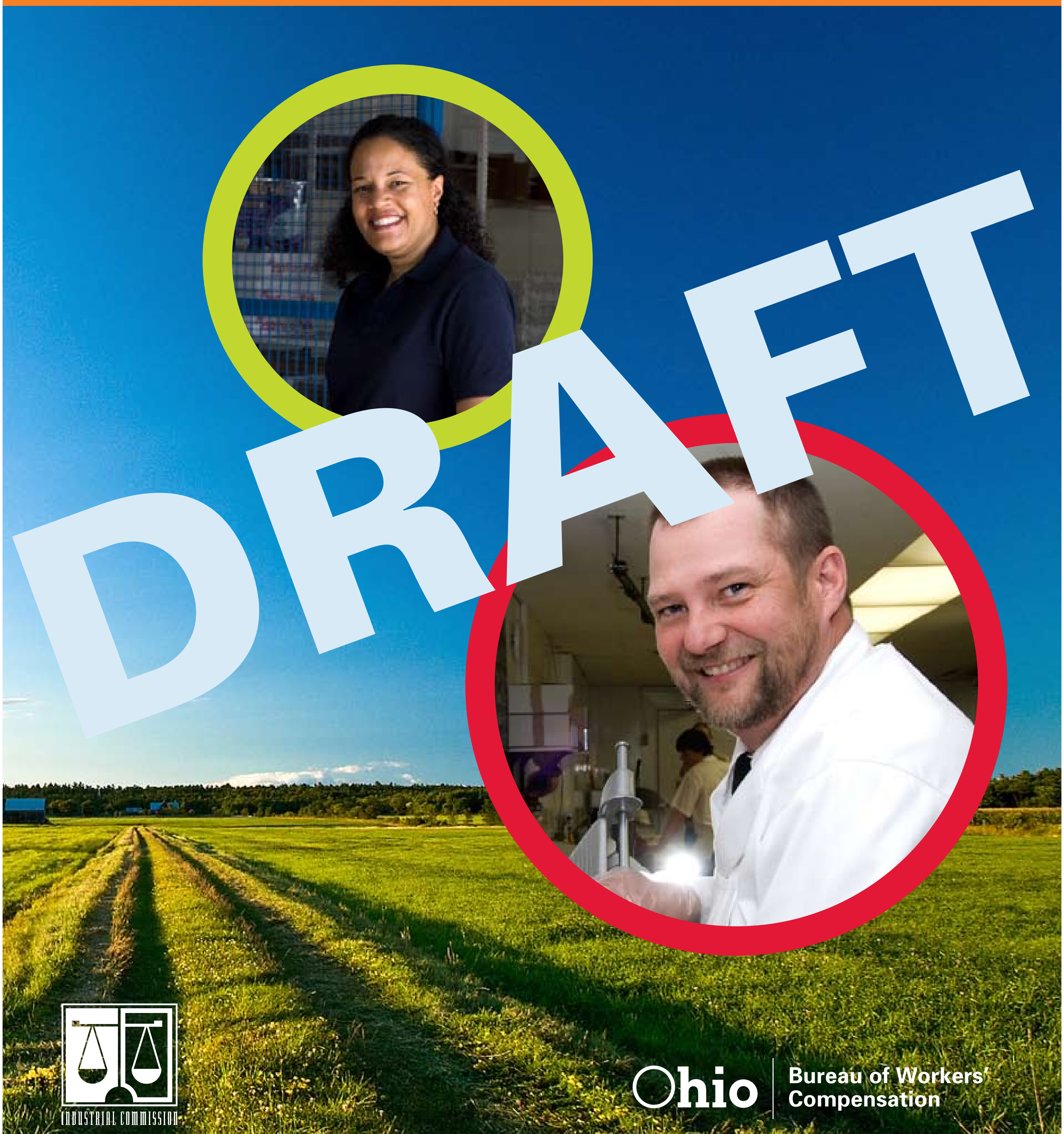
Annual Report

July 1, 2007 to June 30, 2008



Mission statements

BWC — To protect injured workers and employers from loss as a result of workplace accidents, and to enhance the general health and well-being of Ohioans and the Ohio economy

IC — To serve injured workers and Ohio employers through expeditious and impartial resolution of issues arising from workers' compensation claims and through establishment of adjudication policy

Ohio Bureau of Workers' Compensation
30 W. Spring St.
Columbus, OH 43215-2256
ohiobwc.com
1-800-OHIOBWC

Industrial Commission of Ohio
30 W. Spring St., 7th floor
Columbus, OH 43215-2233
www.ohioic.com
800-521-2691

BWC and the IC

Trustees of Ohio's workers' comp system

Two separate agencies administer Ohio's workers' compensation system: the Ohio Bureau of Workers' Compensation (BWC) and the Industrial Commission of Ohio (IC). BWC is the administrative and insurance arm. The IC is the claims adjudicative branch.

BWC collects workers' compensation insurance premiums from employers, oversees the insurance system, and pays compensable claims to injured workers. The IC steps in to resolve any disputes that arise from a workers' comp claim.

Joint BWC/IC annual report

To ensure fairness and impartially within the system, BWC and the IC operate as independent agencies. However, the law requires BWC to prepare and publish an annual report for both agencies each year. [Ohio Revised Code (ORC) 4123.22] This joint BWC/IC annual report fulfills this requirement for the fiscal year starting July 1, 2007 through June 30, 2008.

Comprehensive reporting

In addition to this document, BWC publishes reports for audiences ranging from the governor and the statehouse, to stakeholders and the public. To maintain transparency, BWC has rolled most of these reports into one package this year. So this annual report packet also includes the items listed below.

- Restoring Operational Excellence — Comprehensive, Customer-Focused Reform of Ohio Workers' Compensation System
- BWC's Division of Safety & Hygiene annual report
- BWC's Special Investigations Unit annual report
- Outcomes and Savings of the Health Partnership Program (semi-annual report)
- Annual actuarial audit
- Annual actuarial audit appendix

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BWC — Restoring operational excellence

Administrator's letter

BWC has worked diligently during the past year to significantly improve our operations. We aim to make Ohio's workers' compensation system more competitive. We also strive to become an asset for Ohio's employers and workers.

Given the state of today's economy, we recognize the extra challenges our customers face. Ohio's employers and workers need us now more than ever. We believe BWC has an important part to play in helping to make Ohio a better place to live and work. Our efforts reflect our commitment to turning this belief into reality.

On Jan. 24, 2008, we introduced a new mission statement and a new strategic direction for BWC. Then together with new leadership and a new board of directors, in May 2008 we rolled out a comprehensive plan — *Restoring Operational Excellence* — to better serve our customers. For employers, it starts with offering a simple, transparent system that provides increasingly accurate rates. It continues with affording all businesses a variety of choices to reduce risk through performance. Finally, it involves providing competitive rates that enable Ohio to attract capital and new opportunities.

We have accomplished a lot this last year. We've launched MIRA II, a system that provides more responsive, accurate claims reserves. We have also made changes to Ohio's group-rating program while preserving many of its benefits. Furthermore, we've charted a path toward lowering base rates by beginning a transition to a multi-split experience-rating plan. This plan will more appropriately take into account the frequency as well as the severity of claims. Finally, we have continued to add value by offering employers' cost-saving management and safety training at Workers' Compensation University and Ohio Safety Congress & Expo classes.

At the same time, BWC has made strides to improve services for injured workers. We've expanded our outreach to recruit topnotch providers to provide timely, accurate care. In addition, we are studying our claimants' journeys to learn how to better combine technology and human resources to produce more efficient and positive outcomes for all workers. This effort will allow injured workers to get back to work and resume normal, healthy and fulfilling lives more quickly and safely than before.

Although we've made progress, a great deal of work remains. Nevertheless, I'm proud of how much we have accomplished in our endeavor to restore operational excellence at BWC. I look forward to continuing our work in the future.

Sincerely,

Marsha P. Ryan

Marsha P. Ryan
BWC Administrator

Operational overview

About us

BWC provides work force insurance coverage for approximately 270,000 of the state's public and private employers. The State Insurance Fund covers medical expenses and lost wages for approximately two-thirds of Ohio workers. The remaining third receives workers' compensation coverage directly through their employers, which are part of a self-insurance program guided by strict qualifications set by BWC.

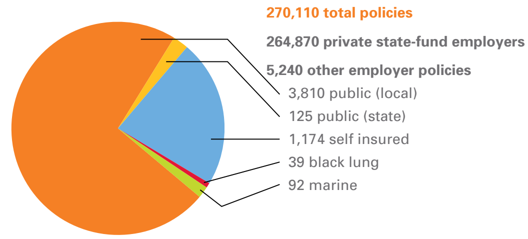
When a workplace accident occurs, we respond to the needs of the injured worker and employer to ensure a safe and timely return to work for the injured employee. We pay benefits on behalf of Ohio's employers in exchange for biannual premium payments, which should help protect them from the financial shock of any sudden, costly workplace accident.

In fiscal year 2008, we processed 159,611 claims of which 143,199 were allowed. The majority of these claims (122,540) required only payments for medical treatment, while an additional 18,738 claims required wage replacement or indemnity payments. There were 1,685 claims related to occupational diseases and, tragically, 236 workers lost their lives while on the job.

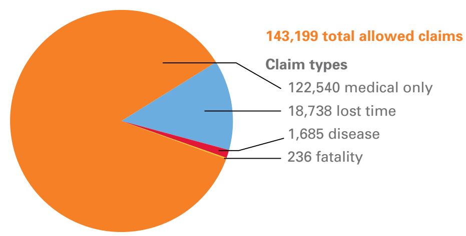
To meet the needs of injured workers and to control premium costs for employers, we are also active in the investment markets to generate additional revenue to the State Insurance Fund — the primary fund into which employers pay. In fiscal year 2008, we generated approximately $720 million in investment income and the State Insurance Fund earned a return of 4.7 percent.

By pairing positive investment returns with better medical cost-containment, aggressive collection efforts and more effective claims management, we will further strengthen our financial footing in the future and, in turn, provide greater peace of mind to our customers.

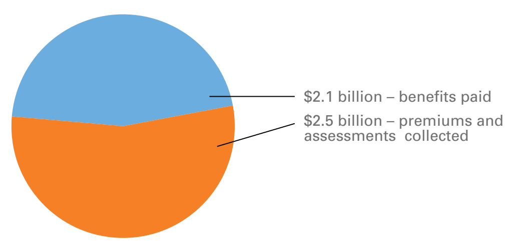
Employer policy totals and types



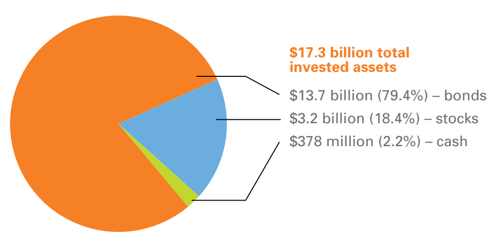
Claim totals and types



Premiums collected and benefits paid



Investment asset allocation



Source: BWC data warehouse. All statistics are as of June 30, 2008.

BWC Board of Directors

Created by legislation in Ohio House Bill 100 (HB 100) and appointed by Gov. Strickland, the BWC Board of Directors provides greater professional expertise, strengthened accountability, transparency and a broad representation of our customers. As fiduciaries of Ohio's workers' compensation system, the board provides independent verification of our financial and operational performance. It also has direct authority in advising BWC's administrator and setting the agency's overall policies.

Board members represent the interests of Ohio workers and employers, and the public at large. All 11 members have full voting rights, and HB 100 requires that four members of this new board must have specific expertise in the areas of investments (two members), accounting and actuarial science. The board has three committees mandated by law: an actuarial, audit and investment committee that convene monthly. There is also a governance committee, which the board created to oversee its operations.

William Lhota, chair of the board

Lhota, of Worthington, has been president and CEO of the Central Ohio Transit Authority (COTA) since 2004. Lhota previously spent 37 years at American Electric Power, where he served in various management positions.

James Harris, vice chair of the board

Harris, of Gahanna, works part-time for the United Auto Workers (UAW) on workers' compensation legislation. He retired in 2003 after more than 20 years of experience on the UAW international staff. Harris also served as the director of the Ohio Department of Industrial Relations from 1983 to 1991.

Chair of the board
William Lhota
Represents self-insured employers
Term expires June 12, 2010

Vice chair of the board
James Harris
Represents employee organizations
Term expires June 12, 2010

Charles Bryan
Chair of the Actuarial Committee, actuary
Term expires June 12, 2010

David Caldwell
Represents employee organizations
Term expires June 12, 2009

Alison Falls
Chair of the Governance Committee, investment and securities expert
Term expires June 12, 2010

Thomas Pitts
Represents employees
Term expires June 12, 2011

Kenneth Haffey
Chair of the Audit Committee, certified public accountant
Term expires June 12, 2009

James Hummel
Represents state-fund employers with more than 100 employees
Term expires June 12, 2011

Jim Matesich
Represents state-fund employers with fewer than 100 employees
Term expires June 12, 2009

Larry Price
Represents the public
Term expires June 12, 2011

Robert Smith
Chair of the Investment Committee, investment and securities expert
Term expires June 12, 2009

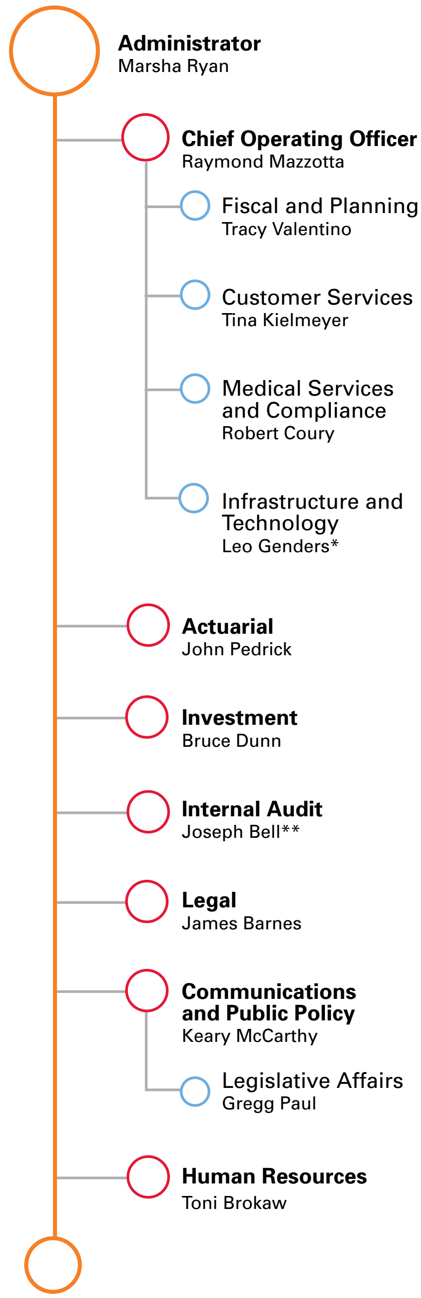
BWC executive leadership

Administrator
Marsha Ryan

Appointed by Gov. Strickland, Ryan is charged with leading BWC in achieving our mission to protect injured workers and employers from loss as a result of workplace accidents and to enhance the general health and well-being of Ohioans and the Ohio economy. With an outstanding dedication to quality customer service, Ryan is leading efforts to make BWC more responsive and accountable to Ohio's injured workers and employers.

Chief Operating Officer
Raymond Mazzotta

As COO, Mazzotta strives to ensure our operational divisions work together seamlessly to effectively meet the needs of injured workers, employers and medical providers. He manages the Fiscal and Planning, Customer Services, Medical Services and Compliance, and Infrastructure and Technology divisions.



Listing above is as of June 30, 2008

* *Thomas Croyle (as of Dec. 1, 2008)*

** *Caren Murdock (as of Dec. 1, 2008)*

Comprehensive, customer-focused reform

Comprehensive reform starts by identifying a clear organizational mission. In January 2008, we announced a new mission statement that clearly outlines the core values we must provide for Ohio's injured workers and employers.

Our new mission is to protect injured workers and employers from loss as a result of workplace accidents, and to enhance the general health and well-being of Ohioans and the Ohio economy.

This mission statement reflects a renewal of the founding principle of loss protection that brought both business and labor together to establish a constitutionally protected workers' compensation system.

Before the system was established, employers faced the financial burden of large punitive damages and injured workers faced the financial burden of lost work and wages. This instability hurt both groups and adversely impacted Ohio's quality of life and economic prosperity.

Establishing our performance objectives

Our new mission statement not only captures the key purpose for which BWC was founded; it also defines the desired outcomes of enhancing the health and well-being of Ohioans and the Ohio economy. Clearly defining our organizational mission and value, as well as understanding our purpose and the desired outcomes of our efforts, allows us to set proper performance objectives.

- As a result, we have identified four areas of focus for comprehensive improvements to the system.
- Provide stable costs to avoid unexpected financial hardship for employers.
- Develop better services to clearly demonstrate BWC's value and enhance Ohio's quality of life.
- Establish accurate rates to fairly match rates with risks and to ensure proper distribution of costs among all employers.
- Create safe workplaces by promoting safety awareness to prevent claims that cause loss.

Through these four areas of focus we will be well positioned to restore operational excellence and provide meaningful service improvements to Ohio's injured workers and employers.

Stable costs

Providing stable costs

Workers' compensation cannot and should not be a burden on Ohio's employers or a roadblock for the state's economic growth. When financial markets and the overall economy take a turn for the worse, it becomes even more crucial that we provide stable costs and predictability for our customers. We have identified four primary objectives to achieve this goal, including:

- Making Ohio's workers' comp system competitive;
- Establishing consistent, equitable premiums;
- Managing loss and operating costs;
- Strengthening investment returns and controls.

We have begun taking the necessary steps to make Ohio's workers' compensation system competitive both regionally and nationally. This starts with our efforts to overhaul several aspects of our rate-making process and to fix existing programs that have made premium rates unstable and unpredictable for many Ohio employers.

We, as an agency, are also focused on managing our loss and operating costs by making the most of our resources and streamlining many of our business processes. Finally, we are following a targeted investment strategy to meet the needs of injured workers and help control premium costs for employers.

Accomplishing these objectives will provide security, peace of mind and better service for our customers. It also will promote economic success for existing employers and attract new business to our state.

Better services

Developing better services

We recognize everyone is vulnerable to accidents at work that can lead to injury and even death. Workplace injuries affect the well-being of our customers every day. An injury jeopardizes a worker's health and ability to earn a living. It also impacts an employer's bottom line, and has a ripple effect on Ohio's economy.

Our job is to allay losses suffered by injured workers and employers. We strive to return injured workers to work as safely and quickly as possible to lessen their loss of income, employment and quality of life. We also strive to alleviate loss of productivity for Ohio employers while also strengthening their work force.

As BWC seeks to restore operational excellence, we've refocused our internal priorities to emphasize customer service, communications, strong internal controls, income management and cost control. With these internal priorities in mind, we have developed concrete steps to improve the way we do business externally. This includes:

- Enhancing our medical services;
- Communicating better with our customers;
- Mapping our processes;
- Providing more responsive customer service.
- Completing these four steps will allow us to provide better services for our customers.

Accurate rates

Ensuring accurate rates

We will achieve fairness and equity in rates when we charge employers rates that accurately reflect the anticipated costs each of them brings to the system. That is, we must charge the right rate for the right risk.

Employers with safe workplaces and low incidences of workplace injuries should expect to pay less than their competitors with less safety efforts and more workplace incidents. This is what we mean by the risk an employer presents to the system. Rates should reflect the anticipated costs of each employer's risk.

Over time, inequity, inaccuracy and volatility have crept into the rates many Ohio employers pay. This has led to an unstable system and an unpredictable rating situation for many employers, including wild fluctuations in premium costs from one year to the next. We have begun to fix the problem by implementing thoughtful solutions. The top four priorities for bringing accuracy back to our rate making and fairness to Ohio's employers include:

- Implementing a new rating system for premiums (split-plan experience rating);
- Transitioning to a new claims reserving system (MIRA II);
- Stabilizing Ohio's group-rating program;
- Conducting a comprehensive study of all rating programs.

These initiatives are not quick fixes. They are fundamental changes that will ultimately bring fairness, as well as the equity and accuracy that a healthy workers' compensation system requires.

Safe workplaces

Maintaining safe workplaces

The best workers' compensation claims are ones that never occur. Sure, we always strive to lessen losses for injured workers and their employers. But, above all, we strongly believe in preventing workplace accidents from happening in the first place. We offer many value added services to our customers at no extra charge.

Our Safety & Hygiene experts provide year-round training and consultation to Ohio employers and their employees. This helps us to protect the safety and well-being of Ohio's workers while also boosting employers' bottom lines.

Our business consultants and employer services specialists also work one-on-one with customers to expand their bottom lines. And our community relations representatives provide outreach to trade associations and labor and employer groups.

BWC year end statistics

	FY 2008	FY 2007	FY 2006
State-fund claims filed			
Lost time	18,738	19,487	20,363
Medical only	122,540	133,221	144,828
Occupational disease	1,685	1,793	1,666
Death	236	176	196
Disallowed or dismissed	16,412	17,015	18,179
Total	159,611	171,692	185,232
Net Allowed Injuries	143,199	154,677	167,053
NOTE: Every claim is evaluated at 60 days after filing for purposes of claim type, state fund versus self-insured, combine status and allowance status. Values exclude combined and self-insured claims.			
Open claims (Per statute)			
Lost time	486,942	532,262	571,532
Medical only	928,549	1,008,281	1,092,836
Total	1,415,491	1,540,543	1,664,368
Benefits paid			
Medical benefits paid	$839,466,966	$788,735,401	$845,182,432
Compensation paid			
Wage loss	$18,351,000	$19,566,863	$21,758,719
Temporary total	254,370,076	257,483,825	271,659,951
Temporary partial	69,398	151,507	123,555
Permanent partial	23,812,862	25,871,729	26,668,619
% permanent partial	80,295,738	88,224,580	88,390,515
Lump sum settlement	312,317,176	242,020,469	162,657,161
Lump sum advancement	20,396,760	16,543,090	15,007,602
Permanent total & DWRF	385,273,687	383,661,796	379,697,201
Death	81,991,570	79,870,369	79,350,218
Rehabilitation	40,371,244	37,774,178	36,304,628
Other	7,148,595	10,867,270	7,977,627
Total compensation paid	$1,224,398,106	$1,162,035,675	$1,089,595,795
Total benefits paid	$2,063,865,072	$1,950,771,076	$1,934,778,227
Fraud statistics			
Fraud dollars identified	$73,528,436	$100,019,724	$90,654,585
Dollars spent to dollars saved ratio	1 to 5.99	1 to 8.33	1 to 7.80
Prosecution referrals	314	301	239
Active employers by type			
Private	264,870	270,499	283,038
Public (local)	3,810	3,783	3,771
Public (state)	125	126	126
Self-insured	1,174	1,139	1,136
Black lung	39	37	36
Marine fund	92	95	91
Total	270,110	275,679	288,198

	FY 2008		FY 2007		FY 2006
BWC personnel	2,412		2,542		2,578
MCO fees paid	$168,327,075		$173,138,584		$172,822,429

BWC Combined Funds Financial Data

(000s omitted)

Operating revenues					
Premium and assessment income, net of provision for uncollectibles	$2,138,402		$2,395,421		$2,095,060
Assessment income due to statutory change			1,875,512		
Other income	22,247		17,703		15,326
Total operating revenues	$2,160,649		$4,288,636		$2,110,386
Non-operating revenues					
Net investment earnings	$863,380		$802,270		$658,866
Increase (decrease) in fair value	(143,510)		109,160		104,946
Net investment income (loss)	$719,870		$911,430		$763,812
Dividends, rebates and credits					
Dividends and credits	$-		$-		$ (8,229)
Total BWC assets	$22,381,974		$22,140,786		$19,537,704
Total net assets (deficit)	$2,503,289		$2,305,546		$(126,621)

NOTE: Due to improvements in BWC data capture and reporting systems, prior year data may not agree with amounts previously reported.

BWC customer service offices

Call or visit your local customer service office for account and claims information. We also provide safety training and assistance in managing your workers' compensation claims.

Cambridge
61501 Southgate Parkway
Cambridge, OH 43725
Phone: 740-435-4200
Fax: 866-457-0597

Canton
400 Third St., S.E.
Canton, OH 44702
Phone: 330-438-0638
Fax: 866-281-9352

Cleveland
615 W. Superior Ave., Sixth floor
Cleveland, OH 44113
Phone: 216-787-3050
Fax: 866-336-8345

Columbus
30 W. Spring St., 11th floor
Columbus, OH 43215
Phone: 614-728-5550
Fax: 866-336-8352

Dayton
3401 Park Center Drive
Dayton, OH 45413
Phone: 937-264-5000
Fax: 866-281-9356

Garfield Heights
4800 East 131 St.
Garfield Heights, OH 44105
Phone: 216-584-0100
Fax: 866-457-0590

Governor's Hill
8650 Governor's Hill Drive
Cincinnati, OH 45249
Phone: 513-583-4400
Fax: 866-281-9357

Hamilton
One Renaissance Center
345 High St.
Hamilton, OH 45011
Phone: 513-785-4500
Fax: 866-336-8343

Lima
2025 E. Fourth St.
Lima, OH 45804
Phone: 419-227-3127
Fax: 866-336-8346

Logan
1225 W. Hunter St.
Logan, OH 43138
Phone: 740-385-5608
Fax: 866-336-8348

Mansfield
240 Tappan Drive N., Suite A
Mansfield, OH 44906
Phone: 419-747-4090
Fax: 866-336-8350

Portsmouth
1005 Fourth St.
Portsmouth, OH 45662
Phone: 740-353-2187
Fax: 866-336-8353

Springfield
1 S. Limestone St.
P.O. Box 1467
Springfield, OH 45501
Phone: 937-327-1425
Fax: 866-457-0593

Toledo
1 Government Center, Suite 1236
Toledo, OH 43604
Phone: 419-245-2700
Fax: 866-457-0594

Youngstown
242 Federal Plaza W., Suite 200
Youngstown, OH 44503
Phone: 330-797-5500
Fax: 866-457-0596

BWC's Division of Safety & Hygiene
Ohio Center for Occupational Safety and Health
training center)
13430 Yarmouth Dr.
Pickerington, OH 43147
Local: 614-995-8622
Toll-free: 1-800-OHIOBWC, option 2, 2

The IC —
A commission on a mission

Chairperson's letter

Governor Ted Strickland consistently emphasizes the importance of accountability within Ohio's state agencies and the need for every agency to progressively move forward through technological advancements. At the Industrial Commission of Ohio, we are achieving the governor's directives through more efficient, quality operations. As a result of these improvements, we are accomplishing the IC's goal of providing impartial and expeditious services to all parties involved in workers' compensation disputes.

In fiscal year 2008, the Commission successfully streamlined its functions, while continuing to operate within its budget. We continued a high success and compliance rate in adjudicating claims within statutory time frames. Simultaneously, we provided more interpretive services than ever before and expedited claims processes to provide emergency hearings as needed.

Additionally, because employer premiums are based, in part, on the volume of cases handled by the Commission, we maintained an equitable rate assessment for employers by continually monitoring our case loads. Further, the implementation of the ICON system, six years ago, continued to allow parties to easily access claim documents and forms electronically. The system also continued to provide valuable information that resulted in a decrease in customer inquiries.

In the years to come, the Commission will continue to improve operations and foster quality customer service to ensure prompt and valuable services to all parties. While we are currently accomplishing our goal, each year brings new challenges. The Commission is committed to meeting these challenges and achieving its service goals.

Sincerely,

Gary M. DiCeglio

Gary M. DiCeglio
Chairperson

About us

A mission of justice and service

We're proud to be a Commission on a mission of justice for and service to injured workers and employers. The IC provides a forum for appealing BWC and self-insured employer decisions. The IC resolves issues between parties who have a dispute in a claim. To accomplish this primary responsibility, the IC conducts hearings on disputed workers' compensation claims, determines violations of specific safety requirements, and determines if an injured worker is permanently and totally disabled due to a work-related injury or occupational disease. Throughout the appeals process, the agency offers information and resources to assist parties, including a customer-service phone line and assorted Web services. Technology allows the IC and BWC to exchange information electronically, benefiting all parties who appear before the IC for a hearing.

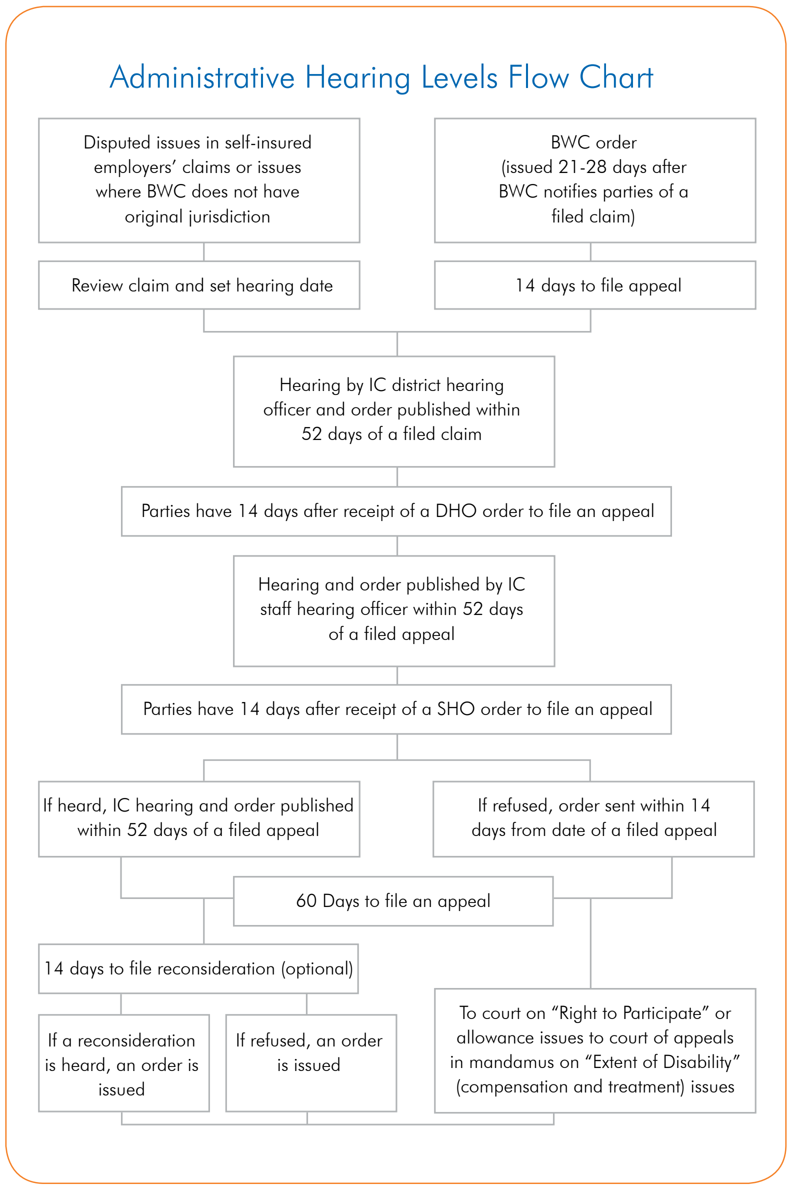
Hearing levels

Hearings on disputed claims are conducted at three levels within the Commission: the district level, the staff level and the Commission level. The governor appoints the three-member Commission and the Ohio Senate confirms these appointments.

Our five regional and 11 district offices blanket the state. IC office locations are chosen based on population, so that injured workers usually don't have to drive more than 45 minutes from their homes to get to hearings.

A Commission level hearing is discretionary as deemed by the Ohio Revised Code. Most appeals to the Commission are heard in Columbus, but some hearings are held at the district or regional offices.

If an injured worker or employer disagrees with the Commission's decision, some issues can be further adjudicated in the court system. In these cases, the State Attorney General represents the Commission and BWC. The Commission and BWC share equally in the Attorney General's cost of handling such cases.



Commissioners

Each member of the Commission must have at least six years' experience in workers' compensation and at least one member must be licensed to practice law in Ohio. By reason of previous vocation, employment or affiliation, one member must represent the employees, one must represent employers and one must represent the public. The chairperson of the Commission is appointed by the governor.

Gary M. DiCeglio

Chairperson/Employee member
Dates of service: July 2007 to June 2013

Through a lifelong dedication to worker safety issues, DiCeglio brings a wealth of workers' compensation experience to his role as chairperson of the IC.

Originally from Akron, Ohio, he earned a Bachelor of Science degree in economics from the University of Akron in 1988. In 1992, he received his law degree after graduating cum laude from the University of Akron School of Law.

After law school, DiCeglio began a private law practice, focusing on workers' compensation matters.

As an employee of the Goodyear Tire and Rubber Co., he became a division chairman with the United Rubber Workers, a labor union for workers employed by rubber manufacturers. When the United Rubber Workers merged with the United Steelworkers in the 1990s, DiCeglio worked to improve its members' wages and benefits as a lobbyist in Washington D.C.

In 1998, he joined the Ohio AFL-CIO, the largest federation of unions in the United States, as the director of compensation and safety. In this position, he focused on worker safety issues, establishing Ohio's prescription drug discount card program and raising the state minimum wage. DiCeglio also played an important role in crafting Senate Bill 7, which made numerous changes to the workers' compensation law in Ohio.

DiCeglio is a member of the Ohio Bar Association and lives in Blacklick, Ohio.

William E. Thompson

Employer member
Dates of service: August 1997 to June 2009

Thompson began his public service career during college, working as an aide for Ohio Senator Tennyson Guyer while pursuing a bachelor's degree in agricultural economics from The Ohio State University.

When Guyer was elected to the United States Congress in 1972, he asked Thompson to open his 4th Congressional District Office in Lima. Thompson served as district office manager until September 1973, when he went to Washington D.C. to become Congressman Guyer's legislative assistant.

In May 1977, Thompson returned to Allen County and partnered with his brother to form the Thompson Seed Farm. He played an active role in the business, managing the production, conditioning, packaging, marketing, warehousing and distribution of farm seed to both the wholesale and retail market.

Thompson returned to public service in 1986 when he was elected to the Ohio House of Representatives, serving on the following committees: Commerce & Labor (chairman, January 1995 to August 1997); Finance & Appropriations (Agriculture and Development Subcommittee); Energy & Environment and Public Utilities. As a member of these committees, he worked on HB 107 (120th GA), HB 222 (118th GA), HB 7 (121st GA) and HB 413 (121st GA), all of which brought about changes to Ohio's workers' compensation laws. Additionally, he served on the state Controlling Board, the Unemployment Compensation Advisory Commission and the Bureau of Workers' Compensation Oversight Commission.

Thompson's work throughout his career has not gone unnoticed. In October 1996, the Ohio Bar Association gave him an award "in recognition of support and effort in promoting, preserving and advancing the administration of justice and improvement in the law during service as a member of the Ohio General Assembly."

He also received the prestigious Patrick K. O'Neill award in 1997 from the Ohio Self Insurers Association.

First appointed as the employer member to the Commission in 1997, he was reappointed by Governor Taft for a second term ending June 2009. He served as chairperson of the Commission from 1997 to 2006.

Thompson lives in Hilliard, Ohio.

Kevin R. Abrams

Public member
Dates of service: August 2005 to July 2011

Abrams brings a wealth of workers' compensation experience to his role as commissioner, including service as a staff attorney and assistant law director for BWC. He has extensive experience with self-insuring employers, which will serve him well as the chairman of the Self-Insuring Employers Evaluation Board, included in his responsibilities as the public member of the IC.

Originally from Williamsburg, Ohio, Abrams earned a Bachelor of Arts degree in Psychology from Amherst College in Amherst, Mass. in 1978. In 1982, he received his law degree from The Ohio State University College of Law. While in law school, Abrams was a member of the Ohio State Law Journal.

As assistant law director for BWC since 1988, Kevin provided legal advice to the agency in virtually all areas of workers' compensation. His primary areas of responsibility included oversight of administrative and court settlements of BWC claims, self-insurance legal issues, bankruptcy and collection matters, and special projects involving claims issues. Additionally, Abrams served as chairperson of the Self-Insured Review Panel (SIRP); liaison to the Office of the Ohio Attorney General and special counsel for court cases and as a frequent contact with the IC regarding inter-agency issues. He addressed complicated claims issues in various areas such as permanent total disability, the Disabled Workers' Relief Fund, and Violations of Specific Safety Requirements. Abrams is also a frequent lecturer on workers' compensation issues.

He is the public member of the OSBA Workers' Compensation Specialty Board.

In addition to his public service, Abrams was also in private practice, focusing on workers' compensation matters.

IC district offices

Customer Service
800-521-2691, toll free, nationwide
614-466-6136, in Franklin County
800-686-1589, toll free, TDD
E-mail: askic@ic.state.oh.us

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161 S. High St., Suite 301
Akron, OH 44308-1602
Tel: 330-643-3550
Fax: 330-643-1468

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56104 National Rd., Suite 112
Bridgeport, OH 43912
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Fax: 740-635-6260

Canton
400 Third St. S.E., Suite One
Canton, OH 44702
Tel: 330-438-0611
Fax: 330-471-0998

Cincinnati
125 E. Court St., Suite 600
Cincinnati, OH 45202-1211
Tel: 513-357-9750
Fax: 513-723-9811

Cleveland
615 Superior Ave. N.W.
Cleveland, OH 44113-1898
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Fax: 216-787-3483

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Fax: 513-785-4682

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Fax: 419-227-7150

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Fax: 740-385-2436

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Fax: 740-450-5164

BWC and the IC — Stewards of the system

Stable costs. Better services. Accurate rates. Safe workplaces. These are the core reforms BWC has committed to for this fiscal year and beyond. Restoring Operational Excellence, the reform plan we unveiled in May 2008, details our direction. (For more information, log on to ohiobwc.com/reform.) The plan also aligns with the IC's mission. The IC serves injured workers and employers by quickly and impartially resolving issues arising from workers' comp claims.

As sister agencies, BWC and the IC take seriously our commitment to injured workers and employers in Ohio. Both sets of customers often interact with us at a vulnerable time in their lives. BWC's new mission statement, which we also unveiled this year, clearly articulates our commitment. We're here to protect workers and employers from loss as a result of workplace accidents. We're also here to enhance the general health and well-being of Ohioans and the Ohio economy. That's our role as trustees of the Ohio's workers' compensation system.

Financial summary

At the close of this fiscal year, BWC and the IC had net assets totaling $2.5 billion — almost $200 million more than the previous fiscal year. This value will help to cover the future costs of BWC's 1.4 million open claims.

A breakdown of the total investment assets held by BWC on June 30, 2008, shows a fair value of almost $17.3 billion. Passively-managed bonds make up most of BWC's portfolio. However, it also includes passively-managed stocks, as well as cash and cash equivalents.

BWC's portfolio increased $531 million from last fiscal year (ending June 2007). The total rate of return on invested assets this fiscal year was 4.7 percent.

Net investment income for this fiscal year was $720 million. This included $877 million in interest and dividend income, less $144 million in fair value investments and $13 million in investment expenses.

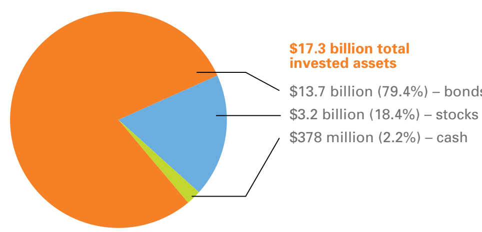
Please see the section of this report titled *Fiscal year 2008 audited financial statements for BWC and the IC* for complete details.

Claims and employer services

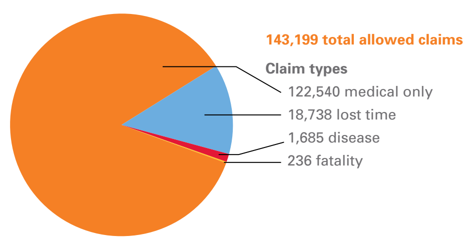
This year, BWC handled 159,611 claims for state-fund employers, compared with 171,692 last year. Of those, 143,199 were allowable claims versus 154,677 last year. Medical-only claims totaled 12,540, followed by 18,738 lost-time claims. There were also 1,685 occupational disease claims, and tragically, 236 workers lost their lives as a result of workplace accidents.

To care for injured workers, BWC paid compensation and benefits of approximately $2.1 billion. That's up from last year's total of slightly less than $2 billion. BWC also collected $2.5 billion in premiums and assessments from employers this fiscal year.

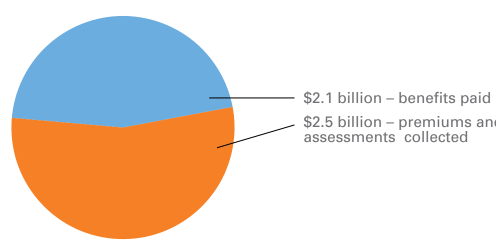
Investment asset allocation



Claim totals and types

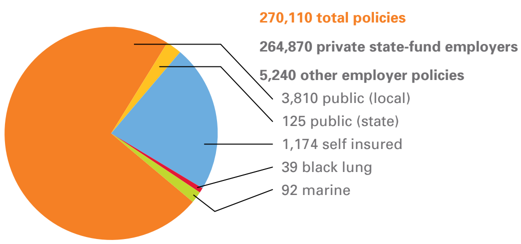


Premiums collected and benefits paid



Source: BWC data warehouse. All statistics are as of June 30, 2008.

Employer policy totals and types



Source: BWC data warehouse. All statistics are as of June 30, 2008.

There were 270,110 active policyholders this year. That number is down slightly from 275,679 employers last fiscal year. The majority — 264,870 were private state-fund employers. Non-state agency public employers made up the next largest group at 3,810, followed by 1,174 self-insuring employers, 125 state agencies, 92 Marine Fund companies and 39 Black Lung employers.

Safety services

The causes of workplace accidents are as numerous as the number and types of injuries and diseases. We believe preventing accidents in the first place is the best defense. That's why BWC employs a staff of safety experts.

The Division of Safety & Hygiene (DSH) works with employers and their employees on many fronts to prevent workplace accidents. The staff goes on-site to consult with employers, give technical advice and provide training and education services — all to promote workplace safety in Ohio. One percent of every premium dollar funds this effort.

This year, administrative costs for DSH totaled $21 million. This includes a $1.2 million federal grant to fund our OSHA On-Site program. Payroll and other related expenses added up to about $15 million, excluding OSHA On-Site.

Causes of accidents

DSH is leading a new effort to track the causes of workplace accidents in Ohio. We started collecting data for the first time this fiscal year using information from the first report of injury form. Initial results from this Accident Causation Project reveal the top 10 causes of injuries this fiscal year. Various ergonomic related causes made up seven of the top 10. Falls or trips made up the other three. As the tracking data matures each year, we will develop even more reliable information. This will help us to identify injury and illness trends, and thus better tailor BWC services to protect Ohioans.

IC adjudication info

The IC is committed to resolving all workers' compensation disputes quickly and fairly. The law allows us 45 days to adjudicate claims at each of our three hearing levels. This year, we conducted 173,077 hearings, compared to 185,579 last fiscal year. At all levels of our hearing process, we continued our success of handling claims well within the 45-day timeframe.

From filing date to hearing date, district level (first level) hearings averaged 31 days this year. Staff level (second level) hearing appeals averaged 28 days this fiscal year. This compares with an average of 33 days and 29 days respectively last fiscal year.

The statistics for filing date to mailing date were also favorable. For the district level, it averaged 35 days this year compared with 36 days last year. For the staff level, this year's average was the same as last year's — 32 days.

Online filing of appeals also increased this year. Parties to claims filed 63,258 first-level appeals on the IC's Online Network (ICON) this year. This is up 19 percent from last year's figure of 53,045 online filings. There were also 64,740 staff- and commission-level appeals filed via ICON this year. Last year that number was about the same — 64,611.

Ask IC is an e-mail feature of our Web site, www.ohioic.com. The feature gives injured workers, employers and their representatives the opportunity to submit questions to our customer service department.

This fiscal year, the department received and responded to 1,128 Ask IC submissions. The department also scheduled 1,126 interpreters for injured worker hearings. In addition, our toll-free customer service line received 12,133 calls this fiscal year.

Fiscal year 2008

Audited financial statements for BWC and the IC

OHIO BUREAU OF WORKERS' COMPENSATION
AND INDUSTRIAL COMMISSION OF OHIO
(A DEPARTMENT OF THE STATE OF OHIO)
Columbus, Ohio

Financial Statements
and
Supplementary Financial Information
For the years ended June 30, 2008 and 2007

And Independent Auditors' Report Thereon

CONTENTS

OHIO BUREAU OF WORKERS' COMPENSATION
AND
INDUSTRIAL COMMISSION OF OHIO
(A DEPARTMENT OF THE STATE OF OHIO)

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section presents management's discussion and analysis of the Ohio Bureau of Workers' Compensation's (BWC's) and the Industrial Commission of Ohio's (IC's) financial performance for fiscal years ended June 30, 2008, 2007, and 2006. BWC and IC are collectively referred to as BWC/IC. This information is based on BWC/IC's financial statements, which begin on Page 8.

Financial highlights

- BWC/IC's total assets at June 30, 2008 were $22.4 billion, an increase of $241 million or 1.1 percent compared to June 30, 2007.
- BWC/IC's total liabilities at June 30, 2008 were $19.9 billion, an increase of $44 million or 0.2 percent compared to June 30, 2007.
- BWC/IC's operating revenues for fiscal year 2008 were $2.2 billion, a decrease of $2.1 billion or 49.6 percent compared to fiscal year 2007. Included in fiscal year 2007 operating revenues is a one-time adjustment of $1.9 billion related to an accounting change for the Disabled Workers' Relief Fund (DWRF).
- BWC/IC's operating expenses for fiscal year 2008 were $2.7 billion, a decrease of $85 million or 3.1 percent from fiscal year 2007.
- BWC/IC's total net assets increased by $198 million in fiscal year 2008, compared to a $2.4 billion increase in fiscal year 2007. The fiscal year 2007 increase in net assets is significantly impacted by the $1.9 billion one-time accounting change for DWRF.

Financial statement overview

BWC/IC's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. Management's discussion and analysis is intended to serve as an introduction to BWC/IC's financial statements, which are prepared using the accrual basis of accounting and the economic resources measurement focus.

- Statement of Net Assets - This statement presents information reflecting BWC/IC's assets, liabilities and net assets. Net assets represent the amount of total assets less total liabilities. The statement is categorized by current and noncurrent assets and liabilities. For the purpose of the accompanying financial statements, current assets and liabilities are generally defined as those assets and liabilities with immediate liquidity or those that are collectible or will be due within 12 months of the statement date.
- Statement of Revenues, Expenses and Changes in Net Assets - This statement reflects the operating revenues and expenses, as well as non-operating revenues and expenses, for the fiscal year. Major sources of operating revenues are premium and assessment income. Major sources of operating expenses are workers' compensation benefits and compensation adjustment expenses. Revenues and expenses related to capital and investing activities are reflected in the non-operating component of this statement.
- Statement of Cash Flows - The statement of cash flows is presented using the direct method of reporting, which reflects cash flows from operating, noncapital financing, capital and related financing, 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 for the fiscal year.
- Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of BWC/IC's financial position and results of operations presented in the financial statements.
- Supplemental Information - This section includes supplemental schedules presenting the statement of net assets and the statement of revenues, expenses and changes in net assets for the individual accounts administered by BWC/IC. This section also includes

Continued

required supplemental information that presents 10 years of revenue and reserve development information.

Financial analysis

Components of BWC/IC's Statements of Net Assets and Statements of Revenues, Expenses and Changes in Net Assets as of June 30, 2008, June 30, 2007, and June, 30, 2006, and for the years then ended were as follows (000's omitted):

	2008	2007	2006
Current assets	$ 1,921,520	$ 1,953,056	$ 1,307,535
Noncurrent assets	20,460,454	20,187,730	18,230,169
Total assets	$22,381,974	$22,140,786	$19,537,704
Current liabilities	$ 2,625,578	$ 2,697,850	$ 2,463,584
Noncurrent liabilities	17,253,107	17,137,390	17,200,741
Total liabilities	$19,878,685	$19,835,240	$19,664,325
Net assets invested in capital assets, net of related debt	$ 18,368	$ 5,179	$ (3,965)
Unrestricted net assets (deficit)	2,484,921	2,300,367	(122,656)
Total net assets (deficit)	$ 2,503,289	$ 2,305,546	$ (126,621)
Net premium and assessment income, including provision for uncollectibles	$2,138,402	$ 2,395,421	$ 2,095,060
Assessment income due to statutory change	-	1,875,512	-
Other income	22,247	17,703	15,326
Total operating revenues	$2,160,649	$ 4,288,636	$ 2,110,386
Workers' compensation benefits and compensation adjustment expenses	$2,587,483	$ 2,667,148	$ 1,933,813
Premium reductions and refunds	-	-	(8,229)
Other expenses	95,074	100,527	85,452
Total operating expenses	$2,682,557	$ 2,767,675	$ 2,011,036
Net investment income	$ 719,870	$ 911,430	$ 763,812
(Loss) gain on disposal of capital assets	(219)	(224)	61
Increase in net assets	$ 197,743	$ 2,432,167	$ 863,223

BWC/IC's total net assets increased by $198 million during fiscal year 2008, compared to a $2.4 billion increase during fiscal year 2007.

- Ohio House Bill 100 passed in June 2007, granting BWC/IC the authority to assess employers in future periods for amounts needed to fund the Disabled Workers' Relief Fund (DWRF). BWC/IC recorded an unbilled receivable equal to DWRF's discounted reserve for compensation and compensation adjustment expenses in the statement of net assets. This statutory change resulted in premium and assessment income increasing by $1.9 billion in fiscal year 2007.

Continued

- Workers' compensation benefits and compensation adjustment expenses exceeded net premium and assessment income by $449 million in fiscal year 2008 and $272 million in fiscal year 2007.
- Workers' compensation benefits and compensation adjustment expenses were $2.6 billion in fiscal year 2008, compared to $2.7 billion in fiscal year 2007. While medical payments have increased, medical inflation has been lower than expected, leading to favorable reserve development. Medical reserves for claims occurring on or before June 30, 2007 declined by $701 million in fiscal year 2008. In fiscal year 2007, the medical reserves for claims occurring on or before June 30, 2006 declined by $995 million.
- In fiscal year 2008, BWC/IC earned net investment income of $720 million, compared to net investment income of $911 million in fiscal year 2007. At fiscal year-end 2006, approximately 96% of BWC's invested assets were held in a passively managed bond index fund that replicated the medium duration Lehman Aggregate Bond Index. During the third quarter of fiscal year 2007, the bond index fund units held by the State Insurance Fund were liquidated. At June 30, 2007, approximately 8% of BWC's invested assets remained in the bond index fund. The remaining bond index fund units were liquidated in July and September 2007. As the bond index fund units were liquidated, assets were transitioned to long-duration fixed-income securities, treasury inflation protected securities, large-cap domestic equity securities, and short-term government money market investments.
- In fiscal year 2008, a total of 66 private equity partnerships were sold for total proceeds of $393 million. Net losses of $51.2 million from the private equity partnerships were recognized during fiscal year 2008. Proceeds from the private equity sales were reinvested in the passively managed large-cap domestic equity portfolio. At June 30, 2008, there are two remaining private equity fund investments owned by BWC/IC, one of which is expected to be sold to an outside buyer and the second of which is anticipated to be liquidated from portfolio asset sales.

As of June 30, 2008 and June 30, 2007, BWC/IC had debt in special obligation bonds of $97.3 million and $113.1 million, respectively. These bonds were issued in 2003, through the Ohio Building Authority (OBA) to refund the 1993 William Green Building Series A bonds. The bonds are collateralized by lease rental payments pledged by BWC/IC to OBA. These bonds were rated Aa3 by Moody's Investors Service, Inc.

Continued

Conditions expected to affect financial position or results of operations

BWC/IC has identified four areas of focus for comprehensive improvements to the workers' compensation system:

- Provide stable costs to avoid unexpected financial hardship for employers;
- Develop better services to clearly demonstrate BWC/IC's value and enhance Ohio's quality of life;
- Establish accurate rates to fairly match rates with risks and to ensure proper distribution of costs among all employers; and
- Create safe workplaces by promoting safety awareness to prevent claims that cause loss.

Private employer base rates decreased an average of 5 percent for premiums effective July 1, 2008 preceded by a 0 percent premium rate change effective July 1, 2007. BWC/IC decreased public employer taxing district premiums by an average of 3.2 percent for the January 1, 2007 policy year followed by a 0 percent increase for policy year 2008.

Ohio House Bill 100 directed BWC/IC to change to a new reserving system. On July 1, 2008, BWC/IC transitioned to Micro Insurance Reserving Analysis (MIRA) II. This new system produces more accurate reserves on each claim and provides greater transparency for Ohio's employers by allowing them to see what factors impact reserves for the injuries their employees sustain, resulting in the development of more accurate premium charges.

BWC/IC will work with internal and external customers in the next two years to create new, responsive rating plans that promote employer/employment growth in Ohio, including implementing a split rating plan and capping of employer's premium as directed by the Board.

Paid medical costs for workers' compensation claims were almost 6 percent, or nearly $48 million, lower than expected medical costs for fiscal year 2008. The reduced costs continue a positive trend by BWC/IC and other Ohio stakeholders to implement containment measures designed to curb increasing medical costs. Medical costs now account for approximately 54.4 percent of the total benefits for private employers and almost 65 percent for public taxing district employers, compared to approximately 46.8 percent for private employers and 50.7 percent for public taxing district employers for injuries occurring during 1996.

Injured worker access to high-quality medical care is accomplished by establishing appropriate benefit plans and terms of service with competitive fee schedules which, in turn, enhances the medical provider network. BWC/IC has begun to improve the medical, vocational rehabilitation and pharmaceutical benefits plans by revising the benefit plan and corresponding fee schedules. This includes instituting annual reviews, expanding prior authorization drug categories for those drugs not typically used to treat workers' compensation injuries, and limiting coverage of certain drugs to their FDA approved uses. These programs will take on added importance in reducing costs, as actuarial assumptions as of June 30, 2008 include an annual medical inflation rate of 9 percent.

From time to time, BWC/IC is involved in judicial proceedings arising in the ordinary course of its business. BWC/IC will vigorously defend these suits and expects to prevail; however, there can be no assurance that we will be successful in our defense. During fiscal year 2008, BWC/IC settled a lawsuit with the Ohio Hospital Association disputing fee schedules that were not adopted through the Ohio Revised Code Chapter 119 rules process. A total of $33 million has been paid in settlement of this lawsuit with an approximately $40 million liability accrued and remaining to be paid as of June 30, 2008.

Continued

MANAGEMENT'S DISCUSSION AND ANALYSIS

The global financial markets became increasingly unsettled in September 2008 as several very prominent U.S. financial institutions became insolvent and either failed or were taken over by the federal government. A number of large U.S. financial institutions have significant ownership of loosely underwritten illiquid mortgage-related assets that have declined sharply in value from accelerated mortgage payment delinquencies and reduced housing values.

The weakness of the U.S. fixed-income and equity markets for September 2008 resulted in a significant decline in net market value through September 29, 2008 of the BWC/IC portfolio of fixed-income and equity securities. These declines resulted in a total estimated portfolio return of negative 4.1 percent for the month of September 2008 through September 29 on BWC/IC's total invested assets including cash. The estimated decline in net market value for the first quarter of Fiscal Year 2009 through September 29, 2008 was estimated at $608 million. Such valuations resulted in an estimated negative rate of return of 3.5 percent for the BWC total portfolio over this period.

SCHNEIDER DOWNS

INSIGHT ▪ INNOVATION ▪ EXPERIENCE

INDEPENDENT AUDITORS' REPORT

Ohio Bureau of Workers' Compensation and Industrial Commission of Ohio
(A Department of the State of Ohio)
Columbus, Ohio

We have audited the accompanying statements of net assets of the Ohio Bureau of Workers' Compensation and Industrial Commission of Ohio (BWC/IC), a department of the State of Ohio (State), as of June 30, 2008 and 2007 and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the BWC/IC's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of BWC/IC are intended to present the financial position and changes in financial position and cash flows of only that portion of the governmental activities, business-type activities, major funds, and remaining fund information of the State that is attributable to the transactions of BWC/IC. They do not purport to, and do not, present fairly the financial position and changes in financial position and cash flows, where applicable, of the State in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material aspects, the financial position of the BWC/IC as of June 30, 2008 and 2007 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2008 on our consideration of the BWC/IC's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of

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that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audits.

The Management's Discussion and Analysis and required supplemental revenue and reserve development information on pages 1 through 5 and 31 through 32, respectively, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that comprise BWC/IC's basic financial statements. The supplemental schedule of net assets and schedule of revenues, expenses, and changes in net assets included in Pages 33 through 35 are presented for purposes of additional analysis and are not a required part of the basic financial statements. This supplemental information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

SCHNEIDER DOWNS & CO., INC.

Columbus, Ohio
September 29, 2008

OHIO BUREAU OF WORKERS' COMPENSATION
AND
INDUSTRIAL COMMISSION OF OHIO
(A DEPARTMENT OF THE STATE OF OHIO)

STATEMENTS OF NET ASSETS

June 30, 2008 and 2007

(000's omitted)

	2008	2007
ASSETS		
Current assets:		
Cash and cash equivalents (Note 3)	$378,078	$327,915
Collateral on loaned securities (Note 3)	2,933	6,801
Premiums in course of collection	858,949	851,291
Assessments in course of collection	212,562	221,668
Accounts receivable, net of allowance for uncollectibles of $882,730 in 2008; $795,631 in 2007	184,583	170,881
Investment trade receivables	81,315	187,946
Accrued investment income	200,414	183,418
Other current assets	2,686	3,136
Total current assets	1,921,520	1,953,056
Noncurrent assets:		
Fixed maturities, at fair value (Note 3)	13,723,521	11,956,476
Bond index fund, at fair value (Note 3)	-	1,372,985
Domestic equity securities:		
Common stocks, at fair value (Note 3)	3,158,589	2,626,001
Preferred stocks, at fair value (Note 3)	5,794	5,509
International securities, at fair value (Note 3)	78	1,096
Investments in limited partnerships, at fair value (Note 3)	15,427	456,346
Unbilled premiums receivable	880,345	961,896
Unbilled assessments receivable	2,277,234	2,398,880
Retrospective premiums receivable	283,720	290,050
Capital assets (Notes 4 and 6)	114,530	116,927
Restricted cash (Note 3)	1,216	1,564
Total noncurrent assets	20,460,454	20,187,730
Total assets	$ 22,381,974	$ 22,140,786

	2008	2007
LIABILITIES		
Current liabilities:		
Reserve for compensation (Note 5)	$ 1,892,226	$ 1,868,461
Reserve for compensation adjustment expenses (Note 5)	481,030	481,510
Warrants payable	37,164	45,539
Bonds payable (Notes 6 and 7)	16,005	15,055
Investment trade payables	129,896	252,525
Accounts payable	7,687	9,465
Obligations under securities lending (Note 3)	2,933	6,801
Other current liabilities (Note 7)	58,637	18,494
Total current liabilities	2,625,578	2,697,850
Noncurrent liabilities:		
Reserve for compensation (Note 5)	15,708,119	15,544,204
Reserve for compensation adjustment expenses (Note 5)	1,353,964	1,377,019
Premium payment security deposits (Note 7)	88,918	87,808
Bonds payable (Notes 6 and 7)	81,281	98,021
Other noncurrent liabilities (Note 7)	20,825	30,338
Total noncurrent liabilities	17,253,107	17,137,390
Total liabilities	19,878,685	19,835,240
Commitments and contingencies (Notes 10 and 12)		
NET ASSETS		
Invested in capital assets, net of related debt	18,368	5,179
Unrestricted net assets	2,484,921	2,300,367
Total net assets (Note 11)	$ 2,503,289	$ 2,305,546

The accompanying notes are an integral part of the financial statements.

OHIO BUREAU OF WORKERS' COMPENSATION
AND
INDUSTRIAL COMMISSION OF OHIO
(A DEPARTMENT OF THE STATE OF OHIO)

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the years ended June 30, 2008 and 2007

(000's omitted)

	2008	2007
Operating revenues:		
Premium income	$1,851,763	$ 1,802,634
Assessment income	383,329	651,216
Assessment income due to statutory change (Note 2)	-	1,875,512
Provision for uncollectibles	(96,690)	(58,429)
Other income	22,247	17,703
Total operating revenues	2,160,649	4,288,636
Operating expenses:		
Workers' compensation benefits (Note 5)	2,180,823	2,030,596
Compensation adjustment expenses (Note 5)	406,660	636,552
Personal services	50,564	48,974
Other administrative expenses	44,510	51,553
Total operating expenses	2,682,557	2,767,675
Net operating (loss) income	(521,908)	1,520,961
Non-operating revenues:		
Net investment income (Note 3)	719,870	911,430
Loss on disposal of capital assets	(219)	(224)
Total non-operating revenues	719,651	911,206
Increase in net assets	197,743	2,432,167
Net assets (deficit), beginning of year	2,305,546	(126,621)
Net assets, end of year	$ 2,503,289	$ 2,305,546

The accompanying notes are an integral part of the financial statements.

OHIO BUREAU OF WORKERS' COMPENSATION
AND
INDUSTRIAL COMMISSION OF OHIO
(A DEPARTMENT OF THE STATE OF OHIO)

STATEMENTS OF CASH FLOWS

For the years ended June 30, 2008 and 2007

(000's omitted)

	2008	2007
Cash flows from operating activities:		
Cash receipts from premiums and assessments	$ 2,538,165	$ 2,365,616
Cash receipts - other	32,489	31,122
Cash disbursements for claims	(2,237,987)	(2,122,099)
Cash disbursements to employees for services	(244,568)	(247,020)
Cash disbursements for other operating expenses	(83,005)	(88,426)
Cash disbursements for Santos settlement	-	(46,895)
Cash disbursements for employer refunds	(127,852)	(138,935)
Net cash used for operating activities	(122,758)	(246,637)
Cash flows from capital and related financing activities:		
Purchase of capital assets, net of retirements	(9,401)	(5,081)
Principal and interest payments on bonds	(20,346)	(20,051)
Net cash used in capital and related financing activities	(29,747)	(25,132)
Cash flows from investing activities:		
Investments sold	7,017,302	21,216,513
Investments matured	6,037	8,358
Investments purchased	(7,667,843)	(21,440,066)
Interest and dividends received	859,795	630,762
Investment expenses	(12,623)	(9,489)
Net cash provided by investing activities	202,668	406,078
Net increase in cash and cash equivalents	50,163	134,309
Cash and cash equivalents, beginning of year	327,915	193,606
Cash and cash equivalents, end of year	$ 378,078	$ 327,915

The accompanying notes are an integral part of the financial statements.

OHIO BUREAU OF WORKERS' COMPENSATION
AND
INDUSTRIAL COMMISSION OF OHIO
(A DEPARTMENT OF THE STATE OF OHIO)

STATEMENTS OF CASH FLOWS, Continued

For the years ended June 30, 2008 and 2007

(000's omitted)

	2008	2007
Reconciliation of net operating (loss) income to net cash used for operating activities:		
Net operating (loss) income	$ (521,908)	$ 1,520,961
Adjustments to reconcile net operating (loss) income to net cash used for operating activities:		
Assessment income due to statutory change	-	(1,875,512)
Provision for uncollectible accounts	96,690	58,429
Depreciation	11,579	10,872
Amortization of discount and issuance costs on bonds payable	4,556	5,075
Unclaimed Intentional Tort Fund premiums	(5,687)	-
(Increases) decreases in assets and increases (decreases) in liabilities:		
Premiums and assessments in course of collection	1,448	(122,109)
Unbilled premiums receivable	203,197	319,392
Accounts receivable	(110,392)	(78,100)
Retrospective premiums receivable	6,330	(18,498)
Other assets	450	27
Restricted cash	348	(24)
Reserves for compensation and compensation adjustment expenses	164,145	344,018
Premium payment security deposits	1,110	115
Warrants payable	(8,375)	1,149
Accounts payable	(1,778)	657
Deferred revenue	-	(372,847)
Other liabilities	35,529	(40,242)
Net cash used for operating activities	$ (122,758)	$ (246,637)

	2008	2007
Noncash investing, capital, and financing activities		
Change in fair values of investments	$ (143,510)	$ 109,160

The accompanying notes are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2008 and 2007

1. Background and Summary of Significant Accounting Policies

Organization

The Ohio Bureau of Workers' Compensation (BWC) and the Industrial Commission of Ohio (IC) were created in 1912 and 1925, respectively, and are the exclusive providers of workers' compensation insurance to private and public employers in Ohio that have not been granted the privilege of paying compensation and medical benefits directly (self-insured employers). BWC and IC are collectively referred to herein as BWC/IC. BWC/IC was created and is operated pursuant to Chapters 4121, 4123, 4127, and 4131 of the Ohio Revised Code (the Code).

The Governor of the State of Ohio (the State) appoints the BWC Administrator and the three members of the IC. In June 2007, House Bill 100 created a new 11 member BWC Board of Directors (Board), which replaced the Workers' Compensation Oversight Commission. All members have full voting rights. On July 31, 2007, the Governor named the members to the Board, effectively abolishing the Workers' Compensation Oversight Commission. The BWC Administrator, with the advice and consent of the Board, is responsible for the operations of the workers' compensation system, while the IC is responsible for administering claim appeals.

BWC/IC is a department of the primary government of the State and is a proprietary operation for purposes of financial reporting. The accompanying financial statements include all accounts, activities, and functions of BWC/IC and are not intended to present the financial position, results of operations, or cash flows of the State taken as a whole. The financial information presented herein for BWC/IC will be incorporated within the State's financial statements.

Basis of Presentation

BWC/IC has prepared its financial statements in accordance with accounting principles generally accepted in the United States of America. Accordingly, these financial statements were prepared using the accrual basis of accounting and the economic resources measurement focus. For internal reporting purposes, BWC/IC maintains separate internal accounts as required by the Code. For external financial reporting purposes, BWC/IC has elected to report as a single column business-type activity, as the individual accounts do not have external financial reporting accountability requirements. All significant interaccount balances and transactions have been eliminated.

Continued

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting," BWC/IC follows GASB guidance as applicable to proprietary funds and Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements. As permitted by Generally Accepted Accounting Standards, BWC/IC has elected not to apply Financial Accounting Standards Board Statements and Interpretations issued after November 10, 1989.

BWC/IC administers the following accounts:

State Insurance Fund (SIF)
Disabled Workers' Relief Fund (DWRF)
Coal-Workers Pneumoconiosis Fund (CWPF)
Public Work-Relief Employees' Fund (PWREF)
Marine Industry Fund (MIF)
Self-Insuring Employers' Guaranty Fund (SIEGF)
Administrative Cost Fund (ACF)

Description of the Accounts

SIF, CWPF, PWREF, and MIF provide workers' compensation benefits to qualifying employees sustaining work-related injuries or diseases.

DWRF provides supplemental cost-of-living benefits to persons who are permanently and totally disabled and are receiving benefits from SIF or PWREF. The maximum benefit levels are changed annually based on the United States Department of Labor National Consumer Price Index.

SIEGF provides for the payment of compensation and medical benefits to employees of self-insured employers that are bankrupt or in default.

ACF provides for the payment of administrative and operating costs of all accounts except DWRF, CWPF, and MIF, which pay such costs directly. ACF also includes the portion of premiums paid by employers earmarked for the safety and loss prevention activities performed by the Safety & Hygiene Division.

Operating revenues and expenses generally result from providing services in connection with ongoing operations. Operating revenues are primarily derived from premiums and assessments. Operating expenses include the costs of claims and related administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Continued

The GASB has recently issued the following new accounting pronouncement that will be effective in future years and may be relevant to BWC/IC:

- GASB No. 51, "Accounting and Financial Reporting for Intangible Assets"

Management has not yet determined the impact that this new GASB Pronouncement will have on BWC/IC's financial statements.

Cash and Cash Equivalents

Cash and cash equivalents in the accompanying statements of net assets and for the purposes of the statements of cash flows include cash and all highly liquid debt instruments purchased with a maturity of three months or less. Cash equivalents are stated at amortized cost, which approximates fair value.

Investments

BWC/IC's investments consist of fixed maturities, domestic equity securities, international securities, collateral on securities lending, investments in limited partnerships, and an investment in a bond index fund.

Prior to the third quarter of the fiscal year ended June, 30, 2007, approximately 96% of BWC/IC's invested assets were in a passively managed index fund that replicated the medium duration Lehman Aggregate Bond Index (bond index fund). In January and February 2007, the bond index fund units held by SIF were liquidated, and assets were transitioned to long-duration fixed-income securities, treasury inflation protected securities, and domestic equity securities that are managed by three external money managers. At June 30, 2007, approximately 8% of BWC/IC's invested assets remained in the bond index fund. In July and September 2007, the remaining bond index fund units were liquidated.

Investments in the bond index fund, fixed maturities, domestic equity securities, and international securities are stated at fair value. Fair values of fixed maturities are based on quotations from national security exchanges. Fair values of domestic and international equity securities are based on quotations from national or international exchanges and are valued at the last reported sales price at current exchange rates. The fair value of the bond index fund is based on the value of the underlying net assets of the fund. Dividends, interest earnings, the net increase (decrease) in the fair value of investments (which includes both the change in fair value and realized gains and losses), and investment expenses are aggregated and reported as net investment income in the statements of revenues, expenses and changes in net assets. The cost of securities sold is determined using the average cost method. Purchases and sales of investments are recorded as of the trade date.

BWC/IC, through the use of 68 outside money managers, participated as a limited partner in partnerships investing in equities, bonds, notes, and other assets. Investments in limited partnerships are stated at fair value. Limited partnerships are generally valued based on March 31st net asset values plus or minus purchases, sales, and cash flows from April 1st through June 30th of the reporting year. During fiscal year 2008, 66 of the 68 private equity partnerships were sold. Net losses of $51.2 million from the private equity partnerships were

Continued

recognized during fiscal year 2008. BWC/IC had no unfunded commitments to the limited partnerships at June 30, 2008.

Restricted Cash

Restricted cash balances are maintained in accordance with the 2003 bond agreement for special obligation bonds issued through the Ohio Building Authority.

Premium Income

SIF, CWPF, PWREF, and MIF premium income is recognized over the coverage period and is collected in subsequent periods for all accounts except MIF, which collects premiums in advance of the coverage period. Premiums earned but not yet invoiced are reflected as premiums in course of collection in the statements of net assets. Premiums are based on rates that are approved by the Board and on the employers' payroll, except self-insured employer assessments, which are based on paid compensation. SIF rates for private and public taxing district employers meeting certain size criteria are adjusted automatically based on their own claims experience.

Retrospective rating plans and group rating plans are offered to qualified employers. SIF recognizes estimated ultimate premium income on retrospectively rated businesses during the coverage period. Retrospective rating adjustments related to the coverage period are collected in subsequent periods, as experience develops on injuries incurred during the coverage period. The estimated future retrospective rating adjustments are reflected in the statements of net assets as retrospective premiums receivable.

The Code permits State employers to pay into SIF on a terminal funding (pay-as-you-go) basis. Additionally, certain benefits are paid from the SIF Surplus Fund (see Note 11) for self-insured employers. As BWC/IC has the statutory authority to assess premiums against the State and self-insured employers in future periods, an unbilled premiums receivable equal to their share of the discounted reserve for compensation and compensation adjustment expenses, less BWC/IC's portion of the discounted reserve, is reflected in the statements of net assets.

Assessment Income

DWRF I (DWRF benefits awarded for injuries incurred prior to January 1, 1987) and ACF assessment income is recognized over the period for which the assessment applies and is collected in subsequent periods. These amounts are reflected as assessments in course of collection in the statements of net assets. DWRF II (DWRF benefits awarded for injuries incurred on or after January 1, 1987) and SIEGF assessments received or in the course of collection, but not yet recognized, are reflected as a reduction to unbilled premiums receivable.

The Code permits employers to pay into DWRF and SIEGF on a terminal funding (pay-as-you-go) basis. As BWC has the statutory authority to assess employers in future periods, an unbilled premiums receivable equal to the discounted reserve for compensation and compensation adjustment expenses for DWRF and SIEGF, less BWC/IC's portion of the discounted reserve, is reflected in the statements of net assets (see Note 2).

Continued

DWRF I assessments are based on employers' payroll and a statutorily determined rate. DWRF II and ACF assessments are based on rates that are approved by the Board and on employers' payroll, except for ACF assessments of self-insured employers, which are based on paid workers' compensation benefits. SIEGF assessments are based on the financial strength of self-insured employers and paid workers' compensation benefits with the exception of new self-insured employers, which are based on a percentage of base-rated premium.

Premium Payment Security Deposits

Premium payment security deposits are collected in advance from private employers to reduce credit risk for premiums collected in subsequent periods. A deposit is submitted upon application for coverage and generally represents 30% of an estimated eight-month premium, with a maximum deposit of $1 thousand. The deposit is applied to outstanding premiums or refunded to the employer upon cancellation of coverage.

Allowance for Uncollectible Accounts

BWC/IC provides an allowance for uncollectible accounts by charging operations for estimated receivables that will not be collected. The adequacy of the allowance is determined by management based on a review of aged receivable balances and historical loss experience.

Capital Assets

Capital assets are carried at cost, net of accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Description	Estimated Useful Lives (Years)
Buildings	30
Furniture and fixtures	10
Vehicles and equipment	5

When assets are disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in the statements of revenues, expenses, and changes in net assets. The cost of maintenance and repairs is charged to operations as incurred; significant renewals and betterments are capitalized.

Reserves for Compensation and Compensation Adjustment Expenses

The reserve for compensation includes actuarial estimates for both reported claims and claims incurred but not reported (IBNR). The reserve for compensation adjustment expenses is determined by estimating future expenses to be incurred in settlement of the claims. The reserve for compensation is based on the estimated ultimate cost of settling the claims, including the effects of inflation and other societal and economic factors and projections as to future events, including claims frequency, severity, persistency, and inflationary trends for

Continued

medical claim reserves. The reserve for compensation adjustment expenses is based on projected claim-related expenses, estimated costs of the managed care Health Partnership Program, and the reserve for compensation. The methods of making such estimates and for establishing the resulting liabilities are reviewed quarterly and updated based on current circumstances. Any adjustments resulting from changes in estimates are recognized in the current period. The reserves for compensation and compensation adjustment expenses are discounted at 5.0% at June 30, 2008 and 2007 to reflect the present value of future benefit payments. The selected discount rate approximates an average yield on United States government securities with a duration similar to the expected claims underlying BWC/IC's reserves.

Management believes that the recorded reserves for compensation and compensation adjustment expenses make for a reasonable and appropriate provision for expected future losses. While management uses available information to estimate the reserves for compensation and compensation adjustment expenses, future changes to the reserves for compensation and compensation adjustment expenses may be necessary based on claims experience and changing claims frequency and severity conditions.

Income Taxes

As a department of the State, the income of BWC/IC is not subject to federal or state income tax.

Use of Estimates

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses for the reporting period. Actual results could differ from those estimates.

2. Statutory Change

House Bill 100 passed in June 2007 granted BWC/IC the authority to assess employers in future periods for amounts needed to fund DWRF, thus an unbilled receivable equal to DWRF's discounted reserve for compensation and compensation adjustment expenses, less BWC/IC's portion of the discounted reserve, is reflected in the statements of net assets. The net impact of this change is a $1.9 billion increase to net assets during fiscal year 2007.

Continued

3. Cash and Investments

BWC/IC is authorized by Section 4123.44 of the Code to invest using an investment policy established by the Board, which uses the prudent person standard. The prudent person standard requires investments be made with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims, and by diversifying the investments of the assets so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so.

Custodial Credit Risk – Deposits

The custodial credit risk for deposits is the risk that in the event of a bank failure, BWC/IC's deposits may not be recovered. Banks must provide security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in addition to amounts insured by the Federal Deposit Insurance Corporation (FDIC), or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. At June 30, 2008 and 2007, the carrying amount of BWC/IC's cash deposits was $13.263 million and $17.554 million, respectively, and the bank balances were $12.085 million and $12.949 million, respectively. Of the bank balance, $100 thousand was insured by the FDIC. The remaining bank deposits are covered by collateral held in the name of BWC/IC's pledging financial institution, as required by state statute. BWC/IC is not exposed to custodial credit risk for these bank deposits.

Custodial Credit Risk – Investments

Custodial credit risk for investments is the risk that, in the event of a failure of a counter party to a transaction, BWC/IC will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. At June 30, 2007, BWC/IC had $1.4 billion held by the investments' counterparty and thus exposed to custodial credit risk. At June 30, 2008, BWC/IC's investments are not exposed to custodial credit risk, as all investments are held in the name of BWC/IC by the Treasurer of the State of Ohio as custodian.

Continued

The composition of investments held at June 30, 2008 and 2007 is presented below.

	2008 Fair Value	2007 Fair Value
Fixed maturities:		
Corporate bonds	$4,406,190	$3,509,905
U.S. government agency obligations	777,250	1,222,208
Corporate mortgage backed securities	246	224
U.S. government obligations	4,061,015	5,138,917
U.S. state and local government agency	226,004	186,772
Treasury inflationary index notes	3,663,090	3,004,523
Yankee bonds	207,874	209,265
Sovereign bonds	340,162	-
Supranational Issues	41,690	-
State Street money market fund	-	42,137
Net trade payable bond index fund	-	15,510
Total fixed maturities	13,723,521	13,329,461
Domestic equity securities:		
Common stocks	3,158,589	2,626,001
Preferred stocks	5,794	5,509
International securities:	78	1,096
Securities lending short-term collateral	2,933	6,801
Investments in limited partnerships	15,427	456,346
Cash and cash equivalents:		
Cash	13,263	17,554
Short-term money market fund	364,815	310,361
Total cash and cash equivalents	378,078	327,915
	$17,284,420	$16,753,129

Net investment income for the years ended June 30, 2008 and 2007 is summarized as follows (000's omitted):

	2008	2007
Fixed maturities	$779,549	$237,343
Bond index fund	11,603	503,949
Equity securities	63,525	26,434
Investments in limited partnerships	4,621	15,881
Cash equivalents	17,493	24,422
Securities lending	-	3,730
Total interest and dividends	876,791	811,759
(Decrease) increase in fair value of investments	(143,510)	109,160
Investment expenses	(13,411)	(9,489)
	$719,870	$911,430

Continued

Short-Term Money Market Fund

The underlying securities in the short-term money market fund are high-quality, short-term debt securities issued or guaranteed by the U.S. government or by U.S. government agencies or instrumentalities and repurchase agreements fully collateralized by U.S. Treasury and U.S. government securities. This U.S. Government Money Market Fund carries a AAA credit rating. Although the Fund is generally less sensitive to interest rate changes than are funds that invest in longer-term securities, changes in short-term interest rates will cause changes to the Fund's yield resulting in some interest rate risk.

Interest Rate Risk – Fixed-Income Securities

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. BWC/IC manages the exposure to fair value loss arising from increasing interest rates by requiring that each fixed-income portfolio be invested with duration characteristics that are within a range from a maximum of the OBWC Custom Benchmark to a minimum duration equal to the Lehman Brothers Government and Corporate Intermediate Index.

Duration is a measure of a debt investment's exposure to fair value changes arising from changing interest rates. It uses the present value of cash flow, weighted for those cash flows as a percentage of the investment's full price. Effective duration makes assumptions regarding the most likely timing and amounts of variable cash flows arising from such investments such as callable bonds, prepayments, and variable-rate debt. The effective duration measures the sensitivity of the market price to parallel shifts in the yield curve.

At June 30, 2008 and 2007, the effective duration of BWC's fixed-income portfolio is as follows ($ in thousands):

	June 30, 2008		June 30, 2007	
Investment Type	Fair Value	Effective Duration	Fair Value	Effective Duration
Corporate bonds	$4,406,190	11.33	$3,509,905	11.35
Yankee bonds	207,874	11.00	209,265	11.92
U.S. government agency obligations	777,250	8.59	1,222,208	8.27
Corporate mortgage backed securities	246	4.14	224	0.19
U.S. government obligations	4,061,015	10.58	5,138,917	10.20
Sovereign bonds	340,162	8.24	-	
Supranational issues	41,690	11.64	-	
U.S. state and local government agencies	226,004	12.05	186,772	13.48
Treasury inflationary index notes	3,663,090	7.33	3,004,523	8.11
State Street money market fund	-		42,137	
Net trade payable bond index fund	-		15,510	
Total fixed maturities	$13,723,521		$13,329,461	

Continued

Credit Risk – Fixed-Income Securities

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the holder of the investment. BWC/IC manages the exposure to investment credit risk by requiring an average credit quality no lower than an A rating. Government agency obligations have an implied AAA rating. Obligations of the U.S. government are explicitly guaranteed by the U.S. government and are not considered to have credit risk.

BWC/IC's fixed-income securities were rated by Standard and Poor's (S&P) and/or an equivalent national rating organization and the ratings are presented below using the S&P rating scale (000's omitted). As indicated previously, a portion of the 2007 fair value shown represents the underlying securities in a passively managed bond index fund, while those presented as of June 30, 2008 were held by the custodian on behalf of BWC/IC.

Quality Rating	2008 Fair Value	2007 Fair Value
AAA	$ 311,321	$ 195,944
AA	545,132	445,054
A	2,306,172	1,638,208
BBB	2,000,690	1,426,572
BB	58,851	12,090
Not rated	-	9,532
Total credit risk debt securities	5,222,166	3,727,400
Government agency obligations	777,250	1,400,974
U.S. government obligations	4,061,015	5,138,917
Treasury inflationary index notes	3,663,090	3,004,523
State Street money market fund	-	42,137
Net trade payable bond index fund	-	15,510
Total fixed maturities	$13,723,521	$13,329,461

Concentration of Credit Risk

Concentration of credit risk is the risk of loss that may be attributed to the magnitude of a government's investment in a single issuer. In 2008 and 2007, there is no single issuer that comprises 5% or more of the overall portfolio.

Foreign Currency Risk – Investments

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. BWC's exposure to foreign currency risk as of June 30, 2008 and 2007 is as follows (000's omitted):

Currency	2008 Fair Value	2007 Fair Value
Euro	$ 78	$ 1,096

Continued

Securities Lending

At June 30, 2008 and 2007, BWC/IC had no securities out on loan. BWC/IC has been allocated with cash collateral of $3 million in 2008 and $7 million in 2007 from the securities lending program administered through the Treasurer of State's Office based on the amount of cash equity the State's common cash and investment account.

4. Capital Assets

Capital asset activity and balances as of and for the years ended June 30, 2008 and 2007 are summarized as follows (000's omitted):

	Balance at 6/30/2006	Increases	Decreases	Balance at 6/30/2007	Increases	Decreases	Balance at 6/30/2008
Capital assets not being depreciated							
Land	$ 11,994	$ -	$ -	$ 11,994	$ -	$ -	$11,994
Capital assets being depreciated							
Buildings	205,189	-	-	205,189	373	-	205,562
Furniture and equipment	52,479	5,157	(2,950)	54,686	9,148	(18,680)	45,154
Land improvements	66	-	-	66	-	-	66
Subtotal	257,734	5,157	(2,950)	259,941	9,521	(18,680)	250,782
Accumulated depreciation							
Buildings	(104,663)	(6,787)	-	(111,450)	(6,787)	-	(118,237)
Furniture and equipment	(42,072)	(4,084)	2,650	(43,506)	(4,791)	18,341	(29,956)
Land improvements	(51)	(1)	-	(52)	(1)	-	(53)
Subtotal	(146,786)	(10,872)	2,650	(155,008)	(11,579)	18,341	(148,246)
Net capital assets	$122,942	$(5,715)	$ (300)	$116,927	$(2,058)	$ (339)	$114,530

5. Reserves for Compensation and Compensation Adjustment Expenses

The reserve for compensation consists of reserves for indemnity and medical claims resulting from work-related injuries or illnesses. The recorded liability for compensation and compensation adjustment expenses is based on an estimate by BWC/IC's independent consulting actuary. Management believes that the recorded liability makes for a reasonable and appropriate provision for expected future losses; however, the ultimate liability may vary from the amounts provided.

All reserves have been discounted at 5.0% at June 30, 2008 and 2007. A decrease in the discount rate to 4.0% would result in the reserves for compensation and compensation adjustment expenses increasing to $21.4 billion at June 30, 2008, while an increase in the rate to 6.0% would result in the reserves for compensation and compensation adjustment expenses decreasing to $17.8 billion. A decrease in the discount rate to 4.0% would result in the reserves for compensation and compensation adjustment expenses increasing to $21.3 billion at June 30, 2007, while an increase in the rate to 6.0% would result in the reserves for compensation and compensation adjustment expenses decreasing to $17.6 billion. The undiscounted reserves for compensation and compensation adjustment expenses were $36.4 billion at June 30, 2008 and $37.0 billion at June 30, 2007. The net operating income would

Continued

have been $697 million lower in fiscal year 2008 and $1.1 billion lower in fiscal year 2007, if the reserves for compensation and compensation adjustment expenses were not discounted.

The changes in the reserves for compensation and compensation adjustment expenses for the years ended June 30, 2008 and 2007 are summarized as follows (in millions):

	2008	2007
Reserves for compensation and compensation adjustment expenses, beginning of period	$19,271	$18,927
Incurred:		
Provision for insured events of current period	2,219	2,282
Net (decrease) increase in provision for insured events of prior periods net of discount accretion of $964 in 2008 and $946 in 2007	368	(72)
Decrease in discount rate	-	457
Total incurred	2,587	2,667
Payments:		
Compensation and compensation adjustment expenses attributable to insured events of current period	415	423
Compensation and compensation adjustment expenses attributable to insured events of prior periods	2,008	1,900
Total payments	2,423	2,323
Reserves for compensation and compensation adjustment expenses, end of period	$19,435	$19,271

Continued

6. Bonds Payable

On April 22, 2003, BWC/IC issued special obligation bonds through the Ohio Building Authority (OBA) to refund the 1993 William Green Building Series A bonds. The 2003 bonds bear predetermined interest rates ranging from 1.61% to 3.95%, compared to interest rates ranging from 3.25% to 5.125% on the 1993 bonds. The reacquisition price exceeded the net carrying amount of the old debt by $5.1 million. This amount is netted against the new debt and amortized over the life of the new debt. As a result of the refunding, BWC/IC reduced its total debt service requirements by $9.8 million, which resulted in an economic gain of $8.9 million.

The bonds are collateralized by lease rental payments pledged by BWC/IC to OBA. The lease period coincides with the State's biennial budget and is renewable for successive two-year periods until the bonds are retired. Lease payments are based on the estimated debt service of the bonds, but are limited to an amount appropriated by the Ohio General Assembly in BWC/IC's biennial budget. Lease rental payments totaled $20.4 million and $20.1 million for the years ended June 30, 2008 and 2007, respectively. These payments included interest of $5.3 million and $5.9 million for the years ended June 30, 2008 and 2007, respectively.

The building continues to be reflected in capital assets and the related obligation has been reflected as bonds payable in the statements of net assets. Future principal and interest payments are as follows (000's omitted):

Fiscal Year	Principal	Interest	Total
2009	$ 16,005	$ 4,606	$ 20,611
2010	15,930	3,867	19,797
2011	15,865	3,109	18,974
2012	15,890	2,326	18,216
2013	15,915	1,543	17,458
2014	15,200	751	15,951
Deferred loss on refunding	(1,307)	-	(1,307)
Unamortized bond premium and issuance costs	3,788	-	3,788
Total	$ 97,286	$16,202	$ 113,488

Continued

7. Long-Term Obligations

Activity for long-term obligations (excluding the reserves for compensation and compensation adjustment expenses – see Note 4) for the years ended June 30, 2008 and 2007, is summarized as follows (000's omitted):

	Balance at 6/30/2006	Increases	Decreases	Balance at 6/30/2007	Due Within One Year
Premium payment security deposits	$ 87,693	$ 3,372	$ (3,257)	$ 87,808	$ -
Deferred revenue	372,847	47,671	(420,518)	-	-
Bonds payable	128,052	6,633	(21,609)	113,076	15,055
Other liabilities	89,074	48,816	(89,058)	48,832	18,494
	$677,666	$106,492	$(534,442)	$249,716	$33,549

	Balance at 6/30/2007	Increases	Decreases	Balance at 6/30/2008	Due Within One Year
Premium payment security deposits	$ 87,808	$ 4,007	$ (2,897)	$88,918	$ -
Bonds payable	113,076	5,848	(21,638)	97,286	16,005
Other liabilities	48,832	113,937	(83,307)	79,462	58,637
	$249,716	$123,792	$(107,842)	$265,666	$74,642

8. Benefit Plans

Pension Plans

BWC/IC contributes to the Ohio Public Employees Retirement System of Ohio (OPERS). OPERS administers three separate pension plans:

- The Traditional Plan - a cost-sharing, multiple-employer defined benefit pension plan.
- The Member-Directed Plan – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under this plan, members accumulate retirement assets equal to the value of member and vested employer contributions plus any investment earnings thereon.
- The Combined Plan – a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the Traditional Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the Traditional Plan and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Benefits are established and may

Continued

be amended by State statute. OPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees Retirement System of Ohio, 277 East Town Street, Columbus, Ohio 43215. As of June 30, 2008, the most recent report issued by OPERS is as of December 31, 2007.

Chapter 145 of The Code provides OPERS statutory authority for employee and employer contributions. For the year ended December 31, 2007, the employee contribution rate was 9.5% and the employer contribution rate was 13.77% of covered payroll. For the year ended December 31, 2006, the employee contribution rate was 9.0% and the employer contribution rate was 13.54% of covered payroll. BWC/IC's contributions, representing 100% of the dollar amount billed, are as follows (000's omitted):

Twelve months ended June 30, 2008	$23,606
Twelve months ended June 30, 2007	$23,179
Twelve months ended June 30, 2006	$22,444

Post-Retirement Health Care

OPERS provides retirement, disability, survivor, and post-retirement health care benefits, which includes a medical plan, prescription drug program, and Medicare Part B premium reimbursement, to qualifying members of both the Traditional and the Combined Plans; however, health care benefits are not statutorily guaranteed. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. To qualify for post-retirement health care coverage, age and service retirees must have 10 or more years of qualifying Ohio service credit. Health care coverage for disabled recipients and primary survivor recipients is available. The Code provides statutory authority for employer contributions and requires public employers to fund post-retirement health care through their contributions to OPERS.

The health care coverage provided by the retirement system is considered an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pension." The Code provides statutory authority for employer contributions and requires public employers to fund post-retirement health care through their contributions to OPERS. The provisions of the GASB statement were implemented prospectively for the fiscal year ended June 30, 2008.

OPERS' Post Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of the employer's contribution to OPERS set aside for the funding of OPEB was 5.0% from January 1 through June 30, 2007, 6.0% from July 1 through December 31, 2007, and 4.5% during calendar year 2006. Active members do not make contributions to the OPEB Plan. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

Continued

Based upon the portion of each employer's contribution to OPERS set aside for funding OPEB as described above, BWC/IC's contribution for the 12 months ended June 30, 2008 allocated to OPEB was approximately $10.3 million and $7.7 million for the 12 months ended June 30, 2007.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, 2007, and 2008, which allowed additional funds to be allocated to the health care plan.

9. Risk Management

BWC/IC is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To cover these risks, BWC/IC maintains commercial insurance and property insurance. There were no reductions in coverage in either fiscal year 2008 or 2007. Claims experience over the past three years indicates there were no instances of losses exceeding insurance coverage. Additionally, BWC/IC provides medical benefits for its employees on a fully insured basis with independent insurance companies or the State's self-insured benefit plan.

10. Contingent Liabilities

BWC/IC is a party in various legal proceedings, which normally occur as part of BWC/IC's operations.

A class action complaint pending in the 8th District Court of Appeals contends that subrogation allowed under Ohio Revised Code 4123.931 is unconstitutional. The Ohio Supreme Court in Holeton v. Crouse Cartage declared the subrogation statute unconstitutional. The trial court certified the class, granted summary judgment to the plaintiffs, and awarded attorney fees. A liability of $50 million was accrued as of June 30, 2005. This case was settled in July 2006, with payments of $46.9 million being made during fiscal year 2007 and $1.9 million during fiscal year 2008. Management does not expect the ultimate payments to be materially different than the amount accrued.

Litigation is also currently pending before the Ohio Supreme Court relating to premium dividend credits that were denied to previously active participants in BWC/IC's retrospective rating plan (RRP) and then changed to other plans. This action was filed on behalf of all employers that paid premiums under a RRP during any year from 1995 through 2002, and any subsequent year in which premium dividend credits were granted. After three of the plaintiffs became self-insured, they continued to pay dollar-for-dollar claims costs under their continuing RRP obligations, but did not pay premiums. The premium credit was also denied to a fourth plaintiff who left the RRP and went to a group-rated state plan. This plaintiff received credits for paid premiums during the years it was group-rated, but did not receive credit for paid claims costs. The trial court denied class certification in this case. In February 2007, the 10th District Court of Appeals affirmed the trial court's ruling for BWC/IC. The plaintiffs have filed an appeal. The ultimate outcome of the litigation cannot presently be determined. Accordingly, no provision for any liability has been reported in the financial statements for this matter. Management is vigorously defending this case.

Continued

A class action case was filed alleging that BWC/IC identifies PTD recipients not represented by counsel and encourages them to settle their PTD claims for substantially less than their actuarial present value. The plaintiffs contend that BWC/IC refuses to conduct good-faith settlement negotiations with PTD recipients represented by counsel. The trial court denied BWC/IC's motion to dismiss and/or change of venue, and granted class certification. The 8th District Court of Appeals issued a ruling affirming the trial court's rulings. BWC/IC appealed to the Ohio Supreme Court. In May 2008, the Ohio Supreme Court reversed the Court of Appeals' decision and held that, because this matter is a claim against the state for money due under a contract, and not a claim of equitable restitution, it must be brought before the Ohio Court of Claims. To date, plaintiffs have not filed action in the Court of Claims. Accordingly, no provision for any liability has been reported in the financial statements for this matter.

BWC/IC was also involved in litigation in which the plaintiff argued that BWC/IC can only change reimbursement rates by promulgating a rule under ORC Chapter 119. The trial court issued a declaration that BWC/IC improperly reduced reimbursement fees to the hospitals. BWC appealed to the 10th District Court of Appeals. A decision was issued in March 2007 affirming the decision of the trial court. BWC/IC did not appeal the decision to the Ohio Supreme Court. BWC/IC has offered to settle with hospitals that may be impacted by this case. In February 2008, BWC/IC sent settlement release agreements to 274 affected hospitals. An estimated liability of $73.7 million was accrued with payments of $33.1 million made during fiscal year 2008.

BWC/IC is involved in litigation challenging policies related to lump-sum advancements made to PTD recipients. This action alleges that BWC/IC has improperly recouped monies from PTD recipients by continuing to deduct monies from the plaintiff's benefits in an amount greater than the advance plus interest. The ultimate outcome of the litigation cannot presently be determined. Accordingly, no provision for any liability has been reported in the financial statements for this matter. Management is vigorously defending this case.

A class action case was filed against BWC/IC alleging that non-group-rated employers subsidize group-rated employers, and that this bias in premiums violates various provisions of the Ohio Constitution. Plaintiffs have asked the court to declare the group rating plan unconstitutional and require BWC/IC to repay to the class members all excessive premiums collected by BWC/IC, with interest and attorney fees. In April 2008, plaintiffs filed a motion for a preliminary injunction enjoining BWC/IC from enforcing the group rating statutes during pendency of the action (beginning July 1, 2008). A hearing was held on the injunction request in August. Parties are awaiting the court decision on the motion for injunction. The ultimate outcome of the litigation cannot presently be determined. Accordingly, no provision for any liability has been reported in the financial statements for this matter. Management is vigorously defending this case.

Although the outcome of these cases is not quantifiable or determinable at this time, an unfavorable outcome in any one of them could have a material effect of the financial position of BWC/IC.

BWC/IC is also involved in other claims and legal actions arising in the ordinary course of business. In the opinion of management, after consultation with the Attorney General, the

Continued

ultimate disposition of these matters is not likely to have a material adverse effect on BWC/IC's financial position.

11. Net Assets

Individual fund net asset (deficit) balances at June 30, 2008 and 2007 were as follows (000's omitted):

	2008	2007
SIF	$3,799,897	$3,511,722
SIF Surplus Fund	(1,708,959)	(1,540,025)
SIF Premium Payment Security Fund	115,984	108,348
Total SIF Net Assets	2,206,922	2,080,045
DWRF	848,727	800,185
CWPF	179,339	171,741
PWREF	19,350	18,295
MIF	13,431	13,802
SIEGF	8,919	6,208
ACF	(773,399)	(784,730)
Total Net Assets (Deficit)	$ 2,503,289	$ 2,305,546

As mandated by the Code, SIF net assets are separated into three separate funds; the main fund, the Surplus Fund, and the Premium Payment Security Fund (PPSF).

The SIF Surplus Fund is established by the Code and is financed by a percentage of all SIF premiums paid by private, self-insured, and public employers (excluding State employers). The SIF Surplus Fund has been appropriated for specific charges, including compensation related to claims of handicapped persons or employees of noncomplying employers, and the expense of providing rehabilitation services, counseling, training, living maintenance payments, and other related charges to injured workers. The SIF Surplus Fund may also be charged on a discretionary basis as ordered by BWC/IC, as permitted by the Code. The Code limits contributions to the SIF Surplus Fund to 5% of premiums. This allocation of premiums is insufficient to fund the charges to the SIF Surplus Fund.

The SIF PPSF is established by the Code and is financed by a percentage of all premiums paid by private employers. Amounts are charged to the PPSF when the employer's premium due for a payroll period is determined to be uncollectible by the Attorney General of Ohio and the employer's premium payment security deposit is not sufficient to cover the premiums due for the payroll period.

The ACF fund deficit is a result of recognizing the actuarially estimated liabilities in accordance with accounting principles generally accepted in the United States of America, even though the funding for ACF is on a terminal funding basis in accordance with the Code. Consequently, the incurred expenses are not fully funded.

Continued

12. Subsequent Event

The global financial markets became increasingly unsettled in September 2008 as several very prominent U.S. financial institutions became insolvent and either failed or were taken over by the federal government. A number of large U.S. financial institutions have significant ownership of loosely underwritten illiquid mortgage-related assets that have declined sharply in value from accelerated mortgage payment delinquencies and reduced housing values.

The weakness of the U.S. fixed-income and equity markets for September 2008 resulted in a significant decline in net market value through September 29, 2008 of the BWC/IC portfolio of fixed-income and equity securities. These declines resulted in a total estimated portfolio return of negative 4.1 percent for the month of September 2008 through September 29 on BWC/IC's total invested assets including cash. The estimated decline in net market value for the first quarter of Fiscal Year 2009 through September 29, 2008 was estimated at $608 million. Such valuations resulted in an estimated negative rate of return of 3.5 percent for the BWC total portfolio over this period.

OHIO BUREAU OF WORKERS' COMPENSATION
AND
INDUSTRIAL COMMISSION OF OHIO

(A DEPARTMENT OF THE STATE OF OHIO)

REQUIRED SUPPLEMENTAL REVENUE AND RESERVE DEVELOPMENT INFORMATION, UNAUDITED

(See Accompanying Independent Auditors' Report)

June 30, 2008 and 2007

GASB Statement No. 30, "Risk Financing Omnibus," requires the presentation of ten years of supplemental revenue and reserve development information, if available.

The table on the following page illustrates how BWC/IC's gross premium revenues and investment income compare to related costs of workers' compensation benefits (compensation) and other expenses incurred by BWC/IC as of the end of each of the last ten and one-half reporting periods. The rows of the table are defined as follows: (1) This line shows the total of each period's gross premium revenues and investment income. (2) This line shows each period's operating expenses, including overhead and compensation adjustment expenses not allocable to individual claims. (3) This line shows incurred compensation and allocated compensation adjustment expenses (both paid and accrued) as originally reported at the end of the first period in which the injury occurred. (4) This section of ten rows shows the cumulative amounts paid as of the end of successive periods for each period. (5) This section of ten rows shows how each period's incurred compensation increased or decreased as of the end of successive periods. (6) This line compares the latest re-estimated incurred compensation amount to the amount originally established (line 3) and shows whether this latest estimate of compensation cost is greater or less than originally estimated. As data for individual periods mature, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of incurred compensation currently recognized in less mature periods. The columns of the table show data for successive periods on an undiscounted basis for the fiscal years ended June 30, 1998 through 2008.

Continued

OHIO BUREAU OF WORKERS' COMPENSATION
AND
INDUSTRIAL COMMISSION OF OHIO
(A DEPARTMENT OF THE STATE OF OHIO)

REQUIRED SUPPLEMENTAL REVENUE AND RESERVE DEVELOPMENT INFORMATION, UNAUDITED, Continued
(See Accompanying Independent Auditors' Report)
(In Millions of Dollars)

	Fiscal Years Ended June 30										
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
1. Gross premiums, assessments, and investment income	$ 2,968	$ 5,251	$ 3,015	$ 3,272	$ 3,558	$ 2,886	$ 2,032	$ 2,535	$ 4,344	$ 3,609	$ 5,092
2. Unallocated expenses	108	109	170	179	188	169	194	292	258	273	323
3. Estimated incurred compensation and compensation adjustment expense, end of period	2,219	2,327	2,270	2,392	2,335	2,405	2,233	2,109	2,052	1,891	2,078
Discount	1,892	2,099	2,147	2,227	2,447	2,544	2,374	2,443	2,274	2,576	3,115
Gross liability as originally estimated	4,111	4,426	4,417	4,619	4,782	4,949	4,607	4,552	4,326	4,467	5,193
4. Paid (cumulative) as of :											
End of period	415	423	417	449	449	485	456	434	404	422	389
One year later		747	743	795	843	872	853	821	757	809	673
Two years later			927	979	1,037	1,096	1,063	1,038	967	984	1,038
Three years later				1,121	1,181	1,248	1,230	1,194	1,122	1,122	1,155
Four years later					1,302	1,371	1,351	1,325	1,245	1,232	1,252
Five years later						1,485	1,459	1,423	1,355	1,325	1,335
Six years later							1,559	1,518	1,439	1,411	1,408
Seven years later								1,605	1,519	1,479	1,475
Eight years later									1,597	1,542	1,530
Nine years later										1,605	1,581
Ten years later											1,682
5. Re-estimated incurred compensation and compensation adjustment expenses (gross):											
One year later		3,523	3,670	4,007	4,155	4,183	4,028	4,022	3,953	3,612	3,575
Two years later			3,462	3,636	3,920	4,027	3,943	4,007	3,818	3,695	3,272
Three years later				3,480	3,689	3,827	3,787	3,856	3,880	3,534	3,326
Four years later					3,393	3,638	3,639	3,617	3,680	3,453	3,071
Five years later						3,302	3,376	3,441	3,448	3,183	2,930
Six years later							3,124	3,119	3,222	3,001	2,691
Seven years later								2,982	2,936	2,807	2,542
Eight years later									2,854	2,584	2,352
Nine years later										2,495	2,191
Ten years later											2,163
6. Decrease in gross estimated incurred compensation and compensation adjustment expenses from end of period		(903)	(955)	(1,139)	(1,389)	(1,647)	(1,483)	(1,570)	(1,472)	(1,972)	(3,030)

OHIO BUREAU OF WORKERS' COMPENSATION
AND
INDUSTRIAL COMMISSION OF OHIO
(A DEPARTMENT OF THE STATE OF OHIO)
SUPPLEMENTAL SCHEDULE OF NET ASSETS
(See Accompanying Independent Auditors' Report)
June 30, 2008
(000's omitted)

	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
ASSETS									
Current assets:									
Cash and cash equivalents	$ 260,173	$ 8,535	$ 2,536	$ 22,540	$ 16,713	$ 56,554	$ 11,027	$ -	$ 378,078
Collateral on loaned securities	-	-	-	-	-	-	2,933	-	2,933
Premiums in course of collection	858,772	-	-	177	-	-	-	-	858,949
Assessments in course of collection	-	48,537	-	-	-	-	164,025	-	212,562
Accounts receivable, net of allowance for uncollectibles	156,014	20,979	-	29	-	1,143	6,418	-	184,583
Interfund receivables	12,435	52,891	-	99	69	629	81,950	(148,073)	-
Investment trade receivables	72,069	8,265	981	-	-	-	-	-	81,315
Accrued investment income	184,013	13,441	2,787	40	30	103	-	-	200,414
Other current assets	2,686	-	-	-	-	-	-	-	2,686
Total current assets	1,546,162	152,648	6,304	22,885	16,812	58,429	266,353	(148,073)	1,921,520
Non-current assets:									
Fixed maturities	12,618,730	912,448	192,343	-	-	-	-	-	13,723,521
Domestic equity securities:									
Common stocks	2,911,769	201,010	45,810	-	-	-	-	-	3,158,589
Preferred stocks	5,794	-	-	-	-	-	-	-	5,794
International securities	78	-	-	-	-	-	-	-	78
Investments in limited partnerships	15,427	-	-	-	-	-	-	-	15,427
Unbilled premiums receivable	880,345	-	-	-	-	-	-	-	880,345
Unbilled assessments receivable	-	1,498,560	-	-	-	672,838	105,836	-	2,277,234
Retrospective premiums receivable	283,720	-	-	-	-	-	-	-	283,720
Capital assets	22,811	22	-	-	-	-	91,697	-	114,530
Restricted cash	-	-	-	-	-	-	1,216	-	1,216
Total noncurrent assets	16,738,674	2,612,040	238,153	-	-	672,838	198,749	-	20,460,454
Total assets	$ 18,284,836	$ 2,764,688	$ 244,457	$ 22,885	$ 16,812	$ 731,267	$ 465,102	$ (148,073)	$ 22,381,974

OHIO BUREAU OF WORKERS' COMPENSATION
AND
INDUSTRIAL COMMISSION OF OHIO
(A DEPARTMENT OF THE STATE OF OHIO)
SUPPLEMENTAL SCHEDULE OF NET ASSETS, Continued
(See Accompanying Independent Auditors' Report)
June 30, 2008
(000's omitted)

	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
LIABILITIES									
Current liabilities:									
Reserve for compensation	$ 1,753,452	$116,684	$ 1,336	$ 159	$ 335	$20,260	$ -	$ -	$ 1,892,226
Reserve for compensation adjustment expenses	170,524	492	66	-	41	905	309,002	-	481,030
Warrants payable	37,164	-	-	-	-	-	-	-	37,164
Bonds payable	-	-	-	-	-	-	16,005	-	16,005
Investment trade payables	118,322	10,079	1,495	-	-	-	-	-	129,896
Accounts payable	1,544	-	-	-	-	-	6,143	-	7,687
Interfund payables	133,861	10,743	75	13	16	3,365	-	(148,073)	-
Obligations under securities lending	-	-	-	-	-	-	2,933	-	2,933
Other current liabilities	42,518	88	34	-	183	-	15,814	-	58,637
Total current liabilities	2,257,385	138,086	3,006	172	575	24,530	349,897	(148,073)	2,625,578
Noncurrent liabilities:									
Reserve for compensation	13,232,548	1,723,167	57,364	3,363	2,639	689,038	-	-	15,708,119
Reserve for compensation adjustment expenses	499,777	54,708	4,034	-	167	8,780	786,498	-	1,353,964
Premium payment security deposits	88,204	-	714	-	-	-	-	-	88,918
Bonds payable	-	-	-	-	-	-	81,281	-	81,281
Other noncurrent liabilities	-	-	-	-	-	-	20,825	-	20,825
Total noncurrent liabilities	13,820,529	1,777,875	62,112	3,363	2,806	697,818	888,604	-	17,253,107
Total liabilities	16,077,914	1,915,961	65,118	3,535	3,381	722,348	1,238,501	(148,073)	19,878,685
NET ASSETS (DEFICIT)									
Invested in capital assets, net of related debt	22,811	22	-	-	-	-	(4,465)	-	18,368
Restricted for Surplus Fund	(1,708,959)	-	-	-	-	-	-	-	(1,708,959)
Restricted for Premium Payment Security Fund	115,984	-	-	-	-	-	-	-	115,984
Unrestricted net assets	3,777,086	848,705	179,339	19,350	13,431	8,919	(768,934)	-	4,077,896
Total net assets (deficit)	$ 2,206,922	$ 848,727	$ 179,339	$ 19,350	$ 13,431	$ 8,919	$ (773,399)	$ -	$ 2,503,289

OHIO BUREAU OF WORKERS' COMPENSATION
AND
INDUSTRIAL COMMISSION OF OHIO
(A DEPARTMENT OF THE STATE OF OHIO)
SUPPLEMENTAL SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

(See Accompanying Independent Auditors' Report)

For the year ended June 30, 2008

(000's omitted)

	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
Operating revenues:									
Premium income	$1,849,610	$ -	$1,249	$118	$786	$ -	$ -	$ -	$1,851,763
Assessment income	-	23,389	-	-	-	(3,029)	362,969	-	383,329
Provision for uncollectibles	(84,820)	(3,685)	-	-	(8)	227	(8,404)	-	(96,690)
Other income	16,278	-	-	-	-	-	5,969	-	22,247
Total operating revenues	1,781,068	19,704	1,249	118	778	(2,802)	360,534	-	2,160,649
Operating expenses:									
Workers' compensation benefits	2,171,298	11,813	1,621	(77)	1,626	(5,458)	-	-	2,180,823
Compensation adjustment expenses	125,710	(2,652)	65	-	113	2,003	281,421	-	406,660
Personal services	-	51	14	-	7	-	50,492	-	50,564
Other administrative expenses	20,396	64	21	2	35	3	23,989	-	44,510
Total operating expenses	2,317,404	9,276	1,721	(75)	1,781	(3,452)	355,902	-	2,682,557
Net operating income (loss) before operating transfers in (out)	(536,336)	10,428	(472)	193	(1,003)	650	4,632	-	(521,908)
Operating transfers in (out)	(3,179)	-	-	-	-	-	3,179	-	-
Net operating income (loss)	(539,515)	10,428	(472)	193	(1,003)	650	7,811	-	(521,908)
Non-operating revenues:									
Net investment income	666,392	38,114	8,070	862	632	2,061	3,739	-	719,870
Loss on disposal of capital assets	-	-	-	-	-	-	(219)	-	(219)
Total non-operating revenues	666,392	38,114	8,070	862	632	2,061	3,520	-	719,651
Increase (decrease) in net assets (deficit)	126,877	48,542	7,598	1,055	(371)	2,711	11,331	-	197,743
Net assets (deficit), beginning of year	2,080,045	800,185	171,741	18,295	13,802	6,208	(784,730)	-	2,305,546
Net assets (deficit), end of year	$2,206,922	$848,727	$179,339	$19,350	$13,431	$8,919	$(773,399)	$ -	$2,503,289