

**State of West Virginia**  
**Board of Risk and Insurance Management**  
**2011 Annual Report**



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



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Earl Ray Tomblin  
Governor

Charles E. Jones, Jr.  
Executive Director  
[charles.e.jones@wv.gov](mailto:charles.e.jones@wv.gov)

Robert Ferguson, Jr.  
Cabinet Secretary

August 22, 2011

Honorable Earl Ray Tomblin, Governor  
State of West Virginia

Governor Tomblin:

The Annual Report of the West Virginia Board of Risk and Insurance Management (BRIM) for the year ended June 30, 2011 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.

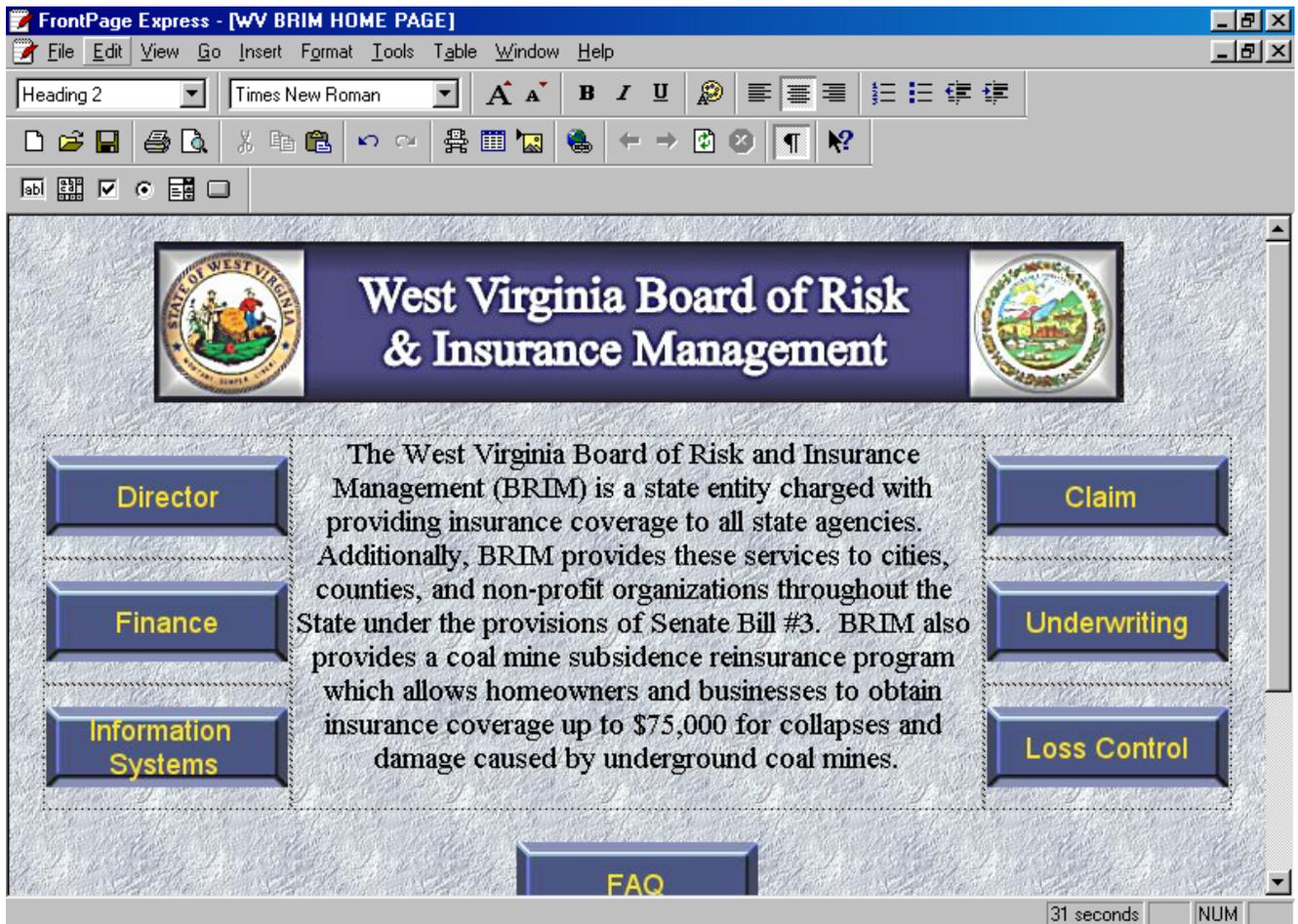
Internal controls have been put in place to ensure the assets and property of BRIM are protected from theft, loss or misuse and to provide adequate accounting data for preparing Generally Accepted Accounting Principles (GAAP) based financial statements.

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

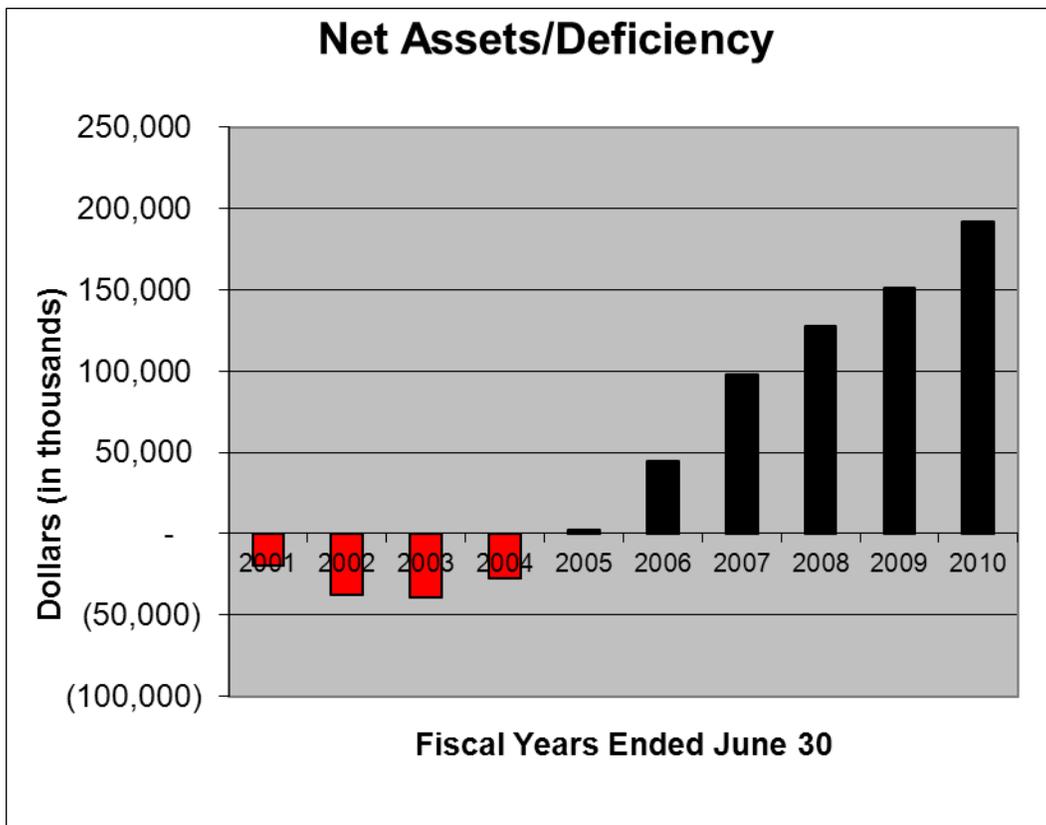
Below are audited results from operations of four most recent fiscal years ended June 30:

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
	(In thousands)			
Operating Revenues:				
Premiums	\$80,248	\$72,986	\$62,427	\$58,007
Less Excess Coverages	<u>(6,151)</u>	<u>(6,394)</u>	<u>(5,944)</u>	<u>(6,257)</u>
Net Operating Revenues	74,097	66,592	56,483	51,750
Operating Expenses:				
Claims & Claims Adjustment	35,136	42,982	36,604	31,668
General Administrative	<u>4,305</u>	<u>4,247</u>	<u>3,894</u>	<u>3,946</u>
Total Operating Expenses	39,441	47,229	40,498	35,614
Operating Income (Loss)	34,656	19,363	15,985	16,136
Non-Operating Revenues:				
Interest Income, Appropriations	<u>18,047</u>	<u>10,572</u>	<u>7,343</u>	<u>25,113</u>
Net Income	52,703	29,935	23,328	41,249
Retained earnings				
at beginning of year	<u>44,844</u>	<u>97,547</u>	<u>127,630</u>	<u>150,958</u>
Change in accounting principle for other post employment benefits	--	<u>148</u>	--	--
Retained earnings				
at end of year	\$97,547	\$127,630	\$150,958	\$192,207

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, 2008, 2009 and 2010. 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 BRIM has not received any state appropriations since 2005. BRIM will continue to closely monitor claims activity with our independent actuary and will bill premiums accordingly. Efforts are being undertaken to increase the emphasis on loss control by state agencies and Senate Bill #3 entities, including educational classes and seminars on sexual harassment, discrimination, liability deductibles, defensive driving classes, and personally meeting with Cabinet Secretaries to discuss loss histories of the agencies under their supervision.

The chart below shows the net assets/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.”

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

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

### **Audit**

BRIM is required by the Financial Accounting and Reporting Section (FARS) of the Department of Administration to have an annual independent audit. The firm of Ernst & Young, LLP was selected to perform the audit for the fiscal year ended June 30, 2011. The June 30, 2011 report will be available near the end of October 2011.

### **Risk Management**

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

### **Cash Management**

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

### **Certificate of Achievement for Excellence in Financial Reporting**

The West Virginia Board of Risk and Insurance Management’s Comprehensive Annual Financial Report for the year ended June 30, 2010, 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, 2011. The CAFR for fiscal year 2011 will be issued before December 31, 2011. 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 2011

<u>LIABILITY</u>	<u>LIMIT OF LIABILITY</u>
1. Automobile Liability Policy No. RMCA 397-63-85 Company: National Union Fire Insurance Co.	\$ 1,000,000 per occurrence
2. General Liability Policy No. RMGL 436-07-20 Company: National Union Fire Insurance Co.	\$ 1,000,000 per occurrence
3. Aircraft Liability Policy No. AVC00270902 Company: National Union Fire Insurance Co.	\$ 1,000,000 per occurrence
4. Excess Liability-Bd. of Education Policy No. 48409866 Company: The Insurance Company Of The State of Penn	\$ 5,000,000 per occurrence or claim
<u>PROPERTY</u>	<u>LIMIT OF LIABILITY</u>
1. Blanket Property Policy No. D3586782A 008 Company: Westchester Fire Insurance	\$ 25,000,000 primary layer \$ 1,000,000 deductible
Policy No. NHD367587 Company: RSUI	\$ 175,000,000 excess of 25,000,000
Policy No. CICA 3042 Commonwealth Insurance Company of America	\$ 50,000,000 excess of 200,000,000
Policy No.: MAF733355-10 Company: Axis	\$ 150,000,000 in excess of 250,000,000
Policy No. MAF760729-11 Company: Westchester Fire Insurance	\$ 10,000,000 flood with \$ 1,000,000 deductible
2. Boiler and Machinery Policy No. 7642068024 PHL 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 2010**

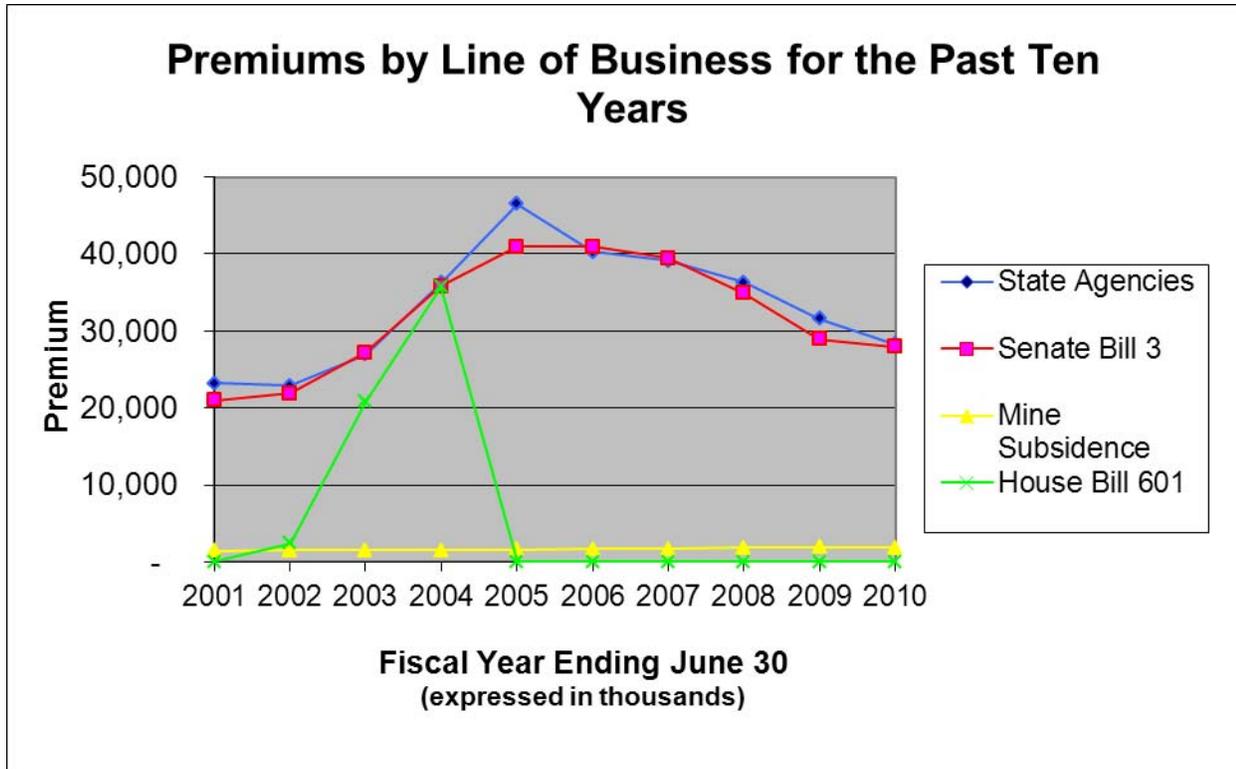
1 West Virginia State Police	\$5,418,504
2 Division of Highways	4,699,563
3 West Virginia University	4,653,279
4 Department of Health & Human Resources	3,551,067
5 Marshall University	1,792,881
6 Corrections Division	829,190
7 Regional Jail and Correctional Facility Authority	433,855
8 Division of Environmental Protection	410,799
9 West Virginia State Parks	397,883
10 Department of Natural Resources	380,908
Total Top Ten	<b>\$22,567,929</b>

Total State Premium Billing for 2010	<b>\$28,873,781</b>
% of top 10 in relation to all state agency billings	<b>78.16%</b>

**Top 20 SB 3 Premiums for Fiscal Year 2010**

1 Kanawha County Board of Education	\$1,858,415
2 West Virginia University Medical Corporation	816,151
3 Raleigh County Board of Education	808,273
4 Berkeley County Board of Education	629,441
5 Mercer County Board of Education	485,223
6 Harrison County Board of Education	481,133
7 Monongalia County Board of Education	462,370
8 Wayne County Board of Education	459,751
9 Putnam County Board of Education	428,121
10 Cabell County Board of Education	409,189
11 Marion County Board of Education	379,737
12 Wood County Board of Education	376,132
13 Jefferson County Commission	358,184
14 City of St. Albans	339,584
15 Charleston-Kanawha Housing Authority	337,316
16 Logan County Board of Education	336,697
17 Jefferson County Board of Education	329,209
18 Ohio County Board of Education	307,862
19 University Physicians and Surgeons	300,489
20 McDowell County Board of Education	299,223
Total Top Twenty	<b>\$10,202,500</b>

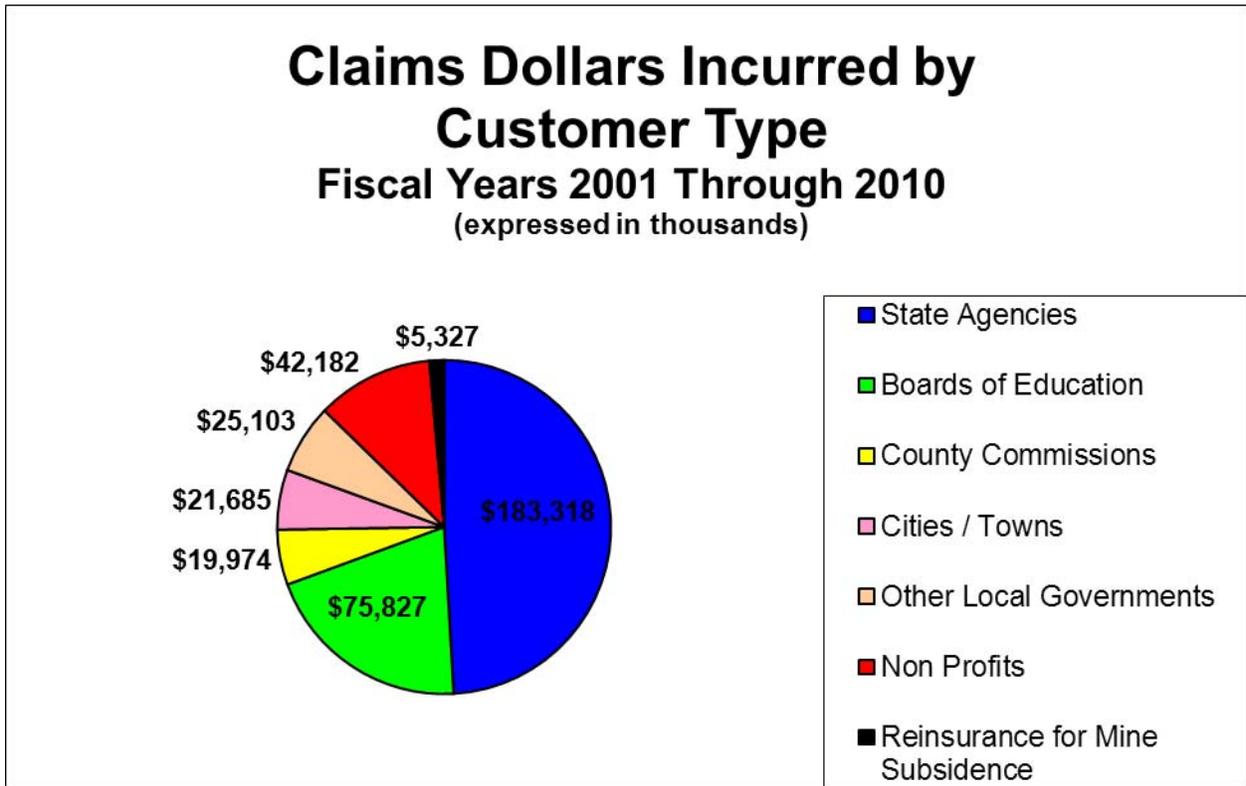
Total SB 3 Premium Billing for 2010	<b>\$29,556,124</b>
% of top 20 in relation to total SB 3 billings	<b>34.52%</b>



Fiscal Year	State Agencies	Senate Bill 3	Mine Subsidence	House Bill 601
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	-
2009	\$ 31,596	\$ 28,902	\$ 1,929	-
2010	\$ 28,257	\$ 27,889	\$ 1,861	-

The chart above shows premiums by line of business for the past ten fiscal years, expressed in thousands of dollars. This chart illustrates a 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.**

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

**June 28, 2011**

Chairman Lukens

Call to Order

Chairman Lukens

Approval of Board Minutes  
February 22, 2011

**REPORTS**

Charles E. Jones, Jr.  
Executive Director

Executive Director's Report

Stephen W. Schumacher, CPA  
Chief Financial Officer

Financial Report  
P-Card Report

Robert Fisher  
Deputy Director/Claim Manager

Loss Control Report

**UNFINISHED BUSINESS**

**NEW BUSINESS**

**ADJOURNMENT**

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

**June 28, 2011**

**BOARD  
MEMBERS:**

John R. Lukens, Chairman  
Bruce R. Martin, CIC, CRM, Vice Chairman  
Sherry Cunningham, CPA, Member  
Martin J. Glasser, Member

**BRIM PERSONNEL:**

Charles E. Jones, Jr., Executive Director  
Stephen W. Schumacher, CPA, CFO  
Robert Fisher, Deputy Director/Claim Manager  
Jerry Gladwell, Underwriting Manager  
Jeremy Wolfe, Loss Control Manager  
Chuck Mozingo, Assistant Claim Manager  
John Fernatt, IT Manager  
Melody Duke, Controller  
Elizabeth Baldwin, Loss Control Specialist  
Steve Fowler, BRIM Counsel  
Linda Dexter, Recording Secretary

**BRIM PROGRAM  
REPRESENTATIVES:**

Charles Waugh, Chartis  
Joanna Valleau, Chartis

**GUESTS:**

Beth Hammers, MU School of Medicine  
Sandy Price, WVU Health Sciences Center  
Michael J. Gansor, WVU Risk Management

**CALL TO ORDER**

The meeting of the West Virginia Board of Risk and Insurance Management was called to order by Chairman Lukens at 1:06 p.m. on Tuesday, June 28, 2011, at 90 MacCorkle Avenue, SW, Suite 203, South Charleston, West Virginia.

**APPROVAL OF MINUTES**

Mr. Glasser moved the approval of the minutes of the February 22, 2011 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, 2011 and the unaudited income statement for the ten months ending April 30, 2011 were received and filed, copies of which are attached and made a part of the record.

A CD containing copies of the January, February, March and April 2011 purchasing card invoices was distributed to each Board member. The Chairman signed the acknowledgement form for the October, November and December 2010 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: 53 p.m.

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Board Chairman

---

Date

DRAFT

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## Executive Director's Report

June 28, 2011

### A. Significant Issues:

#### 1. The Pew Center on the States

Pew reviews and evaluates the performance of state governments attempting to help build high-performing states that work efficiently and effectively to deliver better results, achieve long-term fiscal health through budget discipline and make smart investments in programs that provide the strongest returns.

Recently, there was a request from the Office of the Governor by way of the Cabinet Secretary, Department of Administration, for BRIM to provide information on:

- **Cost-benefit analyses** that compute and compare the dollar value of total costs and outcomes;
- **Cost-effectiveness studies** that compare the results of similar programs but may not calculate a benefit-cost or return-on-investment ratio;

On June 23, 2011, BRIM submitted the attached report to Secretary Ferguson in response to the Governor's request. The highlights of the report are:

- The State of West Virginia enjoys Constitutional Immunity for any claim not covered by the insurance provided by BRIM.
- That immunity is waived only to the extent that BRIM chooses to provide coverage.

- While BRIM could choose to provide coverage without limits, such would provide more coverage than most incidents require--at a cost most cannot afford.
- BRIM collects loss and exposure information and contracts with independent actuarial firms to determine premium amounts to cover the ultimate liability for all state agencies.
- Beginning in Fiscal Year July 1, 2004-2005, BRIM implemented a comprehensive financial stability plan to recover prior years' operating losses and establish an adequate surplus. The plan included:
  - A more aggressive rating structure
  - An improved long-term investment policy
  - A revised claim funding program
  - An enhanced Loss Control program
- Within five years, BRIM's financial position improved substantially.
- BRIM achieved a financial turnaround much quicker than anticipated due to favorable claim trends and better investment earnings.
- There have been annual reductions to prior years' actuarially estimated reserves in every year since FY 2004, with larger takedowns occurring over the last five years.

Attached is an excerpt for BRIM's "2010 Audit Results and Communication" and forms a part of BRIM's Comprehensive Annual Financial Report (CAFR). The excerpt makes historical comparisons of BRIM and the insurance industry in areas of:

- **Loss Ratio** (dividing claims and claims adjustment expense by earned premium)
- **Expense Ratio** (dividing general and administrative expenses by written premiums)
- **Combined Ratio** (the sum of the loss ratio and the expense ratio)

BRIM management is of the opinion that these analyses and results obtained thereto, fairly represents prudent management and provides adequate insurance for customers at a reasonable price in as transparent a methodology as possible.

## 2. State Agency Workers' Compensation Coverage

During the 2011 Legislative session, House Bill 3163 was passed on March 12, 2011, effective from passage, charging the Office of the West Virginia Insurance Commissioner (OIC) with the responsibility for managing the workers'

compensation for persons directly employed by the State of West Virginia. There is a distinction between “Discretionary participant” and “Executive state entity” such that a discretionary participant may participate in the Workers’ Compensation program. Conversely, the OIC has sole responsibility for managing the workers’ compensation risks of all executive state entities and for supervising and controlling the workers’ program for such entities.

## 2. Workers’ Compensation Request for Proposal (RFP)

The Workers’ Compensation RFP was sent out to prospective bidders the latter part of May. The RFP solicitation is being conducted as a direct solicitation to the workers’ compensation insurance carriers. The effective date of coverage is to be September 1, 2011. Significant dates established are:

- Final written question submission deadline 06/30/2011
- OIC responses to carrier questions 07/05/2011
- Vendor RFP submission deadline 07/13/2011
- Vendor presentations 07/19-20/2011
- Opening of cost proposals/award date 07/22/2011

The Acting Insurance Commissioner requested that I participate in the RFP evaluation committee and I graciously accepted.

On June 13, 2011, I participated in a telephone conference with representatives of the OIC and West Virginia University (WVU). WVU released a RFP to obtain bids for selecting workers’ compensation coverage for their employees. Coverage is expected to be in place by July 1, 2011. The discussion centered on BRIM’s enabling legislation which allows a trust funding program and selection of an outside bank to manage the trust. Various documents were provided the OIC including:

- A February 14, 2005 opinion letter regarding the legality of the trust fund method of funding the West Virginia Insurance program;
- A March 4, 2005 opinion letter regarding the tax consequences of the trust fund method of funding the West Virginia Insurance program;
- February 15, 2005 from the Deputy Treasurer regarding the trust account.

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

- As of May 31, 2011, Marshall has deposited \$5,494,661.38 into the escrow account. The year-to-date cumulative interest totals \$120,568.94 There have been several disbursements during fiscal year 2011 totaling \$3,034,160.95.

- As of May 31, 2011, a total of \$8,341,190.01 has been transferred or deposited into WVU's escrow account. The year-to-date cumulative interest totals \$119,212.54. There have been several disbursements totaling \$5,957,283.04 have been made during the first half of the fiscal year.

#### C. Litigation

There have been some changes in the system Chartis uses to generate the monthly reports; therefore, their June report has not been completed.

Year-to-date through May 2011, Chartis has tried seven cases, with five defense verdicts and two plaintiff verdicts. One of the plaintiff verdicts was in May in the case of Scarberry vs. Marshall University for \$125,000.

However, Exhibit #5 of the May 2011 Chartis report for the period ending April 30, 2011 counts new lawsuits received, closed and pending in the current month, year to date, and the previous year to date. Additionally, the report tracks the number of cases tried to verdict during the same time period, and reductions made to legal invoices.

New lawsuits have decreased 38.8% over year-to-date 2010, closed lawsuits have increased 16.8%, and pending lawsuits have decreased 9.5%.

#### D. Miscellaneous

1. Rehabilitation Center Closure – On Monday, March 28, 2011, the State Fire Marshal Sterling Lewis issued an immediate closure order, stating that electrical problems at the facility posed an “imminent threat” to its occupants. All 168 employees at the 15-building site had to vacate by 5 p.m. The State Fire Marshal’s Office became involved after four power outages and three electrical fires occurred at the site. However, prior to this in December 2010, the Board of Risk conducted an audit which revealed numerous potentially life-threatening electrical system and structural deficiencies in the center’s buildings.
2. BRIM Privacy Project – BRIM entered into a Memorandum of Understanding (MOU) with the Health Care Authority who is responsible for administering training for state agencies regarding our collective commitment to protecting PII (personally identifiable information). BRIM offered a premium discount to all state agencies that completed required privacy training by January 15, 2011, as certified by the Health Care Authority. BRIM is considering extending premium discounts for the 2013 fiscal year.
3. Bethany Sharp of DOP’s Organization and Human Resource Development Office and I met on March 18<sup>th</sup> to discuss Partnership Opportunities.

4. COOP – John Fernatt, Chuck Mozingo and State Trooper Sgt. Michael D. Lynch conducted a shooter training class on March 14th for BRIM, Prosecuting Attorneys Institute, and Tourism management.
5. John and Chuck also attended a Disaster Recovery/Business Continuity Conference from March 26<sup>th</sup> thru March 31<sup>st</sup> in Orlando, Florida.
6. 4/21 – BRIM management staff met with Steve Mills, Vicki Fellhauer, and Skip Morris to discuss Board of Education Excess Liability, renewal for FY '12 at a cost of \$1,857,389, or a 1.724% increase.
7. 5/16/2011 – Conference call among Steve Schumacher, Jerry Gladwell, and Steve Kahn re premiums.
8. John Fernatt and Chuck Mozingo attended a WV Homeland Security Summit and Expo on 6/1-2/2011.

Sincerely yours,

Charles E. Jones, Jr.  
Executive Director

CEJ:lld

Attachment

# Memorandum

To: Rob Ferguson, Cabinet Secretary Department of Administration

From: Charles E. Jones, Jr., Executive Director Board of Risk and Insurance Management

Date: June 23, 2011

Subject: Pew Center Response relative to Cost-Benefit analysis; Cost-Effective Studies

The Pew Center has identified a section of the W. Va. Code which it feels directs certain cost-benefit or related studies should be conducted. This communication is intended to address W.Va. Code §§29-12-5 *et seq.*, which controls the operation of the West Virginia Board of Risk and Insurance Management (BRIM).

The aforementioned code spells out the powers and duties of BRIM. While not explicitly requiring it by code, it can be inferred that BRIM must undertake a cost-benefit analysis to determine the kinds of insurance it procures and the coverage limits it chooses.

The State of West Virginia enjoys Constitutional Immunity for any claim not covered by the insurance provided by BRIM<sup>1</sup>. That immunity is waived only to the extent that BRIM chooses to provide coverage. BRIM must weigh the cost of insurance coverage against the public good to be served by the coverages it provides. While BRIM could choose to provide insurance without limits, such insurance without limits is prohibitively expensive; and provides more coverage than the vast majority of our insured requires or can afford. There is a delicate balance that must be maintained.

BRIM continually monitors the coverages it provides and compares it to what the insurance market provides for commercial risks. BRIM monitors changes in code and the common law to adjust coverage as necessary to meet BRIM's intent with regard to the coverages and limits it incorporates into its program.

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<sup>1</sup> See Pittsburgh Elevator Co. v. W.Va. Bd. of Regents, 172 W.Va.743, 310 S.E.2d 675 (1983)

To aid BRIM in its statutory mandate, it contracts with independent firms to inspect property it insures for property and liability risks and it contract with firms to determine the value of select buildings it insures. This helps enable BRIM to determine the appropriate level of coverage it needs to “endeavor to secure reasonably broad protection against loss, damage or liability to state property and on account of state activities and responsibilities...”<sup>2</sup>

BRIM sends underwriting and loss control questionnaires to its various insured on an annual basis to gather information necessary for properly rating and assessing our insured; and to assure that loss control attention is provided where necessary.

BRIM is responsible for settlements that result from claims alleged against insured entities. Inasmuch as the money being spent is public money, BRIM needs to make certain that proper amounts are being paid to claimants and that the states’ resources are adequately protected.

It should be noted that a section of the aforementioned code does specifically require analyses as identified by the Pew Center.<sup>3</sup> However, those sections of BRIM’s code deal with the administration of what was commonly known as the House Bill 601(HB601) medical Professional Liability program for private physicians. BRIM’s obligations under HB601 ended with the transfer of obligations to the West Virginia Mutual Insurance Company<sup>4</sup> on July 1, 2004 and with the non-renewal of any insured not eligible for transfer on the same date. BRIM lacks the statutory authority to “offer or provide medical professional liability insurance to any health care provider pursuant to the provisions of subsection (c) of this section or the provisions of article twelve-b of this chapter unless the Legislature adopts a concurrent resolution authorizing the board [BRIM] to reestablish medical liability insurance programs.”<sup>5</sup> Since BRIM is no longer in the business of providing coverage pursuant to the section of the statute in question, it no longer has the obligation to undertake these specific analyses.

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<sup>2</sup> See: W.Va. Code §29-12-5(a)(2)

<sup>3</sup> See:, *inter alia*, W.Va. Code §29-12-5(c)(2)(H)

<sup>4</sup> Then known as the West Virginia Physicians Mutual Insurance Company

<sup>5</sup> See: W.Va. Code §29-12-5(d)

Beginning in Fiscal Year July 1, 2004-2005, BRIM implemented a comprehensive financial stability plan (attached) to recover prior years' operating losses and establish an adequate surplus for future years' operations. The plan included:

- A more aggressive rating structure
- An improved long-term investment policy
- A revised claim funding program
- An enhanced Loss Control program

Within five years, BRIM's financial position had improved dramatically. Several trends accelerated this turnaround including better investment earnings and overall favorable claims trends.

As of the most recent fiscal year ending June 30, 2010, BRIM was on solid financial footing and capable of sustaining its operations utilizing its existing accumulated surplus. Preliminary estimates for fiscal year July 1, 2010-2011 financial performance also point to comparable positive results. BRIM successfully implemented this financial turnaround much more quickly than originally anticipated. This was due to annual reductions being made to prior years' actuarially estimated reserves in every year since FY 2004, with larger more significant reserve takedowns occurring over the last five years.

It should be noted that BRIM management has been conservative, or at least neutral, in its impact on any reserves set by its claims administrator. Plus, BRIM's annual financial audits, actuarial reviews and its most recent record of regularly releasing reserves for prior years' claims are further indications of prudent management.

Attached also is an excerpt from BRIM's "2010 Audit Results and Communications" as provided to BRIM by its outside auditors. The excerpt makes historical comparisons of BRIM and the industry in the areas of **Loss Ratio** (derived by dividing claims and claims adjustment expenses by earned premiums); **Expense Ratio** (derived by dividing general and administrative expenses by written premium); and, **Combined Ratio** (sum of the loss ratio and expense ratio). The ratios further support the cost-effective delivery of the insurance programs administered by BRIM over the past several fiscal years.

BRIM continually attempts to meet its statutory mandate in a way that benefits all of its customers as well as the State and its people as a whole by providing adequate insurance at a reasonable price and in a way that is transparent as possible.

Approved  
11/20/2003  
CJ

## BRIM Financial Stability Plan

### General Finance

- (1) Have BRIM's independent actuary perform quarterly reviews of the IBNR numbers by line of business so that management and the Board can have an accurate reflection of the claim liability throughout the year.

BRIM is currently performing this task

- (2) Maximize earnings by holding only cash needed to pay bills for the month in the cash account, move excess cash to the investment account to maximize interest earnings.

BRIM is currently performing this task

In the event that a state agency is past due, the insured is notified that all first party claims are being held until payment is rendered. The Cabinet Secretary over that particular agency receives a copy of this delinquency notice. After two weeks, if payment is still not received, members of the Legislature are notified of the delinquency. PEIA is also notified, and payments made by their Third Party Administrator, Acordia, to the agency are withheld until payment is rendered to BRIM.

BRIM is currently performing this task. The only past due account is the Development Office which is over 30 days.

Continue to publish monthly financial statements in a timely manner (the goal should be within 30 days after the month end).

BRIM is currently performing this task

### Underwriting

- (5) Compare the general liability and medical malpractice policies to the private market. Evaluate whether the policy language is too broad compared to the commercial market and provide necessary exclusions if broad language is found to exist.

This process has already begun and is being championed by General Counsel, Jeff VanGilder. Representatives of the Claim Department and the Underwriting Department are members of the committee undertaking this study. In view of the complexity of this project, it is felt that it will

## BRIM Financial Stability Plan

take approximately twelve months to complete. This should coincide with our Request For Proposal (RFP) for our carrier. The last year for this program with AIG, without the need of a RFP, begins July 1, 2004.

- (6) **Begin using the nominal value of projected losses rather than the present value amount. The present value amount assumes an interest rate (currently 5 %) and BRIM loses money if this amount is not received.** Also, the commercial market uses the nominal value. This would provide BRIM some cushion for a bad loss year. This has been recommended by BRIM's actuary as well as by BRIM's consultant on the premium calculation process.

We implemented this with the SB3 premiums for FY 2004. The State premiums will be implemented until FY 2005.

- (7) Implement an audit process where exposures for BRIM's insureds are audited on a rotating basis.

BRIM, in cooperation with PEIA and the Retirement Board, bid a contract for an outside independent audit firm to perform exposure audits. All three agencies will share in the cost. The contract was awarded to Smith, Cochran and Hicks. Our top ten customers will be audited this year. Currently, an audit is being conducted at the Kanawha County Board of Education.

- (8) **Continue to charge insureds a nominal unfunded liability charge (SB3 has been charged \$1 million per year for the past 3 years, in 2004 BRIM began assessing State agencies \$1 million).** Continue to also request \$2 million from the Legislature for reduction of the unfunded liability. This will reduce the \$38 million unfunded liability over an approximate 10 year period.

BRIM is currently performing this task

- (9) **Improve existing premium calculation system.**

Last year BRIM issued an RFP and obtained a new premium calculation system from AON. The program is more comprehensive in calculating the risk from exposures than our previous system and we are pleased with it.

- (10) **Revamp the exposure collection process to reduce data entry errors and to capture consistent data to properly rate the entity.**

BRIM contracted with our premium calculation vendor, AON, to provide us guidance on this issue. We now have a plan of action in place to eliminate the management letter comment relating to the exposure collection process. Due to this plan partially being in place during FY

## BRIM Financial Stability Plan

2003, the auditors removed it from the financial statements as a reportable condition to the management letter.

- (11) Continue to charge premiums based upon actuarial figures given.

BRIM is currently performing this task

- (12) Have the actuary re-review rates established in February for State agencies and May for SB3 insureds to eliminate problem of premiums being decided a year in advance and losses and exposure changing in that period of time.

BRIM is currently performing this task

### Claim

- (12) BRIM should continue to review all claims from AIG with a request for authority. The Director will review any claims with authority requests above \$100,000.

BRIM is currently performing this task

- (13) Evaluate the AIG contract, the fees charged and the deposit premium required. Bid contract out in within next three years to get the best price.

July 1, 2004 starts the beginning of the last year of the program with AIG. We fully intend to develop a Request For Proposal (RFP) releasing it for consideration shortly after July 1, 2004 to allow adequate time to review and consider all of our options.

### Loss Control

- (14) Significantly increase loss control efforts and focus more on liability and medical malpractice, as opposed to primarily a property focus.

The Loss Control Department is meeting with loss leaders to educate them on the basis for their claims and is helping them institute measures to help reduce losses. We have not abandoned our efforts in the area of property losses, but rather, have expanded the scope of the inspection by our vendor to include more emphasis on liability exposures. We are also continuing to implement the initiatives earlier outlined to the Board.

- (15) Develop independent action plans for BRIM's loss leaders and develop specific goals and objectives for improving their losses.

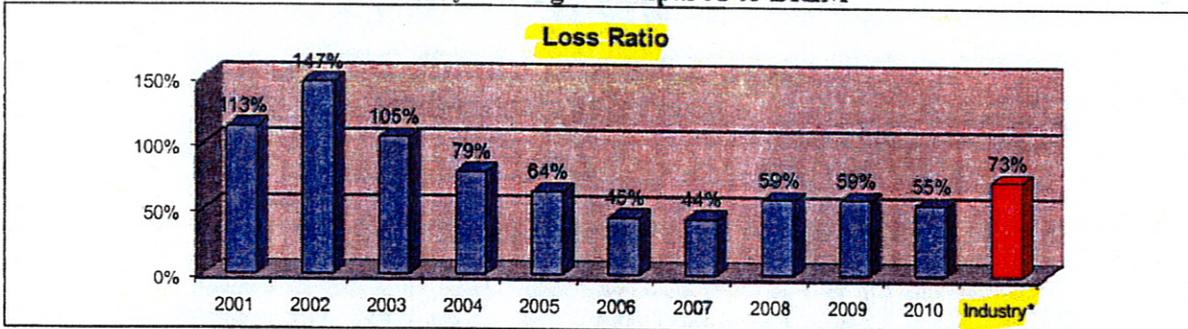
We continue to identify loss leaders and prior to meeting with each, we thoroughly identify areas of concern through a detailed analysis of various

## BRIM Financial Stability Plan

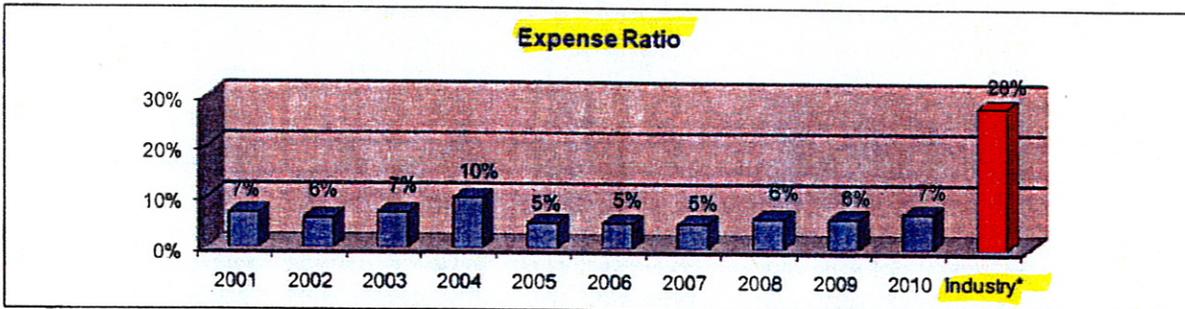
factors. Once the analysis is complete, a Loss Control Plan is formalized for the insured. That plan details what we know about the loss control needs of that insured and what we plan to do to help the insured address these needs. Following a meeting with the insured, proper reporting is completed for the file and details what follow-up is required on BRIM's part. A new analysis and Loss Control Plan is required for at a prescribed time.

## SCHEDULE 10

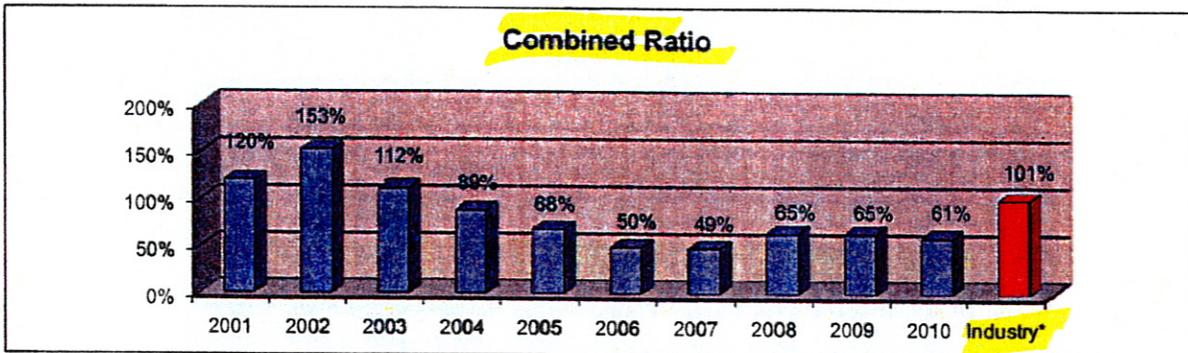
### Industry Averages Compared to BRIM



The loss ratio expresses the relationship between losses and premiums in percentage terms.



The expense ratio expresses the relationship between total general and administrative expenses and premiums in percentage terms.



The combined ratio is used to measure underwriting performance. It is derived by adding the loss and expense ratio. A combined ratio below 100% indicates an underwriting profit and one above 100% indicates an underwriting loss.

BRIM's ratios are shown in blue and the industry's are shown in red.

\* Source: Standard and Poor's Industry Surveys, Insurance: Property/Casualty, July 8, 2010.

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



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Governor

Charles E. Jones, Jr.  
Executive Director  
[charles.e.jones@wv.gov](mailto:charles.e.jones@wv.gov)

Robert Ferguson, Jr.  
Cabinet Secretary

## Chief Financial Officer's Report June 28, 2011

### A. P Card Report

- CD copies contain the supporting detail for P card purchases for the months of January, February, March and April 2011. These totals are:

January	\$36,367.66
February	\$28,267.70
March	\$38,387.06
April	\$47,540.97

### B. Interim Financials – 4/30/11

- BRIM's financial results thru April show net income of \$19.6 million with investments contributing \$17.8 million of the total. Net income for the same period last year was \$26.6 million with \$23.9 being provided by investment earnings.
- Premium Revenue year to date reflects a decrease of approximately \$4.4 million as BRIM reduced rates for FY'11 due to overall favorable loss experience.
- Claims Expense thru April is down approximately \$3 million when compared to last year due to three large claims paid in 2010, a property windstorm claim and the two large fraud claims. Generally, claims experience for both years has been favorable (i.e. reserves are trending less than the original actuarial projections).

### C. FY'12 Premiums

- The rates for FY'12 have been finalized for both the State and SB3 programs. Overall, the average FY '12 premium rates will be down again (about 3% vs. FY '11). However, individual rating factors will impact the final premium amounts billed to each insured.

### D. AIG/Chartis Update

- On May 6<sup>th</sup> Chartis reported an operating loss of \$463 million for the first quarter of 2011, compared to a gain of \$879 million last year, primarily due to catastrophe losses this year. The first-quarter combined ratio for Chartis was 119.0 vs. 102.5 a year ago.
- On May 17<sup>th</sup> American International Group Inc. (AIG) Chief Executive Robert Benmosche highlighted plans to improve AIG's profitability and boost its return on equity (ROE) from its current level of just 6% to 10%. If AIG can boost its ROE to 10%, he suggested, the stock should trade at or above book value, or about \$45 a share.
- On May 24<sup>th</sup> AIG and the U.S. Department of the Treasury offered 300 million shares priced at \$29 per share, which raised \$8.7 billion. After the offering the Treasury still holds about 1.455 billion shares of AIG common stock, bringing its ownership in AIG down to 77 percent. AIG used its part of the proceeds (\$2.9 billion) to help pay toward a July 2010 litigation settlement of a securities class-action lawsuit and for "general corporate purposes".

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



**April 30**

	<b>2011</b>		<b>2010</b>
<b>(in thousands)</b>			
<b>ASSETS</b>			
Short Term Assets			
Cash and Equivalents	\$ 17,858	\$	27,738
Advance Deposit with Carrier/Trustee	195,319		181,924
Receivables - Net	3,283		2,574
Prepaid Insurance	1,052		1,042
<b>Total Short Term Assets</b>	<b>217,512</b>		<b>213,278</b>
Long Term Assets			
Investments	141,284		122,987
<b>Total Long Term Assets</b>	<b>141,284</b>		<b>122,987</b>
<b>TOTAL ASSETS</b>	<b>358,796</b>		<b>336,265</b>
<b>LIABILITIES</b>			
Short Term Liabilities			
Accounts payable	2,389		1,328
Claims Payable	116		157
OPEB Liability	181		-
Agents Commissions Payable	1,081		1,049
Unearned Revenue	9,320		10,277
Current Estimated Claim Reserve	44,898		42,204
<b>Total Short Term Liabilities</b>	<b>57,985</b>		<b>55,015</b>
Long Term Liabilities			
Compensated Absences	66		58
Estimated Noncurrent Claim Reserve	88,949		103,618
<b>Total Long Term Liabilities</b>	<b>89,015</b>		<b>103,676</b>
<b>TOTAL LIABILITIES</b>	<b>147,000</b>		<b>158,691</b>
Prior Year Net Assets	192,207		150,958
Current Year Earnings	19,589		26,616
<b>TOTAL NET ASSETS</b>	<b>211,796</b>		<b>177,574</b>
<b>TOTAL LIABILITIES AND RETAINED EARNINGS</b>	<b>\$ 358,796</b>	<b>\$</b>	<b>336,265</b>

DRAFT - Unaudited - Management Purposes Only

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



	April 30	
	2011	2010
	(in thousands)	
Operating Revenues		
Premium Revenues	\$ 43,884	\$ 48,454
Less - Excess Insurance	(5,061)	(5,213)
Total Operating Revenues	38,823	43,241
Operating Expenses		
Claims Expense	30,038	30,845
Property & MS Claims Expense	3,589	5,793
Personal Services	1,146	1,065
General & Administrative Expense	2,272	2,119
Total Operating Expenses	37,045	39,822
Operating Income	1,778	3,419
Nonoperating Revenues		
Fees and Assessments	27	27
Investment Income	17,784	23,170
Total Nonoperating Revenues	17,811	23,197
Net Income	19,589	26,616

DRAFT - Unaudited - Management Purposes Only

## **Loss Control Report to the Board June 2011**

1. In June, we sent out Loss Control Questionnaires to all state agencies. The deadline for submission to BRIM is August 1, 2011. We will be gathering the necessary information for calculation of loss control credits and surcharges for fiscal year 2013.
2. We have renewed our vendor contracts for the new fiscal year with both Aon and Chubb, for inspection and boiler insurance/inspection services respectively.
3. We are developing a new training program which we hope to roll out to our various insured during the coming fiscal year. Our specialists are obtaining OSHA certification which will allow them to offer OSHA General Industry training to our various insured. This will be a voluntary program designed to train insured employees on the basics of safety and health hazard recognition and prevention.
4. During the months of February, March, April, May and June, AON conducted 282 inspections and CHUBB conducted 2,044. The reports are being processed according to established procedures.
5. Since my last report, our loss control technical staff reports the following activity:

**53** 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.

**15** 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 Visit

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

**10** Inspection Observation Visits

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

**5** Continuing Education Visits

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

**Loss Control Report to the Board  
June 2011**

Dated: 6-27-2011

Respectfully submitted,



Robert A. Fisher  
Deputy Director *and* Claim Manager

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

**February 22, 2011**

Chairman Lukens

Call to Order

Chairman Lukens

Approval of Board Minutes  
December 7, 2010

**REPORTS**

Charles E. Jones, Jr.  
Executive Director

Executive Director's Report

Stephen W. Schumacher, CPA  
Chief Financial Officer

Financial Report  
P-Card Report

Robert Fisher  
Deputy Director/Claim Manager

Loss Control Report

**UNFINISHED BUSINESS**

**NEW BUSINESS**

**ADJOURNMENT**

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

**February 22, 2011**

**BOARD  
MEMBERS:**

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

**BRIM PERSONNEL:**

Charles E. Jones, Jr., Executive Director  
Stephen W. Schumacher, CPA, CFO  
Robert Fisher, Deputy Director/Claim Manager  
Jerry Gladwell, Underwriting Manager  
Jeremy Wolfe, Loss Control Manager  
Chuck Mazingo, Assistant Claim Manager  
John Fernatt, IT Manager  
Melody Duke, Controller  
Charles "Blaine" Nelson, Deputy Underwriting Manager  
Kimberly Hensley, Loss Control Specialist  
Jill Farrar-Brown, Loss Control Specialist  
Linda Dexter, Recording Secretary

**INSURANCE  
COMMISSION**

**REPRESENTATIVES:**

Bill Kenny, Deputy Insurance Commissioner

**BRIM PROGRAM**

**REPRESENTATIVES:**

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

**GUESTS:**

Brian Carrico, Marshall University  
Clinton Bird, Marshall University  
Michael J. Gansor, WVU Risk Management  
Ed Phillips, WVU Health Sciences Center  
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 1:06 p.m. on Tuesday, February 22, 2011, at 90 MacCorkle Avenue, SW, Suite 203, South Charleston, West Virginia.

### **APPROVAL OF MINUTES**

Vice Chairman Martin moved the approval of the minutes of the December 7, 2010 Board Meeting. 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.

Mr. Schumacher thereafter presented the Chief Financial Officer's Report. The unaudited balance sheet as of December 31, 2010, the unaudited income statement for the six months ending December 31, 2010, and the line of business statements (Total State, Total SB3, 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 October, November and December 2010 purchasing card invoices was distributed to each Board member. The Chairman signed the acknowledgement form for the July, August and September 2010 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: 58 p.m.

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Board Chairman

---

Date

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



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Governor

Robert Ferguson, Jr.  
Cabinet Secretary

Charles E. Jones, Jr.  
Executive Director  
[charles.e.jones@wv.gov](mailto:charles.e.jones@wv.gov)

## Executive Director's Report

### February 22, 2011

#### A. Significant Issues

##### 1. State Agency Workers' Compensation Coverage Historical Perspective:

On July 1, 2011, West Virginia state agencies face a real crisis in the availability and/or affordability of Workers' Compensation coverage.

Presently, state agencies obtain Workers' Compensation coverage through BrickStreet Mutual Insurance Company.

BrickStreet will not be required to continue providing coverage to all state agencies and may be more selective starting July 1, 2011.

It is not confirmed; however, appearances are that the Office of Insurance Commissioner has obtained an extension to September 1, 2011.

At the direction of former Chief of Staff Spears and Department of Administration, Cabinet Secretary Ferguson, BRIM, as a result of the upcoming crisis, on October 23, 2010, released a Request for Proposal (RFP).

The initial objective was to select a consultant to assist in determining the approach for providing state agency Workers' Compensation coverage.

Our plan at that time was to initially select a consultant as Phase 1.

Phase 2 (tentatively scheduled for January 2011) was to issue additional RFPs for basic components of the Workers' Compensation program:

- a. Third-Party Administration (TPA)
- b. Actuarial Risk Funding Study

- c. Excess Insurance Coverage
- d. Pharmacy Benefits Management
- e. Loss Control Services
- f. Other services as needed

On November 19, 2010, BRIM received seven responses to our RFP. All responders were interviewed over the following weeks and a successful consultant was to have been chosen by the end of December 2010.

At the request of the Executive Office, on January 4, 2011, I met with the current Chief of Staff, Deputy Chief of Staff, other members of Department of Administration and the Office of the Insurance Commissioner and was advised that the Executive Office was changing direction regarding Workers' Compensation coverage for state agencies, thus assigning administration of that program to the Office of the Insurance Commissioner.

On January 14, 2011, the Purchasing Division issued a Request for Proposal, on behalf of the Office of the Insurance Commissioner for an Enterprise Risk Management Consultant to assist the Insurance Commission in formulating a program for addressing the Workers' Compensation needs for West Virginia State government agencies.

Bids were opened February 11, 2011.

Legislation:

- a. Senate Bill 513
  - b. House Bill 3163
2. Procedural Rule: Title 115, Series 8, Administrative Appeal Hearing Rules for Patient Injury Compensation Fund (PICF).

The purpose of this rule is to establish procedures to be used in administrative appeals filed with the PICF and to provide supplemental guidance beyond that provided in Title 115, Series 7 – Patient Injury Compensation Fund. The comment period ended February 11, 2011. There were no comments received regarding the procedural rule.

This rule was necessary due to our learning there was no administrative appeals rule when we were resolving a PICF claim through mediation.

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

- As of January 31, 2011, Marshall has deposited \$3,994,661.38 into the escrow account. The year-to-date cumulative interest totals \$119,779.74. There have been several disbursements during fiscal year 2011 totaling \$1,617,567.84.

- As of January 31, 2011, a total of \$9,971,381,62 has been transferred or deposited into WVU's escrow account. The year-to-date cumulative interest totals \$122,244.35. There have been several disbursements totaling \$2,453,692.67 made during the first half of the fiscal year.

### C. Litigation

Exhibit #6 of the January 2011 Chartis report for the period ending December 31, 2010 counts new lawsuits received, closed and pending in the current month, year-to-date, and the previous year-to-date. Additionally, the report tracks the number of cases tried to verdict during the same time period and reductions made to legal invoices.

The report indicates that in December 2010, three cases were tried to verdict, with two defense verdicts and one plaintiff verdict.

The plaintiff verdict was less than our offer of settlement and also less than the demand.

Year-to-date, eleven cases have been tried to verdict, with seven defense verdicts and four plaintiff verdicts. Of the four plaintiff verdicts, three were less than the demand and one was a pure plaintiff verdict.

### D. Legislative Issues

#### 1. Senate bills of interest:

- a. 583 reducing surcharge on fire and casualty insurance policies
- b. 588 permitting nonrenewal of vehicle insurance when passenger vehicle placed into commercial use
- c. 582 requiring schools have crisis response plans
- d. 602 creating program for managing workers' compensation coverage of state entities by Insurance Commissioner
- e. 603 including civil air patrol in state entities' workers' compensation coverage
- f. 553 creating workers' compensation insurance subsidy program for volunteer fire departments
- g. 500 modifying deliberate intention exception to employers' immunity from lawsuits based on work-related injuries granted by workers' compensation
- h. 451 relating to administration of workers' compensation adverse risk plan
- i. 401 relating to rate of interest on judgment or decree
- j. 402 relating to punitive damages in civil actions

k. 404 establishing comparative fault standard

l. 307 creating intermediate court of appeals

2. House bills of interest:

a. 225 expanding the definition of harassment, intimidation or bullying

b. 3263 providing assistance to volunteer fire departments

c. 3150 authorizing/creating a new court to be known as the Intermediate Court of Appeals

d. 3191 WC subsidy for volunteer fire departments

e. 2660 allowing fire works on school property

f. 2375 increasing mine subsidence insurance limit to \$125,000

g. 2287 abolishing joint liability establishing comparative fault

E. Miscellaneous

1. BRIM Privacy Project – BRIM entered into a Memorandum of Understanding (MOU) with the Health Care Authority, who is responsible for administering training for state agencies regarding our collective commitment to protecting PII (personally identifiable information). BRIM offered a premium discount to all state agencies that completed required privacy training by January 15, 2011, as certified by the Health Care Authority. BRIM is considering extending premium discounts for the 2013 fiscal year.

2. I was contacted by representatives of the West Virginia Mutual regarding The Mutual providing Professional Liability coverage for physicians insured through BRIM. This includes physician employees with West Virginia University, Marshall University, WV School of Osteopathic Medicine, Division of Rehabilitation, and Department of Health and Human Resources.

I was reminded of a request approximately two years ago by Senate President Tomblin in which he requested that BRIM provide information to the West Virginia Mutual to explore options for their providing Professional Liability coverage. That request was accomplished at that time.

Inasmuch as there have been no additional requests or directives from the Executive Office and/or legislation, only limited information was provided to the West Virginia Mutual. Additionally, the issue of competitive bidding needs to be addressed prior to the West Virginia Mutual simply taking over coverage for BRIM physicians.

3. Rehab Center Complex – There has been considerable activity regarding the condition of the Rehab Center Complex located in Institute, WV. BRIM, along with contract inspectors, Aon, inspected the complex and made numerous recommendations in the area of:
  - a. Inadequate electrical systems and components necessitating the need for an electrical engineering evaluation covering where power enters the building, electrical boxes , proper grounding, transformers, generators and conduits.
  - b. Inadequate fire protection equipment, fire sprinkler systems, smoke and fire alarms, and fire extinguishers.
  - c. Inoperable shelter-in-place alarm system and the lack of a shelter-in-place procedure with drills for testing.

A letter was sent to Secretary Ferguson dated January 28, 2011 outlining BRIM's concerns.

4. COOP – Training (shooter) on March 9<sup>th</sup> for BRIM/PAI/Tourism management
5. Department of Administration Budget Hearings – On January 18<sup>th</sup> and January 27<sup>th</sup>, the Senate Finance Committee and House Finance Committee, respectively, held budget hearings at which the information on the attached FY-2011 Board of Risk & Insurance Management Fact Sheet was presented and discussed.

Sincerely yours,

Charles E. Jones, Jr.  
Executive Director

CEJ:lld

Attachment

ENABLING STATUTE: §29-12 and §33-30, et seq.

- 1) The mission of the Board of Risk & Insurance Management (BRIM) is to secure reasonably broad protection against loss, damage or liability to state property, activities and responsibilities by proper, adequate, and affordable insurance coverage by the introduction and employment of sound and accepted principles of insurance, methods of protection and principles of loss control and risk.

BRIM inspects all state structures to determine exposures present that may result in a claim; makes recommendations to eliminate or reduce the opportunities for claims; establishes loss prevention standards; provides opportunities for participants to receive credits against premiums assessed by taking steps to minimize losses; and provides employment practices training in order to eliminate potential claims in discipline and documentation, hiring and firing and sexual harassment.

- 2) BRIM has 24 full-time employees: 6 Underwriting, 5 Claims, 6 Loss Control, 3 Finance; 2 Information Systems and 2 Administration.
- 3) Funding is Non-Appropriated Special Revenue derived from collected premiums.
- 4) FY 2011 budget:                      \$83,047,000                      Non-Appropriated Special Revenue
- 5) Claims filed with BRIM are hand delivered every afternoon to the insurance provider, Chartis. Chartis is responsible for assigning an adjustor and investigating claims. Chartis is authorized to settle claims not in suit under \$20,000 dollars; however, claims in suit or exceeding \$20,000 must be approved by BRIM.

Claims may be filed by filling out the official loss reporting form located on the BRIM website or by submitting a report containing all relevant information to the claim and contact information by mail or facsimile. Coverage can be obtained by requesting a quotation from BRIM through a licensed resident West Virginia property and casualty insurance agent.

- 6) BRIM insures 26,981 vehicles and \$14,167,663,084 in property values in FY 2010 and provides liability coverage to 164 state agencies and 904 non-profit organizations, including Boards of Education, with written premiums of \$62,308,346.
- 7) BRIM does not cover claims involving injury or damage in the following areas: war, incidents covered by workers compensation, pollution, asbestos or lead exposure, Grievance Board of EEOC awards, and criminal or intentional acts. Exceptions would include suits brought against School Boards in the event they are named a party in suits brought against teachers.
- 8) Limits of liability and medical malpractice are \$1 million per occurrence with no annual aggregate.
- 9) BRIM's challenges include maintaining a zero unfunded liability (all liabilities are covered by an asset of equal or greater value) and providing service levels competitive with or exceeding those found in the private sector.
- 10) Oversight is provided by the Cabinet Secretary of the Department of Administration and a Board of Directors appointed by the Governor in accordance with the Code.
- 11) The Executive Director is Chuck Jones, Jr. He may be contacted by telephone (304.766.2646 extension 57612) or by email (Charles.E.Jones@wv.gov).

## FY - 2010 FACT SHEET

**Transition Contemplated: July 1, 2011**

Beginning July 1, 2011, BrickStreet will no longer be required to provide workers' compensation coverage for state agencies. More than likely, there are a few state agencies BrickStreet will want to write coverage for. However, that option will produce adverse risk selection for the remaining state agencies not deemed profitable to Brickstreet. Therefore, the orderly transition from BrickStreet will require instituting a program that mandates all state agencies to obtain coverage through the BRIM central program and that optimally transfers the majority of the risk to an insurer while simultaneously managing/overseeing the activities of the insurer. Transferring a portion of the risk prevents the State from self-insuring and incurring the liabilities self-insurance imposes. Additionally, implementing an aggressive loss control initiative, i.e., a return to work program, and reducing the overhead costs in the current program will serve to further reduce the cost of the State providing Workers' Compensation coverage for state agencies.

- 1) Administered by BrickStreet Insurance; full risk transfer
- 2) One hundred seven (107) individual policies; 26 with premiums less than \$1,000 annually
- 3) Total annual premium approximately \$21,000,000
- 4) Four-year combined ratio of 108% with 24.5% expense factor
- 5) Ten state accounts with largest projected losses:
  - o WV Division of Highways
  - o WV Division of Natural Resources
  - o WV Regional Jail & Correctional Facility
  - o WVU
  - o Mildred Mitchell Bateman Hospital
  - o Jackie Withrow Hospital
  - o WV Division of Juvenile Services
  - o William R. Sharpe Jr. Hospital
  - o Workforce West Virginia
  - o WV Division of Rehabilitation Services
- 6) Approximately 38,200 state employees
- 7) Approximately \$1,664,740,689 state payroll

**Contemplated End-State: July 1, 2011**

- Legislative mandate for all state agencies to obtain coverage through central BRIM program. This includes Higher Education
- Policy and procedure manual
- Actuarially determined premiums administered by BRIM to eliminate the possibility of an unfunded liability
- Budget line item for base premium
  - o Debits due to poor risk performance to be paid from agency resources
  - o Credits due to good risk performance retained by the agency
- Mandatory Loss Control program
- Mandatory return to work program
- SAS 70 audit of claim handling
- Primary option is for a transfer of the risk (or at least a great portion of the risk) to avoid the State assuming the liabilities, i.e. self-insurance

## FY-2011 FACT SHEET

AUTHORITIES: Presidential Decision Directive 67 (Ensuring Constitutional Government and Continuity of Government Operations, October, 1998); Governor Joe Manchin, III, Cabinet Meeting, December, 2007.

**Mission Statement:** The Department of Administration's Continuity of Operations (COOP) planning process seeks to provide a framework for divisions to restore essential functions to state agencies, taxpayers, businesses, employees and suppliers in the event of an emergency that affects operations.

- 1) The WV Department of Administration Continuity of Operations (DOA COOP) Steering Committee is responsible for design, construction, implementation, exercising, review and timely revision of viable continuity of operations plans for the WV Department of Administration.
- 2) The Steering Committee has oversight duties for individual COOP plans for each department agencies, as well as responsibility for development of a master plan to facilitate the management of resources for recovery of essential operations of the 16 individual DOA agency divisions.
- 3) The COOP planning process incorporates best practices of the Disaster Recovery Institute International (DRII), the National Fire Prevention Association (NFPA), the Incident Command System (ICS) and Homeland Security Exercise and Evaluation Program (HSEEP).
- 4) The Department's COOP planning has no designated funding mechanism. Costs and expenses are absorbed by individual agencies as they are accrued.
- 5) The Steering Committee works in coordination with the Continuity of Operations/Continuity of Government Coordinator of the West Virginia Department of Homeland Security.
- 6) The Steering Committee is represented on the Pandemic Flu Policy Workgroup, chaired by the State Health Director, Center for Threat Preparedness, WV Bureau for Public Health.
- 7) In FY-2010, the Steering Committee reviewed and revised COOP plans for all 16 agencies, as well as completed revisions to the department's master plan.
- 8) In FY-2010, the Steering Committee, working with the Training and Development section of the Division of Personnel, designed and executed two half day tabletop exercise sessions with key members of the DOA COOP Incident Command Team, simulating multiple catastrophic event scenarios and practicing recovery of essential functions for key department agencies.
- 9) Oversight of the department's COOP planning process is by the Cabinet Secretary of the Department of Administration.
- 10) The DOA COOP Steering Committee currently consists of the following:

Charles E. Jones, Jr., Executive Director, WV BRIM  
304-766-2646 office  
charles.e.jones@wv.gov

John L. Fernatt, ABCP, CBCA, WV BRIM  
304-766-2646 office,  
john.l.fernatt@wv.gov

Timothy M. Abraham, DOA Cabinet Secretary's Office  
304-558-1247 office,  
timothy.m.abraham@wv.gov

Charles S. Mozingo, Jr., ABCP, WV BRIM  
304-766-2646 office,  
charles.s.mozingo@wv.gov

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  
(800) 345-4669 TOLL FREE WV  
[www.state.wv.us/brim](http://www.state.wv.us/brim)

Earl Ray Tomblin  
Governor

Charles E. Jones, Jr.  
Executive Director  
[charles.e.jones@wv.gov](mailto:charles.e.jones@wv.gov)

Robert Ferguson, Jr.  
Cabinet Secretary

## Chief Financial Officer's Report February 22, 2011

### A. P Card Report

- CD copies contain the supporting detail for "P" card purchases for the months of October, November and December 2010. These totals are:

October	\$60,146.65
November	\$46,910.63
December	\$39,993.44

### B. Interim Financials – 12/31/10

- BRIM's financial position thru December shows fiscal year to date net income of \$10.5 million vs. \$15.5 million last year, with both years results being driven by investment returns.
- Investment earnings of \$11.2 million for FY'11 benefited from the steadily improving equity markets. This compares to year to date investment earnings of \$15.0 million for FY'10 when earnings were derived primarily from the fixed income market rally.
- Claims expense thru December reflects the actual claims payments made for the first six months of the fiscal year as well as a slight decrease of \$0.2 million in the estimated outstanding claims reserves since fiscal year ending June 30, 2010. This compares with an overall decrease of \$6.2 million in the estimated outstanding claims reserves last year that significantly reduced total claims expense for the same six months period.

### C. AIG/Chartis Update

- Near the end of 2010, AIG entered into \$4.3 billion in loan agreements with 36 banks – a sign it can raise money from private investors.
- On January 12, 2011, Moody's downgraded the insurance financial strength of AIG's property and casualty company, Chartis, by one notch from "Aa3" to "A1" but changed the rating outlook from negative to stable. This action came following AIG's announcement that it expects to complete its recapitalization by mid-year – a critical step toward independence from government support. Moody's said "that while the core insurance operations have stabilized over the past year, they have not yet improved sufficiently to justify the previous ratings in the absence of continued government support."
- On January 19, 2011, AIG issued about 75 million 10-year warrants to shareholders, which gives shareholders the opportunity to buy common stock at \$45 per share. As part of the recapitalization plan, the U.S. Treasury currently owns about 92% of AIG.
- On February 9, 2011, AIG announced that it will record a \$4.1 billion charge in the fourth quarter of 2010 in order to bolster loss reserves for its Chartis property and casualty unit. The need to strengthen Chartis' reserves is due to adverse development on prior accident years in certain business classes.
- AIG will report its fourth-quarter earnings for 2010 on Feb. 24<sup>th</sup>.

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



December 31

	<u>2010</u>		<u>2009</u>
<u>(in thousands)</u>			
<b>ASSETS</b>			
Short Term Assets			
Cash and Equivalents	\$ 23,695	\$	25,162
Advance Deposit with Carrier/Trustee	190,053		176,172
Receivables - Net	1,479		1,453
Prepaid Insurance	3,079		3,128
Total Short Term Assets	<u>218,306</u>		<u>205,915</u>
Long Term Assets			
Investments	129,629		118,048
Total Long Term Assets	<u>129,629</u>		<u>118,048</u>
<b>TOTAL ASSETS</b>	<u><u>347,935</u></u>		<u><u>323,963</u></u>
<b>LIABILITIES</b>			
Short Term Liabilities			
Accounts payable	1,620		2,150
Claims Payable	238		274
OPEB Liability	181		-
Agents Commissions Payable	671		633
Unearned Revenue	7,182		7,881
Current Estimated Claim Reserve	46,451		41,905
Total Short Term Liabilities	<u>56,343</u>		<u>52,843</u>
Long Term Liabilities			
Compensated Absences	66		58
Estimated Noncurrent Claim Reserve	88,792		104,624
Total Long Term Liabilities	<u>88,858</u>		<u>104,682</u>
<b>TOTAL LIABILITIES</b>	145,201		157,525
Prior Year Net Assets	192,207		150,958
Current Year Earnings	10,527		15,480
<b>TOTAL NET ASSETS</b>	<u>202,734</u>		<u>166,438</u>
<b>TOTAL LIABILITIES AND RETAINED EARNINGS</b>	<u><u>\$ 347,935</u></u>	<u><u>\$</u></u>	<u><u>323,963</u></u>

DRAFT - Unaudited - Management Purposes Only

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



	<b>December 31</b>	
	<b>2010</b>	<b>2009</b>
	<b>(in thousands)</b>	
Operating Revenues		
Premium Revenues	\$ 26,616	\$ 29,373
Less - Excess Insurance	(3,034)	(3,128)
Total Operating Revenues	23,582	26,245
Operating Expenses		
Claims Expense	20,033	19,252
Property & MS Claims Expense	2,115	4,500
Personal Services	690	641
General & Administrative Expense	1,411	1,343
Total Operating Expenses	24,249	25,736
Operating Income (Loss)	(667)	509
Nonoperating Revenues		
Fees and Assessments	15	18
Investment Income	11,179	14,953
Total Nonoperating Revenues	11,194	14,971
Net Income	10,527	15,480

DRAFT - Unaudited - Management Purposes Only

**West Virginia Board of Risk and Insurance Management**  
**UNAUDITED BALANCE SHEET**  
**December 31, 2010**  
**(in thousands)**



	Total State	Total SB3	Mine Subsidence	BRIM HB 601	Total
<b>Assets</b>					
<b>Short Term Assets</b>					
Cash and Equivalents	\$ 8,525	\$ 288	\$ 9,579	\$ 5,303	\$ 23,695
Deposits Held by Carrier/Trustee	92,108	97,945	-	-	\$ 190,053
Receivables - Net	818	289	372	-	\$ 1,479
Prepaid Insurance	1,238	1,841	-	-	\$ 3,079
<b>Total Short Term Assets</b>	<b>102,689</b>	<b>100,363</b>	<b>9,951</b>	<b>5,303</b>	<b>218,306</b>
<b>Long Term Assets</b>					
Investments	76,775	25,014	27,840	-	129,629
<b>Total Long Term Assets</b>	<b>76,775</b>	<b>25,014</b>	<b>27,840</b>	<b>-</b>	<b>129,629</b>
<b>Total Assets</b>	<b>\$ 179,464</b>	<b>\$ 125,377</b>	<b>\$ 37,791</b>	<b>\$ 5,303</b>	<b>\$ 347,935</b>
<b>Liabilities</b>					
<b>Short Term Liabilities</b>					
Accounts payable	567	993	60	-	1,620
OPEB Liability	89	87	5	-	181
Claims Payable	72	124	42	-	238
Agents Commissions Payable	-	671	-	-	671
Unearned Revenue	-	6,477	705	-	7,182
Current Claim Reserve	25,631	20,038	782	-	46,451
<b>Total Short Term Liabilities</b>	<b>26,359</b>	<b>28,390</b>	<b>1,594</b>	<b>-</b>	<b>56,343</b>
<b>Long Term Liabilities</b>					
Compensated Absences	32	32	2	-	66
Claim Reserve IBNR	51,269	37,212	275	36	88,792
<b>Total Long Term Liabilities</b>	<b>51,301</b>	<b>37,244</b>	<b>277</b>	<b>36</b>	<b>88,858</b>
<b>Total Liabilities</b>	<b>77,660</b>	<b>65,634</b>	<b>1,871</b>	<b>36</b>	<b>145,201</b>
Prior Year Net Assets	99,181	54,606	33,161	5,259	192,207
Current Year Earnings	-	-	-	-	-
<b>Total Net Assets</b>	<b>99,181</b>	<b>54,606</b>	<b>33,161</b>	<b>5,259</b>	<b>192,207</b>
<b>Total Liabilities and Retained Earnings</b>	<b>\$ 176,841</b>	<b>\$ 120,240</b>	<b>\$ 35,032</b>	<b>\$ 5,295</b>	<b>\$ 337,408</b>

**West Virginia Board of Risk and Insurance Management**  
**Unaudited Income Statement**  
**for the six months ending December 31, 2010**  
**(in thousands)**



	<b>Total State</b>	<b>Total SB3</b>	<b>Mine Subsidence</b>	<b>BRIM HB 601</b>	<b>Total</b>
Operating Revenues					
Premium Revenues	\$ 12,743	\$ 12,633	\$ 1,240	\$ -	\$ 26,616
Less: Excess Insurance	\$ (1,193)	\$ (1,841)	\$ -	\$ -	\$ (3,034)
Total Operating Revenues	<u>\$ 11,550</u>	<u>\$ 10,792</u>	<u>\$ 1,240</u>	<u>\$ -</u>	<u>\$ 23,582</u>
Operating Expenses					
Claims Expense	13,658	6,242	133	-	20,033
Property & MS Claims Expense	1,025	769	309	12	2,115
Personal Services	329	326	35	-	690
General and Administrative Expense	359	1,043	9	-	1,411
Total Operating Expenses	<u>15,371</u>	<u>8,380</u>	<u>486</u>	<u>12</u>	<u>24,249</u>
Operating Income (Loss)	(3,821)	2,412	754	(12)	(667)
Nonoperating Revenues					
Interest Income	6,444	2,725	2,005	5	11,179
Court Fees	-	-	-	15	15
Total Nonoperating Revenue	<u>6,444</u>	<u>2,725</u>	<u>2,005</u>	<u>20</u>	<u>11,194</u>
Net Income	<u>\$ 2,623</u>	<u>\$ 5,137</u>	<u>\$ 2,759</u>	<u>\$ 8</u>	<u>\$ 10,527</u>

## **Loss Control Report to the Board February 2011**

1. The Senate Bill #3 loss control questionnaire evaluation process will be completed during the month of March. To date, we have evaluated 839 submissions.
2. We are continuing to assist the Governor's Office, Department of Administration and the State Fire Marshal's Office in addressing facility risks at the West Virginia Rehabilitation Center in Institute.
3. During the coming months, we are going to attempt to visit all fifty-five county boards of education. We hope to complete a comprehensive evaluation of each county's exposures and to provide any needed assistance or guidance.
4. We are continuing our participation in the West Virginia Division of Personnel training program "*Workplace Safety: Your Responsibility*". This program is available to all state employees. We have made a presentation for this class for the last several years.
5. We have renewed a partnership with the West Virginia Public Service Commission to contribute risk management news articles for their quarterly newsletter, "*The Pipeline*". This newsletter is distributed to public utility organizations and public service districts throughout the state of West Virginia.
6. I am pleased to report that Jill Farrar-Brown has been selected by the Department of Administration as employee of the month for March. We will be celebrating this achievement on March 3, 2011 at 11:30am.
7. During the months of December, January and February AON conducted 275 inspections and CHUBB conducted 483. The reports are being processed according to established procedures.
8. Since my last report, our loss control technical staff reports the following activity:

#### **4 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.

#### **6 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**  
**February 2011**

**2 Presentation Visit**

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

**3 Inspection Observation Visits**

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

Dated:

Respectfully submitted,

Robert A. Fisher  
Deputy Director *and* Claim Manager

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

**December 7, 2010**

Chairman Lukens

Call to Order

Chairman Lukens

Approval of Board Minutes  
October 5, 2010

**REPORTS**

Charles E. Jones, Jr.  
Executive Director

Executive Director's Report

Jo Ellen Cockley  
AON Risk Consultants

June 30, 2010 Actuarial Report from AON

Rob Johnson  
Ernst & Young

June 30, 2010 Audited Financial Report from  
Ernst & Young, LLP

Scott Mountain  
Standish Mellon Asset Management

Trust and Fixed Income Market Update

Stephen W. Schumacher, CPA  
Chief Financial Officer

Financial Report  
P-Card Report

Robert Fisher  
Deputy Director/Claim Manager

Loss Control Report

**UNFINISHED BUSINESS**

**NEW BUSINESS**

**ADJOURNMENT**

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

**December 7, 2010**

**BOARD  
MEMBERS:**

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

**BRIM PERSONNEL:**

Charles E. Jones, Jr., Executive Director  
Stephen W. Schumacher, CPA, CFO  
Robert Fisher, Deputy Director/Claim Manager  
Jerry Gladwell, Underwriting Manager  
Blaine Nelson, Deputy Underwriting Manager  
Jeremy Wolfe, Loss Control Manager  
Jill Farrar-Brown, Loss Control Specialist  
Beth Baldwin, Loss Control Specialist  
Kimberly Hensley, Loss Control Specialist  
John Fernatt, IT Manager  
Melody Duke, Controller  
Steve Fowler, BRIM Counsel  
Linda Dexter, Recording Secretary

**BRIM PROGRAM  
REPRESENTATIVES:**

Charles Waugh, Chartis  
Joanna Valleau, Chartis  
Jama Cashdollar, Chartis

**GUESTS:**

JoEllen Cockley, AON (via telephone)  
Susan Wheeler, Ernst & Young  
Rob Johnson, Ernst & Young  
Scott C. Mountain, Standish Mellon Asset  
Management  
Beth Hammers, MU School of Medicine  
Tracy Smith, Marshall University  
Sandy Price, WVU Health Sciences Center  
Michael J. Gansor, WVU  
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 1:08 p.m. on Tuesday, December 7, 2010, at 90 MacCorkle Avenue, SW, Suite 203, South Charleston, West Virginia.

## **APPROVAL OF MINUTES**

Mr. Cunningham moved the approval of the minutes of the October 5, 2010 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.

Recognizing the lengthy agenda, Mr. Jones briefly summarized the topics covered in his report, and noted that he primarily wanted to give an update on the workers' compensation program. As of July 1, 2011, BrickStreet will not be required to offer workers' compensation coverage to state agencies. Coverage will still have to be obtained for state agencies either individually, through some other agency that would be created, through the Office of the Insurance Commissioner, or through the "BRIM solution." Mr. Jones further explained that in anticipation of state agencies being mandated by either The Governor's Office or legislation to obtain workers' compensation coverage through a BRIM solution, an RFP was released on October 23rd for the purpose of soliciting bids/proposals for a consultant to assist BRIM in designing the program together. Once a consultant has been selected, then BRIM will go to phase 2 to address the other parts of the program—TPA, managed care,

return to work program, and the other components. Mr. Jones stated that seven responses to the RFP were received. In its review, the management group decided that in the best interest of the State, if a broker/agent were chosen for phase I, it would not preclude them from bidding on phase II. This decision was also supported by a consultant with the Office of the Governor, who does not feel there is a conflict.

Mr. Jones thereafter noted that BRIM has interviews scheduled with each of the seven proposers and that a decision on a consultant should be reached by mid-December.

Vice Chairman Martin cautioned that when going into phase II, the consultant not be allowed to help create the next RFPs in a manner that excludes everybody but itself. In response, Mr. Jones also stated if the consultant identifies a vendor with whom it has been in a relationship, BRIM will bar its consultant from evaluating that vendor.

Mr. Jones further stated that on December 2<sup>nd</sup>, he sent a letter to the CEO of BrickStreet Mutual requesting a complete list of entities by policy year that have been in the program to date, including the number of employees by entity, historical payroll information, historical modification factors, historical losses, actuarial reports and payoff loss history. He also noted in the letter that BRIM will be asking for legislation that mandates all state agencies obtain their workers' compensation from the proposed "BRIM solution" as opposed to allowing another carrier to pick and choose agencies they want to insure, which would result in adverse risk selection for the state.

In closing, Mr. Jones stated that in the event BRIM is chosen to administer the workers' compensation program for the state agencies, he wants to ensure that BRIM is positioned to do so.

Mr. Schumacher then yielded the floor to Mr. Rob Johnson of Ernst & Young,

LLP, financial auditors for the West Virginia Board of Risk and Insurance Management, who presented the annual audit results. The report entitled "West Virginia Board of Risk and Insurance Management, 2010 audit results and communications" was distributed to the Board members, and Mr. Johnson noted that he and Susan Wheeler, Senior Manager with Ernst & Young, would be explaining the report findings.

(The meeting was interrupted at 1:30 p.m. so that Ms. JoEllen Cockley of AON Risk Consultants, our actuary, could join in via conference call and present the annual actuarial review.)

Ms. Cockley began her presentation by referring to the Risk Funding Study as of June 30, 2010, which had previously been distributed to the Board members, and stating that the claim experience for the program overall has been favorable. The payment activity for the fiscal year was in line with expectations, and the incurred loss activity for the fiscal year was better than expected. No new refinements were introduced into the model this time but continued with the specific loss development factors previously identified before for the State Spending Units (SSUs) and the Senate Bill #3 (SB #3) programs. AON continues to see some of the differences emerge in those two programs. Overall, BRIM had a \$17 million reserve reduction, which was 11% of the reserve as of June 30, 2009. Referring to the comparison of unpaid loss estimates by line of business on page 2, the largest dollar reduction was in the general liability line for the SB #3 program. The auto liability for the SB #3 program also did quite well. AON continues to closely monitor the automobile liability and medical malpractice programs for the State Spending Units. A very small reserve remains for the HB 601 program, and by next year, that reserve should go to zero (0). In

commenting on pages 3 through 10, for both the SSUs and the SB #3 entities, Ms. Cockley noted that the Frequency-Severity Method had been introduced in the 6/30/09 review and that it was still being used to give explicit recognition of the improving non-zero claim frequency.

In the area of property, favorable recent accident year experience in both SB #3 and SSU were driven by a large percentage decrease in the unpaid loss estimate and the short duration of property reserves.

With regard to the medical malpractice, Ms. Cockley noted that recent accident years are showing some deterioration in the SSU program, variability in unpaid loss estimates is higher in the years subsequent to the introduction of the \$250,000 deductible for Marshall and West Virginia Universities (beginning with accident year 2004).

In closing, Ms. Cockley noted that the loss forecast in the 2010-11 accident year indicates small increases in almost all lines except SB #3 and medical malpractice, and fairly large decreases, particularly in the Senate Bill #3 program. She also added that they were getting ready to send BRIM some information for the Boards of Education playground medical program with the \$2,500 med payment.

(There being nothing further, Ms. Cockley terminated her call at 1:47 p.m., and Chairman Lukens asked Mr. Johnson to continue with his annual audit presentation.)

Mr. Johnson continued by referring to page 3 of the "2010 audit results and communications," which gave a summary of what Ernst & Young (E & Y) had agreed to do and the areas of audit emphasis. In this regard, he stated there were no significant changes to the plan procedures; however, he did note that they had performed some

procedures directly at Chartis to test claims that were processed there, but no issues or exceptions were noted regarding that testing.

At this point, Mr. Johnson deferred to Ms. Wheeler to present the report on required communications. Ms. Wheeler began by stating that E & Y has, in fact, issued an unqualified opinion on BRIM's financial statements for the year ended June 30, 2010, which is contained on page 1 of Appendix A in the financial statement. They also performed procedures on other financial information as they have in the past, in conjunction with the financial statements taken as a whole. We are required to review the quality of the accounting principles used by management, and consistent with last year, they continue to utilize accounting policies that are consistent with the prior year and the industry standards.

Ms. Wheeler further stated that E & Y is required to discuss with BRIM management the adoption of, or a change in, the accounting policy and noted that BRIM has adopted GASB Statements 51, 53, 55, 56, and 58 during FY 10; but because these did not affect the 2010 financial statements, E & Y did not modify their opinion as to consistency.

She continued that E & Y found no significant transactions recorded by BRIM. regarding unearned revenue and unpaid claims estimates, E & Y found that all significant estimates used by management were evaluated and considered to be reasonable. The critical accounting policies and practices used by BRIM were found to be adequate.

In continuing, Ms. Wheeler particularly noted that there were no unrecorded or recorded audit differences identified during the 2010 audit, which she attributes to the

staff being very diligent in the preparation of the statements and the trial balances which E & Y audit.

E & Y had no disagreements with management, and a copy of the letter of representation which BRIM management signed is contained in Appendix C.

Mr. Johnson then referred to page 7 of the communications document regarding industry ratio analysis and stated that BRIM continues to compare very favorably in the loss and combined ratio areas. He noted that on pages 8 through 11, there was a discussion of industry trends taken from a *Standard & Poor's* article just to monitor what's out there and compare it to BRIM. The net surplus at BRIM continues to improve, and during the last half of 2009 and the first part of 2010, there continues to have been favorable development which has helped to maintain the surplus.

In summarizing the remaining parts of the communications document, Mr. Johnson particularly noted that the main driver for the increase in net assets for FY 2010 was investment income, which was \$25 million last year.

Mr. Johnson concluded his presentation, at which time Chairman Lukens introduced Scott Mountain, Relationship Manager with Standish Mellon Asset Management, who thereafter gave an update on the trust and fixed income markets. Prior to his update, the presentation in written form had been distributed to the Board members.

Upon conclusion of Mr. Mountain's presentation, Mr. Schumacher asked Mr. Sauvageot of the West Virginia Investment Management Board if he had any comments. In response, Mr. Sauvageot was brief and stated that their (WVIMB) outlook was very similar to that of Mr. Mountain and the Standish group. However, being in

charge of the bond portfolio at the WVIMB, he wasn't very optimistic. He expressed his concern with inflation but noted that he saw Treasury yields going up. He explained that BRIM has 20% in equities, and that if the economy is doing well in the long-term, periodically we should see some growth. Since 70-80% of BRIM's pension funds are in fixed income, the WVIMB did move 10% of our income to U.S. TIPS. He then mentioned that if we do get into an inflationary environment, the 20% equity in the hedge fund will be our savior; but if things stay the way they are, fixed income will be okay.

There being nothing further from Mr. Sauvageot, Mr. Schumacher presented the Chief Financial Officer's Report. The unaudited balance sheet as of September 30, 2010, the unaudited income statement for the three months ending September 30, 2010, and the unaudited balance sheet and unaudited income statement by line of business (Total State, Total SB3, 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 July, August and September 2010 purchasing card invoices was distributed to each Board member. The Chairman signed the acknowledgement form for the April, May and June 2010 billing, which 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. It should be noted that the Board commended Mr. Fisher and the Loss Control Department for making great strides in the area of risk management over the last five years.

**UNFINISHED BUSINESS**

There was no unfinished business.

**NEW BUSINESS**

There was no new business.

**ADJOURNMENT**

There being nothing further, the meeting adjourned at 2:28 p.m.

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Board Chairman

---

Date

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



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Earl Ray Tomblin  
Governor

Robert Ferguson, Jr.  
Cabinet Secretary

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Executive Director  
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## Executive Director's Report

### December 7, 2010

#### A. Significant Issues

##### 1. State Agency Workers' Compensation Coverage

On October 23<sup>rd</sup>, an RFP was released for a consultant to assist BRIM in formulating a workers' compensation program for state agencies. Selection of a consultant is phase 1 of the process. The deadline for receiving proposals from prospective vendors was November 19<sup>th</sup>. A total of seven proposals were received from prospective vendors.

BRIM is conducting interviews (personal and telephonic) on December 8<sup>th</sup> and 9<sup>th</sup> with those seven vendors that submitted a response to the Consultant RFP.

BRIM expects to make a decision on the consultant selection by December 15, 2010.

Upon selection of our consultant, BRIM will form a panel of stakeholders (including those outside of BRIM) to assist in formulating the Worker's Compensation Program.

Formal correspondence was submitted to BrickStreet Insurance requesting data assistance in the form of:

- a. A complete list of entities by policy year that have participated in the program to date, including the number of employees by entity.
- b. Historical payroll information by class code for participants, by entity.
- c. Experience Modification factors for each policy year for each state agency since BrickStreet's assumption of new claims incurred since July 1, 2005.

- d. Actuarial reserve estimates relative to state agencies.
- e. Detailed loss claim data by type of injury for each state agency, including dates of injury, type of claim, claim status and medical and indemnity loss totals since inception, July 1, 2005.

Phase II will be BRIM's actual procurement of workers' compensation coverage and/or component services necessary for properly administering a comprehensive workers' compensation program for WV state agencies. BRIM intends to issue further RFP's or Request for Quotations (RFQ's) during January 2011 to allow for the program chosen to be up and fully operational by July 1, 2011.

## 2. Renewal of Casualty Insurance Program with Chartis

If you will recall, there was some confusion at the last meeting regarding the renewal information. Therefore, to clarify, here is a recap: The cost of services is \$3,840,000 for FY 2011. The cost of services for FY 2010 was \$4,228,723, which included a \$130,000 administrative fee, for an annual savings of \$388,723, or monthly savings of \$32,393.58 in FY 2011 vs. FY 2010. The amount includes a reduction in Chartis' administrative fees.

### B. Marshall University/WVU Medical Malpractice Deductible Program **(update)**

- As of August 31, 2010, Marshall has deposited \$2,494,661.38 into the escrow account. The year-to-date cumulative interest totals \$118,550.45. There have been no disbursements during fiscal year 2011 thus far.
- As of August 31, 2010, a total of \$5,379,319.00 has been transferred or deposited into WVU's escrow account. The year-to-date cumulative interest totals \$116,189.14. There have been no disbursements made during fiscal year 2011 thus far.

### C. Litigation

The October 2010 report from Chartis for the period ending September 30, 2010 reveals that in September, one case was tried to a plaintiff verdict. Year-to-date, there have been six cases tried to verdict, with four defense verdicts and two plaintiff verdict.

New lawsuits have decreased 22.1% over year-to-date 2009; closed lawsuits have decreased 25.1%, and pending lawsuits have increased 5.9%.

#### D. Continuity of Operations Plan (COOP)

As mentioned on previous occasions, John Fernatt and Chuck Mozingo have been appointed Department of Administration liaisons in assisting other agencies in the development of their continuity of operations plan and the integration of their plan into that of the Department of Administration. Additionally, they have also been directed to offer the same assistance to The Governor's Office and are currently working with their COOP personnel in developing their plan for subsequent integration with that of the Department of Administration.

Respectfully submitted,

Charles E. Jones, Jr.  
Executive Director

CEJ:lld

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



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**Chief Financial Officer's Report  
December 7, 2010**

**A. Actuarial Risk Funding Study**

- The Risk Funding Study as of June 30, 2010 has been completed by AON.
- Total reserves estimates as of June 30, 2010 are down \$17.3 million vs. the prior year. The decrease in reserve estimates indicates that the refinements in claims development trends identified in the FY'09 risk funding study model have continued to evolve in FY'10.

**B. Audit Results and Communications**

- The audit of the annual financial statements for FY'10 has been completed
- E&Y has issued a clean audit opinion.

**C. Trust Funds and Fixed Income Market Update**

- The strong bond rally since the liquidity crisis in 2008 has resulted in higher overall returns on invested trust fund assets over the last couple of years (6.89% in FY'09 and 6.22% for FY'10).
- Yields on U.S. Treasuries recently hit historic new lows. This will negatively impact total returns for fixed income securities and make the bond markets much more challenging going forward. It will certainly limit the overall return potential, at least for the near-term, on trust fund assets.

**D. P Card Report**

- CD copies contain the supporting detail for P card purchases for the months of July, August and September 2010. The monthly totals are:

July	\$48,217.03
August	\$17,675.92
September	\$35,265.05

**E. Interim Financials – 9/30/10**

- BRIM's had positive results for the first quarter of FY'10 due to \$8.9 million in investment earnings.
- Claims expense thru September reflects the actual claims payments made for the first quarter and a \$0.9 million decrease in expense for reductions in the estimated outstanding claims reserves.

**F. AIG/Chartis Update**

- On November 1, AIG said it raised enough money from its sale of ALICO to MetLife Inc. and an initial public offering of AIA Group Ltd. in Hong King to repay a line of credit with the Federal Reserve Bank of New York.
- On November 5, 2010 AIG posted a \$2.4 billion third-quarter loss on restructuring-related charges of \$4.5 billion. Continuing insurance operations remain stable.

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



**September 30**

	2010	2009
(in thousands)		
<b>ASSETS</b>		
Short Term Assets		
Cash and Equivalents	\$ 25,564	\$ 27,026
Advance Deposit with Carrier/Trustee	189,094	179,951
Receivables - Net	1,174	1,254
Prepaid Insurance	3,201	2,949
Total Short Term Assets	219,033	211,180
Long Term Assets		
Investments	126,379	114,938
Total Long Term Assets	126,379	114,938
<b>TOTAL ASSETS</b>	<b>345,412</b>	<b>326,118</b>
<b>LIABILITIES</b>		
Short Term Liabilities		
Accounts payable	905	1,840
Claims Payable	36	114
OPEB Liability	181	87
Agents Commissions Payable	1,538	323
Unearned Revenue	7,097	7,428
Current Estimated Claim Reserve	44,765	49,402
Total Short Term Liabilities	54,522	59,194
Long Term Liabilities		
Compensated Absences	66	58
Estimated Noncurrent Claim Reserve	89,745	104,725
Total Long Term Liabilities	89,811	104,783
<b>TOTAL LIABILITIES</b>	144,333	163,977
Prior Year Net Assets	192,207	150,958
Current Year Earnings	8,872	11,183
<b>TOTAL NET ASSETS</b>	201,079	162,141
<b>TOTAL LIABILITIES AND RETAINED EARNINGS</b>	<b>\$ 345,412</b>	<b>\$ 326,118</b>

DRAFT - Unaudited - Management Purposes Only

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



	<b>September 30</b>	
	<b>2010</b>	<b>2009</b>
	<b>(in thousands)</b>	
Operating Revenues		
Premium Revenues	\$ 13,457	\$ 14,761
Less - Excess Insurance	(1,516)	(1,564)
Total Operating Revenues	11,941	13,197
Operating Expenses		
Claims Expense	11,371	11,427
Property & MS Claims Expense	856	1,924
Personal Services	353	331
General & Administrative Expense	660	656
Total Operating Expenses	13,240	14,338
Operating Income (Loss)	(1,299)	(1,141)
Nonoperating Revenues		
Court Fees	7	10
Investment Income	10,164	12,314
Total Nonoperating Revenues	10,171	12,324
Net Income	8,872	11,183

DRAFT - Unaudited - Management Purposes Only

**West Virginia Board of Risk and Insurance Management**  
**UNAUDITED BALANCE SHEET**  
**September 30, 2010**  
**(in thousands)**



	Total State	Total SB3	Mine Subsidence	BRIM HB 601	Total
<b>Assets</b>					
<b>Short Term Assets</b>					
Cash and Equivalents	\$ 8,643	\$ 2,459	\$ 9,164	\$ 5,298	\$ 25,564
Deposits Held by Carrier/Trustee	92,472	96,622	-	-	\$ 189,094
Receivables - Net	486	316	372	-	\$ 1,174
Prepaid Insurance	1,064	2,137	-	-	\$ 3,201
<b>Total Short Term Assets</b>	<b>102,665</b>	<b>101,534</b>	<b>9,536</b>	<b>5,298</b>	<b>219,033</b>
<b>Long Term Assets</b>					
Investments	74,850	24,387	27,142	-	126,379
<b>Total Long Term Assets</b>	<b>74,850</b>	<b>24,387</b>	<b>27,142</b>	<b>-</b>	<b>126,379</b>
<b>Total Assets</b>	<b>\$ 177,515</b>	<b>\$ 125,921</b>	<b>\$ 36,678</b>	<b>\$ 5,298</b>	<b>\$ 345,412</b>
<b>Liabilities</b>					
<b>Short Term Liabilities</b>					
Accounts payable	193	669	43	-	905
OPEB Liability	89	87	5	-	181
Claims Payable	17	19	-	-	36
Agents Commissions Payable	-	1,538	-	-	1,538
Unearned Revenue	-	6,392	705	-	7,097
Current Claim Reserve	23,851	20,183	731	-	44,765
<b>Total Short Term Liabilities</b>	<b>24,150</b>	<b>28,888</b>	<b>1,484</b>	<b>-</b>	<b>54,522</b>
<b>Long Term Liabilities</b>					
Compensated Absences	32	32	2	-	66
Claim Reserve IBNR	51,969	37,483	257	36	89,745
<b>Total Long Term Liabilities</b>	<b>52,001</b>	<b>37,515</b>	<b>259</b>	<b>36</b>	<b>89,811</b>
<b>Total Liabilities</b>	<b>76,151</b>	<b>66,403</b>	<b>1,743</b>	<b>36</b>	<b>144,333</b>
Prior Year Net Assets	99,181	54,606	33,161	5,259	192,207
Current Year Earnings	-	-	-	-	-
<b>Total Net Assets</b>	<b>99,181</b>	<b>54,606</b>	<b>33,161</b>	<b>5,259</b>	<b>192,207</b>
<b>Total Liabilities and Retained Earnings</b>	<b>\$ 175,332</b>	<b>\$ 121,009</b>	<b>\$ 34,904</b>	<b>\$ 5,295</b>	<b>\$ 336,540</b>

**West Virginia Board of Risk and Insurance Management**  
**Unaudited Income Statement**  
**for the three months ending September 30, 2010**  
**(in thousands)**



	<b>Total State</b>	<b>Total SB3</b>	<b>Mine Subsidence</b>	<b>BRIM HB 601</b>	<b>Total</b>
Operating Revenues					
Premium Revenues	\$ 6,508	\$ 6,307	\$ 642	\$ -	\$ 13,457
Less: Excess Insurance	\$ (596)	\$ (920)	\$ -	\$ -	\$ (1,516)
Total Operating Revenues	<u>\$ 5,912</u>	<u>\$ 5,387</u>	<u>\$ 642</u>	<u>\$ -</u>	<u>\$ 11,941</u>
Operating Expenses					
Claims Expense	8,603	2,704	64	-	11,371
Property & MS Claims Expense	425	345	79	7	856
Personal Services	170	169	14	-	353
General and Administrative Expense	169	477	14	-	660
Total Operating Expenses	<u>9,367</u>	<u>3,695</u>	<u>171</u>	<u>7</u>	<u>13,240</u>
Operating Income (Loss)	(3,455)	1,692	471	(7)	(1,299)
Nonoperating Revenues					
Interest Income	5,638	3,220	1,303	3	10,164
Court Fees	-	-	-	7	7
Total Nonoperating Revenue	<u>5,638</u>	<u>3,220</u>	<u>1,303</u>	<u>10</u>	<u>10,171</u>
Net Income	<u><u>\$ 2,183</u></u>	<u><u>\$ 4,912</u></u>	<u><u>\$ 1,774</u></u>	<u><u>\$ 3</u></u>	<u><u>\$ 8,872</u></u>

## **Loss Control Report to the Board December 2010**

1. During the month of October, we sent out loss control questionnaires to our senate bill #3 insured. The completed questionnaires and supporting documentation are due to BRIM on January 1, 2010.
2. BRIM and Chubb sponsored two boiler safety and operational seminars on November 9<sup>th</sup> and 10<sup>th</sup>. Approximately 110 individuals participated in the seminars.
3. In response to recent risk assessment surveys conducted by Aon, we have been working with General Services and the Real Estate Division with regard to corrective action plans necessary to address the issues uncovered during inspection of the former West Virginia Rehabilitation Center, in Institute.
4. We have also been working with the State Fire Marshall and the Division of Labor with regard to Aon risk assessment surveys conducted at West Virginia Tech.
5. Since my last report, our loss control technical staff reports the following activity:

### **10 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.

### **19 Standards of Participation Visits**

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

### **1 Presentation Visits**

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

### **5 Inspection Observation Visits**

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

### **8 Continuing Education Visits**

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

\*It is worth noting that all of our Loss Control Technical Staff have now completed the '*Train the Trainer*' course offered by the Division of

**Loss Control Report to the Board  
December 2010**

Personnel. This multiple-day course has proven very helpful to the Department as it conducts training throughout the state.

Dated: 12-6-2010

Respectfully submitted,



Robert A. Fisher  
Deputy Director *and* Claim Manager

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

**October 5, 2010**

Chairman Lukens	Call to Order
Chairman Lukens	Approval of Board Minutes <del>February 23, 2010</del> May 25, 2010
Charles E. Jones, Jr. Executive Director	Executive Director's Report
Stephen W. Schumacher, CPA Chief Financial Officer	Financial Report P-Card Report
Robert A. Fisher Deputy Director/Claim Manager	Loss Control Report

**UNFINISHED BUSINESS**

**NEW BUSINESS**

**SET DATE FOR NEXT MEETING**

**ADJOURNMENT**

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

**October 5, 2010**

**BOARD  
MEMBERS:**

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

**BRIM PERSONNEL:**

Charles E. Jones, Jr., Executive Director  
Stephen W. Schumacher, CPA, CFO  
Robert Fisher, Deputy Director/Claim Manager  
Jerry Gladwell, Underwriting Manager  
Jeremy Wolfe, Loss Control Manager  
Chuck Mazingo, Assistant Claim Manager  
John Fernatt, IT Manager  
Melody Duke, Controller  
Carl Baldwin, Loss Control Specialist  
Beth Baldwin, Loss Control Specialist  
Kimberly Hensley, Loss Control Specialist  
Steve Fowler, BRIM Counsel  
Linda Dexter, Recording Secretary

**INSURANCE  
COMMISSION**

**REPRESENTATIVES:**

Bill Kenny, Deputy Insurance Commissioner

**BRIM PROGRAM**

**REPRESENTATIVES:**

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

**GUESTS:**

Ed Phillips, WVU Health Sciences Center  
Beth Hammers, MU School of Medicine  
Brian Carrico, Marshall University  
Tracy Smith, Marshall University

## **CALL TO ORDER**

The meeting of the West Virginia Board of Risk and Insurance Management was called to order by Chairman Lukens at 1:01 p.m. on Tuesday, October 5, 2010, at 90 MacCorkle Avenue, SW, Suite 203, South Charleston, West Virginia.

## **APPROVAL OF MINUTES**

The record was corrected to show that the correct date of the minutes to be approved is May 25, 2010, not February 23, 2010 as erroneously reflected on the meeting agenda. Mr. Glasser moved the approval of the minutes of the May 25, 2010 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.

During his presentation, Mr. Jones noted that as of July 1, 2011, BrickStreet will not be required to offer workers' compensation coverage to state agencies; therefore, Secretary Ferguson has asked BRIM to look into a solution for providing state agencies with workers' compensation insurance coverage. Mr. Jones explained that regardless of what happens, BRIM is expected to have a program in place to handle state agency workers' compensation coverage in the event that BRIM is, in fact, appointed to administratively handle the program. Accordingly, within the next few weeks an RFP or RFQ will be released for the purpose of soliciting bids/proposals for a consultant to assist BRIM in formulating a program for addressing the workers' compensation needs for West Virginia state government agencies.

Mr. Jones also noted that he has gone on record indicating that it is advantageous for the State—no matter whatever kind of program is put forth—to have it mandate that all state agencies go to a central location for coverage, as opposed to allowing private carriers to pick and choose “good risk” agencies. This would allow all agencies to benefit from the collective procurement of workers’ compensation insurance.

During a brief discussion, it was ascertained that at this point, BRIM is looking at primarily two approaches—whether to be self-insured or whether to bid for a carrier to come in to handle the entire state. The bottom line is to determine the best approach to this issue.

During further presentation of his report regarding the Renewal of the Casualty Insurance Program with Chartis, it was determined that the information as written was somewhat confusing. Therefore, to clarify, here is a recap: The cost of services is \$3,840,000 for FY 2011. The cost of services for FY 2010 was \$4,228,723, for an annual savings of \$388,723, or monthly savings of \$32,393.58, in FY 2011 vs. FY 2010. These amounts include a reduction in Chartis administrative fees.

Mr. Schumacher thereafter presented the Chief Financial Officer's Report. The unaudited balance sheet as of June 30, 2010, the unaudited income statement for the twelve months ending June 30, 2010, and the unaudited balance sheet and unaudited income statement by line of business (Total State, Total SB3, 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 April, May and June 2010 purchasing card invoices was distributed to each Board member. The Chairman signed the

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acknowledgement form for the January, February and March 2010 billing. The acknowledgement form was retained by the Finance Department.

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

**UNFINISHED BUSINESS**

There was no unfinished business.

**NEW BUSINESS**

There was no new business.

**ADJOURNMENT**

There being nothing further, the meeting adjourned at 2: 05 p.m.

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Board Chairman

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Date

# Executive Director's Report

October 5, 2010

## A. Significant Issues

### 1. VFD Workers' Compensation Coverage

Earlier this year, the Insurance Commissioner approved a new rate schedule for BrickStreet's Workers' Compensation coverage for the VFDs in the state. This rate schedule, which would have increased premiums by more than \$400,000 a year, would have doubled premiums for some VFDs.

BrickStreet had agreed to postpone the increases, which were set to go into effect on July 1, for one year. However, under the state law privatizing workers' compensation, BrickStreet will not be required to provide coverage to VFDs after June 30, 2011. BrickStreet had also announced that it would no longer carry broadform liability coverage for volunteer firefighters by September 1; and that with claims losses exceeding \$4 million a year for VFDs, no insurance companies will offer that coverage to VFDs.

Subsequently, a work group was appointed by the Governor to come up some solutions. Near the end of July, Governor Manchin announced that BRIM would offer coverage through June 30, 2011 to 281 VFDs that had been faced with losing broadform coverage. Additionally, Volunteer Firemen's Insurance Services announced it would extend broadform coverage to state fire departments that already had insurance through VFIS.

In a news release dated August 4<sup>th</sup>, BRIM announced that effective September 1, 2010, it would make available the broadform coverage to those volunteer fire departments, presently with BrickStreet, who desire the stand alone broadform employers liability coverage. BRIM would quote them the premium amount previously assessed by BrickStreet and payment in full had to be received by BRIM on or before September 1<sup>st</sup>.

Steve Schumacher and I will be meeting at 10 a.m. on Wednesday, October 6<sup>th</sup>, with Mike Riley and Melinda Kiss of the Insurance Commissioner's Office to discuss workers' compensation for the state workers.

2. Request for Proposal (RFP) for Consultant Services in Administering a Workers' Compensation Program in West Virginia

In anticipation of BRIM being given the responsibility of administering a workers' compensation program starting July 1, 2011, we will issue an RFP or RFQ within the next two weeks.

BRIM management staff has met with Ed Poe, Jeff Brannon, and Lisa Hunter of Pullin Fowler Flanagan Brown and Poe PLLC to discuss the specifics.

A target date of October 29<sup>th</sup> has been set as the release date.

3. Request for Proposal (RFP) for Providing Environmental Contamination and Pollution Insurance for Certain State of West Virginia Owned Properties  
RFP #RIM081010

This RFP is soliciting proposals to provide insurance for certain State-owned properties for environmental contamination and pollution for the remainder of fiscal year July 1, 2010 through June 30, 2011, with possible two successive annual renewals. The property to which this RFP specifically applies is that which is described in the Donation Agreement dated October 15, 2009, between Union Carbide Corporation (UCC) and the West Virginia Higher Education Policy Commission (HEPC).

Proposals are due by October 12, and the contract will be awarded on October 15, 2010.

4. Renewal of Casualty Insurance Program with Chartis

This renewal was effective July 1, 2010 through June 30, 2011, with the possibility of four subsequent renewal periods. The cost of services is \$3,840,000 for FY 2011. The cost of services for FY 2010 was \$4,098,723, for an annual savings of \$258,723, or monthly savings of \$21,560.25, in FY 2011 vs. FY 2010.

Beginning this month, we should start experiencing a \$20,000.00 per quarter savings in Chartis administrative fees.

5. Excess Liability for County Boards of Education

The incumbent carrier for the Board of Education Excess Liability Coverage, GenStar, submitted a renewal quote for \$2,159,667. Instead, an RFP was released and four carriers submitted bids. After careful

evaluation, the submission from Wells Fargo/Chartis was accepted in the amount of \$1,843,987, with a total savings of \$315,680. However, upon receipt of the invoice, the amount was reduced to \$1,825,909, for a revised total savings of \$333,758.

**B. Marshall University/WVU Medical Malpractice Deductible Program (update)**

- As of August 31, 2010, Marshall has deposited \$2,494,661.38 into the escrow account. The year-to-date cumulative interest totals \$118,550.45. There have been no disbursements during fiscal year 2011 thus far.
- As of August 31, 2010, a total of \$5,379,319.00 has been transferred or deposited into WVU's escrow account. The year-to-date cumulative interest totals \$116,189.14. There have been no disbursements made during fiscal year 2011 thus far.

**C. Litigation**

The September 2010 report from Chartis for the period ending August 31, 2010 reveals that in August, one case was tried to a plaintiff verdict. Year-to-date, there have been five cases tried to verdict, with four defense verdicts and one plaintiff verdict.

New lawsuits have decreased 24.1% over year-to-date 2009; closed lawsuits have decreased 24.1%, and pending lawsuits have increased 2.6%.

**D. Patient Injury Compensation Fund (PICF)**

1. Michael Sizemore – Two insureds – Marshall University and University Physicians and Surgeons; co-defendants include Cabell Huntington Hospital and some of the nursing staff. This is a birth trauma case involving Michelle Sizemore and the delivery of her infant son, Michael.

On October 29, 2009, a contingent settlement agreement was reached at mediation, during which a total award of \$4,000,000.00 was made, with a \$900,000.00 payment coming from the Patient Injury Compensation Fund. On November 24, 2009, the check was issued by the Treasurer's Office.

2. Estate of Anna Goldsmith, Deceased

This is a wrongful death claim involving a 37-year old pregnant woman who presented at Stonewall Jackson Memorial Hospital. She had a seizure approximately 12-14 hours later at home and was subsequently taken back to Stonewall Jackson Memorial Hospital and thereafter transferred to WVU, where the baby was delivered. Subsequently, Mrs. Goldsmith died on April 13, 2008.

The total economic loss was calculated to be \$749,217.30. The sum of \$500,000 was the total amount recoverable. BRIM awarded \$249,217.20 to the estate from the PICF, but the offer has yet to be accepted.

3. James W. Luikart, Jr. – This man had surgery on May 11, 2007.

Mr. Luikart is claiming damages ranging from \$1,800,000.00 to \$3,900,000.00, depending on various life care plans and other economic damages. After a thorough review, BRIM is of the opinion that the submission on behalf of James Luikart, Jr. is incomplete and must be denied. It is felt that Mr. Luikart has not exhausted all reasonable means to recover economic damages from the available insurance coverage.

E. Miscellaneous

1. Playground Safety – Discussions with and emails to Cabell County Schools Superintendent William Smith and Senator Evan Jenkins re playground safety. Sen. Jenkins requested that Superintendent Smith suspend the removal of swing sets until further discussion can take place among all parties involved.
2. Inspection of Vacant Buildings/Warehouses – Washington Street, Michigan Avenue, Jefferson Street – posed significant health, safety and liability concerns – only one out of ten structures could be saved.
3. Renewed software license with Marshall & Swift for property appraisal (InFocus ITV Profile Analytic Service, Residential Component Technologies™ (“RCT”) and Building Valuation System™ (“BVS”).
4. Verizon – Fairmont Building – Verizon settled for \$50,000.00.
5. Steve Schumacher and I attended the Annual Conference of the Public Risk Insurance Management Association in Orlando, FL from June 6 – 9, 2010.
6. Robert Fisher, Chuck Mozingo and I attended the 2010 STRIMA Conference held in Prattville, Alabama, from September 12-16, 2010.
7. Introduction of Beth Baldwin and Kim Hensley, new Loss Control Specialists, to the Board.

Respectfully submitted,

Charles E. Jones, Jr.  
Executive Director

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



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Joe Manchin III  
Governor

Robert Ferguson, Jr.  
Cabinet Secretary

## Chief Financial Officer's Report October 5, 2010

### A. P Card Report

CD copies contain the supporting detail for P card purchases for the months of April, May, and June, 2010. These totals are:

April	\$30,437.37
May	\$39,356.06
June	\$31,915.47

### B. Financial Report

- The FY'10 external audit by Ernst & Young should be completed by mid-October. The results presented for the fiscal year ended June 30, 2010 are draft and subject to completion of the year-end audit. Their field work is nearing completion and nothing significant has been brought to management's attention.
- The financial report reflects the actuarially estimated reserves from AON's risk funding study as of June 30, 2010. The reserves are reviewed by Ernst & Young as part of their normal year-end audit work.
- The reductions in prior years' claims reserves, \$19.3 million for FY'09 and \$19.7 million for FY'10, have sustained the level of operating income reported for both fiscal years.
- Net income reported for FY'10 is \$41.2 million vs. \$23.3 million for FY'09. The increase is driven by the improved investment returns for FY'10.

### C. Actuarial Risk Funding Study

- AON's risk funding study as of June 30, 2010 has been completed. The favorable development in prior years claims reserves, primarily within the Senate Bill 3 program, continued in FY'10. Their updated claims reserves are included in the draft year-end financial statements.

### D. AIG Update

- On August 6<sup>th</sup> American International Group (AIG) reported a 2010 second quarter net loss of \$2.7 billion, which the company said was primarily due to a \$3.3 billion goodwill impairment charge, part of \$3.4 billion in net losses from discontinued operations. This loss compares to a 2009 second quarter net income of \$1.8 billion.
- On September 29<sup>th</sup> AIG announced that they have begun discussions with federal stakeholders in the company about a plan to repay taxpayers and allow the government to exit its ownership relationship with AIG over the next several years.

### E. Government Finance Officers Association (GFOA) Recognition

- GFOA has notified BRIM that its comprehensive annual financial report (CAFR) for the year ended June 30, 2009 qualified for the Certificate of Achievement for Excellence in Financial Reporting. This is the highest form of recognition in governmental accounting and financial reporting and represents the 15<sup>th</sup> consecutive year that BRIM has attained this significant accomplishment.

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



June 30

	2010	2009
(in thousands)		
<b>ASSETS</b>		
Short Term Assets		
Cash and Equivalents	\$ 29,613	\$ 32,181
Advance Deposit with Carrier/Trustee	184,926	174,215
Receivables - Net	1,573	1,139
Prepaid Insurance	-	-
Total Short Term Assets	216,112	207,535
Long Term Assets		
Investments	120,331	105,461
Total Long Term Assets	120,331	105,461
<b>TOTAL ASSETS</b>	336,443	312,996
<b>LIABILITIES</b>		
Short Term Liabilities		
Accounts payable	538	520
Claims Payable	164	158
OPEB Liability	181	87
Agents Commissions Payable	1,230	1,247
Unearned Revenue	6,629	7,235
Current Estimated Claim Reserve	45,707	48,650
Total Short Term Liabilities	54,449	57,897
Long Term Liabilities		
Compensated Absences	66	58
Estimated Noncurrent Claim Reserve	89,721	104,083
Total Long Term Liabilities	89,787	104,141
<b>TOTAL LIABILITIES</b>	144,236	162,038
Prior Year Net Assets	150,958	127,630
Current Year Earnings/Prior Year Earnings	41,249	23,328
<b>TOTAL NET ASSETS</b>	192,207	150,958
<b>TOTAL LIABILITIES AND RETAINED EARNINGS</b>	\$ 336,443	\$ 312,996

DRAFT - Unaudited - Management Purposes Only

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



	June 30	
	2010	2009
	(in thousands)	
Operating Revenues		
Premium Revenues	\$ 58,007	\$ 62,427
Less - Excess Insurance	(6,257)	(5,944)
Total Operating Revenues	51,750	56,483
Operating Expenses		
Claims Expense	25,458	31,204
Property & MS Claims Expense	6,210	5,400
Personal Services	1,453	1,349
General & Administrative Expense	2,493	2,545
Total Operating Expenses	35,614	40,498
Operating Income	16,136	15,985
Nonoperating Revenues		
Court Fees	32	31
Investment Income	25,081	7,312
Total Nonoperating Revenues	25,113	7,343
Net Income	41,249	23,328

DRAFT - Unaudited - Management Purposes Only

**West Virginia Board of Risk and Insurance Management**  
**UNAUDITED BALANCE SHEET**  
**June 30, 2010**  
**(in thousands)**



	Total State	Total SB3	Mine Subsidence	BRIM HB 601	Total
<b>Assets</b>					
<b>Short Term Assets</b>					
Cash and Equivalents	\$ 10,348	\$ 5,274	\$ 8,696	\$ 5,295	\$ 29,613
Deposits Held by Carrier/Trustee	93,489	91,437	-	-	\$ 184,926
Receivables - Net	619	432	522	-	\$ 1,573
Prepaid Insurance	-	-	-	-	\$ -
<b>Total Short Term Assets</b>	<b>104,456</b>	<b>97,143</b>	<b>9,218</b>	<b>5,295</b>	<b>216,112</b>
<b>Long Term Assets</b>					
Investments	71,269	23,219	25,843	-	120,331
<b>Total Long Term Assets</b>	<b>71,269</b>	<b>23,219</b>	<b>25,843</b>	<b>-</b>	<b>120,331</b>
<b>Total Assets</b>	<b>\$ 175,725</b>	<b>\$ 120,362</b>	<b>\$ 35,061</b>	<b>\$ 5,295</b>	<b>\$ 336,443</b>
<b>Liabilities</b>					
<b>Short Term Liabilities</b>					
Accounts payable	79	445	14	-	538
OPEB Liability	89	87	5	-	181
Claims Payable	71	93	-	-	164
Agents Commissions Payable	-	1,230	-	-	1,230
Unearned Revenue	-	5,675	954	-	6,629
Current Claim Reserve	24,850	20,176	681	-	45,707
<b>Total Short Term Liabilities</b>	<b>25,089</b>	<b>27,706</b>	<b>1,654</b>	<b>-</b>	<b>54,449</b>
<b>Long Term Liabilities</b>					
Compensated Absences	32	32	2	-	66
Claim Reserve IBNR	51,423	38,018	244	36	89,721
<b>Total Long Term Liabilities</b>	<b>51,455</b>	<b>38,050</b>	<b>246</b>	<b>36</b>	<b>89,787</b>
<b>Total Liabilities</b>	<b>76,544</b>	<b>65,756</b>	<b>1,900</b>	<b>36</b>	<b>144,236</b>
Prior Year Net Assets	81,352	35,682	28,702	5,222	150,958
Current Year Earnings	-	-	-	-	-
<b>Total Net Assets</b>	<b>81,352</b>	<b>35,682</b>	<b>28,702</b>	<b>5,222</b>	<b>150,958</b>
<b>Total Liabilities and Retained Earnings</b>	<b>\$ 157,896</b>	<b>\$ 101,438</b>	<b>\$ 30,602</b>	<b>\$ 5,258</b>	<b>\$ 295,194</b>

**West Virginia Board of Risk and Insurance Management**  
**Unaudited Income Statement**  
**for the twelve months ending June 30, 2010**  
**(in thousands)**



	<b>Total State</b>	<b>Total SB3</b>	<b>Mine Subsidence</b>	<b>BRIM HB 601</b>	<b>Total</b>
<b>Operating Revenues</b>					
Premium Revenues	\$ 28,257	\$ 27,889	\$ 1,861	\$ -	\$ 58,007
Less: Excess Insurance	\$ (2,273)	\$ (3,984)	\$ -	\$ -	\$ (6,257)
Total Operating Revenues	<u>\$ 25,984</u>	<u>\$ 23,905</u>	<u>\$ 1,861</u>	<u>\$ -</u>	<u>\$ 51,750</u>
<b>Operating Expenses</b>					
Claims Expense	17,670	7,856	(68)	-	25,458
Property & MS Claims Expense	2,975	2,626	609	-	6,210
Personal Services	706	697	50	-	1,453
General and Administrative Expense	708	1,767	16	2	2,493
Total Operating Expenses	<u>22,059</u>	<u>12,946</u>	<u>607</u>	<u>2</u>	<u>35,614</u>
Operating Income (Loss)	3,925	10,959	1,254	(2)	16,136
<b>Nonoperating Revenues</b>					
Interest Income	13,904	7,965	3,205	7	25,081
Court Fees	-	-	-	32	32
Total Nonoperating Revenue	<u>13,904</u>	<u>7,965</u>	<u>3,205</u>	<u>39</u>	<u>25,113</u>
Net Income	<u><u>\$ 17,829</u></u>	<u><u>\$ 18,924</u></u>	<u><u>\$ 4,459</u></u>	<u><u>\$ 37</u></u>	<u><u>\$ 41,249</u></u>

## **Loss Control Report to the Board October 2010**

1. We are pleased to announce the additions of Kimberly Hensley and Elizabeth Baldwin to the Department as Loss Control Specialists. Their first day of work was June 16, 2010 and we are excited to have them on staff and working with our insured.
2. We have completed the evaluations of the loss control questionnaires and supporting documentation for all state agencies. This information will be used to calculate loss control credits and surcharges for next year's premium.
3. We have renewed our risk management service vendor contracts for the current fiscal year with both Aon Global Risk Consulting and Chubb Group of Insurance Companies.
4. Jeremy Wolfe and Carl Baldwin along with the Kanawha County Emergency Services, City of Charleston Emergency Services, and the Kanawha-Putnam Emergency Planning Committee have been assisting the Kanawha and Putnam County Boards of Education in the planning and execution of Shelter-In-Place Emergency Drills. The drills took place on September 21, 2010.
5. We will be sending out loss control questionnaires to our senate bill #3 insured in the very near future. The completed questionnaires and supporting documentation are due to BRIM on January 1, 2011.
6. A Loss Control Recognition Program has been designed to recognize insured that are exceeding expectations with regard to their participation in our risk management programs. We hope to implement this program during this fiscal year.
7. We will soon be offering two fall boiler safety and operational seminars. Chubb will be conducting the seminars and invitational letters will be sent out to our insured announcing the seminars in the coming weeks.
8. During the months of June, July, and August Aon conducted 322 inspections and Chubb conducted 45. The reports are being processed according to established procedures.
9. Since my last report, our loss control technical staff reports the following activity:

### **10 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.

### **16 Standards of Participation Visits**

These are visits which are designed to provide assistance to our

**Loss Control Report to the Board  
October 2010**

insured who are seeking to become compliant with the BRIM Standards of Participation program.

**5 Presentation Visits**

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

**10 Inspection Observation Visits**

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

**3 Continuing Education Visits**

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

**161** State agency Standards of Participation evaluations have been completed since September 1, 2010.

Dated: 10/4/2010

Respectfully submitted,



Robert A. Fisher  
Deputy Director *and* Claim Manager

Robert Ferguson, Jr., Cabinet Secretary  
Department of Administration

