

# **State of West Virginia**

## **Board of Risk and Insurance Management**

### **2019 Annual Report**









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



Allan L. McVey  
Cabinet Secretary

Mary Jane Pickens  
Executive Director  
Deputy Cabinet Secretary

August 30, 2019

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, 2019 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 970 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:

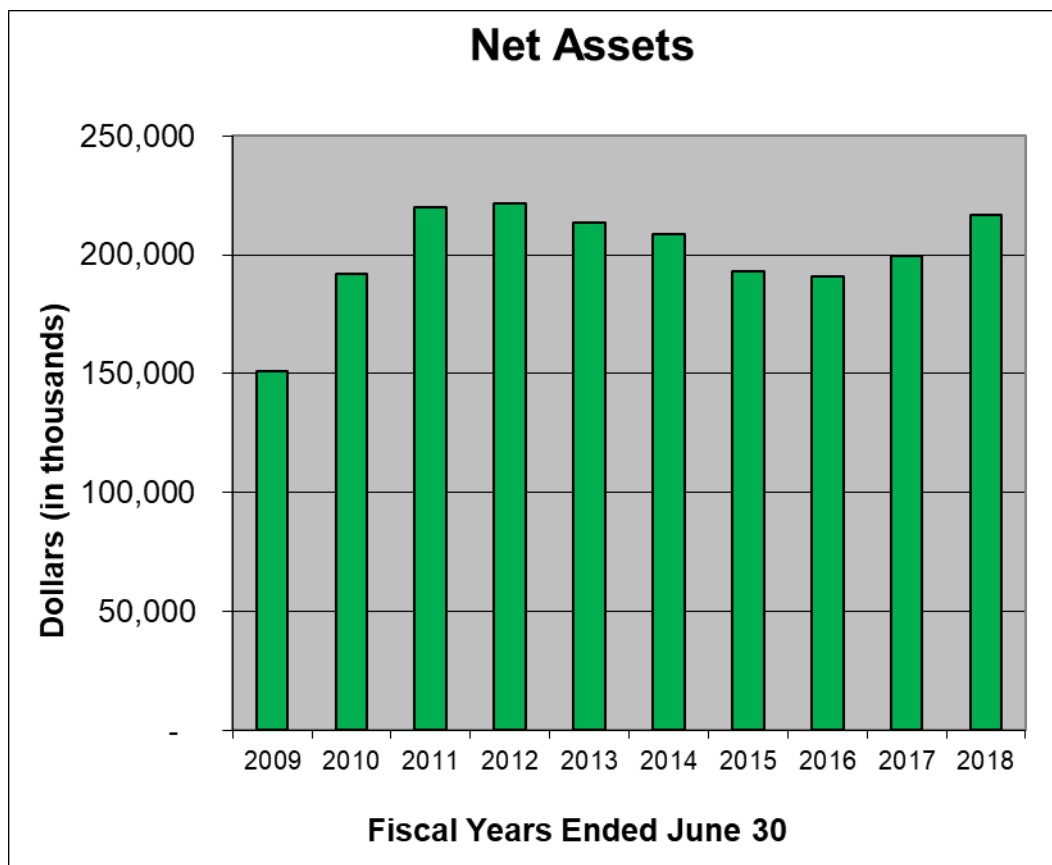
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
	(In thousands)			
Operating Revenues:				
Premiums	\$58,204	\$65,293	\$71,368	\$78,951
Less Excess Coverages	<u>(6,197)</u>	<u>(6,909)</u>	<u>(6,681)</u>	<u>(6,518)</u>
Net Operating Revenues	52,007	58,384	64,687	72,433
Operating Expenses:				
Claims & Claims Adjustment	68,145	63,753	59,149	57,393
General Administrative	<u>3,541</u>	<u>3,905</u>	<u>4,200</u>	<u>4,410</u>
Total Operating Expenses	71,686	67,658	63,349	61,803
Operating Income (Loss)	(19,679)	(9,274)	1,338	10,630
Non-Operating Revenues:				
Interest Income	4,833	7,413	9,841	6,712
Appropriation Transfer	<u>—</u>	<u>—</u>	<u>(2,810)</u>	<u>—</u>
Net Income	(15,596)	(1,861)	8,369	17,342
Retained earnings at beginning of year	<u>208,911</u>	<u>192,280</u>	<u>190,959</u>	<u>199,328</u>
Cumulative Effect Adoption of GASB 75				<u>(58)</u>
Retained earnings at beginning of year – restated	<u>208,911</u>	<u>192,280</u>	<u>190,959</u>	<u>199,270</u>
Retained earnings at end of year	\$192,820	\$190,959	\$199,328	\$216,612

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 2018. 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, 2019. The June 30, 2019 report will be available near the end of October 2019.

### **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, 2018, 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, 2019. The CAFR for fiscal year 2019 will be issued before December 31, 2019. 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 2018

<b>LIABILITY</b>	<b>LIMIT OF LIABILITY</b>
Automobile Liability Policy No.: CA 286-73-97 & 286-73-98 Company: National Union Fire Insurance Co.	\$ 1,000,000 per occurrence
Cyber Liability Policy No.: UMR B1262F10687317 Company: Arthur J. Gallagher International	\$ 25,000,000 per occurrence
General Liability Policy No.: GL 693-89-15 & 693-89-16 Company: National Union Fire Insurance Co.	\$ 1,000,000 per occurrence
Aircraft Liability Policy No.: AV003380147-17 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
<b>PROPERTY</b>	<b>LIMIT OF LIABILITY</b>
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: Atlantic Speciality	\$ 75,000,000 in excess of 125,000,000
Policy No.: MAF733355-16 Company: Axis Insurance Company	\$ 200,000,000 in excess of 200,000,000
Policy No.: MAF760729-17 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 Variable amounts as set by Statute  
 Official Position Schedule Bond  
 Bond No.: 106128156  
 Company: Travelers

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

### **Top 10 State Agency Premiums for Fiscal Year 2018**

1 West Virginia University	\$9,388,239
2 Division of Highways	6,397,385
3 State Police	5,394,594
4 Department of Health & Human Resources	3,715,674
5 Division of Corrections	3,142,203
6 Marshall University	2,910,059
7 Regional Jail and Corrections Facility Authority	1,437,211
8 West Virginia University Medical Corp.	707,014
9 Supreme Court of Appeals	690,383
10 Division of Environmental Protection	659,394
Total Top Ten	<b>\$34,442,156</b>

Total State Premium Billing for 2018	<b>\$47,379,668</b>
% of top 10 in relation to all state agency billings	<b>72.69%</b>

### **Top 20 SB 3 Premiums for Fiscal Year 2018**

1 Kanawha County Board of Education	\$1,577,182
2 Berkeley County Board of Education	775,626
3 City of St. Albans	693,271
4 Raleigh County Board of Education	689,338
5 Cabell County Board of Education	576,351
6 Harrison County Board of Education	548,816
7 Mingo County Commission	514,965
8 Putnam County Board of Education	490,595
9 Wayne County Board of Education	472,271
10 Mercer County Board of Education	438,696
11 Logan County Board of Education	429,461
12 Jefferson County Board of Education	421,485
13 Monongalia County Board of Education	389,397
14 Marion County Board of Education	376,206
15 Mingo County Board of Education	360,761
16 Fayette County Board of Education	348,408
17 Logan County Commission	337,715
18 Ohio County Commission	332,174
19 Wood County Board of Education	330,733

20 Kanawha Valley Regional Transportation  
Total Top Twenty

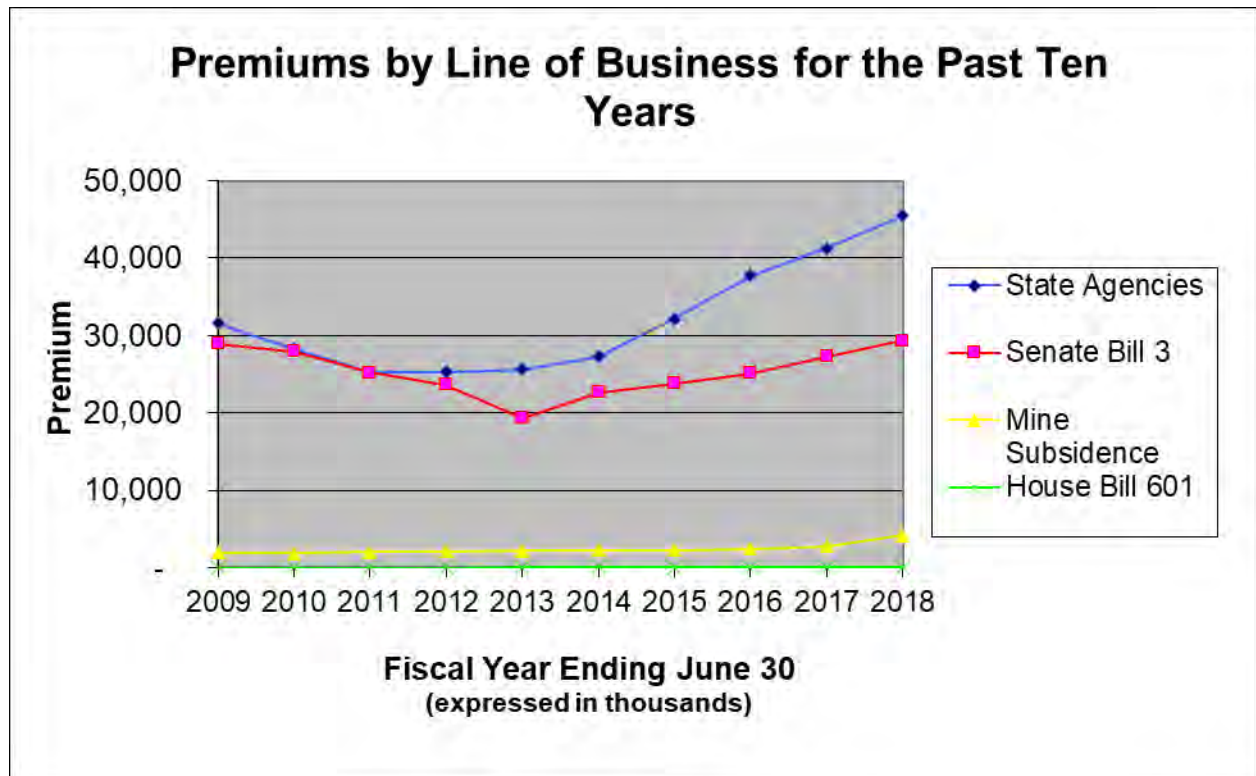
311,515

**\$10,414,966**

Total SB 3 Premium Billing for 2018  
% of top 20 in relation to total SB 3 billings

**\$30,462,670**

**34.19%**

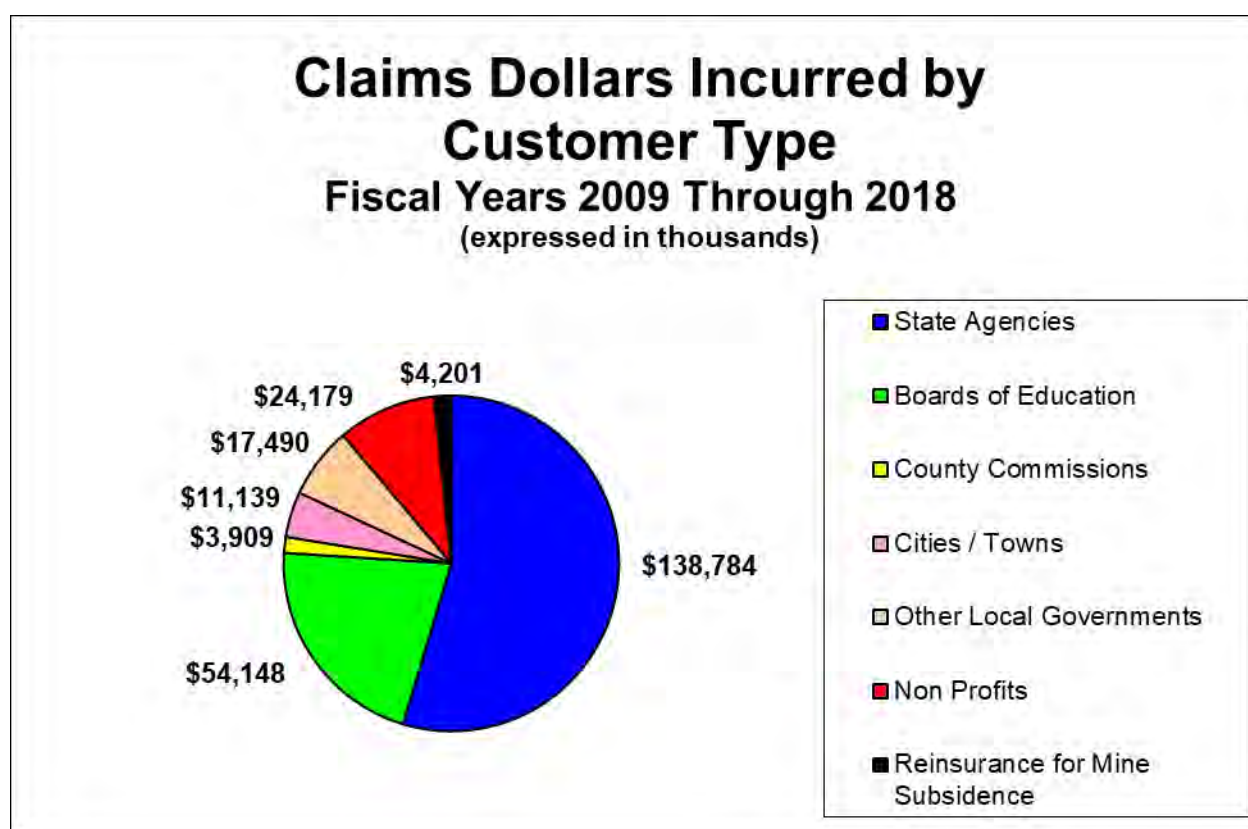


Fiscal Year	State Agencies	Senate Bill 3	Mine Subsidence	House Bill 601
2009	\$ 31,596	\$ 28,902	\$ 1,929	-
2010	\$ 28,257	\$ 27,889	\$ 1,861	-
2011	\$ 25,239	\$ 25,233	\$ 2,032	\$ 34
2012	\$ 25,290	\$ 23,603	\$ 2,090	\$ 63
2013	\$ 25,607	\$ 19,345	\$ 2,142	\$ 40
2014	\$ 27,226	\$ 22,642	\$ 2,220	\$ 40
2015	\$ 32,118	\$ 23,781	\$ 2,261	\$ 44
2016	\$37,688	\$25,147	\$2,398	\$ 60
2017	\$41,304	\$27,305	\$2,759	
2018	\$45,516	\$29,306	\$4,129	

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 when premiums began increasing.

Source: BRIM's internal financial statements.



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



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

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Mary Jane Pickens  
Executive Director  
Deputy Cabinet Secretary

**AGENDA**  
**BOARD MEETING OF THE**  
**WEST VIRGINIA BOARD OF RISK AND INSURANCE MANAGEMENT**  
***September 25, 2018***

Chairman Martin

Call to Order

Chairman Martin

Approval of Board Minutes  
June 26, 2018

**REPORTS**

Tom Sauvageot  
West Virginia Investment Management Board

Account/Investment Update

Nate Pearson/Aaron Pelczar  
Standish Mellon Asset Management

Account/Investment Update

Chairman Martin

Update on Development and  
Implementation of BRIM's new  
Technology System

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 H. Milam  
Chief Privacy Officer

Privacy 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  
September 25, 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  
Valerie Poindexter, Claims Representative  
Lora Myers, Recording Secretary  
Sue Haga, Administrative Secretary

**BRIM PROGRAM  
REPRESENTATIVES:**

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

**GUESTS:**

Sandy Price, WVU Health Sciences Center  
Michael Gansor, WVU Risk Management  
Tom Sauvageot, WV Investment Management Board  
Nate Pearson, Standish Mellon Asset Management  
Aaron Pelczar, Standish Mellon Asset Management  
Tom Kleeh, Steptoe & Johnson, PLLC  
Phil Kabler, Charleston Gazette-Mail

## **CALL TO ORDER**

Chairman Martin called the meeting of the West Virginia Board of Risk and Insurance Management to order on Tuesday, September 25, 2018, at 1:00PM. The meeting was held in the Executive Conference Room at 1124 Smith Street, Suite 4600, Charleston, West Virginia.

## **APPROVAL OF MINUTES**

Mr. James Dodrill moved the approval of the June 26, 2018 Board Meeting minutes. The motion was seconded by Vice Chairman Mitts. Being no discussion, a vote took place and the MOTION ADOPTED.

## **REPORTS**

### **West Virginia Investment Management Board**

Chairman Martin introduced Tom Sauvageot from the West Virginia Investment Management Board to present his report.

Mr. Sauvageot referred to the BRIM Investment Review – June 30, 2018 which the Board received as a handout. Market Highlights were discussed, economic growth has been relatively strong in the United States. Interest rates and inflation have increased; however, not at an alarming rate. Asset Allocation was reviewed, there have been portfolio changes which are outlined on the chart included in the handout. Fiscal year returns between 2006 – 2018 have remained in a 5% overall range. Looking at the Asset Class, Hedge Fund performance has been good this year. Referring to the Fixed Income performance, Mr. Sauvageot mentioned that the bond market is down. Being no questions from the Board, the West Virginia Investment Management Board presentation concluded.

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

### **Standish Mellon Asset Management**

Chairman Martin called on Nate Pearson and Aaron Pelczar to make their presentation for Standish Mellon Asset Management.

Mr. Pelczar introduced himself as he is new to the account. There has been a long-standing relationship with Standish Mellon which is in the process of merging with two other firms. A new name for the firm will be announced within the week.

Mr. Pearson reported a strong economic picture. U. S. labor markets are adding new jobs, unemployment rate is 3.9%. Jobless claims remain historically low. Economic slack has been reduced. Performance reviews were discussed in detail.



Positive view on Canadian banks. Inflation will begin to moderate. Portfolio yield is at 3%. Mr. Pearson asked for any questions from the Board, no questions. The presentation concluded.

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

### **Update on Development and Implementation of BRIM's new Technology System**

Chairman Martin presented an update on BRIM's new technology system. The Risk Management Information System (RMIS) project was bid in 2016. The low bid came in at \$251,000 from Emerson Risk Solutions. There have been eight (8) change orders with additional costs involved. Working to integrate AIG has been a challenge. This update is to keep the Board informed about where we stand with the RMIS project.

### **BRIM Financial Report**

Chairman Martin commented that the reports would be presented out of order for this meeting. The Executive Director's Report will be presented last. Mr. Schumacher was asked to present the Chief Financial Officer's Report.

Mr. Schumacher discussed PCard activity for May, June, July. A disk containing PCard activity was distributed to the Board.

Mr. Schumacher updated the Board on the Audit. BRIM submitted the draft for the June 30, 2018 audited financial statements a day ahead of the September 15<sup>th</sup> deadline. The final audit is on target to be completed before due. At this point, no audit issues have been brought to our attention. The audited financial statements will be available on our website after the auditor's opinion has been issued.

Regarding the actuarial results, completed risk funding study by AON as of June 30, 2018, was issued on September 20, 2018. Mr. Schumacher gave a detailed explanation of the actuarial and financial results. Premium revenue for FY18 is \$7.7 million higher than the prior year. Premiums primarily increased to cover an increase in actuarially projected claims costs for FY18. Overall rate of return on BRIM invested funds was 1.8%, less than FY17's return of 2.7%. Funds invested with the West Virginia Investment Management Board made about \$7.2 million versus \$12.0 million last year. BRIM's overall net position exceeded \$200 million for the first time since FY15. The Board will be provided with updated results for the premium to net asset reserve ratio after the June 30, 2018 audit has been issued.

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 to present the Loss Control Report.

Mr. Fisher reported that BRIM has scored the submitted loss control questionnaires for state agencies. This process should be more streamlined when the new Risk Management Information System is up and running.

For the first time, BRIM will be partnering with Liberty Mutual Insurance to sponsor two boiler safety and operational seminars. Since this is a change of companies, it will be interesting to see how well their presentation and materials are received.

BRIM's partnership with the Office of the Insurance Commissioner's State Agency Workers' Compensation Program has been resumed. Working with our Loss Control Manager to conduct joint loss control visits with our state customers who have a frequent automobile claims history. Commissioner McVey commented that Tom Judy and Jeremy Wolfe are working well together and he is glad to have this relationship.

AON conducted 290 inspections during July, August and up to September 10, 2018. We have not received inspection reports from Liberty Mutual but are expecting the reports very soon. Our loss control technical staff since our last report has done 10 Loss Control Visits; 9 Standards of Participation Visits and 1 Presentation Visit.

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

### **Privacy Report**

Chairman Martin asked Mrs. Milam to present the Privacy Report.

Mrs. Milam reported that the Privacy Management Team met on July 10, 2018 and on September 11, 2018. The July meeting, twenty-four participants representing ten departments were in attendance. The September meeting, twenty-three individuals from twelve departments participated. Due to turnover, reorganization and the addition of other constitutional officers' privacy officers, we have several new PMT members.

Mrs. Milam also reported on various privacy trainings. On August 27 and September 13, 2018, the State Privacy Office trained new department privacy officers in privacy management. 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 modified or when new technology is purchased. PIA completion is not mandatory for agencies, however, since June 27, 2018, 3 PIAs have been completed.

The Privacy Retreat was held August 8 – 10, 2018 at Canaan Valley Resort and was well attended. Learning objectives included: increased understanding of importance of privacy compliance; increased understanding of benefits/purpose of the Privacy Impact Assessment Program (PIA); awareness of Privacy by Design (PbD) and enhanced understanding of incident response plan. Outcomes of the retreat include: 35 attendees, cost of retreat within budget, and a post retreat survey with overwhelming positive response. Attendees also participated in a recreational team building.

Katie Murray, our summer law intern's last day was August 10th. Katie's focus was on legal issues around privacy notices. She researched other states' cyber security laws and prepared an analysis and summary for use in the NGA Policy Academy. Katie also assisted with the Privacy Retreat and served as photographer.

Privacy Notice Workgroup met on June 26 and July 25, 2018. The purpose is to update the West Virginia Executive Branch Policy on Privacy Notices and to research and develop a template for the Notice of Privacy Practices. For its new privacy notice, the workgroup is focused on establishing values for the Executive Branch on how personal information is going to be utilized and for what purposes.

Privacy Report 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 Medical Malpractice Program status of Marshall University and West Virginia University. There was discussion regarding the total amount of disbursements paid so far this year. Mrs. Pickens reported that in 2018 so far, three cases have been tried to verdict, one plaintiff verdict and two defense verdicts. The attached Executive Director's Report outlines additional detailed information regarding paid claims, outstanding claims, claim counts and closed claims.

Mrs. Pickens updated the Board regarding the Patient Injury Compensation Fund (PICF) as of August 31, 2018. At the last BRIM Board meeting, the Trauma Center assessments totaling \$517,125 were discussed. Currently, all but one of these invoices have been paid. We are researching the outstanding invoice. We are in the process of distributing the sum of \$1,800,000 to claimants for FY2018. The Auditor's office has made some changes in processes for state checks which affected the time needed for distributions. We have been informed that checks should be sent to counsel for those claims in the next few days.

Recently, we have provided information to the Legislative Auditor's Office concerning the Senate Bill 3 program specifically relating to the non-profit entities. The questions surfaced when the Legislative Auditor inquired about the entity that operates the museum at the old Moundsville Prison, originally eligible as a 501(c)(3) but no longer has that status. A cancellation was issued per BRIM's rule because it was no



longer eligible. We are evaluating a search tool that is offered as an annual subscription that would enable us to verify status of all the 501(c)(3) entities in the program.

At the request of the House Government Organization Committee, BRIM has provided information on state buildings. Specifically, they wanted an understanding of the differences in how BRIM determines premium on state-owned versus leased buildings. They requested a data set on buildings 3 and 4, to compare to a data set on the same buildings from Real Estate, OT and General Services. They also requested a list of all data fields collected by BRIM to compare to other agencies. The agencies perform different functions, so we expect the data to vary as it does with state owned vehicles.

Mrs. Pickens reported that BRIM has finalized changes to the primary policy and we received the policy recently and are now reviewing it. The State and Senate Bill 3 Auto and General Liability policies have been reviewed and posted on our website. Also, there has been a review of the excess liability policy for the Boards of Education, the State Cyber Liability Policy, the Boiler Policy and the Statutory Bond policies. Those will be posted in the future.

The State Auditor has set some new requirements relating to commission payments. This is likely a continuing effort in the Auditor's office to improve transparency. To meet the new requirement, BRIM sent producers a report showing the amount due in our system. A statement that the amount is correct must be signed before a notary and returned, and a copy of a memo dated in August that Auditor McCuskey issued urging all vendors to establish an agreement to receive state payments via EFT. We are working through this process and regret the additional time it has taken on these payments due to the new procedures.

BRIM continues to participate with Office of Technology's Security Office and CISO, Josh Spence, in the National Governor's Association Policy Academy on Cyber Security. We have participated in numerous phone calls and hosted the NGA staff and others at the first in-state meeting held August 28 – 29, 2018. The purpose of the Academy is to work with NGA's Center for Best Practices to continue to provide us technical assistance based on West Virginia's commitment to formal cybersecurity policy and planning. With support from the NGA Center, we plan to have a "toolkit" to share with legislators and partners as we go into interim committee meetings and regular session. A second in-state meeting is in the planning to coincide with Privacy Day held in late January. February 1 has been reserved in the upper rotunda of the Capitol to present information on data security and privacy and to interact with Legislators.

An Executive Order was issued earlier this year requiring agencies to review all rules and provide information regarding the age of the rule, any modifications, the justification for the rule and any suggested changes or if it should continue to exist.



These reviews are due November 1 and the Department of Administration is considering consolidating all DOA agencies into one submission. BRIM's review is nearing completion, I do not anticipate suggesting any changes as a result of this review.

The Annual Report was submitted on time at the end of August. Copies are available in either hard copy or disc at the Board's request. This report will also be available on our website.

The 2018 STRIMA Conference was held in Maine this year and concluded last week. Melody Duke served as President this year and did a great job. She represented West Virginia and BRIM well during her year as President.

We have reached an agreement with the Division of Personnel regarding new class specifications and proposed pay grades for 3 new positions in the Claims Department. The positions are Insurance Claims Representatives 1, 2, and 3. We expect this proposal to be on the October State Personnel Board agenda. These new class specifications and pay grades enable us to develop a career path, which we have now accomplished in both Loss Control and Claims.

Robert Fisher and Melody Duke are joining Andy Teeter of USI again during the Purchasing Division's conference held October 3 – 5. This is a continuation of the training provided to state agencies about insurance requirements in state contracts for services/commodities. USI has been kind in assisting on topics of bonds as another way to ensure performance of state contracts.

BRIM hosted a well-received Privacy Retreat August 8 – 10, 2018 at Canaan Valley Resort. Sallie Milam covered this event thoroughly during her report.

Our record retention project continues. We are identifying old records that can be destroyed according to BRIM's Record Retention Schedule. Funds will be saved by reducing the records in storage. We appreciate Sue Haga's work on this project.

The Board has likely seen recent press coverage regarding lawsuits filed against the Secretary of State. While we cannot comment on pending litigation in an open meeting, we are prepared for discuss concerning this matter in Executive Session should the Board wish to do so.

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

Mr. James Dodrill moved the Board should go to Executive Session to discuss the pending litigation. The motion was seconded by Mr. Edward Magee. Being no discussion, a vote took place and the MOTION ADOPTED.

Board went to Executive Session. Returned from Executive Session at 2:35PM. Mr. James Dodrill moved the Board took no action during the Executive Session. The motion was seconded by Mr. Edward Magee. Being no discussion, a vote took place and the MOTION ADOPTED.

### **UNFINISHED BUSINESS**

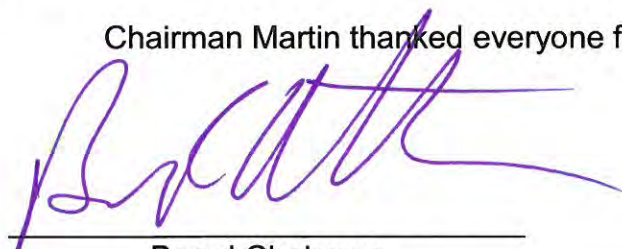
There was no unfinished business to be discussed.

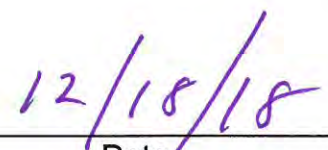
### **NEW BUSINESS**

There was no new business to be discussed.

### **ADJOURNMENT**

Chairman Martin thanked everyone for attending. Meeting adjourned at 2:38PM.

  
\_\_\_\_\_  
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

**MINUTES OF THE SPECIAL MEETING  
OF THE  
WEST VIRGINIA BOARD OF RISK AND INSURANCE MANAGEMENT  
October 4, 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  
Stephen W. Schumacher, CPA, CFO  
Jeremy Wolfe, Loss Control Manager  
Chuck Mozingo, Asst. Claims Manager  
John Fernatt, Claims Representative  
Valerie Poindexter, Claims Representative  
Lora Myers, Recording Secretary

**BRIM PROGRAM  
REPRESENTATIVES:**

Edgar Poe, Esq., BRIM Counsel

**GUESTS:**

Phil Kabler, Charleston Gazette-Mail

**CALL TO ORDER**

Chairman Martin called the Special Meeting of the West Virginia Board of Risk and Insurance Management to order on Thursday, October 4, 2018, at 2:03PM. The meeting was held in the Executive Conference Room at 1124 Smith Street, Suite 4600, Charleston, West Virginia.



## **BRIM Handling of lawsuits against the Secretary of State**

Chairman Martin addressed the Board regarding the September 25, 2018 Board Meeting Executive Session.

### **Chairman's Remarks:**

After some reflection, with regard to the September 25, 2018, meeting of the Board of Risk and Insurance Management, I concluded that the interests of the public would be best served by a more detailed on the record explanation of the Executive Session.

We returned to regular session and confirmed our support of BRIM's normal claim handling process as it pertains to these claims. I believe this statement should have better memorialized the entire sentiments of the Board that resulted from our review.

We believe these claims were handled according to the policies and procedures with which all claims are handled. These guidelines are in place to insure we fulfill our primary fiduciary responsibilities to our insureds and consequently the taxpayers of West Virginia. While as a Board we will diligently continue the oversight responsibilities Given to us by the West Virginia Legislature, we fully expect the staff will continue as they have in the past to provide effective representation in the handling and resolution of claims against the State.

Mr. James Dodrill moved the approval of the September 25, 2018 Board Meeting Executive Session. The motion was seconded by Mr. James Wilson. Being no discussion, a vote took place and the MOTION ADOPTED.

## **ADJOURNMENT**

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

  
\_\_\_\_\_  
Board Chairman

  
\_\_\_\_\_  
Date

# BRIM

## Investment Review

### WV Investment Management Board

6/30/2018

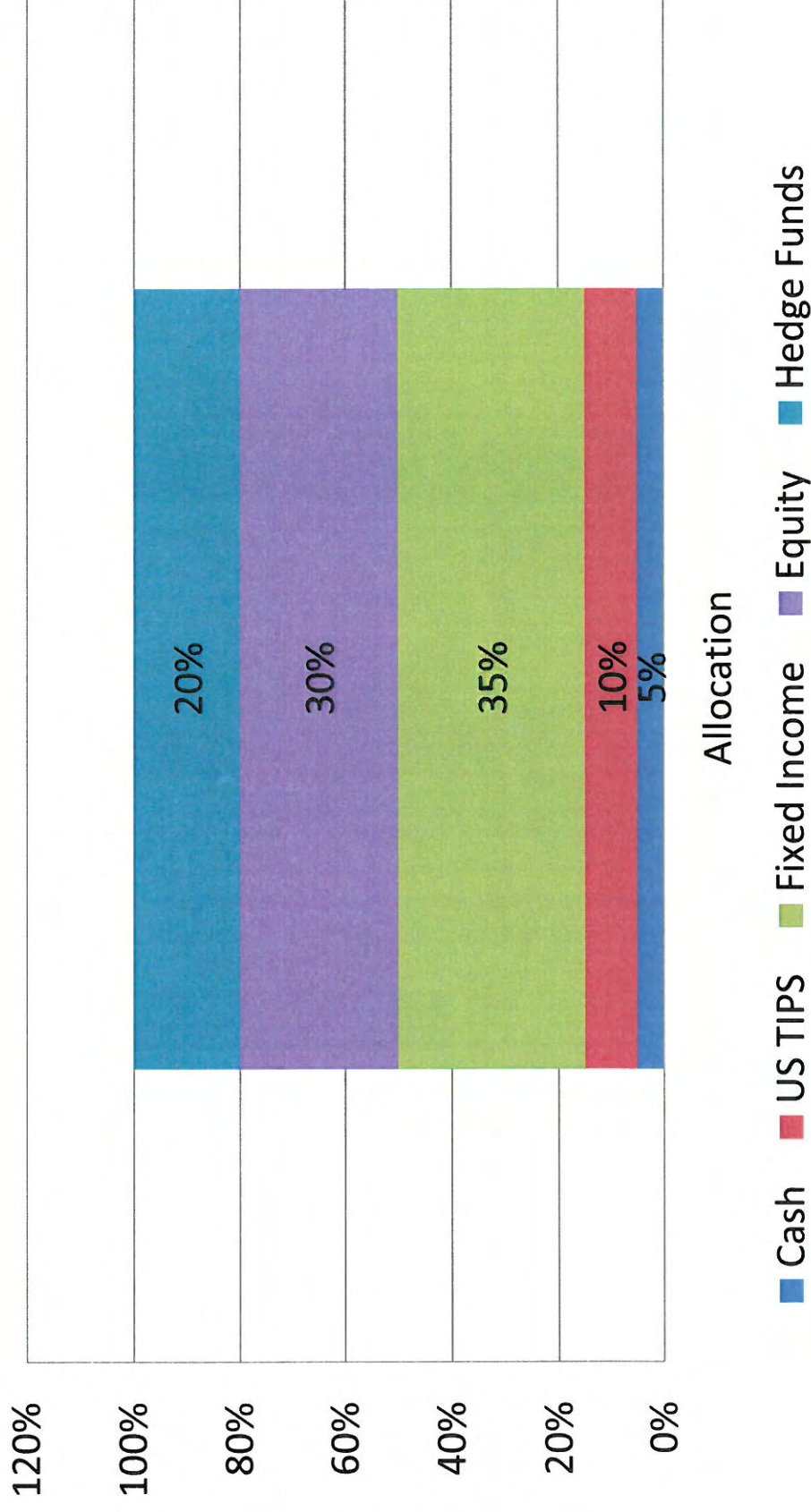




# Market Highlights

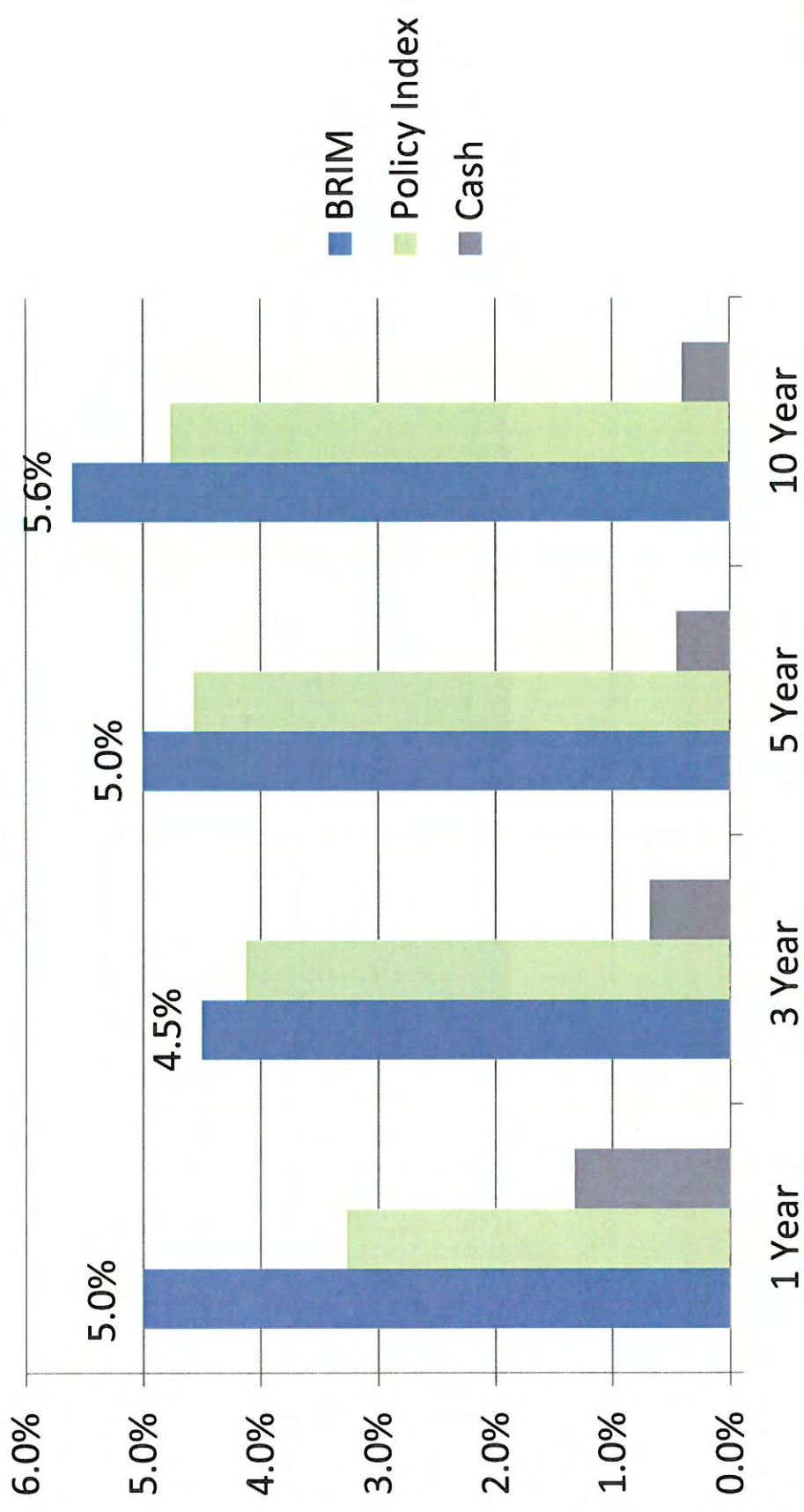
- U.S. economic growth has been relatively strong.
- International economies have largely lagged the U.S., and currencies have weakened.
- Interest rates and inflation have increased, but not at an alarming rate.
- Geo-political firestorms, BREXIT, and trade policy create uncertainties.

# Asset Allocation



# Performance

June 30, 2018

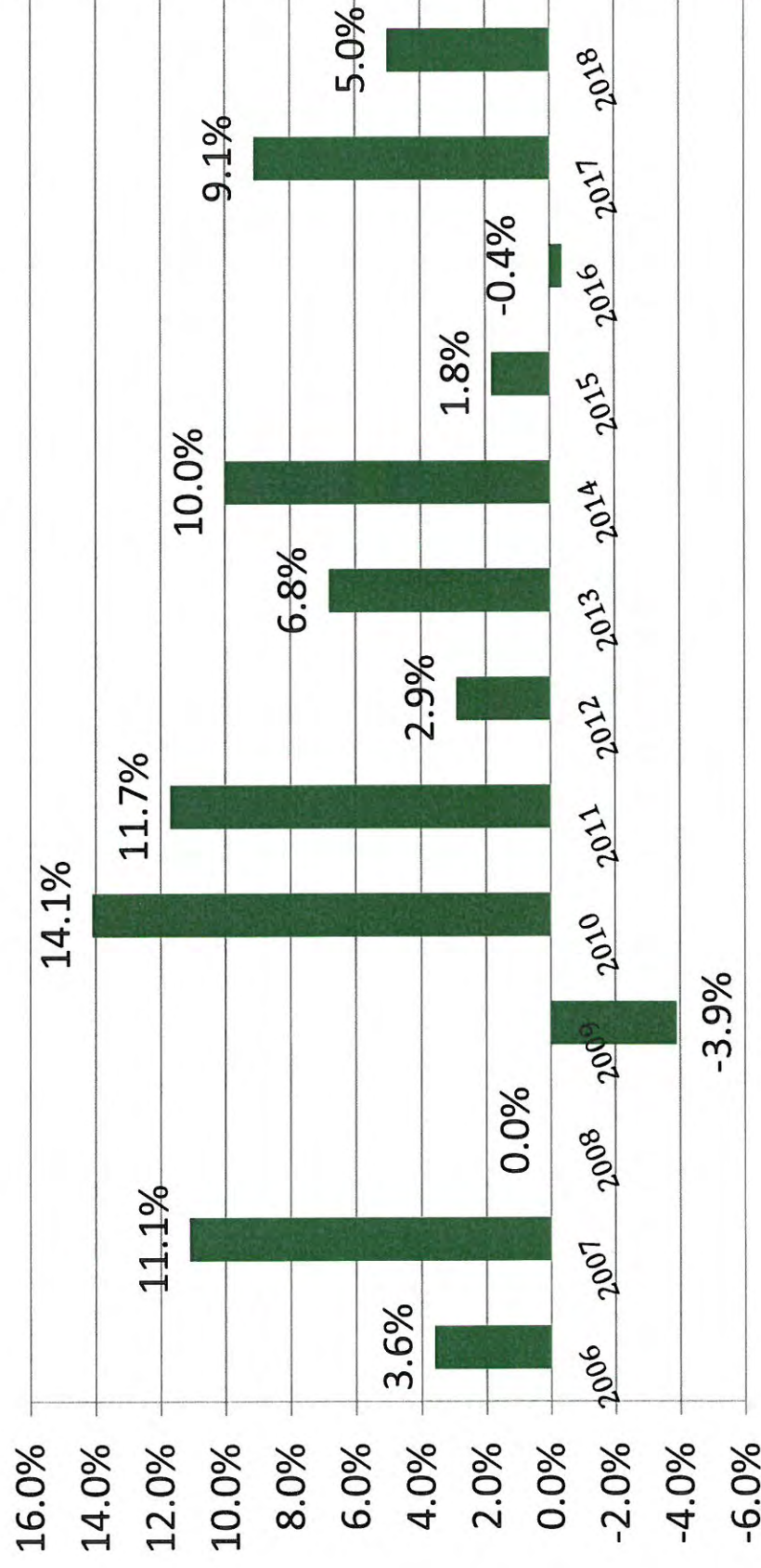




# Performance by Fiscal Year

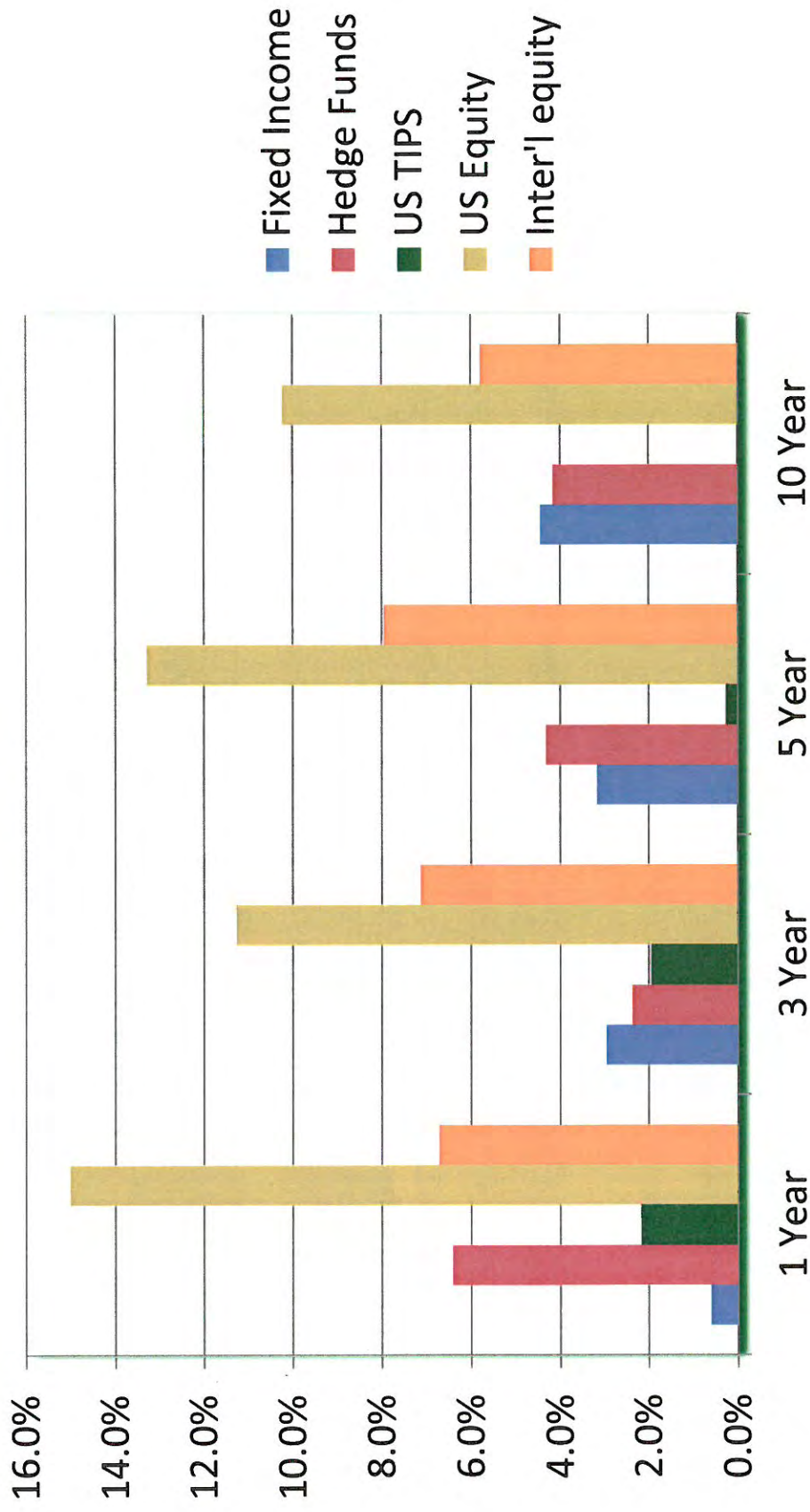
## Years ending June 30

### BRIM



# Asset Class Performance

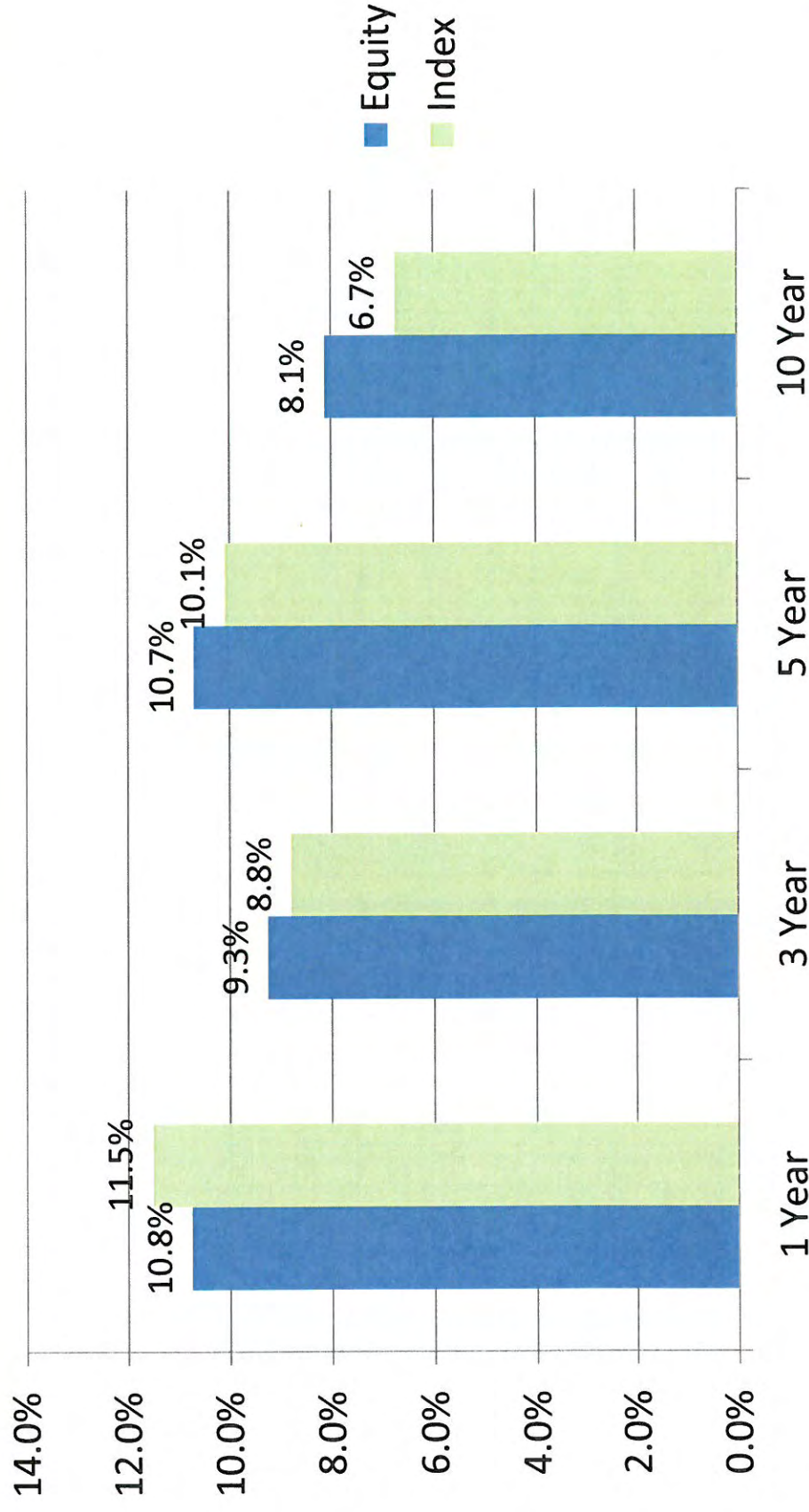
June 30, 2018



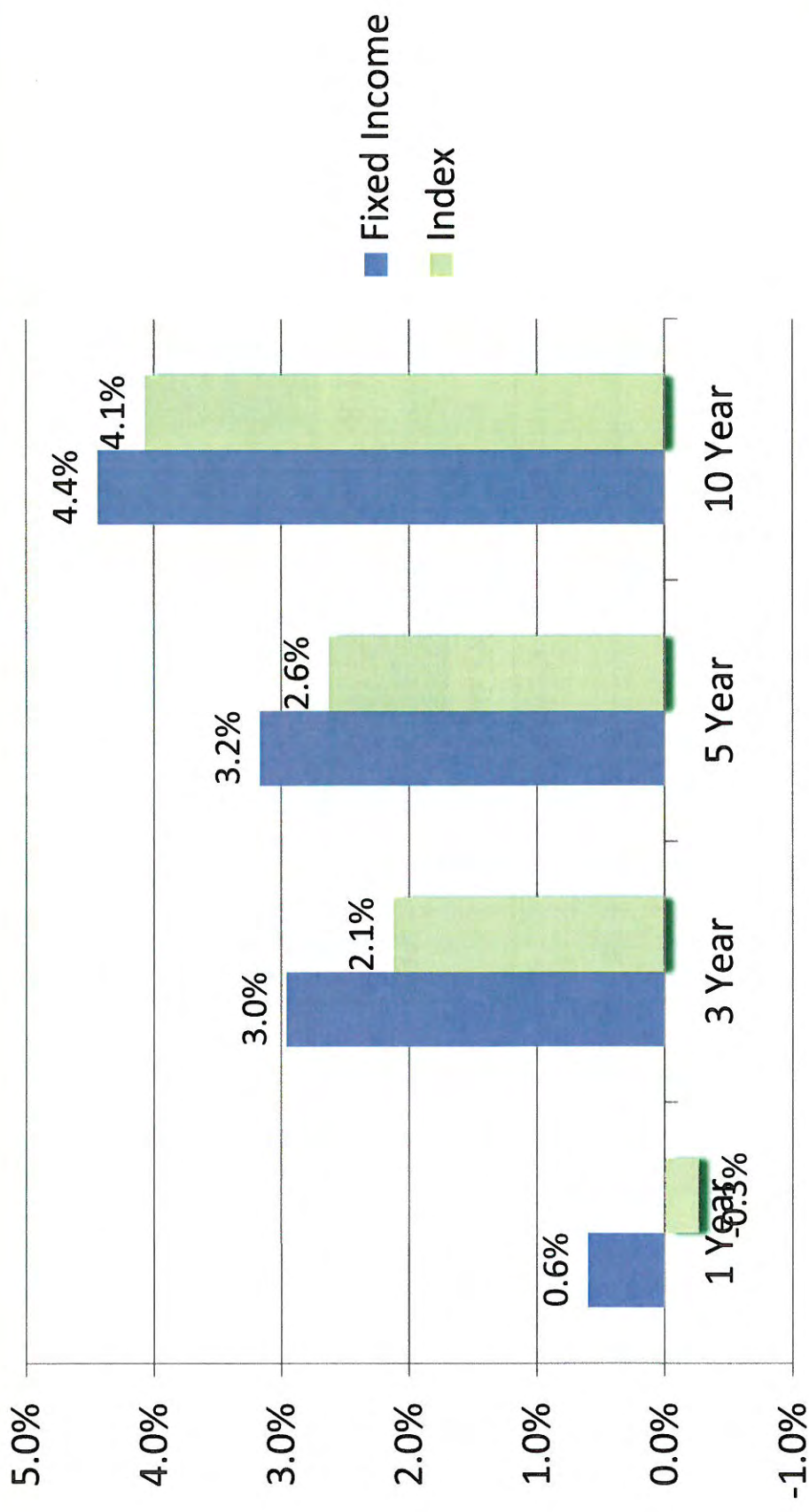


# WVIMB Performance – Equities

June 30, 2018



# WVIMB Performance – Fixed Income

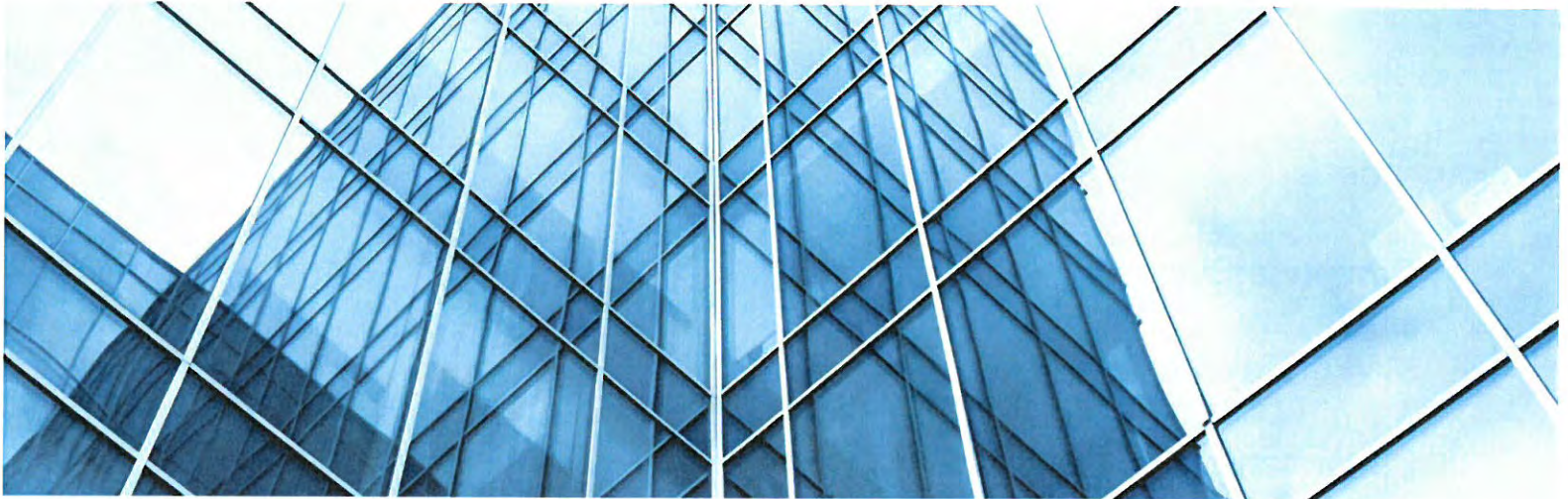


# WVIMB Performance – Hedge Funds









**Mellon  
Capital**

THE BOSTON COMPANY  
ASSET MANAGEMENT

# West Virginia

September 25, 2018

Standish, Mellon Capital and The Boston Company are brands of BNY Mellon Asset Management North America Corporation.

One-on-One Use Only



## Agenda

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

## Firm Overview

### ABOUT US

**\$549.8B**

Assets Under  
Management

Over **500** Employees<sup>1</sup>

Clients in **45**  
Countries & Territories

Headquartered in

**Boston**

With offices in Pittsburgh,  
San Francisco, London<sup>2</sup>,  
Singapore<sup>2</sup> and Hong Kong<sup>2</sup>

### STRATEGIES

**STANDISH**

Active Fixed Income

\$137.0B

**Mellon  
Capital**

Index, Multi-Asset &  
Multi-Factor

\$363.4B

**THE BOSTON COMPANY**  
ASSET MANAGEMENT

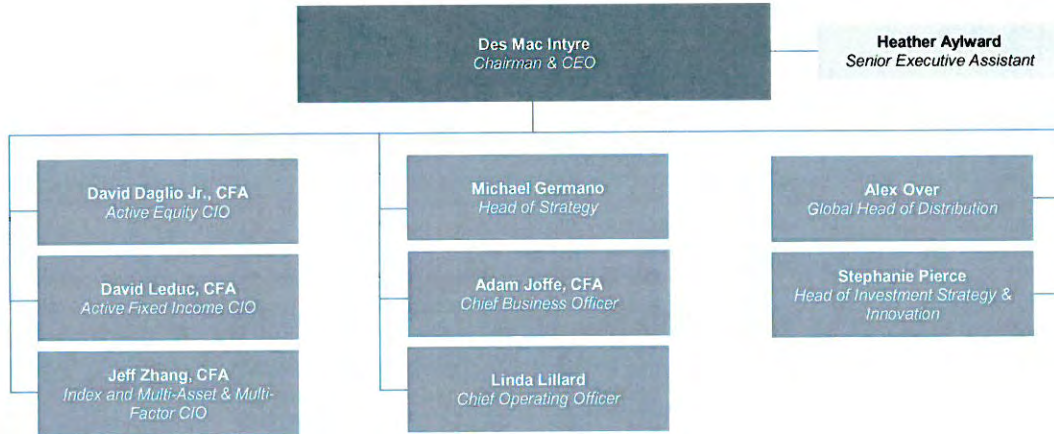
Active Equity

\$49.4B

- Our investment strategies span a wide range of active and passive investment disciplines across the style, geography and capitalization spectrum.
- Our strategies are designed to meet growing client demand for more diversified, sophisticated investment solutions from a single provider.
- We proudly put clients' needs first. To do so, we believe in collaboration, consistent application of our investment process and innovation.

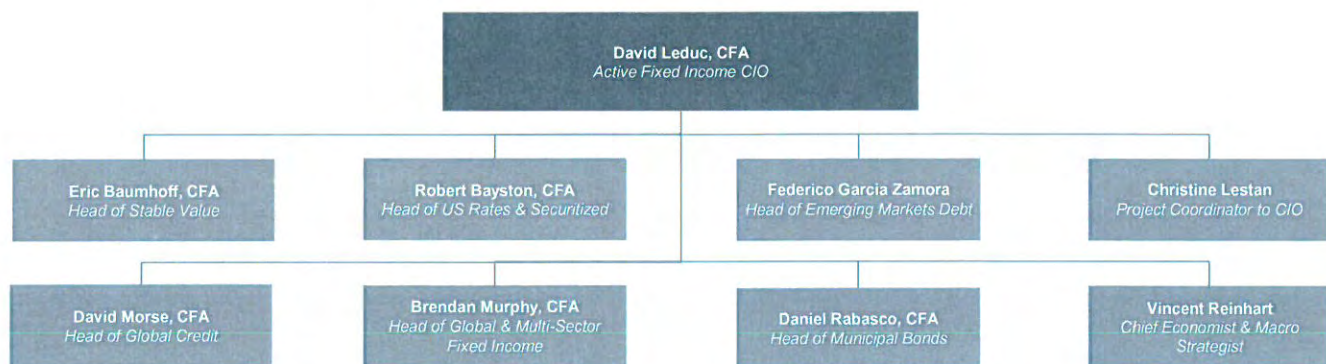
Standish, Mellon Capital and The Boston Company are brands of BNY Mellon Asset Management North America Corporation. Data as of June 30, 2018. Where applicable, AUM includes discretionary and non-discretionary assets and assets managed by investment personnel acting in their capacity as officers of affiliated entities. <sup>1</sup>Employee total includes employees of affiliated entities acting as dual officers and/or associated persons of BNY Mellon Asset Management North America. <sup>2</sup>Location of affiliated entities providing services. No investment strategy or risk management technique can guarantee returns or eliminate risk in any market environment. [22575]

## Leadership





## Investments – Active Fixed Income





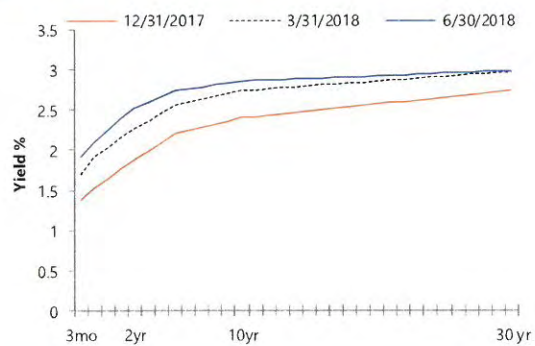
# U.S. Interest Rates & Inflation Investment Team

David Leduc, CFA Active Fixed Income Chief Investment Officer			
Robert Bayston, CFA Head of US Rates and Securitized			
PORTFOLIO MANAGEMENT & RESEARCH	TRADING	INVESTMENT STRATEGY	PORTFOLIO ANALYTICS / QUANTITATIVE RESEARCH
Robert Bayston, CFA Nate Pearson, CFA John Hosa, CFA	Mike Piersol <sup>3</sup> Patrick Savery <sup>3</sup>	Stephan Bonte, CFA Sherri Tilley Hugh Tuomey, JD	James Eddy
Vincent Reinhart Chief Economist & Macro Strategist			
MULTI-SECTOR INVESTMENT GROUP	COMMODITY STRATEGY GROUP	MACROECONOMIC RESEARCH GROUP	

Some investment professionals perform the same role on more than one product team. CFA® and Chartered Financial Analyst® are registered trademarks owned by CFA Institute. <sup>1</sup>Employee of Standish Mellon Asset Management (UK) Ltd who provides investment management and trading services as shared employees of BNY Mellon Asset Management North America. <sup>2</sup>Employee of BNY Mellon Investment Management Singapore Pte. Ltd who provides non-discretionary research services to BNY Mellon Asset Management North America. <sup>3</sup>Traders are employees of xBK, LLC acting as dual officers of BNY Mellon Asset Management North America.

## U.S. Treasury Yields

U.S. Treasury Yields



- U.S. Treasury yields moved higher throughout the 2<sup>nd</sup> quarter led by shorter-dated maturities as the Fed continues its rate normalization path and the yield curve flattened.

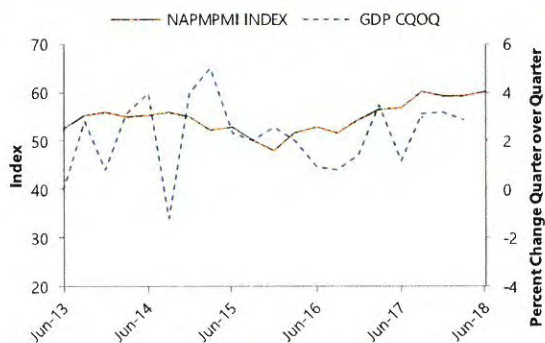
U.S. 10 Year Treasury Yields



- Ten year yields traded in a range finishing the quarter ten basis points higher.

## Real GDP & Manufacturing Activity

United States Purchasing Managers Index and Real GDP



- U.S. real GDP<sup>1</sup> grew 2% in the first quarter and is expected to come in around 4% for Q2. Realized growth is expected to remain modestly above trend growth for the remainder of 2018.

U.S. Industrial Production Year Over Year

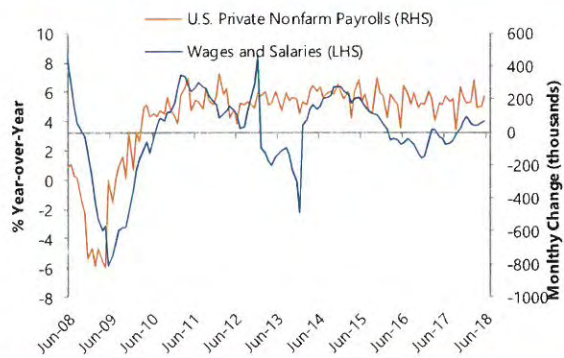


- Industrial production continued its trend higher and currently stands at 3.5%



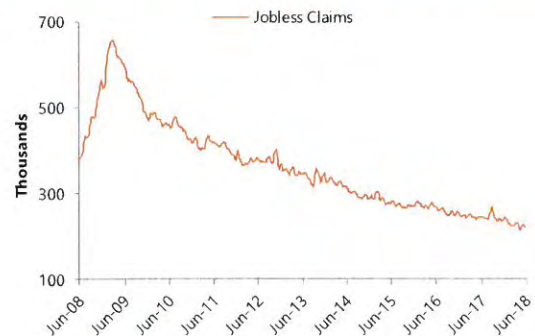
## Employment

Private Employment and Wages and Salaries



- U.S. labor markets added over 200k new jobs per month on average for the 2<sup>nd</sup> quarter. The unemployment rate moved modestly lower to 4% and remains below the natural rate despite new workers entering the labor force.

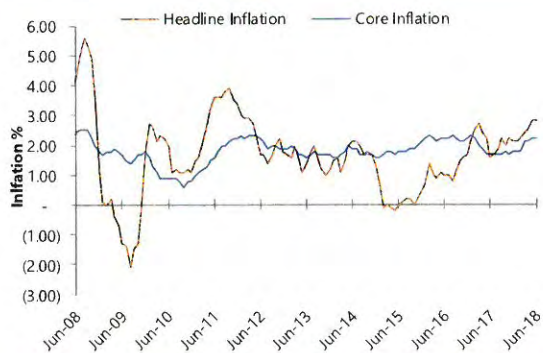
Weekly Jobless Claims 4 Week Moving Average



- Jobless claims remained historically low.

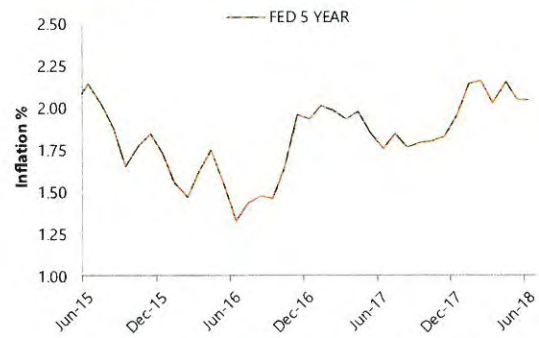
## Core Inflation & Inflation Expectations

Headline versus Core Inflation



- ▶ Headline and core inflation continued to move modestly higher during the quarter and are currently above the Fed's 2% target level.

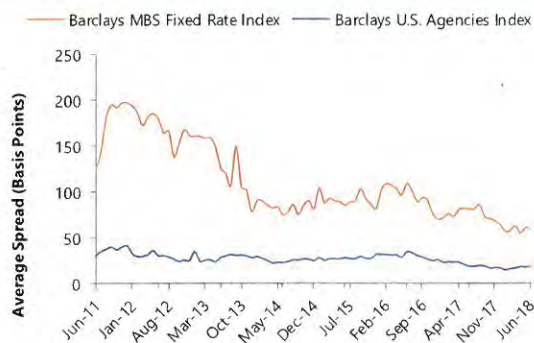
5 Year Forward Inflation Expectations



- ▶ Market-based inflation expectations measured by inflation-linked bonds moved sideways throughout Q2 trading in a 2.00 – 2.20% range.

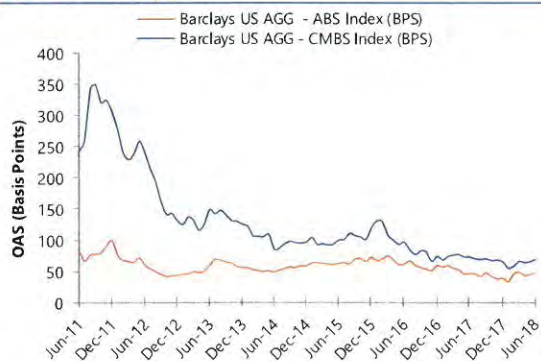
## Agency/MBS Spreads & ABS/CMBS Spreads

Agency and MBS Spreads



- The MBS Index returned 0.24% in the second quarter, providing excess returns to duration-equivalent Treasuries of 0.15%. Year to date, the MBS Index returned -0.95%, with excess returns of -0.24%. For the quarter, nominal spreads tightened by 2 bps in the second quarter while OAS tightened by 1 bp. Good demand for agency MBS from banks and money managers amid range bound rates and low realized volatility helped modestly tighten spreads. We expect mortgage spreads to widen somewhat over the rest of 2018 as net supply is seasonally higher in the summer and the Fed continues to increase the amount of their portfolio reduction.

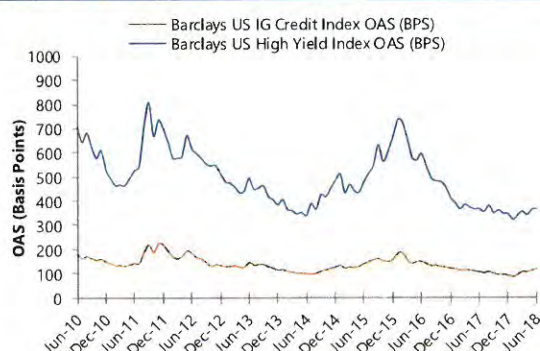
ABS and CMBS Spreads



- ABS spreads were unchanged to slightly wider on AAA classes while lower rated classes were tighter, reflecting the flat curve and demand for yield. CMBS spreads were largely unchanged for most of the quarter until an increase in supply at the end of June pushed spreads wider with only the lowest rated classes tighter. The index return for ABS was 0.42 and for CMBS it was (0.06). Demand has continued to be relatively stronger for higher carry deals and asset classes with recent sell-offs disproportionately affecting the most liquid AAA-rated sectors.

## Sector Returns & Corporate Bonds Spreads

Corporate Bond Spreads



Bond Market Returns - Excess Over Treasuries<sup>1</sup>



- ▶ Cross currency hedging costs of investing in US credit have increased due to the divergence in US monetary policy with the rest of the world making it less attractive for non-US investors. On the other hand, higher yields make the asset class more attractive for yield sensitive domestic buyers like insurance companies and pension funds. The tapering of the ECB bond buying program may lead to additional technical headwinds in European credit.
- ▶ Credit fundamentals remain solid given strong global growth and steady earnings improvement. EBITDA grew at its fastest pace since 2012, outpacing debt growth which grew at its slowest pace since 2011. As a result, leverage is at its lowest point in 2 years. Profit margins are still stubbornly high, which is particularly surprising given the 3.80% US unemployment rate.
- ▶ Given the recent back up in spreads, we believe valuations are fairly valued given our constructive view on fundamentals.
- ▶ Potential Risks:
  - 1) Geopolitical instability
  - 2) Monetary policy mistake
  - 3) M&A activity/Idiosyncratic event risk





## State of West Virginia BRIM

### Market Values

#### State of West Virginia BRIM Market Values as of 6/30/2018

State of West Virginia Retro-Natl Union	Market Value: \$1,869,141.55
State of West Virginia - BRIM 2005-06	Market Value: \$1,907,702.48
State of West Virginia - BRIM 2006-07	Market Value: \$2,538,227.39
State of West Virginia - BRIM 2007-08	Market Value: \$2,971,452.65
State of West Virginia - BRIM 2008-09	Market Value: \$4,529,155.75
State of West Virginia - BRIM 2009-10	Market Value: \$10,170,778.22
State of West Virginia - BRIM 2010-11	Market Value: \$11,726,526.28
State of West Virginia - BRIM 2011-12	Market Value: \$2,139,428.12
State of West Virginia - BRIM 2012-13	Market Value: \$9,618,220.34
State of West Virginia - BRIM 2013-14	Market Value: \$5,877,873.63
State of West Virginia - BRIM 2014-15	Market Value: \$23,203,663.63
State of West Virginia - BRIM 2015-16	Market Value: \$32,275,583.80
State of West Virginia - BRIM 2016-17	Market Value: \$30,870,199.51
State of West Virginia - BRIM 2017-18	Market Value: \$55,512,576.92
State of West Virginia - BRIM 2018-19	Market Value: \$10,865,016.36
<b>Total</b>	<b>Market Value: \$206,075,546.63</b>

## State of West Virginia BRIM

### Performance

#### Portfolio Performance as of 8/31/2018

	Q2 2018 (%)	YTD (%)	1 Year (%)	3 Year (%)*	5 Year (%)*	Since Inception 8/31/05 (%)*
<b>Total Return</b>						
State of West Virginia - BRIM 2005-06	0.43	-0.14	-1.01	0.73	1.13	3.06
Barclays US Government Intermediate	0.39	-0.27	-1.25	0.60	1.18	3.04
Value Added	0.04	0.13	0.24	0.13	-0.05	0.02
<b>Market Value: \$1,907,702.48</b>						

#### Portfolio Performance as of 8/31/2018

	Q2 2018 (%)	YTD (%)	1 Year (%)	3 Year (%)*	5 Year (%)*	Since Inception 8/31/06 (%)*
<b>Total Return</b>						
State of West Virginia - BRIM 2006-07	0.43	-0.14	-1.01	0.73	1.12	3.11
Barclays US Government Intermediate	0.39	-0.27	-1.25	0.60	1.18	3.13
Value Added	0.04	0.13	0.24	0.13	-0.06	-0.02
<b>Market Value: \$2,538,227.39</b>						

#### Portfolio Performance as of 8/31/2018

	Q2 2018 (%)	YTD (%)	1 Year (%)	3 Year (%)*	5 Year (%)*	Since Inception 8/31/07 (%)*
<b>Total Return</b>						
State of West Virginia - BRIM 2007-08	0.43	-0.14	-1.01	0.73	1.12	2.91
Barclays US Government Intermediate	0.39	-0.27	-1.25	0.60	1.18	2.91
Value Added	0.04	0.13	0.24	0.13	-0.06	0.00
<b>Market Value: \$2,971,452.65</b>						

\*Annualized performance

Source: BNY Mellon Asset Management North America as of August 31, 2018

## State of West Virginia BRIM

### Performance

#### Portfolio Performance as of 8/31/2018

	Q2 2018 (%)	YTD (%)	1 Year (%)	3 Year (%)*	5 Year (%)*	Since Inception 3/31/09 (%)*
<b>Total Return</b>						
State of West Virginia - BRIM 2008-09	0.43	-0.14	-1.00	0.72	1.11	1.91
Barclays US Government Intermediate	0.39	-0.27	-1.25	0.60	1.18	1.90
Value Added	0.04	0.13	0.25	0.12	-0.07	0.01
<b>Market Value: \$4,529,155.75</b>						

#### Portfolio Performance as of 8/31/2018

	Q2 2018 (%)	YTD (%)	1 Year (%)	3 Year (%)*	5 Year (%)*	Since Inception 9/30/09 (%)*
<b>Total Return</b>						
State of West Virginia - BRIM 2009-10	0.44	-0.14	-98.00	0.75	1.14	1.89
Barclays US Government Intermediate	0.39	-0.27	-1.25	0.60	1.18	1.90
Value Added	0.05	0.13	-96.75	0.15	-0.04	-0.01
<b>Market Value: \$10,170,778.22</b>						

#### Portfolio Performance as of 8/31/2018

	Q2 2018 (%)	YTD (%)	1 Year (%)	3 Year (%)*	5 Year (%)*	Since Inception 10/31/09 (%)*
<b>Total Return</b>						
State of West Virginia Retro-Natl Union	0.43	-0.13	-1.00	0.72	1.12	1.82
Barclays US Government Intermediate	0.39	-0.27	-1.25	0.60	1.18	1.85
Value Added	0.04	0.14	0.25	0.12	-0.06	-0.03
<b>Market Value: \$1,869,141.55</b>						

\*Annualized performance

Source: BNY Mellon Asset Management North America as of August 31, 2018

## State of West Virginia BRIM

### Performance

#### Portfolio Performance as of 8/31/2018

	Q2 2018 (%)	YTD (%)	1 Year (%)	3 Year (%)*	5 Year (%)*	Since Inception 9/30/10 (%)*
<b>Total Return</b>						
State of West Virginia - BRIM 2010-11	0.44	-0.14	-0.97	0.75	1.13	1.31
Barclays US Government Intermediate	0.39	-0.27	-1.25	0.60	1.18	1.34
Value Added	0.05	0.13	0.28	0.15	-0.05	-0.03
<b>Market Value: \$11,726,526.28</b>						

#### Portfolio Performance as of 8/31/2018

	Q2 2018 (%)	YTD (%)	1 Year (%)	3 Year (%)*	5 Year (%)*	Since Inception 9/30/11 (%)*
<b>Total Return</b>						
State of West Virginia - BRIM 2011-12	0.43	-0.13	-0.97	0.75	1.12	0.97
Barclays US Government Intermediate	0.39	-0.27	-1.25	0.60	1.18	1.00
Value Added	0.04	0.14	0.28	0.15	-0.06	-0.03
<b>Market Value: \$2,139,428.12</b>						

#### Portfolio Performance as of 8/31/2018

	Q2 2018 (%)	YTD (%)	1 Year (%)	3 Year (%)*	5 Year (%)*	Since Inception 8/31/12 (%)*
<b>Total Return</b>						
State of West Virginia - BRIM 2012-13	0.44	-0.13	-0.97	0.76	1.14	0.74
Barclays US Government Intermediate	0.39	-0.27	-1.25	0.60	1.18	0.72
Value Added	0.05	0.14	0.28	0.16	-0.04	0.01
<b>Market Value: \$9,618,220.34</b>						

\*Annualized performance

Source: BNY Mellon Asset Management North America as of August 31, 2018



## State of West Virginia BRIM

### Performance

#### Portfolio Performance as of 8/31/2018

	Q2 2018 (%)	YTD (%)	1 Year (%)	3 Year (%)*	Since Inception 8/31/13 (%)*
<b>Total Return</b>					
State of West Virginia - BRIM 2013-14	0.45	-0.13	-0.97	0.77	1.03
Barclays US Government Intermediate	0.39	-0.27	-1.25	0.60	1.06
Value Added	0.06	0.14	0.29	0.17	-0.04
<b>Market Value: \$5,877,873.63</b>					

#### Portfolio Performance as of 8/31/2018

	Q2 2018 (%)	YTD (%)	1 Year (%)	3 Year (%)*	Since Inception 8/31/14 (%)*
<b>Total Return</b>					
State of West Virginia - BRIM 2014-15	0.44	-0.13	-0.96	0.75	0.86
Barclays US Government Intermediate	0.39	-0.27	-1.25	0.60	0.97
Value Added	0.05	0.14	0.29	0.15	-0.11
<b>Market Value: \$23,203,663.63</b>					

#### Portfolio Performance as of 8/31/2018

	Q2 2018 (%)	YTD (%)	1 Year (%)	3 Year (%)*	Since Inception 8/31/2015 (%)*
<b>Total Return</b>					
State of West Virginia - BRIM 2015-16	0.44	-0.13	-0.97	0.73	0.68
Barclays US Government Intermediate	0.39	-0.27	-1.25	0.60	0.56
Value Added	0.05	0.14	0.28	0.13	0.12
<b>Market Value: \$32,275,583.80</b>					

\*Annualized performance

Source: BNY Mellon Asset Management North America as of August 31, 2018

## State of West Virginia BRIM

### Performance

#### Portfolio Performance as of 8/31/2018

	Q2 2018 (%)	YTD (%)	1 Year (%)	Since Inception 8/31/2016 (%)*
<b>Total Return</b>				
State of West Virginia - BRIM 2016-17	0.44	-0.14	-0.97	-0.53
Barclays US Government Intermediate	0.39	-0.27	-1.25	-0.70
Value Added	0.05	0.13	0.28	0.17
<b>Market Value: \$30,870,199.51</b>				

#### Portfolio Performance as of 8/31/2018

	Q2 2018 (%)	YTD (%)	Since Inception 8/31/2017 (%)
<b>Total Return</b>			
State of West Virginia - BRIM 2017-18	0.44	-0.14	-0.52
Barclays US Government Intermediate	0.39	-0.27	-0.66
Value Added	0.05	0.13	0.14
<b>Market Value: \$55,512,576.92</b>			

#### Portfolio Performance as of 8/31/2018

	1 Month	YTD (%)	Since Inception 8/31/2017 (%)
<b>Total Return</b>			
State of West Virginia - BRIM 2018-19	0.53	0.53	0.53
Barclays US Government Intermediate	0.42	0.42	0.42
Value Added	0.11	0.11	0.11
<b>Market Value: \$10,865,016.36</b>			

\*Annualized performance

Source: BNY Mellon Asset Management North America as of August 31, 2018

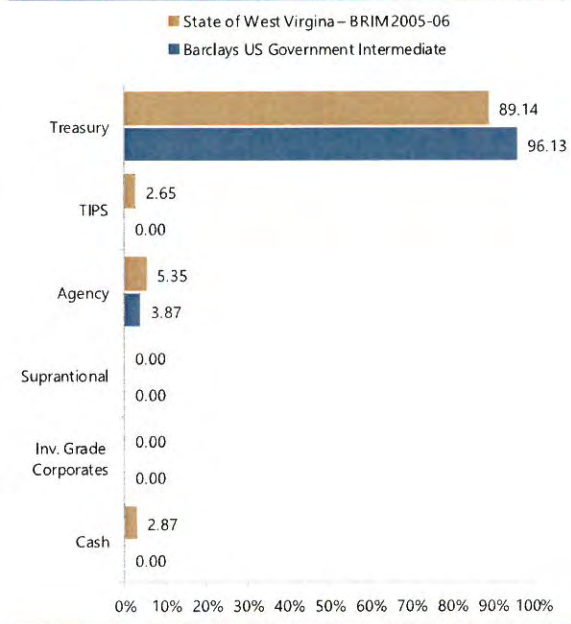
## Summary Characteristics

### Portfolio Performance as of 8/31/2018

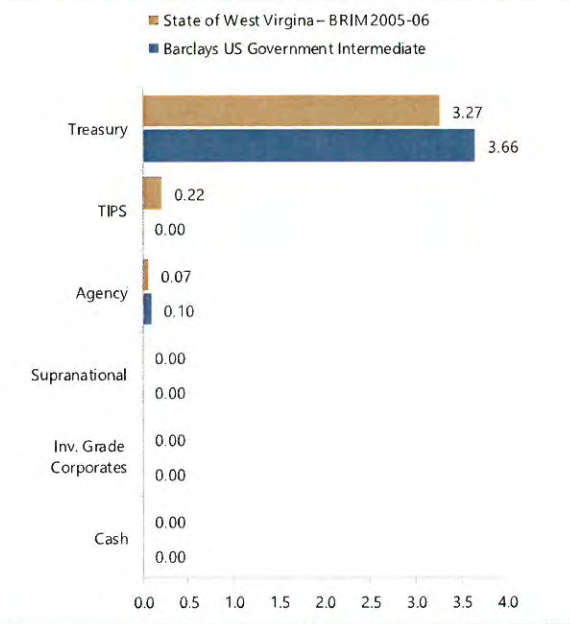
	2005- 2006	2006- 2007	2007- 2008	2008- 2009	2009- 2010	Retro - Nat'l Union	2010- 2011	2011- 2012	2012- 2013	2013- 2014	2014- 2015	2015- 2016	2016- 2017	2017- 2018	2018- 2019	Index
Duration	3.56	3.57	3.57	3.57	3.56	3.56	3.56	3.57	3.56	3.56	3.57	3.56	3.57	3.56	3.56	3.76
Quality	AAA	AAA	AAA	AAA	AA+	AAA	AA+	AAA	AA	AA+	AA+	AA+	AA+	AA+	AA+	AA+
Yield to Worst	2.70	2.70	2.70	2.71	2.72	2.70	2.73	2.72	2.74	2.75	2.74	2.73	2.74	2.71	2.70	2.71
Average Maturity	3.78	3.78	3.79	3.78	3.79	3.77	3.78	3.78	3.78	3.77	3.79	3.79	3.79	3.80	3.80	4.04
Coupon	1.69	1.65	1.65	1.64	1.67	1.59	1.65	1.51	1.74	1.45	1.74	1.70	1.71	1.75	1.77	2.11

## State of West Virginia – BRIM 2005-06 Sector Distribution vs Benchmark

Nominal (%) as of 8/31/2018



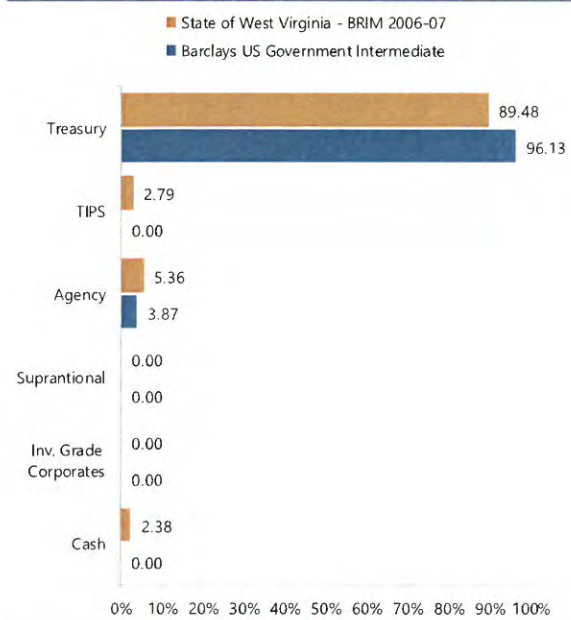
Contribution to Duration (Years) as of 8/31/2018



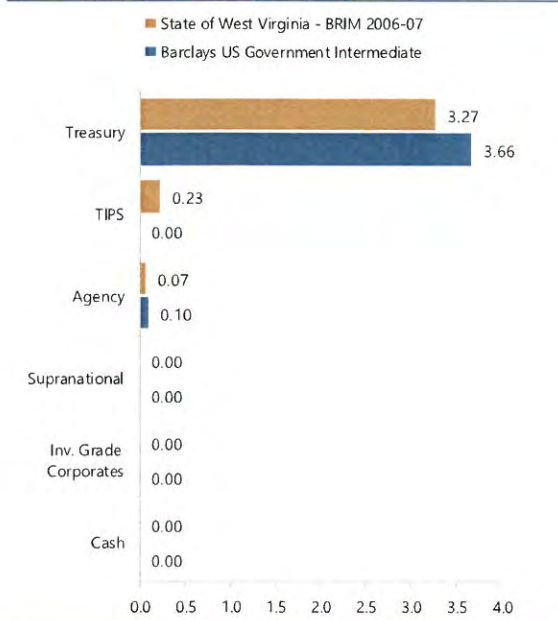


## State of West Virginia – BRIM 2006-07 Sector Distribution vs. Benchmark

Nominal (%) as of 8/31/2018

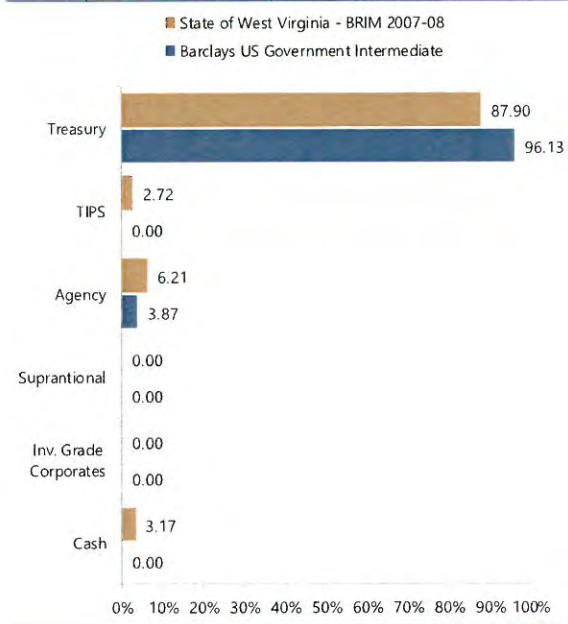


Contribution to Duration (Years) as of 8/31/2018

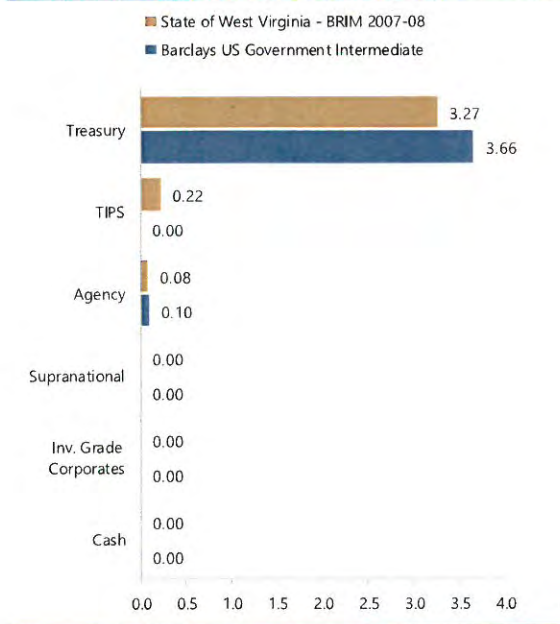


## State of West Virginia – BRIM 2007-08 Sector Distribution vs. Benchmark

Nominal (%) as of 8/31/2018

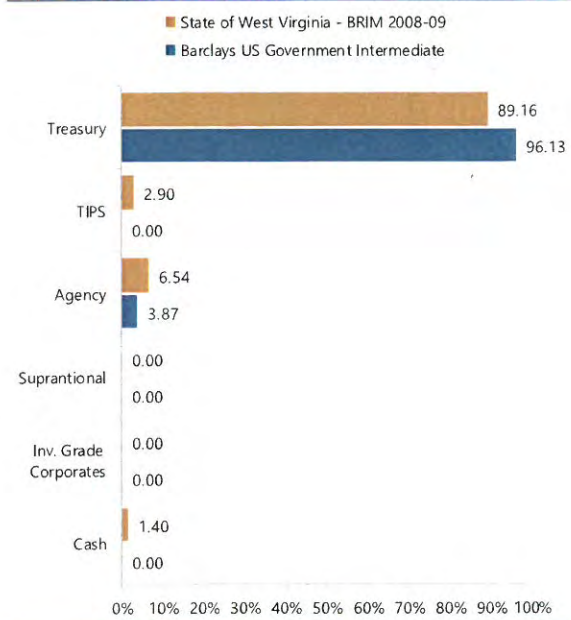


Contribution to Duration (Years) as of 8/31/2018

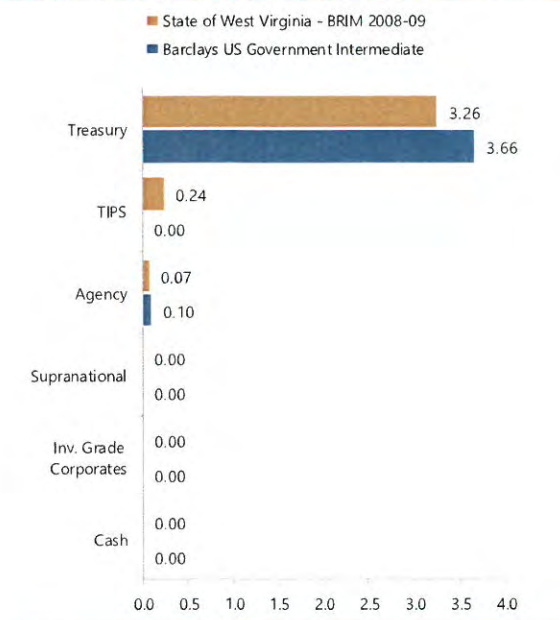


## State of West Virginia – BRIM 2008-09 Sector Distribution vs. Benchmark

Nominal (%) as of 8/31/2018

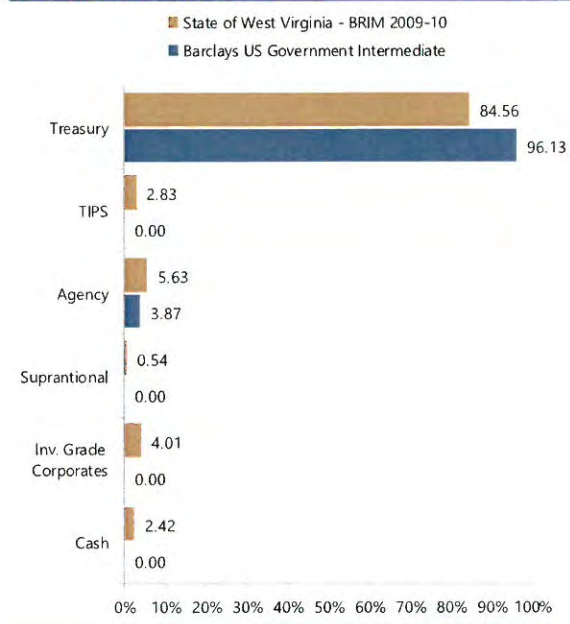


Contribution to Duration (Years) as of 8/31/2018

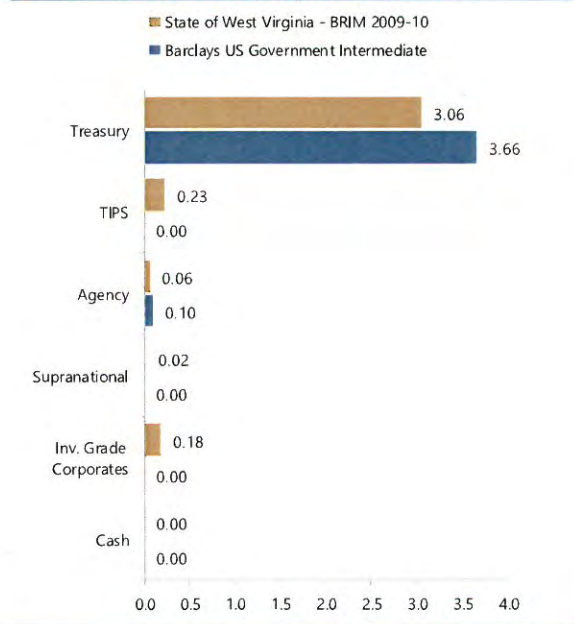


## State of West Virginia – BRIM 2009-10 Sector Distribution vs. Benchmark

Nominal (%) as of 8/31/2018



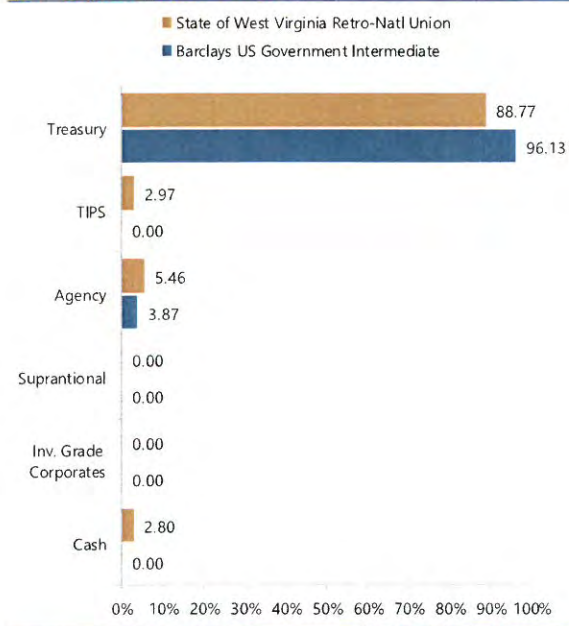
Contribution to Duration (Years) as of 8/31/2018



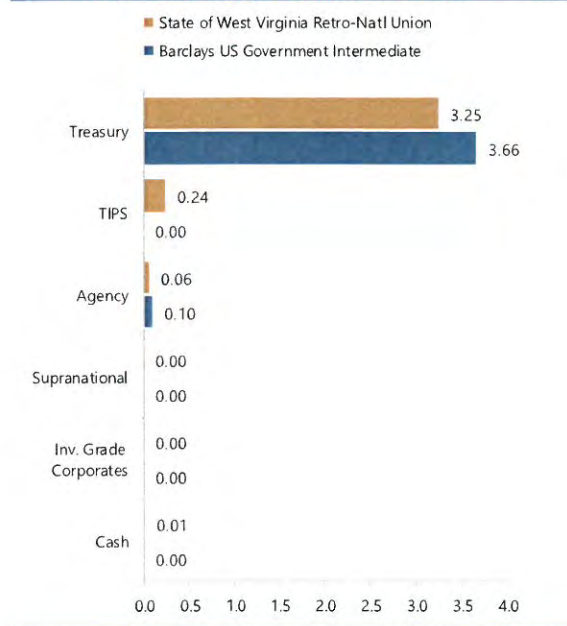


## State of West Virginia Retro-Natl Union Sector Distribution vs. Benchmark

Nominal (%) as of 8/31/2018

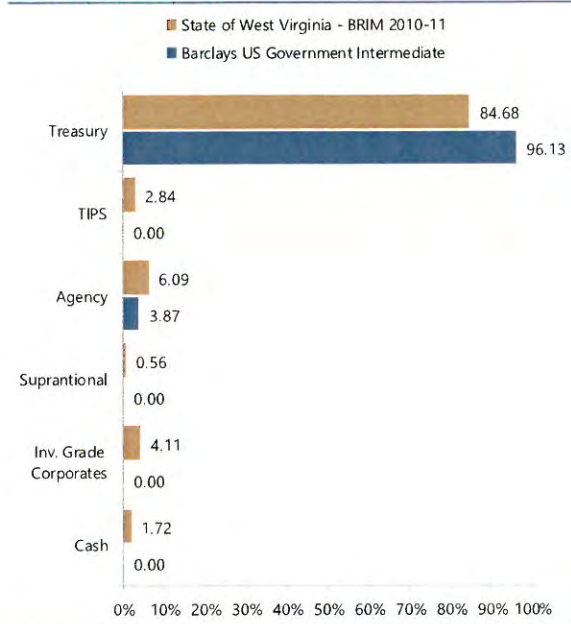


Contribution to Duration (Years) as of 8/31/2018

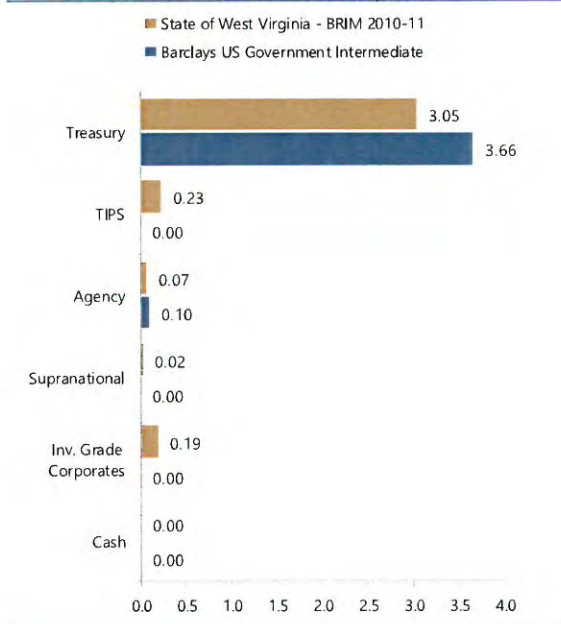


## State of West Virginia – BRIM 2010-11 Sector Distribution vs. Benchmark

**Nominal (%) as of 8/31/2018**

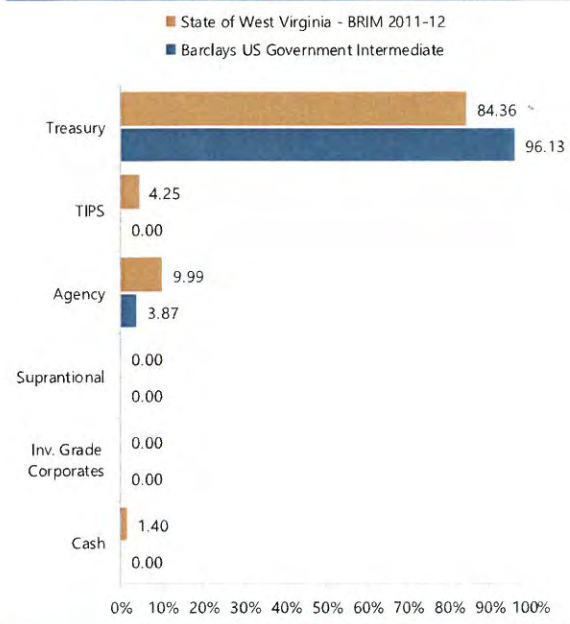


**Contribution to Duration (Years) as of 8/31/2018**

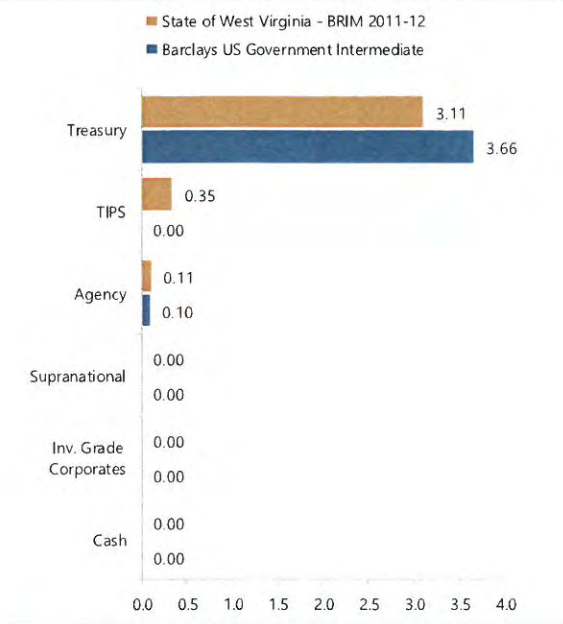


## State of West Virginia – BRIM 2011-12 Sector Distribution vs. Benchmark

Nominal (%) as of 8/31/2018

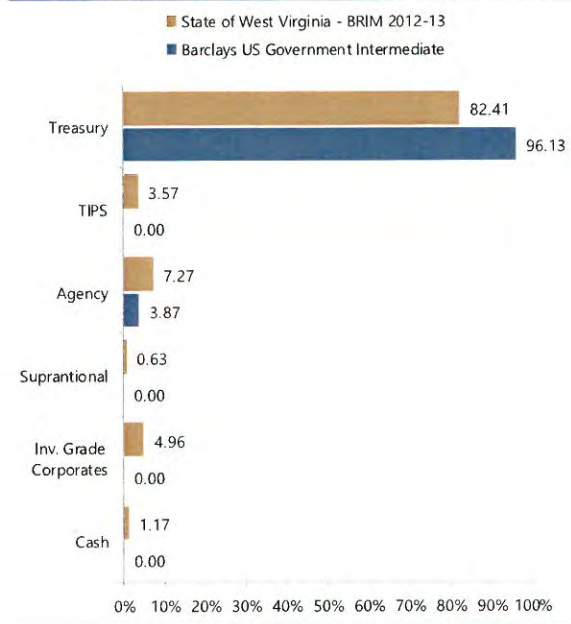


Contribution to Duration (Years) as of 8/31/2018

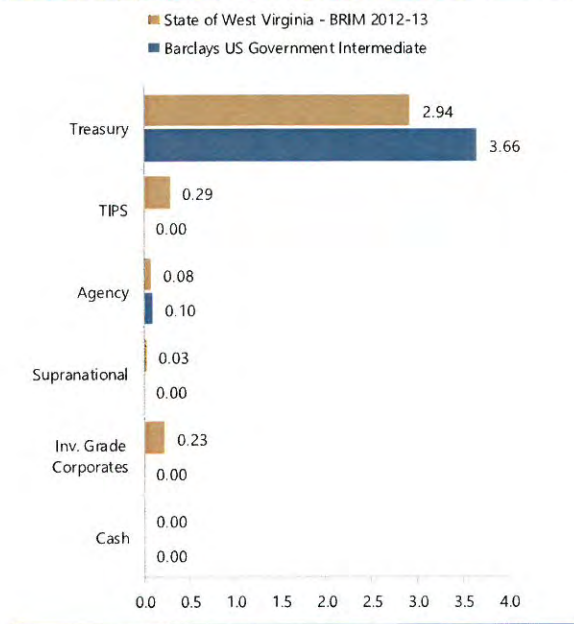


## State of West Virginia – BRIM 2012-13 Sector Distribution vs. Benchmark

**Nominal (%) as of 8/31/2018**



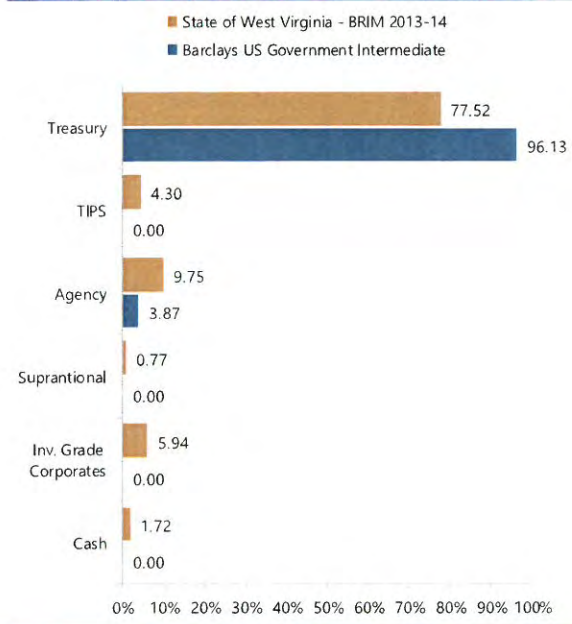
**Contribution to Duration (Years) as of 8/31/2018**



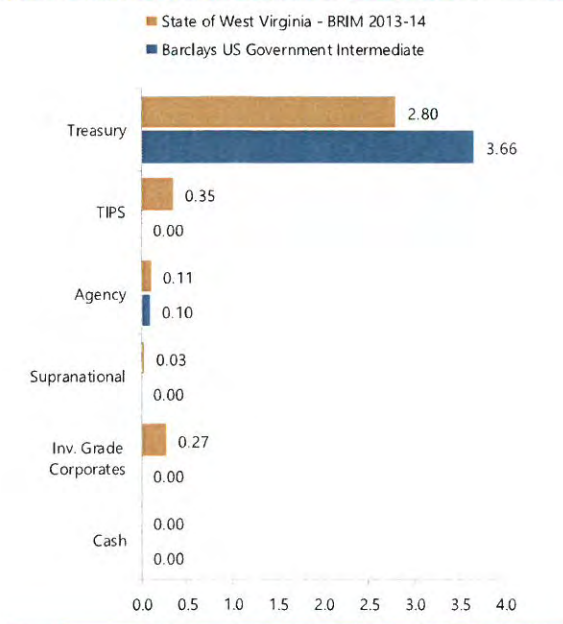


## State of West Virginia – BRIM 2013-14 Sector Distribution vs. Benchmark

Nominal (%) as of 8/31/2018

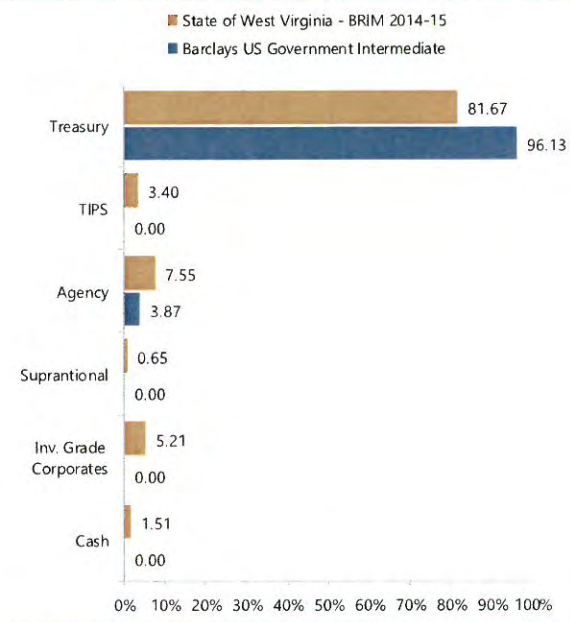


Contribution to Duration (Years) as of 8/31/2018

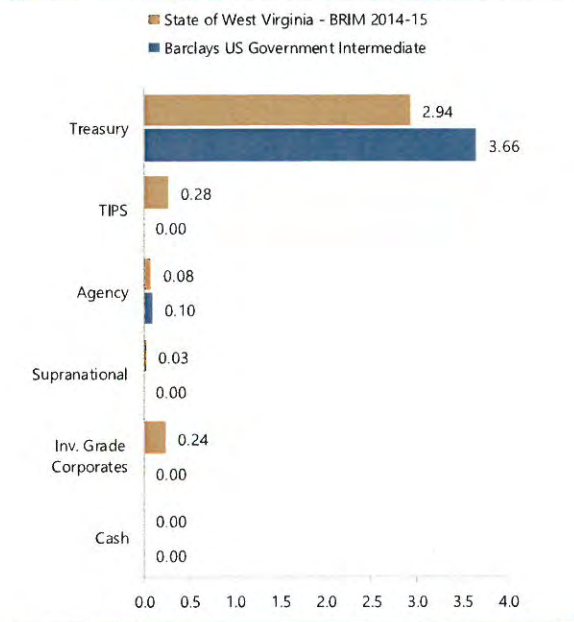


## State of West Virginia – BRIM 2014-15 Sector Distribution vs. Benchmark

Nominal (%) as of 8/31/2018

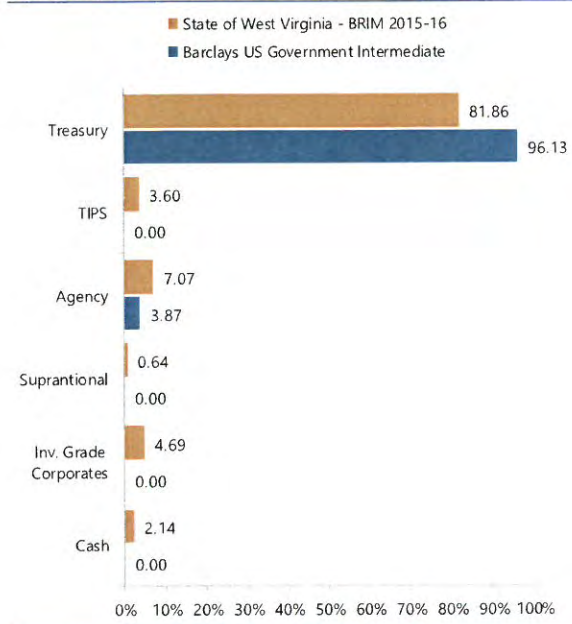


Contribution to Duration (Years) as of 8/31/2018

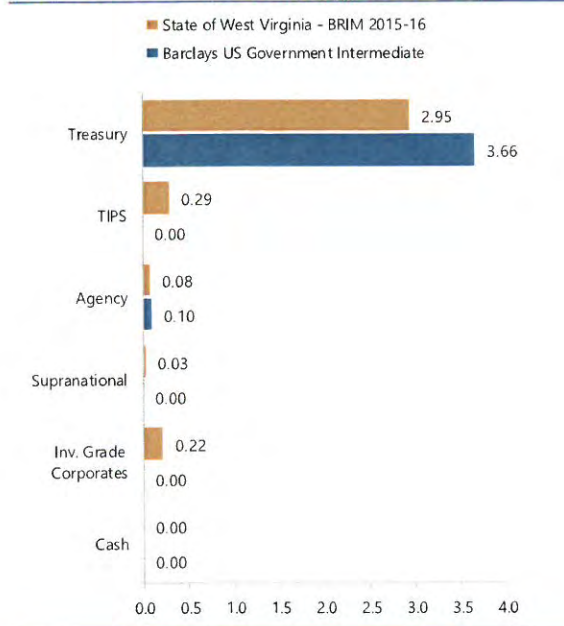


## State of West Virginia – BRIM 2015-16 Sector Distribution vs. Benchmark

Nominal (%) as of 8/31/2018



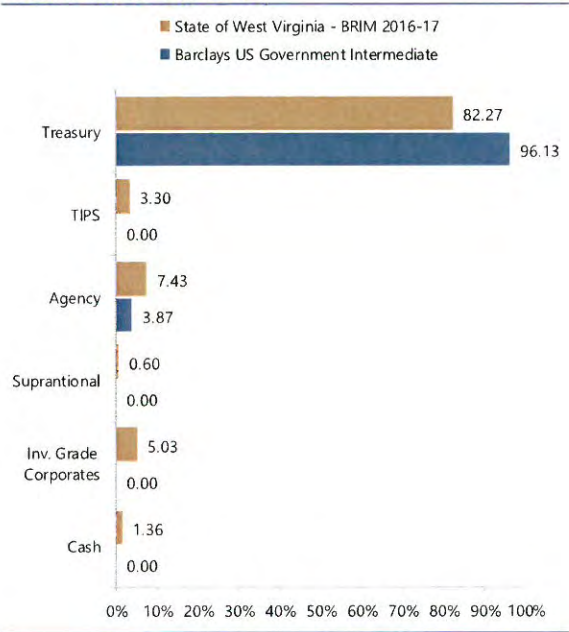
Contribution to Duration (Years) as of 8/31/2018



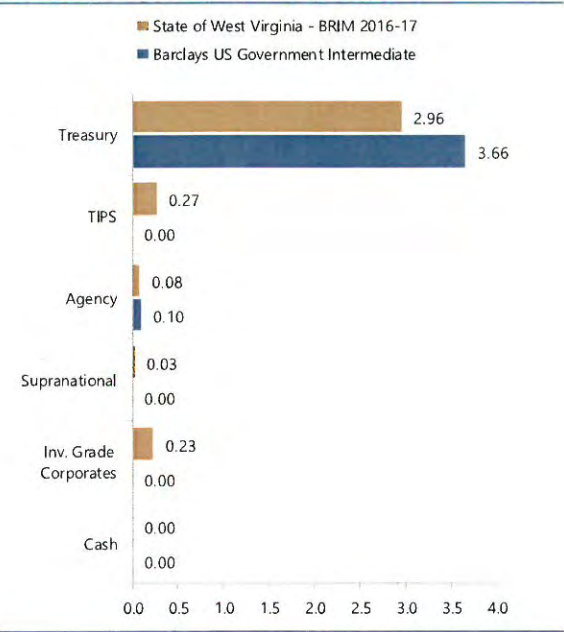


# State of West Virginia – BRIM 2016-17 Sector Distribution vs. Benchmark

Nominal (%) as of 8/31/2018



Contribution to Duration (Years) as of 8/31/2018

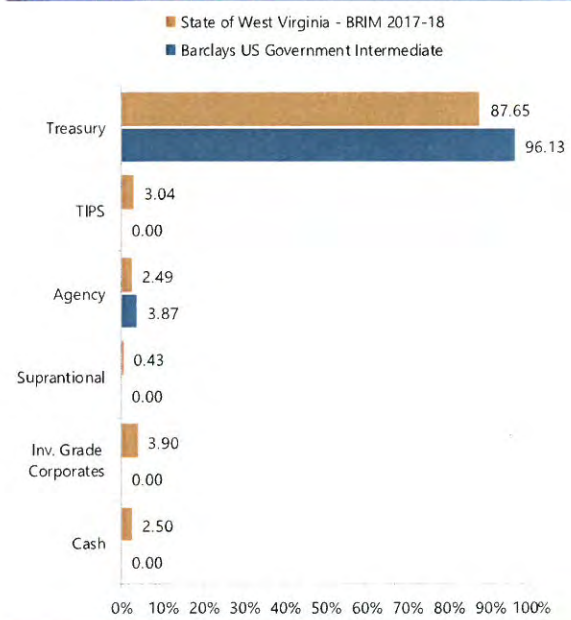


Source: BNY Mellon Asset Management North America as of August 31, 2018

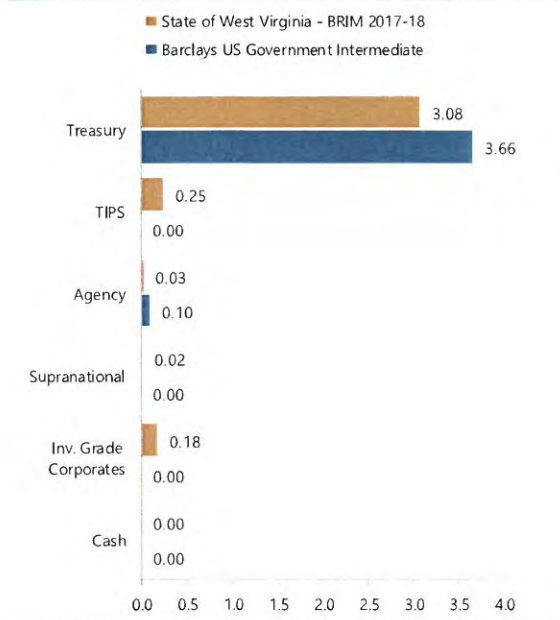


## State of West Virginia – BRIM 2017-18 Sector Distribution vs. Benchmark

Nominal (%) as of 8/31/2018



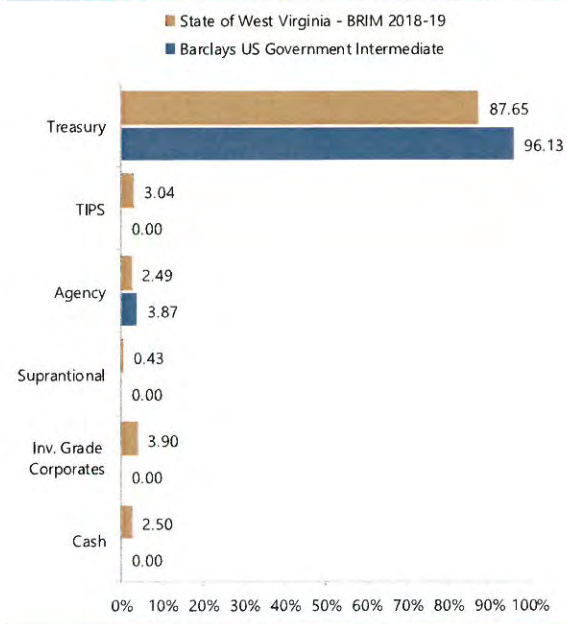
Contribution to Duration (Years) as of 8/31/2018



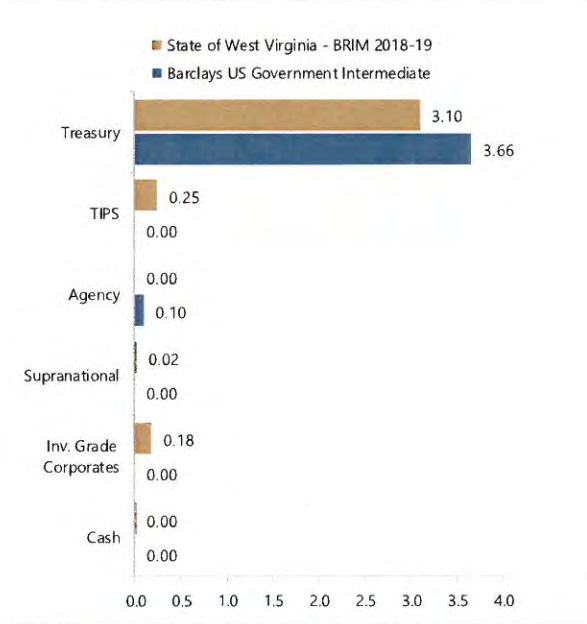


## State of West Virginia – BRIM 2018-19 Sector Distribution vs. Benchmark

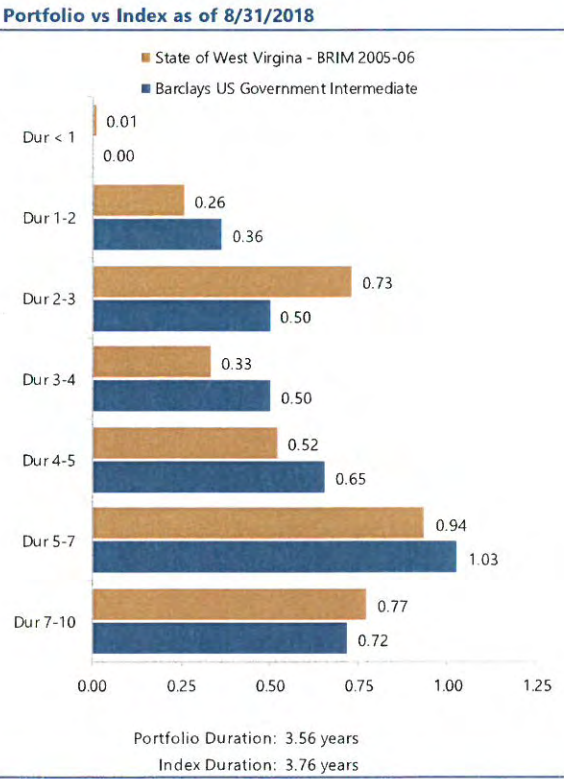
Nominal (%) as of 8/31/2018



Contribution to Duration (Years) as of 8/31/2018



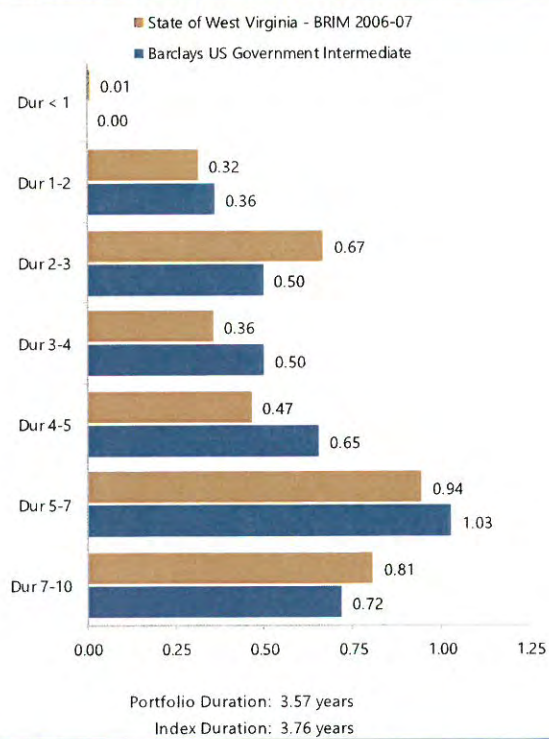
# State of West Virginia – BRIM 2005-06 Duration



Source: BNY Mellon Asset Management North America as of August 31, 2018

## State of West Virginia – BRIM 2006-07 Duration

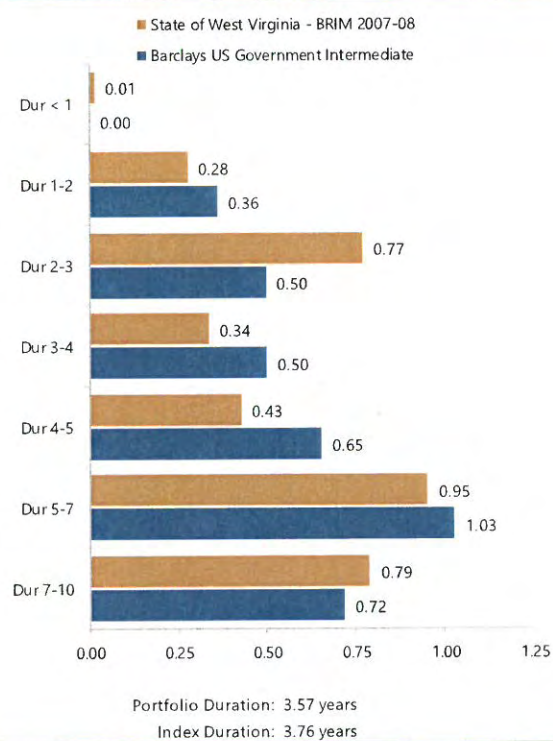
Portfolio vs Index as of 8/31/2018





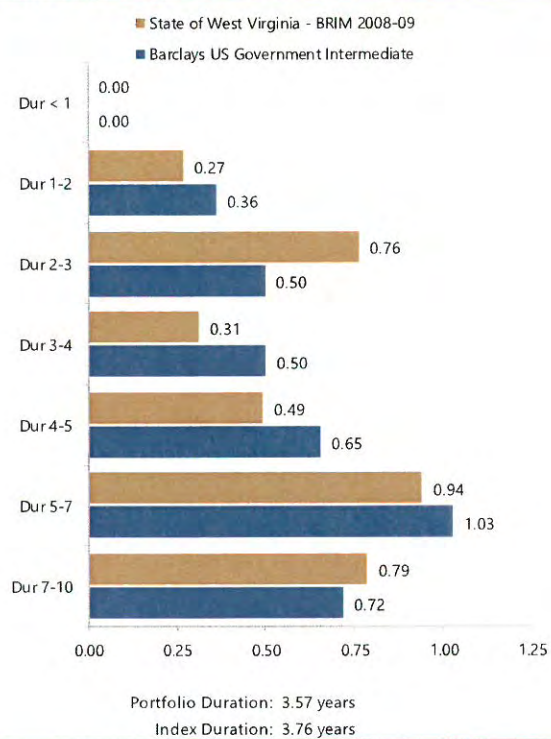
## State of West Virginia – BRIM 2007-08 Duration

Portfolio vs Index as of 8/31/2018

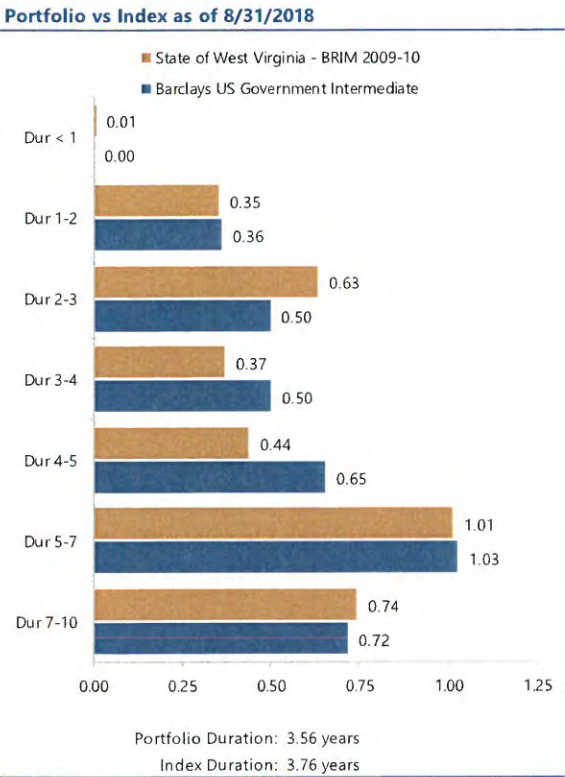


## State of West Virginia – BRIM 2008-09 Duration

Portfolio vs Index as of 8/31/2018



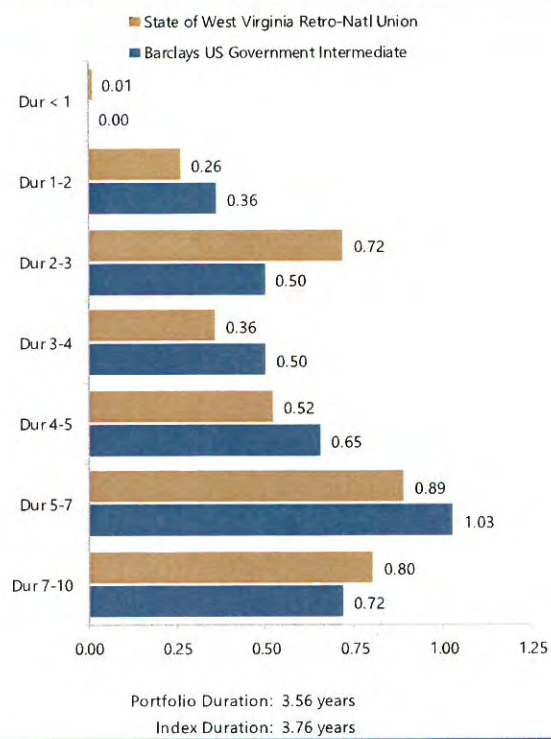
# State of West Virginia – BRIM 2009-10 Duration



Source: BNY Mellon Asset Management North America as of August 31, 2018

## State of West Virginia Retro-Natl Union Duration

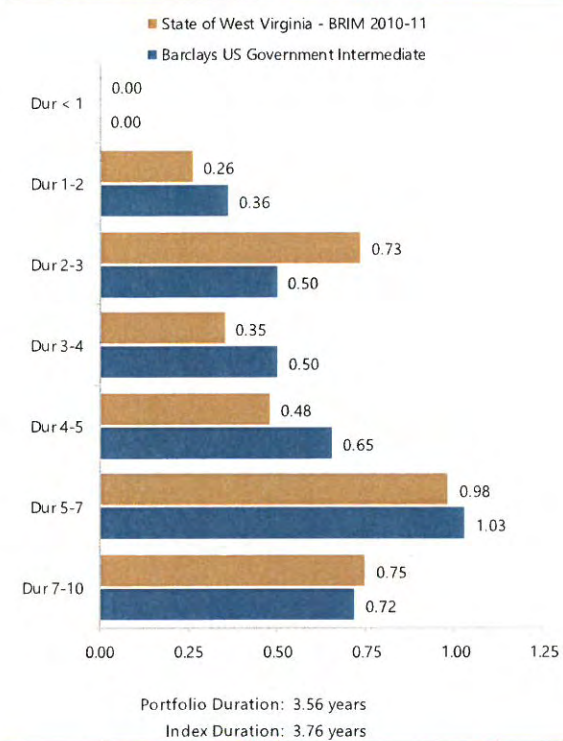
Portfolio vs Index as of 8/31/2018





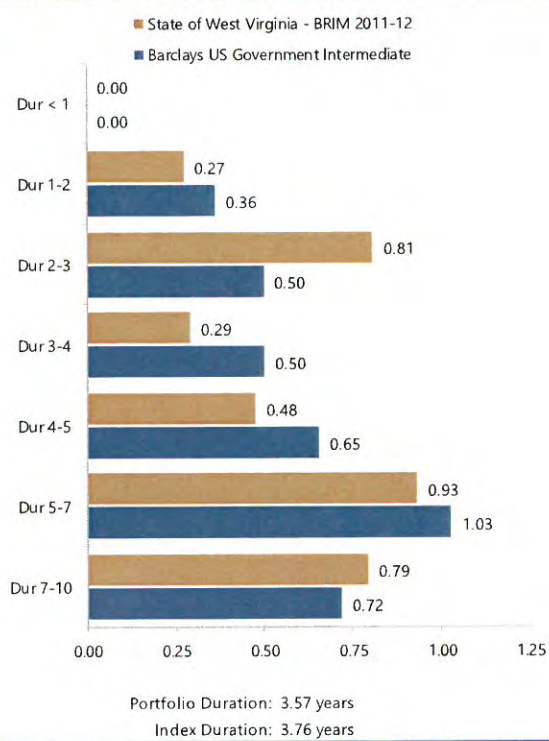
## State of West Virginia – BRIM 2010-11 Duration

Portfolio vs Index as of 8/31/2018



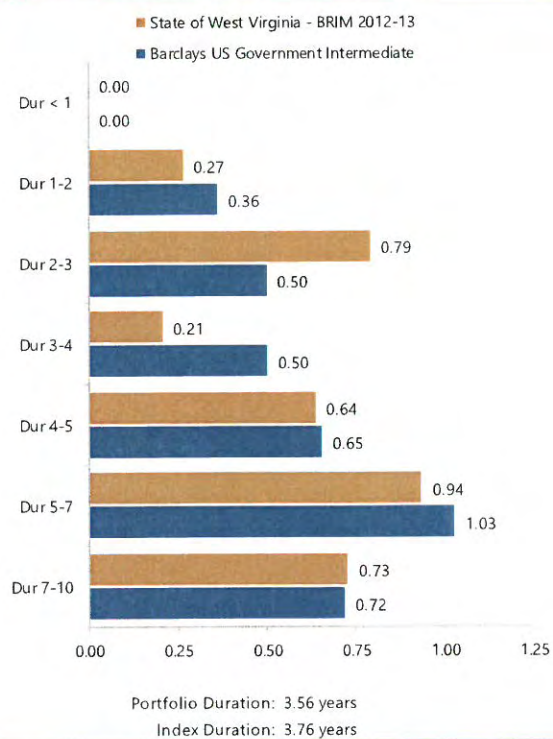
## State of West Virginia – BRIM 2011-12 Duration

Portfolio vs Index as of 8/31/2018



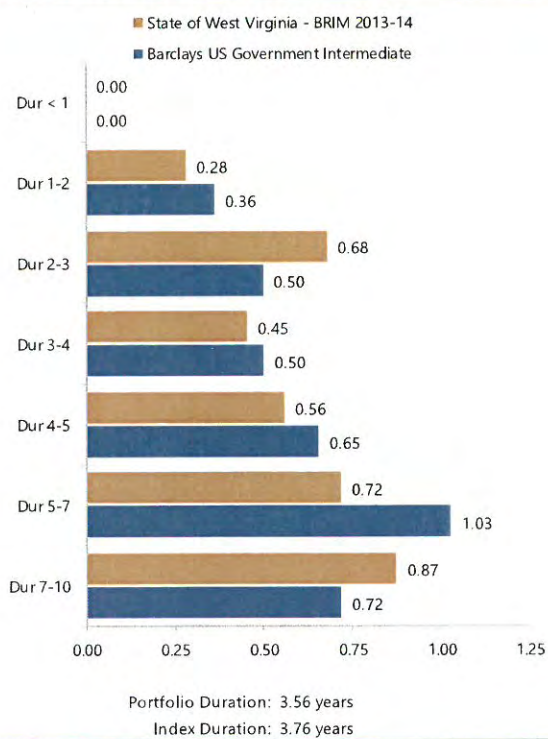
## State of West Virginia – BRIM 2012-13 Duration

Portfolio vs Index as of 8/31/2018



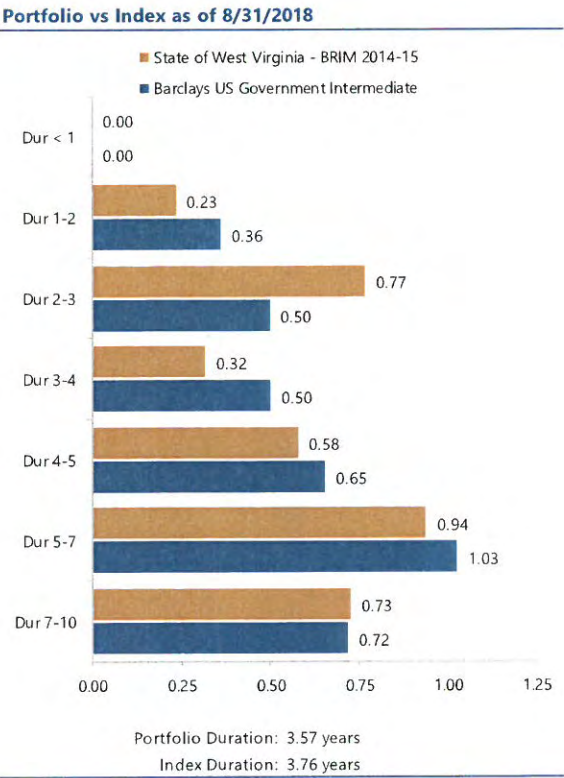
## State of West Virginia – BRIM 2013-14 Duration

Portfolio vs Index as of 8/31/2018





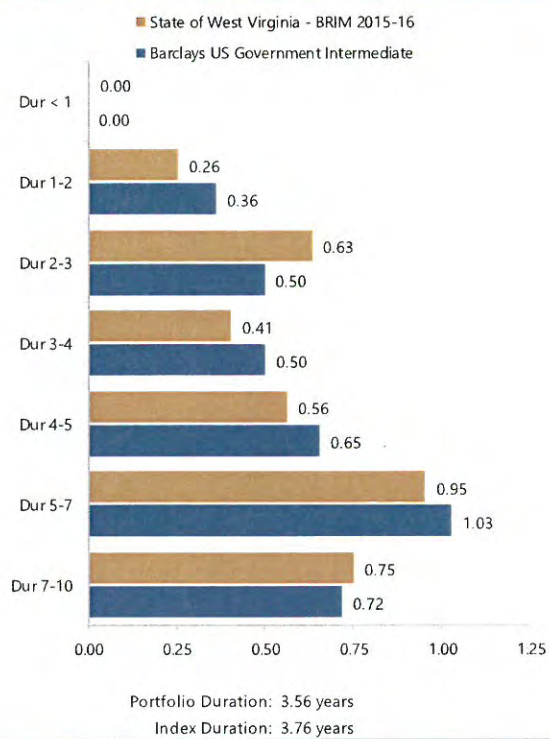
# State of West Virginia – BRIM 2014-15 Duration



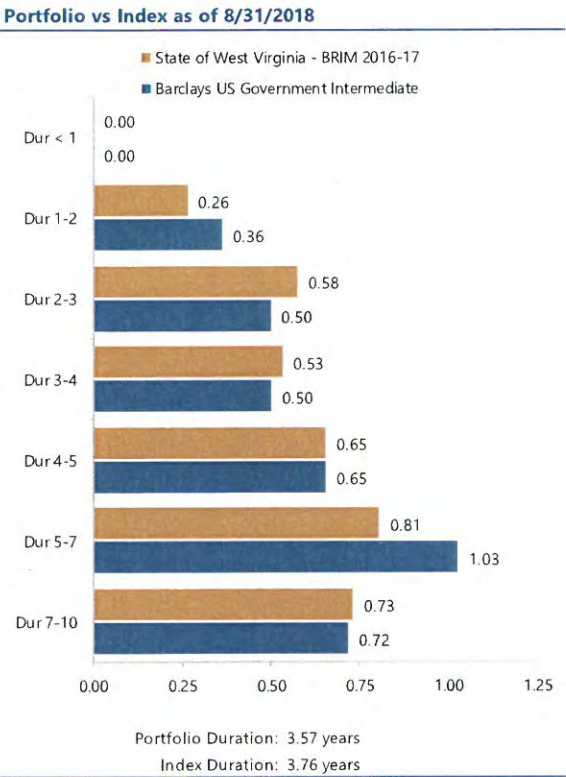
Source: BNY Mellon Asset Management North America as of August 31, 2018

## State of West Virginia – BRIM 2015-16 Duration

Portfolio vs Index as of 8/31/2018



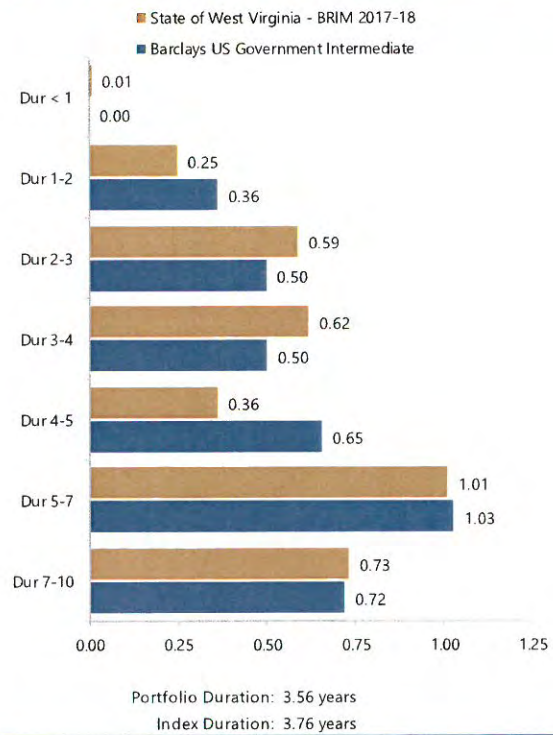
# State of West Virginia – BRIM 2016-17 Duration



Source: BNY Mellon Asset Management North America as of August 31, 2018

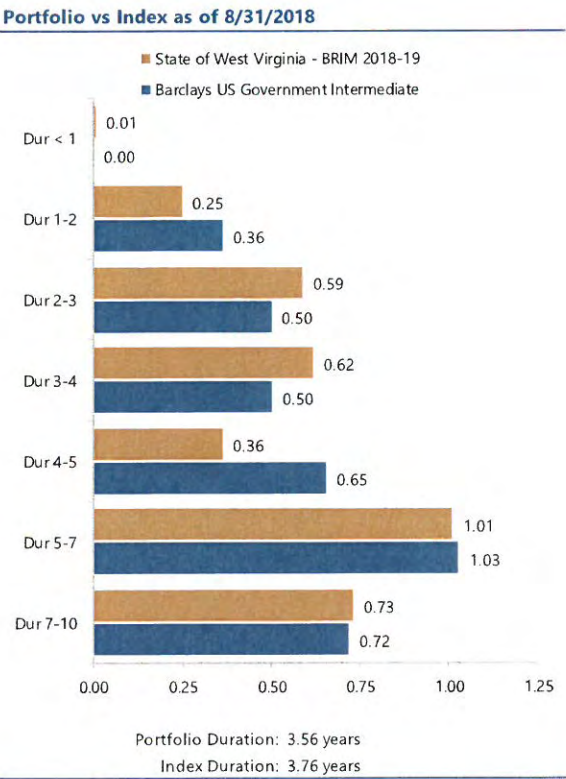
## State of West Virginia – BRIM 2017-18 Duration

Portfolio vs Index as of 8/31/2018





# State of West Virginia – BRIM 2018-19 Duration



Source: BNY Mellon Asset Management North America as of August 31, 2018

## Corporate Holdings as of August 31, 2018

Client Name	Pct %	Cusip	Security Name	Quantity	Market Value	Maturity	Duration	Yield to Worst	Coupon	Moody Rating	S&P Rating
STATE OF WEST VIRGINIA - BRIM 2009-10	0.47%	037833DB3	APPLE INC	50,000	48,222	09/12/27	7.69	3.54	2.90	Aa1	AA+
	0.49%	166764AT7	CHEVRON CORP	50,000	49,596	03/03/22	3.25	3.02	2.41	Aa2	AA-
	0.49%	30231GAJ1	EXXON MOBIL CORP	50,000	49,651	03/06/22	3.25	2.96	2.40	Aaa	AA+
	0.52%	594918BB9	MICROSOFT CORP	55,000	53,258	02/12/25	5.79	3.27	2.70	Aaa	AAA
	0.48%	742718EU9	PROCTER & GAMBLE CO	50,000	48,493	08/11/22	3.74	3.00	2.15	Aa3	AA-
	0.52%	89114QBL1	TORONTO-DOMINION BANK	55,000	53,060	07/13/21	2.76	3.19	1.80	Aa1	AA-
	0.55%	89114QC48	TORONTO-DOMINION BANK	55,000	55,519	07/19/23	4.44	3.38	3.50	Aa1	AA-
	0.50%	89236TEW1	TOYOTA MOTOR CREDIT CORP	50,000	50,396	04/14/25	5.81	3.49	3.40	Aa3	AA-
STATE OF WEST VIRGINIA - BRIM 2010-11	0.49%	037833DB3	APPLE INC	60,000	57,866	09/12/27	7.69	3.54	2.90	Aa1	AA+
	0.51%	166764AT7	CHEVRON CORP	60,000	59,515	03/03/22	3.25	3.02	2.41	Aa2	AA-
	0.51%	30231GAJ1	EXXON MOBIL CORP	60,000	59,581	03/06/22	3.25	2.96	2.40	Aaa	AA+
	0.54%	594918BB9	MICROSOFT CORP	65,000	62,941	02/12/25	5.79	3.27	2.70	Aaa	AAA
	0.50%	742718EU9	PROCTER & GAMBLE CO	60,000	58,192	08/11/22	3.74	3.00	2.15	Aa3	AA-
	0.49%	89114QBL1	TORONTO-DOMINION BANK	60,000	57,883	07/13/21	2.76	3.19	1.80	Aa1	AA-
	0.56%	89114QC48	TORONTO-DOMINION BANK	65,000	65,613	07/19/23	4.44	3.38	3.50	Aa1	AA-
	0.52%	89236TEW1	TOYOTA MOTOR CREDIT CORP	60,000	60,475	04/14/25	5.81	3.49	3.40	Aa3	AA-
STATE OF WEST VIRGINIA - BRIM 2012-2013	0.65%	037833DB3	APPLE INC	65,000	62,688	09/12/27	7.69	3.54	2.90	Aa1	AA+
	0.62%	166764AT7	CHEVRON CORP	60,000	59,515	03/03/22	3.25	3.02	2.41	Aa2	AA-
	0.62%	30231GAJ1	EXXON MOBIL CORP	60,000	59,581	03/06/22	3.25	2.96	2.40	Aaa	AA+
	0.60%	594918BB9	MICROSOFT CORP	60,000	58,100	02/12/25	5.79	3.27	2.70	Aaa	AAA
	0.66%	742718EU9	PROCTER & GAMBLE CO	65,000	63,041	08/11/22	3.74	3.00	2.15	Aa3	AA-
	0.60%	89114QBL1	TORONTO-DOMINION BANK	60,000	57,883	07/13/21	2.76	3.19	1.80	Aa1	AA-
	0.58%	89114QC48	TORONTO-DOMINION BANK	55,000	55,519	07/19/23	4.44	3.38	3.50	Aa1	AA-
	0.63%	89236TEW1	TOYOTA MOTOR CREDIT CORP	60,000	60,475	04/14/25	5.81	3.49	3.40	Aa3	AA-
STATE OF WEST VIRGINIA - BRIM 2013-2014	0.74%	037833DB3	APPLE INC	45,000	43,400	09/12/27	7.69	3.54	2.90	Aa1	AA+
	0.76%	166764AT7	CHEVRON CORP	45,000	44,636	03/03/22	3.25	3.02	2.41	Aa2	AA-
	0.76%	30231GAJ1	EXXON MOBIL CORP	45,000	44,686	03/06/22	3.25	2.96	2.40	Aaa	AA+
	0.74%	594918BB9	MICROSOFT CORP	45,000	43,575	02/12/25	5.79	3.27	2.70	Aaa	AAA
	0.74%	742718EU9	PROCTER & GAMBLE CO	45,000	43,644	08/11/22	3.74	3.00	2.15	Aa3	AA-
	0.74%	89114QBL1	TORONTO-DOMINION BANK	45,000	43,412	07/13/21	2.76	3.19	1.80	Aa1	AA-
	0.69%	89114QC48	TORONTO-DOMINION BANK	40,000	40,377	07/19/23	4.44	3.38	3.50	Aa1	AA-
	0.77%	89236TEW1	TOYOTA MOTOR CREDIT CORP	45,000	45,357	04/14/25	5.81	3.49	3.40	Aa3	AA-
STATE OF WEST VIRGINIA - BRIM 2014-2015	0.71%	037833DB3	APPLE INC	170,000	163,954	09/12/27	7.69	3.54	2.90	Aa1	AA+
	0.71%	166764AT7	CHEVRON CORP	165,000	163,665	03/03/22	3.25	3.02	2.41	Aa2	AA-
	0.71%	30231GAJ1	EXXON MOBIL CORP	165,000	163,849	03/06/22	3.25	2.96	2.40	Aaa	AA+
	0.61%	594918BB9	MICROSOFT CORP	145,000	140,407	02/12/25	5.79	3.27	2.70	Aaa	AAA
	0.73%	742718EU9	PROCTER & GAMBLE CO	175,000	169,726	08/11/22	3.74	3.00	2.15	Aa3	AA-
	0.56%	89114QBL1	TORONTO-DOMINION BANK	135,000	130,237	07/13/21	2.76	3.19	1.80	Aa1	AA-
	0.57%	89114QC48	TORONTO-DOMINION BANK	130,000	131,226	07/19/23	4.44	3.38	3.50	Aa1	AA-
	0.63%	89236TEW1	TOYOTA MOTOR CREDIT CORP	145,000	146,149	04/14/25	5.81	3.49	3.40	Aa3	AA-
STATE OF WEST VIRGINIA - BRIM 2015-2016	0.60%	037833DB3	APPLE INC	200,000	192,887	09/12/27	7.69	3.54	2.90	Aa1	AA+
	0.58%	166764AT7	CHEVRON CORP	190,000	188,463	03/03/22	3.25	3.02	2.41	Aa2	AA-
	0.58%	30231GAJ1	EXXON MOBIL CORP	190,000	188,674	03/06/22	3.25	2.96	2.40	Aaa	AA+
	0.59%	594918BB9	MICROSOFT CORP	195,000	188,823	02/12/25	5.79	3.27	2.70	Aaa	AAA
	0.59%	742718EU9	PROCTER & GAMBLE CO	195,000	189,124	08/11/22	3.74	3.00	2.15	Aa3	AA-
	0.57%	89114QBL1	TORONTO-DOMINION BANK	190,000	183,297	07/13/21	2.76	3.19	1.80	Aa1	AA-
	0.56%	89114QC48	TORONTO-DOMINION BANK	180,000	181,698	07/19/23	4.44	3.38	3.50	Aa1	AA-
	0.62%	89236TEW1	TOYOTA MOTOR CREDIT CORP	200,000	201,585	04/14/25	5.81	3.49	3.40	Aa3	AA-

Source: BNY Mellon Asset Management North America as of August 31, 2018

## Corporate Holdings as of August 31, 2018

Client Name	Pct %	Cusip	Security Name	Quantity	Market Value	Maturity	Duration	Yield	Coupon	Moody Rating	S&P Rating
STATE OF WEST VIRGINIA - BRIM 2016-17	0.64%	037833DB3	APPLE INC	205,000	197,709	09/12/27	7.69	3.54	2.90	Aa1	AA+
	0.67%	166764AT7	CHEVRON CORP	210,000	208,301	03/03/22	3.25	3.02	2.41	Aa2	AA-
	0.66%	30231GAJ1	EXXON MOBIL CORP	205,000	203,570	03/06/22	3.25	2.96	2.40	Aaa	AA+
	0.67%	594918BB9	MICROSOFT CORP	215,000	208,190	02/12/25	5.79	3.27	2.70	Aaa	AAA
	0.64%	742718EU9	PROCTER & GAMBLE CO	205,000	198,822	08/11/22	3.74	3.00	2.15	Aa3	AA-
	0.56%	89114QBL1	TORONTO-DOMINION BANK	180,000	173,650	07/13/21	2.76	3.19	1.80	Aa1	AA-
	0.57%	89114QC48	TORONTO-DOMINION BANK	175,000	176,651	07/19/23	4.44	3.38	3.50	Aa1	AA-
	0.60%	89236TEW1	TOYOTA MOTOR CREDIT CORP	185,000	186,466	04/14/25	5.81	3.49	3.40	Aa3	AA-
STATE OF WEST VIRGINIA - BRIM 2017-18	0.49%	037833DB3	APPLE INC	280,000	270,041	09/12/27	7.69	3.54	2.90	Aa1	AA+
	0.49%	166764AT7	CHEVRON CORP	275,000	272,776	03/03/22	3.25	3.02	2.41	Aa2	AA-
	0.49%	30231GAJ1	EXXON MOBIL CORP	275,000	273,081	03/06/22	3.25	2.96	2.40	Aaa	AA+
	0.48%	594918BB9	MICROSOFT CORP	275,000	266,289	02/12/25	5.79	3.27	2.70	Aaa	AAA
	0.46%	742718EU9	PROCTER & GAMBLE CO	265,000	257,014	08/11/22	3.74	3.00	2.15	Aa3	AA-
	0.48%	89114QBL1	TORONTO-DOMINION BANK	275,000	265,298	07/13/21	2.76	3.19	1.80	Aa1	AA-
	0.55%	89114QC48	TORONTO-DOMINION BANK	300,000	302,830	07/19/23	4.44	3.38	3.50	Aa1	AA-
	0.46%	89236TEW1	TOYOTA MOTOR CREDIT CORP	255,000	257,020	04/14/25	5.81	3.49	3.40	Aa3	AA-
STATE OF WEST VIRGINIA - BRIM 2018-19	0.49%	037833DB3	APPLE INC	55,000	53,044	09/12/27	7.69	3.54	2.90	Aa1	AA+
	0.50%	166764AT7	CHEVRON CORP	55,000	54,555	03/03/22	3.25	3.02	2.41	Aa2	AA-
	0.50%	30231GAJ1	EXXON MOBIL CORP	55,000	54,616	03/06/22	3.25	2.96	2.40	Aaa	AA+
	0.49%	594918BB9	MICROSOFT CORP	55,000	53,258	02/12/25	5.79	3.27	2.70	Aaa	AAA
	0.49%	742718EU9	PROCTER & GAMBLE CO	55,000	53,343	08/11/22	3.74	3.00	2.15	Aa3	AA-
	0.49%	89114QBL1	TORONTO-DOMINION BANK	55,000	53,060	07/13/21	2.76	3.19	1.80	Aa1	AA-
	0.51%	89114QC48	TORONTO-DOMINION BANK	55,000	55,519	07/19/23	4.44	3.38	3.50	Aa1	AA-
	0.51%	89236TEW1	TOYOTA MOTOR CREDIT CORP	55,000	55,436	04/14/25	5.81	3.49	3.40	Aa3	AA-

Source: BNY Mellon Asset Management North America as of August 31, 2018



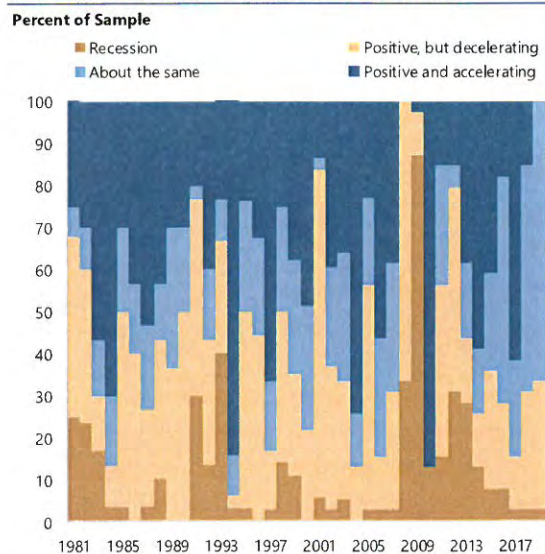
A Roadmap



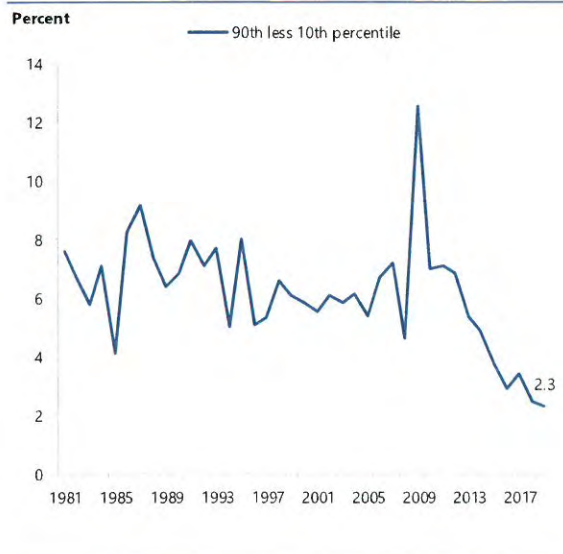


## This Spring, Advanced Economies Appeared To Be Growing Synchronously

Real GDP Growth Across 39 Advanced Economies

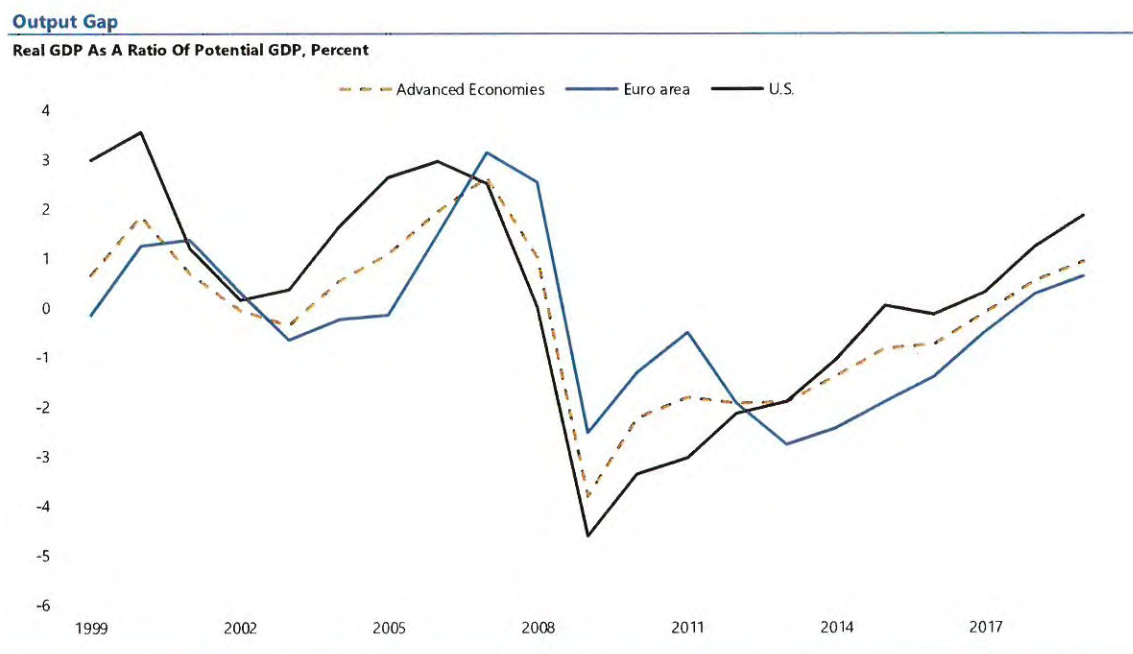


Percent



Note: Requires valid observations in both current and previous year and "about the same" is defined as  $\pm 1.0.5\%$  relative to prior year.  
Source: International Monetary Fund, World Economic Outlook (April 2018)

## AE Output Gaps Were Expected To Close At About The Same Pace, With The Euro Area Trailing The U.S. Because Of Its Extended Crisis

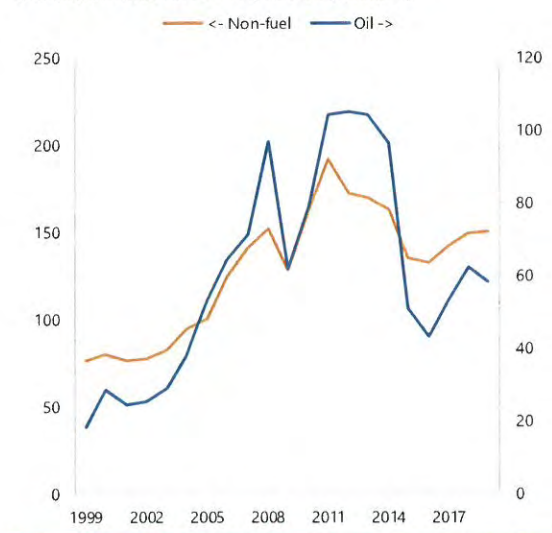


Source: International Monetary Fund, World Economic Outlook (April 2018)

## Dollar Depreciation And Above-Trend AE Growth Would Support Commodity Prices And Growth In Emerging Market Economies

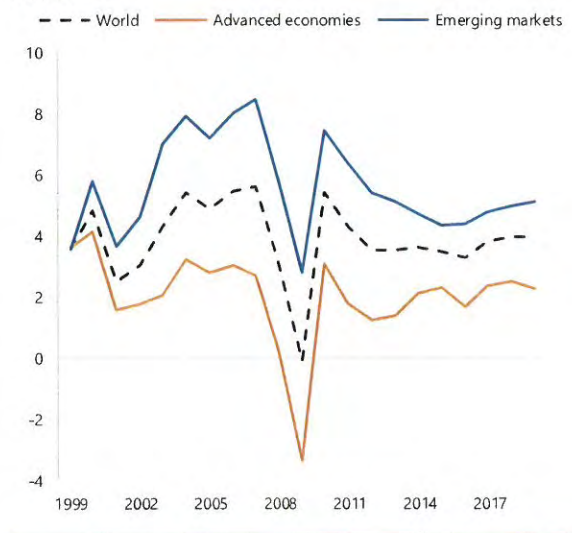
**Commodity Prices in U.S. Dollars**

Non-Fuel (<- Index 2005 = 100) And Oil (\$/bbl., ->)

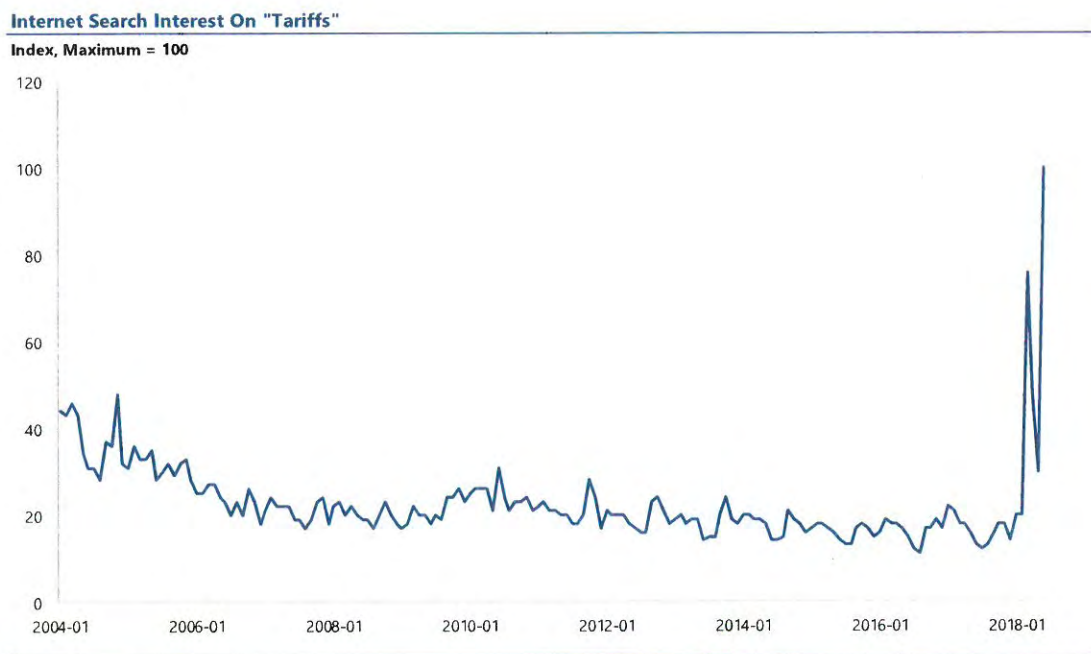


**Real GDP Growth**

Percent



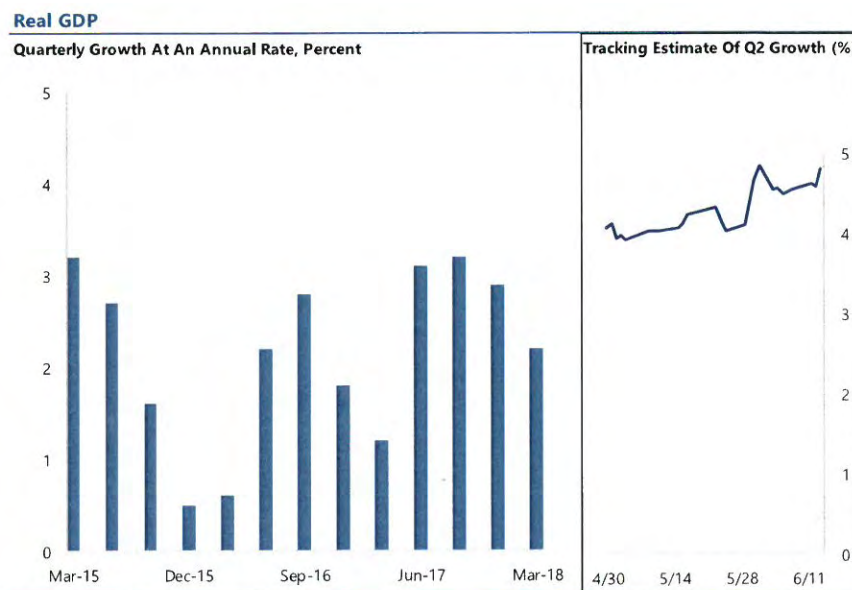
## The U.S. Administration Has Been More Assertive On Trade And Less Able To Deal, As Yet, Than Supposed



Source: Google Trends, accessed June 15, 2018

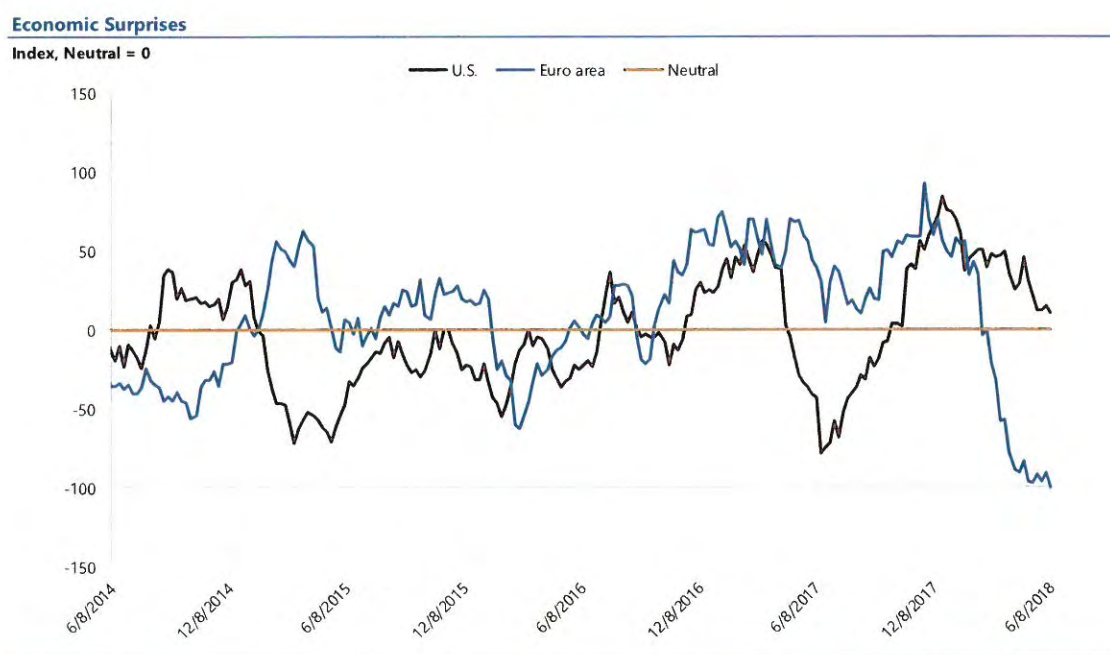


## The U.S. Economy Retains Considerable Momentum



Source: Bureau of Labor Statistics and Federal Reserve Bank of Atlanta, accessed via June 15, 2018

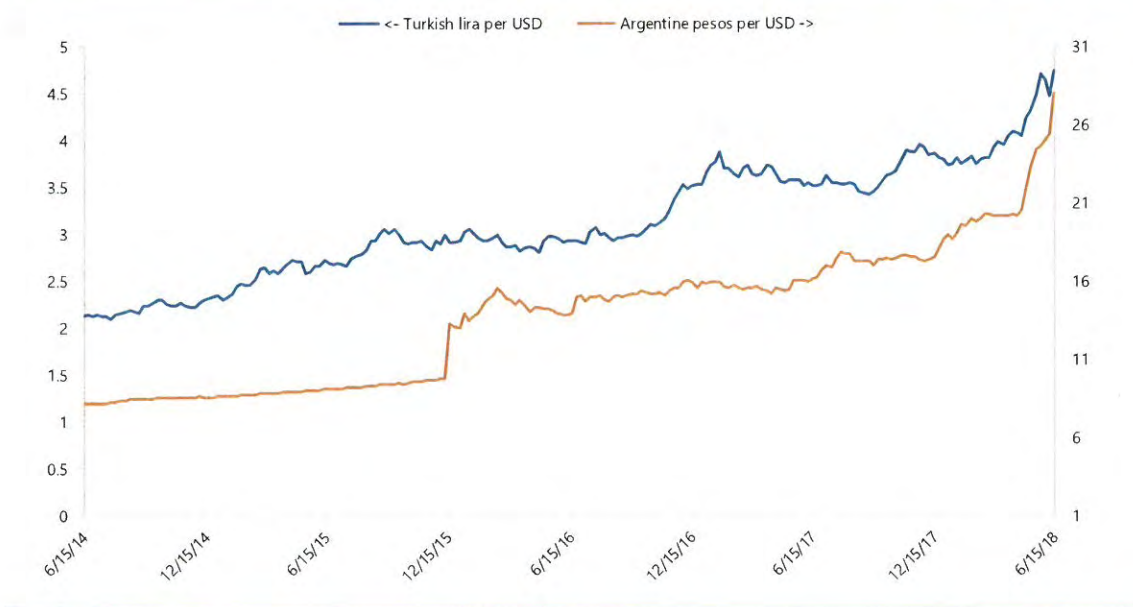
## Euro Area Data Disappointed Expectations



Source: Citigroup Markets, accessed via Bloomberg June 13, 2018

## This Strained Emerging Market Economies With Budget And Current Account Deficits, Worsening Their External Debt Burdens

Foreign Exchange Value Of The Dollar



Source: Bloomberg, accessed June 14, 2018



## Global Economic Outlook

	Real GDP growth (%)			CPI inflation (%)		
	2017	2018	2019	2017	2018	2019
U.S.	2.3	2.9	2.3	2.1	2.4	2.3
Euro area	2.3	1.9	1.8	1.5	1.5	1.6
Japan	1.5	1.4	1.2	0.4	1.4	1.7
UK	1.6	1.6	1.6	3.7	2.5	2.5
China	6.8	6.5	6.1	1.6	2.6	2.0
World	3.3	3.3	3.1	2.4	2.7	2.6

Source: Standish, part of BNY Mellon Asset Management, NA, at [http://www.standish.com/us/en/research-and-insights/mi\\_global-macro-views-june-2018.jsp](http://www.standish.com/us/en/research-and-insights/mi_global-macro-views-june-2018.jsp)





## A Roadmap



## The Entire Investment Map August 2018

Economic Landscape	Fixed-Income Valuation	Investment Themes
The trade dispute will probably get worse before it gets better, but the hit to economic activity is likely to be modest.	Above-trend economic growth makes developed market sovereign yields expensive.	Be biased toward short duration positions in core developed market sovereign securities.
In the US, accommodative financial conditions and fiscal impetus supports above-trend economic growth, exacerbating excess demand and putting upward pressure on costs.	Break-evens offer value and provide inexpensive protection to upside surprises to inflation.	Maintain short dollar exposure, where appropriate through option strategies given increased probability of tail risks.
Most other advanced economies should grow above trend, as long as neither internal nor external politics derail the process.	The dollar appears expensive against other developed and emerging market currencies.	Maintain modest exposure to break-evens.
Robust growth in China supports emerging market economies and commodity prices, although there are multiple risk events.	For institutional investors, municipal assets are fairly valued, with the exception of the five-year maturity, which looks rich.	Remain overweight investment-grade hard-currency EM debt.
As inflation overshoots the Fed's goal, modestly more tightening is in store than currently built into markets.	With fundamentals remaining strong, investment-grade corporate spreads are fair.	Maintain modest credit exposure but look to gradually step up the quality of the holdings.
With the Fed in the lead, central banks in developed markets are moving, albeit slowly, to renormalize monetary policy.	High-yield spreads are somewhat expensive.	Rotate from short-duration municipal securities to longer duration ones or taxable bonds, where appropriate.
They thus far remain willing to lean against market instability.	Market and political uncertainties create opportunities in emerging markets local currency and dollar debt.	Maintain modest underweight in MBS and emphasize ABS versus CMBS.
	Interest rate volatility remains low.	Continue option strategies with minimal cost to keep portfolios sufficiently convex.
	The flattening of the Treasury yield curve provides attractive carry at the short end that will offset capital losses some as rates rise.	
	Valuations of securitized products generally appear fair to rich.	
	Look for opportunities to reduce risk selectively.	



## West Virginia's Dedicated Team

### Portfolio Management Team

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**Information Resources on [www.standish.com](http://www.standish.com), [www.mcm.com](http://www.mcm.com), and [www.thebostoncompany.com](http://www.thebostoncompany.com)**

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Our economists and macroeconomic analysts provide updates on global trends, market data, policies and more.

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The firm's thought leadership provides insight into the global bond market environment.

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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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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 recommendations 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.

The Firm believes giving a proprietary Average Quality Credit rating to the holdings in a portfolio more accurately captures its characteristics versus using a single rating agencies ratings. The Firm 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.

The Firm 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 multicollinearity in the independent variables; variable sensitivity remains constant in the short term; and no structural shift in the short term.

The Firm claims compliance with the CFA Institute Asset Manager Code of Professional Conduct. This claim has not been verified by CFA Institute.



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



Mary Jane Pickens  
Executive Director  
Deputy Cabinet Secretary

**Executive Director's Report  
September 25, 2018**

**A. Marshall University and West Virginia University Medical Malpractice Program**

- As of September 20, 2018, Marshall has deposited \$971,102.42 into the escrow account for FY 2019. The fiscal year-to-date cumulative interest totals \$3,029.02. Disbursements totaling \$441,592.51 have been paid thus far in FY 2019.
- As of September 20, 2018, a total of \$1,006,311.34 has been deposited into WVU's escrow account for FY 2019. The fiscal year-to-date cumulative interest totals \$9,883.81. Disbursements totaling \$1,020,120.61 have been paid thus far in FY 2019.

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

**TRIALS**

Thus far in 2018, we have tried three cases to verdict, with one plaintiff verdict and two defense verdicts. **There have been no recent trials.**

**PAID CLAIMS (August 2018 Data)**

YTD Indemnity payments total \$27,565,519 vs. PYTD payments of \$23,891,233, an increase of 15.38%.

YTD Legal payments total \$10,675,329 vs. PYTD payments of \$13,189,456, a decrease of 19.06%.

**OUTSTANDING CLAIMS (August 2018 Data)**

YTD Indemnity reserves total \$48,308,573 vs. PYTD Indemnity reserves of \$47,217,665, an increase of 2.31%.

YTD Expense reserves total \$19,479,673 vs. PYTD Expense reserves of \$17,313,733, an increase of 12.51%.

**CLAIMS COUNTS (August 2018 Data)**

New claims YTD total 2706 vs. PYTD of 2258, an increase of 19.84%.

Closed claims YTD total 3005 vs. PYTD of 2428, an increase of 23.76%.

Open claims YTD total 1084 vs. PYTD of 1126, a decrease of 3.73%.

**DURATION – CLOSED CLAIMS (August 2018 Data)**

YTD Duration of 114.916 Days vs. PYTD Duration of 134.375 Days, a decrease of 14.48%.

**CLOSING RATIO (August 2018 Data)**

YTD Closing Ratio of 111% vs. PYTD Closing Ratio of 107.5%, an increase of 3.26%.

**C. Patient Injury Compensation Fund (PICF)**

The funding status of the PICF as of August 31, 2018 is attached to this report. At the June Board meeting, we discussed the Trauma Center assessments which were invoiced for a total of \$517,125. All but one of those invoices have now been paid, and we are following up on the one outstanding invoice. Now that FY 2018 has concluded, we are in the process of distributing the sum of \$1,800,000 to claimants for FY 2018. The State Auditor is changing some processes for state checks, and this has affected the amount of time needed for distributions this year. We have received word however that checks should be sent to counsel in those claims in the next few days.

**D. Legislative Auditor and Legislative Requests**

Since the June Board meeting, we've provided information to the Legislative Auditor's office regarding the Senate Bill 3 program, specifically relating to the non-profit entities in the program. The questions arose when the Legislative Auditor inquired about the entity that operates the museum at the old Moundsville Prison, which was originally eligible as a 501(c)(3) but lost that status. We issued a cancellation notice per BRIM's rule, 115CSR4, because it was no longer an eligible entity. We are evaluating a search tool that is offered as an annual subscription that would enable us to verify status of all the 501(c)(3) entities in the SB 3 program.

The House Government Organization Committee has requested information from BRIM on state buildings, which we provided at the beginning of the month. They specifically wanted to understand if there were differences in how BRIM determines premium in state-owned vs. leased buildings and they requested a "data set" on buildings 3 and 4, to compare to a data set on those same buildings from the Real Estate Division, OT, and General Services. The third request was to provide the committee a list of all data fields collected by BRIM, to compare to the other agencies. Since all these agencies perform different functions, we expect the data to vary just like it does with state owned vehicles.

**E. Coverage Renewals**

We have finalized changes to the primary property policy and we received that policy recently and are in the process of reviewing it.

We have reviewed the State and Senate Bill 3 Auto and General Liability policies and those have now been posted to our website. We've also reviewed the excess liability policy for the Boards of Education, the State Cyber Liability Policy,

the Boards of Education Cyber Liability Policy, the Boiler policy, and the Statutory Bond policies and those will be posted soon.

#### F. Agent Commissions

The State Auditor has required some new processes this year relating to payment of commissions. Likely due to some state payments that received scrutiny in the media recently, and as a continuing effort in the Auditor's office to improve efficiency and transparency, there is a new requirement to attach external documentation to these check requests. To meet this new requirement, BRIM sent each producer a report showing the amount due in BRIM's system, a statement that the amount is accurate that must be signed before a notary and returned, and a copy of a memo from August that Auditor McCuskey issued urging all vendors to establish an agreement to receive state payments via EFT. As of yesterday, we had completed 43 payment transactions, with 103 yet to go. Of the 103, 28 are ready to be submitted to the Auditor, 49 have not returned their signed statements (we are following up), 23 need new statements due to some errors discovered in our system that are being corrected, and 3 are the subject of additional work to address some Oasis vendor issues. We will continue to work through these diligently. We regret the extra time it has taken this year on these payments, but this process is new to all of us.

#### G. NGA Policy Academy on Cyber Security

BRIM continues to participate enthusiastically with Office of Technology's Security Office and CISO, Josh Spence, in the National Governor's Association Policy Academy on Cyber Security. We've had several conference calls and on August 28 – 29 we hosted the NGA staff and others at the first in-state meeting. The NGA was able to bring in experts to help the team focus on messaging and communication in support of what we hope will be legislation to establish a cyber security standard for the Executive Branch, as well as a governance structure to better manage this significant risk. The bill may also address the Cyber Security Council, to give voice to others affected by this risk that would not at this time be directly affected by the bill.

The purpose of the Academy is to work with the NGA's Center for Best Practices (NGA Center), which will continue to provide us technical assistance based on West Virginia's demonstrated longstanding commitment to formalizing cybersecurity policy and planning. With support from the NGA Center, we plan to have a "toolkit" of information to share with legislators and partners as we go into interim committee meetings and the regular session in January.

The next meeting in the Policy Academy is one with the other 3 states who were chosen for this Policy Academy, hosted by Michigan at the end of October, followed by the second in-state meeting likely in December. NGA will pay for 4 to attend the meeting 4 state meeting in Michigan.

There will also be a second in-state meeting that we'd like to have coincide with Privacy Day in late January. We've reserved February 1 in the upper rotunda at the Capitol to present information on data security and privacy, and to interact



with Legislators. The NGA seems excited about this approach and is interested in working with us to support this effort.

#### H. Rule Review

Governor Justice issued an executive order early this year requiring agencies to review all of their rules and provide information about the age of the rule, any modifications to the rule since it was first promulgated, the justification for the rule, and any suggested changes and if it should continue to exist. These reports are due November 1, and the Department of Administration is considering consolidating all DOA agencies' reports into a single submission. I have BRIM's report almost complete and plan to send a draft to Jennelle Jones, Deputy General Counsel for the Department, by the first of October. I don't anticipate suggesting any changes to BRIM's rules as a result of this review.

#### I. Annual Report

The 2018 BRIM Annual Report was filed on time at the end of August. Copies are available in either hard copy or on disc, at the Board's request. The Annual Report should be up on our website in the next few weeks as well.

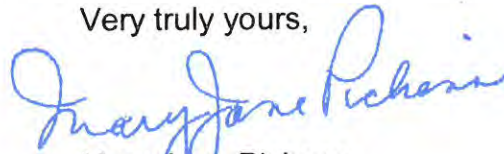
#### J. Miscellaneous

1. STRIMA – The 2018 STRIMA Conference, hosted by the State of Maine, concluded last week. Melody Duke passed the gavel to George Roberson, from Mississippi, who will succeed her as President of the organization. Melody worked hard, did a great job, and represented West Virginia and BRIM well during her year as President and we're all very proud of her work for STRIMA.
2. We've reached an agreement with the Division of Personnel on new class specifications and proposed pay grades for 3 new positions in BRIM's Claims Department. The positions are Insurance Claims Representatives 1, 2 and 3. The Insurance Claims Representative 1 is a trainee position, the second in the series is a full performance professional level under limited supervision, and the third in the series is a lead worker working at an advanced level and reviewing the work of others. We would retain the current Claims Manager position as well. This proposal from DOP was on the agenda for the State Personnel Board meeting last week, but a quorum wasn't available, and the meeting was canceled. We expect this proposal to now be on the October State Personnel Board agenda. These new class specifications and corresponding pay grades enable us to develop a career path, which is something we've needed and have now accomplished in both Loss Control and Claims.
3. Robert Fisher and Melody Duke will be teaming up with Andy Teeter of USI again during the Purchasing Division's conference on October 3 – 5. This is a continuation of the training Robert and Melody have provided to state agencies about insurance requirements in state contracts for services and commodities, and USI has been kind to assist on the topic of bonds as another way to ensure performance of state contracts.



4. Privacy Retreat – BRIM hosted a successful Privacy Retreat on August 8 – 10 at Canaan Valley Resort and she will address this in more detail in her report from the Privacy Team. We are excited about how well it was received by those attending.
5. Our record retention project continues, and Sue Haga has successfully begun the process of identifying old records that can be destroyed consistent with BRIM's Record Retention Schedule. This effort will save money by reducing the boxes of old records in storage and is part of an efficient and responsible record retention program. We appreciate Sue's hard work on this project.
6. The Board has likely seen some recent press coverage regarding some lawsuits filed against the Secretary of State. While we can't comment on pending litigation in an open meeting, we are prepared to discuss those matters in executive session should the Board wish to do so.

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 8-31-18 (After SB602)**

<b>Fund Balance 7-1-17</b>			\$ 3,147,146.25
<b>Cash received resulting from SB602:</b>			
1% Court/Settlement Fees	\$	798,629.20	
Trauma Fees		587,100.00	
Physicians' Licensing Fees		571,952.79	
Court Filing Fees		<u>132,150.00</u>	2,089,831.99
<b>PICF Claims and Claims Related Disbursements:</b>			
Claims Payments	\$	(2,947,550.55)	
Contractual and Professional		<u>(93,801.37)</u>	(3,041,351.92)
<b>Other:</b>			
Interest Earned			25,536.97
<b>Fund Balance 8-31-18</b>			<u><u>\$ 2,221,163.29</u></u>
<b>Claims O/S 7-1-17</b>			\$ 10,523,392.13
Payments thru 8-31-18			(2,947,550.55)
Fund Balance 8-31-18			<u>(2,221,163.29)</u>
<b>Unfunded Claims Outstanding 8-31-18</b>			<u><u>\$ 5,354,678.29</u></u>





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



Mary Jane Pickens  
Executive Director  
Deputy Cabinet Secretary

**Chief Financial Officer's Report  
September 25, 2018**

**A. P Card Report**

CD copies contain the supporting detail for P card purchases for the months of May, June and July 2018. These totals are:

May	\$80,473.84
June	\$48,833.42
July	\$30,367.13

**B. Audit Update**

- BRIM submitted its draft for the June 30, 2018 audited financial statements on September 14, 2018, a day ahead of the September 15<sup>th</sup> deadline.
- Audit field work is substantially complete and the audit is on target to be completed before the October 15<sup>th</sup> deadline. So far, no audit issues have been brought to BRIM's attention.
- 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, 2018, was issued on September 20, 2018.
- Favorable loss development for several prior years' reserves resulted in a decrease in the provision for insured events of prior years of \$14.6 million during the current year.
- Combined with the prior fiscal year's favorable loss development of \$11.6 million, BRIM has had back to back years of favorable loss development totaling \$26.2 million.
- Although outstanding claims reserves decreased by \$2.4 million, IBNR was \$4.5 million higher at the end of the current fiscal year, resulting in a year over year increase in total retained incurred of \$2.1 million.

**D. Financial Results**

- Premium revenue for FY'18 is \$7.7 million higher than the prior year. BRIM increased premiums primarily to cover an increase in actuarially projected claims costs for FY'18.
- Total net claims expense decreased by \$1.8 million when compared to FY'17.
- Investment income for FY'18 was down by \$3.1 million over the prior year's investment income. Almost all the investment earnings were the result of equity gains for both the current and the prior fiscal year.
- The overall rate of return on all BRIM funds invested was 1.8%, less than FY'17's return of 2.7%.
- For trust funds the rate of return was a negative (0.5%) with losses totaling \$1.1 million for FY'18. This compares to a negative (1.2%) return in FY'17 with losses totaling \$2.4 million. As short-term rates continue to rise, the higher reinvestment rate (approaching 3%) for fixed income should push these returns into positive territory for FY'19.

**D. Financial Results (cont'd)**

- The funds invested with the West Virginia Investment Management Board made about \$7.2 million or 5.0% vs. 12.0 million or 9.1% last year.
- BRIM's overall financial results provided for an improvement in net position of \$17.4 million for FY'18 versus an increase in net position of \$8.4 million for FY'17. With the passage of SB602 early in FY'17, \$2.8 million of funds were transferred to the Patient Injury Compensation Fund, negatively impacting BRIM's net position for last year.
- BRIM's overall net position exceeded \$200 million for the first time since FY'15. Excluding the mine subsidence program (i.e. restricted funds), BRIM's unrestricted net position is \$149.7 at June 30, 2018.
- Using only unrestricted net position, BRIM's loss reserve to surplus ratio for FY'18 is 1.1 to 1.0. This compares favorably to the FY'17 loss reserve to surplus ratio of 1.2 to 1.0.

**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, 2018 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, 2018 and 2017**  
**(in thousands)**

	2018	2017
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 26,926	\$ 26,291
Advance deposits with insurance company and trustee	201,377	193,352
Receivables	1,899	1,271
Restricted cash and cash equivalents	13,668	10,168
Restricted receivables:		
Premiums due from other entities	878	643
Total current assets	244,749	231,725
Noncurrent assets:		
Equity position in investment pools	96,094	91,500
Restricted investments	55,494	52,841
Total noncurrent assets	151,588	144,341
Total assets	396,337	376,066
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension	482	458
<b>LIABILITIES</b>		
Current liabilities:		
Estimated unpaid claims and claims adjustment expense	50,453	47,713
Unearned premiums	10,022	9,174
Agent commissions payable	1,406	1,279
Accrued expenses and other liabilities	922	914
Total current liabilities	62,803	59,080
Estimated unpaid claims and claims adjustment expense, net of current portion	116,548	117,206
Compensated absences	122	107
Net pension liability	331	766
Total noncurrent liabilities	117,001	118,079
Total liabilities	179,804	177,159
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension	402	37
Net position:		
Restricted by State code for House Bill 601 Program and mine subsidence coverage	66,867	61,063
Unrestricted	149,745	138,265
Net position	\$ 216,612	\$ 199,328

*Unaudited*





**West Virginia Board of Risk and Insurance Management**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**For the Fiscal Years Ended June 30, 2018 and 2017**  
**(in thousands)**

	<u>2018</u>	<u>2017</u>
Operating revenues:		
Premiums	\$ 78,951	\$ 71,368
Less excess coverage/reinsurance premiums	<u>(6,518)</u>	<u>(6,681)</u>
Net operating revenues	72,433	64,687
Operating expenses:		
Claims and claims adjustment expense	57,393	59,149
General and administrative	<u>4,367</u>	<u>4,200</u>
Total operating expenses	<u>61,760</u>	<u>63,349</u>
Operating income (loss)	10,673	1,338
Nonoperating revenues (expenses):		
Investment income	6,712	9,841
Senate Bill 602 reappropriation	<u>-</u>	<u>(2,810)</u>
Net nonoperating revenues	<u>6,712</u>	<u>7,031</u>
Increase (decrease) in net position	17,385	8,369
Total net position, beginning of year	199,328	190,959
Cumulative effect of adoption of GASB 75	<u>(101)</u>	
	199,227	190,959
 Total net position, end of year	 <u><u>\$ 216,612</u></u>	 <u><u>\$ 199,328</u></u>

Unaudited



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

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John A. Myers  
Cabinet Secretary

Mary Jane Pickens  
Executive Director  
Deputy Cabinet Secretary

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

Once again, we've spent the latter part of the Summer scoring the submitted loss control questionnaires for state agencies. This process should be streamlined when the new Risk Management Information System comes on line. Insured will be able to complete questionnaires on-line and much of the objective analysis will be automated.

We will be partnering for the first time with Liberty Mutual Insurance to sponsor two boiler safety and operational seminars later this fall. Since this is the first time that Liberty will be involved in this process, it will be interesting to see how their material and presentation are received.

We have resumed our partnership with the Office of the Insurance Commissioner's State Agency Workers' Compensation Program to conduct joint loss control visits with our state customers who have a history of frequent automobile claims.

During the months of July, August, and September (as of September 10) Aon conducted 290 inspections. The reports are being processed according to established procedures. Due to the boiler and machinery carrier change, we have yet to receive inspection reports from Liberty, we expect to receive the first reports very soon and will report on Liberty's activity for the next meeting.

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.
- 9     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.
- 1     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 24, 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  
September 25, 2018**

**A. Privacy Management Team Meetings**

- Since the June 2018 BRIM board meeting, the Privacy Management Team met on July 10, 2018 and on September 11, 2018. At the July meeting, twenty-four individuals representing ten departments attended. Topics discussed included: General Data Protection Regulation, Privacy Roundtable, Office of Civil Rights HIPAA penalties nationwide, AJ Gallagher's analysis of WV's incident response statistics, draft Cloud Addendum, Security, Privacy Retreat and online privacy awareness training update. At the September meeting, twenty-three individuals representing twelve departments attended. Topics discussed included: welcome to new department privacy officers, update on the National Governor's Policy Academy, Privacy Retreat final report, Privacy Roundtable, Notice workgroup update and training on sending secure email.
- Due to turnover, government reorganization, and the addition of other constitutional officers' privacy officers, we have several new PMT members:
  - Kris Bowyer – Arts, Culture & History
  - Katrina Kessel – Department of Military and Public Safety
  - Ron Mooney – Veterans Assistance
  - Sue Painter – Chapter 30 Boards
  - Michael Nusbaum – Auditor's Office
  - Jeff Pitchford and Brian Withrow – Department of Education
  - Pam Woods – Higher Education Policy Commission
  - Richard Dolin - wvOASIS

## **B. Privacy Training**

- Between June 27 and September 12, 2018, 123 members of the Executive Branch workforce completed general privacy awareness training called *Think WV Privacy*.
- Between June 27 and September 12, 2018, 115 members of the Executive Branch workforce completed general HIPAA awareness training called *HIPAA/HITECH*.
- On August 27 and September 13, 2018, the State Privacy Office trained new department privacy officers in privacy management.
- On September 17, 2018, Sallie Milam participated in a panel presentation at STRIMA entitled "Oops! I lost my thumb drive!; A data breach table top."

## **C. 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.
- Since June 27, 2018, 3 PIAs have been completed. These PIAs were self-generated by the departments. WV's Chief Technology Officer recommended that eleven procurements from various departments complete PIAs, where he identified potential privacy and security issues; none of these referred PIAs have been completed by departments.

## **D. Privacy Retreat**

- The Privacy Retreat was held August 8 – 10, 2018 at Canaan Valley Resort. Learning objectives included:
  - Increase understanding of importance of privacy compliance
  - Increase understanding of the purpose and benefits of the Privacy Impact Assessment Program (PIA)
  - Develop awareness of Privacy by Design (PbD)
  - Enhance understanding of incident response plan
- Agenda snapshot:
  - Keynote Speaker-Rachel Seeger, HHS – Office for Civil Rights: "Best Practices for Safeguarding Personally Identifiable Information: Lessons Learned from HIPAA"

- Introduction to Privacy by Design and in-depth training on Privacy Impact Assessments with Bob Siegel, Privacy Ref, Inc.
- Incident response table top with AJ Gallagher and BakerHostetler
- Outcomes
  - Attendance at the Retreat was as follows:
    - Invitees: 51 (Includes 5 additional guests – non-PMT members)
    - Attendees: 35 (30 PMT members & 5 additional guests, which included the Director of the Purchasing Division; Office of Technology's CFO and Procurements Manager; and, BRIM's CFO)
    - Cancellations: 2 (Due to medical issues)
  - The final cost of the Retreat was within budget.
  - A post-Retreat survey was emailed to the attendees. The response was overwhelmingly positive as to location and content of sessions. Attendees also appreciated the recreational team-building, as it allowed them to enjoy the park and surrounding areas, while networking with other attendees.
    - 87% of the survey respondents rated keynote speaker Rachel Seeger above-average or excellent for her knowledge and the content of her presentation.
    - 97% of respondents rated facilitator Bob Siegel above-average or excellent in his presentations of PbD and PIA. He was rated by 70% as above-average or excellent for the group exercise in completing a PIA.
    - 83% of respondents rated Scott Koller as above-average or excellent for his presentation of breach causation and the table-top exercise.

## **E. Privacy Workforce Update**

- Katie Murray's last day was August 10. Katie began as our summer law intern June 1. In addition to focusing on legal issues around privacy notices, she researched other states' cyber security laws and prepared an analysis and summary for use in the NGA Policy Academy. Additionally, Katie provided support for the Privacy Retreat and served as our photographer.

## **F. Privacy Notice Workgroup**

- The Privacy Notice Workgroup has met twice, on June 26 and on July 25.
- The purpose of the Privacy Notice Workgroup is twofold: to update the West Virginia Executive Branch Policy on Privacy Notices; and, to research and develop a template for the Notice of Privacy Practices, which is the public facing, or external, communication of how the State uses and discloses the Personally Identifiable Information collected for state business.

- For its new privacy notice, the workgroup is focused on establishing values for the Executive Branch on how personal information is going to be utilized and for what purposes, which are broader and more flexible than the past model of consent for specific uses. This new thinking is, that if an organization develops values and holds itself accountable to these values, the notice can provide flexibility and the organization can add more value to the data by doing more with it.

Very truly yours,

*Sallie Milam*

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



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



Mary Jane Pickens  
Executive Director  
Deputy Cabinet Secretary

**AGENDA**  
**BOARD MEETING OF THE**  
**WEST VIRGINIA BOARD OF RISK AND INSURANCE MANAGEMENT**  
*December 18, 2018*

Chairman Martin

Call to Order

Chairman Martin

Approval of Board Minutes  
September 25, 2018 Meeting  
October 4, 2018 Special Meeting

**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

Lori L. Tarr  
Assistant Chief Privacy Officer

Privacy Report

**UNFINISHED BUSINESS**

**NEW BUSINESS**

**ADJOURNMENT**

ldm



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



Allan L. McVey  
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 18, 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  
Jeremy Wolfe, Loss Control Manager  
Lori Tarr, Assistant Chief Privacy Officer  
Chuck Mozingo, Asst. Claims Manager  
John Fernatt, Claim Representative  
Stephen W. Panaro, CPA, Controller  
Lora Myers, Recording Secretary

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

**GUESTS:** Sandy Price, WVU Health Sciences Center  
Michael Gansor, WVU Risk Management  
Norman Mosrie, Dixon Hughes Goodman LLP  
Phil Kabler, Charleston Gazette-Mail

## **CALL TO ORDER**

Chairman Martin called the meeting of the West Virginia Board of Risk and Insurance Management to order on Tuesday, December 18, 2018, at 1:02PM. The meeting was held in the Executive Conference Room at 1124 Smith Street, Suite 4600, Charleston, West Virginia.

## **APPROVAL OF MINUTES**

Vice Chairman Mitts moved the approval of the September 25, 2018 Board Meeting minutes. The motion was seconded by Mr. James Dodrill. Being no discussion, a vote took place and the MOTION ADOPTED.

Vice Chairman Mitts moved the approval of the October 4, 2018 Special Board Meeting minutes. The motion was seconded by Mr. James Dodrill. Being no discussion, a vote took place and the MOTION ADOPTED.

## **REPORTS**

### **Audited Financial Report – June 30, 2018**

Chairman Martin welcomed Norman Mosrie from Dixon Hughes Goodman LLP to present his report. Mr. Mosrie thanked the Board for allowing him to present. Mr. Mosrie commented on the excellent cooperation received from the BRIM Financial Department during the audit process. He complimented Mr. Schumacher and Mr. Panaro on once again being awarded the Certificate of Achievement of Excellence in Financial Reporting.

Mr. Mosrie referred to the Report to the Board of Directors – June 30, 2018, the document was distributed to the Board as a handout. Mr. Mosrie commented that opinion on the financial statements is an unmodified opinion, the highest form of assurance.

Mr. Mosrie reviewed Communication with Those Charged with Governance. Policies are very customary for an organization such as BRIM, nothing unusual to report. All other information in this portion of the report is general disclosure. Mr. Mosrie reviewed the financials and commented on current assets which are very strong and have experienced little change in the last year. The liabilities have experienced a slight increase from the prior year. BRIM has an overall strong net position. Premiums increases drove the changes in the current year and loss ratio went down. BRIM experienced a positive trend on the expense side and an increase on the revenue side which is good, it has been a good year for BRIM. Mr. Mosrie concluded his overview of the financial highlights and asked for any questions. Being no questions from the Board, the Audited Financial Report – June 30, 2018 presentation by Dixon Hughes Goodman, LLP concluded. Mr. Schumacher commented on the good working relationship with Mr. Mosrie and his staff. Chairman Martin thanked Mr. Mosrie.



The Audited Financial Report – June 30, 2018 presentation by Dixon Hughes Goodman, LLP was received, 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 Medical Malpractice Program status of Marshall University and West Virginia University. There was discussion regarding the total amount of disbursements paid so far this year. Mrs. Pickens reported that in 2018 so far, three cases have been tried to verdict, one plaintiff verdict and two defense verdicts. The attached Executive Director's Report outlines additional detailed information regarding paid claims, outstanding claims, claim counts and closed claims.

At this time, Mrs. Pickens reported there has been no Secretary appointed for the Department of Administration. As Deputy Secretary, I will continue performing the ministerial functions of that position until a new secretary is appointed.

Chief Privacy Officer Sallie Milam announced her retirement from state government a few weeks ago. Sallie has been a positive influence as we integrated the Privacy Office into BRIM almost two years ago. We wish Sallie all the best in her future endeavors. Sallie's official last day of employment will be January 31, 2019. Information regarding Sallie's replacement will be forthcoming in the near future.

Regarding the Patient Injury Compensation Fund (PICF), Mrs. Pickens reported that the second annual PICF report must be submitted on or before January 1, 2019. The report filed last year showed an estimated shortfall of approximately \$2 million, this led to the introduction of SB 576. The bill was passed during the 2018 regular session and amended the funding sources in W. Va. Code § 29-12D-1a.

Also reported that as of November 30, 2018, 16 claimants have been paid in full; 2 claims have been denied without appeal; and 1 claim denied is on appeal. There are 15 claimants with claims still in the payment phase who are receiving or will receive pro-rated annual payments, continuing as long as there is available funding. Exhibit A is attached and includes a list of claimants, amount to be paid and amount due.

Mrs. Pickens reported that we provided information during November interims to the Post Audits Committee regarding the old Moundsville Prison and the status of the tenant, the Moundsville Economic Development Council (MEDC), a SB 3 insured. At the last meeting, the Board was informed that BRIM had issued a cancellation notice to MEDC due to the loss of their IRS tax exempt status, a requirement at that point for participation in the SB 3 program as a non-profit. Concern regarding that interpretation prompted an extension of MEDC's coverage for 30 days pending receipt of a legal opinion by outside counsel. Receipt of that opinion in early November determined that MEDC continued to be eligible for coverage. Notice of coverage cancellation was rescinded.

The Legislative Auditor recommended review of BRIM's authority as it relates to non-profits in the SB 3 program, i.e. whether IRS tax exempt status should be required

of non-profits in order to be eligible for coverage. So far, no one has contacted us regarding this issue. Commissioner McVey offered help from the Insurance Commission regarding the matter.

Mrs. Pickens informed the Board that during the November interims some members of the Joint Committee on Government and Finance had some questions arising from reports on the cases filed against the Secretary of State. Due to the questions, Robert Fisher, Jennelle Jones and I met with Senate President Carmichael and Delegate Nelson. There were many good questions regarding how BRIM functions. As a result, we are preparing a presentation on BRIM "Basics". Hopefully, we can present to Legislative leadership in the coming weeks or during the 2019 session.

BRIM's partnership with the Office of Technology's Security Office in the National Governor's Association Policy Academy on Cyber Security has resulted in a draft bill that we hope will be a Governor's bill when the session starts. The bill would establish a framework around cyber security by requiring agencies in the Executive Branch to conduct assessments and make that information available for each department and the Governor's office. This is in an effort to gain understanding of the risk so that better decisions can be made about where to direct limited state resources. The message to legislators is that it is not possible to achieve absolute security with state systems. Managing risk is key. If the bill is passed, it will be an important foundation for more work on security.

BRIM is assisting OT with outreach during interims and will continue to support the proposed legislation and meet with Legislators during the 2019 session to encourage passage. As the state's risk manager and provider of cyber liability insurance, BRIM is committed to working on loss prevention and risk management around this growing exposure.

Mrs. Pickens commented to the Board that we plan to seek introduction of a bill to address mine subsidence insurance during the 2019 session. There is a growing trend for mining companies to pay homeowners and gain releases for damage to structures before mining begins. The bill will amend a section in the mine subsidence article in Chapter 33 to provide that if the policyholder has other insurance or other sources of remuneration for a loss covered by the mine subsidence insurance, the fund will be liable for only the portion of the loss which the other insurance and other sources of remuneration will not cover. It will further provide that any recovery for a covered loss received by the policyholder from any other source, up to the statutory limit of reinsurance, whether it is received before or after submission of the loss to the insurer, will be applied to property damages first and not to any other form of damages incurred by the policyholder. This bill has been approved by the Governor's office.

During the September board meeting, Chairman Martin presented an update on the development, implementation, and cost of our new technology system. We are now using the system for property and mine subsidence claims. The time is approaching when we can begin using the system for all claims management. Loss Control and Underwriting modules are also nearing completion. There is still an outstanding issue on ad hoc reporting that seems to be at an impasse with our vendor.

Mrs. Pickens expressed her wishes to schedule Fiduciary Training for the Board held prior to the March Board meeting. Most likely this would include a working lunch during the training followed by the regular Board meeting.

Currently, we are drafting a Request for Proposal to engage a consultant to evaluate all of BRIM's coverages and methods of providing coverage and make recommendations about changes (if any) to BRIM's programs. Our goal is to have a document ready to issue after the first of the year. The contract with AIG will end in July of 2020, and in preparation for that we feel that it's time to evaluate how BRIM provides coverage and determine if it represents the best balance between protecting the state, its employees and its assets, efficiency, and program cost. We may learn that the current structure is still the most efficient and cost effective, or we may learn that changes are recommended. We will keep the Board informed in whatever fashion it desires as we work through this process.

Mrs. Pickens commented that the Board has likely seen some recent press coverage regarding settlement of the final two lawsuits filed against the Secretary of State. As we've stated before, BRIM doesn't comment on pending litigation and we can't confirm a settlement until we have signed settlement documents, which we don't have yet in these cases. As we've discussed before, I want to assure the Board that BRIM staff has followed normal processes in these cases, as it has with the previous 10 cases and as directed by the Board at a meeting several weeks ago. We've worked closely with and followed guidance of the AIG adjuster and Secretary Warner's defense counsel in the settlement of all cases and Secretary Warner has been aware of the decisions being made.

Mrs. Pickens assured the Board that we will continue to address questions from the Legislature as they arise relating to these cases, to the extent we can discuss them, and plan to vigorously defend how this litigation has been handled. We will also advocate for BRIM and its programs if the Legislators question our structure, our governance, our programs, or the ability of a politician to direct decisions in complex litigation and to insist on a trial when a settlement is in the best interest of the state and our insured. All decisions as to litigation strategy and settlement are made carefully and thoughtfully and are based on guidance from adjusters with decades of experience, both at AIG and here at BRIM, with this type of litigation. We also receive reports and legal analysis from very competent and experienced defense lawyers who are not afraid to try a case and benefit from their expertise when deciding the best path toward resolution. We want to thank the Board for its support. We will continue to follow the Board's direction on these matters. Editorials have been somewhat considerate, not completely negative. Mr. Wilson commented on the professionalism of BRIM and AIG.

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 on Mr. Schumacher to present the Chief Financial Officer's Report.

Mr. Schumacher discussed PCard activity for August, September and October. A disk containing PCard activity was distributed to the Board.

Mr. Schumacher commented on the small financial staff at BRIM and what an excellent job they do. He thanked Stephen Panaro for all the hard work he puts in to assist with the audit. We are in the process of finalizing the CAFR and hope to have it submitted later this week.

Mr. Schumacher gave a detailed review of the audited financials. A \$14.6 million decrease in FY18 for the provision for insured events of prior fiscal years marks the third consecutive year that it has had a favorable impact on BRIM's net position. The overall rate of return on all BRIM funds invested was 1.2% for FY18.

Regarding current financial results, premium revenue has increased by \$1.1 million for the first four months of FY18. Actual claims payments for the first four months of FY18 are approximately \$5.6 million higher than last year. In the prior fiscal year, higher premium revenue and better investment earnings favorably impacted BRIM's results for the prior fiscal year through October 31 resulting in an increase of \$6.4 million of BRIM's net position. Slightly higher premium revenue along with investment losses resulted in an overall decrease of \$0.9 million of BRIM's net position for the current fiscal year.

Mr. Schumacher reviewed in detail the premium to net asset reserve ratio. He discussed the policy which established a process to help guide BRIM's Board in assessing BRIM's overall financial condition. He also reported in detail regarding other financial ratios. The premium to net asset ratio is only one measure of financial stability and should be considered in conjunction with other useful benchmarks to gauge BRIM's overall financial position and stability. BRIM's combined ratio of 85% is notably better than the industry average of 96%, based on property and casualty industry results as reported by ISO for the first half of 2018.

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 to present the Loss Control Report.

Mr. Fisher reported that the evaluation of the state agencies loss control questionnaire submissions has been completed. Due to participation in our Standards of Participation program, 106 agencies will receive a premium credit.



BRIM and Liberty Mutual Insurance sponsored two boiler safety and operational seminars in November. Approximately 135 participants attended the seminar. These were the first seminars that Liberty Mutual had participated in and we were pleased with their presentation.

Mr. Fisher commented that loss control questionnaires went out to senate bill #3 insured in November. The completed questionnaires and documentation are due to BRIM on January 1, 2019.

AON conducted 108 inspections during October, November and December. Liberty conducted 258 inspections. The reports are being processed according to established procedures. Our loss control technical staff since our last report has done 6 Loss Control Visits and 23 Standards of Participation Visits.

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

### **Privacy Report**

Chairman Martin asked Ms. Tarr to present the Privacy Report.

Ms. Tarr reported that the Privacy Management Team met November 13, 2018, twenty-seven individuals representing 11 departments attended. Topics discussed at the November meeting included: Privacy Requirements and HIPAA Preemption Analysis, NIST Cyber Security Framework, NGA Four-State Meeting, Privacy Officer Roundtable, OT Security Update and 2019 PMT meeting dates.

Ms. Tarr also reported on various privacy trainings. Members of the Executive Branch workforce have been trained in general privacy awareness training through the course *Think WV Privacy*. Members of the Executive Branch workforce have been trained in general HIPAA training through the course *HIPAA/HITECH*. The State Privacy Office trained department privacy officers in privacy management.

Ms. Tarr explained a privacy impact assessment (PIA) which 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. Currently, PIA completion is not mandatory for agencies.

NGA Policy Academy was discussed. The NGA Policy Academy held a four-state meeting October 30 – 31, 2018 in Detroit. The four states included were West Virginia, Indiana, North Carolina and Wisconsin. Each of these states won a grant from the National Governors Association for its Policy Academy on implementing Improved cybersecurity programs to meet the challenges posed by increasingly sophisticated and global cyber threats. Each state gave a presentation of its goals and program. West Virginia attendees included: Josh Spence (CISO), Danielle Cox (Administrative Security Manager), James Bailey (Governor's Office), Jennelle Jones (DoA Legislative

Liaison) and Sallie Milam (CPO). West Virginia's project focuses on developing dialogue with the Legislature around cyber risk and on developing a proposed bill to establish security framework for the Executive Branch. The bill will be known as the SECURE WV Act and will be a Governor's bill.

Ms. Tarr commented on Sallie Milam's 26+ years of State service, her retirement and her return to the private sector.

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

### **UNFINISHED BUSINESS**

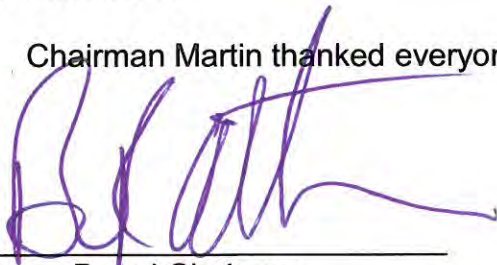
There was no unfinished business to be discussed.

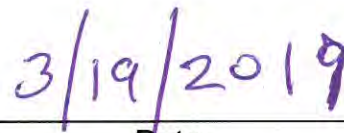
### **NEW BUSINESS**

There was no new business to be discussed.

### **ADJOURNMENT**

Chairman Martin thanked everyone for attending. Meeting adjourned at 2:10PM.

  
\_\_\_\_\_  
Board Chairman

  
\_\_\_\_\_  
Date

# STATE OF WEST VIRGINIA

## DEPARTMENT OF ADMINISTRATION

### BOARD OF RISK AND INSURANCE MANAGEMENT

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Mary Jane Pickens  
Executive Director  
Deputy Cabinet Secretary

#### **Executive Director's Report December 18, 2018**

- A. Marshall University and West Virginia University Medical Malpractice Program
- As of December 10, 2018, Marshall has deposited \$971,102.42 into the escrow account for FY 2019. The fiscal year-to-date cumulative interest totals \$11,240.74. Disbursements totaling \$1,237,317.01 have been paid thus far in FY 2019.
  - As of December 10, 2018, a total of \$1,775,409.54 has been deposited into WVU's escrow account for FY 2019. The fiscal year-to-date cumulative interest totals \$24,771.01. Disbursements totaling \$3,009,347.16 have been paid thus far in FY 2019.
- B. State Agency/Senate Bill #3 Liability Claim & Litigation Information

#### **TRIALS**

Thus far in 2018, we have tried five cases to verdict, with two plaintiff verdicts and four defense verdicts. **There have been three recent trials.**

#### **Defense Verdicts**

Monongahela Power vs. WV Division of Highways (501-350882); Defense Verdict on 10/26/2018; Richie Co. Magistrate Ct. Plaintiff alleged Insured truck damaged power line. Insured's position was that power line was lower than requirement. Damages sought were \$2260.

Compton vs. Berry, et.al., U.S. District Court for the Southern District of WV, CA No. 2:16-cv-09298. Defense verdict in favor of WV State Police. Judgment order entered Dec. 13, 2018.

#### **Plaintiff Verdicts**

Monongahela Power vs. WV Division of Highways (501-599433); Braxton Co. Magistrate Ct. Plaintiff alleged that Insured truck damaged their power line. Judge ruled Insured owed one-half the damages and awarded \$443.24.

#### **PAID CLAIMS (November 2018 Data)**

YTD Indemnity payments total \$39,398,483 vs. PYTD payments of \$32,690,365, an increase of 20.52%.

YTD Legal payments total \$14,733,130 vs. PYTD payments of \$17,892,910, a decrease of 17.66%.



**OUTSTANDING CLAIMS (November 2018 Data)**

YTD Indemnity reserves total \$50,664,554 vs. PYTD Indemnity reserves of \$47,284,938, an increase of 7.15%.

YTD Expense reserves total \$19,352,189 vs. PYTD Expense reserves of \$19,021,566, an increase of 1.74%.

**CLAIMS COUNTS (November 2018 Data)**

New claims YTD total 3677 vs. PYTD of 3200, an increase of 14.91%.

Closed claims YTD total 4023 vs. PYTD of 3282, an increase of 22.58%.

Open claims YTD total 1072 vs. PYTD of 1143, a decrease of 6.21%.

**DURATION – CLOSED CLAIMS (November 2018 Data)**

YTD Duration of 131.159 Days vs. PYTD Duration of 134.339 Days, a decrease of 2.37%.

**CLOSING RATIO (November 2018 Data)**

YTD Closing Ratio of 109.4% vs. PYTD Closing Ratio of 102.6%, an increase of 6.63%.

**C. Department of Administration Secretary Position**

To date, no Secretary has been appointed for the Department of Administration. As Deputy Secretary, I've resumed performing the ministerial functions of that position. It does take some time but it's balancing out and I will continue to fill in until a Secretary is appointed.

**D. Retirement of State Chief Privacy Officer, Sallie Milam**

A few weeks ago, Sallie Milam announced her retirement from state government. December 14 was her last day at BRIM. Sallie has been an enthusiastic partner and a positive influence as we integrated the Privacy Office into BRIM almost 2 years ago. She will be missed and certainly has big shoes to fill. Sallie built the privacy program into an important service for state government and the synergy between the program and BRIM's mission has become more obvious to us as we've moved along and in particular as it relates to incidents reported for cyber liability purposes. We wish her all the best in the next chapter of her life!

The search has begun for Sallie's replacement and I expect to share information on that in the coming weeks. Sallie's official last day of state employment will be January 31, 2019.

**E. Patient Injury Compensation Fund (PICF)**

The second annual PICF report is due on or before January 1, 2019. The report filed last year showed an estimated shortfall of approximately \$2 million, which lead to the introduction of SB 576. The bill was passed during the 2018 regular session and amended the funding sources in W. Va. Code § 29-12D-1a as follows:



- Physician license fees of \$125, which are paid when licenses are issued or renewed, will extend through December 31, 2021<sup>1</sup> (Senate Bill 602 provided these fees through calendar year 2019); Assessments on Trauma Centers of \$25 for each patient treated at a designated trauma center, as reported to the registry, will extend through June 30, 2021. The assessment for January 1, 2021 through June 30, 2021 is due on December 31, 2021 (Senate Bill 602 provided that the trauma assessments went through December 31, 2019); and
- The 1% assessments on judgments and settlements of MPLA claims/actions will extend through December 31, 2021 (Senate Bill 602 provided these through June 30, 2020).
- Any money remaining in the fund on June 30, 2022 after payment of all claims and administrative costs of the fund shall be transferred by BRIM to the General Revenue fund.

As of November 30, 2018, 16 claimants have been paid in full; 2 claims have been denied without appeal; and 1 denied claim is on appeal. There are 15 claimants with claims still in the payment phase who are receiving or will receive pro-rated annual payments, which will continue as long as funding is available. Attached as Exhibit A is a list of claimants, amount paid to date, and amount due.

#### F. Legislative Auditor and Legislative Requests

We provided information during November interims to the Post Audits Committee regarding the old Moundsville Prison and the insured status of the tenant, the Moundsville Economic Development Council (MEDC), a SB 3 insured. At the last Board meeting I had reported that we had issued a cancellation notice to MEDC because it had lost its IRS tax exempt status, which had been required by BRIM up to that point for participation in the SB 3 program as a non-profit. I became concerned about that interpretation and we extended MEDC's coverage for 30 days pending receipt of a legal opinion from outside counsel. We received that opinion in early November and we determined that MEDC continued to be eligible for coverage. The notice of cancellation was then rescinded.

The Legislative Auditor recommended review of BRIM's authority as it relates to non-profits in the SB 3 program, i.e. whether IRS tax exempt status should be required of non-profits in order to be eligible for coverage in the program. To date, no one has been in contact with me regarding the issue.

#### G.

During November interims some members of the Joint Committee on Government and Finance had some questions arising from reports on the cases filed against the Secretary of State. As a result of those questions, Robert Fisher, Jennelle Jones and I met with Senate President Carmichael and Delegate Nelson. Each had lots of good questions about how BRIM functions. As a result, we are preparing a presentation on BRIM "Basics" that we hope to present to Legislative leadership in the next few weeks or during the 2019 session. We may also present to the insurance or other committees at the beginning of the session,

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<sup>1</sup> Senate Bill 576 extended the physician license fees for 2 years, the trauma assessments for a year and a half, and the 1% assessments for a year and a half. The reason the physician license fees appear to have been extended further than the others is because SB 602 (2016) missed the first renewal cycle for half the physician alphabet due to a drafting problem, and the Senate Bill 576 amendments essentially "caught them up". All assessments will end on December 31, 2021 and BRIM will have six months after that to make final distributions and pay administrative costs of the fund. On June 30, 2022, any money remaining in the fund will be transferred to general revenue.

which was a suggestion of President Carmichael. I will share the presentation with the Board when it is finalized, which will be by the end of this month.

H.

BRIM's partnership with the Office of Technology's Security Office in the National Governor's Association Policy Academy on Cyber Security has resulted in a draft bill that we hope will be a Governor's bill when the session starts next month. The bill would establish a framework around cyber security by requiring agencies in the Executive Branch to conduct security assessments and make that information available for each department and for the Governor's office. The goal is to gain an understanding of where the risk is so that more informed decisions can be made about where to direct limited state resources. The message to legislators is that it's not possible given the modern environment to achieve absolute security with state systems, so the key is to manage the risk. We are hopeful the bill is passed because it will be an important foundation for more work on security to come.

BRIM is assisting OT with outreach during interims and will continue to support the proposed legislation and meet with Legislators during the 2019 session to encourage passage. As the state's risk manager and provider of cyber liability insurance, we are committed to working on loss prevention and risk management around this growing exposure.

I. Legislation

We plan to seek introduction of a bill to address mine subsidence insurance during the 2019 Legislative Session. There is a growing trend for mining companies to pay homeowners and get releases for damage to structures from mining, before the mining begins. The bill will amend a section in the mine subsidence article in Chapter 33 to provide that if the policyholder has other insurance or other sources of remuneration for a loss covered by the mine subsidence insurance, the fund will be liable for only the portion of the loss which the other insurance or other sources of remuneration will not cover. It will further provide that any recovery for a covered loss received by the policyholder from any other source, up to the statutory limit of reinsurance, whether it is received before or after submission of the loss to the insurer, will be applied to property damages first and not to any other form of damages incurred by the policyholder. The Governor's office has approved the bill.

J. Risk Management Information System Update

At the September Board meeting, our chairman provided an update on the development, implementation, and cost of our new technology system. We can now report that we are using the system for property and mine subsidence claims, and we've finally drilled down and resolved data inconsistencies between the old and new systems. We are rapidly approaching the time when we can begin using the system for all claims management. We are also getting close to completing the Loss Control and Underwriting modules. We still have an outstanding issue on ad hoc reporting that appears to be at an impasse with our vendor, and at the appropriate time we will elevate that issue and resolve it.

K. Fiduciary Training

I would like to schedule Fiduciary Training for the Board before the next Board meeting in March and welcome feedback from the Board members on that. We could do a light working lunch during the training and then move into the regular Board meeting.



#### L. RFP for Consulting Services

We are drafting a Request for Proposal to engage a consultant to evaluate all of BRIM's coverages and methods of providing coverage and make recommendations about changes (if any) to BRIM's programs. The RFP document is a work in progress now but our goal is to have a document ready to issue after the first of the year. We will share the document with the board and given the significance of the project the Board may wish to call a special meeting to provide input and guidance, and for us to answer questions about our goals. The contract with AIG will end in July of 2019, and in preparation for that we feel that it's time to evaluate how BRIM provides coverage and determine if it represents the best balance between protecting the state, its employees and its assets, efficiency, and program cost. We are not entering into this project with a preconceived notion of the outcome; rather, we feel that after more than 10 years of the current program structure it's time to step back and evaluate. We may learn that the current structure is still the most efficient and cost effective, or we may learn that changes are recommended. We will keep the Board informed in whatever fashion it desires as we work through this process.

#### M. Miscellaneous

The Board has likely seen some recent press coverage regarding settlement of the final two lawsuits filed against the Secretary of State. As we've stated before, BRIM doesn't comment on pending litigation and we can't confirm a settlement until we have signed settlement documents, which we don't have yet in these cases. As we've discussed before, I want to assure the Board that BRIM staff has followed normal processes in these cases, as it has with the previous 10 cases and as directed by the Board at a meeting several weeks ago. We've worked closely with and followed guidance of the AIG adjuster and Secretary Warner's defense counsel in the settlement of all cases and Secretary Warner has been aware of the decisions being made.

We will continue to address questions from the Legislature as they arise relating to these cases, to the extent we can discuss them, and plan to vigorously defend how this litigation has been handled here. We will also advocate for BRIM and its programs in the event that Legislators question our structure, our governance, our programs, or the ability of a politician to direct decisions in complex litigation and to insist on a trial when a settlement is in the best interest of the state and our insured. All decisions as to litigation strategy and settlement are made carefully and thoughtfully and are based on guidance from adjusters with decades of experience, both at AIG and here at BRIM, with this type of litigation. We also receive reports and legal analysis from very competent and experienced defense lawyers who are not afraid to try a case and benefit from their expertise when deciding the best path toward resolution. We want to thank the Board for its support and we will continue to follow the Board's direction on these matters.

Very truly yours,



Mary Jane Pickens  
Executive Director

MJP/ldm





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



Mary Jane Pickens  
Executive Director  
Deputy Cabinet Secretary

**Chief Financial Officer's Report  
December 18, 2018**

**A. P Card Report**

CD copies contain the supporting detail for P card purchases for the months of August, September and October 2018. These totals are:

August	\$56,652.36
September	\$21,705.94
October	\$76,657.15

**B. Management Discussion and Analysis and Audited Financials**

- A \$14.6 million decrease in FY'18 for the provision for insured events of prior fiscal years marks the third consecutive fiscal year that it has had a favorable impact on BRIM's net position. For FY'17 and FY'16 the decreases were \$11.6 million and \$3 million respectively. 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 was 1.2% for FY'18, 1.7% for FY'17, and 2.5% for FY'16; well below BRIM's 4% target. The decreases in the provision of insured events of prior fiscal years for FY'18, FY'17 and FY'16 have helped to offset the lower investment returns and improve overall results.

**C. Current Financial Results**

- The financial results presented are for the four months ended October 31, 2018 and 2017. The results reflect the actuarially estimated unpaid losses from AON's risk funding study as of September 30 for both years, plus an additional accrual for October.
- Premium revenue has increased by \$1.1 million for the first four months of FY'18. This was primarily to cover the actuarially projected increase in loss pics for the current year.
- FY'18 reflects accruals increasing claims liabilities by \$0.5 million for the current year vs. a \$7.2 million increase for the same period last year.
- Actual claims payments for the first four months of FY'18 are approximately \$5.6 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 recent market volatility and equity pullback are the reasons for the current year-to-date investment losses versus the positive investment returns for the same period last fiscal year. This amounts to a year over year unfavorable swing of \$9.4 million in investment returns.

### **C. Current Financial Results (cont'd)**

- In the prior fiscal year, higher premium revenue and better investment earnings favorably impacted BRIM's results for the prior fiscal year through October 31 resulting in an increase of \$6.4 million of BRIM's net position.
- Slightly higher premium revenue along with investment losses resulted in an overall decrease of \$0.9 million of 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 assets 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 significantly 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 \$66 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 32% below the calculated mid-point for the level of net premium generated by BRIM for FY'18 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 has impacted the premiums charged to its' insureds. Premium increases without a pro-rata increase in net assets would adversely affect BRIM's risk level relative to the benchmark.

### **E. 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 and stability.
- BRIM's loss reserve to surplus ratio for FY'18 (.77 to 1.0) is slightly better than the ratio for private carriers for first half of 2018 (.81 to 1.0).
- BRIM's loss ratio of 79% vs. the industry average of 68% is slightly below the industry average for the first half of 2018.
- BRIM's expense ratio of 6% is very favorable versus the industry average of 28% for the first half of 2018.
- BRIM's combined ratio of 85% is notably better than the industry average of 96%, based on property and casualty industry results as reported by ISO for the first half of 2018.

Respectfully submitted,



Stephen W. Schumacher, CPA  
Chief Financial Officer



# West Virginia Board of Risk and Insurance Management

## Statements of Net Position

For the Four Months Ended October 31st

	2018	2017
	<i>(In Thousands)</i>	
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 28,135	\$ 24,751
Advance deposits with insurance company and trustee	201,534	199,624
Receivables	4,390	5,013
Prepaid insurance	4,249	4,226
Restricted cash and cash equivalents	14,759	11,534
Premiums due from other entities	878	643
Total current assets	253,945	245,791
Noncurrent assets:		
Equity position in internal investments pools	94,215	94,975
Restricted investments	54,409	54,848
Total noncurrent assets	148,624	149,823
Total assets	402,569	395,614
Deferred Outflows of Resources	438	458
Deferred Outflows of Resources - OPEB	44	0
<b>Liabilities</b>		
Current liabilities:		
Estimated unpaid claims and claims adjustment expense	50,453	47,713
Unearned premiums	15,598	14,672
Agent commissions payable	1,147	360
Claims Payable	96	108
Accrued expenses and other liabilities	2,100	2,167
Total current liabilities	69,394	65,021
Estimated unpaid claims and claims adjustment expense net of current portion	117,041	124,431
Compensated absences	122	107
Net pension liability	331	766
Total noncurrent liabilities	117,494	125,305
Total liabilities	186,888	190,326
Deferred Inflows of Resources	330	37
Deferred Inflows of Resources - OPEB	73	0
Net position:		
Restricted by State code for mine subsidence coverage	61,059	61,063
Unrestricted	155,552	138,265
Net Assets (Deficiency)	(851)	6,380
Net position	\$ 215,760	\$ 205,708

*Unaudited*





# West Virginia Board of Risk and Insurance Management

## Statements of Revenues, Expenses, and Changes in Net Position

For the Four Months Ended October 31st

	2018	2017
	<i>(In Thousands)</i>	
<b>Operating revenues</b>		
Premiums	\$ 27,689	\$ 26,336
Less coverage/reinsurance programs	(2,387)	(2,112)
Net operating revenues	25,302	24,224
<b>Operating expenses</b>		
Claims and claims adjustment expense	21,868	22,920
General and administrative	1,498	1,490
Total operating expenses	23,366	24,409
Operating income (loss)	1,936	(185)
<b>Nonoperating revenues</b>		
Investment income	(2,787)	6,565
Net nonoperating revenues	(2,787)	6,565
Changes in net position	(851)	6,380
Total net position, beginning of year	216,611	199,328
Total net position, end of period	\$ 215,760	\$ 205,708

*Unaudited*



## External Benchmark Comparison (FY'18)

(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)	Type of Insured Entities
\$ 23,829,817	\$ 53,192,021	0.448	Local Governments
\$ 10,448,342	\$ 23,193,395	0.450	Community Centers
\$ 4,304,449	\$ 10,277,805	0.419	Municipalities
\$ 12,468,504	\$ 48,046,003	0.260	Local Governments
\$ 29,109,590	\$ 113,952,456	0.255	Municipalities and Special Districts
\$ 4,684,581	\$ 19,458,701	0.241	Water Districts and River Authorities
<u>\$ 84,845,283</u>	<u>\$ 268,120,381</u>	0.316	Combined Entities

### Step 2: Derivation of Statistics

Entity Count Per Above (0.450 - 0.241)/2 = .105	6 0.105	Number of Similar Organizations With Data Available Average of the Range Between the Highest & Lowest PNAR
<u>\$ 84,845,000</u>	<u>\$ 268,120,000</u>	<u>0.316</u>
<u>\$ 68,304,000</u>	<u>\$ 149,747,000</u>	<u>0.456</u>

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)	Excess Risk (PNAR Factor & NAR \$ Level)
	0.216	0.266	0.316	0.366	0.416	0.466
\$ 85,000,000	\$ 393,500,000	\$ 319,500,000	\$ 269,000,000	\$ 232,200,000	\$ 204,300,000	\$ 182,400,000
\$ 82,500,000	\$ 381,900,000	\$ 310,200,000	\$ 261,100,000	\$ 225,400,000	\$ 198,300,000	\$ 177,000,000
\$ 80,000,000	\$ 370,400,000	\$ 300,800,000	\$ 253,200,000	\$ 218,600,000	\$ 192,300,000	\$ 171,700,000
\$ 77,500,000	\$ 358,800,000	\$ 291,400,000	\$ 245,300,000	\$ 211,700,000	\$ 186,300,000	\$ 166,300,000
\$ 75,000,000	\$ 347,200,000	\$ 282,000,000	\$ 237,300,000	\$ 204,900,000	\$ 180,300,000	\$ 160,900,000
\$ 72,500,000	\$ 335,600,000	\$ 272,600,000	\$ 229,400,000	\$ 198,100,000	\$ 174,300,000	\$ 155,600,000
\$ 70,000,000	\$ 324,100,000	\$ 263,200,000	\$ 221,500,000	\$ 191,300,000	\$ 168,300,000	\$ 150,200,000
\$ 67,500,000	\$ 312,500,000	\$ 253,800,000	\$ 213,600,000	\$ 184,400,000	\$ 162,300,000	\$ 144,800,000
\$ 65,000,000	\$ 300,900,000	\$ 244,400,000	\$ 205,700,000	\$ 177,600,000	\$ 156,300,000	\$ 139,500,000
\$ 62,500,000	\$ 289,400,000	\$ 235,000,000	\$ 197,800,000	\$ 170,800,000	\$ 150,200,000	\$ 134,100,000
\$ 60,000,000	\$ 277,800,000	\$ 225,600,000	\$ 189,900,000	\$ 163,900,000	\$ 144,200,000	\$ 128,800,000
\$ 57,500,000	\$ 266,200,000	\$ 216,200,000	\$ 182,000,000	\$ 157,100,000	\$ 138,200,000	\$ 123,400,000
\$ 55,000,000	\$ 254,600,000	\$ 206,800,000	\$ 174,100,000	\$ 150,300,000	\$ 132,200,000	\$ 118,000,000
\$ 52,500,000	\$ 243,100,000	\$ 197,400,000	\$ 166,100,000	\$ 143,400,000	\$ 126,200,000	\$ 112,700,000
\$ 50,000,000	\$ 231,500,000	\$ 188,000,000	\$ 158,200,000	\$ 136,600,000	\$ 120,200,000	\$ 107,300,000
\$ 47,500,000	\$ 219,900,000	\$ 178,600,000	\$ 150,300,000	\$ 129,800,000	\$ 114,200,000	\$ 101,900,000
\$ 45,000,000	\$ 208,300,000	\$ 169,200,000	\$ 142,400,000	\$ 123,000,000	\$ 108,200,000	\$ 96,600,000
\$ 42,500,000	\$ 196,800,000	\$ 159,800,000	\$ 134,500,000	\$ 116,100,000	\$ 102,200,000	\$ 91,200,000
\$ 40,000,000	\$ 185,200,000	\$ 150,400,000	\$ 126,600,000	\$ 109,300,000	\$ 96,200,000	\$ 85,800,000
\$ 37,500,000	\$ 173,600,000	\$ 141,000,000	\$ 118,700,000	\$ 102,500,000	\$ 90,100,000	\$ 80,500,000

Net Premium \$ 68,300,000  
Calculated N.A. \$ 216,100,000





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

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Mary Jane Pickens  
Executive Director  
Deputy Cabinet Secretary

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

We've completed the evaluation of state agencies loss control questionnaire submissions. We are pleased to announce that 106 agencies will receive a premium credit due to their participation in our Standards of Participation program. We continue to hope that we will see an ever-increasing number of agencies that get a credit rather than a surcharge.

BRIM and Liberty Mutual Insurance sponsored two boiler safety and operational seminars in November. Approximately 135 attendees participated in the seminars. The level of interest from our insured continues to be quite high. These were the first seminars that Liberty Mutual has been involved in and we were quite pleased with their presentation.

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, 2019.

During the months of October, November, and December Aon conducted 108 inspections and Liberty conducted 258. The reports are being processed according to established procedures.

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

6 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.

23 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.

Dated: *December 17, 2018*

Respectfully submitted,

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

Robert A. Fisher  
Deputy Director and Claim Manager





Mary Jane Pickens  
Executive Director  
Deputy Cabinet Secretary

## Chief Privacy Officer's Report December 18, 2018

### A. Privacy Management Team Meetings

- Since the September 2018 BRIM board meeting, the Privacy Management Team met on November 13, 2018. At the November meeting, twenty-seven individuals representing 11 departments attended. Topics discussed included: Privacy Requirements and HIPAA Preemption Analysis, NIST Cyber Security Framework, NGA Four-State Meeting, Privacy Officer Roundtable, OT Security Update, and 2019 PMT Meeting Dates.

### B. Privacy Training

- Members of the Executive Branch workforce have been trained in general privacy awareness training through the course *Think WV Privacy*.
- Members of the Executive Branch workforce have been trained in general HIPAA training through the course *HIPAA/HITECH*.
- On November 8, the State Privacy Office trained department privacy officers in privacy management.

### C. 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.



- Since September 13, 2018, 2 PIAs have been completed. These PIAs were self-generated by the departments. WV's Chief Technology Officer recommended that eleven procurements from various departments undergo PIAs, where he identified potential privacy and security issues; none of these referred PIAs have been completed by departments.

#### **D. NGA Policy Academy**

- The NGA Policy Academy held a four-state meeting in Detroit Michigan, October 30 – 31, 2018. The four states included were West Virginia, Indiana, North Carolina and Wisconsin. Each of these states won a grant from the National Governors Association for its Policy Academy on implementing improved cybersecurity programs to meet the challenges posed by increasingly sophisticated and global cyber threats.
- Each state gave a presentation of its goals and program, and the meeting provided a forum to share ideas among the states. WV attendees included: Josh Spence (CISO), Danielle Cox (Administrative Security Manager), James Bailey (Governor's Office), Jennelle Jones (DoA legislative liaison) and Sallie Milam (CPO).
- West Virginia's project focuses on developing a dialogue with the Legislature around cyber risk and on developing a proposed bill to establish a security framework for the Executive Branch, with the West Virginia State Police and higher education excepted. The bill will be known as the SECURE WV Act and will be a Governor's bill.
- The core team has held briefings with members of the Legislative and Executive leadership.

#### **E. Chief Privacy Officer's Resignation**

- After 26 ½ years of State service, I am retiring and returning to the private sector. Thank you for your interest in privacy and your support.

Very truly yours,

*Sallie Milam*

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



**Report to the  
Board of Directors**

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

**June 30, 2018**

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## **Contacts**

### ***Norman Mosrie, CPA***

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### ***Jessie Lindsay, CPA***

Senior Manager  
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Charleston, WV 25301  
304.414.2668  
jessie.lindsay@dhg.com

## Communications with Those Charged with Governance

October 12, 2018

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

We have audited the basic financial statements of the West Virginia Board of Risk and Insurance Management (BRIM) as of and for the year ended June 30, 2018, and have issued our report thereon dated October 12, 2018. Professional standards require that we provide you with information about our responsibilities in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 19, 2018. Professional standards also require that we communicate to you the following information related to our audit:

### Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The most significant accounting policies used by the West Virginia Board of Risk and Insurance Management are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2018, except as described in Note 3, effective July 1, 2017, BRIM adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and GASB 85, *Omnibus 2017*. These standards relate to the accounting for BRIM's other postemployment benefits (OPEB).

No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

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

Management's estimates of the estimated liabilities for claims payable are based on actuarial calculations by the West Virginia Board of Risk and Insurance Management's consulting actuaries. We evaluated the key factors and assumptions used to develop the estimates of the estimated liabilities in determining that they are reasonable in relation to the financial statements taken as a whole. In addition, we engaged an independent actuary to review the calculation and methods used by the West Virginia Board of Risk and Insurance Management's consulting actuary.



Management's estimate of the pension and OPEB liabilities, related deferred inflows and outflows, and expense is based upon an allocation of actuarially determined amounts for the West Virginia Public Employees' Retirement System and the West Virginia Retiree Health Benefits Trust. We evaluated the key information, including the schedules of employer allocations of pension and OPEB amounts by employer in determining that the pension and OPEB related amounts are reasonable in relation to the financial statements taken as a whole.

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

Note 4 of the financial statements includes disclosures related to the West Virginia Board of Risk and Insurance Management's investments with the West Virginia Investment Management Board and the West Virginia Board of Treasury Investments. Such disclosures include information on the various pools invested in and their respective risks (i.e. credit, custodial, concentration, interest rate).

The unpaid claims and claims adjustment expense liability disclosures in Notes 2 and 5 are particularly sensitive because of the various assumptions involved in the estimation process.

The pension and OPEB disclosures in Notes 6 and 7 are particularly sensitive because of the various assumptions (i.e. discount rate, investment rate of return, mortality rates, healthcare cost trend rate, etc.) involved in the estimation process.

#### **Difficulties Encountered in Performing the Audit**

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

#### **Corrected and Uncorrected Misstatements**

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

#### **Disagreements with Management**

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

#### **Management Representations**

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

#### **Management Consultations with Other Accountants**

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

### **Other Significant Matters, Findings, or Issues**

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

With respect to the required supplementary information accompanying the basic financial statements as described below, we applied certain limited procedures in accordance with the auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

- Management's Discussion and Analysis
- Ten-year Claim Development Information
- Reconciliation of Unpaid Claims and Claims Adjustment Expense Liability by Type of Contract
- Schedule of the BRIM's Proportionate Share of the Net Pension Liability
- Schedule of the BRIM's Contributions to PERS
- Schedule of the BRIM's Proportionate Share of the Net OPEB Liability
- Schedule of the BRIM's Contributions to RHBT

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

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





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

Sincerely,

*Dixon Hughes Goodman LLP*

Charleston, West Virginia



## **Appendix A**

### **Management Representation Letter**



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



Mary Jane Pickens  
Executive Director  
Deputy Cabinet Secretary  
MaryJane.Pickens@wv.gov

October 12, 2018

Dixon Hughes Goodman LLP  
500 Virginia Street East  
Suite 800  
Charleston, WV 25301

This representation letter is provided in connection with your audits of the financial statements of West Virginia Board of Risk and Insurance Management ("BRIM" or the "Agency"), which comprise the Statements of Net Position as of June 30, 2018 and 2017, and the related Statements of Revenue, Expenses, and Changes in Net Position and Statement of Cash Flows for the years then ended, and the related notes to the financial statements, for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

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

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

***Financial Statements***

1. We have fulfilled our responsibilities, as set forth in the terms of the audit engagement letter dated January 19, 2018 for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.
2. The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
3. West Virginia Board of Risk and Insurance Management is an agency of The State of West Virginia and, accordingly, is included as part of the primary government in the State's Comprehensive Annual Financial Report.
4. We acknowledge our responsibility for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
5. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
6. The following have been properly accounted for and disclosed in the financial statements:
  - a. Related-party relationships and transactions, including sales, purchases, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties



- b. Guarantees, whether written or oral, under which the Agency is contingently liable.
  - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB 62, Accounting for Contingencies, and there are no accruals for loss contingencies included in the Statement of Net Position or gain contingencies reflected in earnings that are not in conformity with the provisions of GASB 62.
7. Significant estimates that may be subject to a material change in the near term have been properly disclosed in the financial statements. We understand that "near term" means the period within one year of the date of the financial statements. In addition, we have no knowledge of concentrations existing at the date of the financial statements that make the agency vulnerable to the risk of severe impact that have not been properly disclosed in the financial statements.
8. We are responsible for making the accounting estimates included in the financial statements. Those estimates reflect our judgment based on our knowledge and experience about past and current events and our assumptions about conditions we expect to exist and courses of action we expect to take. In that regard, adequate provisions have been made:
- a. To reduce receivables to their estimated net collectable amounts.
  - b. Reduce investments, intangibles, and other assets that have permanently declined in value to their realizable values.
  - c. For risk retention, including uninsured losses or loss retentions (deductibles) attributable to events occurring through June 30, 2018, and/or for expected retroactive insurance premium adjustments applicable to periods through June 30, 2018.
  - d. For pension obligations, post-retirement benefits other than pensions and deferred compensation agreements attributable to employee services rendered through June 30, 2018.
  - e. For any material loss to be sustained in the fulfillment of, or from the inability to fulfill, any service commitments.
9. Significant assumptions we used in making accounting estimates, including estimates of fair value, are reasonable.
10. There are no uncorrected misstatements or omitted disclosures relating to the current year basic financial statements.
11. We represent to you the following for the Agency's fair value measurements and disclosures:
- a. The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated courses of action.
  - b. The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
  - c. The disclosures related to fair values are complete, adequate, and in conformity with U.S. GAAP.
  - d. There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.
12. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
13. There are no instances where any officer or employee of Agency has an interest in a company with which BRIM does business that would be considered a "conflict of interest." Such an interest would be contrary to BRIM policy.

***Information Provided***

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

- d. Minutes of the meetings of directors and committees of directors or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 15. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- 16. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 17. We have no knowledge of any fraud or suspected fraud affecting the Agency involving:
  - a. Management.
  - b. Employees who have significant roles in internal control.
  - c. Others where the fraud could have a material effect on the financial statements.
- 18. We have no knowledge of any allegations of fraud or suspected fraud affecting the Agency's financial statements received in communications from employees, former employees, analysts, regulators, short sellers, or others.
- 19. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices.
- 20. There are no known instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statements.
- 21. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware. Transactions with related parties, as defined in GASB Statement No. 56, *Related Party Disclosures*, and related amounts receivable or payable, including sales, purchases, loans, transfers, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration have been properly recorded and disclosed in the basic financial statements.
- 22. The Agency has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
- 23. As part of your audit, you assisted with preparation of the financial statements and related notes, and you have reviewed Agency's Comprehensive Annual Financial Report ("CAFR") prior to submission to the Government Finance Officers Association ("GFOA"). We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities. We have designated an individual with suitable skill, knowledge, or experience to oversee your services, have evaluated the adequacy and results of the services performed, have made all management decisions and performed all management functions, and accept responsibility for the results of those services. We have reviewed, approved, and accepted responsibility for those financial statements and related notes. We have evaluated and maintained internal controls, including monitoring ongoing activities.
- 24. With respect to management's discussion and analysis, required supplementary information (the Ten-year Claims Development Information, the Schedule of Proportionate Share Of the Net Pension Liability in PERS, the Schedule of Proportionate Share of the Net OPEB Liability in RHBT, Schedule of Contributions to PERS, Schedule of Contributions to RHBT, and Reconciliation of Unpaid Claims and Claims Adjustment Expense Liability by Type of Contract), and the other supplementary information (Combining Statement of Net Position, Combining Statement of Revenues, Expenses, and Changes in Net Position, and Financial and Reporting Section of the State of WV closing book forms, accompanying the financial statements :
  - a. Management's discussion and analysis is based on facts, decisions, or conditions currently known to management and does not contain forecasts or other prospective information.
  - b. We acknowledge our responsibility for presenting the supplementary information in accordance with accounting principles generally accepted in the United States of America, and we believe the supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of



- measurement and presentation of the supplementary information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information. We believe the significant assumptions and interpretations are reasonable. The combining information is for purposes of additional analysis of the financial statements rather than to present the financial position and results of operations of each of the individual programs.
- c. We are responsible for the fair presentation of the Closing Book Forms (the "supplementary information") in accordance with Financial Accounting and Reporting Section of the State of West Virginia (FARS). We believe the supplementary information, including its form and content, is fairly stated in all material respects in conformity with FARS criteria. There have been no changes in the methods or measurement or presentation of the supplementary information from those used in the prior period. There are no significant assumptions or interpretations underlying the measurement or presentation of the information.
  - d. If the supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.
25. We acknowledge our responsibility for the fair presentation of the introductory and statistical sections of the comprehensive annual financial report. We believe the introductory and statistical sections, including its form and content, is fairly stated in all material respects in conformity with the Government Finance Officers' Association criteria. There have been no changes in the methods of measurement or presentation of this information from those used in the prior period. There are no significant assumptions or interpretations underlying the measurement or presentation of the information.

#### ***Receivables and Revenues***

26. Receivables represent valid claims against the debtors indicated and do not include amounts for goods shipped or services provided subsequent to the statement of net position dates, goods shipped on consignment, or other types of arrangements not constituting sales. All revenue recognized as of the statement of net position dates has been realized (or is realizable) and earned. Revenue has not been recognized before (1) persuasive evidence of an arrangement exists, (2) goods have been delivered or services rendered, (3) consideration to be received is fixed or determinable and (4) collectability is reasonably assured.
27. Adequate provision has been made for losses, costs and expenses that may be incurred subsequent to the statement of net position dates in respect of sales and services rendered prior to those dates and for uncollectible accounts, discounts, returns and allowances, etc., that may be incurred in the collection of receivables at those dates.
28. We have adequately disclosed a description of our major revenue-generating products and services, the types of arrangements (including multiple-element arrangements) used to deliver these products or services, and a description of the revenue recognition policies applicable to these products or services.
29. We have disclosed to you all sales terms (both expressed and implied), including all rights of return or price adjustments and warranty provisions. We have made available to you all significant contracts, communications (either written or oral), and other relevant information pertaining to arrangements with our customers, including distributors and resellers.

#### ***Fair Value and Other Measurements***

30. We are responsible for the estimation methods and assumptions used in measuring assets and liabilities reported or disclosed at fair value, including information obtained from brokers, pricing services or other third parties. Our valuation methodologies have been consistently applied from period to period. The fair value measurements reported or disclosed represent our best estimate of fair value as of the measurement date in accordance with the requirements of Government



Auditing Standards Board. In addition, our disclosures related to fair value measurements are consistent with the objectives outlined in GASB standards

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

#### ***Cash Equivalents and Investments***

32. BRIM has certain cash equivalents in pools of the West Virginia Bureau of Treasury Investments (BTI) and West Virginia Investment Management Board (IMB). The management of these entities is not under BRIM's control.
  - a. GASB 79 establishes criteria for making the election to measure investments at amortized cost for financial reporting purposes. BRIM participates in BTI's West Virginia Money Market Pool, which has been deemed to meet the criteria and is reported at amortized cost. The criteria specify that the pool must transact with their participants at a stable net asset value per share and meet requirements for portfolio maturity, portfolio quality, portfolio diversification, portfolio liquidity, and shadow pricing. The BTI does not place limitations on or restrictions on participant withdrawals from the pool, such as redemption notice periods, maximum transaction amounts, and any authority to impose liquidity fees or redemption gates. Accordingly, as a pool participant the Authority measures its investment in this pool at amortized cost that approximates market value. The earnings from these pooled investments have been properly distributed to investment pool participants based on their pro rata participation in the pools. The methods and assumptions used to determine recorded value at amortized cost of financial instruments are appropriate for financial statement measurement and disclosure purposes.
  - b. Certain cash equivalents and investments are reported by IMB at fair value and are accounted for by BRIM accordingly, with changes in the fair value included in investment income. The methods and assumptions used to determine fair values are appropriate for financial statement measurement and disclosure purposes. The earnings from these pooled investments are distributed to investment pool participants based on their pro rata participation in the pools.
33. Adequate disclosures required under GASB standards for deposits and investments have been included in the financial statements for risk disclosures. To our knowledge, none of the investments has permanently declined in value to an amount less than the carrying value in the financial statements. Risk disclosures associated with deposits and investment securities are presented in accordance with GASB requirements.
34. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements have been properly recorded or disclosed in the financial statements.

#### ***Advance Deposit with Insurance Company or Trustee***

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

#### ***Claim Liabilities and Premium Deficiency Reserve***

36. The liabilities for unpaid claims (and claim adjustment expenses) include estimates of amounts due on reported claims and claims that have been incurred but that were not reported as of June 30, 2018 and 2017. Such estimates are based on actuarial projections applied to historical claim payment data. Such liabilities represent the Agency's best estimate of amounts that are reasonable and adequate to discharge the Agency's obligations for claims incurred but unpaid as of June 30, 2018 and 2017. We have estimated that a premium deficiency reserve is not necessary at June 30, 2018 or June 30, 2017.

37. The estimated liabilities for unpaid claims and claims adjustment expense and premium deficiency are continually reviewed and adjusted as necessary as experience develops or new information becomes known; such adjustments are included in current operations. We have made available to you all documentation and analyses used to develop management's best estimate. Although the estimate of the liability for unpaid claims and claims adjustments expenses and premium deficiency at June 30, 2018 and 2017, are reasonable in the circumstances, it is possible that the Agency's actual incurred claims and claims adjustment expenses will not conform to the assumptions inherent in the determination of the liability; accordingly, the ultimate settlement of claims and the related claims adjustment expenses may vary from the estimates included in the Agency's financial statements.
38. The loss reserve specialists used by management in estimating the loss and loss adjustment expense and premium deficiency reserves had a sufficient level of competence and experience in loss reserving, including knowledge about the type of insurance for which a reserve has been established and an understanding of the appropriate methods for calculating such reserve estimates. We agree with the findings of specialists in evaluating the liability for unpaid claims and claims adjustment expense and premium deficiency analysis and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

#### ***Reinsurance***

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

#### ***Pension and Other Postretirement Benefits***

40. We have properly accounted for our pension obligation and related accounts and disclosures in accordance with adoption of GASB Statement No. 68, Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27, and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date—an Amendment of GASB Statement No. 68. We believe that the actuarial assumptions and methods used to measure the pension liability and cost for financial reporting purposes are appropriate in the circumstances. We also agree with and have also properly disclosed the State's proportionate share of the net pension liability associated with BRIM as of June 30, 2018 and 2017.
41. We have disclosed to you all significant pension benefits promised and have made available to you all significant summary plan descriptions, benefit communications and all other relevant information, including plan changes that constitute the plan. The actuarial assumptions and methods used to measure pension liabilities and costs for financial accounting purposes, including prescribed assumptions, are determined by State statute and the Consolidated Public Retirement Board.
42. We have properly accounted for our postretirement benefits other than pensions (OPEB) obligation and related accounts and disclosures in accordance with adoption of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and GASB Statement No. 85, *Omnibus 2017*. We believe that the actuarial assumptions and methods used to measure the OPEB liability and cost for financial reporting purposes are appropriate in the circumstances. We also agree with and have also properly disclosed the State's proportionate share of the net OPEB liability associated with BRIM as of June 30, 2018 and 2017.
43. We have disclosed to you all significant postretirement benefits other than pensions promised and have made available to you all significant summary plan descriptions, benefit communications and all other relevant information, including plan changes that constitute the plan for each significant



OPEB. The actuarial assumptions and methods used to measure OPEB liabilities and costs for financial accounting purposes, including prescribed assumptions, represent our best estimate of future conditions and are appropriate in the circumstances.

44. We do not plan to withdraw from the multiemployer pension or OPEB benefit plans.

**Other**

45. We have identified and disclosed to you, all provisions of laws and regulations that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
46. We have followed all applicable laws and regulations in adopting, approving and amending budgets, tax or debt limits and covenants and secondary market disclosures, deposits and investments, including collateral requirements on depository accounts and investments and tax levies and refunds.
47. BRIM does not have any component units or joint ventures.
48. The financial statements properly classify all funds and activities.
49. Components of net position (net investment in capital assets; restricted; and unrestricted), nonspendable fund balance, and restricted, committed, assigned, and unassigned fund balance are properly classified and, if applicable, approved.
50. Expenses have been appropriately classified in or allocated to functions and programs in the statements of activities, and allocations have been made on a reasonable basis.
51. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments or contributions to permanent fund principal.
52. Provisions for uncollectible receivables have been properly identified and recorded.
53. Interfund, internal and intra-entity activity and balances have been appropriately classified and reported.
54. There are no special or extraordinary items.
55. Risk disclosures associated with deposits and investment securities and derivatives transactions are presented in accordance with GASB requirements.
56. Investments, derivative transactions, and land and other real estate held by endowments are properly valued.
57. Our policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available, determines the fund balance classifications for financial reporting purposes.
58. We have made available to you all significant contracts, including amendments, and agreements and have communicated to you all significant oral agreements. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance, including all covenants, conditions or other requirements of all outstanding debt.
59. There are no risks and uncertainties related to significant estimates and current vulnerabilities due to material concentrations that have not been disclosed.
60. Except for properties capitalized under capital leases, the Agency has satisfactory title to all assets appearing in the statements of net position. No security agreements have been executed under the provisions of the Uniform Commercial Code, and there are no liens or encumbrances on assets, nor has any asset been pledged. All assets to which the Agency has satisfactory title appear in the statement of net assets.

61. There are no unasserted claims or assessments, including those our lawyers have advised us of that are probable of assertion and must be disclosed in accordance with GASB Statement No. 62, *Accounting for Contingencies*.
62. There have been no violations or possible violations of laws or regulations in any jurisdiction whose effects should be considered for disclosure in the basic financial statements or as a basis for recording a loss contingency.
63. There have been no internal investigations or communications from regulatory agencies or government representatives concerning investigations or allegations of noncompliance with laws or regulations in any jurisdiction, noncompliance with or deficiencies in financial reporting practices, or other matters that could have a material effect on the basic financial statements.
64. There are no other liabilities or gain or loss contingencies considered material, individually or in the aggregate, that are required to be accrued or disclosed by GASB Statement No. 62, nor are there any accruals for loss contingencies included in the statement of net position or gain contingencies reflected in earnings that are not in conformity with the provisions of GASB Statement No. 62.
65. There are no oral or written guarantees, including guarantees of the debt of others.
66. The transfer of the Senate Bill 602 funds to the WV Patient Injury Fund has been properly accounted for as non-operating expense as there is no continuation of the services previously provided by the Medical Liability Fund.
67. We have not completed the process of evaluating the impact that will result from adopting Governmental Accounting Standards Board (GASB) No. 86, *Certain Debt Extinguishment Issues* as discussed in Note 3. Management is therefore unable to disclose the impact that adopting this GASB will have on its financial position or results of operation when the GASB is adopted.

**Subsequent Events**

68. We have evaluated subsequent events through the date of this letter, which is the date the financial statements were available to be issued. No events have occurred subsequent to the financial statement date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements, except as disclosed to you and in the notes to the financial statements.

Very truly yours,

  
\_\_\_\_\_  
Mary Jane Pickens, Executive Director

  
\_\_\_\_\_  
Stephen W. Schumacher, Chief Financial Officer

  
\_\_\_\_\_  
Stephen W. Panaro, Controller



## **Appendix B**

### **Financial Statements**

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

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

**Years Ended June 30, 2018 and 2017**



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## Independent Auditors' Report

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the West Virginia Board of Risk and Insurance Management (BRIM), an enterprise fund of the State of West Virginia, as of and for the years ended June 30, 2018 and 2017, 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, 2018 and 2017, 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 3 to the financial statements, during the year ended June 30, 2018, BRIM adopted the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, and GASB Statement No. 85, *Omnibus 2017*. As a result of adopting these standards, BRIM restated net position as of July 1, 2017, to record the net OPEB liability. Our opinion is not modified with respect to this matter.

**Other Matters*****Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4 to 9 and the required supplementary information on pages 60 to 67 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 68 through 75 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 12, 2018, 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 12, 2018

***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, 2018, 2017, and 2016. 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.

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

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

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

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

Effective July 1, 2017, BRIM adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, and GASB Statement No. 85, *Omnibus 2017*. BRIM determined that it was not practical to restate all periods presented and has recorded the cumulative effect of the decrease to beginning net position of implementing this change of \$58 as of July 1, 2017, which is the net other postemployment benefits (OPEB) liability of \$15, less deferred inflows of resources related to OPEB plan contributions of \$73 as of that date.



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

**Financial highlights**

The following tables summarize the statements of net position and changes in net position as of and for the years ended June 30, 2018, 2017, and 2016:

	2018	2017	2016	Change 2018-2017		Change 2017-2016	
				Amount	Percent	Amount	Percent
Cash and cash equivalents	\$ 40,594	\$ 36,459	\$ 25,946	\$ 4,135	11.3%	\$ 10,513	40.5%
Advance deposits with carrier/trustee	201,377	193,352	210,152	8,025	4.2	(16,800)	(8.0)
Receivables	2,777	1,914	1,874	863	45.1	40	2.1
Total current assets	244,748	231,725	237,972	13,023	5.6	(6,247)	(2.6)
Noncurrent investments	151,588	144,341	132,322	7,247	5.0	12,019	9.1
Total assets	396,336	376,066	370,294	20,270	5.4	5,772	1.6
Total deferred outflows of resources	482	458	387	24	5.2	71	18.5
Estimated unpaid claims and claims adjustment expense	50,453	47,713	50,819	2,740	5.7	(3,106)	(6.1)
Unearned premiums	10,022	9,174	8,300	848	9.2	874	10.5
Agent commissions payable	1,406	1,279	1,100	127	9.9	179	16.3
Accrued expenses	411	418	1,025	(7)	0.9	(607)	(59.2)
Total current liabilities	62,292	58,584	61,244	3,708	6.3	(2,660)	(4.3)
Estimated unpaid claims and claims adjustment expense, net of current portion	116,548	117,206	117,616	(658)	(0.6)	(410)	(0.3)
Compensated absences	122	107	91	15	14.0	16	17.6
Net pension liability	331	766	467	(435)	(56.8)	299	64.0
Net other post-employment benefits liability	512	496	-	16	3.2	-	-
Total noncurrent liabilities	117,513	118,575	118,174	(1,062)	(0.9)	(401)	(0.3)
Total liabilities	179,805	177,159	179,418	2,646	1.5	(2,259)	(1.3)
Total deferred inflows of resources	402	37	304	365	986.5	(267)	(87.8)
Net position:							
Restricted	66,865	61,063	57,123	5,802	9.5	3,940	6.9
Unrestricted	149,747	138,265	133,836	11,482	8.3	4,429	3.3
Net position	\$ 216,612	\$ 199,328	\$ 190,959	\$ 17,284	8.7%	\$ 8,369	4.4%
Premiums	\$ 78,951	\$ 71,368	\$ 65,293	\$ 7,583	10.6%	\$ 6,075	9.3%
Less excess coverage	(6,518)	(6,681)	(6,909)	163	(2.4)	228	(3.3)
Net operating revenues	72,433	64,687	58,384	7,746	12.0	6,303	10.8
Claims and claims adjustment expense	57,393	59,149	63,753	(1,756)	(3.0)	(4,604)	(7.2)
General and administrative	4,410	4,200	3,905	210	5.0	295	7.6
Total operating expenses	61,803	63,349	67,658	(1,546)	(2.4)	(4,309)	(6.4)
Operating income (loss)	10,630	1,338	(9,274)	9,292	694.5	10,612	114.4
Nonoperating revenues:							
Investment income	6,712	9,841	7,413	(3,129)	(31.8)	2,428	32.8
SB 602 re-appropriation	-	(2,810)	-	2,810	100.0	(2,810)	(100.0)
Total nonoperating revenues, net	6,712	7,031	7,413	(319)	(4.5)	(382)	(5.2)
Changes in net position	17,342	8,369	(1,861)	8,974	107.2	10,230	549.7
Total net position - beginning	199,328	190,959	192,820	8,369	4.4	(1,861)	1.0
Cumulative effect of adoption of GASB 75	(58)	-	-	(58)	(100.0)	-	0.0
Total net position - beginning of year restated	199,270	190,959	192,820	8,310	4.4	(1,861)	1.0
Total net position - end	\$ 216,612	\$ 199,328	\$ 190,959	\$ 17,284	8.7%	\$ 8,369	4.4%
Total revenues	\$ 79,145	\$ 71,718	\$ 65,797	\$ 7,427	10.4%	\$ 5,921	9.0%
Total expenses	\$ 61,803	\$ 63,349	\$ 67,658	\$ (1,546)	(2.4)%	\$ (4,309)	(6.4)%

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

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- Total assets increased by \$20,270 in 2018 and by \$5,772 in 2017. The increase in 2018 is the result of improved operations results and an increase in both cash and advance deposits with the carrier/trustee. The increase in 2017 was the net result of additional cash on hand and an increase in noncurrent investments that was tempered by a decrease in deposits with the carrier/trustee.
- Total liabilities increased by \$2,645 in 2018 and decreased by \$2,259 in 2017. An increase in unpaid claims and unearned premium are the primary components of this increase for the current year. In 2017, a decrease in the estimated incurred but not recorded claims total resulted in outstanding claims liabilities decreasing versus 2016.
- Several factors contributed to the \$17,284 improvement in total net position for 2018 and the \$8,369 improvement in total net position for 2017. In 2018, premium revenue increased, claims expense decreased and investment income all contributed to the improvement. BRIM implemented GASB 75 in 2018 that resulted in an adjustment reducing the net position at the beginning of the year by \$101. In 2017, revenue improved due to premium increases, claims expense decreased and investment income helped offset the transfer of \$2,810 from the Patient Injury Compensation Fund by order of Senate Bill (SB602). Although net premium revenue improved, the increase in claims expense and smaller investment returns reduced the net position for 2016. Also included within the net position category are restricted positions totaling \$66,867 in 2018, \$61,063 in 2017 and \$57,123 in 2016. 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 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 \$7,746 in 2018 and increased by \$6,303 in 2017. The increase in projected claims losses in recent years has required BRIM to increase premium rates to policyholders for both 2018 and 2017.
- Total operating expenses decreased by \$1,546 in 2018 and decreased by \$4,309 in 2017. Claims and claims adjustment expense decreased in both 2018 and 2017 while G&A expenses increased slightly for both years.
- Net nonoperating revenues decreased by \$319 in 2018 and decreased by \$382 in 2017. Year over year investment returns for 2018 deteriorated by \$3,129 but improved by \$2,428 for 2017. 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 2018 to 2017 and from 2017 to 2016 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***

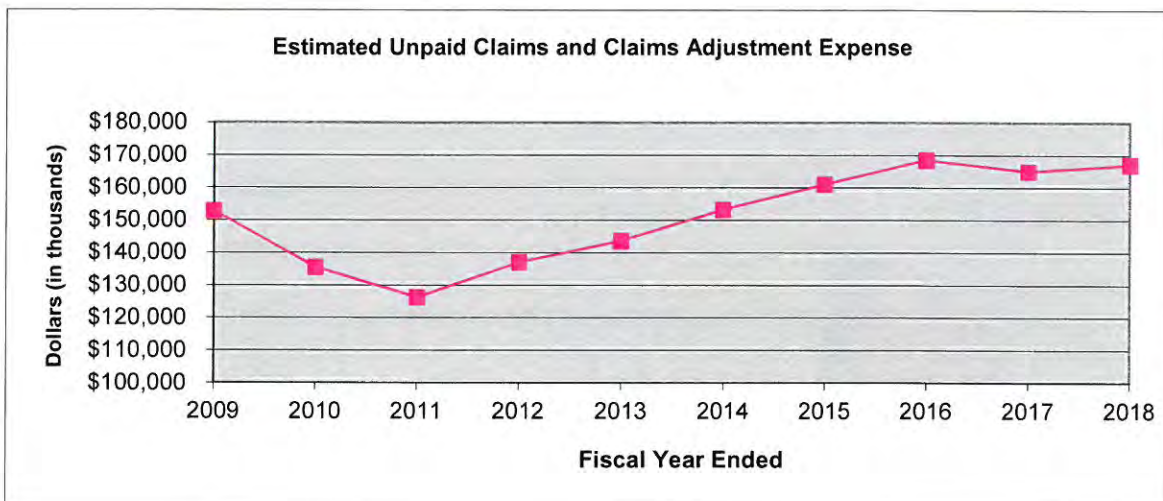
The overall net position of BRIM improved 8.7% from the prior year compared with an increase of 4.4% from 2016 to 2017. Reserves increased in 2018 and investment earnings decreased over 2017. The effect of the increase in premium revenue along with the decrease in claims and claims adjustment expense, resulted in an increase of net position for the current year, reflecting a net position total of \$216,612 at June 30, 2018. BRIM continues to adhere to a comprehensive financial stability and rating plan.

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

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Unpaid Claims Liability

BRIM's most significant number on its statements of net position is the liability for estimated unpaid claims and claims adjustment expense. This liability consists of two parts: claims of which BRIM is aware that have been reserved and incurred but not reported (IBNR) claims, which are projected by an independent actuary. For 2018, year over year actual reserves decreased by \$2,430 while the projected IBNR total increased by \$4,512. From fiscal year 2017 to 2018, the liability for unpaid claims increased from \$164,919 to \$167,001. The chart below shows the estimated unpaid claims and claims adjustment expense liability for fiscal years 2009 through 2018.





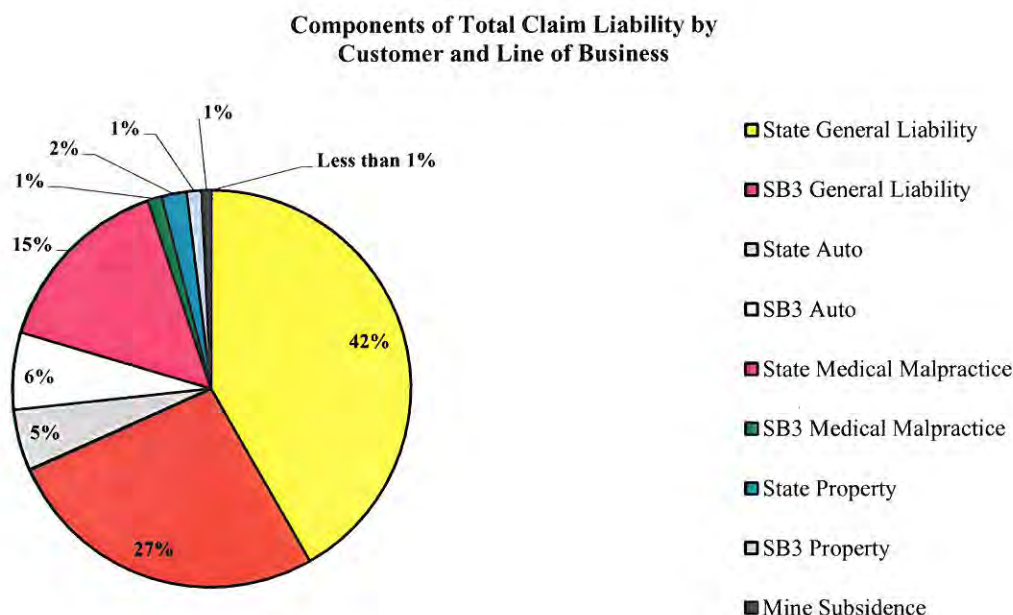
## West Virginia Board of Risk and Insurance Management Management's Discussion and Analysis (in thousands)

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### 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 \$167,001. As demonstrated in the chart, the largest claim volume for BRIM relates to general liability for the State agencies and SB3 programs and the State agencies' medical malpractice coverage.



There is no long-term debt activity.

### ***Economic factors and next year's rates***

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

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

#### Risk Management

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



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

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*Investment Returns*

Investment income decreased this fiscal year after the increases of 2017. The market conditions in 2018 were more favorable for stocks and less beneficial for fixed income holdings than 2017, with overall investment returns being lower in 2018. The decrease in 2018 was due to improvements in the equities market that was offset by the losses incurred in the fixed income markets. Conversely, fixed income was the primary driver for the returns in 2017. All BRIM funds held by the West Virginia Investment Management Board (WVIMB) inure to the benefit of program participants. BRIM reinvests the investment earnings on funds held by the WVIMB and occasionally withdraws monies from these funds, as needed, for operating and short-term cash requirements. BRIM had no withdrawals from the WVIMB in 2018 or 2017.

*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 2018 and 2017 benefited from prior years' reserve releases, both 2017 and 2016 saw overall net increases in retained claims reserves. If projected claims losses increase over the next several fiscal years, it may require continued 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 BRIM's 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, 2018 and 2017**  
**(in thousands)**

	2018	2017
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 26,926	\$ 26,291
Advance deposits with insurance company and trustee	201,377	193,352
Receivables	1,899	1,271
Restricted cash and cash equivalents	13,668	10,168
Restricted receivables:		
Premiums due from other entities	878	643
Total current assets	<u>244,748</u>	<u>231,725</u>
Noncurrent assets:		
Equity position in investment pools	96,094	91,500
Restricted investments	55,494	52,841
Total noncurrent assets	<u>151,588</u>	<u>144,341</u>
Total assets	<u>396,336</u>	<u>376,066</u>
Deferred outflows of resources:		
Pension	438	458
Other post-employment benefits	44	-
Total deferred outflows of resources	<u>482</u>	<u>458</u>
<b>LIABILITIES</b>		
Current liabilities:		
Estimated unpaid claims and claims adjustment expense	50,453	47,713
Unearned premiums	10,022	9,174
Agent commissions payable	1,406	1,279
Accrued expenses and other liabilities	411	418
Total current liabilities	<u>62,292</u>	<u>58,584</u>
Estimated unpaid claims and claims adjustment expense, net of current portion	116,548	117,206
Compensated absences	122	107
Net pension liability	331	766
Net post-employment benefits liability	512	496
Total noncurrent liabilities	<u>117,513</u>	<u>118,575</u>
Total liabilities	<u>179,805</u>	<u>177,159</u>
Deferred inflows of resources:		
Pension	329	37
Other post-employment benefits	73	-
Total deferred inflows of resources	<u>402</u>	<u>37</u>
Net position:		
Restricted by State code for House Bill 601 Program and mine subsidence coverage	66,865	61,063
Unrestricted	149,747	138,265
Net position	<u>\$ 216,612</u>	<u>\$ 199,328</u>

See accompanying notes.

**West Virginia Board of Risk and Insurance Management**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**Years Ended June 30, 2018 and 2017**  
**(in thousands)**

	<u>2018</u>	<u>2017</u>
Operating revenues:		
Premiums	\$ 78,951	\$ 71,368
Less excess coverage/reinsurance premiums	<u>(6,518)</u>	<u>(6,681)</u>
Net operating revenues	<u>72,433</u>	<u>64,687</u>
Operating expenses:		
Claims and claims adjustment expense	57,393	59,149
General and administrative	<u>4,410</u>	<u>4,200</u>
Total operating expenses	<u>61,803</u>	<u>63,349</u>
Operating income	<u>10,630</u>	<u>1,338</u>
Nonoperating revenues (expenses):		
Investment income	6,712	9,841
Senate Bill 602 reappropriation	<u>-</u>	<u>(2,810)</u>
Net nonoperating revenues	<u>6,712</u>	<u>7,031</u>
Increase in net position	<u>17,342</u>	<u>8,369</u>
Total net position, beginning of year	199,328	190,959
Cumulative effect of adoption of accounting principle	<u>(58)</u>	
Total net position, beginning of year, as restated	<u>199,270</u>	<u>190,959</u>
Total net position, end of year	<u>\$ 216,612</u>	<u>\$ 199,328</u>

See accompanying notes.



**West Virginia Board of Risk and Insurance Management**  
**Statements of Cash Flows**  
**Years Ended June 30, 2018 and 2017**  
**(in thousands)**

	<u>2018</u>	<u>2017</u>
Operating activities:		
Receipts from customers	\$ 72,418	\$ 65,668
Payments to employees	(1,595)	(1,413)
Payments to suppliers	(2,752)	(2,887)
Payments to claimants	(55,311)	(62,665)
Deposits to advance deposit with insurance company and trustee	(64,543)	(47,695)
Withdrawals from advance deposit with insurance company and trustee	56,453	64,493
	<u>4,670</u>	<u>15,501</u>
Net cash provided by operating activities		
	<u>4,670</u>	<u>15,501</u>
Noncapital financing activities:		
Senate Bill 602 reappropriation	-	(2,810)
	<u>-</u>	<u>(2,810)</u>
Net cash used in noncapital financing activities		
	<u>-</u>	<u>(2,810)</u>
Investing activities:		
Purchase of investments	(13,357)	(20,650)
Sale of investments	11,757	18,887
Net investment earnings	1,065	(415)
	<u>(535)</u>	<u>(2,178)</u>
Net cash used in investing activities		
	<u>(535)</u>	<u>(2,178)</u>
Net increase in cash and cash equivalents	4,135	10,513
Cash and cash equivalents, beginning of year	36,459	25,946
	<u>36,459</u>	<u>25,946</u>
Cash and cash equivalents, end of year	\$ 40,594	\$ 36,459
	<u>\$ 40,594</u>	<u>\$ 36,459</u>
Cash and cash equivalents consist of:		
Cash and cash equivalents	\$ 26,926	\$ 26,291
Restricted cash and cash equivalents	13,668	10,168
	<u>\$ 40,594</u>	<u>\$ 36,459</u>
	<u>\$ 40,594</u>	<u>\$ 36,459</u>

See accompanying notes.

**West Virginia Board of Risk and Insurance Management**  
**Statements of Cash Flows**  
**Years Ended June 30, 2018 and 2017**  
**(in thousands)**

*(Continued)*

	<u>2018</u>	<u>2017</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating income	<u>\$ 10,630</u>	<u>\$ 1,338</u>
Adjustments to reconcile operating loss to net cash used in operating activities:		
Pension and OPEB expense	46	84
(Decrease) increase in advanced deposits	(8,025)	16,800
(Increase) Decrease in premiums receivable, net	(864)	108
Increase (decrease) in estimated liability for unpaid claims and claims adjustment expense	2,082	(3,516)
Decrease in other liabilities	135	(64)
Increase in unearned premiums	848	874
Deferred outflows of resources - pension and OPEB contributions	<u>(182)</u>	<u>(123)</u>
Total adjustments	<u>(5,960)</u>	<u>14,163</u>
Net cash provided by operating activities	<u>\$ 4,670</u>	<u>\$ 15,501</u>
Noncash activities:		
Increase in fair value of investments	<u>\$ 5,648</u>	<u>\$ 12,019</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)**

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The retained limit of \$1.5 million is indexed for inflation each year. On July 1, 2018 and 2017, 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**  
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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, 2018 and 2017, and the changes in its financial position and its cash flows for the years then ended in conformity with GAAP.

### ***Use of estimates***

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

### ***Cash and cash equivalents***

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

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

### ***Advance deposits with insurance company and trustee***

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

BRIM deposits monies with the Bank of New York (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**  
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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) based on restrictions provided in the State Code.

***Fair value measurements***

BRIM measures certain investments at fair value for financial reporting purposes. Fair value is defined 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.

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



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

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

***Compensated absences***

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

***Unpaid claims and claims adjustment expense***

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

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

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

***Deferred outflows of resources***

A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period. Balances of deferred outflows of resources may be presented in the statements of net position as aggregations of different types of deferred amounts. Deferred outflows of resources related to pension in the



**West Virginia Board of Risk and Insurance Management**  
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statements of net position were composed of \$138 and \$123 for the years ending June 30, 2018 and 2017, respectively, related to employer contributions to the PERS made during the current fiscal year subsequent to the measurement date. Deferred outflows of resources related to pension also consist of other amounts related to differences between projected and actual earnings on pension plan investments, differences between expected and actual experience related to pension, and changes in proportion and differences between BRIM's contributions and proportionate share of contributions. Deferred outflows of resources related to other post-employment benefits in the statements of net position were composed of \$44 for the year ending June 30, 2018, related to employer contributions to RHBT made during the current fiscal year subsequent to the measurement date.

***Deferred inflows of resources***

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

***Receivables and premium income***

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

***Unearned premiums***

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

***Restricted net position***

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

***Reclassifications***

Certain reclassifications have been made to the June 30, 2017, financial statement presentation to correspond to the current period's presentation. Such reclassifications had no impact on previously reported increase in net position or change in net position.

***Subsequent events***

In preparing these financial statements, BRIM has evaluated events and transactions for potential recognition or disclosure through October 12, 2018, the date the financial statements were available for issuance.

**3. Adoption of New Accounting Pronouncements and Restatement of Beginning Net Position**

Effective July 1, 2017, BRIM adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, and GASB Statement No. 85, *Omnibus 2017*. As summarized below, a cumulative effect adjustment of \$58 has been recorded to decrease net position previously reported at the

**West Virginia Board of Risk and Insurance Management**  
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beginning of fiscal year 2017. BRIM determined that it was not practical to restate the prior year financial statements as the information was not provided by the West Virginia Retiree Health Benefit Trust Fund (RHBT), which administers this cost-sharing multiple-employer plan. These statements reclassified some items previously reported as expenses as deferred outflows and now requires BRIM to record the net OPEB liability and a more comprehensive measure of OPEB expense.

Net Position at the Beginning of the Year Required Statement:

Net Position beginning of year, as previously reported	\$ 199,328
Total cumulative effect adjustment	<u>(58)</u>
Net Position at June 30, 2017, restated	<u>\$ 199,270</u>

BRIM's net OPEB liability recorded as of June 30, 2018 is \$512. Employer contributions to the RHBT made during the current fiscal year subsequent to the pension liability measurement date are recorded as deferred outflows of resources. As of June 30, 2018, BRIM reported deferred outflows of resources relating to these payments of \$44. Additionally, differences between expected and actual experience and the net difference between expected and actual earnings on OPEB Plan investments are required to be recorded as deferred inflows and amortized over the average remaining service lives of 4.714 and 5 years, respectively. BRIM's change in proportion and difference between employer contributions and proportionate share of contributions was recognized as a deferred inflow as of June 30, 2018 and is amortized over 5 years. For the fiscal year ended June 30, 2018, BRIM reported deferred inflows of resources of \$73.

See Note 7 for additional OPEB disclosures.

#### **4. Deposit and Investment Risk Disclosures**

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

##### ***Cash equivalents***

##### **WEST VIRGINIA MONEY MARKET POOL**

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BRIM participates in BTI's West Virginia Money Market Pool, which has been deemed to meet the GASB 79 criteria to be reported at amortized cost. The criteria specify that the pool must transact with their participants at a stable net asset value per share and meet requirements for portfolio maturity, portfolio quality, portfolio diversification, portfolio liquidity and shadow pricing. The BTI does not place limitations on or restrictions on participant withdrawals from the pool, such as 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 \$39,197 and \$35,200 at June 30, 2018 and June 30, 2017, respectively. These deposits are reported as cash and cash equivalents. Investment income earned is pro-rated to BRIM at rates specified by the BTI based on the balance of the deposits maintained in relation to the total deposits of all state agencies participating in the pool. Such funds are available to BRIM with overnight notice. BTI's audited financial statements, including the West Virginia Money Market Pool, are available on their website [www.wvbt.com](http://www.wvbt.com).

##### ***Credit Risk and Interest Rate Risk***

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

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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.

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

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, 2018		June 30, 2017	
	Fair Value	WAM Days	Fair Value	WAM Days
Repurchase agreements	\$ 228	3	\$ 111	3
U.S. Treasury notes	90	73	98	44
U.S. Treasury bills	252	69	70	88
Commercial paper	1,869	36	1,065	36
Certificates of deposit	664	29	330	41
Corporate bonds and notes	18	21	9	79
Money market funds	143	3	100	3
Total rated investments	<u>\$ 3,264</u>		<u>\$ 1,783</u>	

BRIM's amount invested in the West Virginia Money Market Pool of \$39,197 is included in cash and cash equivalents at June 30, 2018, and \$35,200 at June 30, 2017, representing approximately 1% of total investments in this pool.

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

Security Type	Credit Rating		2018		2017	
	Moody's	S&P	Carrying Value	Percent	Carrying Value	Percent
Commercial paper	P-1	A-1+	\$ 473	14.50%	\$ 358	20.10 %
	P-1	A-1	1,351	41.39	706	39.60
	P-2	A-1	45	1.37	-	-
Corporate bonds and notes	P-1	A-1	18	0.55	-	-
	Aa3	AA-	-	-	6	0.35
	A1	A	-	-	3	0.18
U.S. agency bonds	Aaa	AA+	-	-	-	-
U.S. Treasury notes	Aaa	AA+	90	2.77	98	5.49
U.S. Treasury bills	P-1	A-1+	252	7.72	70	3.92
Negotiable CDs	P-1	A-1+	206	6.30	174	9.76
	P-1	A-1	458	14.04	156	8.78
Money market funds	Aaa	AAAm	143	4.38	100	5.61
Repurchase agreements (underlying securities):						
U.S. Treasury notes	Aaa	AA+	228	6.98	-	-
	P-1	A-1	-	-	50	2.80
	NR	A-1	-	-	61	3.41
			<u>\$ 3,264</u>	<u>100.00%</u>	<u>\$1,782</u>	<u>100.00 %</u>

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

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*Concentration of Credit Risk*

Concentration of credit risk is the risk of loss attributed to the magnitude of the WV Money Market Pool's investment in a single corporate issuer. West Virginia statutes prohibit the West Virginia Money Market Pool from investing more than 5% of its assets in securities issued by a single private corporation or association. At June 30, 2018 and 2017, 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**

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

*Investment Objectives*

This fund's investment objective is to 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.)

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



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

*Asset Value*

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

	2018		2017	
	Cost	Fair Value	Cost	Fair Value
Domestic Equity	\$ 19,202	\$ 22,317	\$ -	\$ -
Large cap domestic	-	-	14,893	17,678
Non-large cap domestic	-	-	3,370	3,514
International equity	13,482	14,604	12,539	16,347
International nonqualified	6,986	7,495	5,946	7,180
Total return fixed income	35,789	35,032	34,635	35,730
Core fixed income	15,781	15,310	15,573	15,178
Hedge fund	32,003	33,820	26,170	27,778
TIPS (Treasury Inflation Protection Securities)	15,067	15,381	13,865	13,776
Short-term fixed income	7,629	7,629	7,160	7,160
Total investments	<u>\$ 145,941</u>	<u>\$ 151,588</u>	<u>\$ 134,151</u>	<u>\$ 144,341</u>

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

	2018	2017
Investment income:		
Interest income including realized gains/losses on sale of securities	\$ 2,147	\$ 1,971
Unrealized gain on investments	<u>4,565</u>	<u>7,870</u>
Total investment income	<u>\$ 6,712</u>	<u>\$ 9,841</u>

***Asset class risk disclosures***

**DOMESTIC EQUITY POOL**

On July 1, 2017, the WVIMB created the Domestic Equity Pool (Pool) to invest in U.S. equities of small-, mid-, and large-cap growth and value stocks. On July 1, 2017, the assets and liabilities of \$3,546,187 from the Large Cap Domestic Equity Pool and \$720,632 from the Non-Large Cap Domestic Equity Pool, were transferred in-kind to the Pool.

Investment disclosures reported previously under the Large Cap Domestic Equity Pool and Non-Large Cap Domestic Equity Pools on June 30, 2017 have been consolidated into one Domestic Equity Pool for reporting as of June 30, 2018. Prior year disclosures related to the Large Cap and Non-Large Cap Domestic Equity Pools will immediately follow the Domestic Equity Pool.

The Pool's objective is to exceed, net of external investment management fees, the Russell 3000 Stock Index over three- to five-year periods. Assets are managed by AJO, BlackRock (inception date April 4, 2018), INTECH Investment Management, LLC, State Street Global Advisors (through April 2, 2018), and Westfield Capital Management.

BRIM's amount invested in the domestic equity pool of \$22,317 at June 30, 2018 represents approximately 0.5% of total investments in this pool.

***Credit and Interest Rate Risk***

The Pool's money market mutual fund investment and investments made with cash collateral for securities loaned are exposed to credit risk. The money market mutual fund has the highest credit rating. Credit risk from securities lending collateral investments are limited by requiring minimum ratings on debt instruments. Long-term debt instruments must be rated A or better by Moody's or Standard & Poor's at the time of purchase. Short-term debt

**West Virginia Board of Risk and Insurance Management**  
**Notes to Financial Statements**  
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instruments must be rated P-1 by Moody's or A-1 by Standard & Poor's at the time of purchase. The WVIMB reviews available ratings from Standard & Poor's and Moody's.

The following table provides the credit ratings indicative of the great degree of risk of the Pool's securities lending collateral investments as of June 30, 2018:

<u>Rating</u>	<u>Fair Value</u>
AAA	\$ 47,082
AA	5,064
A	5,288
BBB	7,219
Not applicable	110,807
Total securities lending collateral	<u>\$ 175,460</u>

The Pool is exposed to interest rate risk from its money market mutual fund investment and from investments made with cash collateral for securities loaned. As of June 30, 2018, the money market mutual fund has a weighted average maturity (WAM) of 39 days. The WAM for securities lending collateral investments is not to exceed 90 days. As of June 30, 2018, the WAM for securities lending collateral was 2 days.

*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, 2018, the Pool was in compliance with this restriction and is not exposed to concentration of credit risk.

*Custodial Credit Risk*

At June 30, 2018, 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. Securities on loan are collateralized to a minimum of 102% and the collateral is held by the WVIMB's custodian in the name of the WVIMB. All remaining securities are held by the WVIMB's custodian in the name of the WVIMB.

*Foreign Currency Risk*

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

*Fair Value Measurements*

GASB Statement No. 72 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. Fair value of an investment is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e., the exit price).

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

Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities at the reporting date.

Level 2 Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not considered active; observable inputs other than observable quoted prices for the asset or liability; or inputs derived principally from or corroborated by observable market data.

Level 3 Unobservable pricing inputs for assets and liabilities.

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

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 judgment and considers factors specific to the investment.

The table below summarizes the valuation of the investment securities in accordance with GASB Statement No. 72 fair value hierarchy levels as of June 30, 2018:

<b>Assets</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Commingled equity fund	\$ 1,924,392	\$ -	\$ -	\$ 1,924,392
Common stock	2,533,416	-	-	2,533,416
Securities lending collateral	-	175,460	-	175,460
Money market mutual funds	55,540	-	-	55,540
Total	<u>\$ 4,513,348</u>	<u>\$ 175,460</u>	<u>\$ -</u>	<u>\$ 4,688,808</u>

**LARGE CAP DOMESTIC EQUITY POOL**

On July 1, 2017, the WVIMB created the Domestic Equity Pool to invest in U.S. equities of small-, mid- and large-cap growth and value stocks. On July 1, 2017, the assets and liabilities from the Large Cap Domestic Equity Pool and the Non-Large Cap Domestic Equity Pool, were transferred in-kind to the Pool.

As of June 30, 2017, the Pool's objective is to equal or exceed, net of external investment management fees, the S&P 500 Stock Index over three- to five-year periods. Assets were 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 at June 30, 2017, represents approximately 0.5%% 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.

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

The following table provides the weighted average credit ratings and weighted average maturities (WAM) as of June 30, 2017:

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

*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, 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 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.

*Fair Value Measurements*

The table below summarizes the valuation of the investment securities in accordance with the fair value hierarchy levels as of June 30, 2017:

<u>Assets</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common stock	\$ 3,490,823	\$ -	\$ -	3,490,823
Investments made with cash collateral for securities loaned	-	186,571	-	186,571
Money market mutual funds	34,740	-	-	34,740
Total	<u>\$ 3,525,563</u>	<u>\$ 186,571</u>	<u>\$ -</u>	<u>\$ 3,712,134</u>
<u>Liabilities</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Futures	<u>\$ (65)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (65)</u>

**NON-LARGE CAP DOMESTIC EQUITY POOL**

On July 1, 2017, the WVIMB created the Domestic Equity Pool to invest in U.S. equities of small-, mid- and large-cap growth and value stocks. On July 1, 2017, the assets and liabilities from the Large Cap Domestic Equity Pool and the Non-Large Cap Domestic Equity Pool, were transferred in-kind to the Pool.

As of June 30, 2017, the pool invested 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 were managed by AJO and Westfield Capital Management (Westfield).

BRIM's amount invested in the non-large cap domestic pool of \$3,514 at June 30 2017, represents approximately 0.5%, of total investments in this pool.



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

<u>Investment Type</u>	<u>Moody's</u>	<u>S&amp;P</u>	<u>(Days)</u>	<u>Fair Value</u>	<u>Percent of Total Investment</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>

*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, 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 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.

*Fair Value Measurements*

The table below summarizes the valuation of the investment securities in accordance with the fair value hierarchy levels as of June 30, 2017:

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

*Redemption Provisions*

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

**West Virginia Board of Risk and Insurance Management**  
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**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 \$14,337 and \$16,347 at June 30, 2018 and 2017, respectively, represents approximately 0.5% and 0.5%, respectively, of total investments in this pool.

*Credit Risk and Interest Rate Risk*

The Pool's money market mutual fund investment and investments made with cash collateral for securities loaned are exposed to credit risk. The money market mutual fund has the highest credit rating. Credit risk from securities lending collateral investments are limited by requiring minimum ratings on debt instruments. Long-term debt instruments must be rated A or better by Moody's or Standard & Poor's at the time of purchase. Short-term debt instruments must be rated P-1 by Moody's or A-1 by Standard & Poor's at the time of purchase. The WVIMB reviews available ratings from Standard & Poor's and Moody's.

The following table provides the credit ratings indicative of the greatest degree of risk of the Pool's securities lending collateral investments as of June 30, 2018:

<u>Rating</u>	<u>Fair Value</u>
AAA	\$ 20,359
AA	2,190
A	2,287
BBB	3,122
Not applicable	47,916
Total securities lending collateral	<u>\$ 75,874</u>

As of June 30, 2018, the money market mutual fund has a weighted average maturity (WAM) of 39 days. The WAM for securities lending collateral investments is not to exceed 90 days. As of June 30, 2018, the WAM for securities lending collateral was 2 days.

The following table provides the weighted average credit ratings and weighted average maturities (WAM) as of June 30, 2017:

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

As of June 30, 2017, the Pool was 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.

**West Virginia Board of Risk and Insurance Management**  
**Notes to Financial Statements**  
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*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, 2018 and 2017, the Pool was in compliance with this restriction and is not exposed to concentration of credit risk.

*Custodial Credit Risk*

At June 30, 2018 and 2017, 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. Securities on loan are collateralized to a minimum of 102 percent and the collateral is held by WVIMB's custodian in the name of WVIMB. All remaining securities are held by the WVIMB's custodian in the name of WVIMB.

*Foreign Currency Risk*

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

The amounts at fair value (in U.S. dollars) of equity investments, cash and foreign currency spot contracts as of June 30, 2018 are as follows:

<u>Currency</u>	2018			
	<u>Equity Investments</u>	<u>Cash</u>	<u>Foreign Currency Spot Contracts</u>	<u>Total</u>
Australian Dollar	\$ 90,582	\$ 1	\$ -	\$ 90,583
Brazil Real	98,891	494	(20)	99,365
British Pound	275,749	493	115	276,357
Canadian Dollar	110,687	226	-	110,913
Chilean Peso	4,661	-	-	4,661
Czech Koruna	3,051	-	-	3,051
Danish Krone	19,525	9	1	19,535
Egyptian Pound	1,733	-	-	1,733
Emirati Dirham	-	10	-	10
Euro Currency Unit	434,429	4,008	80	438,517
Hong Kong Dollar	356,625	5,338	(1)	361,962
Hungarian Forint	6,907	28	-	6,935
Indian Rupee	79,014	12,993	-	92,007
Indonesian Rupiah	15,318	93	-	15,411
Israeli Shekel	12,605	27	-	12,632
Japanese Yen	402,074	5,651	(40)	407,685
Malaysian Ringgit	28,119	1,284	(2)	29,401
Mexican Peso	47,526	140	-	47,666
New Taiwan Dollar	100,384	855	-	101,239
New Zealand Dollar	357	5	-	362
Norwegian Krone	25,384	307	(4)	25,687
Pakistan Rupee	2,949	-	-	2,949
Philippine Peso	6,761	5,082	-	11,843
Polish Zloty	4,150	73	(34)	4,189
Qatari Riyal	1,249	40	-	1,289
Singapore Dollar	15,955	207	2	16,164
South African Rand	46,338	10	(55)	46,293
South Korean Won	209,540	1,846	(1)	211,385
Swedish Krona	39,199	129	1	39,329
Swiss Franc	85,297	62	6	85,365

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

<u>Currency</u>	<u>Investments</u>	<u>Cash</u>	<u>Spot Contracts</u>	<u>Total</u>
Thailand Baht	53,440	2	(9)	53,433
Turkish Lira	24,459	16	(6)	24,469
Total	2,602,958	39,429	33	2,642,420
U.S. Dollar	337,370	-	-	337,370
Total	<u>\$ 2,940,328</u>	<u>\$ 39,429</u>	<u>\$ 33</u>	<u>\$ 2,979,790</u>

<u>Currency</u>	<u>2017</u>		
	<u>Investments</u>	<u>Cash</u>	<u>Total</u>
Australian Dollar	\$ 86,903	\$ 3,905	\$ 90,808
Brazil Real	107,336	1,305	108,641
British Pound	268,603	8,426	277,029
Canadian Dollar	114,239	77	114,316
Chilean Peso	14,919	-	14,919
Czech Koruna	7,352	108	7,460
Danish Krone	11,750	(1)	11,749
Egyptian Pound	1,605	-	1,605
Emirati Dirham	6,060	10	6,070
Euro Currency Unit	463,410	6,309	469,719
Hong Kong Dollar	332,332	9,785	342,117
Hungarian Forint	6,749	58	6,807
Indian Rupee	93,581	1,604	95,185
Indonesian Rupiah	33,767	59	33,826
Israeli Shekel	13,482	35	13,517
Japanese Yen	371,110	2,302	373,412
Malaysian Ringgit	26,081	508	26,589
Mexican Peso	47,583	263	47,846
New Taiwan Dollar	75,661	2,418	78,079
New Zealand Dollar	6,060	7	6,067
Norwegian Krone	19,812	598	20,410
Pakistan Rupee	3,848	-	3,848
Philippine Peso	10,603	2	10,605
Polish Zloty	13,957	-	13,957
Qatari Riyal	99	32	131
Singapore Dollar	18,722	445	19,167
South African Rand	56,807	30	56,837
South Korean Won	218,594	1,856	220,750
Swedish Krona	37,428	(1)	37,427
Swiss Franc	109,989	1,566	111,555
Thailand Baht	54,069	(6)	54,063
Turkish Lira	55,190	96	55,286
Total	<u>\$ 2,688,001</u>	<u>\$ 41,796</u>	<u>\$ 2,729,797</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% for the year 2017.



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

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

<b>Assets</b>	<b>2018</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Common stock	\$ 2,875,697	\$ -	\$ -	\$ 2,875,697
Investments made with cash collateral for securities loaned	-	75,874	-	75,874
Preferred stock	61,720	-	-	61,720
Rights	2,911	-	-	2,911
Money market mutual fund	26,558	-	-	26,558
Total	<u>\$ 2,966,886</u>	<u>\$ 75,874</u>	<u>\$ -</u>	<u>\$ 3,042,760</u>

<b>Assets</b>	<b>2017</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
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>

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

**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.

BRIM's amount invested in the Short-Term Fixed Income Pool of \$7,629 and \$7,160 at June 30, 2018 and 2017, respectively, represented approximately 3.5% and 3.3%, 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 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 percent of its assets in United States Treasury issues. The IMB reviews available ratings from Standard & Poor's, Moody's, and Fitch, and reports the rating indicative of the greatest degree of risk. All of the Pool's investments had the highest credit ratings as of June 30, 2018.

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The weighted average maturity (WAM) of the investments of the Pool is not to exceed 60 days. The maturity of floating rate notes is assumed to be the next interest rate reset date. The following table provides the WAM for the different asset types in the Pool as of June 30, 2018:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>WAM (Days)</u>
Commercial paper	\$ 22,171	26
Repurchase agreement	40,000	2
U.S. government agency bonds	106,794	46
U.S. Treasury bonds	49,326	79
Total investments	<u>\$ 218,291</u>	

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, 2017:

<u>Investment Type</u>	<u>Moody's</u>	<u>S&amp;P</u>	<u>(Days)</u>	<u>Carrying Value</u>	<u>Percent of Total Investment</u>
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	42,873	19.7
Total rated investments				<u>\$ 218,063</u>	<u>100.0 %</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, 2018 and 2017, the Pool was in compliance with this restriction and is not exposed to concentration of credit risk.

*Custodial Credit Risk*

At June 30, 2018 and 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.

*Fair Value Measurements*

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

<u>Assets</u>	<u>2018</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Commercial paper	\$ -	\$ 22,171	\$ -	\$ 22,171
Repurchase agreement	-	40,000	-	40,000
U.S. Government agency bonds	-	106,794	-	106,794
U.S. Treasury bonds	-	49,326	-	49,326
Total	<u>\$ -</u>	<u>\$ 218,291</u>	<u>\$ -</u>	<u>\$ 218,291</u>

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Assets	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

**INTERNATIONAL NON-QUALIFIED 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 diversified developed country, non-U.S. equity, bottom-up value oriented portfolio of securities with limited exposure to emerging markets and no reasonable concentration exposure to any single issuer or country.

BRIM's amount invested in the International Nonqualified Pool of \$7,761 and \$7,180 at June 30, 2018 and 2017, respectively, represents approximately 3.6% and 3.6%, respectively, of total investments in this pool.

*Investment Risk*

The Pool invests in a collective trust fund that invests in equities denominated in foreign currencies. The value of this Pool at June 30, 2018 and 2017 was \$215,417 and \$201,799, respectively. This investment, although denominated in U.S. dollars, is exposed to foreign currency risk through the underlying investments. The Pool is not exposed to credit risk, interest rate risk, custodial credit risk, or concentration of credit risk.

*Fair Value Measurements*

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 with ten days advance written notice and generally be made within seven business days following month-end.

**TOTAL RETURN FIXED INCOME POOL**

This Pool's objective is to generate investment income, provide stability and diversification, but not at the expense of total return. Dodge & Cox, Franklin Templeton Investments 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 Bloomberg Barclays U.S. Universal Bond Index over three to five-year period.

BRIM's amount invested in the Total Return Fixed Income Pool of \$35,033 and \$35,644, at June 30, 2018 and 2017, respectively, represented approximately 1.5% and 1.5%, respectively, of total investments in the Pool.

*Credit Risk and Interest Rate Risk*

The Pool is exposed to credit risk from its fixed income investments, money market mutual fund investment, and certain investments made with cash collateral for securities loaned. The WVIMB limits the exposure to credit risk in the Pool by maintaining at least an average rating of investment grade as defined by the nationally recognized statistical rating organization. The WVIMB reviews available ratings from Standard & Poor's, Moody's and Fitch,

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and reports the rating indicative of the greatest degree of risk. The money market mutual fund has the highest credit rating.

The following tables provides credit ratings of the Pool's fixed income investments as of June 30, 2018:

<u>Rating</u>	<u>Fair Value</u>
AAA	\$ 22,196
AA	889,097
A	104,870
BBB	587,744
BB	314,638
B	296,262
CCC	12,274
CC	3,716
C	403
D	3,982
Withdrawn	85
Not rated	<u>38,996</u>
Total securities lending collateral	<u>\$ 2,274,263</u>

Credit risk from securities lending collateral investments are limited by requiring minimum ratings on debt instruments. Long-term debt instruments must be rated A or better by Moody's or Standard & Poor's at the time of purchase. Short-term debt instruments must be rated P-1 by Moody's or A-1 by Standard & Poor's at the time of purchase. The WVIMB reviews available ratings from Standard & Poor's and Moody's, and reports the rating indicative of the greatest degree of risk.

The following table provides credit ratings of the Pool's securities lending collateral investments as of June 30, 2018:

<u>Rating</u>	<u>Fair Value</u>
AAA	\$ 41,003
AA	4,410
A	4,605
BBB	6,287
Not applicable	<u>96,503</u>
Total securities lending collateral	<u>\$ 152,808</u>



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The following table provides credit ratings of the Pool's rated assets as of June 30, 2017:

<u>Investment Type</u>	<u>Moody's</u>	<u>S&amp;P</u>	<u>Fair Value</u>	<u>Percent of Total Investment</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>

The Pool is exposed to interest rate risk from its fixed income investments, money market mutual fund investment, and certain investments made with cash collateral for securities loaned. As of June 30, 2018, the money market mutual fund has a weighted average maturity (WAM) of 39 days. The WAM for securities lending collateral investments is not to exceed 90 days. As of June 30, 2018, the AM for securities lending collateral was 2 days.

The WVIMB monitors interest risk of the Pool by evaluating the effective duration of the investments in the Pool. Effective duration is a method of disclosing interest rate risk that measures the expected change in the price of a fixed income security for a 1 percent 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.

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

<b>Investment Type</b>	<b>2018</b>		<b>2017</b>	
	<b>Fair Value</b>	<b>Effective Duration (Years)</b>	<b>Fair Value</b>	<b>Effective Duration (Years)</b>
Commingled bond funds	\$ 304,379	2.5	\$ -	0.0
Common stock	-	0.0	14	N/A
Corporate asset backed issues	36,072	0.9	32,078	2.0
Corporate ABS residual	5,487	2.8	5,034	N/A
Corporate CMO	71,666	1.0	46,766	0.9
Corporate preferred securities	-	0.0	10,436	0.1
Foreign asset backed issues	19,588	1.6	17,436	0.5
Foreign corporate bonds	296,352	5.6	285,298	6.6
Foreign government bond	263,976	5.3	244,812	5.3
Investments in other funds	-	0.0	319,061	2.4
Money market mutual funds	-	0.0	63,965	N/A
Municipal bonds	44,629	9.6	47,351	9.0
Options contracts purchase	-	0.0	2,098	N/A
Repurchase agreement	10,000	0.0	119,844	0.0
Time deposits	-	0.0	82,806	0.0
U.S. corporate bonds	401,582	6.9	460,676	7.0
U.S. Government agency bonds	2,721	1.3	11,630	0.7
U.S. Government agency CMO	51,608	1.4	51,865	1.4
U.S. Government agency CMO interest-only	5,664	2.8	3,796	1.8
U.S. Government agency MBS	326,082	3.7	289,155	3.0
U.S. Government agency TBA	8,974	6.4	17,294	5.4
U.S. Treasury bonds	407,697	8.5	361,886	7.8
U.S. Treasury inflation-protected securities	17,786	17.2	42,269	13.9
<b>Total investments</b>	<b>\$ 2,274,263</b>		<b>\$ 2,515,570</b>	<b>5.0</b>

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 \$525,141 and \$463,424 of these securities at June 30, 2018 and 2017, respectively, representing approximately 23% and 18% of the value of the Pool's securities.

*Concentration of Credit Risk*

The Pool is restricted from investing more than 5% of the value of the Pool in any one corporate name. At June 30, 2018 and 2017, the Pool was in compliance with this restriction and is not exposed to concentration of credit risk.

*Custodial Credit Risk*

At June 30, 2018 and 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. 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.

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*Foreign Currency Risk*

The Pool has foreign fixed income, foreign equity investments and cash that are denominated in foreign currencies and are exposed to foreign currency risks. The Pool also has foreign denominated derivative instruments. Additionally, the Pool has indirect exposure to foreign currency risk through its ownership interests in certain of the commingled investment pools. Approximately \$84,695 and \$87,411, or 28.0% and 27.0%, respectively, of the commingled investment pools hold substantially all of their investments in foreign currencies as of June 30, 2018 and 2017. This represents approximately 3.0% and 3.0%, respectively, of the value of the Pool's securities at June 30, 2018 and 2017.

The amounts at fair value (in U.S. dollars) of investments and cash denominated in foreign currencies as of June 30, 2018, are as follows:

<u>Currency</u>	<u>2018</u>			
	<u>Foreign Fixed Income</u>	<u>Foreign Equity Investments</u>	<u>Cash</u>	<u>Total</u>
Argentine Peso	\$ 8,328	\$ -	\$ 824	\$ 9,152
Azerbaijani Manat	640	-	-	640
Brazil Real	26,048	-	12	26,060
Colombian Peso	5,376	-	-	5,376
Deutsche Mark	1,390	-	-	1,390
Dominican Peso	1,771	-	-	1,771
Egyptian Pound	3,671	-	1,129	4,800
Euro Currency Unit	-	-	9,688	9,688
British Pound	-	-	1,174	1,174
Georgian Lari	2,085	-	-	2,085
Ghana Cedi	2,758	-	-	2,758
Indonesian Rupiah	1,756	-	-	1,756
Indian Rupee	581	-	-	581
Japanese Yen	50,279	-	194	50,473
Kenyan Shilling	2,784	-	-	2,784
Kazakhstani Tenge	1,758	-	-	1,758
Mexican Peso	41,777	-	3,600	45,377
New Zealand Dollar	-	-	797	797
Peruvian Nuevo Sol	1,726	-	-	1,726
Russian Ruble	27,247	-	-	27,247
Swedish Krona	-	-	1,021	1,021
Turkish Lira	3,916	-	-	3,916
Ugandan Shilling	736	-	-	736
Uruguayan Peso	8,218	-	-	8,218
South African Rand	6,174	14	-	6,188
Total foreign denominated investments	199,019	14	18,439	217,472
U.S. Dollar	380,897	-	25,524	406,421
Total	\$ 579,916	\$ 14	\$ 43,963	\$ 623,893

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The table below shows the amounts at fair value (in U.S. dollars) of the securities and cash denominated in foreign currencies as of June 30, 2017:

Currency	2017			Percent of Total Investments and Cash
	Investments	Cash	Total	
Argentine Peso	\$ 10,274	\$ 455	\$ 10,729	0.4 %
Australian Dollar	-	1,207	1,207	0.0
Azerbaijani Manat	652	-	652	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 market value of the U.S. dollar denominated investments and cash is \$2,346,267. This represents approximately 93.0% 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 tables that follow set forth information about the level within the fair value hierarchy at which the Pool's assets and liabilities are measured at June 30. All 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.



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<b>Assets</b>	<b>2018</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Corporate asset backed issues	\$ -	\$ 36,072	\$ -	\$ 36,072
Corporate ABS residual	-	5,487	-	5,487
Corporate CMO	-	71,666	-	71,666
Corporate preferred security	10,886	-	-	10,886
Foreign asset backed issues	-	19,588	-	19,588
Foreign corporate bonds	-	296,352	-	296,352
Foreign currency forward contracts	-	4,057	-	4,057
Foreign equity investments	14	-	-	14
Foreign government bonds	-	263,976	-	263,976
Future contracts	1,631	-	-	1,631
Money market mutual fund	33,322	-	-	33,322
Municipal bonds	-	44,629	-	44,629
Options contracts purchased	1,887	6,106	-	7,993
Repurchase agreement	-	10,000	-	10,000
Securities lending collateral	-	152,808	-	152,808
Swaps	-	1,599	-	1,599
U.S. corporate bonds	-	401,582	-	401,582
U.S. Government agency bond	-	2,721	-	2,721
U.S. Government agency CMO	-	51,608	-	51,608
U.S. Government agency CMO interest-only	-	5,664	-	5,664
U.S. Government agency MBS	-	326,082	-	326,082
U.S. Government agency TBAs	-	8,974	-	8,974
U.S. Treasury bonds	-	407,697	-	407,697
U.S. Treasury inflation protected securities	-	17,786	-	17,786
<b>Total</b>	<b>\$ 47,740</b>	<b>\$ 2,134,454</b>	<b>\$ -</b>	<b>2,182,194</b>
Commingled debt funds				304,379
<b>Total</b>				<b>\$ 2,486,573</b>
<b>Liabilities</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Foreign currency forward contracts	\$ -	\$ (642)	\$ -	\$ (642)
Future contracts	(5,673)	-	-	(5,673)
Options contracts written	(2,363)	(18)	-	(2,381)
Security sold short	-	(489)	-	(489)
Swaps	-	(7,413)	-	(7,413)
<b>Total</b>	<b>\$ (8,036)</b>	<b>\$ (8,562)</b>	<b>\$ -</b>	<b>\$ (16,598)</b>

The Pool's investments in commingled debt funds were measured at the NAV as of June 30, 2018. These commingled debt funds invest in certain niche sectors, particularly ones that are not a significant percentage to the Pool, to provide economies of scale and efficiencies in establishing and managing a diversified portfolio that would be otherwise difficult to achieve. These funds offer daily liquidity.

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<b>Assets</b>	<b>2017</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
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
Future 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
<b>Total</b>	<b>\$ 83,803</b>	<b>\$ 2,127,389</b>	<b>\$ -</b>	<b>2,211,192</b>
Investments in other funds				319,061
<b>Total</b>				<b>\$ 2,530,253</b>
<b>Liabilities</b>	<b>2017</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Foreign currency forward contracts	\$ -	\$ (794)	\$ -	\$ (794)
Future contracts	(1,236)	-	-	(1,236)
Options contracts written	(538)	-	-	(538)
Swaps	-	(1,483)	-	(1,483)
<b>Total</b>	<b>\$ (1,774)</b>	<b>\$ (2,277)</b>	<b>\$ -</b>	<b>\$ (4,051)</b>

*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 outperform the Bloomberg Barclays U.S. Aggregate Bond Index over three- to five-year period.

BRIM's amount invested in the Core Fixed Income Pool of \$15,310 and \$15,140 at June 30, 2018 and 2017, respectively, and represented approximately 1.5% and 1.5%, respectively, of total investments in this Pool.

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*Credit Risk and Interest Rate Risk*

The Pool is exposed to credit risk from its fixed income investments, money market mutual fund investment, and certain investments made with cash collateral for securities loaned. The WVIMB limits the exposure to credit risk in the Pool by maintaining at least an average rating of investment grade as defined by the nationally recognized statistical rating organizations. The WVIMB reviews available ratings from Standard & Poor's, Moody's, and Fitch, and reports the rating indicative of the greatest degree of risk. The money market mutual fund has the highest credit rating.

The following table provides credit ratings for the Pool's fixed income investments as of June 30, 2018.

<u>Rating</u>	<u>Fair Value</u>
AAA	\$ 54,135
AA	609,075
A	129,011
BBB	169,116
BB	10,953
B	1,877
CCC	1,091
C	4
D	193
Withdrawn	325
Not rated	<u>51,231</u>
Total fixed income investments	<u>\$ 1,027,011</u>

Credit risk from securities lending collateral investments are limited by requiring minimum ratings on debt instruments. Long-term debt instruments must be rated A or better by Moody's or Standards & Poor's at the time of purchase. Short-term debt instruments must be rated P-1 by Moody's or A-1 by Standard & Poor's at the time of purchase. The WVIMB reviews available ratings from Standard & Poor's, Moody's, and Fitch, and reports the rating indicative of the greatest degree of risk.

The following table provides credit ratings of the Pool's securities lending collateral investments as of June 30, 2018.

<u>Rating</u>	<u>Fair Value</u>
AAA	\$ 20,620
AA	2,218
A	2,316
BBB	3,162
Not applicable	<u>48,528</u>
Total securities lending collateral	<u>\$ 76,844</u>

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The following table provides credit ratings of the Pool's various asset types as of June 30, 2017.

Investment Type	2017			Percent of Total Investment
	Moody's	S&P	Fair Value	
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>

The Pool is exposed to interest rate risk from its fixed income investments, money market mutual fund investment, and investments made with cash collateral for securities loaned. As of June 30, 2018, the money market mutual fund has a weighted average maturity (WAM) of 39 days. The WAM for securities lending collateral investments is not to exceed 90 days. As of June 30, 2018, the WAM for securities lending collateral was 2 days.

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

The Pool invests in commercial and residential mortgage-backed securities, asset-backed securities and collateralized mortgage obligations. The cash flows from these securities were based on the payment of the underlying collateral. The effective duration and yield to maturity of these securities are dependent on estimated prepayment assumptions that consider historical experience, market conditions and other criteria. Actual prepayments may vary with changes in interest rates. Rising interest rates often result in a slower rate of prepayments while declining rates tend to lead to faster prepayments. As a result, the fair values of these securities are highly sensitive to interest rate changes. At June 30, 2018 and 2017, the Pool held \$469,549 and \$440,253, respectively, of these securities. This represents approximately 46.0% and 40.0%, respectively, of the value of the Pool's securities.



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The following table provides the weighted average effective duration for the Pool's fixed income investments as of June 30:

<b>Investment Type</b>	<b>2018</b>		<b>2017</b>	
	<b>Fair Value</b>	<b>Effective Duration (Years)</b>	<b>Fair Value</b>	<b>Effective Duration (Years)</b>
Corporate asset backed issues	\$ 137,199	2.0	\$ 102,422	2.5
Corporate CMO	39,165	3.2	41,600	2.6
Corporate CMO interest-only	396	(6.5)	599	(11.6)
Corporate CMO principal-only	107	3.3	129	6.8
Foreign asset backed issues	3,499	3.6	3,446	2.5
Foreign corporate bonds	64,249	5.4	52,706	5.3
Foreign government bonds	5,887	8.2	7,218	8.5
Money market mutual funds	-	-	18,950	N/A
Municipal bonds	9,007	12.9	9,013	13.6
Repurchase agreements	-	-	60,406	0.0
Time deposits	-	-	41,738	0.0
U.S. corporate bonds	205,614	6.5	226,894	6.1
U.S. Government agency bonds	18,746	2.2	22,596	2.8
U.S. Government agency CMO	104,772	4.3	114,552	3.8
U.S. Government agency CMO interest-only	2,337	15.8	3,635	11.2
U.S. Government agency CMO principal only	5,683	6.7	7,159	6.8
U.S. Government agency MBS	176,391	4.3	166,711	4.2
U.S. Treasury bonds	253,524	8.8	215,469	9.0
U.S. Treasury inflation protected security	435	2.2	432	3.3
<b>Total</b>	<b>\$ 1,027,011</b>		<b>\$ 1,095,675</b>	<b>5.0</b>

*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, 2018 and 2017, the Pool was in compliance with this restriction and is not exposed to concentration of credit risk.

*Custodial Credit Risk*

At June 30, 2018 and 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. Securities on loans are collateralized to a minimum of 102% and the collateral is held by the WVIMB's custodian in the name of the WVIMB. All remaining securities are held by the WVIMB's custodian in the name of the WVIMB.

*Foreign Currency Risk*

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

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*Fair Value Measurements*

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

<b>Assets</b>	<b>2018</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Corporate asset backed issues	\$ -	\$ 137,199	\$ -	\$ 137,199
Corporate CMO	-	39,165	-	39,165
Corporate CMO interest - only	-	396	-	396
Corporate CMO principal - only	-	107	-	107
Foreign assets backed issues	-	3,499	-	3,499
Foreign corporate bonds	-	64,249	-	64,249
Foreign government bonds	-	5,887	-	5,887
Money market mutual fund	17,736	-	-	17,736
Municipal bonds	-	9,007	-	9,007
Securities lending collateral	-	76,844	-	76,844
U.S. corporate bonds	-	205,614	-	205,614
U.S. Government agency bond	-	18,746	-	18,746
U.S. Government agency CMO	-	104,772	-	104,772
U.S. Government agency CMO interest-only	-	2,337	-	2,337
U.S. Government agency CMO principal-only	-	5,683	-	5,683
U.S. Government agency MBS	-	176,391	-	176,391
U.S. Treasury bonds	-	253,524	-	253,524
U.S. Treasury inflation protected securities	-	435	-	435
<b>Total</b>	<b>\$ 17,736</b>	<b>\$ 1,103,855</b>	<b>\$ -</b>	<b>\$ 1,121,591</b>

<b>Assets</b>	<b>2017</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
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 assets 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 bond	-	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 securities	-	432	-	432
<b>Total</b>	<b>\$ 18,950</b>	<b>\$ 1,076,725</b>	<b>\$ -</b>	<b>\$ 1,095,675</b>

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**HEDGE FUND POOL**

This Pool was established to hold the WVIMB's investments in hedge funds. The objective of the Pool is to reduce risk through diversification of participants' assets. The primary performance benchmark is the Hedge Funds Research, Inc. Fund of Funds Composite Index plus 100 basis points. The second benchmark is the Citigroup 90-Day Treasury Bill Index plus 400 basis points. Albourne America, LLC has been retained by the WVIMB to provide consulting services for this investment strategy.

BRIM's amount invested in the Hedge Fund Pool of \$33,820 and \$27,778 at June 30, 2018 and 2017, respectively, represented approximately 1.5% and 1.5%, respectively, of total investments in this Pool.

The Pool holds shares in hedge funds and shares of money market fund with the highest credit rating. As of June 30, 2018, the money market mutual fund has the highest credit rating and has a weighted average maturity of 39 days. 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, 2018 and 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, 2018 and 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 2018 and 2017.

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

<u>Assets</u>	<u>2018</u>			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Money market mutual fund	<u>\$ 52,364</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,364</u>
Hedge funds				<u>2,078,624</u>
Total				<u>\$ 2,130,988</u>

<u>Assets</u>	<u>2017</u>			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Money market mutual fund	<u>\$ 22</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22</u>
Hedge funds				<u>1,809,889</u>
Total				<u>\$ 1,809,911</u>

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

<b>Hedge Fund Strategies</b>	<b>2018</b>		
	<b>Fair Value</b>	<b>Redemption Frequency</b>	<b>Redemption Notice Period</b>
Directional <sup>(a)</sup>	\$ 222,419	Mthly/Qtly	3 to 30 days
Equity long/short <sup>(b)</sup>	277,653	Mthly/Qtly/Every 3 yrs	30 to 60 days
Event-driven <sup>(c)</sup>	46,183	Qtly	65 days
Long-biased <sup>(d)</sup>	60,818	Mthly	90 days
Multi-strategy <sup>(e)</sup>	1,198,457	Mthly/Qtly/Annually	3 to 95 days
Relative-value <sup>(f)</sup>	<u>273,094</u>	Mthly	45 to 60 days
Total investments measured at the NAV	<u>\$ 2,078,624</u>		

<b>Hedge Fund Strategies</b>	<b>2017</b>			
	<b>Fair Value</b>	<b>Number of Funds</b>	<b>Redemption Frequency</b>	<b>Redemption Notice Period</b>
Directional <sup>(a)</sup>	\$ 173,459	3	Mthly/Qtly	3 to 30 days
Equity long/short <sup>(b)</sup>	235,206	3	Mthly/Qtly/Every 3 yrs	30 to 60 days
Event-driven <sup>(c)</sup>	44,907	1	Qtly	65 days
Long-biased <sup>(d)</sup>	49,427	1	Mthly	90 days
Multi-strategy <sup>(e)</sup>	1,165,427	16	Mthly/Qtly/Annually	3 to 95 days
Relative-value <sup>(f)</sup>	<u>141,463</u>	2	Mthly	45 to 60 days
Total investments measured at the NAV	<u>\$ 1,809,889</u>			

<sup>(a)</sup> 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.

<sup>(b)</sup> 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 62% of the fair value of the investments in this strategy are subject to maximum withdrawal restrictions.

<sup>(c)</sup> 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.

<sup>(d)</sup> 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.



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- (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 48% in 2018 and 62% in 2017 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 measure the existing relationship between instruments and, in some cases, identify attractive positions in which the risk-adjusted spread between these instruments represents an attractive opportunity. Investments representing approximately 36% in 2018 of the fair value of the instruments in this strategy are subject to maximum withdrawal restrictions.

**TREASURY INFLATION PROTECTION SECURITIES (TIPS)**

The Pool's objective is to match the performance of the Bloomberg Barclays U.S. Treasury Inflation Protection Index on an annualized basis over rolling three-year to five-year periods, gross of fees. Assets were managed by State Street Global Advisors through April 2, 2018. Effective April 4, 2018, the Pool invests in the BlackRock U.S. Treasury Inflation Protected Securities Fund B (BlackRock). BlackRock invests primarily in a portfolio of debt securities with the objective of closely approximating the total rate of return for all outstanding U.S. Treasury Inflation Protected Securities with a maturity of one year or greater.

BRIM's amount invested in the TIPS Pool of \$15,381 and \$13,776 at June 30, 2018 and 2017, respectively, represented approximately 3.9% and 4.2% respectively, of total investments in this pool.

*Credit Risk and Interest Rate Risk*

The Pool invests in a commingled bond fund that holds primarily U.S. Treasury inflation protected securities. This investment is exposed to credit and interest rate risk. This fund is not rated by a nationally recognized statistical rating organization. Effective duration is a method of disclosing interest rate risk that measures the expected change in the price of a fixed income security for a 1 percent change in interest rates. As of June 30, 2018, the fund had an effective duration of 7.66 years. The following table provides the weighted average credit ratings and weighted average real modified duration as of June 30, 2017:

Investment Type	2017			Percent of Assets
	Moody's	S&P	Fair Value	
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	326,866	96.8
Total rated investments			\$ 337,671	100.0 %

*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, 2018 and 2017, the Pool was in compliance with this restriction and is not exposed to concentration of credit risk.

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*Custodial Credit Risk*

At June 30, 2018 and 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. Securities on loans are collateralized to a minimum of 102% and the collateral is held by the WVIMB's custodian in the name of the WVIMB. All remaining securities are held by the WVIMB's custodian in the name of the WVIMB.

*Foreign Currency Risk*

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

*Fair Value Measurements*

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

<u>Assets</u>	<u>2018</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Commingled bond fund	<u>\$ 391,265</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 391,265</u>

<u>Assets</u>	<u>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	-	326,866	-	326,866
Total	<u>\$ 128</u>	<u>\$ 337,543</u>	<u>\$ -</u>	<u>\$ 337,671</u>

***Advanced deposits***

**INSURANCE COMPANY AND TRUSTEE**

BRIM deposits monies with BNY, as trustee, to hold as advance deposits in an escrow account for BRIM liability claims. The monies held in escrow are invested in specific money market funds and short-term guaranteed or investment-grade fixed income securities that are identified as "qualified assets" in the escrow agreement. The BNY advance deposit balance at June 30, 2018 and 2017 of \$201,377 and \$193,352, respectively, are presented net of amounts due to AIG for claims funding. At June 30, 2018 and 2017, amounts payable to AIG were \$2,917 and \$2,364, respectively.

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

Security Type	2018				2017			
	Moody's	S&P	Fair Value	Percent of Assets	Moody's	S&P	Fair Value	Percent of Assets
Corporate bonds and notes	Aa1	AA+	\$ 1,009	0.50%	Aa1	AA+	\$ 958	0.50 %
	Aa2	AA-	1,987	0.98	Aa2	AA-	964	0.50
	Aa2	AA-	-	0.00	Aa3	AA-	1,354	0.70
	Aa3	A+	2,011	0.99	Aa3	A+	-	0.00
	Aaa	AA+	-	0.00	Aaa	AA+	-	0.00
	Aaa	AAA	<u>3,032</u>	<u>1.49</u>	Aaa	AAA	<u>1,903</u>	<u>0.94</u>
			8,039	3.95			5,179	2.64
U.S. Treasury bonds and notes	Aaa	NR	182,423	89.71	Aaa	NR	171,906	88.10
	NR	NR	813	0.40	NR	NR	6,695	3.44
U.S. Agency-debenture	NR	NR	11,269	5.54	NR	NR	10,732	5.50
Money market funds	NR	NR	<u>795</u>	<u>0.39</u>	NR	NR	<u>628</u>	<u>0.32</u>
Total rated investments			<u>\$ 203,339</u>	<u>100.00%</u>			<u>\$ 195,140</u>	<u>100.00 %</u>

*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, 2018 and 2017, advanced deposits include no securities that were subject to custodial credit risk.

*Interest Rate Risk*

The following table provides the WAM for the various asset types in the advanced deposits as of June 30:

Investment Type	2018		2017	
	Fair Value	WAM Years	Fair Value	WAM Years
Corporate bonds and notes	\$ 7,045	5.3	\$ 5,179	5.3
U.S. Treasury bonds	184,230	3.9	178,601	3.8
U.S. Agency debenture	11,269	1.3	10,732	2.3
Money market funds	<u>795</u>	-	<u>628</u>	-
Total rated investments	<u>\$ 203,339</u>		<u>\$ 195,140</u>	

*Foreign Currency Risk*

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

*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	2018			
	Level 1	Level 2	Level 3	Total
Corporate bonds and notes	\$ 7,045	\$ -	\$ -	\$ -
U.S. Treasury bonds	184,230	-	-	-
U.S. Agency debenture	11,269	-	-	-
Money market funds	<u>795</u>	-	-	-
Total	<u>\$ 203,339</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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<b>Assets</b>	<b>2017</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
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>

The fair value tables above do not include cash and cash equivalents at June 30, 2018 and 2017 of \$955 and \$576, respectively.

## **5. 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:

	<b>2018</b>	<b>2017</b>
Unpaid claims and claims adjustment expense liability at beginning of year	<u>\$ 164,919</u>	<u>\$ 168,435</u>
Incurred claims and claims adjustment expense:		
Provision for insured events of the current year	72,033	70,705
(Decrease) increase in provision for insured events of prior years	<u>(14,640)</u>	<u>(11,556)</u>
Total incurred claims and claims adjustment expense	<u>57,393</u>	<u>59,149</u>
Payments:		
Claims and claims adjustment expense attributable to insured events of the current year	(11,846)	(11,922)
Claims and claims adjustment expense attributable to insured events of prior years	<u>(43,465)</u>	<u>(50,743)</u>
Total payments	<u>(55,311)</u>	<u>(62,665)</u>
Total unpaid claims and claims adjustment expense liability at end of year	<u>\$ 167,001</u>	<u>\$ 164,919</u>

If the unpaid claims and claims adjustment expense liability were discounted using a 4% discount factor for 2018 and 2017 to take into consideration the time value of money, the result would be a decrease in the liability and an increase in net position of approximately \$13,821 and \$14,419 for fiscal years 2018 and 2017, respectively. The overall unpaid claim liability number includes a provision for allocated and unallocated claims adjustment expense.

## **6. Pension Plan**

### **Plan description**

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



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***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 11%, 12% and 13.5% for the years ended June 30, 2018, 2017 and 2016, 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 \$138, \$123 and \$149 for the fiscal years ended June 30, 2018, 2017 and 2016, respectively.

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

The West Virginia Consolidated Public Retirement Board (WVCPRB) administers this cost-sharing multiple-employer plan. At June 30, 2018 and 2017, BRIM reported a liability of \$331 and \$766 for its proportionate share of the net pension liability. The net pension liability reported at June 30, 2018 was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016, rolled forward to the measurement date of June 30, 2017. 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, 2017. At June 30, 2018, BRIM's proportionate share was 0.0767%, which was a decrease of 0.0066% from its proportionate share as of June 30, 2017.

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For the years ended June 30, 2018 and 2017, BRIM recognized pension expense of \$17 and \$84, respectively. At June 30, 2018 and 2017, BRIM reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>2018</b>		<b>2017</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 80	\$ 241	\$ -
Differences between expected and actual experience	29	-	64	-
Difference in assumptions	-	17	-	37
Changes in proportion and differences between BRIM's contributions and proportionate share of contributions	271	232	30	-
BRIM's contributions made subsequent to the measurement date of June 30, 2017 and 2016	138	-	123	-
<b>Total</b>	<b>\$ 438</b>	<b>\$ 329</b>	<b>\$ 458</b>	<b>\$ 37</b>

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:**

2019	\$ (11)
2020	\$ 42
2021	\$ 9
2022	\$ (69)

***Actuarial assumptions and methods***

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

	<b>2018</b>	<b>2017</b>
Inflation	1.9%	3.0%
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.

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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, 2017 and 2016 are summarized below:

<b>Asset Class</b>	<b>Long-Term Expected Rate of Return</b>
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%

**Discount rate**

The discount rate used to measure the total pension liability was 7.5% for both valuations. The projection of cash flows used to determine the discount rate assumed that State contributions will continue to follow the current funding policy. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current system members. Therefore, the long-term expected rate of return on system investments was applied to all periods of projected benefit payments to determine the total pension liability. In the event of benefit payments that are not covered by the system's fiduciary net position, a municipal bond rate of 3.13% at June 30, 2017 and 2.71% at June 30, 2016 is to be used to discount the benefit payments not covered by the system's fiduciary net position. The municipal bond rate equals the S&P Municipal Bond 20 Year High Grade Index at the measurement date.

**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:

	<b>1% Decrease (6.5%)</b>	<b>Current Discount Rate (7.5%)</b>	<b>1% Increase (8.5%)</b>
BRIM's proportionate share of net pension liability	\$ 916	\$ 331	(164)

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

### ***Plan description***

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

The Plan had approximately 43,000 policyholders and 63,000 covered lives at June 30, 2017.

BRIM currently has approximately 22 employees eligible to receive RHBT benefits.

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

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

### ***Benefits provided***

The Plan provides the following benefits:

- Medical and prescription drug insurance
- Life insurance



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**(in thousands)**

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

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

***Contributions***

Contributions into RHBT include paygo, retiree leave conversion billings, and other matters, including billing adjustments. Paygo premiums are established by the Finance Board annually. All participating employers are required by statute to contribute to RHBT this premium at the established rate for every active policyholder per month. Paygo rates were \$135 for January 2017 through June 2017, \$196 for the period July 2016 through December 2016, and \$163 for the period July 2015 through June 2016. Other contributions such as retiree leave conversion differ by agency and are only recorded as utilized by plan participants. BRIM's contributions to RHBT were \$44, \$43 and \$41 for the fiscal years ended June 30, 2018, 2017 and 2016, respectively.

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

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

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

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

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

Effective July 1, 2017, BRIM adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, and GASB Statement No. 85, *Omnibus 2017*.

At June 30, 2018, BRIM reported a liability of \$512 for its proportionate share of the net OPEB liability. The net pension liability reported at June 30, 2018 was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016, rolled forward to the measurement date of June 30, 2017. BRIM's proportion of the net OPEB liability was based on BRIM's share of contributions to the OPEB plan relative to the contributions of all employers participating in RHBT for the year ended June 30, 2017. At June 30, 2018, BRIM's proportionate share was 0.0208%, which was a decrease of 0.0032% from its proportionate share as of June 30, 2017.

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**(in thousands)**

For the year ended June 30, 2018, BRIM recognized OPEB expense of \$30. At June 30, 2018, BRIM reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between expected and actual earnings on OPEB plan investments	\$ -	\$ 8
Differences between expected and actual experience	-	1
Changes in proportion and differences between BRIM's contributions and proportionate share of contributions	-	64
BRIM's contributions made subsequent to the measurement date of June 30, 2017	44	-
Total	<u>\$ 44</u>	<u>\$ 73</u>

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

The net difference between projected and actual investment earnings on OPEB Plan investments are recognized in OPEB expense using a systematic and rational method over a closed five year period. Differences between actual and expected experience relating to OPEB amounts are recognized in OPEB expense using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with OPEB through the OPEB Plan determined as of the beginning of the measurement period. The average of the expected remaining lives is 4.7140 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:**

2019	\$ 19
2020	\$ 19
2021	\$ 19
2022	\$ 16

***Actuarial assumptions***

The net OPEB liability was determined by an actuarial valuation as of June 30, 2016, rolled forward to June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75%
Salary increases	Dependent upon pension system ranging from 3.00% to 6.50%, including inflation
Investment rate of return	7.15%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	Actual trend used for fiscal year 2017. For fiscal years on and after 2018, trend starts at 8.50% and 9.75% for pre and post-Medicare, respectively, and gradually decreases to an ultimate trend of 4.50%. Excess trend rate

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of 0.14% and 0.29% for pre and post-Medicare, respectively, is added to healthcare trend rates pertaining to per capita claims costs beginning in 2020 to account for the Excise Tax.

Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level percentage of payroll over a 21 year closed period
Remaining amortization period	21 years closed as of June 30, 2016

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table projected with Scale AA on a fully generational basis for PERS and TRS. RP-2000 Healthy Annuitant Mortality Table projected to 2025 with scale BB for Troopers A and B. Pre-Retirement: RP-2000 Non-Annuitant Mortality Table projected with Scale AA on a fully generational basis for PERS and TRS. RP-2000 Non-Annuitant Mortality Table projected to 2020 with Scale BB for Troopers A and B.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 – June 30, 2015.

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

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

The long-term rates of return on OPEB plan investments are determined using a building block method in which estimates of expected future real rates of return (expected returns, net of OPEB 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 weighting the expected future real rates of return by the target asset allocation percentages and by adding expected inflation. Best estimates of long-term geometric rates are summarized in the following table:

<b>Asset Class</b>	<b>Long-Term Expected Real Rate of Return</b>
Large Cap Domestic	17.0%
Non-Large Cap Domestic	22.0%
International Qualified	24.6%
International Non-Qualified	24.3%
International Equity	26.2%
Short-Term Fixed	0.5%
Total Return Fixed Income	6.7%
Core Fixed Income	0.1%
Hedge Fund	5.7%
Private Equity	19.6%
Real Estate	8.3%
Opportunistic Income	4.8%
Cash	0.0%

**Discount rate**

The discount rate used to measure the OPEB liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that RHBT contributions would be made at rates equal to the actuarially determined contribution rates, in accordance with prefunding and investment policies. The OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore,

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the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. Discount rates are subject to change between measurement dates.

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

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

	<u>1% Decrease (6.15%)</u>	<u>Current Discount Rate (7.15%)</u>	<u>1% Increase (8.15%)</u>
BRIM's proportionate share of net OPEB liability	\$ 596	\$ 512	442

**8. 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 \$222 and \$201 for the years ended June 30, 2018 and 2017, respectively, relating to these arrangements. Future minimum lease payments under these operating lease arrangements are as follows for years ending June 30:

2019	\$ 222
2020	\$ 37

**9. 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 \$45,516 and \$41,304 for the years ended June 30, 2018 and 2017, respectively.

BRIM is required by Senate Bill 1002 to remit amounts equal to the gross premium tax attributable to premiums collected by BRIM. These amounts are to be placed in a separate account known as "the Premium Tax Savings Fund" (the Fund) maintained by the State Treasurer. The balance in this fund was \$6,149 and \$2,990 at June 30, 2018 and 2017, respectively. The Fund is not included in BRIM's financial statements, but is included in the general fund of the State.



**10. 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 \$160 reinsurance recoveries for the fiscal year ended June 30, 2018, and \$1,736 for the fiscal year ended June 30, 2017.

**11. 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.

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
1) Premiums and investment revenues:										
Earned	\$ 69,739	\$ 83,088	\$ 71,320	\$ 64,361	\$ 54,969	\$ 69,172	\$ 63,037	\$ 72,706	\$ 81,209	\$ 85,663
Ceded	5,944	6,257	6,075	5,386	5,825	6,102	6,197	6,909	6,681	6,518
Net earned	63,795	76,831	65,245	58,975	49,144	63,070	56,840	65,797	74,528	79,145
2) Unallocated expenses, including administrative fees paid to third-party claims administrators	7,840	8,043	7,867	7,562	7,240	7,888	7,653	7,911	8,290	8,507
3) Estimated incurred claims and claims adjustment expense, end of policy year:										
Incurred	56,194	51,388	53,728	60,176	57,276	58,389	62,342	66,740	70,705	72,629
Ceded	300	-	-	2,312	-	-	-	-	-	596
Net incurred	55,894	51,388	53,728	57,864	57,276	58,389	62,342	66,740	70,705	72,033
4) Paid (cumulative) claims and claims adjustment expense as of:										
End of policy year	9,753	9,965	10,757	10,156	10,870	10,560	11,146	12,863	11,922	11,846
One year later	19,069	17,009	18,034	20,830	18,936	19,965	24,010	23,494	23,067	
Two years later	25,457	25,606	26,398	30,577	30,649	29,077	34,601	34,585		
Three years later	32,126	32,612	34,305	43,021	40,132	45,059	43,864			
Four years later	36,501	38,174	39,497	48,351	48,853	51,231				
Five years later	39,349	39,821	42,538	51,004	52,093					
Six years later	42,577	40,798	43,031	53,155						
Seven years later	44,018	41,554	43,383							
Eight years later	44,719	41,774								
Nine years later	44,838									
5) Reestimated ceded claims and expenses	300	-	-	248	-	-	-	2,782	-	596
6) Reestimated net incurred claims and allocated claims adjustment expense:										
End of policy year	55,894	51,388	53,728	57,864	57,276	58,389	62,342	66,740	70,705	72,033
One year later	48,432	46,571	52,844	58,812	56,883	57,772	65,545	64,655	65,589	
Two years later	46,176	47,102	50,289	61,106	63,767	61,216	62,727	62,537		
Three years later	45,328	46,116	48,480	62,460	61,150	61,249	59,235			
Four years later	44,112	44,171	47,980	57,109	58,836	59,741				
Five years later	46,551	43,567	46,321	56,003	58,016					
Six years later	45,424	42,762	44,680	56,093						
Seven years later	45,940	43,117	43,910							
Eight years later	45,498	42,302								
Nine years later	45,458									
7) (Decrease) increase in estimated net incurred claims and allocated claims adjustment expense from end of policy year	(11,788)	(13,592)	(7,478)	2,365	152	2,465	846	195	(5,116)	-

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:

	2018				2017			
	Liability	Property	Mine Subsidence	Total	Liability	Property	Mine Subsidence	Total
Unpaid claims and claims adjustment expense liability at beginning of fiscal year	\$ 159,676	\$ 4,225	\$ 1,018	\$ 164,919	\$ 161,623	\$ 5,895	\$ 917	\$ 168,435
Incurring claims and claims adjustment expense:								
Provision for insured events of the current fiscal year	65,237	5,623	1,173	72,033	64,169	5,690	846	70,705
(Decrease) increase in provision for insured events of prior fiscal years	(12,667)	(1,816)	(158)	(14,641)	(11,892)	788	(452)	(11,556)
Total incurred claims and claims adjustment expense	52,570	3,807	1,015	57,392	52,277	6,478	394	59,149
Payments:								
Claims and claims adjustment expense attributable to insured events of the current fiscal year	9,927	1,613	306	11,846	9,258	2,480	184	11,922
Claims and claims adjustment expense attributable to insured events of the prior fiscal years	42,124	907	433	43,464	44,966	5,668	109	50,743
Total claims and claims adjustment expense payments	52,051	2,520	739	55,310	54,224	8,148	293	62,665
Total unpaid claims and claims adjustment expense liability at end of the fiscal year	\$ 160,195	\$ 5,512	\$ 1,294	\$ 167,001	\$ 159,676	\$ 4,225	\$ 1,018	\$ 164,919

See notes to required supplementary information.



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

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

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

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

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Statutorily required contribution	\$ 138	\$ 123	\$ 149	\$ 127	\$ 133	\$ 129
Contributions in relation to the statutorily required contribution	<u>(138)</u>	<u>(123)</u>	<u>(149)</u>	<u>(127)</u>	<u>(133)</u>	<u>(129)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	<u>\$ 1,275</u>	<u>\$ 1,013</u>	<u>\$ 1,100</u>	<u>\$ 878</u>	<u>\$ 962</u>	<u>\$ 1,014</u>
Contributions as a percentage of covered-employee payroll	10.82%	12.14%	13.55%	14.00%	14.50%	14.00%

See notes to required supplementary information.

## **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)**

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**3. Changes in Assumptions**

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

	<b>2016</b>	<b>2015</b>	<b>2014</b>
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 -11983 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%



**West Virginia Board of Risk and Insurance Management**  
**Schedule of Proportionate Share of the Net OPEB Liability in RHBT**  
**As of and for the Year Ended June 30, 2018**  
**(in thousands except percentages)**

	<u>2018</u>
BRIM's proportionate (percentage) of the net OPEB liability	0.0208%
BRIM's proportionate share of the net OPEB liability	\$ 512
BRIM's covered-employee payroll	\$ 812
BRIM's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	63.05%
Plan fiduciary net position as a percentage of the total OPEB liability *	25.10%

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

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

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

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

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

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

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

West Virginia Board of Risk and Insurance Management  
Combining Statement of Net Position  
June 30, 2018  
(in thousands)

	Other Lines of Business	Mine Subsidence	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 26,926	\$ -	\$ 26,926
Advance deposits with carrier/trustee	201,377	-	201,377
Receivables, net	1,899	-	1,899
Prepaid insurance:			
Restricted cash and cash equivalents	-	13,668	13,668
Restricted receivables, net	-	878	878
Total current assets	230,202	14,546	244,748
Noncurrent assets:			
Investments	96,094	-	96,094
Restricted investments	-	55,494	55,494
Total non current assets	96,094	55,494	151,588
Total assets	326,296	70,040	396,336
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension	438	-	438
Other post-employment benefits	44	-	44
Total deferred outflows of resources	482	-	482
<b>LIABILITIES</b>			
Current liabilities:			
Estimated unpaid claims and claims adjustment expense	49,651	802	50,453
Unearned revenue	8,168	1,854	10,022
Agent commissions payable	1,406	-	1,406
Accrued expenses and other liabilities	390	21	411
Total current liabilities	59,615	2,677	62,292
Noncurrent liabilities:			
Estimated claims and claims adjustment expense, noncurrent	116,056	492	116,548
Compensated absences	115	7	122
Net pension liability	331	-	331
Net other post-employment benefits	512	-	512
Total noncurrent liabilities	117,014	499	117,513
Total liabilities	176,629	3,176	179,805
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension	329	-	329
Other post-employment benefits	73	-	73
Total deferred inflows of resources	402	-	402
<b>NET POSITION</b>			
Restricted	-	66,865	66,865
Unrestricted	149,747	-	149,747
Net position	\$ 149,747	\$ 66,865	\$ 216,612

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, 2018**  
**(in thousands)**

	<b>Other Lines of Business</b>	<b>Mine Subsidence</b>	<b>Total</b>
Operating revenues:			
Premiums	\$ 74,822	\$ 4,129	\$ 78,951
Less excess coverage/reinsurance premiums	(6,518)	-	(6,518)
Total operating revenues	68,304	4,129	72,433
Operating expenses:			
Claims and claims adjustment expense	56,376	1,016	57,393
General and administrative expense	4,266	144	4,410
Total operating expenses	60,642	1,160	61,803
Operating income (loss)	7,662	2,969	10,630
Nonoperating revenues (loss):			
Investment income (loss)	3,876	2,836	6,712
Payment in accordance with SB 602	-	-	-
Net nonoperating revenues	3,876	2,836	6,712
Increase in net position	\$ 11,538	\$ 5,805	\$ 17,342

**West Virginia Board of Risk and Insurance Management**  
**Form 7 - Deposits Disclosure**  
**June 30, 2018**  
**(in thousands)**

		<b>Fair Value</b>
Cash with Treasurer		<u>\$ 1,397</u> <sup>(1)</sup>
<sup>(1)</sup> Agrees to audited statement of cash flows as follows:		
Cash with Treasurer		\$ 1,397 <sup>(2)</sup>
Cash equivalents with BTI		<u>39,197</u> <sup>(2)</sup>
		<u>\$ 40,594</u> <sup>(3)</sup>
<sup>(2)</sup> Agrees to Form 8-A		
<sup>(3)</sup> Agrees to audited statement of net position as follows:		
Cash and cash equivalents	\$ 26,926	
Restricted cash and cash equivalents	<u>13,668</u>	
	<u>\$ 40,594</u>	

**West Virginia Board of Risk and Insurance Management**  
**Form 8 - Investments Disclosure**  
**June 30, 2018**  
**(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	\$ 25,772 <sup>(1)</sup>	\$ 13,425 <sup>(1)</sup>	\$ 39,197 <sup>(3)</sup>	\$ 39,197
Long-term	<u>96,094 <sup>(1)</sup></u>	<u>55,494 <sup>(1)</sup></u>	<u>151,588 <sup>(3)</sup></u>	<u>151,588</u>
Total investments	<u>\$ 121,866 <sup>(1)</sup></u>	<u>\$ 68,919 <sup>(1)</sup></u>	<u>\$ 190,785</u>	<u>\$ 190,785</u>

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

Investments with BTI and WVIMB	\$ 121,866 <sup>(1)</sup>	\$ 68,919
Less investments classified as cash equivalents	<u>25,772</u>	<u>13,425</u>
Total investments	<u>\$ 96,094 <sup>(2)</sup></u>	<u>\$ 55,494 <sup>(2)</sup></u>

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

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

**West Virginia Board of Risk and Insurance Management**  
**Form 8-A - Deposits and Investments Disclosure**  
**June 30, 2018**  
**(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	\$ 13,668 <sup>(1)</sup>
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Unrestricted	26,926 <sup>(1)</sup>
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Total cash and cash equivalents	<u>40,594</u>
---------------------------------	---------------

Less investments disclosed as cash equivalents	<u>39,197 <sup>(2)(3)</sup></u>
--	---------------------------------

Fair value of deposits as disclosed on Form 7	<u><u>\$ 1,397 <sup>(2)</sup></u></u>
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Investments:

Investments as reported:

Noncurrent – restricted	\$ 55,494 <sup>(1)</sup>
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Noncurrent – unrestricted	96,094 <sup>(1)</sup>
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Total investments	<u>151,588</u>
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Add investments disclosed as cash equivalents	<u>-</u>
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Fair value of investments as disclosed on Form 8	<u><u>\$ 151,588 <sup>(3)</sup></u></u>
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<sup>(1)</sup> Agrees to audited statement of net position

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

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



**West Virginia Board of Risk and Insurance Management**  
**Form 9 - Schedule of Receivables (Other Than State Agencies)**  
**June 30, 2018**  
**(in thousands)**

	<u>Amount</u>
Accounts receivable (other than State agencies):	
Total accounts receivable as of June 30, 2018	\$ 2,777 <sup>(1)</sup>
Less allowance for doubtful accounts	<u>- <sup>(2)</sup></u>
Net receivable	<u><u>\$ 2,777</u></u>
<sup>(1)</sup> Derived from the audited statement of net position as follows:	
Receivables	\$ 1,899 <sup>(2)</sup>
Restricted receivables	<u>878 <sup>(2)</sup></u>
	<u><u>\$ 2,777</u></u>

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

**West Virginia Board of Risk and Insurance Management**  
**Form 10 - Schedule of Accounts Receivable From Other State Agencies**  
**June 30, 2018**  
**(in thousands)**

<u>Receivable From</u>	<u>Amount</u>
Accounts receivable from other State agencies	\$ 5 <sup>(1)</sup>
<sup>(1)</sup> Premiums due from other State agencies	\$ 5
Premiums due from other entities	1,894
Total receivables	\$ 1,899 <sup>(2)</sup>

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

West Virginia Board of Risk and Insurance Management  
Form 13 - Schedule of Changes in Long-Term Obligations - Compensated Absences  
June 30, 2018  
(in thousands)

<u>Type of Debt</u>	<u>Final Maturity Date</u>	<u>Balance as Reported June 30, 2017</u>	<u>Payments</u>	<u>Other Changes</u>	<u>Balance June 30, 2018</u>
Compensated absences – annual leave	Varies	<u>\$ 107</u>	<u></u>	<u>\$ 15</u>	<u>\$ 122</u> <sup>(1)</sup>

<sup>(1)</sup> 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, 2018, 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 12, 2018.

### ***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 12, 2018

**DHG**

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



Allan L. McVey  
Cabinet Secretary

Mary Jane Pickens  
Executive Director  
Deputy Cabinet Secretary  
[MaryJane.Pickens@wv.gov](mailto:MaryJane.Pickens@wv.gov)

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

*March 19, 2019*

Chairman Martin

Call to Order

Chairman Martin

Approval of Board Minutes  
December 18, 2018

**REPORTS**

Jo Ellen Cockley, FCAS, MAAA  
Associate Director & Actuary

Risk Funding Study  
as of June 30, 2018

Mary Jane Pickens  
Executive Director

Executive Director's Report

Stephen W. Schumacher, CPA  
Chief Financial Officer

Financial Report  
PCard Report

Jeremy C. Wolfe  
Risk & Insurance Manager

Loss Control Report

Robert A. Fisher  
Deputy Director & Claim Manager

Privacy Report

**UNFINISHED BUSINESS**

**NEW BUSINESS**

**ADJOURNMENT**

*Idm*





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



Allan L. McVey  
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 19, 2019**

**BOARD MEMBERS  
PRESENT:**

Bruce R. Martin, CIC, CRM, Chairman  
Bob Mitts, CPCU, Vice Chairman  
James Wilson, Esq., Member  
Edward Magee, Ed.D., CPA, Member  
James A. Dodrill, Board Secretary, Ex-Officio Member  
Commissioner, West Virginia Office of the  
Insurance Commissioner  
Tonya Gillespie, CPA, 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  
Jeremy Wolfe, Loss Control Manager  
Melody Duke, Underwriting Manager  
Chuck Mozingo, Asst. Claims Manager  
John Fernatt, Claim Representative  
Valerie Poindexter, Claim Representative  
Lora Myers, Recording Secretary

**BRIM PROGRAM  
REPRESENTATIVES:**

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

**GUESTS:**

Allan L. McVey, Secretary, Department of Administration  
Sandy Price, WVU Health Sciences Center  
Stacie Honaker, WVU Health Sciences Center  
Michael Gansor, WVU Risk Management  
Jo Ellen Cockley, AON  
Phil Kabler, Charleston Gazette-Mail

## **CALL TO ORDER**

Chairman Martin called the meeting of the West Virginia Board of Risk and Insurance Management to order on Tuesday, March 19, 2019 at 1:02PM. The meeting was held in the Executive Conference Room at 1124 Smith Street, Suite 4600, Charleston, West Virginia.

## **APPROVAL OF MINUTES**

James Wilson moved the approval of the December 18, 2018 Board Meeting minutes. The motion was seconded by Vice Chairman Bob Mitts. Being no discussion, a vote took place and the MOTION ADOPTED.

## **REPORTS**

### **Risk Funding Study – June 30, 2018**

Chairman Martin welcomed Jo Ellen Cockley from AON to present her report. Ms. Cockley thanked Mary Jane Pickens, Robert Fisher, Stephen Schumacher and the team for participating in the study.

Ms. Cockley referred to the Risk Funding Study – June 30, 2018, the document was distributed to the Board as a handout. Ms. Cockley discussed Property/Casualty Marketplace Overview. The Property/Casualty insurance industry entered 2018 in strong financial condition. Rates are decreasing in Workers Comp and increasing in Auto and General Liability. Medical Malpractice in West Virginia was reviewed. Claim severity is close to national average; frequency is higher than national average and loss rate is 11% higher than national average.

Ms. Cockley reviewed the June 30, 2018 Risk Funding Study – Financial Impact on Page 12 of the handout. She explained the Actuarial Adjustment between 6/30/17 and 6/30/18 (highlighted in green). Moving on to Page 23, Ms. Cockley reviewed the December 31, 2018 Interim Analysis – Results.

Ms. Cockley concluded her overview and asked for any questions. Being no questions, the presentation concluded. Chairman Martin thanked Ms. Cockley. The Risk Funding Study of June 30, 2018 presented by AON was received, a copy is attached and made part of the record.

Chairman Martin welcomed both Commissioner Dodrill and Secretary McVey to the meeting in their new roles. Secretary McVey commented on how invaluable Deputy Secretary Pickens had been to him since accepting the appointment.

### **Executive Director's Report**

Chairman Martin asked Mary Jane Pickens to present the Executive Director's Report. Ms. Pickens reported on Medical Malpractice Program status for both Marshall University and West Virginia University. Mrs. Pickens reported that in 2018, five cases

have been tried to verdict, two plaintiff verdicts and four defense verdicts. In 2019 so far, we have tried one case to a defense verdict. The attached Executive Director's Report outlines detailed information regarding paid claims, outstanding claims, claim counts and closed claims.

Mrs. Pickens introduced our newly appointed Secretary for the Department of Administration. Allan McVey was appointed by Governor Jim Justice on January 23, 2019. Prior to this appointment, Mr. McVey served as the West Virginia Insurance Commissioner. She congratulated Secretary McVey.

Mrs. Pickens introduced the new West Virginia Insurance Commissioner. James Dodrill has been appointed by Governor Jim Justice to serve as the West Virginia Insurance Commissioner. She congratulated Commissioner Dodrill.

Effective March 2, 2019, Ashley Summitt, Esq. is the new Chief Privacy Officer. Ms. Summitt succeeds Sallie Milam, who retired in January after serving as Chief Privacy Officer since 2002. Prior to joining BRIM, Ms. Summitt worked as the Deputy General Counsel and Privacy Officer for the Governor's Office since 2017. From 2009 to 2017, she served as General Counsel for the West Virginia Secretary of State and has also worked for the West Virginia Supreme Court of Appeals. Ashley is a welcome addition to our BRIM Team.

Mrs. Pickens reported that the second annual PICF report was filed at the end of December 2018. The report filed for calendar year 2017 showed an estimated approximate shortfall of \$2 million. This led to the introduction of SB 576 which passed during the 2018 regular session. As a result, the report must be submitted on or before January 1, 2019. The report filed last year showed an estimated shortfall of approximately \$2 million, this led to the introduction of SB 576. The bill was passed during the 2018 regular session and amended duration of the funding sources in W. Va. Code § 29-12D-1a. The calendar year 2018 report projects that all claims should be paid in full, with a small balance that must be transferred to the General Revenue Fund. Mrs. Pickens also presented a status update regarding the PICF claims.

Mrs. Pickens reported on the following Legislation:

HB 2536/SB 362 – Mine Subsidence agency bill. There did not seem to be support of the bill. The goal is to prevent double recovery for damages from mining companies (received pre-loss) and the state Mine Subsidence Fund. We will assess if the Mine Subsidence policy form should be amended.

SB 508 and SB 552 were two bills introduced that were very negative for BRIM. These bills would have established a for-profit private sector insurer to take over the provision of property and casualty insurance for the state. The second bill would have created an unworkable process for claims settlement against the state. Both bills died, however two study resolutions were originated. The study resolution originating in the Senate B&I committee (SCR 52) related to review of settlement and verdict data to provide insight into agencies and other units of state government for improved operations. This resolution was adopted by the Senate but does not appear to have been taken up by the House.



The House Government Organization Committee originated HB 3147 which would have required BRIM and its liability program to use a WV producer, with at least 5 years of experience to provide all structured settlement services. This bill died. However, the House Government Organization Committee originated a study resolution (HCR 88) to study BRIM's contracting for services, review of premium structures and rates, and identify BRIM's activities to provide transparency to the public and governmental entities and reviewing fiscal responsibilities. It also requires BRIM, Real Estate Division, Fleet Management Division, Department of Administration, State Auditor, Enterprise Resource Planning Board and the State Budget Office to cooperate with the Legislature and provide such information relating to known discrepancies between the various databases that relate to state asset inventories. The intent is unclear, however appears to assume that there is inadequate coordination among databases and officials and that it impacts BRIM's role as the state's risk manager and insurance provider. In reality, there is no impact and this has been explained countless times.

HB 2452 passed overwhelmingly and is a source of pride for our Office of Technology, the Privacy Team and BRIM. The bill codifies WV Cybersecurity Office and the position of Chief Security Officer. The office and the position already existed but the bill gives them authority around the new cybersecurity program. This program will assess the state's cybersecurity risk, assure the state's resources are used in the most effective manner to keep data and private information secure. This will manage and support recovery in the event of a cyber incident. This bill started with an application from our Chief Technology Officer Josh Spence with assistance from Sallie Milam our former Chief Privacy Officer to participate in the National Governor's Association Policy Academy of Cyber Security. West Virginia was one of only four states chosen to participate. Funding was provided in the form of a supplemental appropriations bill, so that the program can be launched soon.

Regarding BRIM's Risk Management Information System (RMIS), Robert, Melody, John and Mary Jane attended a meeting in Raleigh, NC with Dave Sumner and John Paudel of Emerson Solutions. The meeting was productive and a better way to discuss processes and functionality. The Underwriting Module will be complete and ready for testing soon. The Loss Control Module relies on data from Underwriting and when the data is uploaded more testing will be completed by Loss Control. A follow up conference call was held yesterday (March 18, 2019) to ensure we will have the necessary data for our actuaries for rating.

Mrs. Pickens reported the RFP for Consulting Services has moved to a final draft. The plan is to issue it on March 22, 2019. An advertisement will be placed in the Gazette and we will also utilize Business Insurance as a means for direct contact to consultants and consulting firms to advertise the issuance of the RFP. Sen. Craig Blair has said we should perform a national search, and publication via Business Insurance will accomplish that. The direct contact will be sent in the form of an email. We will have data on the number of recipients who open the email. WV Interactive confirms that the number of times the RFP document is downloaded will be tracked. From this information, we will be able to answer questions to how effective our RFP processes work. We are also doing some direct emailing from this office to known individuals who may be interested and will also notify several associate members of STRIMA who may have interest in the RFP.



The RFP project was discussed with Legislative leadership and others during the session and it is expected to occur. It was also suggested that we contact the House and Senate for the appointment of a representative from each to participate in the review by the consultant. Commissioner Dodrill and Tonya Gillespie have both agreed for Tonya to participate in the bid submission, evaluation and selection process.

Mrs. Pickens reported on a variety of miscellaneous items/occurrences. She informed the Board of a resignation in our Loss Control Department. Lora Reynolds has accepted a job at the Office of Technology.

During the Christmas season, the Hospitality Committee at BRIM along with staff from the Prosecuting Attorneys Institute organized a food drive that resulted in the collection of approximately 1,200 items of food for a food bank in Lincoln County. Dividing into teams of Reindeer, Snowmen and Elves we competed to collect the most items. We also donated to a domestic violence shelter. Donated items included activities that moms and children could enjoy together such as books, cookie mixes and movies.

February 1, 2019 was Data Privacy and Cybersecurity Day at the Legislature. BRIM's Privacy Team hosted one of the presentation tables at the event. Various displays were outside the Senate Chambers and provided an opportunity to interact with members of the public and Legislature to educate about our responsibilities and the importance of privacy and cybersecurity in state government.

On March 14, 2019, BRIM management team met with representatives of AIG and USI to discuss the program and any changes to the policy for the upcoming year. The meeting went well.

Dates for upcoming Board Meetings in 2019 are as follows:

Tuesday, June 18, 2019 @ 1PM

Tuesday, September 10, 2019 @ 1PM-changed from September 17, 2019

Tuesday, December 17, 2019 @ 1PM

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 on Mr. Schumacher to present the Chief Financial Officer's Report.

Mr. Schumacher discussed PCard activity for November, December and January. A disk containing PCard activity was distributed to the Board.

Mr. Schumacher gave a detailed review of the current financial results for the seven months ending January 31, 2019. The results reflect the actuarially estimated unpaid losses from AON's Risk Funding Study as of December 31, 2018, plus additional accrual for January. Premium revenue has increased by \$2.9 million for FY'19.

Retained case reserves are \$1.9 million higher this year and the actuarially estimated IBNR is also \$10.0 million higher than the prior year.

Retained case reserves and the retained IBNR increases are the primary driver for the FY19 claims and claims adjustment expenses increase of \$10.7 million over FY18. The Fed raised its benchmark interest rate at quarter-point in December. Fixed income market values reflect the reduced rate increase scenario as short-term bonds started rallying in November. Equity market returns are in negative territory for the first seven months of the fiscal year and are the reason for the underperformance in current year investment earnings of \$6.2 million versus last fiscal year's \$13.9 million.

In the current fiscal year, slightly higher premium revenue was offset by the lower investment returns. The higher claims expense for FY19 negatively impacted results when compared to the prior fiscal year through January 31. This resulted in the smaller increase in net position of \$2.6 million this year versus \$13.9 million increase last year.

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. Wolfe to present the Loss Control Report.

Mr. Wolfe reported that the Senate Bill #3 loss control questionnaires were due January 1, 2019. We have been reviewing submitted questionnaires to apply credits or surcharges based on the participation in the Standards of Participation program. Hopefully, the evaluation will be completed this month.

During the spring and summer, we will focus our loss control efforts on our Senate Bill #3 entities including County Boards of Education. We will strive to identify the problem areas for our insured and assist them in avoiding preventable claims.

We continue to submit risk management news articles to the West Virginia Public Service Commission for inclusion in their quarterly publication, "The Pipeline". This publication is distributed to public utility organizations and public service districts throughout the state.

Kimberly Hensley and I were recently recertified as authorized OSHA General Industry Outreach Trainers. Carl Baldwin is also certified and will undergo the recertification process later this year.

Loss Control has a vacant Office Assistant position due to Lora Reynolds' transfer to the Office of Technology. We are conducting interviews to fill the vacancy.

During January and February, AON conducted 148 inspections and Liberty Mutual conducted 1,377. The reports are being processed according to established procedures.

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

## **Privacy Report**

Chairman Martin asked Mr. Fisher to present the Privacy Report.

Mr. Fisher reported that the Privacy Management Team met January 28, 2019, for the annual Data Privacy Day event. There were 30 attendees representing 11 executive branch departments or agencies, two Constitutional Officers and High Education. Scott Koller, our cyber-breach coach, spoke on the current cyber risk landscape and conducted two table-top exercises involving phishing scams and ransomware.

Mr. Fisher also reported on privacy trainings. During 2018, Executive Branch employees (2,266) took the online course *Think WV Privacy*. State Privacy Office staff are currently developing a new online privacy awareness course, *Mission: Data Privacy*. The course is expected to be completed this summer. Also, during 2018, members of the Executive Branch workforce (1,110) have taken the online course *HIPAA/HITECH*.

Mr. Fisher explained a privacy impact assessment (PIA) which 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. PIA completion is not mandatory for all agencies; however, HB 2452 includes among the Chief Information Security Officer's statutory powers the development of a policy outlining use of the PIA as it relates to data safeguarding.

The NGA Policy Academy held its second in-state meeting in Charleston on January 7 – 8, 2019. The meeting included a discussion on how to appropriately support the bill that was to be known as the SECURE WV Act, and to plan for Cyber/Privacy Day at the Legislature. This event was to raise awareness of the Cyber Security bill and the risks to the State's information assets through privacy and security incidents

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

Chairman Martin commented on the recent fiduciary training presented by Tom Heywood. He felt it was well presented and helpful.

## **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 2:02PM.

  
Board Chairman

  
Date

ldm



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

*Risk Funding Study as of June 30, 2018*

Presented March 19, 2019

# Market Update

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# Property/Casualty Marketplace Overview

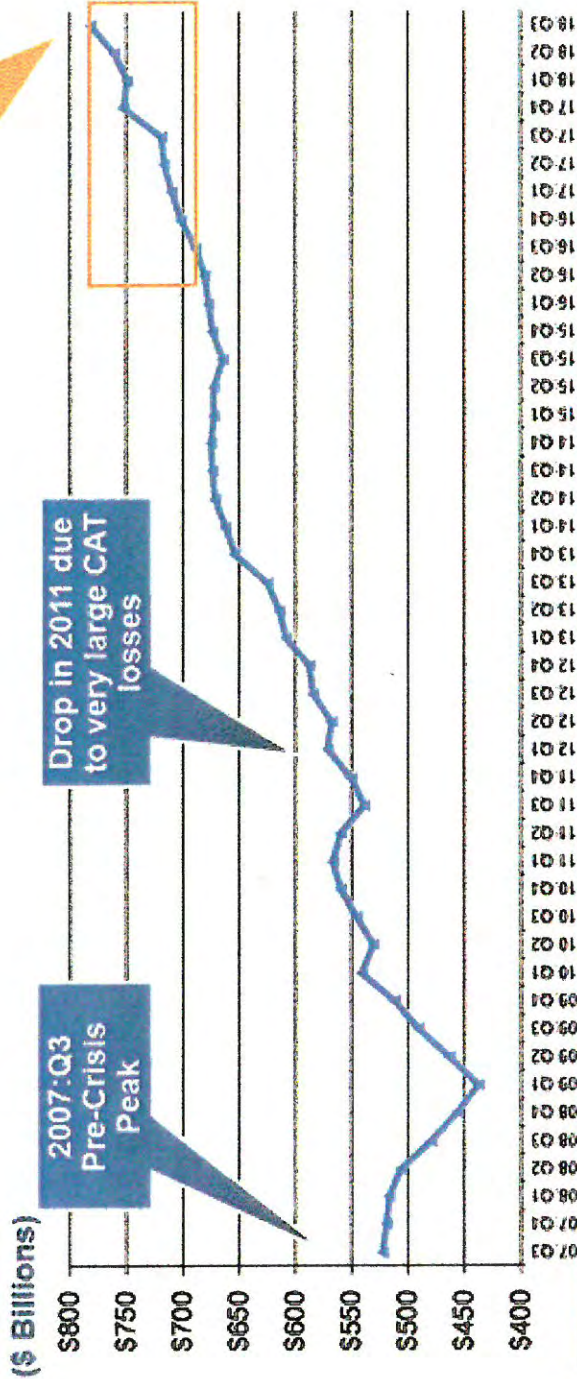
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- Policyholder Surplus is over \$780 Billion as of 9/30/18
  - Growth in surplus due to positive contributions from both insurance operations and investments through first 3 quarters of 2018
    - Growth driven by unrealized capital gains
    - Fewer hurricane and other catastrophe losses in 2018 compared to 2017
- The decline in the stock market during the fourth quarter of 2018 may offset the gains during the first 3 quarters of 2018
- Underwriting gain through the first 3 quarters of 2018
  - 2018 catastrophe losses decreased sharply compared to 2017
  - Non-catastrophe losses increased modestly in 2018



# Property/Casualty Marketplace Overview

## Policyholder Surplus, Quarterly, 2007:Q3–2018:Q3



The industry now has \$1 of surplus for every \$0.77 of NPW, close to the strongest claims-paying status in its history.

The P/C insurance industry entered 2018 in very strong financial condition.

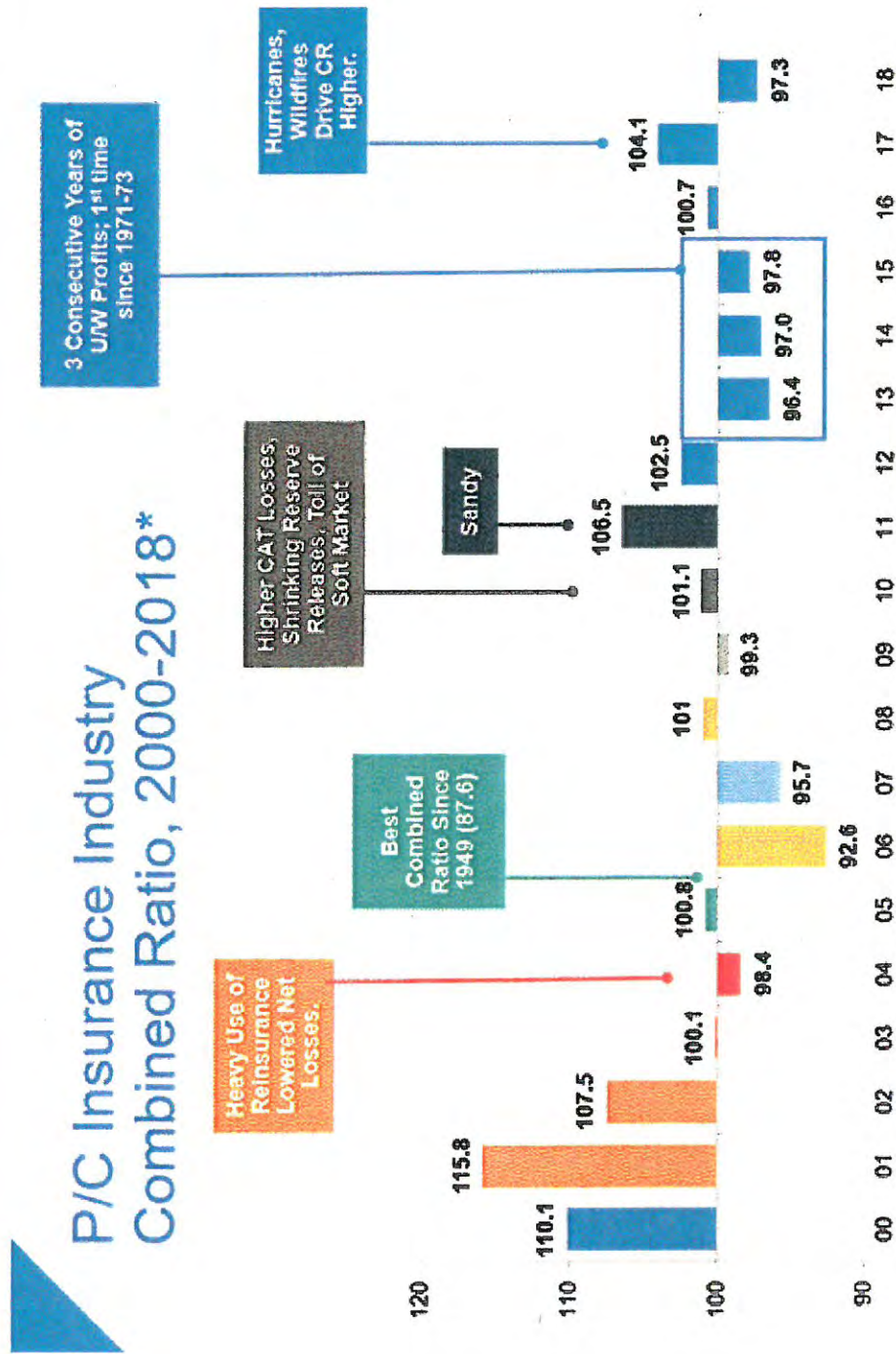
Sources: ISO, A.M. Best.



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# Property/Casualty Marketplace Overview



\*Excludes Mortgage & Financial Guaranty Insurers 2008-2014.  
Including M&FG, 2008=105.1, 2009=100.7, 2010=102.4, 2011=108.1, 2012=103.2, 2013=96.1, 2014=97.0.  
Sources: A.M. Best; ISO, a Verisk Analytics company; I.I.I. estimate for 2018.



# Medical Malpractice

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- Aon 2018 Hospital Professional Benchmark Study – 19<sup>th</sup> Year
  - Includes \$20.2 billion of incurred loss and approximately 107,000 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
    - Increasing cost of extreme professional liability claims
  - West Virginia
    - Claim severity is similar to national average
    - Claim frequency is higher than national average (but stable since 2014)
    - Loss rate is 11% higher than the national average

# Property/Casualty Marketplace Overview

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- Casualty Marketplace
  - Generally Stable – Capacity, Limits, Retentions, Coverage
  - Rates
    - Decreasing in Workers Comp
    - Increasing in Auto and GL
- Property Marketplace
  - Pricing and Retentions Flat to Increasing
  - Plenty of Capacity
- Medical Malpractice
  - Rates, Limits and Retentions flat to increasing
  - Capacity Steady



# Risk Funding Study As of 6/30/2018

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## 6/30/18 Retained Unpaid Loss Estimates

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### Definitions

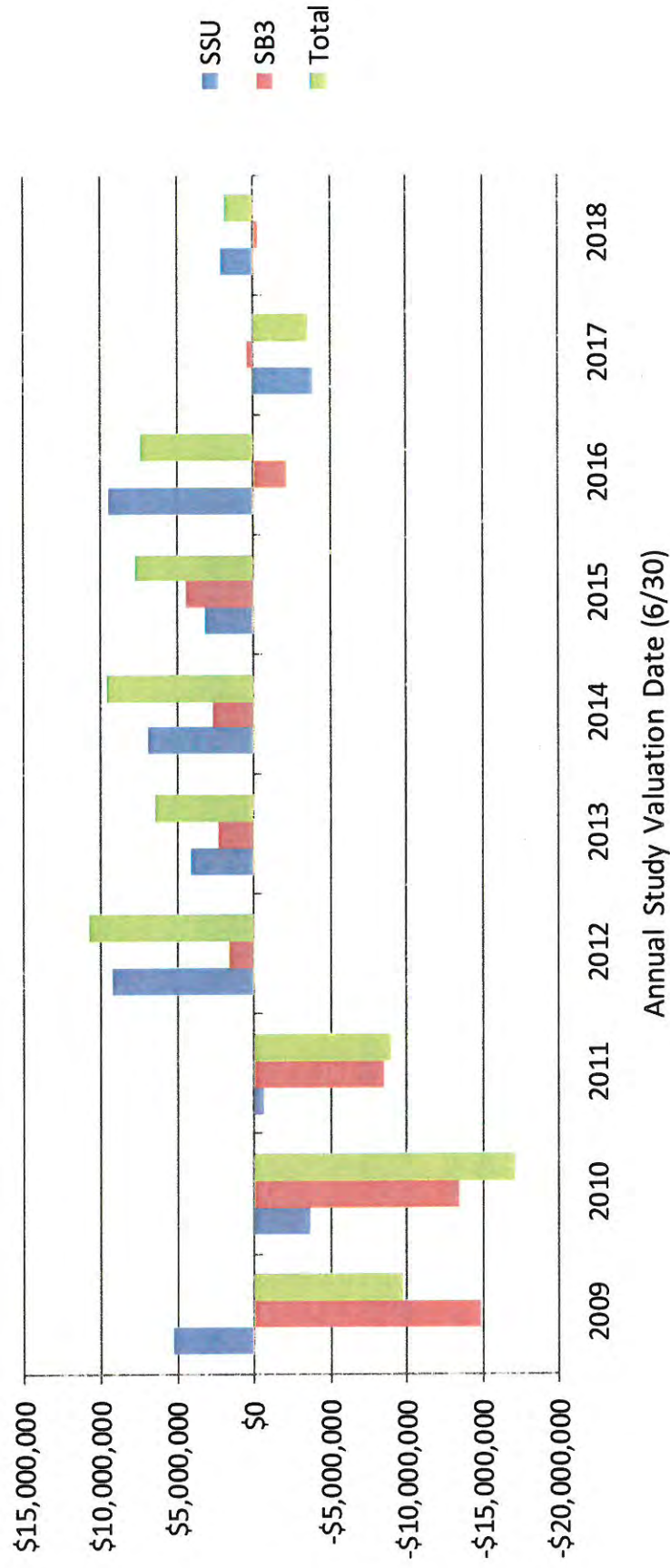
- Unpaid Loss = Ultimate Loss – Paid Loss
- Unpaid Loss = Case Reserves + IBNR
- IBNR = Incurred But Not Reported

### Results

- Estimated unpaid loss increased \$2.0 million (1.3%) from 6/30/2017
  - SB3 auto increased \$1.0 million
  - SB3 general liability decreased \$1.5 million
  - SSU property increased \$1.2 million
  - SSU medical malpractice increased \$1.6 million

# 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 6/30/17 and 6/30/18 Studies (For Policy Periods 16/17 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	8,156	0	(10,146)	25,289	0	0	0	0	0	(1,990)	25,289	23,298
7/1/2005	0	0	0	(27,998)	0	0	35,693	0	0	35,693	(27,998)	7,694
7/1/2006	0	0	(30,000)	815	0	0	0	0	0	(30,000)	815	(29,185)
7/1/2007	0	0	156,509	0	0	0	0	0	0	156,509	0	156,509
7/1/2008	0	0	120,000	(160,047)	0	0	0	0	0	120,000	(160,047)	(40,047)
7/1/2009	0	0	(320,000)	(509,254)	14,958	0	0	0	0	(305,042)	(509,254)	(814,297)
7/1/2010	0	1,000	(600,000)	(189,898)	0	0	(19,510)	39,993	(798)	(619,510)	(148,906)	(769,214)
7/1/2011	(83,710)	59,381	290,000	137,996	0	0	(299,000)	(13,601)	0	(92,710)	183,777	91,067
7/1/2012	(6,200)	(171,734)	(50,000)	(189,236)	(124,734)	(4,484)	(130,000)	(98,493)	(44,996)	(310,934)	(463,948)	(819,878)
7/1/2013	(70,000)	291,263	(1,500,000)	(111,471)	(20,458)	(2,619)	(46,000)	(63,639)	15,006	(1,636,458)	113,535	(1,507,918)
7/1/2014	(240,000)	(448,064)	(650,000)	218,176	(37,847)	(37,147)	(2,030,000)	(248,346)	(19,818)	(2,957,847)	(515,382)	(3,493,046)
7/1/2015	(550,000)	(11,709)	(1,475,000)	(305,605)	(127,689)	291,716	110,000	(29,417)	(19,023)	(2,042,689)	(55,014)	(2,116,727)
7/1/2016	150,000	(207,000)	(2,800,000)	(1,324,800)	(476,850)	109,500	(455,000)	39,000	(149,736)	(3,581,850)	(1,383,300)	(5,114,886)
Total	(791,754)	(486,862)	(6,868,637)	(2,436,033)	(772,620)	356,965	(2,833,817)	(374,503)	(219,365)	(11,266,829)	(2,940,434)	(14,426,627)

- Ultimate losses for prior policy years were reduced due to better-than-projected loss emergence between 6/30/17 and 6/30/18



## Impact of Ultimate Loss Changes For Prior Policy Periods On BRIM's Financial Statements

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- Incurred Loss = (Ultimate Losses for Current Policy Period) + (Changes in Ultimate Losses for Prior Policy Periods)
- If changes in ultimate losses for prior policy years are negative, then the incurred losses are reduced (conversely, positive changes to prior policy year ultimate losses increases the incurred losses)
- Per previous slide, in the 6/30/18 risk funding study, prior policy year ultimate losses were reduced by more than \$14M
- Prior policy year ultimate changes in the 6/30/16 through 6/30/18 risk funding studies were negative
- The 6/30/15 risk funding study was the most recent study where the prior policy period ultimate losses increased



# June 30, 2018 Risk Funding Study – Financial Impact

Coverage	Program	6/30/17 Retained Unpaid Losses	Paid in Period 7/1/17 - 6/30/18	Accrued in Period 7/1/17 - 6/30/18	Rollforward 6/30/18 Retained Unpaid Losses	Actual 6/30/18 Retained Unpaid Losses	Actuarial Adjustment Between 6/30/17 and 6/30/18 Reviews	Change in Unpaid Between 6/30/17 and 6/30/18 Reviews
Automobile	SSU	9,036,212	7,258,330	7,534,781	9,312,662	8,256,128	(1,056,535)	(780,084)
Automobile	SB3	9,398,381	4,814,779	6,740,121	11,323,724	10,396,740	(926,983)	998,359
Automobile	Total	18,434,593	12,073,109	14,274,902	20,636,386	18,652,868	(1,983,518)	218,275
General Liability	SSU	69,041,901	16,511,555	24,395,596	76,925,943	69,041,709	(7,884,233)	(192)
General Liability	SB3	45,501,475	13,938,338	15,273,742	46,836,879	43,974,915	(2,861,964)	(1,526,560)
General Liability	Total	114,543,376	30,449,893	39,669,339	123,762,821	113,016,624	(10,746,197)	(1,526,752)
Property	SSU	2,179,334	1,345,207	2,631,788	3,465,915	3,427,507	(38,408)	1,248,172
Property	SB3	2,004,613	2,588,096	3,376,253	2,792,769	2,030,481	(762,288)	25,868
Property	Total	4,183,947	3,933,303	6,008,041	6,258,684	5,457,988	(800,697)	1,274,041
Medical Malpractice	SSU	23,497,419	4,021,848	8,240,331	27,715,903	25,124,035	(2,591,868)	1,626,616
Medical Malpractice	SB3	1,618,407	315,112	248,469	1,551,764	1,816,042	264,278	197,634
Medical Malpractice	Total	25,115,827	4,336,960	8,488,801	29,267,667	26,940,077	(2,327,591)	1,824,250
Mine Subsidence		960,957	128,240	764,994	1,597,711	1,220,022	(377,689)	259,065
Subtotal SSU	SSU	103,754,866	29,136,940	42,802,497	117,420,423	105,849,378	(11,571,045)	2,094,512
Subtotal SB3	SB3	58,522,876	21,656,326	25,638,585	62,505,136	58,218,178	(4,286,958)	(304,698)
Grand Total		163,238,700	50,921,506	69,206,077	181,523,270	165,287,578	(16,235,692)	2,048,879

Note: Unpaid as of 6/30/2018 does not include GL case reserves of \$1.3 million for pre-1998 exposure.

# Loss Funding

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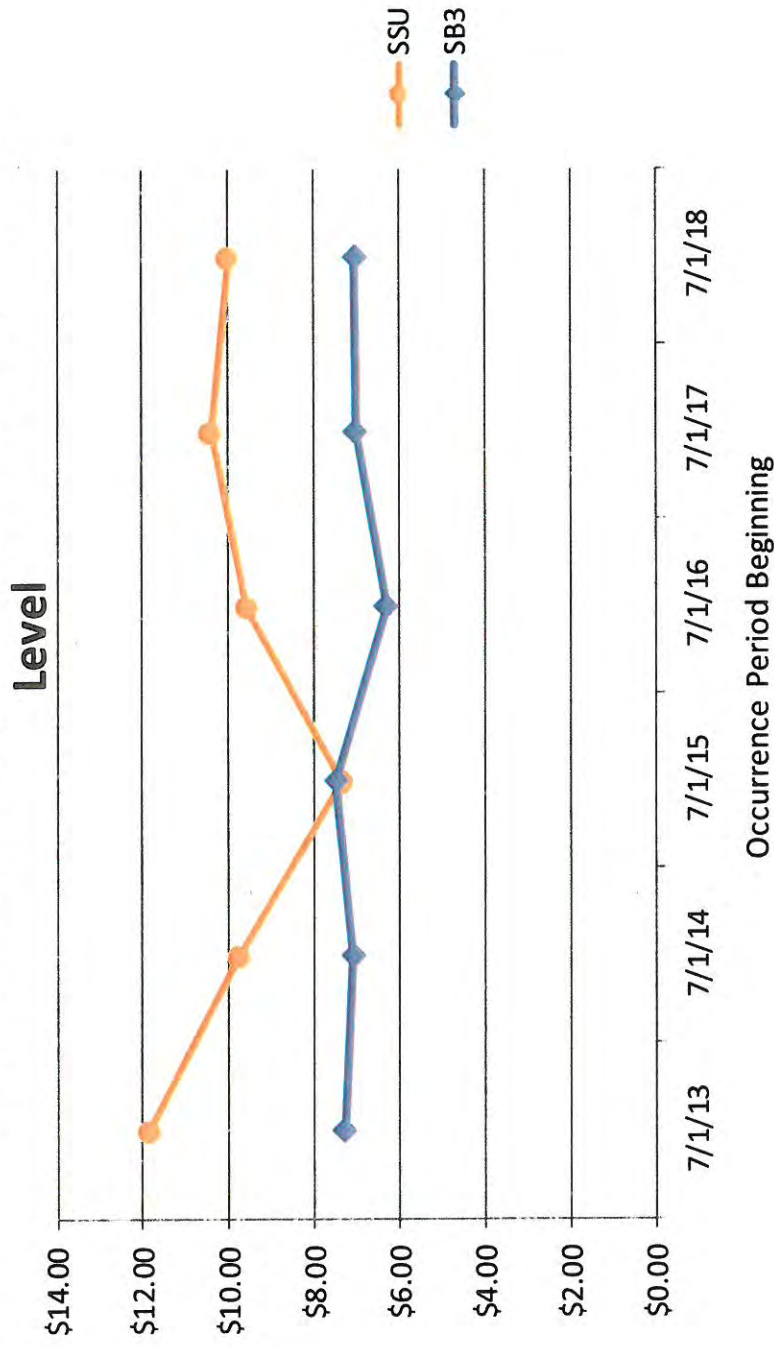


# Comparison of Premium and Ultimate Losses

Occurrence Period	SSU			SB3		
	Charged Premium	Projected Ultimate Retained Loss	Difference	Charged Premium	Projected Ultimate Retained Loss	Difference
7/1/1998	21,526,869	24,797,499	(3,270,630)	23,070,990	17,136,095	5,934,895
7/1/1999	20,982,952	29,141,242	(8,158,290)	22,677,285	21,113,351	1,563,934
7/1/2000	20,018,978	19,322,348	696,630	20,951,525	18,854,003	2,097,522
7/1/2001	27,130,323	20,981,325	6,148,998	26,524,921	24,031,744	2,493,177
7/1/2002	36,181,360	16,646,030	19,535,330	37,843,695	21,928,315	15,915,380
7/1/2003	36,011,418	20,092,315	15,919,103	35,793,345	24,752,385	11,040,960
7/1/2004	46,715,999	23,050,488	23,665,511	41,269,868	20,026,830	21,243,038
7/1/2005	39,985,777	17,692,529	22,293,248	40,920,237	20,609,124	20,311,113
7/1/2006	39,091,169	20,528,545	18,562,624	39,480,713	17,087,036	22,393,677
7/1/2007	36,258,662	22,972,209	13,286,453	34,852,156	18,032,893	16,819,263
7/1/2008	31,595,637	24,604,916	6,990,721	28,901,791	16,411,039	12,490,752
7/1/2009	28,257,070	20,885,472	7,371,598	27,889,296	16,594,833	11,294,463
7/1/2010	25,239,238	22,943,504	2,295,734	25,232,989	16,563,532	8,669,457
7/1/2011	25,296,014	29,032,281	(3,736,267)	23,769,617	22,735,370	1,034,247
7/1/2012	25,645,800	30,578,721	(4,932,921)	19,306,565	22,935,908	(3,629,343)
7/1/2013	27,255,798	33,395,355	(6,139,557)	22,654,784	21,966,394	688,389
7/1/2014	32,118,612	30,712,530	1,406,082	23,780,631	24,011,615	(230,984)
7/1/2015	37,539,189	32,392,161	5,147,028	24,839,798	25,589,436	(749,638)
7/1/2016	41,308,635	37,955,050	3,353,585	27,305,131	22,848,950	4,456,181
7/1/2017	45,525,708	42,492,000	3,033,708	29,303,814	24,228,250	5,075,564
Total	643,685,207	520,216,517	123,468,690	576,369,150	417,457,103	158,912,048

# General Liability

GL Loss Rate Per \$1,000 Payroll at 2018/19 Cost

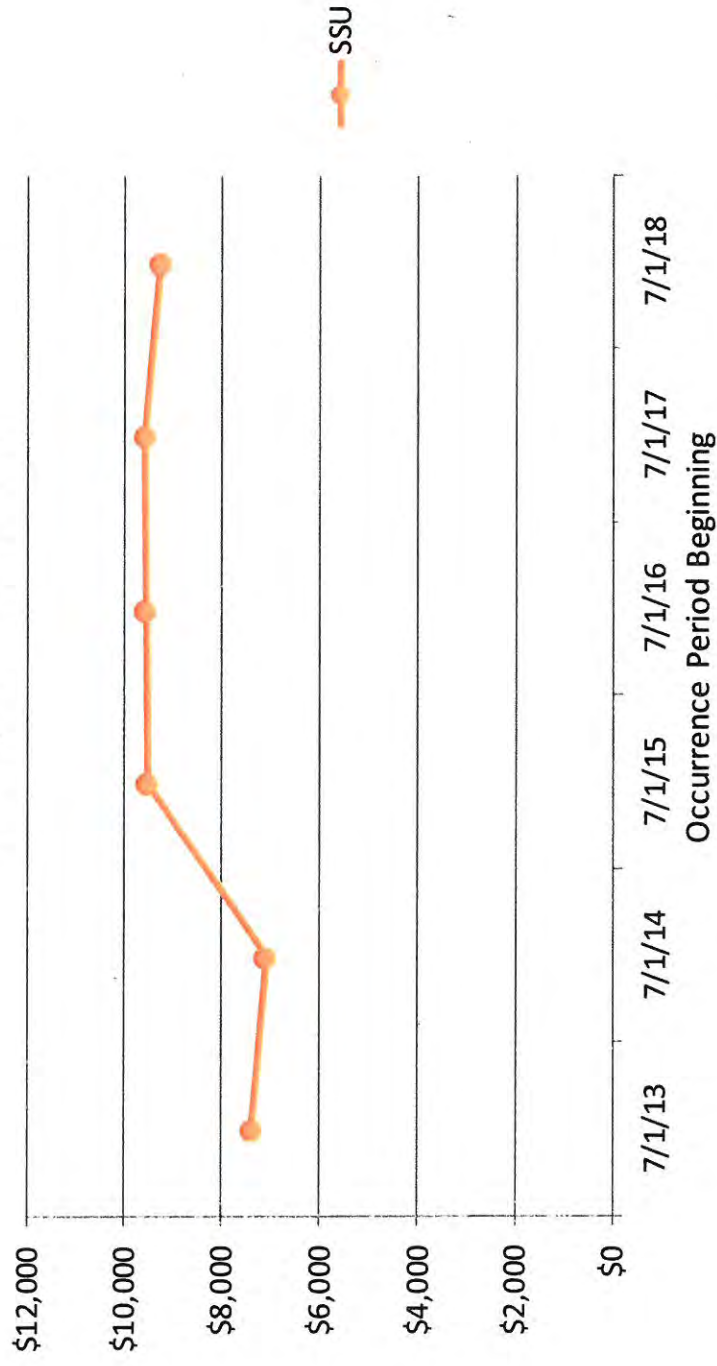


Note: Loss rates are on a retained basis, and gross of any deductibles.



# Medical Malpractice

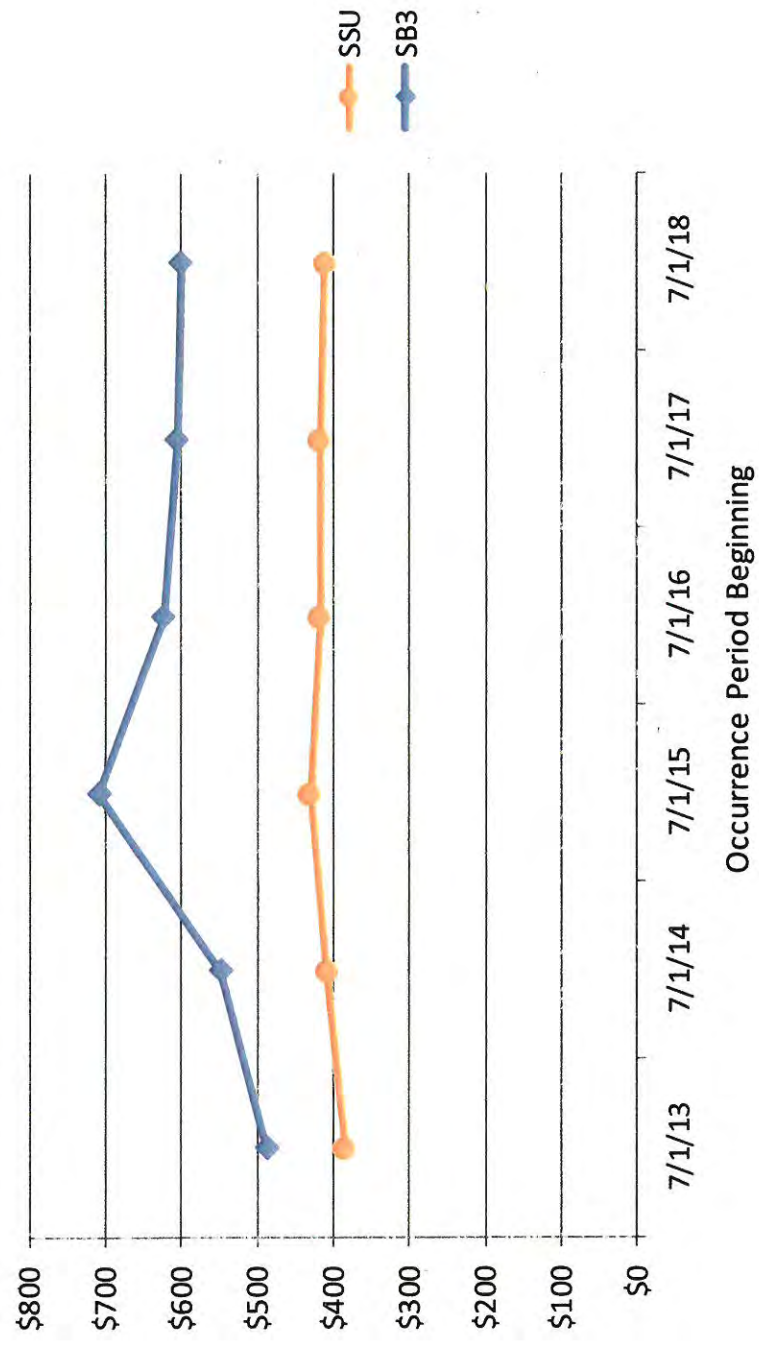
## MM Loss Rate Per Base Class Physician FTE 2018/19 Cost Level



- Notes:
1. Loss rates are on a retained basis, and gross of any deductibles.
  2. Reflects that the SB3 practice plans became part of the SSU program on 7/1/15.
  3. Effective 7/1/15, limits increased to \$1.5M For Medical Schools Only.

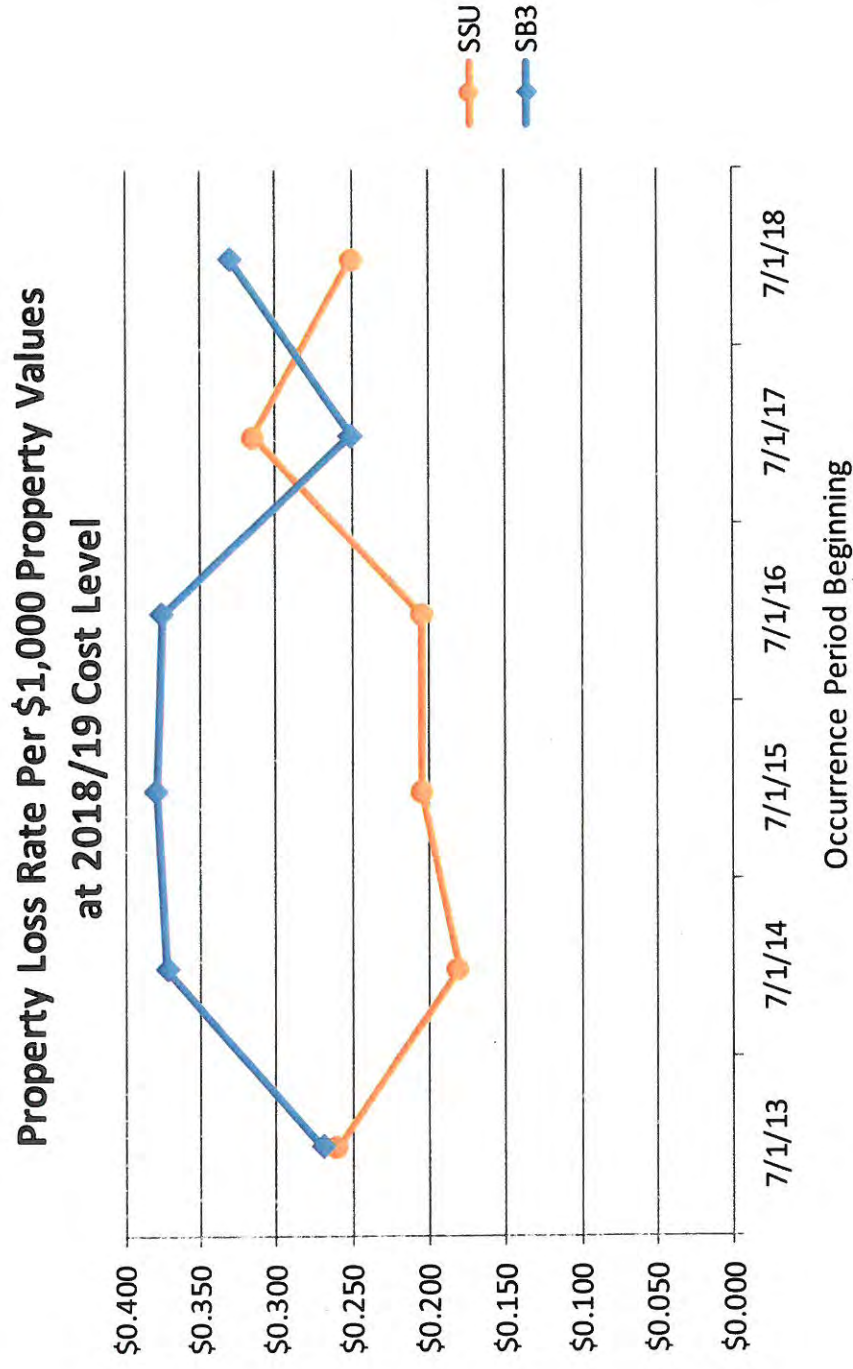
# Automobile

Auto Loss Rate Per Vehicle at 2018/19 Cost Level



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

# Property



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

## Mine Subsidence

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- BRIM mine subsidence program coverage increased from \$75,000 per occurrence to \$200,000 per occurrence effective 10/1/16
- As a result of this increased coverage, three claims are valued above \$75,000 as of 6/30/18
  - The largest of these claims is valued at \$195,000 (from the 17/18 program year)
- Mine Subsidence still continues to perform at a favorable loss ratio (average = 25% over the past 10 years)



## SSU Fiscal Year 19/20 Rating

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- Total costs to allocate decreased \$450,000 compared to 18/19
  - Loss forecasts decreased approximately \$400,000 from 18/19 (largely due to GL and Medical Malpractice)
  - Expense forecasts decreased slightly from 18/19
- Modest rate decreases (19/20 compared to 18/19) for auto liability, general liability and property
- About to kick-off SB3 rating analysis for 19/20

# Interim Study as of 12/31/2018

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## December 31, 2018 Interim Analysis

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- Unpaid loss estimates increased \$12.9M (7.8%) between 6/30/18 and 12/31/18
- Increase driven by SB3 GL (\$13.3M)
  - Nearly 20 claims alleging abuse over several years (2003 – 2014)
  - \$4.25M of case reserves as of 12/31/18
  - Plus \$9.1M of case reserve increases/newly reported claims in January 2019
    - January 2019 increases are reflected in our IBNR estimates as of 12/31/18
- Addition of pre-7/1/98 GL case reserves - \$145,000 for SSU and \$620,000 for SB3
- Partially offset by \$2.8M decrease in SSU medical malpractice
  - Since 6/30/18, reported loss emergence was much less than expected, while paid losses were much more than expected
  - The high level of loss payments and low level of reported losses caused net retained unpaid losses to decrease significantly
- Relatively modest changes to unpaid losses for other coverages
- Accrual of first 6 months of current 18/19 program year

# December 31, 2018 Interim Analysis - Results

Coverage	Program	6/30/18 Retained Unpaid Losses	Paid in Period 7/1/18 - 12/31/18	Accrued in Period 7/1/18-12/31/18	Rollforward 12/31/18 Retained Unpaid Losses	Actual 12/31/18 Retained Unpaid Losses	Actuarial Adjustment Between 6/30/18 and 12/31/18 Reviews	Change in Unpaid Between 6/30/18 and 12/31/18 Reviews
Automobile	SSU	8,256,128	1,725,917	3,757,982	10,288,193	9,048,566	(1,239,626)	792,439
Automobile	SB3	10,396,740	3,596,646	3,249,299	10,049,393	10,650,945	601,552	254,205
Automobile	Total	18,652,868	5,322,563	7,007,281	20,337,586	19,699,512	(638,074)	1,046,644
General Liability	SSU	69,041,709	11,207,853	11,882,907	69,716,763	68,865,618	(851,145)	(176,091)
General Liability	SB3	43,974,915	4,630,551	7,708,608	47,052,973	57,295,824	10,242,852	13,320,909
General Liability	Total	113,016,624	15,838,404	19,591,515	116,769,735	126,161,442	9,391,707	13,144,818
Property	SSU	3,427,507	826,428	1,460,305	4,061,383	3,714,116	(347,267)	286,609
Property	SB3	2,030,481	797,297	1,640,623	2,873,807	2,715,407	(158,400)	684,926
Property	Total	5,457,988	1,623,725	3,100,928	6,935,190	6,429,523	(505,667)	971,535
Medical Malpractice	SSU	25,124,035	3,888,473	3,816,590	25,052,152	22,356,749	(2,695,403)	(2,767,286)
Medical Malpractice	SB3	1,816,042	157,269	182,017	1,840,789	1,990,144	149,355	174,102
Medical Malpractice	Total	26,940,077	4,045,742	3,998,607	26,892,942	24,346,893	(2,546,049)	(2,593,184)
Mine Subsidence		1,220,022	304,053	528,976	1,444,945	1,591,937	146,992	371,915
Subtotal SSU	SSU	105,849,378	17,648,671	20,917,784	109,118,491	103,985,049	(5,133,442)	(1,864,329)
Subtotal SB3	SB3	58,218,178	9,181,763	12,780,547	61,816,963	72,652,321	10,835,359	14,434,143
Grand Total		165,287,578	27,134,488	34,227,307	172,380,398	178,229,307	5,848,909	12,941,728

Note: Unpaid as of 6/30/2018 does not include GL case reserves of \$1.3 million for pre-1998 exposure.



# Questions & Discussion





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



Allan L. McVey  
Cabinet Secretary

Mary Jane Pickens  
Executive Director  
Deputy Cabinet Secretary  
MaryJane.Pickens@wv.gov

**Executive Director's Report**

**March 19, 2019**

**A. Marshall University and West Virginia University Medical Malpractice Program**

- As of March 5, 2019, Marshall has deposited \$1,771,102.42 into the escrow account for FY2019. The fiscal year-to-date cumulative interest totals \$19,255.33. Disbursements totaling \$1,527,623.86 have been paid thus far in FY 2019.
- As of March 5, 2019, a total of \$4,229,603.35 has been deposited into WVU's escrow account for FY 2019. The fiscal year-to-date cumulative interest totals \$41,072.65. Disbursements totaling \$4,274,369.43 have been paid thus far in FY 2019.

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

**TRIALS**

In 2018, five cases were tried to verdict, with two plaintiff verdicts and four defense verdicts. Thus far in 2019, we have tried one case to a defense verdict:

Timothy York vs. WV Dept. of Health & Human Services (501-233817) McDowell Co.  
Cir. Ct.; Plaintiff alleged during internship at insured hospital, he lacked sufficient hours to keep his grant. He left for another position, making more money. Demand was \$80,000. Offer was \$5,000. Defense verdict on 1/31/2019.

**PAID CLAIMS (February 2019 Data)**

YTD Indemnity payments total \$5,291,240 vs. PYTD payments of \$4,198,305, an increase of 26%.

YTD Legal payments total \$2,482,059 vs. PYTD payments of \$2,705,401, a decrease of 8.25%.

**OUTSTANDING CLAIMS (February 2019 Data)**

YTD Indemnity reserves total \$54,874,622 vs. PYTD Indemnity reserves of \$51,143,352, an increase of 7.3%.

YTD Expense reserves total \$18,567,663 vs. PYTD Expense reserves of \$19,044,650, a decrease of 2.5 %.

**CLAIMS COUNTS (February 2019 Data)**

New claims YTD total 740 vs. PYTD of 760, a decrease of 2.6%.

Closed claims YTD total 789 vs. PYTD of 720, an increase of 9.6%.

Open claims YTD total 1074 vs. PYTD of 1277, a decrease of 15.9%.

**DURATION – CLOSED CLAIMS (February 2019 Data)**

YTD Duration of 113.194 Days vs. PYTD Duration of 111.381 Days, an increase of 1.6%.

**CLOSING RATIO (February 2019 Data)**

YTD Closing Ratio of 106.6% vs. PYTD Closing Ratio of 94.7%, an increase of 12.6%.

**C. Department of Administration Secretary Position**

It's my honor to introduce Allan L. McVey, our newly appointed Department Secretary. Sec. McVey was appointed by Governor Jim Justice on January 23, 2019. Prior to this appointment, he served as the West Virginia Insurance Commissioner. Prior to his appointment as West Virginia Insurance Commissioner, Cabinet Secretary McVey was a licensed insurance agent who served in several capacities during his long tenure in the insurance industry in West Virginia. His experience included a position as a Medical Claims Examiner with the West Virginia Workers' Compensation Fund and an underwriter with a large national insurance company. Since 1976, Sec. McVey was a licensed insurance agent and broker with several firms, both local and national; and sales and management of the West Virginia operations for a large national insurance brokerage firm.

Cabinet Secretary McVey earned a Bachelor of Science, Business Administration degree from West Virginia State University and has several post-graduate insurance designations.

**D. New State Chief Privacy Officer, Ashley Summitt**

I'm excited to also share an introduction today of Ashley Summitt, Esq., who will serve as the state's Chief Privacy Officer, effective March 2, 2019. Summitt succeeds Sallie Milam, who retired from state government in January after serving as the Chief Privacy Officer since 2002.

Prior to accepting this position, Summitt worked as the Deputy General Counsel and Privacy Officer for the Governor's Office since 2017. From 2009 to 2017, she served as General Counsel for the West Virginia Secretary of State and has also worked for the West Virginia Supreme Court of Appeals. Additionally, Summitt worked in the private sector as an associate with a private law practice.

Summitt received a Bachelor of Arts degree in English and a Bachelor of Science degree in Political Science from Hollins College in 1988, a master's degree in Public Administration from the London School of Economics in 1991, and a Doctor of Jurisprudence from Northeastern University School of Law in 2000. We welcome Ashley to the BRIM Team!



#### E. Patient Injury Compensation Fund (PICF)

The second annual PICF report was filed at the end of December 2018. The report filed for calendar year 2017 showed an estimated shortfall of approximately \$2 million, which lead to the introduction of SB 576. The bill was passed during the 2018 regular session and amended duration of the funding sources in W. Va. Code § 29-12D-1a. As a result, the calendar year 2018 report projects that all claims should be paid in full, with a small balance that, by statute, must be transferred to the General Revenue Fund.

As a reminder, a total of thirty-four claims have been filed against the PICF since its inception. As of the end of calendar year 2018, sixteen claimants have been fully paid for their claims. Two claims have been denied without appeal, and one denied claim was appealed and should become final soon. There are fifteen claimants with claims still in the payment phase who are receiving or will receive pro-rated annual payments.

#### F. Legislation

**HB 2536/SB 362** – Mine Subsidence agency bill. The House bill was referred to the Banking & Insurance Committee and the Judiciary Committee. It was not voted out of the Judiciary Committee. There didn't seem to be support for the bill, in spite of its goal to prevent double recovery for damages from a mining company (received pre-loss) and the state Mine Subsidence Fund. We will assess whether the Mine Subsidence policy form should be amended to address pre-loss settlements and releases. The Senate version of the bill was referred to the Energy, Industry & Mining Committee and never ran.

There were 2 bills introduced during the session that were very negative for BRIM, **SB 508** and **SB 552**. Respectively, these bills would have established a for-profit private sector insurer to take over the provision of property and casualty insurance for the state and would have created an entirely unworkable process for settling claims against the state. Both bills died, however two study resolutions were originated. The study resolution originating in Senate B&I (**SCR 52**) related to review of settlement and verdict data to provide insight into agencies and other units of state of government so that operations may be improved. This resolution was adopted by the Senate at the end of the session but does not appear to have been taken up by the House.

On the House side, the House Government Organization Committee originated **HB 3147**, which would have required BRIM and its liability program vendor to use a WV producer with at least 5 years' experience to provide all structured settlement services. This bill was placed on the House Calendar and died. However, the House Government Organization Committee then originated a study resolution (**HCR 88**) to study BRIM's contracting for services, review of premium structures and rates, and identify BRIM's activities to provide transparency to the public and governmental entities and reviewing fiscal responsibilities. In addition, it requires BRIM, the Real Estate Division, the Fleet Management Division, the Department of Administration, the State Auditor, the Enterprise Resource Planning Board, and the State Budget Office to cooperate with the Legislature and provide such information relating to "known discrepancies between the various databases across state government" that relate to state asset inventories. The intent of this is unclear, but it appears to assume that there is inadequate coordination among these databases and agencies/elected officials and that it somehow impacts BRIM's role as the state's risk manager and insurance provider.

**HB 2452** passed overwhelmingly and is a source of pride for our Office of Technology, the Privacy Team and BRIM. The bill codifies the WV Cybersecurity Office and the position of Chief Information Security Officer. The office and the position already existed, but the bill gives them authority around a new cybersecurity program. This program will assess the state's cybersecurity risk, assure the state's resources are used in the most effective manner to keep data and private information secure, and will manage and support recovery in the event of a cyber incident. This effort recognizes that we cannot make all our data systems 100% secure, but that this is a risk that must be appropriately managed. This bill is the result of almost a year's worth of effort starting with an application from our Chief Technology Officer Josh Spence with support from Sallie Milam (former State Chief Privacy Officer) to participate in the National Governor's Association Policy Academy on Cybersecurity. WV was one of 4 states chosen to participate. The Policy Academy was an opportunity to refine what we wanted to do with the legislation and build support over a period of several months. Funding was also provided in the form of a supplemental appropriation bill, so that the program can be launched soon. Ongoing funding will be built into the Office of Technology rates.

#### G. Risk Management Information System Update

Robert, Melody, John and I attended a meeting in Raleigh, NC with Dave Sumner and John Paudel of Emerson Solutions, our vendor for the new technology system. We had reached a point where conference calls were not the most efficient way to review the system together and discuss processes and needed functionality. The meeting was productive, and we feel that the Underwriting Module will be complete and ready for testing soon. The Loss Control Module relies on a lot of data from Underwriting, and when that data is fully loaded more testing by Loss Control will take place. We had a follow up conference call yesterday, March 18, with Dave Sumner to ensure that we will have the data needed to send to our actuaries for rating.

#### H. RFP for Consulting Services

The RFP that was included in my report at the December Board meeting has moved to a final draft and we plan to issue it on March 22, 2019. We have prepared an advertisement to place in the Gazette and we will also utilize Business Insurance as a vehicle for direct contact to consultants and consulting firms to advertise the issuance of the RFP. This direct contact will be in the form of an email that will go out tomorrow, March 20. This will enable us to have data on the number of email recipients who open the email and click on the link. We have also confirmed with our website manager, WV Interactive, that the number of times the RFP document is downloaded will be tracked. This data will enable us to answer questions relating to how effective and objective our RFP processes are. We also plan to do some direct emailing from this office to known individuals who may be interested in submitting a bid. Finally, we will also notify several associate members of STRIMA who may have interest in the RFP.

This RFP project was discussed with Legislative leadership and others during the session, and there is an expectation that it will occur. It was also suggested that we contact the House and Senate for the appointment of a representative from each to participate in the review by the consultant, which we plan to do. Commissioner Dodrill and Tonya Gillespie have both graciously agreed for Tonya to participate in the bid submission evaluation and selection process.

I. Miscellaneous

- a. We have had a resignation in our Loss Control Department. Lora Reynolds has taken a job at the Office of Technology. She was an office assistant, and we are currently working to fill that position.
- b. Christmas Season Giving – our Hospitality Team here at BRIM along with our friends from the Prosecuting Attorneys Institute organized a food drive that resulted in the collection of approximately 1,200 items of food for a food bank in Lincoln County. We divided into teams of Reindeer, Snowmen and Elves and competed to collect the most items. We also donated to a domestic violence shelter. Those donated items included things that moms and kids could enjoy together, such as books, cookie and hot chocolate mixes, popcorn and movies, etc.
- c. Data Privacy and Cybersecurity Day at the Legislature – on February 1, 2019, BRIM's Privacy Team hosted one of the presentation tables at this special day at the Legislature. The various displays were outside the Senate Chambers and provided an opportunity to interact with members of the public and Legislature to educate about our responsibilities and the importance of privacy and cybersecurity in state government. Several higher education institutions participated as well.
- d. We interviewed a candidate for a summer law internship with BRIM on March 7, 2019. He is considering his options and we anticipate reaching back out to him shortly to see if he is interested in committing to come to BRIM for the summer. We anticipate a need for legal research and support.
- e. On March 14, 2019, the BRIM management team met with representatives of AIG and USI to discuss the program generally and any potential changes to the policy for the upcoming policy year. The meeting went well.
- f. Dates for 2019 Board Meetings are listed below:

Tuesday, March 19, 2019 @ 1PM  
Tuesday, June 18, 2019 @ 1PM  
Tuesday, September 17, 2019 @ 1PM  
Tuesday, December 17, 2019 @ 1PM

Very truly yours,



Mary Jane Pickens  
Executive Director

MJP/ldm





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



Allan L. McVey  
Cabinet Secretary

Mary Jane Pickens  
Executive Director  
Deputy Cabinet Secretary  
MaryJane.Pickens@wv.gov

**Chief Financial Officer's Report  
March 19, 2019**

**A. P Card Report**

CD copies contain the supporting detail for P card purchases for the months of November and December 2018 and January 2019. These totals are:

November	\$67,432.92
December	\$48,251.71
January	\$89,285.00

**B. Current Financial Results**

- The financial results presented are for the seven months ended January 31, 2019. The results reflect the actuarially estimated unpaid losses from AON's risk funding study as of December 31, 2018, plus an additional accrual for January.
- Premium revenue has increased by \$2.9 million for FY'19. This increase mirrors the overall projected increase in loss pics of \$3.0 factored into rates for the current year.
- Retained case reserves are \$1.9 million higher this year and the actuarially estimated retained IBNR is also \$10.0 million higher than the prior year.
- Retained case reserves and the retained IBNR increases are the primary driver for the FY'19 claims and claims adjustment expenses increase of \$10.7 million over FY'18.
- The Fed raised its benchmark interest rate at quarter-point in December. The consensus among central bank officials now is that the Fed is leaning toward only 2 increases this year, instead of 3, and further "gradual" rate hikes beyond 2019.
- Fixed income market values reflect the reduced rate increase scenario as short-term bonds started rallying in November. Yields should be more stable for the rest of 2019.
- Equity market returns are in negative territory (\$1.1 million) for the first seven months of the fiscal year and are the reason for the underperformance in current year investment earnings of \$6.2 million versus last fiscal year's \$13.9 million.
- In the current fiscal year, slightly higher premium revenue was offset by the lower investment returns. The higher claims expense for FY'19 negatively impacted results when compared to the prior fiscal year through January 31, resulting in the smaller increase in net position of \$2.6 million this year vs. \$13.9 million increase last year.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Stephen W. Schumacher".

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

	2019	2018
	<i>(In Thousands)</i>	
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 31,537	\$ 29,627
Advance deposits with insurance company and trustee	211,504	198,280
Receivables	5,167	2,347
Prepaid insurance	2,604	2,791
Restricted cash and cash equivalents	15,962	12,078
Premiums due from other entities	878	643
Total current assets	267,652	245,766
Noncurrent assets:		
Equity position in internal investments pools	96,208	98,294
Restricted investments	55,560	56,765
Total noncurrent assets	151,768	155,059
Total assets	419,420	400,825
Deferred Outflows of Resources	438	458
Deferred Outflows of Resources - OPEB	44	0
<b>Liabilities</b>		
Current liabilities:		
Estimated unpaid claims and claims adjustment expense	50,453	47,713
Unearned premiums	15,563	14,935
Agent commissions payable	786	630
Claims Payable	216	55
Accrued expenses and other liabilities	2,832	2,985
Total current liabilities	69,850	66,319
Estimated unpaid claims and claims adjustment expense net of current portion	129,938	120,837
Compensated absences	122	107
Net pension liability	331	766
Total noncurrent liabilities	130,391	121,710
Total liabilities	200,241	188,029
Deferred Inflows of Resources	330	37
Deferred Inflows of Resources - OPEB	73	0
Net position:		
Restricted by State code for mine subsidence coverage	61,059	61,063
Unrestricted	155,552	138,265
Net Assets (Deficiency)	2,646	13,888
Net position	\$ 219,257	\$ 213,216

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

	2019	2018
	<i>(In Thousands)</i>	
<b>Operating revenues</b>		
Premiums	\$ 48,720	\$ 45,546
Less coverage/reinsurance programs	(4,023)	(3,727)
Net operating revenues	44,697	41,819
<b>Operating expenses</b>		
Claims and claims adjustment expense	45,658	34,965
General and administrative	2,638	2,483
Total operating expenses	48,296	37,448
Operating income (loss)	(3,599)	4,371
<b>Nonoperating revenues</b>		
Investment income	6,245	9,517
Net nonoperating revenues	6,245	9,517
Changes in net position	2,646	13,888
Total net position, beginning of year	216,611	199,328
Total net position, end of period	\$ 219,257	\$ 213,216

*Unaudited*



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



Allan L. McVey  
Cabinet Secretary

Mary Jane Pickens  
Executive Director  
Deputy Cabinet Secretary

**Loss Control Report to the Board  
March 2019**

Senate Bill #3 loss control questionnaires were due on January 1, 2019. Since then, we have been evaluating the submitted questionnaires to apply credits or surcharges based on participation in the Standards of Participation program. We hope to complete the evaluation this month. As of March 12<sup>th</sup>, we had completed 662 evaluations.

Over the course of the spring and summer, we will concentrate our loss control consultation services on our Senate Bill #3 entities including County Boards of Education. Hopefully, we will be able to identify the problem areas for our insured and provide them with specific strategies and methods to help them avoid or control preventable claims.

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

Since our last meeting, Jeremy Wolfe and Kimberly Hensley were recertified as authorized OSHA General Industry Outreach Trainers. Carl Baldwin is also certified and will go through the recertification process later this year.

We have a vacant Office Assistant position within the department due to Lora Reynolds' transfer to the Office of Technology in January. We have advertised to fill the vacancy and have conducted interviews. We hope to fill the position as soon as possible.

During the months of January and February, Aon conducted 148 inspections and Liberty Mutual Insurance conducted 1,377. The reports are being processed according to established procedures.

Dated: *March 18, 2019*

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



Allan L. McVey  
Cabinet Secretary

Mary Jane Pickens  
Executive Director  
Deputy Cabinet Secretary

**Chief Privacy Officer's Report  
March 19, 2019**

**A. Privacy Management Team Meetings**

- The Privacy Management Team (PMT) met on January 28, 2019 for the annual Data Privacy Day event. There were 30 folks in attendance representing 11 Executive Branch departments or agencies, two Constitutional Officers and Higher Education. Scott Koller, from BakerHostetler, our cyber-breach coach, spoke to us on the current cyber risk landscape and conducted two table-top exercises involving phishing scams and ransomware.
- Our March 12 PMT meeting was cancelled due to our ongoing transition to a new Chief Privacy Officer. We expect to have a solid PMT agenda for the next scheduled meeting in May.

**B. Privacy Training**

- During calendar year 2018, 2,266 Executive Branch employees took the online course *Think WV Privacy*, which is a general privacy awareness training course.
- State Privacy Office staff are currently working on developing a new online privacy awareness course, which is expected to be completed this summer. The working title for the new course is *Mission: Data Privacy*.
- Also, during calendar year 2018, 1,110 Executive Branch employees took the online course *HIPAA/HITECH*, which is a general HIPAA training course.

**C. 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.



- Since the last Board meeting, three PIA's have been completed and submitted. Requests for completion of PIA's come from the Office of Technology (OT) when an agency seeks to make a technology purchase. OT wants the PIA to be completed before the purchase is approved so that the effects on Privacy can be considered when new technology is acquired. When a PIA request is issued, BRIM is supposed to be copied on that request. Unfortunately, we have not been copied on these requests of late due to staff changes at OT. We are working to reestablish that connection.
- PIA completion is not yet mandatory for all agencies; however, HB 2452 includes among the Chief Information Security Officer's statutory powers the development of a policy outlining use of the PIA as it relates to safeguarding of data and its relationship with technology.

#### **D. NGA Policy Academy**

- The NGA Policy Academy held its second in-state meeting in Charleston, January 7-8, 2019, in which State Privacy Office (SPO) staff attended. The meeting included a discussion on how to appropriately support the bill that was to be known as known as the SECURE WV Act, and to plan for the Cyber/Privacy Day at the Legislature.
- Cyber/Privacy Day at the Legislature was February 1, outside of the Senate Chamber. The SPO had two tables with privacy awareness handouts and online demonstrations and videos. This event was to raise awareness of the Cyber Security bill and the risks to the State's information assets through privacy and security incidents.

Very truly yours,

*Ashley Summitt*

Ashley Summitt, JD  
Chief Privacy Officer  
WV Executive Branch



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



Allan L. McVey  
Cabinet Secretary

Mary Jane Pickens  
Executive Director  
Deputy Cabinet Secretary

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

*June 18, 2019*

Chairman Martin

Call to Order

Chairman Martin

Approval of Board Minutes  
March 19, 2019

**REPORTS**

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

Ashley E. Summitt  
Chief Privacy Officer

Privacy Report

**UNFINISHED BUSINESS**

**NEW BUSINESS**

**ADJOURNMENT**

*Idm*



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



Allan L. McVey  
Cabinet Secretary

Mary Jane Pickens  
Executive Director  
Deputy Cabinet Secretary

**MINUTES OF THE MEETING  
OF THE  
WEST VIRGINIA BOARD OF RISK AND INSURANCE MANAGEMENT  
June 18, 2019  
DRAFT**

**BOARD MEMBERS  
PRESENT:**

Bruce R. Martin, CIC, CRM, Chairman  
Bob Mitts, CPCU, Vice Chairman  
James Wilson, Esq., Member (joined via phone)  
James A. Dodrill, 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  
Jeremy Wolfe, Loss Control Manager  
Ashley Summitt, Chief Privacy Officer  
Chuck Mozingo, Asst. Claims Manager  
John Fernatt, Claim Representative  
Valerie Poindexter, Claim Representative  
Stephen W. Panaro, CPA, Controller  
Erica Howell, Intern  
Solomon Phillips, Intern  
Lora Myers, Recording Secretary

**BRIM PROGRAM  
REPRESENTATIVES:**

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

**GUESTS:**

Allan L. McVey, Secretary, Department of Administration  
Sandy Price, WVU Health Sciences Center  
Michael Gansor, WVU Risk Management

## **CALL TO ORDER**

Chairman Martin called the meeting of the West Virginia Board of Risk and Insurance Management to order on Tuesday, June 18, 2019 at 1:00PM. The meeting was held in the Executive Conference Room at 1124 Smith Street, Suite 4600, Charleston, West Virginia. James Wilson joined the meeting via phone.

## **APPROVAL OF MINUTES**

Vice Chairman Bob Mitts moved the approval of the December 18, 2018 Board Meeting minutes. The motion was seconded by James Wilson. Being no discussion, a vote took place and the MOTION ADOPTED.

## **REPORTS**

### **Executive Director's Report**

Chairman Martin called on Mary Jane Pickens to present the Executive Director's Report.

Ms. Pickens discussed the Medical Malpractice Program status for both Marshall University and West Virginia University. Mrs. Pickens reported on the State Agency/Senate Bill #3 Liability Claim and Litigation Information. No trials to report since the March 2019 Board meeting. The attached Executive Director's Report includes detailed information regarding paid claims, outstanding claims, claim counts and closed claims.

Mrs. Pickens gave a recap regarding the Patient Injury Compensation Fund (PICF). The second annual PICF report was filed at the end of December 2018. At the March 2019 Board meeting, Mrs. Pickens reported there was one claim still in litigation. At that point, we were waiting for the 30-day period to appeal our order to the Circuit Court, that period has ended with no appeal filed. The PICF total liability is established and we are approaching another pro-rata payment to claimants.

BRIM's vendor for Risk Management Information System (RMIS) has been purchased by Asset Works. Expansion into risk management system development is the reason Asset Works acquired our vendor. A few weeks ago, we met with an Asset Works representative along with Dave Sumner from Emerson and feel positive regarding the transition. Our project will experience no turnover due to Asset Works retaining the Emerson staff. The Claims module is currently in use and we continue to make progress on both the Underwriting and Loss Control modules of the project. The new company is assisting us in providing a more robust reporting from the system, which had been a matter of contention with Emerson.

Mrs. Pickens reported on the status of BRIM RFPs. The Consultant RFP was published on March 22, 2019. On April 15, 2019, a pre-bid conference was held with eight potential bidders attending. We received four bids by the May 17, 2019, due date. Oral presentations were held with the vendors on May 23, 2019 and May 30, 2019. The



bids have been evaluated; however, we are not at a point where the contract can be awarded but we expect to announce by our goal date of July 1, 2019.

The Finance Department RFP for auditing services has been concluded. The incumbent, Dixon Hughes Goodman, was the successful bidder.

The Loss Control RFP for property inspection services has been concluded. The incumbent, Aon, was the successful bidder.

Mrs. Pickens reported on BRIM Policy renewals. The renewal of Property Coverage was detailed, total renewal premium for FY 2020 will be \$3,794,714, the renewal is a two-year proposal. At next renewal the proposal includes a 4% rate reduction with a 35% loss ratio.

BRIM is still awaiting further information from USI on renewal of the BOE Renewal of Boards of Education Excess Policy. The market is tightening considerably on this type of risk. Carriers are concerned about risks associated with schools such as busses, etc. Challenges are anticipated with both cost and terms for the excess coverage.

Cyber policies for Boards of Education and State Agencies have been renewed. The BOE cyber policy (AIG) July 1, 2019 renewal premium is reduced from last year. The state policy Underwriters at Lloyds) July 1, 2019. Business Interruption coverage was added this year and increased coverage for PCI (payment card) compliance regulatory assessments to \$5 million.

The Boiler & Machinery Insurance and Inspection contract with Liberty Mutual has been renewed. This is the second year Liberty Mutual will be providing this coverage and inspection services. The first year was a slow start with inspections but after working closely with the company all inspections will be completed this year and ensured they are back on a timely basis for the coming year. The annual premium is \$275,000 which is a \$62,500 per year savings from the prior carrier.

We are currently in the process of renewing the Aviation Fleet Policy. The producer assisting BRIM on this coverage approached the market and received multiple responses. AIG appears to continue to offer the best pricing and most flexibility in terms of coverages, pilot designations and aircraft usage. Coverage in the aviation market is currently shrinking and insurers are tightening underwriting minimums and increasing premiums.

Mrs. Pickens discussed several miscellaneous items. Jeremy Wolfe has been holding interviews for a third Risk & Insurance Analyst for the Loss Control Department. We have been working with the State Personnel Board to update the class specifications for all Loss Control positions. Hiring for this position will complete the mission to have a fully staffed Loss Control Department.

Mrs. Pickens introduced BRIM's two summer interns in attendance at the meeting. Solomon Phillips and Erica Howell are working with us through the Governor's Internship Program. Solomon is a Marshall student and Erica is a student from WVU.

Both Solomon and Erica are pursuing degrees in Political Science. Both interns are considering the possibility of law school after graduation. We are happy to have both interns with us. We have been impressed with their quick grasp of our work as well as their work ethic. They have been assisting with both claims and underwriting but hope that they have acquired a good feel for our agency and a little more about state government generally.

BRIM managed to extend Employee Recognition Week into a month this year. Rather than packing all activities into one week, we held events one day each week in May. Our "Road Trip" theme celebrated different states in our nation. The events, games and food were underwritten by our Hospitality Team and their fund-raising efforts. Additionally, BRIM celebrated Earth Day with a contest to see who could recycle or reuse items to most creatively and effectively. The results were featured in the DOA newsletter. A recycle bin has also been installed in the kitchen for plastics and cans.

In conclusion, Mrs. Pickens mentioned the dates for the upcoming board meetings. The September meeting was changed to September 10, 2019, to better accommodate STRIMA. There have been several notices of the meeting change. The last meeting for 2019 will be held on December 17, 2019. Both meetings will be held at 1PM in the BRIM Board Room.

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 on Mr. Schumacher to present the Chief Financial Officer's Report.

Mr. Schumacher discussed PCard activity for February, March and April. A disk containing PCard activity for the period February – April 2019, was distributed to the Board.

Mr. Schumacher gave a detailed review of the current financial results for the ten months ending April 30, 2019. The results reflect the actuarially estimated unpaid losses from AON's Risk Funding Study as of March 31, 2019, plus additional accrual for April.

Net Premium revenue has increased by \$4 million for FY'19. The actuarially estimated retained IBNR is 4.2 million higher than the previous year, resulting in the year over year increase in claims liability for FY'19. Retained case reserves are higher by \$5.9 million, versus the prior year. Net claims payments for the first ten months of FY'19 are approximately \$0.9 million lower than at the same period last year.

The rate-setting committee for the Fed's is meeting today and tomorrow. Fed officials will consider whether a worsening of the trade tensions since their April 30 – May 1 meeting and the slowdown in hiring and industrial activity might warrant a rate decrease. If not this week, then later in the summer.

As short-term yields have decreased since last October, the market value of BRIM's bond holdings have increased. BRIM's fixed income earnings through April 30<sup>th</sup> total \$12.2 million and are the primary driver for better investment earnings overall verses the prior year. Annualized return on investments for the ten months ended April 30<sup>th</sup> is 4.1% this year, compared to 1.9% last year.

Higher premium revenue and much better investment returns were tempered by higher claims expense. BRIM's net position saw an improvement for the current fiscal year of \$11.9 million compared to last fiscal year improvement of \$9.7 million for the same period.

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

### **Loss Control Report**

Mr. Fisher was called upon by the Chairman to present the Loss Control Report.

Mr. Fisher reported that we have successfully renewed contract for insurance loss control inspection services with Aon Global Risk Consulting. For boiler and air conditioning systems insurance and loss prevention inspection services we have renewed contract with Liberty Mutual Insurance.

Loss Control Questionnaires were sent to all state agencies in May. The deadline for submission to BRIM is August 1, 2019. Necessary information will be gathered for calculation of loss control credits or surcharges for fiscal year 2021.

Mr. Fisher informed the board that Lora Reynolds transferred back to our agency from the Office of Technology. She returned to her previous Office Assistant position on April 1, 2019, glad to have her back at BRIM. We have also advertised and conducted interviews for a vacant Risk and Insurance Analyst position. Will fill the position as soon as possible.

Mr. Fisher reported on inspections conducted during March, April and May. Aon conducted 118 inspections and 889 were conducted by Liberty Mutual Insurance. The reports are being processed. Since our prior report, our loss control technical staff have completed 5 Loss Control Visits and 8 Standards of Participation Visits.

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

### **Privacy Report**

Ashley Summitt was called on by the Chairman to present the Privacy Report.

Ms. Summitt reported that the Privacy Management Team met May 21, 2019, for the bi-monthly PMT meeting. Twenty-six DPOs/APOs from 14 different Executive and Higher Education/Constitutional agencies attended. Melody Duke, BRIM's Underwriting



Manager, presented an overview of the state's cyber policy to the attendees. The next Privacy Management Team meeting is scheduled for July 16, 2019.

Ms. Summitt reported on privacy trainings. During the first quarter of 2019, 574 members of the Executive Branch workforce took the online course *Think WV Privacy*; 600 members took the online course *WV Confidentiality Agreement*; and 332 members took the online course *HIPAA/HITECH*. The State Privacy Office is working with the Office of Technology to refine the analysis of the training participants for more accurate numbers.

Training events by the SPO since March were discussed. May 15, 2019, State Privacy Office staff presented a 90-minute online privacy webinar entitled "Purchasing as a Privacy Powerhouse" to procurement staff from various agencies. May 30, 2019, State Privacy Office staff presented a training on PII to higher education procurement staff during a HEPC conference. June 17, 2019, State Privacy Office staff presented a new officer orientation and training to 7 DPOs/APOs.

Ms. Summitt explained a privacy impact assessment (PIA) which is a tool used to assess the privacy impact and risks to the personally identifiable information (PII) stored, used and exchanged by information systems. A PIA evaluates privacy implications when information systems are created, when existing systems are significantly modified, or new technology is purchased. Since March 11 PIAs have been completed and submitted. Staff changes at the Office of Technology have resulted in changes for reporting to our office their recommendations for completing a PIA. We are working on a process by which we are notified of these recommendations. Currently, PIA completion is not mandatory for agencies.

A final step for West Virginia's participation in the NGA Policy Academy, members of the WVOT Cyber Security Information Office and the State Privacy Office attended the National Governors Association's National Summit on State Cybersecurity in Shreveport, Louisiana on May 14-15. The WV Cyber Security Information Office presented the process of the passage of the SECURE WV Act. The Chief Privacy Officer is a member of the team creating the RFP for the vendor that will provide the security assessments for Executive Branch agencies as required by the Security WV Act.

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. James Wilson moved the adjournment meeting. The motion was seconded by Vice Chairman Bob Mitts. Being no discussion, a vote took place and the MOTION ADOPTED. Meeting adjourned at 1:30PM.

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Board Chairman

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Date

ldm



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



Allan L. McVey  
Cabinet Secretary

Mary Jane Pickens  
Executive Director  
Deputy Cabinet Secretary  
MaryJane.Pickens@wv.gov

**Executive Director's Report**

**June 18, 2019**

**A. Marshall University and West Virginia University Medical Malpractice Program**

- As of June 6, 2019, Marshall has deposited \$2,061,041.00 into the escrow account for FY 2019. The fiscal year-to-date cumulative interest totals \$28,931.64. Disbursements totaling \$1,573,135.85 have been paid thus far in FY 2019.
- As of June 6, 2019, a total of \$5,029,034.29 has been deposited into WVU's escrow account for FY 2019. The fiscal year-to-date cumulative interest totals \$59,409.45. Disbursements totaling \$5,090,903.21 have been paid thus far in FY 2019.

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

**TRIALS**

There are no new trial results to report since the March 2019 Board meeting.

**PAID CLAIMS (April 2019 Data)**

YTD Indemnity payments total \$10,595,025 vs. PYTD payments of \$11,923,754, a decrease of 11.14%.

YTD Legal payments total \$4,848,031 vs. PYTD payments of \$5,180,571, a decrease of 6.42%.

**OUTSTANDING CLAIMS (April 2019 Data)**

YTD Indemnity reserves total \$60,635,539 vs. PYTD Indemnity reserves of \$47,510,347, an increase of 27.63%.

YTD Expense reserves total \$19,113,897 vs. PYTD Expense reserves of \$19,338,840, a decrease of 1.16 %.

**CLAIMS COUNTS (April 2019 Data)**

New claims YTD total 1848 vs. PYTD of 1823, an increase of .27%.

Closed claims YTD total 1495 vs. PYTD of 1504, a decrease of 0.6%.

Open claims YTD total 1134 vs. PYTD of 1179, a decrease of 3.82%.

DURATION – CLOSED CLAIMS (April 2019 Data)

YTD Duration of 109.567 Days vs. PYTD Duration of 107.445 Days, an increase of 1.97%.

CLOSING RATIO (April 2019 Data)

YTD Closing Ratio of 104.55% vs. PYTD Closing Ratio of 102%, a decrease of 2.5%.

C. Patient Injury Compensation Fund (PICF)

Recap: The second annual PICF report was filed at the end of December 2018. The report filed for calendar year 2017 showed an estimated shortfall of approximately \$2 million, which lead to the introduction of SB 576. The bill was passed during the 2018 regular session and amended duration of the funding sources in W. Va. Code § 29-12D-1a. As a result, the calendar year 2018 report projects that all claims should be paid in full, with a small balance that, by statute, must be transferred to the General Revenue Fund. A total of thirty-four claims have been filed against the PICF since its inception. As of the end of calendar year 2018, sixteen claimants had been fully paid for their claims. Three claims have been denied and are final. There are fifteen claimants with claims still in the payment phase who are receiving or will receive pro-rated annual payments.

At the March 2019 Board meeting, I reported that there was still one claim in litigation. At that time, we were waiting for the 30-day period to appeal our order to the Circuit Court. That appeal period has now run, with no appeal filed. The total liability of the PICF is now established, and we are approaching another pro-rata payment to claimants in the next few months.

D. Risk Management Information System Update

Our vendor, Emerson, has been bought by Asset Works. It appears that Asset Works is expanding into risk management system development and acquired our vendor to help launch that new aspect of the business. We met with a representative of Asset Works a few weeks ago, along with the Dave Sumner from Emerson, and we feel positive about this transition. Asset Works is retaining the Emerson staff so we will not have any turnover on our project. We are using the claims module and are making progress on the Underwriting and Loss Control modules. We're also working with the new company to provide more robust reporting out of the system, which had been a matter of contention with Emerson.

E. RFP's

- a. We published the Consultant RFP on March 22, 2019 as announced at the last Board meeting. We held a pre-bid conference on April 15, 2019, with eight potential bidders in attendance. Bids were due on May 17 and we received 4 bids. We held oral presentations with the 4 vendors on May 23 and May 30. The evaluation team has evaluated the bids. We are not at a point where the contract can be awarded but we expect to be able to do that before July 1, which has been our goal.



- b. The Finance Department RFP for auditing services has concluded and the successful bidder was Dixon Hughes Goodman, the incumbent.
- c. The Loss Control RFP for property inspection services has concluded and the successful bidder was Aon, the incumbent.

#### F. Policy renewals

- a. Renewal of Property Coverage – The total renewal premium for FY 2020 will be \$3,794,714, compared to FY 2019 \$3,719,200. This renewal is a two-year proposal. At next renewal the proposal includes a 4% rate reduction with a 35% loss ratio. Total Insured Value increased from \$21,479,385,456 to \$21,802,908,517. The first layer of coverage (AXIS, \$25 million over BRIM's first \$1 million) was lower than last year, but we had increases in the second layer (RSUI, \$100,000 million) and third layer (Atlantic Specialty, \$75 million).
- b. Renewal of Boards of Education Excess Policy: We are still awaiting further information from USI on renewal of the BOE Excess Liability Policy. We've learned that the market is tightening considerably on this type of risk, with carriers being concerned about risks associated with schools such as busses, etc. We anticipate upcoming challenges with both cost and policy terms for the excess coverage.
- c. We have renewed the cyber policies for Boards of Education and State Agencies. The BOE cyber policy (AIG) July 1, 2019 renewal premium is \$270,257, a reduction from last fiscal year of \$239,558 (a reduction of \$30,699 for the Boards of Education). For the state policy (Underwriters at Lloyds) the renewal premium for July 1, 2019 is \$890,400. We added Business Interruption coverage this year with a \$12.5 million sublimit, and increased coverage for PCI (payment card) compliance regulatory assessments to \$5 million.
- d. We have renewed the Boiler & Machinery Insurance and Inspection contract with Liberty Mutual. This will be the second year for Liberty Mutual providing this coverage and the inspection services. The first year got off to a slow start with inspections but we have worked with the company closely and all inspections will be completed this year and we have ensured they are on track to timely perform all inspections for the coming year. The annual premium is \$275,000, representing a savings of \$62,500 per year from the previous carrier.
- e. We are in the process of renewing the Aviation Fleet Policy. The producer working with BRIM on this coverage approached the market and received multiple responses. AIG appears to still offer the best pricing and most flexibility in terms of coverages, pilot designation and aircraft usage. The aviation coverage market is currently shrinking, and insurers are tightening underwriting minimums and increasing premium. The total increase with this renewal will be \$15,337 (from \$113,102 to \$123,906).

G. Miscellaneous

- a. Jeremy Wolfe has been conducting interviews for a third Risk and Insurance Analyst in Loss Control. We worked with the State Personnel Board over a year ago to update the class specifications for all of our Loss Control positions and filling this position will complete our mission to more fully staff the Loss Control Department.
- b. Summer Interns – we have hired 2 summer interns through the Governor's internship program, Solomon Phillips and Erica Howell. Solomon is a Marshall University student and Erica is a WVU student, both pursuing degrees in Political Science. Both are entertaining the possibility of law school when they graduate. We are very please to have Erica and Solomon with us this summer. They've already impressed us with their quick grasp on our work here and their great work ethic. We are introducing them to claims and underwriting primarily this summer but hope that by the time they return to school in August they will have a good feel for our agency and a little more about state government generally.
- c. We managed to stretch Employee Recognition Week into a whole month this year. Rather than pack our activities into one week as we have in the past, we held events every Friday in May. We had a "Road Trip" theme this year, celebrating a different state each week. The events and food were underwritten by our Hospitality Team through their year-long fund-raising activities.
- d. We also celebrated Earth Day with a "Trash to Treasure" contest to see who could recycle or reuse items most creatively. The results were featured in the DOA newsletter, "Notes, Quotes, and Anecdotes". We also installed a recycle bin in the kitchen for plastics and cans.
- e. Dates for 2019 Board Meetings are listed below:

Tuesday, September 10, 2019 @ 1PM  
Tuesday, December 17, 2019 @ 1PM

Very truly yours,

A handwritten signature in blue ink that reads "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



Allan L. McVey  
Cabinet Secretary

Mary Jane Pickens  
Executive Director  
Deputy Cabinet Secretary  
MaryJane.Pickens@wv.gov

**Chief Financial Officer's Report**  
**June 18, 2019**

**A. P-Card Report**

CD copies contain the supporting detail for P-card purchases for the months of February, March and April 2019. These totals are:

February	\$71,442.49
March	\$52,961.25
April	\$40,909.24


**B. Current Financial Results**

- The financial results presented are for the ten months ended April 30, 2019. The results reflect the actuarially estimated unpaid losses from AON's risk funding study as of March 31, 2019, plus an estimated additional accrual for April.
- Net premium revenue for FY'19 has increased by \$4.0 million vs. FY'18. This increase covers the actuarially projected increase in loss pics for the current year.
- The actuarially estimated retained IBNR is \$4.2 million higher than the previous year, resulting in the year over year increase in claims liability for FY'19.
- Retained case reserves are also higher, by \$5.9 million, versus the prior year.
- Net claims payments for the first ten months of FY'19 are approximately \$0.9 million lower than the same period last year.
- Combined increases in the retained case reserves and retained IBNR along with the net claims payments decrease result in the overall claims expense increase of \$9.2 million for FY'19 versus FY'18.
- The Fed's rate-setting committee is set to meet today and tomorrow. Fed officials will consider whether a worsening of trade tensions since their April 30 - May 1 meeting and the recent slowdown in hiring and industrial activity might warrant a rate decrease, if not this week, then later this summer. Federal Reserve Chairman Jerome Powell said recently that tariff issues and slowing global growth could impact the Fed's outlook for lowering rates in the near term.
- As short-term yields have decreased since last October, the market value of BRIM'S bond holdings have increased. BRIM's fixed income earnings through April 30<sup>th</sup> total \$12.2 million and are the primary driver for better investment earnings overall vs. the prior year. Equity market investment earnings year-to-date total \$1.6 million.
- Annualized return on investments for the ten months ended April 30 is 4.1% this year compared to 1.9% last year.

**B. Current Financial Results (cont'd)**

- Higher premium revenue and much better investment returns were tempered by higher claims expense. This resulted in the improvement to BRIM's net position for the current fiscal year of \$11.9 million compared to last year's improvement of \$9.7 million for the same period.

Respectfully submitted,



Stephen W. Schumacher, CPA  
Chief Financial Officer



# West Virginia Board of Risk and Insurance Management

## Statements of Net Position

For the Ten Months Ended April 30th

	2019	2018
	<i>(In Thousands)</i>	
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 35,449	\$ 30,551
Advance deposits with insurance company and trustee	217,783	200,135
Receivables	2,627	3,366
Prepaid insurance	1,042	1,117
Restricted cash and cash equivalents	16,517	13,185
Premiums due from other entities	878	643
Total current assets	274,296	248,997
Noncurrent assets:		
Equity position in internal investments pools	99,327	96,411
Restricted investments	57,361	55,677
Total noncurrent assets	156,688	152,088
Total assets	430,984	401,085
Deferred Outflows of Resources	438	458
Deferred Outflows of Resources - OPEB	44	0
<b>Liabilities</b>		
Current liabilities:		
Estimated unpaid claims and claims adjustment expense	50,453	47,713
Unearned premiums	15,407	14,838
Agent commissions payable	1,114	900
Claims Payable	102	287
Accrued expenses and other liabilities	3,332	3,471
Total current liabilities	70,408	67,209
Estimated unpaid claims and claims adjustment expense net of current portion	131,775	124,409
Compensated absences	122	107
Net pension liability	331	766
Total noncurrent liabilities	132,228	125,282
Total liabilities	202,636	192,491
Deferred Inflows of Resources	330	37
Deferred Inflows of Resources - OPEB	73	0
Net position:		
Restricted by State code for mine subsidence coverage	61,059	61,063
Unrestricted	155,552	138,265
Net Assets (Deficiency)	11,816	9,686
Net position	\$ 228,427	\$ 209,014

*Unaudited*

# West Virginia Board of Risk and Insurance Management

## Statements of Revenues, Expenses, and Changes in Net Position

For the Ten Months Ended April 30th

	2019	2018
	<i>(In Thousands)</i>	
<b>Operating revenues</b>		
Premiums	\$ 69,520	\$ 65,355
Less coverage/reinsurance programs	(5,585)	(5,401)
Net operating revenues	63,935	59,954
<b>Operating expenses</b>		
Claims and claims adjustment expense	62,037	52,806
General and administrative	3,859	3,560
Total operating expenses	65,896	56,366
Operating income (loss)	(1,961)	3,588
<b>Nonoperating revenues</b>		
Investment income	13,777	6,098
Net nonoperating revenues	13,777	6,098
Changes in net position	11,816	9,686
Total net position, beginning of year	216,611	199,328
Total net position, end of period	\$ 228,427	\$ 209,014

*Unaudited*

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

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Allan L. McVey  
Cabinet Secretary

Mary Jane Pickens  
Executive Director  
Deputy Cabinet Secretary

**Loss Control Report to the Board  
June 2019**

We have successfully renewed contracts for our insurance loss control inspection services with Aon Global Risk Consulting and our boiler and air conditioning systems insurance and loss prevention inspection services with Liberty Mutual Insurance.

During the month of May, we sent out Loss Control Questionnaires to all state agencies. The deadline for submission to BRIM is August 1, 2019. At that time, we will gather the necessary information for calculation of loss control credits or surcharges for fiscal year 2021.

Lora Reynolds transferred back to our agency from the Office of Technology to her previous position (Office Assistant) on April 1, 2019. Her return filled a significant void within the Loss Control Department and we are pleased that she returned.

We have advertised and conducted interviews to fill a vacant Risk and Insurance Analyst position. We hope to fill the position as soon as possible.

During the months of March, April and May Aon conducted 118 inspections and Liberty Mutual Insurance conducted 889. The reports are being processed according to established procedures.

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

**5 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.

8 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.

Dated: *June 17, 2019*

Respectfully submitted,



Robert A. Fisher  
Deputy Director *and* Claim Manager





Mary Jane Pickens  
Executive Director  
Deputy Cabinet Secretary

## Chief Privacy Officer's Report June 18, 2019

### A. Privacy Management Team Meetings

- Since the March 19, 2019 BRIM board meeting, the Privacy Management Team met on May 21, 2019 for bi-monthly PMT meeting. Twenty-six DPOs/APOs from 14 different Executive and Higher Education/Constitutional agencies attended. Melody Duke, the BRIM Underwriting Manager presented to the attendees an overview of the state's cyber insurance policy.
- The next Privacy Management Team meeting is scheduled for July 16, 2019.

### B. Privacy Training

- During the First Quarter of 2019, 574 members of the Executive Branch workforce took the online course *Think WV Privacy*, which is a general privacy awareness training course.
- During the First Quarter of 2019, 600 members of the Executive Branch workforce took the online course *WV Confidentiality Agreement*, which is required of all workforce members.
- During the First Quarter of 2019, 332 members of the Executive Branch workforce took the online course *HIPAA/HITECH*, which is a general HIPAA training course.
- The State Privacy Office is working with the Office of Technology to refine the analysis of the training participants for more accurate numbers.

The following training events were held by the SPO since March:

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### **C. 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.
- Since March, 11 PIAs have been completed and submitted. Staff changes at the West Virginia Office of Technology have resulted in procedural changes for reporting to our office their recommendations for completing a PIA. We are working on re-establishing a process by which we are notified of these recommendations.
- At this point, PIA completion is not mandatory for agencies.

### **D. NGA Policy Academy**

- As a final step for West Virginia’s participation in the NGA Policy Academy, members of the WVOT Cyber Security Information Office and the State Privacy Office attended the National Governors Association’s National Summit on State Cybersecurity in Shreveport, Louisiana May 14-15. The WV Cyber Security Information Office presented on the process of the passage of the SECURE WV Act.
- Chief Privacy Officer is a member of the team creating the RFP for the vendor that will provide the security assessments for Executive Branch agencies as required by the Security WV Act.

Very truly yours,

*Ashley Summitt*

Ashley Summitt, JD  
Chief Privacy Officer  
WV Executive Branch