A scenic photograph of a river flowing through a forested landscape. The river is the central focus, with water cascading over large, dark, rounded rocks. The surrounding area is lush with green trees and foliage. The sky is bright blue with scattered white and grey clouds. The overall atmosphere is natural and serene.

**State of West Virginia  
Board of Risk and Insurance Management  
2007 Annual Report**

August 27, 2007

Honorable Joe Manchin, III, Governor  
State of West Virginia

Governor Manchin:

The Annual Report of the West Virginia Board of Risk and Insurance Management (BRIM) for the year ended June 30, 2007 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 \$75,000 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 occurring in 2006. 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 \$275 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 150 state agencies, approximately 1,000 Senate Bill #3 entities, plus provides mine subsidence reinsurance to approximately 15,000 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.

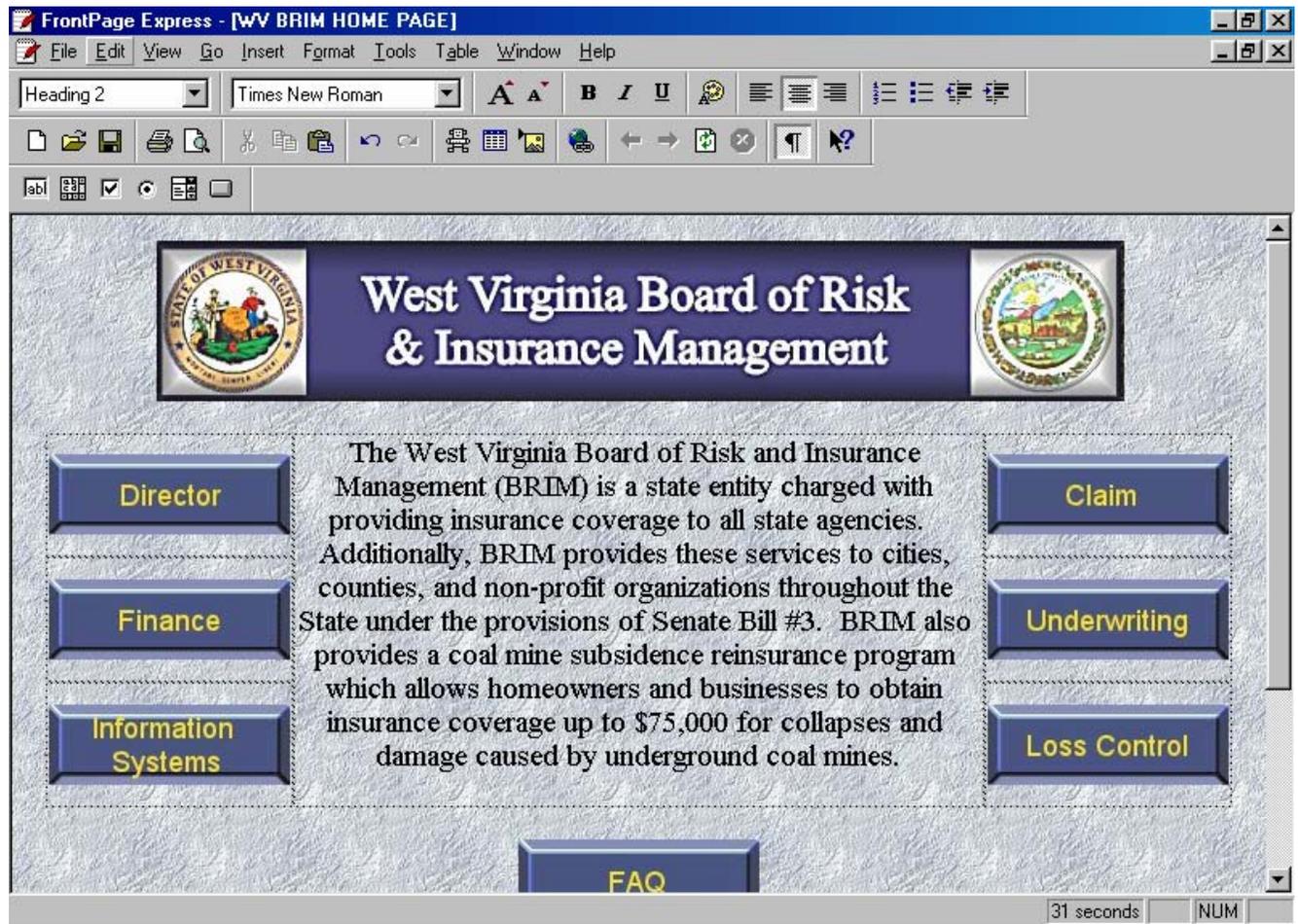
Internal controls have been put in place to ensure the assets and property of BRIM are protected from theft, loss or misuse and to provide adequate accounting data for preparing Generally Accepted Accounting Principles (GAAP) based financial statements.

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.state.wv.us/BRIM>. 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

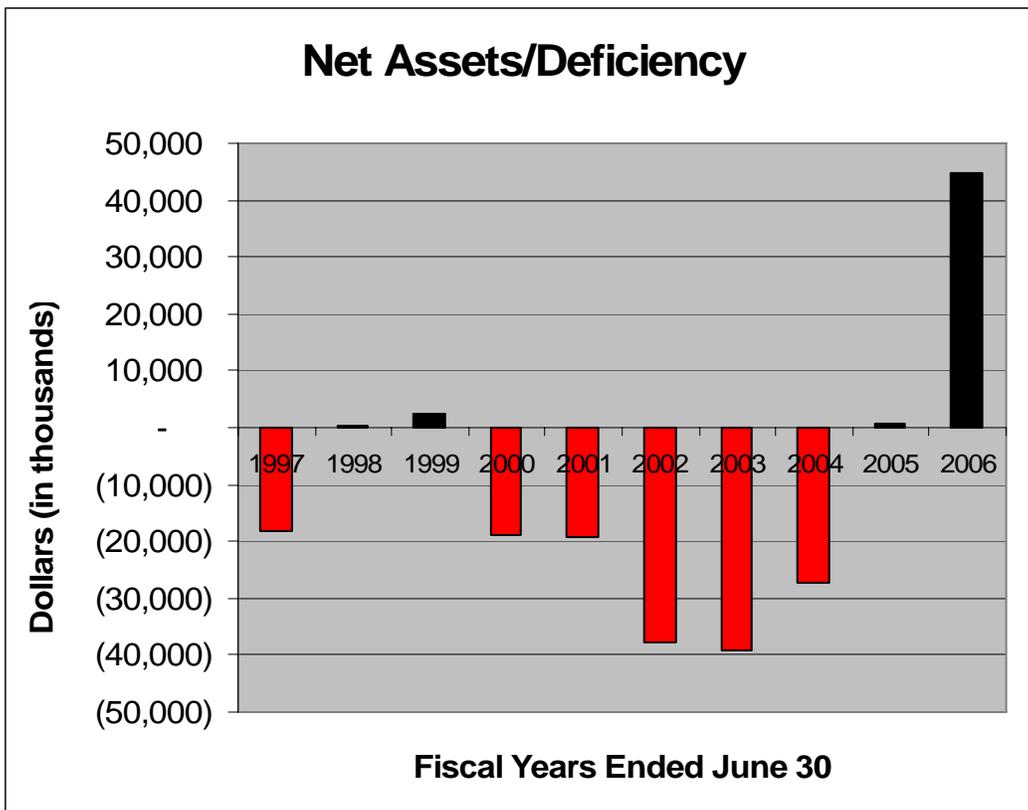
Below are audited results from operations of four most recent fiscal years ended June 30:

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
	(In thousands)			
Operating Revenues:				
Premiums	\$76,488	\$109,268	\$89,030	\$82,824
Less Excess Coverages	<u>(3,126)</u>	<u>(3,801)</u>	<u>(3,912)</u>	<u>(4,145)</u>
Net Operating Expenses	73,362	105,467	85,118	78,679
Operating Expenses:				
Claims & Claims Adjustment	77,231	86,122	56,675	37,076
General Administrative	<u>5,360</u>	<u>10,536</u>	<u>4,294</u>	<u>4,180</u>
Total Operating Revenues	82,591	96,658	60,969	41,256
Operating Income (Loss)	(9,229)	8,809	24,149	37,423
Non-Operating Revenues:				
Interest Income, Appropriations	<u>7,917</u>	<u>3,051</u>	<u>3,764</u>	<u>6,894</u>
Net Income/(Loss)	(1,312)	11,860	27,913	44,317
Retained earnings (deficiency) at beginning of year	<u>(37,934)</u>	<u>(39,246)</u>	<u>(27,386)</u>	<u>527</u>
Retained earnings (deficiency) at end of year	\$(39,246)	\$(27,386)	\$527	\$44,844

BRIM has been working diligently for the past several years to maintain positive retained earnings and eliminate its unfunded liability. In 1995 the unfunded liability was \$60 million dollars. Favorable loss patterns and adequate funding enabled BRIM to achieve positive retained earnings in 1998, 1999, 2005 and 2006. For the three years prior to 2005, BRIM had shown a deficit in retained earnings. Several factors, including unanticipated losses, contributed to BRIM losing money for those years. The BRIM fund continues to 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 from 1999 to 2000, BRIM's state appropriation was decreased by \$8 million dollars. 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 retained earnings from fiscal years 1997 to 2006. The years shown in red represent the unfunded liability and years in black represent positive retained earnings.



**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.” The fund would be administered and operated by BRIM. 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.

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. During fiscal year 2005, BRIM began receiving the appropriated funds into this account.

### **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 Ernst & Young, LLP was selected to perform the audit for the fiscal year ended June 30, 2007. The June 30, 2007 report will be available near the end of October 2007.

### **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 West Virginia State Board of Investments and 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, 2006, 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, 2007. The CAFR for fiscal year 2007 will be issued before December 31, 2007. 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,

Charles E. Jones, Jr.  
Executive Director

<b><u>LIABILITY</u></b>	<b><u>LIMIT OF LIABILITY</u></b>
1. Automobile Liability Policy No. RMCA 385-33-06 Company: AIG Insurance	\$ 1,000,000 per occurrence
2. General Liability Policy No. RMGL 400-60-70 Company: AIG Insurance	\$ 1,000,000 per occurrence
3. Aircraft Liability Policy No. AV 3380 147-04 Company: AIG Insurance	\$ 1,000,000 per occurrence
4. Excess Liability-Bd. of Education Policy No. NXG358846H Company: General Star	\$ 5,000,000 per occurrence or claim
 <b><u>PROPERTY</u></b>	 <b><u>LIMIT OF LIABILITY</u></b>
1. Blanket Property Policy No. FS D3586782A 004 Company: Westchester	\$ 25,000,000 primary layer \$ 1,000,000 deductible
Policy No. NHD 346816 Company: RSUI	\$ 175,000,000 excess of 25,000,000
Policy No. CICA 2414 Commonwealth Insurance Company of America	\$ 75,000,000 excess of 200,000,000
Policy No. I20644904-004 Company: Westchester	\$ 10,000,000 flood with \$ 1,000,000 deductible
2. Boiler and Machinery Policy No. 76426824 Company: Chubb	\$ 5,000,000 per equipment covered excess of 1,000,000
3. Public Insurance Official Position Schedule Bond Bond No. 104511294 Company: Travelers	Variable amounts as set by Statute

**Top 10 State Agency Premiums for Fiscal Year 2006**

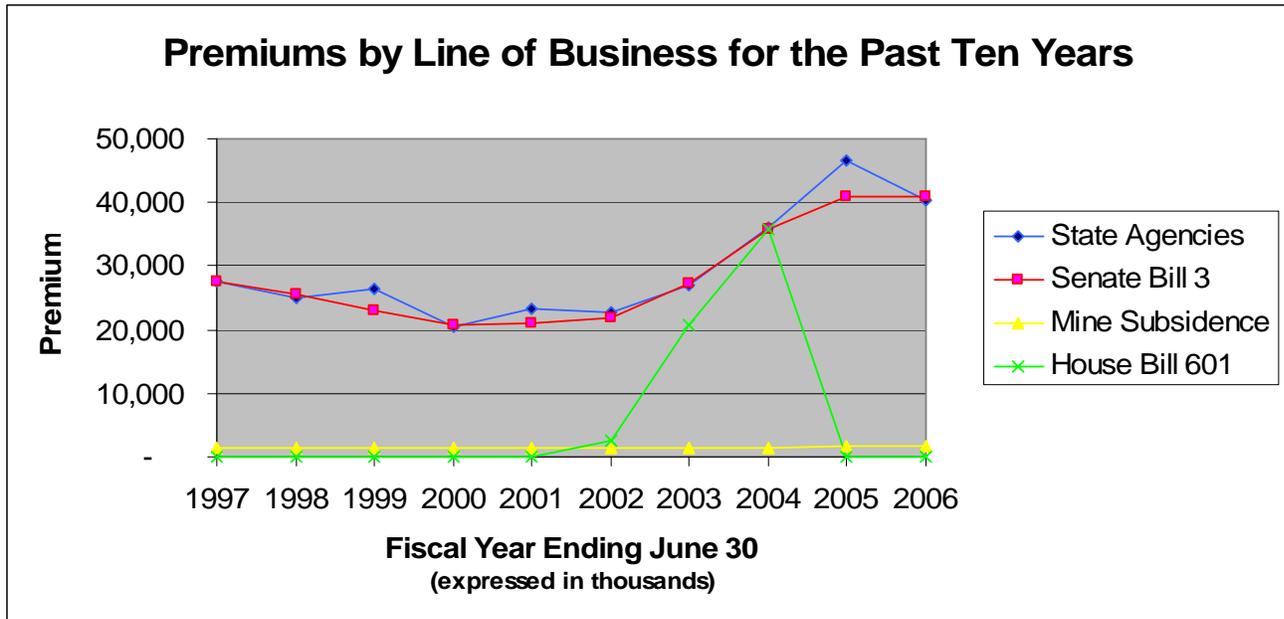
1	Public Safety Division	\$7,163,044
2	West Virginia University	6,177,380
3	Division of Highways	5,332,863
4	Department of Health and Human Resources	5,032,730
5	Marshall University	2,654,190
6	Corrections Division	1,174,486
7	WV State Parks	786,387
8	WV Parkways and Economic Development Authority	702,690
9	Division of Environmental Protection	693,697
10	Department of Natural Resources	659,625
	Total Top Ten	<b>\$30,377,092</b>

Total State Premium Billing for 2006 **\$39,770,841**  
 % of top 10 in relation to all state agency billings **76.38%**

**Top 20 SB 3 Premiums for Fiscal Year 2006**

1	Kanawha County Board of Education	\$1,758,550
2	Raleigh County Board of Education	715,649
3	City of Beckley	631,459
4	Berkeley County Board of Education	621,336
5	Putnam County Board of Education	558,603
6	Harrison County Board of Education	549,332
7	Mercer County Board of Education	547,627
8	Wayne County Board of Education	540,948
9	City of St. Albans	527,556
10	West Virginia University Medical Corporation	518,713
11	Cabell County Board of Education	518,279
12	Wood County Board of Education	515,945
13	Monongalia County Board of Education	491,965
14	Wheeling Park Commission	489,756
15	Mingo County Board of Education	436,165
16	Monongalia County Commission	427,342
17	Fayette County Board of Education	399,352
18	Boone County Commission	395,309
19	Marion County Board of Education	383,996
20	Berkeley County Commission	374,441
	Total Top Twenty	<b>\$11,402,323</b>

Total SB 3 Premium Billing for 2006 **\$45,547,634**  
 % of top 20 in relation to total SB 3 billings **25.03%**

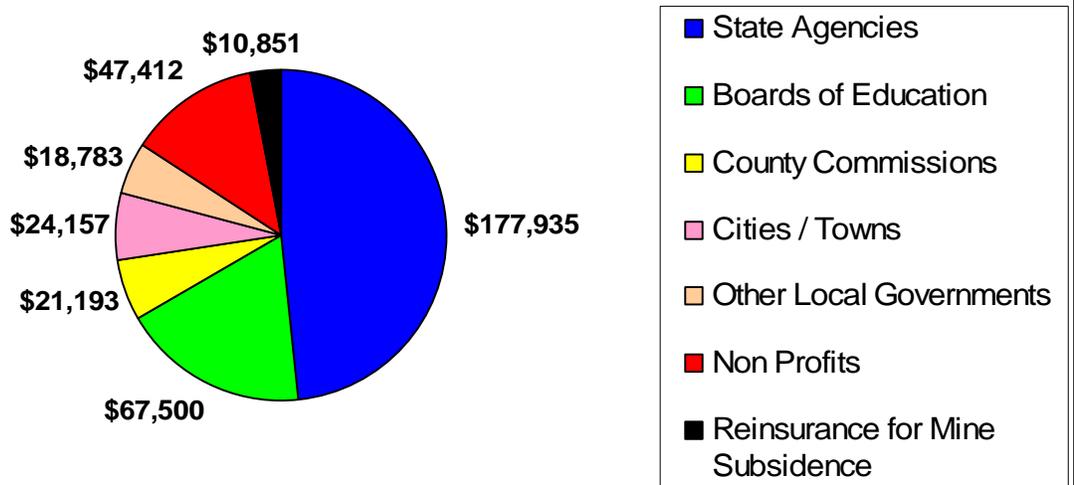


Fiscal Year	State Agencies	Senate Bill 3	Mine Subsidence	House Bill 601
1997	\$ 27,423	\$ 27,683	\$ 1,462	-
1998	\$ 25,078	\$ 25,545	\$ 1,494	-
1999	\$ 26,377	\$ 23,071	\$ 1,440	-
2000	\$ 20,373	\$ 20,597	\$ 1,434	-
2001	\$ 23,241	\$ 20,951	\$ 1,414	-
2002	\$ 22,840	\$ 21,922	\$ 1,505	\$ 2,426
2003	\$ 26,915	\$ 27,198	\$ 1,528	\$ 20,847
2004	\$ 36,203	\$ 35,793	\$ 1,551	\$ 35,721
2005	\$ 46,465	\$ 40,952	\$ 1,595	\$ 18
2006	\$ 40,252	\$ 40,920	\$ 1,652	-

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

Source: BRIM's internal financial statements.

### Claims Dollars Incurred by Customer Type Fiscal Years 1997 Through 2006 (expressed in thousands)



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

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

**May 29, 2007**

Chairman Lukens	Call to Order
Chairman Lukens	Approval of Board Minutes February 27, 2007
John David	Mr. David, Volunteer Director of the Southern Appalachian Labor School, will address the Board to appeal a decision by BRIM on a claim.

**REPORTS**

Charles E. Jones, Jr. Executive Director	Executive Director's Report
Stephen W. Schumacher, CPA Chief Financial Officer	Financial Report P-Card Report
Robert Fisher Deputy Director/Claim Manager	Loss Control Report

**UNFINISHED BUSINESS**

**NEW BUSINESS**

**ADJOURNMENT**

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

**May 29, 2007**

**BOARD**

**MEMBERS:**

John R. Lukens, Chairman  
Bruce Martin, Vice Chairman  
Sherry Cunningham, Member  
Marty Glasser, Member

**HIGHER EDUCATION**

**POLICY COMMISSION:**

Joyce Daniels, Executive Assistant  
to the Chancellor

**BRIM PERSONNEL:**

Charles E. Jones, Jr., Executive Director  
Robert Fisher, Deputy Director/Claim Manager  
Stephen W. Schumacher, CPA, CFO  
Steve Fowler, BRIM Counsel  
Bob Mitts, Underwriting Manager  
Jeremy Wolfe, Loss Control Manager  
Melody Duke, Controller  
Chuck Mozingo, Assistant Claim Manager  
Jill Farrar, Loss Control Specialist  
Charlie Warner, Loss Control Specialist  
Jennifer Schiefer, Loss Control Specialist  
Linda Dexter, Recording Secretary

**DEPARTMENT OF  
ADMINISTRATION:**

Diane Holley, Communications Director  
Tony O'Leary, Purchasing Department

**BRIM PROGRAM**

**REPRESENTATIVES:**

Charles Waugh, AIG  
Harry "Skip" Morris, Wells Fargo Insurance Services

**GUESTS:**

Sandy Price, WVU Health Sciences  
Jamie Parker, WVU Health Sciences  
Michael J. Gansor, WVU Health Sciences  
Summer Miller, WVU  
Joanna Valleau, AIG  
Gray Marion, PIIAWV

Janet L. Buckley, Commercial Insurance  
Juliet A. Terry, *The State Journal*  
Greg Elam, Office of the Insurance Commissioner  
John David, Southern Appalachian Labor School

## **CALL TO ORDER**

The regular monthly business meeting of the State Board of Risk and Insurance Management was called to order by the Chairman at 2:02 p.m. on Tuesday, May 29, 2007, at 90 MacCorkle Avenue, SW, Suite 203, South Charleston, West Virginia.

## **APPROVAL OF MINUTES**

Mr. Glasser moved the approval of the minutes of the February 27, 2007 Board Meeting. The motion was seconded. There being no discussion, a vote was taken and the MOTION ADOPTED.

## **REPORTS**

The monthly report of the Executive Director was received and filed, a copy of which is attached and made a part of the record. During his presentation, Mr. Jones asked and the BRIM Board agreed to yield the floor to Mr. John David of the Southern Appalachian Labor School.

After introducing his colleague, Brenda Winter, Mr. David explained that one of his company's trucks had been involved in accidents, which resulted from malfunctioning traffic lights located at the entrance and exit of the Fayette Square shopping mall on US 119. The malfunctioning lights, he alleges, are caused from the construction and blasting, which has caused many roadway hazards and accidents.

The recent accident involved the insured's truck being hit on the driver's side in the back wheel area. Because of the way in which the accident happened, based on eyewitness testimony, the insured driver was issued a citation for failure to yield right of way. Since there is a \$2,500 deductible per accident, Mr. David feels that the contractor should be held responsible and would request that AIG contact the contractor and attempt to recover the \$2,500.

Although the Board saw no reason to reopen the investigation based on the circumstances, Mr. Fowler advised Mr. David that he could consider filing a claim against the contractor's insurance carrier to recover the deductible.

Mr. Jones thereafter resumed and upon completion of his Executive Director's Report, Mr. Schumacher thereafter presented the Chief Financial Officer's Report. The unaudited balance sheet as of March 31, 2007, and the unaudited income statement for the nine months ending March 31, 2007 were received and filed, copies of which are attached and made a part of the record.

A CD containing copies of the February and March 2007 purchasing card invoices was distributed to each Board member. Chairman Lukens signed the acknowledgement form for the January 2007 billing. The acknowledgement form was retained by the Finance Department.

The Loss Control Report of the Deputy Director/Claim Manager was received and filed, a copy of which is attached and made a part of the record.

**UNFINISHED BUSINESS**

There was no unfinished business.

**NEW BUSINESS**

There was no new business.

**ADJOURNMENT**

There being nothing further, the meeting adjourned at 3:30 p.m.

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Board Secretary

---

Date

---

Board Chairman

---

Date

# Executive Director's Report

May 29, 2007

## A. Rules Update

The modified Series 1, Mine Subsidence Insurance, rule has been approved and was effective April 1, 2007. The rule is now applicable to insureds with self insurance pools, which may be established by local governments to participate in the subsidence program.

## B. Marshall University/WVU Medical Malpractice Deductible Program

- As of March 31, 2007, a total of \$1,007,545.61 had been deposited into Marshall's escrow account for the FY2006 and FY2007 years. The year-to-date cumulative interest totals \$23,467.13. There have been no disbursements as there have been no medical malpractice claims filed against Marshall University since the beginning of Fiscal Year 2006 which started July 1, 2005.
- As of Jan 31, 2007, the interest earned on the \$1,000,000 WVU deposit for FY 06 is \$31,003.96. As of the same date, interest earned on the FY 07 deposits totaling \$750,000 is \$6,636.96. As of 2/13/07, there have been three disbursements from the escrow account in the amounts of \$7,777.87, \$12,500.00 and \$7,760.20, for a cumulative total of \$28,038.07.
- Since July 1, 2005, there have been a total of eleven (11) medical malpractice claims have filed against WVU to date.

C. Premiums

- Fourth quarter 2007 premium statements for all State entities were mailed April 1, 2007.
- First quarter 2008 premium statements for all Senate Bill #3 entities will be mailed by May 30, 2007 and are due between June 1, 2007 and June 30, 2007.
- Enhancements to the Senate Bill #3 premium rate calculation process includes:
  - Utilization of present value of projected ultimate retained losses, as opposed to nominal value or projected ultimate retained losses.
  - Offering an optional \$10,000 deductible on General Liability claims to qualified participants within the Senate Bill #3 program.
- First quarter 2008 premium statements for all State entities are to be mailed by July 1, 2007.

D. West Virginia Counties Group Self-Insurance Risk Pool (WVCoRP)

E. Interims/Legislative Issues

- Uninsured/Underinsured Motorist Coverage for State Agencies
  - BRIM has never provided UMC/UIMC for state agencies as employees are covered under Worker's Compensation for injury on the job.
  - State Constitution prohibits the State from assuming the liabilities of others.
- Coverage for County Courthouses
  - Legislators are concerned that Morgan County did not purchase adequate property coverage to replace the courthouse.

- Additionally, they are concerned that other counties (whether insured through BRIM or not) also may have not purchased adequate property coverage in the event another courthouse burns down.

#### F. Status of Requests for Proposals (RFPs)

- Actuarial
- Audit
- State and Board of Education

On March 6, 2007, we met with representatives of General Star, the Board of Education excess carrier, to negotiate the rate for the upcoming renewal. General Star agreed to renew our excess coverage with no increase in premium, thus negating the need for a RFP.

- Joint State and Senate Bill #3 Property Program

We met with representatives of Wells Fargo/Westchester to negotiate the rates for the upcoming renewal for the property program. Property rates increased less than \$0.01 per \$100 in value. Additionally, property values increased approximately \$1.5 billion. TIV increased from \$10.5 billion to \$11.9 billion.

#### G. Government Finance Officers Association (GFOA) Award

BRIM has again received the Certificate of Achievement for Excellence in Financial Reporting. BRIM has been honored to receive this award for the 12th consecutive year. We appreciate the outstanding efforts of our Finance Department in achieving this recognition.

#### H. Litigation

The April 2007 report from AIG Claim Services for the period ending April 30, 2007 reveals that to date, one (1) lawsuit has been

tried to a verdict, with one (1) defense verdict and zero plaintiff verdicts.

I. Loss Control

- Morgan County Courthouse - Board member Bruce Martin and I met with Department of Administration on March 28, 2007 to further discuss this matter. The concern was the amount of coverage the Morgan County Commission had obtained for their courthouse. Additional concern was voiced over the other county courthouses insured through BRIM and whether it was adequate or not.

J. Miscellaneous

- State Risk Insurance Management Association (STRIMA)

I attended the Executive Board Meeting of STRIMA from April 24-29 in Tucson, Arizona, which finalizes plans for the upcoming annual conference in September. This year, the conference will be held in Portland, Maine. In September 2008, the conference will be hosted by BRIM at the Glade Springs Resort in Daniels, West Virginia.

- On April 16th, Jennifer Schiefer, Loss Control Specialist, joined the BRIM staff. Jennifer has a Master's Degree in Safety Management.

Respectfully submitted,

Charles E. Jones, Jr.  
Executive Director

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



90 MACCORKLE AVENUE SW, Suite 203  
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[www.state.wv.us/brim](http://www.state.wv.us/brim)

Joe Manchin III  
Governor

Robert Ferguson, Jr.  
Cabinet Secretary

## Chief Financial Officer's Report May 29, 2007

### A. P Card Report

- CD copy contains the supporting detail for P card purchases for February and March, 2007. The totals by month are:

February	\$25,491.38
March	\$ 7,257.42

### B. Interim Financials – 3/31/07

- BRIM's overall financial position has continued to improve during the third quarter of FY'07.
- Premium revenue thru March includes the premiums earned for the first nine months of FY'07.
- Claims expense thru March reflects a decrease in claims reserves of \$5.0 million for the first nine months of FY'07.
- Total investment income of \$16.1 million for the first nine months reflects continued solid performance for all of BRIM's investment pools.

### C. SB3 2008 Premiums

- The rates for FY'08 have been finalized for the SB3 program. Overall, the average premium for the program is down 4% vs. FY '07, although premiums for both rate groups and for individual entities within rate groups will vary depending on specific rating criteria.
- FY'08 rates are based on the present value of the projected losses as determined by our actuary.
- The SB3 program deficit has been further reduced by over \$8 million during the first nine months of FY'07.
- The SB3 program's remaining deficit should be eliminated by the end of FY'08.

### D. Other

- Recently BRIM received notification from the Government Finance Officers Association that its comprehensive annual financial report (CAFR) for the year ended June 30, 2006 qualified for the Certificate of Achievement for Excellence in Financial Reporting. The Certificate of Achievement is the highest form of recognition in governmental accounting and financial reporting. This is the 12<sup>th</sup> consecutive year that BRIM has attained this significant accomplishment.

**West Virginia Board of Risk and Insurance Management  
UNAUDITED BALANCE SHEET**



**March 31**

	<b>2007</b>	<b>2006</b>
<b>ASSETS</b>		
Short Term Assets		
Cash and Equivalents	\$ 29,620,655	\$ 37,987,858
Advance Deposit with Carrier/Trustee	115,243,658	74,440,962
Receivables - Net	1,620,191	2,802,671
Prepaid Insurance	1,536,019	1,040,220
Total Short Term Assets	148,020,523	116,271,711
Long Term Assets		
Investments	116,190,835	106,055,324
Total Long Term Assets	116,190,835	106,055,324
<b>TOTAL ASSETS</b>	<b>264,211,358</b>	<b>222,327,035</b>
<b>LIABILITIES</b>		
Short Term Liabilities		
Accounts payable	781,001	1,688,450
Claims Payable	99,415	274,658
Agents Commissions Payable	1,504,151	1,560,251
Unearned Revenue	10,511,081	10,876,203
Current Estimated Claim Reserve	51,095,304	49,711,175
Total Short Term Liabilities	63,990,952	64,110,737
Long Term Liabilities		
Compensated Absences	163,620	166,553
Estimated Noncurrent Claim Reserve	117,919,572	128,810,597
Total Long Term Liabilities	118,083,192	128,977,150
<b>TOTAL LIABILITIES</b>	182,074,144	193,087,887
Prior Year Net Assets (Deficiency)	44,843,685	526,803
Current Year Earnings (Loss)	37,293,529	28,712,345
<b>TOTAL NET ASSETS (DEFICIENCY)</b>	82,137,214	29,239,148
<b>TOTAL LIABILITIES AND RETAINED EARNINGS (DEFICIENCY)</b>	<b>\$ 264,211,358</b>	<b>\$ 222,327,035</b>

DRAFT - Unaudited - Management Purposes Only

8/27/2007

**West Virginia Board of Risk and Insurance Management**  
**UNAUDITED BALANCE SHEET**  
**March 31, 2007**



	<b>Total State</b>	<b>Total SB3</b>	<b>Mine Subsidence</b>	<b>BRIM HB 601</b>	<b>Total</b>
<b>Assets</b>					
<b>Short Term Assets</b>					
Cash and Equivalents	\$ 17,689,437	\$ 2,964,972	\$ 3,977,706	\$ 4,988,540	\$ 29,620,655
Deposits Held by Carrier	60,871,896	54,371,762	-	-	115,243,658
Receivables - Net	809,114	439,228	371,849	-	1,620,191
Prepaid Insurance	523,198	1,012,821	-	-	1,536,019
<b>Total Short Term Assets</b>	<b>79,893,645</b>	<b>58,788,783</b>	<b>4,349,555</b>	<b>4,988,540</b>	<b>148,020,523</b>
<b>Long Term Assets</b>					
Investments	64,263,267	28,633,914	23,293,654	-	116,190,835
<b>Total Long Term Assets</b>	<b>64,263,267</b>	<b>28,633,914</b>	<b>23,293,654</b>	<b>-</b>	<b>116,190,835</b>
<b>Total Assets</b>	<b>\$ 144,156,912</b>	<b>\$ 87,422,697</b>	<b>\$ 27,643,209</b>	<b>\$ 4,988,540</b>	<b>\$ 264,211,358</b>
<b>Liabilities</b>					
<b>Short Term Liabilities</b>					
Accounts payable	184,848	578,469	17,369	315	781,001
Claims Payable	2,790	96,625	-	-	99,415
Agents Commissions Payable	-	1,504,151	-	-	1,504,151
Unearned Revenue	-	9,806,467	704,614	-	10,511,081
Current Claim Reserve	24,248,014	26,081,449	568,932	196,909	51,095,304
<b>Total Short Term Liabilities</b>	<b>24,435,652</b>	<b>38,067,161</b>	<b>1,290,915</b>	<b>197,224</b>	<b>63,990,952</b>
<b>Long Term Liabilities</b>					
Compensated Absences	91,527	67,303	4,315	475	163,620
Claim Reserve IBNR	60,191,019	56,622,224	724,095	382,234	117,919,572
<b>Total Long Term Liabilities</b>	<b>60,282,546</b>	<b>56,689,527</b>	<b>728,410</b>	<b>382,709</b>	<b>118,083,192</b>
<b>Total Liabilities</b>	<b>84,718,198</b>	<b>94,756,688</b>	<b>2,019,325</b>	<b>579,933</b>	<b>182,074,144</b>
Prior Year Retained Earnings (Deficiency)	34,061,980	(15,495,698)	22,220,078	4,057,325	44,843,685
Retained Earnings (Deficiency)	25,376,734	8,161,707	3,403,806	351,282	37,293,529
<b>Total Retained Earnings (Deficiency)</b>	<b>59,438,714</b>	<b>(7,333,991)</b>	<b>25,623,884</b>	<b>4,408,607</b>	<b>82,137,214</b>
<b>Total Liabilities and Retained Earnings (Deficiency)</b>	<b>\$ 144,156,912</b>	<b>\$ 87,422,697</b>	<b>\$ 27,643,209</b>	<b>\$ 4,988,540</b>	<b>\$ 264,211,358</b>

## Loss Control Report to the Board May 2007

- 1) We are pleased to announce the addition of Jennifer Schiefer to the loss control technical staff. She has a Masters Degree in Safety from WVU. Jennifer's first day was April 16, 2007 and since that time, she has been undergoing intense training under Jeremy's direction.
- 2) Questionnaires have been sent to all state agencies. The deadline for submission to BRIM is August 1, 2007
- 3) We are in the process of applying credits and surcharges to the proposed Senate Bill #3 rates which are being developed by the Underwriting Department.
- 4) Two air conditioner system safety and operation seminars were held in April. Over 140 individuals participated. In the past, BRIM has conducted boiler safety seminars and this is the first time we dealt with air conditioners.
- 5) Schirmer Engineering Corporation (SEC) has hired Judy Pitzer to handle the BRIM account. Judy replaces Dave Roberts who left at the end of last year. Jeremy and I have both had the opportunity to observe Judy at work and expect her to do a very good job for us.
- 6) We are in discussions with SEC to possibly increase the number of locations to be inspected. The inspections are very helpful from both a property and liability standpoint; and several insured have called specifically requesting an inspection.
- 7) During the months of February, March, April and May, SEC conducted 142 inspections and Chubb conducted 593. The reports are being received and reviewed according to established procedures.
- 8) We report the following visits since the last report.

Date	Insured	Purpose of Visit	Results and Accomplishments
2/28/07	West Virginia State Parks	Loss Control Visit	Standard loss control visit. Review of claims history focusing on general and automobile liability. Loss prevention recommendations were submitted and information was provided.
3/1/07	Clay County Pool	Standards of Participation Assistance	Provided risk with assistance in order to help it become compliant with the Standards of Participation.
3/6/07	Marion County Humane Society	Standards of Participation Assistance	Provided risk with assistance in order to help it become compliant with the Standards of Participation.
3/8/07	Mid Ohio Valley Transit	Loss Control Visit	Standard loss control visit. Review of claims history focusing on general liability and automobile liability. Loss prevention recommendations were

**Loss Control Report to the Board  
May 2007**

	Authority		submitted and information was provided.
3/8/07	Mingo County BOE	Loss Control Visit	Standard loss control visit. Review of claims history focusing on general liability and automobile liability. Loss prevention recommendations were submitted and information was provided.
3/9/07	Mason County BOE	Loss Control Visit	Standard loss control visit. Review of claims history focusing on general liability, property, and automobile liability.
3/14/07	Clay County Commission	Loss Control Visit	Standard loss control visit. Review of claims history focusing on general and automobile liability. Loss prevention recommendations were submitted and information was provided.
3/15/07	Crab-Orchard PSD	Loss Control Visit	Standard loss control visit. Review of claims history focusing on general and automobile liability. Information was provided to assist the insured in managing its exposures.
3/16/07	Bramwell PSD	Standards of Participation Assistance	Provided risk with assistance in order to help it become compliant with the Standards of Participation.
3/20/07	City of Moundsville Housing Authority	Loss Control Visit	Standard loss control visit. Review of claims history focusing on general and automobile liability. Information was provided to assist the insured in managing its exposures.
3/21/07	Harrison County BOE	Loss Control Visit	Standard loss control visit. Review of claims history focusing on all insured coverage areas. Information was provided to assist the insured in managing its exposures.
3/22/07	Monongalia County BOE	Loss Control Visit	Standard loss control visit. Review of claims history focusing on all insured coverage areas. Information was provided to assist the insured in managing its exposures.
3/27/07	Elkins Mountain School, Inc.	Loss Control Visit	Standard loss control visit. Review of claims history focusing on all insured coverage areas. Information was provided to assist the insured in managing its exposures.
3/27/07	Community Action of South-Western, WV	Loss Control Visit	Standard loss control visit. Review of claims history focusing on all insured coverage areas. Loss prevention recommendations were submitted and information was provided.
3/28/07	Mercer County Solid Waste Authority	Standards of Participation Assistance	Provided risk with assistance in order to help it become compliant with the Standards of Participation.
3/30/07	Partnership	Standards of	Provided risk with assistance in order to help it

**Loss Control Report to the Board  
May 2007**

	of African American Churches	Participation Assistance	become compliant with the Standards of Participation.
4/5/07	Mercer County BOE	Loss Control Visit	Standard loss control visit. Review of claims history focusing on all insured coverage areas. Loss prevention recommendations were submitted and information was provided.
4/6/07	McDowell County BOE	Loss Control Presentation	Provided loss control educational and outreach services to approximately 80 bus drivers on Fleet Safety.
4/6/07	Kanawha Solid Waste Authority	Standards of Participation Assistance	Provided risk with assistance in order to help it become compliant with the Standards of Participation.
4/11/07	Hardy County BOE	Loss Control Visit	Standard loss control visit. Review of claims history focusing on all insured coverage areas. Information was provided to assist the insured in managing its exposures.
4/12/07	City of Salem	Loss Control Visit	Standard loss control visit. Review of claims history focusing on all insured coverage areas. Loss prevention recommendations were submitted and information was provided.
4/12/07	Dunbar Recreation Center	Standards of Participation Assistance	Provided risk with assistance in order to help it become compliant with the Standards of Participation.
4/12/07	Pendleton County BOE	Loss Control Visit	Standard loss control visit. Review of claims history focusing on all insured coverage areas. Loss prevention recommendations were submitted and information was provided.
4/12/07	City of Ranson	Loss Control Visit	Standard loss control visit. Review of claims history focusing on all insured coverage areas. Information was provided to assist the insured in managing its exposures.
4/13/07	West Virginia Community Action	Standards of Participation Assistance	Provided risk with assistance in order to help it become compliant with the Standards of Participation.
4/13/07	Berkeley County BOE	Loss Control Visit	Standard loss control visit. Review of claims history focusing on all insured coverage areas. Information was provided to assist the insured in managing its exposures.
4/16/07	St. Paul Community & Economic Development	Standards of Participation Assistance	Provided risk with assistance in order to help it become compliant with the Standards of Participation.

**Loss Control Report to the Board  
May 2007**

4/18/07 – 4/19/07	Chubb Group of Insurance Companies Seminar	Loss Control Presentation	Provided two one day seminars on proper Air Conditioner maintenance, operations, and safety. Approximately 140 people attended these seminars.
4/18/07- 4/20/07	Schirmer Engineering Assessment: Capitol Complex	Risk Assessment Oversight	Provided oversight of the annual Schirmer risk assessment of the Capitol Complex.
4/19/07	Marion County Senior Citizens	Loss Control Presentation	Provided loss control educational and outreach services to approximately 40-60 individuals on workplace harassment.
4/25/07	City of Elkins	Loss Control Visit	Standard loss control visit. Review of claims history focusing on all insured coverage areas. Information was provided to assist the insured in managing its exposures.
4/26/07	Barnett Child Care Center	Standards of Participation Assistance	Provided risk with assistance in order to help it become compliant with the Standards of Participation.
4/26/07	Greenbrier County Solid Waste Authority	Loss Control Visit	Standard loss control visit. Review of claims history focusing on all insured coverage areas. Information was provided to assist the insured in managing its exposures.
4/27/07	Beckley Health Right	Standards of Participation Assistance	Provided risk with assistance in order to help it become compliant with the Standards of Participation.
5/1/07	Appalachian Area Agency on Aging	Standards of Participation Assistance	Provided risk with assistance in order to help it become compliant with the Standards of Participation.
5/1/07	Berkeley County Senior Services	Standards of Participation Assistance	Provided risk with assistance in order to help it become compliant with the Standards of Participation.
5/1/07	Berkeley County Board of Health	Standards of Participation Assistance	Provided risk with assistance in order to help it become compliant with the Standards of Participation.
5/2/07	Hancock County BOE	Loss Control Visit	Standard loss control visit. Review of claims history focusing on all insured coverage areas. Information was provided to assist the insured in managing its exposures.
5/2/07	Berkeley County	Loss Control Visit	Standard loss control visit. Review of claims history focusing on all insured coverage areas.

**Loss Control Report to the Board  
May 2007**

	Commission		Information was provided to assist the insured in managing its exposures.
5/2/07	City of Keystone	Standards of Participation Assistance	Provided risk with assistance in order to help it become compliant with the Standards of Participation.
5/2/07	Hancock County Child Advocacy Center	Standards of Participation Assistance	Provided risk with assistance in order to help it become compliant with the Standards of Participation.
5/3/07	Robertson Association	Loss Control Visit	Standard loss control visit. Review of claims history focusing on all insured coverage areas. Information was provided to assist the insured in managing its exposures.
5/3/07	Ohio County BOE	Loss Control Visit	Standard loss control visit. Review of claims history focusing on all insured coverage areas. Information was provided to assist the insured in managing its exposures.
5/3/07	Ohio Valley Regional Transit Authority	Loss Control Visit	Standard loss control visit. Review of claims history focusing on all insured coverage areas. Information was provided to assist the insured in managing its exposures.
5/7/07	Big Laurel Mountain Learning Center	Standards of Participation Assistance	Provided risk with assistance in order to help it become compliant with the Standards of Participation.
5/9/07	Randolph County Solid Waste Authority	Standards of Participation Assistance	Provided risk with assistance in order to help it become compliant with the Standards of Participation.
5/9/07	Mingo County Housing Authority	Loss Control Visit	Standard loss control visit. Review of claims history focusing on all insured coverage areas. Loss prevention recommendations were submitted and information was provided.
5/11/07	Putnam County Health Department	Standards of Participation Assistance	Provided risk with assistance in order to help it become compliant with the Standards of Participation.
5/11/07	Putnam County Solid Waste Authority	Standards of Participation Assistance	Provided risk with assistance in order to help it become compliant with the Standards of Participation.
5/11/07	Pleasants County BOE	Loss Control Visit	Standard loss control visit. Review of claims history focusing on all insured coverage areas. Information was provided to assist the insured in managing its exposures.

**Loss Control Report to the Board  
May 2007**

5/16/07	Tyler County Commission	Standards of Participation Assistance	Provided risk with assistance in order to help it become compliant with the Standards of Participation.
5/16/07	City of New Martinsville	Loss Control Visit	Standard loss control visit. Review of claims history focusing on all insured coverage areas. Information was provided to assist the insured in managing its exposures.
5/17/07	Change, Inc.	Loss Control Visit	Standard loss control visit. Review of claims history focusing on all insured coverage areas. Information was provided to assist the insured in managing its exposures.
5/17/07	Brooke County Parks and Recreation	Standards of Participation Assistance	Provided risk with assistance in order to help it become compliant with the Standards of Participation.
5/22/07	Lewis County BOE	Loss Control Visit	Standard loss control visit. Review of claims history focusing on all insured coverage areas. Information was provided to assist the insured in managing its exposures.
5/24/07	Gehle, Inc.	Standards of Participation Assistance	Provided risk with assistance in order to help it become compliant with the Standards of Participation.
5/24/07	Alderson House	Standards of Participation Assistance	Provided risk with assistance in order to help it become compliant with the Standards of Participation.
5/24/07	Grant County Chamber of Commerce	Standards of Participation Assistance	Provided risk with assistance in order to help it become compliant with the Standards of Participation.
5/25/07	Jackson County Development Authority	Standards of Participation Assistance	Provided risk with assistance in order to help it become compliant with the Standards of Participation.

Dated:

Respectfully submitted,

Robert A. Fisher  
Deputy Director *and* Claim Manager

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

**February 27, 2007**

Chairman Lukens

Call to Order

Chairman Lukens

Approval of Board Minutes  
November 9, 2006

**REPORTS**

Charles E. Jones, Jr.  
Executive Director

Executive Director's Report

Stephen W. Schumacher, CPA  
Chief Financial Officer

Financial Report  
P-Card Report

Robert Fisher  
Deputy Director/Claim Manager

Loss Control Report

**UNFINISHED BUSINESS**

**NEW BUSINESS**

**ADJOURNMENT**

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

**February 27, 2007**

**BOARD**

**MEMBERS:**

John R. Lukens, Chairman  
Bruce Martin, Vice Chairman  
Marty Glasser, Member

**HIGHER EDUCATION**

**POLICY COMMISSION:**

Joyce Daniels, Executive Assistant  
to the Chancellor

**BRIM PERSONNEL:**

Charles E. Jones, Jr., Executive Director  
Robert Fisher, Deputy Director/Claim Manager  
Stephen W. Schumacher, CPA, CFO  
Edgar A. Poe, Jr., BRIM Counsel  
Bob Mitts, Underwriting Manager  
Jerry Gladwell, Deputy Underwriting Manager  
Melody Duke, Controller  
Chuck Mozingo, Assistant Claim Manager  
Robert Miller, Claims Representative  
Barbara Houchins, Claim Representative  
Valerie Rist, Loss Control Specialist  
Jill Farrar, Loss Control Specialist  
Charlie Warner, Loss Control Specialist  
Linda Dexter, Recording Secretary

**BRIM PROGRAM**

**REPRESENTATIVES:**

Charles Waugh, AIG  
Harry "Skip" Morris, Wells Fargo Insurance Services

**GUESTS:**

Ed Phillips, WVU Health Sciences  
Michael J. Gansor, WVU Health Sciences  
Brian Carrico, Marshall University  
Beth Hammers, Marshall School of Medicine  
Jim Schneider, Marshall School of Medicine  
Tom Sauvageot, WV Investment Management Board

### **CALL TO ORDER**

The regular monthly business meeting of the State Board of Risk and Insurance Management was called to order by the Chairman at 2:08 p.m. on Tuesday, February 27, 2007, at 90 MacCorkle Avenue, SW, Suite 203, South Charleston, West Virginia.

### **APPROVAL OF MINUTES**

Mr. Glasser moved the approval of the minutes of the November 9, 2006 Board Meeting. The motion was seconded. There being no discussion, a vote was taken and the MOTION ADOPTED.

### **REPORTS**

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

Mr. Schumacher thereafter presented the Chief Financial Officer's Report. The unaudited balance sheet as of December 31, 2006, and the unaudited income statement for the six months ending December 31, 2006 were received and filed, copies of which are attached and made a part of the record.

A CD containing copies of the October, November and December 2006 and January 2007 purchasing card invoices was distributed to each Board member. Chairman Lukens signed the acknowledgement form for the September 2006 billing. The acknowledgement form was retained by the Finance Department.

The Loss Control Report of the Deputy Director/Claim Manager was received and filed, a copy of which is attached and made a part of the record.

**UNFINISHED BUSINESS**

There was no unfinished business.

**NEW BUSINESS**

There was no new business.

**ADJOURNMENT**

There being nothing further, the meeting adjourned at 2:59 p.m.

\_\_\_\_\_  
Board Secretary

\_\_\_\_\_  
Date

\_\_\_\_\_  
Board Chairman

\_\_\_\_\_  
Date

# Executive Director's Report

## February 27, 2007

- Meeting with Legislators Regarding the Morgan County Fire Loss:
  - To date, BRIM has paid \$4,158,411.05 as a result of the fire loss. (Please see the attached summary of payments.)
  - Overall consensus is that the county commissioners did not buy enough insurance coverage.
  - If the Legislators were to “bail them out,” it would be setting a precedent, the downside of which is the other political subdivisions have no incentive to purchase adequate insurance coverage.
  - Presently, there is no legislation proposed that will force elected officials to fulfill their fiduciary obligation regarding obtaining adequate coverage.
  - One thought was that if the county commissioners fail to obtain adequate coverage, they should be barred from participating in the BRIM program beginning with the next fiscal year.
  - An additional option is to legislate that the political subdivisions obtain appraisals from qualified independent appraisers to establish
    - replacement cost of like kind and quality, or
    - functional replacement cost.
  - Upon obtaining proper replacement cost evaluations, political subdivisions purchase coverage in an amount illustrated as follows: 80% of the "functional replacement cost," or "replacement cost of like kind and quality" to be compliant.
  - Currently, the only pending payment is for the loss of the voting machines totaling \$157,000, which will be made upon receipt of proof.

- Projects:
  - State Agency Premiums:
    - Premiums for state agencies have been calculated and communicated to the agencies and to the Legislature.
    - Overall, premiums for state agencies for FY 2008 show a decline of approximately 8%.
    - However, a small number of agencies will receive an increase due to increased exposures, or the particular loss history has not improved as much as it should.
  - Comprehensive Annual Financial Report (CAFR) - The CAFR was distributed to the Governor, various legislators, the BRIM Board, and other government employees recently. Anyone not on our original mailing list but interested in receiving a copy may do so by accessing our website and printing a copy.
  - Boards of Education - We are meeting shortly with General Star, the Board of Education excess carrier, to negotiate the rate for the upcoming renewal.
  - Joint State and SB#3 Property Program - We are meeting shortly with Wells Fargo/Westchester to negotiate the rates for the upcoming renewal for the property program.
  - Increased SB#3 Deductible:
    - We are exploring the possibility of offering to a "limited" number of entities in the SB#3 program a larger deductible (\$10,000) to assist them in controlling losses by taking more ownership/responsibility for the losses they can financially retain.
    - Currently, the liability deductible for all SB#3 entities is \$2500.
  - Request for Proposal (RFP):
    - We have a draft RFP that is awaiting final review prior to submission, to obtain appraisals of State Property and those of Boards of Education.
    - Underwriting estimates there are approximately 900 buildings with a value greater than \$500,000 (State and Bd. Of Ed.)
    - SB#3 entities are not included in the RFP.
    - Expected release of the RFP is mid-March.
  - Novation Claims (claims initiated prior to July 1, 1995):
    - At the last review, there were only 11 unresolved claims.
    - Our objective is to, as soon as practical, close out the novation year claims, thus freeing up additional funds held in a claims payment fund. This will improve our financial picture even more than it currently is.

- HB 601 Program Claims:
  - At last review, there were only three unresolved claims.
  - This program still has positive retained earnings, so it is not negatively affecting our financials.
- State Risk Insurance Management Association (STRIMA)

I am scheduled to be in Tucson, Arizona from Tuesday, April 24 through Sunday, April 29, for the State Risk Insurance Management Association (STRIMA) Executive Board meeting. This meeting finalizes plans for the annual conference in September that will be held in Portland, Maine. The September 2008 STRIMA Conference will be hosted by BRIM at the Glade Springs Resort.

Respectfully submitted,

Charles E. Jones, Jr.  
Executive Director

CEJ:lld

Attachment

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



90 MACCORKLE AVENUE SW, Suite 203  
SOUTH CHARLESTON, WV 25303

(304) 766-2646 ADMINISTRATION  
(304) 766 2653 FAX  
(304) 345-4669 TOLL FREE WV  
[www.state.wv.us/brim](http://www.state.wv.us/brim)

Joe Manchin III  
Governor

Robert Ferguson, Jr.  
Cabinet Secretary

## Chief Financial Officer's Report February 27, 2007

### A. P Card Report

- CD copy contains the supporting detail for P card purchases for October, 2006 thru January, 2007. The totals by month are:

October	\$33,642.36	December	\$16,802.80
November	\$22,411.91	January	\$32,736.71

### B. Interim Financials – 12/31/06

- BRIM's overall financial position has continued to improve during the second quarter of FY'07.
- Premium revenue thru December reflects the premiums earned for the first six months of FY'07.
- Claims expense thru December reflects an actual decrease in claims payments made for the first six month vs. FY'07. There also is a decrease in the estimated outstanding claims reserves year to date. Taken together, these are an indication of an overall positive trend.
- Investment income for the first six months reflects solid returns for all investment pools.

### C. Investments and Economic Update

- BRIM's annualized investment return based on six months earnings is 10%.
- Seven day yield on fixed income is now a little over 5.25%. Yield curve is still slightly inverted.
- Based on Chairman Bernanke's comments to lawmakers last week, inflation is still the Fed's primary concern.
- Oil prices should stay in high fifties to low sixties near term and should not have a significant impact on inflation picking up.
- Wage growth vs. productivity increases seems to be the critical measure that the Fed is gauging now before making any further rate moves.
- The Conference Board's index of leading economic indicators rose for a second month in January.

### D. SSU 2008 Premiums

- The rates for FY'08 have been finalized for the state program. Overall, the average FY '08 premium for state agencies is down 8% vs. FY '07. However, it should be noted that a very small number of agencies will see an actual increase for FY'08.

**West Virginia Board of Risk and Insurance Management  
UNAUDITED BALANCE SHEET**



December 31

	2006	2005
<b>ASSETS</b>		
Short Term Assets		
Cash and Equivalents	\$ 31,336,222	\$ 45,285,073
Advance Deposit with Carrier/Trustee	103,782,621	67,124,196
Receivables - Net	2,551,590	2,843,634
Prepaid Insurance	3,069,707	1,732,205
Total Short Term Assets	140,740,140	116,985,108
Long Term Assets		
Investments	113,754,114	106,165,808
Total Long Term Assets	113,754,114	106,165,808
<b>TOTAL ASSETS</b>	254,494,254	223,150,916
<b>LIABILITIES</b>		
Short Term Liabilities		
Accounts payable	902,808	1,654,653
Claims Payable	1,337,392	7,777
Agents Commissions Payable	1,000,582	1,213,529
Unearned Revenue	10,703,877	13,807,893
Current Estimated Claim Reserve	50,462,585	50,448,617
Total Short Term Liabilities	64,407,244	67,132,469
Long Term Liabilities		
Compensated Absences	163,620	166,553
Estimated Noncurrent Claim Reserve	121,144,844	131,148,695
Total Long Term Liabilities	121,308,464	131,315,248
<b>TOTAL LIABILITIES</b>	185,715,708	198,447,717
Prior Year Net Assets (Deficiency)	44,843,685	526,803
Current Year Earnings (Loss)	23,934,861	24,176,396
<b>TOTAL NET ASSETS (DEFICIENCY)</b>	68,778,546	24,703,199
<b>TOTAL LIABILITIES AND RETAINED EARNINGS (DEFICIENCY)</b>	\$ 254,494,254	\$ 223,150,916

DRAFT - Unaudited - Management Purposes Only

8/27/2007

**West Virginia Board of Risk and Insurance Management**  
**UNAUDITED BALANCE SHEET**  
**December 31, 2006**



	<b>Total State</b>	<b>Total SB3</b>	<b>Mine Subsidence</b>	<b>BRIM HB 601</b>	<b>Total</b>
<b>Assets</b>					
<b>Short Term Assets</b>					
Cash and Equivalents	\$ 17,593,080	\$ 5,196,298	\$ 3,629,828	\$ 4,917,016	\$ 31,336,222
Deposits Held by Carrier	53,577,619	50,205,002	-	-	103,782,621
Receivables - Net	1,049,644	1,130,097	371,849	-	2,551,590
Prepaid Insurance	1,044,065	2,025,642	-	-	3,069,707
<b>Total Short Term Assets</b>	<b>73,264,408</b>	<b>58,557,039</b>	<b>4,001,677</b>	<b>4,917,016</b>	<b>140,740,140</b>
<b>Long Term Assets</b>					
Investments	62,915,557	28,033,413	22,805,144	-	113,754,114
<b>Total Long Term Assets</b>	<b>62,915,557</b>	<b>28,033,413</b>	<b>22,805,144</b>	<b>-</b>	<b>113,754,114</b>
<b>Total Assets</b>	<b>\$ 136,179,965</b>	<b>\$ 86,590,452</b>	<b>\$ 26,806,821</b>	<b>\$ 4,917,016</b>	<b>\$ 254,494,254</b>
<b>Liabilities</b>					
<b>Short Term Liabilities</b>					
Accounts payable	229,937	626,501	32,168	14,202	902,808
Claims Payable	179,995	1,157,397	-	-	1,337,392
Agents Commissions Payable	-	1,000,582	-	-	1,000,582
Unearned Revenue	-	9,999,263	704,614	-	10,703,877
Current Claim Reserve	21,931,560	27,653,684	625,063	252,278	50,462,585
<b>Total Short Term Liabilities</b>	<b>22,341,492</b>	<b>40,437,427</b>	<b>1,361,845</b>	<b>266,480</b>	<b>64,407,244</b>
<b>Long Term Liabilities</b>					
Compensated Absences	91,527	67,303	4,315	475	163,620
Claim Reserve IBNR	62,648,584	57,211,009	795,535	489,716	121,144,844
<b>Total Long Term Liabilities</b>	<b>62,740,111</b>	<b>57,278,312</b>	<b>799,850</b>	<b>490,191</b>	<b>121,308,464</b>
<b>Total Liabilities</b>	<b>85,081,603</b>	<b>97,715,739</b>	<b>2,161,695</b>	<b>756,671</b>	<b>185,715,708</b>
Prior Year Retained Earnings (Deficiency)	34,061,980	(15,495,698)	22,220,078	4,057,325	44,843,685
Retained Earnings (Deficiency)	17,036,382	4,370,411	2,425,048	103,020	23,934,861
<b>Total Retained Earnings (Deficiency)</b>	<b>51,098,362</b>	<b>(11,125,287)</b>	<b>24,645,126</b>	<b>4,160,345</b>	<b>68,778,546</b>
<b>Total Liabilities and Retained Earnings (Deficiency)</b>	<b>\$ 136,179,965</b>	<b>\$ 86,590,452</b>	<b>\$ 26,806,821</b>	<b>\$ 4,917,016</b>	<b>\$ 254,494,254</b>

## Loss Control Report to the Board February 2007

- 1) We have completed the evaluation process for those SB#3 loss control questionnaire submissions that have been received by our agency. To date, we have evaluated 710 submissions. In spite of a follow-up letter that was issued, more than two hundred entities failed to submit anything to us. These entities will receive a premium surcharge. Those entities that did make a submission will receive a credit or a surcharge, based on the evaluation of their submission. All premium modifications will apply toward fiscal year 2008 premium.
- 2) We have applied surcharges and credits to the premiums supplied to us by Underwriting for State Agencies and the final premiums have been communicated to the agencies.
- 3) With the completion of the SB#3 evaluation process, loss control visits are being scheduled in earnest. We look for the coming months to be very busy as we have received numerous requests for assistance.
- 4) We are in the process of interviewing candidates to fill the vacancy created by the resignation of Wally Schwartz last summer. We hope to have the successful candidate on board by the time of the next Board Meeting.
- 5) We will, for the first time, be offering two air conditioner safety and operational seminars this spring. These will be conducted by Chubb, our Boiler and Machinery insurer. Previously, we held only a boiler seminar; never a seminar to deal with air conditioners. As this is the first time for the seminars, we are expecting a large audience.
- 6) We were saddened to learn that Dave Roberts would be leaving Schirmer Engineering Corporation (SEC) in late December. Dave had been assigned as to handle all inspections for us for the past several years. We are communicating with SEC on a regular basis to assure that they find a timely replacement for Dave and that our account is handled in a proper manner. I would note that we have been very pleased with Dave's work and are grateful that he worked so hard to get ahead on our inspections prior to his departure from the company. We wish Dave all the best in his future endeavors. SEC has promised to visit when Dave's replacement is on board so that we can meet with him or her.
- 7) During November, December and January, Chubb conducted 774 inspections and SEC conducted 120. Their reports are being received and reviewed according to established procedures.
- 8) We report the following visits since last report.

<b>Date</b>	<b>Insured</b>	<b>Purpose of Visit</b>	<b>Results and Accomplishments</b>
11/3/06	Point of Hope, Inc.	Standards of Participation Assistance	Provided risk with assistance in order to help it become compliant with the Standards of Participation.

**Loss Control Report to the Board  
February 2007**

11/9/06	Monroe County Board of Education	Loss Control Visit	Standard loss control visit. Reviewed claim history focusing on general liability and automobile liability. Additional Recommendations were offered and information was provided.
11/14/06	Elk River Community Council	Standards of Participation Assistance	Provided risk with assistance in order to help it become compliant with the Standards of Participation.
11/14/06 - 11/17/06	Loss Control Training: <i>Training the Trainer</i>	Continuing Education	Charlie Warner, Jill Farrar and Jeremy Wolfe attended a continuing education class that emphasized techniques to enhance public speaking skills. The class was offered through the Division of Personnel.
11/20/06	Fund For The Arts	Standards of Participation Assistance	Provided risk with assistance in order to help it become compliant with the Standards of Participation.
11/21/06	Marshall University Research Corp.	Standards of Participation Assistance	Provided risk with assistance in order to help it become compliant with the Standards of Participation.
11/27/06	Summers County Solid Waste Authority	Standards of Participation Assistance	Provided risk with assistance in order to help it become compliant with the Standards of Participation.
11/27/06	Monroe County Solid Waste Authority	Standards of Participation Assistance	Provided risk with assistance in order to help it become compliant with the Standards of Participation.
11/27/06	City of Williamson	Standards of Participation Assistance	Provided risk with assistance in order to help it become compliant with the Standards of Participation.
11/28/06	Jackson County Junior Fair	Loss Control Visit	Standard loss control visit. Reviewed claim history focusing on general liability and automobile liability. Information was provided to assist the insured in managing their insured exposures.
11/30/06	Marion County Senior Citizens, Inc.	Standards of Participation Assistance	Provided risk with assistance in order to help it become compliant with the Standards of Participation.
12/1/06	West Virginia State Parks	Loss Control Visit	Standard loss control visit. Reviewed claim history focusing on all insured coverage areas. Loss prevention suggestions were provided to the insured as well as information to aid in the implementation of our suggestions.
12/1/06	Fairmont Community	Standards of Participation	Provided risk with assistance in order to help it become compliant with the Standards of

**Loss Control Report to the Board  
February 2007**

	Development Partnership	Assistance	Participation.
12/4/06	Fayette County Board of Education	Schirmer Engineering Assistance Visit	Discussed with the insured the importance of Schirmer inspections and how to adequately respond to us after receipt of the inspection reports.
12/5/06	Community Connections	Standards of Participation Assistance	Provided risk with assistance in order to help it become compliant with the Standards of Participation.
12/6/06	Summers County Commission	Standards of Participation Assistance	Provided risk with assistance in order to help it become compliant with the Standards of Participation.
12/7/06	Romney Public Housing Authority	Loss Control Visit	Standard loss control visit. Reviewed claim history focusing on general liability and automobile liability. Information was provided to assist the insured in managing their insured exposures.
12/7/06	Piedmont Housing Authority	Loss Control Visit	Standard loss control visit. Reviewed claim history focusing on general liability and automobile liability. Information was provided to assist the insured in managing their insured exposures.
12/7/06	Keyser Housing Authority	Loss Control Visit	Standard loss control visit. Reviewed claim history focusing on general liability and automobile liability. Information was provided to assist the insured in managing their insured exposures.
12/7/06	Family Crisis Center	Standards of Participation Assistance	Provided risk with assistance in order to help it become compliant with the Standards of Participation.
12/8/06	Hampshire County Board of Education	Loss Control Visit	Standard loss control visit. Reviewed claim history focusing on general liability and automobile liability. Additional Recommendations were offered and information was provided.
12/12/06	Wirt County Commission	Standards of Participation Assistance	Provided risk with assistance in order to help it become compliant with the Standards of Participation.
12/12/06	WV School For The Deaf & The Blind	Standards of Participation Assistance	Provided risk with assistance in order to help it become compliant with the Standards of Participation.
12/12/06	City of Spencer	Standards of Participation Assistance	Provided risk with assistance in order to help it become compliant with the Standards of Participation.
12/12/06	Family Crisis Center	Standards of Participation Assistance	Provided risk with assistance in order to help it become compliant with the Standards of Participation.
12/15/06	City of Pennsboro	Standards of Participation	Provided risk with assistance in order to help it become compliant with the Standards of

**Loss Control Report to the Board  
February 2007**

		Assistance	Participation.
12/8/06 - 12/12/06	General Service Division	Emergency Visit	Provided guidance and assistance during boiler fire emergency in Building #3 at the State Capitol Campus.
12/21/06	YMCA of Kanawha Valley	Loss Control Visit	Standard loss control visit. Reviewed claim history focusing on all insured coverage areas. Additional Recommendations were offered and information was provided.
1/4/07	General Service Division	Loss Control Site Assessment	Performed site assessment of the Temporary Cafeteria in the basement of the Cultural Center. Loss control recommendations were offered as a result of the assessment.
1/9/07	General Service Division	Loss Control Visit	Standard loss control visit. Reviewed claim history focusing on all insured coverage areas. Additional Recommendations were offered and information was provided.
1/11/07	Mason County PSD	Standards of Participation Assistance	Provided risk with assistance in order to help it become compliant with the Standards of Participation.
1/19/07	General Service Division	Loss Control Site Assessment	Performed site assessment of the Electrical Transformers in building #1. Loss control recommendations were offered as a result of the assessment.
1/19/07	WV Pumpkin Festival	Standards of Participation Assistance	Provided risk with assistance in order to help it become compliant with the Standards of Participation.
1/19/07	Cabell County Fair Board, Inc.	Standards of Participation Assistance	Provided risk with assistance in order to help it become compliant with the Standards of Participation.
2/15/07	West Virginia University	Loss Control Visit	Standard loss control visit. Reviewed claim history focusing on the Wrongful Act Liability coverage area. Additional Recommendations were offered and information was provided.
2/20/07	Huntington Symphony Orchestra	Standards of Participation Assistance	Provided risk with assistance in order to help them become compliant with the Standards of Participation.
2/21/07	Lottery Commission	Loss Control Site Assessment	Performed site assessment dealing with an industrial sized paper shredder. Loss control suggestions were offered as a result of the assessment.
2/21/07	Jackson County Board of Education	Standards of Participation Assistance	Provided risk with assistance in order to help it become compliant with the Standards of Participation.

**Loss Control Report to the Board  
February 2007**

2/23/07	Kanawha Valley Senior Citizen's Center	Standards of Participation Assistance	Provided risk with assistance in order to help it become compliant with the Standards of Participation.
2/26/07	Logan County Board of Education	Standards of Participation Assistance	Provided risk with assistance in order to help it become compliant with the Standards of Participation.

Dated:

Respectfully submitted,

Robert A. Fisher  
Deputy Director *and* Claim Manager

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

**November 9, 2006**

Chairman Lukens

Call to Order

Chairman Lukens

Approval of Board Minutes  
July 25, 2006  
September 12, 2006

**REPORTS**

Charles E. Jones, Jr.  
Executive Director

Executive Director's Report

Stephen W. Schumacher, CPA  
Chief Financial Officer

June 30, 2006 Actuarial Report from AON  
June 30, 2006 Audited Financial Report from  
Ernst & Young, LLP  
Financial Report  
P-Card Report

Robert Fisher  
Deputy Director/Claim Manager

Loss Control Report

**UNFINISHED BUSINESS**

**NEW BUSINESS**

**ADJOURNMENT**

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

**November 9, 2006**

**BOARD  
MEMBERS:**

John R. Lukens, Chairman  
Bruce Martin, Vice Chairman  
Sherry Cunningham, Member  
Marty Glasser, Member

**INSURANCE  
COMMISSION  
REPRESENTATIVES:**

Leah Cooper, Director, Financial Conditions Division  
*(serving as a representative for the Board Secretary)*

**BRIM PERSONNEL:**

Charles E. Jones, Jr., Executive Director  
Robert Fisher, Deputy Director/Claim Manager  
Stephen W. Schumacher, CPA, CFO  
Melody Duke, Controller  
Chuck Mozingo, Assistant Claim Manager  
Robert Miller, Claim Representative  
Barbara Houchins, Claim Representative  
Valerie Rist, Loss Control Specialist  
Jill Farrar, Loss Control Specialist  
Charlie Warner, Loss Control Specialist  
Linda Dexter, Recording Secretary

**BRIM PROGRAM  
REPRESENTATIVES:**

Charles Waugh, AIG  
Joanna Valleau, AIG  
Harry "Skip" Morris, Acordia

**GUESTS:**

JoEllen Cockley, AON Risk Consultants  
Norman Mosrie, Ernst & Young  
Sandy Price, WVU Health Sciences Center  
Michael J. Gansor, WVU  
Brian Carrico, Marshall University  
Tom Sauvageot, WV Investment Management Board  
Janet L. Buckley, Commercial Insurance Service  
David Stucy, Commercial Insurance Service

## **CALL TO ORDER**

The regular monthly business meeting of the State Board of Risk and Insurance Management was called to order by the Chairman at 2:07 p.m. on Thursday, November 9, 2006, at 90 MacCorkle Avenue, SW, Suite 203, South Charleston, West Virginia.

## **APPROVAL OF MINUTES**

Vice Chairman Martin moved the approval of the minutes of the July 25th and September 12th Board Meetings, respectively. The motion was seconded. There being no discussion, a vote was taken and the MOTION ADOPTED.

## **REPORTS**

Because of certain personal time constraints imposed for the guest presenters, Mr. Jones yielded the floor to Mr. Norman Mosrie of Ernst & Young, LLP, financial auditors for the West Virginia Board of Risk and Insurance Management. The brochure "2006 Audit Results and Communications - Report to the Board of Directors and Management" was distributed to the Board Members, and was received and filed. During his presentation, Mr. Mosrie noted that Ernst & Young is prepared to issue an unqualified opinion on BRIM's financial statements and that BRIM continues to receive the Government Finance Officers Association (GFOA) Certificate of Financial Achievement. He further noted that premiums are down and that there has been a big drop in claims adjustments, primarily resulting from the medical schools' deductible programs.

JoEllen Cockley of AON Risk Consultants, our actuary, presented the annual actuarial review, which information was extracted from the Risk Funding Study as of June 30, 2006, with the focus of her presentation on Senate Bill #3 exposure data. (No documentation of her presentation was received.)

Mr. Schumacher thereafter presented the Chief Financial Officer's Report. The unaudited balance sheet as of September 30, 2006, and the unaudited income statement for the three months ending September 30, 2006 were received and filed, copies of which are attached and made a part of the record.

A CD containing copies of the September 2006 purchasing card invoices was distributed to each Board member. The Chairman was absent from the September meeting; therefore, the Vice Chairman signed the acknowledgement form for the July and August 2006 billing. The acknowledgement form was retained by the Finance Department.

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

The Loss Control Report of the Deputy Director/Claim Manager was received and filed, a copy of which is attached and made a part of the record.

**UNFINISHED BUSINESS**

There was no unfinished business.

**NEW BUSINESS**

There was no new business.

**ADJOURNMENT**

There being nothing further, the meeting adjourned at 3:05 p.m.

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Board Secretary

---

Date

---

Board Vice Chairman

---

Date

# Executive Director's Report

November 9, 2006

## A. Rules Update

The modified Series 1, Mine Subsidence Insurance, rule has been filed with the Secretary of State and Legislative Rule-Making Review Committee. The proposed rule amends the current legislative rule relating to insurance policies for underground coal mine subsidence in that it proposes to make the rule applicable to insureds with self insurance pools, which may be established by local governments to participate in the subsidence program.

## B. Marshall University/WVU Deductible Program

- The deposit in the escrow account for Marshall for FY 2006 in the amount of \$500,000 was made on June 19, 2006. To date, there have been no medical malpractice claims attributable to Marshall University for either FY 2006 or FY 2007. Therefore, there have been no disbursements from the escrow account. Marshall has initiated procedures to make payment towards the FY 2007 escrow account. The entire amount of \$500,000 was due by October 1, 2006.
- The deposit in the escrow account for WVU for FY 2006 in the amount of \$1,000,000 was made on June 30, 2006. To date, there have been six medical malpractice claims since July 1, 2005. However, the total disbursement has only been \$7,777.87. The renewal agreement to continue the deductible/escrow program for WVU was just received within the last few days. There was some misunderstanding as to whether there was to be an escrow deposit of \$1,000,000 for **each** applicable fiscal year, or if the \$1,000,000

was to apply for all years. WVU has initiated procedures to deposit the first installment of \$250,000 towards the FY 2007 escrow account. The second installment was due on October 1, 2006. I have requested WVU to process the second installment immediately. As of August 31, 2006, the interest earnings on the initial \$500,000 deposit for Marshall University is \$5,059.45; for West Virginia University (WVU) with an initial deposit of \$1,000,000, the interest amounts to \$8,870.26.

#### C. Interims/Legislative Issues

- I did appear before the Committee on Government Operations in response to a report issued by the Performance Evaluation and Research Division (PERD) regarding a BRIM settlement. The PERD report spoke of their disagreement of an employment practices settlement. It should be noted that there were no procedural inequities as to how BRIM arrived at the settlement. The claim was handled just as other similar claims are handled.
- I also appeared before several committees as a result of the August 8, 2006 Morgan County Courthouse fire. BRIM coverage for County Commissions is optional. As a result of the fire, it appears that potentially many of the courthouses may not be carrying adequate property coverage. We sent a communication on October 11, 2006 to all of the County Commissioners (whether insured by BRIM or not) with a copy to the agent of record, suggesting that they review their coverage and adjust the coverage amount if necessary.

#### D. Litigation

The October 2006 report from AIG Claim Services for the period ending September 2006 reveals that to date, ten lawsuits have been tried to a verdict, with eight defense verdicts and two plaintiff verdicts.

#### E. Loss Control

Although Robert will be giving his report later, I would like to take special note of the fact that the attendance at the recent boiler seminars at Canaan Valley on October 31st and West Virginia State

University on November 2, 2006 did, in fact, set a record. There were 69 participants at Canaan Valley and 66 at West Virginia State University. I believe this demonstrates an increased interest in our loss control effort, and I feel our Loss Control Department should be commended.

F. 2006 STRIMA Conference

This year's conference held in Baton Rouge, Louisiana was a big success. BRIM made a presentation before the STRIMA membership to request that West Virginia be allowed to host the 2008 STRIMA conference. The membership voted and BRIM was allowed the privilege of hosting the 2008 STRIMA conference. I am extremely hopeful that the 2008 conference will not only generate revenue, but give us an opportunity to "showcase" our beautiful state.

G. Actuarial Study

Jo Ellen Cockley, actuary with AON Risk Services, will make a presentation to the Board regarding the actuarial study.

H. Audit

Norman Mosrie, partner with Ernst & Young, will make a presentation to the Board regarding the just completed independent audit and their findings.

Respectfully submitted,

Charles E. Jones, Jr.  
Executive Director

CEJ:lld

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



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Joe Manchin III  
Governor

Robert Ferguson, Jr.  
Cabinet Secretary

## Chief Financial Officer's Report

November 9, 2006

### A. Actuarial Risk Funding Study

- The Risk Funding Study as of June 30, 2006 has been completed.

### B. Financial Report

- The audit of the annual financial statements for FY'06 has been completed.
- Total reserves reflect the actuarial estimates as of June 30, 2006. The reserves are down vs. FY'05 by approximately \$11 million with the decline coming primarily from the lower reserves for medical malpractice claims.
- Income reported for the fiscal year is \$44.3 million

### C. P Card Report

- CD copy contains the supporting detail for P card purchases for September. The total is:

September \$29,159.56

### D. Interim Financials – 9/30/06

- BRIM's overall financial position has continued to improve during the first quarter of FY'07.
- Premium Revenue thru September reflects the premiums earned for the first three months of FY'07.
- Claims Expense thru September reflects and increase in actual claims payments made for the first quarter as well as an increase in estimated outstanding claims reserves.
- Investment Income for the first three months reflects unusually strong returns in both the bond and stock markets.

**West Virginia Board of Risk and Insurance Management**  
**UNAUDITED INCOME STATEMENT**  
**For the three months ending**



	<b>September 30</b>	
	<b>2006</b>	<b>2005</b>
Operating Revenues		
Premium Revenues	\$ 20,480,348	\$ 23,455,943
Less - Excess Insurance	(1,527,471)	(1,023,536)
Total Operating Revenues	<u>18,952,877</u>	<u>22,432,407</u>
Operating Expenses		
Claims Expense	13,038,361	11,829,111
Property & MS Claims Expense	1,618,642	536,017
Personal Services	324,772	315,352
Operating Expenses	778,698	807,354
Total Operating Expenses	<u>15,760,473</u>	<u>13,487,834</u>
Operating Income (Loss)	<u>3,192,404</u>	<u>8,944,573</u>
Nonoperating Revenues		
Court Fees	7,260	8,046
Investment Income	6,621,953	2,786,274
Total Nonoperating Revenues	<u>6,629,213</u>	<u>2,794,320</u>
Net Income (Loss)	<u><u>9,821,617</u></u>	<u><u>11,738,893</u></u>

DRAFT - Unaudited - Management Purposes Only

8/27/2007

**West Virginia Board of Risk and Insurance Management**  
**UNAUDITED BALANCE SHEET**  
**September 30, 2006**



	<b>Total State</b>	<b>Total SB3</b>	<b>Mine Subsidence</b>	<b>BRIM HB 601</b>	<b>Total</b>
<b>Assets</b>					
<b>Short Term Assets</b>					
Cash and Equivalents	\$ 17,989,633	\$ 4,436,569	\$ 3,352,035	\$ 4,873,099	\$ 30,651,336
Deposits Held by Carrier	50,070,227	48,427,581	-	-	98,497,808
Receivables - Net	982,368	189,488	371,849	-	1,543,705
Prepaid Insurance	974,998	2,542,770	-	-	3,517,768
<b>Total Short Term Assets</b>	<b>70,017,226</b>	<b>55,596,408</b>	<b>3,723,884</b>	<b>4,873,099</b>	<b>134,210,617</b>
<b>Long Term Assets</b>					
Investments	60,850,087	27,113,098	22,056,468	-	110,019,653
<b>Total Long Term Assets</b>	<b>60,850,087</b>	<b>27,113,098</b>	<b>22,056,468</b>	<b>-</b>	<b>110,019,653</b>
<b>Total Assets</b>	<b>\$ 130,867,313</b>	<b>\$ 82,709,506</b>	<b>\$ 25,780,352</b>	<b>\$ 4,873,099</b>	<b>\$ 244,230,270</b>
<b>Liabilities</b>					
<b>Short Term Liabilities</b>					
Accounts payable	505,053	657,242	44,887	1,618	1,208,800
Claims Payable	-	75,076	-	-	75,076
Agents Commissions Payable	-	513,659	-	-	513,659
Unearned Revenue	-	10,230,196	704,614	-	10,934,810
Current Claim Reserve	23,003,895	27,820,620	623,894	257,893	51,706,302
<b>Total Short Term Liabilities</b>	<b>23,508,948</b>	<b>39,296,793</b>	<b>1,373,395</b>	<b>259,511</b>	<b>64,438,647</b>
<b>Long Term Liabilities</b>					
Compensated Absences	91,527	67,303	4,315	475	163,620
Claim Reserve IBNR	64,926,558	58,741,480	794,047	500,616	124,962,701
<b>Total Long Term Liabilities</b>	<b>65,018,085</b>	<b>58,808,783</b>	<b>798,362</b>	<b>501,091</b>	<b>125,126,321</b>
<b>Total Liabilities</b>	<b>88,527,033</b>	<b>98,105,576</b>	<b>2,171,757</b>	<b>760,602</b>	<b>189,564,968</b>
Prior Year Retained Earnings (Deficiency)	34,061,980	(15,495,698)	22,220,078	4,057,325	44,843,685
Retained Earnings (Deficiency)	8,278,300	99,628	1,388,517	55,172	9,821,617
<b>Total Retained Earnings (Deficiency)</b>	<b>42,340,280</b>	<b>(15,396,070)</b>	<b>23,608,595</b>	<b>4,112,497</b>	<b>54,665,302</b>
<b>Total Liabilities and Retained Earnings (Deficiency)</b>	<b>\$ 130,867,313</b>	<b>\$ 82,709,506</b>	<b>\$ 25,780,352</b>	<b>\$ 4,873,099</b>	<b>\$ 244,230,270</b>

## Loss Control Report to the Board November 2006

1. At the insured's request, we conducted seven training sessions over a period of four days for the Kanawha County Board of Education. Jill Farrar and Charlie Warner went to the Board's facility daily from 6:30 to 7:30 and/or from 1:30 to 2:30. Jill and Charlie met with mechanics, custodians, plumbers, electricians, carpenters, brick masons, painters, locksmiths and bus drivers. Approximately 300 people took part in these sessions. This is the most intensive training exercise ever conducted for one insured.
2. BRIM and Chubb sponsored two boiler maintenance and safety seminars in late October and early November. The first was held at Canaan Valley Resort and the second was held at West Virginia State University. More than 130 individuals participated in the seminars. These were Chubb's first seminars for us and they were well received.
3. On October 16, 2006 we sent out Loss Control Questionnaires to Senate Bill #3 customers. The questionnaires are due back January 1, 2007.
4. We are preparing an RFP to purchase driver training services, however, before it can be issued, we must determine what criteria will be used for measuring the success of each agency. Last time, we populated a data base with names provided by each insured. We doubt that would be as successful a second time, therefore, we are looking at possibly gauging success based on a percentage of each agency's employees completing the course. This will likely lead to an early spring release of the RFP and result in a contract beginning July 1, 2007. If we follow this timetable, each agency will have a full year for completion of the training.
5. Chubb conducted 163 boiler inspections during the months of September and October. The reports are being received and processed according to established procedure.
6. Schirmer Engineering Corporation conducted 46 site inspections during the months of September and October. The reports are being received and processed according to established procedure.
7. We report the following visits since the last report. As you can see, we've been very busy!

<b>Date</b>	<b>Insured</b>	<b>Purpose of Visit</b>	<b>Results and Accomplishments</b>
9/13/06	Big Brothers Big Sisters of Greater Kanawha	Standards of Participation Assistance	Provided risk with assistance in order to help it become compliant with the Standards of Participation.
9/14/06	Kanawha Charleston Health Department	Standards of Participation Assistance	Provided risk with assistance in order to help it become compliant with the Standards of Participation.

**Loss Control Report to the Board  
November 2006**

<b>9/20/06</b>	<b>Putnam County Board of Education</b>	<b>Continuing education-Schirmer Engineering Corp.</b>	<b>Loss control specialist Charlie Warner toured facilities of Putnam County Board of Education with Dave Roberts of Schirmer Engineering. The tour was to inform and educate Charlie on the process and the importance of site inspections.</b>
<b>9/20/06</b>	<b>Bluewell Public Service District</b>	<b>Loss Control Visit</b>	<b>Standard loss control visit. Reviewed claims history with focus on general liability. Additional recommendations were offered and information was provided.</b>
<b>9/21/06</b>	<b>Putnam County Board of Education</b>	<b>Continuing education-Schirmer Engineering Corp.</b>	<b>Loss control specialist Jill Farrar toured facilities of Putnam County Board of Education with Dave Roberts of Schirmer Engineering. The tour was to inform and educate Jill on the process and the importance of site inspections.</b>
<b>9/22/06</b>	<b>Campus Neighborhoods Revitalization Corp.</b>	<b>Standards of Participation Assistance</b>	<b>Provided risk with assistance in order to help it become compliant with the Standards of Participation.</b>
<b>9/22/06</b>	<b>City of Williamson Housing Authority</b>	<b>Loss Control Visit</b>	<b>Standard loss control visit. Reviewed claims history with focus on general liability and automobile. Additional recommendations were offered and information was provided.</b>
<b>9/25/06</b>	<b>Town of Grant Town</b>	<b>Loss Control Visit</b>	<b>Standard loss control visit. Reviewed claims history with focus on general liability, automobile and property. Additional recommendations were offered and information was provided.</b>
<b>9/25/06-9/28/06</b>	<b>EEO Seminar, Canaan Valley</b>	<b>Continuing Education</b>	<b>Loss Control Specialist Valerie Rist received training in employment practices provided the State EEOC office and the Higher Education Policy Commission.</b>
<b>9/26/06</b>	<b>Kanawha County Board of Education</b>	<b>Loss Control Visit</b>	<b>Standard loss control visit. Reviewed claims history with focus on general liability, automobile and property. Additional recommendations were offered and information was provided.</b>
<b>9/27/06</b>	<b>Blennerhassett Historical Foundation</b>	<b>Standards of Participation Assistance</b>	<b>Provided risk with assistance in order to help it become compliant with the Standards of Participation.</b>
<b>9/28/06</b>	<b>Braxton County Fellowship Home</b>	<b>Standards of Participation Assistance</b>	<b>Provided risk with assistance in order to help it become compliant with the Standards of Participation.</b>

**Loss Control Report to the Board  
November 2006**

9/28/06	Brooke County Solid Waste Authority	Standards of Participation Assistance	Provided risk with assistance in order to help it become compliant with the Standards of Participation.
10/02/06	Camp Caesar	Loss Control Visit	Standard loss control visit. Reviewed claims history with focus on general liability. Additional recommendations were offered and information was provided.
10/04/06 and 10/5/06	OSHA 10 Hour Training	Continuing Education	Jeremy Wolfe, Charlie Warner and Jill Farrar received training on general industry safety topics. All received their OSHA 10 Hour training certification.
10/09/06	Kanawha County Board of Education	Loss Control Presentation	Provided a loss control presentation regarding safe vehicle operations and fleet management to Kanawha County Board of Education bus drivers.
10/10/06	Central Child Care	Standards of Participation Assistance	Provided risk with assistance in order to help it become compliant with the Standards of Participation.
10/12/06	Buckhannon Upshur Work Adjustment Center	Loss Control Visit	Standard loss control visit. Reviewed claims history with focus on general liability, and automobile. Additional recommendations were offered and information was provided.
10/12/06	Fayette County Board of Education	Schirmer Engineering Corp. Inspection Report Review Visit	Loss control visit to reiterate the need to address all SEC findings. Discussed the classifications and the importance of each. Requested a corrective plan of action within 45 business days.
10/12/06	Constructor's Labor Council	Standards of Participation Assistance	Provided risk with assistance in order to help it become compliant with the Standards of Participation.
10/16/06-10/19/06	Kanawha County Board of Education	Loss Control Presentation	Provided general safety awareness training to the various employees of the insured during seven training sessions.
10/16/06	First Stage Theater Co.	Standards of Participation Assistance	Provided risk with assistance in order to help it become compliant with the Standards of Participation.
10/16/06	Cabell-Huntington Convention and visitors Bureau	Standards of Participation Assistance	Provided risk with assistance in order to help it become compliant with the Standards of Participation.

**Loss Control Report to the Board  
November 2006**

<b>10/18/06</b>	<b>Public Service Commission</b>	<b>Loss Control Presentation</b>	<b>Provided a loss control presentation to several different public service entities insured through BRIM regarding the Standards of Participation.</b>
<b>10/19/06</b>	<b>Division of Forestry</b>	<b>Loss Control Presentation</b>	<b>Provided a loss control presentation regarding the functions of safety committees and the importance of safety and loss control in the workplace.</b>
<b>10/23/06</b>	<b>Boone County Board of Education</b>	<b>Loss Control Assistance</b>	<b>Provided a review of claims history and offered additional loss control services to the insured, as well as loss control reference information.</b>
<b>10/23/06</b>	<b>Lincoln County Board of Education</b>	<b>Loss Control Visit</b>	<b>Standard loss control visit. Review of claims history focusing on general liability, property, and automobile. Loss prevention information was presented to the insured.</b>
<b>10/24/06</b>	<b>West Hamlin Youth Center</b>	<b>Standards of Participation Assistance</b>	<b>Provided risk with assistance in order to help it become compliant with the Standards of Participation.</b>
<b>10/25/06</b>	<b>Cabell County Board of Education</b>	<b>Loss Control Visit</b>	<b>Standard loss control visit. Review of claims history focusing on general liability, property, and automobile. Loss prevention information was presented to the insured.</b>
<b>10/26/06</b>	<b>Putnam County Board of Education</b>	<b>Loss Control Visit</b>	<b>Standard loss control visit. Review of claims history focusing on general liability, property, and automobile. Loss prevention information was presented to the insured.</b>
<b>11/03/06</b>	<b>Division of Labor</b>	<b>Loss Control Visit</b>	<b>Loss control visit to discuss the boiler inspection and maintenance of the eleven (11) locomotives at Cass State Park.</b>

Dated:

Respectfully submitted,

Robert A. Fisher  
Deputy Director *and* Claim Manager

# **AGENDA**

## **BOARD MEETING OF THE WEST VIRGINIA BOARD OF RISK AND INSURANCE MANAGEMENT**

**September 12, 2006**

Chairman Lukens	Call to Order
Chairman Lukens	Approval of Board Minutes July 25, 2006

### **REPORTS**

Charles E. Jones, Jr. Executive Director	Executive Director's Report
Stephen W. Schumacher, CPA Chief Financial Officer	Financial Report P-Card Report
Robert Fisher Deputy Director/Claim Manager	Loss Control Report

### **UNFINISHED BUSINESS**

### **NEW BUSINESS**

### **ADJOURNMENT**

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

**September 12, 2006**

**BOARD**

**MEMBERS:**

Bruce Martin, Vice Chairman  
Sherry Cunningham, Member  
Marty Glasser, Member

**HIGHER EDUCATION**

**POLICY COMMISSION:**

Joyce Daniels, Executive Assistant  
to the Chancellor

**BRIM PERSONNEL:**

Charles E. Jones, Jr., Executive Director  
Robert Fisher, Deputy Director/Claim Manager  
Stephen W. Schumacher, CPA, CFO  
Chuck Mazingo, Assistant Claim Manager  
Jeremy Wolfe, Loss Control Manager  
Valerie Rist, Loss Control Specialist  
Jill Farrar, Loss Control Specialist  
Charlie Warner, Loss Control Specialist  
Linda Dexter, Recording Secretary

**DEPARTMENT OF  
ADMINISTRATION**

Cedric Greene, Executive Assistant to the  
Cabinet Secretary, DOA

**BRIM PROGRAM**

**REPRESENTATIVES:**

Charles Waugh, AIG  
Joanna Valleau, AIG  
Harry "Skip" Morris, Acordia

**GUESTS:**

Ed Phillips, WVU Health Sciences  
Beth Hammers, Marshall University School of Medicine

## **CALL TO ORDER**

The regular monthly business meeting of the State Board of Risk and Insurance Management was called to order by the Vice Chairman at 2:05 p.m. on Tuesday, September 12, 2006, at 90 MacCorkle Avenue, SW, Suite 203, South Charleston, West Virginia.

Vice Chairman Martin introduced Ms. Daniels, executive assistant to Dr. Noland, Chancellor, Higher Education Policy Commission, to the Board and general assembly.

## **APPROVAL OF MINUTES**

Because of a lack of a voting quorum of Board members present at this meeting, who were present at the July 25, 2006 Board Meeting, Mr. Cunningham moved to table the approval of the minutes from that meeting. The motion was seconded. There being no discussion, a vote was taken and the MOTION ADOPTED.

## **REPORTS**

The monthly report of the Executive Director was received and filed, a copy of which is attached and made a part of the record. (At 2:12 p.m., Mr. Jones was called away from the meeting while presenting his report. Therefore, Mr. Fisher was asked to continue on behalf of Mr. Jones.)

Mr. Schumacher thereafter presented the Chief Financial Officer's Report. The unaudited balance sheet as of June 30, 2006, and the unaudited income statement for the eleven months ending June 30, 2006 were received and filed, copies of which are attached and made a part of the record.

A CD containing copies of the July and August 2006 purchasing card invoices was distributed to each Board member. The Vice Chairman signed the acknowledgement form for the April, May and June 2006 billing. The acknowledgement form was retained by the Finance Department.

The Loss Control Report of the Deputy Director/Claim Manager was received and filed, a copy of which is attached and made a part of the record.

**UNFINISHED BUSINESS**

There was no unfinished business.

**NEW BUSINESS**

There was no new business.

**ADJOURNMENT**

There being nothing further, the meeting adjourned at 2:30 p.m.

\_\_\_\_\_  
Board Secretary

\_\_\_\_\_  
Date

\_\_\_\_\_  
Board Vice Chairman

\_\_\_\_\_  
Date

# Executive Director's Report

## September 12, 2006

### A. Senate Bill 3 Program

- The Senate Bill 3 program currently insures approximately 1100 entities. This number is down from prior years, when we insured upwards of 1500 entities.
- Alternatives we are reviewing are:
  - ♦ Large deductible (\$25,000; \$50,000 or \$100,000) for select entities that have the capacity to pay.
  - ♦ Review the efficacy of the \$2,500 deductible for those entities that are at the minimum premium level.

We are waiting on the projections from our actuary to determine if there will be premium deductions for the State agencies or for the Senate Bill #3 program or for both.

### B. Medical Malpractice Deductible for Marshall University and West Virginia University

- The program that involves setting up a trust with an escrow account for both WVU and Marshall started with the beginning of Fiscal Year 2006 (7/01/2005-6/30/2006) and continues through this date. Since that time, the claim activity has been as follows:
  - ♦ For WVU
    - 410-075198 Barnum v. WVU
    - 410-075415 Shaffer v. WVU
    - 410-075202 Vandevander v. WVU
    - 410-077660 Barahone v. WVU
    - 410-078265 Ware v. WVU (**new**)
- Since last reporting in July, no chargeable payments have been reported for the month of August, 2006.

- There have been no reported medical malpractice claims for Marshall University during this time frame.

### **C. Other Projects**

- Review the calculation of BRIM payments to AIG for the fiscal year just ended, the current fiscal year and upcoming fiscal years.
- Review the older policy years (novation: FY96 thru 98). We currently have money on deposit to pay claims and there is very little activity, and few remaining open claims for those years. If those years can be closed, or alternatively, the risk be transferred, it would improve our financial position even more.
- The annual independent audit is ongoing. The auditors from Ernst & Young have been at BRIM offices. We expect no problem areas and anticipate another clean audit. By year-end, the Finance Department will complete the Comprehensive Annual Financial Report (CAFR) to be submitted to the Government Finance Officers Association (GFOA) for review and evaluation of our financial condition and reporting.
- After a review of all the responses to the RFP for Board of Education Excess Liability coverage, the contract was awarded to Bray and Oakley at a cost of \$2,539,629.27. (See attached memo.) The major advantages the Bray and Oakley submission had over the other submissions were:
  - ♦ The insurance coverage was "following –form."
  - ♦ The insurance policy has no aggregate limit. The importance of this would be realized in the event there is a major claim involving a school bus.
- The Loss Control Department is in the process of preparing an RFP for the on-line driver training program. The information gathered from the RFI will assist them greatly.
- All responses to the Loss Control Questionnaires by the SSUs were due by no later than August 21, 2006. They have now been evaluated for a determination of credit or surcharge assessment, and will be applied when the Underwriting Department starts calculating the 2008 premiums.
- Commission checks to agents for the SB# 3 program were mailed August 28. The total amount was approximately \$2 million. We are reviewing the process to determine if it is possible to calculate commissions on a semi-annual basis and pay agents twice annually, based on earned premiums.

- The Morgan County Courthouse Fire of August 8, 2006 is being adjusted. The potential loss may exceed \$4 million. BRIM coverage is \$2 million. We have already advanced \$1 million due to the severity of the loss. There is also a study underway regarding the amount of coverage many of the counties have on the courthouses.

#### **D. Litigation Report**

As of August 2006, there are 707 pending lawsuits. For this calendar year, to date, nine (9) suits have been tried to conclusion. We have received defense verdicts in eight (8), with one (1) plaintiff verdict.

#### **E. Upcoming Events**

I will be leaving September 13 for the Canadian RIMS Conference as a representative of the State Risk and Insurance Management (STRIMA) Executive Board. The Canadian conference lasts through September 15. Additionally, I will be attending the annual STRIMA Conference in Baton Rouge, Louisiana from September 23-29. Robert Fisher will also attend. During the STRIMA conference, I will be making a presentation to the membership in hopes bringing the conference to West Virginia in 2008. If successful, plans are to hold the conference in Glade Springs.

Respectfully submitted,

Charles E. Jones, Jr.  
Executive Director

CEJ:lld

Attachment

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



90 MACCORKLE AVENUE SW, Suite 203  
SOUTH CHARLESTON, WV 25303

(304) 766-2646 ADMINISTRATION  
(304) 766 2653 FAX  
(304) 345-4669 TOLL FREE WV  
[www.state.wv.us/brim](http://www.state.wv.us/brim)

Joe Manchin III  
Governor

Robert Ferguson, Jr.  
Cabinet Secretary

## Chief Financial Officer's Report

September 12, 2006

### A. Financial Report

- The audit of the annual financial statements for FY'06 should be completed near the end of September. No significant issues, exceptions or concerns have been brought to our attention during the audit fieldwork.
- Total reserves reflect the actuarial estimates as of June 30, 2006. The reserves are down vs. FY'05 by approximately \$11 million with the decline coming primarily from the lower reserves for medical malpractice claims.
- Income reported for the fiscal year is \$44.3 million.

### B. Actuarial Risk Funding Study

- The Risk Funding Study as of June 30, 2006 should be completed by mid-September.

### B. P Card Report

- CD copies contain the supporting detail for P card purchases for the two most recent months. The totals are:

July	\$24,671.70
August	\$24,035.09

**West Virginia Board of Risk and Insurance Management  
UNAUDITED BALANCE SHEET**



June 30

	2006	2005
<b>ASSETS</b>		
Short Term Assets		
Cash and Equivalents	\$ 41,756,159	\$ 55,377,752
Advance Deposit with Carrier/Trustee	84,304,139	41,874,643
Receivables - Net	1,249,277	740,752
Prepaid Insurance	-	-
Total Short Term Assets	127,309,575	97,993,147
Long Term Assets		
Investments	105,465,485	101,839,637
Total Long Term Assets	105,465,485	101,839,637
<b>TOTAL ASSETS</b>	232,775,060	199,832,784
<b>LIABILITIES</b>		
Short Term Liabilities		
Accounts payable	756,714	955,661
Claims Payable	32,407	43,297
Agents Commissions Payable	2,014,278	2,080,335
Unearned Revenue	10,891,902	10,991,091
Current Estimated Claim Reserve	46,794,939	50,361,651
Total Short Term Liabilities	60,490,240	64,432,035
Long Term Liabilities		
Compensated Absences	163,620	166,553
Estimated Noncurrent Claim Reserve	127,307,515	134,707,393
Total Long Term Liabilities	127,471,135	134,873,946
<b>TOTAL LIABILITIES</b>	187,961,375	199,305,981
Prior Year Net Assets (Deficiency)	526,803	(27,385,950)
Transfer to Mutual	-	(4,582,267)
Current Year Earnings (Loss)	44,316,882	32,495,020
<b>TOTAL NET ASSETS (DEFICIENCY)</b>	44,843,685	526,803
<b>TOTAL LIABILITIES AND RETAINED EARNINGS (DEFICIENCY)</b>	\$ 232,805,060	\$ 199,832,784

DRAFT - Unaudited - Management Purposes Only

8/27/2007

## Loss Control Report to the Board September 2006

1. We are pleased to announce the addition of Valerie Rist to our Loss Control Department. Valerie transferred to us from the Grievance Board where she had many years experience dealing with employment related matters. She will be working primarily with the employment practices exposures presented by our various insured.
2. We will begin the search for a replacement for Wally Schwartz in the near future. With Wally's replacement and the addition of Valerie we will have four loss control representatives, which is an all time high!
3. We have completed the evaluation of all the Loss Control Questionnaires that were submitted by state agencies. Some agencies failed to submit their questionnaires and reminder letters were sent to those agencies. We will endeavor to evaluate any late submissions we receive. Agencies that fail to submit a questionnaire and supporting documentation will receive a surcharge. The credits and surcharges will apply to FY 08 premium.
4. We issued a Request for Information in August seeking ideas for future on-line driver training. We were pleased with the number of state employees who participated in our last training; and are looking to the marketplace for examples of other training programs which might be of benefit to our insured. After review of the available training programs and after deciding which training we want, we will issue a Request for Proposals. We may buy as many as 20,000 views of the selected program.
5. We will be sending Loss Control Questionnaires to our Senate Bill #3 customers later this month. They are due back to BRIM by January 1, 2007.
6. Chubb has been working closely with Jeremy to get their new inspection program under way. Chubb's representatives have come to our office on several occasions to meet and plan. Also, we are looking forward to Chubb's first Boiler Maintenance Seminars later this fall.
7. We received 105 site inspection reports from Schirmer Engineering Corporation during the months of July and August. Reports are being received and processed.
8. We report the following visits since the last report. Just a reminder, the number of visits is greatly reduced when we score Loss Control Questionnaires, which we did all through the month of August. Visits have resumed and should be more numerous on the next report.

<b>Date</b>	<b>Insured</b>	<b>Purpose of Visit</b>	<b>Results and Accomplishments</b>
8/24/06	Pendleton County Board of Education	Loss Control Presentation	Provided a loss control presentation as a part of an annual in-service day for bus drivers and custodians. The topics of driver safety and school hazards were covered with the participants.

**Loss Control Report to the Board  
September 2006**

<b>9/6/06</b>	<b>Fayette County Board of Education</b>	<b>Loss Control Visit</b>	<b>Standard loss control visit. Reviewed claims history, Schirmer reports, and past recommendations with the insured. Additional recommendations were offered and information was provided.</b>
<b>9/6/06</b>	<b>Pendleton County Commission</b>	<b>Standard of Participation Assistance</b>	<b>Provided assistance to the insured to help it become compliant with the Standards of Participation.</b>
<b>9/8/06</b>	<b>Marion County Board of Education</b>	<b>Loss Control Visit</b>	<b>Standard loss control visit. Reviewed claims history, Schirmer reports, and past recommendations with the insured. Additional recommendations were offered and information was provided.</b>

Dated:

Respectfully submitted,

Robert A. Fisher  
Deputy Director *and* Claim Manager

# **AGENDA**

## **BOARD MEETING OF THE WEST VIRGINIA BOARD OF RISK AND INSURANCE MANAGEMENT**

**July 25, 2006**

Chairman Lukens

Call to Order

Chairman Lukens

Approval of Board Minutes  
May 23, 2006

### **REPORTS**

Charles E. Jones, Jr.  
Executive Director

Executive Director's Report

Stephen W. Schumacher, CPA  
Chief Financial Officer

Financial Report  
P-Card Report

Robert Fisher  
Deputy Director/Claim Manager

Loss Control Report

### **UNFINISHED BUSINESS**

### **NEW BUSINESS**

### **ADJOURNMENT**

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

**July 25, 2006**

**BOARD**

**MEMBERS:**

John R. Lukens, Chairman  
Bruce Martin, Vice Chairman  
Sherry Cunningham, Member

**BRIM PERSONNEL:**

Charles E. Jones, Jr., Executive Director  
Robert Fisher, Deputy Director/Claim Manager  
Stephen W. Schumacher, CPA, CFO  
Bob Mitts, Underwriting Manager  
Chuck Mozingo, Assistant Claim Manager  
Barbara Houchins, Claim Representative  
Bob Miller, Claim Representative  
Jill Farrar, Loss Control Specialist  
Charlie Warner, Loss Control Specialist  
Linda Dexter, Recording Secretary

**INSURANCE  
COMMISSION**

**REPRESENTATIVES:**

Richard Cundy, WV Insurance Commission

**BRIM PROGRAM**

**REPRESENTATIVES:**

Charles Waugh, AIG  
Joanna Valleau, AIG  
Harry "Skip" Morris, Acordia

**GUESTS:**

Ed Phillips, WVU Health Sciences  
Michael J. Gansor, WVU  
Beth Hammers, Marshall University School of Medicine  
David Stacy, Commercial Insurance Service  
Janet Buckley, Commercial Insurance Service  
Tom Sauvageot, WV Investment Management Board

## **CALL TO ORDER**

The regular monthly business meeting of the State Board of Risk and Insurance Management was called to order by Chairman Lukens at 2:00 p.m. on Tuesday, July 25, 2006, at 90 MacCorkle Avenue, SW, Suite 203, South Charleston, West Virginia.

Chairman Lukens, on behalf of Dr. Noland, expressed his regrets for not being available for the meeting.

## **APPROVAL OF MINUTES**

Mr. Cunningham moved the approval of the minutes for the May 23, 2006 Board meeting as revised. The motion was seconded. There being no discussion, a vote was taken and the MOTION ADOPTED.

## **REPORTS**

The monthly report of the Executive Director was received and filed, a copy of which is attached and made a part of the record. Mr. Jones highlighted several of the more important issues covered in the report.

Since he and Mr. Fisher will be attending conferences in September, which conflict with the originally scheduled Board Meeting date, Mr. Jones suggested that the Board consider having the September meeting on the 12th. After a brief discussion, the members present had no objection to the 12th.

The unaudited balance sheet as of May 31, 2006, and the unaudited income statement for the eleven months ending May 31, 2006 were received and filed, copies of which are attached and made a part of the record. Mr. Schumacher discussed the highlights of the financial statements.

A CD containing copies of the April, May and June 2006 purchasing card invoices was distributed to each Board member. It was noted that because BRIM had switched banks, from BB&T to CitiBank, before the end of April, some April charges also appeared on the statement from CitiBank. The Vice Chairman signed the acknowledgement form for the March and April 2006 billing. The acknowledgement form was retained by the Finance Department.

The Loss Control Report of the Deputy Director/Claim Manager was received and filed, a copy of which is attached and made a part of the record.

**UNFINISHED BUSINESS**

There was no unfinished business.

**NEW BUSINESS**

There was no new business.

**ADJOURNMENT**

There being nothing further, the meeting adjourned at 2:44 p.m.

\_\_\_\_\_  
Board Secretary

\_\_\_\_\_  
Date

\_\_\_\_\_  
Board Chairman

\_\_\_\_\_  
Date

# Executive Director's Report

July 25, 2006

## A. Senate Bill 3 Program

- The Senate Bill 3 program currently insures approximately 1100 entities. This number is down from prior years, when we insured upwards of 1500 entities.
- The market is becoming somewhat more competitive, as other insurers are returning to West Virginia and are writing entities previously insured through BRIM.
- We are currently in the process of determining the class of entities that are more affected, i.e., cities or towns; non-profits; or county commissions.
- It is our intent to remain competitively marketable and continue to review our pricing structure to prevent adverse selection.
- Alternatives we are reviewing are:
  - ♦ Large deductible (\$25,000; \$50,000 or \$100,000) for select entities that have the capacity to pay.
  - ♦ Review the efficacy of the \$2,500 deductible for those entities that are at the minimum premium level.

## B. Medical Malpractice Deductible for Marshall University and West Virginia University

- Since our previous meeting, the Escrow Agreement for West Virginia University has now been properly executed by the West Virginia University Board of Governors, the West Virginia Board of Risk and Insurance Management, and the West Virginia State Treasurer's Office. At this time, both institutions have completed agreements and have paid the required escrow deposit for FY 2006. **We are in the process of invoicing for FY 2007.**

- Interest-bearing accounts for both universities have now been established, and we recently received monthly statements indicating how much interest each has earned.
- Currently, for WVU, there exists one claim attributed against fiscal year 2005-2006. The claim is in its early stages and to date, we had paid a total of \$7,777.87 expense dollars. We have a process in place where we notify the institution (WVU or Marshall) of our intent to withdraw funds from the escrow account in order to reimburse BRIM in accordance with our MOU.

### **C. Other Projects**

- Review the calculation of BRIM payments to AIG for the fiscal year just ended, the current fiscal year and upcoming fiscal years.
- Review the older policy years (novation: FY96 thru 98). We currently have money on deposit to pay claims and there is very little activity, and few remaining open claims for those years. If those years can be closed, or alternatively, the risk transferred, it would improve our financial position even more.
- We are currently going through the preliminary steps to complete our annual independent audit. The firm of Ernst & Young is conducting the audit.
- The Boiler and Machinery RFP has been completed, and the contract was awarded to Chubb, effective July 1, 2006, at a cost of \$230,000. Previously, the contract had been with Hartford at a cost of \$244,728.
- The Engineering Services RFP has been completed, and the contract for property inspection was awarded to Schirmer Engineering, effective July 1, 2006, at a cost of \$285,400.
- The contract for Faithful Performance Bond Coverage for the West Virginia State Treasurer's Office on behalf of the West Virginia Board of Treasury Investments was awarded to the Bray & Oakley Agency at a cost of \$155,000.
- Responses to the RFP for Board of Education Excess Liability coverage for the remainder of the 2006-2007 year and four subsequent years are due August 10, 2006.

This RFP was released due to our excess carrier notifying us on May 19, 2006, that the premium for the excess BOE coverage had more than tripled, beginning July 1, 2006. Originally, coverage was purchased for \$980,000 but increased to \$3,088,575

- A driver training request for information, prepared by Loss Control Manager Jeremy Wolfe, is almost complete.

The information gathered will assist greatly in submission of the upcoming RFP for on-line driver training.

- Completed Loss Control Questionnaires for the SSUs are due August 1, 2006. Shortly thereafter, they will be evaluated to determine whether to assess credits or surcharges in calculating the fiscal year 2008 premiums.

#### **D. Litigation Report**

As of June 30, 2006, there are 690 pending lawsuits. For this calendar year, to date, four (4) suits have been tried to a defense verdict.

#### **E. Personnel**

Effective June 30, 2006, Wally Schwartz, a Loss Control Specialist, resigned. It is hopeful that we will be able to fill that vacancy soon. Additionally, we anticipate increasing the loss control staff even more in accordance with recommendations by the Performance Evaluation Research Division (PERD) and those recommendations by the BRIM board. Of importance is selecting personnel to communicate to member State agencies and entities in the SB 3 program how to avoid employment practices claims.

#### **F. Upcoming Events**

On June 14, 2006, I received from Governor Manchin and Secretary Ferguson, approval to submit to the STRIMA membership, a proposal to bring the STRIMA conference to West Virginia in 2008. Our proposal, along with other State proposals, will be voted upon by the STRIMA membership. The successful State candidate will be notified during the September 2006 conference.

Representatives from the Glade Springs Resort, the Charleston Convention & Visitors Bureau, and the Stonewall Resort have made presentations to staff in anticipation that their facility will be the chosen venue to host the conference.

In September, I am scheduled to be out attending the Canadian RIMS Conference and the STRIMA Conference as the board member representative of STRIMA.

From September 13th through September 29th, I will be out of the office most of the time attending the above conferences. Robert Fisher will also be attending the STRIMA Conference. Accordingly, we will not be able to attend the next tentative Board Meeting on September 26, 2006. Therefore, I would suggest that the Board consider having the September meeting on the 12th.

Respectfully submitted,

Charles E. Jones, Jr.  
Executive Director

CEJ:lld

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



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Joe Manchin III  
Governor

Robert Ferguson, Jr.  
Cabinet Secretary

## Chief Financial Officer's Report

July 25, 2006

### A. Financial Report

- BRIM's financial position continues to strengthen in FY'06. The increase in monies invested combined with lower overall claims reserves have contributed to a surplus of \$38.2 million thru May.
- Premium Revenue YTD for FY'06 reflects a \$6.3 million decline in premiums collected vs. FY'05. This reduction is primarily the result of implementing a higher deductible for medical malpractice coverage.
- Claims Expense for FY'06 reflects lower claims payments fiscal year to date thru May and the lower reserves for medical malpractice for FY'06 vs. FY'05
- Investment Income FY'06 to date is \$1.4 million higher vs. FY'05 reflecting both better returns and additional monies invested vs. FY05.

### B. P Card Report

- CD copies contain the supporting detail for P card purchases for the three most recent months. The totals are:

April	\$24,982.23
May	\$24,031.02
June	\$20,517.29

- The State changed vendors for P card purchases in early April from BB&T to Citibank. The CD for April includes both BB&T transactions totaling \$20,360.02 and Citibank transactions totaling \$4,622.21.

**West Virginia Board of Risk and Insurance Management**  
**UNAUDITED INCOME STATEMENT**  
**For the eleven months ending**



	May 31	
	2006	2005
Operating Revenues		
Premium Revenues	\$ 76,485,332	\$ 82,735,648
Less - Excess Insurance	(3,797,977)	(3,709,134)
Total Operating Revenues	72,687,355	79,026,514
Operating Expenses		
Claims Expense	34,242,927	48,029,061
Property & MS Claims Expense	3,273,060	5,275,388
Personal Services	1,111,683	1,152,796
Operating Expenses	2,777,007	2,537,460
Total Operating Expenses	41,404,677	56,994,705
Operating Income (Loss)	31,282,678	22,031,809
Nonoperating Revenues		
Court Fees	26,045	37,794
Investment Income	6,377,294	4,947,656
Appropriation Transfer	-	2,000,000
Total Nonoperating Revenues	6,403,339	6,985,450
Net Income (Loss)	37,686,017	29,017,259

DRAFT - Unaudited - Management Purposes Only

8/27/2007

## **Loss Control Report to the Board**

### **July 2006**

1. The Loss Control Department is now one specialist short due the resignation of Wally Schwartz. We definitely want to replace him as quickly as possible and have begun the process of doing so.
2. Two RFP's have been finalized since the last Board Meeting. We awarded a contract to Schirmer Engineering Corporation for inspection services; and we awarded a contract to the Chubb Group of Insurance Companies (CHUBB) for Boiler and Machinery insurance and services. Both are one year contracts with an option for two additional years.
3. CHUBB is new to BRIM and we have met with their representatives on two occasions since we awarded the contract in early June. They will begin their inspections around the first of August. Schirmer has done business with BRIM for a number of years and is continuing their work as they have done in the past. Jeremy is working with Schirmer to determine where inspections will take place.
4. Our contract with Smith System for on-line drive training expired in June, however, Jeremy was able to convince them to extend, until December, the period in which we can use the views we had already purchased. We have contacted many of our insured by phone to offer the views and our loss control reps are offering them when meeting with insured during normal visits. We hope to utilize most of the visits before December.
5. We are in the process of developing a Request for Information to enable us to determine what types of driver training are available in the market. Once we have responses to the RFI, we hope to issue an RFP for on-line driver training which we will again offer to our state customers.
6. The loss control questionnaires are due from our state customers on August 1, 2006. We will follow, in writing, with customers who fail to submit the questionnaire and supporting documentation on a timely basis. We will begin to score the submissions as they come in. Once again, this endeavor will be time consuming and will limit the number of field visits until the scoring is complete. Credits and surcharges will be issued based on what we learn through scoring these submissions.
7. BRIM has acquired two fleet vehicles which are primarily being used by our loss control representatives. We have implemented procedures for their use and are quite pleased to have these resources available. Other BRIM personnel may utilize the vehicles when they are not in use by the loss control staff.
8. Schirmer conducted 92 site inspections during the months of May and June. Reports are being received and processed accordingly.
9. Hartford Steam Boiler conducted 184 boiler inspections during the months of May and June. Reports are being received and processed accordingly. These will be the final reports from Hartford Steam Boiler and we await receipt of the first reports from CHUBB.

## Loss Control Report to the Board July 2006

10. We report the following visits since the last report.

Date	Insured	Purpose of Visit	Results and Accomplishments
5/25/06	Workforce WV	Standards of Participation Assistance	Provided assistance to help insured become compliant with the Standards of Participation.
5/25/06	Randolph County Board of Education	Loss Control Visit	Standard loss control visit. Review of claims history, Schirmer reports, and past recommendations. Loss Control recommendations were offered and information was provided to aid in implementation of the recommendations.
5/31/06	Division of Personnel Training	Continuing Education	Loss Control Manager Jeremy Wolfe took a class on Managing and The Law.
6/2/06	Riverfest, Inc.	Standard of Participation Assistance	Provided assistance to help insured become compliant with the Standards of Participation.
6/6/06	RESA IV	Loss Control Presentation	Provided a loss control presentation to RESA officials regarding safety and loss control programs and initiatives needed in schools.
6/6/06	West Virginia Public Theatre	Standards of Participation Assistance	Provided assistance to help insured become compliant with the Standards of Participation.
6/7/06	Public Service Commission Safety Conference	Loss Control Presentation	Provided a loss control presentation regarding liability exposures and loss prevention strategies for Public Service Districts and Municipalities.
6/7/06	Cabell-Huntington Coalition for Homeless	Standards of Participation Assistance	Provided assistance to help insured become compliant with the Standards of Participation.
6/8/06	City of St. Albans	Standards of Participation Assistance	Provided assistance to help insured become compliant with the Standards of Participation.
6/12/06	Mason County Board of Education	Standard loss control visit	Standard loss control visit. Review of claims history, Schirmer reports, and past recommendations. Loss Control recommendations were offered and information was provided to aid in implementation of the recommendations.
6/14/06	Boone County Board of Education	Standards of Participation Assistance	Provided assistance to help insured become compliant with the Standards of Participation. Loss Control recommendations were offered and

**Loss Control Report to the Board  
July 2006**

			information was provided to aid in the implementation of the recommendations.
6/14/06	WV Board of Occupational Therapy	Standards of Participation Assistance	Provided assistance to help insured become compliant with the Standards of Participation.
6/14/06	Battelle District Fair Association	Standards of Participation Assistance	Provided assistance to help insured become compliant with the Standards of Participation.
6/15/06	Calhoun Committee on Aging, Inc.	Standards of Participation Assistance	Provided assistance to help insured become compliant with the Standards of Participation.
6/19/06	Mathias Civic Center	Standards of Participation Assistance	Provided assistance to help insured become compliant with the Standards of Participation.
6/21/06	Jefferson County Parks and Recreation	Standards of Participation Assistance	Provided assistance to help insured become compliant with the Standards of Participation.
6/23/06	AFL-CIO Appalachian Council, Inc.	Standards of Participation Assistance-New Business	Provided assistance to help insured become familiar and compliant with the Standards of Participation.
6/26/06	Logan County Board of Education	Standard Loss Control Visit	Standard loss control visit to address recent Schirmer Engineering Reports that were deemed a priority or in need of a follow-up. Reviewed prevention and correction of unsafe conditions and acts in and around school facilities.
6/27/06	City of Kenova	Standard Loss Control Visit	Standard loss control visit. Review of claims history focusing on preventable incidents. Loss Control recommendations were offered and information was provided to aid in the implementation of those recommendations.
6/28/06	Barbour County Board of Education	Standards of Participation Assistance	Provided assistance to help insured become compliant with the Standards of Participation.
6/29/06	Jackson County Health Department	Standards of Participation Assistance	Provided assistance to help insured become compliant with the Standards of Participation.
6/30/06	City of St. Albans	Standards of Participation Assistance	Provided assistance to help insured become compliant with the Standards of Participation. Meeting was schedule to meet the new Mayor and introduce the Standards of Participation initiatives to him.

**Loss Control Report to the Board  
July 2006**

7/7/06	Department of Education	Loss Control Site Inspection-Bus Garage	Loss Control Manager accompanied Ben Shew, of the WV Dept. of Education, on a site inspection of a bus garage. The inspection will help prepare us for an upcoming loss control presentation regarding bus garage safety.
7/7/06	Fairmont-Marion Transit Authority	Standards of Participation Assistance	Provided assistance to help insured become compliant with the Standards of Participation.
7/10/06	Fort New Salem Foundation, Inc.	Standards of Participation Assistance-New Business	Provided assistance to help insured become familiar and compliant with the Standards of Participation.
7/11/06	Connected Technologies Corridors	Standards of Participation Assistance-New Business	Provided assistance to help insured become familiar and compliant with the Standards of Participation.
7/11/06	Wheeling Municipal Auditorium	Standards of Participation Assistance	Provided assistance to help insured become compliant with the Standards of Participation.
7/12/06	Southern WV Community Technical College	Standard Loss Control Visit	Standard loss control visit to address recent Schirmer Engineering Reports that were deemed a priority or in need of a follow-up. Reviewed prevention and correction of unsafe conditions and acts in and around school facilities.
7/13/06	Webster County Board of Education	Standards of Participation Assistance	Provided assistance to help insured become compliant with the Standards of Participation.
7/14/06	McDowell County Board of Education	Standard Loss Control visit	Standard loss control visit to address recent Schirmer Engineering Reports that were deemed a priority or in need of a follow-up. Reviewed prevention and correction of unsafe conditions and acts in and around school facilities
7/17/06	City of Salem	Standard Loss Control visit	Standard loss control visit. Review of claims history focusing on preventable incidents. Loss Control recommendations were offered and information was provided to aid in implementation of the recommendations
7/18/06	Braxton County Board of Education	Standards of Participation Assistance	Provided assistance to help insured become compliant with the Standards of Participation.
7/18/06	Logan County Health Department	Standards of Participation Assistance	Provided assistance to help insured become compliant with the Standards of Participation.

**Loss Control Report to the Board  
July 2006**

7/19/06	WV Board of Social Examiners	Standards of Participation Assistance	Provided assistance to help insured become compliant with the Standards of Participation.
7/20/06	Hampshire County Development Authority	Standards of Participation Assistance	Provided assistance to help insured become compliant with the Standards of Participation.
Scheduled 7/24/06	State School Transportation Conference	Loss Control Presentation	Will conduct a loss control presentation regarding proper safety and maintenance management at bus garages.

Dated:

Respectfully submitted,

Robert A. Fisher  
Deputy Director *and* Claim Manager

# BOARD OF RISK AND INSURANCE MANAGEMENT

Robert Ferguson, Jr., Cabinet Secretary  
Department of Administration

