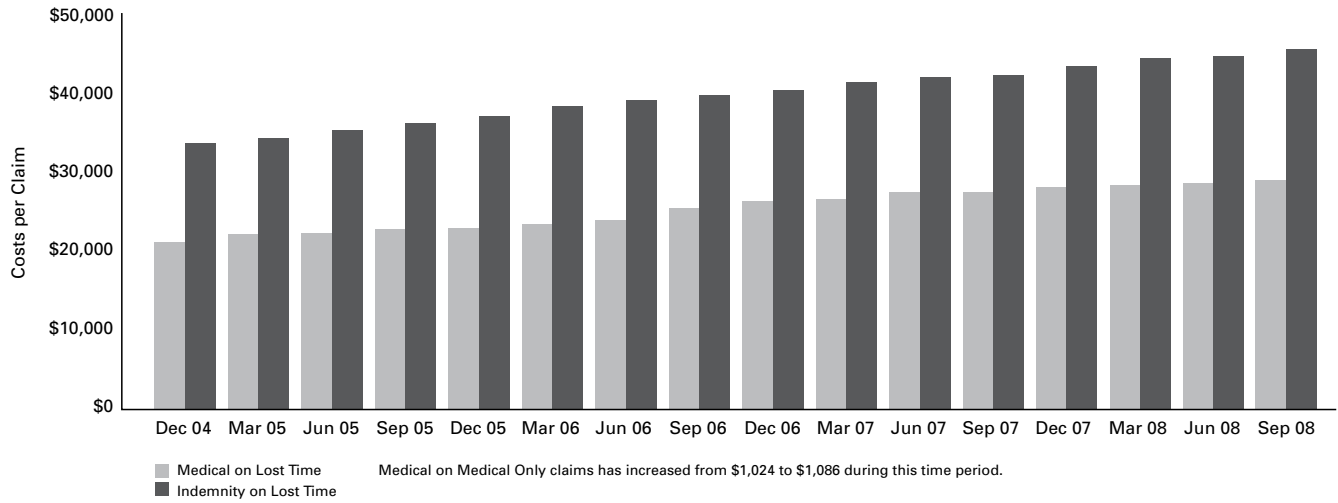
**Frequency - Reported semi-annually**



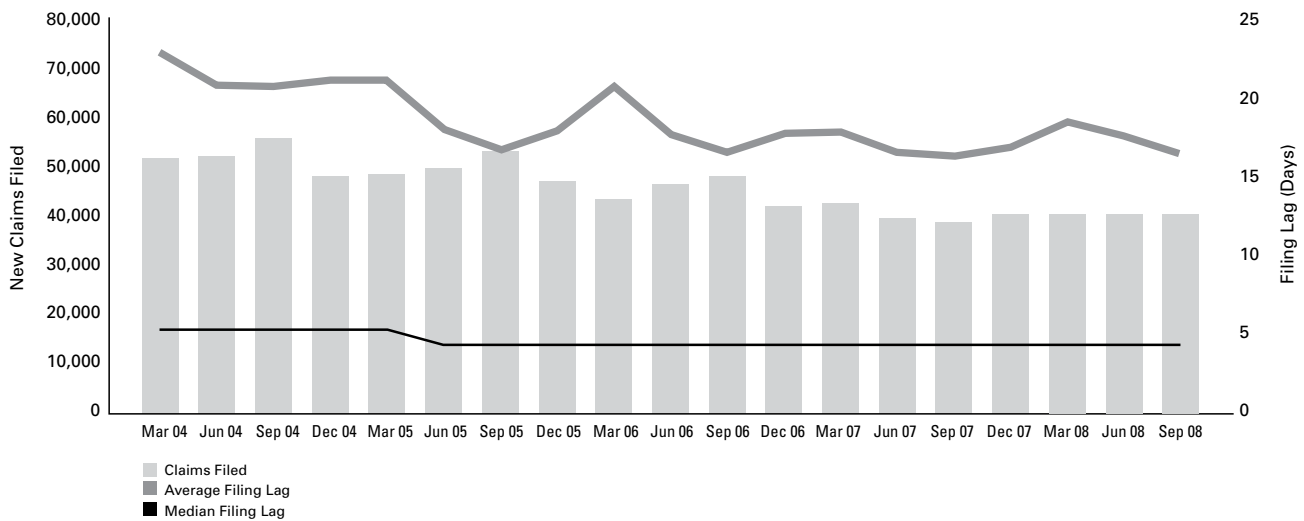
**Benefit Payments - Twelve months ended**



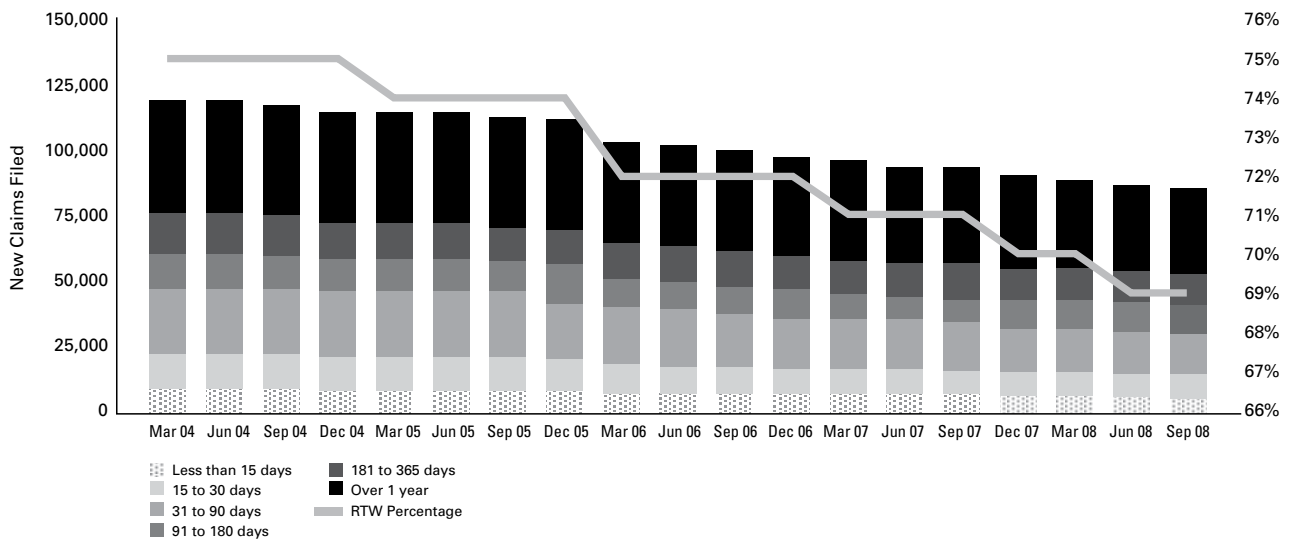
### Severity



### Claim Filing Lag



### Return to work

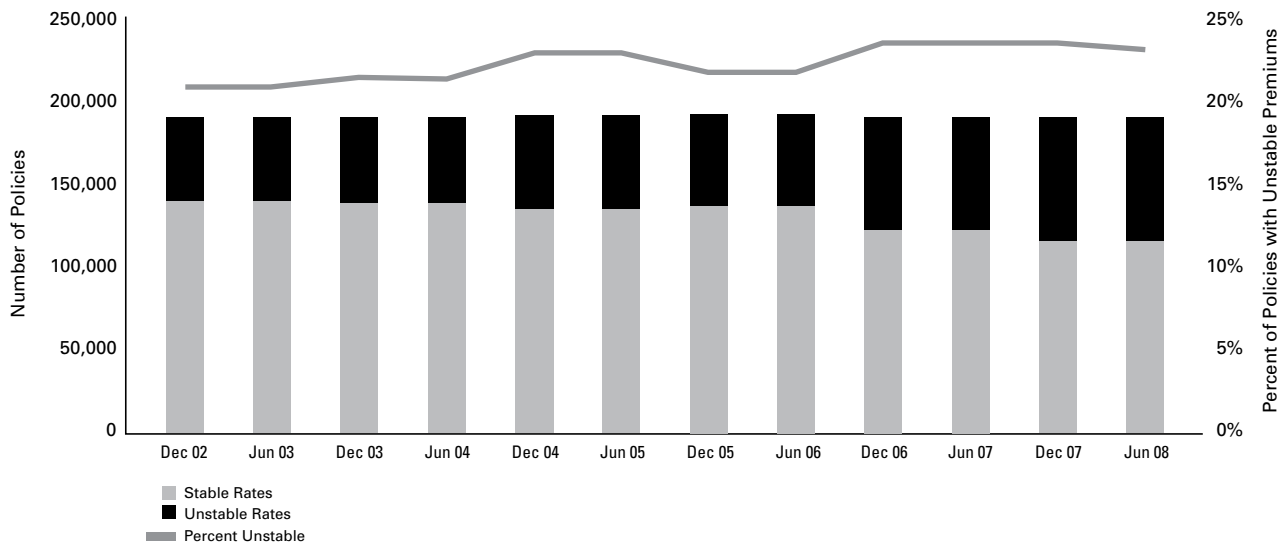


**Aggregate Reported Payroll – Twelve Months Ending**

(\$ 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.

## **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.