

**State of West Virginia
Board of Risk and Insurance Management
2009 Annual Report**



August 28, 2009

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, 2009 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 \$400 million per occurrence. This coverage provides reimbursement of loss at the stated or reported value less a \$2,500 deductible. Under the mine subsidence program, participating insurers pay BRIM a reinsurance premium, which is equal to the gross premiums collected for mine subsidence

coverage, less cancellations, less a 30% ceding commission.

BRIM currently insures approximately 160 state agencies, approximately 900 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.

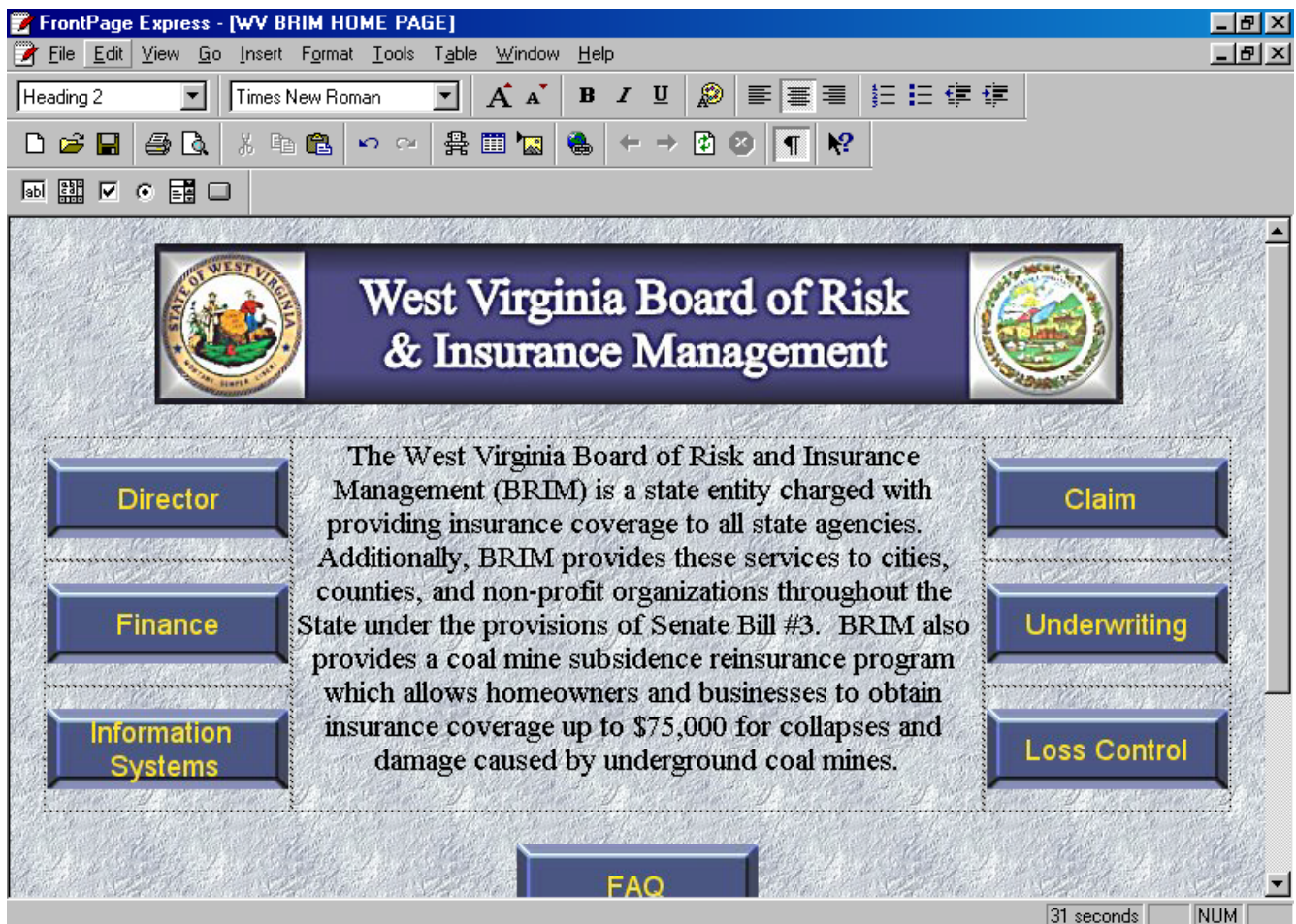
Internal controls have been put in place to ensure the assets and property of BRIM are protected from theft, loss or misuse and to provide adequate accounting data for preparing Generally Accepted Accounting Principles (GAAP) based financial statements.

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

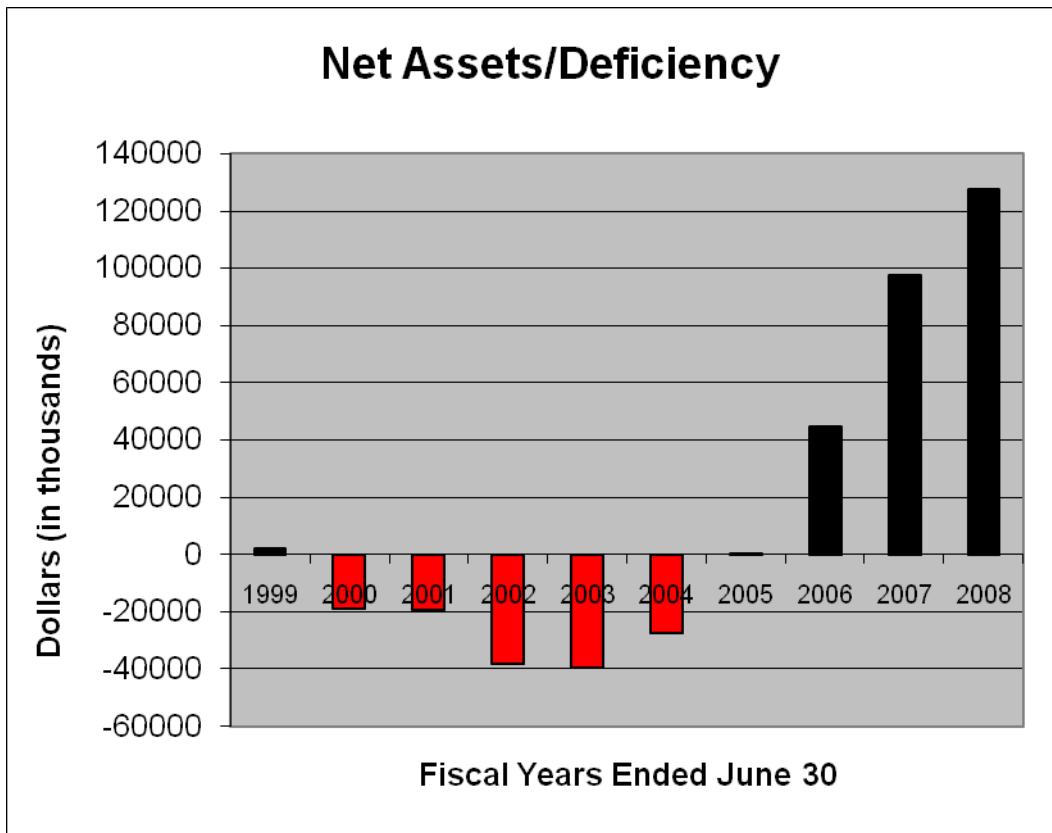
Below are audited results from operations of four most recent fiscal years ended June 30:

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
	(In thousands)			
Operating Revenues:				
Premiums	\$89,030	\$82,824	\$80,248	\$72,986
Less Excess Coverages	<u>(3,912)</u>	<u>(4,145)</u>	<u>(6,151)</u>	<u>(6,394)</u>
Net Operating Revenues	85,118	78,679	74,097	66,592
Operating Expenses:				
Claims & Claims Adjustment	56,675	37,076	35,136	42,982
General Administrative	<u>4,294</u>	<u>4,180</u>	<u>4,305</u>	<u>4,247</u>
Total Operating Expenses	60,969	41,256	39,441	47,229
Operating Income (Loss)	24,149	37,423	34,656	19,363
Non-Operating Revenues:				
Interest Income, Appropriations	<u>3,764</u>	<u>6,894</u>	<u>18,047</u>	<u>10,572</u>
Net Income/(Loss)	27,913	44,317	52,703	29,935
Retained earnings (deficiency) at beginning of year	<u>(27,386)</u>	<u>527</u>	<u>44,844</u>	<u>97,547</u>
Change in accounting principle for other post employment benefits	--	--	--	<u>148</u>
Retained earnings (deficiency) at end of year	\$527	\$44,844	\$97,547	\$127,630

BRIM has worked 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, 2007 and 2008. 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. BRIM may occasionally experience some adverse loss development. Premiums continue to be

calculated on a basis consistent with exposure and loss trends. It is also important to note that 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, 2009. The June 30, 2009 report will be available near the end of October 2009.

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, 2008, 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, 2009. The CAFR for fiscal year 2009 will be issued before December 31, 2009. 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

State Listing of Coverages in Effect for Fiscal Year 2009

<u>LIABILITY</u>	<u>LIMIT OF LIABILITY</u>
1. Automobile Liability Policy No. RMCA 160-76-19 Company: AIG Insurance	\$ 1,000,000 per occurrence
2. General Liability Policy No. RMGL 972-30-75 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. NXG358846J 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 006 Company: Westchester	\$ 25,000,000 primary layer \$ 1,000,000 deductible
Policy No. NHD 358245 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.: MAF733355-08 Company: Axis	\$ 125,000,000 in excess of 275,000,000
Policy No. I20644904-006 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

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

Top 10 State Agency Premiums for Fiscal Year 2008

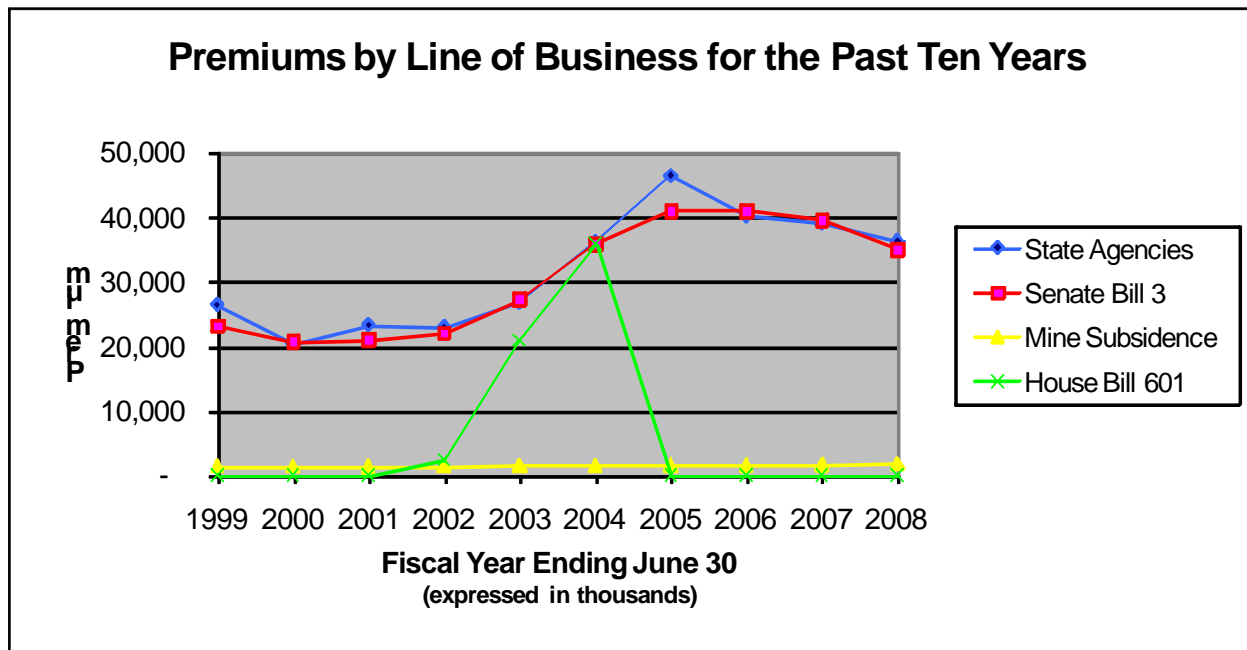
1 West Virginia University	\$6,740,285
2 Division of Public Safety	5,714,983
3 Department of Health and Human Resources	4,868,299
4 Division of Highways	4,834,066
5 Marshall University	2,590,851
6 Corrections Division	923,862
7 WV State Parks	548,198
8 Regional Jail and Correctional Facility Authority	514,093
9 Department of Natural Resources	505,324
10 Division of Environmental Protection	497,637
Total Top Ten	\$27,737,598

Total State Premium Billing for 2008	\$35,388,637
% of top 10 in relation to all state agency billings	78.38%

Top 20 SB 3 Premiums for Fiscal Year 2008

1 Kanawha County Board of Education	\$1,854,561
2 West Virginia University Medical Corporation	747,831
3 Raleigh County Board of Education	690,184
4 Berkeley County Board of Education	682,670
5 Berkeley County Commission	648,160
6 Wheeling Park Commission	630,136
7 City of Nitro	593,905
8 City of St. Albans	578,196
9 Mercer County Board of Education	547,632
10 Harrison County Board of Education	529,309
11 Wayne County Board of Education	514,626
12 Putnam County Board of Education	510,732
13 Wood County Board of Education	491,811
14 Cabell County Board of Education	454,052
15 Monongalia County Board of Education	439,006
16 Marion County Board of Education	416,828
17 Fayette County Board of Education	395,796
18 Monongalia County Commission	362,045
19 Ohio County Commission	355,486
20 City of Charleston Housing Authority	355,239
Total Top Twenty	\$11,798,205

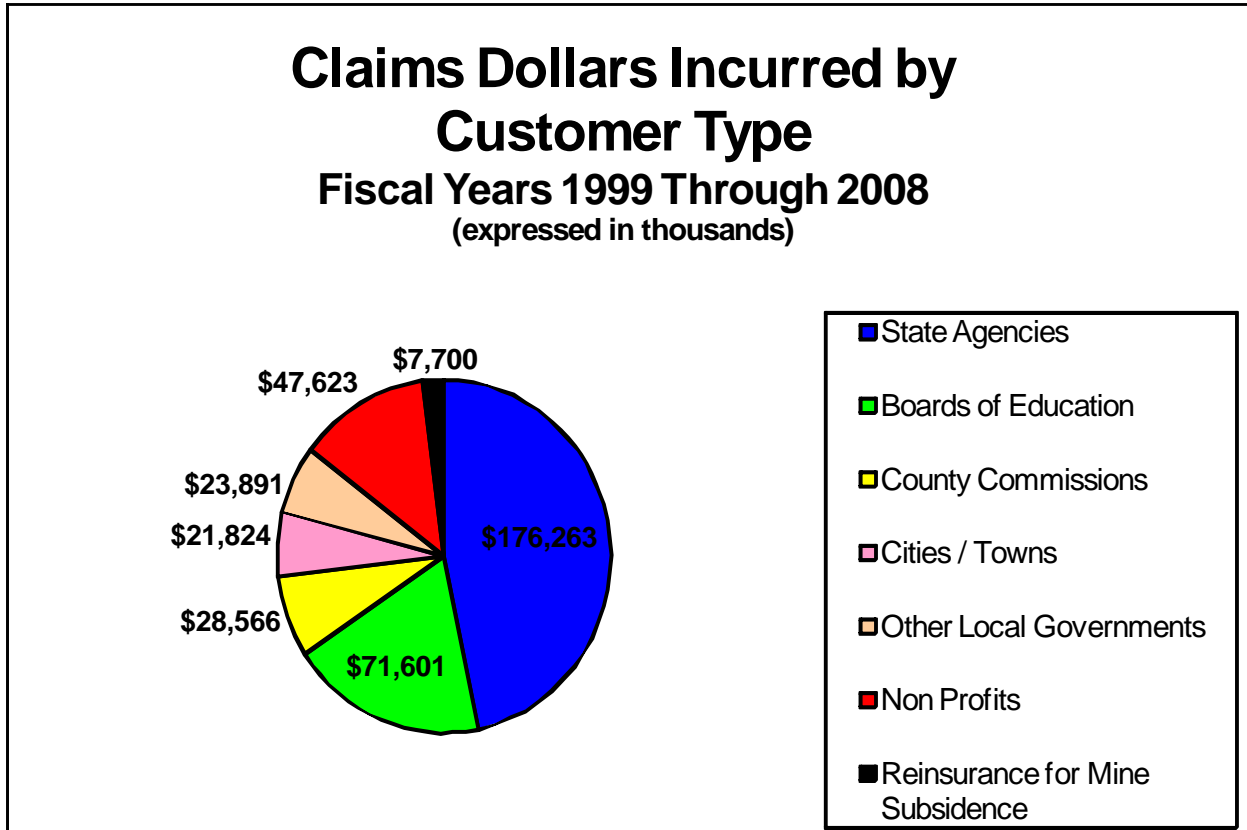
Total SB 3 Premium Billing for 2008	\$39,180,816
% of top 20 in relation to total SB 3 billings	30.11%



Fiscal Year	State Agencies	Senate Bill 3	Mine Subsidence	House Bill 601
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	-
2008	\$ 36,259	\$ 34,875	\$ 1,852	-

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.

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

August 26, 2008

Chairman Lukens

Call to Order

Chairman Lukens

Approval of Board Minutes
June 24, 2008

REPORTS

Charles E. Jones, Jr.
Executive Director

Executive Director's Report

Steve Schumacher, CPA
Chief Financial Officer

Financial Report
P-Card Report

Robert Fisher
Deputy Director/Claim Manager

Loss Control Report

UNFINISHED BUSINESS

NEW BUSINESS

ADJOURNMENT

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

August 26, 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 Mozingo, Assistant Claim Manager
Jerry Gladwell, Deputy Underwriting Manager
C. Blaine Nelson, Underwriter
Jeremy Wolfe, Loss Control Manager
Jennifer Schiefer, Loss Control Specialist
Charlie Warner, Loss Control Specialist
Jill Farrar-Brown, Loss Control Specialist
Steve Fowler, Pullen, Fowler & Flannigan, BRIM Counsel
Linda Dexter, Recording Secretary

**BRIM PROGRAM
REPRESENTATIVES:**

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

GUESTS:

Beth Hammers, Marshall University
Brian Carrico, Marshall University
Tracy Smith, Marshall University
Sandra A. Price, West Virginia University
Mike Gansor, West Virginia University
Janet Buckley, Commercial Insurance Services

CALL TO ORDER

The meeting of the West Virginia Board of Risk and Insurance Management was called to order by Chairman Lukens at 1:02 p.m. on Tuesday, August 26, 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 June 24, 2008 meeting as distributed . After the motion was seconded, Mr. Cunningham questioned the use of the words "Business Meeting" in the title to the minutes and the words "regular monthly business" in the first line under the caption "CALL TO ORDER." The motion to approve the minutes and the second of such motion was thereafter withdrawn.

Following a brief discussion, Chairman Lukens suggested the following alternative language in the minutes: "The meeting of the WV Board of Risk and Insurance Management," and that the word "business" be deleted from the first line of the caption.

There being no further discussion, Mr. Glasser moved the acceptance of the minutes with the amendments proposed by the Chairman, which motion was seconded. There being no further discussion, a vote was taken and the MOTION ADOPTED.

REPORTS

Before proceeding with his report, the Executive Director stated that the next meeting is tentatively scheduled for October 28, 2008. However, the annual reports from our actuary and auditor have been given at meetings held in November. In order to have a little time after the October meeting but still have a meeting for the presentation of the annual reports, it was decided to have a meeting on December 9, 2008.

With the final meeting date of 2008 having been decided, the 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 March 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. Prior to the end of the fiscal year or as necessary, BRIM and the Board will review each institution's progress and claim history and make a determination whether to continue the suspension of payments or to reinstitute them.

Other topics of discussion were: 1) Med Mal, including removing the physicians covered by BRIM and transferring them to the Physicians' Mutual; 2) phasing out the Trauma Physicians Program; 3) Uninsured/Underinsured Motorist Coverage; 4) Increased Limits of Liability; 5) Claim and Settlement Procedures; 6) On-line Driver Training Program; 7) Business Continuity Plan, and 8) the 2008 Annual STRIMA Conference hosted this year by the State of West Virginia.

There being no questions, Mr. Schumacher thereafter presented the Chief Financial Officer's Report. The unaudited balance sheet as of June 30, 2008, the unaudited income statement for the twelve months ending June 30, 2008, and the line of business statements (Total State, Total SB 3, Mine Subsidence and BRIM HB 601) for the same periods were received and filed, copies of which are attached and made a part of the record.

A CD containing copies of the May/June/July 2008 purchasing card invoices was distributed to each Board member. The Chairman signed the acknowledgement form for the February/March/April 2008 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 2:02 p.m.

Board Chairman

Date

Executive Director's Report

August 26, 2008

A. Marshall University/WVU Medical Malpractice Deductible Program

- As of July 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 \$100,476.47. There have been five disbursements in the amounts of \$29.42, \$73.50, \$60.14, \$113.42, and \$33.60, respectively.
- As of July 31, 2008, a total of \$3,238,631.78 has been transferred or deposited into WVU's escrow account. Year-to-date, Interest Earnings totaling \$85,988.47 have been posted for FY 2008. Sixteen (16) disbursements have been made for FY 2008, thus reflecting a \$257,290.83 change since the November 13, 2007 Executive Director's Report, for a YTD total of \$305,132.15.
- Status of Phasing Out the Trauma Physician Program

B. Litigation

The August 2008 report from AIG for the period ending July 31, 2008 reveals that in July, no cases were tried to verdict and year-to-date, four cases were tried with two defense and two plaintiff verdicts. New lawsuits have increased 16.4% over year-to-date 2007; closed lawsuits have increased 7%, and pending lawsuits have increased 5.6%.

C. Interim Discussion Issues

1. Med Mal
2. Uninsured Motorist Coverage
3. Increased Limits of Liability
4. Claim and Settlement Procedures
5. Transferring BRIM physicians to the Physicians' Mutual

D. BRIM Projects

1. On-line driver training program.

We have announced the program and will thereafter compile a list of potential drivers. The training will take place between now and June 30, 2009.

2. Monitoring drivers who are involved in multiple accidents. Charlie Warner has been handling this. In September, we will be looking at trends and patterns of claims, and then follow-up with our customers to discuss the results of the monitoring and methods for improvement.

3. Business Continuity Plan (BCP)

BRIM is completing our own BCP and assisting in the development of the DOA BCP.

D. Miscellaneous

- After a year of planning and a lot of hard work, the 2008 Annual State Risk and Insurance Management Association (STRIMA) Conference hosted by the State of West Virginia is about to become a reality. The conference will be held September 14-18 at The Resort at Glade Springs.

At this time, I would like to recognize the following individuals for their hard work and outstanding teamwork in coordinating the many links of this major project to achieve the ultimate result----a well organized, smooth running conference: June Butterfield, John Fernatt, Robert Fisher, Bob Miller, Chuck Mozingo, Jennifer Schiefer, Steve Schumacher, and Charlie Warner.

- Employee of the Month - Mischa DiFilippo of our Claims Department was chosen as the Employee of the Month for August 2008, and an awards ceremony was held in her honor on Thursday, August 21st. Mischa handles all administrative duties for our Claim Department, including the daily mail and filing for approximately 700 claims, plus coding, creating files, writing correspondence and maintaining claim diaries for the three technical staff members.
- On July 16, 2008, Charles "Blaine" Nelson of Huntington joined our Underwriting Department and became the newest addition to our BRIM family. Blaine has almost thirty years of property insurance experience, and we are certain he will be an asset to our underwriting effort.
- Effective September 1, 2008, Carl Baldwin will join our Loss Control Department, thus filling the vacancy left by Valerie Risk upon her retirement. Carl's background is in safety management, and we are confident that he will comfortably fit into our team-oriented environment and assist in achieving our goals.

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

Joe Manchin III
Governor

Robert Ferguson, Jr.
Cabinet Secretary

Chief Financial Officer's Report August 26, 2008

A. P Card Report

- CD copies contain the supporting detail for P card purchases for the months of May, June and July, 2008. These totals are:

May	\$35,037.48
June	\$26,706.43
July	\$12,092.80

B. Financial Report

- The FY'08 audit by Ernst & Young is underway and should be completed by mid-October.
- The total reserves shown are the actuarially estimated reserves as reflected in the risk funding study completed as of March 31, 2008. The reserves will be adjusted and audited upon completion of the June 30 actuarial study.
- Net income reported for the fiscal year is \$28.8 million vs. \$52.7 million for FY'07. The decrease is the result of lower investment returns, lower overall premium revenue and an increase in claims payments in FY'08 vs. FY'07.
- During FY'08, the Senate Bill 3 program deficit was eliminated.

C. Actuarial Risk Funding Study

- AON's risk funding study as of June 30, 2008 has not been completed and the final report should be issued by October. A draft of the study should be completed by the end of this week. Adjustments to reserve liabilities will be reflected in the final audited financial statements.

D. Investment performance review and market outlook

- BRIM's total earnings from investments for FY'08 were \$10.5 million vs. \$17.8 million for FY'07. Earnings on BRIM's funds managed by the Bank of New were \$8.8 million of the FY'08 total.
- A continuation of the current low interest rate environment could further limit BRIM's overall investment returns for FY'09.
- BRIM's investment reallocation approved by the Board in June has been completed by the WVIMB.

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



June 30

	2008	2007
(in thousands)		
ASSETS		
Short Term Assets		
Cash and Equivalents	\$ 30,595	\$ 33,083
Advance Deposit with Carrier/Trustee	158,436	115,836
Receivables - Net	1,709	2,557
Prepaid Insurance	-	-
Total Short Term Assets	190,740	151,476
Long Term Assets		
Investments	109,325	117,127
Total Long Term Assets	109,325	117,127
TOTAL ASSETS	300,065	268,603
LIABILITIES		
Short Term Liabilities		
Accounts payable	781	632
Claims Payable	13	16
OPEB Liability	35	-
Agents Commissions Payable	1,621	1,985
Unearned Revenue	7,705	8,659
Current Estimated Claim Reserve	50,693	50,851
Total Short Term Liabilities	60,848	62,143
Long Term Liabilities		
Compensated Absences	52	200
Estimated Noncurrent Claim Reserve	111,535	108,713
Total Long Term Liabilities	111,587	108,913
TOTAL LIABILITIES	172,435	171,056
Prior Year Net Assets	97,547	44,844
Change in accounting principle for OPEB	148	-
Current Year Earnings	29,935	52,703
TOTAL NET ASSETS	127,630	97,547
TOTAL LIABILITIES AND RETAINED EARNINGS	\$ 300,065	\$ 268,603

DRAFT - Unaudited - Management Purposes Only

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



	June 30	
	2008	2007
	(in thousands)	
Operating Revenues		
Premium Revenues	\$ 72,986	\$ 80,248
Less - Excess Insurance	(6,394)	(6,151)
Total Operating Revenues	66,592	74,097
Operating Expenses		
Claims Expense	40,991	30,254
Property & MS Claims Expense	1,991	4,882
Personal Services	1,260	1,282
Operating Expenses	2,987	3,023
Total Operating Expenses	47,229	39,441
Operating Income	19,363	34,656
Nonoperating Revenues		
Court Fees	30	25
Claim Interest Income	-	189
Other post employment benefits	30	-
Investment Income	10,512	17,833
Total Nonoperating Revenues	10,572	18,047
Net Income	29,935	52,703

DRAFT - Unaudited - Management Purposes Only

West Virginia Board of Risk and Insurance Management
UNAUDITED BALANCE SHEET
June 30, 2008



	Total State	Total SB3	Mine Subsidence	BRIM HB 601	Total
Assets					
Short Term Assets					
Cash and Equivalents	\$ 4,883,159	\$ 14,426,883	\$ 6,064,593	\$ 5,220,166	\$ 30,594,801
Deposits Held by Carrier/Trustee	82,632,675	75,804,019	-	-	\$ 158,436,694
Receivables - Net	1,236,938	599,753	371,849	-	\$ 2,208,540
Prepaid Insurance	-	-	-	-	\$ -
Total Short Term Assets	88,752,772	90,830,655	6,436,442	5,220,166	191,240,035
Long Term Assets					
Investments	64,760,467	21,090,597	23,473,873	-	109,324,937
Total Long Term Assets	64,760,467	21,090,597	23,473,873	-	109,324,937
Total Assets	\$ 153,513,239	\$ 111,921,252	\$ 29,910,315	\$ 5,220,166	\$ 300,564,972
Liabilities					
Short Term Liabilities					
Accounts payable	219,972	544,986	16,015	-	780,973
Claims Payable	12,133	1,298	-	-	13,431
Agents Commissions Payable	-	1,621,194	-	-	1,621,194
Unearned Revenue	-	7,004,742	704,614	-	7,709,356
Current Claim Reserve	23,305,585	29,230,951	750,679	52,662	53,339,877
Total Short Term Liabilities	23,537,690	38,403,171	1,471,308	52,662	63,464,831
Long Term Liabilities					
Compensated Absences	109,425	85,202	5,045	475	200,147
Claim Reserve IBNR	51,112,961	58,892,370	422,257	78,993	110,506,581
Total Long Term Liabilities	51,222,386	58,977,572	427,302	79,468	110,706,728
Total Liabilities	74,760,076	97,380,743	1,898,610	132,130	174,171,559
Prior Year Net Assets	72,167,675	(5,737,650)	26,419,521	4,697,331	97,546,877
Current Year Earnings	-	-	-	-	-
Total Net Assets	72,167,675	(5,737,650)	26,419,521	4,697,331	97,546,877
Total Liabilities and Retained Earnings (Deficiency)	\$ 146,927,751	\$ 91,643,092	\$ 28,318,131	\$ 4,829,461	\$ 271,718,435

**West Virginia Board of Risk and Insurance Management
Unaudited Income Statement
for the twelve months ending June 30, 2008**



	Total State	Total SB3	Mine Subsidence	BRIM HB 601	Total
Operating Revenues					
Premium Revenues	\$ 36,258,662	\$ 34,875,629	\$ 1,851,823	\$ -	\$ 72,986,114
Less: Excess Insurance	\$ (2,292,559)	\$ (4,101,763)	\$ -	\$ -	\$ (6,394,322)
Total Operating Revenues	\$ 33,966,103	\$ 30,773,866	\$ 1,851,823	\$ -	\$ 66,591,792
Operating Expenses					
Claim and Claim Adjustment Expense-Indemnity	31,355,601	12,536,381	372,574	(159,084)	44,105,472
Personal Services-Payroll	641,343	628,331	39,133	-	1,308,807
General and Administrative Expense	653,681	2,206,967	12,184	749	2,873,581
Total Operating Expenses	32,650,625	15,371,679	423,891	(158,335)	48,287,860
Operating Income (Loss)	1,315,478	15,402,187	1,427,932	158,335	18,303,932
Nonoperating Revenues					
Claim Interest Income	-	-	-	-	-
Interest Income	5,270,010	4,875,972	164,252	202,465	10,512,699
Court Fees	-	-	-	29,905	29,905
Total Nonoperating Revenue	5,270,010	4,875,972	164,252	232,370	10,542,604
Net Income (Loss)	\$ 6,585,488	\$ 20,278,159	\$ 1,592,184	\$ 390,705	\$ 28,846,536

Loss Control Report to the Board

August 2008

1. We are pleased to announce the addition of Carl Baldwin to the Department as a Loss Control Specialist. He will be filling the spot left vacant due to Valerie's retirement earlier this year. Carl's first day of work will be September 2, 2008 and we look forward to welcoming him as part of our team.
2. We are currently reviewing the Loss Control Questionnaires and the supporting documentation that was submitted by our state agency customers. Reminder letters have been sent to those agencies that failed to make a submission to us. Credits and surcharges will be applied to FY 2010 premium as a result of this review.
3. We will be sending Loss Control Questionnaires to our Senate Bill #3 customers in the very near future. The completed Questionnaires and supporting documentation are due to BRIM on January 1, 2009.
4. We are currently in the process of announcing our new on-line driver training program for state agencies. We have partnered with the National Safety Council to provide this training to all who drive state vehicles or drive a personal vehicle on state business. The course must be completed by June 30, 2009. Credits and surcharges will be awarded based on participation in this program and will apply to FY 2011 premium.
5. We are reviewing data that has been collected since April of this year on automobile claims arising from state agencies. We are looking for trends that can be addressed to lessen the impact of such claims. Our plan is to visit various state agencies to share our findings and to provide guidance that, we hope, will help these agencies better manage their automobile exposures.
6. We have renewed our risk management service vendor contracts for the current fiscal year with both Schirmer and Chubb.
7. During the months of July and August, Schirmer conducted 108 inspections and CHUBB conducted 810. The reports are being processed according to established procedures.
8. Since my last report, our loss control technical staff reports the following activity:

6 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.

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

21 Standards of Participation Visits

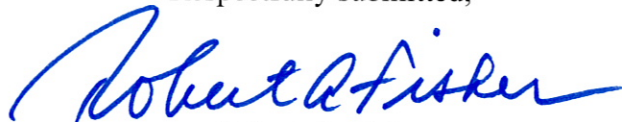
These are visits which are designed to provide assistance to our insured who are seeking to become compliant with the BRIM Standards of Participation program.

10 Presentation Visits

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

Dated: *August 25, 2008*

Respectfully submitted,



Robert A. Fisher
Deputy Director *and* Claim Manager

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

October 21, 2008

Chairman Lukens

Call to Order

Chairman Lukens

Approval of Board Minutes
August 26, 2008

Charles E. Jones, Jr.
Executive Director

Discussion of American International
Group's (AIG's) Financial Issues

Norman Mosrie, Partner
Ernst & Young

Presentation of Draft Audit
(via teleconference)

UNFINISHED BUSINESS

NEW BUSINESS

ADJOURNMENT

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

October 21, 2008

**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 A. Fisher, Deputy Director/Claim Manager
Stephen W. Schumacher, CPA, CFO
Chuck Mozingo, Assistant Claim Manager
Jerry Gladwell, Deputy Underwriting Manager
Robert Miller, Senior Claim Representative
C. Blaine Nelson, Underwriter
Jeremy Wolfe, Loss Control Manager
Jennifer Schiefer, Loss Control Specialist
Jill Farrar-Brown, Loss Control Specialist
Steve Fowler, Pullen, Fowler & Flannigan, BRIM Counsel
Linda Dexter, Recording Secretary

**DEPARTMENT OF
ADMINISTRATION
REPRESENTATIVE**

Tony O'Leary, Public Information Specialist II

**INSURANCE
COMMISSION
REPRESENTATIVES:**

Jane Cline, Insurance Commissioner/BRIM Board Secretary
Bill Kenny, Deputy Insurance Commissioner
Greg Elam, Associate General Counsel
Aaron Baughman, Insurance Research Analyst

**BRIM PROGRAM
REPRESENTATIVES:**

Harry "Skip" Morris, Wells Fargo Insurance Services
Tom O'Rourke, AIG (via teleconference)
Russ Johnston, AIG (via teleconference)
Virginia Doty, AIG (via teleconference)
Adam Reed, AIG (via teleconference)
Joanna Valleau, AIG
Charles Waugh, AIG

GUESTS: Norman Mosrie, Partner, Ernst & Young (via teleconference)
Susan Wheeler, Manager, Ernst & Young
Beth Hammers, Marshall University
Brian Carrico, Marshall University
Tracy Smith, Marshall University
Sandra A. Price, West Virginia University
Mike Gansor, West Virginia University
Tom Sauvageot, WV Investment Management Board

CALL TO ORDER

The meeting of the West Virginia Board of Risk and Insurance Management was called to order by Chairman Lukens at 12:35 p.m. on Tuesday, October 21, 2008, at 90 MacCorkle Avenue, SW, Suite 203, South Charleston, West Virginia.

APPROVAL OF MINUTES

Mr. Cunningham moved the approval of the minutes of the August 26, 2008 meeting as distributed. Mr. Glasser seconded the motion. There being no discussion, upon the unanimous vote of the members present, MOTION ADOPTED.

Prior to beginning the discussion, the five teleconference participants identified themselves as: Russ Johnston in charge of AIG Risk Management in the U.S., which oversees AIG's domestic property casualty insurance companies; Virginia Doty, attorney in charge of AIG Risk Management; Adam Reed, Senior Regulatory Lawyer with Commercial Insurance; Tom O'Rourke, Regional Underwriting Manager for AIG National Accounts in Cleveland, and Norman Mosrie, Partner with the accounting firm of Ernst & Young.

DISCUSSION OF AMERICAN INTERNATIONAL GROUP'S (AIG'S) FINANCIAL ISSUES

In explaining the status of the relationship that the West Virginia Board of Risk and Insurance Management (BRIM) has with American International Group (AIG), Mr. Jones referred to a two-page document entitled "BRIM/AIG Insurance Program for State Agencies and Non-Profit Organizations," a copy of which was received and filed and is attached and made a part of the record.

In closing, Mr. Jones summarized that he wanted to summarize BRIM's relationship with AIG, what BRIM has done to safeguard the state's resources ----regardless of whether it would be AIG or any other insurer----and to run the program as equitably and as cost consciously as possible.

Mr. Jones thereafter opened the floor for any questions regarding the BRIM program or to allow any of the representatives from AIG or the Insurance Commissioner's Office to comment on the status of AIG from the regulatory side.

Commissioner Cline interjected that she and her staff had just received information from BRIM last Friday, which they are still analyzing. They want to ensure that their understanding is the same as BRIM's and are willing to offer any guidance they may have.

Deputy Commissioner Kenny noted they were missing one agreement that they need to look at, and Mr. Jones responded that whatever documents BRIM has are at their disposal to review and comment however they see fit.

Mr. Jones asked whether any of the AIG representatives on the phone had any comments regarding his presentation, to which there were none. However, Commissioner Cline asked Mr. Johnston, the spokesperson for the AIG representatives, if he wanted to provide an update for the benefit of the group, to which he stated that he did, in fact, have some high-level bullet points relating to the commercial insurance group. He stated that he could comment on the extent of the company's relationship now with the Federal Reserve Bank, and thereafter open the floor for more detailed discussion.

Commissioner Cline offered clarification by noting that it was the holding company that has failed, not the 71 affiliated insurance entities.

Mr. Johnston noted that the holding company clearly needed to seek some outside assistance because of liquidity issues, but has not failed at this point.

Mr. Johnston acknowledged Mr. Jones' comments about the scope of the relationship between BRIM and AIG's commercial insurance group. He thereafter explained that this group is comprised of a number of statutory insurance companies that operate in the United States. As of June 30, 2008, the policyholders' surplus of that group of companies was approximately \$26.7 billion. Since the events of the week of September 15th, AIG reps have been speaking to their customers, brokers, and media contacts to provide greater clarity regarding what the parent company has faced in the near term. They believe that the financial security of the insurance companies continues to be strong and will enable them to satisfy their obligations to their policyholders in the future.

Commissioner Cline briefly noted that she would be giving the group copies of several press releases from AIG, the Insurance Commission, the NAIC as a whole, and from Insurance Superintendent Dinallo.

In describing some of the relationships that have been established with the Federal Reserve, Mr. Johnston noted the following:

- 1) During the liquidity crisis the week of September 15th, the Treasury Secretary and Federal Reserve Bank of New York were very good about assisting AIG in providing a credit facility that gave AIG some liquidity flexibility as they try to work through an orderly disposition of what has come to be known as the "non-core half" of the company on a going forward basis. The nature of that facility is an \$85 billion line of credit which the company can draw upon. There is a two percent commitment fee as it relates to that facility. There are interest payments on that facility that fall within two bailiwicks, one being for that portion that AIG uses, and another rate for that portion of the facility that is not used. The interest rate for that portion of the facility

that AIG doesn't use is 8-1/2%; for that portion of the facility that it does use, it is 8-1/2% plus the three-month LIBOR rate. The Fed publishes every Thursday evening the extent to which AIG has drawn on funds from the facility.

- 2) The second facility was secured roughly a week and a half ago between one of their subsidiary companies--not one of the property casualty companies--and the Fed as it relates to AIG's securities lending program. The nature of this is that AIG has had in place for some time a securities lending program where third parties would come to AIG and borrow securities for which they would then provide the company with collateral, normally in the form of cash. However, as those parties have sought to unwind their positions with AIG, that has also raised liquidity issues for their parent, and so the purpose of this facility was to allow the Fed to operate as a counterparty, working with AIG as those third-party institutions have come to AIG to return the securities that they borrowed----to use this facility as a mechanism to satisfy the cash obligation paid back to those third parties and for returning those securities to AIG.

Mr. Johnston went on to outline concerns over an orderly disposition of assets, after which he said that AIG's U.S. Property & Casualty business, the bulk of which is actually the commercial insurance operation, and the foreign general insurance operation are core. Insurance is central, not financial mortgage. AIG intends to keep its main commercial property/casualty insurance businesses as well as a stake in some of its foreign life insurance operations. However, they will dispose of as many assets as are necessary to satisfy the obligations that AIG has to the Fed; and if they can avoid selling all of their assets exclusive of the core insurance operations, then they will try to do that.

Mr. Jones then indicated he would apprise Mr. Johnston of anything else he would need to provide to the Board.

During a brief discussion, Mr. Glasser ascertained that AIG is only permitted to draw down from the trust to pay obligations of BRIM.

Chairman Lukens noted that the Payment Agreement answers many of the questions about the mechanics for drawing down from the trust and, as such, seems to be a key resource document.

During further discussion, some of the issues discussed or points of interest noted included the following:

- 1) The trust relates to the insurance companies within the commercial insurance group and not with the parent (i.e., holding) company.
- 2) The companies within the commercial insurance group are a pool of statutory insurance companies for which the commercial insurance group writes coverages.
- 3) The insurance companies within the pool are wholly-owned subsidiaries of the parent company that was "bailed out."
- 4) There are 71 U.S. domiciled insurance companies in 19 different jurisdictions, which are primarily commercial property and casualty. There are a total of 247 entities under the AIG parent company, and it's actually the financial product companies that are having the problems.
- 5) With respect to the assets in the insurance companies, in order to get money, AIG itself would have to go through a filing process with each domiciliary state to begin that process. AIG is in the process of identifying those insurance entities which they are going to be selling off. Superintendent Dinallo in New York and Commissioner Ario in Pennsylvania have been leading this effort because they have the larger domiciliary pieces. In fact, Superintendent Dinallo has been involved in all of the transactions that have gone on with the Federal Reserve because the AIG holding company is located in New York.
- 6) The insurance departments are working closely with AIG to ensure an orderly process when they begin to sell off the assets for subsequent repayment of the loan.

Ms. Doty explained that AIG, Inc, the parent company, is composed of four basic businesses: general insurance, applicable to present participants, life and retirement

services, asset management and financial products. She further stated that virtually all of the liquidity issues described in the media arose from the financial products group. It is this group that's affected by the credit default swaps and the ones with liquidity problems.

Ms. Doty further stated that the asset sales in all likelihood will take place in the other three groups as we go forward. The property and casualty insurance operation, which is in the general insurance portion, is called AIGCI, AIG commercial insurance. There is a variety of protections for BRIM's program. AIG, Inc. cannot touch the money of the insurance company. Secondly, BRIM's money is in a trust and managed by a third party, the Bank of New York. BRIM has a secured interest; that money can't be touched by anyone other than by AIG drawing it out to pay for BRIM's claims.

Following Ms. Doty's explanations, Vice Chairman Martin further noted that the Insurance Commissioner and the commissioners of the other states certainly are very much involved, and there haven't been any insolvency issues--even with the parent company. Another protection barrier is that BRIM holds its own reserves. BRIM wants to make it clear to everybody that not only are there the normal protections of the insurance world, but BRIM goes a step further in that it holds the money to pay its claims.

Commission Cline interjected that what her office wanted to clarify was that they didn't need a run on the insurance companies; they didn't want individuals being scared and cashing in their annuity or life products and taking penalties and then not being able to go buy coverage somewhere else.

In closing, Vice Chairman Martin stressed that the Board just wanted to make everyone comfortable in knowing that the Insurance Commissioner and the Board of

Risk have looked at most of the things that can happen in this matter, and both sides agree that BRIM is in a fairly good situation. In fact, a few years ago there was an unfunded liability at the Board of Risk; today BRIM does not have this problem.

Ms. Doty interjected that AIG understands and respects that when you're dealing with public money, you're held to a very high standard. Ms. Doty also noted that the chief financial officer of the insurance company is Rob Schimek, who has been on the road constantly for the last month.

There being no questions or the need for further discussion, Chairman Lukens thanked the AIG participants and Commissioner Cline and her staff for their input and insight.

The AIG participants dropped out of the conference call at 1:19 p.m.

Commissioner Cline assured the Board and BRIM personnel that if they have any questions or concerns, they can send them to her office and she and/or her staff will obtain a response. With regard to the exchange of information, Mr. Jones reciprocated.

There being nothing else relative to AIG, Chairman Lukens called upon Norman Mosrie of Ernst & Young, another participant via teleconference, for the presentation of the draft 2008 financial audit results.

DISCUSSION OF 2008 DRAFT FINANCIAL AUDIT

Mr. Mosrie first commended management and members of the Finance Department in providing the information needed by the Ernst & Young (E & Y) staff to conduct their audit. He further commended the BRIM Board, noting they have shown to take their fiduciary responsibilities very seriously by focusing on a key issue that has a potential impact on the organization, such as the AIG crisis, and taking the time to pool

the appropriate resources necessary to address the situation.

Referring to page 4 of the 2008 Audit results and communications document, Mr. Mosrie began to address the topic of "Required communications." He stated that E & Y are prepared to issue an unqualified opinion on BRIM's financial statements in draft form. He explained that Ms. Wheeler would be covering the highlights and analysis but suggested that the Board take note of a few key issues, namely: 1) that net assets at the end of the year are \$128 million, and 2) that management has done a nice job of executing on the Financial Stability Plan that was put in place several years ago to return BRIM to its present position and with enough capital and surplus in place to address the bumpy roads that may be ahead.

Mr. Mosrie further stated that the market situation did impact BRIM last year. Revenue was down about \$7.5 million; and when you look at the unrealized gain component of that, it was actually about a \$14.2 million swing from an unrealized gain position at the end of the prior year to the unrealized gain position at the end of '08. BRIM did see the impact of what's going on in the marketplace in their financials, and he feels BRIM will continue to see that going forward until there's some improvement there that takes place.

In terms of the overall accounting policies and practices that are followed by BRIM, which have been very consistent with the previous year and current practices, Mr. Mosrie noted that one change was made during the current year. BRIM adopted GASB 45, which deals with OPEB, and these are other post employment benefits which BRIM was required to accrue this current year in conjunction with the State of West Virginia. The impact of adopting GASB 45 was not deemed significant overall, and that's why there is no mention of the adoption of the new accounting principle in the

draft opinion.

Referring to page 5, Mr. Mosrie further stated that in terms of significant adjustments or unrecorded audit differences, there is none. He noted that this is a reflection of the good job management has done internally, as well as management's once more being the recipient of the GFOA Certificate for Financial Excellence in overall financial reporting.

From an internal control perspective, referring to page 6, Mr. Mosrie explained that E & Y deals in internal controls to the extent necessary as part of their audit in accordance with government audit standards. There are no material weaknesses or significant deficiencies in internal control noted.

Mr. Mosrie concluded his part of the presentation, at which time Chairman Lukens introduced Susan Wheeler, Senior Manager at Ernst & Young, who proceeded with the financial statement highlights as well as some of the industry's analysis.

The following reflects the major points presented by Ms. Wheeler:

- 1) BRIM's loss ratio for 2007-2008 has increased about 15%. This is primarily due to the decrease in premium revenue that BRIM has been experiencing by the loss of the Senate Bill 3 customers, coupled with an increase in claims expense in the liability line of business.
- 2) On page 38 of the Notes to Financial Statements, there is a trend analysis prepared by the actuaries showing the claims development analysis. In the bottom triangle, enumeration 6), it shows the differences between the actuary's original estimate compared to current year estimate. Historically, BRIM generates a credit in these prior years. The actuary has calculated a liability higher than it was initially thought to be. In 2007, the gap has narrowed significantly from the original estimate, \$56 million, to the revised estimate of \$53 million. As those trends compress, a negative impact of claims expense going forward can be seen because BRIM didn't have the benefit of the positive experience that it had in the past. Therefore, it is basically the condensing of the two numbers describing a considerable increase.

- 3) The expense ratio measures how cost effectively an insurer writes new business. It's calculated by dividing the G & A expenses by written premiums. Due to low overhead and the fact that BRIM writes a lot of its insurance premium policies to state agencies, BRIM maintains a very low expense ratio compared to the industry.
- 4) Total assets increased \$31 million from 2007-2008, primarily due to the advance deposits. BRIM is required to put more monies on deposit as its relationship with AIG develops and more claims years are covered. There is a decrease in cash as well as investments.

At this point, Mr. Mosrie commented on the increase in claims and claims adjustment expense. He noted that the components of the table on page 39, which show the reconciliation of unpaid claims and claims adjustment, help to explain the increase from \$35 million in 2007 to \$43 million in 2008. In order to understand the progression of claims liability, one must first look at the provision for the insured events of the current year. For 2008, the provision is \$57.2; for 2007, \$56 million. However, when the actuaries went back, having the benefit of hindsight in looking at the development of the reserves, there was a redundancy of \$20.9 million in the prior year but only \$14.2 million in 2008. As is evident, there is a significant decrease in the credit taking place, and the claims expense is affected by the prior year's redundancy vs. the current year's expense. It is false to conclude that the claims expense for the current year has gotten a lot worse than it has in the past. In fact, it's just that the actuary has done a much better job of estimating the last couple of years so that the redundancy that's causing the credit has decreased.

At the conclusion of the audit presentation, Vice Chairman Martin moved to accept the draft West Virginia Board of Risk and Insurance Management 2008 Audit results and communications as presented. The motion was seconded by Mr. Glasser.

There being no further discussion, a vote was taken and MOTION ADOPTED.

UNFINISHED BUSINESS

There was no unfinished business.

NEW BUSINESS

There was no new business.

ADJOURNMENT

There being nothing further, the meeting adjourned at 1:39 p.m.

Board Chairman

Date

BRIM/AIG Insurance Program
For State Agencies and Non-Profit Organizations

1. BRIM is not an insurer. BRIM is a state agency that administers the program that obtains coverage from an insurer for all other state agencies and non-profit organizations.
2. To achieve this end, since the 1970's, BRIM has utilized a "fronted" insurance policy with a West Virginia licensed insurer.
3. A fronted program is one in which funds used to pay claims are those of the client(s) rather than those of the insurer. This is in comparison to a non-fronted program in which the insurer takes on the risk of indemnifying the insured; putting their own funds at risk. For assuming that risk, an insurer charges a substantial premium. The insurer also has an expectation a profit will be made.
4. In early 1995, upon reviewing the program in an effort to further refine the process, BRIM published a Request for Proposal to select an insurer for the "fronted" program that provides coverage for state agencies and non-profit organizations.
5. BRIM receives premium revenue from state agencies and non-profits. This revenue is used to secure optimum coverage.
6. The program in 1995 was one in which BRIM paid a deposit to AIG (\$24 million) against an ultimate of approximately \$37 million.
7. As the annual ultimate continued to increase from its 1995 amount of \$37 million to \$63 million in 2005, BRIM looked for a more equitable process in which to fund its program--one in which money held on deposit to pay for claims would generate substantial interest for BRIM, rather than the insurer.

8. Through the RFP process, BRIM again partnered with AIG, and also with the Bank of New York (BONY) to implement a program in which funds to pay claims were deposited with BONY and held in a “trust” in which BRIM received the interest.
9. AIG is the beneficiary of the “trust” but can only draw down from the “trust” to pay obligations (claims) of BRIM. BRIM retains ownership of the funds.
10. Any dispute or controversy pertaining to the “trust” agreement is governed by West Virginia law.
11. Implementation of the “trust” program has allowed BRIM to eliminate any unfunded liabilities in the entire program.
12. Even though AIG is in the midst of a financial problem, the regulated insurance side is still highly rated. Part of the rating evaluation process is the ability of the company to pay claims from its own funds. BRIM is not as impacted by AIG’s rating due to the fact that the funds held in “trust” to pay claims belongs to BRIM—not AIG.
13. Additionally, the insurance policy that is fronted by AIG was written by BRIM. The policy covers those risks BRIM desires to cover.
14. Therefore, in a worst case scenario, should AIG be unable to recover from their current financial problems, BRIM could obtain a fronted program from another carrier. BRIM has obtained written confirmation from a potential carrier in the event the worst case scenario materializes.

A handwritten signature in black ink that reads "Chuck Jones". The signature is written in a cursive, flowing style with a large, prominent loop at the end of the name.

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

December 9, 2008

Chairman Lukens

Call to Order

Chairman Lukens

Approval of Board Minutes
October 21, 2008

REPORTS

Charles E. Jones, Jr.
Executive Director

Executive Director's Report

Steve Schumacher, CPA
Chief Financial Officer

Financial Report
P-Card Report

Robert Fisher
Deputy Director/Claim Manager

Loss Control Report

UNFINISHED BUSINESS

NEW BUSINESS

ADJOURNMENT

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

December 9, 2008

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

BRIM PERSONNEL: Charles E. Jones, Jr., Executive Director
Robert A. Fisher, Deputy Director/Claim Manager
Stephen W. Schumacher, CPA, CFO
Melody Duke, Controller
Chuck Mozingo, Assistant Claim Manager
Jerry Gladwell, Underwriting Manager
C. Blaine Nelson, Underwriter
Jeremy Wolfe, Loss Control Manager
Jennifer Schiefer, Loss Control Specialist
Jill Farrar-Brown, Loss Control Specialist
Mischa DiFilippo, Recording Secretary

BRIM PROGRAM REPRESENTATIVES: Charles Waugh, AIG Domestic Claims, Inc.

GUESTS: Brian Carrico, Marshall University
Tracy Smith, Marshall University
Sandra A. Price, WVU Health Sciences
Mike Gansor, WVU Health Sciences
Tom Sauvageot, WV Investment Management Board

CALL TO ORDER

The meeting of the West Virginia Board of Risk and Insurance Management was called to order by Vice Chairman Martin, who chaired the meeting, at 1:09 p.m. on Tuesday, December 9, 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 October 21, 2008 meeting as written. The motion was seconded by Mr. Cunningham. 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 noted that BRIM is still monitoring the financial position of AIG, and there hasn't been any significant change to report. In addition, in order to stay informed of AIG's financial status in the market, BRIM also monitors the websites of NAIC and the Insurance Commissioner.

Mr. Jones stated that BRIM currently has a one-year contract with AIG, renewable for four subsequent years. The fifth or final year of the contract begins on July 1, 2009. If nothing significant changes with AIG, we will renew the contract; however, if over the next 30 - 90 days BRIM finds a problem that needs to be addressed, we can do two things: 1) develop and release a Request for Proposal (using the same criteria as before) for the final one-year period; or 2) ask our "back-up" insurance company, which it has already agreed to do, to step in and finish the contract. However, AIG's financial position is still sound at present.

Recently the Patient Information Compensation Fund (PICF) which BRIM administers, received its first claim. There is also an underlying medical malpractice claim. Mr. Jones reminded the Board that the purpose of the Fund "is to provide fair and reasonable compensation to qualified claimants in medical professional liability actions for economic damage awards that are uncollectible because of statutory limitations on the recovery of economic damages."

The mechanics of the Fund and composition of the three-member Executive Review Committee, which is to be appointed by the Board, were thereafter discussed at length.

Mr. Glasser then moved for the appointment of the Executive Review Committee to consist of Chuck Jones, Robert Fisher, and John Lukens. The motion was seconded

by Mr. Cunningham. There being no discussion, a vote was taken and the MOTION ADOPTED.

In anticipation of encountering any problem with AIG which would preclude it from contract performance in the fifth year, Mr. Cunningham suggested, and Mr. Jones agreed, that BRIM would proceed with preparing the RFP. In doing so, the RFP would cover the final year of the July 1, 2005 contract with four renewal periods, as well as the new contract effective July 1, 2010, renewable for four subsequent years.

There being no questions, Mr. Schumacher thereafter presented the Chief Financial Officer's Report. The unaudited balance sheet as of October 31, 2008, the unaudited income statement for the four months ending October 31, 2008, and the line of business statements (Total State, Total SB 3, Mine Subsidence and BRIM HB 601) for the same periods were received and filed, copies of which are attached and made a part of the record.

A CD containing copies of the August/September/October 2008 purchasing card invoices was distributed to each Board member. The Vice Chairman signed the acknowledgement form for the May/June/July 2008 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 1:57 p.m.

Board Vice Chairman

Date

Executive Director's Report

December 9, 2008

West Virginia Board of Risk and Insurance Management (BRIM) and AIG

- BRIM continues to monitor the financial condition of AIG. There has been no significant change in the rating by AM BEST nor by Standard and Poor's rating organizations.
- We routinely review the websites of the National Association of Insurance Commissioners (NAIC) and that of the West Virginia Office of the Insurance Commissioner (WVOIC) for news releases concerning changes, especially negative ones, communicated by those respective offices.
- We have not received any updates for the WVOIC pertaining to AIG or any of its affiliate companies.
- As was previously reported, the financial trouble with AIG is with its non-insurance parent company. This parent company is not regulated by the states and is not held to the same investment, accounting and capital adequacy standards as its state-regulated insurance subsidiaries. The AIG insurance subsidiary companies are separate entities, regulated by state insurance departments.
- AIG/BRIM relationship, at the present time, continues to be a sound arrangement.
- Starting July 1, 2009, assuming there are no drastic changes in the AIG financial circumstances, BRIM will renew with AIG the 5th and final year of a five year arrangement on the liability program.

- Any significant changes in AIG's financial picture over the next 60-90 days will cause us to consider submitting a RFP prior to the July 1, 2009 renewal.

Litigation

- The November 2008 report from AIG for the period ending October 31, 2008 reveals that in October, no cases were tried to verdict. Year to date, six cases have been tried to a verdict with four defense and two plaintiff verdicts. New lawsuits have increased 15%; closed lawsuits have increased 2.8 % and pending lawsuits have increased 7.2% over year to date 2007.

Interim Legislative Sessions

- The Joint Committee on Government and Finance will meet December 9, at 3:00 p.m. in the Senate Finance room. During the November Interim session, Judiciary Chairman Carrie Webster asked that I provide information on alleged excessive force claims for the Department of Public Safety (State Police).

Other Claim Information

- Just this past week, BRIM received its first claim seeking compensation from the Patient Injury Compensation Fund (PICF).
- The PICF is a Fund established by the Legislature in May 2005.
- Its purpose is to provide fair and reasonable compensation to qualified claimants in medical professional liability actions for economic damage awards that are uncollectible because of statutory limitations on the recovery of economic damages.

- Economic damages include quantifiable amounts such as: lost wages; past and future medical care and rehabilitation services.
- Economic damages does not include: pain and suffering; attorney fees or punitive damages.
- The Fund shall be operated as a fund of last resort. Payment by the Fund for economic damages may be made only when all insurance coverages have been exhausted.
- The compensation determination process includes a three-member Application Review Committee appointed by the Executive Director; and a three-member Executive Review Committee, appointed by the Board.

Upcoming Projects

- Submission of Comprehensive Annual Financial Report (CAFR) to the Government Finance Officers Association (GFOA) by December 31, 2008.
- On-line driver training program implemented by the Loss Control Department.
- Committee member of a program that will implement a shelter in place drill for all Kanawha County Schools on 12/16/2008.
- Planning committee for a Business Continuity/Disaster Recovery program for both BRIM and for the Department of Administration.
- Premium calculation for State Agencies; then for Senate Bill #3 entities.
- Actuarial RFP.
- Financial Audit RFP.
- Aviation coverage RFP.
- Continue to assess the values of insured buildings.

Marshall University and West Virginia University Trust Account

- We have seen an increase in the number of medical professional liability claims over the last several months. However, it is still not excessive as compared to the frequency of those claims that occurred during the pre-trust/escrow timeframe. There are adequate funds (in excess of \$3,000,000 for WVU; in excess of \$1,500,000 for Marshall) in the escrow account with the Treasurer's Office. There is no indication that there is a need to re-implement the funding requirements for the escrow accounts for either institution. Both institutions have responded in timely fashion to requests to replenish the fund as a result of claim payments. We will continue to monitor claim trends and advise the board if the need arises, for us to re-implement funding for the escrow account. At the current time, it is not necessary.

Respectively 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

Joe Manchin III
Governor

Robert Ferguson, Jr.
Cabinet Secretary

Chief Financial Officer's Report December 9, 2008

A. P Card Report

- CD copies contain the supporting detail for P card purchases for the months of August, September and October 2008. These totals are:

August	\$23,707.10
September	\$3,152.21
October	\$45,984.15

B. Interim Financials – 10/31/08

- BRIM's overall financial position thru October has been negatively impacted by investment losses resulting from the liquidity crisis in the financial markets over the past several months. This is reflected in BRIM's \$14.5 million decrease in surplus for the first four months of the fiscal year.
- Premium Revenue thru October reflects the premiums earned for the first four months of FY'08.
- Claims Expense thru October reflects the actual claims payments made thru October as well as a \$1.7 million increase in the estimated outstanding claims reserves since June 30.

C. AIG Update

- On November 12, the U.S. government and American International Group Inc. (AIG) announced that they have revised the terms of the initial September bailout, boosting the size of the package to \$150 billion -- of which up to \$60 billion is a loan -- that slashed AIG's interest rate on the loan. The new financing agreements with the U.S. Treasury and the Fed dramatically lessen the onerous terms of the original loan and allow the company more time and flexibility to sell assets. The revised structure is designed to improve both AIG's ability to sell assets for a decent price and the taxpayer's ability to recoup the money that has been pumped into the insurer. It also transfers to the government many of the risks once absorbed by AIG, potentially exposing the government to billions of dollars in future losses.
- On December 3, AIG's CEO, Edward Liddy said in an interview that as soon as AIG can make good progress on selling assets and paying down their government loan, the company will again seek to renegotiate the terms of its rescue package. AIG intends to keep its main commercial property/casualty insurance businesses as well as a stake in some of its foreign life insurance operations.

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



October 31

(in thousands)

	2008	2007
ASSETS		
Short Term Assets		
Cash and Equivalents	\$ 22,563	\$ 26,504
Advance Deposit with Carrier/Trustee	170,147	132,105
Receivables - Net	1,304	10,673
Prepaid Insurance	3,617	3,919
Total Short Term Assets	197,631	173,201
Long Term Assets		
Investments	92,292	120,636
Total Long Term Assets	92,292	120,636
TOTAL ASSETS	289,923	293,837
LIABILITIES		
Short Term Liabilities		
Accounts payable	1,175	6,001
Claims Payable	15	4
OPEB Liability	35	-
Agents Commissions Payable	541	662
Unearned Revenue	11,040	13,208
Current Estimated Claim Reserve	48,747	54,854
Total Short Term Liabilities	61,553	74,729
Long Term Liabilities		
Compensated Absences	52	200
Estimated Noncurrent Claim Reserve	115,181	108,658
Total Long Term Liabilities	115,233	108,858
TOTAL LIABILITIES	176,786	183,587
Prior Year Net Assets	127,630	97,547
Current Year Earnings	(14,493)	12,703
TOTAL NET ASSETS	113,137	110,250
TOTAL LIABILITIES AND RETAINED EARNINGS	\$ 289,923	\$ 293,837

DRAFT - Unaudited - Management Purposes Only

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



	October 31	
	(in thousands)	
	2008	2007
Operating Revenues		
Premium Revenues	\$ 21,133	\$ 24,888
Less - Excess Insurance	(2,045)	(1,960)
Total Operating Revenues	19,088	22,928
Operating Expenses		
Claims Expense	15,932	16,236
Property & MS Claims Expense	2,067	118
Personal Services	439	457
Operating Expenses	936	1,131
Total Operating Expenses	19,374	17,942
Operating Income (Loss)	(286)	4,986
Nonoperating Revenues		
Court Fees	11	11
Investment Income	(14,218)	7,706
Total Nonoperating Revenues	(14,207)	7,717
Net Income (Loss)	(14,493)	12,703

DRAFT - Unaudited - Management Purposes Only

West Virginia Board of Risk and Insurance Management
UNAUDITED BALANCE SHEET
October 31, 2008



	Total State	Total SB3	Mine Subsidence	BRIM HB 601	Total
Assets					
Short Term Assets					
Cash and Equivalents	\$ 6,810	\$ 3,914	\$ 6,597	\$ 5,242	\$ 22,563
Deposits Held by Carrier/Trustee	88,377	81,770	-	-	\$ 170,147
Receivables - Net	726	206	372	-	\$ 1,304
Prepaid Insurance	1,499	2,118	-	-	\$ 3,617
Total Short Term Assets	97,412	88,008	6,969	5,242	197,631
Long Term Assets					
Investments	54,670	17,805	19,817	-	92,292
Total Long Term Assets	54,670	17,805	19,817	-	92,292
Total Assets	\$ 152,082	\$ 105,813	\$ 26,786	\$ 5,242	\$ 289,923
Liabilities					
Short Term Liabilities					
Accounts payable	722	453	-	-	1,175
OPEB Liability	17	17	1	-	35
Claims Payable	-	15	-	-	15
Agents Commissions Payable	-	541	-	-	541
Unearned Revenue	5,316	5,019	705	-	11,040
Current Claim Reserve	21,917	26,083	699	48	48,747
Total Short Term Liabilities	27,972	32,128	1,405	48	61,553
Long Term Liabilities					
Compensated Absences	35	16	1	-	52
Claim Reserve IBNR	55,542	59,484	69	86	115,181
Total Long Term Liabilities	55,577	59,500	70	86	115,233
Total Liabilities	83,549	91,628	1,475	134	176,786
Prior Year Net Assets	78,297	15,699	28,549	5,085	127,630
Current Year Earnings	(9,764)	(1,514)	(3,238)	23	(14,493)
Total Net Assets	68,533	14,185	25,311	5,108	113,137
Total Liabilities and Retained Earnings (Deficiency)	\$ 152,082	\$ 105,813	\$ 26,786	\$ 5,242	\$ 289,923

West Virginia Board of Risk and Insurance Management
Unaudited Income Statement
for the four months ending October 31, 2008
(in thousands)



	Total State	Total SB3	Mine Subsidence	BRIM HB 601	Total
Operating Revenues					
Premium Revenues	\$ 10,679	\$ 9,855	\$ 599	\$ -	\$ 21,133
Less: Excess Insurance	\$ (749)	\$ (1,296)	\$ -	\$ -	\$ (2,045)
Total Operating Revenues	<u>\$ 9,930</u>	<u>\$ 8,559</u>	<u>\$ 599</u>	<u>\$ -</u>	<u>\$ 19,088</u>
Operating Expenses					
Claim and Claim Adjustment Expense-Indemnity	10,344	7,409	219	27	17,999
Personal Services-Payroll	383	55	1	-	439
General and Administrative Expense	231	703	1	1	936
Total Operating Expenses	<u>10,958</u>	<u>8,167</u>	<u>221</u>	<u>28</u>	<u>19,374</u>
Operating Income (Loss)	(1,028)	392	378	(28)	(286)
Nonoperating Revenues					
Interest Income	(8,736)	(1,906)	(3,616)	40	(14,218)
Court Fees	-	-	-	11	11
Total Nonoperating Revenue	<u>(8,736)</u>	<u>(1,906)</u>	<u>(3,616)</u>	<u>51</u>	<u>(14,207)</u>
Net Income (Loss)	<u>\$ (9,764)</u>	<u>\$ (1,514)</u>	<u>\$ (3,238)</u>	<u>\$ 23</u>	<u>\$ (14,493)</u>

Loss Control Report to the Board December 2008

We're saddened to report that Loss Control Specialist Charlie Warner recently left BRIM to work for another agency in state government. We will begin the process to fill his position in the coming weeks.

Since September, we have enrolled approximately 19,000 state drivers in the on-line driver training program we are sponsoring through the National Safety Council. Credits and surcharges will be applied to each state agency's automobile premium based on their efforts in this program. Agencies have until June 30, 2009 for completion of the training.

Loss Control Questionnaires were sent out to our Senate Bill #3 customers during the month of October. The questionnaires and required supporting documentation are due back to us by January 1, 2009. These questionnaires will be evaluated and the appropriate loss control credits or surcharges will be applied to FY 2010 premiums.

BRIM and Chubb sponsored two boiler safety and operational seminars on November 12th and the 13th. The first was held at West Virginia State University and the second was held at the Waterfront Resort in Morgantown. Approximately 100 individuals participated in the seminars.

During the months of September, October and November, SEC conducted 172 inspections and CHUBB conducted 1,201. The reports are being processed in accordance with established procedures.

To highlight some of our recent successes:

Jeremy Wolfe and Jill Farrar-Brown along with the Kanawha County Emergency Services, City of Charleston Emergency Services and the Kanawha-Putnam Emergency Planning Committee are providing assistance to the Kanawha County Board of Education in planning and executing Shelter-In-Place Emergency drills for approximately 71 schools. The drills are scheduled to occur this month.

Jill Farrar-Brown and Carl Baldwin helped PEIA develop a partnership with the DEP (with whom they now share office space) to initiate a safety committee.

Charlie Warner and Carl Baldwin met with the Lewis County Board of Education to develop corrective action plans in response to recent risk assessment surveys conducted for the Board by Schirmer Engineering Corporation (SEC). These surveys had been a source of serious concern for the Board, however, Charlie and Carl successfully diffused the situation.

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

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

- 8** 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.

- 51** 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.

Dated: 12-8-2008

Respectfully submitted,



Robert A. Fisher
Deputy Director *and* Claim Manager

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

March 24, 2009

Chairman Lukens

Call to Order

Chairman Lukens

Approval of Board Minutes
December 9, 2008

REPORTS

Charles E. Jones, Jr.
Executive Director

Executive Director's Report

Melody Duke
Controller

Financial Report
P-Card Report

Robert Fisher
Deputy Director/Claim Manager

Loss Control Report

UNFINISHED BUSINESS

NEW BUSINESS

ADJOURNMENT

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

March 24, 2009

**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 A. Fisher, Deputy Director/Claim Manager
Melody Duke, Controller
Chuck Mozingo, Assistant Claim Manager
Barbara Houchins, Claim Representative
Bob Miller, Claim Representative
Jerry Gladwell, Underwriting Manager
C. Blaine Nelson, Deputy Underwriting Manager
Jeremy Wolfe, Loss Control Manager
Jennifer Schiefer, Loss Control Specialist
Jill Farrar-Brown, Loss Control Specialist
Carl Baldwin, Loss Control Specialist
Steve Fowler, BRIM Counsel
Linda Dexter, Recording Secretary

**INSURANCE
COMMISSION**

REPRESENTATIVES:

Bill Kenny, Deputy Insurance Commissioner

BRIM PROGRAM

REPRESENTATIVES:

Charles Waugh, AIU Holding, Inc.
Joanna Valleau, AIU Holding, Inc.
Harry "Skip" Morris, Wells Fargo

GUESTS:

Beth Hammers, Marshall University
Brian Carrico, Marshall University
Tracy Smith, Marshall University
Mike Gansor, WVU Health Sciences
Ed Philips, WVU Health Sciences
Janet Buckley, Commercial Insurance Service

CALL TO ORDER

The meeting of the West Virginia Board of Risk and Insurance Management was called to order by Chairman Lukens at 1:05 p.m. on Tuesday, March 24, 2009, at 90 MacCorkle Avenue, SW, Suite 203, South Charleston, West Virginia.

APPROVAL OF MINUTES

Mr. Cunningham moved the approval of the minutes of the December 9, 2008 meeting as written. The motion was seconded by Mr. Glasser. 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 noted that the AIG insurance companies are strong because of State regulations separating the AIG insurance companies from the AIG financial products areas. In fact, on March 2, 2009, AIG announced the creation of a new insurance holding company, AIU Holding, Inc., which joins commercial with foreign insurance operations.

While distributing a packet of information about the commercial insurance section of the new holding company to the Board members, Mr. Jones stated he felt it was his responsibility to keep the Board and the citizens of the State of West Virginia apprised of the financial status of the relationship between BRIM and AIU Holding, Inc., formerly AIG.

Mr. Jones then acknowledged Deputy Commissioner Kenny's presence and solicited his comments on the matter. Deputy Commissioner Kenny responded by stating he felt Mr. Jones had "summed it up" accurately, and referenced a recent press release describing the congressional testimony of the New York commissioner and Pennsylvania Insurance Commissioner Joel Ario, both of whom monitor their states carefully because of the number of AIG companies in each state.

Deputy Commissioner Kenny further explained that the Insurance Commissioner's Office receives updates from the New York commissioner, Pennsylvania Insurance Commissioner, Joel Ario, and the other commissioners, thought to be a total of 19 involved. The New York commissioner is in AIG's Board Room and offices on a daily basis watching their companies. So, the West Virginia Insurance Commission is confident, as are the other agencies, that AIG is financially sound.

Deputy Commissioner Kenny further stated that the plan has been, and has always been, that the AIG insurance companies will sell off all the assets necessary to pay back the federal government. However, because of the nature of the market at this time, AIG is not getting the full value of their assets.

Regarding the retention bonus, Deputy Commissioner Kenny stated that they were signed last April when AIG began to lose some "talent." At that time, AIG and the federal government recognized that they had to keep this "talent," so they signed these contracts for the retention bonuses. Most of this money has ended up in off-shore accounts belonging to those people AIG needed to keep.

Deputy Commissioner Kenny added that from the insurance side, the companies are running fine. The West Virginia Insurance Commission is contacted by the federal regulators. The New York Fed is the government contact with AIG. Although the Department of the Treasury has oversight, the New York Fed is the lead regulator in the matter. The insurance companies surprisingly have very little exposure. The State regulators have been through this. The investment holders of the various insurance companies have to get it revalued. NAIC has its own Securities Valuation Office.

A couple of week ago, there was a run on AIG. People/companies wanted to cancel policies and annuities were being switched. But for now, they seem to have returned to a state of normalcy.

Deputy Commissioner Kenny also explained that State regulation requires that the Insurance Commission run a series of ratios. When a company begins to fail those ratios, the State regulators are required to take over the company and provide administrative supervision and subsequently liquidate the assets if the company can't be turned around.

There being nothing further to say by Deputy Commissioner Kenny, Mr. Jones continued with the Executive Director's Report.

During his discussion about BRIM's claim handling process, Mr. Jones stressed the fact that the two governing bodies that have oversight in BRIM functions are the BRIM Board and the Legislative Auditor's Office. If the Board should ask to see any claim, we would oblige them. If the Legislative Auditor's Office were to request documentation on behalf of the Legislature, we would also oblige them, and be in compliance with *WV Code § 4-2-5*.

The next topic in Mr. Jones' report was the workers' compensation legislation. Initially, all employers were required to purchase their workers' compensation insurance through BrickStreet. However, effective July 1, 2009, entities can buy their workers' compensation insurance either through BrickStreet, another commercial carrier, or they could self-insure if they met the qualifications.

During general discussion, Mr. Jones presented the following points: In the original workers' compensation bill, it states that BrickStreet is to be the sole provider of workers' compensation insurance for government agencies from July 2009 until July 2012. The purpose of the new workers' compensation legislation, Senate Bill 702 and House Bill 3275, is to change the end date for government agencies in purchasing workers' compensation insurance from BrickStreet--from July 2012 to July 2010. Since BRIM is responsible for providing insurance coverage for state agencies, as per § 29-12-5 of the *West Virginia Code*, there is a question as to where governmental agencies, i.e., colleges, universities, Department of Highways, etc. will purchase their workers' compensation insurance.

Deputy Commissioner Kenny stated that a compromise bill had been introduced, which says that all government agencies can "shop" their insurance and buy it on the commercial market in 2010. By 2011, BrickStreet will no longer have to insure government agencies. He also noted that there is a study being done to determine the outcome if the Insurance Commission were to self-insure the state's business. He further stated that he thinks this bill will be passed as is, and it has already been agreed upon by the Municipal League, the County Association and the Governor's Office. He stated that BrickStreet has been losing money, and the Insurance Commission "could" then give BrickStreet a substantial increase in their rates, for which they have asked.

The Insurance Commission has not yet been able to come to terms on the rate increase. The Insurance Commission could also open it up to the governmental agencies to see what the market will do for them.

Mr. Jones thereafter stated that the possibility exists there is a conflict between one statute saying BRIM should provide insurance coverage--even though it is not specific as to workers' compensation insurance to all state agencies--and another statute saying that agencies can go somewhere else to get their workers' compensation coverage.

Deputy Commissioner Kenny emphasized that nothing changes other than the dates. The bill simply changes the current code that says that [workers' compensation] insurance must be purchased from BrickStreet until 2012. It is proposed that beginning July 2010, government agencies can begin to shop for workers' compensation insurance, and that BrickStreet does not have to be the insurer of last resort after 2011.

Mr. Jones summarized his comments by stating he does think there is an issue because one statute says one thing, and the new statute [which refers to the pending legislation] would say something to the contrary. Therefore, Chairman Lukens suggested that Mr. Jones and Deputy Commissioner Kenny get together to determine if there is, in fact, a conflict.

Mrs. Duke, BRIM Controller, appearing on behalf of Steve Schumacher, BRIM CFO, had previously distributed copies of the 2008 CAFR to the Board Members.

Mrs. Duke thereafter presented the Chief Financial Officer's Report. The unaudited balance sheet as of January 31, 2009, the unaudited income statement for the seven months ending January 31, 2009, and the line of business statements (Total State, Total SB 3, Mine Subsidence and BRIM HB 601) for the same periods were received and filed, copies of which are attached and made a part of the record.

A CD containing copies of the November and December 2008 and January 2009 purchasing card invoices was distributed to each Board member. The Chairman signed the acknowledgement form for the August/September/October 2008 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, Vice Chairman Martin moved to adjourn the meeting. The motion was seconded by Mr. Glasser. There being no discussion, a vote was taken and the MOTION ADOPTED.

The meeting adjourned at 2:06 p.m.

Board Chairman

Date

Executive Director's Report

March 24, 2009

A. Status of AIG and BRIM Contract

1. We constantly monitor the situation that has plagued AIG and the rest of the financial world.
2. We routinely visit the websites of the National Association of Insurance Commissioners (NAIC) and that of the Office of the Insurance Commissioner of the State of West Virginia. We have been in contact with Offices of the Insurance Commissioners of West Virginia, Pennsylvania and New York with regard to changes in the status of AIG that we may not be aware of and they are.
3. We are not oblivious to the recent new coverage regarding the bonuses paid to select individuals and the public outcry as a result. I certainly am not attempting to explain or rationalize those payments.
4. Our review of the situation reveals that the insurance companies that come under the purview of the parent company AIG are strong. This is mainly due to the State regulations in place that separate the State regulated AIG insurance companies from the AIG financial products area.
5. In other words, AIG financial products divisions, not AIG insurance companies, created the financial problems that resulted in the Federal Government intervening.
6. There have been several recent developments:
 - a. On March 2, 2009, AIG announced fourth quarter losses of \$61.7 billion and \$99.3 billion net loss for 2008. Even with

those reported losses, AIG commercial insurance companies reported a statutory surplus of \$26.6 billion for 2008.

- b. Obviously the Federal Government has a substantial investment in ensuring that AIG recovers from this financial dilemma.
 - c. Also on March 2, 2009, AIG and the Federal Government announced changes in the financial arrangements that allow placing preferred interest in certain life insurance companies in trust for the benefit of the Federal Reserve. This will facilitate repayment of the previous credit granted to AIG.
 - d. Additionally on March 2, 2009, AIG announced that it is joining commercial insurance with foreign insurance operations in creating a new insurance holding company named AIU Holdings, Inc.
 - e. Subsequently, the major rating companies reaffirmed their property casualty ratings of AIG.
7. We are still of the opinion that currently, any change in our contractual relationship with AIG property casualty insurance company prior to the expiration of said contract is premature and would be detrimental to BRIM's operation.
- B. The Medical Professional Liability Deductible Program started July 1, 2005 (FY 2006). As of the end of February 2009, the deductible program has been in existence for forty-four (44) months. There have been a total of 12 alleged malpractice claims filed against Marshall University or, an average of .27 claims per month since the inception of the program. There have been a total of 70 alleged malpractice claims filed against West Virginia University or, an average of 1.6 claims per month since the inception of the program.

C. The following contracts/lines of business are due for RFP submission:

- Excess Liability for Boards of Education
- Liability Contract with AIG
- Aviation
- Independent Audit
- Independent Actuarial funding study
- Property

D. BRIM premiums for State Agencies for FY 2010, which starts July 1, 2009, are down approximately 9.5%, as compared to last FY. Our investment earnings have been affected by the market just as have many other institutions, and financially, BRIM will show a loss for the year in the \$5-\$9 million range. However, we project that we will still have no unfunded liabilities and will maintain our surplus, assets over liabilities.

E. Claim Handling Process.

BRIM has a very systematic process for resolving claims against state agencies and non-profit organizations. But first, one has to recognize that BRIM does not get involved unless and until there is an allegation that someone has done something inappropriately or negligently. Then BRIM has to investigate, determine the merits of the allegations, and attempt to resolve the claim in the most cost-conscious manner possible. This includes settlement in which an amount of money is paid in exchange for a full and final release of all claims. This also includes proceeding to trial and adhering to whatever judgment is rendered against or in favor on the insured.

In order to accomplish this, some degree of confidentiality must be exercised regarding information BRIM collects from the insured that allows BRIM to make an informed decision. If BRIM were to collect data relative to the alleged claim, and then turn around and communicate the content of the collected data to those who inquire, under the guise of informing the general public how a case was brought and settled, BRIM would be severely restricted in obtaining additional relative data on future claims.

There is a process by which the governing bodies, such as the BRIM Board, or the legislature, can obtain relevant data about any claim BRIM handles, if they so desire. The BRIM Board can simply convene a committee and review the claim handling process on behalf of the full Board. The arm of the Legislature which is the Performance Evaluation and Research Division, headed by the Legislative Auditor, can also obtain relevant data about a claim. The Legislative Auditor shall have the power and authority to examine the revenues, expenditures, and performance of every spending unit of the state government and for these purposes shall have the authority, by such means as are necessary, to require any person holding office in the state government or employed by the state, to allow him to inspect the properties, equipment, facilities and records of the various agencies, departments, subdivisions or institutions of the state government for which appropriations are to be made or have been made, either before or after estimates therefor are submitted, and before, during and after the sessions of the Legislature. (§ 4-2-5)

F. Legislation

Senate Bill No. 702; House Bill No. 3275

The purpose of these companion bills is to change the date through which governmental entities are required to purchase workers' compensation through the West Virginia Mutual Insurance Company. The bill changes the date from two thousand twelve (2012) to June 30, 2010.

- Initially, all employers were required to purchase worker's compensation insurance from the company unless permitted to self-insure.
- Then, effective July 1, 2008, employers could (1) continue purchasing from the company; (2) purchase from another commercial carrier licensed in the state, or (3) self-insure.
- Except that all state and local governments shall continue to purchase worker's compensation insurance through two thousand twelve (2012).

- This bill stipulates that starting July 1, 2010, governmental bodies can purchase worker's compensation insurance through the company, through another commercial carrier licensed in the state, or self-insure.

Sincerely yours,

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

Joe Manchin III
Governor

Robert Ferguson, Jr.
Cabinet Secretary

Chief Financial Officer's Report March 24, 2009

A. P Card Report

- CD copies contain the supporting detail for P card purchases for the months of November and December 2008 and January 2009. These totals are:

November	\$18,534.96
December	\$45,819.30
January	\$41,006.72

B. Interim Financials – 1/31/09

- BRIM's overall financial position thru January shows fiscal year to date investment losses of \$4.9 million, driven by the continuing uncertainty in the financial markets. These losses are the reason for BRIM's year to date net loss of almost \$2 million.
- Premium Revenue thru January reflects the premiums earned for the first seven months of FY'09.
- Claims Expense thru January reflects the actual claims payments made for the first seven months of the fiscal year as well as a \$2.7 million overall increase in the estimated outstanding claims reserves since June 30, 2008.

C. AIG Update

- On March 2, 2009 AIG announced 4th quarter results, posting a net loss of \$61.7 billion for the quarter and a \$99.3 billion net loss for the year (2008). Even so, AIG Commercial Insurance maintained statutory surplus of \$26.6 billion at 12/31/08.
- On March 2, 2009 the U.S. government and AIG announced new arrangements with the Federal Reserve and U.S. Treasury that gives AIG added flexibility to execute its business plan. AIG will place preferred interests in two of AIG's life insurance companies into a trust for the benefit of the Federal Reserve Bank of New York (FRBNY) and will also issue to the FRBNY securitization notes representing embedded value of certain of its U.S. life insurance businesses. The proceeds from these transactions in combination with the proceeds from other AIG businesses already sold will allow AIG to pay off the outstanding debt owed by AIG on the previous Federal Reserve credit facility. In addition, the new agreement also provides AIG with an additional \$30 billion in capital on an as needed basis.
- On March 2, 2009 AIG also announced that it will combine the company's commercial insurance and foreign insurance units into a new general insurance holding company called AIU Holdings, Inc., creating a stronger entity that could attract a substantial interest in a potential minority investment offering of up to 20%.
- Subsequent to these announcements, all of the major agencies (A.M. Best, Fitch, Moody's and S&P) reaffirmed or confirmed their property/casualty ratings for AIG.

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



January 31

(in thousands)

	2009	2008
ASSETS		
Short Term Assets		
Cash and Equivalents	\$ 23,549	\$ 30,570
Advance Deposit with Carrier/Trustee	181,503	144,767
Receivables - Net	2,441	6,108
Prepaid Insurance	2,557	2,664
Total Short Term Assets	210,050	184,109
Long Term Assets		
Investments	94,759	111,542
Total Long Term Assets	94,759	111,542
TOTAL ASSETS	304,809	295,651
LIABILITIES		
Short Term Liabilities		
Accounts payable	1,618	1,906
Claims Payable	182	27
OPEB Liability	35	-
Agents Commissions Payable	947	1,158
Unearned Revenue	11,432	13,059
Current Estimated Claim Reserve	48,212	53,299
Total Short Term Liabilities	62,426	69,449
Long Term Liabilities		
Compensated Absences	52	200
Estimated Noncurrent Claim Reserve	116,668	109,806
Total Long Term Liabilities	116,720	110,006
TOTAL LIABILITIES	179,146	179,455
Prior Year Net Assets	127,630	97,547
Current Year Earnings	(1,967)	18,649
TOTAL NET ASSETS	125,663	116,196
TOTAL LIABILITIES AND RETAINED EARNINGS	\$ 304,809	\$ 295,651

DRAFT - Unaudited - Management Purposes Only

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



	January 31	
	(in thousands)	
	2009	2008
Operating Revenues		
Premium Revenues	\$ 36,587	\$ 43,275
Less - Excess Insurance	(3,579)	(3,730)
Total Operating Revenues	33,008	39,545
Operating Expenses		
Claims Expense	23,769	27,484
Property & MS Claims Expense	3,802	1,558
Personal Services	759	780
Operating Expenses	1,798	1,934
Total Operating Expenses	30,128	31,756
Operating Income (Loss)	2,880	7,789
Nonoperating Revenues		
Court Fees	18	17
Investment Income	(4,865)	10,843
Total Nonoperating Revenues	(4,847)	10,860
Net Income (Loss)	(1,967)	18,649

DRAFT - Unaudited - Management Purposes Only

West Virginia Board of Risk and Insurance Management
UNAUDITED BALANCE SHEET
January 31, 2009
(in thousands)



	Total State	Total SB3	Mine Subsidence	BRIM HB 601	Total
Assets					
Short Term Assets					
Cash and Equivalents	\$ 6,191	\$ 5,182	\$ 6,918	\$ 5,258	\$ 23,549
Deposits Held by Carrier/Trustee	95,303	86,200	-	-	\$ 181,503
Receivables - Net	2,166	104	372	-	\$ 2,642
Prepaid Insurance	937	1,620	-	-	\$ 2,557
Total Short Term Assets	104,597	93,106	7,290	5,258	210,251
Long Term Assets					
Investments	56,538	18,088	20,132	-	94,758
Total Long Term Assets	56,538	18,088	20,132	-	94,758
Total Assets	\$ 161,135	\$ 111,194	\$ 27,422	\$ 5,258	\$ 305,009
Liabilities					
Short Term Liabilities					
Accounts payable	938	730	17	-	1,685
OPEB Liability	17	17	1	-	35
Claims Payable	90	93	-	-	183
Agents Commissions Payable	-	946	-	-	946
Unearned Revenue	5,719	5,145	705	-	11,569
Current Claim Reserve	21,148	26,489	519	56	48,212
Total Short Term Liabilities	27,912	33,420	1,242	56	62,630
Long Term Liabilities					
Compensated Absences	35	16	1	-	52
Claim Reserve IBNR	56,598	59,613	376	81	116,668
Total Long Term Liabilities	56,633	59,629	377	81	116,720
Total Liabilities	84,545	93,049	1,619	137	179,350
Prior Year Net Assets	78,297	15,699	28,549	5,085	127,630
Current Year Earnings	-	-	-	-	-
Total Net Assets	78,297	15,699	28,549	5,085	127,630
Total Liabilities and Retained Earnings (Deficiency)	\$ 162,842	\$ 108,748	\$ 30,168	\$ 5,222	\$ 306,980

West Virginia Board of Risk and Insurance Management
Unaudited Income Statement
for the seven months ending January 31, 2009
(in thousands)



	Total State	Total SB3	Mine Subsidence	BRIM HB 601	Total
Operating Revenues					
Premium Revenues	\$ 18,364	\$ 17,110	\$ 1,113	\$ -	\$ 36,587
Less: Excess Insurance	\$ (1,312)	\$ (2,267)	\$ -	\$ -	\$ (3,579)
Total Operating Revenues	<u>\$ 17,052</u>	<u>\$ 14,843</u>	<u>\$ 1,113</u>	<u>\$ -</u>	<u>\$ 33,008</u>
Operating Expenses					
Claim and Claim Adjustment Expense-Indemnity	13,969	13,030	539	33	27,571
Personal Services-Payroll	384	351	25	-	760
General and Administrative Expense	441	1,351	8	2	1,802
Total Operating Expenses	<u>14,794</u>	<u>14,732</u>	<u>572</u>	<u>35</u>	<u>30,133</u>
Operating Income (Loss)	2,258	111	541	(35)	2,875
Nonoperating Revenues					
Interest Income	(3,965)	2,335	(3,287)	53	(4,864)
Court Fees	-	-	-	18	18
Total Nonoperating Revenue	<u>(3,965)</u>	<u>2,335</u>	<u>(3,287)</u>	<u>71</u>	<u>(4,846)</u>
Net Income (Loss)	<u><u>\$ (1,707)</u></u>	<u><u>\$ 2,446</u></u>	<u><u>\$ (2,746)</u></u>	<u><u>\$ 36</u></u>	<u><u>\$ (1,971)</u></u>

Loss Control Report to the Board March 2009

The SB3 loss control questionnaire evaluation process will be completed by the end of this month. Approximately 200 entities failed to return the questionnaire and will receive a full surcharge.

Later this spring, BRIM and Chubb will offer two boiler and air conditioner safety and operation seminars. One will be held in the northern part of the state and the other in the Charleston area. Invitation letters have already been sent out.

Approximately 24,000 drivers have enrolled in the National Safety Council on-line driver training program being offered by BRIM to state agencies. The deadline for completion of this training is June 30, 2009. Credits or surcharges will be applied to automobile premium based on the level of participation in each agency.

We have issued an RFP for loss control inspection services and will soon be issuing one for boiler insurance and inspection. There seems to be a good deal of interest in these offerings this year. This hasn't always been the case.

We are currently reviewing resumes and hope to begin interviewing soon to fill the vacant loss control specialist position.

BRIM recently worked with General Services to address problems at the Arch A. Moore complex in Fairmont. Jeremy Wolfe conducted a site assessment and ultimately arranged for Rudick Forensic Engineering to inspect the building. As a result, the building was deemed to be unsafe for occupancy and all employees and operations were removed from the building.

During the months of December, January, February, and March, SEC conducted 75 inspections and Chubb conducted 427. The reports are being processed according to established procedures.

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

1 Loss Control Visit

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

13 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.

3 Presentation Visits

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

**Loss Control Report to the Board
March 2009**

As is the case every year, the number of visits is down drastically due to the evaluation of SB3 questionnaires during the winter months. We expect the coming months to be very busy!

Dated: 3/19/09

Respectfully submitted,



Robert A. Fisher
Deputy Director *and* Claim Manager

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

June 23, 2009

Chairman Lukens

Call to Order

Chairman Lukens

Approval of Board Minutes
March 24, 2009

REPORTS

Charles E. Jones, Jr.
Executive Director

Executive Director's Report

Steve Schumacher, CPA
Chief Financial Officer

Financial Report
P-Card Report

Robert Fisher
Deputy Director/Claim Manager

Loss Control Report

UNFINISHED BUSINESS

NEW BUSINESS

ADJOURNMENT

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

June 23, 2009

**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
Jerry Gladwell, Underwriting Manager
Chuck Mozingo, Assistant Claim Manager
C. Blaine Nelson, Deputy Underwriting Manager
Melody Duke, Controller
Jeremy Wolfe, Loss Control Manager
Carl Baldwin, Loss Control Specialist
Linda Dexter, Recording Secretary

**INSURANCE
COMMISSION
REPRESENTATIVES:**

Bill Kenny, Deputy Insurance Commissioner

**BRIM PROGRAM
REPRESENTATIVES:**

Charles Waugh, AIU Holdings, Domestic Claims
Joanna Valleau, AIU Holdings

GUESTS:

Sandy Price, WVU Health Sciences
Michael J. Gansor, WVU Health Sciences
Tracy Smith, Marshall University
Tom Sauvageot, WV Investment Management Board

CALL TO ORDER

The meeting of the West Virginia Board of Risk and Insurance Management was called to order by Chairman Lukens at 1:07 p.m. on Tuesday, June 23, 2009, at 90 MacCorkle Avenue, SW, Suite 203, South Charleston, West Virginia.

APPROVAL OF MINUTES

Mr. Glasser moved the approval of the minutes of the March 24, 2009 Board Meeting. The motion was seconded by Mr. Martin. 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 April 30, 2009, and the unaudited income statement for the ten months ending April 30, 2009 were received and filed, copies of which are attached and made a part of the record.

A CD containing copies of the February, March and April 2009 purchasing card invoices was distributed to each Board member. Chairman Lukens signed the acknowledgement form for the November and December 2008 and January 2009 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 1:45 p.m.

Board Chairman

Date

DRAFT

Executive Director's Report

June 23, 2009

A. Marshall University/WVU Medical Malpractice Deductible Program

- As of June 9, 2009, Marshall has deposited \$1,507,545.61 into the escrow account. The year-to-date cumulative interest totals \$115,683.13. There have been nine disbursements totaling \$67,416.10 made during fiscal year 2009 thus far.
- As of June 9, 2009, a total of \$4,457,689.13 has been transferred or deposited into WVU's escrow account. Interest Earnings totaling \$34,631.73 have been posted for FY 2009. Seventy-four (74) disbursements totaling \$1,592,490.16 have been made for FY 2009.
- Status of Phasing Out the Trauma Physician Program: The Trauma Physician Program is scheduled to cease as of July 1, 2009. All physicians should have either transferred to the Physicians' Mutual or alternatively, retired. There does not appear to be any indication that the Department of Health and Human Resources desires to continue the program beyond the end of the current fiscal year. The June 30, 2009 year-end financial report will reflect the condition of the fund.

B. Litigation

The June 2009 report from AIG (AIU Holdings) for the period ending June 30, 2009 currently reveals that year to date; seven (7) cases have been tried to a verdict with five (5) defense verdicts and two (2) plaintiff verdicts.

New lawsuits have increased 44.6% over year-to-date 2008; closed lawsuits have increased 8.2%, and pending lawsuits have increased 0.99%.

Notable cases:

John Slater v. W V State Police – Defense Verdict

Jones v. McDowell County Board of Education – Scheduled to start trial on June 24, 2009.

Hurt v. Children's Home Society – Currently in trial. Expected verdict on June 24, 2009.

Mullins v. WV State Police - Received a subpoena to testify on July 20th at the Hamlin Courthouse.

C. Interim Discussion Issues – No significant issues.

D. BRIM Projects

1. Loss Control - driver training and monitoring - to be covered in Robert's report.
2. Business Continuity Plan (BCP) – Actively working on completing the BRIM Disaster Recovery/Business Continuity Plan as well as the Department of Administration DR/BCP. Key players are Chuck Mozingo and John Fernatt, who also will travel to San Diego in September for a DR/BCP conference and training.

E. Miscellaneous

1. AIG (AIU Holdings) – The relationship between BRIM and AIU Holdings continues to be a strong one. There have been no adverse postings on the National Association of Insurance Commissioners webpage, or any adverse changes in the insurer's rating by the national rating companies. Our intent for FY 2010 is to

continue as we have over the past four years, concluding the fifth year of our five year renewal process. Sometime in FY 2010, BRIM will publish an RFP for the Casualty Insurance Program.

2. STRIMA - The 2009 STRIMA Conference will be held in Seattle, Washington, from September 19th through September 24th.
3. As a result of the RFP process:
 - The actuarial contract has been awarded to Aon Global Risk Consulting to provide actuarial services for fiscal year ending June 30, 2010, with two one-year optional renewals.
 - The audit contract has been awarded to Ernst & Young LLP, to provide auditing services for the fiscal year ending June 30, 2009, for a period of one year with two one-year optional renewals.
 - The Boiler Contract was awarded to the Chubb Group.
 - The inspection (buildings and grounds) contract was awarded to Schirmer, a subsidiary of Aon Global Risk Consulting.
4. Pending - resignation of one of our Loss Control Specialists, Jennifer Schiefer, who is also getting married on June 27th.
5. Those of us who have not completed the On-line Driver Training course should do so by the end on June 30 to avoid BRIM having a Loss Control surcharge.
6. I am scheduled to be on vacation July 8-15.
7. On June 24, 2009, representatives from the State of Louisiana, Risk Management Division, will visit BRIM to review our program to determine if any of our processes could benefit their program. Personnel within each of our departments will meet with the Louisiana representatives over the course of the entire day. This type of relationship comes from our networking in the State Risk

Management Association (STRIMA) conferences. They are interested in:

- a. which BRIM functions are outsourced;
- b. how we handle our legal matters;
- c. our relationship with AIU Holdings and monitoring methods;
- d. loss prevention;
- e. actuarial and auditing processes;
- f. RFP and vendor selection process; and
- g. statutory language.

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

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Joe Manchin III
Governor

Robert Ferguson, Jr.
Cabinet Secretary

Chief Financial Officer's Report June 23, 2009

A. P Card Report

- CD copies contain the supporting detail for P card purchases for the months of February, March and April 2009. These totals are:

February	\$18,115.12
March	\$15,823.39
April	\$21,236.02

B. Interim Financials – 4/30/09

- BRIM's net income of \$3.5 million thru April includes year to date investment earnings of \$1.3 million. The bond and equity markets have both steadily improved since January resulting in \$6.2 million in total earnings for February, March, and April.
- Premium Revenue thru April reflects the premiums earned for the first ten months of FY'09.
- Claims Expense thru April reflects the actual claims payments made for the first ten months of the fiscal year as well as a \$3.9 million overall increase in the estimated outstanding claims reserves since June 30, 2008.

C. Actuary and Audit RFP results

- BRIM solicited proposals from qualified actuarial firms to provide actuarial services for the fiscal year ending June 30, 2010 with the option of providing this service for each of two additional fiscal years, subject to BRIM's acceptance. Detailed specification packets were sent out to ten vendors on or after April 23rd. Five vendors responded with bid proposals that were reviewed by BRIM's evaluation panel. After careful consideration of each respondent's proposal, the contract was awarded to AON Global Risk Consulting on May 29, 2009.
- BRIM solicited proposals from qualified auditing firms to provide professional auditing services for the fiscal year ending June 30, 2009 with the option of providing this service for each of two additional fiscal years, subject to BRIM's acceptance. Detailed specification packets were sent out to five vendors on May 1st. Two vendors responded with bid proposals that were reviewed by BRIM's evaluation panel. After careful consideration of both respondents' proposals, the contract was awarded to Ernst & Young LLP on June 8, 2009.

D. AIG Update

- On May 7, 2009 AIG announced 1st quarter results, posting a net loss of \$4.3 billion vs. a \$7.8 billion net loss for the same quarter a year ago.
- AIG continues to move towards combining the company's commercial insurance and foreign insurance units into a new general insurance holding company called AIU Holdings, Inc. Further announcements regarding these plans are anticipated from AIG some time in July.
- AIU Holding companies continues to hold "Excellent" financial strength ratings, which were affirmed by Moody's, Fitch, AM Best and Standard & Poor's in March 2009.

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



	April 30	
	(in thousands)	
	2009	2008
Operating Revenues		
Premium Revenues	\$ 52,202	\$ 61,135
Less - Excess Insurance	(5,114)	(5,329)
Total Operating Revenues	47,088	55,806
Operating Expenses		
Claims Expense	36,356	36,474
Property & MS Claims Expense	5,006	1,718
Personal Services	1,088	1,104
Operating Expenses	2,435	2,627
Total Operating Expenses	44,885	41,923
Operating Income (Loss)	2,203	13,883
Nonoperating Revenues		
Court Fees	27	24
Investment Income	1,275	13,718
Total Nonoperating Revenues	1,302	13,742
Net Income (Loss)	3,505	27,625

DRAFT - Unaudited - Management Purposes Only

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



April 30

(in thousands)

	2009	2008
ASSETS		
Short Term Assets		
Cash and Equivalents	\$ 29,884	\$ 28,716
Advance Deposit with Carrier/Trustee	179,406	156,626
Receivables - Net	2,024	9,505
Prepaid Insurance	1,023	1,066
Total Short Term Assets	212,337	195,913
Long Term Assets		
Investments	98,849	111,988
Total Long Term Assets	98,849	111,988
TOTAL ASSETS	311,186	307,901
LIABILITIES		
Short Term Liabilities		
Accounts payable	1,265	4,324
Claims Payable	170	40
OPEB Liability	35	-
Agents Commissions Payable	1,351	1,654
Unearned Revenue	11,030	12,664
Current Estimated Claim Reserve	52,108	53,340
Total Short Term Liabilities	65,959	72,022
Long Term Liabilities		
Compensated Absences	52	200
Estimated Noncurrent Claim Reserve	114,040	110,507
Total Long Term Liabilities	114,092	110,707
TOTAL LIABILITIES	180,051	182,729
Prior Year Net Assets	127,630	97,547
Current Year Earnings	3,505	27,625
TOTAL NET ASSETS	131,135	125,172
TOTAL LIABILITIES AND RETAINED EARNINGS	\$ 311,186	\$ 307,901

DRAFT - Unaudited - Management Purposes Only

Loss Control Report to the Board

June 2009

1. I begin my report with good news and bad news. The good news is that Loss Control Specialist Jennifer Scheifer is getting married this week. The bad news is that she will be leaving BRIM and moving out-of-state with her husband. This will leave us with two technical vacancies within the department. We are trying to get approval to fill one or both of these positions.
2. Loss Control Questionnaires have been sent to all state agencies. Completed questionnaires and supporting documentation are due back to BRIM on August 1, 2009. This information will be used to calculate loss control credits and surcharges for next year's premium.
3. Two boiler and air conditioning system safety and operation seminars were held in April. We were pleased to see more than 130 people attend these seminars and we feel that they are very beneficial to the attendees and their agencies.
4. Almost 15,000 state drivers have completed the on-line driver training program we are offering through the National Safety Council. State agencies have until the end of this month for their drivers to complete the training. Participation will affect the loss control credits or surcharges which will be applied to the agency.
5. We have awarded a contract to Aon Global Risk Consulting, formerly Schirmer Engineering Corporation, for insurance loss control inspection services. This is a one year contract with an option for two additional years. Schirmer has provided services to BRIM for many years and we are very happy with the level of service they have provided. It is interesting to note, that for the first time in many years, there were two other vendors who bid in response to this RFP and all three vendors were very qualified.
6. We have awarded a contract for Boiler, Machinery and Air Conditioning Systems insurance and loss prevention inspection services. The contract was awarded to Chubb, who has provided these services for the past three years. This contract is also a one year contract with an option for two additional years.
7. During the months of March, April, May and June, Aon conducted 141 inspections and CHUBB conducted 468. The reports are being processed according to established procedures.
8. 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.

25 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
June 2009**

3 Presentation Visits

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

4 Inspection Observation Visits

These are visits during which we accompany a vendor inspector during scheduled inspections.

6 Continuing Education Visits

These are visits which are designed to provide the loss control specialists with education and training for professional development.

Dated: *6-22-2009*

Respectfully submitted,



Robert A. Fisher
Deputy Director *and* Claim Manager

BOARD OF RISK AND INSURANCE MANAGEMENT

Robert Ferguson, Jr., Cabinet Secretary
Department of Administration

