

**State of West Virginia  
Board of Risk and Insurance Management  
2008 Annual Report**



August 27, 2008

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, 2008 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. 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.

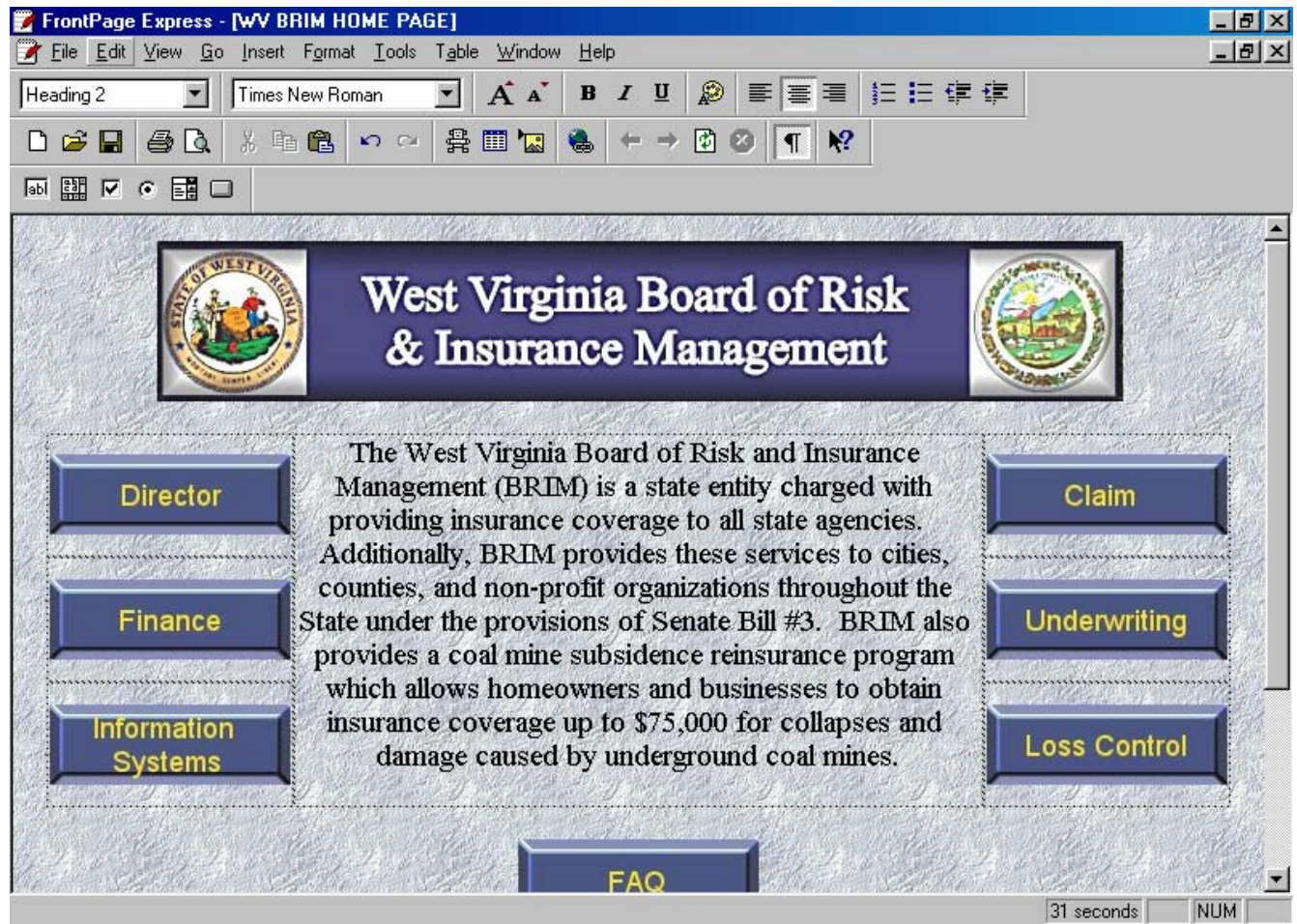
Internal controls have been put in place to ensure the assets and property of BRIM are protected from theft, loss or misuse and to provide adequate accounting data for preparing Generally Accepted Accounting Principles (GAAP) based financial statements.

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

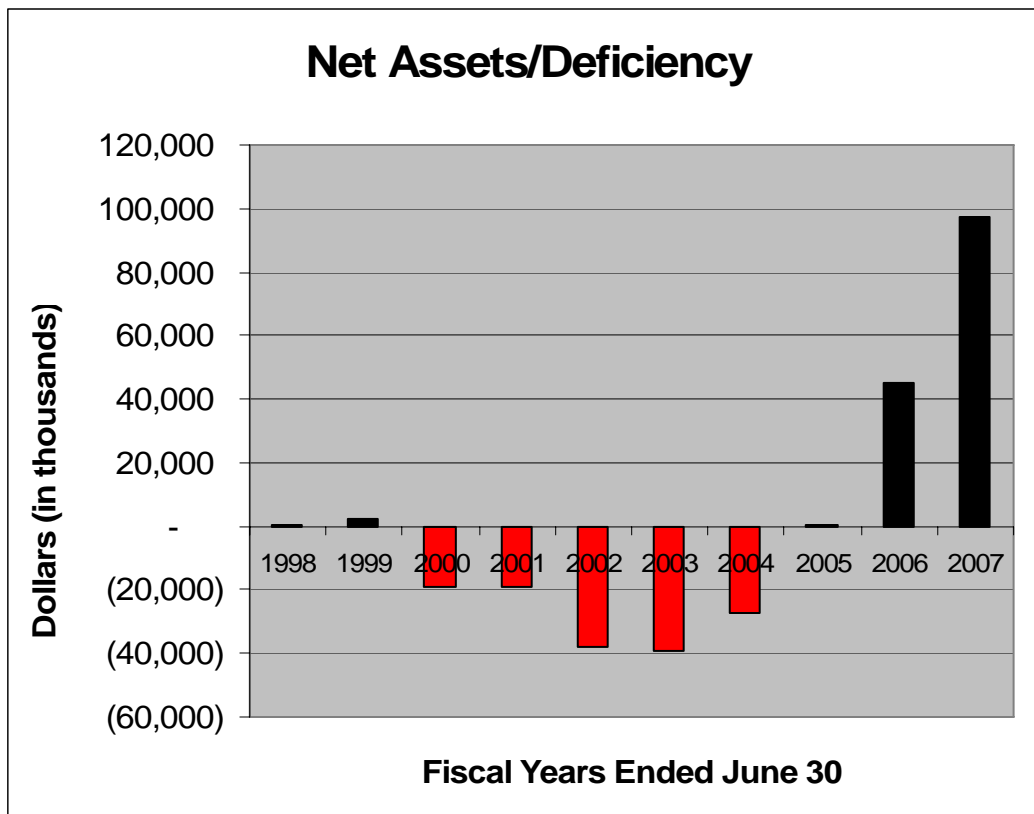
Below are audited results from operations of four most recent fiscal years ended June 30:

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
	(In thousands)			
Operating Revenues:				
Premiums	\$109,268	\$ 89,030	\$82,824	\$80,248
Less Excess Coverages	<u>(3,801)</u>	<u>(3,912)</u>	<u>(4,145)</u>	<u>(6,151)</u>
Net Operating Revenues	105,467	85,118	78,679	74,097
Operating Expenses:				
Claims & Claims Adjustment	86,122	56,675	37,076	35,136
General Administrative	<u>10,536</u>	<u>4,294</u>	<u>4,180</u>	<u>4,305</u>
Total Operating Expenses	96,658	60,969	41,256	39,441
Operating Income (Loss)	8,809	24,149	37,423	34,656
Non-Operating Revenues:				
Interest Income, Appropriations	<u>3,051</u>	<u>3,764</u>	<u>6,894</u>	<u>18,047</u>
Net Income/(Loss)	11,860	27,913	44,317	52,703
Retained earnings (deficiency) at beginning of year	<u>(39,246)</u>	<u>(27,386)</u>	<u>527</u>	<u>44,844</u>
Retained earnings (deficiency) at end of year	\$ (27,386)	\$ 527	\$ 44,844	\$ 97,547

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, 2006 and 2007. 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 the net assets/deficiency for the past ten years.. 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, 2008. The June 30, 2008 report will be available near the end of October 2008.

### **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, 2007, 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, 2008. The CAFR for fiscal year 2008 will be issued before December 31, 2008. 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

<u>LIABILITY</u>	<u>LIMIT OF LIABILITY</u>
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 147-06 Company: AIG Insurance	\$ 1,000,000 per occurrence
4. Excess Liability-Bd. of Education Policy No. NXG358846I Company: General Star	\$ 5,000,000 per occurrence or claim
<u>PROPERTY</u>	<u>LIMIT OF LIABILITY</u>
1. Blanket Property Policy No. FS D3586782A 005 Company: Westchester	\$ 25,000,000 primary layer \$ 1,000,000 deductible
Policy No. NHD 353346 Company: RSUI	\$ 175,000,000 excess of 25,000,000
Policy No. CICA 2571 Commonwealth Insurance Company of America	\$ 75,000,000 excess of 200,000,000
Policy No. I20644904-005 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 2007**

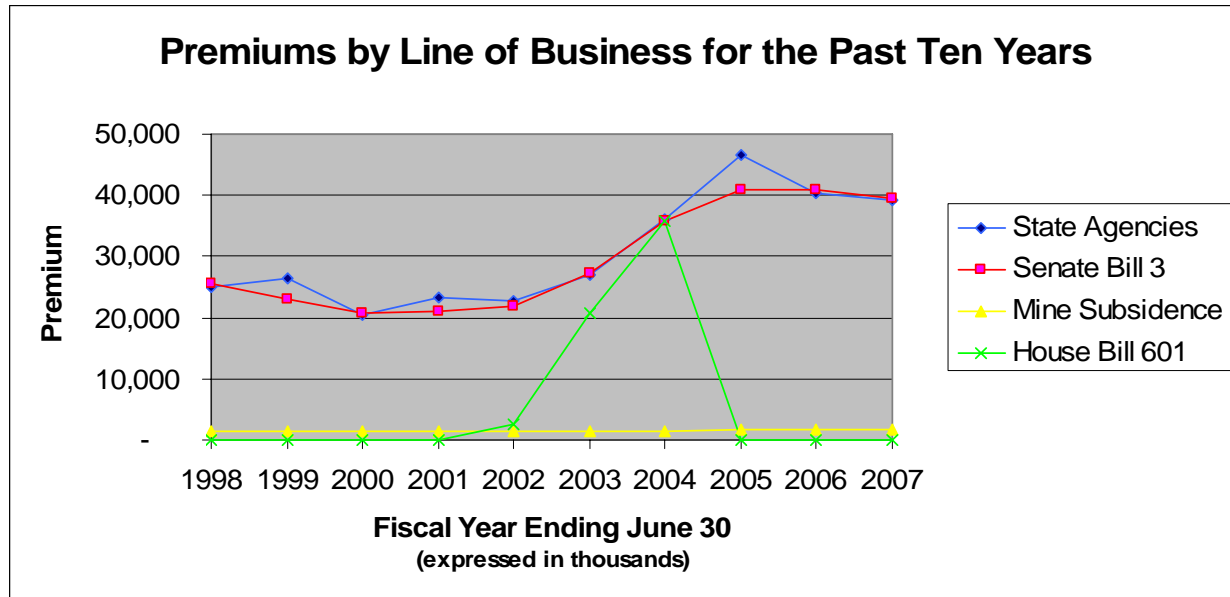
1 Public Safety Division	\$6,530,201
2 West Virginia University	6,449,382
3 Division of Highways	5,395,192
4 Department of Health and Human Resources	4,953,824
5 Marshall University	2,662,936
6 Corrections Division	1,135,659
7 WV State Parks	676,911
8 Department of Natural Resources	657,653
9 WV Parkways and Economic Development Authority	581,178
10 Regional Jail and Correctional Facility Authority	580,963
Total Top Ten	<b>\$29,623,899</b>

Total State Premium Billing for 2007	<b>\$38,336,517</b>
% of top 10 in relation to all state agency billings	<b>77.27%</b>

**Top 20 SB 3 Premiums for Fiscal Year 2007**

1 Kanawha County Board of Education	\$1,673,159
2 Raleigh County Board of Education	673,130
3 West Virginia University Medical Corporation	670,300
4 Berkeley County Board of Education	615,504
5 Wheeling Park Commission	553,176
6 Harrison County Board of Education	541,494
7 City of St. Albans	540,846
8 Putnam County Board of Education	530,701
9 Wayne County Board of Education	527,969
10 Berkeley County Commission	509,773
11 Monongalia County Board of Education	497,948
12 Mercer County Board of Education	497,530
13 Wood County Board of Education	475,370
14 Cabell County Board of Education	460,691
15 Monongalia County Commission	453,930
16 University Physicians and Surgeons	427,164
17 Fayette County Board of Education	398,350
18 Mingo County Board of Education	394,455
19 West Virginia Citizens' Conservation Corporation	392,695
20 Marion County Board of Education	382,149
Total Top Twenty	<b>\$11,216,334</b>

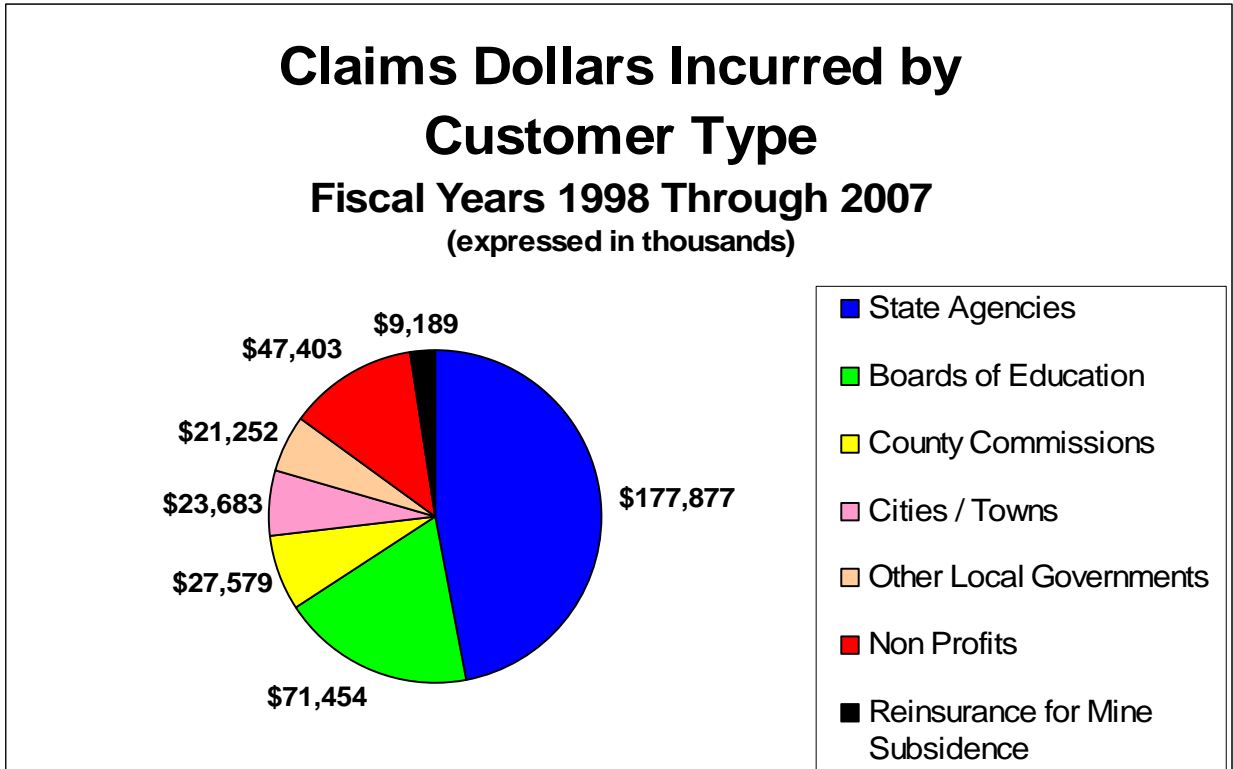
Total SB 3 Premium Billing for 2007	<b>\$40,546,798</b>
% of top 20 in relation to total SB 3 billings	<b>27.66%</b>



Fiscal Year	State Agencies	Senate Bill 3	Mine Subsidence	House Bill 601
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	-
2007	\$ 39,091	\$ 39,481	\$ 1,676	-

The chart above shows premiums by line of business for the past ten fiscal years, expressed in thousands of dollars. This chart illustrates the slight downward trend of premiums for State Agencies and Senate Bill 3 customers since 2005.

Source: BRIM's internal financial statements.



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

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

**June 24, 2008**

**BOARD MEMBERS:** Bruce Martin, Vice Chairman  
Sherry Cunningham, Member  
Marty Glasser, Member

**HIGHER EDUCATION POLICY COMMISSION:** Richard B. Donovan, Co-Interim Director of Finance and Facilities

**BRIM PERSONNEL:** Charles E. Jones, Jr., Executive Director  
Robert A. Fisher, Deputy Director/Claim Manager  
Melody Duke, Controller  
Chuck Mazingo, Assistant Claim Manager  
Jerry Gladwell, Deputy Underwriting Manager  
Jeremy Wolfe, Loss Control Manager  
Jennifer Schiefer, Loss Control Specialist  
Charlie Warner, Loss Control Specialist  
Jill Farrar-Brown, Loss Control Specialist  
Linda Dexter, Recording Secretary

**BRIM PROGRAM REPRESENTATIVES:** Charles Waugh, AIG

**GUESTS:** Beth Hammers, Marshall University  
Sandra A. Price, West Virginia University  
Mike Gansor, West Virginia University  
Tom Sauvageot, West Virginia Investment Management Board

**CALL TO ORDER**

The regular monthly business meeting of the West Virginia Board of Risk and Insurance Management was called to order by the Vice Chairman at 1:09 p.m. on Tuesday, June 24, 2008, at 90 MacCorkle Avenue, SW, Suite 203, South Charleston, West Virginia.

## **APPROVAL OF MINUTES**

Mr. Donovan moved the approval of the minutes of the March 25, 2008. 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 reminded the Board that at the previous meeting, they had voted to suspend the annual deposits for Marshall and WVU for FY 09 as long as the balances of the escrow accounts didn't fall below \$1,500,000 and \$3,000,000, respectively. He explained that renewal agreements reflecting this change in deposit arrangements are being prepared and that the Treasurer's Office would also be informed.

Other major points of interest were: 1) the possibility of removing the physicians covered by BRIM and transferring them to the Physicians' Mutual; 2) phasing out the Trauma Physicians Program; 3) continuing with the on-line driver training program; 4) reporting on the progress of developing the DOA continuity of operations plan in the event of a disaster; 5) renewal of Property, BOE, Aircraft, Boiler and other applicable coverages; 6) receiving the CAFR award for the year ended June 30, 2007, and 7) the complete elimination of any unfunded liability.

Melody Duke, BRIM Controller, sitting in for BRIM CFO Steve Schumacher, then yielded the floor to Tom Sauvageot of the West Virginia Investment Management Board (WVIMB), the agency handling BRIM's investments.

Mr. Sauvageot's explained that the WVIMB had conducted a new asset allocation study for all participating accounts and would recommend that BRIM incorporate hedge funds into the portfolio; more specifically, an allocation of 60% for Fixed Income, 20% for Equity (domestic & international) and 20% for Hedge Funds. The allocation has been 80% for Fixed Income and 20% for Equity. He specifically noted that our returns are projected to be a little bit higher than bonds. Other interesting characteristics of the hedge fund are volatility and diversification. At the present time, the expected return of BRIM's portfolio is approximately 6.7%. By adding the type of strategies the IMB is looking to add in hedge funds, the estimated expected return should go from 6.7% to 7.1%; the risk should decrease from a 4.5% standard deviation to 4.4%.

There was a lengthy discussion regarding hedge fund strategy. Mr. Sauvageot also noted that if we can't commit for the whole market cycle (three to five years), it would not be considered a good investment.

Mr. Glasser thereafter moved the adoption of the recommended allocations from the West Virginia Investment Management Board. The motion was seconded. After further discussion, a vote was taken and the MOTION ADOPTED.

Mrs. Duke thereafter presented the Chief Financial Officer's Report. The unaudited balance sheet as of April 30, 2008, and the unaudited income statement for the ten months ending April 30, 2008 were received and filed, copies of which are attached and made a part of the record.

A CD containing copies of the February/March/April 2008 purchasing card invoices was distributed to each Board member. The Vice Chairman signed the acknowledgement form for the October/November/December 2007 and January 2008 billing. The acknowledgement form was retained by the Finance Department.



During her presentation, Mrs. Duke noted that the Finance Department has received notification from the Government Finance Officers Association (GFOA) that the Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2007 has qualified for the Certificate of Achievement for Excellence in Financial Reporting for the thirteenth year.

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 2:22 p.m.

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

\_\_\_\_\_  
Date

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

\_\_\_\_\_  
Date

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

**June 24, 2008**

Vice Chairman Martin

Call to Order

Vice Chairman Martin

Approval of Board Minutes  
March 25, 2008

**REPORTS**

Charles E. Jones, Jr.  
Executive Director

Executive Director's Report

Tom Sauvageot  
WVIMB

Reallocation of BRIM Funds

Melody Duke  
Controller

Financial Report  
P-Card Report

Robert Fisher  
Deputy Director/Claim Manager

Loss Control Report

**UNFINISHED BUSINESS**

**NEW BUSINESS**

**ADJOURNMENT**

# **Executive Director's Report**

**June 24, 2008**

## **A. Marshall University/WVU Medical Malpractice Deductible Program**

- As of May 31, 2008, Marshall has deposited \$1,507,545.61 into the FY 2006-FY 2008 medical malpractice escrow account. The year-to-date cumulative interest totals \$94,126.89. There have been five disbursements in the amounts of \$29.42, \$73.50, \$60.14, \$113.42, and \$33.60, respectively.
- As of May 31, 2008, a total of \$3,041,292.80 has been transferred or deposited into WVU's escrow account. Year-to-date, Interest Earnings totaling \$74,102.19 have been posted for FY 2008. Thirteen (13) disbursements have been made for FY 2008, thus reflecting a \$256,301.50 change since the November 13, 2007 Executive Director's Report, for a YTD total of \$304,924.99.

At our last meeting in March, the Board voted to suspend the annual escrow deposits by both agencies as a result of the low number of claims. Effective July 1, 2008, as long as the balances of the escrow accounts as of June 30, 2008 for WVU and Marshall do not fall below \$3,000,000 and \$1,500,000, respectively, the annual deposits are suspended until such time it is deemed necessary to reinstitute them. An addendum reflecting this change in deposit arrangement is being prepared. We will also inform the Treasurer's Office that the escrow deposits have been suspended for Fiscal Year 2009. We, of course, do retain the right to re-evaluate this position to make certain this is in the best interest of the State and BRIM's financial position.

- Removing the physicians covered by BRIM and transferring them to the Physician's Mutual is being studied. We have provided our actuarial report and our census of physicians to the Mutual for their consideration. We are in the process of gathering claim data and will provide that information to the Mutual as well.
- The Trauma Physician Program is being phased out. Currently, there are 18 physicians in the BRIM Trauma program in the Huntington and Charleston areas. All ten of the Huntington physicians are inquiring about coverage options and should be out of the program by 12/31/08, or sooner. Five of the Charleston physicians will end their BRIM coverage by June 30, 2008. The remaining three Charleston area physicians are close to retiring and rather than attempt to obtain "claims-made" coverage for the next approximate two years through the commercial market, they will stay with BRIM until they retire, but no later than 2010.

## B. Litigation

The May 2008 report from AIG for the period ending April 30, 2008 reveals that in April, no cases were tried to verdict and year-to-date, three cases were tried with one defense and two plaintiff verdicts. New lawsuits have increased 10.5 % over year-to-date 2007; closed lawsuits have increased 19.5 %, and pending lawsuits have increased 1.8%.

## C. BRIM Projects

### 1. On-line driver training program.

The contract for the on-line driver training has been awarded to the National Safety Council, with service beginning July 1, 2008.

### 2. Monitoring drivers who are involved in multiple accidents.

The Loss Control Department has prepared a database that tracks vehicle operators who have been involved in multiple accidents. This information will be made available to the Agency head with

the objective of agencies working to reduce the frequency and severity of automobile accidents.

### 3. Business Continuity Plan

BRIM personnel, Chuck Mozingo and John Fernatt, participated in a class in February in Dallas, Texas studying business continuity. As such, both have been instrumental in developing a BRIM continuity of operations plan in the event of a disaster. Also, both have been working with the Department of Administration to develop a DOA continuity of operations plan in the event of a disaster affecting multiple agencies. Our objective is to also provide this service to our customers as an added benefit to our program.

4. Determine the replacement cost of courthouses and other major buildings of state agencies and County Commissions currently insured in the BRIM state and SB#3 Programs. We completed the RFP process and selected a firm whereby we will convert our data to their software program, analyze that data, then determine what buildings require an appraisal and obtain same on a limited basis.

A determination of the replacement cost of the Capitol and of the Cultural Center has already been made. Due to the magnitude of the project and the historical value of both buildings, an independent appraisal was made. As a result, the value of the Capitol was determined to be approximately \$422 million. The coverage on the Capitol has been increased to \$400 million per occurrence.

### 5. Property Renewal

Our property renewal has been finalized for July 1, 2008. The total insured value (TIV) increased from \$11.912 billion to \$12.350 billion. We increased our coverage limit from \$300 million to \$400 million; however, our cost decreased by \$50,000.

6. Currently there are 11 county commissions in the BRIM program. Eight have renewed. Boone County chose to cancel coverage effective July 1, 2008; we have not received any information as yet on the remaining two.

#### D. Financial Matters

Tom Sauvageot of the West Virginia Investment Management Board (WVIMB) was unable to attend to the previous meeting to discuss possible recommended changes for allocation of BRIM funds invested with the WVIMB. In order to answer any questions the Board may have before deciding whether or not to reallocate the funds, Mr. Sauvageot is here today and will be using a PowerPoint presentation to explain "hedge" fund investing.

#### E. Miscellaneous

1. We have received several applications for the Loss Control Specialist position left vacant upon Valerie's retirement. We hope to have the position filled within the next month.
2. The Underwriting Manager vacancy was filled when Jerry Gladwell was promoted to the Manager position. Several candidates have been interviewed for the Underwriter position, and we have made an offer of employment to an individual who has accepted and will be joining our staff on July 16th.
3. Other notable areas of interest are:
  - The State Risk and Insurance Management (STRIMA) Conference that we are hosting September 14-18 at The Resort at Glade Springs.

You can view progress to date at [www.strimaconf.com](http://www.strimaconf.com)

- Claim audit at AIG
- SAS 70 audit at AIG

- CAFR award for the year end June 30, 2007
- Complete elimination of any unfunded liability
- Renewal of BOE, Aircraft, Boiler and other applicable coverages

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  
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 June 24, 2008

### A. Proposed Investment Asset Class Reallocation

As a result of the passage of SB 438 in March of 2007, the West Virginia Investment Management Board (WVIMB) is recommending that BRIM change the allocation of its investments currently being held by WVIMB. If approved, BRIM's reallocation would begin in July. Mr. Tom Sauvageot, Fixed Income and Real Estate Officer with the WVIMB, is here today to explain the WVIMB's recommendation and to answer any questions.

### B. P Card Report

CD copies contain the supporting detail for "P" card transactions for the period February, 2008 thru April, 2008. The totals by month are:

February	\$25,223.84
March	\$27,008.44
April	\$15,344.60

### C. Interim Financials – 4/30/08

- BRIM's overall financial results for FY'09 continue to be favorable.
- Claims expense for the first ten months reflects the actual claims payments made fiscal year to date as well as adjustments to the estimated outstanding claims reserves based on AON's 3/31/08 quarterly actuarial review and updated thru 4/30/08.
- Investment earnings for the first ten months of FY'09 are \$13.7 million vs. \$18.6 million last year.

### D. SB3 FY2009 Premiums

- Quarterly renewal notices for FY'09 were sent to insureds at the end of May for the SB3 program. The projected annual renewal premium for the program is down almost 19% vs. FY'08. This reduction is the result of fewer insureds in the program and lower rates vs. FY'08. However, it should be noted that individual renewal rates will vary depending on the insured's relative loss history and current exposure rating base.
- FY'09 rates are based on the present value of the projected losses as determined by our actuary.
- The SB3 program net deficit has been eliminated.

### E. Government Finance Officers Association Recognition

Recently BRIM received notification from the Government Finance Officers Association (GFOA) that its comprehensive annual financial report (CAFR) for the year ended June 30, 2007 qualified for the Certificate of Achievement for Excellence in Financial Reporting. This is the highest form of recognition in governmental accounting and financial reporting and represents the 13<sup>th</sup> consecutive year that BRIM has attained this significant accomplishment.



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



	<b>2008</b>	<b>2007</b>
<b>ASSETS</b>		
Short Term Assets		
Cash and Equivalents	\$ 28,716,166	\$ 35,838,333
Advance Deposit with Carrier/Trustee	156,626,367	112,767,727
Receivables - Net	9,504,672	4,437,984
Prepaid Insurance	1,065,720	1,024,631
Total Short Term Assets	195,912,925	154,068,675
Long Term Assets		
Investments	111,987,975	117,871,901
Total Long Term Assets	111,987,975	117,871,901
<b>TOTAL ASSETS</b>	<b>307,900,900</b>	<b>271,940,576</b>
<b>LIABILITIES</b>		
Short Term Liabilities		
Accounts payable	4,323,835	1,126,793
Claims Payable	40,376	218,579
Agents Commissions Payable	1,654,338	1,672,008
Unearned Revenue	12,663,707	14,037,702
Current Estimated Claim Reserve	53,339,877	50,870,127
Total Short Term Liabilities	72,022,133	67,925,209
Long Term Liabilities		
Compensated Absences	200,147	163,620
Estimated Noncurrent Claim Reserve	110,506,581	121,641,987
Total Long Term Liabilities	110,706,728	121,805,607
<b>TOTAL LIABILITIES</b>	182,728,861	189,730,816
Prior Year Net Assets	97,546,877	44,843,685
Current Year Earnings	27,625,162	37,366,075
<b>TOTAL NET ASSETS</b>	125,172,039	82,209,760
<b>TOTAL LIABILITIES AND RETAINED EARNINGS</b>	<b>\$ 307,900,900</b>	<b>\$ 271,940,576</b>

DRAFT - Unaudited - Management Purposes Only

8/30/2008

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



	April 30	
	2008	2007
Operating Revenues		
Premium Revenues	\$ 61,135,372	\$ 67,069,051
Less - Excess Insurance	(5,328,603)	(5,123,155)
Total Operating Revenues	55,806,769	61,945,896
Operating Expenses		
Claims Expense	36,474,090	34,981,964
Property & MS Claims Expense	1,718,442	4,561,210
Personal Services	1,103,982	1,065,753
Operating Expenses	2,627,050	2,527,780
Total Operating Expenses	41,923,564	43,136,707
Operating Income	13,883,205	18,809,189
Nonoperating Revenues		
Court Fees	24,285	19,140
Claim Interest Income	-	189,219
Investment Income	13,717,672	18,348,527
Total Nonoperating Revenues	13,741,957	18,556,886
Net Income	27,625,162	37,366,075

DRAFT - Unaudited - Management Purposes Only

8/30/2008

**Loss Control Report to the Board  
June 2008**

1. We have accepted the bid of the National Safety Council to provide on-line driver training to our state entities. The bid contemplates participation by up to 20,000 state employees. We are currently working on the planning and implementation of the program which will be considered in calculation of premium for fiscal year 2011.
  
5. We recently sent Loss Control Questionnaires to all state agencies. The deadline for their submission to BRIM is August 1, 2008. These questionnaires, and the supporting documentation, will be reviewed for a determination of credits and surcharges for fiscal year 2010.
  
3. We advertised, and have received resumes, to fill the current vacancy within the Loss Control Department. The interview process is underway and we hope to choose a candidate in the very near future.
  
4. The Loss Control Department technical staff, and BRIM Safety Director John Fernatt, have received their OSHA 30 Hour Training Certification as a result of classes that were taken since the last Board Meeting.
  
5. Two boiler and air conditioner system safety and operations seminars were held in April. Over 150 individuals participated in these seminars.
  
6. During the months of April, May, and June, Schirmer conducted 183 inspections and CHUBB conducted 814. The reports are being processed according to established procedures.
  
7. Since my last report, our loss control technical staff reports the following activity:

**9 Loss Control Visits**

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

**31 Standards of Participation Visits**

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

**4 Presentation Visits**

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

Dated:

*6/23/08*

Respectfully submitted,



Robert A. Fisher  
Deputy Director *and* Claim Manager

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

**March 25, 2008**

**BOARD MEMBERS:** John R. Lukens, Chairman  
Bruce Martin, Vice Chairman  
Sherry Cunningham, Member  
Marty Glasser, Member

**HIGHER EDUCATION POLICY COMMISSION:** Richard B. Donovan, Co-Interim Director of Finance and Facilities

**BRIM PERSONNEL:** Charles E. Jones, Jr., Executive Director  
Robert A. Fisher, Deputy Director/Claim Manager  
Stephen W. Schumacher, CPA, CFO  
Melody Duke, Controller  
Chuck Mazingo, Assistant Claim Manager  
Jerry Gladwell, Deputy Underwriting Manager  
Jeremy Wolfe, Loss Control Manager  
Bob Miller, Claim Representative  
Valerie Rist, Loss Control Specialist  
Linda Dexter, Recording Secretary

**BRIM PROGRAM REPRESENTATIVES:** Charles Waugh, AIG

**GUESTS:** Susan Wheeler, Ernst & Young  
Brian Carrico, Marshall University  
Jamie Parker, West Virginia University  
Janet Buckley, Commercial Insurance Agency  
Patti Hamilton, WV Association of Counties

**CALL TO ORDER**

The regular monthly business meeting of the West Virginia Board of Risk and Insurance Management was called to order by the Chairman at 1:05 p.m. on Tuesday, March 25, 2008, 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 13, 2007. 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.

While discussing that part of his report regarding the WVU/Marshall University Medical Malpractice Deductible Program, Mr. Jones noted that in the past 32 months, Marshall has had four (4) medical malpractice claims, and WVU, only 29. Because of the low number of claims during this time frame, Mr. Jones does **not** feel it necessary for WVU and Marshall to continue making the annual deposits to the escrow accounts, provided that the balances as of June 30, 2008---\$3,000,000 for WVU and \$1,500,000 for Marshall---are maintained. After further discussion, Mr. Martin thereafter moved that the Board suspend the annual escrow deposits by WVU and Marshall University effective July 1, 2008, until such time that it is deemed necessary to reinstitute the deposits. Mr. Jones assured the Board that they would be made aware of any problems incurred in replenishing the funds to maintain the above balances. The motion was seconded by Mr. Cunningham. There being no further discussion, a vote was taken and the MOTION ADOPTED.

Mr. Schumacher thereafter presented the Chief Financial Officer's Report. The unaudited balance sheet as of December 31, 2007, and the unaudited income statement for the six months ending December 31, 2007, and the balance sheet and

income statement covering the same period for the State, Senate Bill 3, HB 601 entities and Mine Subsidence were received and filed, copies of which are attached and made a part of the record.

Mr. Schumacher then yielded the floor to Ms. Susan Wheeler of Ernst & Young, LLP, financial auditors for the West Virginia Board of Risk and Insurance Management. At the November 2007 Board Meeting, Ms. Wheeler had presented findings to the BRIM Board on internal control related matters that were identified as "significant deficiencies" in the audit draft of their report titled "Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements in Accordance with Government Auditing Standards". The findings discussed related to risk exposure data and in-house claims. Subsequent to the November 2007 Board Meeting, BRIM management provided further information and explanation to Ernst and Young regarding the potential impact of these two items. Ms. Wheeler was asked to return to today's meeting to clarify the SAS No. 112 information she had previously communicated to the Board as "significant deficiencies" at the November 2007 Board Meeting and to answer any questions the Board may have. During the discussion, Ms. Wheeler explained how the "level of importance" for each topic was decided. Specifically, she addressed the "significant deficiencies" previously communicated to the Board related to risk exposure data and in-house claims. Ernst & Young also consulted with their own actuaries regarding these issues. Upon additional review of the potential impact of these two items, Ernst & Young downgraded their findings from "significant deficiencies" to "control deficiencies" with no potential impact on the financial statements. As a result, they were both removed from the final "Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

Based on an Audit of the Financial Statements in Accordance with Government Auditing Standards" issued by Ernst & Young.

A CD containing copies of the October/November/December 2007 and January 2008 purchasing card invoices was distributed to each Board member. The Chairman signed the acknowledgement form for the August/September 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 2:05 p.m.

---

Board Secretary

---

Date

---

Board Chairman

---

Date

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

**March 25, 2008**

Chairman Lukens

Call to Order

Chairman Lukens

Approval of Board Minutes  
November 13, 2007

**REPORTS**

Charles E. Jones, Jr.  
Executive Director

Executive Director's Report

Susan Wheeler  
Ernst & Young

Update/Clarification of Audit Issues Previously  
Reported at November 13, 2007 Board Meeting

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**



# Executive Director's Report

March 25, 2008

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

- As of February 29, 2008, Marshall has deposited \$1,507,545.61 into the FY 2006-FY 2008 medical malpractice escrow account. The year-to-date cumulative interest totals \$82,384.64. There have been two disbursements in the amounts of \$29.42 and \$73.50.
- As of March 4, 2008, a total of \$2,791,292.80 has been transferred or deposited into WVU's escrow account. Year-to-date, Interest Earnings totaling \$54,568.69 have been posted for FY 2008. Eleven (11) disbursements have been made for FY 2008, thus reflecting a \$256,301.50 change since the November 13, 2007 Executive Director's Report, for a YTD total of \$304,142.82.

For the past three fiscal years, i.e., FY 03, FY, 04 and FY 05, WVU had in excess of 20 medical malpractice claims each year. However, since July 2005, the start of the medical malpractice escrow program, there has been only a total of 29 claims in the 32 months since the inception of the program.

Additionally, for the same 32-month time frame, Marshall University has only had four medical malpractice claims.

Highlights of the medical malpractice escrow program:

Shared limit of liability

Constitutional immunity beyond coverage provided by BRIM

Escrow account established such that by June 30, 2008, WVU will have deposited a total of \$3,000,000, and Marshall will have deposited \$1,500,000.

Occurrence coverage as opposed to claims-made coverage; therefore, no tail coverage is required.

Each institution has a \$250,000 per claim deductible.

Each institution pays all ALAE (claim defense cost).

## B. Litigation

The February 2008 report from AIG for the period ending January 31, 2008 reveals that in January, no cases were tried to verdict. New lawsuits have increased 19.4% over year-to-date 2007; closed lawsuits have increased 23.5%, and pending lawsuits have increased 1.1%.

## C. BRIM Projects

1. Implement a program involving "1-800 How's my driving?"
2. On-line driver training program

The RFP was released on February 29th and bids are due April 7th.

3. Monitoring drivers who are involved in multiple accidents.
4. Business Continuity Plan

BRIM is charged with assisting the Department of Administration in developing business continuity plans for all DOA agencies. Business continuity plans ensure that in the event of a disaster, there are adequate plans in place so that businesses, in this case government, can provide the essential operations necessary to fulfill their mission.

In preparation for completing this objective, BRIM sent two staff members, John Fernatt and Chuck Mozingo, to an extensive nine-day on-site classroom training in Dallas, Texas from February 4-15, 2008. Since then, we have been meeting with representatives from all DOA agencies to help them complete their business continuity plans.

5. Building Replacement Cost Evaluation Software

An RFP for the purchase of the building replacement cost evaluation software was sent out on February 1, 2008. The deadline for submission of written questions was February 25th. The deadline for responding to written questions was March 3rd. Final bids are due March 25th, and the contract award will take place on April 11th.

6. Determine the replacement cost of courthouses and other major buildings of the County Commissions currently insured in the BRIM SB#3 program.

Wells Fargo appraisers completed evaluations on behalf of BRIM on all the remaining county courthouses insured with BRIM. We provided those evaluations to the agents of record for distribution to the respective county commissions.

7. Security Assessments

Our current contract with Schirmer Engineering Corporation is in the process of being extended to include the assessment of the Capitol Building (East and West wings) and overall site review to determine their vulnerability to threats of violence and to plan accordingly. Afterwards, BRIM will be encouraging the Higher Education Agencies to have the same assessments.

D. Financial Matters

- Susan Wheeler of Ernst & Young, LLP, financial auditors for the West Virginia Board of Risk and Insurance Management (BRIM), is here today to clarify some issues raised during their presentation of the annual audit results at the November 13, 2007 Board Meeting.

E. 2008 Legislative Session

- Senate Bill 678 - Liability insurance for county airport authorities - On February 15, 2008, WV Senator John Unger II introduced this bill, the purpose of which is to authorize the State Board of Risk and Insurance Management to provide insurance to county and regional airport authorities and municipal airports. The proposed legislation did not pass.
- House Bill 2077 - A bill to increase the amount of mine subsidence insurance coverage offered by BRIM from \$75,000 to \$125,000. The proposed legislation did not pass.

F. Miscellaneous

- The City of Nitro canceled coverage with BRIM effective February 21, 2008. Prior to that, BRIM had allowed Nitro to pay on a monthly basis to assist them in solving their financial crisis. Nitro left BRIM owing \$60,790 and questioning our process for calculating the amount owed. Nitro subsequently paid the full amount on March 13, 2008.
- In February 2008, all SB#3 entities were sent their premium invoices for the 4th Quarter 2008 billing period.
- Our Underwriting Department is in the process of arranging a meeting with representatives of Chubb to discuss various property issues.
- STRIMA Conference - 9/14-18/08 at Glade Springs Resort
- On March 31st, Valerie Rist of our Loss Control Department will be retiring after almost 33 years of state government service. Valerie joined the BRIM staff in August 2006. Prior to that, she was with the Grievance Board and Racing Commission. We will certainly miss Valerie and extend our best wishes to her for a great retirement!

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  
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 March 25, 2008

### A. Audit Results and Communications Update

- Subsequent to the Board meeting on November 13<sup>th</sup>, management completed a detailed review of the two significant deficiencies as reported in the draft of the "Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements in Accordance with Government Auditing Standards". The draft report results were presented by E&Y to the Board at the meeting. Our review identified additional procedures and controls that mitigated the potential impact that these deficiencies could have on the financial statements as reported in the draft. As a result, both deficiencies were downgraded by E&Y and were removed from the final report.
- Susan Wheeler, with E&Y, had reported these significant deficiencies to the board in her review of the exposure draft of the audit results report presented at the November 13<sup>th</sup> meeting. She is here again today to address E&Y's response regarding BRIM's procedures and conclusions and to explain the rationale for E&Y downgrading their initial exposure draft findings.

### B. P Card Report

- CD copies contain the supporting detail for "P" card transactions for the period October, 2007 thru January, 2008. The totals by month are:

October	\$38,135.91	December	\$22,696.60
November	\$19,323.02	January	\$20,485.89

### C. Interim Financials – 12/31/07

- BRIM's overall financial results continue to improve for FY'08.
- Claims expense for the first six months reflects the actual claims payments made fiscal year to date as well as adjustments to the estimated outstanding claims reserves based on AON's quarterly actuarial review as of 12/31/07.
- Operating income was \$1.5 million better for the second quarter (\$4.6 million) than the first quarter's results (\$3.1 million) of FY'08.
- Investment earnings for the first six months of FY'08 are \$10.1 million vs. \$11.7 million last year.

### D. New Investment Asset Class

- As a result of the passage of SB 438 in March of 2007, the West Virginia Investment Management Board (WVIMB) is recommending that BRIM change the allocation of its investment assets currently being held by WVIMB. BRIM's reallocation should occur in June.

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



December 31

	2007	2006
<b>ASSETS</b>		
Short Term Assets		
Cash and Equivalents	\$ 33,775,066	\$ 31,336,222
Advance Deposit with Carrier/Trustee	139,216,175	103,782,621
Receivables - Net	2,180,029	2,551,590
Prepaid Insurance	3,197,161	3,069,707
Total Short Term Assets	178,368,431	140,740,140
Long Term Assets		
Investments	111,994,762	113,754,114
Total Long Term Assets	111,994,762	113,754,114
<b>TOTAL ASSETS</b>	290,363,193	254,494,254
<b>LIABILITIES</b>		
Short Term Liabilities		
Accounts payable	742,738	902,808
Claims Payable	345,169	1,337,392
Agents Commissions Payable	992,603	1,000,582
Unearned Revenue	9,641,843	10,703,877
Current Estimated Claim Reserve	53,299,196	50,462,585
Total Short Term Liabilities	65,021,549	64,407,244
Long Term Liabilities		
Compensated Absences	200,147	163,620
Estimated Noncurrent Claim Reserve	109,806,397	121,144,844
Total Long Term Liabilities	110,006,544	121,308,464
<b>TOTAL LIABILITIES</b>	175,028,093	185,715,708
Prior Year Net Assets	97,546,877	44,843,685
Current Year Earnings	17,788,223	23,934,861
<b>TOTAL NET ASSETS</b>	115,335,100	68,778,546
<b>TOTAL LIABILITIES AND RETAINED EARNINGS</b>	\$ 290,363,193	\$ 254,494,254

DRAFT - Unaudited - Management Purposes Only

8/30/2008

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



	<b>December 31</b>	
	<b>2007</b>	<b>2006</b>
Operating Revenues		
Premium Revenues	\$ 37,309,441	\$ 40,757,428
Less - Excess Insurance	(3,197,161)	(3,069,707)
Total Operating Revenues	34,112,280	37,687,721
Operating Expenses		
Claims Expense	22,695,341	21,082,982
Property & MS Claims Expense	1,416,442	2,406,408
Personal Services	674,470	637,045
Operating Expenses	1,660,365	1,510,786
Total Operating Expenses	26,446,618	25,637,221
Operating Income	7,665,662	12,050,500
Nonoperating Revenues		
Court Fees	16,805	12,210
Claim Interest Income	-	189,219
Investment Income	10,105,756	11,682,932
Total Nonoperating Revenues	10,122,561	11,884,361
Net Income	17,788,223	23,934,861

DRAFT - Unaudited - Management Purposes Only

8/30/2008

**West Virginia Board of Risk and Insurance Management**  
**UNAUDITED BALANCE SHEET**  
**December 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	\$ 18,046,722	\$ 5,212,303	\$ 5,322,949	\$ 5,193,092	\$ 33,775,066
Deposits Held by Carrier/Trustee	73,352,327	65,863,848	-	-	\$ 139,216,175
Receivables - Net	1,177,179	631,001	371,849	-	\$ 2,180,029
Prepaid Insurance	1,146,280	2,050,881	-	-	\$ 3,197,161
<b>Total Short Term Assets</b>	<b>93,722,508</b>	<b>73,758,033</b>	<b>5,694,798</b>	<b>5,193,092</b>	<b>178,368,431</b>
<b>Long Term Assets</b>					
Investments	66,341,982	21,605,652	24,047,128	-	111,994,762
<b>Total Long Term Assets</b>	<b>66,341,982</b>	<b>21,605,652</b>	<b>24,047,128</b>	<b>-</b>	<b>111,994,762</b>
<b>Total Assets</b>	<b>\$ 160,064,490</b>	<b>\$ 95,363,685</b>	<b>\$ 29,741,926</b>	<b>\$ 5,193,092</b>	<b>\$ 290,363,193</b>
<b>Liabilities</b>					
<b>Short Term Liabilities</b>					
Accounts payable	207,698	487,653	19,093	28,294	742,738
Claims Payable	18,059	322,110	-	5,000	345,169
Agents Commissions Payable	-	992,603	-	-	992,603
Unearned Revenue	-	8,937,229	704,614	-	9,641,843
Current Claim Reserve	25,381,649	27,141,182	671,318	105,047	53,299,196
<b>Total Short Term Liabilities</b>	<b>25,607,406</b>	<b>37,880,777</b>	<b>1,395,025</b>	<b>138,341</b>	<b>65,021,549</b>
<b>Long Term Liabilities</b>					
Compensated Absences	109,425	85,202	5,045	475	200,147
Claim Reserve IBNR	50,504,132	58,767,079	377,616	157,570	109,806,397
<b>Total Long Term Liabilities</b>	<b>50,613,557</b>	<b>58,852,281</b>	<b>382,661</b>	<b>158,045</b>	<b>110,006,544</b>
<b>Total Liabilities</b>	<b>76,220,963</b>	<b>96,733,058</b>	<b>1,777,686</b>	<b>296,386</b>	<b>175,028,093</b>
Prior Year Net Assets	72,167,675	(5,737,650)	26,419,521	4,697,331	97,546,877
Current Year Earnings	11,675,852	4,368,277	1,544,719	199,375	17,788,223
<b>Total Net Assets</b>	<b>83,843,527</b>	<b>(1,369,373)</b>	<b>27,964,240</b>	<b>4,896,706</b>	<b>115,335,100</b>
<b>Total Liabilities and Retained Earnings (Deficiency)</b>	<b>\$ 160,064,490</b>	<b>\$ 95,363,685</b>	<b>\$ 29,741,926</b>	<b>\$ 5,193,092</b>	<b>\$ 290,363,193</b>



**West Virginia Board of Risk and Insurance Management**  
**Unaudited Income Statement**  
**for the six months ending December 31, 2007**



	<b>Total State</b>	<b>Total SB3</b>	<b>Mine Subsidence</b>	<b>BRIM HB 601</b>	<b>Total</b>
Operating Revenues					
Premium Revenues	\$ 18,270,023	\$ 17,982,071	\$ 1,057,347	\$ -	\$ 37,309,441
Less: Excess Insurance	\$ (1,146,279)	\$ (2,050,882)	\$ -	\$ -	\$ (3,197,161)
Total Operating Revenues	<u>\$ 17,123,744</u>	<u>\$ 15,931,189</u>	<u>\$ 1,057,347</u>	<u>\$ -</u>	<u>\$ 34,112,280</u>
Operating Expenses					
Claim and Claim Adjustment Expense-Indemnity	10,000,080	14,022,113	149,129	(59,539)	24,111,783
Personal Services-Payroll	383,079	274,438	16,953	-	674,470
General and Administrative Expense	350,040	1,303,970	5,606	749	1,660,365
Total Operating Expenses	<u>10,733,199</u>	<u>15,600,521</u>	<u>171,688</u>	<u>(58,790)</u>	<u>26,446,618</u>
Operating Income (Loss)	6,390,545	330,668	885,659	58,790	7,665,662
Nonoperating Revenues					
Claim Interest Income	-	-	-	-	-
Interest Income	5,285,307	4,037,609	659,060	123,780	10,105,756
Court Fees	-	-	-	16,805	16,805
Total Nonoperating Revenue	<u>5,285,307</u>	<u>4,037,609</u>	<u>659,060</u>	<u>140,585</u>	<u>10,122,561</u>
Net Income (Loss)	<u>\$ 11,675,852</u>	<u>\$ 4,368,277</u>	<u>\$ 1,544,719</u>	<u>\$ 199,375</u>	<u>\$ 17,788,223</u>

## **Loss Control Report to the Board March 2008**

- 1) Loss Control Specialist Valerie Rist has announced her retirement which is to be effective March 31<sup>st</sup>. We wish her well in her future endeavors and are very appreciative of the valuable service she provided to both our agency and our insured.
- 2) We are beginning the process of replacing Valerie, as her position is very important to the loss control department and the agency.
- 3) Loss Control Specialist Jill Farrar-Brown welcomed Jenna Marie Brown into the world on March 14, 2008. Jill is expected to be off-work six weeks on maternity leave.
- 4) We have finalized the evaluations of the Loss Control Questionnaires that were submitted by Senate Bill #3 entities. Some entities failed to submit their questionnaire and reminder letters were sent to those entities. Entities that fail to submit a questionnaire and supporting documentation will receive a surcharge. The credits and surcharges will apply to FY 09 premium.
- 5) With the Senate Bill #3 Standards of Participation evaluation period over, loss control visits have resumed. The coming months look to be very busy with loss control visits.
- 6) The process to renew the on-line defensive driving training services has begun. An RFP was issued and bids are due by April 7, 2008. The on-line driver training initiative is expected to allow up to 20,000 state drivers to participate in this important program.
- 7) In April, BRIM and Chubb will offer two boiler and air conditioning system safety and operation seminars. The seminars are designed to educate and inform participants on the everyday operations of boilers and air conditioning systems, as well as the safety pertaining to maintenance of such machinery.
- 8) We have approached Schirmer Engineering Corporation (SEC) with regard to possibly expanding their services to us to include additional assessments at the Capitol campus.
- 9) During the months of November, December, January and February, SEC conducted 353 inspections and CHUBB Conducted 879. The reports are being processed according to established procedures.
- 10) Since my last report, our loss control technical staff reports the following activity:

(I would note that the number appears lower than one might expect for the extended period since the last report. This is due to the holidays and the fact that January and much of February was devoted to review and assessment of the Senate Bill #3 Loss Control Questionnaires and the voluminous documentation that is received with these questionnaires.)

### **6 Loss Control Visits**

These are standard loss control visits which focus on all coverage

**Loss Control Report to the Board  
March 2008**

areas and which result in information and/or loss control recommendations being provided.

**41 Standards of Participation Visits**

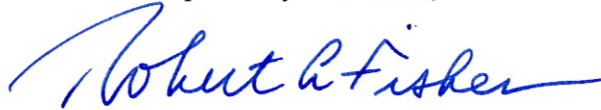
These are visits which are designed to provide assistance to our insured who are seeking to become compliant with the BRIM Standards of Participation program.

**4 Presentation Visits**

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

Dated: 3-21-2008

Respectfully submitted,



Robert A. Fisher  
Deputy Director *and* Claim Manager

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

**November 13, 2007**

**BOARD  
MEMBERS:**

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

**BRIM PERSONNEL:**

Charles E. Jones, Jr., Executive Director  
Robert Fisher, Deputy Director/Claim Manager  
Stephen W. Schumacher, CPA, CFO  
Melody Duke, Controller  
Chuck Mazingo, Assistant Claim Manager  
Jerry Gladwell, Deputy Underwriting Manager  
Jeremy Wolfe, Loss Control Manager  
Valerie Rist, Loss Control Specialist  
Jill Farrar-Brown, Loss Control Specialist  
Jennifer Schiefer, Loss Control Specialist  
Charlie Warner, Loss Control Specialist  
Linda Dexter, Recording Secretary

**INSURANCE  
COMMISSION  
REPRESENTATIVES:**

Mike Riley, Director of Financial Conditions  
*(serving as a representative for the Board Secretary)*

**BRIM PROGRAM  
REPRESENTATIVES:**

Charles Waugh, AIG  
Joanna Valleau, AIG  
Harry "Skip" Morris, Wells Fargo

**GUESTS:**

Matthew South, AON Risk Consultants  
Susan Wheeler, Ernst & Young  
Ed Phillips, WVU Health Sciences Center  
Michael J. Gansor, WVU  
Beth Hammers, Marshall University SOM  
Brian Carrico, Marshall University  
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 1:05 p.m. on Tuesday, November 13, 2007, 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 September 25, 2007. 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 also noted there are currently three major ongoing projects----a "business continuity" plan, a "building evaluation" plan which utilizes a special software program for achieving maximum results, and a security assessment of higher education facilities, precipitated by the devastation which occurred at Virginia Tech.

Mr. Schumacher then yielded the floor to Mr. Pat South of AON Risk Consultants, our actuary, who presented the annual actuarial review, which information was extracted from the Risk Funding Study as of June 30, 2007, with the focus of his presentation on the Senate Bill #3 entities.

Ms. Susan Wheeler of Ernst & Young, LLP, financial auditors for the West Virginia Board of Risk and Insurance Management, thereafter presented the annual audit results. The report entitled "West Virginia Board of Risk and Insurance Management, Audit Results and Communications, Report to the Board of Directors and Management" was distributed to the Board Members, and was thereafter received and filed.

During her presentation, Ms. Wheeler summarized that the financial condition of BRIM has improved from the prior year, and there has been a significant reduction in claim liability. She also noted that BRIM continues to receive the Government Finance Officers Association (GFOA) Certificate of Financial Achievement.

Mr. Schumacher thereafter presented the Chief Financial Officer's Report. The unaudited balance sheet as of September 30, 2007, and the unaudited income statement for the three months ending September 30, 2007 were received and filed, copies of which are attached and made a part of the record.

A CD containing copies of the August/September 2007 purchasing card invoices was distributed to each Board member. The Chairman signed the acknowledgement form for the June and July 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 2:18 p.m.

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

\_\_\_\_\_  
Date

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

\_\_\_\_\_  
Date

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

**November 13, 2007**

Chairman Lukens

Call to Order

Chairman Lukens

Approval of Board Minutes  
September 25, 2007

**REPORTS**

Charles E. Jones, Jr.  
Executive Director

Executive Director's Report

Stephen W. Schumacher, CPA  
Chief Financial Officer

June 30, 2007 Actuarial Report from AON  
June 30, 2007 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**



# **Executive Director's Report**

**November 13, 2007**

## **A. Marshall University/WVU Medical Malpractice Deductible Program**

Because of the merger of the Bank of New York and Mellon Financial Corp. on 7/1/07, our fixed income asset account will now be handled by Standish Mellon Asset Management

- As of October 31, 2007, a total of \$1,507,545.61 had been deposited in Marshall's escrow account for FY 2006-FY 2008. The year-to-date cumulative interest totals \$59,656.22. There have been no disbursements, although one malpractice claim was filed during FY 2006.
- As of October 31, 2007, a total of \$2,291,292.80 has been transferred or deposited into WVU's escrow account. Year-to-date, Interest Earnings totaling \$18,524.99 have been posted for FY 2008. Four disbursements have been made for FY 2008, thus reflecting no change since the September 25, 2007 Executive Director's Report.

## **B. Litigation**

The October 2007 report from AIG for the period ending September 30, 2007 reveals that in September, no cases were tried to verdict, and year-to-date, three cases have been tried to defense verdicts. New lawsuits are down 8% as compared to year-to-date 2006.

C. BRIM Projects

1. Novation Claims and Fiscal Years 96, 97, 98, 99 and 2000

FY 96	Open Claims	6	SSU	2	SB 3	4
FY 97		2		1		1
FY 98		12		7		5
FY 99		9		5		4
FY 00		6		4		2
	Total	35		19		16

Novation 3 GL Claims Open  
4 Wrongful Act Claims Open

- a. \$24 million deposit
- b. Each of these years has a required security deposit of at least \$1.8 million.
- c. Attempt to resolve those remaining open claims and restructure the security requirement with AIG.

2. Implement a program involving 1-800 How's my driving?

Issue a RFP to select a vendor to implement a program whereby stickers are placed on State vehicles with a toll-free number so the general public can call to report inappropriate driving.

3. On-line driver training program

Web-based training program to educate State drivers in the area of defensive driving. The objective is to reduce the number of accidents and the costs attendant with those accidents.

4. Monitoring drivers who are involved in multiple accidents.

5. Business Continuity Plan

Develop a plan to assist State agencies in reorganizing and resuming operations after a disaster.

6. Purchase Marshall-Swift/Boeckh building replacement cost evaluation software to determine replacement values for State buildings.
7. Determine the replacement cost of court houses and other major buildings of the County Commissions currently insured in the BRIM SB#3 program.
  - a. Well Fargo is completing this at no cost.
  - b. Anticipated completion date is Dec. 31, 2007.
8. Security Assessment of Higher Education Facilities

Work with Schirmer Engineering Corporation to assist Higher Education Agencies in assessing their vulnerability to threats of violence and to plan accordingly.

#### D. Miscellaneous

- On Wednesday, 11/07, all SB#3 entities were sent their premium invoices for the 3Q '08 billing period.
- Several of us attended Bob Mitts' retirement luncheon on 10/31/07 to wish him well.

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  
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 November 13, 2007

### A. Actuarial Risk Funding Study

- The Risk Funding Study as of June 30, 2007 has been completed.

### B. Audit Results and Communications

- The audit of the annual financial statements for FY'07 has been completed.
- Total reserves reflect the actuarial estimates as of June 30, 2007. The reserves are down vs. FY'06 by approximately \$14.5 million with the decline coming primarily from the lower reserves for medical malpractice claims.
- Income reported for the fiscal year is \$52.7 million vs. \$44.3 million for FY'06.

### C. P Card Report

- CD copies contain the supporting detail for P card purchases for the months of August and September, 2007. These totals are:

August	\$39,441.46
September	\$2,811.18

### D. Interim Financials – 9/30/07

- BRIM's overall financial position improved for the first quarter of FY'08.
- Premium Revenue thru September reflects the premiums earned for the first three months of FY'08.
- Claims Expense thru September reflects the actual claims payments made for the first quarter as well as an increase in estimated outstanding claims reserves.

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



**September 30**

	<b>2007</b>	<b>2006</b>
<b>ASSETS</b>		
Short Term Assets		
Cash and Equivalents	\$ 31,669,286	\$ 30,651,336
Advance Deposit with Carrier/Trustee	126,899,160	98,497,808
Receivables - Net	2,964,414	1,543,705
Prepaid Insurance	3,464,716	3,517,768
Total Short Term Assets	164,997,576	134,210,617
Long Term Assets		
Investments	118,931,349	110,019,653
Total Long Term Assets	118,931,349	110,019,653
<b>TOTAL ASSETS</b>	<b>283,928,925</b>	<b>244,230,270</b>
<b>LIABILITIES</b>		
Short Term Liabilities		
Accounts payable	2,049,052	1,208,800
Claims Payable	140,279	75,076
Agents Commissions Payable	2,481,507	513,659
Unearned Revenue	9,853,427	10,934,810
Current Estimated Claim Reserve	54,853,556	51,706,302
Total Short Term Liabilities	69,377,821	64,438,647
Long Term Liabilities		
Compensated Absences	200,147	163,620
Estimated Noncurrent Claim Reserve	108,657,526	124,962,701
Total Long Term Liabilities	108,857,673	125,126,321
<b>TOTAL LIABILITIES</b>	178,235,494	189,564,968
Prior Year Net Assets	97,546,877	44,843,685
Current Year Earnings	8,146,554	9,821,617
<b>TOTAL NET ASSETS</b>	105,693,431	54,665,302
<b>TOTAL LIABILITIES AND RETAINED EARNINGS</b>	<b>\$ 283,928,925</b>	<b>\$ 244,230,270</b>

DRAFT - Unaudited - Management Purposes Only

8/30/2008

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



	<b>September 30</b>	
	<b>2007</b>	<b>2006</b>
Operating Revenues		
Premium Revenues	\$ 18,700,472	\$ 20,480,348
Less - Excess Insurance	(1,154,515)	(1,527,471)
Total Operating Revenues	17,545,957	18,952,877
Operating Expenses		
Claims Expense	13,358,418	13,038,361
Property & MS Claims Expense	110,508	1,618,642
Personal Services	345,521	324,772
Operating Expenses	669,019	778,698
Total Operating Expenses	14,483,466	15,760,473
Operating Income	3,062,491	3,192,404
Nonoperating Revenues		
Court Fees	8,210	7,260
Claim Interest Income	-	-
Investment Income	5,075,853	6,621,953
Total Nonoperating Revenues	5,084,063	6,629,213
Net Income	8,146,554	9,821,617

DRAFT - Unaudited - Management Purposes Only

8/30/2008

**West Virginia Board of Risk and Insurance Management**  
**UNAUDITED BALANCE SHEET**  
**September 30, 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	\$ 20,008,117	\$ 1,783,878	\$ 4,773,821	\$ 5,103,470	\$ 31,669,286
Deposits Held by Carrier/Trustee	65,920,711	60,978,449	-	-	\$ 126,899,160
Receivables - Net	1,724,256	868,309	371,849	-	\$ 2,964,414
Prepaid Insurance	1,213,785	2,250,931	-	-	\$ 3,464,716
<b>Total Short Term Assets</b>	<b>88,866,869</b>	<b>65,881,567</b>	<b>5,145,670</b>	<b>5,103,470</b>	<b>164,997,576</b>
<b>Long Term Assets</b>					
Investments	65,779,001	29,309,285	23,843,063	-	118,931,349
<b>Total Long Term Assets</b>	<b>65,779,001</b>	<b>29,309,285</b>	<b>23,843,063</b>	<b>-</b>	<b>118,931,349</b>
<b>Total Assets</b>	<b>\$ 154,645,870</b>	<b>\$ 95,190,852</b>	<b>\$ 28,988,733</b>	<b>\$ 5,103,470</b>	<b>\$ 283,928,925</b>
<b>Liabilities</b>					
<b>Short Term Liabilities</b>					
Accounts payable	955,327	1,079,702	13,842	181	2,049,052
Claims Payable	17,981	122,298	-	-	140,279
Agents Commissions Payable	-	2,481,507	-	-	2,481,507
Unearned Revenue	-	9,148,813	704,614	-	9,853,427
Current Claim Reserve	25,356,517	28,742,786	609,888	144,365	54,853,556
<b>Total Short Term Liabilities</b>	<b>26,329,825</b>	<b>41,575,106</b>	<b>1,328,344</b>	<b>144,546</b>	<b>69,377,821</b>
<b>Long Term Liabilities</b>					
Compensated Absences	109,425	85,202	5,045	475	200,147
Claim Reserve IBNR	50,848,018	57,249,898	343,062	216,548	108,657,526
<b>Total Long Term Liabilities</b>	<b>50,957,443</b>	<b>57,335,100</b>	<b>348,107</b>	<b>217,023</b>	<b>108,857,673</b>
<b>Total Liabilities</b>	<b>77,287,268</b>	<b>98,910,206</b>	<b>1,676,451</b>	<b>361,569</b>	<b>178,235,493</b>
Prior Year Retained Earnings (Deficiency)	72,167,675	(5,737,650)	26,419,521	4,697,331	97,546,877
Retained Earnings (Deficiency)	5,190,927	2,018,296	892,761	44,570	8,146,554
<b>Total Retained Earnings (Deficiency)</b>	<b>77,358,602</b>	<b>(3,719,354)</b>	<b>27,312,282</b>	<b>4,741,901</b>	<b>105,693,431</b>
<b>Total Liabilities and Retained Earnings (Deficiency)</b>	<b>\$ 154,645,870</b>	<b>\$ 95,190,853</b>	<b>\$ 28,988,733</b>	<b>\$ 5,103,470</b>	<b>\$ 283,928,925</b>

**West Virginia Board of Risk and Insurance Management**  
**Unaudited Income Statement**  
**for the three months ending September 30, 2007**



	<b>Total State</b>	<b>Total SB3</b>	<b>Mine Subsidence</b>	<b>BRIM HB 601</b>	<b>Total</b>
Operating Revenues					
Premium Revenues	\$ 9,196,916	\$ 8,985,810	\$ 517,746	\$ -	\$ 18,700,472
Less: Excess Insurance	\$ (404,204)	\$ (750,311)	\$ -	\$ -	\$ (1,154,515)
Total Operating Revenues	<u>\$ 8,792,712</u>	<u>\$ 8,235,499</u>	<u>\$ 517,746</u>	<u>\$ -</u>	<u>\$ 17,545,957</u>
Operating Expenses					
Claim and Claim Adjustment Expense-Indemnity	5,950,648	7,504,573	8,242	5,463	13,468,926
Personal Services-Payroll	224,110	114,457	6,954	-	345,521
General and Administrative Expense	110,937	555,135	2,329	618	669,019
Total Operating Expenses	<u>6,285,695</u>	<u>8,174,165</u>	<u>17,525</u>	<u>6,081</u>	<u>14,483,466</u>
Operating Income (Loss)	2,507,017	61,334	500,221	(6,081)	3,062,491
Nonoperating Revenues					
Claim Interest Income	-	-	-	-	-
Interest Income	2,683,910	1,956,962	392,540	42,441	5,075,853
Court Fees	-	-	-	8,210	8,210
Total Nonoperating Revenue	<u>2,683,910</u>	<u>1,956,962</u>	<u>392,540</u>	<u>50,651</u>	<u>5,084,063</u>
Net Income (Loss)	<u>\$ 5,190,927</u>	<u>\$ 2,018,296</u>	<u>\$ 892,761</u>	<u>\$ 44,570</u>	<u>\$ 8,146,554</u>



## **Loss Control Report to the Board November 2007**

1. On October 22, 2007 we sent Loss Control Questionnaires to all of our Senate Bill #3 customers. The deadline for submitting the questionnaires to BRIM is January 1, 2008. These questionnaires will be evaluated and the appropriate Loss Control credits or surcharges will be applied to FY09 premiums.
2. BRIM and Chubb sponsored two boiler safety and operational seminars on November 7<sup>th</sup> and the 8<sup>th</sup>. The first was held at West Virginia State University and the second was held at the Bridgeport Conference Center. More than 120 individuals participated in the seminars.
3. During the months of October and November, SEC conducted 13 inspections and CHUBB conducted 395. The reports are being processed according to established procedures. It should be noted that SEC just increased the size of its staff and this should affect the inspections it is doing for BRIM.
4. Since my last report, our loss control technical staff reports the following activity:

### **11 Loss Control Visits**

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

### **41 Standards of Participation Visits**

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

### **7 Presentation Visits**

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

### **1 Continuing Education Event:**

Valerie Rist and Jennifer Schiefer are learning to "Train the Trainer" at a Division of Personnel training event being held from November 6<sup>th</sup> through November 9<sup>th</sup>.

Dated:

Respectfully submitted,

Robert A. Fisher  
Deputy Director *and* Claim Manager

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

**September 25, 2007**

**BOARD**

**MEMBERS:**

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

**BRIM PERSONNEL:**

Charles E. Jones, Jr., Executive Director  
Stephen W. Schumacher, CPA, CFO  
Bob Mitts, Underwriting Manager  
Jerry Gladwell, Deputy Underwriting Manager  
Jeremy Wolfe, Loss Control Manager  
Melody Duke, Controller  
Chuck Mozingo, Assistant Claim Manager  
Barbara Houchins, Claim Representative  
Jill Farrar-Brown, Loss Control Specialist  
Valerie D. Rist, Loss Control Specialist  
Charlie Warner, Loss Control Specialist  
Jennifer Schiefer, Loss Control Specialist  
Linda Dexter, Recording Secretary

**INSURANCE  
COMMISSION**

**REPRESENTATIVES:**

Bill Kenny, Deputy Commissioner

**BRIM PROGRAM**

**REPRESENTATIVES:**

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

**GUESTS:**

Sandy Price, WVU Health Sciences  
Michael J. Gansor, WVU Health Sciences  
Joanna Valleau, AIG  
Janet L. Buckley, Commercial Insurance  
David Stump, Commercial Insurance  
Beth Hammers, Marshall University SOM  
Brian Carrico, Marshall University  
Phil Kabler, "*Charleston Gazette*"

### **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 1:06 p.m. on Tuesday, September 25, 2007, 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 24, 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 report, Mr. Jones noted that recent activity of the West Virginia Counties Group Self-Insurance Risk Pool (WVCoRP), which has presented itself to be an alternative to BRIM, has been very minimal. The Logan County Commission, that initially was insured through the BRIM program and then enrolled in WVCoRP, has returned to the BRIM program.

Mr. Schumacher thereafter presented the Chief Financial Officer's Report. The unaudited balance sheet as of June 30, 2007, and the unaudited income statement for the eleven months ending June 30, 2007 were received and filed, copies of which are attached and made a part of the record.

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

The Loss Control Report was presented by Jeremy Wolfe, the Loss Control Manager. The report was received and filed and is attached and made a part of the record.

#### **UNFINISHED BUSINESS**

There was no unfinished business.

#### **NEW BUSINESS**

Mr. Jones announced the retirement of Bob Mitts, Underwriting Manager, effective November 2, 2007 (thereafter changed to October 31st), which was thereafter followed by congratulations from the Board.

#### **ADJOURNMENT**

There being nothing further, the meeting adjourned at 1:52 p.m.

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

\_\_\_\_\_  
Date

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

\_\_\_\_\_  
Date

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

**September 25, 2007**

Chairman Lukens

Call to Order

Chairman Lukens

Approval of Board Minutes  
July 24, 2007

**REPORTS**

Charles E. Jones, Jr.  
Executive Director

Executive Director's Report

Stephen W. Schumacher, CPA  
Chief Financial Officer

Financial Report  
P-Card Report

Jeremy Wolfe  
Loss Control Manager

Loss Control Report

**UNFINISHED BUSINESS**

**NEW BUSINESS**

**ADJOURNMENT**

## **Executive Director's Report**

**September 25, 2007**

### **A. Marshall University/WVU Medical Malpractice Deductible Program**

- As of August 31, 2007, a total of \$1,507,545.61 had been deposited in Marshall's escrow account for the FY 2006 and FY 2007 years. The year-to-date cumulative interest totals \$46,373.64. There have been no disbursements. However, currently there has been one medical malpractice claim filed against Marshall University since the beginning of Fiscal Year 2006, which started on July 1, 2005.
- As of August 31, 2007, the interest earned on the total deposit of \$1,733,161.69 for WVU during the FY '06 is \$60,242.97. As of the same date, interest earned on the FY '07 deposits totaling \$1,000,000 is \$32,976.24. For the '06 fiscal year, ten disbursements have been made totaling \$785,017.10; for the FY '07, two disbursements totaling \$71.00.
- Currently, there are 14 medical malpractice claims attributed to WVU for the combined fiscal years 2006 and 2007.
- On September 12th, we received correspondence from the State Treasurer's Office (STO) stating that as of September 1, 2007, they had consolidated the FY 2006 and FY 2007 accounts into one, WVU Board of Governors/BRIM Account No. 4127-7465, as per the request of WVU.
- Today, September 25, 2007, the State Treasurer's Office will process four withdrawals in the amounts of \$344.20, \$5,689.36,

\$51.73 and \$41,756.03 (withdrawals totaling \$47,841,32) from the FY 2006 West Virginia University (WVU) escrow account.

Escrow Account Payment History

	WVU	Marshall	Avg. Earnings
FY 2006	\$1,000,000	\$500,000	5%
FY 2007	\$1,000,000	\$500,000	
FY 2008	*	\$500,000	

\*First quarterly payment of \$250,000 is being processed

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

The only activity to report since the last Board Meeting is that the Logan County Commission decided to return to BRIM for insurance coverage.

Arrangements have been made with our broker, Wells Fargo, to appraise the main buildings owned by the County Commissions still insured through BRIM and determine the approximate functional replacement cost. This is being completed without charge by Wells Fargo.

C. Interims/Legislative Issues

One issue is the absence of Uninsured Motorist Coverage and Underinsured Motorist Coverage for State Agency vehicles. UMC/UIMC is provided for Senate Bill # customers.

It is believed that an employee who is operating a state vehicle, and is injured on the job by an uninsured or underinsured motorist, has workers' compensation coverage to rely upon. The injured worker also can rely upon PEIA, the state's health insurance program.

It may be unconstitutional for the state to assume the liabilities of others (the uninsured motorist/underinsured motorist) in order to provide UMC/UIMC on state vehicles.

D. Litigation

The August 2007 report from AIG for the period ending July 31, 2007 reveals that one case was tried to a defense verdict in July and that year-to-date, three cases have been tried to defense verdicts.

E. Loss Control

BRIM Loss Control Department participated in a Campus Workplace Violence Conference sponsored by the West Virginia Higher Education Policy Commission at West Virginia State University.

F. Miscellaneous

- State Risk Insurance Management Association (STRIMA)

Robert Fisher, June Butterfield, Chuck Mozingo and I recently returned from the annual 2007 STRIMA Conference, this year held at the Portland Marriott in Portland, Maine. The STRIMA Conference in Portland, Maine was the most heavily attended state risk management conference to date. There were 185 attendees. There were 45 dues paying states with 29 states represented and three Canadian provinces. The educational sessions included topics on:

The Talent Crisis:	Statistics have shown that the number of advanced designations; i.e., ARM, ARM-P, CPCU, have decreased over the years affecting insurance companies, etc.
Fright Flight:	Assists state is determining adequate limits of liability to meet aviation needs.
Emerging Claims:	Claim trends such as "mass tort" litigation.
Cyberspace:	More business is conducted electronically created new risks.
Document Management:	Imaging and paperless claim files.



E-Discovery:	Methods of compliance for making available the production of certain electronic records.
Campus and Work-place Violence:	Recognizing the role of risk management in campus or workplace violence prevention.
EPL Trends:	Employment Liability lawsuits trends.
Insuring the Irreplaceable:	Insuring Fine Arts; identifying those exposures.
FEMA:	Working with FEMA--before, during and after a disaster.

- The 2008 STRIMA Conference will be hosted by BRIM on behalf of the State of West Virginia in September at the Glade Springs Resort. The conference dates are September 14-18, 2008. The Executive Board will meet in April to determine the educational sessions for the 2008 conference. We not only hope for a great conference but expect to generate a little revenue for our state! In fact, I expect that a few conference attendees will take advantage of the many vacation sites our state has to offer after the conference.
- We are currently evaluating our premium calculation software and may issue a Request for Proposal in order to enhance our ability to rate entities both by exposure and by experience. This process may take several months and potentially cost approximately \$200,000 plus an annual maintenance fee.

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  
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 25, 2007

### A. Financial Report

- The FY'07 audit by Ernst & Young should be completed by mid-October. No significant issues or proposed adjustments have been brought to our attention during the audit.
- The total reserves in the unaudited financial statements are the actuarially estimated reserves as reflected in the draft of the risk funding study as of June 30, 2007. The total reserves are down vs. FY'06 by approximately \$14.5 million with the decrease coming primarily from lower reserves for medical malpractice claims.
- Net income reported for the fiscal year is \$52.7 million vs. \$44.3 million for FY'06. The increase was driven by better investment returns in FY'07.
- BRIM total net assets at fiscal year end are \$97.5 million.
- The only program with a deficit at June 30, 2007 is Senate Bill 3. During FY'07, the Senate Bill 3 program deficit was reduced by an additional \$9.8 million from \$15.5 million to \$5.7 million.

### B. Actuarial Risk Funding Study

- Aon's peer review of their risk funding study as of June 30, 2007 has been completed and the final report will be issued by Aon in October. No changes are anticipated in the final report.

### C. P Card Report

- CD copies contain the supporting detail for P card purchases for the months of June and July, 2007. These totals are:

June	\$37,031.09
July	\$5,981.82

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



**June 30**

	<b>2007</b>	<b>2006</b>
<b>ASSETS</b>		
Short Term Assets		
Cash and Equivalents	\$ 33,083,469	\$ 41,756,159
Advance Deposit with Carrier/Trustee	115,835,475	84,304,139
Receivables - Net	2,556,723	1,249,277
Prepaid Insurance	-	-
Total Short Term Assets	151,475,667	127,309,575
Long Term Assets		
Investments	117,127,099	105,465,485
Total Long Term Assets	117,127,099	105,465,485
<b>TOTAL ASSETS</b>	<b>268,602,766</b>	<b>232,775,060</b>
<b>LIABILITIES</b>		
Short Term Liabilities		
Accounts payable	631,793	756,714
Claims Payable	15,679	32,407
Agents Commissions Payable	1,985,206	2,014,278
Unearned Revenue	8,659,136	10,891,902
Current Estimated Claim Reserve	50,851,320	46,764,939
Total Short Term Liabilities	62,143,134	60,460,240
Long Term Liabilities		
Compensated Absences	200,147	163,620
Estimated Noncurrent Claim Reserve	108,712,608	127,307,515
Total Long Term Liabilities	108,912,755	127,471,135
<b>TOTAL LIABILITIES</b>	171,055,889	187,931,375
Prior Year Net Assets	44,843,685	526,803
Current Year Earnings	52,703,192	44,316,882
<b>TOTAL NET ASSETS</b>	97,546,877	44,843,685
<b>TOTAL LIABILITIES AND RETAINED EARNINGS</b>	<b>\$ 268,602,766</b>	<b>\$ 232,775,060</b>

DRAFT - Unaudited - Management Purposes Only

8/30/2008

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



	<b>June 30</b>	
	<b>2007</b>	<b>2006</b>
Operating Revenues		
Premium Revenues	\$ 80,248,065	\$ 82,823,639
Less - Excess Insurance	(6,150,738)	(4,144,727)
Total Operating Revenues	74,097,327	78,678,912
Operating Expenses		
Claims Expense	30,253,950	33,685,054
Property & MS Claims Expense	4,881,654	3,391,603
Personal Services	1,281,615	1,215,032
Operating Expenses	3,023,322	2,964,735
Total Operating Expenses	39,440,541	41,256,424
Operating Income	34,656,786	37,422,488
Nonoperating Revenues		
Court Fees	24,585	28,381
Claim Interest Income	189,219	-
Investment Income	17,832,602	6,866,013
Total Nonoperating Revenues	18,046,406	6,894,394
Net Income	52,703,192	44,316,882

**West Virginia Board of Risk and Insurance Management**  
**UNAUDITED BALANCE SHEET**  
**June 30, 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	\$ 20,919,105	\$ 2,828,127	\$ 4,277,517	\$ 5,058,720	\$ 33,083,469
Deposits Held by Carrier/Trustee	60,498,963	55,336,512	-	-	\$ 115,835,475
Receivables - Net	1,005,158	645,470	371,849	-	\$ 2,022,477
Prepaid Insurance	-	-	-	-	\$ -
<b>Total Short Term Assets</b>	<b>82,423,226</b>	<b>58,810,109</b>	<b>4,649,366</b>	<b>5,058,720</b>	<b>150,941,421</b>
<b>Long Term Assets</b>					
Investments	64,781,100	28,864,648	23,481,351	-	117,127,099
<b>Total Long Term Assets</b>	<b>64,781,100</b>	<b>28,864,648</b>	<b>23,481,351</b>	<b>-</b>	<b>117,127,099</b>
<b>Total Assets</b>	<b>\$ 147,204,326</b>	<b>\$ 87,674,757</b>	<b>\$ 28,130,717</b>	<b>\$ 5,058,720</b>	<b>\$ 268,068,520</b>
<b>Liabilities</b>					
<b>Short Term Liabilities</b>					
Accounts payable	141,618	471,409	18,766	-	631,793
Claims Payable	9,321	6,358	-	-	15,679
Agents Commissions Payable	-	1,985,206	-	-	1,985,206
Unearned Revenue	-	7,954,522	704,614	-	8,659,136
Current Claim Reserve	23,232,494	26,308,204	632,750	143,626	50,317,074
<b>Total Short Term Liabilities</b>	<b>23,383,433</b>	<b>36,725,699</b>	<b>1,356,130</b>	<b>143,626</b>	<b>61,608,888</b>
<b>Long Term Liabilities</b>					
Compensated Absences	109,425	85,202	5,045	475	200,147
Claim Reserve IBNR	51,543,793	56,601,506	350,021	217,288	108,712,608
<b>Total Long Term Liabilities</b>	<b>51,653,218</b>	<b>56,686,708</b>	<b>355,066</b>	<b>217,763</b>	<b>108,912,755</b>
<b>Total Liabilities</b>	<b>75,036,651</b>	<b>93,412,407</b>	<b>1,711,196</b>	<b>361,389</b>	<b>170,521,643</b>
Prior Year Retained Earnings (Deficiency)	34,061,980	(15,495,698)	22,220,078	4,057,325	44,843,685
Retained Earnings (Deficiency)	38,105,695	9,758,048	4,199,443	640,006	52,703,192
<b>Total Retained Earnings (Deficiency)</b>	<b>72,167,675</b>	<b>(5,737,650)</b>	<b>26,419,521</b>	<b>4,697,331</b>	<b>97,546,877</b>
<b>Total Liabilities and Retained Earnings (Deficiency)</b>	<b>\$ 147,204,326</b>	<b>\$ 87,674,757</b>	<b>\$ 28,130,717</b>	<b>\$ 5,058,720</b>	<b>\$ 268,068,520</b>

**West Virginia Board of Risk and Insurance Management**  
**Unaudited Income Statement**  
**for the twelve months ending June 30, 2007**



	<b>Total State</b>	<b>Total SB3</b>	<b>Mine Subsidence</b>	<b>BRIM HB 601</b>	<b>Total</b>
<b>Operating Revenues</b>					
Premium Revenues	\$ 39,091,169	\$ 39,480,714	\$ 1,676,182	\$ -	\$ 80,248,065
Less: Excess Insurance	\$ (2,099,454)	\$ (4,051,284)	\$ -	\$ -	\$ (6,150,738)
<b>Total Operating Revenues</b>	<b>\$ 36,991,715</b>	<b>\$ 35,429,430</b>	<b>\$ 1,676,182</b>	<b>\$ -</b>	<b>\$ 74,097,327</b>
<b>Operating Expenses</b>					
Claim and Claim Adjustment Expense-Indemnity	7,429,774	28,139,675	(67,988)	(365,857)	35,135,604
Personal Services-Payroll	623,764	630,233	27,618	-	1,281,615
General and Administrative Expense	536,272	2,470,994	14,306	1,750	3,023,322
<b>Total Operating Expenses</b>	<b>8,589,810</b>	<b>31,240,902</b>	<b>(26,064)</b>	<b>(364,107)</b>	<b>39,440,541</b>
<b>Operating Income (Loss)</b>	<b>28,401,905</b>	<b>4,188,528</b>	<b>1,702,246</b>	<b>364,107</b>	<b>34,656,786</b>
<b>Nonoperating Revenues</b>					
Claim Interest Income	-	189,219	-	-	189,219
Interest Income	9,703,790	5,380,301	2,497,197	251,314	17,832,602
Court Fees	-	-	-	24,585	24,585
<b>Total Nonoperating Revenue</b>	<b>9,703,790</b>	<b>5,569,520</b>	<b>2,497,197</b>	<b>275,899</b>	<b>18,046,406</b>
<b>Net Income (Loss)</b>	<b>\$ 38,105,695</b>	<b>\$ 9,758,048</b>	<b>\$ 4,199,443</b>	<b>\$ 640,006</b>	<b>\$ 52,703,192</b>

## **Loss Control Report to the Board September 2007**

1. We are finalizing the evaluations of 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 that we receive. Agencies that fail to submit a questionnaire and supporting documentation will receive a surcharge. The credits and surcharges will apply to FY 09 premium.
2. Loss Control Questionnaires will be sent out to our Senate Bill #3 customers in the coming weeks. The questionnaires and supporting documentation must be submitted to us by January 1, 2008.
3. We will be offering two fall boiler safety and operational seminars on November 7<sup>th</sup> and 8<sup>th</sup>. Chubb Group of Insurance Companies will be conducting the seminars. The seminars will take place at West Virginia State University and the Bridgeport Conference Center. Invitational letters will be sent out to our insured announcing the seminars this month.
4. Schirmer Engineering Corporation (SEC) has added two additional inspectors to assist in servicing our account. The inspectors began their career with SEC this month and are currently going through SEC's orientation training program. Jeremy has met with the inspectors and we look forward to working with them on a regular basis.
5. During the months of July, August and September, SEC conducted 77 inspections and CHUBB conducted 355. The reports are being processed according to established procedures.
6. We assisted the Higher Education Policy Commission (HEPC) at its recent Campus Security Conference held on September 20, 2007 at West Virginia State University. Jeremy represented our agency as a facilitator for a panel discussion on "Safer Campus Initiatives". We were pleased to be asked to be a part of this conference.
7. Since my last report, our loss control technical staff reports the following activity:

### **13 Loss Control Visits**

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

### **30 Standards of Participation Visits**

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

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

**7 Presentation Visits**

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

Dated:

Respectfully submitted,

Robert A. Fisher  
Deputy Director *and* Claim Manager



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

**July 24, 2007**

**BOARD**

**MEMBERS:**

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

**BRIM PERSONNEL:**

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

**DEPARTMENT OF  
ADMINISTRATION:**

Cedric Greene, Executive Assistant to Cabinet Secretary  
Tony O'Leary, Purchasing Department

**BRIM PROGRAM  
REPRESENTATIVES:**

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

**GUESTS:**

Sandy Price, WVU Health Sciences  
Michael J. Gansor, WVU Health Sciences  
Joanna Valleau, AIG  
Janet L. Buckley, Commercial Insurance  
Beth Hammers, Marshall University SOM  
Brian Carrico, Marshall University  
Tom Sauvageot, WV Investment Management Board  
Phil Kabler, "*Charleston Gazette*"

## **CALL TO ORDER**

The regular monthly business meeting of the State Board of Risk and Insurance Management was called to order by Vice Chairman Martin at 2:01 p.m. on Tuesday, July 24, 2007, at 90 MacCorkle Avenue, SW, Suite 203, South Charleston, West Virginia.

## **APPROVAL OF MINUTES**

Mr. Cunningham moved the approval of the minutes of the May 29, 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.

Mr. Schumacher thereafter presented the Chief Financial Officer's Report. The unaudited balance sheet as of May 31, 2007, and the unaudited income statement for the eleven months ending May 31, 2007 were received and filed, copies of which are attached and made a part of the record.

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

Mr. Schumacher thereafter yielded the floor to Mr. Tom Sauvageot of the West Virginia Investment Management Board, who presented BRIM's report of investments and earnings for the 11 months ending May 31, 2007.

There being no questions, 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 2:46 p.m.

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

\_\_\_\_\_  
Date

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

\_\_\_\_\_  
Date

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

**July 24, 2007**

Chairman Lukens

Call to Order

Chairman Lukens

Approval of Board Minutes  
May 29, 2007

**REPORTS**

Charles E. Jones, Jr.  
Executive Director

Executive Director's Report

Stephen W. Schumacher, CPA  
Chief Financial Officer

Financial Report  
P-Card Report

Tom Sauvageot  
WV Investment Management Board

Report of Investments and Earnings  
for the 11 months ending May 31, 2007

Robert Fisher  
Deputy Director/Claim Manager

Loss Control Report

**UNFINISHED BUSINESS**

**NEW BUSINESS**

**ADJOURNMENT**

# Executive Director's Report

July 24, 2007

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

- As of June 30, 2007, a total of \$1,007,545.61 had been deposited in Marshall's escrow account for the FY 2006 and FY 2007 years. The year-to-date cumulative interest totals \$36,946.23. 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 June 30, 2007, the interest earned on the total deposit of \$1,486,248.24 for WVU during the FY '06 is \$51,855.41. As of the same date, interest earned on the FY '07 deposits totaling \$1,000,000 is \$24,311.59. For the '06 fiscal year, seven disbursements have been made totaling \$529,709.30; for the FY '07, two disbursements totaling \$71.00.
- On July 12, we met with personnel from WVU to review the deductible program. Currently, since this is the second consecutive year of implementation of the deductible program, the total amount on deposit for WVU is \$2 million plus interest. Consideration was given to capping the escrow funds on deposit with the Office of the Treasurer at the current \$2 million. However, in view of the volatility and unpredictability of the medical malpractice environment, it was decided that we would not cap the escrow at \$2 million. Should there be no appreciable change in the historical claim development, we think it advisable to cap the program at \$3 million in the escrow deposit for WVU. We will review the claim history near the end of the current fiscal year and decide at that time.

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

At the end of June 30, 2007, BRIM insured 27 County Commission organizations with a total premium of \$4,530,909.30. We reviewed our premium calculation methodology and implemented some factors such as using present value dollars instead of nominal dollars in calculating rates, a very successful investment program, and an optional \$10,000 liability deductible. This review allowed us to invoice the 27 County Commissions a total of \$3,925,468.69, or a saving of approximately \$605,000. However, 11 county commissions opted to go to either the WVCoRP or to a commercial carrier. The eleven entities represented premium loss of \$1,574,086. The premiums quoted by the WVCoRP were 20%-30% lower than what BRIM quoted.

C. Interims/Legislative Issues

The legislative interims begin Friday, July 27 and continue through Sunday, July 29. I have been requested to attend two sessions on Saturday. From my discussions with various legislators, the issues they are concerned about are: (1) coverage on county courthouses, (2) the WVCoRP, and (3) uninsured/underinsured motorist coverage on State-owned vehicles.

Some of the questions the legislators are interested in regarding the WVCoRP are:

1. What is the total combined premium for all insured counties?
2. Identify administrative expenses
  - a. Claims Administration
  - b. Endorsement Fees for the Association of Counties and the County Commissioner's Association
  - c. Cost of Reinsurance
3. Who will adjust claims and where are they located?

4. Are the county commissioners aware that the pool can assess members if the pool incurs a bad year?
5. If the adjusting company commits "bad-faith" or is sued for something done inappropriately, are the counties responsible for those costs?

D. Litigation

The July 2007 report from AIG Claim Services for the period ending June 30, 2007 reveals that in June, one (1) case was tried to defense verdict, and year-to-date, three (3) cases have been tried to defense verdicts.

We are still reviewing the existence of claims in the older years including the novation claims.

FY95-96, there are 6 SSU claims and 4 SB#3 claims remaining open.

FY 96-97, there is 1 SSU claim and 1 SB#3 claim remaining open.

FY 97-98, there are 8 SSU claims and 5 SB#3 claims remaining open.

Novation Years (pre-1996) - 3 GL and 6 Wrongful Act claims remain open. The significance of closing out those years is that each of those four policy years require that we maintain \$1.8 million dollars in the claim payment account. The reserve for each of those years is considerably less than the required deposit amount.

E. Loss Control

Department of Agriculture roof collapse. There were approximately 11,000 boxes of frozen foods stored in a warehouse leased to the insured. BRIM's responsibility is only for the contents. Our investigation shows that the roof collapsed as a result of a deteriorating roof caused by standing water.

In the event we are required to pay any monies, we intend to fully subrogate the property owner's coverage. The estimated loss is approaching \$625,000.

F. Miscellaneous

- State Risk Insurance Management Association (STRIMA)

The 2007 conference will be held in September, and we have also started preparing for next year's conference, which will be hosted by BRIM at the Glade Springs Resort. A deposit for the musical entertainment, the Santa Cruz Band, has already been paid.

- Employee of the Month

Bob Mitts, Underwriting Manager, and an employee of State government for 20 years, was chosen the July 2007 Employee of the Month. DOA Cabinet Secretary Ferguson was the master of ceremonies at an award luncheon given in Bob's honor on July 19th.

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  
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 July 24, 2007

### A. P Card Report

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

April	\$26,318.17
May	\$34,468.86

### B. Interim Financials - 5/31/07

- BRIM's overall financial position has continued to improve thru May 31, 2007.
- Premium revenue thru May includes the premiums earned for the first eleven months of FY'07.
- Claims expense thru May reflects a net decrease in claims reserves of \$1.1 million for the first eleven months of FY'07 vs. a net decrease of \$6.5 million for the same period in FY'06.

### C. Investment performance review and market outlook

- BRIM's total earnings from investments for the eleven months ended May 31, 2007 is \$18.4 million of which \$12.7 million is from BRIM's funds managed by the West Virginia Investment Management Board (IMB).
- As of May 31, 2007, BRIM's investments with the IMB were valued at approximately \$118 million with a target asset allocation of 80% fixed Income and 20% equity.
- Tom Sauvageot is the Fixed Income Investment Officer with the West Virginia Investment Management Board.

### D. Year-end audit

- In March, BRIM partnered with the Public Employees Insurance Agency (PEIA) in a joint RFP process to solicit professional auditing services for FY'07 with a one year option to renew for FY'08. Ernst and Young was the successful bidder and was awarded BRIM's audit contract for FY'07 in June.
- Interim work was completed by Ernst & Young in June and we have tentatively scheduled their year end work to begin on August 15, 2007.

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



	2007	2006
<b>ASSETS</b>		
Short Term Assets		
Cash and Equivalents	\$ 32,053,055	\$ 43,661,814
Advance Deposit with Carrier/Trustee	116,462,789	82,213,589
Receivables - Net	3,276,133	1,394,389
Prepaid Insurance	512,561	346,750
Total Short Term Assets	152,304,538	127,616,542
Long Term Assets		
Investments	118,143,580	105,341,653
Total Long Term Assets	118,143,580	105,341,653
<b>TOTAL ASSETS</b>	<b>270,448,118</b>	<b>232,958,195</b>
<b>LIABILITIES</b>		
Short Term Liabilities		
Accounts payable	2,957,619	255,362
Claims Payable	28,243	58,564
Agents Commissions Payable	1,839,865	1,906,974
Unearned Revenue	7,371,158	13,808,112
Current Estimated Claim Reserve	51,156,080	49,048,127
Total Short Term Liabilities	63,352,965	65,077,139
Long Term Liabilities		
Compensated Absences	163,620	166,553
Estimated Noncurrent Claim Reserve	121,788,881	129,501,683
Total Long Term Liabilities	121,952,501	129,668,236
<b>TOTAL LIABILITIES</b>	<b>185,305,466</b>	<b>194,745,375</b>
Prior Year Net Assets	44,843,685	526,803
Current Year Earnings	40,298,967	37,686,017
<b>TOTAL NET ASSETS</b>	<b>85,142,652</b>	<b>38,212,820</b>
<b>TOTAL LIABILITIES AND RETAINED EARNINGS</b>	<b>\$ 270,448,118</b>	<b>\$ 232,958,195</b>

DRAFT - Unaudited - Management Purposes Only

8/30/2008

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



	<b>May 31</b>	
	<b>2007</b>	<b>2006</b>
Operating Revenues		
Premium Revenues	\$ 73,870,954	\$ 76,485,332
Less - Excess Insurance	(5,638,176)	(3,797,977)
Total Operating Revenues	68,232,778	72,687,355
Operating Expenses		
Claims Expense	37,965,384	34,242,927
Property & MS Claims Expense	4,680,511	3,273,060
Personal Services	1,172,771	1,111,683
Operating Expenses	2,772,867	2,777,007
Total Operating Expenses	46,591,533	41,404,677
Operating Income	21,641,245	31,282,678
Nonoperating Revenues		
Court Fees	21,615	26,045
Claim Interest Income	189,219	-
Investment Income	18,446,888	6,377,294
Total Nonoperating Revenues	18,657,722	6,403,339
Net Income	40,298,967	37,686,017

DRAFT - Unaudited - Management Purposes Only

8/30/2008

## **Loss Control Report to the Board July 2007**

1. The deadline for State Agencies to submit their completed loss control questionnaire and supporting documentation for this year is August 1, 2007. We will send follow-up letters to each insured who fails to submit the required information. Our staff will spend the month of August evaluating the submissions for an appropriate credit or surcharge based on each agency's loss control efforts.
2. Loss Control Questionnaires will be sent out to our Senate Bill #3 customers in September. The questionnaires and supporting documentation must be submitted to us by January 1, 2008.
3. We are pleased to announce that the West Virginia Division of Personnel has enlisted the services of our loss control technical staff to serve as adjunct instructors for the Workplace Safety classes being offered by the Division. There are six classes scheduled for 2007. Our role relates to the development of safety committees and fleet management programs.
4. We have renewed our contracts with Schirmer Engineering Corporation (SEC) and CHUBB for the new fiscal year which began on July 1. The contract with SEC has been upgraded to allow us to inspect an additional 275 locations and will now provide a computerized database that will be accessible not only by BRIM, but by our various customers who are serviced by SEC.
5. We have been asked by the Higher Education Policy Commission and by the Department of Administration to provide assistance in the area of "Threat Preparedness Planning". We have stated our willingness to help and we await the scheduling of meetings to deal with the issue.
6. During the months of May and June, SEC conducted 53 inspections and CHUBB conducted 299. The reports are being processed according to established procedures.
7. Since my last report, our loss control technical staff reports the following activity:

**16** Loss Control Visits

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

**38** Standards of Participation Visits

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

**1** Presentation Visit

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

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

**2 Professional Development Events**

These are opportunities for our staff to learn and grow professionally and serve as continuing education.

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

