

# **West Virginia Board of Risk and Insurance Management (an Enterprise Fund of the State of West Virginia)**

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**Financial Statements, Required Supplementary Information  
and Other Supplementary Information**

**Years Ended June 30, 2020 and 2019**

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## **Independent Auditors' Report**

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, 2020 and 2019, 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 accordance with accounting principles generally accepted in the United States of America; 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 auditors' 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, 2020 and 2019, 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, 2020 and 2019, and the changes in its financial position and its cash flows for the years 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 4 to 9 and the required supplementary information on pages 58 to 65 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 Financial Information***

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise BRIM's basic financial statements. The accompanying schedules on pages 66 through 73 listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we also have issued our report dated October 9, 2020, 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 9, 2020**

***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, 2020, 2019, and 2018. 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. In addition, BRIM provides cyber insurance to State agencies and boards of education. 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.

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.

Effective July 1, 2017, BRIM adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, and GASB Statement No. 85, *Omnibus 2017*. 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 \$58 as of July 1, 2017, which is the net other postemployment benefits (OPEB) liability of \$15, less deferred inflows of resources related to OPEB plan contributions of \$73 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, 2020, 2019, and 2018:

	2020	2019	2018	Change 2020 - 2019		Change 2019 - 2018	
				Amount	Percent	Amount	Percent
Cash and cash equivalents	\$ 42,079	\$ 46,278	\$ 40,594	\$ (4,199)	(9.1)%	\$ 5,684	14.0%
Advance deposits with carrier/trustee	264,014	224,786	201,377	39,228	17.5	23,409	11.6
Receivables	4,186	4,335	2,777	(149)	(3.4)	1,558	56.1
Total current assets	310,279	275,399	244,748	34,880	12.7	30,651	12.5
Noncurrent investments	164,662	158,696	151,588	5,966	3.8	7,108	4.7
Total assets	474,941	434,095	396,336	40,846	9.4	37,759	9.5
Total deferred outflows of resources	299	438	482	(139)	(31.7)	(44)	(9.1)
Estimated unpaid claims and claims adjustment expense	69,336	62,656	50,453	6,680	10.7	12,203	24.2
Unearned premiums	9,664	10,179	10,022	(515)	(5.1)	157	1.6
Agent commissions payable	1,486	1,514	1,406	(28)	(1.8)	108	7.7
Accrued expenses	440	1,038	411	(598)	(57.6)	627	152.6
Total current liabilities	80,926	75,387	62,292	5,539	7.3	13,095	21.0
Estimated unpaid claims and claims adjustment expense, net of current portion	135,460	128,322	116,548	7,138	5.6	11,774	10.1
Compensated absences	150	124	122	26	21.0	2	1.6
Net pension liability	214	249	331	(35)	(14.1)	(82)	(24.8)
Net other post-employment benefits liability	391	470	512	(79)	(16.8)	(42)	(8.2)
Total noncurrent liabilities	136,215	129,165	117,513	7,050	5.5	11,652	9.9
Total liabilities	217,141	204,552	179,805	12,589	6.2	24,747	13.8
Total deferred inflows of resources	316	309	402	7	2.3	(93)	(23.1)
Net position:							
Restricted	78,617	72,466	66,865	6,151	8.5	5,601	8.4
Unrestricted	179,166	157,206	149,747	21,960	14.0	7,459	5.0
Net position	\$ 257,783	\$ 229,672	\$ 216,612	\$ 28,111	12.2%	\$ 13,060	6.0%
Premiums	\$ 82,567	\$ 83,301	\$ 78,951	\$ (734)	(0.9)%	\$ 4,350	5.5%
Less excess coverage	(6,915)	(6,627)	(6,518)	(288)	4.3	109	1.7
Net operating revenues	75,652	76,674	72,433	(1,022)	(1.3)	4,241	5.9
Claims and claims adjustment expense	65,349	80,169	57,393	(14,820)	(18.5)	22,776	39.7
General and administrative	5,034	4,519	4,410	515	11.4	109	2.5
Total operating expenses	70,383	84,688	61,803	(14,305)	16.9	22,885	37.0
Operating income (loss)	5,269	(8,014)	10,630	13,283	165.7	(18,644)	(175.4)
Nonoperating revenues:							
Investment income	22,818	21,044	6,712	1,774	8.4	14,332	213.5
OPEB nonoperating income	24	30	-	(6)	20.0	30	100.0
Total nonoperating revenues, net	22,842	21,074	6,712	1,768	8.4	14,362	214.0
Changes in net position	28,111	13,060	17,342	15,051	115.2	(4,282)	(24.7)
Total net position - beginning	229,672	216,612	199,328	13,060	6.0	17,284	8.7
Cumulative effect of adoption of GASB 75	-	-	(58)	-	0.0	58	100.0
Total net position - beginning of year, restated	229,672	216,612	199,270	13,060	6.0	17,342	8.7
Total net position - end	\$ 257,783	\$ 229,672	\$ 216,612	\$ 28,112	12.2%	\$ 13,060	6.0%
Total revenues	\$ 98,494	\$ 97,748	\$ 79,145	\$ 746	0.8%	\$ 18,603	23.5%
Total expenses	\$ 70,383	\$ 84,688	\$ 61,803	\$ (14,330)	(16.9)%	\$ 22,885	37.0%

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

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- Total assets increased by \$40,846 in 2020 and increased by \$37,759 in 2019. The increase in 2020 is the result of an increase in advance deposits and a decrease in cash and cash equivalents. Additional cash was held in 2019 and increased deposits were made to the trustee. The increase in noncurrent assets can be attributed to investment returns during the year.
- Total liabilities increased by \$12,589 in 2020 and increased by \$24,747 in 2019. An increase in unpaid claims, and decreases in unearned premium, accrued expenses and other liabilities are the components of this increase for the current year. The coronavirus (COVID-19) pandemic had an impact on the increase in outstanding reserves in 2020. Claims settlement activity slowed in the fourth quarter and the litigation of claims was delayed due to the courts being closed since mid-March. In 2019, an increase in the estimated incurred but not recorded claims total resulted in outstanding claims liabilities increasing versus 2018.
- The improvements in total net position of \$28,111 in 2020 and \$13,060 in 2019 were due to several factors. While premium revenue decreased in 2020 this was offset by a decrease in claims and claims adjustment expense resulting in operating income for the year. Investment income of \$22,818, which was driven by our fixed income investments and added to the operating income resulted in a change of net position of \$28,112. GASB 75 was implemented in 2018 resulting in a reduction of net position of \$58. The increase in net position in 2019 was due to positive investment income offsetting an operating loss. Investment income of \$21,044 was more than 2018. Deferred inflows increased from 2019 to 2020 and deferred outflows decreased due to changes in pension activity for the year. In 2019 there was a decrease in deferred inflows and deferred outflows. Also included within the net position category are restricted positions of \$78,617 in 2020, \$72,466 in 2019, and \$66,687 in 2018. This is comprised of funds that provide mine subsidence coverage to the general public per West Virginia Code.
- Total net operating revenues decreased by \$1,022 , and increased by \$4,241, and \$7,746 in 2020, 2019, and 2018, respectively. The increase in projected claims losses in recent years has required BRIM to increase premium rates to policyholders for 2020, 2019, and 2018.
- Claims and claims adjustment expense decreased by \$14,820 for 2020. The coronavirus (COVID-19) pandemic slowed claims payment activity in the fourth quarter with overall claims payment activity down \$4,661 for the current year. Claims expense also benefited from favorable claims development of \$4,460 for several prior years. Net claims and claims adjustment expense increased by \$22,766 in 2019 with unfavorable claims development of \$11,077 for several prior years and an increase in claims payment activity contributing to the increase in expense. G&A expenses increased slightly for both years.
- Net nonoperating revenues increased by \$1,768 in 2020 and increased by \$14,362 in 2019. Year over year investment returns for 2020 improved by \$1,774 and improved by \$14,332 for 2019.
- Total revenues and total expenses from 2020 to 2019 and from 2019 to 2018 have fluctuated due to alterations in premium rates, the changes in the retained loss estimates and the variations in annual investment market returns. See the analysis of these individual components, as previously discussed, for additional information.

***Overall analysis***

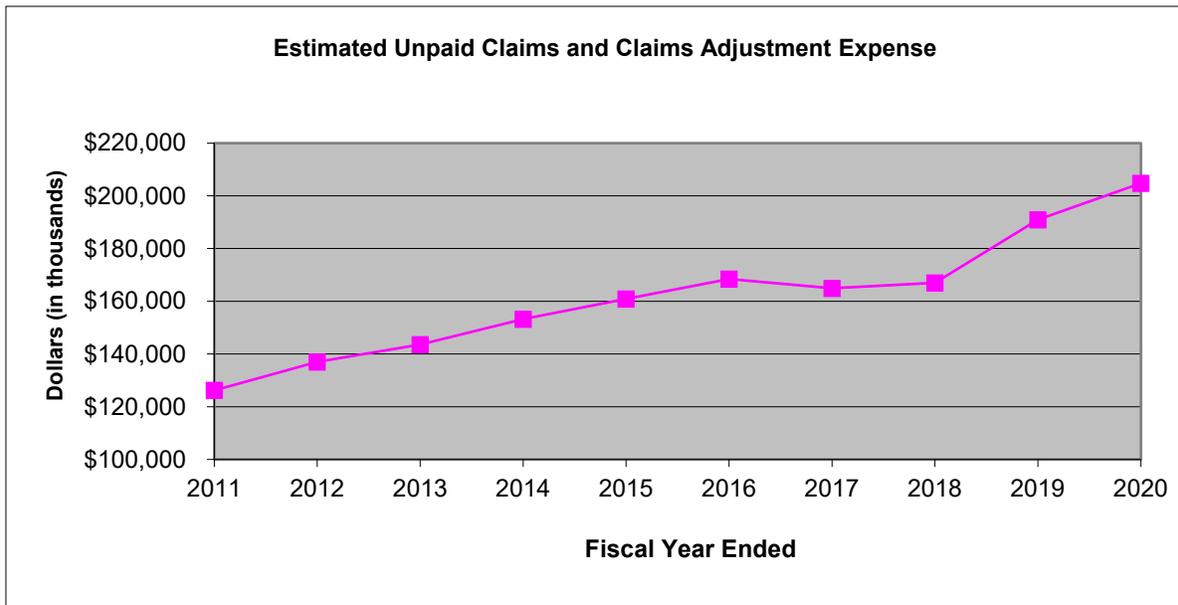
The overall net position of BRIM improved 12.2% from the prior year compared with an increase of 6.0% from 2018 to 2019. Reserves increased in 2020 and investment earnings also increased. The effect of the slight decrease in premium revenue and better investment returns along with positive operating income resulted in an increase in net position for the year. Total net position at June 30, 2020 was \$257,783. 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)**

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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 2020, year over year actual reserves increased by \$13,818 while the projected IBNR total decreased by \$1,242. Unfavorable claims development for several prior years' reserves resulted in the combined increase in 2020 of \$12,576. From fiscal year 2019 to 2020, the liability for unpaid claims increased from \$190,978 to \$204,796, respectively. The chart below shows the estimated unpaid claims and claims adjustment expense liability for fiscal years 2010 through 2020.

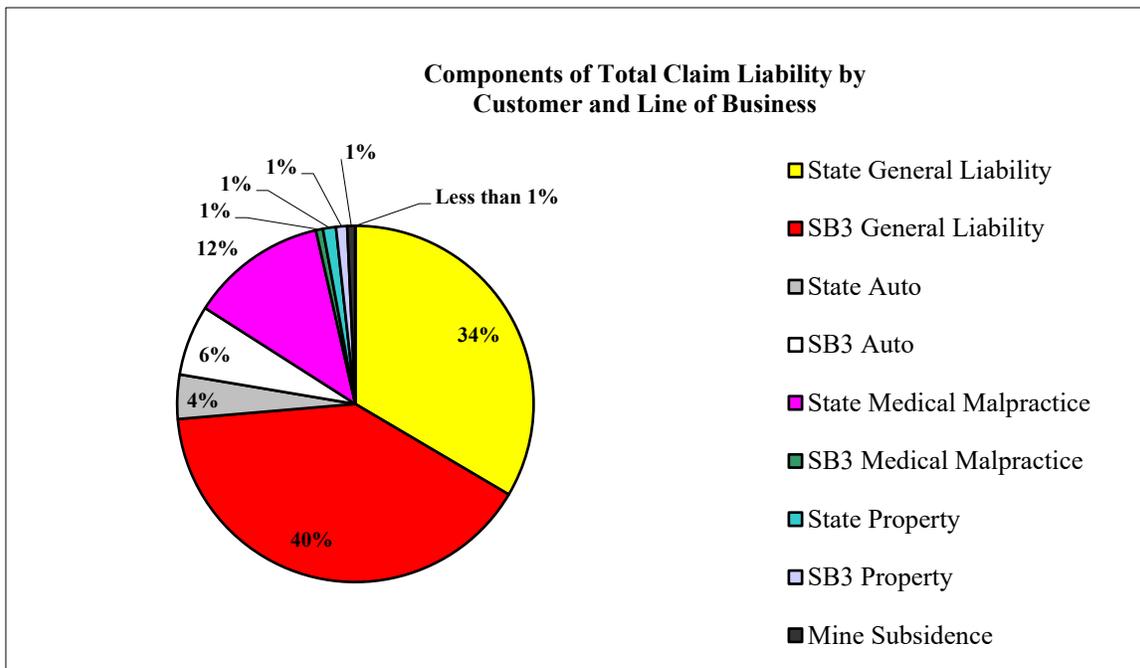


**West Virginia Board of Risk and Insurance Management  
Management's Discussion and Analysis  
(in thousands)**

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 \$204,796. 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)**

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*Investment Returns*

Investment income increased slightly this fiscal year due to better than expected returns in our fixed income investments. This follows positive returns in 2019, which were higher than the returns in 2018. In 2019 market conditions were more favorable for stocks and less favorable to fixed income investments. 2019's increase from the returns of 2018 was due primarily to fixed income losses offsetting the returns in equities markets. 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. BRIM had no withdrawals from the WVIMB in 2020 or 2019.

*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. Adverse claims development for several prior years resulted in a significant addition to prior years' reserves in 2020, increasing retained reserves and negatively impacting operating results but not as much as in 2019. Fiscal years 2019 saw negative operating income due to an increase in claims and claims adjustment expense over 2018. 2018 saw positive net operating results that benefited from prior years' reserve releases.

In addition, BRIM adopted a net assets reserve policy in 2014. The policy calculates a ratio of premiums to net position for comparison to a selected group of organizations with similar insurance operations. A range was established to assist BRIM's board in assessing BRIM's overall financial condition.

***Economic conditions and other matters***

As of March 2020, globally all sectors of industry were affected by the health crisis caused by the coronavirus ("COVID-19"), a respiratory disease declared to be a pandemic by the World Health Organization. Companies have undertaken and are generally in the process of making a diverse range of operational adjustments in response to the effects of COVID-19. Many states issued Stay-At-Home Orders, closed public spaces, and medical facilities delayed non-emergency procedures. Each of these steps were implemented as a measure of public safety and to prevent the healthcare sector from being overwhelmed with more patients than capacity would allow. The magnitude of the disruption of COVID-19, across all industry sectors, is still widely unknown.

***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.

***Basic Financial Statements***  
***(in thousands)***

**West Virginia Board of Risk and Insurance Management**  
**Statements of Net Position**  
**June 30, 2020 and 2019**  
**(in thousands)**

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 21,271	\$ 29,342
Advance deposits with insurance company and trustee	264,014	224,786
Receivables	3,052	3,223
Restricted cash and cash equivalents	20,808	16,936
Restricted receivables:		
Premiums due from other entities	1,134	1,112
 Total current assets	 <u>310,279</u>	 <u>275,399</u>
Noncurrent assets:		
Equity position in investment pools	104,382	100,600
Restricted investments	60,280	58,096
 Total noncurrent assets	 <u>164,662</u>	 <u>158,696</u>
 Total assets	 <u>474,941</u>	 <u>434,095</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension	215	373
Other post-employment benefits	84	65
 Total deferred outflows of resources	 <u>299</u>	 <u>438</u>
<b>LIABILITIES</b>		
Current liabilities:		
Estimated unpaid claims and claims adjustment expense	69,336	62,656
Unearned premiums	9,664	10,179
Agent commissions payable	1,486	1,514
Accrued expenses and other liabilities	440	1,038
 Total current liabilities	 <u>80,926</u>	 <u>75,387</u>
Estimated unpaid claims and claims adjustment expense, net of current portion	135,460	128,322
Compensated absences	150	124
Net pension liability	214	249
Net post-employment benefits liability	391	470
 Total noncurrent liabilities	 <u>136,215</u>	 <u>129,165</u>
 Total liabilities	 <u>217,141</u>	 <u>204,552</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension	145	200
Other post-employment benefits	171	109
 Total deferred inflows of resources	 <u>316</u>	 <u>309</u>
<b>NET POSITION</b>		
Restricted by State code for mine subsidence coverage	78,617	72,466
Unrestricted	179,166	157,206
 Net position	 <u>\$ 257,783</u>	 <u>\$ 229,672</u>

See accompanying notes.

**West Virginia Board of Risk and Insurance Management**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**Years Ended June 30, 2020 and 2019**  
**(in thousands)**

	<u>2020</u>	<u>2019</u>
Operating revenues:		
Premiums	\$ 82,567	\$ 83,301
Less excess coverage/reinsurance premiums	(6,915)	(6,627)
Net operating revenues	<u>75,652</u>	<u>76,674</u>
Operating expenses:		
Claims and claims adjustment expense	65,349	80,169
General and administrative	5,034	4,519
Total operating expenses	<u>70,383</u>	<u>84,688</u>
Operating income (loss)	<u>5,269</u>	<u>(8,014)</u>
Nonoperating revenues:		
Investment income	22,818	21,044
OPEB nonoperating income	24	30
Net nonoperating revenues	<u>22,842</u>	<u>21,074</u>
Increase in net position	28,111	13,060
Total net position, beginning of year	<u>229,672</u>	<u>216,612</u>
Total net position, end of year	<u>\$ 257,783</u>	<u>\$ 229,672</u>

**West Virginia Board of Risk and Insurance Management**  
**Statements of Cash Flows**  
**Years Ended June 30, 2020 and 2019**  
**(in thousands)**

	<u>2020</u>	<u>2019</u>
Operating activities:		
Receipts from customers	\$ 75,286	\$ 75,273
Payments to employees	(1,987)	(1,854)
Payments to suppliers	(3,591)	(2,069)
Payments to claimants	(51,531)	(56,192)
Deposits to advance deposit with insurance company and trustee	(88,747)	(81,954)
Withdrawals from advance deposit with insurance company and trustee	49,519	58,544
	<u>49,519</u>	<u>58,544</u>
Net cash used in operating activities	<u>(21,051)</u>	<u>(8,252)</u>
Investing activities:		
Purchase of investments	(21,222)	(14,362)
Sale of investments	21,119	14,196
Net investment earnings	16,955	14,102
	<u>16,955</u>	<u>14,102</u>
Net cash provided by investing activities	<u>16,852</u>	<u>13,936</u>
Net (decrease) increase in cash and cash equivalents	(4,199)	5,684
Cash and cash equivalents, beginning of year	<u>46,278</u>	<u>40,594</u>
Cash and cash equivalents, end of year	<u>\$ 42,079</u>	<u>\$ 46,278</u>
Cash and cash equivalents consist of:		
Cash and cash equivalents	\$ 21,271	\$ 29,342
Restricted cash and cash equivalents	20,808	16,936
	<u>\$ 42,079</u>	<u>\$ 46,278</u>

See accompanying notes.

**West Virginia Board of Risk and Insurance Management**  
**Statements of Cash Flows**  
**Years Ended June 30, 2020 and 2019**  
**(in thousands)**

*(Continued)*

	<u>2020</u>	<u>2019</u>
Reconciliation of operating income (loss) to net cash used in operating activities:		
Operating income (loss)	<u>\$ 5,269</u>	<u>\$ (8,014)</u>
Adjustments to reconcile operating income (loss) to net cash used in operating activities:		
Pension and OPEB expense	247	44
Increase in advanced deposits	(39,228)	(23,409)
Decrease (increase) in premiums receivable, net	149	(1,558)
Increase in estimated liability for unpaid claims and claims adjustment expense	13,818	23,977
(Decrease) increase in other liabilities	(600)	737
(Decrease) increase in unearned premiums	(515)	157
Deferred outflows of resources - pension and OPEB contributions	<u>(191)</u>	<u>(186)</u>
Total adjustments	<u>(26,320)</u>	<u>(238)</u>
Net cash used in operating activities	<u>\$ (21,051)</u>	<u>\$ (8,252)</u>
Noncash activities:		
Increase in fair value of investments	<u>\$ 5,863</u>	<u>\$ 6,942</u>

See accompanying notes.

***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 160 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 970 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**  
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The retained limit of \$1.5 million is indexed for inflation each year. On July 1, 2020 and 2019, 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 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. 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. Although BRIM administers the Patient Injury Compensation Fund, it is a fiduciary fund, and is not part of these financial statements.

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

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

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

GAAP defines component units as legally separate organizations for which the elected officials of the primary government are financially accountable or other organizations for which the nature and significance of their

**West Virginia Board of Risk and Insurance Management**  
**Notes to Financial Statements**  
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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, 2020 and 2019, 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) 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 Mellon (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 insurance company for payments that it has issued on these claims and claims adjustment expenses on BRIM's behalf.

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***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) based on restrictions provided in the State Code.

***Fair value measurements***

GASB Statement No. 72 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. Fair value of an investment is the amount 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 (i.e., the exit price).

GASB Statement No. 72 establishes a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical financial instruments (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under GASB Statement No. 72 are:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities at the reporting date.
- Level 2 - Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not considered active; observable inputs other than observable quoted prices for the asset or liability; or inputs derived principally from or corroborated by observable market data.
- Level 3 - Unobservable pricing inputs for assets and liabilities.

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

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- 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.

***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 of resources related to pension in the

**West Virginia Board of Risk and Insurance Management**  
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statements of net position were composed of \$152 and \$142 for the years ending June 30, 2020 and 2019, respectively, related to employer contributions to the PERS made during the current fiscal year subsequent to the measurement date. Deferred outflows of resources related to pension also consist 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 outflows of resources related to other post-employment benefits in the statements of net position were composed of \$39 and \$45 for the years ending June 30, 2020 and 2019, respectively, related to employer contributions to RHBT made during the current fiscal year subsequent to the measurement date.

***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 of resources related to pension 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. Deferred inflows of resources related to other-post employment benefits relate to differences between expected and actual experience, net differences between expected and actual earnings on OPEB plan investments, and changes in proportion and differences between employer contributions and proportionate share of contributions.

***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. As of June 30, 2020 and 2019, management deemed allowance for doubtful accounts unnecessary.

***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 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.

***New accounting pronouncements***

The GASB has issued Statement No. 87, *Leases*. A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange like transaction. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The provisions of No. 87 was effective for reporting periods beginning after December 15, 2019, however, with consideration for the COVID-19 pandemic, GASB postponed the effective date of Statement No. 87. In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which delayed the GASB 87 effective date by 18 months. This issuance now requires the adoption of GASB 87 for all fiscal years that begin subsequent to June 15, 2021.

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BRIM has not yet determined the effect, if any, these statements will have on its financial statements.

***Subsequent events***

In preparing these financial statements, BRIM has evaluated events and transactions for potential recognition or disclosure through October 9, 2020, 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.

***Cash equivalents***

**WEST VIRGINIA MONEY MARKET POOL**

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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 Deredemption 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 \$40,930 and \$45,438 at June 30, 2020 and June 30, 2019, 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](http://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 long-term corporate debt bonds to be rated A+ by Standard and Poor's (or its equivalent) or higher and short-term corporate debt be rated at least A-1 or higher by Standard and Poor's and P-1 by Moody's (or its equivalent). 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.

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

As of June 30, 2020 and 2019, 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.

**West Virginia Board of Risk and Insurance Management**  
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The following table provides the WAM for the various asset types in the West Virginia Money Market Pool:

<u>Investment Type</u>	<u>2020</u>		<u>2019</u>	
	<u>Fair Value</u>	<u>WAM Days</u>	<u>Fair Value</u>	<u>WAM Days</u>
U.S. Treasury notes	\$ -	-	\$ 24,927	125
U.S. Treasury bills	1,017,343	37	329,390	34
Commercial Paper	2,695,856	52	2,236,198	57
Negotiable certificates of deposit	771,849	58	714,142	33
Repurchase agreements	445,700	1	473,200	3
Money market funds	218,603	1	178,619	3
	<u>\$ 5,149,351</u>	<u>44</u>	<u>\$ 3,956,476</u>	<u>42</u>

BRIM's amount invested in the West Virginia Money Market Pool of \$40,930 at June 30, 2020 and \$45,438 at June 30, 2019 is included in cash and cash equivalents representing approximately 1% of total investments in this pool.

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>2020</u>		<u>2019</u>	
	<u>Moody's</u>	<u>S&amp;P</u>	<u>Carrying Value</u>	<u>Percent</u>	<u>Carrying Value</u>	<u>Percent</u>
Commercial paper	P-1	A-1+	\$ 861,472	16.73%	\$ 733,411	18.54%
	P-1	A-1	1,834,384	35.62	1,494,297	37.77
	P-2	A-1	-	-	8,490	0.21
U.S. Treasury notes	Aaa	AA+	-	-	24,927	0.63
U.S. Treasury bills	P-1	A-1+	1,017,343	19.76	329,390	8.33
Negotiable CDs	P-1	A-1+	302,738	5.88	179,251	4.53
Money market funds	P-1	A-1	469,111	9.11	534,891	13.52
	Aaa	AAAm	1,581	0.03	178,619	4.51
Repurchase agreements (underlying securities):	NR	AAAm	217,022	4.21		
U.S. Treasury bonds and notes*	Aaa	AA+	445,700	8.66	426,000	10.77
U.S. agency bonds and notes	Aaa	AA+	-	-	47,200	1.19
			<u>\$ 5,149,351</u>	<u>100.00%</u>	<u>\$ 3,956,476</u>	<u>100.00%</u>

\*U.S. Treasury issues are explicitly guaranteed by the United States government and are not considered to have credit risk.

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*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, 2020 and 2019, 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 Equity Pool, International Equity Pool, International Nonqualified Equity Pool, Short-Term Fixed Income Pool, Total Return Fixed Income Pool, Core Fixed Income Pool, Hedge Fund, and the Treasury Inflation Protection Securities (TIPS).

*Investment Objectives*

This fund's investment objective is to provide adequate liquidity to meet cash flow requirements and allow for growth of assets in an amount at least equal to inflation.

*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.)

<b>Asset Class</b>	<b>Base Allocation</b>		<b>Strategic Allocation</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Equity	20%	20%	30%	30%
Fixed Income	80%	80%	35%	35%
TIPS	0%	0%	10%	10%
Hedge Funds	0%	0%	20%	20%
Cash*	0%	0%	5%	5%
Combined total	100%	100%	100%	100%

\*IMB Staff has authority to change the cash target up to 5 percent during a fiscal year, in consultation with the appropriate representative(s) from BRIM.

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

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

	<u>2020</u>		<u>2019</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Domestic Equity	\$ 24,013	\$ 25,684	\$ 21,358	\$ 23,121
International equity	19,619	19,416	16,420	16,400
International nonqualified	6,400	5,933	7,678	7,498
Total return fixed income	37,973	40,013	33,313	35,868
Core fixed income	15,491	16,907	14,278	15,508
Hedge fund	32,588	32,685	35,520	36,375
TIPS (Treasury Inflation Protection Securities)	14,851	16,161	15,323	16,062
Short-term fixed income	7,863	7,863	7,864	7,864
Total investments	<u>\$ 158,798</u>	<u>\$ 164,662</u>	<u>\$ 151,754</u>	<u>\$ 158,696</u>

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

	<u>2020</u>	<u>2019</u>
Investment income:		
Interest income including realized gains/losses on sale of securities	\$ 16,954	\$ 14,102
Unrealized gain on investments	5,864	6,942
Total investment income	<u>\$ 22,818</u>	<u>\$ 21,044</u>

The calculation of realized gains and losses is independent of the calculation of the change in fair value of investments and realized gains and losses of the current year include unrealized amounts from prior years.

***Asset class risk disclosures***

**DOMESTIC EQUITY POOL**

The Pool's objective is to exceed, net of external investment management fees, the Russell 3000 Stock Index over three- to five-year periods. Assets are managed by AJO, BlackRock INTECH Investment Management, LLC, and Westfield Capital Management.

BRIM's amount invested in the domestic equity pool of \$25,684 and \$23,121 at June 30, 2020 and 2019, respectively, represents approximately 0.5% and 0.5%, respectively, of total investments in this pool.

Effective September 1, 2019, the IMB changed its custodian bank from the Bank of New York Mellon (BNYM) to Northern Trust (NT).

*Credit Risk*

As of June 30, 2020 the Pool's money market mutual fund investment and the Cash Collateral Account are exposed to credit risk. The money market mutual fund had the highest credit rating. The Cash Collateral Account is not rated.

As of June 30, 2019 the Pools Money market mutual fund investment and investments made with cash collateral for securities loaned are exposed to credit risk. The money market mutual fund has the highest credit rating. Credit risk from securities lending collateral investments are 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 by P-1 b Moody's or A-1 by Standard & Poor's at the time of purchase. The WVIMB Reviews available ratings from Standard & Poor's' and Moody's.

At June 30, 2019, securities lending collateral investments consisted of time deposits and repurchase agreements.

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

The following table provides the credit ratings indicative of the great degree of risk of the Pool's securities lending collateral investments as of June 30, 2019:

<b>Rating</b>	<b>Fair Value 2019</b>
AAA /A-1	\$ 33,117
AA	151,145
A	5,340
BBB	2,428
B	226
Not applicable	50,048
Total securities lending collateral	\$ 242,304

*\*As of June 30, 2020, the Cash Collateral Account is no longer rated.*

***Interest Rate Risk***

The Pool is exposed to interest rate risk from its money market mutual fund investment and from investments made with cash collateral for securities loaned. As of June 30, 2020, the money market mutual fund has a weighted average maturity (WAM) of 53 days. Except for repurchase agreements that can have up to 95 days maturity, investments in the Cash Collateral Account are limited to overnight investments. As of June 30, 2020, the WAM for the Cash Collateral Account was 1 day. As of June 30, 2019, the money market mutual fund has a weighted average maturity (WAM) of 43 days. The WAM for securities lending collateral investments is not to exceed 90 days. As of June 30, 2019, the WAM for securities lending collateral was 1 day.

***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, 2020 and 2019, the Pool was in compliance with this restriction and is not exposed to concentration of credit risk.

***Custodial Credit Risk***

As of June 30, 2020, securities on loan are collateralized to a minimum of 102%, and the collateral is held by the IMB's custodian in the name of IMB. The money market mutual fund, the Cash Collateral Account, and the comingled equity fund are not subject to custodial credit risk. All remaining securities are held by the IMB's custodian in the name of IMB.

As of June 20, 2019, repurchase agreements, when held, are collateralized to a minimum of 102% and the collateral is held in the name of the WVIMB. Securities on loan are collateralized to a minimum of 102% and the collateral is held by the WVIMB's custodian in the name of the WVIMB. All remaining securities are held by the WVIMB's custodian in the name of the WVIMB.

At June 30, 2020 and 2019, the Pool held no securities that were subject to custodial credit risk.

***Foreign Currency Risk***

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

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

The table below summarizes the valuation of the investment securities in accordance with GASB Statement No. 72 fair value hierarchy levels as of June 30, 2020:

<u>Assets</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Commingled equity fund	\$ 2,014,708	\$ -	\$ -	\$ 2,014,708
Common stock	2,588,810	-	-	2,588,810
Securities lending collateral	4,617	-	-	4,617
Rights	6	-	-	6
Money market mutual funds	82,999	-	-	82,999
Total	<u>\$ 4,691,140</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,691,140</u>

The table below summarizes the valuation of the investment securities in accordance with fair value hierarchy levels as of June 30, 2019:

<u>Assets</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Commingled equity fund	\$ 1,937,693	\$ -	\$ -	\$ 1,937,693
Common stock	2,682,108	-	-	2,682,108
Securities lending collateral	27,792	-	-	27,792
Money market mutual funds	-	242,304	-	242,304
Total	<u>\$ 4,647,593</u>	<u>\$ 242,304</u>	<u>\$ -</u>	<u>\$ 4,889,897</u>

**INTERNATIONAL EQUITY POOL**

The Pool invests in the equities of international companies. The objective of the Pool is to outperform the international equity market as measured by the Morgan Stanley Capital International's All Country World Free Ex US Index over a full market cycle (three- to five-years), net of external investment management fees. As of June 30, 2020, assets are managed by Acadian Asset Management, LLC (Acadian), Allianz Global Investors (Allianz), Axiom International Investors, LLC (Axiom), Brandes Investment Partners, L.P. (Brandes), LSV Asset Management (LSV) and Oberweis Asset Management, Inc. (Oberweis).

Effective September 1, 2019, the IMB changed its custodian bank from the Bank of New York Mellon (BNYM) to Northern Trust (NT).

BRIM's amount invested in the International Equity Pool of \$19,416 and \$16,133 at June 30, 2020 and 2019, respectively, represents approximately 0.6% and 0.5%, respectively, of total investments in this pool.

*Credit Risk*

As of June 30, 2020, the Pool's money market mutual fund investment and the Cash Collateral Account are exposed to credit risk. The money market mutual fund has the highest credit rating. The Cash Collateral Account is not rated.

As of June 30, 2019, the Pool's money market mutual fund investments made with cash collateral for securities loaned are exposed to credit risk. The money market mutual fund has the highest credit rating. Credit risk from securities lending collateral investments are 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 WVIMB reviews available ratings from Standard & Poor's and Moody's.

At June 30, 2019, securities lending collateral investments consisted of time deposits and repurchase agreements.

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

The following table provides the credit ratings indicative of the greatest degree of risk of the Pool's securities lending collateral investments as of June 30, 2019:

<b>Rating</b>	<b>Fair Value 2019</b>
AAA/ A-1	\$ 9,678
AA	44,168
A	1,560
BBB	710
B	66
Not applicable	14,625
Total securities lending collateral	\$ 70,807

\*As of June 30, 2020, the Cash Collateral Account is no longer rated.

*Interest Rate Risk*

The pool is exposed to interest rate risk from its money market mutual fund investment and certain investments made with cash collateral for securities loaned. As of June 30, 2020, the money market mutual fund has a weighted average maturity (WAM) of 53 days. Except for repurchase agreements that can have up to 95 days to maturity, investments in the Cash Collateral Account are limited to overnight Investments. As of June 30, 2020, the WAM for the Cash Collateral Account was 1 day.

As of June 30, 2019, the money market mutual fund has a weighted average maturity (WAM) of 43 days. The WAM for securities lending collateral investments is not to exceed 90 days. As of June 30, 2019, the WAM for securities lending collateral was 1 day.

*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, 2020 and 2019, the Pool was in compliance with this restriction and is not exposed to concentration of credit risk.

*Custodial Credit Risk*

As of June 30, 2020, securities on loan are collateralized to a minimum of 102% for U.S. Dollar denominated loans and 105% for foreign denominated loans, and the collateral is held by the IMB's custodian in the name of IMB. The money market mutual fund, the Cash Collateral Account, and the comingled equity fund are not subject to custodial credit risk. All remaining securities are held by the IMB's custodian in the name if IMB.

As of June 30, 2019, repurchase agreements, when held, are collateralized to a minimum of 102% and the collateral is held in the name of the WVIMB. Securities on loan are collateralized to a minimum of 102% for U.S. Dollar denominated loans and 105% for foreign denominated loans, and the collateral is held by WVIMB's custodian in the name of WVIMB. All remaining securities are held by the WVIMB's custodian in the name of WVIMB.

At June 30, 2020 and 2019, the Pool held no securities that were subject to custodial credit risk.

*Foreign Currency Risk*

The Pool has equity investments, cash and foreign currency spot contracts that are exposed to foreign currency risks.

The amounts at fair value (in U.S. dollars) of equity investments, cash and foreign currency spot contracts as of June 30, 2020 are as follows:

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

<u>Currency</u>	<b>2020</b>			
	<b>Equity</b>	<b>Cash</b>	<b>Foreign</b>	<b>Total</b>
	<b>Investments</b>		<b>Currency</b>	
			<b>Spot Contracts</b>	
Australian Dollar	\$ 82,579	\$ 373	\$ -	\$ 82,952
Brazil Real	61,732	397	-	62,129
British Pound	189,226	409	-	189,635
Canadian Dollar	93,508	70	-	93,578
Chilean Peso	5,906	-	-	5,906
Chinese Yuan	12,809	3,460	-	16,269
Czech Koruna	40	-	-	40
Danish Krone	10,965	3	-	10,968
Emirati Dirham	8,021	10	-	8,031
Euro Currency Unit	354,338	4,828	-	359,166
Hong Kong Dollar	404,086	2,525	-	406,611
Hungarian Forint	14,000	32	-	14,032
Indian Rupee	104,809	1,694	-	106,503
Indonesian Rupiah	30,263	36	-	30,299
Israeli Shekel	7,399	2	-	7,401
Japanese Yen	365,408	2,270	-	367,678
Malaysian Ringgit	10,968	4	-	10,972
Mexican Peso	39,362	42	-	39,404
New Taiwan Dollar	119,629	404	-	120,033
New Zealand Dollar	289	26	-	315
Norwegian Krone	16,412	196	-	16,608
Philippine Peso	7,480	8	-	7,488
Polish Zloty	1,337	-	-	1,337
Qatari Riyal	125	6	-	131
Singapore Dollar	12,316	211	-	12,527
South African Rand	29,989	56	-	30,045
South Korean Won	183,138	1,747	-	184,885
Swedish Krona	79,152	29	-	79,181
Swiss Franc	100,002	46	1	100,049
Thailand Baht	36,076	6	-	36,082
Turkish Lira	11,034	1,711	-	12,745
Total	<u>2,392,398</u>	<u>20,601</u>	<u>1</u>	<u>2,413,000</u>
U.S. Dollar	<u>981,212</u>	<u>-</u>	<u>-</u>	<u>981,212</u>
Total	<u>\$ 3,373,610</u>	<u>\$ 20,601</u>	<u>\$ 1</u>	<u>\$ 3,394,212</u>

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

<u>Currency</u>	<b>2019</b>			
	<b>Equity</b>	<b>Cash</b>	<b>Foreign</b>	<b>Total</b>
	<b>Investments</b>		<b>Currency</b>	
			<b>Spot Contracts</b>	
Australian Dollar	\$ 126,545	\$ 975	\$ -	\$ 127,520
Brazil Real	135,983	682	(2)	136,663
British Pound	284,807	2,169	(2)	286,974
Canadian Dollar	125,313	2,518	-	127,831
Chilean Peso	6,037	-	-	6,037
Danish Krone	4,586	-	-	4,586
Egyptian Pound	926	-	-	926
Emirati Dirham	1,689	10	3	1,699
Euro Currency Unit	463,116	6,782	-	469,901
Hong Kong Dollar	365,906	2,136	-	368,042
Hungarian Forint	11,477	41	-	11,518
Indian Rupee	89,501	946	-	90,447
Indonesian Rupiah	41,637	38	-	41,675
Israeli Shekel	17,395	31	-	17,426
Japanese Yen	380,550	2,595	-	383,145
Malaysian Ringgit	19,851	290	-	20,141
Mexican Peso	55,332	486	-	55,818
New Taiwan Dollar	91,450	553	-	92,003
New Zealand Dollar	553	50	-	603
Norwegian Krone	20,443	463	-	20,896
Pakistan Rupee	1,413	-	-	1,413
Philippine Peso	17,899	4	-	17,903
Polish Zloty	1,027	1,570	-	2,597
Qatari Riyal	756	51	-	807
Singapore Dollar	21,213	540	-	27,753
South African Rand	44,180	448	-	44,628
South Korean Won	201,839	2,128	(1)	203,966
Swedish Krona	71,775	2,166	-	73,941
Swiss Franc	95,408	42	-	95,450
Thailand Baht	60,524	(3)	-	60,521
Turkish Lira	21,677	293	-	21,970
Total	2,780,798	28,004	(2)	2,808,800
US. Dollar	413,517	1,018	-	414,535
Total	<u>\$ 3,194,315</u>	<u>\$ 29,022</u>	<u>\$ (2)</u>	<u>\$ 3,223,335</u>

*Fair Value Measurements*

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

<u>Assets</u>	<b>2020</b>			<b>Total</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
Common stock	\$ 2,741,429	\$ -	\$ -	\$ 2,741,429
Securities lending collateral	19,475	-	-	19,475
Preferred stock	42,854	-	-	42,854
Rights	41	-	-	41
Money market mutual fund	37,694	-	-	37,694
	<u>\$ 2,841,493</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,841,493</u>
Comingled equity fund				<u>589,286</u>
Total				<u>\$ 3,430,779</u>

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

The Pool's comingled equity fund in investment was measured at the NAV as of June 20, 2020. The fund invests primarily in Chinese A-Shared publicly listed equity securities. The IMB defines the investment style as growth at a reasonable price with limited concentration to any single issuer or sector. Redemptions can be made daily with five international business days advance written notice of the withdrawal date, subject to maximum withdrawal restrictions. The fund will pay withdrawal proceeds within thirty days following the withdrawal date.

<u>Assets</u>	<b>2019</b>			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Common stock	\$ 3,142,466	\$ -	\$ -	\$ 3,142,466
Securities lending collateral	-	70,807	-	70,807
Preferred stock	51,666	-	-	51,666
Rights	183	-	-	183
Money market mutual fund	26,048	-	-	26,048
Total	<u>\$ 3,220,363</u>	<u>\$ 70,807</u>	<u>\$ -</u>	<u>\$ 3,291,170</u>

**INTERNATIONAL NON-QUALIFIED POOL**

The 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*). Silchester invests in a diversified developed country, non-U.S. equity, bottom-up value-oriented portfolio of securities with limited exposure to emerging markets and no unreasonable concentration exposure to any single issuer or country. Redemptions from Silchester can be made monthly with ten days advance written notice. Redemptions will generally be made within seven business days following month-end.

Effective September 1, 2019, the IMB changed its custodian bank from the Bank of New York Mellon (BNYM) to Northern Trust (NT).

BRIM's amount invested in the International Nonqualified Pool of \$5,933 and \$7,763 at June 30, 2020 and 2019, respectively, represents approximately 3.6% and 3.7%, respectively, of total investments in this pool.

*Investment Risk*

The Pool invests in a collective trust fund that invests in equities denominated in foreign currencies. The value of this Pool at June 30, 2020 and 2019, was \$163,136 and \$210,181, respectively. This investment, 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.

*Fair Value Measurements*

U.S. 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. As Silchester is the only investment in the pool, a fair value hierarchy table is not presented.

**TOTAL RETURN FIXED INCOME POOL**

This main objective of the Pool is to generate investment income, provide stability, and enhance diversification but not at the expense of total return. The Pool's investment objective is to outperform the Bloomberg Barclays U.S. Universal Bond Index over three- to five-year periods, net of external investment management fees. Dodge & Cox, Franklin Templeton Investments, and Western Asset Management Company manage the Pool.

**West Virginia Board of Risk and Insurance Management**  
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Effective September 1, 2019, the IMB changed its custodian bank from the Bank of New York Mellon (BNYM) to Northern Trust (NT).

BRIM's amount invested in the Total Return Fixed Income Pool of \$40,013 and \$35,870, at June 30, 2020 and 2019, respectively, represented approximately 1.9% and 1.6%, respectively, of total investments in the Pool.

*Credit Risk*

The Pool is exposed to credit risk from its fixed income investments, money market mutual fund investment, and certain investments made with cash collateral for securities loaned. 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 organization. The WVIMB reviews available ratings from Standard & Poor's, Moody's and Fitch, and reports the rating indicative of the greatest degree of risk. The money market mutual fund has the highest credit rating.

The following tables provides credit ratings of the Pool's fixed income investments as of June 30:

<u>Rating</u>	<u>Fair Value</u>	
	<u>2020</u>	<u>2019</u>
AAA/ A-1	\$ 21,874	\$ 14,485
AA	738,758	685,964
A	164,334	105,271
BBB	526,344	553,241
BB	294,094	320,377
B	171,134	204,230
CCC	16,181	13,962
CC	3,822	-
D	4,354	1,050
Withdrawn	6,148	7,324
Not rated	73,473	55,807
Total fixed income investments	<u>\$ 2,020,516</u>	<u>\$ 1,961,711</u>

As of June 30, 2019, credit risk from securities lending collateral investments are 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 WVIMB reviews available ratings from Standard & Poor's and Moody's and reports the rating indicative of the greatest degree of risk.

At June 30, 2019, securities lending collateral investments consisted of time deposits and repurchase agreements.

The following table provides credit ratings of the Pool's securities lending collateral investments as of June 30, 2019:

<u>Rating</u>	<u>Fair Value</u> <u>2019</u>
AAA/ A-1	\$ 12,154
AA	55,470
A	1,960
BBB	891
B	83
Not applicable	18,368
Total securities lending collateral	<u>\$ 88,926</u>

*\*As of June 30, 2020, the Cash Collateral Account is no longer rated.*

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

*Interest Rate Risk*

As of June 30, 2020, the Pool is exposed to interest rate risk from its fixed income investments, money market mutual fund investment, and Cash Collateral Account investment. The money market mutual fund has a weighted average maturity (WAM) of 53 days. Except for repurchase agreements that can have up to 95 days to maturity, investments in the Cash Collateral Account are limited to overnight investments. As of June 30, 2020, the WAM for the Cash Collateral Account was 1 day.

As of June 30, 2019, the pool was exposed to interest rate risk from its fixed income investments, money market mutual fund investment and certain investments made with cash collateral for securities loaned. As of June 30, 2019, the money market mutual fund has a weighted average maturity (WAM) of 43 days. The WAM for securities lending collateral investments is not to exceed 90 days.

The WVIMB monitors interest 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 following table provides the weighted average effective duration for the various asset types in the Pool as of June 30:

<b>Investment Type</b>	<b>2020</b>		<b>2019</b>	
	<b>Fair Value</b>	<b>Effective Duration (Years)</b>	<b>Fair Value</b>	<b>Effective Duration (Years)</b>
Commingled debt funds	\$ 206,712	3.1	\$ 214,489	2.9
Corporate asset backed issues	54,349	1.2	72,659	(0.1)
Corporate ABS residual	-	0.0	3,835	1.9
Corporate CMO	59,639	0.9	40,069	1.1
Corporate CMO interest-only	138	0.5	-	-
Foreign asset backed issues	28,152	0.5	27,005	1.0
Foreign corporate bonds	264,553	5.3	271,117	5.4
Foreign government bond	251,488	5.1	317,462	5.1
Municipal bonds	33,423	9.9	34,254	9.9
Repurchase agreement	-	0.0	8,000	0.0*
Short term investments	-	0.0	6,083	0.0*
U.S. corporate bonds	495,554	9.4	402,522	7.0
U.S. Government agency bonds	1,530	0.0*	9,464	0.2
U.S. Government agency CMO	77,429	1.7	57,221	1.1
U.S. Government agency CMO interest-only	6,955	6.8	5,786	4.8
U.S. Government agency MBS	222,696	2.0	293,479	1.8
U.S. Government agency TBA	2,599	0.7	106	1.4
U.S. Treasury bonds	209,690	14.4	157,216	15.6
U.S. Treasury inflation-protected securities	105,609	18.8	40,944	20.6
Total investments	<u>\$ 2,020,516</u>		<u>\$ 1,961,711</u>	

\*Rounds to less than 0.05

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

**West Virginia Board of Risk and Insurance Management**  
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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 \$451,957 and \$500,160 of these securities at June 30, 2020 and 2019, respectively, representing approximately 22% and 25% of the value of the Pool's securities.

*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, 2020 and 2019, the Pool was in compliance with this restriction and is not exposed to concentration of credit risk.

*Custodial Credit Risk*

At June 20, 2020, securities on loan are collateralized to a minimum of 102% for U.S. Dollar denominated loans and 105% for foreign denominated loans, and the collateral is held by the IMB's custodian in the name of IMB. Investments in commingled debt funds, money market mutual funds, and the Cash Collateral Account are not subject to custodial credit risk.

At June 30, 2019, securities on loan were collateralized to a minimum of 102% and the collateral is held by the WVIMB's custodian in the name of the WVIMB. Investments in commingled funds are held in an account in the name of the WVIMB.

At June 30, 2020 and 2019, 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*

The Pool has foreign fixed income, foreign equity investments, and cash that are denominated in foreign currencies and exposed to foreign currency risks. The Pool also has foreign denominated derivative instruments. Additionally, the Pool has indirect exposure to foreign currency risk through its ownership interests in certain of the commingled debt funds. Approximately \$42,799 and \$32,063, or 21% and 15%, respectively, of the commingled investment pools hold substantially all of their investments in foreign currencies as of June 30, 2020 and 2019. This represents approximately 2.0%, respectively, of the value of the Pool's securities at June 30, 2020 and 2019.

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

The amounts at fair value (in U.S. dollars) of investments and cash denominated in foreign currencies as of June 30, are as follows:

<b>Currency</b>	<b>2020</b>			
	<b>Foreign Fixed Income</b>	<b>Foreign Equity Investments</b>	<b>Cash</b>	<b>Total</b>
Argentine Peso	\$ 5,597	\$ -	\$ 1,770	\$ 7,367
Australian Dollar	-	-	2,350	2,350
Belarusian Ruble	1,819	-	-	1,819
Brazil Real	30,899	-	52	30,951
British Pound	15,154	-	2,690	17,844
Canadian Dollar	-	-	(858)	(858)
Colombian Peso	4,620	-	-	4,620
Deutsche Mark	640	-	-	640
Dominican Peso	2,923	-	-	2,923
Egyptian Pound	2,647	-	3	2,650
Euro Currency Unit	5,948	-	3,823	9,771
Ghana Cedi	2,357	-	-	2,357
Indonesian Rupiah	2,713	-	-	2,713
Japanese Yen	49,050	-	6,419	55,469
Kazakhstani Tenge	681	-	-	681
Kenyan Shilling	3,001	-	-	3,001
Mexican Peso	21,785	6	(2,107)	19,684
New Zealand Dollar	-	-	758	758
Peruvian Nuevo Sol	1,812	-	-	1,812
Russian Ruble	31,249	-	856	32,105
South African Rand	5,707	-	1	5,708
Swedish Krona	-	-	477	477
Turkish Lira	-	-	1	1
Uruguayan Peso	5,050	-	-	5,050
Total foreign denominated investments	<u>193,652</u>	<u>6</u>	<u>16,235</u>	<u>209,893</u>
U.S. Dollar	<u>350,541</u>	<u>-</u>	<u>34,398</u>	<u>384,939</u>
Total	<u>\$ 544,193</u>	<u>\$ 6</u>	<u>\$ 50,633</u>	<u>\$ 594,832</u>

**West Virginia Board of Risk and Insurance Management**  
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<u>Currency</u>	<b>2019</b>			
	<u>Foreign Fixed Income</u>	<u>Foreign Equity Investments</u>	<u>Cash</u>	<u>Total</u>
Argentine Peso	\$ 8,380	\$ -	\$ 1,503	\$ 9,883
Australian Dollar	-	-	1,704	1,704
Belarusian Ruble	2,048	-	-	2,048
Brazil Real	47,752	-	24	47,776
British Pound	-	-	2,988	2,988
Canadian Dollar	-	-	1,411	1,411
Colombian Peso	5,209	-	-	5,209
Deutsche Mark	1,013	-	-	1,013
Dominican Peso	3,801	-	-	3,801
Egyptian Pound	2,104	-	126	2,230
Euro Currency Unit	5,967	-	12,929	18,896
Georgian Lari	1,796	-	-	1,796
Ghana Cedi	2,469	-	-	2,469
Indonesian Rupiah	2,779	-	-	2,779
Japanese Yen	51,443	-	6,077	57,520
Kenyan Shilling	3,171	-	-	3,171
Kazakhstani Tenge	1,841	-	-	1,841
Mexican Peso	44,765	-	1,943	46,708
New Zealand Dollar	-	-	791	791
Peruvian Nuevo Sol	1,846	-	-	1,846
Russian Ruble	28,094	-	1,796	29,890
Swedish Krona	-	-	483	483
Turkish Lira	3,190	-	-	3,190
Uruguayan Peso	7,479	-	-	7,479
South African Rand	6,726	14	2	6,742
Total foreign denominated investments	231,873	14	31,507	263,394
U.S. Dollar	383,711	-	28,425	412,136
Total	<u>\$ 615,584</u>	<u>\$ 14</u>	<u>\$ 59,932</u>	<u>\$ 675,530</u>

*Fair Value Measurements*

U.S. 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 as the 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. All of the Pool's investments in other funds were valued using the net asset value per share, as such they have not been categorized in the fair value hierarchy.

**West Virginia Board of Risk and Insurance Management**  
**Notes to Financial Statements**  
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<b>Assets</b>	<b>2020</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Corporate ABS residual	\$ -	\$ 1,943	\$ -	\$ 1,943
Corporate asset backed issues	-	54,349	-	54,349
Corporate CMO	-	59,639	-	59,639
Corporate CMO interest-only	-	138	-	138
Corporate preferred securities	10,307	-	-	10,307
Foreign asset backed issues	-	28,152	-	28,152
Foreign corporate bonds	-	264,553	-	264,553
Foreign currency forward contracts	-	1,054	-	1,054
Foreign government bonds	-	251,488	-	251,488
Futures contracts	1,457	-	-	1,457
Money market mutual fund	80,424	-	-	80,424
Municipal bonds	-	33,423	-	33,423
Options contracts purchased	94	347	-	441
Securities lending collateral	4,029	-	-	4,029
Swaps	-	24,789	-	24,789
U.S. corporate bonds	-	495,554	-	495,554
U.S. Government agency bonds	-	1,530	-	1,530
U.S. Government agency CMO	-	77,429	-	77,429
U.S. Government agency CMO interest-only	-	6,955	-	6,955
U.S. Government agency MBS	-	222,696	-	222,696
U.S. Government agency TBAs	-	2,599	-	2,599
U.S. Treasury bonds	-	209,690	-	209,690
U.S. Treasury inflation protected securities	-	105,609	-	105,609
Total	<u>\$ 96,311</u>	<u>\$ 1,841,937</u>	<u>\$ -</u>	<u>1,938,248</u>
Commingled debt funds				<u>206,712</u>
Total				<u>\$ 2,144,960</u>
<b>Liabilities</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Foreign currency forward contracts	\$ -	\$ (2,323)	\$ -	\$ (2,323)
Futures contracts	(12,609)	-	-	(12,609)
Options contracts written	(525)	(354)	-	(879)
Securities sold short	-	(526)	-	(526)
Swaps	-	(40,804)	-	(40,804)
Total	<u>\$ (13,134)</u>	<u>\$ (44,007)</u>	<u>\$ -</u>	<u>\$ (57,141)</u>

**West Virginia Board of Risk and Insurance Management**  
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<b>Assets</b>	<b>2019</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Corporate asset backed issues	\$ -	\$ 72,659	\$ -	\$ 72,659
Corporate ABS residual	-	3,835	-	3,835
Corporate CMO	-	40,069	-	40,069
Corporate preferred security	9,979	-	-	9,979
Foreign asset backed issues	-	27,005	-	27,005
Foreign corporate bonds	-	271,117	-	271,117
Foreign currency forward contracts	-	378	-	378
Foreign equity investments	14	-	-	14
Foreign government bonds	-	317,462	-	317,462
Future contracts	9,647	-	-	9,647
Money market mutual fund	41,138	-	-	41,138
Municipal bonds	-	34,254	-	34,254
Options contracts purchased	558	530	-	1,088
Repurchase agreement	-	8,000	-	8,000
Securities lending collateral	-	88,926	-	88,926
Short term investments	-	6,083	-	6,083
Swaps	-	3,683	-	3,683
U.S. corporate bonds	-	402,522	-	402,522
U.S. Government agency bond	-	9,464	-	9,464
U.S. Government agency CMO	-	57,221	-	57,221
U.S. Government agency CMO interest-only	-	5,786	-	5,786
U.S. Government agency MBS	-	293,479	-	293,479
U.S. Government agency TBAs	-	106	-	106
U.S. Treasury bonds	-	157,216	-	157,216
U.S. Treasury inflation protected securities	-	40,944	-	40,944
<b>Total</b>	<b>\$ 61,336</b>	<b>\$ 1,840,739</b>	<b>\$ -</b>	<b>1,902,075</b>
Commingled debt funds				214,489
<b>Total</b>				<b>\$ 2,116,564</b>
<b>Liabilities</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Foreign currency forward contracts	\$ -	\$ (2,357)	\$ -	\$ (2,357)
Future contracts	(15,161)	-	-	(15,161)
Options contracts written	(1,081)	(73)	-	(1,154)
Swaps	-	(20,337)	-	(20,337)
<b>Total</b>	<b>\$ (16,242)</b>	<b>\$ (22,767)</b>	<b>\$ -</b>	<b>\$ (39,009)</b>

The Pool's investments in commingled debt funds were measured at the NAV as of June 30, 2020 and 2019. These commingled debt funds invest in certain niche sectors, particularly ones that are not a significant percentage to the Pool, to provide economies of scale and efficiencies in establishing and managing a diversified portfolio that would be otherwise difficult to achieve. These funds offer daily liquidity.

**West Virginia Board of Risk and Insurance Management**  
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**CORE FIXED INCOME POOL**

The main objective of this Pool is to generate investment income, provide stability, and enhance diversification but not at the expense of total return. This Pool's investment objective is to outperform the Bloomberg Barclays U.S. Aggregate Bond Index over three- to five-year periods, net of external investment management fees. JP Morgan Investment Advisors, Inc. manages this Pool.

Effective September 1, 2019, the IMB changed its custodian bank from the Bank of New York Mellon (BNYM) to Northern Trust (NT).

BRIM's amount invested in the Core Fixed Income Pool of \$16,907 and \$15,508 at June 30, 2020 and 2019, respectively, and represented approximately 1.8% and 1.6%, respectively, of total investments in this Pool.

*Credit Risk*

The Pool is exposed to credit risk from its fixed income investments, money market mutual fund investment, and certain investments made with cash collateral for securities loaned. 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 reviews available ratings from Standard & Poor's, Moody's, and Fitch, and reports the rating indicative of the greatest degree of risk. The money market mutual fund has the highest credit rating.

The following table provides credit ratings for the Pool's fixed income investments as of June 30:

<b>Rating</b>	<b>Fair Value</b>	
	<b>2020</b>	<b>2019</b>
AAA	\$ 47,882	\$ 61,950
AA	535,867	518,002
A	83,021	93,012
BBB	171,799	141,310
BB	5,281	10,003
B	768	600
CCC	241	562
D	94	146
Withdrawn	11,132	3,013
Not rated	63,019	45,328
Total fixed income investments	<u>\$ 919,104</u>	<u>\$ 873,926</u>

Credit risk from securities lending collateral investments are limited by requiring minimum ratings on debt instruments. Long-term debt instruments must be rated A or better by Moody's or Standards & 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 WVIMB reviews available ratings from Standard & Poor's, Moody's, Fitch and reports the rating indicative of the greatest degree of risk.

At June 30, 2019, securities lending collateral investments consisted of time deposits and repurchase agreements.

**West Virginia Board of Risk and Insurance Management**  
**Notes to Financial Statements**  
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The following table provides credit ratings of the Pool's securities lending collateral investments as of June 30, 2019:

<b>Rating</b>	<b>Fair Value</b>
	<b>2019</b>
AAA/ A-1	\$ 7,859
AA	35,868
A	1,267
BBB	576
B	54
Not applicable	11,877
Total securities lending collateral	\$ 57,501

*\*As of June 30, 2020, the Cash Collateral Account is no longer rated.*

*Interest Rate Risk*

The Pool is exposed to interest rate risk from its fixed income investments, money market mutual fund investment and investments made with cash collateral for securities loaned. As of June 30, 2020, the money market mutual fund has a weighted average maturity (WAM) of 53 days. Except for repurchase agreements that can have up to 95 days to maturity, investments in the Cash Collateral Account are limited to overnight investments. The WAM for the Cash Collateral Account is 1 day.

As of June 30, 2019, the WAM for securities lending collateral investments is not to exceed 90 days. As of June 30, 2019, the money market mutual fund has a weighted average maturity (WAM) of 43 days. The WAM for securities lending collateral investments is not to exceed 90 days.

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 were 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, 2020 and 2019, the Pool held \$444,501 and \$425,431, respectively, of these securities. This represents approximately 48% and 49%, respectively, of the value of the Pool's fixed income securities.

**West Virginia Board of Risk and Insurance Management**  
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The following table provides the weighted average effective duration for the Pool's fixed income investments as of June 30:

<u>Investment Type</u>	<u>2020</u>		<u>2019</u>	
	<u>Fair Value</u>	<u>Effective Duration (Years)</u>	<u>Fair Value</u>	<u>Effective Duration (Years)</u>
Corporate asset backed issues	\$ 104,830	1.6	\$ 122,361	1.6
Corporate CMO	46,117	3.4	33,139	3.2
Corporate CMO interest-only	212	(13.6)	303	(2.8)
Corporate CMO principle only	64	4.6	74	3.5
Foreign asset backed issues	2,168	2.8	2,698	3.3
Foreign corporate bonds	61,479	6.5	59,221	5.8
Foreign government bond	5,870	9.3	3,125	8.0
Municipal bonds	12,331	14.5	10,261	13.0
U.S. corporate bonds	189,911	9.3	165,080	7.7
U.S. Government agency bonds	3,100	0.5	5,257	1.2
U.S. Government agency CMO	98,050	4.4	109,465	4.7
U.S. Government agency CMO interest-only	2,144	8.8	2,153	12.7
U.S. Government agency CMO principle only	4,409	5.2	5,062	6.2
U.S. Government agency MBS	180,583	4.6	150,176	4.4
U.S. Government agency TBAs	5,924	3.1	-	-
U.S. Treasury bonds	201,453	7.8	205,102	9.1
U.S. Treasury inflation-protected securities	459	0.9	449	1.9
Total fixed income investments	<u>\$ 919,104</u>		<u>\$ 873,926</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, 2020 and 2019, the Pool was in compliance with this restriction and is not exposed to concentration of credit risk.

*Custodial Credit Risk*

As of June 30, 2020, securities on loan are collateralized to a minimum of 102%, and the collateral is held by the IMB's custodian in the name of IMB. The money market mutual fund and the Cash Collateral Account are not subject to custodial credit risk. All remaining securities are held the by IMB's custodian in the name of IMB.

At June 30, 2020, repurchase agreements, when held, are collateralized at 102% and the collateral is held in the name of the WVIMB. Securities on loans are collateralized to a minimum of 102% and the collateral is held by the WVIMB's custodian in the name of the WVIMB. All remaining securities are held by the WVIMB's custodian in the name of the WVIMB.

At June 30, 2020 and 2019, the Pool help no securities that were subject to custodial credit risk.

*Foreign Currency Risk*

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

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*Fair Value Measurements*

The tables below summarize the valuation of the investment securities in accordance with GASB Statement No.72 fair value hierarchy levels as of June 30:

<b>Assets</b>	<b>2020</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Corporate asset backed issues	\$ -	\$ 104,830	\$ -	\$ 104,830
Corporate CMO	-	46,117	-	46,117
Corporate CMO interest-only	-	212	-	212
Corporate CMO principal-only	-	64	-	64
Foreign asset backed issues	-	2,168	-	2,168
Foreign corporate bonds	-	61,479	-	61,479
Foreign government bonds	-	5,870	-	5,870
Money market mutual fund	10,949	-	-	10,949
Municipal bonds	-	12,331	-	12,331
Securities lending collateral	4,868	-	-	4,868
U.S. corporate bonds	-	189,911	-	189,911
U.S. Government agency bonds	-	3,100	-	3,100
U.S. Government agency CMO	-	98,050	-	98,050
U.S. Government agency CMO interest-only	-	2,144	-	2,144
U.S. Government agency CMO principal-only	-	4,409	-	4,409
U.S. Government agency MBS	-	180,583	-	180,583
U.S. Government agency TBAs	-	5,924	-	5,924
U.S. Treasury bonds	-	201,453	-	201,453
U.S. Treasury inflation protected securities	-	459	-	459
<b>Total</b>	<b>\$ 15,817</b>	<b>\$ 919,104</b>	<b>\$ -</b>	<b>\$ 934,921</b>

<b>Assets</b>	<b>2019</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Corporate asset backed issues	\$ -	\$ 122,361	\$ -	\$ 122,361
Corporate CMO	-	33,139	-	33,139
Corporate CMO interest - only	-	303	-	303
Corporate CMO principal - only	-	74	-	74
Foreign assets backed issues	-	2,698	-	2,698
Foreign corporate bonds	-	59,221	-	59,221
Foreign government bonds	-	3,125	-	3,125
Money market mutual fund	55,686	-	-	55,686
Municipal bonds	-	10,261	-	10,261
Securities lending collateral	-	57,501	-	57,501
U.S. corporate bonds	-	165,080	-	165,080
U.S. Government agency bond	-	5,257	-	5,257
U.S. Government agency CMO	-	109,465	-	109,465
U.S. Government agency CMO interest-only	-	2,153	-	2,153
U.S. Government agency CMO principal-only	-	5,062	-	5,062
U.S. Government agency MBS	-	150,176	-	150,176
U.S. Treasury bonds	-	205,102	-	205,102
U.S. Treasury inflation protected securities	-	449	-	449
<b>Total</b>	<b>\$ 55,686</b>	<b>\$ 931,427</b>	<b>\$ -</b>	<b>\$ 987,113</b>

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**HEDGE FUND POOL**

This Pool was established to hold the WVIMB's investments in hedge funds. The objective of the Pool is to reduce risk through diversification of participants' assets. The primary performance benchmark is the Hedge Funds Research, Inc. Fund of Funds Composite Index plus 100 basis points. The secondary benchmark is the Citigroup 90-Day Treasury Bill Index plus 500 basis points. Albourne America, LLC has been retained by the WVIMB to provide consulting services for this investment strategy.

Effective September 1, 2019, the IMB changed its custodian bank from the Bank of New York Mellon (BNYM) to Northern Trust (NT).

BRIM's amount invested in the Hedge Fund Pool of \$32,685 and \$36,375 at June 30, 2020 and 2019, respectively, represented approximately 1.6% and 1.5%, 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. As of June 30, 2020 and 2019, the money market mutual fund has the highest credit rating and has a weighted average maturity of 53 and 43 days, respectively. 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, 2020 and 2019, the Pool was in compliance with this restriction and is not exposed to concentration of credit risk.

*Fair Value Measurements*

U.S. 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 (NAV) as the practical expedient for the year ended June 30, 2020 and 2019. The majority of the Pool's investments in hedge funds were valued using the NAV per share; as such, they have not been categorized in the fair value hierarchy for 2020 and 2019.

The tables that follow sets forth information about the level within the fair value hierarchy at which the Pool's assets and liabilities are measured at June 30.

<u>Assets</u>	<b>2020</b>			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Money market mutual fund	<u>\$ 12</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12</u>
Hedge funds				<u>1,893,312</u>
Total				<u>\$ 1,893,324</u>

<u>Assets</u>	<b>2019</b>			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Money market mutual fund	<u>\$ 656</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 656</u>
Hedge funds				<u>2,081,618</u>
Total				<u>\$ 2,082,274</u>

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The following tables present information on investments measured at the NAV as of June 30:

<u>Hedge Fund Strategies</u>	<u>2020</u>		
	<u>Fair Value</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Directional <sup>(a)</sup>	\$ 200,974	Mthly/Qtly	5 to 30 days
Equity long/short <sup>(b)</sup>	205,201	Mthly/Qtly	30 to 60 days
Event-driven <sup>(c)</sup>	70,232	Qtly/Every 2 years	45 to 180 days
Long-biased <sup>(d)</sup>	77,581	Mthly	90 days
Multi-strategy <sup>(e)</sup>	1,049,030	Mthly/Qtly/Semi-ann/Ann	30 to 95 days
Relative-value <sup>(f)</sup>	<u>290,294</u>	Weekly/Quarterly	5 to 60 days
Total investments measured at the NAV	<u>\$ 1,893,312</u>		

<u>Hedge Fund Strategies</u>	<u>2019</u>		
	<u>Fair Value</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Directional <sup>(a)</sup>	\$ 154,484	Mthly/Qtly	3 to 60 days
Equity long/short <sup>(b)</sup>	272,424	Mthly/Qtly/Every 3 yrs	30 to 60 days
Event-driven <sup>(c)</sup>	37,715	Qtly	65 days
Long-biased <sup>(d)</sup>	61,426	Mthly	90 days
Multi-strategy <sup>(e)</sup>	1,265,338	Mthly/Qtly/Ann	3 to 95 days
Relative-value <sup>(f)</sup>	<u>290,231</u>	Wkly/Mthly/Qtly	5 to 60 days
Total investments measured at the NAV	<u>\$ 2,081,618</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. 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 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. At June 30, 2019, investments representing approximately 60% of the fair value of the investments in this strategy are subject to maximum withdrawal restrictions. The percentage of investments subject to maximum withdrawal restrictions at June 30, 2020 was not disclosed.
- (c) Event-driven funds 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 sensitive to equity markets, credit markets and company-specific developments. At June 30, 2020, all of the funds in this investment strategy are subject to maximum withdrawal restrictions. At June 30, 2019, 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

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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 35% in 2020 and 43% in 2019 of the fair value of the investments in this strategy are subject to maximum withdrawal restrictions.

- (f) Relative-value funds 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 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. Investments representing approximately 40% in 2020 and 37% in 2019 of the fair value of the instruments in this strategy are subject to maximum withdrawal restrictions.

**TREASURY INFLATION PROTECTION SECURITIES (TIPS)**

The pool was established to offer an additional level of diversification over and above the nominal fixed income securities in an attempt to mitigate the risk of inflation. The main objective for the Pool is to generate a return that exceeds the rate of inflation over a market cycle, to provide investment income and stability of principal, and to diversify interest rate exposure. The Pool's performance is measured against the Bloomberg Barclays U.S. Treasury Inflation Protection Index on an annualized basis over rolling three- to five-year periods, gross of fees. Assets were managed by State Street Global Advisors through April 2, 2018. Effective April 4, 2018, the Pool invests in the BlackRock U.S. Treasury Inflation Protected Securities Fund B (BlackRock). BlackRock invests primarily in a portfolio of debt securities with the objective of closely approximating the total rate of return for all outstanding U.S. Treasury Inflation Protected Securities with a maturity of one year or greater.

Effective September 1, 2019, the IMB changed its custodian bank from the Bank of New York Mellon (BNYM) to Northern Trust (NT).

BRIM's amount invested in the TIPS Pool of \$16,161 and \$16,062 at June 30, 2020 and 2019, respectively, represented approximately 5.6% and 4.0% respectively, of total investments in this pool.

*Credit Risk*

The Pool invests in a commingled bond fund that holds primarily U.S. Treasury inflation protected securities. This investment is exposed to credit and interest rate risk. This fund is not rated by a nationally recognized statistical rating organization. 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. As of June 30, 2020 and 2019, the fund had an effective duration of 7.68 and 7.48 years, respectively. At June 30, 2020 and 2019, the Pool is not exposed to concentration of credit risk, custodial risk, or foreign currency risk.

*Interest Rate Risk*

Interest rate risk of the money market mutual fund is measured by weighted average maturity (WAM). As of June 30, 2020, the fund's WAM was 53 days. As of June 30, 2019, the pool did not disclose WAM in days.

*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>	<b>2020</b>			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Comingled bond fund	\$ 290,665	\$ -	\$ -	\$ 290,665
Money Market Mutual Fund	<u>2</u>	<u>-</u>	<u>-</u>	<u>2</u>
Total	<u>\$ 290,667</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 290,667</u>

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<u>Assets</u>	2019			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Comingled bond fund	\$ 397,843	\$ -	\$ -	\$ 397,843
Money Market Mutual Fund	5,500	-	-	5,500
Total	<u>\$ 403,343</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 403,343</u>

**SHORT-TERM FIXED INCOME POOL**

The main objective of this Pool is to maintain sufficient liquidity to meet the daily disbursements requested by participants and to invest any contributions until the time the money is transferred to other WVIMB operated investment pools without sustaining capital losses while earning a small return above inflation. The Pool's benchmark, net of external investment management fees, is the Citigroup ninety-day Treasury Bill Index. JP Morgan Investment Advisors, Inc. manages the Pool.

Effective September 1, 2019, the IMB changed its custodian bank from the Bank of New York Mellon (BNYM) to Northern Trust (NT).

BRIM's amount invested in the Short-Term Fixed Income Pool of \$7,863 and \$7,864 at June 30, 2020 and 2019, respectively, represented approximately 1.3% and 4.2%, respectively, of total investments in this Pool.

*Credit 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 WVIMB reviews available ratings from Standard & Poor's, Moody's, and Fitch, and reports the rating indicative of the greatest degree of risk. All of the Pool's investments had the highest credit ratings as of June 30, 2020 and 2019.

*Interest Rate Risk*

As of June 30, 2020 and 2019, the weighted average maturity (WAM) 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. The following table provides the WAM for the different asset types in the Pool as of June 30:

<u>Investment Type</u>	<u>2020</u> <u>Carrying</u> <u>Value</u>	<u>WAM</u> <u>(Days)</u>	<u>2019</u> <u>Carrying</u> <u>Value</u>	<u>WAM</u> <u>(Days)</u>
Repurchase agreement	\$ 75,658	1	\$ 45,000	1
Money market mutual fund	25,896	1	-	-
U.S. Government agency bonds	265,950	48	91,095	10
U.S. Treasury bonds	274,978	27	49,955	16
Total investments	<u>\$ 642,482</u>		<u>\$ 186,050</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, 2020 and 2019, the Pool was in compliance with this restriction and is not exposed to concentration of credit risk.

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*Custodial Credit Risk*

At June 30, 2020 and 2019, 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.

*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>	2020			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Repurchase agreement	\$ -	\$ 75,658	\$ -	\$ -
Money market mutual fund	25,896			
U.S. Government agency bonds	-	265,950	-	-
U.S. Treasury bills	-	274,978	-	-
Total	<u>\$ 25,896</u>	<u>\$ 616,586</u>	<u>\$ -</u>	<u>\$ -</u>

<u>Assets</u>	2019			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Repurchase agreement	\$ -	\$ 45,000	\$ -	\$ 45,000
U.S. Government agency bonds	-	91,095	-	91,095
U.S. Treasury bills	-	49,955	-	49,955
Total	<u>\$ -</u>	<u>\$ 186,050</u>	<u>\$ -</u>	<u>\$ 186,050</u>

***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, 2020 and 2019 of \$264,014 and \$224,786, respectively, are presented net of amounts due to AIG for claims funding. At June 30, 2020 and 2019, amounts payable to AIG were \$0 and \$1,781, respectively.

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The following table provides information on the weighted-average credit ratings of the cash liquidity pool's investments as of June 30:

Security Type	2020				2019			
	Moody's	S&P	Fair Value	Percent of Assets	Moody's	S&P	Fair Value	Percent of Assets
Corporate bonds and notes								
Aa1	A1	A+	\$ 1,456	0.56	A1	A+	\$ -	- %
	AA+	1,446	0.55	Aa1	AA+	1,111	0.49	
	Aa1	AA	1,588	0.61	Aa1	AA	2,188	0.97
	Aa1	AA-	3,114	1.19	Aa1	AA-	-	-
	Aa2	AA	2,960	1.13	Aa2	AA	2,165	0.96
	Aa2	AA-	-	0.00	Aa2	AA-	-	0.00
	Aa3	AA-	1,500	0.57	Aa3	AA-	2,172	0.97
	Aa3	A+	-	0.00	Aa3	A+	-	0.00
	Aaa	AA+	2,656	1.01	Aaa	AA+	1,089	0.48
	Aaa	AAA	4,032	1.54	Aaa	AAA	2,225	0.99
			18,752	7.16			10,950	4.86
U.S. Treasury bonds and notes								
	Aaa	NR	238,616	91.15	Aaa	NR	206,546	91.69
	NR	NR	-	0.00	NR	NR	-	0.00
U.S. Agency-debenture	NR	NR	2,909	1.11	NR	NR	7,204	3.20
Money market funds	NR	NR	1,514	0.58	NR	NR	565	0.25
Total rated investments			\$ 261,791	100.00%			\$ 225,265	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, 2020 and 2019, 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 as of June 30:

Investment Type	2020		2019	
	Fair Value	WAM Years	Fair Value	WAM Years
Corporate bonds and notes	\$ 16,096	3.5	\$ 9,844	4.6
U.S. Treasury bonds	238,616	3.8	207,652	3.7
U.S. Agency debenture	5,565	7.4	7,204	0.3
Money market funds	1,514	0.0	565	0.7
Total rated investments	\$ 261,791		\$ 225,265	

*Foreign Currency Risk*

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

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*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>	<b>2020</b>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Corporate bonds and notes	\$ 16,096	\$ -	\$ -	\$ 16,096
U.S. Treasury bonds	238,616	-	-	238,616
U.S. Agency debenture	5,565	-	-	5,565
Money market funds	1,514	-	-	1,514
Total	<u>\$ 261,791</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 261,971</u>

<u>Assets</u>	<b>2019</b>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Corporate bonds and notes	\$ 9,844	\$ -	\$ -	\$ 9,844
U.S. Treasury bonds	207,652	-	-	207,652
U.S. Agency debenture	7,204	-	-	7,204
Money market funds	565	-	-	565
Total	<u>\$ 225,265</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 225,265</u>

The fair value tables above do not include cash and cash equivalents at June 30, 2020 and 2019 of \$2,223 and \$1,302, 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>2020</u>	<u>2019</u>
Unpaid claims and claims adjustment expense liability at beginning of year	\$ 190,978	\$ 167,001
Incurred claims and claims adjustment expense:		
Provision for insured events of the current year	69,809	69,092
(Decrease) increase in provision for insured events of prior years	(4,460)	11,077
Total incurred claims and claims adjustment expense	<u>65,349</u>	<u>80,169</u>
Payments:		
Claims and claims adjustment expense attributable to insured events of the current year	(12,300)	(10,321)
Claims and claims adjustment expense attributable to insured events of prior years	(39,231)	(45,871)
Total payments	<u>(51,531)</u>	<u>(56,192)</u>
Total unpaid claims and claims adjustment expense liability at end of year	<u>\$ 204,796</u>	<u>\$ 190,978</u>

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If the unpaid claims and claims adjustment expense liability were discounted using a 4% discount factor for 2020 and 2019 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 \$16,424 and \$15,500 for fiscal years 2020 and 2019, respectively. The overall unpaid claim liability number includes a provision for allocated and unallocated claims adjustment expense. Unfavorable claims development for insured events of prior years was the primary reason for the overall increase in the reserves from the prior year.

## **5. Pension Plan**

### ***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](http://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 10%, 10% and 11% for the years ended June 30, 2020, 2019 and 2018, 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 \$152, \$142 and \$138 for the fiscal years ended June 30, 2020, 2019 and 2018, respectively.

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

The West Virginia Consolidated Public Retirement Board (WVCPRB) administers this cost-sharing multiple-employer plan. At June 30, 2020 and 2019, BRIM reported a liability of \$214 and \$249 for its proportionate share of the net pension liability. The net pension liability reported at June 30, 2020 was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018, rolled forward to the measurement date of June 30, 2019. 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, 2019. At June 30, 2020, BRIM's proportionate share was 0.0995%, which was an increase of 0.0031% from its proportionate share as of June 30, 2019.

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For the years ended June 30, 2020 and 2019, BRIM recognized pension expense of \$220 and \$5, respectively. At June 30, 2020 and 2019, BRIM reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2020		2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 77	\$ -	\$ 146
Differences between expected and actual experience	8	19	12	1
Difference in assumptions	-	39	-	-
Changes in proportion and differences between BRIM's contributions and proportionate share of contributions	55	10	219	53
BRIM's contributions made subsequent to the measurement date of June 30, 2019 and 2018	152	-	142	-
Total	<u>\$ 215</u>	<u>\$ 145</u>	<u>\$ 373</u>	<u>\$ 200</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 as of June 30, 2020 will be recognized in pension expense as follows:

**Year ending June 30:**

2021	\$	(12)
2022	\$	(101)
2023	\$	(2)
2024	\$	33

***Actuarial assumptions and methods***

The total pension liabilities for financial reporting purposes were determined by actuarial valuation as of July 1, 2018, and rolled forward to June 30, 2019, using the actuarial assumptions and methods described, as follows:

	2020	2019
Inflation	<b>3.0%</b>	3.0%
Salary increase	<b>3.1-6.5%, avg., including inflation</b>	3.0-4.6%, avg., including inflation
Investment rate of return	<b>7.5%, net of pension plan investment expense</b>	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

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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, 2013 through June 30, 2018.

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, 2019 and 2018, are summarized below:

<u>Asset Class</u>	<u>Long-Term Expected Rate of Return</u>
Domestic equity	5.8%
International equity	7.7%
Fixed income	3.3%
Real estate	6.1%
Private equity	8.8%
Hedge funds	4.4%

***Discount rate***

The discount rate used to measure the total pension liability was 7.5% for both valuations. 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 2.79% at June 30, 2019 and 2.71% at June 30, 2018 is to be used to discount the benefit payments not covered by the system's fiduciary net position. The municipal bond rate equals the S&P Municipal Bond 20 Year High Grade Index at the measurement date, June 30, 2019.

***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 (asset)	\$ (997)	\$ (214)	\$ 448

## **6. Other Post-Employment Benefits**

### ***Plan description***

BRIM participates in the West Virginia Other Postemployment Benefit Plan (the Plan) is a cost-sharing, multiple employer, defined benefit other post-employment benefit plan and 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 Section 5-16D-2 (the Code). The financial activities of the Plan are accounted for in the West Virginia Retiree Health Benefit Trust Fund (RHBT), a fiduciary fund of the State of West Virginia. The Plan is administered by a combination of the West Virginia Public Employees Insurance Agency (PEIA) and the RHBT staff. Plan benefits are established and revised by PEIA and the RHBT management with approval of the Finance Board. The Finance Board is comprised of nine members. Finance Board members are appointed by the Governor, serve a term of four years and are eligible for reappointment. The State Department of Administration cabinet secretary serves as Chairman of the Board. Four members represent labor, education, public employees and public retirees. Four remaining members represent the public-at-large.

The Plan had approximately 43,000 policyholders and 64,000 covered lives at June 30, 2019.

BRIM currently has approximately 18 employees eligible to receive RHBT benefits.

Active employees who retire are eligible for PEIA health and life benefits, provided they meet the minimum eligibility requirements of the applicable State retirement system and if their last employer immediately prior to retirement: is a participating employer under the Consolidated Public Retirement Board (CPRB) and, as of July 1, 2008 forward, is a participating employer with the Public Employees Insurance Agency (PEIA). Active employees who, as of July 1, 2008, have ten years or more of credited service in the CPRB and whose employer at the time of their retirement does participate with CPRB, but does not participate with PEIA will be eligible for PEIA retiree coverage provided: they otherwise meet all criteria under this heading and their employer agrees, in writing, upon a form prescribed by PEIA, that the employer will pay to PEIA the non-participating retiree premium on behalf of the retiree or retirees, or that the retiree agrees to pay the entire unsubsidized premium themselves. Active employees who are members of the Teacher's Defined Contribution Retirement plan must be either: 55 years of age and have 12 or more years of credited service; or be at least 60 years of age with five years of service; and their last employer immediately prior to retirement must be a participating employer under that, or the CPRB system to qualify to continue PEIA insurance benefits upon retirement. Employees who participate in non-State retirement systems but that are CPRB system affiliated, contracted, or approved (such as TIAA-CREF and similar plans), or are approved, in writing, by the PEIA Director must, in the case of education employees, meet the minimum eligibility requirements of the State Teacher's Retirement System, and in all other cases meet the minimum eligibility requirements of the Public Employees Retirement System to be eligible for PEIA benefits as a retiree.

For additional financial information, which may be used for disclosure by participating employers, please refer to the audited financial statements of the RHBT. The RHBT audited financial statements and actuarial reports can be found on the PEIA website at [www.peia.wv.gov](http://www.peia.wv.gov). If you have any questions about this report or need additional information, contact the Chief Financial Officer, Jason Haught, at (304) 558-7850, ext. 52642 or the RHBT Controller, Jennifer Priddy, at (304) 558-7850, ext. 52681. You can also submit your questions in writing to West Virginia Public Employees Insurance Agency, 601 57th Street, SE Suite 2, Charleston, WV 25304..

### ***Benefits provided***

The Plan provides the following benefits:

- Medical and prescription drug insurance
- Life insurance

The medical and prescription drug insurance is provided through two options:

- Self-Insured Preferred Provider Benefit Plan – primarily for non-Medicare-eligible retirees and spouses
- External Managed Care Organizations – primarily for Medicare-eligible retirees and spouses

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***Contributions***

Contributions into RHBT include paygo, retiree leave conversion billings, and other matters, including billing adjustments. Paygo premiums are established by the Finance Board annually. All participating employers are required by statute to contribute to RHBT this premium at the established rate for every active policyholder per month. Paygo rates were \$168 and \$183 for the years ending June 30, 2020 and 2019, respectively. Paygo rates were \$177 for January 2018 through June 2018. Other contributions such as retiree leave conversion differ by agency and are only recorded as utilized by plan participants. BRIM's contributions to RHBT were \$39, \$45 and \$44 for the fiscal years ended June 30, 2020, 2019 and 2018, respectively.

Members retired before July 1, 1997 pay retiree healthcare contributions at the highest sponsor subsidized rate, regardless of their actual years of service. Members retired between July 1, 1997 and June 30, 2010, pay a subsidized rate depending on the member's years of service. Members hired on or after July 1, 2010, pay retiree healthcare contributions with no sponsor provided implicit or explicit subsidy.

Retiree leave conversion contributions from the employer depend on the retiree's date of hire and years of service at retirement as described below:

- Members hired before July 1, 1988, may convert accrued sick or leave days into 100% of the required retiree healthcare contribution.
- Members hired from July 1, 1988, to June 30, 2001, may convert accrued sick or leave days into 50% of the required retiree healthcare contribution.

The conversion rate is two days of unused sick and annual leave days per month for single healthcare coverage and three days of unused sick and annual leave days per month for family healthcare coverage.

***OPEB liabilities, OPEB expense, and deferred outflows of resources and deferred inflows of resources related to OPEB***

At June 30, 2020 and 2019, BRIM reported a liability of \$391 and \$470 for its proportionate share of the net OPEB liability. The net OPEB liability reported at June 30, 2020 was measured as of June 30, 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018 rolled forward to the measurement date of June 30, 2019. For fiscal year 2019, the net OPEB liability was measured as of June 30, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017 and rolled forward to the measurement date of June 30, 2018. BRIM's proportion of the net OPEB liability was based on BRIM's share of contributions to the OPEB plan relative to the contributions of all employers participating in RHBT for the year ended June 30, 2019. At June 30, 2020, BRIM's proportionate share was 0.0236%, which was an increase of 0.0017% from its proportionate share as of June 30, 2019.

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At June 30, 2020 and 2019, BRIM reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>2020</u>		<u>2019</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 expected and actual earnings on OPEB investments	\$ 2	\$ 6	\$ -	\$ 9
Differences between expected and actual experience	-	46	-	7
Changes in assumptions	-	79	-	47
Changes in proportion and differences between BRIM's contributions and proportionate share of contributions	43	29	21	46
Reallocation of opt-out employer changes in proportionate share	-	11	-	-
BRIM's contributions made subsequent to the measurement date of June 30, 2018 and 2017	<u>39</u>	<u>-</u>	<u>44</u>	<u>-</u>
Total	<u>\$ 84</u>	<u>\$ 171</u>	<u>\$ 65</u>	<u>\$ 109</u>

Employer contributions to RHBT made during the fiscal year, subsequent to the net OPEB liability measurement date, are recorded as deferred outflows of resources and will be recognized as a reduction of the net OPEB liability in the following year.

The net difference between projected and actual investment earnings on OPEB Plan investments are recognized in OPEB expense using a systematic and rational method over a closed five-year period. Differences between actual and expected experience relating to OPEB amounts are recognized in OPEB expense using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with OPEB through the OPEB Plan determined as of the beginning of the measurement period. The average of the expected remaining lives is 4.6370 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:**

2021	\$	(51)
2022	\$	(34)
2023	\$	(25)
2024	\$	(4)

***OPEB Contributions by Non-employer Contributing Entities in a Special Funding Situation***

The State of West Virginia is a non-employer contributing entity that provides funding through SB 419, effective July 1, 2012, amended by West Virginia Code §11-21-96. The State provides a supplemental pre-funding source dedicating \$30 million annually to the RHBT Fund from annual collections of the Personal Income Tax Fund and dedicated for payment of the unfunded liability of the RHBT. The \$30 million transferred pursuant to this Code shall be transferred until the Governor certifies to the Legislature that an independent actuarial study has determined that the unfunded liability of RHBT has been provided for in its entirety or July 1, 2037, whichever date is later. This funding is to the advantage of all RHBT contributing employers.

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

The State is a non-employer contributing entity that provides funding through West Virginia State Code §11B-2-32. The Financial Stability Fund is a plan to transfer an annual amount of \$5 million to the RHBT from special revenue funds to be used to lower retiree premiums, to help reduce benefit cuts, to help reduce premium increases or any combination thereof. The \$5 million transferred pursuant to this Code shall be transferred annually into the RHBT through June 30, 2020. This funding is to the advantage of all RHBT contributing employers.

For the years ended June 30, 2020 and 2019, BRIM recognized OPEB expense of \$28 and \$47.

For the years ended June 30, 2020 and 2019, BRIM recognized revenue of \$24 and \$30, respectively, for support provided by the State under a special funding situation.

BRIM's reported liability for its proportionate share of the WV OPEB Plan's net OPEB liability that reflected a reduction for the State of WV OPEB support provided to BRIM. The amount recognized BRIM as its proportionate share of the net OPEB liability, the related State of WV support, and the total portion of the net OPEB liability that was associated with BRIM as of June 30 was as follows.

	<u>2020</u>	<u>2019</u>
BRIM's proportionate share of the net OPEB liability:	\$ 391	\$ 470
State of WV's special funding proportionate share of the net OPEB Liability associated with BRIM	<u>80</u>	<u>97</u>
Total portion of the net OPEB liability associated with BRIM	<u>\$ 471</u>	<u>\$ 567</u>

***Actuarial assumptions***

The net OPEB liability was determined by an actuarial valuation as of June 30, 2018, rolled forward to June 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

- Inflation ..... 2.75%
- Salary increases ..... Dependent upon pension system ranging from 3.00% to 6.50%, including inflation
- Investment rate of return ..... 7.15%, net of OPEB plan investment expense, including inflation
- Healthcare cost trend rates .....  
  - Trend rate for pre-Medicare per capita costs of 8.5% for plan year end 2020, decreasing by 0.5% each year thereafter, until ultimate trend rate of 4.5% is reached in plan year 2028. Trend rate for Medicare per capita costs of 3.1% for plan year ended 2020, 9.5% for plan year end 2021, decreasing by 0.5% each year thereafter, until ultimate trend rate of 4.5% is reached in plan year end 2031.
- Actuarial cost method ..... Entry Age Normal Cost Method
- Amortization method..... Level percentage of payroll over a 21-year closed period
- Remaining amortization period.. 20 years closed as of June 30, 2018

RP-2000 Healthy Annuitant Mortality Table projected with Scale AA on a fully generational basis for PERS and TRS. RP-2014 Healthy Annuitant Mortality Table projected with scale MP-2016 on a fully generational basis for Troopers A and B. Pre-Retirement: RP-2000 Non- Annuitant Mortality Table projected with Scale AA on a fully generational basis for PERS and TRS. RP-2014 Employee Mortality Table projected with Scale MP-2016 on a fully generational basis for Troopers A and B.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2010 – June 30, 2015.

**West Virginia Board of Risk and Insurance Management**  
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Certain assumptions have been changed since the prior actuarial valuation of June 30, 2017 and a measurement date of June 30, 2019. The net effect of assumptions changes was approximately \$236 million. The assumption changes that most significantly impacted the Net OPEB Liability were an approximate 11.8 million decrease in the per capita claims costs for Pre-Medicare and Medicare, as well as an approximate \$224.2 million decrease due to capped subsidy costs implemented in December 2019. Certain other assumption changes were noted but did not materially impact the Net OPEB Liability.

The long-term expected rate of return of 7.15% on OPEB plan investments was determined by a combination of an expected long-term rate of return of 7.50% for long-term assets invested with the WV Investment Management Board and an expected short-term rate of return of 3.0% for assets invested with the West Virginia Board of Treasury Investments.

Long-term pre-funding assets are invested with the WVIMB. The strategic asset allocation consists of 55% equity, 15% fixed income, 10% private equity, 10% hedge fund and 10% real estate invested. Short-term assets used to pay current year benefits and expenses are invested with the WVBTI.

The long-term rate of return on OPEB plan investments was determined using a building block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentages. Target asset allocations, capital market assumptions ("CMA"), and a 10-year forecast of nominal geometric returns by major asset class were provided by the plan's investment advisors, including the West Virginia Investment Management Board ("WV-IMB"). The projected nominal return for the Money Market Pool held with the West Virginia Board of Treasury Investments ("WV-BTI") was estimated based on WV-IMB assumed inflation of 2.0% plus a 25 basis point spread.

The target allocation and estimates of annualized real returns assuming a 10-year horizon are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real return</u>
Global Equity	49.5%	4.8%
Core plus fixed income	13.5	2.1
Core real estate	9.0	4.1
Hedge fund	9.0	2.4
Private equity	9.0	6.8
Cash and cash equivalents	<u>10.0</u>	0.3
Total allocation	<u>100.0%</u>	

***Single discount rate***

A single discount rate of 7.15% was used to measure the OPEB liability. The single discount rate was based on the expected rate of return on OPEB plan investment of 7.15% and a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date to the extent benefits are effectively financed on a pay-as-you-go basis. The long-term municipal bond rate used to develop the single discount rate was 3.62% as of the beginning of the year and 3.13% as of the end of the year. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made in accordance with the prefunding and investment policies. Future pre-funding assumptions include a \$30 million annual contribution from the State through 2037. Based on those assumptions, and that the Plan is expected to be fully funded by fiscal year ended June 30, 2033, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. Discount rates are subject to change between measurement dates. The discount rate used to measure the total OPEB liability did not change for the June 30, 2018 valuation from the June 30, 2017 valuation.

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

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

The following presents BRIM's proportionate share of the net OPEB liability calculated using the discount rate of 7.15%, as well as what BRIM's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.15%) or one percentage point higher (8.15%) than the current rate:

	<u>1% Decrease (6.15%)</u>	<u>Current Discount Rate (7.15%)</u>	<u>1% Increase (8.15%)</u>
BRIM's proportionate share of net OPEB liability	\$ 467	\$ 391	\$ 328

***Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates.***

The following presents BRIM's proportionate share of the net OPEB liability of the Plan, as well as what the BRIM's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower:

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Net OPEB liability	\$ 316	\$ 391	\$ 483

**7. Lease Arrangement**

On October 1, 2019, 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, 2022.

Operating lease expense approximated \$222 for both the years ended June 30, 2020 and 2019, respectively, relating to these arrangements. Future minimum lease payments under these operating lease arrangements are as follows for years ending June 30:

2021	\$	222
2022	\$	222
2023	\$	37

**8. 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 \$47,675 and \$47,713 for the years ended June 30, 2020 and 2019, 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. The balance in this fund was \$3,258 and \$9,362 at June 30, 2020 and 2019, respectively. The Fund is not included in BRIM's financial statements but is included in the general fund of the State.

**9. 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

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

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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 \$593 reinsurance recoveries for the fiscal year ended June 30, 2020, and \$0 for the fiscal year ended June 30, 2019.

**10. 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.

**11. COVID-19 Pandemic**

On March 13, 2020, the President of the United States declared a national emergency with respect to the global coronavirus disease ("COVID-19"), a respiratory disease declared to be a pandemic by the World Health Organization. In response to COVID-19, the federal government and a large number of state governments, including West Virginia, have imposed strict measures to curtail aspects of public life in an effort to control further spreading of COVID-19, including closures of schools, non-life essential businesses and stay at home guidelines.

The spread of the virus may disrupt the BRIM's business along with the business of BRIM's participants. The economic uncertainty caused by the virus has not been fully determined but could have a significant impact on BRIM's financial condition, results of operations, and future cash flows. It is not currently possible to predict the impact on BRIM associated with COVID-19, and, therefore, the financial statements do not reflect any adjustments as a result of the subsequent increase in economic uncertainty.

***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.

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
1) Premiums and investment revenues:										
Earned	\$ 71,320	\$ 64,361	\$ 54,969	\$ 69,172	\$ 63,037	\$ 72,706	\$ 81,209	\$ 85,663	\$ 104,345	\$ 105,385
Ceded	6,075	5,386	5,825	6,102	6,197	6,909	6,681	6,518	6,627	6,915
Net earned	65,245	58,975	49,144	63,070	56,840	65,797	74,528	79,145	97,718	98,470
2) Unallocated expenses, including administrative fees paid to third-party claims administrators	7,867	7,562	7,240	7,888	7,653	7,911	8,290	8,507	8,684	9,224
3) Estimated incurred claims and claims adjustment expense, end of policy year:										
Incurred	53,728	60,176	57,276	58,389	62,342	66,740	70,705	72,629	69,092	70,402
Ceded	-	2,312	-	-	-	-	-	596	-	593
Net incurred	53,728	57,864	57,276	58,389	62,342	66,740	70,705	72,033	69,092	69,809
4) Paid (cumulative) claims and claims adjustment expense as of:										
End of policy year	10,757	10,156	10,870	10,560	11,146	12,863	11,922	11,846	10,321	12,300
One year later	18,034	20,830	18,936	19,965	24,010	23,494	23,067	22,032	22,279	
Two years later	26,398	30,577	30,649	29,077	34,801	34,585	37,673	32,994		
Three years later	34,305	43,021	40,132	45,059	43,864	44,997	44,538			
Four years later	39,497	48,351	48,853	51,231	48,379	49,631				
Five years later	42,538	51,004	52,093	53,383	50,322					
Six years later	43,031	53,155	53,802	54,454						
Seven years later	43,383	54,121	54,126							
Eight years later	43,877	55,578								
Nine years later	43,877									
5) Reestimated ceded claims and expenses	-	248	-	-	-	2,782	-	596	-	-
6) Reestimated net incurred claims and allocated claims adjustment expense:										
End of policy year	53,728	57,864	57,276	58,389	62,342	66,740	70,705	72,033	69,092	69,809
One year later	52,844	58,812	56,883	57,772	65,545	64,655	65,589	65,418	69,463	
Two years later	50,289	61,106	63,767	61,216	62,727	62,537	65,151	62,380		
Three years later	48,480	62,460	61,150	61,249	59,235	59,700	62,032			
Four years later	47,980	57,109	58,836	59,741	55,907	57,468				
Five years later	46,321	56,003	58,016	64,041	55,374					
Six years later	44,680	56,093	63,918	65,836						
Seven years later	43,910	63,858	60,909							
Eight years later	44,768	62,409								
Nine years later	45,971									
7) (Decrease) increase in estimated net incurred claims and allocated claims adjustment expense from end of policy year	(7,757)	4,545	3,633	7,447	(6,968)	(9,272)	(8,673)	(9,653)	371	-

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:

	2020				2019			
	Liability	Property	Mine Subsidence	Total	Liability	Property	Mine Subsidence	Total
Unpaid claims and claims adjustment expense liability at beginning of fiscal year	\$ 183,378	\$ 6,022	\$ 1,578	\$ 190,978	\$ 160,195	\$ 5,512	\$ 1,294	\$ 167,001
Incurred claims and claims adjustment expense:								
Provision for insured events of the current fiscal year	63,552	5,307	950	69,809	63,601	4,490	1,001	69,092
Increase (decrease) in provision for insured events of prior fiscal years	(6,888)	2,834	(406)	(4,460)	10,806	(277)	548	11,077
Total incurred claims and claims adjustment expense	56,664	8,141	544	65,349	74,407	4,213	1,549	80,169
Payments:								
Claims and claims adjustment expense attributable to insured events of the current fiscal year	9,694	2,507	99	12,300	9,056	1,081	184	10,321
Claims and claims adjustment expense attributable to insured events of the prior fiscal years	31,533	7,162	536	39,231	42,168	2,622	1,081	45,871
Total claims and claims adjustment expense payments	41,227	9,669	635	51,531	51,224	3,703	1,265	56,192
Total unpaid claims and claims adjustment expense liability at end of the fiscal year	\$ 198,815	\$ 4,494	\$ 1,487	\$ 204,796	\$ 183,378	\$ 6,022	\$ 1,578	\$ 190,978

**West Virginia Board of Risk and Insurance Management**  
**Schedule of Proportionate Share of the Net Pension Liability in PERS**  
**Last Six Fiscal Years**  
**(in thousands except percentages)**

	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
BRIM's proportionate (percentage) of the net pension liability	<b>0.0995%</b>	0.0964%	0.0767%	0.0833%	0.0836%	0.0994%
BRIM's proportionate share of the net pension liability	<b>\$ 214</b>	\$ 249	\$ 331	\$ 766	\$ 467	\$ 367
BRIM's covered payroll	<b>\$ 1,432</b>	\$ 1,275	\$ 1,013	\$ 1,100	\$ 878	\$ 962
BRIM's proportionate share of the net pension's liability as a percentage of its covered payroll	<b>14.94%</b>	19.53%	32.68%	69.64%	53.19%	38.15%
Plan fiduciary net position as a percentage of the total pension liability *	<b>96.99%</b>	96.33%	93.67%	86.11%	91.29%	93.98%

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

Note 1: 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**  
**Last Eight Fiscal Years**  
**(in thousands except percentages)**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Statutorily required contribution	\$ 152	\$ 142	\$ 138	\$ 123	\$ 149	\$ 127	\$ 133	\$ 129
Contributions in relation to the statutorily required contribution	<u>(152)</u>	<u>(142)</u>	<u>(138)</u>	<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>				
Covered payroll	<u>\$ 1,573</u>	<u>\$ 1,432</u>	<u>\$ 1,275</u>	<u>\$ 1,013</u>	<u>\$ 1,100</u>	<u>\$ 878</u>	<u>\$ 962</u>	<u>\$ 1,014</u>
Contributions as a percentage of covered payroll	<b>9.66%</b>	9.92%	10.82%	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>2018</u>	<u>2017</u>
Projected salary increases:		
State	3.0 - 4.6%	3.0 - 4.6%
Non-state	3.0 - 4.6%	3.0 - 4.6%
Inflation rate	3.0%	3.0%
Mortality rates	Healthy males -110% of RP-2000 Non-Annuitant, Scale AA	Healthy males -110% of RP-2000 Non-Annuitant, Scale AA
	Healthy females-101% or RP-2000 Non-Annuitant, Scale AA	Healthy females-101% or RP-2000 Non-Annuitant, Scale AA
	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%
Non-state	2 - 35.8%	2 - 35.8%
Disability rates	0 - .675%	0 - .675%
	<u>2016</u>	<u>2015</u>
Projected salary increases:		
State	3.0 - 4.6%	3.0 - 4.6%
Non-state		3.35 - 6.0%
Inflation rate		1.90%
Mortality rates	Healthy males -110% of RP-2000 Non-Annuitant, Scale AA	Healthy males -110% of RP-2000 Non-Annuitant, Scale AA
	Healthy females-101% or RP-2000 Non-Annuitant, Scale AA	Healthy females-101% or RP-2000 Non-Annuitant, Scale AA
	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%
Non-state	2 - 35.8%	2 - 35.8%
Disability rates	0 - .675%	0 - .675%

**West Virginia Board of Risk and Insurance Management**  
**Schedule of Proportionate Share of the Net OPEB Liability in RHBT**  
**Last Three Fiscal Years**  
**(in thousands except percentages)**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
BRIM's proportionate (percentage) of the net OPEB liability	<b>0.0236%</b>	0.0219%	0.0208%
BRIM's proportionate share of the net OPEB liability	<b>\$ 391</b>	\$ 470	\$ 512
State's proportionate share of the net OPEB liability associated with BRIM	<b>80</b>	97	105
Total	<b><u>\$ 471</u></b>	<b><u>\$ 567</u></b>	<b><u>\$ 617</u></b>
BRIM's covered-employee payroll	<b>\$ 1,040</b>	\$ 905	\$ 812
BRIM's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	<b>37.60%</b>	51.93%	63.05%
Plan fiduciary net position as a percentage of the total OPEB liability *	<b>39.69%</b>	30.98%	25.10%

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

Note 1: All amounts presented are as of the measurement date, which is one year prior to the fiscal year end date.

Note 2: The accompanying schedules of BRIM's proportionate share of the net OPEB liability is required supplementary information to be presented for 10 years. However, until a full 10-year trend is compiled, information is presented in the schedule for those years for which information is available.

**West Virginia Board of Risk and Insurance Management**  
**Schedule of Contributions to RHBT**  
**Last Five Fiscal Years**  
**(in thousands except percentages)**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Statutorily required contribution	\$ 39	\$ 45	\$ 44	\$ 43	\$ 41
Contributions in relation to the statutorily required contribution	<u>(39)</u>	<u>(45)</u>	<u>(44)</u>	<u>(43)</u>	<u>(41)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	<u>\$ 1,109</u>	<u>\$ 1,040</u>	<u>\$ 905</u>	<u>\$ 812</u>	<u>\$ 870</u>
Contributions as a percentage of covered-employee payroll	<u>4%</u>	<u>4%</u>	<u>5%</u>	<u>5%</u>	<u>5%</u>

Note 1: The accompanying schedules of BRIM's contributions to RHBT is required supplementary information to be presented for 10 years. However, until a full 10-year trend is compiled, information is presented in the schedule for those years for which information is available.

***Other Supplementary Information  
(in thousands)***

**West Virginia Board of Risk and Insurance Management**  
**Combining Statement of Net Position**  
**June 30, 2020**  
**(in thousands)**

	<b>Other Lines of Business</b>	<b>Mine Subsidence</b>	<b>Total</b>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 21,271	\$ -	\$ 21,271
Advance deposits with carrier/trustee	264,014	-	264,014
Receivables, net	3,052	-	3,052
Prepaid insurance:			
Restricted cash and cash equivalents	-	20,808	20,808
Restricted receivables, net	-	1,134	1,134
Total current assets	<u>288,337</u>	<u>21,942</u>	<u>310,279</u>
Noncurrent assets:			
Investments	104,382	-	104,382
Restricted investments	-	60,280	60,280
Total non current assets	<u>104,382</u>	<u>60,280</u>	<u>164,662</u>
Total assets	<u>392,719</u>	<u>82,222</u>	<u>474,941</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension	215	-	215
Other post-employment benefits	84	-	84
Total deferred outflows of resources	<u>299</u>	<u>-</u>	<u>299</u>
<b>LIABILITIES</b>			
Current liabilities:			
Estimated unpaid claims and claims adjustment expense	68,430	906	69,336
Unearned revenue	7,556	2,108	9,664
Agent commissions payable	1,486	-	1,486
Accrued expenses and other liabilities	438	2	440
Total current liabilities	<u>77,910</u>	<u>3,016</u>	<u>80,926</u>
Noncurrent liabilities:			
Estimated claims and claims adjustment expense, noncurrent	134,879	581	135,460
Compensated absences	142	8	150
Net pension liability	214	-	214
Net other post-employment benefits	391	-	391
Total noncurrent liabilities	<u>135,626</u>	<u>589</u>	<u>136,215</u>
Total liabilities	<u>213,536</u>	<u>3,605</u>	<u>217,141</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension	145	-	145
Other post-employment benefits	171	-	171
Total deferred inflows of resources	<u>316</u>	<u>-</u>	<u>316</u>
<b>NET POSITION</b>			
Restricted	-	78,617	78,617
Unrestricted	179,166	-	179,166
Net position	<u>\$ 179,166</u>	<u>\$ 78,617</u>	<u>\$ 257,783</u>

See auditors' report on other financial information.

**West Virginia Board of Risk and Insurance Management**  
**Combining Statement of Revenues, Expenses and Changes in Net Position**  
**Year Ended June 30, 2020**  
**(in thousands)**

	<b>Other Lines of Business</b>	<b>Mine Subsidence</b>	<b>Total</b>
Operating revenues:			
Premiums	\$ 78,199	\$ 4,368	\$ 82,567
Less excess coverage/reinsurance premiums	(6,915)	-	(6,915)
Total operating revenues	<u>71,284</u>	<u>4,368</u>	<u>75,652</u>
Operating expenses:			
Claims and claims adjustment expense	64,803	546	65,349
General and administrative expense	4,873	161	5,034
Total operating expenses	<u>69,676</u>	<u>707</u>	<u>70,383</u>
Operating income	<u>1,608</u>	<u>3,661</u>	<u>5,269</u>
Nonoperating revenues:			
Investment income	20,329	2,489	22,818
OPEB nonoperating income	24	-	24
Net nonoperating revenues	<u>20,353</u>	<u>2,489</u>	<u>22,842</u>
Increase in net position	<u>\$ 21,961</u>	<u>\$ 6,150</u>	<u>\$ 28,111</u>

**West Virginia Board of Risk and Insurance Management**  
**Form 7 - Deposits Disclosure**  
**June 30, 2020**  
**(in thousands)**

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	<u>Fair Value</u>
Cash with Treasurer	<u>\$ 1,149</u> <sup>(1)</sup>
<sup>(1)</sup> Agrees to audited statement of cash flows as follows:	
Cash with Treasurer	\$ 1,149 <sup>(2)</sup>
Cash equivalents with BTI	<u>40,930</u> <sup>(2)</sup>
	<u>\$ 42,079</u> <sup>(3)</sup>
<sup>(2)</sup> Agrees to Form 8-A	
<sup>(3)</sup> Agrees to audited statement of net position as follows:	
Cash and cash equivalents	\$ 21,271
Restricted cash and cash equivalents	<u>20,808</u>
	<u>\$ 42,079</u>

**West Virginia Board of Risk and Insurance Management**  
**Form 8 - Investments Disclosure**  
**June 30, 2020**  
**(in thousands)**

Investment Pool	Amount Unrestricted	Amount Restricted	Amount Reported	Fair Value
BTI and WVIMB Investment Pools:				
Cash liquidity	\$ 20,331 <sup>(1)</sup>	\$ 20,599 <sup>(1)</sup>	\$ 40,930 <sup>(3)</sup>	\$ 40,930
Long-term	104,382 <sup>(1)</sup>	60,280 <sup>(1)</sup>	164,662 <sup>(3)</sup>	164,662
Total investments	\$ 124,713 <sup>(1)</sup>	\$ 80,879 <sup>(1)</sup>	\$ 205,592	\$ 205,592

<sup>(1)</sup> Agrees to audited statement of net position as follows:

Investments with BTI and WVIMB	\$ 124,713 <sup>(1)</sup>	\$ 80,879
Less investments classified as cash equivalents	20,331	20,599
Total investments	\$ 104,382 <sup>(2)</sup>	\$ 60,280 <sup>(2)</sup>

<sup>(2)</sup> Agrees to audited statement of net position

<sup>(3)</sup> Agrees to Form 8-A

**West Virginia Board of Risk and Insurance Management**  
**Form 8-A - Deposits and Investments Disclosure**  
**June 30, 2020**  
**(in thousands)**

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

Deposits:

Cash and cash equivalents as reported:

Noncurrent – restricted	\$ 20,808 <sup>(1)</sup>
Unrestricted	<u>21,271 <sup>(1)</sup></u>

Total cash and cash equivalents	42,079
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Less investments disclosed as cash equivalents	<u>1,149 <sup>(2)(3)</sup></u>
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Fair value of deposits as disclosed on Form 7	<u><u>\$ 40,930 <sup>(2)</sup></u></u>
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Investments:

Investments as reported:

Noncurrent – restricted	\$ 60,280 <sup>(1)</sup>
Noncurrent – unrestricted	<u>104,382 <sup>(1)</sup></u>

Total investments	164,662
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Add investments disclosed as cash equivalents	<u>-</u>
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Fair value of investments as disclosed on Form 8	<u><u>\$ 164,662 <sup>(3)</sup></u></u>
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<sup>(1)</sup> Agrees to audited statement of net position

<sup>(2)</sup> Agrees to Form 7

<sup>(3)</sup> Agrees to Form 8

**West Virginia Board of Risk and Insurance Management**  
**Form 9 - Schedule of Receivables (Other Than State Agencies)**  
**June 30, 2020**  
**(in thousands)**

	<u>Amount</u>
Accounts receivable (other than State agencies):	
Total accounts receivable as of June 30, 2019	\$ 4,186 <sup>(1)</sup>
Less allowance for doubtful accounts	<u>- <sup>(2)</sup></u>
Net receivable	<u><u>\$ 4,186</u></u>
<sup>(1)</sup> Derived from the audited statement of net position as follows:	
Receivables	\$ 3,052 <sup>(2)</sup>
Restricted receivables	<u>1,134 <sup>(2)</sup></u>
	<u><u>\$ 4,186</u></u>

<sup>(2)</sup> Agrees to the audited statement of net position

**West Virginia Board of Risk and Insurance Management**  
**Form 10 - Schedule of Accounts Receivable From Other State Agencies**  
**June 30, 2020**  
**(in thousands)**

<u>Receivable From</u>	<u>Amount</u>
Accounts receivable from other State agencies	\$ 1 <sup>(1)</sup>
<sup>(1)</sup> Premiums due from other State agencies	\$ 1
Premiums due from other entities	<u>3,051</u>
Total receivables	<u>\$ 3,052</u> <sup>(2)</sup>
<sup>(2)</sup> Agrees to audited statement of net position	

**West Virginia Board of Risk and Insurance Management**  
**Form 13 - Schedule of Changes in Long-Term Obligations - Compensated Absences**  
**June 30, 2020**  
**(in thousands)**

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<u>Type of Debt</u>	<u>Final Maturity Date</u>	<u>Balance June 30, 2019</u>	<u>Payments</u>	<u>Other Changes</u>	<u>Balance June 30, 2020</u>
Compensated absences – annual leave	Varies	<u>\$ 124</u>	<u>\$ -</u>	<u>\$ 26</u>	<u>\$ 150</u> <sup>(1)</sup>

<sup>(1)</sup> Agrees to audited statement of net position

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

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

We have audited, in accordance with the 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, the financial statements of the West Virginia Board of Risk and Insurance Management (BRIM), which comprise the statement of net position as of June 30, 2020, and the related statements of revenues, expenses and changes in position, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise BRIM's basic financial statements, and have issued our report thereon dated October 9, 2020.

### ***Internal Control over Financial Reporting***

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

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

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

***Compliance and Other Matters***

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

***Purpose of this Report***

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

*Dixon Hughes Goodman LLP*

**Charleston, West Virginia  
October 9, 2020**

**DHG**