

State of West Virginia
Board of Risk and Insurance Management
2023 Annual Report



August 28, 2023

Honorable Jim Justice, Governor
State of West Virginia

Governor Justice:

The Annual Report of the West Virginia Board of Risk and Insurance Management (BRIM) for the year ended June 30, 2023, 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 Annual Comprehensive Financial Report (ACFR). 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; and Chapter 33, Article 30; 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 non-state entities such as cities, counties, and non-profit organizations throughout the State under the provisions of Senate Bill #3. BRIM also provides a coal mine subsidence reinsurance program, which allows homeowners and businesses to obtain insurance coverage up to \$200,000 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 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 \$300 million per occurrence. This coverage provides reimbursement of loss at the stated or reported value less a \$2,500 deductible. Under the mine subsidence program, participating insurers pay BRIM a reinsurance premium, which is equal to the gross premiums collected for mine subsidence coverage, less cancellations, less a 30% ceding commission.

BRIM currently insures approximately 160 state agencies, approximately 1,000 non-state 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.

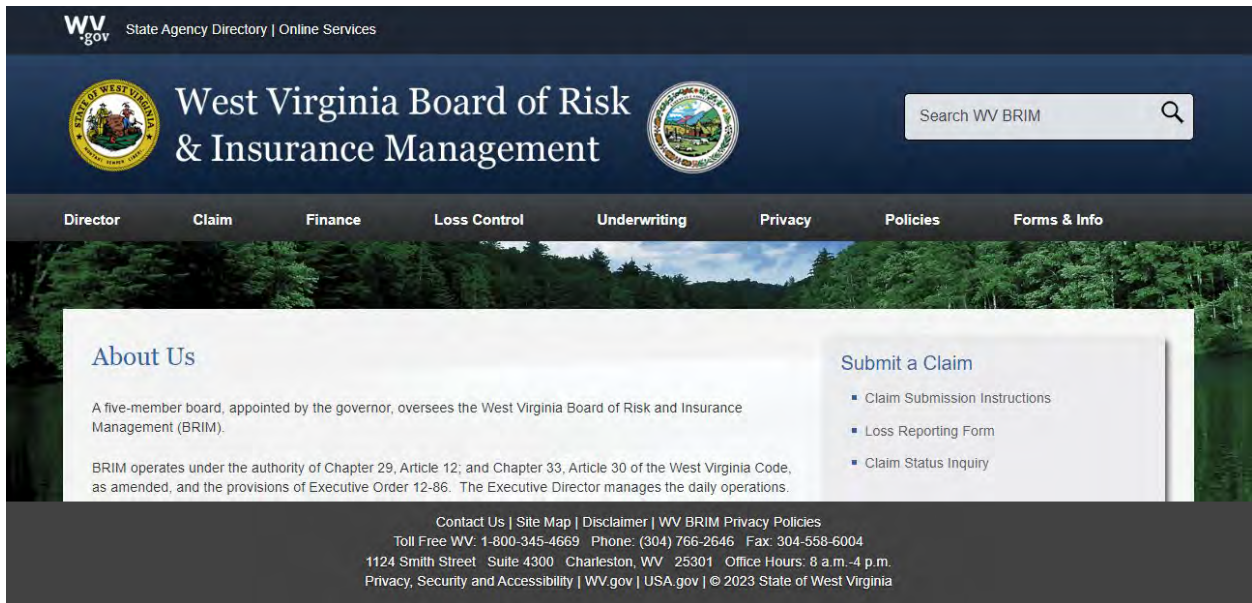
Internal controls have been put in place to ensure the assets and property of BRIM are protected from theft, loss or misuse and to provide adequate accounting data for preparing Generally Accepted Accounting Principles (GAAP) based financial statements.

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 assist 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

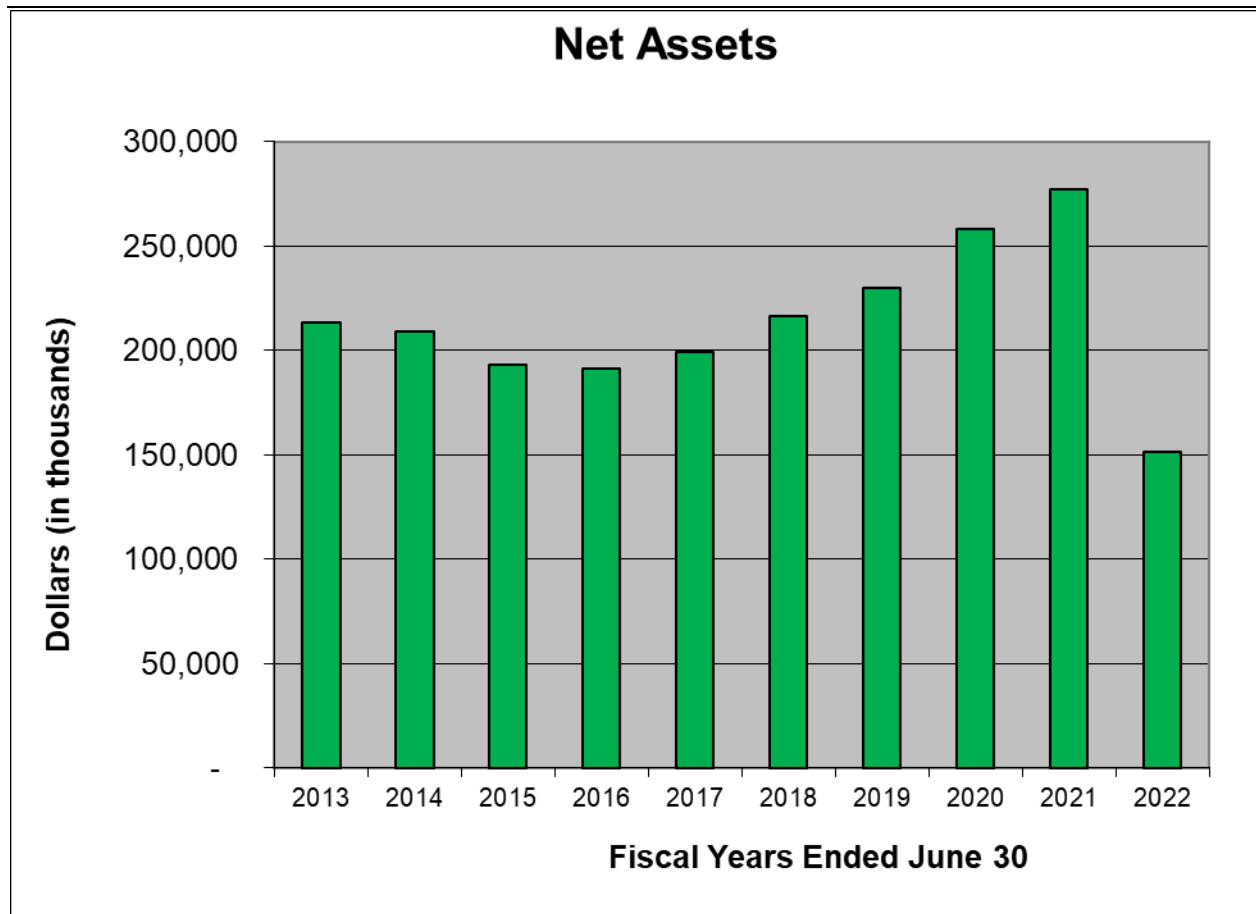
Below are audited results from operations of four most recent fiscal years ended June 30:

	2019	2020	2021	2022
	(In Thousands)			
Operating Revenues:				
Premiums	\$ 83,301	\$ 82,567	\$ 83,238	\$ 86,099
Less Excess Coverages	(6,627)	(6,915)	(4,438)	(4,758)
Net Operating Revenues	76,674	75,652	78,800	81,341
Operating Expenses:				
Claims & Claims Adjustment	80,169	65,349	70,259	168,122
General & Administrative	4,519	5,034	4,811	5,008
Total Operating Expenses	84,688	70,383	75,070	173,130
Operating Income (Loss)	(8,014)	5,269	3,730	(91,789)
Non-Operating Revenues				
Interest Income	21,044	22,818	28,845	(33,670)
OPEB Non-operating Income	30	24	11	
Appropriation Transfer			(13,500)	(6)
Net Income	13,060	28,111	19,086	(125,465)
Net Position at Beginning of Year	216,612	229,672	257,783	276,869
Net Position at End of Year	\$ 229,672	\$ 257,783	\$ 276,869	\$ 151,404

BRIM has worked diligently for the past several years to maintain positive net position and eliminate its unfunded liability. Favorable loss patterns and adequate funding have enabled BRIM to maintain positive net position from 2005 thru 2022. 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 non-state 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 a positive net position.



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 FORVIS, LLP was selected to perform the audit for the fiscal year ended June 30, 2023. The June 30, 2023, report will be available near the end of October 2023.

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 Annual Comprehensive Financial Report (ACFR) for the year ended June 30, 2022, from which the information on page(s) one through eight have been drawn, was submitted for the award the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association of the United States and Canada (GFOA). BRIM's submission for the Certificate of Achievement for its 2022 ACFR has been reviewed and BRIM was awarded the Certificate of Achievement. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our 2023 Annual Comprehensive Financial Report will meet the Certificate of Achievement Program's requirements and we will be submitting it to the GFOA to determine its eligibility for another certificate.

Annual Comprehensive Financial Report

Since June 30, 1995, BRIM has issued an Annual Comprehensive Financial Report (ACFR). This report contains an introductory section, a financial section, and a statistical section. The financial section will contain audited data for June 30, 2023. The ACFR for fiscal year 2023 will be issued before December 31, 2023. 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,



Melody Duke
Executive Director

Listing of Coverages in Effect for Fiscal Year 2022

LIABILITY	LIMIT OF LIABILITY
Automobile Liability Policy No.: CA 709-09-36 & 703-09-35 Company: National Union Fire Insurance Co.	\$ 1,000,000 per occurrence
Cyber Liability (State) Policy No.: UMR B1262F10687321 Company: Arthur J. Gallagher International	\$ 25,000,000 per occurrence
Cyber Liability (Boards of Education) Policy No.:01-346-30-76 Company: AIG Specialty Ins. Co.	\$ 6,000,000 per occurrence
General Liability Policy No.: CA 654-71-28 & 654-71-29 Company: National Union Fire Insurance Co.	\$ 1,000,000 per occurrence
Aircraft Liability Policy No.: AV003380147-19 Company: National Union Fire Insurance Co.	\$ 1,000,000 per occurrence
Unmanned Aircraft Liability Policy No.: UMO28176638-07 Company: National Union Fire Insurance Co.	\$ 1,000,000 per occurrence
Excess Liability-Bd. of Education Policy No.: XS6547130 Company: The Insurance Company of the State of Penn	\$ 5,000,000 per occurrence or claim
 PROPERTY	 LIMIT OF LIABILITY
Blanket Property Policy No.: MAF760728-21 Company: Axis Insurance Company	\$ 25,000,000 primary layer 1,000,000 deductible
Policy No.: NHD919308 Company: RSUI	\$ 100,000,000 in excess of 25,000,000
Policy No.: 0062502553 Company: Lexington	\$ 25,000,000 in excess of 125,000,000
Policy No.: 795015900 Company: Atlantic Specialty	\$ 50,000,000 in excess of 150,000,000
Policy No.: UP2003382 Company: Chubb/Lloyds	\$ 200,000,000 in excess of 200,000,000
Policy No.: MAF760729-21 Company: Axis Insurance Company	\$ 10,000,000 flood with 1,000,000 deductible
Boiler and Machinery Policy No.: YB2L9L469170031 Company: Liberty Mutual Insurance	\$ 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 2022

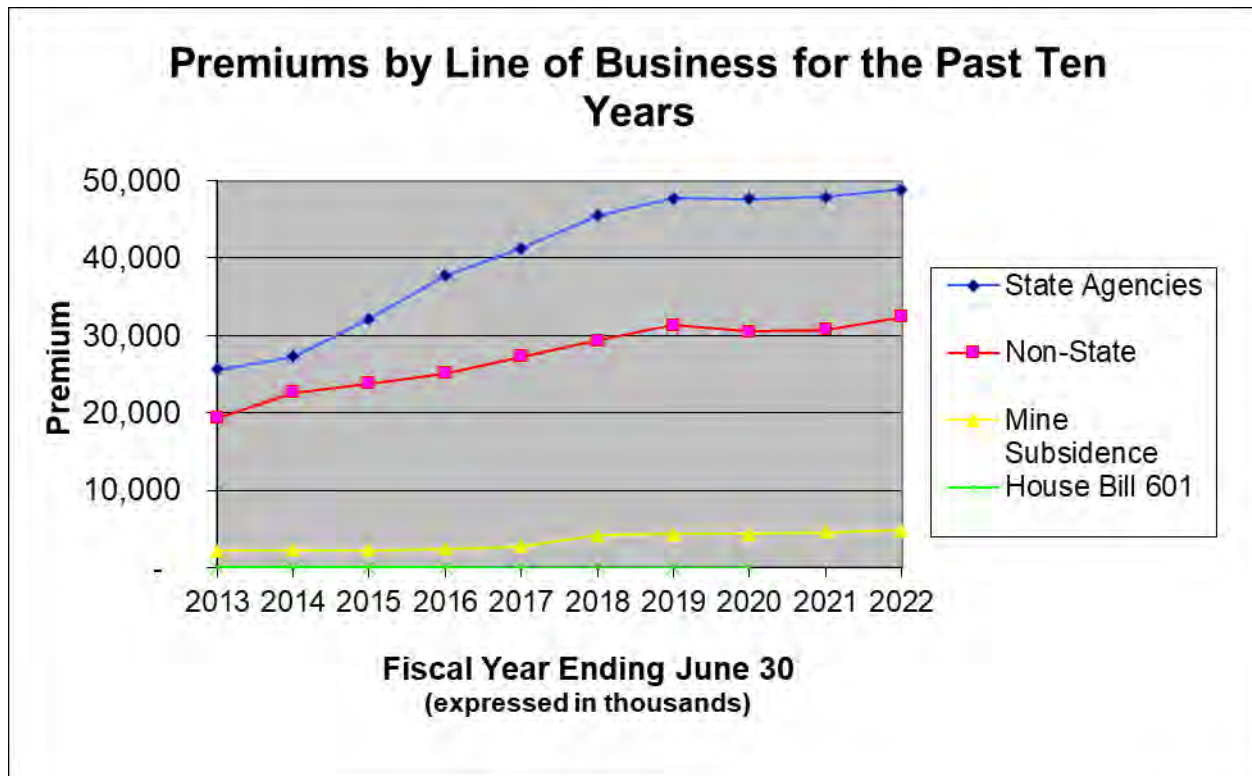
1 WEST VIRGINIA UNIVERSITY	10,754,511
2 DIVISION OF HIGHWAYS	6,255,812
3 STATE POLICE, WEST VIRGINIA	5,492,298
4 DIVISION OF CORRECTIONS	4,402,919
5 DEPARTMENT OF HEALTH AND HUMAN RESOURC	4,082,235
6 MARSHALL UNIVERSITY	3,388,033
7 REGIONAL JAIL & CORR. FAC. AUTHORITY	2,394,756
8 WEST VIRGINIA UNIVERSITY MEDICAL CORP.	955,146
9 SUPREME COURT OF APPEALS	756,189
10 WEST VIRGINIA PARKWAYS AUTHORITY	674,078
Total Top Ten	<u>\$ 39,155,977</u>

Total State Premium Billing for 2022	\$ 51,077,783
% of top 10 in relation to all state agency billings	76.66%

Top 20 Non-State Premiums for Fiscal Year 2022

1 KANAWHA COUNTY BOARD OF EDUCATION	\$ 1,520,803
2 BERKELEY COUNTY BOARD OF EDUCATION	943,811
3 CITY OF ST. ALBANS	926,919
4 RALEIGH COUNTY BOARD OF EDUCATION	794,939
5 CABELL COUNTY BOARD OF EDUCATION	738,891
6 PUTNAM COUNTY BOARD OF EDUCATION	618,543
7 HARRISON COUNTY BOARD OF EDUCATION	583,325
8 MONONGALIA COUNTY BOARD OF EDUCATION	562,294
9 WOOD COUNTY BOARD OF EDUCATION	553,637
10 WAYNE COUNTY BOARD OF EDUCATION	489,859
11 MERCER COUNTY BOARD OF EDUCATION	486,336
12 KANAWHA VALLEY REGIONAL TRANSPORTATION	445,732
13 JEFFERSON COUNTY BOARD OF EDUCATION	445,351
14 MARION COUNTY BOARD OF EDUCATION	443,173
15 FAYETTE COUNTY BOARD OF EDUCATION	414,125
16 LOGAN COUNTY BOARD OF EDUCATION	391,474
17 STAT EMS LLC	346,843
18 MINGO COUNTY BOARD OF EDUCATION	345,480
19 MINGO COUNTY COMMISSION	344,379
20 OHIO COUNTY BOARD OF EDUCATION	316,320
Total Top Twenty	<u>\$ 11,712,234</u>

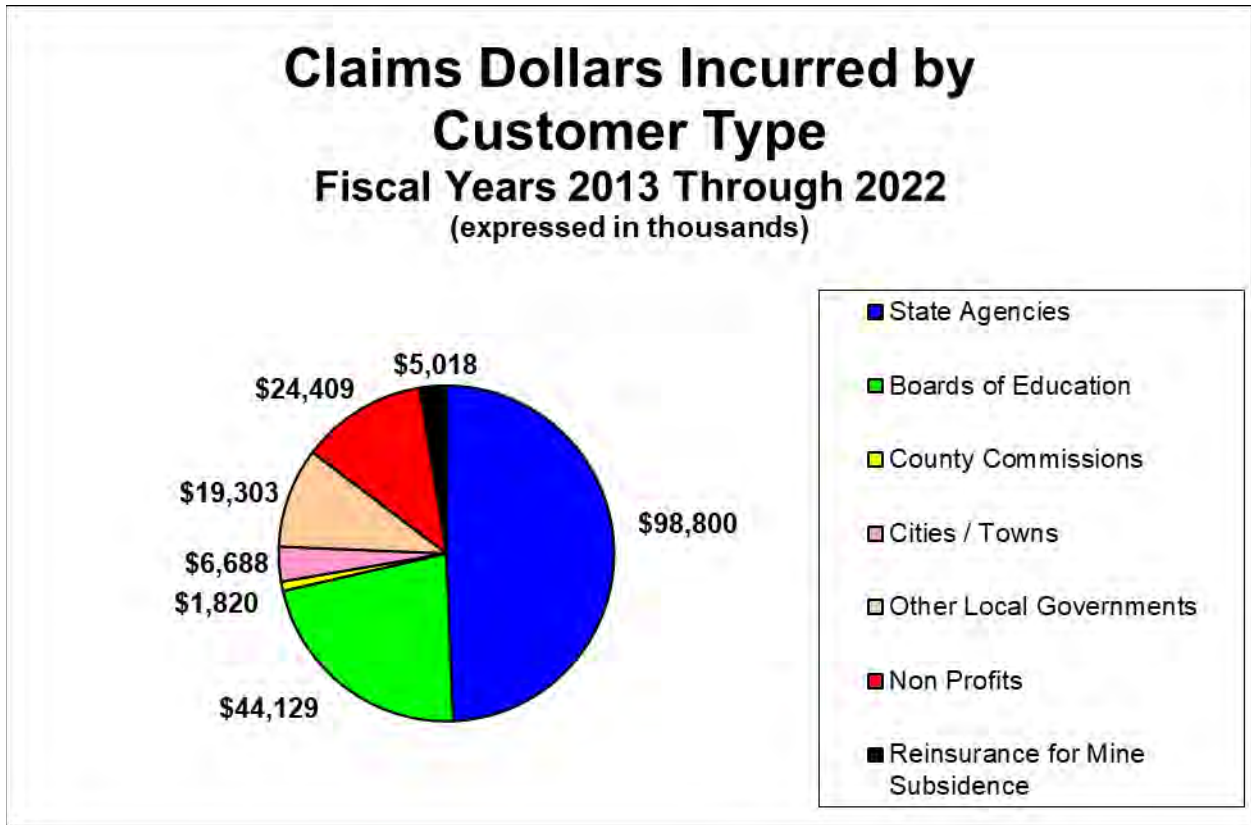
Total Non-State Premium Billing for 2022	\$ 34,229,823
% of top 20 in relation to total Non-State billings	34.22%



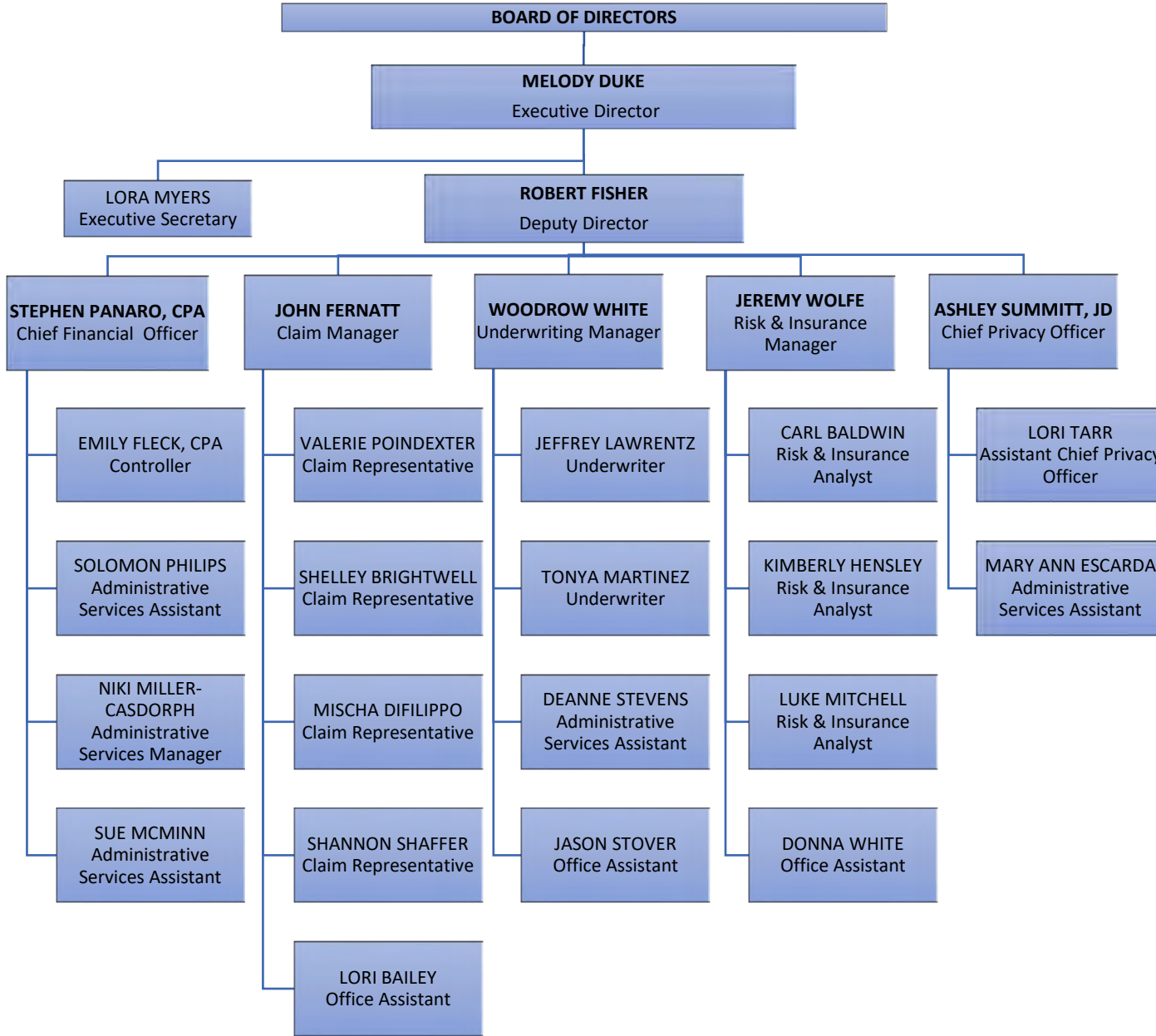
Fiscal Year	State Agencies	Non-State	Mine Subsidence	House Bill 601
2013	\$ 25,607	\$ 19,345	\$ 2,142	\$ 40
2014	\$ 27,226	\$ 22,642	\$ 2,220	\$ 40
2015	\$ 32,118	\$ 23,781	\$ 2,261	\$ 44
2016	\$37,688	\$25,147	\$2,398	\$ 60
2017	\$41,304	\$27,305	\$2,759	-
2018	\$45,516	\$29,306	\$4,129	-
2019	\$47,713	\$31,286	\$4,302	-
2020	\$47,675	\$30,524	\$4,368	-
2021	\$47,884	\$30,782	\$4,572	-
2022	\$48,856	\$32,419	\$4,824	-

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 upward trend of premiums for State Agencies and Non-State customers beginning in 2014 when premiums began increasing.

Source: BRIM’s internal financial statements.



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



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



Mark D. Scott
Cabinet Secretary

Melody Duke
Executive Director
Melody.A.Duke@wv.gov

AGENDA
BOARD MEETING OF THE
WEST VIRGINIA BOARD OF RISK AND INSURANCE MANAGEMENT
Tuesday, September 27, 2022 @ 1PM

Chairman Price

Call to Order

Chairman Price

Roll Call

Chairman Price

Approval of Board Minutes
June 28, 2022 Meeting

REPORTS

Tom Sauvageot
West Virginia Investment Management Board

Account/Investment Update

Robert Bayston/Scott Mountain
BNY Mellon Investment Management

Account/Investment Update

Melody Duke
Executive Director

Executive Director's Report

Stephen W. Panaro, CPA
Chief Financial Officer

Financial Report
PCard Report

JeremyC. Wolfe
Loss Control Manager

Loss Control Report

Ashley E. Summitt
Chief Privacy Officer

Privacy Report

UNFINISHED BUSINESS

NEW BUSINESS

ADJOURNMENT

Idm

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



Mark D. Scott
Cabinet Secretary

Melody Duke
Executive Director
Melody.A.Duke@wv.gov

****DRAFT****
MINUTES OF THE MEETING
WEST VIRGINIA BOARD OF RISK AND INSURANCE MANAGEMENT
JUNE 28, 2022 @ 1PM

(Meeting held in person & telephonically to practice social distancing guidelines for COVID-19 pandemic response)

BOARD MEMBERS: Joseph Price, Chairman
Gordon Lane, Jr., Vice Chairman
Edward Magee, Ed.D., CPA, Member
Leah Cooper, Member
Terry Rose, Member
Allan L. McVey, Board Secretary, Ex-Officio Member
Commissioner, WV Office of the Insurance Commissioner

BRIM PERSONNEL: Melody Duke, Executive Director
Robert Fisher, Deputy Director/Claims Manager
Stephen W. Panaro, CPA, CFO
Jeremy Wolfe, Risk & Insurance Manager
Ashley Summit, Chief Privacy Officer
Woodrow White, Underwriting Manager
John Fernatt, Deputy Claims Manager
Valerie Poindexter, Claim Representative
Shannon Shaffer, Claim Representative
Emily Fleck, CPA, Controller
Lora Myers, Recording Secretary

BRIM PROGRAM REPRESENTATIVES: Steve Fowler, Esq., BRIM Counsel
Chuck Waugh, AIG Claim Services
Brenda Samples, USI Insurance Services. LLC
Bob Ayers, USI Insurance Services. LLC

GUESTS: Mark D. Scott, Secretary, Department of Administration
John David, Director, Southern Appalachian Labor School
Donna Hadrych, WVU Health Sciences
Stacie Honaker, WVU Health Sciences
Kelsey Knotts, WVU Risk Management

CALL TO ORDER

- Chairman Price called the board meeting of the West Virginia Board of Risk and Insurance Management to order on Tuesday, June 28, 2022 at 1:02PM. The meeting was held in person and with remote access to practice social distancing guidelines for COVID-19 pandemic response.
- Chairman Price requested all board members and meeting attendees to sign in to verify their attendance.

APPROVAL OF MINUTES

- Chairman Price asked for a motion to approve the Minutes of the March 15, 2022, board meeting. Member Terry Rose moved the approval of the March 15, 2022, board meeting minutes. The motion was seconded by Vice Chairman Gordon Lane, Jr.
- Chairman Price asked for a motion to approve the Minutes of the April 19, 2022, special board meeting. Member Ed Magee moved the approval of the April 19, 2022, special board meeting minutes. The motion was seconded by Member Terry Rose.

PRESENTATION BY GUEST

(Letter dated 6/22/2022 from Chairman Price to Dr. John P. David, Ph.D., Director - Southern Appalachian Labor School attached for review and information.)

- Guest presentation by John David, Director, Southern Appalachian Labor School. Mr. David requested to speak to the board regarding denial of claims. Mr. David reported on claims that were denied by BRIM. Mr. David gave explanations regarding the details surrounding these claims.
- Chairman Price and other board members had many questions for Mr. David regarding the details. The adjuster for these claims is Terry Irvine and the denial letter was sent by BRIM Claim Adjuster Mischa S. DiFilippo. BRIM staff made suggestions to benefit the situation and offer assistance on the claim situations.
- Mr. David was commended by board and BRIM staff on the efforts of the non-profit organization and their mission. Chairman Price thanked Mr. David for his presentation.

REPORTS

Executive Director's Report

- Chairman Price asked Melody Duke to present the Executive Director's Report.
- Mrs. Duke reviewed the Medical Malpractice Programs for both Marshall University and West Virginia University. She reported on the amounts deposited into escrow; the fiscal year-to-date cumulative interest totals; and disbursements paid so far in FY2022 for both programs.

- Mrs. Duke reported on the State Agency/Senate Bill #3 Liability Claim and Litigation Information. Two cases have been tried to verdict in 2022, one plaintiff verdict and one defense verdict. Mrs. Duke's report also included details regarding trials, paid claims, outstanding claims, duration - closed claims as well as closing ratio.
- Report also included Insurance Renewals details. BRIM has received several insurance renewals for the upcoming fiscal year. The Board of Education Cyber renewal increased 15% over the expiring premium while aggregate limits decreased from \$15 million to \$10 million.
- BRIM received the property renewal. Over the past nine years, BRIM was able to secure a rate guarantee which has saved the program approximately \$15 million. The renewal for July 1, 2023, is the first year after the rate guarantee have expired and the incumbent primary carrier for the \$25 million has declined to renew the guarantee as well as declining to be the primary. The renewal premium has increased 107% and the first \$25 million layer will have 10 carriers instead of the 1 carrier from the expiring carrier.
- Patient Injury Compensation Fund (PICF) was reviewed. The PICF fund will expire on June 30, 2022. Any funds remaining will be transferred automatically into the General Fund.
- Property Appraisal Program - CBIZ Valuation Group, LLC was awarded the Property Appraisal Program and the contract began December 21, 2021. As of late May, CBIZ has completed appraisal on 422 structures. BRIM management is assessing the reports and best method of communication to our state and Senate Bill 3 insureds. The program will take five years to complete with approximately 4,400 structures to be appraised.
- Property Inspections - BRIM received two responses to the property inspection FRF. Tawney Insurance and Safety Solutions was awarded the contract and will begin on July 1, 2022. Jeremy Wolfe, Loss Control Manager, has been working with Tawney to make the transition from AON as smooth as possible.
- Claim Audit Services - BRIM received two responses to the Claim Audit Services and the committee is in the process of reviewing. Hope to make the award in early July 2022.
- BRIM Employee Changes - BRIM has had several personnel changes in recent months. BRIM said a sad farewell to Executive Director Mary Jane Pickens; CFO Stephen Schumacher; Privacy Assistant Tara Tarylor and Finance Assistant Connie Bloss. Connie and Stephen retired from state service; Mary Jane accepted the Executive Director position at the West Virginia State Bar and Tara left due to family obligations. Melody Duke was selected as the new Executive Director; Stephen Panaro, CPA, has accepted the CFO position. Additional internal changes include Solomon Phillips moving from Underwriting to Finance and Lora Reynolds making a move from Loss Control to the Privacy Department. Joining the BRIM family are

Woodrow White, Underwriting Manager; Emily Fleck, Controller; Donna White, Loss Control Assistant; and Jason Stover, Underwriting Assistant.
Congratulations to everyone!

- Upcoming Board Meeting Schedule for 2022

Tuesday, September 27, 2022 @ 1PM

Tuesday, December 13, 2022 @ 1PM

(Moved the December meeting from December 20, 2022, due to the holiday season and several requests from members of the board)

- The Executive Director's Report was received and filed, a copy is attached and made part of the record.

BRIM Financial Report

- Chairman Price called on Stephen Panaro to present the Chief Financial Officer's Report
- P-Card Report - Mr. Panaro reviewed the P-Card information for February, March and April 2022. Totals were also reported.
- Current Financial Results - Mr. Panaro reported that the financial results presented are for the ten months ending April 30, 2022. The results reflect the actuarially estimated unpaid losses from AON's risk funding study as of March 31, 2022, plus an additional accrual for April.

Net premium revenue for FY22 has increased \$2.8 million compared to FY21. The increase reflects an increase in premiums based on the actuarial estimated loss pics and a reduction in the Covid-19 credits issued in FY21 for reduction in auto usage.

Retained case reserves are \$36.4 million higher this year compared to the prior year and actuarially estimated IBNR is \$24.3 higher than the prior year. These increases are from reserve adjustments for both the second and third quarters.

The increase in claims and claims adjustment expense of \$56.9 million over last year is driven by the reserve adjustments for the adverse claims development in the Senate Bill 3 program.

Investment losses through April were \$26.8 million compared to investment income through April 2021 of \$25.1 million. This is a negative year over year change of \$51.9 million. Due to the relatively short duration of the fixed income holdings in the trust (3.7 years) and an increase in interest rates the returns in the trust have been negative. We did experience a positive return in the trust in May of \$1.5 million.

Equity markets have experienced volatility over the last several months. Our holdings with the WV Investment Management Board have lost \$10.6 million

during the first ten months of the fiscal year. February through April, we lost \$10.2 million with the largest loss occurring in April of \$6.6 million.

- Financial Markets - The major U S stock indexes continue to be volatile into the end of June. The DJIA was down 13.31% year to date followed by both the S & P 500 down 17.9% and the NASDAQ composite down 25.8% through June 24th. A 10% reduction or more is considered a correction while a reduction of greater than 20% is considered a bear market.

Inflation continues to be a concern for the economy and markets. Inflation reached 8.6% in May. This is driven by a number of factors. The Federal Reserve has a target rate for inflation of 2%.

On June 23rd, Federal Reserve Chairman Jerome Powell appeared before Congress. He indicated that the Federal Reserve would continue to raise interest rates to tame inflation. The Fed has raised interest rates three times since March including a 75 basis point increase in June, the largest increase in 28 years.

Given the volatility of the stock market and rising interest rates, BRIM's investment returns will be limited through the end of the fiscal year.

- New Employee - Mr. Panaro announced that Emily Fleck was hired for the Controller position in May. Emily is both a CPA and CGFM. She previously worked for DNR for 21 years.
- The Chief Financial Officer's Report was received and filed, a copy is attached and made part of the record.

Loss Control Report

- Chairman Price called on Jeremy Wolfe to present the Loss Control Report
- Loss Control Questionnaires - Sent to all agencies during the month of May. The deadline for submission is August 1, 2022
- BRIM has a new vendor for Insurance Loss Prevention Inspection Services. Tawney Insurance and Safety Solutions were the successful bidder. AON Global Risk Consulting has been very professional during the transition and we expect to see bids submitted from them in the future.
- BRIM has successfully renewed our contract for Boiler and Machinery coverage and inspection services with Liberty Mutual Insurance.
- March through May, AON conducted 265 Inspections and Liberty Mutual conducted 904 Inspections. These reports are being processed.
- There were 11 Standards of Participation Visits. These are visits which are designed to provide assistance to our insured who are working on becoming compliant. There were 32 Loss Control Visits. These are standard loss control

visits which focus on all coverage areas and result in information and/or loss control recommendations.

- The Loss Control Report was received and filed, a copy is attached and made part of the record.

Privacy Report

- Chairman Price called on Ashley Summitt to present the Privacy Report
- Ms. Summit reported on Management Team Meetings. On March 22, 2022, the State Privacy Office held a virtual meeting with 40 Privacy Management Team members in attendance. Presentations included a slide presentation of the Department of Administration's Data Destruction Project by Donna Lipscomb; a Personnel presentation by Joe Thomas entitled "Human Resource Considerations in Privacy Incidents", as well as a Human Resource, Privacy and Security tabletop exercise led by the State Privacy Office. The next meeting of the Privacy Team will be held virtually July 19, 2022.
- Ms. Summit also reported on Privacy Training. During the Second Quarter of 2022 (as of June 23rd), 112585 members of the Executive Branch workforce completed the one course *Privacy Awareness Training 2022*, which is a general privacy awareness training course. This is a new training just being rolled out to all Executive Branch employees with a deadline of June 30th for completion. Also during the Second Quarter of 2022, 417 members of the Executive Branch workforce completed the online course, *WV Confidentiality Agreement*, which is required of all workforce members. During the same quarter, 270 members of the Executive Branch workforce completed the online course *HIPAA/HITECH*, a general training course and new *HIPAA Refresh Training (2021)* which was requested by PEIA.
- The Privacy Office is very excited to be able to publish our new customized general privacy training, entitled *Privacy Awareness*, to all Executive Branch staff. The email to all employees enrolling them in the training was sent on June 1st, with a request for completion by June 30th. As of June 23rd, 55% of the enrolled members have completed. Privacy staff spent a great deal of time transcribing the online privacy training into Powerpoint slides so that employees with disabilities and those without computer access can take advantage of the training.
- Despite an email sent to all members of the Privacy Management Team warning them of the incoming training email sent directly from the vendor, the State Privacy Office has received a significant amount of calls and emails from state employees who are suspicious of the email containing a link from an outside source. It appears that all those warnings and trainings to caution staff of never clicking on a suspicious emails have been successful,
- Ms. Summit reported on the following training events were held by the SPO since the last board meeting:

April 28, 2022, the Chief Privacy Officer presented Privacy CLE for Department of Administration/Purchasing Annual CLE training. Approximately 50 government attorneys attended.

May 11, 2022, Privacy staff presented "Purchasing as a Privacy Powerhouse" to 26 attendees of the WV Purchasing Division's In-House Training. The presentation was recorded for future use on the Purchasing website.

June 3, 2022, three new departmental privacy officers (DPOS) received their new privacy officer orientation training.

- Privacy Impact Assessments/Privacy Incident Response Assessments were reviewed. Privacy Impact Assessment (PIA) is a tool used to assess the privacy impact and risks to the personally identifiable information (PII) stored, used and exchanged by information systems.

Since March 15, 2022, twenty-two (22) PIAs have been completed and submitted.

- Privacy Office Retreat was discussed. The Privacy Office is in full swing planning for the fall retreat. The retreat will be held at Canaan Valley Resort from October 17 - 19, 2022. All members of the Privacy Management Team are invited to attend. The general theme of the presentations will be "What should a Privacy Officer know about Cybersecurity". Attendance is expected to be approximately 40 participants.
- Privacy Report was received and filed, a copy is attached and made part of the record.

UNFINISHED BUSINESS

NEW BUSINESS

ADJOURNMENT

- Chairman Price called for the adjournment of the meeting. Meeting adjourned at 2:42PM.

Board Chairman

Date

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



Mark D. Scott
Cabinet Secretary

Melody Duke
Executive Director
Melody.A.Duke@wv.gov

June 22, 2022

Dr. John P. David, Ph.D., Director
Southern Appalachian Labor School
P. O. Box 127
Kincaid, WV 25119

RE: Appear before the BRIM Board of Directors

Dear Dr. David:

We understand that you are dissatisfied with the decisions in various agency handled property claims as well as an automobile claim handled by the state's insurer, AIG, and would like to appear at the Board of Risk and Insurance Management (BRIM) board meeting that is scheduled for June 28, 2022. Specifically, you disagree with the position taken by AIG regarding both an automobile claim they handled for your agency, and the positions taken by BRIM with regard to several property claims presented by Southern Appalachian Labor School. As a result, you wish to have a neutral arbiter review these claims in hopes of getting a different result regarding each claim. Of course, you have already taken the matter involving the automobile claim handled by AIG to the West Virginia Insurance Commissioner who has found no issue with the handling of the matter by AIG.

The various property claims at issue have been handled by BRIM personnel and the independent adjusters assigned to perform adjusting services on BRIM's behalf. BRIM has a highly trained, experienced staff and we have a high level of confidence in their ability and judgment. There were several levels of review within the agency on the subject claims. No one person ultimately decided what position BRIM would take. As with any denial made by our agency, we are always willing to consider any additional evidence which might be submitted, but any such evidence would have to be submitted to those processing the claims and not the BRIM Board. In the case of your claims, you have responded to our request for additional information by confirming that all evidence should already be in the existing BRIM files. Therefore, the staff has no basis for further considering these claims.

The reality of the situation is that having provided insurance professionals with all of the available evidence you are simply dissatisfied with the decisions reached in each of your claims and you want the BRIM Board to overturn the determinations of the professional adjuster and

Dr. John P. David, Ph.D.

June 22, 2022

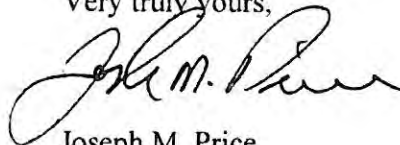
Page -2-

BRIM professional staff. ***The BRIM Board does not, and will not, intervene in the process by which claims are handled nor will it act as a "board of review" or appellate tribunal regarding claims.***

While the Insurance Commission may review AIG handled claims, the Insurance Commission and BRIM are independent state agencies and neither regulates the other. Therefore the Insurance Commission could not intervene in the processing of your property claims nor could it act as an appellate tribunal in those claims. If you disagree with the decisions taken by BRIM regarding your property claims, your remedy is to file suit in the courts of this state and to allow a jury to be the final arbiter.

While you certainly may appear at the June board meeting the board will neither engage in a detailed discussion of the claims nor will it permit personal attacks on any member of the staff or the board. WE have requested you provide a summary of your presentation in advance of the meeting in order to allow board members to review it prior to your appearance. You should anticipate having no more than 15 minutes for your presentation. The board will not take any action regarding the claims in questions and the decisions made by our retained adjusters and professional staff will remain in place. Under the circumstances, and considering you are acting as an unpaid volunteer who has numerous other "irons in the fire", we certainly understand if you conclude your time would be better spent attending to other matters. If so, please let us know if you decide not to appear before the BRIM board so that we can adjust the agenda.

Very truly yours,



Joseph M. Price
Board Chairman

cc: Melody Duke, Executive Director

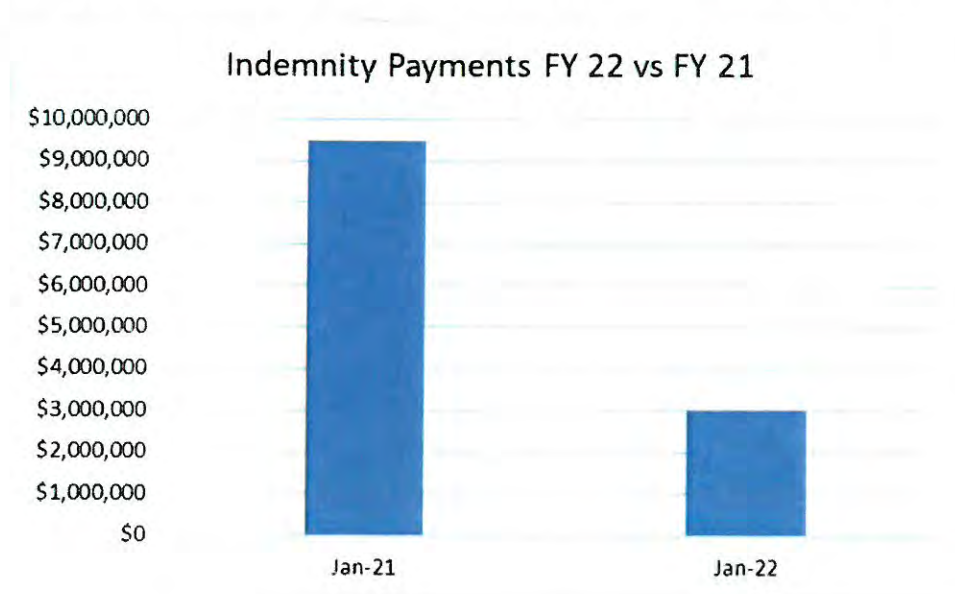


**Executive Director's Report
September 27, 2022**

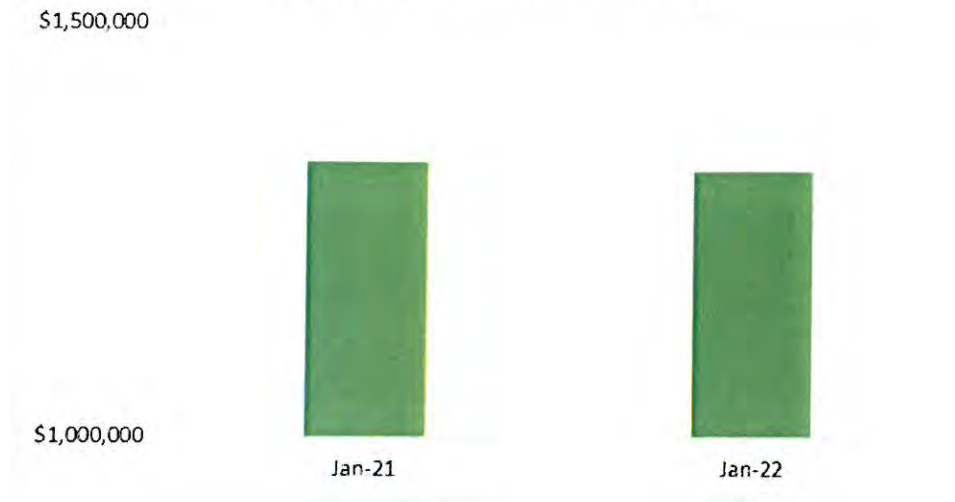
A. Marshall University and West Virginia University Medical Malpractice Program

- As of September 23, 2022, Marshall has deposited \$350,000 into the escrow account for FY 2023. The fiscal year-to-date cumulative interest totals \$4,642.37. Disbursements totaling \$706,735.57 have been paid thus far in FY 2023.
- As of September 23, 2022, a total of \$693,771.20 has been deposited into WVU's escrow account for FY 2023. The fiscal year-to-date cumulative interest totals \$9,810.54. Disbursements totaling \$1,815,249.81 have been paid thus far in FY 2023.

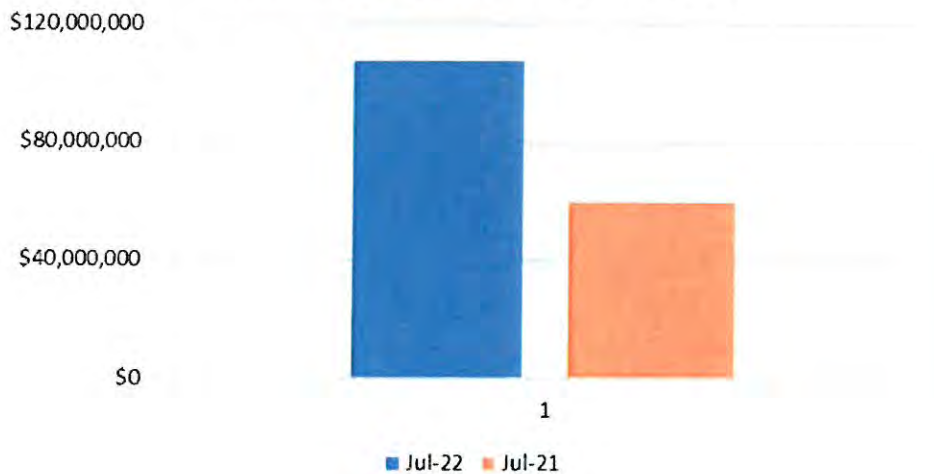
B. State Agency/Senate Bill #2 Liability Claims & Litigation Information



Legal Payments FY 22 vs FY 21



Indemnity Reserves FY 22 vs FY 21



TRIALS

We have tried three cases to verdict in 2022, one plaintiff verdict and two defense verdicts.

8/30/2022 (501-505159) Insured: WV Division of Corrections; Plaintiff: Keith Lowe; US. Dist. Court – Charleston; Defense Verdict. Plaintiff alleged excessive force against him. Prior to trial, demand was \$10,000 and offer was \$500.

4/7/2022 (501-374962) Insured: City of Fairmont; Plaintiff: Frontier; Cir. Ct. Marion Co.; Plaintiff Verdict for \$102,208.87 (includes pre-trial interest). Insured found 65% at fault for damaging Plaintiff's unmarked cable. Before trial, demand was \$140,599 (repair costs) and offer was \$2500.

4/18/2022 (501-565942) Insured: City of St. Albans; Plaintiff: Margaret Molitor; Cir. Ct. Kanawha Co.; Directed Verdict for defendant. Appeal by Plaintiff of Mag. Ct. dismissal. Plaintiff alleged city water flooded her basement, but was found to come from an outside drain, instead. Prior to trial, the demand was \$6,000 and offer was \$2,500.

PAID CLAIMS (July 2022 Data)

July 2022 Indemnity payments total \$3,008,120 vs July 2021 payments of \$9,482,976 a decrease of 68.3%.

July 2022 Legal payments total \$1,321,881 vs. July 2021 Legal payments of \$1,332,507, a decrease of .8%.

OUTSTANDING CLAIMS (July 2022 Data)

July 2022 Indemnity reserves total \$107,441,549 vs. July 2021 Indemnity reserves of \$59,678,551, an increase of 80%.

July 2022 Expense reserves total \$30,201,045 vs. July 2021 Expense reserves of \$27,208,284 an increase of 11%.

CLAIMS COUNTS (*August 2022 Data)

August 2022 New claims of 305 vs. August 2021 of 283, an increase of 7.8%.

August 2022 Closed claims of 288 vs. August 2021 of 352, a decrease of 18.2%.

August 2022 Open claims of 1077 vs. August 2021 of 978, an increase of 10.1%.

DURATION – CLOSED CLAIMS (July 2022 Data)

July 2022 Duration of 120.290 Days vs. July 2021 Duration of 123.341 Days, a decrease of 2.5%.

CLOSING RATIO (July 2022 Data)

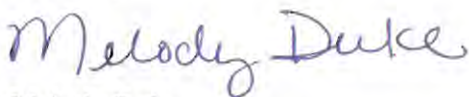
July 2022 Closing Ratio of 85.2% vs. July 2021 Closing Ratio of 105.1%, a decrease of 18.9%.

- C. Insurance Renewals – BRIM has completed all insurance renewals for fiscal year 2023. The Board of Education Cyber renewal increased 15%, or \$75,000, over the expiring premium and aggregate limits decreased from \$15 million to \$10 million. Additionally, the per school entity limit decreased from \$2 million to \$1 million with a reduced per member sublimit of \$100,000 from \$250,000 for ransom. The State Cyber renewal had a reduction in aggregate limits from \$25 million to \$11.5 million. There was also a ransomware sublimit placed on the program of \$5 million and a 50% coinsurance. The renewal premium did decrease around 9%, or \$97,000. The property renewal increased 107% going from \$4.1 million to \$8.5 million. Additionally, the first \$25 million layer will have 9 carriers versus the 1 carrier from the expiring. BRIM will be sending notification letters to property insureds advising them of significant increase premium increases for fiscal year 2024.
- D. Boards of Education Liability Premiums – as reported in the March board meeting, the BOE rating program is experiencing adverse claim development in abuse claims that have impacted the forecasting of actuarial premiums. AON updated the funding requirement for the fiscal year 2023 rating and the increase totaled \$8 million, however, as the BOE budgets had already been determined, only \$2 million was included in the fiscal year 2023 premiums. The difference of \$6 million will be included in the fiscal year 2024 premiums. Notification letters will be sent advising of the premium increases to be included in their budgets.

- E. Upcoming Legislative Session – BRIM has submitted two proposed bills for the 2023 Legislative Session. The first bill is a request to transfer funds from the Mine Subsidence Program to the Senate Bill 3 Program. Both programs are administered by BRIM and the transfer is necessary for the operations of the Senate Bill 3 program. The second bill would update the current code sections for BRIM. Specifically, the proposed legislation would add the definition of abuse and occurrence, reallocate the BOE class to “state agents” which would allow them to enjoy certain immunities, and delete the need for excess limits for the BOE’s. The proposals are currently being reviewed by the Governor’s Office.
- F. Discussions on Reinsurance/Stop Loss Coverage – We have continued this discussion and are reviewing options with one being the possibility of a retroactive risk transfer for the significant abuse claim development. We also will be adding policy language at renewal to further tighten up the definition of abuse and occurrence. This will hopefully reduce the multiple claimants to a single perpetrator and a “one” occurrence limit and one policy term.
- G. Claim Audit Services – BRIM received two responses to the Claim Audit Services and the committee awarded the contract to Strategic Claims Direction. BRIM has completed the initial onboarding call and received the request for data/information needed to start the auditing process. Year one will focus on the liability program with AIG.
- H. Records Management – All underwriting boxes have been examined and assimilated with the files maintained on the shelving units. Underwriting employee, Jason Stover, has begun work scanning the customer files and attaching them to electronic records in the eRims system. The Finance department will be starting the process of unboxing, triaging, purging, and scanning their boxes in the coming weeks.
- I. STRIMA – Robert Fisher, John Fernatt and Woodrow White attended the STRIMA conference in Santa Fe, New Mexico last week. The conference was informative, and the educational session varied from cyber security, Enterprise Risk Management, and the state of the property market.
- J. BRIM Employee Promotion – To continue BRIM’s succession planning and business continuity, John Fernatt has been promoted to Claims Manager. This will allow John the time and access to historical knowledge promoting a smooth transition for the Claims Department. Robert will continue to provide high level claim oversight. Robert will continue in his role as Deputy Director of BRIM.
- K. Upcoming Board Meeting schedule for 2022:

Tuesday, December 13, 2022 @ 1pm

Sincerely,



Melody Duke
Executive Director

MAD/ldm

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



Mark D. Scott
Cabinet Secretary

Melody Duke
Executive Director
Melody.A.Duke@wv.gov

Chief Financial Officer's Report
September 27, 2022

A. P-Card Report

CD copies mailed to the board contain the supporting detail for P-card purchases for the months of May and June 2022. These totals are:

May	\$23,934.76
June	\$61,363.74

B. Audit Update

We continue to make good progress on the audit. Currently we are in the process of completing the footnotes and wrapping up other details. We provided our draft to FARS on September 15th. Our deadline to have everything completed is October 17th and we don't anticipate any problems in meeting that deadline. Once the audit opinion is issued and we have the financial statements and footnotes they will be published on BRIM's website.

C. Current Financial Results

- The financial results presented are for the twelve months ended June 30, 2022. The results reflect the actuarially estimated unpaid losses from AON's risk funding study as of June 30, 2022, plus an additional accrual for June.
- Net premium revenue for FY'22 has increased \$2.8 million compared to FY'21. The increase reflects an increase in premiums based on the actuarial estimated loss pics and a reduction in the COVID-19 credits issued in FY'21 for reduction in auto usage.
- Retained case reserves are \$38.5 million higher this year compared to the prior year and actuarially estimated IBNR is \$57.2 higher than the prior year. These increases are from reserve adjustments increases for the second, third and fourth quarters. Combined total current and non-current claims liabilities (i.e., unpaid claims) are \$95.7 million higher than last year. We recorded additional reserves in the second, third and fourth quarters with a \$35.1 million increase in the fourth quarter.
- The increase in claims and claims adjustment expense of \$95.7 million over last year is driven by the reserve adjustments for the adverse claims development in the Senate Bill 3 program (SB3).
- Investment losses through June were \$33.7 million compared to investment income through June of 2021 of \$28.8 million. This is a negative year over year change of \$62.5 million. Through June the Bank of New York trust has lost \$16.2 million with losses occurring in all but three months of the fiscal year. Because of

the relatively short duration of the fixed income holdings in the trust (3.6 years) and increasing interest rates the returns in the trust have been negative. Equity markets have experienced volatility during FY22 and that trend is continuing in FY23. Our holdings with the West Virginia Investment Management Board have declined \$19.4 million the fiscal year. \$17.4 million of that is due to investment losses with a \$2 million withdrawal in June.

- The combination of significantly higher claims expense, negative investment returns and a small increase in premium revenue resulted in a large decrease in net position of \$125.5 million compared with an improvement in net position of 19.1 million in FY21. The overall impact is a year over year negative change of \$144.6 million.
- Our current net position of \$151.4 million includes the mine subsidence program's net position of 75.9 million, leaving BRIM's unrestricted net position at \$75.4 million. This compares with a net position of \$276.9 million at the end of FY21.

D. Financial Markets


Financial markets continue to be volatile with the Dow Jones Industrial Average closing at a low of 29,590 last Friday, September 23rd. This is a low for 2022. The S&P 500 and Nasdaq are also down, 9.2% and 10% respectively this year with the Dow Jones average down 8%.

The Federal reserve continues on their path of increasing interest rates. On September 21st they raised the federal funds rate an additional 0.75 percentage points for the third consecutive time. This puts the federal funds rate to a level not seen since 2008 of between 3% and 3.25%. According to the Wall Street Journal, Fed officials "expect to raise rates to between 4% and 4.5% by the end of this year." It is anticipated that rate increases will continue into 2023, As the Fed continues to raise rates, there are concerns that this will lead to a recession.

Inflation, of course, is still very much in the news. The U.S consumer-price index rose 8.3% in August down from 8.5% in July and 9.1% in June. Core prices, which exclude the food and energy sectors, rose 0.6% from July to August which was double their increase in July from June. The Core CPI rose 6.3% in August from a year earlier. Core prices are seen as a better indicator of inflation.

Because of increasing interest rates, the volatility of the stock market and inflation concerns BRIM's investment returns outlook remains uncertain for FY23.

Respectfully submitted,


Stephen W. Panaro, CPA
Chief Financial Officer

West Virginia Board of Risk and Insurance Management

Statements of Net Position

For the Twelve Months Ended June 30th

	<u>2022</u>	<u>2021</u>
	<i>(In Thousands)</i>	
Assets		
Current assets:		
Cash and cash equivalents	\$ 14,544	\$ 18,911
Advance deposits with insurance company and trustee	243,344	251,189
Receivables	3,069	1,672
Prepaid insurance	00	0
Restricted cash and cash equivalents	13,585	11,220
Premiums due from other entities	1,222	1,184
Total current assets	<u>275,763</u>	<u>284,176</u>
Noncurrent assets:		
Equity position in internal investments pools	110,524	123,512
Restricted investments	64,938	71,328
Total noncurrent assets	<u>175,463</u>	<u>194,839</u>
Total assets	<u>451,226</u>	<u>479,015</u>
Deferred Outflows of Resources		
Deferred Outflows of Resources - OPEB	434	438
	61	115
Liabilities		
Current liabilities:		
Estimated unpaid claims and claims adjustment expense	103,306	61,326
Unearned premiums	12,208	10,079
Agent commissions payable	1,496	1,462
Claims Payable	52	0
Accrued expenses and other liabilities	557	472
Total current liabilities	<u>117,619</u>	<u>73,339</u>
Estimated unpaid claims and claims adjustment expense net of current portion	181,989	128,270
Compensated absences	167	172
Net pension (asset) liability	(894)	533
Total noncurrent liabilities	<u>181,262</u>	<u>128,974</u>
Total liabilities	<u>298,881</u>	<u>202,313</u>
Deferred Inflows of Resources		
Deferred Inflows of Resources - OPEB	1,156	35
	280	351
Net position:		
Restricted by State code for mine subsidence coverage	80,155	78,617
Unrestricted	196,713	179,166
Net Assets (Deficiency)	(125,465)	19,086
Net position	<u>\$ 151,403</u>	<u>\$ 276,868</u>

Unaudited

West Virginia Board of Risk and Insurance Management

Statements of Revenues, Expenses, and Changes in Net Position

For the Twelve Months Ended June 30th

	<u>2022</u>	<u>2021</u>
	<i>(In Thousands)</i>	
Operating revenues		
Premiums	\$ 86,099	\$ 83,238
Less coverage/reinsurance programs	(4,758)	(4,438)
Net operating revenues	<u>81,341</u>	<u>78,800</u>
Operating expenses		
Claims and claims adjustment expense	168,122	70,259
General and administrative	5,009	4,811
Total operating expenses	<u>173,131</u>	<u>75,070</u>
Operating (loss) income	(91,790)	3,730
Nonoperating revenues		
Investment income	(33,670)	28,845
Legislative Appropriation	00	(13,500)
OPEB Non Operating Income	(05)	11
Net nonoperating revenues	<u>(33,675)</u>	<u>15,356</u>
Changes in net position	(125,465)	19,086
Total net position, beginning of year	276,868	257,782
Total net position, end of period	<u>\$ 151,403</u>	<u>\$ 276,868</u>

Unaudited

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



Mark D. Scott
Cabinet Secretary

Melody Duke
Executive Director
Melody.A.Duke@wv.gov

**Loss Control Report to the Board
September 2022**

State Agency loss control questionnaires were due on August 1, 2022. Since that time, we have been evaluating those questionnaires. The results will be used to calculate loss control credits and surcharges for next fiscal year's premium.

BRIM and Liberty Mutual Insurance will sponsor two boiler safety and operational seminars this fall. We are hopeful that these seminars will continue to attract large crowds and that what is learned at the seminars will help keep boiler losses minor to a minimum as they have been for many years.

During the months of July and August Aon conducted 380 inspections and Liberty Mutual Insurance conducted 600. The reports are being processed according to established procedures.

Since my 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.

Insured Accounts Visited Include: Mid-Ohio Valley Technical Institute, Joy Senior Apartments, Webster County Board of Education, Mingo County Housing Authority, Rea of Hope Fellowship Home, Marion County Board of Education, Summers County Board of Education, Gilmer County Board of Education, Clay County Board of Education, Fred W. Eberle Technical Center, Nicholas County Board of Education, Jackson County Board of Education, Roane County Board of Education, and Monongalia County Board of Education.

14 Standards of Participation Visits

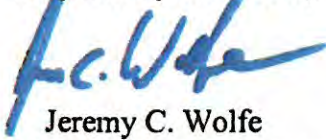
These are visits which are designed to provide assistance to our insured Participation program.

Insured Accounts Visited Include: Town of Bayard, West Virginia Prevention Solutions, Gilmer County Family Resource Network, Midland Trail Community Center, Unleash Tygart, Inc., Berkeley County Congregational Cooperative Action Project, Inc., Huntington Children's Museum, Zera House, Town of Oakvale, Barbour County Solid Waste Authority, Wetzel County Assessor's Office, Town of Ceredo, Guyandotte Civil War Days, and International Association of Medical Science Educators.

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: September 21, 2022

Respectfully submitted,



Jeremy C. Wolfe
Risk & Insurance Manager



Chief Privacy Officer's Report September 27, 2022

A. Management Team Meetings

- On July 19, 2022, the State Privacy Office had a Privacy Management Team meeting held virtually with 29 Privacy Management Team members attending. Presentations included a cyber insurance policy update provided by Melody Duke, BRIM Executive Director; a hands on tutorial of the new privacy training's reporting options for privacy officers by Chief Cybersecurity Officer Danielle Cox; and Privacy Impact Assessment slide show by Lori Tarr, Assistant Chief Privacy Officer. The next meeting of the Privacy Management Team will be the 2022 State Privacy Retreat held in person at Canaan Valley State Park on October 17-19, 2022.

B. Privacy Training

- During the Third Quarter of 2022, 16,044 members (82.8%) of the Executive Branch workforce completed the online course *Privacy Awareness Training 2022*, which is a general privacy awareness training course.
- During the Third Quarter of 2022, 236 members of the Executive Branch workforce completed the online course *WV Confidentiality Agreement*, which is required of all workforce members.
- During the Third Quarter of 2022, 262 members of the Executive Branch workforce completed the online course *HIPAA/HITECH*, which is a general HIPAA training course and a new *HIPAA Refresher Training (2021)* which PEIA has requested.

The following training events were held by the SPO since the last board meeting:

- On July 28, 2022, the Chief Privacy Officer was a member of a panel discussion, entitled, "The Balancing Act Between Data and Privacy", at the West Virginia Digital Government Summit, in Charleston, WV. Approximately 35 attendees were present.
- There has been a significant turnover and addition of new privacy officers in the last months, which has required privacy officer orientation more often than has previously been the practice. On August 16, 2022, five new departmental privacy officers (DPOs) received their new privacy officer orientation training. On September 23, four new privacy officers attended an orientation training session. Not all new officers could attend this latest training which will require another orientation training to be performed very quickly.

- Due to the large number of new officers that need orientation training, causing a cyclical need to keep training new officers, State Privacy Office staff are investigating the option of recording the orientation for individual access through the State's training management system.

C. Privacy Impact Assessments/ Privacy Incident Response Assessments

- A privacy impact assessment (PIA) is a tool used to assess the privacy impact and risks to the personally identifiable information (PII) stored, used, and exchanged by information systems. A PIA evaluates privacy implications when information systems are created, when existing systems are significantly modified, or new technology is purchased.
- Since July 1 , 2022, seventeen (17) PIAs have been completed and submitted.
- At this point, PIA completion is not mandatory for agencies, but the Purchasing Division and the WV Office of Technology are requiring that agencies purchasing a technology/software product speak with the Privacy Office regarding the need for a Privacy Impact Assessment. The Privacy Office has seen a significant uptick in the number of PIAs being filed and from agencies that are exempt from Purchasing.
- In order to address some pervasive mistakes in the submission of PIAs by agencies, the SPO staff did a PIA overview presentation for members of the PMT in July.

D. Privacy Office Retreat

- The State Privacy Office's Retreat at Valley Valley Resort is imminent. It is scheduled to be held October 17-19, 2022 and all members of the Privacy Management Team and additionally all Agency Privacy Officers were invited to attend. Presentations will have a general theme of "What should a Privacy Officer know about Cybersecurity." and approximately 40 people are expected to attend. State Privacy staff are submitting documents to the WV State Bar to try to be able to provide CLEs to members of the Bar.

Very truly yours,

Ashley Summitt

Ashley Summitt, JD
Chief Privacy Officer
WV Executive Branch

BRIM

Investment Review

WV Investment Management Board

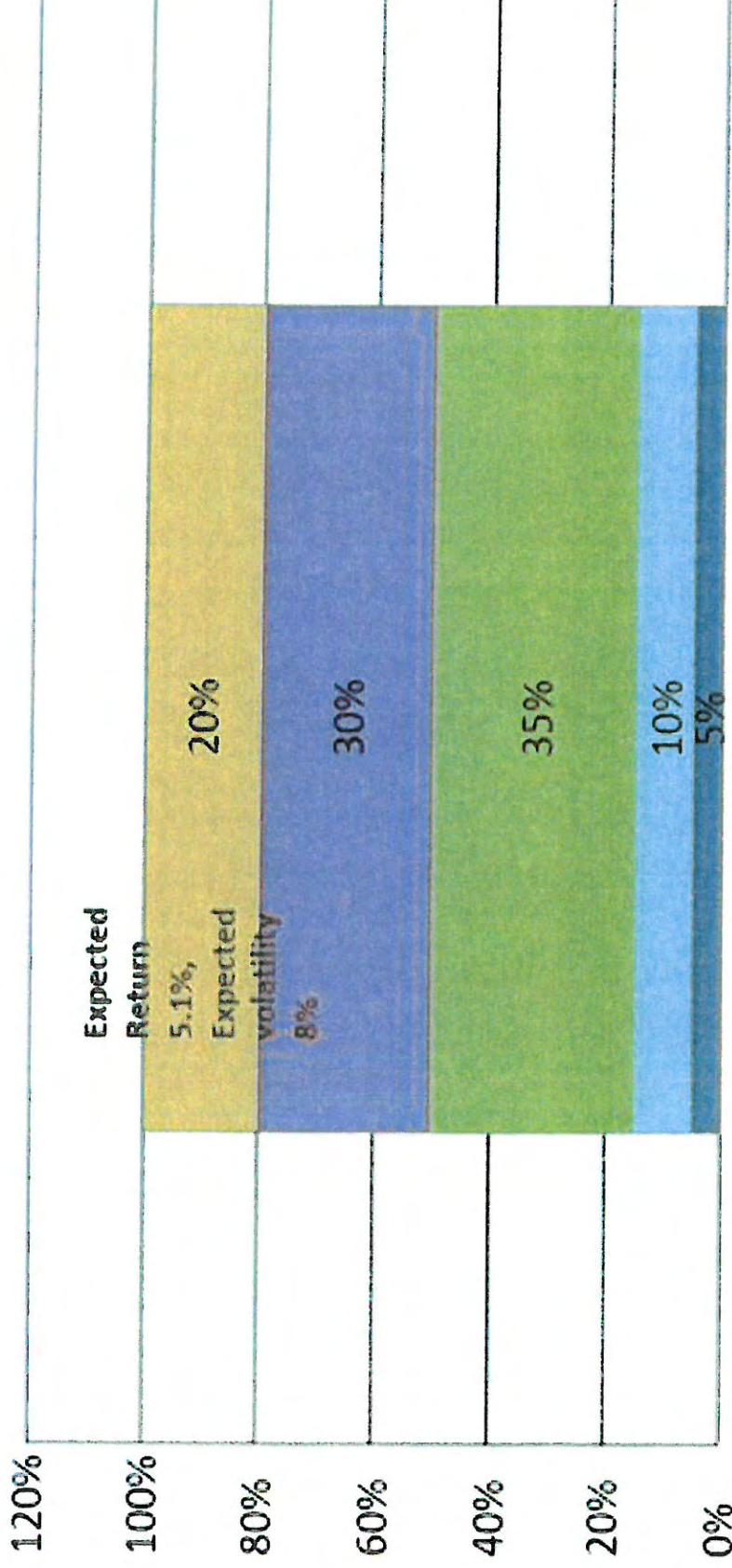
9/27/2022



Market Highlights

- Inflation and rising interest rates have precipitated the decline in global investment markets.
 - Started with strong supply and demand imbalance linked to the global pandemic. This was largely thought to be transitory.
 - Subsequently, significant geo-political risks (Russia's invasion of Ukraine, escalating U.S.-China relations, etc.) along with lingering pandemic related disruptions to distribution and production (particularly in China) have continued to limit the supply side of the economic equation, particularly energy.
 - Labor market shortages in certain sectors have led to wage inflation.
- The risk of a recession over the next year or two has increased significantly.
- The Federal Reserve has the difficult task of implementing enough monetary tightening to reduce inflation, while not so much that causes a recession.
 - The Fed Fund's rate has increased by 225 basis points this year.
- GDP and Corporate earnings have been strong, but are showing signs of reverting while economic indicators are weakening.
- Unemployment remains very low.
- Historically, some of the best investment environments have risen from periods of the most severe dislocation.

Asset Allocation



Allocation

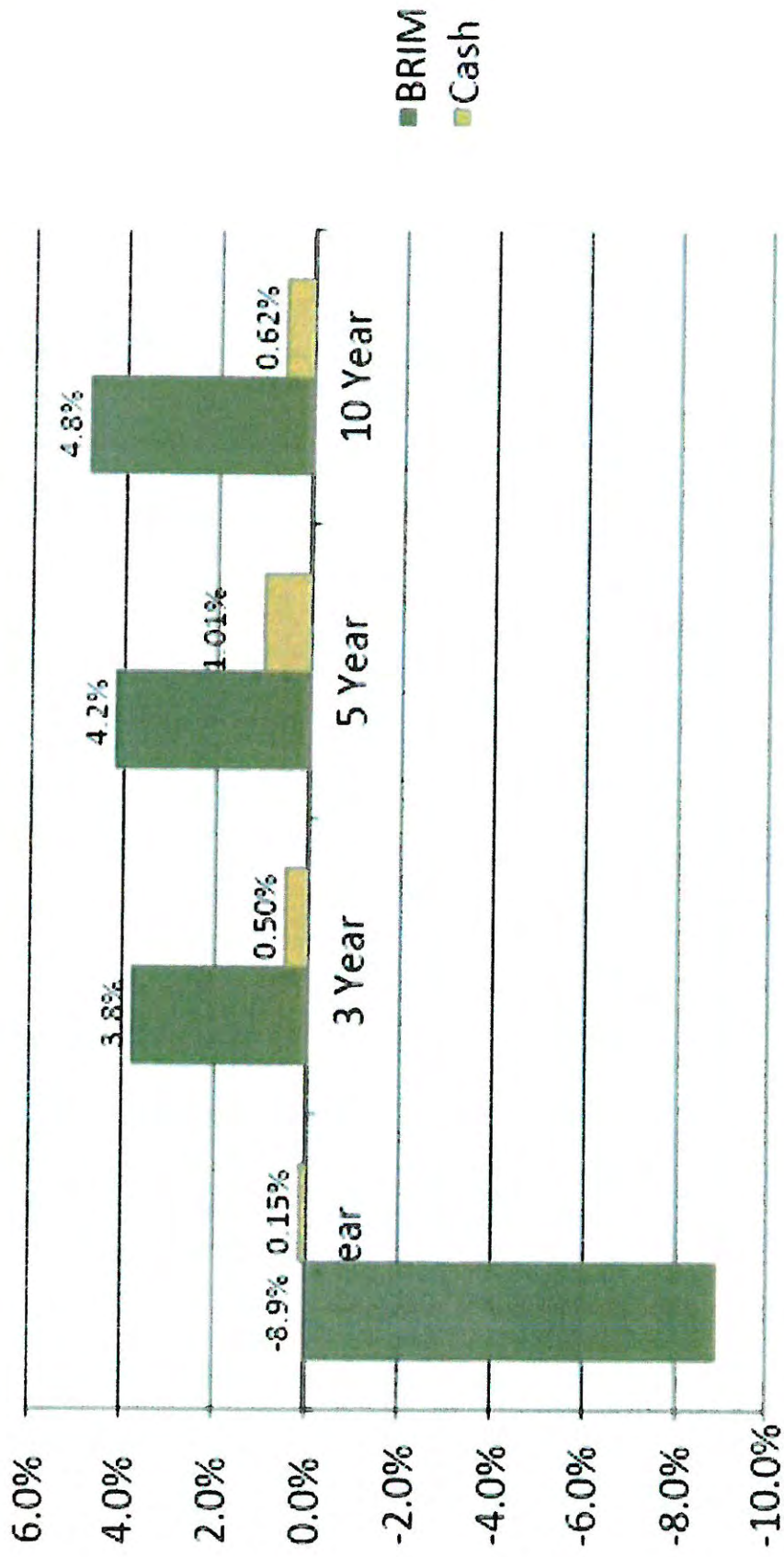
■ Cash ■ US TIPS ■ Fixed Income ■ Equity ■ Hedge Funds



Performance

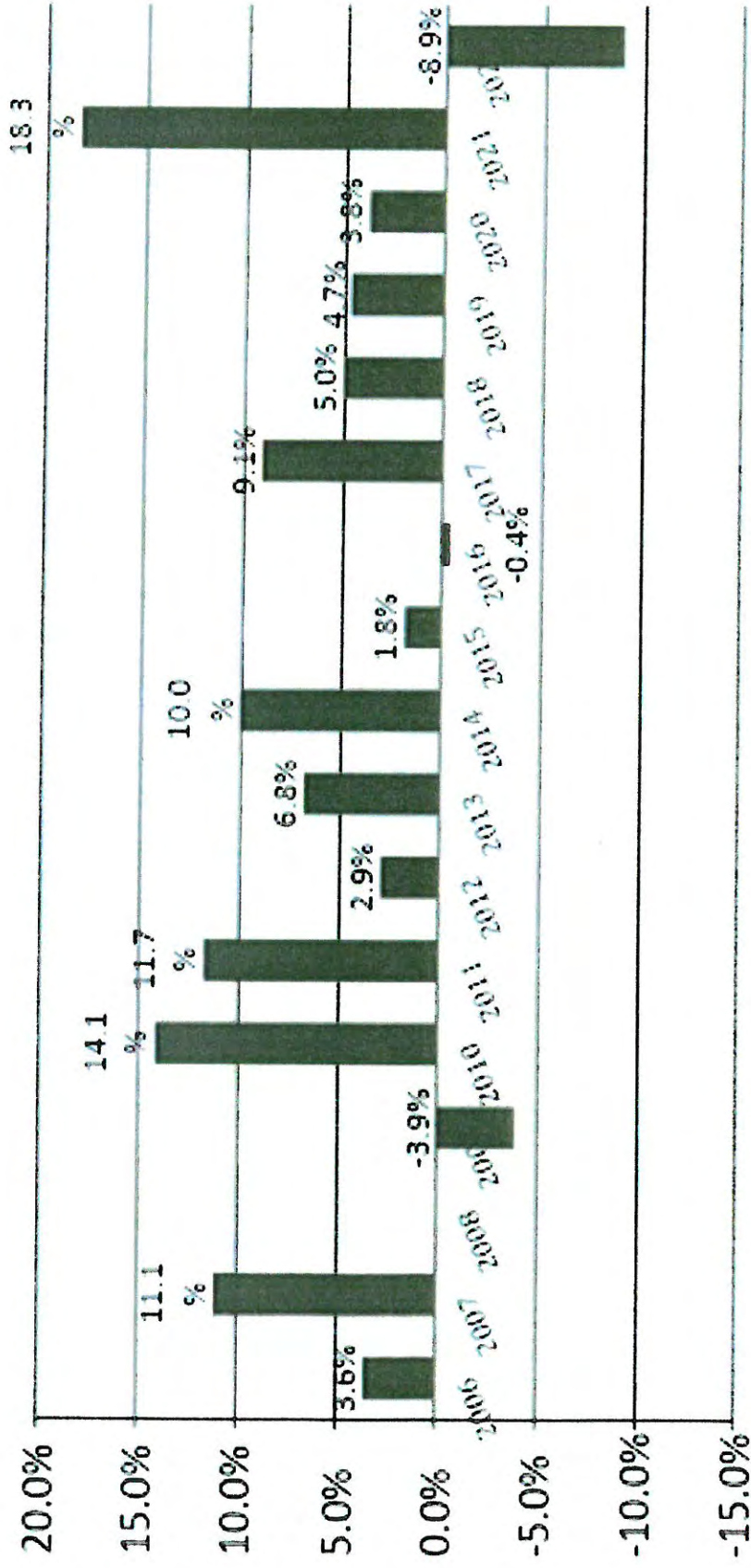
(Are you getting paid to take risk?)

June 30, 2022



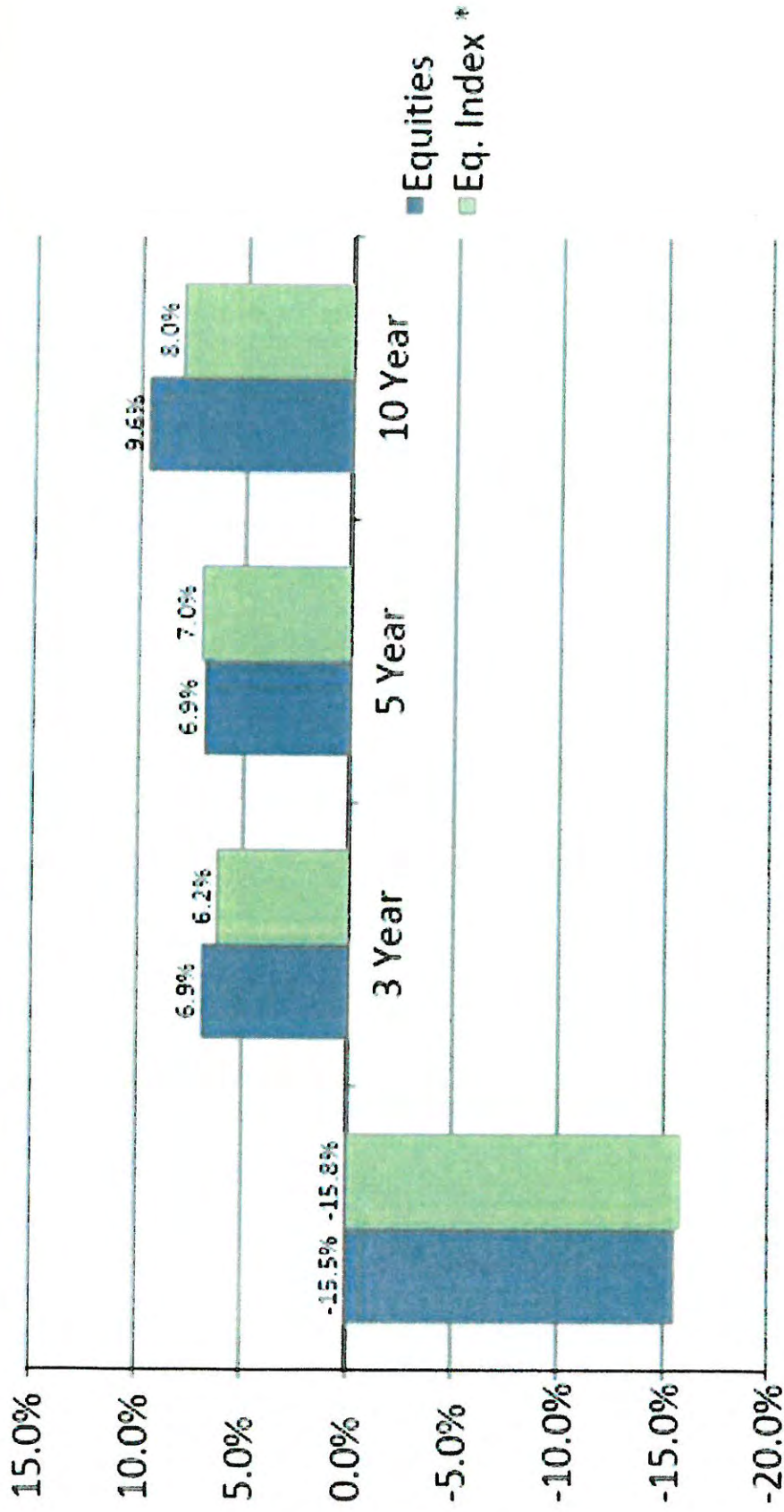
Performance by Fiscal Year

Years ending June 30



WVIMB Performance – Equities

June 30, 2022

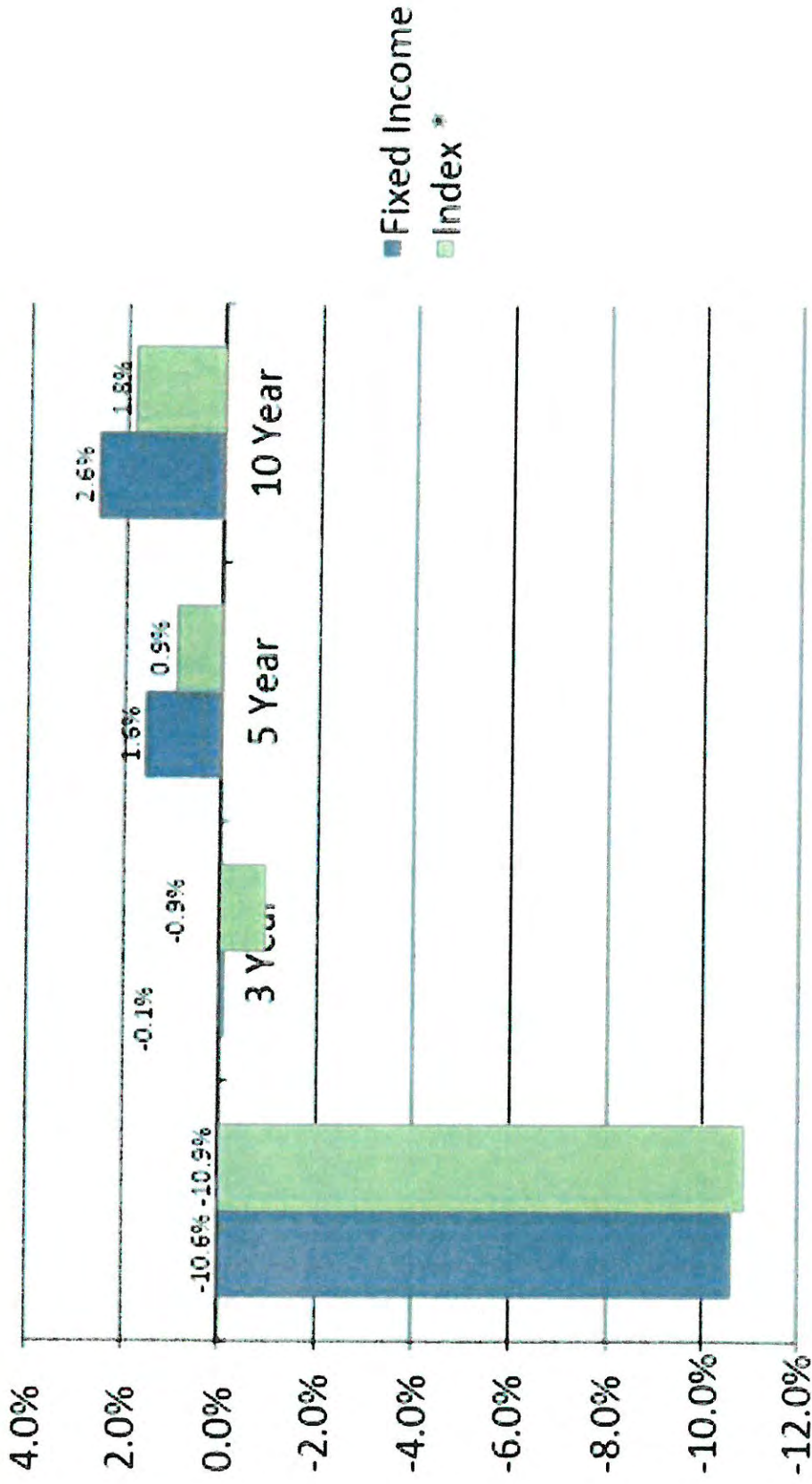


* Based on a the MSCI ACWI Index



WVIMB Performance – Fixed Income

June 30, 2022

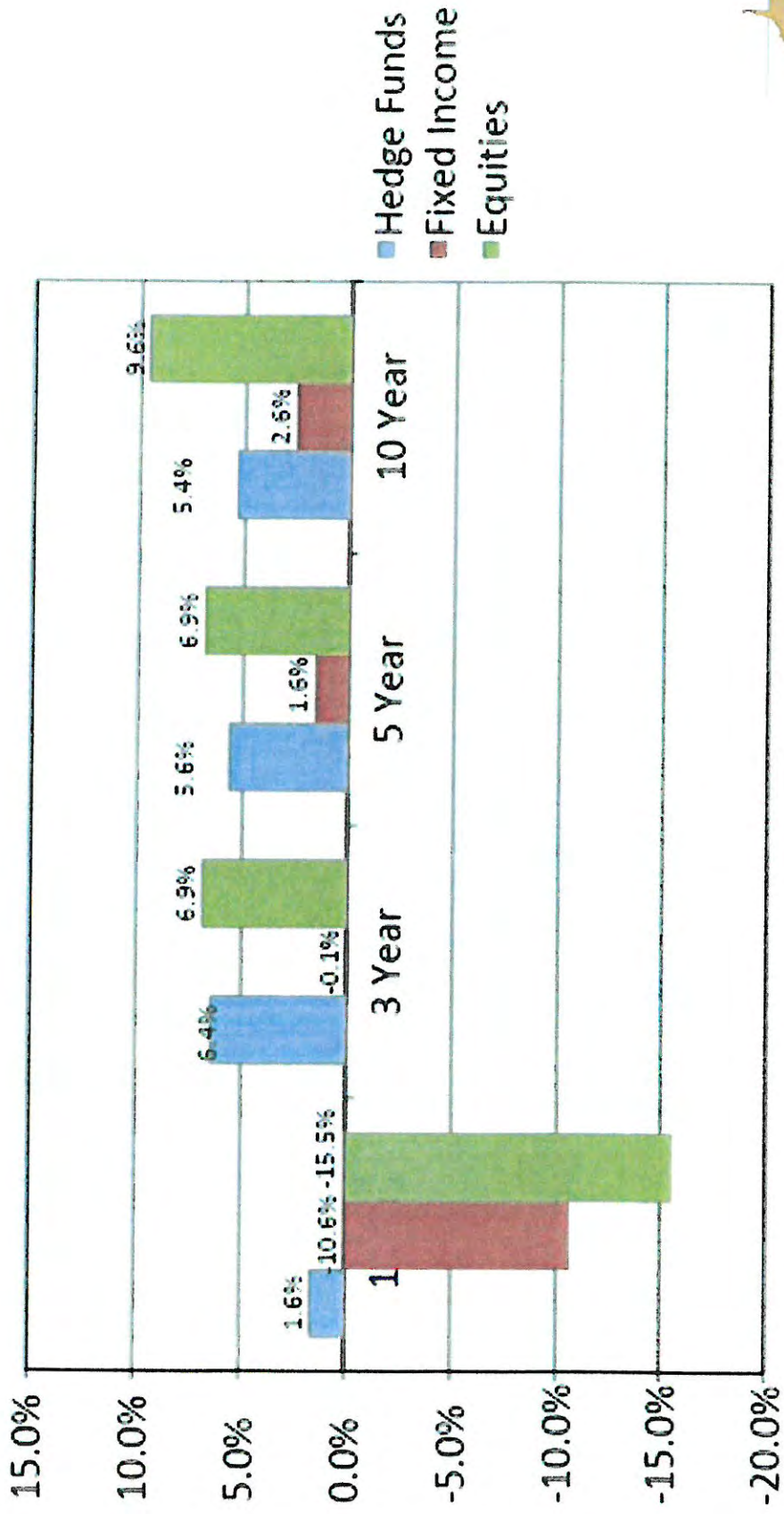


* Bloomberg Barclays Universal Bond Index



WVIMB Performance – Hedge Funds

June 30, 2022

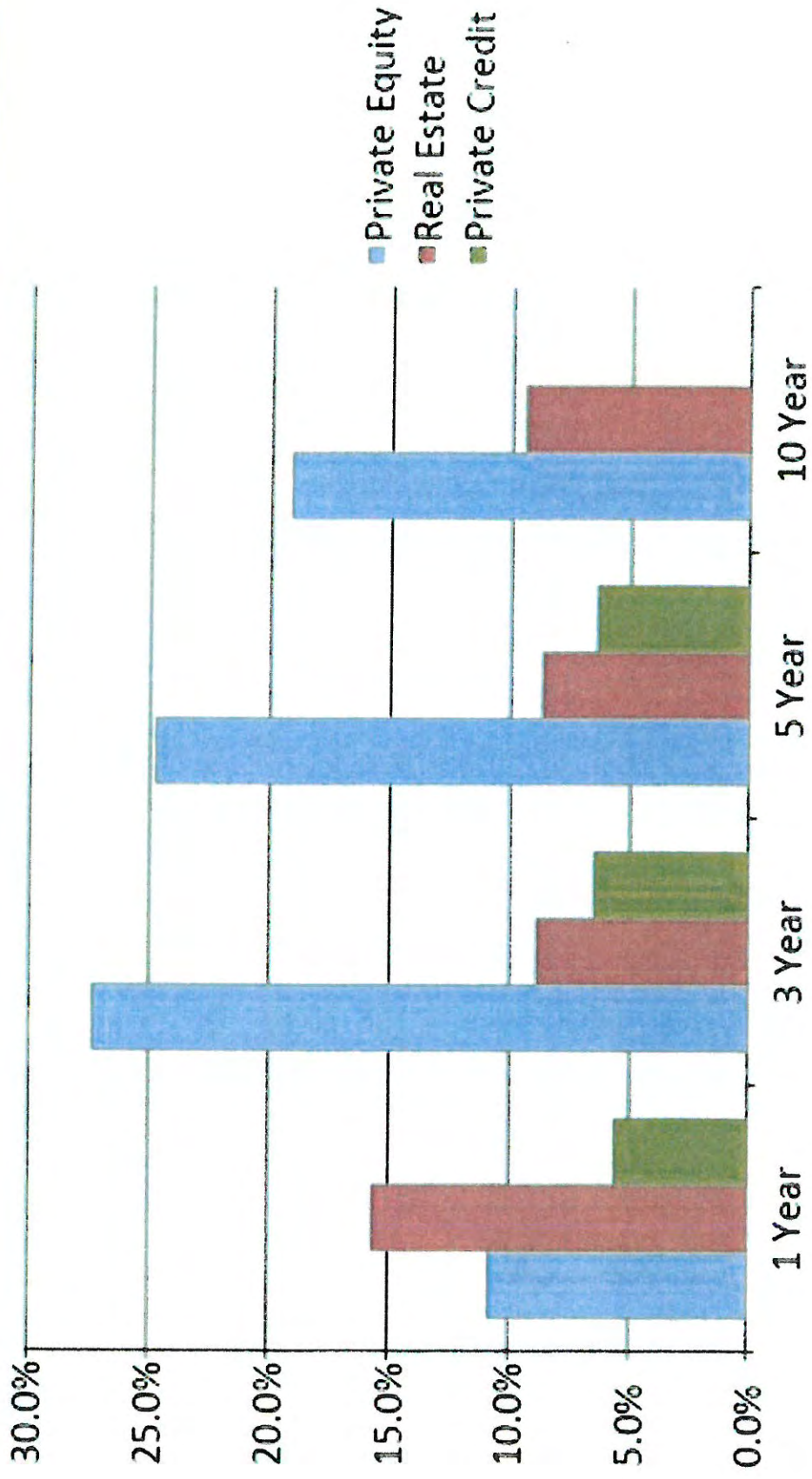


Potential Asset Allocation Changes

- The IMB recently conducted an investment study to model the risk/ return tradeoffs of various asset allocation alternatives.
- Part of the focus was to evaluate the impact of adding a small allocation to private market asset classes.
- Private market asset classes have demonstrated positive contributions to the risk/return profile of a portfolio.
- The IMB has used private asset classes in the pension plans since 2008.
- The IMB now plans to add private market asset classes to most other participant plans, including BRIM. The amount will not exceed 10%.
- Private markets pool target allocation: 40% Private Equity, 40% Real Estate, and 20% Private Credit.

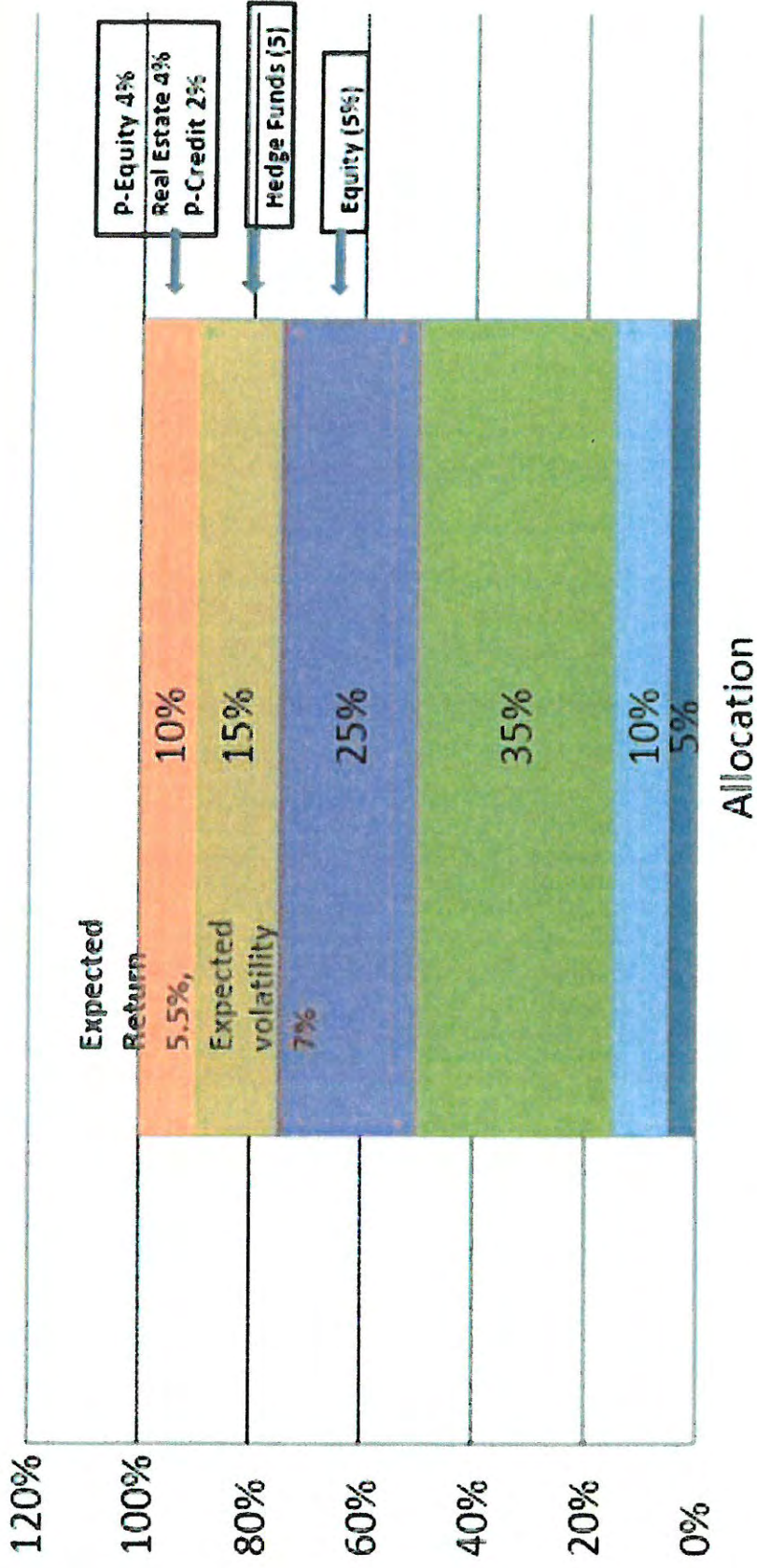
Asset Class Performance

June 30, 2022



Revised Asset Allocation

(Add 10% Private Markets, Reduce Public Equities and Hedge Funds by 5%, Each)



■ Cash ■ US TIPS ■ Fixed Income ■ Equity ■ Hedge Funds ■ Private Markets



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State of West Virginia - BRIM

As of August 31, 2022

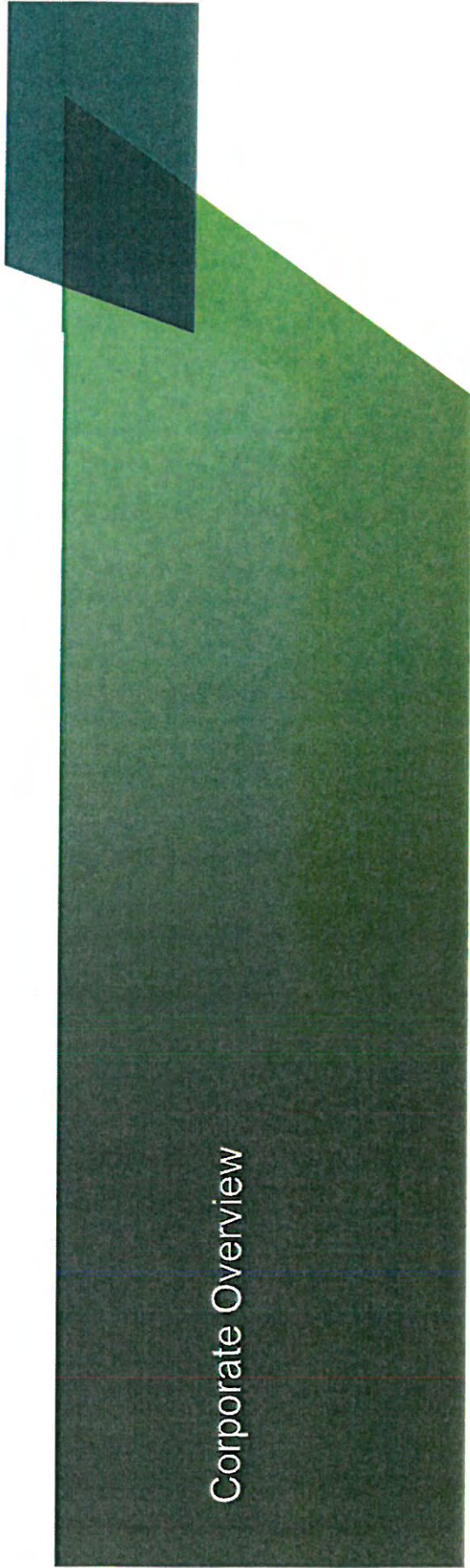


▶ BAY MELLON | INVESTMENT MANAGEMENT



Agenda

- I Corporate Overview
- II. Portfolio Review
- III. Economic & Investment Outlook
- IV. Appendix



Corporate Overview

Insight Investment

Investment philosophy

- Maximizing the certainty of an outcome
- Experts in decumulation strategies
- Comprehensive range of capabilities for the whole journey

Client commitment

- Partnership with clients
- Focus on quality
- Doing only what we are good at

Organizational alignment

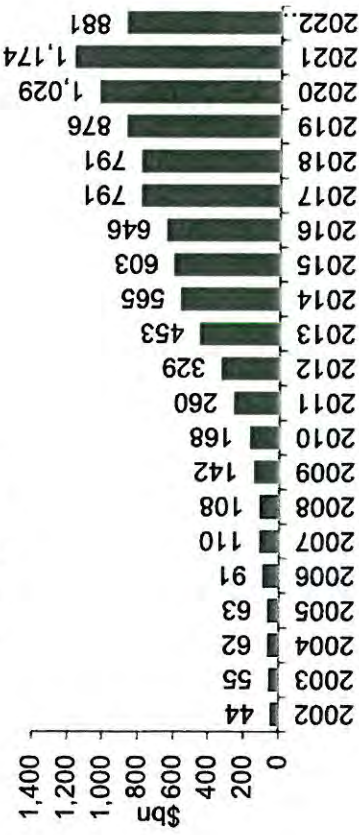
- Alignment of all stakeholders
- Clear set of priorities
- Ownership culture



Our credentials

- Specialist manager of risk solutions and active fixed income:
 - over \$880bn in assets under management¹
 - 288 investment professionals, 1,129 total staff²
 - 89 investment professionals and 212 staff in the US²
 - offices in London, New York, Boston, San Francisco, Dublin, Frankfurt, Manchester, Sydney and Tokyo

Assets under management¹



By client type



By investment solution



As of June 30, 2022. Assets under management (AUM) are represented by the value of the client's assets or liabilities Insight is asked to manage. These will primarily be the mark-to-market value of securities managed on behalf of clients, including collateral if applicable. Where a client mandate requires Insight to manage some or all of a client's liabilities (e.g. LDI strategies), AUM will be equal to the value of the client specific liability benchmark, and/or the notional value of other risk exposure through the use of derivatives. Insight North America (INA) is part of 'Insight' or 'Insight Investment', the corporate brand for certain asset management companies operated by Insight Investment Management Limited including, among others, Insight Investment Management (Global) Limited (IIMG), Insight Investment International Limited (IIL) and Insight Investment Management (Europe) Limited (IIMEL). Advisory services referenced herein are available in the US only through INA. Legal entity Insight North America LLC's AUM is \$121.9bn as of June 30, 2022. Figures shown in USD. FX rates as per WM Reuters 4pm spot rates. ¹ Excludes previous parent introduced assets prior to 2009. ² Includes employees of Insight North America LLC and its affiliates, which provide asset management services as part of Insight, the corporate brand for certain companies operated by Insight Investment Management Limited (IIML).



Fixed income capabilities: specialist teams, global locations

David Leduc CEO, NORTH AMERICA		Alex Veroude CIO, FIXED INCOME									
Peter Bentley CO-HEAD OF FIXED INCOME		Lucy Speake CO-HEAD OF FIXED INCOME									
US MUNICIPALS Dan Rabasco +13	GLOBAL RATES AND MACRO RESEARCH Gareth Colesmith +7	EMERGING MARKETS Federico Garcia Zamora/ Rodica Glavan +7	GLOBAL CREDIT Brendan Murphy/ Adam Whiteley +4	US INSURANCE Amanda Abdella/ Jim Kaniçides +4	STRATEGIC CREDIT Adam Mossakowski +5	STRUCTURED CREDIT Shaheer Guirguis +20					
EFFICIENT BETA Paul Benson +10	US GOVERNMENT AND MORTGAGES Robert Bayston +4	HIGH YIELD & LOANS Uli Gerhard +3	US CREDIT Andy Catalan/ Gautam Khanna +7	ESG Robert Sawbridge +2	IMPLEMENTATION & OPERATIONS +6						
STABLE VALUE Eric Baumhoff +6	MONEY MARKETS Chris Brown +4	CONVERTIBLES Frank Campana James Doolin	EURO AND UK CREDIT Bonnie Abdul Aziz/ Damien Hill +3	QUANTITATIVE RESEARCH & SUPPORT +6							
CORPORATE CREDIT ANALYSIS (PUBLIC & PRIVATE) David Averre/Dave Hamilton +19											
TRADING Nick Robinson +10	INVESTMENT SPECIALISTS April LaRusse +7				CURRENCY Francesca Fornasari +23						

As at September 2022. Staff numbers stated as at 30 June 2022. Located across London, New York, Denver, Colorado, Boston and San Francisco. Includes employees of Insight North America LLC (INA) which provides asset management services as part of Insight, the corporate brand for certain companies operated by Insight Investment Management Limited (IIIML).

Fixed income group: specialist teams

US Government and Mortgages Team and support



Alex Veroude
CIO FIXED INCOME

Peter Bentley
Lucy Speake

CO-HEADS OF FIXED INCOME

Robert Bayston, CFA
Head of US Government and
Mortgage Portfolios



David Witthohn,
CFA, CIPM
Senior Portfolio
Specialist



Jason Celente, CFA, CTP
Senior Portfolio Manager



Mary Donovan, CFA
Senior Portfolio Manager

Dmitri Artemiev
Senior MBS Analyst



**CORPORATE CREDIT
ANALYSIS (PUBLIC
AND PRIVATE)**

**David Averre/
Dave Hamilton**
+19

**GLOBAL RATES AND
MACRO RESEARCH**

Gareth Colesmith
+7

STRUCTURED CREDIT

Shaheer Gulrguis
+20

TRADING

Nick Robinson
+10

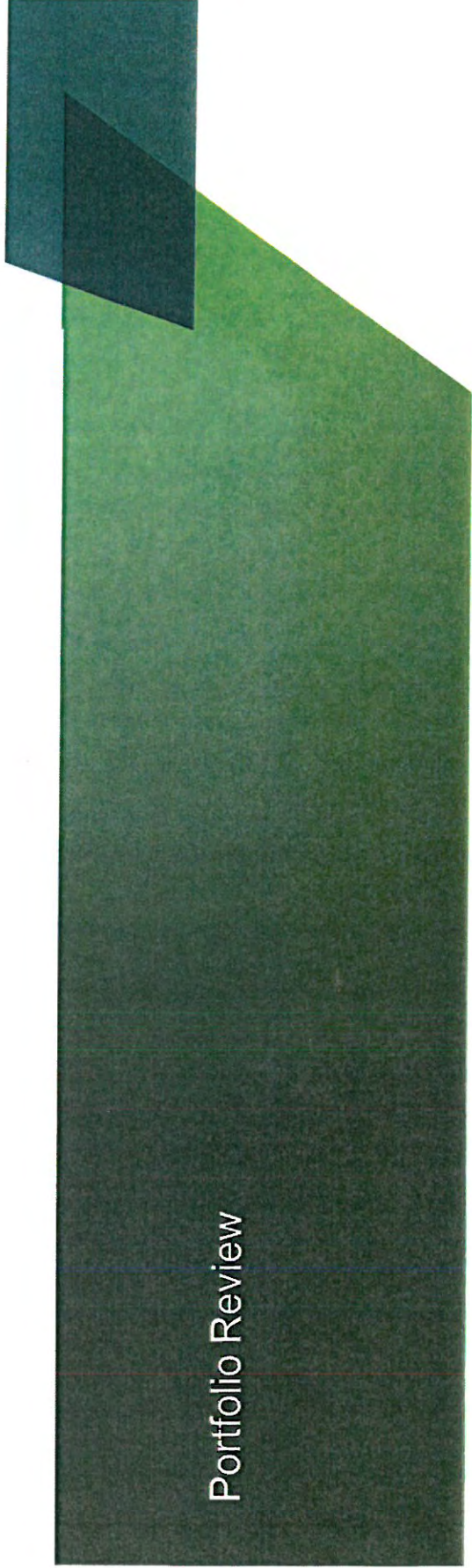
MONEY MARKETS

Chris Brown
+4

ESG

Robert Sawbridge
+2

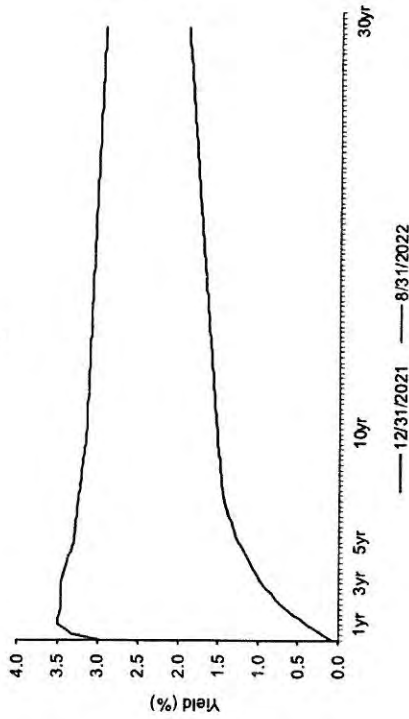
As at September 2022. All staff numbers quoted are as of June 30, 2022. Located in: New York, Boston and London. Includes employees of Insight North America LLC (INA) which provides asset management services as part of Insight, the corporate brand for certain companies operated by Insight Investment Management Limited (IIML).



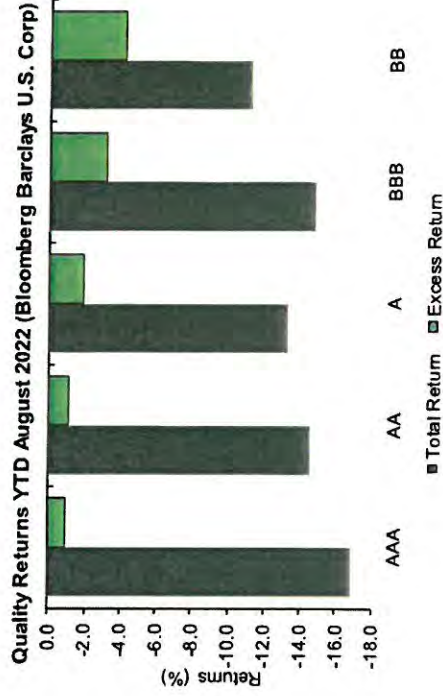
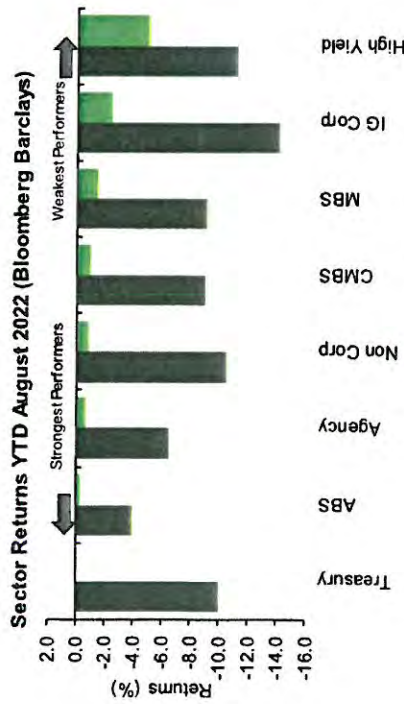
Portfolio Review

Market Update – YTD 2022

US Treasury Yields



Maturity	Yield Curve Changes		
	8/31/2022	12/31/2021	Chg (bps)
3 Month	2.96	0.06	290
6 Month	3.32	0.19	313
1 Year	3.50	0.39	311
3 Year	3.46	0.97	249
5 Year	3.30	1.26	204
10 Year	3.15	1.52	163
30 Year	2.92	1.90	102



PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS. Source: Insight Investment, Bloomberg Barclays as of August 31, 2022.

Portfolio Performance



State of West Virginia BRIM Performance as of 8/31/2022

	Market Value	YTD %	1 Year %	3 Year %	5 Year %	Since Inception %
State of West Virginia Retiro National Union	\$ 212,786	-6.25	-7.27	-0.89	0.67	1.59
State of West Virginia - BRIM 2005-06	\$ 447,181	-6.14	-7.18	-0.89	0.67	2.60
State of West Virginia - BRIM 2006-07	\$ 397,814	-6.14	-7.20	-0.85	0.69	2.62
State of West Virginia - BRIM 2007-08	\$ 547,187	-6.11	-7.15	-0.89	0.67	2.42
State of West Virginia - BRIM 2008-09	\$ 456,131	-6.13	-7.17	-0.90	0.66	1.66
State of West Virginia - BRIM 2009-10	\$ 921,173	-6.14	-7.17	-0.84	0.71	1.66
State of West Virginia - BRIM 2010-11	\$ 1,419,503	-6.10	-7.12	-0.83	0.72	1.26
State of West Virginia - BRIM 2011-12	\$ 1,637,236	-6.09	-7.12	-0.69	0.80	1.07
State of West Virginia - BRIM 2012-13	\$ 5,295,869	-6.15	-7.17	-0.84	0.71	0.89
State of West Virginia - BRIM 2013-14	\$ 5,131,861	-6.17	-7.21	-0.86	0.69	1.06
State of West Virginia - BRIM 2014-15	\$ 6,847,663	-6.15	-7.17	-0.78	0.74	1.02
State of West Virginia - BRIM 2015-16	\$ 6,524,629	-6.13	-7.17	-0.80	0.74	0.96
State of West Virginia - BRIM 2016-17	\$ 8,717,303	-6.08	-7.11	-0.81	0.73	0.58
State of West Virginia - BRIM 2017-18	\$ 19,730,900	-6.11	-7.13	-0.78	0.73	0.81
State of West Virginia - BRIM 2018-19	\$ 28,060,948	-6.13	-7.15	-0.82	0.66	1.25
State of West Virginia - BRIM 2019-20	\$ 40,359,808	-6.13	-7.16	0.66	0.66	0.66
State of West Virginia - BRIM 2020-21	\$ 52,715,065	-6.14	-7.19	-3.78	-3.78	-3.78
State of West Virginia - BRIM 2021-22	\$ 61,361,848	-6.09	-7.07	-7.07	-7.07	-7.07
State of West Virginia - BRIM 2022-23	\$ 12,790,581	-1.29	-1.29	-1.29	-1.29	-1.29
Total	\$ 253,575,486					

Barclays US Gov Intermediate

-6.43 -7.53 -1.06 0.55

PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS. Source: Insight Investment as of August 31, 2022

BRIM Representative Portfolio (2019-20)

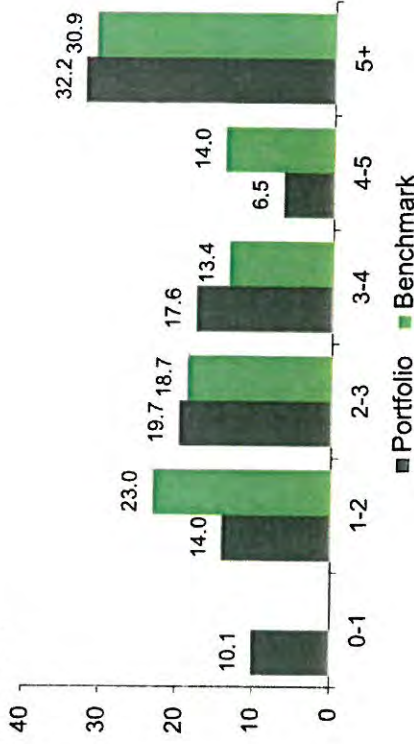
Portfolio characteristics as of August 31, 2022



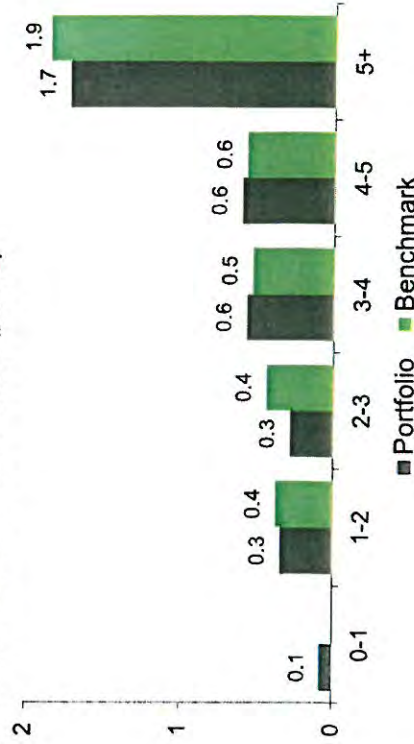
Summary

	Portfolio	Benchmark	Relative
Yield to worst (%)	3.4	3.4	0.0
Effective duration (years)	3.6	3.8	-0.2
Average coupon	2.2	1.6	0.5
Average life / Maturity	3.9	4.1	-0.2
Average rating	AAA	AAA	

Maturity (%)



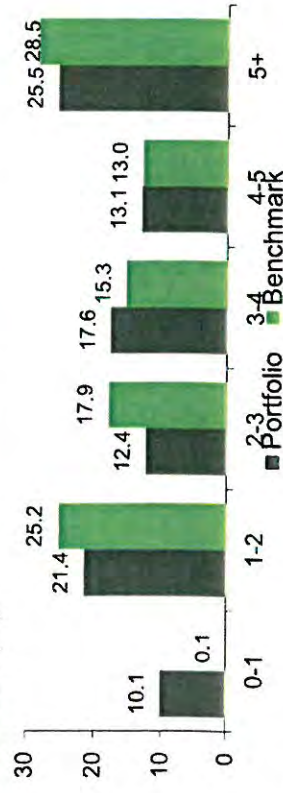
Duration contribution to duration (years)



Rating (%)



Duration (%)



Approach used for credit rating: Average. All durations are effective duration.

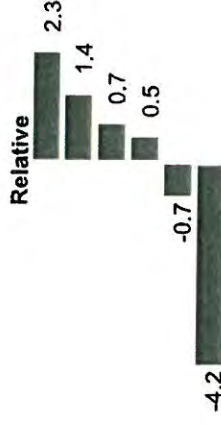
BRIM Representative Portfolio (2019-20)

Portfolio allocation as of August 31, 2022



Sector (%)

Sector	Market Value	
	Portfolio	Benchmark
Industrial	2.3	-
Supranational	1.4	-
Financial Institutions	0.7	-
Cash and other	0.5	-
Agency	2.9	3.5
Treasury	92.3	96.5
Total	100.0	100.0



Sector

Sector	Contribution to duration (years)	
	Portfolio	Benchmark
Industrial	0.1	-
Agency	0.1	0.1
Supranational	0.0	-
Financial Institutions	0.0	-
Treasury	3.4	3.7
Total	3.6	3.8



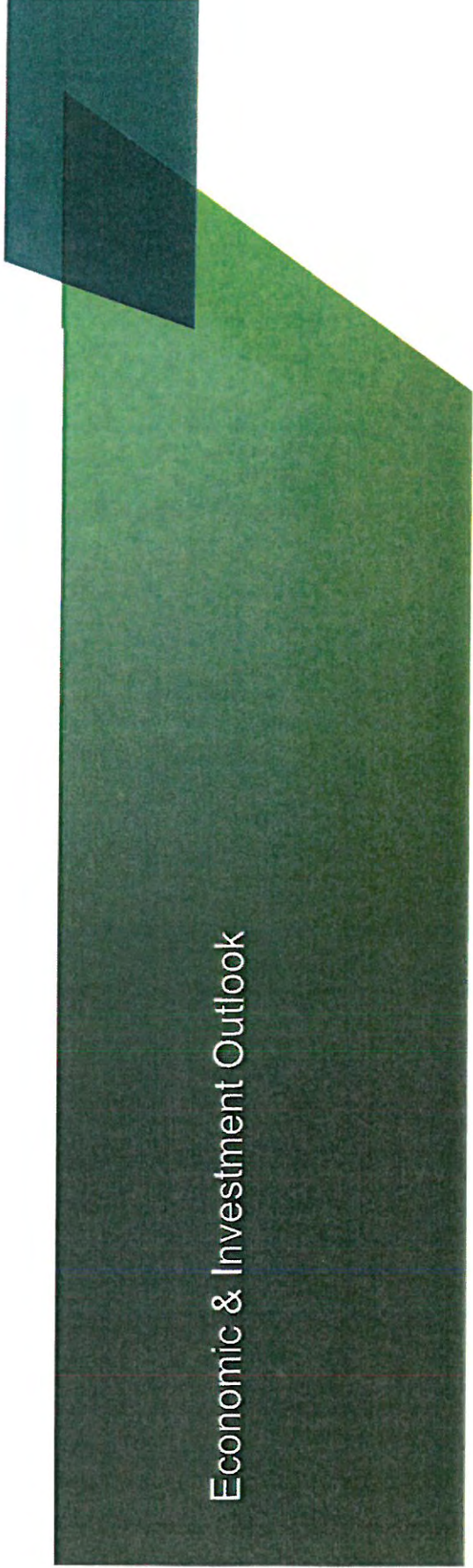
BRIM Representative Portfolio (2019-20)
 Corporate Holdings as of August 31, 2022



Client Name	Pct %	Cusip	Security Name	Quantity	Market Value	Maturity	Duration	Yield to Worst	Coupon	Moody Rating	S&P Rating
STATE OF WEST VIRGINIA - BRIM 2019-20	0.87	037833DB3	Apple Inc	250,000	242,641	2027-09-12	4.46	3.85	2.90	Aaa	AA+
	0.82	045167EF2	Asian Development Bank	350,000	353,080	2023-03-17	0.53	3.43	2.75	Aaa	AAA
	0.70	194162AM5	Colgate-Palmolive Co	113,000	111,315	2025-08-15	2.79	3.68	3.10	Aa3	AA-
	0.68	3135G03U5	Federal National Mortgage Association	570,000	529,059	2025-04-22	2.57	3.58	0.63	Aaa	AA+
	0.59	4581X0DL9	Inter American Development Bank	210,000	196,625	2025-04-03	2.51	3.60	0.88	Aaa	AAA
	0.56	594918BB9	Microsoft Corp	285,000	280,665	2025-02-12	2.26	3.42	2.70	Aaa	AAA
	0.55	76116FAC1	Resolution Funding Corp Principal Strip	820,000	622,733	2030-04-15	7.47	3.64	0.00	Aaa	AA+
	0.50	89114QC48	Toronto-Dominion Bank	300,000	300,701	2023-07-19	0.86	3.70	3.50	Aa2	AA-
	0.39	89236TEW1	Toyota Motor Credit Corp	275,000	274,937	2025-04-14	2.45	3.90	3.40	A1	A+

Source: Insight Investment as of August 31, 2022

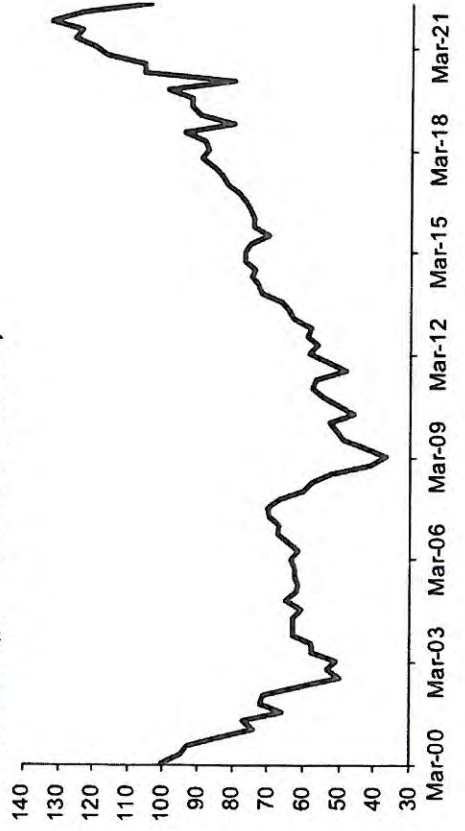
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Economic & Investment Outlook

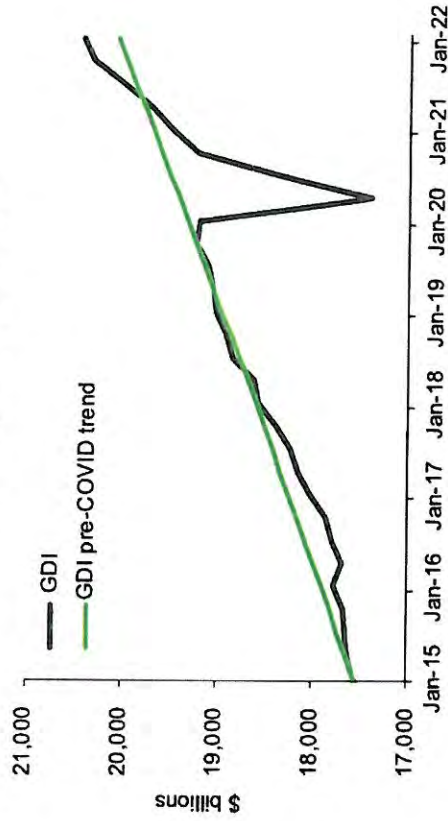
The Fed is seeking to restrain activity

S&P to GDP (pre-COVID set to 100)



Despite the recent correction, the S&P 500 remains above its pre-COVID high, even adjusting for GDP growth

Gross domestic income vs. pre-COVID trend



Gross domestic income is running about 2% above its pre-COVID trend. This excess demand is contributing to elevated inflation

The Federal Reserve is seeking to gradually restrain output inside of capacity, and given the level of financial markets, the "Fed put" remains well out of the money

Source: Insight, Bureau of Economic Analysis, Bloomberg, June 30, 2022 (LHS), March 31, 2022 (RHS).

Recession dashboard: Not flashing red... yet

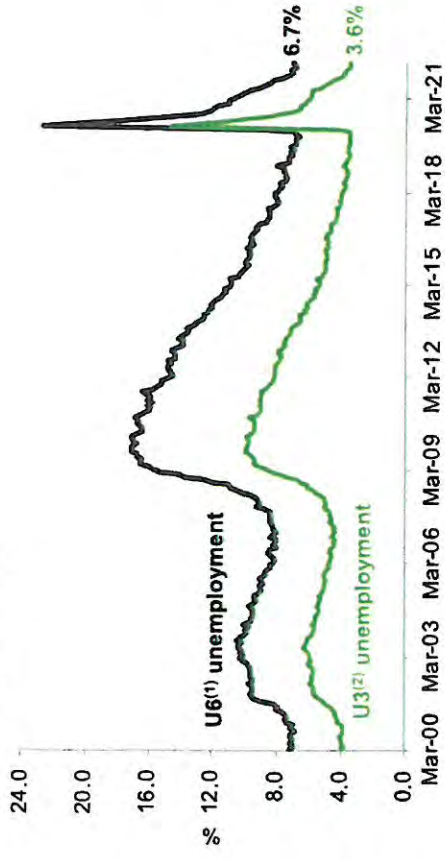


	Rationale	Trigger level	Current Reading
Initial jobless claims	Firing activity typically picks up as labor market strains emerge	Levels outside of 200-250k	231k
University of Michigan job loss probability	Consumers generally retrench as they fear for their job	Readings above 25%	Record low 15%
Real disposable income	Falling real incomes eventually force lower consumption	Negative readings	-2% YTD (though stimulus boosted 2021 well above trend)
Inventory to sales ratio	Elevated inventories can cause production & orders to fall more sharply than demand	1.20 (pre-COVID level)	1.12
Manufacturing overtime hours	Firms often reduce hours before headcount	-0.5 hours YoY	-0.1
Financial conditions	Tighter conditions reduce spending and borrowing	Significant quarterly change	Conditions have tightened to pre-COVID levels
Housing starts	A forward-looking guide to construction activity	5-10% year on year decline	Near post-GFC highs
Corporate financing gap	Debt funded cap-ex is more likely to be cancelled	\$150 billion gap	\$300 billion surplus

Source: Insight, June 30, 2022. Information contained herein is derived from sources believed to be reliable. Insight does not guarantee or warrant the accuracy, timeliness, or completeness of the information either collected, sourced or otherwise provided, and is not responsible for any errors or omissions.

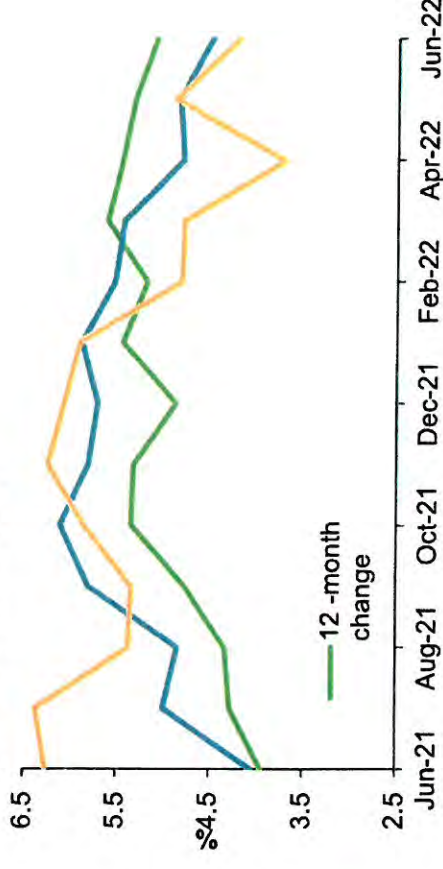
Unemployment likely to recover more fully than participation

US unemployment rate



- Full employment has been achieved:
 - The U3 unemployment rate is consistent with "full employment" with prime-age participation recovering strongly
 - With strong demand for labor, we expect unemployment to finish 2022 at a 68-year low, below 3.5%, though Fed tightening is likely to limit declines beyond that

Average hourly earnings YoY



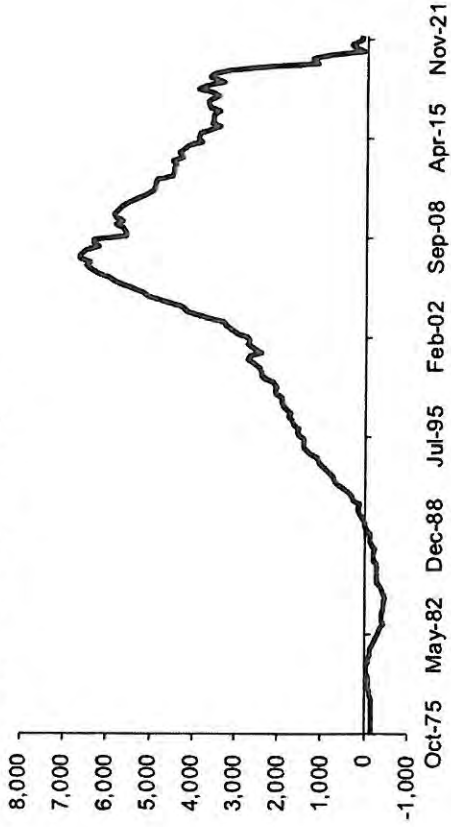
- Wage growth may be peaking:
 - While annual wage growth is quite high, on a 3- and 6-month basis it has begun to slow
 - Reducing wage growth closer to 4-4.5% is essential for the Fed to achieve its inflation target

Source: Bureau of Labor Statistics, as of June 30, 2022.

¹ U6 unemployment rate includes discouraged workers who have quit looking for a job and part-time workers who are seeking full-time employment. ² U3 official unemployment rate.

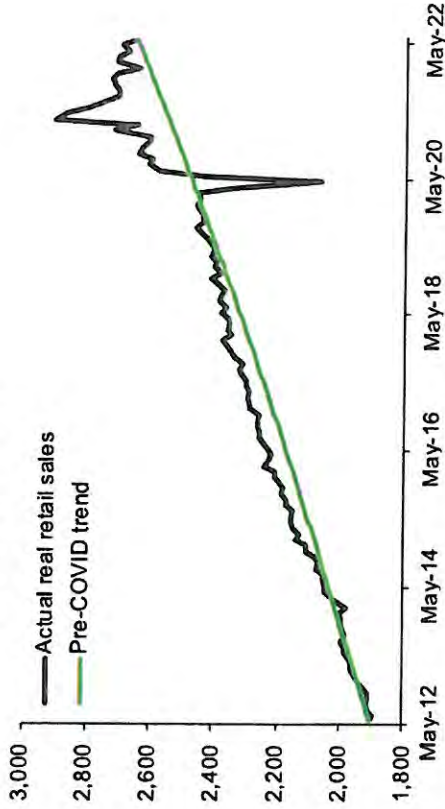
Consumption should continue driving growth despite higher prices

Household net debt (\$ million)



- Consumer balance sheets are pristine:
 - While excess fiscal stimulus has caused inflation, it has bolstered consumers who have paid off nearly \$7 trillion in net debt since the financial crisis
 - This provides consumers significant flexibility to manage through elevated inflation and moderating growth

Retail sales vs pre-COVID trend

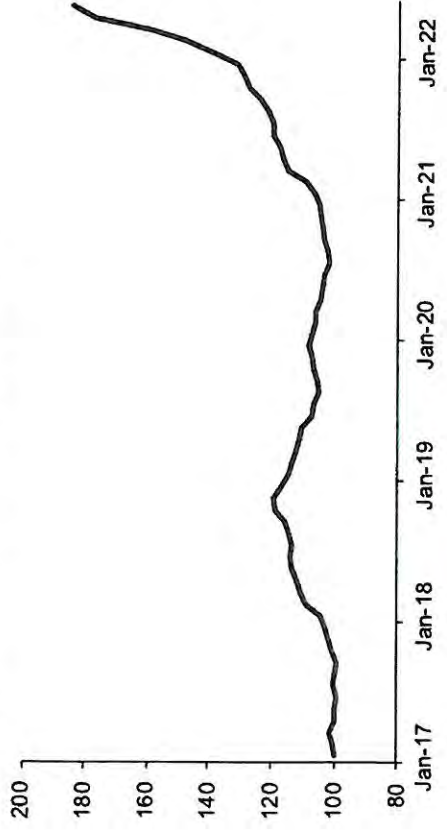


- Spending patterns are normalizing:
 - Goods consumption surged as the pandemic forced consumers to spend more at home and less on services; this has largely reversed
 - We expect goods consumption to remain soft and lose share of wallet vs services where there is greater pent-up demand

Source: Federal Reserve Bank of St. Louis, as of March 1, 2022 (LHS), as of May 31, 2022 (RHS).

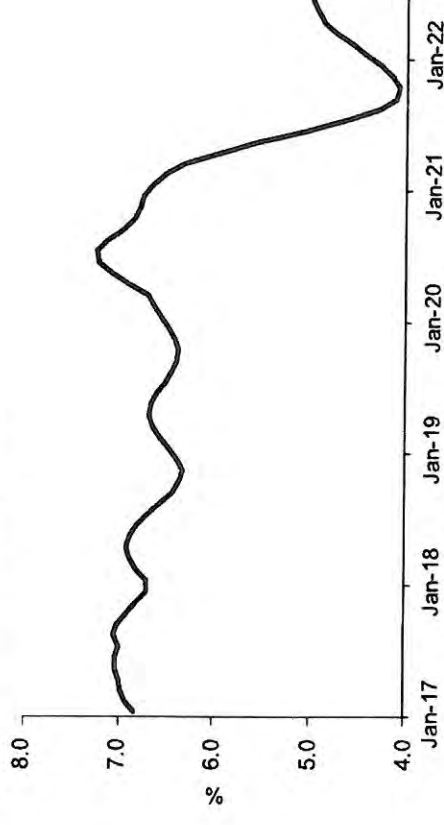
Housing market faces push and pull of stressed affordability and low supply

Median mortgage payment (2017 = 100)



- Higher rates and home price appreciation are a double-whammy:
 - The mortgage payment on the median home purchase has risen by 80% since the start of 2020 with most of that increase occurring the past 6 months
 - Challenged affordability is likely to cause prospective buyers to take a pause, thereby slowing home price appreciation

Apartment List vacancy index



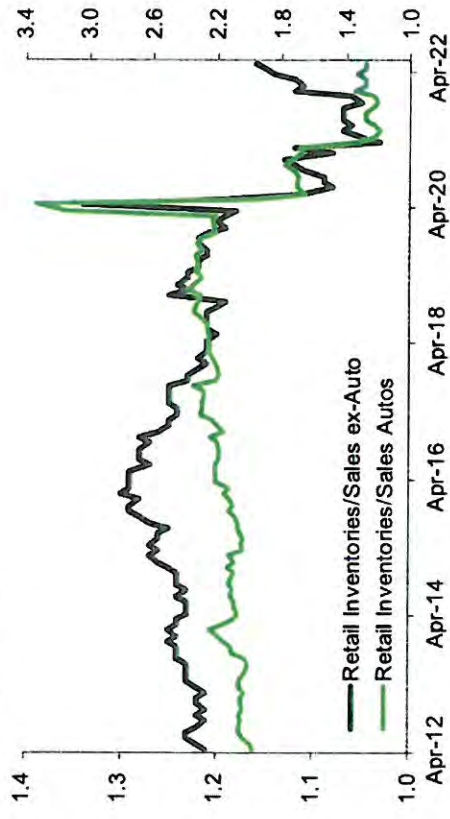
- Vacancies remain low:
 - Since 2000, America has built 2 million fewer houses than we have created households, causing significant supply shortages
 - Vacancies have stabilized but at a low level, which is likely to keep prices elevated

Source: (LHS) Case Shiller, Bureau of Economic Analysis, Insight as of May 31, 2022; (RHS) Apartment List, Inc., as of June 30, 2022.

Supply chains continue to improve

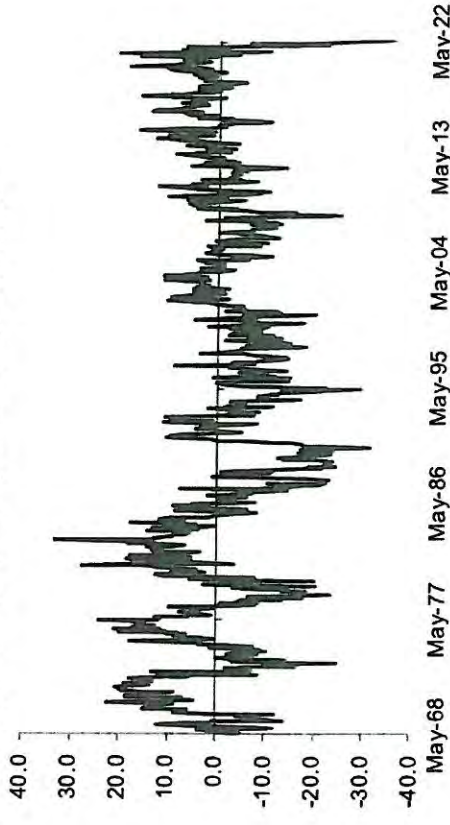


Retail Inventories



- Outside of autos, inventories have largely recovered:
 - Retail inventories in most industries have recovered to within 5% of their pre-COVID "norm" as imports and production normalize
 - The auto sector continues to face significant disruptions with about an \$80 billion shortfall vs trend

Philadelphia Fed delivery times expectations

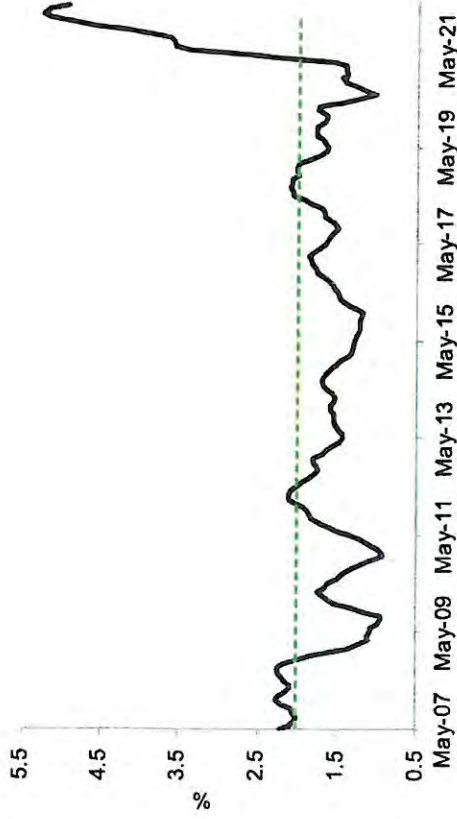


- Manufacturers expect significant supply chain improvement:
 - A record share of manufacturers expect delivery times to shrink over the next months, a sign of supply chain optimism
 - Improving transportation times, slowing consumer demand, and record manufacturing output should alleviate lingering strains and provide a disinflationary impulse on consumer goods

Source: (LHS) Census Bureau as of May 31, 2022; (RHS) Federal Reserve Bank of Philadelphia, as of June 30, 2022.

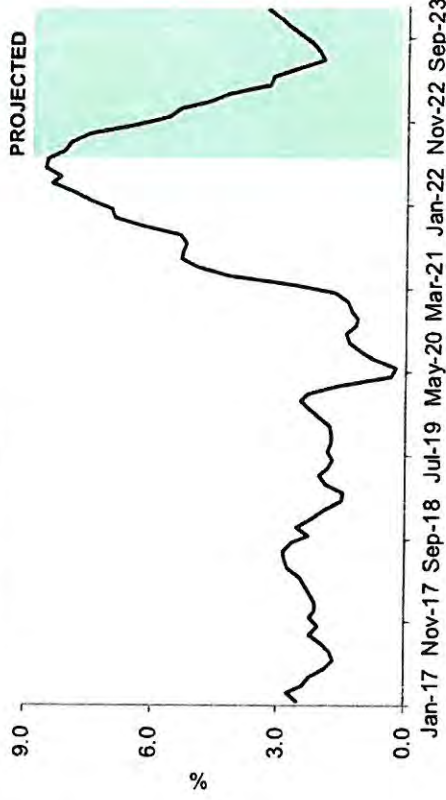
Still, inflation is far outside the Fed's 'tolerance zone'

Core PCE¹



- Core PCE sits near a multi-decade high:
 - Inflation has continued to accelerate within services, keeping core PCE elevated and increasing the persistence of the inflation overshoot
 - Given lower weighting to used cars, durable goods, and airfare, core PCE is likely to moderate more slowly than CPI

CPI likely to remain elevated

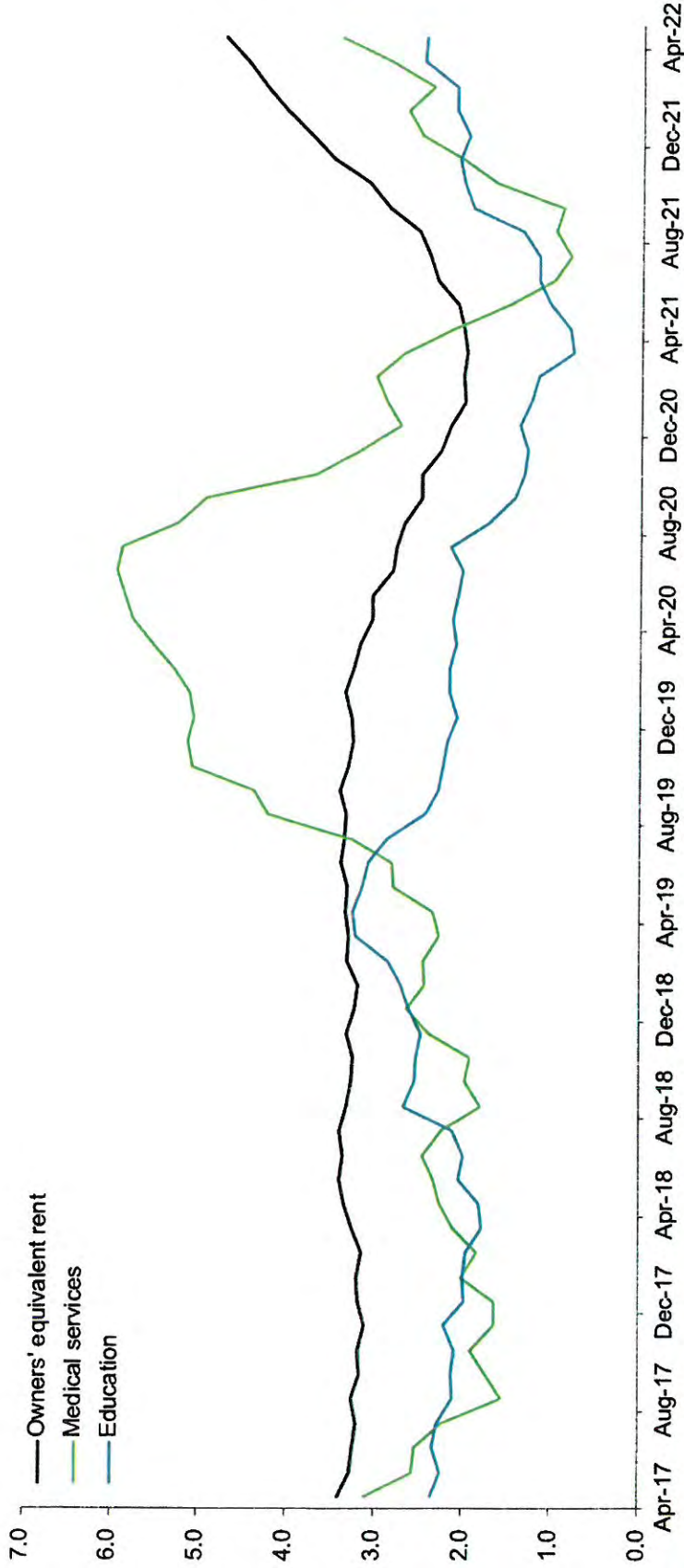


- It will take time for inflation to return to acceptable levels:
 - Assuming oil stays below \$120, CPI is likely to peak below 9%, but faster services inflation will dampen the recovery
 - As goods inflation moderates, thanks in part to base effects, headline inflation can moderate toward 5% by year end, though a further commodity rise would delay this improvement

Source: (LHS) Bureau of Economic Analysis, as of May 31, 2022; (RHS) Bureau of Labor Statistics, as of May 31, 2022.

¹ Core PCE price index measures the prices paid by consumers for goods and services without the volatility caused by movements in food and energy prices to reveal underlying inflation trends.

Inflation is shifting to services

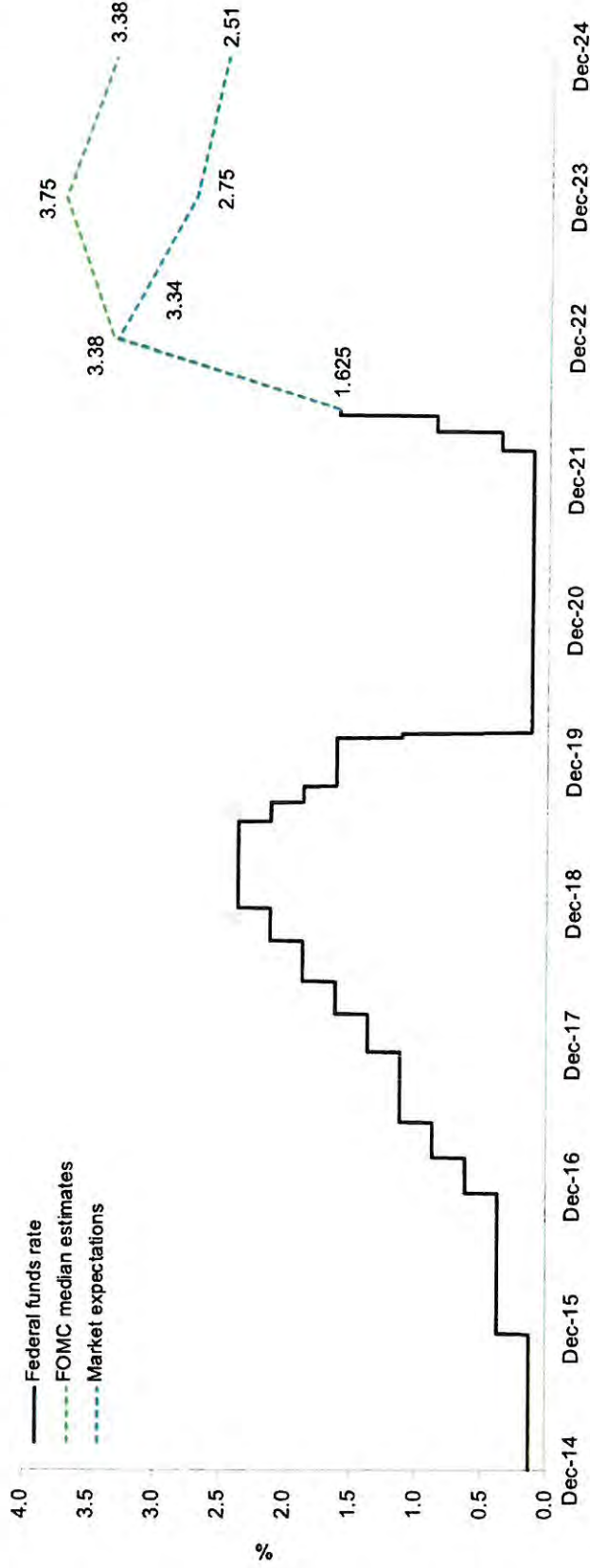


While headline inflation is set to fall, services inflation is likely to pick up. In particular, faster shelter inflation will make a return to the Fed's 2% target difficult

Source: Bureau of Labor Statistics, as of May 31, 2022

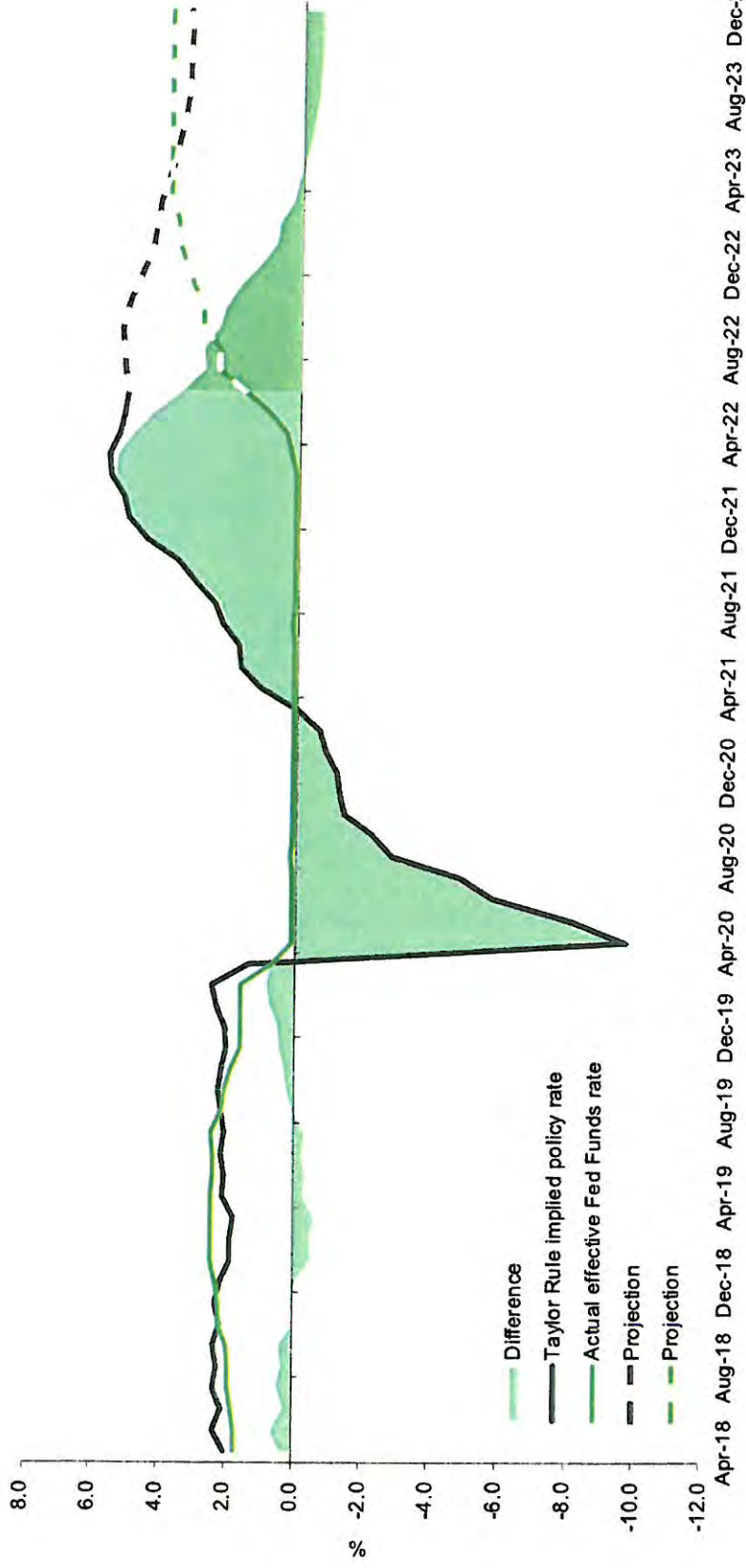
The Fed moves into an inflation-fighting stance

- We expect the Fed to raise rates by over 300bp in 2022, including a 75bp hike in July and 50bp hike in September
- Balance sheet reduction has begun, and at a \$1.1 trillion annual pace, is likely to continue for 3 years absent a recession
- We expect policy to move beyond the Fed's estimate of neutral by Q4 of this year, with the Fed funds rate likely to surpass 3% by the end of the year



Source: Bloomberg, as of July 4, 2022. Opinions expressed herein are as of the date stated and are subject to change without notice. Insight assumes no responsibility to update such information or to notify a client of any changes. Any projections or forecasts contained herein are based upon certain assumptions considered reasonable. Projections are speculative in nature and some or all of the assumptions underlying the projections may not materialize or vary significantly from the actual results. Accordingly, the projections are only an estimate. Please refer to the important disclosures at the back of this presentation.

The Fed is catching up from being behind the curve

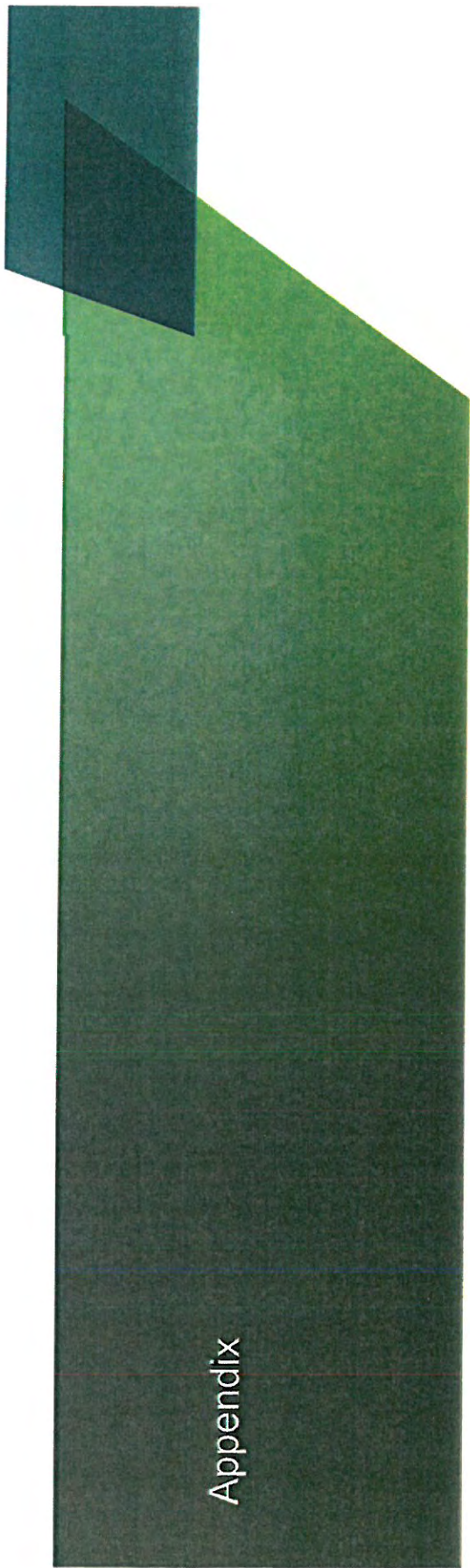


Source: Insight, Bloomberg, Bureau of Labor Statistics as of June 21, 2022. Our estimate of the Taylor Rule is calculated by comparing where unemployment is relative to full employment and core PCE is relative to the Fed's 2% target and assumes a neutral rate of 2.5%.

Insight's 2022 outlook

- 2022 is a year of weakening growth, excess inflation, and tightening policy across much of the world
- The US economy has exceeded its pre-pandemic size, and the pace of growth has converged toward trend
- We forecast that gross domestic product (GDP) will expand about 2.6% in 2022, with risks to the downside
- Strong consumer and corporate balance sheets are the primary pillars of support, with inventory restocking outside of autos largely complete
- The unemployment rate will likely finish 2022 at around 3.25%, depending on how many potential workers return to the labor force
- The Consumer Price Index (CPI) is over 8%, and we anticipate it finishing the year near 5%, though commodities pose upside risk
- We expect the Fed to raise rates by 325bp with balance sheet run-off recently starting
- Corporate profits are likely to rise by about 8–10%, though growth is a more modest 5% ex-energy
- Russia-Ukraine is a source of much uncertainty, with a greater impact on Europe and EM than the US
- We expect multiple rate increases this year from the Fed, BOE, ECB, and BOC with no change from the BOJ
- Europe's recovery is being slowed by higher gas prices and weaker consumer balance sheets—interruptions to gas supplies would likely spark a recession
- Canada will grow about 3.5%, thanks to its strong export connection to the US, elevated excess savings, and strong commodity markets
- China is among the few major economies increasing policy accommodation in 2022 as it now faces challenges from its property sector, COVID-zero policy and energy prices
- Elevated energy prices risk slowing real growth and keeping inflation higher for longer with Europe and Asia more exposed than the US

Source: Insight and Bloomberg, as of June 30, 2022. Any projections or forecasts contained herein are based upon certain assumptions considered reasonable. Projections are speculative in nature and some or all of the assumptions underlying the projections may not materialize or vary significantly from the actual results. Accordingly, the projections are only an estimate. Opinions expressed herein are as of the date stated and are subject to change without notice. Insight assumes no responsibility to update such information or to notify a client of any changes.



Appendix

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All performance numbers used in the analysis are gross returns. The performance reflects the reinvestment of all dividends and income. INA charges management fees on all portfolios that they manage and these fees will reduce the returns on the portfolios. For example, assume that \$30 million is invested in an account with INA, and this account achieves a 5.0% annual return compounded monthly, gross of fees, for a period of five years. At the end of five years that account would have grown to \$38,500,760 before the deduction of management fees. Assuming management fees of 0.25% per year are deducted monthly from the account, the value at the end of the five year period would be \$38,022,447. Actual fees for new accounts are dependent on size and subject to negotiation. INA's investment advisory fees are discussed in Part 2A of its Form ADV. A full description of INA's advisory fees are described in Part 2A of Form ADV available from INA at www.adviserinfo.sec.gov.

Targeted returns intend to demonstrate that the strategy is managed in such a manner as to seek to achieve the target return over a normal market cycle based on what Insight has observed in the market, generally, over the course of an investment cycle. In no circumstances should the targeted returns be regarded as a representation, warranty or prediction that the specific deal will reflect any particular performance or that it will achieve or is likely to achieve any particular result or that investors will be able to avoid losses, including total losses of their investment.

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



Mark D. Scott
Cabinet Secretary

Melody Duke
Executive Director
Melody.A.Duke@wv.gov

AGENDA
BOARD MEETING OF THE
WEST VIRGINIA BOARD OF RISK AND INSURANCE MANAGEMENT
Tuesday, December 13, 2022 @ 1PM

Chairman Price

Call to Order

Chairman Price

Roll Call

Chairman Price

Approval of Board Minutes
September 27, 2022 Meeting

REPORTS

Norman Mosrie, Partner
FORVIS, LLP

Audited Financial Report
June 30, 2022
FORVIS, LLP

Melody Duke
Executive Director

Executive Director's Report

Stephen W. Panaro, CPA
Chief Financial Officer

Financial Report
PCard Report

JeremyC. Wolfe
Loss Control Manager

Loss Control Report

Ashley E. Summitt
Chief Privacy Officer

Privacy Report

UNFINISHED BUSINESS

NEW BUSINESS

ADJOURNMENT

ldm

STATE OF WEST VIRGINIA
DEPARTMENT OF ADMINISTRATION
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****DRAFT****
MINUTES OF THE MEETING
WEST VIRGINIA BOARD OF RISK AND INSURANCE MANAGEMENT
September 27, 2022 @ 1PM

(Meeting held in person & telephonically to practice social distancing guidelines for COVID-19 pandemic response)

BOARD MEMBERS: Joseph Price, Chairman
Gordon Lane, Jr., Vice Chairman
Edward Magee, Ed.D., CPA, Member
Leah Cooper, Member
Terry Rose, Member
Allan L. McVey, Board Secretary, Ex-Officio Member
Commissioner, WV Office of the Insurance Commissioner

BRIM PERSONNEL: Melody Duke, Executive Director
Robert Fisher, Deputy Director/Claims Manager
Stephen W. Panaro, CPA, CFO
Jeremy Wolfe, Risk & Insurance Manager
Ashley Summit, Chief Privacy Officer
Woodrow White, Underwriting Manager
John Fernatt, Deputy Claims Manager
Valerie Poindexter, Claim Representative
Shannon Shaffer, Claim Representative
Emily Fleck, CPA, Controller
Lora Myers, Recording Secretary

BRIM PROGRAM REPRESENTATIVES: Steve Fowler, Esq., BRIM Counsel
Chuck Waugh, AIG Claim Services
Brenda Samples, USI Insurance Services. LLC
Bob Ayers, USI Insurance Services. LLC

GUESTS: Mark D. Scott, Secretary, Department of Administration
Kelsey Knotts, WVU Risk Management
Donna Hadrych, WVU Health Sciences
Stacie Honaker, WVU Health Sciences
Tom Sauvageot, WV Investment Management Board
Trent Gregory, WV Investment Management Board
Robert Bayston, BNY Mellon Investment Management
Scott, Mountain, BNY Mellon Investment Management

CALL TO ORDER

- Chairman Price called the board meeting of the West Virginia Board of Risk and Insurance Management to order on Tuesday, September 27, 2022 at 1:05PM. The meeting was held in person and with remote access.
- Chairman Price requested all board members and meeting attendees sign in to verify their attendance and remote joiners should verify with confirmation email.

APPROVAL OF MINUTES

- Chairman Price asked for a motion to approve the Minutes of the June 28, 2022, board meeting. Vice Chairman Gordon Lane, Jr. moved the approval of the board meeting minutes from the June 28, 2022 meeting. The motion was seconded by Member Leah Cooper.

REPORTS

West Virginia Investment Management Board

- Chairman Price welcomed Tom Sauvageot to present for the WV Investment Management Board. Mr. Sauvageot was assisted with the presentation by Trent Gregory. Mr. Sauvageot told the board he appreciated the invitation to attend.
- Mr. Sauvageot referenced an Investment Review which was emailed to the Board prior to the meeting. Mr. Sauvageot noted that it had been a very challenging year before covering the Investment Review in his presentation.
- Review by Mr. Sauvageot included comments on Market Highlights. He reported that inflation and rising interest rates have precipitated the decline in global investment markets; the risk of recession over the next year or two has increased and unemployment remains very low. Historically, some of the best investment environments have risen from periods of severe dislocation.
- Mr. Sauvageot reviewed Asset Allocation; Performance; Equities; Fixed Income; Hedge Funds and Asset Class Performance. This year has been an unprecedented year but the silver lining is we experienced a bad year followed by a very good year.
- Mr. Sauvageot and Mr. Gregory asked for any questions, property related questions were mentioned by Mr. Rose and Mr. Lane and were discussed. Chairman Price thanked the gentlemen for their presentation.
- The WV Investment Management Board - BRIM Investment Review was received, a copy is attached and made part of the record.

BYN Mellon Investment Management

- Chairman Price introduced Robert Bayston and Scott Mountain and invited them to give an investment update for BYN Mellon Investment Management.
- A handout entitled: State of West Virginia - BRIM (August 31, 2022) was distributed prior to the meeting via email and was referenced during the presentation.
- Mr. Mountain began by thanking BRIM for the many years of solid partnership. Mr. Bayston joined the presentation remotely. The gentlemen reported that it has certainly been a most challenging year with significant inflation. The BRIM Representative Portfolio (2019 - 20) was discussed along with the recession dashboard. The housing market faces push and pull of stressed affordability and low supply.
- Other topics discussed during the presentation include: improvement to supply chains; inflation - far outside the Fed's "tolerance zone" and the 2022 outlook.
- Mr. Bayston and Mr. Mountain concluded their report and asked for questions, no questions. Chairman Price thanked the gentlemen for their time and presentation.
- The BNY Mellon Investment Management Report - BRIM Investment Review was received, a copy is attached and made part of the record.

Executive Director's Report

- Chairman Price asked Melody Duke to share the Executive Director's Report.
- Mrs. Duke reviewed the Medical Malpractice Programs for Marshall University and West Virginia University. She reported total deposits into the escrow account for FY2023. Disbursements totals were also reported which have been paid so far in FY2023.
- Mrs. Duke reported on the State and Non State Liability Claim and Litigation Information. Three cases have been tried to verdict in 2022, one plaintiff verdict and two defense verdicts. Mrs. Duke's report also included details regarding trials, paid claims, outstanding claims, duration - closed claims as well as closing ratio.
- Report also included Insurance Renewals details. BRIM has completed all insurance renewals for fiscal year 2023. The Board of Education Cyber renewal increased 15% over the expiring premium while aggregate limits decreased from \$15 million to \$10 million. The per school entity limit decreased from \$2 million to \$1 million with a reduced per member sublimit of \$100,000 from \$250,000 for ransom. The State Cyber renewal had a reduction in aggregate limits from \$25 million to \$11.5 million. BRIM will send notification letters to property insureds advising them of significant premium increase for FY2024.

- Mrs. Duke reported on the Board of Education Liability Premiums. As previously reported, the BOE rating program is experiencing adverse claim development in abuse claims that have impacted the forecasting of actuarial premiums. Aon updated the funding requirement for the fiscal year 2023 rating and the increase totaling \$8 million. However, as the BOE budgets had already been determined, only \$2 million was included. The difference of \$6 million will be included in the 2024 premiums. Notification will be sent advising of the premium increases to be included in their budgets.
- The Executive Director's Report also included information on the upcoming legislative session. BRIM has submitted two proposed bills for the 2023 legislative session. The first bill is a request to transfer funds from the Mine Subsidence Program to the Non State Program. Both programs are administered by BRIM and the transfer is necessary for the operation of the Non State program. The second bill would update the current code sections for BRIM. Specifically, the proposed legislation would include the definition of abuse and occurrence, reallocate the BOE class to "state agents" which would allow them to enjoy certain immunities and delete the need for excess limits for the BOEs. The Governor's Office is currently reviewing the proposals.
- Mrs. Duke's also reported on discussions regarding Reinsurance/Stop Loss Coverage. BRIM has continued to review options with the possibility of a retroactive risk transfer for the significant abuse claim development. Also, language will be added at renewal to further "tighten up" the definition of abuse and occurrence. This will hopefully reduce the multiple claimants to a single perpetrator and a "one" occurrence limit and one policy term.
- Claim Audit Services was also reported on, BRIM received two responses to the Claim Audit Services and the committee awarded the contract to Strategic Claims Direction. BRIM has completed the initial onboarding call and received the request for data/information needed to begin the auditing process. The first year will focus on the liability program with AIG.
- The Records Management project was discussed. All Underwriting boxes have been reviewed and assimilated with the files maintained on the shelving units. Underwriting employee, Jason Stover, has begun scanning the customer files and attaching them to electronic records in the eRims system. The Finance Department will begin the process of unboxing, triaging, purging and scanning their boxes in the upcoming weeks. DOA is taking on the Records Management for the State.
- STRIMA Conference was attended this year by Robert Fisher, John Fernatt and Woodrow White in Santa Fe, New Mexico. The conference was informative and the educational session varied from cyber security to Enterprise Risk Management and the state of the property market. Other entities are having similar issues like BRIM, many of these issues are universal.
- BRIM Employee Promotions were reviewed. To continue BRIM's succession planning and business continuity, John Fernatt has been promoted to Claims Manager. This will allow John time and access to historical knowledge promoting

a smooth transition for the Claims Department. Robert Fisher will provide a high level of oversight to the Claims Department. Robert will continue in his role as Deputy Director at BRIM. Mrs. Duke thanked Robert for his assistance and commented that she is hopeful he will remain at BRIM for a couple of years to continue assisting.

- Upcoming Board Meeting Schedule for 2022:
Tuesday, December 13, 2022 @ 1PM
- The Executive Director's Report was received and filed, a copy is attached and made part of the record.

BRIM Financial Report

- Chairman Price called on Stephen Panaro to present the Chief Financial Officer's Report
- P-Card Report - Mr. Panaro reviewed the P-Card information for May and June 2022, along with totals.
- Mr. Panaro gave an Audit Update. We continue to make good progress on the audit. Currently, we are completing footnotes and wrapping up other details. Our FARS draft was provided on September 15th, our deadline for completion is October 17th and we don't foresee any issues. Once the audit opinion is issued and we have financial statements and footnotes, they will be available on the BRIM website. Emily Fleck, our Controller, has been very helpful with the audit.
- Current Financial Results - Mr. Panaro reported that the financial results presented are for the twelve months ending June 30, 2022. The results reflect the actuarially estimated unpaid losses from AON's risk funding study as of June 30, 2022, plus an additional accrual for June.

Net premium revenue for FY22 has increased \$2.8 million compared to FY21. The increase reflects an increase in premiums based on the actuarial estimated loss pics and a reduction in the Covid-19 credits issued in FY21 for reduction in auto usage.

Retained case reserves are \$38.5 million higher this year compared to the prior year and actuarially estimated IBNR is \$57.2 higher than the prior year. These increases are from reserve adjustments increases for the second, third and fourth quarters. Combined total current and non-current claims liabilities (i.e., unpaid claims) are \$95.7 million higher than last year. We recorded additional reserves in the second, third and fourth quarters with a \$35.1 million increase in the fourth quarter.

Investment losses through June were \$33.7 million compared to investment income through June 2021 of \$28.8 million. This is a negative year over year change of \$62.5 million. Through June the Bank of New York trust lost \$16.2 million with losses occurring in all but three months of the fiscal year. Due to the short duration of the fixed income holdings in the trust (3.6 years) and increasing

interest rates the returns in the trust have been negative. Equity markets have experienced volatility during FY22 and that trend is continuing in FY23. Our holdings with the WV Investment Management Board have declined \$19.4 million this fiscal year (17.4 million is due to investment losses with a \$2 million withdrawal in June).

Combining significantly higher claims expense, negative investment returns and a small increase in premium revenue resulted in a large decrease in net position of \$125.5 million compared with an improvement in net position of \$19.1 million in FY21. The overall impact is a year over year negative change of \$144.6 million.

Currently, our net position of \$151.4 million includes the mine subsidence program's net position of \$75.9 million, leaving BRIM's unrestricted net position at \$75.4 million. This compares with a net position of \$276.9 million at the end of FY21.

- Financial Markets - The financial markets continue to be volatile with the Dow Jones Industrial Average closing at a low of 29,590 on September 23, 2022. This is a low for 2022. The S&P 500 and Nasdaq are down, 9.2% and 10% respectively with the Dow Jones average down 8%.
- The Federal reserve continues to increase interest rates. On September 21st, they raised the federal funds rate an additional 0.75 percentage points for the third consecutive time. This puts the federal funds rate to a level not seen since 2008. It is expected that the rate increases will continue in 2023. These actions cause concerns that this will lead to a recession.
- Inflation is still in the news. The U S consumer-price index rose 8.3% in August down from 8.5% in July and 9.1% in June. Core prices, which include food and energy sectors, rose 0.6% from July to August which was double the increase in July from June. The Core CPI rose 6.3% in August from a year earlier. Core prices are viewed as a better indicator of inflation.
- Due to the increasing interest rates, the volatility of the stock market and inflation concerns, BRIM's investment returns outlook remains uncertain for FY23.
- Mr. Panaro offered to answer any questions, no questions. However, Secretary Scott made a request to the Board that the Governor's Office would like BRIM to stop using the name Senate Bill #3 and use a different name. BRIM leadership was in agreement.
- The Chief Financial Officer's Report was received and filed, a copy is attached and made part of the record.

Loss Control Report

- Chairman Price called on Jeremy Wolfe to present the Loss Control Report

- Mr. Wolfe reported on the state agency loss control questionnaires were due on August 1, 2022. We have been evaluating the submitted questionnaires. The results will be used to calculate loss control credits and surcharges for next year's premiums.
- BRIM and Liberty Mutual Insurance will sponsor two boiler safety and operational seminars this fall. We are hopeful that these seminars will continue to attract large crowds and the information obtained will help keep boiler losses minimal as they have been for several years.
- During the months of July and August, Aon conducted 380 Inspections and Liberty Mutual conducted 600 Inspections. These reports are being processed. Donna White, our new Loss Control employee, pushed a great amount of work into a short amount of time and did a good job.
- Since the September Report, there have been 14 Standards of Participation Visits. These are visits which are designed to provide assistance to our insured participation program. There were 14 Loss Control Visits. These are standard loss control visits which focus on all coverage areas and result in information and/or loss control recommendations.
- The Loss Control Report was received and filed, a copy is attached and made part of the record.

Privacy Report

- Chairman Price called on Ashley Summitt to present the Privacy Report
- Ms. Summitt reported on Management Team Meetings. On July 19, 2022, the State Privacy Office held a virtual Privacy Management Team meeting with 29 members in attendance. Presentations included a cyber insurance policy update provided by Melody Duke, BRIM Executive Director; a hands on tutorial of the new privacy training's reporting options for privacy officers by Chief Cyber Security Officer Danielle Cox; and Privacy Impact Assessment slide show by Lori Tarr, Assistant Chief Privacy Officer. The next meeting of the Privacy Management Team will be the 2022 State Privacy Retreat held in person at Canaan State Park on October 17 - 19, 2022.
- Ms. Summitt also reported on Privacy Training. During the Third Quarter of 2022, 16,044 members of the Executive Branch workforce completed the online course *Privacy Awareness Training 2022*, which is a general privacy awareness training course. Also during the Third Quarter of 2022, 236 members of the Executive Branch workforce completed the online course, *WV Confidentiality Agreement*, which is required of all workforce members. During the same quarter, 262 members of the Executive Branch workforce completed the online course *HIPAA/HITECH*, a general training course and new *HIPAA Refresh Training (2021)* which was requested by PEIA.
- Ms. Summitt reported on the following training events were held by the SPO since the last board meeting:

On July 28, 2022, the Chief Privacy Officer was a member of a panel discussion, entitled, "The Balancing Act Between Data and Privacy", at the West Virginia Digital Government held in Charleston, WV. Approximately 30 people were in attendance.

There has been increased turnover and addition of new privacy officers in recent months. We are conducting more privacy officer orientation than usual. On August 16, 2022, five new departmental privacy officers received new officer orientation training. On September 23, 2022, four new officers received orientation training. All new officers could not attend the most recent training, which will require additional orientation training to be held in the near future. Due to the large number of new officers, State Privacy Office staff are researching the option of recording the orientation for access through the State's training management system.

- Ms. Summitt also reported on Privacy Impact Assessments/Privacy Incident Response Assessments were reviewed. Privacy Impact Assessment (PIA) is a tool used to assess the privacy impact and risks to the personally identifiable information (PII) stored, used and exchanged by information systems.

Since July 1, 2022, seventeen (17) PIAs have been completed and submitted.

- Additionally, the Privacy Office Retreat was discussed. The retreat will be held at Canaan Valley Resort from October 17 - 19, 2022. All members of the Privacy Management Team and all Agency Privacy Officers are invited to attend. The general theme of the presentations will be "What should a Privacy Officer know about Cybersecurity". State Privacy staff are submitting documents to the WV State Bar in order to provide CLEs to members of the Bar.
- Privacy Report was received and filed, a copy is attached and made part of the record.

UNFINISHED BUSINESS

NEW BUSINESS

ADJOURNMENT

- Chairman Price asked for a motion to adjourn the BRIM board meeting. Member Terry Rose moved the meeting adjournment. The motion was seconded by Member Leah Cooper.

Board Chairman

Date



Mark D. Scott
Cabinet Secretary

Melody Duke
Executive Director

Melody.A.Duke@wv.gov

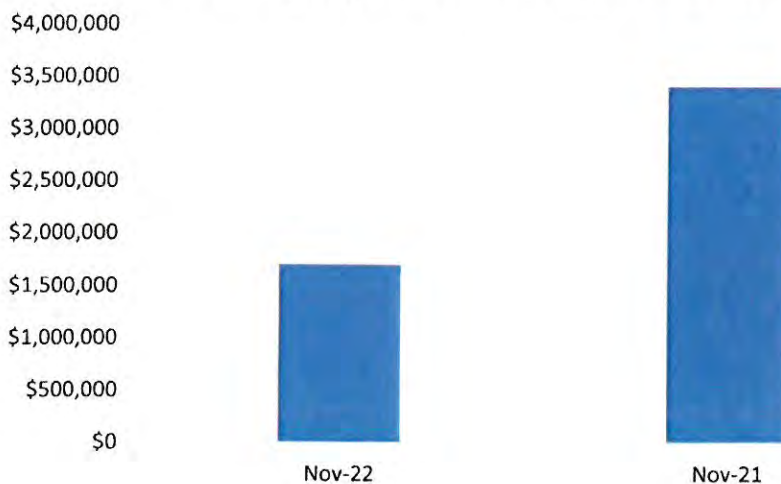
Executive Director's Report December 13, 2022

A. Marshall University and West Virginia University Medical Malpractice Program

- As of December 8, 2022, Marshall has deposited \$350,000 into the escrow account for FY 2023. The fiscal year-to-date cumulative interest totals \$14,390.59. Disbursements totaling \$858,568.40 have been paid thus far in FY 2023.
- As of December 8, 2022, a total of \$2,278,039.97 has been deposited into WVU's escrow account for FY 2023. The fiscal year-to-date cumulative interest totals \$32,147.79. Disbursements totaling \$2,304,963.23 have been paid thus far in FY 2023.

B. State and Non-State Liability Claims & Litigation Information

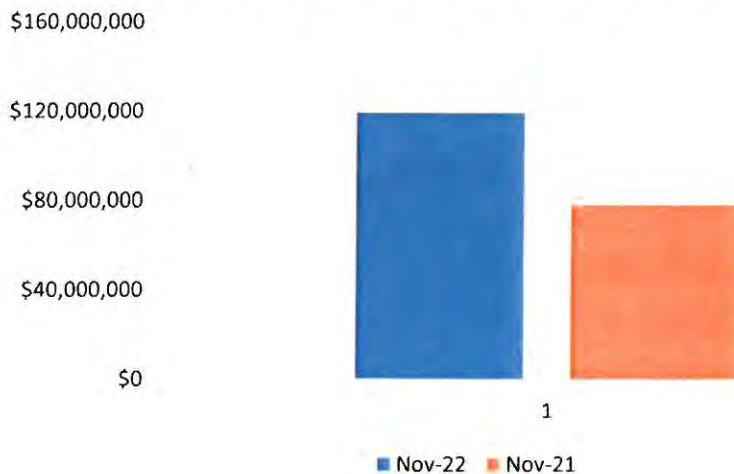
Indemnity Payments Nov 2022 vs Nov 2021



Legal Payments Nov 2022 vs Nov 2021



Indemnity Reserves Nov 2022 vs Nov 2021



TRIALS

We have tried six cases to verdict in 2022, three plaintiff verdict and three defense verdicts.

11/108/2022 (501-810315) Insured: WV Division of Corrections; Plaintiff: Est. of Rocco Iacovone; Kanawha Co. Cir. Ct.; Plaintiff Verdict. Plaintiff died in prison of endocarditis and aortic stenosis. Prior to trial the demand was \$400,000 and offer was \$50,000. The verdict was \$711,237.

10/18/2022 (501-860562) Insured: WV Division of Corrections; Plaintiff: Lamar Dorsey; Defense Verdict. Pro Se Plaintiff alleged he was injured from excessive force by correctional officers. Prior to trial, demand was \$40,000 and offer was \$5,000.

9/21/2022 (501-053353) Insured: Ohio Co. P.S.D.; Plaintiff: Lisa Graham; Ohio Co. Cir. Ct.; Plaintiff Verdict. Plaintiff sustained water damage from a line break with questionable

damages. Prior to trial, demand was \$90,000 and offer was \$30,000. Verdict was \$54,934.68, with damages less than the demand.

8/30/2022 (501-505159) Insured: WV Division of Corrections; Plaintiff: Keith Lowe; US. Dist. Court – Charleston; Defense Verdict. Plaintiff alleged excessive force against him. Prior to trial, demand was \$10,000 and offer was \$500.

4/7/2022 (501-374962) Insured: City of Fairmont; Plaintiff: Frontier; Cir. Ct. Marion Co.; Plaintiff Verdict for \$102,208.87 (includes pre-trial interest). Insured found 65% at fault for damaging Plaintiff's unmarked cable. Before trial, demand was \$140,599 (repair costs) and offer was \$2500.

4/18/2022 (501-565942) Insured: City of St. Albans; Plaintiff: Margaret Molitor; Cir. Ct. Kanawha Co.; Directed Verdict for defendant. Appeal by Plaintiff of Mag. Ct. dismissal. Plaintiff alleged city water flooded her basement, but was found to come from an outside drain, instead. Prior to trial, the demand was \$6,000 and offer was \$2,500.

PAID CLAIMS (November 2022 Data)

November 2022 Indemnity payments total \$1,700,000 vs November 2021 payments of \$3,400,000 a decrease of 50%.

November 2022 Legal payments total \$1,800,000 vs. November 2021 Legal payments of \$1,600,000 an increase of 12.5%.

OUTSTANDING CLAIMS (November 2022 Data)

November 2022 Indemnity reserves total \$119,400,000 vs. November 2021 Indemnity reserves of \$78,400,000, an increase of 52.3%.

November 2022 Expense reserves total \$31,500,000 vs. November 2021 Expense reserves of \$24,600,000 an increase of 28%.

CLAIMS COUNTS (November 2022 Data)

November 2022 New claims of 274 vs. November 2021 of 291, a decrease of 5.8%.

November 2022 Closed claims of 283 vs. November 2021 of 285, a decrease of 0.7%.

November 2022 Open claims of 1067 vs. November 2021 of 934, an increase of 14.2%.

DURATION – CREATE TO CLOSED DATE CLAIMS (November 2022 Data)

November 2022 Duration of 127 Days vs. November 2021 Duration of 136 Days, a decrease of 6.6%.

CLOSING RATIO (November 2022 Data)

November 2022 Closing Ratio of 102.2% vs. November 2021 Closing Ratio of 96.2%, an increase of 6.2%.

C. Upcoming Legislative Session – BRIM has submitted two proposed bills for the 2023 Legislative Session. The first bill is a request to transfer funds from the Mine Subsidence Program to the Senate Bill 3 Program. Both programs are administered by BRIM and the transfer is necessary for the operations of the Senate Bill 3 program. The second bill would update the current code sections for BRIM as it relates to the Boards of Education entities. We have submitted to the Cabinet Secretary for the Department of Administration a final version. The changes include definitions of abuse, Institution of Learning, Qualifying Claim, liability insurance limit of \$1,000,000 and a cap on recovery to \$500,000 for all damages and a limit of \$500,000 for medical expenses incurred. BRIM is also drafting an endorsement for the 2023 liability policy for all non-state insureds, including Boards of Education entities. The policy language will be to further tighten up the definition of abuse and occurrence and hopefully reduce the multiple claimants to a single perpetrator and a “one” occurrence limit and one policy term.

D. Discussions on Reinsurance/Stop Loss Coverage – BRIM has decided to table the discussion as we research how the impact of policy and code changes may affect the program in order to identify the specific needs of stop loss coverage.

E. Claim Audit Services – BRIM met with Strategic Claims Direction, the vendor selected to complete the claim audit in mid-October. Year one will focus on the liability program with AIG and subsequent years will review the internal property and mine subsidence claims. BRIM anticipates a draft report in late spring.

F. BRIM was asked to present to a meeting of Chief Financial Officers and Procurement Officers that the Higher Education Planning Commission held on November 4, 2022. Robert Fisher gave the presentation and it appeared to be very well-received. The presentation provided general information about insurance, its purpose, and how it fits into procurement processes and management of vendors doing business with higher education institutions. Woodrow White attended with Robert to begin the transition from Melody Duke as a presenter for the Certificate of Insurance document.

G. Risk Management Information System Update – It has been several months since we have last provided an update for this project. BRIM and Asset Works have set a June 30, 2023, deadline for full implementation of the Underwriting and Loss Control Modules. Meetings and discussions will be resulting in testing in the next few months. BRIM is looking forward to making the break from the legacy mainframe system.

H. BRIM met every deadline associated with its independent audit and submission of financial information to the Department’s Finance Division. BRIM Finance Department is currently working on the ACFR (previously CAFR), Annual Comprehensive Financial Report and plans on submitting it next week. BRIM also received, for the 27th consecutive year, the GFOA (Government Finance Officers Association) award for excellence in reporting for fiscal year 2021.

I. Fiscal Year 2024 Insurance Renewals and Premium Rating – BRIM anticipates renewal meetings for both the liability and property programs to occur in the next few months. We are also finalizing insured renewal exposure information for the FY 2024 premium rating. BRIM is anticipating liability increases for the Boards of Education and property rate increases for all insureds as a result of the FY 2023 property insurance increase from the insurance carriers.

J. Upcoming Board Meeting schedule for 2023:

Tuesday, March 21, 2023 @ 1PM

Tuesday, June 27, 2023 @ 1PM

Tuesday, September 19, 2023 @ 1PM

Tuesday, December 12, 2023 @ 1PM

Sincerely,

Melody Duke

Melody Duke
Executive Director

MAD/ldm

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



Mark D. Scott
Cabinet Secretary

Melody Duke
Executive Director
Melody.A.Duke@wv.gov

Chief Financial Officer's Report
December 13, 2022

A. P-Card Report

CD copies mailed to the board contain the supporting detail for P-card purchases for the months of July through October 2022. These totals are:

July	\$33,048.95
August	\$34,836.36
September	\$50,565.58
October	\$27,475.78

B. Audit Update

We completed our audit prior to the deadline of October 17th and submitted the financial statements and footnotes on October 14th. I would like to thank everyone at Brim that helped with the audit.

C. Current Financial Results

- The financial results presented are for the four months ended October 31st, 2022. The results reflect the actuarially estimated unpaid losses from AON's risk funding study as of September 30, 2022, plus an additional accrual for October.
- Net premium revenue through October has increased \$5.2 million compared to FY'22. The increase reflects an increase in premiums based on the actuarial estimated loss pics.
- Retained case reserves are \$58.7 million higher this year compared to the prior year and actuarially estimated IBNR is \$40.1 million higher than the prior year. Combined total current and non-current claims liabilities (i.e., unpaid claims) are \$98.8 million higher than last year through October. Our reserve adjustment in the first quarter of this year was \$3.1 million which is significantly less than the fourth quarter of FY22.
- Claims and claims adjustment expense of \$27.8 is \$1.6 million dollars lower than last year due to lower claims payments during the current fiscal year.
- Investment losses through October were \$11.8 million compared to investment income through October of 2022 of \$1.3 million. This is a negative year over year change of \$13.1 million. Through October the Bank of New York trust has lost \$9 million with losses occurring in each month except July. Because of the relatively short duration of the fixed income holdings in the trust (3.6 years) and increasing interest rates the returns in the trust have been negative. Equity markets experienced volatility during FY22 and that trend is continuing in FY23. Our holdings with the West Virginia Investment Management Board have declined \$5

million this fiscal year. \$4 million of that is due to investment losses with a \$1 million withdrawal in September.

- The combination of higher reinsurance premiums, lower claims expense, negative investment returns and a small increase in premium revenue resulted in a decrease in net position of \$12.7 million compared with a decrease in net position of \$4.2 million in FY22. The largest factor in this decrease were the investment losses of \$11.8 million. The overall impact is a year over year negative change of \$8.5 million.
- Our current net position of \$138.7 million includes the mine subsidence program's net position of 75.4 million, leaving BRIM's unrestricted net position at \$63.3 million. This compares with a net position of \$272.7 million last year.

D. Financial Markets

While financial markets continue to be volatile the Dow Jones Industrial Average has risen since our last board meeting, closing at 33,476 last Friday. With the continued increases by the Federal Reserve and uncertainty in the economy this volatility is likely to continue.

The Federal Reserve hasn't changed course and continues on their path of increasing interest rates. The Federal Reserve is meeting today and have indicated they will increase rates another 0.5 percent. This follows increases of 0.75 percent at each of their last four meetings. An increase of 0.5 percent would bring the bench-mark federal funds rate to a range of between 4.25% and 4.5% the highest level since December 2007.

Inflation continues to be on policy makers and consumers' minds. The Commerce Department recently reported that its measure of consumer prices rose 0.3% in October from a month earlier. This puts the rate at 6% over last year which is down from June's year over year increase of 7%. Due to short-term Treasury notes being well above long-term rates, this inverted yield curve, historically has been an indicator of a recession. The best-case scenario is that the Fed can guide the economy to a "soft landing" and avoid a recession.

Because of increasing interest rates, the volatility of the stock market and inflation concerns BRIM's investment returns outlook remains uncertain for FY23.

Respectfully submitted,



Stephen W. Panaro, CPA
Chief Financial Officer

West Virginia Board of Risk and Insurance Management

Statements of Net Position

For the Four Months Ended October 31st

	2022	2021
	<i>(In Thousands)</i>	
Assets		
Current assets:		
Cash and cash equivalents	\$ 11,784	\$ 14,129
Advance deposits with insurance company and trustee	242,021	249,267
Receivables	2,872	6,131
Prepaid insurance	5,629	3,134
Restricted cash and cash equivalents	14,772	12,196
Premiums due from other entities	1,222	1,184
Total current assets	<u>278,299</u>	<u>286,041</u>
Noncurrent assets:		
Equity position in internal investments pools	108,012	125,372
Restricted investments	63,441	72,402
Total noncurrent assets	<u>171,453</u>	<u>197,775</u>
Total assets	<u>449,753</u>	<u>483,816</u>
Deferred Outflows of Resources		
Deferred Outflows of Resources - OPEB	434	438
	61	115
Liabilities		
Current liabilities:		
Estimated unpaid claims and claims adjustment expense	103,306	61,326
Unearned premiums	17,602	16,360
Agent commissions payable	795	991
Claims Payable	100	45
Accrued expenses and other liabilities	1,904	1,576
Total current liabilities	<u>123,707</u>	<u>80,298</u>
Estimated unpaid claims and claims adjustment expense net of current portion	187,105	130,270
Compensated absences	167	172
Net pension liability	(894)	533
Total noncurrent liabilities	<u>186,378</u>	<u>130,974</u>
Total liabilities	<u>310,085</u>	<u>211,272</u>
Deferred Inflows of Resources		
Deferred Inflows of Resources - OPEB	1,156	35
	280	351
Net position:		
Restricted by State code for mine subsidence coverage	75,988	80,155
Unrestricted	75,415	196,713
Net Assets (Deficiency)	-12,677	(4,158)
Net position	<u>\$ 138,726</u>	<u>\$ 272,710</u>

Unaudited

West Virginia Board of Risk and Insurance Management

Statements of Revenues, Expenses, and Changes in Net Position

For the Four Months Ended October 31st

	<u>2022</u>	<u>2021</u>
	<i>(In Thousands)</i>	
Operating revenues		
Premiums	\$ 32,214	\$ 27,051
Less coverage/reinsurance programs	(3,340)	(1,622)
Net operating revenues	<u>28,874</u>	<u>25,430</u>
Operating expenses		
Claims and claims adjustment expense	27,837	29,361
General and administrative	1,895	1,555
Total operating expenses	<u>29,732</u>	<u>30,916</u>
Operating income (loss)	(858)	(5,487)
Nonoperating revenues		
Investment income	(11,819)	1,328
Legislative Appropriation	0	0
OPEB Non Operating Income	0	0
Net nonoperating revenues	<u>(11,819)</u>	<u>1,328</u>
Changes in net position	(12,677)	(4,158)
Total net position, beginning of year	151,403	276,868
Total net position, end of period	<u>\$ 138,726</u>	<u>\$ 272,710</u>

Unaudited



**Loss Control Report to the Board
December 2022**

We completed the evaluations of state agencies fiscal year 2024 loss control questionnaire submissions. Approximately 112 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.

BRIM and Liberty Mutual Insurance sponsored two boiler safety and operational seminars in November. Approximately 85 individuals participated in the seminars. The level of interest from our insured continues to be at high levels with these seminars even with a three-year absence due to the COVID-19 pandemic.

In 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, 2023

During the months of October and November, Tawney conducted 82 inspections and Liberty conducted 458. The reports are being processed according to established procedures.

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

28 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.

Insured Accounts Visited Include: West Virginia University, Jackson County Board of Education, Greenbrier County Board of Education, Boone County Board of Education, Wind Dance Farm & Education Center, Kanawha County Board of Education, Clay County Board of Education, Kanawha Valley Youth Basketball League, Lincoln County Board of Education, Putnam County Board of Education, Town of Fairview, Youth Services System, Stat EMS, Summers County Council on Aging, Clinton Water Association, Women's Aid in Crisis, Policeman's Pension or Relief Fund, Seneca High Adventure Christian Camp, Randolph County Committee on Aging, Morgantown Area

Youth Service Project, Apollo Civic Theatre, Florence Crittenton Services, Greater Wheeling Sports & Entertainment Authority, Heart 2 Heart Volunteers, Doddridge County Senior Citizens, Lillian James Learning Center, and Mainstream Services, Inc.

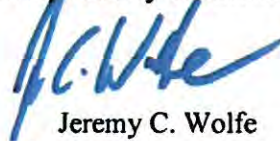
13 Standards of Participation Visits

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.

Insured Accounts Visited Include: Unleash Tygart, Inc., Berkeley County Congregational Cooperative Action Project, Inc., Thundercloud, Inc., Cherry River Foundation, Arc of the Eastern Panhandle, Workforce Investment Board of Kanawha County, Frontline Recovery, Discover Downtown Charles Town, Ritchie County Board of Education, Hospital Finance Authority, The REACH Initiative, Division of Administrative Services, and Friends of the Tug Fork River.

Dated: December 7, 2022

Respectfully submitted,



Jeremy C. Wolfe
Risk & Insurance Manager



Chief Privacy Officer's Report December 13, 2022

A. Management Team Meetings

- During October 17-19, 2022, the State Privacy Office held its biannual Privacy Retreat at Canaan Valley State Park. This is the first retreat held for the Privacy Management Team since 2018 due to the pandemic. Presentations included: *The Convergence of Privacy and Cybersecurity*, *Insurer's Underwriting Terms*, *Relationship between Cybersecurity and Privacy*, *Advanced Privacy Officer Training and Breaking Down Incident Response*. The presenters included professionals with AJ Gallagher Insurance, State Coordinators from West Virginia and Delaware with the Cybersecurity and Infrastructure Security Agency, the State's Breach Coach from Bakerhostetler Law, and the West Virginia Cybersecurity Officer and staff.

There were 42 privacy officers in attendance to the 3 day conference, from 22 agencies. The Privacy Office was able to apply and be awarded 8 hours of West Virginia Continuing Legal Education credit with the WV State Bar. Eleven attendees took advantage of this free CLE opportunity. Except for an early October cold snap and snow storm, everyone had fun and enjoyed this event.

- The next meeting of the Privacy Management Team will be the 2023 International Privacy Day/Week, January 28, 2023.

B. Privacy Training

- During the Fourth Quarter of 2022, 1057 members of the Executive Branch workforce completed the online course *Privacy Awareness Training 2022*, which is a general privacy awareness training course.
- During the Fourth Quarter of 2022, 132 members of the Executive Branch workforce completed the online course *WV Confidentiality Agreement*, which is required of all workforce members.
- During the Fourth Quarter of 2022, 7 members of the Executive Branch workforce completed the online course *HIPAA/HITECH*, which is a general HIPAA training course and a new *HIPAA Refresher Training (2021)* which PEIA has requested.

The following training events were held by the SPO since the last board meeting:

- On November 1, 2022, the Chief Privacy Officer did an overview of the State Privacy Office at the West Virginia Auditor's Office for their annual required training for Chapter 30 State Licensing Boards.

C. Privacy Impact Assessments/ Privacy Incident Response Assessments

- A privacy impact assessment (PIA) is a tool used to assess the privacy impact and risks to the personally identifiable information (PII) stored, used, and exchanged by information systems. A PIA evaluates privacy implications when information systems are created, when existing systems are significantly modified, or new technology is purchased.
- Since October 1, 2022, sixteen (16) PIAs have been completed and submitted.
- At this point, PIA completion is not mandatory for agencies, but the Purchasing Division and the WV Office of Technology are requiring that agencies purchasing a technology/software product speak with the Privacy Office regarding the need for a Privacy Impact Assessment. The Privacy Office has seen a significant uptick in the number of PIAs being filed and from agencies that are exempt from Purchasing.

D. Privacy Office Retreat

- Lori Tarr, Deputy Chief Privacy Officer, passed a very important certification exam for her privacy education; the CIPM, which represents *Certified Information Privacy Manager*. This certification is offered by (IAPP) the International Association of Privacy Professionals, the gold standard for privacy education and certification of professionals.

Very truly yours,

Ashley Summitt

Ashley Summitt, JD
Chief Privacy Officer
WV Executive Branch

Report to the
Board of Directors

**West Virginia Board
of Risk and
Insurance
Management**

June 30, 2022

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Contacts

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Communication with Those Charged with Governance

October 11, 2022

Board of Directors
West Virginia Board of Risk and Insurance Management
Charleston, WV

We have audited the financial statements of West Virginia Board of Risk and Insurance Management (BRIM) as of and for the year ended June 30, 2022, and have issued our report thereon dated October 11, 2022. Professional standards require that we provide you with information about our responsibilities in accordance with auditing standards generally accepted in the United States of America, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 15, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the BRIM are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2022. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Accounting estimates are an integral part of the financial statements prepared by management, and are based on management's knowledge and experience about past and current events, and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the estimated liabilities for claims payable is based on actuarial calculations and assumptions. We evaluated the key factors and assumptions used to develop the estimated liabilities for claims payable in determining that it is reasonable in relation to the financial statements taken as a whole. In addition, we engaged an independent actuary to review the calculation and methods used by BRIM's consulting actuary.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statements users. The most sensitive disclosures affecting the financial statements were:

Note 3 of the financial statements includes disclosures related to the West Virginia Board of Risk and Insurance Management's investments with the West Virginia Investment Management Board and the West Virginia Board of Treasury Investments. Such disclosures include information on the various pools invested in and their respective risks (i.e., credit, custodial, concentration, interest rate).

The unpaid claims and claims adjustment expense liability disclosures in Notes 2 and 4 are particularly sensitive because of the various assumptions involved in the estimation process.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no corrected or uncorrected misstatements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain written representations from management that are included in the management representation letter included at Appendix A.

Management Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the BRIM's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Significant Matters, Findings, or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the BRIM's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

With respect to the required supplementary information accompanying the basic financial statements as described below, we applied certain limited procedures in accordance with the auditing standards generally accepted in the United States of America, 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.

The required supplementary information included with the basic financial statements is as follows:

- Management's Discussion and Analysis
- Ten-Year Claims Development Information
- Reconciliation of Unpaid Claims and Claims Adjustment Expense Liability by Type of Contract
- Schedule of Proportionate Share of the Net Pension Asset (Liability) in PERS
- Schedule of Contributions to PERS
- Schedule of Proportionate Share of the Net OPEB Asset (Liability) in RHBT
- Schedule of Contributions to RHBT

FORVIS

With respect to the other supplementary information accompanying the basic financial statements as described below, this information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The combining information is for purposes of additional analysis of the basic financial statements rather than to present the financial position or results of operations of the individual entities. This combining and other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole. The other supplementary financial information included with the basic financial statements is as follows:

- Combining Statement of Net Position
- Combining Statement of Revenues, Expenses, and Changes in Net Position
- Form 7 - Deposits Disclosure
- Form 8 - Investments Disclosure
- Form 8-A - Deposits and Investments Disclosure
- Form 9 - Schedule of Receivables (Other Than State Agencies)
- Form 10 - Schedule of Accounts Receivable From Other State Agencies
- Form 13 - Schedule of Changes in Long-Term Obligations – Compensated Absences

This information is intended solely for the use of the Board of Directors and management of West Virginia Board of Risk and Insurance Management, and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

FORVIS,LLP

Charleston, WV

Appendix A Management Representation Letter

West Virginia Board of Risk and Insurance Management
1124 Smith Street
Suite 4300
Charleston, WV 25301

October 11, 2022

FORVIS, LLP
500 Virginia Street East, Suite 800
Charleston, WV 25301

This representation letter is provided in connection with your audit of the financial statements of West Virginia Board of Risk and Insurance Management (BRIM), which comprise the Statement of Net Position as of June 30, 2022 and 2021, and the related statements of Revenue, Expenses, and Changes in Net Position and Statements of Cash Flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

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 the 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. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of the date of this letter:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated February 28, 2022, for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.
2. The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
3. BRIM is an enterprise fund of The State of West Virginia and, accordingly, is included as part of the primary government in the State's Annual Comprehensive Financial Report.
4. 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.
5. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
6. The following have been properly accounted for and disclosed in the financial statements:
 - a. We have disclosed to you the identity of all the BRIM's related parties and all the related-party relationships of which we are aware. In addition, we have disclosed to you all related-party transactions of which we are aware, including any modifications during the year that were made to related-party transaction agreements which existed prior to the beginning of the year under audit, as well as new related-party transaction agreements that were executed during the year under audit.

Related-party relationships and transactions have been appropriately accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America.

We understand that the term "related party" refers to an affiliate; principal owners, management, and members of their immediate families; subsidiaries accounted for by the equity method; and any other party with which the entity may deal if the entity can significantly influence, or be influenced by, the management or operating policies of the other. The term affiliate refers to a party that directly or indirectly controls, or is controlled by, or is under common control with, the entity.

- b. Guarantees, whether written or oral, under which the BRIM is contingently liable
 - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB 62, *Accounting for Contingencies*, and there are no 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 GASB 62.
7. Significant estimates that may be subject to a material change in the near term have been properly disclosed in the financial statements. We understand that "near term" means the period within one year of the date of the financial statements. In addition, we have no knowledge of concentrations existing at the date of the financial statements that make the BRIM vulnerable to the risk of severe impact that have not been properly disclosed in the financial statements.
 8. We are responsible for making the accounting estimates included in the financial statements. Those estimates reflect our judgment based on our knowledge and experience about past and current events and our assumptions about conditions we expect to exist and courses of action we expect to take. In that regard, adequate provisions have been made:
 - a. To reduce receivables to their estimated net collectable amounts.
 - b. Reduce investments, intangibles, and other assets that have permanently declined in value to their realizable values.
 - c. For risk retention, including uninsured losses or loss retentions (deductibles) attributable to events occurring through June 30, 2022, and/or for expected retroactive insurance premium adjustments applicable to periods through June 30, 2022.
 - d. For pension obligations, postemployment benefits other than pensions and deferred compensation agreements attributable to employee services rendered through June 30, 2022.
 - e. For any material loss to be sustained in the fulfillment of, or from the inability to fulfill, any service commitments.
 9. Significant assumptions we used in making accounting estimates, including estimates of fair value, are reasonable.
 10. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
 11. 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.
 12. There are no uncorrected misstatements or omitted disclosures.
 13. We represent to you the following for the BRIM's fair value measurements and disclosures:
 - a. The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated courses of action.

- b. The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
 - c. The disclosures related to fair values are complete, adequate, and in conformity with U.S. GAAP.
 - d. There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.
14. 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). In addition, our disclosures related to fair value measurements are consistent with the objectives outlined in GASB standards.
15. 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 standards.

Information Provided

16. We have provided you with:
- a. 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.
 - b. Additional information that you have requested from us for the purpose of the audit.
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
 - d. Minutes of the meetings of Board of Directors or summaries of actions of recent meetings for which minutes have not yet been prepared.
17. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
18. 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.
19. We have no knowledge of any fraud or suspected fraud affecting the BRIM involving:
- a. Management.
 - b. Employees who have significant roles in internal control.
 - c. Others when the fraud could have a material effect on the financial statements.
20. We have no knowledge of any allegations of fraud or suspected fraud affecting the BRIM's financial statements received in communications from employees, former employees, analysts, regulators, short sellers, or others.
21. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices.
22. There are no known instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statements.

23. BRIM has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
24. As part of your audit, you provided on consultation on accounting matters and assisted with preparation of the financial statements and related notes, and you have also assisted with the preparation and reviewed BRIM's Annual Comprehensive Financial Report prior to submission to the Government Finance Officers Association (GFOA). We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities. We have designated an individual within senior management with suitable skill, knowledge, or experience to oversee your services, have evaluated the adequacy and results of the services performed, have made all management decisions and performed all management functions, and accept responsibility for the results of those services. We have reviewed, approved, and accepted responsibility for those financial statements and related notes. We have evaluated and maintained internal controls, including monitoring ongoing activities.
25. With respect to management's discussion and analysis, required supplementary information (the Ten-Year Claims Development Information, the Schedule of Proportionate Share of the Net Pension Asset (Liability) in PERS, the Schedule of Proportionate Share of the Net OPEB Asset (Liability) in RHBT, Schedule of Contributions to PERS, Schedule of Contributions to RHBT, and Reconciliation of Unpaid Claims and Claims Adjustment Expense Liability by Type of Contract), and the other supplementary information (Combining Statement of Net Position, Combining Statement of Revenues, Expenses, and Changes in Net Position, and Financial and Reporting Section of the State of WV closing book forms, accompanying the financial statements:
 - a. Management's discussion and analysis is based on facts, decisions, or conditions currently known to management and does not contain forecasts or other prospective information.
 - b. We acknowledge our responsibility for presenting the supplementary information in accordance with accounting principles generally accepted in the United States of America, and we believe the supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information. We believe the significant assumptions and interpretations are reasonable. The combining information is for purposes of additional analysis of the financial statements rather than to present the financial position and results of operations of each of the individual programs.
 - c. 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 or 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.
 - d. If the supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.

26. We acknowledge our responsibility for the fair presentation of the introductory and statistical sections of the annual comprehensive financial report. We believe the introductory and statistical sections, including its form and content, is fairly stated in all material respects in conformity with the Government Finance Officers' Association criteria. There have been no changes in the methods of measurement or presentation of this information from those used in the prior period. There are no significant assumptions or interpretations underlying the measurement or presentation of the information.
27. Amounts due to and from American International Group (AIG) are properly presented net for financial purposes as we have a legal write of offset.
28. 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.
 - a. GASB 79 establishes criteria for making the election to measure investments at amortized cost for financial reporting purposes. BRIM participates in BTI's West Virginia Money Market Pool, which has been deemed to meet the criteria and is reported at amortized cost. The criteria specify that the pool must transact with their participants at a stable net asset value per share and meet requirements for portfolio maturity, portfolio quality, portfolio diversification, portfolio liquidity, and shadow pricing. The BTI does not place limitations on or restrictions on participant withdrawals from the pool, such as redemption notice periods, maximum transaction amounts, and any authority to impose liquidity fees or redemption gates. Accordingly, as a pool participant the Authority measures its investment in this pool at amortized cost that approximates market value. The earnings from these pooled investments have been properly distributed to investment pool participants based on their pro rata participation in the pools. The methods and assumptions used to determine recorded value at amortized cost of financial instruments are appropriate for financial statement measurement and disclosure purposes.
 - b. Certain cash equivalents and investments are reported by IMB at fair value and are accounted for by BRIM accordingly, with changes in the fair value included in investment income. The methods and assumptions used to determine fair values are appropriate for financial statement measurement and disclosure purposes. The earnings from these pooled investments are distributed to investment pool participants based on their pro rata participation in the pools.
 - c. Adequate disclosures required under applicable GASB standards for deposits and investments have been included in the financial statements for risk disclosures. To our knowledge, none of the BRIM's investments has permanently declined in value to an amount less than the carrying value in the financial statements.
29. Receivables represent valid claims against the debtors indicated and do not include amounts for services provided subsequent to the statement of net position dates. All revenue recognized as of the statement 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.
30. Adequate provision has been made for losses, costs and expenses that may be incurred subsequent to the statement of net position dates in respect of 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.
31. We have adequately disclosed a description of our major revenue-generating sources, the types of arrangements (including multiple-element arrangements), and a description of the applicable revenue recognition policies.

32. 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.
33. 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, 2022 and 2021. Such estimates are based on actuarial projections applied to historical claim payment data. Such liabilities represent the BRIM's best estimate of amounts that are reasonable and adequate to discharge the BRIM's obligations for claims incurred but unpaid as of June 30, 2022 and 2021. We have estimated that a premium deficiency reserve is not necessary at June 30, 2022 or June 30, 2021.
34. The estimated liabilities for unpaid claims and claims adjustment expense and premium deficiency 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 and premium deficiency at June 30, 2022 and 2021, are reasonable in the circumstances, it is possible that the BRIM'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 BRIM's financial statements.
35. The loss reserve specialists used by management in estimating the loss and loss adjustment expense and premium deficiency 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.
36. The reinsurance contracts provided to you by the BRIM represent all of the BRIM'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 BRIM's reinsurance contracts or additional reinsurance agreements that have not been provided to you.
37. We have properly accounted for our pension liability and related accounts and disclosures in accordance with adoption of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* - an amendment of GASB Statement No. 27, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* - an Amendment of GASB Statement No. 68. We believe that the actuarial assumptions and methods used to measure the pension liability and cost for financial reporting purposes are appropriate in the circumstances. We also agree with and have also properly disclosed the State's proportionate share of the net pension liability associated with BRIM as of June 30, 2022 and 2021.

38. 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.
39. We have properly accounted for our postemployment benefits other than pensions (OPEB) obligation and related accounts and disclosures in accordance with adoption of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and GASB Statement No. 85, *Omnibus 2017*. We believe that the actuarial assumptions and methods used to measure the OPEB liability and cost for financial reporting purposes are appropriate in the circumstances. We also agree with and have also properly disclosed the State's proportionate share of the net OPEB liability associated with BRIM as of June 30, 2022 and 2021.
40. We have disclosed to you all significant postemployment benefits other than pensions 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.
41. We do not plan to withdraw from the multiemployer pension or OPEB benefit plans.
42. We are responsible for compliance with and have complied with the laws, regulations, and provisions of contracts and grant agreements applicable to us.
43. We are not aware of any instances that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
44. We are not aware of any instances, that have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
45. We are not aware of any instances, that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
46. We have identified and disclosed to you, and complied with 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.
47. 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.
48. BRIM does not have any component units or joint ventures.
49. The financial statements properly classify all funds and activities.
50. Components of net position (net investment in capital assets; restricted and unrestricted), are properly classified and, if applicable, approved.

51. Expenses have been appropriately classified in or allocated to functions and programs, as applicable, in the statements of revenues, expenses and changes in net position, and allocations have been made on a reasonable basis.
52. Revenues are appropriately classified in the statements of revenues, expenses and changes in net position.
53. Provisions for uncollectible receivables have been properly identified and recorded.
54. Interfund, internal and intraentity activity and balances have been appropriately classified and reported.
55. There are no special or extraordinary items.
56. Risk disclosures associated with deposits and investment securities and derivatives transactions are presented in accordance with GASB requirements.
57. 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.
58. We 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.
59. There are no risks and uncertainties related to significant estimates and current vulnerabilities due to material concentrations that have not been disclosed.
60. 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 GASB Statement No. 62, *Accounting for Contingencies*.
61. 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.
62. 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.
63. 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 GASB Statement No. 62, 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 GASB Statement No. 62.
64. There are no oral or written guarantees, including guarantees of the debt of others.
65. We believe the impact from adopting Governmental Accounting Standards Board (GASB) No. 87, *Leases*, is not material to the financial statements taken as a whole. Accordingly, no impact of adoption is reflected in the financial statements.

66. We have disclosed all key information to you and updated the disclosures to the financial statements related to our planned response to the COVID-19 pandemic. We believe that we will have sufficient cash flows to meet our obligations as they become due through one year from the date of this letter.
67. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, line of credit, or similar arrangements have been properly disclosed.

We have evaluated subsequent events through the date of this letter, which is the date the financial statements were available to be issued. No events have occurred subsequent to the Statement of Net Position and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.

West Virginia Board of Risk and Insurance Management

Stephen W. Panaro

Stephen W. Panaro (Oct 14, 2022 11:05 EDT)

Stephen W. Panaro, CFO

Emily Fleck

Emily Fleck (Oct 14, 2022 12:29 EDT)

Emily Fleck, Controller

Melody Duke

Melody Duke (Oct 14, 2022 11:14 EDT)

Melody Duke, Executive Director

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



Mark D. Scott
Cabinet Secretary

Melody Duke
Executive Director
Melody.A.Duke@wv.gov

AGENDA
BOARD MEETING OF THE
WEST VIRGINIA BOARD OF RISK AND INSURANCE MANAGEMENT
Tuesday, March 21, 2023 @ 1PM

Chairman Price

Call to Order

Chairman Price

Roll Call

Chairman Price

Approval of Board Minutes
December 13, 2022 Meeting

REPORTS

Terry C. Pfeifer, Senior Consultant
Aon

Risk Funding Study
As of June 30, 2022

Melody Duke
Executive Director

Executive Director's Report

Stephen W. Panaro, CPA
Chief Financial Officer

Financial Report
PCard Report

Jeremy C. Wolfe
Loss Control Manager

Loss Control Report

Ashley E. Summitt
Chief Privacy Officer

Privacy Report

EXECUTIVE SESSION

UNFINISHED BUSINESS

NEW BUSINESS

ADJOURNMENT

ldm

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



Mark D. Scott
Cabinet Secretary

Melody Duke
Executive Director
Melody.A.Duke@wv.gov

****DRAFT****
MINUTES OF THE MEETING
WEST VIRGINIA BOARD OF RISK AND INSURANCE MANAGEMENT
December 13, 2022 @ 1PM

(Meeting held in person & telephonically to practice social distancing guidelines for COVID-19 pandemic response)

BOARD MEMBERS: Joseph Price, Chairman
Gordon Lane, Jr., Vice Chairman
Leah Cooper, Member
Kristin Boggs, Member
Allan L. McVey, Board Secretary, Ex-Officio Member
Commissioner, WV Office of the Insurance Commissioner

BRIM PERSONNEL: Melody Duke, Executive Director
Robert Fisher, Deputy Director/Claims Manager
Stephen W. Panaro, CPA, CFO
Jeremy Wolfe, Risk & Insurance Manager
Ashley Summit, Chief Privacy Officer
Woodrow White, Underwriting Manager
John Fernatt, Deputy Claims Manager
Valerie Poindexter, Claim Representative
Emily Fleck, CPA, Controller
Lora Myers, Recording Secretary

BRIM PROGRAM REPRESENTATIVES: Geoffrey Cullop, BRIM Counsel
Chuck Waugh, AIG Claim Services
Brenda Samples, USI Insurance Services. LLC
Bob Ayers, USI Insurance Services. LLC

GUESTS: Mark D. Scott, Secretary, Department of Administration
Kelsey Knotts, WVU Risk Management
Donna Hadrych, WVU Health Sciences
Stacie Honaker, WVU Health Sciences
Norman Mosrie, FORVIS, LLP
Roger Adkins, Guest
Terry Rose, Guest

CALL TO ORDER

- Chairman Price called the board meeting of the West Virginia Board of Risk and Insurance Management to order on Tuesday, December 13, 2022 at 1:03PM. The meeting was held in person with remote access also available.
- Chairman Price requested all board members and meeting attendees sign in to verify their attendance and remote joiners should verify with confirmation email.

APPROVAL OF MINUTES

- Chairman Price asked for a motion to approve the Minutes of the September 27, 2022, board meeting. Member Leah Cooper moved the approval of the board meeting minutes from the September 27, 2022 meeting. The motion was seconded by Chairman Price.
- No discussion, a vote took place and the MOTION ADOPTED.

REPORTS

FORVIS, LLP

- Chairman Price welcomed Norman Mosrie to present for FORVIS, LLP. Mr. Mosrie thanked the board for the opportunity to present. He also thanked Melody Duke and Stephen Panaro for their assistance with the audit especially in light of the new roles both have recently taken on.
- Mr. Mosrie made some general comments regarding FORVIS, LLP.
- Mr. Mosrie made reference to the provided handout, Report to the Board of Directors - June 30, 2022.
- Mr. Mosrie referenced the third tab in the report and reviewed the information thoroughly. He mentioned that old claims come to light and make the current year look unfavorable. BRIM has experienced a big swing in the number of adverse claims and many of the issues with Miracle Meadows and BOE claims have had an effect on the year. Many claims have not been paid at this point.
- Mr. Mosire reviewed the Income Statement.
- Mr. Mosrie noted that BRIM achieved the GFOA Government Finance Officers Association award for excellence in reporting for the 27th consecutive year.
- Mr. Mosrie asked for any questions, being none, Chairman Price thanked Mr. Mosire for his FORVIS presentation.
- The FORVIS, LLP report was received, a copy is attached and made part of the record.

Executive Director's Report

- Chairman Price called on Melody Duke to share the Executive Director's Report.
- Mrs. Duke reviewed the Medical Malpractice Programs for both Marshall University and West Virginia University. She reported total deposits into the escrow account and total disbursements for FY2023.
- Mrs. Duke reported on the State and Non State Liability Claim and Litigation Information. Six cases have been tried to verdict in 2022, three plaintiff verdict and three defense verdict. The Executive Director's Report also included details regarding trials, paid claims, outstanding claims, duration and closing ratio.
- Mrs. Duke also reported information on the upcoming legislative session. BRIM has submitted two proposed bills for the 2023 legislative session. The first bill is a request to transfer funds from the Mine Subsidence Program to the Non State Program; both programs are administered by BRIM. The transfer is necessary for the operation of the Non State program.

The second bill would update the current code sections for BRIM as it relates to the BOE entities. A final version has been submitted to the DoA Cabinet Secretary . The changes would include the definition of abuse, Institution of Learning, Qualifying Claim, liability insurance limit of \$1,000,000 and a cap on recovery to \$500,000 for all damages and a limit of \$500,000 for medical expenses. BRIM is also drafting an endorsement for the 2023 liability policy for all non-state insureds including BOE entities. The policy language will further detail the definition of abuse and occurrence. Hopefully, this reduces the multiple claimants to a single perpetrator and a one occurrence limit and one policy term.

- Mrs. Duke's report also included details on discussions on Reinsurance/Stop Loss Coverage. BRIM has decided to table discussions as we research how the impact of policy and code changes may affect the program in order to identify the specific needs of stop loss coverage.
- Claim Audit Services were also included in the Executive Director's Report. BRIM met with Strategic Claims Direction, the vendor selected to complete the claim audit in mid-October. During the first year, focus will be on liability programs with AIG. Subsequent years will review the internal property and mine subsidence claims. A draft report is expected in late spring.
- The Executive Director reported that BRIM was asked to present to a meeting of Chief Financial Officers and Procurement Officers on November 4, 2022. Robert Fisher gave the presentation which was well-received. The presentation provided general information about insurance, its purpose and how it fits into procurement processes and management of vendors doing business with higher education institutions. Woodrow White attended with Mr. Fisher to begin the transition from Melody Duke as a presenter for the Certificate of Insurance document.

- An update on the Risk Management Information System was included in the report. BRIM and Asset Works have set June 30, 2023, as a deadline for full implementation of the Underwriting and Loss Control modules. Meetings and discussions will result in testing, BRIM is anticipating making a break from the mainframe system.
- Mrs. Duke reported that BRIM met every deadline associated with the independent audit and submitting financials to the Department's Finance Division. BRIM Finance Department is currently working on the ACFR Annual Comprehensive Financial Report. BRIM also received the Government Finance Officers Association award for excellence in reporting for the 27th consecutive year.
- Mrs. Duke reported on Fiscal Year 2024 Insurance Renewals and Premium Rating. We anticipate renewal meetings for both the liability and property programs to occur in the upcoming months. We are also finalizing insured renewal exposure information for FY2024 premium rating. BRIM is anticipating liability increases for the BOEs and property rate increases for all insured. This is a result of the FY 2023 property insurance increase from insurance carriers.
- Upcoming Board Meeting Schedule for 2023:
 - Tuesday, March 21, 2023 @ 1PM
 - Tuesday, June 27, 2023 @ 1PM
 - Tuesday, September 19, 2023 @ 1PM
 - Tuesday, December 12, 2023 @ 1PM
- The Executive Director's Report was received and filed, a copy is attached and made part of the record.

BRIM Financial Report

- Chairman Price called on Stephen Panaro to present the Chief Financial Officer's Report to the Board.
- Mr. Panaro reviewed the P-Card Report for July, August, September and October 2022.
- Mr. Panaro gave an Audit Update. We completed our audit ahead of the October 17th deadline and submitted the financial statements and footnotes on October 14th. Mr. Panaro thanked the BRIM staff who helped with the audit.
- Mr. Panaro reported on the Current Financial Results. The financial results are for the four months ended October 31, 2022. The results reflect the actuarially estimated unpaid losses from AON's risk funding study as of September 30, 2022, plus an additional accrual for October.
- Net premium revenue through October has increased \$5.2 million compared to FY22. The increase reflects an increase in premiums based on the actuarial estimated loss pics.

- Retained case reserves are \$58.7 million higher this year compared to the prior year and actuarially estimated IBNR is \$40.1 million higher than the prior year. These increases are from reserve adjustments increases for the second, third and fourth quarters. Combined total current and non-current claims liabilities (i.e., unpaid claims) are \$98.8 million higher than last year through October. Our reserve adjustment in the first quarter of this year was \$3.0 million which is significantly less than the fourth quarter of FY22.
- Claims and claims adjustment expense of \$27.8 is \$1.6 million dollars lower than last year due to lower claims payments during the current fiscal year.
- Investment losses through October were \$11.8 million compared to investment income through October 2022 of \$1.3 million. This is a negative year over year change of \$13.1 million. Through October the Bank of New York trust lost \$9 million with losses occurring in every month with the exception of July. Because of the short duration of the fixed income holdings in the trust (3.6 years) and increasing interest rates the returns in the trust have been negative. Equity markets experienced volatility during FY22 and that trend is continuing in FY23. Our holdings with the WV Investment Management Board have declined \$5 million this fiscal year (4 million is due to investment losses with a \$1 million withdrawal in September).
- The combination of higher reinsurance premiums, lower claims expense, negative investment returns and a small increase in premium revenue resulted in a decrease in net position of \$12.7 million compared with a decrease in net position of \$4.2 million in FY22. The largest factor in this decrease were the investment losses of \$11.8 million. The overall impact is a year over year negative change of \$8.5 million.
- Currently, our net position of \$138.7 million includes the mine subsidence program's net position of \$75.4 million, leaving BRIM's unrestricted net position at \$63.3 million. This compares with a net position of \$272.7 million last year.
- Mr. Panaro's report included a review of Financial Markets. While financial markets continue to be volatile, the Dow Jones Industrial Average has risen since our last meeting. With the continued increases by the Federal Reserve and uncertainty in the economy this volatility will likely continue.
- The Federal reserve continues to increase interest rates. The Federal Reserve is meeting today and they have indicated rates will increase 0.5 percent. This comes after increases of 0.75 percent at each of the last four meetings. An increase of 0.5 percent would bring the bench-mark federal funds rate to a range between 4.25% and 4.5%, the highest level since December 2007.
- Inflation continues. The Commerce Department recently reported that its measure of consumer prices rose 0.3% in October from a month earlier. This puts the rate at 6% over last year. Due to short-term Treasury notes being well above long-term rates. This inverted yield curve, historically, has been an indicator of a recession. The best-case scenario is that the Fed can guide the economy to a "soft-landing" and avoid a recession.

- Mr. Panaro asked for questions, no questions.
- The Chief Financial Officer's Report was received and filed, a copy is attached and made part of the record.

Loss Control Report

- Chairman Price called on Jeremy Wolfe to present the Loss Control Report
- Mr. Wolfe reported on the state agency loss control questionnaires. We completed the evaluations of the FY2024 loss control questionnaire submissions. Approximately 112 agencies will be receiving a premium credit for their participation in our Standards of Participation program. This program is designed to help our insured reduce and control insurable claims through active risk management initiatives.
- BRIM and Liberty Mutual Insurance sponsored two boiler safety and operational seminars in November 2022. Approximately 85 participants attended the seminars. The level of interest from our insured continues to be high even with a three-year absence due to Covid-19 pandemic.
- In October, we sent out loss control questionnaires to our non-state insured. The completed questionnaires and supporting documentation are due to BRIM on January 1, 2023.
- During the months of October and November, Tawney conducted 82 Inspections and Liberty conducted 458 Inspections. These reports are being processed according to established procedures.
- Since the last report, there have been 28 Loss Control Visits, these visits which focus on all coverage areas and which result in information and/or loss control recommendations being provided. There have also been 13 Standards of Participation Visits. These are visits which are designed to provide assistance to our insured seeking to become compliant with the BRIM Standards of Participation Program.
- Mr. Wolfe asked if there were any questions, no questions.
- The Loss Control Report was received and filed, a copy is attached and made part of the record.

Privacy Report

- Chairman Price called on Ashley Summitt to present the Privacy Report
- Ms. Summitt reported on Management Team Meetings. October 17 - 19, 2022, the State Privacy Office held its biannual Privacy Retreat at Canaan Valley State Park. This is the first retreat held for the Privacy Management Team since 2018 due to the pandemic. Presentations included: The Convergence of Privacy and

Cybersecurity, Insurer's Underwriting Terms Relationships between Cybersecurity and Privacy, Advanced Privacy Officer Training and Breaking Down Incident Response. The presenters included professionals with A J Gallagher Insurance, State Coordinators from West Virginia and Delaware with the Cybersecurity and Infrastructure Security Agency, the State's Breach Coach from Bakerhostetler Law and the West Virginia Cybersecurity Officer and staff.

There were 42 privacy officers attending the 3 day event, from 22 agencies. The Privacy Office was able to apply and be awarded 8 hours of West Virginia Continuing Legal Education credit with the WV State Bar. Eleven attendees took advantage of the free CLE opportunity. The event was enjoyed except for an early October cold snap.

The next meeting will be the 2023 International Privacy Day/Week on January 28, 2023.

- Ms. Summitt reported on Privacy Trainings. July 19, 2022, the State Privacy Office held a virtual Privacy Management Team meeting with 29 members in attendance. Presentations included a cyber insurance policy update provided by Melody Duke, BRIM Executive Director; a hands on tutorial of the new privacy training's reporting options for privacy officers by Chief Cyber Security Officer Danielle Cox; and Privacy Impact Assessment slide show by Lori Tarr, Assistant Chief Privacy Officer. The next meeting of the Privacy Management Team will be the 2022 State Privacy Retreat held in person at Canaan State Park on October 17 - 19, 2022.
- Ms. Summitt also reported on Privacy Training. During the Fourth Quarter of 2022, 1,057 members of the Executive Branch workforce completed the online course *Privacy Awareness Training 2022*, which is a general privacy awareness training course. Also during the Fourth Quarter of 2022, 132 members of the Executive Branch workforce completed the online course, *WV Confidentiality Agreement*, which is required of all workforce members. During the same quarter, 7 members of the Executive Branch workforce completed the online course *HIPAA/HITECH*, a general training course and new *HIPAA Refresher Training (2021)* which was requested by PEIA.
- Ms. Summitt reported on the following training events were held by the SPO since the last board meeting:

On November 1, 2022, the Chief Privacy Officer did an overview of the State Privacy Office at the West Virginia Auditor's Office for their annual required training for Chapter 30 State Licensing Boards.

- Ms. Summitt's report also included information on Privacy Impact Assessments/Privacy Incident Response Assessments. A Privacy Impact Assessment (PIA) is a tool used to assess the privacy impact and risks to the personally identifiable information (PII) stored, used and exchanged by information systems. A PIA evaluates privacy implications when information systems are created, when existing systems are significantly modified or new technology is purchased.

Since October 1, 2022, sixteen (16) PIAs have been completed and submitted.

At this time, PIA completion is not mandatory for agencies but the Purchasing Division and WV Office of Technology are requiring that agencies purchasing a technology/software product speak with the Privacy Officer regarding the need for a Privacy Impact Assessment. The Privacy Office has seen a significant increase in the number of PIAs being filed and from agencies that are exempt from Purchasing.

- Ms. Summitt announced that Lori Tarr, Deputy Chief Privacy Officer, passed a very important certification exam for her privacy education. The CIPM, Certified Information Privacy Manager. This certification is offered by (IAPP) the International Association of Privacy Professionals, the gold standard for privacy education and certification of professionals.
- Ms. Summitt asked for any questions, no questions.
- Privacy Report was received and filed, a copy is attached and made part of the record.

UNFINISHED BUSINESS

NEW BUSINESS

- Board of Risk & Insurance Management (BRIM) Board of Directors welcomes two new members: Kristin Boggs and Tom Clark.

ADJOURNMENT

- Chairman Price asked for a motion to adjourn the BRIM board meeting. Chairman Price moved the meeting adjournment. The motion was seconded by Member Leah Cooper.
- No discussion, a vote took place and the MOTION ADOPTED.
- The meeting adjourned at 1:55PM

Board Chairman

Date



Mark D. Scott
Cabinet Secretary

Melody Duke
Executive Director
Melody.A.Duke@wv.gov

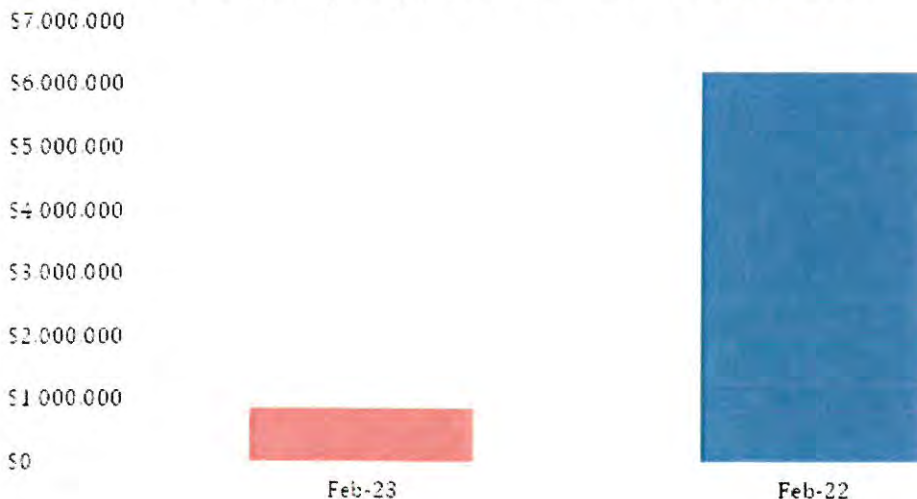
Executive Director's Report March 21, 2023

A. Marshall University and West Virginia University Medical Malpractice Program

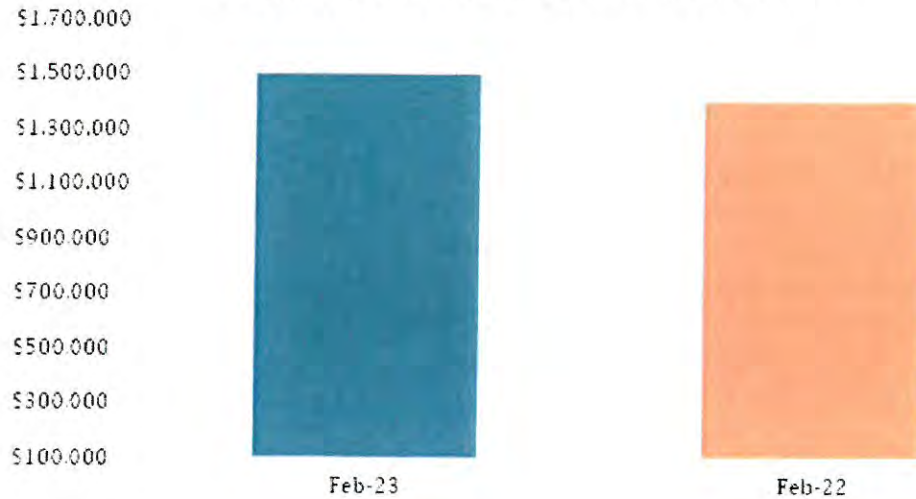
- As of March 13, 2023, Marshall has deposited \$1,525,000 into the escrow account for FY 2023. The fiscal year-to-date cumulative interest totals \$27,928.22. Disbursements totaling \$1,618,923.90 have been paid thus far in FY 2023.
- As of March 13, 2023, a total of \$3,293,581.01 has been deposited into WVU's escrow account for FY 2023. The fiscal year-to-date cumulative interest totals \$64,776.51. Disbursements totaling \$3,341,307.81 have been paid thus far in FY 2023.

B. State and Non-State Liability Claims & Litigation Information

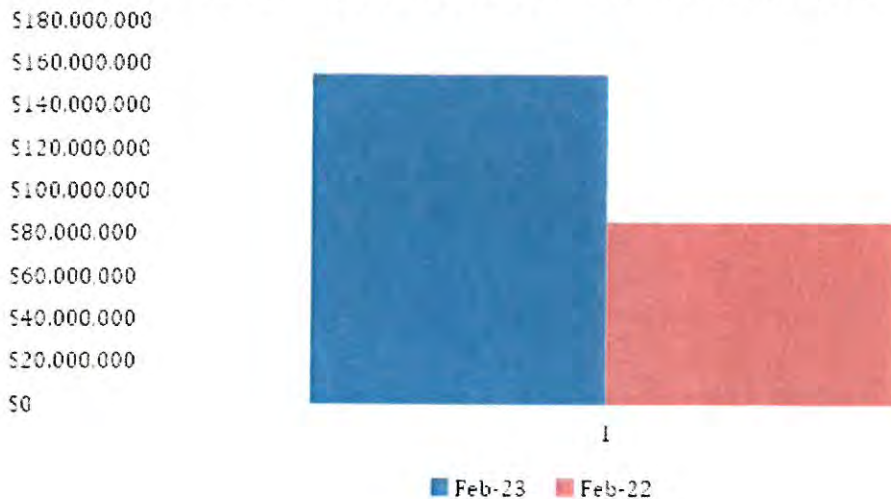
Indemnity Payments Feb 2023 vs Feb 2022



Legal Payments Feb 2023 vs Feb 2022



Indemnity Reserves Feb 2023 vs Feb 2022



TRIALS

We have tried three cases to verdict in 2023, one plaintiff verdict, one defense verdict and one case dismissed.

1/18/2023 (501-965583) Insured: Goodwill Industries; Plaintiff: Ezekiel Singer; Kanawha Co. Mgt. Ct.; Case dismissed at end of trial. Plaintiff alleged he was terminated for filing OSHA violations but was discharged for multiple policy violations. Prior to trial, the demand was \$5,000 and no offer was made.

1/31/2023 (501-732213) Insured: Office of the WV Insurance Commissioner; Plaintiff: Rebecca Roush; Kanawha Co. Cir. Ct.; Plaintiff verdict of \$2.2 million. Plaintiff, a Chief Administrative Law Judge for Workers' Compensation alleged gender discrimination when she was removed from her position. Demand was \$1,000,000. No offer was made. The case is currently on appeal.

2/13/2023 (501-487136) Insured: Boone Co. BOE; Plaintiff: Angela Hill; Boone Co. Cir. Ct.; Defense verdict. Plaintiff alleged gender and age discrimination as the result of her not being hired for six administrative positions. Last demand was \$485,000. Last offer was \$20,000.

PAID CLAIMS (February 2023 Data)

February 2023 Indemnity payments total \$6,200,000 vs February 2022 payments of \$860,800 an increase of 620.3%.

February 2023 Legal payments total \$1,400,000 vs. February 2022 Legal payments of \$1,500,000 a decrease of 6.7%.

OUTSTANDING CLAIMS (February 2023 Data)

February 2023 Indemnity reserves total \$154,600,000 vs. February 2022 Indemnity reserves of \$85,400,000, an increase of 81%.

February 2023 Expense reserves total \$32,800,000 vs. February 2022 Expense reserves of \$30,000,000 an increase of 9.3%.

CLAIMS COUNTS (February 2023 Data)

February 2023 New claims of 273 vs. February 2022 of 371, a decrease of 26.4%.

February 2023 Closed claims of 268 vs. February 2022 of 317, a decrease of 15.5%.

February 2023 Open claims of 1100 vs. February 2022 of 1000, an increase of 10%.

DURATION – CREATE TO CLOSED DATE CLAIMS (February 2023 Data)

February 2023 Duration of 162 Days vs. February 2022 Duration of 89 Days, an increase of 82%.

CLOSING RATIO (February 2023 Data)

February 2023 Closing Ratio of 97.4% vs. February 2022 Closing Ratio of 96.2%, an increase of 1.3%.

C. Legislative Session – BRIM submitted two proposed bills for the 2023 Legislative Session. HB 3542 was a request to transfer funds from the Mine Subsidence Program to the Senate Bill 3 Program. Both programs are administered by BRIM and the transfer is necessary for the operations of the Senate Bill 3 program. This bill was successful and is awaiting the Governor's signature.

The second bill, SB560, would have updated the current code sections for BRIM as it relates to the Boards of Education entities. The changes included definitions of abuse, Institution of Learning, Qualifying Claim, liability insurance limit of \$1,000,000 and a cap on recovery to \$500,000 for all damages and a limit of \$500,000 for medical expenses incurred. This bill was unsuccessful and was not passed out of the Senate Judiciary Committee.

The 2023 session ended and there were some bills that could affect BRIM such as SB10, the Campus Self-Defense Act which allows concealed carry-on higher education campuses, HB2006, which reorganized the Department of Health and Human Resources and HB2016 & SB495 relating to possible privacy issues relating to records of children and juvenile facility video and audio records.

D. BRIM will be implementing an endorsement for the 2023 liability policy for all non-state insureds, excluding the Boards of Education entities. The policy language will be to further tighten up the definition of abuse and occurrence and hopefully reduce the multiple claimants to a single perpetrator and a "one" occurrence limit and one policy term.

E. Cyber Market Update – BRIM met with our cyber brokers in February to discuss the upcoming renewal and cyber exposure collection process. Last year was the first year that the online questionnaire was available and while there were a few hiccups, overall, the collections process was greatly improved over previous years. The insurance market underwriters are still focused on controls the insureds have in place to mitigate threat actors. These include multi-factor authentication (MFA), endpoint detection and response (EDR), privileged access management (PAM), training and incident response. It appears the market rates are stabilizing, and ransomware activity is decreasing and there is slightly more capacity. In the coming weeks we will be engaging in an alternative risk solution, retention financing.

F. Claim Audit Services – BRIM met with Strategic Claims Direction, the vendor selected to complete the claim audit in mid-October. Year one focuses on the liability program with AIG and subsequent years will review the internal property and mine subsidence claims. BRIM has received a draft report and is currently reviewing.

G. Risk Management Information System Update – BRIM and Asset Works have set a June 30, 2023, deadline for full implementation of the Underwriting and Loss Control Modules. Meetings and discussions are resulting in testing in the next few months. BRIM is looking forward to making the break from the legacy mainframe system. The legacy system hosted by the Office of Technology is in the process of moving from its current local hosting environment to the cloud environment managed by Ensono.

H. BRIM met every deadline associated with its independent audit and submission of financial information to the Department's Finance Division. BRIM's Finance Department additionally successfully completed the ACFR (previously CAFR), Annual Comprehensive Financial. BRIM has received the GFOA (Government Finance Officers Association) award for excellence in reporting for the past 27 years.

I. Fiscal Year 2024 Insurance Renewals and Premium Rating – BRIM has preliminary met with AIG and AJG in anticipation of the renewal for the main liability programs and cyber for the State and Boards of Education. We are meeting with the property wholesaler in May, and we anticipate a 30-40% increase. BRIM has also provided exposure information for the Board of Education Excess Liability renewal and market conditions appear unfavorable for this coverage with possible reductions in coverage and higher attachment points. Finance and Underwriting has finalized program expense and exposure information for the FY 2024 premium rating.


J. Upcoming Board Meeting schedule for 2023:

Tuesday, June 27, 2023 @ 1PM

Tuesday, September 19, 2023 @ 1PM

Tuesday, December 12, 2023 @ 1PM

Sincerely,



Melody Duke
Executive Director

MAD/lm

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



Mark D. Scott
Cabinet Secretary

Melody Duke
Executive Director
Melody.A.Duke@wv.gov

**Chief Financial Officer's Report
March 21, 2023**

A. P-Card Report

CD copies mailed to the board contain the supporting detail for P-card purchases for the months of July through October 2022. These totals are:

November	\$52,135.16
December	\$51,034.07
January	\$53,984.59

B. Current Financial Results

- The financial results presented are for the seven months ended January 31st, 2023. The results reflect the actuarially estimated unpaid losses from AON's risk funding study as of December 31, 2022, plus an additional accrual for January.
- Net premium revenue through January has increased \$3.3 million compared to FY'22. The increase reflects an increase in premiums based on the actuarial estimated loss pics.
- Retained case reserves are \$42.8 million higher this year compared to the prior year and actuarially estimated IBNR is \$66.8 million higher than the prior year. Combined total current and non-current claims liabilities (i.e., unpaid claims) are \$109.6 million higher than last year based on the December 31st AON actuarial study. Our reserve adjustment in the second quarter of this year was higher than the second quarter of last year due to adverse claims development related to abuse claims primarily in the non-state program.
- Claims and claims adjustment expense of \$104.9 million is \$9.6 million dollars higher than last year due primarily to increased reserve adjustments during the current fiscal year.
- Investment income through January was \$5.6 million compared to investment losses through January of 2022 of \$5.3 million. This is a positive year over year change of \$10.9 million. Through January the Bank of New York trust has lost \$1.3 million with income in July, November and January offsetting most of the losses of the other months. Because of the relatively short duration of the fixed income holdings in the trust (3.6 years) and increasing interest rates the returns in the trust have been negative. Equity markets experienced volatility during FY22 and that trend is continuing in FY23. Our holdings with the West Virginia Investment Management Board have increased \$5.5 million this fiscal year. \$6.5 million of that is due to investment income with a \$1 million withdrawal in September. Additionally, we had \$443 thousand of interest income from the BTI through January.

- The combination of higher reinsurance premiums, increased claims expense, positive investment returns and a small increase in premium revenue resulted in a decrease in net position of \$52.2 million compared with a decrease in net position of \$56.6 million in FY'22. The largest factor in this decrease were the reserve adjustments of \$62 million for the second quarter. While the year-to-date negative change in net position is less than last year it is still significant.
- Our current net position of \$99.2 million includes the mine subsidence program's net position of \$80.4 million, leaving BRIM's unrestricted net position at \$18.8 million. This compares with a net position of \$220.2 million last year.

C. Financial Markets

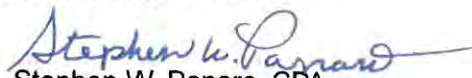
Financial markets have continued to be volatile since we had our last meeting in December. The DJIA has had many peaks and valleys this year, with a year to date return of - 3.4%. With the continued rate increases by the Federal Reserve and uncertainty in the economy this volatility is likely to continue.

In testimony before Congress on March 8th Federal Reserve Chair Jerome Powell stated the central bank is considering raising interest rates by more than a half percent later this month. Mr. Powell did say that no decision has been made on the increase. Last month Fed officials slowed the pace of their increases when they increased the fed funds rate by a quarter percentage point. This raised the fed funds rate to a range of between 4.5% and 4.75%. Mr. Powell also stated that the Fed is likely to lift rates higher than previously expected when they anticipated raising the benchmark fed funds rate to between 5% and 5.5% and holding it there into 2024.

Hiring continued to be strong in February with 311,000 jobs added, this follows 504,000 jobs added in January as reported by the Labor Department. Unemployment rose to 3.6% following January's rate of 3.4% which was the lowest rate in 53 years. The PCI (personal-consumption expenditures price index) rose 5.4% in January which excludes food and energy. Consumer spending was also strong in January. All of these factors create an environment of continued rate hikes

Because of increasing interest rates, the volatility of the stock market and inflation concerns BRIM's investment returns outlook remains uncertain for FY23.

Respectfully submitted,


Stephen W. Panaro, CPA
Chief Financial Officer

West Virginia Board of Risk and Insurance Management

Statements of Net Position

For the Seven Months Ended January 31st

	<u>2023</u>	<u>2022</u>
	<i>(In Thousands)</i>	
Assets		
Current assets:		
Cash and cash equivalents	\$ 14,770	\$ 19,602
Advance deposits with insurance company and trustee	254,404	250,429
Receivables	2,735	3,163
Prepaid insurance	3,316	1,959
Restricted cash and cash equivalents	16,023	12,682
Premiums due from other entities	1,222	1,184
Total current assets	<u>292,470</u>	<u>289,019</u>
Noncurrent assets:		
Equity position in internal investments pools	113,570	123,248
Restricted investments	67,329	71,176
Total noncurrent assets	<u>180,899</u>	<u>194,424</u>
Total assets	<u>473,369</u>	<u>483,443</u>
Deferred Outflows of Resources		
Deferred Outflows of Resources - OPEB	434	438
	61	115
Liabilities		
Current liabilities:		
Estimated unpaid claims and claims adjustment expense	103,306	61,326
Unearned premiums	17,700	16,293
Agent commissions payable	820	772
Claims Payable	0	0
Accrued expenses and other liabilities	2,627	2,487
Total current liabilities	<u>124,454</u>	<u>80,878</u>
Estimated unpaid claims and claims adjustment expense net of current portion		
	249,468	181,783
Compensated absences	167	172
Net pension liability	(894)	533
Total noncurrent liabilities	<u>248,741</u>	<u>182,487</u>
Total liabilities	<u>373,195</u>	<u>263,365</u>
Deferred Inflows of Resources		
Deferred Inflows of Resources - OPEB	1,156	35
	280	351
Net position:		
Restricted by State code for mine subsidence coverage	75,988	80,155
Unrestricted	75,415	196,713
Net Assets (Deficiency)	(52,170)	(56,624)
Net position	<u>\$ 99,233</u>	<u>\$ 220,244</u>

Unaudited

West Virginia Board of Risk and Insurance Management
 Statements of Revenues, Expenses, and Changes in Net Position

For the Seven Months Ended January 31st

	2023	2022
	<i>(In Thousands)</i>	
Operating revenues		
Premiums	\$ 55,819	\$ 49,689
Less coverage/reinsurance programs	(5,653)	(2,799)
Net operating revenues	50,166	46,890
Operating expenses		
Claims and claims adjustment expense	104,878	95,229
General and administrative	3,055	2,958
Total operating expenses	107,933	98,188
Operating income (loss)	(57,767)	(51,298)
Nonoperating revenues		
Investment income	5,597	(5,326)
Legislative Appropriation	0	0
OPEB Non Operating Income	0	0
Net nonoperating revenues	5,597	(5,326)
Changes in net position	(52,170)	(56,624)
Total net position, beginning of year	151,403	276,868
Total net position, end of period	\$ 99,233	\$ 220,244

Unaudited

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



Mark D. Scott
Cabinet Secretary

Melody Duke
Executive Director
Melody.A.Duke@wv.gov

**Loss Control Report to the Board
March 2023**

Non-state agency loss control questionnaires were due on January 1, 2023. 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 hope to complete the evaluation process during the month of March. To date, we have completed **670** evaluations.

This spring and summer, we will concentrate our loss control consultation services toward insured entities with unfavorable loss histories. We hope these efforts will assist the insured in identifying the primary areas in which their claims occur and provide an opportunity for us to give advice as to developing specific strategies and methods to enable the insured to control and/or avoid preventable claims.

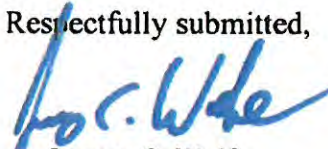
We are continuing our partnership with the West Virginia Public Service Commission by contributing risk management news articles for inclusion in their quarterly newsletter, "The Pipeline". This newsletter is distributed to public utility organizations and public service districts throughout the state.

During the months of December, January and February, Tawney conducted 225 inspections and Liberty Mutual Insurance conducted 796. The reports are being processed according to established procedures.

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, no consultation visits have occurred during this reporting period.

Dated: March 9, 2023

Respectfully submitted,


Jeremy C. Wolfe
Risk & Insurance Manager



Chief Privacy Officer's Report March 21, 2023

A. Management Team Meetings

- In place of the State Privacy Office's usual Privacy Management Team (PMT) meeting to celebrate International Data Privacy Day (January 28th), a celebration that expanded to the entirety of Data Privacy Week (January 23-28) and included all employees of the Executive Branch was used. Each day of the week was given a different topic with substantive information, a learning activity and a knowledge check quiz and was emailed to all of the PMT members to be disseminated to all their employees. Expanding the celebration to five days instead of the usual one, provided an opportunity to expound on the wide range of topics available under the heading of Data Privacy and to reach a wider audience, providing an additional training to all Executive Branch employees. The five topics presented were *Accountability, Individual Rights, Data Management, Information Security, Data Privacy Week Wrap-up*. Prizes were available for the first ten correct submissions of the activities/quizzes for each day.
- The next meeting of the Privacy Management Team will be March 28, 2023.

B. Privacy Training

- During the First Quarter of 2023, 549 members of the Executive Branch workforce completed the online course *Privacy Awareness Training 2022*, which is a general privacy awareness training.
- During the First Quarter of 2023, 198 members of the Executive Branch workforce completed the online course *WV Confidentiality Agreement*, which is required of all workforce members.
- During the First Quarter of 2023, 64 members of the Executive Branch workforce completed the online course *HIPAA/HITECH*, which is a general HIPAA training course and a new *HIPAA Refresher Training (2021)* which PEIA has requested.

The following training events were held by the SPO since the last board meeting:

- On February 22, 2023, the Chief Privacy Officer did a presentation/recording of *Purchasing as a Privacy Powerhouse* for the WV Purchasing Division's procurement officer annual training.

- On February 28, 2023, the annual legal statutory and regulatory analysis of state and federal privacy laws conducted by Pullin, Fowler, Flanagan, Brown & Poe was received by the State Privacy Office and has been made available on the State Privacy Office website. Kelly Pawlowski, an associate with Pullen, Fowler and Flanagan, who conducted the report, was recorded in her presentation of this information and was disseminated to all members of the Privacy Management Team.

C. Privacy Impact Assessments/ Privacy Incident Response Assessments

- A privacy impact assessment (PIA) is a tool used to assess the privacy impact and risks to the personally identifiable information (PII) stored, used, and exchanged by information systems. A PIA evaluates privacy implications when information systems are created, when existing systems are significantly modified, or new technology is purchased.
- Since January 1, 2023, eighteen (18) PIAs have been completed and submitted.
- At this point, PIA completion is not mandatory for agencies, but the Purchasing Division and the WV Office of Technology are requiring that agencies purchasing a technology/software product speak with the Privacy Office regarding the need for a Privacy Impact Assessment. The Privacy Office has seen a significant uptick in the number of PIAs being filed and from agencies that are exempt from Purchasing.

D. State Privacy Office Personnel

- The State Privacy Office has been approached by the Cybersecurity (Associate degree) program of Blue Ridge Community and Technical College to employ a student intern for the summer. SPO staff have identified a project for the intern that builds upon the theme of our October Privacy Retreat last fall, "What Every Privacy Officer Should Know About Cybersecurity." Interviews with potential candidates are beginning.

Very truly yours,

Ashley Summitt

Ashley Summitt, JD
Chief Privacy Officer
WV Executive Branch

**State of West Virginia
Board of Risk and Insurance Management**

Actuarial Discussion

Presented March 21, 2023

AON

Risk Funding Study As of 6/30/2022

AON



6/30/22 Retained Unpaid Loss Estimates – Goal/Scope

- Programs
 - State Spending Units (SSU)
 - Senate Bill 3 Entities (SB3)
- Coverages Evaluated
 - Automobile
 - General Liability
 - Property
 - Medical Malpractice
 - Mine Subsidence (standalone program separate from SSU and SB3)
- Estimated unpaid losses on an unlimited and retained basis as of 6/30/22
- Projected program year 7/1/22-23 and 7/1/23-24 ultimate retained losses
 - 7/1/23-24 ultimate retained loss forecast used in subsequent rating analyses
- Projected retained losses expected to be reported from 7/1/22-23
- Projected retained losses expected to be paid from 7/1/22-23
- Determination if a premium deficiency exists for any program/coverage

6/30/22 Retained Unpaid Loss Estimates - Definitions

- Unpaid Loss = Ultimate Loss – Paid Loss
 - Paid loss is included in data provided to actuary
 - Ultimate losses are actuarially determined through several projection methods

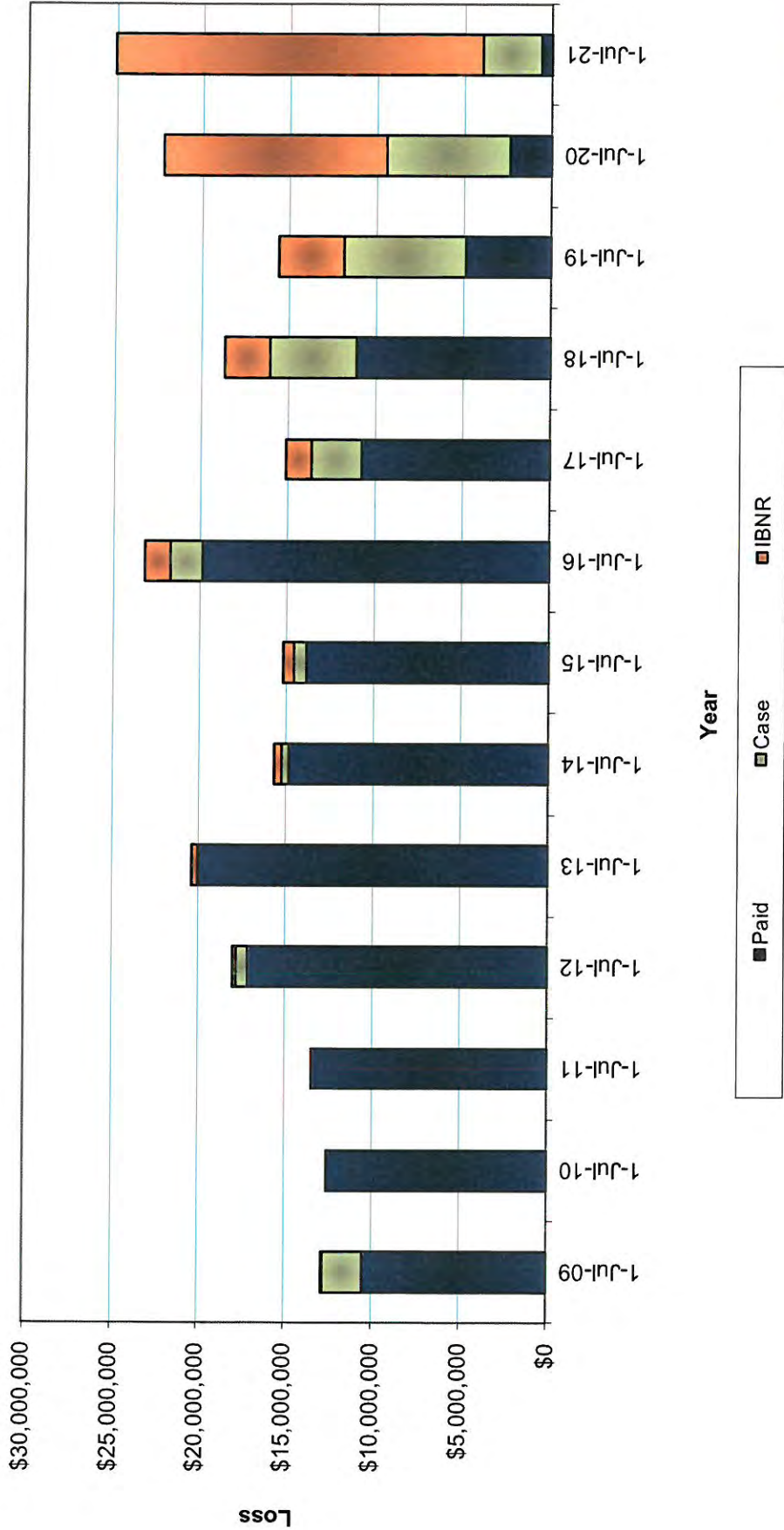
- Equivalently: Unpaid Loss = Case Reserves + IBNR
 - Case reserves are set by claim adjusters, and included in data provided to actuary
 - IBNR is actuarially determined

- IBNR = Incurred But Not Reported
 - Two Components
 1. Provision for incidents which have already occurred, but have not yet been reported as claims (sometimes called “pure” IBNR)
 2. Provision for further development on known claims (sometimes called IBNER: Incurred But Not Enough Reported)

- Ultimate Losses = Paid Losses + Case Reserves + IBNR

6/30/22 Retained Unpaid Loss Estimates – Example

GL SSU Net Ultimate Loss Components

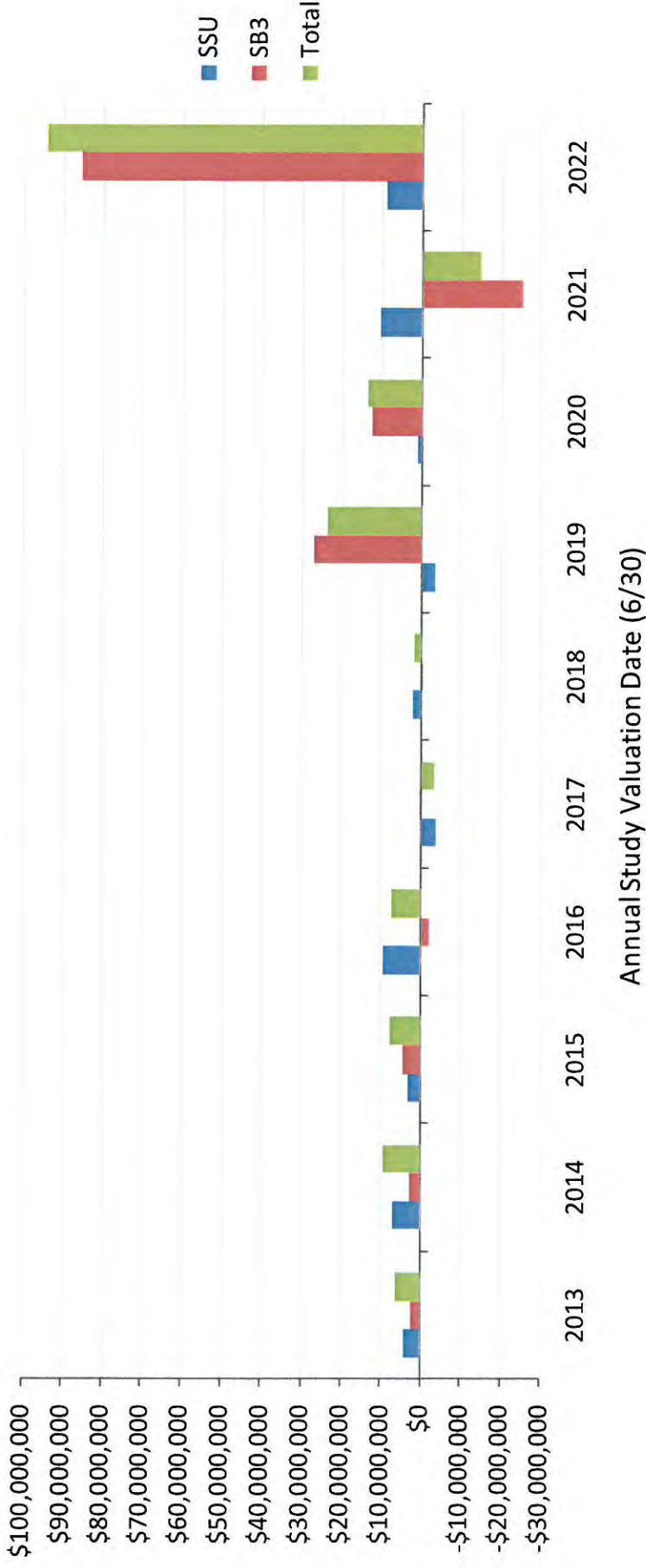


6/30/22 Retained Unpaid Loss Estimates - Results

- Estimated unpaid loss increased \$94.7 million (50.5%) from 6/30/2021
- SB3 general liability increased \$84.5 million
 - 57 new claims related to alleged abuse at a particular insured for accident years 2001-02 through 2013-14
 - 4 claims from accident year 2020-21 alleging abuse at a second insured location
 - Considered one incident for insurance purposes
 - Pierced BRIM's self-insured \$5 million x \$1.25 million excess layer
 - 7 claims from accident year 2021-22 alleging abuse at a third insured location
 - Considered separate claims for insurance purposes
 - Each claim reached BRIM's self-insured excess layer
- SSU general liability increased \$4.6 million
 - Due to the emergence of several large claims (primarily in accident years 2009-10 and prior) as well as a lower-than-expected level of loss payments
- SSU medical malpractice increased \$2.3 million
 - Several newly reported claims of approximately \$1 million each, coupled with relatively low level of loss payments between 7/1/21-6/30/22
- SSU property increased \$2.6 million
 - Three full-limits claims (all in accident year 2021-22)

Historical Changes in Unpaid Loss

**Historical Change in Retained Unpaid Loss Compared to Prior Annual Actuarial Review
Total SSU and SB3**



- Large increases/decreases in SB3 unpaid losses for 2019-2022 due to the reporting and payment of abuse claims

Data System Transition

- Effective 7/1/21, the new risk management loss data system became the primary and only record of claim activity
 - Changes in the way data is presented
 - The new risk management system is transaction-based
 - The legacy system was a summary and snapshot-in-time system
- Claims data reports are currently generated from the new risk management system for the property and mine subsidence claims
 - For general liability, auto, and medical malpractice, the reporting tool from the legacy system continued to be used while reconciliation work continues
- Some differences in the claims data (in total and between segments/coverages) between the old and new systems (in particular for older closed pre-2000 claims)
- However, data appears to be reasonable for estimating BRIM's outstanding liability and future ultimate losses

Retained Ultimate Loss Changes Between 6/30/21 and 6/30/22 Studies

Policy Inception	Change in Auto SSU Ult	Change in Auto SB3 Ult	Change in GL SSU Ult	Change in GL SB3 Ult	Change in Prop SSU Ult	Change in Prop SB3 Ult	Change in MM SSU Ult	Change in MM SB3 Ult	Change in MS Ult	Total SSU Change	Total SB3 Change	Overall Total Change
7/1/2008 & Prior	(1,870,158)	(924,830)	29,416,821	36,333,324	233,632	163,143	(25,616,753)	(553,311)	0	2,163,543	35,018,325	37,181,869
7/1/2009	(11,860)	(34,551)	2,337,000	6,187,768	27,334	0	0	211,128	0	2,352,473	6,364,344	8,716,818
7/1/2010	(27,114)	(158,651)	19,141	4,327,008	462	8,370	610,540	0	0	603,030	4,176,726	4,779,756
7/1/2011	0	(25,471)	42,619	5,428,799	7,936	5,096	0	0	0	50,555	5,408,424	5,458,979
7/1/2012	(96,909)	1,550	(390,000)	3,162,544	0	4,421	287,071	937,023	0	(199,838)	4,105,538	3,905,700
7/1/2013	(20,951)	40,282	(290,000)	7,685,903	49,660	6,975	917	6,545	0	(260,375)	7,739,705	7,479,330
7/1/2014	(13,347)	93,336	(230,000)	(392,246)	504,726	0	(508,838)	398,452	(4,940)	(247,459)	99,542	(152,858)
7/1/2015	(6,260)	(96,415)	(260,000)	(106,123)	14,607	63,030	(51,000)	0	0	(302,653)	(139,508)	(442,161)
7/1/2016	(80,359)	(326,623)	(830,000)	990,281	(1,699)	30,196	(775,000)	(117,000)	22,997	(1,687,058)	576,853	(1,087,208)
7/1/2017	(40,000)	(386,147)	250,000	96,853	12,436	184,813	535,000	(378,609)	(49,974)	757,436	(483,090)	224,373
7/1/2018	(490,000)	(352,317)	(2,070,000)	1,640,667	11,116	(38,658)	(1,890,000)	(59,324)	94,577	(4,438,884)	1,190,368	(3,153,939)
7/1/2019	(1,000,000)	(276,727)	(2,800,000)	758,535	89,235	1,170,127	2,110,000	(321,050)	71,092	(1,600,765)	1,330,885	(198,789)
7/1/2020	240,000	(1,828,752)	(800,000)	1,437,234	1,044,300	(139,500)	(530,000)	342,271	1,124,350	(45,700)	(188,748)	889,902
7/1/2021	1,806,840	(850,657)	(342,181)	17,815,193	3,794,223	(453,536)	401,432	30,347	416,784	5,660,313	16,541,346	22,618,443
Total	(1,610,118)	(5,125,973)	24,053,400	85,365,736	5,787,966	1,004,478	(25,426,632)	496,471	1,674,885	2,804,616	81,740,712	86,220,213
Total Excl Prior	260,039	(4,201,143)	(5,363,421)	49,032,412	5,554,334	841,335	190,121	1,049,782	1,674,885	641,073	46,722,387	49,038,345
Total Excl Latest	(3,416,958)	(4,275,316)	24,395,582	67,550,544	1,993,743	1,458,013	(25,828,063)	466,124	1,258,102	(2,855,697)	65,199,366	63,601,771

- Changes in 7/1/08 & prior ultimate losses for GL SSU and MM SSU largely due to recoding of 2000 and prior closed claims
- Changes in GL SB3 ultimate losses largely due to emergence of abuse claims at three particular insured locations

- Incurred Loss (in a Calendar Year) = (Ultimate Losses for Current Policy Period) + (Changes in Ultimate Losses for Prior Policy Periods)
- If changes in ultimate losses for prior policy years are negative, then the incurred losses are reduced (conversely, positive changes to prior policy year ultimate losses increases the incurred losses)
- Per previous slide, in the 6/30/22 risk funding study, prior policy year ultimate losses were increased by \$63.6 million
 - Driven by GL SB3
 - Some data “noise” from system transition

June 30, 2022 Risk Funding Study – Financial Impact

Coverage	Program	6/30/21 Retained Unpaid Losses	Paid in Period 7/1/21 - 6/30/22	Accrued in Period 7/1/21 - 6/30/22	Rollforward 6/30/22 Retained Unpaid Losses	Actual 6/30/22 Retained Unpaid Losses	Actuarial Adjustment Between 6/30/21 and 6/30/22 Reviews	Change in Unpaid Between 6/30/21 and 6/30/22 Reviews
Automobile	SSU	8,760,733	5,783,517	7,393,160	10,370,377	8,199,014	(2,171,363)	(561,719)
Automobile	SB3	12,025,104	1,269,650	8,405,349	19,160,803	12,080,218	(7,080,585)	55,114
Automobile	Total	20,785,837	7,053,166	15,798,509	29,531,180	20,279,232	(9,251,948)	(506,605)
General Liability	SSU	72,800,553	70,938,170	25,342,181	27,204,565	77,369,613	50,165,048	4,569,059
General Liability	SB3	56,237,906	18,866,173	17,604,807	54,976,539	140,755,596	85,779,057	84,517,691
General Liability	Total	129,038,459	89,804,343	42,946,989	82,181,105	218,125,209	135,944,105	89,086,750
Property	SSU	3,266,208	6,103,525	2,943,027	105,711	5,894,034	5,788,323	2,627,826
Property	SB3	2,097,055	3,478,285	3,336,536	1,955,306	2,963,152	1,007,845	866,096
Property	Total	5,363,263	9,581,809	6,279,563	2,061,017	8,857,185	6,796,168	3,493,922
Medical Malpractice	SSU	29,139,484	(45,107,062)	9,578,568	83,825,114	31,462,512	(52,362,601)	2,323,029
Medical Malpractice	SB3	2,085,152	(1,816,634)	662,807	4,564,594	2,099,847	(2,464,747)	14,695
Medical Malpractice	Total	31,224,636	(46,923,696)	10,241,376	88,389,708	33,562,359	(54,827,348)	2,337,724
Mine Subsidence		1,244,748	2,386,470	1,035,916	(105,805)	1,569,080	1,674,885	324,332
Subtotal SSU	SSU	113,966,978	37,718,149	45,256,937	121,505,766	122,925,173	1,419,407	8,958,195
Subtotal SB3	SB3	72,445,217	21,797,474	30,009,499	80,657,242	157,898,813	77,241,571	85,453,596
Grand Total		187,656,943	61,902,093	76,302,353	202,057,204	282,393,066	80,335,862	94,736,123

* Large offsetting changes between SSU GL and SSU MM payments due to redistribution of pre-2000 claims

Loss Funding

AON



Comparison of Premium and Ultimate Losses

Occurrence Period	SSU			SB3		
	Charged Premium	Projected Ultimate Retained Loss	Difference	Charged Premium	Projected Ultimate Retained Loss	Difference
7/1/1998	21,526,869	24,907,202	(3,380,333)	23,070,990	18,569,572	4,501,418
7/1/1999	20,982,952	29,173,913	(8,190,961)	22,677,285	21,101,221	1,576,064
7/1/2000	20,018,978	19,341,481	677,497	20,951,525	18,866,535	2,084,990
7/1/2001	27,130,323	21,716,023	5,414,300	26,524,921	32,413,793	(5,888,872)
7/1/2002	36,181,360	16,612,849	19,568,511	37,843,695	27,316,276	10,527,419
7/1/2003	36,011,418	20,023,245	15,988,173	35,793,345	31,738,687	4,054,658
7/1/2004	46,715,999	23,045,729	23,670,269	41,269,868	24,996,579	16,273,288
7/1/2005	39,985,777	17,640,619	22,345,158	40,920,237	27,801,366	13,118,871
7/1/2006	39,091,169	21,355,917	17,735,252	39,480,713	21,796,626	17,684,087
7/1/2007	36,258,662	23,290,981	12,967,681	34,852,156	20,352,437	14,499,719
7/1/2008	31,595,637	24,149,229	7,446,408	28,901,791	20,429,731	8,472,060
7/1/2009	28,257,070	23,450,945	4,806,125	27,889,296	22,888,388	5,000,908
7/1/2010	25,239,238	23,500,753	1,738,485	25,232,989	22,808,911	2,424,078
7/1/2011	25,296,014	28,677,437	(3,381,423)	23,769,617	35,021,312	(11,251,695)
7/1/2012	25,645,800	28,665,352	(3,019,552)	19,306,565	30,165,003	(10,858,438)
7/1/2013	27,255,798	31,266,864	(4,011,066)	22,654,784	37,372,345	(14,717,561)
7/1/2014	32,118,612	27,358,952	4,759,660	23,780,631	22,266,754	1,513,877
7/1/2015	37,539,189	26,793,115	10,746,074	24,839,798	25,466,290	(626,493)
7/1/2016	41,308,635	35,456,048	5,852,587	27,305,131	21,071,524	6,233,607
7/1/2017	45,525,708	31,093,808	14,431,900	29,303,814	22,201,994	7,101,820
7/1/2018	47,713,061	33,370,339	14,342,722	31,281,103	31,344,317	(63,214)
7/1/2019	47,671,801	36,327,235	11,344,566	30,667,674	22,690,585	7,977,089
7/1/2020	47,883,785	43,310,000	4,573,785	30,781,385	29,820,192	961,193
7/1/2021	48,856,179	50,917,250	(2,061,071)	32,440,548	46,550,846	(14,110,298)
Total	835,810,033	661,445,287	174,364,746	701,539,860	635,051,285	66,488,576

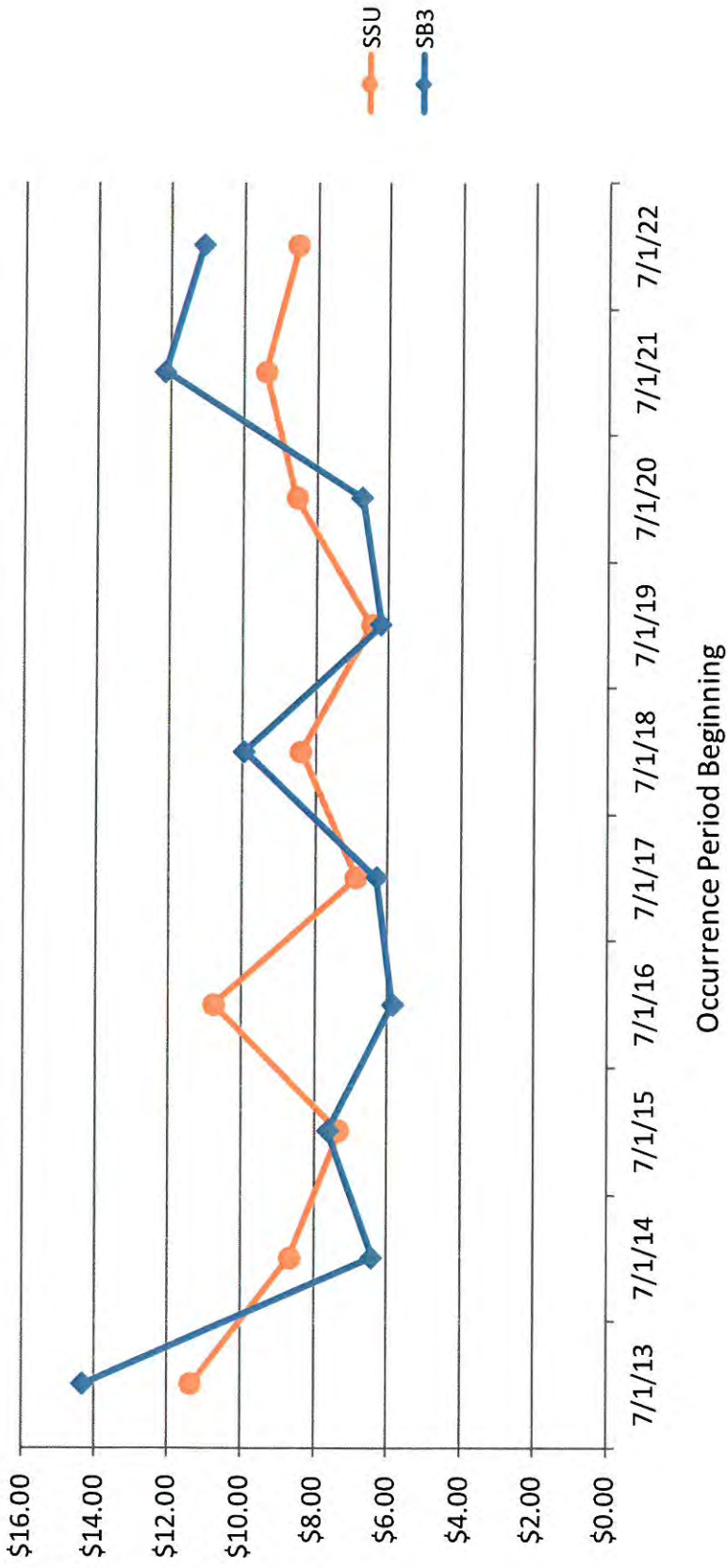
Note:

* SB3 premiums and losses beginning 7/1/20 reflect higher limits and self-insured excess coverage for BOE's.



General Liability

GL Loss Rate Per \$1,000 Payroll at 2022/23 Cost Level

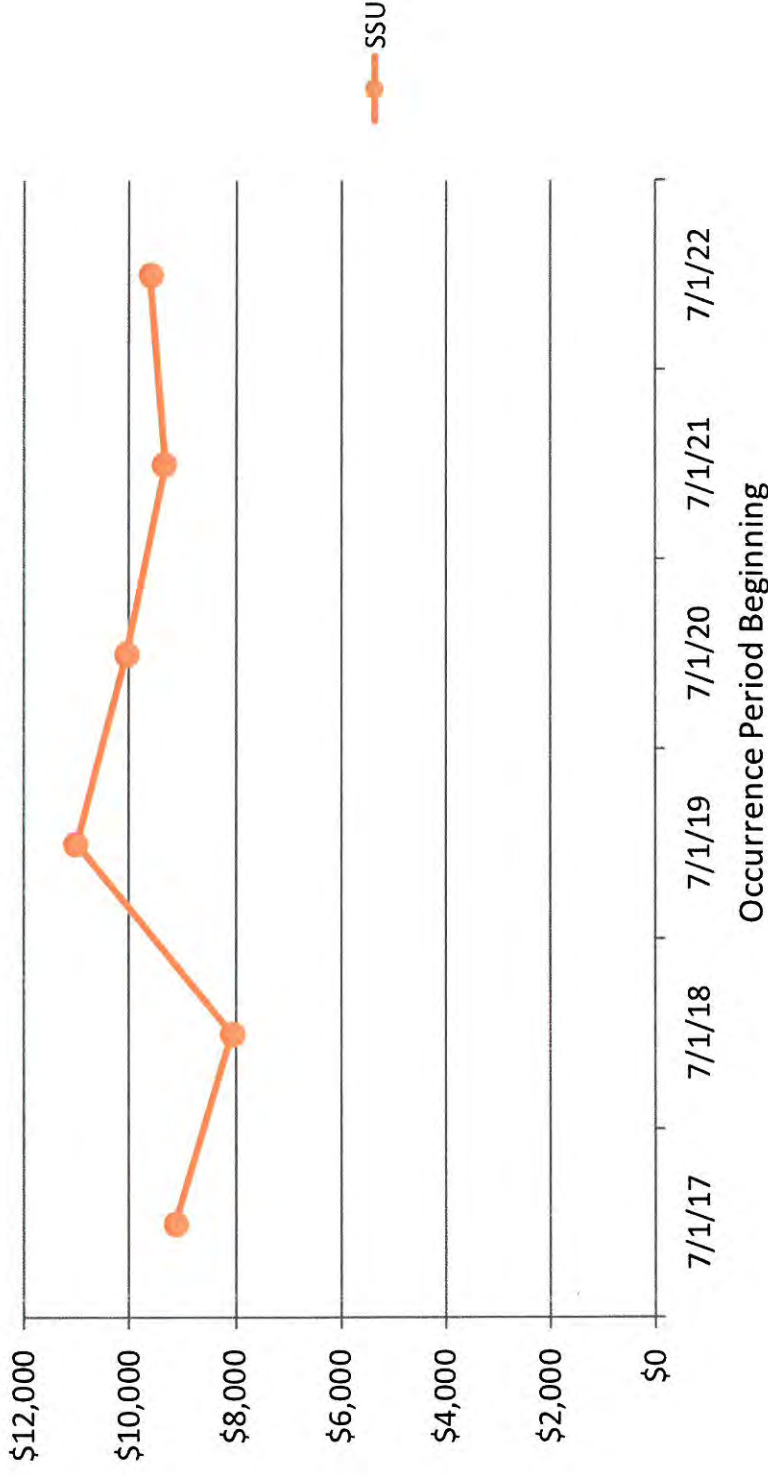


Note: Loss rates are on a retained basis, and gross of any deductibles.
Loss rate beginning 7/1/20 reflects \$6.25M limits/self-funded excess for BOE's.



Medical Malpractice

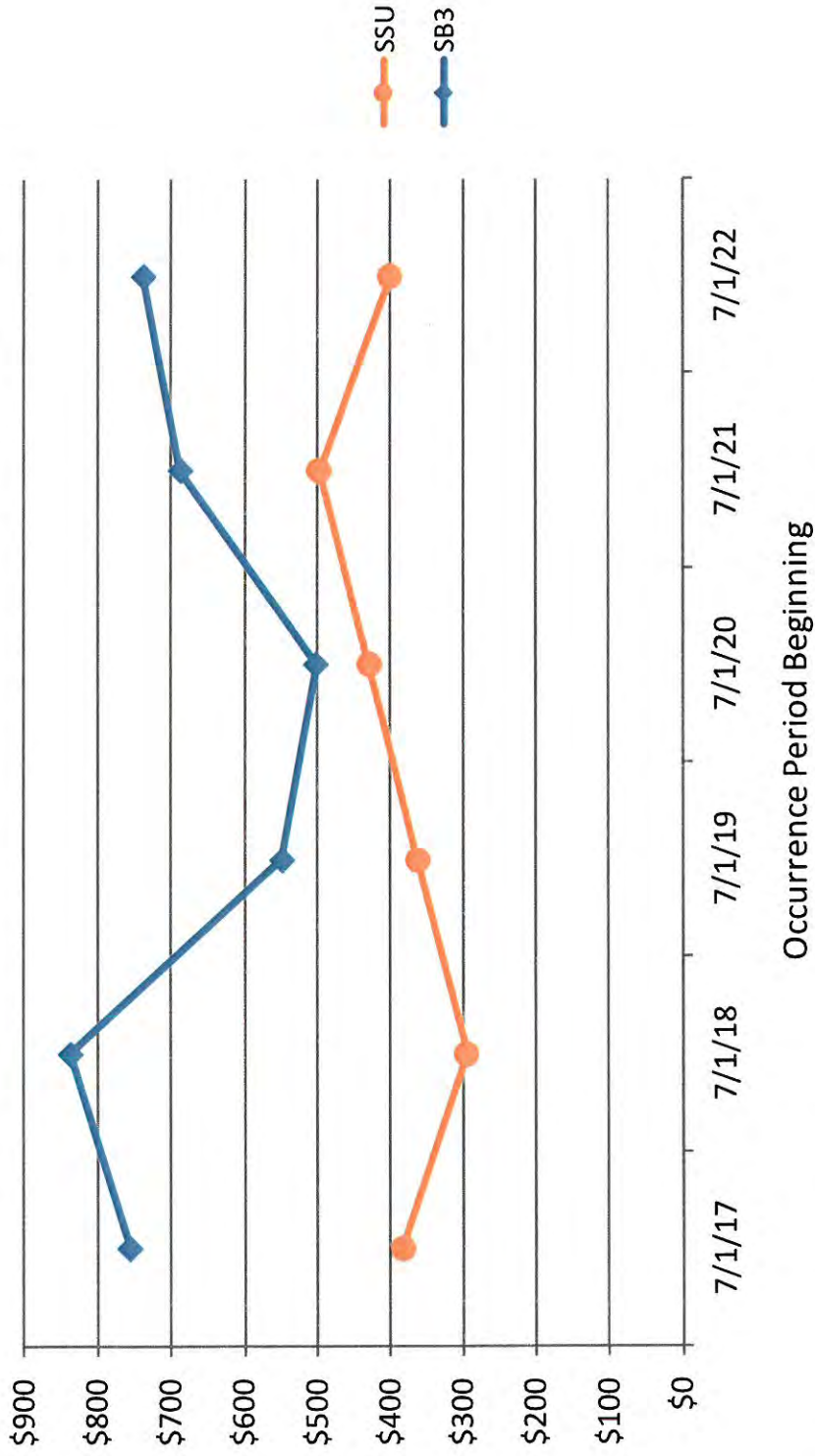
MM Loss Rate Per Base Class Physician FTE 2022/23 Cost Level



Note: Loss rates are on a retained basis, and gross of any deductibles. The limit for the medical schools increased effective 7/1/15 to \$1.5 million and increases each year in line with the CPI.

Automobile

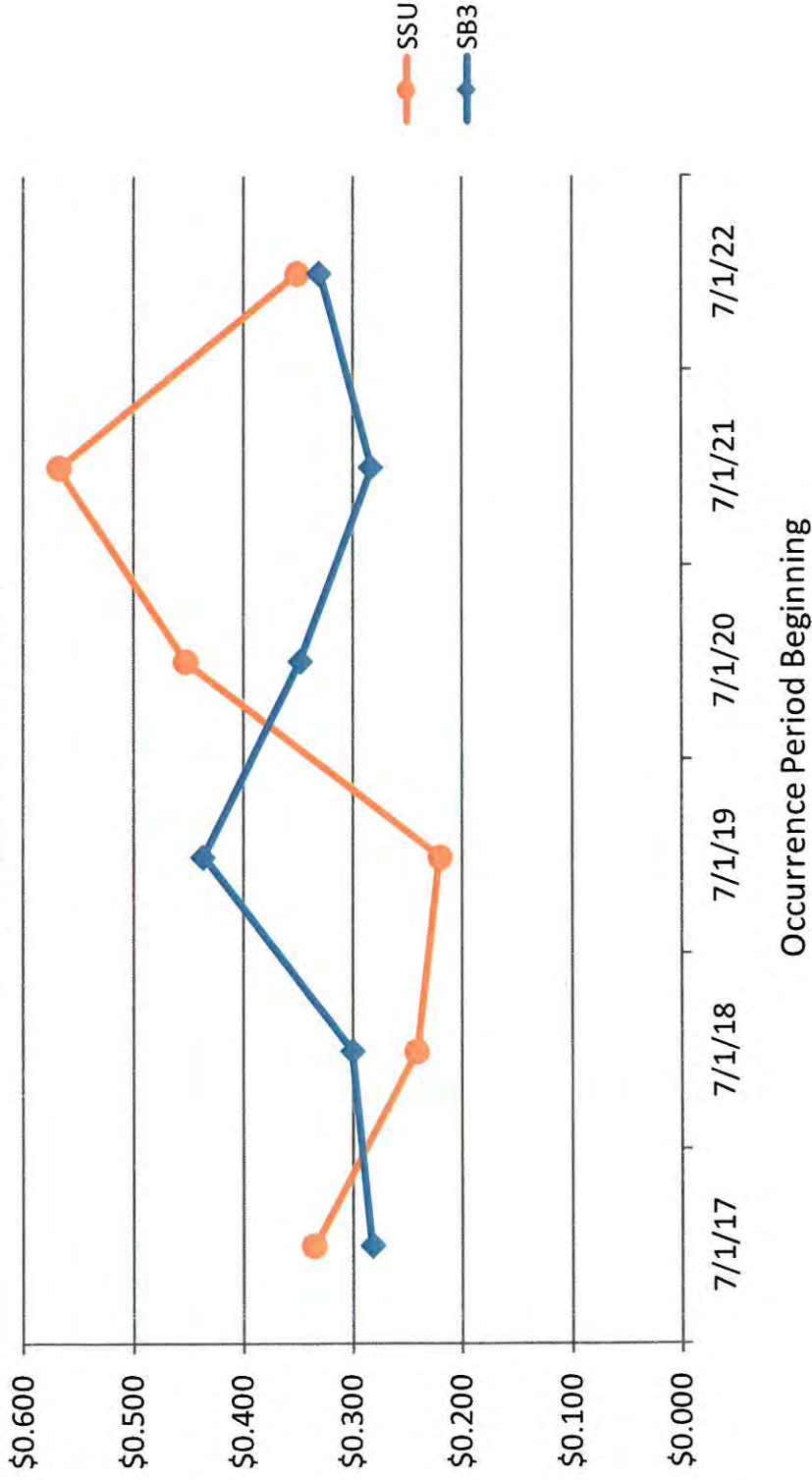
Auto Loss Rate Per Vehicle at 2022/23 Cost Level



Note: Loss rates are on a retained basis, and gross of any deductibles.
Loss rate beginning 7/1/20 reflects \$6.25M limits/self-funded excess for BOE's.

Property

Property Loss Rate Per \$1,000 Property Values at 2022/23 Cost Level



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



Interim Study
as of 12/31/2022

AON



December 31, 2022 Interim Analysis – Overview of Results

- Unpaid loss estimates increased \$66.3 million (23.5%) between 6/30/22 and 12/31/22
- Increase driven by SB3 General Liability (\$56.1 million)
 - 48 new claims/suits alleging abuse at a particular insured location
 - Suits filed just prior to 12/31/22
 - Currently case reserved for \$750,000 each
 - Including the 48 new claims, there have been 140 total claims alleging abuse at this insured location, of which 109 claims are still open
 - Considerable uncertainty around the SB3 General Liability results given the number and complexity of the claims
- Increases to unpaid losses for SB3 Automobile, SSU Medical Malpractice, and SSU/SB3 Property as well

December 31, 2022 Interim Analysis – Table of Results by Coverage

COMPARISON OF RETAINED UNPAID LOSS & ALAE (NET OF DEDUCTIBLES) 12/31/2022 vs. 6/30/2022

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Line of Business	Entity	Retained Case Reserves at 12/31/2022	Retained IBNR at 12/31/2022	Retained Unpaid at 12/31/2022	Retained Case Reserves at 6/30/2022	Retained IBNR at 6/30/2022	Retained Unpaid at 6/30/2022	Dollar Change	Percent Change
Automobile	SSU	2,833,600	5,391,966	8,225,566	3,338,312	4,860,702	8,199,014	26,552	0.3%
Automobile	SB3	7,055,077	6,555,067	13,610,144	5,805,003	6,275,215	12,080,218	1,529,926	12.7%
General Liability	SSU	34,264,281	45,644,715	79,908,996	32,545,824	44,823,789	77,369,613	2,539,383	3.3%
General Liability	SB3	79,551,014	117,351,308	196,902,322	55,877,177	84,878,419	140,755,596	56,146,726	39.9%
Property	SSU	5,531,800	1,099,247	6,631,047	4,988,050	905,984	5,894,034	737,013	12.5%
Property	SB3	2,295,376	1,727,816	4,023,192	1,957,876	1,005,276	2,963,152	1,060,041	35.8%
Medical Malpractice	SSU	11,836,223	23,150,151	34,986,374	10,824,148	20,638,364	31,462,512	3,523,861	11.2%
Medical Malpractice	SB3	1,024,320	1,373,625	2,397,945	974,739	1,125,108	2,099,847	298,098	14.2%
Line Subsidence		663,100	1,338,408	2,001,508	753,396	815,684	1,569,080	432,428	27.6%
Subtotal - SSU		54,465,904	75,286,079	129,751,983	51,696,334	71,228,839	122,925,173	6,826,810	5.6%
Subtotal - SB3		89,925,787	127,007,816	216,933,603	64,614,795	93,284,018	157,898,813	59,034,790	37.4%
Subtotal - SSU + SB3		144,391,690	202,293,895	346,685,586	116,311,128	164,512,858	280,823,986	65,861,600	23.5%
Total		145,054,790	203,632,303	348,687,094	117,064,524	165,328,542	282,393,066	66,294,028	23.5%

Change from 6/30/2022 to 12/31/2022
in Retained Unpaid Loss

Notes

Effective 7/1/20, the coverage limits for SB3 BOE's increased to \$1.25M for liability claims. BRIM is also self-funding the \$5 million x \$1.25 million excess coverage layer for BOE's.

The above values reflect BRIM's total retained unpaid loss (i.e. including self-funded SB3 BOE excess).

Rating

AON



Medical Professional Liability Market Update

- Loss Activity
 - Aon 2022 HPL/PPL benchmark report of losses limited to \$2M - findings:
 - Claim frequency for hospital professional liability remains stable
 - Claim severity, including defense costs, is growing at an annual rate of 3.0%
 - West Virginia loss costs 30% higher than countrywide average
- Impact of COVID-19 on medical professional liability claims
 - Claims were reported and closed more slowly during 2020 and 2021
 - Court closures and backlog
 - Average closed claim size in 2020 and 2021 was 23% higher than the average of the pre-pandemic years
- Large Loss Activity
 - After pandemic delay, a surge in lawsuit filings is expected
 - Unprecedented settlement demands
 - Deluge of previously delayed trials
 - “Social inflation” influence on outcomes

Property & Casualty Market Update

- Primary Casualty Market
 - Liability rate increases less than 8% for Q2 2022 renewals
 - With economic recovery, many insureds' exposures growing again
 - Rising inflation will impact medical costs and dollar-based exposures
 - Aggressive market competition improving options for insureds
 - Carriers may leverage other lines to help win or keep primary casualty
- Umbrella/Excess Casualty Market
 - Excess market continues to stabilize with improving market competition
 - Many insureds increased their limits with more capacity available
 - 3% average rate increase for Q2 2022 renewals
 - 29% of insureds saw rate decreases
 - Increasing client exposures from economic recovery aiding downward pressure on rates
- Property Market
 - Rates increased approximately 6% for Q2 2022 renewals
 - 19th consecutive quarter of positive rate increases (though the increases are slowing)
 - Markets concerned with exposure to business interruption with emphasis on supply chain management



Fiscal Year 2023/24 Rating for BRIM

- Currently working on the SSU and SB3 rating analyses for 2023/24 program year
- Particular attention is being paid to SB3 GL given the higher retained limit and recent loss emergence

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Questions & Discussion

AON

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



Mark D. Scott
Cabinet Secretary

Melody Duke
Executive Director
Melody.A.Duke@wv.gov

AGENDA
BOARD MEETING OF THE
WEST VIRGINIA BOARD OF RISK AND INSURANCE MANAGEMENT
Tuesday, June 27, 2023 @ 1PM

Chairman Price

Call to Order

Chairman Price

Roll Call

Chairman Price

Approval of Board Minutes
March 21, 2023 Meeting

REPORTS

Melody Duke
Executive Director

Executive Director's Report

Stephen W. Panaro, CPA
Chief Financial Officer

Financial Report
PCard Report

JeremyC. Wolfe
Loss Control Manager

Loss Control Report

Ashley E. Summitt
Chief Privacy Officer

Privacy Report

UNFINISHED BUSINESS

NEW BUSINESS

ADJOURNMENT

ldm

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



Mark D. Scott
Cabinet Secretary

Melody Duke
Executive Director
Melody.A.Duke@wv.gov

****DRAFT****

**MINUTES OF THE MEETING
WEST VIRGINIA BOARD OF RISK AND INSURANCE MANAGEMENT
March 21, 2023 @ 1PM**

(Meeting held in person & telephonically to practice social distancing guidelines for COVID-19 pandemic response)

BOARD MEMBERS: Joseph Price, Chairman
Gordon Lane, Jr., Vice Chairman
Leah Cooper, Member
Kristin Boggs, Member
Tom Clark, Member

BRIM PERSONNEL: Melody Duke, Executive Director
Robert Fisher, Deputy Director
Stephen W. Panaro, CPA, CFO
Jeremy Wolfe, Risk & Insurance Manager
Ashley Summit, Chief Privacy Officer
Woodrow White, Underwriting Manager
John Fernatt, Claim Manager
Valerie Poindexter, Claim Representative
Shannon Shaffer, Claim Representative
Jason Stover, Office Assistant
Lora Myers, Recording Secretary

BRIM PROGRAM REPRESENTATIVES: Geoffrey Cullop, BRIM Counsel
Chuck Waugh, AIG Claim Services
Brenda Samples, USI Insurance Services. LLC
Bob Ayers, USI Insurance Services. LLC
Janet Buckley, Assured Partners

GUESTS: Mark D. Scott, Secretary, Department of Administration
Kelsey Knotts, WVU Risk Management
Donna Hadrych, WVU Health Sciences
Stacie Honaker, WVU Health Sciences
Terry Pfeifer, Senior Consultant - AON (presentation)

CALL TO ORDER

- Chairman Price called the board meeting of the West Virginia Board of Risk and Insurance Management to order on Tuesday, March 21, 2023 at 1:03PM. The meeting was held in person and by remote access also.
- Chairman Price requested all board members and meeting attendees sign in to verify their attendance and remote joiners should verify with confirmation email.

APPROVAL OF MINUTES

- Chairman Price asked for a motion to approve the Minutes of the December 13, 2022, board meeting. Vice-Chairman Gordon Lane, Jr. moved the approval of the board meeting minutes from the prior meeting. The motion was seconded by Member Leah Cooper.
- No discussion, a vote took place and the MOTION ADOPTED.

REPORTS

AON

- Chairman Price welcomed Senior Consultant Terry Pfeifer to present the Risk Funding Study as of June 30, 2022, for Aon. Mr. Pfeifer joined the meeting remotely. He thanked the Board for the opportunity present.
- Mr. Pfeifer thanked the board for allowing him the opportunity to present and made general comments regarding AON.
- The Risk Funding Study as of June 30, 2022 was provided to all meeting participants prior to the meeting. Mr. Pfeifer made reference to the provided document and began his presentation.
- Mr. Pfeifer reviewed the Risk Funding Study thoroughly. He commented on the 6/30/22 Retained Unpaid Loss Estimates including the programs and coverages evaluated and defined IBNR (Incurred But Not Reported).
- The presentation covered 57 new claims related to alleged abuse at a certain insured for accident years 2001 - 2002 through 2013 - 2014. A large increase in SB3 unpaid losses for 2019 - 2022 due to the reporting and payment of abuse claims. Mr. Pfeifer continued to review the handout thoroughly regarding General Liability, Medical Malpractice, Automobile, and Property.
- Mr. Pfeifer also reviewed the Interim Study as of 12/31/2022. He mentioned that there are 48 new claims/suits for alleged abuse at an insured location. These suits were filed just prior to 12/31/22.

- Rating section of the study was discussed, which included the Medical Professional Liability Market Update. The claim severity, including defense costs, is growing at an annual rate of 3.0%. Loss cost in West Virginia is 30% higher than the country wide average. The average closed claim size in 2020 and 2021 was 23% higher than the average of the pre-pandemic years. Property & Casualty Market Update was reviewed and many insureds increased their limits with more capacity available.
- Mr. Pfeifer commented that the rating analyses for 2023/2024 program year is in the works. Particular attention is being paid to GL given the higher retained limit and loss emergence.
- Mr. Pfeifer answered questions from Vice Chairman Lane. Chairman Price thanked Mr. Pfeifer for his time and presentation.
- The AON report was received, a copy is attached and made part of the record.

Executive Director's Report

- Chairman Price asked Melody Duke to present the Executive Director's Report.
- Mrs. Duke reviewed the Medical Malpractice Programs for both Marshall University and West Virginia University. She reported total deposits into the escrow account as well as total disbursements for FY2023.
- Mrs. Duke reported on the State and Non State Liability Claim and Litigation Information. Three cases have been tried to verdict in 2023, one plaintiff verdict and one defense verdict, and a dismissed case. The Executive Director's Report also included details regarding trials, paid claims, outstanding claims, duration and closing ratio.
- Mrs. Duke also reported on the legislative session. BRIM submitted two proposed bills for the 2023 session. HB3542 was a request to transfer funds from the Mine Subsidence Program to the Non State Program; both programs are administered by BRIM. The transfer is necessary for the operation of the Non State program.

The second bill would update the current code sections for BRIM as it relates to the BOE entities. The changes would include the definition of abuse, Institution of Learning, Qualifying Claim, liability insurance limit of \$1,000,000 and a cap on recovery to \$500,000 for all damages and a limit of \$500,000 for incurred medical expenses. BRIM is also drafting an endorsement for the 2023 liability policy for all non-state insureds including BOE entities. The bill was unsuccessful. At the end of the 2023 session, there were bills that could have some effect on BRIM in the future.

- Mrs. Duke reported that BRIM will be implementing an endorsement for the 2023 liability policy for all non-state insureds, excluding BOE entities. The language used will further tighten up the definition for abuse and occurrence. This will hopefully reduce the multiple claimants to a single perpetrator and a “one” occurrence limit and one term policy.
- The Executive Director’s presentation included a Cyber Market Update. BRIM met with our cyber brokers in February 2023. This meeting was to discuss the upcoming renewal and cyber exposure collection process. Last year was the first that the online questionnaire was available. There were a few hitches but overall, the collection process was greatly improved. The insurance market underwriters are focused on controls the insureds have in place to mitigate threat. These include multi-factor authentication (MFA), endpoint detection and response (EDR), privileged access management (PAM), training and incident response. Market rates appear to be stabilizing, and ransomware activity is decreasing. In the near future, we will be engaging in an alternative risk solution, retention financing.
- The Executive Director’s Report included an update on the Claim Audit Services. Strategic Claims Direction is the vendor selected to complete the claim audit. Year one focuses on the liability programs with AIG. The following years will review the internal property and mine subsidence claims. A draft report has been received and is currently being reviewed.
- The Risk Management Information System was discussed during the report. A June 30, 2023, deadline has been marked by BRIM and Asset Works for full implementation of the Underwriting and Loss Control modules. Testing will be upcoming and BRIM anticipates making a break from the mainframe system.
- Mrs. Duke reported that BRIM met every deadline associated with the independent audit and submitting financials to the Department’s Finance Division. Also, BRIM’s Finance Department completed the ACFR Annual Comprehensive Financial Report. BRIM has been awarded the Government Finance Officers Association award for excellence for the 27th year.
- Mrs. Duke reported on Fiscal Year 2024 Insurance Renewals and Premium Rating. BRIM has met with AIG and AJG in anticipation of the renewal of the liability and the cyber for the State and BOEs. There is a meeting scheduled in May with the property wholesaler and we are expecting a 30-40% increase. BRIM has provided exposure information for the BOE Excess Liability renewal and market conditions appear unfavorable for this coverage. Finance and Underwriting have finalized program expense and exposure information for the FY2024 premium rating.
- Upcoming Board Meeting Schedule for 2023:
 - Tuesday, June 27, 2023 @ 1PM
 - Tuesday, September 19, 2023 @ 1PM
 - Tuesday, December 12, 2023 @ 1PM

- The Executive Director's Report was received and filed, a copy is attached and made part of the record.

BRIM Financial Report

- Chairman Price called on Stephen Panaro to present the Chief Financial Officer's Report to the Board.
- Mr. Panaro reviewed the P-Card Report for November, December 2022 and January 2023.
- Mr. Panaro reported on the Current Financial Results. The financial results presented are for the seven months ended January 31, 2023. The results reflect the actuarially estimated unpaid losses from AON's risk funding study as of December 31, 2022, plus an additional accrual for January.
- Net premium revenue through January has increased \$3.3 million compared to FY22. The increase reflects an increase in premiums based on the actuarial estimated loss pics.
- Retained case reserves are \$42.8 million higher this year compared to the prior year and actuarially estimated IBNR is \$66.8 million higher than the prior year. Combined total current and non-current claims liabilities (i.e., unpaid claims) are \$109.6 million higher than last year based on the December 31 AON actuarial study. Our reserve adjustment in the second quarter of this year was higher than the second quarter of last year due to adverse claims related to abuse claims mostly in the non-state program.
- Claims and claims adjustment expense of \$104.9 is \$9.6 million dollars higher than last year due to increased reserve adjustments during the current fiscal year.
- Investment income through January was \$5.6 million compared to investment losses through January 2022 of \$5.3 million. This is a positive year over year change of \$10.9 million. Through January the Bank of New York trust lost \$1.3 million with income in July, November and January offsetting most of the losses of the other months. Due to the short duration of the fixed income holdings in the trust (3.6 years) and increasing interest rates the returns in the trust have been negative. Equity markets experienced volatility during FY22 and that trend is continuing in FY23. Our holdings with the WV Investment Management Board have increased \$5.5 million this fiscal year. \$6.5 million of that is due to investment income with a \$1 million withdrawal in September. In addition, we had \$443 thousand of interest income from the BTI through January.
- The combination of higher reinsurance premiums, increased claims expense, positive investment returns and a small increase in premium revenue resulted in a decrease in net position of \$52.2 million compared with a decrease in net position of \$56.6 million in FY22. The largest factor in this decrease were the reserve adjustments of \$62 million for the second quarter. The year-to-date negative change in net position is less than last year but is still significant.

- Our current net position of \$99.2 million includes the mine subsidence program's net position of \$80.4 million, leaving BRIM's unrestricted net position at \$18.8 million. This compares with a net position of \$220.2 million last year.
- Financial Markets review was covered in Mr. Panaro's report. Since our December meeting, financial markets have continued to be volatile. The Dow Jones Industrial Average has experienced many peaks and valleys this year. With current situations in the economy, most likely this volatility will continue.
- On March 8, 2023, Federal Reserve Chair Jerome Powell stated the central bank is considering raising interest rates later in the month. Last month Fed officials slowed increases when they increased the fed fund rate by a quarter percentage point. This raised the fed fund rate to a range of between 4.5 and 4.75%. Mr. Powell commented that the Fed is likely to lift rates higher than previously expected when they anticipated raising the benchmark fed funds rate to between 5 and 5.4% and holding into 2024.
- Hiring continues strong in February with 311,000 jobs added, as reported by the Department of Labor. Unemployment rose to 3.6% following the January rate of 3.4% which was the lowest rate in 53 years. The PCI (personal-consumption expenditures price index) rose 5.4% during January. Consumer spending was strong in January. All of these factors contribute to continued rate hikes.
- Mr. Panaro reported that due to the increase in interest rates, the volatility of the stock market and inflation concerns BRIM's investment returns outlook continues to be uncertain.
- Mr. Panaro asked for questions, no questions.
- The Chief Financial Officer's Report was received and filed, a copy is attached and made part of the record.

Loss Control Report

- Chairman Price called on Jeremy Wolfe to present the Loss Control Report
- Mr. Wolfe reported on non-state agency loss control questionnaires which were due January 1, 2023. We have been evaluating those questionnaires to apply credits or surcharges based on insured participation in our Standards of Participation program. Our goal is to complete the evaluation process in March. Currently, we have completed 670 evaluations.
- Over the spring and summer months, we will focus our loss control consultation services toward insured entities with unfavorable loss histories. It is our hope that these efforts will assist the insured in identifying the main areas in which their claims occur and provide an opportunity for advice to be given in developing specific strategies and methods to help control and/or avoid preventable claims.

- Mr. Wolfe reported that BRIM is continuing its partnership with the West Virginia Public Service Commission by contributing risk management news articles to be included in their quarterly newsletter, "The Pipeline". The newsletter is distributed to public utility organizations and public service districts in the state.
- From December 2022 - February 2023, Tawney conducted 225 inspections and Liberty Mutual Insurance conducted 796. These reports are being processed according to established procedures.
- As is the case each year, the number of loss control visits decline during the period we are evaluating loss control questionnaire submissions. Consultations have not occurred during this reporting period.
- Mr. Wolfe asked if there were any questions, no questions.
- The Loss Control Report was received and filed, a copy is attached and made part of the record.

Privacy Report

- Chairman Price called on Ashley Summitt to present the Privacy Report
- Ms. Summitt reported on Management Team Meetings. In place of the State Privacy Office's usual Privacy Management Team (PMT) meeting to celebrate International Data Privacy Day (January 28th), a celebration that expanded to the entirety of Data Privacy Week (January 23rd - 28th) and included all employees of the Executive Branch. Each day was assigned a specific topic with substantive information, an activity and a knowledge quiz and was emailed to all the PMT members to be disseminated to all their employees.

Expanding the celebration provided an opportunity to cover a wide range of topics under the Data Privacy umbrella and to reach more of an audience. This provided additional training to Executive Branch employees. The five topics presented were Accountability, Individual Rights, Data Management, Information Security and Data Privacy Week Wrap-Up.

The next meeting of the Privacy Management Team will be March 28, 2023.

- The Chief Privacy Officer reported on Privacy Trainings. During the first quarter of 2023, 549 members of the Executive Branch workforce completed the online course *Privacy Awareness Training 2022*, which is a general privacy awareness training course. Also during the first quarter of 2023, 198 members of the Executive Branch workforce completed the online course, *WV Confidentiality Agreement*, which is required of all workforce members. During the same quarter, 64 members of the Executive Branch workforce completed the online course *HIPAA/HITECH*, a general training course and new *HIPAA Refresher Training (2021)* which was requested by PEIA.

- Ms. Summitt reported on the following training events were held by the SPO since the last board meeting:

February 22, 2023, the Chief Privacy Officer did a presentation/recording of *Purchasing as a Privacy Powerhouse* for the WV Purchasing Division's procurement officer annual training.

February 28, 2023, the annual legal statutory and regulatory analysis of state and federal privacy laws conducted by Pullin, Fowler, Flanagan, Brown & Poe was received by the State Privacy Office and has been made available on the State Privacy Office website. Kelly Pawlowski, and associate with the firm, conducted the report and was recorded in her presentation and was disseminated to all members of the Privacy Management Team.

- Ms. Summitt's report also included information on Privacy Impact Assessments/Privacy Incident Response Assessments. A Privacy Impact Assessment (PIA) is a tool used to assess the privacy impact and risks to the personally identifiable information (PII) stored, used and exchanged by information systems. A PIA evaluates privacy implications when information systems are created, when existing systems are significantly modified or new technology is purchased.

Since January 1, 2023, eighteen (18) PIAs have been completed and submitted.

At this time, PIA completion is not mandatory for agencies but the Purchasing Division and WV Office of Technology are requiring that agencies purchasing a technology/software product speak with the Privacy Officer regarding the need for a Privacy Impact Assessment. The Privacy Office has seen a significant increase in the number of PIAs being filed and from agencies that are exempt from Purchasing.

- Ms. Summitt also reported The State Privacy Office has been approached by the Cybersecurity (Associate Degree) program of Blue Ridge Community and Technical College to employ a student intern for the summer. SPO staff have identified a project for the intern that builds on the theme "What Every Policy Officer Should Know About Cybersecurity. Interviews with potential candidates are under
- Ms. Summitt asked for any questions, no questions.
- Privacy Report was received and filed, a copy is attached and made part of the record.

UNFINISHED BUSINESS

NEW BUSINESS

- Vice Chairman Gordon Lane, Jr. moved to join an Executive Session. The motion was seconded by Member Leah Cooper.
- There being no discussion, a vote took place and the MOTION ADOPTED.
- Met in Executive Session, no action taken.
- Chairman Joseph Price declared the return to public session.

ADJOURNMENT

- Chairman Price asked for a motion to adjourn the BRIM board meeting. Member Leah Cooper moved the meeting adjournment. The motion was seconded by Vice Chairman Gordon Lane, Jr.
- No discussion, a vote took place and the MOTION ADOPTED.
- The meeting adjourned at 2:42PM

Board Chairman

Date



Mark D. Scott
Cabinet Secretary

Melody Duke
Executive Director
Melody.A.Duke@wv.gov

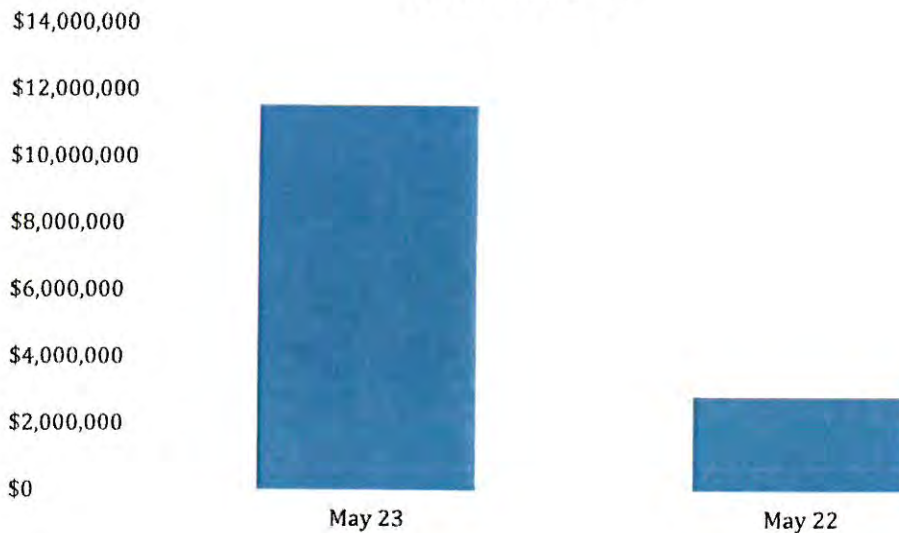
**Executive Director's Report
June 27, 2023**

A. Marshall University and West Virginia University Medical Malpractice Program

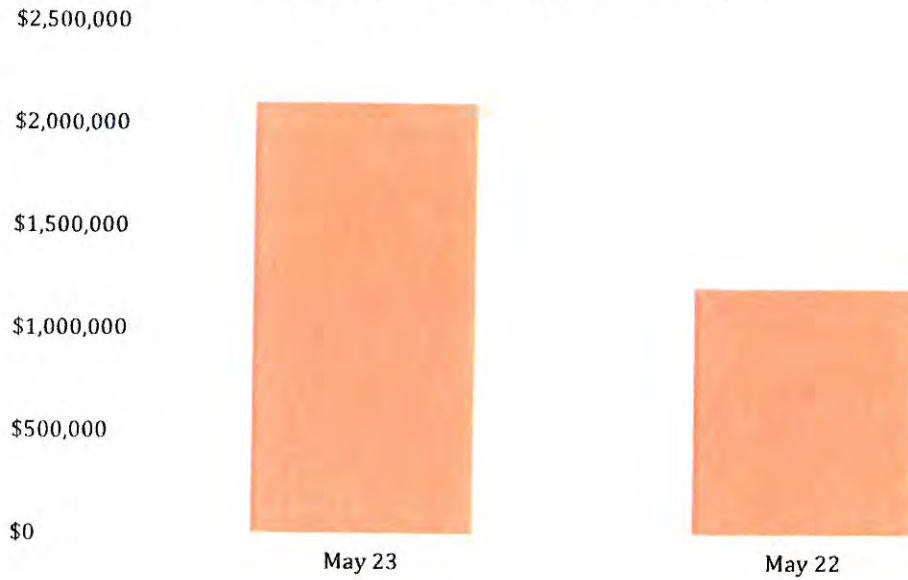
- As of June 21, 2023, Marshall has deposited \$1,525,000 into the escrow account for FY 2023. The fiscal year-to-date cumulative interest totals \$44,421.23. Disbursements totaling \$2,454,406.40 have been paid thus far in FY 2023.
- As of June 21, 2023, a total of \$6,326,980.72 has been deposited into WVU's escrow account for FY 2023. The fiscal year-to-date cumulative interest totals \$96,755.07. Disbursements totaling \$6,417,224.07 have been paid thus far in FY 2023.

B. State and Non-State Liability Claims & Litigation Information

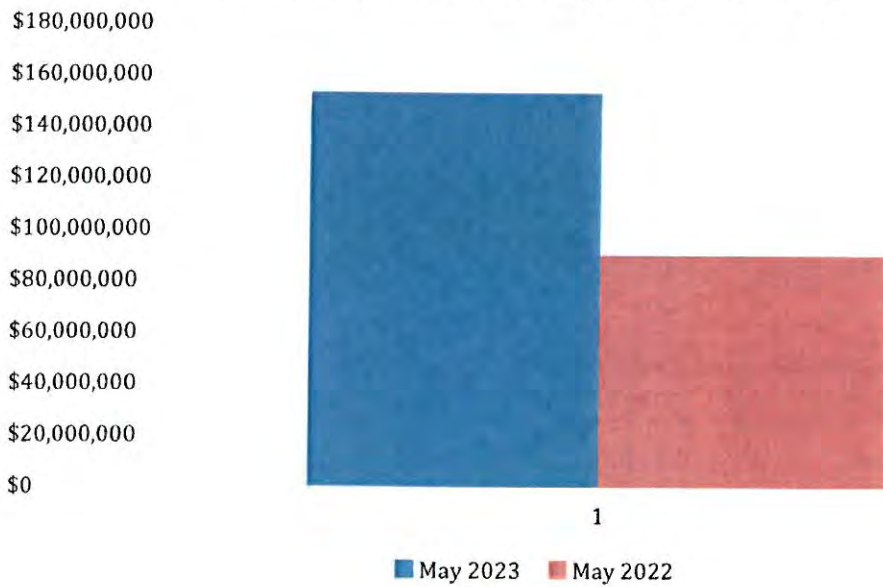
**Indemnity Payments May
FY 23 vs FY 22**



Legal Payments May FY 23 vs FY 22



Indemnity Reserves May FY 23 vs FY 22



TRIALS

We have tried six cases to verdict so far in 2023, with three plaintiff verdicts, two defense verdicts and one case dismissed. **New cases are listed in bold print.**

1/18/2023 (501-965583) Insured: Goodwill Industries; Plaintiff: Ezekiel Singer; Kanawha Co. Mgt. Ct.; Case dismissed at end of trial. Plaintiff alleged he was terminated for filing OSHA violations but was discharged for multiple policy violations. Prior to trial, the demand was \$5,000 and no offer was made.

1/31/2023 (501-732213) Insured: Office of the WV Insurance Commissioner; Plaintiff: Rebecca Roush; Kanawha Co. Cir. Ct.; Plaintiff verdict of \$2.2 million. Plaintiff, a Chief Administrative Law Judge for Workers' Compensation alleged gender discrimination when she was removed from her position. Demand was \$1,000,000. No offer was made. The case is currently on appeal.

2/13/2023 (501-487136) Insured: Boone Co. B.O.E.; Plaintiff: Angela Hill; Boone Co. Cir. Ct.; Defense verdict. Plaintiff alleged gender and age discrimination as the result of her not being hired for six administrative positions. The last demand was \$485,000. The last offer was \$20,000.

3/30/2023 (501-827681) Insured: Bluefield State University; Plaintiff: Sara Ballard; Mercer Co. Cir. Ct.; Plaintiff verdict of \$15,000. Plaintiff alleged she was discharged as the result of discrimination. Last demand was \$10,000. The last offer was \$2,000.

5/4/2023 (501-852072) Insured: Wyoming Co. B.O.E.; Plaintiff: Paige Hatfield; Wyoming Co. Cir. Ct.; Plaintiff verdict of \$30,000. Plaintiff was sent to alternative school as the result of threatening behavior. Demand was \$95,000. The offer was \$3,500.

5/25/2023 (501-550136) Insured: WV Fire Commission; Plaintiff: Tammy Wratchford; Hardy Co. Cir. Ct.; Defense verdict for Insured. Plaintiff alleged the insured maliciously indicated that the house fire was arson. Plaintiff's demand was \$7,000,000. No offer was made.

PAID CLAIMS (May 2023 Data)

May 2023 Indemnity payments total \$11,500,000 vs May 2022 payments of \$2,800,000 an increase of 310.7%.

May 2023 Legal payments total \$2,100,000 vs. May 2022 Legal payments of \$1,200,000 an increase of 75%.

OUTSTANDING CLAIMS (May 2023 Data)

May 2023 Indemnity reserves total \$152,800,000 vs. May 2022 Indemnity reserves of \$89,900,000, an increase of 70%.

May 2023 Expense reserves total \$33,900,000 vs. May 2022 Expense reserves of \$30,700,000 an increase of 10.4%.

CLAIMS COUNTS (May 2023 Data)

May 2023 New claims of 336 vs. May 2022 of 278, an increase of 20.9%.

May 2023 Closed claims of 387 vs. May 2022 of 276, an increase of 40.2%.

May 2023 Open claims of 1200 vs. May 2022 of 976, an increase of 23%.

DURATION – CREATE TO CLOSED DATE CLAIMS (May 2023 Data)

May 2023 Duration of 134 Days vs. May 2022 Duration of 77 Days, an increase of 74%.

CLOSING RATIO (May 2023 Data)

May 2023 Closing Ratio of 114.6% vs. May 2022 Closing Ratio of 97.1%, an increase of 18%.

A. Insurance Renewals – BRIM has received several insurance renewals for the upcoming fiscal year. The Board of Education Cyber renewal has two proposals. One from the current carrier AIG and a second one from Starr. The Starr proposal is a 35% reduction in premium over the current premium and has increased the sublimit from \$1,000,000 per entity to \$10,000,000 per entity. The State Cyber renewal has two proposals. The current carrier has provided four options varying in limits from \$11,500,000 to \$25,000,000. Starr has also provided a proposal for a \$10,000,000 limit. We are reviewing to determine the best options, but it is our desire to purchase limits up to \$25,000,000. There are a few logistics that need to be finalized before this Friday. The County Boards of Education Excess has received three proposals. At this time, we are evaluating and have gone back to the market to determine if we can purchase layers to achieve an aggregate of at least \$15,000,000. Finally, BRIM has received preliminary indications on the property renewal. Last July 1, 2022, the incumbent primary carrier for the first \$25 million had declined to renew the guarantee and had declined to be the primary. The renewal premium increased 107% going from \$4.1 million to \$8.5 million and the first \$25 million layer had 10 carriers versus 1 carrier. For the July 1, 2023, renewal, we have been provided with an estimated premium increase of 30% - 40% and we will have some new carriers as the market players have changed their participation.

B. BRIM will be implementing four endorsements for the 2023 liability policy for both state and non-state insureds. The first is for all insureds, and it amends the Supplementary Payments section and includes attorney fees as part of the limit of liability opposed to the current form of being in addition to the limit. The second is for all insureds and adds “offenses” as part of the limit of liability and deems “occurrence”, “offense” and “loss” as related claims. This has always been the interpretation for coverage purposes but officially includes Section II Limits of Insurance. The third is for all non-state insureds and is a punitive damages exclusion for all claims, demands, actions or awards of punitive or exemplary damages. It should be noted that in the state code, punitive damages cannot be collected from political subdivisions. The final endorsement affects all non-state insureds, except county boards of education. The endorsement adds definitions for abuse, claims of abuse, claimant, and interrelated claims of abuse, modifies the limit per occurrence to \$500,000 with an additional \$500,000 recovery for reasonable and necessary medical expenses actually incurred but psychiatric or psychological treatment are excluded. The endorsement provides for an annual aggregate per entity of \$3,000,000 and provides time limitations on reporting. The language will further tighten the claim to a single perpetrator and a “one” occurrence for interrelated claims.

C. Legislative/Interim Meetings – I was requested to present a BRIM Insurance 101 for the April and May Interim Committees on Judiciary and Insurance and PEIA. The main questions received from both committees were on the abuse claim development and the participation of non-state entities in the BRIM program. I additionally met with Senator Tarr in late May to discuss various non-profit entities. I am expecting additional questions regarding the non-state program in the future.

D. Claim Audit Services – BRIM has received a draft of the Claim Audit performed on AIG Claims by Strategic Claims Direction. We hope to provide the board with the report within the next month. Year two will be an audit of the internal property and mine subsidence claims.

E. Risk Management Information System Update – BRIM and Asset Works had set a June 30, 2023, deadline for full implementation of the Underwriting and Loss Control Modules. We are a bit behind schedule and have moved the target implementation to September 30, 2023. BRIM is looking forward to making the break from the legacy mainframe system.

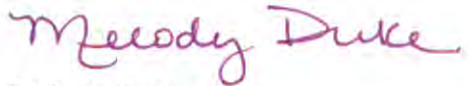
F. Internships/New Hire – We have said a welcome to new hire Mary Ann Escarda in the Privacy Department as she replaced Lora Reynolds. We additionally have two interns this summer, Cole Burgan and Ryan Kirkpatrick. Cole is completing an internship through Blue Ridge Community and Technical College and Ryan is a participant with the Governor's Internship Program.

G. Upcoming Board Meeting schedule for 2023:

Tuesday, September 19, 2023 @ 1PM

Tuesday, December 12, 2023 @ 1PM

Sincerely,



Melody Duke
Executive Director

MAD/ldm

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



Mark D. Scott
Cabinet Secretary

Melody Duke
Executive Director
Melody.A.Duke@wv.gov

Chief Financial Officer's Report
June 27, 2023

A. P-Card Report

Electronic copies mailed to the board contain the supporting details for P-card purchases for the months of February through April 2023. These totals are:

February	\$43,502.26
March	\$48,011.42
April	\$34,284.73

B. Current Financial Results

- The financial results presented are for the ten months ended April 30th, 2023. The results reflect the actuarially estimated unpaid losses from AON's risk funding study as of March 31, 2023, plus an additional accrual for April.
- Net premium revenue through April has increased \$5.3 million compared to FY'22. The increase reflects an increase in premiums based on the actuarial estimated loss pics.
- Retained case reserves are \$67 million higher this year compared to the prior year and actuarially estimated IBNR is \$30.5 million higher than the prior year. Combined total current and non-current claims liabilities (i.e., unpaid claims) are \$97.5 million higher than last year based on the March 31st AON actuarial study. Our reserve adjustment in the third quarter of this year was lower than the third quarter of last year due to a reduction in IBNR from the second quarter.
- Claims and claims adjustment expense of \$122.7 million is \$2.3 million dollars higher than last year due primarily to increased reserve adjustments during the current fiscal year.
- Investment income through April was \$9.8 million compared to investment losses through April of 2022 of \$26.8 million. This is a positive year-over-year change of \$36.6 million. Through April the Bank of New York trust has gained \$2.2 million with income in July, November and January, March and April offsetting the losses of the other months. Because of the relatively short duration of the fixed income holdings in the trust (3.6 years) and increasing interest rates the returns in the trust have been fluctuating. Equity markets experienced volatility during FY22 and that trend is continuing in FY23. Our holdings with the West Virginia Investment Management Board have increased \$5.8 million this fiscal year. \$6.8 million of that is due to investment income with a \$1 million withdrawal in September. Additionally, we had \$745 thousand of interest income from the BTI through April.

- The combination of higher reinsurance premiums, increased claims expense, positive investment returns and a small increase in premium revenue resulted in a decrease in net position of \$45.3 million compared with a decrease in net position of \$84.3 million in FY22. The largest factor in this decrease was the reserve adjustments of \$62 million for the second quarter. While the year-to-date negative change in net position is less than last year it is still significant.
- Our current net position of \$106.1 million includes the mine subsidence program's net position of \$31 million, leaving BRIM's unrestricted net position at \$75.1 million. This compares with a net position of \$192.5 million last year.

C. Financial Markets

Financial markets have continued to be volatile since we had our last meeting in March. The DJIA has had many peaks and valleys this year, with a year to date return of 2.5%. With the continued rate increases by the Federal Reserve and uncertainty in the economy this volatility is likely to continue.

In testimony before Congress on June 22nd Federal Reserve Chair Jerome Powell, according to an article in The Wall Street Journal, said the central bank didn't raise interest rates last week, slowing down its rapid pace of increases. "We moved very quickly at the beginning, and we've gradually slowed down. This is just a continuation of that, to give ourselves more time – to stretch out the time for making these decisions."

Economic activity and inflation haven't slowed down as much as anticipated given the increase in interest rates. This has cast uncertainty on how high the rates may go. At their policy meeting the week of June 12th, Fed officials left the benchmark federal-funds rate in a range of between 5% and 5.25%. Most officials believe there will be two more increases this year taking interest rates to a 22-year high.

Hiring continued to be strong in May with 339,000 jobs added. Through the first five months of 2023 job growth has averaged 312,000 positions a month. Unemployment rose to 3.7% in May following April's rate of 3.4% which tied January for the lowest rate in 53 years. The Consumer Price Index increased 4.0 percent from May 2022 to May 2023, the smallest 12-month increase since March 2021. Consumer prices for food rose 6.7 percent for the 12 months ended May 2023, while consumer prices for energy fell 11.7 percent, the largest decrease since June 2020.

Because of increasing interest rates, the volatility of the stock market and inflation concerns BRIM's investment returns outlook remains uncertain for FY23.

Respectfully submitted,


Stephen W. Panaro, CPA
Chief Financial Officer

West Virginia Board of Risk and Insurance Management

Statements of Net Position

For the Ten Months Ended April 30th

	<u>2023</u>	<u>2022</u>
	<i>(In Thousands)</i>	
Assets		
Current assets:		
Cash and cash equivalents	\$ 25,172	\$ 17,006
Advance deposits with insurance company and trustee	256,701	241,832
Receivables	5,983	6,712
Prepaid insurance	1,326	784
Restricted cash and cash equivalents	4,746	13,353
Premiums due from other entities	1,222	711
Total current assets	<u>295,150</u>	<u>280,398</u>
Noncurrent assets:		
Equity position in internal investments pools	151,987	116,771
Restricted investments	29,312	67,435
Total noncurrent assets	<u>181,300</u>	<u>184,205</u>
Total assets	<u>476,450</u>	<u>464,603</u>
Deferred Outflows of Resources		
Deferred Outflows of Resources - OPEB	434	438
	61	115
Liabilities		
Current liabilities:		
Estimated unpaid claims and claims adjustment expense	103,306	61,326
Unearned premiums	17,607	16,396
Agent commissions payable	1,195	1,102
Claims Payable	0	144
Accrued expenses and other liabilities	3,045	3,199
Total current liabilities	<u>125,154</u>	<u>82,166</u>
Estimated unpaid claims and claims adjustment expense net of current portion		
	244,991	189,414
Compensated absences	167	172
Net pension liability	(894)	533
Total noncurrent liabilities	<u>244,264</u>	<u>190,118</u>
Total liabilities	<u>369,418</u>	<u>272,284</u>
Deferred Inflows of Resources		
Deferred Inflows of Resources - OPEB	1,156	35
	280	351
Net position:		
Restricted by State code for mine subsidence coverage	75,988	80,155
Unrestricted	75,415	196,713
Net Assets (Deficiency)	(45,313)	(84,383)
Net position	<u>\$ 106,090</u>	<u>\$ 192,485</u>

Unaudited

West Virginia Board of Risk and Insurance Management

Statements of Revenues, Expenses, and Changes in Net Position

For the Ten Months Ended April 30th

	<u>2023</u>	<u>2022</u>
	<i>(In Thousands)</i>	
Operating revenues		
Premiums	\$ 79,830	\$ 70,904
Less coverage/reinsurance programs	(7,643)	(3,974)
Net operating revenues	<u>72,187</u>	<u>66,929</u>
Operating expenses		
Claims and claims adjustment expense	122,718	120,444
General and administrative	4,585	4,039
Total operating expenses	<u>127,303</u>	<u>124,483</u>
Operating income (loss)	(55,116)	(57,554)
Nonoperating revenues		
Investment income	9,803	(26,829)
Legislative Appropriation	0	0
OPEB Non Operating Income	0	0
Net nonoperating revenues	<u>9,803</u>	<u>(26,829)</u>
Changes in net position	(45,313)	(84,383)
Total net position, beginning of year	151,403	276,868
Total net position, end of period	<u>\$ 106,090</u>	<u>\$ 192,485</u>

Unaudited

West Virginia Board of Risk and Insurance Management
UNAUDITED BALANCE SHEET AND INCOME STATEMENT
For the Ten Months Ending April 30, 2023

Talking Points for Joint Committee on Government and Finance Meeting
June 2023

1. **Premium Revenue** for April reflects the premiums earned for the first ten months of the current fiscal year. BRIM premiums in FY'23 reflect an increase in premium revenue including an increase in premium to fund the higher actuarially estimated losses for the current year.
2. **Claims Expense** reflects net claims payments made through April, plus estimated accruals for the first ten months of the fiscal year and the September, December and March quarterly reserve adjustments to agree our reserves to the actuarial reports for the first, second and third quarters . Claim payments through April were slightly higher than through April of last year.
3. **Investments** reflect a gain of \$9.8 million for the ten months ended April 30th. Investment returns during the first ten months of FY23 have varied widely. While we had significant losses in August, September and February, our returns in July, November, January, March and April have helped offset these losses. November and January were the months in which we had the best returns. Year to date investments returns are higher than last year. Interest rates continue to rise, and the volatility of the equities markets make for an uncertain outlook for investment income for FY'23.
4. BRIM continues to pursue pro-active loss control initiatives.
5. Premium rates – The Boards of Education (BOE) rating group will see liability premium increases for FY'23, which begins July 1, 2022, and for future fiscal years. The increase is the reflection of abuse claim development that has been reported in FY'22 and is driving increases in claim expense payments and in the actuarially estimated IBNR.

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



Mark D. Scott
Cabinet Secretary

Melody Duke
Executive Director
Melody.A.Duke@wv.gov

**Loss Control Report to the Board
June 2023**

During the month of May, we sent out Loss Control Questionnaires to all state agencies. The deadline for submission to BRIM is August 1, 2023. At that time, we will gather the necessary information for calculation of loss control credits or surcharges for fiscal year 2025.

The evaluations of fiscal year 2024 Loss Control Questionnaires yielded the following results. Sixty-seven percent of the state agency program received a form of a loss control credit. Fifty-five percent of the non-state entities received a form of a loss control credit. These results are promising and show that many of our insured are instituting risk management programs to aid in the mitigation of insurable claims.

We have extended requests to renew our contracts for insurance loss control inspection services with Tawney Insurance and Safety Solutions and our boiler and air conditioning systems insurance and loss prevention inspection services with Liberty Mutual Insurance.

During the months of March, April, and May Tawney conducted 184 inspections and Liberty Mutual Insurance conducted 626. The reports are being processed according to established procedures.

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

22 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.

Insured Accounts Visited Include: Mountaineer Trail Network Recreation Authority, Bluefield Union Mission, Ritchie County Family Resource Network, Life Hub, Inc., West Virginia Pumpkin Festival, Craigsville Senior Citizens, Disability Action Center, Guyan Conservation District, West Virginia Parkways Authority, Creston Community Building Organization, City of St. Albans, West Virginia Deaf Service Center, West Virginia Division of Labor, Hungry Lamb Food Initiative, Morgantown Community Resources, C-K Autumn Fest, Greenbrier County Convention & Visitors Bureau, Pierpont

Foundation, Inc., WC Workshop, Inc., WAMSB Buckhannon Host Committee, and City of War.

21 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.

Insured Accounts Visited Include: Marion County Senior Citizens, Putnam County Aging Program, West Virginia Health Right, Stop Abusive Family Environments, Davis-Stuart, Inc., Shenandoah Women's Center, Children's Therapy Clinic, Clay County Pool, Clay County Board of Education, Northern Panhandle Community Criminal Justice Board, Southern West Virginia Fellowship Home, Inc., Florence Crittenton Services, Inc., Flat Top Lake Association, Rural Health Access Corporation, Cabell-Wayne Association of the Blind, West Virginia Secondary Schools Activity Commission Clarksburg Children's House, Marshall University Research Corporation, Chief Logan Recreational Center, and Tri-County YMCA.

Dated: June 21, 2023

Respectfully submitted,



Jeremy C. Wolfe
Risk & Insurance Manager



Chief Privacy Officer's Report June 27, 2023

A. Management Team Meetings

- On March 28, 2023, the Privacy Management Team met virtually with 72 attendees. The increase in attendance is due to a policy change to invite not only departmental privacy officers, but all agency privacy officers, to ensure a consistency of procedure and training. The topics presented were the National Cybersecurity Strategy discussed by Jody Ogle (Cybersecurity and Infrastructure Security Agency), Risks of Chat GPT3, discussed by Neil Chakrabarty (DEP's Chief Technology Officer). Because we had so many new officers attend the meeting, who perhaps were not as familiar with some of the basic procedures around privacy, we went over the purpose of monthly privacy tips and how to share them, and a basic overview of incident reporting.
- The next Privacy Management Team is September 26, 2023.

B. Privacy Training

- During the Second Quarter of 2023, 782 members of the Executive Branch workforce completed the online course *Privacy Awareness Training 2022*, which is a general privacy awareness training.
- During the Second Quarter of 2023, 310 members of the Executive Branch workforce completed the online course *WV Confidentiality Agreement*, which is required of all workforce members.
- During the Second Quarter of 2023, 417 members of the Executive Branch workforce completed the online course *HIPAA/HITECH*, which is a general HIPAA training course and a new *HIPAA Refresher Training (2021)* which PEIA has requested.

The following training events were held by the SPO since the last board meeting:

- On June 7, 2023, the Chief Privacy Officer did a presentation on Incident Reporting/Response for the WV Higher Education Policy Commission's annual meeting with their Data Management Committee.
- Since March of this year, the State Privacy Office staff have been working on creating training modules for privacy officer orientation which will enable the officer to take the training at their own schedule and pace. This solution is an answer to the number of orientations that are required to keep up with the training requirements for new privacy officers.

C. Privacy Impact Assessments/ Privacy Incident Response Assessments

- A privacy impact assessment (PIA) is a tool used to assess the privacy impact and risks to the personally identifiable information (PII) stored, used, and exchanged by information systems. A PIA evaluates privacy implications when information systems are created, when existing systems are significantly modified, or new technology is purchased.
- Since March 26, 2023, 20 PIAs have been completed and submitted.
- The State Privacy Office has been meeting various members of the WV Office of Technology, trying to find a solution to the uptick in agency requests for removable media to store data, mostly pictures and videos. The SPO is very concerned about the security of the files contained on these removable storage devices. The files contained on the media are considered sensitive because the content of the pictures and videos. There is a limit to the amount of data that can be stored on Google Drive if the files are not created in Google. There are some cloud storage options that OT is currently evaluating.

D. State Privacy Office Personnel

- The State Privacy Office has hired a new Administrative Assistant, Ms. Mary Ann Escarda. She is an honors graduate from Glenville State College and was previously employed in management for the Starbucks Corporation. We are in the process of acclimating Mary Ann to the workings of the Privacy Office and are thrilled with her enthusiasm and desire to learn.
- The State Privacy Office has taken on a summer IT/cybersecurity intern who is drafting a basic document in cybersecurity for the publication to and use by the Privacy Management Team and its privacy officers. Cole Burgan will graduate this summer from Blue Ridge Community and Technical College with an Associate's degree in IT and will go on to get his Bachelor's degree in Cybersecurity at Shepherd University.

Very truly yours,

Ashley Summitt

Ashley Summitt, JD
Chief Privacy Officer
WV Executive Branch