



State of West Virginia

Board of Risk and Insurance Management

(An enterprise fund of the primary government of West Virginia)

Comprehensive Annual Financial Report
For the Fiscal Years Ended June 30, 2017 and 2016

On the Cover – Canaan Valley Resort State Park – Set on a high plateau in the Allegheny Mountains, Canaan Valley Resort State Park is the ideal setting for winter sports like downhill and cross-country skiing, snow tubing and ice-skating. A four-season destination, Canaan Valley features a full-service lodge, cabins and campgrounds. Recreation includes an 18-hole championship golf course and 18 miles of hiking trails.

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For the Fiscal Years Ended June 30, 2017 and 2016



Jim Justice

Governor

John Myers

Secretary Department of Administration

Mary Jane Pickens, Executive Director

West Virginia Board of Risk and Insurance Management

Prepared by

Stephen W. Schumacher, CPA, Chief Financial Officer

West Virginia Board of Risk and Insurance Management

State of West Virginia
Board of Risk and Insurance Management
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Introductory Section



Blackwater Falls – Crashing 62 feet into the Blackwater River, Blackwater Falls is the state’s highest waterfall and one of its most iconic images. Tannic acid from fallen hemlock tints the water a deep amber, lending it its name. The falls form the centerpiece of Blackwater Falls State Park, home to the longest sled run on the East Coast and more than 20 miles of hiking and biking trails.

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

PRINCIPAL OFFICIALS

Jim Justice, Governor

Secretary of Department of Administration

John Myers

Board of Directors

Bruce Martin, Chairperson

Bob Mitts, Vice Chairperson

James Wilson, Member

Dr. Ed McGee, Member

James Dodrill, Member

Executive Staff

Mary Jane Pickens, Executive Director

Stephen W. Schumacher, CPA, Chief Financial Officer

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



Jim Justice
Governor

John A. Myers
Cabinet Secretary

Mary Jane Pickens
Executive Director
Deputy Cabinet Secretary

Formal Transmittal of Comprehensive Annual Financial Report (CAFR)

December 11, 2017

Honorable Jim Justice, Governor
State of West Virginia

Board of Directors
West Virginia Board of Risk and Insurance Management

Mary Jane Pickens, Executive Director
West Virginia Board of Risk and Insurance Management

Ladies and Gentlemen:

The Comprehensive Annual Financial Report (CAFR) of the West Virginia Board of Risk and Insurance Management (BRIM) for the year ended June 30, 2017, is hereby respectfully submitted. This report was prepared by the Finance Department of BRIM. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with management of BRIM. We believe the data, as presented, is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position and results of operations and cash flows of BRIM. All disclosures necessary to enable the reader to gain an understanding of BRIM's financial activities have been included. The financial statements of BRIM have been prepared on an accrual basis in conformity with Generally Accepted Accounting Principles (GAAP) for governmental entities as prescribed or permitted by the Governmental Accounting Standards Board (GASB).

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. BRIM's MD&A can be found immediately following the report of the independent auditors.

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Management is responsible for establishing and maintaining internal control designed to ensure that the assets of BRIM are protected from loss, theft or misuse and that the preparation of the financial statements is in conformity with GAAP. Internal control is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived from it, and (2) the valuation of costs and benefits requires estimates and judgments by management. Management of BRIM has established a comprehensive internal control framework that is designed to provide a reasonable basis for making representations concerning the finances of BRIM. Because the cost of internal control should not outweigh its benefits, BRIM's comprehensive framework of internal control has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

PROFILE OF BRIM

BRIM is reported as an enterprise fund operating as a single business segment, included in the primary government in the State of West Virginia's CAFR.

BRIM is governed by a board of up to five members appointed by the Governor. 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 of Directors.

BRIM is charged with providing insurance coverage to all state agencies, which number 167. Additionally, BRIM provides these services to cities, counties and non-profit organizations throughout the State under the provisions of Senate Bill 3 (SB 3). Currently, BRIM insures approximately 940 of these organizations. BRIM also provides a coal mine subsidence reinsurance program that allows homeowners and businesses to obtain insurance coverage up to \$75,000 for collapses and damage caused by underground coal mines. Currently, BRIM underwrites over 15,000 commercial and personal mine subsidence policies annually.

In December 2001, the West Virginia Legislature passed House Bill 601, which authorized BRIM to provide medical malpractice and general liability coverage to private health care providers (the House Bill 601 Program). On July 1, 2004, all physicians novated to the newly formed West Virginia Physicians' Mutual Insurance Company (WVPMIC). BRIM maintained the hospital and facilities in the House Bill 601 Program that did not novate to WVPMIC. However, all policies were terminated as of June 30, 2004, and the program was in runoff mode only for existing claims and for any claims that may be submitted on any tail policies that were purchased. In 2015, BRIM transferred potential claims/IBNR run-off to a third-party for \$750. In July 2016, the remaining balance of the House Bill 601 funds of \$2.8 million were transferred to the Patient Injury Compensation Fund, which is discussed in the following paragraph.

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

liabilities. The capitalization of the fund comes from the State's tobacco settlement fund. The activity for this fund is not reflected in BRIM's financial statements. BRIM serves as third-party administrator for this fund and, accordingly, the activity for this fund is reflected in the State's financial statements. Legislation passed in March 2016 transferred all funds in the Medical Liability Fund to the West Virginia Patient Injury Fund, effective July 1, 2016, resulting in the closing of the Medical Liability Fund. This legislation also closed compensation to any claimants who filed with the Patient Injury Fund on or after July 1, 2016. Additional funding to pay any compensable claims filed as of June 30, 2016 was established by creation of assessments imposed on medical liability claims awards and settlements and fees charged to licensed physicians and hospitals.

Effective July 1, 2005, BRIM established an annual pre-funding trust program with a financial institution that covers all liability claims with loss dates occurring after June 30, 2005. With this program, a separate sub-account that coincides with the current claim and fiscal year is created within the trust account. The sub-account for the current claim/fiscal year is then fully funded by BRIM during the current fiscal year. This advance deposit funding ensures that each year's sub-account covers the total actuarially determined estimated liability claims costs for those liability claims with loss dates whose occurrence corresponds with that specific claim/fiscal year. The financial institution, acting as trustee, holds these funds within the sub-accounts in the trust to cover BRIM's estimated liability claims costs for all liability claims.

In fiscal year 2010, BRIM transferred the remaining advance deposits being held in accounts maintained by the insurance company, or carrier, into the existing BNY trust vehicle to fund all outstanding liability claims with loss dates before July 1, 2005. A sub-account was established with sufficient funding to cover the total actuarially determined estimated liability claims costs for all of those claims with loss dates whose occurrence are dated June 30, 2005 and earlier.

The funds, together with their earnings, are used to pay claims and claims adjustment expenses related to these liability claims. As escrow agent, the financial institution periodically transfers monies from the trust to the insurance company administering these claims in order to reimburse the insurance company for payments that they have issued on these claims and claims adjustment expenses on BRIM's behalf. BRIM is not indemnified by the carrier, and the carrier is compensated for claims handling by a negotiated fixed fee that is paid directly to the carrier.

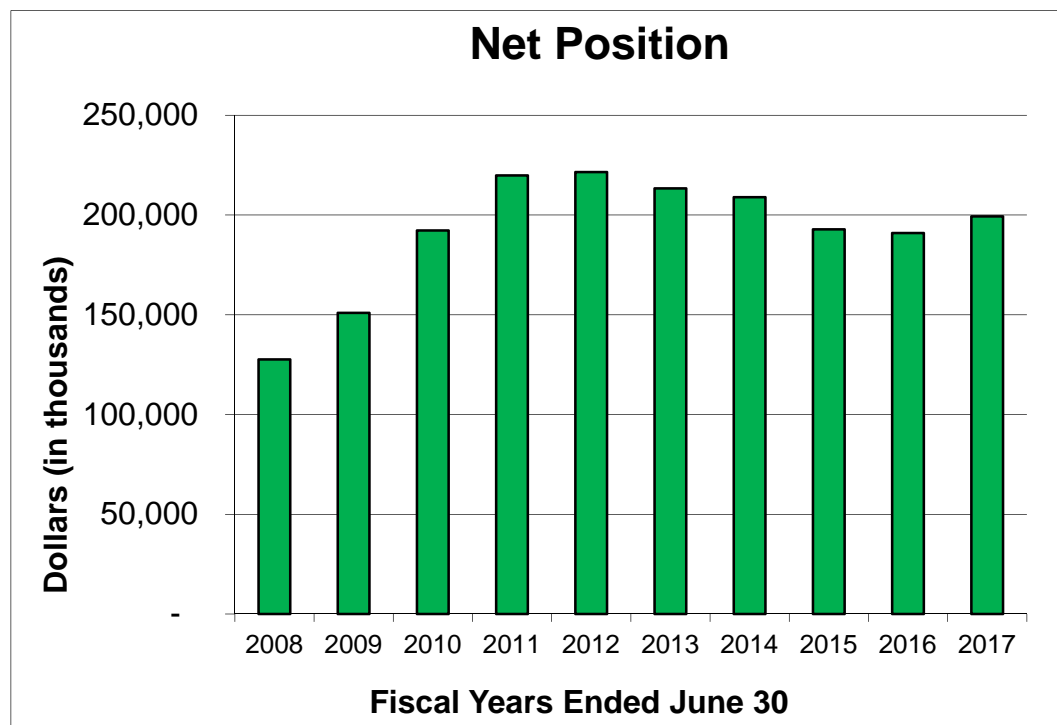
Property losses are retained by BRIM up to \$1 million. Additional coverage is provided up to a limit of \$400 million through various excess policies. This coverage provides reimbursement of loss at the stated or reported value less a \$1,000 deductible. Under the mine subsidence program, ceding insurers pay BRIM a reinsurance premium. In exchange, the ceding insurers are paid a commission for the business they placed with BRIM.

ASSESSING BRIM'S FINANCIAL CONDITION

Net Position

One of management's major goals was to eliminate the net position deficiency that existed in prior years. The deficiency in net position developed in the past due to several factors, including unanticipated losses and adverse loss development in state agency and Senate Bill 3 entity coverages for general liability and medical malpractice lines of business. Declining investment returns also were a contributing factor. In fiscal year 2004, management adopted a financial stability plan to address the deficiency in net position. In 2014, BRIM adopted a net position reserve policy. As of June 30, 2017, BRIM has total net assets of \$199,328 reflected on the Statement of Net Assets. Management anticipates that net position will continue to remain positive. For more detailed information, see the MD&A included in the financial section of this report.

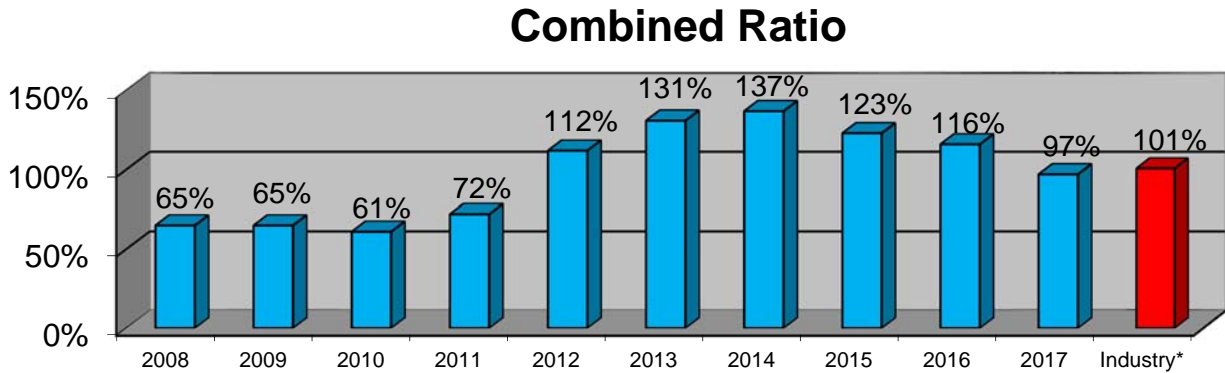
The chart below shows the net position/deficiency for the past ten years.



Combined Financial Ratio

The combined ratio is one of the key ratios used to measure underwriting performance. It is derived by adding the loss and expense ratio. A combined ratio below 100% indicates an underwriting profit and one above 100% indicates an underwriting loss. BRIM's combined ratio for 2017 reflects an underwriting profit and is lower than the industry average. Historically, BRIM's primary advantage over the commercial insurance market has been low administrative costs, which are kept at a relatively stable 5 to 10%, as compared to the insurance industry market rate of 28%. The lower administrative costs have enabled BRIM to keep this key financial ratio well below the industry average. Decreases

in BRIM's claims reserves also have contributed to the lower combined ratios experienced by BRIM prior to 2012. Increasing claims reserves coupled with reduced premiums billed for 2012 thru 2016 had an unfavorable impact on BRIM's combined ratio for these fiscal years, in particular when compared to earlier years and the industry average. Based on the recent risk funding study completed, BRIM saw a decrease in claims reserves in 2017. This decrease coupled with increased investment earnings and greater premium revenue lead to an improved combined ratio for 2017. The BRIM combined ratios are shown in the chart below in blue and the industry is in red.



*The industry data shown above was obtained from Insurance Services Office

Investment Strategy

For several years prior to 2005, BRIM's investment returns had been declining. During this time BRIM was limited, by code, to certain low risk, short-term investments. In anticipation of revisions to be made to the state code that would become effective beginning in fiscal year 2005, BRIM and the West Virginia Investment Management Board (WVIMB) began working, in fiscal year 2004, on a solution to maximize returns. The WVIMB developed a suggested investment strategy with 20% in equities, 65% in fixed income securities and 15% in cash. This arrangement was finalized and approved by BRIM's Board with the actual investment transition not occurring until fiscal year 2005. As a result of these changes, BRIM's long-term investments are now managed by the WVIMB based on their recommendations. Also, beginning in 2006, BRIM's excess short-term cash funds have been managed by the West Virginia Board of Treasury Investments (BTI). Therefore, the cash portion of BRIM's investments is maintained in accounts with the BTI that are similar to the low-risk money market funds that were previously maintained by the State Treasurer's Office. The combined investment strategy is similar to those used by commercial insurers. Consequently, beginning in 2005, investment earnings have improved over those of the years prior to 2005.

The WVIMB also recommended that BRIM reallocate its funds managed by the WVIMB and BRIM's board approved the WVIMB's recommendation. Beginning in early 2009, the WVIMB repositioned one third of the funds previously held in fixed income securities into an approved group of well-established, fixed-income based hedge funds. In fiscal year 2011, BRIM accepted the WVIMB's additional recommendation to further diversify BRIM's holdings with the WVIMB by investing a small percentage in a Treasury Inflation Protection Securities (TIPS) pool as a hedge against inflation.

In the last quarter of 2014, the BRIM's board approved a recommendation by the WVIMB to reallocate BRIM's WVIMB investments. The new allocation for BRIM's funds is 65% fixed income, 30% equities and 5% in cash.

BRIM On-Line

We invite you to visit BRIM's website at <http://www.brim.wv.gov>. The website is designed to inform the public about BRIM and to provide assistance to our insureds. Through the claim department section, insureds can find a claim submission form, instructions for submitting a claim and information on claim status. Our underwriting section contains information on adding exposures to the policy (such as autos or property) and contains annual renewal forms. The loss control division of BRIM maintains a wealth of risk management knowledge where you can view information on safety topics and check out the latest dates for loss control seminars. A variety of frequently asked questions on topics ranging from billing to underwriting can also be found on this site.

Audit

The financial statements of BRIM are prepared on the accrual basis of accounting in conformity with GAAP. BRIM is required by the Financial Accounting and Reporting Section (FARS) of the Department of Administration and by State Code to have an annual independent audit. The firm of Dixon Hughes Goodman LLP was selected to perform the financial statement audit for the fiscal year ended June 30, 2017. The report of independent auditors on the basic financial statements is included in the financial section of this report.

AWARDS AND ACKNOWLEDGEMENTS

Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to BRIM for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2016. This was the twenty-second consecutive year that BRIM has achieved this prestigious award. 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 our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements

BRIM would like to thank the Governor, the Legislature, the Cabinet Secretary of Administration, and the Board of Directors of BRIM for their support and leadership.

A special thank you is extended to the Executive Director, the Board of Directors' finance committee and the finance staff of BRIM. Their hard work and dedication made this report possible.

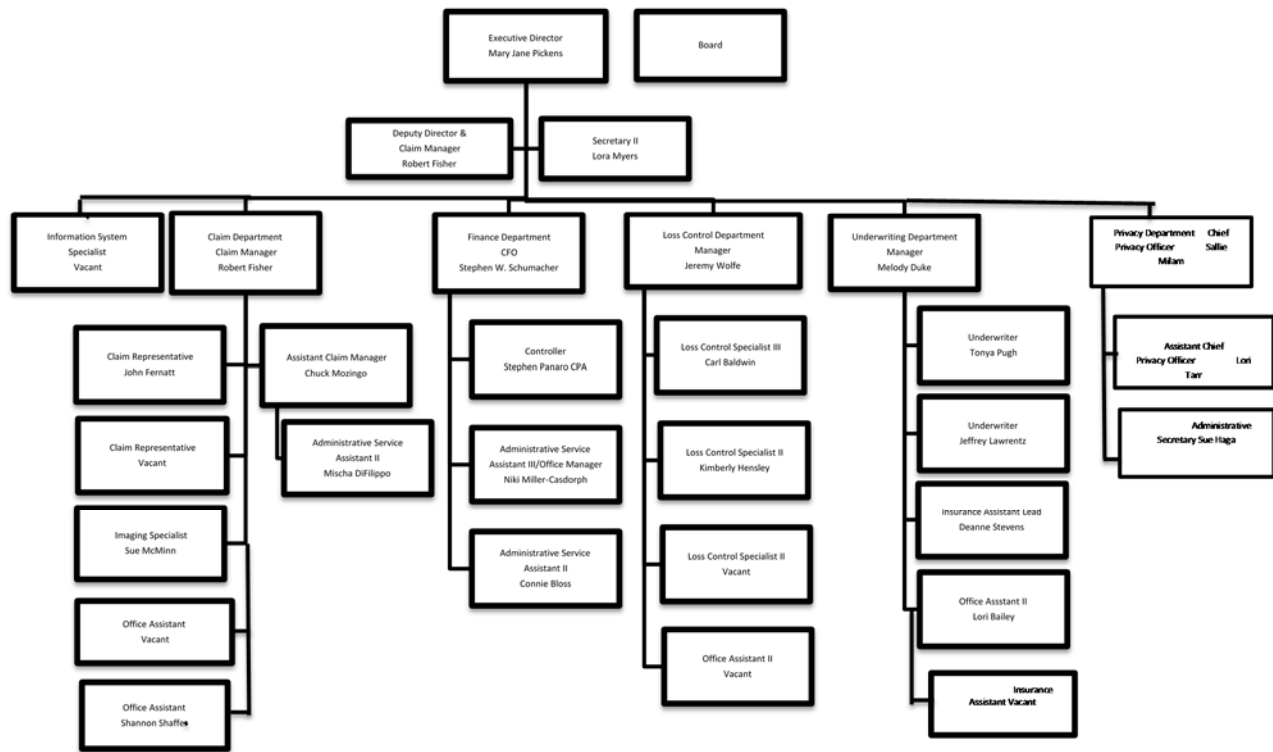
Respectfully, we hereby submit the West Virginia Board of Risk and Insurance Management Comprehensive Annual Financial Report for the year ended June 30, 2017.

Sincerely,



Stephen. W. Schumacher, CPA
Chief Financial Officer

Board of Risk and Insurance Management Organizational Chart





Government Finance Officers Association

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

Presented to

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

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO



Financial Section



New River Gorge National River – Visitors take in the breathtaking view of the New River Gorge National River from the overlook at Hawks Nest State Park. An aerial tramway at the park's lodge leads to the bottom of the gorge, where a jet boat takes passengers on an exhilarating ride to the base of the 876-foot-high New River Gorge Bridge. Recreational opportunities in the area include whitewater rafting, rock climbing, hiking and biking.

Report of Independent Auditors

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

Report on the Financial Statements

We have audited the accompanying financial statements of the West Virginia Board of Risk and Insurance Management (BRIM), an enterprise fund of the State of West Virginia, as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise BRIM's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of BRIM, an enterprise fund of the State of West Virginia, as of June 30, 2017 and 2016, and the changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2, the financial statements of BRIM are intended to present the financial position, and the changes in financial position and cash flows of only that portion of the business type activities of the State of West Virginia that is attributable to the transactions of BRIM. They do not purport to, and do not present fairly the financial position of the State of West Virginia as of June 30, 2017 and 2016, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 17 to 24 and the required supplementary information on pages 69 to 74 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on BRIM's basic financial statements. The introductory and statistical sections of this report are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated October 6, 2017, on our consideration of BRIM's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering BRIM's internal control over financial reporting and compliance.

Dixon Hughes Goodman LLP

**Charleston, West Virginia
October 6, 2017**

Management's Discussion and Analysis
(in thousands)

Management's Discussion and Analysis (in thousands)

Overview of the financial statements

Management of the West Virginia Board of Risk and Insurance Management (BRIM) provides this Management's Discussion and Analysis for readers of BRIM's financial statements. This narrative overview of the financial activities of BRIM is for the years ended June 30, 2017, 2016, and 2015. BRIM provides property and casualty insurance to the State of West Virginia (the State) agencies and Senate Bill 3 (SB3) entities, which include boards of education and governmental and nonprofit organizations. BRIM also administers a coal mine subsidence reinsurance program that makes available to the general public dwelling insurance covering damage caused by the collapse of underground coal mines. From December 2001 until novation to a physician's mutual on July 1, 2004, BRIM's program was expanded to include providing medical malpractice insurance to private sector health care providers (referred to hereafter as the House Bill 601 Program). Beginning July 1, 2004, the House Bill 601 Program was in runoff mode until 2015, when BRIM transferred any potential claims/IBNR run-off to a third-party.

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

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

The statement of net position reports a separate financial statement element called *deferred outflows of resources*. This financial statement element represents a consumption of net position that applies to a future period and so will *not* be recognized as an outflow of resources (expense) until that time. The statement of net position reports a separate financial statement element called *deferred inflows of resources*. This financial statement element represents an acquisition of net position that applies to a future period and so will *not* be recognized as an inflow of resources (revenue) until that time.

- *Statement of Revenues, Expenses and Changes in Net Position* - This statement reflects the operating and nonoperating revenues and expenses for the operating year. Operating revenues primarily consist of premium income with major sources of operating expenses being claims loss and loss adjustment expense and general and administrative expenses. Nonoperating revenues primarily consist of investment income and funds transferred in/out as a result of various legislation.
- *Statement of Cash Flows* - The statement of cash flows is presented on the direct method of reporting, which reflects cash flows from operating, noncapital financing and investing activities. Cash collections and payments are reflected on this statement to arrive at the net increase or decrease in cash and cash equivalents for the year.

During fiscal year 2016, BRIM implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application* and GASB Statement No 79, *Certain External Investment Pools and Pool Participants*. GASB 72 generally requires investments to be measured at fair value and disclosures to be made about fair value measurements, the level of fair value hierarchy and valuation techniques, organized by type of asset or liability reported at fair value. It also requires additional disclosures for investments in certain entities that calculate net asset value (NAV) per share (or its equivalent). GASB 79 establishes criteria for making the election to measure all of its 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.

**West Virginia Board of Risk and Insurance Management
Management's Discussion and Analysis
(in thousands)**

Accordingly, as a pool participant, BRIM measures its investment in this pool at amortized cost. The adoption of these standards had no effect on BRIM's statements of net position or changes in net position, but primarily related to modifications and additions to the disclosures related to BRIM's cash equivalents and investments.

Effective July 1, 2014, BRIM adopted the provisions 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. BRIM determined that it was not practical to restate all periods presented and has recorded the cumulative effect of the decrease to beginning net position of implementing this change of \$495 as of July 1, 2014, which is the net pension liability of \$628, less deferred outflows of resources related to pension plan contributions of \$133 as of that date.

**West Virginia Board of Risk and Insurance Management
Management's Discussion and Analysis
(in thousands)**

Financial highlights

The following tables summarize the statements of net position and changes in net position as of and for the years ended June 30, 2017, 2016, and 2015:

	2017	2016	2015	Change 2017-2016		Change 2016-2015	
				Amount	Percent	Amount	Percent
Cash and cash equivalents	\$ 36,459	\$ 25,946	\$ 19,505	\$ 10,513	40.5%	\$ 6,441	33.0%
Advance deposits with carrier/trustee	193,352	210,152	204,219	(16,800)	(8.0)	5,933	2.9
Receivables	1,914	1,874	2,531	40	2.1	(657)	(26.0)
Total current assets	231,725	237,972	226,255	(6,247)	(2.6)	11,717	5.2
Noncurrent investments	144,341	132,322	137,824	12,019	9.1	(5,502)	(4.0)
Total assets	376,066	370,294	364,079	5,772	1.6	6,215	1.7
Deferred outflows of resources related to pension	458	387	127	71	18.5	260	204.7
Estimated unpaid claims and claims adjustment expense	47,713	50,819	47,890	(3,106)	(6.1)	2,929	6.1
Unearned premiums	9,174	8,300	7,659	874	10.5	641	8.4
Agent commissions payable	1,279	1,100	1,032	179	16.3	68	6.6
Accrued expenses	914	1,025	1,136	(111)	(10.8)	(111)	(9.8)
Total current liabilities	59,080	61,244	57,717	(2,164)	(3.5)	3,527	6.1
Estimated unpaid claims and claims adjustment expense, net of current portion	117,206	117,616	113,070	(410)	(0.3)	4,546	4.0
Compensated absences	107	91	76	16	17.6	15	19.7
Net Pension Liability	766	467	253	299	64.0	214	84.6
Total noncurrent liabilities	118,079	118,174	113,399	(95)	(0.1)	4,775	4.2
Total liabilities	177,159	179,418	171,116	(2,259)	(1.3)	8,302	4.9
Deferred inflows of resources related to pension	37	304	270	(267)	(87.8)	34	12.6
Net position:							
Restricted	61,063	57,123	55,428	3,940	6.9	1,695	3.1
Unrestricted	138,265	133,836	137,392	4,429	3.3	(3,556)	(2.6)
Net position	\$ 199,328	\$ 190,959	\$ 192,820	\$ 8,369	4.4%	\$ (1,861)	(1.0)%

**West Virginia Board of Risk and Insurance Management
Management's Discussion and Analysis
(in thousands)**

<i>(continued)</i>	2017	2016	2015	Change 2017-2016		Change 2016-2015	
				Amount	Percent	Amount	Percent
Premiums	\$ 71,368	\$ 65,293	\$ 58,204	\$ 6,075	9.3%	\$ 7,089	12.2%
Less excess coverage	<u>(6,681)</u>	<u>(6,909)</u>	<u>(6,197)</u>	<u>228</u>	(3.3)	<u>(712)</u>	11.5
Net operating revenues	64,687	58,384	52,007	6,303	10.8	6,377	12.3
Claims and claims adjustment expense	59,149	63,753	68,145	(4,604)	(7.2)	(4,392)	(6.4)
General and administrative	<u>4,200</u>	<u>3,905</u>	<u>3,541</u>	<u>295</u>	7.6	<u>364</u>	10.3
Total operating expenses	<u>63,349</u>	<u>67,658</u>	<u>71,686</u>	<u>(4,309)</u>	(6.4)	<u>(4,028)</u>	(5.6)
Operating loss	1,338	(9,274)	(19,679)	10,612	114.4	10,405	(52.9)
Nonoperating revenues:							
Investment income	9,841	7,413	4,833	2,428	32.8	2,580	53.4
SB 602 re-appropriation	(2,810)	-	-	(2,810)	(100.0)	-	0.0
Payment to transfer HB601 estimated future IBNR	<u>-</u>	<u>-</u>	<u>(750)</u>	<u>-</u>	0.0	<u>750</u>	(100.0)
Total nonoperating revenues, net	<u>7,031</u>	<u>7,413</u>	<u>4,083</u>	<u>(382)</u>	(5.2)	<u>3,330</u>	81.6
Changes in net position	8,369	(1,861)	(15,596)	10,230	549.7	13,735	(88.1)
Total net position - beginning	190,959	192,820	208,911	(1,861)	1.0	(16,091)	(7.7)
Cumulative effect of adoption of GASB 68	<u>-</u>	<u>-</u>	<u>(495)</u>	<u>-</u>	0.0	<u>495</u>	(100.0)
Total net position - beginning of year restated	<u>190,959</u>	<u>192,820</u>	<u>208,416</u>	<u>(1,861)</u>	1.0	<u>(15,596)</u>	(7.5)
Total net position - end	<u>\$ 199,328</u>	<u>\$ 190,959</u>	<u>\$ 192,820</u>	<u>\$ 8,369</u>	4.4	<u>\$ (1,861)</u>	(1.0)
Total revenues	<u>\$ 71,718</u>	<u>\$ 65,797</u>	<u>\$ 56,090</u>	<u>\$ 5,921</u>	9.0	<u>\$ 9,707</u>	17.3
Total expenses	<u>\$ 63,349</u>	<u>\$ 67,658</u>	<u>\$ 71,686</u>	<u>\$ (4,309)</u>	(6.4)%	<u>\$ (4,028)</u>	(5.6)%

**West Virginia Board of Risk and Insurance Management
Management's Discussion and Analysis
(in thousands)**

- Total assets increased by \$5,772 in 2017 and by \$6,215 in 2016. The increase in 2017 is the result of improved investment returns and an increase in cash that was reduced somewhat by a decrease in advance deposits with the carrier/trustee. The increase in 2016 was the net result of additional cash on hand and an increase in deposits with the carrier/trustee that was partially offset by a reduction in investments.
- Total liabilities decreased by \$2,259 in 2017 and increased by \$8,302 in 2016. An increase in claims payments and a decrease in reserves resulted in an overall decrease in total outstanding claims liabilities for the year. In 2016, a decrease in claims payment activity and a year over year increase in the estimated incurred but not recorded claims total resulted in outstanding claims liabilities increasing versus 2015.
- Several factors contributed to the \$8,369 increase in total net position for 2017 and the \$1,861 decrease in total net position for 2016. In 2017, revenue improved due to premium increases, claims expense decreased by \$4,604 and investment income was up by \$2,428, which helped offset the transfer of \$2,810 from the Patient Injury Compensation Fund by order of Senate Bill (SB602). Although net premium revenue increased by \$6,377 in 2016, the increase in claims expense of \$4,392 and smaller investment returns reduced the net position for the year. BRIM implemented GASB 68 in 2015, which resulted in an adjustment that reduced the beginning net position by \$495. Also included within the net position category are restricted positions totaling \$61,063 in 2017, \$57,123 in 2016, and \$55,428 in 2015. This is comprised primarily of funds that provide mine subsidence coverage to the general public per the West Virginia State Code. A much smaller portion of restricted funds had previously provided medical malpractice tail coverage for the House Bill 601 Program in 2015 and 2016. The remaining funds for the House Bill 601 Program were transferred to the Patient Injury Compensation Fund in July of 2016.
- Total net operating revenues increased by \$6,303 in 2017 and increased by \$6,377 in 2016. The increase in projected claims losses in recent years has required BRIM to increase premium rates to policyholders for both 2017 and 2016.
- Total operating expenses decreased by \$4,309 in 2017 and decreased by \$4,028 in 2016. Claims and claims adjustment expense decreased in both 2017 and 2016 while G&A expenses increased for both years.
- Net nonoperating revenues decreased by \$382 in 2017 and increased by \$3,330 in 2016. Investment returns for 2017 improved by \$2,428 for 2017 but a State reappropriation of \$2,810 to the Patient Injury Fund, as required by SB602, resulted in the next decrease in net nonoperating revenues for FY2017.
- Total revenues and total expenses from 2017 to 2016 and from 2016 to 2015 have fluctuated due to alterations in premium rates, the changes in the retained loss estimates, the variations in annual investment market returns and the impact of SB602. See the analysis of these individual components, as previously discussed, for additional information.

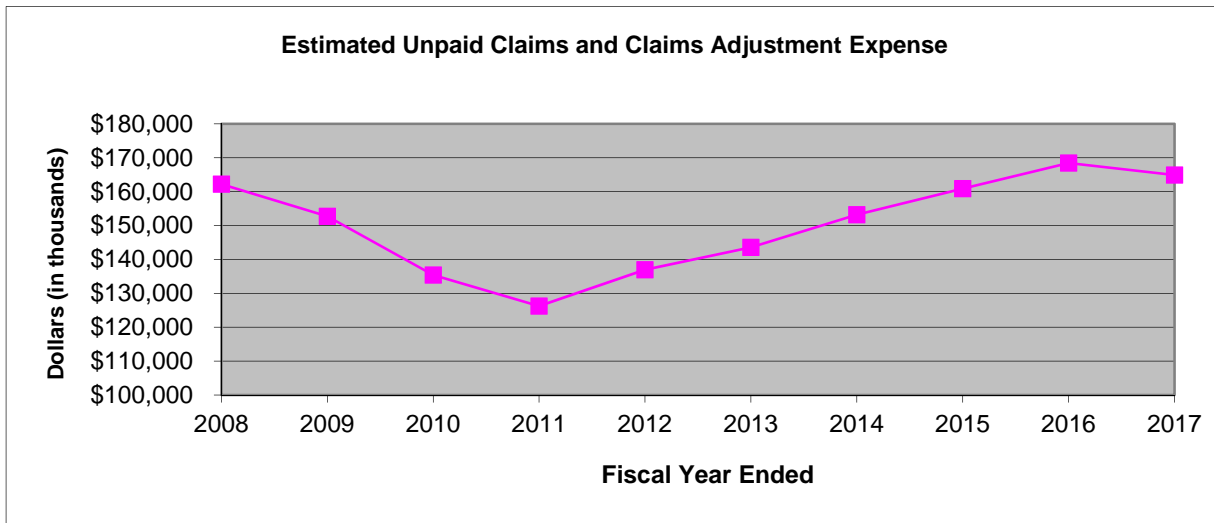
Overall analysis

The overall net position of BRIM improved 4.4% from the prior year compared with a decrease of 1.0% from 2015 to 2016. Reserves decreased in 2017 and investment earnings increased over 2016, but this was offset by the transfer of the Patient Injury Compensation Funds (PICF). The overall decrease in claims and claims adjustment expense, and an increase in investment earnings, caused an increase of net position for the current year, reflecting a net position total of \$199,328 at June 30, 2017. BRIM continues to adhere to a comprehensive financial stability and rating plan.

**West Virginia Board of Risk and Insurance Management
Management’s Discussion and Analysis
(in thousands)**

Unpaid Claims Liability

BRIM's most significant number on its statements of net position is the liability for estimated unpaid claims and claims adjustment expense. This liability consists of two parts: claims of which BRIM is aware that have been reserved and incurred but not reported (IBNR) claims, which are projected by an independent actuary. For 2017, year over year actual reserves decreased by \$10,471 while the projected IBNR total increased by \$6,955. From fiscal year 2016 to 2017, the liability for unpaid claims decreased from \$168,435 to \$164,919. The chart below shows the estimated unpaid claims and claims adjustment expense liability for fiscal years 2008 through 2017.



House Bills 601 and 2122 and Senate Bill 602

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

During the legislative session in early 2003, House Bill 2122 was enacted. This bill allowed for the physicians insured under House Bill 601 to novate into a physicians' mutual. On July 1, 2004, these physicians were novated to the West Virginia Physicians' Mutual Insurance Company (WVPMIC). The hospitals and clinics that did not novate were not renewed by BRIM prior to June 30, 2004. Tail coverage was offered to all terminated insurers in House Bill 601. In March 2015, BRIM novated any potential future claims on the tail policies to a commercial carrier. BRIM paid the carrier \$750 to assume the liability related to any unreported claims at March 2015.

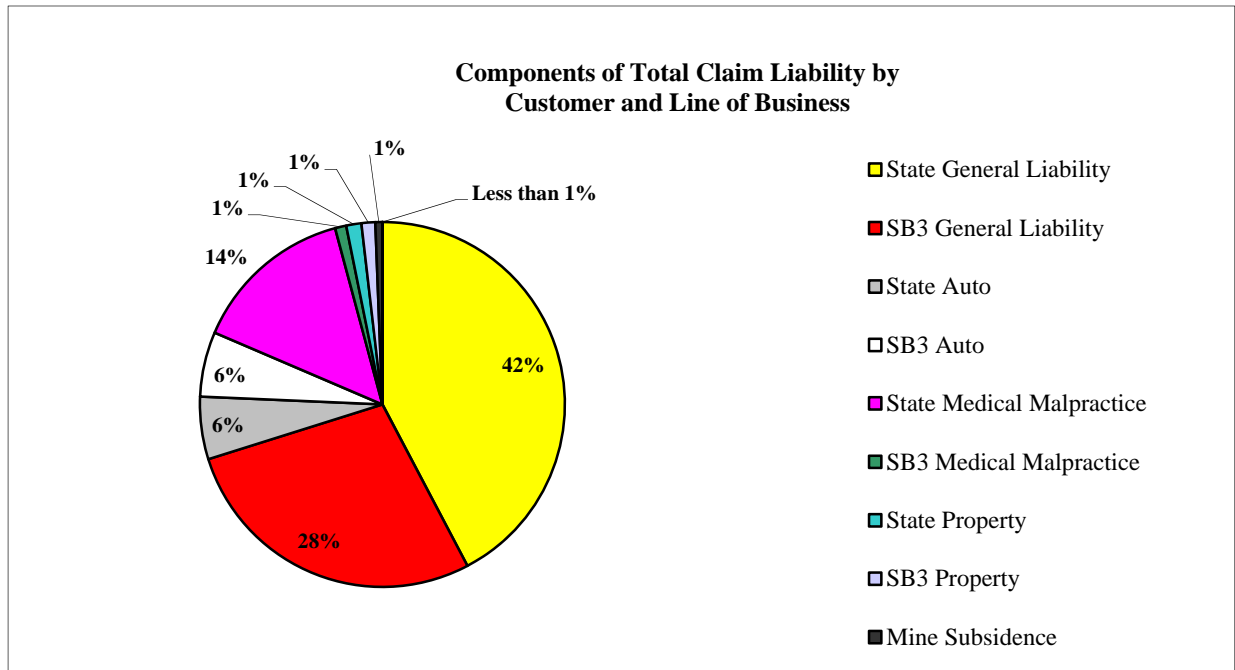
Senate Bill 602 passed in March 2016 and closed the Medical Liability Fund. All remaining funds were transferred to the Patient Injury Compensation Fund in July 2016.

**West Virginia Board of Risk and Insurance Management
Management's Discussion and Analysis
(in thousands)**

Results by Line of Business for BRIM

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

The following chart shows the breakdown by customer and line of business of the total estimated claim liability number, which is \$164,919. As demonstrated in the chart, the largest claim volume for BRIM relates to general liability for the State agencies and SB3 programs and the State agencies' medical malpractice coverage.



There is no long-term debt activity.

Economic factors and next year's rates

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

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

Risk Management

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

**West Virginia Board of Risk and Insurance Management
Management's Discussion and Analysis
(in thousands)**

Investment Returns

Investment income increased for both fiscal years 2017 and 2016. The market conditions in 2017 were more favorable for stocks and less beneficial for fixed income holdings than 2016, with overall investment returns being higher in 2017. The increase in 2017 was due to improvements in the equities market while fixed income was the primary driver for the returns in 2016. All BRIM funds held by the West Virginia Investment Management Board (WVIMB) inure to the benefit of program participants. BRIM reinvests the investment earnings on funds held by the WVIMB and occasionally withdraws monies from these funds, as needed, for operating and short-term cash requirements. Although BRIM had no withdrawals in 2017, BRIM withdrew \$5 million in 2016 for operational purposes.

Premium Determination Process

BRIM has properly maintained premiums across all lines of business for the past several years based on relevant exposure data, claims loss history and investment returns. Charging proper premiums, consistent with the commercial industry, has enabled BRIM to adequately cover losses. Although fiscal years 2017 and 2016 benefited from prior years' reserve releases, both 2016 and 2015 saw overall net increases in retained claims reserves. If projected claims losses increase over the next several fiscal years and future investment returns continue to underperform, it may require premium increases to allow for a sufficient level of funding to adequately sustain the operation of all programs and to help ensure that no premium deficiency develops.

In addition, BRIM adopted a net assets reserve policy in 2014. The policy calculates a ratio of premiums to net position for comparison to other similar agencies. A range was established to assist BRIM's board in assessing its overall financial condition.

Requests for information

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

Financial Statements
(in thousands)

West Virginia Board of Risk and Insurance Management
Statements of Net Position
June 30, 2017 and 2016
(in thousands)

	<u>2017</u>	<u>2016</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 26,291	\$ 15,748
Advance deposits with insurance company and trustee	193,352	210,152
Receivables	1,271	1,254
Restricted cash and cash equivalents	10,168	10,198
Restricted receivables:		
Premiums due from other entities	<u>643</u>	<u>620</u>
Total current assets	<u>231,725</u>	<u>237,972</u>
Noncurrent assets:		
Equity position in investment pools	91,500	83,881
Restricted investments	<u>52,841</u>	<u>48,441</u>
Total noncurrent assets	<u>144,341</u>	<u>132,322</u>
Total assets	<u>376,066</u>	<u>370,294</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension	458	387
LIABILITIES		
Current liabilities:		
Estimated unpaid claims and claims adjustment expense	47,713	50,819
Unearned premiums	9,174	8,300
Agent commissions payable	1,279	1,100
Accrued expenses and other liabilities	<u>914</u>	<u>1,025</u>
Total current liabilities	<u>59,080</u>	<u>61,244</u>
Estimated unpaid claims and claims adjustment expense, net of current portion	117,206	117,616
Compensated absences	107	91
Net pension liability	<u>766</u>	<u>467</u>
Total noncurrent liabilities	<u>118,079</u>	<u>118,174</u>
Total liabilities	<u>177,159</u>	<u>179,418</u>
DEFERRED INFLOWS OF RESOURCES		
Pension	37	304
Net position:		
Restricted by State code for House Bill 601 Program and mine subsidence coverage	61,063	57,123
Unrestricted	<u>138,265</u>	<u>133,836</u>
Net position	<u>\$ 199,328</u>	<u>\$ 190,959</u>

See accompanying notes.

West Virginia Board of Risk and Insurance Management
Statements of Revenues, Expenses and Changes in Net Position
For the Fiscal Years Ended June 30, 2017 and 2016
(in thousands)

	<u>2017</u>	<u>2016</u>
Operating revenues:		
Premiums	\$ 71,368	\$ 65,293
Less excess coverage/reinsurance premiums	<u>(6,681)</u>	<u>(6,909)</u>
Net operating revenues	64,687	58,384
Operating expenses:		
Claims and claims adjustment expense	59,149	63,753
General and administrative	<u>4,200</u>	<u>3,905</u>
Total operating expenses	<u>63,349</u>	<u>67,658</u>
Operating income (loss)	1,338	(9,274)
Nonoperating revenues (expenses):		
Investment income	9,841	7,413
Senate Bill 602 reappropriation	<u>(2,810)</u>	<u>-</u>
Net nonoperating revenues	<u>7,031</u>	<u>7,413</u>
Increase (decrease) in net position	8,369	(1,861)
Total net position, beginning of year	<u>190,959</u>	<u>192,820</u>
Total net position, end of year	<u>\$ 199,328</u>	<u>\$ 190,959</u>

West Virginia Board of Risk and Insurance Management
Statements of Cash Flows
Years Ended June 30, 2017 and 2016
(in thousands)

	<u>2017</u>	<u>2016</u>
Operating activities:		
Receipts from customers	\$ 65,668	\$ 59,683
Payments to employees	(1,413)	(1,526)
Payments to suppliers	(2,887)	(2,421)
Payments to claimants	(62,665)	(56,278)
Deposits to advance deposit with insurance company and trustee	(47,695)	(65,011)
Withdrawals from advance deposit with insurance company and trustee	64,493	59,079
	<u>15,501</u>	<u>(6,474)</u>
Net cash provided by (used in) operating activities	15,501	(6,474)
Noncapital financing activities:		
Senate Bill 602 reappropriation	(2,810)	-
	<u>(2,810)</u>	<u>-</u>
Net cash used in noncapital financing activities	(2,810)	-
Investing activities:		
Purchase of investments	(20,650)	(17,047)
Sale of investments	18,887	20,553
Net investment earnings	(415)	9,409
	<u>(2,178)</u>	<u>12,915</u>
Net cash (used in) provided by investing activities	(2,178)	12,915
Net increase in cash and cash equivalents	10,513	6,441
Cash and cash equivalents, beginning of year	25,946	19,505
	<u>36,459</u>	<u>25,946</u>
Cash and cash equivalents, end of year	\$ 36,459	\$ 25,946
Cash and cash equivalents consist of:		
Cash and cash equivalents	\$ 26,291	\$ 15,748
Restricted cash and cash equivalents	10,168	10,198
	<u>\$ 36,459</u>	<u>\$ 25,946</u>

See accompanying notes.

West Virginia Board of Risk and Insurance Management
Statements of Cash Flows
Years Ended June 30, 2017 and 2016
(in thousands)

(Continued)

	<u>2017</u>	<u>2016</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating income (loss)	\$ 1,338	\$ (9,274)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Pension expense	84	137
Increase (decrease) in advanced deposits	16,800	(5,933)
Decrease in premiums receivable, net	108	657
(Decrease) increase in estimated liability for unpaid claims and claims adjustment expense	(3,516)	7,475
Decrease in other liabilities	(64)	(28)
Increase in unearned premiums	874	641
Deferred outflows of resources - pension contributions	(123)	(149)
Total adjustments	<u>14,163</u>	<u>2,800</u>
Net cash provided by (used in) operating activities	<u>\$ 15,501</u>	<u>\$ (6,474)</u>
Noncash activities:		
Increase in fair value of investments	<u>\$ 12,019</u>	<u>\$ 5,502</u>

Notes to Financial Statements
(in thousands)

Notes to Financial Statements **(in thousands)**

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

The West Virginia Board of Risk and Insurance Management (BRIM) was established in 1957 to provide for the development of the State of West Virginia's (the State and primary government) property and liability self-insurance program. Approximately 170 State agencies participate in the program. Beginning in 1980, county boards of education were authorized to participate in the liability portion of this program, with 55 county boards currently participating in the program. In fiscal year 1987, Senate Bill 3 (SB3) was enacted, allowing local governmental entities and nonprofit organizations to participate in the entire program. There are approximately 900 such entities participating in the program. In 1982, legislation was also enacted requiring BRIM to establish and administer a coal mine subsidence reinsurance program that makes available to the general public dwelling insurance covering damage up to a specific maximum caused by the collapse of underground coal mines.

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

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

From January 1, 1971 through June 30, 1976, the liability coverage provided by BRIM was limited to \$25 thousand per occurrence on general liability, automobile liability and medical malpractice claims. From July 1, 1976 through June 30, 1980, the liability coverage provided by BRIM was limited to \$100 thousand per occurrence. From July 1, 1982 through June 30, 1985, the liability coverage provided by BRIM was limited to \$6 million per occurrence. Since July 1, 1985, the liability coverage provided by BRIM is limited to a \$1 million indemnity per occurrence. In addition, the county boards of education are covered by an excess insurance policy providing up to \$5 million of coverage in excess of the underlying \$1 million limit. These limits only apply to incur indemnity claim losses. BRIM pays all allocated loss adjustment expenses, which are the costs incurred in the reporting, investigation, adjustment, defense and settlement of claims that are attributable to a specific, individual claim.

Prior to July 1, 1990, BRIM retained the first \$25 thousand of loss per event on property insurance claims. Losses in excess of \$25 thousand per event were also retained within an annual aggregate limit. From July 1, 1990 through June 30, 1991, the exposure retained by BRIM was \$1 million per event. From July 1, 1991 through June 30, 1996, the exposure retained by BRIM was \$2 million per event. Since July 1, 1996, the exposure retained by BRIM is \$1 million per event. BRIM has obtained excess coverage, through insurance companies, covering losses in excess of \$1 million, up to \$400 million per occurrence, subject to various sublimits for particular types of claims as specified in the policy. With the passage of House Bill 532 in March 2015, BRIM is required to retain the first \$1.5 million of medical malpractice liability for the state's medical schools and their related practice plans beginning July 1, 2015.

West Virginia Board of Risk and Insurance Management
Notes to Financial Statements
(in thousands)

The retained limit of \$1.5 million is indexed for inflation each year. On July 1, 2016, the retained limit increased slightly.

In 1985, the coal mine subsidence program was legislatively expanded to include all types of building structures, and the maximum amount of insurance available was increased from \$50 thousand to \$75 thousand per structure. Additional legislation passed in March 2016 further expanded the amount of insurance available beginning October 1, 2016, from \$75,000 up to \$200,000 per structure.

In December 2001, the West Virginia Legislature passed House Bill 601, which authorized BRIM to provide medical malpractice and general liability coverage to private health care providers (the House Bill 601 Program). On July 1, 2004, all physicians novated to the newly formed West Virginia Physicians' Mutual Insurance Company (WVPMIC). BRIM maintained the hospital and facilities in the House Bill 601 Program that did not novate to WVPMIC. However, all policies were terminated as of June 30, 2004, and the program was in runoff mode only for existing claims and for any claims that may be submitted on any tail policies that were purchased. In 2015, BRIM transferred potential claims/IBNR run-off to a third-party for \$750. In July 2016, the remaining balance of the House Bill 601 funds of \$2.8 million were transferred to the Patient Injury Compensation Fund, which is discussed in the following paragraph.

In March 2004, the West Virginia Legislature passed House Bill 4740, creating a PICF. The purpose of this fund is to provide fair and reasonable compensation to claimants in medical malpractice actions for any portion of economic damages awarded that is uncollectible as a result of previously enacted tort reforms. This fund provides relief to claimants whose damages were limited because of caps for trauma care or as a result of joint and several liabilities. The capitalization of the fund comes from the State's tobacco settlement fund. The activity for this fund is not reflected in BRIM's financial statements. BRIM serves as third-party administrator for this fund and, accordingly, the activity for this fund is reflected in the State's financial statements. Senate Bill 602 passed in March 2016 and closed the Medical Liability Fund. All remaining funds were transferred to the Patient Injury Compensation Fund in July 2016. Therefore, there is no continuation of services previously provided by the Medical Liability Fund. This legislation also closed compensation to any claimants who filed with the Patient Injury Fund on or after July 1, 2016. Additional funding to pay any compensable claims filed as of June 30, 2016 was established by creation of assessments imposed on medical liability claims awards and settlements and fees charged to licensed physicians and hospitals.

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

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

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

West Virginia Board of Risk and Insurance Management
Notes to Financial Statements
(in thousands)

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

2. Summary of Significant Accounting Policies

Basis of accounting

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

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

The financial statements of BRIM are intended to present the financial position and the changes in financial position and cash flows of only that portion of the business-type activities of the State of West Virginia that is attributable to the transactions of BRIM. They do not purport to, and do not, present fairly the financial position of the State of West Virginia as of June 30, 2017 and 2016, and the changes in its financial position and its cash flows for the years then ended in conformity with GAAP.

Use of estimates

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

Cash and cash equivalents

Cash equivalents are short-term investments with original maturities of 90 days or less. Cash and cash equivalents principally consist of interest-earning deposits in an investment pool maintained by the West Virginia Board of Treasury Investments (BTI). Such funds are available to BRIM with overnight notice.

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

Advance deposits with insurance company and trustee

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

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

West Virginia Board of Risk and Insurance Management
Notes to Financial Statements
(in thousands)

insurance company for payments that it has issued on these claims and claims adjustment expenses on BRIM's behalf.

Investments

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

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

Fair value measurements

BRIM measures certain investments at fair value for financial reporting purposes. GASB Statement No. 72 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-specific measurement. BRIM categorizes fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America in accordance with GASB Statement No. 72.

The fair value hierarchy established under GASB Statement No. 72 categorizes the inputs to valuation techniques used to measure fair value into three levels as follows:

Level 1 inputs – Quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.

Level 2 inputs – Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs – Unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement in its entirety requires judgement, and considers factors specific to the investment.

Fair value of the securities BRIM holds with the WVIMB are determined as follows:

- Equity securities are valued at the last sale price or official closing price reported in the market in which they are primarily traded.
- Open-end regulated investment companies or other commingled investment funds are valued at the net asset value of the fund as reported by the fund's administrator.
- Future contracts are valued at the last settlement price established each day by the exchange on which they traded.
- Fixed income securities are valued according to prices furnished by independent pricing services to the securities custodian. These services determine the security prices by a number of methods including, but not limited to, dealer quotes, live market trading levels when available, live feeds of trade execution data,

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spreads over U.S. Treasury securities and other models and formulae appropriated to the specific security type.

- Repurchase agreements and time deposits are valued at amortized cost, provided such amount approximates fair value.

Investments for which the fair value cannot be determined by one of the above listed processes are valued at fair value as determined in accordance with the WVIMB's established procedures.

Compensated absences

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

Unpaid claims and claims adjustment expense

Utilizing an external actuary, management establishes the unpaid claims and claims adjustment expense liability based on estimates of the ultimate cost of claims, including future claims adjustment expenses, that have been reported but not settled and of claims that have been incurred but not reported (IBNR). Such estimates are based on industry statistical loss reserve information as well as BRIM historical data, including case-basis estimates of losses reported, actuarial projections of loss development of IBNR claims and estimates of expenses for investigation and adjustment of all incurred and unadjusted losses (and estimates of expected salvage and subrogation receipts are deducted from the estimated liability). The length of time for which such costs must be estimated varies depending on the coverage involved. In the event a reinsurer is unable financially to satisfy an obligation, BRIM is responsible for such liability.

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

Premium deficiency is defined as the amount by which expected claims costs (including IBNR claims) and all expected claims adjustment expenses exceed related unearned premiums. BRIM has estimated that a premium deficiency does not exist; however, the ultimate amount of incurred losses and loss adjustment expenses may vary significantly from the estimated amounts used in management's determination. In making this determination, management has taken into consideration anticipated investment income using an assumed 4% discount rate.

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Deferred outflows of resources

A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period. Balances of deferred outflows of resources may be presented in the statements of net position as aggregations of different types of deferred amounts. Deferred outflows in the statements of net position were composed of \$123 and \$149 for the years ending June 30, 2017 and 2016, respectively, related to employer contributions to the PERS made during the current fiscal year subsequent to the measurement date. Deferred outflows also consisted of other amounts related to differences between projected and actual earnings on pension plan investments, differences between expected and actual experience related to pension, and changes in proportion and differences between BRIM's contributions and proportionate share of contributions.

Deferred inflows of resources

A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period. Balances of deferred inflows of resources may be presented in the statements of plan net position as aggregations of different types of deferred amounts. Deferred inflows in the statements of plan net position are composed of amounts related to differences between projected and actual earnings on pension investments, changes in proportion and differences between BRIM's contributions and proportionate share of contributions, differences in assumptions and differences between projected and actual earnings on pension plan investments related to pension.

Receivables and premium income

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

Unearned premiums

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

Restricted net position

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

Subsequent events

In preparing these financial statements, BRIM has evaluated events and transactions for potential recognition or disclosure through October 6, 2017, the date the financial statements were available for issuance.

3. Deposit and Investment Risk Disclosures

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

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Cash equivalents

West Virginia Money Market Pool

BRIM participates in BTI's West Virginia Money Market Pool, which has been deemed to meet the GASB 79 criteria to be 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, BRIM measures its investment in this pool at amortized cost that approximates fair value of \$35,200 and \$25,002 at June 30, 2017 and June 30, 2016, respectively. These deposits are reported as cash and cash equivalents. Investment income earned is pro-rated to BRIM at rates specified by the BTI based on the balance of the deposits maintained in relation to the total deposits of all state agencies participating in the pool. Such funds are available to BRIM with overnight notice. BTI's audited financial statements, including the West Virginia Money Market Pool, are available on their website www.wvbt.com.

Credit Risk and Interest Rate Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The WV Money Market Pool has been rated AAAM by Standard & Poor's. A fund rated "AAAm" has extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market, and/or liquidity risks. "AAAm" is the highest principal stability fund rating assigned by Standard & Poor's.

The BTI limits the exposure to credit risk in the West Virginia Money Market Pool by requiring all corporate bonds to be rated A+ by Standard and Poor's (or its equivalent) or higher. Commercial paper must be rated at least A-1 by Standard and Poor's and P-1 by Moody's. The pool must have at least 15% of its assets in U.S. Treasury obligations guaranteed as to repayment of interest and principal by the United States of America.

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

<u>Security Type</u>	<u>Credit Rating</u>		<u>2017</u>		<u>2016</u>	
	<u>Moody's</u>	<u>S&P</u>	<u>Carrying Value</u>	<u>Percent</u>	<u>Carrying Value</u>	<u>Percent</u>
Commercial Paper	P-1	A-1+	\$ 358,377	20.10%	\$ 290,118	18.65 %
	P-1	A-1	706,150	39.60	632,773	40.68
Corporate Bonds and Notes	Aa1	AA-	-	0.00	23,014	1.48
	Aa3	AA-	6,285	0.35	15,000	.96
	A1	A	3,200	0.18	-	-
	A2	A	-	0.00	11,268	.72
U.S. Agency Bonds	Aaa	AA+	-	0.00	9,499	.61
U.S. Treasury Notes*	Aaa	AA+	97,823	5.49	231,398	14.88
U.S. Treasury Bills*	P-1	A-1+	69,837	3.92	19,982	1.28
Negotiable CDs	Aa2	AA-	-	0.00	3,000	.19
	Aa3	AA-	-	0.00	6,000	.39
	P-1	A-1+	174,000	9.76	78,006	5.02
	P-1	A-1	156,476	8.78	121,001	7.78
Money Market Funds	Aaa	AAAm	100,005	5.61	72,370	4.65
Research Agreements (underlying securities):						
U.S. Treasury Notes*	Aaa	AA+	-	0.00	42,100	2.71
	P-1	A-1	50,000	2.80	-	-
	NR	A-1	60,800	3.41	-	-
			<u>\$ 1,782,953</u>	<u>100.00%</u>	<u>\$ 1,555,529</u>	<u>100.00 %</u>

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

<u>Investment Type</u>	<u>June 30, 2017</u>		<u>June 30, 2016</u>	
	<u>Fair Value</u>	<u>WAM (Days)</u>	<u>Fair Value</u>	<u>WAM (Days)</u>
Repurchase agreements	\$ 110,800	3	\$ 42,100	1
U.S. Treasury notes	97,823	44	231,398	88
U.S. Treasury bills	69,837	88	19,982	91
Commercial paper	1,064,527	36	922,891	48
Certificates of deposit	330,476	41	208,007	40
Corporate bonds and notes	9,485	79	49,282	14
U.S. agency bonds/notes	-	-	9,499	24
Money market funds	100,005	3	72,370	1
Total rated investments	<u>\$ 1,782,953</u>	<u>36</u>	<u>\$ 1,555,529</u>	<u>49</u>

BRIM's amount invested in the West Virginia Money Market Pool of \$35,200 is included in cash and cash equivalents at June 30, 2017, and \$25,002 at June 30, 2016, representing approximately 1% of total investments in this pool.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the WV Money Market Pool's investment in a single corporate issuer. West Virginia statutes prohibit the West Virginia Money Market Pool from investing more than 5% of its assets in securities issued by a single private corporation or association. At June 30, 2017 and 2016, the pool did not have investments in any one private corporation or association that represented more than 5% of assets.

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the WV Money Market Pool will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Repurchase agreements are required to be collateralized by at least 102% of their value, and the collateral is held in the name of the BTI. The BTI or its agent does not release cash or securities until the counterparty delivers its side of the transaction.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The WV Money Market's Pool does not hold securities subject to foreign currency risk.

Investments

West Virginia Investment Management Board Investment Pools

BRIM invests, along with other agencies, in the following WVIMB investment pools: Domestic Large Cap Equity Pool, Domestic Non-Large Cap Equity Pool, International Equity Pool, International Nonqualified Equity Pool, Short-Term Fixed Income Pool, Total Return Fixed Income Pool, Core Fixed Income Pool, Hedge Fund, and the Treasury Inflation Protection Securities (TIPS).

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Investment Objectives

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

Asset Allocation

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

<u>Asset Class</u>	<u>Base Allocation</u>	<u>Strategic Allocation</u>
Domestic equity	10%	15%
International equity	10%	15%
Fixed income	80%	35%
TIPS	0%	10%
Hedge funds	0%	20%
Cash	0%	5%
Combined total	<u>100%</u>	<u>100%</u>

Asset Value

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

	<u>2017</u>		<u>2016</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Large cap domestic	\$ 14,893	\$ 17,678	\$ 15,198	\$ 15,710
Non-large cap domestic	3,370	3,514	4,064	3,716
Opportunistic debt	-	-	1,543	1,555
International equity	12,539	16,347	16,308	15,055
International nonqualified	5,946	7,180	5,317	4,892
Total return fixed income	34,635	35,730	29,494	29,182
Core fixed income	15,573	15,178	12,976	13,308
Hedge fund	26,170	27,778	30,102	28,793
TIPS (Treasury Inflation Protection Securities)	13,865	13,776	12,675	13,368
Short-term fixed income	7,160	7,160	6,641	6,641
Total investments	<u>\$ 134,151</u>	<u>\$ 144,341</u>	<u>\$ 134,318</u>	<u>\$ 132,220</u>

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

	<u>2017</u>	<u>2016</u>
Investment income:		
Interest income including realized gains/losses on sale of securities	\$ 1,971	\$ 1,550
Unrealized gain on investments	<u>7,870</u>	<u>5,863</u>
Total investment income	<u>\$ 9,841</u>	<u>\$ 7,413</u>

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WVIMB calculates total rates of return using the time-weighted rate of return methodology. The time-weighted method determines the rate of return exclusive of the effects of participant contributions or withdrawals. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year were included as unrealized gain on investment in the prior year.

Asset class risk disclosures

Large Cap Domestic Equity Pool

The Pool's objective is to exceed, net of external investment management fees, the S&P 500 Stock Index over three-to-five-year periods. Assets are managed by INTECH Investment Management, LLC (INTECH) and State Street Global Advisors (SSgA). BRIM's amount invested in the Large Cap Domestic Equity Pool of \$17,678 and \$15,710 at June 30, 2017 and 2016, respectively, represents approximately 0.5% and 0.5%, respectively, of total investments in this pool.

Credit Risk and Interest Rate Risk

The Pool is exposed to credit risk from certain investments made with cash collateral for securities loaned. This risk is limited by requiring minimum ratings on debt instruments. Long-term debt instruments must be rated A or better by Moody's or Standard & Poor's at the time of purchase. Short-term debt instruments must be rated P-1 by Moody's or A-1 by Standard & Poor's at the time of purchase. The Pool is exposed to interest rate risk from certain investments made with cash collateral for securities loaned. The weighted average maturity for investments made with cash collateral for securities loaned is not to exceed 90 days. The following tables provide the weighted average credit ratings and weighted average maturities (WAM) as of June 30:

<u>Investment Type</u>	<u>June 30, 2017</u>				<u>Percent of Total Investments</u>
	<u>Moody's</u>	<u>S&P</u>	<u>WAM (Days)</u>	<u>Fair Value</u>	
Common stock	N/A	N/A	N/A	\$ 3,490,823	94.0 %
Money market mutual fund	Aaa	AAA	N/A	34,740	0.9
Repurchase agreements	Aaa	AA	3	110,335	3.0
Time deposits	A-1	P-1	3	76,236	2.1
Total investments				<u>\$ 3,712,134</u>	<u>100.0 %</u>

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June 30, 2016				
<u>Investment Type</u>	<u>Moody's</u>	<u>S&P</u>	<u>Fair Value</u>	<u>Percent of Total Investment</u>
Foreign corporate bonds	A	A	\$ 3,156	0.1 %
Foreign government bonds	Aa	A	10	0.0
Money market mutual funds	Aaa	AAA	132,987	3.6
Time deposits	P-1	A-1	105,546	2.8
U.S. corporate bonds	A	A	12,246	0.3
U.S. Government agency bonds	Aaa	AA	3,335	0.1
U.S. Government agency MBS	Aaa	AA	109,742	2.9
U.S. Treasury bonds	Aaa	AA	<u>32,119</u>	<u>0.9</u>
Total rated investments			<u>399,141</u>	<u>10.7</u>
Common stock			<u>3,322,262</u>	<u>89.3</u>
Total investments			<u>\$ 3,721,403</u>	<u>100.0 %</u>

The table above includes investments received as collateral for repurchase agreements with a fair value of \$332,025 as compared to the amortized cost of the repurchase agreements of \$314,482.

<u>Investment Type</u>	<u>2016</u>	
	<u>Fair Value</u>	<u>WAM (Days)</u>
Repurchase agreements	\$ 314,482	2
Time deposits	<u>105,545</u>	1
Total	<u>\$ 420,027</u>	

Concentration of Credit Risk

The Pool is restricted from investing more than 5% of the value of the Pool in any one company. At June 30, 2017 and 2016, the Pool was in compliance with this restriction and is not exposed to concentration of credit risk.

Custodial Credit Risk

At June 30, 2017 and 2016, the Pool held no securities that were subject to custodial credit risk. Repurchase agreements, when held, are collateralized to a minimum of 102% and the collateral is held in the name of the WVIMB. All remaining securities are held by the WVIMB's custodian in the name of the WVIMB.

Foreign Currency Risk

The Pool is exposed to no or minimal foreign currency risk.

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Fair Value Measurements

The tables below summarize the recurring fair value measurements of the investment securities in accordance with the fair value hierarchy levels as of June 30:

<u>Assets</u>	<u>June 30, 2017</u>			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Common Stock	\$ 3,490,823	\$ -	\$ -	\$ 3,490,823
Investments made with cash collateral for securities loaned	-	186,571	-	186,571
Money market mutual funds	34,740	-	-	34,740
Total	<u>\$ 3,525,563</u>	<u>\$ 186,571</u>	<u>\$ -</u>	<u>\$ 3,712,134</u>

<u>Liabilities</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Futures contracts	\$ (65)	\$ -	\$ -	\$ (65)

<u>Assets</u>	<u>June 30, 2016</u>			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Common Stock	\$ 3,150,846	\$ -	\$ -	\$ 3,150,846
Futures contracts	3,026	-	-	3,026
Investments made with cash collateral for securities loaned	110,454	420,027	-	530,481
Money market mutual funds	22,533	-	-	22,533
Total	<u>\$ 3,286,859</u>	<u>\$ 420,027</u>	<u>\$ -</u>	<u>\$ 3,706,886</u>

Non-Large Cap Domestic Equity Pool

The Pool invests in the equities of small to mid-sized companies and its objective is to exceed, net of external investment management fees, the Russell 2500 Index over three-to-five-year periods. Assets are managed by AJO and Westfield Capital Management (Westfield). BRIM's amount invested in the non-large cap domestic pool of \$3,514 and \$3,716 at June 30, 2017 and 2016, respectively, represents approximately 0.5% and 0.5%, respectively, of total investments in this pool.

Credit Risk and Interest Rate Risk

The Pool is exposed to credit risk from certain investments made with cash collateral for securities loaned. This risk is limited by requiring minimum ratings on debt instruments. Long-term debt instruments must be rated A or better by Moody's or Standard & Poor's at the time of purchase. Short-term debt instruments must be rated P-1 by Moody's or A-1 by Standard & Poor's at the time of purchase. The Pool is exposed to interest rate risk from certain investments made with cash collateral for securities loaned. The weighted average maturity for investments made with cash collateral for securities loaned is not to exceed 90 days. The following table provides the weighted average credit ratings and weighted average maturities (WAM) as of June 30, 2017.

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<u>June 30, 2017</u>					
<u>Investment Type</u>	<u>Moody's</u>	<u>S&P</u>	<u>WAM (Days)</u>	<u>Fair Value</u>	<u>Percent of Total Investments</u>
Common stock	N/A	N/A	N/A	\$ 717,579	76.1 %
Money market mutual fund	Aaa	AAA	N/A	13,317	1.4
Repurchase agreements	Aaa	AA	3	125,660	13.3
Time deposits	A-1	P-1	3	<u>86,826</u>	<u>9.2</u>
Total investments				<u>\$ 943,382</u>	<u>100.0 %</u>

<u>June 30, 2016</u>					
<u>Investment Type</u>	<u>Moody's</u>	<u>S&P</u>	<u>Fair Value</u>	<u>Percent of Total Investment</u>	
Foreign corporate bonds	A	A	\$ 2,198	0.2 %	
Foreign government bonds	Aa	A	7	0.0	
Money market mutual funds	Aaa	AAA	88,686	7.7	
Time deposits	P-1	A-1	73,468	6.4	
U.S. corporate bonds	A	A	8,524	0.7	
U.S. Government agency bonds	Aaa	AA	2,322	0.2	
U.S. Government agency MBS	Aaa	AA	76,389	6.6	
U.S. Treasury bonds	Aaa	AA	<u>22,357</u>	<u>1.9</u>	
Total rated investments			<u>273,951</u>	<u>23.7</u>	
Common stock			<u>880,130</u>	<u>76.3</u>	
Total investments			<u>\$ 1,154,081</u>	<u>100.0 %</u>	

The table above includes investments received as collateral for repurchase agreements with a fair value of \$231,116 as compared to the amortized cost of the repurchase agreements of \$218,904.

The following table provides the WAM for applicable investments made with cash collateral for securities loaned as of June 30, 2016.

<u>Investment Type</u>	<u>2016</u>	
	<u>Fair Value</u>	<u>WAM (Days)</u>
Repurchase agreements	\$ 218,904	2
Time deposits	<u>73,468</u>	<u>1</u>
Total	<u>\$ 292,372</u>	

Concentration of Credit Risk

The Pool is restricted from investing more than 5% of the value of the Pool in any one company. At June 30, 2017 and 2016, the Pool was in compliance with this restriction and is not exposed to concentration of credit risk.

Custodial Credit Risk

At June 30, 2017 and 2016, the Pool held no securities that were subject to custodial credit risk. Repurchase agreements, when held, are collateralized to a minimum of 102% and the collateral is held in the name of the WVIMB. All remaining securities are held by the WVIMB's custodian in the name of the WVIMB.

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Foreign Currency Risk

The Pool is exposed to no or minimal foreign currency risk.

Fair Value Measurements

The tables below summarize the valuation of the investment securities in accordance with fair value hierarchy levels as of June 30:

<u>Assets</u>	June 30, 2017			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Common Stock	\$ 717,579	\$ -	\$ -	\$ 717,579
Investments made with cash collateral for securities loaned	-	212,486	-	212,486
Money market mutual fund	13,317	-	-	13,317
Total	<u>\$ 730,896</u>	<u>\$ 212,486</u>	<u>\$ -</u>	<u>\$ 943,382</u>

<u>Assets</u>	June 30, 2016			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Common Stock	\$ 760,811	\$ -	\$ -	\$ 760,811
Investments made with cash collateral for securities loaned	76,886	292,372	-	369,258
Money market mutual fund	11,800	-	-	11,800
Total	<u>\$ 849,497</u>	<u>\$ 292,372</u>	<u>\$ -</u>	<u>\$ 1,141,869</u>

Redemption Provisions

The Pool is restricted to the following redemption provisions: daily.

International Equity Pool

This Pool invests in the equities of international companies. Assets are managed by Acadian Asset Management, LLC (Acadian), Axiom International Investors, LLC (Axiom), Brandes Investment Partners, L.P. (Brandes), LSV Asset Management (LSV), and Oberweis Asset Management, Inc. (Oberweis). The objective of the Pool is to exceed, net of external investment management fees, Morgan Stanley Capital International's All Country World Free Ex US Index over three-to-five-year periods. BRIM's amount invested in the International Equity Pool of \$16,347 and \$15,055 at June 30, 2017 and 2016, respectively, represents approximately 0.5% and 0.5%, respectively, of total investments in this pool.

Credit Risk and Interest Rate Risk

The Pool is exposed to credit risk from investments made with cash collateral for securities loaned. This risk is limited by requiring minimum ratings on debt instruments. Long-term debt instruments must be rated A or better by Moody's or Standard & Poor's at the time of purchase. Short-term debt instruments must be rated P-1 by Moody's or A-1 by Standard & Poor's at the time of purchase. The Pool is exposed to interest rate risk from certain investments made with cash collateral for securities loaned. The weighted average maturity for investments made with cash collateral for securities loaned is not to exceed 90 days.

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The following tables provide the weighted average credit ratings and weighted average maturities (WAM) as of June 30:

June 30, 2017					
<u>Investment Type</u>	<u>Moody's</u>	<u>S&P</u>	<u>WAM (Days)</u>	<u>Fair Value</u>	<u>Percent of Total Investment</u>
Common stock	N/A	N/A	N/A	\$ 2,958,970	93.2 %
Money market mutual funds	Aaa	AAA	N/A	38,306	1.2
Preferred stock	N/A	N/A	N/A	67,086	2.1
Repurchase agreements	Aaa	AA	3.0	63,972	2.0
Rights	N/A	N/A	N/A	2,562	0.1
Time deposits	A-1	P-1	3.0	<u>44,201</u>	<u>1.4</u>
Total investments				<u>\$ 3,175,097</u>	<u>100.0 %</u>

June 30, 2016					
<u>Investment Type</u>	<u>Moody's</u>	<u>S&P</u>	<u>Fair Value</u>	<u>Percent of Total Investment</u>	
Foreign corporate bonds	A	A	\$ 1,127	0.0 %	
Foreign government bonds	Aa	A	4	0.0	
Money market mutual funds	Aaa	AAA	69,992	2.4	
Time deposits	P-1	A-1	37,717	1.2	
U.S. corporate bonds	A	A	4,376	0.1	
U.S. Government agency bonds	Aaa	AA	1,192	0.0	
U.S. Government agency MBS	Aaa	AA	39,216	1.3	
U.S. Treasury bonds	Aaa	AA	<u>11,478</u>	<u>0.4</u>	
Total rated investments			<u>165,102</u>	<u>5.4</u>	
Common stock			2,797,848	92.4	
Preferred stock			68,037	2.2	
Rights			<u>217</u>	<u>0.0</u>	
Total investments			<u>\$ 3,031,204</u>	<u>100.0 %</u>	

The table above includes investments received as collateral for repurchase agreements with a fair value of \$118,650 as compared to the amortized cost of the repurchase agreements of \$112,380.

<u>Investment Type</u>	<u>2016</u>	
	<u>Fair Value</u>	<u>WAM (Days)</u>
Repurchase agreements	\$ 112,380	2
Time deposits	<u>37,716</u>	1
Total investments	<u>\$ 150,096</u>	

Concentration of Credit Risk

The Pool is restricted from investing more than 5% of the value of the Pool in any one company. At June 30, 2017 and 2016, the Pool was in compliance with this restriction and is not exposed to concentration of credit risk.

West Virginia Board of Risk and Insurance Management
Notes to Financial Statements
(in thousands)

Custodial Credit Risk

At June 30, 2017 and 2016, the Pool held no securities that were subject to custodial credit risk. Repurchase agreements, when held, are collateralized to a minimum of 102% and the collateral is held in the name of the WVIMB. All remaining securities are held by the WVIMB's custodian in the name of the WVIMB.

Foreign Currency Risk

The Pool has both equity securities and cash that are denominated in foreign currencies and are exposed to foreign currency risks. The tables below show amounts at fair value (in U.S. dollars) of the securities and cash denominated in foreign currencies as of June 30:

Currency	2017			2016		
	Investments	Cash	Total	Investments	Cash	Total
Australian Dollar	\$ 86,903	\$ 3,905	\$ 90,808	\$ 70,519	\$ 1,384	\$ 71,903
Brazil Real	107,336	1,305	108,641	134,558	1,156	135,714
British Pound	268,603	8,426	277,029	251,332	2,256	253,588
Canadian Dollar	114,239	77	114,316	114,574	211	114,785
Chilean Peso	14,919	-	14,919	12,200	685	12,885
Czech Koruna	7,352	108	7,460	8,630	368	8,998
Danish Krone	11,750	(1)	11,749	21,390	1,390	22,780
Egyptian Pound	1,605	-	1,605	1,631	(20)	1,611
Emirati Dirham	6,060	10	6,070	5,631	5	5,636
Euro Currency Unit	463,410	6,309	469,719	423,512	504	424,016
Hong Kong Dollar	332,332	9,785	342,117	277,680	776	278,456
Hungarian Forint	6,749	58	6,807	8,991	135	9,126
Indian Rupee	93,581	1,604	95,185	64,154	697	64,851
Indonesian Rupiah	33,767	59	33,826	28,164	132	28,296
Israeli Shekel	13,482	35	13,517	16,429	49	16,478
Japanese Yen	371,110	2,302	373,412	381,024	2,588	383,612
Malaysian Ringgit	26,081	508	26,589	24,344	207	24,551
Mexican Peso	47,583	263	47,846	44,979	383	45,362
New Taiwan Dollar	75,661	2,418	78,079	63,355	1,166	64,521
New Zealand Dollar	6,060	7	6,067	7,782	3	7,785
Norwegian Krone	19,812	598	20,410	20,899	28	20,927
Pakistan Rupee	3,848	-	3,848	5,150	-	5,150
Philippine Peso	10,603	2	10,605	10,085	1	10,086
Polish Zloty	13,957	-	13,957	5,239	-	5,239
Qatari Riyal	99	32	131	407	16	423
Singapore Dollar	18,722	445	19,167	13,817	105	13,922
South African Rand	56,807	30	56,837	38,313	94	38,407
South Korean Won	218,594	1,856	220,450	188,612	1,479	190,091
Swedish Krona	37,428	(1)	37,427	52,296	1	52,297
Swiss Franc	109,989	1,566	111,555	95,697	-	95,697
Thailand Baht	54,069	(6)	54,063	47,149	1	47,150
Turkish Lira	55,190	96	55,286	55,220	507	55,727
Total	\$ 2,688,001	\$ 41,796	\$ 2,729,797	\$ 2,493,763	\$ 16,307	\$ 2,510,070

The table above excludes cash and securities held by the pool that are denominated in U.S. dollars. The fair value of the U.S. dollar denominated cash and investments is \$487,320 or 15.1% and \$531,171, or 17.5% for the years ended June 30, 2017 and 2016, respectively.

West Virginia Board of Risk and Insurance Management
Notes to Financial Statements
(in thousands)

Fair Value Measurements

The tables below summarize the valuation of the investment securities in accordance with fair value hierarchy levels as of June 30:

<u>Assets</u>	June 30, 2017			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common Stock	\$ 2,958,970	\$ -	\$ -	\$ 2,958,970
Foreign currency contracts	-	32	-	32
Investments made with cash collateral for securities loaned	-	108,173	-	108,173
Preferred stock	67,086	-	-	67,086
Rights	2,562	-	-	2,562
Money market mutual fund	38,306	-	-	38,306
Total	<u>\$ 3,066,924</u>	<u>\$ 108,205</u>	<u>\$ -</u>	<u>\$ 3,175,129</u>

<u>Liabilities</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Foreign currency contracts	\$ -	\$ (90)	\$ -	\$ (90)

<u>Assets</u>	June 30, 2016			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common Stock	\$ 2,736,592	\$ -	\$ -	\$ 2,736,592
Foreign currency contracts	-	68	-	68
Investments made with cash collateral for securities loaned	39,472	150,096	-	189,568
Preferred stock	68,037	-	-	68,037
Rights	217	-	-	217
Money market mutual fund	30,520	-	-	30,520
Total	<u>\$ 2,874,838</u>	<u>\$ 150,164</u>	<u>\$ -</u>	<u>\$ 3,025,002</u>

<u>Liabilities</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Foreign currency contracts	\$ -	\$ (63)	\$ -	\$ (63)

Short-Term Fixed Income Pool

The main objective of this Pool is to maintain sufficient liquidity to fund withdrawals by the participant plans and to invest cash contributions until such time as the money can be transferred to other asset classes without sustaining capital losses. JP Morgan Investment Advisors, Inc. (JPM) manages the Pool. The Pool's investment objective, net of external investment fees, is to meet or exceed the Citigroup ninety-day T-bill Index plus fifteen basis points. BRIM's amount invested in the Short-Term Fixed Income Pool of \$7,160 and \$6,641 at June 30, 2017 and 2016, respectively, represented approximately 3.3% and 2.5%, respectively, of total investments in this Pool.

Credit Risk and Interest Rate Risk

The WVIMB limits the exposure to credit risk in the Pool by requiring all corporate bonds to be rated AA or higher. Commercial paper must be rated A-1 by Standard & Poor's and P-1 by Moody's. Additionally, the Pool must have at least 15% of its assets in United States Treasury issues. The weighted average maturity of the investments of the Pool is not to exceed 60 days. The maturity of floating rate notes is assumed to be the next interest rate reset date.

West Virginia Board of Risk and Insurance Management
Notes to Financial Statements
(in thousands)

The following tables provide information on the weighted average credit ratings and the weighted average maturities (WAM) of the Pool's investments as of June 30:

June 30, 2017					
Investment Type	Moody's	S&P	WAM (Days)	Carrying Value	Percent of Total Investment
Commercial paper	P-1	A-1	23	\$ 36,775	16.8 %
Repurchase agreements	Aaa	A	3	50,000	22.9
U.S. Government agency issues	P-1	A-1	9	88,415	40.5
U.S. Treasury bonds	P-1	A-1	60	<u>42,873</u>	<u>19.7</u>
Total rated investments				<u>\$ 218,063</u>	<u>100.0 %</u>

June 30, 2016					
Investment Type	Moody's	S&P	Carrying Value	Percent of Total Investment	
Commercial paper	P-1	A-1	\$ 52,734	14.9 %	
Money market mutual fund	Aaa	AAA	82,161	23.2	
U.S. Government agency issues	P-1	A-1	130,482	37.0	
U.S. Treasury issues	Aaa	AA	<u>88,046</u>	<u>24.9</u>	
Total rated investments			<u>\$ 353,423</u>	<u>100.0 %</u>	

The table above includes U.S. Treasury notes received as collateral for repurchase agreements with a fair value of \$13,260 as compared to the amortized cost of the repurchase agreements of \$13,000.

Investment Type	2016	
	Fair Value	WAM (Days)
Commercial paper	\$ 52,734	22
Money market mutual fund	82,161	N/A
Repurchase agreement	13,000	1
U.S. government agency issues	130,482	55
U.S. Treasury issues	<u>74,786</u>	<u>28</u>
Total investments	<u>\$ 353,163</u>	

Concentration of Credit Risk

The Pool is restricted from investing more than 5% of the value of the Pool in any one corporate name. At June 30, 2017, the Pool was in compliance with this restriction and is not exposed to concentration of credit risk.

Custodial Credit Risk

At June 30, 2017, the Pool held no investments that were subject to custodial credit risk. Repurchase agreements are collateralized at 102% and the collateral is held in the name of the WVIMB. All remaining investments are held by the WVIMB's custodian in the name of the WVIMB.

Foreign Currency Risk

The Pool has no investments that are subject to foreign currency risk.

West Virginia Board of Risk and Insurance Management
Notes to Financial Statements
(in thousands)

Fair Value Measurements

The tables below summarize the valuation of the investment securities in accordance with fair value hierarchy levels as of June 30:

<u>Assets</u>	June 30, 2017			
	Level 1	Level 2	Level 3	Total
Commercial paper	\$ -	\$ 36,775	\$ -	\$ 36,775
Repurchase agreement	-	50,000	-	50,000
U.S. Government agency bonds	-	88,415	-	88,415
U.S. Treasury bonds	-	42,873	-	42,873
Total	<u>\$ -</u>	<u>\$ 218,063</u>	<u>\$ -</u>	<u>\$ 218,063</u>

<u>Assets</u>	June 30, 2016			
	Level 1	Level 2	Level 3	Total
Commercial paper	\$ -	\$ 52,734	\$ -	\$ 52,734
Money market mutual fund	82,161	-	-	82,161
Repurchase agreement	-	13,000	-	13,000
U.S. Government agency bonds	-	130,482	-	130,482
U.S. Treasury bonds	-	74,786	-	74,786
Total	<u>\$ 82,161</u>	<u>\$ 271,002</u>	<u>\$ -</u>	<u>\$ 353,163</u>

International Nonqualified Pool

This Pool invests in The Silchester International Investors International Value Equity Trust (Silchester). The Pool's objective is to produce investment returns that exceed the Morgan Stanley Capital International's Europe Australasia Far East Index by 200 basis points on an annualized basis over three-to-five-year periods, net of external investment management fees. The Pool exists for participants who are not "qualified" (as defined by the *Internal Revenue Code*). The Pool invests in a collective trust fund that invests in equities denominated in foreign currencies. The value of this pool at June 30, 2017 and 2016 was \$201,799 and \$141,311, respectively. This Pool, although denominated in U.S. dollars, is exposed to foreign currency risk through the underlying investments. The Pool is not exposed to credit risk, interest rate risk, custodial credit risk, or concentration of credit risk.

BRIM's amount invested in the International Nonqualified Pool of \$7,180 and \$4,892 at June 30, 2017 and 2016, respectively, represents approximately 3.6% and 3.5%, respectively, of total investments in this pool.

Fair Value Measurements

GAAP does not require the Pool to categorize within the fair value hierarchy table investments for which fair value is measured using the net asset value per share practical expedient. The investment in Silchester is valued using the net asset value per share practical expedient. As Silchester is the only investment in the Pool, a fair value hierarchy table is not presented.

Redemption Provisions

The Pool is restricted to the following redemption provisions: monthly on the first business day.

Total Return Fixed Income Pool

This Pool's objective is to earn superior returns with low volatility by actively investing in the extended fixed income markets. Dodge & Cox (DAC), Franklin Templeton Investments (FTI), and Western Asset Management Company (Western) manage the Pool. The Pool's investment objective, net of external investment management fees, is to meet or exceed the Barclay Capital Universal Index. BRIM's amount invested in the Total Return Fixed Income Pool of \$35,644 and \$29,250, at June 30, 2017 and 2016, respectively, represented approximately 1.5% and 1.4%, respectively, of total investments in the Pool.

West Virginia Board of Risk and Insurance Management
Notes to Financial Statements
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Credit Risk and Interest Rate Risk

The WVIMB limits the exposure to credit risk in the Pool by maintaining at least an average rating of investment grade as defined by the Nationally Recognized Statistical Rating Organizations. The WVIMB monitors interest rate risk of the Pool by evaluating the effective duration of the investments in the Pool. Effective duration is a method of disclosing interest rate risk that measures the expected change in the price of a fixed income security for a 1% change in interest rates. The effective duration calculation takes into account the most likely timing of variable cash flows, which is particularly useful for measuring interest rate risk of callable bonds, commercial and residential mortgage-backed securities, asset-backed securities and collateralized mortgage obligations.

The Pool invests in commercial and residential mortgage-backed securities, asset-backed securities, and collateralized mortgage obligations. The cash flows from these securities are based on the payment of the underlying collateral. The effective duration and yield to maturity of these securities are dependent on estimated prepayment assumptions that consider historical experience, market conditions and other criteria. Actual prepayments may vary with changes in interest rates. Rising interest rates often result in a slower rate of prepayments while declining rates tend to lead to faster prepayments. As a result, the fair values of these securities are highly sensitive to interest rate changes. The Pool held \$463,424 and \$407,958 of these securities at June 30, 2017 and 2016, respectively, representing approximately 18% and 19% of the value of the Pool's securities.

The following tables provide the weighted average credit ratings of the rated assets in the Pool as of June 30:

<u>Investment Type</u>	<u>June 30, 2017</u>			<u>Percent of Total Investment</u>
	<u>Moody's</u>	<u>S&P</u>	<u>Fair Value</u>	
Common stock	A	N/A	\$ 14	0.0 %
Corporate asset backed issues	Ba	AA	32,078	1.3
Corporate ABS residual	N/A	N/A	5,034	0.2
Corporate CMO	Baa	BB	46,766	1.9
Corporate preferred security	Ba	BB	10,436	0.4
Foreign asset backed issues	Baa	BBB	17,436	0.7
Foreign corporate bonds	Baa	BBB	285,298	11.3
Foreign government bonds	Baa	BBB	244,812	9.7
Investments in other funds	N/A	N/A	319,061	12.7
Money market mutual fund	Aaa	AAA	63,965	2.5
Municipal bonds	A	A	47,351	1.9
Options contracts purchased	N/A	N/A	2,098	0.1
Repurchase agreements	Aaa	AA	119,844	4.8
Time deposits	P-1	A-1	82,806	3.3
U.S. corporate bonds	Baa	BBB	460,676	18.1
U.S. Government agency bonds	Aaa	AA	11,630	0.5
U.S. Government agency CMO	Aaa	AA	51,865	2.1
U.S. Government agency CMO interest-only	Aaa	AA	3,796	0.2
U.S. Government agency MBS	Aaa	AA	289,155	11.5
U.S. Government agency TBAs	Aaa	AA	17,294	0.7
U.S. Treasury bonds	Aaa	AA	361,886	14.4
U.S. Treasury inflation protected securities	Aaa	AA	42,269	1.7
Total Investments			<u>\$ 2,515,570</u>	<u>100.0 %</u>

West Virginia Board of Risk and Insurance Management
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June 30, 2016				
Investment Type	Moody's	S&P	Fair Value	Percent of Total Investment
Bank loan	B	B	\$ 936	0.0 %
Corporate asset backed issues	A	A	36,980	1.7
Corporate CMO	Ba	BB	27,879	1.3
Corporate preferred securities	Ba	BB	10,472	0.5
Foreign asset backed issues	A	A	11,726	0.5
Foreign corporate bonds	Baa	BBB	293,586	13.6
Foreign government bonds	Ba	BB	217,700	10.1
Money market mutual funds	Aaa	AAA	66,469	3.1
Municipal bonds	A	A	40,081	1.9
Time deposits	P-1	A-1	20,028	0.9
U.S. corporate bonds	Baa	BBB	542,373	25.2
U.S. Government agency bonds	Aaa	AA	3,332	0.2
U.S. Government agency CMO	Aaa	AA	64,627	3.0
U.S. Government agency CMO interest-only	Aaa	AA	6,519	0.3
U.S. Government agency MBS	Aaa	AA	275,666	12.8
U.S. Government agency TBA	Aaa	AA	637	0.0
U.S. Treasury bonds	Aaa	AA	107,797	5.0
U.S. Treasury inflation-protected securities	Aaa	AA	26,550	1.2
Total rated investments			<u>\$ 1,753,358</u>	<u>81.3 %</u>

Unrated investments include investments in common stock valued at \$32,528, investments in corporate ABS residual valued at \$5,385, investments in other funds valued at \$360,669, and options contracts purchased valued at \$1,192. These unrated securities represent 18.7% of the fair value of the Pool's investments.

The table above includes investments received as collateral for repurchase agreements with a fair value of \$63,005 as compared to the amortized cost of the repurchase agreements of \$59,675.

The following table provides the weighted average credit ratings and the weighted average effective duration for the various asset types in the Pool as of June 30:

Investment Type	2017		2016	
	Fair Value	Effective Duration (Years)	Fair Value	Effective Duration (Years)
Bank loan	\$ -	0.0	\$ 936	0.1
Common stock	14	N/A	-	N/A
Corporate asset backed issues	32,078	2.0	36,980	1.8
Corporate ABS residual	5,034	N/A	5,385	N/A
Corporate CMO	46,766	0.9	27,879	1.9
Corporate preferred securities	10,436	0.1	10,472	0.1
Foreign asset backed issues	17,436	0.5	11,726	2.4
Foreign corporate bonds	285,298	6.6	292,987	6.6
Foreign government bond	244,812	5.3	217,698	6.0
Investments in other funds	319,061	2.4	360,669	2.9
Money market mutual funds	63,965	N/A	66,469	N/A
Municipal bonds	47,351	9.0	40,081	10.4
Options contracts purchase	2,098	N/A	1,192	N/A
Repurchase agreement	119,844	0.0	59,675	0.0
Time deposits	82,806	0.0	20,028	0.0

West Virginia Board of Risk and Insurance Management
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(in thousands)

<i>(continued)</i>	2017		2016	
	Fair Value	Effective Duration (Years)	Fair Value	Effective Duration (Years)
Investment Type				
U.S. corporate bonds	\$ 460,676	7.0	\$ 540,049	8.3
U.S. Government agency bonds	11,630	0.7	2,699	3.3
U.S. Government agency CMO	51,865	1.4	64,627	0.9
U.S. Government agency CMO interest-only	3,796	1.8	6,519	34.0
U.S. Government agency MBS	289,155	3.0	254,842	1.7
U.S. Government agency TBA	17,294	5.4	637	0.0
U.S. Treasury bonds	361,886	7.8	101,702	3.0
U.S. Treasury inflation-protected securities	42,269	13.9	26,550	19.5
Total investments	<u>\$ 2,515,570</u>	<u>5.0</u>	<u>\$ 2,149,802</u>	<u>5.1</u>

Concentration of Credit Risk

The Pool is restricted from investing more than 5% of the value of the Pool in any one corporate name. At June 30, 2017 and 2016, the Pool was in compliance with this restriction and is not exposed to concentration of credit risk.

Custodial Credit Risk

At June 30, 2017 and 2016, the Pool held no securities that were subject to custodial credit risk. Repurchase agreements, when held, are collateralized at 102% and the collateral is held in the name of the WVIMB. Investments in commingled funds are held in an account in the name of the WVIMB. All remaining securities are held by the WVIMB's custodian in the name of the WVIMB.

Foreign Currency Risk

The Pool has foreign government bonds and foreign corporate bonds that are denominated in foreign currencies and are exposed to foreign currency risks. The Pool also has foreign denominated futures contracts, a currency swap, and foreign exchange forward contracts. Refer to Notes 6, 7 and 8, respectively, for details on these contracts. Additionally, the Pool has indirect exposure to foreign currency risk through its ownership interests in certain of the commingled investment pools. Approximately \$87,411 or 27% of the commingled investment pools hold substantially all of their investments in foreign currencies. This represents approximately 4% of the value of the Pool's securities.

West Virginia Board of Risk and Insurance Management
Notes to Financial Statements
(in thousands)

The tables below show amounts at fair value (in U.S. dollars) of investments and cash denominated in foreign currencies as of June 30:

June 30, 2017				
<u>Currency</u>	<u>Investments</u>	<u>Cash</u>	<u>Total</u>	<u>Percent of Total Investments and Cash</u>
Argentine Peso	\$ 10,274	\$ 455	\$ 10,729	0.4 %
Australian Dollar	-	1,207	1,207	0.0
Azerbaijani Manat	652	-	65	0.0
Brazil Real	22,496	1	22,497	0.9
Canadian Dollar	7,653	-	7,653	0.3
Colombian Peso	5,003	-	5,003	0.2
Deutsche Mark	1,932	-	1,932	0.1
Euro Currency Unit	-	7,865	7,865	0.3
British Pound	4,800	61	4,861	0.2
Georgian Lari	1,678	-	1,678	0.1
Ghana Cedi	2,791	-	2,791	0.1
Indian Rupee	620	-	620	0.0
Japanese Yen	49,484	921	50,405	2.0
Kenyan Shilling	2,338	40	2,378	0.1
Mexican Peso	39,783	1,014	40,797	1.6
New Zealand Dollar	-	1,251	1,251	0.0
Peruvian Nuevo Sol	1,440	-	1,440	0.1
Russian Ruble	3,637	861	4,498	0.2
Swedish Krona	-	704	704	0.0
Turkish Lira	4,445	-	4,445	0.2
Ugandan Shilling	1,907	-	1,907	0.1
Uruguayan Peso	7,767	-	7,767	0.3
South African Rand	5,882	-	5,882	0.2
Total	<u>\$ 174,582</u>	<u>\$ 14,380</u>	<u>\$ 188,962</u>	<u>7.4 %</u>

The table above excludes investments and cash held by the Pool that are denominated in U.S. dollars. The fair value of the U.S. dollar denominated investments and cash is \$2,346,267. This represents approximately 93% of the value of the Pool's investments and cash.

June 30, 2016				
<u>Currency</u>	<u>Investments</u>	<u>Cash</u>	<u>Total</u>	<u>Percent of Total Investments and Cash</u>
Brazil Real	\$ 18,357	\$ 739	\$ 19,096	0.9 %
British Pound	(16)	29	13	0.0
Colombian Peso	3,827	-	3,827	0.2
Deutsche Mark	2,242	-	2,242	0.1
Euro Currency Unit	7,012	4,749	11,761	0.5
Ghana Cedi	1,871	308	2,179	0.1
Indian Rupee	3,192	-	3,192	0.1
Japanese Yen	50,390	1,458	51,848	2.4
Kenyan Shilling	2,149	-	2,149	0.1
Mexican Peso	36,421	-	36,421	1.7
Russian Ruble	9,159	588	9,747	0.4
South African Rand	4,814	192	5,006	0.2
Turkish Lira	5,094	-	5,094	0.2
Ugandan Shilling	1,919	-	1,919	0.1
Uruguayan Peso	3,759	-	3,759	0.2
Zambian Kwacha	-	311	311	0.0
Total	<u>\$ 150,190</u>	<u>\$ 8,374</u>	<u>\$ 158,564</u>	<u>7.2 %</u>

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(in thousands)

The table above excludes investments and cash held by the Pool that are denominated in U.S. dollars. The fair value of the U.S. dollar denominated investments and cash is \$2,029,009. This represents approximately 93% of the value of the Pool's investments and cash.

Fair Value Measurements

GAAP does not require the Pool to categorize within the fair value hierarchy table investments for which fair value is measured using the net asset value per share practical expedient. The table that follows sets forth information about the level within the fair value hierarchy at which the Pool's assets and liabilities are measured at June 30. All the Pool's investments in other funds were valued using the net asset value per share practical expedient; as such, they have not been categorized in the fair value hierarchy.

<u>Assets</u>	June 30, 2017			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common stock	\$ 14	\$ -	\$ -	\$ 14
Corporate asset backed issues	-	32,078	-	32,078
Corporate ABS residual	-	5,034	-	5,034
Corporate CMO	-	46,766	-	46,766
Corporate preferred security	10,436	-	-	10,436
Foreign asset backed issues	-	17,436	-	17,436
Foreign corporate bonds	-	285,298	-	285,298
Foreign currency forward contracts	-	911	-	911
Foreign government bonds	-	244,812	-	244,812
Futures contracts	7,290	-	-	7,290
Investments made with cash collateral for securities loaned	-	202,650	-	202,650
Money market mutual fund	63,965	-	-	63,965
Municipal bonds	-	47,351	-	47,351
Options contracts purchased	2,098	-	-	2,098
Swaps	-	6,482	-	6,482
U.S. corporate bonds	-	460,676	-	460,676
U.S. Government agency bond	-	11,630	-	11,630
U.S. Government agency CMO	-	51,865	-	51,865
U.S. Government agency CMO interest-only	-	3,796	-	3,796
U.S. Government agency MBS	-	289,155	-	289,155
U.S. Government agency TBAs	-	17,294	-	17,294
U.S. Treasury bonds	-	361,886	-	361,886
U.S. Treasury inflation protected securities	-	42,269	-	42,269
Total	<u>\$ 83,803</u>	<u>\$ 2,127,389</u>	<u>\$ -</u>	2,211,192
Investments in other funds				<u>319,061</u>
Total				<u>\$ 2,530,253</u>
<u>Liabilities</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Foreign currency forward contracts	\$ -	\$ (794)	\$ -	\$ (794)
Futures contracts	(1,236)	-	-	(1,236)
Options contracts written	(538)	-	-	(538)
Swaps	-	(1,483)	-	(1,483)
Total	<u>\$ (1,774)</u>	<u>\$ (2,277)</u>	<u>\$ -</u>	<u>\$ (4,051)</u>

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<u>Assets</u>	June 30, 2016			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Bank loan	\$ -	\$ 936	\$ -	\$ 936
Corporate asset backed issues	-	36,980	-	36,980
Corporate ABS residual	-	5,385	-	5,385
Corporate CMO	-	27,879	-	27,879
Corporate preferred security	10,472	-	-	10,472
Foreign asset backed issues	-	11,726	-	11,726
Foreign corporate bonds	-	292,987	-	292,987
Foreign currency forward contracts	-	1,054	-	1,054
Foreign government bonds	-	217,698	-	217,698
Future contracts	5,597	-	-	5,597
Investments made with cash collateral for securities loaned	20,960	79,703	-	100,663
Money market mutual fund	45,509	-	-	45,509
Municipal bonds	-	40,081	-	40,081
Options contracts purchased	849	343	-	1,192
Swaps	-	837	-	837
U.S. corporate bonds	-	540,049	-	540,049
U.S. Government agency bond	-	2,699	-	2,699
U.S. Government agency CMO	-	64,627	-	64,627
U.S. Government agency CMO interest-only	-	6,519	-	6,519
U.S. Government agency MBS	-	254,842	-	254,842
U.S. Government agency TBA	-	637	-	637
U.S. Treasury bonds	-	101,702	-	101,702
U.S. Treasury inflation protected securities	-	26,550	-	26,550
Total	<u>\$ 83,387</u>	<u>\$ 1,713,234</u>	<u>\$ -</u>	1,796,621
Investments in other funds				<u>360,669</u>
Total				<u>\$ 2,157,290</u>
<u>Liabilities</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Foreign currency forward contracts	\$ -	\$ (4,747)	\$ -	\$ (4,747)
Future contracts	(7,013)	-	-	(7,013)
Options contracts written	(142)	(293)	-	(435)
Swaps	-	(18,200)	-	(18,200)
Total	<u>\$ (7,155)</u>	<u>\$ (23,240)</u>	<u>\$ -</u>	<u>\$ (30,395)</u>

Redemption Provisions

The Pool is restricted to the following redemption provisions: daily.

Core Fixed Income Pool

The main objective of this Pool is to generate investment income, provide stability and diversification, but not at the expense of the total return. JP Morgan Investment Advisors, Inc. (JPM) manages this Pool. This Pool's investment objective, net of external management fees, is to meet or exceed the Barclays Capital U.S. Aggregate Bond Index. BRIM's amount invested in the Core Fixed Income Pool of \$15,140 and \$13,342 at June 30, 2017 and 2016, respectively, and represented approximately 1.5% and 1.3%, respectively, of total investments in this Pool.

Credit Risk and Interest Rate Risk

The WVIMB limits the exposure to credit risk in the Pool by maintaining at least an average rating of investment grade as defined by the Nationally Recognized Statistical Rating Organizations. The WVIMB monitors interest rate

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risk of the Pool by evaluating the effective duration of the investments in the Pool. Effective duration is a method of disclosing interest rate risk that measures the expected change in the price of a fixed income security for a 1% change in interest rates. The effective duration calculation takes into account the most likely timing of variable cash flows, which is particularly useful for measuring interest rate risk of callable bonds, commercial and residential mortgage-backed securities, asset-backed securities and collateralized mortgage obligations.

The Pool invests in commercial and residential mortgage-backed securities, asset-backed securities and collateralized mortgage obligations. The cash flows from these securities are based on the payment of the underlying collateral. The effective duration and yield to maturity of these securities are dependent on estimated prepayment assumptions that consider historical experience, market conditions and other criteria. Actual prepayments may vary with changes in interest rates. Rising interest rates often result in a slower rate of prepayments while declining rates tend to lead to faster prepayments. As a result, the fair values of these securities are highly sensitive to interest rate changes. At June 30, 2017 and 2016, the Pool held \$440,253 and \$464,526, respectively of these securities. This represents approximately 40.0% and 44%, respectively, of the value of the Pool's securities.

The following tables provide the weighted average effective duration for the various asset types in the Pool as of June 30:

<u>Investment Type</u>	<u>June 30, 2017</u>			<u>Percent of Total Investment</u>
	<u>Moody's</u>	<u>S&P</u>	<u>Fair Value</u>	
Corporate asset backed issues	Aa	A	\$ 102,422	9.3 %
Corporate CMO	A	A	41,600	3.8
Corporate CMO interest-only	B	NR	599	0.1
Corporate CMO principal-only	NR	AA	129	0.0
Foreign asset backed issues	Aaa	AAA	3,446	0.3
Foreign corporate bonds	A	A	52,706	4.8
Foreign government bonds	Aa	A	7,218	0.7
Money market mutual fund	Aaa	AAA	18,950	1.7
Municipal bonds	Aa	AA	9,013	0.8
Repurchase agreements	Aaa	AA	60,406	5.5
Time deposits	P-1	A-1	41,738	3.8
U.S. corporate bonds	A	A	226,894	20.7
U.S. Government agency bonds	Aaa	AA	22,596	2.1
U.S. Government agency CMO	Aaa	AA	114,552	10.5
U.S. Government agency CMO interest-only	Aaa	AA	3,635	0.3
U.S. Government agency CMO principal-only	Aaa	AA	7,159	0.7
U.S. Government agency MBS	Aaa	AA	166,711	15.2
U.S. Treasury bonds	Aaa	AA	215,469	19.7
U.S. Treasury inflation protected security	Aaa	AA	432	0.0
Total Investments			<u>\$ 1,095,675</u>	<u>100.0 %</u>

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<u>Investment Type</u>	<u>June 30, 2016</u>			<u>Percent of Total Investment</u>
	<u>Moody's</u>	<u>S&P</u>	<u>Fair Value</u>	
Corporate asset backed issues	Aa	AA	\$ 71,452	6.7 %
Corporate CMO	A	A	58,738	5.5
Corporate CMO interest-only	Ba	AAA	713	0.1
Corporate CMO principal-only	B	AA	200	0.0
Foreign asset backed issues	Aa	AA	1,793	0.2
Foreign corporate bonds	A	A	44,793	4.2
Foreign government bonds	Aa	A	7,252	0.7
Money market mutual funds	Aa	AAA	35,271	3.3
Municipal bonds	Aa	AA	9,782	0.9
Time deposits	P-1	A-1	13,097	1.2
U.S. corporate bonds	A	A	222,175	21.1
U.S. Government agency bonds	Aaa	AA	23,219	2.2
U.S. Government agency CMO	Aaa	AA	129,989	12.3
U.S. Government agency CMO interest-only	Aaa	AA	5,229	0.5
U.S. Government agency CMO principal only	Aaa	AA	9,002	0.8
U.S. Government agency MBS	Aaa	AA	201,029	19.0
U.S. Treasury bonds	Aaa	AA	204,730	19.3
U.S. Treasury inflation protected security	Aaa	AA	431	0.0
Total rated investments			<u>\$ 1,038,895</u>	<u>98.0 %</u>

Unrated securities include investments made with common stock valued at \$21,270, or 2.0% of the fair value of the Pool's investments.

The table above includes investments received as collateral for repurchase agreements with a fair value of \$41,198 as compared to the amortized cost of the repurchase agreements of \$39,023.

The following table provides the weighted average credit ratings and the weighted average effective duration for the various asset types in the Pool as of June 30:

<u>Investment Type</u>	<u>2017</u>		<u>2016</u>	
	<u>Fair Value</u>	<u>Effective Duration (Years)</u>	<u>Fair Value</u>	<u>Effective Duration (Years)</u>
Corporate asset backed issues	\$ 102,422	2.5	\$ 71,452	2.1
Corporate CMO	41,600	2.6	58,738	2.5
Corporate CMO interest-only	599	(11.6)	713	(17.4)
Corporate CMO principal-only	129	6.8	200	4.2
Foreign asset backed issues	3,446	2.5	1,793	0.1
Foreign corporate bonds	52,706	5.3	44,399	5.7
Foreign government bonds	7,218	8.5	7,251	9.0
Money market mutual funds	18,950	N/A	35,271	N/A
Municipal bonds	9,013	13.6	9,782	14.4
Repurchase agreements	60,406	0.0	39,023	0.0
Time deposits	41,738	0.0	13,097	0.0
U.S. corporate bonds	226,894	6.1	220,665	6.3
U.S. Government agency bonds	22,596	2.8	22,805	3.8
U.S. Government agency CMO	114,522	3.8	129,989	3.0
U.S. Government agency CMO interest-only	3,635	11.2	5,229	5.9
U.S. Government agency CMO principal only	7,159	6.8	9,002	7.2

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<i>(continued)</i>	2017		2016	
	Fair Value	Effective Duration (Years)	Fair Value	Effective Duration (Years)
Investment Type				
U.S. Government agency MBS	\$ 166,711	4.2	\$ 187,410	4.4
U.S. Treasury bonds	215,469	9.0	200,740	8.5
U.S. Treasury inflation protected security	432	3.3	431	3.4
Total	<u>\$ 1,095,675</u>	<u>5.0</u>	<u>\$ 1,057,990</u>	<u>4.9</u>

Concentration of Credit Risk

The Pool is restricted from investing more than 5% of the value of the Pool in any one corporate name. At June 30, 2017, the Pool was in compliance with this restriction and is not exposed to concentration of credit risk.

Custodial Credit Risk

At June 30, 2017, the Pool held no securities that were subject to custodial credit risk. Repurchase agreements, when held, are collateralized at 102% and the collateral is held in the name of the WVIMB. All remaining securities are held by the WVIMB's custodian in the name of the WVIMB.

Foreign Currency Risk

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

Fair Value Measurements

The tables below summarize the valuation of the investment securities in accordance with fair value hierarchy levels as of June 30:

Assets	June 30, 2017			
	Level 1	Level 2	Level 3	Total
Corporate asset backed issues	\$ -	\$ 102,422	\$ -	\$ 102,422
Corporate CMO	-	41,600	-	41,600
Corporate CMO interest - only	-	599	-	599
Corporate CMO principal - only	-	129	-	129
Foreign asset backed issues	-	3,446	-	3,446
Foreign corporate bonds	-	52,706	-	52,706
Foreign government bonds	-	7,218	-	7,218
Investments made with cash collateral for securities loaned	-	102,144	-	102,144
Money market mutual fund	18,950	-	-	18,950
Municipal bonds	-	9,013	-	9,013
U.S. corporate bonds	-	226,894	-	226,894
U.S. Government agency bonds	-	22,596	-	22,596
U.S. Government agency CMO	-	114,552	-	114,552
U.S. Government agency CMO interest-only	-	3,635	-	3,635
U.S. Government agency CMO principal-only	-	7,159	-	7,159
U.S. Government agency MBS	-	166,711	-	166,711
U.S. Treasury bonds	-	215,469	-	215,469
U.S. Treasury inflation protected security	-	432	-	432
Total	<u>\$ 18,950</u>	<u>\$ 1,076,725</u>	<u>\$ -</u>	<u>\$ 1,095,675</u>

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Assets	June 30, 2016			
	Level 1	Level 2	Level 3	Total
Corporate asset backed issues	\$ -	\$ 71,452	\$ -	\$ 71,452
Corporate CMO	-	58,738	-	58,738
Corporate CMO interest - only	-	713	-	713
Corporate CMO principal - only	-	200	-	200
Foreign asset backed issues	-	1,793	-	1,793
Foreign corporate bonds	-	44,399	-	44,399
Foreign government bonds	-	7,251	-	7,251
Investments made with cash collateral for securities loaned	13,705	52,120	-	65,825
Money market mutual fund	21,566	-	-	21,566
Municipal bonds	-	9,782	-	9,782
U.S. corporate bonds	-	220,665	-	220,665
U.S. Government agency bond	-	22,805	-	22,805
U.S. Government agency CMO	-	129,989	-	129,989
U.S. Government agency CMO interest-only	-	5,229	-	5,229
U.S. Government agency CMO principal-only	-	9,002	-	9,002
U.S. Government agency MBS	-	187,410	-	187,410
U.S. Treasury bonds	-	200,740	-	200,740
U.S. Treasury inflation protected securities	-	431	-	431
Total	\$ 35,271	\$ 1,022,719	\$ -	\$ 1,057,990

Hedge Fund Pool

This Pool was established to hold the WVIMB's investments in hedge funds. Albourne America, LLC has been retained by the WVIMB to provide consulting services for this investment strategy.

This Pool holds shares in hedge funds and shares of a money market fund with the highest credit rating. The investments in hedge funds might be indirectly exposed to foreign currency risk, credit risk, interest rate risk, and/or custodial credit risk. The Pool is restricted from investing more than 10% of the value of the Pool with any single manager. At June 30, 2017, the Pool was in compliance with this restriction and is not exposed to concentration of credit risk. BRIM's amount invested in the Hedge Fund Pool of \$27,778 and \$28,793 at June 30, 2017 and 2016, respectively, represented approximately 1.5% and 1.8%, respectively, of total investments in this Pool.

Investment Risk

The Pool holds shares in hedge funds and shares of money market fund with the highest credit rating. The investments in hedge funds might be indirectly exposed to foreign currency risk, credit risk, and/or custodial credit risk. The Pool is restricted from investing more than 10% of the value of the Pool with any single manager. At June 30, 2017, the Pool was in compliance with this restriction and is not exposed to concentration of credit risk.

Fair Value Measurements

GAAP does not require the Pool to categorize within the fair value hierarchy table investments for which fair value is measured using the net asset value per share practical expedient for the year ended June 30, 2017. The majority of the Pool's investments in hedge funds were valued using the net asset value (NAV) per share; as such, they have not been categorized in the fair value hierarchy for 2017. The table that follows sets forth information about the level within the fair value hierarchy at which the Pool's assets and liabilities are measured at June 30, 2017. At June 30, 2016, there were no assets at fair value in the pool; therefore, a fair value hierarchy table is not presented.

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Assets	Level 1	Level 2	Level 3	Total
Money market mutual fund	\$ 22	\$ -	\$ -	\$ 22
Hedge funds				<u>1,809,889</u>
Total				<u>\$ 1,809,911</u>

The following table presents information on investments measured at the NAV as of June 30, 2017.

Hedge Fund Strategies	Fair Value	Number of Funds	Redemption Frequency	Redemption Notice Period
Directional (a)	\$ 173,459	3	Mthly/Qtly	3 to 60 days
Equity long/short (b) 30 to 60 days	235,206	3	Mthly/Qtly/Evry 3 yrs	
Event-driven (c)	44,907	1	Qtly	65 days
Long-biased (d)	49,427	1	Mthly	90 days
Multi-strategy (e)	1,165,427	16	Mthly/Qtly/Anu.	3 to 95 days
Relative-value (f)	<u>141,463</u>	2	Mthly	45 to 60 days
Total investments measured at the NAV	<u>\$ 1,809,889</u>			

- (a) Directional strategies employ various techniques to forecast the direction of segments of the market and then invest in either long or short positions to take advantage of that. The segments may be geographic economies, industry sectors, currency, or asset class. The investments may be in physical securities or derivatives. The strategies may be trend-following or mean-reverting and may be specific to that segment or universally applied across them.
- (b) An equity long/short strategy is an investing strategy, used primarily by hedge funds, that involves taking long positions in stocks that are expected to increase in value and short positions in stocks that are expected to decrease in value. Investments representing approximately 64% of the fair value of the investments in this strategy are subject to maximum withdrawal restrictions.
- (c) Event-driven managers maintain positions in companies currently or prospectively involved in various corporate transactions including, but not limited to, mergers, restructurings, financial distress, tender offers, shareholder buybacks, debt exchanges, security issuance or other capital structure adjustments. Security types can range from most senior in the capital structure to most junior or subordinated, and frequently involve additional derivative securities. Event-driven exposure includes a combination of sensitivities to equity markets, credit markets and company-specific developments. The sole fund in this investment strategy is subject to maximum withdrawal restrictions.
- (d) Long-biased strategies employ analytical techniques in which the investment thesis is predicated on assessment of the valuation characteristics on the underlying companies with the goal of identifying undervalued companies. Long-biased strategies may vary the investment level or the level of long exposure over market cycles, but the primary distinguishing characteristic is that the manager maintains consistent long exposure.
- (e) Multi-strategy managers combine several strategies within the same fund in order to provide diversification benefits to reduce return volatility and decrease asset-class and single-strategy risks. These funds typically add incremental returns through active allocation adjustments based on market opportunities. Risk is managed through a combination of quantitative and qualitative constraints including, but not limited to, active risk, liquidity risk, currency risk, manager risk, derivatives risk, and leverage risk. Investments representing approximately 62% of the fair value of the investments in this strategy are subject to maximum withdrawal restrictions.
- (f) Relative-value managers maintain positions in which the investment thesis is predicated on the realization of a valuation discrepancy in the relationship between multiple securities. Managers employ a variety of fundamental and quantitative techniques to establish investment insights, and security types range broadly across equity, fixed income, derivative or other security types. Fixed Income strategies are typically quantitatively driven to

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measure the existing relationship between instruments and, in some cases, identify attractive positions in which the risk-adjusted spread between these instruments represents an attractive opportunity.

At June 30, 2016, the Pool was restricted to the following redemption provisions: ranging from monthly with 3 days prior written notice to every three years with 45 days prior written notice and subject to maximum withdrawal restrictions.

Treasury Inflation Protection Securities (TIPS)

The Pool invests in Treasury Inflation-Protected Securities (TIPS) and its objective is to match the performance of the Barclay's Capital U.S. TIPS Bond Index on an annualized basis over rolling three- to five-year periods, gross of fees. Assets are managed by State Street Global Advisors (SSgA).

BRIM's amount invested in the TIPS Pool of \$13,776 and \$13,368 at June 30, 2017 and 2016, respectively, represented approximately 4.2% and 3.4% respectively, of total investments in this pool.

Credit Risk and Interest Rate Risk

The WVIMB limits the exposure to credit risk in the Pool by primarily investing in U.S. Treasury inflation protected securities. The WVIMB monitors interest rate risk of the Pool by evaluating the real modified duration of the investments in the Pool. The following table provides the weighted average credit ratings and weighted average real modified duration as of June 30:

<u>Investment Type</u>	<u>June 30, 2017</u>			<u>Percent of Assets</u>
	<u>Moody's</u>	<u>S&P</u>	<u>Fair Value</u>	
Money market mutual fund	Aaa	AAA	\$ 128	0.0 %
Repurchase agreements	Aaa	AA	6,314	1.9
Time deposits	A-1	P-1	4,363	1.3
U.S. Treasury inflation-protected securities	Aaa	AA	<u>326,866</u>	<u>96.8</u>
Total rated investments			<u>\$ 337,671</u>	<u>100.0 %</u>

<u>Investment Type</u>	<u>June 30, 2016</u>			<u>Percent of Assets</u>
	<u>Moody's</u>	<u>S&P</u>	<u>Fair Value</u>	
Money market mutual fund	Aaa	AAA	\$ 127	0.0 %
U.S. Treasury inflation-protected securities	Aaa	AA	<u>374,622</u>	<u>100.0</u>
Total rated investments			<u>\$ 374,749</u>	<u>100.0 %</u>

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The following table provides the weighted average credit ratings and weighted average real modified duration for the various asset types in the Pool as of June 30:

<u>Investment Type</u>	<u>June 30, 2017</u>		<u>June 30, 2016</u>	
	<u>Fair Value</u>	<u>Real Modified Duration (Years)</u>	<u>Fair Value</u>	<u>Real Modified Duration (Years)</u>
Money market mutual fund	\$ 128	N/A	\$ 127	N/A
Repurchase agreements	6,314	0.0	-	-
Time deposits	4,363	0.0	-	-
U.S. Treasury inflation-protected securities	<u>326,866</u>	<u>7.9</u>	<u>374,622</u>	<u>7.9</u>
Total investments	<u>\$ 337,671</u>	<u>7.6</u>	<u>\$ 374,749</u>	<u>7.9</u>

The pool invests in TIPS, and its objective is to match the performance of the Barclay's Capital U.S. TIPS Bond Index on an annualized basis over rolling three- to five-year periods, gross of fees. Assets are managed by State Street Global Advisors.

Concentration of Credit Risk

The Pool is restricted from investing more than 5% of the value of the Pool in any one corporate name. At June 30, 2017, the Pool was in compliance with this restriction and is not exposed to concentration of credit risk.

Custodial Credit Risk

At June 30, 2017, the Pool held no securities that were subject to custodial credit risk. All securities are held by the WVIMB's custodian in the name of the WVIMB.

Foreign Currency Risk

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

Fair Value Measurements

GAAP does not require the Pool to categorize within the fair value hierarchy table investments for which fair value is measured using the net asset value per share practical expedient. The tables that follow set forth information about the level within the fair value hierarchy at which the Pool's assets and liabilities are measured at June 30, 2017 and 2016, respectively. All the Pool's investments in other funds were valued using the net asset value per share practical expedient; as such, they have not been categorized in the fair value hierarchy.

<u>Assets</u>	<u>June 30, 2017</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments made with cash collateral for securities loaned	\$ -	\$ 10,677	\$ -	\$ 10,677
Money market mutual fund	128	-	-	128
U.S. Treasury inflation-protected securities	-	<u>326,866</u>	-	<u>326,866</u>
Total	<u>\$ 128</u>	<u>\$ 337,543</u>	<u>\$ -</u>	<u>\$ 337,671</u>

<u>Assets</u>	<u>June 30, 2016</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market mutual fund	\$ 127	\$ -	\$ -	\$ 127
U.S. Treasury inflation-protected securities	-	<u>374,622</u>	-	<u>374,622</u>
Total	<u>\$ 127</u>	<u>\$ 374,622</u>	<u>\$ -</u>	<u>\$ 374,749</u>

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Advanced deposits

Insurance Company And Trustee

BRIM deposits monies with BNY, as trustee, to hold as advance deposits in an escrow account for BRIM liability claims. The monies held in escrow are invested in specific money market funds and short-term guaranteed or investment-grade fixed income securities that are identified as "qualified assets" in the escrow agreement. The BNY advance deposit balance at June 30, 2017 and 2016 of \$193,352 and \$210,152, respectively, are presented net of amounts due to AIG for claims funding. At June 30, 2017 and 2016, amounts payable to AIG were \$2,364 and \$6,078, respectively.

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

Security Type	June 30, 2017				June 30, 2016			
	Moody's	S&P	Fair Value	Percent of Assets	Moody's	S&P	Fair Value	Percent of Assets
Corporate bonds and notes	Aa1	AA+	\$ 958	0.50%	Aa1	AA+	\$ 1,138	0.53 %
	Aa2	AA-	964	0.50	Aa2	AA-	995	0.46
	Aa3	AA-	1,354	0.70	Aa3	AA-	2,354	1.09
	Aa3	A+	-	0.00			4,740	2.20
	Aaa	AA+	-	0.00			1,113	0.52
	Aaa	AAA	1,903	0.94			1,111	0.52
			5,179	2.64			11,451	5.32
U.S. Treasury bonds and notes	Aaa	NR	171,906	88.10	Aaa	NR	193,114	89.52
	NR	NR	6,695	3.44				
U.S. Agency-debenture	NR	NR	10,732	5.50	NR	NR	10,569	4.89
Money market funds	NR	NR	628	0.32	Aaa	AAA	574	0.27
Total rated investments			\$ 195,140	100.00%			\$ 215,708	100.00 %

Concentration of Credit Risk

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

Custodial Credit Risk

At June 30, 2017 and 2016, advanced deposits include no securities that were subject to custodial credit risk.

Interest Rate Risk

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

Investment Type	June 30, 2017		June 30, 2016	
	Fair Value	WAM Years	Fair Value	WAM Years
Corporate bonds and notes	\$ 5,179	5.3	\$ 11,451	4.0
U.S. Treasury bonds	178,601	3.8	193,114	4.0
U.S. Agency debenture	10,732	2.3	10,569	3.3
Money market funds	628	-	574	-
Total rated investments	\$ 195,140		\$ 215,708	

Foreign Currency Risk

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

West Virginia Board of Risk and Insurance Management
Notes to Financial Statements
(in thousands)

Fair Value Measurements

The table below summarizes the valuation of the investment securities in accordance with fair value hierarchy levels as of June 30:

<u>Assets</u>	<u>June 30, 2017</u>			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Corporate bonds and notes	\$ 5,179	\$ -	\$ -	\$ 5,179
U.S. Treasury bonds	178,601	-	-	178,601
U.S. Agency debenture	10,732	-	-	10,732
Money market funds	628	-	-	628
Total	<u>\$ 195,140</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 195,140</u>

<u>Assets</u>	<u>June 30, 2016</u>			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Corporate bonds and notes	\$ 11,451	\$ -	\$ -	\$ 11,451
U.S. Treasury bonds	193,114	-	-	193,114
U.S. Agency debenture	10,569	-	-	10,569
Money market funds	574	-	-	574
Total	<u>\$ 215,708</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 215,708</u>

The fair value tables above do not include cash and cash equivalents at June 30, 2017 and June 30, 2016 of \$576 and \$522, respectively.

4. Unpaid Claims and Claims Adjustment Expense Liability

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

	<u>2017</u>	<u>2016</u>
Unpaid claims and claims adjustment expense liability at beginning of year	\$ 168,435	\$ 160,960
Incurred claims and claims adjustment expense:		
Provision for insured events of the current year	70,705	66,740
(Decrease) increase in provision for insured events of prior years	<u>(11,556)</u>	<u>(2,987)</u>
Total incurred claims and claims adjustment expense	59,149	63,753
Payments:		
Claims and claims adjustment expense attributable to insured events of the current year	(11,922)	(12,863)
Claims and claims adjustment expense attributable to insured events of prior years	<u>(50,743)</u>	<u>(43,415)</u>
Total payments	<u>(62,665)</u>	<u>(56,278)</u>
Total unpaid claims and claims adjustment expense liability at end of year	<u>\$ 164,919</u>	<u>\$ 168,435</u>

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If the unpaid claims and claims adjustment expense liability were discounted using a 4% discount factor for 2017 and 2016 to take into consideration the time value of money, the result would be a decrease in the liability and an increase in net position of approximately \$14,419 and \$14,876 for fiscal years 2017 and 2016, respectively. The overall unpaid claim liability number includes a provision for allocated and unallocated claims adjustment expense.

5. Employee Benefit Plans

Plan description

All full-time BRIM employees are eligible to participate in PERS, a multiple-employer defined benefit cost-sharing public employee retirement system administered by the West Virginia Consolidated Public Retirement Board (CPRB). Chapter 5, Article 10 of the West Virginia Code assigns the authority to establish and amend benefit provisions to the PERS Board of Trustees. Benefits under PERS include deferred retirement, early retirement, death and disability benefits and have been established and may be amended by action of the State Legislature. The CPRB issues a publicly available financial report that includes financial statements for PERS that may be obtained at www.wvretirement.com.

Benefits provided

Employees are eligible for normal retirement at age 60 with five or more years of credited service, of at least age 55 with age and service equal to 80 or greater. For all employees hired on or after July 1, 2015, qualification for normal retirement is age 62 with ten years of service or at least age 55 with age and service equal to 80 or greater. The straight-life annuity retirement benefit, established by State statute, is equivalent to 2% of the employee's final average salary multiplied by years of service. Final average salary is the average of the three consecutive highest annual earnings out of the last fifteen years of earnings. For all employees hired on or after July 1, 2015, average salary is the average of the five consecutive highest annual earnings out of the last fifteen years of earnings. Terminated members with at least five years of contributory service who do not withdraw their accumulated contributions may elect to receive their retirement annuity beginning at age 62. For all employees hired on or after July 1, 2015 who have separated from employment with a participating PERS agency prior to retirement, the retirement age increases to age 64.

Contributions

While contribution rates are legislatively determined, actuarial valuations are performed to assist PERS and the State Legislature in determining contribution rates. Current funding policy requires employer contributions of 12%, 13.5% and 14.0% for the years ended June 30, 2017, 2016 and 2015, respectively. As permitted by legislation, BRIM has elected to pay 100% of all costs relating to the Plan, including the employee's 4.5% contribution for employees hired on or before February 6, 2012. Beginning February 7, 2012, new hires are required to pay the employee's contribution of 4.5%. For all employees hired on or after July 1, 2015 the employee contribution increased to 6.0%. BRIM's contributions to the Plan were \$123, \$149 and \$127 for the fiscal years ended June 30, 2017, 2016 and 2015, respectively.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions

Effective July 1, 2014, BRIM adopted the provisions 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. The West Virginia Consolidated Public Retirement Board (WVCPRB) administers this cost-sharing multiple-employer plan.

During fiscal year 2016, BRIM, along with other State of West Virginia agencies participating in PERS adopted GASB Statement 73, *Accounting and Financial Reporting for Pensions and related Assets That Are Not within the Scope of GASB 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*, GASB Statement 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, and GASB Statement 82,

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Pension Issues and Amendment of GASB Statements 67, 68, and 73. The impact of adopting these statements was not material to BRIM's financial statements.

At June 30, 2017 and 2016, BRIM reported a liability of \$766 and \$467 for its proportionate share of the net pension liability. The net pension liability reported at June 30, 2017 was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015, rolled forward to the measurement date of June 30, 2016. BRIM's proportion of the net pension liability was based on BRIM's share of contributions to the pension plan relative to the contributions of all employers participating in PERS for the year ended June 30, 2016. At June 30, 2017, BRIM's proportionate share was 0.0833%, which was a decrease of 0.0003% from its proportionate share as of June 30, 2016.

For the years ended June 30, 2017 and 2016, BRIM recognized pension expense of \$84 and \$137, respectively. At June 30, 2017 and 2016, BRIM reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>2017</u>		<u>2016</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ 241	\$ -	\$ 142	\$ 245
Differences between expected and actual experience	64	-	96	-
Difference in assumptions	-	37	-	56
Changes in proportion and differences between BRIM's contributions and proportionate share of contributions	30	-	-	3
BRIM's contributions made subsequent to the measurement date of June 30, 2017 and 2016	<u>123</u>	<u>-</u>	<u>149</u>	<u>-</u>
Total	<u>\$ 458</u>	<u>\$ 37</u>	<u>\$ 387</u>	<u>\$ 304</u>

Employer contributions to PERS made during the fiscal year, subsequent to the pension liability measurement date, are recorded as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the following year. The net difference between projected and actual investment earnings on pension plan investments is amortized over a five year period. All other deferred outflows of resources and deferred inflows of resources relating to pension amounts reported in the financial statements are amortized and included in pension expense over the average remaining service life, rounded to the nearest whole year, of four years. These other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ending June 30:

2018	\$	103
2019	\$	103
2020	\$	89
2021	\$	3

West Virginia Board of Risk and Insurance Management
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(in thousands)

Actuarial assumptions and methods

The total pension liability in the actuarial valuations was determined using the following actuarial assumptions:

	<u>2017</u>	<u>2016</u>
Inflation	3.0%	1.9%
Salary increase	3.0-6.0%, avg., including inflation	3.0-6.0%, avg., including inflation
Investment rate of return	7.5%, net of pension plan investment expense	7.5%, net of pension plan investment expense

Mortality rates were based on 110% of the RP-2000 Healthy Annuitant table, projected with Scale AA on a fully generational basis for healthy males, 101% of RP-2000 Healthy Annuitant table, projected with Scale AA on a fully generational basis for healthy females, 96% of RP-2000 Disabled Annuitant table, projected with Scale AA on a fully generational basis for disabled males, and 107% of RP-2000 Disabled Annuitant table, projected with Scale AA on a fully generational basis for disabled females.

The actuarial assumptions used in the valuations were based on the results from an actual experience study for the period July 1, 2009 through June 30, 2014.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The best estimates of long-term geometric rates of return for each major asset class included in the system's target asset allocation as of June 30, 2016 are summarized below:

<u>Asset Class</u>	<u>Long-Term Expected Rate of Return</u>
Domestic equity	7.0%
International equity	7.7%
Core fixed income	2.7%
High-yield fixed income	5.5%
TIPS	2.7%
Real estate	7.0%
Private equity	9.4%
Hedge funds	4.7%

West Virginia Board of Risk and Insurance Management
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Discount rate

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that State contributions will continue to follow the current funding policy. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current system members. Therefore, the long-term expected rate of return on system investments was applied to all periods of projected benefit payments to determine the total pension liability. In the event of benefit payments that are not covered by the system's fiduciary net position, a municipal bond rate of 2.71% is to be used to discount the benefit payments not covered by the system's fiduciary net position. The 2.71% rate equals the S&P Municipal Bond 20 Year High Grade Index at June 30, 2016.

Sensitivity of BRIM'S proportionate share of the net pension liability to changes in the discount rate

The following presents BRIM's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what BRIM's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate:

	<u>1% Decrease (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
BRIM's proportionate share of net pension liability	\$ 1,386	\$ 766	(239)

Other postemployment benefits (OPEB)

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

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

Legislation requires BRIM to determine, through an actuarial study, the Annual Required Contribution (ARC), which shall be sufficient to maintain BRIM in an actuarially sound manner. The ARC is allocated to respective cost-sharing employers, including BRIM, who are required by law to fund at least the minimum annual premium component of the ARC. Revenues collected by BRIM shall be used to fund current OPEB health care claims and administrative expenses with residual funds held in trust for future OPEB costs. BRIM records expense for its allocated ARC and a liability for the ARC that has not been paid. Approximately \$496 and \$471 of the ARC remained unpaid as of June 30, 2017 and 2016, respectively, and is recorded in noncurrent liabilities in the statements of net position. For fiscal years 2017, 2016, and 2015, BRIM's OPEB contribution was approximately \$43, \$44 and \$40, respectively, of the total required contribution of \$43, \$44, and \$40, respectively. The actual contribution represents 64%, 49% and 74% of the ARC for 2017, 2016, and 2015, respectively. BRIM's policy is to fund at least the minimum annual premium component of the ARC. There are currently 22 employees eligible to receive such benefits.

West Virginia Board of Risk and Insurance Management
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(in thousands)

The GASB has issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for fiscal years beginning after June 15, 2017. The requirements of this Statement will improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits, or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. Management has not yet determined the effect that the adoption of GASB Statement No. 75 may have on its financial statements.

6. Lease Arrangement

In December 2011, the State renewed the lease arrangement on behalf of BRIM for office space occupied by BRIM with a monthly lease payment of \$15 and a term beginning on January 1, 2012 and ending on December 31, 2016. On October 1, 2016, BRIM entered into a lease with the West Virginia Department of Administration for 13,364 square feet at the Albert Summers building located at 1124 Smith Street, Charleston, WV for an annual rental of \$222. This lease expires on August 31, 2019.

Operating lease expense approximated \$201 and \$139 for the years ended June 30, 2017 and 2016, respectively, relating to these arrangements. Future minimum lease payments under these operating lease arrangements are as follows for years ending June 30:

2018	\$	222
2019	\$	222
2020	\$	37

7. Transactions With Primary Government and Component Units

Premium revenues derived from billings to State entities, which are funded by special revenue funds and component units of the primary government, approximated \$41,304 and \$37,688 for the years ended June 30, 2017 and 2016, respectively.

BRIM is required by Senate Bill 1002 to remit amounts equal to the gross premium tax attributable to premiums collected by BRIM. These amounts are to be placed in a separate account known as "the Premium Tax Savings Fund" (the Fund) maintained by the State Treasurer. Amounts deposited by BRIM into the Fund approximated \$2,990 and \$2,196 for the years ended June 30, 2017 and 2016, respectively. The Fund is not included in BRIM's financial statements, but is included in the general fund of the State.

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

BRIM has entered into two reinsurance agreements for excess coverage with unrelated insurance companies wherein the company assumes the liability over BRIM's limit for a ceded premium. BRIM obtains an excess policy from the commercial market, which gives boards of education a liability limit of up to \$5 million in excess of BRIM's \$1 million self-insured limit. BRIM also purchases an excess policy on all State and SB3 insured property over and above BRIM's \$1 million self-insured limit. These reinsurance agreements have been accounted for as a transfer of risk in the accompanying financial statements; however, BRIM is not relieved of its primary obligation to the insureds in the reinsurance transaction. BRIM had \$1,736 reinsurance recoveries for the fiscal year ended June 30, 2017, and \$229 for the fiscal year ended June 30, 2016.

West Virginia Board of Risk and Insurance Management
Notes to Financial Statements
(in thousands)

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

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

BRIM is a participant in the self-insured public entity risk pool it administers. Coverage is in the amount of \$1 million per occurrence for general liability and property damage. Health insurance coverage for BRIM's employees is obtained through its participation in health insurance coverage offered by the West Virginia Public Employees Insurance Agency (PEIA). PEIA provides the following basic employee benefit coverage to all participants: hospital, surgical, group major medical, basic group life, accidental death and prescription drug coverage for active and retired employees of the State and various related State and non-State agencies. BRIM has coverage for job-related injuries through a statewide workers' compensation policy with a third-party insurer.

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

***Required Supplementary Information
(in thousands)***

West Virginia Board of Risk and Insurance Management
Ten-Year Claims Development Information
Fiscal and Policy Year Ended June 30
(in thousands)

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
1) Premiums and investment revenues:										
Earned	\$ 83,499	\$ 69,739	\$ 83,088	\$ 71,320	\$ 64,361	\$ 54,969	\$ 69,172	\$ 63,037	\$ 72,706	\$ 81,209
Ceded	6,394	5,944	6,257	6,075	5,386	5,825	6,102	6,197	6,909	6,681
Net earned	77,105	63,795	76,831	65,245	58,975	49,144	63,070	56,840	65,797	74,528
2) Unallocated expenses, including administrative fees paid to third-party claims administrators	8,045	7,840	8,043	7,867	7,562	7,240	7,888	7,653	7,911	8,290
3) Estimated incurred claims and claims adjustment expense, end of policy year:										
Incurred	59,246	56,194	51,388	53,728	60,176	57,276	58,389	62,342	66,740	70,705
Ceded	2,000	300	-	-	2,312	-	-	-	-	-
Net incurred	57,246	55,894	51,388	53,728	57,864	57,276	58,389	62,342	66,740	70,705
4) Paid (cumulative) claims and claims adjustment expense as of:										
End of policy year	8,352	9,753	9,965	10,757	10,156	10,870	10,560	11,146	12,863	11,922
One year later	18,097	19,069	17,009	18,034	20,830	18,936	19,965	24,010	23,494	
Two years later	26,240	25,457	25,606	26,398	30,577	30,649	29,077	34,801		
Three years later	33,488	32,126	32,612	34,305	43,021	40,132	45,059			
Four years later	38,077	36,501	38,174	39,497	48,351	48,853				
Five years later	39,518	39,349	39,821	42,538	51,004					
Six years later	41,403	42,577	40,798	43,031						
Seven years later	43,674	44,018	41,554							
Eight years later	44,369	44,719								
Nine years later	44,932									
5) Reestimated ceded claims and expenses	2,000	300	-	-	2,312	-	-	-	-	-
6) Reestimated net incurred claims and allocated claims adjustment expense:										
End of policy year	57,246	55,894	51,388	53,728	57,864	57,276	58,389	62,342	66,740	70,705
One year later	57,108	48,432	46,571	52,844	58,812	56,883	57,772	65,545	64,655	
Two years later	51,881	46,176	47,102	50,289	61,106	63,767	61,216	62,727		
Three years later	46,708	45,328	46,116	48,480	62,460	61,150	61,249			
Four years later	45,459	44,112	44,171	47,980	57,109	58,836				
Five years later	44,323	46,551	43,567	46,321	56,003					
Six years later	44,349	45,424	42,762	44,680						
Seven years later	45,098	45,940	43,117							
Eight years later	45,667	45,498								
Nine years later	45,051									
7) (Decrease) increase in estimated net incurred claims and allocated claims adjustment expense from end of policy year	(12,195)	(10,396)	(8,271)	(9,048)	(1,861)	1,560	2,860	385	(2,085)	-

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

West Virginia Board of Risk and Insurance Management
Reconciliation of Unpaid Claims and Claims Adjustment Expense Liability by Type of Contract
Fiscal and Policy Year Ended June 30
(in thousands)

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

	2017				2016			
	Liability	Property	Mine Subsidence	Total	Liability	Property	Mine Subsidence	Total
Unpaid claims and claims adjustment expense liability at beginning of fiscal year	\$ 161,623	\$ 5,895	\$ 917	\$ 168,435	\$ 154,948	\$ 5,136	\$ 876	\$ 160,960
Incurred claims and claims adjustment expense:								
Provision for insured events of the current fiscal year	64,169	5,690	846	70,705	60,464	5,619	657	66,740
(Decrease) increase in provision for insured events of prior fiscal years	(11,892)	788	(452)	(11,556)	(1,624)	(1,231)	(132)	(2,987)
Total incurred claims and claims adjustment expense	52,277	6,478	394	59,149	58,840	4,388	525	63,753
Payments:								
Claims and claims adjustment expense attributable to insured events of the current fiscal year	9,258	2,480	184	11,922	11,354	1,408	101	12,863
Claims and claims adjustment expense attributable to insured events of the prior fiscal years	44,966	5,668	109	50,743	40,811	2,221	383	43,415
Total claims and claims adjustment expense payments	54,224	8,148	293	62,665	52,165	3,629	484	56,278
Total unpaid claims and claims adjustment expense liability at end of the fiscal year	\$ 159,676	\$ 4,225	\$ 1,018	\$ 164,919	\$ 161,623	\$ 5,895	\$ 917	\$ 168,435

West Virginia Board of Risk and Insurance Management
Schedule of Proportionate Share of the Net Pension Liability in PERS
Years Ended June 30 2017 through 2015
(in thousands except percentages)

	<u>2017</u>	<u>2016</u>	<u>2015</u>
BRIM's proportionate (percentage) of the net pension liability	0.0833%	0.0836%	0.0994%
BRIM's proportionate share of the net pension liability	\$ 766	\$ 467	\$ 367
BRIM's covered-employee payroll	\$ 1,100	\$ 878	\$ 962
BRIM's proportionate share of the net pension's liability as a percentage of its covered-employee payroll	69.64%	53.19%	38.15%
Plan fiduciary net position as a percentage of the total pension liability *	86.11%	91.29%	93.98%

* This is the same percentage for all participant employers in the PERS plan.

Note: All amounts presented are as of the measurement date, which is one year prior to the fiscal year end date.

West Virginia Board of Risk and Insurance Management
Schedule of Contributions to PERS
Years Ended June 30, 2017 through 2013
(in thousands except percentages)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Statutorily required contribution	\$ 123	\$ 149	\$ 127	\$ 133	\$ 129
Contributions in relation to the statutorily required contribution	<u>(123)</u>	<u>(149)</u>	<u>(127)</u>	<u>(133)</u>	<u>(129)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	<u>\$ 1,013</u>	<u>\$ 1,100</u>	<u>\$ 878</u>	<u>\$ 962</u>	<u>\$ 1,014</u>
Contributions as a percentage of covered-employee payroll	12.14%	13.55%	14.00%	14.50%	14.00%

Notes to Required Supplementary Information – Schedule of Proportionate Share of the Net Pension Liability in PERS and Schedule of Contributions to PERS

1. Trend Information Presented

The accompanying schedules of BRIM's proportionate share of the net pension liability and contributions to PERS are required supplementary information to be presented for 10 years. However, until a full 10-year trend is compiled, information is presented in the schedules for those years for which information is available.

2. Plan Amendment

The PERS was amended to make changes that apply to new employees hired on or after July 1, 2015 as follows:

- For employees hired prior to July 1, 2015, qualification for normal retirement is age 60 with five years of service or at least age 55 with age and service equal to 80 or greater. For employees hired on or after July 1, 2015, qualification for normal retirement is 62 with 10 years of service or at least age 55 with age and service equal to 80 or greater.
- The straight life annuity retirement benefit is equivalent to 2% of average salary multiplied by years of service. For employees hired prior to July 1, 2015, average salary is the average of the three consecutive highest annual earnings out of the last fifteen years of earnings. For all employees hired on or after July 1, 2015, average salary is the average of the five consecutive highest annual earnings out of the last fifteen years of earnings.
- For employees hired prior to July 1, 2015, terminated members with at least five years of contributory service who do not withdraw their accumulated contributions may elect to receive their retirement annuity beginning at age 62. For all employees hired on or after July 1, 2015, this age increases to 64.
- For all employees hired prior to July 1, 2015, employees are required to contribute 4.5% of annual earnings. All employees hired on or after July 1, 2015, are required to contribute 6% of annual earnings.

West Virginia Board of Risk and Insurance Management
Notes to Required Supplementary Information – Schedule of Proportionate Share of the Net
Pension Liability in PERS and Schedule of Contributions to PERS
(in thousands)

3. Changes in Assumptions

A summary of changes in key actuarial valuation assumptions utilized in the actuarial valuation are as follows:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Projected salary increases:			
State	3.0 - 4.6%	3.0 - 4.6%	4.25 - 6.0%
Non-state	3.35 - 6.0%	3.35 - 6.0%	4.25 - 6.0%
Inflation rate	3.0%	1.90%	2.20%
Mortality rates	Healthy males -110% of RP- 2000 Non-Annuitant, Scale AA	Healthy males -110% of RP- 2000 Non-Annuitant, Scale AA	Healthy males-1983 GAM Healthy females-1971 GAM
	Healthy females-101% or RP- 2000 Non-Annuitant, Scale AA	Healthy females-101% or RP- 2000 Non-Annuitant, Scale AA	Disabled males-1971 GAM Disabled females-Revenue Ruling 96-7
	Disabled males - 96% of RP- 2000 Disabled annuitant, Scale AA	Disabled males - 96% of RP- 2000 Disabled annuitant, Scale AA	
	Disabled females - 107% of RP- 2000 Disabled annuitant, Scale AA	Disabled females - 107% of RP- 2000 Disabled annuitant, Scale AA	
Withdrawal rates:			
State	1.75 - 35.1%	1.75 - 35.1%	1 - 26%
Non-state	2 - 35.8%	2 - 35.8%	2 - 31.2%
Disability rates	0 - .675%	0 - .675%	0 - .8%

Statistical Section



Babcock State Park – Water cascades over rocks below the picturesque Glade Creek Grist Mill at Babcock State Park. The working mill is a replica of the original Cooper’s Mill that was located nearby. Rhododendron-lined trails, rippling rock streams and cozy cabins attract travelers to this scenic park in the New River Gorge.



Statistical Section Narrative

Financial Trends – This schedule contains trend information to help the reader understand how BRIM’s financial performance and well-being have changed over time.

Schedule 1 – Comparative Statement of Net Assets and Changes in Net Asset (Deficiency)

Revenue Capacity Information – These schedules contain trend information to help the reader understand BRIM’s capacity to raise revenue and the sources of those revenues.

Schedule 2 – Premiums by Line of Business for the Past Ten Years

Schedule 3 – Top 10 State Agency Premiums and Top 20 Senate Bill 3 Premiums for Fiscal Year 2017 and Fiscal Year 2008

Schedule 4 – Investment Income and Premium Revenue

Demographic and Economic Information – These schedules offer indicators to help the reader understand the environment within which BRIM’s financial activities take place.

Schedule 5 – Principal Employers Current Year and Nine Years Ago

Schedule 6 – Demographic and Economic Indicators Calendar Years 2007 through 2016

Operating Information – These schedules assist the reader in evaluating the size, efficiency, and effectiveness of BRIM.

Schedule 7 – Full-Time Equivalent Employees Fiscal Years 2008 through 2017

Schedule 8 – Claims Dollars Incurred by Customer Type for Fiscal Years 2008 through 2017

Schedule 9 – Losses Incurred by Coverage Fiscal Years 2008 through 2017

Schedule 10 – Industry Averages Compared to BRIM

Schedule 11 – Projected Ultimate Retained Losses for State Agencies and Senate Bill 3

Schedule 12 – Listing of Coverages in Effect for Fiscal Year 2017

SCHEDULE 1

**Comparative Statement of Net Position and Changes in Net Position (Deficiency)
Last Ten Fiscal Years
(Expressed in Thousands)**

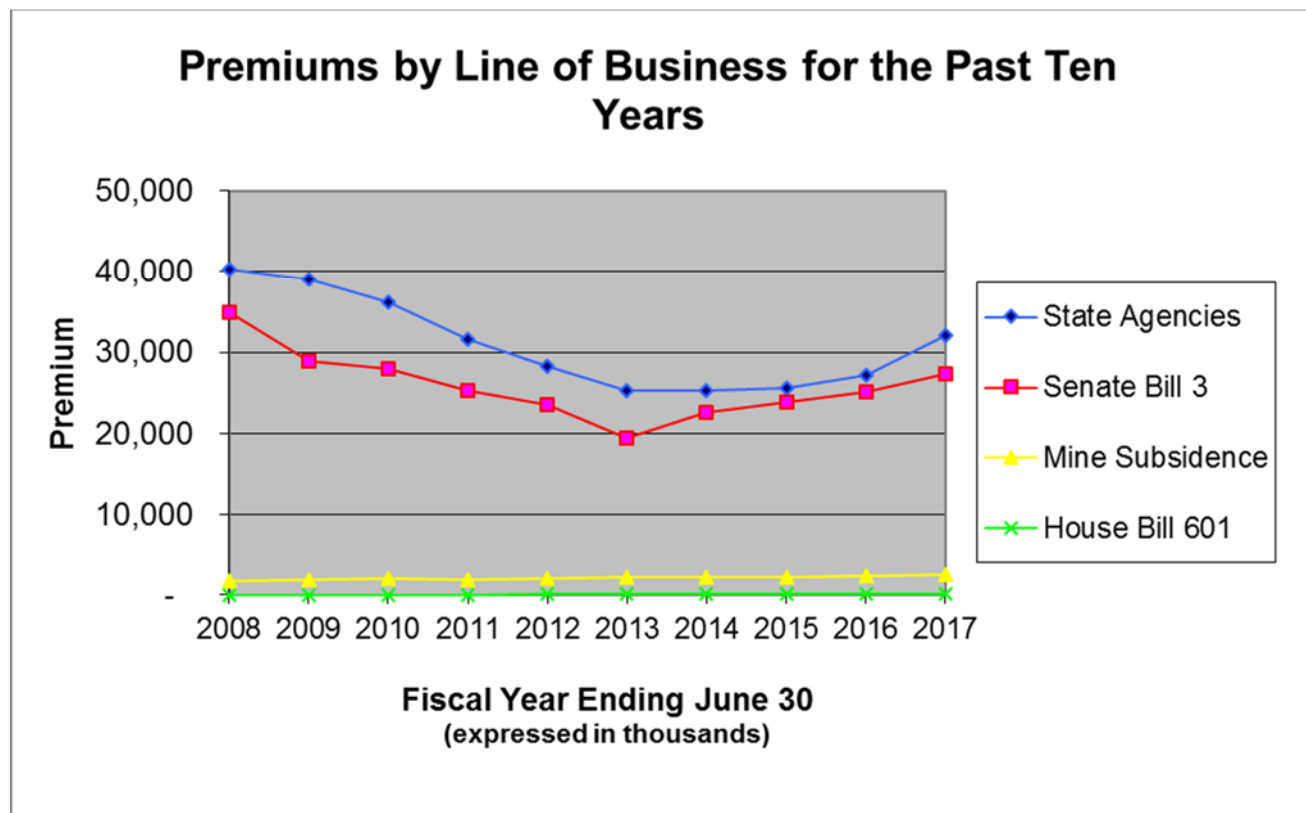
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Operating Revenues					
Premiums	\$ 71,368	\$ 65,293	\$ 58,204	\$ 52,128	\$ 47,134
Less Excess Coverage/Reinsurance Premiums	(6,681)	(6,909)	(6,197)	(6,102)	(5,825)
Net Operating Revenues	<u>64,687</u>	<u>58,384</u>	<u>52,007</u>	<u>46,026</u>	<u>41,309</u>
Operating Expenses					
Claims and Claims Adjustment Expense	59,149	63,753	68,145	61,626	54,018
General and Administrative	4,200	3,905	3,541	3,898	3,275
Total Operating Expenses	<u>63,349</u>	<u>67,658</u>	<u>71,686</u>	<u>65,524</u>	<u>57,293</u>
Operating Income (loss)	1,338	(9,274)	(19,679)	(19,498)	(15,984)
Nonoperating Revenues (Expenses)					
Interest Income	9,841	7,413	4,833	17,043	7,835
Financing Income	--	--	--	--	--
On behalf contributions	--	--	--	--	--
SB 602 Reappropriation	(2,810)	--	--	--	--
Distribution to Physicians' Mutual	--	--	--	--	--
Appropriation transfer HB4261	--	--	--	(2,000)	--
Payment to transfer HB601 estimated future IBNR	--	--	(750)	--	--
Total Nonoperating Revenue	<u>7,031</u>	<u>7,413</u>	<u>4,083</u>	<u>15,043</u>	<u>7,835</u>
Change in Net Assets (Deficiency)	<u>8,369</u>	<u>(1,861)</u>	<u>(15,596)</u>	<u>(4,455)</u>	<u>(8,149)</u>
Net Assets (Deficiency) at Year-End					
Restricted	61,063	57,123	55,428	53,595	49,372
Unrestricted	138,265	133,836	137,392	155,316	163,994
Total Net Assets (Deficiency)	<u>\$ 199,328</u>	<u>\$ 190,959</u>	<u>\$ 192,820</u>	<u>\$ 208,911</u>	<u>\$ 213,366</u>

Source: Compiled from BRIM's internal accounting records

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Operating Revenues					
Premiums	\$ 51,046	\$ 52,538	\$ 58,007	\$ 62,427	\$ 72,986
Less Excess Coverage/Reinsurance Premiums	(5,386)	(6,075)	(6,257)	(5,944)	(6,394)
Net Operating Revenues	45,660	46,463	51,750	56,483	66,592
Operating Expenses					
Claims and Claims Adjustment Expense	53,396	33,598	31,668	36,604	42,982
General and Administrative	3,892	4,026	3,946	3,894	4,247
Total Operating Expenses	57,288	37,624	35,614	40,498	47,229
Operating Income (loss)	(11,628)	8,839	16,136	15,985	19,363
Nonoperating Revenues (Expenses)					
Interest Income	13,315	18,782	25,081	7,312	10,512
Financing Income	--	--	32	31	30
On behalf contributions	--	--	--	--	30
Appropriations from State of West Virginia	--	--	--	--	--
Distribution to Physicians' Mutual	--	--	--	--	--
Appropriation transfer HB4261	--	--	--	--	--
Payment to transfer HB601 estimated future IBNR	--	--	--	--	--
Total Nonoperating Revenue	13,315	18,782	25,113	7,343	10,572
Change in Net Assets (Deficiency)	1,687	27,621	41,249	23,328	29,935
<u>Net Assets (Deficiency) at Year-End</u>					
Restricted	45,599	43,061	38,420	33,924	33,634
Unrestricted	175,916	176,767	153,787	117,034	93,996
Total Net Assets (Deficiency)	\$ 221,515	\$ 219,828	\$ 192,207	\$ 150,958	\$ 127,630

Source: Compiled from BRIM's internal accounting records

SCHEDULE 2



Fiscal Year	State Agencies	Senate Bill 3	Mine Subsidence	House Bill 601
2008	\$ 36,259	\$ 34,875	\$ 1,852	-
2009	\$ 31,596	\$ 28,902	\$ 1,929	-
2010	\$ 28,257	\$ 27,889	\$ 1,861	-
2011	\$ 25,239	\$ 25,233	\$ 2,032	\$ 34
2012	\$ 25,290	\$ 23,603	\$ 2,090	\$ 63
2013	\$ 25,607	\$ 19,345	\$ 2,142	\$ 40
2014	\$ 27,226	\$ 22,642	\$ 2,220	\$ 40
2015	\$ 32,118	\$ 23,779	\$ 2,263	\$ 44
2016	\$ 37,687	\$ 25,146	\$ 2,398	\$ 60
2017	\$ 41,304	\$ 27,305	\$ 2,759	\$ 0

The chart above shows premiums by line of business for the past ten fiscal years, expressed in thousands of dollars. This chart illustrates the recent increases in premium revenue collected from State Agencies and Senate Bill 3 customers. The recent increases are due to a reduction in the premium offsets that began in 2009 to reduce annual premiums billed. These offsets have been given for premiums billed based on prior year reserve declines.

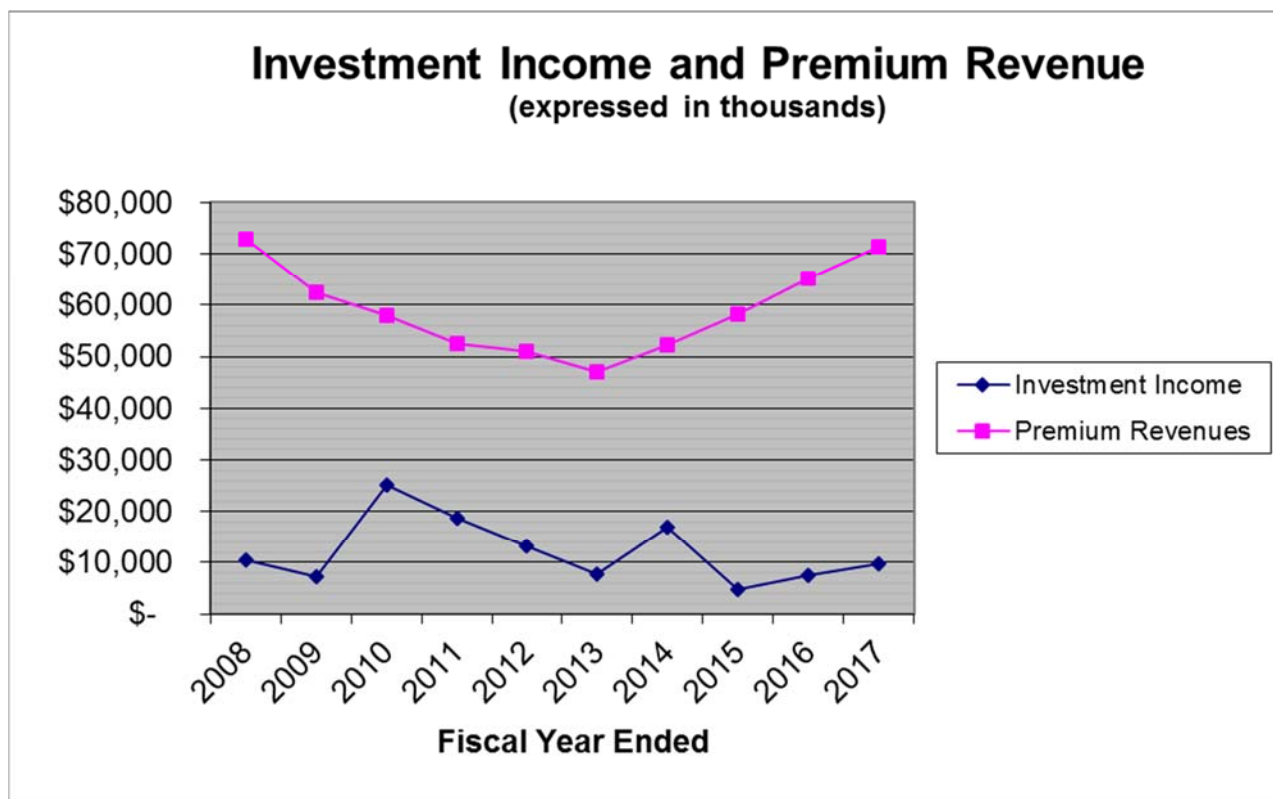
Source: BRIM's internal financial statements.

SCHEDULE 3

Top 10 State Agency Premiums for Fiscal Year 2017			Top 10 State Agency Premiums for Fiscal Year 2008		
1	WEST VIRGINIA UNIVERSITY	8,708,478		WEST VIRGINIA UNIVERSITY	6,740,285
2	DIVISION OF HIGHWAYS	5,681,104		PUBLIC SAFETY DIVISION	5,714,983
3	STATE POLICE, WEST VIRGINIA	5,435,992		DEPARTMENT OF HEALTH AND HUMAN RESOURCES	4,868,299
4	DEPARTMENT OF HEALTH AND HUMAN RESOURCES	3,573,472		DIVISION OF HIGHWAYS	4,834,066
5	MARSHALL UNIVERSITY	2,681,524		MARSHALL UNIVERSITY	2,590,851
6	DIVISION OF CORRECTIONS	2,249,410		DIVISION OF CORRECTIONS	923,862
7	REGIONAL JAIL & CORR. FAC. AUTHORITY	1,112,484		WV STATE PARKS	548,198
8	SUPREME COURT OF APPEALS	624,590		REGIONAL JAIL & CORR. FAC. AUTHORITY	514,093
9	WEST VIRGINIA UNIVERSITY MEDICAL CORP.	612,786		DIVISION OF NATURAL RESOURCES	505,324
10	WEST VIRGINIA STATE PARKS	583,075		DIVISION OF ENVIRONMENTAL PROTECTION	497,637
	Total Top Ten	\$ 31,262,915		Total Top Ten	\$ 27,737,598
Total State Premium Billing for 2017			Total State Premium Billing for 2008		
	\$ 41,303,966			\$ 36,258,662	
	% of top 10 in relation to all state agency billings	75.69%		% of top 10 in relation to all state agency billings	76.50%
Top 20 SB 3 Premiums for Fiscal Year 2017			Top 20 SB 3 Premiums for Fiscal Year 2008		
1	KANAWHA COUNTY BOARD OF EDUCATION	\$1,607,616		KANAWHA COUNTY BOARD OF EDUCATION	\$1,854,561
2	BERKELEY COUNTY BOARD OF EDUCATION	734,971		WEST VIRGINIA UNIVERSITY MEDICAL CORPORATION	747,831
3	RALEIGH COUNTY BOARD OF EDUCATION	720,305		RALEIGH COUNTY BOARD OF EDUCATION	690,184
4	CITY OF ST. ALBANS	611,275		BERKELEY COUNTY BOARD OF EDUCATION	682,670
5	CABELL COUNTY BOARD OF EDUCATION	520,306		BERKELEY COUNTY COMMISSION	648,160
6	HARRISON COUNTY BOARD OF EDUCATION	510,071		WHEELING PARK COMMISSION	630,136
7	PUTNAM COUNTY BOARD OF EDUCATION	494,195		CITY OF NITRO	593,905
8	MINGO COUNTY COMMISSION	461,756		CITY OF ST. ALBANS	578,196
9	WAYNE COUNTY BOARD OF EDUCATION	448,181		MERCER COUNTY BOARD OF EDUCATION	547,632
10	LOGAN COUNTY BOARD OF EDUCATION	389,727		HARRISON COUNTY BOARD OF EDUCATION	529,309
11	MERCER COUNTY BOARD OF EDUCATION	388,152		WAYNE COUNTY BOARD OF EDUCATION	514,626
12	JEFFERSON COUNTY BOARD OF EDUCATION	379,783		PUTNAM COUNTY BOARD OF EDUCATION	510,732
13	MINGO COUNTY BOARD OF EDUCATION	363,089		WOOD COUNTY BOARD OF EDUCATION	491,811
14	MONONGALIA COUNTY BOARD OF EDUCATION	359,333		CABELL COUNTY BOARD OF EDUCATION	454,052
15	MARION COUNTY BOARD OF EDUCATION	353,726		MONONGALIA COUNTY BOARD OF EDUCATION	439,006
16	WOOD COUNTY BOARD OF EDUCATION	353,708		MARION COUNTY BOARD OF EDUCATION	416,828
17	FAYETTE COUNTY BOARD OF EDUCATION	314,898		FAYETTE COUNTY BOARD OF EDUCATION	395,796
18	LOGAN COUNTY COMMISSION	296,955		MONONGALIA COUNTY COMMISSION	362,045
19	MCDOWELL BOARD OF EDUCATION	290,982		OHIO COUNTY COMMISSION	355,486
20	KANAWHA VALLEY REGIONAL TRANSPORTATION	281,309		CITY OF CHARLESTON HOUSING AUTHORITY	355,239
	Total Top Twenty	\$ 9,880,338		Total Top Twenty	\$ 11,798,205
Total SB 3 Premium Billing for 2017			Total SB 3 Premium Billing for 2007		
	\$ 27,305,131			\$ 34,875,156	
	% of top 20 in relation to total SB 3 billings	36.18%		% of top 20 in relation to total SB 3 billings	33.83%

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

SCHEDULE 4



Fiscal Year	Investment Income	Premium Revenue
2008	\$ 10,512	\$ 72,986
2009	\$ 7,312	\$ 2,427
2010	\$ 25,081	\$ 58,007
2011	\$ 18,782	\$ 52,538
2012	\$ 13,315	\$ 51,046
2013	\$ 7,835	\$ 47,134
2014	\$ 17,043	\$ 52,128
2015	\$ 4,833	\$ 58,204
2016	\$ 7,413	\$ 65,291
2017	\$ 9,841	\$ 71,368

This chart illustrates a comparison of investment income and premium revenue for the most recent ten years. Overall investment returns since 2014 have been impacted by the lower interest rate environment. An improving equity market helped to offset lower fixed income earnings. For the earlier fiscal years shown above, favorable trends in insured events allowed BRIM to provide some relief in premiums charged. More recently, actuarially projected increases in claims losses have required BRIM to increase premiums. Amounts are expressed in thousands of dollars.

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

SCHEDULE 5

Principal Employers
Current Year and Nine Years Ago

Estimated as of June 30, 2017			Estimated as of June 30, 2008		
Major West Virginia Employers	Number of Employees	Percentage of Total Employed	Major West Virginia Employers	Number of Employees	Percentage of Total Employed
Local Government	75,000 - 79,999	10.25%	Local Government	70,000 - 74,999	9.56%
State Government	40,000 - 44,999	5.77%	State Government	35,000 - 39,999	5.10%
Federal Government	20,000 - 24,999	3.22%	Federal Government	20,000 - 24,999	2.90%
WVU Medicine	14,000 - 16,999	2.31%	Wal-Mart Associates, Inc.	13,000 - 14,999	1.93%
Wal-Mart Associates, Inc.	10,000 - 12,999	1.77%	West Virginia United Health System	7,000 - 8,999	1.16%
Charleston Area Medical Center, Inc.	6,000 - 7,999	1.09%	Charleston Area Medical Center, Inc.	5,000 - 6,999	0.90%
Kroger	3,000 - 4,999	0.68%	Kroger	4,000 - 5,999	0.77%
Mylan Pharmaceuticals, Inc.	3,000 - 4,999	0.68%	CSX/CSX Hotels Inc.	1,000 - 2,999	0.39%
Lowe's Home Centers, Inc.	1,000 - 2,999	0.41%	American Electric Power	1,000 - 2,999	0.39%
St. Mary's Medical Center, Inc.	1,000 - 2,999	0.41%	Eldercare Resources Corporation	1,000 - 2,999	0.39%
Cabell Huntington Hospital, Inc.	1,000 - 2,999	0.41%	Lowe's Home Centers, Inc.	1,000 - 2,999	0.39%
Wheeling Hospital, Inc.	1,000 - 2,999	0.41%	St. Mary's Hospital	1,000 - 2,999	0.39%
Res-Care Inc.	1,000 - 2,999	0.41%	Consolidation Coal	1,000 - 2,999	0.39%
Actual Total	201,100			191,529	

Source: Workforce West Virginia Research, Information and Analysis Office

SCHEDULE 6

Demographic and Economic Indicators Calendar Years 2007-2016

	2016	2015	2014	2013	2012
Population					
West Virginia	1,831,102	1,844,128	1,852,994	1,854,304	1,855,413
Change	-0.71%	-0.48%	-0.07%	-0.06%	0.00%
National	323,127,513	320,896,618	317,297,938	316,128,839	313,914,040
Change	0.70%	1.13%	0.37%	0.71%	0.75%
Total Personal Income					
West Virginia (in millions)	67,062	67,786	66,729	65,268	63,968
Change	-1.07%	1.58%	2.24%	2.03%	2.88%
National (in millions)	16,364,400	15,594,003	14,680,500	14,090,700	13,401,869
Change	4.94%	6.22%	4.19%	5.14%	3.24%
Per Capita Personal Income*					
West Virginia	36,624	36,758	36,644	35,533	34,477
Change	-0.36%	0.31%	3.13%	3.06%	2.88%
National	49,246	48,112	46,038	44,402	42,693
Change	2.36%	4.50%	3.68%	4.00%	2.47%
Median Age	41.8	41.9	41.9	41.0	41.3
Educational Attainment					
9th Grade or Less	4.6%	4.6%	6.2%	6.2%	3.0%
Some High School, No Diploma	10.3%	10.3%	10.2%	10.2%	5.0%
High School Diploma	40.2%	40.2%	44.1%	44.1%	40.1%
Some College, No Degree	16.3%	16.3%	13.4%	13.4%	26.3%
Associate, Bachelor's or Graduate Degree	28.6%	28.6%	26.1%	26.1%	25.6%
Labor Force and Employment (people in thousands)					
Civilian Labor Force	783	780	789	796.0	805.0
Employed	736	732	737	744.7	746.0
Unemployed	47	48.6	52	51.3	59.0
Unemployment Rate	6	6.2	6.6	6.5%	7.3%
Nonfarm Wage and Salary Workers Employed in West Virginia					
Goods Producing Industries (people in thousands)					
Mining	20.3	25.9	30.3	31.8	33.7
Construction	30.1	32.5	33.7	34.3	35.6
Manufacturing-Durable Goods	27.9	28.6	28.7	29.1	29.6
Manufacturing-NonDurable Goods	18.8	19	19.1	19.3	19.6
Total Goods Producing Industries	97.1	106	111.8	114.5	118.5
Non-Goods Producing Industries (people in thousands)					
Trade	133.3	135	109.4	110.3	111.0
Service	361.3	371.1	388.9	384.5	381.7
State and Local Government	132.6	128.7	128.6	130.5	130.7
Federal Government	23.5	23.2	23.3	23.3	23.3
Total Non-Goods Producing Industries	650.7	658.0	650.2	648.6	646.7
Total Nonfarm Wage and Salary Employment	747.8	764.0	762.0	763.1	765.2

*Per capita personal income is calculated by dividing total personal income by population.

**Various population, personal income and per capita personal income figures have been amended from last year's schedule.

Sources: Workforce West Virginia Research, Information, and Analysis Office, the Census, Survey of Current Business and the West Virginia Center on Budget & Policy

**Demographic and Economic Indicators
Calendar Years 2007-2016**

	2011	2010	2009	2008	2007
Population					
West Virginia	1,855,364	1,852,994	1,819,777	1,814,873	1,811,198
Change	0.13%	1.83%	0.27%	0.20%	0.22%
National	311,591,917	308,745,538	307,006,550	304,374,846	301,579,895
Change	0.92%	0.57%	0.86%	0.93%	1.00%
Total Personal Income					
West Virginia (in millions)	62,178	59,417	57,535	57,576	54,100
Change	4.65%	3.27%	-0.07%	6.43%	4.32%
National (in millions)	12,981,741	12,353,577	11,916,773	12,451,660	11,900,562
Change	5.08%	3.67%	-4.30%	4.63%	5.72%
Per Capita Personal Income*					
West Virginia	33,513	32,042	31,137	31,286	29,497
Change	4.59%	2.91%	-0.48%	6.07%	3.97%
National	41,663	39,937	38,846	40,947	39,506
Change	4.32%	2.81%	-5.13%	3.65%	4.72%
Median Age					
	41.1	41.3	40.5	40.6	40.4
Educational Attainment					
9th Grade or Less	6.8%	6.1%	6.5%	6.6%	7.0%
Some High School, No Diploma	11.3%	10.7%	10.7%	11.1%	11.8%
High School Diploma	41.3%	41.6%	41.0%	40.9%	41.1%
Some College, No Degree	17.6%	18.3%	18.5%	18.5%	16.7%
Associate, Bachelor's or Graduate Degree	23.0%	23.3%	23.2%	22.9%	23.4%
Labor Force and Employment (people in thousands)					
Civilian Labor Force	799.9	782.3	797.9	806.0	813.0
Employed	736.1	711.1	734.6	772.0	778.0
Unemployed	63.8	71.2	63.3	34.0	35.0
Unemployment Rate	8.0%	9.1%	7.9%	4.3%	4.3%
Nonfarm Wage and Salary Workers Employed in West Virginia					
Goods Producing Industries (people in thousands)					
Mining	33.6	29.9	29.6	30.7	27.5
Construction	33	32.6	34.1	38.4	38.7
Manufacturing-Durable Goods	30	29.6	30.9	35.2	37.2
Manufacturing-NonDurable Goods	19.5	19.5	19.8	21.1	21.8
Total Goods Producing Industries	116.1	111.6	114.4	125.4	125.2
Non-Goods Producing Industries (people in thousands)					
Trade	109.9	109.2	110.0	114.4	116.2
Service	376.2	372.5	369.9	374	369.5
State and Local Government	128.3	128.3	126.3	123.7	122.6
Federal Government	23.5	24.3	23.6	22.9	22.5
Total Non-Goods Producing Industries	637.9	634.3	629.8	635	630.8
Total Nonfarm Wage and Salary Employment	754.0	745.9	744.2	760.4	756

*Per capita personal income is calculated by dividing total personal income by population.

**Various population, personal income and per capita personal income figures have been amended from last year's schedule.

Sources: Workforce West Virginia Research, Information, and Analysis Office, the Census, Survey of Current Business and the West Virginia Center on Budget & Policy

SCHEDULE 7

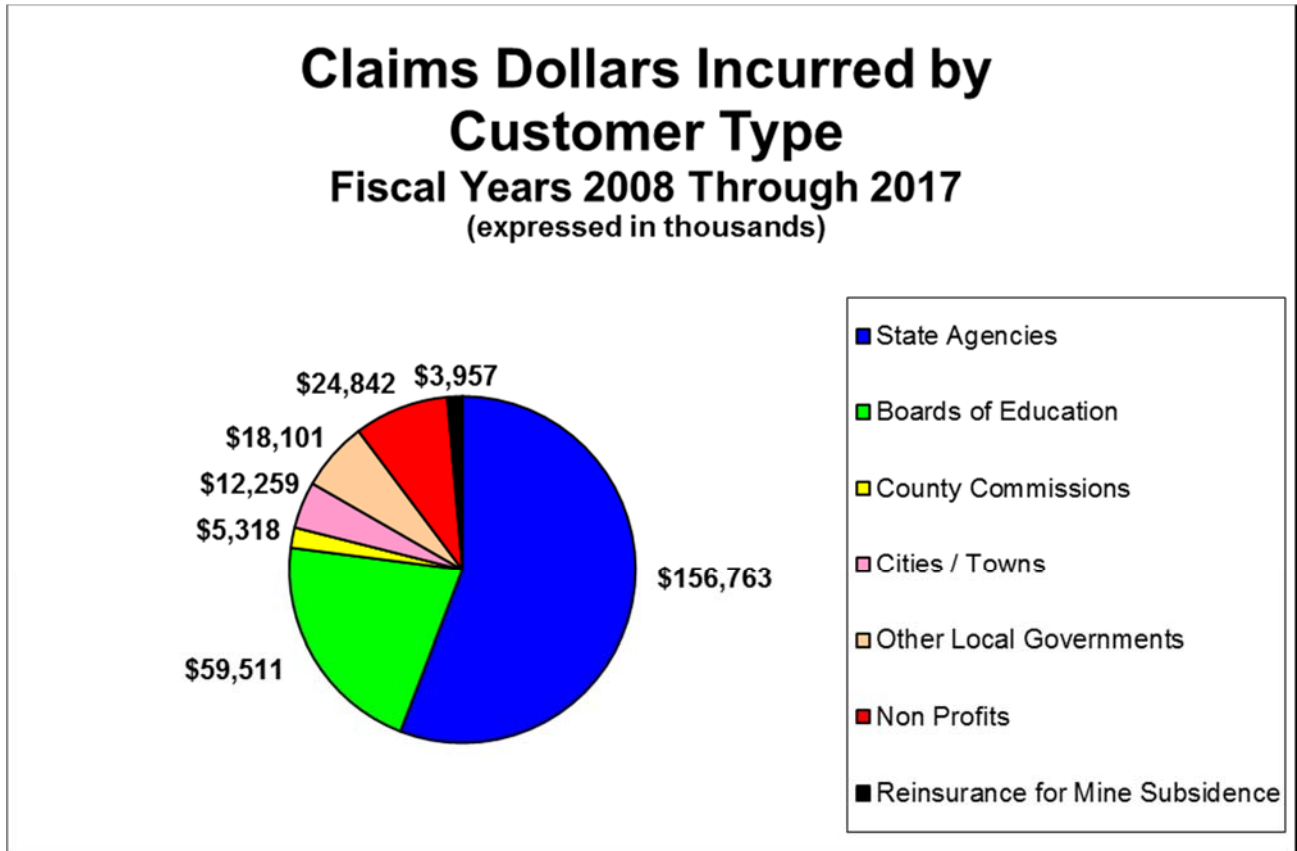
Full-time Equivalent Employees as of Fiscal Year-End*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Administration	1	1	1	2	2	2	2	2	2	2	2
Finance	4	4	4	3	3	3	3	3	3	3	3
Claims	7	4	5	5	5	5	5	5	5	5	5
Underwriting	5	5	5	5	5	5	6	6	6	5	6
Loss Control	4	4	4	3	3	4	6	6	4	4	6
Information Systems	0	4	3	2	2	2	2	2	2	2	2
Privacy	3	--	--	--	--	--	--	--	--	--	--
Total Employees	24	22	22	20	20	21	24	24	22	21	24

* A full time employee is scheduled to work 2,080 hours per year (including vacation and sick leave). Full time equivalent employment is calculated by dividing total labor hours by 2,080.

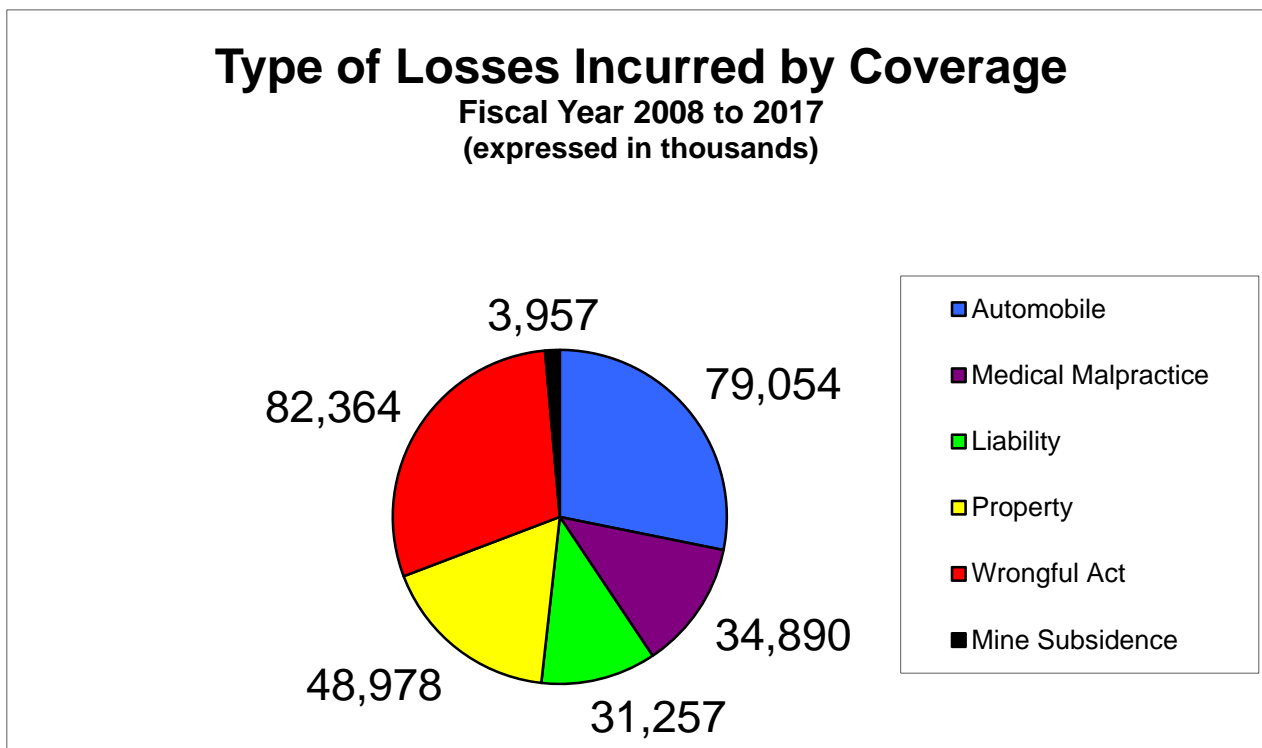
Source: Information compiled from the West Virginia Board of Risk and Insurance Management's internal data.

SCHEDULE 8



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

SCHEDULE 9



Loss Category

Automobile refers to injuries and physical damage claims resulting from the use of automobiles.

Medical Malpractice refers to claims arising out of professional medical encounters.

Liability refers to incidents such as slips and falls, highway maintenance, alleged negligence in the oversight of property and programs.

Property refers to damage to dwellings and structures covered under the policy.

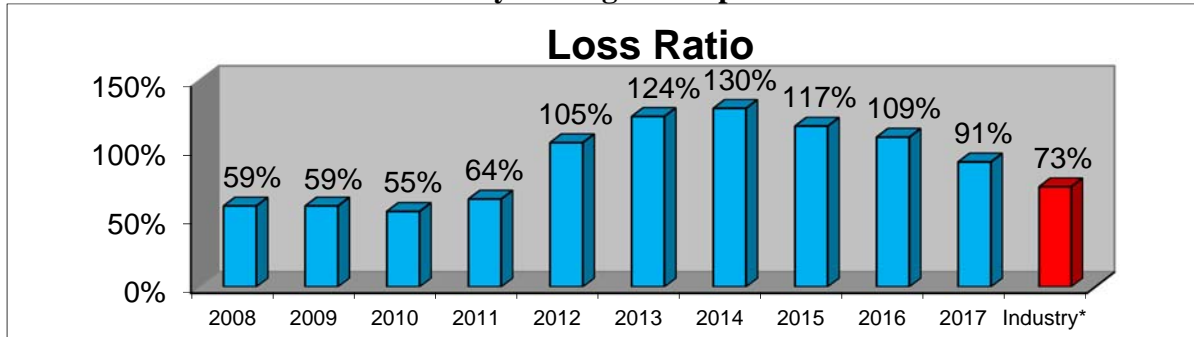
Wrongful acts generally fall in the personal injury area and refer to things such as alleged employment discrimination, defamation, and civil rights' violations.

Mine subsidence is dwelling insurance up to a specified maximum for damage caused by the collapse of underground coal mines.

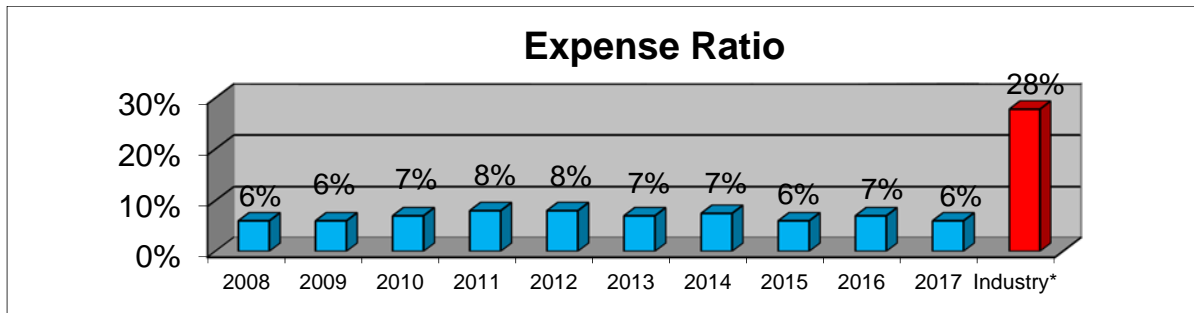
Source: Information compiled from the West Virginia Board of Risk and Insurance Management's internal data.

SCHEDULE 10

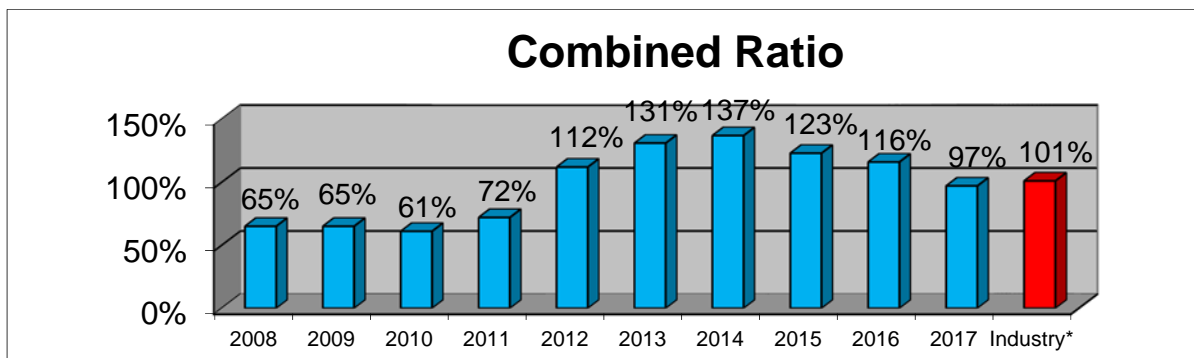
Industry Averages Compared to BRIM



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



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

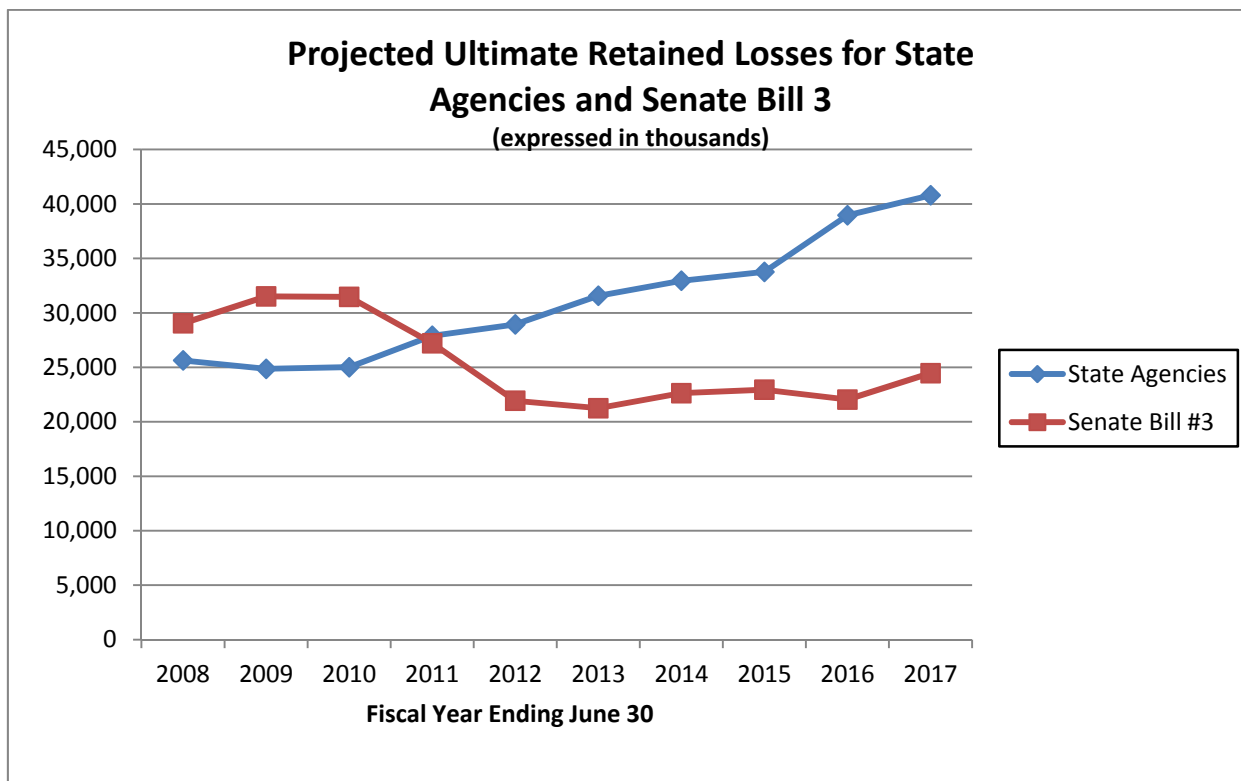


The combined ratio is used to measure underwriting performance. It is derived by adding the loss and expense ratio. A combined ratio below 100% indicates an underwriting profit and one above 100% indicates an underwriting loss.

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

* Source: Insurance Services Office

SCHEDULE 11



Fiscal Year	State Agencies	Senate Bill 3
2008	\$ 25,631	\$ 29,041
2009	\$ 24,863	\$ 31,508
2010	\$ 25,011	\$ 31,468
2011	\$ 27,894	\$ 27,216
2012	\$ 28,937	\$ 21,932
2013	\$ 31,571	\$ 21,250
2014	\$ 32,952	\$ 22,631
2015	\$ 33,762	\$ 22,943
2016	\$ 38,960	\$ 22,046
2017	\$ 40,796	\$ 24,468

The projections indicate a downward trend for both State Agencies and Senate Bill 3 programs for fiscal years 2007 and 2008. The overall projections level out for fiscal years 2009 and 2010. However, the projections for fiscal years 2011, 2012, 2013, 2014, 2015 and 2016 show State Agencies increasing while Senate Bill 3 decreases further in 2011, 2012, 2013, with an increasing trend beginning in 2014 due to recent estimates in the actuarial model. All projections are listed at their nominal value, expressed in thousands of dollars.

Source: Taken from each of the corresponding independent actuarial reports from AON that provide the estimates for each fiscal year’s projected losses as shown.

SCHEDULE 12

Listing of Coverages in Effect for Fiscal Year 2016

LIABILITY	LIMIT OF LIABILITY
Automobile Liability Policy No.: CA 293-58-36 Company: National Union Fire Insurance Co.	\$ 1,000,000 per occurrence
Cyber Liability Policy No.: UMR B1262F10687316 Company: Arthur J. Gallagher International	\$ 25,000,000 per occurrence
General Liability Policy No.: GL 379-66-63 Company: National Union Fire Insurance Co.	\$ 1,000,000 per occurrence
Aircraft Liability Policy No.: AV003380147-14 Company: National Union Fire Insurance Co.	\$ 1,000,000 per occurrence
Excess Liability-Bd. of Education Policy No.: 48409866 Company: The Insurance Company of the State of Penn	\$ 5,000,000 per occurrence or claim
 PROPERTY	 LIMIT OF LIABILITY
Blanket Property Policy No.: MAF760728-16 Company: Axis Insurance Company	\$ 25,000,000 primary layer 1,000,000 deductible
Policy No.: NHD397123 Company: RSUI	\$ 100,000,000 in excess of 25,000,000
Policy No.: 795004745 Company One Beacon	\$ 75,000,000 in excess of 125,000,000
Policy No.: MAF733355-16 Company: Axis Insurance Company	\$ 200,000,000 in excess of 200,000,000
Policy No.: MAF760729-16 Company: Axis Insurance Company	\$ 10,000,000 flood with 1,000,000 deductible
Boiler and Machinery Policy No.: FBP2280385 Company: Hartford Steam Boiler Company	\$ 5,000,000 per equipment covered in excess of 1,000,000
Public Insurance Official Position Schedule Bond Bond No.: 106129387 Company: Travelers	Variable amounts as set by Statute

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

