

State of West Virginia

Board of Risk and Insurance Management

2018 Annual Report



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



John A. Myers
Cabinet Secretary

Mary Jane Pickens
Executive Director
Deputy Cabinet Secretary

August 28, 2018

Honorable Jim Justice, Governor
State of West Virginia

Governor Justice:

The Annual Report of the West Virginia Board of Risk and Insurance Management (BRIM) for the year ended June 30, 2018 is hereby respectfully submitted. This report was prepared by the staff of BRIM. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation rests with the management of BRIM. We believe the data, as presented, is accurate and that it is presented in a manner designed to fairly set forth the results of the operations of BRIM. All information necessary to enable the reader to gain an understanding of BRIM's operational activities has been included.

The Annual Report contains discussions of the financial activities and highlights for the past several fiscal years, and BRIM's organization chart. The minutes of the Board of Directors meetings are attached as a supplement to this report.

BRIM is reported as an enterprise fund operating as a single business segment, included as a blended component unit of the primary government in the State's Comprehensive Annual Financial Report (CAFR). After applying the criteria set forth in generally accepted accounting principles, BRIM management has determined there are no organizations that should be considered component units of BRIM.

BRIM is governed by a five-member board appointed by the governor for terms of four years. BRIM operates by the authority granted in Chapter 29, Article 12; and Chapter 33, Article 30; of the West Virginia Code as amended, and the provisions of Executive Order 12-86. The day-to-day operations of BRIM are managed by the executive director, who is responsible for the implementation of policies and procedures established by the Board members.

BRIM is charged with providing insurance coverage to all state agencies. Additionally, BRIM provides these services to cities, counties, and non-profit organizations throughout the State under the provisions of Senate Bill #3 (SB#3). BRIM also provides a coal mine subsidence reinsurance program, which allows homeowners and businesses to obtain insurance coverage up to \$200,000 for collapses and damage caused by underground coal mines.

BRIM uses various means to cover its insureds. Although BRIM is not indemnified by an insurance company, it contracts with an insurance company that is compensated for claims handling with a flat fee. The primary methods used by BRIM to fund claims payments results in a more stable and predictable funding of claims and claims related expenses, allowing for better cash management for the organization.

Beginning in fiscal year 1996, liability claims were handled through a “Modified Paid Loss Retrospective” rating program, which required an up-front deposit to an insurance company. As losses occur, payments and reserves are established and charged against the deposit. When the amount of paid losses within a twelve-month period exceeds the amount of the deposit, a retrospective billing is produced, and BRIM pays that additional amount to the insurance company.

Beginning in fiscal year 2006, BRIM deposited monies with a financial institution, as trustee, to hold advance deposits in an escrow account for BRIM liability claims with loss dates after June 30, 2005. The funds held in escrow, together with their earnings, will be used to fund the payment of the claims and claims adjustment expenses related to these liability claims. Periodically, monies are transferred from the escrow account to the insurance company administering these claims in order to reimburse the insurance company for payments that they have issued on these claims and claims adjustment expenses on BRIM’s behalf.

Property losses are retained by BRIM up to \$1 million. Additionally, excess coverage is provided beyond the \$1 million retention up to a limit of \$400 million per occurrence. This coverage provides reimbursement of loss at the stated or reported value less a \$2,500 deductible. Under the mine subsidence program, participating insurers pay BRIM a

reinsurance premium, which is equal to the gross premiums collected for mine subsidence coverage, less cancellations, less a 30% ceding commission.

BRIM currently insures approximately 170 state agencies, approximately 980 Senate Bill #3 entities, plus provides mine subsidence reinsurance to approximately 15,000 home and business owners.

Financial Highlights

The financial statements of BRIM are prepared on the accrual basis of accounting in conformity with generally accepted accounting principles. In 1993, the Governmental Accounting Standards Board (GASB) issued Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting." BRIM elected to implement the provisions of this Statement beginning in fiscal year 1994. As permitted by the Statement, BRIM has elected not to adopt Financial Accounting Standards Board (FASB) statements and interpretations issued after November 30, 1989, unless the GASB specifically adopts such FASB statements or interpretations.

Internal Accounting Structure and Budgetary Control

As mentioned, BRIM reports and meets the requirements of an enterprise fund. BRIM's assets and liabilities are accounted for in a single fund.

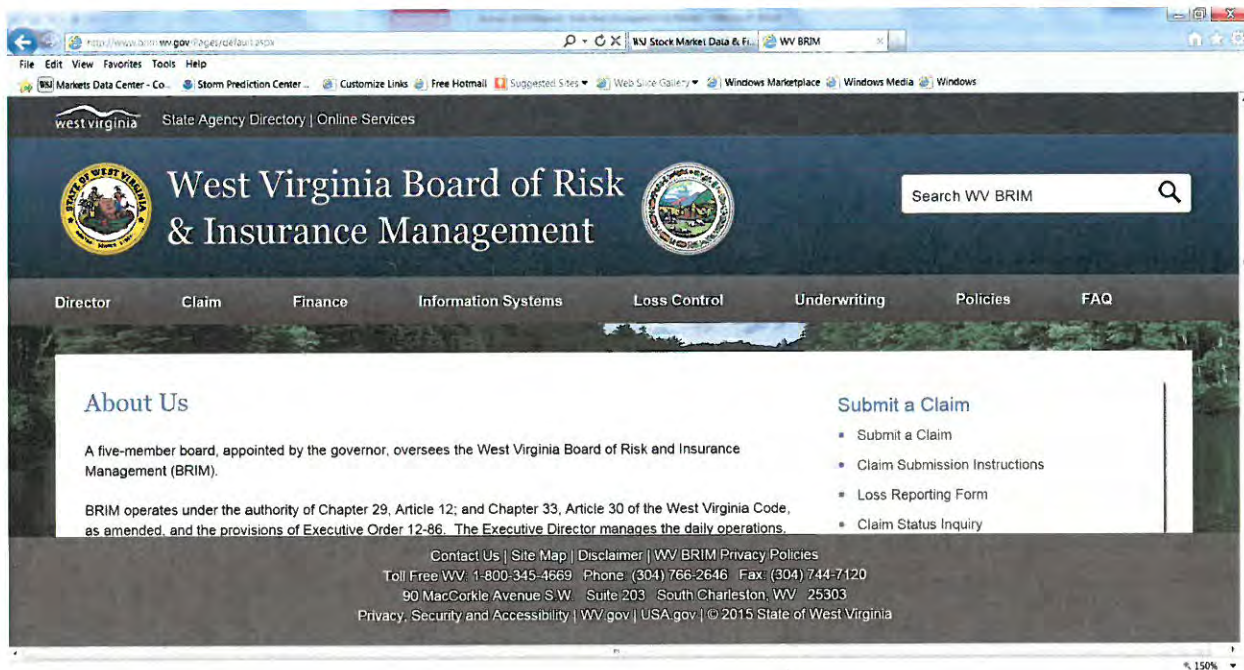
Internal controls have been put in place to ensure the assets and property of BRIM are protected from theft, loss or misuse and to provide adequate accounting data for preparing Generally Accepted Accounting Principles (GAAP) based financial statements.

Internal controls are established to provide reasonable assurance that objectives are met. Additionally, the concept of reasonable assurance should recognize that the cost to administer the control should not exceed the benefits derived from the control.

An annual budget is prepared prior to the start of each fiscal year for use as a management tool and for evaluating performance.

BRIM On-Line

We invite you to visit BRIM's website at <http://www.brim.wv.gov/Pages/default.aspx>. The website is designed to inform the public about our program and to provide assistance to our customers. One feature allows claimants to submit a claim electronically for faster processing and handling. Detailed instructions on how to fill out a renewal questionnaire are also found on-line. A variety of frequently asked questions on topics ranging from billing to underwriting can also be found on this site.



Results of Operations

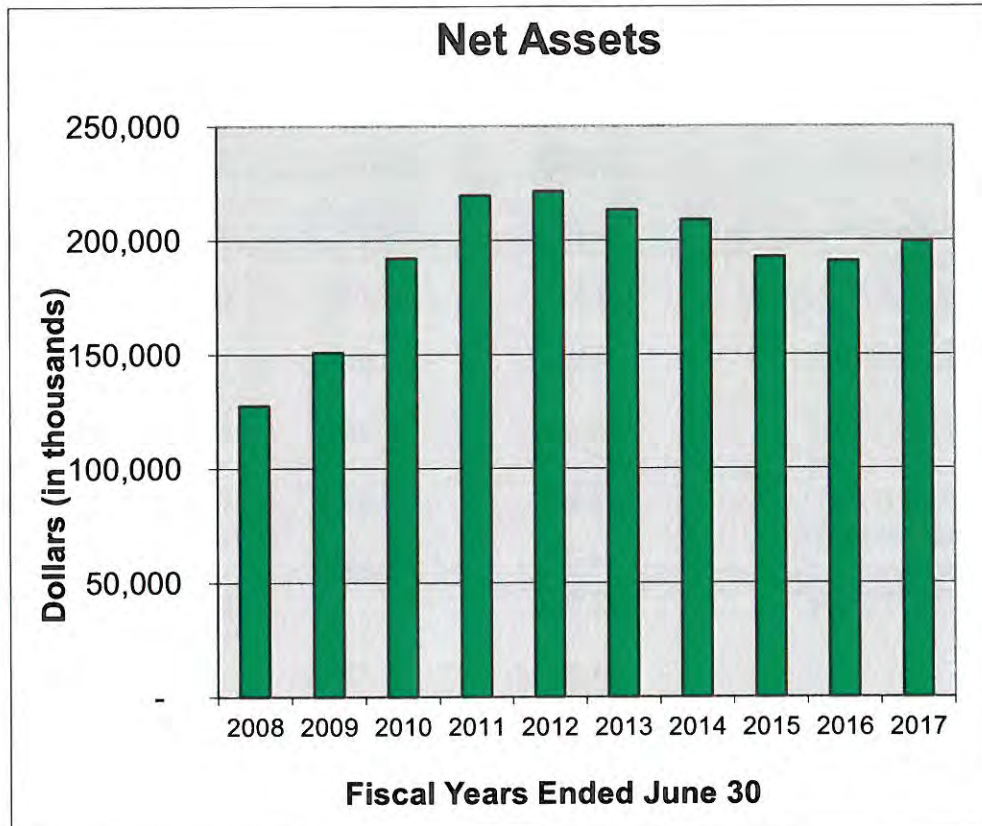
Below are audited results from operations of four most recent fiscal years ended June 30:

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
		(In thousands)		
Operating Revenues:				
Premiums	\$52,128	\$58,204	\$65,293	\$71,368
Less Excess Coverages	<u>(6,102)</u>	<u>(6,197)</u>	<u>(6,909)</u>	<u>(6,681)</u>
Net Operating Revenues	46,206	52,007	58,384	64,687
Operating Expenses:				
Claims & Claims Adjustment	61,626	68,145	63,753	59,149
General Administrative	<u>3,898</u>	<u>3,541</u>	<u>3,905</u>	<u>4,200</u>
Total Operating Expenses	65,524	71,686	67,658	63,349
Operating Income (Loss)	(19,498)	(19,679)	(9,274)	1,338
Non-Operating Revenues:				
Interest Income	17,043	4,833	7,413	9,841
Appropriation Transfer	<u>(2,000)</u>	<u> </u>	<u>-</u>	<u>(2,810)</u>
Net Income	(4,455)	(15,596)	(1,861)	8,369
Retained earnings at beginning of year	<u>213,366</u>	<u>208,911</u>	<u>192,820</u>	<u>190,959</u>
Retained earnings at end of year	\$208,911	\$192,820	\$190,959	\$199,328

BRIM has worked diligently for the past several years to maintain positive retained earnings and eliminate its unfunded liability. Favorable loss patterns and adequate funding have enabled BRIM to maintain positive net position from 2005 thru 2017. BRIM may occasionally experience some adverse loss development. Premiums continue to be calculated on a basis consistent with exposure and loss trends. It is also important to note that BRIM has not received any state appropriations since 2005. BRIM will continue to closely monitor claims activity with our independent actuary and will bill premiums accordingly. Efforts are being undertaken to increase the emphasis on loss control by state agencies and Senate Bill #3 entities, including educational classes and

seminars on sexual harassment, discrimination, liability deductibles, defensive driving classes, and personally meeting with Cabinet Secretaries to discuss loss histories of the agencies under their supervision.

The chart below shows the net assets for the past ten years. All years shown have a positive net position.



West Virginia Patient Injury Compensation Fund

House Bill 2122, signed into law on April 8, 2003, created a patient injury compensation fund study board “to study the feasibility of establishing a patient injury compensation fund to reimburse claimants in medical malpractice actions for any portion of economic damages awarded which are uncollectible due to statutory limitations on damage awards for trauma care and/or the elimination of joint and several liability of tortfeasor health care providers and health care facilities.”

On April 2, 2004, House Bill 4740 was signed into law, effective June 11, 2004 creating the West Virginia Patient Injury Fund. The fund is administered and operated by BRIM.

Legislation passed in March 2016 transferred all remaining funds in the Medical Liability Fund to the West Virginia Patient Injury Fund, effective July 1, 2016, resulting in the closing of the Medical Liability Fund. This legislation also closed compensation to any claimants who filed with the Patient Injury Fund on or after July 1, 2016. Additional funding to pay any compensable claims filed as of June 30, 2016 was established by creation of assessments imposed on medical liability claims awards and settlements and fees charged to licensed physicians and hospitals.

Audit

BRIM is required by the Financial Accounting and Reporting Section (FARS) of the Department of Administration to have an annual independent audit. The firm of Dixon Hughes Goodman, LLP was selected to perform the audit for the fiscal year ended June 30, 2018. The June 30, 2018 report will be available near the end of October 2018.

Risk Management

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

Cash Management

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

Certificate of Achievement for Excellence in Financial Reporting

The West Virginia Board of Risk and Insurance Management's Comprehensive Annual Financial Report for the year ended June 30, 2017, from which the information on page(s) one through eight have been drawn, was awarded the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association of the United States and Canada (GFOA). The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Comprehensive Annual Financial Report

Since June 30, 1995, BRIM has issued a Comprehensive Annual Financial Report (CAFR). This report contains an introductory section, a financial section and a statistical section. The financial section will contain audited data for June 30, 2018. The CAFR for fiscal year 2018 will be issued before December 31, 2018. A copy of this report will be sent to the Governor's Office upon completion.

Acknowledgments

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

Sincerely,



Mary Jane Pickens
Executive Director

Listing of Coverages in Effect for Fiscal Year 2017

LIABILITY	LIMIT OF LIABILITY
Automobile Liability Policy No.: CA 286-73-98 Company: National Union Fire Insurance Co.	\$ 1,000,000 per occurrence
Cyber Liability Policy No.: UMR B1262FI0687317 Company: Arthur J. Gallagher International	\$ 25,000,000 per occurrence
General Liability Policy No.: GL 693-89-16 Company: National Union Fire Insurance Co.	\$ 1,000,000 per occurrence
Aircraft Liability Policy No.: AV003380147-15 Company: National Union Fire Insurance Co.	\$ 1,000,000 per occurrence
Excess Liability-Bd. of Education Policy No.: 48409866 Company: The Insurance Company of the State of Penn	\$ 5,000,000 per occurrence or claim
PROPERTY	LIMIT OF LIABILITY
Blanket Property Policy No.: MAF760728-17 Company: Axis Insurance Company	\$ 25,000,000 primary layer 1,000,000 deductible
Policy No.: NHD900809 Company: RSUI	\$ 100,000,000 in excess of 25,000,000
Policy No.: 795006143 Company: One Beacon	\$ 75,000,000 in excess of 125,000,000
Policy No.: MAF733355-17 Company: Axis Insurance Company	\$ 200,000,000 in excess of 200,000,000
Policy No.: MAF760729-17 Company: Axis Insurance Company	\$ 10,000,000 flood with 1,000,000 deductible
Boiler and Machinery Policy No.: FBP2280385 Company: Hartford Steam Boiler Company	\$ 5,000,000 per equipment covered in excess of 1,000,000
Public Insurance Official Position Schedule Bond Bond No.: 106128156 Company: Travelers	Variable amounts as set by Statute

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

Top 10 State Agency Premiums for Fiscal Year 2017

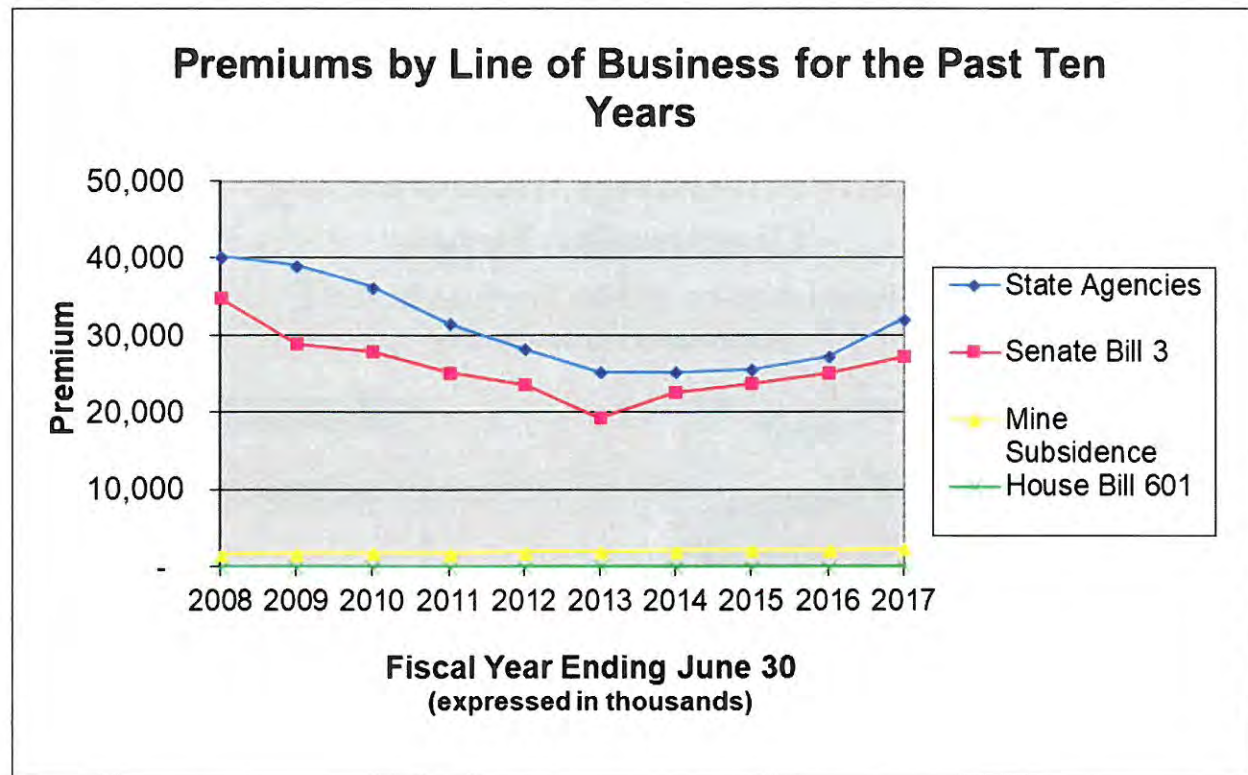
1 West Virginia University	\$8,708,478
2 Division of Highways	5,681,104
3 State Police	5,435,992
4 Department of Health & Human Resources	3,573,472
5 Marshall University	2,681,524
6 Division of Corrections	2,249,410
7 Regional Jail and Corrections Facility Authority	1,112,484
8 Supreme Court of Appeals	624,590
9 West Virginia University Medical Corp.	612,786
10 West Virginia State Parks	583,075
Total Top Ten	\$31,262,915

Total State Premium Billing for 2017	\$41,303,996
% of top 10 in relation to all state agency billings	75.69%

Top 20 SB 3 Premiums for Fiscal Year 2017

1 Kanawha County Board of Education	\$1,607,616
2 Berkeley County Board of Education	734,971
3 Raleigh County Board of Education	720,305
4 City of St. Albans	611,275
5 Cabell County Board of Education	520,306
6 Harrison County Board of Education	510,071
7 Putnam County Board of Education	494,195
8 Mingo County Commission	461,756
9 Wayne County Board of Education	448,181
10 Logan County Board of Education	389,727
11 Mercer County Board of Education	388,152
12 Jefferson County Board of Education	379,783
13 Mingo County Board of Education	363,089
14 Monongalia County Board of Education	359,333
15 Marion County Board of Education	353,726
16 Wood County Board of Education	353,708
17 Fayette County Board of Education	314,898
18 Logan County Commission	296,955
19 McDowell County Board of Education	290,982
20 Kanawha Valley Regional Transportation	281,309
Total Top Twenty	\$9,880,338

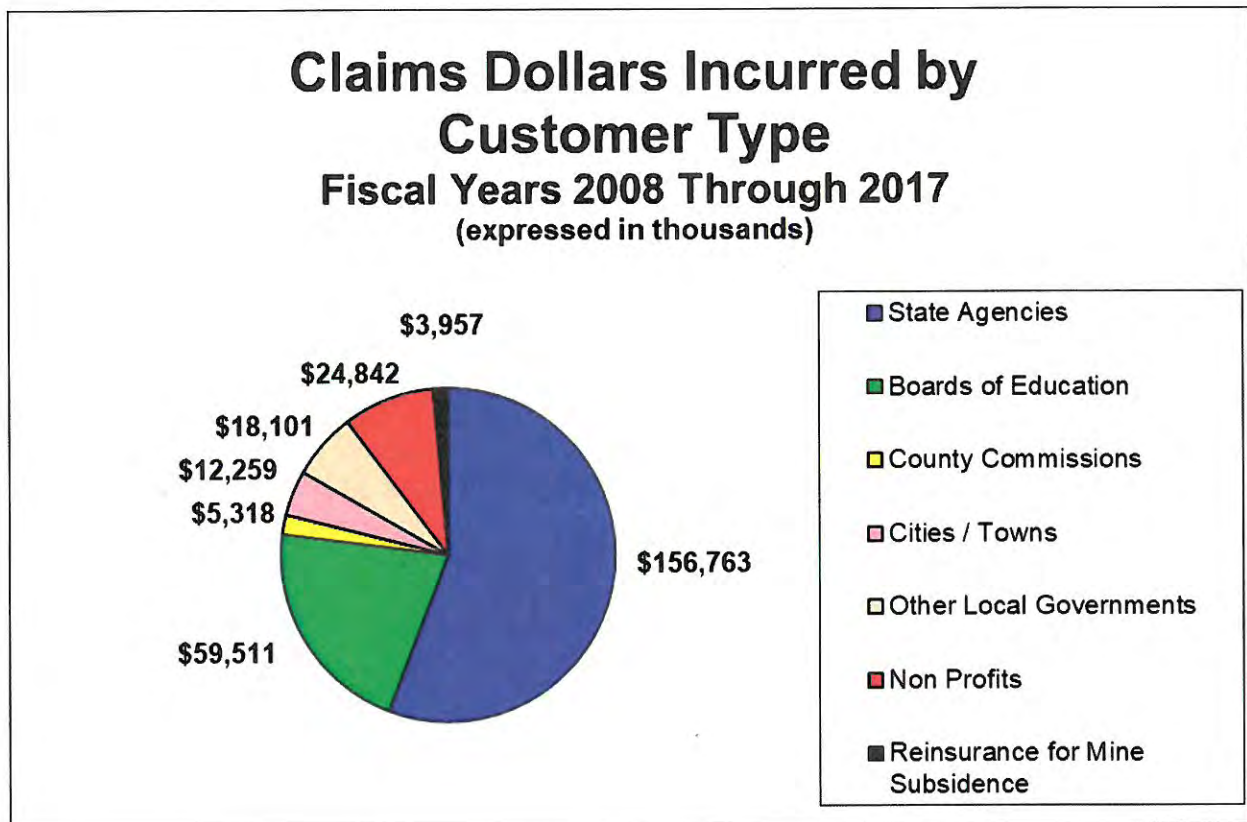
Total SB 3 Premium Billing for 2017	\$27,305,131
% of top 20 in relation to total SB 3 billings	36.18%



Fiscal Year	State Agencies	Senate Bill 3	Mine Subsidence	House Bill 601
2008	\$ 36,259	\$ 34,875	\$ 1,852	-
2009	\$ 31,596	\$ 28,902	\$ 1,929	-
2010	\$ 28,257	\$ 27,889	\$ 1,861	-
2011	\$ 25,239	\$ 25,233	\$ 2,032	\$ 34
2012	\$ 25,290	\$ 23,603	\$ 2,090	\$ 63
2013	\$ 25,607	\$ 19,345	\$ 2,142	\$ 40
2014	\$ 27,226	\$ 22,642	\$ 2,220	\$ 40
2015	\$ 32,118	\$ 23,781	\$ 2,261	\$ 44
2016	\$37,688	\$25,147	\$2,398	\$ 60
2017	\$41,304	\$27,305	\$2,759	

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

Source: BRIM's internal financial statements.



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

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



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AGENDA
BOARD MEETING OF THE
WEST VIRGINIA BOARD OF RISK AND
INSURANCE MANAGEMENT
September 12, 2017

Chairman Martin

Call to Order

Chairman Martin

Approval of Board Minutes
June 13, 2017

REPORTS

Craig Slaughter
WV Investment Management Board

Account/Investment Update

Nate Pearson/Anthony Criscuolo
Standish Mellon Asset Management

Account/Investment Update

Mary Jane Pickens
Executive Director

Executive Director's Report

Stephen W. Schumacher, CPA
Chief Financial Officer

Financial Report
PCard Report

Robert A. Fisher
Deputy Director/Claim Manager

Loss Control Report

Sallie Milam
Chief Privacy Officer

Privacy Report

UNFINISHED BUSINESS

NEW BUSINESS

ADJOURNMENT

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



Jim Justice
Governor

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

September 12, 2017

**BOARD MEMBERS
PRESENT:**

Bruce R. Martin, CIC, CRM, Chairman
Bob Mitts, CPCU, Vice Chairman
James Wilson, Esq., Member (Joined via phone)
Tonya Gillespie, CPA, West Virginia Office of the
Insurance Commissioner; Ex Officio

BRIM PERSONNEL:

Mary Jane Pickens, Executive Director
Robert Fisher, Deputy Director/Claims Manager
Stephen W. Schumacher, CPA, CFO
Melody Duke, Underwriting Manager
Charles Mozingo, Claims Assistant Manager
Jeremy Wolfe, Loss Control Manager
Sallie Milam, Chief Privacy Officer
Edgar Poe, Esq., BRIM Counsel
Geoffrey Cullop, Esq., BRIM Counsel
Lora Myers, Recording Secretary

**BRIM PROGRAM
REPRESENTATIVES:**

Charles Waugh, AIG Claim Services
Jim Harlan, AIG Claim Services
Brenda Samples, USI Insurance Services, LLC
Bob Ayers, USI Insurance Services, LLC

GUESTS:

Sandy Price, WVU Health Sciences Center

CALL TO ORDER

The meeting of the West Virginia Board of Risk and Insurance Management was called to order by Chairman Martin at 1:00PM on Tuesday, June 13, 2017. The meeting was held at 1124 Smith Street, Suite 4600, Charleston, West Virginia. Mr. Wilson joined the meeting via phone.

APPROVAL OF MINUTES

Vice Chairman Mitts moved the approval of the June 13, 2017 Board Meeting minutes. The motion was seconded by Mr. Wilson. There being no discussion, a vote took place and the MOTION ADOPTED.

REPORTS

West Virginia Investment Management Board

Craig Slaughter, Executive Director of the West Virginia Investment Management Board, introduced himself.

Mr. Slaughter discussed Market Highlights, there is an expectation for modest growth going forward, inflation is contained although it could go up for many reasons. Political issues crop up and could make changes. We should get through the current fiscal year well. Mr. Slaughter reminded the group of the Asset Allocation and gave a detailed explanation. Hedge Funds were discussed and explained in detail. The Ten-Year Performance report was presented and seems very close to target. Being no questions, Mr. Slaughter concluded his report.

The West Virginia Investment Management Board's presentation was received, a copy is attached and made part of the record.

Standish Mellon Asset Management

Nate Pearson, Portfolio Manager, and Anthony Criscuolo, Relationship Manager, introduced themselves and reported on Standish Mellon Asset Management. A brief corporate overview was presented along with investment strategies and solutions to benefit those less familiar with Standish Mellon. Performance across all strategies over the last twelve months have been positive. We have experienced moderate, steady growth.

The Market Summary was discussed. Yields spiked at the end of 2016 which was exciting. Economic data has been decent. Job creation is very strong. Performance and Portfolio reviewed, most yields are positive. Economic and Investment Outlook is mostly optimistic, growth is occurring but at a slow pace. A basic summary of the year was reported. Being no questions, the Standish Mellon report was concluded.

Standish Mellon's presentation was received, a copy is attached and made part of the record.

Vice Chairman Mitts moved the approval of the West Virginia Investment Board Report. The motion was seconded by Mr. Wilson. There being no discussion, a vote took place and the MOTION ADOPTED.

Vice Chairman Mitts moved the approval of the Standish Mellon Asset Management Report. The motion was seconded by Mr. Wilson. There being no discussion, a vote took place and the MOTION ADOPTED.

Executive Director's Report

Chairman Martin called on Executive Director Pickens to present the Executive Director's Report. Mrs. Pickens opened by thanking Lora Myers for her efforts on her first solo board meeting.

Mrs. Pickens asked for the Board's opinion regarding condensing the board minutes from a transcript format. Chairman Martin commented that in his opinion we should record only actions of the Board. Additionally, we have a recording of the meeting should we need to reference. Board members agreed regarding future minutes.

Mrs. Pickens reported on many topics including Marshall University and West Virginia University Medical Malpractice Program; trials; claims; Patient Injury Compensation Fund; Risk Management Information System; Privacy Office; website updates and personnel. Detailed information is available in the attached report. There were no questions for discussion.

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

BRIM Financial Report

Chairman Martin called upon Mr. Schumacher to present the Chief Financial Officer's Report.

Mr. Schumacher reported on PCard activity and claims adjusting expense. He presented a brief audit update, BRIM submitted their audit financial statements approximately three weeks before the deadline. BRIM has had very few questions regarding any audit concerns. Mr. Panaro has worked hard to stay on top of the audit and ahead of the deadline.

Mr. Schumacher reported on Actuarial Results; Financial Results; and Premium to Net Asset Reserve Ratio. Questions from Chairman Martin regarding IBNR were discussed. There were no questions for discussion.

The Chief Financial Officer's Report was received and filed, a copy is attached and made part of the record.

Loss Control Report

Chairman Martin called on Robert Fisher for the Loss Control Report for the Loss Control Report.

Mr. Fisher reported that Loss Control is evaluating Loss Control Questionnaires for state agencies. Per date of this report, 90 of 172 had been completed.

The boiler seminars are scheduled for October 16 and 17. The first will be held at West Virginia State University and the second will be held at Flatwoods.

Jeremy Wolfe will be a guest presenter at the Office of the Insurance Commissioner's annual (OIC) annual State Agency Workers Compensation program conference. Mr. Wolfe will provide guidance regarding fleet risk management techniques.

BRIM has been working with the Division of Personnel (DOP) to review existing technical classifications for the specialists in Loss Control. Classification determinations have been approved by the Cabinet Secretary and are being presented to the State Personnel Board. We hope these new classifications will help attract and retain specialists for this department.

No questions followed, which concluded the Loss Control Report. Chairman Martin congratulated BRIM on the classification approvals.

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

Privacy Report

Chairman Martin welcomed Sallie Milam to BRIM Board Meeting. He called on her to present her Privacy Report.

Mrs. Milam gave a brief history of the Privacy Department. Governor Justice issued an executive order in May 2017 moving the Privacy Department to BRIM. Three employees make up the State Privacy Office, they are Sallie Milam, Lori Tarr and Sue Haga. The order requires the office continue along with a Privacy Management Team. Privacy like all areas of BRIM focuses on "risks".

Mrs. Milam reported on information privacy and gave details about the rights and obligations of privacy. Personally Identifiable Information is the focus of our protection. Public Trust is one of the most important reasons for privacy protection. Privacy breaches are far reaching and expensive. Mrs. Milam provided contact information for the Privacy Department. There were no questions for discussion.

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

UNFINISHED BUSINESS

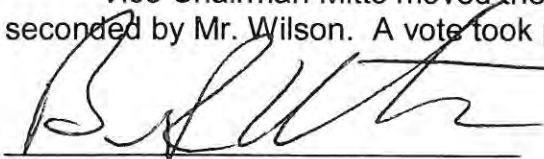
There was no unfinished business to be discussed.

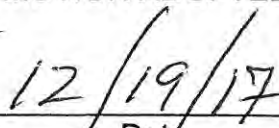
NEW BUSINESS

There was no new business to be discussed.

ADJOURNMENT

Vice Chairman Mitts moved the adjournment of the meeting. The motion was seconded by Mr. Wilson. A vote took place and the MOTION ADOPTED.


Board Chairman


Date

ldm

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Charleston, West Virginia 25301
www.brim.wv.gov

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(304) 558-6004 FAX
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STATE OF WEST VIRGINIA
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Executive Director's Report

September 12, 2017

A. Marshall University and West Virginia University Medical Malpractice Program

- As of September 5, 2017, Marshall has deposited \$500,000.00 into the escrow account for FY 2018. The fiscal year-to-date cumulative interest totals \$2,714.43. Disbursements totaling \$504,916.88 have been paid thus far in FY 2018.
- As of September 5, 2017, a total of \$350,639.44 has been deposited into WVU's escrow account for FY 2018. The fiscal year-to-date cumulative interest totals \$6,077.30. Disbursements totaling \$355,410.75 have been paid thus far in FY 2018.

B. State Agency/Senate Bill #3 Liability Claim & Litigation Information

TRIALS

Thus far in 2017, we have tried five cases to verdict, with two plaintiff verdicts and three defense verdicts.

Defense Verdicts

Leverson vs. Kanawha Charleston Housing Authority (501-110026): Defense verdict on 3/15/17; Kanawha Co. Cir. Ct.; Plaintiff was injured by another party in his apartment. He alleged the Insured owed him a duty of a safe location.

Ullum vs. Regional Jail Authority (501-430484): Defense verdict on 7/25/17; Braxton Co. Mag. Ct.; Plaintiff was inmate who claimed correctional officer confiscated his property.

Eller vs. Kanawha County Board of Education (501-215750): Defense Verdict on 9/1/17; Kanawha Co. Cir. Ct.; Plaintiff guidance counselor alleged compromise of her personal information and defamation as the result of a memo written by the principal and a subsequent suspension.

Plaintiff Verdicts

Douty vs. WV Division of Corrections, et.al. (501-077676): Plaintiff verdict on 2/3/2017; U.S. Dist. Ct. So. WV (Charleston). Plaintiff alleged injuries and excessive force from being sprayed with Oleoresin Capsicum during a protest over the care of a fellow inmate. The jury found the DOC did not have a temper policy to deescalate the situation. The verdict was \$1500 in compensatory damages and \$35,000 in punitive damages against the defendant officers. This is a fee-shifting case, with the total verdict of around \$91,250. The case is not yet concluded, pending conclusion of the plaintiff counsel's fees.

Edens vs. Kanawha County Humane Association (501-110026): Plaintiff verdict on 01/31/2017; Kanawha Co. Cir. Ct.; Plaintiff alleged KCHA improperly took her dog and allowed adoption of the dog, due to its poor condition. Insured prevailed in Kanawha Co. Mag. Ct., but lost on appeal to Cir. Ct. The verdict was plaintiff's legal fees, \$352.

PAID CLAIMS (July 2017 Data)

YTD Indemnity payments total \$21,552,958 vs. PYTD payments of \$23,436,352, a decrease of 8.04%.

YTD Legal payments total \$11,783,115 vs. PYTD payments of \$10,598,599, an increase of 11.18%.

OUTSTANDING CLAIMS (July 2017 Data)

YTD Indemnity reserves total \$47,936,772 vs. PYTD Indemnity reserves of \$57,840,624, a decrease of 17.12%.

YTD Expense reserves total \$17,461,845 vs. PYTD Expense reserves of \$19,446,751, a decrease of 10.21%.

CLAIMS COUNTS (July 2017 Data)

New claims YTD total 1907 vs. PYTD of 2200, a decrease of 13.32%.

Closed claims YTD total 2191 vs. PYTD of 2270, a decrease of 3.48%.

Open claims YTD total 1115 vs. PYTD of 1178, a decrease of 5.35%.

C. Patient Injury Compensation Fund (PICF)

As discussed at previous Board meetings, BRIM has used data provided by insurance companies to the Insurance Commissioner relating to medical malpractice claim resolutions to help determine whether the statutory 1% assessments on those claims are being remitted to the PICF. Based on discussions with the Insurance Commissioner's office over the past several weeks, it does not appear that the OIC's data is the best source for this task. The only reliable source is data from the Circuit Courts. We've worked with the Supreme Court to design a spreadsheet for Clerks to provide to BRIM monthly showing the 1% assessments they've remitted, but it remains difficult to reliably match up the assessments with the parties or their counsel in all cases.

Pursuant to SB 602 passed during the 2016 regular session, we will file a report by January 1, 2018 with the Joint Committee on Government and Finance regarding the status of the PICF, and this issue will be addressed.

Status of PICF Claims Settled and Pending

By letter mailed mid-August 2017, BRIM notified all claimants with PICF awards that became final in FY 2017 of our intent to make a distribution on those awards. The total amount awarded for the fiscal year on all claims was \$9,739,549.13 and the total amount determined available for distribution was \$2,250,000. Based on this determination, pro-rata distributions are being processed on those claims. BRIM has begun processing the pro-rata payments.

There are two awards made during FY 2017 that have been in litigation and are therefore not final and will not be included in the distribution until the end of fiscal year 2018. One of these has been resolved by agreement and one remains before a hearing examiner.

Notices of Intent to Sue and FOIA's

BRIM has received four notices of intent to sue BRIM from counsel representing PICF claimants. The notices are similar in content and appear to question BRIM's methodology for assessing trauma centers and possibly BRIM's ability to structure PICF awards. We have regularly received FOIA requests from claimants' counsel relating to funding and the balance in the PICF for some time, and they continue to come in frequently. The recent FOIA's have focused on the trauma center assessments and 1% assessments on medical malpractice settlements and judgments.

PICF Funding Status as of September 5, 2017

As of September 5, 2017, the PICF balance from all funding sources combined was \$2,518,018.14. This amount does not reflect the two most recent payment requests for claims payments totaling \$462,033.70, which would reduce the balance to \$2,055,984.44. Through September 5, 2017, total collections from all funding sources (physician license assessments, court filing fees, litigation & settlements, and trauma center assessments) are \$1,930,937.86.

D. Risk Management Information System (RMIS) Update

Development of BRIM's new Risk Management Information System continues to progress. We anticipate receiving our first daily data feed from AIG in early October and we expect our vendor, Emerson Risk Solutions, to visit us later in September to review some aspects of the systems relating to claims, among other things. It's still too early to state a date for roll-out of the system but we are pleased with the progress to date and look forward to using the system as soon as we can.

E. Privacy Office Update

At the last Board meeting, our State Privacy Officer Sallie Milam was at a cyber liability conference with Robert Fisher, so we were unable to formally introduce her to the Board members. However, Sallie is on today's agenda to present on the State Privacy Office and how we see that office fitting into BRIM's overall mission.

F. Website Updates

If you visit BRIM's website, you will notice some updates. We have added links to the Privacy Office website, and in the coming months we will combine BRIM and Privacy Office information in a more cohesive looking format. Pursuant to legislation passed in 2016, we have published all the rules, policies and guidelines for BRIM and the Privacy Office for public comment. The comment period is September 1 – October 1, 2017. For agencies that have state rules or guidelines with federal counterparts, a report is due by November 1 to the Joint Committee on Government and Finance and the Legislative Rule Making Review Committee describing any rules, policies or guidelines that are more restrictive than federal counterparts as well as public comments received relating to the rules, policies and guidelines. While it was unclear that agencies without federal counterpart rules were required to open all rules to public comment, all DOA agencies have done so to ensure compliance with the new statute.

G. Personnel Matters

The Loss Control Department has received the new class specifications to update the Loss Control positions. These new positions will be known as Risk and Insurance Manager, Risk and Insurance Analyst 1 and Risk and Insurance Analyst 2. We are very pleased with the work of the Division of Personnel and we will request the new class specifications be placed on the State Personnel Board's agenda for its September 28, 2017 meeting. The Division of Personnel is also working on new class specifications for our Claims Department staff. BRIM began working with Personnel in December of last year to update the class specifications for the Loss Control and Claims Departments to reflect the work that BRIM does and to create a career path for BRIM staff that isn't as clearly reflected in the current classifications.

At the last Board meeting, we said goodbye to Christine Johnson, who had worked in Loss Control as an Office Assistant 2 for many years before retiring at the end of June. BRIM is currently interviewing candidates to replace Christine. We have received 40 resumes for this position and believe we will have a good pool of candidates to choose from.

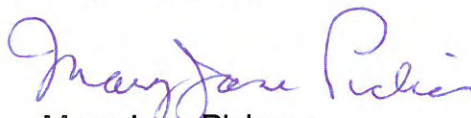
Finally, the Board members have by now met or corresponded with Lora Myers, our new secretary in the Executive Department. She's doing a great job and I'm sure will be in touch with the Board frequently in the future.

H. Miscellaneous

1. The annual STRIMA meeting will be held from September 17th to the 21st in Montana. Those attending from BRIM this year will be myself, Robert Fisher, Melody Duke, Sallie Milam, and Steve Schumacher. Sallie and Steve were able to secure scholarships from STRIMA to cover costs of their attendance.
2. BRIM is planning another Producer Continuing Education Conference on October 24, 2017. The courses have been submitted for CE approval and we hope to receive approval of at least 4 continuing education hours. Topics include: Risk Mitigation including discussion of Severe Weather Preparedness (Jeremy Wolfe); Insurance Issues Relating to Gun Ownership (Keith Gamble from Pullen's office in Morgantown); BRIM Policies and Issues Producers Should Understand (Insurance Commissioner Allan McVey); Privacy and Cyber Security for Insurance Professionals (Sallie Milam and Josh Spence); and an update from Melody Duke about what's new here at BRIM. There will be a minimal registration fee of \$30.

3. BRIM submitted its Annual Report on August 31, 2017.

Very truly yours,

A handwritten signature in blue ink, reading "Mary Jane Pickens". The signature is fluid and cursive, with the first name "Mary" and last name "Pickens" clearly distinguishable.

Mary Jane Pickens
Executive Director

MJP/ldm

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



Jim Justice
Governor

John A. Myers
Cabinet Secretary

Mary Jane Pickens
Executive Director
Deputy Cabinet Secretary

**Chief Financial Officer's Report
September 12, 2017**

A. P Card Report

CD copies contain the supporting detail for P card purchases for the months of May, June and July 2017. These totals are:

May	\$16,294.11
June	\$51,226.12
July	\$44,488.65

B. Audit Update

- BRIM submitted its draft for the June 30, 2017 audited financial statements on August 24, 2017, three weeks ahead of the September 15th deadline. So far, no audit issues have been brought to BRIM's attention.
- Audit field work is substantially complete and the audit is on target to be completed before the October 16th deadline. BRIM's audited financial statements will be released and available on BRIM's website shortly after the auditor's opinion has been issued.

C. Actuarial Results

- AON's completed risk funding study as of June 30, 2017, was issued on September 5, 2017.
- Favorable loss development for several prior years' reserves resulted in a decrease in the provision for insured events of prior years of \$11.6 million for the current year.
- Combined with the prior fiscal year's favorable loss development of \$3.0 million, BRIM has had back to back years of favorable loss development totaling \$14.6 million.
- Although outstanding claims reserves for all years decreased by \$10.5 million, IBNR was \$7.0 million higher at the end of the current fiscal year.

D. Financial Results

- Total estimated unpaid claims and claims adjustment expense reflect the results of the completed risk funding study. The net result of the actuarial estimates described above is a \$3.5 million overall reduction in outstanding claims liabilities in FY'17.
- The increase in general and administrative expense of \$0.3 million reflects the additional costs incurred in FY'17 for development of the new RMIS software project and for the office move.
- Premium revenue for FY'17 is \$6.3 million higher than the prior year. BRIM increased premiums primarily to cover an increase in actuarially projected claims costs for FY'17.
- Total claims expense decreased by \$4.6 million when compared to FY'16.
- Investment income for FY'17 improved by \$2.4 million over the prior year's investment income. In FY'16 fixed income provided most of the investment earnings while equity gains were the driver of investment earnings for the current year.

D. Financial Results (cont'd)

- The overall rate of return on all BRIM funds invested was 2.7%, a slight improvement over FY'16's return of 2.0%. For trust funds the rate of return was a negative (1.2%) for FY'17 compared to a positive 3.8% return in FY'16. However, the funds invested with the West Virginia Investment Management Board made about \$12.0 million or 9.1% vs. a loss of \$0.5 million or -0.4% last year.
- With the earlier passage of SB602, \$2.8 million of funds were transferred to the Patient Injury Compensation Fund in FY'17, negatively impacting BRIM's net position. Even with this transfer, BRIM's overall financial results provided for an improvement in net position of \$8.4 million for FY'17 versus a decrease in net position of \$1.9 million for FY'16.
- Excluding the mine subsidence program (i.e. restricted funds), BRIM's unrestricted net position is \$138.3 at June 30, 2017. Using only unrestricted net position, BRIM's loss reserve to surplus ratio for FY'17 is 1.2 to 1.0. This is the exact same loss reserve to surplus ratio (1.2 to 1.0) for private carriers for 2016.

E. Premium to Net Asset Reserve Ratio

- The net asset reserve policy was approved by the Board on August 27, 2013. The policy's intent is to compare BRIM's ratio of premium revenue and net assets to a calculated combined ratio of premium revenue and net assets derived from a group of similar insurance-type entities.
- It is anticipated that BRIM will provide the Board with updated results for the premium to net asset reserve ratio at the next board meeting after the June 30, 2017 audit has been issued.

Respectfully submitted,



Stephen W. Schumacher, CPA
Chief Financial Officer

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

	2017	2016
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 26,291	\$ 15,748
Advance deposits with insurance company and trustee	193,352	210,152
Receivables	1,271	1,254
Restricted cash and cash equivalents	10,168	10,198
Restricted receivables:	-	-
Premiums due from other entities	643	620
Total current assets	231,725	237,972
Noncurrent assets:		
Equity position in investment pools	91,500	83,881
Restricted investments	52,841	48,441
Total noncurrent assets	144,341	132,322
Total assets	376,066	370,294
DEFERRED OUTFLOWS OF RESOURCES		
Pension	828	387
LIABILITIES		
Current liabilities:		
Estimated unpaid claims and claims adjustment expense	47,713	50,819
Unearned premiums	9,174	8,300
Agent commissions payable	1,279	1,100
Accrued expenses and other liabilities	914	1,025
Total current liabilities	59,080	61,244
Estimated unpaid claims and claims adjustment expense, net of current portion	117,206	117,616
Compensated absences	107	91
Net pension liability	766	467
Total noncurrent liabilities	118,079	118,174
Total liabilities	177,159	179,418
DEFERRED INFLOWS OF RESOURCES		
Pension	407	304
Net position:		
Restricted by State code for House Bill 601 Program and mine subsidence coverage	61,063	57,123
Unrestricted	138,265	133,836
Net position	\$ 199,328	\$ 190,959

Preliminary - subject to final audit review

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

	<u>2017</u>	<u>2016</u>
Operating revenues:		
Premiums	\$ 71,368	\$ 65,293
Less excess coverage/reinsurance premiums	<u>(6,681)</u>	<u>(6,909)</u>
Net operating revenues	64,687	58,384
Operating expenses:		
Claims and claims adjustment expense	59,149	63,753
General and administrative	<u>4,200</u>	<u>3,905</u>
Total operating expenses	63,349	67,658
Operating income (loss)	1,338	(9,274)
Nonoperating revenues:		
Investment income	9,841	7,413
Payment to PICF per SB602	<u>(2,810)</u>	<u>-</u>
Net nonoperating revenues	7,031	7,413
Changes in net position	8,369	(1,861)
Total net position, beginning of year	190,959	192,820
Total net position, end of year	<u>\$ 199,328</u>	<u>\$ 190,959</u>

Preliminary - subject to final audit review

STATE OF WEST VIRGINIA

DEPARTMENT OF ADMINISTRATION

BOARD OF RISK AND INSURANCE MANAGEMENT



Jim Justice
Governor

John A. Myers
Cabinet Secretary

Mary Jane Pickens
Executive Director
Deputy Cabinet Secretary

Loss Control Report to the Board September 2017

As is our late summer custom, we are currently evaluating loss control questionnaire submissions for our state agencies. The results will be used to calculate loss control credits and surcharges for next fiscal year's premium. To date, we have completed 90 evaluations.

BRIM and Hartford Steam Boiler will sponsor two boiler safety and operational seminars this fall. They are scheduled for October 16th at West Virginia State University and October 17th in Flatwoods. We are hopeful that these seminars will continue to attract large crowds and that what is learned at the seminars will help keep boiler losses minor and to a minimum as they have been for many years.

Jeremy Wolfe will be a guest presenter at the Office of the Insurance Commissioner's (OIC) annual State Agency Workers Compensation (SAWC) program conference. Jeremy along and the OIC will provide guidance regarding "*Fleet Risk Management Techniques*". We hope that our efforts will cause the audience to further evaluate their agencies' fleet management programs and make necessary changes that emphasize loss prevention.

BRIM will once again partner with the OIC SAWC to conduct joint loss control visits with state agencies that have had frequent automobile claims. We will resume these visits during the month of October.

We are currently interviewing candidates for the vacant Office Assistant position in the Loss Control Department. We have received a great deal of interest in the position and appear to have quality candidates to choose from. We hope to be able to fill this vacancy during the month of October.

We have been working with the Division of Personnel (DOP) since December 2016 to review existing technical classification specifications for the specialists in the Loss Control Department. DOP conducted desktop audits of the department and determined that classification changes were needed. We worked closely with DOP to make certain that the positions were proper and adequate and the agreed upon specs have been approved by the Cabinet Secretary and are being presented to the State Personnel Board

on September 28. We hope that these new classifications will help us attract and retain specialists which is essential to the success of the department.

During the months of July, August and September Aon conducted 206 inspections and Hartford conducted 402. The reports are being processed according to established procedures.

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

10 Loss Control Visits

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

7 Standards of Participation Visits

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

2 Presentation Visits

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

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

Dated: *September 8, 2017*

Respectfully submitted,



Robert A. Fisher
Deputy Director *and* Claim Manager

Overview of WV's Privacy Program



WV State Privacy Office

Sallie Milam, Lori Tarr and Sue Haga
WV Board of Risk & Insurance Management
www.privacy.wv.gov

- Executive Order No. 3-17
- State Privacy Office, WV Board of Risk & Insurance Management
- Privacy Management Team

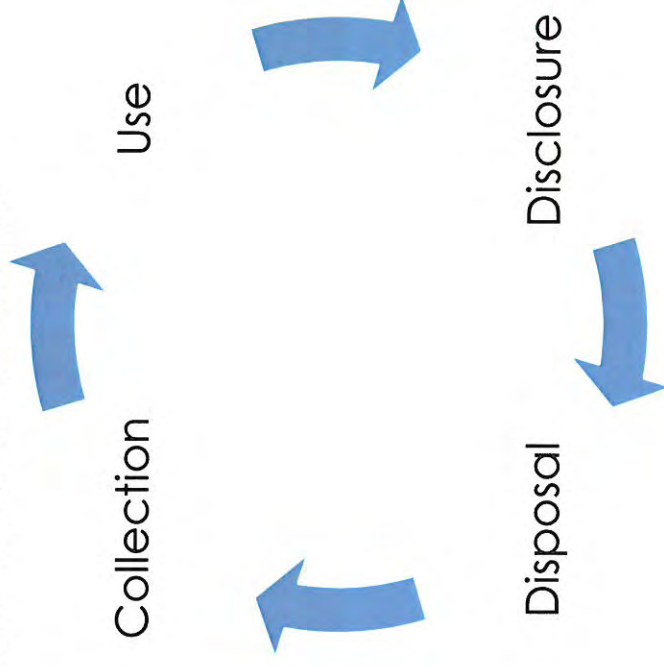


Executive Branch Departments

Governor's Office	Bureau of Senior Services	Department of Administration	Department of Commerce
Department of Education and the Arts	Department of Environmental Protection	Department of Health and Human Resources	Department of Military Affairs and Public Safety
Department of Revenue	Department of Transportation	Department of Veterans Assistance	Chapter 30 Licensing Boards

What is privacy?

- Rights and obligations of individuals and organizations with respect to processing of personal information.



WHAT IS PERSONALLY IDENTIFIABLE INFORMATION (PII)?

All information that identifies, or can be used to identify, locate, contact, or impersonate a particular individual. PII also includes Protected Health Information (PHI), Federal Tax Information (FTI), and payment card industry information (PCI). PII is contained in public and non-public records.



Why protect privacy?

Public Trust

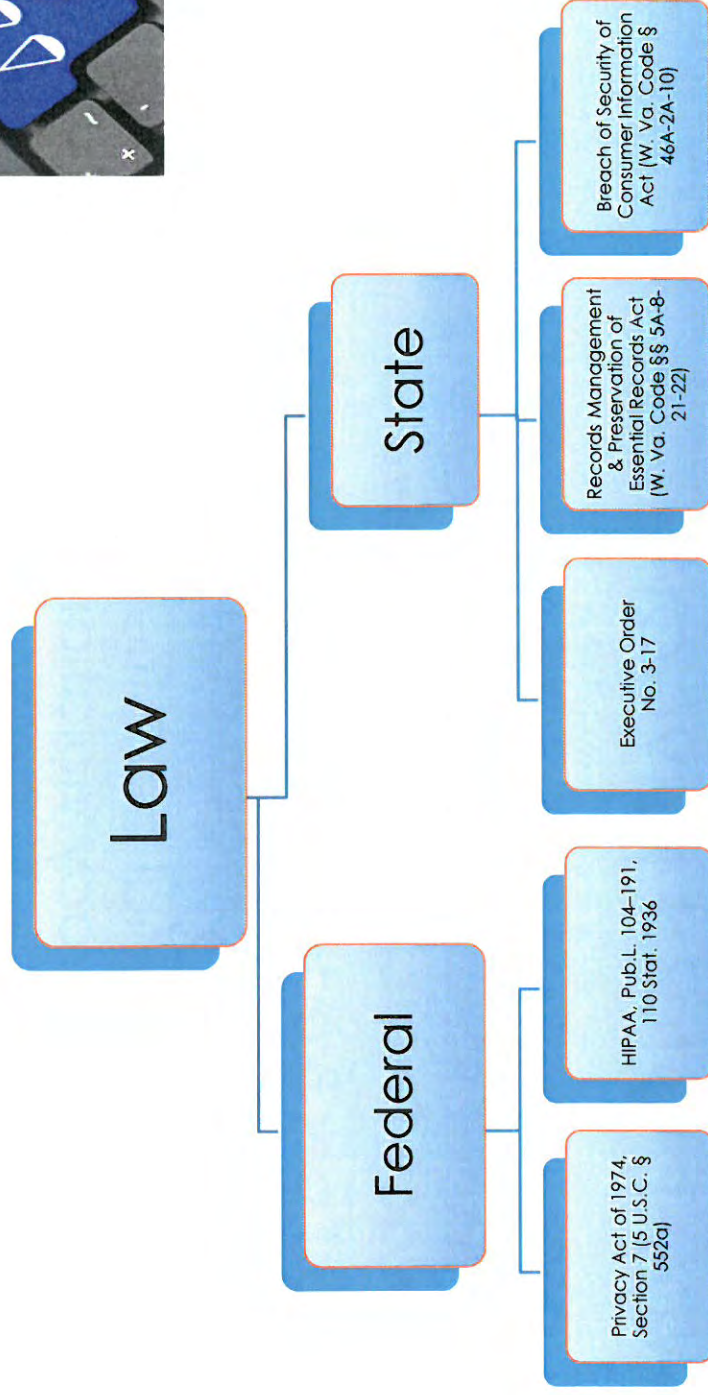
- Citizens have no option to shop around – they are required to provide personal information to the government.
- We have an obligation to protect the information entrusted to us.

Reputational Harm

- Bad press
- Legislative scrutiny



Why protect privacy?



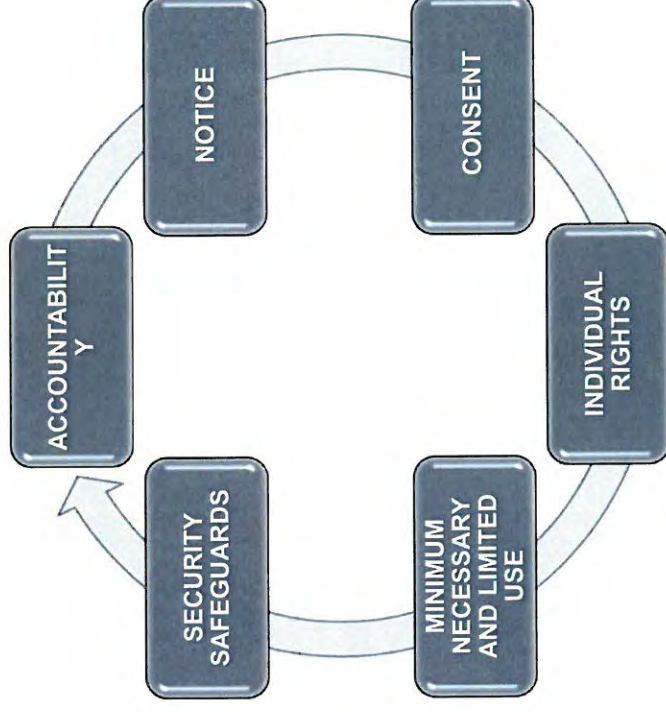


Why protect privacy?

- **Privacy Breaches are expensive**
- Cost per Breached Record: \$71 – 380
- 2012 SC data breach cost \$27 M
- Civil and criminal penalties, including personal liability for privacy violations

Privacy Policies

- The Privacy Program is based upon these six **Privacy Policies** consistent with law and regulation.
- Changes in law reviewed annually.
- Compliance is required for all Executive Branch Departments.





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[Privacy](#)
[Home](#)

[Home](#)
[About Us](#)
[Privacy Policies](#)
[Incident Response](#)
[Legal](#)
[Intersection of FOIA & Privacy](#)
[HIPAA](#)
[Privacy/Impact Assessment \(PIA\)](#)
[Annual Reports](#)
[Privacy Tips](#)
[Consumer Info](#)

[WV State Privacy Office](#)
1124 Smith Street
Suite 4300
Charleston, WV 25311
304-798-2049 Phone
304-568-0004 Fax
Hours : 8a.m.-4:30p.m. M-F

The West Virginia State Privacy Office serves the citizens of the State by managing the protection of personally identifiable information (PII) collected and maintained by Executive Branch agencies.

The State Privacy Office assists West Virginia State Government Departments in the Executive Branch by:

- Facilitating development and issuance of Executive Branch Privacy Policies;
- Answering privacy questions from all Departments;
- Leading the Privacy Management Team (PMT);
- Working to ensure there is a Privacy Officer in every Department;
- Ensuring the Privacy Officer understands his or her role and responsibilities within the Department;
- Providing training, and
- Providing assistance and support as needed.

The West Virginia Executive Branch Privacy Program balances an individual's right of privacy against others' need and right of access to PII. The Privacy Program is based upon these six [Privacy Principles](#), consistent with law and policy:

- Accountability
- Consent
- Individual Rights
- Minimum Necessary and Limited Use
- Notice
- Security Safeguards

Placing a focus on upholding privacy standards decreases the risk of unauthorized access to PII and fosters trust among the government and the residents of the state.


Generally, the State Privacy Office does not provide direct service to consumers, but offers a list of available resources here: [Consumer Info](#)

[How Do I...?](#)

Comment Period for Rules, Guidelines, Policies and Recommendations
West Virginia Code §29A-3-20 requires a comment period for all current rules, guidelines, policies and recommendations under the West Virginia Executive Branch's jurisdiction. Please submit all comments for the WV State Privacy Office rules, guidelines, policies and recommendations to Chief Privacy Officer Sallie Milam at StatePrivacyOffice@wv.gov no later than October 1, 2017.

To view the privacy statutes and rules that generally govern the West Virginia Executive Branch, click [here](#). To view a copy of West Virginia Executive Branch Privacy policies, click [here](#). To view privacy guidelines and recommendations click [here](#).

[Contact Us](#) | [Site Map](#)



Sallie Milam, Chief Privacy Officer

Sallie.h.milam@wv.gov

304-766-2646 x57624

Lori Tarr, Assistant Chief Privacy Officer

Lori.l.tarr@wv.gov

304-766-2646 x57616

Sue Haga, Administrative Secretary

Sue.c.haga@wv.gov

304-766-2646 x57626



STANDISH
A BNY MELLON COMPANYSM

The State of West Virginia BRIM
September 12, 2017

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Biographies



Robert Bayston, CFA

Robert is the Managing Director and Senior Portfolio Manager of U.S. Rates and Securitized Strategies. He is responsible for the portfolio management of all US Treasury/government, agency mortgage backed, and securitized strategies including US TIPS mandates. In addition to his portfolio management responsibilities, Robert oversees the research and strategy efforts in US interest rate and securitized products including the use of derivative strategies for risk management and liability hedging. Robert joined the firm in 1991 and has held several positions in fixed income research and trading before assuming his current responsibilities in 2005. He has an M.S. in Finance from Boston College and a B.S. from the University of Virginia's McIntire School of Commerce. Robert is a member of the Boston Security Analysts Society and holds the CFA® designation. He has 26 years of investment experience and has spent his entire career with Standish.



Nate Pearson, CFA

Nate is an Interest Rate Strategist and Portfolio Manager responsible for research and analysis of US government securities, inflation-linked bonds and interest rate derivatives. He joined Standish in 2005 as a Liquid Products Trader. Prior to Standish, he worked at Darling Consulting Group as an analyst responsible for interest rate risk analysis and overall balance sheet management for institutional banking clients. Nate has an M.S.F. from Boston College and a B.S. from the University of New Hampshire. He is a member of the Boston Security Analysts Society, holds the CFA® designation and has 16 years of investment experience.



Anthony Criscuolo, CFA

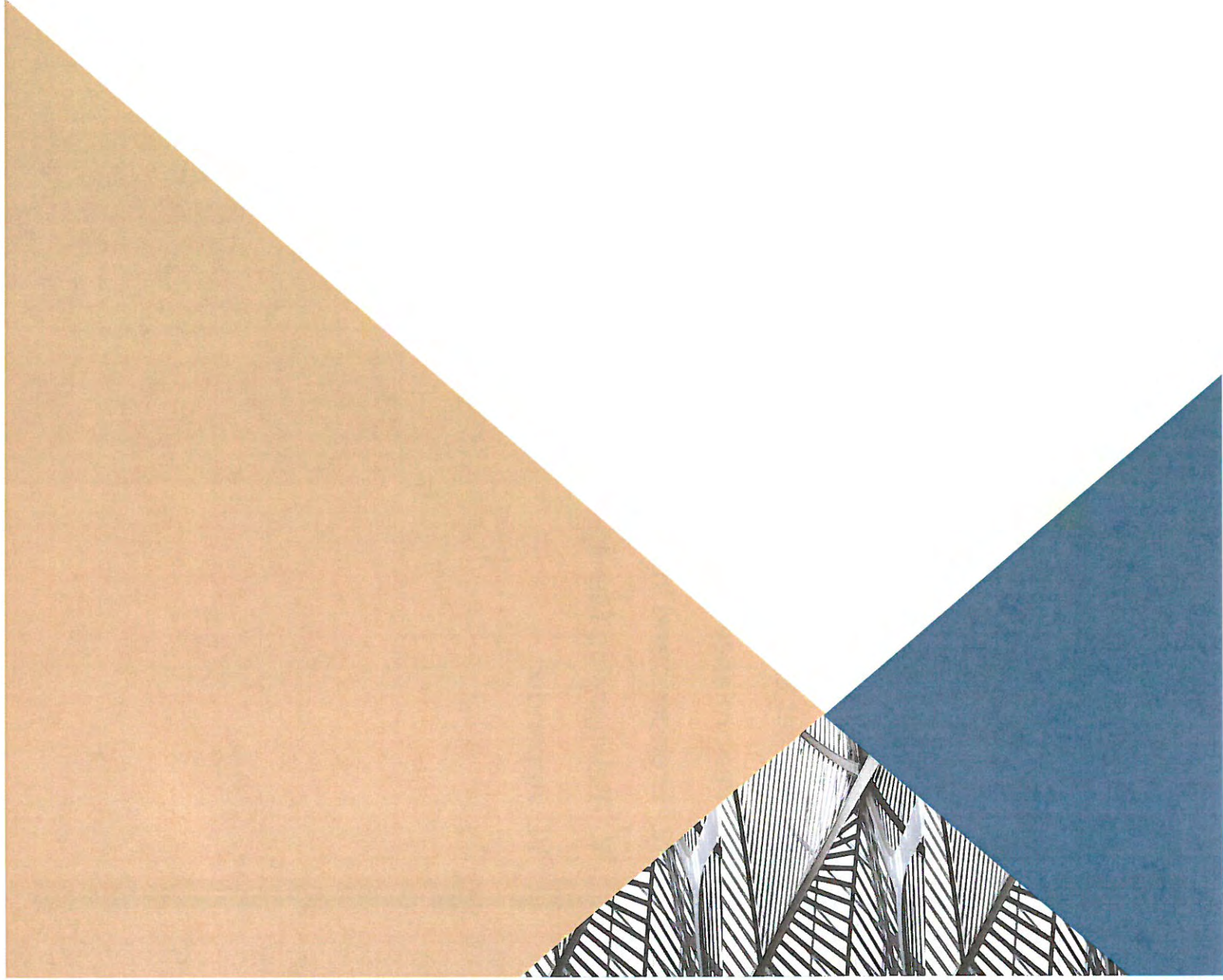
Tony is Managing Director and Senior Relationship Manager in our Boston office responsible for client relationships for our institutional fixed income portfolios. Tony was previously responsible for leading the insurance team, a role he accepted in 2011 where he was responsible for investment strategy, client relationship management and business development. Tony joined the company in 1998 and had been a Senior Portfolio Manager for Tax Sensitive Strategies before taking the role of Director of Relationship Management in 2009 for the Tax Sensitive team. Prior to joining Standish, Tony worked for Anthem Blue Cross & Blue Shield of Connecticut, where he led the Treasury and Investment Division. Tony has an M.S.F. from Fairfield University and a B.S. from Quinnipiac University. He is an active member in alumni affairs for Quinnipiac University and is a member of the Boston and Hartford Security Analysts Societies, holds the CFA® designation and has 33 years of investment experience.

The State of West Virginia BRIM



- I. Corporate Overview
- II. Market Environment
- III. Performance & Portfolio Review
- IV. Economic and Investment Outlook
- V. Relationship Management Update
- VI. Appendix

Section I.



Depth, Breadth & Experience

Our Clients



Central Banks and
Sovereign Wealth Funds



Institutional investors

- ▶ Public/Private Pension Funds
- ▶ Insurance companies
- ▶ Endowments and Foundations
- ▶ Financial Institutions



Platforms

- ▶ Private Wealth
- ▶ Intermediary
- ▶ Retail and Mutual Funds

Investment Strategies and Solutions

Absolute Return

Opportunistic Fixed Income
Absolute FX

Multi-Sector Relative Return

Global Core Plus
Global Core/Non-U.S. Core
Long Duration
Short/Intermediate Duration
U.S. Core Plus
U.S. Core

Single-Sector Relative Return

Cash / Short Duration
Emerging Markets Debt
Investment Grade Credit
Securitized Strategies
U.S. Municipal
Inflation Strategies

Solutions

Sustainable Investing (ESG/SRI)
Insurance Client Strategies
Liability Driven Investing
U.S. Infrastructure Debt
Stable Value



Source: Standish as of June 30, 2017. ¹Assets under management (AUM) as of June 30, 2017. This figure includes assets managed by Standish personnel acting as dual officers of The Dreyfus Corporation or The Bank of New York Mellon; High Yield assets managed by personnel of Alcentra NY, LLC acting as dual officers of Standish; and Mortgage assets managed by personnel of Amherst Capital Management LLC acting as dual officers of Standish. Standish, Dreyfus, Alcentra and Amherst Capital are registered investment advisers. Standish, Dreyfus, Alcentra and The Bank of New York Mellon are wholly-owned subsidiaries of The Bank of New York Mellon Corporation. Amherst Capital is a majority-owned subsidiary of The Bank of New York Mellon Corporation. ²Includes shared employees of Standish Mellon Asset Management (UK) Limited and MBSC Securities Corporation, both affiliates of Standish Mellon Asset Management Company LLC ("Standish"). BNY Mellon Investment Management Singapore Pte. Limited who provide non-discretionary research services to Standish US and employees of Alcentra NY, LLC and Amherst Capital Management LLC acting as dual officers of Standish. In addition, Standish is also supported by BNY Mellon Asset Management Operations LLC ("BNYM AM Ops") which is a legally separate entity that provides services related to all aspects of IT and operations, including front, middle and back office services.

Senior Management Team

David Leduc, CFA
Chief Executive Officer
Chief Investment Officer

Investment Leadership

Brendan Murphy, CFA
Managing Director of
Global & Multi-Sector

Federico Garcia-Zamora
Managing Director of
Emerging Markets Debt

David Horsfall, CFA
Deputy
Chief Investment Officer

Christine Todd, CFA
President &
Managing Director

Eric Baumhoff, CFA
Chief Investment Officer
Stable Value

Vincent Reinhart
Chief Economist &
Investment Strategist

Amy Koch Flynn, CFA
Chief
Administrative Officer

Global

**Emerging
Markets Debt**

**Short
Duration**

**U.S. Infrastructure
& Municipal Debt**

**Stable
Value**

**Sovereign
Research**

Trading

Opportunistic

Josephine Shea

**Liability
Driven Investing**

Daniel Rabasco, CFA

Bradley Bennett

Rebecca Braeu, CFA

Core / Core +

David Bowser, CFA

Andrew Catalan, CFA

**Insurance
Strategies**

James Kaniklides, CFA

Rebecca Braeu, CFA

**Global
Corporate Credit**

David Morse, CFA

David Morse, CFA

**Insurance
Strategies**

James Kaniklides, CFA

Rebecca Braeu, CFA

Operations

**Rates &
Securitized**

Robert Bayston, CFA

James Kaniklides, CFA

James Kaniklides, CFA

James Kaniklides, CFA

**Risk
Management**

Business Leadership

Julia Braithwaite, IACCP
Chief
Compliance Officer

Alex Over
Managing Director of Business
Development and Product Strategy

Hugh Tuomey
Managing Director of Relationship
& Product Management

Patrick Lyn, CFA
Managing Director of
Global Client & Consultant Engagement

Compliance

Global Business Development

Client Relationship Management

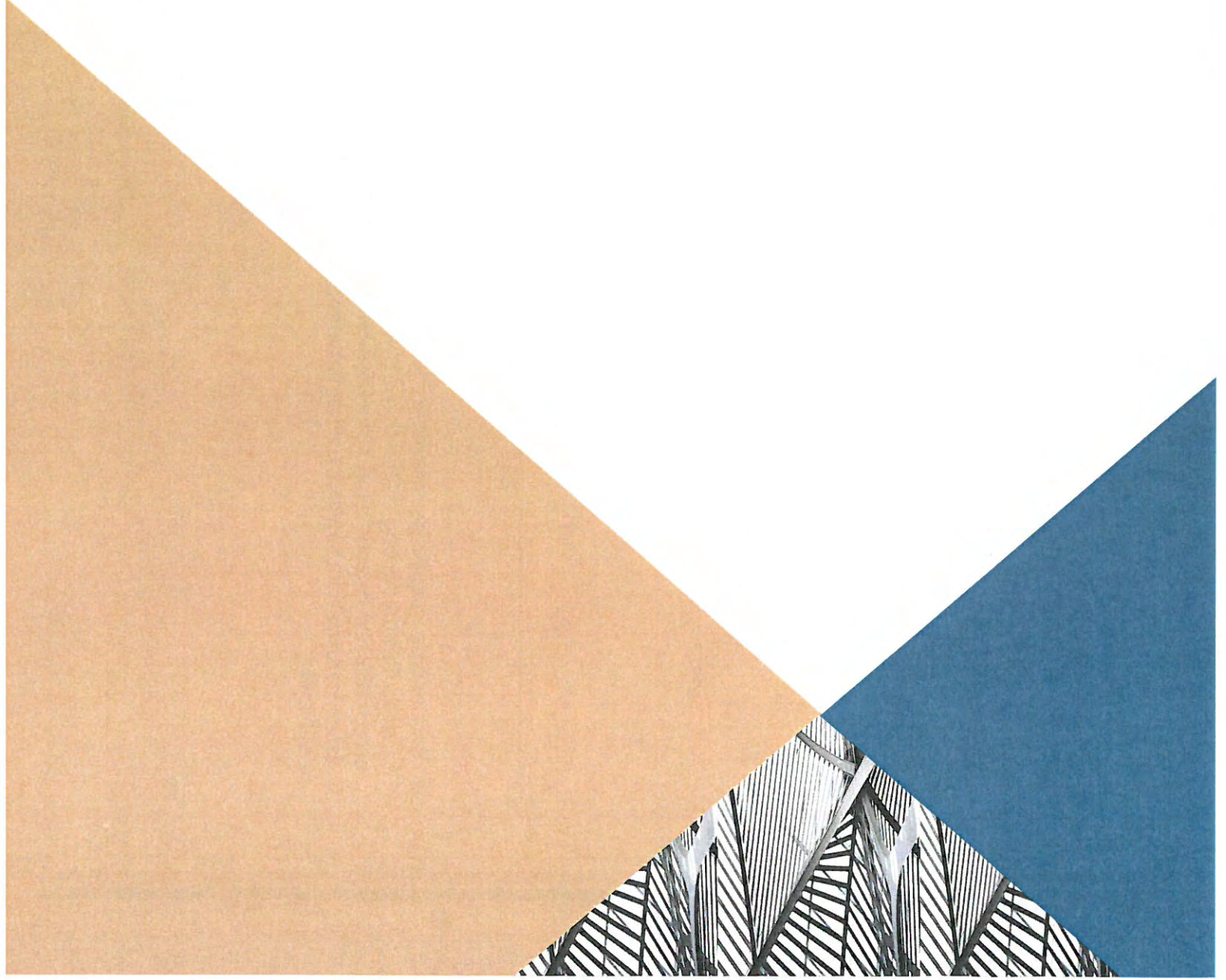
Global Client Engagement

Marketing

Product Management

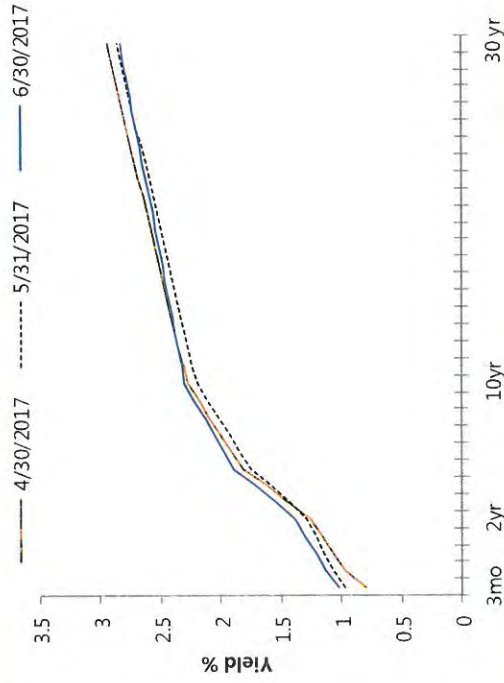
Consultant Relations

Section II.



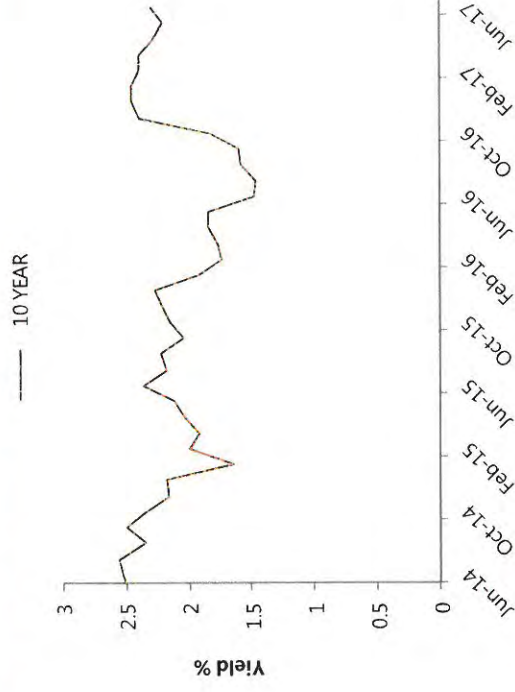
U.S. Treasury Yields

U.S. Treasury Yields



- ▶ Front-end treasury yields sold off modestly in the 2nd quarter after the second rate of the year and in preparation for balance sheet normalization. Longer-dated maturity bonds rallied, further flattening the yield curve.

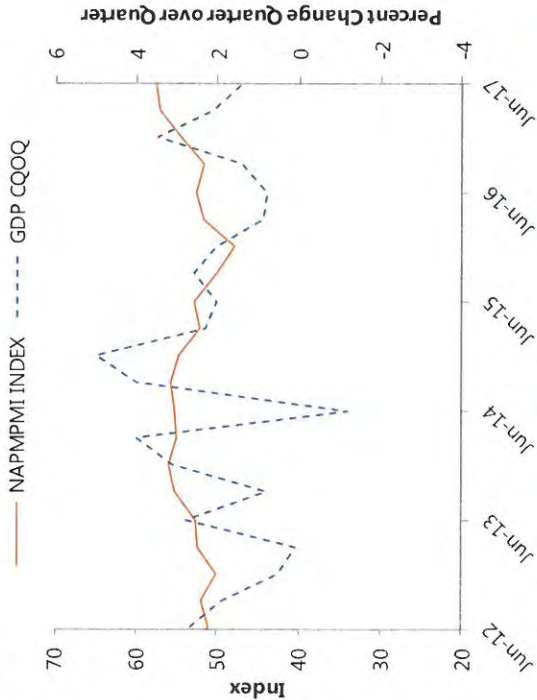
U.S. 10 Year Treasury Yields



- ▶ Ten year yields moved sideways on the quarter, trading in a 25 basis point range and low realized volatility.

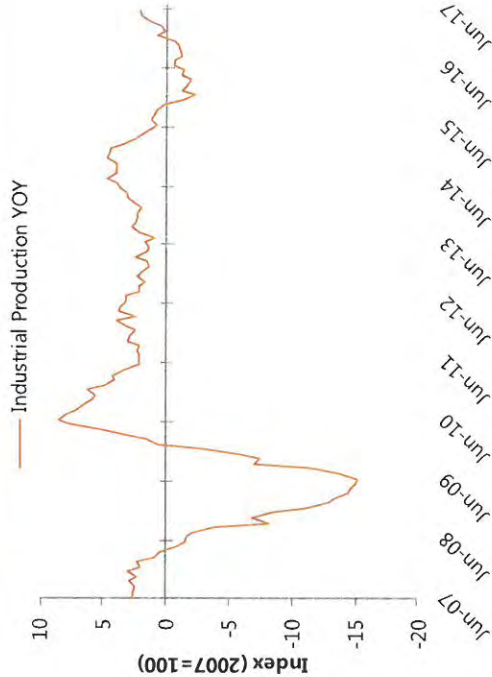
Real GDP & Manufacturing Activity

United States Purchasing Managers Index and Real GDP



► US real GDP grew at 1.4% in the first quarter, slightly above original forecasts but below trend growth. Consensus expectations look for a rebound to the low 2s for the 2nd quarter.

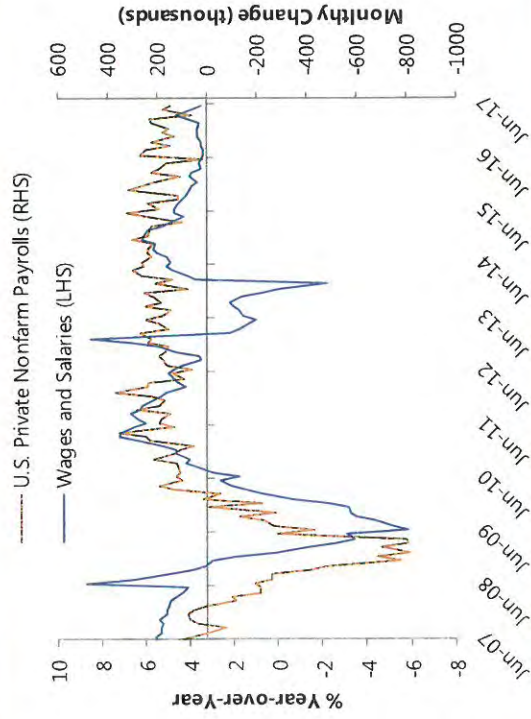
U.S. Industrial Production Year Over Year



► Industrial production rebounded to positive territory in Q1 as headwinds from the stronger US dollar subsided and global growth improved.

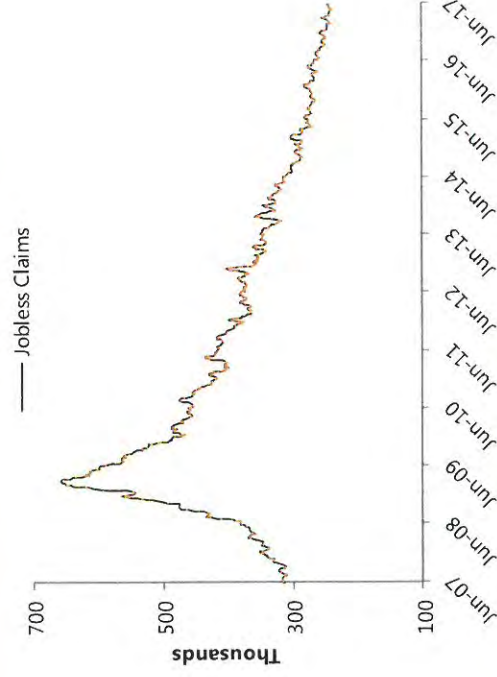
Employment

Private Employment and Wages and Salaries



- ▶ The labor market improved in the 2nd quarter averaging nearly 200K new jobs per month. Labor market slack continued to decline as the unemployment rate declined one tenth to 4.4%.

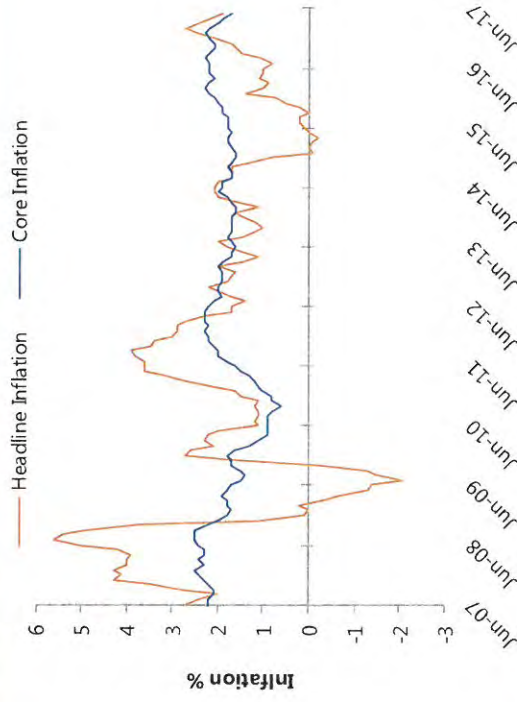
Weekly Jobless Claims 4 Week Moving Average



- ▶ Other labor metrics continue to show positive momentum with high frequency jobless claims remaining near historical lows while wages increased marginally.

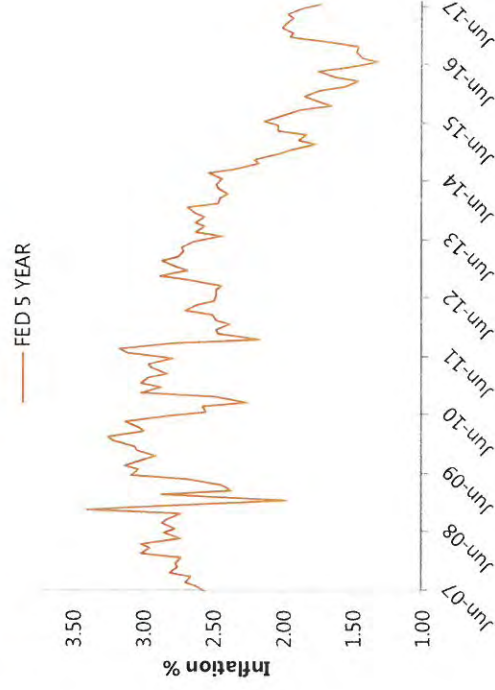
Core Inflation & Inflation Expectations

Headline versus Core Inflation



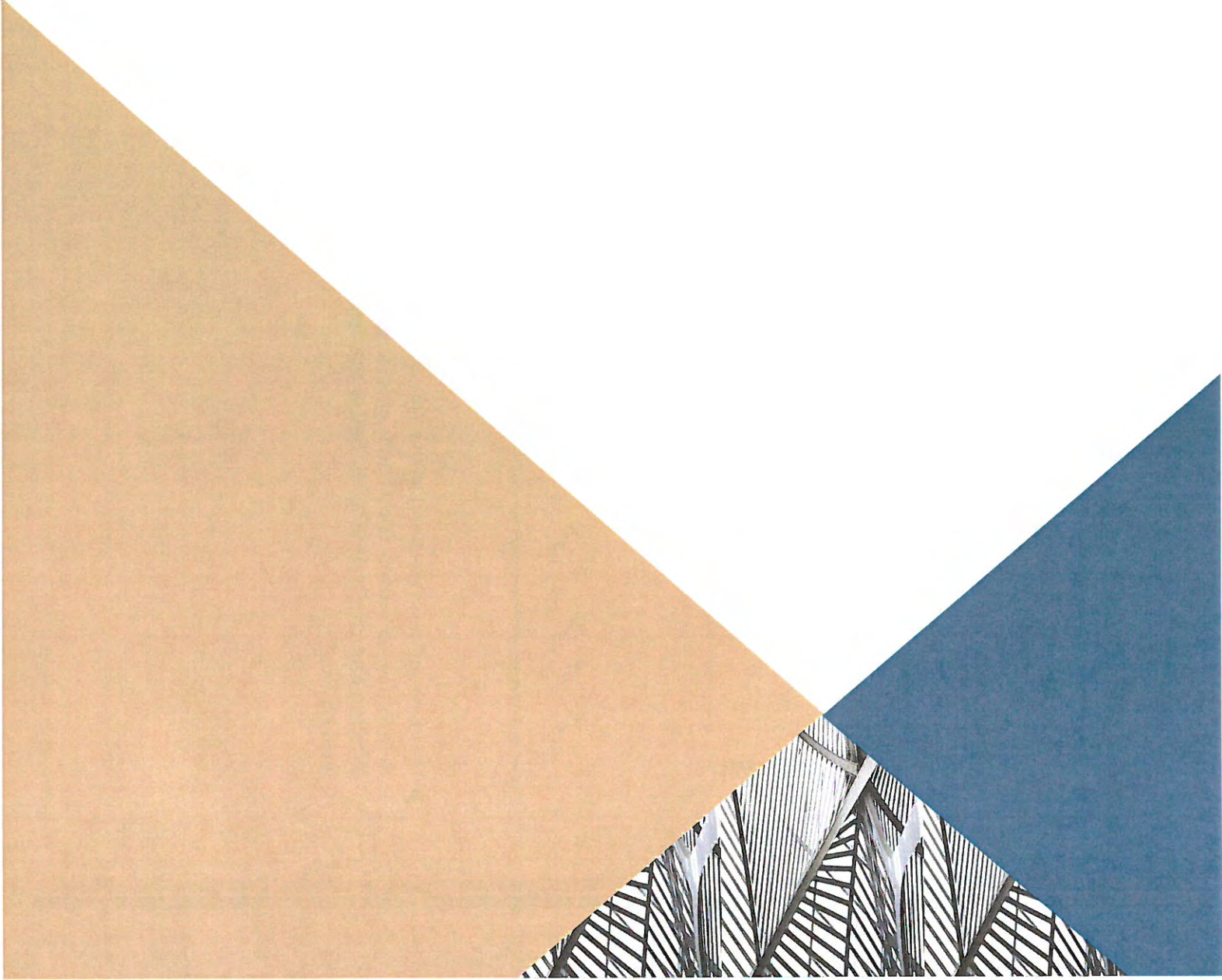
- ▶ Headline inflation declined in the 2nd quarter to 1.9% in response to weaker commodity prices. Core inflation also declined to 1.7%, below the Fed's target level of 2%.

5 Year Forward Inflation Expectations



- ▶ Market-based inflation expectations measured by TIPS declined throughout the quarter as a result of lower realized inflation and nominal term premium.

Section III.



State of West Virginia BRIM

Market Values

State of West Virginia BRIM Market Values as of 6/30/2017

State of West Virginia Retro-Natl Union	Market Value: \$1,893,964.52
State of West Virginia - BRIM 2005-06	Market Value: \$1,939,510.85
State of West Virginia - BRIM 2006-07	Market Value: \$2,592,242.95
State of West Virginia - BRIM 2007-08	Market Value: \$3,305,931.03
State of West Virginia - BRIM 2008-09	Market Value: \$4,691,499.03
State of West Virginia - BRIM 2009-10	Market Value: \$10,408,755.24
State of West Virginia - BRIM 2010-11	Market Value: \$12,073,302.10
State of West Virginia - BRIM 2011-12	Market Value: \$5,223,144.69
State of West Virginia - BRIM 2012-13	Market Value: \$14,388,447.76
State of West Virginia - BRIM 2013-14	Market Value: \$14,893,224.51
State of West Virginia - BRIM 2014-15	Market Value: \$37,237,201.01
State of West Virginia - BRIM 2015-16	Market Value: \$45,643,684.35
State of West Virginia - BRIM 2016-17	Market Value: \$41,421,317.45
State of West Virginia - BRIM 2017-18 ^{*Initial funding 8/2/17}	Market Value: \$10,273,637.17
Total	Market Value: \$205,985,862.66

Source: Standish as of June 30, 2017

State of West Virginia BRIM

Portfolio Performance as of 6/30/2017

	Q2 2017 (%)	YTD	1 Year (%)	Since Inception 7/31/15 (%)
Total Return				
State of West Virginia - BRIM 2015-16	0.58	1.21	-1.05	1.13
Barclays US Government Intermediate	0.66	1.20	-1.25	1.09
Value Added	-0.07	0.01	0.20	0.04
Market Value: \$45,643,684.35				

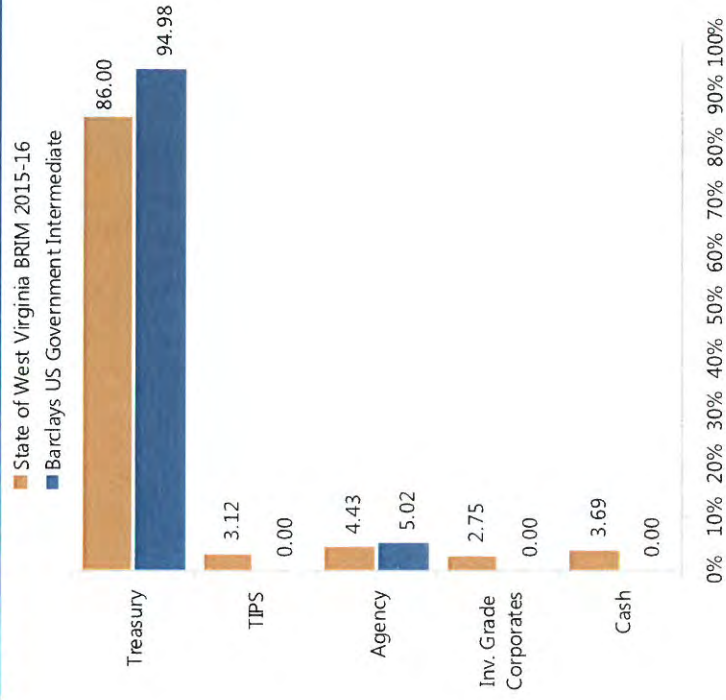
Summary Characteristics as of 6/30/2017

	2005- 2006	2006- 2007	2007- 2008	2008- 2009	2009- 2010	Retro - Nat'l Union	2010- 2011	2011- 2012	2012- 2013	2013- 2014	2014- 2015	2015- 2016	2016- 2017	Index
Duration	3.61	3.61	3.62	3.61	3.61	3.62	3.62	3.61	3.61	3.61	3.61	3.61	3.61	3.88
Quality	AAA	AAA	AAA	AAA	AAA	AAA	AAA	AAA	AAA	AAA	AAA	AAA	AAA	AAA
Yield to Maturity	1.68	1.68	1.68	1.68	1.69	1.68	1.69	1.71	1.71	1.72	1.70	1.69	1.67	1.72
Average Maturity	3.79	3.78	3.79	3.77	3.79	3.77	3.79	3.78	3.78	3.77	3.78	3.81	3.78	4.11
Coupon	1.43	1.34	1.34	1.28	1.39	1.26	1.35	1.27	1.29	1.18	1.37	1.48	1.37	1.88

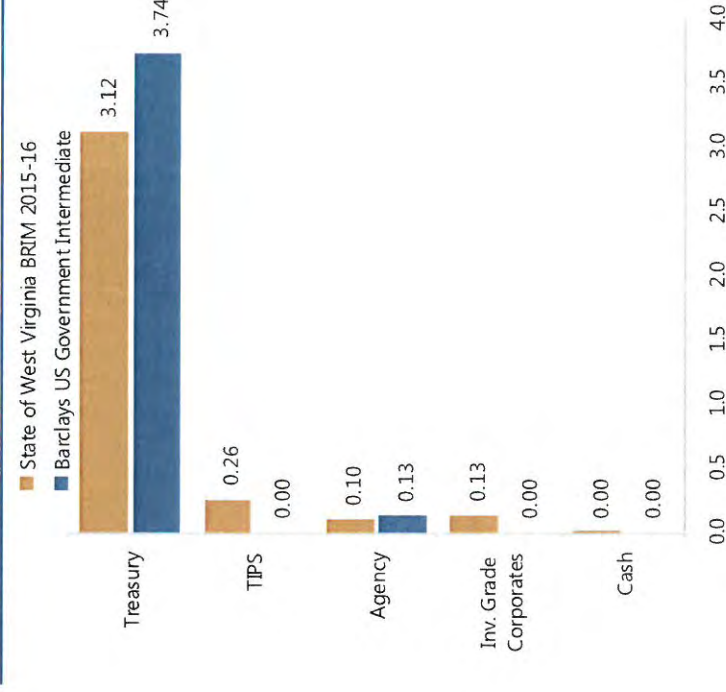
Source: Standish as of June 30, 2017

State of West Virginia – BRIM 2015-16 Sector Distribution vs. Benchmark

Nominal (%) as of 6/30/2017



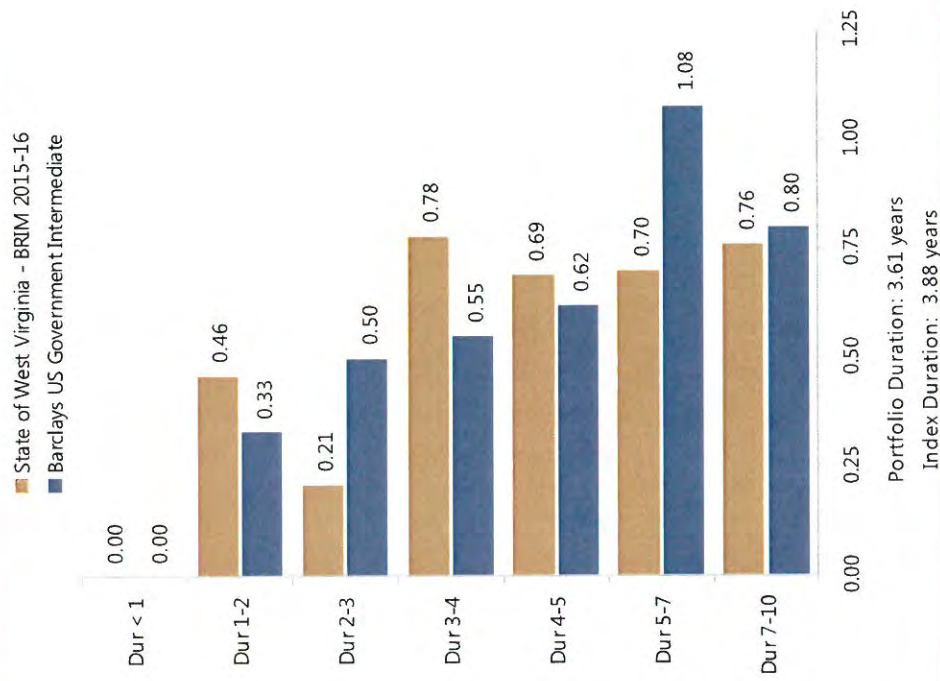
Contribution to Duration (Years) as of 6/30/2017



Source: Standish as of June 30, 2017

State of West Virginia – BRIM 2015-16 Duration

Portfolio vs Index as of 6/30/2017



Corporate Holdings as of June 30, 2017

Client Name	Pct %	Cusip	Security Name	Quantity	Market Value	Maturity	Duration	Yield	Coupon	Moody Rating	S&P Rating
STATE OF WEST VIRGINIA - BRIM 2009-10	0.52%	037833AZ3	APPLE INC	55,000	54,334	02/09/25	6.90	2.84	2.50	Aa1	AA+
	0.49%	166764AT7	CHEVRON CORP	50,000	50,586	03/03/22	4.35	2.33	2.41	Aa2	AA+
	0.49%	30231GAJ1	EXXON MOBIL CORP	50,000	50,644	03/06/22	4.36	2.28	2.40	Aaa	AA+
	0.53%	5949188B9	MICROSOFT CORP	55,000	55,203	02/12/25	6.79	2.77	2.70	Aaa	AAA
	0.53%	89153UAE1	TOTAL CAPITAL CANADA LTD	55,000	55,358	01/15/18	0.54	1.48	1.45	Aa3	A+
STATE OF WEST VIRGINIA - BRIM 2010-11	0.24%	89236TDW2	TOYOTA MOTOR CREDIT CORP	25,000	25,336	04/17/24	6.18	2.80	2.90	Aa3	AA-
	0.53%	037833AZ3	APPLE INC	65,000	64,213	02/09/25	6.90	2.84	2.50	Aa1	AA+
	0.50%	166764AT7	CHEVRON CORP	60,000	60,703	03/03/22	4.35	2.33	2.41	Aa2	AA-
	0.63%	30231GAJ1	EXXON MOBIL CORP	75,000	75,966	03/06/22	4.36	2.28	2.40	Aaa	AA+
	0.54%	5949188B9	MICROSOFT CORP	65,000	65,240	02/12/25	6.79	2.77	2.70	Aaa	AAA
STATE OF WEST VIRGINIA - BRIM 2011-2012	0.50%	89153UAE1	TOTAL CAPITAL CANADA LTD	60,000	60,390	01/15/18	0.54	1.48	1.45	Aa3	A+
	0.25%	89236TDW2	TOYOTA MOTOR CREDIT CORP	30,000	30,404	04/17/24	6.18	2.80	2.90	Aa3	AA-
	0.57%	037833AZ3	APPLE INC	30,000	29,637	02/09/25	6.90	2.84	2.50	Aa1	AA+
	0.58%	166764AT7	CHEVRON CORP	30,000	30,352	03/03/22	4.35	2.33	2.41	Aa2	AA-
	0.48%	30231GAJ1	EXXON MOBIL CORP	25,000	25,322	03/06/22	4.36	2.28	2.40	Aaa	AA+
STATE OF WEST VIRGINIA - BRIM 2012-2013	0.58%	5949188B9	MICROSOFT CORP	30,000	30,111	02/12/25	6.79	2.77	2.70	Aaa	AAA
	0.48%	89153UAE1	TOTAL CAPITAL CANADA LTD	25,000	25,163	01/15/18	0.54	1.48	1.45	Aa3	A+
	0.29%	89236TDW2	TOYOTA MOTOR CREDIT CORP	15,000	15,202	04/17/24	6.18	2.80	2.90	Aa3	AA-
	0.51%	037833AZ3	APPLE INC	75,000	74,092	02/09/25	6.90	2.84	2.50	Aa1	AA+
	0.53%	166764AT7	CHEVRON CORP	75,000	75,879	03/03/22	4.35	2.33	2.41	Aa2	AA-
STATE OF WEST VIRGINIA - BRIM 2013-2014	0.53%	30231GAJ1	EXXON MOBIL CORP	75,000	75,966	03/06/22	4.36	2.28	2.40	Aaa	AA+
	0.52%	5949188B9	MICROSOFT CORP	75,000	75,276	02/12/25	6.79	2.77	2.70	Aaa	AAA
	0.52%	89153UAE1	TOTAL CAPITAL CANADA LTD	75,000	75,488	01/15/18	0.54	1.48	1.45	Aa3	A+
	0.28%	89236TDW2	TOYOTA MOTOR CREDIT CORP	40,000	40,538	04/17/24	6.18	2.80	2.90	Aa3	AA-
	0.73%	037833AZ3	APPLE INC	110,000	108,668	02/09/25	6.90	2.84	2.50	Aa1	AA+
STATE OF WEST VIRGINIA - BRIM 2014-2015	0.54%	166764AT7	CHEVRON CORP	80,000	80,938	03/03/22	4.35	2.33	2.41	Aa2	AA-
	0.54%	30231GAJ1	EXXON MOBIL CORP	80,000	81,031	03/06/22	4.36	2.28	2.40	Aaa	AA+
	0.71%	5949188B9	MICROSOFT CORP	105,000	105,387	02/12/25	6.79	2.77	2.70	Aaa	AAA
	0.54%	89153UAE1	TOTAL CAPITAL CANADA LTD	80,000	80,521	01/15/18	0.54	1.48	1.45	Aa3	A+
	0.37%	89236TDW2	TOYOTA MOTOR CREDIT CORP	55,000	55,740	04/17/24	6.18	2.80	2.90	Aa3	AA-
STATE OF WEST VIRGINIA - BRIM 2015-2016	0.50%	037833AZ3	APPLE INC	190,000	187,700	02/09/25	6.90	2.84	2.50	Aa1	AA+
	0.61%	166764AT7	CHEVRON CORP	225,000	227,637	03/03/22	4.35	2.33	2.41	Aa2	AA-
	0.54%	30231GAJ1	EXXON MOBIL CORP	200,000	202,577	03/06/22	4.36	2.28	2.40	Aaa	AA+
	0.51%	5949188B9	MICROSOFT CORP	190,000	190,700	02/12/25	6.79	2.77	2.70	Aaa	AAA
	0.50%	89153UAE1	TOTAL CAPITAL CANADA LTD	185,000	186,204	01/15/18	0.54	1.48	1.45	Aa3	A+
STATE OF WEST VIRGINIA - BRIM 2016-17	0.29%	89236TDW2	TOYOTA MOTOR CREDIT CORP	105,000	106,413	04/17/24	6.18	2.80	2.90	Aa3	AA-
	0.51%	037833AZ3	APPLE INC	235,000	232,155	02/09/25	6.90	2.84	2.50	Aa1	AA+
	0.51%	166764AT7	CHEVRON CORP	230,000	232,696	03/03/22	4.35	2.33	2.41	Aa2	AA-
	0.51%	30231GAJ1	EXXON MOBIL CORP	230,000	232,963	03/06/22	4.36	2.28	2.40	Aaa	AA+
	0.51%	5949188B9	MICROSOFT CORP	230,000	230,848	02/12/25	6.79	2.77	2.70	Aaa	AAA
STATE OF WEST VIRGINIA - BRIM 2016-17	0.44%	89153UAE1	TOTAL CAPITAL CANADA LTD	200,000	201,302	01/15/18	0.54	1.48	1.45	Aa3	A+
	0.28%	89236TDW2	TOYOTA MOTOR CREDIT CORP	125,000	126,682	04/17/24	6.18	2.80	2.90	Aa3	AA-
	0.52%	037833AZ3	APPLE INC	220,000	217,337	02/09/25	6.90	2.84	2.50	Aa1	AA+
	0.51%	166764AT7	CHEVRON CORP	220,000	212,461	03/03/22	4.35	2.33	2.41	Aa2	AA-
	0.50%	30231GAJ1	EXXON MOBIL CORP	205,000	207,641	03/06/22	4.36	2.28	2.40	Aaa	AA+
STATE OF WEST VIRGINIA - BRIM 2016-17	0.52%	5949188B9	MICROSOFT CORP	215,000	215,793	02/12/25	6.79	2.77	2.70	Aaa	AAA
	0.41%	89153UAE1	TOTAL CAPITAL CANADA LTD	170,000	171,106	01/15/18	0.54	1.48	1.45	Aa3	A+
	0.26%	89236TDW2	TOYOTA MOTOR CREDIT CORP	105,000	106,413	04/17/24	6.18	2.80	2.90	Aa3	AA-

Source: Standish as of June 30, 2017

Section IV.



The Entire Investment Map...

Economic Landscape

Global economic expansion continues at a tepid pace.

Potential output is expanding sluggishly;

As of now, cost pressures are muted, but inflation is likely to tick higher.

Central banks in developed markets are moving to renormalize monetary policy; But they remain willing to lean against market instability.

The Federal Reserve rate will tightening more than currently built into markets.

Volatility is stubbornly and historically low.

Fixed-Income Valuation

Developed market yields are still somewhat low, considering the inflation outlook and expected central bank firming.

Dollar bloc rates are attractive relative to European ones.

Break-evens offer value.

Developed market corporate spreads are modestly expensive despite improving fundamentals.

The dollar may depreciate more, especially against some EM currencies.

Local-currency emerging markets appear attractive, and there is selective value in dollar frontier markets.

Interest rate volatility is cheap.

Focus on higher quality segments of ABS given tight valuations and deteriorating fundamentals.

Investment Themes

Maintain a relatively lean risk budget and emphasize more liquid risk factors.

Overall duration is biased to slightly below benchmark.

Remain long U.S. and dollar bloc duration versus core Europe.

Remain long break-evens.

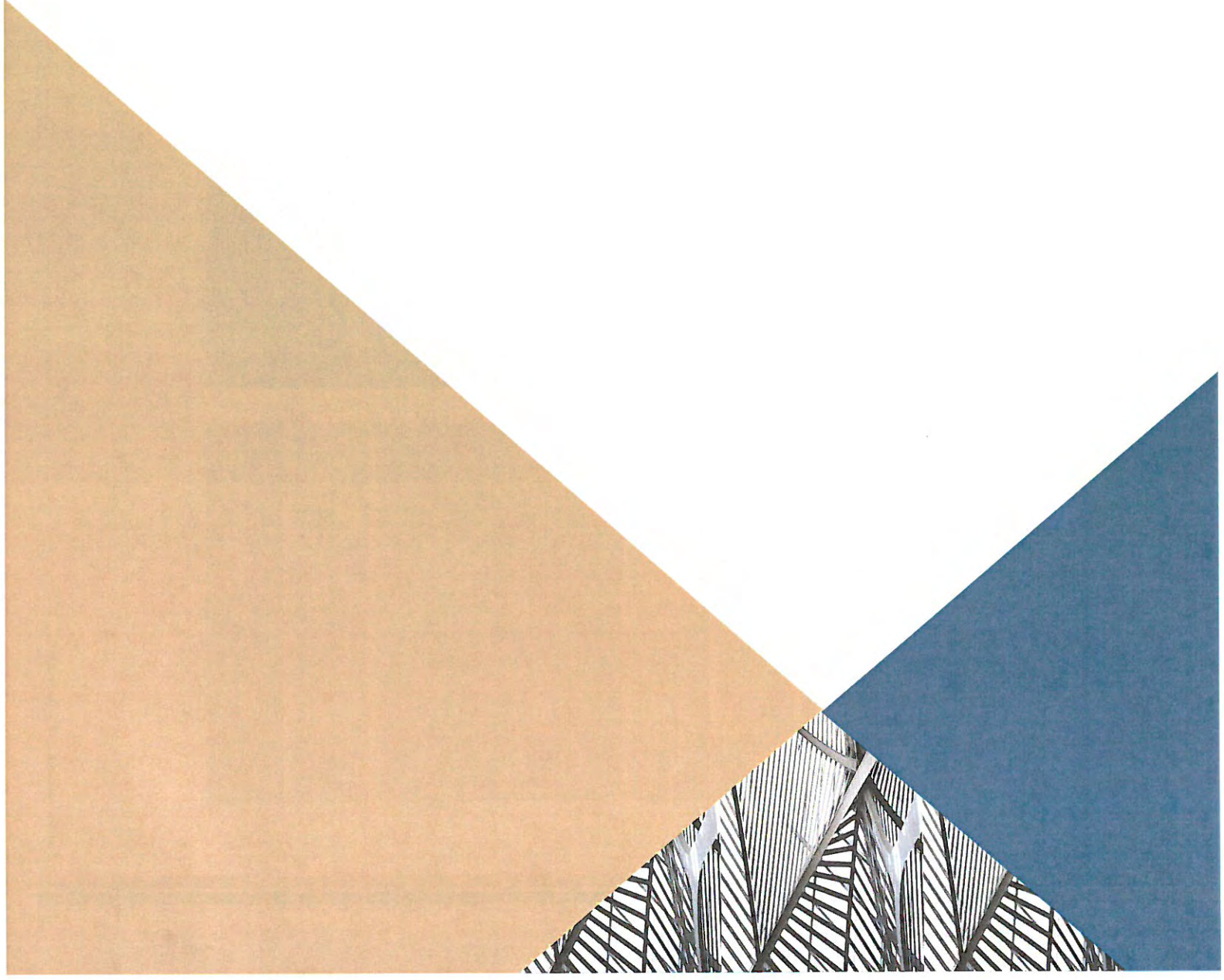
Remain overweight local currency EM risk but scale back dollar exposure.

Maintain modest credit exposure but be prepared to add on better valuation opportunities.

Maintain modest underweight on MBS and remain overweight ABS versus CMBS.

Low volatility offers the opportunity to increase portfolio convexity through option strategies with minimal cost.

Section V.



State of West Virginia BRIM's Relationship with Standish Team

Portfolio Management Team

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Managing Director and Senior Portfolio Manager
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Our senior investment professionals present our thoughts and ideas on the economic trends facing fixed income markets.

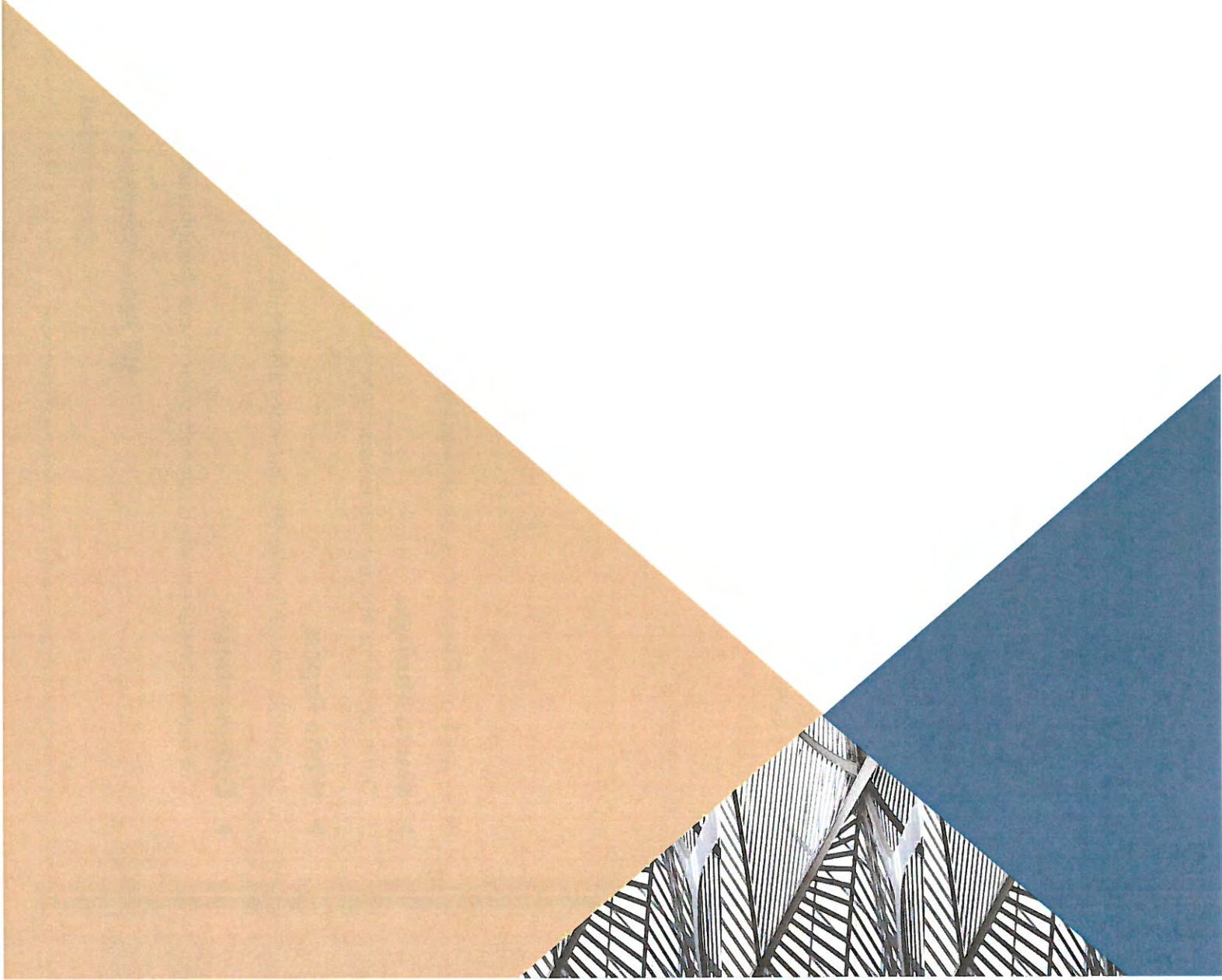
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Section VI.



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This portfolio data should not be relied upon as a complete listing of the Portfolio's holdings (or top holdings) as information on particular holdings may be withheld if it is in the client's best interest to do so. Portfolio holdings are subject to change without notice and may not represent current or future portfolio composition. The portfolio date is "as of" the date indicated.

There is no assurance that any securities discussed herein will remain in an account's portfolio at the time you receive this report or that securities sold have not been repurchased. The securities discussed do not represent an account's entire portfolio and in the aggregate may represent only a small percentage of an account's portfolio holdings.

It should not be assumed that any of the securities transactions or holdings discussed were or will prove to be profitable, or that the investment recommendation or decisions we make in the future will be profitable or will equal the investment performance of the securities discussed herein.

The allocation distribution and actual percentages may vary from time-to-time. The types of investments presented in the allocation chart will not always have the same comparable risks and returns. The actual performance of the portfolio will depend on the Investment Manager's ability to identify and access appropriate investments, and balance assets to maximize return while minimizing its risk. The actual investments in the portfolio may or may not be the same or in the same proportion as those shown above.

Standish believes giving an proprietary Average Quality Credit rating to the holdings in a portfolio more accurately captures its characteristics versus using a single rating agencies ratings. Standish has a ratings/number hierarchy whereby we assign a number between 0 (unrated bond) and 21 (S&P or Moody's AAA) to all bonds in a portfolio based on the ratings of one or more of the rating agencies (with the lower of the 2 available agencies ratings prevailing), and then take a weighted numerical average of those bonds (with weighting based on each bonds percentage to the total portfolio assets). The resulting number is then compared back to the ratings/number hierarchy to determine a portfolio's average quality. For example, if Moody's AAA, S&P AAA= 21, Moody's A1, S&P A+= 17, Moody's Baa1 and S&P BBB+=14, Moody's B1 and S&P B+=7. The numeric average of the 4 equally weighted holdings is 14.75, rounded up to the next whole number of 15. 15 converts to an average credit rating of S&P A/Moody's A2.

To the extent the strategy invests in foreign securities, its performance will be influenced by political, social

and economic factors affecting investments in foreign companies. Special risks associated with investments in foreign companies include exposure to currency fluctuations and controls, less liquidity, less developed or less efficient trading markets, less governmental supervision and regulation, lack of comprehensive company information, political instability, greater market volatility, and differing auditing and legal standards.

Further, investments in foreign markets can be affected by a host of factors, including political or social conditions, diplomatic relations, limitations on removal of funds or assets or imposition of (or change in) exchange control or tax regulations in such markets. Additionally, investments denominated in a foreign currency will be subject to changes in exchange rates that may have an adverse effect on the value, price or income of the investment.

These risks are magnified in emerging markets and countries since they generally have less diverse and less mature economic structures and less stable political systems than those of developed countries.

These benchmarks are broad-based indices which are used for illustrative purposes only and have been selected as they are well known and are easily recognizable by investors. Comparisons to benchmarks have limitations because benchmarks have volatility and other material characteristics that may differ from the portfolio. For example, investments made for the portfolio may differ significantly in terms of security holdings, industry weightings, and asset allocation from those of the benchmark. Accordingly, investment results and volatility of the portfolio may differ from those of the benchmark. Also, the indices noted in this presentation are unmanaged, are not available for direct investment, and are not subject to management fees, transaction costs or other types of expenses that the portfolio may incur. In addition, the performance of the indices reflects reinvestment of dividends and, where applicable, capital gain distributions. Therefore, investors should carefully consider these limitations and differences when evaluating the comparative benchmark data performance.

The information regarding the index is included merely to show the general trends in the periods indicated and is not intended to imply that the portfolio was similar to the index in composition or risk.

The strategy may use alternative investment techniques (such as derivatives) which carry additional risks. The low initial margin deposits normally required to establish a position in such instruments may permit a high degree of leverage. As a result, a relatively small movement in the price of a contract may result in a profit or loss that is high in proportion to the amount of funds actually placed as initial margin and may result in a disproportionate loss exceeding any margin deposited. Transactions in over-the-counter derivatives may involve additional risk as there is no exchange on which to close out a position, only the original counterparty. Such transactions may therefore be difficult to liquidate, to value, or to assess the exposure. The strategy may at times use certain types of investment derivatives, such as options, futures, forwards and swaps. These instruments involve risks different from, and in certain cases, greater than, the risks presented by more traditional investments.

Standish sector models use regression analysis such as multi-linear data inputs, panel data, and probit function. Variables that the models take into account are: PMI, US Core CPI, Fed Fund rate, 3-month Libor, 3-month T-bill rate, foreign purchases of US Government bonds, Commodity Indices, Capacity Utilization, Deficit as a percent of GDP, S&P 500 return, Chicago Fed Index, IGOV, US output gap, Europe Core CPI, US unemployment rate, EU unemployment rate, and slope of the yield curve. Assumptions made are that samples are representative of the population for the inference prediction; regression residuals are approximately normally distributed, uncorrelated, and have constant volatility; no high degrees of multi-collinearity in the independent variables; variable sensitivity remains constant in the short term; and no structural shift in the short term.

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STANDISH



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ASSET MANAGEMENT

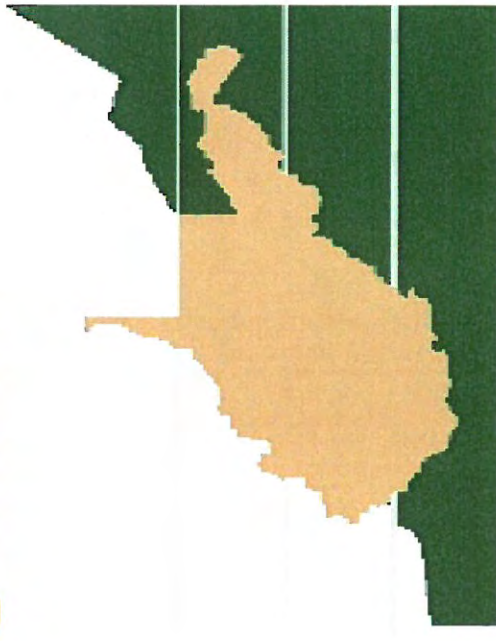
BRIM -

Investments

WV Investment Management

Board

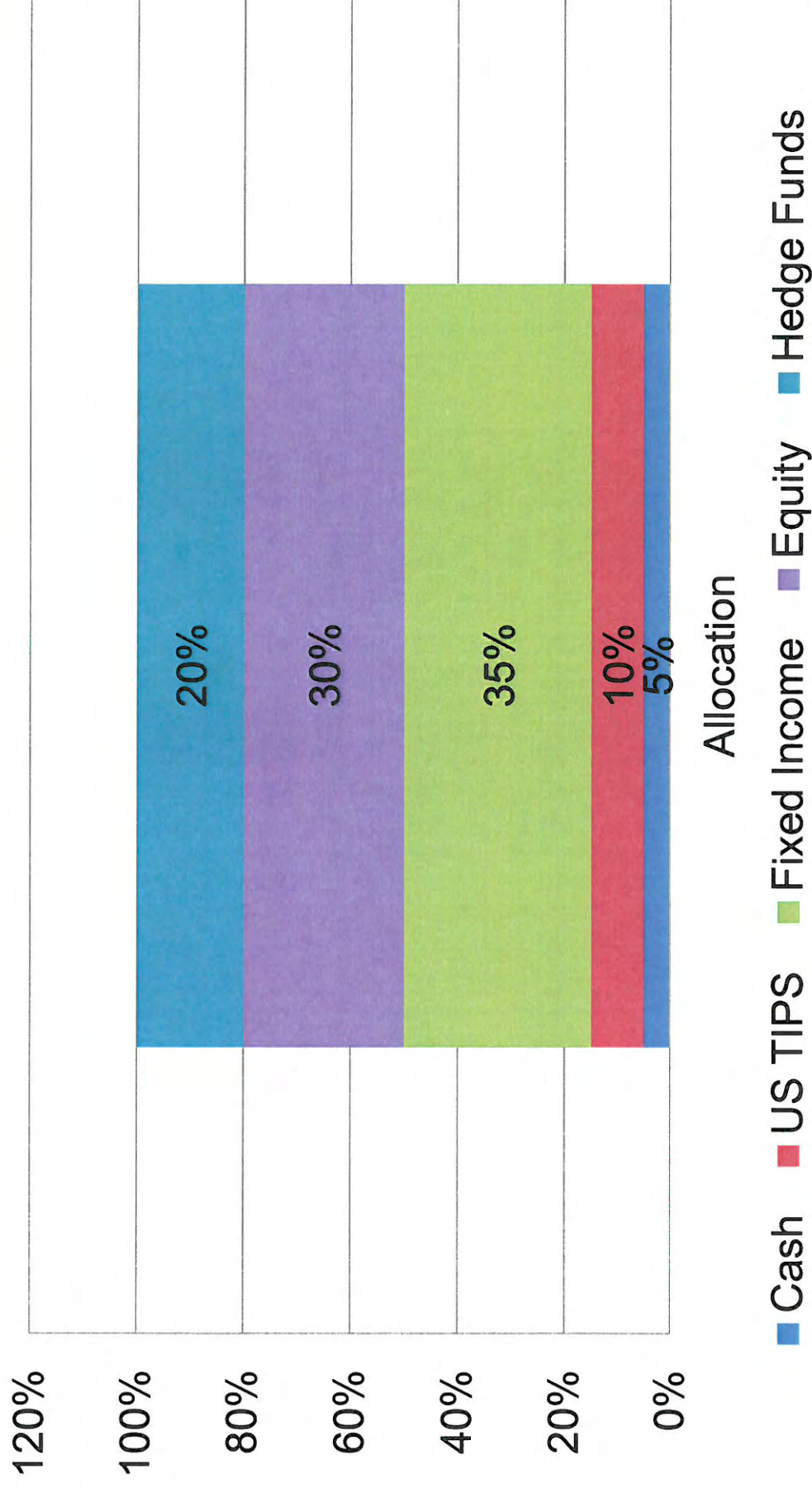
6/30/2017



Market Highlights

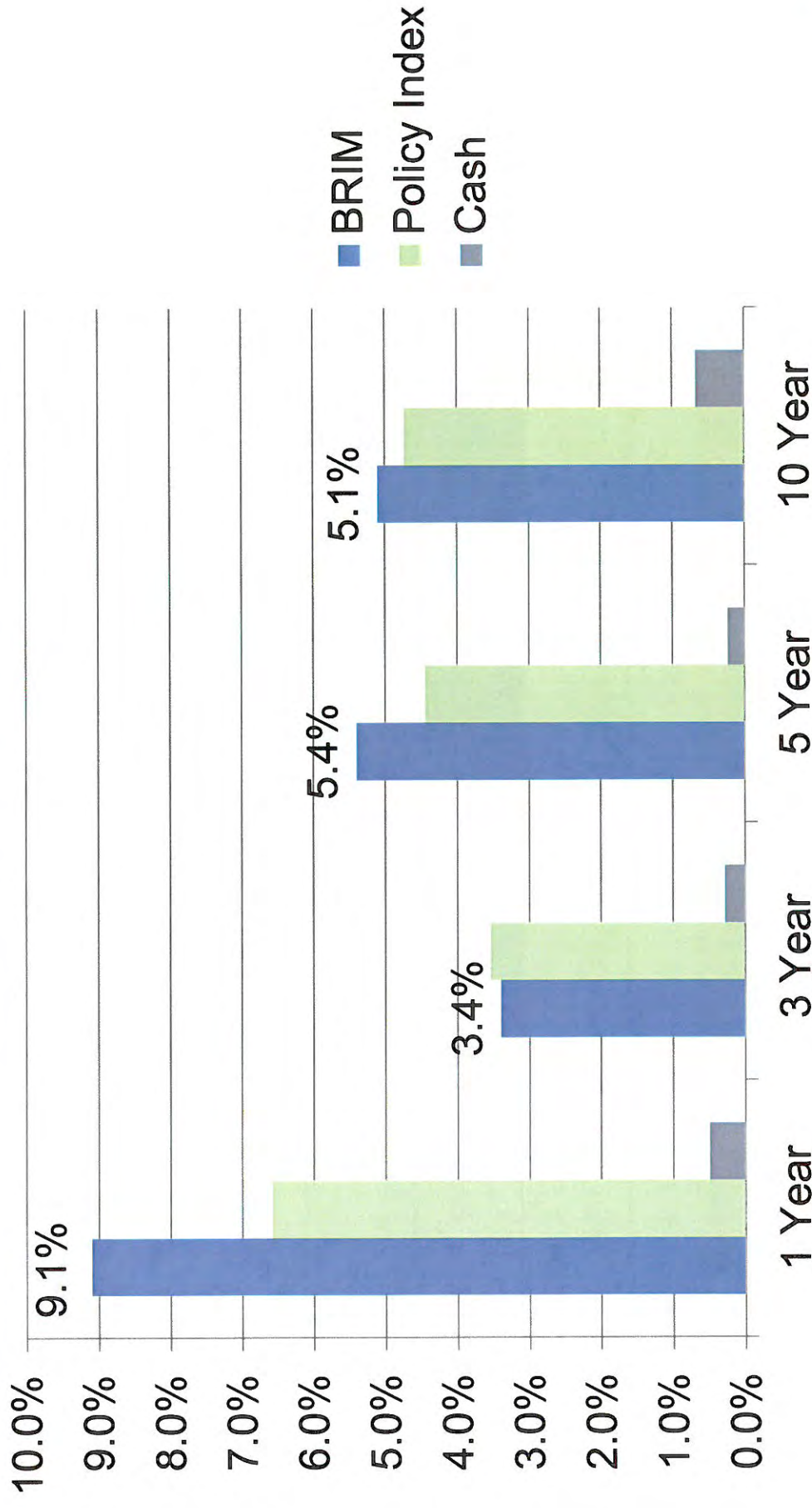
- Modest growth globally, low interest rates, and the promise for regulatory and tax reforms have resulted in high equity returns
- Most forecasts call for a continuation of the low growth, low inflation environment, but....
- If tax/regulatory reforms do not materialize, markets are likely to pull back a little
- Significant geopolitical unrest creates

Asset Allocation



Performance

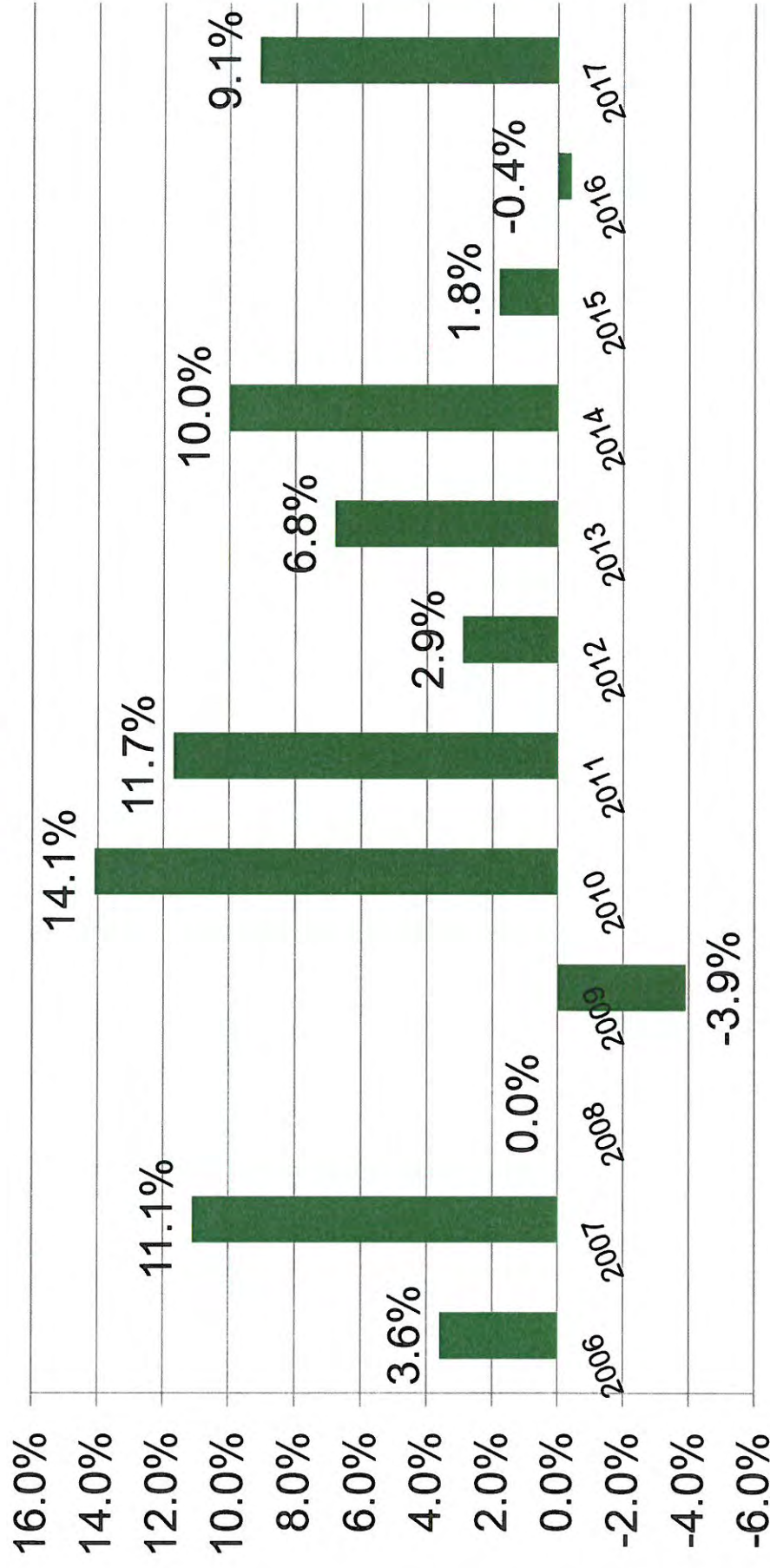
June 30, 2017



Performance by Fiscal Year

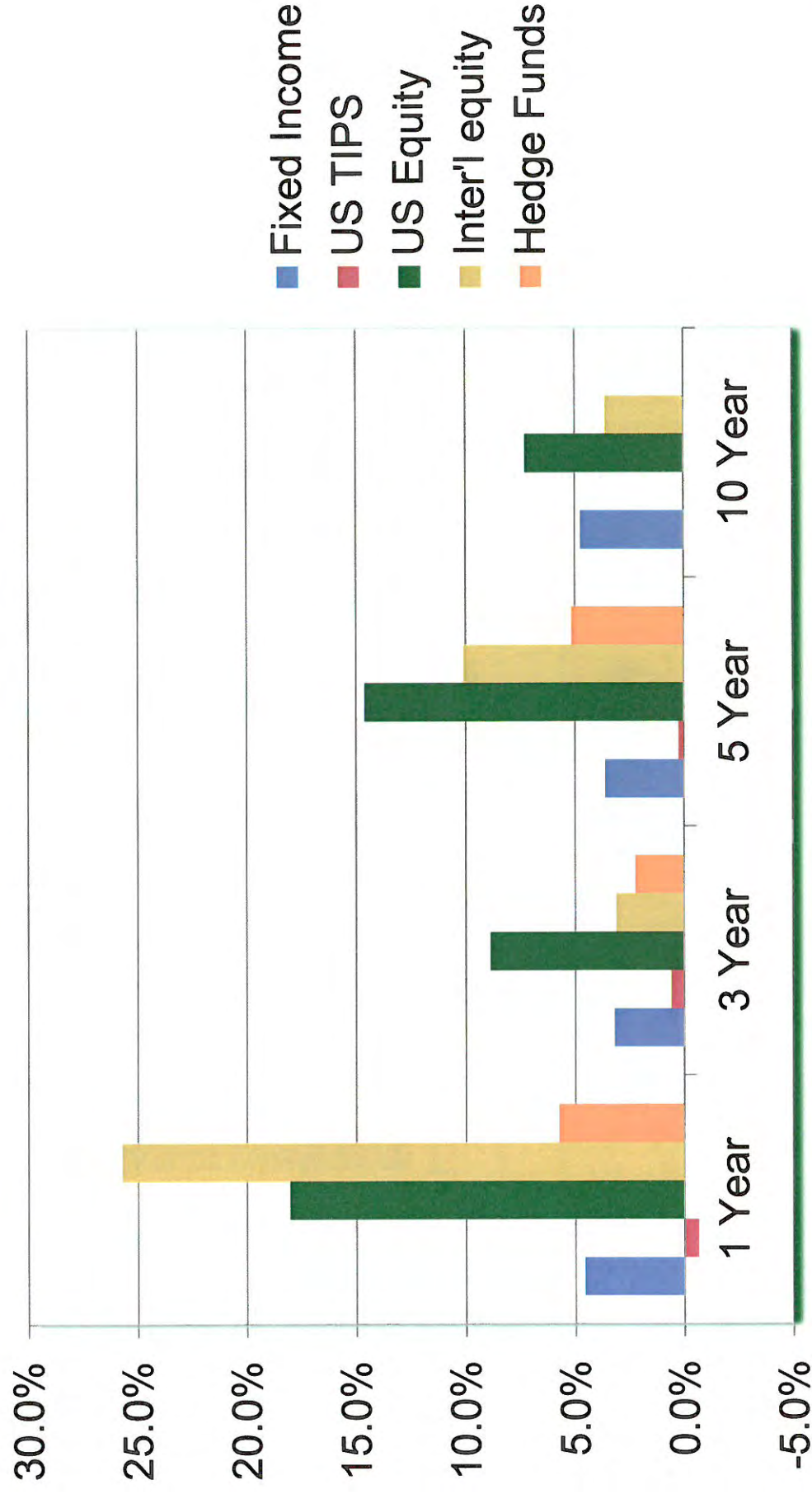
Years ending June 30

BRIM

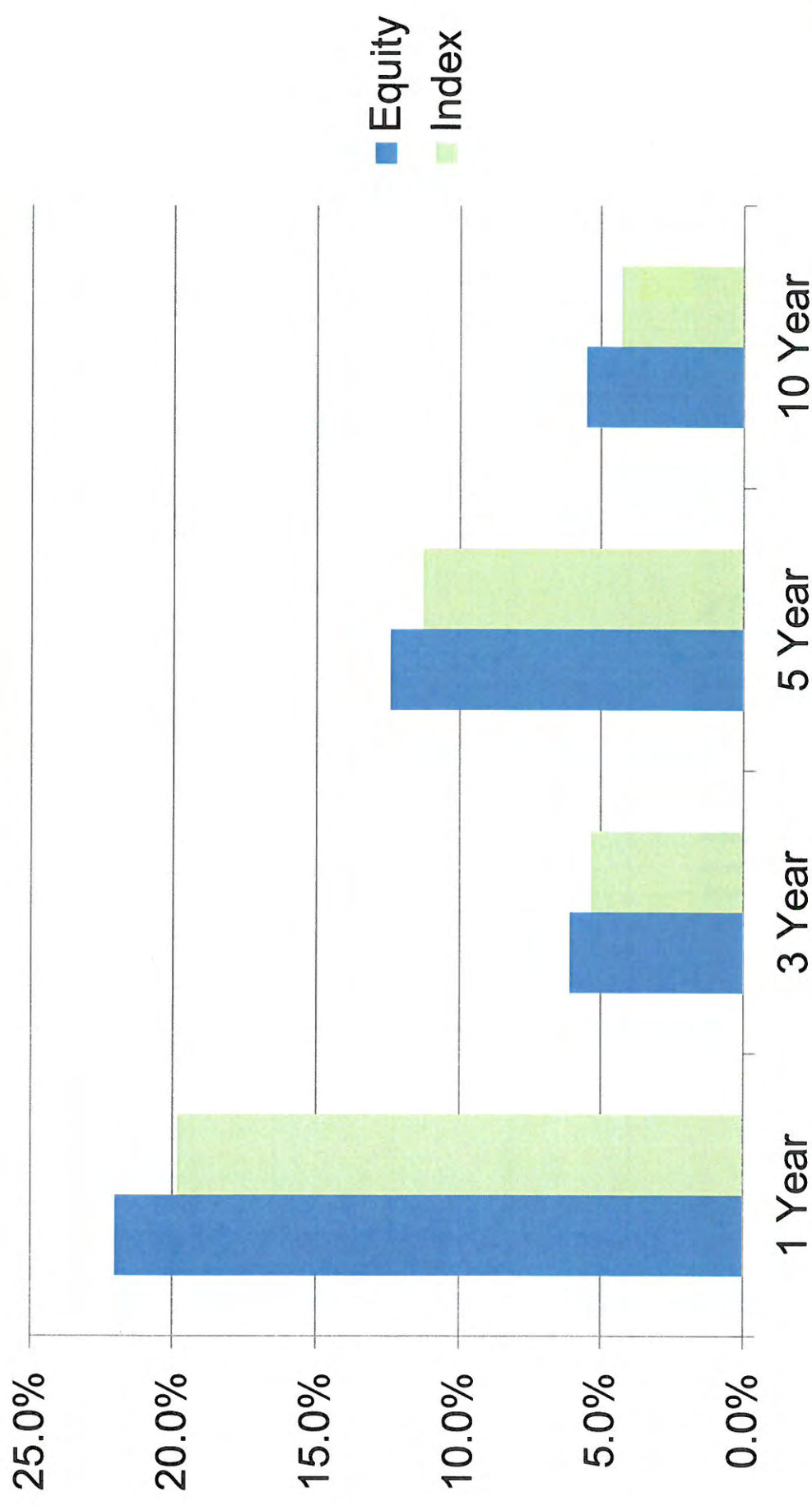


Asset Class Performance

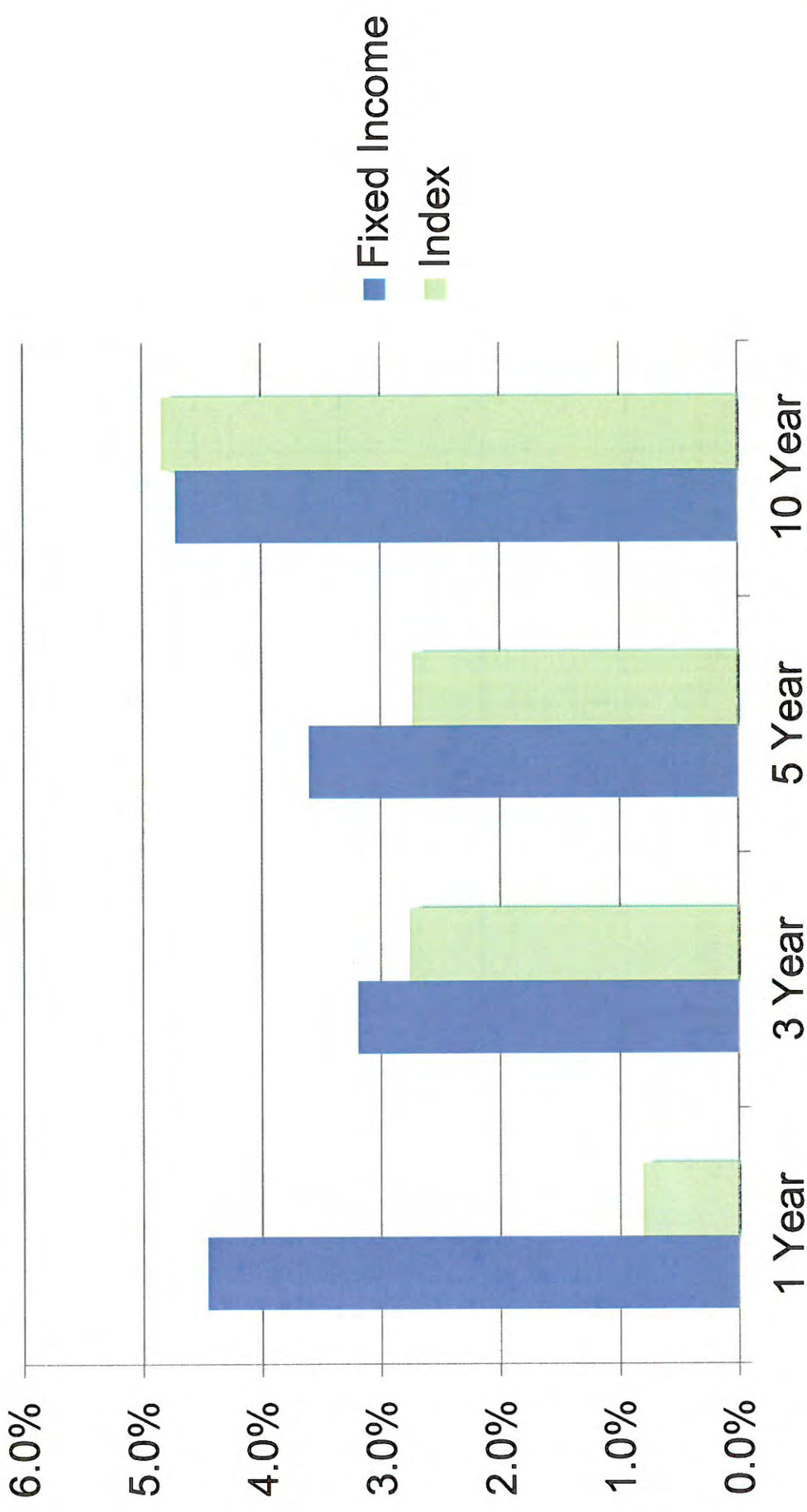
June 30, 2017



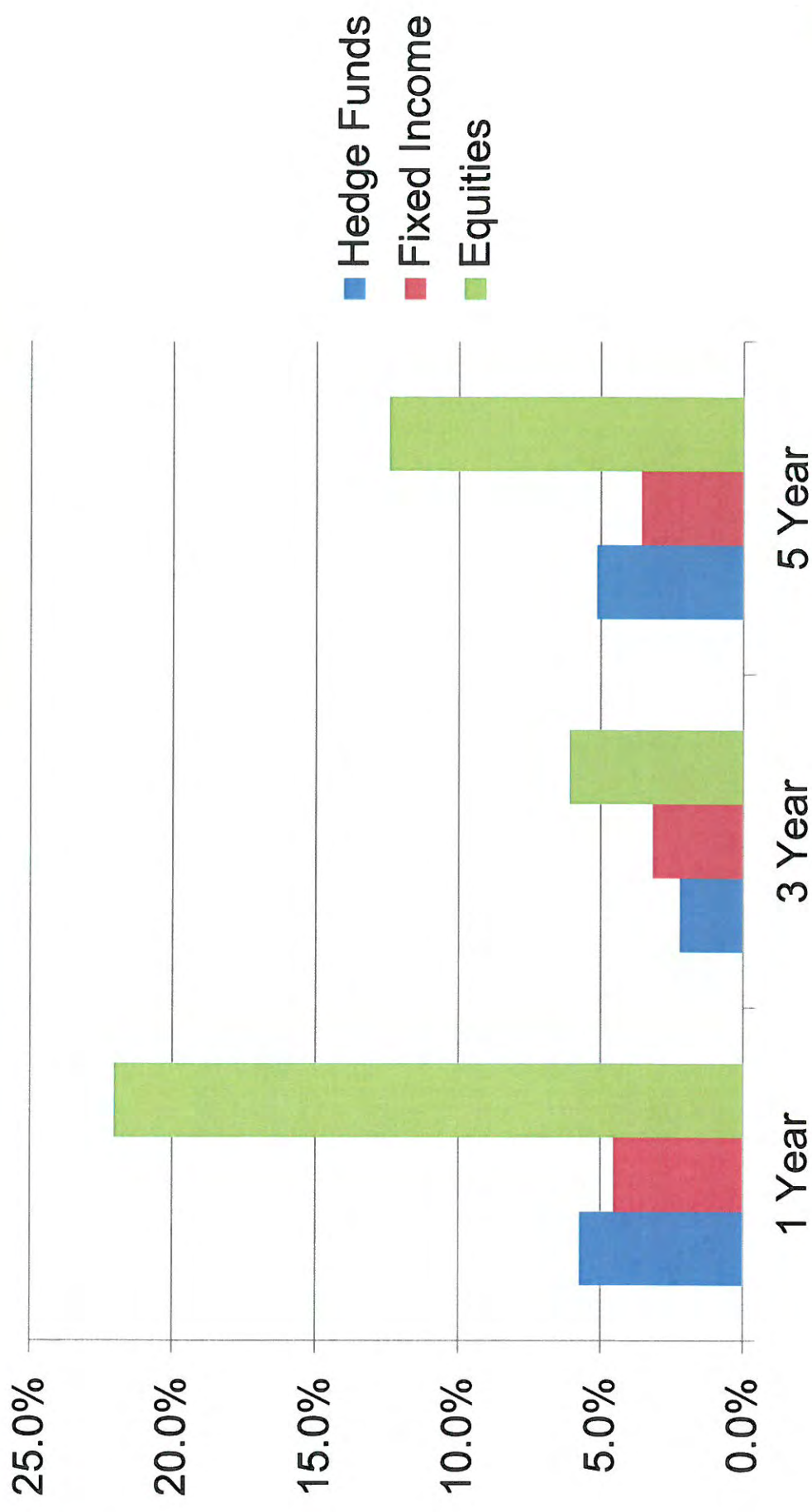
WVIMB Performance - Equities



WVIMB Performance – Fixed Income



WVIMB Performance – Hedge Funds



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



Jim Justice
Governor

John A. Myers
Cabinet Secretary

Mary Jane Pickens
Executive Director
Deputy Cabinet Secretary

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

December 19, 2017

Chairman Martin

Call to Order

Chairman Martin

Approval of Board Minutes
September 12, 2017

REPORTS

Norman Mosrie, Partner
Dixon Hughes Goodman LLP

Audited Financial Report
June 30, 2017
Dixon Hughes Goodman LLP

Mary Jane Pickens
Executive Director

Executive Director's Report

Stephen W. Schumacher, CPA
Chief Financial Officer

Financial Report
PCard Report

Robert A. Fisher
Deputy Director/Claim Manager

Loss Control Report

Sallie Milam
Chief Privacy Officer

Privacy Report

UNFINISHED BUSINESS

NEW BUSINESS

ADJOURNMENT

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



John A. Myers
Cabinet Secretary

Mary Jane Pickens
Executive Director
Deputy Cabinet Secretary

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

December 19, 2017

**BOARD MEMBERS
PRESENT:**

Bruce R. Martin, CIC, CRM, Chairman
Bob Mitts, CPCU, Vice Chairman
James Wilson, Esq., Member
James A. Dodrill, Esq., Member
Edward Magee, Ed.D., CPA, Member
Allan McVey, Commissioner, West Virginia Office of the
Insurance Commissioner
Tonya Gillespie, CPA, West Virginia Office of the
Insurance Commissioner

BRIM PERSONNEL:

Robert Fisher, Deputy Director/Claims Manager
Stephen W. Schumacher, CPA, CFO
Melody Duke, Underwriting Manager
Jeremy Wolfe, Loss Control Manager
Sallie Milam, Chief Privacy Officer
John Fernatt, Claims Representative
Stephen W. Panaro, CPA, Controller
Lora Reynolds, Office Assistant II
Steve Fowler, Esq., BRIM Counsel
Edgar Poe, Esq., BRIM Counsel
Lora Myers, Recording Secretary

**BRIM PROGRAM
REPRESENTATIVES:**

Charles Waugh, AIG Claim Services
Brenda Samples, USI Insurance Services, LLC
Bob Ayers, USI Insurance Services, LLC

GUESTS:

Norman Mosrie, Dixon Hughes Goodman, LLC
Sandy Price, WVU Health Sciences Center
Kelsey Richards, WVU Risk Management
Michael Gansor, WVU Risk Management
Loretta Bennett, Mine Subsidence Claimant

CALL TO ORDER

Chairman Martin called the meeting of the West Virginia Board of Risk and Insurance Management to order at 1:00PM on Tuesday, December 19, 2017. The meeting was held at 1124 Smith Street, Suite 4600, Charleston, West Virginia.

APPROVAL OF MINUTES

Mr. Wilson moved the approval of the September 12, 2017, Board Meeting minutes. The motion was seconded by Vice Chairman Mitts. There being no discussion, a vote took place and the MOTION ADOPTED.

REPORTS

Dixon Hughes Goodman, LLC

Chairman Martin introduced Mr. Norman Mosrie, Partner at Dixon Hughes Goodman, LLC.

Mr. Mosrie thanked Mr. Schumacher and Mr. Panaro for their assistance and cooperation during the audit. Mr. Mosrie reviewed the Audited Financial Report – June 30, 2017. No internal control compliance issues were noted during the audit and a clean opinion issued.

For many years BRIM has received the GFOA award for financial expertise. The CAFR for this year was recently submitted and includes the financial statements. The largest estimate in the financial statements is Claims Reserve which Dixon Hughes Goodman verifies with their outside actuaries. You will notice the financial statements are large and this is due to the investment related footnotes. There is a well-balanced mix of investments. CPRB pension disclosures are included.

BRIM had no proposed or reported audit adjustments. BRIM management signed a representation letter which is customary. Management discussed changes that occur year over year. During FY17, cash increased, claims reserves were down a little due to positive claims development. Overall net position showed improvement and premiums were up over last year. Investment income is up over last year. There was a transfer of 2.8 million in funds to PICF. Cash flow is positive.

There were no questions for Mr. Mosrie. He again thanked Mr. Schumacher and his staff for their help. Mr. Mosrie wished everyone a happy holiday.

Executive Director's Report

Chairman Martin called on Mr. Fisher to present the Executive Director's Report in Mrs. Pickens absence. Mr. Fisher extended apologies from Mrs. Pickens and explained the reason for her absence. Mrs. Pickens traveled to Las Vegas to attend the graduation ceremony for her successful completion of the Toll Fellowship. Unfortunately, she was returning on a flight through Atlanta which experienced cancellations over the last few days. She had hoped to return in time to attend the meeting but sends her regrets.

Mr. Fisher reported on Marshall University and West Virginia University Medical Malpractice Programs; trials and claims. Additional details are available in the attached report.

Mr. Fisher reported on the Patient Injury Compensation Fund (PICF). He discussed the draft report to be filed with the Joint Committee on Government and Finance and the numerous suggestions included. He also reviewed the PICF funding status as of November 30, 2017.

BRIM's Risk Management Information System is progressing. The vendor, Emerson Risk Solution, visited in November to work on Underwriting needs. At this time, we do not have a date when the system will be completely functional.

Loss Control added an employee in October. Lora Reynolds was hired to replace Christine Johnson who retired earlier this year. Lora is a welcome addition to BRIM.

STRIMA was held September 17 – 21, 2017, in Big Sky, Montana. Melody Duke is the current STRIMA President.

BRIM is assisting the Purchasing Division with updates to state procurement possesses and forms. BRIM may designate staff to answer insurance related questions that agencies have about requirements when bidding out projects.

On October 24, 2017, BRIM sponsored an Insurance Producer Continuing Education seminar in the Falcon Center at Fairmont State University. The agenda included various presentations from BRIM staff and insurance professionals. Six hours of continuing education credits were received for the seminar. Feedback was positive.

The Executive Director's Report also included updates on Cyber Liability Insurance for the Boards of Education; Records Management and Retention Schedules; Classification Specifications for Loss Control positions; and Department of Administration Continuation of Operation Plans (COOP). The attached report includes additional information regarding these updates.

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

BRIM Financial Report

Mr. Schumacher was called upon by Chairman Martin to present the Chief Financial Officer's Report.

Mr. Schumacher reported on PCard activity for the months of August, September and October, 2017. He presented a brief audit update. Mr. Schumacher commented on Mr. Mosrie's presentation and the favorable impacts on BRIM's position.

Mr. Schumacher reported on Actuarial Results; Financial Results; and Premium to Net Asset Reserve Ratio.

Chairman Martin commented concerning the Premium to Net Asset Reserve Study and stated that the Board should revisit it in the future.

There were no questions for discussion.

The Chief Financial Officer's Report was received and filed, a copy is attached and made part of the record.

Loss Control Report

Chairman Martin called on Jeremy Wolfe for the Loss Control Report.

Mr. Wolfe reported that Loss Control hired Lora Reynolds to fill the vacant Office Assistant position. BRIM received about 40 applicants for the position. We are glad Lora joined us.

BRIM and Hartford Steam Boiler sponsored two boiler seminars in October. The seminars were attended by 144 participants and were well received.

Evaluations of state agency loss control questionnaire submissions were completed. Approximately 110 agencies will receive a premium credit for their participation. This program was designed to help our insured reduce and control claims through active risk management initiatives.

Mr. Wolfe reported loss control questionnaires sent to senate bill #3 insured and are due back to BRIM on January 1st.

From October to December, Aon conducted 108 inspections and Hartford conducted 870. The reports are being processed.

The Loss Control technical staff reports 12 Loss Control Visits; 4 Standards of Participation Visits and 2 Presentation Visits since the last meeting.

No questions followed, which concluded the Loss Control Report

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

Privacy Report

Chairman Martin called on Mrs. Milam to present the Privacy Report.

Mrs. Milam reported that The Strategic Plan for the Privacy Program was approved by Mary Jane Pickens on November 30, 2017. The plan covers 2018 – 2020. Development of this plan included input from the Privacy Management Team (PMT). The Strategic Plan is attached and includes additional information.

Mrs. Milam also reported on the Privacy Management Team Meetings which were held in October and December. Some topics discussed were vendor privacy and security risk management and assurance; update on federal and state privacy laws; strategic plan; project updates and training on payment card industry information program standards, incident response and cyber insurance. She also reported on several privacy trainings and privacy officer orientation trainings. The Chief Privacy Officer and the Chief Information Security Officer presented a session at the BRIM Producer's Conference concerning privacy and cyber security.

Privacy Impact Assessments were discussed by Mrs. Milam. A privacy impact assessment (PIA) is a tool used to assess the privacy impact and risks to the personally identifiable information stored, used and exchanged by information systems. A PIA evaluates privacy implications when information systems are created; are significantly modified; or technology is purchased. Currently, PIA completion is not mandatory for agencies.

2017 Updates to the Privacy Requirements Report and the HIPAA Preemption Analysis Report were also discussed and explained by Mrs. Milam. Additional details are available in the attached report.

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

Commissioner McVey directed a question to Mr. Poe. He asked if we had enough laws on the books to protect privacy or do we need to do more? Mr. Poe said he could not answer without additional study.

UNFINISHED BUSINESS

There was no unfinished business to be discussed.

NEW BUSINESS

There was no new business to be discussed.

ADJOURNMENT

Chairman Martin thanked everyone at BRIM for a great year. Meeting adjourned at 2:06PM.



Board Chairman



Date

ldm

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



Jim Justice
Governor

John A. Myers
Cabinet Secretary

Mary Jane Pickens
Executive Director
Deputy Cabinet Secretary

**Executive Director's Report
December 19, 2017**

- A. Marshall University and West Virginia University Medical Malpractice Program
- As of December 11, 2017, Marshall has deposited \$800,000.00 into the escrow account for FY 2018. The fiscal year-to-date cumulative interest totals \$7,442.12. Disbursements totaling \$873,109.59 have been paid thus far in FY 2018.
 - As of December 11, 2017, a total of \$723,130.22 has been deposited into WVU's escrow account for FY 2018. The fiscal year-to-date cumulative interest totals \$15,441.60. Disbursements totaling \$887,340.73 have been paid thus far in FY 2018.
- B. State Agency/Senate Bill #3 Liability Claim & Litigation Information

TRIALS

Thus far in 2017, we have tried nine cases to verdict, with four plaintiff verdicts and five defense verdicts. The following four verdicts were rendered since the last report:

Defense Verdicts

Preece vs. Mingo County Commission (410-118612) Defense Verdict on 9/28/17; Mingo Co. Cir. Ct.; Plaintiff allegedly fell at Mingo County Courthouse in an "employee only" area. Plaintiff did not seek treatment until 2 years after the accident.

Carpenter vs. WV State Police (501-330143) Defense Verdict on 12/8/17; U.S. Dist. Ct.-So. WV; Troopers entered Plaintiff's home on suspicion of drug activity and sex offended visit, which Plaintiff believed violated his constitutional rights.

Plaintiff Verdicts

Williams vs. Kanawha County Board of Education (501-198355); Plaintiff Verdict on 9/21/17; Kan. Co. Cir. Ct.; Plaintiff minor fractured leg in after-

school program administered by Charleston Community & Family Development. Verdict was \$306,000 with 70% against B.O.E. and 30% against co-def., who was determined to be Insured's agent. Demand before trial was \$500,000.

Shy vs. WV Regional Jail & Correctional Facility Authority (501-242107); Plaintiff Verdict on 12/7/17; Cabell Co. Cir. Ct.; Plaintiff alleged excessive force in subduing him after an altercation. Verdict was for \$0 Compensatory and \$4500 Punitive damages. Attorney fees may be awarded at 150% of verdict. Judge has not yet ruled on applicability of the verdict. Demand before trial was \$130,000.

PAID CLAIMS (November 2017 Data)

YTD Indemnity payments total \$32,685,372 vs. PYTD payments of \$37,936,488, a decrease of 13.84%.

YTD Legal payments total \$17,883,955 vs. PYTD payments of \$17,242,672, an increase of 3.72%.

OUTSTANDING CLAIMS (November 2017 Data)

YTD Indemnity reserves total \$47,338,338 vs. PYTD Indemnity reserves of \$60,019,918, a decrease of 21.13%.

YTD Expense reserves total \$19,021,566 vs. PYTD Expense reserves of \$19,748,962, a decrease of 3.68%.

CLAIMS COUNTS (November 2017 Data)

New claims YTD total 3182 vs. PYTD of 3635, a decrease of 12.46%.

Closed claims YTD total 3443 vs. PYTD of 3653, a decrease of 5.75%.

Open claims YTD total 1147 vs. PYTD of 1216, a decrease of 5.67%.

C. Patient Injury Compensation Fund (PICF)

A draft report is about ready to be filed with the Joint Committee on Government and Finance by December 31, 2017, which outlines the various challenges we've encountered in administration of the PICF following passage of SB 602 in 2016. The report concludes with several recommendations or suggestions of amendments that would clarify some issues and address a potential funding shortfall when the funding streams terminate under the current provisions in W. Va. Code § 29-12D-1a.

Recommendations include:

- Amendments to extend by six months the time period for fees associated with physician licensing, to address a retroactivity issue in SB 602.
- Amendments to clarify the definition of a "qualifying claim".

- Amendments to reduce and terminate the transfer by Circuit Clerks of filing fees for Medical Malpractice Civil Actions at the appropriate time.
- Amendments to require funding streams in W. Va. Code § 29-12D-1a to continue until BRIM certifies that all administrative expenses of the fund and all claims have been paid in full.
- Amendments to clarify whether W. Va. Code § 29-12D-1(a)(c) designates the party bearing financial responsibility for the 1% assessment or whether it refers to the party responsible for remitting the assessment, and to further clarify these responsibilities in non-litigated claims, lawsuits settled before trial, and judgments.
- Amendments to remove the Circuit Clerks from the 1% assessment process and require those to be sent to BRIM directly for deposit into the fund, along with certain information relating to the claim or lawsuit generating the assessment.

Status of Claims Settled and Pending

A total of 34 claims have been filed with the PICF from its inception. As of November 30, 2017, sixteen claims have been paid in full, two have been denied without appeal, and one denied claim is on appeal currently. Fifteen claims are currently in the payment phase and are receiving or will receive pro-rated annual payments that will continue as long as funding is available until they are fully paid. For the fiscal year that ended June 30, 2017, a total of \$9,739,549.13 was due to claimants and the amount of \$2,250,000 was available for distribution. We are making pro-rata payments on those claims as quickly as they are approved by a court and BRIM receives the information we need to obtain a check. We have one claim that became final in the current fiscal year which will be added to the pro-rata distributions in fiscal year 2019. The one claim left on appeal will also be added to the distributions then if it is resolved in the current fiscal year.

Notice of Intent to Sue

At the September Board meeting we discussed the notices of intent to sue that BRIM has received from some claimants' counsel. To date, no law suits have been filed and no new notices have been received.

PICF Funding Status as of November 30, 2017

As of July 1, 2016, which was the effective date of SB 602 which closed the PICF to new claims, the balance of the fund was \$936,876.00. As a result of the funding streams established by SB 602, we have collected the following totals through November 30, 2017.

Transfer of BRIM funds from HB 601 Program	\$2,810,250.91
1% Court Settlement Fees	890,706.40
Trauma Fees	514,700.00
Physicians' Licensing Fees	533,273.43
Court Filing Fees	128,210.00
TOTAL	\$4,877,140.74

The disbursements from the fund for the period in question were:

Claims Payments	\$4,524,108.46
Contractual and Professional	147,414.87
TOTAL	<u>\$4,671,523.33</u>

In addition, the fund earned interest totaling \$28,781.44. The PICF balance, as of November 30, 2017 was \$1,171,274.85.

D. Risk Management Information System (RMIS) Update

Development of BRIM's new Risk Management Information System continues to progress. AIG began providing daily claim data feeds at the beginning of October and we are about ready to roll out the claim portion of the new system. The delay at this point is as a result of AIG changing the format of its monthly report to BRIM which is used to reconcile claim data between the systems.

Our RMIS vendor, Emerson Risk Solutions, was here to visit with us in November to work on the Underwriting section of the system. We are in hopes that it should be ready for testing and implementation within the next 60 days. Work is already ongoing on the Loss Control section. We seem to be progressing nicely but don't yet have a date for when the system will be fully ready.

E. Personnel Changes

We are pleased to share that Loss Control added a new employee at the end of October to replace Christine Johnson, who retired at the end of June. Lora Reynolds is our new Loss Control Office Assistant, and she's picking up on all the tasks and responsibilities of her position very well. We welcome her to BRIM!

F. Miscellaneous


1. The annual STRIMA meeting was held from September 17th to the 21st in Big Sky, Montana. Robert Fisher, Melody Duke, Sallie Milam, Steve Schumacher and I attended from BRIM this year. It was a great meeting, with sessions on driverless technology, fine arts valuations, allocation of cost of risk, cyber liability, builders' risk coverage, and immigration impact. Our own Melody Duke is the current President of STRIMA, and she is representing our state very well in that role.
2. Robert Fisher and Sallie Milam are assisting the Purchasing Division with updates to state procurement processes and forms. At a meeting in late November, the Vendor Management Team met to discuss the privacy impact assessment that's needed for technology purchases, security assessments that our Office of Technology may want to implement in connection with these purchases, information on insurance coverages and limits that should be required in state contracts and how best to educate state agencies about them, and further discussion toward developing a standard technology procurement template. BRIM may be called upon to designate some staff to

answer insurance questions that agencies have about insurance requirements when they bid out projects.

3. BRIM sponsored an Insurance Producer Continuing Education seminar on October 24, 2017 in the Falcon Center at Fairmont State University. The agenda included Risk Mitigation & Severe Weather (Jeremy Wolfe); Insurance Issues Relating to Gun Ownership (Keith Gamble from Pullen's office in Morgantown); BRIM Policies and Issues Producers Should Understand (Insurance Commissioner Allan McVey); Privacy and Cyber Security for Insurance Professionals (Sallie Milam and Josh Spence), and Active Shooter Training (Chuck Mozingo and John Fernatt). Attendance was good, and we received approval for 6 continuing education credits. We received quite a bit of positive feedback. Next year we may host a conference for our insured to further foster our relationships in that area.
4. Melody Duke and BRIM's Underwriting Staff worked for several months with the Boards of Education to obtain applications for Cyber Liability Insurance. The policy was bound on December 1, 2017. The coverage is provided by AIG. We are working with the Office of Technology to make minor changes to the web portal that is used for submitting incidents, and we will also notify the Boards of Education and educate them about the coverage and processes around submission of incidents.
5. Records Management – Retention Schedules – DOA Secretary John Myers has asked all DOA agencies to review their record retention schedules and make appropriate updates. This is a topic we've discussed quite a bit over the past year and Sue Haga with the Privacy Office has agreed to be our records management task master, to help with updating our retention schedule and keep us on track with destruction of records pursuant to the schedule.
6. Working with the Division of Personnel, BRIM succeeded in obtaining updated classification specifications for our Loss Control positions, which were then approved by the State Personnel Board. These new positions are specific to BRIM and recognize that BRIM's Loss Control staff performs more complex work and has broader authority than the previous specifications provided. The Division of Personnel has also performed desk audits of the positions in our claims department and we anticipate a similar suggestion from Personnel with new classification specifications specific to these positions in BRIM. This has been a year-long project with Personnel and we're very pleased with their assistance.
7. Updates to Department of Administration Continuation of Operation Plans – Chuck Mozingo and John Fernatt have been asked by DOA Secretary John Myers to assist with updates to DOA agency COOPs and to provide training to agency directors to better enable them to maintain their COOPs and be prepared for an event that shuts down one or more agencies. John and Chuck have presented training at a Division Directors meeting, and will resume those training sessions at future meetings. Presently they are establishing relationships with agency points of contact and reviewing every DOA agency COOP to provide feedback on how to update and improve them.

We expect to have a report on the level of preparedness of each agency for Sec. Myers soon, but the training aspect of the project will be ongoing.

Very truly yours,


Mary Jane Pickens *by net*
Executive Director

MJP/RAF/ldm.

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



Jim Justice
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**Chief Financial Officer's Report
December 19, 2017**

A. P Card Report

CD copies contain the supporting detail for P card purchases for the months of August, September and October, 2017. These totals are:

August	\$22,910.28
September	\$40,730.83
October	\$33,156.19

B. Audited Financials and Audit Results and Communications

- The \$11.6 million decrease in FY'17 for the provision for insured events of prior fiscal years marks the second consecutive fiscal year that it has had a favorable impact on BRIM's net position. For FY'16 the decrease was \$3 million. Prior to FY'16, BRIM had incurred two consecutive years of unfavorable increases totaling \$9.1 million.
- The overall rate of return on all BRIM funds invested for FY'17 was 2.7% and 2.0% for FY'16, well below the 4% target. But decreases in the provision of insured events of prior fiscal years for both FY'17 and FY'16 have helped to offset the lower investment returns.

C. Current Financial Results

- The financial results presented are for the four months ended October 31, 2017. The results reflect the actuarially estimated unpaid losses from AON's risk funding study as of September 30, 2017, plus an additional accrual for October.
- Premium revenue has increased by \$3.1 million for the first four months of FY'18. This was increased primarily to cover the projected increase in loss pics for the current year.
- FY'18 reflects an estimated increase of claims liabilities of \$3.2 million for the current year vs. an increase of \$4.8 million for the same period last year.
- Actual claims payments for the first four months of FY'18 are approximately \$0.8 million higher than last year.
- Reserve and IBNR increases along with the actual claims payments made year-to-date are included in claims and claims adjustment expenses.
- The Fed voted last Wednesday to raise short-term interest rates for the third time this year, and indicated it would follow a similar path next year amid the Fed's leadership transition.
- Equity market returns are the primary reason for the significant improvement in current year investment earnings over last fiscal year.

C. Current Financial Results (cont'd)

- In the prior fiscal year, lower premium revenue and investment earnings, along with the transfer of \$2.8 million to the Patient Injury Compensation Fund (PICF), as mandated by enactment of SB602, adversely impacted BRIM's net position for the prior fiscal year through October 31 resulting in a decrease of \$3.9 million.
- Higher premium revenue and better investment earnings resulted in the overall improvement of \$6.6 million to BRIM's net position for the current fiscal year.

D. Premium to Net Asset Reserve Ratio

- On August 27, 2013, the Board approved a premium to net asset reserve ratio policy. The policy established a process to help guide BRIM's Board in assessing BRIM's overall financial condition. A calculated composite benchmark establishes a target range of net assets to assist BRIM in maintaining an adequate level of capital to help stabilize rates from year to year and to assist in monitoring BRIM's financial stability.
- The net asset reserve policy formulates a composite benchmark by combining a group of external insurance entities premiums to net assets to calculate a net asset ratio. This is then used as a basis to evaluate BRIM's premium to net assets ratio.
- A range of premium to net asset reserves is then developed to use as a guide to help evaluate acceptable risk level factors for BRIM's calculated ratio and how BRIM is tracking versus the similar type insurance entities that comprise the benchmark study.
- The attached range exhibit shows that BRIM has assumed a higher risk than the calculated composite of the benchmark group of entities. The premium to net asset ratio indicates that BRIM would need an additional \$45 million in net assets to fall near the middle of the range for a comparable level of risk to the benchmark. BRIM's net position (i.e. capital) is about 24% below what is calculated as the mid-point for the level of net premium generated by BRIM for FY'17 vs. the composite benchmark.
- It should be noted that premium revenue can vary considerably from year to year. BRIM has had to increase its premium revenue over the last several years as increases in projected loss pics and moving towards normalized premium have both impacted the premiums charged to its' insureds. Premium increases generally have the effect of increasing BRIM's risk acceptance level relative to the benchmark.

D. Other Financial Ratios

- The premium to net asset ratio is only one measure of financial stability/strength and should be considered in conjunction with other useful benchmarks to gauge BRIM's overall financial position.
- BRIM's loss reserve to surplus ratio for FY'17 (1.2 to 1.0), as mentioned at the previous board meeting, is in line with the ratio for private carriers for FY'16.
- BRIM's combined ratio of 98% is better than the industry average of 101%, based on property and casualty industry results as reported by ISO for the first half of 2017.
- BRIM's loss ratio of 91% vs. the industry average of 73% is well above the industry average.
- BRIM's expense ratio of 7% is very favorable versus the industry average of 28%.

Respectfully submitted,



Stephen W. Schumacher, CPA
Chief Financial Officer

West Virginia Board of Risk and Insurance Management

Statements of Revenues, Expenses, and Changes in Net Position

For the Four Months Ended October 31st

	2017	2016
	<i>(In Thousands)</i>	
Operating revenues		
Premiums	\$ 26,341	\$ 23,614
Less coverage/reinsurance programs	(1,872)	(2,226)
Net operating revenues	24,468	21,388
Operating expenses		
Claims and claims adjustment expense	22,920	23,601
General and administrative	1,490	1,323
Total operating expenses	24,409	24,924
Operating income (loss)	59	(3,536)
Nonoperating revenues		
Investment income	6,565	2,418
SB 602 Reappropriation	–	(2,810)
Net nonoperating revenues	6,565	(392)
Changes in net position	6,624	(3,927)
Total net position, beginning of year	199,328	190,960
Total net position, end of period	<u>\$ 205,953</u>	<u>\$ 187,032</u>

Unaudited

West Virginia Board of Risk and Insurance Management

Statements of Net Position

For the Four Months Ended October 31st

	2017	2016
	<i>(In Thousands)</i>	
Assets		
Current assets:		
Cash and cash equivalents	24,751	9,930
Advance deposits with insurance company and trustee	199,624	206,601
Receivables	5,017	10,496
Prepaid insurance	4,466	4,452
Restricted cash and cash equivalents	11,534	8,080
Restricted receivables:	0	0
Premiums due from other entities	643	620
Total current assets	246,035	240,180
Noncurrent assets:		
Equity position in internal investments pools	94,975	86,191
Restricted investments	54,848	49,775
Total noncurrent assets	149,823	135,965
Total assets	395,858	376,146
Deferred Outflows of Resources	458	387
Liabilities		
Current liabilities:		
Estimated unpaid claims and claims adjustment expense	47,713	50,819
Unearned premiums	14,672	13,108
Agent commissions payable	360	350
Claims Payable	108	135
Accrued expenses and other liabilities	2,167	1,859
Total current liabilities	65,021	66,271
Estimated unpaid claims and claims adjustment expense net of current portion	124,431	122,368
Compensated absences	107	91
Net pension liability	766	467
Total noncurrent liabilities	125,305	122,926
Total liabilities	190,326	189,197
Deferred Inflows of Resources	37	304
Net position:		
Restricted by State code for mine subsidence coverage	61,063	57,123
Unrestricted	138,265	133,837
Net Assets (Deficiency)	6,624	(3,927)
Net position	\$ 205,953	\$ 187,032

Unaudited

External Benchmark Comparison (FY'17)

(BRIM Actual Premium)

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

Premium or Operating Revenue	Net Assets	Premium to Net Asset Ratio (PNAR)	Name of Entity
\$ 22,368,401	\$ 46,893,219	0.477	Utah Local Government Trust
\$ 8,619,282	\$ 20,624,689	0.418	Texas Council Risk Management Fund (Cities)
\$ 4,493,666	\$ 11,194,331	0.401	Miami Valley R.M. Association (Ohio Municipalities)
\$ 12,441,357	\$ 47,353,568	0.263	Local Gov't Ins. Trust (Maryland Counties and Municipalities)
\$ 27,982,812	\$ 95,541,930	0.293	Intergovernmental Risk Mgmt. Agency (Illinois Municipalities)
\$ 4,855,087	\$ 17,664,395	0.275	Texas Water Conservation Fund
\$ 80,760,605	\$ 239,272,132		Combined Entities

Step 2: Derivation of Statistics

Entity Count Per Above (0.477 - 0.263)/2 = .107	6 0.107	Number of Similar Organizations With Data Available Average of the Range Between the Highest & Lowest PNAR
\$ 80,800,000	\$ 239,300,000	0.338
\$ 61,928,000	\$ 138,265,000	0.448

Combined PNAR of Similar Organizations (Average Risk)

BRIM's Premium Revenue, NAR and Calculated PNAR

Step 3: Matrix of Net Assets Risk Ratings for Various Premium Levels (\$ rounded to nearest 100,000)

Actual Premium Levels	Less Risk (PNAR Factor & NAR \$ Level)	<----- PNAR Factor & NAR \$ Level	Average Risk (PNAR Factor & NAR \$ Level)	-----> PNAR Factor & NAR \$ Level	More Risk (PNAR Factor & NAR \$ Level)
	0.238	0.288	0.338	0.388	0.438
\$ 85,000,000	\$ 357,100,000	\$ 295,100,000	\$ 251,500,000	\$ 219,100,000	\$ 194,100,000
\$ 82,500,000	\$ 346,600,000	\$ 286,500,000	\$ 244,100,000	\$ 212,600,000	\$ 188,400,000
\$ 80,000,000	\$ 336,100,000	\$ 277,800,000	\$ 236,700,000	\$ 206,200,000	\$ 182,600,000
\$ 77,500,000	\$ 325,600,000	\$ 269,100,000	\$ 229,300,000	\$ 199,700,000	\$ 176,900,000
\$ 75,000,000	\$ 315,100,000	\$ 260,400,000	\$ 221,900,000	\$ 193,300,000	\$ 171,200,000
\$ 72,500,000	\$ 304,600,000	\$ 251,700,000	\$ 214,500,000	\$ 186,900,000	\$ 165,500,000
\$ 70,000,000	\$ 294,100,000	\$ 243,100,000	\$ 207,100,000	\$ 180,400,000	\$ 159,800,000
\$ 67,500,000	\$ 283,600,000	\$ 234,400,000	\$ 199,700,000	\$ 174,000,000	\$ 154,100,000
\$ 65,000,000	\$ 273,100,000	\$ 225,700,000	\$ 192,300,000	\$ 167,500,000	\$ 148,400,000
\$ 62,500,000	\$ 262,600,000	\$ 217,000,000	\$ 184,900,000	\$ 161,100,000	\$ 142,700,000
\$ 60,000,000	\$ 252,100,000	\$ 208,300,000	\$ 177,500,000	\$ 154,600,000	\$ 137,000,000
\$ 57,500,000	\$ 241,600,000	\$ 199,700,000	\$ 170,100,000	\$ 148,200,000	\$ 131,300,000
\$ 55,000,000	\$ 231,100,000	\$ 191,000,000	\$ 162,700,000	\$ 141,800,000	\$ 125,600,000
\$ 52,500,000	\$ 220,600,000	\$ 182,300,000	\$ 155,300,000	\$ 135,300,000	\$ 119,900,000
\$ 50,000,000	\$ 210,100,000	\$ 173,600,000	\$ 147,900,000	\$ 128,900,000	\$ 114,200,000
\$ 47,500,000	\$ 199,600,000	\$ 164,900,000	\$ 140,500,000	\$ 122,400,000	\$ 108,400,000
\$ 45,000,000	\$ 189,100,000	\$ 156,300,000	\$ 133,100,000	\$ 116,000,000	\$ 102,700,000
\$ 42,500,000	\$ 178,600,000	\$ 147,600,000	\$ 125,700,000	\$ 109,500,000	\$ 97,000,000
\$ 40,000,000	\$ 168,100,000	\$ 138,900,000	\$ 118,300,000	\$ 103,100,000	\$ 91,300,000
\$ 37,500,000	\$ 157,600,000	\$ 130,200,000	\$ 110,900,000	\$ 96,600,000	\$ 85,600,000

Net Premium	\$ 61,900,000
Calculated N.A.	\$ 183,100,000
Actual N.A.	\$ 138,300,000
N. A. Shortfall	\$ 44,800,000

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



Jim Justice
Governor

John A. Myers
Cabinet Secretary

Mary Jane Pickens
Executive Director
Deputy Cabinet Secretary

**Loss Control Report to the Board
December 2017**

We are pleased to report that we have been able to fill the vacant Office Assistant position within the Department. Lora Reynolds began her career at BRIM on October 16, 2017. We are pleased to have her aboard and look forward to great things from her in the future.

We completed the evaluations of state agency fiscal year 2019 loss control questionnaire submissions. Approximately 110 agencies will be receiving a premium credit for their participation in our Standards of Participation program, which was designed to help our insured reduce and control claims through active risk management initiatives.

BRIM and Hartford Steam Boiler sponsored two boiler safety and operational seminars in October. A total of 144 people attended the seminars. These seminars are popular with our insured.

In November, we sent out loss control questionnaires to our senate bill #3 insured. The completed questionnaires and supporting documentation are due to BRIM on January 1, 2016.

During the months of October, November, and December Aon conducted 108 inspections and Hartford conducted 870. The reports are being processed according to established procedures.

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

12 Loss Control Visits

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

4 Standards of Participation Visits

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

2 Presentation Visits

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

Respectfully submitted,

A handwritten signature in blue ink that reads "Robert A. Fisher".

Robert A. Fisher
Deputy Director and Claim Manager

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



Jim Justice
Governor

John A. Myers
Cabinet Secretary
Deputy Cabinet Secretary

Mary Jane Pickens
Executive Director

Chief Privacy Officer's Report

December 19, 2017

A. Strategic Plan

- On November 30, 2017, Mary Jane Pickens approved the Strategic Plan for the Privacy Program which covers years 2018 – 2020. We developed this plan with input from the Privacy Management Team (PMT), which includes privacy officers and other representatives from across the Executive Branch, other constitutional offices and higher education. The team provided input into rating the program's maturity against established criteria, as well as into each criterion's importance. Based upon this information, we developed a mission statement, roles and responsibilities and mission statement objectives.
- The BRIM management team reviewed and provided input into the plan. Additionally, review and input were received from the Governor's Privacy Officer and the Chief Information Security Officer.
- A copy of the Strategic Plan is attached.

B. Privacy Management Team Meetings

- Since the September BRIM board meeting, the PMT met on October 12 and December 7.
- At the October meeting, 17 individuals were in attendance, representing 9 departments. At the December meeting, 21 individuals were in attendance, representing 10 departments. Topics discussed included: vendor privacy and security risk management and assurance; update on federal and state privacy

laws; strategic plan; project updates; and, training on payment card industry information program standards, incident response and cyber insurance.

C. Privacy Training

- Between September 1 and December 7, 1,909 members of the Executive Branch workforce have completed general privacy awareness training called *Think WV Privacy*.
- Between September 1 and December 7, 293 members of the Executive Branch workforce have completed general HIPAA awareness training called *HIPAA/HITECH*.
- Since the September BRIM board meeting, the State Privacy Office provided privacy officer orientation training to three individuals.
- The Chief Privacy Officer, with the Chief Information Security Officer, presented a session entitled *Privacy and Cyber Security* at the BRIM Producer Conference held in Fairmont, West Virginia in October.

D. Privacy Impact Assessments

- A privacy impact assessment (PIA) is a tool used to assess the privacy impact and risks to the personally identifiable information (PII) stored, used, and exchanged by information systems. A PIA evaluates privacy implications when information systems are created, when existing systems are significantly modified, or new technology is purchased.
- At this point, PIA completion is not mandatory for agencies.
- Between September 1 and December 7, eight PIAs have been completed.

E. 2017 Updates to the Privacy Requirements Report and the HIPAA Preemption Analysis Report

- Updates were prepared by Pullin, Fowler, Flanagan, Brown & Poe, PLLC, dated October 10, 2017.
- Privacy Requirements:
This report reviews laws that impact the Executive Branch. This report is reviewed and updated on an annual basis, with issuance in the fall of each year. Laws are divided into two categories – Federal and State. Each law is identified

by common name, legal citation with a description, implications, and electronic source. Each law is mapped to applicable Privacy Principles.

- **HIPAA Preemption Analysis:**
This chart provides an overview of the West Virginia health care privacy related laws and an analysis of the preemption issues arising under the Privacy, Security, Breach Notification, and Enforcement Rules (45 C.F.R Parts 160, 162, and 164) of the Health Insurance Portability and Accountability Act of 1996, as amended by and including the regulations issued by the Department of Health and Human Services by the Health Information Technology for Economic and Clinical Health Act, Subtitle D- Privacy (§§ 13400 – 13424) (HIPAA). To assist healthcare providers and other entities in the complicated task of determining whether West Virginia state statutes are preempted by HIPAA, this legal advisory chart provides an analysis of those state law provisions which appear to implicate HIPAA. In addition, the chart is a general reference guide to many of the health care related laws in West Virginia.
- Updates will be made available on the State Privacy Office's website at <http://privacy.wv.gov/Pages/default.aspx>.

Very truly yours,

Sallie Milam

Sallie H. Milam, JD, CIPP/US/G
Chief Privacy Officer, WV Executive Branch



West Virginia State Privacy Program Strategic Plan 2018 - 2020

Mission

In furtherance of Executive Order No. 3-17, the purpose of the West Virginia State Privacy Program (WVSPP) is to appropriately protect the privacy of personally identifiable information (PII), including protected health information (PHI), federal tax information (FTI) and payment card industry information (PCI), collected and maintained by state agencies, through governance, risk management and compliance.

Roles and Responsibilities

Privacy is a shared responsibility across all departments and programs. Under the leadership of the West Virginia Board of Risk & Insurance Management (BRIM) Executive Director, the State Privacy Office (SPO) leads the WVSPP and the West Virginia Privacy Management Team (PMT). The PMT is an integral component of the program and is comprised of privacy officers and subject matter experts from across the Executive Branch.

The SPO sets team goals, with the PMT's participation and consensus, to accomplish the program's mission. Expertise from outside of the PMT is sought when needed. Workgroups may be formed with PMT members as well as others, with subject matter expertise, authority or resources to accomplish specific deliverables. Therefore, a team goal is often accomplished through collaboration with leadership from a variety of agencies. A new product, policy or program is then presented to the PMT and the Governor's cabinet for implementation across the Executive Branch.

Mission Statement Objectives

The WVSPP adopts the American Institute of Certified Public Accountants' (AICPA) Privacy Maturity Model. Based upon a review of program maturity and importance, over the next three years, the WVSPP will focus on improving the maturity of the following elements:

1. Infrastructure and systems management.

- a. AICPA criterion: The organization's¹ policies require that any acquisition of information-related products or services, as well as its system-development life cycle, address privacy.

Action (1): WV Executive Branch will *require* the completion of a Privacy Impact Assessment that evaluates privacy implications when developing or procuring any new technologies or systems that handle or collect PII.

- b. AICPA criterion: The organization has detailed checklists and procedures, and has assigned personnel, for ensuring the design, acquisition, development, and implementation of information-related products and services are compliant with relevant privacy policies.

Action (2): WV Executive Branch will implement a Privacy by Design (PbD) program. PbD is an approach to systems engineering which takes privacy into account throughout the whole engineering process.

2. Privacy incident management. AICPA criterion: Because of its rigorous response process, the organization has resolved all known privacy incidents within 30 days for at least the past year.

Action (3): BRIM will implement an automated incident management system to reduce risk and simplify compliance with data breach law.

3. Risk assessment.

- a. AICPA criterion: The organization's policies require that any acquisition of information-related products or services, as well as its system-development life cycle, address privacy.

Action (4): WV Executive Branch will *require* the completion of a Privacy Impact Assessment that evaluates privacy implications when developing or procuring any new technologies or systems that handle or collect PII. (See, Action (1)).

- b. AICPA criterion: The organization has detailed checklists and procedures, and has assigned personnel, for ensuring the design, acquisition, development, and implementation of information-related products and services are compliant with relevant privacy policies.

Action (5): WV Executive Branch will implement a vendor management program, addressing risk assessment, appropriate privacy and security contract terms and assurance.

¹ Organization refers to the appropriate governmental unit.

4. Policy documentation. AICPA criterion: The organization's privacy policies address all 8 privacy principles and are displayed on their relevant websites.

Action (6): BRIM will update and revise Executive Branch Privacy Policies and audit a representative sampling of agency privacy notices.

5. Privacy awareness and training. AICPA criterion: The organization annually communicates its privacy policies to all of its personnel that encounter personal information.

Action (7): BRIM will update HIPAA awareness training module.

Review

The SPO will review and report on progress on this plan on an annual basis to the Governor, prior to the first day of each calendar year, in accordance with Executive Order Number 3-17.



Mary Jane Rickens
Executive Director
West Virginia Board of Risk & Insurance Management

11-30-17

Date

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

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

Years Ended June 30, 2017 and 2016



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Report of Independent Auditors

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

Emphasis of Matter

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4 to 11 and the required supplementary information on pages 56 to 60 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 62 through 69 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 6, 2017, on our consideration of BRIM's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering BRIM's internal control over financial reporting and compliance.

Dixon Hughes Goodman LLP

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

Management's Discussion and Analysis
(in thousands)

Management's Discussion and Analysis (in thousands)

Overview of the financial statements

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

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

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

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

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

During fiscal year 2016, BRIM implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application* and GASB Statement No 79, *Certain External investment Pools and Pool Participants*. GASB 72 generally requires investments to be measured at fair value and disclosures to be made about fair value measurements, the level of fair value hierarchy and valuation techniques, organized by type of asset or liability reported at fair value. It also requires additional disclosures for investments in certain entities that calculate net asset value (NAV) per share (or its equivalent). GASB 79 establishes criteria for making the election to measure all of its investments at amortized cost for financial reporting purposes. BRIM participates in BTI's West Virginia Money Market Pool, which has been deemed to meet the criteria and is reported at amortized cost.

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

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

Effective July 1, 2014, BRIM adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* - an amendment of GASB Statement No. 27, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* - an amendment of GASB Statement No. 68. BRIM determined that it was not practical to restate all periods presented and has recorded the cumulative effect of the decrease to beginning net position of implementing this change of \$495 as of July 1, 2014, which is the net pension liability of \$628, less deferred outflows of resources related to pension plan contributions of \$133 as of that date.

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

Financial highlights

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

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

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

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

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

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

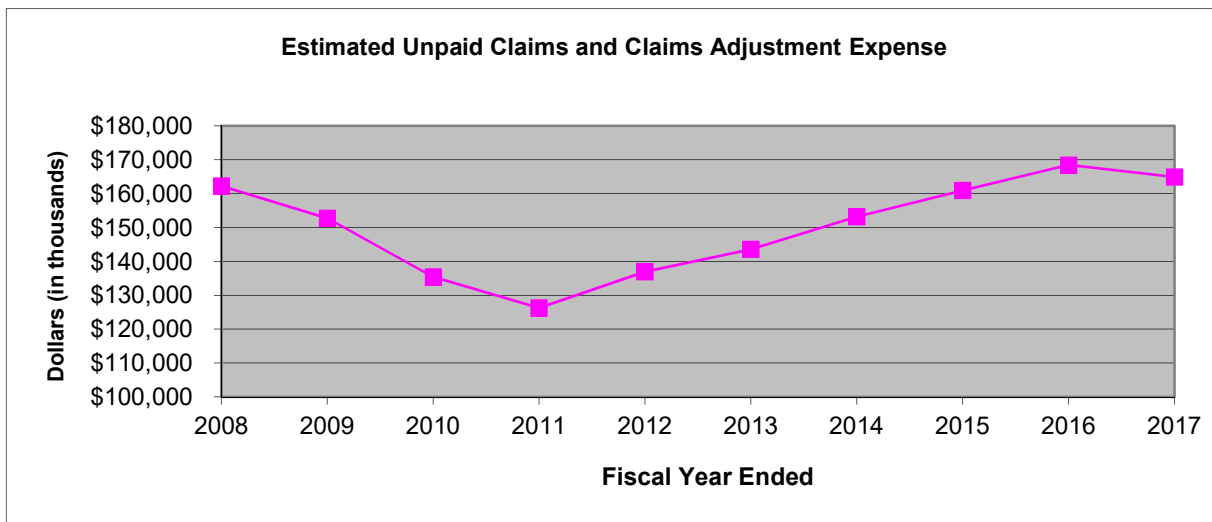
Overall analysis

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

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

Unpaid Claims Liability

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



House Bills 601 and 2122 and Senate Bill 602

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

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

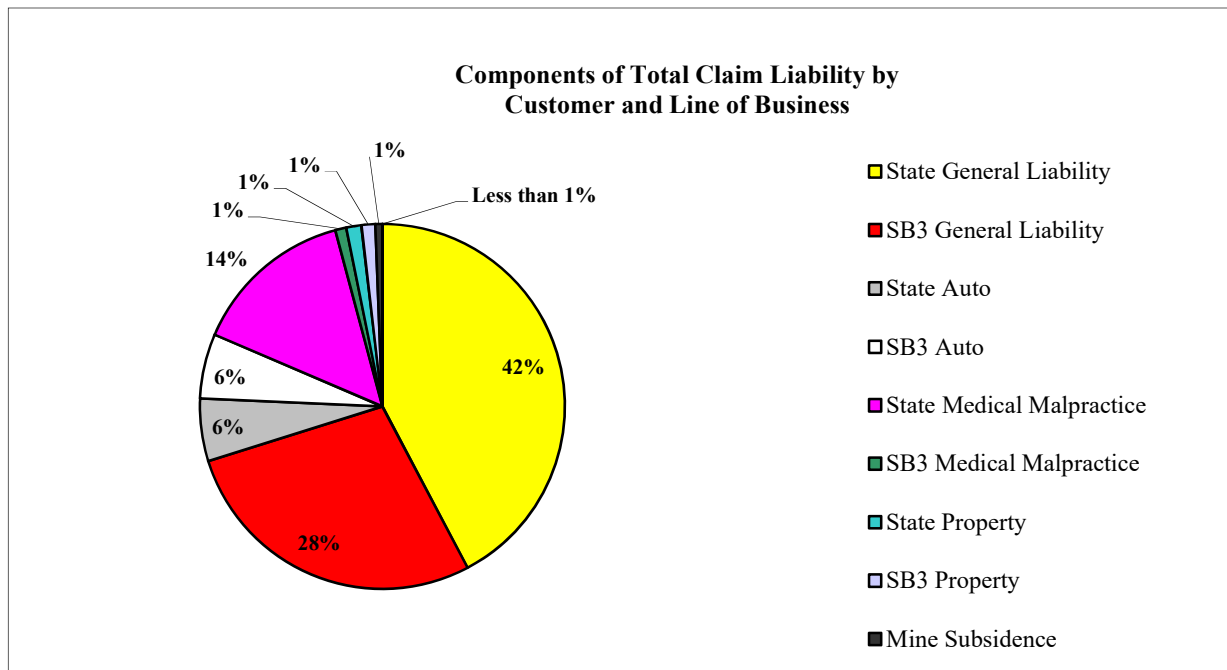
Senate Bill 602 passed in March 2016 and closed the Medical Liability Fund. All remaining funds were transferred to the Patient Injury Compensation Fund in July 2016.

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

Results by Line of Business for BRIM

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

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



There is no long-term debt activity.

Economic factors and next year's rates

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

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

Risk Management

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

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

Investment Returns

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

Premium Determination Process

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

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

Requests for information

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

Financial Statements
(in thousands)

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

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

See accompanying notes.

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

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

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

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

See accompanying notes.

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

(Continued)

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

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 170 State agencies participate in the program. Beginning in 1980, county boards of education were authorized to participate in the liability portion of this program, with 55 county boards currently participating in the program. In fiscal year 1987, Senate Bill 3 (SB3) was enacted, allowing local governmental entities and nonprofit organizations to participate in the entire program. There are approximately 900 such entities participating in the program. In 1982, legislation was also enacted requiring BRIM to establish and administer a coal mine subsidence reinsurance program that makes available to the general public dwelling insurance covering damage up to a specific maximum caused by the collapse of underground coal mines.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2. Summary of Significant Accounting Policies

Basis of accounting

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

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

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

Use of estimates

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

Cash and cash equivalents

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

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

Advance deposits with insurance company and trustee

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

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

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

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

Investments

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

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

Fair value measurements

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

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

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

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

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

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

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

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

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

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

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

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

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

Compensated absences

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

Unpaid claims and claims adjustment expense

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

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

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

Deferred outflows of resources

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

Deferred inflows of resources

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

Receivables and premium income

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

Unearned premiums

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

Restricted net position

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

Subsequent events

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

3. Deposit and Investment Risk Disclosures

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

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

Cash equivalents

West Virginia Money Market Pool

BRIM participates in BTI's West Virginia Money Market Pool, which has been deemed to meet the GASB 79 criteria to be reported at amortized cost. The criteria specify that the pool must transact with their participants at a stable net asset value per share and meet requirements for portfolio maturity, portfolio quality, portfolio diversification, portfolio liquidity and shadow pricing. The BTI does not place limitations on or restrictions on participant withdrawals from the pool, such as redemption notice periods, maximum transaction amounts and any authority to impose liquidity fees or redemption gates. Accordingly, as a pool participant, BRIM measures its investment in this pool at amortized cost that approximates fair value of \$35,200 and \$25,002 at June 30, 2017 and June 30, 2016, respectively. These deposits are reported as cash and cash equivalents. Investment income earned is pro-rated to BRIM at rates specified by the BTI based on the balance of the deposits maintained in relation to the total deposits of all state agencies participating in the pool. Such funds are available to BRIM with overnight notice. BTI's audited financial statements, including the West Virginia Money Market Pool, are available on their website www.wvbt.com.

Credit Risk and Interest Rate Risk

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

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

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

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

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

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

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

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

Concentration of Credit Risk

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

Custodial Credit Risk

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

Foreign Currency Risk

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

Investments

West Virginia Investment Management Board Investment Pools

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

West Virginia Board of Risk and Insurance Management
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Investment Objectives

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

Asset Allocation

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

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

Asset Value

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

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

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

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

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

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

Asset class risk disclosures

Large Cap Domestic Equity Pool

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

Credit Risk and Interest Rate Risk

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

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

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

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

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

Concentration of Credit Risk

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

Custodial Credit Risk

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

Foreign Currency Risk

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

West Virginia Board of Risk and Insurance Management
Notes to Financial Statements
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Fair Value Measurements

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

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

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

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

Non-Large Cap Domestic Equity Pool

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

Credit Risk and Interest Rate Risk

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

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

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

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

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

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

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

Concentration of Credit Risk

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

Custodial Credit Risk

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

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

Foreign Currency Risk

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

Fair Value Measurements

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

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

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

Redemption Provisions

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

International Equity Pool

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

Credit Risk and Interest Rate Risk

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

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(in thousands)

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

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

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

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

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

Concentration of Credit Risk

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

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(in thousands)

Custodial Credit Risk

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

Foreign Currency Risk

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

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

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

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(in thousands)

Fair Value Measurements

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

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

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

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

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

Short-Term Fixed Income Pool

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

Credit Risk and Interest Rate Risk

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

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

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

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

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

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

Concentration of Credit Risk

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

Custodial Credit Risk

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

Foreign Currency Risk

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

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Fair Value Measurements

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

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

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

International Nonqualified Pool

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

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

Fair Value Measurements

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

Redemption Provisions

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

Total Return Fixed Income Pool

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

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Credit Risk and Interest Rate Risk

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

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

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

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

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

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

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

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

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

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

Concentration of Credit Risk

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

Custodial Credit Risk

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

Foreign Currency Risk

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

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

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

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

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

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

Fair Value Measurements

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

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

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

Redemption Provisions

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

Core Fixed Income Pool

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

Credit Risk and Interest Rate Risk

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

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

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

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

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

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

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

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

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

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

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

Concentration of Credit Risk

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

Custodial Credit Risk

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

Foreign Currency Risk

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

Fair Value Measurements

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

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

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

Hedge Fund Pool

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

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

Investment Risk

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

Fair Value Measurements

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

West Virginia Board of Risk and Insurance Management
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Assets	Level 1	Level 2	Level 3	Total
Money market mutual fund	\$ 22	\$ -	\$ -	\$ 22
Hedge funds				<u>1,809,889</u>
Total				<u>\$ 1,809,911</u>

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

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

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

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

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

Treasury Inflation Protection Securities (TIPS)

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

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

Credit Risk and Interest Rate Risk

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

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

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

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

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

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

Concentration of Credit Risk

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

Custodial Credit Risk

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

Foreign Currency Risk

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

Fair Value Measurements

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

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

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

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Advanced deposits

Insurance Company And Trustee

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

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

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

Concentration of Credit Risk

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

Custodial Credit Risk

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

Interest Rate Risk

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

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

Foreign Currency Risk

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

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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:

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

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

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

4. Unpaid Claims and Claims Adjustment Expense Liability

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

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

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

5. Employee Benefit Plans

Plan description

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

Benefits provided

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

Contributions

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

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

Effective July 1, 2014, BRIM adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* – an amendment of GASB Statement No. 27, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* – an Amendment of GASB Statement No. 68. The West Virginia Consolidated Public Retirement Board (WVCPRB) administers this cost-sharing multiple-employer plan.

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

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

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

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

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

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

Year ending June 30:

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

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

Actuarial assumptions and methods

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

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

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

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

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

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

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

Discount rate

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

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

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

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

Other postemployment benefits (OPEB)

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

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

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

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

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

6. Lease Arrangement

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

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

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

7. Transactions With Primary Government and Component Units

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

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

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

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

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

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

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

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

Required Supplementary Information
(in thousands)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1. Trend Information Presented

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

2. Plan Amendment

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

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

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

3. Changes in Assumptions

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

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

Other Financial Information
(in thousands)

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

	Other Lines of Business	Mine Subsidence	House Bill 601 Medical Malpractice	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 26,291	\$ -	\$ -	\$ 26,291
Advance deposits with carrier/trustee	193,352	-	-	193,352
Receivables, net	1,271	-	-	1,271
Prepaid insurance:				
Restricted cash and cash equivalents	-	10,168	-	10,168
Restricted receivables, net	-	643	-	643
Total current assets	220,914	10,811	-	231,725
Noncurrent assets:				
Investments	91,500	-	-	91,500
Restricted investments	-	52,841	-	52,841
Total non current assets	91,500	52,841	-	144,341
Total assets	312,414	63,652	-	376,066
Deferred outflows of resources	458	-	-	458
LIABILITIES				
Current liabilities:				
Estimated unpaid claims and claims adjustment expense	47,088	625	-	47,713
Unearned revenue	7,626	1,548	-	9,174
Agent commissions payable	1,279	-	-	1,279
Accrued expenses and other liabilities	896	18	-	914
Interprogram (receivables) payables	(15)	15	-	-
Total current liabilities	56,874	2,206	-	59,080
Noncurrent liabilities:				
Estimated claims and claims adjustment expense, noncurrent	116,813	393	-	117,206
Compensated absences	102	5	-	107
Net pension liability	766	-	-	766
Total noncurrent liabilities	117,681	398	-	118,079
Total liabilities	174,555	2,604	-	177,159
Deferred inflows of resources	37	-	-	37
Net position:				
Restricted	-	61,063	-	61,063
Unrestricted	138,265	-	-	138,265
Net position	<u>\$ 138,265</u>	<u>\$ 61,063</u>	<u>\$ -</u>	<u>\$ 199,328</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, 2017
(in thousands)

	Other Lines of Business	Mine Subsidence	House Bill 601 Medical Malpractice	Total
Operating revenues:				
Premiums	\$ 68,609	\$ 2,759	\$ -	\$ 71,368
Less excess coverage/reinsurance premiums	(6,681)	-	-	(6,681)
Total operating revenues	61,928	2,759	-	64,687
Operating expenses:				
Claims and claims adjustment expense	58,755	394	-	59,149
General and administrative expense	4,118	82	-	4,200
Total operating expenses	62,873	476	-	63,349
Operating income (loss)	(945)	2,283	-	1,338
Nonoperating revenues (loss):				
Investment income (loss)	5,373	4,469	(1)	9,841
Payment in accordance with SB 602	-	-	(2,810)	(2,810)
Net nonoperating revenues	5,373	4,469	(2,811)	7,031
Increase (decrease) in net position	<u>\$ 4,428</u>	<u>\$ 6,752</u>	<u>\$ (2,811)</u>	<u>\$ 8,369</u>

West Virginia Board of Risk and Insurance Management
Form 7 - Deposits Disclosure
Year Ended June 30, 2017
(in thousands)

		<u>Fair Value</u>	
Cash with Treasurer		<u>\$ 1,260</u>	(1)
(1) Agrees to audited statement of cash flows as follows:			
Cash with Treasurer		\$ 1,260	(2)
Cash equivalents with BTI		<u>35,199</u>	(2)
		<u>\$ 36,459</u>	(3)
(2) Agrees to Form 8-A			
(3) Agrees to audited statement of net position as follows:			
Cash and cash equivalents	\$ 26,291		
Restricted cash and cash equivalents	<u>10,168</u>		
	<u>\$ 36,459</u>		

West Virginia Board of Risk and Insurance Management
Form 8 - Investments Disclosure
Year Ended June 30, 2017
(in thousands)

<u>Investment Pool</u>	<u>Amount Unrestricted</u>	<u>Amount Restricted</u>	<u>Amount Reported</u>	<u>Fair Value</u>
BTI and WVIMB Investment Pools:				
Cash liquidity	\$ 25,407 (1)	\$ 9,792 (1)	\$ 35,199 (3)	\$ 35,199
Long-term	<u>91,500 (1)</u>	<u>52,841 (1)</u>	<u>144,341 (3)</u>	<u>144,341</u>
Total investments	<u>\$ 116,907 (1)</u>	<u>\$ 62,633 (1)</u>	<u>\$ 179,540</u>	<u>\$ 179,540</u>

(1) Agrees to audited statement of net position as follows:

Investments with BTI and WVIMB	\$ 116,907 (1)	\$ 62,633
Less investments classified as cash equivalents	<u>25,407</u>	<u>9,792</u>
Total investments	<u>\$ 91,500 (2)</u>	<u>\$ 52,841 (2)</u>

(2) Agrees to audited statement of net position

(3) Agrees to Form 8-A

West Virginia Board of Risk and Insurance Management
Form 8-A - Deposits and Investments Disclosure
Year Ended June 30, 2017
(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	\$	10,168	(1)
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Unrestricted		26,291	(1)
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Total cash and cash equivalents		36,459	
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Less investments disclosed as cash equivalents		35,199	(2)(3)
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Fair value of deposits as disclosed on Form 7	\$	1,260	(2)
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Investments:

Investments as reported:

Noncurrent – restricted	\$	52,841	(1)
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Noncurrent – unrestricted		91,500	(1)
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Total investments		144,341	
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Add investments disclosed as cash equivalents		-	
---	--	---	--

Fair value of investments as disclosed on Form 8	\$	144,341	(3)
--	----	---------	-----

(1) Agrees to audited statement of net position

(2) Agrees to Form 7

(3) Agrees to Form 8

West Virginia Board of Risk and Insurance Management
Form 9 - Schedule of Receivables (Other Than State Agencies)
Year Ended June 30, 2017
(in thousands)

	<u>Amount</u>
Accounts receivable (other than State agencies):	
Total accounts receivable as of June 30, 2017	\$ 1,914 (1)
Less allowance for doubtful accounts	<u>- (2)</u>
Net receivable	<u><u>\$ 1,914</u></u>
(1) Derived from the audited statement of net position as follows:	
Receivables	\$ 1,271 (2)
Restricted receivables	<u>643 (2)</u>
	<u><u>\$ 1,914</u></u>
(2) 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, 2017
(in thousands)

<u>Receivable From</u>	<u>Amount</u>
Accounts receivable from other State agencies	<u>\$ (6)</u> (1)
(1) Premiums due from other State agencies	\$ (6)
Premiums due from other entities	<u>1,277</u>
Total receivables	<u>\$ 1,271</u> (2)
(2) 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
Year Ended June 30, 2017
(in thousands)

<u>Type of Debt</u>	<u>Final Maturity Date</u>	<u>Balance as Reported June 30 2016</u>	<u>Payments</u>	<u>Other Changes</u>	<u>Balance June 30 2017</u>
Compensated absences – annual leave	Varies	<u>\$ 91</u>	<u>\$ -</u>	<u>\$ 16</u>	<u>\$ 107</u> (1)

(1) Agrees to audited statement of net position

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

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

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the West Virginia Board of Risk and Insurance Management (BRIM), which comprise the statement of net position as of June 30, 2017, and the related statements of revenues, expenses and changes in position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 6, 2017.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the 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 6, 2017

DHG

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



John A. Myers
Cabinet Secretary

Mary Jane Pickens
Executive Director
Deputy Cabinet Secretary

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

March 20, 2018

Chairman Martin

Call to Order

Chairman Martin

Approval of Board Minutes
December 19, 2017

REPORTS

Terry C. Pfeifer
AON Senior Consultant

Risk Funding Study as of
June 30, 2017

Mary Jane Pickens
Executive Director

Executive Director's Report

Stephen W. Schumacher, CPA
Chief Financial Officer

Financial Report
PCard Report

Robert A. Fisher
Deputy Director/Claim Manager

Loss Control Report

UNFINISHED BUSINESS

NEW BUSINESS

ADJOURNMENT

ldm

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



John A. Myers
Cabinet Secretary

Mary Jane Pickens
Executive Director
Deputy Cabinet Secretary

**MINUTES OF THE MEETING
OF THE
WEST VIRGINIA BOARD OF RISK AND INSURANCE MANAGEMENT
March 20, 2018**

**BOARD MEMBERS
PRESENT:**

Bruce R. Martin, CIC, CRM, Chairman
Bob Mitts, CPCU, Vice Chairman
James Wilson, Esq., Member
James A. Dodrill, Esq., Member
Edward Magee, Ed.D., CPA, Member
Allan McVey, Board Secretary, Ex-Officio Member
Commissioner, West Virginia Office of the
Insurance Commissioner

BRIM PERSONNEL:

Mary Jane Pickens, Executive Director
Robert Fisher, Deputy Director/Claims Manager
Stephen W. Schumacher, CPA, CFO
Melody Duke, Underwriting Manager
Jeremy Wolfe, Loss Control Manager
Sallie Milam, Chief Privacy Officer
Chuck Mozingo, Asst. Claims Manager
Stephen W. Panaro, CPA, Controller
Lora Myers, Recording Secretary

**BRIM PROGRAM
REPRESENTATIVES:**

Steve Fowler, Esq., BRIM Counsel
Edgar Poe, Esq., BRIM Counsel
Charles Waugh, AIG Claim Services
Jim Harlan, AIG Claim Services
Brenda Samples, USI Insurance Services, LLC
Bob Ayers, USI Insurance Services, LLC

GUESTS:

Tonya Gillespie, CPA, West Virginia Office of the
Insurance Commissioner
Terry Pfeifer, AON Senior Consultant
Sandy Price, WVU Health Sciences Center

CALL TO ORDER

Chairman Martin called the meeting of the West Virginia Board of Risk and Insurance Management to order on Tuesday, March 20, 2018, at 1:00PM. The meeting was held at 1124 Smith Street, Suite 4600, Charleston, West Virginia.

APPROVAL OF MINUTES

Mr. Dodrill moved the approval of the December 19, 2017, Board Meeting minutes. The motion was seconded by Vice Chairman Mitts. There being no discussion, a vote took place and the MOTION ADOPTED.

REPORTS

AON

Chairman Martin introduced Mr. Terry Pfeifer, AON Senior Consultant, to report on the Risk Funding Study as of June 30, 2017. Mr. Pfeifer commented that he remembered several people from his presentation last year. Mr. Pfeifer referred to the Risk Funding Study available in each packet and addressed a variety of topics in the study.

Mr. Pfeifer reported that the Property/Casualty insurance industry entered 2017 in strong financial condition. Surplus as of September 30, 2017 was at an all-time high. Underwriting losses in 2017 hit 20 million dollars mostly due to catastrophes such as hurricanes and wildfires. Medical Malpractice cost is growing nationally at about 2% annually. In reviewing Medical Malpractice, Mr. Pfeifer explained certain points specific to West Virginia.

Mr. Pfeifer presented examples of increases/decreases associated with the study results. He also explained the Comparison of Premium and Ultimate Losses. General Liability was reviewed and is approximately 70% of total BRIM unpaid losses. Many claims closed less than their reserved amounts. Historical changes in unpaid losses were discussed. Effective 7/1/15, the medical schools' practice plans were transferred from SB3 to SSU. The limit of liability for the medical schools was increased from \$1 million to \$1.5 million.

Continuing with his presentation, Mr. Pfeifer reviewed the Automobile portion of the study. There was modest decrease to unpaid losses compared to last year. Case reserves decreased significantly in the past year. In reviewing Property, there has been a decrease in property unpaid losses between 6/30/16 and 6/30/17. The March 2017 windstorm event was the only significant new large property claim. Mine Subsidence experienced a somewhat higher than usual reported loss emergence. Effective 10/1/16, BRIM Mine Subsidence coverage per occurrence increased from \$75,000 to \$200,000.

After finishing his presentation, Mr. Pfeifer asked for questions; there were no questions. He thanked Mr. Schumacher, Mrs. Duke and the staff for their help gathering data and assisting. Mr. Pfeifer thanked the Board.

The Risk Funding Study as of June 30, 2017 was received and filed, a copy is attached and made part of the record.

Executive Director's Report

Mrs. Pickens was called upon by the chairman to present the Executive Director's Report. She reported on the Medical Malpractice Program status of both Marshall University and West Virginia University. Reported on claim and litigation information for 2018, which includes two cases tried to verdict. One plaintiff verdict and one defense verdict year to date.

Mrs. Pickens informed the Board of BRIM's submission of a report to the Joint Committee on Government and Finance. The report outlines the financial status of the Patient Injury Compensation Fund (PICF) and reviews the funding and claims history. The report also details various challenges BRIM has faced since Senate Bill 602 was enacted in 2016. The attached report includes additional information regarding legislative updates and designated funding.

BRIM continues to work closely with Emerson Risk Solutions on the development of the new RMIS (Risk Management Information System). There have been some obstacles to overcome surrounding migration of data from AIG. So far, BRIM management feels the new system will drastically reduce administrative duties. The folks from Emerson will be in our office Thursday for updates.

Cyber Liability coverage for Boards of Education was bound on December 1, 2017. Included coverages are reputation threat and attack, cyber extortion, first party management of privacy event or security failure, third party coverage with respect to a privacy event or security failure, network interruption coverage, and media content coverage for third party wrongful act claims.

Continued work with the Purchasing Division to update state procurement processes and forms by participating on Purchasing's Vendor Management Workgroup. Robert Fisher has prepared an outline of basic insurance information and suggested requirements for state agencies to guide them in putting together procurement documents and evaluating bids. Mr. Fisher and Sallie Milam are working with the group to develop a standard technology procurement template.

BRIM presented to the National Institute of Governmental Purchasing on March 14, 2018. Our presentation was on general information and vendor requirements for insurance coverage.

BRIM is continuing work with the Division of Personnel on updated classification specifications for claims positions. This project started in December 2017 and has resulted in new Loss Control positions approved last fall by the State Personnel Board.

Melody Duke is the current STRIMA President. There have been monthly calls in preparation for the Spring Board meeting and annual conference. There are discussions concerning outreach efforts to other states not currently members of STRIMA.

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

BRIM Financial Report

Mr. Schumacher was called upon by Chairman Martin to present the Chief Financial Officer's Report.

Mr. Schumacher commented on Mr. Pfeifer's presentation and added explanation for some of the points made by Mr. Pfeifer. He commented that IMB is always slightly behind which keeps us from reporting up to date.

Mr. Schumacher discussed November, December and January PCard activity. He also reported on current financial results including financial results, premium revenue increases, net claims payments and equity market returns. Mr. Schumacher reported that higher premium revenue, lower claims expense and better overall investment earnings resulted in BRIM's net position improvement.

The Chief Financial Officer's Report was received and filed, a copy is attached and made part of the record.

Loss Control Report

Chairman Martin called on Mr. Fisher for the Loss Control Report.

Mr. Fisher reported that Senate Bill #3 loss control questionnaires were due on January 1, 2018. Currently, we have 655 evaluations completed. We hope to complete the evaluation process in March.

BRIM has a new document developed to assist insured in planning for and carrying out actions to minimize impacts of active shooter occurrences. The document will soon be available on our website.

Upcoming loss control consultations will be focused on Senate Bill #3 entities, flood mitigation, and colleges/universities. Loss control needs will be identified and guidance on how best to address these needs will be provided.

BRIM is continuing to partner with the Division of Personnel regarding the "Workplace Safety: Your Responsibility" class. There is a live presentation during each class and the program is available to all state agencies. Additionally, we are also partnering with West Virginia Public Service Commission by submitting new articles in "The Pipeline", their quarterly newsletter.

From January through March, Aon conducted 121 inspections and Hartford conducted 509. Loss Control technical staff reports 1 Loss Control Visit and 1 Presentation Visit. The number of loss control visits is reduced during this period when loss control questionnaire submissions are evaluated.

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

Privacy Report

Chairman Martin called on Mrs. Sallie Milam to present the Privacy Report.

Mrs. Milam reviewed the Strategic Plan. She discussed the six initiatives from the Strategic Plan which are our focus for the upcoming year.

Mrs. Milam also reported on the Privacy Management Team Meetings which were held in January and March 2018. January 28, 2018 was proclaimed Data Privacy Day in West Virginia. Incident Response Training to celebrate Data Privacy Day was the focus of the January meeting. Twenty-six participants from eleven departments attended. Twenty-seven participants attended the March meeting. Strategic Plan for 2018, cyber risk, privacy training, notice policy revision, privacy officer roundtable, and privacy-related bills in the Legislature were topics at the meeting.

Mrs. Milam commented on Privacy Training. From December 8, 2017 to March 12, 2018, 753 members of the Executive Branch workforce completed *Think WV Privacy* and 912 members have completed *HIPAA/HITECH*. On March 13, 2018, a new department privacy officer was trained in incident risk assessment.

Privacy Impact Assessments were reviewed. A PIA evaluates privacy implications when information systems are created, significantly modified, or when technology is purchased. Currently, PIA completion is not mandatory for agencies. From December 7, 2017 to March 12, 2018, four PIAs have been completed.

The Privacy Department has been working with a Fairmont State University volunteer intern. The intern works remotely and is developing a smart audit tool. We have also hired a law intern from West Virginia School of Law for the summer. The focus of the law intern will be to audit Executive Branch privacy notices.

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

UNFINISHED BUSINESS

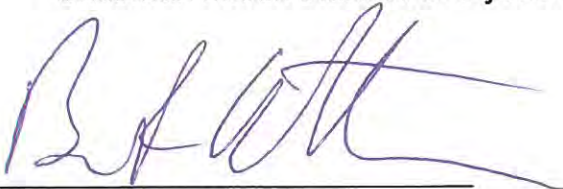
There was no unfinished business to be discussed.

NEW BUSINESS

There was no new business to be discussed.

ADJOURNMENT

Chairman Martin thanked everyone for attending. Meeting adjourned at 2:08PM.



Board Chairman



Date

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



John A. Myers
Cabinet Secretary

Mary Jane Pickens
Executive Director
Deputy Cabinet Secretary

**Executive Director's Report
March 20, 2018**

- A. Marshall University and West Virginia University Medical Malpractice Program
- As of March 13, 2018, Marshall has deposited \$900,000.00 into the escrow account for FY 2018. The fiscal year-to-date cumulative interest totals \$12,797.29. Disbursements totaling \$921,730.40 have been paid thus far in FY 2018.
 - As of March 13, 2018, a total of \$1,481,370.80 has been deposited into WVU's escrow account for FY 2018. The fiscal year-to-date cumulative interest totals \$25,665.28. Disbursements totaling \$1,508,722.68 have been paid thus far in FY 2018.
- B. State Agency/Senate Bill #3 Liability Claim & Litigation Information

TRIALS

Thus far in 2018, we have tried two cases to verdict, with one plaintiff verdict and one defense verdict.

Defense Verdicts

Monongahela Power vs. WV Division of Highways (501-215632); Defense Verdict on 1/8/2018; Braxton Co. Magistrate Ct. Plaintiff alleged that Insured damaged their power pole while mowing in the DOH right-of-way. Case was initially denied. Damages were \$1281.

Plaintiff Verdicts

Manns vs. WV Regional Jail & Correctional Facility Authority (501-067965), Plaintiff Verdict on 1/30/2018; Kanawha Co. Cir. Ct. Plaintiff alleged use of excessive force while incarcerated. Verdict was \$50,000, but will not have fee shift, as 1983 claims were dismissed. Demand at trial was \$400,000.

PAID CLAIMS (February 2018 Data)

YTD Indemnity payments total \$4,198,305 vs. PYTD payments of \$6,945,123, a decrease of 39.55 %.

YTD Legal payments total \$2,705,401 vs. PYTD payments of \$3,216,566, a decrease of 15.59%.

OUTSTANDING CLAIMS (February 2018 Data)

YTD Indemnity reserves total \$51,393,352 vs. PYTD Indemnity reserves of \$56,484,907, a decrease of 9.01 %.

YTD Expense reserves total \$19,083,536 vs. PYTD Expense reserves of \$20,189,518, a decrease of 5.48%.

CLAIMS COUNTS (February 2018 Data)

New claims YTD total 714 vs. PYTD of 582, an increase of 22.68%.

Closed claims YTD total 763 vs. PYTD of 659, an increase of 15.7%.

Open claims YTD total 1278 vs. PYTD of 1134, an increase of 12.7%.

C. Patient Injury Compensation Fund (PICF)

As required in statute, BRIM filed a report with the Joint Committee on Government and Finance at the end of December 2017, which outlined the financial status of the PICF and reviewed the funding history, claims history, and various challenges met by BRIM since enactment of Senate Bill 602 in 2016. The report further stated that the anticipated shortfall in the payment of all final claims filed through June 30, 2016 would be over \$2 million assuming the funding streams continue as they have since the effective date of the 2016 legislation. As a result of BRIM's analysis, I sought introduction of a bill to address the anticipated shortfall in funding of all final claims in the Fund. The bill was introduced in the Senate (Senate Bill 576) and completed Legislative action on March 9, 2018.

The Board will recall that in 2016, the Legislature passed Senate Bill 602, which closed the PICF to new claims as of July 1, 2016, and designated funding as follows:

- Transfer of the Medical Liability Fund (dating back to when BRIM insured private doctors before creation of the Physicians' Mutual Insurance Co.) in amount of \$2.8 million;
- A fee on licenses issued or renewed for MD's and Osteopaths in the amount of \$125 (these docs' licenses are renewed every 2 years);

- An assessment of \$25 per patient treated at a trauma center designated by the Office of Emergency Medical Services, as reported to the WV Trauma Registry;
- An assessment of 1% on the gross amount of any judgment or settlement of a claim or civil action under the Medical Professional Liability Act; and
- A transfer from Circuit Clerks in the amount of \$285 from each filing fee paid to file a civil action under the Medical Professional Liability Act.

These funding sources were scheduled in SB 602 to terminate after 4 years. However, after a year and a half of experience, it became clear that the funding under SB 602 would be inadequate to pay the claims received through June 30, 2016 in full.

Senate Bill 576 extends those same funding streams for a period of 18 months (through Dec. 31, 2021 for physician license fees and 1% assessments, which started on July 1, 2016 and through June 30, 2021 for the trauma assessments, which started Jan. 1, 2016).

The bill further directs BRIM to transfer any remaining funds to General Revenue once all claims are paid in full, should any balance remain. Finally, the bill returns the filing fee for medical malpractice actions to its pre-SB 602 amount of \$280 after Dec. 31, 2021 and directs Circuit Clerks to stop transferring the portion of those fees to the Fund after that date.

Attached to this report as Exhibit 1 is financial analysis of the Fund from July 1, 2017 through February 28, 2018.

D. Other Legislation of Note

S.B. 434 – Amends W. Va. Code § 30-3C-1 and 30-3C-3 and adds 30-3C-5, relating to protection of health care peer review organization documents and proceedings. The bill identifies documents prepared by a provider for the purpose of improving quality, etc. of health care or for credentialing or peer review that are confidential and not subject to discovery. The bill further provides that information available from original sources are not construed as immune from discovery or use in a civil action.

S.B. 465 – Amends W. Va. Code §49-2-803 relating to mandated reporting of child abuse and neglect, clarifying that sexual abuse and sexual assault constitute abuse for reporting purposes. Also reduces the time period in which a mandated reporter must report and establishing other requirements around who is a mandated reporter and how the report must be made.

S.B. 522 – further amends the rule-making process and provides that repeal of a statute providing authority for a rule will void the rule. The bill further creates a new process for repealing a rule upon notification to the Secretary of State and provides a process for an agency to affirmatively seek renewal of a rule expiring as a result of the sunset date.

H.B. 2028 – The bill amends W. Va. Code §14-2-2 to allow suit or proceedings against the state, the governor, or any other state officer to be brought in the circuit court of any county where the plaintiff or petitioner who is appearing in the action resides, or where the cause of action arose, or alternatively in Kanawha County. Injunctive or mandamus relief involving the taking of or title to property may be brought in the county in which the real property is situate.

H.B. 3005 – Creates a new article designated W. Va. Code §61-14-1 and 61-14-2 relating to regulation of unmanned aircraft systems. The bill creates misdemeanor and felony criminal offenses and related penalties for certain types of operation, relating to use of the aircraft to take photographs or recordings of another person without his/her permission or to follow another person without his/her permission, or to operate the aircraft in a way that interferes with law enforcement or emergency medical personnel. The bill provides that a person who is authorized by the FAA to operate the aircraft for commercial purposes may operate it in WV for those purposes if the operation is consistent with federal law.

H.B. 4013 – Amends W. Va. Code §14-2-2a relating to venue for actions against state institutions of higher education to clarify that notwithstanding §14-2-2, any civil action against the governing board of any state institution of higher education or the institution itself or any department or office of any such institution, as opposed to just WVU and MU, must be brought in the circuit court of any county where the cause of action arose, unless otherwise agreed by the parties. The bill also provides that the circuit court in the county where a public agency regularly meets is proper venue for certain claims involving enforcement of the Open Governmental Meetings Act. The bill also amends W. Va. Code §56-1-1 relating to venue generally.

H.B. 4138 – Amends W. Va. Code §29-3-16a to require each public or private school and daycare center that uses a fuel burning heating system or other fuel burning heating device that emits combustion gases to install carbon monoxide detectors in certain locations.

H.B. 4207 – The bill amends W. Va. Code §39-4-20 relating to notary public commissions. The bill authorizes an online application process and eliminates the \$1000 bond requirement, among other things.

H.B. 4242 – Amends W. Va. Code §50-4-8 to clarify the jurisdictional amount for removal of a civil action from magistrate court to circuit court. The amount prior to the amendment was \$2500 – above that amount the civil action could be removed with concurrence of all parties and above that amount the action would be removed upon payment of the circuit court filing fee. This amount was amended to \$5000 and a proviso was added regarding landlord-tenant actions.

H.B. 4607 – Amends W. Va. Code §20-5-2 relating to powers of the Director of the Division of Natural Resources to require the Director to permit the use of drones within state parks, forests and rail trails. Users of drones must register at the area superintendent's office before using the drone. The bill limits the Director's ability to prohibit or restrict drone use to protecting the safety and privacy of park users, protecting facilities, protecting the peaceful atmosphere of the park, or to prevent harassment of wildlife.

E. Risk Management Information System (RMIS) Update

We continue to work with Emerson Risk Solutions on development of the new RMIS (Risk Management Information System). We've had challenges around migration of the AIG data to the new system that has been frustrating for us and Emerson, but we are getting much closer to being able to reconcile data between the systems.

We are at the stage where we are documenting everything in the original RFP that remains outstanding or not fully functional, and we are also working through the remaining change requests. This has been a time-consuming project with many challenges, but from testing so far the feeling among BRIM management is that the system will dramatically reduce the administrative tasks currently performed and will result in a better system for both BRIM staff and the agency's customers.

F. Cyber Liability Insurance Coverage for the Boards of Education

Coverage for Cyber Liability was bound on December 1, 2017 for the Boards of Education. The coverage is provided by AIG with effective dates of December 1, 2017 through July 1, 2019. Limit of liability is \$25 million aggregate, and \$6 million per member. There is a \$50,000 deductible and premium for the period of December 1, 2017 to July 1, 2019 is \$427,432. Coverages include reputation threat and attack, cyber extortion, first party management of privacy event or security failure, third party coverage with respect to a privacy event or security failure, network interruption coverage, and media content coverage for third party wrongful act claims.

G. Miscellaneous

1. Robert Fisher and Sallie Milam continue to assist the Purchasing Division with updates to state procurement processes and forms through participation on Purchasing's Vendor Management Workgroup. The next meeting of the Workgroup is scheduled for Wednesday, March 21. Robert has prepared an outline of basic insurance definitions and information, and suggested requirements for state agencies to use as guidance as they put procurement documents together and evaluate bids. Robert and Sallie will continue to work with the group to develop a standard technology procurement template. Robert and Melody Duke have been fielding requests from various agencies to evaluate vendor insurance coverage needs relating to specific procurement efforts.

2. BRIM was asked to present to the National Institute of Governmental Purchasing on March 14, 2018 on general insurance information and requirements for vendor insurance coverage. For a discussion on performance bonds, BRIM teamed up with USI, whose participation was well-received and provided a good fundamental understanding of different types of bonds and their benefits relating to purchasing contracts.
3. We have continued to work with the Division of Personnel on updated classification specifications for our claims positions in the agency. This project has been ongoing since December of 2017 and has already resulted in the new Loss Control positions that were approved by the State Personnel Board last fall. We are nearing approval of the proposed specifications for the claims positions, and we will then ask for them to be placed on the next monthly meeting of the State Personnel Board.
4. STRIMA update: Melody is the current STRIMA President and has been holding monthly calls to plan for the Spring Board meeting and the annual conference, and to discuss outreach efforts to other states not currently STRIMA members. The Web committee has been planning the redevelopment of the STRIMA website and shared document services.

Very truly yours,

Mary Jane Pickens
Executive Director

MJP/ldm.

**West Virginia Board of Risk and Insurance Management
Patient Injury Compensation Fund (PICF)
Analysis for the Period 7-1-17 thru 2-28-18 (After SB602)**

Fund Balance 7-1-17			\$ 3,147,146.25
Cash received resulting from SB602:			
1% Court/Settlement Fees	\$	442,725.14	
Trauma Fees		85,125.00	
Physicians' Licensing Fees		76,700.00	
Court Filing Fees		65,901.23	670,451.37
PICF Claims and Claims Related Disbursements:			
Claims Payments	\$	(2,701,859.28)	
Contractual and Professional		(67,376.20)	(2,769,235.48)
Other:			
Interest Earned			14,143.38
Fund Balance 2-28-18			<u><u>\$ 1,062,505.52</u></u>
Claims O/S 7-1-17			\$ 10,523,392.13
Payments thru 2-28-18			(2,701,859.28)
Fund Balance 2-28-18			(1,062,505.52)
Unfunded Claims Outstanding 2-28-18			<u><u>\$ 6,759,027.33</u></u>

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

John A. Myers
Cabinet Secretary

Mary Jane Pickens
Executive Director
Deputy Cabinet Secretary

**Chief Financial Officer's Report
March 20, 2018**

A. P Card Report

CD copies contain the supporting detail for P card purchases for the months of November and December 2017 and January 2018. These totals are:

November	\$86,264.29
December	\$51,041.48
January	\$60,501.72

B. Current Financial Results

- The financial results presented are for the seven months ended January 31, 2018. The results reflect the actuarially estimated unpaid losses from AON's risk funding study as of December 31, 2017, plus an additional accrual for January.
- Premium revenue has increased by \$4.0 million for FY'18. This increase covers the projected increase in loss pics for the current year.
- Retained case reserves are \$9.4 million lower this year while the actuarially estimated retained IBNR is \$7.0 million higher than last year.
- Net claims payments for the first seven months of FY'18 are approximately \$1.9 million less than for the same period last year.
- Retained reserve and IBNR changes along with the net claims payments made year-to-date are reflected in claims and claims adjustment expenses net decrease of \$4.3 million for FY'18.
- The Fed meets tomorrow to update their economic outlook for 2018. It remains to be seen if the Fed is leaning toward either 3 or 4 increases in the short-term rates this year amid the Fed's recent leadership transition.
- The bond markets anticipation of expected Fed increases this year has negatively impacted market values on BRIM'S fixed income holdings as rates have risen.
- Equity market returns are the sole reason for the significant improvement in current year investment earnings over last fiscal year.
- In February the equity markets became much more volatile resulting in a pullback from the index highs attained in late January.
- In the prior fiscal year, lower premium revenue and much smaller investment earnings, along with the transfer of \$2.8 million to the Patient Injury Compensation Fund (PICF), as mandated by enactment of SB602, adversely impacted BRIM's net position for the prior fiscal year through January 31, resulting in a decrease of \$4.8 million.

B. Current Financial Results (cont'd)

- Higher premium revenue, lower claims expense and better overall investment earnings resulted in the improvement of \$13.9 million to BRIM's net position for the current fiscal year.

Respectfully submitted,

Stephen W. Schumacher, CPA
Chief Financial Officer

West Virginia Board of Risk and Insurance Management

Statements of Net Position

For the Seven Months Ended January 31st

	2018	2017
	<i>(In Thousands)</i>	
Assets		
Current assets:		
Cash and cash equivalents	\$ 29,627	\$ 20,498
Advance deposits with insurance company and trustee	198,280	198,169
Receivables	2,347	4,456
Prepaid insurance	2,791	2,782
Restricted cash and cash equivalents	12,078	8,711
Premiums due from other entities	643	620
Total current assets	245,766	235,237
Noncurrent assets:		
Equity position in internal investments pools	98,294	87,911
Restricted investments	56,765	50,769
Total noncurrent assets	155,059	138,680
Total assets	400,825	373,916
Deferred Outflows of Resources	458	387
Liabilities		
Current liabilities:		
Estimated unpaid claims and claims adjustment expense	47,713	50,819
Unearned premiums	14,935	13,067
Agent commissions payable	630	620
Claims Payable	55	0
Accrued expenses and other liabilities	2,985	2,651
Total current liabilities	66,319	67,157
Estimated unpaid claims and claims adjustment expense net of current portion	120,837	120,146
Compensated absences	107	91
Net pension liability	766	467
Total noncurrent liabilities	121,710	120,704
Total liabilities	188,029	187,862
Deferred Inflows of Resources	37	304
Net position:		
Restricted by State code for House Bill 601 Program and mine subsidence coverage	61,063	57,123
Unrestricted	138,265	133,837
Net Assets (Deficiency)	13,888	(4,821)
Net position	\$ 213,216	\$ 186,138

Unaudited

West Virginia Board of Risk and Insurance Management

Statements of Revenues, Expenses, and Changes in Net Position

For the Seven Months Ended January 31st

	2018	2017
	<i>(In Thousands)</i>	
Operating revenues		
Premiums	\$ 45,546	\$ 41,490
Less coverage/reinsurance programs	(3,727)	(3,896)
Net operating revenues	41,819	37,593
Operating expenses		
Claims and claims adjustment expense	34,965	39,219
General and administrative	2,483	2,467
Total operating expenses	37,448	41,686
Operating income (loss)	4,371	(4,093)
Nonoperating revenues		
Investment income	9,517	2,082
Appropriation Transfer SB602	—	(2,810)
Net nonoperating revenues	9,517	(729)
Changes in net position	13,888	(4,821)
Total net position, beginning of year	199,328	190,960
Total net position, end of period	<u>\$ 213,216</u>	<u>\$ 186,138</u>

Unaudited

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



John A. Myers
Cabinet Secretary

Mary Jane Pickens
Executive Director
Deputy Cabinet Secretary

**Loss Control Report to the Board
March 2018**

Senate Bill #3 loss control questionnaires were due on January 1, 2018. Since that time, we have been evaluating those questionnaires to apply credits or surcharges based on insured participation in our Standards of Participation program. We hope to complete the evaluation process during the month of March. To date, we have completed 655 evaluations.

We have created a document to assist our insured in planning for and carrying out actions to minimize impacts from active shooter events. The document "Active Shooter Mitigation Strategies" has been shared with many of our insured contacts and will soon be available on our agency website. Mary Jane Pickens, Jeremy Wolfe, Chuck Mozingo, and John Fernatt collaborated to create this document.

This spring and summer, we will concentrate our loss control consultation services on our Senate Bill #3 entities and our Colleges and Universities, as well as our previously mentioned flood mitigation visits. We will identify loss control needs and provide guidance on how best to address those needs during these visits.

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

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

During the months of January, February, and March Aon conducted 121 inspections and Hartford conducted 509. The reports are being processed according to established procedures.

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

1 Loss Control Visits

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

1 Presentation Visit

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

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

Dated: *March 19, 2018*

Respectfully submitted,



Robert A. Fisher
Deputy Director *and* Claim Manager

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



John A. Myers
Cabinet Secretary

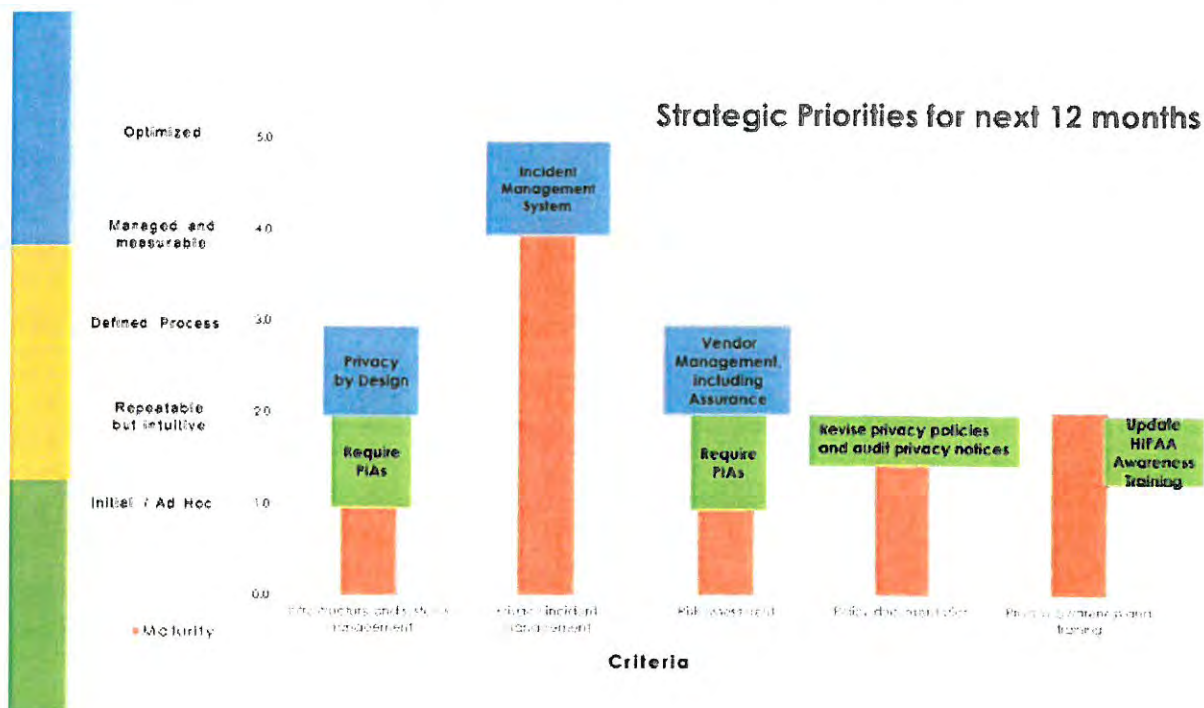
Mary Jane Pickens
Executive Director
Deputy Cabinet Secretary

Chief Privacy Officer's Report

March 20, 2018

A. Strategic Plan

- Six initiatives from the Strategic Plan are identified for focus in 2018.



PIA = Privacy Impact Assessment. See Strategic Plan for definitions and more information at www.privacy.wv.gov.

B. Privacy Management Team Meetings

- Since the December 2017 BRIM board meeting, the PMT met on January 24, 2018 and March 6.
 - Governor Jim Justice proclaimed January 28, 2018, as Data Privacy Day in West Virginia. The January meeting was dedicated to Incident Response Training to celebrate Data Privacy Day. Representatives from our broker AJ Gallagher joined us and our breach coach, Scott Koller with Baker Hostetler, facilitated the training. This incident table-top exercise gave attendees an interactive experience involving a large-scale threat. Twenty-six individuals representing eleven departments were in attendance.
 - At the March meeting, twenty-seven individuals representing nine departments attended. Topics discussed included: strategic plan for 2018, cyber risk, privacy training, notice policy revision, privacy officer roundtable, big data, and privacy-related bills in the Legislature.

C. Privacy Training

- Between December 8, 2017 and March 12, 2018, 753 members of the Executive Branch workforce have completed general privacy awareness training called *Think WV Privacy*.
- Between December 8, 2017 and March 12, 2018 912 members of the Executive Branch workforce have completed general HIPAA awareness training called *HIPAA/HITECH*.
- On March 13, 2018, the State Privacy Office trained a new department privacy officer in incident risk assessment.

D. Privacy Impact Assessments

- A privacy impact assessment (PIA) is a tool used to assess the privacy impact and risks to the personally identifiable information (PII) stored, used, and exchanged by information systems. A PIA evaluates privacy implications when information systems are created, when existing systems are significantly modified, or new technology is purchased.
- At this point, PIA completion is not mandatory for agencies. We are working within a vendor management workgroup to require all projects that have restricted data to complete a PIA. Restricted data are protected by law.

- Between December 7, 2017 and March 12, 2018, four PIAs have been completed.

E. Privacy Workforce Update

- We are working with a volunteer intern from Fairmont State University on developing a tool to audit privacy notices. This student works remotely and is creating a smart audit tool which will also enable us to capture data regarding the audit program.
- We have hired a summer law intern from the West Virginia School of Law who will join us from June through August. The law intern will audit Executive Branch privacy notices and will help staff the privacy notice working group. This working group will revise the notice privacy policy, develop a privacy notice template and champion implementation.

Very truly yours,

Sallie Milam

Sallie H. Milam, JD, CIPP/US/G
Chief Privacy Officer, WV Executive Branch

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

Risk Funding Study as of June 30, 2017

Presented March 20, 2018



Market Update

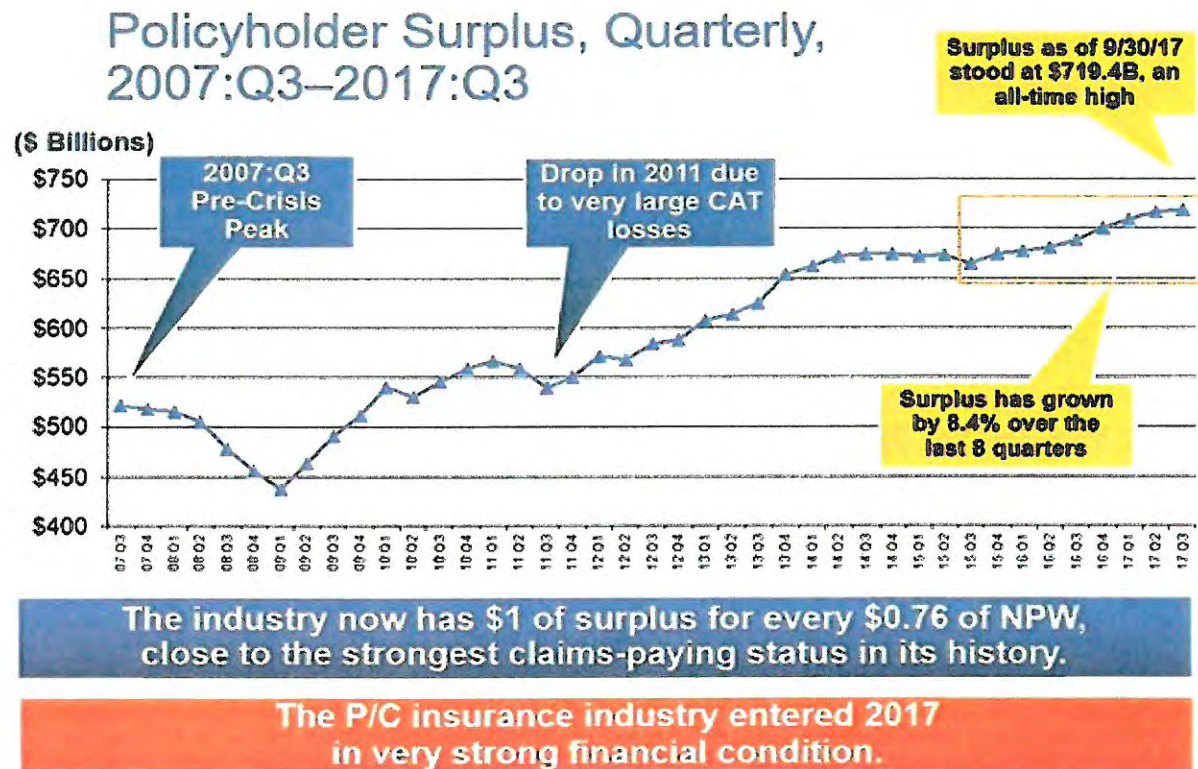


AON
Empower Results®

Property/Casualty Marketplace Overview

- Policyholder Surplus is nearly \$720 Billion
 - Growing more quickly over the most recent two years compared to previous two years
 - Growth despite hurricane and other catastrophe losses
 - Growth driven by unrealized capital gains
- Interest rate investment returns remain low
- Underwriting loss through the first 3 quarters of 2017
 - Catastrophe losses rose sharply in 2017 (hurricanes and wildfires)
 - Non-catastrophe losses also increased in 2017, though not as sharply as catastrophe losses
 - 2017 had the highest underwriting loss (through the first three quarters) since 2011 (earthquakes and hurricanes)

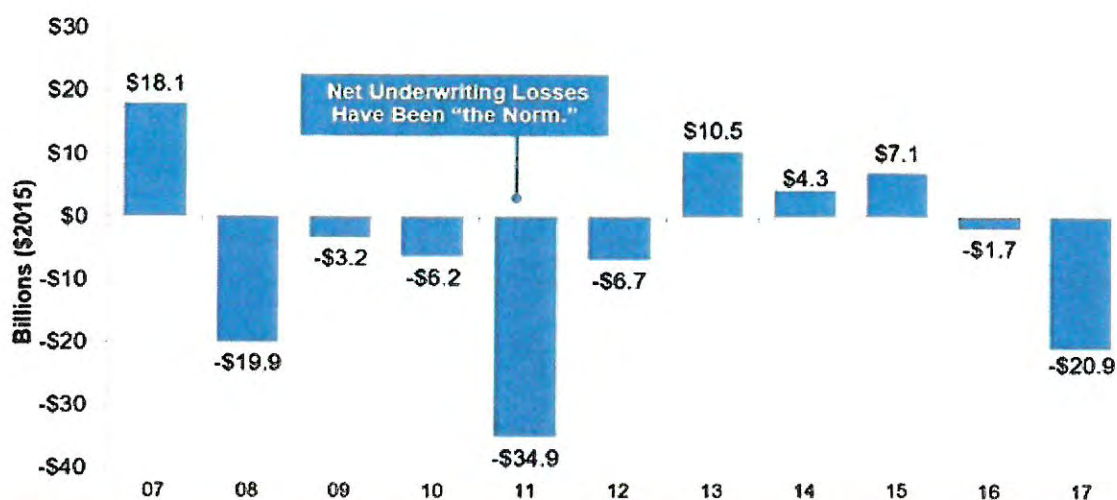
Property/Casualty Marketplace Overview (Cont.)



Sources: ISO, A M Best

Property/Casualty Marketplace Overview (Cont.)

Net Underwriting Gains & Losses, First Three Quarters, 2007-2017



The first nine months of 2013/14/15 were welcome respites from comparable periods in 2008/09/10/11/12.
The longer-term trend is for more – not fewer – costly events.



Sources: Property Claims Service, a Verisk Analytics business; A.M. Best; Insurance Information Institute.

Medical Malpractice

- Aon 2017 Hospital Professional Benchmark Study
 - 18th year
 - Includes \$19.2 billion of incurred loss and approximately 108,000 claims
- Benchmark Highlights:
 - Nationwide Cost of Risk increasing at 2% per year
 - Frequency has been stable and expected to show 0% growth
 - Modest severity trend growing at 2% per year
 - West Virginia
 - Claim severity is similar to national averages
 - Claim frequency is higher than national averages (but stable since 2014)
 - Loss rate for WV is 27% higher than the national average
 - Historical WV loss costs have higher volatility than national averages

Risk Funding Study as of June 30, 2017

6/30/17 Retained Unpaid Loss Estimates

Definitions

- $\text{Unpaid Loss} = \text{Ultimate Loss} - \text{Paid Loss}$
- $\text{Unpaid Loss} = \text{Case Reserves} + \text{IBNR}$
- $\text{IBNR} = \text{Incurred But Not Reported}$

Results

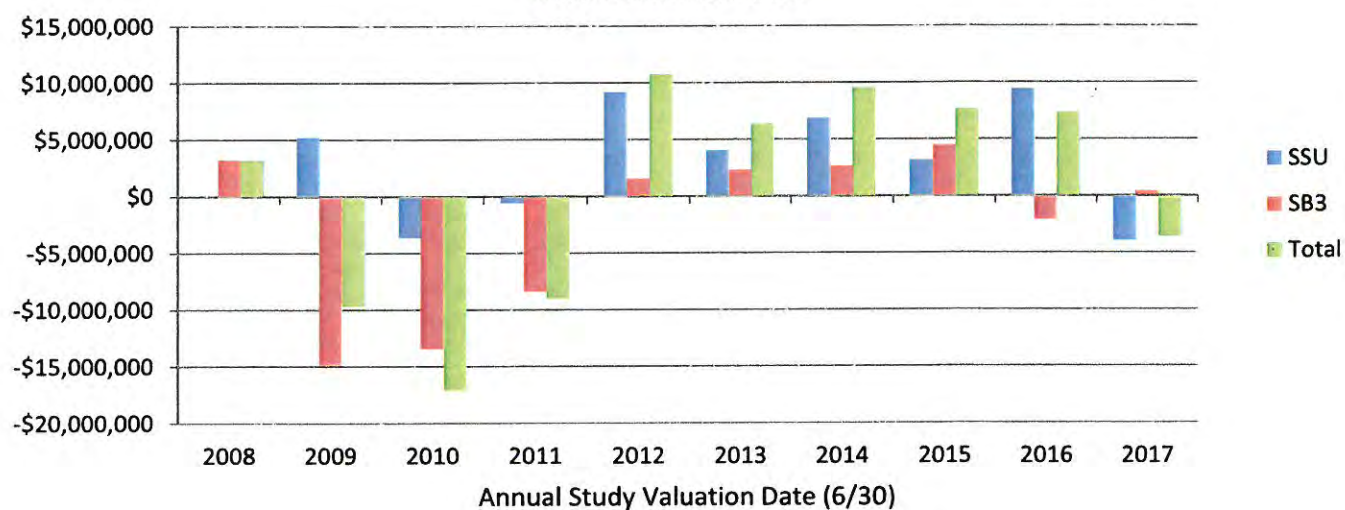
- Estimated unpaid loss decreased \$3.5 million (2.1%) from 6/30/2016
 - Property decreased \$1.7 million
 - SSU auto decreased \$1.4 million
 - SSU general liability decreased \$4.6 million
 - SB3 general liability increased \$2.3 million
 - SSU medical malpractice increased \$2.9 million

June 30, 2017 Risk Funding Study - Results

Line of Business	Entity	Retained Case			Retained Case			Change from 6/30/2016 to 06/30/2017 in Retained Unpaid Loss	
		Reserves at 6/30/2017	Retained IBNR at 6/30/2017	Retained Unpaid at 6/30/2017	Reserves at 6/30/2016	Retained IBNR at 6/30/2016	Retained Unpaid at 6/30/2016	Dollar Change	Percent Change
Automobile	SSU	3,153,359	5,882,853	9,036,212	5,994,950	4,412,034	10,406,984	(1,370,772)	-13.2%
Automobile	SB3	4,148,750	5,249,631	9,398,381	4,760,754	5,107,259	9,868,013	(469,631)	-4.8%
General Liability	SSU	27,147,655	41,894,246	69,041,901	31,914,439	41,720,446	73,634,885	(4,592,984)	-6.2%
General Liability	SB3	20,231,885	25,269,590	45,501,475	20,329,017	22,882,853	43,211,870	2,289,605	5.3%
Property	SSU	1,400,407	778,928	2,179,334	2,393,641	683,972	3,077,613	(898,279)	-29.2%
Property	SB3	1,383,899	620,713	2,004,613	2,174,956	584,562	2,759,517	(754,904)	-27.4%
Medical Malpractice	SSU	5,022,300	18,475,119	23,497,419	5,269,576	15,333,660	20,603,236	2,894,184	14.0%
Medical Malpractice	SB3	564,776	1,053,632	1,618,407	703,719	1,594,153	2,297,872	(679,465)	-29.6%
Mine Subsidence		500,000	460,957	960,957	385,000	479,957	864,957	96,000	11.1%
Subtotal - SSU		36,723,721	67,031,145	103,754,866	45,572,606	62,150,112	107,722,718	(3,967,852)	-3.7%
Subtotal - SB3		26,329,310	32,193,566	58,522,876	27,968,445	30,168,827	58,137,272	385,604	0.7%
Subtotal - SSU + SB3		63,053,031	99,224,712	162,277,743	73,541,051	92,318,940	165,859,991	(3,582,248)	-2.2%
Total		63,553,031	99,685,668	163,238,700	73,926,051	92,798,896	166,724,947	(3,486,247)	-2.1%

Historical Changes in Unpaid Loss

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



Retained Ultimate Loss Changes Between 6/30/16 and 6/30/17 Studies (For Policy Periods 15/16 and Prior)

Policy Inception	Change in Auto SSU Ult	Change in Auto SB3 Ult	Change in GL SSU Ult	Change in GL SB3 Ult	Change in Prop SSU Ult	Change in Prop SB3 Ult	Change in MM SSU Ult	Change in MM SB3 Ult	Change in MS Ult	Total SSU Change	Total SB3 Change	Overall Total Change
7/1/2004 & Prior	0	0	14,658	(157,285)	0	687	0	0	0	14,658	(156,598)	(141,940)
7/1/2005	0	0	(129,583)	59,452	0	0	0	0	0	(129,583)	59,452	(70,131)
7/1/2006	0	0	129,000	(65,757)	(99,593)	0	0	0	0	29,407	(65,757)	(36,350)
7/1/2007	(6,815)	0	(335,509)	(192,255)	0	688	0	0	0	(342,325)	(191,568)	(533,892)
7/1/2008	0	0	(240,000)	(201,270)	(236)	0	0	0	0	(240,236)	(201,270)	(441,506)
7/1/2009	0	0	110,000	242,207	2,162	0	0	0	(787)	112,162	242,207	353,582
7/1/2010	(166,133)	(54,537)	(1,000,000)	(395,490)	0	0	55,000	(80,359)	(998)	(1,111,133)	(530,386)	(1,642,516)
7/1/2011	(30,000)	(22,509)	(800,000)	(351,718)	(6,937)	10,730	48,000	45,242	0	(788,937)	(318,255)	(1,107,192)
7/1/2012	280,000	(490,586)	(1,700,000)	548,977	4,644	(22,571)	(655,000)	(274,114)	(5,726)	(2,070,356)	(238,294)	(2,314,375)
7/1/2013	(457,000)	(351,799)	1,800,000	458,345	(11,609)	139,248	(1,175,000)	(364,038)	(4,033)	156,391	(118,244)	34,115
7/1/2014	(1,430,000)	(746,147)	(1,250,000)	632,015	(208,323)	(368,502)	485,000	149,255	(79,725)	(2,403,323)	(333,378)	(2,816,427)
7/1/2015	370,000	126,000	(5,505,000)	2,324,000	(626,450)	(18,400)	1,400,000	(34,125)	(121,487)	(4,361,450)	2,397,475	(2,085,462)
Total	(1,439,948)	(1,539,578)	(8,906,434)	2,901,221	(946,342)	(258,119)	158,000	(558,139)	(212,755)	(11,134,725)	545,385	(10,802,095)

Comparison of Premium and Ultimate Losses

Occurrence Period		SSU			SB3		
		Charged Premium	Projected Ultimate Retained Loss	Difference	Charged Premium	Projected Ultimate Retained Loss	Difference
7/1/1998	6/30/1999	21,526,869	24,797,499	(3,270,630)	23,070,990	17,136,095	5,934,895
7/1/1999	6/30/2000	20,982,952	29,141,242	(8,158,290)	22,677,285	21,088,750	1,588,535
7/1/2000	6/30/2001	20,018,978	19,322,348	696,630	20,951,525	18,853,316	2,098,209
7/1/2001	6/30/2002	27,130,323	20,973,169	6,157,154	26,524,921	24,031,744	2,493,177
7/1/2002	6/30/2003	36,181,360	16,646,030	19,535,330	37,843,695	21,928,315	15,915,380
7/1/2003	6/30/2004	36,011,418	20,092,315	15,919,103	35,793,345	24,752,385	11,040,960
7/1/2004	6/30/2005	46,715,999	23,060,634	23,655,365	41,269,868	20,026,830	21,243,038
7/1/2005	6/30/2006	39,985,777	17,656,836	22,328,941	40,920,237	20,637,123	20,283,115
7/1/2006	6/30/2007	39,091,169	20,558,545	18,532,624	39,480,713	17,086,221	22,394,492
7/1/2007	6/30/2008	36,258,662	22,815,699	13,442,963	34,852,156	18,032,892	16,819,264
7/1/2008	6/30/2009	31,595,637	24,484,916	7,110,721	28,901,791	16,571,086	12,330,705
7/1/2009	6/30/2010	28,257,070	21,190,514	7,066,556	27,889,296	17,104,087	10,785,209
7/1/2010	6/30/2011	25,239,238	23,563,014	1,676,224	25,232,989	16,712,437	8,520,552
7/1/2011	6/30/2012	25,296,014	29,124,991	(3,828,977)	23,769,617	22,551,593	1,218,024
7/1/2012	6/30/2013	25,645,800	30,889,654	(5,243,854)	19,306,565	23,399,856	(4,093,291)
7/1/2013	6/30/2014	27,255,798	35,031,814	(7,776,015)	22,654,784	21,852,860	801,924
7/1/2014	6/30/2015	32,118,612	33,670,377	(1,551,765)	23,780,631	24,526,997	(746,366)
7/1/2015	6/30/2016	37,539,189	34,434,850	3,104,339	24,839,798	25,644,450	(804,652)
7/1/2016	6/30/2017	41,308,635	41,536,900	(228,265)	27,305,131	24,232,250	3,072,881
Total		598,159,499	488,991,346	109,168,153	547,065,336	396,169,287	150,896,050

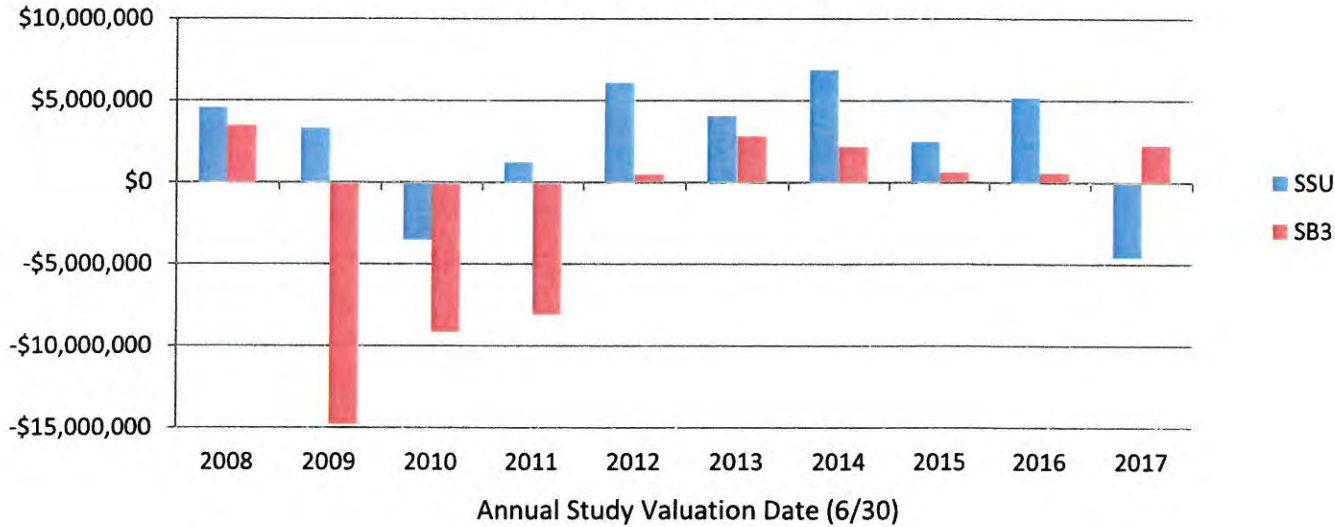
Line of Business Results

General Liability

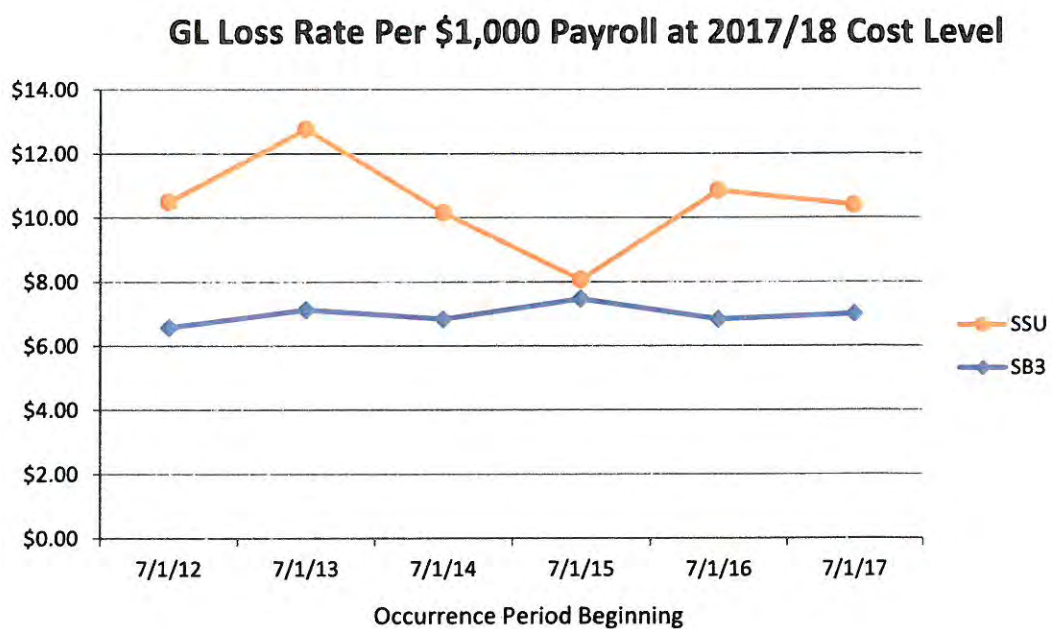
- SSU GL
 - Paid losses from 7/1/16-6/30/17 for SSU GL were approximately at expected levels
 - SSU GL reported loss emergence from 7/1/16-6/30/17 was much less than expected
 - Many claims closed for less their case reserved amounts
 - Case reserves decreased by over \$4 million between 6/30/16 and 6/30/17
- SB3 GL
 - Higher than expected SB3 GL reported and paid loss emergence (especially for policy year 15/16)
 - Many moderate-sized claim increases or newly reported claims (as opposed to one or two full-limits claims)
 - After several years of steadily increasing, case reserves have stabilized over the last two years
- GL is approximately 70% of total BRIM unpaid losses

Historical Changes in Unpaid Loss – General Liability

Historical Change in Retained Unpaid Loss Compared to Prior Annual Actuarial Review
General Liability Only



General Liability



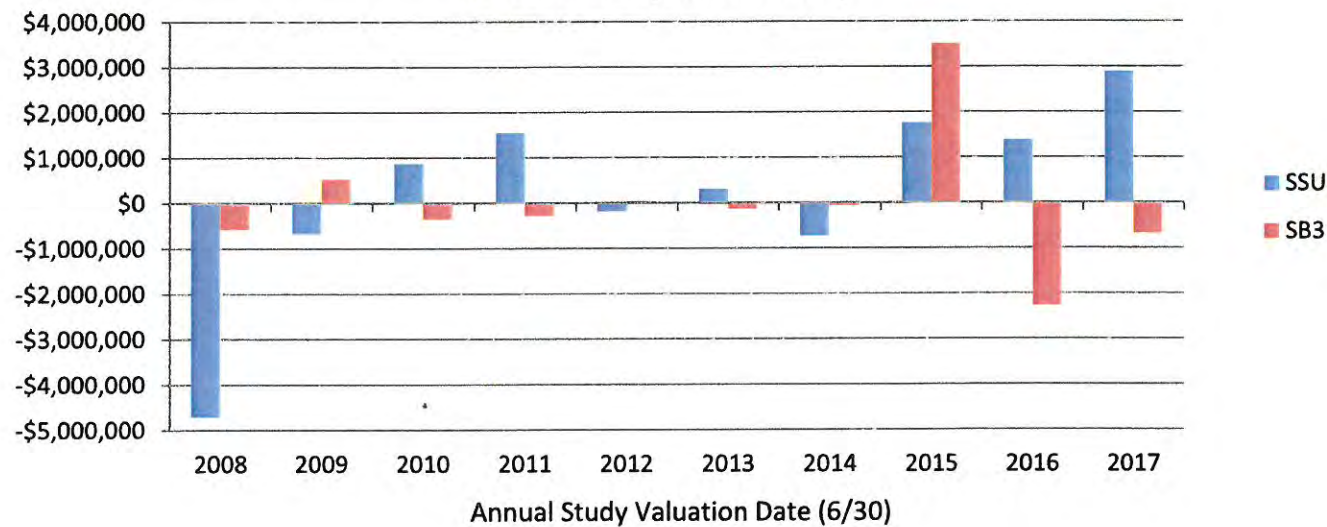
Note: Loss rates are on a retained basis, and gross of any deductibles.

Medical Malpractice

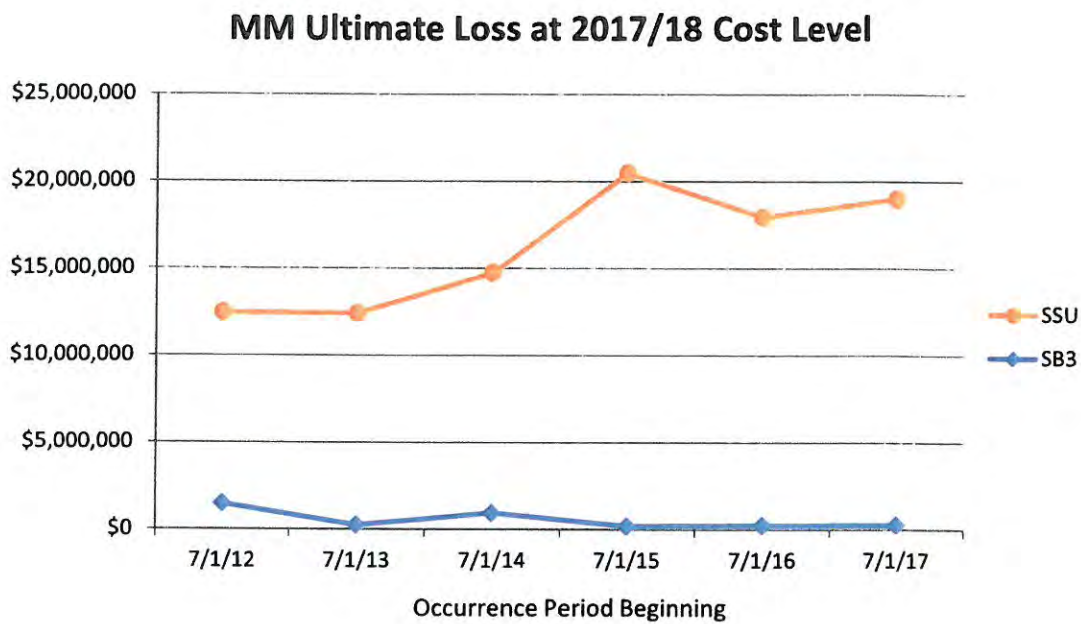
- SB3 payments and reported loss emergence were lower than expected
- SSU paid losses from 7/1/16 to 6/30/17 were somewhat more than expected, while incurred loss emergence was somewhat less than expected
- Effective 7/1/15, the medical schools' practice plans were transferred from SB3 to SSU
 - Also effective 7/1/15, the limit of liability for the medical schools was increased from \$1.0 million to \$1.5 million (this limit is automatically adjusted for inflation annually based on the most recently published US DOL CPI, until such time that the limit equals \$2.0 million per occurrence)
 - Estimated SSU Medical Malpractice IBNR/unpaid loss reflects this increased exposure, and has continued to increase between 7/1/16 and 6/30/17

Historical Changes in Unpaid Loss – Medical Malpractice

Historical Change in Retained Unpaid Loss Compared to Prior Annual Actuarial Review
Medical Malpractice Only



Medical Malpractice



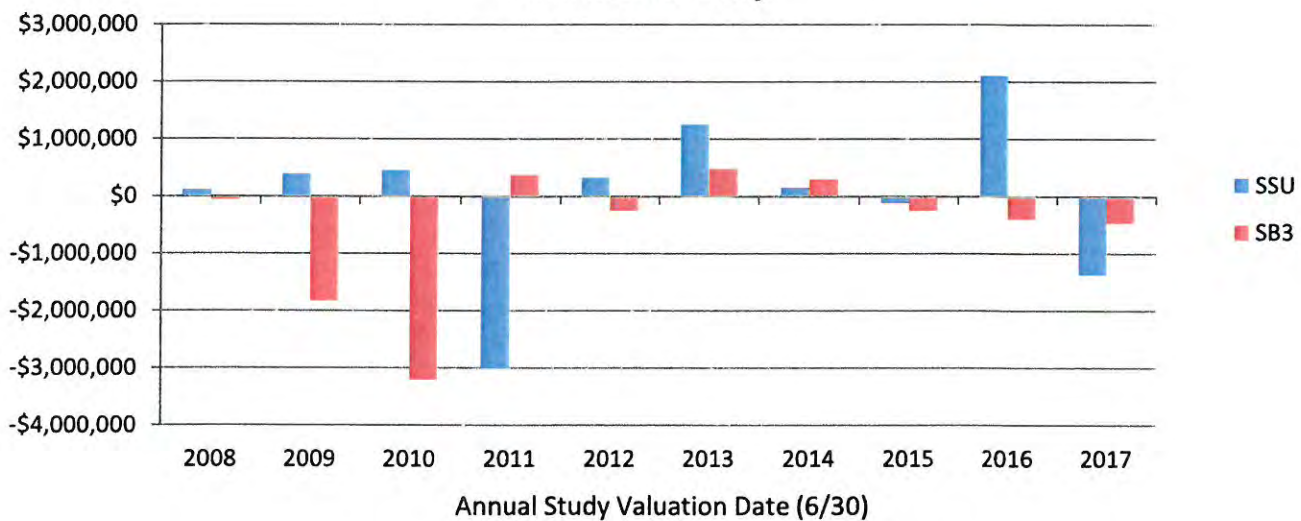
- Notes: 1. Loss rates are on a retained basis, and gross of any deductibles.
2. Reflects that, effective 7/1/2015, the SB3 practice plans are part of the SSU program.
3. Reflects 7/1/15 limits increase to \$1.5M+ For Medical Schools Only.

Automobile

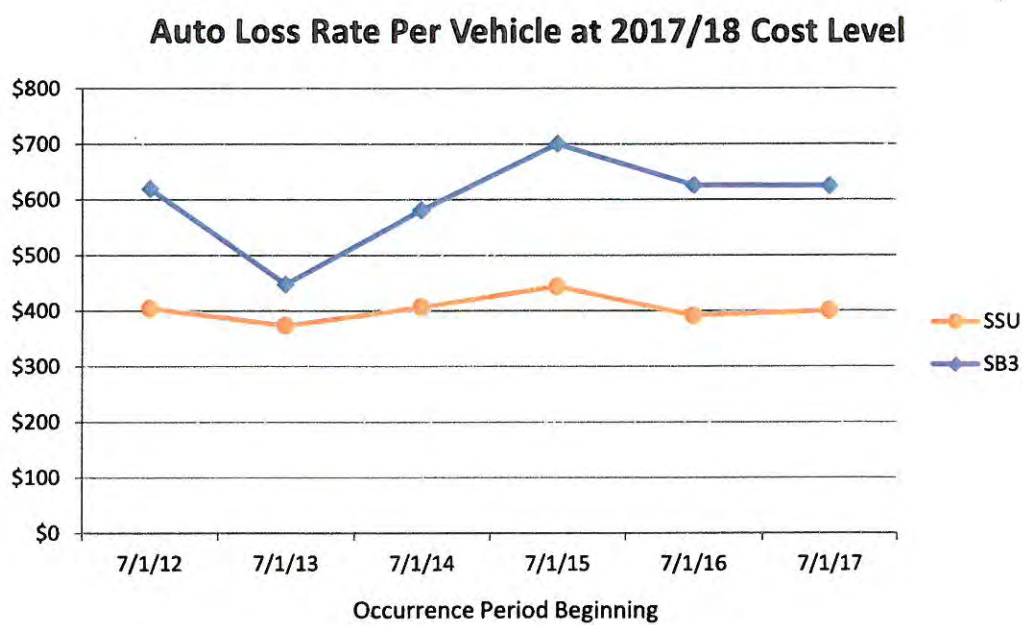
- SB3 Auto loss emergence less than expected
 - Modest decrease to unpaid losses compared to 6/30/16
- SSU Auto reported loss emergence was much lower than expected
 - Case reserves decreased significantly between 6/30/16 and 6/30/17
 - Several claim reductions and closures/payments for less than previously case reserved amounts
 - SSU Auto unpaid losses as of 6/30/17 decreased \$1.4 million compared 6/30/16

Historical Changes in Unpaid Loss – Automobile

**Historical Change in Retained Unpaid Loss Compared to Prior Annual Actuarial Review
Automobile Only**



Automobile

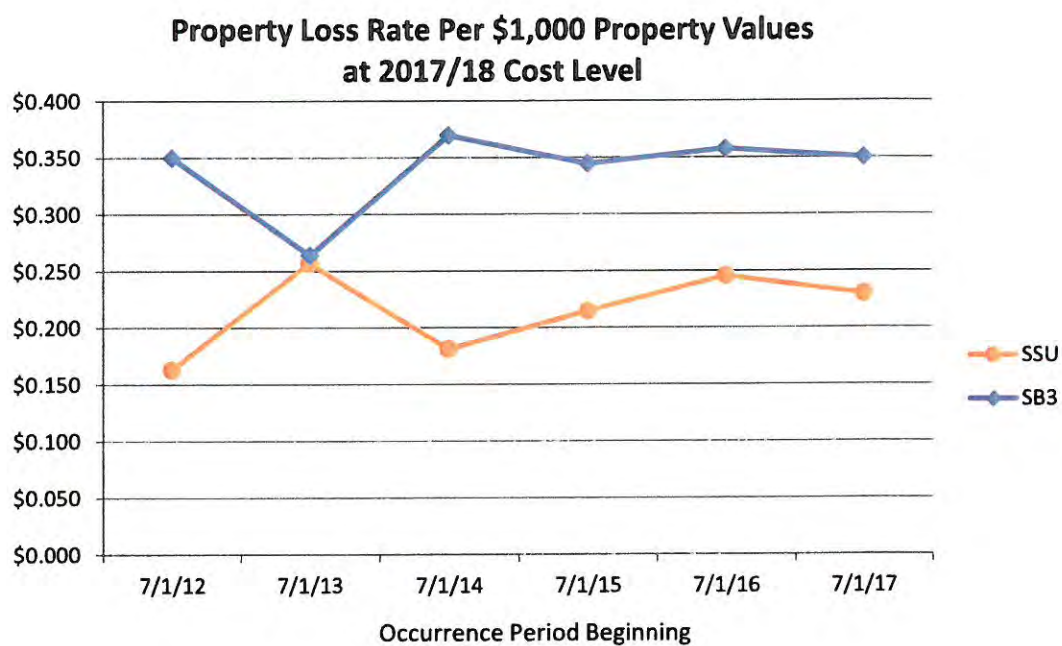


Note: Loss rates are on a retained basis, and gross of any deductibles.

Property

- March 2017 windstorm event (multiple claims, split between SSU and SB3 property)
 - Value of these windstorm claims remains below the \$1M per occurrence retention
 - Larger impact to SB3 property losses (approx. \$500,000) than SSU property (approx. \$100,000)
- Despite the windstorm event, both paid and reported loss emergence from 7/1/16 to 6/30/17 was less than expected for both SSU and SB3
- Drop in property unpaid losses between 6/30/16 and 6/30/17
 - Previously open large claims were paid/closed
 - Other than the windstorm event (<\$1M), there was no significant new large property claims

Property



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

Mine Subsidence

- Somewhat higher than usual reported loss emergence for Mine Subsidence from 7/1/16 to 6/30/17 (mainly for 16/17 policy year)
- BRIM mine subsidence program coverage increased from \$75,000 per occurrence to \$200,000 per occurrence effective 10/1/16
- Mine Subsidence still continues to perform at a favorable loss ratio (average = 26% over the past 10 years)

SSU Fiscal Year 18/19 Rating

- Total costs to allocate increased \$3M compared to 17/18
 - Loss forecasts increased \$2M over 17/18 (due to GL and Medical Malpractice)
 - Expense forecasts increased \$1M from 17/18
 - Increase to excess property premiums of \$0.8M
 - Decrease in unfunded liability credit for SSU
 - ♦ From \$0.8M for 17/18 to \$0M for 18/19
- Modest rate increases (18/19 compared to 17/18) for auto liability, general liability and property
- About to kick-off SB3 rating analysis for 18/19

Interim Study as of December 31, 2017

December 31, 2017 Interim Analysis - Results

Line of Business	Entity	Retained Case			Retained Case			Change from 6/30/2017 to 12/31/2017 in Retained Unpaid Loss	
		Reserves at 12/31/2017	Retained IBNR at 12/31/2017	Retained Unpaid at 12/31/2017	Reserves at 6/30/2017	Retained IBNR at 6/30/2017	Retained Unpaid at 6/30/2017	Dollar Change	Percent Change
Automobile	SSU	3,106,087	5,967,005	9,073,092	3,153,359	5,882,853	9,036,212	36,880	0.4%
Automobile	SB3	5,102,570	4,881,555	9,984,125	4,148,750	5,249,631	9,398,381	585,744	6.2%
General Liability	SSU	24,608,155	43,730,919	68,339,074	27,147,655	41,894,246	69,041,901	(702,827)	-1.0%
General Liability	SB3	18,973,860	26,973,395	45,947,255	20,231,885	25,269,590	45,501,475	445,780	1.0%
Property	SSU	1,801,805	553,317	2,355,122	1,400,407	778,928	2,179,334	175,787	8.1%
Property	SB3	1,629,502	1,304,893	2,934,395	1,383,899	620,713	2,004,613	929,782	46.4%
Medical Malpractice	SSU	5,839,140	19,626,769	25,465,909	5,022,300	18,475,119	23,497,419	1,968,490	8.4%
Medical Malpractice	SB3	535,460	904,756	1,440,216	564,776	1,053,632	1,618,407	(178,192)	-11.0%
Mine Subsidence		565,104	430,858	995,962	500,000	460,957	960,957	35,005	3.6%
Subtotal - SSU		35,355,187	69,878,010	105,233,197	36,723,721	67,031,145	103,754,866	1,478,330	1.4%
Subtotal - SB3		26,241,392	34,064,599	60,305,991	26,329,310	32,193,566	58,522,876	1,783,114	3.0%
Subtotal - SSU + SB3		61,596,579	103,942,609	165,539,187	63,053,031	99,224,712	162,277,743	3,261,445	2.0%
Total		62,161,683	104,373,467	166,535,150	63,553,031	99,685,668	163,238,700	3,296,450	2.0%

December 31, 2017 Interim Analysis

- Unpaid loss estimates increased \$3.3 million (2.0%) between June 30, 2017 and December 31, 2017
- Increase driven by SSU medical malpractice (\$2.0 million increase to unpaid losses)
 - Driven by very low level of loss payments between 7/1/17 and 12/31/17 (i.e. existing case reserves remaining open as new claims emerge)
- SB3 property unpaid losses increased \$0.9 million
 - \$270,000 increase to an accident year 16/17 claim
 - Newly reported \$350,000 claim for the current 17/18 accident year
- Relatively modest changes to unpaid losses for other coverages
- Accrual of first 6 months of current 17/18 program year

Questions & Discussion



Board of Risk and Insurance Management Organizational Chart

