

BWC Board of Directors  
**AUDIT COMMITTEE**  
**Minutes for Thursday, July 24, 2025**  
**William Green Building**  
30 West Spring Street, 2nd Floor  
Columbus, OH 43215

---

Members Present: Kenneth Haffey, Chair  
David Johnson, Vice Chair  
Chan Cochran  
Jon Harvey  
Elizabeth Riczko

Other Directors Present: David Currier  
Terry Joyce  
Peggy Griffith  
Suzanne Kiggin  
Mark Palmer  
Tracie Sanchez

Staff Present: Stephanie McCloud, Administrator  
Kevin Giangola, Chief Financial Officer  
Chelsea Castle, Director of Internal Audit  
Joe Bizjak, Board Liaison

Counsel Present: Michaela Peterson-Baumann, Chief Legal & Ethics Officer  
Scott Helkowski, Assistant Attorney General

Scribe: Jay Hurlbert, Staff Counsel

**CALL TO ORDER**

Director Haffey called the meeting to order at 11:05 AM. The roll was taken. All committee members were present.

**APPROVAL OF MINUTES**

There were no changes to the minutes. The minutes were approved by a unanimous 5-0 voice vote on a motion by Director Johnson, with a second by Director Riczko.

## **REVIEW/APPROVE AGENDA**

Director Haffey reviewed the agenda and noted there were no changes. The agenda was approved by a unanimous 5-0 voice vote on a motion by Director Riczko, with a second by Director Harvey.

## **NEW BUSINESS**

### **DISCUSSION ITEMS**

#### **1. Financial Update**

Mr. Giangola presented an update on the state of BWC's finances. The presentation is contained in Board Effect and is hereby incorporated by reference into the minutes.

The rolling 12-month number of new claims filed has seen a small uptick but remains within historical norms. The lag time between the occurrence of a workplace injury and the filing of a claim with BWC remains within historical norms with a median lag of 4-6 days and average lag of 17 days. Payment of Indemnity and Medical benefit amounts are remaining steady.

FYTD revenue is \$1,061 million which is less than the \$1,249 million in 2024. It is also less than the \$1,129 million which was projected. FYTD operating expenses are \$1,751 million which is less than \$1,879 million in 2024. It is also less than the \$1,930 million which was projected. This equates to a \$690 million operating loss FYTD. Investment income is \$1,702 million FYTD which is higher than the \$795 million which was projected and the \$1,017 million in 2024.

The FYTD administrative expenses stands at \$270 million which is below the \$322 million which was budgeted. The net position as of June 30, 2025, was \$9.2 billion.

The total assets of all funds are \$23.9 billion which is \$900 million greater than for the same time in 2024. Total liabilities of all funds are \$14.7 billion. The FYTD net position of all funds is \$9.2 billion which compares favorably to the \$8.2 billion net position as of the end of May 2024.

The State Insurance Fund ("SIF") has assets of \$21.1 billion and liabilities of \$13.0 billion resulting in a net position of \$8.1 billion. The Financial Strength Ratio as of June 30, 2025, was 1.62. As of July 23, 2025, the Financial Strength Ratio was 1.63.

Director Cochran asked why operating expenses are lower than anticipated. Administrator McCloud and Mr. Giangola explained that BWC's number of employees are less than anticipated.

## **2. Internal Audit Update**

Ms. Castle presented an update on the internal audit of the Investment Division Operations. The presentation materials are contained in Board Effect and are hereby incorporated by reference.

A total of 5 objectives were audited this quarter as it pertained to Investment Division Operations. All 5 objectives were found to be adequate (the highest possible rating) as to both Design Adequacy and Control Effectiveness.

Internal Audit is currently working on reviews of Survivor Benefits and Fleet Management.

Ms. Castle reported that RSM had delivered the final report from their External Quality Review of Internal Audit Division operations. Ms. Castle stated that after receipt of the preliminary report and providing RSM with additional information and evidence, RSM upgraded the final rating to "Full Achievement" which is the highest rating. This review is to be performed every 5 years in compliance with the standard published by the Institute of Internal Auditors. As a result of this review, The Internal Audit Division can include verbiage on all audit reports stating that they were performed in accordance with the standards.

## **COMMITTEE CALENDAR**

Director Haffey reviewed the Committee Calendar. In August the following matters will come before the Audit Committee:

1. FY 2026 Financial Projections
2. Financial Update
3. Internal Audit Monthly Update
4. First read of Committee Charter Review
5. Year End Audit

## **ADJOURNMENT**

Director Johnson made a motion to adjourn the meeting, with a second by Director Riczko, the motion was approved by a unanimous 5-0 voice vote. The meeting was adjourned at 11:30 AM.

**Next Meeting: August 21, 2025**

BWC Board of Directors  
**Audit Committee Agenda**  
**Thursday, August 21, 2025**  
**William Green Building**  
Level 2, Room 3

**Call to Order**

Ken Haffey, Committee Chair

**Roll Call**

Jay Hurlbert, Scribe

**Approve Minutes of the Thursday, July 24, 2025 Meeting**

Ken Haffey, Committee Chair

**Review and Approve Agenda**

Ken Haffey, Committee Chair

**New Business/Action Items**

**Item for First Reading:**

1. Committee Charter Review  
Joe Bizjak, Board Liaison

**Discussion Items:**

1. FY 2026 Financial Projections  
Jeff Jordan, Controller  
Donnisha Johnson, Investment, Accounting, and GL Manager  
Kevin Giangola, Chief Financial Officer
2. Financial Update  
Kevin Giangola, Chief Financial Officer
3. Internal Audit Update  
David Kooser, Chief of Internal Audit
4. Division Charter Review  
David Kooser, Chief of Internal Audit

**Review Committee Calendar:**

1. Committee Calendar  
Ken Haffey, Committee Chair

**Adjourn:** Ken Haffey, Committee Chair

**Next Meeting: September 25, 2025**

\*Not all discussion items have materials

## **OBWC Board of Directors Audit Committee Charter**

### **Purpose**

The Audit Committee, a statutory committee of the Bureau of Workers' Compensation Board of Directors, is to fulfill the following:

- Assist the Board of Directors in fulfilling its oversight responsibilities relating to developing and implementing sound audit policies and practices,
- Review the design and performance of the internal audit function and all independent auditors.
- Provide oversight of OBWC finances and the integrity and accuracy of the financial reporting process.
- Ensure compliance with legal and regulatory requirements.

In order to constitute the will of the Board of Directors, Committee actions must be ratified or adopted by the Board of Directors to become effective.

### **Membership**

The Committee shall be composed of five (5) members. One member shall be the member of the Board who is appointed as the certified public accountant. The Board, by majority vote, may appoint at least four additional members of the Board to serve on the Audit Committee and may appoint additional members who are not Board members, as the Board determines necessary. Any additional members appointed to the Audit Committee who are not members of Board shall be non-voting members of that Committee. Bureau management personnel cannot serve as committee members.

The Chair and Vice Chair are designated by the Board, based on the recommendation of the Board Chair. If the Board Chair is not a member of the Committee, he/she shall be an ex-officio member. As an ex-officio member, the Board Chair shall vote last, and if his/her vote will create a tie, shall abstain from voting. The Board Chair shall also not count towards a quorum for attendance purposes.

The Committee Chair will be responsible for scheduling all meetings of the Committee and providing the Committee with a written agenda for each meeting. In the absence of the Committee Chair, the Committee Vice-Chair will assume the Chair's responsibilities. If both the Chair and Vice Chair are not available, the Chair of the Board shall appoint an acting Chair for that Committee meeting. The Committee will have a staff liaison designated to assist it in carrying out its duties.

Members of the Audit Committee serve at the pleasure of the Board, and the Board, by majority vote, may remove any member except the member of the committee who is the appointed certified public accountant member of the Board.

### **Meetings**

The Committee shall meet at least nine (9) times annually, or more frequently as circumstances dictate. The Committee chair will provide a meeting report at the next subsequent Board meeting. Additional meetings may be requested by the Committee Chair, 2 or more members of the Committee, or the Chair of the Board.

A quorum shall consist of a majority of Committee members. Committee meetings will be conducted according to Robert's Rules of Order. All Directors are encouraged to attend the Committee meetings.

The Committee will invite members of management, external auditors, internal auditors and/or others to attend meetings and provide pertinent information as necessary.

Minutes for all meetings of the Committee will be prepared to document all actions of the Committee in the discharge of its responsibilities.

### **Statutory responsibilities**

1. The Audit Committee shall be responsible for the following statutory requirements:

#### *Audit:*

- Recommend to the Board an accounting firm to perform an annual audit . (R.C. 4121.129(A)(1))
- Recommend an auditing firm for the Board to use when conducting audits under R.C. 4121.125. (R.C. 4121.129(A)(2))
- Review results of each annual audit and management review; if problems exist, assess appropriate course of action to correct, and develop action plan. (R.C.4121.129(A)(3))
- Monitor implementation of any action plans created to correct problems noted in each annual audit. (R.C. 4121.129(A)(4))
- Review all internal audit reports on a regular basis. (R.C. 4121.129(A)(5))

#### *Compliance and Oversight:*

- At least once every 10 years, assist the Board in having an independent auditor conduct a fiduciary performance audit of OBWC's investment program, policies and procedures. Provide a copy of audit to the Auditor of State. (R.C. 4121.125(I)) [completed in 2016]
- The administrator, with the advice and consent of the board, shall employ an internal auditor. The Committee shall receive the reports of the internal auditor and provide input to the Board regarding those findings. (R.C. 4121.125(J))

### **Other responsibilities**

#### *Audit:*

1. Monitor an oversight process to assess the adequacy and effectiveness of internal controls and provide the mechanisms for periodic assessment of the system of internal controls on an ongoing basis.

2. Oversee the assessment of internal administrative and accounting controls by both the external independent financial auditor and the internal auditor.
3. Ensure the independence of the external auditor and approve all auditing, approve other attestations services, and pre-approve non-audit services performed by the external auditor.
4. Obtain and review a report from the independent auditor at least annually (a) the independent auditor's internal quality-control procedures, (b) any material issues raised by the most recent internal quality-control review, or peer review of the firm, or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the firm, (c) any steps taken to deal with any such issues. The Audit Committee shall present its conclusions with respect to the independent auditor to the Board and, if so determined by the Audit Committee, recommend that the Board take additional action to satisfy itself of the qualifications, performance and independence of the auditor.

*Finance:*

1. Review the internal OBWC financial statements-
2. Review with management and the external auditor significant financial reporting issues and judgments made in connection with the preparation of the financial statements.
3. Review with management and the external auditor the results of the audit.

*Compliance and Oversight:*

1. Serve as the primary liaison for the OBWC Board of Directors and providing a forum for handling all matters related to audits, examinations, investigations or inquiries of the Auditor of State and other appropriate State or Federal agencies.
2. Retain and oversee consultants, experts, independent counsel, and accountants to advise the Committee on any of its responsibilities.
3. Seek any information it requires from employees and other parties in order to assist the Committee and the Board in meeting their duties set forth in this Charter. These parties include, but are not limited to internal auditors, all external auditors, consultants, investigators and any other specialists working for the Committee.
4. At least annually, review the Audit Committee charter and submit any proposed changes to the Governance Committee and to the Board for approval.

*Miscellaneous:*

- The Committee by majority vote may create a subcommittee consisting of one or more Directors on the Committee. In consultation with the Chair, other board members may be appointed to the subcommittee as appropriate. The subcommittee shall have a specific purpose. The subcommittee shall keep minutes of its meetings. The subcommittee shall report to the Board of Directors through the Committee. The Committee by majority vote may dissolve the subcommittee at any time.

- Perform such other duties required by law or otherwise as are necessary or appropriate to further the Committee's purpose or as the Board may from time to time assign to the Committee.
- Receive, review and discuss disaster recovery/business continuity reports from management.
- Receive, review and discuss with management reports on the security of and risks related to the OBWC's information technology systems and procedures.
- Review compliance with the "SAS 114 Letter: The Auditor's Communication with Those Charged with Governance" and subsequent procedures.
- Receive litigation updates as necessary, but no less frequently than quarterly.

Draft 092607  
Review & Approved 112107, Ken Haffey, Chair  
Revised 012508  
Revised 092408  
Annual Review and Revision 112108  
Annual Review and Revision 112009  
Annual Review and Revision 111910  
Annual Review and Revision 111811  
Annual Review and Revision 112912  
Annual Review and Revision 112213  
Annual Review and Revision 112114  
Annual Review and Revision 112015  
Annual Review and Revision 111916  
Annual Review and Revision 111717  
Annual Review and Approval 111618  
Annual Review and Approval 112219  
Annual Review and Approval 092321  
Annual Review and Revision 052722  
Annual Review and Revision 082523  
Annual Review 082924  
Annual Review and Revision 092625



**Bureau of Workers'  
Compensation**

---

# FISCAL YEAR 2026 FINANCIAL PROJECTIONS

**BWC Audit Committee**

August 21, 2025



**Bureau of Workers'  
Compensation**

# FISCAL YEAR STATEMENT OF OPERATIONS

<b>\$ in millions</b>	<b>Projected FY2026</b>	<b>Unaudited FY2025</b>	<b>Audited FY2024</b>
Operating Revenues	\$1,038	\$1,062	\$1,250
Operating Expenses	(\$1,991)	(\$1,751)	(\$1,879)
Operating Transfers	(\$1)	(\$1)	(\$1)
Net Investment Income (Loss)	\$1,120	\$1,702	\$1,017
Change in Net Position	\$166	\$1,012	\$387
Net Position, July 1	\$9,183	\$8,172	\$7,785
Net Position, June 30	\$9,349	\$9,183	\$8,172

# FISCAL YEAR OPERATING REVENUES

<b>\$ in millions</b>	<b>Projected FY2026</b>	<b>Unaudited FY2025</b>	<b>Audited FY2024</b>
Premium & Assessment Income	\$1,081	\$1,110	\$1,282
Provision for Uncollectibles	(\$56)	(\$61)	(\$43)
Other Income	\$13	\$13	\$11
<b>Total Operating Revenues</b>	<b>\$1,038</b>	<b>\$1,062</b>	<b>\$1,250</b>

# FISCAL YEAR OPERATING EXPENSES

<b>\$ in millions</b>	<b>Projected FY2026</b>	<b>Unaudited FY2025</b>	<b>Audited FY2024</b>
Benefits and Compensation Adjustment Expense	\$1,787	\$1,568	\$1,708
Other Expenses	\$204	\$183	\$171
<b>Total Operating Expenses</b>	<b>\$1,991</b>	<b>\$1,751</b>	<b>\$1,879</b>

# FISCAL YEAR BENEFITS AND COMPENSATION ADJUSTMENT EXPENSES

\$ in millions	Projected FY2026	Projected FY2025	Unaudited FY2025	Projected FY2024	Audited FY2024
Net Benefit Payments	\$1,219	\$1,204	\$1,217	\$1,246	\$1,206
Payments for Comp Adjustment Expenses	\$252	\$251	\$219	\$248	\$204
MCO Admin Payments	\$185	\$169	\$177	\$162	\$170
Change in Reserves	\$131	\$108	(\$45)	\$100	\$128
<b>Total Benefits and Compensation Adjustment Expenses</b>	<b>\$1,787</b>	<b>\$1,732</b>	<b>\$1,568</b>	<b>\$1,756</b>	<b>\$1,547</b>

# NET INVESTMENT INCOME (LOSS)

<b>\$ in millions</b>	<b>Projected FY2026</b>	<b>Unaudited FY2025</b>	<b>Audited FY2024</b>
Interest & Dividend Income	\$823	\$565	\$571
Change in Portfolio Value	\$344	\$1,185	\$491
Investment Manager and Custodial Fees	(\$47)	(\$48)	(\$45)
<b>Net Investment Income (Loss)</b>	<b>\$1,120</b>	<b>\$1,702</b>	<b>\$1,017</b>

# STATEMENT OF CASH FLOWS

<b>\$ in millions</b>	<b>Projected FY2026</b>	<b>Unaudited FY2025</b>	<b>Audited FY2024</b>
Net Cash (Outflow) for Operating Activities	(\$720)	(\$520)	(\$413)
Cash Flows Used for Capital & Financing Activities	(\$1)	-	(\$5)
Operating Transfers In (Out)	(\$1)	(\$1)	(\$1)
Net Cash Provided (Used) by Investing Activities	(\$37)	\$107	\$131
Cash Redemptions from Investment Managers	\$550	\$483	\$474
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(\$209)</b>	<b>\$69</b>	<b>\$186</b>
Cash and Cash Equivalents, July 1	\$645	\$576	\$390
<b>Cash and Cash Equivalents, June 30</b>	<b>\$436</b>	<b>\$645</b>	<b>\$576</b>

# QUESTIONS?

---

[BWC.Ohio.gov](http://BWC.Ohio.gov)



**Bureau of Workers'  
Compensation**



# THANK YOU

---

[BWC.Ohio.gov](http://BWC.Ohio.gov)



**Bureau of Workers'  
Compensation**





# **Bureau of Workers' Compensation**

[BWC.Ohio.gov](http://BWC.Ohio.gov)

**The Fiscal Year 2026 financial projections for BWC's Statement of Operations reflect the following information and assumptions:**

**Premium and Assessment Income:**

- Approved rates and collectible premium prepared by BWC's Actuarial Department in conjunction with rate indication information;
  - Private employer premium rates decreased 6%
  - Public State employer premium rates decreased 8.6%
  - Public Taxing District employer premium rates did not change for policy year beginning January 1, 2025
- Changes in the Unbilled Receivable balance using data and assumptions from the recently completed actuarial study as prepared by actuaries from BWC's Actuarial Division

**Provision for Uncollectibles:**

- Receivable aging trends for the past year; and
- Provisions related to specific high dollar accounts.

**Other Income:**

- Historical trends for penalties and interest associated with employer accounts; and
- Expected income derived from rent received from tenants of the William Green Building.

**Workers' Compensation Benefits:**

- Projected reserve development patterns using data and assumptions from the recently completed actuarial study as prepared by actuaries from BWC's Actuarial Division. A discount rate of 4.0% is used in the projections; and
- Projected payments for medical and indemnity benefits based upon recent payment trends.

**Compensation Adjustment Expenses:**

- Projected reserve development patterns using data and assumptions from the recently completed actuarial study as prepared by actuaries from BWC's Actuarial Division. A discount rate of 4.0% is used in the projections;
- Administrative expenses based on the fiscal year 2026 budget as approved by the Board of Directors and the fiscal year 2026 budget for the Industrial Commission;
- Most recent fiscal year payment trends for managed care organization expenses; and
- Allocation of administrative expenses related to claims management resolution based upon results of most recent cost allocation study. This study resulted in maintaining the allocation percentage of administrative expenses at 68.8%.

**Other Expenses:**

- Administrative expenses based on the fiscal year 2026 budget as approved by the Board of Directors and the fiscal year 2026 budget for the Industrial Commission; and

- Allocation of administrative expenses not related to claims management resolution based upon results of most recent cost allocation study. This study resulted in maintaining the same percentage of administrative expenses at 31.2%.

**Operating Transfer:**

- Transfer to Ohio Department of Natural Resources as required by the Ohio Revised Code.
- Transfer to the Ohio Inspector General as required by the Ohio Revised Code.

**Investment Income:**

- Dividend and interest income based on Board approved asset allocations as prepared by the BWC Investment Division;
- Asset class returns based on information from the Meketa Capital Market Assumptions report;
- Total capital appreciation for equity accounts set at half of Meketa's expected capital appreciation and used Meketa's expected appreciation for fixed maturities as prepared by the BWC Investment Division; and
- Expected fees paid to outside investment managers and custodial fees based upon Board approved asset allocations as prepared by the BWC Investment Division.

**The Fiscal Year 2026 projections for BWC's Statement of Cash Flows reflect the following information and assumptions:**

**Cash Receipts from Premiums and Other:**

- Impact of 6% premium rate decrease for Private Employers;
- Impact of 8.6% premium rate decrease for Public State Employers;
- Historical trends for collection of penalties and interest associated with employer accounts; and
- Recent trends for the collection of subrogation proceeds, pharmacy benefit rebates, and collections against securities for bankrupt self-insured employers.

**Cash Disbursement for Claims and Other:**

- Projected payments for medical and indemnity benefits based upon recent payment trends;
- Recent fiscal year payment trends for payments to managed care organizations; and
- Recent payment trends for administrative expenses based on the fiscal year 2026 budget as approved by the Board of Directors and the fiscal year 2026 budget for the Industrial Commission.

**Net Cash Flows From Noncapital Financing Activities:**

- Transfer to Ohio Department of Natural Resources as required by the Ohio Revised Code.
- Transfer to the Ohio Inspector General as required by the Ohio Revised Code.

**Net Cash Flows Used By Capital and Financing Activities:**

- \$1 million estimated to be spent on capitalized equipment in fiscal year 2026.

**Net Cash Provided (Used) By Investing Activities:**

- Receipts of dividend and interest income are expected to be reinvested; and

- Purchases and sales occurring within BWC's investment portfolio are expected to offset one another.

**Cash Redemptions From Investment Managers:**

- Recent fiscal year trends, timing, and projections for fiscal year 2026 premiums and other receipts and fiscal year 2026 disbursements for claims and administrative expenses.

**The Fiscal Year 2026 projections for BWC's Insurance Ratios are computed based upon the information noted above.**

**Projected Statement of Operations**  
**Fiscal Year Ending June 30, 2026**

(in millions)

	Projected Fiscal Year 2026	Unaudited Fiscal Year 2025	Increase (Decrease) FY26 to FY25	Audited Fiscal Year 2024	Increase (Decrease) FY26 to FY24
<b>Operating Revenues</b>					
Premium & Assessment Income	\$ 1,081	\$ 1,110	\$ (29)	\$ 1,282	\$ (201)
Provision for Uncollectibles	(56)	(61)	5	(43)	(13)
Other Income	13	13	-	11	2
<b>Total Operating Revenues</b>	<u>1,038</u>	<u>1,062</u>	<u>(24)</u>	<u>1,250</u>	<u>(212)</u>
<b>Operating Expenses</b>					
Workers' Compensation Benefits	1,331	1,152	179	1,300	31
Compensation Adjustment Expenses	456	416	40	408	48
Other Expenses	204	183	21	171	33
<b>Total Operating Expenses</b>	<u>1,991</u>	<u>1,751</u>	<u>240</u>	<u>1,879</u>	<u>112</u>
<b>Policy Holder Dividend Expense</b>	-	-	-	-	-
<b>Operating Transfers</b>	(1)	(1)	-	(1)	-
<b>Net Operating Gain (Loss)</b>	(954)	(690)	(264)	(630)	(324)
<b>Investment Income</b>					
Interest and Dividend Income	823	565	258	571	252
Change in Fair Value of Investment Portfolio	344	1,185	(841)	491	(147)
Investment Expenses	(47)	(48)	1	(45)	(2)
<b>Net Investment Income</b>	<u>1,120</u>	<u>1,702</u>	<u>(582)</u>	<u>1,017</u>	<u>103</u>
<b>Increase (Decrease) in Net Position</b>	166	1,012	(846)	387	(221)
<b>Net Position Beginning of Period</b>	<u>9,183</u>	<u>8,172</u>	<u>1,011</u>	<u>7,785</u>	<u>1,398</u>
<b>Net Position End of Period</b>	<u>\$ 9,349</u>	<u>\$ 9,183</u>	<u>\$ 165</u>	<u>\$ 8,172</u>	<u>\$ 1,177</u>

**Projected Statement of Cash Flows**  
**Fiscal Year Ending June 30, 2026**

(in millions)

	Projected Fiscal Year 2026	Unaudited Fiscal Year 2025	Increase (Decrease) FY26 to FY25	Audited Fiscal Year 2024	Increase (Decrease) FY26 to FY24
<b>Cash Flows from Operating Activities:</b>					
Cash receipts from premiums	\$ 1,329	\$ 1,489	\$ (160)	\$ 1,552	\$ (223)
Cash receipts - other	26	25	1	29	(3)
Cash disbursements for claims	(1,464)	(1,452)	(12)	(1,431)	(33)
Cash disbursements for other	(611)	(582)	(29)	(563)	(48)
<b>Net cash (used) by operating activities</b>	<u>(720)</u>	<u>(520)</u>	<u>(200)</u>	<u>(413)</u>	<u>(307)</u>
<b>Net Cash Flows from Noncapital Financing Activities</b>	(1)	(1)	-	(1)	-
<b>Net Cash Flows Used by Capital &amp; Financing Activities</b>	(1)	-	(1)	(5)	4
<b>Net Cash Provided (Used) by Investing Activities</b>	(37)	107	(144)	131	(168)
<b>Cash Redemptions from Investment Managers</b>	<u>550</u>	<u>483</u>	<u>67</u>	<u>474</u>	<u>76</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(209)	69	(278)	186	(395)
Cash and Cash Equivalents, Beginning of Period	<u>645</u>	<u>576</u>	<u>69</u>	<u>390</u>	<u>255</u>
Cash and Cash Equivalents, End of Period	<u>\$ 436</u>	<u>\$ 645</u>	<u>\$ (209)</u>	<u>\$ 576</u>	<u>\$ (140)</u>

## Projected Insurance Ratios

	Projected Fiscal Year 2026	Unaudited Fiscal Year 2025	Audited Fiscal Year 2024	Guidelines
Loss Ratio	123.1%	103.8%	101.4%	
LAE Ratio - MCO	17.8%	16.7%	15.2%	
LAE Ratio - BWC	24.4%	20.8%	16.5%	
<b>Net Loss Ratio</b>	<u>165.3%</u>	<u>141.3%</u>	<u>133.1%</u>	130.0%
Expense Ratio	<u>18.9%</u>	<u>16.4%</u>	<u>13.4%</u>	7.5%
<b>Combined Ratio</b>	<u>184.2%</u>	<u>157.7%</u>	<u>146.5%</u>	136.0%
Net Investment Income Ratio	<u>71.7%</u>	<u>46.6%</u>	<u>41.0%</u>	40.0%
<b>Operating Ratio</b>	<u>112.5%</u>	<u>111.1%</u>	<u>105.5%</u>	96.0%
<b>SIF Financial Strength Ratio</b>	1.63	1.62	1.54	1.30 to 1.70



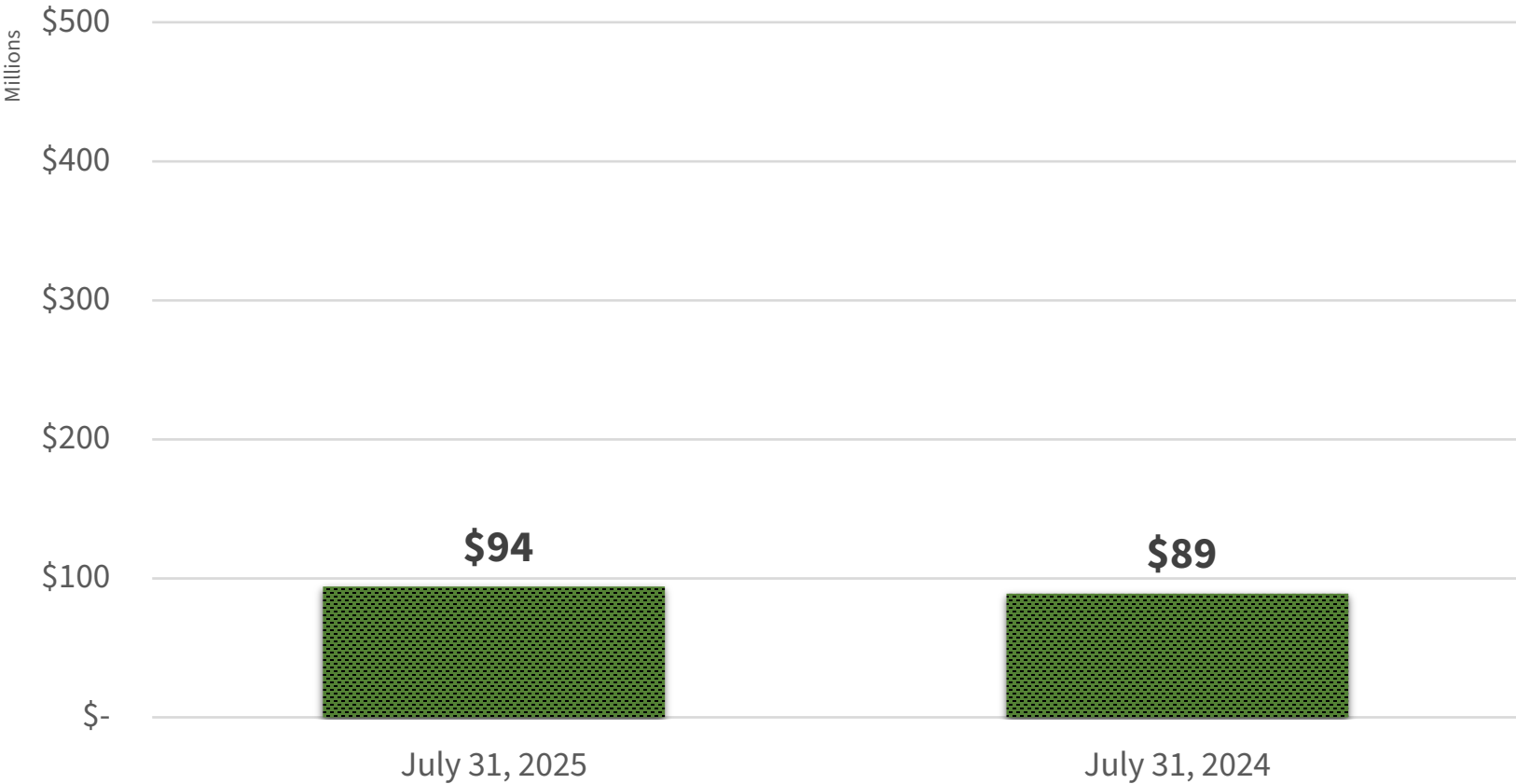
# **Bureau of Workers' Compensation**

# ENTERPRISE REPORT FINANCIAL RESULTS JULY 2025

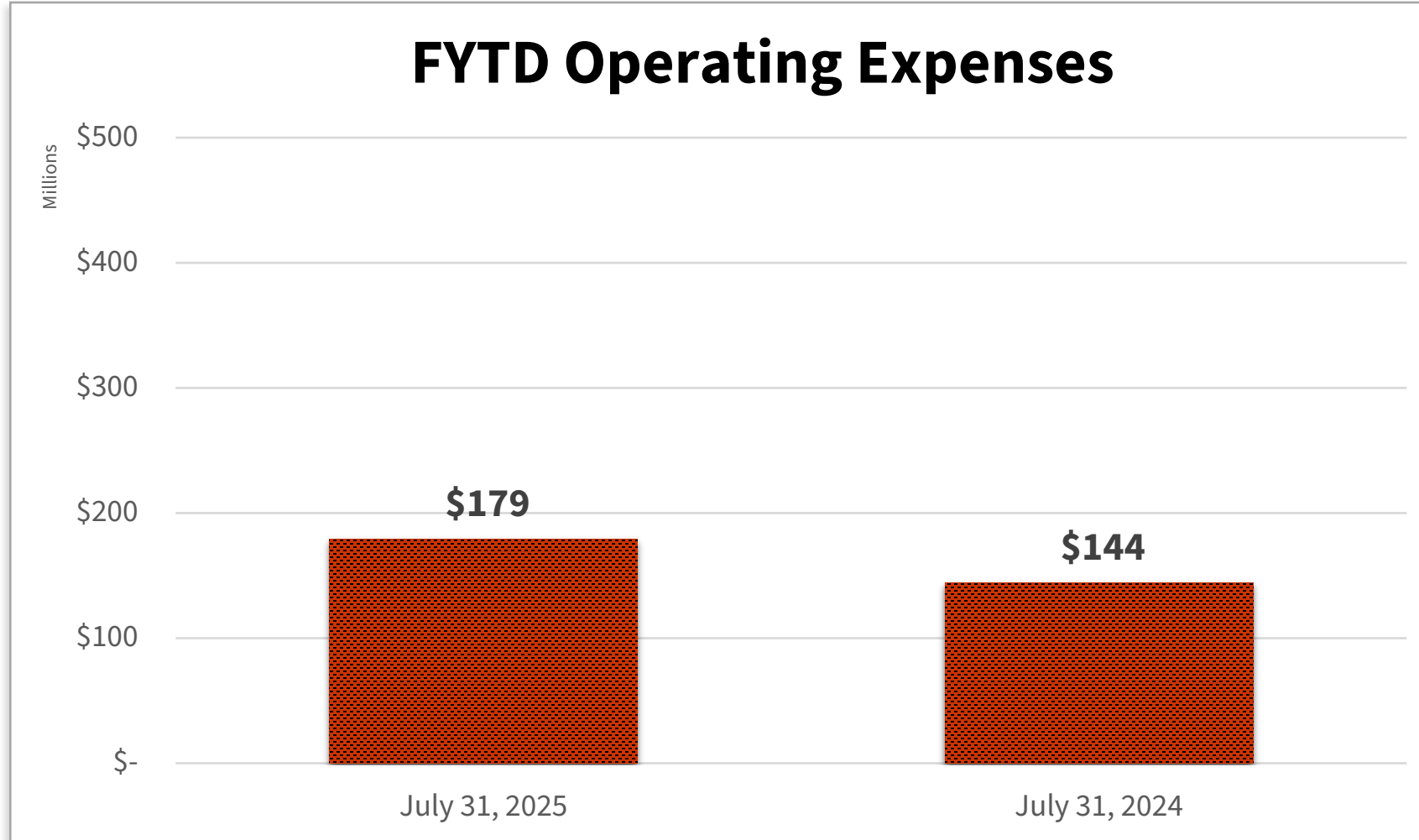
**BWC Audit Committee**

August 21, 2025

# FYTD Operating Revenue

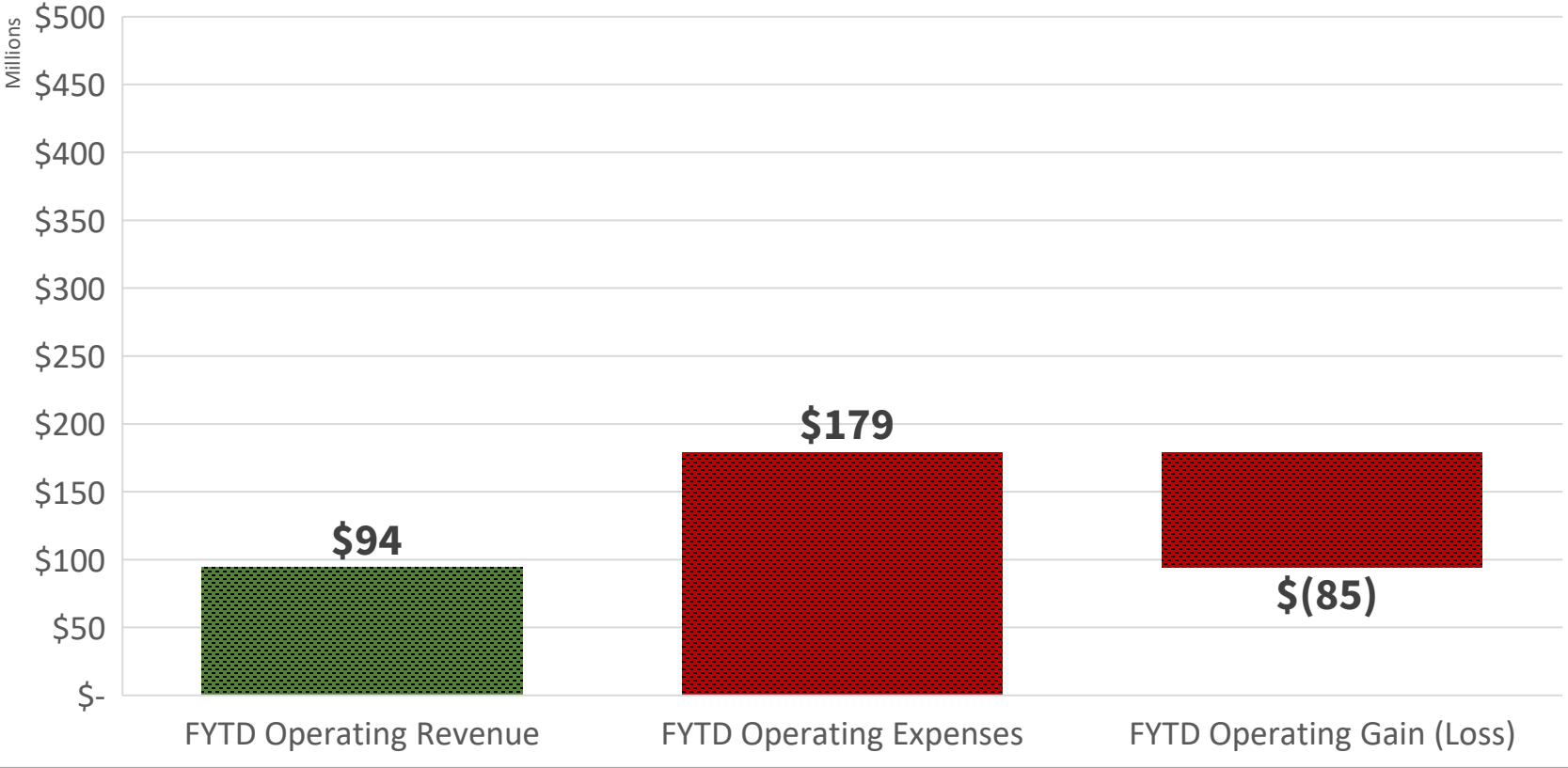


## FYTD Operating Expenses

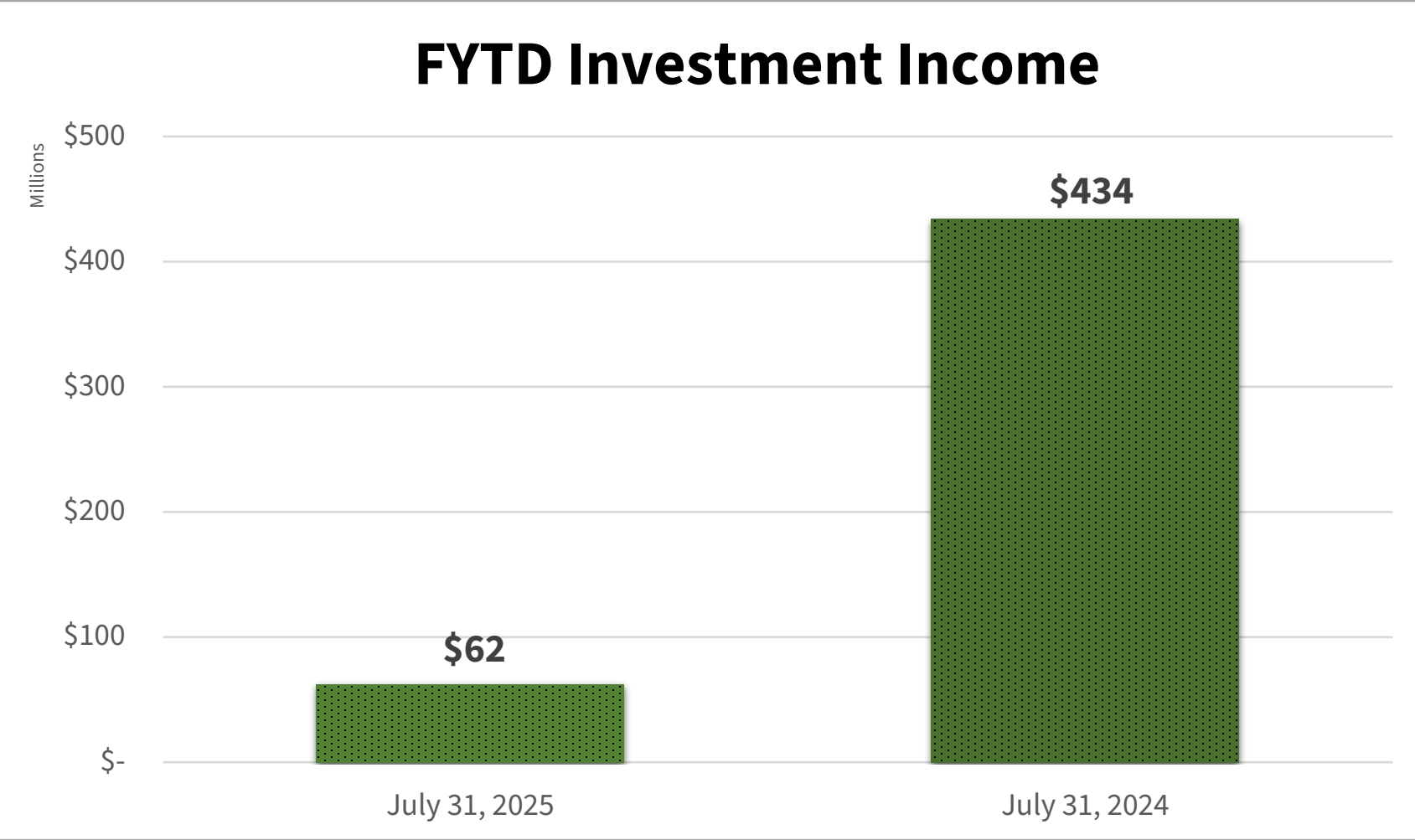


# FYTD Operating Gain (Loss)

July 31, 2025

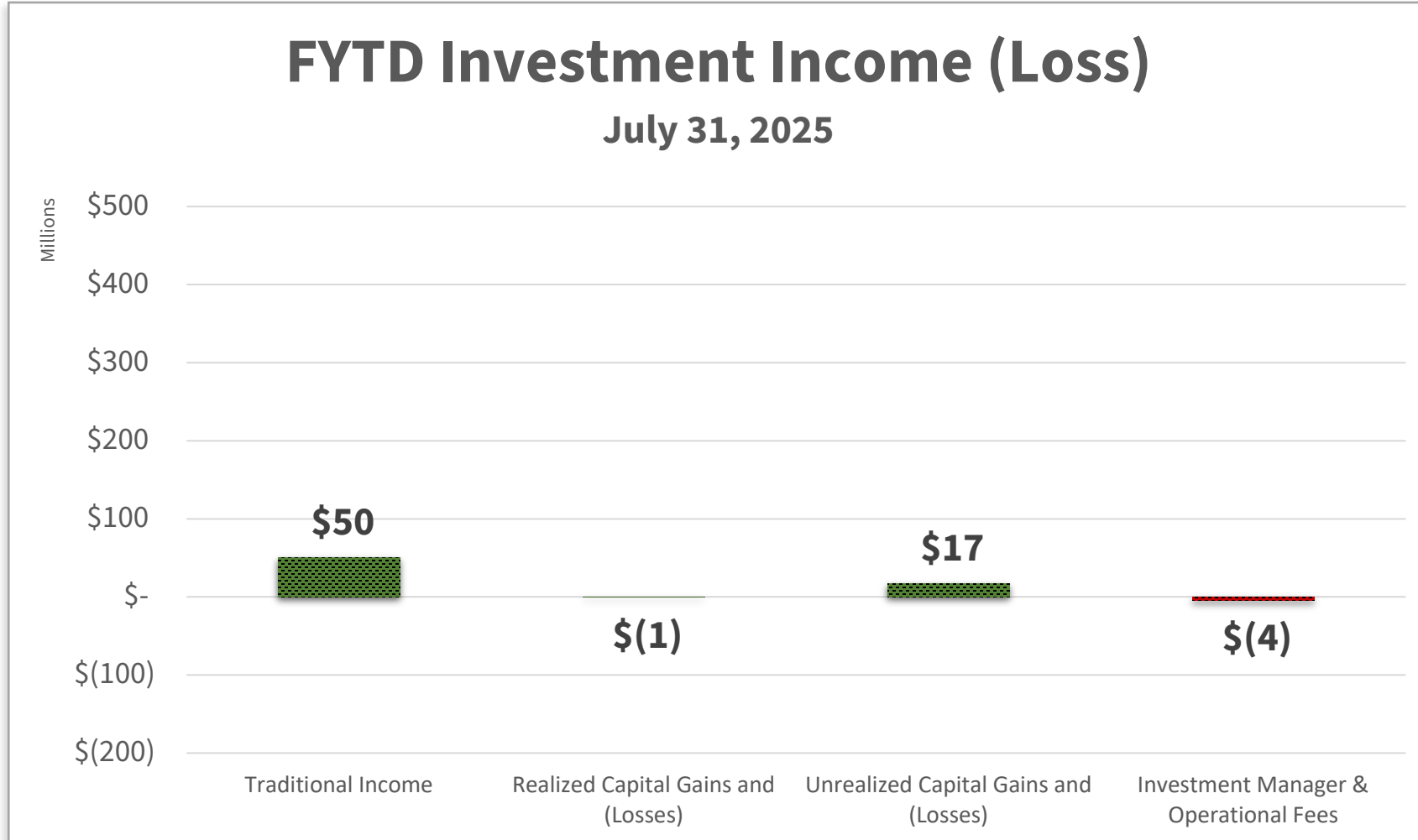


# FYTD Investment Income

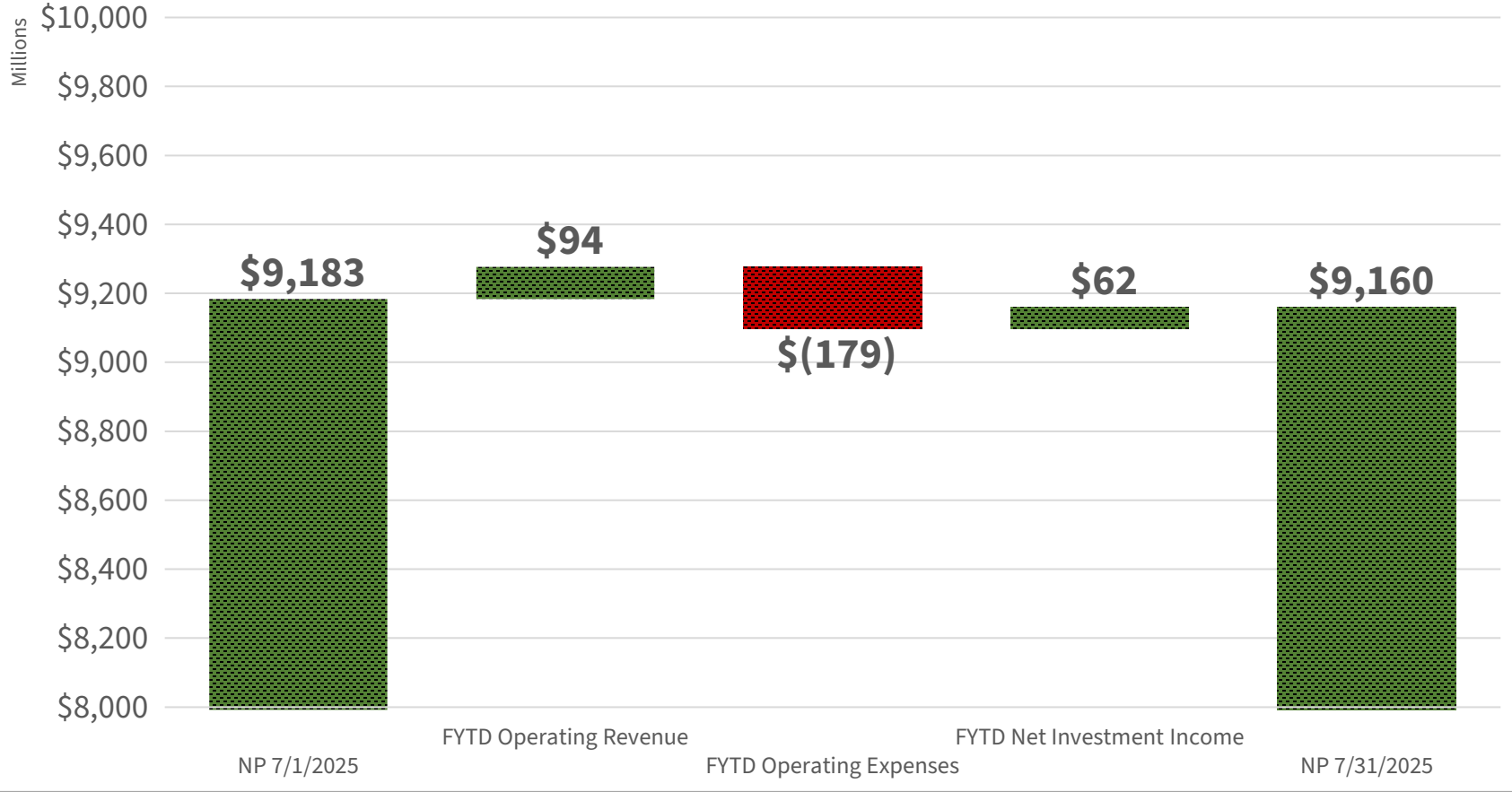


# FYTD Investment Income (Loss)

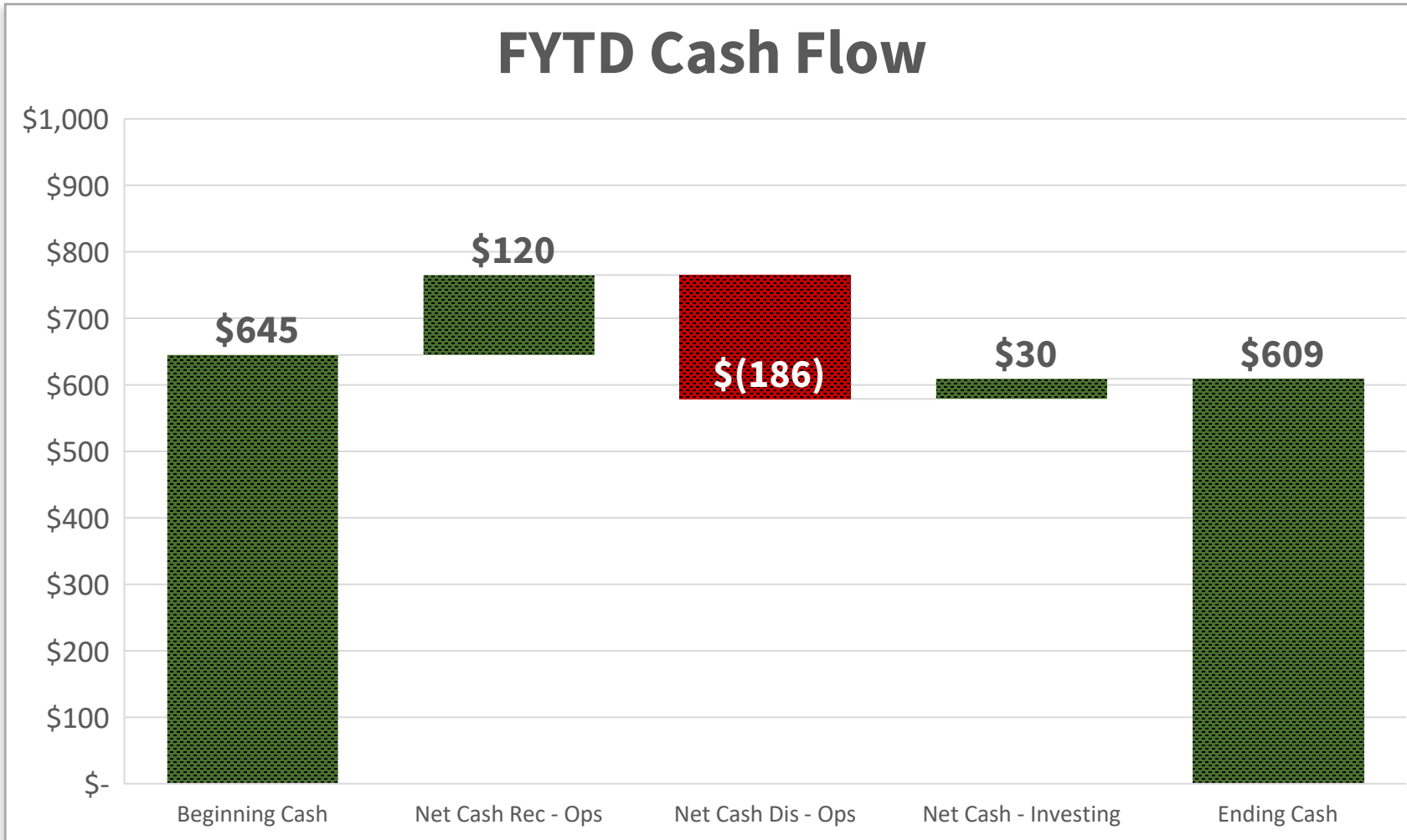
July 31, 2025



# FYTD Operating and Investment Results

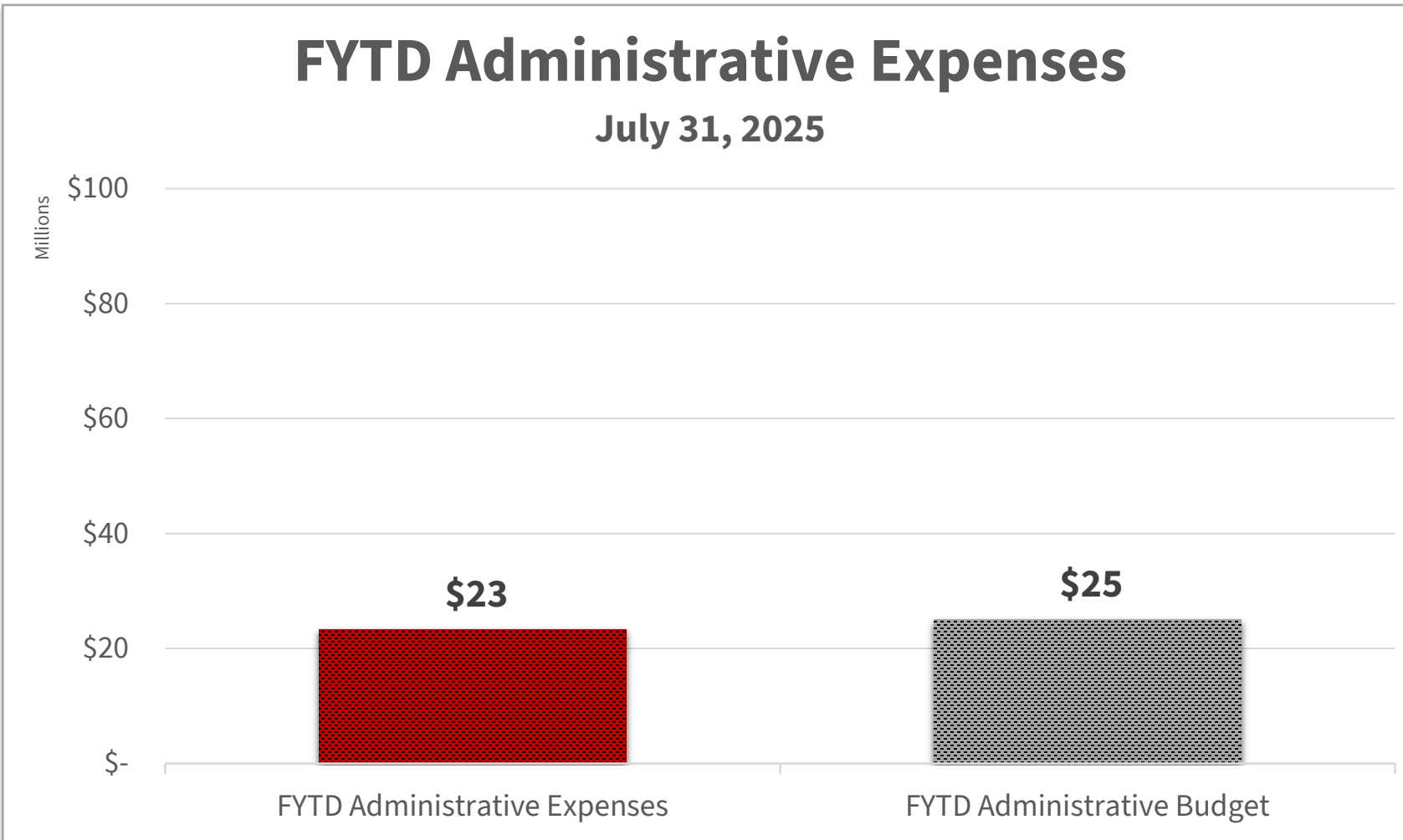


## FYTD Cash Flow

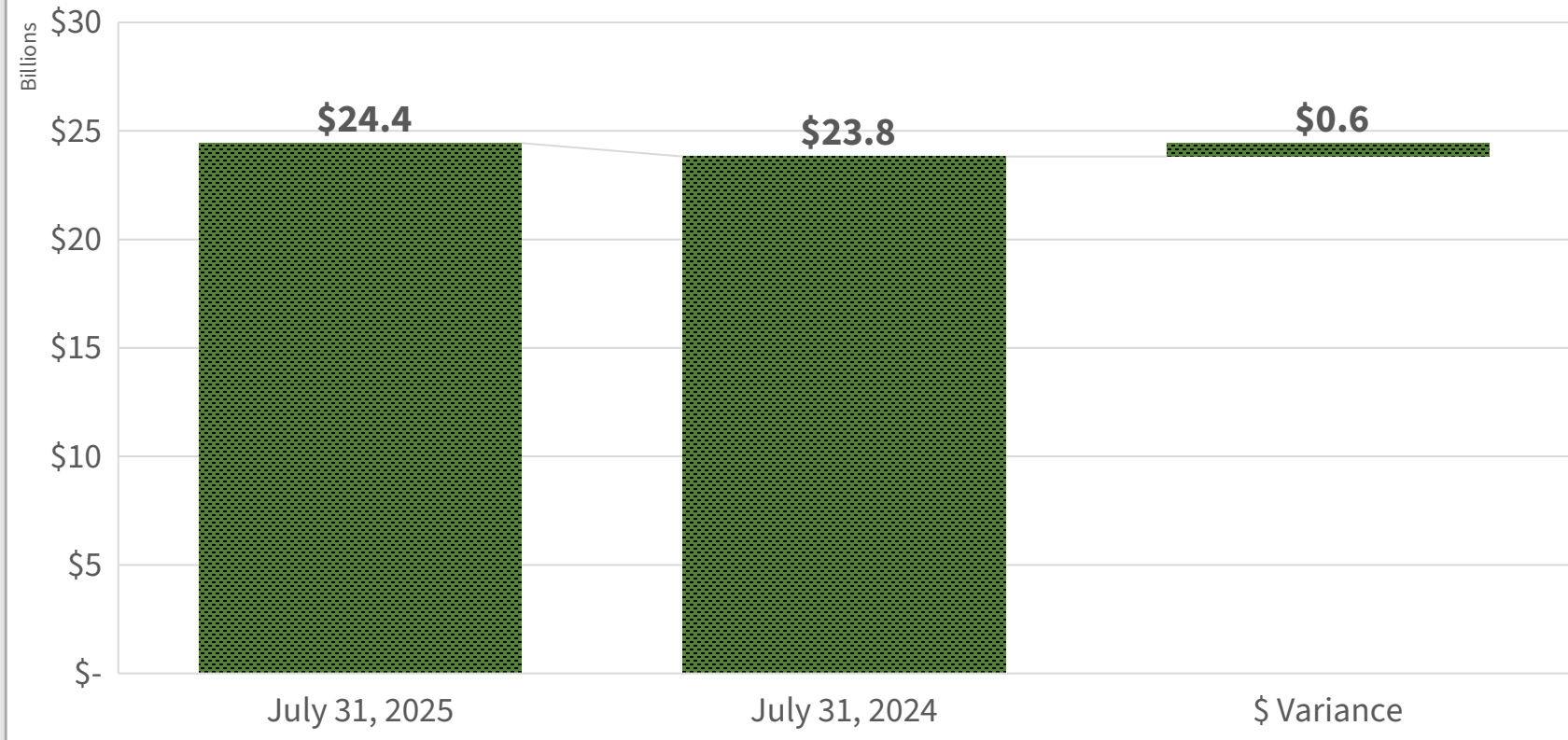


# FYTD Administrative Expenses

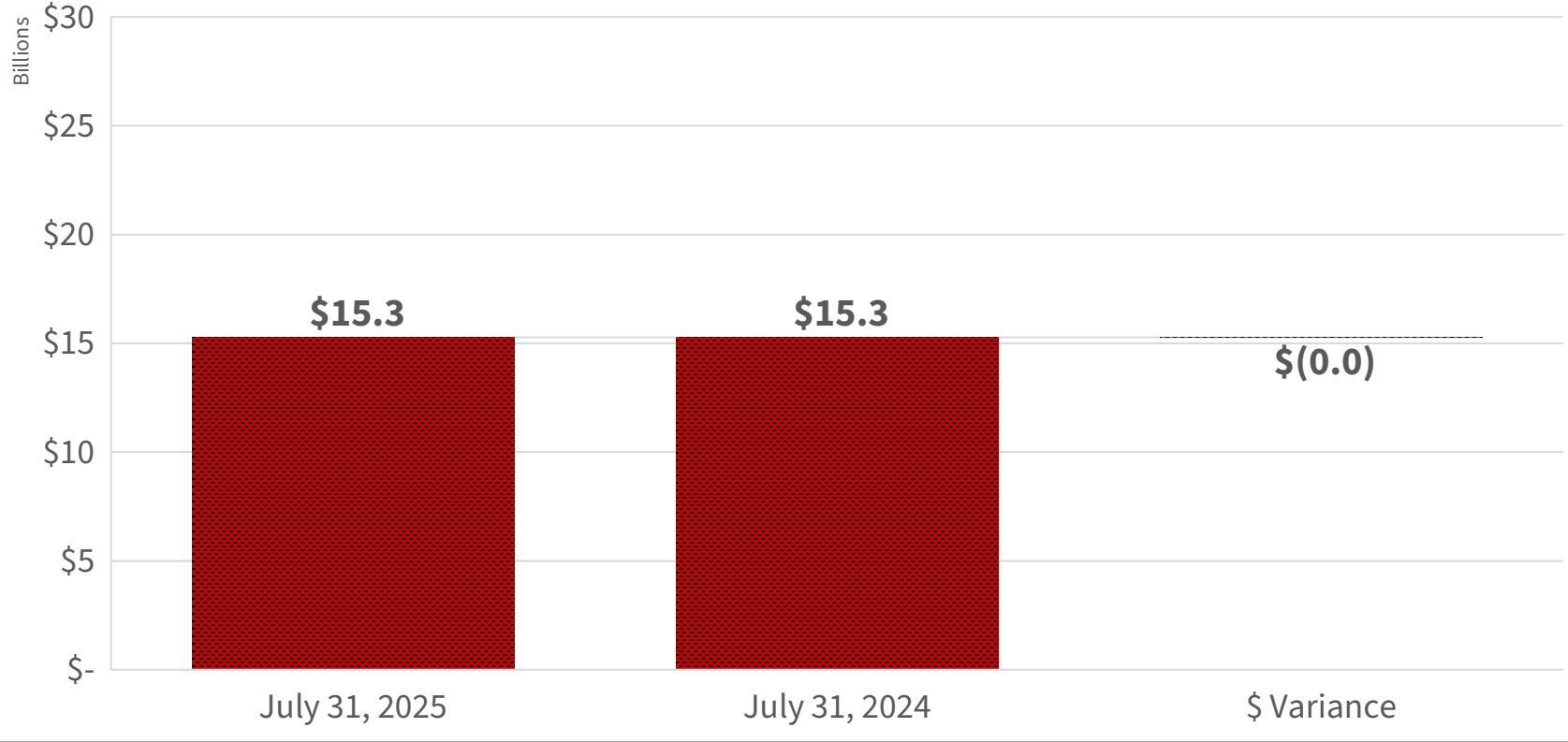
July 31, 2025



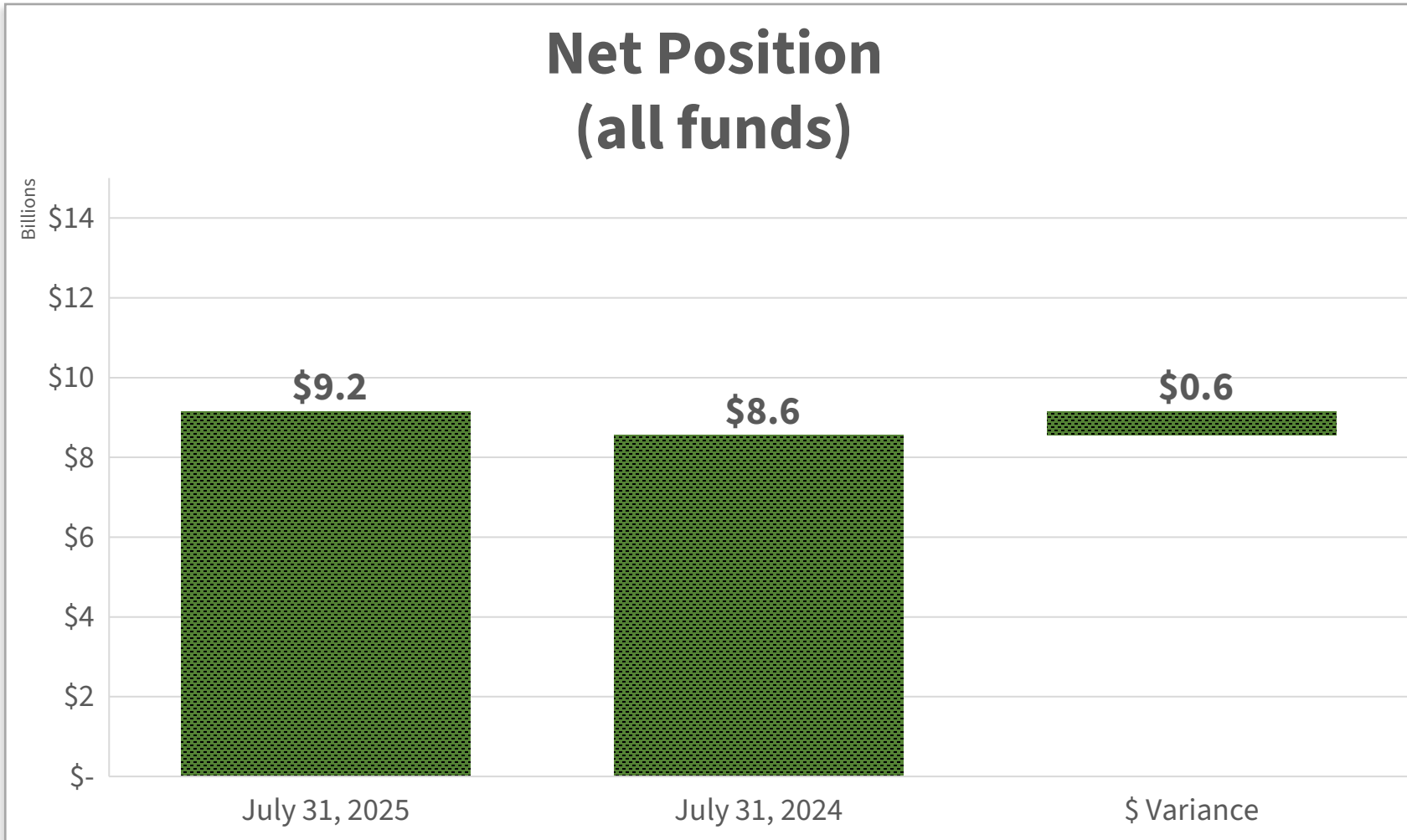
## Total Assets (all funds)



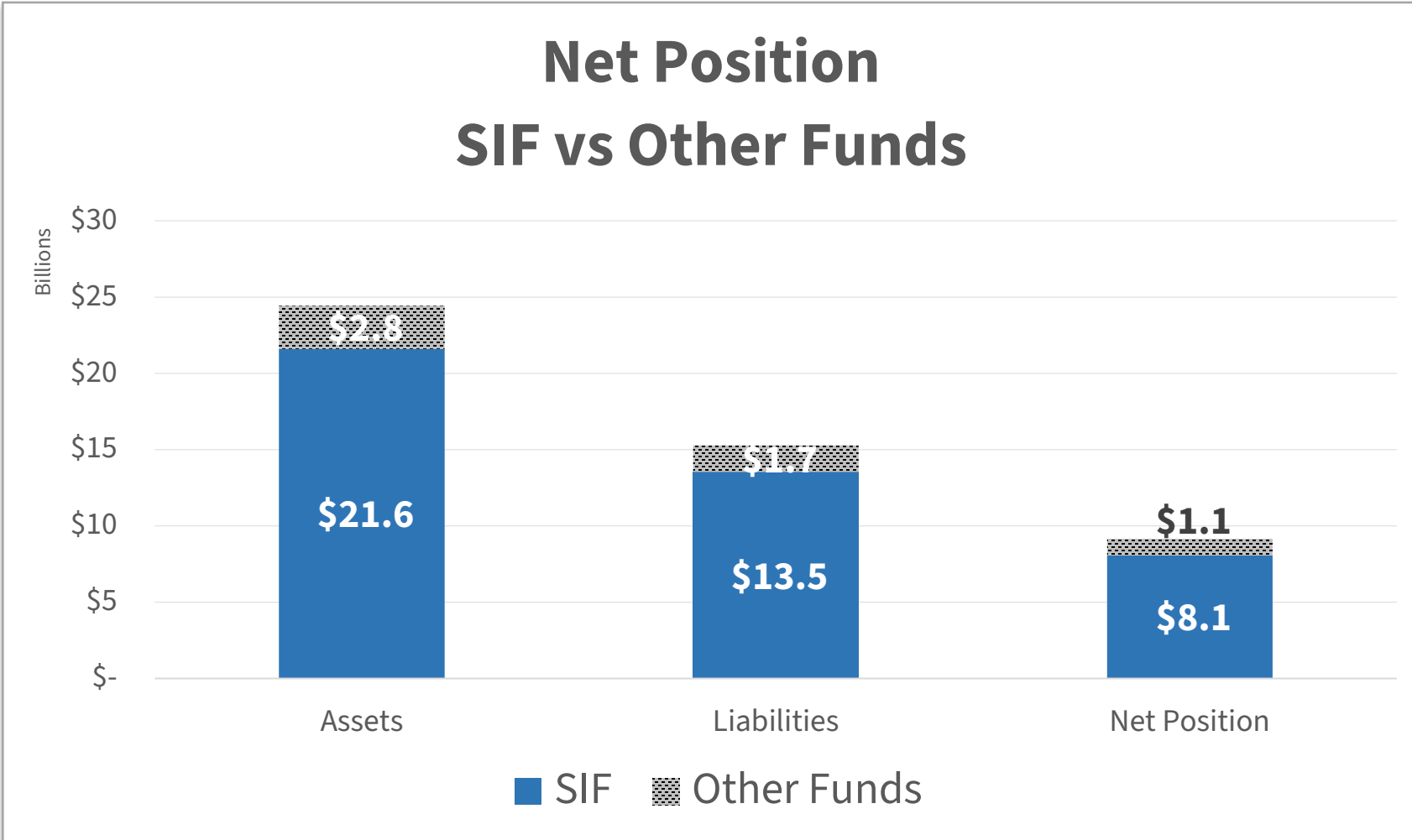
# Total Liabilities (all funds)



## Net Position (all funds)



## Net Position SIF vs Other Funds



# Financial Strength Ratio

## State Insurance Fund (SIF)

July 31, 2025

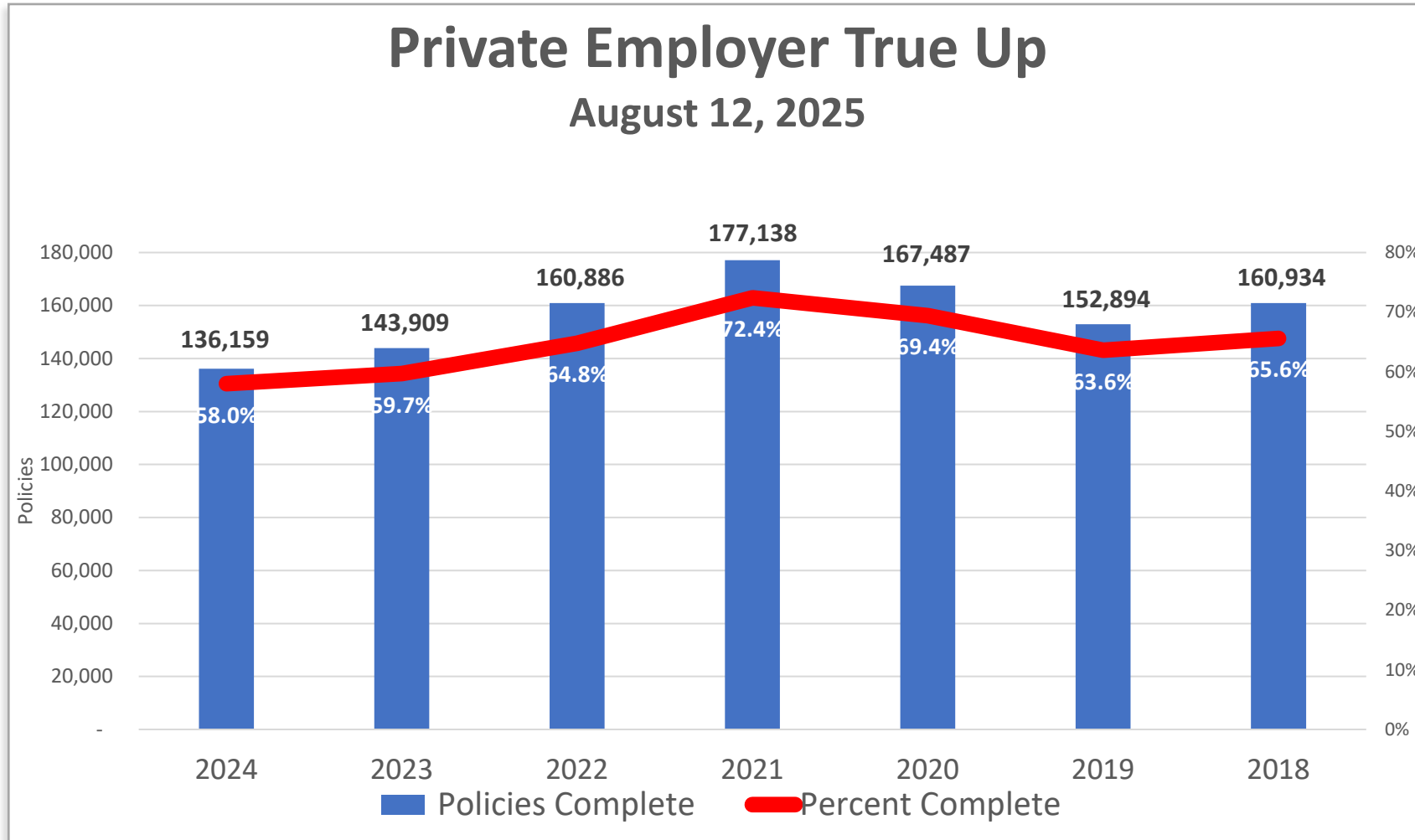
*(\$ billions)*

$$\frac{\text{Total Assets } \$ 21.6}{\text{Total Liabilities}^* \$ 13.5} = \mathbf{1.60}$$

\* Includes liabilities for medical, indemnity, and administrative expenses

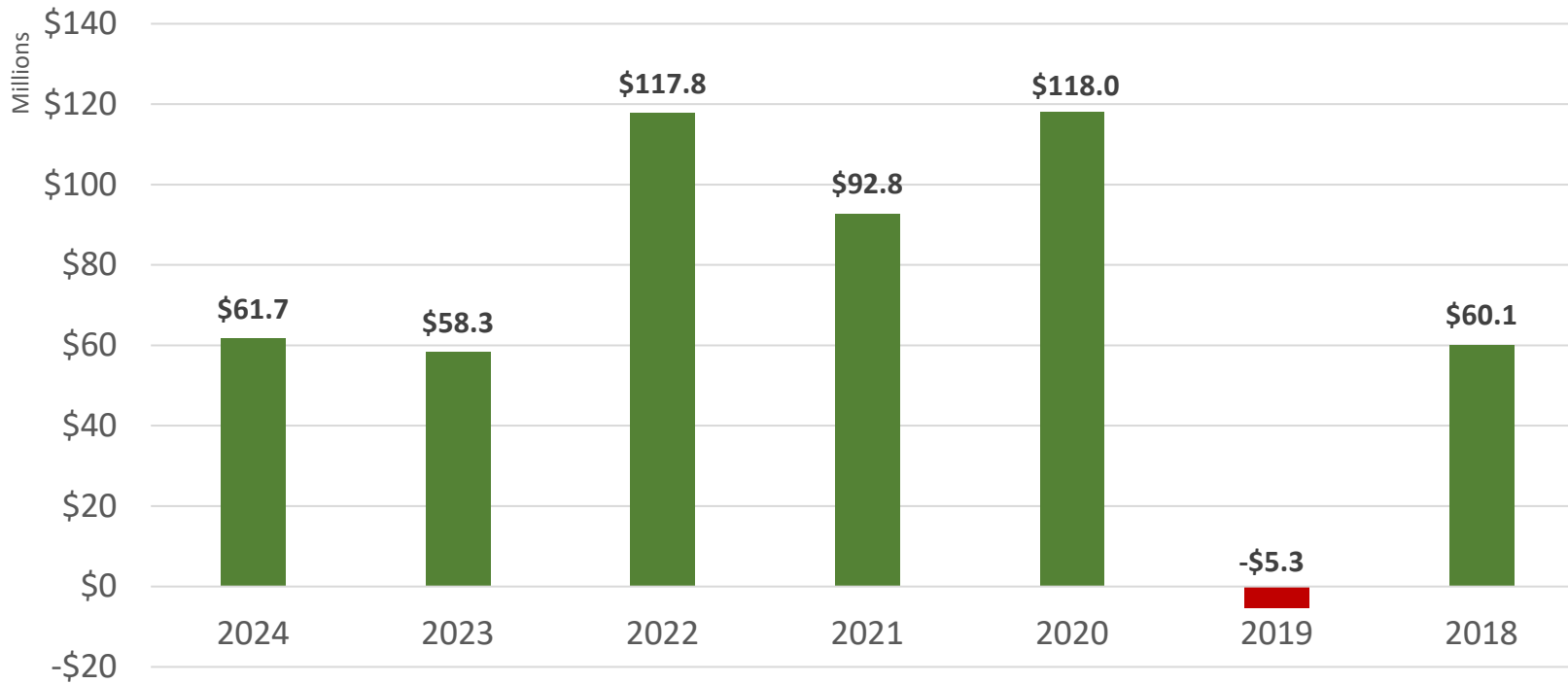
# Private Employer True Up

August 12, 2025

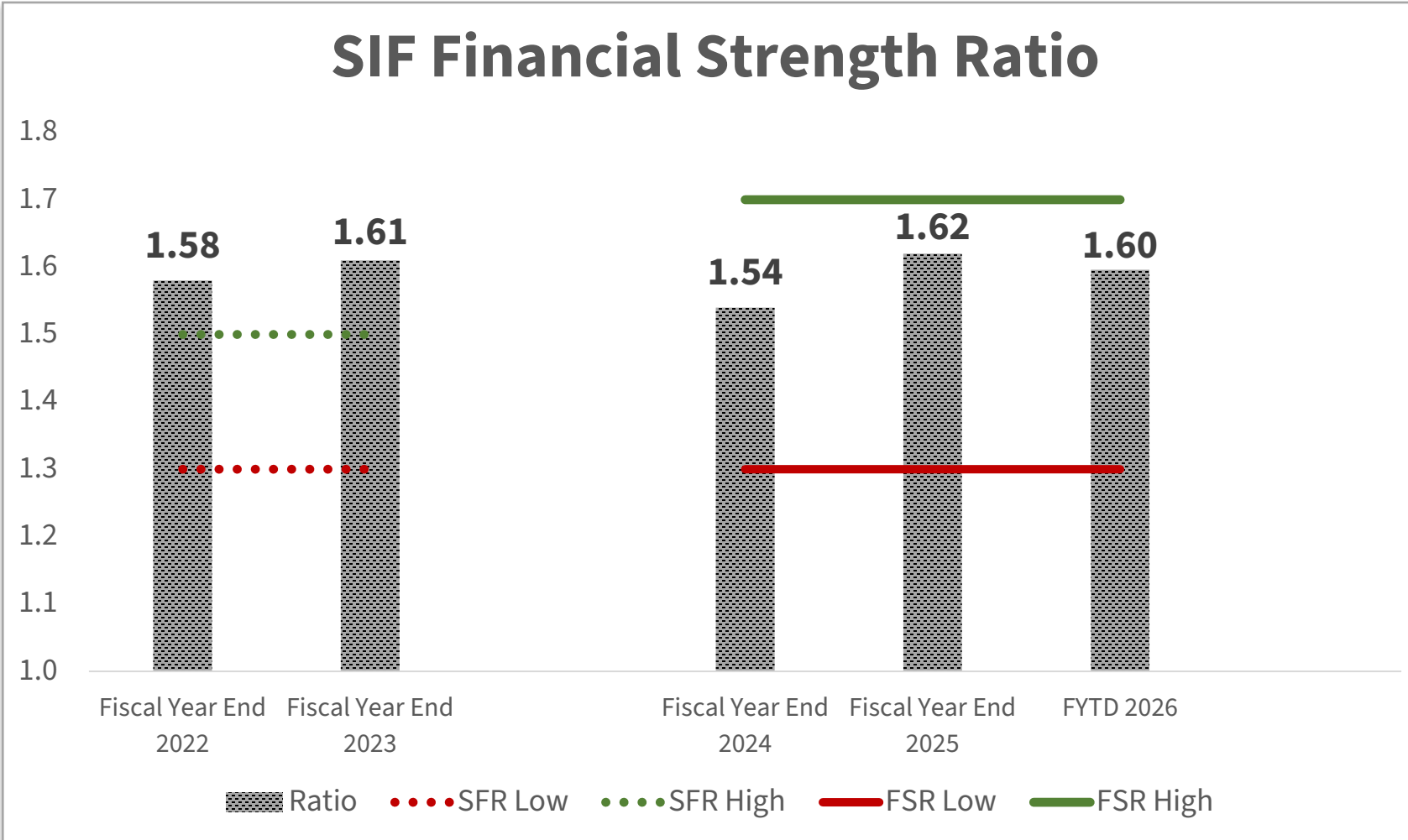


# Private Employer True Up

August 12, 2025



# SIF Financial Strength Ratio



\* Fiscal years ended 2022 and 2023 recalculated based on HB 31 changes

# QUESTIONS?

---

[BWC.Ohio.gov](http://BWC.Ohio.gov)



**Bureau of Workers'  
Compensation**

# THANK YOU

---

[BWC.Ohio.gov](http://BWC.Ohio.gov)



**Bureau of Workers'  
Compensation**



# **Bureau of Workers' Compensation**

# Enterprise Report

August 2025

# Table of Contents

BWC's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. The statements are prepared using the accrual basis of accounting and the economic resources measurement focus.

<b>Financial Analysis</b> .....	<b>Pages 3 and 4</b>
<b>Statement of Operations</b> .....	<b>Pages 5 and 6</b>
This statement reports operating revenues and expenses, as well as net investment income for the current fiscal year-to-date, projected fiscal year-to-date, and prior fiscal year-to-date. A combining schedule for the statement of operations presents the current fiscal year-to-date revenues and expenses by fund.	
<b>Statement of Investment Income</b> .....	<b>Page 7</b>
This statement provides information on the sources of investment income, changes in investment fair value, and investment expenses. Information is presented for the current fiscal year-to-date, projected fiscal year-to-date, and prior fiscal year-to-date.	
<b>Budget Summary</b> .....	<b>Pages 8 and 9</b>
This statement reports the current fiscal year budget as well as the actual fiscal year-to-date administrative expenditures compared to the fiscal year-to-date budget. The prior fiscal year-to-date expenditures for BWC are also presented for comparison to current fiscal year-to-date expenditure.	
<b>Non-appropriated Administrative Expenditures Summary</b> .....	<b>Page 10</b>
This statement reports non-appropriated administrative expenses paid from the State Insurance Fund for the current and prior fiscal year-to-date along with the remaining open encumbrances for each of the contracts.	
<b>Operating Transfers</b> .....	<b>Page 10</b>
This statement reports operating transfers that fund programs administered by other governmental entities as permitted or required by the Ohio Revised Code.	
<b>Statement of Cash Flows</b> .....	<b>Page 11</b>
This statement presents cash flows from operating, capital and related financing activities, and investing activities. Cash collections and payments are reflected in this statement to arrive at the net increase or decrease in cash and cash equivalents.	
<b>Statement of Net Position</b> .....	<b>Pages 12 and 13</b>
This statement presents information reflecting BWC's assets, liabilities, and net position. Net position represents the amount of total assets less total liabilities. This statement would be referred to as a balance sheet in the private sector. A combining schedule presents this information by fund.	
<b>Financial Performance Metrics</b> .....	<b>Page 14</b>
Financial ratios reflecting BWC's performance are presented here. These financial ratios are insurance industry recognized financial metrics.	
<b>Operational Performance Metrics</b> .....	<b>Pages 15 through 18</b>
Measures reflecting BWC's operational performance are presented here.	

# July Financial Analysis

BWC's net position decreased by \$23 million in July resulting in a net position of \$9.2 billion at July 31, 2025 compared to \$9.2 billion at June 30, 2025.

<i>(\$ in millions)</i>	<b>Month Ended July 31, 2025</b>	<b>Month Ended June 30, 2025</b>	<b>Month Ended July 31, 2024</b>
Operating Revenues	\$94	\$83	\$89
Operating Expenses	(179)	(90)	(144)
Net Operating Gain (Loss)	(85)	(7)	(55)
Net Investment Income (Loss)	62	502	434
Increase (Decrease) in Net Position	(23)	495	379
Net Position End of Period	\$9,160	\$9,183	\$8,550

- Premium and assessment income net of the provision for uncollectible accounts receivable resulted in operating revenues of \$94 million in July 2025. \$5 million increase is primarily due to public state employer billings and adjustments made in July 2025 compared to July 2024. July 2025 also reflects the average decrease in private employer rates of 6%.
- Benefits and compensation adjustment expenses of \$165 million and other expenses of \$14 million resulted in operating expenses of \$179 million in July 2025.

<i>(\$ in millions)</i>	<b>Month Ended July 31, 2025</b>	<b>Month Ended June 30, 2025</b>	<b>Month Ended July 31, 2024</b>
Net Benefit Payments	\$116	\$96	\$104
Payments for Comp Adjust Expenses	25	14	12
MCO Admin Payments	13	13	10
Change in Reserves	11	(42)	8
Other Expenses	14	9	10
	\$179	\$90	\$144

- Net benefit payments increased in July 2025 compared to June 2025 and July 2024 as a result of an additional biweekly benefit cycle in July 2025.
- Increases in payments for compensation adjustment expenses are primarily due to increases in safety program payments, payroll, and timing of invoice payments.
- The July 2025 change in reserves reflects BWC's current forecast of liabilities for unpaid losses and loss adjustment expenses for June 30, 2026. This current forecast was developed by actuaries from BWC's Actuarial Division.
- A \$16 million increase in the fair value of the investment portfolio in July 2025 along with interest and dividend income of \$50 million, resulted in net investment income of \$62 million after investment expenses of \$4 million. During July 2025, net losses of \$1 million were realized from trading activities. The change from adjusting the investment portfolio to market value for the month was a net increase of approximately \$17 million.
- Cash and cash equivalents include \$266 million in money market and repurchase agreement holdings in outside investment manager accounts committed to covering a \$217 million net investment trade payable for transactions that will settle in August 2025.
- Premium and assessment receipts of \$117 million were collected during July 2025 compared to \$268 million in June 2025 and \$157 million in July 2024.

# Fiscal Year-to-Year Comparisons

BWC's net position has decreased by \$23 million for fiscal year-to-date 2026 resulting in a net position of \$9.2 billion at July 31, 2025 compared to a net position of \$8.6 billion at July 31, 2024.

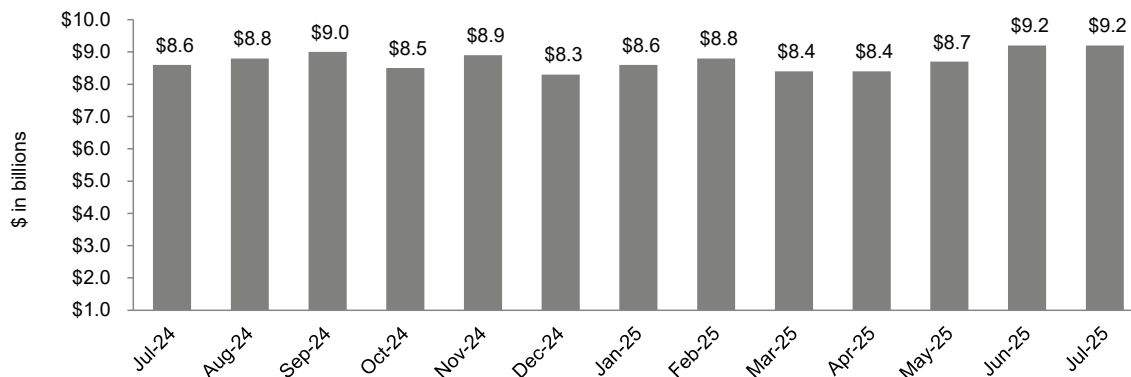
<i>(\$ in millions)</i>	<b>FYTD July 31, 2025</b>	<b>Projected FYTD July 31, 2025</b>	<b>FYTD July 31, 2024</b>
Operating Revenues	\$94	\$82	\$89
Operating Expenses	(179)	(168)	(144)
Operating Transfers	-	(1)	-
Net Operating Gain (Loss)	(85)	(87)	(55)
Net Investment Income (Loss)	62	76	434
Increase (Decrease) in Net Position	(23)	(11)	379
<b>Net Position End of Period</b>	<b>\$9,160</b>	<b>\$9,172</b>	<b>\$8,550</b>

- Increase from prior fiscal year-to-date to fiscal year-to-date 2026 is primarily due to the following:
  - o Public State employers timing of billings and adjustments.
  - o Average 6% reduction in private employer premium rates for policy period beginning July 1, 2025.
- Benefits and compensation adjustment expenses for fiscal year-to-date 2026 increased by \$31 million compared to prior fiscal year-to-date expenses.

<i>(\$ in millions)</i>	<b>FYTD July 31, 2025</b>	<b>FYTD July 31, 2024</b>	<b>Increase (Decrease)</b>
Net Benefit Payments	\$116	\$104	\$12
Payments for Comp Adjust Expenses	25	12	13
MCO Admin Payments	13	10	3
Change in Reserves	11	8	3
	<b>\$165</b>	<b>\$134</b>	<b>\$31</b>

- Net benefit payments increased in July 2025 compared to July 2024 as a result of an additional biweekly benefit cycle in July 2025.
- Increases in payments for compensation adjustment expenses are primarily due to increases in safety program payments, payroll, and timing of invoice payments.
- The fiscal year to date 2026 change in reserves reflects BWC's current forecast of liabilities for unpaid losses and loss adjustment expenses for June 30, 2026. This current forecast was developed by actuaries from BWC's Actuarial Division.

**Net Position**



# Statement of Operations

Fiscal Year to Date July 31, 2025

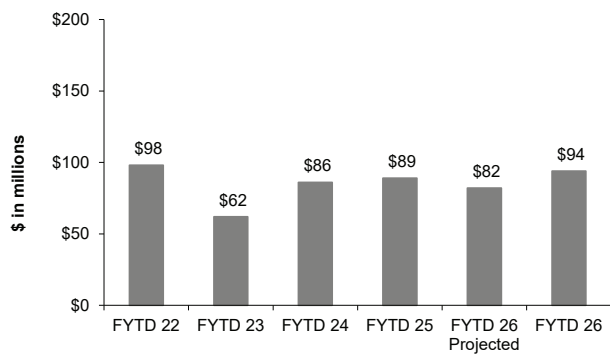
Unaudited

(in millions)

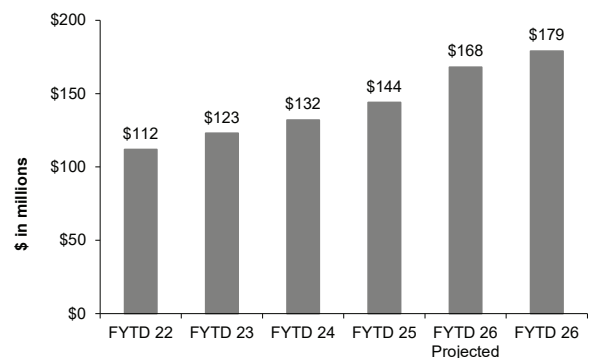
	Actual	Projected	Variance to Projected	Prior Year Actual	Year to Year Increase (Decrease)
<b>Operating Revenues</b>					
Premium & Assessment Income	\$98	\$89	\$9	\$96	\$2
Provision for Uncollectibles	(7)	(9)	2	(9)	2
Other Income	3	2	1	2	1
<b>Total Operating Revenues</b>	<b>94</b>	<b>82</b>	<b>12</b>	<b>89</b>	<b>5</b>
<b>Operating Expenses</b>					
Benefits & Compensation Adj. Expense*	165	152	(13)	134	31
Other Expenses	14	16	2	10	4
<b>Total Operating Expenses</b>	<b>179</b>	<b>168</b>	<b>(11)</b>	<b>144</b>	<b>35</b>
<b>Policy Holder Dividend Expense</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Operating Transfers</b>	<b>-</b>	<b>(1)</b>	<b>1</b>	<b>-</b>	<b>-</b>
<b>Net Operating Gain (Loss)</b>	<b>(85)</b>	<b>(87)</b>	<b>2</b>	<b>(55)</b>	<b>(30)</b>
<b>Net Investment Income (Loss)</b>	<b>62</b>	<b>76</b>	<b>(14)</b>	<b>434</b>	<b>(372)</b>
<b>Increase (Decrease) in Net Position</b>	<b>\$(23)</b>	<b>\$(11)</b>	<b>\$(12)</b>	<b>\$379</b>	<b>\$(402)</b>

\* Compensation Adjustment Expense refers to the costs associated with handling, evaluating, assessing, and settling workers' compensation insurance claims.

## Operating Revenues



## Operating Expenses



# Statement of Operations – Combining Schedule

Fiscal Year to Date July 31, 2025

Unaudited

(in thousands)

	State Insurance Fund Account	Disabled Workers' Relief Fund Account	Coal-Workers Pneumoconiosis Fund Account	Public Work Relief Employees' Fund Account	Marine Industry Fund Account	Self-Insuring Employers' Guaranty Fund Account	Totals
<b>Operating Revenues:</b>							
Premium & Assessment Income	\$96,516	\$(138)	\$12	\$3	\$61	\$956	\$97,410
Provision for Uncollectibles	(8,939)	2,283	2	-	-	(418)	(7,072)
Other Income	3,248	-	-	-	-	-	3,248
<b>Total Operating Revenues</b>	<u>90,825</u>	<u>2,145</u>	<u>14</u>	<u>3</u>	<u>61</u>	<u>538</u>	<u>93,586</u>
<b>Operating Expenses:</b>							
Benefits & Compensation Adj Expenses*	152,532	10,869	300	7	19	753	164,480
Other Expenses	14,290	4	14	-	5	-	14,313
<b>Total Operating Expenses</b>	<u>166,822</u>	<u>10,873</u>	<u>314</u>	<u>7</u>	<u>24</u>	<u>753</u>	<u>178,793</u>
Net Operating Income (Loss) before Policy Holder Dividend Expense & Operating Transfers	<u>(75,997)</u>	<u>(8,728)</u>	<u>(300)</u>	<u>(4)</u>	<u>37</u>	<u>(215)</u>	<u>(85,207)</u>
Policy Holder Dividend Expense	-	-	-	-	-	-	-
Operating Transfers	(212)	-	-	-	-	-	(212)
<b>Net Operating Income (Loss)</b>	<u>(76,209)</u>	<u>(8,728)</u>	<u>(300)</u>	<u>(4)</u>	<u>37</u>	<u>(215)</u>	<u>(85,419)</u>
<b>Investment Income:</b>							
Investment Income	49,995	63	3	-	3	249	50,313
Net Realized Gains (Losses)	(928)	295	-	-	-	-	(633)
Net Unrealized Gains (Losses)	12,270	4,039	784	(25)	(37)	-	17,031
Total Realized & Unrealized Capital Gains (Losses)	11,342	4,334	784	(25)	(37)	-	16,398
Investment Manager & Operational Fees	(4,466)	(26)	(5)	-	-	-	(4,497)
Gain (Loss) on Disposal of Fixed Assets	-	-	-	-	-	-	-
Total Non-Operating Revenues, Net	<u>56,871</u>	<u>4,371</u>	<u>782</u>	<u>(25)</u>	<u>(34)</u>	<u>249</u>	<u>62,214</u>
<b>Increase (Decrease) in Net Position (Deficit)</b>	<u>(19,338)</u>	<u>(4,357)</u>	<u>482</u>	<u>(29)</u>	<u>3</u>	<u>34</u>	<u>(23,205)</u>
<b>Net Position (Deficit), Beginning of Period</b>	<u>8,084,797</u>	<u>644,539</u>	<u>360,666</u>	<u>18,070</u>	<u>29,033</u>	<u>46,375</u>	<u>9,183,480</u>
<b>Net Position (Deficit), End of Period</b>	<u>\$8,065,459</u>	<u>\$640,182</u>	<u>\$361,148</u>	<u>\$18,041</u>	<u>\$29,036</u>	<u>\$46,409</u>	<u>\$9,160,275</u>

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

\* Compensation Adjustment Expense refers to the costs associated with handling, evaluating, assessing, and settling workers' compensation insurance claims.

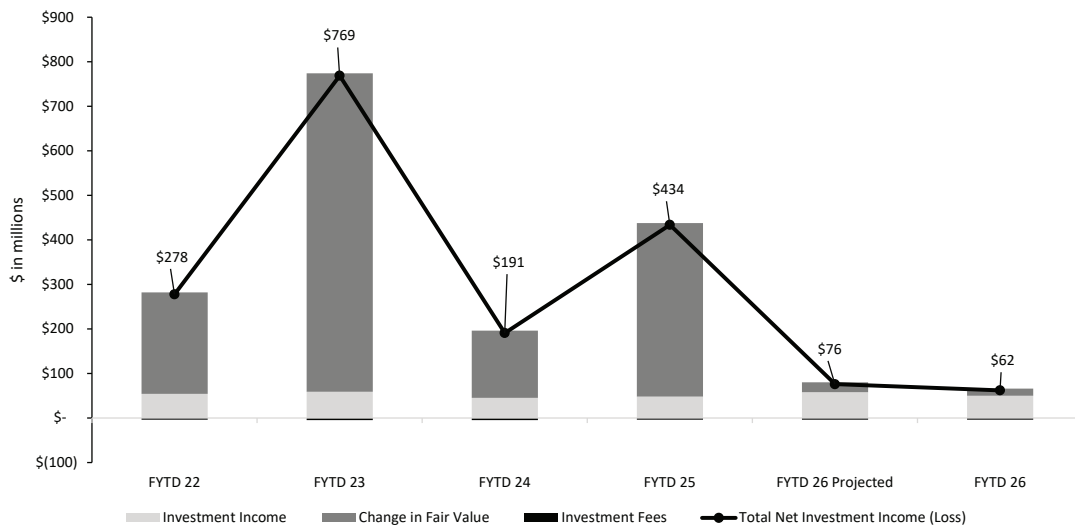
# Statement of Investment Income

Fiscal Year to Date July 31, 2025  
Unaudited

(in thousands)

	Actual	Projected	Variance to Projected	Prior Year Actual	Year to Year Increase (Decrease)
<b>Investment Income</b>					
Bond Interest	\$37,007	\$46,525	\$(9,518)	\$32,642	\$4,365
Dividend Income-Domestic & International	2,977	10,614	(7,637)	3,028	(51)
Money Market/Commercial Paper Income	2,140	672	1,468	2,285	(145)
Misc. Income (Corp Actions, Settlements)	138	-	138	292	(154)
Real Estate	8,051	-	8,051	9,972	(1,921)
<b>Total Investment Income</b>	<b>50,313</b>	<b>57,811</b>	<b>(7,498)</b>	<b>48,219</b>	<b>2,094</b>
<b>Realized &amp; Unrealized Capital Gains and (Losses)</b>					
Bonds - Net Realized Gains (Losses)	(12,588)	-	(12,588)	(6,087)	(6,501)
U.S. Equities - Net Realized Gains (Losses)	11,300	-	11,300	9,829	1,471
Non -U.S. Equities - Net Realized Gains (Losses)	-	-	-	-	-
Real Estate - Net Realized Gains (Losses)	655	-	655	42	613
Subtotal - Net Realized Gains (Losses)	(633)	-	(633)	3,784	(4,417)
Bonds - Net Unrealized Gains (Losses)	(30,505)	1,946	(32,451)	248,978	(279,483)
U.S. Equities - Net Unrealized Gains (Losses)	86,264	14,275	71,989	78,371	7,893
Non -U.S. Equities - Net Unrealized Gains (Losses)	(30,048)	5,800	(35,848)	68,849	(98,897)
Real Estate - Net Unrealized Gains (Losses)	(8,680)	-	(8,680)	(9,987)	1,307
Subtotal - Net Unrealized Gains (Losses)	17,031	22,021	(4,990)	386,211	(369,180)
<b>Change in Portfolio Value</b>	<b>16,398</b>	<b>22,021</b>	<b>(5,623)</b>	<b>389,995</b>	<b>(373,597)</b>
<b>Investment Manager &amp; Operational Fees</b>	<b>(4,497)</b>	<b>(4,102)</b>	<b>(395)</b>	<b>(4,424)</b>	<b>73</b>
<b>Net Investment Income (Loss)</b>	<b>\$62,214</b>	<b>\$75,730</b>	<b>\$(13,516)</b>	<b>\$433,790</b>	<b>\$(371,576)</b>

## Net Investment Income (Loss)

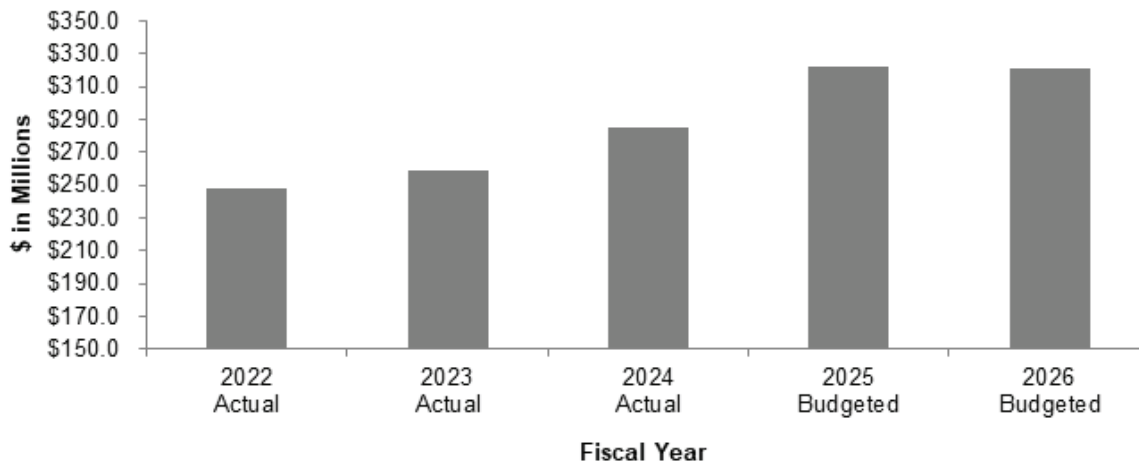


# Administrative Expenditure Analysis

July 2025

- BWC’s total administrative operating budget for fiscal year 2026 is \$321.4 million. The total budget including Safety Programs is \$380.6 million.
- Approximately \$23.3 million, or \$1.7 million (6.7%) less than the \$25.0 million budget, for Administrative Operating Expenditures has been utilized year to date for fiscal year 2026. Approximately \$23.7 million, or \$6.2 million (20.8%) less than the fiscal 2026 year-to-date budget, has been utilized for total expenditures including Safety Programs.
- The General Operating line represents funding that was available to be allocated to agency initiatives, personnel, and special projects throughout the fiscal year.
- Fiscal year 2026 comparison of actual expenditures to budget variance highlights:
  - o Divisions provide a twelve-month spending plan to the Budget Department for the fiscal year based on planned operational activity. The Budget Department makes adjustments to these plans consistent with historical expenditure patterns and information provided by other resources throughout the agency. Variances between the actual expenditures and the budget may develop due to timing issues between planned and actual activity. The budgets for Safety Programs are evenly distributed over the fiscal year.
  - o Encumbered funds are not reported in actual expenditures until invoices are received and paid. Current encumbrance amounts for fiscal year 2026 are approximately \$44.1 million.
- Fiscal year 2026 actual expenditures comparison to fiscal year 2025 actual expenditures variance highlights:
  - o Total actual year-to-date administrative operating expenditures for fiscal year 2026 are approximately \$4.9 million or 26.9% more than year to date expenditures for the same period in fiscal year 2025. Total expenditures including Safety Programs are approximately \$3.7 million or 18.8% more than fiscal year 2025.
  - o The increase in payroll from fiscal year 2025 to fiscal year 2026 is primarily due to a 4.5% increase in pay for bargaining unit employees as well as parity for exempt staff and staffing level increases. The current employee count is 1,540 compared to 1,597 during this same month in fiscal year 2025, a decrease of 57 staff.
  - o The timing of payments in the various expenditure categories contributes to variances between fiscal years.

## Administrative Operating Budget (Appropriated Funds)/Spending Trends



**NOTE:** Fiscal years 2022–2024 are actual expenditures. Fiscal years 2025 and 2026 are annual budgeted amounts.

# Administrative and Safety Programs Budget to Actual Expenditures

As of July 31, 2025  
Unaudited

Expenditure Description	FTE's	FYTD 2026 Actual Expenditures	FYTD 2026 Budget	FYTD 2026 Budget to Actual Variance	FYTD 2026 Variance (%)	Fiscal Year 2026 Total Budget	FYTD 2025 Actual Expenditures	FYTD 2026 to FYTD 2025 Actual Expenditures Variance	Actual Expenditures Variance (%)
<b>Payroll</b>									
BWC Board of Directors	12	\$72,383	\$72,383	\$-	0.0%	\$1,027,865	\$70,976	\$1,407	2.0%
BWC Administration	7	108,159	108,159	-	0.0%	1,438,323	89,809	18,350	20.4%
Claims Services	502	4,403,209	4,403,072	(137)	0.0%	63,525,195	4,305,357	97,852	2.3%
Employer Services Admin.	211	1,975,453	1,975,453	-	0.0%	27,416,210	1,876,872	98,581	5.3%
Safety & Hygiene	114	1,356,789	1,365,492	8,703	0.6%	19,286,423	1,418,777	(61,988)	-4.4%
Medical Services	126	918,347	918,334	(13)	0.0%	14,491,379	886,926	31,421	3.5%
Special Investigations	105	1,166,739	1,161,589	(5,150)	-0.4%	15,574,158	1,142,217	24,522	2.1%
Finance	68	646,371	644,059	(2,312)	-0.4%	9,554,694	649,109	(2,738)	-0.4%
Actuarial	13	169,232	169,232	-	0.0%	2,370,570	161,441	7,791	4.8%
Investments	6	89,961	89,961	-	0.0%	1,314,567	88,451	1,510	1.7%
Information Technology	175	2,159,353	2,155,170	(4,183)	-0.2%	30,824,718	2,015,129	144,224	7.2%
Strategy	40	540,184	539,408	(776)	-0.1%	7,316,253	461,560	78,624	17.0%
Legal	79	879,243	879,243	-	0.0%	12,022,531	833,796	45,447	5.5%
Communications	17	178,665	178,665	-	0.0%	2,480,753	164,263	14,402	8.8%
Human Resources	45	479,736	479,736	-	0.0%	6,755,649	464,711	15,025	3.2%
Internal Audit	13	137,431	137,431	-	0.0%	1,765,053	130,470	6,961	5.3%
Ombuds Office	7	48,186	48,186	-	0.0%	688,948	46,700	1,486	3.2%
<b>Total Payroll</b>	<b>1540</b>	<b>\$15,329,441</b>	<b>\$15,325,573</b>	<b>\$(3,868)</b>	<b>0.0%</b>	<b>\$217,853,289</b>	<b>\$14,806,564</b>	<b>\$522,877</b>	<b>3.5%</b>
<b>Personal Services</b>									
Information Technology		166,354	379,871	\$213,517	56.2%	12,810,230	\$566,675	\$(400,321)	-70.6%
Legal - Special Counsel		11,354	49,382	38,028	77.0%	726,741	244	11,110	4553.3%
Legal - Attorney General		-	-	-	0.0%	6,384,084	-	-	0.0%
Other Personal Services		97,261	117,895	20,634	17.5%	8,961,832	38,126	59,135	155.1%
<b>Total Personal Services</b>		<b>\$274,969</b>	<b>\$547,148</b>	<b>\$272,179</b>	<b>49.7%</b>	<b>\$28,882,887</b>	<b>\$605,045</b>	<b>\$(330,076)</b>	<b>-54.6%</b>
<b>Maintenance</b>									
Rent and Leases		\$493,889	\$531,780	\$37,891	7.1%	\$2,854,528	\$1,651	\$492,238	29814.5%
Software and Equipment Maintenance and Repairs		2,974,021	3,267,086	\$293,065	9.0%	29,289,373	554,892	2,419,129	436.0%
Inter Agency Payments		1,262,473	1,835,769	573,296	31.2%	22,494,763	1,427,624	(165,151)	-11.6%
Communications		1,559,083	1,699,501	140,418	8.3%	10,178,693	477,966	1,081,117	226.2%
Supplies and Printing		1,264,007	1,186,230	(77,777)	-6.6%	6,512,191	367,694	896,313	243.8%
Other Maintenance		155,153	157,637	2,484	1.6%	1,830,438	145,750	9,403	6.5%
<b>Total Maintenance</b>		<b>\$7,708,626</b>	<b>\$8,678,003</b>	<b>\$969,377</b>	<b>11.2%</b>	<b>\$73,159,986</b>	<b>\$2,975,577</b>	<b>\$4,733,049</b>	<b>159.1%</b>
<b>Equipment</b>									
		\$27,603	\$-	\$(27,603)	-100.0%	\$1,016,860	\$8,342	\$19,261	230.9%
<b>General Operating</b>									
		\$-	\$468,763	\$468,763	100.0%	\$468,759	\$-	\$-	0.0%
<b>Total Administrative Operating Expenditures</b>									
		<b>\$23,340,639</b>	<b>\$25,019,487</b>	<b>\$1,678,848</b>	<b>6.7%</b>	<b>\$321,381,781</b>	<b>\$18,395,528</b>	<b>\$4,945,111</b>	<b>26.9%</b>
<b>Safety Programs</b>									
Safety Grants		\$137,996	\$3,441,777	\$3,303,781	96.0%	\$41,300,000	\$1,557,025	\$(1,419,029)	-91.1%
Health and Safety Initiative		192,675	250,000	57,325	22.9%	3,000,000	-	192,675	0.0%
Safety Campaign		13,888	20,833	6,945	33.3%	250,000	-	13,888	0.0%
Workforce Safety Innovation Center		32,134	1,220,997	1,188,863	97.4%	14,700,000	19,296	12,838	66.5%
<b>Total Safety Programs</b>		<b>\$376,693</b>	<b>\$4,933,607</b>	<b>\$4,556,914</b>	<b>92.4%</b>	<b>\$59,250,000</b>	<b>\$1,576,321</b>	<b>\$(1,199,628)</b>	<b>-76.1%</b>
<b>Total Administrative Costs</b>									
		<b>\$23,717,332</b>	<b>\$29,953,094</b>	<b>\$6,235,762</b>	<b>20.8%</b>	<b>\$380,631,781</b>	<b>\$19,971,849</b>	<b>\$3,745,483</b>	<b>18.8%</b>

# Non-appropriated Administrative Expenditures Summary

As of July 31, 2025  
Unaudited

	Actual FYTD 2026	Encumbrance Balance FYTD 2026	FYTD 2026 Actual & Encumbrance	Actual FYTD 2025
<b>Investment Administrative Expenditures</b>				
JP Morgan Chase - Custody / Performance Reporting	\$-	\$1,554,280	\$1,554,280	\$-
RVK, Inc.-Investment Consulting	-	469,952	469,952	121,250
Meketa Investment Group - Real Estate Investment Consulting	303,750	4,616,417	4,920,167	-
Other Investment Expenditures	45,119	416,147	461,266	77,242
	<u>348,869</u>	<u>7,056,796</u>	<u>7,405,665</u>	<u>198,492</u>
<b>Actuarial Expenditures</b>				
Deloitte Consulting LLP	214,384	630,024	844,408	167,141
Milliman Inc.	1,588	189,353	190,941	-
	<u>215,972</u>	<u>819,377</u>	<u>1,035,349</u>	<u>167,141</u>
<b>Other States Coverage</b>				
Overland Solutions Inc.	-	62,287	62,287	-
Sedgwick Claims Management Services Inc.	3,045	182,880	185,925	2,987
Veruna, Inc.	38,225	18,700	56,925	-
Acrisure/United States Insurance Services, Inc.	11,100	4,314,549	4,325,649	165,782
	<u>52,370</u>	<u>4,578,416</u>	<u>4,630,786</u>	<u>168,769</u>
<b>TOTAL</b>	<u>\$617,211</u>	<u>\$12,454,589</u>	<u>\$13,071,800</u>	<u>\$534,402</u>

The investment administrative expenditures are included in the investment expenses reported on the statement of investment income on page 7.

The encumbrance balance is the amount remaining on the contract and may extend beyond the end of this fiscal year.

## Operating Transfers

As of July 31, 2025  
Unaudited

	FYTD 2026	FYTD 2025	Source
Ohio Inspector General	<u>\$212,500</u>	<u>\$212,500</u>	State Insurance Fund
Total	<u>\$212,500</u>	<u>\$212,500</u>	

# Statement of Cash Flows

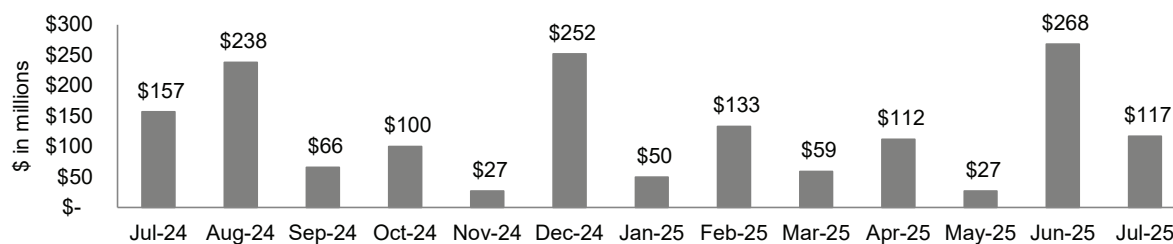
Fiscal Year to Date July 31, 2025

Unaudited

(in millions)

	Actual	Projected	Variance to Projected	Prior Year Actual	Year to Year Increase (Decrease)
<b>Cash Flows from Operating Activities:</b>					
Cash Receipts from Premiums	\$117	\$157	\$(40)	\$157	\$(40)
Cash Receipts - Other	3	2	1	1	2
Cash Disbursements for Claims	(120)	(120)	-	(109)	(11)
Cash Disbursements for Other	(66)	(57)	(9)	(54)	(12)
<b>Net Cash Provided (Used) by Operating Activities</b>	(66)	(18)	(48)	(5)	(61)
<b>Net Cash Flows from Noncapital Financing Activities</b>	-	(1)	1	-	-
<b>Net Cash Flows from Capital and Related Financing Activities</b>	-	-	-	-	-
<b>Net Cash Provided (Used) by Investing Activities</b>	30	(3)	33	23	7
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(36)	(22)	(14)	18	(54)
<b>Cash and Cash Equivalents, Beginning of Period</b>	645	645	-	576	69
<b>Cash and Cash Equivalents, End of Period</b>	\$609	\$623	\$(14)	\$594	\$15

## Premium and Assessment Receipts



# Statement of Net Position

As of July 31, 2025

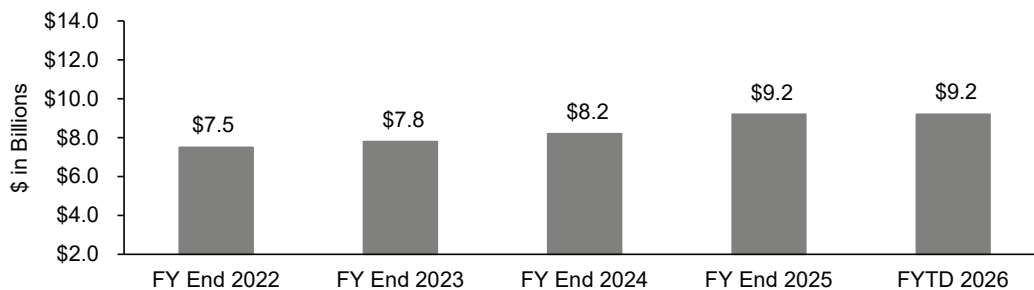
Unaudited

(in millions)

	Actual	Prior Year Actual	Year to Year Increase (Decrease)
<b>Assets</b>			
Bonds	\$11,384	\$11,138	\$246
U.S. Equities	4,953	4,562	391
Non-U.S. Equities	2,456	2,266	190
Real Estate	3,074	3,149	(75)
Cash & Cash Equivalents	609	594	15
Total Cash and Investments	22,476	21,709	767
Accrued Premiums	1,421	1,442	(21)
Other Accounts Receivable	196	356	(160)
Investment Receivables	211	174	37
Net OPEB Asset	8	8	-
Other Assets	42	58	(16)
<b>Total Assets</b>	<b>24,354</b>	<b>23,747</b>	<b>607</b>
<b>Deferred Outflow of Resources</b>	<b>78</b>	<b>78</b>	<b>-</b>
<b>Liabilities</b>			
* Reserve for Compensation and Compensation Adj. Expense	13,441	13,484	(43)
Unearned Premiums	887	935	(48)
Group Retrospective Credit Payable	224	191	33
Net Pension Liability	225	225	-
Accounts Payable	46	45	1
Investment Payable	336	278	58
Other Liabilities	94	98	(4)
<b>Total Liabilities</b>	<b>15,253</b>	<b>15,256</b>	<b>(3)</b>
<b>Deferred Inflow of Resources</b>	<b>19</b>	<b>19</b>	<b>-</b>
<b>Net Position</b>	<b>\$9,160</b>	<b>\$8,550</b>	<b>\$610</b>

\*Total undiscounted reserves for compensation and compensation adjustment expenses are \$21.6 billion. See breakout by fund on page 13.

## Net Position



# Statement of Net Position – Combining Schedule

As of July 31, 2025  
Unaudited

(in thousands)

	State Insurance Fund Account	Disabled Workers' Relief Fund Account	Coal-Workers Pneumoconiosis Fund Account	Public Work Relief Employees' Fund Account	Marine Industry Fund Account	Self-Insuring Employers' Guaranty Fund Account	Eliminations	Total
<b>Assets</b>								
Bonds	\$9,576,285	\$1,399,752	\$359,050	\$19,288	\$29,497	\$-	\$-	\$11,383,872
U.S. Equities	4,454,468	431,666	67,060	-	-	-	-	4,953,194
Non-U.S. Equities	2,206,450	215,908	33,835	-	-	-	-	2,456,193
Real Estate	3,074,091	-	-	-	-	-	-	3,074,091
Cash & Cash Equivalents	526,773	11,303	695	93	858	68,935	-	608,657
Total Cash & Investments	19,838,067	2,058,629	460,640	19,381	30,355	68,935	-	22,476,007
Accrued Premiums	1,112,515	6,093	386	59	268	301,468	-	1,420,789
Other Accounts Receivable	178,552	12,011	16	33	2	5,560	-	196,174
Interfund Receivables	132,082	251,689	-	161	10	328	(384,270)	-
Investment Receivables	210,809	56	3	-	3	249	-	211,120
Net OPEB Asset	7,746	-	-	-	-	-	-	7,746
Net Pension Asset	1,773	-	-	-	-	-	-	1,773
Other Assets	40,360	22	-	-	-	-	-	40,382
<b>Total Assets</b>	<b>21,521,904</b>	<b>2,328,500</b>	<b>461,045</b>	<b>19,634</b>	<b>30,638</b>	<b>376,540</b>	<b>(384,270)</b>	<b>24,353,991</b>
<b>Deferred Outflow of Resources</b>	77,818	-	-	-	-	-	-	77,818
<b>Liabilities</b>								
* Reserve for Compensation and Compensation Adj. Expense	11,353,131	1,659,800	99,100	1,099	1,291	326,918	-	13,441,339
Unearned Premiums	886,700	1	188	51	276	-	-	887,216
Group Retrospective Credit Payable	224,451	-	-	-	-	-	-	224,451
Net Pension Liability	224,956	-	-	-	-	-	-	224,956
Net OPEB Liability	-	-	-	-	-	-	-	-
Accounts Payable	45,184	-	243	-	-	-	-	45,427
Investment Payable	335,502	-	-	-	-	-	-	335,502
Interfund Payables	351,845	28,417	320	441	34	3,213	(384,270)	-
Other Liabilities	93,989	100	46	2	1	-	-	94,138
<b>Total Liabilities</b>	<b>13,515,758</b>	<b>1,688,318</b>	<b>99,897</b>	<b>1,593</b>	<b>1,602</b>	<b>330,131</b>	<b>(384,270)</b>	<b>15,253,029</b>
<b>Deferred Inflow of Resources</b>	18,505	-	-	-	-	-	-	18,505
<b>Net Position</b>	<b>\$8,065,459</b>	<b>\$640,182</b>	<b>\$361,148</b>	<b>\$18,041</b>	<b>\$29,036</b>	<b>\$46,409</b>	<b>\$-</b>	<b>\$9,160,275</b>

\* The undiscounted reserves for compensation and compensation adjustment expenses are as follows:

(in thousands)

SIF	\$17,643,150
DWRF	3,175,192
CWPF	269,800
PWRE	1,800
MIF	1,708
SIEGF	527,592
Total	<u>\$21,619,242</u>

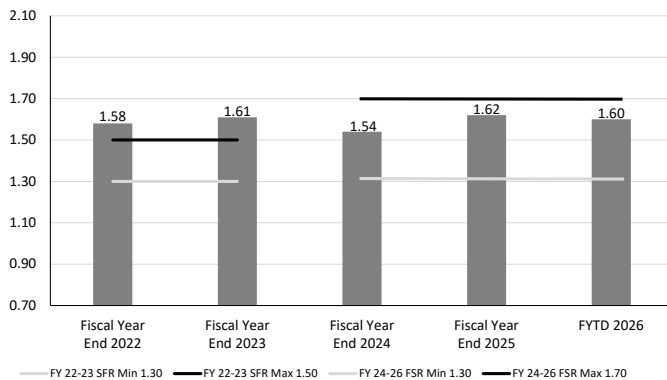
# Financial Performance Metrics

Unaudited

	Actual FYTD 2026 As of 07/31/25	Projected FYTD 2026 As of 07/31/25	Actual FYTD 2025 As of 07/31/24	Guidelines
<b>Financial Strength Ratio - State Insurance Fund (SIF)</b>	1.60	1.60	1.55	<b>1.30 to 1.70</b>
Loss Ratio	131.0%	136.1%	116.8%	
LAE Ratio - MCO	13.6%	11.9%	11.2%	
LAE Ratio - BWC	24.3%	21.9%	12.1%	
<b>Net Loss Ratio</b>	168.9%	169.9%	140.1%	<b>130.0%</b>
Expense Ratio	14.7%	18.0%	10.7%	<b>7.5%</b>
<b>Combined Ratio</b>	183.6%	187.9%	150.8%	<b>136.0%</b>
Net Investment Income Ratio	47.1%	60.0%	45.7%	<b>40.0%</b>
<b>Operating Ratio (Trade Ratio)</b>	136.5%	127.9%	105.1%	<b>96.0%</b>

Guidelines represent long-term goals for the agency. Business practices, peer group results, and historical data were considered in the establishment of the guidelines.

## Financial Strength Ratio



### Financial Strength Ratio (FSR)

Provides an indication of financial strength and security for periods after September 30, 2023 - Total SIF assets divided by total SIF liabilities.

### Simple Funding Ratio (SFR)

Provided an indication of financial strength and security for periods through September 30, 2023 before assets and liabilities for administrative costs were included in SIF- Total SIF assets divided by total SIF liabilities.

### Loss Ratio

Measures loss experience - Compensation benefit expenses divided by premium and assessment income.

### LAE Ratio

Measures loss adjustment experience - Loss adjustment expenses divided by premium and assessment income.

### Net Loss Ratio

Measures underlying profitability or total loss experience - Sum of the loss and LAE ratios.

### Expense Ratio

Measures operational efficiency - Other administrative expenses divided by premium and assessment income.

### Combined Ratio

Measures overall underwriting profitability - Sum of net loss and expense ratios.

### Net Investment Income Ratio

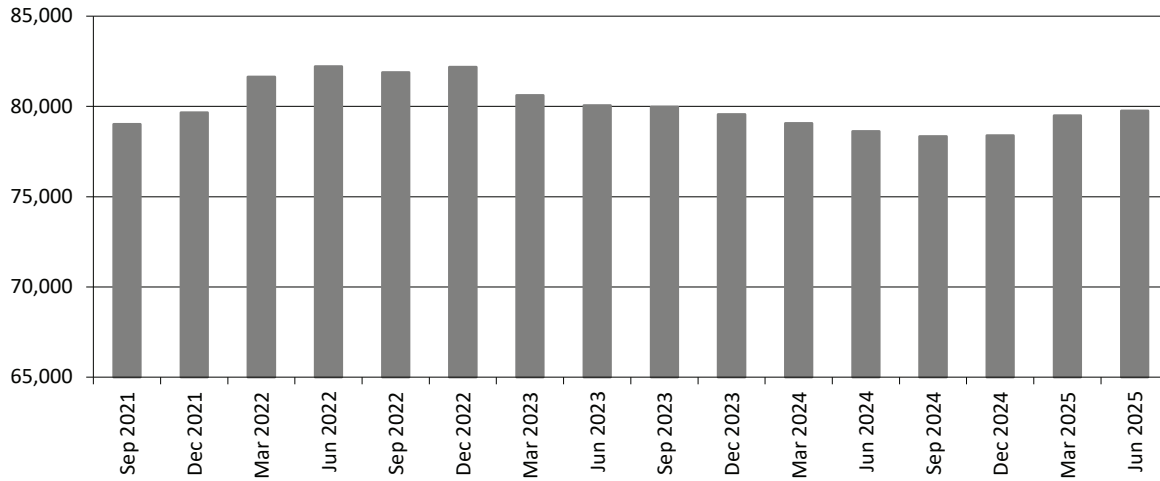
Measures the investment income component of profitability - Interest and dividend income less investment expenses divided by premium and assessment income. This ratio does not include realized or unrealized capital gains and losses.

### Operating Ratio

Measures overall profitability from underwriting and investing activities - Combined ratio less net investment income ratio.

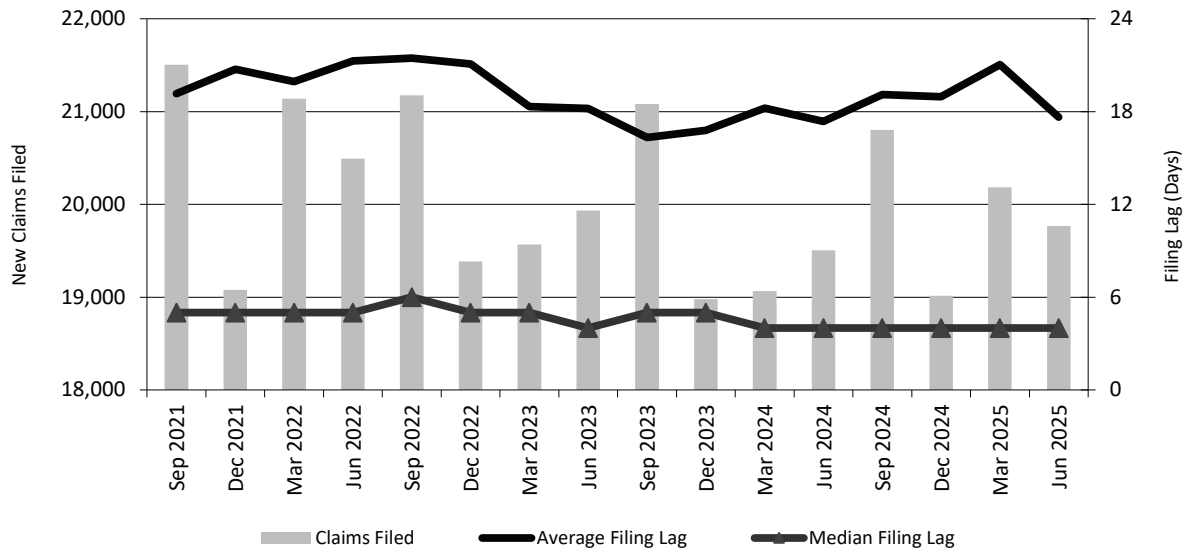
# Operational Performance Metrics

## New Claims Filed



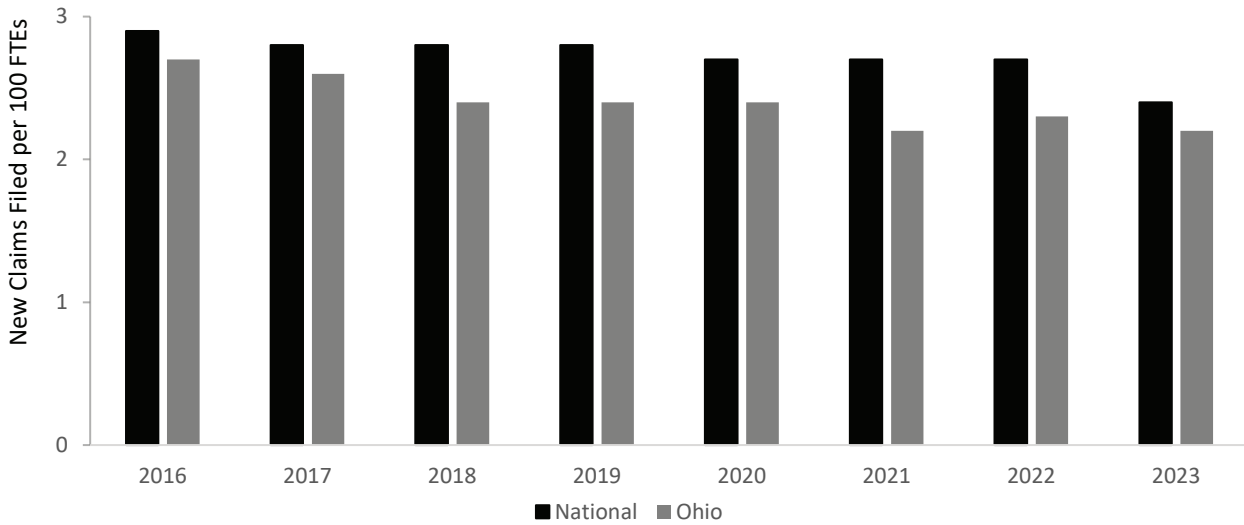
New Claims Filed measures the number of new State Insurance Fund claims filed in rolling twelve month periods measured quarterly. Over the past four years, the number of new claims filed was at a low of 78,347, in the twelve months ended September 30, 2024, peaked at 82,213 in the twelve months ended June 30, 2022, and was at 79,765 in the twelve months ended June 30, 2025.

## Claim Filing Lag - Reported Quarterly



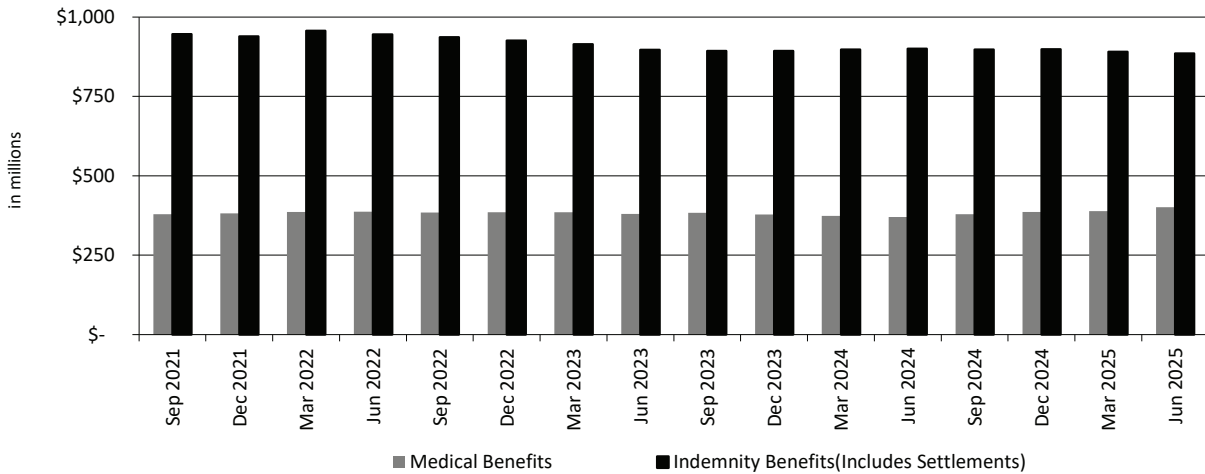
Claim Filing Lag measures the average and median number of days from the date of injury to the date of claim filing. Average claim filing lag has varied from a high of 21.46 days in the quarter ended September 30, 2022, to a low of 16.32 days in the quarter ended September 30, 2023, and was at 17.64 days in the quarter ended June 30, 2025. The median claim filing lag has varied between four and six days. Numbers of new claims filed per quarter are also provided and peaked at 21,506 in the quarter ended September 30, 2021, reached a low of 18,977 in the quarter ended December 31, 2023, and were at 19,765 in the quarter ended June 30, 2025.

**Frequency – Reported annually**



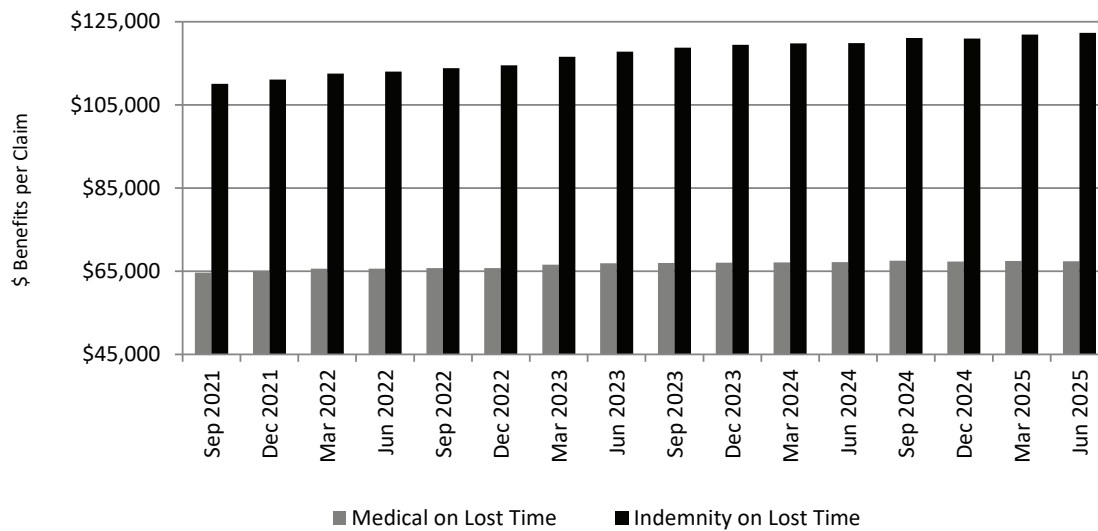
Frequency measures the number of injuries reported per 100 workers updated annually. The national and Ohio figures are calculated by the US Bureau of Labor Statistics. The national figure decreased from 2.9 injuries per 100 workers in 2016 to 2.4 injuries per 100 workers in 2023. The Ohio figure decreased from 2.7 injuries per 100 workers in 2016 to 2.2 injuries per 100 workers in 2023. The Ohio figures include State Insurance Fund and Self-Insured workers.

**Benefit Payments – Twelve months ended**



Benefit Payments measures medical and indemnity payments (including settlements) for rolling twelve-month periods updated quarterly. Indemnity payments peaked at \$956 million in the twelve months ended March 31, 2022, reached a low of \$885 million for the quarter ending June 30, 2025. Medical payments were at a low of \$370 million in the twelve months ended June 30, 2024, and peaking at \$401 million in the twelve months ended June 30, 2025.

**Severity** – Cumulative from date of injury through end of reporting quarter



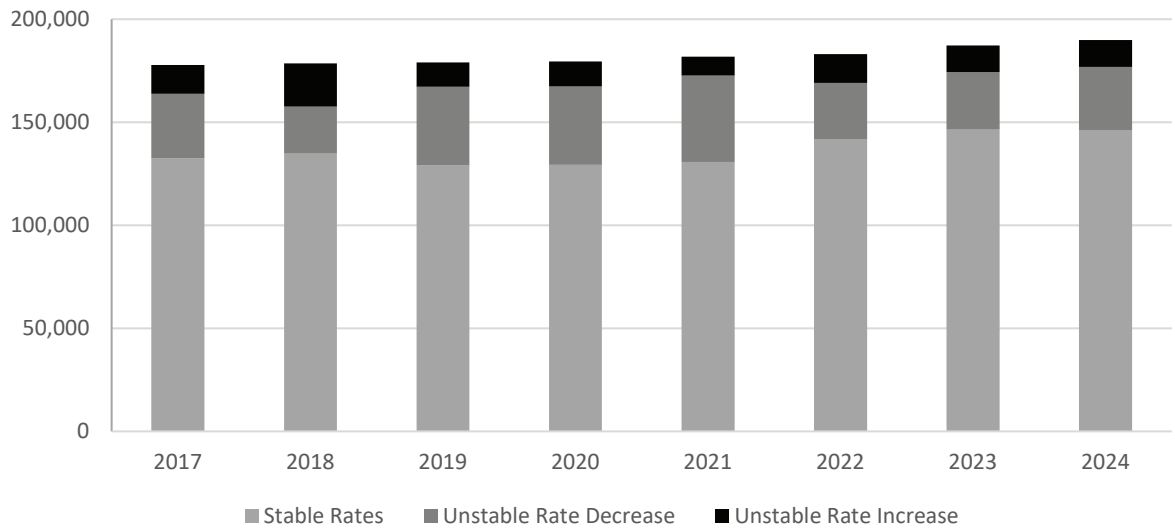
Severity measures the average medical and indemnity payments per active lost time claim. Indemnity amounts exclude settlements. Average medical payments per active lost time claim have increased from \$64,678 as of September 30, 2021, to \$67,389 as of June 30, 2025. Average indemnity payments per active lost time claim have increased from \$110,033 to \$122,290 over the same period. Medical payments on Medical Only claims (not reflected in chart) have increased from \$1,091 to \$1,190 during this period.

**Aggregate Reported Payroll** – Twelve months ended

\$ in millions	Private	PEC	PES	Black Lung	Marine
2016	\$109,301	\$18,268	\$8,091	\$92	\$12
2017	\$115,084	\$18,662	\$8,259	\$84	\$11
2018	\$121,687	\$19,336	\$8,388	\$109	\$12
2019	\$126,642	\$19,887	\$8,767	\$109	\$13
2020	\$127,830	\$20,271	\$9,054	\$69	\$14
2021	\$131,357	\$21,062	\$9,010	\$39	\$15
2022	\$146,753	\$21,956	\$9,531	\$17	\$14
2023	\$158,292	\$23,227	\$9,867	\$20	\$19
2024	\$166,076	\$24,535	\$10,504	\$20	\$18

Aggregate Reported Payroll measures annual reported payroll by employer type. All employer types have a June 30th year-end except for PEC employers which have a December 31st year-end. The bulk of payroll is reported by Private employers which increased from \$109.3 billion for the twelve months ending June 30, 2016, to \$166 billion in the twelve months ending June 30, 2024.

## Premium Stability



Premium Stability measures the number of employers whose premium rate changed more than five percent and total premium changed more than \$500 from the previous year broken down into the number of employers that experienced increases versus decreases. Employers with a partial year of coverage in the first or second year of the calculation, employers that paid the minimum \$120 premium in one or both years of the calculation, and employers with zero payroll are excluded. 3.6% of employers had unstable increases in 2024 which was below the average percentage of employers with unstable increases in the past eight years.

FY 2025 IAD Update  
August 21, 2025

David Kooser, Chief of Internal Audit  
Chelsea Castle, Director of Internal Audit  
Keith Elliott, Internal Audit Manager

## TABLE OF CONTENTS

Audit Reports Issued – August 2025 .....	2
<i>Assessment of Risk to the Ohio Bureau of Workers' Compensation as a whole resulting from Employer Services Division – Policy Underwriting Operations.</i> .....	2
Definitions.....	6

**AUDIT REPORTS ISSUED – AUGUST 2025**

**Employer Services Division/Policy Underwriting Audit – 4th Quarter FY 2025**

<p><b>ASSESSMENT OF RISK TO THE OHIO BUREAU OF WORKERS' COMPENSATION AS A WHOLE RESULTING FROM <u>EMPLOYER SERVICES DIVISION – POLICY UNDERWRITING OPERATIONS.</u></b></p>	<p><i>Risk<sup>1</sup></i></p>	<p><i>OVERALL CONTROL ENVIRONMENT<sup>2</sup></i></p>
	<p><b>MEDIUM</b></p>	<p><b>NEEDS IMPROVEMENT</b></p>
<p><b>BACKGROUND</b></p>		
<p>The Policy Underwriting Unit is responsible for reviewing new business applications and purchase/sale notifications that can be received from approximately 250,000 active and reinstated employers. They determine whether coverage initiation or successorship processing is required and execute policy combinations to transfer appropriate claims experience from predecessor to successor policies when required. Their work can be grouped in the following categories:</p> <ul style="list-style-type: none"> <li>• Processing AC-30 (Underwriting Referral) and U-118 (Notification of Business Acquisition/Merger or Purchase/Sale) forms and others that may relate to ownership changes.</li> <li>• Performing policy combinations in response to AC-30s or directly from U-118 forms submitted by employers.</li> </ul>		

*Internal Audit Division*

OBJECTIVE / GOAL / RISK	RISK <sup>1</sup>	DESIGN ADEQUACY <sup>2</sup>	CONTROL EFFECTIVENESS <sup>3</sup>	TESTING/CONTROL COMMENTS
<p>1. Underwriting Referrals (AC-30s) and Notifications of Business Acquisition/Merger or Purchase/Sale (U-118s) are tracked and processed timely.</p>	<b>MEDIUM</b>	<b>ADEQUATE</b>	<b>ADEQUATE</b>	<p>Key controls to ensure AC-30s and U-118s are tracked and processed timely include:</p> <ul style="list-style-type: none"> <li>• Each week, the Combine Unit Supervisor generates a UDS 'Transfer 18' report that summarizes the age of items assigned to her team members to assess overall aging totals.</li> <li>• The Combine Unit Supervisor determines what document types to prioritize based on the aging and other data and communicates priorities to the staff through a daily email.</li> <li>• The 'Transfer 18' report is emailed to the Underwriting Managing Supervisor.</li> <li>• The BWC Underwriting Consultant compiles a weekly production report for the department and emails it to the Chief Operating Officer, the Chief of Employer Services and the directors, managers and supervisors (the report includes transfer document aging data).</li> </ul> <p>Based on our review, the controls appear to be adequately designed and operating effectively.</p>
<p>2. AC-30s and U-118s are processed completely and accurately.</p>	<b>HIGH</b>	<b>NEEDS IMPROVEMENT</b>	<b>NEEDS IMPROVEMENT</b>	<p>Key controls to ensure AC-30s and U-118s are processed completely and accurately, appropriate claims experience is transferred and correspondence sent include:</p> <ul style="list-style-type: none"> <li>• The Combine Unit Supervisor performs quality assurance (QA) reviews of the work of Policy Underwriting staff in processing transfer tasks. The reviews include verifying correspondence is sent and appropriate claims experience transferred.</li> <li>• The Supervisor is to select 10% of combine transactions completed by the Underwriters and 5% of items completed by the AE2 each week (from the UDS Workflow User Productivity Details report). These reviews were documented in the PPD Accuracy Tracker during 2024.</li> <li>• The Tracker automatically sends emails to staff notifying them of QA reviews with errors. Two days are allowed for corrections to be made, and when they are recorded in the Tracker and assigned back to the Supervisor, the Tracker automatically sends a notification email to the Supervisor.</li> <li>• The Combine, Partial Transfer &amp; PEO Transaction tool automatically transfers appropriate claims experience from the input predecessor to the selected successor for the chosen effective date.</li> </ul>
<p>3. Appropriate claims experience is transferred in policy combinations.</p>	<b>MEDIUM</b>			<p>We are working with management to:</p> <ul style="list-style-type: none"> <li>• Clarify the nature and population of the tasks from which the QA review sample is to be selected.</li> <li>• Take steps to achieve departmental goals for QA review coverage or establish more realistic targets.</li> </ul>
<p>4. Required correspondence is issued completely, accurately and timely.</p>	<b>MEDIUM</b>			

*Internal Audit Division*

				<ul style="list-style-type: none"> <li>• Have the managing Supervisor periodically verify whether QA review rates are meeting departmental targets.</li> <li>• Develop a system report to ensure the managing Supervisor is notified of any combines processed by the Underwriting Team Supervisor.</li> <li>• Develop regular reporting to upper management of QA review error data from the Accuracy Tracker.</li> </ul> <p><i>(Management is revising the QA review coverage targets to 5% for Underwriters and 3% for the AE2).</i></p> <p><i>(Management is instituting a monthly check of the QA review coverage rates).</i></p> <p><i>(Management has already obtained a R&amp;P report enabling a regular review of any combines processed by the team supervisor).</i></p> <p><i>(Management has been exploring error reporting opportunities that may be available after migrating the Accuracy Tracker to the Hyland OnBase application).</i></p>
<p>5. System access to Underwriting and policy combination related applications and records is restricted to personnel according to their duties and responsibilities.</p>	<p><b>MEDIUM</b></p>	<p><b>ADEQUATE</b></p>	<p><b>NEEDS Improvement</b></p>	<p>Key controls to ensure systems access rights are properly authorized, support adequate segregation of duties and are reviewed periodically include:</p> <ul style="list-style-type: none"> <li>• A BWC Logon Form is required for access to any BWC computer application/system.</li> <li>• BWC Computer Security uses the emails they receive from the BWC Employee Separation Notice mailbox for separations as well as checking the weekly HR Separation Report.</li> <li>• Annually, BWC Computer Security requests each manager/supervisor to complete an IT Annual Computer Security Access review (Audit Review).</li> <li>• Access on systems utilized by personnel include edit and read only access profiles for segregation of duties.</li> </ul> <p>We are working with management to remove update access to the full combine function of the Combine, Partial Transfer &amp; PEO tool for nine users that no longer require it and to establish periodic reviews of personnel with Combine tool access. The full combine function is shared among the Underwriting, Self-insured and Bankruptcy Units.</p> <p><i>(Management has removed Combine tool edit access for users no longer needing it for their job duties).</i></p>
<p>6. Management reporting is adequate for monitoring the Policy Underwriting process.</p>	<p><b>MEDIUM</b></p>	<p><b>ADEQUATE</b></p>	<p><b>ADEQUATE</b></p>	<p>Key controls to ensure management reporting is adequate for monitoring the Policy Underwriting process include:</p> <ul style="list-style-type: none"> <li>• Weekly production reports to management (including the Director of Underwriting, the Chief of Employer Services and the Chief Operating Officer include statistics on Underwriting Unit document production and aging of inventory.</li> </ul>



Internal Audit Division

				<ul style="list-style-type: none"> <li>Weekly reports from the Director of Underwriting and the Chief of Employer Services communicate key issues to upper management.</li> </ul> <p>Based on our review, the controls appear to be adequately designed and operating effectively.</p>
7. Written policies & procedures provide adequate guidance for Policy Underwriting Unit functions.	<b>MEDIUM</b>	<b>ADEQUATE</b>	<b>ADEQUATE</b>	<p>The Policy Underwriting Unit has developed multiple documents on high-level successorship, the principles of coverage initiation and the specifics of individual components in the AC-30 and U-118 decision and action process (e.g., transfer document processing, combine execution, policy cancellation).</p> <p>Based on our review, the controls over written policies and procedures appear to be adequately designed and operating effectively.</p>

**DEFINITIONS**

<sup>1</sup> RISK ASSESSMENT DEFINITIONS	
<b>LOW</b>	The impact and likelihood of an event or operational failure causing a significant disruption of operations and/or adversely affecting the current BWC operating budget is negligible.
<b>MEDIUM</b>	The impact and likelihood of an event or operational failure causing a significant disruption of operations and/or adversely affecting the current BWC operating budget is moderate.
<b>HIGH</b>	The impact and likelihood of an event or operational failure causing a significant disruption of operations and/or adversely affecting the current BWC operating budget is material.
<sup>2</sup> CONTROL DESIGN DEFINITIONS	
Internal Audit's subjective assessment of the control(s)' theoretical ability to prevent or detect material errors based upon information gathered from inquiry, observation and data analytics.	
<b>ADEQUATE</b>	Based on our assessment of the design of controls demonstrated by management in their processes for the noted control objective, there is a high probability that operational failures, non-compliance, or loss events will be prevented/detected and resolved if operating procedures are implemented as designed.
<b>NEEDS IMPROVEMENT</b>	Based on our assessment of the design of controls demonstrated by management in their processes for the noted control objective, it is probable (but not certain) that operational failures, non-compliance, or loss events will be prevented/detected and resolved if operating procedures are implemented as designed.
<b>INEFFECTIVE</b>	Based on our assessment of the design of controls demonstrated by management in their processes for the noted control objective, it is uncertain that operational failures, non-compliance, or loss events will be prevented/detected and resolved if operating procedures are implemented as designed.
<sup>3</sup> CONTROL EFFECTIVENESS ASSESSMENT DEFINITIONS	
Internal Audit's validation of control implementation during the audit period based upon evidence gathered from testing of control documentation, control operation or transactional data.	
<b>ADEQUATE</b>	We conclude with a high degree of confidence that design or operation of the control is adequate to provide reasonable assurance regarding the achievement of the noted Goal/Objective.
<b>NEEDS IMPROVEMENT</b>	The control design or operation provides some assurance regarding the achievement of the noted Goal/Objective, but improvements to either the design of the internal controls, or its operation, are needed to reach the desired level of assurance that the Goal/Objective will be achieved.
<b>INEFFECTIVE</b>	The control design or operating effectiveness is not adequate to provide reasonable assurance regarding the achievement of the noted Goal/Objective. Immediate management action is required to improve the design or operation of the control procedures for this Goal/Objective.



## Internal Audit Division Charter

### Purpose

The purpose of the internal audit function is to strengthen the Ohio Bureau of Workers' Compensation's (BWC) ability to create, protect, and sustain value by providing the board and management with independent, risk-based, and objective assurance, advice, insight, and foresight.

The internal audit function enhances BWC's:

- Successful achievement of its objectives.
- Governance, risk management, and control processes.
- Decision-making and oversight.
- Reputation and credibility with its stakeholders.
- Ability to serve the public interest.

BWC's internal audit function is most effective when:

- Internal auditing is performed by competent professionals in conformance with The IIA's Global Internal Audit Standards™, which are set in the public interest.
- The internal audit function is independently positioned with direct accountability to the board.
- Internal auditors are free from undue influence and committed to making objective assessments.

### ***Commitment to Adhering to the Global Internal Audit Standards***

The BWC's internal audit function will adhere to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, which are the Global Internal Audit Standards and Topical Requirements. The chief audit executive will report periodically to the board and senior management regarding the internal audit function's conformance with the Standards, which will be assessed through a quality assurance and improvement program.

### Mandate

#### ***Authority***

The BWC's board grants the internal audit function the mandate to provide the board and senior management with objective assurance, advice, insight, and foresight. In accordance with provisions of ORC 4121.125(J) the Administrator, with the advice and consent of the Board of Directors, shall employ a Chief of Internal Audit who shall report

findings to the Board of Directors, the Audit Committee and the Administrator (with the exception of malfeasance by the Administrator). The Chief of Internal Audit will report functionally to the Audit Committee and administratively (i.e., day-to-day operations) to the Administrator. To establish, maintain, and assure that IAD has sufficient authority to fulfill its duties, the Audit Committee will:

- Review the internal audit division's charter.
- Review the risk-based internal audit plan.
- Receive communications from the Chief of Internal Audit on IAD's performance relative to its plan and other matters.

The internal audit function's authority is created by its direct reporting relationship to the board. Such authority allows for unrestricted access to communicate and interact directly with, the Audit Committee, including private meetings without management present.

The board authorizes the internal audit function to:

- Have full and unrestricted access to all functions, data, records, information, physical property, and personnel pertinent to carrying out internal audit responsibilities. Internal auditors are accountable for confidentiality and safeguarding records and information.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques, and issue communications to accomplish the function's objectives.
- Obtain assistance from the necessary personnel of BWC and other specialized services from within or outside BWC to complete internal audit services.

### ***Independence, Organizational Position, and Reporting Relationships***

The Chief of Internal Audit will be positioned at a level in the organization that enables internal audit services and responsibilities to be performed without interference from management, thereby establishing the independence of the internal audit function. (See "Mandate" section.) The chief audit executive will report functionally to the board and administratively (for example, day-to-day operations) to the Administrator. This positioning provides the organizational authority and status to bring matters directly to senior management and escalate matters to the board, when necessary, without interference and supports the internal auditors' ability to maintain objectivity.

The Chief of Internal Audit will confirm to the board, at least annually, the organizational independence of the internal audit function. If the governance structure does not support organizational independence, the chief audit executive will document the characteristics of the governance structure limiting independence and any safeguards employed to achieve the principle of independence. The Chief of Internal Audit will

disclose to the board any interference internal auditors encounter related to the scope, performance, or communication of internal audit work and results. The disclosure will include communicating the implications of such interference on the internal audit function's effectiveness and ability to fulfill its mandate.

### ***Changes to the Mandate and Charter***

Circumstances may justify a follow-up discussion between the Chief of Internal Audit, board, and senior management on the internal audit mandate or other aspects of the internal audit charter. Such circumstances may include but are not limited to:

- A significant change in the Global Internal Audit Standards.
- A significant acquisition or reorganization within the organization.
- Significant changes in the chief audit executive, board, and/or senior management.
- Significant changes to the organization's strategies, objectives, risk profile, or the environment in which the organization operates.
- New laws or regulations that may affect the nature and/or scope of internal audit services.

## **Chief Audit Executive Roles and Responsibilities**

### ***Ethics and Professionalism***

The chief audit executive will ensure that internal auditors:

- Conform with the Global Internal Audit Standards, including the principles of Ethics and Professionalism: integrity, objectivity, competency, due professional care, and confidentiality.
- Understand, respect, meet, and contribute to the legitimate and ethical expectations of the organization and be able to recognize conduct that is contrary to those expectations.
- Encourage and promote an ethics-based culture in the organization.
- Report organizational behavior that is inconsistent with the organization's ethical expectations, as described in applicable policies and procedures.

### **Objectivity**

The chief audit executive will ensure that the internal audit function remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in

an unbiased manner, including matters of engagement selection, scope, procedures, frequency, timing, and communication. If the chief audit executive determines that objectivity may be impaired in fact or appearance, the details of the impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively such that they believe in their work product, do not compromise quality, and do not subordinate their judgment on audit matters to others, either in fact or appearance.

Internal auditors will have no direct operational responsibility or authority over any of the activities they review. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, or engage in other activities that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing operational duties for BWC or its affiliates.
- Initiating or approving transactions external to the internal audit function.
- Directing the activities of any BWC employee that is not employed by the internal audit function, except to the extent that such employees have been appropriately assigned to internal audit teams or to assist internal auditors.

Internal auditors will:

- Disclose impairments of independence or objectivity, in fact or appearance, to appropriate parties and at least annually, such as the chief audit executive, board, management, or others.
- Exhibit professional objectivity in gathering, evaluating, and communicating information.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid conflicts of interest, bias, and undue influence.

### ***Managing the Internal Audit Function***

The chief audit executive has the responsibility to:

- At least annually, develop a risk-based internal audit plan that considers the input of the board and senior management. Discuss the plan with the board and senior management and submit the plan to the board for review and approval.

- Communicate the impact of resource limitations on the internal audit plan to the board and senior management.
- Review and adjust the internal audit plan, as necessary, in response to changes in BWC's business, risks, operations, programs, systems, and controls.
- Communicate with the board and senior management if there are significant interim changes to the internal audit plan.
- Ensure internal audit engagements are performed, documented, and communicated in accordance with the Global Internal Audit Standards.
- Follow up on engagement findings and confirm the implementation of recommendations or action plans and communicate the results of internal audit services to the board and senior management periodically and for each engagement as appropriate.
- Ensure the internal audit function collectively possesses or obtains the knowledge, skills, and other competencies and qualifications needed to meet the requirements of the Global Internal Audit Standards and fulfill the internal audit mandate.
- Identify and consider trends and emerging issues that could impact BWC and communicate to the board and senior management as appropriate.
- Consider emerging trends and successful practices in internal auditing.
- Establish and ensure adherence to methodologies designed to guide the internal audit function.
- Ensure adherence to BWC's relevant policies and procedures unless such policies and procedures conflict with the internal audit charter or the Global Internal Audit Standards. Any such conflicts will be resolved or documented and communicated to the board and senior management.
- Coordinate activities and consider relying upon the work of other internal and external providers of assurance and advisory services. If the chief audit executive cannot achieve an appropriate level of coordination, the issue must be communicated to senior management and if necessary escalated to the board.

### ***Communication with the Board and Senior Management***

The chief audit executive will report periodically to the board and senior management regarding:

- The internal audit function's mandate.
- The internal audit plan and performance relative to its plan.
- Internal audit budget.
- Significant revisions to the internal audit plan and budget.
- Potential impairments to independence, including relevant disclosures as applicable.
- Results from the quality assurance and improvement program, which include the internal audit function's conformance with The IIA's Global Internal Audit Standards and action plans to address the internal audit function's deficiencies and opportunities for improvement.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other areas of focus for the board.
- Results of assurance and advisory services.
- Resource requirements.
- Management's responses to risk that the internal audit function determines may be unacceptable or acceptance of a risk that is beyond BWC's risk appetite.

### ***Quality Assurance and Improvement Program***

The chief audit executive will develop, implement, and maintain a quality assurance and improvement program that covers all aspects of the internal audit function. The program will include external and internal assessments of the internal audit function's conformance with the Global Internal Audit Standards, as well as performance measurement to assess the internal audit function's progress toward the achievement of its objectives and promotion of continuous improvement. The program also will assess, if applicable, compliance with laws and/or regulations relevant to internal auditing. Also, if applicable, the assessment will include plans to address the internal audit function's deficiencies and opportunities for improvement.

Annually, the chief audit executive will communicate with the board and senior management about the internal audit function's quality assurance and improvement program, including the results of internal assessments (ongoing monitoring and periodic self-assessments) and external assessments. External assessments will be conducted at least once every five years by a qualified, independent assessor or assessment team

from outside BWC; qualifications must include at least one assessor holding an active Certified Internal Auditor® credential.

## **Scope and Types of Internal Audit Services**

The scope of internal audit services covers the entire breadth of the organization, including all BWC's activities, assets, and personnel. The scope of internal audit activities also encompasses but is not limited to objective examinations of evidence to provide independent assurance and advisory services to the board and management on the adequacy and effectiveness of governance, risk management, and control processes for BWC.

The nature and scope of advisory services may be agreed with the party requesting the service, provided the internal audit function does not assume management responsibility. Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during advisory engagements. These opportunities will be communicated to the appropriate level of management. Internal audit engagements may include evaluating whether:

- Risks relating to the achievement of BWC's strategic objectives are appropriately identified and managed.
- The actions of BWC's officers, directors, management, employees, and contractors or other relevant parties comply with BWC's policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations and programs are consistent with established goals and objectives.
- Operations and programs are being carried out effectively and efficiently.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact BWC.
- The integrity of information and the means used to identify, measure, analyze, classify, and report such information is reliable.
- Resources and assets are acquired economically, used efficiently and sustainably, and protected adequately.

## Acknowledgments/Signatures

\_\_\_\_\_  
Chief of Internal Audit

\_\_\_\_\_  
Date

\_\_\_\_\_  
Audit Committee Chair

\_\_\_\_\_  
Date

\_\_\_\_\_  
Administrator

\_\_\_\_\_  
Date

# 12-Month Audit Committee Calendar

	<b>August 2025</b>
8/21/25	1. FY 2026 Financial Projections
	2. Internal Audit Monthly Update
	3. Financial Update
	4. Committee Charter Review (1 <sup>st</sup> Read)
	5. Division Charter Review
	<b>September 2025</b>
9/25/25	1. Internal Audit Monthly Update
	2. Financial Update
	3. Committee Charter Review (2 <sup>nd</sup> Read)
	<b>October 2025</b>
10/23/25	1. Internal Audit Monthly Update
	2. Quarterly Litigation Update (Executive Session)
	3. Financial Update
	<b>November 2025</b>
11/20/25	1. Internal Audit Monthly Update
	2. Disaster Recovery Report (Executive Session possible)
	3. Financial Update
	<b>December 2025</b>
12/18/25	1. Internal Audit Monthly Update
	2. FY25 Outstanding Internal Audit Observation Status Report
	3. Financial Update
	4. Required External Audit Communications
	5. Quarterly Litigation Update (Executive Session)
	<b>January 2026</b>
TBD	1. Internal Audit Monthly Update
	2. Financial Update
	<b>February 2026</b>
TBD	1. Internal Audit Monthly Update
	2. Financial Update
	<b>March 2026</b>
TBD	1. Financial Update
	2. Risk Assessment Kickoff
	3. Internal Audit Monthly Update
	<b>April 2026</b>
TBD	1. Quarterly Litigation Update (Executive Session possible)
	2. Internal Audit Monthly Update
	3. Financial Update

# 12-Month Audit Committee Calendar

	<b>May 2026</b>
TBD	1. Discount Rate
	2. FY 2027 Administrative Budget (1st Read)
	3. Internal Audit Monthly Update
	4. Financial Update
	<b>June 2026</b>
TBD	1. FY 2027 Administrative Budget (2 <sup>nd</sup> Read)
	2. Internal Audit Monthly Update
	3. Financial Update
	4. FY 27 Internal Audit Plan
	<b>July 2026</b>
TBD	1. Internal Audit Monthly Update
	2. Financial Update
	3. Quarterly Litigation Update (Executive Session)