State of West Virginia

Board of Risk and Insurance Management

2015 Annual Report

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) 744-7120 FAX
(800) 345-4669 TOLL FREE WV
www.brim.wv.gov

Earl Ray Tomblin
Governor

Jason Pizatella
Cabinet Secretary

Mary Jane Pickens
Executive Director
MaryJane.Pickens@wv.gov

August 28, 2015

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, 2015 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 167 state agencies, approximately 950 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.brim.wv.gov/Pages/default.aspx. The website is designed to inform the public about our program and to provide assistance to our customers. One feature allows claimants to submit a claim electronically for faster processing and handling. Detailed instructions on how to fill out a renewal questionnaire are also found on-line. A variety of frequently asked questions on topics ranging from billing to underwriting can also be found on this site.

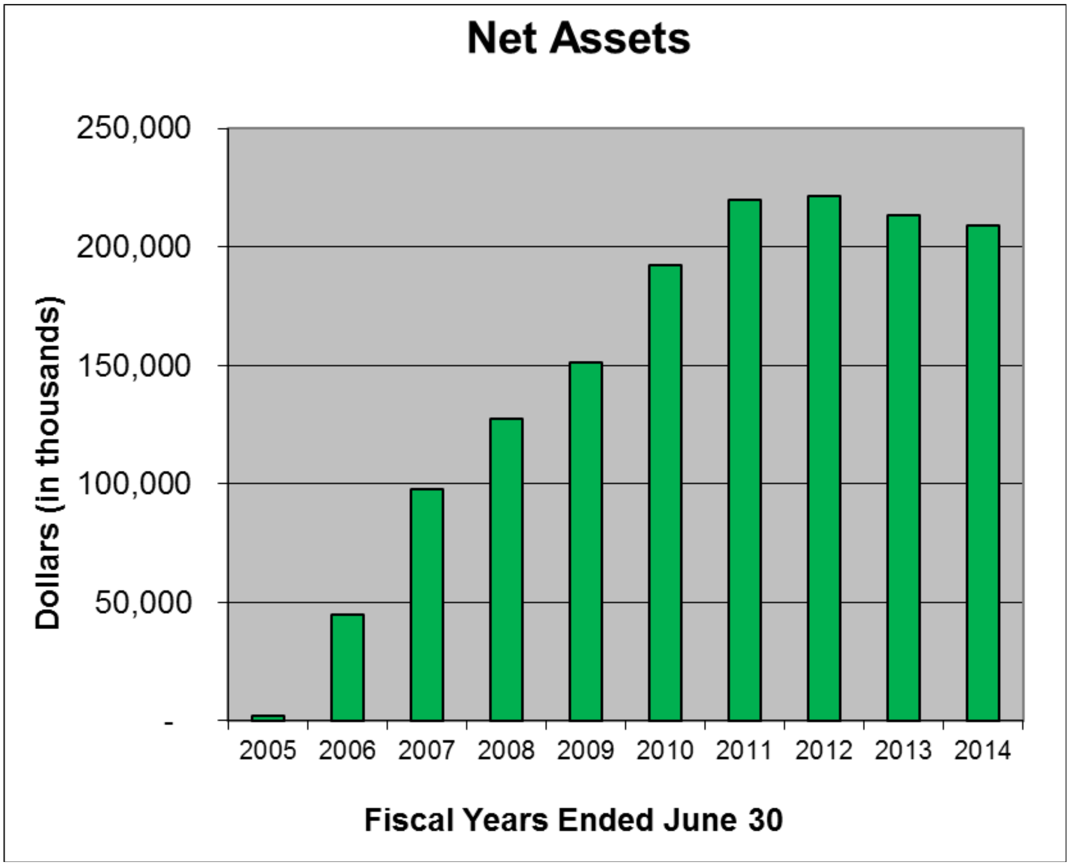
Results of Operations

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

	2011	2012	2013	2014
		(In thousands)		
Operating Revenues:				
Premiums	$52,538	$51,046	$47,134	$52,128
Less Excess Coverages	(6,075)	(5,386)	(5,825)	(6,102)
Net Operating Revenues	46,463	45,660	41,309	46,026
Operating Expenses:				
Claims & Claims Adjustment	33,598	53,396	54,018	61,626
General Administrative	4,026	3,892	3,275	3,898
Total Operating Expenses	37,624	57,288	57,293	65,524
Operating Income (Loss)	8,839	(11,628)	(15,984)	(19,498)
Non-Operating Revenues:				
Interest Income	18,782	13,315	7,835	17,043
Appropriation Transfer	-	-	-	(2,000)
Net Income	27,621	1,687	(8,149)	(4,455)
Retained earnings at beginning of year	192,207	219,828	221,515	213,366
Retained earnings at end of year	$219,828	$221,515	$213,366	$208,911

BRIM has worked diligently for the past several years to maintain positive retained earnings and eliminate its unfunded liability. Favorable loss patterns and adequate funding have enabled BRIM to maintain positive retained earnings from 2005 thru 2014. BRIM may occasionally experience some adverse loss development. Premiums continue to be calculated on a basis consistent with exposure and loss trends. It is also important to note that BRIM has not received any state appropriations since 2005. BRIM will continue to closely monitor claims activity with our independent actuary and will bill premiums accordingly. Efforts are being undertaken to increase the emphasis on loss control by state agencies and Senate Bill #3 entities, including educational classes and seminars on sexual harassment, discrimination, liability deductibles, defensive driving classes, and personally meeting with Cabinet Secretaries to discuss loss histories of the agencies under their supervision.

The chart below shows the net assets for the past ten years. All years shown have 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 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, 2015. The June 30, 2015 report will be available near the end of October 2015.

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, 2014, 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 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, 2015. The CAFR for fiscal year 2015 will be issued before December 31, 2015. A copy of this report will be sent to the Governor's Office upon completion.

Acknowledgments

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

Sincerely,

Mary Jane Pickens

Mary Jane Pickens
Executive Director

Listing of Coverages in Effect for Fiscal Year 2015

LIABILITY	LIMIT OF LIABILITY
Automobile Liability Policy No.: CA 321-94-72 Company: National Union Fire Insurance Co.	$ 1,000,000 per occurrence
Cyber Liability Policy No.: F106873314 Company: Arthur J. Gallagher International	$ 25,000,000 per occurrence
General Liability Policy No.: GL 726-69-30 Company: National Union Fire Insurance Co.	$ 1,000,000 per occurrence
Aircraft Liability Policy No.: AV003380147-12 Company: National Union Fire Insurance Co.	$ 1,000,000 per occurrence
Excess Liability-Bd. of Education Policy No.: 48409866 Company: The Insurance Company of the State of Penn	$ 5,000,000 per occurrence or claim

PROPERTY	LIMIT OF LIABILITY
Blanket Property Policy No.: MAF760728-14 Company: Axis Insurance Company	$ 25,000,000 primary layer 1,000,000 deductible
Policy No.: NHD388577 Company: RSUI	$ 100,000,000 in excess of 25,000,000
Policy No.: 795002076 Company: One Beacon	$ 75,000,000 in excess of 125,000,000
Policy No.: MAF733355-14 Company: Axis Insurance Company	$ 200,000,000 in excess of 200,000,000
Policy No.: MAF760729-14 Company: Axis Insurance Company	$ 10,000,000 flood with 1,000,000 deductible
Boiler and Machinery Policy No.: FBP2280385 Company: Hartford Steam Boiler Company	$ 5,000,000 per equipment covered in excess of 1,000,000
Public Insurance Official Position Schedule Bond Bond No.: 106128156 Company: Travelers	Variable amounts as set by Statute

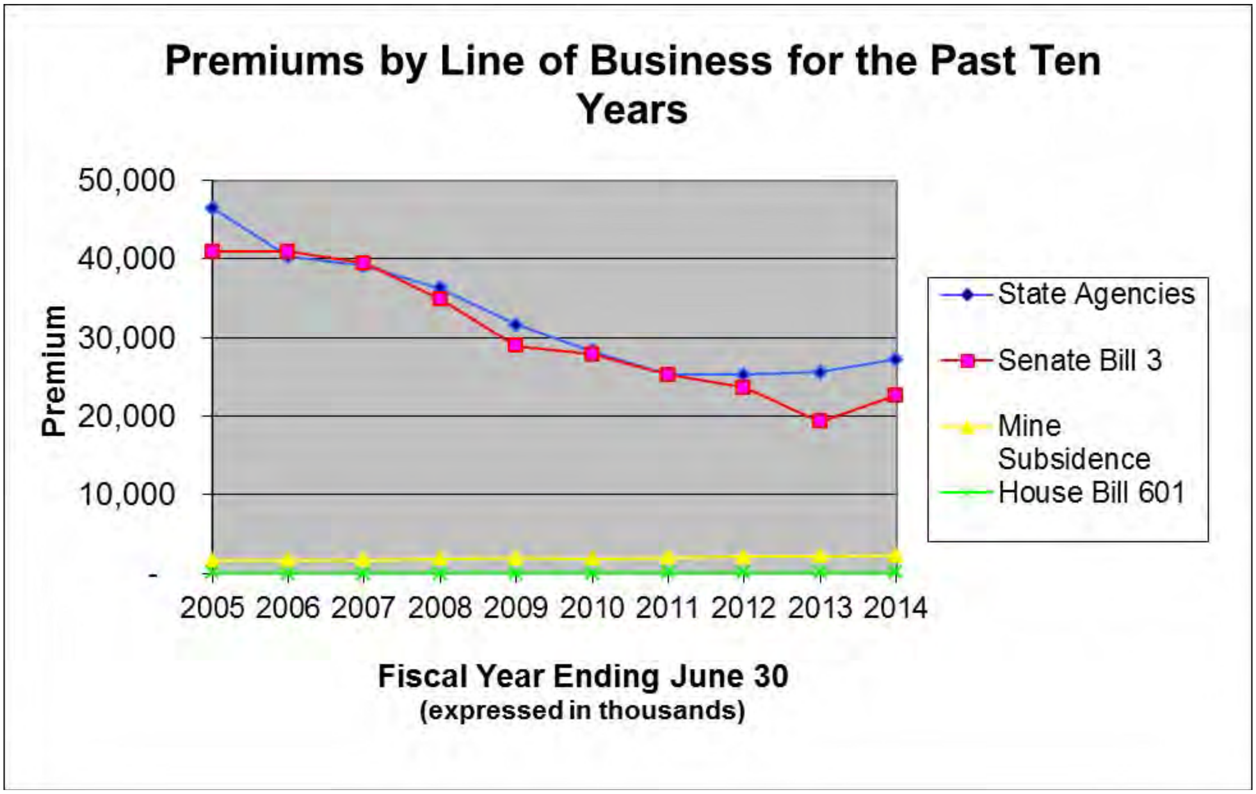
Source: Information compiled from the West Virginia Board of Risk and Insurance Management's internal data.

Top 10 State Agency Premiums for Fiscal Year 2014

1	West Virginia State Police	$5,135,662
2	West Virginia University	4,958,219
3	Division of Highways	4,314,120
4	Department of Health & Human Resources	3,048,569
5	Marshall University	1,675,343
6	Division of Corrections	902,492
7	Regional Jail and Corrections Facility Authority	494,702
8	West Virginia Parkways Authority	430,066
9	General Services	429,178
10	West Virginia State Parks	401,362
	Total Top Ten	**$21,789,713**
	Total State Premium Billing for 2014	**$27,226,073**
	% of top 10 in relation to all state agency billings	**80.03%**

Top 20 SB 3 Premiums for Fiscal Year 2014

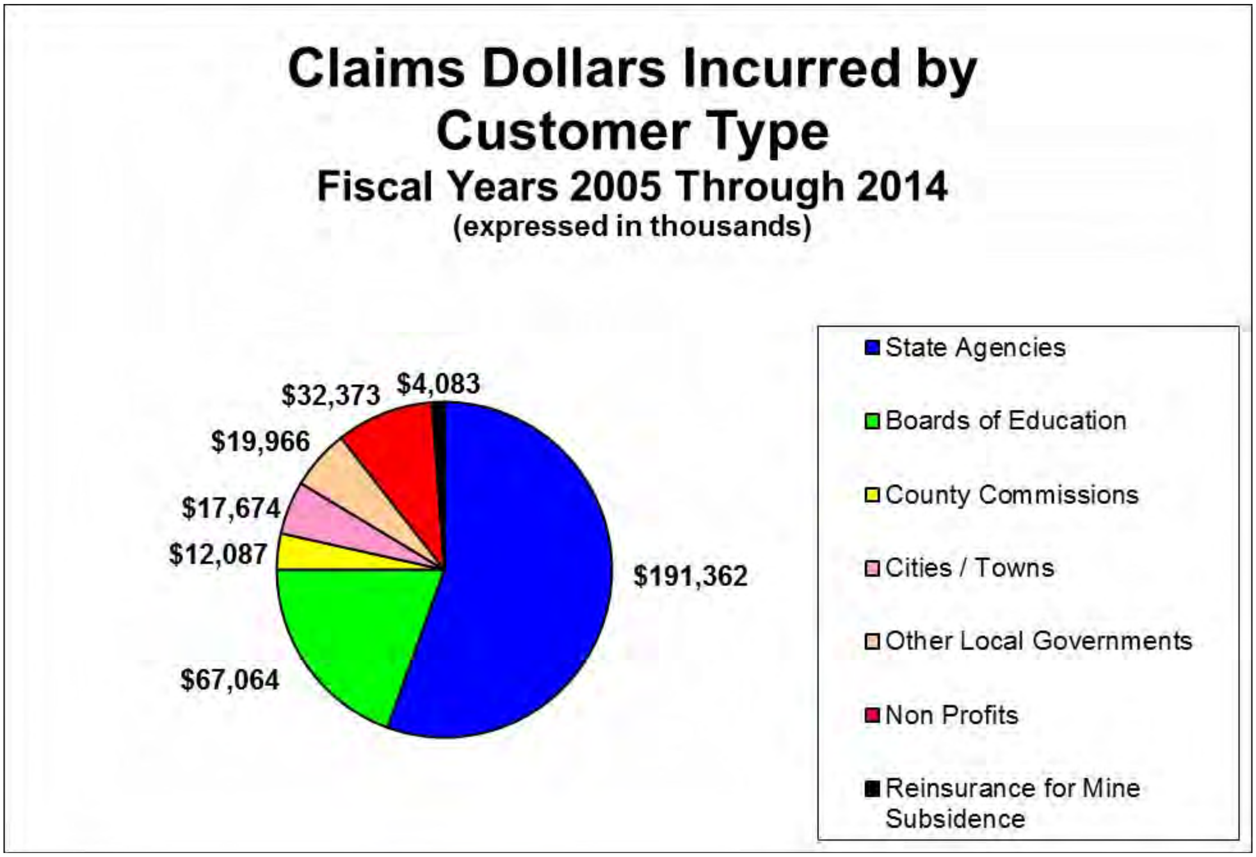
1	Kanawha County Board of Education	$1,323,204
2	Raleigh County Board of Education	638,067
3	City of St. Albans	541,691
4	Berkeley County Board of Education	527,353
5	Putnam County Board of Education	434,029
6	Harrison County Board of Education	414,860
7	Mercer County Board of Education	397,061
8	Wayne County Board of Education	369,826
9	West Virginia University Medical Corp.	354,533
10	Marion County Board of Education	340,504
11	Cabell County Board of Education	337,851
12	Logan County Board of Education	331,059
13	Wood County Board of Education	330,760
14	Monongalia County Board of Education	320,497
15	Mingo County Board of Education	309,330
16	Jefferson County Board of Education	305,903
17	Fayette County Board of Education	267,061
18	Ohio County Board of Education	263,133
19	Greenbrier County Board of Education	244,938
20	Mingo County Commission	230,272
	Total Top Twenty	**$8,281,932**
	Total SB 3 Premium Billing for 2014	**$22,642,170**
	% of top 20 in relation to total SB 3 billings	**36.58%**



Fiscal Year	State Agencies	Senate Bill 3	Mine Subsidence	House Bill 601
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	-
2011	$ 25,239	$ 25,233	$ 2,032	$ 34
2012	$ 25,290	$ 23,603	$ 2,090	$ 63
2013	$ 25,607	$ 19,345	$ 2,142	$ 40
2014	$ 27,226	$ 22,642	$ 2,220	$ 40

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

Source: BRIM's internal financial statements.



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

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

June 23, 2015

Chairman Martin	Call to Order
Chairman Martin	Approval of Board Minutes March 24, 2015

REPORTS

Jo Ellen Cockley, FCAS, MAAA AON Associate Director and Actuary	Risk Funding Study as of June 30, 2014 and Interim Analysis as of March 31, 2015
Mary Jane Pickens Executive Director	Executive Director's Report
Stephen W. Schumacher, CPA Chief Financial Officer	Financial Report PCard 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 23, 2015

BOARD MEMBERS PRESENT:	Bruce R. Martin, CIC, CRM, Chairman Edward Magee, Ed.D., CPA, Member Bob Mitts, CPCU, Member James M. Wilson, Esquire, Member Tonya Gillespie, CPA, Representing Mike Riley, Insurance Commissioner, Board Secretary and Ex-Officio Member
BRIM PERSONNEL:	Mary Jane Pickens, Executive Director Robert Fisher, Deputy Director/Claim Manager Stephen W. Schumacher, CPA, CFO Chuck Mozingo, Assistant Claim Manager Melody Duke, Underwriting Manager John Fernatt, IT Manager Stephen Panaro, Controller Bob Miller, Senior Claim Representative Stephen M. Fowler, Esq., BRIM Counsel Linda Dexter, Recording Secretary
BRIM PROGRAM REPRESENTATIVES:	Charles Waugh, AIG Claim Services Jim Harlan, AIG Complex Claims Director Bob Ayers, USI Insurance Services, LLC Brenda Samples, USI Insurance Services, LLC
GUESTS:	Jason Pizatella, Cabinet Secretary, DOA Jo Ellen Cockley, AON Risk Consultants

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

CALL TO ORDER

The meeting of the West Virginia Board of Risk and Insurance Management was called to order by Chairman Martin at 1:05 p.m. on Tuesday, June 23, 2015, at 90 MacCorkle Avenue, SW, Suite 203, South Charleston, West Virginia.

STAFF APPRECIATION

Before proceeding with the meeting, Chairman Martin expressed the Board's thanks to the BRIM management and support staff for the wonderful job done during the transition period for the new Executive Director.

REPORTS

Risk Funding Study as of June 30, 2014 and Interim Analysis as of March 31, 2015

Chairman Martin called upon Jo Ellen Cockley of AON Risk Consultants to present the Risk Funding Study as of June 30, 2014 and Interim Analysis as of March 31, 2015.

(For their convenience, copies of the report were previously distributed to the board members for their reference.)

Mrs. Cockley began by noting that AON was glad to receive notice of AON continuing as BRIM's actuary for the next year.

She then began her general summarization of the handout, first addressing the Marketplace and the Property & Casualty (P&C) Results. A few of the highlights are: that for the P&C industry overall, 2014 was a good year--not quite as good as 2013—

but positioned the industry well for 2015; that the investment returns are getting a little better but are still relatively low; that for the industry, they need to perform better to make the same amount on returns; and that they are still trying to drive that combined loss ratio downward, which takes into account the losses and expenses for the year.

Using an overhead projector and referring to the various combined ratios graphs and diagrams, Mrs. Cockley stated that for the industry overall, 2013 and 2014 got the benefit of some low catastrophes, and that for the commercial lines, they are making a little underwriting profit in the commercial sector, where they are still under 100.

For the commercial auto, the combined ratio has moved downward a little bit, but there is an underlying upward pressure on frequency and severity, components of the auto line, something which can be seen when we look at the BRIM profile.

Referencing the commercial property line, she mentioned that there was some CAT activity in early 2015, but that in the general liability line, the combined ratio has been fairly consistent for the past few years.

Turning to the topic of cyber risk, she stated that everyone in the industry is talking about this. Some of the questions are: What is the exposure? How can you transfer the risk you're retaining? The types of potential ancillary costs resulting from a data breach, as well as the three basic elements of cyber coverage—loss prevention, loss transfer and post-breach response—were each recognized.

In the area of medical malpractice, she noted that Aon produces a benchmark study, which includes over $16.4 billion of losses in the study, mostly self-insureds. The claim frequency in West Virginia is higher than national averages, but that is offset by lower claim severity.

Mrs. Cockley stated that from a research perspective pertinent to BRIM, Aon has been looking at the erosion of tort reform, the impact as caps change, and what the drivers are, whether intended or not, of the change in caps. Since there is more reporting on quality, AON is looking for a correlation between someone's med mal experience and the reporting that's done--since everyone is reporting on quality. Although not finding a correlation on the granular points, AON did find a correlation between the rating of the overall quality of the entire experience and the patient-provider relationship.

Mrs. Cockley also noted that they have found consistently that revenue is a good exposure base and outperforms on a statistical basis occupied bed equivalency for med mal exposure.

Mr. Wilson thereafter inquired if a study had been performed on the frequency of claims in private practitioners versus hospitals, to which Mrs. Cockley responded that they were not separated. She stated that she has seen more defendants coming in for a single occurrence, noting that it used to be that the physician was insured elsewhere, but now all are covered by one insurer.

In reviewing the study as of June 30, 2014, Mrs. Cockley noted that the retained unpaid losses had increased $9.5 million since the prior study, mostly from the general liability line.

Continuing with her report, Mrs. Cockley highlighted the changes in unpaid losses comparing the State Spending Units to the Senate Bill 3 entities, as well as a comparison of the premiums and ultimate losses, noting the unfunded liability credit which BRIM received.

In finishing the FY 15-16 rating cycle, she explained that the big driver is the continued reduction in the unfunded liability credit; that the increase in premiums is not necessarily due to losses but that the expense is going up as the credit goes down. Other contributing factors for the increase are the transfer of the SB3 practice plans to the med schools and the increase in the med schools liability limit from $1.0 million to $1.5 million.

In March 2015, BRIM is showing an increase of $5.1 million for unpaid losses, slightly better than the fund rate last year. Offsetting that positive news is the continued increase in the medical liability line and the start of an increase in general liability.

Thereafter noting the more noteworthy activity after 6/30/14 to 3/31/15, she compared the automobile loss rates for the State Spending Units and the Senate Bill 3 entities, explaining that the SB3 has remained lower that the SSU rate; that the med mal loss rate is much higher for the SSUs vs. SB3; that the general liability loss for the SSUs was higher than the expected reported loss because of moderate-sized case reserve increases and higher than expected paid due to payment of DOH sexual harassment claims. She noted that AON is continuing to study what is driving the general liability higher.

Property loss is all over the board, but it should look like the industry loss ratio, except when there is a catastrophe. Mine subsidence – continues to perform at a favorable loss ratio.

During a brief discussion, Chairman Martin and Mrs. Cockley explained and gave examples of how the insurance industry is in a hard market. Chairman Martin explained that in a hard market, everyone's premium go up, sometimes, twice as much.

There being no further questions, Mr. Wilson MOVED the acceptance of the actuary's report. The MOTION was seconded by Mr. Mitts. There being no discussion, a vote was taken and the MOTION ADOPTED.

(The Risk Funding Study as of June 30, 2014 and Interim Analysis as of March 31, 2015 will be attached and made a part of the record.)

Executive Director's Report

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

Mrs. Pickens began by providing a status report regarding the Marshall and WVU escrow accounts. She thereafter stated that conference calls with the medical schools and representatives of the clinical practice plans were held to discuss the implementation of SB 532, which provided the medical schools with governmental immunity to the practice plans and required increased limits of coverage for medical professional liability insurance for the 3 med schools and 6 clinical practice plans of $1.5 million, to adjust annually to the CPI until it reaches $2 million. The increased limits will apply to claims incurred on or after July 1, 2015.

She also noted that in their discussions, they talked about the need for coverage in other states—for schools near the border with another state. In this regard, Marshall has now arranged with Kings Daughters in Ashland, KY to provide for increased coverage limits for providers working there, and WVSOM is waiting on a proposal from the WV Physicians' Mutual for the additional coverage it needs in Virginia.

After noting AIG's litigation statistics as of May 2015, she announced that AIG is moving to an electronic submission of claims system. This change would require scanning claims to a submission "box" at AIG in Alpharetta, GA. The target date for implementing this new system is Mid-August 2015.

Mrs. Pickens thereafter gave a cyber liability coverage update. She referred to the meeting with representatives of Arthur J. Gallagher to review the renewal proposal on April 16; she noted the conference with Gallagher and Office of Technology representatives to discuss the approach for preventing data breaches; she stated that on June 2nd, she and Robert Fisher met with the State Privacy Officer Sallie Milam, Chief Technology Officer Gale Given and Chief Information Security Officer Josh Spence to discuss how to handle reports of data breaches, the coordination of response and the services provided under the policy. She noted that she had presented to the Privacy Management Team (PMT) on the laws in WV regarding protecting Personally Identifiable Information (PII) and Personal Health Information (PHI), as well as the Executive Branch Privacy Policy and the Cyber Liability Policy. The team hopes to use the presentation in other venues to explain the importance of protecting the data and the value of coverage under the cyber policy.

Mrs. Pickens briefly discussed the new payroll conversion, from bimonthly to biweekly. The first check under the new system was issued on June 12th. She stated that a lot of extra work and testing were required before the implementation of the new system, at which time she recognized Stephen Panaro for his due diligence in ensuring that the reports generated would contain accurate information for each employee. She noted that at the meeting of BRIM employees on June 11th, the employees were provided with copies of their pay stubs, a spreadsheet showing how the pay is calculated, the new check stub format, how to access their check stub online, and a schedule of accrual rates for vacation and sick leave.

In discussing the Patient Injury Compensation Fund, she noted the possibility of the funding needs being worse than what was previously thought, especially in light of the recent uptick in claims. She also mentioned that she had met with medical community representatives and talked about the funding needs, about identification of immediate sources of funding and the long-term annual ongoing stream funding.

Continuing, Mrs. Pickens stated that we have one claim that has been awarded but not yet paid, five are pending but are in the first-level review stage. The awarded but not paid claim must be held until the end of the current fiscal year.

With regard to acquiring a source of funding for the Patient Injury Compensation Fund, Mrs. Pickens stated that the goal is to work with the leadership in the Administration and the Legislature and to have a strategy when we go into these working sessions.

Summarizing the status of the RFPs, Mrs. Pickens stated that the contract to provide actuarial and rating services for the 2016 fiscal year had been awarded to AON Risk Solutions – Global Risk Consulting; that the contract to provide loss control inspection services was awarded to AON Global Risk Consulting, and the boiler and A/C systems insurance and loss prevention inspection services was awarded to Hartford Steam Boiler. A Property Appraisal RFP will be released this summer, to be effective 10/1/15.

Mrs. Pickens thereafter mentioned that the General Services Department has requested that BRIM adopt a more transparent approach in making recommendations to occupants of GSD-owned buildings when conducting inspections of the Capitol building and grounds. Proposals are under consideration.

She also briefly noted that all of the property claims resulting from the June 2012 derecho have been resolved. After negotiations with AXIS representatives, BRIM received a total of $450,000 for the claims.

In closing her report, Mrs. Pickens stated that one part-time temp, a summer intern, and a summer temp have been hired to assist in the Administration, Claim and Loss Control areas. Jeremy Wolfe has also received several résumés for the Loss Control Specialist I positions and interviews will be scheduled soon.

After Mrs. Pickens had completed her report, Chairman Martin inquired of Mr. Fowler, BRIM's counsel, if the State's immunity would not preclude someone from challenging the effective date on which the increase in coverage changed from $1 million to $1.5 million. Mr. Fowler explained that once the insurance is given, the State's immunity goes up effectively under the Pittsburgh Elevator analysis. Mrs. Pickens interjected that the increase in coverage only pertains to claims occurring after June 30, 2015.

<u>BRIM Financial Report</u>

There being no further questions, Chairman Martin called upon Mr. Schumacher to present the Chief Financial Officer's Report. The unaudited balance sheet as of April 30, 2015 and the unaudited income statement for the ten months ending April 30, 2015 were received and filed, copies of which are attached and made a part of the record.

A CD containing copies of the February, March and April 2015 purchasing card invoices was distributed to each Board member. The Chairman signed the acknowledgement form for the October, November and December 2014 and January 2015 billings. The acknowledgement form is retained by the Finance Department.

Mr. Schumacher thereafter reviewed the financial results and concluded that the premium revenue increase and net claims expense, in combination with much lower investment returns, have resulted in a net loss of ($4.5) million for this year.

Loss Control Report

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

Mr. Fisher reiterated that AON Global Risk Consulting and Hartford Steam Boiler Insurance and Inspection Company have been awarded the contracts for the property and liability inspection services and our boiler and air conditioning insurance and inspection services, respectfully. These contracts are for one year, with an option for two additional years.

Mr. Fisher thereafter stated that Secretary Pizatella had asked BRIM to conduct an assessment of the Sugar Grove National Base in Pendleton County. Mr. Wolfe then formed an assessment team including representatives from AON Global Risk Consulting, the Division of Corrections, General Services and the Real Estate Division to conduct property and casualty loss prevention surveys (167 buildings) at the base. As the State is considering purchasing the base, BRIM's final report will be provided to the Governor.

Mrs. Pickens and Mr. Wolfe also met with DOC representatives to offer recommendations regarding the installation and placement of carbon dioxide detectors in their facilities.

Mr. Fisher noted that the Loss Control questionnaires were sent to the agencies in May and are to be returned to BRIM by August 1st. From this information, the credits and surcharges will be calculated for 2017. In addition, Jeremy has been working with the Privacy Office staff to add a section to the Standards of Participation Program to address privacy and cyber exposures.

Mr. Fisher ended his report by reviewing the number of inspections conducted by AON and Hartford, as well as the number of various visits conducted by the technical staff.

There were no questions of Mr. Fisher.

UNFINISHED BUSINESS

There was no unfinished business to be discussed.

NEW BUSINESS

There was no new business to be discussed.

ADJOURNMENT

There being nothing further, Mr. Wilson MOVED that the meeting be adjourned. The motion was seconded by Dr. Magee. There being no discussion, a vote was taken and the MOTION ADOPTED.

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The meeting adjourned at 2:08 p.m.

Board Chairman	Date

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) 744-7120 FAX
(800) 345-4669 TOLL FREE WV
www.state.wv.us/brim

Earl Ray Tomblin
Governor

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Cabinet Secretary

Mary Jane Pickens
Executive Director
MaryJane.Pickens@wv.gov

Executive Director's Report

June 23, 2015

A. Marshall University and West Virginia University Medical Malpractice Program

- As of June 10, 2015, Marshall has deposited $1,876,788.61 into the escrow account for FY 2015. The fiscal year-to-date cumulative interest totals $1,456.79. During FY 2015, disbursements totaling $2,268,686.41 have been paid thus far.

- As of June 10, 2015, a total of $4,986,041.31 funds have been deposited into WVU's escrow account for FY 2015. The fiscal year-to-date cumulative interest totals $3,185.51. During FY 2015, disbursements totaling $4,989,185.46 have been paid thus far.

- Marshall/WVU/WVSOM – Following the 2015 regular session of the Legislature, the BRIM team conducted conference calls with the medical schools and representatives of the clinical practice plans to discuss implementation of SB 532, which provided governmental immunity to the practice plans at WVU, Marshall and WVSOM and required increased limits of coverage for medical professional liability insurance for the 3 medical schools and 6 clinical practice plans of $500,000 over the current $1 million, with an annual adjustment tied to CPI until it reaches $2 million. The increased limits will apply to claims occurring on or after July 1, 2015.

- BRIM drafted and AIG approved an endorsement to the state liability policy to add the increased limits and annual adjustment, which largely followed the language in SB 532. Based on conversations with each medical school, it is not anticipated that the operation of the program will be changed in any significant way as a result of the legislation.

- To follow up on another issue mentioned at the March 24 Board meeting, Marshall has worked out arrangements with Kings Daughters in Ashland, KY to provide increased coverage limits for providers working there. WVSOM is waiting on a quote from the WV Physicians' Mutual for the additional coverage it needs in Virginia, which we will review when they receive it.

- AON released their SSU Medical Malpractice Pricing Study for Fiscal Year 2015-16 on June 11, 2015. The issuance of the report was delayed this year due to some significant program changes that impacted the finalization of the study.

- The passage of SB532 by the West Virginia Legislature increased the medical malpractice coverage limit for the three medical schools from the current $1 million limit to a $1.5 million limit for losses occurring after June 30, 2015. The new limit is indexed to the CPI and will increase annually based on the increase in the CPI until it reaches a $2 million limit. The additional premium for FY'16 charged to the medical schools for this additional $0.5 million per claim limit is $1.2 million.

- SB532 also transfers the practice plans affiliated with the medical schools from the SB3 program to the SSU program, effective July 1, 2015. The estimated medical malpractice premium for FY'16 related to these practice plans is approximately $0.5 million.

- In addition, the premium increase for the SSU medical malpractice coverage on the underlying $1 million liability limit for FY'16 is 10.6%. Almost all of this increase is a result of an increase in the expense ratio due to a reduction of the credit given in FY'16 for excess funding from prior SSU program years.

B. State Agency/Senate Bill #3 Litigation

Claims Expense payments YTD total $7,815,690 vs. PYTD of $6,939,141, an increase of 13.2%.

Outstanding Claims:

May 2015 Indemnity Reserves total $55,267,903 vs. May 2014 Indemnity Reserves of $49,928,545, an increase of 10.7%

May 2015 Expense Reserves total $23,402,395 vs. May 2014 Expense Reserves of $18,976,753, an increase of 23.3%.

Claims Counts:

New claims YTD total 1269 vs. PYTD of 1266, an increase of 0.07%

Closed claims YTD total 1396 vs. PYTD of 1285, an increase of 8.6%

Open claims YTD total 1023 vs. PYTD of 986, an increase of 3.8%.

BRIM has met with AIG to discuss changing to an electronic submission of claims system rather than the current system of overnight mail to AIG in Alpharetta, GA. The change would entail scanning claims to a submission "box" at AIG. This change is intended to address some issues with timely claim set-up. We also discussed changes to address other concerns with how claims are indexed as well as more appropriate correspondence to our insured upon setting up a claim. We are hopeful that the new process will enhance tracking capabilities and improve customer service for our insured. BRIM was able to test the submission "box" on June 16. The loss was sent to the box at 9:29 and it was in the local AIG office inbox at 10:19, which is a real improvement. The target date for implementing the new electronic submission of claims is mid-August, 2015. We look forward to continuing to work with AIG to continue these improvements.

C. Cyber Liability Insurance Coverage Update

On April 16 the BRIM team met with representatives of broker Arthur J. Gallagher to review the proposal for renewal of the Cyber Liability policy on July 1, 2015. BRIM also participated in a conference call on May 1, 2015 with Gallagher and our Office of Technology representative to discuss WV's approach generally to preventing data breaches. OT was also able to answer questions relating to where the largest amounts of data reside, any efforts to prioritize larger exposures, updates to OT's policies on protection of data, use of encryption, and the processes/protections in place to prevent intrusion resulting from remote access to systems. OT was very helpful and provided the information needed.

On June 2, 2015, BRIM met with State Privacy Officer Sallie Milam and team and CTO Gale Given and Chief Information Security Officer Josh Spence to discuss processes relating to reports of data breach to ensure understanding and coordination of response, and the services provided under the policy.

I presented to the Privacy Management Team June 4, 2015 on the laws in WV relating to protection of personally identifiable information and personal health information, the Executive Branch Privacy Policy and the Cyber Liability policy. We hope to be able to use the presentation in other venues to explain the importance of protecting data and the value of coverage under the Cyber Liability policy.

D. wvOASIS/KRONOS

BRIM was part of the Wave 1 payroll conversion for the state which included all Department of Administration agencies as well as other agencies. Beginning with the pay period of May 16th through May 29th BRIM employees pay was converted from a twice monthly to a bi-weekly pay. The first check under the new Oasis system was issued June 12th. Because of the conversion from EPICS, the old payroll system, to Oasis there was additional work and testing which needed to be done. BRIM finance department employees attended training offered by Oasis at WV State to learn how to use the new system. In addition OASIS conducted User Acceptance Testing (UAT), at their offices, where various functions of the system were tested to assure that the Oasis payroll system would function correctly once it was implemented. This testing lasted several weeks and Stephen Panaro attended the testing.

To assure that each employee's check was accurate BRIM's finance department constructed a spreadsheet for each employee to estimate their pay and deductions under the new bi-weekly pay periods. This was then compared to the payroll reports generated from Oasis. Because of this review we were able to find and correct two errors in employee deductions. Additionally a meeting was held on June 11 to discuss the testing we had done regarding the new payroll system with employees. Prior to the payroll being issued each employee was provided with a copy of their check stub, our spreadsheet which calculated what their pay would be, a guide to the new check stub format, a guide to how to access their check stub online and a schedule which listed the accrual rates for vacation and sick leave.

This conversion involved a lot of extra work from lots of people, including Stephen Panaro, but so far it has been successful.

E. Patient Injury Compensation Fund (PICF)

We currently have one claim that has completed the review process at BRIM and is ready for payment once all administrative costs for the fiscal year are paid. We also have five (5) pending claims that have been assigned to the Application Review Committee. We have experienced a definite uptick in claims. The Review Committee has met and outlined a plan for assessing the claims; however, they are not yet ready for a recommendation to the Executive Review Committee. While it is still too early to speculate on the outcome of the five pending claims, it is safe to say that we expect the awards to easily exceed the current balance in the PICF of a little over $1,178,000.

As reported at the March 24, 2015 Board meeting, the PICF was a topic of discussion during the 2015 regular legislative session relating to funding needs. A meeting was held with provider community representatives on June 17, 2015 to discuss funding and operation of the PICF. I was able to share the actuarial information provided by Aon in January of this year, as well as Jo Ellen's additional comments regarding ongoing funding needs. The provider representatives understand what it will take to fund the PICF and we worked on a plan to identify sources of immediate funding (upon authorization by the Legislature) as well as identification of a funding stream. I expect this effort to continue to develop in advance of the 2016 Legislative session.

F. Status of Requests for Proposals

1. Finance - Contract to provide actuarial and rating services for the fiscal year ending June 30, 2016 has been awarded to AON Risk Solutions – Global Risk Consulting at a cost of $163,000. This contract comes with two one-year renewals.

2. Loss Control - Contract to provide loss control inspection services awarded to AON Global Risk Consulting (6/2) and on 6/3 awarded contract for our boiler and air conditioning systems insurance and loss prevention inspection services to Hartford Steam Boiler.

3. Underwriting –The Property Appraisal RFP will be released this summer, to be effective 10/1/15.

G. BRIM inspections of Capitol building and campus – week of 5/28. Some requests have been made by the General Services Department (GSD) regarding format of our recommendations and how we might make safety issues more transparent to occupants of GSD-owned buildings. We have proposals on both of these issues.

H. Derecho Claims

Claims resulting from the June 2012 Derecho in WV have been finally resolved. On March 31, 2015, BRIM staff met with AXIS representatives to wrap up negotiations on the claims, resulting in payment received by BRIM of $450,000.

I. Personnel

1. Justin Wojcieszak – Joined BRIM on May 11th. Working under the Governor's Internship Program, mainly in the Loss Control Department.

2. Lora Myers – Joined BRIM on May 18th as a temporary employee, working mainly in the Claim Department but assisting in other areas from time to time.

3. Ryne Eich – Joined BRIM on June 8th. Former temporary summer employee rehired to work mainly for Administration but will also assist in other areas as needed.

4. Status of Loss Control Specialists Positions – Jeremy Wolfe has received several promising résumés and we expect to schedule interviews possibly the last week of June and definitely by early July.

Respectfully submitted,

Mary Jane Pickens

Mary Jane Pickens
Executive Director

MJP:lld

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Chief Financial Officer's Report
June 23, 2015

A. P Card Report

CD copies provided contain the supporting detail for P card purchases for BRIM for the months of February, March, and April 2015. The totals are:

February	$59,672.68
March	$27,541.50
April	$55,317.51

B. Financial Results

- The financial results presented are for the ten months ended April 30, 2015.
- Net operating revenues are $4.0 million higher for the current year.
- Estimated outstanding reserves reflect AON's risk funding studies thru March 31. An additional estimated reserve increase for April is also included for both years.
- Outstanding claims reserves have increased $6.0 million for FY'15 vs. a $7.2 million increase for FY'14. The year over year difference of $1.2 million reduced claims expense for the current year when compared to last year's results. However, actual claims payments have increased by $3.1 million for the first ten months of FY'15 versus the same period last year. The combined impact of the smaller increase in claims reserves this year was more than offset by the $3.1 million increase in claims payments for FY'15, thereby increasing operating expenses by $1.9 million this year.
- Both fixed income and equity returns are much smaller this year. The combined investment earnings are $5.4 million lower for FY'15, reflecting lower overall returns this year to date.
- Higher premium revenue and net claims expense in combination with much lower investment returns have resulted in a net loss of ($4.5) million for this year as compared to last year's net loss of ($1.5) million for the comparable period.

Respectfully submitted,

Stephen. W Schumacher, CPA
Chief Financial Officer

West Virginia Board of Risk and Insurance Management
UNAUDITED BALANCE SHEET

DRAFT

	April 30	
	2015	2014
	(in thousands)	
ASSETS		
Short Term Assets		
Cash and Equivalents	$ 18,050	$ 15,744
Advance Deposit with Carrier/Trustee	214,461	213,161
Receivables - Net	5,515	5,625
Prepaid Insurance	1,037	984
Total Short Term Assets	239,063	235,514
Long Term Assets		
Investments	139,352	143,857
Total Long Term Assets	139,352	143,857
TOTAL ASSETS	378,415	379,371
LIABILITIES		
Short Term Liabilities		
Accounts payable	2,647	5,900
Claims Payable	-	71
OPEB Liability	388	372
Agents Commissions Payable	724	767
Unearned Revenue	10,931	9,582
Current Estimated Claim Reserve	53,448	49,793
Total Short Term Liabilities	68,138	66,485
Long Term Liabilities		
Compensated Absences	76	64
Estimated Noncurrent Claim Reserve	105,760	100,949
Total Long Term Liabilities	105,836	101,013
TOTAL LIABILITIES	173,974	167,498
Prior Year Net Assets	208,911	213,366
Current Year Earnings	(4,470)	(1,493)
TOTAL NET ASSETS	204,441	211,873
TOTAL LIABILITIES AND RETAINED EARNINGS	$ 378,415	$ 379,371

DRAFT - Unaudited - Management Purposes Only

DRAFT

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

	April 30 2015	April 30 2014
	(in thousands)	
Operating Revenues		
Premium Revenues	$ 48,525	$ 44,516
Less - Excess Insurance	(5,158)	(5,118)
Total Operating Revenues	43,367	39,398
Operating Expenses		
Claims Expense	48,557	47,495
Property & MS Claims Expense	3,406	2,589
Personal Services	1,130	1,169
General & Administrative Expense	1,796	2,114
Total Operating Expenses	54,889	53,367
Operating Income (Loss)	(11,522)	(13,969)
Nonoperating Revenues		
Investment Income	7,052	12,476
Total Nonoperating Revenues	7,052	12,476
Net Income (Loss)	$ (4,470)	$ (1,493)

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Loss Control Report to the Board
June 2015

We are pleased to report that Justin Wojcieszak has come on board as a summer intern here at BRIM. Justin joined us in mid-May and will be with us until mid-August. He is a sophomore at Marshall University, majoring in Safety Technology. He has been accompanying our loss control folks on some of their visits and working on various agency projects.

We have successfully awarded contracts for property and liability inspection services to Aon Global Risk Consulting and our boiler and air conditioning insurance and inspection services to Hartford Steam Boiler Insurance and Inspection Company. These contracts will be a one year contract with an option for two additional years.

BRIM was asked by Cabinet Secretary Pizatella to conduct an assessment of the Sugar Grove Naval Base in Pendleton County. Jeremy formed an assessment team consisting of Aon Global Risk Consulting and officials from the Division of Corrections, General Services, and the Real Estate Division to conduct property and casualty loss prevention surveys at the base. The state is considering the acquisition of the base and sought BRIM's assistance as part of the due diligence process. Our final report will be provided to the Governor.

Mary Jane and Jeremy met with representatives of the Division of Corrections to provide guidance with regard to installation and placement of carbon monoxide detectors within their facilities. BRIM has previously recommended the use of these detectors to safeguard inmates and employees from the deadly effects of carbon monoxide. These detectors are not yet required by law.

We have recently advertised seeking applicants for the vacant loss control specialist positions. We hope to complete the hiring process for these positions late this summer.

During the month of May, we sent Loss Control Questionnaires to all state agencies. The deadline for submission to BRIM is August 1, 2015. At that time, we will gather the necessary information for calculation of loss control credits or surcharges for fiscal year 2017.

During the months of March, April, May and June Aon conducted 297 inspections and Hartford conducted 643. The reports are being processed according to established procedures.

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

14 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.

17 Standards of Participation Visits

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

3 Presentation Visits

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

3 Inspection Observation Visits

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

3 Continuing Education Visit

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

Dated: June 22, 2015

Respectfully submitted,

Robert A Fisher

Robert A. Fisher
Deputy Director *and* Claim Manager

State of West Virginia
Board of Risk and Insurance Management

Risk Funding Study as of June 30, 2014
and
Interim Analysis as of March 31, 2015

Presented June 23, 2015

Empower Results®

Marketplace

P&C Industry Results

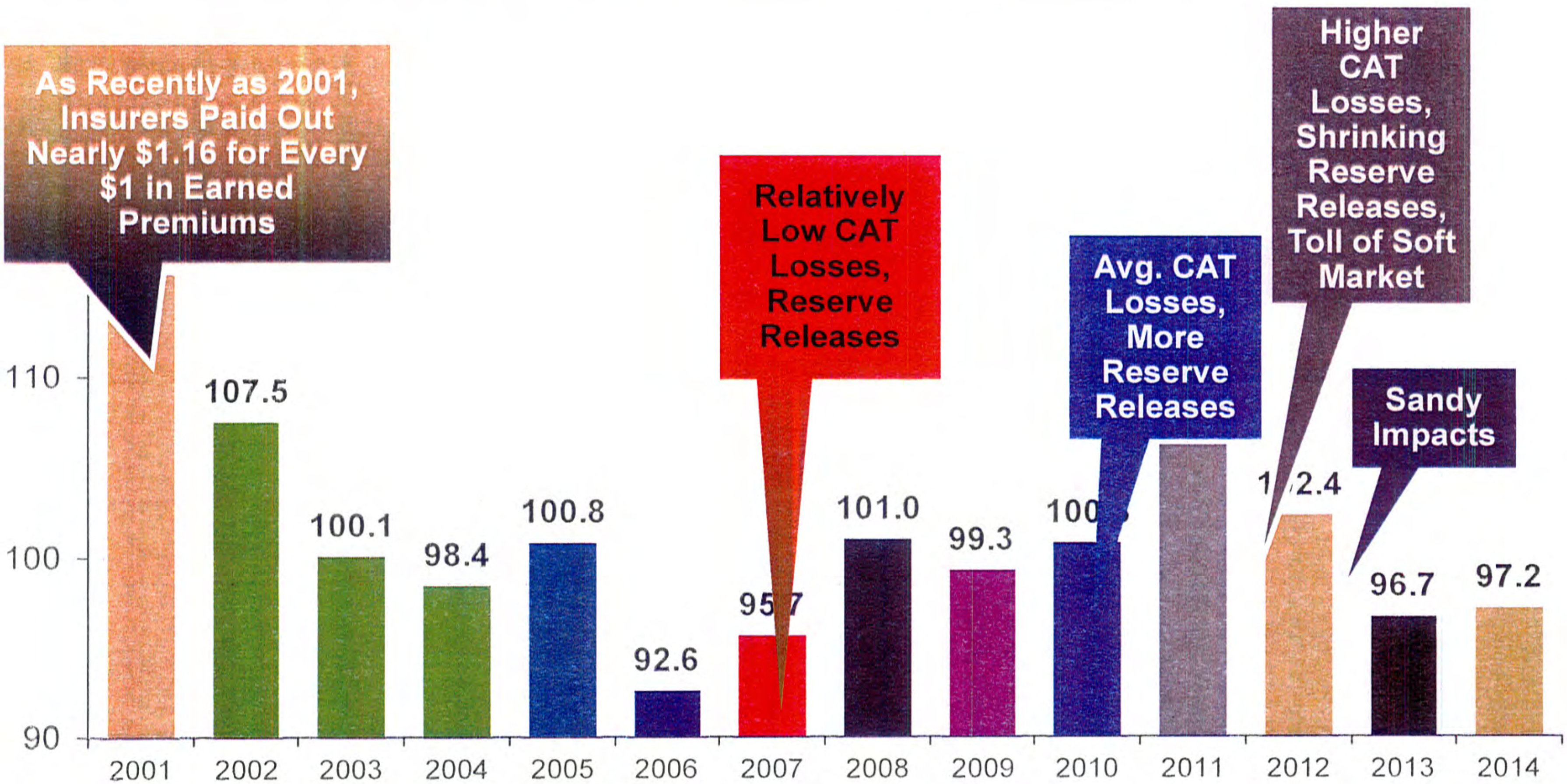
Marketplace

Strong 2014 but not as good as 2013

- Low catastrophes
- Modest premium growth of +4.1%
  - Real GDP +2.4%
  - Some rate increases
- Continued Investment Gains
  - Lower interest rate environment means a lower combined ratio is needed to achieve same ROS
- Some prior year reserve releases
- +8.4% Return on Surplus
- Capacity at record $674.7B

Sources: A.M. Best, ISO, Insurance Information Institute, slides 3 – 12 are from the Insurance Information Institute

P/C Insurance Industry
Combined Ratio, 2001–2014*

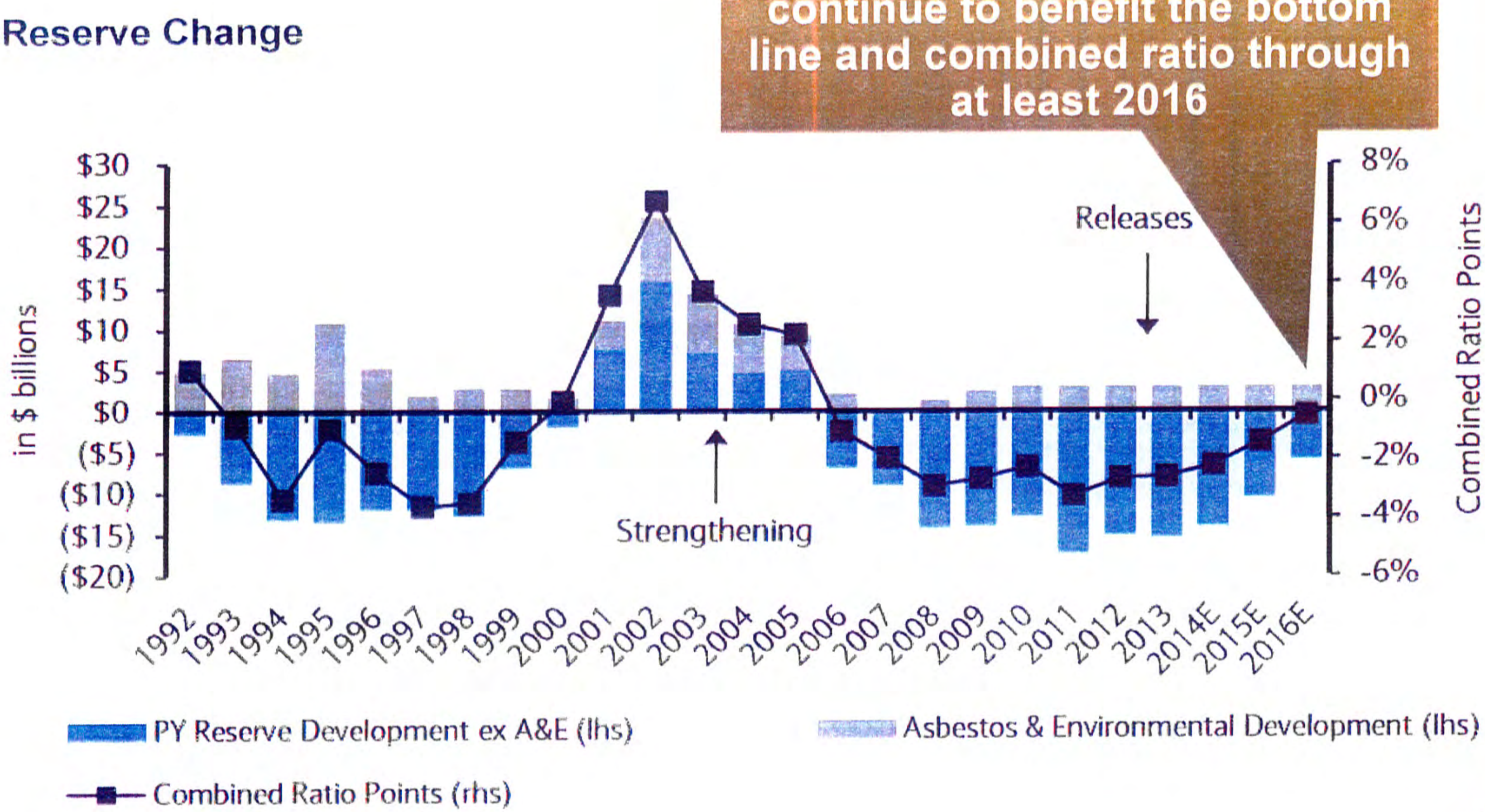


* Excludes Mortgage & Financial Guaranty insurers 2008--2014. Including M&FG, 2008=105.1, 2009=100.7, 2010=102.4, 2011=108.1; 2012:=103.2; 2013: = 96.1; 2014: = 97.0.

Sources: A.M. Best, ISO, Insurance Information Institute

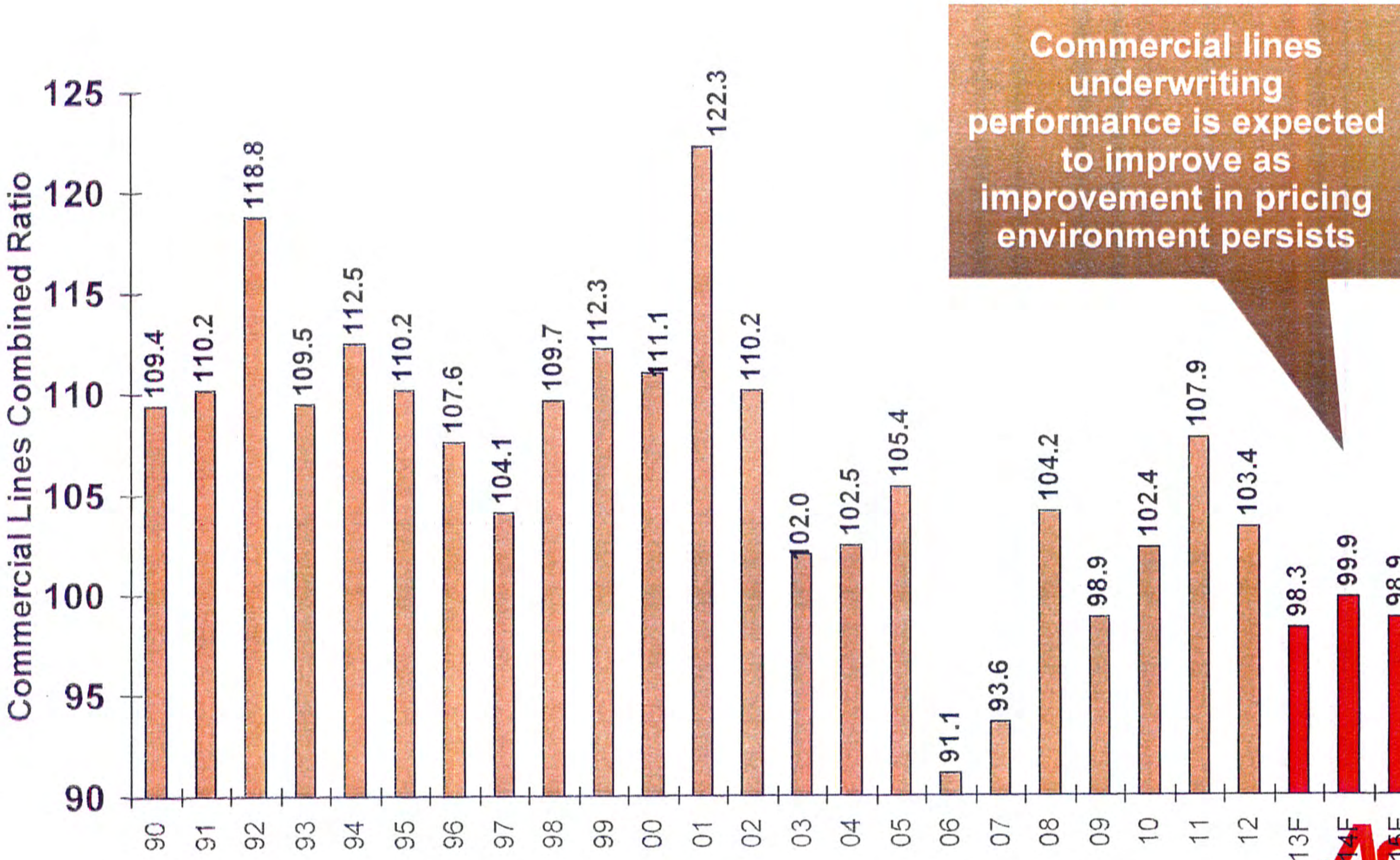
P/C Insurance Loss Reserve Development, 1992 – 2016E*

Reserve releases are expected to gradually taper off, but will continue to benefit the bottom line and combined ratio through at least 2016



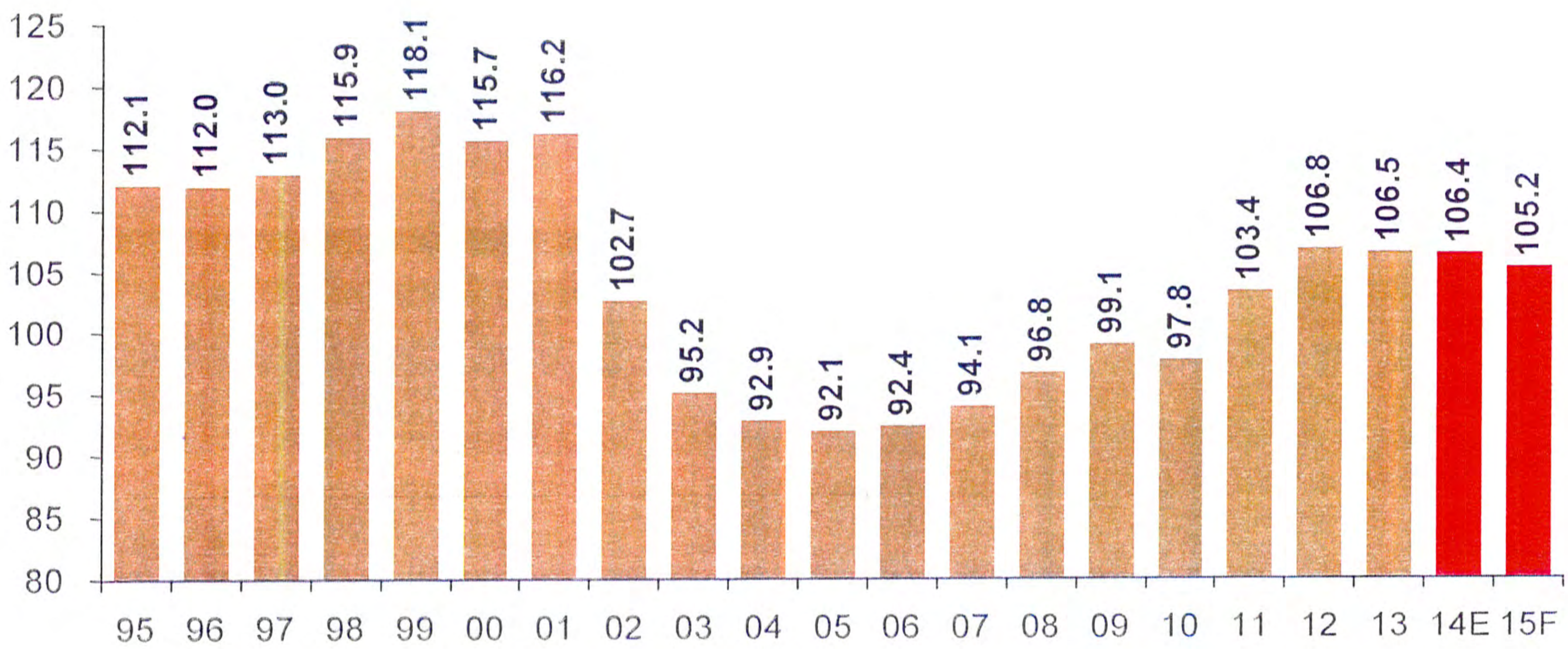
Empower Results®

Commercial Lines Combined Ratio, 1990-2015F*



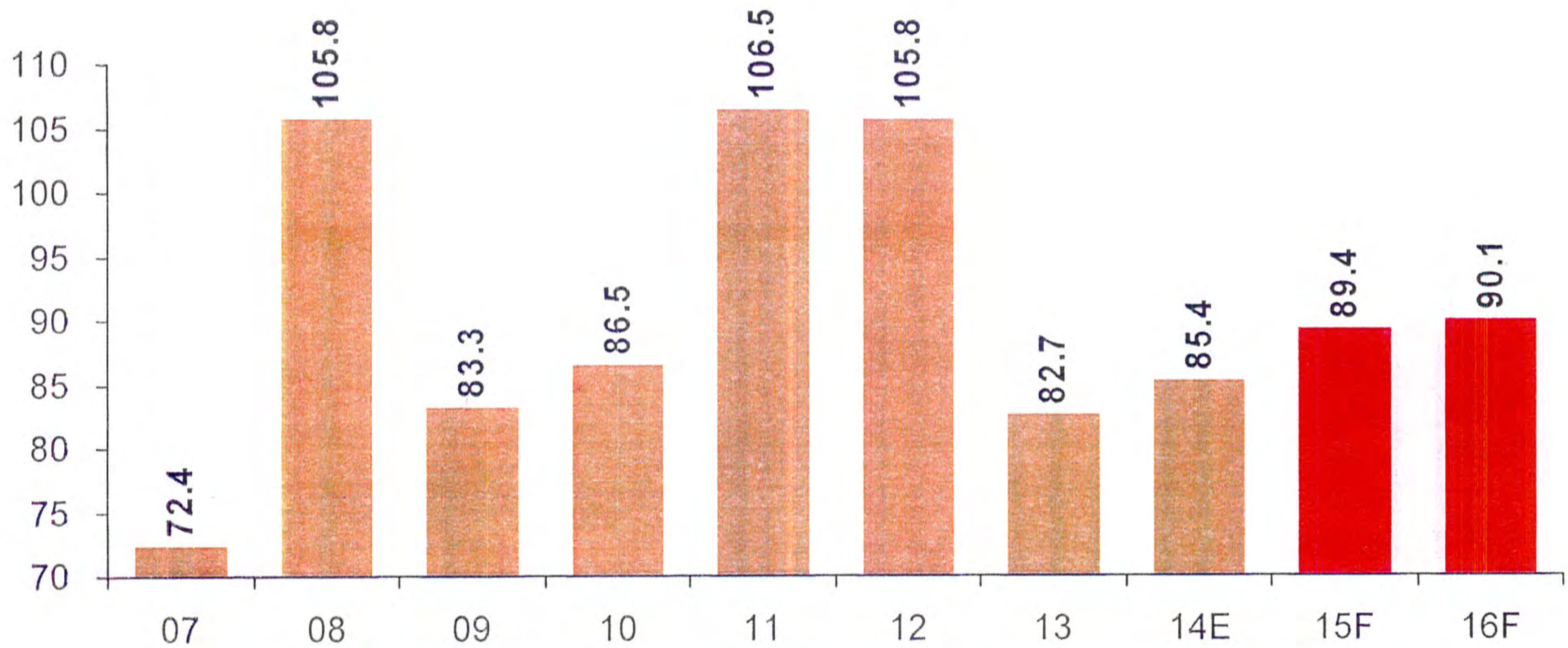
*2007-2012 figures exclude mortgage and financial guaranty segments.

Commercial Auto Combined Ratio: 1993–2015F



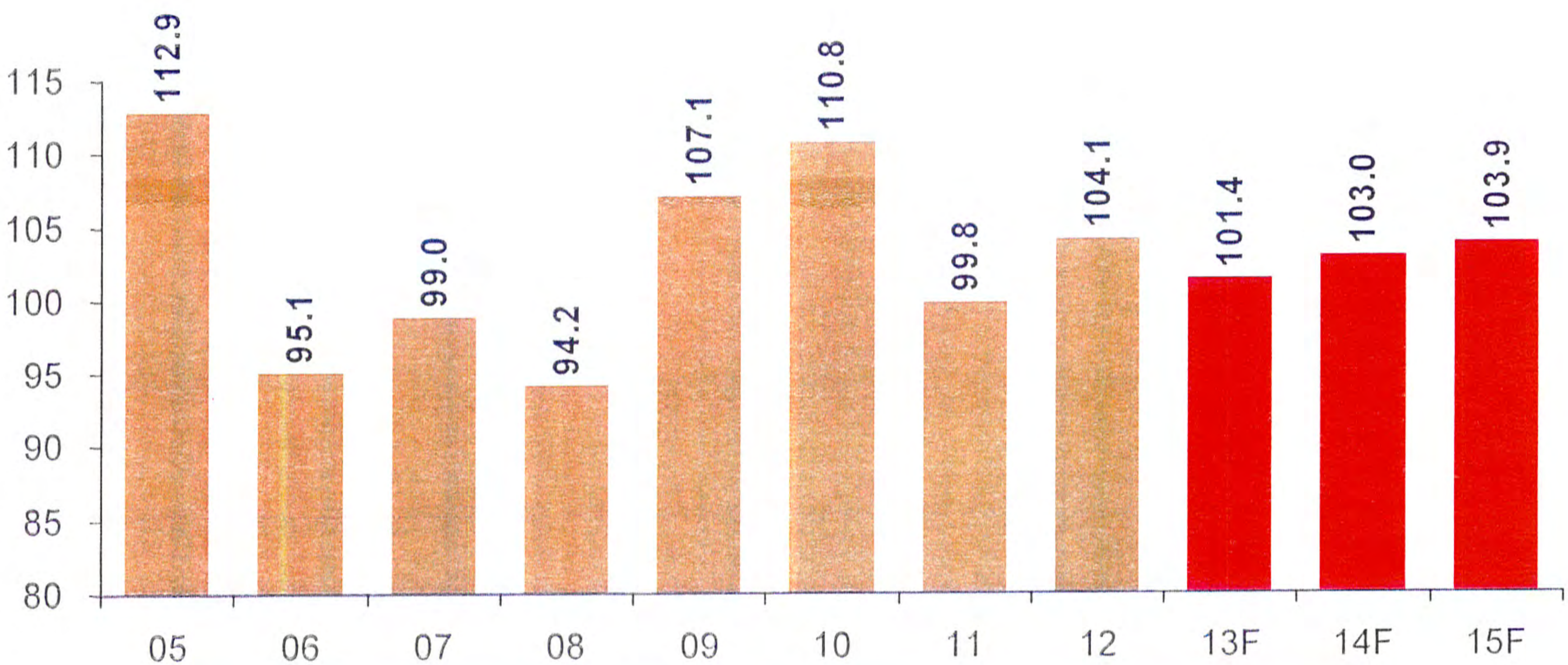
Commercial Auto is Expected to Improve Only Slowly as Rate Gains Barely Offset Adverse Frequency and Severity Trends

Commercial Property Combined Ratio: 2007–2016F



Commercial Property Underwriting Performance Has Been Volatile in Recent Years, Largely Due to Fluctuations in CAT Activity

General Liability Combined Ratio: 2005–2015F

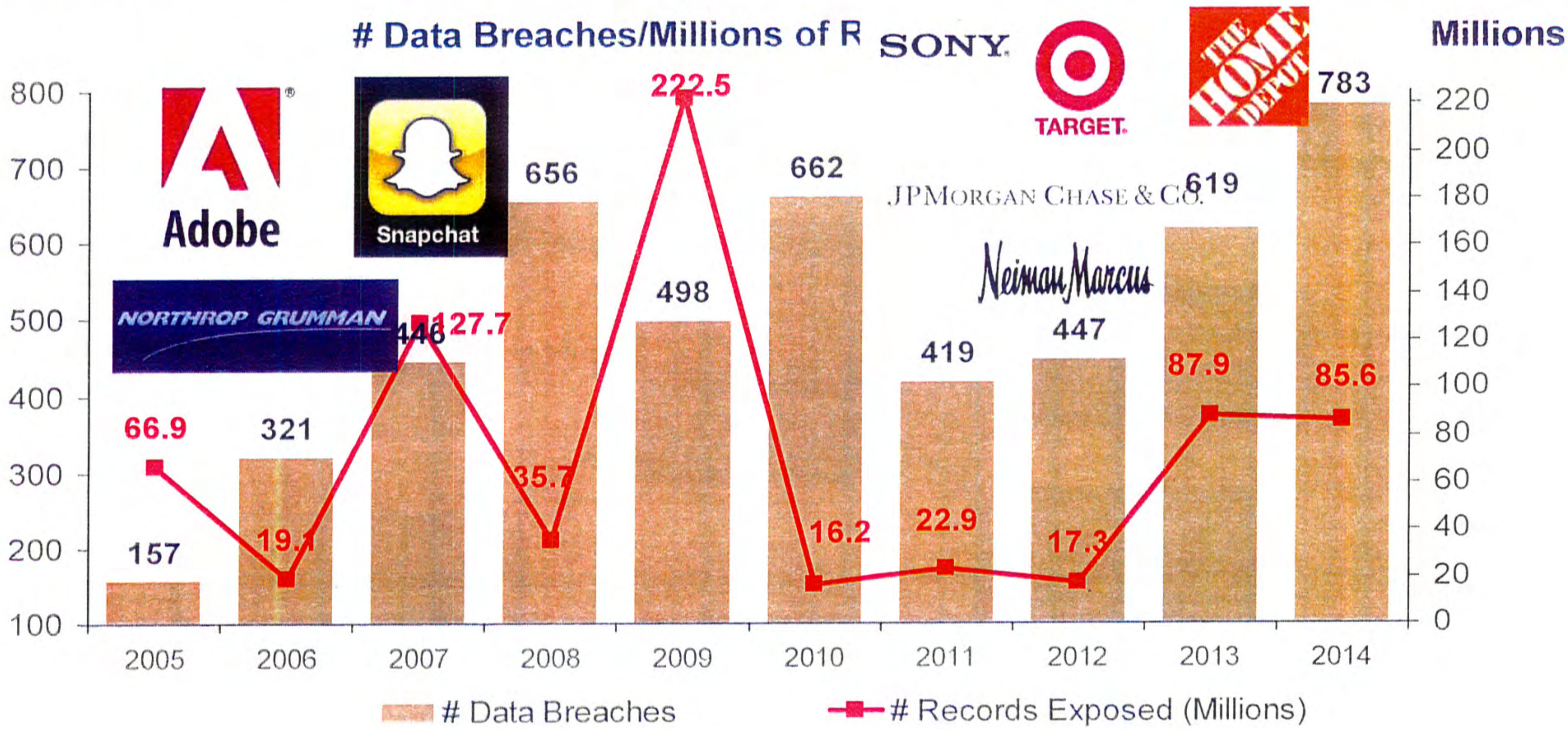


Commercial General Liability Underwriting Performance Has Been Volatile in Recent Years

Marketplace

Key Issues: Cyber Risk

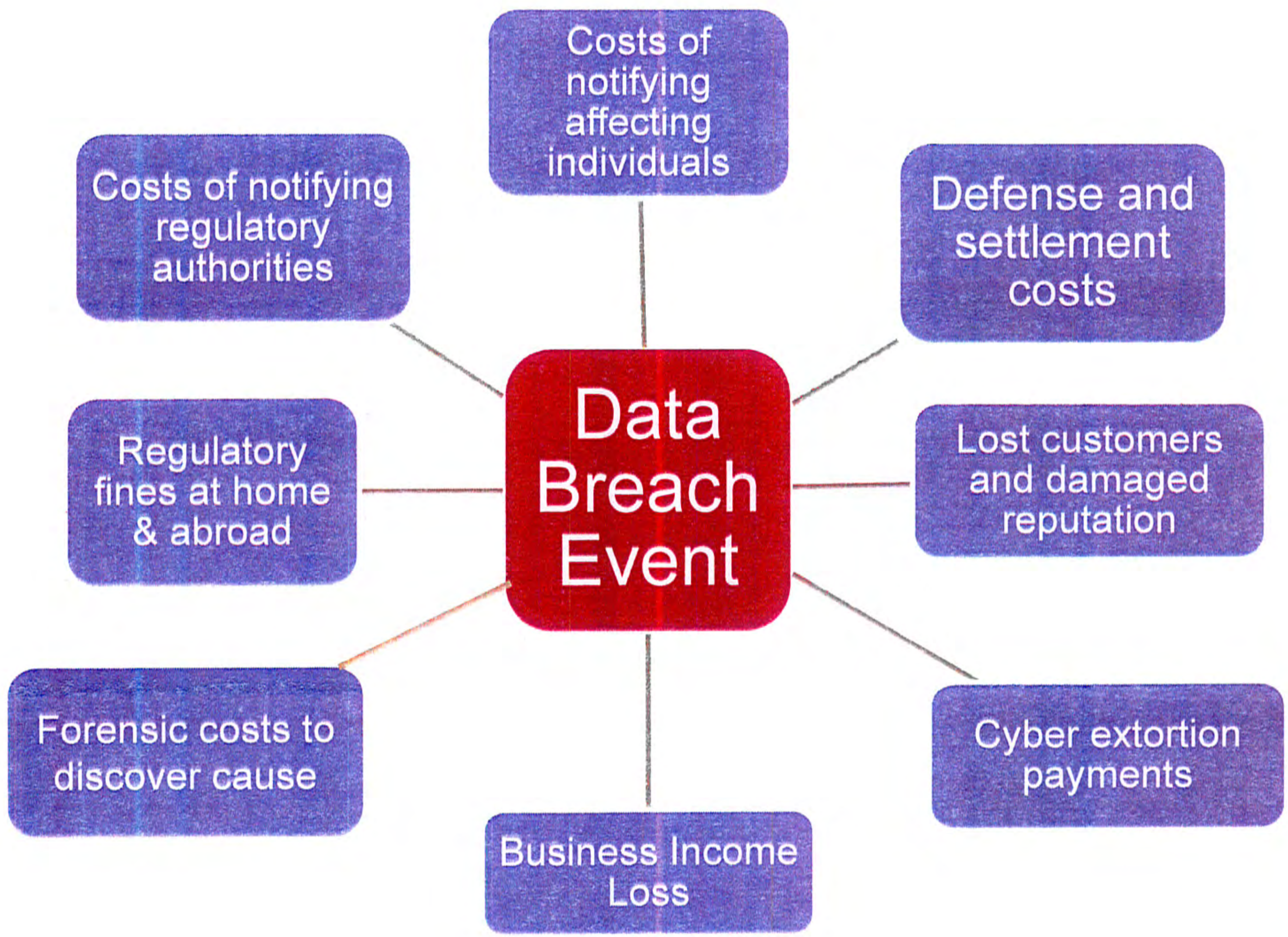
Data Breaches 2005-2014, by Number of Breaches and Records Exposed



The Total Number of Data Breaches Rose 28% While the Number of Records Exposed Was Relatively Flat (-2.6%)

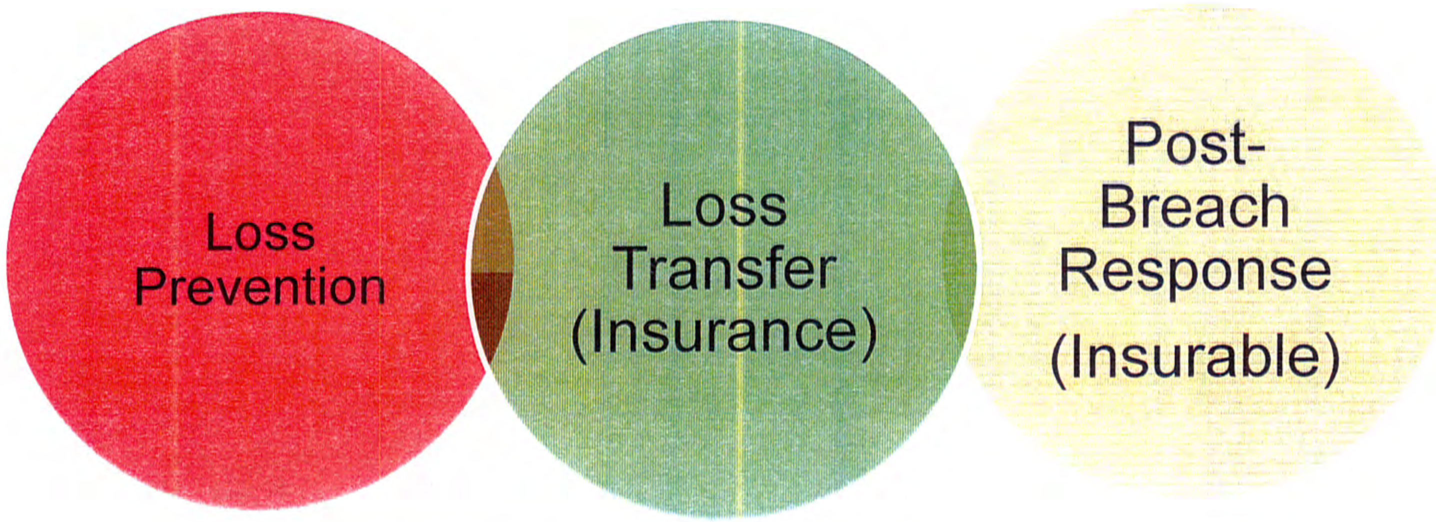
* 2014 figures as of Jan. 12, 2014 from the ITRC.
Source: Identity Theft Resource Center., Insurance Information Institute

Data/Privacy Breach:
Many Potential Costs Can Be Insured



Source: Zurich Insurance; Insurance Information Institute

The Three Basic Elements of Cyber Coverage: Prevention, Transfer, Response



Cyber risk management today involves three essential components, each designed to reduce, mitigate or avoid loss. An increasing number of cyber risk products offered by insurers today provide all three.

Source: Insurance Information Institute research.

Marketplace

Key Issues: Medical Malpractice

Marketplace

- Aon 2014 Hospital Professional Benchmark Study
  - 15th year
  - Includes over $16.4 billion of incurred loss and over 108,000 claims

- Benchmark Highlights:
  - National Frequency Trend flat at 0% per year
  - National Severity Trends continue at 2.5% per year
  - Medical Malpractice claim frequency in West Virginia is slightly higher than national averages, while claim severity is slightly lower

Marketplace

- Research Highlights:
  - Erosion of Tort Reform
    - Increases in non-economic damages caps impacts smaller claims more than larger claims
  - Patient satisfaction scores are negatively correlated with frequency of claims
    - Patient rates perception of overall quality of care
      - Clinical quality
      - Strength of the provider patient relationship
  - Revenue as an alternative exposure base (from OBE)
  - Continued integration of physicians into hospital systems
  - Future topic – impact of ACA

Risk Funding Study as of June 30, 2014

Source: A.M. Best: Special Report – Property Casualty Review/Preview

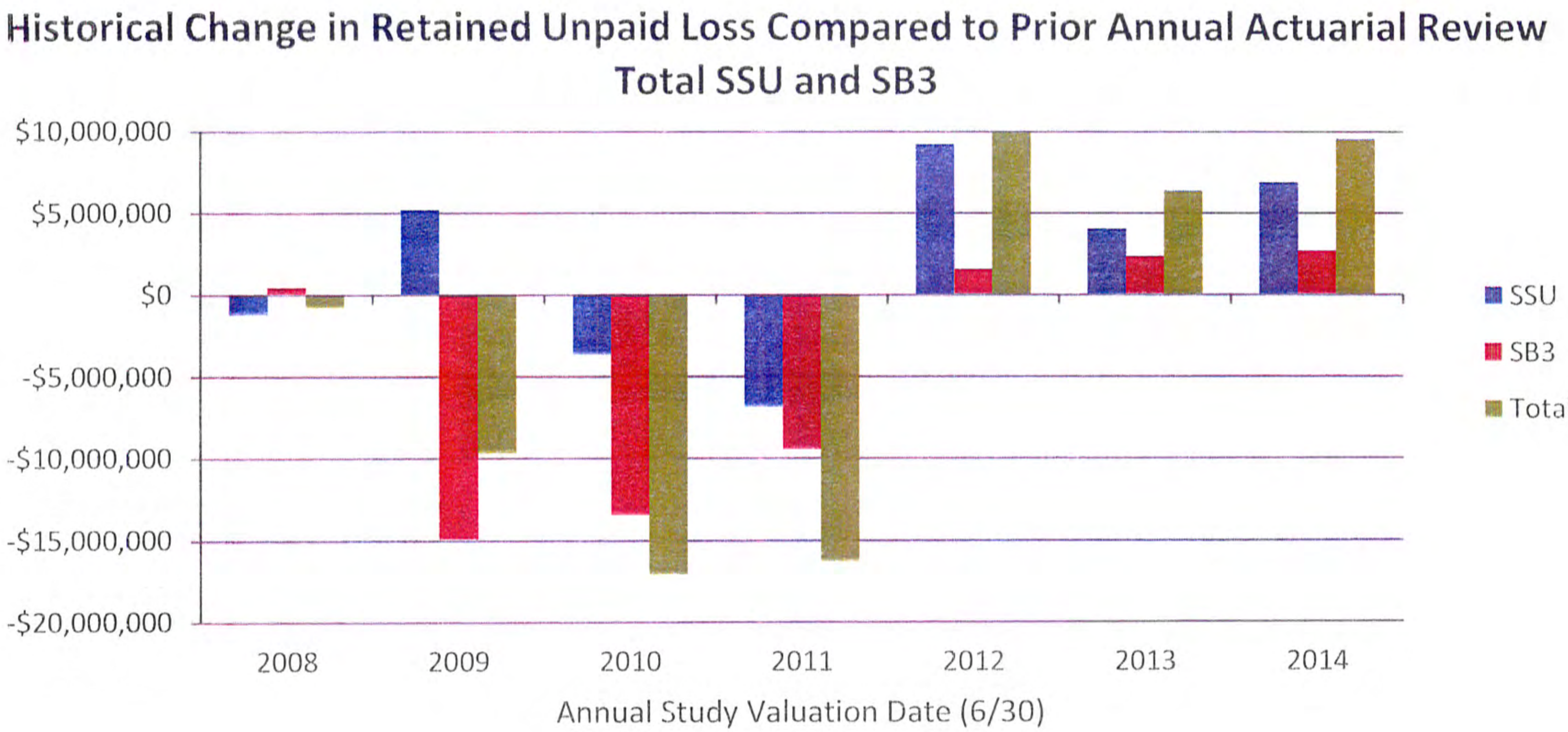
6/30/14 Retained Unpaid Loss Estimates

- Unpaid Loss = Ultimate Loss – Paid Loss
- Unpaid Loss = Case Reserves + IBNR
- Increased $9.5 million (or 6.7%) since 6/30/2013
  - Most of the increase from general liability
    - $3 million of GL increase from Division of Highways sexual harassment claims
  - Modest increases to auto liability
  - $1 million case reserve for fraud/embezzlement claim for SSU property (7/1/08 event date)
  - New case reserving timeline for SSU medical malpractice claims caused significant increases to loss activity *under* the $250,000 deductible

June 30, 2014 Risk Funding Study - Results

Line of Business	Entity	Retained Case Reserves at 6/30/2014	Retained IBNR at 6/30/2014	Retained Unpaid at 6/30/2014	Retained Case Reserves at 6/30/2013	Retained IBNR at 6/30/2013	Retained Unpaid at 6/30/2013	Change from 6/30/2013 to 06/30/2014 in Retained Unpaid Loss: Dollar Change	Percent Change
Automobile Liability	SSU	3,877,696	4,528,388	8,406,084	4,571,221	3,677,990	8,249,211	156,873	1.9%
Automobile Liability	SB3	4,585,318	5,938,474	10,523,792	5,491,701	4,730,171	10,221,872	301,920	3.0%
General Liability	SSU	32,219,339	33,686,239	65,905,578	25,122,885	33,910,433	59,033,318	6,872,260	11.6%
General Liability	SB3	19,382,996	22,641,135	42,024,131	16,977,387	22,826,195	39,803,582	2,220,549	5.6%
Property	SSU	2,306,142	1,009,189	3,315,331	1,829,541	902,321	2,731,862	583,469	21.4%
Property	SB3	652,604	1,488,018	2,140,622	1,016,001	908,900	1,924,901	215,721	11.2%
Medical Malpractice	SSU	6,768,811	10,687,929	17,456,740	5,170,680	13,013,562	18,184,242	(727,503)	-4.0%
Medical Malpractice	SB3	199,823	863,030	1,062,853	229,506	895,345	1,124,851	(61,998)	-5.5%
Mine Subsidence		255,000	557,595	812,595	290,000	542,041	832,041	(19,446)	-2.3%
Subtotal - SSU		45,171,988	49,911,745	95,083,733	36,694,327	51,504,307	88,198,634	6,885,100	7.8%
Subtotal - SS3		24,820,741	30,930,658	55,751,399	23,714,595	29,360,611	53,075,206	2,676,192	5.0%
Subtotal - SSU + SB3		69,992,729	80,842,403	150,835,132	60,408,922	80,864,918	141,273,840	9,561,292	6.8%
Total		70,247,729	81,399,998	151,647,727	60,698,922	81,406,959	142,105,881	9,541,846	6.7%

Historical Changes in Unpaid Loss



Comparison of Premium and Ultimate Losses

		SSU			SB3		
Occurrence Period Beginning		Charged Premium	Projected Ultimate Retained Loss	Difference	Charged Premium	Projected Ultimate Retained Loss	Difference
7/1/1996	6/30/1997	19,800,000	20,912,588	(1,112,588)	33,100,000	20,846,967	12,253,033
7/1/1997	6/30/1998	20,687,566	21,439,485	(751,919)	26,326,343	20,654,086	5,672,257
7/1/1998	6/30/1999	21,526,869	24,805,652	(3,278,783)	23,070,990	17,152,635	5,918,355
7/1/1999	6/30/2000	20,982,952	29,141,242	(8,158,290)	22,677,285	21,088,750	1,588,535
7/1/2000	6/30/2001	20,018,978	19,322,348	696,630	20,951,525	19,163,611	1,787,914
7/1/2001	6/30/2002	27,130,323	20,951,192	6,179,131	26,524,921	24,031,744	2,493,177
7/1/2002	6/30/2003	36,181,360	16,949,496	19,231,864	37,843,695	21,328,315	16,515,380
7/1/2003	6/30/2004	36,011,418	20,110,489	15,900,929	35,793,345	24,724,956	11,068,389
7/1/2004	6/30/2005	46,715,999	23,125,634	23,590,365	41,269,868	20,242,290	21,027,577
7/1/2005	6/30/2006	39,985,777	17,820,419	22,165,357	40,920,237	20,482,441	20,437,796
7/1/2006	6/30/2007	39,091,169	20,848,138	18,243,031	39,480,713	17,818,332	21,662,381
7/1/2007	6/30/2008	36,258,662	21,512,287	14,746,375	34,852,156	18,552,323	16,299,833
7/1/2008	6/30/2009	31,595,637	25,362,737	6,232,900	28,901,791	16,743,276	12,158,515
7/1/2009	6/30/2010	28,257,070	22,586,642	5,670,428	27,889,296	16,758,585	11,130,711
7/1/2010	6/30/2011	25,239,238	26,971,485	(1,732,247)	25,232,989	17,151,344	8,081,645
7/1/2011	6/30/2012	25,296,014	33,598,515	(8,302,501)	23,769,617	23,227,763	541,854
7/1/2012	6/30/2013	25,645,800	30,501,932	(4,856,132)	19,306,565	21,877,211	(2,570,646)
7/1/2013	6/30/2014	27,255,798	31,258,131	(4,002,333)	22,654,784	22,505,347	149,437
Total		527,680,630	427,218,410	100,462,220	530,566,119	364,349,978	166,216,142

Fiscal Year 15/16 Rating

- Continued reduction in unfunded liability credit
  - SSU 2014/15 $5.4 million to 2015/16 $3.0 million
  - SB3 2014/15 $4.8 million to 2015/16 $2.7 million
- Transfer of SB3 practice plans to the medical schools (+$0.5 million)
- Increase in the medical schools liability limit from $1.0 million to $1.5 million (+1.2 million)
- Costs to allocate (exclusive of limit change) increased over prior year:

	GL	Auto	Total
SSU	$2.50	$0.70	$3.30
SB#3	$1.40	$0.90	$2.10

Risk Funding Study as of March 31, 2015

Source: A.M. Best: Special Report – Property Casualty Review/Preview

March 31, 2015 Interim Analysis

- Unpaid loss estimates increased $5.1 million or 3.4% between June 30, 2014 and March 31, 2015

- Drivers of the increase since June 30, 2014:
  - Accrual of first 9 months of current 2014/15 program year
  - $2.15 million increase in case reserves for SB3 medical malpractice
  - Continued high level of GL SSU loss activity

March 31, 2015 Interim Analysis - Results

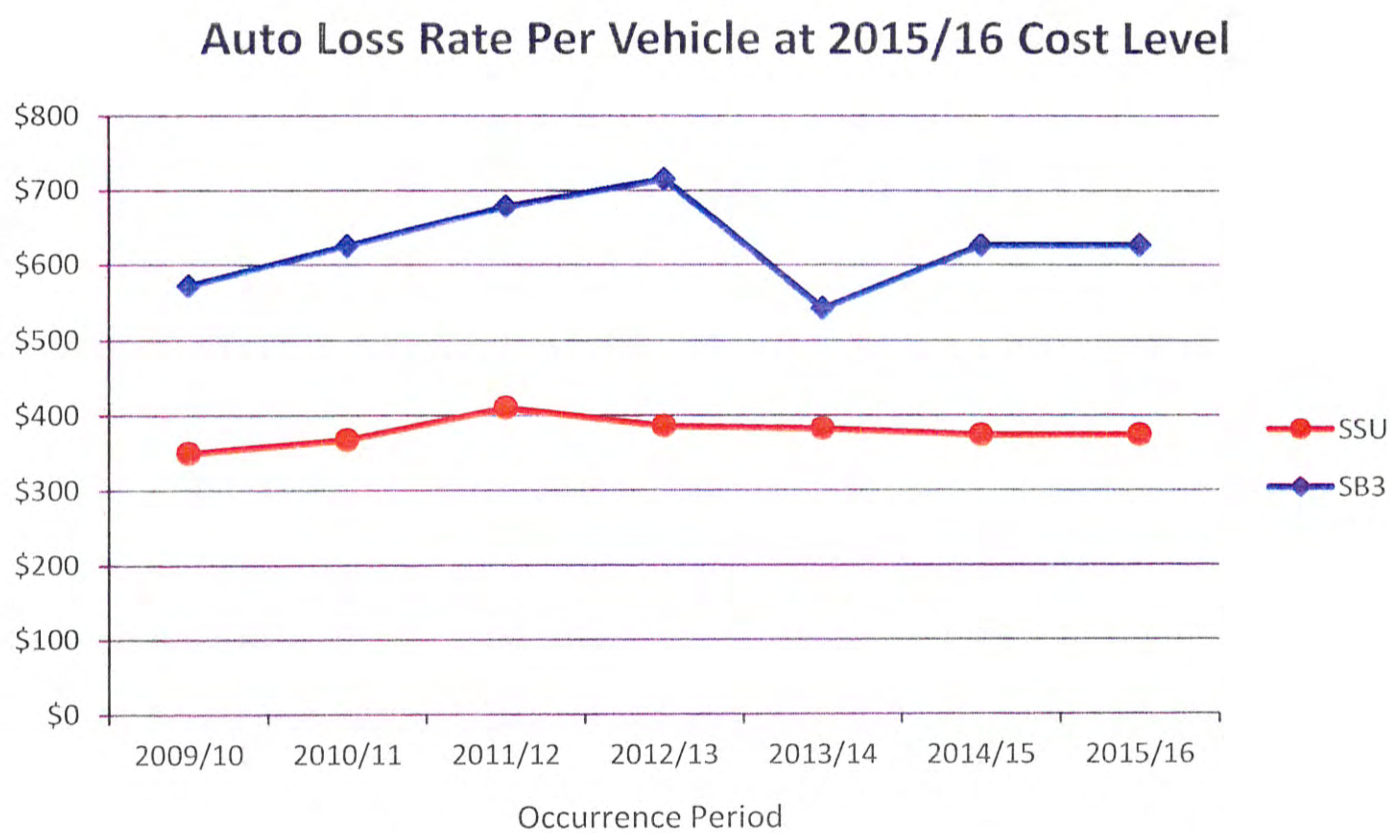
								Change from 6/30/2014 to 03/31/2015 in Retained Unpaid Loss	
Line of Business	Entity	Retained Case Reserves at 3/31/2015	Retained IBNR at 3/31/2015	Retained Unpaid at 3/31/2015	Retained Case Reserves at 6/30/2014	Retained IBNR at 6/30/2014	Retained Unpaid at 6/30/2014	Dollar Change	Percent Change
Automobile Liability	SSU	3,397,568	4,950,211	8,347,779	3,877,696	4,528,388	8,406,084	(58,305)	-0.7%
Automobile Liability	SB3	3,923,582	6,292,773	10,216,356	4,585,318	5,938,474	10,523,792	(307,437)	-2.9%
General Liability	SSU	29,955,310	37,471,780	67,427,090	32,219,339	33,686,239	65,905,578	1,521,512	2.3%
General Liability	SB3	17,395,130	23,733,049	41,128,179	19,382,996	22,641,135	42,024,131	(895,952)	-2.1%
Property	SSU	2,899,500	1,078,186	3,977,686	2,306,142	1,009,189	3,315,331	662,355	20.0%
Property	SB3	1,483,503	1,284,715	2,768,218	652,604	1,488,018	2,140,622	627,596	29.3%
Medical Malpractice	SSU	7,350,845	10,408,412	17,759,257	6,768,811	10,687,929	17,456,740	302,518	1.7%
Medical Malpractice	SB3	2,359,401	1,918,656	4,278,057	199,823	863,030	1,062,853	3,215,204	302.5%
Mine Subsidence		360,000	486,468	846,468	255,000	557,595	812,595	33,873	4.2%
Subtotal - SSU		43,603,223	53,908,590	97,511,813	45,171,988	49,911,745	95,083,733	2,428,080	2.6%
Subtotal - SS3		25,161,616	33,229,194	58,390,810	24,820,741	30,930,658	55,751,399	2,639,411	4.7%
Subtotal - SSU + SB3		68,764,839	87,137,784	155,902,623	69,992,729	80,842,403	150,835,132	5,067,491	3.4%
Total		69,124,839	87,624,252	156,749,091	70,247,729	81,399,998	151,647,727	5,101,364	3.4%

March 31, 2015 Interim Study - Line of Business Results

Automobile – 6/30/14 to 3/31/15 Activity

- SSU Auto had higher than expected reported loss emergence and much higher than expected paid loss emergence
  - Shortly after 6/30/14, case reserves increased significantly
  - Considerable paydown of open claims subsequent to 9/30/14
- SB3 Auto had generally lower than expected loss emergence on both a paid loss and reported loss basis

Automobile

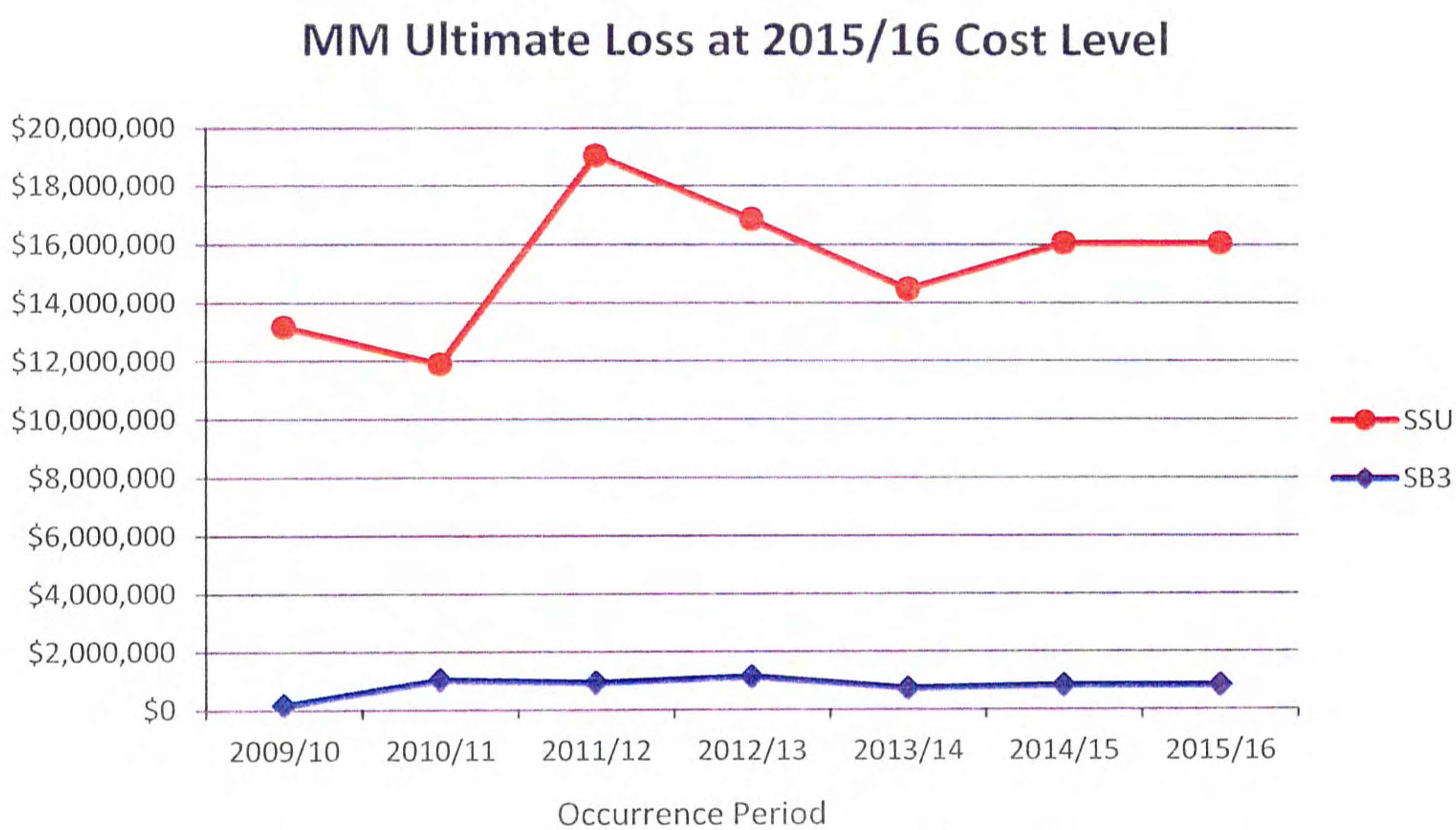


Note: Loss rates are on a retained basis, and gross of any deductibles.

Medical Malpractice – 6/30/14 to 3/31/15 Activity

- Reported loss emergence for both SSU and (in particular) SB3 was higher than expected
- The changes to the medical malpractice case reserving timeline implemented in 2014 continues to result in loss increases under the $250,000 deductible
  - The new reserving timeline may be beginning to affect the retained medical malpractice case reserves as well
- $2.5 million increase to SB3 case reserves (a tenfold increase)
  - Includes $675,000 transfer from SSU for 02/03 claim

Medical Malpractice



Note: Ultimate losses are on a retained basis, and gross of any deductibles.

General Liability – 6/30/14 to 3/31/15 Activity

State Spending Units

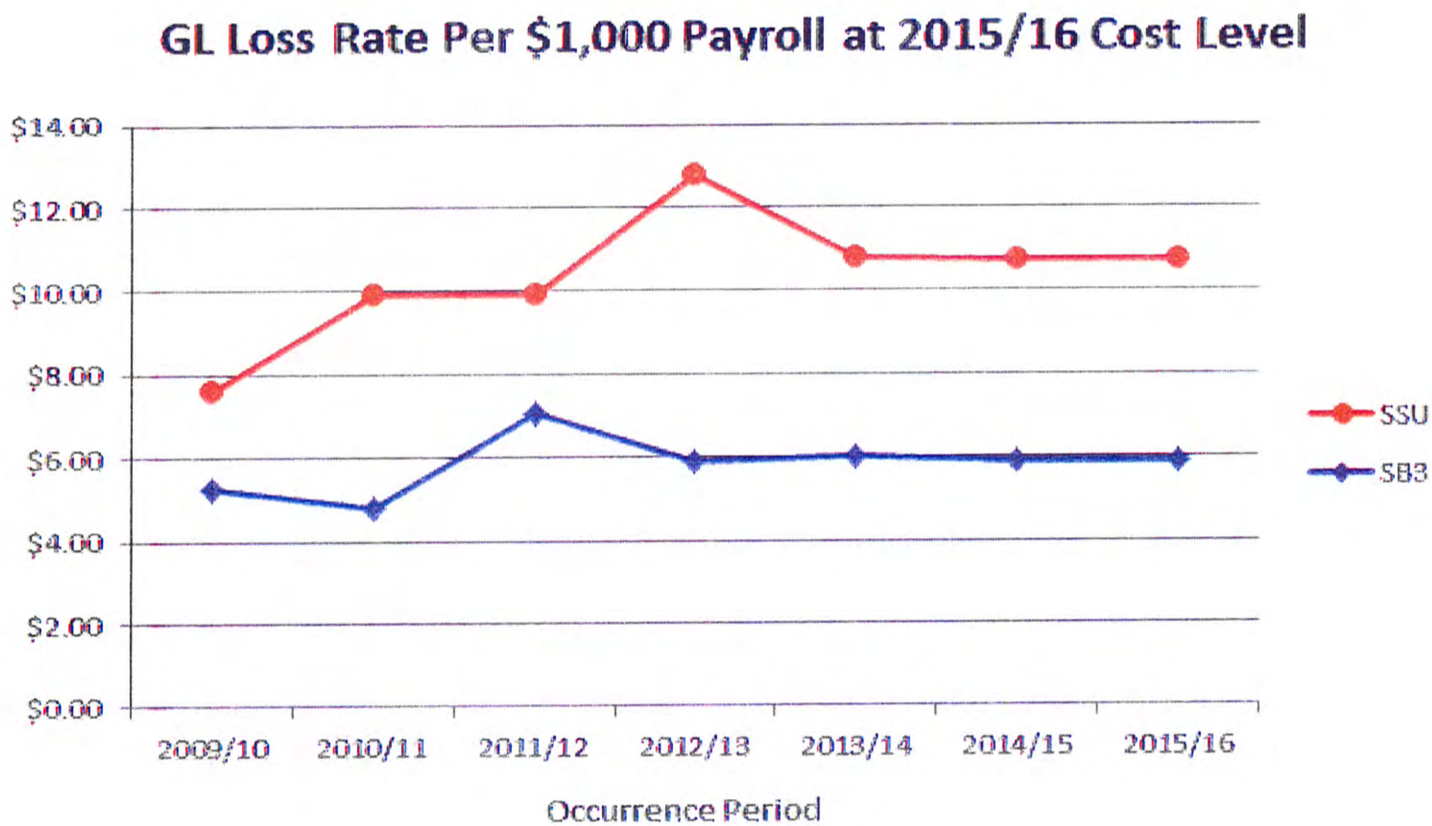
- Higher than expected reported loss emergence
  - Driven by many moderate-sized ($150,000 or less) case reserve increases
  - Also a handful of large claims, such as newly reported $1 million State Police claim from 12/13 accident year
- Higher than expected paid loss emergence
  - Largely due to payment of Division of Highways sexual harassment claims ($2.8 million)
- High paid/reported emergence is despite a $600,000 payment for an accident year 08/09 claim reallocated from SSU to SB3

General Liability – 6/30/14 to 3/31/15 Activity

Senate Bill #3

- Slightly higher than expected reported loss emergence for all years combined
  - $600,000 payment for an accident year 08/09 claim reallocated from SSU to SB3
- $3 million paid loss ($1 million retained) for accident year 11/12 claim
  - Had previously been fully case reserved as of 6/30/14

General Liability



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

Property – 6/30/14 to 3/31/15 Activity

- Increase to PY 14/15 case reserves for SSU and SB3 property as a result of claims for water pipe breaks from cold weather
- PY 08/09 Fraud/embezzlement claim ($1M case reserve) for SSU property remains open as of 3/31/15, although there is now some question as to whether certain policy language restricts the ability of the insured to assert the claim

Property

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

Mine Subsidence – 6/30/14 to 3/31/15 Activity

- Mine Subsidence continues to perform at a favorable loss ratio (average = 25% over the past 10 years)

Conclusion

- Generally higher than expected reported loss emergence since June 30, 2014 for all coverages combined
- In particular, SB3 medical malpractice has large increases in case reserves
- Areas of primary focus for FY15/16:
  - Monitor loss emergence (in particular for SSU and SB3 medical malpractice and general liability) to see if change the case adjusting philosophy impacts the settlement value of claims

Questions?

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) 744-7120 FAX
(800) 345-4669 TOLL FREE WV
www.state.wv.us/brim

Earl Ray Tomblin
Governor

Jason Pizatella
Cabinet Secretary

Mary Jane Pickens
Executive Director
MaryJane.Pickens@wv.gov

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

March 24, 2015

Chairman Martin	Call to Order
Chairman Martin	Approval of Board Minutes November 25, 2014

REPORTS

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

UNFINISHED BUSINESS

NEW BUSINESS

ADJOURNMENT

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

March 24, 2015

BOARD MEMBERS PRESENT:	Bruce R. Martin, CIC, CRM, Chairman Edward Magee, Ed.D., CPA, Member Bob Mitts, CPCU, Member James M. Wilson, Esquire, Member Tonya Gillespie, CPA, Representing Mike Riley, Insurance Commissioner, Board Secretary and Ex-Officio Member
BRIM PERSONNEL:	Mary Jane Pickens, Executive Director Stephen W. Schumacher, CPA, CFO Chuck Mozingo, Assistant Claim Manager Stephen M. Fowler, Esq., BRIM Counsel Jeremy Wolfe, Loss Control Manager Carl Baldwin, Deputy Loss Control Manager Stephen Panaro, Controller John Fernatt, Information Services Manager Melody Duke, Director of Underwriting Linda Dexter, Recording Secretary
BRIM PROGRAM REPRESENTATIVES:	Charles Waugh, AIG Claim Services Jim Harlan, AIG Complex Claims Director Bob Ayers, USI Insurance Services Brenda Samples, USI Insurance Services
GUESTS:	Jason Pizatella, Acting Cabinet Secretary, DOA Sandy Price, WVU Health Sciences Center Jamie Parker, WVU Health Sciences Center Mike Gansor, WVU Risk Management Kelsey Richards, WVU Risk Management

CALL TO ORDER

The meeting of the West Virginia Board of Risk and Insurance Management was called to order by Chairman Martin at 1:06 p.m. on Tuesday, March 24, 2015, at 90 MacCorkle Avenue, SW, Suite 203, South Charleston, West Virginia.

APPROVAL OF MINUTES

Mr. Wilson MOVED the approval of the minutes of the November 25, 2014 Board Meeting. The motion was seconded by Dr. Magee. There being no discussion, a vote was taken and the MOTION ADOPTED.

REPORTS

Executive Director's Report

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

Mrs. Pickens began by providing a status report regarding the Marshall and WVU escrow accounts. She thereafter noted that representatives from the medical schools have inquired about the cost of increased medical professional liability coverage, as well as increased limits of coverage in border states, which we are in the process of addressing.

Another concern of the medical schools, especially Marshall and WVU, was liability regarding their clinical practice plans. As a result of this concern, Senate Bill 532, passed this Legislative session, addressed this by clarifying immunity for the practice plans and their contractors/employees. The bill also required increased BRIM limits for the schools and practice plans of $1.5 M, which will adjust annually based on the CPI until it reaches $2 M. Conference calls with each of the med schools have been held to discuss their concerns, and we will continue to follow up in the near future. We are asking for input from the actuaries and expect to implement the provisions of SB 532 effective July 1, 2015.

After noting AIG's litigation statistics as of March 23rd, Mrs. Pickens addressed the issue of cyber liability insurance coverage, explaining that three conference calls have been held with the broker and breach counsel, and Sallie Milam, the State Privacy Officer, has also been involved in the discussions. We have been trying to develop processes to make sure that everyone is "on the same page" and we understand how to do such things as provide notice of a claim, what the claim timeline looks like, what loss prevention litigation services are covered under the policy, and basically what the processes and procedures are to handle the claim if necessary.

She further noted there are currently 121 agencies approved for cyber coverage and that Mrs. Duke is in the process of adding new agencies. Seven new agencies have been submitted, and we are waiting on additional information for five.

Mrs. Pickens thereafter stated that the Underwriting and Finance Departments are working on the 2016 State Premium ratings, which is expected to be completed by early April. We are also working on ratings for the Senate Bill 3 entities.

With regard to the status of BRIM's involvement with OASIS, Mrs. Pickens stated that Stephen Panaro, representing BRIM, has been participating in the testing of the new timekeeping and payroll system. As a result of his involvement with the testing, Mr. Panaro states that he has been able to use some of the capabilities to automate some of the functions that previously would have been performed manually.

Continuing, she announced that there is one RFP which has been released and that two will be released soon. The RFP for the property and casualty insurance loss prevention inspection services was issued on March 9th. The other RFPs, both to be released in April, are for the boiler and air conditioning systems insurance and loss prevention inspection services, and for a property management software and independent property appraisals.

In discussing the Patient Injury Compensation Fund, Mrs. Pickens stated that there has been one claim paid in full this fiscal year; that the Executive Committee has rendered a determination in another, and that three claims are currently pending, each seeking the $1 million PICF cap. There is obviously less money in the fund, and efforts to obtain short-term funding during this Legislative session were unsuccessful. However, she stated that when this legislation was passed in 2004 and with BRIM's promulgated rules, it was contemplated that there could be insufficient funding to pay in full all the claims that become final in a fiscal year, so the supporting legislation and rules do allow for prorating the claims; i.e., that whatever the appropriate amount is can be awarded but held until the end of the fiscal year, and that payment on all claims which become final that fiscal year will be prorated. This is the current plan for this fiscal year going forward until we see what happens with the fund.

At this point, Mr. Fowler interjected that prorating does not create any unfunded liability for the state.

As part of the discussion regarding PICF funding, Mrs. Pickens stated that there has been discussion about transferring exposure in the Medical Liability Fund in order to transfer the funds remaining to the PICF. Proposals were obtained for a transfer of that fund and after reviewing all of them, it was determined that one proposal was more favorable because the premium was within a range that would allow us to free up $2 million in that fund. She thereafter noted that had SB 580 passed this Legislative session, it would have affected our liability in that fund and interfered with our ability to make a transfer; however, the bill failed to complete Legislative action.

As part of her report, Mrs. Pickens had prepared a separate handout, which is attached and made a part of the Executive Director's Report, summarizing the legislation which affected BRIM directly or indirectly during this Legislative session. Of particular relevance to BRIM are: SB 238, which limited the liability of certain Boards of Education arising from unorganized recreation; SB 344, which relates to duty to mitigate damages in employment claims; SB 532, which relates to civil liability immunity for clinical practice plans and medical and dental schools; HB 2002, which deals with predicating actions for damages on principles of comparative fault; HB 2011, which relates to "deliberate intent" causes of action, and HB 2636, which relates to exempting information in a concealed weapon permit application from FOIA. She felt that of the bills noted in her report, these were the most important BRIM-related bills and were discussed by the Legislature at great lengths.

Mrs. Pickens then addressed a few personnel issues, stating that Niki Miller-Casdorph had been promoted to an Administrative Services Assistant 3, and effective March 30th, we will have a new employee [Connie Bloss], to assume Niki's previous duties as an Administrative Services Assistant 2. Interviews will be conducted in the future for the two Loss Control Specialist 1 positions.

Chairman Martin recognized Melody Duke, a former employee who had returned to BRIM as the Director of Underwriting, and welcomed her back.

A brief conversation among Chairman Martin, Mrs. Pickens and Mr. Wolfe ensued, during which it was stated that a resolution had been prepared by the State Senate requesting that the Joint Committee on Government and Finance study the benefits, costs, and feasibility of West Virginia developing a federally-compliant, public sector state occupational safety and health plan. The State OSHA program would match the Division of Labor's funding 50/50. At some point, BRIM may be contacted to discuss insurance rates, etc.

BRIM Financial Report

There being no questions for Mrs. Pickens, Chairman Martin called upon Mr. Schumacher to present the Chief Financial Officer's Report. The unaudited balance sheet as of January 31, 2015 and the unaudited income statement for the three months (should have read "seven" months) ending January 31, 2015 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 2014 and January 2015 purchasing card invoices was distributed to each Board member. The Chairman signed the acknowledgement form for the July, August and September 2014 Purchasing Card billings, and the acknowledgement form is retained by the Finance Department.

Relative to the audited financials, Mr. Schumacher stated that the net operating revenues are $2.6 million higher for the current year. Outstanding claims reserves, however, have increased $1.3 million for FY '15 vs. an $8.3 million increase for FY '14.

Loss Control Report

There being no questions for Mr. Schumacher, Mr. Wolfe presented the Loss Control Report, which was received and filed, a copy of which is attached and made a part of the record.

In summarizing his report, Mr. Wolfe pointed out that 805 evaluations have been completed; that the Loss Prevention Consulting contract with the West Virginia Mutual Insurance Company has been renewed for the 2015 calendar year, and that the RFP for loss control inspection services had been released. In April, an RFP for boiler and air conditioning systems insurance and loss prevention inspection services will be issued.

Mr. Wolfe also announced that representatives from Salt Lake City, Utah were impressed with and had requested to use our "*Severe Weather Mitigation Preparedness Guide*" within their emergency response and preparedness plan. They will, however, recognize BRIM as the owner of the document.

Mr. Wolfe thereafter noted that in response to WVU's recent invitation, on March 13th he and Mrs. Duke toured Mountain State University to look at the infrastructure of the facilities. He further noted that he was thoroughly impressed with the campus and WVU's plan for continued safety of the buildings and maintenance of the boilers, air conditioning units, fire sprinkler systems, and alarm systems.

There were no questions for Mr. Wolfe.

Chairman Martin inquired if anyone from the audience had any comments. Mrs. Price of the West Virginia University Health Sciences Center expressed her appreciation and thanked the Executive Director for her interest in talking to various representatives from the medical schools regarding the recent legislation passed affecting their clinical practice plans.

UNFINISHED BUSINESS

There was no unfinished business to be discussed.

NEW BUSINESS

There was no new business to be discussed.

ADJOURNMENT

There being nothing further, Mr. Wilson MOVED that the meeting be adjourned. The motion was seconded by Dr. Magee. There being no discussion, a vote was taken and the MOTION ADOPTED.

The meeting adjourned at 1:40 p.m.

Board Chairman	6/23/15 Date

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90 MACCORKLE AVENUE SW, Suite 203
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Executive Director's Report
March 24, 2015

A. Marshall University and West Virginia University Medical Malpractice Program

- As of March 23, 2015, Marshall has deposited $1,001,788.61 into the escrow account for FY 2015. The fiscal year-to-date cumulative interest totals $1,083.10. During FY 2015, disbursements totaling $1,896,361.27 have been paid thus far.

- As of March 23, 2015, a total of $2,853,943.69 funds have been deposited into WVU's escrow account for FY 2015. The fiscal year-to-date cumulative interest totals $2,280.96. During FY 2015, disbursements totaling $4,284,118.03 have been paid thus far.

- Marshall, WVU and WVSOM have inquired about the cost of increased medical professional liability limits in addition to increased limits of coverage in border states where their professors, residents or students may be providing professional services. We are working with the schools to address this.

- A related concern among the schools has been liability related to their clinical practice plans. Senate Bill 532, passed during the 2015 regular Legislative session, clarifies this issue by specifically providing immunity to the practice plans and their contractors/employees, and requires increased BRIM limits for the medical schools and practice plans of $1.5 million, to adjust according to the CPI until it reaches $2 million. BRIM is currently implementing the provisions of SB 532 for July 1, 2015.

- In light of the passage of SB 532, we are following up with AIG regarding the change in limits for July 1 and discussing internally any changes needed as a result of the bill. We are also reaching out to actuaries for input on allocation of premium between the medical schools and the practice plans and if any change should be made for July 1, 2015 or should wait or until the July 1, 2016 renewal. We will also be putting an agenda together for a call with representatives of the medical schools and practice plans in preparation for implementation of the bill.

B. State Agency/Senate Bill #3 Litigation

Two cases have been tried to defense verdicts so far in 2015.

New Claims: Year to date, AIG has received 567 new claims vs. 617 new claims PYTD, for a decrease of 8.1%.

Closed Claims: Year to date, AIG has closed 677 claims vs. 590 claims PYTD, for an increase of 14.75%.

Notice Only Claims: Year to date, AIG has received 1,090 claims vs. 658 claims PYTD, for an increase of 65.7%.

Indemnity Paid: Year to date, AIG has paid $9,235,932 vs. $7,925,823 PYTD, for an increase of 16.5%.

Legal Paid: Year to date, AIG has paid $2,928,825 vs. $2,602,603 PYTD, for an increase of 12.5%.

C. Cyber Liability Insurance Coverage

The BRIM management team has had three conference calls in anticipation of renewing the Cyber Liability Insurance policy on July 1, 2015. A Cyber on-boarding call took place on February 12, 2015 to discuss how to board a claim and handle a small breach, as well as discussion of the breach timeline, vendor panel and services, external forensic services, carrier loss prevention and mitigation services and beginning preparations for renewal. The second call was held on March 16, 2015 with Arthur J. Gallagher personnel to clarify the information needed in order to calculate renewal premium for the policy. On March 20, 2015, a conference call was held with Arthur J. Gallagher personnel and breach counsel, as well as the State Privacy Officer and her team, to discuss processes and resources available under the policy.

To date, 121 agencies have been approved and 7 new agencies have been submitted by BRIM, with an additional 5 waiting on additional information before being submitted for coverage. BRIM has sent out a second request to agencies to complete the application for coverage. Going forward, BRIM management will continue to develop methodology for allocating premium to the insured agencies that reflects their level of risk.

D. The FY 2016 State Premium rating is underway and it is expected to be finalized by early April. Renewal questionnaires for SB 3 entities have been received via the online database and the mainframe has been updated. The information will be sent to the actuaries in early April for the FY 2016 rating.

E. wvOASIS/KRONOS

Stephen Panaro, BRIM Controller, has been engaged as a volunteer to assist with the user acceptance training for KRONOS, the new timekeeping and payroll system that is being integrated with wvOASIS. BRIM is tentatively scheduled to go live with KRONOS in June.

Stephen has also been able to use Oasis to automate some of BRIM's Finance Department processes that he believes will save man hours in the future. Because Oasis allows users to export reports to Excel, Steve has been able to use that capability to upload the PCard payments and purchases into Peachtree, which previously would have been manually entered. Finance has also been able to automate the processing of premium payments from other state agencies from Oasis into Peachtree. Overall, the reporting has improved as has the support.

F. Status of Requests for Proposals – Currently Released and Pending Release (prior to June 2015 Board Meeting)

1. BRIM issued a Request for Proposal on March 9, 2015 for our property and casualty insurance loss prevention inspection services. This service helps us to identify and mitigate general liability and property loss potentials of our insured entities. The inspections focus on identifying deficiencies from the National Fire Protection Association (NFPA), Occupational Safety and Health Administration (OSHA), U.S. Consumer Product Safety Commission (CPSC), and other industry accepted safety practices.

2. This spring we will also issue a Request for Proposal for our boiler and air conditioning systems insurance and loss prevention inspection services. The inspection part of this service provides for inspections of insured high and low pressure boilers and air conditioning systems of more than 25 tons. Inspections focus on identifying deficiencies from the National Board Inspection Code, ASME boiler and pressure vessel codes, and the State of West Virginia's boiler codes.

3. Melody Duke is in the process of preparing an RFP for a property management software and independent property appraisals to determine adequate insurance values on properties selected for inspection by BRIM. The anticipated release date for the RFP is April 22, 2015.

G. Patient Injury Compensation Fund (PICF)

This fiscal year BRIM has paid one PICF claim in full, has issued a determination of the Executive Review Committee in one claim (time to request administrative hearing will run on or about April 20), and currently has three pending claims each seeking the $1 million PICF cap. There is approximately $1,178,729 currently in the fund. Efforts to obtain short-term funding for the PICF during the 2015 Legislative session were unsuccessful.

It will be necessary to hold claims that become final until the end of the fiscal year and make pro rata payment on each at that time due to the funding level in the PICF.

Transfer of exposure in Medical Liability Fund – As part of our efforts to obtain PICF funding, BRIM explored opportunities to transfer the exposure in the Medical Liability Fund in order to free up the remaining funds. BRIM obtained proposals from three companies. After reviewing the proposal terms, we instructed our broker to proceed with MedPro, with a premium of $750,000. The premium was in the middle range of the three received, but was more favorable than the lower cost proposal, which included defense costs within the limit of liability.

During our work on the Medical Liability Fund transfer, SB 580 was introduced. The bill would have amended the statute of limitation for minors to bring actions under the MPLA to age 18 plus 2 years. The bill did not complete legislative action, so the statute continues to require a cause of action under the MPLA to be brought on behalf of a minor who was under the age of 10 at the time of the injury within 2 years of the injury or prior to the minor's 12th birthday, whichever provides the longer period. Because this bill would have affected the liability in the fund, we paused in our efforts on the fund transfer until the end of the session to confirm whether it would pass.

H. Update on Legislative Session – See separate handout.

I. Miscellaneous

1. STRIMA

Robert Fisher is out of the office this week attending a STRIMA Executive Committee Meeting in Fort Myers, Florida. During his absence, all claim-related questions or concerns can be directed to Chuck Mozingo, Assistant Claim Manager.

2. Personnel

- Niki Miller-Casdorph was promoted to Administrative Services Assistant 3, effective March 17, 2015. She will have additional responsibilities in the Finance area, especially with regard to wvOASIS, as well as assuming the duties of Office Manager. We wish to congratulate and wish her much success in this new position! June Butterfield will assist in training Niki as she transitions into her new role.

- On March 30, 2015, Connie Bloss will join the Finance Department as an Administrative Services Assistant 2 and assume the duties previously performed by Niki Miller-Casdorph.

- We hope to interview for the two vacant Loss Control Specialist I positions soon which, once filled, will greatly improve our ability to visit and consult with our insureds and provide better customer service.

Respectfully submitted,

Mary Jane Pickens

Mary Jane Pickens
Executive Director

MJP:lld

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

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Governor

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MEMORANDUM

TO: Bruce R. Martin, CIC, CRM, BRIM Board Chairman
Edward Magee, Ed.D., CPA, BRIM Board Member
Bobby G. Mitts, CPCU, BRIM Board Member
James Wilson, Esq., BRIM Board Member

FROM: Mary Jane Pickens
Executive Director
WV Board of Risk & Insurance Management

DATE: March 24, 2015

RE: 2015 Legislation Summary

The following is a summary of the bills passed during this legislative session which affect BRIM directly or indirectly.

Senate Bills

SB 3 - Relating to real property possessor's liability for trespasser harm. Approved by Governor 2-9-15 - effective 90 days from passage (April 29, 2015).

The bill codifies the existing common law in West Virginia relating to the duty of care possessors of property owe trespassers. "Possessor" includes owner, lessee or other lawful occupant. Under the bill there is no duty of care to a trespasser except in those circumstances where a common-law right of action existed as of the effective date of the bill, including the duty to refrain from willful/wanton injury to the trespasser. The bill does not increase the liability of any possessor and does not affect any immunities from or defenses to liability established elsewhere in code or common law.

SB 6 - Relating to Medical Professional Liability. Approved by Governor 3-18-15 - effective from passage March 10, 2015. The 2015 amendments to the MPLA in the bill

(SB 6 cont'd) will apply to all causes of action alleging medical professional liability filed on or after July 1, 2015.

The bill amended definitions for some key terms, such as collateral source, health care, health care facility, and health care provider, and added a new definition for "related entity." "Health care facility" includes pharmacies, nursing homes and other facilities. "Health care provider" includes pharmacists, physician assistants, advanced practice registered nurses and an expanded list of providers as well as any persons acting under the direction of a licensed professional. "Related entity" is any corporation, partnership, PLLC or other type of entity under common control or ownership with a health care provider or facility. "Medical professional liability" was amended to include other claims that may be contemporaneous to or related to the alleged tort or breach of contract or otherwise provided in the context of rendering health care services.

The bill requires the trauma cap on all damages of $500,000 to be increased on January 1, 2016 and in each year after that the to account for inflation by an amount equal to the Consumer Price Index published by the U.S. Dept. of Labor, not to exceed 150% of the current cap.

SB 13 – Reinstating the Open & Obvious doctrine for premises liability. Approved by Governor 3-5-15 - effective from passage February 18, 2015.

The bill adds a new section to chapter 55 of the W. Va. Code relating to the liability of a possessor of real property for injuries caused by open and obvious hazards. It reinstates and codifies the doctrine that was in place prior to a W. Va. Supreme Court decision in 2013, which abolished the doctrine. Under the new law, a possessor of real property does not owe a duty of care to protect others against dangers that are open, obvious, and reasonably apparent or as well known to the person injured as they are to the owner or occupant. There is no civil liability for injuries sustained as a result of those dangers.

SB 140 – Relating to the Administrative Procedures Act, Rule-making provisions. Passed March 14, 2015 and effective from passage. The bill defines "legislative exempt rule" and adds that term throughout the bill. It further allows purely technical amendments to a current rule to be made by filing the corrected rule with the Secretary of State and not going through the full rule-making process. It clarifies that rules of an agency that ceases to exist are void, and changes the effective date of an authorized rule to be upon filing in the State Register (as opposed to 30 days after) or on the effective date fixed by the authorization bill or by the agency. The bill also makes amendments to the emergency legislative rule process, which requires the agency to list other agencies or businesses affected by the emergency rule and requires more detail on the circumstances constituting the emergency.

SB 238 – Limiting the liability of certain county Boards of Education arising from unorganized recreation. Approved by Governor 3-5-15 - effective 90 days from passage (May 26, 2015). Under the bill, BOEs are not liable for loss or injury arising from the use of school property made available for unorganized recreation. BOEs will

(SB 238 cont'd) be liable for acts or omissions that constitute gross negligence or willful and wanton conduct that proximately causes injury.

SB 248 - Relating to duty to give information after a car crash. Passed March 14, 2015 and effective 90 days from passage.

The bill amends a section of the DMV Code requiring a driver involved in a crash to share information with the other persons. The amendments require the driver, if physically able, to provide a valid phone number and year, make model and last 4 digits of the vehicle identification number of the vehicle he/she is driving. The driver must also share proof of security and financial responsibility, which if provided by insurance may be shown on the certificate of insurance with contact information of the insurer and the policy number. A driver may meet the requirements of the amendments by providing this information to law enforcement investigating the crash.

SB 344 - Relating to duty to mitigate damages in employment claims. To Governor 3-16-15. Passed March 10, 2015 and effective 90 days from passage.

The bill addressed an expansion by our Courts of a decision from 1982 that held an employee (a public employee in that case) who is wrongfully discharged out of "malice" has no duty to mitigate damages and is entitled to a flat back pay award. Courts have since applied the law in that case not only back pay awards, but to front pay awards and in cases where punitive damages are otherwise available. These results have been inconsistent with established federal law and the law of surrounding states. The bill clarifies that in any employment law cause of action the plaintiff has an affirmative duty to mitigate past and future lost wages regardless of whether the plaintiff can prove the employer acted with malice. The malice exception to the duty to mitigate damages is abolished by the bill.

SB 421 - Relating to punitive damages in civil actions. To Governor 3-16-15. Passed March 10, 2015 and effective 90 days from passage.

The bill limits punitive damages in a civil action to four times compensatory damages or $500,000, whichever is greater. In order to have punitive damages awarded against a defendant a plaintiff must establish by clear and convincing evidence that the damages suffered were the result of the conduct that was carried out by the defendant with actual malice toward the plaintiff or a conscious, reckless and outrageous indifference to the health, safety and welfare of others. The defendant may request that the trial be bifurcated, with liability for and amount of compensatory damages being the subject of the first stage. If the jury finds during the first stage of a bifurcated trial that a defendant is liable for compensatory damages, the court will then determine whether sufficient evidence exists to proceed with a consideration of punitive damages. The jury will then consider punitive damages.

SB 532 - Relating to civil liability immunity for clinical practice plans and medical and dental schools. Passed March 12, 2015 and effective 90 days from passage.

The bill was drafted by Marshall University's clinical practice plan counsel, and was supported by the Marshall and WVU practice plans. It creates immunity from civil

(SB 532 cont'd) liability for the clinical practice plans and all of their contractors or employees above the limits of coverage provided by BRIM. "Clinical practice plans" are now defined as agents of the state. The bill was amended in the House to increase the minimum insurance limits from $1 million to $1.5 million for occurrences on or after July 1, 2015, and to adjust annually on July 1 in accordance with the Consumer Price Index published by the U.S. Dept. of Labor until it reaches $2 million. The provisions of the bill will apply prospectively to all claims that occur and are commenced on or after July 1, 2015.

House Bills

HB 2002 - Predicating actions for damages on principles of comparative fault. Approved by Governor 3-5-15 and effective 90 days from passage.

The bill places West Virginia among the states requiring damages resulting from personal injury, property damage or wrongful death to be predicated upon principles of comparative fault. In a case with multiple defendants, each will be liable only for his or her own share of damages determined by the jury. Liability for compensatory damages is several, not joint (with a few exceptions). In circumstances where the plaintiff is unable to collect damages from one of the defendants, that defendant's share of the damages will be reallocated under certain circumstances to the other parties found to be liable according to their percentages of fault. However, there is no reallocation to a defendant whose percentage of fault is equal to or less than the Plaintiff's percentage of fault. The bill does not affect the joint and several provisions of the MPLA or the Governmental Tort Claims Act.

HB 2011 - Relating to "Deliberate Intent" causes of action. Passed March 14, 2015 and effective 90 days from passage.

The bill more clearly defines "actual knowledge" of the employer of an unsafe working condition and how/by whom it must be proven. The bill further clarifies how industry or business safety standards relate to a specific unsafe working condition. In addition, the bill requires that the Plaintiff in the deliberate intent law suit to have suffered a serious compensable injury resulting in: 1) a permanent physical or combination of physical and psychological injury rated at a total whole person impairment level of at least 13% as a final award in the underlying workers' compensation claim, and which causes permanent serious disfigurement, causes permanent loss or significant impairment of function of any bodily organ or system, or results in objectively verifiable bilateral or multi-level dermatomal radiculopathy and is not a physical injury that has no objective medical evidence to support a diagnosis. Alternatively, the injury may be supported by a written certification by a licensed physician that the employee is suffering from an injury or condition that is caused by the alleged unsafe working condition and is likely to result in death within 18 months or less from the date of the filing of the complaint. In that situation, the certifying physician must be engaged or qualified in a medical field in which the employee has been treated, or have training and/or experience in diagnosing or treating injuries or conditions similar to those of the employee and must disclose all evidence upon which the written certification is based. If the employee suffers from an injury for which no impairment rating may be determined pursuant to applicable rule,

(HB 2011 cont'd) serious compensable injury may still be established if the injury causes permanent serious disfigurement, permanent loss or significant impairment of function of any bodily organ or system, or results in objectively verifiable bilateral or multi-level dermatomal radiculopathy and is not a physical injury that has no objective medical evidence to support a diagnosis. If the employee suffers from an occupational pneumoconiosis, the employee must submit written certification by a board certified pulmonologist that the employee is suffering from complicated pneumoconiosis or pulmonary massive fibrosis and that the occupational pneumoconiosis has resulted in pulmonary impairment as measured by the standards or methods utilized by the West Virginia OP Board of at least 15%.

In deliberate intent cases, the bill now requires a "certificate of merit" similar to that required under MPLA causes of action. The employee or his/her representative must serve with the complaint a verified statement from a person with knowledge and expertise of the workplace safety statutes, rules, and consensus industry safety standards specifically applicable to the industry and workplace involved in the employee's injury, setting forth opinions and information relating to the specific unsafe working condition(s) that were the cause of the injury and the specific statutes, rules, or written consensus industry safety standards violated by the employer that are directly related to the specific unsafe working conditions.

No punitive or exemplary damages may be awarded to the employee or other plaintiff. The amendments apply to all injuries occurring on or after July 1, 2015.

HB 2233 - Relating to authorization to review rules. Passed March 14, 2015 and effective 90 days from passage.

The bill authorizes the Legislative Rule-Making Review Committee, with the assistance of the Legislative Auditor's Office, to review any interpretive, procedural and current legislative rule to determine if it is achieving its purpose. The Legislative Rule-Making Review Committee is required to make recommendations to the applicable agency or board and the Joint Committee on Government and Finance for amendment or repeal of the rule following the review.

HB 2576 - Relating to reorganization of certain code provisions that organize the executive branch of state government. To Governor 3-18-15. Passed March 11, 2015 and effective 90 days from passage.

The bill creates new code sections which separate the executive departments into sections designated §5F-2-1a through §5F-2-1l. The bill makes no substantive changes in the organization of the agencies and commissions under Department of Administration.

HB 2636 - Relating to exempting information in a concealed weapon permit application from FOIA. Passed March 14, 2015 and effective 90 days from passage.

The bill adds to the growing list of public records that are exempt from FOIA information related to applications for a permit to carry a concealed weapon that would identify the applicant, with certain law enforcement exceptions. In addition, the bill makes other

(HB 2636 cont'd) changes to FOIA that will affect all agencies. Agencies may establish reasonable fees representing their actual costs in making reproductions, but may no longer charge a retrieval fee or otherwise seek reimbursement based on a man-hour basis for making reproductions. The bill also requires the Secretary of State to maintain an electronic database of notices of FOIA requests that is available to the public via the internet. The database must list each FOIA request received and the outcome of the request. The Secretary of State is required to provide a form to be used by the agencies to report the nature of the request and the response, and whether the request was granted and, if not, the FOIA exemption asserted. Agencies are also required to report the time involved to fully comply with the request as well as the amount of reimbursement charged. These reports are required to be filed for any FOIA requests received beginning on January 1, 2016. The Secretary of State is required to propose Legislative and emergency rules relating to creation and maintenance of the publically accessible data base and promulgation of forms.

HB 2790 - Relating to Minimum Responsibility limits of auto insurance. Passed March 11, 2015 and effective 90 days from passage.

The bill increases the minimum financial responsibility limits for auto insurance from 20-40-10 to 25-50-25 (bodily injury or death to one person in one accident, bodily injury or death to two or more persons in one accident, and injury to or destruction of property of others in one accident). The increases limits begin on January 1, 2016, however proof of financial responsibility provided by an insurance policy in effect on December 31, 2015 in the minimum amounts of 20-40-10 will continue to provide adequate proof of financial responsibility until the policy expires or is renewed.

The bill further allows the contract terms to control in the case of excluded drivers, and essentially overruled the decision of the Supreme Court of Appeals in *Jones v. Motorists Mutual Insurance Company*, 177 W. Va. 763 (1987), which interpreted the DMV statutes to require insurers to provide minimum financial responsibility limits of coverage to excluded drivers. Under the bill, when any person is specifically excluded from coverage under the provisions of an auto policy by any restrictive endorsement, the insurer is not required to provide any coverage, including both the duty to indemnify and the duty to defend, for damages arising out of the operation, maintenance or use of any motor vehicle by the excluded driver. The bill further clarifies that for excess or umbrella type policies that cover auto liability in effect on December 31, 2015, insurers are not required to make a new offer of uninsured and underinsured motor vehicle coverage upon the renewal if the liability coverage is increased solely to meet the increased minimum required financial responsibility limits. Those insurers that have issued policies that carry coverage limits below the minimum required financial responsibility limits in effect on December 31, 2015 must increase the limits to an amount equal to or above the new minimums when the policy is renewed but not later than December 31, 2016.

For insurance policies in effect on December 31, 2015, insurers are not required to obtain new uninsured or underinsured motorist coverage offer forms on any insurance policy to comply with the new minimums. All such offer forms that were executed prior to January 1, 2016, shall remain in full force and effect.

HB 2811 - Deleting obsolete provisions regarding the Physicians' Mutual Insurance Company. Passed March 13, 2015 and effective 90 days from passage.

The bill removes provisions from the code that require the Mutual to be a non-profit company. It must still remain a domestic mutual insurer owned by its policyholders for the duration of its existence.

Possible Study Resolutions

SCR 64 - Requesting the Joint Committee on Government and Finance to study the benefits, costs and feasibility of developing a federally compliant, public sector state occupational safety and health plan.

HCR 11 - Requesting the Joint Committee on Government and Finance study workplace safety for employees at state-operated behavioral health facilities.

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Chief Financial Officer's Report
March 24, 2015

A. P Card Report

CD copies provided contain the supporting detail for P card purchases for BRIM for the months of October, November, and December 2014 and January 2015. The totals are:

October	$ 8,278.82	December	$43,987.83
November	$49,428.55	January	$66,291.57

B. Financial Results

- The financial results presented are for the seven months ended January 31, 2015.
- Net operating revenues are $2.6 million higher for the current year.
- Estimated outstanding reserves reflect AON's risk funding studies thru December 31. An additional estimated reserve increase for January is also included for both years.
- Outstanding claims reserves have increased $1.3 million for FY'15 vs. an $8.3 million increase for FY'14. The year over year difference of $7.0 million has decreased claims expense for the current year when compared to last year's results. However, net claims payments increased claims expense by $1.7 million for the first seven months of FY'15 versus the same period last year. The combined impact of the much smaller increase in claims reserves this year, partially offset by the $1.7 million increase claims payments in FY'15, has reduced operating expenses by $5.3 million year over year.
- The recent bond rally resulted in investment gains of $3.3 million for the month of January. Cumulative investment earnings are $4.0 million for FY'15 compared to $8.5 million for the same period last year, reflecting lower overall returns this year to date.
- Higher premium revenue and lower net claims expense in combination with lower investment returns have resulted in positive overall results of $0.3 million for this year as compared to last year's net deficiency of ($3.2) for the same seven month period.

Respectfully submitted,

Stephen. W Schumacher, CPA
Chief Financial Officer

West Virginia Board of Risk and Insurance Management
UNAUDITED BALANCE SHEET

	January 31 2015	2014
	(in thousands)	
ASSETS		
Short Term Assets		
Cash and Equivalents	$ 13,099	$ 15,480
Advance Deposit with Carrier/Trustee	215,284	207,412
Receivables - Net	10,526	8,174
Prepaid Insurance	2,593	2,465
Total Short Term Assets	241,502	233,531
Long Term Assets		
Investments	136,680	140,464
Total Long Term Assets	136,680	140,464
TOTAL ASSETS	378,182	373,995
LIABILITIES		
Short Term Liabilities		
Accounts payable	2,435	1,354
Claims Payable	121	-
OPEB Liability	388	372
Agents Commissions Payable	529	547
Unearned Revenue	10,960	9,619
Current Estimated Claim Reserve	53,448	49,793
Total Short Term Liabilities	67,881	61,685
Long Term Liabilities		
Compensated Absences	76	64
Estimated Noncurrent Claim Reserve	101,033	102,081
Total Long Term Liabilities	101,109	102,145
TOTAL LIABILITIES	168,990	163,830
Prior Year Net Assets	208,911	213,366
Current Year Earnings	281	(3,201)
TOTAL NET ASSETS	209,192	210,165
TOTAL LIABILITIES AND RETAINED EARNINGS	$ 378,182	$ 373,995

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

	January 31	
	2015	**2014**
	(in thousands)	
Operating Revenues		
Premium Revenues	$ 33,955	$ 31,412
Less - Excess Insurance	(3,603)	(3,637)
Total Operating Revenues	30,352	27,775
Operating Expenses		
Claims Expense	29,353	34,966
Property & MS Claims Expense	2,649	2,346
Personal Services	781	816
General & Administrative Expense	1,275	1,383
Total Operating Expenses	34,058	39,511
Operating Income (Loss)	(3,706)	(11,736)
Nonoperating Revenues		
Investment Income	3,987	8,535
Total Nonoperating Revenues	3,987	8,535
Net Income (Loss)	$ 281	$ (3,201)

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Loss Control Report to the Board
March 2015

Senate Bill #3 loss control questionnaires were due on January 1, 2015. Since that time, we have been evaluating those questionnaires to apply credits or surcharges based on insured participation in our Standards of Participation program. We should complete the evaluation process during the month of March. To date, we have completed **805** evaluations.

We have successfully renewed the Medical Malpractice Risk Management Loss Prevention Consulting contract with West Virginia Mutual Insurance Company for calendar year 2015.

We have issued an RFP for loss control inspection services and we will also be issuing an RFP this spring for our boiler and air conditioning systems insurance and loss prevention inspection services.

We are continuing our partnership with the Division of Personnel with regard to a class entitled "*Workplace Safety: Your Responsibility*". We participate by making a live presentation during each class. This program is available to all state agencies.

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

Representatives from Salt Lake County in Utah contacted us requesting the use of our "*Severe Weather Mitigation Preparedness Guide*" within their emergency response and preparedness plan for sixteen Cities with a total population of about one million. We permitted the use of the document with an understanding that such use will include full reference to BRIM as the creator/publisher of the document.

During the months of December, January, February, and March Aon conducted 124 inspections and Hartford conducted 832. The reports are being processed according to established procedures.

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

8 Loss Control Visits

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

5 Standards of Participation Visits

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

2 Presentation Visits

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

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

Dated: March 20, 2015

Respectfully submitted,

Jeremy C. Wolfe

Jeremy C. Wolfe
Loss Control Manager

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charles.e.jones@wv.gov

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

November 25, 2014

Chairman Martin	Call to Order
Chairman Martin	Approval of Board Minutes August 26, 2014

REPORTS

Susan Wheeler/Kathleen Weekley Ernst & Young, LLP	June 30, 2014 Audited Financial Report by Ernst & Young, LLP
Robert A. Fisher Deputy Director/Claim Manager	Executive Director's Report
Stephen W. Schumacher, CPA Chief Financial Officer	Financial Report Card Report
Jeremy C. Wolfe Loss Control Manager	Loss Control Report

UNFINISHED BUSINESS

Motion to accept the reports of the investment managers from Standish Mellon Asset Management and the West Virginia Investment Management Board

NEW BUSINESS

Chairman Martin	Executive Session – W. Va. Code § 6-9A-4(b)(2)(A) Personnel Issues
	Return to Open Session
	Discussion/action regarding the Executive Director's Retirement and His Replacement

ADJOURNMENT

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

November 25, 2014

BOARD MEMBERS PRESENT:	Bruce R. Martin, CIC, CRM, Chairman Edward Magee, Ed.D., CPA, Member Bob Mitts, CPCU, Member James M. Wilson, Esquire, Member
BRIM PERSONNEL:	Charles E. Jones, Jr., Executive Director Robert Fisher, Deputy Director/Claim Manager Stephen W. Schumacher, CPA, CFO Chuck Mozingo, Assistant Claim Manager Stephen M. Fowler, Esq., BRIM Counsel Jeremy Wolfe, Loss Control Manager Carl Baldwin, Deputy Loss Control Manager Stephen Panaro, Controller John Fernatt, Information Services Manager Chelsea Starcher, Office Assistant I Barbara Houchins, Claim Representative Linda Dexter, Recording Secretary
INSURANCE COMMISSION REPRESENTATIVE:	Tonya Gillespie, CPA, Assistant Insurance Commissioner (serving as a representative for the Board Secretary)
BRIM PROGRAM REPRESENTATIVES:	Charles Waugh, AIG Claim Services Bob Ayers, USI Insurance Services Brenda Samples, USI Insurance Services
GUESTS:	Jason Pizatella, Acting Cabinet Secretary, DOA Mary Jane Pickens, Spilman Thomas & Battle PLLC Diane Holley-Brown, Communications Director, DOA

GUESTS (cont'd): Sandy Price, WVU Health Sciences Center
Susan Wheeler, E & Y
Kathleen Weekley, E & Y

CALL TO ORDER

The meeting of the West Virginia Board of Risk and Insurance Management was called to order by Chairman Martin at 1:03 p.m. on Tuesday, November 25, 2014, at 90 MacCorkle Avenue, SW, Suite 203, South Charleston, West Virginia.

APPROVAL OF MINUTES

Mr. Wilson MOVED the approval of the minutes of the August 26, 2014 Board Meeting. The motion was seconded by Dr. Magee. There being no discussion, a vote was taken and the MOTION ADOPTED.

REPORTS

June 30, 2014 Audited Financial Report

Chairman Martin then recognized Susan Wheeler of Ernst & Young (E & Y), independent auditors for the West Virginia Board of Risk and Insurance Management, who presented the annual audit results as of June 30, 2014. (Copies of the reports entitled "West Virginia Board of Risk and Insurance Management, 2014 audit results" and "Financial Statements, Required Supplementary Information, and Other Financial Information" for the Years Ended June 30, 2014 and 2013 were distributed to the Board members.)

Before beginning, Ms. Wheeler recognized the BRIM Finance staff and complimented them on being very cooperative, diligent, and doing such a fine job.

Referring to the audit results documents, Ms. Wheeler stated that E & Y issued an unqualified opinion (highest rating possible) on BRIM's 2014 financial statements, which is noted on page 4. Its report on internal control over financial reporting disclosed no instances of noncompliance.

She further noted that the audit scope is consistent with the plan described to the BRIM CFO, Steve Schumacher, and that no corrected misstatements or material uncorrected misstatements were identified;

Continuing, she thereafter summarized the contents of pages 5 through 7, "Accounting policies and areas of audit emphasis," which explain the key issue/risk areas and summarizes E & Y's procedures and findings in each of the areas identified. Relative to the unpaid claims and claims adjustment expense issue, E & Y identified no differences greater than their summary of audit difference threshold.

At this point, Kathleen Weekley was introduced by Mrs. Wheeler and asked to discuss the "Summary of required communications" topic. During her discussion, she referenced the audit engagement agreement which describes their responsibilities and stated that an unqualified opinion was issued on BRIM's financial statements as of and for the year ended June 30, 2014. Ms. Weekley also noted that they were not aware of any significant accounting policies used by BRIM in a controversial or emerging area or experienced a lack of authoritative guidance; that there was one unusual significant transaction which included the transfer of $2M to the Patient Injury Compensation Fund (PICF) as required by HB 4621; that there were no uncorrected or corrected misstatements identified relative to the audit of the financial statements as of June 30, 2014, and that here were no material weaknesses identified in the audit.

In further summarizing the contents of pages 16 through 20, Ms. Weekley noted that they had obtained from management a letter of representations related to the audit, which is included in Appendix A.

In explaining the Industry analysis ratio comparison, specifically the loss ratio, she noted that it has increased about 3% as compared to the prior year, due primarily to an increase in claims expenses relative to premiums. The two large storms causing great damage was also reference as a primary cause of increased claims expenses in 2012 and 2013.

Ms. Weekley commented in closing that E & Y had no disagreements with management, and a copy of the Letter of Representation which BRIM management signed is contained in Appendix A.

Ms. Wheeler thereafter interjected that E & Y has always maintained their independence in conducting the audit; that there are no additional items for which they need to get approval; that they have always worked closely with management throughout the year to ensure their independence, and that they do not do any or provide any services outside of the assurance work.

Ms. Wheeler then asked the Board if they were aware of any areas that would impair their independence or if they were aware of any matters of which E & Y should be made aware, to which the Board responded they were not.

There being no questions from the Board, Chairman Martin announced that next year he was going to appoint an audit committee comprised of Dr. Magee and himself. They would meet with the auditors at times throughout the year so that the meeting for presenting the annual report would not be the only contact during the year. Following up, Chairman Martin also commended Mr. Schumacher and his staff for doing a good job in helping the auditors and for doing such a good job, generally, during the year.

Dr. Magee thereafter MOVED the acceptance of the audit report. The MOTION was seconded by Mr. Mitts. There being no discussion, a vote was taken and the MOTION ADOPTED.

(The two reports previously described and used in the presentation will be attached and made a part of the record.)

Executive Director's Report

Mr. Fisher presented the Executive Director's Report on behalf of Mr. Jones, which was received and filed, a copy of which is attached and made a part of the record.

Of the major topics covered in his report, Mr. Fisher stressed the importance of not depleting the Patient Injury Compensation Fund. He informed the Board that Two Million Dollars was transferred from the Medical Liability Insurance fund . He then indicated that BRIM would definitely have a problem continuing the fund if the outstanding unpaid claim were paid. Meetings among Chuck Jones, Secretary Pizatella, Secretary Kiss and Mr. Fisher have taken place to discuss the status of the fund, and future talks will continue until some type of resolution is reached.

Another important topic was cyber liability insurance coverage. Mr. Fisher explained that the policy went into effect on August 13, 2014 for the agencies that can be monitored by the Office of Technology. For the agencies not covered, we have sent letters advising that they do what is necessary to become covered. In this regard, an application was attached to the letter and, when satisfactorily completed, should make them eligible for addition to the policy.

Mr. Fisher ended his report with a special tribute to BRIM's retiring Executive Director, Chuck Jones. He gave a summary of the transformation of the agency, noting numerous awards, departmental achievements, program developments and agency successes under Mr. Jones' leadership. In closing his tribute, Mr. Fisher stated that one of Mr. Jones' lasting legacies is that BRIM now operates much as an insurance agency operates—except more efficiently and with much lower overhead expenses.

Award Presentation by DOA Acting Cabinet Secretary Pizatella

On behalf of Governor Tomblin, Acting Secretary Pizatella presented Mr. Jones with the highest honor that a native-born West Virginian can receive, the Distinguished West Virginian Award for Outstanding Achievement and Meritorious Service.

(At this point, Communication Director Diane Holley-Brown took a few photographs for the monthly ***Quotes, Notes & Anecdotes*** publication.)

BRIM Financial Report

There being no questions for Mr. Fisher, Chairman Martin called upon Mr. Schumacher to present the Chief Financial Officer's Report. The unaudited balance sheet as of September 30, 2014 and the unaudited income statement for the three months ending September 30, 2014 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 2014 purchasing card invoices was distributed to each Board member. The Chairman signed the acknowledgement form for the May and June 2014 Purchasing Card billings. The acknowledgement form is retained by the Finance Department.

Relative to the audited financials, Mr. Schumacher stated that the reserves have increased approximately $9,000,000 a year over the last three years, for a combined increase of $27,000,000. As a result of this, BRIM has been able to provide some relief in rates, primarily as a result of prior-year take-downs, which have consistently been part of our financial picture for about nine years. He further stated that this is the first year that he is aware of that the prior-year reserves actually increased.

Mr. Schumacher continued with his report, stating that the audit of BRIM's financial statements by Ernst & Young for the years ended June 30, 2014 and 2013 has been completed and that BRIM received an unqualified opinion.

(Chairman Martin interrupted Mr. Schumacher to give the other Board members some background information regarding enumeration "D", which addresses the premium to net asset reserve ratio.)

A summary of the document attached to the Chief Financial Officer's Report, External Benchmark Comparison (FY'14) was presented. Mr. Schumacher mentioned that he had talked to the director of the Intergovernmental Risk Management Agency in Illinois, and he was very much interested in BRIM sharing the results with him so he could share with his Board.

Mr. Schumacher thereafter explained that by taking the total operating revenue and dividing by assets, the combined premium to net assets ratio is derived. He also referenced the policy which established a 10% ratio or band as a guide to assist the Board in assessing BRIM's overall financial condition. Mr. Schumacher indicated that BRIM's calculated premium to net asset ratio at 6/30/14 is in the high risk portion of the band.

Mr. Schumacher further added that on the bottom line of the audited financials, there is a $4.5 Million loss, $2 M of which is the money taken out for the PICF.

Mr. Fisher interjected that in the future, it has been suggested that if there is a need to move our funds, it might be done in such a way as to reflect a loan and book it as a receivable.

Loss Control Report

There being no questions for Mr. Schumacher, Mr. Wolfe presented the Loss Control Report, which was received and filed, a copy of which is attached and made a part of the record. During his report, Mr. Wolfe commended the 27,500 State and County Board of Education drivers, representing the insureds, and the Loss Control staff participating and assisting in the on-line defensive driver training program. As a result of these training efforts, BRIM was chosen by the National Safety Council as a defense driving course award recipient for "Best Performance."

(Mr. Wolfe passed the award to the Board members for viewing.)

There were no questions for Mr. Wolfe.

UNFINISHED BUSINESS

Approval of Investment Management Reports

It was brought to Chairman Martin's attention that the reports presented by the investment managers at the August 26 2014 meeting had not been accepted by the Board. Accordingly, Mr. Mitts MOVED the acceptance of the reports presented by the representatives of Standish Mellon Asset Management and the West Virginia Investment Management Board. Dr. Magee seconded the MOTION. There being no discussion, a vote was taken and the MOTION ADOPTED.

NEW BUSINESS

Executive Session

Chairman Martin MOVED that the Board recess into Executive Session, pursuant to West Virginia Code §6-9A-4(b)(2)(A), to discuss the employment of a new Executive Director of the Board of Risk due to Mr. Jones' retirement. Mr. Mitts seconded the MOTION. There being no discussion, a vote was taken and the MOTION ADOPTED.

The meeting recessed at 1:56 p.m. and reconvened at 2:17 p.m.

Open Session

Mr. Mitts MOVED that the Board adjourn into regular session. Dr. Magee seconded the MOTION. There being no discussion, a vote was taken and the MOTION ADOPTED.

Chairman Martin stated that the purpose of the Executive Session was for discussing a replacement for the retiring Chuck Jones. Chairman Martin thereafter MOVED that the Board hire Mary Jane Pickens as his replacement, effective as soon as possible. Mr. Mitts seconded the MOTION. There being no discussion, a vote was taken and the MOTION ADOPTED. Chairman Martin thereafter welcomed Mrs. Pickens as the new Executive Director of the West Virginia Board of Risk and Insurance Management.

Prior to "giving Mr. Jones the floor", Chairman Martin thanked Mr. Jones for his service to the agency and to the Board of Directors. Mr. Jones thereafter began by thanking the Board and the BRIM staff. He stated that his job at BRIM was one of the best jobs in State government. He also noted that the accomplishments made during his tenure as Executive Director were attributed to the efforts of such a capable and dedicated staff.

In closing, although with bittersweet emotions, Mr. Jones stated that his plans are to continue to travel and to keep working on several projects. He once again thanked the Board, his staff, and the friends made over the years. He expressed that he has thoroughly enjoyed his job and hopes that the things accomplished have benefited the Board and the State.

AD**JOURNMENT**

There being nothing further, Dr. Magee MOVED that the meeting adjourn. The motion was seconded by Mr. Mitts. There being no discussion, a vote was taken and the MOTION ADOPTED.

The meeting adjourned at 2:23 p.m.

B. R. Mitts 3/24/15

Board Chairman Date

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) 744-7120 FAX
(800) 345-4669 TOLL FREE WV
www.state.wv.us/brim

Earl Ray Tomblin
Governor

Charles E. Jones, Jr.
Executive Director

Jason Pizatella
Acting Cabinet Secretary

EXECUTIVE DIRECTOR'S REPORT

November 25, 2014

West Virginia University and Marshall University Medical Malpractice Program

As of November 19, 2014, Marshall has deposited $250,000.00 into the escrow account for FY 2015. The fiscal year-to-date cumulative interest totals $552.22. During FY 2015, disbursements totaling $1,138,497.25 have been paid thus far.

As of November 19, 2014, WVU has deposited $1,302,508.58 into their escrow account for FY 2015. The fiscal year-to-date cumulative interest totals $1,105.26. During FY 2015, disbursements totaling $801,663.79 have been paid thus far.

Claim Litigation Report

As of November 14, 2014, there were 632 pending litigated cases which represent 54% of the total number of pending cases. For the year to date, there have been 275 new litigation claims received compared to 387 for the prior year to date. A total of 455 litigated cases have been closed so far this year compared to 444 for the same period last year.

We have had seven cases tried to a verdict to this point in calendar year 2014. Three were defense verdicts; there was one directed verdict in favor of the defendant; one pure plaintiff verdict; one plaintiff verdict that was less than the demand; and the final verdict was a plaintiff verdict-but for an amount less than the plaintiff had demanded or had been offered to the plaintiff in an attempt to settle before trial.

Patient Injury Compensation Fund (PICF)

The PICF balance, as of November 14, 2014 was $1,182,262.29. We have one claim pending which is under review by the Application Review Committee. The demand on the pending claim is in excess of $900,000. While BRIM has yet to make a decision on whether monies are owed, and if so, in what amount; a payment anywhere near the demand submitted would virtually deplete the PICF. Chuck Jones and I met with Secretaries Pizatella and Kiss to discuss the status of the fund. Talks with continue with various stakeholders regarding the continuance and viability of the fund.

Cyber Liability

The cyber policy went into effect on August 13, 2014 for those agencies that fall within the auspices of the Office of Technology. For all other state agencies, we have issued a letter advising them of our purchase of the coverage and recommending that they do what is necessary to become covered as well. We provided an application that when satisfactorily completed, should make them eligible for addition to the policy. We have already received six completed applications that have been forwarded to the carrier for review.

We are also aware of the fact that some entities will not be in a position to respond satisfactorily to the application. For those entities, we have been given a more detailed application by the carrier for the entity to complete. Hopefully that will allow most to be added to the policy. If not, additional action may be necessary on the part of the entity to be eligible for coverage. This action might involve the entity engaging a consultant to formulate policies and procedures for privacy and security.

Liability Insurance Program

We are in the fifth year of the five-year cycle of one-year policies with AIG. Early this summer, we asked AIG to provide us with a proposal for the next five- year cycle. That proposal was presented to us in mid-September. We have been negotiating with AIG in response to its proposal and have come to an agreement on terms for the next five years. Due to the complexity of the arrangement we have with AIG, and the Bank of New York as trustee, we believe it to be in the State's best interest to continue the program in its present form with AIG as the insurer.

We are also looking into the possibility of purchasing an additional $2 million in medical malpractice liability coverage for our state medical schools as well as DHHR and the Division of Rehabilitation. The medical schools are finding themselves in a bind when their physicians are crossing state lines to practice in nearby facilities with a requirement for greater limits of liability than we currently offer. We did not think it prudent to raise the limits for our entire liability program, so we've asked AIG to give us a quote for both a true transfer policy as well as a fronted trust as currently exists for the liability program. AIG is working with BRIM and its actuaries to assess the exposures which will enable them to present us with options for consideration. We are hopeful that they will have something for us by the end of this year.

wvOASIS

As you've heard before, the State has a new financial system. All state agencies transferred from FIMS to OASIS on July 1, 2014. The transition has been a difficult one for every state agency as there is a steep learning curve for all involved. The next phase of OASIS, which includes human resources and payroll, was scheduled to roll-out on January 1, 2015. The start date has been extended to at least April 1, 2015 to allow for additional work and testing of the system.

Personnel

Robert Berry, formerly an Underwriter here at BRIM, left employment with the State in mid-September. We have yet to take steps to fill that vacant position. We have conducted interviews of candidates seeking to fill the vacant Underwriting Manager position and feel as though we might have a manager in place in the very near future. As with all of the technical vacancies in the agency, salary restrictions have a very limiting effect on our ability to attract suitable candidates.

Miscellaneous

At the direction of Secretary Pizatella, we've met with WV Interactive (WVI) regarding an overhaul of BRIM's website. WVI is the entity that handles the WV web page as well as ones for other state agencies. Though our page is rather static and has up-to-date information, it hasn't been totally revamped since its creation in the late 1990's. Due to the holidays, we likely won't meet with WVI again until after the beginning of the New Year.

Executive Director Retirement

As you know, our Executive Director, Chuck Jones, has announced his retirement, effective December 31, 2014. Chuck first came to BRIM in 1992 and has served as the Executive Director since 1994. The agency has gone through a vast transformation during his tenure as Executive Director. Under Chuck's leadership, every department has grown in size and scope and we've addressed every challenge presented to us, not the least of which was the development of an entire program for private physicians that ultimately became the West Virginia Mutual Insurance Company. BRIM has gone from having a $67 million unfunded liability to having adequate capital for a fully-funded program, with sufficient reserves, that is operated based on actuarial projections and standards. BRIM has been awarded the Government Finance Officers Association of the United States and Canada Certificate of Achievement for Excellence in Financial Reporting continuously since 1995. BRIM is one of only a very few agencies in WV State government that can claim that award.

The Loss Control Department's personnel are often the only BRIM staff that many customers will ever actually meet. With Chuck's guidance, the Department has expanded to include many professional representatives that have placed BRIM in a good light, all the while helping those customers implement measures that have resulted in fewer losses which is good for the insured and the BRIM program. The Claim Department has evolved from having one professional and several clerical staff with no reporting and limited filing capabilities to a department with five technical positions whose combined claim experience totals about 145 years, which doesn't take into account Chuck's experience as an adjuster which has proven invaluable as we've addressed many high-dollar claims over the past many years. The department now has detailed periodic status reporting as well as reporting prior to trial which has enabled BRIM to make better decisions with regard to claim resolution. Our filing and claim numbering system mirrors that of our insurer, which makes document processing much easier and more efficient.

One of Chuck's lasting legacies is that BRIM now operates much as insurance company would operate, only much more efficiently and with much lower overhead expense than an insurer would incur.

Finally, it should be noted that all of these successes have come about in spite of an attempt to consolidate BRIM all but out of existence a decade ago.

I could continue to list Chuck's accomplishments at BRIM for quite a while, but Chuck is a humble gentleman and his legacy speaks for itself. All good things must, however, come to an end. We hate to see him leave, but his staff, and I'm sure this Board, wish him Godspeed for a long, healthy, happy retirement.

Respectfully submitted,

Robert A Fisher

Robert A. Fisher

Deputy Director *and* Claim Manager

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Earl Ray Tomblin
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charles.e.jones@wv.gov

Jason Pizatella
Acting Cabinet Secretary

Chief Financial Officer's Report
November 25, 2014

A. P Card Report

CD copies contain the supporting detail for P card purchases for the months of July, August, and September, 2014. These totals are:

July	$55,160.50
August	$24,546.52
September	$49,087.14

B. Audited Financials and Audit Results and Communications

- The audit of the financial statements by Ernst & Young for the years ended June 30, 2014 and 2013 has been completed and BRIM has received an unqualified opinion.
- Ernst & Young has also presented their audit results and communications to the board.

C. Financial Results

- The financial results presented are for the quarter ended September 30, 2014 and have been adjusted to reflect the actuarially estimated unpaid losses from AON's risk funding study as of September 30, 2014.
- Operating results for the first three months of FY'14 reflect the impact of the study increasing claims reserves by $0.8 million during the current quarter vs. a $3.5 million increase for the same quarter's study for last year. The reserve additions have negatively impacted claims expenses for both years.
- Actual claims payments for the first three months of FY'14 are about $2.5 million higher than the same quarter last year.
- The increase in claims payment activity and reserve additions are the primary reason for the unfavorable operating results for both years.
- The recent pullback in the markets resulted in losses of $1.3 million for the current quarter vs. earnings of $4.0 million for the same quarter last year.
- Higher claims expense in combination with the investment losses resulted in the net loss of $6.1 million for the first three months.

D. Premium to Net Asset Reserve Ratio

- On August 27, 2013 the Board approved a premium to net asset reserve ratio policy. The policy established a 10% ratio, or band, to help guide the Board in assessing BRIM's overall financial condition. A calculated composite benchmark establishes a target range of net assets to assist BRIM in maintaining an adequate level of capital to help stabilize rates from year to year and to help BRIM maintain its financial stability.

- The net asset reserve policy formulates a composite benchmark by using a group of external insurance entities premiums to net assets as a basis to insure BRIM's net assets remain within the prescribed 10% band established by the board.
- The attached exhibit shows that BRIM falls within the prescribed 10% (+/-) band using the calculated composite benchmark. It should be noted, however, that BRIM's premium to net asset ratio falls very close to the upper limit of the range for "more risk".

Respectfully submitted,

Stephen W. Schumacher, CPA
Chief Financial Officer

encl.

External Benchmark Comparison (FY'14)

Step 1: Calculation of the Average Premium to Net Assets Ratio (PNAR) - Similar Organizations

Premium or Operating Revenue	Assets	Premium to Net Asset Ratio (PNAR)	Name of Entity
$ 18,537,298	$ 80,660,383	0.230	Utah Local Government Trust
$ 5,748,133	$ 30,362,256	0.189	Texas Council Risk Management Fund (Cities)
$ 4,359,916	$ 19,039,885	0.229	Miami Valley R.M. Association (Ohio Municipalities)
$ 8,772,712	$ 60,911,753	0.144	Local Gov't Ins. Trust (Maryland Counties and Municipalities)
$ 29,875,309	$ 169,058,129	0.177	Intergovernmental Risk Mgmt. Agency (Illinois Municipalities)
$ 4,593,160	$ 22,017,046	0.209	Texas Water Conservation Fund
$ 71,886,528	$ 382,049,452	0.188	Combined PNAR of Entities

Derivation of Statistics:

Entity Count Per Above		**6**	**Number of Similar Organizations With Data Available**
(0.230- 0.144)/2 = .043		**0.043**	**Average of the Range Between the Highest and Lowest PNAR**
$ 71,886,528	**$ 382,049,452**	**0.188**	**Combined PNAR of Similar Organizations (Average Risk)**
$ 43,765,000	**$ 155,316,000**	**0.282**	**BRIM's Premium Revenue, NAR and Calculated PNAR**

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

Normalized Premium Levels	Less Risk (PNAR Factor & NAR $ Level)	<------------------ PNAR Factor & NAR $ Level)	Average Risk (PNAR Factor & NAR $ Level)	------------------> (PNAR Factor & NAR $ Level)	More Risk (PNAR Factor & NAR $ Level)
	0.088	**0.138**	**0.188**	**0.238**	**0.288**
$ 80,000,000	$ 909,100,000	$ 579,700,000	$ 425,500,000	$ 336,100,000	$ 277,800,000
$ 77,500,000	$ 880,700,000	$ 561,600,000	$ 412,200,000	$ 325,600,000	$ 269,100,000
$ 75,000,000	$ 852,300,000	$ 543,500,000	$ 398,900,000	$ 315,100,000	$ 260,400,000
$ 72,500,000	**$ 823,900,000**	**$ 525,400,000**	**$ 385,600,000**	**$ 304,600,000**	**$ 251,700,000**
$ 70,000,000	**$ 795,500,000**	**$ 507,200,000**	**$ 372,300,000**	**$ 294,100,000**	**$ 243,100,000**
$ 67,500,000	$ 767,000,000	$ 489,100,000	$ 359,000,000	$ 283,600,000	$ 234,400,000
$ 65,000,000	$ 738,600,000	$ 471,000,000	$ 345,700,000	$ 273,100,000	$ 225,700,000
$ 62,500,000	$ 710,200,000	$ 452,900,000	$ 332,400,000	$ 262,600,000	$ 217,000,000
$ 60,000,000	$ 681,800,000	$ 434,800,000	$ 319,100,000	$ 252,100,000	$ 208,300,000
$ 57,500,000	$ 653,400,000	$ 416,700,000	$ 305,900,000	$ 241,600,000	$ 199,700,000
$ 55,000,000	$ 625,000,000	$ 398,600,000	$ 292,600,000	$ 231,100,000	$ 191,000,000
$ 52,500,000	$ 596,600,000	$ 380,400,000	$ 279,300,000	$ 220,600,000	$ 182,300,000
$ 50,000,000	$ 568,200,000	$ 362,300,000	$ 266,000,000	$ 210,100,000	$ 173,600,000
$ 47,500,000	$ 539,800,000	$ 344,200,000	$ 252,700,000	$ 199,600,000	$ 164,900,000
$ 45,000,000	$ 511,400,000	$ 326,100,000	$ 239,400,000	$ 189,100,000	$ 156,300,000
$ 42,500,000	$ 483,000,000	$ 308,000,000	$ 226,100,000	$ 178,600,000	$ 147,600,000
$ 40,000,000	$ 454,500,000	$ 289,900,000	$ 212,800,000	$ 168,100,000	$ 138,900,000
$ 37,500,000	$ 426,100,000	$ 271,700,000	$ 199,500,000	$ 157,600,000	$ 130,200,000
$ 35,000,000	$ 397,700,000	$ 253,600,000	$ 186,200,000	$ 147,100,000	$ 121,500,000
$ 32,500,000	$ 369,300,000	$ 235,500,000	$ 172,900,000	$ 136,600,000	$ 112,800,000

West Virginia Board of Risk and Insurance Management
UNAUDITED BALANCE SHEET

	September 30 2014	September 30 2013
	(in thousands)	
ASSETS		
Short Term Assets		
Cash and Equivalents	$ 15,155	$ 17,582
Advance Deposit with Carrier/Trustee	204,373	203,420
Receivables - Net	3,366	3,268
Prepaid Insurance	3,441	3,094
Total Short Term Assets	226,335	227,364
Long Term Assets		
Investments	139,394	137,131
Total Long Term Assets	139,394	137,131
TOTAL ASSETS	365,729	364,495
LIABILITIES		
Short Term Liabilities		
Accounts payable	383	552
Claims Payable	117	90
OPEB Liability	388	372
Agents Commissions Payable	442	182
Unearned Revenue	7,504	6,841
Current Estimated Claim Reserve	53,448	53,327
Total Short Term Liabilities	62,282	61,364
Long Term Liabilities		
Compensated Absences	76	64
Estimated Noncurrent Claim Reserve	100,597	93,693
Total Long Term Liabilities	100,673	93,757
TOTAL LIABILITIES	162,955	155,121
Prior Year Net Assets	208,911	213,403
Current Year Earnings	(6,137)	(4,029)
TOTAL NET ASSETS	202,774	209,374
TOTAL LIABILITIES AND RETAINED EARNINGS	$ 365,729	$ 364,495

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

	September 30 2014	September 30 2013
	(in thousands)	
Operating Revenues		
Premium Revenues	$ 15,353	$ 12,939
Less - Excess Insurance	(1,528)	(1,653)
Total Operating Revenues	13,825	11,286
Operating Expenses		
Claims Expense	17,157	17,419
Property & MS Claims Expense	595	1,280
Personal Services	354	353
General & Administrative Expense	509	532
Total Operating Expenses	18,615	19,584
Operating Income (Loss)	(4,790)	(8,298)
Nonoperating Revenues		
Investment Income	(1,347)	4,269
Total Nonoperating Revenues	(1,347)	4,269
Net Income (Loss)	$ (6,137)	$ (4,029)

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Ross Taylor
Cabinet Secretary

Loss Control Report to the Board
November 2014

To date, approximately 27,500 State and County Board of Education drivers have completed the on-line defensive driver training program that we are offering through the National Safety Council (NSC). These training efforts have led to BRIM being chosen by the NSC as a defensive driving course award recipient for "Best Performance" for our training efforts. BRIM was recognized for this award at the NSC 2014 Congress and Exposition Conference in San Diego, California in September. Within BRIM's award category it performed better that the following groups: Sysco, U.S. Army, U.S. Army Corps of Engineers, U.S. Department of the Interior, Texas Department of Transportation, and Nestle.

BRIM and Hartford Steam Boiler sponsored two boiler safety and operational seminars in October. Approximately 168 individuals participated in the seminars. The level of interest from our insured with these seminars continues to be at high levels.

We completed the evaluations of state agencies fiscal year 2016 loss control questionnaire submissions. Approximately 86 agencies will be receiving a premium credit for their participation in our Standards of Participation program that is designed to help our insured reduce and control insurable claims through active risk management initiatives.

Jeremy Wolfe has been assisting the State Rail Authority and West Virginia State Parks with risk transfer guidance as it relates to the operations/transfer of the locomotives at Cass Scenic Railroad State Park.

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, 2015.

During the months of September, October, and November Aon conducted 197 inspections and Hartford conducted 1,055. The reports are being processed according to established procedures.

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.

13 Standards of Participation Visits

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

2 Presentation Visits

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

Dated: November 18, 2014

Respectfully submitted,

Jeremy C. Wolfe
Loss Control Manager

West Virginia Board of Risk and Insurance Management

2014 audit results

November 25, 2014

Building a better working world

Ernst & Young LLP
900 United Center
500 Virginia Street East
Charleston, WV 25301

Tel: +1 304 343 8971
Fax: +1 304 357 5994
ey.com

The Board of Directors and Management
West Virginia Board of Risk and Insurance Management

November 25, 2014

Dear Members of the Board of Directors and Management,

We are pleased to present the results of our audit of the financial statements of West Virginia Board of Risk and Insurance Management (BRIM).

Our audit was designed to express an opinion on the 2014 financial statements as of June 30, 2014. We received the full support and assistance of BRIM's personnel in conducting our audit. Open and candid dialogue with you, as the Board of Directors, is a critical step in the audit process, and in the overall corporate governance process and we appreciate this opportunity to share the insights from our audit with you.

At EY, we are committed to delivering the highest quality audit services, and we continually evaluate the quality of our professionals' work in order to meet or exceed your expectations. We encourage you to participate in our Assessment of Service Quality (ASQ) process to provide your input on our performance. The ASQ process is a critical tool that enables us to monitor and improve the quality of our audit services to BRIM.

This report is intended solely for the information and use of the Board of Directors and management. It is not intended to be, and should not be, used by anyone other than these specified parties.

We look forward to meeting with you to discuss the contents of this report and answer any questions you may have about these or any other audit-related matters.

Very truly yours,

Susan Wheeler

Susan P. Wheeler
Partner

Table of contents

2014 EY services

	Services and deliverables
Audit and audit-related services	▸ Consistent with our audit plan, we designed our audit to: – Express an opinion on the financial statements of West Virginia Board of Risk and Insurance Management (BRIM) – Issue a report on internal control over financial reporting and on compliance and other matters based on an audit of the financial statements performed in accordance with *Government Auditing Standards* ▸ Issue a written communication to the Board of Directors about independence matters in accordance with AICPA AU-C Section 260, *The Auditor's Communication with Those Charged with Governance*

Executive summary

Significant 2014 considerations

- Accounting policies and areas of audit emphasis
- Industry analysis
- Industry trends

Key audit results matters

Status

- The 2014 audit is completed and we issued an unqualified opinion on the financial statements.

Scope

- Our audit scope is consistent with the plan communicated to Stephen Schumacher, CFO; we continually reassess the need for changes to our planned audit approach throughout the audit.

Results

- BRIM's analysis for significant accounting matters is appropriate.*
- Reasonable judgments and consistency have been used by management to account for significant accounting estimates.*
- No corrected misstatements or material uncorrected misstatements were identified.
- Outstanding cooperation and communication occurred between BRIM and EY.

* These matters are addressed on the following pages within our presentation.

2014 audit results

Accounting policies and areas of audit emphasis

Our audit procedures emphasize testing areas with the highest potential for risk of misstatement (e.g., those accounts, contracts or transactions where we believed there was the greatest potential for risk of material misstatement to the financial statements, whether due to error or fraud, including disclosure items). We considered the effects of current market risk factors on BRIM, and also placed emphasis on those areas requiring subjective determinations by management. Accordingly, our audit procedures at BRIM focused on the following areas:

Key issue/risk area	Summary of procedures and findings
Cash and cash equivalents	‣ We updated our understanding of the cash and cash equivalent process, including performing a walkthrough of the cash disbursements and cash receipts transactions. ‣ We performed substantive audit procedures, which included confirming bank balances, testing bank reconciliations, and performing cash cut-off procedures. ‣ We reviewed the related financial statement disclosures including the cash and cash equivalent policy and found them to be consistent with US GAAP, industry practices and prior year. ‣ We identified no differences greater than our summary of audit differences threshold.
Advance deposits with insurance company and trustee	‣ We updated our understanding of the advanced deposits process, including performing a walkthrough of the processes, which specifically addressed purchases and sales, and the recording of income gains and losses. ‣ We substantively tested advanced deposits as of year end. We confirmed balances with Bank of New York Mellon (BNYM) reviewed the BNYM SOC 1 reports, tested reconciliations, tested the progression of the accounts from prior year to the current year, performed price testing over a sample of the portfolio, and performed analytical procedures. ‣ We reviewed the related financial statement disclosures including the advance deposits policy and found them to be consistent with US GAAP, industry practices and prior year. ‣ We identified no differences greater than our summary of audit differences threshold.

2014 audit results

Accounting policies and areas of audit emphasis

Key issue/risk area	Summary of procedures and findings
Investments and related interest income	▸ We updated our understanding of management's processes related to investments. As BRIM invests in certain WV Board of Treasury Investments (WV BTI) and WV Investment Management Board (WV IMB) investment pools, we obtained an understanding of BRIM's recording process for the investments held at WV BTI and WV IMB by performing a walkthrough of the investment processes, including purchases and sales of investments, and the recording of investment income gains and losses. ▸ We performed substantive audit procedures, which included confirming the balances of the WV BTI and WV IMB investments held by BRIM, re-computing the fair value of the investments using the confirmed interest in the fund and the audited net asset value per share, and progressing the investment accounts. ▸ We reviewed the related financial statement disclosures including the investment policy and found them to be consistent with US GAAP, industry practice and prior year. ▸ We identified no differences greater than our summary of audit difference threshold.
Unpaid claims and claims adjustment expense	▸ We updated our understanding of management's process related to unpaid claims and claims adjustment expense process including performing a walkthrough of the claims processed in-house and by AIG (BRIM's external claims processor), and a walkthrough of the unpaid claims reserve. ▸ We performed substantive audit procedures over the unpaid claims reserve, which included engaging our internal specialist to review the assumptions and amounts determined by management's specialists in determining the appropriate the unpaid claim reserve liability. We tested the inputs used to determine the liability and completed reconciliations over the information, noting no exceptions. ▸ We performed substantive audit procedures over the recorded claims adjustment expense, which included testing a sample of claims processed during the year, both in-house and externally at AIG. ▸ We reviewed the related financial statement disclosures including the unpaid claims and claims adjustment expense policy and found them to be consistent with US GAAP, industry practice and prior year. ▸ We identified no differences greater than our summary of audit difference threshold.

2014 audit results

Accounting policies and areas of audit emphasis

Key issue/risk area	Summary of procedures and findings
Receivables, premium income and unearned premiums	▸ We updated our understanding of the premium revenue and receivables process including performing a walkthrough. ▸ We performed substantive audit procedures, which included testing the receivable and unearned premiums, testing the premium revenue recorded, and reviewing subsequent cash receipts. ▸ We reviewed the related financial statement disclosures including the receivables and premium income policy and found them to be consistent with US GAAP, industry standards and prior year. ▸ We identified no differences greater than our summary of audit differences threshold.

Shaded areas indicate accounts or transactions identified as having significant risks

Required communications with the Board of Directors

Summary of required communications

Provided below is a summary of required communications between the audit team and the Board of Directors.

	Communicate when event occurs	Communicate on a timely basis, at least annually
Overview of the planned scope and timing of the audit		Page 11
Auditor's responsibility under generally accepted auditing standards, including discussion of the type of auditor's report we are issuing and if there are any events or conditions that cause us to conclude that there is substantial doubt about the entity's ability to continue as a going concern		Page 11
Our views about the qualitative aspects of the entity's significant accounting practices, including:		
▸ Accounting policies		Page 12
▸ Sensitive accounting estimates		Page 13
▸ Financial statement disclosures and related matters		Page 13
▸ Significant unusual transactions	Page 13	
Uncorrected misstatements, related to accounts and disclosures, considered by management to be immaterial		Page 14
Material corrected misstatements, related to accounts and disclosures		Page 14
Significant deficiencies and material weaknesses in internal control	Page 15	Page 15
Our responsibility, any procedures performed and the results relating to other information in documents containing audited financial statements		Page 15
Fraud and illegal acts	Page 16	
Independence matters		Page 16
Representations we are requesting from management		Page 16
Changes to the terms of the audit with no reasonable justification for the change	Page 16	

Summary of required communications

	Communicate when event occurs	Communicate on a timely basis, at least annually
Significant findings and issues arising during the audit relating to related parties	Page 17	
Significant findings or issues, if any, arising from the audit that were discussed, or the subject of correspondence, with management	Page 17	
Significant difficulties encountered during the audit	Page 18	
Disagreements with management	Page 18	
Management's consultations with other accountants	Page 18	
Findings regarding external confirmations	Page 18	
AICPA ethics ruling regarding third-party service providers		Page 19
Other findings or issues regarding the oversight of the financial reporting process	Page 19	

Required communications

Area	Comments
Overview of the planned scope and timing of the audit We provide those charged with governance with an overview of our overall audit scope, including the timing of the audit and our plans to use the work of internal auditors.	Our audit scope is consistent with the engagement letter and the audit plan communicated to Stephen Schumacher, CFO.
Auditor's responsibility under generally accepted auditing standards, including discussion of the type of auditor's report we are issuing and if there are any events or conditions that cause us to conclude that there is substantial doubt about the entity's ability to continue as a going concern The financial statements are the responsibility of management as prepared with the oversight of those charged with governance. Our audit was designed in accordance with auditing standards generally accepted in the United States, as established by the American Institute of Certified Public Accountants, to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we will express no such opinion. An audit also includes the evaluation of the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as the evaluation of the overall presentation of the financial statements. [If applicable] We also communicate to you matters required by other legal or regulatory requirements.	Our responsibilities are included in our audit engagement agreement. We issued an unqualified opinion on BRIM's financial statements as of and for the year ended June 30, 2014. As part of obtaining reasonable assurance about whether BRIM's financial statements were free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. Additionally, as part of our audit, we obtained a sufficient understanding of internal controls to plan our audit and determine the nature, timing, and extent of testing performed and not to provide assurance on internal control over financial reporting. We issued our Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Required communications

Area	Comments
Our views about the qualitative aspects of the entity's significant accounting practices: accounting policies As part of our discussion about the qualitative aspects of the entity's significant accounting practices, we discuss our views about the entity's application of accounting policies including instances we believe a significant accounting policy, although acceptable under US GAAP, is not appropriate for the particular circumstances of the entity. Our discussion may also include the following: ▸ The initial selection of new, or changes in, significant accounting principles and policies, including the application of new accounting pronouncements. ▸ The effect of the timing and method of adopting a change in accounting policy on current and future earnings of the entity (or expected new accounting pronouncements). ▸ The appropriateness of the accounting policies to the particular circumstances of the entity. ▸ Where acceptable alternative accounting policies exist, the identification of financial statement items that are affected by the implemented significant policies as well as information on accounting policies used by similar entities. ▸ The effect of a significant accounting policy in a controversial or emerging area (or those unique to an industry), particularly when there is a lack of authoritative guidance or consensus.	Management has not selected or changed any significant accounting policies or changed the application of those policies in the current year. We are not aware of any significant accounting policies used by BRIM in controversial or emerging areas or for which there is a lack of authoritative guidance. We have included a discussion of significant accounting policies within the section titled "Accounting policies and area of audit emphasis" on pages 5-7.

Required communications

Area	Comments
Our views about the qualitative aspects of the entity's significant accounting practices: additional views (1) Management's process used to develop particularly sensitive accounting estimates, our conclusions regarding the reasonableness of such estimates and the basis for those conclusions. Our discussion may also include the following: ▸ Risks of material misstatement ▸ Indicators of possible management bias ▸ Disclosure of estimation uncertainty in the financial statements (2) Financial statement disclosures and related matters which may include the following: ▸ The issues involved and related judgments made, in formulating sensitive financial statement disclosures ▸ The overall neutrality, consistency and clarity of financial statement disclosures ▸ The potential effect of significant risks and exposures and uncertainties on the financial statements ▸ The extent to which the financial statements are affected by unusual transactions including nonrecurring amounts recognized ▸ The factors affecting asset and liability carrying value ▸ The selective correction of misstatements (3) Significant unusual transactions (i.e., those outside the normal course of business for the entity or those that appear unusual due to timing, size, or nature) and the policies or practices management has used to account for those transactions.	We have provided our views regarding accounting estimates and financial statement disclosures and related matters in the sections titled "Accounting policies and areas of audit emphasis" on pages 5-7. Significant unusual transactions included the transfer of $2,000,000 to the Patient Injury Compensation Fund as required by House Bill 4621.

Required communications

Area	Comments
Uncorrected misstatements, related to accounts and disclosures, considered by management to be immaterial We discuss with those charged with governance uncorrected misstatements, related to accounts and disclosures, and the effect that they may have on our opinion in the auditor's report. We also discuss the effect of uncorrected misstatements related to prior periods on the significant classes of transactions, account balances or disclosures, and the financial statements as a whole. In addition, we discuss with those charged with governance the implications of a failure to correct known and likely misstatements, if any, considering qualitative as well as quantitative considerations, including the possible implications in relation to future financial statements.	No uncorrected misstatements were identified in connection with our audit of BRIM's financial statements as of and for the year ended June 30, 2014.
Material corrected misstatements, related to accounts and disclosures We discuss with those charged with governance material, corrected misstatements, related to accounts and disclosures, that were brought to the attention of management as a result of our audit procedures. In addition, we may discuss other corrected immaterial misstatements, such as frequently recurring immaterial misstatements that may indicate a particular bias in the preparation of the financial statements.	No corrected misstatements were identified in connection with our audit of BRIM's financial statements as of and for the year ended June 30, 2014.

Required communications

Area	Comments
Significant deficiencies and material weaknesses in internal control We communicate all significant deficiencies and material weaknesses in internal control that were identified during the course of our audit, including those that have been remediated during the audit.	There were no material weaknesses identified as a result of our audit of BRIM.
Our responsibility, any procedures performed and the results relating to other information in documents containing audited financial statements Our auditor's report on the financial statements relates only to the financial statements and the accompanying notes. If the entity includes other information in documents containing audited financial statements, we review such other information and consider whether such information, or the manner of its presentation, is materially inconsistent with the audited financial statements. If we conclude that a material inconsistency exists, we determine whether the financial statements, our auditor's report, or both require revision. In addition, we notify you if we conclude that there is a material misstatement of fact in the other information.	As required by GASB, BRIM has presented required supplementary information, including management's discussion and analysis and the supplemental schedule of Ten-Year Claims Development Information with its basic financial statements required by Governmental Accounting Standards Board Statement No. 30. We have applied certain limited procedures, and we do not express an opinion or provide any assurance on the information because of our limited procedures. BRIM also presented other financial information requested by the State of West Virginia (the State). This other financial information is not a required part of the basic financial statements but is presented for purposes of additional analyses. Such information has been subjected to the auditing procedures applied in our audit of the 2014 basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic 2014 financial statement taken as a whole.

Required communications

Area	Comments
Fraud and illegal acts We communicate with those charged with governance fraud and illegal acts involving senior management and fraud (whether caused by senior management or other employees) that causes a material misstatement of the financial statements. If desired by those charged with governance or we determine it is appropriate, we communicate to those charged with governance regarding fraud involving employees other than management that does not result in a material misstatement. We also communicate other matters of non-compliance with laws and regulations (illegal acts) that come to our attention during the audit, unless they are clearly inconsequential.	We are not aware of any matters that require communication.
Independence matters Although the auditor's report affirms our independence, in certain situations, we discuss with those charged with governance circumstances of relationships (e.g., financial interests, business or family relationships, or nonaudit services provided or expected to be provided) that in our professional judgment may reasonably be thought to bear on independence and that we gave significant consideration to in reaching the conclusion that independence has not been impaired.	We are not aware of any matters that in our professional judgment would impair our independence. Relating to our audit of the basic financial statements of BRIM as of June 30, 2014, and for the year then ended, we are independent certified public accountants with respect to BRIM within the meaning of Rule 101 of the American Institute of Certified Public Accountants' Code of Professional Conduct, its interpretations and rulings, and the requirements of Government Auditing Standards.
Representations we are requesting from management We discuss with those charged with governance representations we are requesting from management.	We have obtained from management a letter of representations related to the audit and a copy of the letter of representations is included in Appendix A.
Changes to the terms of the audit with no reasonable justification for the change We discuss with those charged with governance any changes to the terms of the audit engagement where there is no reasonable justification for the change and we are not permitted by management to continue the original audit.	None.

Required communications

Area	Comments
Significant findings and issues arising during the audit relating to related parties We discuss with those charged with governance any significant findings and issues arising during the audit relating to the entity's related parties. Such matters may include the following: ▶ Non-disclosure (whether intentional or not) by management of related parties or significant related party transactions ▶ The identification of significant related party transactions that have not been appropriately authorized and approved ▶ Disagreement with management regarding the accounting for, and disclosure of, significant related party transactions in accordance with US GAAP ▶ Non-compliance with applicable law or regulations prohibiting or restricting specific types of related party transactions ▶ Difficulties in identifying the party that ultimately controls the entity	None.
Significant findings or issues, if any, arising from the audit that were discussed, or the subject of correspondence, with management We discuss with those charged with governance any significant matters that were discussed with, or the subject of correspondence with, management, including: ▶ Business conditions affecting the entity, and business plans and strategies that may affect the risks of material misstatements. ▶ Discussions or correspondence in connection with our initial or recurring retention as the auditor, including, among other matters, any discussions regarding the application of accounting principles and auditing standards, the scope of the audit, financial statement disclosures and the wording of the auditor's report. We communicate those major professional issues we discussed with management, prior to our being hired as the auditors, during the entity's two most recently completed fiscal years and any subsequent interim period.	None.

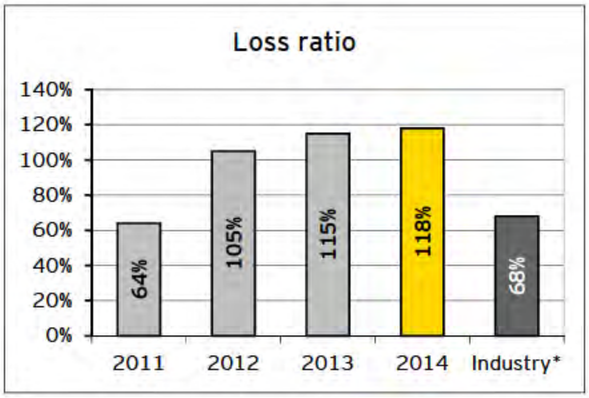
Required communications

Area	Comments
Significant difficulties encountered during the audit We inform those charged with governance of any significant difficulties encountered in dealing with management related to the performance of the audit which may include such matters as: ▸ Significant delays in management providing required information ▸ An unnecessarily brief time within which to complete the audit ▸ The unavailability of expected information ▸ Restrictions imposed on us by management ▸ Management's unwillingness to provide information about its plans for dealing with the adverse effects of the conditions or events that lead us to believe there is substantial doubt about the entity's ability to continue as a going concern	None.
Disagreements with management We discuss with those charged with governance any disagreements with management, whether or not satisfactorily resolved, about matters that individually or in the aggregate could be significant to the entity's financial statements or our auditor's report. For purposes of this discussion, disagreements do not include differences of opinion based on incomplete facts or preliminary information that are later resolved.	None.
Management's consultations with other accountants When we are aware that management has consulted with other accountants about accounting or auditing matters, we discuss with those charged with governance our views about significant matters that were the subject of such consultation.	None of which we are aware.
Findings regarding external confirmations We discuss with those charged with governance any instances where management has not permitted us to send confirmation requests, or where we cannot obtain relevant and reliable audit evidence from alternative procedures.	None.

Required communications

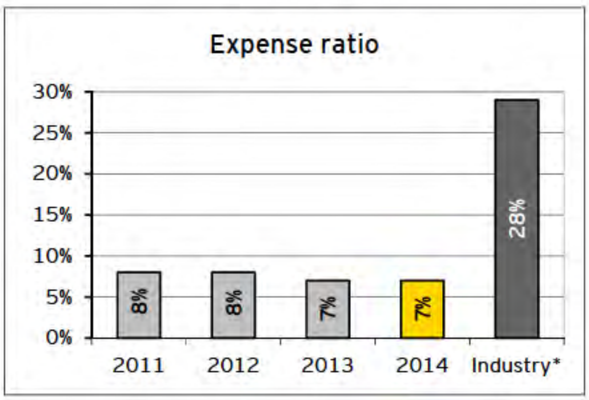
Area	Comments
AICPA ethics ruling regarding third-party service providers AICPA Ethics Ruling No. 112 under Rule 102, *Integrity and Objectivity*, requires that we inform you whenever we use a third-party service provider in providing professional services to the entity. The Rule has broadly defined "third-party service provider" to include an individual who is not employed by our US firm. Accordingly, third-party service providers might include, but not be limited to, the following examples: non US personnel who work for EY affiliate firms (e.g., Ernst & Young United Kingdom), non US personnel working in the US on a foreign secondment and non US personnel working at EY shared service centers.	From time to time, and depending on the circumstances, (1) we may subcontract portions of the Audit Services to other EY firms, who may deal with the Company or its affiliates directly, although EY alone will remain responsible to you for the Audit Services, and (2) personnel (including non-certified public accountants) from an affiliate of EY or another EY firm or any of their respective affiliates, or from independent third-party service providers (including independent contractors), may participate in providing the Audit Services. In addition, third-party service providers may perform services for EY in connection with the Audit Services.
Other findings or issues regarding the oversight of the financial reporting process We communicate other findings or issues, if any, arising from the audit that are, in our professional judgment, significant and relevant to those charged with governance regarding their oversight of the financial reporting process.	There are no other findings or issues arising from the audit that are, in our judgment, significant and relevant to those charged with governance regarding the oversight of the financial reporting process.

Industry analysis
Ratio comparison



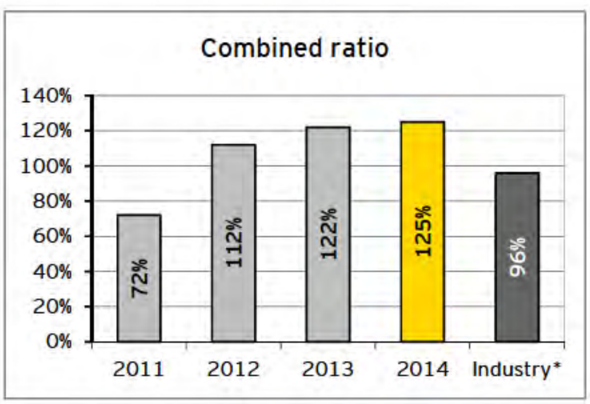
The loss ratio measures claims cost experience. It is derived by dividing claims and claims adjustment expenses by earned premiums. This ratio can soar during a period of heavy catastrophe losses.

The 2014 loss ratio has increased since the prior year due to both an increase in expenses ($7.6 million) and an increase in premiums ($5.0 million). While both of the metrics have increased, claims adjustment expense increased more than premiums during 2014. Additionally, in 2012 and 2013, there were two large storms which caused widespread damage and is the primary drivers of the increased expense.



The expense ratio measures how cost-effectively an insurer writes new business. It is derived by dividing general and administrative expenses by written premiums.

BRIM's expense ratio is well below the industry average. This is mainly due to low overhead and the requirement of State entities to obtain insurance coverage from BRIM. The 2014 expense ratio has remained consistent with the previous years.



The combined ratio is one of the key ratios used to measure underwriting performance. It is equal to the sum of the loss ratio and the expense ratio. A combined ratio below 100% indicates an underwriting profit, while a combined ratio in excess of 100% points to an underwriting loss.

BRIM's combined ratio increased significantly in 2014 due to the loss ratio factor discussed above.

**Industry data obtained from Standard & Poor's Industry Surveys, Insurance: Property/Casualty, April 2014*

Appendix A

Letter of representations

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) 744-7120 FAX
(800) 345-4669 TOLL FREE WV
www.state.wv.us/brim

Earl Ray Tomblin
Governor

Charles E. Jones, Jr.
Executive Director
charles.e.jones@wv.gov

Jason Pizatella
Acting Cabinet Secretary

November 7, 2014

Ernst & Young LLP
900 United Center
500 Virginia Street East
Charleston, WV 25301

In connection with your audits of the basic financial statements of West Virginia Board of Risk and Insurance management (BRIM or the Agency) as of June 30, 2014 and 2013 and for years then ended, we recognize that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion whether the financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of BRIM in conformity with US generally accepted accounting principles.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief.

Management's responsibilities

We have fulfilled our responsibilities, as set forth in the terms of the audit engagement agreement dated April 25, 2014, for the preparation and fair presentation of the financial statements (including disclosures) in conformity with US generally accepted accounting principles (US GAAP) applied on a basis consistent with that of the preceding years.

We acknowledge our responsibility for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. We have provided you with:

- Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters
- Additional information that you have requested from us for the purpose of the audit
- Unrestricted access to persons within BRIM from whom you determined it necessary to obtain audit evidence

We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.

Uncorrected misstatements

There are no uncorrected misstatements (including the effects of correcting or reversing prior year uncorrected misstatements and misstatements related to supplementary information), or uncorrected misstatements in disclosures relating to the current year basic financial statements.

Internal control

There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.

We are not aware of any significant deficiencies or material weaknesses in the design or operation of internal control over financial reporting.

Minutes and contracts

The dates of meetings of shareholders, directors, committees of directors and important management committees from the beginning of the period covered by the financial statements to the date of this letter are as follows:

- August 27, 2013
- November 26, 2013
- March 28, 2014
- June 24, 2014
- August 26, 2014

We have made available to you all minutes of the meetings of shareholders, directors and committees of directors or summaries of actions of recent meetings for which minutes have not yet been prepared.

We also have made available to you all significant contracts, including amendments, and agreements and have communicated to you all significant oral agreements. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance, including all covenants, conditions or other requirements of all outstanding debt.

Significant assumptions

Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable and supportable.

Risks and uncertainties

There are no risks and uncertainties related to significant estimates and current vulnerabilities due to material concentrations that have not been disclosed.

Ownership and pledging of assets

BRIM has satisfactory title to all assets appearing in the statements of net position. No security agreements have been executed under the provisions of the Uniform Commercial Code, and there are no liens or encumbrances on assets, nor has any asset been pledged. All assets to which BRIM has satisfactory title appear in the statements of net position.

Receivables and revenues

Receivables represent valid claims against the debtors indicated and do not include amounts for goods shipped or services provided subsequent to the statement of net position dates or other types of arrangements not constituting sales. All revenue recognized as of the statements of net position dates has been realized (or is realizable) and earned. Revenue has not been recognized before (1) persuasive evidence of an arrangement exists, (2) goods have been delivered or services rendered, (3) consideration to be received is fixed or determinable and (4) collectability is reasonably assured.

Adequate provision has been made for losses, costs and expenses that may be incurred subsequent to the statements of net position dates in respect of sales and services rendered prior to those dates and for uncollectible accounts, discounts, returns and allowances, etc., that may be incurred in the collection of receivables at those dates.

We have adequately disclosed a description of our major revenue-generating products and services, the types of arrangements (including multiple-element arrangements) used to deliver these products or services, and a description of the revenue recognition policies applicable to these products or services.

Fair value measurements

We are responsible for the estimation methods and assumptions used in measuring assets and liabilities reported or disclosed at fair value, including information obtained from brokers, pricing services or other third parties. Our valuation methodologies have been consistently applied from period to period. The fair value measurements reported or disclosed represent our best estimate of fair value as of the measurement date in accordance with the requirements of Government Auditing Standards Board (GASB) 31. In addition, our disclosures related to fair value measurements are consistent with the objectives outlined in GASB 31.

We have evaluated the fair value information provided to us by brokers, pricing services or other parties that has been used in the financial statements and believe this information to be reliable and consistent with the requirements of GASB 31.

Related party transactions

We have disclosed to you the identity of BRIM's related parties and all the related party relationships and transactions of which we are aware.

Transactions with related parties, as defined in Government Accounting Standards (GAS) No. 56, and related amounts receivable or payable, including sales, purchases, loans, transfers, leasing arrangements, guarantees, non-monetary transactions and transactions for non-consideration have been properly recorded and disclosed in the basic financial statements.

Arrangements with financial institutions

Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements have been properly recorded or disclosed in the basic financial statements.

Contingent liabilities

There are no unasserted claims or assessments, including those our lawyers have advised us of that are probable of assertion and must be disclosed in accordance with GAS 62, *Accounting for Contingencies*.

There have been no violations or possible violations of laws or regulations in any jurisdiction whose effects should be considered for disclosure in the basic financial statements or as a basis for recording a loss contingency.

There have been no internal investigations or communications from regulatory agencies or government representatives concerning investigations or allegations of noncompliance with laws or regulations in any jurisdiction, noncompliance with or deficiencies in financial reporting practices, or other matters that could have a material effect on the basic financial statements.

There are no other liabilities or gain or loss contingencies considered material, individually or in the aggregate, that are required to be accrued or disclosed by GAS 62, *Accounting for Contingencies*, nor are there any accruals for loss contingencies included in the statement of net position or gain contingencies reflected in earnings that are not in conformity with the provisions of GAS 62.

Oral or written guarantees

There are no oral or written guarantees, including guarantees of the debt of others.

Fraud

We acknowledge our responsibility for the design, implementation and maintenance of programs and internal control to prevent and detect fraud.

We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in BRIM's internal control over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees where the fraud could have a material effect on the basic financial statements.

We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud. We have disclosed to you all allegations of financial improprieties, including fraud or suspected fraud, coming to our attention (regardless of the source or form and including, without limitation, allegations by "whistle-blowers") where such allegations could result in a misstatement of the basic financial statements or otherwise affect the financial reporting of BRIM.

Independence

We are not aware of any capital lease, material cooperative arrangement or other business relationship between BRIM and Ernst & Young LLP or any other member firm of the global Ernst & Young organization.

We are not aware of any reason that Ernst & Young LLP would not be considered to be independent for purposes of BRIM's audit.

Conflicts of interest

There are no instances where any officer or employee of BRIM has an interest in a company with which BRIM does business that would be considered a "conflict of interest." Such an interest would be contrary to BRIM policy.

Cash equivalents and investments

BRIM has certain cash equivalents in pools of the West Virginia Bureau of Treasury Investments (BTI) and West Virginia Investment Management Board (IMB). The management of these entities is not under BRIM's control. Cash equivalents and investment are reported by the BTI and IMB at fair value and are accounted for by BRIM accordingly, with changes in the fair value included in investment income. The earnings from these pooled investments are distributed to investment pool participants based on their pro rata participation in the pools.

Adequate disclosures required under GASB 40 for deposits and investments have been included in the financial statements for risk disclosures. To our knowledge, none of the investments has permanently declined in value to an amount less than the carrying value in the financial statements. Risk disclosures associated with deposits and investment securities are presented in accordance with GASB requirements.

Advance deposit with insurance company or trustee

All claims identified in prior years as being on the detail of claims paid by an insurance company, which do not represent claims covered by the retrospective rating plans, have been excluded from the section of the retrospective rating report that summarizes claims paid during the current year. Thus, the summary of claims paid by an insurance company only represents claims actually paid through the retrospective rating plans and no adjustments for such items need to be made to claims paid during the determination of advanced deposits held with an insurance company or trustee.

Claim liabilities

The liabilities for unpaid claims (and claim adjustment expenses) include estimates of amounts due on reported claims and claims that have been incurred but that were not reported as of June 30, 2014 and 2013. Such estimates are based on actuarial projections applied to historical claim payment data. Such liabilities represent the Agency's best estimate of amounts that are reasonable and adequate to discharge the Agency's obligations for claims incurred but unpaid as of June 30, 2014 and 2013.

The liabilities for unpaid claims and claims adjustment expense are continually reviewed and adjusted as necessary as experience develops or new information becomes known; such adjustments are included in current operations. We have made available to you all documentation and analyses used to develop management's best estimate. Although the estimate of the liability for unpaid claims and claims adjustments expenses at June 30, 2014 and 2013, are reasonable in the circumstances, it is possible that the Agency's actual incurred claims and claims adjustment expenses will not conform to the assumptions inherent in the determination of the liability; accordingly, the ultimate settlement of claims and the related claims adjustment expenses may vary from the estimates included in the Agency's financial statements.

The loss reserve specialists used by management in estimating the loss and loss adjustment expense reserves had a sufficient level of competence and experience in loss reserving, including knowledge about the type of insurance for which a reserve has been established and an understanding of the appropriate methods for calculating such reserve estimates. We agree with the findings of specialists in evaluating the liability for unpaid claims and claims adjustment expense and premium deficiency analysis and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

Reinsurance

The reinsurance contracts provided to you by the Company represent all of the Company's agreements with respect to its ceding and assuming reinsurance activities, and there are no modifications, either written or oral, of the terms of the Company's reinsurance contracts or additional reinsurance agreements that have not been provided to you.

Pension and other postretirement benefits

We have disclosed to you all significant pension benefits promised and have made available to you all significant summary plan descriptions, benefit communications and all other relevant information, including plan changes that constitute the plan. The actuarial assumptions and methods used to measure pension liabilities and costs for financial accounting purposes, including prescribed assumptions, are determined by State statute and the Consolidated Public Retirement Board.

We have disclosed to you all significant postretirement benefits other than pensions (OPEBs) promised and have made available to you all significant summary plan descriptions, benefit communications and all other relevant information, including plan changes, that constitute the plan for each significant OPEB. The actuarial assumptions and methods used to measure OPEB liabilities and costs for financial accounting purposes, including prescribed assumptions, represent our best estimate of future conditions and are appropriate in the circumstances.

Required supplementary information

We acknowledge our responsibility for the required supplementary information on Management's Discussion and Analysis and the Ten Year Claims Development Information, which have been measured and presented in conformity with the guidelines established by the applicable Governmental Accounting Standards Board Statement. There have been no changes in the methods of measurement or presentation of the required supplementary information from those used in the prior period. We are responsible for the significant assumptions and interpretations underlying the measurement and presentation of the required supplementary information. We believe that the significant assumptions and interpretations used are reasonable.

Supplementary information

We are responsible for the fair presentation of the Closing Book Forms (the "supplementary information") in accordance with Financial Accounting and Reporting Section of the State of West Virginia (FARS). We believe the supplementary information, including its form and content, is fairly stated in all material respects in conformity with FARS criteria. There have been no changes in the methods of measurement or presentation of the supplementary information from those used in the prior period. There are no significant assumptions or interpretations underlying the measurement or presentation of the information.

Use of the work of a specialist

We agree with the findings of specialists in evaluating the incurred but not reported ("IBNR") liability and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the basic financial statements and the underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

Other

We have identified and disclosed to you, all provisions of laws and regulations that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.

We have followed all applicable laws and regulations in adopting, approving and amending budgets, tax or debt limits and covenants and secondary market disclosures, deposits and investments, including collateral requirements on depository accounts and investments and tax levies and refunds.

BRIM does not have any component units or joint ventures.

The financial statements properly classify all funds and activities.

Components of net position (net investment in capital assets; restricted; and unrestricted), nonspendable fund balance, and restricted, committed, assigned, and unassigned fund balance are properly classified and, if applicable, approved.

Expenses have been appropriately classified in or allocated to functions and programs in the statements of activities, and allocations have been made on a reasonable basis.

Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments or contributions to permanent fund principal.

Provisions for uncollectible receivables have been properly identified and recorded.

Interfund, internal and intra-entity activity and balances have been appropriately classified and reported.

There are no special or extraordinary items.

Risk disclosures associated with deposits and investment securities and derivatives transactions are presented in accordance with GASB requirements.

Investments, derivative transactions, and land and other real estate held by endowments are properly valued.

Our policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available, determines the fund balance classifications for financial reporting purposes.

Our policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available is appropriately disclosed and net position was properly recognized under the policy.

Subsequent events

Subsequent events have been evaluated and classified as recognized or nonrecognized through November 7, 2014.

Subsequent to June 30, 2014, no events or transactions have occurred or are pending that would have a material effect on the basic financial statements at that date or for the period then ended, or that are of such significance in relation to BRIM's affairs to require mention in a note to the basic financial statements in order to make them not misleading regarding the financial position, results of operations or cash flows of BRIM.

We understand that your audits were conducted in accordance with auditing standards generally accepted in the United States as established by the American Institute of Certified public Accountants and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and were, therefore, designed primarily for the purpose of expressing an opinion on the basic financial statements of BRIM as a whole, and that your tests of the accounting records and other auditing procedures were limited to those that you considered necessary for that purpose.

Very truly yours,

Charles E. Jones Jr

Charles E. Jones, Chief Executive Officer

Stephen W. Schumacher, Chief Financial Officer

Stephen W. Panaro

Stephen W. Panaro, Controller

Appendix B

EY peer report

KPMG LLP
345 Park Avenue
New York, NY 10154-0102

System Review Report

To the Partners of Ernst & Young LLP
and the National Peer Review Committee of the AICPA Peer Review Board:

We have reviewed the system of quality control for the accounting and auditing practice of Ernst & Young LLP (the firm) applicable to non-SEC issuers, in effect for the year ended June 30, 2013. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As a part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards*; audits of employee benefit plans, audits performed under FDICIA, audits of carrying broker-dealers, and examinations of service organizations [Service Organizations Control (SOC) I and 2 engagements].

In our opinion, the system of quality control for the accounting and auditing practice of Ernst & Young LLP, applicable to non-SEC issuers, in effect for the year ended June 30, 2013, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass, pass with deficiency(ies)* or *fail*. Ernst & Young LLP has received a peer review rating of *pass*.

KPMG LLP

December 6, 2013

Appendix C

Industry trends

Industry trends

Source: Standard & Poor's Industry Surveys, Insurance: Property/Casualty, April 2014

The property-casualty insurance industry has emerged from the credit crisis and the "Great Recession" relatively unscathed—both financially and from a regulatory standpoint—especially when compared with other financial institutions. In addition, following several years of heavy storm and catastrophe losses in 2011–12, industry premium rates have firmed, although they may have weakened a bit as of the first quarter of 2014. The degree to which the industry will be able to grow its premium base will largely depend on the demand for insurance. An economic recovery in the US (even a modest one) should help the demand curve for insurance.

Although claims from Superstorm Sandy put a crimp in fourth-quarter earnings for many insurers, their full-year 2012 results improved compared with the catastrophe-laden 2011. Investment results in 2011 and 2012 were mixed, as persistently low interest rates continued to pressure net investment income. However, a recovery in most areas of the bond market helped fuel an improvement in investment gains.

Underwriting results improve

Year to date through September 30, 2013, net written premiums grew 4.2%, year to year, to $363.4 billion from $348.7 billion, according to data provided by ISO. (Written premiums represent business produced in a given period. Insurers account for this business over the life of a policy—typically 12 months.) Hence, the general volume and direction of written premiums in one year is usually a good indication of the level of earned premiums (a revenue component on the income statement) the following year. Net written premiums grew 4.3% in 2012 to $457 billion.

- Personal lines. Written premiums in the personal lines sector (the industry's largest, accounting for 42.2% of total industry written premiums in the first nine months of 2013) advanced 5.3%, compared with a 3.1% growth rate in the first nine months of 2012. This group's business consists primarily of personal auto and homeowners' coverage, which is highly regulated and not prone to large pricing swings. However, premium rates for auto insurance have been under pressure for the last several years, and indications are that competition has remained intense.

Industry trends

- Commercial lines. In the commercial lines sector (which accounted for 35.0% of total industry written premiums), growth moderated to 3.1% in the first nine months of 2013, versus 5.8% growth in the prior-year period.
- Balanced lines. Balanced lines underwriters, who write a combination of personal and commercial lines coverage, accounted for the remaining 22.8% of total industry written premiums. This group posted a 4.0% year-over-year increase during the first nine months of 2013.

Earned premiums for insurers in the ISO study grew 4.0% to $348.27 billion in the first nine months of 2013 from $334.84 billion during the same period in 2012. This growth, however, was modest compared with the double-digit rise in premiums that occurred in the "hard market" that ensued in the aftermath of the September 11 terrorist attacks: earned premiums advanced 11.9% in 2002, 10.9% in 2003, and 7.1% in 2004.

Investment results paint a mixed picture

Investment income is an important revenue source for insurers, often accounting for 15%–20% or more of an insurer's total revenues historically. During the past several years, investment results have been mixed, as persistent low investment yields pressured investment income. Equity and fixed income markets recovered from the credit crisis–induced selloff in 2009, enabling insurers to recoup some of the lost value of their investment holdings. In 2011, the situation worsened as unrealized investment losses amounted to $4.4 billion, compared with unrealized investment gains of $16.0 billion in 2010, which itself was a significant decline from the gains of $23.1 billion in 2009. In 2012, unrealized investment gains amounted to $18.8 billion. However, net investment income for property-casualty insurers declined 3.0% to $47.7 billion in 2012, from $49.2 billion in 2011, which in turn was up 3% from $47.6 billion in 2010. In the first nine months of 2013, unrealized investment gains totaled $20.1 billion. In the same period, net investment income for property-casualty insurers declined 2.87% to $34.3 billion.

Realized investment gains (recognized when investments are sold) staged a dramatic turnaround in 2010 (driven mainly by a narrowing of credit spreads) to more than $5.9 billion. This contrasts rather sharply with the more than $7.9 billion of realized investment losses incurred by the industry in 2009. In 2011, realized gains grew 18.6% to reach $7.0 billion, but then declined 11.4% to $6.2 billion in 2012. In the first nine months of 2013, realized gains increased more than 100%, rising to $6 billion from $2.9 billion in the prior-year period.

Industry trends

Unrealized gains have been fairly volatile since the credit crisis in 2008. In that year, the industry posted nearly $53 billion in unrealized investment losses, which then rebounded to end 2009 with $23.1 billion in unrealized investment gains. During 2010, the industry saw its unrealized gains plummet to $16 billion. By 2011, results had deteriorated further, and the industry reported $4.4 billion in unrealized losses. Results rebounded in 2012 along with the bond and equity market, and industry aggregate unrealized gains totaled nearly $19 billion at year-end 2012. In the first nine months of 2013, unrealized gains amounted to $20.1 billion, an increase of 20.4% from $16.7 billion during the same period in 2012. [Note: analysts typically exclude the impact of net realized investment gains on insurers' profits when forecasting earnings. Instead, they base earnings estimates on net operating earnings, which exclude these gains and/or losses.]

Loss trends improved slightly during 2012

Loss costs and related expenses (commonly referred to as loss adjustment expenses) are often the largest expense item facing an insurer. A change in the direction of these expenses can dramatically affect bottom-line results.

Industry trends

Insurers in the ISO survey reported modest improvement in loss trends during 2012. Incurred losses declined 4.5% to $277.7 billion, from $290.8 billion in 2011, after an increase of 12.8% in 2011. Loss and loss adjustment expenses (the costs incurred in settling claims) inched up 3.2%, to $55.5 billion from $53.8 billion. However, net losses on underwriting equaled only 3.7% of earned premium in 2012, down from 8.3% in 2011. Underwriting results in 2012 remained unprofitable, but improved, year over year, despite an increase in direct insured catastrophe losses to approximately $35 billion for US insurers, from $33.6 billion in 2011. Consequently, loss ratios for most property-based lines of coverage (homeowners, commercial multi-peril, fire) declined in 2012. Pure loss ratios for most of the major property lines experienced a decline in 2012 (except allied lines, where the pure loss ratio went up, and auto physical damage, where the pure loss ratio was the same as in 2011). Pure loss ratios dropped for two of the four major casualty lines (general liability and medical malpractice), and increased for two (workers' compensation and auto liability line of coverage).

PREMIUM VOLUME AND UNDERWRITING RATIOS FOR THE TOTAL US PROPERTY-CASUALTY INDUSTRY

YEAR	NET PREMIUMS WRITTEN	NET PREMIUMS EARNED	‡LOSS RATIO (%)	†EXPENSE RATIO (%)	DIVIDEND RATIO (%)	COMBINED RATIO (%)
	MILLIONS OF DOLLARS					
2013*	363,435	348,269	67.6	27.8	0.4	95.8
2012*	348,698	334,838	72.6	27.8	0.3	100.7
2012	456,720	448,930	74.2	28.2	0.5	102.9
2011	438,031	434,449	79.3	28.4	0.4	108.1
2010	423,789	422,200	73.6	28.3	0.5	102.4
2009	418,365	422,302	72.5	28.0	0.5	101.0
2008	434,930	438,316	77.1	27.5	0.4	105.0
2007	440,583	438,908	67.7	27.3	0.6	95.5
2006	443,460	435,484	65.2	26.4	0.8	92.4
2005	425,500	417,635	74.6	25.8	0.4	100.9

*Nine months. ‡Incurred to premiums earned. †Incurred to premiums written.
Source: Insurance Services Office.

This positive trend continued through the first nine months of 2013, with incurred losses declining by 4.3% to $194.2 billion from $203.0 billion in the same period in 2012. Loss and loss adjustment expenses inched up 3.5%, to $41.4 billion from $39.9 billion. However, underwriting registered a net gain of $10.5 billion in the first three quarters of 2013, compared with a net loss of $6.2 billion in the same period in 2012. The net gain on underwriting equaled 3.0% of earned premium, a significant improvement from the net loss on underwriting equal to 1.8% of earned premium in the 2012 period.

Industry trends

Combined ratio a key gauge of underwriting performance

The combined ratio is a key measure of underwriting performance. It is the sum of the loss ratio, the expense ratio, and (where applicable) the dividend ratio. A combined ratio under 100% indicates an underwriting profit, while one in excess of 100% means there is an underwriting loss. Insurers in the ISO study reported a combined ratio of 103.2% for 2012, an improvement from 108.1% in 2011. In the first nine months of 2013, the combined ratio improved to 95.8% from 100.7% in the same period in 2012. (For more information on the combined ratio and its implications for insurer profitability, please refer to the "How to Analyze a Property-Casualty Insurer" and "Key Industry Ratios" sections of this Survey.)

Underwriting results varied by type of insurer. Personal lines writers experienced an improvement in underwriting results, as their combined ratio dropped to 101.1% in 2012 from 105.9% in 2011. Commercial lines underwriters (excluding mortgage and financial guaranty insurers) also saw improvement in underwriting results, with a combined ratio of 102.3% in 2012, compared with 104.7% in 2011. While a drop in catastrophe losses affected results for many industry participants, some broad-based improvements in a number of lines of coverage (including workers' compensation in the commercial lines arena) also drove the improved underwriting results. Balanced lines underwriters, which write both commercial and personal lines of coverage, also witnessed an improvement in underwriting results in 2012, evidenced by their combined ratio of 104.6%, versus 109.3% in 2011. In the first three quarters of 2013, personal lines underwriters witnessed further improvement as their combined ratio dropped to 97.6% from 99.3% during the same period in 2012. Likewise, commercial lines underwriters also experienced an improvement in underwriting results as their combined ratio dropped to 93.3% during the first three quarters of 2013, from 98.3% during the same period in 2012. Balanced lines underwriters saw their combined ratio improve to 99.2% from 102.7% during the same period in 2012.

Industry trends

- Loss ratios. For this representative group of insurers (accounting for approximately 96% of industry premium volume), loss ratios equaled 67.6% in the first nine months of 2013 versus 72.6% during the same period in 2012. Personal lines insurers registered a loss ratio of 72.3% compared with 74.0% during the same period in 2012. Commercial lines insurers posted a decline in the loss ratio to 61.7% from 71.8% a year earlier. Balanced lines underwriters also witnessed a decline in their loss ratios, which equaled 67.9% compared with 71.1% during the same period in 2012. These results reflected the combined impact of improvements in personal lines and commercial lines claim trends, particularly in the aftermath of a much more benign storm season in 2013.

  In 2012, loss ratios equaled 74.5%, compared with 79.3% in 2011. Personal lines insurers posted a loss ratio of 75.2% in 2012, versus 80.3% in 2011. Commercial lines insurers also reported a decline in their loss ratios during 2012, with a loss ratio of 74.9%, versus 78.9% in 2011. Balanced lines underwriters also experienced a decline in their loss ratios, which equaled 72.9% in 2012, compared with 78.3% in 2011.

- Expense ratios. Industry expense ratios remained flat at 27.8% during the first three quarters of 2013, reflecting a stable to rising premium base and the impact of some broad-based cost-cutting measures on the part of many insurers. Still, expense ratios have been climbing steadily since 2003, when they ended the year at 24.9%. Results were similar by product line, as expense ratios for personal lines insurers remained flat at 24.9% during the first nine months of 2013, compared with the prior-year period. Commercial line insurers saw their expense ratios inch up marginally to 29.1% from 29.0%, while the expense ratios of balanced lines insurers declined slightly to 31.1% from 31.3%.

  In 2012, results were mixed by product line, as expense ratios for personal lines insurers equaled 25.3% at the end of 2012, compared with 25.2% in 2011. Commercial lines insurers saw the most dramatic decline in their expense ratios, to 29.4% in 2012, from 30.6% in 2011. However, the balanced insurers’ expense ratio increased to 31.5% in 2012, from 30.7% in 2011.

Industry trends

- Dividend ratios. Finally, the dividend ratio equaled 0.4% in the first nine months of 2013 versus 0.3% during the same period in 2012. Results did not differ materially among types of underwriters. The dividend ratio ended 2012 at 0.5%, up from 0.4% in 2011.

SURPLUS REMAINS ABUNDANT

Surplus, in this instance, refers to capital, or net worth: the amount by which an insurer's assets exceed its liabilities. Surplus—often referred to as statutory surplus under statutory accounting principles (SAP)—is analogous to shareholders' equity under generally accepted accounting principles (GAAP). At December 31, 2012, insurers in the ISO study reported a combined surplus of $586.9 billion, up 6.0% from $553.8 billion at December 31, 2011.

ESTIMATED CHANGES IN POLICYHOLDERS' SURPLUS
(Total property-casualty industry, in billions of dollars)

			-- NINE MOS. --	
ITEM	2011	2012	2012	2013
Policyholders' surplus—beg. of period	559.2	553.8	553.8	587.1
Operating income	15.4	35.0	31.4	45.7
Realized capital gains	6.6	6.2	2.9	6.0
Income taxes	7.0	(6.1)	(6.5)	(8.7)
Net after-tax income	19.5	35.1	27.8	43.0
Unrealized capital gains (loss)	(4.4)	18.5	16.7	20.1
Stockholder dividends & other	(25.9)	(23.8)	(16.7)	(18.7)
New funds	2.3	4.6	1.8	1.6
Misc. surplus change	3.1	(1.1)	0.6	(8.8)
Policyholders' surplus—end of period	553.8	587.1	584.0	624.4

Source: Insurance Services Office.

Furthermore, as of September 30, 2013, insurers had a combined surplus of $624.4 billion, up 6.3% from $587.1 billion at September 30, 2012. The $37.3 billion increase in surplus reflected contributions from $43 billion in operating income, $20.1 billion in unrealized capital gains, $6.0 billion in realized capital gains, and $1.6 billion in new funds. These contributions were partially offset by $8.7 billion in miscellaneous and other charges, and $18.7 billion in dividends paid to stockholders.

- At December 31, 2012, the $33.1 billion increase in surplus reflected contributions from $33.3 billion in operating income, $18.8 billion in unrealized capital gains, $6.2 billion in realized capital gains, and $4.4 billion in new funds, all offset by $6.0 billion in income taxes and $23.7 billion in dividends paid to stockholders. As a result of this increase, industry leverage continued to trend downward. [In this instance, leverage refers to the degree to which the industry utilizes its capital (or surplus) to underwrite policies.] The ratio used to measure leverage is the ratio of new written premiums to surplus. (For a more detailed explanation of leverage, please refer to the "How to Analyze a Property-Casualty Insurance Company" section of this Survey.)

Industry trends

The ratio of net written premiums to surplus stood at 0.76-to-1 at September 30, 2013. In other words, in the nine months ended September 30, 2013, insurers wrote $0.76 worth of premiums for every $1 of surplus. If we assume a "typical" rate of leverage of 2-to-1 (which is what regulators usually allow), the industry had approximately $442.7 billion of "excess" surplus at September 30, 2013, according to our estimates, compared with our estimate of $412.75 billion at September 30, 2012.

We arrived at this conclusion by using the following 2013 data points: the $363.4 billion in net written premiums in the nine months ended September 30, 2013, and policyholders' surplus of $624.4 billion at September 30, 2013. If we assume a 2-to-1 leverage ratio, the amount of surplus required to support the actual level of premium volume is approximately $181.7 billion ($363.4 billion divided by 2). The difference between actual surplus ($624.4 billion) and so-called required surplus ($181.7 billion) is $442.7 billion. Put another way, this excess surplus could theoretically support another $885.4 billion of written premiums, more than the industry is currently writing on an annual basis!

Although we need to qualify this exercise as one designed to illustrate the degree to which the industry has excess capital, we do it to make the point that at September 30, 2013, there remained an enormous amount of excess capital in the insurance marketplace.

US CATASTROPHE LOSSES DECLINE IN 2013

According to data compiled by the Property Claim Services Unit of the Insurance Services Office Inc. (ISO), an industry research group, insured catastrophe losses in the US totaled $12.9 billion in 2013, down 63% from $35.0 billion in 2012. (Catastrophes are defined as natural or man-made disasters that cause at least $25 million in insured losses.) In 2011, insured catastrophe losses in the US totaled $33.6 billion, which was up a considerable 135% from $14.3 billion in 2010. The losses in 2010 were up from $11.6 billion in 2009, but down from $27 billion in 2008. This followed a brief respite from heavy catastrophe losses in 2007 and 2006. Insured catastrophe losses totaled $6.7 billion in 2007 and $9.5 billion in 2006, significantly below the $66.1 billion of insured catastrophe losses in 2005.

Industry trends

Hurricanes historically have accounted for the majority of US catastrophe losses. Indeed, according to a study published by the Insurance Information Institute, during the 20 years from 1993–2012, hurricanes accounted for more than 40% of catastrophe losses, followed by tornados (36%), windstorms (7%), terrorism (6%), earthquakes (5%), wind/hail/floods (4%), and fire (2%). However, catastrophe trends in 2013, a year in which no major hurricane made landfall, differed from these historical patterns. Insured catastrophe losses from tornados and thunderstorms totaled $10.3 billion in 2013, or just over 80% of the $12.9 billion in insured catastrophe losses for the entire year.

The catastrophe loss outlook for 2014 is likely to be mixed. First-quarter 2014 underwriting results for many insurers will likely be negatively impacted by claims from a series of winter storms from January 1 to February 21 that caused an estimated $1.5 billion in insured losses.

Partly offsetting the impact from the heavy 2014 winter storm season is the forecast of a below-average hurricane season. Storm forecasters attribute this benign outlook to the formation of EL Nino, a weather pattern that tends to suppress the development of hurricanes.

The 2013 hurricane season was very uneventful with only 13 tropical storms, of which two became hurricanes and neither was considered a "major" hurricane (Category three or higher).

In the 2012 storm season, 19 tropical storms formed, of which 10 became hurricanes. One in particular (Sandy) presently has the dubious distinction of being the third costliest hurricane on record (behind Hurricanes Andrew and Katrina), with some $18.75 billion of insured property losses. We expect a significant amount of business interruption claims to push the total losses from Sandy much higher.

Forecasts of an "above average" hurricane season in 2011 proved accurate, with 19 named storms, of which seven developed into hurricanes and three were classified as "major" (Category 3 or higher). Most significant was Hurricane Irene, which strengthened into a Category 3 hurricane on August 25, 2011. Irene cut a wide swath along the Eastern Seaboard of the United States and spawned at least eight tornadoes, leaving some 41 dead and causing $4.3 billion in insured damages.

Industry trends

The 2010 hurricane season also consisted of 19 named storms, of which 12 developed into hurricanes. The 2009 hurricane season was marked by "below average" Atlantic storm activity, with only nine named storms, of which only three developed into hurricanes. During the 2008 Atlantic hurricane season, there were 16 named storms and nine hurricanes. Hurricane Ike caused approximately $10.7 billion of insured losses (in 2008 dollars) and was the costliest of that season.

CONGRESS ADDRESSES ISSUES ARISING FROM CATASTROPHES, BOTH MANMADE AND NATURAL

One of the more pressing issues that both public and private sector entities must address is the issue of affordability and availability of property insurance (typically homeowners' coverage) in storm-prone areas. Exacerbating the coverage gaps are the exclusions for flood and earthquake damage that are standard on most homeowners' insurance policies. In other words, coverage in a number of coastal areas is difficult to obtain, and most homeowners' policies don't cover most catastrophe-related damages. (Flood damage to vehicles, though, is typically covered under a comprehensive automobile insurance policy.)

As coastal areas are developed and become more densely populated, the potential for and magnitude of storm losses increase significantly. Indeed, Census Bureau data indicated that in 2008, Atlantic Hurricanes seriously threatened 35.7 million people, versus 10.2 million people in 1950. Couple this with insurers' need to preserve capital and mitigate risk by reducing their exposure to these storm-prone coastal areas, and an insurance crisis is born.

The frequent flooding of the Mississippi River in the 1960s gave rise to the creation of the National Flood Insurance Program (NFIP), a taxpayer-funded disaster relief program. The NFIP has three components: providing residential and commercial insurance coverage for flood damage; improving floodplain management; and developing maps of flood hazard zones.

In the aftermath of the 2005 hurricane season and the widespread flooding caused by Hurricane Katrina, a number of government-sponsored initiatives began to gain traction in an attempt to alleviate what was becoming a crisis in availability and affordability of homeowners' insurance. Following a study of these various initiatives, however, the Government Accountability Office (GAO) concluded that there is no perfect solution for the inherent conflicts between homeowners, who want affordable insurance protection, and taxpayers, who would potentially foot the bill for catastrophic damages.

Industry trends

The urgency to reopen this debate increased in 2011, following heavy flooding along the Mississippi River and in the Northeast in the spring, and in the aftermath of Hurricane Irene in late summer. Many proposals sought to reduce the disputes over whether damage was caused by wind or flood. The challenge, however, is that many of the initiatives would not likely be profitable; in essence, they would be a de facto subsidy to residents in storm-prone areas. This in turn would discourage the private insurance market from insuring these areas, further reducing accessibility of coverage. Most of the proposed legislative initiatives failed to gain enough traction in the midst of an election year and in the wake of the threatened government shutdown in late 2011.

The most concrete resolution was the extension of the National Flood Insurance Program (NFIP) through May 3, 2012. Then, on May 31, the program was further extended until July 31. Although a long-term alternative to this program has yet to materialize, several initiatives did emerge in both houses of Congress.

In May 2012, both the House and Senate introduced legislation that would extend the NFIP through 2016. On July 6, 2012, President Obama signed into law the Biggert-Waters Flood Insurance Reform Act of 2012, which extends (with certain changes) the NFIP for five years through September 30, 2017. Subsequently, on March 21, 2014, the President signed into law the Homeowner Flood Insurance Affordability Act. This law, the genesis of which started in the aftermath of Hurricane Sandy, repeals some provisions of the Biggert-Waters Act. Many key provisions of the Biggert-Waters Act remain intact, however. Still, the new law lowers recent rate increases on some policies, prevents future rate increases, and implements a surcharge on all policyholders.

Industry trends

TRIA PROVIDES A FEDERAL BACKSTOP

Although losses from natural disasters like Hurricane Sandy have made headlines in recent years, insurers have also had to contend with man-made disasters, including terrorist attacks. Insured losses from the September 11 terrorist attacks (which included property damage, business interruption coverage, commercial liability, and group life insurance claims) totaled $41.4 billion (in 2011 dollars), according to data obtained from the Insurance Information Institute. Reinsurers covered approximately two-thirds of these losses.

Before September 11, 2001, insurers typically provided terrorism coverage to their commercial insurance policies at essentially no additional cost because the risk of such an event on US soil was considered remote. In the aftermath of the unprecedented losses from the 9/11 attacks, however, many insurers and reinsurers instituted "terrorism exclusions" in a number of their policies. Those insurers who did offer terrorism coverage did so at premium rates that were prohibitively expensive. The US business community argued that a lack of coverage was hindering the economic recovery and threatening certain business sectors.

To alleviate the market dislocation, the Terrorism Risk Insurance Act (TRIA) was passed and signed into law in November 2002. The legislation set up a federal reinsurance program in which insurers and the federal government would share losses. At the time of its passage, the law was seen as a transition until a market-based solution could be created. In December 2005, however, it was extended for another two years amid a continued shortage of available reinsurance for insurers to lay off their risks.

TRIA's extension in 2005, made with the support of a last-minute lobbying campaign from industry groups and other business leaders, left the industry still searching for longer-term alternatives to terrorism coverage. Before the elections in November 2006, the Bush Administration said that it would not support another extension of the program. The US Department of the Treasury, the program's administrator, argued that the program would hinder development of coverage in the private market. Reports published in late 2006 by the US Government Accountability Office and the President's Working Group on Financial Markets echoed these sentiments and said that the continuation of TRIA would hinder the formation of a meaningful, private market solution to the lack of terrorism insurance. These criticisms notwithstanding, TRIA was extended again in late 2007, with an expiration date of December 31, 2014. Further, on February 5, 2013, the House introduced legislation to extend TRIA through the end of 2019. However, many insurance industry experts caution that an automatic renewal of TRIA is not a sure thing.

Industry trends

Terrorism insurance poses challenges for P/C industry

The insurance industry's perspective on insuring terrorism is that this kind of risk is unlike any other for which the industry provides coverage. To be insurable, a risk must first be measurable. To adequately price a risk, insurers must be able to ascertain the probable number of events (i.e., the frequency) likely to result in claims. Next, they must be able to estimate the potential maximum size or cost of these events (i.e., the severity). By calculating the probable frequency and severity of an event, insurers can then better evaluate the cost of insuring a particular risk.

A terrorist act, according to the insurance industry, does not possess these characteristics, rendering it impossible to price as a risk. Also, since there have been very few large-scale terrorist attacks, very little data exist from which to draw conclusions as to both severity and frequency trends.

There is a general agreement that the establishment and extension of TRIA has helped insurance companies provide some meaningful terrorism protection, largely due to the backstop protection the federal government offers. In return for the federal backstop, commercial insurers are required to make terrorism coverage available and to explicitly state its cost. Policyholders can opt out of the terrorism coverage if they choose. Nevertheless, each time TRIA has been extended, the point at which that government protection kicks in has been raised. When TRIA was extended in 2005, the amount of losses that private insurers would have to absorb before the government stepped in was increased to $50 million from $5 million. In 2007, the triggering event rose to $100 million: in other words, only terrorist events that produced losses in excess of $100 million would result in the outlay of federal funds. Moreover, individual insurance companies would have to incur losses equal to 20% of their commercial insurance premiums in 2007 before the federal program kicked in. When TRIA was extended in 2007, the definition of a certified act of terrorism was revised to eliminate the requirement that the individuals (or individual) are acting on behalf of a foreign person or foreign interest.

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1411-1355115

Financial Statements, Required Supplementary Information, and Other Financial Information

West Virginia Board of Risk and Insurance Management
(an Enterprise Fund of the State of West Virginia)
Years Ended June 30, 2014 and 2013
With Report of Independent Auditors

Ernst & Young LLP

Building a better
working world

West Virginia Board of Risk and Insurance Management

Financial Statements, Required Supplementary Information, and Other Financial Information

Years Ended June 30, 2014 and 2013

Table of Contents

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Ernst & Young LLP
900 United Center
500 Virginia Street East
Charleston, WV 25301

Tel: +1 304 343 8971
Fax: +1 304 357 5994
ey.com

Report of Independent Auditors

The Board of Directors and Management
West Virginia Board of Risk and Insurance Management

Report on the Financial Statements

We have audited the accompanying financial statements of the West Virginia Board of Risk and Insurance Management (BRIM), an enterprise fund of the State of West Virginia, as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the BRIM's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Building a better working world

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of BRIM as of June 30, 2014 and 2013, and the changes in the financial position and cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Basis of Presentation

As discussed in Note 2, the financial statements of BRIM are intended to present the financial position, and the changes in financial position and cash flows of only that portion of the business type activities of the State of West Virginia that is attributable to the transactions of BRIM. They do not purport to, and do not, present fairly the financial position of the State of West Virginia as of June 30, 2014 and 2013, and the changes in its financial position and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Required Supplementary Information

U.S. generally accepted accounting principles require that Management's Discussion and Analysis on pages 4 to 11 and the supplemental schedule of Ten Year Claims Development on page 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise BRIM's basic financial statements. The Financial Accounting and Reporting Section closing book forms listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management of the West Virginia Board of Risk and Insurance Management (BRIM) provides this Management's Discussion and Analysis for readers of BRIM's financial statements. This narrative overview of the financial activities of BRIM is for the years ended June 30, 2014, 2013, and 2012. BRIM provides property and casualty insurance to the State of West Virginia (the State) agencies and Senate Bill 3 (SB3) entities, which include boards of education, and governmental and nonprofit organizations. BRIM also administers a coal mine subsidence reinsurance program which makes available to the general public dwelling insurance covering damage caused by the collapse of underground coal mines. From December 2001 until novation to a physician's mutual on July 1, 2004, BRIM's program was expanded to include providing medical malpractice insurance to private sector health care providers (referred to hereafter as the House Bill 601 Program). The hospitals that were nonrenewed in 2003 are still being managed by BRIM for claims that were made during the period they were insured.

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

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

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

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

FINANCIAL HIGHLIGHTS

(Dollars in Thousands)

The following tables summarize the statement of net position and changes in net position as of and for the years ended June 30, 2014, 2013, and 2012:

	2014	2013	2012	Change 2014-2013 Amount	Change 2014-2013 Percent	Change 2013-2012 Amount	Change 2013-2012 Percent
Cash and cash equivalents	$ 13,354	$ 19,723	$ 25,568	$ (6,369)	(32.3)%	$ (5,845)	(23.0)%
Advance deposits with carrier/trustee	206,774	201,613	200,949	5,161	2.6	664	0.3
Receivables	3,611	4,001	996	(390)	(9.7)	3,005	302.0
Prepaid insurance	–	7	22	(7)	100.0	(15)	(68.0)
Total current assets	223,739	225,344	227,535	(1,605)	(0.7)	(2,191)	(1.0)
Noncurrent investments	147,378	139,875	138,164	7,503	5.4	1,711	1.0
Total assets	371,117	365,219	365,699	5,898	1.6	(480)	0.1
Estimated claim expense	53,448	49,793	47,719	3,655	7.3	2,074	4.0
Unearned premiums	7,518	6,757	5,494	761	11.3	1,263	23.0
Agent commissions payable	939	861	1,026	78	9.1	(165)	(16.0)
Accrued expenses	469	603	611	(134)	(22.2)	(8)	(1.0)
Total current liabilities	62,374	58,014	54,850	4,360	7.5	3,164	6.0
Estimated claim expense	99,756	93,775	89,267	5,981	6.4	4,508	5.0
Compensated absences	76	64	67	12	18.7	(3)	(4.0)
Total noncurrent liabilities	99,832	93,839	89,334	5,993	6.4	4,505	5.0
Total liabilities	162,206	151,853	144,184	10,353	6.8	7,669	5.0
Net position:							
Restricted	53,595	49,372	45,599	4,223	8.5	3,773	8.0
Unrestricted	155,316	163,994	175,916	(8,678)	(5.6)	(11,922)	(7.0)
Net position	$ 208,911	$ 213,366	$ 221,515	$ (4,455)	(2.1)	$ (8,149)	(4.0)

	2014	2013	2012	Change 2014-2013 Amount	Change 2014-2013 Percent	Change 2013-2012 Amount	Change 2013-2012 Percent
Premiums	$ 52,128	$ 47,134	$ 51,046	$ 4,994	10.6%	$ (3,912)	(8.0)%
Less excess coverage	(6,102)	(5,825)	(5,386)	(277)	4.8	(439)	8.0
Net operating revenues	46,026	41,309	45,660	4,717	11.4	(4,351)	(10.0)
Claims and claims adjustment expense	61,626	54,018	53,396	7,608	14.1	622	1.0
General and administrative	3,898	3,275	3,892	623	19.0	(617)	(16.0)
Total operating expenses	65,524	57,293	57,288	8,231	14.4	5	–
Operating (loss) income	(19,498)	(15,984)	(11,628)	(3,514)	22.0	(4,356)	37.0
Nonoperating revenues:							
Investment income	17,043	7,835	13,315	9,208	117.5	(5,480)	(41.0)
Appropriation Transfer HB4261	(2,000)	–	–	(2,000)	(100.0)	–	–
Total nonoperating revenues, net	15,043	7,835	13,315	7,208	92.0	(5,480)	(41.0)
Changes in net position	(4,455)	(8,149)	1,687	3,694	45.3	(9,836)	(583.0)
Total net position – beginning	213,366	221,515	219,828	(8,149)	(3.7)	1,687	1.0
Total net position – end	$ 208,911	$ 213,366	$ 221,515	$ (4,455)	(2.1)	$ (8,149)	(4.0)
Total revenues	$ 61,069	$ 49,144	$ 58,975	$ 11,925	24.3	$ (9,831)	(17.0)
Total expenses	$ 65,524	$ 57,293	$ 57,288	$ 8,231	14.4	$ 5	–

- Total assets decreased by $5,898 in 2014 and increased by $480 in 2013. The increase in 2014 is due to increased premiums and higher investment earnings. This was offset by an increase in claims paid to claimants in 2014. The decrease in 2013 is due to decreased premiums, increased claims paid to claimants, and lower investment earnings.

- Total liabilities increased $10,353 in 2014 and $7,669 in 2013. Estimated claims expense increased in 2014 and 2013, mostly from adverse development of prior year reserve estimates including an unanticipated increase in State general liability claims (primarily in 2010 and 2011 reserves) and a couple of large property loss occurrences that adversely impacted both the State and Senate Bill #3 (SB3) programs (2012 reserves).

- Several factors contributed to the $4,455 decrease in total net position for 2014 and the $8,149 decrease for 2013. In 2014, the increase in estimated claims expense liability grew by a combined $9,636 for 2014, based on the current year-end actuarial study. The investment returns of 2014 did not offset the increase in claims liability which led to the decrease in net position. The 2013 decrease in net position is attributed to a reduction in premiums of $3,912 and a reduction in investment earnings of $5,480 due to investment market conditions. Also included within the net position category are restricted positions totaling $53,595 in 2014, $49,372 in 2013, and $45,599 in 2012 for programs that provide mine subsidence coverage to the general public per the West Virginia State Code and that provide medical malpractice tail coverage for the House Bill 601 Program.

- Total net operating revenues increased by $4,717 in 2014 and decreased by $4,351 in 2013. The unfavorable claims trend developments in prior years' outstanding claims reserve has led BRIM to increase premium rates to policyholders for 2014 while 2013 had a decrease. In 2013 most of the reserve improvements for earlier years were passed on to insured parties in the form of lower premiums.

- Total operating expenses increased to $65,524 in 2014 from $57,293 in 2013. Claims and claims adjustment expense increased year over year by $8,231.

- Nonoperating revenues, net increased by $7,208 in 2014 and decreased $5,480 in 2013. The increased investment returns reflect the slightly higher interest rate environment increasing overall yields on fixed income securities that make up most of the investments being held, as well as a stronger stock market, which impacted the other investment holdings. Another component of the 2014 nonoperating revenues, net was an appropriation transfer of $2,000 to the Patient Injury Compensation Fund as authorized by House Bill 4261. This was a transfer and will not be repaid. This transfer did not occur in 2013.

- Total revenues and total expenses from 2014 to 2013 and from 2013 to 2012 have fluctuated due to the year-over-year increases and reductions in premium rates, the changes in the retained loss estimates, and the variations in annual investment market returns. See the analysis of these individual components, as previously discussed, for additional information.

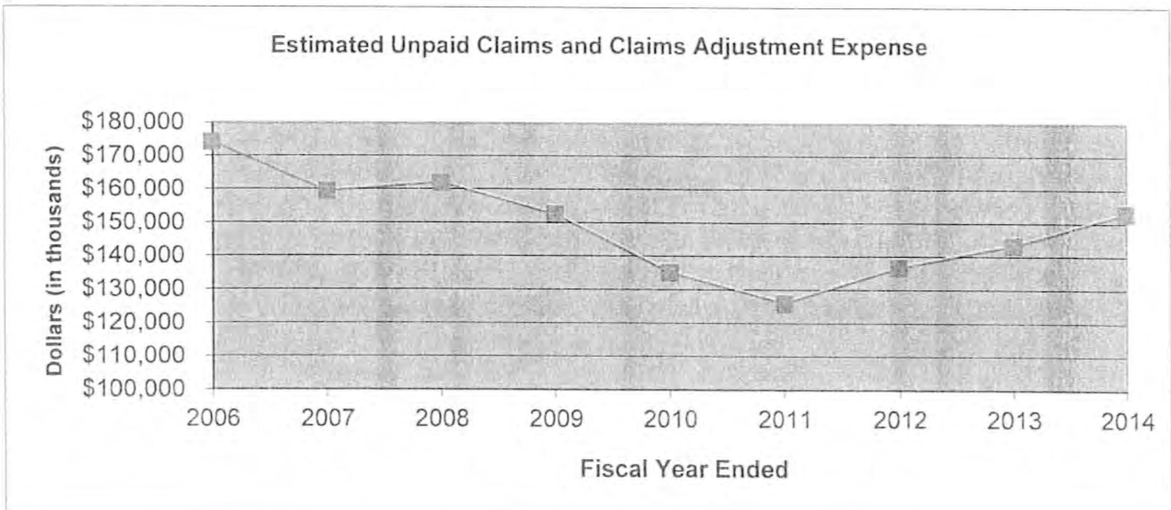
OVERALL ANALYSIS

(Dollars in Thousands)

The overall condition of BRIM marginally deteriorated from the prior year. Reserves increased, which were offset in part by higher investment earnings. The overall increase in claims and claims adjustment expense caused the largest percentage decrease of net position for the current year, as well as the appropriation transfer of $2,000, reflecting a net position total of $208,911 at June 30, 2014. BRIM continues to adhere to a comprehensive financial stability and rating plan.

Unpaid Claims Liability

BRIM's most significant number on its statements of net position is the liability for estimated unpaid claims and claims adjustment expense. This liability consists of two parts: claims that BRIM is aware of which have been reserved and incurred but not reported (IBNR) claims, which are projected by an independent actuary. From fiscal year 2013 to 2014, the liability for unpaid claims increased from $143,568 to $153,204. The chart below shows the estimated unpaid claims and claims adjustment expense liability for fiscal years 2006 through 2014.



House Bills 601 and 2122

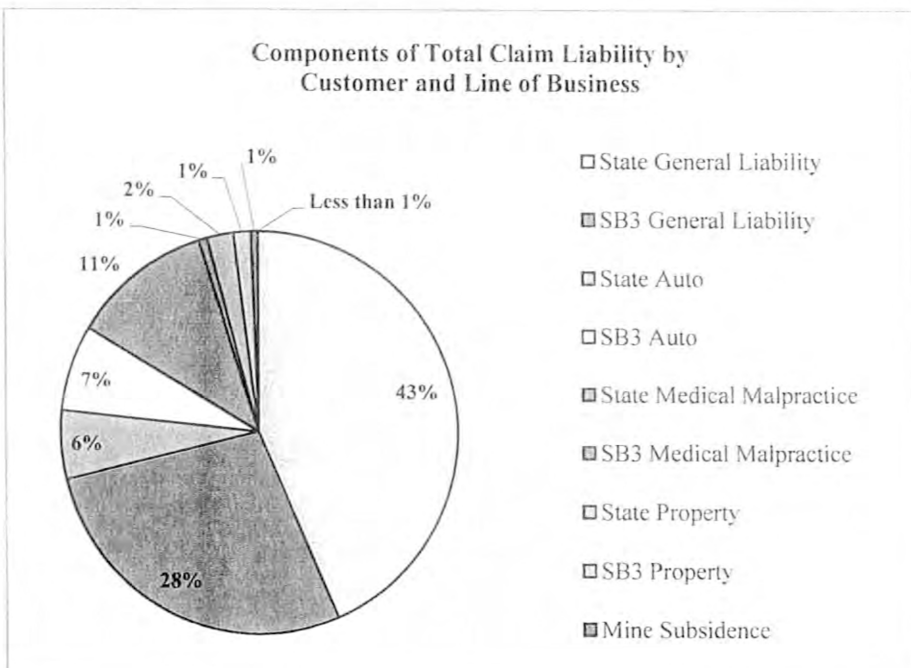
In December 2001, the West Virginia Legislature passed House Bill 601, which authorized BRIM to provide medical malpractice and general liability coverage to health care providers. This bill was created as a result of the medical malpractice insurance crisis created by private sector insurance companies'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

During the legislative session in early 2003, House Bill 2122 was enacted. This bill allowed for the physicians insured under House Bill 601 to novate into a physician's mutual. On July 1, 2004, these physicians were novated to the West Virginia Physicians' Mutual Insurance Company (WVPMIC). The hospitals and clinics that did not novate were not renewed by BRIM prior to June 30, 2004. The program is in "runoff" mode, and BRIM continues to service and pay claims that were made during the effective period or claims relating to tail coverage purchased. Tail coverage was offered to all terminated insurers in House Bill 601. This tail coverage covers the insured on any IBNR claims during the policy period. There currently are no active or open claims.

Results by Line of Business for BRIM

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

The following chart shows the breakdown by customer and line of business of the total estimated claim liability number, which is $153,204. As demonstrated in the chart, the largest claim volume for BRIM relates to general liability for the State agencies and SB3 programs and the State agencies' medical malpractice coverage.



There is no long-term debt activity.

ECONOMIC FACTORS AND NEXT YEAR'S RATES

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

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

Risk Management

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

Investment Returns

Investment income increased for fiscal year 2014 and decreased for 2013. The increase in 2014 was due to a slightly more favorable interest rate environment and a stronger stock market. The decrease in 2013 was due to the declining interest rate environment subsequent to the 2008 financial crisis. All BRIM funds held by the West Virginia Investment Management Board (WVIMB) inure to the benefit of program participants. BRIM reinvests the investment earnings on funds held by the WVIMB and occasionally withdraws monies from these funds, as needed, for operating and short-term cash requirements. In 2014, BRIM withdrew $6 million of its funds, held by the WVIMB, for operational purposes.

Premium Determination Process

BRIM has properly maintained premiums across all lines of business for the past several years based on relevant exposure data, claims loss history, and investment returns. Charging proper premiums, consistent with the commercial industry, has enabled BRIM to adequately cover losses. Although fiscal years 2014, 2013, and 2012 benefited from prior years' reserve releases, both 2014 and 2013 saw overall net increases in retained claims reserves. If this recent claim trend persists over the next several fiscal years and future investment returns continue to decline, it may require that premiums increase to allow for a sufficient level of funding to adequately sustain the operation of all programs and to help ensure that no premium deficiency develops.

REQUESTS FOR INFORMATION

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

West Virginia Board of Risk and Insurance Management

Statements of Net Position

	June 30 2014	June 30 2013
	(In Thousands)	
Assets		
Current assets:		
Cash and cash equivalents	$ 6,132	$ 12,282
Advance deposits with insurance company and trustee	206,774	201,613
Receivables	2,901	3,309
Prepaid insurance	–	7
Restricted cash and cash equivalents	7,222	7,441
Restricted receivables:		
Premiums due from other entities	710	692
Total current assets	223,739	225,344
Noncurrent assets:		
Equity position in internal investment pools	99,641	96,487
Restricted investments	47,737	43,388
Total noncurrent assets	147,378	139,875
Total assets	371,117	365,219
Liabilities		
Current liabilities:		
Estimated unpaid claims and claims adjustment expense	53,448	49,793
Unearned premiums	7,518	6,757
Agent commissions payable	939	861
Accrued expenses and other liabilities	469	603
Total current liabilities	62,374	58,014
Estimated unpaid claims and claims adjustment expense, net of current portion	99,756	93,775
Compensated absences	76	64
Total noncurrent liabilities	99,832	93,839
Total liabilities	162,206	151,853
Net position:		
Restricted by State code for House Bill 601 Program and mine subsidence coverage	53,595	49,372
Unrestricted	155,316	163,994
Net position	$ 208,911	$ 213,366

See accompanying notes.

West Virginia Board of Risk and Insurance Management

Statements of Revenues, Expenses, and Changes in Net Position

	Year Ended June 30	
	2014	**2013**
	(In Thousands)	
Operating revenues		
Premiums	**$ 52,128**	$ 47,134
Less excess coverage/reinsurance premiums	**(6,102)**	(5,825)
Net operating revenues	**46,026**	41,309
Operating expenses		
Claims and claims adjustment expense	**61,626**	54,018
General and administrative	**3,898**	3,275
Total operating expenses	**65,524**	57,293
Operating loss	**(19,498)**	(15,984)
Nonoperating revenues		
Investment income	**17,043**	7,835
Appropriation Transfer HB4261	**(2,000)**	–
Net nonoperating revenues	**15,043**	7,835
Changes in net position	**(4,455)**	(8,149)
Total net position, beginning of year	**213,366**	221,515
Total net position, end of year	**$ 208,911**	$ 213,366

See accompanying notes.

West Virginia Board of Risk and Insurance Management

Statements of Cash Flows

	Year Ended June 30	
	2014	2013
	(In Thousands)	
Operating activities		
Receipts from customers	$ 47,200	$ 39,623
Payments to employees	(1,391)	(1,308)
Payments to suppliers	(2,567)	(2,183)
Payments to claimants	(51,990)	(47,435)
Deposits to advance deposit with insurance company and trustee	(59,407)	(52,247)
Withdrawals from advance deposit with insurance company and trustee	54,245	51,581
Net cash used in operating activities	(13,910)	(11,969)
Noncapital financing activities		
Appropriation Transfer HB4261	(2,000)	–
	(2,000)	–
Investing activities		
Purchase of investments	(30,636)	(25,357)
Sale of investments	34,926	30,460
Net investment earnings	5,251	1,021
Net cash provided by investing activities	9,541	6,124
Net (decrease) increase in cash and cash equivalents	(6,369)	(5,845)
Cash and cash equivalents, beginning of year	19,723	25,568
Cash and cash equivalents, end of year	$ 13,354	$ 19,723
Cash and cash equivalents consist of:		
Cash and cash equivalents	$ 6,132	$ 12,282
Restricted cash and cash equivalents	7,222	7,441
	$ 13,354	$ 19,723

West Virginia Board of Risk and Insurance Management

Statements of Cash Flows (continued)

	Year Ended June 30	
	2014	**2013**
	(In Thousands)	
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	**$ (19,498)**	$ (15,984)
Adjustments to reconcile operating loss to net cash used in operating activities		
Increase in advanced deposits	**(5,161)**	(664)
Increase in premiums receivable, net	**406**	(2,964)
Decrease in prepaid insurance	**7**	15
Increase in estimated liability for unpaid claims and claims adjustment expense	**9,637**	6,582
Decrease in other liabilities	**(63)**	(216)
Decrease in unearned premiums	**762**	1,262
Appropriation for PICF HB4261	**–**	–
Total adjustments	**5,588**	4,015
Net cash used in operating activities	**$ (13,910)**	$ (11,969)
Noncash activities		
Increase in fair value of investments	**$ 11,792**	$ 6,814

See accompanying notes.

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

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

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

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

From January 1, 1971 through June 30, 1976, the liability coverage provided by BRIM was limited to $25 thousand per occurrence on general liability, automobile liability, and medical malpractice claims. From July 1, 1976 through June 30, 1980, the liability coverage provided by BRIM was limited to $100 thousand per occurrence. From July 1, 1982 through June 30, 1985,

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

the liability coverage provided by BRIM was limited to $6 million per occurrence. Since July 1, 1985, the liability coverage provided by BRIM is limited to a $1 million indemnity per occurrence. In addition, the county boards of education are covered by an excess insurance policy providing up to $5 million of coverage in excess of the underlying $1 million limit. These limits only apply to incur indemnity claim losses. BRIM pays all allocated loss adjustment expenses, which are the costs incurred in the reporting, investigation, adjustment, defense, and settlement of claims that are attributable to a specific, individual claim.

Prior to July 1, 1990, BRIM retained the first $25 thousand of loss per event on property insurance claims. Losses in excess of $25 thousand per event were also retained within an annual aggregate limit. From July 1, 1990 through June 30, 1991, the exposure retained by BRIM was $1 million per event. From July 1, 1991 through June 30, 1996, the exposure retained by BRIM was $2 million per event. Since July 1, 1996, the exposure retained by BRIM is $1 million per event. BRIM has obtained excess coverage, through insurance companies, covering losses in excess of $1 million, up to $400 million per occurrence, subject to various sublimits for particular types of claims as specified in the policy.

In 1985, the coal mine subsidence program was legislatively expanded to include all types of building structures, and the maximum amount of insurance available was increased from $50 thousand to $75 thousand per structure.

In December 2001, the West Virginia Legislature passed House Bill 601, which authorized BRIM to provide medical malpractice and general liability coverage to private health care providers (the House Bill 601 Program). On July 1, 2004, all physicians novated to the newly formed West Virginia Physicians' Mutual Insurance Company (WVPMIC). BRIM maintained the hospital and facilities in the House Bill 601 Program that did not novate to WVPMIC. However, all policies have been terminated as of June 30, 2004, and the program is in runoff mode only for existing claims and for any claims that may be submitted on any tail policies that were purchased.

In March 2004, the West Virginia Legislature passed House Bill 4740, creating a Patient Injury Compensation Fund. The purpose of this fund is to provide fair and reasonable compensation to claimants in medical malpractice actions for any portion of economic damages awarded that is uncollectible as a result of previously enacted tort reforms. This fund provides relief to claimants

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

whose damages were limited because of caps for trauma care or as a result of joint and several liabilities. The capitalization of the fund comes from the State's tobacco settlement fund. The activity for this fund is not reflected in BRIM's financial statements. BRIM serves as third-party administrator for this fund and, accordingly, the activity for this fund is reflected in the State's financial statements.

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

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

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

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

2. Summary of Significant Accounting Policies

Basis of Accounting

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

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

The financial statements of BRIM are intended to present the financial position and the changes in financial position and cash flows of only that portion of the business-type activities of the State of West Virginia that is attributable to the transactions of BRIM. They do not purport to, and do not, present fairly the financial position of the State of West Virginia as of June 30, 2014 and 2013, and the changes in its financial position and its cash flows for the years then ended in conformity with GAAP.

Use of Estimates

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

2. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

Cash equivalents are short-term investments with original maturities of 90 days or less. Cash and cash equivalents principally consist of interest-earning deposits in certain investment pools maintained by the West Virginia Board of Treasury Investments (BTI). Such funds are available to BRIM with overnight notice. Interest income from these investments is prorated to BRIM at rates specified by the BTI based on the balance of BRIM's deposits maintained in relation to the total deposits of all State agencies participating in the pool. The book carrying value of the amounts on deposit with the BTI, which approximates estimated fair value, was $11,286 and $18,045 at June 30, 2014 and 2013, respectively.

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

Advance Deposits With Insurance Company and Trustee

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

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

2. Summary of Significant Accounting Policies (continued)

Investments

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

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

Compensated Absences

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

Unpaid Claims and Claims Adjustment Expense

Utilizing an external actuary, management establishes the unpaid claims and claims adjustment expense liability based on estimates of the ultimate cost of claims, including future claims adjustment expenses, that have been reported but not settled and of claims that have been incurred but not reported (IBNR). Such estimates are based on industry statistical loss reserve information as well as BRIM historical data, including case-basis estimates of losses reported, actuarial projections of loss development of IBNR claims, and estimates of expenses for investigation and adjustment of all incurred and unadjusted losses (and estimates of expected

2. Summary of Significant Accounting Policies (continued)

salvage and subrogation receipts are deducted from the estimated liability). The length of time for which such costs must be estimated varies depending on the coverage involved. In the event a reinsurer is unable financially to satisfy an obligation, BRIM is responsible for such liability.

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

Premium deficiency is defined as the amount by which expected claims costs (including IBNR claims), and all expected claims adjustment expenses exceed related unearned premiums. BRIM has determined that a premium deficiency does not exist. In making this determination, management has taken into consideration anticipated investment income, using an assumed 4% discount rate.

Receivables and Premium Income

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

2. Summary of Significant Accounting Policies (continued)

Unearned Premiums

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

Restricted Net Position

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

3. Deposit and Investment Risk Disclosures

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

Cash Equivalents

West Virginia Money Market Pool (formerly the Cash Liquidity Pool)

The BTI administers the pool and limits the exposure to credit risk by requiring all corporate bonds held by the West Virginia Money Market Pool to be rated AA- by Standard & Poor's (or its equivalent) or higher. Commercial paper must be rated A-1 by Standard & Poor's and P-1 by Moody's. Additionally, the pool must have at least 15% of its assets in U.S. Treasury issues.

(Dollars in Thousands)

3. Deposit and Investment Risk Disclosures (continued)

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

	June 30, 2014				June 30, 2013			
Security Type	Moody's	S&P	Fair Value	Percent of Pool Assets	Moody's	S&P	Fair Value	Percent of Pool Assets
Commercial paper	P-1	A-1+	$ 234,951	11.99%	P-1	A-1+	$ 243,538	9.76%
	P-1	A-1	772,107	39.40	P-1	A-1	726,857	29.12
Corporate bonds and notes	Aa2	AA-	–	–	Aa2	AA-	–	–
	Aa3	AA-	20,000	1.02	Aa3	AA-	10,000	0.40
	Aa3	A+	–	–	Aa3	A+	–	–
			20,000	1.02			10,000	0.40
U.S. agency bonds	Aaa	AA+	82,765	4.22	Aaa	AA+	66,603	2.67
U.S. Treasury notes	Aaa	AA+	185,065	9.45	Aaa	AA+	279,755	11.21
U.S. Treasury bills	P-1	A-1+	104,995	5.36	P-1	A-1+	34,993	1.40
Negotiable certificates of deposit	NR	AA-	10,000	0.51	Aa1	AA-	10,000	0.40
	Aa2	A+	–	–	Aa2	A+	9,000	0.36
	Aa3	AA-	–	–	Aa3	AA-	15,000	0.60
	P-1	A-1+	28,000	1.43	P-1	A-1+	50,000	2.00
	P-1	A-1	144,000	7.35	P-1	A-1	160,000	6.41
	P-2	A-1	–	–	P-2	A-1	15,000	0.60
U.S. agency discount notes	P-1	A-1+	207,484	10.59	P-1	A-1+	445,784	17.86
Money market funds	Aaa	AAAm	39	–	Aaa	AAAm	200,012	8.02
Repurchase agreements:								
U.S. Treasury notes	Aaa	AA+	93,284	4.76	Aaa	AA+	188,826	7.57
U.S. agency notes	Aaa	AA+	76,900	3.92	Aaa	AA+	40,500	1.62
			170,184	8.68			229,326	9.19
			$ 1,959,590	100.00%			$ 2,495,868	100.00%

Concentration of Credit Risk

West Virginia statutes prohibit the West Virginia Money Market Pool from investing more than 5% of its assets in securities issued by a single private corporation or association. At June 30, 2014 and 2013, the pool did not have investments in any one private corporation or association that represented more than 5% of assets.

(Dollars in Thousands)

3. Deposit and Investment Risk Disclosures (continued)

Custodial Credit Risk

At June 30, 2014 and 2013, the West Virginia Money Market Pool held no securities that were subject to custodial credit risk. Repurchase agreements are collateralized at 102%, and the collateral is held in the name of the BTI. The BTI or its agent does not release cash or securities until the counterparty delivers its side of the transaction.

Interest Rate Risk

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

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

Investment Type	June 30, 2014 Fair Value	June 30, 2014 WAM Days	June 30, 2013 Fair Value	June 30, 2013 WAM Days
Repurchase agreements	$ **170,184**	**1**	$ 229,326	3
U.S. Treasury notes	**185,065**	**47**	279,755	132
U.S. Treasury bills	**104,995**	**44**	34,993	77
Commercial paper	**1,007,058**	**33**	970,395	43
Certificates of deposit	**182,000**	**51**	259,000	66
U.S. agency discount notes	**207,484**	**38**	445,784	47
Corporate bonds and notes	**20,000**	**17**	10,000	60
U.S. agency bonds/notes	**82,765**	**74**	66,603	139
Money market funds	**39**	**1**	200,012	1
Total rated investments	$ **1,959,590**	**36**	$ 2,495,868	52

BRIM's amount invested in the West Virginia Money Market Pool of $11,286 is included in cash and cash equivalents at June 30, 2014, and $18,045 at June 30, 2013, represents approximately 1% of total investments in this pool.

3. Deposit and Investment Risk Disclosures (continued)

Foreign Currency Risk

None of the West Virginia Money Market Pool holds interest in foreign currency or interests valued in foreign currency.

Investments

Board of Risk and Insurance Management Fund

This fund was specifically designed for BRIM by WVIMB based on BRIM's unique cash flow needs. BRIM is the only State agency participating in this fund and owns 100% of the total assets in the fund. The fund invests, along with other agencies, in the following WVIMB investment pools: Domestic Large Cap Equity pool, Domestic Non-Large Cap Equity pool, International Equity pool, International Nonqualified Equity pool, Short-Term Fixed Income pool, Total Return Fixed Income pool, Core Fixed Income pool, Hedge Fund and the Treasury Inflation Protection Securities (TIPS).

Investment Objectives

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

Asset Allocation

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

Asset Class	Policy Target
Domestic equity	10%
International equity	10
Fixed income	80
Combined total	100%

(Dollars in Thousands)

3. Deposit and Investment Risk Disclosures (continued)

Asset Value

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

	2014		2013	
	Cost	Fair Value	Cost	Fair Value
Large cap domestic	$ 14,351	$ 16,904	$ 8,578	$ 10,461
Non-large cap domestic	4,583	5,566	2,848	3,727
International equity	14,093	16,614	8,098	9,381
International nonqualified	4,101	5,303	3,972	5,130
Total return fixed income	34,557	36,014	40,280	40,444
Core fixed income	15,483	15,649	22,303	21,674
Hedge fund	27,046	29,331	25,853	28,642
TIPS (Treasury Inflation Protection Securities)	14,158	14,783	13,942	13,229
Short-term fixed income	7,214	7,214	7,187	7,187
	$ 135,586	$ 147,378	$ 133,061	$ 139,875

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

	2014	2013
Investment income:		
Interest income including realized gains/losses on sale of securities	$ 1,726	$ 2,173
Unrealized gain on investments	15,317	5,662
Total investment income	$ 17,043	$ 7,835

WVIMB calculates total rates of return using the time-weighted rate of return methodology. The time-weighted method determines the rate of return exclusive of the effects of participant contributions or withdrawals.

3. Deposit and Investment Risk Disclosures (continued)

Asset Class Risk Disclosures

Domestic Large Cap Equity Pool

This pool holds equity securities of U.S. companies, exchange-traded stock index futures, and money market funds with the highest credit rating. At June 30, 2014 and 2013, this pool did not hold securities of any one issuer in excess of 5% of the value of the pool in accordance with West Virginia statutes. BRIM's amount invested in the large cap domestic pool of $16,904 and $10,461 at June 30, 2014 and 2013, respectively, represents approximately 0.5% of total investments in this pool.

Domestic Non-Large Cap Equity Pool

This pool holds equity securities of U.S. companies and money market funds with the highest credit rating. At June 30, 2014 and 2013, this pool did not hold securities of any one issuer in excess of 5% of the value of the pool in accordance with West Virginia statutes. BRIM's amount invested in the non-large cap domestic pool of $5,566 and $3,727 at June 30, 2014 and 2013, respectively, represents approximately 0.5% of total investments in this pool.

International Equity Pool

This pool has both equity securities and cash that are denominated in foreign currencies and are exposed to foreign currency risks. The amounts (in U.S. dollars) of the securities and cash denominated in foreign currencies are as follows:

(Dollars in Thousands)

3. Deposit and Investment Risk Disclosures (continued)

	June 30, 2014			June 30, 2013		
Currency	Equity Securities	Cash	Total	Equity Securities	Cash	Total
Australian dollar	$ 90,022	$ 674	$ 90,696	$ 58,914	$ 1	$ 58,915
Brazil cruzeiros real	95,376	1,232	96,608	73,031	483	73,514
British pound	280,040	379	280,419	226,351	1,732	228,083
Canadian dollar	115,598	423	116,021	91,289	321	91,610
Czech koruna	14,240	1	14,241	12,966	–	12,966
Danish krone	11,957	–	11,957	11,122	–	11,122
Egyptian pound	–	–	–	4,704	–	4,704
Emirati dirham	3,497		3,497	4,861	505	5,366
Euro	435,175	924	436,099	321,667	1,921	323,588
Hong Kong dollar	235,280	658	235,938	174,653	1,533	176,186
Hungarian forint	14,797	1	14,798	5,798	1	5,799
Indian rupee	89,933	1,126	91,059	58,591	162	58,753
Indonesian rupiah	12,473	92	12,565	10,747	123	10,870
Israeli shekel	12,876	103	12,979	13,434	92	13,526
Japanese yen	321,007	3,116	324,123	250,440	2,065	252,505
Malaysian ringgit	6,529	98	6,627	9,405	337	9,742
Mexican new peso	32,670	–	32,670	31,774	272	32,046
New Taiwan dollar	47,308	1,960	49,268	42,197	2,288	44,485
New Zealand dollar	7,678	108	7,786	5,779	135	5,914
Norwegian krone	37,343	38	37,381	21,859	1,120	22,979
Pakistani rupee	5,669	–	5,669	1,734	–	1,734
Philippine peso	9,975	30	10,005	7,640	21	7,661
Polish zloty	10,717	9	10,726	5,565	43	5,608
Qatari riyal	2,789	–	2,789	1,561	–	1,561
Singapore dollar	20,246	1,220	21,466	17,626	37	17,663
South African rand	49,744	404	50,148	47,500	2,432	49,932
South Korean won	207,761	951	208,712	155,163	1,070	156,233
Swedish krona	41,954	245	42,199	17,104	364	17,468
Swiss franc	86,527	22	86,549	62,012	–	62,012
Thailand baht	22,984	4	22,988	19,336	–	19,336
Turkish lira	61,288	101	61,389	32,902	45	32,947
Total	$ 2,383,453	$ 13,919	$ 2,397,372	$ 1,797,725	$ 17,103	$ 1,814,828

This table excludes securities held by the pool that are denominated in U.S. dollars. The market value of these U.S. dollar denominated securities is $462,603 and $417,554 at June 30, 2014 and 2013, respectively. BRIM's amount invested in the international equity pool of $16,614 and $9,381 at June 30, 2014 and 2013, represents approximately 0.6% of total investments in this pool.

(Dollars in Thousands)

3. Deposit and Investment Risk Disclosures (continued)

International Nonqualified Equity Pool

This pool holds a collective trust fund that invests in equities denominated in foreign currencies. The value of this investment at June 30, 2014 and 2013, was $153,093 and $122,091, respectively. This investment, although denominated in U.S. dollars, is exposed to foreign currency risk through the underlying investments. BRIM's amount invested in the international nonqualified equity pool of $5,303 and $5,130 at June 30, 2014 and 2013, respectively, represents approximately 3.5% and 4.0%, respectively, of total investments in this pool.

Total Return Fixed Income Pool

Credit Risk

WVIMB limits the exposure to credit risk in the Total Return Fixed Income pool by maintaining at least an average rating of investment grade as defined by the Nationally Recognized Statistical Rating Organizations. The following table provides the weighted-average credit ratings of the asset types in the fixed income pool:

	June 30, 2014				June 30, 2013			
Security Type	Moody's	S&P	Fair Value	Percent of Assets	Moody's	S&P	Fair Value	Percent of Assets
Corporate bonds	Baa2	BBB	$ 571,567	24.8%	Baa2	BBB	$ 728,766	31.7%
U.S. Treasury issues	Aaa	AA	183,531	7.9	Aaa	AA	362,481	13.9
Corporate asset-backed issues	Baa2	A-	73,955	3.2	Ba1	AA-	44,433	1.9
Corporate CMO	Caa1	B	63,110	2.7	Caa	CCC	20,767	0.9
Corporate CMO interest-only	C1	NR	7,955	0.4			–	–
Corporate preferred security	Ba1	BB	10,512	0.5	Ba2	BB	8,757	0.4
U.S. Governement Agency MBS	Aaa	AA	290,820	12.6	Aaa	AA	342,200	14.4
U.S. Treasury TIPS	Aaa	AA	14,276	0.6			–	–
U.S. Government CMO Agency	Aaa	AA	89,517	3.9	Aaa	AA	61,696	2.6
U.S. Government CMO interest only	Aaa	AA	11,490	0.5			–	–
Municipal bonds	A1	A	53,510	2.3	A2	BBB	80,320	3.4
Short-term issue	Aaa	AAA	37,727	1.7	Aaa	AAA	171,036	7.2
U.S. Government Agency discount note	Aaa	AA	2,469	0.1	Aaa	AA	4,718	0.2
U.S. Government Agency TBAs	Aaa	AA	888	0.0	Aaa	AA	58,879	2.5
Foreign government bond	Baa2	BBB	192,350	8.3	Baa1	A	6,879	0.3
Foreign asset-backed issues	A2	A	17,691	0.8			–	–
Foreign corporate bonds	Baa3	BBB	245,728	10.6			–	–
Total rated investments			$ 1,867,096	80.9			$ 1,890,932	79.4

3. Deposit and Investment Risk Disclosures (continued)

At June 30, 2014, unrated securities include commingled investment pools of $418,593, investments made with cash collateral for securities loaned valued at 23,881, and option contract purchased valued at $341. These unrated securities represent 19.2% of the fair value of the pool's investments. At June 30, 2013, unrated securities include commingled investment pools of $474,821, investments made with cash collateral for securities loaned valued at 13,882, and option contract purchased valued at $176. These unrated securities represent 20.6% of the fair value of the pool's investments.

Concentration of Credit Risk

West Virginia statutes prohibit the Total Return Fixed Income pool from investing more than 5% of its assets in securities issued by a single private corporation or association. At June 30, 2014 and 2013, the fixed income pool did not have investments in any one private corporation or association that represented more than 5% of assets.

Custodial Credit Risk

At June 30, 2014 and 2013, the Total Return Fixed Income pool held no securities that were subject to custodial credit risk. Repurchase agreements are collateralized at 102%, and the collateral is held in the name of the WVIMB. Investments in commingled funds are held in the name of the WVIMB. All remaining securities are held by the WVIMB's custodian in the name of the WVIMB. Securities lending collateral is invested in the lending agent's collateral reinvestment fund.

(Dollars in Thousands)

3. Deposit and Investment Risk Disclosures (continued)

Interest Rate Risk

WVIMB monitors interest rate risk of the Total Return Fixed Income pool by assessing the modified duration of the investments in the pool. The following table provides the weighted-average modified duration for the various asset types in the fixed income pools:

	June 30, 2014		June 30, 2013	
Investment Type	Fair Value	Modified Duration (Years)	Fair Value	Modified Duration (Years)
Investments in other funds	$ 418,593	4.2	$ 474,821	3.7
Corporate bonds	571,567	6.3	728,766	6.5
U.S. Treasury issues	183,531	10.5	362,481	6.7
U.S. Treasury TIPS	14,276	17.5	–	–
U.S. Government Agency TBAs	888	2.2	58,879	6.5
Corporate asset-backed issues	73,955	1.4	44,433	1.9
Corporate CMO	63,110	1.5	20,767	1.4
Corporate CMO interest only	7,955	25.7	–	–
U.S. Government Agency MBS	290,820	2.2	342,200	2.3
U.S. Government Agency discount notes	2,469	5.3	4,718	0.4
U.S. Government Agency CMO	89,517	2.4	61,696	2.2
U.S. Government Agency CMO interest only	11,490	(1.3)	–	–
Municipal bonds	53,510	9.0	80,320	8.4
Investments made with cash collateral for securities loaned	23,881	–	13,882	–
Short-term issues	37,727	–	171,036	–
Foreign asset-backed issues	17,691	0.7	–	–
Foreign corporate bonds	245,728	6.0	–	–
Foreign government bond	192,350	6.5	6,879	7.0
Total assets	$ 2,299,058	5.2	$ 2,370,878	4.7

The Total Return Fixed Income pool invests in commercial and residential mortgage-backed, asset-backed securities and collateralized mortgage obligations. The cash flows from these securities are based on the payment of the underlying collateral. The modified duration and yield to maturity of these securities are dependent on estimated prepayment assumptions that consider historical experience, market conditions, and other criteria. Actual prepayments may vary with changes in interest rates. Rising interest rates often result in a slower rate of prepayments while declining rates tend to lead to faster prepayments. As a result, the fair values of these securities

3. Deposit and Investment Risk Disclosures (continued)

are highly sensitive to interest rate changes. At June 30, 2014 and 2013, the Total Return Fixed Income pool held $462,892 and $527,975, respectively, of these securities. This represents approximately 20% and 22%, respectively, of the value of the fixed income pools.

BRIM's amount invested in the Total Return Fixed Income pool of $36,014 and $40,444 at June 30, 2014 and 2013, respectively, represents approximately 15.6% of total investments in this pool for both years.

Foreign Currency Risk

The pool has foreign government bonds and foreign corporate bonds that are dominated in foreign currencies that are exposed to foreign currency risks. The Pool also has foreign-denominated futures contracts and foreign exchange forward contracts. Additionally, the pool has indirect exposure to foreign currency risk through its ownership interest in certain of the commingled investment pools. Approximately $186,841, or 45%, at June 30, 2014, and $153,875, or 32%, at June 30, 2013, of the commingled investment pools hold substantially all of their investments in foreign currencies. West Virginia statute limits the amount of international securities to no more than 30% of the total assets managed by the WVIMB. At June 30, 2014 and 2013, the WVIMB was in compliance with this limitation.

<u>Core Fixed Income Pool</u>

WVIMB limits the exposure to credit risk in the Core Fixed Income pool by maintaining at least an average rating of investment grade as defined by the Nationally Recognized Statistical Rating Organizations. The following table provides the weighted-average credit ratings of the asset types in the Core Fixed Income pool:

(Dollars in Thousands)

3. Deposit and Investment Risk Disclosures (continued)

	June 30, 2014				June 30, 2013			
Security Type	Moody's	S&P	Fair Value	Percent of Assets	Moody's	S&P	Fair Value	Percent of Assets
Corporate bonds	A3	A	$ 203,346	19.1%	A3	A	$ 270,356	20.8%
U.S. Treasury issues	Aaa	AA	165,535	15.6	Aaa	AA	282,660	21.7
Corporate asset-backed issues	A2	AA	42,858	4.0	Aa3	AA	48,767	3.7
Corporate CMO	A2	AA	108,098	10.2	A2	AA	134,887	10.4
Corporate CMO principal only	Ba2	AA	389	–			–	–
Corporate CMO interest only	Ba3	AAA	1,607	0.2			–	–
Foreign asset-backed issues	Aa1	AA	3,394	0.3			–	–
Foreign government bonds	Aa2	AA	10,356	1.0	Aa1	AA	12,467	1.0
Foreign corporate bonds	A2	A	41,750	3.9			–	–
U.S. Government Agency MBS	Aaa	AA	200,083	18.8	Aaa	AA	220,519	17.0
U.S. Government Agency CMO	Aaa	AA	164,375	15.4	Aaa	AA	259,377	19.9
U.S. Government Agency CMO principal only	Aaa	AA	12,688	1.2			–	–
U.S. Government Agency CMO interest only	Aaa	AA	8,997	0.8			–	–
U.S. Government Agency bonds	Aaa	AA	24,449	2.3	Aaa	AA	26,487	2.0
Municipal bonds	Aa2	AA	8,378	0.8	Aa2	AA	7,311	0.6
Short-term issue	Aaa	AAA	33,771	3.2	Aaa	AAA	10,892	0.8
Total rated investments			$ 1,030,074	96.8			$ 1,273,723	97.9

Unrated securities include investments made with cash collateral for securities loaned valued at $34,417, or 3.2%, of the fair value of the Pool's investments for 2014.

Concentration of Credit Risk

West Virginia statutes prohibit the Total Return Fixed Income pool from investing more than 5% of its assets in securities issued by a single private corporation or association. At June 30, 2014 and 2013, the Core Fixed Income pool did not have investments in any one private corporation or association that represented more than 5% of assets.

(Dollars in Thousands)

3. Deposit and Investment Risk Disclosures (continued)

Custodial Credit Risk

At June 30, 2014 and 2013, the Core Fixed Income pool held no securities that were subject to custodial credit risk. All remaining securities are held by the WVIMB's custodian in the name of the WVIMB.

Interest Rate Risk

WVIMB monitors interest rate risk of the Core Fixed Income pool by assessing the modified duration of the investments in the pool. The following table provides the weighted-average modified duration for the various asset types in the core fixed income pools:

	June 30, 2014		June 30, 2013	
Investment Type	Fair Value	Modified Duration (Years)	Fair Value	Modified Duration (Years)
Corporate bonds	$ 203,346	6.3	$ 270,356	5.7
U.S. Treasury issues	165,535	7.6	282,660	6.5
Corporate asset-backed issues	42,858	1.3	48,767	1.4
Corporate CMO	108,098	2.1	134,887	2.2
Corporate CMO principal only	389	2.8	–	–
Corporate CMO interest only	1,607	(4.0)	–	–
Foreign asset-backed issues	3,394	–	–	–
Foreign government bonds	10,356	6.6	12,467	5.4
Foreign corporate bonds	41,750	6.3	–	–
U.S. Government Agency MBS	200,083	4.8	220,519	4.6
U.S. Government Agency bonds	24,449	5.2	26,487	5.6
U.S. Government Agency CMO	164,375	3.5	259,377	3.7
U.S. Government Agency CMO principal only	12,688	6.8	–	–
U.S. Government Agency CMO interest only	8,997	1.8	–	–
Municipal bonds	8,378	14.6	7,311	14.3
Investments made with cash collateral for securities loaned	34,417	–	26,850	–
Short-term issue	33,771	–	10,892	–
Total assets	$ 1,064,491	4.9	$ 1,300,573	4.6

3. Deposit and Investment Risk Disclosures (continued)

The Core Fixed Income pool invests in commercial and residential mortgage-backed securities, asset-backed securities, and collateralized mortgage obligations. The cash flows from these securities are based on the payment of the underlying collateral. The modified duration and yield to maturity of these securities are dependent on estimated prepayment assumptions that consider historical experience, market conditions, and other criteria. Actual prepayments may vary with changes in interest rates. Rising interest rates often result in a slower rate of prepayments while declining rates tend to lead to faster prepayments. As a result, the fair values of these securities are highly sensitive to interest rate changes. At June 30, 2014 and 2013, the Core Fixed Income pool held $542,489 and $663,550, respectively, of these securities. This represents approximately 51% and 51%, respectively, of the value of the fixed income pool.

BRIM's amount invested in the Core Fixed Income pool of $15,649 and $21,674 at June 30, 2014 and 2013, respectively, represents approximately 1.5% and 1.7%, respectively, of total investments in this pool.

Foreign Currency Risk

None of the securities held by the Core Fixed Income pool are exposed to foreign currency risk.

Hedge Fund

The Hedge Fund holds shares in various commingled institutional funds and shares of a money market fund with the highest credit rating. The commingled institutional funds are not rated by any of the nationally recognized statistical rating agencies and, thus, any credit risk cannot be accurately reported. The pool is not exposed to interest rate risk, custodial credit risk, or concentration of credit risk. The pool is indirectly exposed to foreign currency risk, as certain of the funds have investments denominated in foreign currencies. At June 30, 2014, the funds were indirectly exposed to foreign currency risk. The dollar amount of the funds invested in foreign currencies was not disclosed by the WVIMB in its financial statement footnotes for this fund. At June 30, 2014, the funds were indirectly exposed to foreign currency risk. The dollar amount of the funds invested in foreign currencies was not disclosed by the WVIMB in its financial statement footnotes for this fund. BRIM's amount invested in the Hedge Fund of $29,331 and $28,642 at June 30, 2014 and 2013, respectively, represents approximately 1.9% and 2.1%, respectively, of total investments in this pool.

(Dollars in Thousands)

3. Deposit and Investment Risk Disclosures (continued)

Treasury Inflation Protection Securities (TIPS)

The TIPS pool invests in U.S. Treasury inflation-protected securities, and its objective is to match the performance of the Barclay's Capital U.S. TIPS bond index on an annualized basis.

Credit Risk

WVIMB limits the exposure to credit risk in the TIPS pool by maintaining at least an average rating of investment grade as defined by the Nationally Recognized Statistical Rating Organizations. The following table provides the weighted-average credit ratings of the asset types in the TIPS pool:

	June 30, 2014				June 30, 2013			
Security Type	Moody's	S&P	Fair Value	Percent of Assets	Moody's	S&P	Fair Value	Percent of Assets
U.S. Treasury inflation-protected securities	Aaa	AA	$ 601,027	100.0%	Aaa	AA+	$ 653,371	99.9%
Short-term issue	Aaa	AAA	244	–	Aaa	AAA	601	0.1
Total rated investments			$ 601,271	100.0%			$ 653,972	100.0%

Concentration of Credit Risk

West Virginia statutes prohibit the TIPS pool from investing more that 5% of its assets in securities issued by a single private corporation or association. At June 30, 2014 and 2013, the pool did not have investments in any one private corporation or association that represented more than 5% of assets.

Custodial Credit Risk

At June 30, 2014 and 2013, the TIPS pool held no securities that were subjected to custodial credit risk. All securities are held by the WVIMB's custodian in the name of the WVIMB. Securities lending collateral is invested in the lending agent's collateral reinvestment fund.

(Dollars in Thousands)

3. Deposit and Investment Risk Disclosures (continued)

Interest Rate Risk

WVIMB monitors interest rate risk of the TIPS pool by assessing the modified duration of the investments in the pool. The following table provides the weighted-average modified duration for the various asset types in the TIPS pool:

	June 30, 2014		June 30, 2013	
Investment Type	Fair Value	Modified Duration (Years)	Fair Value	Modified Duration (Years)
U.S. Treasury inflation-protected securities	$ 601,027	7.8	$ 653,371	7.8
Short-term issue	244	–	601	–
Total assets	$ 601,271	7.8	$ 653,972	7.8

BRIM's amount invested in the TIPS pool of $14,783 and $13,229 at June 30, 2014 and 2013, respectively, represents approximately 2.4% and 2.0%, respectively, of total investments in this pool.

Foreign Currency Risk

None of the securities held by the TIPS pool are exposed to foreign currency risk.

Advanced Deposits

Insurance Company and Trustee

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

(Dollars in Thousands)

3. Deposit and Investment Risk Disclosures (continued)

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

	June 30, 2014				June 30, 2013			
Security Type	Moody's	S&P	Fair Value	Percent of Assets	Moody's	S&P	Fair Value	Percent of Assets
Corporate bonds and notes	Aaa	AAA	$ –	–%	Aaa	AAA	$ 1,610	0.77%
	Aaa	AA+	–	–	Aaa	AA+	–	–
	Aa1	AA+	1,218	0.59	Aa1	AA+	965	0.47
	Aa1	AA	–	–	Aa1	AA	4,517	2.17
	Aa1	AA-	2,381	1.15	Aa1	AA-	1,911	0.92
	Aa2	AA	1,152	0.56	Aa2	AA	2,226	1.07
	Aa2	AA-	2,424	1.17	Aa2	AA-	1,943	0.93
	Aa3	AA-	1,139	0.55	Aa3	AA-	967	0.47
			8,314	4.02			14,139	6.80
Collateralized mortgage obligations	Aaa	AA+	13,776	6.66	Aaa	–	4,199	2.02
			13,776	6.66			4,199	2.02
U.S. Treasury bonds and notes	Aaa	AA+	177,871	86.03	Aaa	AAA	157,591	75.77
U.S. Agency bonds	Aaa	AA+	6,456	3.12	Aaa	AA+	27,373	13.16
Agency-backed securities	Aaa	AA+	–	–	Aaa	AA+	4,157	2.00
Money market funds	Aaa	AAA	357	0.17	Aaa	AAA	514	0.25
Total rated investments			$ 206,774	100.00%			$ 207,973	100.00%

As of June 30, 2013, BRIM had not liquidated the cash liquidity pool investments for outstanding claims to be paid of $6,360. The advance deposits with insurance company and trustee is recorded net of this amount on the statement of net position.

Concentration of Credit Risk

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

Custodial Credit Risk

At June 30, 2014 and 2013, advanced deposits include no securities that were subject to custodial credit risk.

(Dollars in Thousands)

3. Deposit and Investment Risk Disclosures (continued)

Interest Rate Risk

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

Investment Type	June 30, 2014 Fair Value	June 30, 2014 WAM Years	June 30, 2013 Fair Value	June 30, 2013 WAM Years
Corporate bonds and notes	$ **8,314**	**3.2**	$ 14,139	4.1
U.S. Treasury bonds	**177,871**	**3.1**	157,591	3.4
U.S. agency bonds	**6,456**	**5.3**	27,373	4.5
Collateralized mortgage obligations	**13,776**	**3.8**	4,199	8.0
Agency-backed securities	–	–	4,157	4.0
Money market funds	**357**	–	514	–
Total rated investments	$ **206,774**	**3.2**	$ 207,973	3.7

Foreign Currency Risk

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

(Dollars in Thousands)

4. Unpaid Claims and Claims Adjustment Expense Liability

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

	2014	2013
Unpaid claims and claims adjustment expense liability at beginning of year	**$ 143,568**	$ 136,986
Incurred claims and claims adjustment expense:		
Provision for insured events of the current year	**58,389**	57,276
Decrease in provision for insured events of prior years	**3,237**	(3,259)
Total incurred claims and claims adjustment expense	**61,626**	54,017
Payments:		
Claims and claims adjustment expense attributable to insured events of the current year	**(10,560)**	(10,870)
Claims and claims adjustment expense attributable to insured events of prior years	**(41,430)**	(36,565)
Total payments	**(51,990)**	(47,435)
Total unpaid claims and claims adjustment expense liability at end of year	**$ 153,204**	$ 143,568

If the unpaid claims and claims adjustment expense liability were discounted using a 4% discount factor for 2014 and 2013 to take into consideration the time value of money, the result would be a decrease in the liability and an increase in net position of approximately $13,692 and $12,683 for fiscal years 2014 and 2013, respectively. The overall unpaid claim liability number includes a provision for allocated and unallocated claims adjustment expense.

(Dollars in Thousands)

5. Employee Benefit Plans

Pension Benefits

All full-time BRIM employees are eligible to participate in PERS, a cost-sharing, multiple-employer public employee retirement system. Employees who retire at or after age 60 with 5 or more years of contributory service or who retire at or after age 55 and have completed 25 years of credited service are eligible for retirement benefits as established by State statute. Retirement benefits are payable monthly for life, in the form of a straight-line annuity equal to 2% of the employee's final average salary of the past three years, multiplied by the number of years of the employee's credited service at the time of retirement. PERS also provides deferred retirement, early retirement, and death and disability benefits, and issues an annual report which can be obtained by contacting PERS.

Covered employees are required to contribute 4.5% of their salary to PERS. BRIM is required to contribute 14.5% of covered employees' salaries to PERS for 2014, 14.5% for 2013, and 14.5% for 2012. The required employee and employer contribution percentages are determined by actuarial advisement within ranges set by statute. As noted below, BRIM contributed the proper, required amounts. BRIM and employee contributions for the three years ended June 30 are as follows:

	2014	2013	2012
BRIM contributions (14.5% – 2014, 14.5% – 2013, and 14.5% – 2012)	$ **142**	$ 132	$ 145
Employee contributions (4.5%)	**47**	43	45
Total contributions	$ **189**	$ 175	$ 190

BRIM's contribution to the retirement plan for each of the years indicated above was equal to its required contributions. The contributions are included in general and administrative expenses in the basic financial statements.

The Consolidated Public Retirement Board (CPRB) administers PERS under the direction of the Governor, State Auditor, State Treasurer, Secretary of the Department of Administration, and ten members appointed by the Governor. CPRB prepares separately issued financial statements covering the retirement systems, which can be obtained from the Consolidated Public Retirement Board, 4101 MacCorkle Avenue, S.E., Charleston, West Virginia 25304.

5. Employee Benefit Plans (continued)

Other Postemployment Benefits (OPEB)

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

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

Legislation requires the RHBT to determine through an actuarial study, the Annual Required Contribution (ARC), which shall be sufficient to maintain the RHBT in an actuarially sound manner. The ARC is allocated to respective cost-sharing employers, including BRIM, who are required by law to fund at least the minimum annual premium component of the ARC. Revenues collected by RHBT shall be used to fund current OPEB health care claims and administrative expenses with residual funds held in trust for future OPEB costs. BRIM records expense for its allocated ARC and a liability for the ARC that has not been paid. BRIM's OPEB expense for fiscal years 2014 and 2013 was approximately $63 and $56, respectively, of which approximately $388 and $372 remained unpaid as of June 30, 2014 and 2013, respectively, and are recorded in accrued expenses and other liabilities in the statements of net position. For fiscal years 2014 and 2013, BRIM's OPEB contribution was approximately $54 and $38, respectively.

(Dollars in Thousands)

5. Employee Benefit Plans (continued)

of the total required contribution of $63 and $56, respectively, for both years. The actual contribution represents 85% and 68% of the total required contribution for 2014 and 2013, respectively. BRIM's policy is to fund at least the minimum annual premium component of the ARC. There are currently 26 employees eligible to receive such benefits.

6. Lease Arrangement

In December 2011, the State renewed the lease arrangement on behalf of BRIM for office space occupied by BRIM with a monthly lease payment of $12 and a term beginning on January 1, 2012, and ending on December 31, 2016.

Operating lease expense approximated $135 and $145 for the years ended June 30, 2014 and 2013, respectively, relating to these arrangements. Future minimum lease payments under these operating lease arrangements are as follows for years ending June 30:

2015	$139
2016	139
2017	70

7. Transactions With Primary Government and Component Units

Premium revenues derived from billings to State entities, which are funded by special revenue funds and component units of the primary government, approximated $27,226 and $25,646 for the years ended June 30, 2014 and 2013, respectively.

BRIM is required by Senate Bill 1002 to remit amounts equal to the gross premium tax attributable to premiums collected by BRIM. These amounts are to be placed in a separate account known as "the Premium Tax Savings Fund" (the Fund) maintained by the State Treasurer. Amounts deposited by BRIM into the Fund approximated $1,812 and $1,781 for the years ended June 30, 2014 and 2013, respectively. The Fund is not included in BRIM's financial statements, but is included in the general fund of the State.

In 2014, a transfer of $2,000 to the Patient Injury Compensation Fund as authorized by House Bill 4261 was made.

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

BRIM has entered into two reinsurance agreements for excess coverage with unrelated insurance companies wherein the company assumes the liability over BRIM's limit for a ceded premium. BRIM obtains an excess policy from the commercial market which gives boards of education a liability limit of up to $5 million in excess of BRIM's $1 million self-insured limit. BRIM also purchases an excess policy on all State and SB3 insured property over and above BRIM's $1 million self-insured limit. These reinsurance agreements have been accounted for as a transfer of risk in the accompanying financial statements. However, BRIM is not relieved of its primary obligation to the insureds in the reinsurance transaction. BRIM had one reinsurance recovery for the fiscal year ended June 30, 2014 of $1,000 and $0 for the fiscal year ended June 30, 2013.

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

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

Health insurance coverage for BRIM's employees is obtained through its participation in health insurance coverage offered by the West Virginia Public Employees Insurance Agency (PEIA). PEIA provides the following basic employee benefit coverage to all participants: hospital, surgical, group major medical, basic group life, accidental death, and prescription drug coverage for active and retired employees of the State and various related State and non-State agencies. BRIM had coverage through December 31, 2005, for job-related injuries through its participation in the West Virginia Workers' Compensation Fund, a public entity risk pool. Effective January 1, 2006, coverage was moved to Brickstreet Mutual Insurance Company as required by Senate Bill 1004. Effective October 1, 2011, coverage was moved to Zurich Insurance Company. Furthermore, BRIM is a participant in the self-insured public entity risk pool it administers. Coverage is in the amount of $1 million per occurrence for general liability and property damage.

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

Required Supplementary Information

West Virginia Board of Risk and Insurance Management

Ten-Year Claims Development Information (Unaudited)

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

	Fiscal and Policy Year Ended June 30									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
					(In Thousands)					
1) Premiums and investment revenues:										
Earned	$ 95,336	$ 89,690	$ 98,270	$ 83,499	$ 69,739	$ 83,088	$ 71,320	$ 64,361	$ 54,969	$ 69,172
Ceded	3,911	4,145	6,151	6,394	5,944	6,257	6,075	5,386	5,825	6,102
Net earned	91,425	85,545	92,119	77,105	63,795	76,831	65,245	58,975	49,144	63,070
2) Unallocated expenses, including administrative fees paid to third-party claims administrators	8,301	8,894	8,536	8,045	7,840	8,043	7,867	7,562	7,240	–
3) Estimated incurred claims and claims adjustment expense, end of policy year:										
Incurred	65,674	58,491	59,678	59,246	56,194	51,388	53,728	60,176	57,276	58,389
Ceded	5	172	3,597	2,000	300	–	–	2,312	–	–
Net incurred	65,669	58,319	56,081	57,246	55,894	51,388	53,728	57,864	57,276	58,389
4) Paid (cumulative) claims and claims adjustment expense as of:										
End of policy year	9,134	10,097	12,416	8,352	9,753	9,965	10,757	10,156	10,870	10,560
One year later	16,901	17,547	16,942	18,097	19,069	17,009	18,034	20,830	18,936	
Two years later	25,283	23,291	24,345	26,240	25,457	25,606	26,398	30,577		
Three years later	33,505	31,901	30,733	33,488	32,126	32,612	34,305			
Four years later	37,904	37,202	35,469	38,077	36,501	38,174				
Five years later	42,490	39,306	37,636	39,518	39,349					
Six years later	45,173	40,739	40,076	41,403						
Seven years later	45,641	40,886	41,334							
Eight years later	45,883	42,730								
Nine years later	47,114									
5) Reestimated ceded claims and expenses	5	172	3,597	2,000	300	–	–	2,312	–	–
6) Reestimated net incurred claims and allocated claims adjustment expense:										
End of policy year	65,669	58,319	56,081	57,246	55,894	51,388	53,728	57,864	57,276	58,389
One year later	61,419	51,183	53,924	57,108	48,432	46,571	52,844	58,812	56,883	
Two years later	56,023	47,726	48,330	51,881	46,176	47,102	50,289	61,106		
Three years later	52,893	45,490	44,898	46,708	45,328	46,116	48,480			
Four years later	50,179	44,898	43,179	45,459	44,112	44,171				
Five years later	50,097	43,237	42,181	44,323	46,551					
Six years later	48,374	42,839	42,862	44,349						
Seven years later	47,843	43,061	43,340							
Eight years later	48,178	43,548								
Nine years later	47,817									
7) (Decrease) increase in estimated net incurred claims and allocated claims adjustment expense from end of policy year	(17,852)	(14,771)	(12,741)	(12,897)	(9,343)	(7,217)	(5,248)	3,242	(393)	–

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

West Virginia Board of Risk and Insurance Management

Reconciliation of Unpaid Claims and Claims Adjustment Expense Liability by Type of Contract (Unaudited)

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

	Fiscal and Policy Year Ended June 30									
	2014					2013				
	Liability	Property	Mine Subsidence	House Bill 601	Total	Liability	Property	Mine Subsidence	House Bill 601	Total
					(In Thousands)					
Unpaid claims and claims adjustment expense liability at beginning of fiscal year	$ 137,984	$ 4,703	$ 881	$ –	$ 143,568	$ 129,072	$ 7,177	$ 737	$ –	$ 136,986
Incurred claims and claims adjustment expense:										
Provision for insured events of the current fiscal year	52,067	5,686	636	–	58,389	50,961	5,589	726	–	57,276
(Decrease) increase in provision for insured events of prior fiscal years	4,960	(1,422)	(301)	–	3,237	(3,929)	752	(91)	9	(3,259)
Total incurred claims and claims adjustment expense	57,027	4,264	335	–	61,626	47,032	6,341	635	9	54,017
Payments:										
Claims and claims adjustment expense attributable to insured events of the current fiscal year	(8,541)	(1,968)	(51)	–	(10,560)	(8,789)	(1,939)	(142)	–	(10,870)
Claims and claims adjustment expense attributable to insured events of the prior fiscal years	(39,637)	(1,489)	(304)	–	(41,430)	(29,331)	(6,876)	(349)	(9)	(36,565)
Total claims and claims adjustment expense payments	(48,178)	(3,457)	(355)	–	(51,990)	(38,120)	(8,815)	(491)	(9)	(47,435)
Total unpaid claims and claims adjustment expense liability at end of the fiscal year	$ 146,833	$ 5,510	$ 861	$ –	$ 153,204	$ 137,984	$ 4,703	$ 881	$ –	$ 143,568

Other Financial Information

West Virginia Board of Risk and Insurance Management

Combining Statement of Net Position

June 30, 2014
(In Thousands)

	Other Lines of Business	Mine Subsidence	House Bill 601 Medical Malpractice	Total
Assets				
Current assets:				
Cash and cash equivalents	$ 6,132	$ –	$ –	$ 6,132
Advance deposits with carrier/trustee	206,774	–	–	206,774
Receivables, net	2,901	–	–	2,901
Prepaid insurance	–	–	–	–
Restricted cash and cash equivalents	–	3,756	3,466	7,222
Restricted receivables, net	–	710	–	710
Total current assets	215,807	4,466	3,466	223,739
Noncurrent assets:				
Investments	99,641	–	–	99,641
Restricted investments	–	47,737	–	47,737
Total assets	315,448	52,203	3,466	371,117
Liabilities				
Current liabilities:				
Estimated unpaid claims and claims adjustment expense	52,781	667	–	53,448
Unearned revenue	6,340	1,178	–	7,518
Agent commissions payable	939	–	–	939
Accrued expenses and other liabilities	453	16	–	469
Interprogram (receivables) payables	(16)	16	–	–
Total current liabilities	60,497	1,877	–	62,374
Noncurrent liabilities:				
Estimated claims and claims adjustment expense, noncurrent	99,562	194	–	99,756
Compensated absences	73	3	–	76
Total noncurrent liabilities	99,635	197	–	99,832
Total liabilities	160,132	2,074	–	162,206
Net position				
Restricted	–	50,129	3,466	53,595
Unrestricted	155,316	–	–	155,316
Net position	$ 155,316	$ 50,129	$ 3,466	$ 208,911

West Virginia Board of Risk and Insurance Management

Combining Statement of Revenues, Expenses, and Changes in Net Position

Year Ended June 30, 2014
(In Thousands)

	Other Lines of Business	Mine Subsidence	House Bill 601 Medical Malpractice	Total
Operating revenues				
Premiums	$ 49,867	$ 2,221	$ 40	$ 52,128
Less excess coverage/reinsurance premiums	(6,102)	–	–	(6,102)
Total operating revenues	43,765	2,221	40	46,026
Operating expenses				
Claims and claims adjustment expense	61,291	335	–	61,626
General and administrative expense	3,761	136	1	3,898
Total operating expenses	65,052	471	1	65,524
Operating (loss) income	(21,287)	1,750	39	(19,498)
Nonoperating revenues				
Investment income	12,685	4,352	6	17,043
Appropriation Transfer HB4261	–	–	(2,000)	(2,000)
Net nonoperating revenues	12,685	4,352	(1,994)	15,043
Changes in net position	$ (8,602)	$ 6,102	$ (1,955)	$ (4,455)

West Virginia Board of Risk and Insurance Management

Deposits Disclosure

Form 7

Year Ended June 30, 2014
(In Thousands)

	Fair Value	
Cash with Treasurer	$ 2,068	(1)

(1) Agrees to audited statement of cash flows as follows:

Cash with Treasurer	$ 2,068	(2)
Cash equivalents with BTI	11,286	(2)
	$ 13,354	(3)

(2) Agrees to Form 8-A.

(3) Agrees to audited statement of cash flows.

West Virginia Board of Risk and Insurance Management

Investments Disclosure

Form 8

Year Ended June 30, 2014
(In Thousands)

Investment Pool	Amount Unrestricted		Amount Restricted		Amount Reported		Fair Value
BTI and WVIMB Investment Pools:							
Cash liquidity	$ 4,437	(1)	$ 6,849	(1)	$ 11,286	(3)	$ 11,286
Short-term	99,641	(1)	47,737	(1)	147,378	(3)	147,378
Total investments	$ 104,078	(1)	$ 54,586	(1)	$ 158,664		$ 158,664

(1) Agrees to audited statement of net position as follows:				
Investments with BTI and WVIMB	$ 104,078		$ 54,586	
Less investments classified as cash equivalents	4,437		6,849	
Total investments	$ 99,641	(2)	$ 47,737	(2)

(2) Agrees to audited statement of net position.

(3) Agrees to Form 8-A.

West Virginia Board of Risk and Insurance Management

Deposits and Investments Disclosure

Form 8-A

Year Ended June 30, 2014
(In Thousands)

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

Deposits:		
Cash and cash equivalents as reported:		
Noncurrent – restricted	$ 7,222	(1)
Unrestricted	6,132	(1)
Total cash and cash equivalents	13,354	
Less investments disclosed as cash equivalents	11,286	(2)(3)
Fair value of deposits as disclosed on Form 7	$ 2,068	(2)
Investments:		
Investments as reported:		
Noncurrent – restricted	$ 47,737	(1)
Noncurrent – unrestricted	99,641	(1)
Total investments	147,378	
Add investments disclosed as cash equivalents	–	
Fair value of investments as disclosed on Form 8	$ 147,378	(3)

(1) Agrees to audited statement of net position.

(2) Agrees to Form 7.

(3) Agrees to Form 8.

West Virginia Board of Risk and Insurance Management

Schedule of Receivables (Other Than State Agencies)

Form 9

Year Ended June 30, 2014
(In Thousands)

	Amount	
Accounts receivable (other than State agencies):		
Total accounts receivable as of June 30, 2014	$ 3,611	(1)
Less allowance for doubtful accounts	–	(2)
Net receivable	$ 3,611	

(1) Derived from the audited statement of net position as follows:

Receivables:		
Premiums due from other entities	$ 2,901	(2)
Other	–	(2)
Restricted receivables:		
Premiums due from other entities	710	(2)
	$ 3,611	

(2) Agrees to the audited statement of net position.

West Virginia Board of Risk and Insurance Management

Schedule of Accounts Receivable From Other State Agencies

Form 10

June 30, 2014
(In Thousands)

Receivable From	Amount
Accounts receivable from other State agencies	$ 127 (1)
(1) Premiums due from other State agencies	$ 127
Premiums due from other entities	2,774
Total receivables	$ 2,901 (2)

(2) Agrees to audited statement of net position.

West Virginia Board of Risk and Insurance Management

Schedule of Changes in Long-Term Obligations – Compensated Absences

Form 13

Year Ended June 30, 2014
(In Thousands)

Type of Debt	Final Maturity Date	Balance as Reported June 30 2013	Payments	Other Changes	Balance June 30 2014	
Compensated absences – annual leave	Varies	$ 64	$ –	$ 12	$ 76	(1)

(1) Agrees to audited statement of net assets.

Ernst & Young LLP
900 United Center
500 Virginia Street East
Charleston, WV 25301

Tel: +1 304 343 8971
Fax: +1 304 357 5994
ey.com

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

The Board of Directors and Management
West Virginia Board of Risk and Insurance Management

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the West Virginia Board of Risk and Insurance Management (BRIM), which comprise the statement of net position as of June 30, 2014, and the related statements of revenues, expenses and changes in position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 7, 2014.

Internal Control over Financial Reporting

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

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

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

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Compliance and Other Matters

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

Purpose of this Report

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

Ernst + Young LLP

November 7, 2014

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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) 744-7120 FAX
(800) 345-4669 TOLL FREE WV
www.state.wv.us/brim

Earl Ray Tomblin
Governor

Ross Taylor
Cabinet Secretary

Charles E. Jones, Jr.
Executive Director
charles.e.jones@wv.gov

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

August 26, 2014

Chairman Martin	Call to Order
Chairman Martin	Approval of Board Minutes June 24, 2014

REPORTS

Charles E. Jones, Jr. Executive Director	Executive Director's Report
Anthony Criscuolo/Nate Pearson Standish Mellon Asset Management	Account Update/Investment Update
Tom Sauvageot WV Investment Management Board	Account/Investment Update
Stephen W. Schumacher, CPA Chief Financial Officer	Financial Report PCard Report
Robert A. Fisher Deputy Director/Claim Manager	Loss Control Report

UNFINISHED BUSINESS

NEW BUSINESS

ADJOURNMENT

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

RECEIVED
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BOARD OF RISK AND INSURANCE MANAGEMENT

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SOUTH CHARLESTON, WV 25303

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(304) 744-7120 FAX
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Earl Ray Tomblin
Governor

Jason Pizatella
Acting Cabinet Secretary

Charles E. Jones, Jr.
Executive Director
charles.e.jones@wv.gov

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

August 26, 2014

BOARD MEMBERS PRESENT:	Bruce R. Martin, CIC, CRM, Chairman Edward Magee, Ed.D., CPA, Member Bob Mitts, CPCU, Member
BRIM PERSONNEL:	Charles E. Jones, Jr., Executive Director Robert Fisher, Deputy Director/Claim Manager Stephen W. Schumacher, CPA, CFO Chuck Mozingo, Assistant Claim Manager Stephen M. Fowler, Esq., BRIM Counsel Jeremy Wolfe, Loss Control Manager Stephen Panaro, Controller Jeff Lawrentz, Underwriter Barbara Houchins, Claim Representative Linda Dexter, Recording Secretary
INSURANCE COMMISSION REPRESENTATIVE:	Tonya Gillespie, CPA, Assistant Insurance Commissioner (serving as a representative for the Board Secretary)
BRIM PROGRAM REPRESENTATIVES:	Charles Waugh, AIG Claim Services Jim Harlan, AIG Claim Services Bob Ayers, USI Insurance Services Brenda Samples, USI Insurance Services
GUESTS:	Nate Pearson, CFA, Standish, a BNY Mellon Company Tony Criscuolo, CFA, Standish, a BNY Mellon Company Sandy Price, WVU Health Sciences Center Michael J. Gansor, WVU Risk Management 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 Martin at 1:00 p.m. on Tuesday, August 26, 2014, at 90 MacCorkle Avenue, SW, Suite 203, South Charleston, West Virginia.

APPROVAL OF MINUTES

Mr. Mitts moved the approval of the minutes of the June 24, 2014 Board Meeting. The motion was seconded by Dr. Magee. There being no discussion, a vote was taken and the MOTION ADOPTED.

REPORTS

Executive Director's Report

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

One of the major topics covered in his report was cyber liability insurance coverage. BRIM's goal was to get coverage for the entire state; however, as a result of sending questionnaires to all the agencies comprising the various branches of government, it was determined that the Executive Branch was the only branch in state government for which cyber coverage could be obtained. The agencies which do not fall under the auspices of the WV Office of Technology and the State Privacy Office cannot be audited to determine compliance and, therefore, cannot be considered for cyber coverage by the carriers.

Mr. Jones further explained that there are several branches of government, and BRIM tried very hard to get coverage for all of the state but the carrier would not quote it. The only branch that the carrier would quote was the Executive Branch.

Through further discussion, it was ascertained that several of the other branches have their own systems; and that since the Office of Technology and the State Privacy Office cannot audit them, it's impossible for them to confirm that these other agencies are meeting minimum standards. In addition, since OT and the Privacy Office do not have regulatory authority, they cannot punish the non-compliant agencies for not adhering to standards.

Mr. Fisher interjected that as a follow-up measure, a letter will also be sent to the agencies, boards, commissions and higher education facilities not included in the policy. The letter will explain that we feel they should be covered but in order to get this coverage, they will have to implement specific measures which comply with our standards before our underwriter can grant acceptance. Standards will be set up basically the same as those that the Office of Technology and the Privacy Office have.

Mr. Jones thereafter explained that BRIM will absorb the cost for the current fiscal year but will advise the agencies in January 2015 of the cost for the 2016 fiscal year.

Continuing with his report, some of the topics Mr. Jones commented on were the privacy self-assessment, wvOASIS, and the faithful performance bond issue. It was particularly noted that the completed self-assessment documentation is due by November 21st and gives the agencies the opportunity to obtain a reduction in their premiums. Regarding the faithful performance (notary) bond, Mr. Jones stated that BRIM is considering self-insuring the $1,000 for the insureds.

In concluding his report, Mr. Jones announced that he will be retiring effective January 1, 2015, and thereafter expressed his sentiments about the agency, its people, and the government leaders with which he has worked over the past 20+ years.

Standish Mellon Account/Investment Update

There being no questions for Mr. Jones, Chairman Martin called upon Mr. Criscuolo and Mr. Pearson for their presentation.

Mr. Criscuolo, Relationship Manager, began by introducing himself and briefly describing his job. He then recognized Mr. Pearson, the Interest Rate Strategist and Portfolio Manager, who thereafter continued with the presentation.

In presenting their report to the Board, Mr. Criscuolo and Mr. Pearson referred to the document entitled "Presentation for: The State of West Virginia BRIM, August 26, 2014", a copy of which is attached and made a part of the record.

Among his comments, Mr. Pearson discussed the markets and payroll and noted that 2014 got off to a slow start; that growth basically remained the same, within 2-3%; that inflation was higher in the 2nd quarter and appears to have bottomed, and that the economic forecast for growth is expected to improve in the 2nd half. The one negative for the portfolio is the underweight duration position in that it is about half a year underweight on duration. Although this is not significant, it is probably the biggest risk to the portfolio. He also stated that he expects the Fed to raise rates as the economy gets better but is cautiously optimistic.

WVIMB Investment Update

There being no further discussion or questions for Mr. Criscuolo or Mr. Pearson, Chairman Martin called upon Mr. Sauvageot to present his report.

Mr. Sauvageot began by stating that everything Mr. Pearson had said also expresses the WVIMB's view. Interest rates are very low, and if interest rates aren't rising, that hurts the bond portfolio. However, when interest rates rise, we will be reinvesting at a higher rate and be building up a higher yield, so it does equal out.

(During his presentation, Mr. Sauvageot referred to the document entitled

"BRIM – Investments, WV Investment Management Board, 8/16/14", a copy of which is attached and made a part of the record.)

In reviewing the asset allocation, he noted that we weren't going to get a 10% return—probably more like 4 to 4½% return.

Mr. Schumacher thereafter asked both Mr. Sauvageot and Mr. Criscuolo about the typical allocation of investments in insurance company portfolios between fixed income and equity, to which Mr. Criscuolo responded for equities, 15-20%, and for fixed income and alternate investments 50 to 75-80%. Other factors can impact the make-up of individual insurance company portfolios. Some have no equities and some are 50% equities.

A brief explanation was provided by Mr. Schumacher regarding BRIM's total investments with the Bank of New York Mellon and the WV Investment Management Board. BRIM's combined allocation is 20% equities and 80% fixed. Trust funds are used to pay claims, and the IMB is primarily used for BRIM's long-term capital. Five percent of the IMB is in short-term fixed income to provide BRIM with additional liquidity for cyclical short-term cash requirements.

BRIM Financial Report

There being no questions for Mr. Criscuolo or Mr. Pearson, Chairman Martin called upon Mr. Schumacher to present his Chief Financial Officer's Report. The unaudited balance sheet as of June 30, 2014 and the unaudited income statement for the twelve months ending June 30, 2014 were received and filed, copies of which are attached and made a part of the record.

A CD containing copies of the May and June 2014 purchasing card invoices was distributed to each Board member. The Chairman signed the acknowledgement form for the March and April 2014 Purchasing Card billings. The acknowledgement form is retained by the Finance Department.

Mr. Schumacher then noted that the updated results for the premium to net asset reserve ratio will be provided at the November Board Meeting.

In closing, Mr. Schumacher noted that BRIM was awarded the Government Financial Officers Association's Certificate of Achievement for Excellence in Financial Reporting BRIM's Comprehensive Annual Financial Report for the year ended June 30, 2013. This is the 19th consecutive year that BRIM has received this award.

Loss Control Report

There being no questions for Mr. Schumacher, Mr. Fisher presented the Loss Control Report, which was received and filed, a copy of which is attached and made a part of the record.

There were no questions for Mr. Fisher.

UNFINISHED BUSINESS

There was no unfinished business to be discussed.

NEW BUSINESS

There was no new business to be discussed.

AD**JOURNMENT**

There being nothing further, the meeting adjourned at 2:16 p.m.

Board Chairman	11/25/14 Date

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DEPARTMENT OF ADMINISTRATION
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90 MACCORKLE AVENUE SW, Suite 203
SOUTH CHARLESTON, WV 25303

(304) 766-2646 ADMINISTRATION
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Executive Director's Report

August 26, 2014

A. Marshall University and West Virginia University Medical Malpractice Program

- As of August 21, 2014, Marshall has deposited $100,000.00 into the escrow account for FY 2015. The fiscal year-to-date cumulative interest totals $182.04. During FY 2015, disbursements totaling $448,191.12 have been paid thus far.

- As of August 21, 2014, a total of no additional funds have been transferred or deposited into WVU's escrow account for FY 2015. The fiscal year-to-date cumulative interest totals $287.68. During FY 2015, disbursements totaling $801,163.79 have been paid thus far.

B. State Agency/Senate Bill #3 Litigation

Verdicts were rendered in six cases in 2014 to date. One was a directed verdict in favor of the defense; three were defense verdicts; one was a pure plaintiff's verdict and one was a plaintiff's verdict, with the verdict both less than the demand and less than the last offer.

In 2014, 165 new litigated cases were received vs. 265 cases PYTD; 326 litigated cases were closed vs. 320 cases PYTD. There are currently 626 pending litigated cases, which is 53% of the total pending cases.

C. Cyber Liability Insurance Coverage

Our goal was to have Cyber coverage for the entirety of State government. This process was initiated last year. During January of 2014, we sent out questionnaires to all of the state agencies that we provide liability coverage requesting information that according to our research, we determined the carrier would need in order to quote coverage. However, not all of the agencies responded and provided exposure

C. Cyber Liability Insurance Coverage (cont'd)

information. Without accurate exposure information, the carriers refused to quote coverage for the entire state.

There are several branches of state government. The Executive Branch is the only branch of state government that comes under the auspices of the West Virginia Office of Technology and the State Privacy Office, who have the authorization/ability to audit to determine compliance. They do not have the regulatory authority to audit and comment on compliance, or enforce compliance to the other branches of state government.

Consequently, it was determined that the Executive Branch is the only branch in state government that we could obtain Cyber coverage as a group. The other branches could possibly be added later as they qualify for coverage. At this time, Cyber coverage is not provided for the following:

- The Constitutional Officers
- The Legislative Branch
- The Judicial Branch
- Higher Education

As of August 13th, BRIM did obtain cyber coverage through our Broker, Arthur J. Gallagher, for the Executive Branch Agencies through July 1, 2015 at a pro-rated premium of $462,820.

BRIM will absorb the cost for coverage for this year. As is our usual practice, we will communicate to state agencies in January 2015 the cost of cyber coverage going forward, as well as the other coverages we provide.

D. Privacy Self-Assessment

The self-assessment of privacy principles referenced in our letter of June 12, 2014 to all non-executive agencies is due by November 17, 2014. The completed and signed certification letter must be received at the Privacy Office by November 21, 2014. This assessment offers the agencies an opportunity to obtain a reduction in the amount of premiums their organizations pay.

E. wvOASIS

The West Virginia Enterprise Resource Planning (ERP) Board went live with the third phase of the State's ERP project on July 8th. Phase C, the new wvOASIS Financial, Procurement and Treasury applications, will offer greater transparency and improve vendor relations. It will provide greater efficiency and accountability by its ability to set controls over access to these applications.

F. Faithful Performance of Duty Coverage

The Secretary of State's Office requires (as of July 1 of this year) that all persons renewing or applying as a notary public get a $1,000 surety bond. Many state agencies have notaries in each of their facilities and central offices, and the fee is

F. Faithful Performance of Duty Coverage (cont'd)

waived as each person obtains their notary as a public agency notary only--not for private use. The question arose whether BRIM's statutory bond coverage applied, and we felt that it did. However, the Office of the Secretary of State indicated that the notaries must have coverage without exclusions. Therefore, we are looking into self-insuring the $1,000 Faithful Performance Bond coverage.

G. Miscellaneous

1. STRIMA

This year's annual conference will be held from September 14th through the 18th in St. George, Utah. Those attending the conference, including myself, are Robert Fisher, Steve Schumacher, Chuck Mozingo, and John Fernatt.

BRIM continues to be a significant contributor to the STRIMA organization. I am a past President. Robert Fisher will be inducted as President on September 17. John Fernatt is the Information Technology person, and Chuck Mozingo has been a presenter at past conferences. This year, I have been asked to participate in a panel discussion regarding the water crisis (MCHM), which occurred on January 9th of this year.

2. Driver Training

The National Safety Council (NSC) has chosen our agency as a Defensive Driving Course Award Recipient for our training efforts. We will be recognized at the NSC's 2014 Annual Conference in San Diego, California for "Best Performance" in Defensive Driver Training.

3. Personnel

BRIM has lost two employees since the last Board Meeting. Ashlyn Harlan, a Loss Control Specialist, left on July 11th to accept other employment; Katie Heindl, an Office Assistant I, left on July 25th to relocate.

BRIM recently hired Chelsea Starcher as a temporary employee to assume the duties previously performed by Katie Heindl. She started last week on August 21st.

4. Retirement

Last but not least, I am scheduled for knee surgery on September 23. Robert Fisher will be in charge during my absence. Although I will not technically be in the office, I will have access to my emails and cell phone and will be available should the need arise. Officially, I expect to return to the office on November 17, 2014.

Upon my return on November 17, it is my plan to work through December, but I will be retiring effective, January 1, 2015.

4. Retirement (cont'd)

During my tenure, it has been a distinct honor and privilege to work at BRIM. I am hopeful that my contribution has been of value to the Board, to staff and to the citizens of West Virginia. I feel privileged to have worked with several cabinet leaders and Chief Executives over the past 20+ years.

Respectfully submitted,

C. E. Jones Jr.

Charles E. Jones, Jr.
Executive Director

CEJ:lld

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) 744-7120 FAX
(800) 345-4669 TOLL FREE WV
www.state.wv.us/brim

Earl Ray Tomblin
Governor

Ross Taylor
Cabinet Secretary

Charles E. Jones, Jr.
Executive Director
charles.e.jones@wv.gov

Chief Financial Officer's Report
August 26, 2014

A. P Card Report

CD copies contain the supporting detail for P card purchases for the months of May and June, 2014. These totals are:

May	$54,298.11
June	$42,060.41

B. Financial Results

- The financial results provided for the fiscal year ended June 30, 2014 are preliminary and subject to year-end audit results. Reserves reflect the draft estimates of AON's risk funding study as of June 30, 2014. AON's final report will be issued in early September. The completed risk funding study will be reviewed by Ernst & Young as part of their normal year-end audit work. The audit will be completed by mid-October when BRIM's final audited financial statements for FY'14 will be issued.
- Premium revenue for FY'14 is $5 million higher than the prior year. BRIM increased premiums in FY'14 primarily to cover an increase in actuarially projected claims costs for FY'14.
- Liability claims expense for FY'14 increased by $10 million over FY'13' totals. Increasing claims reserves have put a drag on BRIM's net operating results and will continue to negatively impact cash flows going forward. Claims reserves have increased an average of $9 million/year over the last three years for a total increase of $27 million.
- Investment income for FY'14 is $9.2 million higher than for FY'13. Better equity returns improved results vs. FY'14. For FY'13, lower interest rates reduced the investment earnings on BRIM's fixed income portfolio. The overall rate of return on funds invested was 4.8% for FY'14 vs. 2.1% for FY'13.
- The overall financial results show a net loss of $2.5 million for FY'14 versus a net loss of $8.1 million for FY'13. These losses are being driven by the impact of increasing reserves on claims expense.

C. Premium to Net Asset Reserve Ratio

- The net asset reserve policy proposed by BRIM management was tabled by the Board at the May 28, 2013 meeting. On August 27, 2013 the Board approved the premium to net asset reserve ratio. It established a 10% ratio, or band, to help guide the Board in assessing BRIM's overall financial condition. The policy established a target range of net assets to assist BRIM in maintaining an adequate level of capital that would provide some measure of stability in establishing rates from one year to the next.
- It is anticipated that BRIM will provide the Board with the updated results for the premium to net asset reserve ratio at the next board meeting when the final audit results as of June 30, 2014 will also be presented.

D. Government Finance Officers Association (GFOA) Recognition

- We were recently notified by the Government Financial Officers Association (GFOA) that BRIM was awarded the GFOA's prestigious Certificate of Achievement for Excellence in Financial Reporting for BRIM's Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2013. This is GFOA's highest form of recognition for excellence in governmental accounting and financial reporting. This marks the 19th consecutive year that BRIM has been acknowledged for this outstanding achievement.

Respectfully submitted,

Stephen W. Schumacher, CPA
Chief Financial Officer

West Virginia Board of Risk and Insurance Management
UNAUDITED BALANCE SHEET

DRAFT

	June 30 2014	June 30 2013
	(in thousands)	
ASSETS		
Short Term Assets		
Cash and Equivalents	$ 26,504	$ 24,885
Advance Deposit with Carrier/Trustee	198,887	199,738
Receivables - Net	3,475	4,166
Prepaid Insurance	(3)	7
Total Short Term Assets	228,863	228,796
Long Term Assets		
Investments	147,378	139,875
Total Long Term Assets	147,378	139,875
TOTAL ASSETS	376,241	368,671
LIABILITIES		
Short Term Liabilities		
Accounts payable	81	395
Claims Payable	-	-
OPEB Liability	372	372
Agents Commissions Payable	913	861
Unearned Revenue	7,497	6,757
Current Estimated Claim Reserve	49,793	49,793
Total Short Term Liabilities	58,656	58,178
Long Term Liabilities		
Compensated Absences	64	64
Estimated Noncurrent Claim Reserve	103,412	93,776
Total Long Term Liabilities	103,476	93,840
TOTAL LIABILITIES	162,132	152,018
Prior Year Net Assets		
Restricted - HB601 and Mine Subsidence	44,599	46,276
Unrestricted	172,054	178,526
Total Prior Year Net Assets	216,653	224,802
Current Year Earnings (Deficiency)		
Restricted - HB601 and Mine Subsidence	1,178	3,773
Unrestricted	(3,722)	(11,922)
Total Current Year Earnings (Deficiency)	(2,544)	(8,149)
Total Net Assets		
Restricted - HB601 and Mine Subsidence	45,777	50,049
Unrestricted	168,332	166,604
TOTAL NET ASSETS	214,109	216,653
TOTAL LIABILITIES AND RETAINED EARNINGS	$ 376,241	$ 368,671

DRAFT - Unaudited - Management Purposes Only

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

	June 30 2014	June 30 2013
	(in thousands)	
Operating Revenues		
Premium Revenues	$ 52,144	$ 47,134
Less - Excess Insurance	(6,105)	(5,825)
Total Operating Revenues	46,039	41,309
Operating Expenses		
Claims Expense	57,127	47,177
Property & MS Claims Expense	4,619	6,840
Personal Services	1,405	1,304
General & Administrative Expense	2,441	1,972
Total Operating Expenses	65,592	57,293
Operating Income (Loss)	(19,553)	(15,984)
Nonoperating Revenues		
Investment Income	17,009	7,835
Total Nonoperating Revenues	17,009	7,835
Net Income (Loss)	$ (2,544)	$ (8,149)

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Cabinet Secretary

Loss Control Report to the Board
August 2014

To date, approximately 26,000 State and County Board of Education drivers have completed the on-line defensive driver training program that we are offering through the National Safety Council. Premium credits or surcharges will be applied to fiscal year 2016 automobile premium based on the level of participation by each state agency and county Board of Education. Though the published completion period has passed, we are offering the remaining views to other BRIM insured. We have until the end of this year for the course to be completed.

BRIM and Hartford Steam Boiler will sponsor two boiler safety and operational seminars this fall. We hope that these seminars will continue to attract large crowds and that what is learned therein will help keep boiler losses minor and to a minimum as they have been for many years.

As is our custom during the month of September, we will begin evaluation of loss control questionnaires submitted by our state agencies. These questionnaires were due on August 1. The results will be used to calculate loss control credits and surcharges for next fiscal year's premium.

I must regrettably report that we have another vacancy within the Department. Ashlyn Harlan accepted the position of Safety Director for the City of Bridgeport. With these two most recent departures, the number of loss control specialists has been reduced by half. As a result, we will be forced to refocus our efforts toward those insured whose loss experience require our attention as well as those entities which are new additions to the BRIM program. We will continue to offer outreach training, and assistance with the Standards of Participation Program as schedules permit.

During the months of June, July, and August Aon conducted 184 inspections and Hartford conducted 356. The reports are being processed according to established procedures.

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

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

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

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

Dated: August 25, 2014

Respectfully submitted,

Robert A. Fisher

Robert A. Fisher
Deputy Director *and* Claim Manager

Presentation for:

The State of West Virginia BRIM

August 26, 2014

The State of West Virginia BRIM

Robert Bayston, CFA
Robert is the Managing Director and Senior Portfolio Manager of US Interest Rate Strategies. He is responsible for the portfolio management of all US Treasury/government and agency mortgage backed strategies. Robert also manages all inflation linked portfolios including US and global mandates. In addition to his portfolio management responsibilities, Robert oversees the research and strategy efforts in US interest rate products including the use of derivative strategies for risk management and liability hedging. Robert joined the firm in 1991 and has held several positions in fixed income research and trading before assuming his current responsibilities in 2005. He has an M.S. in Finance from Boston College and a B.S. from the University of Virginia's McIntire School of Commerce. Robert is a member of the Boston Security Analysts Society and holds the CFA® designation. He has over 21 years of investment experience and has spent his entire career with Standish.

Nate Pearson, CFA
Nate is an Interest Rate Strategist and Portfolio Manager responsible for research and analysis of US government securities, inflation-linked bonds and interest rate derivatives. He joined Standish in 2005 as a Liquid Products Trader. Prior to Standish, he worked at Darling Consulting Group as an analyst responsible for interest rate risk analysis and overall balance sheet management for institutional banking clients. Nate has an M.S.F. from Boston College and a B.S. from the University of New Hampshire. He is a member of the Boston Security Analysts Society, holds the CFA® designation and has 11 years of investment experience.

Tony Criscuolo, CFA
Tony is Managing Director and Senior Relationship Manager in our Boston office responsible for client relationships for our institutional fixed income portfolios. Tony was previously responsible for leading the insurance team, a role he accepted in 2011 where he was responsible for investment strategy, client relationship management and business development. Tony joined the company in 1998 and had been a Senior Portfolio Manager for Tax Sensitive Strategies before taking the role of Director of Relationship Management in 2009 for the Tax Sensitive team. Prior to joining Standish, Tony worked for Anthem Blue Cross & Blue Shield of Connecticut, where he led the Treasury and Investment Division. Tony has an M.S.F. from Fairfield University and a B.S. from Quinnipiac University. He is an active member in alumni affairs for Quinnipiac University and is a member of the Boston and Hartford Security Analysts Societies, holds the CFA® designation and has 30 years of investment experience.

Scott Mountain, CFA
Scott is a Senior Relationship Manager in our Boston office responsible for client relationships for our institutional fixed income portfolios. He joined the company in 2006 from Lehman Brothers where he was responsible for client service, trading, and middle market equity sales. Scott has an M.S. in Investment Management from Boston University, and a B.A. from the University of Massachusetts at Amherst. Scott holds the CFA® designation and has 16 years of industry experience.

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The State of West Virginia BRIM

I. Corporate Overview

II. Market Environment

III. Performance & Portfolio Review

IV. Global Economic & Investment Outlook

V. Client Service Update

VI. Appendix

Standish By The Numbers

1933
Year Standish is founded

165.6 billion
USD in assets under management[1]

188 employees[2]

131 Investment professionals located in U.S., U.K., & Singapore[2]

U.S., regional and global mandates
With clients in **41** countries

Dedicated exclusively to fixed income and credit solutions

Source: Standish as of June 30, 2014.

[1] Assets under management (AUM) as of June 30, 2014 . This figure includes assets managed by Standish personnel acting as dual officers of The Dreyfus Corporation or The Bank of New York Mellon, and high yield assets managed by personnel of Alcentra NY, LLC acting as dual officers of Standish. Standish, Dreyfus, and Alcentra are registered investment advisers; they and The Bank of New York Mellon are wholly-owned subsidiaries of The Bank of New York Mellon Corporation.

[2] Includes shared employees of Standish Mellon Asset Management (UK) Limited and MBSC Securities Corporation, both affiliates of Standish Mellon Asset Management Company LLC ("Standish"), contracted employees from BNY Mellon Investment Management Singapore Pte. Limited, and employees of Alcentra NY, LLC acting as dual officers of Standish. These individuals may from time to time act in the capacity of shared employees of Standish, performing sales, marketing, portfolio management support, research and trading services for certain Standish managed accounts.

In addition, Standish is also supported by BNY Mellon Asset Management Operations LLC ("BNYM AM Ops") which is a legally separate entity that provides services related to all aspects of IT and operations, including front, middle and back office services through a Service Level Agreement.

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Standish Mellon Asset Management Company LLC[1]

Desmond Mac Intyre
Chairman & Chief Executive Officer, Standish

Active Fixed Income Division	Tax Sensitive Division	Cash Division	Stable Value Division
$81.5 Billion AUM[1]	$29.0 Billion AUM[1]	$35.9 Billion AUM[1]	$19.1 Billion AUM[1]
Desmond Mac Intyre *Chairman & CEO, Standish* *Head of Active Fixed Income Division*	**Christine Todd, CFA** *President of Standish* *Head of Tax Sensitive Division*	**James Kohley, CFA[2]** *Executive Vice President* *Head of Cash Division*	**Eric Baumhoff, CFA** *CIO, Stable Value* *Head of Stable Value Division*

David Leduc, CFA
Chief Investment Officer

Michael Faloon, CFA, FRM
Chief Operating Officer

Julia Braithwaite, IACCP
Chief Compliance Officer

Alex Over
Managing Director of Global Sales & Product Strategy

[1] As of June 30, 2014. Assets under management (AUM) includes assets managed by Standish personnel acting as dual officers of The Dreyfus Corporation or The Bank of New York Mellon, and high yield assets managed by personnel of Alcentra NY, LLC acting as dual officers of Standish. Standish, Dreyfus, and Alcentra are registered investment advisers; they and The Bank of New York Mellon are wholly-owned subsidiaries of The Bank of New York Mellon Corporation.

[2] MBSC Securities employee who is a dual officer of Standish.

Investment Strategies & Solutions

Single Sector Relative Return

Emerging Markets
Local Currency, USD, Corporates, Opportunistic

Global Corporate Credit
U.S., Euro & Global

Securitized Strategies
ABS & CMBS

Mortgages

Tax-Sensitive
Short, Intermediate, Long

TIPS
U.S. & Global

Government
U.S. & Global

Multi-Sector Relative Return

Total Emerging Markets

Global Core Plus

Global Core/Non-US Core

Long Duration

U.S. Core Plus

U.S. Core

Short/Intermediate Duration

Cash

Stable Value

Absolute Return

Opportunistic Fixed Income

Tax Sensitive Absolute Return

Solutions Liability Driven Investing • Insurance Client Strategies • Liquidity Strategies • ESG/SRI

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Standish Investment Resources

David Leduc, CFA
Chief Investment Officer

David Horsfall, CFA
Co-Deputy Chief Investment Officer

Thomas Higgins, PhD
Chief Economist & Global Macro Strategist

Raman Srivastava, CFA
Co-Deputy Chief Investment Officer

MULTI-SECTOR STRATEGIES

OPPORTUNISTIC FIXED INCOME
David Horsfall, CFA
Raman Srivastava, CFA
David Leduc, CFA

GLOBAL FIXED INCOME
Raman Srivastava, CFA
Brendan Murphy, CFA
Thant Han[1]

U.S. CORE/CORE PLUS FIXED INCOME
David Bowser, CFA
David Horsfall, CFA

SINGLE-SECTOR STRATEGIES

EMERGING MARKETS DEBT
Alexander Kozhemiakin, PhD, CFA
Cathy Elmore[1]
Javier Murcio
Murray Collis[3]
Howe Chung Wan[3]
Federico Garcia Zamora

US RATES & SECURITIZED
Robert Bayston, CFA
Karen Gemmett, CFA
David Fishman, CFA
Nate Pearson, CFA
Marcos Duque, CFA

GLOBAL CORPORATE CREDIT
Jake Gaul, CFA
Andrew Catalan, CFA
Matthew Fontaine, CFA
David Morse, CFA
Chris Barris[2]

TAX SENSITIVE
Christine Todd, CFA
Daniel Rabasco, CFA
Thomas Casey
Daniel Marques, CFA
Jeffrey Burger, CFA

SOLUTIONS

LIABILITY DRIVEN INVESTING
Andrew Catalan, CFA
Matthew Fontaine, CFA
Jeff Passmore, CFA, FSA, EA
Colyar Pridgen, CFA, FSA, EA

INSURANCE CLIENT STRATEGIES
Christine Todd, CFA
James Kaniclides, CFA
Laura Lake, CFA
Amanda Abdella, CFA

SHORT DURATION
John Hosa, CFA
Stephen Murphy, CFA
Anthony Honko
Amy Lowen
Sara Cummins

STABLE VALUE
Eric Baumhoff, CFA
Bradley Bennett
Linda Lam, CFA, CPA
Jonathan Mauceli, CFA

RESEARCH

Corporate Research

Investment Grade
David Morse, CFA
Diana Belman, CFA
Maura Caporale, CFA
David Fishman, CFA
Benjamin Li, CFA
Jonathan Earle, CFA
Beth Fiore

High Yield
Kevin Cronk, CFA[2]
Clark Orsky, CFA[2]
Stephen Sylvester[2]
Andrew Sieurin, CFA[2]
Josephine Shin[2]
Edward Vietor[2]
Randy Watkins[2]
Vinnie Ruschioni[2]
Robert Davis[2]
Thomas Frangione[2]
Frank Longobardi[2]
Andrew Fahey[2]
Eric Im[2]
Young Kwon[2]

Emerging Markets
Prakash Gopalakrishnan[3]
Rosa Velasquez
Sarah Percy-Dove[3]
Milena Ianeva [1]
Boris Kozorez
Joseph Huang[3]

Sovereign & Currency Research
Rebecca Braeu, PhD, CFA
Nate Hyde, CFA
Rowena Macfarlane[1]
Javier Murcio
Cathy Elmore[1]
Aninda Mitra[3]
Federico Garcia Zamora

Rates & Securitized
Nate Pearson, CFA
David Fishman, CFA
Karen Gemmett, CFA
Steven Brinkley
Marcos Duque, CFA

SPECIALIZED TRADING

Amy Koch, CFA
Head of Trading

Global Rates & Currency
Michael Piersol, CFA
Ian Barnes[1]
Sally Bartunek
Ryan Lambert

Emerging Markets
Michael Piersol, CFA
Sally Bartunek

Rates & Securitized
Jeff Nutt, CFA
Bryan Steele

Global Corporate Credit
Michael Lynch
Christopher Frisoli
Ian Barnes[1]
Michael Cunningham, CFA[2]
Amy Lattimore[4]

Municipal
Michael Bandar, CFA
Paul Rockwood, CFA
Alisa Fitzgerald
David Swallow
Tyler Doyle
Joseph Zampitella

PORTFOLIO ANALYTICS

Global Rates & Currency
Franco Maniaci, CFA
Patrick Savery
Bart Stires

Emerging Markets
Victor Tavares, CFA
Sherri Tilley
Douglas McEneaney

Rates & Securitized
Patrick Gillis
William Newton, CFA

Global Corporate Credit
Joseph Chiurri, CFA
Gail Sweeney, CFA

Liability Driven Investing
Gail Sweeney, CFA

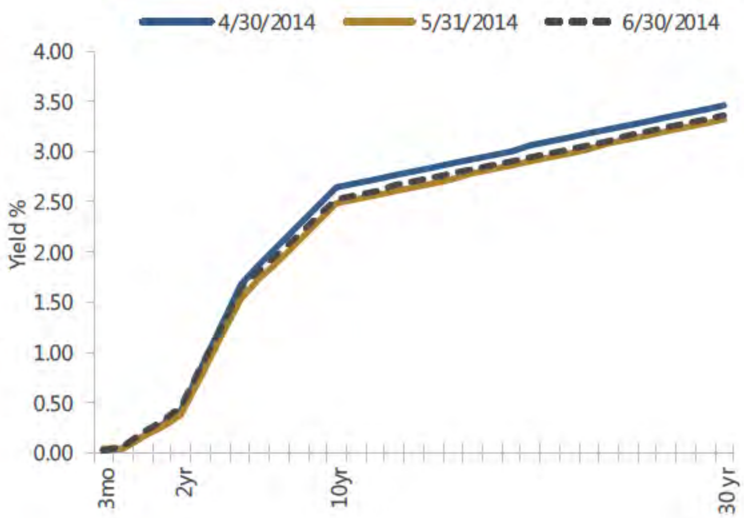
Insurance Strategies
Brandon Maitre

RISK MANAGEMENT
Michael Faloon, CFA, FRM
Vikas Malla
Douglas Reich
David Kingsley
Glenda Nguyen

[1] Employees from Standish Mellon Asset Management (UK) Limited.
[2] Employees of Alcentra NY, LLC acting as dual officers of Standish on multi-sector strategies;
[3] Employees from BNY Mellon Investment Management Singapore Pte. Limited [4] Via service agreement with Alcentra Limited
Note: Some investment professionals perform the same role on more than one product team. CFA® and Chartered Financial Analyst® are registered trademarks owned by CFA Institute.

U.S. Treasury Yields

U.S. Treasury Yields



Source: Bloomberg as of June 30, 2014

U.S. 10 Year Treasury Yields

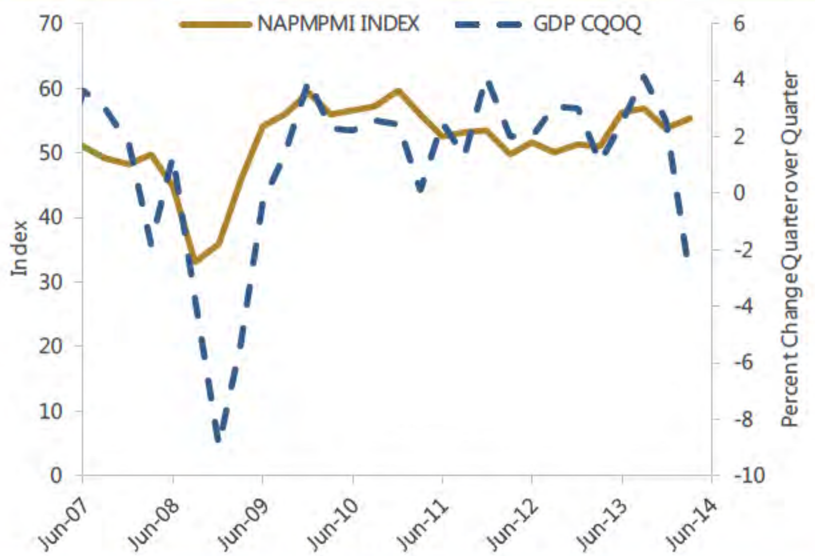
Source: Bloomberg as of June 30, 2014

- Interest rates rallied throughout the 2nd quarter led by longer-date maturities in response to dovish global central banks, heightened geopolitical risks, reduced expectations for neutral Fed Funds rate and market positioning which has been short Treasury duration.

- The overall trend in interest rates points to higher yields as the Fed backs away from an ultra-accommodative monetary policy and the U.S. returns to trend growth.

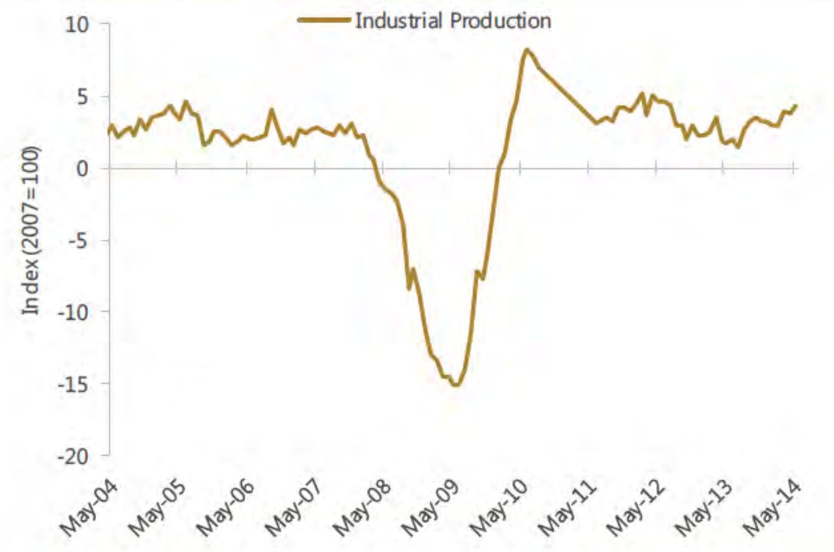
Real GDP & Manufacturing Activity

United States Purchasing Managers Index and Real GDP



Source: Bloomberg as of June 30, 2014

U.S. Industrial Production Year Over Year



Source: Bloomberg as of May 31, 2014

- While economic growth came in surprisingly negative for the 1st quarter in response to harsh winter weather, a trade imbalance and an inventory correction, manufacturing activity remained robust and well in expansionary territory. GDP is expected to rebound to above trend levels for the remainder of the year.

- Industrial production rebounded from the slowdown in the 1st quarter, mirroring the strength in PMI surveys, though capital expenditures remain subdued.

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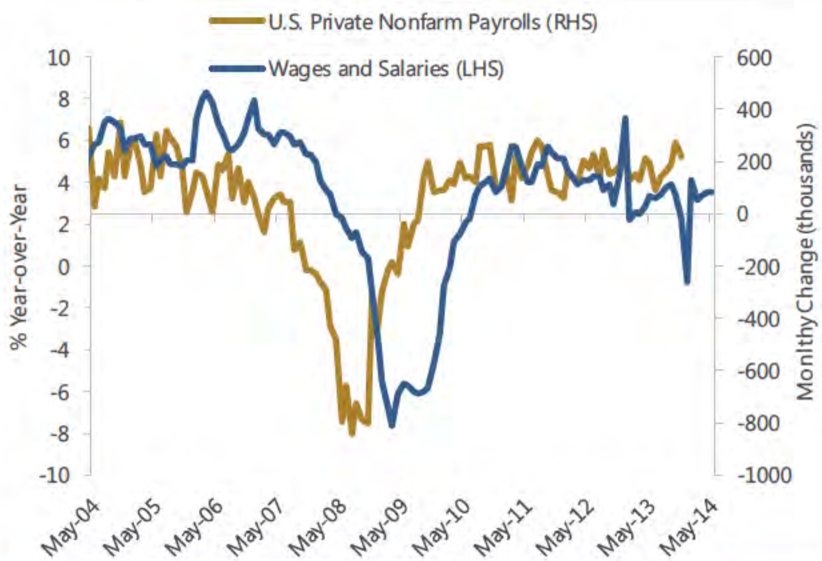
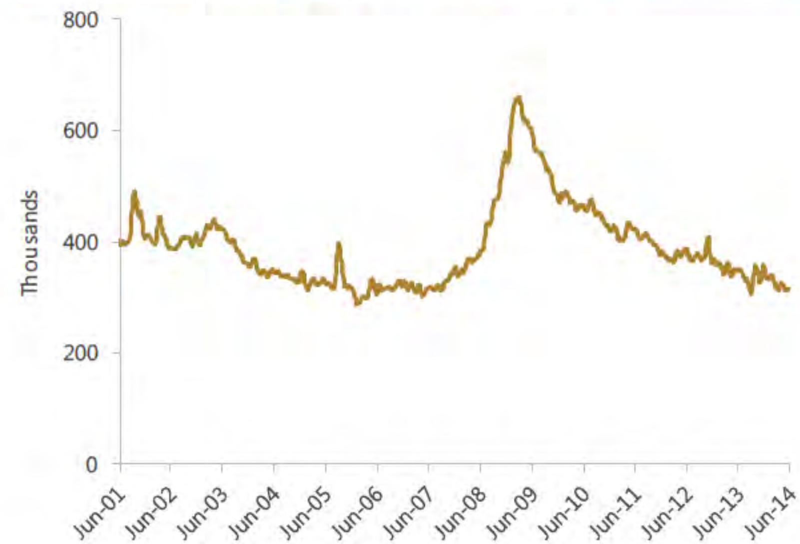
Employment

Private Employment and Wages and Salaries



Source: Bloomberg as of May 31, 2014

Weekly Jobless Claims 4 Week Moving Average



Source: Bloomberg as of June 30, 2014

- Labor market conditions improved markedly in the 2nd quarter with payrolls improving to an average of 272K while the unemployment rate dropped from 6.7% to 6.1%. Real wage and salary growth remained anemic as the longer-term decline in the unemployment rate has yet to translate into higher compensation.

- High frequency labor market data such as jobless claims continued to show positive momentum for labor conditions, confirming strength in payroll data.

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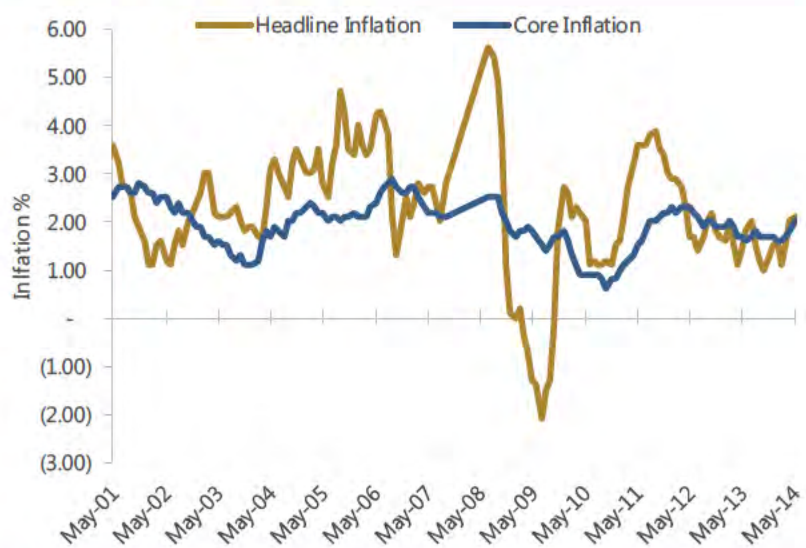
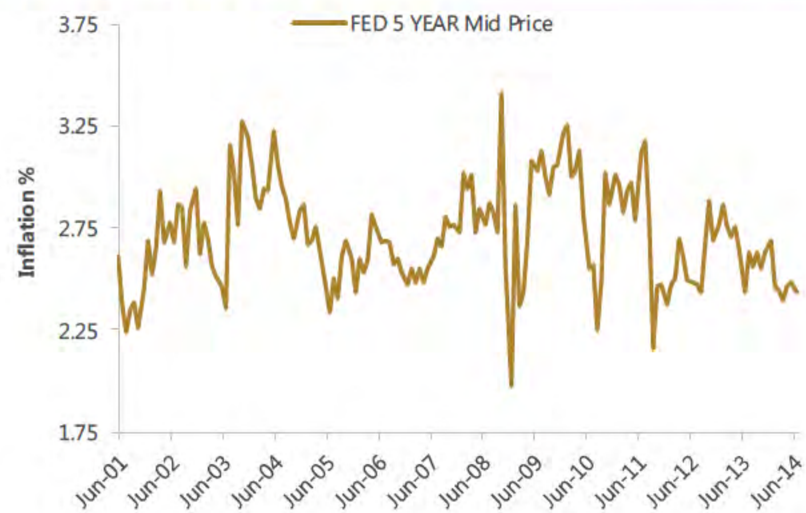
Core Inflation & Inflation Expectations

Headline versus Core Inflation



Source: Bloomberg as of May 31, 2014

5 Year Forward Inflation Expectations



Source: Bloomberg as of June 30, 2014

- Realized inflation trended higher in the 2nd quarter and has appeared to have bottomed. The breadth of price increases has been broad-based. Core inflation gains were driven by shelter, medical care and vehicle prices and are expected to continue to rise modestly with the potential for upside surprises.

- Inflation expectations were essentially unchanged despite a dovish Fed and improving inflation backdrop and remain well contained in the Fed's comfort range of 2-3%.

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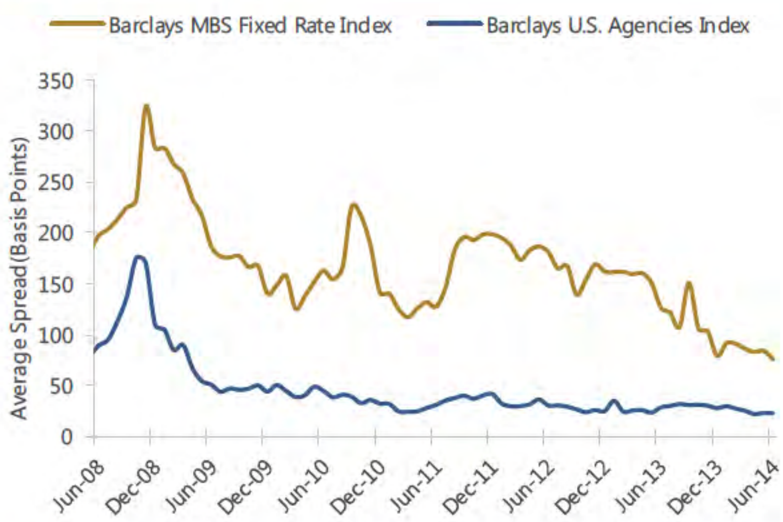
Agency/MBS Spreads & ABS/CMBS Spreads

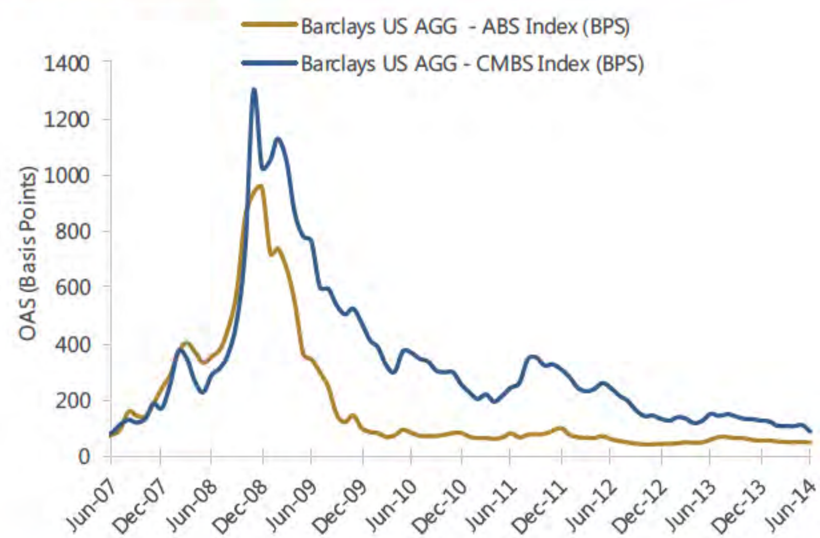
Agency and MBS Spreads



Source: Barclays as of June 30, 2014

- MBS spreads tightened in the second quarter due to the Fed reiteration of accommodative policy which led to lower volatility, lower-than-expected net supply, and continued evidence of benign prepayment speeds. Nominal spreads on the Barclay's MBS Fixed Rate Index are now at historically low levels. We expect volatility to increase and for the Fed's tapering of mortgage purchases to pressure spreads wider in the second half of the year.

ABS and CMBS Spreads

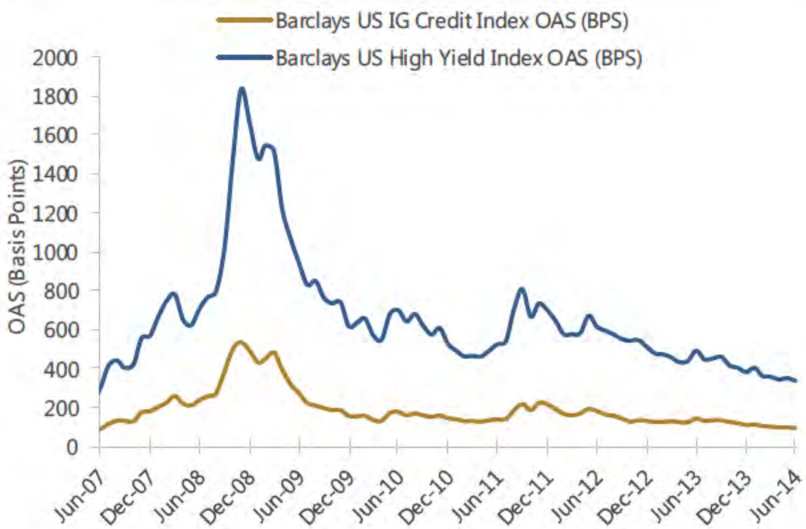


Source: Barclays as of June 30, 2014

- Demand for ABS asset classes with yield remained strong with 'esoteric' and non-AAA securities continuing to do well. High quality AAA-rated deals like autos and credit cards generally traded sideways as accounts looked to sell short paper to move further out the curve. Underlying collateral performance largely remains historically strong with some normalization occurring in the auto loan sector.
- CMBS continues to slowly grind tighter and the credit curve continues to flatten, approaching the May '13 pre-taper talk tights. While new issue underwriting continues to weaken , it is offset to some extent by rising credit enhancement and improving fundamentals. Still negative net supply and relative cheapness versus other sectors continue to lend support.

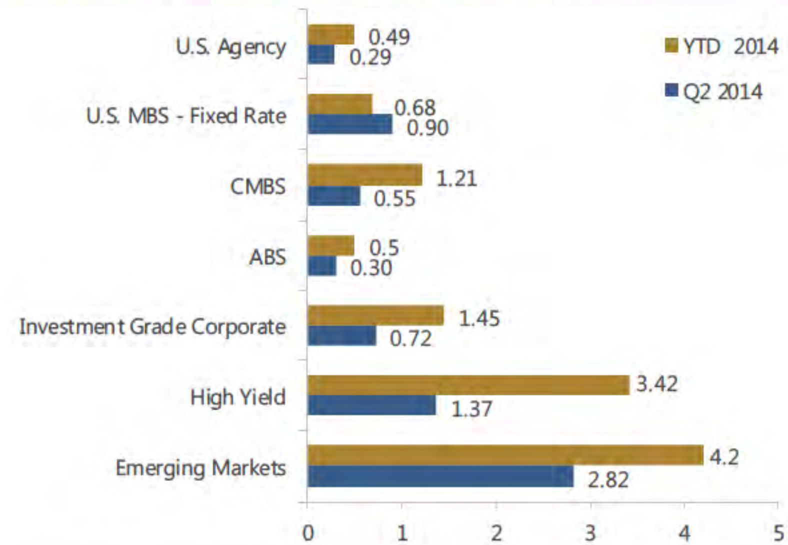
Sector Returns & Corporate Bonds Spreads

Corporate Bond Spreads



Source: Barclays as of June 30, 2014

Bond Market Returns - Excess Over Treasuries



Source: Barclays as of June 30, 2014

- Corporate spreads continued to tighten during the second quarter, at the same time as underlying government yields rallied, resulting in very high total returns for all segments of the corporate bond market. Supportive fundamentals, declining overall market volatility and overwhelmingly strong demand for spread product have been the key drivers of tighter spreads this year. Corporate bond yields are near historic lows, so forward looking total returns will likely be modest.

*For a list of indices, please refer to disclosures at the end of this presentation.

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MEQ3071714GA

State of West Virginia BRIM

State of West Virginia BRIM Market Values as of 6/30/2014	
State of West Virginia Retro-Natl Union	**Market Value: $9,117,543.66**
State of West Virgina - BRIM 2005-06	**Market Value: $4,901,225.62**
State of West Virginia - BRIM 2006-07	**Market Value: $10,121,115.70**
State of West Virginia - BRIM 2007-08	**Market Value: $20,044,225.05**
State of West Virginia - BRIM 2008-09	**Market Value: $20,560,366.02**
State of West Virginia - BRIM 2009-10	**Market Value: $18,278,434.09**
State of West Virginia - BRIM 2010-11	**Market Value: $14,677,128.36**
State of West Virginia - BRIM 2011-12	**Market Value: $23,489,455.55**
State of West Virginia - BRIM 2012-13	**Market Value: $37,852,273.75**
State of West Virginia - BRIM 2013-14	**Market Value: $48,230,822.36**
Total	**Market Value: $207,272,590.16**

State of West Virginia BRIM

Portfolio performance as of 6/30/14

	3 months (%)	1 Year (%)	3 Year (%)	5 Year (%)	Since Inception 7/31/05 (%)
Total Return					
State of West Virgina – BRIM 2005-06	0.93	1.77	2.07	2.95	4.10
Barclays US Government Intermediate	0.91	1.53	1.96	2.83	4.02
Value Added	0.02	0.24	0.11	0.12	0.08
Market Value: $4,901,225.62					

Portfolio performance as of 6/30/14

	3 months (%)	1 Year (%)	3 Year (%)	5 Year (%)	Since Inception 7/31/06 (%)
Total Return					
State of West Virginia - BRIM 2006-07	0.91	1.76	2.05	2.92	4.31
Barclays US Government Intermediate	0.91	1.53	1.96	2.83	4.28
Value Added	0.01	0.23	0.09	0.09	0.03
Market Value: $10,121,115.70					

Portfolio performance as of 6/30/14

	3 months (%)	1 Year (%)	3 Year (%)	5 Year (%)	Since Inception 7/31/07 (%)
Total Return					
State of West Virginia - BRIM 2007-08	0.90	1.71	2.05	2.90	4.15
Barclays US Government Intermediate	0.91	1.53	1.96	2.83	4.09
Value Added	0.00	0.18	0.09	0.07	0.06
Market Value: $20,044,225.05					

State of West Virginia BRIM

Portfolio performance as of 6/30/14

	3 months (%)	1 Year (%)	3 Year (%)	5 Year (%)	Since Inception 1/31/09 (%)
Total Return					
State of West Virginia - BRIM 2008-09	0.91	1.75	2.05	2.88	2.63
Barclays US Government Intermediate	0.91	1.53	1.96	2.83	2.64
Value Added	0.01	0.22	0.09	0.05	-0.01
Market Value: $20,560,366.02					

Portfolio performance as of 6/30/14

	3 months (%)	1 Year (%)	3 Year (%)	Since Inception 8/31/09 (%)
Total Return				
State of West Virginia - BRIM 2009-10	0.93	1.77	2.06	2.76
Barclays US Government Intermediate	0.91	1.53	1.96	2.70
Value Added	0.02	0.24	0.10	0.06
Market Value: $18,278,434.09				

Portfolio performance as of 6/30/14

	3 months (%)	1 Year (%)	3 Year (%)	Since Inception 9/30/09 (%)
Total Return				
State of West Virginia Retro-Natl Union	0.91	1.76	2.08	2.66
Barclays US Government Intermediate	0.91	1.53	1.96	2.63
Value Added	0.00	0.23	0.13	0.03
Market Value: $9,117,543.66				

State of West Virginia BRIM

Portfolio performance as of 6/30/14

	3 months (%)	1 Year (%)	3 Year (%)	Since Inception 8/31/10 (%)
Total Return				
State of West Virginia - BRIM 2010-11	0.94	1.77	2.06	1.79
Barclays US Government Intermediate	0.91	1.53	1.96	1.74
Value Added	0.03	0.24	0.10	0.05
Market Value: $14,677,128.36				

Portfolio performance as of 6/30/14

	3 months (%)	1 Year (%)	Since Inception 8/31/11 (%)
Total Return			
State of West Virginia - BRIM 2011-12	0.92	1.76	1.12
Barclays US Government Intermediate	0.91	1.53	1.04
Value Added	0.01	0.23	0.08
Market Value: $23,489,455.55			

Portfolio performance as of 6/30/14

	3 months (%)	1 Year (%)	Since Inception 7/31/12 (%)
Total Return			
State of West Virginia - BRIM 2012-13	0.91	1.74	0.39
Barclays US Government Intermediate	0.91	1.53	0.18
Value Added	0.00	0.21	0.21
Market Value: $37,852,273.75			

State of West Virginia BRIM

Portfolio performance as of 6/30/14

	3 months (%)	Since Inception 8/31/13 (%)
Total Return		
State of West Virginia - BRIM 2013-14	0.89	1.45
Barclays US Government Intermediate	0.91	1.35
Value Added	-0.02	0.09
Market Value: $48,230,822.36		

Outlook & Strategy – Interest Rate Strategies

Investment Environment

Improved labor market conditions and sustainable economic growth are likely to lead the Federal Reserve to end additional asset purchases in the second half of 2014. Market indicators indicate the majority of investors positioned for higher yields.

The Fed is in the process of winding down their purchases of agency MBS. Volatility is expected to increase as Fed removes accommodation. Yield spreads on agency mortgages are unattractive.

Economic momentum will likely result in a modest increase in realized inflation in 2014. Inflation-linked securities are likely to outperform nominal Treasury securities as inflation expectations rise.

Portfolio Strategy

Strategic duration bias continues to be neutral to short performance benchmarks. Tactical positioning will shift in response to volatility and market valuations relative to expected outcome.

Underweight agency mortgages. Largest underweight is in cuspy 4.5% and 5% coupons given the extension risk in these coupons, unattractive valuations relative to the convexity risk and potential for higher volatility.

Long inflation linked bonds versus nominal Treasury securities.

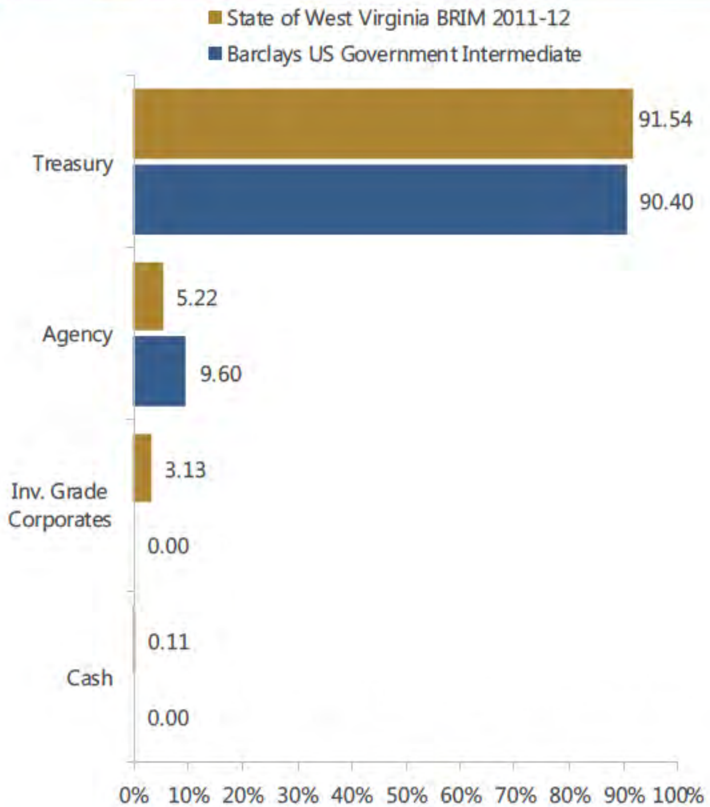
Risks[1]

- Persistent disinflation could lead to additional monetary policy accommodation
- Premature monetary policy tightening may result in tighter financial conditions and deleveraging of carry trades

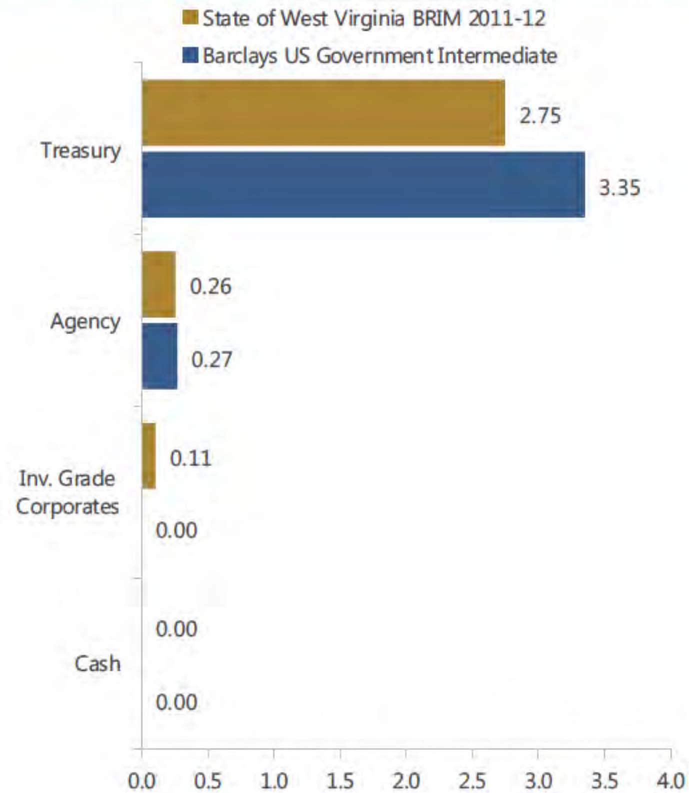
[1] This is not an exhaustive list. Portfolio holdings are subject to change at any time.
Note: As of June 30, 2014.

State of West Virginia – BRIM 2011-12 Sector Distribution vs. Benchmark

Nominal (%) as of 6/30/2014

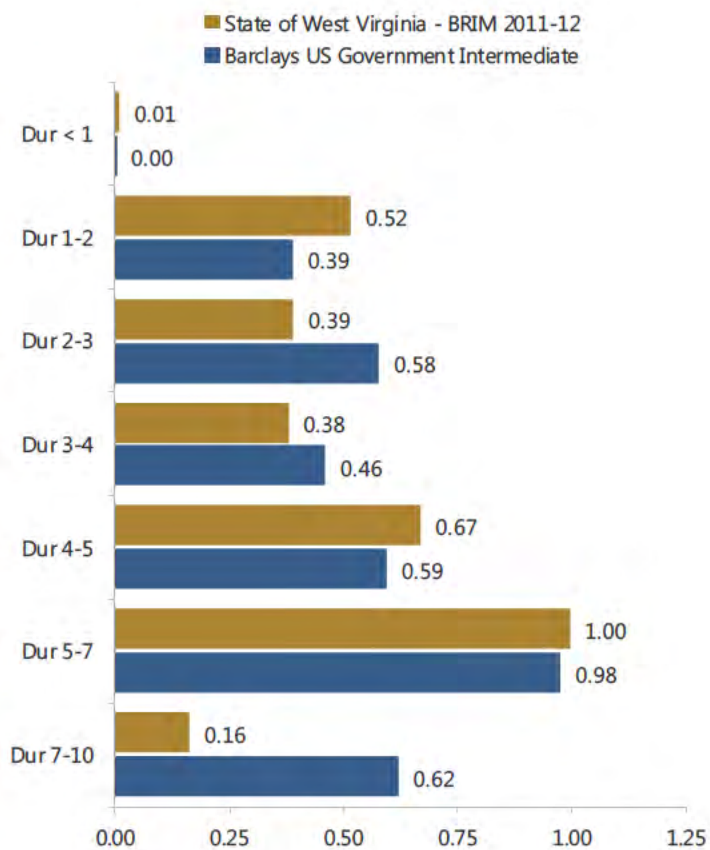


Contribution to Duration (Years) as of 6/30/2014



State of West Virginia – BRIM 2011-12 Duration & Characteristics

Portfolio vs Index as of 6/30/2014



Portfolio Duration: 3.12 years
Index Duration: 3.62 years

Summary Characteristics

	Portfolio	Index
Duration	3.12	3.62
Quality	AAA	AAA
Yield to Maturity	0.97%	1.11%
Average Maturity	3.28	3.82
Coupon	1.13%	1.92%

Corporate Holdings

Security Name	Maturity	Duration	Yield	Coupon	S&P Rating	Pct %
APPLE INC	5/3/18	3.78	1.58	1.00	AA+	0.69%
BERKSHIRE HATHAWAY FINAN	5/15/17	2.82	1.08	1.60	AA	0.00%
CHEVRON CORP	12/5/17	3.37	1.28	1.10	AA	0.00%
COLGATE-PALMOLIVE CO	5/1/18	3.78	1.98	0.90	AA-	0.69%
MICROSOFT CORP	11/15/17	3.34	1.16	0.88	AAA	0.00%
SHELL INTERNATIONAL FINAN	12/4/15	1.42	0.61	0.63	AA	0.00%
TOTAL CAPITAL CANADA LTD	1/15/18	3.46	1.48	1.45	AA-	0.43%
TOTAL CAPITAL INTL SA	2/17/17	2.58	0.99	1.50	AA-	0.70%
WAL-MART STORES	12/15/18	4.31	1.74	1.95	AA	0.62%

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State of West Virginia BRIM's Relationship with Standish Team

Portfolio Management Team

Robert Bayston, CFA
Managing Director and Senior Portfolio Manager
617-248-6353
rbayston@standish.com

Nate Pearson, CFA
Interest Rate Strategist and Portfolio Manager
617-248-6283
npearson@standish.com

Client Service Team

Anthony Criscuolo, CFA
Managing Director, Senior Relationship Manager
617-248-6042
acriscuolo@standish.com

Scott Mountain, CFA
Senior Relationship Manager
617-248-6304
smountain@standish.com

Christopher Sabo
Client Service Associate
617-248-6397
csabo@standish.com

Information Resources on www.standish.com

- **Macro Musings**

  Our economists and macroeconomic analysts provide updates on global trends, market data, policies and more.

- **White Papers**

  Standish's thought leadership provides insight into the global bond market environment.

- **Commentaries**

  Our senior investment professional present our thoughts and ideas on the economic trends facing fixed income markets.

Follow Standish on Twitter

@StandishIM

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Guideline Checklist

STANDISH GUIDELINE CHECKLIST

Account Name: STATE OF WEST VIRGINIA ACCOUNTS **Account Number:** 7447, 7448, 7492, 3261, 3589, 3599, 3795, 637, 3647, 100000

Portfolio Manager: Laura Zink **Date:** 12/2013

Quality Rating:

AGENCY:		DOWNGRADES TO BELOW MINIMUM QUALITY:		Prompt written notice of downgrades with managers position on the issue and intended action	
Any NRSRO				Minimum Quality	AA-, as established by two or more of the nationally recognized bond ratings services;
S&P	X			Average Quality	AA-
Moody's	X			Short Term Securities	Money Market Funds rated AAA by major ratings agency allowed
Duff & Phelps				Split Rated (Best/Worst/Middle)	
Fitch	X			Concentrations	

INVESTMENTS	Type of Investment	Eligible	Prohibited	Comments	Date
General:	Tax-Exempt Securities		X		
	AMT Bonds		X		
Taxable Bonds	Treasuries	X			
	Agencies	X			
	TIPS	X			
	Corporates	X			
	Zero Coupon	X			
	Convertible Issues		X		
	Structured Notes		X		
	Surplus Notes		X		
	Preferred		X		
	Private Placement/144A		X		
	Preferred Stock		X		
Securitized:	Mtge-Related Sec.		X		
	CMBS		X		
	Asset-Backed Sec.		X		
	CMOs		X		
	CDOs		X		
	IOs and/or POs		X		

Type of Investment		Eligible	Prohibited	Comments	Date
Foreign-Related:	By issue country		X		
	Non-Dollar		X		
	Emerging Markets		X		
	Yankee	X		Yankee Bonds Allowed meeting all other min guideline restrictions.	
Derivatives:	Futures		X		
	Options		X		
	Currency Forwards		X		
	Leverage		X		
	SWAPS		X		
Other:	Trade Finance		X		
	Repo /Reverse Repo	X			
	Equity		X		

Issuer / Obligor Restrictions		With the exception of U.S. Government obligations and its agencies as referred to under "Eligible Investments" the exposure to any individual issuer is limited to 4.9% of the accounts market value at the time of purchase.
Maturity Restrictions:	Weighted average	
	Issue	No individual security can exceed 10 years from the date of purchase.
Loss Restrictions		
Other Restrictions		
Duration Restrictions:	Portfolio	Averaged duration of the portfolio shall remain within a 25% range versus the average duration of the Lehman Brothers Intermediate Government Index
	Issue	
Benchmark Index		Barclays Capital Intermediate Government Index
Qualified Institutional Buyer		
ERISA		
NOTES:		"Eligible Investments": The portfolio may invest in U.S. Government obligations or deposits issued or guaranteed as to interest and principal by the government of the United States or any agency or instrumentality thereof. Corporate obligations, with credit ratings of AA- or above as established by 2 or more of the nationally recognized bond rating services, are allowable investments.

Please sign to verify guidelines:

Signature 12/23/13

Date

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The allocation distribution and actual percentages may vary from time-to-time. The types of investments presented in the allocation chart will not always have the same comparable risks and returns. The actual performance of the portfolio will depend on the Investment Manager's ability to identify and access appropriate investments, and balance assets to maximize return while minimizing its risk. The actual investments in the portfolio may or may not be the same or in the same proportion as those shown above.

Standish believes giving an proprietary Average Quality Credit rating to the holdings in a portfolio more accurately captures its characteristics versus using a single rating agencies ratings. Standish has a ratings/number hierarchy whereby we assign a number between 0 (unrated bond) and 21 (S&P or Moody's AAA) to all bonds in a portfolio based on the ratings of one or more of the rating agencies (with the lower of the 2 available agencies ratings prevailing), and then take a weighted numerical average of those bonds (with weighting based on each bonds percentage to the total portfolio assets). The resulting number is then compared back to the ratings/number hierarchy to determine a portfolio's average quality. For example, if Moody's AAA, S&P AAA= 21, Moody's A1, S&P A+= 17, Moody's Baa1 and S&P BBB+=14, Moody's B1 and S&P B+=7. The numeric average of the 4 equally weighted holdings is 14.75, rounded up to the next whole number of 15. 15 converts to an average credit rating of S&P A/Moody's A2.

To the extent the strategy invests in foreign securities, its performance will be influenced by political, social and economic factors affecting investments in foreign companies. Special risks associated with investments in foreign companies include exposure to currency fluctuations and controls, less liquidity, less developed or less efficient trading markets, less governmental supervision and regulation, lack of comprehensive company information, political instability, greater market volatility, and differing auditing and legal standards.

Further, investments in foreign markets can be affected by a host of factors, including political or social conditions, diplomatic relations, limitations on removal of funds or assets or imposition of (or change in) exchange control or tax regulations in such markets. Additionally, investments denominated in a foreign currency will be subject to changes in exchange rates that may have an adverse effect on the value, price or income of the investment.

These risks are magnified in emerging markets and countries since they generally have less diverse and less mature economic structures and less stable political systems than those of developed countries.

These benchmarks are broad-based indices which are used for illustrative purposes only and have been selected as they are well known and are easily recognizable by investors. Comparisons to benchmarks have limitations because benchmarks have volatility and other material characteristics that may differ from the portfolio. For example, investments made for the portfolio may differ significantly in terms of security holdings, industry weightings and asset allocation from those of the benchmark. Accordingly, investment results and volatility of the portfolio may differ from those of the benchmark. Also, the indices noted in this presentation are unmanaged, are not available for direct investment, and are not subject to management fees, transaction costs or other types of expenses that the portfolio may incur. In addition, the performance of the indices reflects reinvestment of dividends and, where applicable, capital gain distributions. Therefore, investors should carefully consider these limitations and differences when evaluating the comparative benchmark data performance.

The information regarding the index is included merely to show the general trends in the periods indicated and is not intended to imply that the portfolio was similar to the index in composition or risk.

Standish sector models use regression analysis such as multi-linear data inputs, panel data, and probit function. Variables that the models take into account are: PMI, US Core CPI, Fed Fund rate, 3-month Libor, 3-month T-bill rate, foreign purchases of US Government bonds, Commodity Indices , Capacity Utilization, Deficit as a percent of GDP, S&P 500 return, Chicago Fed Index, IGOV, US output gap, Europe Core CPI, US unemployment rate, EU unemployment rate, and slope of the yield curve. Assumptions made are that samples are representative of the population for the inference prediction; regression residuals are approximately normally distributed, uncorrelated, and have constant volatility; no high degrees of multi-colinearity in the independent variables; variable sensitivity remains constant in the short term; and no structural shift in the short term.

The World Economic Forum Global Competiveness Index measures competitiveness as the set of institutions, policies, and factors that determine the level of productivity of a country.

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S&P 500 Index is considered to be generally representative of the U.S. large capitalization stock market as a whole. It is an unmanaged capitalization-weighted index of 500 commonly traded stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of those stocks. The index assumes reinvestment of dividends

The S&P/Case-Shiller Home Price Indices are constructed to accurately track the price path of typical single-family homes located in each metropolitan area provided. The S&P/Case-Shiller Composite of 20 Home Price Index tracks changes in the value of residential real estate in 20 metropolitan regions.

Barclays Capital U.S. Treasury Index is an unmanaged index of public obligations of the U.S. Treasury.

Barclays Capital U.S. Agency Index is an unmanaged index of publicly issued debt of U.S. Government agencies, quasi-federal corporations, and corporate or foreign debt guaranteed by the U.S. Government.

Barclays Capital U.S. Mortgage-Backed Securities Fixed Rate Index is an unmanaged index of 15- and 30- year fixed rate securities backed by mortgage pools of Ginnie Mae, Freddie Mac and Fannie Mae.

Barclays Capital CMBS ERISA-Eligible Index is an unmanaged index of investment grade commercial mortgage backed securities that are ERISA eligible under the underwriter's exemption.

Barclays Capital CMBS ERISA-Eligible AAA Index is an unmanaged index of commercial mortgage backed securities rated AAA that are ERISA eligible under the underwriter's exemption.

Barclays Capital CMBS ERISA-Eligible <AAA Index is an unmanaged index of commercial mortgage backed securities rated between BBB and AA that are ERISA eligible under the underwriter's exemption.

Barclays Capital U.S. Credit Index is an unmanaged index of publicly issued corporate, sovereign, supranational, foreign agency, and foreign local government debentures and secured notes.

Barclays Capital U.S. Credit : Financial Index is an unmanaged index of publicly issued corporate debentures and secured notes in the financial sector.

Barclays Capital U.S. Credit : Industrial Index is an unmanaged index of publicly issued corporate debentures and secured notes in the industrial sector.

Barclays Capital U.S. Credit : Utility Index is an unmanaged index of publicly issued corporate debentures and secured notes in the utility sector.

Barclays Capital U.S. Credit : Non-Corporate Index is an unmanaged index of publicly issued sovereign, supranational, foreign agency, and foreign local government debentures and secured notes.

Barclays Capital U.S. Credit AAA Index is an unmanaged index of publicly issued corporate, sovereign, supranational, foreign agency, and foreign local government debentures and secured notes rated AAA.

Barclays Capital U.S. Credit AA Index is an unmanaged index of publicly issued corporate, sovereign, supranational, foreign agency, and foreign local government debentures and secured notes rated AA.

Barclays Capital U.S. Credit A Index is an unmanaged index of publicly issued corporate, sovereign, supranational, foreign agency, and foreign local government debentures and secured notes rated A

Barclays Capital U.S. Credit BBB Index is an unmanaged index of publicly issued corporate, sovereign, supranational, foreign agency, and foreign local government debentures and secured notes rated BBB.

Barclays Capital U.S. High Yield Index is an unmanaged index of fixed rate, non-investment grade debt.

Barclays Capital Emerging Markets Index is an unmanaged index of USD-denominated debt from emerging markets in the following regions: Americas, Europe, Middle East, Africa, and Asia.

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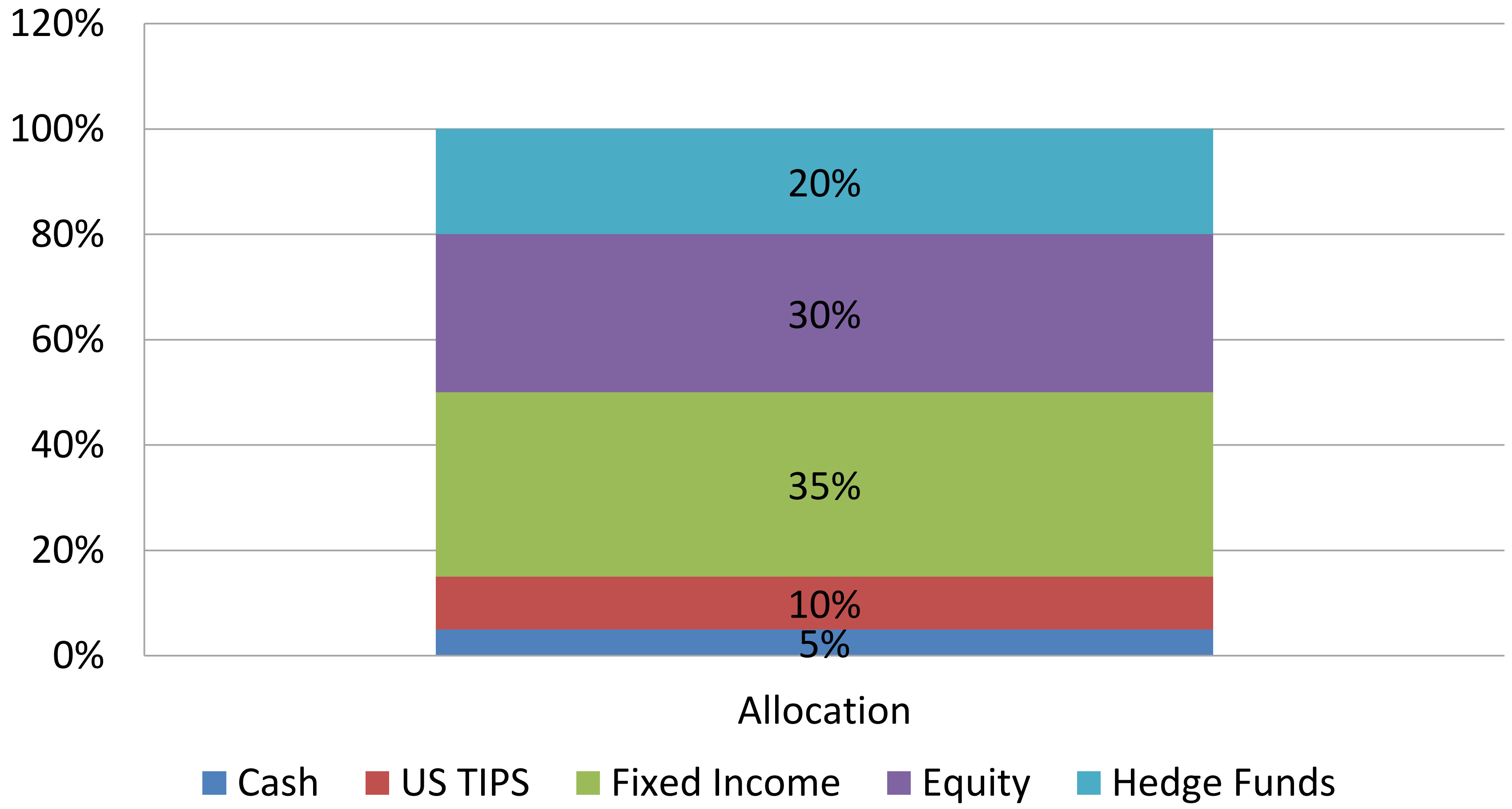
BRIM - Investments

WV Investment Management Board

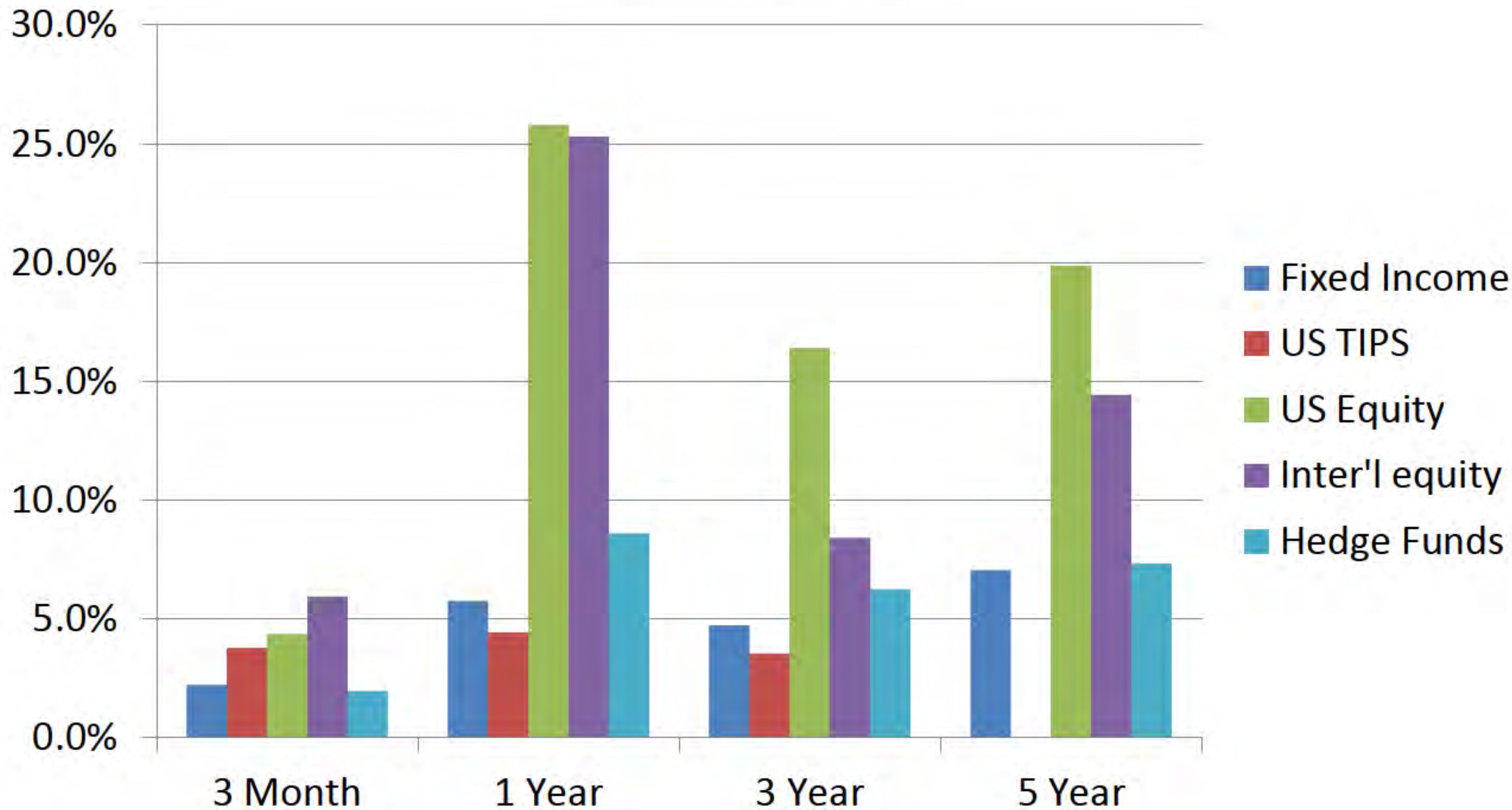
8/16/14

Asset Allocation



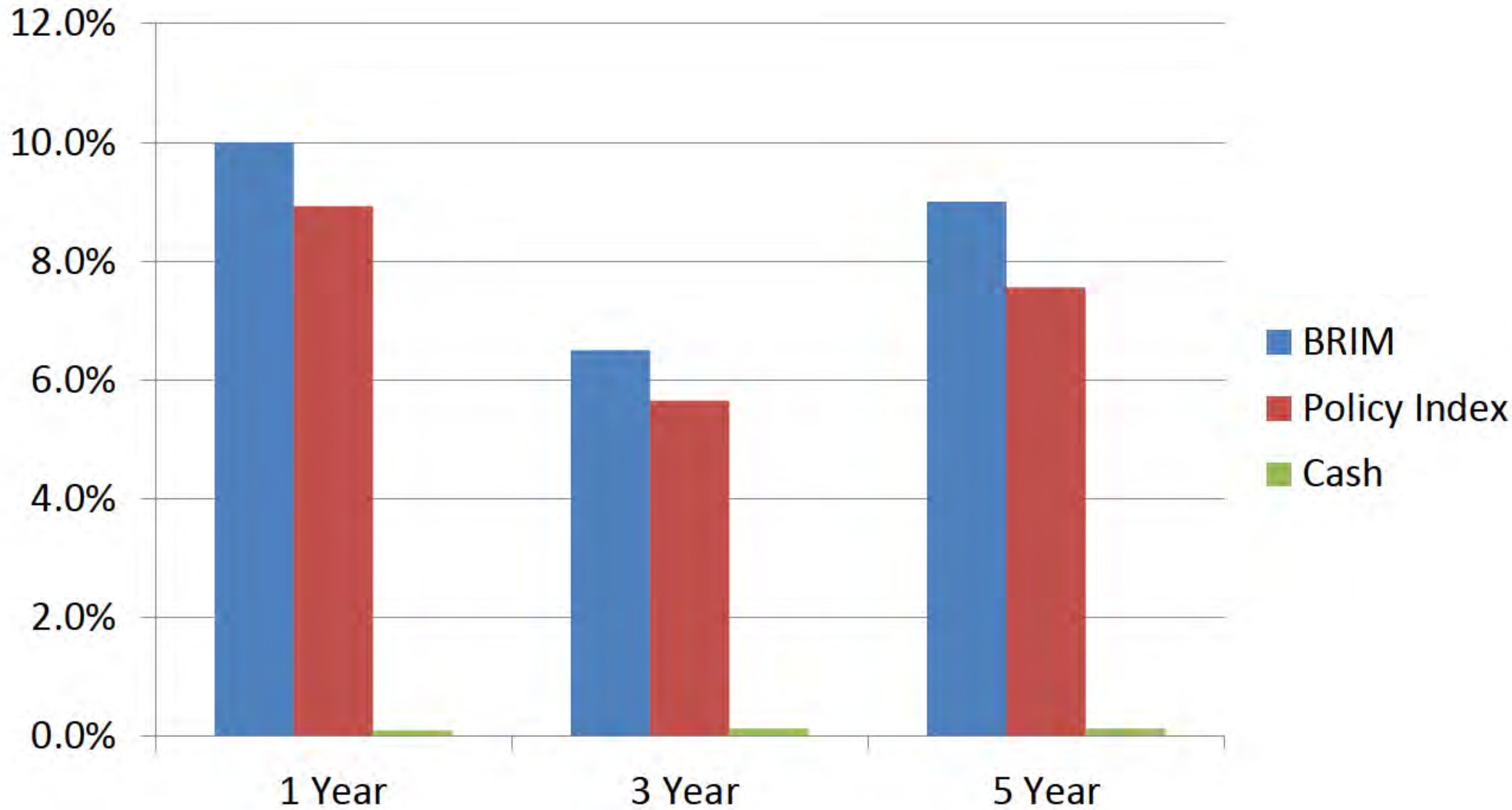
Asset Class Performance

June 30, 2014



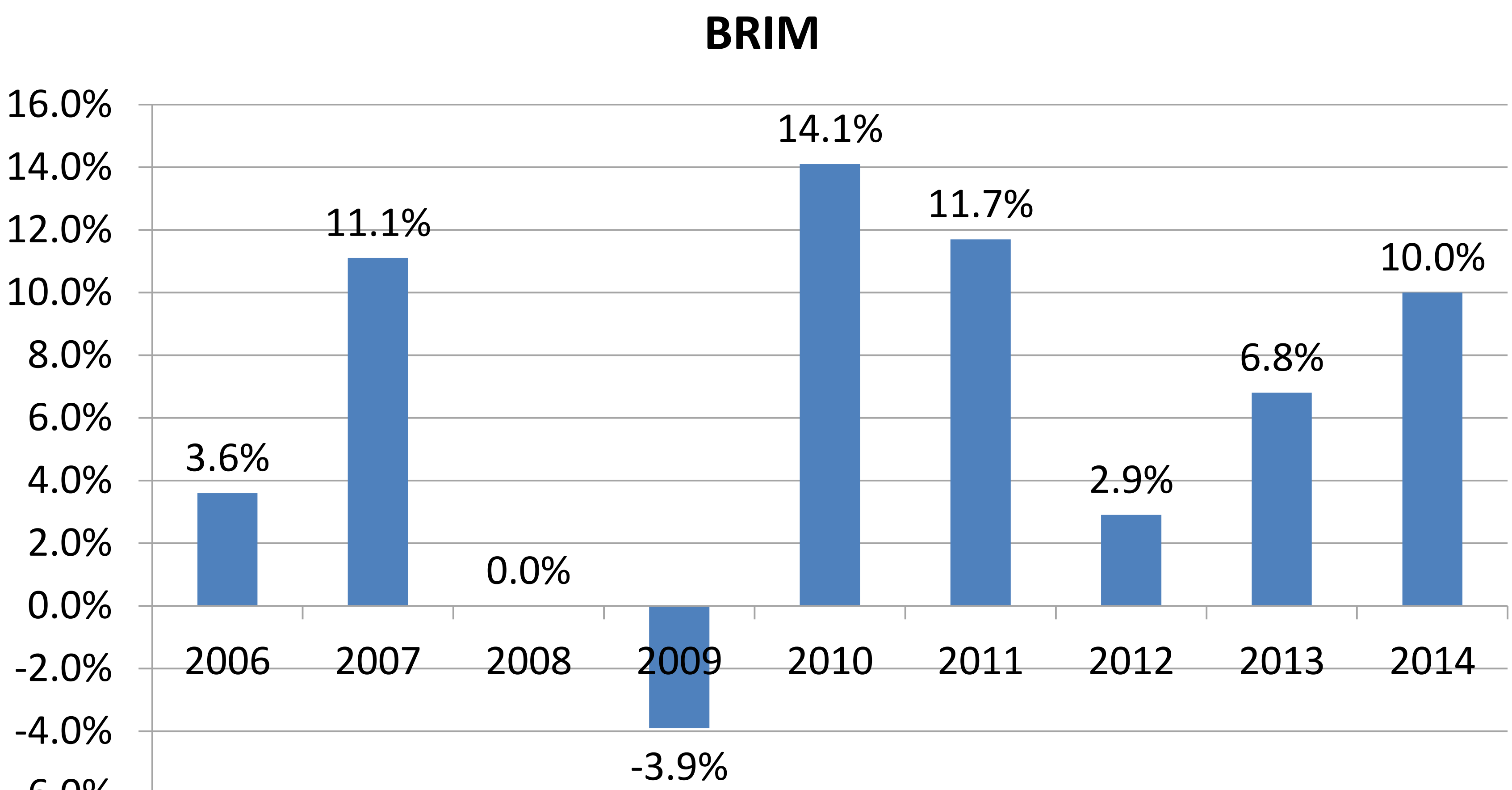
Performance

June 30, 2014

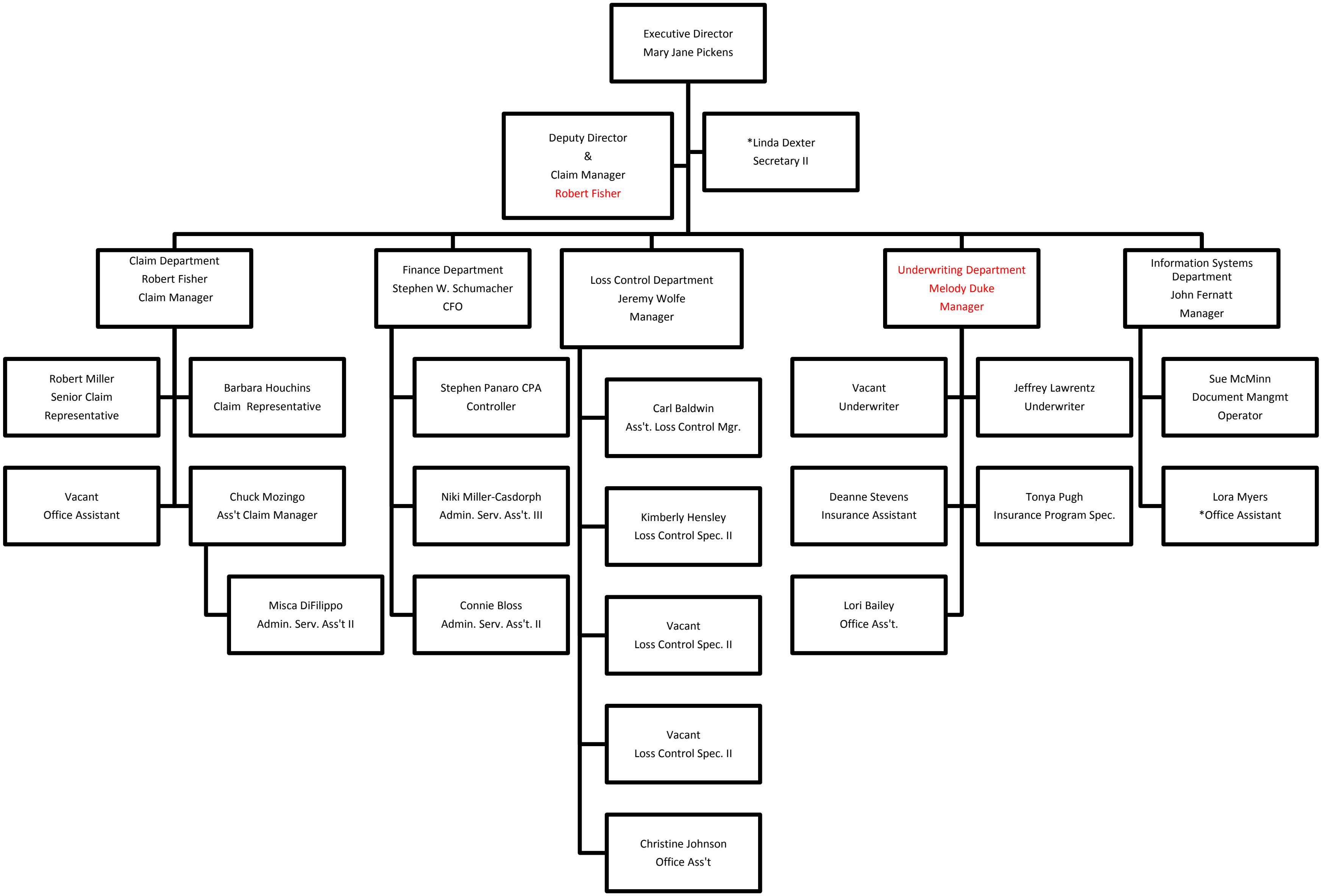


Performance by Fiscal Year

Years ending June 30



Board of Risk and Insurance Management Organizational Chart



- Denotes Temporary Employment

as of June 30, 2015