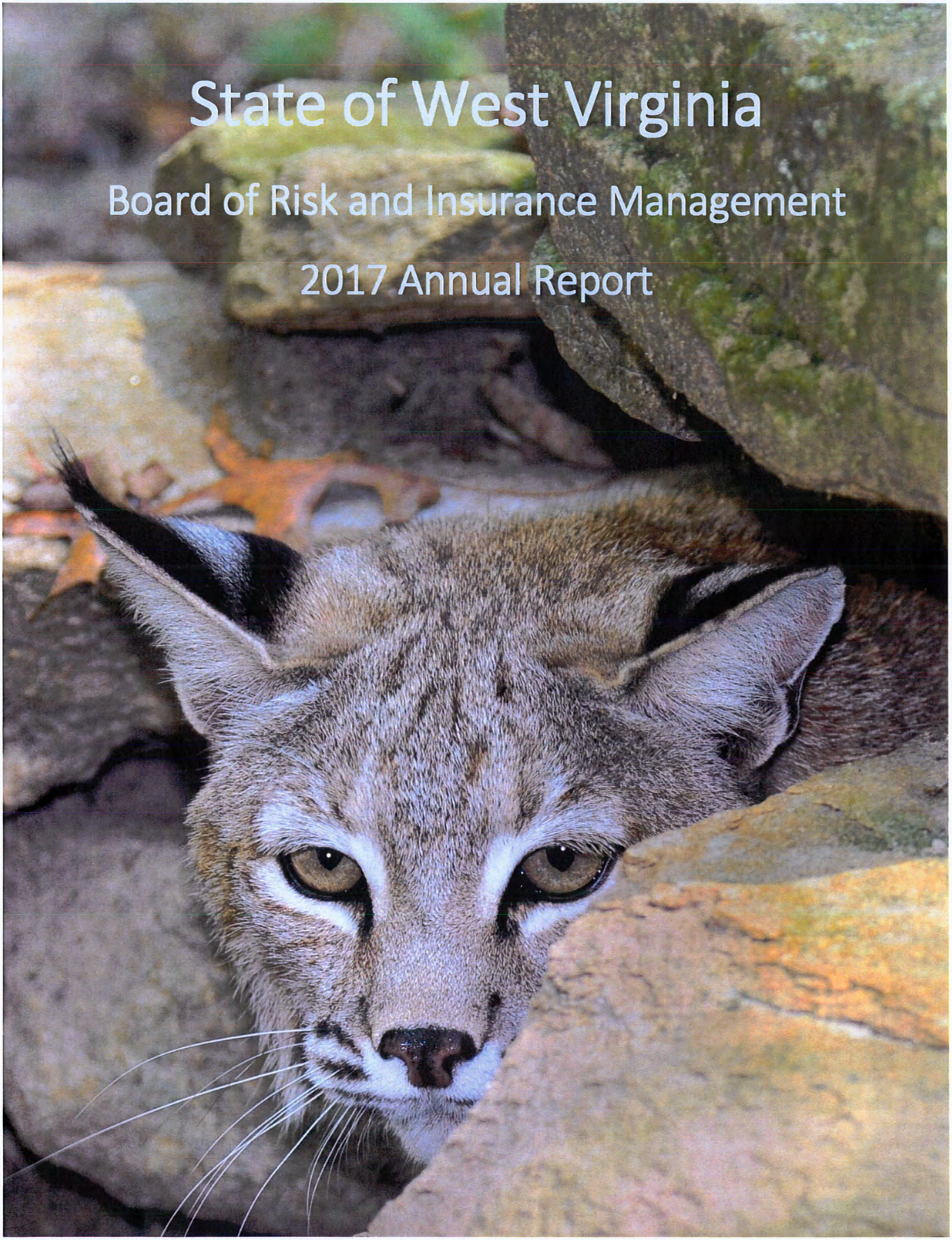
State of West Virginia

Board of Risk and Insurance Management

2017 Annual Report



STATE OF WEST VIRGINIA
DEPARTMENT OF ADMINISTRATION
BOARD OF RISK AND INSURANCE MANAGEMENT

Jim Justice
Governor

John A. Myers
Cabinet Secretary

Mary Jane Pickens
Executive Director
Deputy Cabinet Secretary

August 28, 2017

Honorable Jim Justice, Governor
State of West Virginia

Governor Justice:

The Annual Report of the West Virginia Board of Risk and Insurance Management (BRIM) for the year ended June 30, 2017 is hereby respectfully submitted. This report was prepared by the staff of BRIM. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation rests with the management of BRIM. We believe the data, as presented, is accurate and that it is presented in a manner designed to fairly set forth the results of the operations of BRIM. All information necessary to enable the reader to gain an understanding of BRIM's operational activities has been included.

The Annual Report contains discussions of the financial activities and highlights for the past several fiscal years, and BRIM's organization chart. The minutes of the Board of Directors meetings are attached as a supplement to this report.

BRIM is reported as an enterprise fund operating as a single business segment, included as a blended component unit of the primary government in the State's Comprehensive Annual Financial Report (CAFR). After applying the criteria set forth in generally accepted accounting principles, BRIM management has determined there are no organizations that should be considered component units of BRIM.

BRIM is governed by a five-member board appointed by the governor for terms of four years. BRIM operates by the authority granted in Chapter 29, Article 12; Chapter 33, Article 30; and Chapter 20, Article 5H of the West Virginia Code as amended, and the provisions of Executive Order 12-86. The day-to-day operations of BRIM are managed by the executive director, who is responsible for the implementation of policies and procedures established by the Board members.

BRIM is charged with providing insurance coverage to all state agencies. Additionally, BRIM provides these services to cities, counties, and non-profit organizations throughout the State under the provisions of Senate Bill #3 (SB#3). BRIM also provides a coal mine subsidence reinsurance program, which allows homeowners and businesses to obtain insurance coverage up to $200,000 for collapses and damage caused by underground coal mines.

BRIM uses various means to cover its insureds. Although BRIM is not indemnified by an insurance company, it contracts with an insurance company that is compensated for claims handling with a flat fee. The primary methods used by BRIM to fund claims payments results in a more stable and predictable funding of claims and claims related expenses, allowing for better cash management for the organization.

Beginning in fiscal year 1996, liability claims were handled through a "Modified Paid Loss Retrospective" rating program, which required an up-front deposit to an insurance company. As losses occur, payments and reserves are established and charged against the deposit. When the amount of paid losses within a twelve-month period exceeds the amount of the deposit, a retrospective billing is produced and BRIM pays that additional amount to the insurance company.

Beginning in fiscal year 2006, BRIM deposited monies with a financial institution, as trustee, to hold advance deposits in an escrow account for BRIM liability claims with loss dates after June 30, 2005. The funds held in escrow, together with their earnings, will be used to fund the payment of the claims and claims adjustment expenses related to these liability claims. Periodically, monies are transferred from the escrow account to the insurance company administering these claims in order to reimburse the insurance company for payments that they have issued on these claims and claims adjustment expenses on BRIM's behalf.

Property losses are retained by BRIM up to $1 million. Additionally, excess coverage is provided beyond the $1 million retention up to a limit of $400 million per occurrence. This coverage provides reimbursement of loss at the stated or reported value less a $2,500 deductible. Under the mine subsidence program, participating insurers pay BRIM a reinsurance premium, which is equal to the gross premiums collected for mine subsidence coverage, less cancellations, less a 30% ceding commission.

BRIM currently insures approximately 170 state agencies, approximately 986 Senate Bill #3 entities, plus provides mine subsidence reinsurance to approximately 131,000 home and business owners.

Financial Highlights

The financial statements of BRIM are prepared on the accrual basis of accounting in conformity with generally accepted accounting principles. In 1993, the Governmental Accounting Standards Board (GASB) issued Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting." BRIM elected to implement the provisions of this Statement beginning in fiscal year 1994. As permitted by the Statement, BRIM has elected not to adopt Financial Accounting Standards Board (FASB) statements and interpretations issued after November 30, 1989, unless the GASB specifically adopts such FASB statements or interpretations.

Internal Accounting Structure and Budgetary Control

As mentioned, BRIM reports and meets the requirements of an enterprise fund. BRIM's assets and liabilities are accounted for in a single fund.

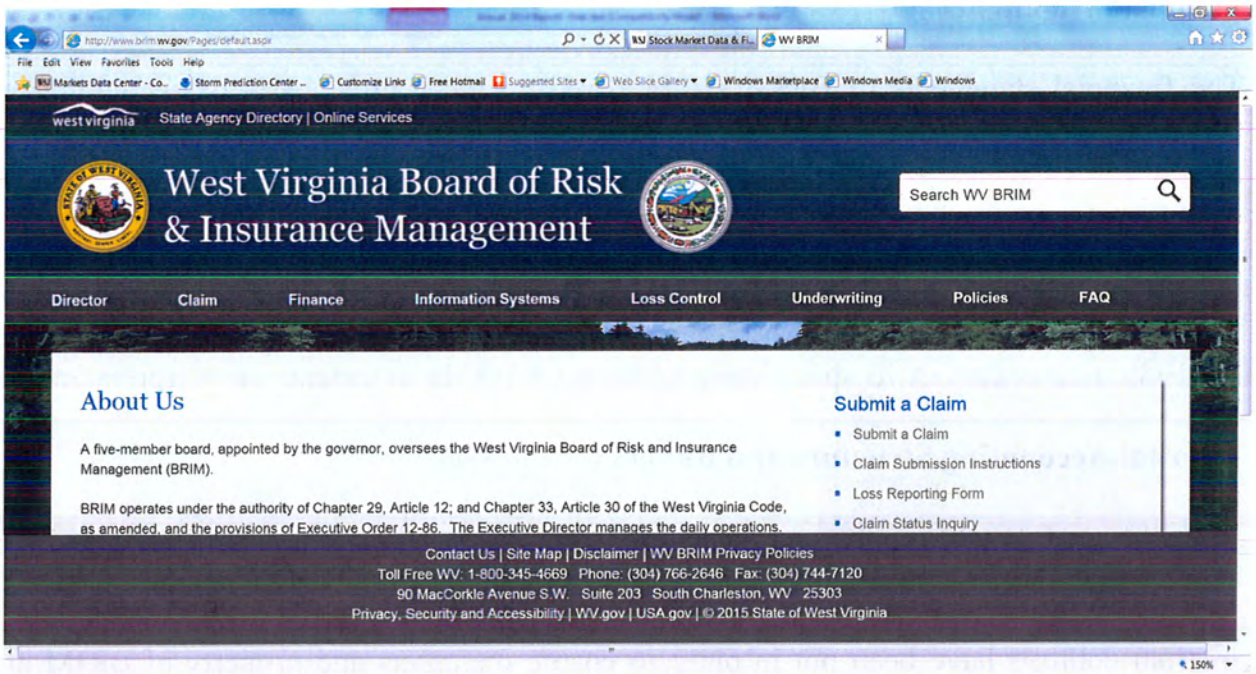
Internal controls have been put in place to ensure the assets and property of BRIM are protected from theft, loss or misuse and to provide adequate accounting data for preparing Generally Accepted Accounting Principles (GAAP) based financial statements.

Internal controls are established to provide reasonable assurance that objectives are met. Additionally, the concept of reasonable assurance should recognize that the cost to administer the control should not exceed the benefits derived from the control.

An annual budget is prepared prior to the start of each fiscal year for use as a management tool and for evaluating performance.

BRIM On-Line

We invite you to visit BRIM's website at http://www.brim.wv.gov/Pages/default.aspx. The website is designed to inform the public about our program and to provide assistance to our customers. One feature allows claimants to submit a claim electronically for faster processing and handling. Detailed instructions on how to fill out a renewal questionnaire are also found on-line. A variety of frequently asked questions on topics ranging from billing to underwriting can also be found on this site.



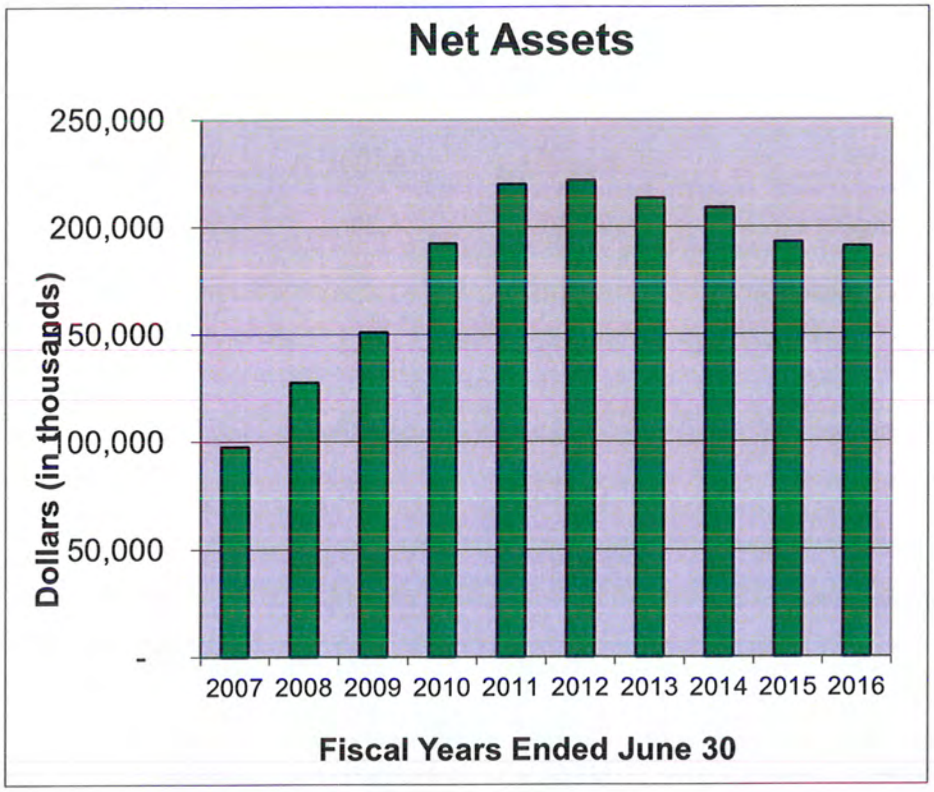
Results of Operations

Below are audited results from operations of four most recent fiscal years ended June 30:

	2013	2014	2015	2016
		(In thousands)		
Operating Revenues:				
Premiums	$47,134	$52,128	$58,204	$65,293
Less Excess Coverages	(5,825)	(6,102)	(6,197)	(6,909)
Net Operating Revenues	41,309	46,206	52,007	58,384
Operating Expenses:				
Claims & Claims Adjustment	54,108	61,626	68,145	63,753
General Administrative	3,275	3,898	3,541	3,905
Total Operating Expenses	57,293	65,524	71,686	67,658
Operating Income (Loss)	(15,894)	(19,498)	(19,679)	(9,274)
Non-Operating Revenues:				
Interest Income	7,835	17,043	4,833	7,413
Appropriation Transfer	-	(2,000)		-
Net Income	(8,149)	(4,455)	(15,596)	(1,861)
Retained earnings at beginning of year	221,515	213,366	208,911	192,820
Retained earnings at end of year	$213,366	$208,911	$192,820	$190,959

BRIM has worked diligently for the past several years to maintain positive retained earnings and eliminate its unfunded liability. Favorable loss patterns and adequate funding have enabled BRIM to maintain positive net position from 2005 thru 2016. BRIM may occasionally experience some adverse loss development. Premiums continue to be calculated on a basis consistent with exposure and loss trends. It is also important to note that BRIM has not received any state appropriations since 2005. BRIM will continue to closely monitor claims activity with our independent actuary and will bill premiums accordingly. Efforts are being undertaken to increase the emphasis on loss control by state agencies and Senate Bill #3 entities, including educational classes and seminars on sexual harassment, discrimination, liability deductibles, defensive driving classes, and personally meeting with Cabinet Secretaries to discuss loss histories of the agencies under their supervision.

The chart below shows the net assets for the past ten years. All years shown have a positive net position.



West Virginia Patient Injury Compensation Fund

House Bill 2122, signed into law on April 8, 2003, created a patient injury compensation fund study board "to study the feasibility of establishing a patient injury compensation fund to reimburse claimants in medical malpractice actions for any portion of economic damages awarded which are uncollectible due to statutory limitations on damage awards for trauma care and/or the elimination of joint and several liability of tortfeasor health care providers and health care facilities."

Through the combined efforts of the BRIM staff, Insurance Commissioner's Office and West Virginia Hospital Association, the study was completed and a report was submitted to the Joint Committee on Government and Finance of the West Virginia Legislature on December 1, 2003, recommending that the fund be established. On April 2, 2004, House Bill 4740 was signed into law, effective June 11, 2004.

The fund is administered and operated by BRIM. During fiscal year 2005, BRIM began receiving appropriated funds into this account. Eligibility for reimbursement is based on the claimant's inability, after exhausting all reasonable means available for recovering the award, to collect all or part of the economic damages awarded due to the caps.

Audit

BRIM is required by the Financial Accounting and Reporting Section (FARS) of the Department of Administration to have an annual independent audit. The firm of Dixon Hughes Goodman, LLP was selected to perform the audit for the fiscal year ended June 30, 2017. The June 30, 2017 report will be available near the end of October 2017.

Risk Management

BRIM is charged with providing loss control and risk management services to all insured entities throughout the State. BRIM accomplishes this task through a number of programs. All property insured by BRIM with a value of $1 million or more is inspected annually. Additionally, BRIM holds various seminars and training programs for its insureds throughout the year. Topics include boiler operation, employment practices, and general loss prevention.

Cash Management

BRIM's cash and cash equivalents are managed by the Board of Treasury Investments according to the provisions of the Code of West Virginia. BRIM management monitors cash balances on both a daily and a monthly basis.

Certificate of Achievement for Excellence in Financial Reporting

The West Virginia Board of Risk and Insurance Management's Comprehensive Annual Financial Report for the year ended June 30, 2016, from which the information on page(s) one through eight have been drawn, was awarded the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association of the United States and Canada (GFOA). The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Comprehensive Annual Financial Report

Since June 30, 1995, BRIM has issued a Comprehensive Annual Financial Report (CAFR). This report contains an introductory section, a financial section and a statistical section. The financial section will contain audited data for June 30, 2017. The CAFR for fiscal year 2017 will be issued before December 31, 2017. A copy of this report will be sent to the Governor's Office upon completion.

Acknowledgments

This report would not be possible without the assistance of the BRIM staff and the support of the Board members.

Sincerely,

Mary Jane Pickens
Executive Director

Listing of Coverages in Effect for Fiscal Year 2017

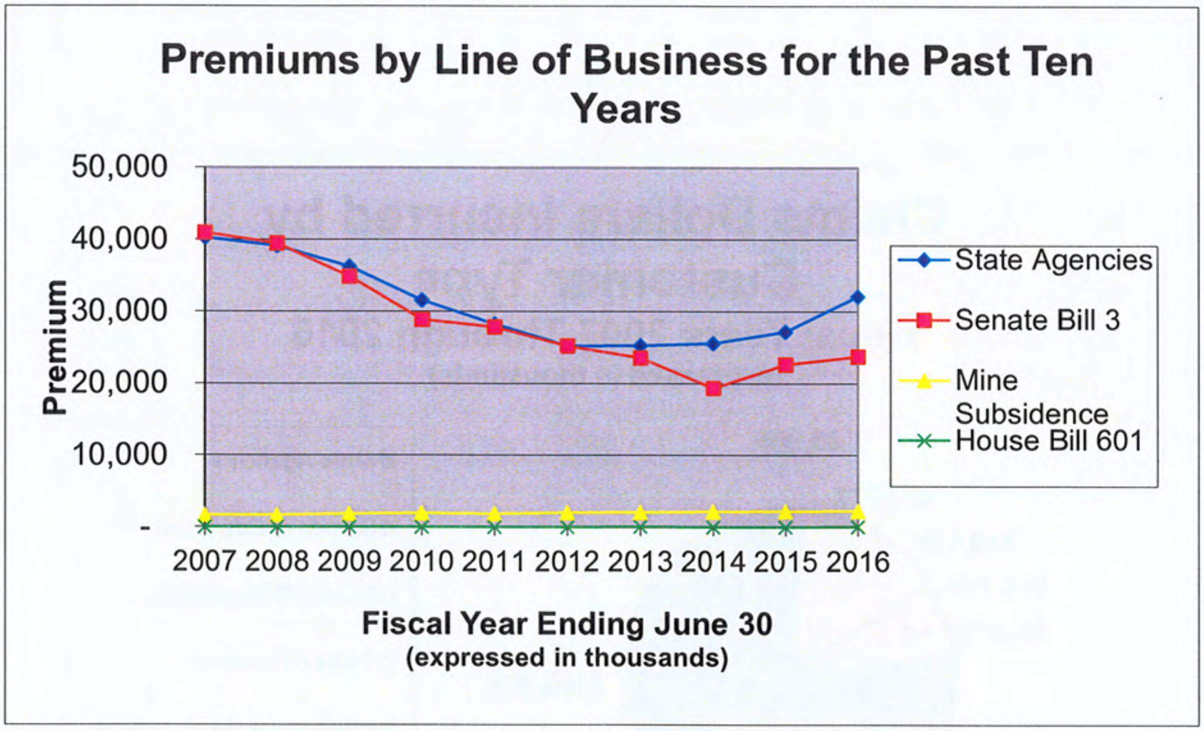
LIABILITY	LIMIT OF LIABILITY
Automobile Liability Policy No.: CA 293-58-36 Company: National Union Fire Insurance Co.	$ 1,000,000 per occurrence
Cyber Liability Policy No.: UMR B1262FI0687316 Company: Arthur J. Gallagher International	$ 25,000,000 per occurrence
General Liability Policy No.: GL 379-66-63 Company: National Union Fire Insurance Co.	$ 1,000,000 per occurrence
Aircraft Liability Policy No.: AV003380147-14 Company: National Union Fire Insurance Co.	$ 1,000,000 per occurrence
Excess Liability-Bd. of Education Policy No.: 48409866 Company: The Insurance Company of the State of Penn	$ 5,000,000 per occurrence or claim

PROPERTY	LIMIT OF LIABILITY
Blanket Property Policy No.: MAF760728-16 Company: Axis Insurance Company	$ 25,000,000 primary layer 1,000,000 deductible
Policy No.: NHD397123 Company: RSUI	$ 100,000,000 in excess of 25,000,000
Policy No.: 795004745 Company: One Beacon	$ 75,000,000 in excess of 125,000,000
Policy No.: MAF733355-16 Company: Axis Insurance Company	$ 200,000,000 in excess of 200,000,000
Policy No.: MAF760729-16 Company: Axis Insurance Company	$ 10,000,000 flood with 1,000,000 deductible
Boiler and Machinery Policy No.: FBP2280385 Company: Hartford Steam Boiler Company	$ 5,000,000 per equipment covered in excess of 1,000,000
Public Insurance Official Position Schedule Bond Bond No.: 106129387 Company: Travelers	Variable amounts as set by Statute

Source: Information compiled from the West Virginia Board of Risk and Insurance Management's internal data.

	Top 10 State Agency Premiums for Fiscal Year 2017	
1	West Virginia University	$8,708,478
2	Division of Highways	5,681,104
3	State Police	5,435,992
4	Department of Health & Human Resources	3,573,472
5	Marshall University	2,681,524
6	Division of Corrections	2,249,410
7	Regional Jail and Corrections Facility Authority	1,112,484
8	Supreme Court of Appeals	624,590
9	West Virginia University Medical Corp.	612,786
10	West Virginia State Parks	583,075
	Total Top Ten	**$31,262,915**
	Total State Premium Billing for 2017	**$42,745,235**
	% of top 10 in relation to all state agency billings	**73.14%**

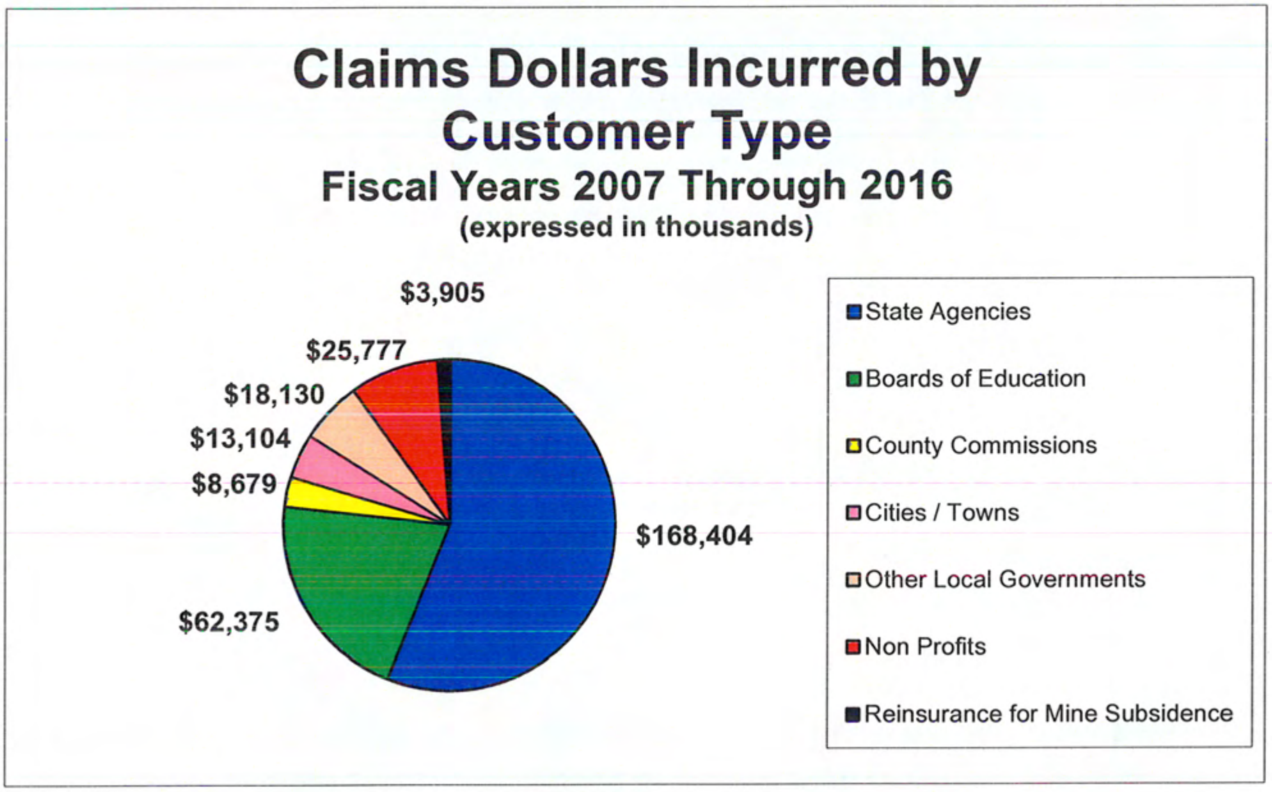
	Top 20 SB 3 Premiums for Fiscal Year 2017	
1	Kanawha County Board of Education	$1,607,616
2	Berkeley County Board of Education	734,971
3	Raleigh County Board of Education	720,305
4	City of St. Albans	611,275
5	Cabell County Board of Education	520,306
6	Harrison County Board of Education	510,071
7	Putnam County Board of Education	494,195
8	Mingo County Commission	461,756
9	Wayne County Board of Education	448,181
10	Logan County Board of Education	389,727
11	Mercer County Board of Education	388,152
12	Jefferson County Board of Education	379,783
13	Mingo County Board of Education	363,089
14	Monongalia County Board of Education	359,333
15	Marion County Board of Education	353,726
16	Wood County Board of Education	353,708
17	Fayette County Board of Education	314,898
18	Logan County Commission	296,955
19	McDowell County Board of Education	290,982
20	Kanawha Valley Regional Transportation	281,309
	Total Top Twenty	**$9,880,338**
	Total SB 3 Premium Billing for 2017	**$28,471,653**
	% of top 20 in relation to total SB 3 billings	**34.70%**



Fiscal Year	State Agencies	Senate Bill 3	Mine Subsidence	House Bill 601
2007	$ 39,091	$ 39,481	$ 1,676	-
2008	$ 36,259	$ 34,875	$ 1,852	-
2009	$ 31,596	$ 28,902	$ 1,929	-
2010	$ 28,257	$ 27,889	$ 1,861	-
2011	$ 25,239	$ 25,233	$ 2,032	$ 34
2012	$ 25,290	$ 23,603	$ 2,090	$ 63
2013	$ 25,607	$ 19,345	$ 2,142	$ 40
2014	$ 27,226	$ 22,642	$ 2,220	$ 40
2015	$ 32,118	$ 23,781	$ 2,261	$ 44
2016	$37,688	$25,147	$2,398	$ 60

The chart above shows premiums by line of business for the past ten fiscal years, expressed in thousands of dollars. This chart illustrates a general downward trend of premiums for State Agencies and Senate Bill 3 customers until 2014.

Source: BRIM's internal financial statements.



Source: Information compiled from the West Virginia Board of Risk and Insurance Management's internal data.

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AGENDA
BOARD MEETING OF THE
WEST VIRGINIA BOARD OF RISK AND
INSURANCE MANAGEMENT

June 13, 2017

Chairman Martin	Call to Order
Chairman Martin	Approval of Board Minutes March 21, 2017

REPORTS

Mary Jane Pickens Executive Director	Executive Director's Report
Stephen W. Schumacher, CPA Chief Financial Officer	Financial Report PCard Report
Jeremy Wolfe Loss Control Manager	Loss Control Report

UNFINISHED BUSINESS

NEW BUSINESS

ADJOURNMENT

1124 Smith Street, Suite 4300
Charleston, West Virginia 25301
www.brim.wv.gov

(304) 766-2646
(304) 558-6004 FAX
(800) 345-4669 TOLL FREE WV

STATE OF WEST VIRGINIA
DEPARTMENT OF ADMINISTRATION
BOARD OF RISK AND INSURANCE MANAGEMENT

Jim Justice Governor	John A. Myers Cabinet Secretary	Mary Jane Pickens Executive Director Deputy Cabinet Secretary

MINUTES OF THE MEETING
OF THE
WEST VIRGINIA BOARD OF RISK AND INSURANCE MANAGEMENT

June 13, 2017

BOARD MEMBERS PRESENT:	Bruce R. Martin, CIC, CRM, Chairman Bob Mitts, CPCU, Vice Chairman Edward Magee, Ed.D., CPA, Member James Dodrill, Esq., Member James Wilson, Esq., Member Alan McVey, Insurance Commissioner Tonya Gillespie, CPA, West Virginia Office of the Insurance Commissioner
BRIM PERSONNEL:	Mary Jane Pickens, Executive Director Stephen W. Schumacher, CPA, CFO Melody Duke, Underwriting Manager Charles Mozingo, Claims Assistant Manager John Fernatt, Claim Representative Stephen W. Panaro, CPA, Controller Jeremy Wolfe, Loss Control Manager Steve Fowler, Esq., BRIM Counsel Linda Dexter, Recording Secretary Lora Myers, Recording Secretary Christine Johnson, Office Assistant II
BRIM PROGRAM REPRESENTATIVES:	Charles Waugh, AIG Claim Services Brenda Samples, USI Insurance Services, LLC Bob Ayers, USI Insurance Services, LLC
GUESTS:	Sandy Price, WVU Health Sciences Center David Sak, Secure Works

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CALL TO ORDER

The meeting of the West Virginia Board of Risk and Insurance Management was called to order by Chairman Martin at 1:00PM on Tuesday, June 13, 2017. The meeting was held at 1124 Smith Street, Suite 4600, Charleston, West Virginia.

APPROVAL OF MINUTES

Vice Chairman Mitts moved the approval of the March 21, 2017 Board Meeting minutes. The motion was seconded by Mr. Dodrill. There being no discussion, a vote was taken and the MOTION ADOPTED.

REPORTS

Executive Director's Report

Chairman Martin welcomed Commissioner McVey and noted that we are happy to have the Commissioner attend a meeting. He also commented that the Office of the Insurance Commissioner has been well represented.

The Executive Director's Report was received and filed, a copy is attached and made part of the record.

Mrs. Pickens welcomed the new insurance commissioner. She thanked him for attending the meeting.

Mrs. Pickens announced that Linda Dexter would be leaving BRIM at the end of the month. She thanked her for her service and for assisting her especially when she first came to BRIM.

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New claims YTD total is 1041 in comparison to the previous year of 1254, a decrease of 16.98%. Closed claims YTD total is 1221 versus the previous year of 1271, a decrease of 3.93%. Open claims YTD total is 930 versus 1012 from the previous year, which represents an 8.82% decrease.

Effective June 10, 2017, BRIM welcomed the addition of the Privacy Department which we are excited about and feel is a positive. One of the many effects of the passing of House Bill 2459 was the moving of the State Privacy Office from the HealthCare Authority to the BRIM. This was pursuant to an executive office signed by Governor Justice on May 18, 2017. Three former employees of the HealthCare Authority's State Privacy Office are now employees of BRIM. We welcome Chief Privacy Officer Sallie Milam, Assistant Chief Privacy Officer Lori Tarr, and Administrative Secretary Sue Haga. They bring a great resource to our agency.

Much has occurred with the Patient Injury Compensation Fund (PICF) since our March meeting. At the end of May, the Executive Review Committee issued eight letters recommending awards for approval by the Court totaling $4,582,209.62. Claimants have a period of 30 days from receipt of the awards to request an administrative hearing on the Executive Review Committee's actions. If no hearing is requested, the award will be final in FY2017 and will be part of the group of claims which a payment method for the year will be determined. Four more claims are pending and clearly the amount of the awards will exceed the funds available for distribution. Funding sources designated by SB 602 received between July 1, 2016 and June 5, 2017 total $958,381.25. As of June 5, 2017, the balance in the PICF was $2,446,768,54.

We have a new sound system and this is our first meeting testing out this new equipment. We decided to upgrade to make certain that the important work of the Board is correctly recorded and preserved. The excess furniture in the back of the room needs to be sent to surplus. Many of these items came to us with the Privacy Office and we were fortunate to update with some of their items and equipment. We have finished shifting around furniture and office supplies and now the remainder needs to go to surplus.

Beginning with the update of Marshall and WVU Medical Malpractice Programs. As of June 6, 2017, Marshall has deposited $1,325,000.00 into the escrow account for FY2017. The fiscal year-to-date cumulative interest totals $10,532.53. So far in FY2017 disbursements totaling $1,349,731.42 have been paid. WVU has deposited $6,617,785.00 into the escrow account. Year-to-date cumulative interest totals $19,314.81 and distributions totaling $6,637,266.00 have been paid.

In terms of litigation, three cases have been tried to verdict which are all in Kanawha County, resulting in one defense verdict and two plaintiff verdicts. My report goes further into detail regarding these cases. One plaintiff's verdict case was somewhat insignificant. The other was a Department of Correction's lawsuit, the verdict was $1,500 in compensatory damages $35,000 in punitive damages and the case is still pending.

Outstanding claims were reviewed as of May, 2017. Indemnity reserves of $55,342394.00 in comparison to May 2016 of $59,444.173.00 which is a decrease of 6.9%. Expense reserves total of $19,577,543.00 versus May 2016 Expense reserves of $20,930,651.00 a decrease of 6.46%.

data collection processes from the agencies. A form is being developed which is similar to what we currently have so transition should be minimal.

The only legislative update is SB 151 authorizing BRIM to promulgate two legislative rules, the first relating to the Patient Injury Compensation Fund and the other dealing with mine subsidence insurance. These changes were necessary because of legislation passed during the 2016 Regular Session. There was a SB 454 which the Supreme Court ran that will enable them to fully implement a technology system for the circuit clerks and that touches on BRIM in relation to the PICF, it changed the way the money comes from the circuit clerks to the fund. We have addressed some of our concerns with the Court.

Our website is in the planning stages of a reorganization. This is happening because of a website bill which was passed and then vetoed by the Governor. The veto was mostly due to requirements that large agencies with numerous employees would have been burdensome. We anticipate the governor requesting website updates and asking us to provide additional information. We have met about this once and we are planning these updates to coincide with brining the Privacy Department on. We are going to add rules to our website which we have not had in the past.

We have been working with our local USI on Boards of Education excess liability policy and renewal of the state property policy. BRIM is proud to have received, for the 22nd year in a row, the Certificate of Achievement for Excellence in Financial Reporting. The is for the CAFR for the fiscal year ending June 30, 2016.

STRIMA meeting in Montana this year September 17th through the 21st . We are still making decisions on who will attend, due to budget concerns. Melody is President

We have received two lawsuits from attorneys representing PICF claimants. The letters are very similar and basically the intent is to challenge the way BRIM assesses the trauma centers. Also, intends to challenge BRIM's ability to do structured awards or the method of structuring awards.

Concerning cyber liability, FY2018 invoices for the first time include allocated premiums for coverage. Our research into allocation methods found that basing it on payroll is a consistent methodology. FY2018 renewal documents were executed on June 5, 2017 for the cyber liability policy. The rate was reduced by approximately 8% and the coverage will remain the same as last year. There was discussion regarding the need for additional coverage for business income loss. We are reaching out to agencies most likely to need that coverage, if necessary this can be added later. Our next push on the cyber liability front is the Boards of Education. This is in anticipation of FY2019 to gather information necessary to obtain coverage for those entities.

To update the Board on the Risk Management Information System (RMIS), there have been discussions with AIG and Emerson Risk Solution regarding interface with AIG and the new system and the costs for exporting data from AIG to the new system. After a recent meeting with OT, the next step is to inform AIG of our needs and agreeing on a price for a daily feed so Emerson can complete work on that aspect of the system. An upcoming demo with Emerson should give BRIM management a sense of where we are in the development of the project. The demo will clarify work performed and work yet to be performed. There has been one change order and we are reviewing to be certain it is appropriate in both scope and cost before going forward with it. Once the new system is in place we will have much better customer experiences and make our jobs much easier. Question was asked if the new system would require a change in the elect this year and Robert is on the Executive Committee so they will be attending and we would like to send more if possible.

Mrs. Pickens concluded her report.

BRIM Financial Report

There being no questions for Mrs. Pickens, Chairman Martin called upon Mr. Schumacher to present the Chief Financial Officer's Report.

The Chief Financial Officer's Report was received and filed, a copy is attached and made part of the record.

Mr. Schumacher began his report by acknowledging the financial staff at BRIM. To receive the Achievement of Excellence in Financial Reporting for the 22nd year is quite an accomplishment from such a small staff. He acknowledged Stephen Panaro, Niki Miller-Casdorph and Connie Bloss who are always more than willing to do whatever it takes to meet those requirements; he thanked them for their hard work.

Mr. Schumacher reviewed the P Card activity for the months of February, March and April 2017. There is no unusual activity during the three-month period.

Mr. Schumacher reported that he approached the financial results differently for this report to make it more informative. He reviewed the Statements of Net Position and highlighted the outstanding liabilities for all the programs. We have had an increase in claims expense but much less than last year so it's encouraging that trends in liabilities may beginning to level off. Net liability claims payments are $8.3 million higher and net property claims payments also increased by $1.0 million for the first ten months of FY17 versus the same period last year. On a cash payment basis, we were up 9.3 million this year and that reflects the overall increase we saw in the reserves for FY16 of 9.1 million.

Investment Income was reviewed and Mr. Schumacher informed the group that we are doing better than we did last year. The markets are not operating in a normal environment at this point; however, this year the numbers are better all on the equity side. The second page of the report gives an overall prospective for a better view of the financial picture. Mr. Schumacher asked for any questions.

Loss Control Report

There being no questions for Mr. Schumacher, Chairman Martin asked for the Loss Control Report. Usually Mr. Fisher presents the report; however, he and Sallie Milam are in Virginia attending the National Governor's Association Cyber Summit. Jeremy Wolfe presented the report.

The report was received and filed, a copy of which is attached and made a part of the record.

Mr. Wolfe began his report by honoring a long-time employee of the Loss Control Department, Christine Johnson. Ms. Johnson is retiring at the end of the month with thirteen years of service. Mr. Wolfe commented on her hard work and dedication. He stated that she had been part of all the successes in the Loss Control Department and that she would be missed.

Mr. Wolfe reported the Loss Control questionnaires were sent to all state agencies in May. These questionnaires are to be submitted to BRIM by August 1, 2017. It will take us a couple of months to evaluate the information which will be gathered for calculation of loss control surcharges for fiscal year 2019.

We have renewed contracts with Aon Global Risk Consulting for our insurance loss control inspection and Hartford Steam Boiler Insurance and Inspection Company for boiler and air conditioning systems insurance. The report specifically reviews the activity with both Hartford and Aon. During this quarter, Aon conducted 157 inspections and Hartford conducted 604.

Mr. Wolfe reported loss control technical staff visits. The staff have conducted 9 Loss Control visits; 8 Standards of Participation visits; and 2 Presentation visits. In March, we started a Flood Mitigation visit. These visits are held with insured in locations that we know are in flood zones. These visits will begin taking place this month. We have identified 21 state agency locations and those locations have insurance values of more than one million dollars. We are going to focus on the state agencies first and then approximately 53 Senate Bill 3 locations that we will also visit. Mrs. Pickens commented that a bill was passed that brought back an old flood plan and BRIM was not mentioned but it did set up committees to study and make plans to reduce risk to life and property. At the appropriate time, I will probably offer our input and say that we are available for assistance.

No questions followed, which concluded the Loss Control Report.

UNFINISHED BUSINESS

There was no unfinished business to be discussed.

Chairman Martin took a moment to thank Christine for her dedication to the Loss Control Department. He then commented that he had worked closely with Linda and would miss her assistance. He extended best wishes to both Christine and Linda and told them to enjoy retirement.

NEW BUSINESS

There was no new business to be discussed.

ADJOURNMENT

There being nothing further, the meeting adjourned at 1:48PM.

Board Chairman

Date

STATE OF WEST VIRGINIA
DEPARTMENT OF ADMINISTRATION
BOARD OF RISK AND INSURANCE MANAGEMENT

Jim Justice
Governor

John A. Myers
Cabinet Secretary

Mary Jane Pickens
Executive Director
Deputy Cabinet Secretary

Executive Director's Report

June 13, 2017

A. Marshall University and West Virginia University Medical Malpractice Program

- As of June 6, 2017, Marshall has deposited $1,325,000.00 into the escrow account for FY2017. The fiscal year-to-date cumulative interest totals $10,532.53. Disbursements totaling $1,349,731.42 have been paid thus far in FY 2017.

- As of June 6,2017, a total of $6,617,785.00 funds have been deposited into WVU's escrow account for FY 2017. The fiscal year-to-date cumulative interest totals $19,314.81. Disbursements totaling $6,637,266.00 have been paid thus far in FY 2017.

B. State Agency/Senate Bill #3 Liability Claim & Litigation Information

TRIALS

Thus far in 2017, we have tried three cases, all in Kanawha County, resulting in one defense verdict and two plaintiff verdicts.

The defense verdict was in a case in which the plaintiff received injuries and alleged the insured owed him a duty of a safe location.

One of the plaintiff verdicts was in a case tried in Magistrate Court in which the insured prevailed but lost on appeal to the Circuit Court. The claim related to a dog adoption facilitated by the Kanawha County Humane Association and the verdict was plaintiff's attorney fees in the amount of $352.

In the second plaintiff verdict case, the plaintiff alleged injuries and excessive force from being sprayed with Oleoresin Capsicum during a protest over the care of a fellow inmate. The verdict was $1500 in compensatory damages and $35,000 in punitive damages against the defendant officers. The case is still pending on payment of plaintiff's counsel's fees (it is a fee shifting case).

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PAID CLAIMS (May 2017 Data)

(Not yet available)

OUTSTANDING CLAIMS (May 2017 Data)

May 2017 Indemnity reserves total $55,342,394 vs. May 2016 Indemnity reserves of $59,444,173 a decrease of 6.9 %.

May 2017 Expense reserves total $19,577,543 vs. May 2016 Expense reserves of $20,930,651, a decrease of 6.46%.

CLAIMS COUNTS (May 2017 Data)

New claims YTD total 1041 vs. PYTD of 1254, a decrease of 16.98%.

Closed claims YTD total 1221 vs. PYTD of 1271, a decrease of 3.93%.

Open claims YTD total 930 vs. PYTD of 1012, a decrease of 8.82%.

C. BRIM Welcomes the Addition of the Privacy Department

Three former employees of the HealthCare Authority's State Privacy Office are now employees of BRIM, effective June 10, 2017. BRIM now has a Privacy Department, comprised of Chief Privacy Officer Sallie Milam, Assistant Chief Privacy Officer Lori Tarr, and Administrative Secretary Sue Haga. We welcome them to the BRIM family!!

D. Patient Injury Compensation Fund (PICF)

Status of Claims Settled and Pending

One claim has been scheduled for an administrative hearing following issuance of a denial by the Executive Review Committee. The hearing has been continued twice for development and status conference with the Hearing Examiner and is currently being rescheduled for this sometime this summer.

On May 30, 2017, the PICF Executive Review Committee issued eight letters recommending awards for approval by the Court in the total amount of $4,582,209.62. The claimants have a period of 30 days from receipt of the awards to request an administrative hearing on the Executive Review Committee's actions. If no hearing is requested, the award will be final in FY 2017 and will be in the group of claims on which a payment method for the year will be determined. In addition to the 8 claims in which letters have been issued, 4 more are pending. Three of the 4 we expect to also be final in FY 2017. It is already clear that the amount of awards to become final in FY 2017 will exceed the funds available to be distributed.

Below is a breakdown of the funding sources designated by SB 602 and the amounts received between July 1, 2016 and June 5, 2017 from those sources.

Description	Amount
Physician assessments (net)	300,511.56
Court filing fees	86,805.00
Litigation & settlements (1%)	509,214.69
Trauma fees	61,850.00**
	958,381.25

**The total amount of the assessments to 35 trauma centers was for calendar year 2016 but not invoiced until May 9th, 2017, pursuant to statute. Not all trauma center assessments have been received by BRIM as of this date.

As of June 5, 2017, the balance in the PICF was $2,446,768.54.

During May, BRIM received two notices of intent to file law suits from attorneys representing PICF claimants. The notices are not detailed, but state that the intent is to file a writ of mandamus and/or writ of prohibition against BRIM alleging that BRIM is not assessing the trauma centers correctly and is therefore not collecting a sufficient sum from the trauma centers. The notices further state that BRIM's ability to structure awards or method of structuring awards will be challenged.

E. Cyber Liability Policy

BRIM allocated premium to our insured state agencies for cyber liability coverage for the first time for FY 2018 premium invoices. Following our research into allocation methods, we determined that basing it on payroll is a consistent and determinable methodology and one that is more objective than, for example, number of records an agency has.

BRIM executed the FY 2018 renewal documents for the cyber liability policy on June 5, 2017. The coverage will remain the same as last year, but the rate was reduced by about 8%. We discussed the need to add coverage for business income loss and we are reaching out to the agencies that would most likely need that coverage, i.e. Parkways, Lottery. We can add this later if it's determined that it is needed.

We also plan to reach out to the Boards of Education in anticipation of FY 2019 to gather information needed to obtain cyber liability coverage for those entities.

F. Risk Management Information System (RMIS) Update

We have been in discussions with AIG and our vendor, Emerson Risk Solutions, regarding the interface with AIG and the new system, as well as associated costs for exporting data from AIG systems into the new system. Following a meeting with OT yesterday, we are at the point of informing AIG of what we will need and agreeing to a price for a daily feed so Emerson can complete work on that aspect of the system. This Friday we've scheduled a demo with Emerson so BRIM management can get a sense of where we are in the development phase of the project. The demo will help inform other pending decisions regarding work already performed by Emerson, and work yet to be performed. We have received one change order of some significance, and we are working through it to make sure it's appropriate in both scope and cost before moving forward on it.

G. Legislative Update

SB 151 authorized BRIM to promulgate two legislative rules—one relating to the Patient Injury Compensation Fund and one relating to mine subsidence insurance. The changes to both rules were necessary because of legislation passed during the 2016 Regular Session. The rules are final filed and available on the Secretary of State's website.

H. Website Updates

BRIM is planning a reorganization of its website to add several items that were the subject of legislation passed during the 2017 regular session. Governor Justice vetoed the bill, however we expect direction from his office on updates of many items included in the bill. By the end of the summer we should have more information, particularly around BRIM's rules and statutes, on the website. We will also be rearranging some topics and incorporating references to the State Privacy Office where appropriate. All agencies are required this year to publish all rules, policies and guidelines on their websites for public comment pursuant to a bill passed during the 2016 regular session, and this requirement will also be addressed with the upcoming changes.

I. Privacy Office Update

Sallie Milam will participate on a panel at the National Governors Association National Summit on State Cyber Security, which will focus on privacy in the context of cyber security. She will be working with the Chief Privacy Officer from Washington state, which will give BRIM personnel a good opportunity to become more involved with officials from other state in this area of risk management. Robert Fisher will also attend the Summit, which takes place on June 14-15, 2017 in Virginia. Registration and lodging costs are covered by NGA, and Sallie and Robert will be taking a state vehicle.

J. Miscellaneous

1. BRIM has agreed to a renewal quote from AIG for the Boards of Education excess liability policy (providing $5 million in coverage over the BRIM $1 million). AIG has the current excess policy, and this quote represents a reduction in premium from FY '17 of $1,524,000.

2. Regarding the renewal of the state property policy for FY 2018, we've been able to achieve a premium reduction of more than $300,000.

3. The Certificate of Achievement for Excellence in Financial Reporting has once again been awarded to the BRIM. This award is based on the Comprehensive Annual Financial Reports (CAFR) for the fiscal year ending June 30, 2016. This is the 22nd year for receiving this prestigious award.

4. We are beginning to plan travel to the STRIMA annual meeting from September 17th to the 21st in Montana. Due to budgetary concerns, we are reviewing the number of people to attend and the availability of scholarship money this year.

Very truly yours,

Mary Jane Pickens

Mary Jane Pickens
Executive Director

MJP:lld

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Deputy Cabinet Secretary

Chief Financial Officer's Report
June 13, 2017

A. P Card Report

CD copies provided contain the supporting detail for P card purchases for BRIM for the months of February, March, and April 2017. The totals are:

February	$36,254.91
March	$17,529.22
April	$90,368.41

B. Financial Results

- The financial results presented are for the ten months ended April 30, 2017.
- Estimated outstanding reserves reflect AON's risk funding studies thru March 31. An additional estimated reserve increase for April is also included for both years.
- Year over year increases in outstanding claims liabilities are $2.0 million for FY'17 and $9.1 million for FY'16.
- The $2.0 million increase for FY'17 includes a decrease in retained incurred reserves of $3.6 million with an increase in retained IBNR of $5.6 million when compared to last year's outstanding claims liabilities.
- Net operating revenues are $5.5 million higher for the current year resulting primarily from premium rate increases.
- Net liability claims payments are $8.3 million higher and net property claims payments also increased by $1.0 million for the first ten months of FY'17 versus the same period last year.
- The higher net payments in combination with the smaller net reserve increase for the current year accounts for the increase in claims expense of $4.6 million for FY'17 vs. FY'16.
- Investment income reflects much better returns on equity holdings for the current fiscal year vs. prior. For FY'17 fixed income investments have losses of $1.0 million that were offset by equity investment earnings of $8.9 million.
- In July, the transfer of $2.8 million to the Patient Injury Compensation Fund (PICF), as mandated by enactment of HB4261, resulted in a decrease to BRIM's net position through April 30.
- Higher premium revenue was mostly offset by the higher claims expense. Higher investment returns for FY'17 were muted by the $2.8 million transferred to PICF, resulting in net income of $1.3 million for this year as compared to last year's net income of $0.2 million.

C. **Other Financial Issues**

- So far this year the Nasdaq Composite stock index is up 15% and the S&P 500 is up 9%. Yields on the10-year Treasury notes have dropped to their lowest levels since November 2016. These trends are why it is more attractive for investors to continue to favor equity markets over the bond markets. Mortgage rates normally move in tandem with the 10-year Treasury. Borrowing costs are dropping for households and businesses at the same time the Fed is trying to increase rates. It should be noted that low rates and loose financial conditions are reminiscent of what helped inflate the housing bubble that led to the financial crisis in 2007.
- When Fed officials meet later this week they will likely decide to raise short-term interest rates for the fourth time since December 2015. The consensus early this year was that the Fed would most likely raise rates at total of three times in 2017. This would indicate one more increase sometime later this year. It's too early to say whether they will raise short-term rates more aggressively than what they have previously indicated.
- More important news from this week's meeting may be what the Fed says about shrinking its balance sheet, starting later this year. This could mean that long-term rates will wind up higher than they otherwise would be as supply exceeds demand.
- Since about 80% of BRIM's funds are invested in relatively short duration fixed income securities, anticipation of additional Fed increases in short-term rates will continue to put a drag on fixed income total returns for BRIM through the remainder of FY'17 and into FY'18. As for equities, it remains to be seen how much remaining upside potential is left in a stock market that is in its ninth year of expansion since its low point in 2008. For now, the risk/reward as perceived by investors seems to favor stocks over bonds.

Respectfully submitted,

Stephen. W Schumacher, CPA
Chief Financial Officer

West Virginia Board of Risk and Insurance Management
Statements of Net Position
April 30th

		2017		2016
		(In Thousands)		
Assets				
Current assets:				
Cash and cash equivalents	$	**25,296**	$	11,272
Advance deposits with insurance company and trustee		**198,420**		215,955
Receivabales		**2,313**		7,208
Prepaid insurance		**1,113**		1,140
Restricted cash and cash equivalents		**9,552**		9,889
Premiums due from other entities		**620**		597
Total current assets		**237,314**		246,061
Noncurrent assets:				
Equity position in internal investments pools		**90,411**		83,598
Restricted investments		**52,212**		48,293
Total noncurrent assets		**142,623**		131,891
Total assets		**379,937**		377,952
Deferred Outflows of Resources				
Pension		**387**		127
Liabilities				
Current liabilities:				
Estimated unpaid claims and claims adjustment expense		**50,819**		47,890
Unearned premiums		**12,996**		12,029
Agent commissions payable		**890**		722
Claims Payable		**10**		22
Accrued expenses and other liabilities		**2,986**		3,401
Total current liabilities		**67,701**		64,064
Estimated unpaid claims and claims adjustment expense net of current portion		**119,453**		120,373
Compensated absences		**91**		76
Net pension liability		**467**		253
Total noncurrent liabilities		**120,011**		120,702
Total liabilities		**187,712**		184,766
Deferred Inflows of Resources				
Pension		**304**		270
Net position:				
Restricted by State code for House Bill 601 Program and mine subsidence coverage		**57,123**		55,427
Unrestricted		**133,836**		137,393
Net Assets (Deficiency)		**1,349**		223
Net position	$	**192,308**	$	193,043

Unaudited

West Virginia Board of Risk and Insurance Management

Statements of Revenues, Expenses, and Changes in Net Position

For the Ten Months Ended April 30th

	2017	2016
	(in thousands)	
Operating Revenues		
Premium Revenues	$ 59,410	$ 54,038
Less - Excess Insurance	(5,571)	(5,672)
Net Operating Revenues	53,839	48,366
Operating Expenses		
Claims Expense	54,161	49,526
General & Administrative Expense	3,381	3,066
Total Operating Expenses	57,542	52,592
Operating Income (Loss)	(3,703)	(4,226)
Nonoperating Revenues		
Investment Income	7,861	4,449
Appropriation Transfer HB4261	(2,810)	-
Total Nonoperating Revenues	5,051	4,449
Changes in net position	1,348	223
Total net position, beginning of period	190,960	192,820
Total net positiion, end of period	$ 192,308	$ 193,043

Unaudited

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Loss Control Report to the Board
June 2017

Christine Johnson will be retiring effective June 30th. We are appreciative of the thirteen years of service that she provided our agency and wish her well in her future endeavors.

During the month of May, we sent out Loss Control Questionnaires to all state agencies. The deadline for submission to BRIM is August 1, 2017. At that time, we will gather the necessary information for calculation of loss control credits or surcharges for fiscal year 2019.

We have successfully renewed contracts for our insurance loss control inspection contract to Aon Global Risk Consulting and our boiler and air conditioning systems insurance and loss prevention inspection services to Hartford Steam Boiler Insurance and Inspection Company.

During the months of April, May, and June Aon conducted 157 inspections and Hartford conducted 604. The reports are being processed according to established procedures.

Since my last report, our loss control technical staff reports the following activity:

9 Loss Control Visits
These are standard loss control visits which focus on all coverage areas and which result in information and/or loss control recommendations being provided.

8 Standards of Participation Visits
These are visits which are designed to provide assistance to our insured who are seeking to become compliant with the BRIM Standards of Participation program.

2 Presentation Visits
These are visits during which we provide active training and/or outreach to a group of individuals.

Dated: June 8, 2017

Respectfully submitted,

Jeremy C. Wolfe
Loss Control Manager

STATE OF WEST VIRGINIA
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AGENDA
BOARD MEETING OF THE
WEST VIRGINIA BOARD OF RISK AND
INSURANCE MANAGEMENT

March 21, 2017

Chairman Martin	Call to Order
Chairman Martin	Approval of Board Minutes December 20, 2016

REPORTS

Terry C. Pfeifer AON Senior Consultant	Risk Funding Study as of June 30, 2016
Mary Jane Pickens Executive Director	**Executive Director's Report**
Stephen W. Schumacher, CPA Chief Financial Officer	Financial Report PCard Report
Robert A. Fisher Deputy Director/Claim Manager	Loss Control Report

UNFINISHED BUSINESS

NEW BUSINESS

ADJOURNMENT

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MINUTES OF THE MEETING
OF THE
WEST VIRGINIA BOARD OF RISK AND INSURANCE MANAGEMENT

March 21, 2017

BOARD MEMBERS PRESENT:	Bruce R. Martin, CIC, CRM, Chairman Bob Mitts, CPCU, Vice Chairman Edward Magee, Ed.D., CPA, Member James Dodrill, Esq., Member James Wilson, Esq., Member Tonya Gillespie, CPA, Representing Andrew Pauley, Acting Insurance Commissioner, Board Secretary and Ex-Officio Member
BRIM PERSONNEL:	Mary Jane Pickens, Executive Director Robert Fisher, Deputy Director/Claim Manager Stephen W. Schumacher, CPA, CFO Melody Duke, Underwriting Manager Charles Mozingo, Claims Assistant Manager John Fernatt, Claim Representative Stephen W. Panaro, CPA, Controller Jeremy Wolfe, Loss Control Manager Lora Myers, Recording Secretary
BRIM PROGRAM REPRESENTATIVES:	Charles Waugh, AIG Claim Services Brenda Samples, USI Insurance Services, LLC Bob Ayers, USI Insurance Services, LLC
GUESTS:	Terry C. Pfeifer, AON Senior Specialist Sandy Price, WVU Health Sciences Center Mike Gansor, WVU Risk Management

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CALL TO ORDER

The meeting of the West Virginia Board of Risk and Insurance Management was called to order by Chairman Martin at 1:00PM on Tuesday, March 21, 2017, at 1124 Smith Street, Suite 4600, Charleston, West Virginia.

APPROVAL OF MINUTES

Vice Chairman Mitts moved the approval of the minutes of the December 20, 2016 Board Meeting. The motion was seconded by Mr. Dodrill. There being no discussion, a vote was taken and the MOTION ADOPTED.

REPORTS

AON – Risk Funding Study as of June 30, 2016

Chairman Martin thereafter recognized Terry Pfeifer, AON Senior Consultant, and asked that he give presentation.

Prior to the meeting, the draft report entitled "Risk Funding Study as of June 30, 2016" was distributed to the Board members for their information and review, a copy of which is attached and made a part of the record..

There being nothing further, Mr. Wilson moved the approval of the Risk Funding Study as of June 30, 2016. The motion was seconded by Vice Chairman Mitts. There being no discussion, a vote was taken and the MOTION ADOPTED.

<u>Executive Director's Report</u>

Chairman Martin called on Mrs. Pickens to present the Executive Director's Report. (The report was received and filed, a copy of which is attached and made a part of the record.)

Mrs. Pickens began by providing a status report regarding the Marshall and WVU medical malpractice programs.

The Board was updated concerning litigation activity regarding trials thus far in 2017, and updates were presented in all areas of Claims and thoroughly reviewed.

Regarding the Patient Injury Compensation Fund, Mrs. Pickens reported on the status of current claims, both settled and pending. She noted that one final award is the subject of an administrative hearing, which is likely to be held in early May 2017, at which there will be a hearing examiner and BRIM will be represented by counsel.

Our goal is for all claims to be finalized before June 30, 2017.

Afterwards, there was a discussion regarding the Advisory Bulletin dated November 2016 and whether the intent of the bulletin was to simply inform the parties that the assessment was to be remitted to the Clerk of the local Circuit Court. Since the Legislature decided not to specify who was required to make remittance, it should be considered shared responsibility. An Amended Advisory Bulletin dated January 19, 2017 was thereafter issued in which clarification regarding BRIM's role which addresses remittance only.

Mrs. Pickens further stated that BRIM had received a report from the Office of the Insurance Commissioner on quarterly medical malpractice claim resolutions reported by insurers during the fourth quarter of calendar year 2016. After a comparison of BRIM's records against those of the OIC to ensure that receipt of the 1% assessment checks had been made on settlements or judgments, it was decided to send letters to all counsel in claims in which BRIM did not have a record of having received the 1% assessment checks. The letters explained the 1% assessment process, and a copy of the Amended Advisory Bulletin in which the legislation was discussed was attached. To date, a few responses have been received, some with information about why the assessment does not apply and others that primarily indicate an unwillingness to comply.

Letters were also sent to the Chief Executive Officers of the 33 trauma centers designated by the Office of Emergency Services. The letters gave notice that BRIM will send statements in the Spring requesting payment of an assessment-based patient treatment at those centers in 2016. The letter also made the centers aware of the responsibility for the remittance of a 1% assessment of any settlement or judgment in which claims were filed under the Medical Professional Liability Act (MPLA). In addition, a letter was sent to the President and Chief Executive Officer of the West Virginia Hospital Association requesting assistance identifying claims resolution when the payor is self insured and a 1% assessment should be made to the claimant.

After a brief discussion, Mrs. Pickens addressed the matter of Cyber Liability. She stated that BRIM will discuss the state premium rates available and decide the appropriate time to send invoices to state agencies, as well as how to address including the premium for cyber liability. She further noted that she had met with the Finance and Underwriting managers to discuss the FY 2018 premium rates. Overall, there is approximately a 10% increase; however, certain agencies will have higher increases due to negative claims history and the addition of cyber liability.

She thereafter reported that Executive Directives have been issued to address budget concerns. The Governor has placed a moratorium on the purchase of state vehicles. Any exceptions to this directive must be of a critical nature and have written approval by the Governor's Office.

In addition, general revenue agencies have also been informed that the hiring freeze continues. Secretary Myers has instructed DOA agencies that new hires and promotions will not be considered. A written request and further discussion with the agency are necessary in exceptional cases.

BRIM is going forward with the Risk Management Information System (RMIS) project. As previously noted, Emerson Risk Solutions was awarded the contract, and much effort has been spent on providing them with data and discussing what BRIM's expectations are from the new system. The Agreements have been executed and BRIM management is committed to ensuring that the services in the contract are received at the agreed-upon cost. We are excited about the new system and expect it to be very efficient and help to improve our customer service.

BRIM has received a quote from AIG for the Board of Education Excess Liability Policy, which represents a premium reduction from FY 2017. They are requiring an endorsement that will exclude coverage for head injuries occurring during sports events. It appears that we will also see a premium reduction regarding the renewal of the property policy.

Mischa DiFilippo of our Claim Department recently received her insurance adjuster's license. She will have increased responsibilities regarding property and mine subsidence claims. We are very proud of her accomplishment and consider her a great asset to our agency.

Melody Duke and Robert Fisher will be attending the STRIMA Executive Committee Meeting from April 4-7, 2017 in New Orleans, Louisiana. The STRIMA Annual Conference will be held in Big Sky, Montana, from September 17-21, 2017.

BRIM Financial Report

There being no questions for Mrs. Pickens, Chairman Martin called upon Mr. Schumacher to present the Chief Financial Officer's Report. The Statement of Net Position for the Seven Months Ended January 2017 and the Statement of Revenues, Expenses, and Changes in Net Position for the Seven Months Ended January 2017 were received and filed, copies of which are attached and made a part of the record. A CD containing the November and December 2016 and January 2017 purchasing card invoices was distributed to each Board Member. The Chairman signed the acknowledgement form for the July, August, September and October 2016 billings The acknowledgement form is retained by the Finance Department.

Additionally, Mr. Schumacher reported on short-term rates as well as fixed income holdings. AIG reported its worst quarterly loss since 2008. CEO Peter Hancock has resigned but will stay on until a successor is appointed.

Loss Control Report

There being no questions for Mr. Schumacher, Chairman Martin asked Mr. Fisher to present the Loss Control Report. The report was received and filed, a copy of which is attached and made a part of the record.

Mr. Fisher began by stating that the Loss Control Department is short two positions. Evaluations are not getting done as rapidly and the existing staff are spending less time in the field.

Senate Bill #3 Loss Control Questionnaires are being evaluated to apply credits or surcharges based on insured participation in our Standards of Participation program. We hope to complete evaluations during March. Currently, 679 evaluations are complete.

Mr. Fisher reported on the increasing concern for the areas of privacy and cyber in the risk management field. Mary Jane Pickens, Melody Duke, Jeremy Wolfe as well as Mr. Fisher were facilitators during an incident response table top exercise during Data Privacy Day, partnering with the State Privacy Office and the Office of Technology to present this exercise during Data Privacy Day for more than fifty state department/agency Privacy Officers. The exercise focused on how to react when faced with a privacy incident.

Upcoming, we will be meeting with our Board of Education Customers in an effort to help them identify problem areas and give advice on how to effectively address issues. Flood mitigation visits for those customers will be performed for those who are within the flood plain.

We are continuing our partnership with the Division of Personnel in the "Workplace Safety: Your Responsibility" classes. These classes are available to all state agencies. Partnership with the West Virginia Public Service Commission is also continuing by contribution of articles for "The Pipeline", their quarterly newsletter. The newsletter reaches public utility organizations and public service districts, many of whom are currently customers.

From December 2016 to March 2017, AON conducted 127 inspections and Hartford 1,197 inspections. The reports are being processed in compliance with established procedures.

No questions followed, which concluded the Loss Control Report.

UNFINISHED BUSINESS

There was no unfinished business to be discussed.

NEW BUSINESS

There was no new business to be discussed.

ADJOURNMENT

There being nothing further, the meeting adjourned at 2:13 p.m.

Board Chairman

6/13/2017
Date

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Executive Director's Report

March 21, 2017

A. Marshall University and West Virginia University Medical Malpractice Program

- As of March 14, 2017, Marshall has deposited $1,250,000.00 into the escrow account for FY 2017. The fiscal year-to-date cumulative interest totals $6,782.46. Disbursements totaling $1,268,578.85 have been paid thus far in FY 2017.
- As of March 14, 2017, a total of $4,288,909.15 funds have been deposited into WVU's escrow account for FY 2017. The fiscal year-to-date cumulative interest totals $12,898.54. Disbursements totaling $4,299,668.61 have been paid thus far in FY 2017.

B. State Agency/Senate Bill #3 Liability Claim & Litigation Information

TRIALS

Thus far in 2017, we have tried three cases, two resulting in plaintiff verdicts and one resulting in a defense verdict.

PAID CLAIMS (February 2017 Data)

Claims Indemnity payments YTD total $6,945,123 vs. PYTD of $5,505,144, an increase of 26.16%.

Claims Expense payments YTD total $3,216,566 vs. PYTD of $3,800,233, a decrease of 15.36%.

OUTSTANDING CLAIMS (February 2017 Data)

February 2017 Indemnity reserves total $58,847,409 vs. February 2016 Indemnity reserves of $52,002,152, an increase of 9.32 %.

February 2017 Expense reserves total $20,301,824 vs. February 2016 Expense reserves of $19,535,990, an increase of 3.9%.

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CLAIMS COUNTS (February 2017 Data)

New claims YTD total 384 vs. PYTD of 536, a decrease of 28.36%.

Closed claims YTD total 553 vs. PYTD of 493, an increase of 12.17%.

Open claims YTD total 918 vs. PYTD of 1065, a decrease of 13.8%.

C. Patient Injury Compensation Fund (PICF)

1. Status of Claims Settled and Pending

We have consulted with AIG and Ron Walters, one of AIG's structured settlement brokers, concerning resolution of three PICF claims through structured settlements. Of those three, we believe one may result in a structure being used. We've been able to settle one claim for the cash value but without a structure, which is a resolution that was approved by the court. Other claims are still in the process of being resolved for payment or to determine the final outcome of the claim. One final award is the subject of an administrative hearing that will likely be held in early May, 2017. We have engaged a hearing examiner and counsel to represent BRIM and I will report on the status at the June meeting. The remaining claims are still at the first level of review here at BRIM but we plan for all of them to be final before June 30, 2017. Following that, the issues will all relate to payment of those final awards.

2. PICF Funding Sources

- We had occasion to re-visit the Advisory Bulletin we published in November, 2016, regarding responsibility for remitting the 1% assessment on settlement of claims filed under the Medical Professional Liability Act because of some alleged lack of clarity among counsel handling those cases. The assertion was that the initial bulletin suggested more than was intended regarding the underlying financial responsibility for the 1% assessment if a lawsuit is filed but settled before judgment is entered. The intent of the bulletin was simply to inform the parties in that situation that the assessment must be remitted to the clerk and since the Legislature decided not to specify who was required to make the remittance, it should be considered a shared responsibility. After review of the concern, we did issue an Amended Advisory Bulletin on January 19 making it abundantly clear that BRIM's guidance addresses only remittance, i.e. the act of sending the assessment from one place to another, and does not relate to the underlying financial responsibility for the assessment itself.

- We received the report from the Office of the Insurance Commissioner (OIC) on quarterly medical malpractice claim resolutions reported by insurers during the 4th calendar quarter of 2016. We then compared our information on receipt of 1% assessments on settlements to the OIC's report for claims on which the OIC received settlement information and BRIM did not have a record of receiving an assessment, letters were sent to all counsel. The letters explained the reason for the 1% assessment process and enclosed a copy of the Amended Advisory Bulletin discussing the legislation. We've received a few letters in response, some with explanations about why the assessment does not apply that may make valid points, and others that generally indicate an unwillingness to comply.

- On March 3, 2017, letters were sent to the Chief Executive Officers of the 33 trauma centers designated by the Office of Emergency Services providing notice that BRIM will send statements in the Spring requesting payment of an assessment based on treatment of patients at those centers from January 1, 2016 through December 31, 2016. The correspondence also explained that in addition to the assessment on treatment of patients, the trauma centers should be aware of the responsibility for remittance of an assessment of 1% of any settlement or judgment in claims filed under the MPLA.

- Thus far, BRIM has received the total amount of $302,330.65 into the PICF from the various funding sources identified in SB 602 from the regular 2016 legislative session.

- In addition to the above, a letter was sent to the President and CEO of the WV Hospital Association asking for assistance in identifying resolution of claims when the payor is self-insured and a 1% assessment should be made to the Claimant.

D. Cyber Allocation

We will discuss the state premium rates available as we decide the appropriate time to send out invoices to state agencies, as well as how best to address the inclusion of the cyber liability premium.

I have met with BRIM's Finance and Underwriting managers about premium rates for FY 2018; and while the overall increase is around 10%, some agencies will experience larger increases due to negative claims history and the addition of cyber liability.

E. Executive Directives to Address Budget Concerns

Governor Justice has placed a moratorium on all new state vehicle purchases. Exceptions will only be granted in the most extraordinary circumstances and must be approved in writing by the Governor's Office. Governor Justice has instructed the Fleet Management Office and Purchasing Division to deny any requests that do not meet this requirement.

In addition, the Governor has informed all general revenue agencies that the hiring freeze continues. Secretary Myers has further informed all DOA agencies that new hires and promotions may not be made by any agency and that any exceptions will only be made upon written request and further discussion with the agency.

F. Risk Management Information System (RMIS)

We are moving ahead with this project. The contract was awarded to Emerson Risk Solutions a few months ago and lots of time and effort has been spent providing data to the vendor as well as discussing our needs in the new system. Weekly calls have been taking place and the vendor had staff on site for a couple days in late February to work with BRIM management. We know that we will need to aggressively manage the contract to contain costs, and to ensure that the system functions as agreed to in the RFP, the vendor's response and the agreements that have been signed. We also recognize that as we develop the system we will discover some enhancements that we'd like to incorporate; however, we are very committed to ensuring that BRIM receives the services in the contract at the agreed-upon cost submitted by the vendor. We remain excited about this project and expect the new system to bring efficiencies and improve our processes and customer service.

G. Legislative Update

H. Miscellaneous

1. We have received a quote from AIG for the Boards of Education excess liability policy (providing $5 million in coverage over the BRIM $1 million policy). AIG has the current excess policy, and this quote represents a reduction in premium from FY '17 of $1,524,000. However, AIG is requiring an endorsement that will exclude coverage for head injuries suffered during sports events.

2. Regarding the renewal of the property policy, it appears that we will also see a premium reduction of more than $300,000.

3. One of our employees, Mischa DiFillipo, has earned her insurance adjuster's license. This will give BRIM an opportunity to increase her responsibility with mine subsidence and property claims. We are very proud of her accomplishments.

4. STRIMA – Melody Duke and Robert Fisher will be attending the Executive Committee Meeting in New Orleans, Louisiana, from April 4-7, 2017. The Annual Conference will be September 17-21 in Big Sky, Montana.

Very truly yours,

Mary Jane Pickens

Mary Jane Pickens
Executive Director

MJP:lld

STATE OF WEST VIRGINIA
DEPARTMENT OF ADMINISTRATION
BOARD OF RISK AND INSURANCE MANAGEMENT

Jim Justice
Governor

John A. Myers
Cabinet Secretary

Mary Jane Pickens
Executive Director
Deputy Cabinet Secretary

Chief Financial Officer's Report
March 21, 2017

A. P Card Report

CD copies contain the supporting detail for P card purchases for the months of November and December 2016 and for January 2017. These totals are:

November	$51,355.16
December	$53,966.63
January	$48,593.08

B. Financial Results

- The financial results presented are for the seven months ended January 31, 2017.
- Total outstanding claims reserves reflect AON's risk funding studies thru December 31 plus an additional accrual for January. Estimated retained reserves for FY'17 are $9.2 million higher than at the same point last year.
- Net operating revenues are $3.8 million higher for the current year due to premium increases.
- Net claims payments are $36.8 million for FY'17; $29.0 million for FY'16. Claims reserves have increased $2.5 million year to date for FY'17 vs. a $0.8 million increase for year to date FY'16. The combined effect of additional claims payments and reserve increases is a year over year increase of $9.5 million in claims expense for the current year when compared to last year's results. The increases in both claims payments and reserves is an indication of continuing unfavorable claims trend development.
- The primary drivers for the higher general and administrative expense for FY'17 are one time moving expenses and costs related to the new RMIS system.
- The smaller increase in premiums was not enough to offset the much larger increase in claims expense for FY'17, resulting in a larger operating loss this year vs. FY'16.
- Better performance in the equity market helped to offset the weaker bond markets in FY'17 and resulted in investment earnings of $2.1 this year vs. a loss of $2.6 million for the same period last year. This is a year over year favorable swing of $4.7 million. Even with the improvement in earnings, annualized returns for FY'17 are under 1%.
- Excluding the one-time transfer of $2.8 million to the Patient Injury Compensation Fund (PICF), as mandated by enactment of HB4261, BRIM's net position for the current fiscal year would have decreased by $2.1 million instead of the actual $4.9 decrease in net position reported.

C. **Other Financial Issues**

- Short-term rates remained relatively stable for February. Last Wednesday, the Federal Reserve raised their benchmark federal-funds rate by a quarter percentage point to a range between 0.75% and 1%. The move by the Fed increasing short-term rates will result in losses for BRIM's fixed income holdings for the month of March.
- The Fed also indicated two additional quarter percentage point increases are likely for 2017. The bond markets anticipation of these two additional increases will put a further drag on fixed income returns for BRIM through the remainder of FY'17 as short-term rates continue to rise.
- AIG reported its worst quarterly loss since the 2008 financial crisis; a $3.0 billion loss for the quarter ended December 31st. Peter Hancock, CEO, resigned this month but will stay on until a successor is appointed.

Respectfully submitted,

Stephen. W Schumacher, CPA

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West Virginia Board of Risk and Insurance Management

Statements of Net Position

For the Seven Months Ended January 31st

	2017	2016
	(In Thousands)	
Assets		
Current assets:		
Cash and cash equivalents	20,481	15,493
Advance deposits with insurance company and trustee	198,169	212,414
Receivabales	4,470	2,432
Prepaid insurance	2,782	2,852
Restricted cash and cash equivalents	8,701	9,298
Premiums due from other entities	620	597
Total current assets	235,224	243,086
Noncurrent assets:		
Equity position in internal investments pools	87,911	80,180
Restricted investments	50,769	46,413
Total noncurrent assets	138,680	126,593
Total assets	373,904	369,679
Deferred Outflows of Resources		
Pension	387	127
Liabilities		
Current liabilities:		
Estimated unpaid claims and claims adjustment expense	50,819	47,890
Unearned premiums	13,067	12,058
Agent commissions payable	620	502
Claims Payable	0	50
Accrued expenses and other liabilities	2,724	2,889
Total current liabilities	67,231	63,390
Estimated unpaid claims and claims adjustment expense net of current portion	120,146	113,899
Compensated absences	91	76
Net pension liability	467	253
Total noncurrent liabilities	120,704	114,228
Total liabilities	187,935	177,618
Deferred Inflows of Resources		
Pension	304	270
Net position:		
Restricted by State code for House Bill 601 Program and mine subsidence coverage	58,834	55,427
Unrestricted	132,125	137,393
Net Assets (Deficiency)	(4,906)	(901)
Net position	$ 186,052	$ 191,918

See accompanying notes.

West Virginia Board of Risk and Insurance Management

Statements of Revenues, Expenses, and Changes in Net Position

For the Seven Months Ended January 31st

	2017	2016
	(In Thousands)	
Operating revenues		
Premiums	**$ 41,494**	$ 37,797
Less coverage/reinsurance programs	**(3,898)**	(3,962)
Net operating revenues	**37,596**	33,835
Operating expenses		
Claims and claims adjustment expense	**39,289**	29,820
General and administrative	**2,458**	2,271
Total operating expenses	**41,748**	32,092
Operating income (loss)	**(4,151)**	1,743
Nonoperating revenues		
Investment income	**2,055**	(2,645)
Appropriation Transfer HB4261	**(2,810)**	0
Payment to transfer HB601 estimated future IBNR	**–**	0
Net nonoperating revenues	**(755)**	(2,645)
Changes in net position	**(4,906)**	(901)
Total net position, beginning of year	**190,959**	192,820
Total net position, end of period	**$ 186,052**	$ 191,918

See accompanying notes.

Jim Justice
Governor

John A. Myers
Cabinet Secretary

Mary Jane Pickens
Executive Director
Deputy Cabinet Secretary

Loss Control Report to the Board
March 2017

Senate Bill #3 loss control questionnaires were due on January 1, 2016. Since that time, we have been evaluating those questionnaires to apply credits or surcharges based on insured participation in our Standards of Participation program. We hope to complete the evaluation process during the month of March. To date, we have completed 679 evaluations.

In January, Mary Jane Pickens, Melody Duke, Jeremy Wolfe and I participated as facilitators during an incident response table top exercise on Data Privacy Day. We partnered with the State Privacy Office and the Office of Technology to coordinate and execute this exercise for more than fifty state department/agency Privacy Officers. The exercise dealt with how to react in response to a privacy incident. Privacy and cyber are growing areas of concern in the field of risk management.

Over the coming months, we will be meeting with our Board of Education customers to help them identify their problem areas and provide advice on how to effectively address these areas. We will also be performing flood mitigation visits for those customers who have been identified to be within the flood plain.

We continue to partner with the Division of Personnel in a class entitled "Workplace Safety: Your Responsibility". We make a live presentation during each class presented. This program is available to all state agencies.

We are also continuing our partnership with the West Virginia Public Service Commission by contributing risk management news articles for inclusion in "The Pipeline", their quarterly newsletter. This newsletter is distributed to public utility organizations and public service districts throughout the state, many of whom may already be our customers.

During the months of December, January, February, and March Aon conducted 127 inspections and Hartford conducted 1,197. The reports are being processed according to established procedures.

Since my last report, our loss control technical staff reports the following activity:

1 Loss Control Visits
These are standard loss control visits which focus on all coverage areas and which result in information and/or loss control recommendations being provided.

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2 Standards of Participation Visits

These are visits which are designed to provide assistance to our insured who are seeking to become compliant with the BRIM Standards of Participation program.

As is the case each year, the number of loss control visits is markedly reduced during the period in which we evaluate loss control questionnaire submissions.

Dated: 3-17-2017

Respectfully submitted,

Robert A Fisher

Robert A. Fisher
Deputy Director *and* Claim Manager

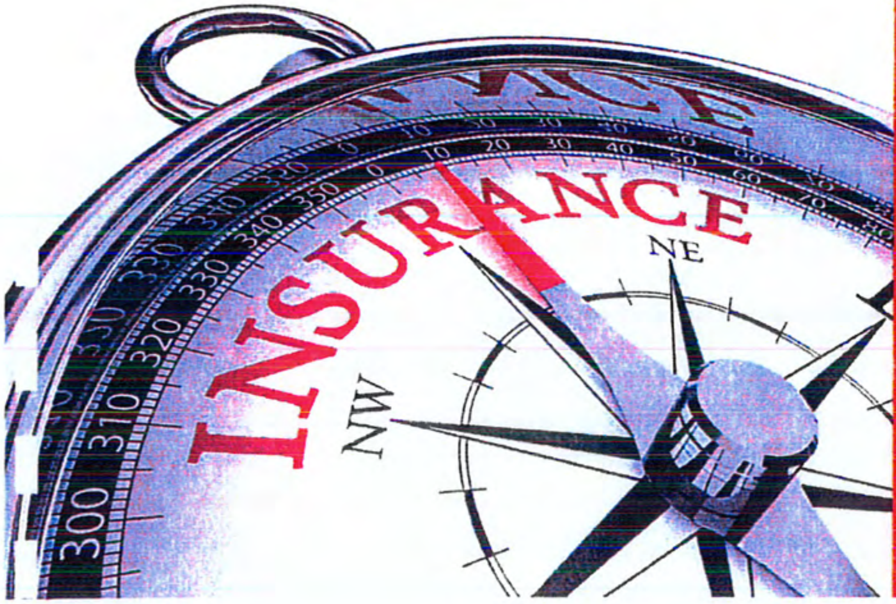
State of West Virginia
Board of Risk and Insurance Management

Risk Funding Study as of June 30, 2016

Presented March 21, 2017

Empower Results®

Market Update



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Property/Casualty Marketplace Overview

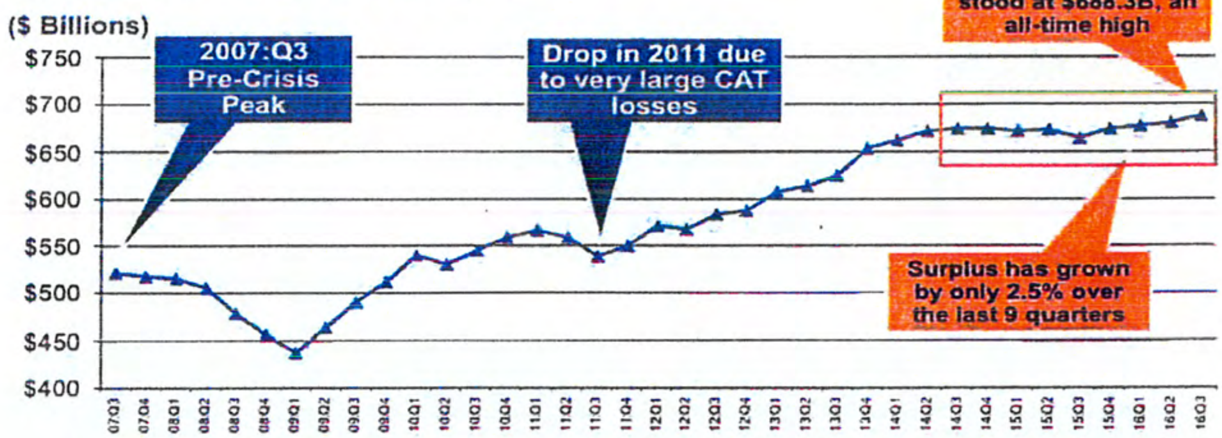
- Policyholder Surplus is approaching $700 Billion
  - Growing very slowly over the last two to three years

- Investment returns remain low

- Underwriting loss through the first 3 quarters of 2016
  - Non-catastrophe claims rose sharply in 2016
  - 2012 was the most recent prior year with an underwriting loss (Superstorm Sandy)

Property/Casualty Marketplace Overview (Cont.)

Policyholder Surplus, Quarterly, 2007:Q3–2016:Q3



The industry now has $1 of surplus for every $0.77 of NPW, close to the strongest claims-paying status in its history.

The P/C insurance industry entered 2017 in very strong financial condition.

Sources: ISO, A.M .Best.

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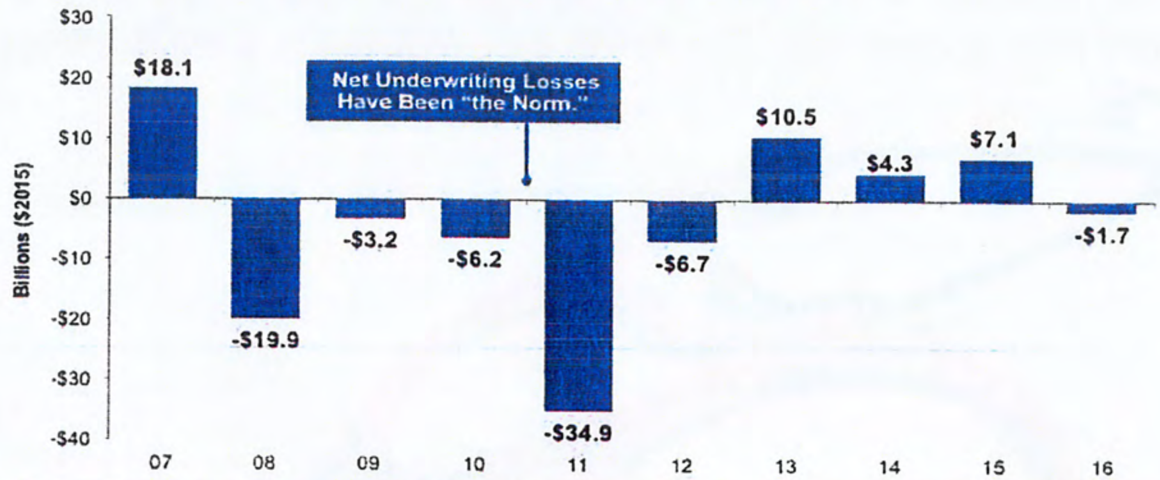
Property/Casualty Marketplace Overview (Cont.)

Net Underwriting Gains & Losses, First Three Quarters, 2007-2016



2013/14/15 Were Welcome Respites from 2011/12, Which Were Among the Costliest Years for Insured Disaster Losses in U.S. History. Longer-term Trend is for More – Not Fewer – Costly Events.

*Estimates through 12/31/15 in 2015 dollars.

Note: 2001 figure includes $20.3B for 9/11 losses reported through 12/31/01 ($25.9B 2011 dollars). Includes only business and personal property claims, business interruption and auto claims. Non-prop/BI losses = $12.2B ($15.6B in 2011 dollars).

Sources: Property Claims Service, a Verisk Analytics business; Insurance Information Institute.

Cyber Risk:

Cyber Risk is a rapidly emerging exposure for businesses large and small in every industry. The health care industry is a major target.

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Cybersecurity Industry Challenges

- The cyber threats evolve rapidly and can quickly endanger a company that can't keep pace.
- Organizations are under persistent pressure to refine their defenses against attackers who are constantly advancing their techniques.
- Regulators are also trying to keep pace, further complicating an organization's risk management approach.
- Organizations must commit to a continuous process of evaluation and improvement.
- Regular assessments, testing, refinement, and responsiveness are essential to keeping critical assets protected and ensuring strong governance and compliance.
- Organizations need to be constantly focused on limiting the economic and reputational damage from incidents.

Cyber Incidents

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Cyber Threat Landscape

In 2015, the British insurance company Lloyd's estimated that cyber attacks cost businesses **as much as $400 billion a year,** which includes direct damage plus post-attack disruption to the normal course of business.

According to PwC Global State of Information Security Survey 2016, the cyberinsurance market is also getting a boost from cybercrime - and projected to grow **from $2.5 billion in 2015 to $7.5 billion** by 2020.

McAfee estimates the likely annual cost to the global economy from cybercrime could **be well over $445 billion.**

According to the 2016 Verizon Data Breach Investigations Report, **89% of breaches had a financial or espionage motive.**

In 2014, 43% of companies experienced a data breach, according to the Ponemon Institute.

The main perpetrators behind last year's phishing campaigns were **organized crime syndicates** (89 percent) and **state-sponsored actors** (nine percent).

The average organization experiences a malware event every three minutes. The International Data Corporation (IDC) estimates that enterprises **spent $491 billion in 2014** as a result of malware associated with counterfeit and unlicensed software.

According to the 2016 Verizon Data Breach Investigations Report, phishing is a quick and easy way for attackers to steal a victim's credentials, which might explain why **in 81.9 percent of incidents, the initial compromise took minutes.**

According to The Ponemon Institute, the average total cost of a data breach **increased from $3.79 in 2015 to $4 million in 2016.**

90% of Cyberespionage breaches capture **trade secrets or proprietary information.**

Medical Malpractice

- Aon 2016 Hospital Professional Benchmark Study
  - 17th year
  - Includes $16.5 billion of incurred loss and approximately 100,000 claims

- Benchmark Highlights:
  - Nationwide Cost of Risk increasing at 1% per year
    - Frequency has been on the decline and expected to decrease at 1% per year
    - Modest severity trend growing at 2% per year

  - West Virginia
    - Claim severity is similar to national averages
    - Claim frequency is higher than national averages
    - Loss rate for WV is 15% higher than the national average
    - Historical WV loss costs have higher volatility than national averages

Risk Funding Study as of June 30, 2016

6/30/16 Retained Unpaid Loss Estimates

Definitions

- Unpaid Loss = Ultimate Loss – Paid Loss
- Unpaid Loss = Case Reserves + IBNR
- IBNR = Incurred But Not Reported

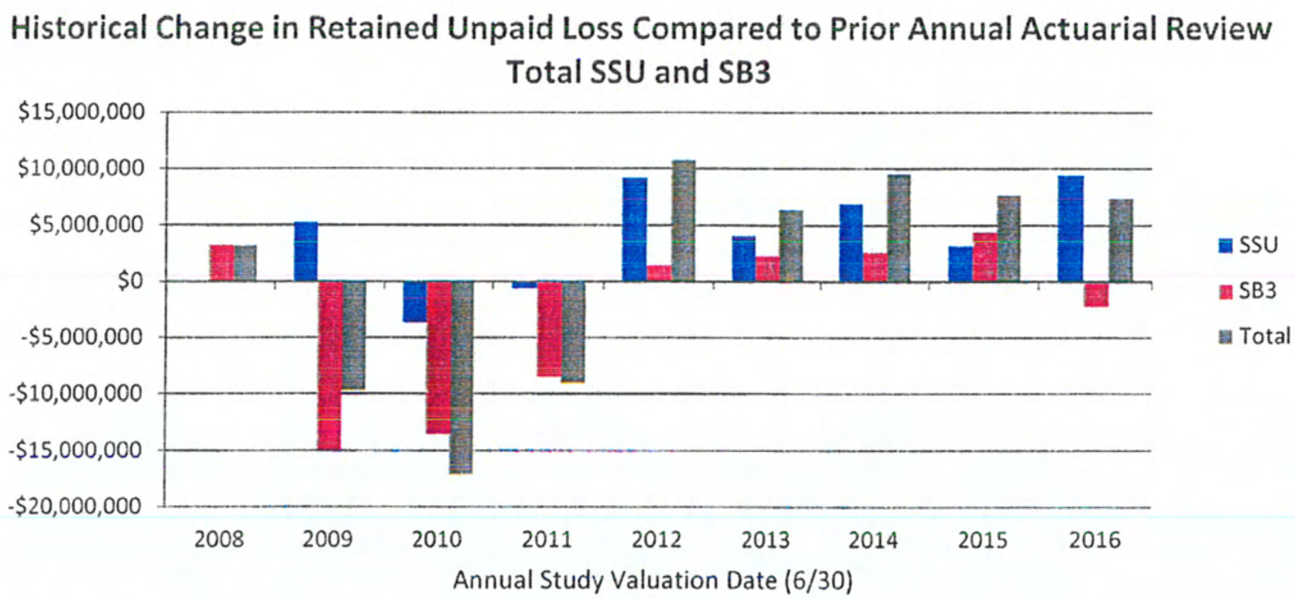
Results

- Estimated unpaid loss Increased $7.4 million (4.6%) from 6/30/2015
  - SSU general liability increased $5.2 million
  - SSU auto increased $2.1 million
  - SSU medical malpractice increased $1.4 million
  - SB3 medical malpractice <u>decreased</u> $2.3 million

June 30, 2016 Risk Funding Study - Results

Line of Business	Entity	Retained Case Reserves at 6/30/2016	Retained IBNR at 6/30/2016	Retained Unpaid at 6/30/2016	Retained Case Reserves at 6/30/2015	Retained IBNR at 6/30/2015	Retained Unpaid at 6/30/2015	*Change from 6/30/2015 to 06/30/2016 in Retained Unpaid Loss* Dollar Change	Percent Change
Automobile	SSU	5,994,950	4,412,034	10,406,984	3,420,671	4,869,086	8,289,757	2,117,227	25.5%
Automobile	SB3	4,760,754	5,107,259	9,868,013	5,092,214	5,175,413	10,267,626	(399,614)	-3.9%
General Liability	SSU	31,914,439	41,720,446	73,634,885	30,732,325	37,692,675	68,425,000	5,209,885	7.6%
General Liability	SB3	20,329,017	22,882,853	43,211,870	20,369,520	22,269,297	42,638,817	573,053	1.3%
Property	SSU	2,393,641	683,972	3,077,613	1,345,500	985,493	2,330,993	746,620	32.0%
Property	SB3	2,174,956	584,562	2,759,517	1,859,104	896,211	2,755,315	4,202	0.2%
Medical Malpractice	SSU	5,269,576	15,333,660	20,603,236	7,456,364	11,761,170	19,217,534	1,385,702	7.2%
Medical Malpractice	SB3	703,719	1,594,153	2,297,872	2,277,194	2,297,179	4,574,372	(2,276,500)	-49.8%
Mine Subsidence		385,000	479,957	864,957	412,936	413,271	826,207	38,750	4.7%
Subtotal - SSU		45,572,606	62,150,112	107,722,718	42,954,860	55,308,424	98,263,284	9,459,434	9.6%
Subtotal - SS3		27,968,445	30,168,827	58,137,272	29,598,032	30,638,099	60,236,131	(2,098,859)	-3.5%
Subtotal - SSU + SB3		73,541,051	92,318,940	165,859,991	72,552,892	85,946,523	158,499,415	7,360,576	4.6%
Total		73,926,051	92,798,896	166,724,947	72,965,828	86,359,794	159,325,621	7,399,326	4.6%

Historical Changes in Unpaid Loss



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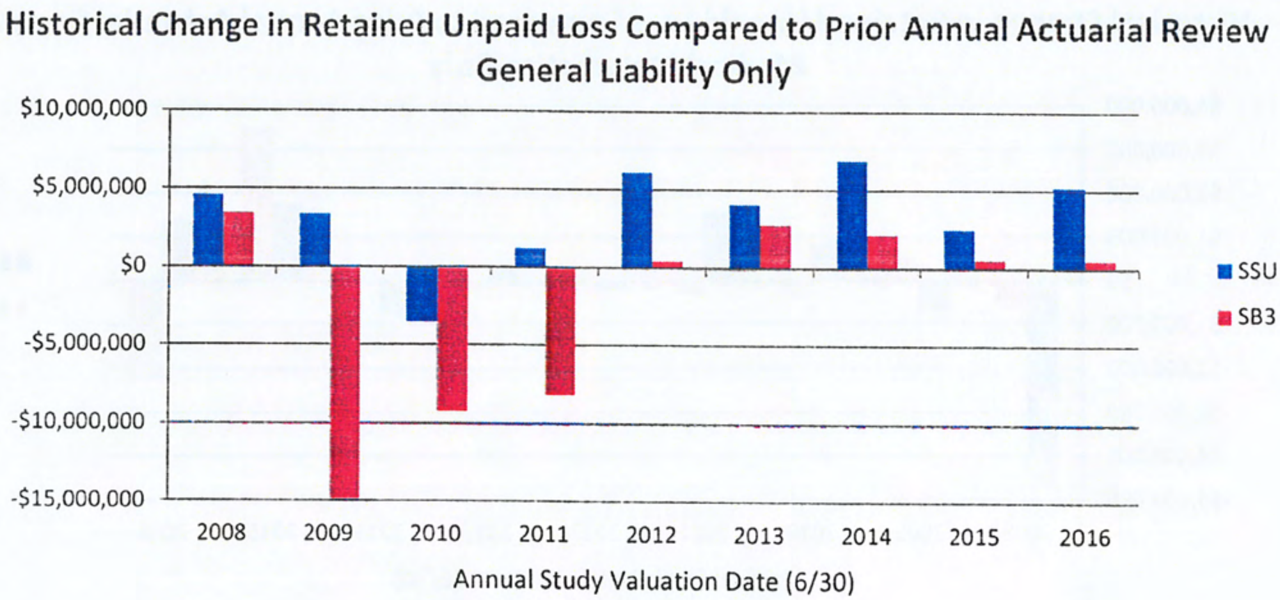
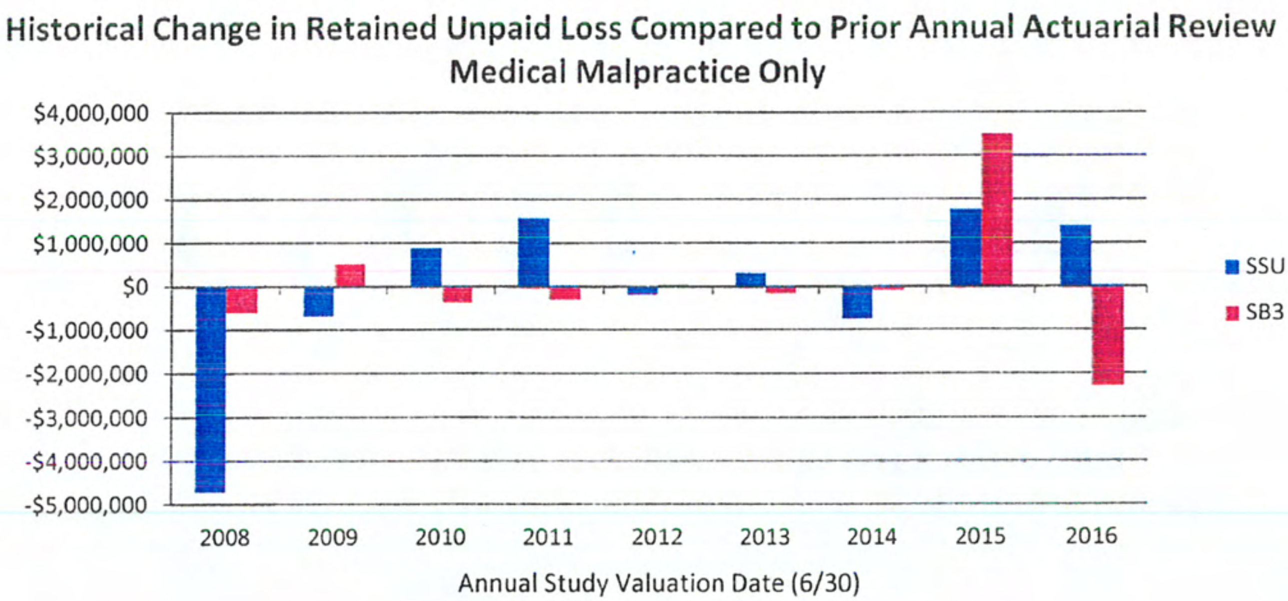
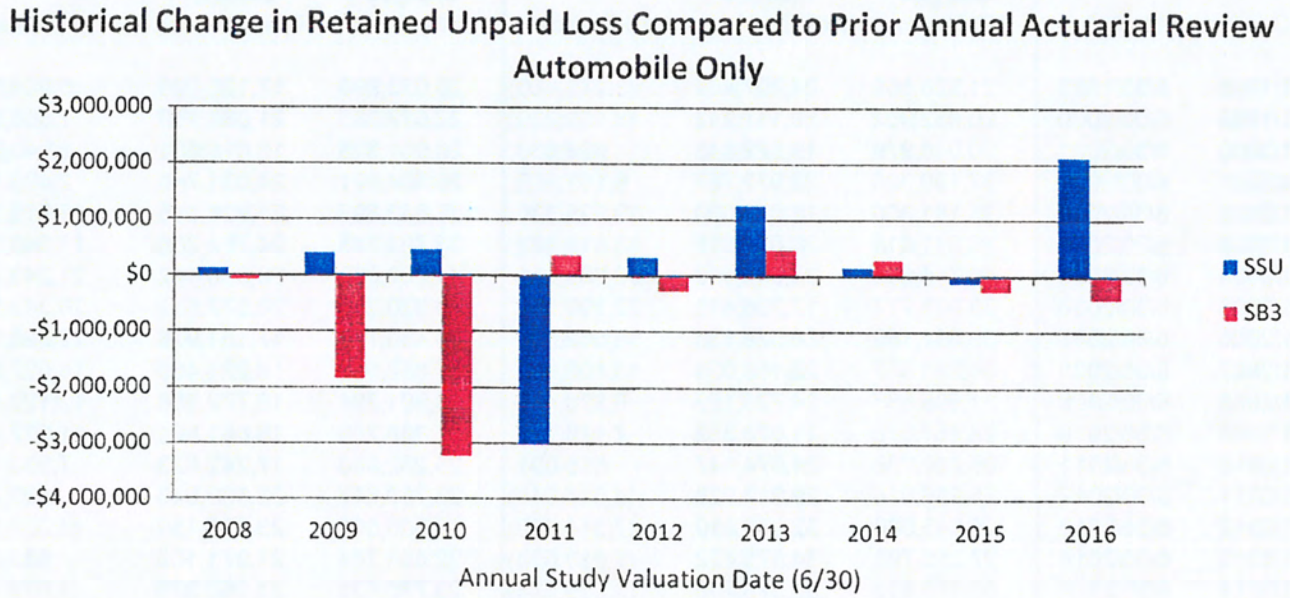
Historical Changes in Unpaid Loss – General Liability



Historical Changes in Unpaid Loss – Medical Malpractice



Historical Changes in Unpaid Loss – Automobile



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Comparison of Premium and Ultimate Losses

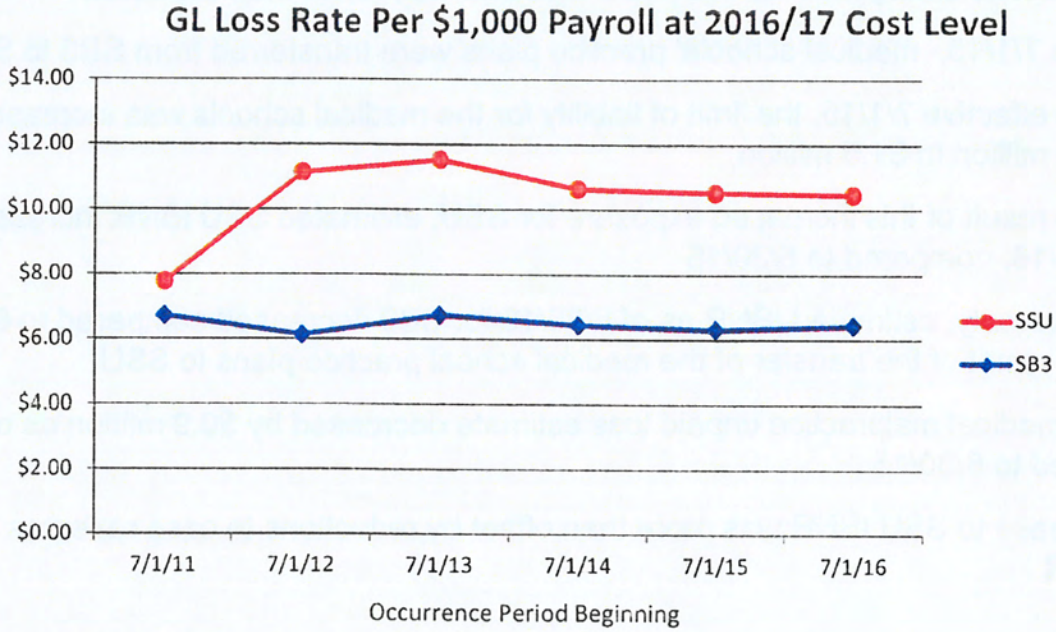
		SSU			SB3		
Occurrence Period		Charged Premium	Projected Ultimate Retained Loss	Difference	Charged Premium	Projected Ultimate Retained Loss	Difference
7/1/1998	6/30/1999	21,526,869	24,797,499	(3,270,630)	23,070,990	17,136,095	5,934,895
7/1/1999	6/30/2000	20,982,952	29,141,242	(8,158,290)	22,677,285	21,088,750	1,588,535
7/1/2000	6/30/2001	20,018,978	19,322,348	696,630	20,951,525	19,010,601	1,940,924
7/1/2001	6/30/2002	27,130,323	20,972,757	6,157,566	26,524,921	24,031,744	2,493,177
7/1/2002	6/30/2003	36,181,360	16,646,030	19,535,330	37,843,695	21,928,315	15,915,380
7/1/2003	6/30/2004	36,011,418	20,092,315	15,919,103	35,793,345	24,752,385	11,040,960
7/1/2004	6/30/2005	46,715,999	23,046,388	23,669,611	41,269,868	20,026,142	21,243,725
7/1/2005	6/30/2006	39,985,777	17,786,419	22,199,357	40,920,237	20,577,671	20,342,567
7/1/2006	6/30/2007	39,091,169	20,529,138	18,562,031	39,480,713	17,151,978	22,328,735
7/1/2007	6/30/2008	36,258,662	23,158,024	13,100,638	34,852,156	18,224,460	16,627,696
7/1/2008	6/30/2009	31,595,637	24,725,152	6,870,485	28,901,791	16,772,356	12,129,435
7/1/2009	6/30/2010	28,257,070	21,078,352	7,178,718	27,889,296	16,861,881	11,027,415
7/1/2010	6/30/2011	25,239,238	24,674,147	565,091	25,232,989	17,242,823	7,990,166
7/1/2011	6/30/2012	25,296,014	29,913,928	(4,617,914)	23,769,617	22,869,848	899,769
7/1/2012	6/30/2013	25,645,800	32,960,010	(7,314,210)	19,306,565	23,638,150	(4,331,585)
7/1/2013	6/30/2014	27,255,798	34,875,422	(7,619,624)	22,654,784	21,971,103	683,680
7/1/2014	6/30/2015	32,118,612	36,073,700	(3,955,088)	23,780,631	24,860,375	(1,079,744)
7/1/2015	6/30/2016	37,539,189	38,796,300	(1,257,111)	24,839,798	23,246,975	1,592,823
Total		556,850,864	458,589,171	98,261,693	519,760,205	371,391,652	148,368,554

Line of Business Results

General Liability

- SSU GL
  - Lower than expected reported loss emergence for SSU GL
    - Many claims closed for less their case reserved amounts
  - Much lower than expected paid loss emergence for SSU GL
    - Relatively very low level of payments resulted in increase to case reserves compared to 6/30/15
- SB3 GL
  - Higher than expected SB3 GL reported and paid loss emergence
  - Case reserves have stabilized, after several years of steadily increasing
- GL Loss levels for both SSU and SB3 remain at high levels

General Liability

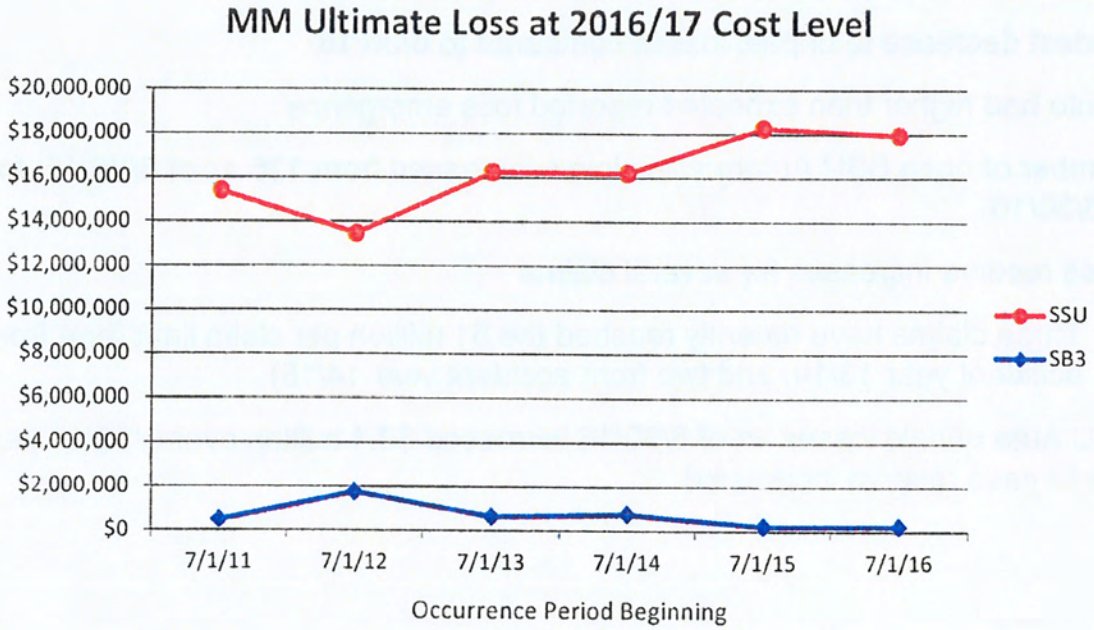


Note: Loss rates are on a retained basis, and gross of any deductibles.

Medical Malpractice

- Reported loss emergence for both SSU and SB3 was lower than expected
- Effective 7/1/15, medical schools' practice plans were transferred from SB3 to SSU
  - Also effective 7/1/15, the limit of liability for the medical schools was increased from $1.0 million to $1.5 million
  - As a result of this increased exposure for SSU, estimated SSU IBNR increased as of 6/30/16, compared to 6/30/15
  - Conversely, estimated IBNR as of 6/30/16 for SB3 decreased compared to 6/30/15, as a result of the transfer of the medical school practice plans to SSU
- Overall medical malpractice unpaid loss estimate decreased by $0.9 million as of 6/30/16 compared to 6/30/15
  - Increase to SSU IBNR was more than offset by reductions to case reserves and SB3 IBNR

Medical Malpractice

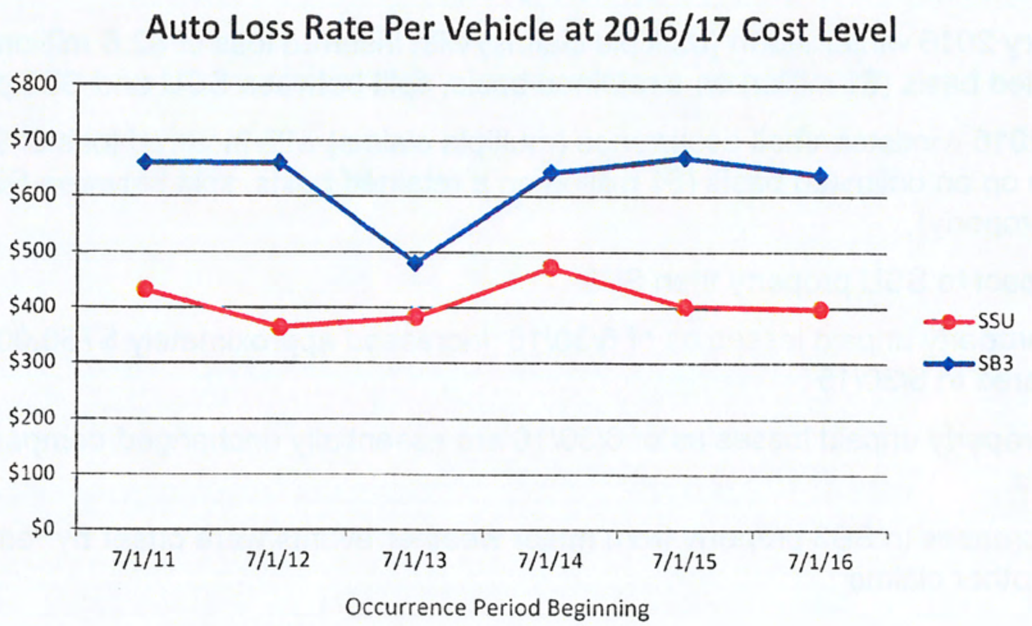


Notes: 1. Loss rates are on a retained basis, and gross of any deductibles.
2. Reflects that, effective 7/1/2015, the SB3 practice plans are part of the SSU program.
3. Reflects 7/1/15 limits increase to $1.5M For Medical Schools Only.

Automobile

- SB3 Auto loss emergence approximately at expected levels
  - Modest decrease to unpaid losses compared to 6/30/15
- SSU Auto had higher than expected reported loss emergence
  - Number of open SSU Automobile claims increased from 125 as of 6/30/15, to 168 as of 6/30/16
  - Case reserve increases for several claims
    - Three claims have recently reached the $1 million per claim limit (one from accident year 13/14, and two from accident year 14/15)
  - SSU Auto unpaid losses as of 6/30/16 increased $2.1 million over 6/30/15 (largely due to case reserve increases)

Automobile

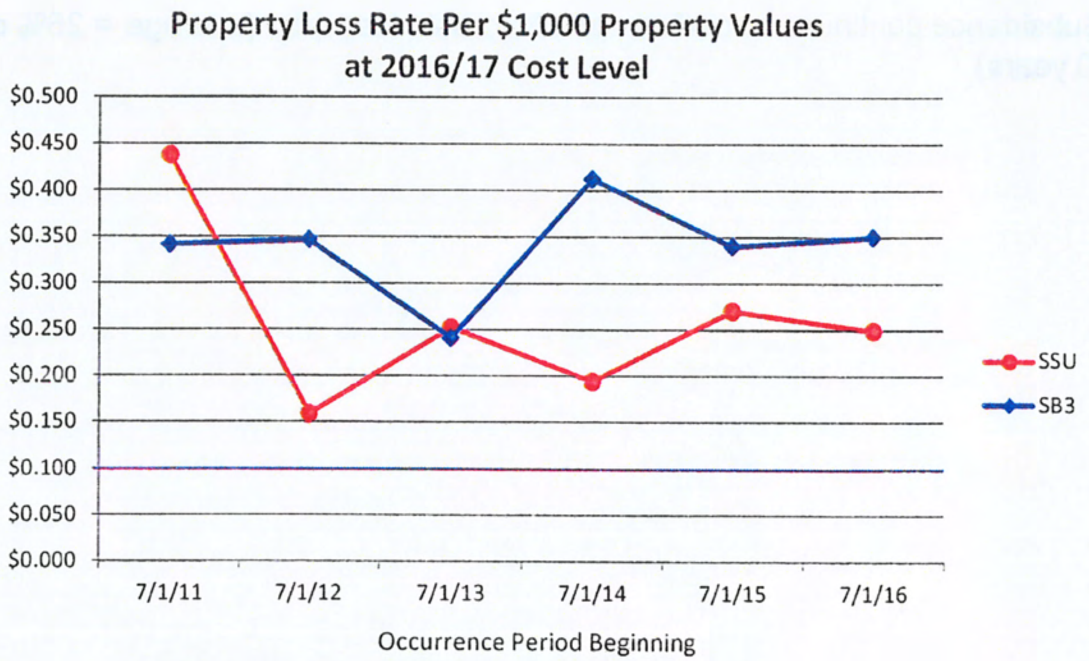


Note: Loss rates are on a retained basis, and gross of any deductibles.

Property

- Two major weather events impacted property losses
  - January 2016 winter storm (multiple claims) with incurred loss of $2.6 million on an unlimited basis ($1 million on a retained basis, split between SSU and SB3 property)
  - April 2016 windstorm/hail occurrence (multiple claims) with incurred loss of $1.9 million on an unlimited basis ($1 million on a retained basis, split between SSU and SB3 property)
- Larger impact to SSU property than SB3
  - SSU property unpaid losses as of 6/30/16 increased approximately $750,000 compared to 6/30/15
  - SB3 property unpaid losses as of 6/30/16 are essentially unchanged compared to 6/30/15
    - Increases to SB3 property from major weather events were offset by reductions to other claims

Property



Note: Loss rates are on a retained basis, and gross of any deductibles.

Mine Subsidence

- Mine Subsidence continues to perform at a favorable loss ratio (average = 26% over the past 10 years)

SSU Fiscal Year 17/18 Rating

- Total costs to allocate steady compared to 16/17
  - Loss forecasts increased $1.7M over 16/17
  - Expense forecasts <u>decreased</u> $1.7M from 16/17
    - Reduction to excess property premiums of $0.8M
    - Increase in unfunded liability credit for SSU
      - From $0.3 million for 16/17 to $0.8 million for 17/18
- Rate changes (17/18 compared to 16/17)
  - Decreases for general liability and property
  - Modest rate increase for auto liability
- About to kick-off SB3 rating analysis for 17/18

Interim Study as of December 31, 2016

December 31, 2016 Interim Analysis - Results

Line of Business	Entity	Retained Case Reserves at 12/31/2016	Retained IBNR at 12/31/2016	Retained Unpaid at 12/31/2016	Retained Case Reserves at 6/30/2016	Retained IBNR at 6/30/2016	Retained Unpaid at 6/30/2016	*Change from 6/30/2016 to 12/31/2016 in Retained Unpaid Loss*	
								Dollar Change	Percent Change
Automobile	SSU	4,004,524	5,866,579	9,871,103	5,994,950	4,412,034	10,406,984	(535,880)	-5.1%
Automobile	SB3	4,260,481	5,487,172	9,747,652	4,760,754	5,107,259	9,868,013	(120,361)	-1.2%
General Liability	SSU	32,269,118	42,316,060	74,585,178	31,914,439	41,720,446	73,634,885	950,293	1.3%
General Liability	SB3	18,998,706	24,437,733	43,436,439	20,329,017	22,882,853	43,211,870	224,569	0.5%
Property	SSU	1,467,233	1,098,013	2,565,246	2,393,641	683,972	3,077,613	(512,367)	-16.6%
Property	SB3	1,958,322	991,145	2,949,467	2,174,956	584,562	2,759,517	189,950	6.9%
Medical Malpractice	SSU	8,025,579	15,325,536	23,351,115	5,269,576	15,333,660	20,603,236	2,747,879	13.3%
Medical Malpractice	SB3	162,585	1,391,759	1,554,344	703,719	1,594,153	2,297,872	(743,528)	-32.4%
Mine Subsidence		375,000	496,679	871,679	385,000	479,957	864,957	6,722	0.8%
Subtotal - SSU		45,766,454	64,606,189	110,372,643	45,572,606	62,150,112	107,722,718	2,649,925	2.5%
Subtotal - SS3		25,380,093	32,307,809	57,687,903	27,968,445	30,168,827	58,137,272	(449,370)	-0.8%
Subtotal - SSU + SB3		71,146,548	96,913,998	168,060,546	73,541,051	92,318,940	165,859,991	2,200,555	1.3%
Total		71,521,548	97,410,677	168,932,225	73,926,051	92,798,896	166,724,947	2,207,278	1.3%

December 31, 2016 Interim Analysis

- Unpaid loss estimates increased $2.2 million (1.3%) between June 30, 2016 and December 31, 2016
- Increase driven by SSU medical malpractice ($2.7 million increase to unpaid losses)
  - Three claims with case reserve increases of $900,000 to $1 million each (gross of deductible)
    - Two $900,000 increases (gross of deductible) from accident year 15/16
    - New $1 million claim reported (gross of deductible) for accident year 14/15
- Relatively modest changes to unpaid losses for other coverages
- Accrual of first 6 months of current 16/17 program year

Questions & Discussion

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STATE OF WEST VIRGINIA
DEPARTMENT OF ADMINISTRATION
BOARD OF RISK AND INSURANCE MANAGEMENT

Earl Ray Tomblin
Governor

Mary Jane Pickens
Executive Director
Acting Cabinet Secretary

AGENDA
BOARD MEETING OF THE WEST VIRGINIA BOARD OF RISK AND INSURANCE MANAGEMENT

December 20, 2016

Chairman Martin	Call to Order
Chairman Martin	Approval of Board Minutes September 13, 2016

REPORTS

Norman Mosrie, Partner Dixon Hughes Goodman LLP	June 30, 2016 Audited Financial Report Dixon Hughes Goodman LLP
Mary Jane Pickens Executive Director	**Executive Director's Report**
Stephen W. Schumacher, CPA Chief Financial Officer	Financial Report PCard Report
Robert A. Fisher Deputy Director/Claim Manager	Loss Control Report

UNFINISHED BUSINESS

Motion to accept the two Account/Investment Update reports submitted by Mr. Nate Pearson of Standish Mellon Asset Management and Mr. Tom Sauvageot of the West Virginia Investment Management Board, respectively, presented at the September 13th Board Meeting.

NEW BUSINESS

ADJOURNMENT

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MINUTES OF THE MEETING
OF THE
WEST VIRGINIA BOARD OF RISK AND INSURANCE MANAGEMENT

December 20, 2016

BOARD MEMBERS PRESENT:
Bruce R. Martin, CIC, CRM, Chairman
Bob Mitts, CPCU, Vice Chairman
Edward Magee, Ed.D., CPA, Member
James Dodrill, Esq., Member
James Wilson, Esq., Member
Tonya Gillespie, CPA, Representing Andrew Pauley, Acting Insurance Commissioner, Board Secretary and Ex-Officio Member

BRIM PERSONNEL:
Mary Jane Pickens, Executive Director
Robert Fisher, Deputy Director/Claim Manager
Stephen W. Schumacher, CPA, CFO
Melody Duke, Underwriting Manager
Charles Mozingo, Claims Assistant Manager
John Fernatt, Claim Representative
Stephen W. Panaro, CPA, Controller
Jeremy Wolfe, Loss Control Manager
Lora Myers, Recording Secretary

BRIM PROGRAM REPRESENTATIVES:
Charles Waugh, AIG Claim Services
Brenda Samples, USI Insurance Services, LLC
Bob Ayers, USI Insurance Services, LLC

GUESTS:
Sandy Price, WVU Health Sciences Center
Mike Gansor, WVU Risk Management

CALL TO ORDER

The meeting of the West Virginia Board of Risk and Insurance Management was called to order by Chairman Martin at 1:00PM on Tuesday, December 20, 2016, at 1124 Smith Street, Suite 4300, Charleston, West Virginia.

APPROVAL OF MINUTES

Vice Chairman Mitts moved the approval of the minutes of the December 20, 2016 Board Meeting. The motion was seconded by Dr. Magee. There being no discussion, a vote was taken and the MOTION ADOPTED.

REPORTS

Dixon Hughes Goodman LLP – June 30, 2016 Audited Financial Report

Chairman Martin thereafter recognized Norman Mosrie, CPA, CHFP, FHFMA, Partner, Assurance Market Leader with Dixon Hughes Goodman.

Prior to the meeting, the draft report entitled "Report to the Board of Directors, West Virginia Board of Risk and Insurance Management, June 30, 2016" was distributed to the Board members for their information and review. This report contains the Management Representation Letter and the Financial Statements.

Mr. Mosrie thereafter took a minute to acknowledge the BRIM personnel he had previously worked with when representing the former auditing firm. He commented that this is the first audit with the new firm and it went smoothly. BRIM management did a great job. Covering the audit in December is due to delays presented by waiting on the pension numbers to be finalized. The internal control issues have been improved upon in recent years and a standard of excellence has been achieved. The client assistance was helpful and there were no audit adjustments. The Opinion on the financials is an unmodified or clean opinion.

Mr. Mosrie reviewed required communications that are shared with the Board of Directors. He explained the investments and many financial reports. Amendments to the draft were made due to the change to the pension standards. The report is still in draft form so that any questions can be addressed before finalization. He discussed claims, premiums and investment income and guided the Board through the draft reports. Mr. Mosrie guided the discussion to the Core Financial Statements on page 12 and discussed thoroughly. Premiums outlined on page 13 were reviewed. Statement of Cash Flow was reviewed as well. Mr. Mosrie paused and asked if there were any questions from the Board.

Mr. Schumacher commented on the much more streamlined audit process which saved everyone a lot of time. Dr. Magee inquired about the major factors that increased the General Administrative Expenses. Mr. Schumacher and Mr. Panero agreed that no one aspect greatly impacted the increases, but there were several contributing factors. Claims were discussed at length. Mr. Martin inquired about the 10-year development and Mr. Martin referred him to the appropriate pages and charts. Mr. Mosrie offered to address any further questions, but none were presented. He wished everyone a happy holiday and thanked the Board for the business.

Vice Chairman Mitts moved the approval of the Report to the Board of Directors dated June 30, 2016. The motion was seconded by Mr. Wilson. There being no discussion, a vote was taken and the MOTION ADOPTED.

Mr. Martin called on Mary Jane Pickens to present her Executive Director's Report. Mrs. Pickens welcomed everyone to the meeting and asked if anyone had difficulty locating the office. She invited everyone to tour our new facility and thanked the BRIM staff for all their hard work to make certain our new space is clean and neat for the meeting. She also praised the General Services Division for their attention to all our requests while maintaining a good attitude.

Executive Director's Report

(The report of the Executive Director was received and filed, a copy of which is attached and made a part of the record.)

Mrs. Pickens began by providing a status report regarding the Marshall and WVU medical malpractice programs. She presented an update on litigation activity in terms of trials so far in 2016. Claims were reviewed thoroughly and updates reported.

Afterwards, there was a discussion regarding the Patient Injury Compensation Fund, which has been a great concern to BRIM because it does not have a permanent funding source. Senate Bill 602 was passed which addressed the problem but left much uncertainty as to how the claims would be paid. The fund was closed to new claims July 1, 2016. Mrs. Pickens stated that we are working through the claims and have a way to go before we can see how close we are to hitting the mark. Due to the uncertainty, we have been working with AIG and Ron Walters to structure three of the claims that became final this past fiscal year. We feel that is the appropriate thing to do. It has been a process to work through with the three claimants, but we're getting some pretty positive outcomes.

Recently, we received an appeal of a final award for a PICF claim. There was a denial of the claim; therefore, this is an administrative process and we are getting a hearing examiner to preside over the hearing. We have two claims currently before the Executive Review Committee. Initially the claim goes through the Application Review Committee and then to an Executive Review Committee at BRIM with outside expertise before becoming final. We believe that by the end of the fiscal year, all the claims that we have received will be final. The funds have been coming in from various sources as identified by the Legislature and they are not predictable. There is a one percent assessment on settlements and judgements in MPLA cases, and there are fees associated with medical licensing and other fees associated with events reported to the trauma registry.

BRIM is required to make a report to the Joint Committee on Government and Finance in January of 2018, and by that time, we should have a pretty good feeling about the money. We continue to see issues occur; this happens when legislation is drafted quickly and we are still working through some of those.

Regarding the PICF funding sources, we have received a call from Kanawha County Circuit Clerk with technical questions about how to remit the one percent on the MPLA settlement and judgment. We have been working with the Office of the

Insurance Commissioner to help us identify the settlements and judgments because those are reported by the insurance industry to the OIC. We have been working closely with the OIC and we really appreciate their help so that we can send letters to the responsible parties

The Trauma Registry is also one of the funding sources. We received a report to get a sense of how many claims we are looking at, what has been reported, and what that represents in terms of money over the next four years. We hope to receive about $2,000,000 per year for four years which was the goal when the bill passed.

We are currently working with Arthur J. Gallagher, our broker on the Cyber Policy, to develop a premium allocation model to do cyber premium. Currently we are paying it at BRIM as part of our general administrative costs. We are looking at whether it is the appropriate time to come up with a methodology to determine what portion of the premium should be the responsibility of the agency.

BRIM has become involved in fleet management and not from its own doing. If you have watched local news you know that supposedly the State of West Virginia is uncertain of the number of vehicles. There are many moving parts involved--the Surplus Division, Purchasing and the Fleet Management Office. The Legislature has been looking to BRIM as a source of information which we are happy to share to the extent we can be helpful. They have yet to realize that BRIM's purpose and mission is completely different from that of the Fleet Management. Draft legislation was introduced at the December Interims which is concerning in many ways. We will continue to work with the legislation.

There is much excitement over our new Risk Management Information System (RMIS), which has entailed much work on the part of many BRIM employees. We are on the edge of signing a contract awarded to Emerson Software Solution following an intense bidding process. Some of the BRIM staff visited Kentucky to view another company's RMIS system which Emerson also created, and they had a favorable impression. Hopefully, this will bring us into the modern world and dramatically increase customer satisfaction and operational efficiency.

Regarding personnel, BRIM has lost another employee to retirement. Barbara Houchins retired in October and is living on her farm in Monroe County. We will miss Barb at BRIM.

We have been working with the Division of Personnel to get some classifications restructured for Loss Control and the Claim Departments so that there is a career path. Some of the positions we have are based on classifications which came from another department in state government and are not best suited for BRIM. There was a very positive meeting with Wendy Elswick and Joe Thomas at the Division of Personnel and they are working on ideas to bring back to us.

We currently have two vacant technical positions in the Loss Control Department. One vacancy has been advertised and we received some résumés but nothing that looked like a good fit. We are delaying hiring until Spring in the hopes of receiving interest from new graduates.

As you are aware, in addition to Barbara Houchins retiring, Bob Miller left us earlier this year. Due to these retirements, we also have openings in the Claim

Department. John Fernatt has become a full-time claim representative at BRIM. He will also maintain his information technology role that he does very well. Additionally, John will continue his duties with the COOP activity and the Active Shooter Program. John has also been very busy with the move and his efforts are appreciated.

The last item on the Director's report is an update on our trip to the Annual State Risk and Insurance Management Association (STRIMA). The conference took place in Reno, Nevada. Robert Fisher, Steve Schumacher, Melody Duke, Chuck Mozingo and I attended. We are pleased and excited that Melody Duke was elected President-Elect and she will take office this September 2017. Melody moving into the leadership in this organization reflects well on West Virginia. With all the issues surrounding budget, I would also like to mention that three of our STRIMA participates were on scholarships.

Mrs. Pickens asked for any questions regarding her report. We don't anticipate any legislation unless it would be concerning PICF since there are some problematic wrinkles in that bill.

Rules updates include the Mine Subsidence Rule and the PICF Rule, which are going through the process now. I am sure this will come up during the legislative session.

Mr. Dodrill raised a question concerning the medical malpractice program, inquiring if one or both of the med schools were behind on their deposits. Mr. Schumacher responded that both schools are current.

BRIM Financial Report

Mr. Schumacher began with the P-Card report and the sign-off sheet for the prior months presented at the last Board Meeting. Also, the disk report for the most recent four months was distributed. Mr. Schumacher noted that on the disk, there are two October's; one is blank and the other is labeled "October Corrected" and includes the detailed information. This report cover four months as opposed to two months on the last report. October is significantly higher than prior months. This is when we first started to see the activity that was paid via the P-Card for the moving. In addition, there are also the claims expenses.

Continuing, Mr. Schumacher noted with regard to the Audited Financials Draft--which was well covered earlier by Norman—he wanted to mention on Page 50, the favorable development in prior year reserves. This is the first time in three years we have seen a favorable development. Before that, the prior two years, we had about $9,000,000 of adverse development. The key issue from a premium perspective is that we cannot go back and recapture this money. If a favorable development trend continues, it would benefit BRIM. There were some significant events that we experienced in the past--the correctional issues and other issues that caused us to fall behind the curve before we knew what was going on. Most of these events are behind us, and we can do a better job going forward.

Mr. Schumacher thereafter presented claims loss information relative to premiums. We did exceptionally well on the expense side, and we did give back some money in premiums during 2016. The area we still struggle with is on the loss side. The claims expense area is where we need to focus most.

In reviewing the basic information for the first four months through October 31, 2016, Mr. Schumacher commented on the highlights during this period. Investment returns are better than last year, primarily because the equity market is the force driving this number.

In August 2013, the Board approved a Premium-to-Net Asset Reserve policy. Mr. Schumacher covered the established process to assist the Board in assessing BRIM's overall financial condition. The premium-to-net asset ratio shows that BRIM needs an additional $28 million in net assets to be near the mid-range for a comparable level of risk to the benchmark. Currently, BRIM is approximately 17% below what is acceptable for the level of net premium generated by BRIM for FY16 verses group benchmark.

Mr. Schumacher thereafter offered to answer any questions regarding the distributed reports. Chairman Martin complimented Mr. Schumacher on his presentation and giving the Board a guideline. He also explained the net asset ratio policy was put into place so the Board could quantify, track and assure adequate reserves. Mr. Schumacher further explained that Mine Subsidence is not included in the ratio because it is a restricted fund. Mrs. Pickens commented that during the upcoming session, we may need to educate those in the Legislature about BRIM. Discussion followed among the Board regarding the manner in which BRIM could be viewed by the legislators.

Afterwards, a very lengthy discussion was held regarding the premium rates and what causes the increases and what we can do to lower them. It is anticipated that the rates will go up 8% for FY '18.

Mr. Fisher commented that if anyone raises an issue at the Legislature, we are basically privatized. There is no savings to be had by "farming" this out. The private sector is doing everything except managing, and we manage cheaper than anybody else can. Mr. Schumacher thereafter noted that a large portion of our claims expense is being shifted to AIG.

Loss Control Report

There being no questions for Mr. Schumacher, Chairman Martin asked Mr. Fisher to present the Loss Control Report. The report was received and filed, a copy of which is attached and made a part of the record.

Mr. Fisher began by stating that the Loss Control staff is finishing the process of evaluating the agency questionnaires. Almost 130 of the 170 are receiving credits. This means they are doing what we ask and costs are being driven downward. Mr. Fisher noted that BRIM and Hartford Steam Boiler sponsored two boiler safety and operational seminars in October. More than 110 participants attended.

As previously mentioned, we have two vacant technical positions that need to be filled. We have not been successful in filling the vacancies because we cannot offer the salary range required for those interested in this field. Jeremy Wolfe is an excellent trainer. Many of the résumés received specified salary. We cannot meet their requirements--especially when their expected salary is higher than that paid to our current employees. In addition, we have outdated job descriptions for the positions but we hope to rectify that; we do need to have these positions filled.

Mr. Wolfe has been visiting some local, vacant schools, which supposedly had some personally identifiable information left behind when they closed that received the press's attention.

Mr. Wolfe has been working with AON who does our property inspections. They have identified properties that fall within flood zones. So far, they have located 74 properties with insured values of approximately $790,000. They are meeting with those people to discuss their flood mitigation issues to keep BRIM from getting hit with those claims.

Mr. Fisher noted that Senate Bill #3 questionnaires are out and due back January 1, 2017.

There were no questions for Mr. Fisher.

UNFINISHED BUSINESS

A motion was made by Dr. Magee to accept the investment reports presented by Mr. Nate Pearson of Standish Mellon at the BRIM Board Meeting on September 13, 2016. Mr. Wilson seconded the motion. There being no discussion, a vote was taken and the MOTION ADOPTED.

A motion was made by Mr. Wilson to accept the investment report presented by Mr. Tom Sauvageot of the Investment Management Board at the BRIM Board Meeting on September 13, 2016. Dr. Magee seconded the motion. There being no discussion, a vote was taken and the MOTION ADOPTED.

NEW BUSINESS

There was no new business.

ADJOURNMENT

There being nothing further, the meeting adjourned at 2:24 p.m.

Board Chairman

3/21/17
Date

STATE OF WEST VIRGINIA
DEPARTMENT OF ADMINISTRATION
BOARD OF RISK AND INSURANCE MANAGEMENT

Earl Ray Tomblin
Governor

Mary Jane Pickens
Executive Director
Acting Cabinet Secretary

Executive Director's Report

December 20, 2016

A. Marshall University and West Virginia University Medical Malpractice Program

As of December 14, 2016, Marshall has deposited $900,000.00 into the escrow account for FY 2017. The fiscal year-to-date cumulative interest totals $3,769.93. Disbursements totaling $925.216.49 have been paid thus far in FY 2017.

As of December 14, 2016, a total of $3,041,973.67 funds have been deposited into WVU's escrow account for FY 2017. The fiscal year-to-date cumulative interest totals $6,980.14. Disbursements totaling $3,049,791.11 have been paid thus far in FY 2017.

B. State Agency/Senate Bill #3 Liability Claim & Litigation Information

TRIALS

- Thus far in 2016, we have tried eleven cases to verdict, with seven defense verdicts (of which one was a directed verdict and one a defense verdict in Magistrate Court) and four plaintiff verdicts. One of the plaintiff verdicts was less than our offer, the others were pure plaintiff verdicts, and one of these cases is on appeal.

PAID CLAIMS (August 2016 Data)

- Claims Indemnity payments YTD total $37,930,570 vs. PYTD of $35,262,833, an increase of 7.57%.
- Claims Expense payments YTD total $17,138,701 vs. PYTD of $17,010,599, an increase of 0.75%.

OUTSTANDING CLAIMS (August 2016 Data)

- November 2016 Indemnity reserves total $60,019,919 vs. November 2015 Indemnity reserves of $52,701,494, an increase of 13.89 %.
- November 2016 Expense reserves total $19,748,962 vs. November 2015 Expense reserves of $21,131,798, a decrease of 6.54%.

CLAIMS COUNTS (August 2016 Data)

- New claims YTD total 2711 vs. PYTD of 2908, a decrease of 6.77%.
- Closed claims YTD total 2967 vs. PYTD of 2868, an increase of 3.45%.
- Open claims YTD total 992 vs. PYTD of 1070, a decrease of 7.29%.

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C. Patient Injury Compensation Fund (PICF)

1. Status of Claims Settled and Pending

AIG and Ron Walters, one of AIG's structured settlement brokers, are working to resolve the final three PICF claims that became final during the last fiscal year. One of the three has accepted our award that is being paid as a structured payout and the other two claims are awaiting acceptance. By utilizing structured payouts, we should realize substantial savings to the Fund.

We have received an appeal of a PICF claim that the Fund denied to the claimant. The appeal was filed within 30 days of the denial letter being issued, as required by W. Va. CSR §115-7-11.1. Pursuant to W. Va. CSR 115-8-2.1, BRIM must now conduct a hearing, held in accordance with the State Administrative Procedures Act, before either the BRIM Executive Director or an Administrative Law Judge (ALJ). We will be choosing an ALJ to conduct the hearing. We anticipate that a hearing will not occur until well after the first of next year.

We have two PICF claims currently pending before the Executive Review Committee. We will be meeting to address these claims in the immediate future. Our goal is to finalize all remaining PICF claims before the end of this fiscal year if possible.

2. PICF Funding Sources

We received our first quarterly report from the Office of the Insurance Commissioner (OIC) and sent letters to the claimant and defense attorney involved in each claim as well as to the adjuster who submitted the report to the OIC to advise each of the requirement that 1% of Medical Professional Liability Act (MPLA) settlements/judgments be remitted to the PICF in accordance with Senate Bill 602. To date, we have received only a handful of payments, though we expect more.

We received a call from the Kanawha County Circuit Clerk's office to inquire about the procedure for submitting monies they collect as 1% of MPLA settlements/judgments. That office indicated that they would remit as collected, rather than periodic submission as is the case with the PICF's portion of MPLA filing fees.

We intend to issue a letter to each of the state's hospitals inquiring about their settlements and reminding them of the statutory requirement that they remit 1% of MPLA settlements. Since self-insured hospitals are not required to notify the OIC of settlements, as insurance companies are, we currently have no way of knowing of settlements they enter into.

We are also considering issues relating to the WV Trauma Registry and the number of treatments reported to the Registry. We requested a report from the Trauma Registry showing reported treatment between January 1 and July 31, 2016; though the first report for collection purposes won't be provided until sometime this coming spring. At that time, BRIM will assess the designated trauma centers for reported treatment for calendar year 2016.

When Senate Bill 602 was passed, it was anticipated that the various funding sources would provide approximately $2 million per year for four years as revenue for the fund. Although it's too early to project settlements, it appears that this estimate may be about what we receive. We hope to have an approximation of what will be required to resolve all outstanding claims in the near future. BRIM is required to file a report with the Joint Committee on Government and Finance in January, 2018.

D. Cyber Allocation

We are working with Arthur J. Gallagher, our cyber broker, to develop a premium allocation model to compute cyber premium. Since we first bought cyber coverage in 2014, we have included the cost for that coverage as part of the general and administrative costs for the agency. Now that we have most all agencies covered, it seems appropriate to now allocate the costs to the agencies. We anticipate including the allocation in the coming fiscal year's premium to state agencies.

E. Fleet Management

We participated in a meeting with Legislative Auditors staff as well as Legislative Committee counsel and representatives of the Department of Administration, the Fleet Management Office, Oasis and BRIM to discuss state fleet management issues. Legislative staffers presented its report to the Joint Committee on Government Operations at the December interim committee meetings. The Legislature is continuing to look at the size and management of the state fleet of vehicles and will apparently look next at how the fleet is being utilized. We anticipate legislation being introduced during the regular session that addresses fleet issue and may involve BRIM.

F. Risk Management Information System (RMIS)

After many years of trying, we are finally on the verge of procuring a new Risk Management Information System. We are currently utilizing a system designed by former Director Bob Corey many decades ago. While it has worked well for us, it is technically outdated and very few people remain in state government who know how to keep it working as we need it. Even the Office of Technology has told us it's time to get a new system. We issued a request for information several years ago but did not move forward. This year we issued two requests for proposal and after much effort and deliberation, we have chosen the successful vendor. The contract was awarded to Emerson Software Solutions. We are currently finalizing the contract language which will be submitted to Emerson for consideration. Once executed, work should begin on the system. We would like to see the system operational in six months, but will have to see how long it takes for data conversion and system personalization. We are very excited based on what was demonstrated to us during live presentations by Emerson.

G. Personnel

Barbara Houchins retired from her position as a Claim Representative for BRIM on October 31. She had been with us since 2004. While we hated to see her go, we hope she will enjoy her retirement.

We met with representatives of the Division of Personnel to once again request the addition of two new job classifications for Claim Representative positions within BRIM. We first sought these additions more than fifteen years ago, but the Personnel Board refused to add them. We are more confident that they can be added this time.

We are also working with the Division of Personnel with regard to the current job classifications for Loss Control Specialists. The current classifications are Workers' Compensation based, as are the current classifications for Claim Representative, and do not reflect the complexity of what our folks do, and do not have a salary structure that is commensurate with the level of knowledge and experience needed. We have provided Personnel with requested information and will await the results of their endeavors.

We currently have two vacant technical positions within the Loss Control Department. We published an ad in the local paper on three consecutive Sundays, but only received eight resumes. After review of the resumes received and consideration of many of the salary demands that far exceed what we can pay, we decided to delay hiring until the spring when new college graduates are looking for a position. We have notified the current applicants that we have decided to delay the hiring process, but that we will keep their information for when we try again.

As you may recall, Bob Miller retired in May after more than 15 years' service as a claim representative and with Barb Houchins retirement in October, we had two technical vacancies within the Claim Department. We are pleased to announce that John Fernatt has accepted a full-time position as a Claim Representative within the agency. In addition to his claim duties, he will continue to address BRIM's Information Technology needs and will be involved with BRIM Continuity of Operations and Active Shooter loss control efforts.

H. Miscellaneous

1. The annual State Risk and Insurance Management Association (STRIMA) Conference was held in Reno, Nevada from September 19th thru the 23rd. Robert Fisher, Steve Schumacher, Melody Duke, Chuck Mozingo and I attended. Melody was elected President-Elect and will take office in September 2017. In light of current state budget constraints, we were very pleased that Steve, Melody and Chuck were able to attend the conference on STRIMA scholarships.

Very truly yours,

Mary Jane Pickens

Mary Jane Pickens
Executive Director

MJP/RAF:lld

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STATE OF WEST VIRGINIA
DEPARTMENT OF ADMINISTRATION
BOARD OF RISK AND INSURANCE MANAGEMENT

Earl Ray Tomblin
Governor

Mary Jane Pickens
Executive Director
Acting Cabinet Secretary

Chief Financial Officer's Report
December 20, 2016

A. P Card Report

CD copies contain the supporting detail for P card purchases for the months of July, August, September and October, 2016. These totals are:

July	$22,732.15
August	$27,000.51
September	$46,752.74
October	$79,268.21

B. Audited Financials (Draft) and Audit Results and Communications

- The overall decrease of $3 million in provision for insured events in prior years for the current years is the first favorable outcome for this metric in the last three years after a total increase of $9.1 million combined for FY'14 and FY'15.
- BRIM's loss ratio is 109% vs. the industry average of 72%; well above the industry average.
- BRIM's expense ratio of 7% is very favorable vs. the industry average of 28%.
- BRIM's combined ratio of 116% is well above the industry average of 100%. BRIM's high loss ratio is the primary driver behind BRIM's unfavorable combined loss ratio.
- Excluding the credits given in FY'16 premiums for earlier prior year reserve decreases, BRIM's loss ratio would have been 99%, BRIM's expense ratio would have been 6% and BRIM's combined ratio would have been 105%.

C. Current Financial Results

- The financial results presented are for the quarter ended October 31, 2016. The results reflect the actuarially estimated unpaid losses from AON's risk funding study as of September 30, 2016.
- Premium revenue has increased by $2.0 million for the first four months of FY'16. BRIM increased premiums in FY'17 to cover the projected increase in claims costs for the year.
- FY'17 reflects an estimated increase of claims reserves of $4.8 million for the current year vs. an increase of $0.9 million for the same period last year. Reserve additions increased claims expenses for both years and were a drag on operating results for both years.
- Actual claims payments for the first four months of FY'17 are about $1.2 million higher than the same period last year, also increasing claims expense.

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- A better equity market environment resulted in gains of $2.4 million for the current year vs. losses of $0.2 million for the same period last year.
- In July, the transfer of $2.8 million to the Patient Injury Compensation Fund (PICF), as mandated by enactment of HB4261, resulted in a decrease of the same amount to BRIM's net position through October 31.
- Unfavorable claims loss trends hampered the overall results for both years. This trend, coupled with the transfer out of the $2.8 million in funds to the Patient Injury Compensation Fund, resulted in a net loss of $4.0 million for the first four months of FY'17. The unfavorable claims loss trend together with investment losses in FY'16 resulted in a net loss of $0.7 million for last year.

D. Premium to Net Asset Reserve Ratio

- On August 27, 2013 the Board approved a premium to net asset reserve ratio policy. The policy established a process to help guide BRIM's Board in assessing BRIM's overall financial condition. A calculated composite benchmark establishes a target range of net assets to assist BRIM in maintaining an adequate level of capital to help stabilize rates from year to year and to assist in monitoring BRIM's financial stability.
- The net asset reserve policy formulates a composite benchmark by combining a group of external insurance entities premiums to net assets to calculate a net asset ratio. This is then used as a basis to evaluate BRIM's premium to net assets ratio.
- A range of premium to net asset reserves is then developed to use a guide to help evaluate acceptable risk level factors for BRIM's calculated ratio and how BRIM is tracking versus the similar type insurance entities that comprise the benchmark study.
- The attached range exhibit shows that BRIM has assumed more risk than the composite of the benchmark group of entities. The premium to net asset ratio indicates that BRIM would need and additional $28 million in net assets to fall near the middle of the range for a comparable level of risk to the benchmark. BRIM's net position (i.e. capital) is about 17% below what is acceptable for the level of net premium generated by BRIM for FY'16 vs. the composite group benchmark.

Respectfully submitted,

Stephen W. Schumacher, CPA
Chief Financial Officer

West Virginia Board of Risk and Insurance Management

Statements of Net Position

For the Four Months Ended October 31st

	2016	2015
	(In Thousands)	
Assets		
Current assets:		
Cash and cash equivalents	9,924	3,474
Advance deposits with insurance company and trustee	206,601	212,286
Receivabales	10,496	8,488
Prepaid insurance	4,452	4,547
Restricted cash and cash equivalents	8,071	8,798
Restricted receivables:	0	0
Premiums due from other entities	620	597
Total current assets	240,165	238,191
Noncurrent assets:		
Equity position in internal investments pools	86,191	83,002
Restricted investments	49,775	47,964
Total noncurrent assets	135,965	130,966
Total assets	376,130	369,157
Deferred Outflows of Resources	387	127
Liabilities		
Current liabilities:		
Estimated unpaid claims and claims adjustment expense	50,819	47,890
Unearned premiums	13,108	11,983
Agent commissions payable	350	283
Claims Payable	135	96
Accrued expenses and other liabilities	1,889	2,432
Total current liabilities	66,301	62,684
Estimated unpaid claims and claims adjustment expense net of current portion	122,368	113,952
Compensated absences	91	76
Net pension liability	467	253
Total noncurrent liabilities	122,926	114,281
Total liabilities	189,227	176,965
Deferred Inflows of Resources	304	270
Net position:		
Restricted by State code for House Bill 601 Program and mine subsidence cove	57,138	55,427
Unrestricted	133,821	137,393
Net Assets (Deficiency)	(3,971)	(771)
Net position	$ 186,987	$ 192,049

West Virginia Board of Risk and Insurance Management

Statements of Revenues, Expenses, and Changes in Net Position

For the Four Months Ended October 31st

	2016	2015
	(In Thousands)	
Operating revenues		
Premiums	$ 23,619	$ 21,674
Less coverage/reinsurance programs	(2,226)	(2,252)
Net operating revenues	21,393	19,422
Operating expenses		
Claims and claims adjustment expense	23,672	18,594
General and administrative	1,280	1,363
Total operating expenses	24,953	19,957
Operating income (loss)	(3,560)	(535)
Nonoperating revenues		
Investment income	2,399	(236)
Appropriation Transfer HB4261	(2,810)	0
Payment to transfer HB601 estimated future IBNR	–	0
Net nonoperating revenues	(411)	(236)
Changes in net position	(3,971)	(771)
Total net position, beginning of year	190,959	192,820
Total net position, end of period	$ 186,987	$ 192,049

External Benchmark Comparison (FY'16)

(BRIM Actual Premium)

Calculation of the Average Premium to Net Assets Ratio (PNAR) - Similar Organizations

Premium or Operating Revenue	Net Assets	Premium to Net Asset Ratio (PNAR)	Name of Entity
21,360,762	43,607,662	0.490	Utah Local Government Trust
8,474,294		0.472	Texas Council Risk Management Fund (Cities)
	10,583,893	0.422	Miami Valley R.M. Association (Ohio Municipalities)
11,581,624		0.269	Local Gov't Ins. Trust (Maryland Counties and Municipalities)
27,702,417	92,150,529	0.301	Intergovernmental Risk Mgmt. Agency (Illinois Municipalities)
4,268,066	17,296,596	0.247	Texas Water Conservation Fund
77,849,462	$ 224,594,263		Combined Entities

$ 77,800,000	$ 224,600,000	0.346
$ 55,925,000	$ 133,837,000	0.418

Derivation of Statistics:

Entity Count Per Above	6	Number of Similar Organizations With Data Available
(0.490 - 0.247)/2 = .122	0.122	Average of the Range Between the Highest and Lowest PNAR
		Combined PNAR of Similar Organizations (Average Risk)
		BRIM's Premium Revenue, NAR and Calculated PNAR

Step 2: Matrix of Net Assets Risk Ratings for Various Premium Levels ($ rounded to nearest 100,000)

Actual Premium Levels	Less Risk<------------------Average Risk----------------->More Risk				
	(PNAR Factor & NAR $ Level)	PNAR Factor & NAR $ Level)	(PNAR Factor & NAR $ Level)	(PNAR Factor & NAR $ Level)	(PNAR Factor & NAR $ Level)

	0.246	0.296	0.346	0.396	0.446
$ 80,000,000	$ 325,200,000	$ 270,300,000	$ 231,200,000	$ 202,000,000	$ 179,400,000
$ 77,500,000	$ 315,000,000	$ 261,800,000	$ 224,000,000	$ 195,700,000	$ 173,800,000
$ 75,000,000	$ 304,900,000	$ 253,400,000	$ 216,800,000	$ 189,400,000	$ 168,200,000
$ 72,500,000	$ 294,700,000	$ 244,900,000	$ 209,500,000	$ 183,100,000	$ 162,600,000
$ 70,000,000	$ 284,600,000	$ 236,500,000	$ 202,300,000	$ 176,800,000	$ 157,000,000
$ 67,500,000	$ 274,400,000	$ 228,000,000	$ 195,100,000	$ 170,500,000	$ 151,300,000
$ 65,000,000	$ 264,200,000	$ 219,600,000	$ 187,900,000	$ 164,100,000	$ 145,700,000
$ 62,500,000	$ 254,100,000	$ 211,100,000	$ 180,600,000	$ 157,800,000	$ 140,100,000
$ 60,000,000	$ 243,900,000	$ 202,700,000	$ 173,400,000	$ 151,500,000	$ 134,500,000
$ 57,500,000	$ 233,700,000	$ 194,300,000	$ 166,200,000	$ 145,200,000	$ 128,900,000
$ 55,000,000	$ 223,600,000	$ 185,800,000	$ 159,000,000	$ 138,900,000	$ 123,300,000
$ 52,500,000	$ 213,400,000	$ 177,400,000	$ 151,700,000	$ 132,600,000	$ 117,700,000
$ 50,000,000	$ 203,300,000	$ 168,900,000	$ 144,500,000	$ 126,300,000	$ 112,100,000
$ 47,500,000	$ 193,100,000	$ 160,500,000	$ 137,300,000	$ 119,900,000	$ 106,500,000
$ 45,000,000	$ 182,900,000	$ 152,000,000	$ 130,100,000	$ 113,600,000	$ 100,900,000
$ 42,500,000	$ 172,800,000	$ 143,600,000	$ 122,800,000	$ 107,300,000	$ 95,300,000
$ 40,000,000	$ 162,600,000	$ 135,100,000	$ 115,600,000	$ 101,000,000	$ 89,700,000
$ 37,500,000	$ 152,400,000	$ 126,700,000	$ 108,400,000	$ 94,700,000	$ 84,100,000
$ 35,000,000	$ 142,300,000	$ 118,200,000	$ 101,200,000	$ 88,400,000	$ 78,500,000
$ 32,500,000	$ 132,100,000	$ 109,800,000	$ 93,900,000	$ 82,100,000	$ 72,900,000

Earl Ray Tomblin
Governor

Mary Jane Pickens
Executive Director
Acting Cabinet Secretary

Loss Control Report to the Board
December 2016

We have finished our evaluation of state agency loss control questionnaire submissions. We will be issuing credits to almost 130 state agencies based on their participation in our Standards of Participation program. Credits and surcharges will be applied to FY 2018 premiums.

BRIM and Hartford Steam Boiler sponsored two boiler safety and operational seminars in October. More than 110 people attended and participated in the seminars. We continue to be pleased with the level of interest generated by these seminars.

We have two vacant technical positions within the Department. We advertised to fill one of the positions, but had only limited interest expressed and for many, their salary requirements were greater than we can meet. We've decided to wait until the spring to try to complete the hiring process when new college graduates are looking for work.

We have been partnering with Aon on a project which identifies insured locations that are situated in flood zones. We intend to visit with these insured in the spring to review and make recommendations related to their flood mitigation plans. Thus far we have identified 74 locations with total insured values nearing $790,000.

We sent out loss control questionnaires to our Senate Bill #3 customers in October and they are due back to us by January 1 along with supporting documentation.

During the months of September, October, November and December Aon conducted 153 inspections and Hartford conducted 1,026. The reports are being processed according to established procedures.

Since my last report, our loss control technical staff reports the following activity:

4 Loss Control Visits
These are standard loss control visits which focus on all coverage areas and which result in information and/or loss control recommendations being provided.

12 Standards of Participation Visits

These are visits which are designed to provide assistance to our insured who are seeking to become compliant with the BRIM Standards of Participation program.

1 Presentation Visits

These are visits during which we provide active training and/or outreach to a group of individuals.

Dated: December 20, 2016

Respectfully submitted,

Robert A. Fisher

Robert A. Fisher
Deputy Director *and* Claim Manager

West Virginia Board of Risk and Insurance Management (an Enterprise Fund of the State of West Virginia)

Financial Statements, Required Supplementary Information, and Other Financial Information

Years Ended June 30, 2016 and 2015

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Table of Contents

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Report of Independent Auditors

Board of Directors and Management
West Virginia Board of Risk and Insurance Management
Charleston, West Virginia

Report on the Financial Statements
We have audited the accompanying financial statements of the West Virginia Board of Risk and Insurance Management (BRIM), an enterprise fund of the State of West Virginia, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the BRIM's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of BRIM, an enterprise fund of the State of West Virginia, as of June 30, 2016, and the changes in the financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

DIXON HUGHES GOODMAN LLP

Basis of Presentation

As discussed in Note 2, the financial statements of BRIM are intended to present the financial position, and the changes in financial position and cash flows of only that portion of the business type activities of the State of West Virginia that is attributable to the transactions of BRIM. They do not purport to, and do not present fairly the financial position of the State of West Virginia as of June 30, 2016, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Prior Period Financial Statements

The financial statements of BRIM as of and for the year ended June 30, 2015, were audited by other auditors whose report dated December 7, 2015, expressed an unmodified opinion on those statements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4 to 11 and the required supplementary information on pages 58 to 63 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Financial Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise BRIM's basic financial statements. The accompanying schedules on pages 64 through 71 listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

DIXON HUGHES GOODMAN LLP

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards,* we also have issued our report dated December 19, 2016, on our consideration of BRIM's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering BRIM's internal control over financial reporting and compliance.

Dixon Hughes Goodman LLP

Charleston, West Virginia
December 19, 2016

Management's Discussion and Analysis
(in thousands)

Management's Discussion and Analysis (in thousands)

Overview of the financial statements

Management of the West Virginia Board of Risk and Insurance Management (BRIM) provides this Management's Discussion and Analysis for readers of BRIM's financial statements. This narrative overview of the financial activities of BRIM is for the years ended June 30, 2016, 2015, and 2014. BRIM provides property and casualty insurance to the State of West Virginia (the State) agencies and Senate Bill 3 (SB3) entities, which include boards of education, and governmental and nonprofit organizations. BRIM also administers a coal mine subsidence reinsurance program that makes available to the general public dwelling insurance covering damage caused by the collapse of underground coal mines. From December 2001 until novation to a physician's mutual on July 1, 2004, BRIM's program was expanded to include providing medical malpractice insurance to private sector health care providers (referred to hereafter as the House Bill 601 Program). The hospitals that were non-renewed in 2003 are still being managed by BRIM for claims that were made during the period they were insured.

As an enterprise fund, BRIM's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America for governmental entities. The three basic financial statements presented are as follows:

- *Statement of Net Position* - This statement presents information reflecting BRIM's assets, liabilities, and net position and is categorized into current and noncurrent assets and liabilities. For purposes of the financial statements, current assets and liabilities are those assets and liabilities with immediate liquidity or that are collectible or becoming due within 12 months of the statement's date.

  The statement of net position reports a separate financial statement element called *deferred outflows of resources.* This financial statement element represents a consumption of net position that applies to a future period and so will *not* be recognized as an outflow of resources (expense) until that time. The statement of net position reports a separate financial statement element called *deferred inflows of resources.* This financial statement element represents an acquisition of net position that applies to a future period and so will *not* be recognized as an inflow of resources (revenue) until that time.

- *Statement of Revenues, Expenses, and Changes in Net Position* - This statement reflects the operating and nonoperating revenues and expenses for the operating year. Operating revenues primarily consist of premium income with major sources of operating expenses being claims loss and loss adjustment expense and general and administrative expenses. Nonoperating revenues primarily consist of investment income and appropriations from the State.

- *Statement of Cash Flows* - The statement of cash flows is presented on the direct method of reporting, which reflects cash flows from operating, noncapital financing, and investing activities. Cash collections and payments are reflected on this statement to arrive at the net increase or decrease in cash and cash equivalents for the year.

During fiscal year 2016, BRIM implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application* and GASB Statement No 79, *Certain External investment Pools and Pool Participants*. GASB 72 generally requires investments to be measured at fair value and disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques, organized by type of asset or liability reported at fair value. It also requires additional disclosures for investments in certain entities that calculate net asset value (NAV) per share (or its equivalent). GASB 79 establishes criteria for making the election to measure all of its investments at amortized cost for financial reporting purposes. BRIM participates in BTI's West

Virginia Money Market Pool, which has been deemed to meet the criteria and is reported at amortized cost. Accordingly, as a pool participant BRIM measures its investment in this pool at amortized cost. The adoption of the these standards had no effect on BRIM's statements of net position or changes in net position, but primarily related to modifications and additions to the disclosures related to BRIM's cash equivalents and investments.

Effective July 1, 2014, BRIM adopted the provisions of GASB Statement No. 68, Accounting and Financial Reporting for Pensions — an amendment of GASB Statement No. 27, and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date — an amendment of GASB Statement No. 68. BRIM determined that it was not practical to restate all periods presented and has recorded the cumulative effect of the decrease to beginning net position of implementing this change of $495 as of July 1, 2014, which is the net pension liability of $628 less deferred outflows of resources related to pension plan contributions of $133 as of that date. BRIM further determined that it was not practical to determine the amounts of all deferred inflows of resources and deferred outflows of resources related to pensions as of July 1, 2014, and these amounts are not reported.

(in thousands)

Financial highlights

The following tables summarize the statements of net position and changes in net position as of and for the years ended June 30, 2016, 2015, and 2014:

	2016	2015	2014	Change 2016-2015 Amount	Change 2016-2015 Percent	Change 2015-2014 Amount	Change 2015-2014 Percent
Cash and cash equivalents	$ **25,946**	$ 19,505	$ 13,354	$ 6,441	33.0%	$ 6,151	46.1%
Advance deposits with carrier/trustee	**210,152**	204,219	206,774	5,933	2.9	(2,555)	(1.2)
Receivables	**1,874**	2,531	3,611	(657)	(26.0)	(1,080)	(29.9)
Total current assets	**237,972**	226,255	223,739	11,717	5.2	2,516	1.1
Noncurrent investments	**132,322**	137,824	147,378	(5,052)	(4.0)	(9,554)	(6.5)
Total assets	**370,294**	364,079	371,117	6,215	1.7	(7,038)	(1.9)
Deferred outflows of resources related to pension	**387**	127	-	260	204.7	127	100.0
Estimated unpaid claims and claims adjustment expense	**50,819**	47,890	53,448	2,929	6.1	(5,558)	(10.4)
Unearned premiums	**8,300**	7,659	7,518	641	8.4	141	1.9
Agent commissions payable	**1,100**	1,032	939	68	6.6	93	9.9
Accrued expenses	**1,025**	1,136	469	(111)	(9.8)	667	142.2
Total current liabilities	**61,244**	57,717	62,374	3,527	6.1	(4,657)	(7.5)
Estimated unpaid claims and claims adjustment expense, net of current portion	**117,616**	113,070	99,756	4,546	4.0	13,314	13.3
Compensated absences	**91**	76	76	15	19.7	-	0.0
Net Pension Liability	**467**	253	----	214	84.6	253	100.0
Total noncurrent liabilities	**118,174**	113,399	99,832	4,775	4.2	13,567	13.3
Total liabilities	**179,418**	171,116	162,206	8,302	4.9	8,910	5.5
Deferred inflows of resources related to pension	**304**	270	-	34	12.6	270	100.0
Net position:							
Restricted	**57,123**	55,428	53,595	1,695	3.1	1,833	3.4
Unrestricted	**133,836**	137,392	155,316	(3,556)	(2.6)	(17,924)	(11.5)
Net position	**$ 190,959**	$ 192,820	$ 208,911	$ (1,861)	(1.0)%	$ (16,091)	(7.7)

(in thousands)

(continued)	2016	2015	2014	Change 2016-2015 Amount	Change 2016-2015 Percent	Change 2015-2014 Amount	Change 2015-2014 Percent
Premiums	$ **65,293**	$ 58,204	$ 52,128	$ 7,089	12.2%	$ 6,076	11.7%
Less excess coverage	**(6,909)**	(6,197)	(6,102)	(712)	11.5	(95)	1.6
Net operating revenues	**58,384**	52,007	46,026	6,377	12.3	5,981	13.0
Claims and claims adjustment expense	**63,753**	68,145	61,626	(4,392)	(6.4)	6,519	10.6
General and administrative	**3,905**	3,541	3,898	364	10.3	(357)	(9.2)
Total operating expenses	**67,658**	71,686	65,524	(4,028)	(5.6)	6,162	9.4
Operating loss	**(9,274)**	(19,679)	(19,498)	10,405	(52.9)	181	0.9
Nonoperating revenues:							
Investment income	**7,413**	4,833	17,043	2,580	53.4	(12,210)	(71.6)
Appropriation transfer HB4261	**-**	-	(2,000)	-	0.0	2,000	(100.0)
Payment to transfer HB601 estimated future IBNR	**-**	(750)	-	750	(100.0)	(750)	100.0
Total nonoperating revenues, net	**7,413**	4,083	15,043	3,330	81.6	(10,960)	(72.9)
Changes in net position	**(1,861)**	(15,596)	(4,455)	13,735	(88.1)	(11,141)	250.1
Total net position - beginning	**192,820**	208,911	213,366	(16,091)	(7.7)	(4,455)	(2.1)
Cumulative effect of adoption of GASB 68	**-**	(495)	-	495	(100.0)	(495)	100.0
Total net position - beginning of year restated	**192,820**	208,416	213,366	(15,596)	(7.5)	(4,950)	(2.3)
Total net position - end	**$ 190,959**	$ 192,820	$ 208,911	$ (1,861)	(1.0)	$ (16,091)	(7.7)
Total revenues	**$ 65,797**	$ 56,090	$ 61,069	$ 9,707	17.3	$ (4,979)	(8.2)
Total expenses	**$ 67,658**	$ 71,686	$ 65,524	$ (4,028)	(5.6)	$ 6,162	9.4

- Total assets increased by $6,215 in 2016 and decreased by $7,038 in 2015. The increase in 2016 is due to an increase in investment earnings and an increase in premium revenue. The decrease in 2015 is due to increased premiums and lower investment earnings. This was offset by an increase in claims paid to claimants in 2015.

- Total liabilities increased $8,302 in 2016 and increased by $8,910 in 2015. Estimated claims expense increased in 2016 and 2015, mostly from an increase in the current year provision for both years and adverse development in the prior year reserve estimates for 2015, including an unanticipated increase in State general liability claims (primarily in 2010 and 2011 reserves) and a couple of large property loss occurrences that adversely impacted both the State and SB3 programs (2012 reserves).

- Several factors contributed to the $1,861 decrease in total net position for 2016 and the $16,091 decrease for 2015. In 2016, revenue increased due to premium increases and investment earnings increased over 2015 by, $2,580, due to market conditions. BRIM also implemented GASB 68 in 2015, which resulted in an adjustment that reduced beginning net position by $495. Total operating expenses for the year decreased $4,028, which was primarily caused by the decrease in claims expense. In 2016, the increase in estimated claims expense liability grew by a combined $7,475 based on the actuarial study. The investment returns of 2016 almost offset the increase in claims liability. Also included within the net position category are restricted positions totaling $57,123 in 2016, $55,428 in 2015, and $53,595 in 2014 for programs that provide mine subsidence coverage to the general public per the West Virginia State Code and that had previously provided medical malpractice tail coverage for the House Bill 601 Program.

- Total net operating revenues increased by $6,377 in 2016 and increased by $5,981 in 2015. The unfavorable claims trend developments in prior years' outstanding claims reserve has led BRIM to increase premium rates to policyholders for 2016 and 2015.

- Total operating expenses decreased to $67,658 in 2016 from $71,686 in 2015. Claims and claims adjustment expense decreased year over year by $4,392 while G&A expenses increased by $364.

- Nonoperating revenues, net increased by $3,330 in 2016 and decreased $10,960 in 2015. The increased investment returns reflect the increase of the market value of the bonds held resulting from the lower interest rate environment, while a weaker stock market impacted the other investment holdings.

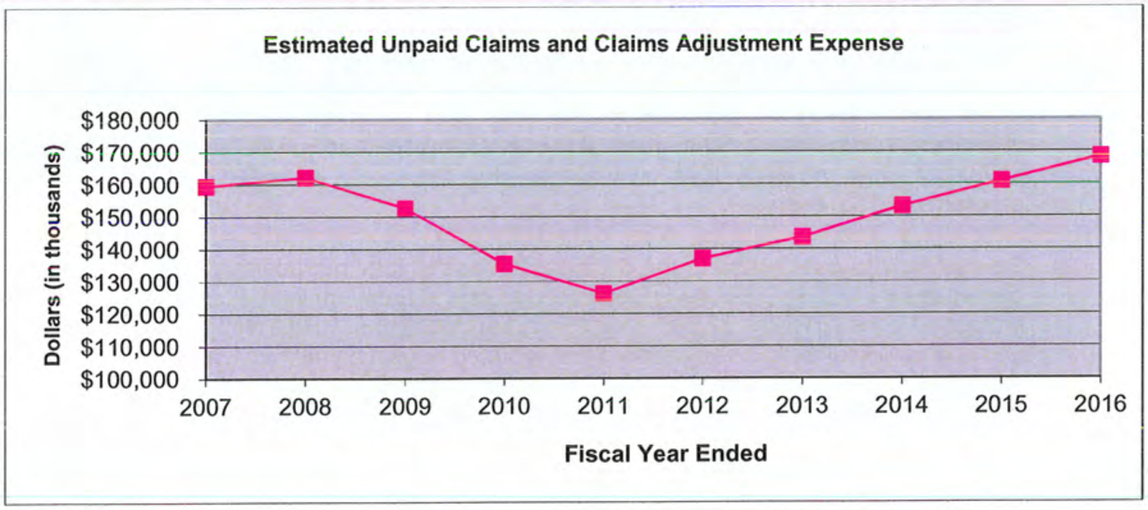
- Total revenues and total expenses from 2016 to 2015 and from 2015 to 2014 have fluctuated due to alterations in premium rates, the changes in the retained loss estimates, and the variations in annual investment market returns. See the analysis of these individual components, as previously discussed, for additional information.

Overall analysis

The overall condition of BRIM deteriorated 1.0% from the prior year compared with a decrease of 7.7% from 2014 to 2015. Reserves increased again in 2016, but there was also an increase in investment earnings over 2015. The overall increase in claims and claims adjustment expense, offset in part by an increase in investment earnings, caused the decrease of net position for the current year, reflecting a net position total of $190,959 at June 30, 2016. BRIM continues to adhere to a comprehensive financial stability and rating plan.

Unpaid Claims Liability

BRIM's most significant number on its statements of net position is the liability for estimated unpaid claims and claims adjustment expense. This liability consists of two parts: claims of which BRIM is aware that have been reserved and incurred but not reported (IBNR) claims, which are projected by an independent actuary. From fiscal year 2015 to 2016, the liability for unpaid claims increased from $160,960 to $168,435. The chart below shows the estimated unpaid claims and claims adjustment expense liability for fiscal years 2007 through 2016.



<u>House Bills 601 and 2122</u>

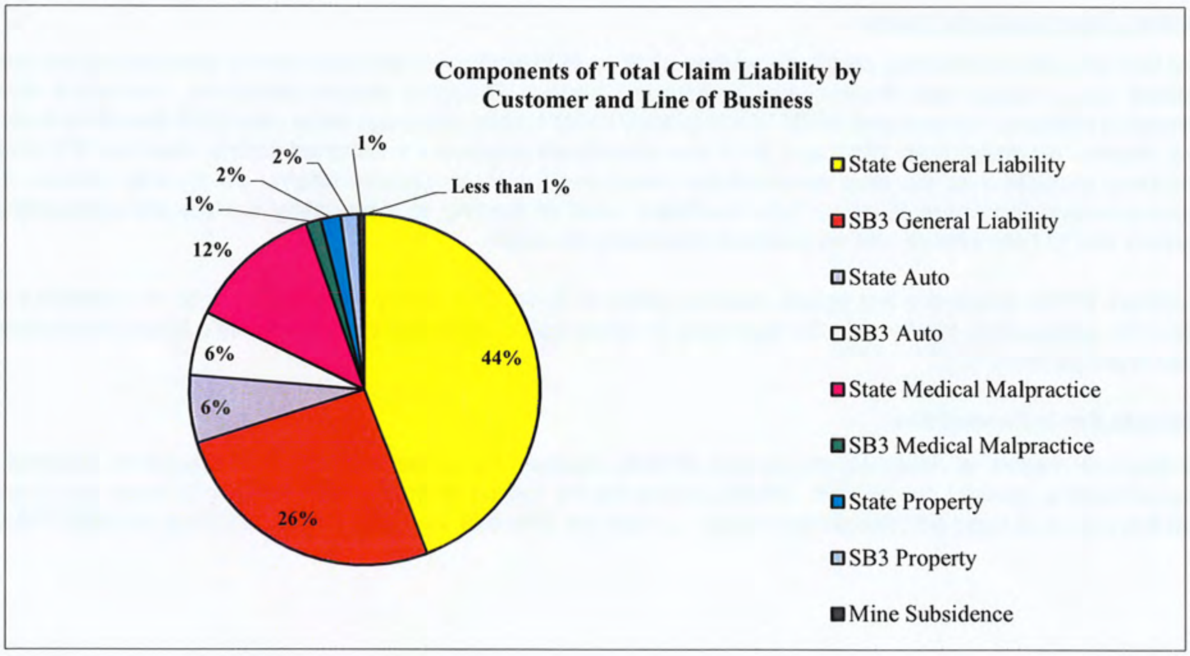
In December 2001, the West Virginia Legislature passed House Bill 601, which authorized BRIM to provide medical malpractice and general liability coverage to health care providers. This bill was created as a result of the medical malpractice insurance crisis created by private sector insurance companies' nonrenewing insurance policies for health care providers on a national level and in the State.

During the legislative session in early 2003, House Bill 2122 was enacted. This bill allowed for the physicians insured under House Bill 601 to novate into a physicians' mutual. On July 1, 2004, these physicians were novated to the West Virginia Physicians' Mutual Insurance Company (WVPMIC). The hospitals and clinics that did not novate were not renewed by BRIM prior to June 30, 2004. Tail coverage was offered to all terminated insurers in House Bill 601. In March 2015, BRIM novated any potential future claims on the tail policies to a commercial carrier. BRIM paid the carrier $750 to assume the liability of these claims. Legislation passed in March 2016 closed the Medical Liability Fund and all remaining funds were transferred to the West Virginia Patient Liability Fund in July 2016.

<u>Results by Line of Business for BRIM</u>

BRIM's lines of business are comprised of the State (state agencies), SB3 (for nonprofits, boards of education, and other governmental units), mine subsidence (for home and business owners), and House Bill 601 (medical malpractice for private physicians).

The following chart shows the breakdown by customer and line of business of the total estimated claim liability number, which is $168,435. As demonstrated in the chart, the largest claim volume for BRIM relates to general liability for the State agencies and SB3 programs and the State agencies' medical malpractice coverage.



There is no long-term debt activity.

Economic factors and next year's rates

Management's Plan to Maintain Net Position by Line of Business

BRIM has had no deficiency in net position for the programs it has overseen for several years. Previously, however, a deficiency arose, primarily due to adverse claim development in the general liability and medical malpractice lines of business for the State and SB3. The following paragraphs describe the essential plans that BRIM continues to follow to ensure that all lines of business remain fiscally solvent and that the individual programs are financially sound.

Risk Management

BRIM continues pursuing an aggressive risk management plan to help identify the risks underlying the adverse losses that occurred in earlier years. Processes are in place to allow for better organization and for proper documentation of activities. BRIM has been working on ways to increase and improve communications, both within the agency and with its customers, and has been promoting interaction within the agency with regard to loss control utilization. In conjunction with the underwriting department, a system of credits and surcharges is in place, based on loss control efforts and cooperation, or lack thereof, on the part of BRIM's insurers.

Investment Returns

Investment income increased for fiscal year 2016 and decreased for 2015. The market conditions in 2016 were more favorable than 2015, and investment income was somewhat higher. The increase in 2016 was due to a slightly more favorable interest rate environment. All BRIM funds held by the West Virginia Investment Management Board (WVIMB) inure to the benefit of program participants. BRIM reinvests the investment earnings on funds held by the WVIMB and occasionally withdraws monies from these funds, as needed, for operating and short-term cash requirements. In 2016 and 2015, BRIM withdrew $5 million and $12 million, respectively, of its funds from the WVIMB for operational purposes.

Premium Determination Process

BRIM has properly maintained premiums across all lines of business for the past several years based on relevant exposure data, claims loss history, and investment returns. Charging proper premiums, consistent with the commercial industry, has enabled BRIM to adequately cover losses. Although fiscal year 2016 benefited from prior years' reserve releases, both 2015 and 2014 saw overall net increases in retained claims reserves. If this recent claim trend persists over the next several fiscal years and future investment returns continue to decline, it may require premium increases to allow for a sufficient level of funding to adequately sustain the operation of all programs and to help ensure that no premium deficiency develops.

In addition, BRIM adopted a net assets reserve policy in 2014. The policy calculates a ratio of premiums to net position for comparison to other similar agencies. A range was established to assist BRIM's board in assessing its overall financial condition.

Requests for information

This financial report is designed to provide BRIM's customers, governing officials, legislators, citizens, and taxpayers with a general overview of BRIM's accountability for the money it receives. If you have any questions about this report or need additional information, contact the Office of the Chief Financial Officer at (304) 766-2646.

Financial Statements
(in thousands)

West Virginia Board of Risk and Insurance Management
Statements of Net Position
June 30, 2016 and 2015
(in thousands)

	2016	2015
ASSETS		
Current assets:		
Cash and cash equivalents	$ 15,748	$ 11,286
Advance deposits with insurance company and trustee	210,152	204,219
Receivables	1,254	1,934
Restricted cash and cash equivalents	10,198	8,219
Restricted receivables:		
Premiums due from other entities	620	597
Total current assets	237,972	226,255
Noncurrent assets:		
Equity position in investment pools	83,881	89,199
Restricted investments	48,441	48,625
Total noncurrent assets	132,322	137,824
Total assets	370,294	364,079
DEFERRED OUTFLOWS OF RESOURCES		
Pension	387	127
LIABILITIES		
Current liabilities:		
Estimated unpaid claims and claims adjustment expense	50,819	47,890
Unearned premiums	8,300	7,659
Agent commissions payable	1,100	1,032
Accrued expenses and other liabilities	1,025	1,136
Total current liabilities	61,244	57,717
Estimated unpaid claims and claims adjustment expense, net of current portion	117,616	113,070
Compensated absences	91	76
Net pension liability	467	253
Total noncurrent liabilities	118,174	113,399
Total liabilities	179,418	171,116
DEFERRED INFLOWS OF RESOURCES		
Pension	304	270
Net position:		
Restricted by State code for House Bill 601 Program and mine subsidence coverage	57,123	55,428
Unrestricted	133,836	137,392
Net position	$ 190,959	$ 192,820

See accompanying notes.

West Virginia Board of Risk and Insurance Management
Statements of Revenues, Expenses and Changes in Net Position
June 30, 2016 and 2015
(in thousands)

	2016	2015
Operating revenues:		
Premiums	$ 65,293	$ 58,204
Less excess coverage/reinsurance premiums	(6,909)	(6,197)
Net operating revenues	58,384	52,007
Operating expenses:		
Claims and claims adjustment expense	63,753	68,145
General and administrative	3,905	3,541
Total operating expenses	67,658	71,686
Operating loss	(9,274)	(19,679)
Nonoperating revenues:		
Investment income	7,413	4,833
Payment to transfer HB601 estimated future IBNR	-	(750)
Net nonoperating revenues	7,413	4,083
Changes in net position	(1,861)	(15,596)
Total net position, beginning of year	192,820	208,911
Cumulative effect of adoption of GASB 68	-	(495)
Net position at beginning of year as restated	192,820	208,416
Total net position, end of year	$ 190,959	$ 192,820

See accompanying notes.

West Virginia Board of Risk and Insurance Management
Statements of Cash Flows
June 30, 2016 and 2015
(in thousands)

	2016	2015
Operating activities:		
Receipts from customers	$ 59,683	$ 53,376
Payments to employees	(1,526)	(1,014)
Payments to suppliers	(2,421)	(1,662)
Payments to claimants	(56,278)	(60,389)
Deposits to advance deposit with insurance company and trustee	(65,011)	(60,857)
Withdrawals from advance deposit with insurance company and trustee	59,079	63,411
Net cash used in operating activities	(6,474)	(7,135)
Noncapital financing activities:		
Cumulative effective of GASB 68 adoption	-	(350)
Payment to transfer HB601 estimated future IBNR	-	(750)
Net cash used in noncapital financing activities	-	(1,100)
Investing activities:		
Purchase of investments	(17,047)	(22,064)
Sale of investments	20,553	32,417
Net investment earnings	9,409	4,033
Net cash provided by investing activities	12,915	14,386
Net increase in cash and cash equivalents	6,441	6,151
Cash and cash equivalents, beginning of year	19,505	13,354
Cash and cash equivalents, end of year	$ 25,946	$ 19,505
Cash and cash equivalents consist of:		
Cash and cash equivalents	$ 15,748	$ 11,286
Restricted cash and cash equivalents	10,198	8,219
	$ 25,946	$ 19,505

See accompanying notes.

West Virginia Board of Risk and Insurance Management
Statements of Cash Flows
June 30, 2016 and 2015
(in thousands)

(Continued)

	2016	2015
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	**$ (9,274)**	$ (19,679)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Pension expense	**137**	-
(Decrease) increase in advanced deposits	**(5,933)**	2,555
Decrease in premiums receivable, net	**657**	1,080
Increase in estimated liability for unpaid claims and claims adjustment expense	**7,475**	7,756
Increase (decrease) in other liabilities	**(28)**	1,012
Increase in unearned premiums	**641**	141
Deferred outflows of resources - pension contributions	**(149)**	-
Total adjustments	**2,800**	12,544
Net cash used in operating activities	**$ (6,474)**	$ (7,135)
Noncash activities:		
Increase in fair value of investments	**$ 5,502**	$ 9,554

See accompanying notes.

Notes to Financial Statements
(in thousands)

Notes to Financial Statements (in thousands)

1. General *(Amounts referenced in this note related to insurance coverages are actual dollars)*

The West Virginia Board of Risk and Insurance Management (BRIM) was established in 1957 to provide for the development of the State of West Virginia's (the State and primary government) property and liability self-insurance program. Approximately 161 State agencies participate in the program. Beginning in 1980, county boards of education were authorized to participate in the liability portion of this program, with 55 county boards currently participating in the program. In fiscal year 1987, Senate Bill 3 (SB3) was enacted, allowing local governmental entities and nonprofit organizations to participate in the entire program. There are approximately 900 such entities participating in the program. In 1982, legislation was also enacted requiring BRIM to establish and administer a coal mine subsidence reinsurance program that makes available to the general public dwelling insurance covering damage up to a specific maximum caused by the collapse of underground coal mines.

BRIM operates under the authority granted by the Legislature in Chapter 29, Article 12, and Chapter 33, Article 30, of the West Virginia Code and the provisions of Executive Order 12-86. BRIM is an agency of the State operating within the Department of Administration and is governed by a five-person board of directors appointed by the Governor. Accordingly, BRIM is reported as an enterprise fund of the State, operating as a single business segment, and is included in the State's Comprehensive Annual Financial Report.

BRIM uses a "modified" paid retrospective rating plan for its liability insurance program. Under the current plan, BRIM annually pays a "premium" deposit into a trust fund in the amount of the estimated losses for the current policy year. As claims are reported, they are paid from the trust funds established by the "premium" deposit. When paid losses exceed the amount of the "premium" deposit, including earnings, BRIM pays into the trust account an additional "premium" deposit estimated to be sufficient to fund any estimated remaining claims and claims adjustment expenses expected to be paid during the ensuing 12-month period. These payments are calculated through retrospective rating adjustments made subsequent to the current policy year. Therefore, the "premiums" paid by BRIM are advance deposits, and BRIM is not indemnified by the insurance company for any losses. Under this plan, the insurance company is compensated for its claim-handling services by a fixed fee negotiated on a yearly basis.

From January 1, 1971 through June 30, 1976, the liability coverage provided by BRIM was limited to $25 thousand per occurrence on general liability, automobile liability, and medical malpractice claims. From July 1, 1976 through June 30, 1980, the liability coverage provided by BRIM was limited to $100 thousand per occurrence. From July 1, 1982 through June 30, 1985, the liability coverage provided by BRIM was limited to $6 million per occurrence. Since July 1, 1985, the liability coverage provided by BRIM is limited to a $1 million indemnity per occurrence. In addition, the county boards of education are covered by an excess insurance policy providing up to $5 million of coverage in excess of the underlying $1 million limit. These limits only apply to incur indemnity claim losses. BRIM pays all allocated loss adjustment expenses, which are the costs incurred in the reporting, investigation, adjustment, defense, and settlement of claims that are attributable to a specific, individual claim.

Prior to July 1, 1990, BRIM retained the first $25 thousand of loss per event on property insurance claims. Losses in excess of $25 thousand per event were also retained within an annual aggregate limit From July 1, 1990 through June 30, 1991; the exposure retained by BRIM was $1 million per event. From July 1, 1991 through June 30, 1996, the exposure retained by BRIM was $2 million per event. Since July 1, 1996, the exposure retained by BRIM is $1 million per event. BRIM has obtained excess coverage, through insurance companies, covering losses in excess of $1 million, up to $400 million per occurrence, subject to various sublimits for particular types of claims as specified in the policy. With the passage of House Bill 532 in March 2015, BRIM is required to retain the first $1.5 million of medical malpractice liability for the state's medical schools and their related practice plans beginning July 1, 2015. The retained limit of $1.5 million is indexed for inflation each year. On July 1, 2016, the retained limit increased slightly.

In 1985, the coal mine subsidence program was legislatively expanded to include all types of building structures, and the maximum amount of insurance available was increased from $50 thousand to $75 thousand per structure. Additional legislation passed in March 2016 further expanded the amount of insurance available beginning October 1, 2016, from $75,000 up to $200,000 per structure.

In December 2001, the West Virginia Legislature passed House Bill 601, which authorized BRIM to provide medical malpractice and general liability coverage to private health care providers (the House Bill 601 Program). On July 1, 2004, all physicians novated to the newly formed West Virginia Physicians' Mutual Insurance Company (WVPMIC). BRIM maintained the hospital and facilities in the House Bill 601 Program that did not novate to WVPMIC. However, all policies were terminated as of June 30, 2004, and the program was in runoff mode only for existing claims and for any claims that may be submitted on any tail policies that were purchased. In 2015, BRIM transferred potential claims/IBNR run-off to a third-party for $750. In July 2016, the remaining balance of the House Bill 601 funds of $2.8 million were transferred to the Patient Injury Compensation Fund, which is discussed in the following paragraph.

In March 2004, the West Virginia Legislature passed House Bill 4740, creating a Patient Injury Compensation Fund. The purpose of this fund is to provide fair and reasonable compensation to claimants in medical malpractice actions for any portion of economic damages awarded that is uncollectible as a result of previously enacted tort reforms. This fund provides relief to claimants whose damages were limited because of caps for trauma care or as a result of joint and several liabilities. The capitalization of the fund comes from the State's tobacco settlement fund. The activity for this fund is not reflected in BRIM's financial statements. BRIM serves as third-party administrator for this fund and, accordingly, the activity for this fund is reflected in the State's financial statements. Legislation passed in March 2016 transferred all funds in the Medical Liability Fund to the West Virginia Patient Injury Fund, effective July 1, 2016, resulting in the closing of the Medical Liability Fund. This legislation also closed compensation to any claimants who filed with the Patient Injury Fund on or after July 1, 2016. Additional funding to pay any compensable claims filed as of June 30, 2016 was established by creation of assessments imposed on medical liability claims awards and settlements and fees charged to licensed physicians and hospitals.

In the normal course of business, BRIM seeks to reduce the loss that may arise from catastrophes or other events that cause unfavorable operating results by reinsuring levels of risk in various areas of exposure with other insurance enterprises or reinsurers. Reinsurance permits recovery of a portion of losses from reinsurers; however, it does not discharge the primary liability of BRIM as direct insurer of the risks insured. BRIM does not report reinsured risks as liabilities unless it is probable that those risks will not be covered by reinsurers.

The funding of the property and liability insurance premiums for the State agencies comes from direct premium assessments on those agencies. SB3 entities are charged a premium to participate in the program. Under the mine subsidence line of business, the ceding insurers pay BRIM a reinsurance premium.

Pursuant to the West Virginia Code, BRIM submits a detailed budgetary schedule of administrative expenses to the secretary of the Department of Administration prior to the beginning of each fiscal year. The fundamental purpose of budgetary control is to plan for the expected level of operations and to provide management with a tool to control deviation from such plan. The budgetary schedule is prepared on a modified cash basis, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles (GAAP). Expenditures related to the general revenue appropriation amount, if any, are monitored by the State's budgetary review process in total on an unclassified basis. Each year's appropriation lapses at year-end. The remaining operations of BRIM are subject to a nonappropriated budgetary review process.

GAAP defines component units as legally separate organizations for which the elected officials of the primary government are financially accountable or other organizations for which the nature and significance of their relationship with the State's financial statements would cause them to be misleading. BRIM has considered whether it has any component units as defined by GAAP and has determined that no such organizations meet the criteria set forth above.

2. Summary of Significant Accounting Policies

Basis of accounting

As an enterprise fund, BRIM's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting in conformity with GAAP. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. In its accounting and financial reporting, BRIM follows the pronouncements of the Governmental Accounting Standards Board.

BRIM distinguishes operating revenues and expenses from nonoperating revenues and expenses. Operating revenues and expenses generally result from providing services in connection with BRIM's principal ongoing operations. The principal operating revenues and expenses of BRIM relate to premium revenues and claims and administrative expenses. Premium contributions received covering future contract periods are deferred and recognized over the related contract period. Net investment earnings and finance charges are reported as nonoperating revenues.

The financial statements of BRIM are intended to present the financial position and the changes in financial position and cash flows of only that portion of the business-type activities of the State of West Virginia that is attributable to the transactions of BRIM. They do not purport to, and do not, present fairly the financial position of the State of West Virginia as of June 30, 2016 and 2015, and the changes in its financial position and its cash flows for the years then ended in conformity with GAAP.

Adoption of new Accounting Standards

During fiscal year 2016, BRIM implemented GASB Statement No. 72, *Fair Value Measurement and Application* and GASB Statement No 79, *Certain External investment Pools and Pool Participants*. GASB 72 generally requires investments to be measured at fair value and disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques, organized by type of asset or liability reported at fair value. It also requires additional disclosures for investments in certain entities that calculate NAV per share (or its equivalent). GASB 79 establishes criteria for making the election to measure all of its investments at amortized cost for financial reporting purposes. The adoption of the these standards had no effect on BRIM's statements of net position or changes in net position, but primarily related to modifications to the disclosures related to BRIM's cash equivalents and investment disclosures in Note 3.

During fiscal year 2016, BRIM also implemented GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, which identifies, in the context of the current government financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP). This statement supersedes GASB Statement No. 55. The GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The sources of authoritative GAAP are categorized as follows: Category A – officially established accounting principles (GASB Statements) and Category B – GASB Technical Bulletins, GASB Implementation Guides, and literature of the AICPA cleared by the GASB. The adoption of this standard had no effect on BRIM's statements of net position or changes in net position.

Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make certain estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from management's estimates.

Cash and cash equivalents

Cash equivalents are short-term investments with original maturities of 90 days or less. Cash and cash equivalents principally consist of interest-earning deposits in an investment pool maintained by the West Virginia Board of Treasury Investments (BTI). Such funds are available to BRIM with overnight notice.

Restricted cash and cash equivalents are cash and cash equivalents that are to be used for specific lines of business (i.e., mine subsidence coverage provided to the general public, and medical malpractice and general liability coverage provided to health care providers) based on restrictions provided in the State Code.

Advance deposits with insurance company and trustee

Advance deposits with the insurance company consist of monies on deposit that are utilized to fund claims and claims adjustment expenses as they are paid by the insurance company.

BRIM deposits monies with the Bank of New York (BNY), as trustee, to hold as advance deposits in an escrow account for BRIM liability claims. The monies held in escrow are invested in specific money market funds and short-term guaranteed or investment-grade fixed-income securities that are identified as "qualified assets" in the escrow agreement. The funds held in escrow, together with their earnings, will be used to fund the payment of the claims and claims adjustment expenses related to these liability claims. As an escrow agent, BNY periodically transfers monies from the escrow account to the insurance company administering these claims in order to reimburse the insurance company for payments that it has issued on these claims and claims adjustment expenses on BRIM's behalf.

Investments

BRIM invests in certain West Virginia Investment Management Board (WVIMB) investment pools. Some of these pools invest in longer-term securities and are subject to market fluctuation because of changes in interest rates. Investments are reported by WVIMB at fair value and are accounted for by BRIM accordingly, with changes in the fair value included in investment income. Income from these investments is prorated to BRIM at rates specified by WVIMB based on the balance of BRIM's deposits maintained in relation to the total deposits of all State agencies participating in the pool.

Restricted investments are investments that are to be used for specific lines of business (i.e., mine subsidence coverage provided to the general public and medical malpractice and general liability coverage provided to health care providers) based on restrictions provided in the State Code.

Fair value measurements

BRIM measures certain investments at fair value for financial reporting purposes. GASB Statement No. 72 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-specific measurement. BRIM categorizes fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the Unites States of America in accordance with GASB Statement No. 72.

The fair value hierarchy established under GASB Statement No. 72 categorizes the inputs to valuation techniques used to measure fair value into three levels as follows:

Level 1 inputs – Quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.

Level 2 inputs – Inputs – other than quoted prices included within Level 1 – that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs – Unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement in its entirety requires judgement, and considers factors specific to the investment.

Fair value of the securities BRIM holds with the IMB are determined as follows:

- Equity securities are valued at the last sale price or official closing price reported in the market in which they are primarily traded.
- Open-end regulated investment companies or other commingled investment funds are valued at the net asset value of the fund as reported by the fund's administrator.
- Future contracts are valued at the last settlement price established each day by the exchange on which they traded.
- Fixed income securities are valued according to prices furnished by independent pricing services to the securities custodian. These services determine the security prices by a number of methods including, but not limited to, dealer quotes, live market trading levels when available, live feeds of trade execution data, spreads over U.S. Treasury securities, and other models and formulae appropriated to the specific security type.
- Repurchase agreements and time deposits are valued at amortized cost, provided such amount approximates fair value.

Investments for which the fair value cannot be determined by one of the above listed processed are valued at fair value as determined in accordance with the IMB's established procedures.

Compensated absences

Employees fully vest in all earned but unused annual leave, and BRIM accrues for obligations that may arise in connection with compensated absences for vacation at the current rate of employee pay. In accordance with State personnel policies, employees vest in any remaining unused sick leave only upon retirement, at which time any unused compensated absence time can be converted into employer-paid premiums for postemployment health care coverage through the West Virginia Board of Risk and Insurance Management (BRIM) or be converted into a greater retirement benefit under the State of West Virginia Public Employees Retirement System (PERS).

Unpaid claims and claims adjustment expense

Utilizing an external actuary, management establishes the unpaid claims and claims adjustment expense liability based on estimates of the ultimate cost of claims, including future claims adjustment expenses, that have been reported but not settled and of claims that have been incurred but not reported (IBNR). Such estimates are based on industry statistical loss reserve information as well as BRIM historical data, including case-basis estimates of losses reported, actuarial projections of loss development of IBNR claims, and estimates of expenses for investigation and adjustment of all incurred and unadjusted losses (and estimates of expected salvage and subrogation receipts are deducted from the estimated liability). The length of time for which such costs must be estimated varies depending on the coverage involved. In the event a reinsurer is unable financially to satisfy an obligation, BRIM is responsible for such liability.

Management believes the estimate for unpaid claims and claims adjustment expense is a reasonable best estimate of BRIM's ultimate losses and loss adjustment expenses to be incurred to discharge BRIM's obligations. However, because actual claims costs depend on such complex factors as actual outcomes versus industry statistical information utilized in the estimation process, inflation, changes in doctrines of legal liability, and damage awards, the process used in computing estimates of claims liability does not necessarily result in an exact amount, particularly for coverages such as general liability and medical malpractice. For instance, medical malpractice claims have a long payout period and claims may not be known for several years. Accordingly, BRIM's actual incurred losses and loss adjustment expenses may vary significantly from the estimated amounts reflected in BRIM's financial statements. Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors; such adjustments are included in current operations. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflects past inflation and on other factors that are considered to be appropriate modifiers of past experience. The claims and claims adjustment expense category on the statements of revenues, expenses, and changes in net position includes estimated incurred claim costs, allocated loss adjustment expenses, and unallocated claims adjustment expenses.

Premium deficiency is defined as the amount by which expected claims costs (including IBNR claims) and all expected claims adjustment expenses exceed related unearned premiums. BRIM has estimated that a premium deficiency does not exist, however, the ultimate amount of incurred losses and loss adjustment expenses may vary significantly from the estimated amounts used in management's determination. In making this determination, management has taken into consideration anticipated investment income, using an assumed 4% discount rate.

Deferred outflows of resources

A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period. Balances of deferred outflows of resources may be presented in the Statements of Net Position as aggregations of different types of deferred amounts. Deferred outflows in the Statements of Net Position were composed of $387 and $127 for the years ending June 30, 2016 and 2015, respectively, related to employer contributions to the Public Employees Retirement System (PERS) made during the current fiscal year subsequent to the measurement date. Deferred outflows also consisted of other amounts related to differences between projected and actual earnings on pension plan investments and differences between expected and actual experience related to pension.

Deferred inflows of resources

A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period. Balances of deferred inflows of resources may be presented in the Statements of Plan Net Position as aggregations of different types of deferred amounts. Deferred inflows in the Statements of Plan Net Position are composed of amounts related to differences between projected and actual earnings on pension investments, changes in proportion and differences between BRIM's contributions and proportionate share of contributions, differences in assumptions and differences between projected and actual earnings on pension plan investments related to pension.

Receivables and premium income

Receivables represent the amount outstanding for premiums from the insured covered under BRIM's insurance program. Management maintains an allowance for doubtful accounts to reserve for estimated losses based on the length of time the amount has been past due.

Unearned premiums

Unearned premiums included premium revenues collected for future periods. These revenues will be recognized in the operating periods in which they are earned.

Restricted net position

Restricted net position is net position that is to be used for the House Bill 601 Program and mine subsidence coverage provided to the general public based on restrictions provided in the State Code. When an expense is incurred for which both restricted and unrestricted net positions are available, BRIM first utilizes restricted net position for such purpose.

Reclassification

Certain liability amounts for 2015 have been reclassified to conform to the 2016 presentation. Such reclassifications had no impact on previously reported net position or changes in net position.

Subsequent events

In preparing these financial statements, BRIM has evaluated events and transactions for potential recognition or disclosure through December 19, 2016, the date the financial statements were available for issuance.

3. Deposit and Investment Risk Disclosures

BRIM is mandated by statute to have its cash and investments managed by the WVIMB and BTI. However, BRIM currently does not have specific policies addressing limitations on specific risk types, such as credit risk, custodial credit risk, concentration of credit risk, interest rate risk, or foreign currency risk.

Cash equivalents

West Virginia Money Market Pool

BRIM participates in BTI's West Virginia Money Market Pool, which has been deemed to meet the GASB 79 criteria to be reported at amortized cost. The criteria specify that the pool must transact with their participants at a stable net asset value per share and meet requirements for portfolio maturity, portfolio quality, portfolio diversification, portfolio liquidity, and shadow pricing. The BTI does not place limitations on or restrictions on participant withdrawals from the pool, such as redemption notice periods, maximum transaction amounts, and any authority to impose liquidity fees or redemption gates. Accordingly, as a pool participant the BRIM measures its investment in this pool at amortized cost that approximates market value of $25,002 and $16,147 at June 30, 2016 and June 30, 2015, respectively. These deposits are reported as cash and cash equivalents. Investment income earned is pro-rated to BRIM at rates specified by the BTI based on the balance of the deposits maintained in relation to the total deposits of all state agencies participating in the pool. Such funds are available to BRIM with overnight notice. BTI's audited financial statements, including the West Virginia Money Market Pool, are available on their website www.wvbti.com.

Credit Risk
Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The WV Money Market Pool has been rated AAAm by Standard & Poor's. A fund rated "AAAm" has extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market, and/or liquidity risks. "AAAm" is the highest principal stability fund rating assigned by Standard & Poor's.

(in thousands)

The BTI limits the exposure to credit risk in the West Virginia Money Market Pool by requiring all corporate bonds to be rated AA- by Standard and Poor's (or its equivalent) or higher. Commercial paper must be rated at least A-1 by Standard and Poor's and P-1 by Moody's. The pool must have at least 15% of its assets in U.S. Treasury obligations guaranteed as to repayment of interest and principal by the United States of America.

The following table provides information on the weighted-average credit ratings of the West Virginia Money Market Pool's investments:

	Credit Rating		2016		2015	
Security Type	**Moody's**	**S&P**	**Carrying Value**	**Percent**	**Carrying Value**	**Percent**
Commercial Paper	P-1	A-1+	$ 290,118	18.65%	$ 186,737	9.88 %
	P-1	A-1	632,773	40.68	660,027	34.91
Corporate Bonds and Notes	Aa1	AA-	23,014	1.48	-	-
	Aa3	A+	-	-	10,005	.53
	Aa3	AA-	15,000	.96	10,000	.53
	Aa3	NR	-	-	10,000	.53
	A2	A	11,268	.72	-	-
U.S. Agency Bonds	Aaa	AA+	9,499	.61	81,994	4.34
U.S. Treasury Notes*	Aaa	AA+	231,398	14.88	229,760	12.15
U.S. Treasury Bills*	P-1	A-1+	19,982	1.28	92,059	4.87
Negotiable CDs	Aa2	AA-	3,000	.19	10,000	.53
	Aa3	AA-	6,000	.39	-	-
	P-1	A-1+	78,006	5.02	51,000	2.70
	P-1	A-1	121,001	7.78	142,000	7.51
U.S. Agency Discount Notes	P-1	A-1+	-	-	304,342	16.10
Money Market Funds	Aaa	AAAm	72,370	4.65	90,017	4.76
Research Agreements (underlying securities):						
U.S. Treasury Notes*	Aaa	AA+	42,100	2.71	1,323	.07
U.S. Agency Notes	Aaa	AA+	-	-	11,200	.59
			$ 1,555,529	100.00%	$ 1,890,464	100.00%

Concentration of Credit Risk
Concentration of credit risk is the risk of loss attributed to the magnitude of the WV Money Market Pool's investment in a single corporate issuer. West Virginia statutes prohibit the West Virginia Money Market Pool from investing more than 5% of its assets in securities issued by a single private corporation or association. At June 30, 2016 and 2015, the pool did not have investments in any one private corporation or association that represented more than 5% of assets.

Custodial Credit Risk
The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the WV Money Market Pool will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Repurchase agreements are required to be collateralized by at least 102% of their value, and the collateral is held in the name of the BTI. The BTI or its agent does not release cash or securities until the counterparty delivers its side of the transaction.

Interest Rate Risk
Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. All pools and accounts are subject to interest rate risk.

(in thousands)

The overall weighted-average maturity (WAM) of the investments of the West Virginia Money Market Pool cannot exceed 60 days. Maximum maturity of individual securities cannot exceed 397 days from date of purchase, except for government floating rate notes, which can be up to 762 days. The following table provides the WAM for the various asset types in the West Virginia Money Market Pool:

	June 30, 2016		June 30, 2015	
Investment Type	**Fair Value**	**WAM Days**	**Fair Value**	**WAM Days**
Repurchase agreements	**$ 42,100**	**1**	$ 12,523	1
U.S. Treasury notes	**231,398**	**88**	229,760	75
U.S. Treasury bills	**19,982**	**91**	92,059	123
Commercial paper	**922,891**	**48**	846,764	30
Certificates of deposit	**208,007**	**40**	203,005	51
U.S. agency discount notes	**-**	**-**	304,342	60
Corporate bonds and notes	**49,282**	**14**	30,000	75
U.S. agency bonds/notes	**9,499**	**24**	81,994	58
Money market funds	**72,370**	**1**	90,017	1
Total rated investments	**$ 1,555,529**	**49**	$ 1,890,464	47

BRIM's amount invested in the West Virginia Money Market Pool of $25,002 is included in cash and cash equivalents at June 30, 2016, and $16,147 at June 30, 2015, representing approximately 1% of total investments in this pool.

Foreign Currency Risk
Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The WV Money Market's Pool does not hold securities subject to foreign currency risk.

Investments

West Virginia Investment Management Board Investment Pools

BRIM invests, along with other agencies, in the following WVIMB investment pools: Domestic Large Cap Equity Pool, Domestic Non-Large Cap Equity Pool, International Equity Pool, International Nonqualified Equity Pool, Short-Term Fixed Income Pool, Total Return Fixed Income Pool, Core Fixed Income Pool, Hedge Fund, and the Treasury Inflation Protection Securities (TIPS).

Investment Objectives
This fund's investment objective is to achieve a total rate of return of at least 4.9% per annum, net of fees.

Asset Allocation
Based upon the WVIMB's determination of the appropriate risk tolerance for the fund, the WVIMB has adopted the following broad asset allocation guidelines for the assets managed for the Board of Risk and Insurance Management Fund. (Policy targets have been established on a market value basis.)

Asset Class	Policy Target
Domestic equity	15%
International equity	15
Fixed income	70
Combined total	100%

(in thousands)

Asset Value

Investments at cost, and as reported at fair value (actual asset allocation), are summarized as follows at June 30:

	2016		2015	
	Cost	Fair Value	Cost	Fair Value
Large cap domestic	$ 15,198	$ 15,710	$ 15,532	$ 16,733
Non-large cap domestic	4,064	3,716	3,757	3,963
Opportunistic debt	1,543	1,555		
International equity	16,308	15,055	15,646	14,540
International nonqualified	5,317	4,892	5,303	5,317
Total return fixed income	29,494	29,182	35,090	34,012
Core fixed income	12,976	13,308	14,725	14,631
Hedge fund	30,102	28,793	26,201	27,815
TIPS (Treasury Inflation Protection Securities)	12,675	13,368	13,788	13,686
Short-term fixed income	6,641	6,641	6,981	6,981
Total investments	$ 134,318	$ 132,220	$ 137,023	$ 137,678

Investment income is comprised of the following for the years ended June 30:

	2016	2015
Investment income:		
Interest income including realized gains/losses on sale of securities	$ 1,550	$ 1,658
Unrealized gain on investments	5,863	3,175
Total investment income	$ 7,413	$ 4,833

WVIMB calculates total rates of return using the time-weighted rate of return methodology. The time-weighted method determines the rate of return exclusive of the effects of participant contributions or withdrawals. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year were included as unrealized gain on investment in the prior year.

Asset class risk disclosures

Large Cap Domestic Equity Pool

The Pool's objective is to exceed, net of external investment management fees, the S&P 500 Stock Index over three-to-five-year periods. Assets are managed by INTECH Investment Management, LLC (INTECH) and State Street Global Advisors (SSgA). BRIM's amount invested in the Large Cap Domestic Equity Pool of $15,710 and $16,733 at June 30, 2016 and 2015, respectively, represents approximately 0.5% and 0.5%, respectively, of total investments in this pool.

(in thousands)

Credit Risk

The Pool is exposed to credit risk from certain investments made with cash collateral for securities loaned. This risk is limited by requiring minimum ratings on debt instruments. Long-term debt instruments must be rated A or better by Moody's or Standard & Poor's at the time of purchase. Short-term debt instruments must be rated P-1 by Moody's or A-1 by Standard & Poor's at the time of purchase.

	June 30, 2016			
Investment Type	**Moody's**	**S&P**	**Fair Value**	**Percent of Total Investment**
Foreign corporate bonds	A	A	$ 3,156	0.1 %
Foreign government bonds	Aa	A	10	0.0
Money market mutual funds	Aaa	AAA	132,987	3.6
Time deposits	P-1	A-1	105,546	2.8
U.S. corporate bonds	A	A	12,246	0.3
U.S. Government agency bonds	Aaa	AA	3,335	0.1
U.S. Government agency MBS	Aaa	AA	109,742	2.9
U.S. Treasury bonds	Aaa	AA	32,119	0.9
Total rated investments			399,141	10.7
Common stock			3,322,262	89.3
Total investments			$ 3,721,403	$ 100.0%

This table includes investments received as collateral for repurchase agreements with a fair value of $332,025 as compared to the amortized cost of the repurchase agreements of $314,482.

	June 30, 2015			
Investment Type	**Moody's**	**S&P**	**Fair Value**	**Percent of Total Investment**
Corporate asset backed issues	Aaa	AAA	$ 6,225	0.2%
Corporate CMO	Aaa	AAA	2,345	0.1
Foreign asset backed issues	Aaa	AAA	529	0.0
Foreign corporate bonds	Aa	A	1,748	0.0
Foreign government bonds	Aa3	A	251	0.0
Preferred stock	A	A	42	0.0
Short-term issue	P-1	A-1	158,805	4.1
U.S. corporate bonds	A1	A	1,006	0.0
U.S. Government agency bonds	Aaa	AA	235	0.0
U.S. Government agency CMO interest-only	Aaa	AA	45	0.0
U.S. Government agency MBS	Aaa	AA	111,550	2.9
U.S. Treasury bonds	Aaa	AA	39,426	1.0
Total rated investments			322,207	8.3
Common stock			3,533,100	91.7
Total investments			$ 3,855,307	$ 100.0%

This table includes investments received as collateral for repurchase agreements with a fair value of $302,436 as compared to the amortized cost of the repurchase agreements of $286,428.

(in thousands)

Concentration of Credit Risk

The Pool is restricted from investing more than 5 percent of the value of the Pool in any one company. At June 30, 2016 and 2015, the Pool was in compliance with this restriction and is not exposed to concentration of credit risk.

Custodial Credit Risk

At June 30, 2016 and 2015, the Pool held no securities that were subject to custodial credit risk. Repurchase agreements, when held, are collateralized to a minimum of 102 percent and the collateral is held in the name of the WVIMB. All remaining securities are held by the WVIMB's custodian in the name of the WVIMB.

Interest Rate Risk

The Pool is exposed to interest rate risk from certain investments made with cash collateral for securities loaned. The weighted average maturity for investments made with cash collateral for securities loaned is not to exceed 90 days. The following table provides the WAM for applicable investments made with cash collateral for securities loaned as of June 30, 2016 and 2015:

	2016		2015	
Investment Type	**Fair Value**	**WAM (Days)**	**Fair Value**	**WAM (Days)**
Repurchase agreements	**$ 314,482**	**2**	$ 286,428	1
Asset backed issues			197	22
Time deposits	**105,545**	**1**	137,472	1
Total	**$ 420,027**	**1**	$ 424,097	1

Foreign Currency Risk

The Pool is exposed to no or minimal foreign currency risk.

The tables below summarize the recurring fair value measurements of the investment securities in accordance with the fair value hierarchy levels as of June 30:

	June 30, 2016			
Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Common Stock	**$ 3,150,846**	**$ -**	**$ -**	**$ 3,150,846**
Futures contracts	**3,026**	**-**	**-**	**3,026**
Investments made with cash collateral for securities loaned	**110,454**	**420,027**	**-**	**530,481**
Money market mutual funds	**22,533**	**-**	**-**	**22,533**
Total	**$ 3,286,859**	**$ 420,027**	**$ -**	**$ 3,706,886**

There were no transfers in or out of Levels 1 and 2 during the year ended June 30, 2016.

	June 30, 2015			
Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Common Stock	$ 3,393,869	$ -	$ -	$ 3,393,869
Investments made with cash collateral for securities loaned	-	424,097	-	424,097
Short-term issues	21,333	-	-	21,333
Total	$ 3,415,202	$ 424,097	$ -	$ 3,839,299

(in thousands)

	June 30, 2015			
Liabilities	**Level 1**	**Level 2**	**Level 3**	**Total**
Futures contracts	$ (203)	$ -	$ -	$ (203)

There were no transfers in or out of Levels 1 and 2 during the year ended June 30, 2015.

Non-Large Cap Domestic Equity Pool

The Pool invests in the equities of small to mid-sized companies and its objective is to exceed, net of external investment management fees, the Russell 2500 Index over three-to-five-year periods. Assets are managed by AJO and Westfield Capital Management (Westfield). BRIM's amount invested in the non-large cap domestic pool of $3,716 and $3,963 at June 30, 2016 and 2015, respectively, represents approximately 0.5% and 0.5%, respectively, of total investments in this pool.

Credit Risk

The Pool is exposed to credit risk from certain investments made with cash collateral for securities loaned. This risk is limited by requiring minimum ratings on debt instruments. Long-term debt instruments must be rated A or better by Moody's or Standard & Poor's at the time of purchase. Short-term debt instruments must be rated P-1 by Moody's or A-1 by Standard & Poor's at the time of purchase.

The following table provides information on the weighted average credit ratings of the Pool's investments as of June 30:

	June 30, 2016			
Investment Type	**Moody's**	**S&P**	**Fair Value**	**Percent of Total Investment**
Foreign corporate bonds	A	A	$ 2,198	0.2 %
Foreign government bonds	Aa	A	7	0.0
Money market mutual funds	Aaa	AAA	88,686	7.7
Time deposits	P-1	A-1	73,468	6.4
U.S. corporate bonds	A	A	8,524	0.7
U.S. Government agency bonds	Aaa	AA	2,322	0.2
U.S. Government agency MBS	Aaa	AA	76,389	6.6
U.S. Treasury bonds	Aaa	AA	22,357	1.9
Total rated investments			273,951	23.7
Common stock			880,130	76.3
Total investments			$ 1,154,081	$ 100.0%

This table includes investments received as collateral for repurchase agreements with a fair value of $231,116 as compared to the amortized cost of the repurchase agreements of $218,904.

(in thousands)

Investment Type	Moody's	S&P	Fair Value	Percent of Total Investment
	June 30, 2015			
Corporate asset backed issues	Aaa	AAA	$ 4,720	0.4 %
Corporate CMO	Aaa	AAA	1,778	0.2
Foreign asset backed issues	Aaa	AAA	401	0.0
Foreign corporate bonds	Aa	A	1,325	0.1
Foreign government bonds	Aa#	A	190	0.0
Preferred stock	A	A	32	0.0
Short-term issue	P-1	A-1	112,978	9.8
U.S. corporate bonds	A1	A	762	0.1
U.S. Government agency bonds	Aaa	AA	178	0.0
U.S. Government agency CMO interest-only	Aaa	AA	34	0.0
U.S. Government agency MBS	Aaa	AA	84,577	7.4
U.S. Treasury bonds	Aaa	AA	29,892	2.6
Total rated investments			236,867	20.6
Common stock			911,488	79.4
Total investments			$ 1,148,355	$ 100.0%

This table includes investments received as collateral for repurchase agreements with a fair value of $229,307 as compared to the amortized cost of the repurchase agreements of $217,169.

Concentration of Credit Risk

The Pool is restricted from investing more than 5 percent of the value of the Pool in any one company. At June 30, 2016 and 2015, the Pool was in compliance with this restriction and is not exposed to concentration of credit risk.

Custodial Credit Risk

At June 30, 2016 and 2015, the Pool held no securities that were subject to custodial credit risk. Repurchase agreements, when held, are collateralized to a minimum of 102 percent and the collateral is held in the name of the WVIMB. All remaining securities are held by the WVIMB's custodian in the name of the WVIMB.

Interest Rate Risk

The Pool is exposed to interest rate risk from certain investments made with cash collateral for securities loaned. The weighted average maturity for investments made with cash collateral for securities loaned is not to exceed 90 days. The following table provides the WAM for applicable investments made with cash collateral for securities loaned as of June 30, 2016.

Investment Type	2016 Fair Value	2016 WAM (Days)	2015 Fair Value	2015 WAM (Days)
Repurchase agreements	**$ 218,904**	**2**	$ 217,169	1
Asset backed issues			149	22
Time deposits	**73,468**	**1**	104,230	1
Total	**$ 292,372**	**1**	$ 321,548	1

Foreign Currency Risk

The Pool is exposed to no or minimal foreign currency risk.

(in thousands)

Fair Value Measurements

The tables below summarize the valuation of the investment securities in accordance with fair value hierarchy levels as of June 30:

Assets	June 30, 2016 Level 1	Level 2	Level 3	Total
Common Stock	$ 760,811	$ -	$ -	$ 760,811
Investments made with cash collateral for securities loaned	76,886	292,372	-	369,258
Money market mutual fund	11,800	-	-	11,800
Total	$ 849,497	$ 292,372	$ -	$ 1,141,869

There were no transfers in or out of Levels 1 and 2 during the year ended June 30, 2016.

Assets	June 30, 2015 Level 1	Level 2	Level 3	Total
Common Stock	$ 805,922	$ -	$ -	$ 805,922
Investments made with cash collateral for securities loaned	-	321,548	-	321,548
Short-term issue	8,747	-	-	8,747
Total	$ 814,669	$ 321,548	$ -	$ 1,136,217

There were no transfers in or out of Levels 1 and 2 during the year ended June 30, 2015.

International Equity Pool

This Pool invests in the equities of international companies. Assets are managed by Acadian Asset Management, LLC (Acadian), Axiom International Investors, LLC (Axiom), Brandes Investment Partners, L.P. (Brandes), LSV Asset Management (LSV), and Oberweis Asset Management, Inc. (Oberweis). The objective of the Pool is to exceed, net of external investment management fees, Morgan Stanley Capital International's All Country World Free Ex US Index over three-to-five-year periods. BRIM's amount invested in the International Equity Pool of $15,055 and $14,540 at June 30, 2016 and 2015, respectively, represents approximately 0.5% and 0.6%, respectively, of total investments in this pool.

Credit Risk

The Pool is exposed to credit risk from certain investments made with cash collateral for securities loaned. This risk is limited by requiring minimum ratings on debt instruments. Long-term debt instruments must be rated A or better by Moody's or Standard & Poor's at the time of purchase. Short-term debt instruments must be rated P-1 by Moody's or A-1 by Standard & Poor's at the time of purchase.

(in thousands)

	June 30, 2016			
Investment Type	**Moody's**	**S&P**	**Fair Value**	**Percent of Total Investment**
Foreign corporate bonds	A	A	$ 1,127	0.0 %
Foreign government bonds	Aa	A	4	0.0
Money market mutual funds	Aaa	AAA	69,992	2.4
Time deposits	P-1	A-1	37,717	1.2
U.S. corporate bonds	A	A	4,376	0.1
U.S. Government agency bonds	Aaa	AA	1,192	0.0
U.S. Government agency MBS	Aaa	AA	39,216	1.3
U.S. Treasury bonds	Aaa	AA	11,478	0.4
Total rated investments			165,102	5.4
Common stock			2,797,848	92.4
Preferred stock			68,037	2.2
Rights			217	0.0
Total investments			$ 3,031,204	$ 100.0%

This table includes investments received as collateral for repurchase agreements with a fair value of $118,650 as compared to the amortized cost of the repurchase agreements of $112,380.

	June 30, 2015			
Investment Type	**Moody's**	**S&P**	**Fair Value**	**Percent of Total Investment**
Corporate asset backed issues	Aaa	AAA	$ 3,101	0.1 %
Corporate CMO	Aaa	AAA	1,168	0.0
Foreign asset backed issues	Aaa	AAA	264	0.0
Foreign corporate bonds	Aa	A	871	0.0
Foreign government bonds	Aa	A	125	0.0
Short-term issue	Aaa	AAA	32,015	1.1
Time deposits	P-1	A-1	68,488	2.3
U.S. corporate bonds	A	A	501	0.0
U.S. Government agency bonds	Aaa	AA	117	0.0
U.S. Government agency CMO interest only	Aaa	AA	22	0.0
U.S. Government agency MBS	Aaa	AA	55,574	1.9
U.S. Treasury bonds	Aaa	AA	19,642	0.7
Total rated investments			181,888	6.1
Common stock			2,747,001	92.5
Preferred stock			40,815	1.4
Rights			8	0.0
Total investments			$ 2,969,712	$ 100.0%

This table includes investments received as collateral for repurchase agreements with a fair value of $150,672 as compared to the amortized cost of the repurchase agreements of $142,698.

Concentration of Credit Risk

The Pool is restricted from investing more than 5 percent of the value of the Pool in any one company. At June 30, 2016 and 2015, the Pool was in compliance with this restriction and is not exposed to concentration of credit risk.

(in thousands)

Custodial Credit Risk

At June 30, 2016 and 2015, the Pool held no securities that were subject to custodial credit risk. Repurchase agreements, when held, are collateralized to a minimum of 102 percent and the collateral is held in the name of the WVIMB. All remaining securities are held by the WVIMB's custodian in the name of the WVIMB.

Interest Rate Risk

The Pool is exposed to interest rate risk from certain investments made with cash collateral for securities loaned. The weighted average maturity for investments made with cash collateral for securities loaned is not to exceed 90 days. The following table provides the WAM for applicable investments made with cash collateral for securities loaned as of June 30, 2016 and 2015.

	2016		2015	
Investment Type	**Fair Value**	**WAM (Days)**	**Fair Value**	**WAM (Days)**
Repurchase agreements	**$ 112,380**	**2**	$ 142,698	1
Asset backed issues			97	22
Time deposits	**37,716**	**1**	68,488	1
Total investments	**$ 150,096**	**1**	$ 211,283	1

Foreign Currency Risk

The Pool has both equity securities and cash that are denominated in foreign currencies and are exposed to foreign currency risks. The amounts at fair value (in U.S. dollars) of the securities and cash denominated in foreign currencies as of June 30 were as follows:

	2016			2015		
Currency	**Investments**	**Cash**	**Total**	**Investments**	**Cash**	**Total**
Australian Dollar	$ 70,519	$ 1,384	$ 71,903	$ 71,411	$ 21	$ 71,432
Brazil Real	134,558	1,156	135,714	113,460	829	114,289
British Pound	251,332	2,256	253,588	272,285	1,049	273,334
Canadian Dollar	114,574	211	114,785	130,182	62	130,244
Chilean Peso	12,200	685	12,885			
Czech Koruna	8,630	368	8,998	11,113	-	11,113
Danish Krone	21,390	1,390	22,780	24,755	1	24,756
Egyptian Pound	1,631	(20)	1,611	3,762	-	3,762
Emirati Dirham	5,631	5	5,636	3,773	-	3,773
Euro Currency Unit	423,512	504	424,016	410,970	(51)	410,919
Hong Kong Dollar	277,680	776	278,456	267,032	979	268,011
Hungarian Forint	8,991	135	9,126	9,379	106	9,485
Indian Rupee	64,154	697	64,851	49,212	1,019	50,231
Indonesian Rupiah	28,164	132	28,296	19,720	39	19,759
Israeli Shekel	16,429	49	16,478	19,243	3	19,246
Japanese Yen	381,024	2,588	383,612	401,766	2,410	404,176
Malaysian Ringgit	24,344	207	24,551	12,366	252	12,618
Mexican Peso	44,979	383	45,362	35,498	5	35,503
New Taiwan Dollar	63,355	1,166	64,521	70,408	2,623	73,031
New Zealand Dollar	7,782	3	7,785	1,056	57	1,113
Norwegian Krone	20,899	28	20,927	26,742	34	26,776
Pakistan Rupee	5,150	-	5,150	5,610	-	5,610
Philippine Peso	10,085	1	10,086	8,810	-	8,810
Polish Zloty	5,239	-	5,239	10,753	71	10,824
Qatari Riyal	407	16	423	300	9	309
Singapore Dollar	13,817	105	13,922	13,923	151	14,074
South African Rand	38,313	94	38,407	48,901	551	49,452

(in thousands)

(continued)	2016			2015		
Currency	Investments	Cash	Total	Investments	Cash	Total
South Korean Won	188,612	1,479	190,091	174,570	1,238	175,808
Swedish Krona	52,296	1	52,297	48,637	1	48,638
Swiss Franc	95,697	-	95,697	97,333	14	97,347
Thailand Baht	47,149	1	47,150	25,382	29	25,411
Turkish Lira	55,220	507	55,727	45,967	-	45,967
Total	$ 2,493,763	$ 16,307	$ 2,510,070	$ 2,434,319	$ 11,502	$ 2,445,821

This table excludes cash and securities held by the pool that are denominated in U.S. dollars. The market value of the U.S. dollar denominated cash and investments is $531,171, or 17.5% and $527,419, or 17.7% for the years ended June 30, 2016 and 2015, respectively.

Fair Value Measurements

The tables below summarize the valuation of the investment securities in accordance with fair value hierarchy levels as of June 30:

	June 30, 2016			
Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Common Stock	**$ 2,736,592**	**$ -**	**$ -**	**$ 2,736,592**
Foreign currency contracts	**-**	**68**	**-**	**68**
Investments made with cash collateral for securities loaned	**39,472**	**150,096**	**-**	**189,568**
Preferred stock	**68,037**	**-**	**-**	**68,037**
Rights	**217**	**-**	**-**	**217**
Money market mutual fund	**30,520**	**-**	**-**	**30,520**
Total	**$ 2,874,838**	**$ 150,164**	**$ -**	**$ 3,025,002**
Liabilities				
Foreign currency contracts	**$ -**	**$ (63)**	**$ -**	**$ (63)**

There were no transfers in or out of Levels 1 and 2 during the year ended June 30, 2016.

	June 30, 2015			
Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Common Stock	$ 2,677,637	$ -	$ -	$ 2,677,637
Foreign currency contracts	-	35	-	35
Investments made with cash collateral for securities loaned	-	211,283	-	211,283
Preferred stock	40,795	-	-	40,795
Rights	8	-	-	8
Money market mutual fund	32,015	-	-	32,015
Total	$ 2,750,455	$ 211,318	$ -	$ 2,961,773
Liabilities				
Foreign currency contracts	$ -	$ (62)	$ -	$ (62)

There were no transfers in or out of Levels 1 and 2 during the year ended June 30, 2015.

(in thousands)

Short-Term Fixed Income Pool

The main objective of this Pool is to maintain sufficient liquidity to fund withdrawals by the participant plans and to invest cash contributions until such time as the money can be transferred to other asset classes without sustaining capital losses. JP Morgan Investment Advisors, Inc. (JPM) manages the Pool. The Pool's investment objective, net of external investment fees, is to meet or exceed the Citigroup ninety-day T-bill Index plus fifteen basis points. BRIM's amount invested in the Short-Term Fixed Income Pool of $6,641 and $6,981 at June 30, 2016 and 2015, respectively, represented approximately 2.5% and 2.6%, respectively, of total investments in this Pool.

Credit Risk

The WVIMB limits the exposure to credit risk in the Pool by requiring all corporate bonds to be rated AA or higher. Commercial paper must be rated A-1 by Standard & Poor's and P-1 by Moody's. Additionally, the Pool must have at least 15% of its assets in United States Treasury issues.

The following tables provide information on the weighted average credit ratings of the Short-Term Fixed Income Pool's investments as of June 30:

	June 30, 2016			
Investment Type	**Moody's**	**S&P**	**Carrying Value**	**Percent of Total Investment**
Commercial paper	**P-1**	**A-1**	**$ 52,734**	**14.9 %**
Money market mutual fund	**Aaa**	**AAA**	**82,161**	**23.2**
U.S. Government agency issues	**P-1**	**A-1**	**130,482**	**37.0**
U.S. Treasury issues	**Aaa**	**AA**	**88,046**	**24.9**
Total rated investments			**$ 353,423**	**100.0 %**

This table includes U.S. Treasury notes received as collateral for repurchase agreements with a fair value of $13,260 as compared to the amortized cost of the repurchase agreements of $13,000.

	June 30, 2015			
Investment Type	**Moody's**	**S&P**	**Carrying Value**	**Percent of Total Investment**
Commercial paper	Aaa	AA	$ 22,999	8.5 %
U.S. Government agency issues	Aaa	AA	136,763	50.5
U.S. Treasury issues	Aaa	AA	110,922	41.0
Total rated investments			$ 270,684	100.0 %

This table includes U.S. Treasury notes received as collateral for repurchase agreements with a fair value of $65,365 as compared to the amortized cost of the repurchase agreements of $64,341.

Concentration of Credit Risk

The Pool is restricted from investing more than 5 percent of the value of the Pool in any one corporate name. At June 30, 2016, the Pool was in compliance with this restriction and is not exposed to concentration of credit risk.

Custodial Credit Risk

At June 30, 2016, the Pool held no investments that were subject to custodial credit risk. Repurchase agreements are collateralized at 102 percent and the collateral is held in the name of the WVIMB. All remaining investments are held by the WVIMB's custodian in the name of the WVIMB.

(in thousands)

Interest Rate Risk

The weighted-average maturity of the investments of the Short-Term Fixed Income Pool is not to exceed 60 days. The maturity of floating rate notes is assumed to be the next interest rate reset date. The following table provides the WAM for the various asset types in the Short-Term Fixed Income Pool as of June 30, 2016 and 2015:

	2016		2015	
Investment Type	Fair Value	WAM (Days)	Fair Value	WAM (Days)
Commercial paper	$ 52,734	22	$ 22,999	19
Money market mutual fund	82,161	N/A	-	-
Repurchase agreement	13,000	1	64,341	1
U.S. government agency issues	130,482	55	136,763	52
U.S. Treasury issues	74,786	28	45,557	70
Total investments	$ 353,163	39	$ 269,660	40

Foreign Currency Risk

The Pool has no investments that are subject to foreign currency risk.

Fair Value Measurements

The tables below summarize the valuation of the investment securities in accordance with fair value hierarchy levels as of June 30:

	June 30, 2016			
Assets	Level 1	Level 2	Level 3	Total
Commercial paper	$ -	$ 52,734	$ -	$ 52,734
Money market mutual fund	82,161	-	-	82,161
Repurchase agreement	-	13,000	-	13,000
U.S. Government agency bonds	-	130,482	-	130,482
U.S. Treasury bonds	-	74,786	-	74,786
Total	$ 82,161	$ 271,002	$ -	$ 353,163

There were no transfers in or out of Levels 1 and 2 during the year ended June 30, 2016.

	June 30, 2015			
Assets	Level 1	Level 2	Level 3	Total
Commercial paper	$ -	$ 22,999	$ -	$ 22,999
Repurchase agreement	-	64,341	-	64,341
U.S. Government agency issues	-	136,763	-	136,763
U.S. Treasury bonds	-	45,557	-	45,557
Total	$	$ 269,660	$ -	$ 269,660

There were no transfers in or out of Levels 1 and 2 during the year ended June 30, 2015.

International Nonqualified Equity Pool

This Pool invests in The Silchester International Investors International Value Equity Trust (Silchester). The Pool's objective is to produce investment returns that exceed the Morgan Stanley Capital International's Europe Australasia Far East Index by 200 basis points on an annualized basis over three-to-five-year periods, net of external investment management fees. The Pool exists for participants who are not "qualified" (as defined by the *Internal Revenue Code*). The Pool invests in a collective trust fund that invests in equities denominated in foreign currencies. The value of this pool at June 30, 2016 and 2015 was $141,311 and $153,554, respectively. This Pool, although denominated in U.S. dollars, is exposed to foreign currency risk through the underlying investments. The Pool is not exposed to credit risk, interest rate risk, custodial credit risk, or concentration of credit risk.

(in thousands)

BRIM's amount invested in the International Nonqualified Pool of $4,892 and $5,317 at June 30, 2016 and 2015, respectively, represents approximately 3.5% and 3.5%, respectively, of total investments in this pool.

Fair Value Measurements
U.S. GAAP does not require the Pool to categorize within the fair value hierarchy table investments for which fair value is measured using the net asset value per share practical expedient. The investment in Silchester is valued using the net asset value per share practical expedient. As Silchester is the only investment in the Pool, a fair value hierarchy table is not presented.

There were no transfers in or out of Levels 1 and 2 during the year ended June 30, 2016 and 2015, respectively.

Redemption Provisions
The Pool is restricted to the following redemption provisions: monthly on the first business day.

Total Return Fixed Income Pool

This Pool's objective is to earn superior returns with low volatility by actively investing in the extended fixed income markets. Dodge & Cox (DAC), Franklin Templeton Investments (FTI), and Western Asset Management Company (Western) manage the Pool. The Pool's investment objective, net of external investment management fees, is to meet or exceed the Barclay Capital Universal Index. BRIM's amount invested in the Total Return Fixed Income Pool of $29,250 and $34,012, at June 30, 2016 and 2015, respectively, represented approximately 1.4% and 1.2%, respectively, of total investments in the Pool.

Credit Risk
The WVIMB limits the exposure to credit risk in the Total Return Fixed Income Pool by maintaining at least an average rating of investment grade as defined by the Nationally Recognized Statistical Rating Organizations.

The following tables provide the weighted average credit ratings of the rated assets in the Pool as of June 30:

	June 30, 2016			
Investment Type	Moody's	S&P	Fair Value	Percent of Total Investment
Bank loan	B	B	$ 936	0.0 %
Corporate asset backed issues	A	A	36,980	1.7
Corporate CMO	Ba	BB	27,879	1.3
Corporate preferred securities	Ba	BB	10,472	0.5
Foreign asset backed issues	A	A	11,726	0.5
Foreign corporate bonds	Baa	BBB	293,586	13.6
Foreign government bonds	Ba	BB	217,700	10.1
Money market mutual funds	Aaa	AAA	66,469	3.1
Municipal bonds	A	A	40,081	1.9
Time deposits	P-1	A-1	20,028	0.9
U.S. corporate bonds	Baa	BBB	542,373	25.2
U.S. Government agency bonds	Aaa	AA	3,332	0.2
U.S. Government agency CMO	Aaa	AA	64,627	3.0
U.S. Government agency CMO interest-only	Aaa	AA	6,519	0.3

(in thousands)

(continued)

	June 30, 2016			
Investment Type	**Moody's**	**S&P**	**Fair Value**	**Percent of Total Investment**
U.S. Government agency MBS	Aaa	AA	275,666	12.8
U.S. Government agency TBA	Aaa	AA	637	0.0
U.S. Treasury bonds	Aaa	AA	107,797	5.0
U.S. Treasury inflation-protected securities	Aaa	AA	26,550	1.2
Total rated investments			$ 1,753,358	81.3 %

Unrated investments include investments in common stock valued at $32,528, investments in corporate ABS residual valued at $5,385, investments in other funds valued at $360,669, and options contracts purchased valued at $1,192. These unrated securities represent 18.7% of the fair value of the Pool's investments.

This table includes investments received as collateral for repurchase agreements with a fair value of $63,005 as compared to the amortized cost of the repurchase agreements of $59,675.

	June 30, 2015			
Investment Type	**Moody's**	**S&P**	**Fair Value**	**Percent of Total Investment**
Corporate asset backed issues	A	AA	$ 116,267	4.8 %
Corporate CMO	B	B	101,927	4.2
Corporate CMO interest-only	C	Not Rated	7,706	0.3
Corporate preferred securities	Ba	BB	10,430	0.4
Foreign asset backed issues	A	A	20,876	0.9
Foreign corporate bonds	Baa	BBB	286,053	11.9
Foreign government bonds	Baa	BB	212,335	8.8
Municipal bonds	A	A	51,734	2.2
Short-term issues	Aaa	AAA	102,153	4.3
Time deposits	P-1	A-1	7,174	0.3
U.S. corporate bonds	Baa	BBB	578,292	24.2
U.S. Government agency bonds	Aaa	AA	2,579	0.1
U.S. Government agency CMO	Aaa	AA	80,795	3.4
U.S. Government agency CMO interest-only	Aaa	AA	3,819	0.2
U.S. Government agency MBS	Aaa	AA	298,744	12.4
U.S. Government agency TBA	Aaa	AA	884	0.0
U.S. Treasury bonds	Aaa	AA	113,459	4.7
U.S. Treasury inflation-protected securities	Aaa	AA	20,616	0.9
Total rated investments			$ 2,015,843	84.0 %

Unrated investments include investments in common stock valued at $7,266, investments in corporate CMO residuals valued at $21,983, investments in other funds valued at $356,277, and options contracts purchased valued at $1,114. These unrated securities represent 16% of the fair value of the Pool's investments.

This table includes investments received as collateral for repurchase agreements with a fair value of $15,783 as compared to the amortized cost of the repurchase agreements of $14,948.

(in thousands)

Concentration of Credit Risk

The Pool is restricted from investing more than 5 percent of the value of the Pool in any one corporate name. At June 30, 2016 and 2015, the Pool was in compliance with this restriction and is not exposed to concentration of credit risk.

Custodial Credit Risk

At June 30, 2016 and 2015, the Pool held no securities that were subject to custodial credit risk. Repurchase agreements, when held, are collateralized at 102 percent and the collateral is held in the name of the WVIMB. Investments in commingled funds are held in an account in the name of the WVIMB. All remaining securities are held by the WVIMB's custodian in the name of the WVIMB.

Interest Rate Risk

The WVIMB monitors interest rate risk of the Pool by evaluating the effective duration of the investments in the Pool. The following table provides the weighted-average effective duration for the various asset types in the Pool as of June 30, 2016 and 2015:

	2016		2015	
Investment Type	**Fair Value**	**Effective Duration (Years)**	**Fair Value**	**Effective Duration (Years)**
Bank loan	**$ 936**	**0.1**	$ -	-
Corporate asset backed issues	**36,980**	**1.8**	115,952	2.2
Corporate ABS residual	**5,385**	**N/A**	-	-
Corporate CMO	**27,879**	**1.9**	101,802	1.8
Corporate CMO interest-only			7,706	18.8
Corporate preferred securities	**10,472**	**0.1**	10,428	0.3
Foreign asset backed issues	**11,726**	**2.4**	20,849	1.6
Foreign corporate bonds	**292,987**	**6.6**	285,960	6.0
Foreign government bond	**217,698**	**6.0**	212,324	6.3
Investments in other funds	**360,669**	**2.9**	356,277	3.2
Money market mutual funds	**66,469**	**N/A**	-	-
Short-term issue			102,153	0.0
Municipal bonds	**40,081**	**10.4**	51,734	8.4
Options contracts purchase	**1,192**	**N/A**	-	-
Repurchase agreement	**59,675**	**0.0**	14,948	-
Time deposits	**20,028**	**0.0**	7,173	-
U.S. corporate bonds	**540,049**	**8.3**	578,249	6.6
U.S. Government agency bonds	**2,699**	**3.3**	2,566	4.3
U.S. Government agency CMO	**64,627**	**0.9**	80,795	2.1
U.S. Government agency CMO interest-only	**6,519**	**34.0**	3,816	2.2
U.S. Government agency MBS	**254,842**	**1.7**	292,921	2.6
U.S. Government agency TBA	**637**	**0.0**	884	2.1
U.S. Treasury bonds	**101,702**	**3.0**	111,398	4.2
U.S. Treasury inflation-protected securities	**26,550**	**19.5**	20,616	14.0
Total investments	**$ 2,149,802**	**5.1**	$ 2,378,551	4.5

The Pool invests in commercial and residential mortgage-backed securities, asset-backed securities, and collateralized mortgage obligations. The cash flows from these securities are based on the payment of the underlying collateral. The modified duration and yield to maturity of these securities are dependent on estimated prepayment assumptions that consider historical experience, market conditions, and other criteria. Actual prepayments may vary with changes in interest rates. Rising interest rates often result in a slower rate of prepayments while declining rates tend to lead to faster prepayments. As a result, the fair values of these securities are highly sensitive to interest rate changes. At June 30, 2016, the Pool held $407,958 of these securities. This represents approximately 19.0% of the value of the Pool's securities.

(in thousands)

Foreign Currency Risk

The Pool has foreign government bonds and foreign corporate bonds that are denominated in foreign currencies and are exposed to foreign currency risks. The Pool also has foreign denominated futures contracts, a currency swap, and foreign exchange forward contracts. Refer to Notes 7, 8, and 9, respectively, for details on these contracts. Additionally, the Pool has indirect exposure to foreign currency risk through its ownership interests in certain of the commingled investment pools. Approximately $82,390, or 23 percent, of the commingled investment pools hold substantially all of their investments in foreign currencies. This represents approximately 4 percent of the value of the Pool's securities.

The tables below show amounts at fair value (in U.S. dollars) of investments and cash denominated in foreign currencies as of June 30:

	June 30, 2016			
Currency	**Investments**	**Cash**	**Total**	**Percent of Total Investments and Cash**
Brazil Real	$ 18,357	$ 739	$ 19,096	0.9 %
British Pound	(16)	29	13	0.0
Colombian Peso	3,827	-	3,827	0.2
Deutsche Mark	2,242	-	2,242	0.1
Euro Currency Unit	7,012	4,749	11,761	0.5
Ghana Cedi	1,871	308	2,179	0.1
Indian Rupee	3,192	-	3,192	0.1
Japanese Yen	50,390	1,458	51,848	2.4
Kenyan Shilling	2,149	-	2,149	0.1
Mexican Peso	36,421	-	36,421	1.7
Russian Ruble	9,159	588	9,747	0.4
South African Rand	4,814	192	5,006	0.2
Turkish Lira	5,094	-	5,094	0.2
Ugandan Shilling	1,919	-	1,919	0.1
Uruguayan Peso	3,759	-	3,759	0.2
Zambian Kwacha	-	311	311	0.0
Total	$ 150,190	$ 8,374	$ 158,564	7.2 %

This table excludes investments and cash held by the Pool that are denominated in U.S. dollars. The market value of the U.S. dollar denominated investments and cash is $2,029,009. This represents approximately 93 percent of the value of the Pool's investments and cash.

	June 30, 2015			
Currency	**Investments**	**Cash**	**Total**	**Percent of Total Investments and Cash**
Brazil Real	$ 16,991	$ -	$ 16,991	0.7 %
Colombian Peso	2,706	-	2,706	0.1
Deutsche Mark	2,086	-	2,086	0.0
Euro Currency Unit	29,225	2,006	31,231	1.3
Ghana Cedi	1,267	-	1,267	0.1
Indian Rupee	3,385	-	3,385	0.1
Japanese Yen	53,751	2,782	56,533	2.3
Kenyan Shilling	1,937	-	1,937	0.1
Mexican Peso	35,266	162	35,428	1.5

(in thousands)

(continued)

Currency	Investments	Cash	Total	Percent of Total Investments and Cash
	June 30, 2015			
Nigerian Naira	461	-	461	0.0
Russian Ruble	5,933	192	6,125	0.3
Serbian Dinar	1,634	-	1,634	0.1
South African Rand	5,431	214	5,645	0.2
Swiss Franc	1,375	-	1,375	0.1
Turkish Lira	3,302	-	3,302	0.1
Ugandan Shilling	1,248	3	1,251	0.1
Uruguayan Peso	4,093	-	4,093	0.2
Zambian Kwacha	2,594	12	2,606	0.1
Total	$ 172,685	$ 5,371	$ 178,056	7.4 %

This table excludes investments and cash held by the Pool that are denominated in U.S. dollars. The market value of the U.S. dollar denominated investments and cash is $2,234,766. This represents approximately 93 percent of the value of the Pool's investments and cash.

Fair Value Measurements

U.S. GAAP does not require the Pool to categorize within the fair value hierarchy table investments for which fair value is measured using the net asset value per share practical expedient. The table that follows sets forth information about the level within the fair value hierarchy at which the Pool's assets and liabilities are measured at June 30. All the Pool's investments in other funds were valued using the net asset value per share practical expedient, as such they have not been categorized in the fair value hierarchy.

Assets	Level 1	Level 2	Level 3	Total
	June 30, 2016			
Bank loan	**$ -**	**$ 936**	**$ -**	**$ 936**
Corporate asset backed issues	**-**	**36,980**	**-**	**36,980**
Corporate ABS residual	**-**	**5,385**	**-**	**5,385**
Corporate CMO	**-**	**27,879**	**-**	**27,879**
Corporate preferred security	**10,472**	**-**	**-**	**10,472**
Foreign asset backed issues	**-**	**11,726**	**-**	**11,726**
Foreign corporate bonds	**-**	**292,987**	**-**	**292,987**
Foreign currency forward contracts	**-**	**1,054**	**-**	**1,054**
Foreign government bonds	**-**	**217,698**	**-**	**217,698**
Future contracts	**5,597**	**-**	**-**	**5,597**
Investments made with cash collateral for securities loaned	**20,960**	**79,703**	**-**	**100,663**
Money market mutual fund	**45,509**	**-**	**-**	**45,509**
Municipal bonds	**-**	**40,081**	**-**	**40,081**
Options contracts purchased	**849**	**343**	**-**	**1,192**
Swaps	**-**	**837**	**-**	**837**
U.S. corporate bonds	**-**	**540,049**	**-**	**540,049**
U.S. Government agency bond	**-**	**2,699**	**-**	**2,699**
U.S. Government agency CMO	**-**	**64,627**	**-**	**64,627**
U.S. Government agency CMO interest-only	**-**	**6,519**	**-**	**6,519**
U.S. Government agency MBS	**-**	**254,842**	**-**	**254,842**
U.S. Government agency TBA	**-**	**637**	**-**	**637**

(in thousands)

(continued)

	June 30, 2016			
Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
U.S. Treasury bonds	-	101,702	-	101,702
U.S. Treasury inflation protected securities	-	26,550	-	26,550
Total	$ 83,387	$ 1,713,234	$ -	$ 1,796,621
Investments in other funds				360,669
Total				$ 2,157,290
Liabilities				
Foreign currency forward contracts	$ -	$ (4,747)	$ -	$ (4,747)
Future contracts	(7,013)	-	-	(7,013)
Options contracts written	(142)	(293)	-	(435)
Swaps	-	(18,200)	-	(18,200)
Total	$ (7,155)	$ (23,240)	$ -	$ (30,395)

There were no transfers in or out of Levels 1 and 2 during the year ended June 30, 2016.

	June 30, 2015			
Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Corporate asset backed issues	$ -	$ 115,941	$ -	$ 115,941
Corporate ABS residual	-	21,983	-	21,983
Corporate CMO	-	101,802	-	101,802
Corporate CMO interest-only	-	7,706	-	7,706
Corporate preferred security	10,428	-	-	10,428
Foreign asset backed issues	-	20,849	-	20,849
Foreign corporate bonds	-	285,960	-	285,960
Foreign currency forward contracts	-	2,675	-	2,675
Foreign government bonds	-	212,324	-	212,324
Future contracts	3,193	-	-	3,193
Investments made with cash collateral for securities loaned	-	22,132	-	22,132
Municipal bonds	-	51,734	-	51,734
Options contracts purchased	1,114	-	-	1,114
Short-term issue	102,153	-	-	102,153
Swaps	-	531	-	531
U.S. corporate bonds	-	578,249	-	578,249
U.S. Government agency bond	-	2,566	-	2,566
U.S. Government agency CMO	-	80,795	-	80,795
U.S. Government agency CMO interest-only	-	3,816	-	3,816
U.S. Government agency MBS	-	292,921	-	292,921
U.S. Government agency TBA	-	884	-	884
U.S. Treasury bonds	-	111,398	-	111,398
U.S. Treasury inflation protected securities	-	20,616	-	20,616
Total	$ 116,888	$ 1,934,882	$ -	$ 2,051,770
Investments in other funds				356,277
Total				$ 2,408,047

(in thousands)

	June 30, 2015			
Liabilities	**Level 1**	**Level 2**	**Level 3**	**Total**
Foreign currency forward contracts	$ -	$ (292)	$ -	$ (292)
Future contracts	(660)	-	-	(660)
Options contracts written	(1,244)	-	-	(1,244)
Total	$ (1,904)	$ (292)	$ -	$ (2,196)

There were no transfers in or out of Levels 1 and 2 during the year ended June 30, 2015.

Redemption Provisions
The Pool is restricted to the following redemption provisions: daily.

Opportunistic Debt Pool

This Pool was established to hold the WVIMB's investments in middle market direct loans. Assets are managed by Angelo, Gordon & Co. and TCW Asset Management Company. The objective of the Pool is to generate a total net return of 7 - 9% over a normal market cycle (typically a 5 - 7 year period), and/or 250 basis points above the return of the credit Suisse Leveraged Loan Index. BRIM's amount invested in the Opportunistic Debt Pool of $1,555 and $0 at June 30, 2016 and 2015, respectively, represented approximately 1.4% and 0.0%, respectively, of total investments in the Pool.

Credit Risk
The Pool is exposed to credit risk from investments in unrated direct lending funds. This risk is limited by requiring that underlying fund holdings are at least 90 percent collateralized by one or more assets of the issuer. The Pool also holds shares of a money market fund with the highest credit rating.

Concentration of Credit Risk
Due to being in the infancy stage of the program, the fund is exposed to concentration of credit risk. Approximately 32 percent of committed capital has been called. As the program becomes fully funded, the concentration of credit risk will be mitigated. Each asset manager is restricted from investing more than 10 percent of the capital commitment in a single issuer for investments that are expected to be held longer than one year. At June 30, 2016, the Pool was in compliance with this restriction.

Custodial Credit Risk
At June 30, 2016, the Pool held no securities that were subject to custodial credit risk.

Interest Rate Risk
The Pool is exposed to interest rate risk from investments in direct lending funds. The WVIMB manages interest rate risk of the Pool by requiring at least 80 percent of the fund holdings that mature in more than one year to have variable of floating interest rate structures.

Foreign Currency Risk
The investments in direct lending funds might be indirectly exposed to foreign currency risk.

Fair Value Measurements
U.S. GAAP does not require the Pool to categorize within the fair value hierarchy table investments for which fair value is measured using the net asset value per share practical expedient. The table that follows sets forth information about the level within the fair value hierarchy at which the Pool's assets and liabilities are measured at June 30, 2016. All the Pool's investments in direct lending funds were valued using the net asset value per share practical expedient; as such, they have not been categorized in the fair value hierarchy.

(in thousands)

Assets	June 30, 2016 Level 1	Level 2	Level 3	Total
Money market mutual fund	$ 100	$ -	$ -	$ 100
Direct lending funds				114,158
Total				$ 114,258

There were no transfers in or out of Levels 1 and 2 during the year ended June 30, 2016.

Redemption Provisions

The Pool is restricted to the following redemption provisions: upon termination of the partnership or limited liability company.

Core Fixed Income Pool

The main objective of this Pool is to generate investment income, provide stability and diversification, but not at the expense of the total return. JP Morgan Investment Advisors, Inc. (JPM) manages this Pool. This Pool's investment objective, net of external management fees, is to meet or exceed the Barclays Capital U.S. Aggregate Index. BRIM's amount invested in the Core Fixed Income Pool of $13,342, and $14,631 at June 30, 2016 and 2015, respectively, and represented approximately 1.3% and 1.4%, respectively, of total investments in this Pool.

Credit Risk

The WVIMB limits the exposure to credit risk in the Pool by maintaining at least an average rating of investment grade as defined by the nationally recognized statistical rating organizations.

The following table provides the weighted-average credit ratings of the rated assets in the Pool as of June 30:

Investment Type	June 30, 2016 Moody's	S&P	Fair Value	Percent of Total Investment
Corporate asset backed issues	Aa	AA	$ 71,452	6.7%
Corporate CMO	A	A	58,738	5.5
Corporate CMO interest-only	Ba	AAA	713	0.1
Corporate CMO principal-only	B	AA	200	0.0
Foreign asset backed issues	Aa	AA	1,793	0.2
Foreign corporate bonds	A	A	44,793	4.2
Foreign government bonds	Aa	A	7,252	0.7
Money market mutual funds	Aa	AAA	35,271	3.3
Municipal bonds	Aa	AA	9,782	0.9
Time deposits	P-1	A-1	13,097	1.2
U.S. corporate bonds	A	A	222,175	21.1
U.S. Government agency bonds	Aaa	AA	23,219	2.2
U.S. Government agency CMO	Aaa	AA	129,989	12.3
U.S. Government agency CMO interest-only	Aaa	AA	5,229	0.5
U.S. Government agency CMO principal only	Aaa	AA	9,002	0.8
U.S. Government agency MBS	Aaa	AA	201,029	19.0
U.S. Treasury bonds	Aaa	AA	204,730	19.3
U.S. Treasury inflation protected security	Aaa	AA	431	0.0
Total rated investments			$ 1,038,895	98.0%

(in thousands)

Unrated securities include investments made with common stock valued at $21,270, or 2.0% of the fair value of the Pool's investments.

This table includes investments received as collateral for repurchase agreements with a fair value of $41,198 as compared to the amortized cost of the repurchase agreements of $39,023.

	June 30, 2015			
Investment Type	**Moody's**	**S&P**	**Fair Value**	**Percent of Total Investment**
Corporate asset backed issues	A	A	$ 76,880	7.0 %
Corporate CMO	A	A	87,661	8.0
Corporate CMO interest-only	Ba	AAA	1,198	0.1
Corporate CMO principal-only	B	AA	278	0.0
Foreign asset backed issues	Aa	AA	2,813	0.3
Foreign corporate bonds	A	A	46,435	4.3
Foreign government bonds	Aa	A	7,814	0.7
Municipal bonds	Aa	AA	8,646	0.8
Preferred stock	A	A	2	0.0
Short-term issue	Aaa	AAA	41,293	3.8
Time deposits	P-1	A-1	7,044	0.6
U.S. corporate bonds	A	A	222,329	20.4
U.S. Government agency bonds	Aaa	AA	21,742	2.0
U.S. Government agency CMO	Aaa	AA	144,364	13.2
U.S. Government agency CMO interest-only	Aaa	AA	6,921	0.6
U.S. Government agency CMO principal only	Aaa	AA	10,501	1.0
U.S. Government agency MBS	Aaa	AA	194,546	17.8
U.S. Treasury bonds	Aaa	AA	204,400	18.7
U.S. Treasury inflation protected security	Aaa	AA	415	0.0
Total rated investments			1,085,282	99.3
Common stock			7,134	0.7
Total			$ 1,092,416	100.0 %

This table includes investments received as collateral for repurchase agreements with a fair value of $15,496 as compared to the amortized cost of the repurchase agreements of $14,676.

Concentration of Credit Risk

The Pool is restricted from investing more than 5 percent of the value of the Pool in any one corporate name. At June 30, 2016, the Pool was in compliance with this restriction and is not exposed to concentration of credit risk.

Custodial Credit Risk

At June 30, 2016, the Pool held no securities that were subject to custodial credit risk. Repurchase agreements, when held, are collateralized at 102 percent and the collateral is held in the name of the WVIMB. All remaining securities are held by the WVIMB's custodian in the name of the WVIMB.

Interest Rate Risk

The WVIMB monitors interest rate risk of the Pool by evaluating the effective duration of the investments in the pool. The following table provides the weighted-average modified duration for the various asset types in Pool as of June 30, 2016 and 2015.

(in thousands)

Investment Type	2016 Fair Value	2016 Effective Duration (Years)	2015 Fair Value	2015 Effective Duration (Years)
Corporate asset backed issues	$ 71,452	2.1	$ 76,574	2.0
Corporate CMO	58,738	2.5	87,539	2.0
Corporate CMO interest-only	713	(17.4)	1,198	(8.5)
Corporate CMO principal-only	200	4.2	278	3.2
Foreign asset backed issues	1,793	0.1	2,786	0.1
Foreign corporate bonds	44,399	5.7	46,346	5.7
Foreign government bonds	7,251	9.0	7,800	8.7
Money market mutual funds	35,271	N/A	-	-
Municipal bonds	9,782	14.4	8,646	13.9
Repurchase agreements	39,023	0.0	14,676	0.0
Short-term issue	-	-	41,293	0.0
Time deposits	13,097	0.0	7,044	0.0
U.S. corporate bonds	220,665	6.3	222,273	6.1
U.S. Government agency bonds	22,805	3.8	21,730	4.7
U.S. Government agency CMO	129,989	3.0	144,364	3.7
U.S. Government agency CMO interest-only	5,229	5.9	6,919	7.6
U.S. Government agency CMO principal only	9,002	7.2	10,501	7.4
U.S. Government agency MBS	187,410	4.4	188,831	4.8
U.S. Treasury bonds	200,740	8.5	202,383	7.2
U.S. Treasury inflation protected security	431	3.4	415	5.4
Total	$ 1,057,990	4.9	$ 1,091,596	4.8

The Pool invests in commercial and residential mortgage-backed securities, asset-backed securities, and collateralized mortgage obligations. The cash flows from these securities are based on the payment of the underlying collateral. The effective duration and yield to maturity of these securities are dependent on estimated prepayment assumptions that consider historical experience, market conditions, and other criteria. Actual prepayments may vary with changes in interest rates. Rising interest rates often result in a slower rate of prepayments while declining rates tend to lead to faster prepayments. As a result, the fair values of these securities are highly sensitive to interest rate changes. At June 30, 2016, the Pool held $464,526 of these securities. This represents approximately 44.0% of the value of the Pool's securities.

Foreign Currency Risk
None of the securities held by the Pool are exposed to foreign currency risk.

Fair Value Measurements
The tables below summarize the valuation of the investment securities in accordance with fair value hierarchy levels as of June 30:

(in thousands)

Assets	June 30, 2016 Level 1	Level 2	Level 3	Total
Corporate asset backed issues	$ -	$ 71,452	$ -	$ 71,452
Corporate CMO	-	58,738	-	58,738
Corporate CMO interest - only	-	713	-	713
Corporate CMO principal - only	-	200	-	200
Foreign asset backed issues	-	1,793	-	1,793
Foreign corporate bonds	-	44,399	-	44,399
Foreign government bonds	-	7,251	-	7,251
Investments made with cash collateral for securities loaned	13,705	52,120	-	65,825
Money market mutual fund	21,566	-	-	21,566
Municipal bonds	-	9,782	-	9,782
U.S. corporate bonds	-	220,665	-	220,665
U.S. Government agency bond	-	22,805	-	22,805
U.S. Government agency CMO	-	129,989	-	129,989
U.S. Government agency CMO interest-only	-	5,229	-	5,229
U.S. Government agency CMO principal-only	-	9,002	-	9,002
U.S. Government agency MBS	-	187,410	-	187,410
U.S. Treasury bonds	-	200,740	-	200,740
U.S. Treasury inflation protected securities	-	431	-	431
Total	$ 35,271	$ 1,022,719	$ -	$ 1,057,990

There were no transfers in or out of Levels 1 and 2 during the year ended June 30, 2016.

Assets	June 30, 2015 Level 1	Level 2	Level 3	Total
Corporate asset backed issues	$ -	$ 76,563	$ -	$ 76,563
Corporate CMO	-	87,539	-	87,539
Corporate CMO interest - only	-	1,198	-	1,198
Corporate CMO principal - only	-	278	-	278
Foreign asset backed issues	-	2,786	-	2,786
Foreign corporate bonds	-	46,346	-	46,346
Foreign government bonds	-	7,800	-	7,800
Investments made with cash collateral for securities loaned		21,731	-	21,731
Municipal bonds	-	8,646	-	8,646
Short-term issue	41,293	-		41,293
U.S. corporate bonds	-	222,273	-	222,273
U.S. Government agency bond	-	21,730	-	21,730
U.S. Government agency CMO	-	144,364	-	144,364
U.S. Government agency CMO interest-only	-	6,919	-	6,919
U.S. Government agency CMO principal-only	-	10,501	-	10,501
U.S. Government agency MBS	-	188,831	-	188,831
U.S. Treasury bonds	-	202,383	-	202,383
U.S. Treasury inflation protected securities	-	415	-	415
Total	$ 41,293	$ 1,050,303	$ -	$ 1,091,596

There were no transfers in or out of Levels 1 and 2 during the year ended June 30, 2015.

(in thousands)

Hedge Fund Pool

This Pool was established to hold the WVIMB's investments in hedge funds. Albourne America, LLC has been retained by the WVIMB to provide consulting services for this investment strategy.

This Pool holds shares in hedge funds and shares of a money market fund with the highest credit rating. The investments in hedge funds might be indirectly exposed to foreign currency risk, credit risk, interest rate risk, and/or custodial credit risk. The Pool is restricted from investing more than 10 percent of the value of the Pool with any single manager. At June 30, 2016, the Pool was in compliance with this restriction and is not exposed to concentration of credit risk. BRIM's amount invested in the Hedge Fund Pool of $28,793 and $27,815 at June 30, 2016 and 2015, respectively, represented approximately 1.8% and 1.7%, respectively, of total investments in this Pool.

Fair Value Measurements
U.S. GAAP does not require the Pool to categorize within the fair value hierarchy table investments for which fair value is measured using the net asset value per share practical expedient. All of the Pool's investments in hedge funds were valued using the net asset value per share practical expedient. As these are the only investments in the Pool, a fair value hierarchy table is not presented.

Redemption Provisions
The Pool is restricted to the following redemption provisions: ranging from monthly with 3 days prior written notice to every three years with 45 days prior written notice and subject to maximum withdrawal restrictions.

Treasury Inflation Protection Securities (TIPS)

The Pool invests in Treasury Inflation-Protected Securities (TIPS) and its objective is to match the performance of the Barclay's Capital U.S. TIPS Bond Index on an annualized basis over rolling three-year to five-year periods, gross of fees. Assets are managed by State Street Global Advisors (SSgA).

BRIM's amount invested in the TIPS Pool of $13,368 and $13,686 at June 30, 2016 and 2015, respectively, represented approximately 3.4% and 3.2% respectively, of total investments in this pool.

Credit Risk
The WVIMB limits the exposure to credit risk in the pool by primarily investing in U.S. Treasury inflation-protected securities (TIPS). The following tables provide the weighted-average credit ratings of the rated assets in the pool as of June 30:

	June 30, 2016			
Investment Type	**Moody's**	**S&P**	**Fair Value**	**Percent of Assets**
Money market mutual fund	**Aaa**	**AAA**	**$ 127**	**0.0 %**
U.S. Treasury inflation-protected securities	**Aaa**	**AA**	**374,622**	**100.0**
Total rated investments			**$ 374,749**	**100.0 %**

	June 30, 2015			
Investment Type	**Moody's**	**S&P**	**Fair Value**	**Percent of Assets**
Short-term issue	Aaa	AAA	$ 228	0.1 %
U.S. Treasury inflation-protected securities	Aaa	AA	427,774	99.9
Total rated investments			$ 428,002	100.0 %

(in thousands)

Concentration Of Credit Risk
The Pool is restricted from investing more than 5 percent of the value of the Pool in any one corporate name. At June 30, 2016, the Pool was in compliance with this restriction and is not exposed to concentration of credit risk.

Custodial Credit Risk
At June 30, 2016, the Pool held no securities that were subject to custodial credit risk. All securities are held by the WVIMB's custodian in the name of the WVIMB.

Interest Rate Risk
The WVIMB monitors interest rate risk of the pool by evaluating the real modified duration of the investments in the pool. The following table provides the weighted-average real modified duration for the various asset types in the pool as of June 30:

	June 30, 2016		June 30, 2015	
Investment Type	**Fair Value**	**Real Modified Duration (Years)**	**Fair Value**	**Real Modified Duration (Years)**
Money market mutual fund	$ 127	N/A	$ -	0.0
Short-term issue	-	-	228	0.0
U.S. Treasury inflation-protected securities	374,622	7.9	427,774	7.9
Total investments	$ 374,749	7.9	$ 428,002	7.9

The pool invests in TIPS, and its objective is to match the performance of the Barclay's Capital U.S. TIPS Bond Index on an annualized basis over rolling three-year to five-year periods, gross of fees. Assets are managed by State Street Global Advisors.

Foreign Currency Risk
None of the securities held by the Pool are exposed to foreign currency risk.

Fair Value Measurements
U.S. GAAP does not require the Pool to categorize within the fair value hierarchy table investments for which fair value is measured using the net asset value per share practical expedient. The tables that follow sets forth information about the level within the fair value hierarchy at which the Pool's assets and liabilities are measured at June 30, 2016 and 2015, respectively. All the Pool's investments in other funds were valued using the net asset value per share practical expedient; as such, they have not been categorized in the fair value hierarchy.

	June 30, 2016			
Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Money market mutual fund	$ 127	$ -	$ -	$ 127
U.S. Treasury inflation-protected securities	-	374,622	-	374,622
Total	$ 127	$ 374,622	$ -	$ 374,749

There were no transfers in or out of Levels 1 and 2 during the year ended June 30, 2016.

(in thousands)

Assets	June 30, 2015 Level 1	Level 2	Level 3	Total
Short-term issue	$ 228	$ -	$ -	$ 228
U.S. Treasury inflation-protected securities	-	427,774	-	427,774
Total	$ 228	$ 427,774	$ -	$ 428,002

There were no transfers in or out of Levels 1 and 2 during the year ended June 30, 2015.

Advanced deposits

Insurance Company And Trustee

BRIM deposits monies with BNY, as trustee, to hold as advance deposits in an escrow account for BRIM liability claims. The monies held in escrow are invested in specific money market funds and short-term guaranteed or investment-grade fixed income securities that are identified as "qualified assets" in the escrow agreement.

The following table provides information on the weighted-average credit ratings of the cash liquidity pool's investments:

	June 30, 2016				June 30, 2015			
Security Type	Moody's	S&P	Fair Value	Percent of Assets	Moody's	S&P	Fair Value	Percent of Assets
Corporate bonds and notes	-	-	$ -	0.00%	Aaa	AAA	$ 1,982	0.97 %
	Aa1	AA+	1,138	0.53	Aa1	AA+	1,028	0.50
	-	-	-	0.00	Aa1	AA	784	0.39
	-	-	-	0.00	Aa1	AA-	2,088	1.02
	-	-	-	0.00	Aa2	AA	-	0.00
	Aa2	AA-	995	0.46	Aa2	AA-	2,106	1.03
	Aa3	AA-	2,354	1.09	Aa3	AA-	2,096	1.03
	Aa3	A+	4,740	2.20			-	-
	Aaa	AA+	1,113	0.52			-	-
	Aaa	AAA	1,111	0.51			-	-
			11,451	5.31			10,084	4.94
U.S. Treasury bonds and notes	Aaa	NR	193,114	89.52	Aaa	NR	167,196	81.87
U.S. Agency bonds	-	-	-	0.00	Aaa	AA+	15,587	7.63
U.S. Agency-debenture	NR	NR	10,569	4.90	NR	NR	10,878	5.33
Money market funds	NR	NR	574	0.27	Aaa	AAA	474	0.23
Total rated investments			$ 215,708	100.00%			$ 204,219	100.00 %

Concentration Of Credit Risk
As per the Investment Guidelines, at the time of purchase, no more than 4.9% of its advance deposit assets can be held in securities issued by a single private corporation or association.

Custodial Credit Risk
At June 30, 2016 and 2015, advanced deposits include no securities that were subject to custodial credit risk.

(in thousands)

Interest Rate Risk

The following table provides the WAM for the various asset types in the advanced deposits:

Investment Type	June 30, 2016 Fair Value	June 30, 2016 WAM Years	June 30, 2015 Fair Value	June 30, 2015 WAM Years
Corporate bonds and notes	$ 11,451	4.0	$ 10,084	5.0
U.S. Treasury bonds	193,114	4.0	167,196	3.7
U.S. agency bonds	-	-	15,587	4.3
U.S. Agency debenture	10,569	3.3	10,878	4.3
Money market funds	574	-	474	-
Total rated investments	$ 215,708	4.0	$ 204,219	3.6

Foreign Currency Risk

None of the advanced deposits include interest holds in foreign currency or interests valued in foreign currency.

Fair Value Measurements

The table below summarizes the valuation of the investment securities in accordance with fair value hierarchy levels as of June 30:

Assets	June 30, 2016 Level 1	Level 2	Level 3	Total
Corporate bonds and notes	$ 11,451	$ -	$ -	$ 11,451
U.S. Treasury bonds	193,114	-	-	193,114
U.S. Agency debenture	10,569	-	-	10,569
Money market funds	574	-	-	574
Total	$ 215,708	$ -	$ -	$ 215,708

Assets	June 30, 2015 Level 1	Level 2	Level 3	Total
Corporate bonds and notes	$ 10,084	$ -	$ -	$ 10,084
U.S. Treasury bonds	167,196	-	-	167,196
U.S. agency bonds	15,587	-	-	15,587
U.S. Agency debenture	10,878	-	-	10,878
Money market funds	474	-	-	474
Total	$ 204,219	$ -	$ -	$ 204,219

There were no transfers in or out of Levels 1 and 2 during the years ended June 30, 2016 or 2015.

(in thousands)

4. Unpaid Claims and Claims Adjustment Expense Liability

BRIM establishes an estimated liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claims adjustment expenses. The following represents changes in the estimated liability for the fiscal and policy years ended June 30:

	2016	2015
Unpaid claims and claims adjustment expense liability at beginning of year	$ 160,960	$ 153,204
Incurred claims and claims adjustment expense:		
Provision for insured events of the current year	66,740	62,342
(Decrease) increase in provision for insured events of prior years	(2,987)	5,803
Total incurred claims and claims adjustment expense	63,753	68,145
Payments:		
Claims and claims adjustment expense attributable to insured events of the current year	(12,863)	(11,146)
Claims and claims adjustment expense attributable to insured events of prior years	(43,415)	(49,243)
Total payments	(56,278)	(60,389)
Total unpaid claims and claims adjustment expense liability at end of year	$ 168,435	$ 160,960

If the unpaid claims and claims adjustment expense liability were discounted using a 4% discount factor for 2016 and 2015 to take into consideration the time value of money, the result would be a decrease in the liability and an increase in net position of approximately $14,876 and $14,209 for fiscal years 2016 and 2015, respectively. The overall unpaid claim liability number includes a provision for allocated and unallocated claims adjustment expense.

5. Employee Benefit Plans

Plan description

All full-time BRIM employees are eligible to participate in the State's Public Employees' Retirement System (PERS), a multiple-employer defined benefit cost-sharing public employee retirement system administered by the West Virginia Consolidated Public Retirement Board (CPRB). Chapter 5, Article 10 of the West Virginia Code assigns the authority to establish and amend benefit provisions to the PERS Board of Trustees. Benefits under PERS include deferred retirement, early retirement, death and disability benefits and have been established and may be amended by action of the State Legislature. The CPRB issues a publicly available financial report that includes financial statements for PERS that may be obtained at www.wvretirement.com.

Benefits provided

Employees are eligible for normal retirement at age 60 with five or more years of credited service, of at least age 55 with age and service equal to 80 or greater. For all employees hired on or after July 1, 2015, qualification for normal retirement is age 62 with ten years of service or at lease age 55 with age and service equal to 80 or greater. The straight-life annuity retirement benefit, established by State statute, is equivalent to two percent of the employee's final average salary multiplied by years of service. Final average salary is the average of the three consecutive highest annual earnings out of the last fifteen years of earnings. For all employees hired on or after July 1, 2015, average salary is the average of the five consecutive highest annual earnings out of the last fifteen years of earnings. Terminated members with at least five years of contributory service who do not withdraw their accumulated contributions may elect to receive their retirement annuity beginning at age 62. For all employees hired on or after July 1, 2015 who have separated from employment with a participating PERS agency prior to retirement, the retirement age increases to age 64.

(in thousands)

Contributions

While contribution rates are legislatively determined, actuarial valuations are performed to assist PERS and the State Legislature in determining contribution rates. Current funding policy requires employer contributions of 13.5%, 14.0% and 14.5% for the years ended June 30, 2016, 2015 and 2014, respectively. As permitted by legislation, BRIM has elected to pay 100% of all costs relating to the Plan, including the employee's 4.5% contribution for employees hired on or before February 6, 2012. Beginning February 7, 2012, new hires are required to pay the employee's contribution of 4.5%. For all employees hired on or after July 1, 2015 the employee contribution increased to 6.0%. The BRIM's contributions to the Plan were $149, $127, and $133 for the fiscal years ended June 30, 2016, 2015 and 2014, respectively.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions

Effective July 1, 2014, the BRIM adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* – an amendment of GASB Statement No. 27, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* – an Amendment of GASB Statement No. 68. As summarized below, a cumulative effect adjustment of $495 has been recorded to decrease net position previously reported at the beginning of fiscal year 2015. BRIM determined that it was not practical to restate the prior year financial statements as the information was not provided by the West Virginia Consolidated Public Retirement Board (WVCPRB), which administers this cost-sharing multiple-employer plan. These statements reclassified some items previously reported as expenses as deferred outflows and now requires BRIM to record the net pension liability and a more comprehensive measure of pension expense.

Net Position at the Beginning of the Year Required Statement:		
Net Position beginning of year, as previously reported	$	208,911
Total cumulative effect adjustment		(495)
Net Position at June 30, 2014, restated	$	208,416

During fiscal year 2016, BRIM, along with other State of West Virginia agencies participating in PERS adopted GASB Statement 73, Accounting and Financial Reporting for Pensions and related Assets That Are Not within the Scope of GASB 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, GASB Statement 78, Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans, and GASB Statement 82, Pension Issues and Amendment of GASB Statements 67, 68, and 73. The impact of adopting these statements was not material to the BRIM's financial statements.

At June 30, 2016 and 2015, the BRIM reported a liability of $467 and $254 for its proportionate share of the net pension liability. The net pension liability reported at June 30, 2016 was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014, rolled forward to the measurement date of June 30, 2015. BRIM's proportion of the net pension liability was based on the BRIM's share of contributions to the pension plan relative to the contributions of all employers participating in PERS for the year ended June 30, 2015. At June 30, 2015, BRIM's proportionate share was 0.0836%, which was an increase of 0.0596% for its proportionate share measured as of June 30, 2014.

(in thousands)

For the years ended June 30, 2016 and 2015, BRIM recognized pension expense of $137 and $28, respectively. At June 30, 2016 and 2015, BRIM reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2016		2015	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ 142	$ 245	$ -	$ 269
Differences between expected and actual experience	96	-	-	-
Difference in assumptions	-	56	-	-
Changes in proportion and differences between BRIM's contributions and proportionate share of contributions	-	3	-	1
BRIM's contributions made subsequent to the measurement date of June 30, 2016 and 2015	149	-	127	-
Total	$ 387	$ 304	$ 127	$ 270

Employer contributions to the PERS made during the fiscal year, subsequent to the pension liability measurement date, are recorded as deferred outflows of resources, and will be recognized as a reduction of the net pension liability in the following year. The net difference between projected and actual investment earnings on pension plan investments is amortized over a five year period. All other deferred outflows of resources and deferred inflows of resources relating to pension amounts reported in the financial statements are amortized and included in pension expense over the average remaining service life, rounded to the nearest whole year, of four years. These other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ending June 30:	
2017	$ (34)
2018	$ (34)
2019	$ (33)
2020	$ 35

Actuarial assumptions and methods

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

Inflation	1.9%
Salary increase	3.0 – 6.0%, average, including inflation
Investment rate of return	7.5%, net of pension plan investment expense

Mortality rates were based on 110% of the RP-2000 Non-Annuitant, Scale AA for healthy males, 101% of RP-2000 Non-Annuitant Scale for healthy females, 96% of RP-2000 Disabled Annuitant, Scale AA for disabled males, and 107% of RP-2000 Disabled Annuitant, Scale AA for disabled females.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results from an actual experience study for the period July 1, 2009 through June 30, 2014.

(in thousands)

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

Inflation	2.2%
Salary increase	4.25 – 6.0%, average, including inflation
Investment rate of return	7.5%, net of pension plan investment expense

Mortality rates were based on the 1983 Group Annuity Mortality (GAM) for healthy males, 1971 GAM for healthy females, 1971 GAM for disabled males, and Revenue Ruling 96-7 for disabled females.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2004 through June 30, 2009.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	15.0%	2.9-4.8%
Domestic equity	27.5%	7.6%
International equity	27.5%	8.5%
Real estate	10.0%	6.8%
Private equity	10.0%	9.9%
Hedge funds	10.0%	5.0%
Total	100.0%	

Discount rate

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from employers will continue to be made at statutorily required rates, which are determined by actuarial valuations. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. Although discount rates are subject to change between measurement dates, there were no changes in the discount rate in the current period.

(in thousands)

Sensitivity of BRIM'S proportionate share of the net pension liability to changes in the discount rate

The following presents BRIM's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what BRIM's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
BRIM's proportionate share of net pension liability	$ 1,076	$ 467	(48)

Other postemployment benefits (OPEB)

BRIM participates in a cost-sharing, multiemployer, defined benefit other postemployment benefit plan that covers the retirees of State agencies, colleges and universities, county boards of education, and other government entities as set forth in the West Virginia Code. Financial activities of the OPEB plan are accounted for in the BRIM. The plan provides the following retiree group insurance coverage to participants: medical and prescription drug coverage through a self-insured preferred provider benefit plan and through external managed care organizations, basic group life, accidental death, and prescription drug coverage for retired employees of the State, and various related State and non-State agencies, and their dependents. Details regarding this plan and a copy of the BRIM financial report can be obtained by contacting Public Employees Insurance Agency, 601 57th Street, S.E., Suite 2, Charleston, West Virginia 25304 or by calling (888) 680-7342.

Upon retirement, an employee may apply unused sick leave and/or annual leave to reduce his or her future insurance premiums paid to the BRIM. Substantially all employees hired prior to July 1, 2001, may become eligible for these benefits if they reach normal retirement age while working for BRIM. According to West Virginia State Code, employees hired prior to June 30, 1988, can receive health care credit against 100% of their health care coverage. Employees hired between June 30, 1988 and June 30, 2001, can receive health care credit against 50% of their health care cost. Employees hired July 1, 2001, or later may not convert sick leave into a health care benefit. The conversion of sick leave into OPEB health care benefits is now required to be accounted for as part of the OPEB obligation.

Legislation requires the BRIM to determine, through an actuarial study, the Annual Required Contribution (ARC), which shall be sufficient to maintain the BRIM in an actuarially sound manner. The ARC is allocated to respective cost-sharing employers, including BRIM, who are required by law to fund at least the minimum annual premium component of the ARC. Revenues collected by BRIM shall be used to fund current OPEB health care claims and administrative expenses with residual funds held in trust for future OPEB costs. BRIM records expense for its allocated ARC and a liability for the ARC that has not been paid. Approximately $471 and $407 of the ARC remained unpaid as of June 30, 2016 and 2015, respectively, and is recorded in accrued expenses and other liabilities on the statements of net position. For fiscal years 2016, 2015 and 2014, BRIM's OPEB contribution was approximately $44, $40 and $54, respectively, of the total required contribution of $44, $40 and $63, respectively. The actual contribution represents 49%, 74% and 85% of the ARC for 2016, 2015 and 2014, respectively. BRIM's policy is to fund at least the minimum annual premium component of the ARC. There are currently 22 employees eligible to receive such benefits.

The GASB has issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for fiscal years beginning after June 15, 2017. The requirements of this Statement will improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. Management has not yet determined the effect that the adoption of GASB Statement No. 75 may have on its financial statements.

(in thousands)

6. Lease Arrangement

In December 2011, the State renewed the lease arrangement on behalf of BRIM for office space occupied by BRIM with a monthly lease payment of $15 and a term beginning on January 1, 2012, and ending on December 31, 2016. On October 1, 2016, BRIM entered into a lease with the West Virginia Department of Administration for 13,364 square feet at the Albert Summers building located at 1124 Smith Street, Charleston, WV for an annual rental of $222. This lease expires on August 31, 2019.

Operating lease expense approximated $139 for the years ended June 30, 2016 and 2015, relating to these arrangements. Future minimum lease payments under these operating lease arrangements are as follows for years ending June 30:

2017	$ 236
2018	$ 222
2019	$ 222
2020	$ 37

7. Transactions With Primary Government and Component Units

Premium revenues derived from billings to State entities, which are funded by special revenue funds and component units of the primary government, approximated $37,688 and $32,119 for the years ended June 30, 2016 and 2015, respectively.

BRIM is required by Senate Bill 1002 to remit amounts equal to the gross premium tax attributable to premiums collected by BRIM. These amounts are to be placed in a separate account known as "the Premium Tax Savings Fund" (the Fund) maintained by the State Treasurer. Amounts deposited by BRIM into the Fund approximated $2,196 and $2,198 for the years ended June 30, 2016 and 2015, respectively. The Fund is not included in BRIM's financial statements, but is included in the general fund of the State.

8. Reinsurance *(Amounts referenced in this note related to insurance coverages are actual dollars)*

BRIM has entered into two reinsurance agreements for excess coverage with unrelated insurance companies wherein the company assumes the liability over BRIM's limit for a ceded premium. BRIM obtains an excess policy from the commercial market, which gives boards of education a liability limit of up to $5 million in excess of BRIM's $1 million self-insured limit BRIM also purchases an excess policy on all State and SB3 insured property over and above BRIM's $1 million self-insured limit These reinsurance agreements have been accounted for as a transfer of risk in the accompanying financial statements. However, BRIM is not relieved of its primary obligation to the insureds in the reinsurance transaction. BRIM had $229 reinsurance recoveries for the fiscal year ended June 30, 2016, and $1,200 for the fiscal year ended June 30, 2015.

9. Risk Management *(Amounts referenced in this note related to insurance coverages are actual dollars)*

BRIM is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to and illnesses of employees; medical liabilities; and natural disasters.

BRIM is a participant in the self-insured public entity risk pool it administers. Coverage is in the amount of $1 million per occurrence for general liability and property damage. Health insurance coverage for BRIM's employees is obtained through its participation in health insurance coverage offered by the West Virginia Public Employees Insurance Agency (PEIA). PEIA provides the following basic employee benefit coverage to all participants: hospital, surgical, group major medical, basic group life, accidental death, and prescription drug coverage for active and retired employees of the State and various related State and non-State agencies. BRIM has coverage for job-related injuries through a statewide workers' compensation policy with a third-party insurer.

There have been no significant reductions in insurance coverage from the prior year. Additionally, the amount of settlements has not exceeded insurance coverage in the past three years.

Required Supplementary Information
(in thousands)

(in thousands)

The table below illustrates how BRIM's earned revenues (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by BRIM as of the end of each of the last ten years. The rows of the table are defined as follows: (1) This line shows the total of each fiscal year's premium revenues and investment revenues. (2) This line shows each fiscal year's other operating costs of BRIM including overhead and unallocated claims expense not allocable to individual claims. (3) This line shows BRIM's incurred claims and claims adjustment expense (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year). (4) This section of rows shows the cumulative amounts paid as of the end of successive years for each policy year. (5) This line shows the latest reestimated amount of losses assumed by reinsurers for each year. (6) This section of rows shows how each policy year's incurred claims increased or decreased as of the end of successive years. This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known. (7) This line compares the latest reestimated incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years. The columns of the table show data for successive policy years.

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
1) Premiums and investment revenues:										
Earned	$ 98,270	$ 83,499	$ 69,739	$ 83,088	$ 71,320	$ 64,361	$ 54,969	$ 69,172	$ 63,037	**$ 72,706**
Ceded	6,151	6,394	5,944	6,257	6,075	5,386	5,825	6,102	6,197	**6,909**
Net earned	92,119	77,105	63,795	76,831	65,245	58,975	49,144	63,070	56,840	**65,797**
2) Unallocated expenses, including administrative fees paid to third-party claims administrators	8,536	8,045	7,840	8,043	7,867	7,562	7,240	7,888	7,653	**7,911**
3) Estimated incurred claims and claims adjustment expense, end of policy year:										
Incurred	59,678	59,246	56,194	51,388	53,728	60,176	57,276	58,389	62,342	**66,740**
Ceded	3,597	2,000	300	-	-	2,312	-	-		**-**
Net incurred	56,081	57,246	55,894	51,388	53,728	57,864	57,276	58,389	62,342	**66,740**
4) Paid (cumulative) claims and claims adjustment expense as of:										
End of policy year	12,416	8,352	9,753	9,965	10,757	10,156	10,870	10,560	11,146	**12,863**
One year later	16,942	18,097	19,069	17,009	18,034	20,830	18,936	19,965	24,010	
Two years later	24,345	26,240	25,457	25,606	26,398	30,577	30,649	29,077		
Three years later	30,733	33,488	32,126	32,612	34,305	43,021	40,132			
Four years later	35,469	38,077	36,501	38,174	39,497	48,351				
Five years later	37,636	39,518	39,349	39,821	42,538					
Six years later	40,076	41,403	42,577	40,798						
Seven years later	41,334	43,674	44,018							
Eight years later	42,030	44,369								
Nine years later	42,043									
5) Reestimated ceded claims and expenses	3,597	2,000	300	-	-	2,312	-	-	-	-
6) Reestimated net incurred claims and allocated claims adjustment expense:										
End of policy year	56,081	57,246	55,894	51,388	53,728	57,864	57,276	58,389	62,342	**66,740**
One year later	53,924	57,108	48,432	46,571	52,844	58,812	56,883	57,772	65,545	
Two years later	48,330	51,881	46,176	47,102	50,289	61,106	63,767	61,216		
Three years later	44,898	46,708	45,328	46,116	48,480	62,460	61,150			
Four years later	43,179	45,459	44,112	44,171	47,980	57,109				
Five years later	42,181	44,323	46,551	43,567	46,321					
Six years later	42,862	44,349	45,424	42,762						
Seven years later	43,340	45,098	45,940							
Eight years later	42,566	45,667								
Nine years later	42,355									
7) (Decrease) increase in estimated net incurred claims and allocated claims adjustment expense from end of policy year	(13,726)	(11,579)	(9,954)	(8,626)	(7,407)	(755)	3,874	2,827	3,203	-

Note: The above financial data is summarized for individual contract periods. Subsequent premium and related expense adjustments and reserve developments are recorded in the year incurred for fiscal year financial reporting, but are included in the applicable contract year for purposes of the above schedule. Accordingly, components of the change in net position as determined on a contract-year basis will differ from those included in BRIM's fiscal year financial statements.

West Virginia Board of Risk and Insurance Management
Reconciliation of Unpaid Claims and Claims Adjustment Expense Liability by Type of Contract
Fiscal and Policy Year Ended June 30
(in thousands)

The table below presents the changes in unpaid claims and claims adjustment expense liability for BRIM's lines of business:

	2016				2015			
	Liability	Property	Mine Subsidence	Total	Liability	Property	Mine Subsidence	Total
Unpaid claims and claims adjustment expense liability at beginning of fiscal year	$ 154,948	$ 5,136	$ 876	$ 160,960	$ 146,833	$ 5,510	$ 861	$ 153,204
Incurred claims and claims adjustment expense:								
Provision for insured events of the current fiscal year	60,464	5,619	657	66,740	55,686	5,960	696	62,342
(Decrease) increase in provision for insured events of prior fiscal years	(1,624)	(1,231)	(132)	(2,987)	8,020	(2,053)	(164)	5,803
Total incurred claims and claims adjustment expense	58,840	4,388	525	63,753	63,706	3,907	532	68,145
Payments:								
Claims and claims adjustment expense attributable to insured events of the current fiscal year	11,354	1,408	101	12,863	(9,404)	(1,664)	(78)	(11,146)
Claims and claims adjustment expense attributable to insured events of the prior fiscal years	40,811	2,221	383	43,415	(46,187)	(2,617)	(439)	(49,243)
Total claims and claims adjustment expense payments	52,165	3,629	484	56,278	(55,591)	(4,281)	(517)	(60,389)
Total unpaid claims and claims adjustment expense liability at end of the fiscal year	$ 161,623	$ 5,895	$ 917	$ 168,435	$ 154,948	$ 5,136	$ 876	$ 160,960

West Virginia Board of Risk and Insurance Management
Schedule of Proportionate Share of the Net Pension Liability in PERS
Years Ended June 30 2016 and 2015
(in thousands except percentages)

	2016	2015
BRIM's proportionate (percentage) of the net pension liability	0.0836%	0.0994%
BRIM's proportionate share of the net pension liability	$ 467	$ 367
BRIM's covered-employee payroll	$ 878	$ 962
BRIM's proportionate share of the net pension's liability as a percentage of its covered-employee payroll	53.19%	38.15%
Plan fiduciary net position as a percentage of the total pension liability *	91.29%	93.98%

* This is the same percentage for all participant employers in the PERS plan.

Note: All amounts presented are as of the measurement date, which is one year prior to the fiscal year end date.

West Virginia Board of Risk and Insurance Management
Schedule of Contributions to PERS
Years Ended June 30, 2016, 2015, and 2014
(in thousands except percentages)

	2016	2015	2014	2013
Statutorily required contribution	$ **149**	$ 127	$ 133	$ 129
Contributions in relation to the statutorily required contribution	**(149)**	(127)	(133)	(129)
Contribution deficiency (excess)	$ **-**	$ -	$ -	$ -
Covered-employee payroll	$ **1,100**	$ 878	$ 962	$ 1,014
Contributions as a percentage of covered-employee payroll	**13.55%**	14.00%	14.50%	14.00%

Notes to Required Supplementary Information – Schedule of Proportionate Share of the Net Pension Liability in PERS and Schedule of Contributions to PERS

1. Trend Information Presented

The accompanying schedules of BRIM's proportionate share of the net pension liability and contributions to PERS are required supplementary information to be presented for 10 years. However, until a full 10-year trend is compiled, information is presented in the schedules for those years for which information is available.

2. Plan Amendment

The PERS was amended to make changes that apply to new employees hired on or after July 1, 2015 as follows:

- For employees hired prior to July 1, 2015, qualification for normal retirement is age 60 with five years of service or at least age 55 with age and service equal to 80 or greater. For employees hired on or after July 1, 2015, qualification for normal retirement is 62 with 10 years of service or at least age 55 with age and service equal to 80 or greater.
- The straight life annuity retirement benefit is equivalent to 2% of average salary multiplied by years of service. For employees hired prior to July 1, 2015, average salary is the average of the three consecutive highest annual earnings out of the last fifteen years of earnings. For all employees hired on or after July 1, 2015 average salary is the average of the five consecutive highest annual earnings out of the last fifteen years of earnings.
- For employees hired prior to July 1, 2015, terminated members with at least five years of contributory service who do not withdraw their accumulated contributions may elect to receive their retirement annuity beginning at age 62. For all employees hired on or after July 1, 2015, this age increases to 64.
- For all employees hired prior to July 1, 2015, employees are required to contribute 4.5% of annual earnings. All employees hired on or after July 1, 2015, are required to contribute 6% of annual earnings.

(in thousands)

3. Changes in Assumptions

An experience study, which was based on the years 2009 through 2014, was completed prior to the 2015 actuarial valuation. As a result, several assumptions were changed for the actuarial valuation for the year ending June 30, 2015 as follows:

	2015	2014
Projected salary increases:		
State	3.0 - 4.6%	4.25 - 6.0%
Non-state	3.35 - 6.0%	4.25 - 6.0%
Inflation rate 1.90%	1.90%	2.20%
Mortality rates	Healthy males - 110% of RP-2000 Non-Annuitant, Scale AA Healthy females - 101% of RP 2000 Non-Annuitant, Scale AA Disabled males - 96% of RP-2000 Disabled annuitant, Scale AA Disables females - 107% of RP-2000 Disabled annuitant, Scale AA	Healthy males - 1983 GAM Healthy females - 1971 GAM Disabled males - 1971 GAM Disabled females - Revenue ruling 96-7
Withdrawal rates:		
State	1.75 - 35.1%	1 - 26%
Non-state	2 - 35.8%	2 - 31.2%
Disability rates	0 - .675%	0 - .8%

Other Financial Information
(in thousands)

West Virginia Board of Risk and Insurance Management
Combining Statement of Net Position
June 30, 2016
(in thousands)

	Other Lines of Business	Mine Subsidence	House Bill 601 Medical Malpractice	Total
ASSETS				
Current assets:				
Cash and cash equivalents	$ 15,748	$ -	$ -	$ 15,748
Advance deposits with carrier/trustee	210,152	-	-	210,152
Receivables, net	1,254	-	-	1,254
Prepaid insurance:	-	-	-	-
Restricted cash and cash equivalents	-	7,387	2,811	10,198
Restricted receivables, net	-	620	-	620
Total current assets	227,154	8,007	2,811	237,972
Noncurrent assets:				
Investments	83,881	-	-	83,881
Restricted investments	-	48,441	-	48,441
Total non current assets	83,881	48,441	-	132,322
Total assets	311,035	56,448	2,811	370,294
Deferred outflows of resources	387	-	-	387
LIABILITIES				
Current liabilities:				
Estimated unpaid claims and claims adjustment expense	50,274	545	-	50,819
Unearned revenue	7,119	1,181	-	8,300
Agent commissions payable	1,100	-	-	1,100
Accrued expenses and other liabilities	1,006	19	-	1,025
Interprogram (receivables) payables	(15)	15	-	-
Total current liabilities	59,484	1,760	-	61,244
Noncurrent liabilities:				
Estimated claims and claims adjustment expense, noncurrent	117,244	372	-	117,616
Compensated absences	87	4	-	91
Net pension liability	467	-	-	467
Total noncurrent liabilities	117,798	376	-	118,174
Total liabilities	177,282	2,136	-	179,418
Deferred inflows of resources	304	-	-	304
Net position:				
Restricted	-	54,312	2,811	57,123
Unrestricted	133,836	-	-	133,836
Net position	$ 133,836	$ 54,312	$ 2,811	$ 190,959

See accompanying notes.

West Virginia Board of Risk and Insurance Management
Combining Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2016
(in thousands)

	Other Lines of Business	Mine Subsidence	House Bill 601 Medical Malpractice	Total
Operating revenues:				
Premiums	$ 62,834	$ 2,399	$ 60	$ 65,293
Less excess coverage/reinsurance premiums	(6,909)	-	-	(6,909)
Total operating revenues	55,925	2,399	60	58,384
Operating expenses:				
Claims and claims adjustment expense	63,227	526	-	63,753
General and administrative expense	3,824	80	1	3,905
Total operating expenses	67,051	606	1	67,658
Operating (loss) income	(11,126)	1,793	59	(9,274)
Nonoperating revenues:				
Investment income	7,570	(165)	8	7,413
Payment to transfer HB601 estimated future IBNR	-	-	-	-
Net nonoperating revenues	7,570	(165)	8	7,413
Changes in net position	$ (3,556)	$ 1,628	$ 67	$ (1,861)

See accompanying notes.

West Virginia Board of Risk and Insurance Management
Form 7 - Deposits Disclosure
Year Ended June 30, 2016
(in thousands)

			Fair Value
Cash with Treasurer			$ 944 (1)
(1) Agrees to audited statement of cash flows as follows:			
Cash with Treasurer			$ 944 (2)
Cash equivalents with BTI			25,002 (2)
			$ 25,946 (3)
(2) Agrees to Form 8-A			
(3) Agrees to audited statement of net position as follows:			
Cash and cash equivalents	$	15,748	
Restricted cash and cash equivalents		10,198	
	$	25,946	

See accompanying notes.

West Virginia Board of Risk and Insurance Management
Form 8 - Investments Disclosure
Year Ended June 30, 2016
(in thousands)

Investment Pool	Amount Unrestricted		Amount Restricted		Amount Reported		Fair Value
BTI and WVIMB Investment Pools:							
Cash liquidity	$ 15,067	(1)	$ 9,935	(1)	$ 25,002	(3)	$ 25,002
Long-term	83,881	(1)	48,441	(1)	132,322	(3)	132,322
Total investments	$ 98,948	(1)	$ 58,376	(1)	$ 157,324		$ 157,324
(1) Agrees to audited statement of net position as follows:							
Investments with BTI and WVIMB	$ 98,948	(1)	$ 58,376				
Less investments classified as cash equivalents	15,067		9,935				
Total investments	$ 83,881	(2)	$ 48,441	(2)			

(2) Agrees to audited statement of net position

(3) Agrees to Form 8-A

West Virginia Board of Risk and Insurance Management
Form 8-A - Deposits and Investments Disclosure
Year Ended June 30, 2016
(in thousands)

Reconciliation of cash and cash equivalents and investments as reported in the financial statements to the amounts disclosed in the footnotes:

Deposits:			
Cash and cash equivalents as reported:			
Noncurrent – restricted	$	10,198	(1)
Unrestricted		15,748	(1)
Total cash and cash equivalents		25,946	
Less investments disclosed as cash equivalents		25,002	(2)(3)
Fair value of deposits as disclosed on Form 7	$	944	(2)
Investments:			
Investments as reported:			
Noncurrent – restricted	$	48,441	(1)
Noncurrent – unrestricted		83,881	(1)
Total investments		132,322	
Add investments disclosed as cash equivalents		-	
Fair value of investments as disclosed on Form 8	$	132,322	(3)

(1) Agrees to audited statement of net position

(2) Agrees to Form 7

(3) Agrees to Form 8

West Virginia Board of Risk and Insurance Management
Form 9 - Schedule of Receivables (Other Than State Agencies)
Year Ended June 30, 2016
(in thousands)

		Amount	
Accounts receivable (other than State agencies):			
Total accounts receivable as of June 30, 2016	$	1,874	(1)
Less allowance for doubtful accounts		-	(2)
Net receivable	$	1,874	
(1) Derived from the audited statement of net position as follows:			
Receivables	$	1,254	(2)
Restricted receivables		620	(2)
	$	1,874	

(2) Agrees to the audited statement of net position

See accompanying notes.

West Virginia Board of Risk and Insurance Management
Form 10 - Schedule of Accounts Receivable From Other State Agencies
June 30, 2016
(in thousands)

Receivable From	Amount	
Accounts receivable from other State agencies	$ (41)	(1)
(1) Premiums due from other State agencies	$ (41)	
Premiums due from other entities	1,295	
Total receivables	$ 1,254	(2)

(2) Agrees to audited statement of net position

West Virginia Board of Risk and Insurance Management
Form 13 - Schedule of Changes in Long-Term Obligations - Compensated Absences
Year Ended June 30, 2016
(in thousands)

Type of Debt	Final Maturity Date	Balance as Reported June 30 2015	Payments	Other Changes	Balance June 30 2016
Compensated absences – annual leave	Varies	$ 76	$ -	$ 15	$ 91 (1)

(1) Agrees to audited statement of net position

See accompanying notes.

DHG
DIXON HUGHES GOODMAN LLP

Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance With *Government Auditing Standards*

Board of Directors and Management
West Virginia Board of Risk and Insurance Management
Charleston, West Virginia

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the West Virginia Board of Risk and Insurance Management (BRIM), which comprise the statement of net position as of June 30, 2016, and the related statements of revenues, expenses and changes in position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 19, 2016.

Internal Control over Financial Reporting
In planning and performing our audit of the financial statements, we considered BRIM's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of BRIM's internal control. Accordingly, we do not express an opinion on the effectiveness of BRIM's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

DIXON HUGHES GOODMAN LLP

Compliance and Other Matters

As part of obtaining reasonable assurance about whether BRIM's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dixon Hughes Goodman LLP

Charleston, West Virginia
December 19, 2016

STATE OF WEST VIRGINIA
DEPARTMENT OF ADMINISTRATION
BOARD OF RISK AND INSURANCE MANAGEMENT

Earl Ray Tomblin
Governor

Mary Jane Pickens
Executive Director
Acting Cabinet Secretary

AGENDA
BOARD MEETING OF THE WEST VIRGINIA BOARD OF RISK AND INSURANCE MANAGEMENT

September 13, 2016

Chairman Martin	Call to Order
Chairman Martin	Approval of Board Minutes June 21, 2016

REPORTS

Nate Pearson Standish Mellon Asset Management	Account/Investment Update
Tom Sauvageot WV Investment Management Board	Account/Investment Update
Mary Jane Pickens Executive Director	**Executive Director's Report**
Stephen W. Schumacher, CPA Chief Financial Officer	Financial Report PCard Report
Robert A. Fisher Deputy Director/Claim Manager	Loss Control Report

UNFINISHED BUSINESS

NEW BUSINESS

ADJOURNMENT

STATE OF WEST VIRGINIA
DEPARTMENT OF ADMINISTRATION
BOARD OF RISK AND INSURANCE MANAGEMENT

Earl Ray Tomblin
Governor

Mary Jane Pickens
Acting Cabinet Secretary
Executive Director

MINUTES OF THE MEETING
OF THE
WEST VIRGINIA BOARD OF RISK AND INSURANCE MANAGEMENT

September 13, 2016

BOARD MEMBERS PRESENT:	Bruce R. Martin, CIC, CRM, Chairman Bob Mitts, CPCU, Vice Chairman Edward Magee, Ed.D., CPA, Member James Wilson, Esq., Member Tonya Gillespie, CPA, Representing Mike Riley, Insurance Commissioner, Board Secretary and Ex-Officio Member
BRIM PERSONNEL:	Mary Jane Pickens, Executive Director Robert Fisher, Deputy Director/Claim Manager Stephen W. Schumacher, CPA, CFO Chuck Mozingo, Assistant Claim Manager Melody Duke, Underwriting Manager Jeremy Wolfe, Loss Control Manager Barbara Houchins, Claim Representative John Fernatt, IT Manager Steve Fowler, Esq., BRIM Counsel Linda Dexter, Recording Secretary
BRIM PROGRAM REPRESENTATIVES:	Dan Rittenhouse, AIG Claim Services Brenda Samples, USI Insurance Services, LLC Bob Ayers, USI Insurance Services, LLC
GUESTS:	Nate Pearson, Standish Mellon Asset Management Tom Sauvageot, West Virginia Investment Management Board

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GUESTS: (cont'd) Sandy Price, WVU Health Sciences Center
Mike Gansor, WVU Risk Management
Brian Gallagher, Marshall Health Sciences

CALL TO ORDER

The meeting of the West Virginia Board of Risk and Insurance Management was called to order by Chairman Martin at 1:08 p.m. on Tuesday, September 13, 2016, at 90 MacCorkle Avenue, SW, Suite 203, South Charleston, West Virginia.

APPROVAL OF MINUTES

Mr. Wilson moved the approval of the minutes of the June 21, 2016 Board Meeting. The motion was seconded by Vice Chairman Mitts. There being no discussion, a vote was taken and the MOTION ADOPTED.

REPORTS

Standish Mellon Asset Management – Account/Investment Update

Chairman Martin thereafter recognized Mr. Nate Pearson, Interest Rate Strategist and Portfolio Manager with Standish Mellon.

(Prior to the meeting, the Standish report entitled "The State of West Virginia BRIM, September 13, 2016" was distributed to the Board members for their information and review.)

Mr. Pearson noted that Standish had recently hired a new Chief Economist, Vincent Reinhart. Previously, he was Chief US Economist and managing director at Morgan Stanley. For the prior four years, he was a resident scholar at the AEI. Mr. Reinhart worked at the Federal Reserve for twenty-four years, most recently as Director of the Division of Monetary and Secretary and Economist of the Federal Open Market Committee.

Mr. Pearson began his report by stating that, in terms of the rate environment since his previous report, rates and yields have continued to go lower and bonds have rallied. We have hit an all-time low. Further, the economic data we estimate to be okay, but there is a more global phenomenon of central banks cutting rates in the negative territory.

Continuing, Mr. Pearson stated that with the Federal Reserve expected to raise their rates in December, most feel that the dollar will continue to appreciate versus other currencies, so that makes treasuries very attractive. Therefore, despite the outright historical low yields, treasuries look attractive on a global basis.

In addition, the situation in the UK--with BREXIT--has caused lower yields and is expected to go lower.

The global growth picture is not so great. The shift in economic cycles as well as the demographic shift are adding to the slow economic growth.

In the U.S., over the past six to nine months, growth has been fairly bleak—at best below one percent. Over the past quarter, growth has been about two percent. Several things are driving this—a lot of this is a demographic shift; the working population is getting older and retiring, so therefore, we have less workers in the workplace, and we've also seen lower productivity,

In terms of performance of the portfolios, Mr. Pearson stated that he remembers at last year's presentation when BRIM was concerned about what the absolute return on the portfolio would be. We actually received lower yields, so we received higher dollar prices on the bonds. The portfolio year-to-date is up 3.5 %, with an index of 3.55%. At any rate, it's a positive yield—not particularly high returns, but positive.

Our economic outlook is not particularly great. He thinks the economy will continue to muddle along with growth at less than two percent or two percent at best.

Continuing, he also stated that the inflation forecast is fairly benign. Core inflation, which is a better metric of underlying inflation, has been increasing throughout this period, which is actually a strong sign. The dollar has been appreciating, which is also inflationary. We have started to see wages pick up slightly, but we continue to see the performance rate decrease, and this could push up inflation--core right now is at 2.3%, headline is sub 1%.

After a brief conversation, Chairman Martin ascertained from Mr. Pearson that the Fed will hike rates once in 2016 and twice in 2017.

West Virginia Investment Management Board – Account Update/Investment Update

There being no further questions of Mr. Pearson, Chairman Martin recognized Mr. Tom Sauvageot of the West Virginia Investment Management Board.

(Prior to the meeting, the report entitled "BRIM – Investments, WV Investment Management Board, 6/30/2016" was distributed to the Board members for their information and review.)

Mr. Sauvageot began by stating that his investment group (at WVIMB) meets with large global institutional managers and what he is hearing from managers internationally is that this is a slow-growth environment and we are really being impacted by what is happening overseas—the situation in China and the oil prices impacts us, but it also impacts more of the emerging market economies. It's a global economy these days that is having a significant impact.

Focusing on what the WVIMB is doing in BRIM's portfolio, Mr. Sauvageot stated that he wanted to remind us that this portfolio differs from the bond portfolio. Right now, the portfolio is still--in the realm of the investment world--relatively conservative because we have basically 50% in cash and bonds and the other 50%--30% is in equities--and that is a diversified global portfolio, both international and domestic--and 20% in hedge funds.

Turning to performance, he explained that on the year, we had less than a 1% negative return. He explained that they measure against two policy benchmarks, the broadest of which is called the policy benchmark—and that's if we have a very generic bond index and a stock index—no hedge funds. In one year, the policy benchmark was significantly off, the reason for that is that hedge funds had one of the poorest years. They were down about 3% or 4%, a pretty disappointing year end; however, July and August have gotten off to a very good start so far. Over the 10 year period, this portfolio has had a 5.2% return—even though hedge funds hurt us. Also, about 3 years ago, equity got bumped up to 5%, and that is not shown in the policy index. Equity has had a full year, so that explains some of the deviation. Continuing, he stated that if we look over the 3, 5 and 10 years, it looks a lot better. About 3 years ago, our expected return—when we established the most recent allocation, was about 5%, and to look over 10 years, the portfolio has received a 5.2% return per year for the last ten years. Therefore, it is meeting our expectations.

In addition to the policy index, Cash has been added. When this account was set up about 10 or 11 years ago, all of the money had been sitting in Cash. The mandate was to get a higher return. Then you ask if BRIM has been taking risks, and if so, are we getting paid for that risk? As shown, BRIM has taken risks but received a significant return over the last 10 to 11 years for that.

Mr. Sauvageot also added that the portfolio was up 2.1% just in the month of July. August numbers are still coming in but he expects those to be positive as well, so we started the new fiscal year very, very strong.

In discussing the Performance by Fiscal Year, he noted that we've had 10 years of history and experienced a little bit of risk and volatility. As of right now,--and the models aren't exact—but on the average, the WVIMB expects the portfolio to get about a 5% return and the volatility to be + or -7%.

In his discussion regarding Asset Class Performance, Mr. Sauvageot stated that these are the actual returns of the different asset pools which they are managing. In equities, the domestic equities were positive—nowhere near their expected long-term return. They are only about 2% to 3%. A lot of the damage came internationally, and that is also reversed a little bit—at least the first couple of months of this fiscal year.

Referencing the TIPS portfolio, Mr. Sauvageot further stated that BRIM is not paying very much of an insurance premium to get some protection against inflation. He gave an example of a situation which showed TIPS will pay an inflation rate on top of the coupon if BRIM should buy a five-year U.S. Treasury TIP for 4.95% a year versus buying a treasury bond at the same maturity and paying 1%. However, when inflation expectations go down and the TIPS haven't performed very well, it is better to be with just the fixed income. However, he does think that there is some value in having that protection in there.

Mr. Sauvageot explained that the next few slides showed the individual asset classes and how we're doing against our individual asset class benchmark. In equities, even though we had a negative year, we are consistently adding value to our active management. So in the 1, 3, 5 and 10-year period—in every one of those, our actual equity performance has exceeded the benchmark for those investments.

In fixed income, it's just the opposite. We've looked at this, and we feel pretty good with what we're doing. Over the last 3 or 4 years we have been pretty short duration—meaning the interest rates are so low, we don't want to tie up or hold up long-term bond. And, right now, U.S. Treasuries are yielding 1.5% for 10 years; so you could lock up into a 10-year bond and what you're going to get is 1.5% a year. I'm thinking that you're just not getting paid for the risk of that. We don't see anything that is supposed to start pushing rates up real quickly; we don't feel that the economy is strong enough. On the other hand, there's not much more room for interest rates to go down, and there's a whole lot of room for them to go up. And if stuck with longer-duration bonds, the value of them is really going to take some very tough hits in the interim. However, our portfolio is structured with a relatively short type of duration. It out-yields the benchmark, and what that means is that if interest rates do nothing, we're going to earn probably about 1% more than the traditional bond interest but a little bit more in the corporate world. If interest rates go up, we're going to look a lot better than the benchmark. The only time we're going to look bad is if interest rates keep falling.

Mr. Sauvageot stated that he has looked back at the last 2 or 3 presentations here and notes that the hedge funds have been very additive—going back to June 2015, '14 and '13. Most of this was wiped out in one year (June 2016), so hopefully it will reverse back quickly; but even with this very, very poor year, if we look over five years, it's about to break even—as if we had left that money in fixed income. He thinks in the long term that with the additional hedge fund diversification, we are expected to get higher returns in fixed income over time with some modest additional volatility.

Dr. Magee thereafter inquired what percentage of returns is directly in the international fund, to which Mr. Sauvageot responded 50% right now.

(There being no further questions, Chairman Martin thanked Mr. Sauvageot and thereafter called upon Mary Jane Pickens to present her Executive Director's Report.)

Executive Director's Report

The report of the Executive Director was received and filed, a copy of which is attached and made a part of the record.

Mrs. Pickens began by providing a status report regarding the Marshall and WVU escrow accounts, followed by the report of AIG's litigation statistics as of August 2016.

She thereafter gave an update on the Patient Injury Compensation Fund (PICF), explaining the following:

a) that as of mid-July, the balance was $3,764,661.91, which included the money transferred from the HB 601 account;
b) that all expenses properly chargeable to FY 2016 have now been paid;
c) that five claims became final during FY 2016, one of which was paid immediately, since we were court order to make payment; one was small and

c) (cont'd) paid in a lump sum, and the three remaining claims are being handled by BRIM and AIG for resolution; and

d) that 16 PICF claims are pending. BRIM will not have the money to pay all remaining claims in full at the end of the fiscal year, but we will use the monies we have after the end of each fiscal year to determine the best method for payments to eligible claimants whose claims become final during the previous fiscal year. We will continue to do this until the claims are paid or until we run out of money.

e) The collection of additional filing fees and collection of a percentage of medical malpractice settlements have been addressed in letters to each Circuit Clerk and discussed with the Administrator of the Supreme Court of Appeals. BRIM is working with the Insurance Commissioner's Office to gather information on medical malpractice claims. A Memorandum of Understanding to get this information is currently being prepared. We will get a report from the Insurance Commissioner's Office on a quarterly basis to use in assuring that BRIM is collecting the amounts due from medical malpractice judgments and settlements. The appropriate agency at DHHR will provide BRIM the Trauma Registry for BRIM's use in assessing those facilities.

Mrs. Pickens thereafter noted that we submitted our Response to Comments regarding the Mine Subsidence Rule, and that information concerning program changes has also been posted on our website. She also noted that an emergency rule had been filed because of the many questions that remained unanswered regarding the program changes. The amount that BRIM can reinsure will increase from $75,000 to $200,000. The new law takes effect October 1, 2016.

Continuing with her report, Mrs. Pickens mentioned the status of the claims resulting from the flood of June 23, 2016, Winter Storm Jonas, and the April Hail Storm.

In addressing the matter of Cyber Liability Insurance Coverage, Mrs. Pickens stated that 159 state entities are currently covered under the policy, with 10 having yet to apply for coverage. Four of these entities are the WVU Practice Plans and may choose to go with WVU or WVU Hospital. WVU has selected a broker and purchased a cyber liability policy.

Cyber Incidents – Of the six reports, the most crucial of which is the Water Development Authority (WDA), which involves some improperly downloaded WDA data and provided to a local reporter on a USB device. The amount of information provided appears to be substantial. Our cyber attorney has been in contact with the reporter and written a letter requesting return of the information. The forensic team is waiting until the information is returned before proceeding.

Risk Management Information System (RMIS) – Of the seven bids received, only five were eligible for consideration. After the scoring of the technical proposals has been completed, the pricing proposals will then be considered.

On-line Claim Reporting – The current on-line claim submission application has been used since 1998 and no longer works as designed. We met with OT and received quotes ranging from $18,000 to $45,000; however, during the RMIS product demonstrations, it became clear that most vendors will have on-line claim reporting available as part of their system and without any further expense on our part. Therefore, at the present time, this project is on hold.

Greenbrooke Building – BRIM will take possession of our main office space on September 28th. We will keep our current phone number but will receive new fax number.

Personnel – Barbara Houchins, a Claim Representative and valued member of the BRIM team since 2004, will be retiring at the end of October 2016. We do plan to fill this vacancy.

Miscellaneous

BRIM's Auditors – Members from our new auditing firm, Dixon Hughes Goodman, were in our office from August 25 through the first part of September.

Annual State Risk and Insurance Management Association (STRIMA) – This annual conference will take place in Reno, Nevada from September 19th through the 22nd. Robert Fisher, Steve Schumacher, Melody Duke, Chuck Mozingo and I will be attending. Steve, Melody and Chuck will attend on on scholarships. Robert is the Past President, and Melody Duke has been nominated for President-Elect, who will be chosen at the upcoming State Business Meeting.

<u>BRIM Financial Report</u>

There being no questions, Chairman Martin called upon Mr. Schumacher to present the Chief Financial Officer's Report. The Statement of Net Position for the Twelve Months Ended June 2016 and the Statement of Revenues, Expenses, and Changes in Net Position for the Twelve Months Ended June 2016 were received and filed, copies of which are attached and made a part of the record.

A CD containing the May and June 2016 purchasing card invoices was distributed to each Board member. The Chairman signed the acknowledgement form for the February, March and April 2016 billings. The acknowledgement form is retained by the Finance Department.

Mr. Schumacher thereafter reviewed the financial results through June 2016, which is currently being reviewed by the auditors, Dixon Hughes Goodman. He stated that the audit was going quite well and concluded that the combined reserve numbers are roughly $168 million, so the reserves have gone up again—in total about $7.5 million.

Continuing, he stated that premium revenue is up this year, primarily because we did increase premiums. The primary driver of that was the actuarial numbers which are projecting increases in the losses, so obviously we're trying to not lose too much ground from where they predict we're going to be on losses, so premium revenue was up over $6 million.

Mr. Schumacher thereafter noted that claims expenses were actually down this year as compared to last year, the reason being primarily because BRIM paid out about $4.5 million less in payments less than we did in the prior year.

We are still down on operating basis $9.2 million, a significant reduction from the prior year, the loss mostly attributable to the fact that we still gave money back in premium rates and the fact that reserves are still going up on an annual basis. However, this trend has slowed considerably.

Mr. Schumacher further stated, relative to the investment side, that last year for the Bank of New York, there was only about a 1.2% overall return on the fixed income side. A 4% discount was built into the rates, so we were actually losing money there. But this year, the overall returns, because the rates stayed low and actually went lower—were about 3.8%. We were close to where we wanted to be on the funds with the IMB based on how we discount our premiums with the Bank of New York, whereas with the IMB side, we've had a couple of years in a row where we've obviously underperformed that 5% benchmark they've tried to achieve on the portfolio, and again, we had a negative .4% return in FY '16 and only had a 1.7% return last year.

Overall, the investment numbers are not where we'd like for them to be. We had an overall return of 2% return this year versus 1.4% last year. We would like to see about 4% but if we can get 2-3% and get 5% on the IMB, we're going to get close to the overall 4%, which would get us as close as we need to be on the rate prospective on trying to maintain our capital where we are without losing ground.

Premium to net asset reserve calculation – We will be compiling the information for that and getting the benchmark information together over the next couple of months and will present it to the Board at the next meeting.

In closing his report, Mr. Schumacher announced that he had been notified by the Government Financial Officers Association (GFOA) that BRIM was awarded the Certificate of Achievement for Excellent in Financial Reporting for BRIM's Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2015. This marks the 21st consecutive year that BRIM has received this award.

Loss Control Report

There being no questions for Mr. Schumacher, the Loss Control Report was thereafter presented by Robert Fisher, Deputy Director/Claim Manager. The report was received and filed, a copy of which is attached and made a part of the record.

Mr. Fisher began by stating that the Loss Control staff is in the progress of evaluating the Loss Control questionnaires, the results of which will be used to calculate the credits and surcharges for the next fiscal year's premium. Thus far, 166 evaluations have been completed.

Continuing, Mr. Fisher noted that two boiler seminars would be held in October; that the Risk Management Information System (RMIS), will be able to process various reports electronically, making it possible to eliminate paper reports, and that Jeremy Wolfe will be a guest presenter at the Office of the Insurance Commissioner's annual state agency workers' compensation program conference.

Mr. Fisher ended his report by summarizing the number of Loss Control, Standards of Participation, and Presentation visits the loss control staff had completed since his last report.

There were no questions for Mr. Fisher.

UNFINISHED BUSINESS

There was no unfinished business to be discussed.

NEW BUSINESS

There was no new business to be discussed.

ADJOURNMENT

There being nothing further, the meeting adjourned at 2:16 p.m.

Board Chairman

12/20/16

Date

STATE OF WEST VIRGINIA
DEPARTMENT OF ADMINISTRATION
BOARD OF RISK AND INSURANCE MANAGEMENT

Earl Ray Tomblin
Governor

Mary Jane Pickens
Executive Director
Acting Cabinet Secretary

Executive Director's Report

September 13, 2016

A. Marshall University and West Virginia University Medical Malpractice Program

As of September 6, 2016, Marshall has deposited $325,000.00 into the escrow account for FY 2017. The fiscal year-to-date cumulative interest totals $1,345.51. Disbursements totaling $339,814.56 have been paid thus far in FY 2017.

As of September 6, 2016, a total of $820,916.47 funds have been deposited into WVU's escrow account for FY 2017. The fiscal year-to-date cumulative interest totals $2,531.86. Disbursements totaling $824,558.59 have been paid thus far in FY 2017.

B. State Agency/Senate Bill #3 Liability Claim & Litigation Information

TRIALS

- Thus far in 2016, we have tried seven cases to a verdict. Three were defense verdicts and four were plaintiff verdicts. One of the plaintiff verdicts was less than the amount offered. One of the remaining plaintiff verdicts is being appealed.

PAID CLAIMS (August 2016 Data)

- Claims Indemnity payments YTD total $27,004,194 vs. PYTD of $28,175,462, a decrease of 4.16%.
- Claims Expense payments YTD total $12,147,952 vs. PYTD of $13,148,021, a decrease of 7.61%.

OUTSTANDING CLAIMS (August 2016 Data)

- August 2016 Indemnity reserves total $59,262,944 vs. August 2015 Indemnity reserves of $55,919,082, an increase of 5.98%.
- August 2016 Expense Reserves total $19,493,609 v. August 2015 Expense reserves of $21,901,562, a decrease of 10.99%.

CLAIMS COUNTS (August 2016 Data)

- New claims YTD total 1950 vs. PYTD of 2073, a decrease of 5.93%.
- Closed claims YTD total 2183 vs. PYTD of 2094, an increase of 4.25%.
- Open claims YTD total 993 vs. PYTD of 1025, a decrease of 3.12%.

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C. Patient Injury Compensation Fund (PICF)

The PICF closed to new claims on June 30th. The balance of the fund as of mid-July was $3,764,661.91. This includes the money that was transferred from the HB 601 account. All expenses properly chargeable to FY 2016 have now been paid.

Five claims became final during FY 2016. One claim was paid immediately as we were under court order to make payment (though an appeal was pending), and one more relatively small award is being paid in a lump sum payment. For the remaining three final claims, we have called upon AIG to help us conclude these matters with the claimants and their attorneys. We plan to utilize the authority given us by Code and by Rule to try to resolve these matters through the use of structured settlements. AIG has contacted Ron Walters, one of their partnered structured settlement brokers, to work with them to put together the structures. We feel certain we have enough funding to resolve the claims that became final during the past fiscal year. AIG and Ron are actively working on these three claims.

We have another 16 PICF claims pending. It is clear that we will not have enough money, based on current funding opportunities provided by the Legislature, to pay all remaining claims in full at the end of the fiscal year, assuming that all of them become final this year, which we hope they will. We will utilize what monies we have at the end of each fiscal year to prorate payments to eligible claimants whose claim became final during the year. We will continue to do this until all claims are paid or until we run out of money.

In my last two reports to the Board I spelled out the funding streams provided by SB602. We have written to each Circuit Clerk regarding collection of additional filing fees and collection of a percentage of medical malpractice settlements; and have also discussed the matter with the Administrator of the Supreme Court of Appeals. We are working with the Office of the Insurance Commissioner (OIC) to gather information on medical malpractice claims that must be reported to them. We will need a Memorandum of Understanding to get this information and one is currently being prepared. We will get a report from the OIC on a quarterly basis and use that information to assure that we are collecting the amounts due BRIM from medical malpractice judgments and settlements We have also been in touch with the Trauma Registry at DHHR and they have agreed to provide us with a report annually of Trauma Admissions by facility. It will then be our responsibility to collect from those facilities.

D. Mine Subsidence

We submitted our Response to Comments submitted re our Mine Subsidence Rule. We have also posted information re program changes on our website. The new law takes effect on October 1, 2016.

E. Flood of June 23, 2016

As of September 7, we have five state agencies with a flood claims pending. DOH has three auto and one property claim, DHHR and Administrative Hearings have auto claims pending and Parks and the School of Osteopathic Medicine have property claims pending. The total pending on the open property claims is $115,000.

F. Winter Storm Jonas Claims

As of September 7, we have paid $320,289.17 and have pending reserves of $2,577,500.00. We are awaiting a properly executed proof of loss on the claim for the Braxton BOE and are beginning the process of issuing payment to the Armory Board in the amount of $2,293,172.25.

G. April Hail Storm

We are working through the existing claims. Grafton Housing authority is the largest of the outstanding claims and we've paid $306,900 on that loss to date. We have a total of seven claims; one closed and six open for further adjustment by our property insurer. The current amount paid for this storm is $1,955,008.00.

H. Cyber Liability Insurance Coverage

There are currently 159 state entities insured under the policy. We have 10 entities that have yet to apply. We currently have no applications pending underwriting approval. We are continuing to work to get the additional 10 entities insured. It should be noted that four of the 10 are the WVU Practice Plans that may choose to go with either WVU or WVU Hospital on their policy.

WVU has selected a broker and procured a cyber liability policy. We reviewed the policy and agreed to the purchase. Previously, we had given permission for them to seek coverage separate from the coverage we purchased for the State. WVU purchased $10,000,000 in coverage with a $1,000,000 self-insured retention. WVU partnered with Willis and Beazley for its coverage.

I. Cyber Incidents

We have had a total of six cyber incidents that have required us to involve cyber counsel. Most recently, we've dealt with an incident involving old Spencer State Hospital medical records which ended up on eBay; a matter involving a mailing snafu involving letters from CPRB that contained limited PEIA information; and a more serious incident involving the Water Development Authority.

The records incident and the mailing snafu were addressed without need for any notification or any other action beyond some assistance of counsel.

The Water Development Authority (WDA) matter involves some improperly downloaded WDA data which was provided to a local reporter on a USB device. The agency has been the subject of several articles written by the local reporter and the amount of information provided appears to be substantial. We have engaged the services of a forensic team to copy the WDA server and several of its computers. Our cyber attorney has been in contact with the reporter and has issued a letter requesting return of the information. Protective Services and others have become involved with the matter and are awaiting information as to whether we will be able to retrieve the inappropriately downloaded data. Based on the information known to date, counsel has advised that the WDA presently has no obligation to make notification or take other actions as a result of the incident. This may change if we obtain the downloaded data. The forensic team is also awaiting return of the information before it can proceed any further.

J. Risk Management Information System (RMIS)

A total of seven bids were received prior to the submission deadline. One bidder was eliminated as it did not attend the mandatory pre-bid conference. One other bidder was eliminated during the demonstration process when it was discovered that they had included pricing information in the technical submission. It is mandatory that all pricing information be separately submitted in a sealed envelope that will not be opened and considered until the technical proposal scoring has been completed. The RFP review committee, which is made up of five management personnel from BRIM, along with the Director of IS&C and the Office of Technology (OT) database administrator for our program, participated in a demonstration of the proposed systems for the five remaining vendors. The review committee is now in the process of scoring the submissions.

K. On-line Claim Reporting

BRIM has utilized an on-line claim submission application that was created in 1998. Due to many software changes and upgrades over the years, the application no longer works as designed. We met with OT to see if they could design a new application. We received quotes ranging from approximately $18,000 to $45,000 depending on the platform chosen. We have put this project on hold as we seek a new RMIS opportunity. During the demonstrations of the RMIS products, it became clear that most vendors will have on-line claim reporting available as part of their system without any additional effort or expense on our part. If we should happen to choose a RMIS vendor that does not have on-line claim reporting as part of its product, then we will have to reconsider our options to create such an application.

L. Greenbrooke Building

We currently are operating under the belief that we will 'take possession' of our main office space at the Greenbrooke Building on September 28th. We have movers lined up to move our belongings during the last week of September and it is anticipated that the move will take three days. Our existing cubicle equipment will be disassembled and moved to the new building by Contemporary Galleries, the vendor that has worked with us on this equipment for many years. We will keep our current main telephone number, but will receive new fax numbers. Many details are being addressed to make the move successful. Each person is packing the material in his or her own personal space and collectively we will pack the materials in the common space. It is possible that for part of move week, we will have personnel working from both facilities to ensure that we provide adequate service to all of our customers without interruption.

M. Personnel

Barbara Houchins, a Claim Representative and valued member of the BRIM team since 2004, has given notice that she plans to retire at the end of October 2016. While we can't replace Barb, we to plan to fill the vacancy she leaves as soon as possible. We wish her much health, happiness and success as she enters the next stage of her life.

N. Miscellaneous

BRIM's auditors were in our office from August 15 thru the first part of September completing their field work. This is the first year for our new auditing firm, Dixon Hughes Goodman, though we've worked with the assigned partner in the past when he was with another firm.

The annual State Risk and Insurance Management Association (STRIMA) Conference will take place in Reno, Nevada from September 19th thru the 22nd. Robert Fisher, Steve Schumacher, Melody Duke, Chuck Mozingo and I will be attending. Robert is the Past President of STRIMA and Melody's name has been put in nomination for President-Elect, who will be chosen at the State Business Meeting on Thursday morning. Chuck is chairperson of an educational session entitled "Violence and Active Shooters in Our Schools and Offices". In addition to serving as Chairperson, Chuck is also a presenter for the session and Melody is serving as the session moderator. I would note that Steve, Melody and Chuck are attending on scholarships awarded by STRIMA which pays their registration and expenses for the conference.

Very truly yours,

Mary Jane Pickens

Mary Jane Pickens
Executive Director

MJP/RAF:lld

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STATE OF WEST VIRGINIA
DEPARTMENT OF ADMINISTRATION
BOARD OF RISK AND INSURANCE MANAGEMENT

Earl Ray Tomblin
Governor

Mary Jane Pickens
Executive Director
Acting Cabinet Secretary

Chief Financial Officer's Report
September 13, 2016

A. P Card Report

CD copies contain the supporting detail for P card purchases for the months of May and June, 2016. These totals are:

May	$35,175.07
June	$48,319.41

B. Financial Results

- The financial results provided for the fiscal year ended June 30, 2016 are preliminary and subject to year-end audit review. Reserves reflect the results of AON's completed risk funding study as of June 30, 2016. The risk funding study will be reviewed by DHG LLP as part of their normal year-end audit work. The audit will be completed by mid-October and then BRIM's final audited financial statements for FY'16 will be issued.
- Premium revenue for FY'16 is $6.4 million higher than the prior year. BRIM increased premiums primarily to cover an increase in actuarially projected claims costs for FY'16.
- Total claims expense for FY'16 decreased by $4.2 million when compared to FY'15. Although total claims reserves are $7.5 million higher vs. FY'15, total net claims payments decreased in FY'16. Liability claims payments decreased by $4.4 million in FY'16 after increasing $9.1 million in FY'15.
- The overall increase in claims reserves slowed in FY'16 when compared to the previous four years.
- Investment income for FY'16 increased by $2.6 million vs. FY'15. In FY'16 equity returns were a drag on investment income. For FY'15, lower fixed income rates significantly reduced BRIM's overall investment earnings.
- The overall rate of return on all BRIM funds invested was 2.0% for FY'16 vs. 1.4% for FY'15. The rate of return on trust funds was 3.8% for FY'16 which was much better than the 1.2% return in FY'15. However, the funds invested with the West Virginia Investment Management Board lost about $0.5 million or (0.4%) vs. earnings of $2.4 million or 1.7% last year.
- The overall financial results show a net loss of $1.8 million for FY'16 versus a net loss of $15.6 million for FY'15. These losses are being driven by increasing claims reserves and dramatically lower investment earnings.

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C. Premium to Net Asset Reserve Ratio

- The net asset reserve policy was approved by the Board on August 27, 2013. The policy's intent is to compare BRIM's ratio of premium revenue and net assets to a calculated combined ratio of premium revenue and net assets derived from a group of similar insurance-type entities. The resulting combined premium to net asset ratio establishes a benchmark and utilizes a band of +/- 10% around the calculated percentage. The resulting upper and lower bands are used to help guide the Board in assessing BRIM's overall financial condition relative to the acceptable range. The acceptable range assists in measuring an adequate level of capital for BRIM and also provides some flexibility in establishing premium rates from one year to the next.
- It is anticipated that BRIM will provide the Board with updated results for the premium to net asset reserve ratio at the next board meeting when the final audit results as of June 30, 2016 will also be presented.

D. Government Finance Officers Association (GFOA) Recognition

- We were recently notified by the Government Financial Officers Association (GFOA) that BRIM was awarded the GFOA's prestigious Certificate of Achievement for Excellence in Financial Reporting for BRIM's Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2015. This is GFOA's highest form of recognition for excellence in governmental accounting and financial reporting. This marks the 21st consecutive year that BRIM has been acknowledged for this outstanding achievement.

Respectfully submitted,

Stephen W. Schumacher, CPA
Chief Financial Officer

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West Virginia Board of Risk and Insurance Management

Statements of Net Position

For the Twelve Months Ended June 30th

	2016	2015
	(In Thousands)	
Assets		
Current assets:		
Cash and cash equivalents	15,748	11,286
Advance deposits with insurance company and trustee	210,152	204,219
Receivabales	1,254	1,934
Prepaid insurance	0	0
Restricted cash and cash equivalents	10,198	8,219
Restricted receivables:	0	0
Premiums due from other entities	620	599
Total current assets	**237,973**	226,256
Noncurrent assets:		
Equity position in internal investments pools	83,881	89,199
Restricted investments	48,441	48,625
Total noncurrent assets	**132,322**	137,824
Total assets	**370,295**	364,080
Deferred Outflows of Resources	127	127
Liabilities		
Current liabilities:		
Estimated unpaid claims and claims adjustment expense	50,819	47,890
Unearned premiums	8,300	7,659
Agent commissions payable	1,100	1,032
Claims Payable	0	0
Accrued expenses and other liabilities	978	1,137
Total current liabilities	**61,198**	57,718
Estimated unpaid claims and claims adjustment expense net of current portion	117,616	113,071
Compensated absences	91	76
Net pension liability	253	253
Total noncurrent liabilities	**117,961**	**113,400**
Total liabilities	**179,159**	171,118
Deferred Inflows of Resources	270	270
Net position:		
Restricted by State code for House Bill 601 Program and mine subsidence coverage	55,427	55,427
Unrestricted	137,393	152,988
Net Assets (Deficiency)	(1,827)	(15,595)
Net position	**$ 190,993**	**$ 192,820**

West Virginia Board of Risk and Insurance Management

Statements of Revenues, Expenses, and Changes in Net Position

For the Twelve Months Ended June 30th

	2016	2015
	(In Thousands)	
Operating revenues		
Premiums	**$ 65,293**	$ 58,204
Less coverage/reinsurance programs	**(6,909)**	(6,197)
Net operating revenues	**58,384**	52,007
Operating expenses		
Claims and claims adjustment expense	**63,753**	68,145
General and administrative	**3,871**	3,539
Total operating expenses	**67,624**	71,685
Operating income (loss)	**(9,240)**	(19,678)
Nonoperating revenues		
Investment income	**7,413**	4,833
Appropriation Transfer HB4261		0
Payment to transfer HB601 estimated future IBNR	–	(750)
Net nonoperating revenues	**7,413**	**4,083**
Changes in net position	**(1,827)**	(15,595)
Total net position, beginning of year	**192,820**	208,415
Total net position, end of period	**$ 190,993**	**$ 192,820**

STATE OF WEST VIRGINIA
DEPARTMENT OF ADMINISTRATION
BOARD OF RISK AND INSURANCE MANAGEMENT

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Executive Director
Acting Cabinet Secretary

Loss Control Report to the Board

September 2016

As is our late summer custom, we are currently evaluating loss control questionnaire submissions for our state agencies. The results will be used to calculate loss control credits and surcharges for next fiscal year's premium. To date, we have completed **166** evaluations.

BRIM and Hartford Steam Boiler will sponsor two boiler safety and operational seminars this fall. We hope these seminars will once again attract large crowds and that what participants learn at the seminars will help us continue to keep boiler losses minor at a minimum.

We had our quarterly meeting with Aon and are pleased with changes made to the reports they provide to us. We discussed the anticipated new Risk Management Information System (RMIS) that we hope to have in the near future and what changes it might portend for future reporting and interaction. We anticipate that we will be able to process reports electronically and virtually eliminate the need for paper reports. Aon has experienced some changes in staffing, but it hasn't negatively affected the quality of their services. We continue to be pleased with the relationship.

Jeremy Wolfe will be a guest presenter at the Office of the Insurance Commissioner's (OIC) annual state agency workers compensation program conference. Jeremy, along with the State Fleet Management Office and the OIC, will offer *"Fleet Risk Management Techniques"* and best practices to the participants to help them assess their own agency fleet programs with an eye to instituting practices and procedures to help their agency reduce their exposure to risk.

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During the months of July, August, and September Aon conducted 304 inspections and Hartford conducted 400. The reports are being processed according to established procedures.

Since my last report, our loss control technical staff reports the following activity:

5 Loss Control Visits

These are standard loss control visits which focus on all coverage areas and which result in information and/or loss control recommendations being provided.

14 Standards of Participation Visits

These are visits which are designed to provide assistance to our insured who are seeking to become compliant with the BRIM Standards of Participation program.

2 Presentation Visits

These are visits during which we provide active training and/or outreach to a group of individuals.

You will recall that the number of loss control visits is markedly reduced during the period in which we evaluate loss control questionnaire submissions.

Dated: September 12, 2016

Respectfully submitted,

Robert A Fisher

Robert A. Fisher
Deputy Director *and* Claim Manager

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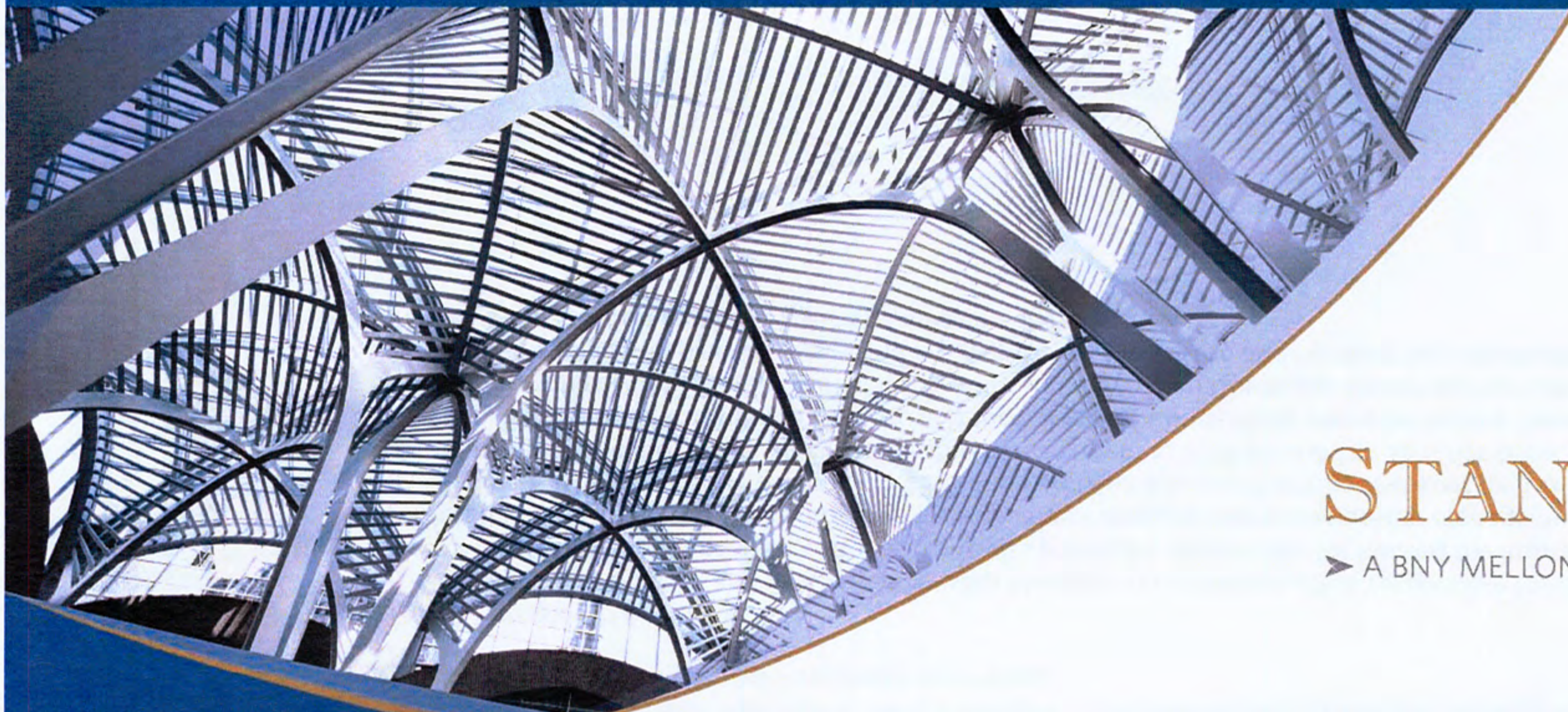

STANDISH

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The State of West Virginia BRIM

September 13, 2016

The State of West Virginia BRIM

Robert Bayston, CFA

Robert is the Managing Director and Senior Portfolio Manager of U.S. Rates and Securitized Strategies. He is responsible for the portfolio management of all US Treasury/government, agency mortgage backed, and securitized strategies including US TIPS mandates. In addition to his portfolio management responsibilities, Robert oversees the research and strategy efforts in US interest rate and securitized products including the use of derivative strategies for risk management and liability hedging. Robert joined the firm in 1991 and has held several positions in fixed income research and trading before assuming his current responsibilities in 2005. He has an M.S. in Finance from Boston College and a B.S. from the University of Virginia's McIntire School of Commerce. Robert is a member of the Boston Security Analysts Society and holds the CFA® designation. He has 24 years of investment experience and has spent his entire career with Standish.

Nate Pearson, CFA

Nate is an Interest Rate Strategist and Portfolio Manager responsible for research and analysis of US government securities, inflation-linked bonds and interest rate derivatives. He joined Standish in 2005 as a Liquid Products Trader. Prior to Standish, he worked at Darling Consulting Group as an analyst responsible for interest rate risk analysis and overall balance sheet management for institutional banking clients. Nate has an M.S.F. from Boston College and a B.S. from the University of New Hampshire. He is a member of the Boston Security Analysts Society, holds the CFA® designation and has 14 years of investment experience.

Tony Criscuolo, CFA

Tony is Managing Director and Senior Relationship Manager in our Boston office responsible for client relationships for our institutional fixed income portfolios. Tony was previously responsible for leading the insurance team, a role he accepted in 2011 where he was responsible for investment strategy, client relationship management and business development. Tony joined the company in 1998 and had been a Senior Portfolio Manager for Tax Sensitive Strategies before taking the role of Director of Relationship Management in 2009 for the Tax Sensitive team. Prior to joining Standish, Tony worked for Anthem Blue Cross & Blue Shield of Connecticut, where he led the Treasury and Investment Division. Tony has an M.S.F. from Fairfield University and a B.S. from Quinnipiac University. He is an active member in alumni affairs for Quinnipiac University and is a member of the Boston and Hartford Security Analysts Societies, holds the CFA® designation and has 31 years of investment experience.

The State of West Virginia BRIM

I. Corporate Overview

II. Market Environment

III. Performance & Portfolio Review

IV. Global Economic & Investment Outlook

V. Appendix

STANDISH
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The Story of Standish: "Best Ideas" Delivered

1933
Standish founded

151.6 billion
USD in assets under management[1]

177 employees[2]

124 investment professionals located in U.S., U.K. and Singapore[2]

U.S., regional and global mandates
Clients in **43** countries

Investment Strategies and Solutions

Absolute Return	Opportunistic Fixed Income
	Absolute FX
Multi-Sector Relative Return	Global Core Plus
	Global Core/Non-U.S. Core
	Long Duration
	Short/Intermediate Duration
	U.S. Core Plus
	U.S. Core
Single-Sector Relative Return	Cash / Short Duration
	Emerging Markets Debt
	Investment Grade Credit
	Securitized Strategies
	Stable Value
	U.S. Municipal / Infrastructure
	Inflation Strategies
Solutions	Sustainable Investing (ESG/SRI)
	Insurance Client Strategies
	Liability Driven Investing

Source: Standish as of June 30, 2016 .

[1] Assets under management (AUM) as of June 30, 2016. This figure includes assets managed by Standish personnel acting as dual officers of The Dreyfus Corporation or The Bank of New York Mellon; high yield assets managed by personnel of Alcentra NY, LLC acting as dual officers of Standish; and mortgage assets managed by personnel of Amherst Capital Management LLC acting as dual officers of Standish. Standish, Dreyfus, Alcentra and Amherst Capital are registered investment advisers. Standish, Dreyfus, Alcentra and The Bank of New York Mellon are wholly-owned subsidiaries of The Bank of New York Mellon Corporation. Amherst Capital is a majority-owned subsidiary of The Bank of New York Mellon Corporation.

[2] Includes shared employees of Standish Mellon Asset Management (UK) Limited and MBSC Securities Corporation, both affiliates of Standish Mellon Asset Management Company LLC ("Standish"), BNY Mellon Investment Management Singapore Pte. Limited who provide non-discretionary research services to Standish US and employees of Alcentra NY, LLC and Amherst Capital Management LLC acting as dual officers of Standish.

In addition, Standish is also supported by BNY Mellon Asset Management Operations LLC ("BNYM AM Ops") which is a legally separate entity that provides services related to all aspects of IT and operations, including front, middle and back office services.

Investment Resources

David Leduc, CFA
Chief Executive Officer & Chief Investment Officer

David Horsfall, CFA
Deputy Chief Investment Officer

Raman Srivastava, CFA
Deputy Chief Investment Officer

Vincent Reinhart
Chief Economist

MULTI-SECTOR STRATEGIES	**GLOBAL & OPPORTUNISTIC**	**CURRENCY**	**U.S. CORE/CORE PLUS**	**U.S. SHORT DURATION**
	David Leduc, CFA Raman Srivastava, CFA David Horsfall, CFA Brendan Murphy, CFA Thant Han[1] Nate Hyde, CFA	Federico Garcia Zamora	David Bowser, CFA David Horsfall, CFA	John Hosa, CFA Stephen Murphy, CFA Anthony Honko Amy Lowen Sara Cummins
SINGLE-SECTOR STRATEGIES	**EMERGING MARKET DEBT**	**RATES & INFLATION**	**CORPORATE CREDIT**	**U.S. MUNICIPAL**
	Javier Murcio Federico Garcia Zamora Josephine Shea	Robert Bayston, CFA Thant Han[1] Nate Pearson, CFA	David Morse, CFA Chris Barris[2]	Christine Todd, CFA Daniel Rabasco, CFA Thomas Casey Daniel Marques, CFA Jeffrey Burger, CFA
SOLUTIONS	**LIABILITY DRIVEN INVESTING**	**INSURANCE CLIENT STRATEGIES**	**STABLE VALUE**	**SUSTAINABLE INVESTING**
	Andrew Catalan, CFA Matthew Fontaine, CFA Max Guimond, CFA, FRM	Christine Todd, CFA James Kaniclides, CFA Laura Lake, CFA Amanda Abdella, CFA	Eric Baumhoff, CFA Bradley Bennett Linda Lam, CFA, CPA Jonathan Mauceli, CFA	Stephan Bonte, CFA Daniel Marques, CFA Jeffrey Burger, CFA

RESEARCH

CORPORATE CREDIT					SOVEREIGN & CURRENCY		MORTGAGES/ SECURITIZED	U.S. MUNICIPAL
David Morse, CFA Diana Belman, CFA Maura Caporale, CFA Benjamin Li, CFA Jonathan Earle, CFA	Beth Fiore Joseph Chiurri, CFA Chris Barris[2] Kevin Cronk, CFA[2] Clark Orsky, CFA[2]	Stephen Sylvester[2] Andrew Sieurin, CFA[2] Josephine Shin[2] Tim Raeke[2] Robert Davis[2]	Frank Longobardi[2] Andrew Fahey[2] Young Kwon[2] Ashley Taylor[2] Vinnie Ruschioni[2]	Prakash Gopalakrishnan[3] Milena Ianeva[1]	Rebecca Braeu, PhD, CFA Rowena Macfarlane[1] Javier Murcio Aninda Mitra[3]	Federico Garcia Zamora Nicholas Tocchio Nate Pearson, CFA	David Fishman, CFA[5] Karen Gemmett, CFA[5] Steven Brinkley[5] Marcos Duque, CFA Eric Seasholtz, CFA[5]	Daniel Barton, CFA David Mann, CFA Maureen Newman, CFA Mark Ryan Scott Zerneri

SPECIALIZED TRADING

Amy Koch Flynn, CFA
Global Head of Fixed Income Trading

RATES & CURRENCY	EMERGING MARKETS		MORTGAGES/SECURITIZED	CORPORATE CREDIT		U.S. MUNICIPAL	
Michael Piersol, CFA Ryan Lambert, CFA Patrick Savery	Sally Bartunek, CFA Ryan Lambert, CFA	Michael Piersol, CFA Ian Barnes[1]	Jeffrey Nutt, CFA[5] Bryan Steele	Michael Lynch, Jr. Christopher Frisoli Ian Barnes[1]	Michael Cunningham, CFA[2] Amy Lattimore[4] Thomas Frangione[2]	Michael Bandar, CFA Paul Rockwood, CFA Alisa Fitzgerald	David Swallow Tyler Doyle Christopher Dial

PORTFOLIO ANALYTICS

RATES & CURRENCY		EMERGING MARKETS	MORTGAGES/ SECURITIZED	CORPORATE CREDIT	LDI	INSURANCE
Bart Stires, CFA Austin Jennings	Joseph Eisenbies Patrick Gillis	Victor Tavares, CFA William Newton, CFA	Adam Pischel	Joseph Pasquale, CFA Vinnie Ruschioni[2]	James Plunkett	Francis Cifrino

ACTUARIAL ANALYSIS

Colyar Pridgen, CFA, FSA, EA
Ryan Miller, ASA

RISK MANAGEMENT

Michael Faloon, CFA, FRM Douglas Reich, CFA Vikas Malla, CFA Sung Choi Nicholas Sambuco	David Kingsley James Eddy Paul Correia Jim Hagerty

[1] Employee of Standish Mellon Asset Management (UK) Ltd who provides investment management and trading services as shared employees of Standish U.S.
[2] Employee of Alcentra NY, LLC who provides research and trading services for High Yield and multi-sector strategies; [3]Employee of BNY Mellon Investment Management Singapore Pte. Ltd who provides non-discretionary research services to Standish US. [4]Via service agreement with Alcentra Limited [5]Employee of Amherst Capital Management LLC who provides research and trading services for dedicated Mortgage and multi-sector strategies.
Note: Some investment professionals perform the same role on more than one product team. CFA® and Chartered Financial Analyst® are registered trademarks owned by CFA Institute.

STANDISH
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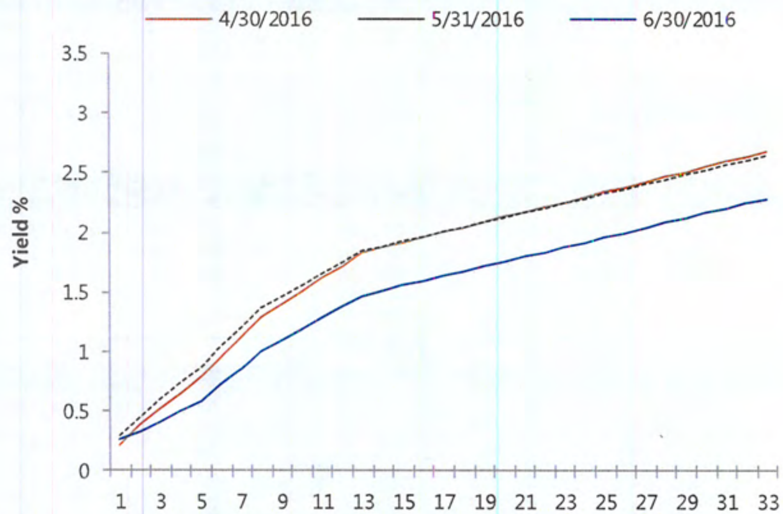
SB/Standish Overview Q22016/7-8-16/BR

U.S. Treasury Yields

U.S. Treasury Yields



U.S. 10 Year Treasury Yields

- U.S. interest rates rallied to near record low yield levels in the 2nd quarter in response to continued global demand for positive yielding assets and over concerns of the U.K. voting to leave the European Union.

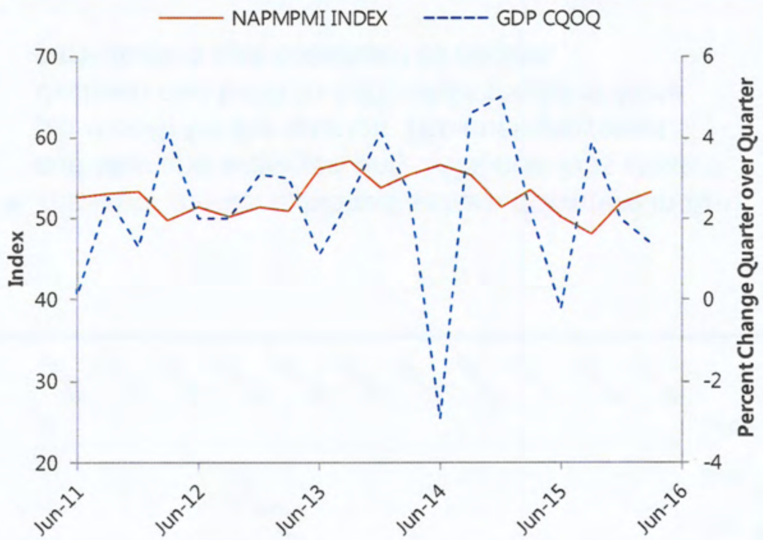
- The rally was led by longer-dated maturity bonds with ten year yield finishing the quarter forty basis points lower while the yield curve flattened.

Source: Bloomberg as of June 30, 2016.

ME/Q22016/7-12-16/BR

Real GDP & Manufacturing Activity

United States Purchasing Managers Index and Real GDP



U.S. Industrial Production Year Over Year

- US real GDP grew at a meager 1.1% in the first quarter which continues to experience residual seasonality issues, however Q2 is expected to rebound to around 3%. Residential investment remained strong, though consumption was soft at 1.1% and capital expenditure spending was a net negative to growth.

- Subdued industrial production levels persisted and remained in negative territory on a year-over-year basis as weaker commodity prices continue to weigh on the manufacturing and mining sectors .

Source: Bloomberg as of June 30, 2016.

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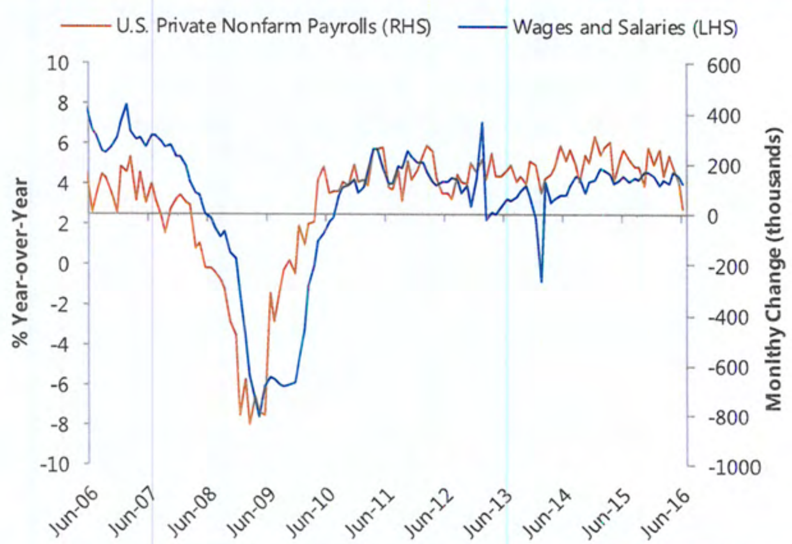
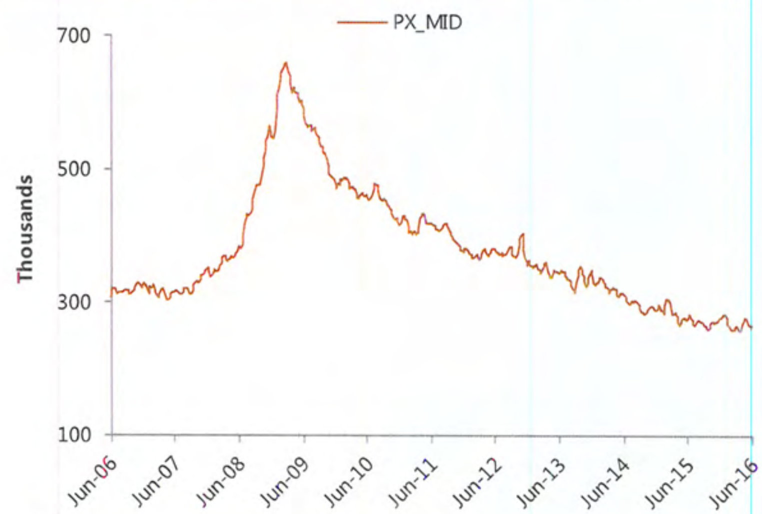
ME/Q22016/7-12-16/BR

Employment

Private Employment and Wages and Salaries



Weekly Jobless Claims 4 Week Moving Average



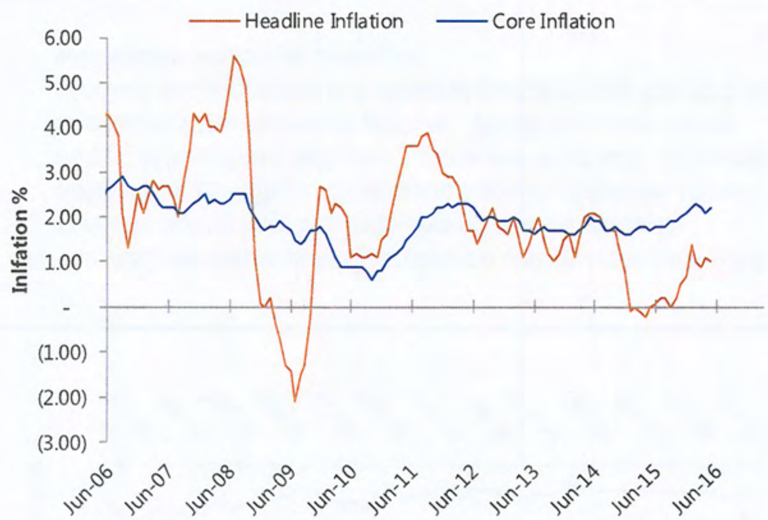
- The labor market exhibited a sharp downturn in April and May and averaged only 147K new jobs created per month for the quarter. The unemployment declined one tenth to 4.9% while the labor force participation rate continued to decline.

- Other labor metrics continue to show positive momentum with high frequency jobless claims remaining at historical lows and job openings reaching cycle highs.

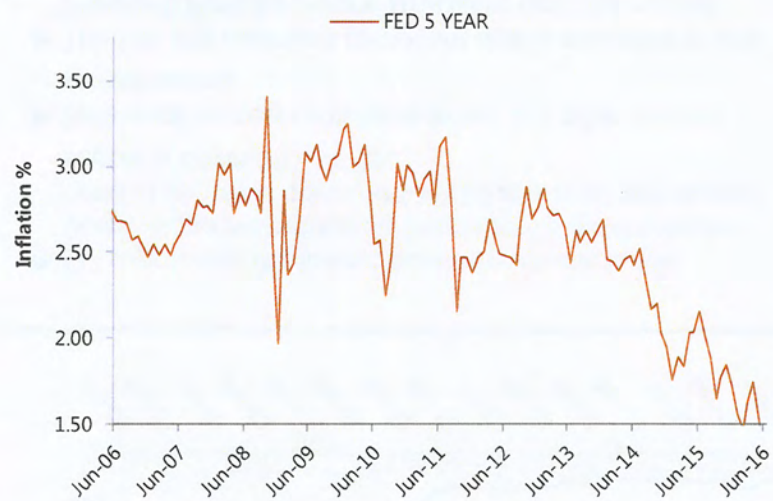
Source: Bloomberg as of June 30, 2016.

Core Inflation & Inflation Expectations

Headline versus Core Inflation



5 Year Forward Inflation Expectations



- Both core and headline CPI moved sideways in the first quarter at 2.2% and 1% respectively. Headline inflation appears to have bottomed driven by the rebound in commodity prices.

- Market-based inflation expectations measured by TIPS forward levels hovered at lows at 1.50% in the second quarter. Illiquidity and lack of inflation risk premium have acted to suppress inflation expectations.

Source: Bloomberg as of June 30, 2016.

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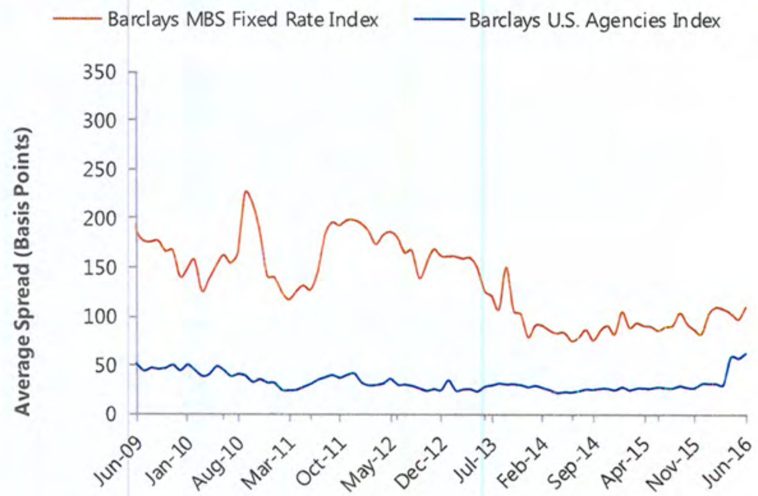
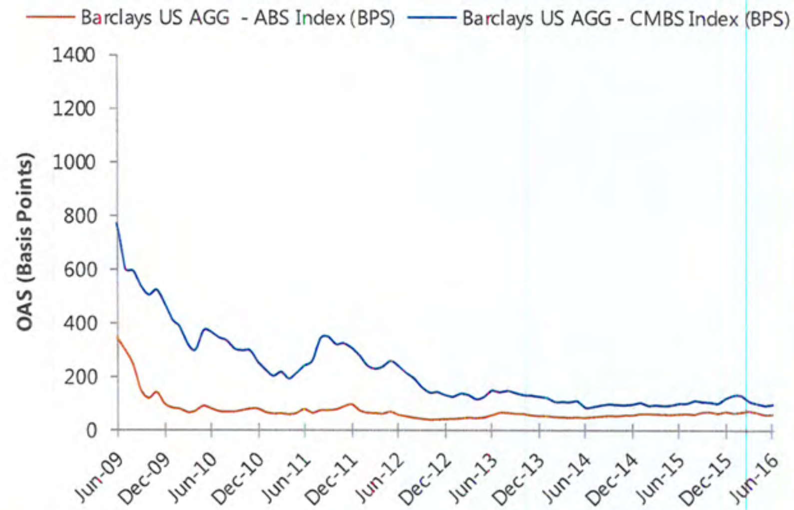
Agency/MBS Spreads & ABS/CMBS Spreads

Agency and MBS Spreads



- The ABS market was fairly stable on the quarter with AAA spreads tightening 5-10bps and non-AAA spreads tightening 15-40bps. New issue supply continues to run about 30% behind last year's pace and that lack of supply has helped the technical picture. There has been some gradual deterioration in collateral performance but it is still well within historical averages.

ABS and CMBS Spreads

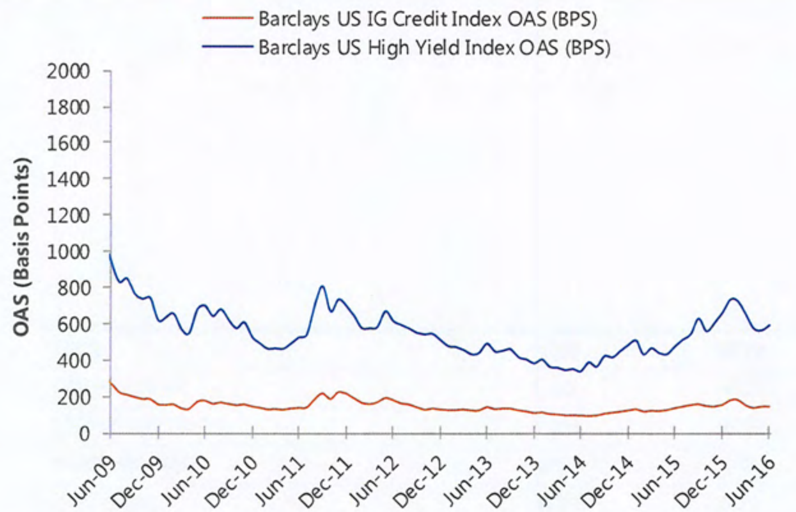


- Q2 supply was the lowest quarterly volume in five years. Negative net supply continues to aid the sector; conduit supply is down 40% vs '15 and total non-agency supply is down 50% vs '15.
- Refinance success rates have fallen, but other lenders remain active.
- The first risk retention compliant deal is expected in July; there will likely be several structures until the market settles on one that is most cost effective. Assuming these are successful and approved by regulators, issuance is expected to pick up again into 2017.
- Average new issue spreads were not far off of ending Q1 levels, but dispersion/tiering remains. Most of the initial Brexit widening was quickly reversed.

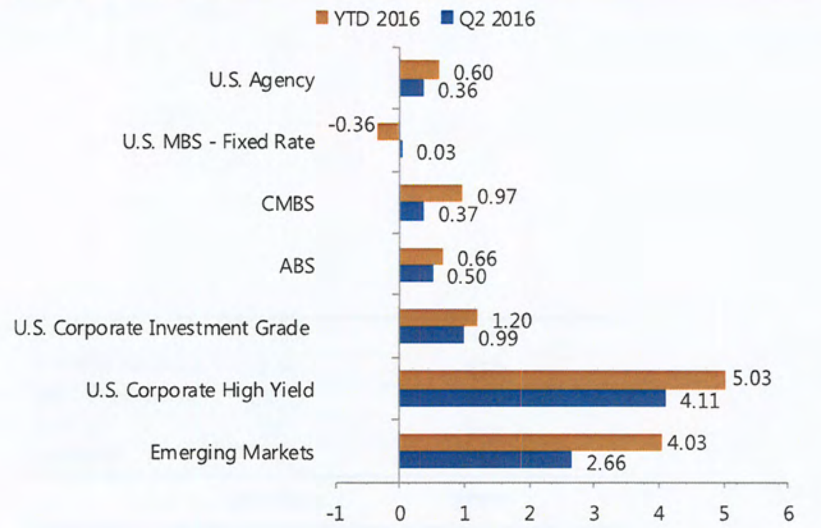
Source: Bloomberg as of June 30, 2016.

Sector Returns & Corporate Bonds Spreads

Corporate Bond Spreads



Bond Market Returns - Excess Over Treasuries[1]



- Brexit dominated headlines during the second quarter. While the decision by the UK to leave the EU was a surprise to the market, spreads proved to be remarkably resilient and the initial selloff was short-lived. Just a week after the Brexit vote, many asset classes had already recovered the majority of the losses, with UK Banks and Sterling as the two notable exceptions. The benign reaction is largely due to technical factors as a collapse in interest rates in response to global central bank coordination has provided a strong positive technical to the US IG corporate bond market as investors continue to search for yield.

Source: Bloomberg as of June 30, 2016.
[1]For a list of indices, please refer to disclosures at the end of this presentation.

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State of West Virginia BRIM Performance and Characteristics

Portfolio Performance as of 06/30/2016

	YTD (%)	1 Year (%)	3 Year (%)	5 Year (%)	Since Inception 8/31/10 (%)
Total Return					
State of West Virginia - BRIM 2010-11	3.49	3.78	2.17	2.18	1.99
Barclays US Government Intermediate	3.55	3.93	2.41	2.31	2.12
Value Added	-0.06	-0.15	-0.24	-0.13	-0.13
Market Value: $13,984,075.73					

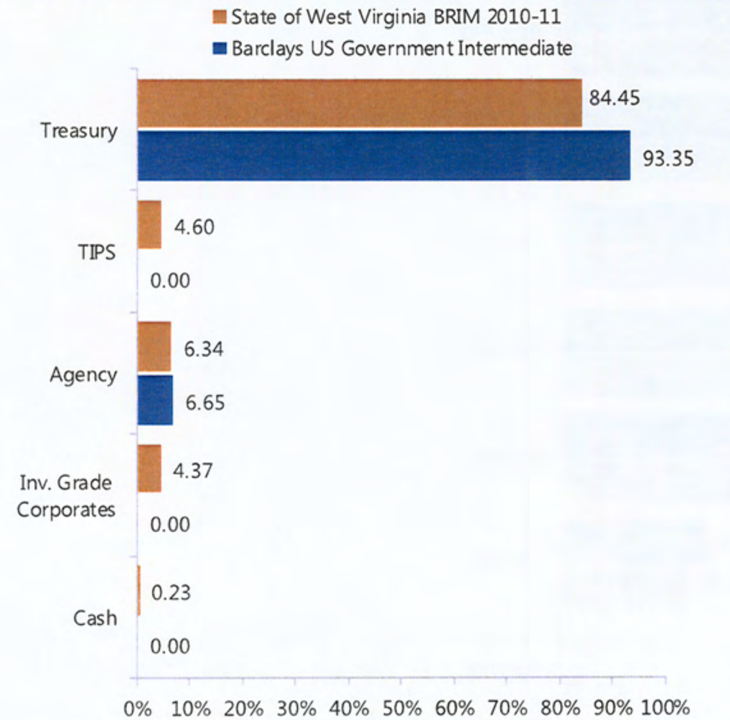
Contributions to Value Added		
Yield Curve	-0.01	0.13
Asset Allocation	-0.01	-0.02
Security Selection	-0.04	-0.23
Pricing/Other	0.00	-0.04
Total	**-0.06**	**-0.15**

Summary Characteristics as of 06/30/2016

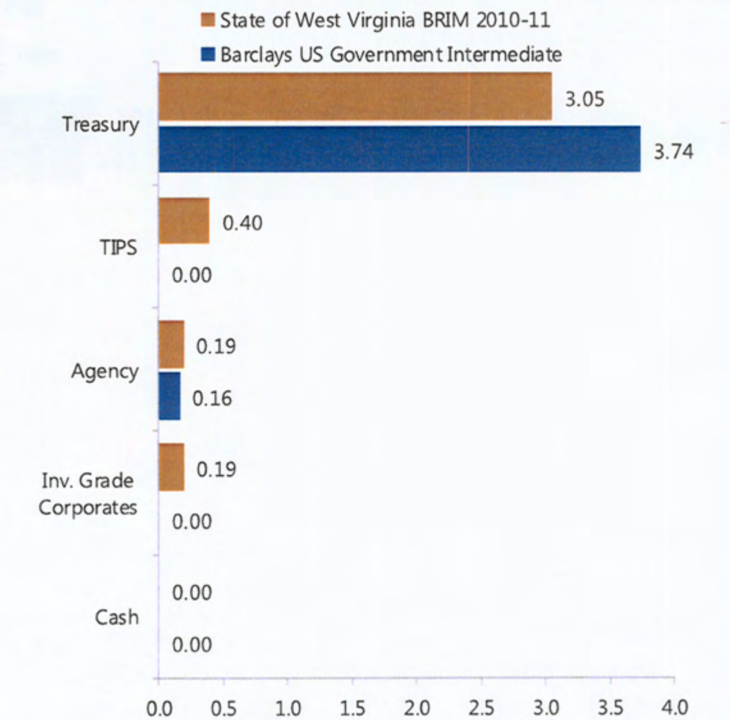
	2010-2011	Index
Duration	3.82	3.89
Quality	AA+	AA+
Yield to Maturity	0.93%	0.91%
Average Maturity	3.98	4.14
Coupon	1.32%	1.85%

State of West Virginia – BRIM 2010-11 Sector Distribution vs. Benchmark

Nominal (%) as of 06/30/2016



Contribution to Duration (Years) as of 06/30/2016



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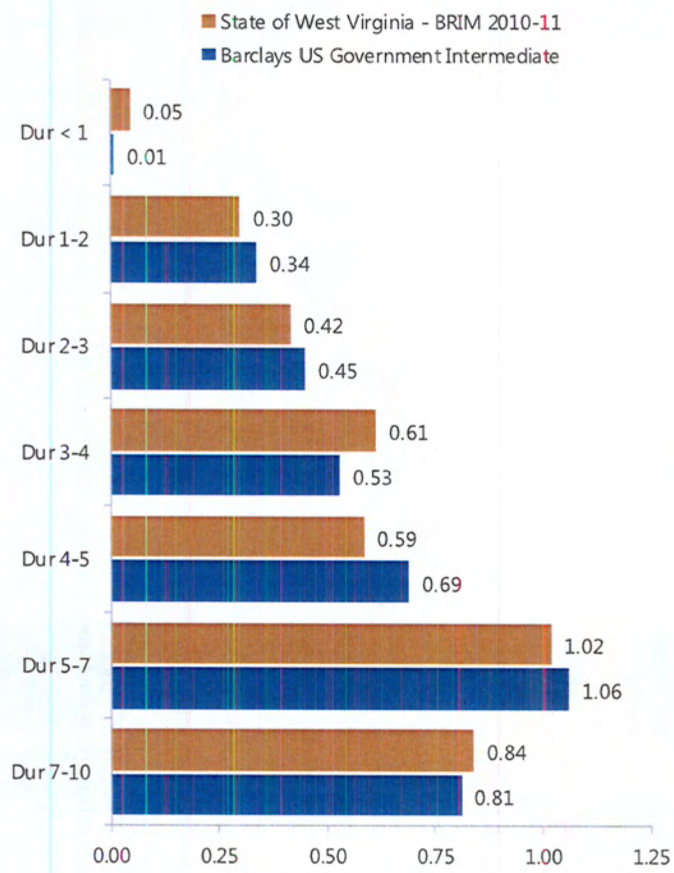
State of West Virginia – BRIM 2010-11 Duration

Portfolio vs Index as of 06/30/2016



Portfolio Duration: 3.82 years

Index Duration: 3.89 years

Outlook & Strategy – Interest Rate Strategies

Investment Environment	Portfolio Strategy
Brexit vote lowers global growth outlook in 2016 and 2017 though direct impacts likely contained to UK and Europe. Global central bank accommodation poised to increase in second half of 2016. Risks to US economic outlook have declined somewhat following June's supportive labor report though Fed is likely to proceed cautiously given elevated global risks.	Currently neutral on duration and yield curve positioning. Valuation of US rates is at odds with fundamentals, driven largely by demand by global investors facing negative rates in other developed markets. Market underpricing of likely gradual Fed hikes biases us to curve flatteners over medium term.
Market based levels of US inflation expectations remain below fundamental fair value. The negative drags on realized inflation of stronger dollar and lower commodities are likely to continue to abate over second half. Our forecast of ongoing above potential growth and declining labor market slack should continue to support ongoing wage growth.	In TIPS strategies we remain fully invested in inflation-linked securities. In multi-sector portfolios, we are overweight US TIPS on a break-even basis.
Given elevated global risks and a cautious Fed toward raising rates, we are likely in a lower interest rate range. MBS risk is asymmetric around interest rate movements with greater downside in a rally than upside in a sell-off. However, the sector has been supported by continued reinvestments of the Fed and global demand for high quality assets.	Agency MBS valuation is fair/rich versus historical averages but will likely remain so given continued strong technical demand. We are neutral MBS overall and focused on positive relative convexity opportunities in specified pools and Agency CMBS.

Risks[1]

- Global demand shocks resulting in dollar strength and lower commodity prices could lead to higher disinflationary pressures.
- Premature monetary policy tightening may result in tighter financial conditions and deleveraging of carry trades.

[1] This is not an exhaustive list. For a more comprehensive list of the risks associated with investing in foreign markets, please refer to the disclosures in the back of the presentation.
Note: As of June 30, 2016. Portfolio holdings are subject to change at any time.

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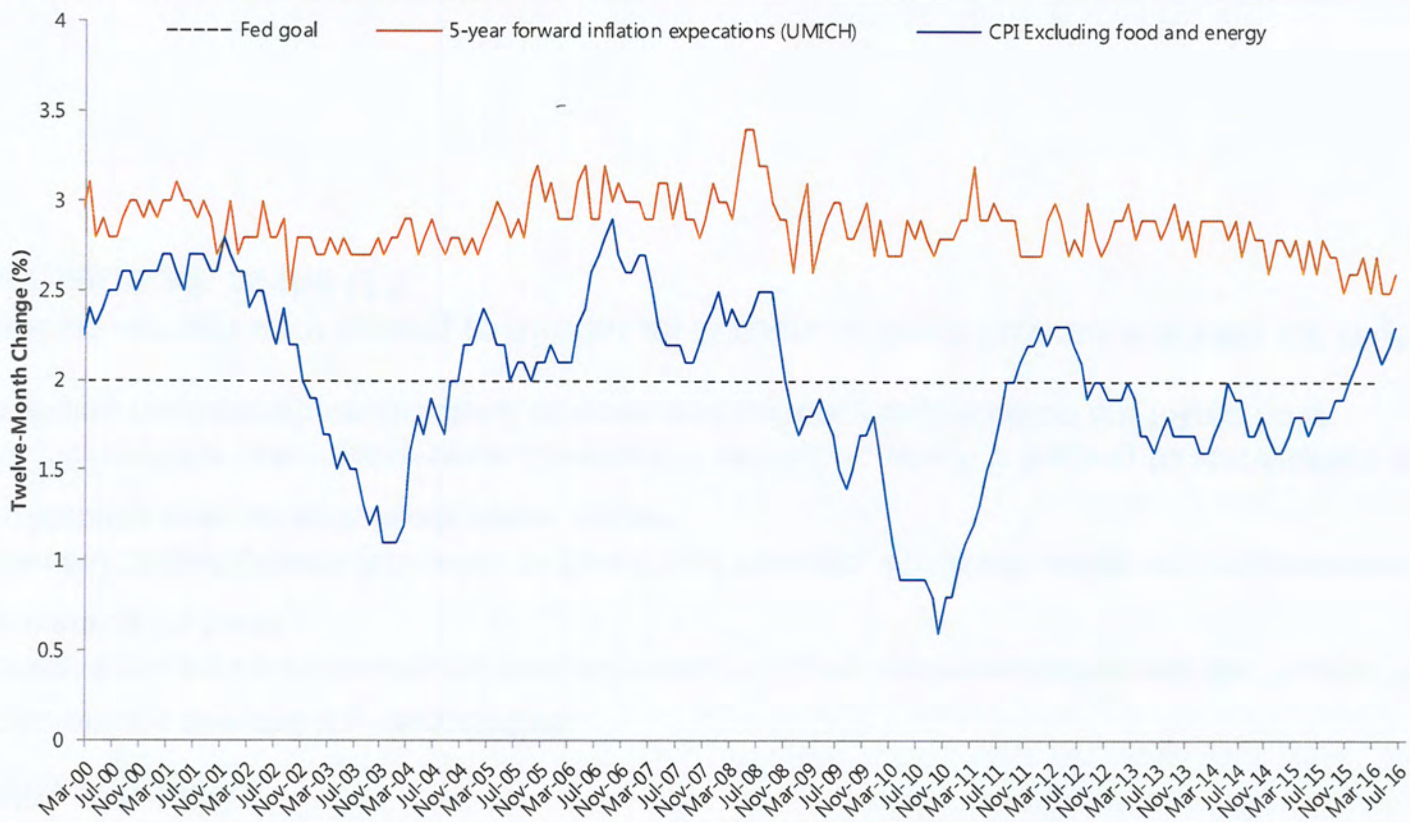
Themes/Q22016/7-14-16/BR

Global Economic Outlook

- Real GDP growth has been marked down 1% this year and 2.2% next. This implies that we expect the UK to be in recession in 2017. The Bank of England will likely cut rates soon in response to the changed outlook, perhaps embarking on quantitative easing later this year.
- The weakness of a key trading partner and appreciation of the euro led us to lower the euro area outlook 0.1% in 2016 and 0.8% in 2017. We believe the ECB will likely adjust its bond-buying program soon and ease additionally in September. Low inflation will prove to be an ongoing challenge.
- We expect the Fed will respond to the tightening of financial conditions associated with the appreciation of the exchange value of the dollar by hiking the funds rate 25 basis points only once this year (one less than in our prior forecast), buffering the U.S. economy from the UK shock.
- Otherwise, there have been no material changes in the outlook for economic activity or policy.

Inflation Has Picked Up

Consumer Price Inflation and 5-Year Inflation Expectations



- Headline consumer price inflation is being pulled down by earlier declines in the prices of oil and other commodities.
- As those earlier declines drop out of year-on-year calculations, headline inflation will move toward core inflation.
- Core CPI inflation is already above the Fed's two-percent inflation goal, but inflation expectations remain anchored.

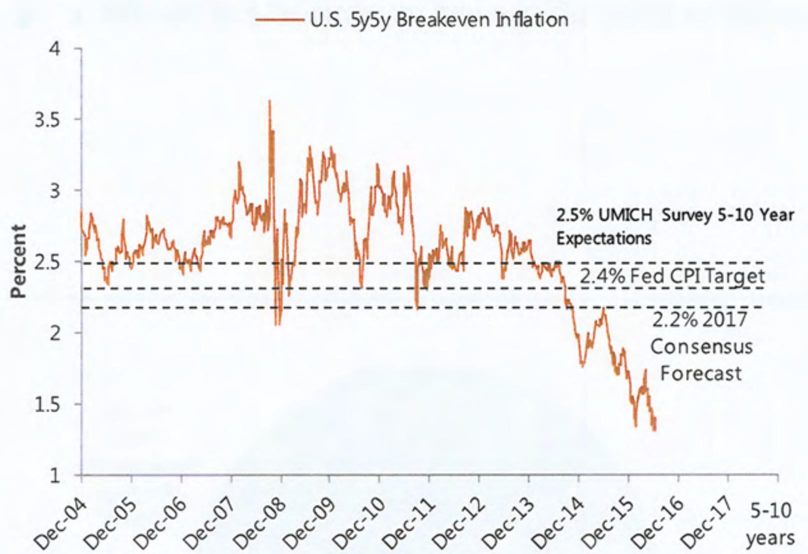
Source: Bloomberg as of July 21, 2016.

Standish Allocation Factors

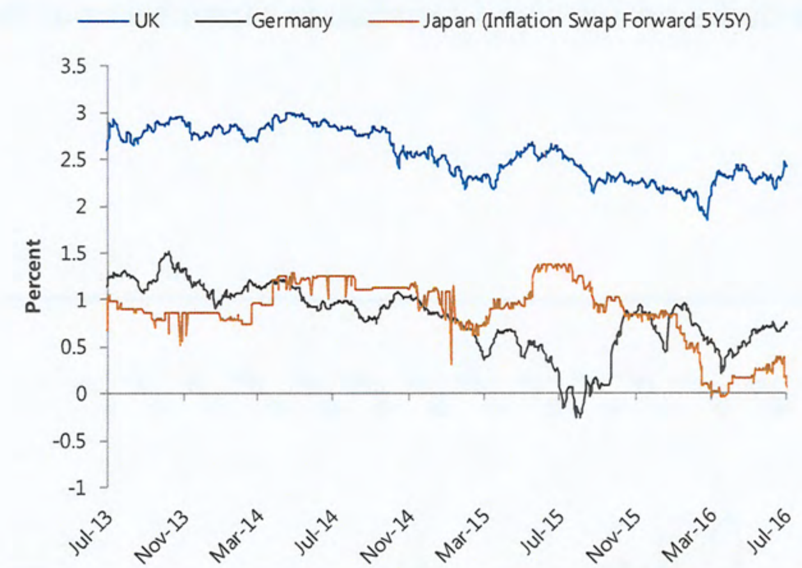
- Valuations are fair to rich for many asset classes, with the exception of inflation indexed and volatility products.
- Fundamentals are mostly supportive.
  - Central bank policy in developed markets remains highly accommodative and the Federal Reserve is likely to overstay its hand.
  - Potential output growth has fallen in developed markets, which will weigh on corporate earnings and profitability even as debt levels move higher.
  - The worst of the commodity price downturn is behind us, which is leading to stabilization in some emerging markets where structural reforms and currency depreciation are taking hold.
- Technicals remain very strong in almost all sectors of fixed income markets for higher-yielding economies, such as the U.S..

Across Developed Markets, Fiscal Stimulus Will Augment Substantial Monetary Accommodation

5y5y Breakeven Inflation



5-Year Breakevens



- The Federal Reserve is tightening policy slower than expected.
- U.S. monetary policy will fall less out of step with other developed market central banks.
- Inflation should rebound in line with expectations of 2%.

Source: Bloomberg as of July 21, 2016.

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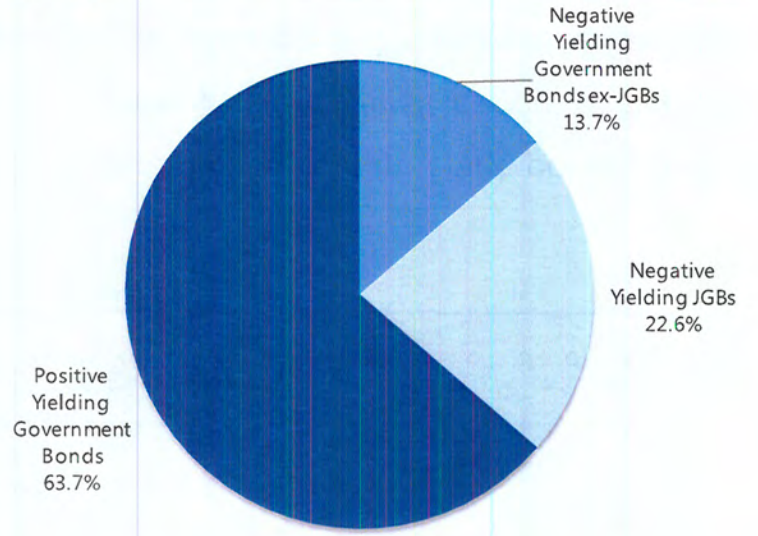
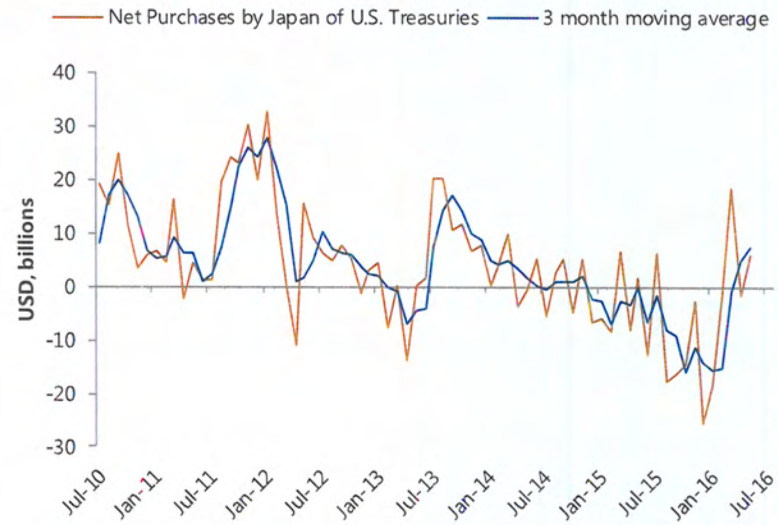
Technicals Remain Very Strong

Negative Yielding Government Bonds are a Significant Percentage of the Sovereign Universe[1]



Japanese Demand for U.S. Treasuries Have Picked Up[2]



- A significant portion of sovereign debt in developed economies trades at negative yields, encouraging a flight to higher-yielding markets, including those in the U.S.
- Japanese inflows to the U.S. Treasury market, in particular, have picked up.

[1]Source: Bloomberg as of July 25, 2016.
[2]Source: U.S. Treasury and Thompson Reuters Datastream as of July 21, 2016..

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This portfolio data should not be relied upon as a complete listing of the Portfolio's holdings (or top holdings) as information on particular holdings may be withheld if it is in the client's best interest to do so. Portfolio holdings are subject to change without notice and may not represent current or future portfolio composition. The portfolio date is "as of" the date indicated.

There is no assurance that any securities discussed herein will remain in an account's portfolio at the time you receive this report or that securities sold have not been repurchased. The securities discussed do not represent an account's entire portfolio and in the aggregate may represent only a small percentage of an account's portfolio holdings.

It should not be assumed that any of the securities transactions or holdings discussed were or will prove to be profitable, or that the investment recommendations or decisions we make in the future will be profitable or will equal the investment performance of the securities discussed herein.

The allocation distribution and actual percentages may vary from time-to-time. The types of investments presented in the allocation chart will not always have the same comparable risks and returns. The actual performance of the portfolio will depend on the Investment Manager's ability to identify and access appropriate investments, and balance assets to maximize return while minimizing its risk. The actual investments in the portfolio may or may not be the same or in the same proportion as those shown above.

Standish believes giving an proprietary Average Quality Credit rating to the holdings in a portfolio more accurately captures its characteristics versus using a single rating agencies ratings. Standish has a ratings/number hierarchy whereby we assign a number between 0 (unrated bond) and 21 (S&P or Moody's AAA) to all bonds in a portfolio based on the ratings of one or more of the rating agencies (with the lower of the 2 available agencies ratings prevailing), and then take a weighted numerical average of those bonds (with weighting based on each bonds percentage to the total portfolio assets). The resulting number is then compared back to the ratings/number hierarchy to determine a portfolio's average quality. For example, if Moody's AAA, S&P AAA= 21, Moody's A1, S&P A+= 17, Moody's Baa1 and S&P BBB+=14, Moody's B1 and S&P B+=7. The numeric average of the 4 equally weighted holdings is 14.75, rounded up to the next whole number of 15. 15 converts to an average credit rating of S&P A/Moody's A2.

To the extent the strategy invests in foreign securities, its performance will be influenced by political, social and economic factors affecting investments in foreign companies. Special risks associated with investments in foreign companies include exposure to currency fluctuations and controls, less liquidity, less developed or less efficient trading markets, less governmental supervision and regulation, lack of comprehensive company information, political instability, greater market volatility, and differing auditing and legal standards.

Further, investments in foreign markets can be affected by a host of factors, including political or social conditions, diplomatic relations, limitations on removal of funds or assets or imposition of (or change in) exchange control or tax regulations in such markets. Additionally, investments denominated in a foreign currency will be subject to changes in exchange rates that may have an adverse effect on the value, price or income of the investment.

These risks are magnified in emerging markets and countries since they generally have less diverse and less mature economic structures and less stable political systems than those of developed countries.

These benchmarks are broad-based indices which are used for illustrative purposes only and have been selected as they are well known and are easily recognizable by investors. Comparisons to benchmarks have limitations because benchmarks have volatility and other material characteristics that may differ from the portfolio. For example, investments made for the portfolio may differ significantly in terms of security holdings, industry weightings and asset allocation from those of the benchmark. Accordingly, investment results and volatility of the portfolio may differ from those of the benchmark. Also, the indices noted in this presentation are unmanaged, are not available for direct investment, and are not subject to management fees, transaction costs or other types of expenses that the portfolio may incur. In addition, the performance of the indices reflects reinvestment of dividends and, where applicable, capital gain distributions. Therefore, investors should carefully consider these limitations and differences when evaluating the comparative benchmark data performance.

The information regarding the index is included merely to show the general trends in the periods indicated and is not intended to imply that the portfolio was similar to the index in composition or risk.

The strategy may use alternative investment techniques (such as derivatives) which carry additional risks. The low initial margin deposits normally required to establish a position in such instruments may permit a high degree of leverage. As a result, a relatively small movement in the price of a contract may result in a profit or loss that is high in proportion to the amount of funds actually placed as initial margin and may result in a disproportionate loss exceeding any margin deposited. Transactions in over-the-counter derivatives may involve additional risk as there is no exchange on which to close out a position, only the original counterparty. Such transactions may therefore be difficult to liquidate, to value, or to assess the exposure. The strategy may at times use certain types of investment derivatives, such as options, futures, forwards and swaps. These instruments involve risks different from, and in certain cases, greater than, the risks presented by more traditional investments.

Standish sector models use regression analysis such as multi-linear data inputs, panel data, and probit function. Variables that the models take into account are: PMI, US Core CPI, Fed Fund rate, 3-month Libor, 3-month T-bill rate, foreign purchases of US Government bonds, Commodity Indices , Capacity Utilization, Deficit as a percent of GDP, S&P 500 return, Chicago Fed Index, IGOV, US output gap, Europe Core CPI, US unemployment rate, EU unemployment rate, and slope of the yield curve. Assumptions made are that samples are representative of the population for the inference prediction; regression residuals are approximately normally distributed, uncorrelated, and have constant volatility; no high degrees of multi-colinearity in the independent variables; variable sensitivity remains constant in the short term; and no structural shift in the short term.

Standish claims compliance with the CFA Institute Asset Manager Code of Professional Conduct. This claim has not been verified by CFA Institute

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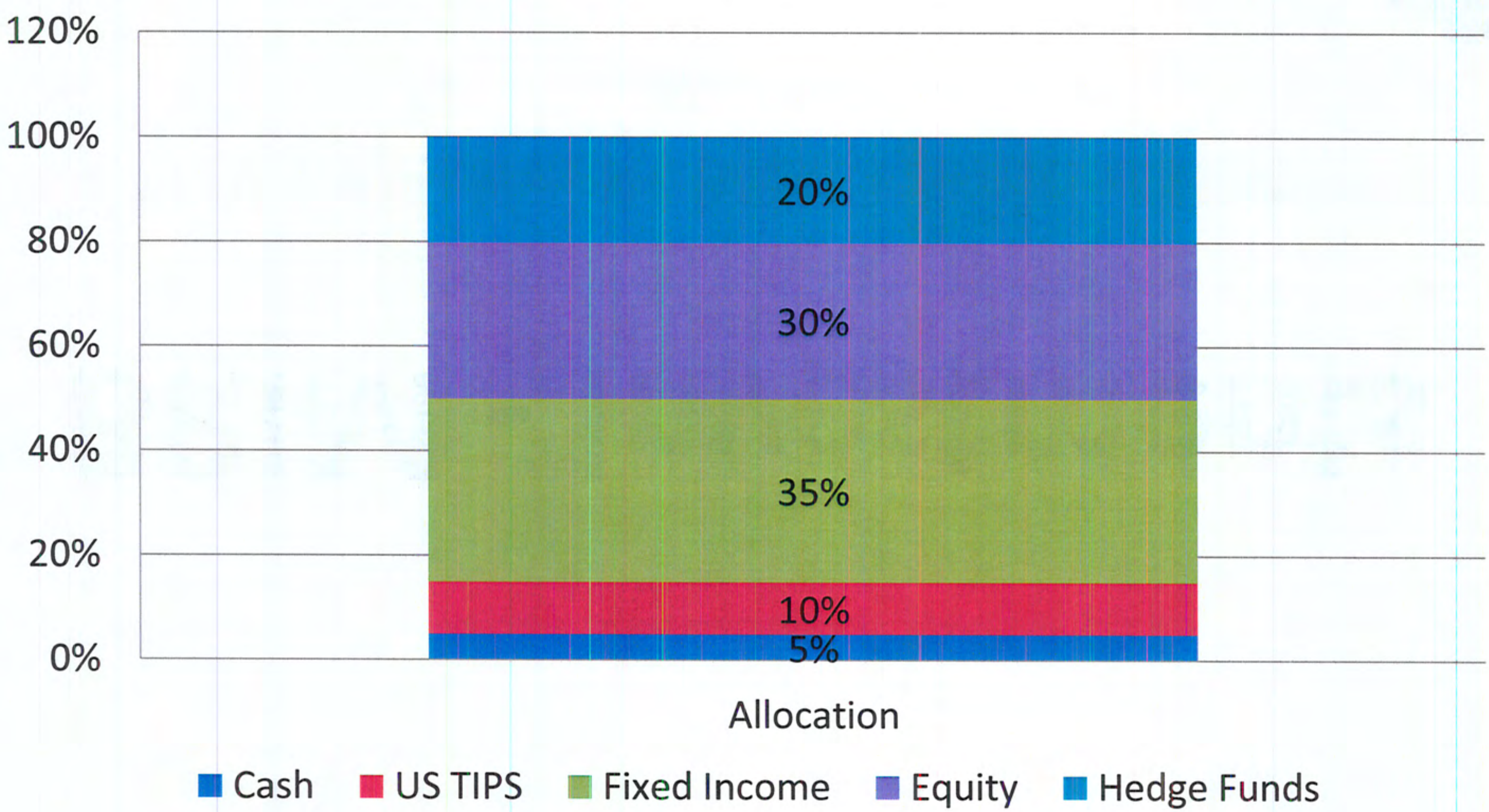
BRIM - Investments

WV Investment Management Board

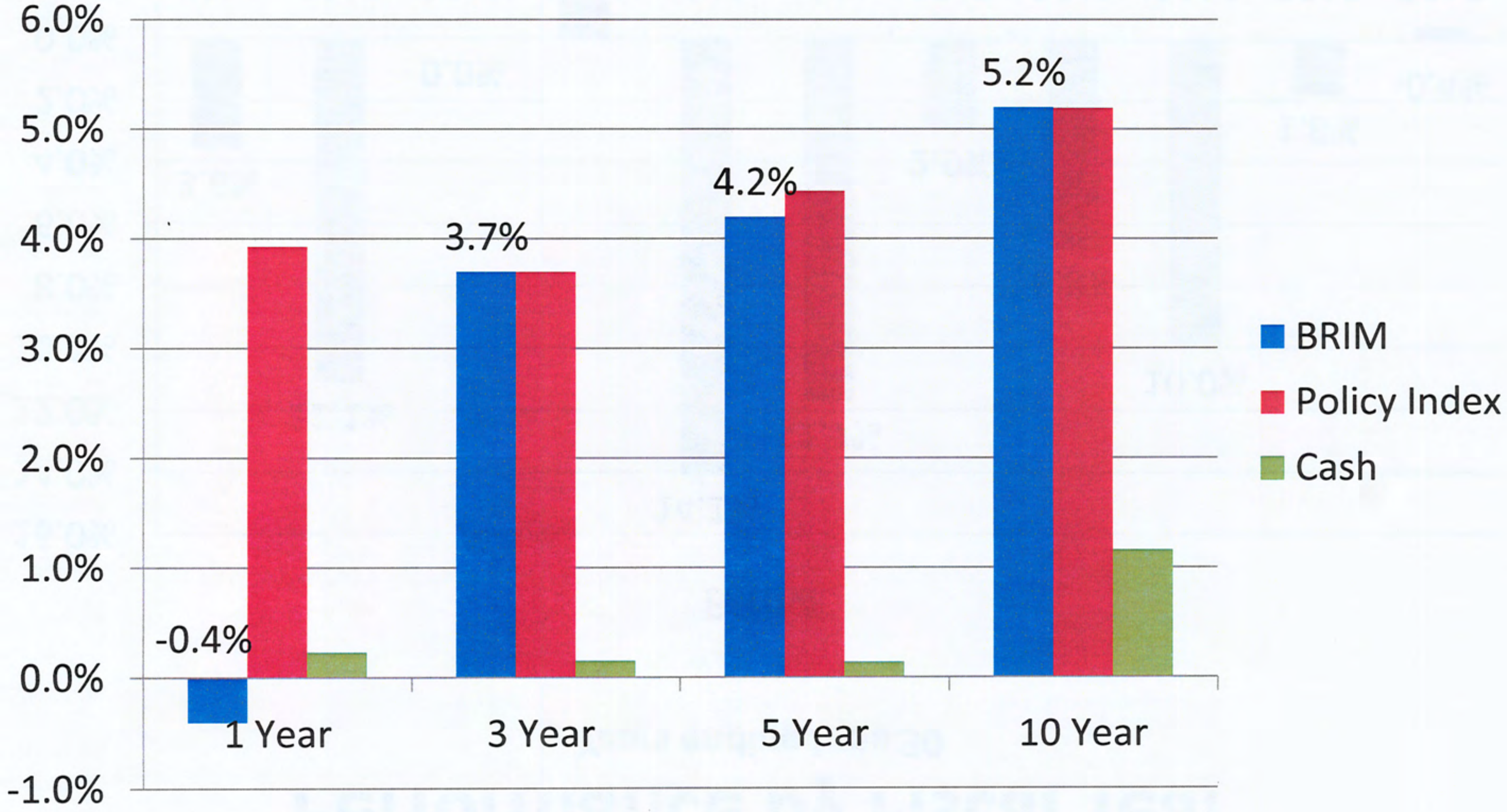
6/30/2016

Asset Allocation



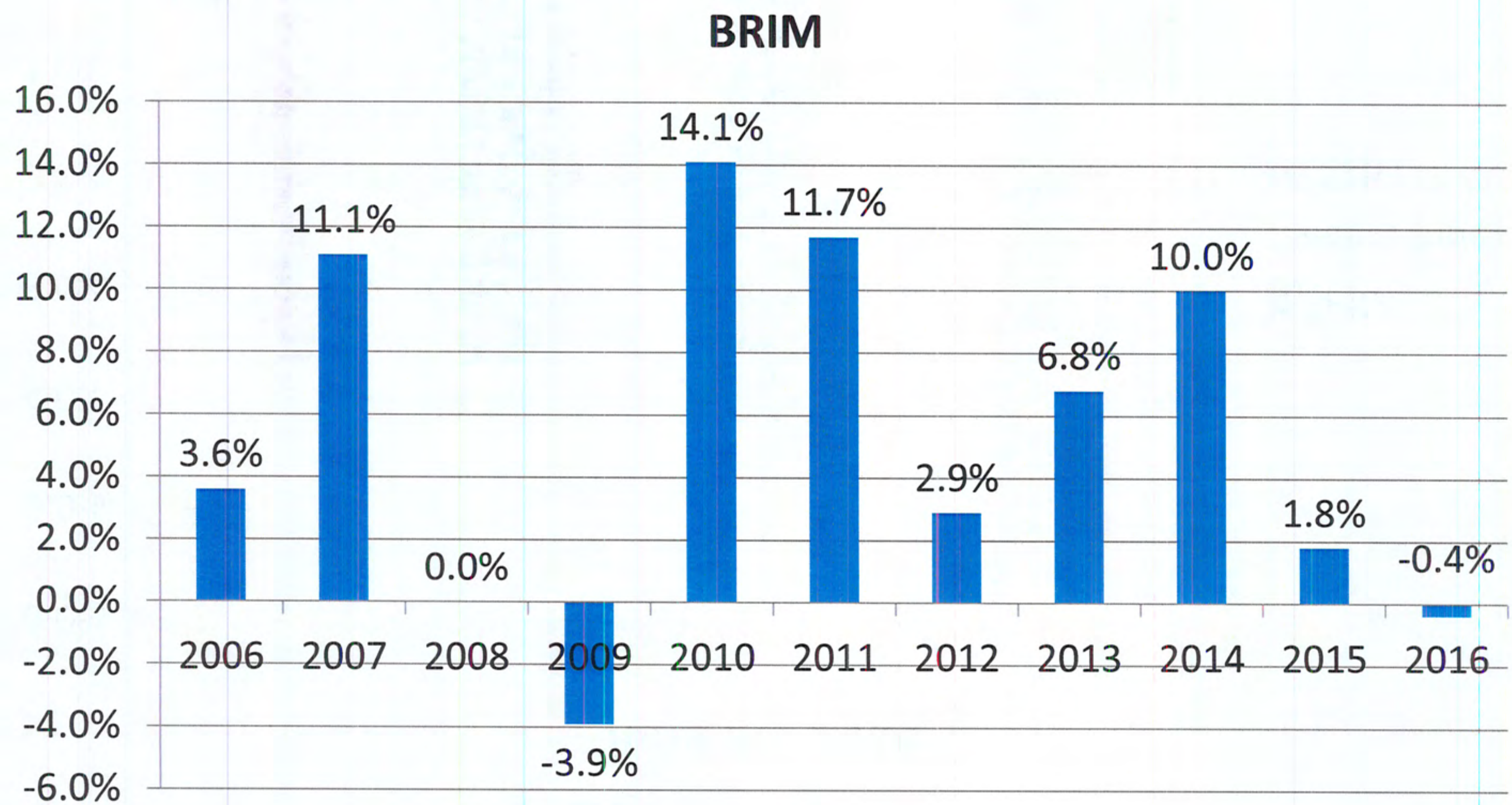
Performance

June 30, 2016



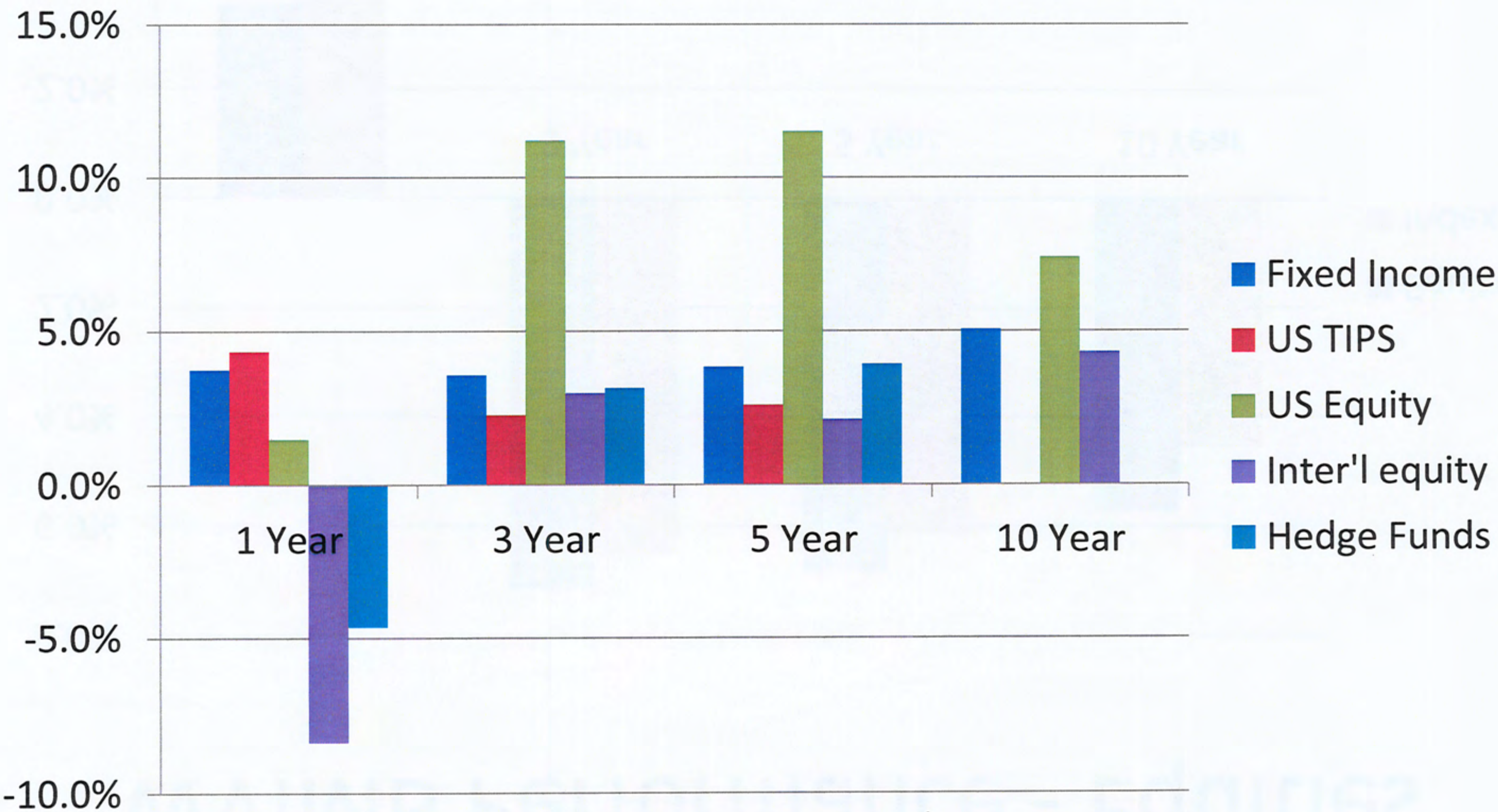
Performance by Fiscal Year

Years ending June 30

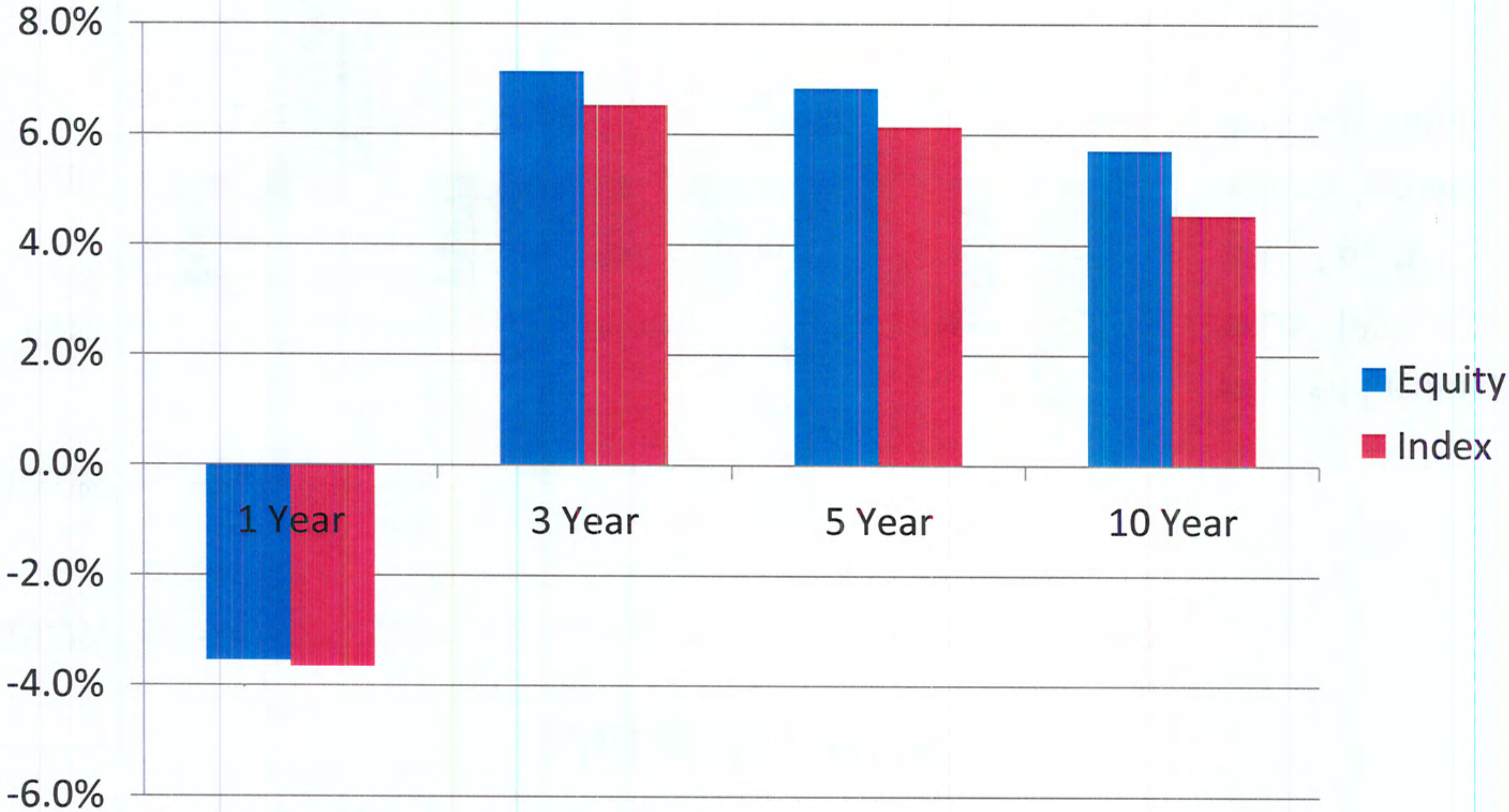


Asset Class Performance

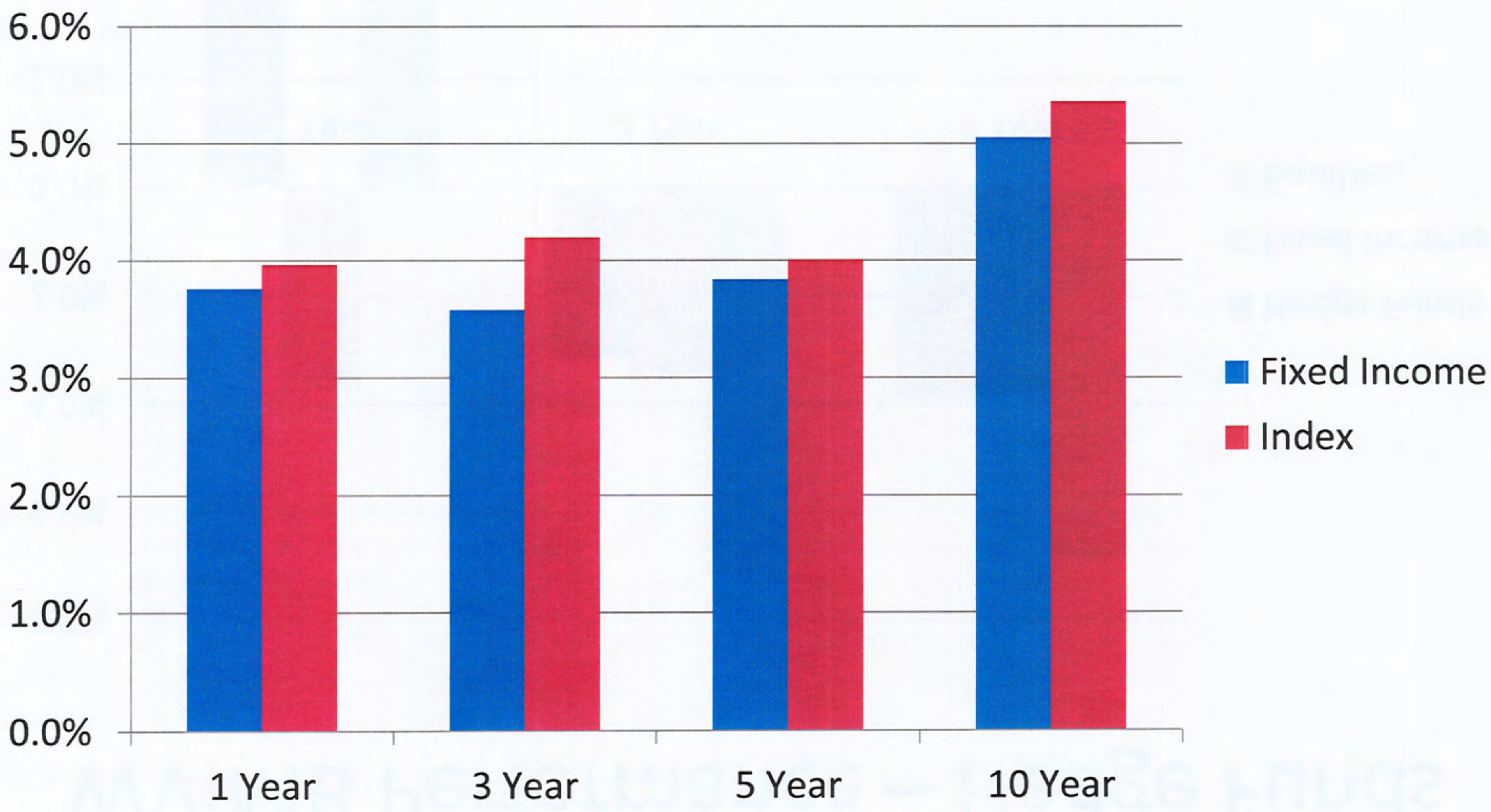
June 30, 2016



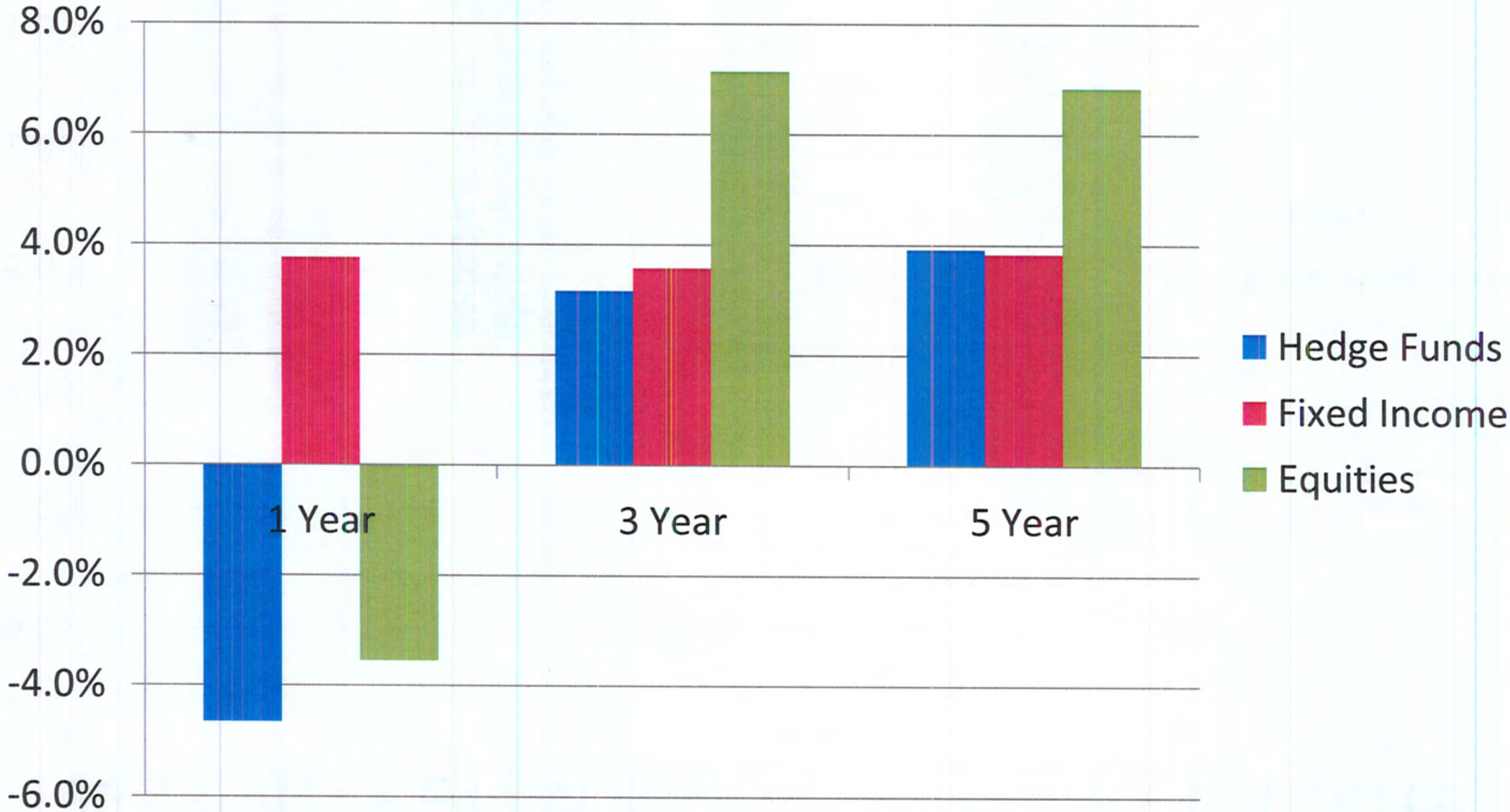
WVIMB Performance - Equities



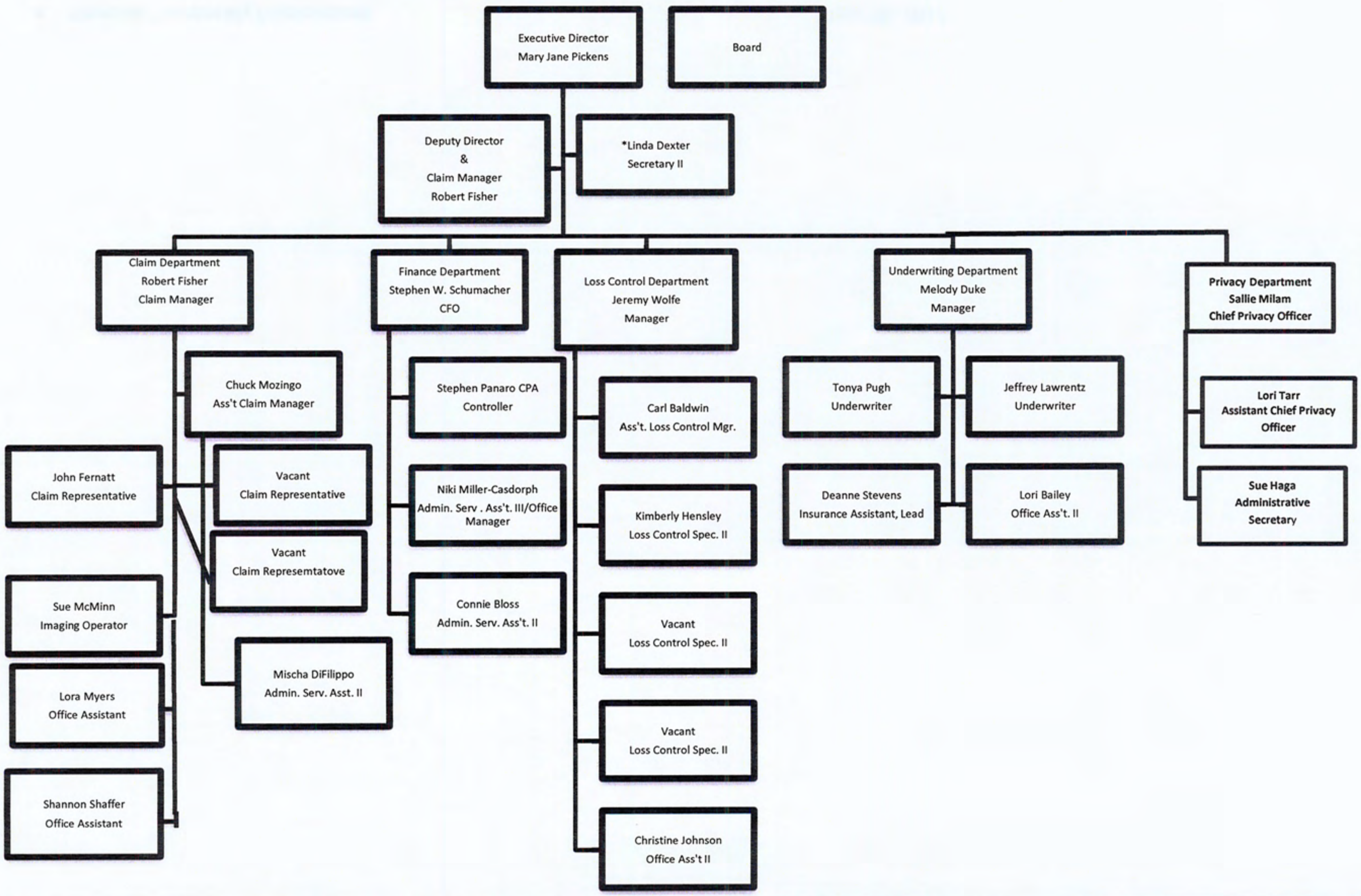
WVIMB Performance – Fixed Income



WVIMB Performance – Hedge Funds



Board of Risk and Insurance Management Organizational Chart



- Denotes Temporary Employment

June 30, 2017

Board of Risk and Insurance Management Organizational Chart

- Denotes Temporary Employment

June 30, 2017