

# State of West Virginia

## Board of Risk and Insurance Management

### 2020 Annual Report





August 28, 2020

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, 2020 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 160 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

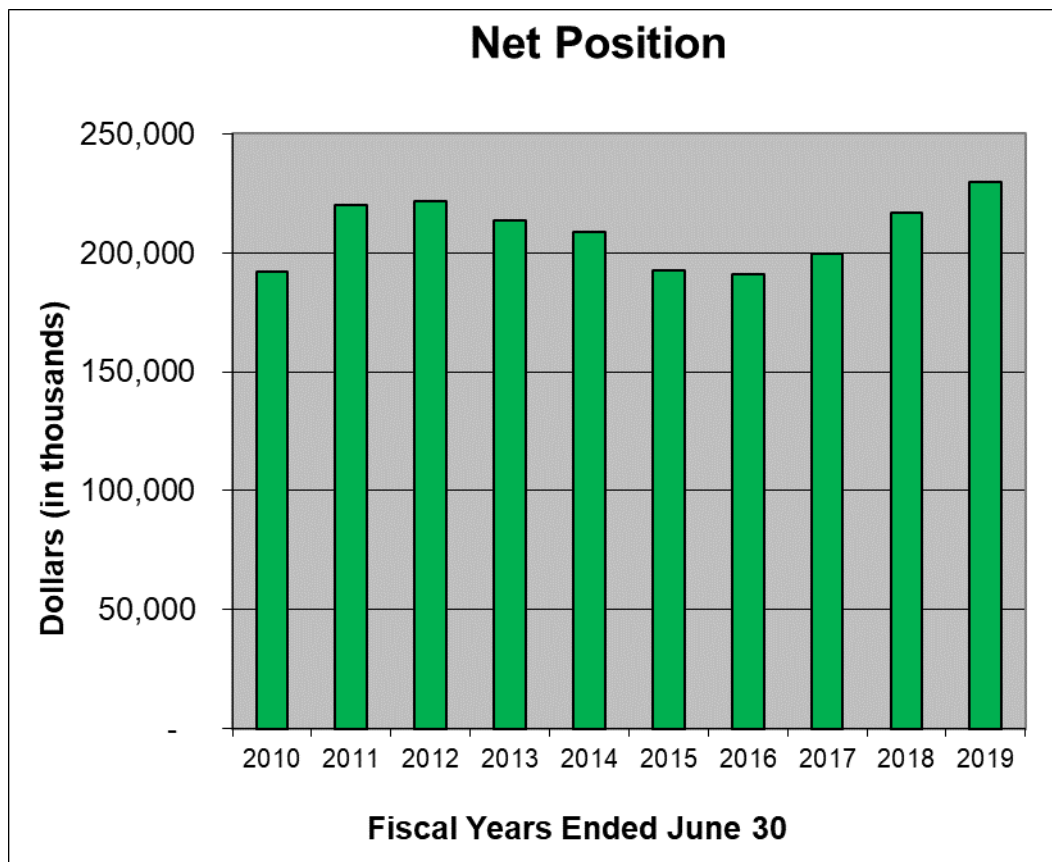
Below are audited results from operations of four most recent fiscal years ended June 30:

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
		(In thousands)		
Operating Revenues:				
Premiums	\$65,293	\$71,368	\$78,951	\$83,301
Less Excess Coverages	<u>(6,909)</u>	<u>(6,681)</u>	<u>(6,518)</u>	<u>(6,627)</u>
Net Operating Revenues	58,384	64,687	72,433	76,674
Operating Expenses:				
Claims & Claims Adjustment	63,753	59,149	57,393	80,169
General Administrative	<u>3,905</u>	<u>4,200</u>	<u>4,410</u>	<u>4,519</u>
Total Operating Expenses	67,658	63,349	61,803	84,688
Operating Income (Loss)	(9,274)	1,338	10,630	(8,014)
Non-Operating Revenues:				
Interest Income	7,413	9,841	6,712	21,044
OPEB Nonoperating Income				30
Appropriation Transfer	<u>          </u>	<u>(2,810)</u>	<u>          </u>	<u>          </u>
Net Income	(1,861)	8,369	17,342	13,060
Net Position				
at beginning of year	<u>192,280</u>	<u>190,959</u>	<u>199,328</u>	<u>216,612</u>
Cumulative Effect Adoption of GASB 75	<u>          </u>	<u>          </u>	<u>(58)</u>	<u>          </u>
Net Position at beginning of year – restated	<u>192,280</u>	<u>190,959</u>	<u>199,270</u>	<u>216,612</u>
Net Position				
at end of year	\$190,959	\$199,328	\$216,612	\$229,672

BRIM has worked diligently for the past several years to maintain positive net position and eliminate its unfunded liability. Favorable loss patterns and adequate funding have enabled BRIM to maintain positive net position from 2005 thru 2019. 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, 2020. The June 30, 2020 report will be available near the end of October 2020.

### **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, 2019, from which the information on page(s) one through eight have been drawn, was submitted for the award the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers

Association of the United States and Canada (GFOA). Because of COVID-19 the GFOA is behind in issuing the Certificate of Achievement. They anticipate issuing these at the latest at the beginning of September. 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, 2020. The CAFR for fiscal year 2020 will be issued before December 31, 2020. 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 2019

<b>LIABILITY</b>	<b>LIMIT OF LIABILITY</b>
Automobile Liability Policy No.: CA 774-22-73 & 774-22-74 Company: National Union Fire Insurance Co.	\$ 1,000,000 per occurrence
Cyber Liability Policy No.: UMR B1262F10687318 Company: Arthur J. Gallagher International	\$ 25,000,000 per occurrence
General Liability Policy No.: GL 461-16-38 & 461-16-39 Company: National Union Fire Insurance Co.	\$ 1,000,000 per occurrence
Aircraft Liability Policy No.: AV003380147-16 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.: MAF760728-18 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.: MAF733355-18 Company: Axis Insurance Company	\$ 200,000,000 in excess of 200,000,000
Policy No.: MAF760729-18 Company: Axis Insurance Company	\$ 10,000,000 flood with 1,000,000 deductible
Boiler and Machinery Policy No.: YB2L9L469170018 Company: Liberty Mutual Insurance	\$ 5,000,000 per equipment covered in excess of 1,000,000
Public Insurance Official Position Schedule Bond Bond No.: 106128156 Company: Travelers	Variable amounts as set by Statute

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

**Top 10 State Agency Premiums for Fiscal Year 2019**

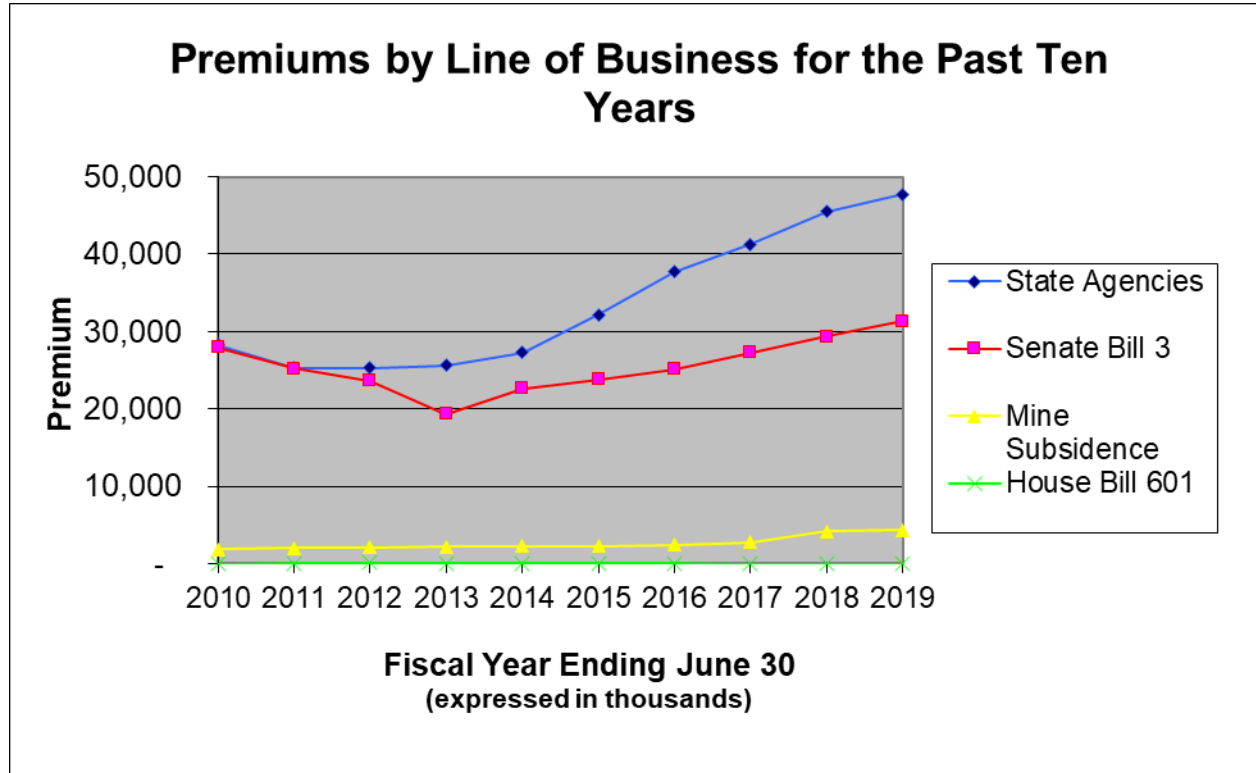
1 West Virginia University	\$10,282,604
2 Division of Highways	6,377,240
3 State Police	5,310,092
4 Department of Health & Human Resources	3,968,395
5 Division of Corrections	3,749,615
6 Marshall University	2,943,164
7 Regional Jail and Corrections Facility Authority	1,645,887
8 West Virginia University Medical Corp.	837,755
9 Supreme Court of Appeals	754,185
10 Division of Environmental Protection	659,394
Total Top Ten	<b>\$36,528,331</b>

Total State Premium Billing for 2019	<b>\$49,264,498</b>
% of top 10 in relation to all state agency billings	<b>74.15%</b>

**Top 20 SB 3 Premiums for Fiscal Year 2019**

1 Kanawha County Board of Education	\$1,659,014
2 Berkeley County Board of Education	878,112
3 City of St. Albans	817,714
4 Raleigh County Board of Education	714,007
5 Cabell County Board of Education	639,768
6 Harrison County Board of Education	558,904
7 Wayne County Board of Education	510,551
8 Putnam County Board of Education	509,459
9 Mingo County Commission	506,119
10 Monongalia County Board of Education	461,924
11 Logan County Board of Education	460,072
12 Mercer County Board of Education	449,817
13 Jefferson County Board of Education	446,668
14 Fayette County Board of Education	408,367
15 Marion County Board of Education	385,144
16 Mingo County Board of Education	382,028
17 Ohio County Commission	378,772
18 Logan County Commission	377,481
19 Kanawha Valley Regional Transportation	374,335
20 Wood County Board of Education	336,225
Total Top Twenty	<b>\$11,254,481</b>

Total SB 3 Premium Billing for 2019	<b>\$32,615,319</b>
% of top 20 in relation to total SB 3 billings	<b>34.51%</b>

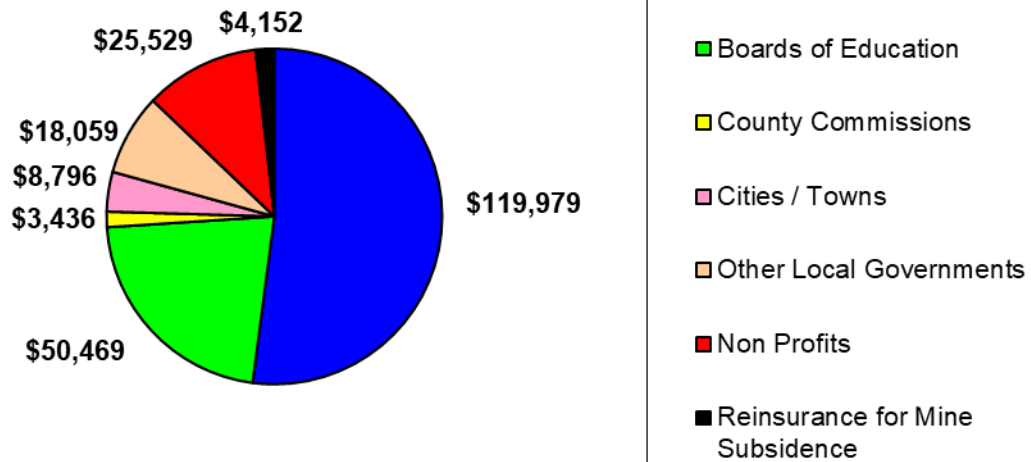


Fiscal Year	State Agencies	Senate Bill 3	Mine Subsidence	House Bill 601
2010	\$ 28,257	\$ 27,889	\$ 1,861	-
2011	\$ 25,239	\$ 25,233	\$ 2,032	\$ 34
2012	\$ 25,290	\$ 23,603	\$ 2,090	\$ 63
2013	\$ 25,607	\$ 19,345	\$ 2,142	\$ 40
2014	\$ 27,226	\$ 22,642	\$ 2,220	\$ 40
2015	\$ 32,118	\$ 23,781	\$ 2,261	\$ 44
2016	\$37,688	\$25,147	\$2,398	\$ 60
2017	\$41,304	\$27,305	\$2,759	
2018	\$45,516	\$29,306	\$4,129	
2019	\$47,713	\$31,286	\$4,302	

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.

## Claims Dollars Incurred by Customer Type Fiscal Years 2010 Through 2019 (expressed in thousands)



**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**



Mary Jane Pickens  
Executive Director  
Deputy Cabinet Secretary

**AGENDA**  
**BOARD MEETING OF THE**  
**WEST VIRGINIA BOARD OF RISK AND INSURANCE MANAGEMENT**  
***September 10, 2019***

Chairman Martin

Call to Order

Chairman Martin

Approval of Board Minutes  
June 18, 2019

**REPORTS**

Nate Pearson/Scott Mountain  
Standish Mellon Asset Management

Account/Investment Update

Tom Sauvageot  
West Virginia Investment Management Board

Account/Investment Update

Mary Jane Pickens  
Executive Director

Executive Director's Report

Stephen W. Schumacher, CPA  
Chief Financial Officer

Financial Report  
PCard Report

Robert A. Fisher  
Deputy Director/Claim Manager

Loss Control Report

Ashley Summitt  
Chief Privacy Officer

Privacy Report

**UNFINISHED BUSINESS**

**NEW BUSINESS**

**ADJOURNMENT**

ldm



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



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**

**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 Mazingo, 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 March 19, 2019 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 AssetWorks. Expansion into risk management system development is the reason AssetWorks acquired our vendor. A few weeks ago, we met with an AssetWorks 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**

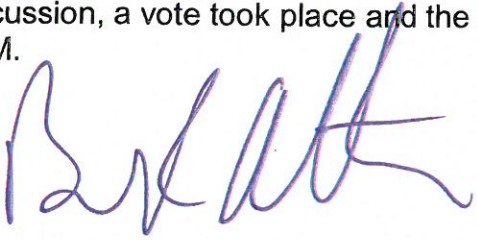
There was no unfinished business to be discussed.

## **NEW BUSINESS**

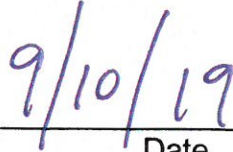
There was no new business to be discussed.

## 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.



Board Chairman



Date

ldm





# State of West Virginia

September 10, 2019

One-on-One Use Only

➤ BNY MELLON INVESTMENT MANAGEMENT

## Biographies



### **Nate Pearson, CFA**

Nate is an interest rate strategist and portfolio manager responsible for research and analysis of US government securities, inflation-linked bonds and interest rate derivatives. He joined the firm in 2005 as a liquid products trader. Previously, he worked at Darling Consulting Group as an analyst responsible for interest rate risk analysis and overall balance sheet management for institutional banking clients.

Nate has an MSF from Boston College and a BS from the University of New Hampshire. He is a member of the CFA Society Boston, holds the CFA® designation and has 17 years of investment experience.



### **Scott Mountain, CFA**

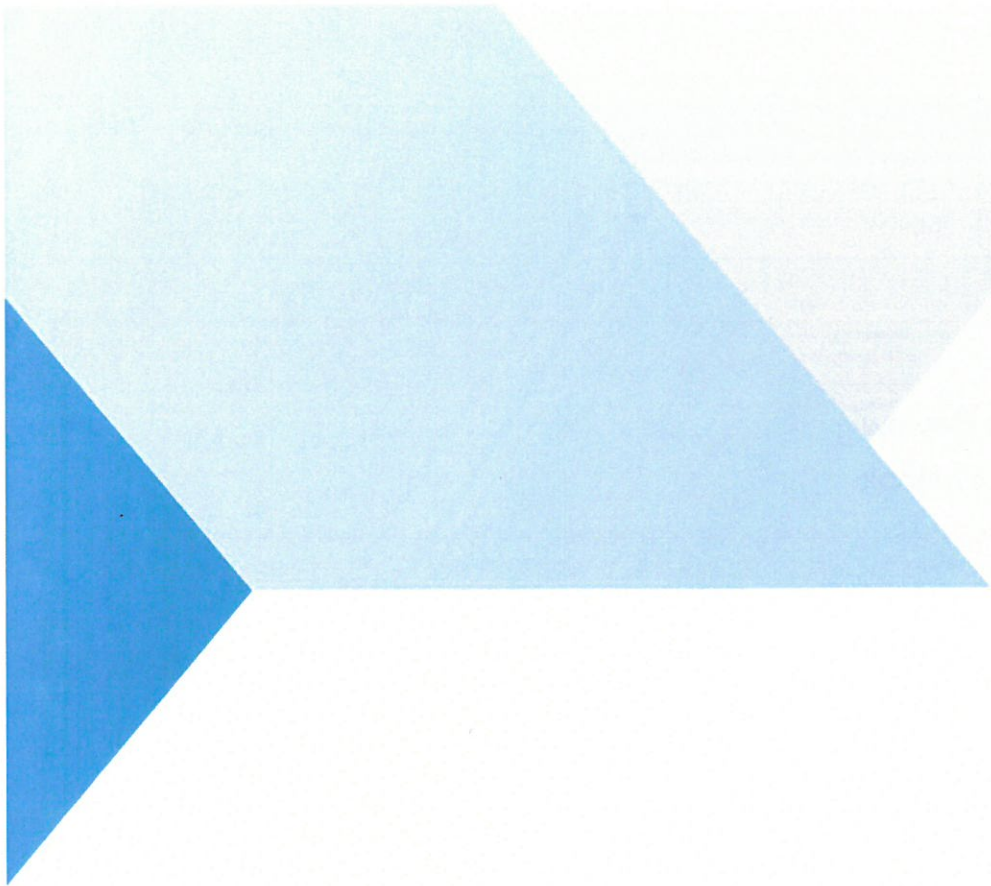
Scott is a senior relationship manager at the firm working with institutional clients and also serves as the relationship management team's channel lead for RIA, Taft-Hartley and non-US clients. He joined the firm from Lehman Brothers where he was responsible for client service, trading and middle market equity sales. Scott has been in the investment industry since 1997.

Scott has an MS in investment management from Boston University, and a BA from the University of Massachusetts at Amherst. Scott holds the CFA® designation and is a member of the CFA Institute.

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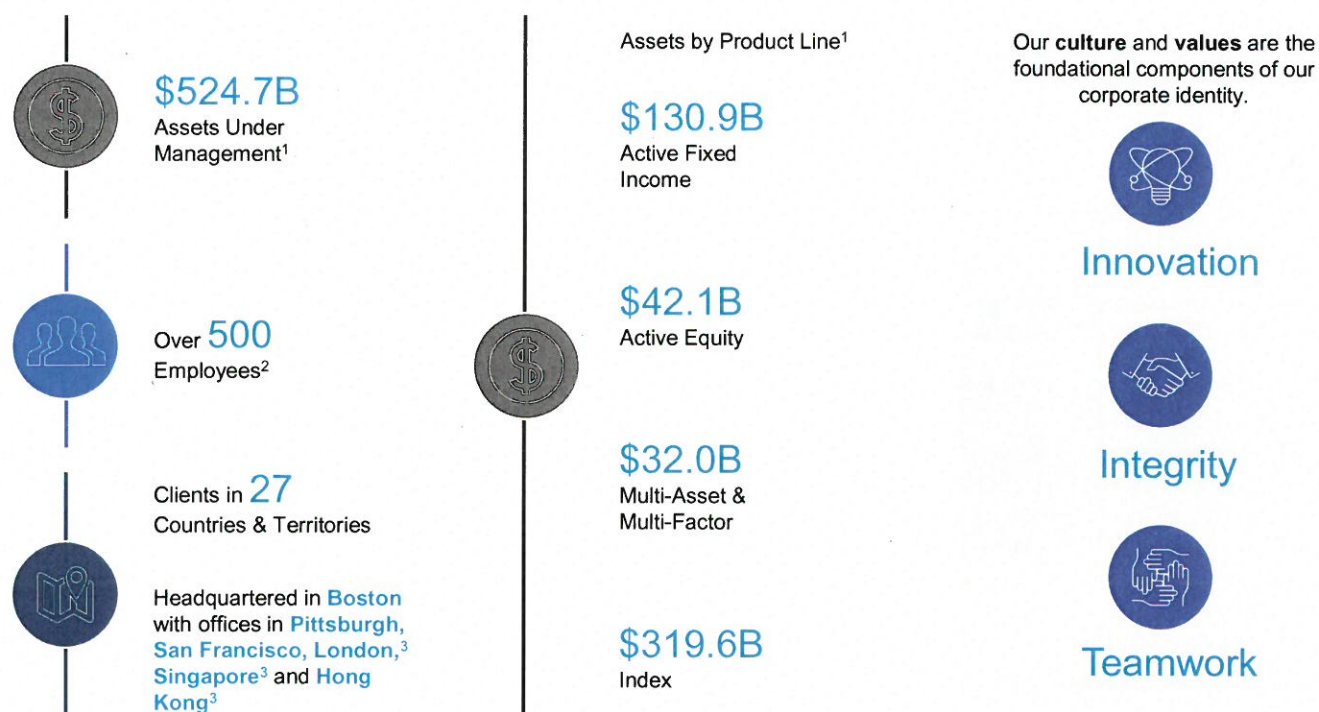
## Agenda

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



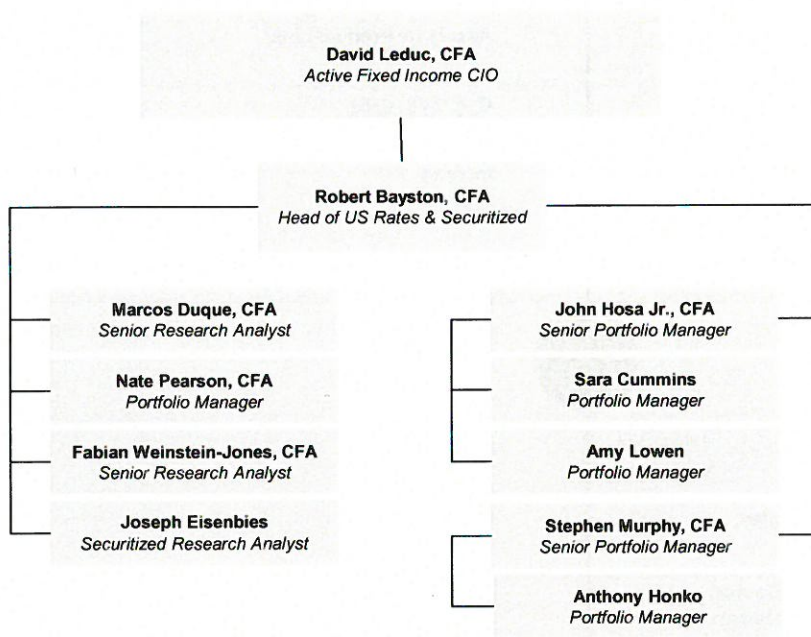
## Mellon Overview

A global multi-specialist investment manager with a full spectrum of research-driven solutions

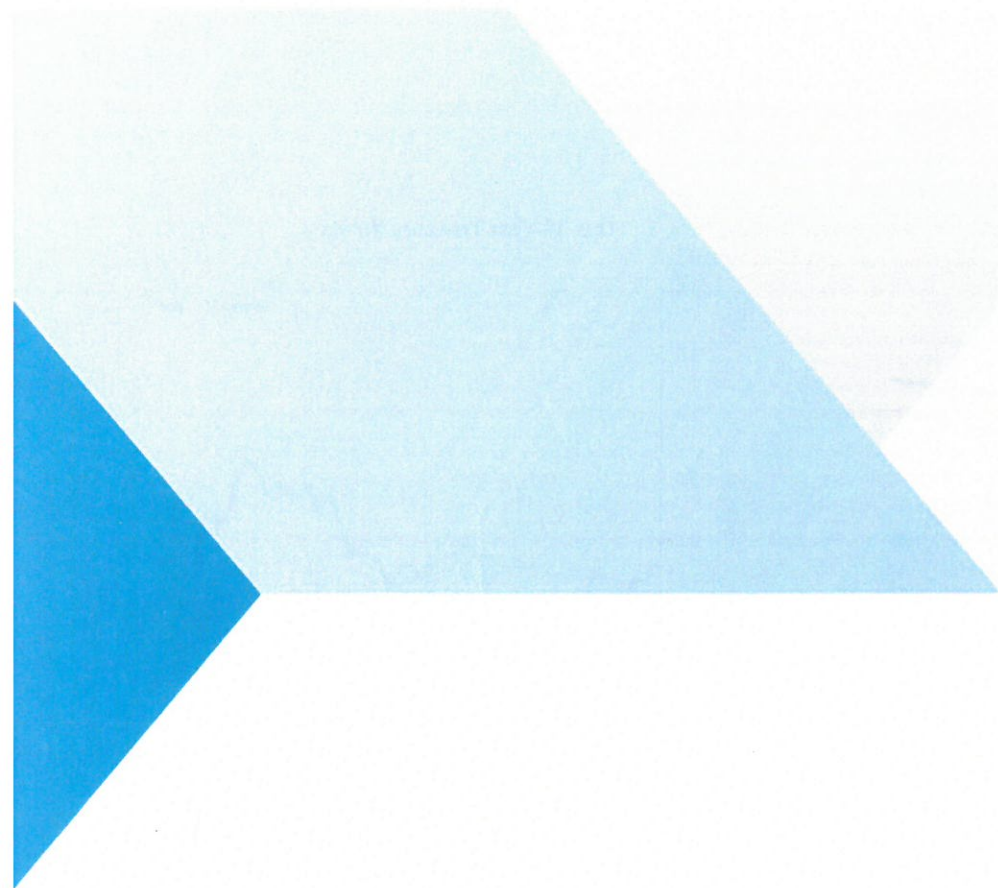


Data as of June 30, 2019. <sup>1</sup>Where applicable, assets include discretionary and non-discretionary assets, the notional value of overlay strategies, and assets managed by investment personnel acting in their capacity as officers of affiliated entities. <sup>2</sup>Employee total includes employees of affiliated entities acting as dual officers and/or associated persons of Mellon. <sup>3</sup>Location of affiliated entities providing services. No investment strategy or risk management technique can guarantee returns or eliminate risk in any market environment. [24340]

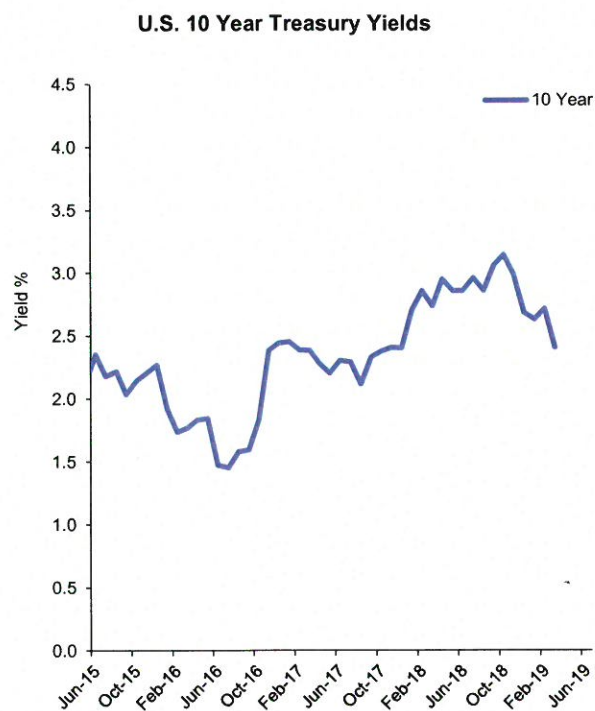
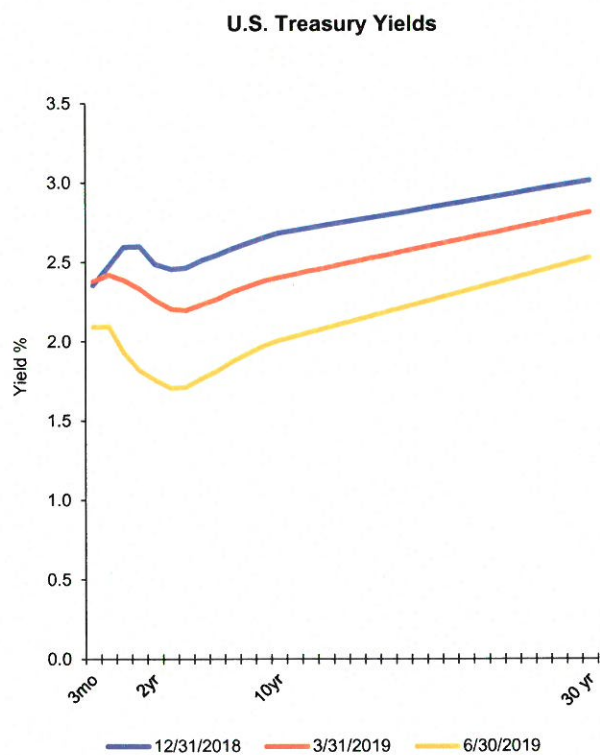
## US Rates, Securitized & Cash



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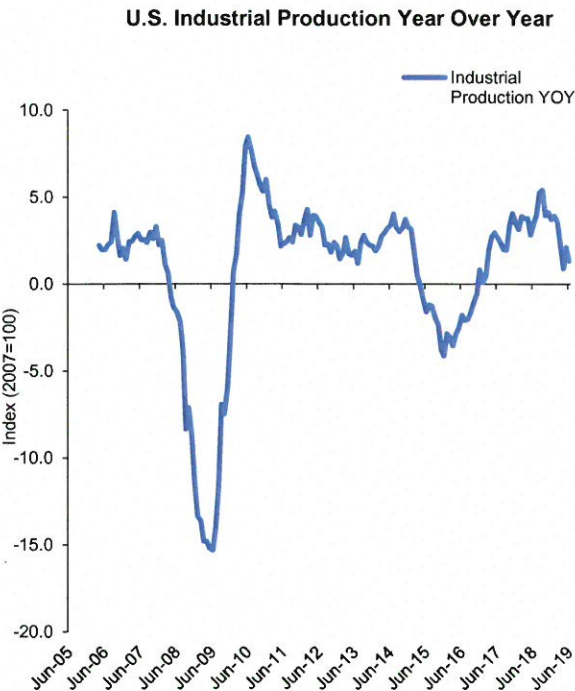
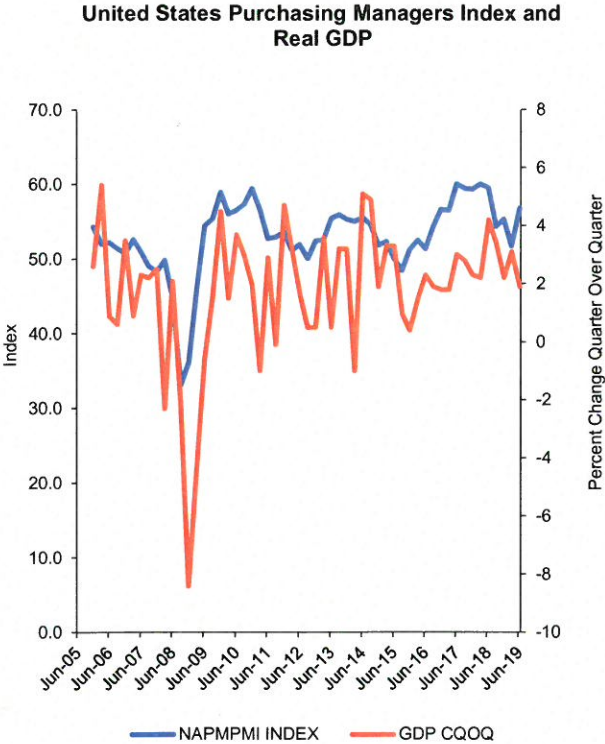


## U.S. Treasury Yields



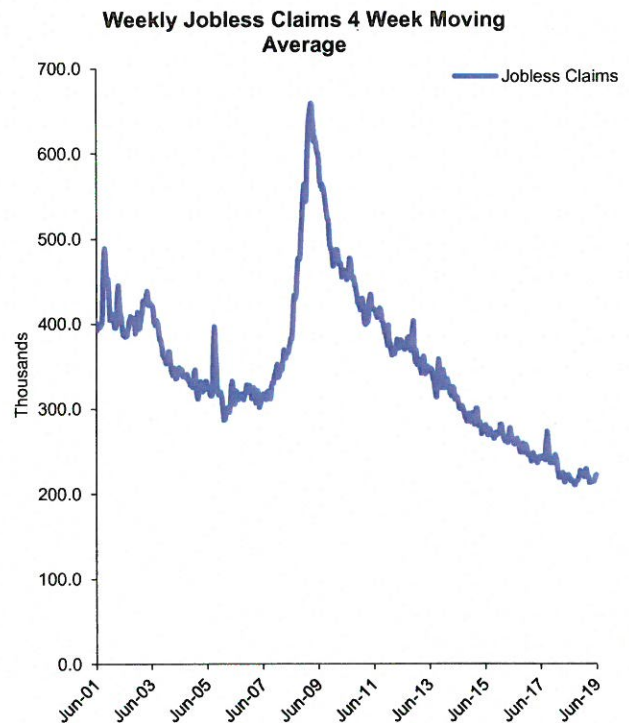
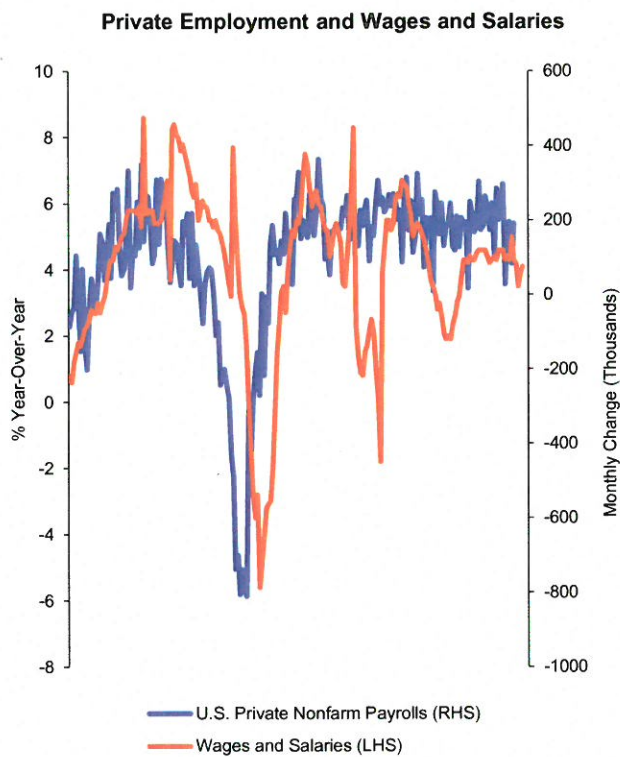
Source: Bloomberg as of June 30, 2019.

Real GDP & Manufacturing Activity



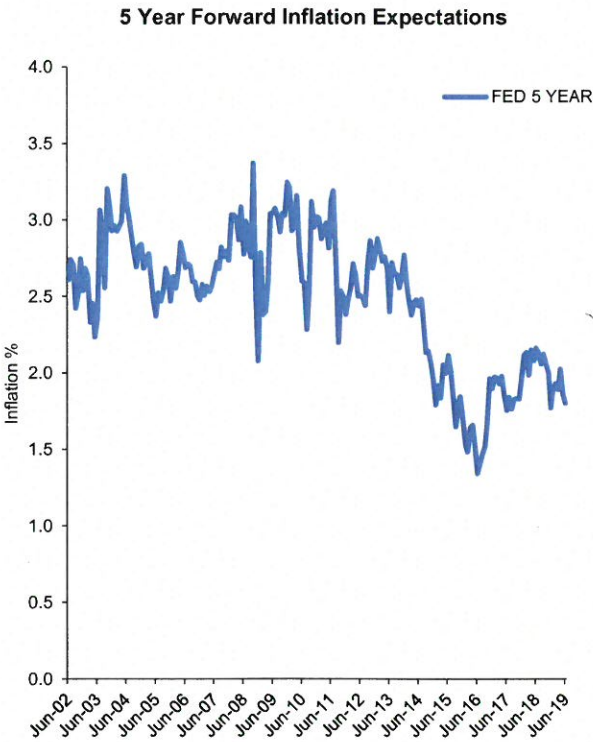
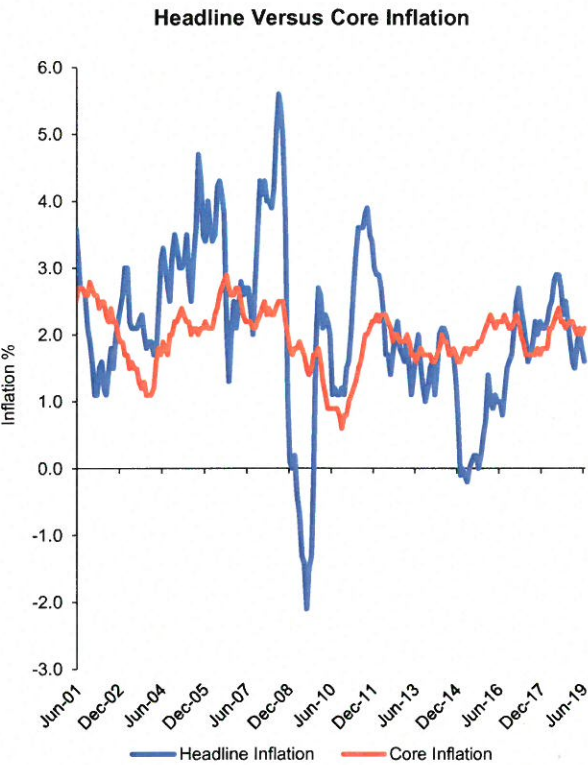
Source: Bloomberg as of June 30, 2019.

## Employment



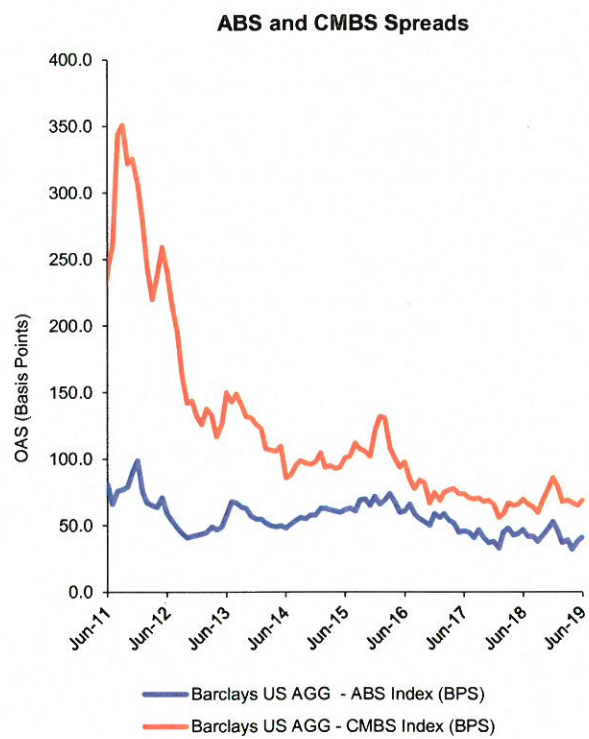
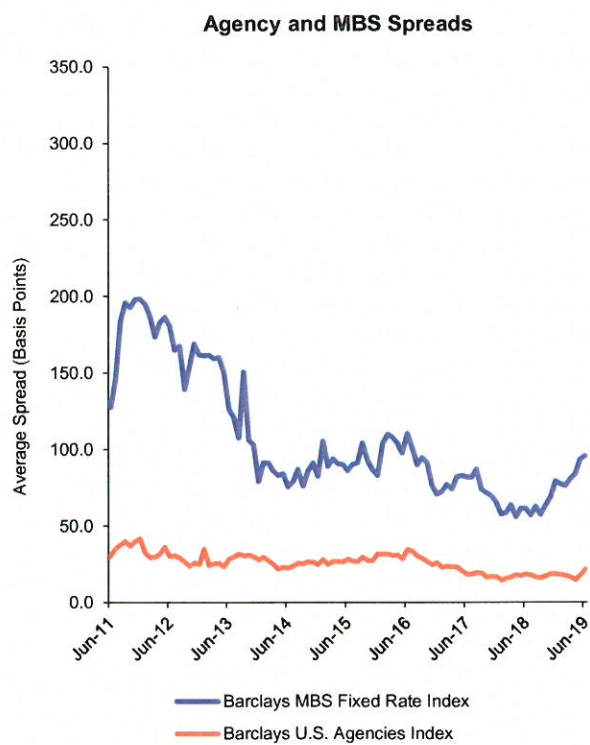
Source: Bloomberg as of June 30, 2019.

# Core Inflation & Inflation Expectations



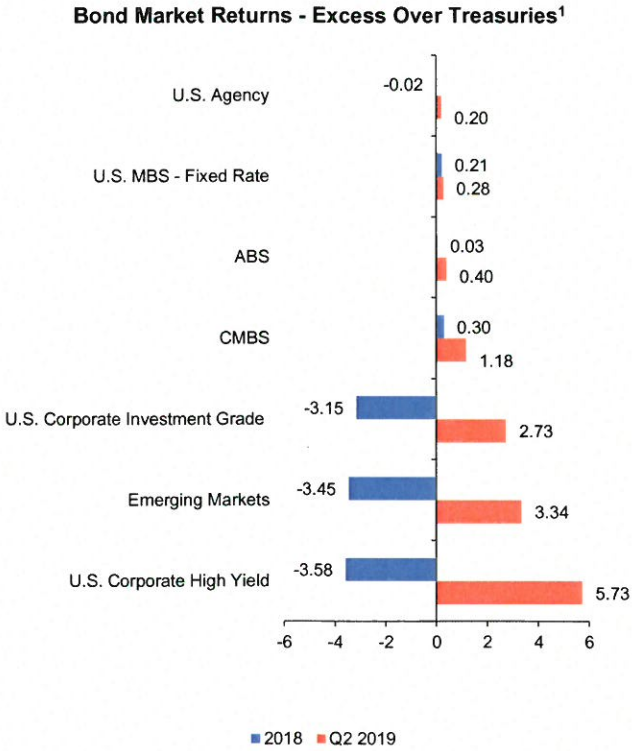
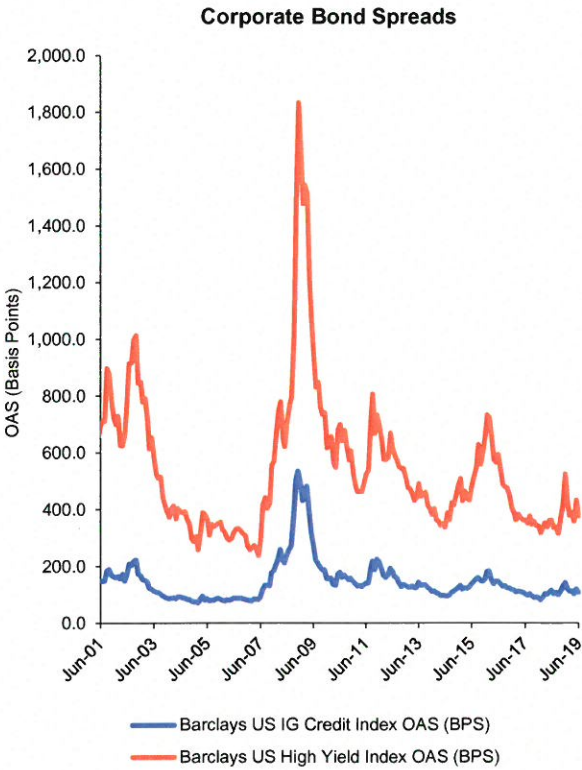
Source: Bloomberg as of June 30, 2019.

## Agency/MBS Spreads & ABS/CMBS Spreads

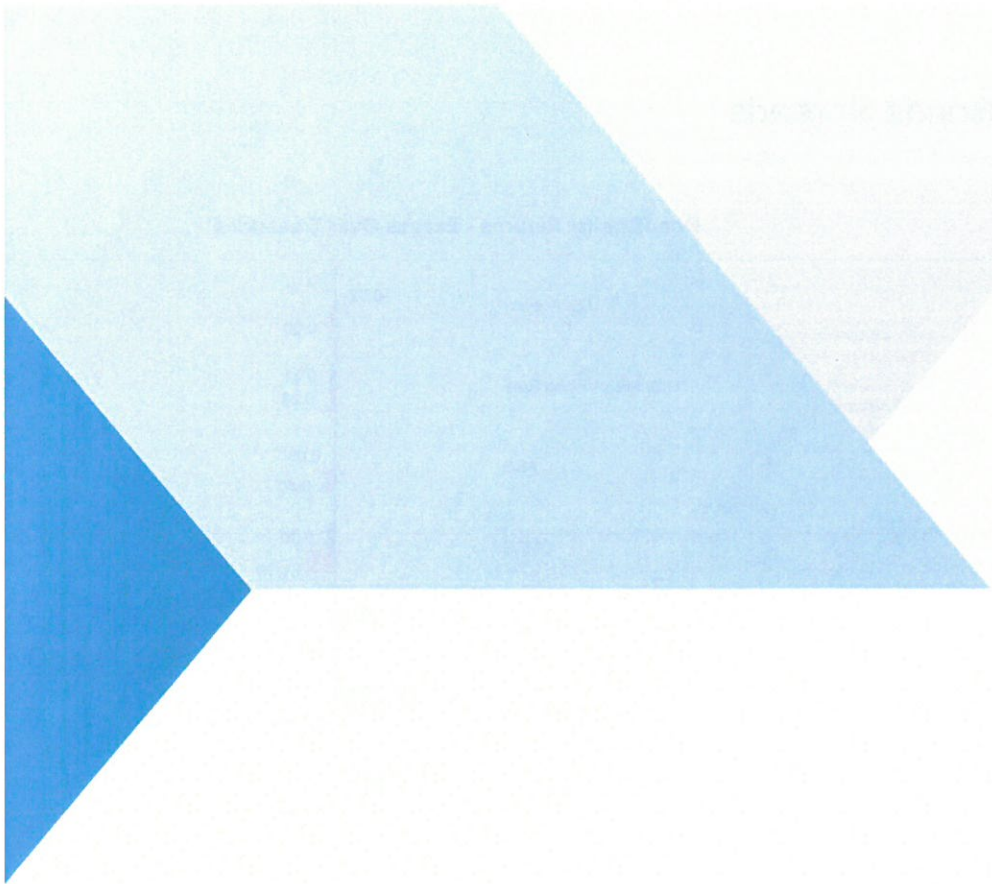


Source: Bloomberg as of June 30, 2019.

# Sector Returns & Corporate Bonds Spreads



Source: Bloomberg as of June 30, 2019. <sup>1</sup>For a list of indices, please refer to disclosures at the end of this presentation.



## State of West Virginia BRIM

State of West Virginia BRIM Market Values as of 6/30/2019		
State of West Virginia Retro-Natl Union	Market Value:	\$1,865,097.83
State of West Virginia - BRIM 2005-06	Market Value:	\$1,945,473.41
State of West Virginia - BRIM 2006-07	Market Value:	\$2,666,136.99
State of West Virginia - BRIM 2007-08	Market Value:	\$3,115,098.86
State of West Virginia - BRIM 2008-09	Market Value:	\$4,715,129.07
State of West Virginia - BRIM 2009-10	Market Value:	\$10,573,593.33
State of West Virginia - BRIM 2010-11	Market Value:	\$11,846,813.72
State of West Virginia - BRIM 2011-12	Market Value:	\$1,436,810.98
State of West Virginia - BRIM 2012-13	Market Value:	\$8,864,599.04
State of West Virginia - BRIM 2013-14	Market Value:	\$4,044,593.73
State of West Virginia - BRIM 2014-15	Market Value:	\$18,625,189.26
State of West Virginia - BRIM 2015-16	Market Value:	\$23,302,390.16
State of West Virginia - BRIM 2016-17	Market Value:	\$18,218,684.30
State of West Virginia - BRIM 2017-18	Market Value:	\$52,554,292.64
State of West Virginia - BRIM 2018-19	Market Value:	\$62,824,309.27
<b>Total</b>	<b>Market Value:</b>	<b>\$226,598,212.59</b>

Mellon Investments Corporation as of June30, 2019

## State of West Virginia BRIM

Portfolio Performance as of 6/30/2019					
	YTD 2019 (%)	1 Year (%)	3 Year (%)*	5 Year (%)*	Since Inception 8/31/05 (%)*
<b>Total Return</b>					
State of West Virginia – BRIM 2005-06	3.94	6.07	1.45	1.84	3.28
Barclays US Government Intermediate	3.96	6.15	1.34	1.94	3.27
Value Added	-0.02	-0.08	0.11	-0.11	0.01
<b>Market Value: \$1,945,473.41</b>					
	YTD 2019 (%)	1 Year (%)	3 Year (%)*	5 Year (%)*	Since Inception 8/31/06 (%)*
<b>Total Return</b>					
State of West Virginia - BRIM 2006-07	3.93	6.07	1.45	1.84	3.35
Barclays US Government Intermediate	3.96	6.15	1.34	1.94	3.37
Value Added	-0.03	-0.09	0.11	-0.10	-0.02
<b>Market Value: \$2,666,136.99</b>					
	YTD 2019 (%)	1 Year (%)	3 Year (%)*	5 Year (%)*	Since Inception 8/31/07 (%)*
<b>Total Return</b>					
State of West Virginia - BRIM 2007-08	3.94	6.07	1.45	1.84	3.17
Barclays US Government Intermediate	3.96	6.15	1.34	1.94	3.18
Value Added	-0.02	-0.08	0.12	-0.10	-0.01
<b>Market Value: \$3,115,098.86</b>					
	YTD 2019 (%)	1 Year (%)	3 Year (%)*	5 Year (%)*	Since Inception 3/31/09 (%)*
<b>Total Return</b>					
State of West Virginia - BRIM 2008-09	3.94	6.06	1.44	1.83	2.30
Barclays US Government Intermediate	3.96	6.15	1.34	1.94	2.30
Value Added	-0.03	-0.09	0.10	-0.11	0.00
<b>Market Value: \$4,715,129.07</b>					

\*Annualized performance  
Mellon Investments Corporation as of June 30, 2019

## State of West Virginia BRIM

Portfolio Performance as of 6/30/2019					
	YTD 2019 (%)	1 Year (%)	3 Year (%)*	5 Year (%)*	Since Inception 9/30/09 (%)*
<b>Total Return</b>					
State of West Virginia - BRIM 2009-10	4.02	6.13	1.49	1.86	2.30
Barclays US Government Intermediate	3.96	6.15	1.34	1.94	2.31
Value Added	0.06	-0.03	0.15	-0.09	-0.02
<b>Market Value: \$10,573,593.33</b>					
	YTD 2019 (%)	1 Year (%)	3 Year (%)*	5 Year (%)*	Since Inception 10/31/09 (%)*
<b>Total Return</b>					
State of West Virginia Retro-Natl Union	3.95	6.08	1.45	1.83	2.24
Barclays US Government Intermediate	3.96	6.15	1.34	1.94	2.28
Value Added	-0.01	-0.08	0.11	-0.11	-0.04
<b>Market Value: \$1,865,097.83</b>					
	YTD 2019 (%)	1 Year (%)	3 Year (%)*	5 Year (%)*	Since Inception 9/30/10 (%)*
<b>Total Return</b>					
State of West Virginia - BRIM 2010-11	4.01	6.12	1.49	1.84	1.82
Barclays US Government Intermediate	3.96	6.15	1.34	1.94	1.85
Value Added	0.04	-0.03	0.15	-0.10	-0.03
<b>Market Value: \$11,846,813.72</b>					
	YTD 2019 (%)	1 Year (%)	3 Year (%)*	5 Year (%)*	Since Inception 9/30/11 (%)*
<b>Total Return</b>					
State of West Virginia - BRIM 2011-12	3.98	6.04	1.47	1.83	1.57
Barclays US Government Intermediate	3.96	6.15	1.34	1.94	1.61
Value Added	0.02	-0.12	0.13	-0.11	-0.04
<b>Market Value: \$1,436,810.98</b>					

\*Annualized performance  
Mellon Investments Corporation as of June 30, 2019

## State of West Virginia BRIM

Portfolio Performance as of 6/30/2019					
	YTD 2019 (%)	1 Year (%)	3 Year (%)*	5 Year (%)*	Since Inception 8/31/12 (%)*
<b>Total Return</b>					
State of West Virginia - BRIM 2012-13	4.04	6.10	1.49	1.86	1.45
Barclays US Government Intermediate	3.96	6.15	1.34	1.94	1.45
Value Added	0.08	-0.05	0.15	-0.08	0.00
<b>Market Value: \$8,864,599.04</b>					
	YTD 2019 (%)	1 Year (%)	3 Year (%)*	5 Year (%)*	Since Inception 8/31/13 (%)*
<b>Total Return</b>					
State of West Virginia - BRIM 2013-14	4.07	6.07	1.49	1.86	1.81
Barclays US Government Intermediate	3.96	6.15	1.34	1.94	1.87
Value Added	0.10	-0.08	0.15	-0.08	-0.05
<b>Market Value: \$4,044,593.73</b>					
	YTD 2019 (%)	1 Year (%)	3 Year (%)*		Since Inception 8/31/14 (%)*
<b>Total Return</b>					
State of West Virginia - BRIM 2014-15	4.05	6.10	1.48		1.85
Barclays US Government Intermediate	3.96	6.15	1.34		1.95
Value Added	0.09	-0.05	0.15		-0.11
<b>Market Value: \$18,625,189.26</b>					
	YTD 2019 (%)	1 Year (%)	3 Year (%)*		Since Inception 8/31/2015 (%)*
<b>Total Return</b>					
State of West Virginia - BRIM 2015-16	4.06	6.11	1.48		1.96
Barclays US Government Intermediate	3.96	6.15	1.34		1.88
Value Added	0.10	-0.04	0.14		0.08
<b>Market Value: \$23,302,390.16</b>					

\*Annualized performance  
Mellon Investments Corporation as of June 30, 2019

## State of West Virginia BRIM

Portfolio Performance as of 6/30/2019			
	YTD 2019 (%)	1 Year (%)	Since Inception 8/31/2016 (%)*
<b>Total Return</b>			
State of West Virginia - BRIM 2016-17	4.07	6.13	0.80
Barclays US Government Intermediate	3.96	6.15	0.67
Value Added	0.11	-0.02	0.13
<b>Market Value: \$18,218,684.30</b>			
	YTD 2019 (%)	1 Year (%)	Since Inception 8/31/2017 (%)
<b>Total Return</b>			
State of West Virginia - BRIM 2017-18	4.02	6.10	1.56
Barclays US Government Intermediate	3.96	6.15	1.49
Value Added	0.06	-0.05	0.07
<b>Market Value: \$52,554,292.64</b>			
	YTD 2019 (%)		Since Inception 8/31/2018 (%)
<b>Total Return</b>			
State of West Virginia - BRIM 2018-19	3.98		6.18
Barclays US Government Intermediate	3.96		6.18
Value Added	0.01		0.00
<b>Market Value: \$62,824,309.27</b>			

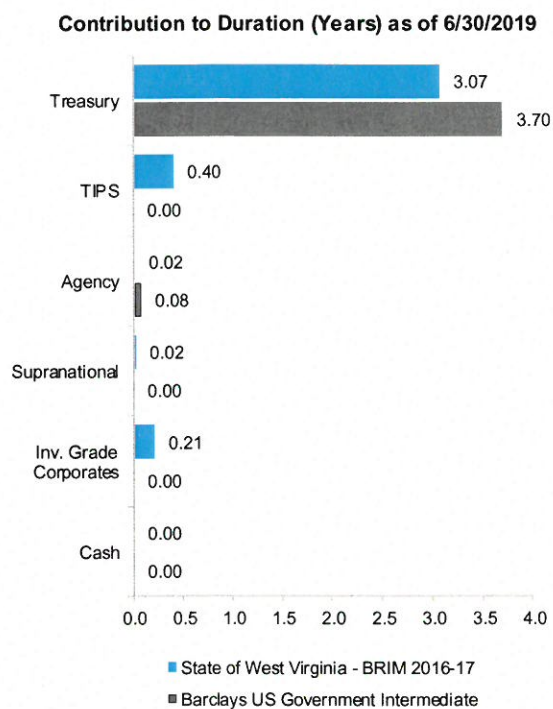
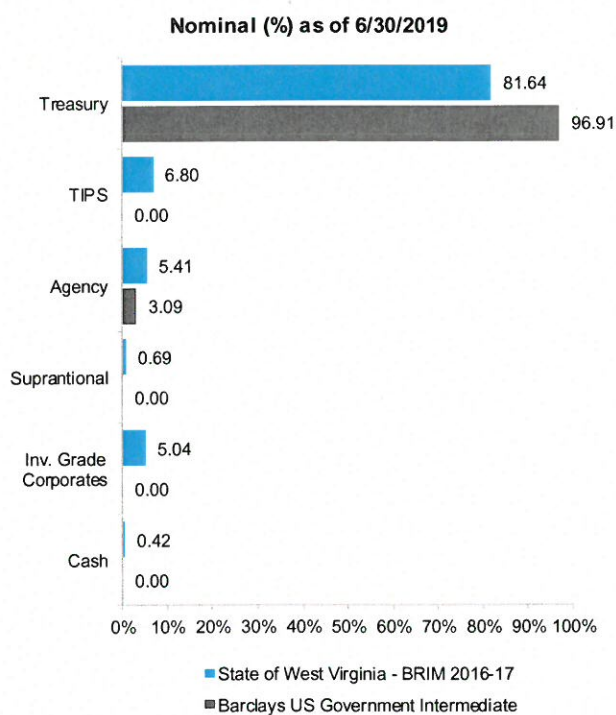
\*Annualized performance  
Mellon Investments Corporation as of June 30, 2019

## State of West Virginia BRIM

Portfolio Characteristics as of 6/30/19																
	2005- 2006	2006- 2007	2007- 2008	2008- 2009	2009- 2010	Retro - Natl	2010- 2011	2011- 2012	2012- 2013	2013- 2014	2014- 2015	2015- 2016	2016- 2017	2017- 2018	2018- 2019	Index
Duration	3.76	3.75	3.75	3.75	3.74	3.74	3.75	3.77	3.75	3.76	3.75	3.77	3.72	3.76	3.76	3.77
Quality	AAA	AAA	AAA	AAA	AA+	AAA	AA+	AAA	AA	AA+	AA+	AA+	AA+	AA+	AA+	AA+
Yield to Worst	1.81	1.81	1.81	1.81	1.83	1.81	1.83	1.81	1.83	1.83	1.83	1.83	1.83	1.83	1.82	1.81
Average Maturity	4.00	3.99	3.99	3.99	3.99	3.97	3.99	4.01	3.99	3.99	3.99	4.02	3.95	4.01	4.01	4.06
Coupon	1.75	1.74	1.71	1.74	1.73	1.68	1.79	1.57	1.74	1.60	1.73	1.73	1.76	1.88	1.86	2.28

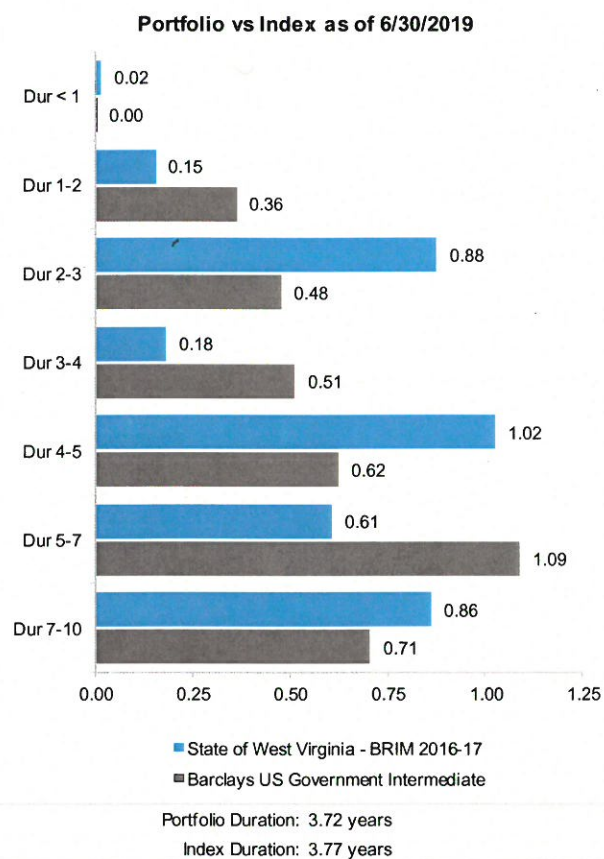
Mellon Investments Corporation as of June 30, 2019

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



Mellon Investments Corporation as of June 30, 2019

## State of West Virginia – BRIM 2016-17 Duration



Mellon Investments Corporation as of June 30, 2019

## Corporate Holdings as of June 30, 2019

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	0.50%	931142EM1	WAL-MART STORES	50,000	52,510	7/8/2026	6.22	2.34	3.05	Aa2	AA
	0.50%	89236TEW1	TOYOTA MOTOR CREDIT CORP	50,000	53,112	4/14/2025	5.23	2.38	3.40	Aa3	AA-
	0.48%	742718EU9	FROCTER & GAMBLE CO	50,000	50,701	8/11/2022	2.97	1.96	2.15	Aa3	AA-
	0.49%	037833DB3	APPLE INC	50,000	51,557	9/12/2027	7.15	2.59	2.90	Aa1	AA+
	0.54%	594918BB9	MICROSOFT CORP	55,000	57,133	2/12/2025	5.03	2.14	2.70	Aaa	AAA
	0.50%	89114QC48	TORONTO-DOMINION BANK	50,000	53,230	7/19/2023	3.72	2.23	3.50	Aa1	AA-
	0.52%	89114QBL1	TORONTO-DOMINION BANK	55,000	55,026	7/13/2021	1.96	2.20	1.80	Aa1	AA-
	0.48%	30231GAJ1	EXXON MOBIL CORP	50,000	50,841	3/6/2022	2.46	2.02	2.40	Aaa	AA+
STATE OF WEST VIRGINIA - BRIM 2010-11	0.48%	166764AT7	CHEVRON CORP	50,000	50,908	3/3/2022	2.45	1.99	2.41	Aa2	AA
	0.52%	037833DB3	APPLE INC	60,000	61,868	9/12/2027	7.15	2.59	2.90	Aa1	AA+
	0.51%	30231GAJ1	EXXON MOBIL CORP	60,000	61,010	3/6/2022	2.46	2.02	2.40	Aaa	AA+
	0.53%	931142EM1	WAL-MART STORES	60,000	63,012	7/8/2026	6.22	2.34	3.05	Aa2	AA
	0.51%	89114QBL1	TORONTO-DOMINION BANK	60,000	60,029	7/13/2021	1.96	2.20	1.80	Aa1	AA-
	0.58%	89114QC48	TORONTO-DOMINION BANK	65,000	69,198	7/19/2023	3.72	2.23	3.50	Aa1	AA-
	0.57%	594918BB9	MICROSOFT CORP	65,000	67,521	2/12/2025	5.03	2.14	2.70	Aaa	AAA
	0.54%	89236TEW1	TOYOTA MOTOR CREDIT CORP	60,000	63,734	4/14/2025	5.23	2.38	3.40	Aa3	AA-
STATE OF WEST VIRGINIA - BRIM 2012-2013	0.51%	742718EU9	FROCTER & GAMBLE CO	60,000	60,841	8/11/2022	2.97	1.96	2.15	Aa3	AA-
	0.52%	166764AT7	CHEVRON CORP	60,000	61,089	3/3/2022	2.45	1.99	2.41	Aa2	AA
	0.52%	166764AT7	CHEVRON CORP	45,000	45,817	3/3/2022	2.45	1.99	2.41	Aa2	AA
	0.51%	89114QBL1	TORONTO-DOMINION BANK	45,000	45,022	7/13/2021	1.96	2.20	1.80	Aa1	AA-
	0.51%	742718EU9	FROCTER & GAMBLE CO	45,000	45,631	8/11/2022	2.97	1.96	2.15	Aa3	AA-
	0.53%	931142EM1	WAL-MART STORES	45,000	47,259	7/8/2026	6.22	2.34	3.05	Aa2	AA
	0.53%	594918BB9	MICROSOFT CORP	45,000	46,745	2/12/2025	5.03	2.14	2.70	Aaa	AAA
	0.54%	89114QC48	TORONTO-DOMINION BANK	45,000	47,907	7/19/2023	3.72	2.23	3.50	Aa1	AA-
STATE OF WEST VIRGINIA - BRIM 2013-2014	0.52%	037833DB3	APPLE INC	45,000	46,401	9/12/2027	7.15	2.59	2.90	Aa1	AA+
	0.52%	30231GAJ1	EXXON MOBIL CORP	45,000	45,757	3/6/2022	2.46	2.02	2.40	Aaa	AA+
	0.54%	89236TEW1	TOYOTA MOTOR CREDIT CORP	45,000	47,800	4/14/2025	5.23	2.38	3.40	Aa3	AA-
	0.50%	742718EU9	FROCTER & GAMBLE CO	20,000	20,280	8/11/2022	2.97	1.96	2.15	Aa3	AA-
	0.51%	594918BB9	MICROSOFT CORP	20,000	20,776	2/12/2025	5.03	2.14	2.70	Aaa	AAA
	0.50%	30231GAJ1	EXXON MOBIL CORP	20,000	20,337	3/6/2022	2.46	2.02	2.40	Aaa	AA+
	0.49%	89114QBL1	TORONTO-DOMINION BANK	20,000	20,010	7/13/2021	1.96	2.20	1.80	Aa1	AA-
	0.53%	89114QC48	TORONTO-DOMINION BANK	20,000	21,292	7/19/2023	3.72	2.23	3.50	Aa1	AA-

Mellon Investments Corporation as of June 30, 2019

## Corporate Holdings as of June 30, 2019

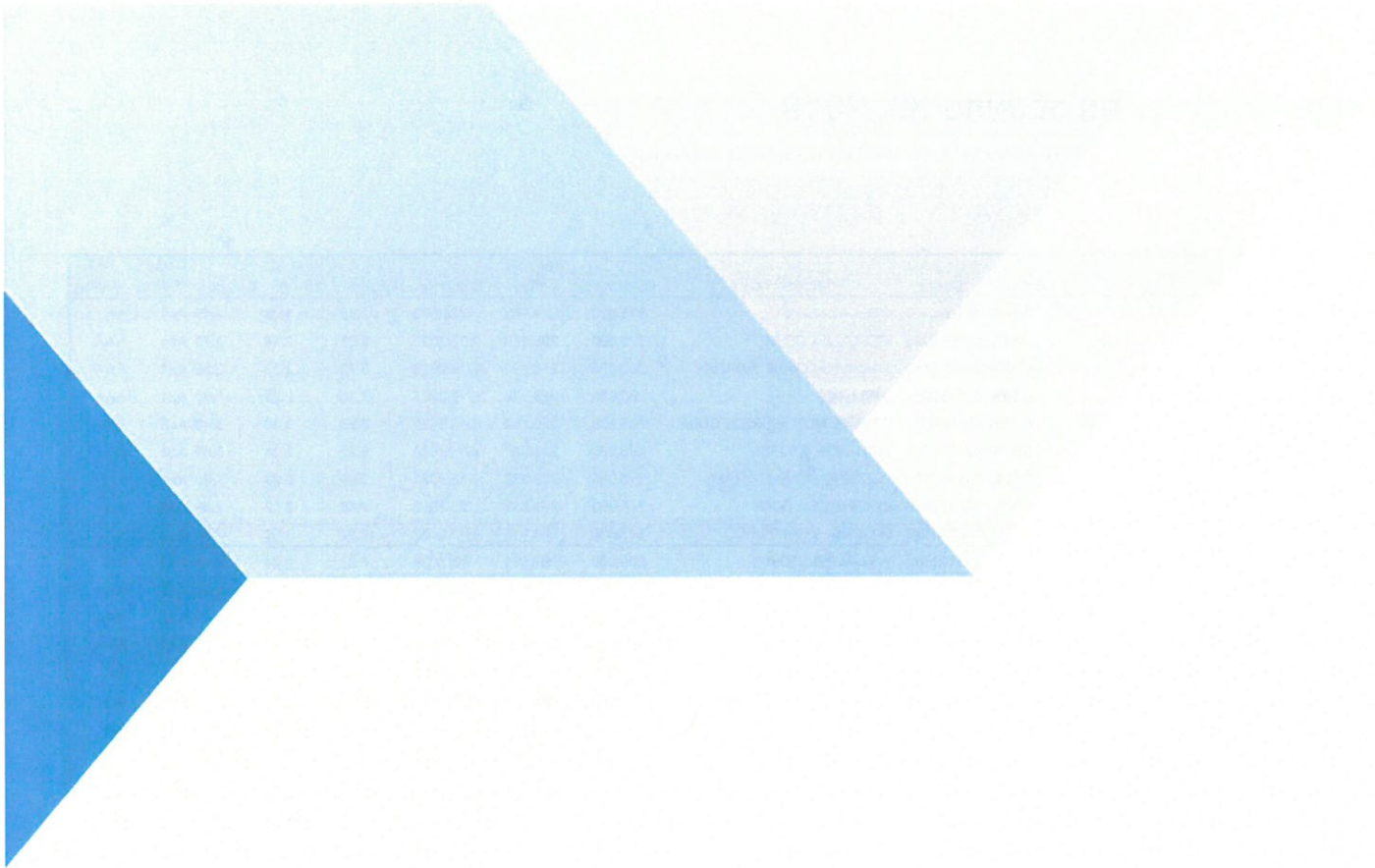
Client Name	Pct %	Cusip	Security Name	Quantity	Market Value	Maturity	Duration	Yield to Worst	Coupon	Moody Rating	S&P Rating
STATE OF WEST VIRGINIA - BRIM 2015-2016	0.58%	89114QBL1	TORONTO-DOMINION BANK	135,000	135,065	7/13/2021	1.96	2.20	1.80	Aa1	AA-
	0.59%	742718EU9	PROCTER & GAMBLE CO	135,000	136,893	8/11/2022	2.97	1.96	2.15	Aa3	AA-
	0.59%	89114QC48	TORONTO-DOMINION BANK	130,000	138,397	7/19/2023	3.72	2.23	3.50	Aa1	AA-
	0.59%	166764A77	CHEVRON CORP	135,000	137,451	3/3/2022	2.45	1.99	2.41	Aa2	AA
	0.59%	89236TEW1	TOYOTA MOTOR CREDIT CORP	130,000	138,090	4/14/2025	5.23	2.38	3.40	Aa3	AA-
	0.59%	30231GAJ1	EXXON MOBIL CORP	135,000	137,272	3/6/2022	2.46	2.02	2.40	Aaa	AA+
	0.59%	037833DB3	APPLE INC	135,000	139,204	9/12/2027	7.15	2.59	2.90	Aa1	AA+
	0.60%	594918BB9	MICROSOFT CORP	135,000	140,236	2/12/2025	5.03	2.14	2.70	Aaa	AAA
STATE OF WEST VIRGINIA - BRIM 2014-2015	0.59%	931142EM1	WAL-MART STORES	130,000	136,526	7/8/2026	6.22	2.34	3.05	Aa2	AA
	0.59%	594918BB9	MICROSOFT CORP	105,000	109,072	2/12/2025	5.03	2.14	2.70	Aaa	AAA
	0.53%	037833DB3	APPLE INC	95,000	97,958	9/12/2027	7.15	2.59	2.90	Aa1	AA+
	0.57%	30231GAJ1	EXXON MOBIL CORP	105,000	106,767	3/6/2022	2.46	2.02	2.40	Aaa	AA+
	0.54%	931142EM1	WAL-MART STORES	95,000	99,769	7/8/2026	6.22	2.34	3.05	Aa2	AA
	0.57%	166764A77	CHEVRON CORP	105,000	106,906	3/3/2022	2.45	1.99	2.41	Aa2	AA
	0.57%	742718EU9	PROCTER & GAMBLE CO	105,000	106,472	8/11/2022	2.97	1.96	2.15	Aa3	AA-
	0.57%	89114QC48	TORONTO-DOMINION BANK	100,000	106,459	7/19/2023	3.72	2.23	3.50	Aa1	AA-
STATE OF WEST VIRGINIA - BRIM 2016-17	0.51%	89236TEW1	TOYOTA MOTOR CREDIT CORP	90,000	95,601	4/14/2025	5.23	2.38	3.40	Aa3	AA-
	0.56%	89114QBL1	TORONTO-DOMINION BANK	105,000	105,050	7/13/2021	1.96	2.20	1.80	Aa1	AA-
	0.56%	30231GAJ1	EXXON MOBIL CORP	100,000	101,683	3/6/2022	2.46	2.02	2.40	Aaa	AA+
	0.58%	931142EM1	WAL-MART STORES	100,000	105,020	7/8/2026	6.22	2.34	3.05	Aa2	AA
	0.56%	742718EU9	PROCTER & GAMBLE CO	100,000	101,402	8/11/2022	2.97	1.96	2.15	Aa3	AA-
	0.57%	594918BB9	MICROSOFT CORP	100,000	103,879	2/12/2025	5.03	2.14	2.70	Aaa	AAA
	0.55%	89114QBL1	TORONTO-DOMINION BANK	100,000	100,048	7/13/2021	1.96	2.20	1.80	Aa1	AA-
	0.56%	166764A77	CHEVRON CORP	100,000	101,815	3/3/2022	2.45	1.99	2.41	Aa2	AA
	0.55%	89236TEW1	TOYOTA MOTOR CREDIT CORP	95,000	100,912	4/14/2025	5.23	2.38	3.40	Aa3	AA-
	0.57%	037833DB3	APPLE INC	100,000	103,114	9/12/2027	7.15	2.59	2.90	Aa1	AA+
	0.56%	89114QC48	TORONTO-DOMINION BANK	95,000	101,136	7/19/2023	3.72	2.23	3.50	Aa1	AA-

Mellon Investments Corporation as of June 30, 2019

## Corporate Holdings as of June 30, 2019

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 2017-18	0.53%	166764AT7	CHEVRON CORP	275,000	279,992	3/3/2022	2.45	1.99	2.41	Aa2	AA
	0.54%	594918BB9	MICROSOFT CORP	275,000	285,666	2/12/2025	5.03	2.14	2.70	Aaa	AAA
	0.53%	89114QC48	TORONTO-DOMINION BANK	260,000	276,793	7/19/2023	3.72	2.23	3.50	Aa1	AA-
	0.55%	037833DB3	APPLE INC	280,000	288,719	9/12/2027	7.15	2.59	2.90	Aa1	AA+
	0.52%	89236TEW1	TOYOTA MOTOR CREDIT CORP	255,000	270,869	4/14/2025	5.23	2.38	3.40	Aa3	AA-
	0.52%	931142EM1	WAL-MART STORES	260,000	273,052	7/8/2026	6.22	2.34	3.05	Aa2	AA
	0.52%	89114QBL1	TORONTO-DOMINION BANK	275,000	275,132	7/13/2021	1.96	2.20	1.80	Aa1	AA-
	0.53%	30231GAJ1	EXXON MOBIL CORP	275,000	279,627	3/6/2022	2.46	2.02	2.40	Aaa	AA+
	0.51%	742718EU9	FROCTER & GAMBLE CO	265,000	268,716	8/11/2022	2.97	1.96	2.15	Aa3	AA-
STATE OF WEST VIRGINIA - BRIM 2018-19	0.48%	931142EM1	WAL-MART STORES	285,000	299,307	7/8/2026	6.22	2.34	3.05	Aa2	AA
	0.49%	037833DB3	APPLE INC	300,000	309,342	9/12/2027	7.15	2.59	2.90	Aa1	AA+
	0.48%	594918BB9	MICROSOFT CORP	290,000	301,248	2/12/2025	5.03	2.14	2.70	Aaa	AAA
	0.47%	30231GAJ1	EXXON MOBIL CORP	290,000	294,880	3/6/2022	2.46	2.02	2.40	Aaa	AA+
	0.48%	89236TEW1	TOYOTA MOTOR CREDIT CORP	285,000	302,736	4/14/2025	5.23	2.38	3.40	Aa3	AA-
	0.48%	89114QC48	TORONTO-DOMINION BANK	285,000	303,408	7/19/2023	3.72	2.23	3.50	Aa1	AA-
	0.47%	166764AT7	CHEVRON CORP	290,000	295,264	3/3/2022	2.45	1.99	2.41	Aa2	AA
	0.48%	742718EU9	FROCTER & GAMBLE CO	300,000	304,206	8/11/2022	2.97	1.96	2.15	Aa3	AA-
	0.48%	89114QBL1	TORONTO-DOMINION BANK	300,000	300,144	7/13/2021	1.96	2.20	1.80	Aa1	AA-

Mellon Investments Corporation as of June 30, 2019



IV

## The Investment Map: June 2019

### Economic Landscape

The scale and scope of President Trump's disputes on trade pose a significant headwind to global economic growth.

While this creates a distinct negative risk to the economic outlook, our operating assumption is that political necessity will lead to compromise.

If so, the lessening of trade tensions supports aggregate demand, adding to pressure on resources and corporate margins and producing a modest pickup in inflation.

We expect the Federal Reserve (Fed) to ease policy less than the prevailing sentiment as long as politics does not derail economic expansion.

Other developed market central banks will remain dovish.

### Fixed Income Valuation

Sovereign developed market yields are expensive.

Breakevens offer value and provide inexpensive protection to upside surprises to inflation.

The US dollar appears expensive against other developed and emerging market currencies.

Investment grade corporates are mostly fairly valued, but fundamentals are likely to soften.

High yield spreads are currently somewhat expensive and should similarly face a deterioration in fundamentals as earnings growth slows.

There is value in emerging markets local currency and US dollar-denominated debt.

While municipal securities have become rich, institutional investors are likely to find barbell strategies attractive.

Interest rate volatility is off its low and will likely rise further.

Securitized products are attractive for their high-quality carry.

Maintain a modest risk budget.

### Investment Themes

Keep duration short to neutral in core developed market sovereign securities.

Maintain short US dollar exposure, where appropriate through option strategies given increased probability of tail risks.

Maintain modest exposure to breakevens.

Retain a slight overweight in emerging markets, both hard and local currency.

Maintain current credit exposure and look for opportunities to emphasize quality and shorten duration.

Multisector portfolios should be underweight municipal securities in light of valuations.

Be overweight securitized products, with an emphasis on ABS and CMBS.

Use option strategies with minimal cost to keep portfolios sufficiently convex.

[24357]



V

## West Virginia's Dedicated Team

### Portfolio Management Team

#### **Robert Bayston, CFA**

Managing Director  
& Senior Portfolio Manager  
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rbayston@mellon.com

#### **Nate Pearson, CFA**

Interest Rate Strategist &  
Portfolio Manager  
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### Client Service Team

#### **Scott Mountain, CFA**

Senior Relationship Manager  
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#### **John Cueva**

Client Service Support Associate  
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jcueva@mellon.com

Information Resources on [www.mellon.com](http://www.mellon.com).

- **Fed Thoughts, Macro & Market Papers**

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

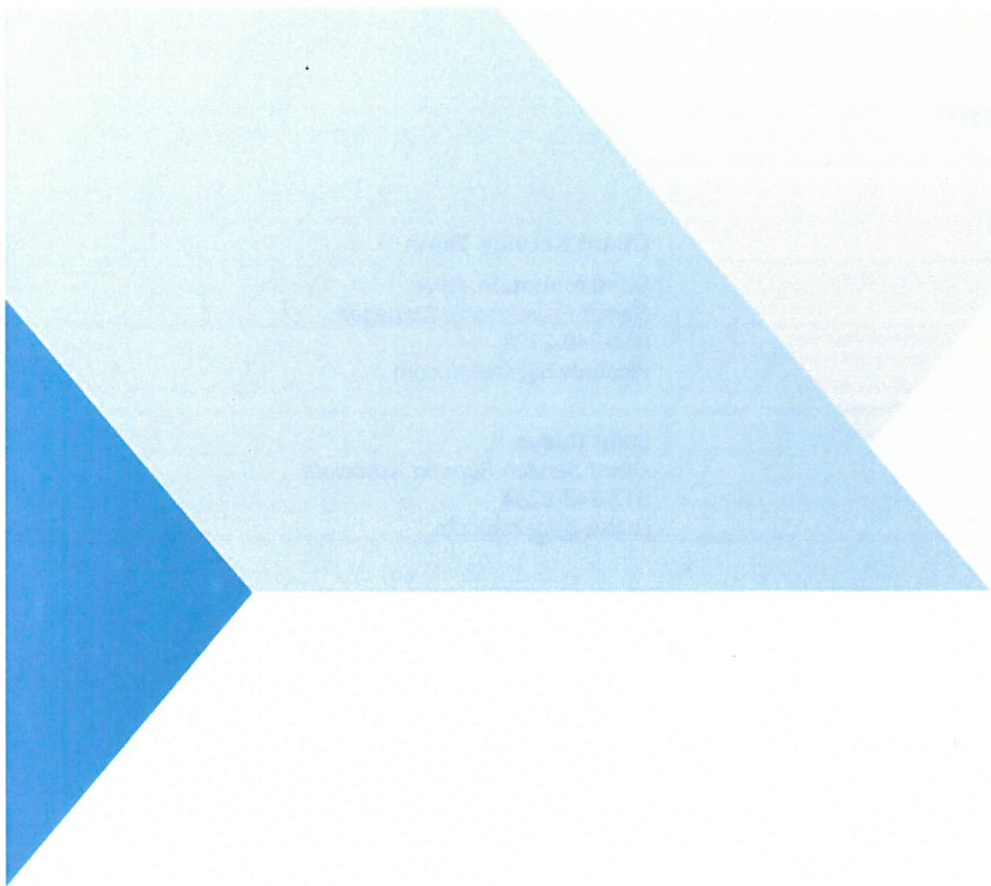
- **White Papers**

Our senior investment professionals present our thoughts on the economic trends facing global markets and often discuss possible solutions for investor challenges.

- **Commentaries**

We provide a written commentary discussing the salient performance drivers for the quarter.

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VI

## Investment Guidelines

### STANDISH GUIDELINE CHECKLIST

Account Name: STATE OF WEST VIRGINIA ACCOUNTS Account Number: 7447, 7448, 7492, 3261, 3589, 3599, 3795, 637, 3647, 100000, 100550, 101297, 101335, 102301, 102748

Relationship Manager: Anthony Criscuolo Date: 8/2014

Quality Rating:					
AGENCY:		DOWNGRADES TO BELOW MINIMUM QUALITY:		Prompt written notice of downgrades with managers position on the issue and intended action	
Any NRSRO				Minimum Quality	AA-, as established by two or more of the nationally recognized bond ratings services;
S&P	X			Average Quality	AA-
Moody's	X			Short Term Securities	Money Market Funds rated AAA by major ratings agency allowed
Duff & Phelps				Split Rated (Best/Worst/Middle)	MIDDLE
Fitch	X			Concentrations	

## Investment Guidelines

INVESTMENTS	Type of Investment	Eligible	Prohibited	Comments	Date
General:	Tax-Exempt Securities		x		
	AMT Bonds		x		
Taxable Bonds	Treasuries	X			
	Agencies	X			
	TIPS	x			
	Corporates	X			
	Zero Coupon	x			
	Convertible Issues		x		
	Structured Notes		x		
	Surplus Notes		x		
	Preferred		x		
	Private Placement/144A		X		
	<del>Preferred Stock</del>		x		
Securitized:	<del>Mtge-Related Sec.</del>		x		
	CMBS		x		
	Asset-Backed Sec.		x		
	<del>CMOs</del>		x		
	<del>CDOs</del>		x		
	<del>IOs and/or POs</del>		x		

## Investment Guidelines

### STANDISH GUIDELINE CHECKLIST

Account Name: STATE OF WEST VIRGINIA

Account Number: 7447, 7448, 7462, 8261, 8589, 8599, 8795, 887,  
8647, 100000, 100580, 101287, 101835, 102301, 102745

Type of Investment		Eligible	Prohibited	Comments	Date
Foreign-Related:	By issue country		x		
	Non-Dollar		x		
	Emerging Markets		x		
	Yankee	x		Yankee Bonds Allowed meeting all other min guideline restrictions.	
Derivatives:	Futures		x		
	Options		x		
	Currency Forwards		x		
	Leverage		x		
	SWAPS		x		
Other:	Trade Finance		x		
	Repo /Reverse Repo	x			
	Equity		x		

## Investment Guidelines

### STANDISH GUIDELINE CHECKLIST

Account Name: STATE OF WEST VIRGINIA

Account Number: 7447, 7448, 7492, 2261, 2559, 2559, 3795, 627,  
3647, 100000, 100550, 101287, 101235, 102301, 102742

Issuer / Obligor Restrictions		With the exception of U.S. Government obligations and its agencies as referred to under "Eligible Investments" the exposure to any individual issuer is limited to 4.9% of the accounts market value at the time of purchase.
Maturity Restrictions:	Weighted average	
	Issue	No individual security can exceed 10 years from the date of purchase.
Loss Restrictions		
Other Restrictions		
Duration Restrictions:	Portfolio	Averaged duration of the portfolio shall remain within a 25% range versus the average duration of the Lehman Brothers Intermediate Government Index
	Issue	
Benchmark Index		Barclays Capital Intermediate Government Index
Qualified Institutional Buyer		
ERISA		
NOTES:		<p>"Eligible Investments": The portfolio may invest in U.S. Government obligations or deposits issued or guaranteed as to interest and principal by the government of the United States or any agency or instrumentality thereof. Corporate obligations, with credit ratings of AA- or above as established by 2 or more of the nationally recognized bond rating services, are allowable investments.</p> <p>Hybrids prohibited.</p>

Please sign to verify guidelines:

Signature

Date

## Important Disclosures

Mellon Investments Corporation ("Mellon") is a registered investment advisor and subsidiary of The Bank of New York Mellon Corporation ("BNY Mellon"). The Firm also includes assets managed by Mellon personnel acting as dual officers of affiliated companies. Prior to changing its legal name on January 2, 2019, the firm was defined as BNY Mellon Asset Management North America Corporation ("BNY Mellon AMNA") a registered investment advisor and subsidiary of The Bank of New York Mellon Corporation ("BNY Mellon"). The Firm was formed on January 31, 2018, through the merger of The Boston Company Asset Management, LLC ("TBCAM") and Standish Mellon Asset Management Company LLC ("Standish") into Mellon Capital Management Corporation ("Mellon Capital"). AUM, client and employee counts are as of December 31, 2018, unless noted otherwise. Firm Assets presented through December 31, 2018, include assets managed in overlay strategies. BNY Mellon Investment Management is one of the world's leading investment management organizations and one of the top U.S. wealth managers, encompassing BNY Mellon's affiliated investment management firms, wealth management services and global distribution companies. BNY Mellon is the corporate brand of The Bank of New York Mellon Corporation and may also be used as a generic term to reference the Corporation as a whole or its various subsidiaries generally.

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Employee of BNY Mellon Investment Management Singapore Pte. Limited who provides non-discretionary research services to the Firm and may also serve as sub-advisor to the Firm for certain client mandates.

Rankings include assets managed by BNY Mellon Asset Management and BNY Mellon Wealth Management. Each ranking may not include the same mix of firms.

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 an 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 multi-collinearity 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

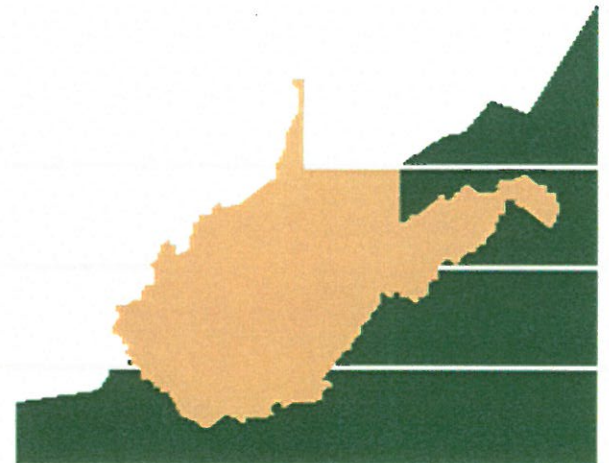


# BRIM

## Investment Review

### WV Investment Management Board

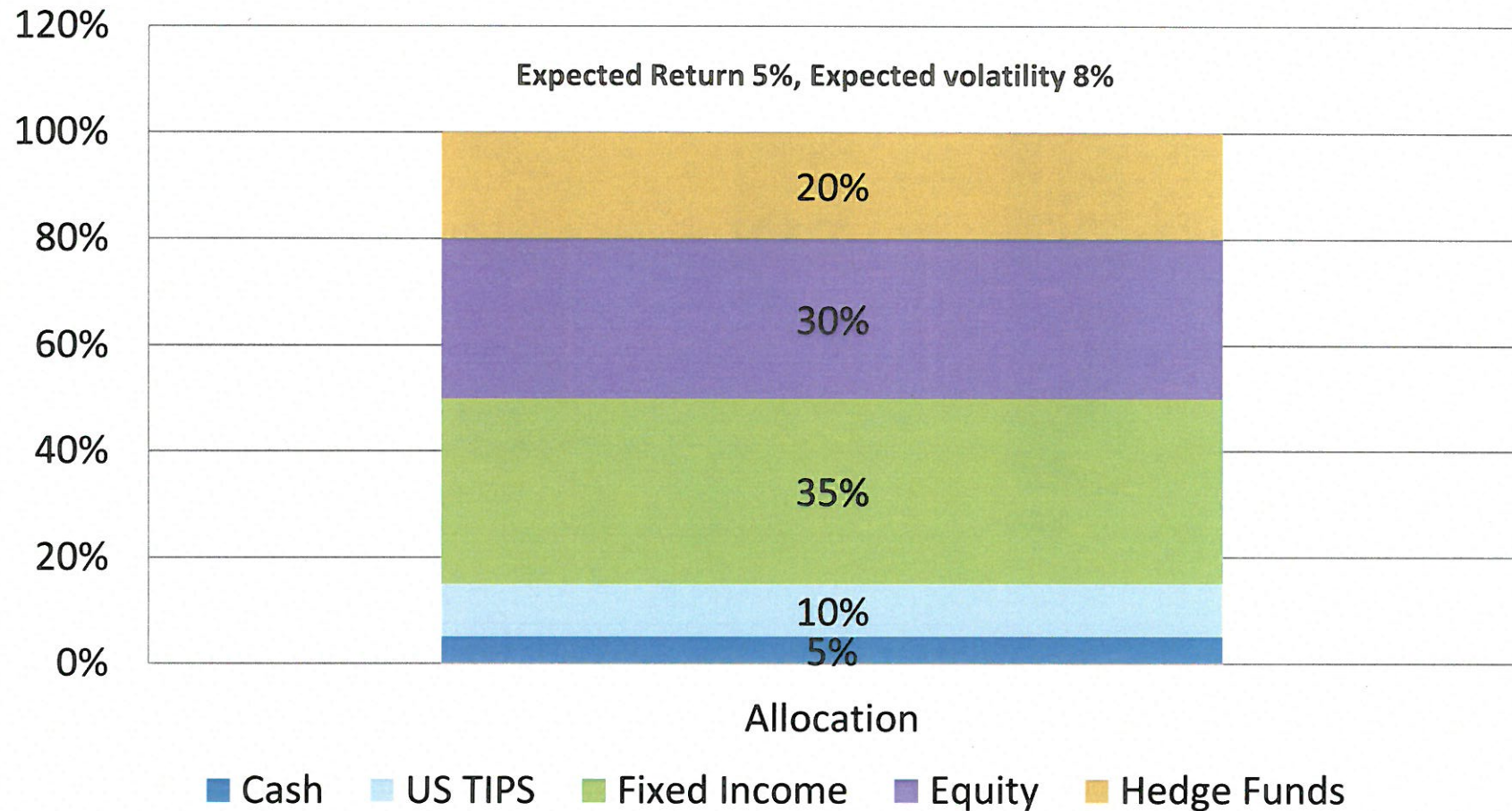
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# Market Highlights

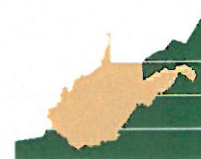
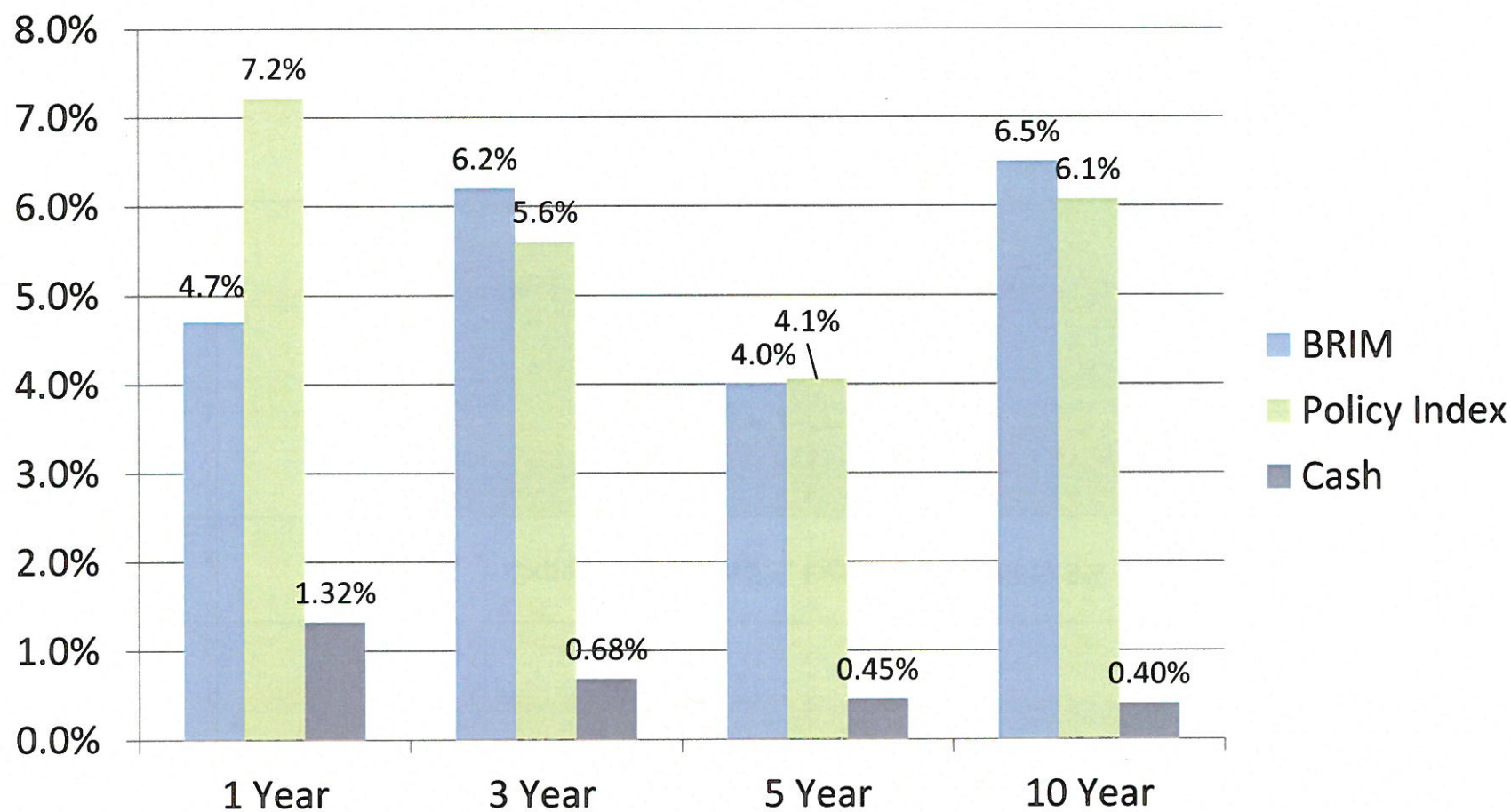
- Modest, but sustained economic growth
- Low interest rate, low inflation
- International economies have largely lagged the U.S., and currencies have weakened.
- Geo-political firestorms, Trade policy, and BREXIT
- Flat to inverted yield curve
- Heightened investor concern and uncertainty

# Asset Allocation



# Performance

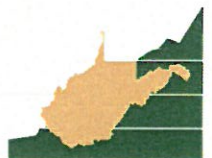
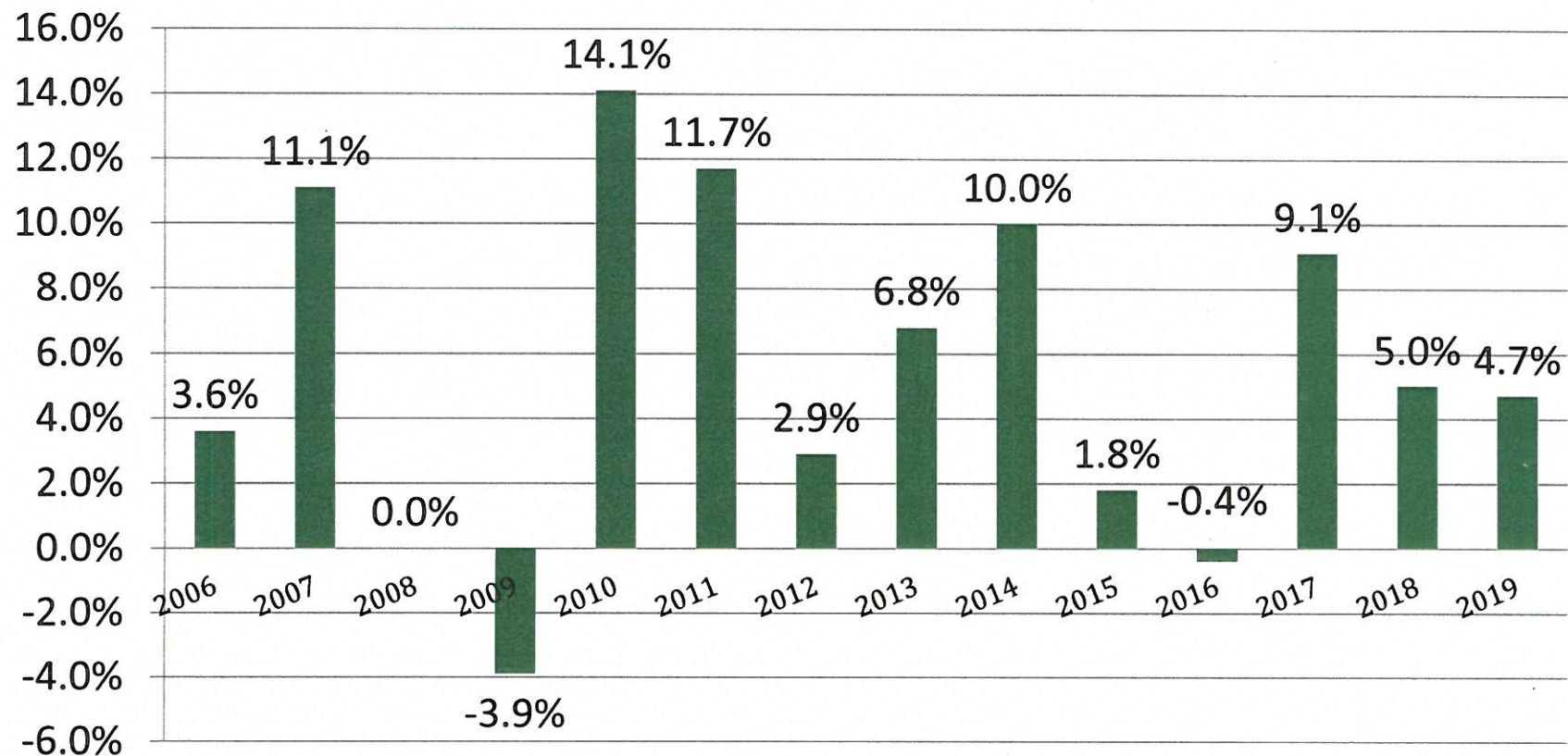
June 30, 2019



# Performance by Fiscal Year

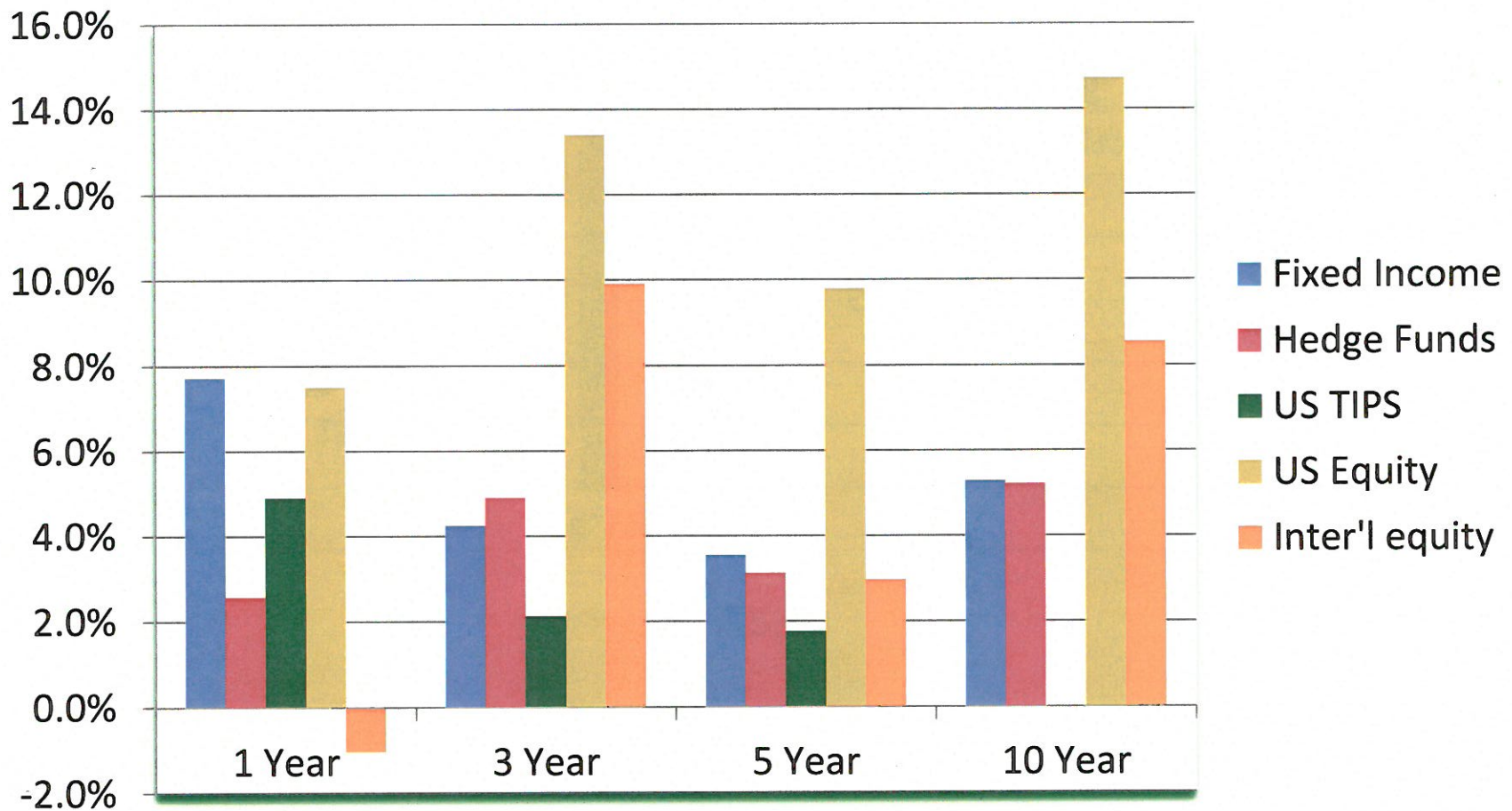
## Years ending June 30

### BRIM



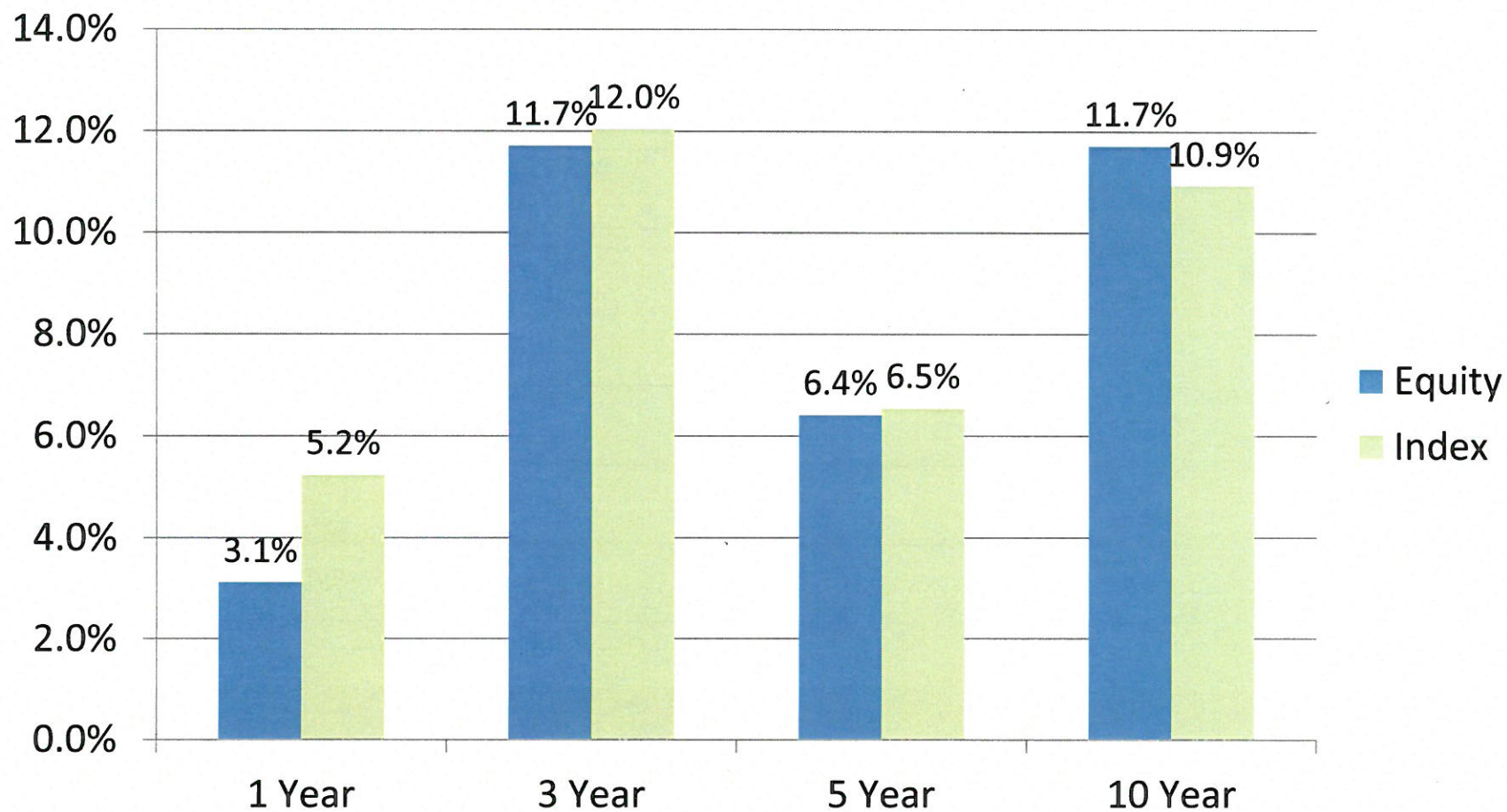
# Asset Class Performance

June 30, 2019

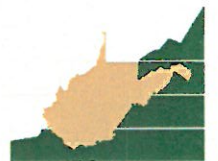
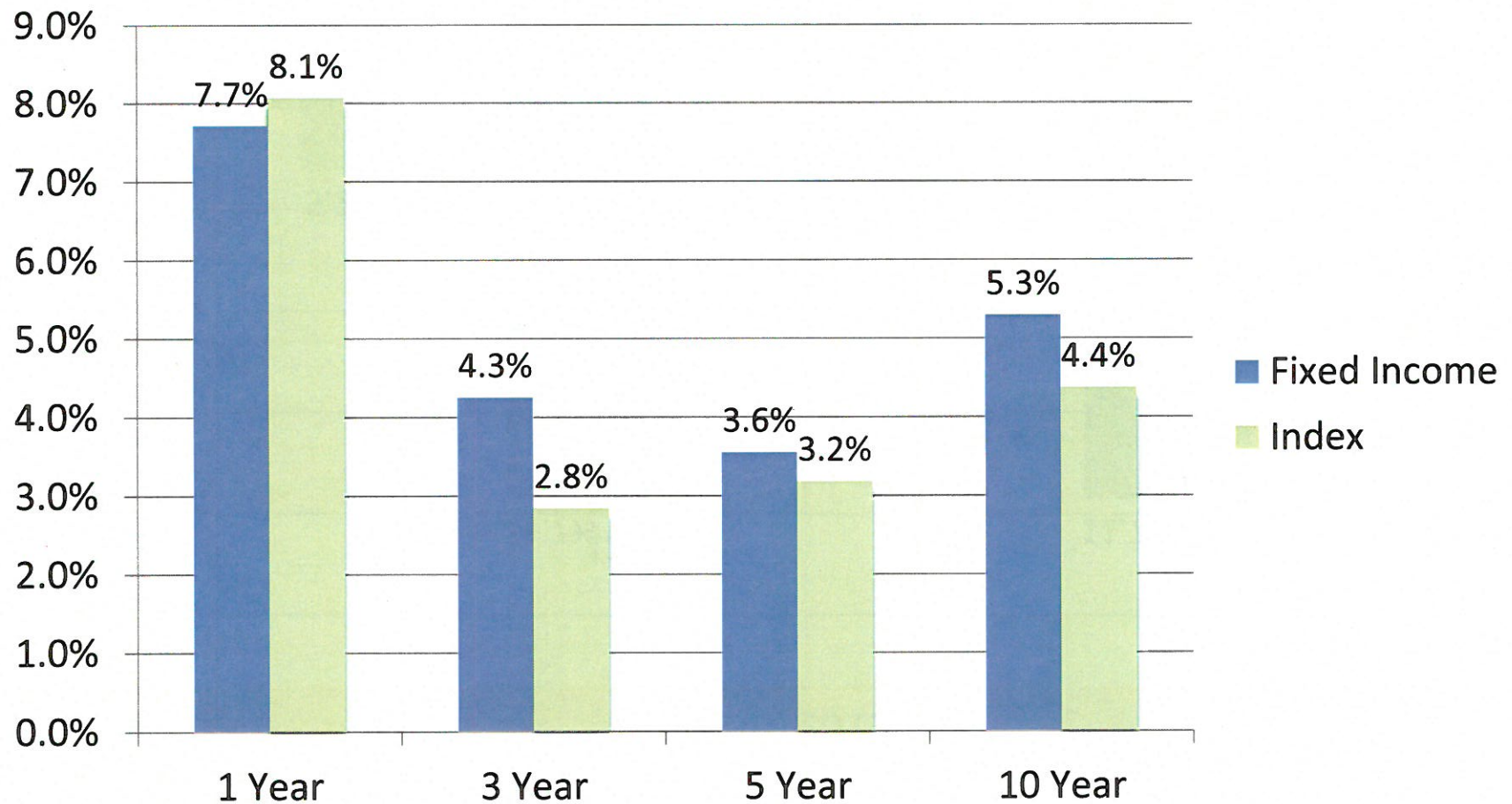


# WVIMB Performance – Equities

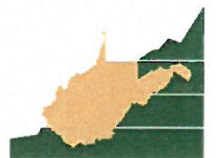
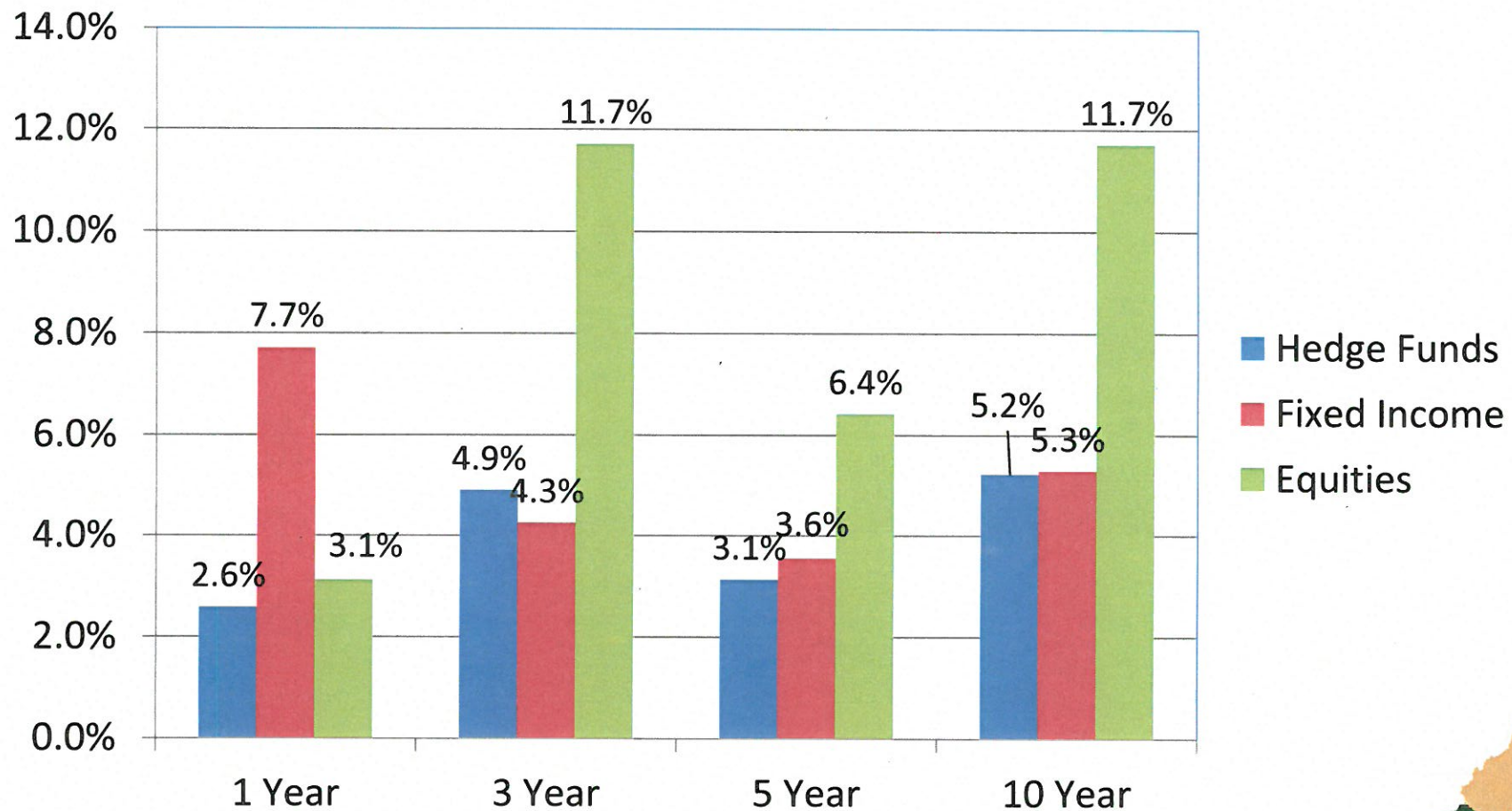
June 30, 2019



# WVIMB Performance – Fixed Income



# WVIMB Performance – Hedge Funds





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**

**September 10, 2019**

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

- As of September 4, 2019, Marshall has deposited \$350,000.00 into the escrow account for FY 2020. The fiscal year-to-date cumulative interest totals \$6,201.95. Disbursements totaling \$326,236.75 have been paid thus far in FY 2020.
- As of September 4, 2019, a total of \$597,310.94 has been deposited into WVU's escrow account for FY 2020. The fiscal year-to-date cumulative interest totals \$11,933.13. Disbursements totaling \$609,486.75 have been paid thus far in FY 2020.

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

**TRIALS**

Thus far in 2019, we have tried two cases to a defense verdict.

Monongahela Power vs. WV Div. of Highways (501-672784) Harrison Co. Mag. Ct.; Insured employee was mowing and struck the plaintiff's unmarked guy wire. Demand was \$2,408.91. There was no offer. Defense Verdict on 6/27/2019. Plaintiff is appealing verdict to Harrison Co. Cir. Ct.

**PAID CLAIMS (July 2019 Data)**

YTD Indemnity payments total \$18,564,096 vs. PYTD payments of \$24,338,658, a decrease of 23.73%.

YTD Legal payments total \$9,272,762 vs. PYTD payments of \$8,848,875, an increase of 4.79%.

**OUTSTANDING CLAIMS (July 2019 Data)**

July 2019 Indemnity reserves total \$62,655,737 vs. July 2018 Indemnity reserves of \$47,365,455, an increase of 32.28%.

July 2019 Expense reserves total \$20,756,080 vs. July 2018 Expense reserves of \$19,102,707, an increase of 8.66%.

**CLAIMS COUNTS (August 2019 Data)**

New claims YTD total 2829 vs. PYTD of 2706, an increase of 4.5%.

Closed claims YTD total 2853 vs. PYTD of 3005, a decrease of 5.06%.

Open claims YTD total 1224 vs. PYTD of 1084, an increase of 12.9%.

**DURATION – CLOSED CLAIMS (July 2019 Data)**

YTD Duration of 110.157 Days vs. PYTD Duration of 112.669 Days, a decrease of 2.23%.

**CLOSING RATIO (August 2019 Data)**

YTD Closing Ratio of 100.85% vs. PYTD Closing Ratio of 111%, a decrease of 9.14%.

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

We are in the process of making a pro rata distribution of funds to claimants from the PICF. The payments have been pending in the State Auditor's Office for a few weeks now. With all litigation of claims final, we now have a sum certain remaining to be paid. The distribution for FY 2019 (which we make at the conclusion of each FY, after all administrative and legal costs of the fund have been paid) is \$2.1 million. There are 15 claims receiving pro rata distributions. The funding sources for the PICF will terminate on December 31, 2021. The balance remaining after the current distribution is \$ 4,139,549. If the funding sources continue to perform as they have been, we are hopeful that all claims will be paid in full by June 30, 2022.

**D. Risk Management Information System Update**

We have continued to work with AssetWorks, which acquired Emerson (the original vendor) earlier this year. We have recently learned that one of the vendor's team leads, Dave Sumner, is retiring in about 3 months. To plan for a personnel transition, we have scheduled an all-day meeting with the AssetWorks team for October 3<sup>rd</sup>. We believe we've been able to conclude some data differences between AIG data, the mainframe system data, and the new system data, and that puts us another step closer to reliance on the new system as a data source for our actuaries as well as for Loss Control activities. We are beginning the reconciliation of data for property and mine subsidence, and we will be testing the Underwriting module extensively in the next few weeks.

#### E. RFP – Consultant Contract

Eight potential bidders attended the pre-bid conference and 4 submitted bids. At the conclusion of the bid evaluation process, we awarded the Consultant contract to Willis Towers Watson on July 1, 2019. On July 17, we met with the Willis team to launch the project. We have provided information and responded to questions concerning our program, coverages, and policies. On August 7 and September 4, we had conference calls with the Willis team to provide additional information. Our goal is to have a report by December 1<sup>st</sup>.

Jeff Johnson, Senate counsel, has been designated as BRIM's contact from the Senate to provide updates on the project and for us to respond to any questions the Senate leadership may have concerning the project. I've provided Jeff with copies of the RFP and the 2 addenda we issued, as well as some general information about the goals of the project. The House has not designated a staff contact to date.

#### F. Records Management

In August, we provided an inventory of both paper and electronic records to the DOA Secretary's designee overseeing the Records Management Program for the state. As reported previously, we are stepping up efforts to destroy paper records that have reached their respective retention schedules. Our next step has been to scan paper records that have not yet reached their retention schedule destruction dates and destroy the paper versions. We've received one bid for imaging services and the cost is significant enough for us to reconsider our goal of simply scanning all paper records that haven't exceeded the retention schedule. In the interest of using agency funds wisely, we've formed a committee of myself, Robert, Melody, and Sue Haga to develop a plan that could combine scanning, paper storage, and destruction depending on the type and age of the records.

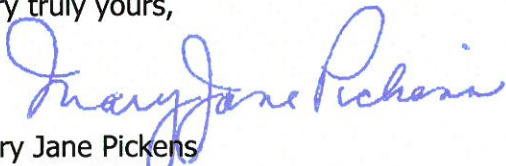
#### G. Policy Renewals

- a. At the last Board meeting, I reported on renewals. We are now reviewing the new policies and we expect to have the liability and auto policies, as well as the boiler & machinery policy, up on the website as early as next week. The property policy should be available on the website later this month. Most other policies are ready to go up on the website.
- b. Renewal of Boards of Education Excess Policy: At the last Board meeting we were still awaiting further information from USI on renewal of the BOE Excess Liability Policy. We ultimately accepted the quote from AIG however the terms are not as favorable as in the past. We now have a \$10 million aggregate. We explored other options however we felt that the AIG proposal presented the best balance of cost and coverage while meeting the statutory requirement. We expect these challenges around cost and coverage terms to continue with the Boards of Ed excess.

H. Miscellaneous

- a. At the June Board meeting, I shared plans for a new hire in our Loss Control Department. That process concluded successfully with the hire of Luke Mitchell. We are excited to have Luke on board, and I'm sure there will be more information about Luke in the Loss Control report. We expect that with Luke's hire we will be able to reach out and assist many more of our insured and be even more proactive.
- b. BRIM's Annual Report was filed by August 31, as required by statute. A copy was delivered to the Governor, Legislative Auditor, and State Budget Director.
- c. Summer Interns – Our 2 summer interns that we hired through the Governor's internship program, Solomon Phillips and Erica Howell, have completed their summer jobs here and returned to college. While they were here this summer, they helped with claims and underwriting areas primarily. They were bright, capable people and we hated to see them leave but we wish them well and hope they will visit us when they are back in town.
- d. STRIMA is the week of September 23<sup>rd</sup>. Attending this year will be Robert, Melody, and me. John Fernatt and Chuck Mozingo are also attending because they've been asked to present BRIM's Active Shooter Training as one of the conference sessions this year.
- e. The next Board meeting will be 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

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Mary Jane Pickens  
Executive Director  
Deputy Cabinet Secretary

**Chief Financial Officer's Report  
September 10, 2019**

**A. P Card Report**

CD copies contain the supporting detail for P card purchases for the months of May and June 2019. These totals are:

May	\$34,445.20
June	\$28,249.58

**B. Audit Update**

- Audit field work has been completed and no audit issues have been brought to BRIM's attention.
- BRIM will submit its draft of the June 30, 2019 audited financial statements by the September 15, 2019 draft deadline. The final financial statements will be submitted by the October 15, 2019 deadline.
- BRIM's audited financial statements will be released and available on BRIM's website shortly after the auditor's opinion has been issued.

**C. Actuarial Results**

- AON's risk fund study as of June 30, 2019 has been completed and reviewed.
- During the current fiscal year unfavorable claims development for several prior years' reserves resulted in a net increase in the provision for insured events of prior years of \$11.1 million. Favorable loss development had resulted in a net decrease in the prior years' provision for insured events of \$14.6 million for last fiscal year.
- The unfavorable loss development this year relates to several policy years prior that are outside the loss history look back period that will be included in rating periods going forward and therefore it is anticipated that these costs will not be recovered through future rates.
- Both retained reserves and IBNR year were higher by \$13.7 million and \$10.3 million respectively at June 30, 2019, resulting in a year over year increase in total retained incurred of \$24.0 million.

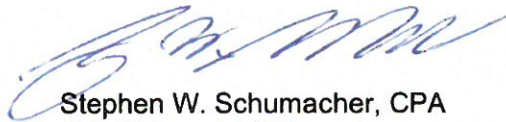
**D. Financial Results**

- Premium revenue for FY'19 is \$4.2 million higher than the prior year. The primary driver for the increased premiums is the increase in the actuarially projected claims costs that were included in the FY'19 rates.
- Total net claims expense increased by \$22.8 million when compared to FY'18, driven by the adverse development previously discussed. These losses will be absorbed by existing BRIM funding and are already reflected in BRIM's net position at June 30.
- Investment income for FY'19 was \$14.4 million higher than the prior year's investment income. The investment earnings increase can be attributed to better fixed income returns for the current year versus the prior year.

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

- The overall rate of return on all BRIM funds invested for the current fiscal year was 5.2%; a significant improvement over FY'18's return of 1.8%.
- For trust funds the rate of return was 6.2% with earnings totaling \$12.9 million for FY'19. This compares to a negative (0.5%) return in FY'18 with losses totaling \$1.1 million.
- The Fed reduced rates by a quarter-point in late July; the first rate cut since the 2008 financial crisis. Tariff issues and slowing global growth continue to weigh on the Fed's outlook for lowering rates. The Fed may reduce rates by as much as a half-point at its meeting next week.
- As short-term rates trend lower this year, the lower reinvestment rate (currently about 1.5%) for 3 to 5 year treasuries will result in much lower returns for the trust in FY'20.
- The funds invested with the West Virginia Investment Management Board made about \$7.1 million or 4.7% vs. \$7.2 million or 5.0% last year. The recent volatility in the equity markets is a reflection of the uncertainty among investors of the perceived potential return versus the risk in stocks when compared to the relative safety of treasuries.
- BRIM's overall financial results provided for an improvement in net position of \$12.9 million for FY'19 versus an increase in net position of \$17.4 million for FY'18. Adverse claims development in FY'19 was offset by much better overall investment returns when compared to FY'18.
- BRIM's current net position of \$229.5 million includes the mine subsidence program's restricted net position of \$72.4 million, leaving BRIM's unrestricted net position at \$157.1 at June 30, 2019.
- Using only unrestricted net position, BRIM's loss reserve to surplus ratio deteriorated slightly for FY'19 to 1.2 to 1.0. This compares to the FY'18 loss reserve to surplus ratio of 1.1 to 1.0.

Respectfully submitted,



Stephen W. Schumacher, CPA  
Chief Financial Officer

# West Virginia Board of Risk and Insurance Management

## Statements of Net Position

For the Twelve Months Ended June 30th

	2019	2018
	<i>(In Thousands)</i>	
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 29,342	\$ 26,927
Advance deposits with insurance company and trustee	224,786	201,377
Receivables	3,221	1,899
Prepaid insurance	0	0
Restricted cash and cash equivalents	16,936	13,668
Premiums due from other entities	1,112	878
Total current assets	275,397	244,748
Noncurrent assets:		
Equity position in internal investments pools	100,600	96,094
Restricted investments	58,096	55,494
Total noncurrent assets	158,696	151,588
Total assets	434,093	396,336
Deferred Outflows of Resources	231	438
Deferred Outflows of Resources - OPEB	21	44
<b>Liabilities</b>		
Current liabilities:		
Estimated unpaid claims and claims adjustment expense	62,656	50,453
Unearned premiums	10,179	10,022
Agent commissions payable	1,514	1,406
Claims Payable	0	0
Accrued expenses and other liabilities	1,508	922
Total current liabilities	75,857	62,803
Estimated unpaid claims and claims adjustment expense net of current portion	128,322	116,548
Compensated absences	124	122
Net pension liability	249	331
Total noncurrent liabilities	128,695	117,001
Total liabilities	204,552	179,805
Deferred Inflows of Resources	200	330
Deferred Inflows of Resources - OPEB	109	73
Net position:		
Restricted by State code for mine subsidence coverage	66,866	61,059
Unrestricted	149,745	138,211
Net Assets (Deficiency)	12,872	17,341
Net position	\$ 229,483	\$ 216,611

Unaudited

# West Virginia Board of Risk and Insurance Management

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

For the Twelve Months Ended June 30th

	2019	2018
	<i>(In Thousands)</i>	
<b>Operating revenues</b>		
Premiums	\$ 83,301	\$ 78,951
Less coverage/reinsurance programs	(6,627)	(6,518)
Net operating revenues	76,674	72,432
<b>Operating expenses</b>		
Claims and claims adjustment expense	80,169	57,393
General and administrative	4,706	4,410
Total operating expenses	84,875	61,803
Operating income (loss)	(8,201)	10,629
<b>Nonoperating revenues</b>		
Investment income	21,043	6,712
OPEB Non Operating Income	30	0
Net nonoperating revenues	21,073	6,712
Changes in net position	12,872	17,341
Total net position, beginning of year	216,611	199,270
Total net position, end of period	\$ 229,483	\$ 216,611

*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  
[MaryJane.Pickens@wv.gov](mailto:MaryJane.Pickens@wv.gov)

#### **Loss Control Report to the Board September 2019**

We are delighted to introduce to you our new Risk and Insurance Analyst: Mr. Luke Mitchell. Luke began working on July 8, 2019 and has completed the onboarding training process and is now actively engaged with our insured during consultation visits. We anticipate many accomplishments from him during his career at BRIM.

State Agency loss control questionnaires were due on August 1, 2019. Since that time, we have been evaluating those questionnaires. The results will be used to calculate loss control credits and surcharges for next fiscal year's premium.

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

During the months of July, August, and September Aon conducted 203 inspections and Liberty Mutual Insurance conducted 262. The reports are being processed according to established procedures.

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

#### **9 Loss Control Visits**

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

**Insured Accounts Visited Include:** City of Williamson, Central West Virginia Transit Authority, Moundsville Housing Authority, Charleston/Kanawha Housing Authority, Tri-State Transit Authority, Cabell County Board of Education, Marion County Board of Education, Preston County Board of Education, and Monongalia County Board of Education.

**10 Standards of Participation Visits**

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

**Insured Accounts Visited Include:** Western Animal Rescue Alliance, Clay County Services Unlimited, Town of Grant Town, Town of Pax, Point Pleasant Housing Authority, Wetzel County Convention & Visitors Bureau, East Cabell County Humanities Organization, West Virginia Division of Labor, Doddridge County Board of Education, and Chief Logan Recreational Center.

**2 Presentation Visits**

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

**Training Provided To:** West Virginia Rural Water Association's annual conference and Raleigh County Board of Education.

As is the case each year, the number of loss control visits is markedly reduced during the period in which we evaluate loss control questionnaire submissions, no consultation visits have occurred during this reporting period.

Dated: *September 9, 2019*

Respectfully submitted,



Robert A. Fisher  
Deputy Director *and* Claim Manager



Mary Jane Pickens  
Executive Director  
Deputy Cabinet Secretary

## Chief Privacy Officer's Report September 10, 2019

### A. Privacy Management Team Meetings

- Since the June 18, 2019 BRIM board meeting, the Privacy Management Team met on July 16, 2019 for its bi-monthly PMT meeting. Twenty-seven DPOs/APOs from 16 different Executive and Higher Education/Constitutional agencies attended. Speakers from the WV Treasurer's Office and the WV Office of Technology presented on the importance of compliance with the Payment Card Industry Data Security Standards.
- The next Privacy Management Team meeting is scheduled for September 17, 2019.

### B. Privacy Training

- During the Second Quarter of 2019, 864 members of the Executive Branch workforce took the online course *Think WV Privacy*, which is a general privacy awareness training course.
- During the Second Quarter of 2019, 737 members of the Executive Branch workforce took the online course *WV Confidentiality Agreement*, which is required of all workforce members.
- During the Second Quarter of 2019, 422 members of the Executive Branch workforce took the online course *HIPAA/HITECH*, which is a general HIPAA training course.
- The State Privacy Office is investigating an update for the privacy training online course.

The following training events were held by the SPO since June:

- June 17, 2019 – State Privacy Office staff presented a new privacy officer orientation training to 7 DPOs/APOs.
- July 24, 2019- State Privacy Office staff presented new privacy officer orientation and HIPAA training to 13 DPOs/APOs of the WV DHHR.
- Upcoming: On September 18-19, 2019 State Privacy Office staff will present “Purchasing – A Privacy Powerhouse” on two occasions to procurement officers statewide at the 2019 West Virginia Agency Purchasing Conference. As a component of this training, staff have created a redaction component that will be made available statewide as an ongoing resource to members of the Executive Branch.

### **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 June, 4 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. State Privacy staff, combined with WVOT staff, are working together to create a new PIA procedure.
- At this point, PIA completion is not mandatory for agencies.
- The Vendor Management Team, comprised of staff from the WV Purchasing Division, WV Office of Technology, WV Cybersecurity Office, BRIM, and State Privacy Office, has restarted its bi-monthly meetings to establish procedures, including a possible agency requirement to complete Privacy Impact Assessments, to ensure vendor compliance.

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



Mary Jane Pickens  
Executive Director  
Deputy Cabinet Secretary

**AGENDA**  
**BOARD MEETING OF THE**  
**WEST VIRGINIA BOARD OF RISK AND INSURANCE MANAGEMENT**  
***December 17, 2019***

Chairman Martin

Call to Order

Chairman Martin

Approval of Board Minutes  
September 10, 2019 Meeting

**REPORTS**

Norman Mosrie, Partner  
Dixon Hughes Goodman LLP

Audited Financial Report  
June 30, 2018  
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

Ashley E. Summitt  
Chief Privacy Officer

Privacy Report

**UNFINISHED BUSINESS**

**NEW BUSINESS**

**ADJOURNMENT**

ldm



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



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  
September 10, 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

**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  
Melody Duke, Underwriting Manager  
Valerie Poindexter, Claim Representative  
Stephen W. Panaro, CPA, Controller  
Luke Mitchell, Risk & Insurance Analyst I  
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  
Tom Sauvageot, WV Investment Management Board  
Nate Pearson, Standish Mellon Asset Management  
Scott Mountain, Standish Mellon Asset Management

## **CALL TO ORDER**

Chairman Martin called the meeting of the West Virginia Board of Risk and Insurance Management to order on Tuesday, September 10, 2019 at 1:03PM. Chairman Martin thanked the Board and BRIM staff for the donation made in honor and memory of his father's recent passing. 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 June 18, 2019 Board Meeting minutes. The motion was seconded by Vice Chairman Bob Mitts. Being no discussion, a vote took place and the MOTION ADOPTED.

## **REPORTS**

### **Standish Mellon Asset Management**

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

Mr. Pearson introduced himself and Mr. Mountain to the group. Mr. Mountain presented highlights of the Mellon Overview. Mr. Pearson reviewed the handout provided and reported a positive economic picture. He commented that he didn't see much in the way of a recession. Trend growth appears moderate and with stable rates we shouldn't experience loss. Chairman Martin thanked the gentlemen for the good news.

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

### **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, 2019 which the Board received as a handout. Market Highlights were discussed, modest but sustained economic growth has been experienced. Asset Allocation was reviewed. The good news is we are not expecting a recession and are celebrating strong returns. The bad news is bond portfolio yield. Trade uncertainty has had an effect on the market. Being no questions from the Board, the West Virginia Investment Management Board presentation concluded. Chairman Martin thanked Mr. Sauvageot for his report.

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

## **Executive Director's Report**

Chairman Martin called on Mary Jane Pickens to present the Executive Director's Report.

Ms. Pickens discussed the Medical Malpractice Programs for both Marshall University and West Virginia University. Mrs. Pickens reported on the State Agency/Senate Bill #3 Liability Claim and Litigation Information. To date in 2019, we have tried two cases to a defense verdict. 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). We are in the process of making a pro rata distribution of funds to claimants from PICF. Payment are pending in the State Auditor's Office. All claims litigation is final, we now have a sum remaining to be paid. The distribution for FY2019 is \$2.1 million. There are 15 claims receiving pro rata distributions. The funding sources for the PICF will terminate on December 31, 2021. The balance remaining after the current distribution is \$4,139,549. If the funding sources continue to perform as they have been, we are hopeful that all claims will be paid in full by June 30, 2022.

An update on the Risk Management Information System was discussed. We continue to work with AssetWorks, which acquired Emerson (original vendor) earlier this year. One of the vendor's leads, Dave Sumner, is retiring. An all-day meeting with the AssetWorks team has been scheduled for October 3<sup>rd</sup> to plan for the personnel transition. Some data differences between AIG data, the mainframe system data, and the new data system seem to have been concluded. This gets us closer to reliance on the new system as a data source for our actuaries as well as for Loss Control activities. We are beginning the reconciliation of data for property and mine subsidence, and we will be testing the Underwriting module extensively in the next few weeks.

Mrs. Pickens reported on the status of BRIM RFPs. Eight potential bidders attended the pre-bid conference and four submitted bids for the Consultant RFP. On July 1, 2019, we awarded the contract to Willis Towers Watson. On July 17, we met with the Willis team to launch the project. We have responded to questions and supplied information regarding our program, coverages and policies. On August 7 and September 4, we held conference calls with Willis to provide additional information.

Jeff Johnson, Senate counsel, has been designated as BRIM's contact from the Senate to provide updates on the project. We will also respond to Mr. Johnson with answers to any questions Senate leadership may have concerning the project. The House has not designated a staff contact.

Records Management was discussed. In August, we provided an inventory of both paper and electronic records to the DOA Secretary's designee in charge of Records Management Program. We are stepping up our efforts to destroy paper records that have reached their respective retention schedules. The next step is scanning paper records that have not reached their retention schedule destruction dates and destroy the paper versions. We have received one bid for imaging services and the

cost is significant enough for us to reconsider our goal of simply scanning all paper records that are not in excess of the retention schedule. A committee has been formed to initiate a plan that combines scanning, paper storage and destruction depending on the type and age of the record.

BRIM Policy renewals were discussed at the last Board meeting. We are in the process of reviewing the new policies and expect to have the liability and auto policies as well as the boiler and machinery policy on the website next week. The property policy should be available on the website later this month.

At the last meeting BRIM was still awaiting further information from USI on renewal of the BOE Renewal of Boards of Education Excess Policy. We accepted the quote from AIG; however, the terms are not as favorable as in the past. Other options were explored but the AIG proposal presented the best balance of cost and coverage while meeting the statutory requirements.

Mrs. Pickens introduced the new hire for the Loss Control Department. Luke Mitchell is a Risk & Insurance Analyst I. With Luke on staff, we expect to be able to reach out and assist more insured and be more proactive.

BRIM's Annual Report was filed by August 31, as required by statute. A copy was hand delivered to the Governor, Legislative Auditor, and State Budget Director.

Our two summer interns completed their summer positions and returned to school. While at BRIM this summer, Solomon Phillips and Erica Howell assisted in claims and underwriting primarily. They were bright, dependable people and wish them both well in their future endeavors.

Mrs. Pickens announced that STRIMA would be held the week of September 23<sup>rd</sup>. Attending will be myself, Robert and Melody. John Fernatt and Chuck Mozingo will be attending to present BRIM's Active Shooter Training as one of the conference sessions this year.

In conclusion, Mrs. Pickens announced the next Board meeting will be held 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 May and June. A disk containing PCard activity for the period May – June 2019, was distributed to the Board.

Mr. Schumacher presented an Audit Update. The audit field work has been completed and no audit issues have been brought up. BRIM will submit its draft of the

June 30, 2019 audited financial statements by the deadline of September 15, 2019. The final financial statements will be submitted by the October 15, 2019 deadline. BRIM's audited financial statements will be released and available on the website after the auditor's opinion has been issued.

Mr. Schumacher discussed the Actuarial Results. AON's risk fund study of June 30, 2019 has been completed. Retained reserves and IBNR year were higher by \$13.7 million and \$10.3 million respectively at June 30, 2019, resulting in a year over year increase in total retained incurred of \$24.0 million.

Financial Results were discussed and reviewed by Mr. Schumacher. Premium revenue for FY19 is \$4.2 million higher than the prior year. Total net claims expense increased by \$22.8 million when compared to FY18. Investment income for FY19 was \$14.4 million higher than the prior year's investment income. The overall rate of return on all BRIM funds invested for the current fiscal year was a 5.2%, a significant improvement over FY18 return of 1.8%.

The Fed reduced rates by a quarter-point in late July; the final rate cut since the 2008 financial crisis. Tariff issues and slow global growth continued to weigh on the Fed's outlook for lower rates.

As short-term rates trend lower this year; the lower reinvestment rate for 3 to 5 year treasuries will result in a much lower return for the trust in FY20. BRIM's overall financial results provided for an improvement in net position of \$12.9 million for FY19 versus an increase in the net position of \$17.4 million for FY18. Adverse claims development in FY19 was offset by much better overall investment returns when compared to FY18. BRIM's current net position of \$229.5 million includes the mine subsidence program's restricted net position of \$72.4 million, leaving BRIM's unrestricted net position at \$157.1 at June 30, 2019.

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### **Loss Control Report**

Mr. Fisher was called upon by the Chairman to present the Loss Control Report.

Mr. Fisher introduced Luke Mitchell our new Risk & Insurance Analyst. Mr. Mitchell began working July 8, 2019. He has completed the onboarding training process and is engaged with our insured during visits. We welcome Luke.

State Agency loss control questionnaires were discussed. The questionnaires were due August 1, 2019. We have been evaluating questionnaires. Results will be used to calculate loss control credits and surcharges for the next fiscal year's premium.

Mr. Fisher discussed BRIM and Liberty Mutual Insurance will sponsor two boiler safety and operational seminars this fall. It is our hope that these seminars will continue to attract large crowds and the education received will help keep boiler losses to a minimum as they have been for years.

Mr. Fisher reported on inspections conducted during July, August and September. Aon conducted 203 inspections and 262 were conducted by Liberty Mutual Insurance. The reports are being processed. Since our prior report, our loss control technical staff have completed 9 Loss Control Visits and 10 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 July 16, 2019, for the bi-monthly PMT meeting. Twenty-seven DPOs/APOs from 16 different Executive and Higher Education/Constitutional agencies attended. Speakers from the WV Treasurer's Office and the WV Office of Technology presented on the importance of compliance with the Payment Card Industry Data Security Standards. The next Privacy Management Team meeting is scheduled for September 17, 2019.

Ms. Summitt reported on privacy trainings. During the second quarter of 2019, 864 members of the Executive Branch workforce took the online course *Think WV Privacy*; 737 members took the online course *WV Confidentiality Agreement*; and 422 members took the online course *HIPAA/HITECH*. The State Privacy Office is investigating an update for the privacy training online course, trying to make it more current.

Training events by the SPO since June were discussed. June 17, 2019, State Privacy Office staff presented a new privacy officer orientation training to 7 DPOs/APOs. July 24, 2019, State Privacy Office staff presented new privacy officer orientation and HIPAA training to 13 DPOs/APOs of the WV DHHR. In the near future, State Privacy Office staff will present "Purchasing – A Privacy Powerhouse" on two occasions to procurement officers statewide at the 2019 WV Agency Purchasing Conference.

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 June 4 PIAs have been completed and submitted. Staff changes at the Office of Technology have resulted in procedural 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.

The Vendor Management Team, comprised of staff from the WV Purchasing Division, WV Office of Technology, WV Cybersecurity Office, BRIM, and State Privacy Office, has restarted its bi-monthly meetings to establish procedures, including a

possible agency requirement to complete Privacy Impact Assessments, to ensure vendor compliance.

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.

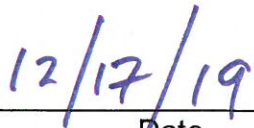
### **NEW BUSINESS**

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 2:04PM.

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

  
\_\_\_\_\_  
Date

ldm



**Report to the  
Board of Directors**

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

**June 30, 2019**

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## **Contacts**

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***Jessie Lindsay, CPA***

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Charleston, West Virginia 25301  
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## Communication with Those Charged with Governance

October 14, 2019

Board of Directors  
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, 2019, and have issued our report thereon dated October 15, 2019. 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 June 7, 2019. Professional standards also require that we communicate to you the following information related to our audit.

### Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the 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, 2019. 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.

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

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

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

**Difficulties Encountered in Performing the Audit**

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

**Corrected and Uncorrected Misstatements**

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

**Disagreements with Management**

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

**Management Representations**

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

**Management Consultations with Other Accountants**

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

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

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the 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



Allan L. McVey  
Cabinet Secretary

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

October 14, 2019

Dixon Hughes Goodman LLP  
500 Virginia Street East  
Suite 800  
Charleston, West Virginia 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, 2019 and 2018, 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 (U.S. GAAP).

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

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

**Financial Statements**

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated June 7, 2019, 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-employment 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. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
11. There are no instances where any officer or employee of 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.
12. There are no uncorrected misstatements or omitted disclosures.
13. 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.
14. We are responsible for the estimation methods and assumptions used in measuring assets and liabilities reported or disclosed at fair value, including information obtained from brokers, pricing services or other third parties. Our valuation methodologies have been consistently applied from period to period. The fair value measurements reported or disclosed represent our best estimate of fair value as of the measurement date in accordance with

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

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

#### **Information Provided**

16. We have provided you with:
- a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters.
  - b. Additional information that you have requested from us for the purpose of the audit.
  - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
  - d. Minutes of the meetings of Board of Directors or summaries of actions of recent meetings for which minutes have not yet been prepared.
17. All transactions have been recorded in the accounting records and are reflected in the financial statements.
18. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
19. We have no knowledge of any fraud or suspected fraud affecting the Agency involving:
- a. Management.
  - b. Employees who have significant roles in internal control.
  - c. Others when the fraud could have a material effect on the financial statements.
20. We have no knowledge of any allegations of fraud or suspected fraud affecting the Agency's financial statements received in communications from employees, former employees, analysts, regulators, short sellers, or others.
21. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices.
22. There are no known instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statements.
23. We have disclosed to you the identity of the Agency's related parties and all the related party relationships and transactions of which we are aware.
24. The Agency has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
25. As part of your audit, you provided on consultation on accounting matters and assisted with preparation of the financial statements and related notes, and you have 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.

26. 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.
27. 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.
28. 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 position.
29. Amounts due to and from American International Group (AIG) are properly presented net for financial purposes as we have a legal write of offset.
30. BRIM has certain cash equivalents in pools of the West Virginia Bureau of Treasury Investments (BTI) and West Virginia Investment Management Board (IMB). The management of these entities is not under BRIM's control.
- a. GASB 79 establishes criteria for making the election to measure investments at amortized cost for financial reporting purposes. BRIM participates in BTI's West Virginia Money Market Pool, which has been deemed to meet the criteria and is reported at amortized cost. The criteria specify that the pool must transact with their participants at a stable net asset value per share and meet requirements for portfolio maturity, portfolio quality, portfolio diversification, portfolio liquidity, and shadow pricing. The BTI does not place limitations on or restrictions on participant withdrawals from the pool, such as redemption notice periods, maximum transaction amounts, and any authority to impose liquidity fees or redemption gates. Accordingly, as a pool participant the Authority measures its investment in this pool at amortized cost that approximates market value. The earnings from these pooled investments have been properly distributed to investment pool participants based on their pro rata participation in the pools. The methods and assumptions used to

determine recorded value at amortized cost of financial instruments are appropriate for financial statement measurement and disclosure purposes.

- b. Certain cash equivalents and investments are reported by IMB at fair value and are accounted for by BRIM accordingly, with changes in the fair value included in investment income. The methods and assumptions used to determine fair values are appropriate for financial statement measurement and disclosure purposes. The earnings from these pooled investments are distributed to investment pool participants based on their pro rata participation in the pools.
  - c. Adequate disclosures required under applicable GASB standards for deposits and investments have been included in the financial statements for risk disclosures. To our knowledge, none of the Agency's investments has permanently declined in value to an amount less than the carrying value in the financial statements.
31. 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.
32. 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.
33. We have adequately disclosed a description of our major revenue-generating sources, the types of arrangements (including multiple-element arrangements), and a description of the applicable revenue recognition policies.
34. 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.
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.
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, 2019 and 2018. 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, 2019 and 2018. We have estimated that a premium deficiency reserve is not necessary at June 30, 2019 or June 30, 2018.
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, 2019 and 2018, 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.

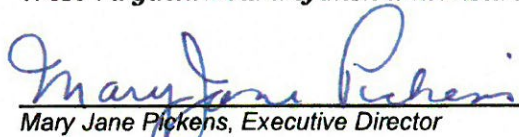
39. The reinsurance contracts provided to you by the Agency represent all of the Agency's agreements with respect to its ceding and assuming reinsurance activities, and there are no modifications, either written or oral, of the terms of the Agency's reinsurance contracts or additional reinsurance agreements that have not been provided to you.
40. We have properly accounted for our pension liability and related accounts and disclosures in accordance with adoption of GASB Statement No. 68, Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27, and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68. We believe that the actuarial assumptions and methods used to measure the pension liability and cost for financial reporting purposes are appropriate in the circumstances. We also agree with and have also properly disclosed the State's proportionate share of the net pension liability associated with BRIM as of June 30, 2019 and 2018.
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 postemployment benefits other than pensions (OPEB) obligation and related accounts and disclosures in accordance with adoption of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions and GASB Statement No. 85, Omnibus 2017. We believe that the actuarial assumptions and methods used to measure the OPEB liability and cost for financial reporting purposes are appropriate in the circumstances. We also agree with and have also properly disclosed the State's proportionate share of the net OPEB liability associated with BRIM as of June 30, 2019 and 2018.
43. We have disclosed to you all significant postemployment benefits other than pensions promised and have made available to you all significant summary plan descriptions, benefit communications and all other relevant information, including plan changes that constitute the plan for each significant OPEB. The actuarial assumptions and methods used to measure OPEB liabilities and costs for financial accounting purposes, including prescribed assumptions, represent our best estimate of future conditions and are appropriate in the circumstances.
44. We do not plan to withdraw from the multiemployer pension or OPEB benefit plans.
45. We are responsible for compliance with and have complied with the laws, regulations, and provisions of contracts and grant agreements applicable to us.
46. We are not aware of any instances that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
47. We are not aware of any instances, that have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
48. We are not aware of any instances, that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.


49. 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.
50. 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.
51. BRIM does not have any component units or joint ventures.
52. The financial statements properly classify all funds and activities.
53. Components of net position (net investment in capital assets; restricted; and unrestricted), are properly classified and, if applicable, approved.
54. Expenses have been appropriately classified in or allocated to functions and programs, as applicable, in the statements of revenues, expenses and changes in net position, and allocations have been made on a reasonable basis.
55. Revenues are appropriately classified in the statements of revenues, expenses and changes in net position within program revenues, general revenues, contributions to term or permanent endowments or contributions to permanent fund principal.
56. Provisions for uncollectible receivables have been properly identified and recorded.
57. Interfund, internal and intra-entity activity and balances have been appropriately classified and reported.
58. There are no special or extraordinary items.
59. Risk disclosures associated with deposits and investment securities and derivatives transactions are presented in accordance with GASB requirements.
60. Investments, derivative transactions, and land and other real estate held by endowments are properly valued.
61. 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.
62. 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.
63. There are no risks and uncertainties related to significant estimates and current vulnerabilities due to material concentrations that have not been disclosed.
64. 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.
65. 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.
66. 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.

67. 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.
68. There are no oral or written guarantees, including guarantees of the debt of others.
69. We have not completed the process of evaluating the impact that will result from adopting Governmental Accounting Standards Board (GASB) No. 87, Leases as discussed in Note 2. 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.

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 balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.

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

  
Mary Jane Pickens, Executive Director

  
Stephen W. Schumacher, Chief Financial Officer

  
Stephen W. Panaro, Controller

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## **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, 2019 and 2018**

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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, 2019 and 2018, 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, 2019 and 2018, and the changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note 2, the financial statements of BRIM are intended to present the financial position, and the changes in financial position and cash flows of only that portion of the business type activities of the State of West Virginia that is attributable to the transactions of BRIM. They do not purport to, and do not present fairly the financial position of the State of West Virginia as of June 30, 2019 and 2018, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

**Other Matters**

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4 to 9 and the required supplementary information on pages 55 to 62 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 63 through 70 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 14, 2019, 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 14, 2019

***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, 2019, 2018, and 2017. 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, 2019, 2018, and 2017:

	2019	2018	2017	Change 2019 - 2018		Change 2017 - 2018	
				Amount	Percent	Amount	Percent
Cash and cash equivalents	\$ 46,278	\$ 40,594	\$ 36,459	\$ 5,684	14.0%	\$ 4,135	11.3%
Advance deposits with carrier/trustee	224,786	201,377	193,352	23,409	11.6	8,025	4.2
Receivables	4,335	2,777	1,914	1,558	56.1	863	45.1
Total current assets	275,399	244,748	231,725	30,651	12.5	13,023	5.6
Noncurrent investments	158,696	151,588	144,341	7,108	4.7	7,247	5.0
Total assets	434,095	396,336	376,066	37,759	9.5	20,270	5.4
Total deferred outflows of resources	438	482	458	(44)	(9.1)	24	5.2
Estimated unpaid claims and claims adjustment expense	62,656	50,453	47,713	12,203	24.2	2,740	5.7
Unearned premiums	10,179	10,022	9,174	157	1.6	848	9.2
Agent commissions payable	1,514	1,406	1,279	108	7.7	127	9.9
Accrued expenses	1,038	411	418	627	152.6	(7)	(1.7)
Total current liabilities	75,387	62,292	58,584	13,095	21.0	3,708	6.3
Estimated unpaid claims and claims adjustment expense, net of current portion	128,322	116,548	117,206	11,774	10.1	(658)	(0.6)
Compensated absences	124	122	107	2	1.6	15	14.0
Net pension liability	249	331	766	(82)	(24.8)	(435)	(56.8)
Net other post-employment benefits liability	470	512	496	(42)	(8.2)	16	3.2
Total noncurrent liabilities	129,165	117,513	118,575	11,652	9.9	(1,062)	(0.9)
Total liabilities	204,552	179,805	177,159	24,747	13.8	2,646	1.5
Total deferred inflows of resources	309	402	37	(93)	(23.1)	365	986.5
Net position:							
Restricted	72,466	66,865	61,063	5,601	8.4	5,802	9.5
Unrestricted	157,206	149,747	138,265	7,459	5.0	11,482	8.3
Net position	\$ 229,672	\$ 216,612	\$ 199,328	\$ 13,060	6.0%	\$ 17,284	8.7%
Premiums	\$ 83,301	\$ 78,951	\$ 71,368	\$ 4,350	5.5%	\$ 7,583	10.6%
Less excess coverage	(6,627)	(6,518)	(6,681)	109	1.7	(163)	(2.4)
Net operating revenues	76,674	72,433	64,687	4,241	5.9	7,746	12.0
Claims and claims adjustment expense	80,169	57,393	59,149	22,776	39.7	(1,756)	(3.0)
General and administrative	4,519	4,410	4,200	109	2.5	210	5.0
Total operating expenses	84,688	61,803	63,349	22,885	37.0	(1,546)	(2.4)
Operating income (loss)	(8,014)	10,630	1,338	(18,644)	(175.4)	9,292	694.5
Nonoperating revenues:							
Investment income	21,044	6,712	9,841	14,332	213.5	(3,129)	(31.8)
OPEB nonoperating income	30	-	-	30	100.0	-	-
SB 602 re-appropriation	-	-	(2,810)	-	-	2,810	100.0
Total nonoperating revenues, net	21,074	6,712	7,031	14,362	214.0	(319)	(4.5)
Changes in net position	13,060	17,342	8,369	(4,282)	(24.7)	8,973	107.2
Total net position - beginning	216,612	199,328	190,959	17,284	8.7	8,369	4.4
Cumulative effect of adoption of GASB 75	-	(58)	-	58	100.0	(58)	(100.0)
Total net position - beginning of year, restated	216,612	199,270	190,959	17,342	8.7	8,310	4.4
Total net position - end	\$ 229,672	\$ 216,612	\$ 199,328	\$ 13,060	6.0%	\$ 17,284	8.7%
Total revenues	\$ 97,748	\$ 79,145	\$ 71,718	\$ 18,603	23.5%	\$ 7,427	10.4%
Total expenses	\$ 84,688	\$ 61,803	\$ 63,349	\$ 22,885	37.0%	\$ (1,546)	(2.4)%

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

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- Total assets increased by \$37,759 in 2019 and by \$20,270 in 2018. The increase in 2019 is the result of three significant changes; cash, advance deposits and noncurrent investments. Additional cash was held in 2019 and increased deposits were made to the trustee. The increase in noncurrent assets can be attributed to investment returns during the year. In 2018 the increase was the result of additional cash on hand and an increase in noncurrent investments as well as an increase in deposits with the carrier/trustee.
- Total liabilities increased by \$24,747 in 2019 and increased by \$2,646 in 2018. An increase in unpaid claims, unearned premium and accrued expenses and other liabilities are the primary components of this increase for the current year. In 2018, an increase in the estimated incurred but not recorded claims total resulted in outstanding claims liabilities increasing versus 2017.
- The improvements in total net position of \$13,060 in 2019 and \$17,284 in 2018 were due to several factors. While premium revenue increased in 2019 this was offset by an increase in claims and claims adjustment expense resulting in an operating loss for the year. Investment income of \$21,044, which was driven by our fixed income investments offset the operating loss resulting in a change of net position of \$13,060. GASB 75 was implemented in 2018 resulting in a reduction of net position of \$58. The increase in retained earnings in 2018 was a result of positive operating income due to increased premium revenues and lower claims and claims adjustment expense. Investment income of \$6,712 was less than 2017. 2017's net position was impacted by the transfer of \$2,810 from the Patient Injury Compensation Fund by order of Senate Bill (SB602). Increased premium revenue, positive operating income and investment income offset this transfer resulting in a positive change in net position. Both deferred inflows and outflows decreased in 2019 due to changes in pension activity for the year. In 2018 there was an increase in both deferred inflows and outflows. Also included within the net position category are restricted positions of \$72,466 in 2019, \$66,687 in 2018, and \$61,603 in 2017. This is comprised of funds that provide mine subsidence coverage to the general public per West Virginia Code.
- Total net operating revenues increased by \$4,241, \$7,746, and \$6,303 in 2019, 2018 and 2017, respectively. The increase in projected claims losses in recent years has required BRIM to increase premium rates to policyholders for 2019, 2018, and 2017.
- Unfavorable claims development for several prior years' reserves resulted in a combined increase in retained reserves and IBNR of \$23, 977 in 2019. This increase was offset by a small reduction in net claims payments activity when compared to 2018, resulting in a net increase of claims and claims adjustment expense of \$22,776 for 2019. Claims and claims adjustment expense also decreased in 2018. G&A expenses increased slightly for both years.
- Net nonoperating revenues increased by \$14,362 in 2019 and decreased by \$319 in 2018. Year over year investment returns for 2019 improved by \$14,332 but deteriorated by \$3,129 for 2018. A State reappropriation of \$2,810 to the Patient Injury Fund, as required by SB602, resulted in the decrease in net nonoperating revenues for FY2017.
- Total revenues and total expenses from 2019 to 2018 and from 2018 to 2017 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***

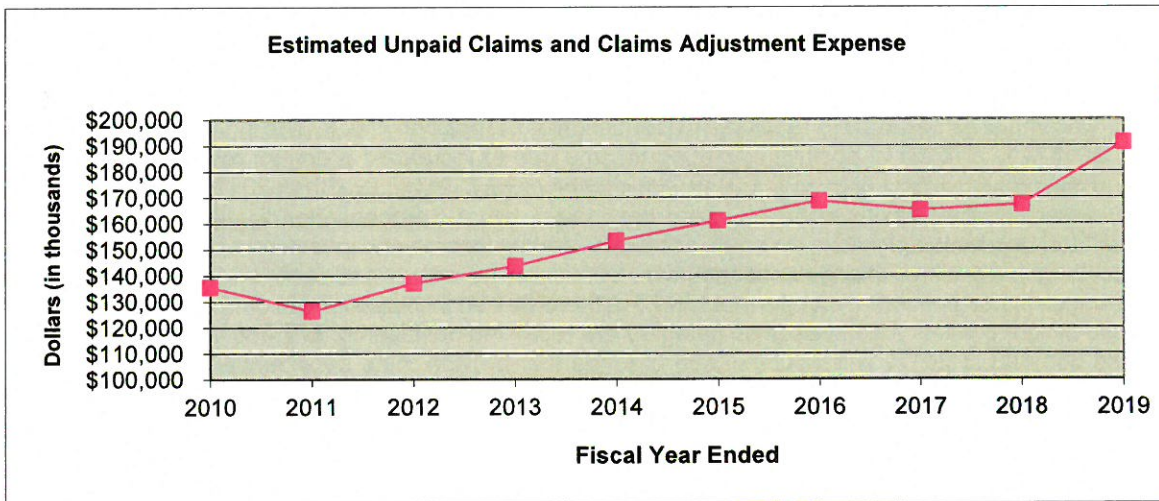
The overall net position of BRIM improved 6.0% from the prior year compared with an increase of 8.7% from 2017 to 2018. Reserves increased in 2019 and investment earnings also increased. The effect of the increase in premium revenue and better investment returns offset the operating loss resulting in an increase in net position for the year. Total net position at June 30, 2019 was \$229,672. 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 2019, year over year actual reserves increased by \$13,682 while the projected IBNR total increased by \$10,295. Unfavorable claims development for several prior years' reserves resulted in the combined increase in 2019 of \$23,977. From fiscal year 2018 to 2019, the liability for unpaid claims increased from \$167,001 to \$190,978. The chart below shows the estimated unpaid claims and claims adjustment expense liability for fiscal years 2009 through 2019.



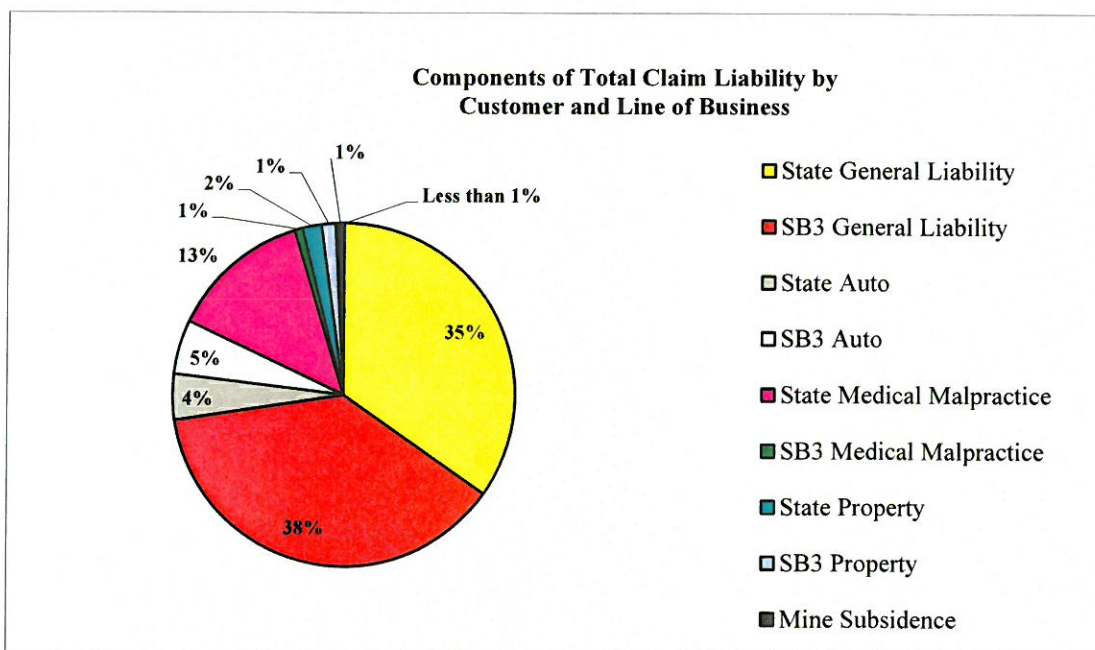
**West Virginia Board of Risk and Insurance Management  
Management's Discussion and Analysis  
(in thousands)**

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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 \$190,978. As demonstrated in the chart, the largest claim volume for BRIM relates to general liability for the State agencies and SB3 programs and the State agencies' medical malpractice coverage.



There is no long-term debt activity.

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

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

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

Risk Management

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

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

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*Investment Returns*

Investment income increased significantly this fiscal year due to better than expected returns in our fixed income investments. This follows positive returns in 2018 which were lower than the returns in 2017. In 2018 market conditions were more favorable for stocks and less favorable to fixed income investments. 2018's decrease from the returns of 2017 was due primarily to fixed income losses offsetting the returns in equities markets. All BRIM funds held by the West Virginia Investment Management Board (WVIMB) inure to the benefit of program participants. BRIM reinvests the investment earnings on funds held by the WVIMB and occasionally withdraws monies from these funds, as needed, for operating and short-term cash requirements. BRIM had no withdrawals from the WVIMB in 2019 or 2018.

*Premium Determination Process*

BRIM has properly maintained premiums across all lines of business for the past several years based on relevant exposure data, claims loss history and investment returns. Charging proper premiums, consistent with the commercial industry, has enabled BRIM to adequately cover losses. Adverse claims development for several prior years resulted in a significant addition to prior years' reserves in 2019, increasing retained reserves and negatively impacting operating results. Fiscal years 2018 and 2017 saw positive net operating results that benefited from prior years' reserve releases in 2018 and 2017 even with small increases in retained reserves for both years.

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.

**West Virginia Board of Risk and Insurance Management**  
**Statements of Net Position**  
**June 30, 2019 and 2018**  
**(in thousands)**

	2019	2018
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 29,342	\$ 26,926
Advance deposits with insurance company and trustee	224,786	201,377
Receivables	3,223	1,899
Restricted cash and cash equivalents	16,936	13,668
Restricted receivables:		
Premiums due from other entities	1,112	878
Total current assets	275,399	244,748
Noncurrent assets:		
Equity position in investment pools	100,600	96,094
Restricted investments	58,096	55,494
Total noncurrent assets	158,696	151,588
Total assets	434,095	396,336
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension	373	438
Other post-employment benefits	65	44
Total deferred outflows of resources	438	482
<b>LIABILITIES</b>		
Current liabilities:		
Estimated unpaid claims and claims adjustment expense	62,656	50,453
Unearned premiums	10,179	10,022
Agent commissions payable	1,514	1,406
Accrued expenses and other liabilities	1,038	411
Total current liabilities	75,387	62,292
Estimated unpaid claims and claims adjustment expense, net of current portion	128,322	116,548
Compensated absences	124	122
Net pension liability	249	331
Net post-employment benefits liability	470	512
Total noncurrent liabilities	129,165	117,513
Total liabilities	204,552	179,805
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension	200	329
Other post-employment benefits	109	73
Total deferred inflows of resources	309	402
<b>NET POSTION</b>		
Restricted by State code for mine subsidence coverage	72,466	66,865
Unrestricted	157,206	149,747
Net position	\$ 229,672	\$ 216,612

See accompanying notes.

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

**West Virginia Board of Risk and Insurance Management**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**Years Ended June 30, 2019 and 2018**  
**(in thousands)**

	<b>2019</b>	<b>2018</b>
Operating revenues:		
Premiums	\$ 83,301	\$ 78,951
Less excess coverage/reinsurance premiums	(6,627)	(6,518)
Net operating revenues	76,674	72,433
Operating expenses:		
Claims and claims adjustment expense	80,169	57,393
General and administrative	4,519	4,410
Total operating expenses	84,688	61,803
Operating (loss) income	(8,014)	10,630
Nonoperating revenues:		
Investment income	21,044	6,712
OPEB nonoperating income	30	-
Net nonoperating revenues	21,074	6,712
Increase in net position	13,060	17,342
Total net position, beginning of year	216,612	199,270
Total net position, end of year	\$ 229,672	\$ 216,612

See accompanying notes.

**West Virginia Board of Risk and Insurance Management**  
**Statements of Cash Flows**  
**Years Ended June 30, 2019 and 2018**  
**(in thousands)**

	<u>2019</u>	<u>2018</u>
Operating activities:		
Receipts from customers	\$ 75,273	\$ 72,418
Payments to employees	(1,854)	(1,595)
Payments to suppliers	(2,069)	(2,752)
Payments to claimants	(56,192)	(55,311)
Deposits to advance deposit with insurance company and trustee	(81,954)	(64,543)
Withdrawals from advance deposit with insurance company and trustee	58,544	56,453
	<u>(8,252)</u>	<u>4,670</u>
Net cash (used in) provided by operating activities		
Investing activities:		
Purchase of investments	(14,362)	(13,357)
Sale of investments	14,196	11,757
Net investment earnings	14,102	1,065
	<u>13,936</u>	<u>(535)</u>
Net cash provided by (used in) investing activities		
Net increase in cash and cash equivalents	5,684	4,135
Cash and cash equivalents, beginning of year	40,594	36,459
	<u>46,278</u>	<u>40,594</u>
Cash and cash equivalents, end of year		
Cash and cash equivalents consist of:		
Cash and cash equivalents	\$ 29,342	\$ 26,926
Restricted cash and cash equivalents	16,936	13,668
	<u>\$ 46,278</u>	<u>\$ 40,594</u>

See accompanying notes.

**West Virginia Board of Risk and Insurance Management**  
**Statements of Cash Flows**  
**Years Ended June 30, 2019 and 2018**  
**(in thousands)**

*(Continued)*

	<u>2019</u>	<u>2018</u>
Reconciliation of operating (loss) income to net cash (used in) provided by operating activities:		
Operating (loss) income	<u>\$ (8,014)</u>	<u>\$ 10,630</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Pension and OPEB expense	44	46
Increase in advanced deposits	(23,409)	(8,025)
Increase in premiums receivable, net	(1,558)	(864)
Increase in estimated liability for unpaid claims and claims adjustment expense	23,977	2,082
Increase in other liabilities	737	135
Increase in unearned premiums	157	848
Deferred outflows of resources - pension and OPEB contributions	<u>(186)</u>	<u>(182)</u>
Total adjustments	<u>(238)</u>	<u>(5,960)</u>
Net cash (used in) provided by operating activities	<u><u>\$ (8,252)</u></u>	<u><u>\$ 4,670</u></u>
Noncash activities:		
Increase in fair value of investments	<u><u>\$ 6,942</u></u>	<u><u>\$ 5,648</u></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**  
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The retained limit of \$1.5 million is indexed for inflation each year. On July 1, 2019 and 2018, the retained limit increased slightly.

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

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

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

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

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

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

**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, 2019 and 2018, and the changes in its financial position and its cash flows for the years then ended in conformity with GAAP.

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

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

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

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

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

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

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

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

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reimburse the 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

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statements of net position were composed of \$142 and \$138 for the years ending June 30, 2019 and 2018, 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 \$45 and \$44 for the years ending June 30, 2019 and 2018, respectively, related to employer contributions to RHBT made during the current fiscal year subsequent to the measurement date.

***Deferred inflows of resources***

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

***Receivables and premium income***

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

***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, 2018, 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.

***New accounting pronouncements***

The GASB has issued Statement No. 87, Leases. The provisions of No. 87 are effective for periods beginning after December 15, 2019. BRIM has not yet determined the effect, if any, these statements will have on its financial statements.

***Subsequent events***

In preparing these financial statements, BRIM has evaluated events and transactions for potential recognition or disclosure through October 14, 2019, the date the financial statements were available for issuance.

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

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

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

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

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BRIM participates in BTI's West Virginia Money Market Pool, which has been deemed to meet the GASB 79 criteria to be reported at amortized cost. The criteria specify that the pool must transact with their participants at a stable net asset value per share and meet requirements for portfolio maturity, portfolio quality, portfolio diversification, portfolio liquidity and shadow pricing. The BTI does not place limitations on or restrictions on participant withdrawals from the pool, such as 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 \$45,438 and \$39,197 at June 30, 2019 and June 30, 2018, respectively. These deposits are reported as cash and cash equivalents. Investment income earned is pro-rated to BRIM at rates specified by the BTI based on the balance of the deposits maintained in relation to the total deposits of all state agencies participating in the pool. Such funds are available to BRIM with overnight notice. BTI's audited financial statements, including the West Virginia Money Market Pool, are available on their website [www.wvbt.com](http://www.wvbt.com).

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

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

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

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

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.

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The following table provides the WAM for the various asset types in the West Virginia Money Market Pool:

<b>Investment Type</b>	<b>June 30, 2019</b>		<b>June 30, 2018</b>	
	<b>Fair Value</b>	<b>WAM Days</b>	<b>Fair Value</b>	<b>WAM Days</b>
Repurchase agreements (underlying securities):				
U.S. agency bonds and notes	\$ 47,200	3	\$ 227,800	3
U.S. Treasury bonds and notes	426,000	3	-	3
U.S. Treasury notes	24,927	125	90,330	73
U.S. Treasury bills	329,390	34	252,084	69
Commercial paper	2,236,198	57	1,868,900	36
Negotiable certificates of deposit	714,142	33	663,801	29
Corporate bonds and notes	-	-	18,078	21
Money market funds	178,619	3	143,067	3
Total rated investments	<u>\$ 3,956,476</u>		<u>\$ 3,264,060</u>	

BRIM's amount invested in the West Virginia Money Market Pool of \$45,438 at June 30, 2019 and \$39,197 at June 30, 2018 is included in cash and cash equivalents representing approximately 1% of total investments in this pool.

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

<b>Security Type</b>	<b>Credit Rating</b>		<b>2019</b>		<b>2018</b>	
	<b>Moody's</b>	<b>S&amp;P</b>	<b>Carrying Value</b>	<b>Percent</b>	<b>Carrying Value</b>	<b>Percent</b>
Commercial paper	P-1	A-1+	\$ 733,411	18.54%	\$ 4733,172	14.50%
	P-1	A-1	1,494,297	37.77	1,351,128	41.39
	P-2	A-1	8,490	.21	44,600	1.37
Corporate bonds and notes	P-1	A-1	-	-	18,078	0.55
U.S. Treasury notes	Aaa	AA+	24,927	.63	90,330	2.77
U.S. Treasury bills	P-1	A-1+	329,390	8.33	52,084	7.72
Negotiable CDs	P-1	A-1+	179,251	4.53	205,501	6.30
	P-1	A-1	534,891	13.52	458,300	14.04
Money market funds	Aaa	AAAm	178,619	4.51	143,067	4.38
Repurchase agreements (underlying securities):						
U.S. Treasury bonds and notes	Aaa	AA+	426,000	10.77	227,800	-
U.S. agency bonds and notes	NR	A-1	47,200	1.19	-	6.98
			<u>\$ 3,956,476</u>	<u>100.00 %</u>	<u>\$ 3,264,060</u>	<u>100.00%</u>

*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, 2019 and 2018, the pool did not have investments in any one private corporation or association that represented more than 5% of assets.

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*Custodial Credit Risk*

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

*Foreign Currency Risk*

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

**Investments**

**WEST VIRGINIA INVESTMENT MANAGEMENT BOARD INVESTMENT POOLS**

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

*Investment Objectives*

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

*Asset Allocation*

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

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

*Asset Value*

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

	<u>2019</u>		<u>2018</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Domestic Equity	\$ 21,358	\$ 23,121	\$ 19,202	\$ 22,317
International equity	16,420	16,400	13,482	14,604
International nonqualified	7,678	7,498	6,986	7,495
Total return fixed income	33,313	35,868	35,789	35,032
Core fixed income	14,278	15,508	15,781	15,310
Hedge fund	35,520	36,375	32,003	33,820
TIPS (Treasury Inflation Protection Securities)	15,323	16,062	15,067	15,381
Short-term fixed income	7,864	7,864	7,629	7,629
Total investments	<u>\$ 151,754</u>	<u>\$ 158,696</u>	<u>\$ 145,941</u>	<u>\$ 151,588</u>

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

	<u>2019</u>	<u>2018</u>
Investment income:		
Interest income including realized gains/losses on sale of securities	\$ 14,102	\$ 1,065
Unrealized gain on investments	<u>6,942</u>	<u>5,648</u>
Total investment income	<u>\$ 21,044</u>	<u>\$ 6,713</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.

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

BRIM's amount invested in the domestic equity pool of \$23,121 and \$22,317 at June 30, 2019 and 2018, respectively, represents approximately 0.5% and 0.5%, respectively, of total investments in this pool.

***Credit 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 WVIMB discloses the ratings of the securities underlying the repurchase agreements.

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

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:

<u>Rating</u>	<u>Fair Value</u>	
	<u>2019</u>	<u>2018</u>
AAA / A-1	\$ 33,117	\$ 47,082
AA	151,145	5,064
A	5,340	5,288
BBB	2,428	7,219
B	226	-
Not applicable	<u>50,048</u>	<u>110,807</u>
Total securities lending collateral	<u>\$ 242,304</u>	<u>\$ 175,460</u>

***Interest Rate Risk***

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

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days. As of June 30, 2019, the WAM for securities lending collateral was 1 day. 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, 2019 and 2018, the Pool was in compliance with this restriction and is not exposed to concentration of credit risk.

*Custodial Credit Risk*

At June 30, 2019 and 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.

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, 2019:

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

The table below summarizes the valuation of the investment securities in accordance with fair value hierarchy levels as of June 30, 2018:

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

**INTERNATIONAL EQUITY POOL**

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

BRIM's amount invested in the International Equity Pool of \$16,133 and \$14,337 at June 30, 2019 and 2018, respectively, represents approximately 0.5% and 0.5%, respectively, of total investments in this pool.

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*Credit 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.

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

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:

<u>Rating</u>	<u>Fair Value</u>	
	<u>2019</u>	<u>2018</u>
AAA / A-1	\$ 9,678	\$ 20,359
AA	44,168	2,190
A	1,560	2,287
BBB	710	3,122
B	66	-
Not applicable	14,625	47,916
Total securities lending collateral	<u>\$ 70,807</u>	<u>\$ 75,874</u>

*Interest Rate Risk*

The Pool is exposed to interest rate risk from its money market mutual fund investment and certain investments made with cash collateral for securities loaned. As of June 30, 2019, the money market mutual fund has a weighted average maturity (WAM) of 43 days. The WAM for securities lending collateral investments is not to exceed 90 days. As of June 30, 2019, the WAM for securities lending collateral was 1 day. 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, 2019 and 2018, the Pool was in compliance with this restriction and is not exposed to concentration of credit risk.

*Custodial Credit Risk*

At June 30, 2019 and 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% for U.S. Dollar denominated loans and 105% for foreign denominated loans, and the collateral is held by WVIMB's custodian in the name of WVIMB. All remaining securities are held by the WVIMB's custodian in the name of WVIMB.

*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, 2019 are as follows:

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<u>Currency</u>	2019			
	<u>Equity Investments</u>	<u>Cash</u>	<u>Foreign Currency Spot Contracts</u>	<u>Total</u>
Australian Dollar	\$ 126,545	\$ 975	\$ -	\$ 127,520
Brazil Real	135,983	682	(2)	136,663
British Pound	284,807	2,169	(2)	286,974
Canadian Dollar	125,313	2,518	-	127,831
Chilean Peso	6,037	-	-	6,037
Danish Krone	4,586	-	-	4,586
Egyptian Pound	926	-	-	926
Emirati Dirham	1,689	10	-	1,699
Euro Currency Unit	463,116	6,782	3	469,901
Hong Kong Dollar	365,906	2,136	-	368,042
Hungarian Forint	11,477	41	-	11,518
Indian Rupee	89,501	946	-	90,447
Indonesian Rupiah	41,637	38	-	41,675
Israeli Shekel	17,395	31	-	17,426
Japanese Yen	380,550	2,595	-	383,145
Malaysian Ringgit	19,851	290	-	20,141
Mexican Peso	55,332	486	-	55,818
New Taiwan Dollar	91,450	553	-	92,003
New Zealand Dollar	553	50	-	603
Norwegian Krone	20,433	463	-	20,896
Pakistan Rupee	1,413	-	-	1,413
Philippine Peso	17,899	4	-	17,903
Polish Zloty	1,027	1,570	-	2,597
Qatari Riyal	756	51	-	807
Singapore Dollar	21,213	540	-	21,753
South African Rand	44,180	448	-	44,628
South Korean Won	201,839	2,128	(1)	203,966
Swedish Krona	71,775	2,166	-	73,941
Swiss Franc	95,408	42	-	95,450
Thailand Baht	60,524	(3)	-	60,521
Turkish Lira	21,677	293	-	21,970
Total	2,780,798	28,004	(2)	2,808,800
U.S. Dollar	413,517	1,018	-	414,535
Total	<u>\$ 3,194,315</u>	<u>\$ 29,022</u>	<u>\$ (2)</u>	<u>\$ 3,223,335</u>

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<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
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>

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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:

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

<u>Assets</u>	2018			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
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>

**SHORT-TERM FIXED INCOME POOL**

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

BRIM's amount invested in the Short-Term Fixed Income Pool of \$7,864 and \$7,629 at June 30, 2019 and 2018, respectively, represented approximately 4.2% and 3.5%, respectively, of total investments in this Pool.

*Credit Risk*

The WVIMB limits the exposure to credit risk in the Pool by requiring all corporate bonds to be rated AA or higher. Commercial paper must be rated A-1 by Standard & Poor's and P-1 by Moody's. Additionally, the Pool must have at least 15% of its assets in United States Treasury issues. The WVIMB reviews available ratings from Standard & Poor's, Moody's, and Fitch, and reports the rating indicative of the greatest degree of risk. All of the Pool's investments had the highest credit ratings as of June 30, 2019 and 2018.

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*Interest Rate Risk*

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, 2019:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>WAM (Days)</u>
Repurchase agreement	\$ 45,000	1
U.S. government agency bonds	91,095	10
U.S. Treasury bonds	49,955	16
Total investments	<u>\$ 186,050</u>	

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>	

*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, 2019 and 2018, the Pool was in compliance with this restriction and is not exposed to concentration of credit risk.

*Custodial Credit Risk*

At June 30, 2019 and 2018, 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>2019</u>		
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Repurchase agreement	\$ -	\$ 45,000	\$ -
U.S. Government agency bonds	-	91,095	-
U.S. Treasury bills	-	49,955	-
Total	<u>\$ -</u>	<u>\$ 186,050</u>	<u>\$ -</u>

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<u>Assets</u>	2018			
	<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>

**INTERNATIONAL NON-QUALIFIED POOL**

The Pool invests in The Silchester International Investors International Value Equity Trust (Silchester). The Pool's objective is to produce investment returns that exceed the Morgan Stanley Capital International's Europe Australasia Far East Index by 200 basis points on an annualized basis over three- to five-year periods, net of external investment management fees. The Pool exists for participants who are not "qualified" (as defined by the *Internal Revenue Code*). Silchester invests in a diversified developed country, non-U.S. equity, bottom-up value-oriented portfolio of securities with limited exposure to emerging markets and no unreasonable concentration exposure to any single issuer or country. Redemptions from Silchester can be made monthly with ten days advance written notice. Redemptions will generally be made within seven business days following month-end.

BRIM's amount invested in the International Nonqualified Pool of \$7,763 and \$7,761 at June 30, 2019 and 2018, respectively, represents approximately 3.7% 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, 2019 and 2018 was \$210,181 and \$215,417, respectively. This investment, although denominated in U.S. dollars, is exposed to foreign currency risk through the underlying investments. The Pool is not exposed to credit risk, interest rate risk, custodial credit risk, or concentration of credit risk.

*Fair Value Measurements*

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

**TOTAL RETURN FIXED INCOME POOL**

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

BRIM's amount invested in the Total Return Fixed Income Pool of \$35,870 and \$35,033, at June 30, 2019 and 2018, respectively, represented approximately 1.6% and 1.5%, respectively, of total investments in the Pool.

*Credit Risk*

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

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

<b>Rating</b>	<b>Fair Value</b>	
	<b>2019</b>	<b>2018</b>
AAA / A-1	\$ 14,485	\$ 22,196
AA	685,964	889,097
A	105,271	104,870
BBB	553,241	587,744
BB	320,377	314,638
B	204,230	296,262
CCC	13,962	12,274
CC	-	3,716
C	-	403
D	1,050	3,982
Withdrawn	7,324	85
Not rated	55,807	38,996
Total fixed income investments	<u>\$ 1,961,711</u>	<u>\$ 2,274,263</u>

Securities lending collateral investments consisted of time deposits and repurchase agreements. 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 WVIMB discloses the ratings of the securities underlying the repurchase agreements.

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

<b>Rating</b>	<b>Fair Value</b>	
	<b>2019</b>	<b>2018</b>
AAA / A-1	\$ 12,154	\$ 41,003
AA	55,470	4,410
A	1,960	4,605
BBB	891	6,287
B	83	-
Not applicable	18,368	96,503
Total securities lending collateral	<u>\$ 88,926</u>	<u>\$ 152,808</u>

**Interest Rate Risk**

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

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commercial and residential mortgage-backed securities, asset-backed securities and collateralized mortgage obligations.

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

Investment Type	2019		2018	
	Fair Value	Effective Duration (Years)	Fair Value	Effective Duration (Years)
Commingled bond funds	\$ -	-	\$ 304,379	2.5
Commingled debt funds	214,489	2.9	-	0.0
Corporate asset backed issues	72,659	(0.1)	36,072	0.9
Corporate ABS residual	3,835	1.9	5,487	2.8
Corporate CMO	40,069	1.1	71,666	1.0
Foreign asset backed issues	27,005	1.0	19,588	1.6
Foreign corporate bonds	271,117	5.4	296,352	5.6
Foreign government bond	317,462	5.1	263,976	5.3
Municipal bonds	34,254	9.9	44,629	9.6
Repurchase agreement	8,000	0.0*	10,000	0.0
Short term investments	6,083	0.0*	-	0.0
U.S. corporate bonds	402,522	7.0	401,582	6.9
U.S. Government agency bonds	9,464	0.2	2,721	1.3
U.S. Government agency CMO	57,221	1.1	51,608	1.4
U.S. Government agency CMO interest-only	5,786	4.8	5,664	2.8
U.S. Government agency MBS	293,479	1.8	326,082	3.7
U.S. Government agency TBA	106	1.4	8,974	6.4
U.S. Treasury bonds	157,216	15.6	407,697	8.5
U.S. Treasury inflation-protected securities	40,944	20.6	17,786	17.2
Total fixed income investments	<u>\$ 1,961,711</u>		<u>\$ 2,274,263</u>	

\*Rounds to less than 0.05

The Pool invests in commercial and residential mortgage-backed securities, asset-backed securities, and collateralized mortgage obligations. The cash flows from these securities are based on the payment of the underlying collateral. The effective duration and yield to maturity of these securities are dependent on estimated prepayment assumptions that consider historical experience, market conditions and other criteria. Actual prepayments may vary with changes in interest rates. Rising interest rates often result in a slower rate of 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 \$500,160 and \$525,141 of these securities at June 30, 2019 and 2018, respectively, representing approximately 25% and 23% of the value of the Pool's fixed income 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, 2019 and 2018, the Pool was in compliance with this restriction and is not exposed to concentration of credit risk.

*Custodial Credit Risk*

At June 30, 2019 and 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% for U.S. Dollar denominated loans and 105% for foreign denominated loans, and the collateral is held by the WVIMB's custodian in the name of the WVIMB.

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Investments in commingled debt funds are held in an account in the name of the WVIMB. All remaining securities are held by the WVIMB's custodian in the name of the WVIMB.

*Foreign Currency Risk*

The Pool has foreign fixed income, foreign equity investments, and cash that are denominated in foreign currencies and exposed to foreign currency risks. The Pool also has foreign denominated derivative instruments. Additionally, the Pool has indirect exposure to foreign currency risk through its ownership interests in certain of the commingled debt funds. Approximately \$32,063 and \$84,695, or 15% and 28%, respectively, of the commingled investment pools hold substantially all of their investments in foreign currencies as of June 30, 2019 and 2018. This represents approximately 2% and 3%, respectively, of the value of the Pool's securities at June 30, 2019 and 2018.

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

<u>Currency</u>	<u>2019</u>			
	<u>Foreign Fixed Income</u>	<u>Foreign Equity Investments</u>	<u>Cash</u>	<u>Total</u>
Argentine Peso	\$ 8,380	\$ -	\$ 1,503	\$ 9,883
Australian Dollar	-	-	1,704	1,704
Belarusian Ruble	2,048	-	-	2,048
Brazil Real	47,752	-	24	47,776
British Pound	-	-	2,988	2,988
Canadian Dollar	-	-	1,141	1,141
Colombian Peso	5,209	-	-	5,209
Deutsche Mark	1,013	-	-	1,013
Dominican Peso	3,801	-	-	3,801
Egyptian Pound	2,104	-	126	2,230
Euro Currency Unit	5,967	-	12,929	18,896
Georgian Lari	1,796	-	-	1,796
Ghana Cedi	2,469	-	-	2,469
Indonesian Rupiah	2,779	-	-	2,779
Japanese Yen	51,443	-	6,077	57,520
Kazakhstani Tenge	1,841	-	-	1,841
Kenyan Shilling	3,171	-	-	3,171
Mexican Peso	44,765	-	1,943	46,708
New Zealand Dollar	-	-	791	791
Peruvian Nuevo Sol	1,846	-	-	1,846
Russian Ruble	28,094	-	1,796	29,890
South African Rand	6,726	14	2	6,742
Swedish Krona	-	-	483	483
Turkish Lira	3,190	-	-	3,190
Uruguayan Peso	7,479	-	-	7,479
Total foreign denominated investments	231,873	14	31,507	263,394
U.S. Dollar	383,711	-	28,425	412,136
Total	<u>\$ 615,584</u>	<u>\$ 14</u>	<u>\$ 59,932</u>	<u>\$ 675,530</u>

**West Virginia Board of Risk and Insurance Management**  
**Notes to Financial Statements**  
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	2018			
<u>Currency</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	<u>\$ 579,916</u>	<u>\$ 14</u>	<u>\$ 43,963</u>	<u>\$ 623,893</u>

*Fair Value Measurements*

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

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

**West Virginia Board of Risk and Insurance Management**  
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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, 2019 and 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.

**CORE FIXED INCOME POOL**

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

**West Virginia Board of Risk and Insurance Management**  
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BRIM's amount invested in the Core Fixed Income Pool of \$15,508 and \$15,310 at June 30, 2019 and 2018, respectively, and represented approximately 1.6% and 1.5%, respectively, of total investments in this Pool.

*Credit Risk*

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

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

<b>Rating</b>	<b>Fair Value</b>	
	<b>2019</b>	<b>2018</b>
AAA	\$ 61,950	\$ 54,135
AA	518,002	609,075
A	93,012	129,011
BBB	141,310	169,116
BB	10,003	10,953
B	600	1,877
CCC	562	1,091
C	-	4
D	146	193
Withdrawn	3,013	325
Not rated	45,328	51,231
Total fixed income investments	<u>\$ 873,926</u>	<u>\$ 1,027,011</u>

Securities lending collateral investments consisted of time deposits and repurchase agreements. 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 and Moody's. The WVIMB discloses the ratings of the securities underlying the repurchase agreements.

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

<b>Rating</b>	<b>Fair Value</b>	
	<b>2019</b>	<b>2018</b>
AAA / A-1	\$ 7,859	\$ 20,620
AA	35,868	2,218
A	1,267	2,316
BBB	576	3,162
B	54	-
Not applicable	11,877	48,528
Total securities lending collateral	<u>\$ 57,501</u>	<u>\$ 76,844</u>

*Interest Rate Risk*

The Pool is exposed to interest rate risk from its fixed income investments, money market mutual fund investment, and investments made with cash collateral for securities loaned. As of June 30, 2019, the money market mutual

**West Virginia Board of Risk and Insurance Management**  
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fund has a weighted average maturity (WAM) of 43 days. The WAM for securities lending collateral investments is not to exceed 90 days. As of June 30, 2019, the WAM for securities lending collateral was 1 day. 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, 2019 and 2018, the Pool held \$425,431 and \$469,549, respectively, of these securities. This represents approximately 49.0% and 46.0%, respectively, of the value of the Pool's fixed income securities.

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

Investment Type	2019		2018	
	Fair Value	Effective Duration (Years)	Fair Value	Effective Duration (Years)
Corporate asset backed issues	\$ 122,361	1.6	\$ 137,199	2.0
Corporate CMO	33,139	3.2	39,165	3.2
Corporate CMO interest-only	303	(2.8)	396	(6.5)
Corporate CMO principal-only	74	3.5	107	3.3
Foreign asset backed issues	2,698	3.3	3,499	3.6
Foreign corporate bonds	59,221	5.8	64,249	5.4
Foreign government bonds	3,125	8.0	5,887	8.2
Municipal bonds	10,261	13.0	9,007	12.9
U.S. corporate bonds	165,080	7.7	205,614	6.5
U.S. Government agency bonds	5,257	1.2	18,746	2.2
U.S. Government agency CMO	109,465	4.7	104,772	4.3
U.S. Government agency CMO interest-only	2,153	12.7	2,337	15.8
U.S. Government agency CMO principal only	5,062	6.2	5,683	6.7
U.S. Government agency MBS	150,176	4.4	176,391	4.3
U.S. Treasury bonds	205,102	9.1	253,524	8.8
U.S. Treasury inflation protected security	449	1.9	435	2.2
Total	<u>\$ 873,926</u>		<u>\$ 1,027,011</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, 2019 and 2018, the Pool was in compliance with this restriction and is not exposed to concentration of credit risk.

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

At June 30, 2019 and 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 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 tables below summarize the valuation of the investment securities in accordance with GASB Statement No.72 fair value hierarchy levels as of June 30:

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

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<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>

**HEDGE FUND POOL**

This Pool was established to hold the WVIMB's investments in hedge funds. The objective of the Pool is to reduce risk through diversification of participants' assets. The primary performance benchmark is the Hedge Funds Research, Inc. Fund of Funds Composite Index plus 100 basis points. The secondary benchmark is the Citigroup 90-Day Treasury Bill Index plus 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 \$36,375 and \$33,820 at June 30, 2019 and 2018, respectively, represented approximately 1.5% and 1.5%, respectively, of total investments in this Pool.

*Investment Risk*

The Pool holds shares in hedge funds and shares of a money market fund. As of June 30, 2019 and 2018, the money market mutual fund has the highest credit rating and has a weighted average maturity of 43 and 39 days, respectively. The investments in hedge funds might be indirectly exposed to foreign currency risk, credit risk, interest rate risk, and/or custodial credit risk. The Pool is restricted from investing more than 10% of the value of the Pool with any single manager. At June 30, 2019 and 2018, the Pool was in compliance with this restriction and is not exposed to concentration of credit risk.

*Fair Value Measurements*

U.S. GAAP does not require the Pool to categorize within the fair value hierarchy table investments for which fair value is measured using the net asset value per share (NAV) as the practical expedient for the year ended June 30, 2019 and 2018. All of the Pool's investments in hedge funds were valued using the NAV. As such, they have not been categorized in the fair value hierarchy.

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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.

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

<b>Assets</b>	<b>2018</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
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>

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

<b>Hedge Fund Strategies</b>	<b>2019 Fair Value</b>	<b>2018 Fair Value</b>	<b>Redemption Frequency</b>	<b>Redemption Notice Period</b>
Directional <sup>(a)</sup>	<u>\$ 154,484</u>	<u>\$ 222,419</u>	Mthly/Qtly	3 to 60 days
Equity long/short <sup>(b)</sup>	<u>272,424</u>	<u>277,653</u>	Mthly/Qtly/Every 3 yrs	30 to 60 days
Event-driven <sup>(c)</sup>	<u>37,715</u>	<u>46,183</u>	Qtly	65 days
Long-biased <sup>(d)</sup>	<u>61,426</u>	<u>60,818</u>	Mthly	90 days
Multi-strategy <sup>(e)</sup>	<u>1,265,338</u>	<u>1,198,457</u>	Mthly/Qtly/Ann	3 to 95 days
Relative-value <sup>(f)</sup>	<u>290,231</u>	<u>273,094</u>	Wkly/Mthly/Qtly	5 to 60 days
Total investments measured at the NAV	<u>\$ 2,081,618</u>	<u>\$ 2,078,624</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. 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 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 60% in 2019 and 62.0% in 2018 of the fair value of the investments in this strategy are subject to maximum withdrawal restrictions.

<sup>(c)</sup> Event-driven funds maintain positions in companies currently or prospectively involved in various corporate transactions including, but not limited to, mergers, restructurings, financial distress, tender offers, shareholder buybacks, debt exchanges, security issuance or other capital structure adjustments. Security types can range from most senior in the capital structure to most junior or subordinated, and frequently involve additional derivative securities. Event-driven exposure includes a combination of 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 funds 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 43% in 2019 and 48% in 2018 of the fair value of the investments in this strategy are subject to maximum withdrawal restrictions.
- (f) Relative-value funds maintain positions in which the investment thesis is predicated on the realization of a valuation discrepancy in the relationship between multiple securities. Managers employ a variety of fundamental and quantitative techniques to establish investment insights, and security types range broadly across equity, fixed income, derivative or other security types. Fixed Income strategies are typically quantitatively driven to measure the existing relationship between instruments and, in some cases, identify attractive positions in which the risk-adjusted spread between these instruments represents an attractive opportunity. Investments representing approximately 37% in 2019 and 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 was established to offer an additional level of diversification over and above the nominal fixed income securities in an attempt to mitigate the risk of inflation. The main objective for the Pool is to generate a return that exceeds the rate of inflation over a market cycle, to provide investment income and stability of principal, and to diversify interest rate exposure. The Pool's performance is measured against the Bloomberg Barclays U.S. Treasury Inflation Protection Index on an annualized basis over rolling three- to five-year periods, gross of fees. Assets were managed by State Street Global Advisors through April 2, 2018. Effective April 4, 2018, the Pool invests in the BlackRock U.S. Treasury Inflation Protected Securities Fund B (BlackRock). BlackRock invests primarily in a portfolio of debt securities with the objective of closely approximating the total rate of return for all outstanding U.S. Treasury Inflation Protected Securities with a maturity of one year or greater.

BRIM's amount invested in the TIPS Pool of \$16,062 and \$15,381 at June 30, 2019 and 2018, respectively, represented approximately 4.0% and 3.9% respectively, of total investments in this pool.

*Credit Risk*

The Pool invests in a commingled bond fund that holds primarily U.S. Treasury inflation protected securities. This investment is exposed to credit and interest rate risk. This fund is not rated by a nationally recognized statistical rating organization. Effective duration is a method of disclosing interest rate risk that measures the expected change in the price of a fixed income security for a 1% change in interest rates. As of June 30, 2019, the fund had an effective duration of 7.48 years. As of June 30, 2018, the fund had an effective duration of 7.66 years. At June 30, 2019 and 2018, the Pool is not exposed to concentration of credit risk, custodial risk, or foreign currency risk.

*Fair Value Measurements*

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

	2019			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Commingled bond fund	\$ 397,843	\$ -	\$ -	\$ 397,843
Money market mutual fund	5,500	-	-	5,500
Total	<u>\$ 403,343</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 403,343</u>
	2018			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Commingled bond fund	\$ 391,265	\$ -	\$ -	\$ 391,265

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**Advanced deposits**

**INSURANCE COMPANY AND TRUSTEE**

BRIM deposits monies with BNY, as trustee, to hold as advance deposits in an escrow account for BRIM liability claims. The monies held in escrow are invested in specific money market funds and short-term guaranteed or investment-grade fixed income securities that are identified as "qualified assets" in the escrow agreement. The BNY advance deposit balance at June 30, 2019 and 2018 of \$224,786 and \$201,377, respectively, are presented net of amounts due to AIG for claims funding. At June 30, 2019 and 2018, amounts payable to AIG were \$1,781 and \$2,917, respectively.

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

Security Type	2019				2018			
	Moody's	S&P	Fair Value	Percent of Assets	Moody's	S&P	Fair Value	Percent of Assets
Corporate bonds and notes	Aa1	AA+	\$ 1,111	0.49%	Aa1	AA+	\$ 1,009	0.50 %
	Aa1	AA-	2,188	0.97	Aa1	AA-	-	0.00
	Aa2	AA	2,165	0.96	Aa2	AA	-	0.00
	Aa2	AA-	-	0.00	Aa2	AA-	1,987	0.98
	Aa3	AA-	2,172	0.97	Aa3	AA-	-	0.00
	Aa3	A+	-	0.00	Aa3	A+	2,011	0.99
	Aaa	AA+	1,089	0.48	Aaa	AA+	-	0.00
	Aaa	AAA	2,225	0.99	Aaa	AAA	3,032	1.49
			10,950	4.86			8,039	3.96
U.S. Treasury bonds and notes	Aaa	NR	206,546	91.69	Aaa	NR	182,423	89.71
	NR	NR	-	0.00	NR	NR	813	0.40
U.S. Agency-debenture	NR	NR	7,204	3.20	NR	NR	11,269	5.54
Money market funds	NR	NR	565	0.25	NR	NR	795	0.39
Total rated investments			\$ 225,265	100.00%			\$ 203,339	100.00 %

**Concentration of Credit Risk**

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

**Custodial Credit Risk**

At June 30, 2019 and 2018, 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	2019		2018	
	Fair Value	WAM Years	Fair Value	WAM Years
Corporate bonds and notes	\$ 9,844	4.6	\$ 7,045	5.3
U.S. Treasury bonds	207,652	3.7	184,230	3.9
U.S. Agency debenture	7,204	0.3	11,269	1.3
Money market funds	565	0.7	795	-
Total rated investments	\$ 225,265		\$ 203,339	

**Foreign Currency Risk**

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

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*Fair Value Measurements*

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

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

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

The fair value tables above do not include cash and cash equivalents at June 30, 2019 and 2018 of \$1,302 and \$955, respectively.

#### **4. Unpaid Claims and Claims Adjustment Expense Liability**

BRIM establishes an estimated liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claims adjustment expenses.

The following represents changes in the estimated liability for the fiscal and policy years ended June 30:

	<b>2019</b>	<b>2018</b>
Unpaid claims and claims adjustment expense liability at beginning of year	<u>\$ 167,001</u>	<u>\$ 164,919</u>
Incurred claims and claims adjustment expense:		
Provision for insured events of the current year	69,092	72,033
Increase (decrease) in provision for insured events of prior years	<u>11,077</u>	<u>(14,640)</u>
Total incurred claims and claims adjustment expense	<u>80,169</u>	<u>57,393</u>
Payments:		
Claims and claims adjustment expense attributable to insured events of the current year	(10,321)	(11,846)
Claims and claims adjustment expense attributable to insured events of prior years	<u>(45,871)</u>	<u>(43,465)</u>
Total payments	<u>(56,192)</u>	<u>(55,311)</u>
Total unpaid claims and claims adjustment expense liability at end of year	<u>\$ 190,978</u>	<u>\$ 167,001</u>

If the unpaid claims and claims adjustment expense liability were discounted using a 4% discount factor for 2019 and 2018 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 \$15,500 and \$13,821 for fiscal years 2019 and 2018, respectively. The overall unpaid claim liability number includes a provision for allocated and unallocated claims adjustment expense.

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Unfavorable claims development for insured events of prior years was the primary reason for the overall increase in the reserves from the prior year.

## **5. Pension Plan**

### ***Plan description***

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

### ***Benefits provided***

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

### ***Contributions***

While contribution rates are legislatively determined, actuarial valuations are performed to assist PERS and the State Legislature in determining contribution rates. Current funding policy requires employer contributions of 10%, 11% and 12% for the years ended June 30, 2019, 2018 and 2017, 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 \$142, \$138 and \$123 for the fiscal years ended June 30, 2019, 2018 and 2017, 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, 2019 and 2018, BRIM reported a liability of \$249 and \$331 for its proportionate share of the net pension liability. The net pension liability reported at June 30, 2019 was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017, rolled forward to the measurement date of June 30, 2018. 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, 2018. At June 30, 2019, BRIM's proportionate share was 0.0964%, which was an increase of 0.0197% from its proportionate share as of June 30, 2018.

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For the years ended June 30, 2019 and 2018, BRIM recognized pension expense of \$5 and \$17, respectively. At June 30, 2019 and 2018, BRIM reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>2019</b>		<b>2018</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	\$ -	\$ 146	\$ -	\$ 80
Differences between expected and actual experience	12	1	29	-
Difference in assumptions	-	-	-	17
Changes in proportion and differences between BRIM's contributions and proportionate share of contributions	219	53	271	232
BRIM's contributions made subsequent to the measurement date of June 30, 2018 and 2017	142	-	138	-
<b>Total</b>	<b>\$ 373</b>	<b>\$ 200</b>	<b>\$ 438</b>	<b>\$ 329</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:**

2020	\$ 61
2021	\$ 20
2022	\$ (66)
2023	\$ 16

***Actuarial assumptions and methods***

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

	<b>2019</b>	<b>2018</b>
Inflation	3.0%	3.0%
Salary increase	3.0-4.6%, avg., including inflation	3.0-4.6%, 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, 2018 and 2017 are summarized below:

<b>Asset Class</b>	<b>Long-Term Expected Rate of Return</b>
Domestic equity	4.5%
International equity	8.6%
Fixed income	3.3%
Real estate	6.0%
Private equity	6.4%
Hedge funds	4.0%

**Discount rate**

The discount rate used to measure the total pension liability was 7.5% for both valuations. The projection of cash flows used to determine the discount rate assumed that State contributions will continue to follow the current funding policy. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current system members. Therefore, the long-term expected rate of return on system investments was applied to all periods of projected benefit payments to determine the total pension liability. In the event of benefit payments that are not covered by the system's fiduciary net position, a municipal bond rate of 2.71% at June 30, 2018 and 3.13% at June 30, 2017 is to be used to discount the benefit payments not covered by the system's fiduciary net position. The municipal bond rate equals the S&P Municipal Bond 20 Year High Grade Index at the measurement date, June 30, 2018.

**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 (asset)	\$ 1,002	\$ 249	\$ (388)

**6. Other Post-Employment Benefits**

**Plan description**

BRIM participates in the West Virginia Other Postemployment Benefit Plan (the Plan) is a cost-sharing, multiple employer, defined benefit other post-employment benefit plan and covers the retirees of State agencies, colleges and universities, county boards of education, and other government entities as set forth in the West Virginia Code Section 5-16D-2 (the Code). The financial activities of the Plan are accounted for in the West Virginia Retiree Health

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Benefit Trust Fund (RHBT), a fiduciary fund of the State of West Virginia. The Plan is administered by a combination of the West Virginia Public Employees Insurance Agency (PEIA) and the RHBT staff. Plan benefits are established and revised by PEIA and the RHBT management with approval of the Finance Board. The Finance Board is comprised of nine members. Finance Board members are appointed by the Governor, serve a term of four years and are eligible for reappointment. The State Department of Administration cabinet secretary serves as Chairman of the Board. Four members represent labor, education, public employees and public retirees. Four remaining members represent the public-at-large.

The Plan had approximately 43,000 policyholders and 64,000 covered lives at June 30, 2018.

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

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

For additional financial information, which may be used for disclosure by participating employers, please refer to the audited financial statements of the RHBT. The GASB 75 Audited Schedules of Employer OPEB Allocations and OPEB Amounts by Employer, RHBT audited financial statements and actuarial reports can be found on the PEIA website at [www.peia.wv.gov](http://www.peia.wv.gov).

***Benefits provided***

The Plan provides the following benefits:

- Medical and prescription drug insurance
- Life insurance

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

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

***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 \$183 and \$177 for the years ending June 30, 2019 and June 30, 2018, respectively. Paygo rates were \$135 for January 2017 through June 2017 and \$196 for the period July 2016 through December 2016. Other contributions such as retiree leave conversion differ by agency and are only recorded as utilized by

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plan participants. BRIM's contributions to RHBT were \$45, \$44 and \$43 for the fiscal years ended June 30, 2019, 2018 and 2017, 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, 2019 and 2018, BRIM reported a liability of \$470 and \$512 for its proportionate share of the net OPEB liability. The net OPEB liability reported at June 30, 2019 was measured as of June 30, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017, rolled forward to the measurement date of June 30, 2018. For fiscal year 2018, the net OPEB liability was measured as of June 30, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2016 and 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, 2018. At June 30, 2019, BRIM's proportionate share was 0.0219%, which was an increase of 0.0011% from its proportionate share as of June 30, 2018.

At June 30, 2019 and 2018, BRIM reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2019		2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on OPEB investments	\$ -	\$ 9	\$ -	\$ -
Differences between expected and actual experience	-	7	-	8
Difference in assumptions	-	47	-	1
Changes in proportion and differences between BRIM's contributions and proportionate share of contributions	21	46	-	64
BRIM's contributions made subsequent to the measurement date of June 30, 2018 and 2017	44	-	44	-
Total	<u>\$ 65</u>	<u>\$ 109</u>	<u>\$ 44</u>	<u>\$ 73</u>

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

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

These other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

**Year ending June 30:**

2020	\$	(29)
2021	\$	(29)
2022	\$	(24)
2023	\$	(6)

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

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

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

For the years ended June 30, 2019 and 2018, BRIM recognized OPEB expense of \$47 and \$30.

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

At June 30, 2019, the BRIM reported a liability for its proportionate share of the WV OPEB Plan's net OPEB liability that reflected a reduction for the State of WV OPEB support provided to BRIM. The amount recognized BRIM as its proportionate share of the net OPEB liability, the related State of WV support, and the total portion of the net OPEB liability that was associated with BRIM was as follows.

	<u>2019</u>	<u>2018</u>
BRIM's proportionate share of the net OPEB liability:	\$ 470	\$ 512
State of WV's special funding proportionate share of the net OPEB		
Liability associated with BRIM	<u>97</u>	<u>105</u>
Total portion of the net OPEB liability associated with BRIM	<u>\$ 567</u>	<u>\$ 617</u>

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***Actuarial assumptions***

The net OPEB liability was determined by an actuarial valuation as of June 30, 2017, rolled forward to June 30, 2018, 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 2018. For fiscal years on and after 2019, trend starts at 8.00% and 10.00% for pre and post-Medicare, respectively, and gradually decreases to an ultimate trend of 4.50%. Excess trend rate of 0.13% and 0.00% for pre and post-Medicare, respectively, is added to healthcare trend rates pertaining to per capita claims costs beginning in 2022 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..	20 years closed as of June 30, 2017

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2010 – June 30, 2015.

Certain assumptions have been changed since the prior measurement date. The assumption changes that most significantly impacted the Net OPEB Liability are as follows: the inclusion of waived annuitants increased the liability by approximately \$17 million; a 15% reduction in the retirement rate assumption decreased the liability by approximately \$68 million; a change in certain healthcare-related assumptions decreased the liability by approximately \$232 million; and an update to the mortality tables increased the liability by approximately \$25 million. Certain other assumption changes were noted but did not materially impact the Net OPEB Liability.

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

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

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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, 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:

	<b>1% Decrease (6.15%)</b>	<b>Current Discount Rate (7.15%)</b>	<b>1% Increase (8.15%)</b>
BRIM's proportionate share of net OPEB liability	\$ 552	\$ 470	\$ 401

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**(in thousands)**

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

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

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Net OPEB liability	\$ 389	\$ 470	\$ 569

**7. Lease Arrangement**

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 for both the years ended June 30, 2019 and 2018, respectively, relating to these arrangements. Future minimum lease payments under these operating lease arrangements are as follows for years ending June 30:

2020	\$ 37
------	-------

**8. Transactions With Primary Government and Component Units**

Premium revenues derived from billings to State entities, which are funded by special revenue funds and component units of the primary government, approximated \$47,713 and \$45,516 for the years ended June 30, 2019 and 2018, 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 \$9,362 and \$6,149 at June 30, 2019 and 2018, respectively. The Fund is not included in BRIM's financial statements but is included in the general fund of the State.

**9. Reinsurance (Amounts Referenced in this Note Related to Insurance Coverages are Actual Dollars)**

BRIM has entered into two reinsurance agreements for excess coverage with unrelated insurance companies wherein the company assumes the liability over BRIM's limit for a ceded premium. BRIM obtains an excess policy from the commercial market, which gives boards of education a liability limit of up to \$5 million in excess of BRIM's \$1 million self-insured limit. BRIM also purchases an excess policy on all State and SB3 insured property over and above BRIM's \$1 million self-insured limit. These reinsurance agreements have been accounted for as a transfer 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 \$0 reinsurance recoveries for the fiscal year ended June 30, 2019, and \$160 for the fiscal year ended June 30, 2018.

**10. Risk Management (*Amounts Referenced in this Note Related to Insurance Coverages are Actual Dollars*)**

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

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

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

***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.

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
1) Premiums and investment revenues:										
Earned	\$ 83,088	\$ 71,320	\$ 64,361	\$ 54,969	\$ 69,172	\$ 63,037	\$ 72,706	\$ 81,209	\$ 85,663	\$ 104,345
Ceded	6,257	6,075	5,386	5,825	6,102	6,197	6,909	6,681	6,518	6,627
Net earned	76,831	65,245	58,975	49,144	63,070	56,840	65,797	74,528	79,145	97,718
2) Unallocated expenses, including administrative fees paid to third-party claims administrators	8,043	7,867	7,562	7,240	7,888	7,653	7,911	8,290	8,507	8,684
3) Estimated incurred claims and claims adjustment expense, end of policy year:										
Incurred	51,388	53,728	60,176	57,276	58,389	62,342	66,740	70,705	72,629	69,092
Ceded	-	-	2,312	-	-	-	-	-	596	-
Net incurred	51,388	53,728	57,864	57,276	58,389	62,342	66,740	70,705	72,033	69,092
4) Paid (cumulative) claims and claims adjustment expense as of:										
End of policy year	9,965	10,757	10,156	10,870	10,560	11,146	12,863	11,922	11,846	10,321
One year later	17,009	18,034	20,830	18,936	19,965	24,010	23,494	23,067	22,032	
Two years later	25,606	26,398	30,577	30,649	29,077	34,801	34,585	37,673		
Three years later	32,612	34,305	43,021	40,132	45,059	43,864	44,997			
Four years later	38,174	39,497	48,351	48,853	51,231	48,379				
Five years later	39,821	42,538	51,004	52,093	53,383					
Six years later	40,798	43,031	53,155	53,802						
Seven years later	41,554	43,383	54,121							
Eight years later	41,774	43,877								
Nine years later	41,940									
5) Reestimated ceded claims and expenses	-	-	248	-	-	-	2,782	-	596	-
6) Reestimated net incurred claims and allocated claims adjustment expense:										
End of policy year	51,388	53,728	57,864	57,276	58,389	62,342	66,740	70,705	72,033	69,092
One year later	46,571	52,844	58,812	56,883	57,772	65,545	64,655	65,589	65,418	
Two years later	47,102	50,289	61,106	63,767	61,216	62,727	62,537	65,151		
Three years later	46,116	48,480	62,460	61,150	61,249	59,235	59,700			
Four years later	44,171	47,980	57,109	58,836	59,741	55,907				
Five years later	43,567	46,321	56,003	58,016	64,041					
Six years later	42,762	44,680	56,093	63,918						
Seven years later	43,117	43,910	63,858							
Eight years later	42,302	44,768								
Nine years later	42,116									
7) (Decrease) increase in estimated net incurred claims and allocated claims adjustment expense from end of policy year	(9,272)	(8,960)	5,994	6,642	5,652	(6,435)	(7,040)	(5,554)	(6,615)	-

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:

	2019				2018			
	Liability	Property	Mine Subsidence	Total	Liability	Property	Mine Subsidence	Total
Unpaid claims and claims adjustment expense liability at beginning of fiscal year	\$ 160,195	\$ 5,512	\$ 1,294	\$ 167,001	\$ 159,676	\$ 4,225	\$ 1,018	\$ 164,919
Incurring claims and claims adjustment expense:								
Provision for insured events of the current fiscal year	63,601	4,490	1,001	69,092	65,237	5,623	1,173	72,033
Increase (decrease) in provision for insured events of prior fiscal years	10,806	(277)	548	11,077	(12,667)	(1,816)	(158)	(14,641)
Total incurred claims and claims adjustment expense	74,407	4,213	1,549	80,169	52,570	3,807	1,015	57,392
Payments:								
Claims and claims adjustment expense attributable to insured events of the current fiscal year	9,056	1,081	184	10,321	9,927	1,613	306	11,846
Claims and claims adjustment expense attributable to insured events of the prior fiscal years	42,168	2,622	1,081	45,871	42,124	907	433	43,464
Total claims and claims adjustment expense payments	51,224	3,703	1,265	56,192	52,051	2,520	739	55,310
Total unpaid claims and claims adjustment expense liability at end of the fiscal year	\$ 183,378	\$ 6,022	\$ 1,578	\$ 190,978	\$ 160,195	\$ 5,512	\$ 1,294	\$ 167,001

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 Five Fiscal Years**  
**(in thousands except percentages)**

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

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

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

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Statutorily required contribution	\$ 142	\$ 138	\$ 123	\$ 149	\$ 127	\$ 133	\$ 129
Contributions in relation to the statutorily required contribution	<u>(142)</u>	<u>(138)</u>	<u>(123)</u>	<u>(149)</u>	<u>(127)</u>	<u>(133)</u>	<u>(129)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 1,432</u>	<u>\$ 1,275</u>	<u>\$ 1,013</u>	<u>\$ 1,100</u>	<u>\$ 878</u>	<u>\$ 962</u>	<u>\$ 1,014</u>
Contributions as a percentage of covered payroll	9.92%	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)**

### 3. Changes in Assumptions

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

	2017	2016
Projected salary increases:		
State	3.0 - 4.6%	3.0 - 4.6%
Non-state	3.0 - 4.6%	
Inflation rate	3.0%	
Mortality rates		
	Healthy males -110% of RP-2000	Healthy males -110% of RP-2000
	Non-Annuitant, Scale AA	Non-Annuitant, Scale AA
	Healthy females-101% or RP-2000	Healthy females-101% or RP-2000
	Non-Annuitant, Scale AA	Non-Annuitant, Scale AA
	Disabled males - 96% of RP-2000	Disabled males - 96% of RP-2000
	Disabled annuitant, Scale AA	Disabled annuitant, Scale AA
	Disabled females - 107% of RP-2000	Disabled females - 107% of RP-2000
	Disabled annuitant, Scale AA	Disabled annuitant, Scale AA
Withdrawal rates:		
State	1.75 - 35.1%	1.75 - 35.1%
Non-state	2 - 35.8%	2 - 35.8%
Disability rates	0 - .675%	0 - .675%

	2015	2014
Projected salary increases:		
State	3.0 - 4.6%	4.25 - 6.0%
Non-state	3.35 - 6.0%	4.25 - 6.0%
Inflation rate	1.90%	2.20%
Mortality rates		
	Healthy males -110% of RP-2000	Healthy males -1983 GAM
	Non-Annuitant, Scale AA	Healthy females -1971 GAM
	Healthy females-101% or RP-2000	Disabled males -1971 GAM
	Non-Annuitant, Scale AA	Disabled females – Revenue Ruling 96-7
	Disabled males - 96% of RP-2000	
	Disabled annuitant, Scale AA	
	Disabled females - 107% of RP-2000	
	Disabled annuitant, Scale AA	
Withdrawal rates:		
State	1.75 - 35.1%	1 - 26%
Non-state	2 - 35.8%	2 - 31.2%
Disability rates	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 Years Ended June 30, 2019 and 2018**  
**(in thousands except percentages)**

	<u>2019</u>	<u>2018</u>
BRIM's proportionate (percentage) of the net OPEB liability	<b>0.0219%</b>	0.0208%
BRIM's proportionate share of the net OPEB liability	<b>\$ 470</b>	\$ 512
State's proportionate share of the net OPEB liability associated with BRIM	<u>97</u>	<u>105</u>
Total	<u><b>\$ 567</b></u>	<u><b>\$ 617</b></u>
BRIM's covered-employee payroll	<b>\$ 905</b>	\$ 812
BRIM's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	<b>51.93%</b>	63.05%
Plan fiduciary net position as a percentage of the total OPEB liability *	<b>30.98%</b>	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 Four Fiscal Years**  
**(in thousands except percentages)**

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

	Other Lines of Business	Mine Subsidence	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 29,342	\$ -	\$ 29,342
Advance deposits with carrier/trustee	224,786	-	224,786
Receivables, net	3,223	-	3,223
Prepaid insurance:			
Restricted cash and cash equivalents	-	16,936	16,936
Restricted receivables, net	-	1,112	1,112
Total current assets	257,351	18,048	275,399
Noncurrent assets:			
Investments	100,600	-	100,600
Restricted investments	-	58,096	58,096
Total non current assets	100,600	58,096	158,696
Total assets	357,951	76,144	434,095
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension	373	-	373
Other post-employment benefits	65	-	65
Total deferred outflows of resources	438	-	438
<b>LIABILITIES</b>			
Current liabilities:			
Estimated unpaid claims and claims adjustment expense	61,658	998	62,656
Unearned revenue	8,090	2,089	10,179
Agent commissions payable	1,514	-	1,514
Accrued expenses and other liabilities	1,038	-	1,038
Total current liabilities	72,300	3,087	75,387
Noncurrent liabilities:			
Estimated claims and claims adjustment expense, noncurrent	127,738	584	128,322
Compensated absences	117	7	124
Net pension liability	249	-	249
Net other post-employment benefits	470	-	470
Total noncurrent liabilities	128,574	591	129,165
Total liabilities	200,874	3,678	204,552
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension	200	-	200
Other post-employment benefits	109	-	109
Total deferred inflows of resources	309	-	309
<b>NET POSITION</b>			
Restricted	-	72,466	72,466
Unrestricted	157,206	-	157,206
Net position	\$ 157,206	\$ 72,466	\$ 229,672

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, 2019**  
**(in thousands)**

	<b>Other Lines of Business</b>	<b>Mine Subsidence</b>	<b>Total</b>
Operating revenues:			
Premiums	\$ 78,999	\$ 4,302	\$ 83,301
Less excess coverage/reinsurance premiums	(6,627)	-	(6,627)
Total operating revenues	72,372	4,302	76,674
Operating expenses:			
Claims and claims adjustment expense	78,620	1,549	80,169
General and administrative expense	4,396	123	4,519
Total operating expenses	83,016	1,672	84,688
Operating (loss) income	(10,644)	2,630	(8,014)
Nonoperating revenues:			
Investment income	18,073	2,971	21,044
OPEB nonoperating income	30	-	30
Net nonoperating revenues	18,103	2,971	21,074
Increase in net position	\$ 7,459	\$ 5,601	\$ 13,060

**West Virginia Board of Risk and Insurance Management**  
**Form 7 - Deposits Disclosure**  
**June 30, 2019**  
**(in thousands)**

		<b>Fair Value</b>	
Cash with Treasurer		<u>\$ 840</u>	(1)
(1) Agrees to audited statement of cash flows as follows:			
Cash with Treasurer		\$ 840	(2)
Cash equivalents with BTI		<u>45,438</u>	(2)
		<u>\$ 46,278</u>	(3)
(2) Agrees to Form 8-A			
(3) Agrees to audited statement of net position as follows:			
Cash and cash equivalents	\$ 29,342		
Restricted cash and cash equivalents	<u>16,936</u>		
	<u>\$ 46,278</u>		

**West Virginia Board of Risk and Insurance Management**  
**Form 8 - Investments Disclosure**  
**June 30, 2019**  
**(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	\$ 28,644 <sup>(1)</sup>	\$ 16,794 <sup>(1)</sup>	\$ 45,438 <sup>(3)</sup>	\$ 45,438
Long-term	<u>100,600 <sup>(1)</sup></u>	<u>58,096 <sup>(1)</sup></u>	<u>158,696 <sup>(3)</sup></u>	<u>158,696</u>
Total investments	<u>\$ 129,244 <sup>(1)</sup></u>	<u>\$ 74,890 <sup>(1)</sup></u>	<u>\$ 204,134</u>	<u>\$ 204,134</u>

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

Investments with BTI and WVIMB	\$ 129,244 <sup>(1)</sup>	\$ 74,890
Less investments classified as cash equivalents	<u>28,644</u>	<u>16,794</u>
Total investments	<u>\$ 100,600 <sup>(2)</sup></u>	<u>\$ 58,096 <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, 2019**  
**(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	\$ 16,936 <sup>(1)</sup>
Unrestricted	<u>29,342 <sup>(1)</sup></u>

Total cash and cash equivalents	46,278
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Less investments disclosed as cash equivalents	<u>45,438 <sup>(2)(3)</sup></u>
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Fair value of deposits as disclosed on Form 7	<u>\$ 840 <sup>(2)</sup></u>
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**Investments:**

Investments as reported:

Noncurrent – restricted	\$ 58,096 <sup>(1)</sup>
Noncurrent – unrestricted	<u>100,600 <sup>(1)</sup></u>

Total investments	158,696
-------------------	---------

Add investments disclosed as cash equivalents	<u>-</u>
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Fair value of investments as disclosed on Form 8	<u>\$ 158,696 <sup>(3)</sup></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, 2019**  
**(in thousands)**

	<u>Amount</u>
Accounts receivable (other than State agencies):	
Total accounts receivable as of June 30, 2019	\$ 4,335 <sup>(1)</sup>
Less allowance for doubtful accounts	<u>- <sup>(2)</sup></u>
Net receivable	<u>\$ 4,335</u>
<sup>(1)</sup> Derived from the audited statement of net position as follows:	
Receivables	\$ 3,223 <sup>(2)</sup>
Restricted receivables	<u>1,112 <sup>(2)</sup></u>
	<u>\$ 4,335</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, 2019**  
**(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	3,218
Total receivables	\$ 3,223 <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, 2019  
(in thousands)

<u>Type of Debt</u>	<u>Final Maturity Date</u>	<u>Balance June 30, 2018</u>	<u>Payments</u>	<u>Other Changes</u>	<u>Balance June 30, 2019</u>
Compensated absences – annual leave	Varies	<u>\$ 122</u>	<u>\$ -</u>	<u>\$ 2</u>	<u>\$ 124</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, 2019, 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 14, 2019.

***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 14, 2019

**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

**Executive Director's Report**

**December 17, 2019**

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

- As of December 6, 2019, Marshall has deposited \$725,000.00 into the escrow account for FY 2020. The fiscal year-to-date cumulative interest totals \$13,719.60. Disbursements totaling \$742,755.52 have been paid thus far in FY 2020.
- As of December 6, 2019, a total of \$1,068,505.02 has been deposited into WVU's escrow account for FY 2020. The fiscal year-to-date cumulative interest totals \$26,335.44. Disbursements totaling \$1,546,028.95 have been paid thus far in FY 2020.

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

**TRIALS**

Thus far in 2019, we have tried two cases to a defense verdict. Both cases have been reported in prior Board meetings.

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.

Monongahela Power vs. WV Div. of Highways (501-672784) Harrison Co. Mag. Ct.; Insured employee was mowing and struck the plaintiff's unmarked guy wire. Demand was \$2,408.91. There was no offer. Defense Verdict on 6/27/2019. **Plaintiff's appeal to the Harrison Co. Cir. Ct. ended in dismissal.**

**PAID CLAIMS (October 2019 Data)**

YTD Indemnity payments total \$26,124,353 vs. PYTD payments of \$35,815,126, a decrease of 27.06%.

YTD Legal payments total \$14,193,436 vs. PYTD payments of \$13,166,588, an increase of 7.8%.

**OUTSTANDING CLAIMS (October 2019 Data)**

October 2019 Indemnity reserves total \$66,214,280 vs. October 2018 Indemnity reserves of \$46,946,770, an increase of 41.04%.

October 2019 Expense reserves total \$22,130,216 vs. October 2018 Expense reserves of \$18,691,398, an increase of 18.4%.

**CLAIMS COUNTS (October 2019 Data)**

New claims YTD total 3460 vs. PYTD of 3406, an increase of 1.6%.

Closed claims YTD total 3522 vs. PYTD of 3600, a decrease of 2.17%.

Open claims YTD total 1186 vs. PYTD of 1065, an increase of 11.4%.

**DURATION – CLOSED CLAIMS (October 2019 Data)**

YTD Duration of 110.005 Days vs. PYTD Duration of 126.495 Days, a decrease of 13.04%.

**CLOSING RATIO (October 2019 Data)**

YTD Closing Ratio of 101.8% vs. PYTD Closing Ratio of 105.7%, a decrease of 3.7%.

- C. Patient Injury Compensation Fund (PICF) -- The outstanding balance owed to claimants is \$4,139,549.17. The last pro-rata distribution to claimants was in the amount of \$2.1 million. We continue to believe that the funding streams should be adequate to retire all claims in full by June 30, 2022. The funding sources are to terminate on December 31, 2021 and we will then have 6 months to pay all administrative expenses of the fund as well as claims and any balance will then be transferred to general revenue.
- D. Risk Management Information System Update – Progress continues to be made. The Claims Module is fully functional and at this point only small changes are being made. We are hopeful that we can successfully reconcile the data with the mainframe at the end of the year and if so, we will begin to rely solely on the new system. We are getting closer to reconciliation of the property and mine subsidence data – so far it looks positive. Testing continues on the Underwriting and Loss Control modules.
- E. RFP – Consultant Contract – The Willis Towers Watson team was in our office on October 2, 2019, to continue discussions as part of their review of BRIM's programs. We continue to work with them and have provided quite a bit of information over the past several months. They are currently drafting the report. We have extended the due date in light of the additional time it is taking for completion of the review and preparation of the report.
- F. Budget Discussions – We were finally successful in receiving approval for a budget amendment to the FY 2020 budget to increase our personal services line. We are also seeking approval for 2 additional positions. Currently we have no open positions and could only fill a position if it is vacated by a current employee. While we don't anticipate agency growth, we do need a couple open positions in the event we need to have a period of transition before a long-time employee leaves, and the additional budget and positions will enable us to plan better for continuity purposes.

- G. BRIM was asked to present to a meeting of Chief Financial Officers and Procurement Officers that the Higher Education Planning Commission held on November 12, 2019 in Lewisburg. Robert Fisher and Melody Duke gave the presentation and it appeared to be very well-received. The presentation provided general information about insurance, its purpose, and how it fits into procurement processes and management of vendors doing business with higher education institutions. Melody went over a typical certificate of coverage, pointing out the information contained in each part of the certificate and its significance.
- H. Property Policy Meeting – On December 4, 2019, we reviewed our property policy for possible changes for FY 20-21. Some of the issues discussed were interaction of the Property Policy with the flood coverage under the Difference in Conditions Policy, consideration of a sublimit for time element/extra expense coverage and incorporating this coverage into the DIC policy and clarifying some terms. We wanted to get an early start on discussions for renewal on July 1 and in the next few months we will continue to work on the policy language with the carriers.
- I. Miscellaneous
1. As you all know, Chuck Mazingo is embarking on a well-deserved retirement at the end of this month. While his departure will be painful for us personally, we wish him all the best. We also anticipate that he will be returning in a few weeks on a limited basis to continue to help out for as long as it continues to work for Chuck and BRIM.
  2. We are happy to have Solomon Phillips, one of our summer interns, back with us for his Christmas break from Marshall. Solomon will be helping out primarily with the Underwriting Department until mid-January when he has to return to Huntington to finish up his degree.
  3. There have been a few lawsuits in the northern part of the state filed against carriers that have sold mine subsidence coverage to homeowners who have later filed claims that were denied. These are first party bad faith claims. We do not feel that there was anything unusual in the handling of the claims, but we wanted to mention them to the Board because we have received a few subpoenas for claim files and we could be involved in further discovery as the cases progress.

Upcoming Board Meeting schedule for 2020:

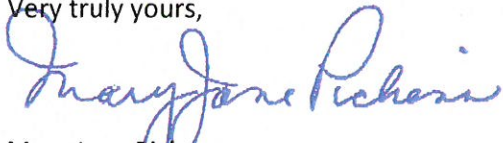
Tuesday, March 17, 2020 @ 1PM

Tuesday, June 16, 2020 @ 1PM

Tuesday, September 15, 2020 @ 1PM

Tuesday, December 15, 2020 @ 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  
December 17, 2019**

**A. P Card Report**

CD copies contain the supporting detail for P card purchases for the months of July, August, September and October 2019. These totals are:

July	\$44,423.31
August	\$27,454.74
September	\$72,293.08
October	\$22,278.66

**B. Highlights of Management Discussion & Analysis for June 30, 2019**

- An \$11.1 million increase in FY'19 for the provision for insured events of prior fiscal years negatively impacted BRIM's operating results for FY'19. The increase is an indication of the recent adverse claims development occurring for several prior years.
- FY'18 and FY'17 saw decreases for provisions for insured events of prior fiscal years of \$14.6 million and \$11.6 million respectively, resulting in a positive impact on BRIM's operating results for both previous fiscal years.
- Including restricted funds, BRIM's investment earnings for FY'19, FY'18 and FY'17 are \$21.0 million, \$6.7 million and \$9.8 million respectively.
- The overall return on BRIM funds invested, including restricted funds, was 5.2% for FY'19, exceeding BRIM's target rate of return of 4%. The higher return helped to offset the unfavorable claims development that impacted claims reserves in FY'19.
- The overall returns on all BRIM funds invested was 1.8% for FY'18 and 2.7% for FY'17; well below BRIM's target rate.

**C. Current Financial Results for the Four Months Ended October 31, 2019**

- The current 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.
- Net premium revenue for the first four months of FY'20 is comparable to FY'19. The actuarially projected loss pics for both years remained about the same.
- FY'20 thru October reflects accruals increasing claims liabilities by \$3.9 million for the current year vs. a \$0.4 million increase for the same period last year.
- Net claims payments for the first four months of FY'20 are approximately \$2.1 million higher than last year. Reserve increases along with the net claims payments made year-to-date are included in claims and claims adjustment expenses.
- Positive equity returns together with solid fixed income results are the reason for the current year-to-date investment earnings improvement versus the negative investment returns for the same period last fiscal year. This amounts to a year over year favorable swing of \$9.5 million in investment returns for the four months.
- The Federal Reserve's rate setting committee met last week and voted 10-0 to leave rates unchanged in a range 1.5 to 1.75. They could go through 2020 without a change.

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

- In the prior fiscal year, positive operating results weren't sufficient to offset the investment losses through October 31 resulting in a decrease of \$0.9 million to BRIM's net position for the first four months of FY'19.
- The current year saw negative operating results that, when combined with solid investment earnings, resulted in an overall increase of \$2.9 million to BRIM's net position for the first four months of FY'20.

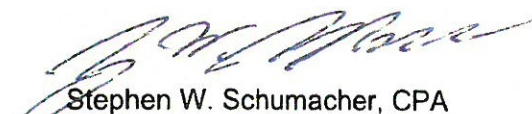
#### **D. Premium to Net Asset Reserve Ratio**

- 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 used as a guide to help evaluate the current risk level for BRIM's calculated ratio and how BRIM is tracking versus similar type insurance entities that comprise the benchmark study.
- The attached range exhibit shows that BRIM has assumed a higher risk than the calculated composite of the benchmark group of entities. The premium to net asset ratio indicates that BRIM would need an additional \$53 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 25% below the calculated mid-point for the level of net premium generated by BRIM for FY'19 vs. the composite benchmark. This is a significant improvement over last year's 31% shortfall.
- It should be noted that premium revenue can vary considerably from year to year. BRIM has had to increase its premium revenue in several previous years as increases in projected loss pics 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'19 (.83 to 1.0) is slightly higher than the ratio for private carriers for the first half of 2019 (.80 to 1.0).
- BRIM's loss ratio of 105% vs. the industry average of 70% is significantly higher than the industry average for the first half of 2019 due to BRIM's adverse claims development in FY'19.
- BRIM's expense ratio of 6% is very favorable versus the industry average of 27% for the first half of 2019.
- BRIM's combined ratio of 111% underperformed the industry average of 97%, based on property and casualty industry results as reported by ISO for the first half of 2019.

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

	2019	2018
	<i>(In Thousands)</i>	
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 26,855	\$ 28,135
Advance deposits with insurance company and trustee	229,970	201,534
Receivables	3,848	4,390
Prepaid insurance	4,604	4,249
Restricted cash and cash equivalents	18,207	14,759
Premiums due from other entities	1,112	878
Total current assets	284,596	253,946
Noncurrent assets:		
Equity position in internal investments pools	102,629	94,215
Restricted investments	59,268	54,409
Total noncurrent assets	161,897	148,623
Total assets	446,493	402,569
Deferred Outflows of Resources	373	438
Deferred Outflows of Resources - OPEB	65	44
<b>Liabilities</b>		
Current liabilities:		
Estimated unpaid claims and claims adjustment expense	62,656	50,453
Unearned premiums	15,388	15,568
Agent commissions payable	719	1,147
Claims Payable	605	99
Accrued expenses and other liabilities	2,135	2,141
Total current liabilities	81,503	69,408
Estimated unpaid claims and claims adjustment expense net of current portion	132,192	117,041
Compensated absences	124	122
Net pension liability	249	331
Total noncurrent liabilities	132,565	117,494
Total liabilities	214,068	186,901
Deferred Inflows of Resources	200	330
Deferred Inflows of Resources - OPEB	109	73
Net position:		
Restricted by State code for mine subsidence coverage	72,466	66,866
Unrestricted	157,205	149,745
Net Assets (Deficiency)	2,885	(864)
Net position	\$ 232,556	\$ 215,747

Unaudited

West Virginia Board of Risk and Insurance Management

Statements of Revenues, Expenses, and Changes in Net Position

For the Four Months Ended October 31st

	<u>2019</u>	<u>2018</u>
	<i>(In Thousands)</i>	
<b>Operating revenues</b>		
Premiums	\$ 27,510	\$ 27,671
Less coverage/reinsurance programs	<u>(2,311)</u>	<u>(2,378)</u>
Net operating revenues	25,199	25,293
 <b>Operating expenses</b>		
Claims and claims adjustment expense	27,507	21,879
General and administrative	<u>1,561</u>	<u>1,490</u>
Total operating expenses	<u>29,068</u>	<u>23,369</u>
 Operating income (loss)	(3,869)	1,923
 <b>Nonoperating revenues</b>		
Investment income	6,754	(2,787)
 Net nonoperating revenues	<u>6,754</u>	<u>(2,787)</u>
Changes in net position	2,885	(864)
 Total net position, beginning of year	229,671	216,611
 Total net position, end of period	<u><u>\$ 232,556</u></u>	<u><u>\$ 215,747</u></u>

*Unaudited*

## External Benchmark Comparison (FY'19)

(BRIM Net Premium/Net Position)

### 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
\$ 23,396,705	\$ 57,443,253	0.407	Local Governments
\$ 10,605,573	\$ 23,658,484	0.448	Community Centers
\$ 4,378,464	\$ 8,386,628	0.522	Municipalities
\$ 12,436,160	\$ 46,052,440	0.270	Local Governments
\$ 31,394,499	\$ 99,330,713	0.316	Municipalities and Special Districts
\$ 5,243,879	\$ 19,027,767	0.276	Water Districts and River Authorities
\$ 87,455,280	\$ 253,899,285	0.344	Combined Entities

### Step 2: Derivation of Statistics

Entity Count Per Above (0.522 - 0.270)/2 = .126	6 0.126	Number of Similar Organizations With Data Available Average of the Range Between the Highest & Lowest PNAR
\$ 87,455,000	\$ 253,899,000	0.344
\$ 72,372,000	\$ 157,206,000	0.460

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	Low Risk (PNAR Factor & NAR \$ Level) 0.194	Less Risk (PNAR Factor & NAR \$ Level) 0.244	PNAR Factor & NAR \$ Level 0.294	Average Risk (PNAR Factor & NAR \$ Level) 0.344	PNAR Factor & NAR \$ Level 0.394	More Risk (PNAR Factor & NAR \$ Level) 0.444	High Risk (PNAR Factor & NAR \$ Level) 0.494
\$ 87,500,000	\$ 451,000,000	\$ 358,600,000	\$ 297,600,000	\$ 254,000,000	\$ 222,100,000	\$ 197,100,000	\$177,100,000
\$ 85,000,000	\$ 438,100,000	\$ 348,400,000	\$ 289,100,000	\$ 247,100,000	\$ 215,700,000	\$ 191,400,000	\$172,100,000
\$ 82,500,000	\$ 425,300,000	\$ 338,100,000	\$ 280,600,000	\$ 239,800,000	\$ 209,400,000	\$ 185,800,000	\$167,000,000
\$ 80,000,000	\$ 412,400,000	\$ 327,900,000	\$ 272,100,000	\$ 232,600,000	\$ 203,000,000	\$ 180,200,000	\$161,900,000
\$ 77,500,000	\$ 399,500,000	\$ 317,600,000	\$ 263,600,000	\$ 225,300,000	\$ 196,700,000	\$ 174,500,000	\$156,900,000
\$ 75,000,000	\$ 386,600,000	\$ 307,400,000	\$ 255,100,000	\$ 218,000,000	\$ 190,400,000	\$ 168,900,000	\$151,800,000
\$ 72,500,000	\$ 373,700,000	\$ 297,100,000	\$ 246,600,000	\$ 210,800,000	\$ 184,000,000	\$ 163,300,000	\$146,800,000
\$ 70,000,000	\$ 360,800,000	\$ 286,900,000	\$ 238,100,000	\$ 203,500,000	\$ 177,700,000	\$ 157,700,000	\$141,700,000
\$ 67,500,000	\$ 347,900,000	\$ 276,600,000	\$ 229,600,000	\$ 196,200,000	\$ 171,300,000	\$ 152,000,000	\$136,600,000
\$ 65,000,000	\$ 335,100,000	\$ 266,400,000	\$ 221,100,000	\$ 189,000,000	\$ 165,000,000	\$ 146,400,000	\$131,600,000
\$ 62,500,000	\$ 322,200,000	\$ 256,100,000	\$ 212,600,000	\$ 181,700,000	\$ 158,600,000	\$ 140,800,000	\$126,500,000
\$ 60,000,000	\$ 309,300,000	\$ 245,900,000	\$ 204,100,000	\$ 174,400,000	\$ 152,300,000	\$ 135,100,000	\$121,500,000
\$ 57,500,000	\$ 296,400,000	\$ 235,700,000	\$ 195,600,000	\$ 167,200,000	\$ 145,900,000	\$ 129,500,000	\$116,400,000
\$ 55,000,000	\$ 283,500,000	\$ 225,400,000	\$ 187,100,000	\$ 159,900,000	\$ 139,600,000	\$ 123,900,000	\$111,300,000
\$ 52,500,000	\$ 270,600,000	\$ 215,200,000	\$ 178,600,000	\$ 152,600,000	\$ 133,200,000	\$ 118,200,000	\$106,300,000
\$ 50,000,000	\$ 257,700,000	\$ 204,900,000	\$ 170,100,000	\$ 145,300,000	\$ 126,900,000	\$ 112,600,000	\$101,200,000
\$ 47,500,000	\$ 244,800,000	\$ 194,700,000	\$ 161,600,000	\$ 138,100,000	\$ 120,600,000	\$ 107,000,000	\$ 96,200,000
\$ 45,000,000	\$ 232,000,000	\$ 184,400,000	\$ 153,100,000	\$ 130,800,000	\$ 114,200,000	\$ 101,400,000	\$ 91,100,000
\$ 42,500,000	\$ 219,100,000	\$ 174,200,000	\$ 144,600,000	\$ 123,500,000	\$ 107,900,000	\$ 95,700,000	\$ 86,000,000
\$ 40,000,000	\$ 206,200,000	\$ 163,900,000	\$ 136,100,000	\$ 116,300,000	\$ 101,500,000	\$ 90,100,000	\$ 81,000,000

Net Premium \$ 72,400,000  
Calculated N.A. \$ 210,500,000



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  
December 2019**

We completed the evaluations of state agencies' fiscal year 2021 loss control questionnaire submissions. Approximately 116 agencies will be receiving a premium credit for their participation in our Standards of Participation program. This program was designed to help our insured reduce and control claims through active risk management initiatives.

BRIM and Liberty Mutual Insurance sponsored two boiler safety and operational seminars in November. We do these annually and approximately 120 individuals participated in the seminars this year. We continue to be pleased with the level of interest expressed by our insured for these events.

In October, we sent out loss control questionnaires to our Senate Bill #3 insured. The completed questionnaires and supporting documentation are due to BRIM on January 1, 2020.

During the months of October and November, Aon conducted 70 inspections and Liberty Mutual conducted 901. The reports are being processed according to established procedures.

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

**21 Loss Control Visits**

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

**Insured Accounts Visited Include:** City of Richwood, Youth Service System, City of Fairmont Sewer and Water Board, Logan County Commission, Marshall University Research Corporation, Mingo County Public Service District, Jackson County Board of Education, Fayette County Board of Education, City of Logan Water Department, Town of Delbarton, Union Public Service District, Greater Wheeling Sports and Entertainment Authority Board, Town of Fairview, Clay Senior and Community Services, Inc., Community Action of Southeastern WV, Raleigh County Community Action Association, Randolph County Board of Education, Brooke County Board of Education, Moundsville Sanitary Board, Elk Valley Public Service District, and Town of Fort Gay.

**33 Standards of Participation Visits**

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

**Insured Accounts Visited Include:** Elkins-Randolph County Chamber of Commerce, A New Beginning Pregnancy Resource Center, Upper West Fork, Board of Hearing-Aid Dealers, Board of Sanitarians, One by One Animal Advocates, The Change Initiative Corporation, Lake Floyd Public Services District, Little Victories Animal Rescue, Community Crossing, Inc., Wirt Recovery, Inc., Wetzel County Autumnfest, John A. Sheppard Memorial Ecological Reserve, Putnam County Solid Waste Authority, Dunbar Housing Authority, Southeastern Appalachia Rural Alliance, Fayette County Solid Waste Authority, Trent Jordan Foundation, Inc., The Marvel Center, Inc., A New Clendenin, Clarksburg Community Action, WV VOAD, Williamsburg Community Action Group, Logan-Mingo Area Mental Health, Elkins Main Street, Tygart Valley Homestead Association, Berkeley-Morgan County Board of Health, AFL-CIO Appalachian Council, Chapmanville Water Works, Hope Recovery Manor, Almost Heaven BBQ Bash, and McDowell County Humane Association.

Dated: *December 16, 2019*

Respectfully submitted,



**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  
MaryJane.Pickens@wv.gov

**Chief Privacy Officer's Report  
December 17, 2019**

**A. Privacy Management Team Meetings**

- Since the September 10, 2019 BRIM board meeting, the Privacy Management Team met on September 17, 2019 and November 17, 2019 for its bi-monthly PMT meetings. At the September meeting, 25 DPOs/APOs from 16 different Executive and Higher Education/Constitutional agencies attended. James Meadows of the WV Purchasing Division presented on privacy elements that are incorporated in the purchasing process. During the November 17, 2019 meeting, 30 DPOs/APOs from 17 different Executive and Higher Education/Constitutional agencies attended. Adam Poe from Pullin, Fowler, Flanagan, Brown & Poe, PLLC presented the 2019 Privacy Requirements and HIPAA Preemption Analysis. In addition, the PEIA HIPAA privacy officer spoke about the dangers of full technical disclosures in the public documents when you bid out legacy systems.
- The next Privacy Management Team meeting, which coincides with *International Privacy Day* is scheduled for January 28, 2020. The topic for this meeting is Payment Card Industry Data Security Standards and due to this, we are inviting the WV Treasurer's Office's PCI liaisons statewide. Presentations from experts in this field, as well as a tabletop exercise, are planned. The next PMT meeting, after Privacy Day, will be March 10, 2020.

**B. Privacy Training**

- During the Third Quarter of 2019, 998 members of the Executive Branch workforce took the online course *Think WV Privacy*, which is a general privacy awareness training course.
- During the Third Quarter of 2019, 735 members of the Executive Branch workforce took the online course *WV Confidentiality Agreement*, which is required of all workforce members.

- During the Third Quarter of 2019, 425 members of the Executive Branch workforce took the online course *HIPAA/HITECH*, which is a general HIPAA training course.

The following training events were held by the SPO since September:

- October 17 and November 19, 2019 – State Privacy Office staff presented new privacy officer orientation trainings to a total of 10 DPOs/APOs.
- Upcoming: December 18, 2019, the State Privacy office staff will present new privacy officer orientation and HIPAA training to one DPO from WV DMAPS.

### **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 September 6 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. State Privacy staff, combined with WVOT staff, are working together to create a new PIA procedure.
- At this point, PIA completion is not mandatory for agencies.
- The Vendor Management Team, comprised of staff from the WV Purchasing Division, WV Office of Technology, WV Cybersecurity Office, BRIM, and State Privacy Office, has restarted its bi-monthly meetings to establish procedures, including a possible agency requirement to complete Privacy Impact Assessments, to ensure vendor compliance.

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**  
*March 17, 2020*

Chairman Martin	Call to Order
Chairman Martin	Introduction-New Board Member Gordon Lane, Jr.
Chairman Martin	Approval of Board Minutes December 17, 2019 Meeting

**REPORTS**

Jo Ellen Cockley, FCAS, MAAA Associate Director & Actuary	Funding Risk Study as of June 30, 2019
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**

Robert A. Fisher Deputy Director/Claim Manager	Coronavirus Disease (Covid-19)
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**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 17, 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

**BRIM PERSONNEL:**

Mary Jane Pickens, Executive Director  
Robert Fisher, Deputy Director/Claims Manager  
Stephen W. Schumacher, CPA, CFO  
Ashley Summitt, Chief Privacy Officer  
Chuck Mazingo, Asst. Claims Manager  
Melody Duke, Underwriting Manager  
John Fernatt, Senior Claim Representative  
Stephen W. Panaro, CPA, Controller  
Luke Mitchell, Risk & Insurance Analyst I  
Solomon Phillips, Student Intern  
Lora Myers, Recording Secretary

**BRIM PROGRAM  
REPRESENTATIVES:**

Steve Fowler, Esq., BRIM Counsel  
Ed Poe, 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  
(Joined via phone) Norman Mosrie, Partner, Dixon Hughes Goodman LLP

## **CALL TO ORDER**

Chairman Martin called the meeting of the West Virginia Board of Risk and Insurance Management to order on Tuesday, December 17, 2019 at 1:00PM. 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 September 10, 2019 Board Meeting minutes. The motion was seconded by Vice Chairman Bob Mitts. Being no discussion, a vote took place and the MOTION ADOPTED.

## **REPORTS**

### **Dixon Hughes Goodman LLP**

Chairman Martin called on Norman Mosrie (joined meeting via phone) from Dixon Hughes Goodman LLP to make his presentation regarding the Audited Financial Report – June 30, 2019. Mr. Mosrie greeted everyone and thanked the Board for allowing him to join the meeting via phone.

Mr. Mosrie referred to the Report to the Board of Directors – June 30, 2019, the document was distributed to the Board as a handout. The contacts for the report are Norman Mosrie, CPA and Jessie Lindsay, CPA. Mr. Mosrie thanked Stephen Schumacher and Stephen Panaro for their cooperation during the audit process.

Mr. Mosrie reported that opinion on the financial statements is an unmodified opinion, the highest form of assurance. Mr. Mosrie reviewed the Financial Statements. Regarding Statements of Net Position, he reported overall growth and healthy bottom line. There were no aggressive accounting practices and no problems with required communication. Overall Reserve is reasonable and overall increase in cash. Mr. Mosrie mentioned that financial footnotes are very similar to the prior year. Mr. Mosrie completed his presentation and asked for questions. Being no questions from the Board, the presentation concluded. Chairman Martin commented that it is always nice to hear compliments about the staff and he was glad that everyone cooperated well. He thanked Mr. Mosrie for his report.

The Audited Financial Report – June 30, 2019 presentation by Dixon Hughes Goodman LLP was received, a copy is attached and made part of the record.

### **Executive Director's Report**

Chairman Martin called on Mary Jane Pickens to present the Executive Director's Report.

Ms. Pickens reviewed the Medical Malpractice Program for both Marshall University and West Virginia University. Mrs. Pickens also reviewed the State Agency/Senate Bill #3 Liability Claim and Litigation Information. The attached

Executive Director's Report includes detailed information regarding paid claims, outstanding claims, claim counts and closed claims.

Mrs. Pickens reported on the Patient Injury Compensation Fund (PICF). The outstanding balance owed to claimants is \$4,139,549.17. The most recent pro-rata distribution to claimants was \$2.1 million. We believe that the funding streams will be adequate to retire claims by June 20, 2022 in full. Funding sources terminate on December 31, 2021. We will then have 6 months to pay all administrative expenses of the fund. Any balance will then be transferred to general revenue.

The Risk Management Information System update was discussed. Progress continues with the Claims Module being fully functional with only minimal changes being made at this time. We hope to successfully reconcile the data with the mainframe at the end of the year; if so, we will begin to rely solely on the new system. Reconciliation of property and mine subsidence data is getting closer. Underwriting and Loss Control modules continue to be tested.

Mrs. Pickens reported on the status of RFP – Consultant Contract. The Willis Towers Watson team visited our office on October 2, 2019, to continue review of BRIM's programs. BRIM has provided much information over the past several months. They are currently drafting the report. We have extended the due date because of the additional time needed for completion of the review and reporting.

BRIM received approval for a budget amendment to the FY2020 budget to increase our personal services line. Additionally, we are looking for approval for 2 positions. Growth is not anticipated currently; however, we need a couple of positions in the event we need a period of transition before a long-time employee exits. The additional budget and positions will enable us to plan better for continuity purposes.

BRIM was invited to present to a meeting of Chief Financial and Procurement Officers that the Higher Education Planning Commission held in Lewisburg on November 12, 2019. Robert Fisher and Melody Duke gave a well-received presentation which provided general information about insurance, its purpose, and how it fits into procurement processes and management of vendors doing business with higher education institutions.

The Property Policy meeting held on December 4, 2019, was discussed. BRIM management reviewed property policy for possible changes for FY 20-21. Issues such as interaction of the Property Policy with the flood coverage under the Difference in Conditions Policy, consideration of a sublimit for time element/extra expense coverage and incorporating this coverage into the DIC policy were discussed. In the coming months we will continue to work on policy language with carriers for renewal on July 1.

Mrs. Pickens reported on Chuck Mzingo's well-deserved and upcoming retirement. We wish him all the best. We anticipate him returning on a limited basis next year to continue helping out.

BRIM is happy to have Solomon Phillips, one of our summer interns, back for Christmas break. Solomon is helping in the Underwriting Department until mid-January when he returns to Marshall University to complete his degree.

Mrs. Pickens reported there have been lawsuits in the northern part of the state filed against carriers that sold mine subsidence coverage to homeowners who have later filed claims that were denied. These are first party bad faith claims. We do not feel these claims were handled unusually but wanted to mention this to the Board since we have received a few subpoenas for claim files and could be involved in further discovery.

In conclusion, Mrs. Pickens announced the Board Meeting dates for 2020:

Tuesday, March 17, 2020 @ 1PM  
Tuesday, June 16, 2020 @ 1PM  
Tuesday, September 15, 2020 @ 1PM  
Tuesday, December 15, 2020 @ 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 July through October. A disk containing PCard activity for the period July – October 2019, was distributed to the Board.

Mr. Schumacher reported on Highlights of Management Discussion and Analysis. An increase of \$11.1 million in FY19 for the provision for insured events of prior fiscal years negatively impacted BRIM's operating results for FY19. The increase is an indication of the recent adverse claim development occurring for several prior years. FY18 and FY17 saw decreases for provisions for insured events of prior fiscal years resulting in a positive impact on BRIM's operating results for both previous fiscal years. The overall return on BRIM funds invested, including restricted funds, was 5.2% for FY19, exceeding BRIM's target rate of return of 4%. The higher return helped to offset the unfavorable claims development that impacted claims reserves in FY19. Overall returns on all BRIM funds invested was 1.8% for FY18 and 2.7% for FY17, well below the target rate.

Financial Results were reviewed for the four months ending October 31, 2019. The current results reflect the actuarially estimated unpaid losses from AON's risk funding study as of September 30 for both years, plus the additional accrual for October. FY20 through October reflects accruals increasing claims liabilities by \$3.9 million for the current year vs. a \$0.4 million increase for the same period last year. The Federal Reserve's rate setting committee met last week and voted 10 – 0 to leave rates unchanged in a range 1.5 to 1.75. They could go through 2020 without change.

Mr. Schumacher reported on 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.

Premium revenue can vary considerably from year to year. BRIM has had to increase its premium revenue in several previous years as increases in projected loss pics 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.

Mr. Schumacher commented on Other Financial Ratios. BRIM's expense ratio of 6% is very favorable versus the industry average of 27% for the first half of 2019. BRIM's combined ratio of 111% underperformed the industry average of 97%, based on property and casualty industry results as reported by ISO for the first half of 2019.

Chairman Martin thanked the Finance Department for their hard work and commented to Mr. Schumacher about the nice compliments regarding his department. He also complimented Stephen Panaro for his help with the audit.

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 on the completed evaluations of state agencies' fiscal year 2021 loss control questionnaire submissions. Approximately 116 agencies will receive a premium credit for their participation in our Standards of Participation program. The program was designed to help our insured reduce and control claims through active risk management initiatives.

BRIM and Liberty Mutual Insurance sponsored two boiler safety and operational seminars in November. These seminars are held annually and approximately 120 individuals participated this year. We continue to be pleased with the level of interest expressed for these events.

In October, we sent out loss control questionnaires to our Senate Bill #3 insured. The completed questionnaires and supporting documentation are due to BRIM on January 1, 2020.

Mr. Fisher reported during the months of October and November, Aon conducted 70 inspections and 901 were conducted by Liberty Mutual Insurance. The reports are being processed. Since our prior report, our loss control technical staff have completed 21 Loss Control Visits and 33 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 September 17, 2019, and November 17, 2019, for the bi-monthly PMT meeting. At the September meeting, 25 DPOs/APOs from 16 different Executive and Higher Education/Constitutional agencies attended. James Meadows of WV Purchasing Division presented on privacy elements that are incorporated in the purchasing process. During the November meeting, 30 DPOs/APOs from 17 different Executive and Higher Education/Constitutional agencies attended. Adam Poe from Pullin, Fowler, Flanagan, Brown & Poe, PLLC presented the 2019 Privacy Requirements and HIPAA Preemption Analysis.

The next Privacy Management Team meeting, which coincides with International Privacy Day is scheduled for January 28, 2020. The topic for the meeting is Payment Card Industry Data Security Standards. Due to this, we are inviting the WV Treasurer's Office's PCI liaisons statewide. Presentations from experts in this field are also planned. The next PMT meeting following Privacy Day will be March 10, 2020.

Ms. Summitt reported on privacy trainings. During the third quarter of 2019, 998 members of the Executive Branch workforce took the online course *Think WV Privacy*; 735 members took the online course *WV Confidentiality Agreement*; and 425 members took the online course *HIPAA/HITECH*.

Training events by the SPO since September were discussed. October 17 and November 19, 2019, State Privacy Office staff presented new privacy officer orientation trainings to 10 DPOs/APOs. Ms. Summit also discussed an upcoming event, December 18, 2019, the State Privacy office staff will present new privacy officer orientation and HIPAA training to one DPO from WV DMAPS.

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 Septem PIAs have been completed and submitted. Staff changes at the Office of Technology have resulted in procedural 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.

The Vendor Management Team, comprised of staff from the WV Purchasing Division, WV Office of Technology, WV Cybersecurity Office, BRIM, and State Privacy Office, has restarted its bi-monthly meetings to establish procedures, including a

possible agency requirement to complete Privacy Impact Assessments, to ensure vendor compliance.

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 2:04PM.

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Board Chairman

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Date

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

## *Risk Funding Study as of June 30, 2019*

Presented March 17, 2020





# Market Update

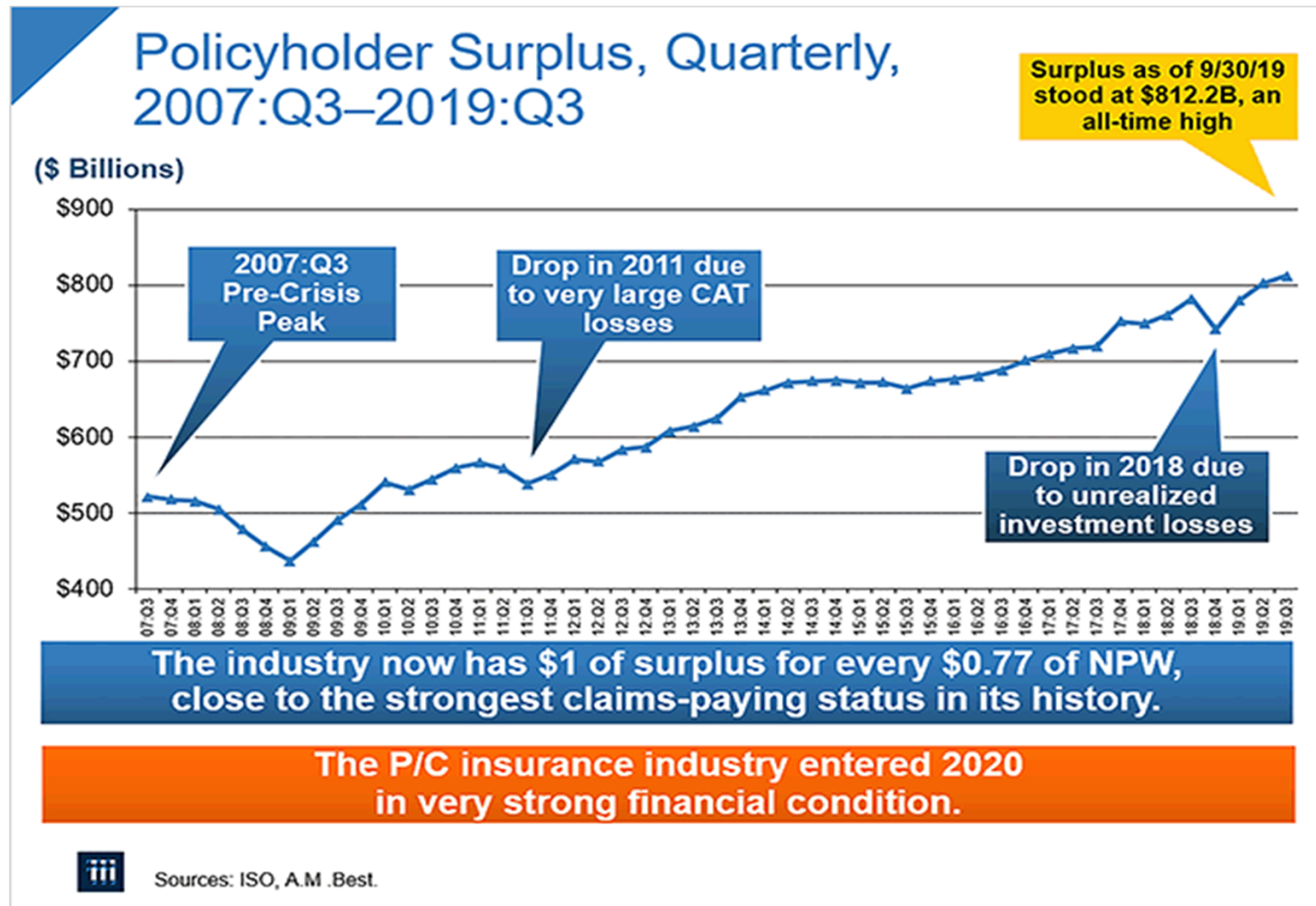
**AON**  
Empower Results®

# Property/Casualty Marketplace Overview

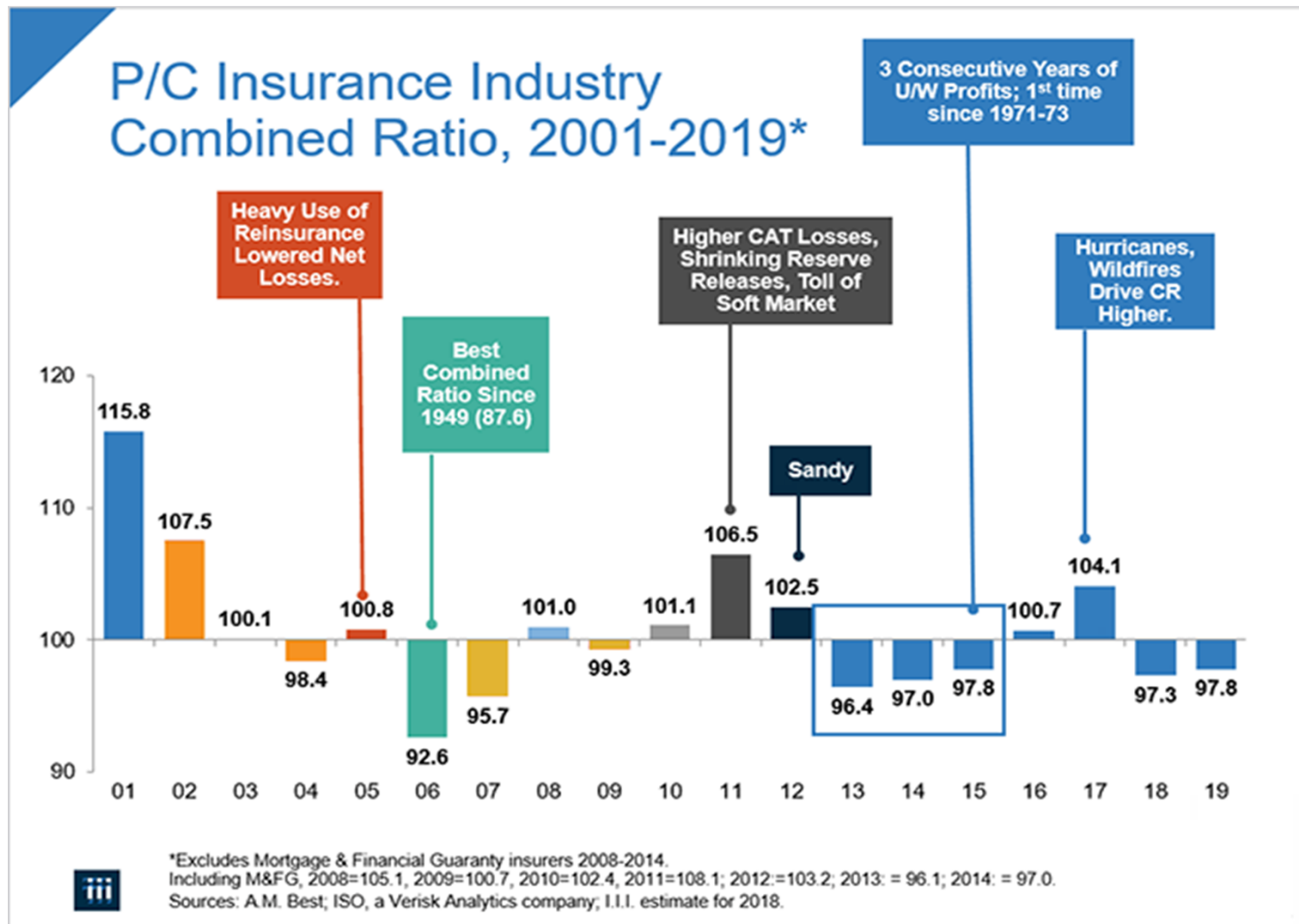
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- Policyholder Surplus is over \$812 Billion as of 9/30/19
  - Growth in surplus due to positive contributions from both insurance operations and investments through first 3 quarters of 2019
    - Fewer hurricane and other catastrophe losses in 2019 compared to 2017 and 2018
    - Some unrealized investment losses in 4Q 2018 more than offset by well performing stock market in 2019
- Underwriting gain through the first 3 quarters of 2019
  - 2019 catastrophe losses decreased compared to 2017 and 2018
  - Non-catastrophe losses increased modestly in 2019
- Market tightening with pressure on retention and price

# Property/Casualty Marketplace Overview



# Property/Casualty Marketplace Overview



# Medical Malpractice

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- Aon 2019 Hospital Professional Benchmark Study – 20<sup>th</sup> Year
  - Includes \$20.7 billion of incurred loss and approximately 105,000 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 frequency and severity are similar to national averages
    - Claim frequency has stabilized beginning in 2014
    - Claim severity has stabilized beginning in 2016

## COVID-19 Update

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- P&C Insurance Industry Potential Impacts:
  - Lower ROI due to lower interest rates
  - Slower premium growth due to slower economic growth
  - Higher claims activity in casualty lines (WC, GL)
  - Lower claims in Auto due to social distancing actions
  - Could be impacted by legislative actions
  - Could be adversely impacted by litigation over policy language exclusions
    - ♦ Expected or Intended
    - ♦ Pollution
    - ♦ Bacteria
  
- Visit [Aon.com](https://www.aon.com) to read the latest thought leadership on how to understand and mitigate the risk of Covid-19



# Risk Funding Study As of 6/30/2019



# 6/30/19 Retained Unpaid Loss Estimates

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## Definitions

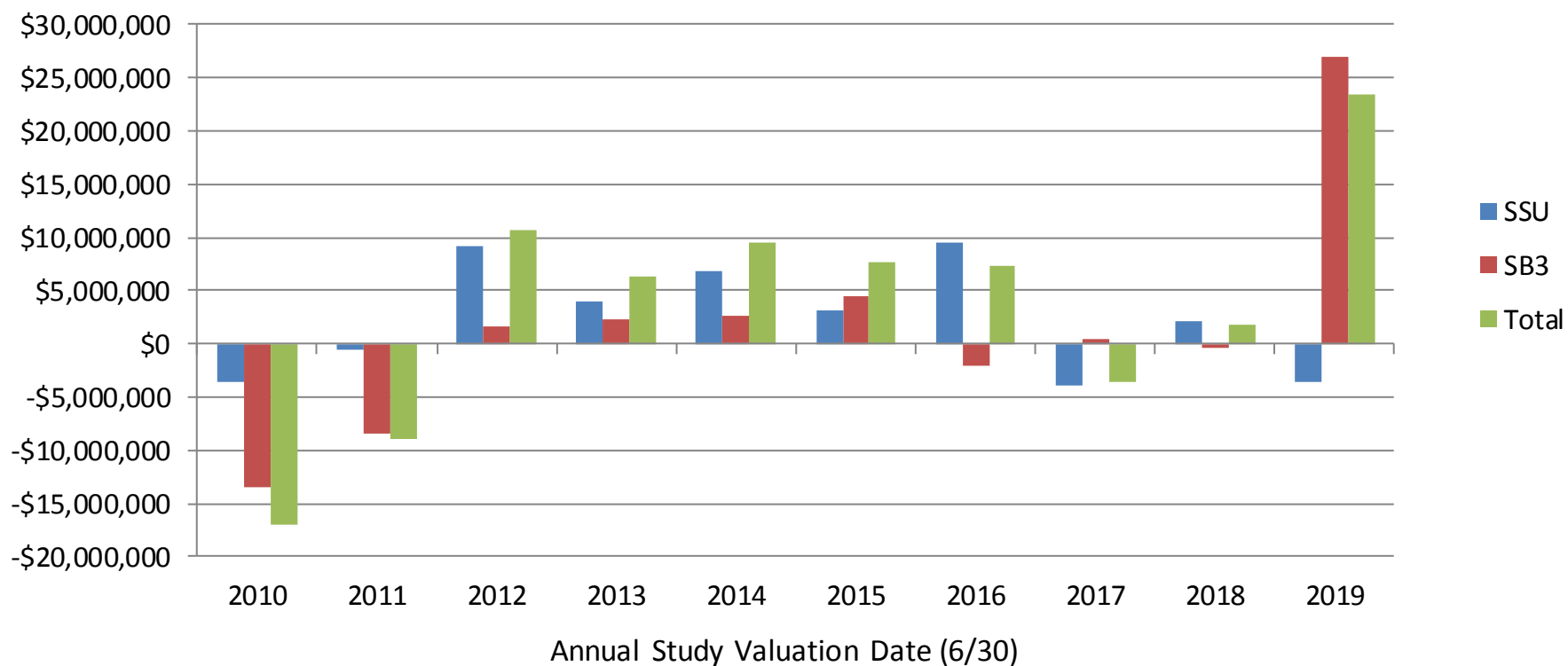
- Unpaid Loss = Ultimate Loss – Paid Loss
- Unpaid Loss = Case Reserves + IBNR
- IBNR = Incurred But Not Reported

## Results

- Estimated unpaid loss increased \$23.7 million (14.4%) from 6/30/2018
  - SB3 general liability increased \$27.6 million
  - SSU general liability decreased \$3.4 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 6/30/18 and 6/30/19 Studies (For Policy Periods 17/18 and Prior)

Policy Inception	Change in Auto SSU Ult	Change in Auto SB3 Ult	Change in GL SSU Ult	Change in GL SB3 Ult	Change in Prop SSU Ult	Change in Prop SB3 Ult	Change in MM SSU Ult	Change in MM SB3 Ult	Change in MS Ult	Total SSU Change	Total SB3 Change	Overall Total Change
7/1/2004 & Prior	0	0	0	3,450,377	0	968	0	0	0	0	3,451,345	3,451,345
7/1/2005	0	0	0	686,625	0	0	20,113	0	0	20,113	686,625	706,738
7/1/2006	0	0	(119,206)	0	0	0	0	0	0	(119,206)	0	(119,206)
7/1/2007	0	0	(146,145)	100,807	0	1,023	0	0	5,000	(146,145)	101,830	(39,315)
7/1/2008	0	5,000	(160,000)	0	0	0	0	0	0	(160,000)	5,000	(155,000)
7/1/2009	0	0	(20,000)	(166,525)	0	0	0	0	0	(20,000)	(166,525)	(186,525)
7/1/2010	0	(2,237)	(22,688)	796,332	0	0	(23,092)	112,477	(1,344)	(45,780)	906,573	859,448
7/1/2011	20,273	30,058	(290,000)	8,139,419	0	(2,402)	(117,000)	(16,078)	0	(386,727)	8,150,997	7,764,270
7/1/2012	101	9,192	(90,000)	6,375,844	0	(97,074)	(230,000)	(60,037)	(5,999)	(319,899)	6,227,926	5,902,028
7/1/2013	(30,923)	(58,066)	(1,000,000)	5,959,508	(12,089)	(4,453)	(144,000)	(25,311)	64,750	(1,187,012)	5,871,677	4,749,415
7/1/2014	(130,000)	(191,162)	(1,680,000)	(797,479)	(12,775)	(13,002)	(310,000)	(192,375)	0	(2,132,775)	(1,194,018)	(3,326,793)
7/1/2015	(410,000)	(243,960)	(100,000)	(46,342)	39,081	(147,219)	(2,390,000)	461,485	19	(2,860,919)	23,965	(2,836,935)
7/1/2016	(990,000)	341,459	1,900,000	(2,156,268)	220,396	(135,163)	370,000	(104,325)	115,854	1,500,396	(2,054,297)	(438,047)
7/1/2017	(1,170,000)	(234,000)	(4,980,000)	(384,000)	(364,650)	(46,250)	24,000	185,250	354,510	(6,490,650)	(479,000)	(6,615,140)
Total	(2,710,550)	(343,716)	(6,708,039)	21,958,299	(130,038)	(443,572)	(2,799,979)	361,086	532,790	(12,348,606)	21,532,098	9,716,283

- GL SB3 ultimate losses for prior policy years increased due to the emergence of claims related to alleged abuse at one particular insured
- For most of the other coverages, ultimate losses for prior policy years were reduced due to better-than-projected loss emergence between 6/30/18 and 6/30/19

## SB3 General Liability – Abuse Claims

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- As of 6/30/19, there are 21 open claims related to the alleged abuse at a particular insured ranging from policy/accident years 1998/99 through 2013/14. The average incurred value of these claims is approximately \$700,000
- As of 6/30/19, BRIM claims personnel expected 5 more claims related to alleged abuse at this insured to be filed, with a case reserve of \$700,000 expected to be set up for each claim
  - As a result, our IBNR estimates as of 6/30/19 include a \$3.5 million provision for these expected new claims
- 6/30/19 IBNR estimates also include a \$6.5 million provision for unknown/unreported claims related to alleged abuse at this insured
  - Based on an average claims value of \$700,000, and an estimated reporting tail for abuse claims

## 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 slide 9, in the 6/30/19 risk funding study, prior policy year ultimate losses were increased by \$9.7M (due to GL SB3)
- Prior policy year ultimate changes in the 6/30/16 through 6/30/18 risk funding studies were negative
- Previous to the 6/30/19 study, the 6/30/15 risk funding study was the most recent study where the prior policy period ultimate losses increased

# June 30, 2019 Risk Funding Study – Financial Impact

Coverage	Program	6/30/18 Retained Unpaid Losses	Paid in Period 7/1/18 - 6/30/19	Accrued in Period 7/1/18 - 6/30/19	Rollforward 6/30/19 Retained Unpaid Losses	Actual 6/30/19 Retained Unpaid Losses	Actuarial Adjustment Between 6/30/18 and 6/30/19 Reviews	Change in Unpaid Between 6/30/18 and 6/30/19 Reviews
Automobile	SSU	8,256,128	3,697,433	7,515,965	12,074,659	8,148,145	(3,926,514)	(107,983)
Automobile	SB3	10,396,740	7,285,520	6,498,598	9,609,818	9,616,505	6,687	(780,236)
Automobile	Total	18,652,868	10,982,953	14,014,562	21,684,477	17,764,649	(3,919,827)	(888,219)
General Liability	SSU	69,041,709	18,667,751	23,765,814	74,139,772	65,640,919	(8,498,853)	(3,400,790)
General Liability	SB3	43,974,915	11,072,125	15,417,216	48,320,007	71,620,278	23,300,271	27,645,363
General Liability	Total	113,016,624	29,739,875	39,183,030	122,459,779	137,261,196	14,801,418	24,244,572
Property	SSU	3,427,507	1,922,274	2,920,609	4,425,841	3,432,195	(993,647)	4,688
Property	SB3	2,030,481	1,489,621	3,281,246	3,822,107	2,530,039	(1,292,068)	499,558
Property	Total	5,457,988	3,411,895	6,201,855	8,247,948	5,962,233	(2,285,715)	504,246
Medical Malpractice	SSU	25,124,035	5,047,695	7,633,181	27,709,521	25,126,361	(2,583,160)	2,326
Medical Malpractice	SB3	1,816,042	1,208,921	364,034	971,155	1,406,957	435,802	(409,085)
Medical Malpractice	Total	26,940,077	6,256,616	7,997,215	28,680,675	26,533,318	(2,147,358)	(406,759)
Mine Subsidence		1,220,022	1,205,266	1,060,078	1,074,834	1,491,846	417,012	271,824
Subtotal SSU	SSU	105,849,378	29,335,153	41,835,568	118,349,793	102,347,619	(16,002,174)	(3,501,759)
Subtotal SB3	SB3	58,218,178	21,056,187	25,561,095	62,723,087	85,173,778	22,450,692	26,955,600
Grand Total		165,287,578	51,596,606	68,456,741	182,147,713	189,013,243	6,865,530	23,725,665

Note: Unpaid as of 6/30/2018 does not include GL case reserves of \$1.3 million for pre-1998 exposure.



# Loss Funding

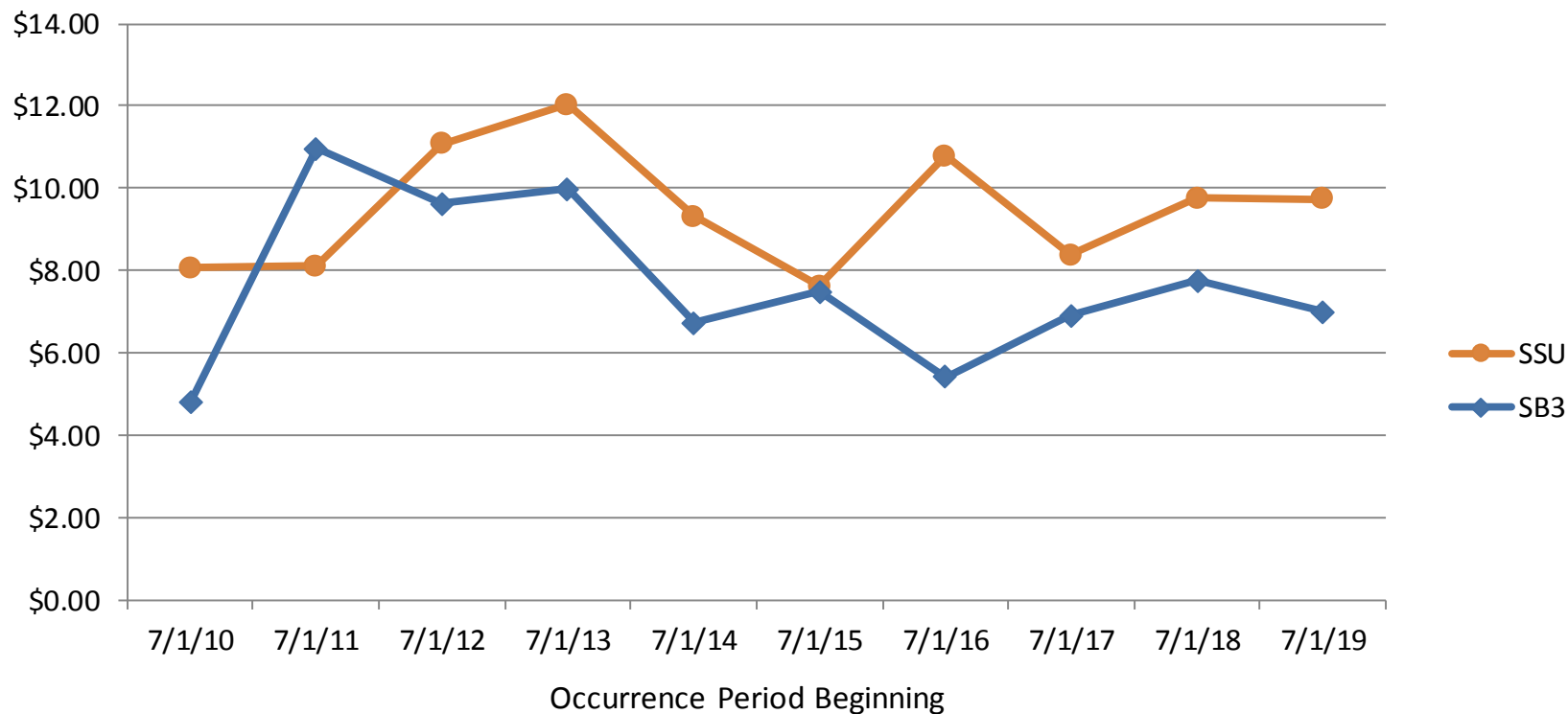
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# Comparison of Premium and Ultimate Losses

		SSU			SB3		
Occurrence Period		Charged Premium	Projected Ultimate Retained Loss	Difference	Charged Premium	Projected Ultimate Retained Loss	Difference
7/1/1998	6/30/1999	21,526,869	24,797,499	(3,270,630)	23,070,990	17,836,095	5,234,895
7/1/1999	6/30/2000	20,982,952	29,141,242	(8,158,290)	22,677,285	21,088,774	1,588,511
7/1/2000	6/30/2001	20,018,978	19,322,348	696,630	20,951,525	18,857,867	2,093,658
7/1/2001	6/30/2002	27,130,323	20,981,325	6,148,998	26,524,921	24,031,744	2,493,177
7/1/2002	6/30/2003	36,181,360	16,646,030	19,535,330	37,843,695	21,928,315	15,915,380
7/1/2003	6/30/2004	36,011,418	20,092,315	15,919,103	35,793,345	27,210,926	8,582,419
7/1/2004	6/30/2005	46,715,999	23,050,488	23,665,511	41,269,868	20,340,347	20,929,521
7/1/2005	6/30/2006	39,985,777	17,712,641	22,273,135	40,920,237	21,295,749	19,624,488
7/1/2006	6/30/2007	39,091,169	20,409,339	18,681,830	39,480,713	17,087,036	22,393,677
7/1/2007	6/30/2008	36,258,662	22,826,063	13,432,599	34,852,156	18,134,723	16,717,433
7/1/2008	6/30/2009	31,595,637	24,444,916	7,150,721	28,901,791	16,416,039	12,485,752
7/1/2009	6/30/2010	28,257,070	20,865,472	7,391,598	27,889,296	16,428,308	11,460,988
7/1/2010	6/30/2011	25,239,238	22,897,724	2,341,514	25,232,989	17,470,105	7,762,884
7/1/2011	6/30/2012	25,296,014	28,645,555	(3,349,541)	23,769,617	30,886,367	(7,116,750)
7/1/2012	6/30/2013	25,645,800	30,258,821	(4,613,021)	19,306,565	29,163,833	(9,857,268)
7/1/2013	6/30/2014	27,255,798	32,208,343	(4,952,545)	22,654,784	27,838,072	(5,183,288)
7/1/2014	6/30/2015	32,118,612	28,579,755	3,538,857	23,780,631	22,817,597	963,034
7/1/2015	6/30/2016	37,539,189	29,531,242	8,007,947	24,839,798	25,613,400	(773,602)
7/1/2016	6/30/2017	41,308,635	39,455,446	1,853,189	27,305,131	20,794,653	6,510,478
7/1/2017	6/30/2018	45,525,708	36,001,350	9,524,358	29,303,814	23,749,250	5,554,564
7/1/2018	6/30/2019	47,713,061	38,077,000	9,636,061	31,281,103	25,848,500	5,432,603
Total		691,398,268	545,944,912	145,453,356	607,650,253	464,837,701	142,812,553

# General Liability

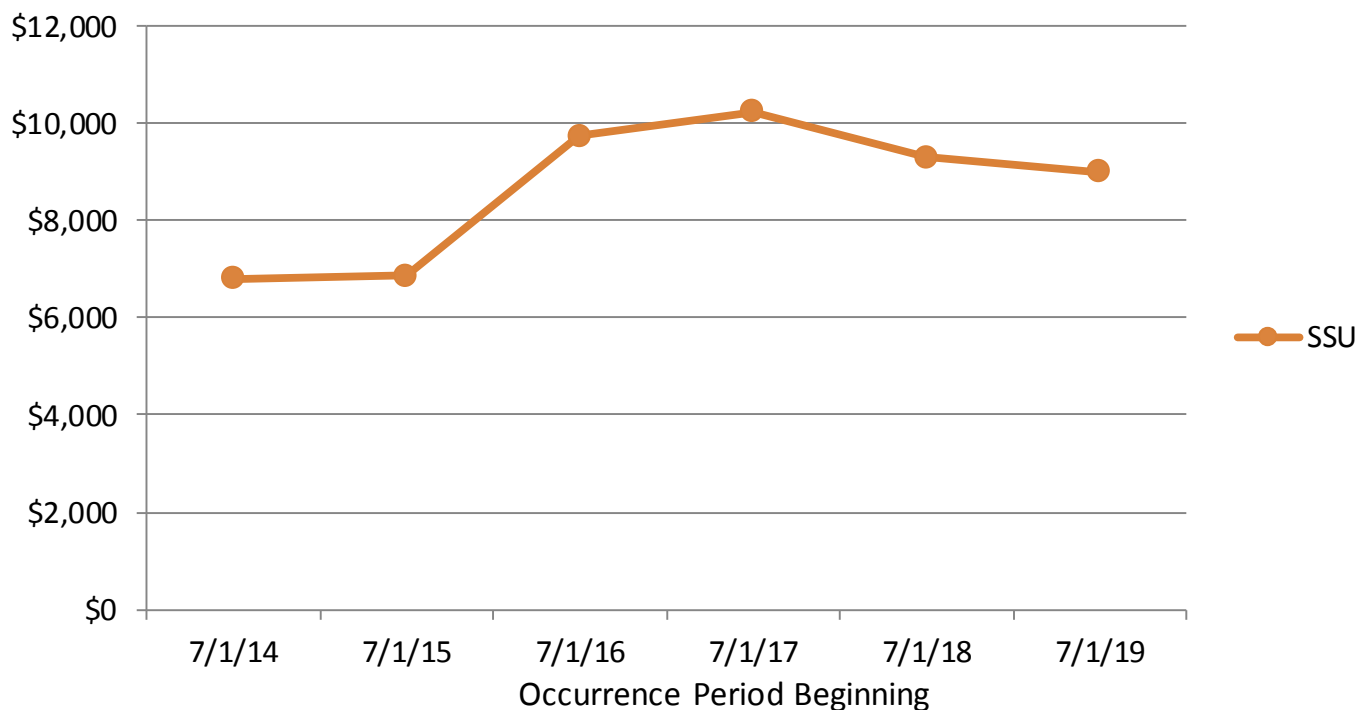
## GL Loss Rate Per \$1,000 Payroll at 2019/20 Cost Level



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

# Medical Malpractice

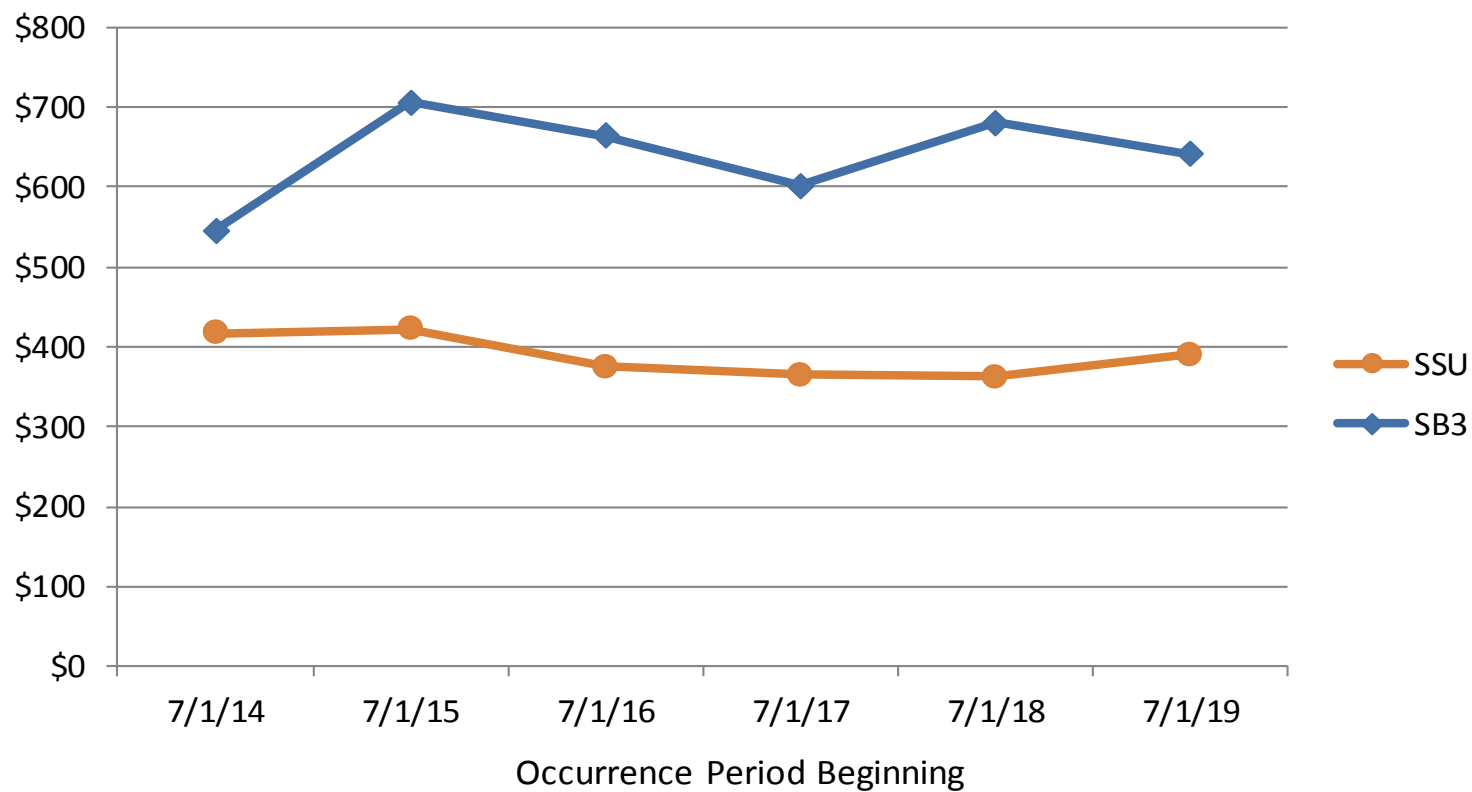
## MM Loss Rate Per Base Class Physician FTE 2019/20 Cost Level



- 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.

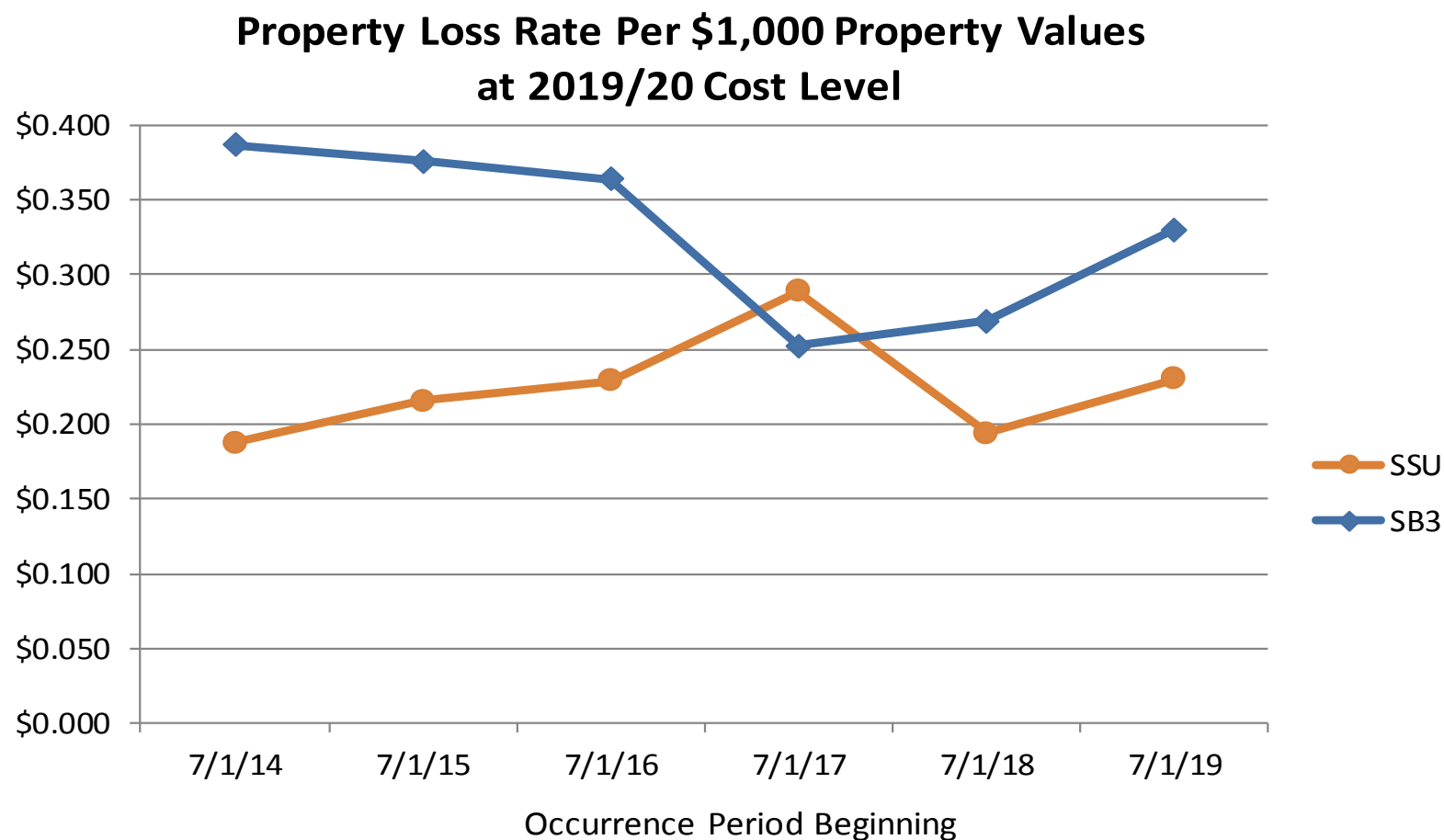
# Automobile

## Auto Loss Rate Per Vehicle at 2019/20 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, seven claims since 10/1/16 are valued above \$75,000 as of 6/30/19
- Mine Subsidence still continues to perform at a favorable loss ratio (average = 26% over the past 10 years)

## SSU Fiscal Year 2020/21 Rating

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- Total costs to allocate increased nearly \$1.5M compared to 2019/20
  - Loss forecasts increased approximately \$1.5M from 2019/20 (largely due to exposure increases for GL and Medical Malpractice)
  - Expense forecasts decreased slightly from 2019/20
- Modest rate decreases (2020/21 compared to 2019/20) for auto liability, general liability and property
- About to kick-off SB3 rating analysis for 2020/21



# Interim Study as of 12/31/2019

**AON**  
Empower Results®

# December 31, 2019 Interim Analysis

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- Unpaid loss estimates increased \$7.8M (4.1%) between 6/30/19 and 12/31/19
- Increase driven by:
  - SB3 AL (\$3.9M)
    - Several large case reserve increases for policy years 2016/17 thru 2018/19
  - SB3 GL (\$1.9M)
    - Increase in case reserves due to low level of loss payments
    - There were 4 newly reported claims related to the abuse at a specific insured
    - These claims had been reflected in our estimated 6/30/19 IBNR, and did not affect the total unpaid losses
  - SSU MM (\$1.6M)
    - Increase case reserves due to low level of loss payments
  - SSU AL (\$0.9M)
    - \$1M claim reported in the current 2019/20 policy year
- Partially offset by \$0.9M decrease in SSU property
  - The high level of loss payments resulted in a decrease to net retained case reserves
- Relatively modest changes to unpaid losses for other coverages
- Accrual of first 6 months of current 19/20 program year

# December 31, 2019 Interim Analysis - Results

Coverage	Program	6/30/19 Retained Unpaid Losses	Paid in Period 7/1/19 - 12/31/19	Accrued in Period 7/1/19-12/31/19	Rollforward 12/31/19 Retained Unpaid Losses	Actual 12/31/19 Retained Unpaid Losses	Actuarial Adjustment Between 6/30/19 and 12/31/19 Reviews	Change in Unpaid Between 6/30/19 and 12/31/19 Reviews
Automobile	SSU	8,148,145	2,323,251	4,051,749	9,876,643	9,066,010	(810,633)	917,866
Automobile	SB3	9,616,505	3,049,255	3,324,247	9,891,496	13,564,937	3,673,440	3,948,432
Automobile	Total	17,764,649	5,372,506	7,375,996	19,768,140	22,630,947	2,862,807	4,866,298
General Liability	SSU	65,640,919	7,152,403	11,557,870	70,046,386	65,841,631	(4,204,755)	200,712
General Liability	SB3	71,620,278	4,541,335	7,553,357	74,632,300	73,559,849	(1,072,451)	1,939,572
General Liability	Total	137,261,196	11,693,737	19,111,227	144,678,686	139,401,480	(5,277,206)	2,140,283
Property	SSU	3,432,195	2,313,307	1,313,584	2,432,472	2,544,690	112,218	(887,505)
Property	SB3	2,530,039	1,379,440	1,624,150	2,774,749	2,746,098	(28,652)	216,059
Property	Total	5,962,233	3,692,746	2,937,734	5,207,221	5,290,788	83,566	(671,446)
Medical Malpractice	SSU	25,126,361	1,794,946	4,125,445	27,456,859	26,707,954	(748,905)	1,581,593
Medical Malpractice	SB3	1,406,957	221,297	289,324	1,474,984	1,332,951	(142,033)	(74,006)
Medical Malpractice	Total	26,533,318	2,016,243	4,414,769	28,931,843	28,040,905	(890,938)	1,507,587
Mine Subsidence		1,491,846	345,280	553,788	1,700,354	1,407,213	(293,140)	(84,633)
Subtotal SSU	SSU	102,347,619	13,583,906	21,048,648	109,812,360	104,160,285	(5,652,075)	1,812,666
Subtotal SB3	SB3	85,173,778	9,191,327	12,791,078	88,773,530	91,203,835	2,430,305	6,030,057
Grand Total		189,013,243	23,120,513	34,393,514	200,286,244	196,771,333	(3,514,911)	7,758,090

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# 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 17, 2020

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

- As of March 8, 2020, Marshall has deposited \$1,185,000.00 into the escrow account for FY 2020. The fiscal year-to-date cumulative interest totals \$20,254.48. Disbursements totaling \$1,200,539.79 have been paid thus far in FY 2020.
- As of March 8, 2020, a total of \$2,038,957.38 has been deposited into WVU's escrow account for FY 2020. The fiscal year-to-date cumulative interest totals \$39,320.82. Disbursements totaling \$2,081,795.13 have been paid thus far in FY 2020.

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

###### **TRIALS**

Thus far in 2020, we have tried one case to a defense verdict.

Kara Ault vs. WV Division of Highways; 1/16/2020; Jefferson Co. Cir. Ct.; Plaintiff rear-ended Insured truck; Defense verdict

###### **PAID CLAIMS (February 2020 Data)**

YTD Indemnity payments total \$5,712,447 vs. PYTD payments of \$5,291,238, an increase of 7.96%.

YTD Legal payments total \$3,183,570 vs. PYTD payments of \$2,482,058, an increase of 28.3%.

###### **OUTSTANDING CLAIMS (February 2020 Data)**

February 2020 Indemnity reserves total \$68,064,977 vs. February 2019 Indemnity reserves of \$54,854,621, an increase of 24.1 %.

February 2020 Expense reserves total \$23,861,754 vs. February 2019 Expense reserves of \$18,567,663, an increase of 28.5%.

###### **CLAIMS COUNTS (February 2020 Data)**

New claims YTD total 570 vs. PYTD of 681, a decrease of 16.3%.

Closed claims YTD total 635 vs. PYTD of 730, a decrease of 13%.

Open claims YTD total 1152 vs. PYTD of 1073, an increase of 7.4%.

**DURATION – CLOSED CLAIMS (February 2020 Data)**

YTD Duration of 123.479 Days vs. PYTD Duration of 112.348 Days, an increase of 9.9%.

**CLOSING RATIO (February 2020 Data)**

YTD Closing Ratio of 111.4% vs. PYTD Closing Ratio of 107.2%, an increase of 3.9%.

- C. Patient Injury Compensation Fund (PICF) -- The outstanding balance owed to claimants is \$4,139,549.17 (unchanged since the December 2019 Board meeting). The last pro-rata distribution to claimants was in the amount of \$2.1 million. The current balance in the fund is \$969,970.91. Most of that balance was collected during the current fiscal year. A large part of the assessments are collected toward the end of the fiscal year, for example the trauma assessments and physician licensing renewals.
- D. Risk Management Information System Update – We continue to speak to the Asset Works team weekly as progress on development of the system progresses. We have also scheduled some web ex meetings so we can all view the system in real time and discuss whether it will meet our needs. Robert, Melody, and John met with the Asset Works team on February 19 – 20 to work through several aspects of the system during a face-to-face meeting and they reported that the meeting was positive. We expect additional functionality around audit trails and ad hoc reporting to be developed by the end of March.
- E. RFP – Consultant Contract – The Willis Towers Watson team has not finalized its report, but we expect it before the end of March. We are already aware of several opinions from our meetings and phone conversations, including the general conclusion that BRIM runs an efficient insurance program with an expense load of approximately 5% which is very low and is very beneficial to WV state insureds. Willis tested BRIM's surplus using the Igloo platform (Igloo is WTW's capital adequacy financial modeling tool) and compared our program to 2 peer groups, one being large insurance companies and one being similar public entity programs and group pools. We've been told the modeling illustrates that BRIM's expense ratio is much lower than the public entity peer group expense ratio. Other ratios that were tested were in the strong range.
- F. Budget Discussions – At the December meeting, I shared with the Board members that we were finally successful in receiving approval for a budget amendment to the FY 2020 budget to increase our personal services line by \$100,000. Since the December meeting, we've been approved to add 2 positions and we have processed transactions to create those positions. Until the creation of those positions, the agency had no unfilled positions until Chuck Mozingo's retirement at the end of December. The 2 new positions will be assigned to Underwriting and the Privacy Office.
- G. Policy Renewals – We are working toward renewals of the Property policy, The Boards of Education excess policy, as well as the Cyber Liability policies for both State and Boards of Education. We are also entering negotiations for renewal of our agreement with AIG for the state and SB 3 Liability and Auto programs. We have suggested changes in the Property policy consistent with the discussions on December 4, 2019 that I discussed at the last Board meeting.

We are continuing our efforts to procure the Excess Liability policy for the Boards of Education, and there continue to be challenges with a \$2 million attachment point and an aggregate that is lower than what we've had up until this past year. We are still exploring options, but the BOE Excess policy is becoming more challenging with each renewal in terms of cost and policy terms.

- H. Legislative Update: The 2020 regular session was not as negative where BRIM is concerned as the last session.
- a. We submitted our responses to the SCR 52 study questions from the 2019 session on December 27, 2019. I provided a bound copy to the chairs of the Banking and Insurance Committees in the House and Senate, as well as the Senate President's counsel. There have been no follow up questions or discussion.
  - b. SB 175 requires, among other things, that Executive Branch state agencies maintain websites with specific information such as contact information for the agency and staff, an organizational chart, statutes/rules, FAQ's, annual reports and meeting minutes, etc. BRIM's website already contains this information, but we will be updating the website to ensure this information is easily found.
  - c. HB 2923 was a carryover bill from last session. It was one of the bills to change the authority of BRIM to settle claims against Board of Public Works members and was referred to House B&I but the chairman did not run the bill.
  - d. HB 4042 requires agencies that are exempt from some or all of the Purchasing Division requirements to adopt their own procedural rules on procurement. This is something HB that I believed should be done here at BRIM anyway, and I have drafted a procedural rule that I plan to share with the Deputy General Counsel for the Department shortly. We are required to have these rules in place by September 1, 2020.
  - e. HB 4496 was a Division of Corrections and Rehabilitation bill that BRIM enthusiastically supported. The bill passed early in the session and removed all references to the Division of Corrections in W. Va. Code § 29-12-5a, which is the section requiring BRIM to provide liability coverage to the Boards of Education and now Charter Schools that elect to get their coverage through BRIM. The Omnibus Education Bill (HB 206) from last summer inadvertently included Corrections in the requirement for the higher coverage limit of \$1.25 million for the Boards of Education/Charter Schools. Since there is no reason for Corrections to be included in that code section anyway, the bill struck all such references.
  - f. HB 4559 is perhaps the most significant bill from BRIM's perspective. The bill is part of a trend around the country to reform statutes of limitation on claims for sexual abuse or molestation of minors. As introduced, the bill would have amended the time period to bring a claim against a perpetrator from 4 years after reaching the age of majority to 10 years after reaching age of majority. The bill was amended in Senate Judiciary to take the 4 years to 18 years after the age of majority and added that statute as well for claims against persons who conceal, aid or abet. In addition, a new subsection was added that applied these new statutes to claims and actions that had already expired under a different statute. We discussed the bill with Jo Ellen Cockley from Aon, however she was of the opinion that the impact is very difficult to project.
  - g. There are other bills affecting BRIM as a state agency relating to such things as records management, reorganization of DMAPS, and transferring the Parole Board to the Division of Corrections and Rehabilitation.
  - h. BRIM's Rules – a project I'd like to focus on over the next 2 - 3 years is an update to all BRIM legislative and procedural rules. These rules haven't been updated in many years,

and it's a good time to make sure that they reflect what the agency is doing and should be doing. I would like to start with 2 or 3 rules this Spring.

- i. BRIM's Website – I mentioned SB 175, the Government Information bill, and updates to our website. Before the bill passed, we had met with WV Interactive and a representative from the Communications Hub at Commerce to launch the project. We had another meeting on March 11. Our plan is to modernize the look, make sure that all information is easy to find and navigate to, and that the Privacy Office's website and information is part of BRIM's in a cohesive format.

I. Miscellaneous

1. Since the last Board meeting, Chuck Mozingo has retired. However, he is back working 2 days a week as a temporary employee. He will be overseeing our records management project, helping out with claims, working with our summer interns, and other projects that come along. We are very happy that he is choosing to spend some of his time back at BRIM.
2. We anticipate having 2 summer interns this summer. We are hopeful that Solomon Phillips can return to work here this summer and I hope to add another summer employee through the Governor's Internship Program.
3. We have a new employee who just started yesterday in the Claims Department, Shelly Brightwell. Shelly has a long history of work in claims, working for Nationwide from 1999 – 2017 in positions of Litigation Specialist/Coverage Special II, and later in the position of Large Loss Property Special III. She most recently worked as an independent adjuster, and even worked for AIG in the late 1990's. We are excited to have Shelly join our team here at BRIM.
4. Last but not least, I wanted to share with the Board that Melody Duke has been designated Deputy Director here at BRIM as well as Underwriting Manager. She has taken on a bigger role with implementation of our new technology system, a growing involvement with cyber liability incidents, and more activities around policy language and renewal discussions, as well as other routine matters here in the agency. This designation recognizes this further development with her role.

Upcoming Board Meeting schedule for 2020:

Tuesday, June 16, 2020 @ 1PM

Tuesday, September 15, 2020 @ 1PM

Tuesday, December 15, 2020 @ 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 17, 2020**

**A. P Card Report**

CD copies contain the supporting detail for P card purchases for the months of November and December 2019 and January 2020. These totals are:

November	\$67,952.68
December	\$60,337.16
January	\$41,852.74

**B. Current Financial Results**

- The financial results presented are for the seven months ended January 31, 2020. The results reflect the actuarially estimated unpaid losses from AON's risk funding study as of December 31, 2019, plus an estimated additional accrual for January.
- Premium revenue decreased slightly by \$0.5 million for FY'20. This decrease mirrors the overall projected decrease in loss pics factored into premiums for the current year and includes any new business written and cancellations year to date.
- Retained case reserves are \$17.9 million higher this year and the actuarially estimated retained IBNR is also \$1.0 million higher than the prior year.
- Lower mine subsidence claims payments YTD for FY'20 resulted in the net decrease in claims and claims adjustment expenses of \$0.4 million when compared to FY'19.
- Investments results reflect market values as of January 31, 2020.
- Equity market returns were \$4.4 million for the first seven months of the fiscal year and fixed income returns were \$10.0 million giving a total combined investment earnings of \$14.4 million versus last fiscal year's earnings of \$6.2 million.
- The total combined investment earnings of \$14.4 million through the end of January is likely near the high-water mark for investment returns for BRIM for this fiscal year.
- Slightly lower premium revenue was mostly offset by lower claims expense for FY'20. Better investment returns through January of this year helped to improve BRIM's net position by \$10.5 million year vs. \$2.6 million last year.

**C. Financial Markets**

- The stock market indexes reached record highs in mid-February.
- On Monday, February 24th, the Dow closed down more than 1,000 points for the day, primarily over concerns about the global economic impact of the spread of the coronavirus. By the end of February, the major stock indexes were down close to 10% which is considered a market correction.

- On March 3rd the Federal Reserve responded to the market downturn by making an emergency half-percentage-point rate cut over concern about the spreading coronavirus epidemic. The Fed's action lowered the federal-funds rate to a range between 1% and 1.25%. It was the first rate cut in between scheduled policy meetings since the 2008 financial crisis. Fed officials indicated the prospect of additional cuts by pledging to "act as appropriate" to support the economy.
- The stock market losses deepened last week as crude oil prices plunged over discord between OPEC and Russia regarding production quotas.
- Treasury yields dropped to record lows briefly last week sending the entire yield curve below 1% for the first time ever. The scale of the yield declines suggested that investors expected the Federal Reserve to cut interest rates again very soon.
- Investors are unsure how long or deep any economic downturn from the pandemic will last, forcing a broad rethink of their willingness to own riskier assets such as stocks and corporate bonds.
- Last Thursday the Federal Reserve said it would make vast sums of short-term loans available on Wall Street and would purchase Treasury securities in a coronavirus-related response to create additional liquidity aimed at preventing ominous trading conditions from creating a sharper economic contraction.
- On March 15th the Federal Reserve responded with an additional full percentage-point rate cut over growing concerns about the economic impact of the spreading coronavirus epidemic. This second emergency action lowered the federal-funds rate to a range between 0.0% and 0.25%.
- Investors continue to sell off stocks to seek the relative safety of Treasuries, driving up bond prices with yields moving in the opposite direction. Bonds have continued their rally into March as investors try to avoid the risks and volatility associated with the equity markets.
- When interest rates fall, bond prices tend to rise. The market value of BRIM's bond holdings appreciated in February and into March, but interest rates are now at a record low. The bond rally will result in additional positive returns for BRIM's fixed income holdings thru March.
- With the lower bond yields and the relatively short duration target for fixed income holdings in the trust, we are currently reinvesting at about a 0.5% rate vs. 1.6% three months ago.
- The stock market is down over 25% from its February peak putting the stock market well into bear territory (20%) and negatively impacting BRIM's equity returns for both February and March.
- With extremely low interest rates and the end of the eleven-year bull market for stocks, overall investment returns for BRIM for the last five months of the fiscal year will probably be flat at best.

Respectfully submitted,



Stephen W. Schumacher, CPA  
Chief Financial Officer

# West Virginia Board of Risk and Insurance Management

## Statements of Net Position

For the Seven Months Ended January 31st

	2020	2019
	<i>(In Thousands)</i>	
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 26,644	\$ 31,537
Advance deposits with insurance company and trustee	238,191	211,504
Receivables	4,457	5,167
Prepaid insurance	2,878	2,604
Restricted cash and cash equivalents	19,261	15,962
Premiums due from other entities	1,112	878
Total current assets	292,543	267,651
Noncurrent assets:		
Equity position in internal investments pools	105,538	96,208
Restricted investments	60,948	55,560
Total noncurrent assets	166,486	151,768
Total assets	459,029	419,418
Deferred Outflows of Resources	373	438
Deferred Outflows of Resources - OPEB	65	44
<b>Liabilities</b>		
Current liabilities:		
Estimated unpaid claims and claims adjustment expense	62,656	50,453
Unearned premiums	15,662	15,563
Agent commissions payable	795	786
Claims Payable	11	218
Accrued expenses and other liabilities	2,859	2,894
Total current liabilities	81,983	69,915
Estimated unpaid claims and claims adjustment expense net of current portion	136,653	129,938
Compensated absences	124	122
Net pension liability	249	331
Total noncurrent liabilities	137,026	130,391
Total liabilities	219,009	200,306
Deferred Inflows of Resources	200	330
Deferred Inflows of Resources - OPEB	109	73
Net position:		
Restricted by State code for mine subsidence coverage	72,466	66,866
Unrestricted	157,204	149,745
Net Assets (Deficiency)	10,480	2,581
Net position	\$ 240,150	\$ 219,192

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

	<b>2020</b>	<b>2019</b>
	<i>(In Thousands)</i>	
<b>Operating revenues</b>		
Premiums	\$ 48,139	\$ 48,681
Less coverage/reinsurance programs	(4,038)	(4,023)
Net operating revenues	44,101	44,659
<b>Operating expenses</b>		
Claims and claims adjustment expense	45,276	45,685
General and administrative	2,778	2,638
Total operating expenses	48,054	48,323
Operating income (loss)	(3,953)	(3,664)
<b>Nonoperating revenues</b>		
Investment income	14,433	6,245
Net nonoperating revenues	14,433	6,245
Changes in net position	10,480	2,581
Total net position, beginning of year	229,670	216,611
Total net position, end of period	<u>\$ 240,150</u>	<u>\$ 219,192</u>

*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 2020**

Senate Bill #3 loss control questionnaires were due on January 1, 2019. Since that time, we have been evaluating those questionnaires to apply credits or surcharges based on insured participation in our Standards of Participation program. We hope to complete the evaluation process during the month of March. To date, we have completed **797** evaluations.

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

The West Virginia Economic Development Authority recently took ownership of the former Kaiser/Century Aluminum plant in Ravenswood. BRIM personnel will be inspecting the facility, and if circumstances warrant such, will ask Aon to inspect the premises as well.

Due to the current COVID-19, travel has been restricted for many people. These restrictions are forcing the rescheduling of meetings previously scheduled by our loss control vendors. Both Aon and Liberty Mutual were set to meet in our office in the coming days and have had to postpone their travels until the current situation resolves itself.

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

During the months of January and February Aon conducted 71 inspections and Liberty Mutual Insurance conducted 819. The reports are being processed according to established procedures.

As is the case each year, the number of loss control visits is markedly reduced during the period in which we evaluate loss control questionnaire submissions, no consultation visits have occurred during this reporting period.

Dated: *March 16, 2020*

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  
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**Chief Privacy Officer's Report**  
**March 17, 2020**

**A. Privacy Management Team Meetings**

- Since the December 17, 2019 BRIM board meeting, the Privacy Management Team meeting coincided with *International Privacy Day* on January 28, 2020 and was incorporated into this event. Data Privacy Day had a topic of Payment Card Industry Data Security Standards (PCI DSS) and invited the WV Treasurer's Office's PCI liaisons to attend. Presentations from Scott Koller, of BakerHostetler and Kevin Patterson of Experis, the state's PCI compliance vendor, as well as a tabletop exercise filled the day with important information. Fifty-five PMT members and PCI liaisons attended the event, which required the location to be changed to the large training room in Building 7 of the State Capitol.
- On March 10, 2020, the PMT met at BRIM with 23 in attendance from 15 different agencies. Topics included West Virginia Office of Technology onshore data storage requirements presented by Jennelle Harper-Jones and Danielle Cox of the WVOT, NIST Privacy Framework, and a Data Privacy Day Recap.

**B. Privacy Training**

- During the Fourth Quarter of 2019, 722 members of the Executive Branch workforce took the online course *Think WV Privacy*, which is a general privacy awareness training course.
- During the Fourth Quarter of 2019, 887 members of the Executive Branch workforce took the online course *WV Confidentiality Agreement*, which is required of all workforce members.
- During the Fourth Quarter of 2019, 300 members of the Executive Branch workforce took the online course *HIPAA/HITECH*, which is a general HIPAA training course.

The following training events were held by the SPO since December:

Privacy Officer Orientation for the Departmental Privacy Officer for Veteran's Assistance was conducted on December 18, 2019. This was a four-hour training as it includes HIPAA training.

SAVE THE DATE: The semi-annual Privacy Retreat has been scheduled for September 16-18, 2020 (Wednesday thru Friday) at Pipestem Resort State Park in Mercer and Summers counties.

### **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 December 17, 2019 seven 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. State Privacy staff, combined with WVOT staff, are working together to create a new PIA procedure.
- At this point, PIA completion is not mandatory for agencies.
- The Vendor Management Team, comprised of staff from the WV Purchasing Division, WV Office of Technology, WV Cybersecurity Office, BRIM, and State Privacy Office, has restarted its bi-monthly meetings to provide an important method for coordination between agencies for vendor privacy and security issues. The Privacy Office is currently amending its PIA procedures based on feedback received from various agencies and will be incorporating it into the processes already established by Purchasing and the Office of Technology.

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 16, 2020**

*Meeting held telephonically to practice social distancing guidelines for the COVID-19 pandemic response. Notice to the public provided on BRIM's web page. The meeting meets Open Meeting laws requirements for public access.*

**Join meeting by phone: Toll number: +1 681-245-6817, 724298376# (Dial-in Number)/Conference ID: 724298376**

Chairman Martin

Call to Order

Chairman Martin

Roll Call

Chairman Martin

Approval of Board Minutes  
March 17, 2020 Meeting

**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  
March 17, 2020**

*(meeting was held telephonically in response to COVID-19 concerns)*

**BOARD MEMBERS  
PRESENT:**

Bruce R. Martin, CIC, CRM, Chairman  
Bob Mitts, CPCU, Vice Chairman  
James Wilson, Esq., Member  
Edward Magee, Ed.D., CPA, Member  
Gordon Lane, Jr., Member

**BRIM PERSONNEL:**

Mary Jane Pickens, Executive Director  
Robert Fisher, Deputy Director/Claims Manager  
Stephen W. Schumacher, CPA, CFO  
Ashley Summitt, Chief Privacy Officer  
Melody Duke, Deputy Director/Underwriting Manager  
Jeremy Wolfe, Risk & Insurance Manager  
John Fernatt, Senior Claim Representative  
Valerie Poindexter, Senior Claim Representative  
Shelley Brightwell, Claim Representative II  
Lora Myers, Recording Secretary

**BRIM PROGRAM  
REPRESENTATIVES:**

Steve Fowler, Esq., BRIM Counsel  
Ed Poe, Esq., BRIM Counsel

**GUESTS:**

Allan L. McVey, Secretary, Department of Administration  
Sandy Price, WVU Health Sciences Center  
Jo Ellen Cockley, FCAS, MAAA, Associate Director, Actuary

## **CALL TO ORDER**

Chairman Martin called the board meeting of the West Virginia Board of Risk and Insurance Management to order on Tuesday, March 17, 2020 at 1:03PM. The meeting was held telephonically in response to COVID-19 concerns. The decision to hold the meeting telephonically announced Monday, March 16, 2020.

## **APPROVAL OF MINUTES**

Vice Chairman Bob Mitts moved the approval of the December 17, 2019, board meeting minutes. The motion was seconded by James Wilson. Being no discussion, a vote took place and the MOTION ADOPTED.

## **INTRODUCTION – BOARD MEMBER**

Chairman Martin introduced the newest member of the Board, Gordon Lane, Jr. and welcomed him. Mr. Lane greeted the group and commented on his new position.

## **REPORTS**

### **Aon Risk Solutions**

Chairman Martin called on Jo Ellen Cockley from Aon Risk Solutions to make her presentation regarding the Risk Funding Study – June 30, 2019. Ms. Cockley introduced herself and greeted everyone.

Ms. Cockley referred to the Risk Funding Study – June 30, 2019. The document was received prior to the meeting and was distributed to the Board via email as a handout. She thoroughly reviewed the document and highlighted many areas. She presented details for the Property/Casualty Marketplace Overview and made mention of policyholder surplus as of 9/30/2019; underwriting gain through the first three quarters of 2019; and catastrophic losses compared to 2017 and 2018. Ms. Cockley reported on Medical Malpractice and commented that West Virginia claim frequency and severity are in line with the national averages. She gave a brief COVID-19 Update and commented that slower premium growth due to slower economic growth would be a factor.

Ms. Cockley reviewed information regarding Retained Ultimate Loss Changes Between 6/30/18 and 6/30/19 Studies. She explained the General Liability graph and commented that it is stable. Ms. Cockley concluded her presentation with a review of the December 31, 2019 Interim Analysis – Results, adjustments were favorable. The Chairman thanked Ms. Cockley for her report.

The Risk Funding Study - June 30, 2019 presentation by Aon Risk Solutions was received, a copy is attached and made part of the record.

## **Executive Director's Report**

Chairman Martin called on Mary Jane Pickens to present the Executive Director's Report.

Ms. Pickens reviewed the Medical Malpractice Program for Marshall University and West Virginia University. She also reviewed the State Agency/Senate Bill #3 Liability Claim and Litigation Information. The attached Executive Director's Report includes detailed information regarding trials, paid claims, outstanding claims, claim counts and closed claims.

The Patient Injury Compensation Fund (PICF) was reviewed. The outstanding balance owed to claimants is \$4,139,549.17, unchanged since the December 2019 meeting. The most recent pro-rata distribution to claimants was \$2.1 million. The current balance of the fund is \$969,970.91.

The Risk Management Information System was discussed. BRIM continues to participate in weekly phone meetings with Asset Works to discuss progress. Robert, Melody and John met with the Asset Works team in person February 19 – 20 to work on several aspects of the system, the meeting was positive. Additional functionality regarding audit trails and ad hoc reporting should be developed by the end of March.

Mrs. Pickens reported on the status of RFP – Consultant Contract. The Willis Towers Watson team has not finalized its report, but it is expected before the end of March. We are aware already of several opinions from phone conversations and meetings. The general conclusion is that BRIM runs an efficient insurance program with an expense load of approximately 5%. This is very low and beneficial to WV state insureds. Willis tested BRIM's surplus using the Igloo platform (Igloo is WTW's capital adequacy financial modeling tool) and compared to 2 peer groups, we've been told the modeling illustrates that BRIM's expense ratio is much lower than the public entity peer group. Other ratios tested were in the strong range.

Ms. Pickens informed the Board that since the last meeting BRIM has received approval to add 2 positions. Until the creation of those positions, the agency had no unfilled positions until Mr. Mazingo's retirement at the end of December 2019. Underwriting and Privacy will be assigned the new positions.

BRIM is working toward the renewal of the Property policy, the Boards of Education excess policy, and the Cyber Liability policies for both State and Boards of Education. Negotiations are also being held for renewal of our agreement with AIG for the state and SB3 Liability and Auto programs. Continuing our efforts to procure the Excess Liability policy for the Boards of Education, and there are continued challenges with the excess market generally.

Ms. Pickens gave a detailed legislative update as follows:

\*Responses to the SCR 52 study questions from the 2019 session were submitted on December 27, 2019. A bound copy was provided to the chairs of

the Banking and Insurance Committees in the House, Senate, and the Senate President's counsel. There have been no questions or discussion.

\*SB 175 requires that Executive Branch state agencies maintain websites with specific information such as contract information for the agency and staff, an organizational chart, statutes/rules, FAQs, annual reports, and meeting minutes, etc. BRIM's website contains the necessary information, but we will be updating to make certain information is easily located.

\*HB 4042 requires agencies that are exempt from some or all of the Purchasing Division requirements to adopt their own procedural rules on procurement. A procedural rule has been drafted and will be shared with Deputy General Counsel for the department soon. We are required to have these rules in place by September 1, 2020.

\*HB 4496 was a Division of Corrections and Rehabilitation bill that BRIM supported. The bill passed early in the session and removed all references to the Division of Corrections in W.Va.Code § 29-12-5a, which is a section requiring BRIM to provide liability coverage to the Boards of Education and now Charter Schools that elect to get their coverage through BRIM. The Omnibus Education Bill (HB 206) from last summer inadvertently included Corrections in the requirement for the higher coverage limit of \$1.25 million for the Boards of Education/Charter Schools. Since there is no reason for Corrections to be included in that code section, the bill struck all such references.

\*HB 4559 is perhaps the most significant bill from BRIM's perspective. The bill is part of a trend to reform statutes of limitation on claims for sexual abuse or molestation of minors. As introduced, the bill would have amended the time-period to bring a claim against a perpetrator from 4 years after reaching the age of majority to 10 years after reaching the age of majority. The bill was amended in Senate Judiciary to take the 4 years to 18 years after the age of majority and added that statute as for claims against persons who conceal, aid or abet. Additionally, a new subsection was added that applied these new statutes to claims and actions that had already expired under a different statute. The bill was discussed with Jo Ellen Cockley from Aon, her opinion was that the impact is very difficult to project.

\*Other bills are affecting BRIM as a state agency relating to such things as records management, reorganization of DMAPS, and transferring the Parole Board to the Division of Corrections and Rehabilitation.

\*BRIM's Rules – a project to focus on over the next few years is an update to all BRIM legislative and procedural rules. These rules have not been updated in many years, and it's a good time to make sure they reflect modern processes.

\*BRIM's Website – SB 175, the Government information bill, and updates to our website. Before the bill passed, we met with WV Interactive and a representative from the Communications Hub at Commerce to begin the project. Another meeting took place March 11. The plan is to modernize the look, make certain all

information is easy to find and navigate, and that the Privacy Office's website and information is part of BRIM's format.

Ms. Pickens reported that Chuck Mazingo has retired since our last meeting. However, he is back working a couple days each week as a temporary employee. He will be overseeing our records management project, helping with claims, working with our summer interns, and other projects that come up. BRIM is happy to have him back.

Ms. Pickens reported that BRIM anticipates having two summer interns. We are hopeful that Solomon Phillips can return to work. We also wish to add another summer employee through the Governor's Internship Program. She also commented on a new employee who started yesterday in the Claims Department. Shelly Brightwell has a long history of claims experience for Nationwide from 1999 – 2017 in positions of Litigation Specialist/Coverage Specialist II, and later in the position of Large Loss Property Specialist III. She most recently worked as an independent adjuster and worked for AIG in the late 1990s. We're excited to have Shelly on our BRIM team. We are also happy to report that Melody Duke has been designated Deputy Director at BRIM in addition to her role as Underwriting Manager. She has taken on a larger role with implementation of our new technology system, a growing involvement with cyber liability incidents and more activities around policy language and renewal discussions.

In conclusion, Mrs. Pickens announced the Board Meeting dates for 2020:

Tuesday, June 16, 2020 @ 1PM  
Tuesday, September 15, 2020 @ 1PM  
Tuesday, December 15, 2020 @ 1PM

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

Chairman Martin welcomed Shelly Brightwell to BRIM and congratulated Melody Duke.

### **BRIM Financial Report**

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

Mr. Schumacher told Chairman Martin that he sent the PCard signature sheet and asked if he could return it electronically. He discussed PCard activity for November, December, and January. A disk containing PCard activity for this period will be mailed to the Board.

Current Financial Results were mostly discussed in the Aon presentation by Ms. Cockley earlier in the meeting. The financial results presented are for the seven-month period ending January 31, 2020. The results reflected the actuarially estimated unpaid losses from Aon's risk study as of December 31, 2019, plus an estimated additional accrual for January. Premium revenue decreased slightly by \$0.5 million for FY'20. This decrease mirrors the overall projected decrease in loss pics factored into premiums

for the current year and includes any new business written and cancellations year to date.

Mr. Schumacher reported on lower mine subsidence claims payments YTD for FY'20 resulted in the net decrease in claims and claims adjustment expenses of \$0.4 million when compared to FY'19. Total combined investment earnings of \$14.4 million through January is likely near the high-water mark for investment returns for BRIM for this fiscal year.

Details regarding Financial Markets were reviewed by Mr. Schumacher. Stock market indexes reached record highs in mid-February. February 24, 2020, the Dow closed more than 1,000 points for the day primarily over concerns regarding the global economic impact spread of the coronavirus. By the end of February, major stock indexes are down close to 10% which is considered a market correction. Investors are unsure how long or deep any economic downturn from the pandemic will last, forcing a broad rethink of their willingness to own riskier assets such as stocks and corporate bonds. The stock market is down over 25% from its February peak putting the stock market well into bear territory (20%) and negatively impacting BRIM's equity returns for both February and March. With extremely low interest rates and the end of the eleven-year bull market for stocks, overall investment returns for BRIM for the last 5 months of the fiscal year will probably be flat at best.

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 the Senate Bill #3 loss control questionnaires were due January 1<sup>st</sup>. Since then, we have been evaluating those questionnaires to apply credits and surcharges based on insured participation in our Standards of Participation program. To date we have completed 797 evaluations. We hope to have the evaluation process completed during March.

During spring and summer, we will focus our loss control consultation services toward insured state agencies. We hope these efforts will assist agencies in identifying the primary areas in which their claims occur. This presents an opportunity for us to advise on developing strategies to enable the insured to control or avoid preventable claims.

The West Virginia Economic Development Authority recently took ownership of the former Kaiser/Century Aluminum plant in Ravenswood. Mr. Fisher reported BRIM personnel will be inspecting the facility and possibly ask Aon to inspect as well.

Due to COVID-19, travel has been restricted for many. The restrictions are forcing the rescheduling of meetings by our loss control vendors. Aon and Liberty Mutual were scheduled for upcoming meetings and have postponed their visits until the situation is resolved.

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

Mr. Fisher reported during the months of January and February, Aon conducted 71 inspections and 819 were conducted by Liberty Mutual Insurance. The reports are being processed.

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 the Privacy Management Team meeting coincided with *International Privacy Day* on January 28, 2020 and was incorporated into the event. Topic for Data Privacy Day was Payment Card Industry Data Security Standards (PCI DSS). The WV Treasurer's Office's PCI liaisons were invited to attend. Presentations from Scott Koller of BakerHostetler and Kevin Patterson of Experis, the state's PCI compliance vendor, as well as a tabletop exercises filled the day with important information. Due to attendance by fifty-five PMT members and PCI liaisons, the events required relocation to the large training room in Building 7 at the State Capitol. On March 10, 2020, the PMT met with 23 in attendance from 15 agencies. Topics included WV Office of Technology onshore data storage requirements presented by Jennelle Harper-Jones and Danielle Cox of the WVOT, NIST Privacy Framework, and a Data Privacy Day recap.

Ms. Summitt reported on privacy trainings. During the fourth quarter of 2019, 772 members of the Executive Branch workforce took the online course *Think WV Privacy*; 887 members took the online course *WV Confidentiality Agreement*; and 300 members took the online course *HIPAA/HITECH*.

Training events by the SPO since December were discussed. Privacy Officer Orientation for the Departmental Privacy Officer for Veteran's Assistance was conducted on December 18, 2019. The training was several hours and included HIPAA training. Save The Date has been requested for the semi-annual Privacy Retreat which has been scheduled for September 16 – 18, 2020 at Pipestem Resort State Park.

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 December 17, 2019, 7 PIAs have been completed and submitted. Staff changes at the Office of Technology have resulted in procedural changes for reporting to our office their recommendations

for completing a PIA. State Privacy staff combined with WVOT staff are working to create a new PIA procedure. Currently, PIA completion is not mandatory for agencies.

The Vendor Management Team, comprised of staff from the WV Purchasing Division, WV Office of Technology, WV Cybersecurity Office, BRIM, and State Privacy Office, has restarted its bi-monthly meetings. The Privacy Office is currently amending its PIA procedures based on feedback from various agencies and will be incorporating it into the processes already established by Purchasing and the Office of Technology

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**

Discussion regarding COVID-19. Plans in place to have phones forwarded and answered during work from home period. Laptops, tablets, and computers available so all employees can work from home. A few issues still exist that need to be addressed such as mail and faxes.

June meeting will be held telephonically if we are not cleared of COVID-19.

### **ADJOURNMENT**

Chairman Martin thanked everyone for attending. Meeting adjourned.

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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

**Executive Director's Report  
June 16, 2020**

- A. Marshall University and West Virginia University Medical Malpractice Program
- As of June 8, 2020, Marshall has deposited \$1,185,000.00 into the escrow account for FY 2020. The fiscal year-to-date cumulative interest totals \$23,177.31. Disbursements totaling \$1,980,778.34 have been paid thus far in FY 2020.
  - As of June 8, 2020, a total of \$3,336,434.89 has been deposited into WVU's escrow account for FY 2020. The fiscal year-to-date cumulative interest totals \$46,074.01. Disbursements totaling \$3,393,214.37 have been paid thus far in FY 2020.
- B. State Agency/Senate Bill #3 Liability Claim & Litigation Information

**TRIALS**

There are no new cases with the closing of the courts.

Thus far in 2020, we have tried one case to a defense verdict.

Kara Ault vs. WV Division of Highways; 1/16/2020; Jefferson Co. Cir. Ct.; Plaintiff rear-ended Insured truck; Defense verdict

**PAID CLAIMS (May 2020 Data)**

YTD Indemnity payments total \$12,265,191 vs. PYTD payments of \$13,209,085, a decrease of 7.15%.

YTD Legal payments total \$8,807,861 vs. PYTD payments of \$6,122,938, an increase of 43.9%.

**OUTSTANDING CLAIMS (May 2020 Data)**

May 2020 Indemnity reserves total \$71,343,675 vs. May 2019 Indemnity reserves of \$60,982,918, an increase of 16.99%.

May 2020 Expense reserves total \$24,234,963 vs. February 2019 Expense reserves of \$20,034,354, an increase of 20.97%.

**CLAIMS COUNTS (May 2020 Data)**

New claims YTD total 1205 vs. PYTD of 1866, a decrease of 35.4%.

Closed claims YTD total 1453 vs. PYTD of 1812, a decrease of 19.8%.

Open claims YTD total 1011 vs. PYTD of 1175, a decrease of 13.96%.

**DURATION – CLOSED CLAIMS (May 2020 Data)**

YTD Duration of 134.460 Days vs. PYTD Duration of 108.241 Days, an increase of 24.2%.

**CLOSING RATIO (May 2020 Data)**

YTD Closing Ratio of 120.6% vs. PYTD Closing Ratio of 97.1%, an increase of 24.2%.

C. COVID-19 Pandemic

1. Consistent with the Governor's orders, we sent all BRIM staff home on March 18<sup>th</sup>. Those who needed to take equipment home with them returned on March 24<sup>th</sup> to pick up that equipment along with supplies they were expected to need for several weeks. There were some technology and other operational issues in the beginning, but everyone quickly settled in and picked up work where they left off. It has been a pretty seamless transition to working from home. There have been some inconveniences, but we haven't noticed any impediments to performing our work. Some of us are coming to the office throughout the week to open and distribute mail and perform other tasks that need to be done in the office.
2. I have attended a number of webinars relating to the pandemic, and in particular on reopening businesses and other venues safely. We are relying on the expertise of the CDC, OSHA, WV DHHR, and other appropriate sources for guidance for returning BRIM staff to the office. I have attached a draft of BRIM's Return to Work Plan that sets forth the protocols we will be following when we return to work in the office.
3. We have pointed those who have asked for BRIM's input on pandemic-related guidance to these same resources and we placed a red banner on BRIM's web page with links to these and other sources that we feel are very helpful for our insured.

- D. Patient Injury Compensation Fund (PICF) -- The outstanding balance owed to claimants is \$4,139,549.17 (unchanged since the March 2020 Board meeting). The last pro-rata distribution to claimants was in the amount of \$2.1 million. The current balance in the fund is \$1,816,380.92. Most of that balance was collected during the current fiscal year. A large part of the assessments are collected toward the end of the fiscal year, for example the trauma assessments and physician licensing renewals.
- E. Risk Management Information System Update – We are getting closer to completion of the new system. Currently, Asset Works is building out the Underwriting Module, which is needed for some Loss Control and Finance functions as well. We have tested the audit trail and ad hoc reporting functions and those have been moved to production. We plan to move over to the new system by the end of the calendar year, if not earlier.
- F. Policy Renewals – We have renewed the cyber liability policy for the state with Brit/Lloyd's. It is a flat renewal. We have also renewed the BOE cyber liability policy with AIG. No changes were made this year to limits under the policies. This year we were required to gather responses from each BOE to a series of underwriting questions and the industry is taking a harder look at cyber and Boards of Education. We started focusing on Boards of Education and cyber liability, with plans to partner with the State Department of Education around conferences and meetings so we would be able to educate and inform school personnel about the coverage and risks associated with data security and privacy, but our efforts were interrupted by the pandemic. We hope to pick up on these efforts soon.

We have received AIG's proposal for the next 5-year agreement term on the State and SB 3 auto and liability programs. We have exchanged counterproposals and concluded negotiations. We are discussing the inclusion of the BOE excess policy in the trust rather than purchasing a policy that transfers that risk, due to recent market changes that we expect to continue for a period of time.

On the property policy we are still discussing some policy language we've requested and the pricing for the layers above the \$25 million AXIS layer.

- G. After several internal discussions and some conversations with our actuary, we decided to provide a credit to our insured to address reduced auto exposures during the pandemic. We have notified our insured that their first quarter 2021 premium invoice will reflect a roughly 15% credit over a 6-month period to account for reduced auto exposures, similar to what the commercial insurance industry is doing.
- H. BRIM Rules Projects – We will have several rules projects this year. I've been reviewing rules over the past year in anticipation of making needed updates. Working from home provides long stretches of uninterrupted focus, and rather than spreading them over 2 to 3 years I decided to address all rules this year. Attached is a summary of the 7 rules projects I have submitted to Sec. McVey and the Governor's office for approval.
- I. Website Updates – We initiated conversations with the Department of Commerce Communications Hub and WV Interactive before the Stay at Home Order, but the pandemic has interrupted this project. As we discussed in the March Board meeting, SB 175 was enacted during the regular 2020 session and establishes several requirements for state agency websites in the Executive Branch. BRIM's website already complies but it needs to be updated and more seamlessly combined with the State Privacy Office. We hope to restart this project soon.
- J. Miscellaneous
  - 1. We have hired a summer intern through the Governor's Internship Program. His name is Jameson McHugh and while he will get a late start due to the pandemic, we hope to work with him through the remainder of the summer. We will also continue to have Solomon Phillips with us for a while longer. Solomon graduated from Marshall this spring and has agreed to continue working here on records management and other projects that come up through the summer.
  - 2. Upcoming Board Meeting schedule for 2020:

Tuesday, September 15, 2020 @ 1PM

Tuesday, December 15, 2020 @ 1PM

Very truly yours,



Mary Jane Pickens  
Executive Director

MJP/ldm

Attachments



**DEPARTMENT OF ADMINISTRATION**  
**Legislative Rules Title 115**  
**Board of Risk and Insurance Management (BRIM)**

**115-01**

**Description: Mine Subsidence Insurance**

The proposed amendments will provide a slight reduction in rates and a small change relating to waivers. The rate reduction has been considered for a few years, but along with our actuaries we felt it best to wait until the impact of the 2016 legislation increasing the reinsurance limit from \$75,000 to \$200,000 could be better assessed. We spoke to our actuary again recently and feel that it is appropriate to amend the rates. The only change to the body of the rule is based on a request from the Insurance Commissioner to add a requirement that copies of signed waivers be retained by the insurance carriers for a period of 5 years from the date the waiver is signed.

**115-02**

**Description: Public Entities Insurance Program**

The rule was last updated in 2005. It sets forth procedures and requirements supporting BRIM's program of liability and property insurance for public subdivisions, charitable organizations, and emergency medical service agencies. The proposed amendments are needed to reflect modern procedures around underwriting, clarify calculation and payment of producer commission, and to generally update the rule.

**115-03**

**Description: Procedural Rule for State Board of Risk and Insurance Management**

This rule was last updated in 2003. It is required by W. Va. Code § 29A-3-3 as a procedural rule providing guidance for interacting with the agency and setting out its rules of procedure and practice. The proposed amendments will procedural matters relating to Board meetings and open proceedings and will provide procedures relating to appeals from a non-renewal or cancelation of coverage as allowed in Legislative rule 115CSR2, above.

**115-04**

**Description: Discontinuation of Professional Malpractice Insurance**

We will propose to repeal this rule. The rule was initially promulgated with an effective date of April 14, 1992. The original rule provided for the discontinuation of a professional malpractice insurance program that was provided by HB 4151, amending W. Va. Code § 29-12-5c, enacted March 10, 1990. Pursuant to HB 4151, if participation

**DEPARTMENT OF ADMINISTRATION**  
**Legislative Rules Title 115**  
**Board of Risk and Insurance Management (BRIM)**  
(Cont'd)

in the professional malpractice insurance program was insufficient to make it economically feasible, then the program could be discontinued by Legislative rule. The purpose of the rule therefore was to discontinue that program.

On September 27, 2001, an emergency rule was filed to repeal the rule, which had discontinued the medical professional insurance program, in the midst of a special session to address the medical malpractice crisis of that time resulting in private health care providers being unable to obtain medical malpractice insurance. The repeal of the rule was apparently considered necessary to once again assist physicians in obtaining medical malpractice insurance.

By notice dated February 18, 2002, the Secretary of State provided notice that the Legislative rule (repealing the rule discontinuing the 1990 program) expired on December 26, 2001 due to the failure to file with the LRMRC within 90 days after conclusion of the comment period. The current status of the rule, therefore, continues to be the version with the effective date of April 14, 1992, which discontinued the professional malpractice insurance program.

**115-05**

**Description: Rules Governing the Filing of Written Notification Concerning Incidents**

The rule was filed following a decision of the W. Va. Supreme Court of Appeals in a mandamus action directing BRIM to create formal procedures and a form for notifying it of a potential liability claim.

We will be repealing this Legislative rule and replacing it with a new procedural rule.

The Legislative rule did not implement any specific provision in the Code; rather, it described a procedure and a form for the agency and for its insured to provide notice of potential damage claims. This type of rule is procedural in nature. Therefore, a procedural rule that reflects modern methods of notice and communication and updated form would be more appropriate.

**115-9**

**Description: Procedural Rule for Procurement**

This is a new procedural rule that is required by HB 4042, which was enacted during the 2020 regular Legislative session. The bill requires all agencies that are not subject to the oversight of the Division of Purchasing to promulgate a procedural rule governing procurement processes for the agency by September 1, 2020. This is a new rule that is

**DEPARTMENT OF ADMINISTRATION**  
**Legislative Rules Title 115**  
**Board of Risk and Insurance Management (BRIM)**  
**(Cont'd)**

based on the Purchasing Division's own rule, adjusted where necessary to reflect BRIM's statutory framework, purpose, and authority.

**115-10**

**Description: Procedural Rule for Providing Notice of Claims**

This new procedural rule will replace Legislative Rule Series 5. The new rule will set forth procedures for providing notice to BRIM of all claims, not just liability claims. The rule will reflect modern methods of providing notice and communication, and the loss notice form will be updated to current standards and requirements.



# **BRIM**

## **Return to Work Plan – Coronavirus Pandemic Response**

### **I. “INTRODUCTION”**

This document establishes the protocols under which BRIM staff will transition back to work in our agency’s Greenbrooke Building office space. The process will be fluid, to allow us to react to any unexpected developments. Throughout this process, communication between staff and management will be critically important.

It is important for all staff to understand the plan – anyone with questions should talk to his/her immediate supervisor. We all want to be safe, and we also want our coworkers to be safe. Aside from the worry about our coworkers’ health, an infection in the office would require us to again change our plans, causing concern and disruption on both a business and personal level. We want all staff to feel as comfortable as possible once we return to the office, so there is an expectation that we will all adhere to these new protocols. This plan is based on guidance from the CDC, OSHA, WV DHHR, and the Governor’s Office.

### **II. THE “RETURN TO WORK” TEAM**

We have assembled a Return to Work Team to oversee the process:

Mary Jane Pickens and Robert Fisher will provide general oversight of the process;

Jeremy Wolfe will provide specific guidance as needed for safe workplaces during this pandemic based on appropriate state and federal public health and safety agency protocols; and

Melody Duke and John Fernatt will provide guidance on technology and building/facility issues.

Any staff member with a question or concern as we implement this plan to return to the office must promptly bring it to the attention of his/her immediate supervisor and also contact the appropriate Team member above to discuss the matter further.

### **III. PROTOCOLS FOR RETURNING TO WORK AT BRIM OFFICE**

Before we begin the transition back to the office, all BRIM staff must carefully review this plan to ensure a good understanding of the process. Any questions should be directed to the staff member’s supervisor.

#### **A. Our Phased Approach:**

We will use a “phased” approach for BRIM staff to return to our office. During the initial period, we will bring back one group of staff to work in the office on Mondays and Tuesdays, and a different group to work in the office on Wednesdays and Thursdays. We will all continue to work from home on Fridays. We do not yet know how long this initial period will last. The decision to return all staff to the office fulltime will depend on direction from the Governor’s Office, the Department Secretary, and appropriate public health experts.

On Mondays and Tuesdays, staff in Claims, Loss Control, and the Privacy Office will work in the office.

On Wednesdays and Thursdays, staff in Executive, Finance, and Underwriting will work in the office.

Any staff member with unresolved child/elder care needs, household members who are vulnerable to Covid-19, those who are in a vulnerable group, or those who have another appropriate reason not to return to the office when this process begins, should notify his/her immediate supervisor of these concerns. As appropriate, an additional period will be provided for the staff member to transition back to the office to address those needs. The staff member should maintain communication with his/her immediate supervisor of any continuing needs under these circumstances and at the end of the additional period the staff member's situation will be revisited and further decisions will be made regarding the transition back to the office. There is an expectation that all staff will return to the office; however we recognize that some will have special circumstances that could justify continued work-from-home for an appropriate period.

#### **B. Equipment and Computer Needs**

We anticipate having sufficient agency computers and related equipment to enable every staff member to maintain equipment at home and also have equipment to use when they are working in the office, eliminating the need to move equipment daily between home and work. This will require a reassignment of some equipment in the office pursuant to a plan established by John Fernatt and Melody Duke. A copy of that plan is attached. There could be some inconvenience to this approach, but it is intended to be a solution to equipment needs as we transition back to the office and to avoid additional agency expense. Any staff member with an equipment need during this transition period must immediately inform his/her supervisor, John Fernatt, or Melody Duke.

#### **C. Face Coverings, gloves, etc.**

Face coverings, gloves, hand sanitizer, cleaning products, tissues and any other recommended safety items for use in a business office environment such as BRIM's will be provided for all staff. Staff members may use their own face coverings if they wish to do so. A "face mask" does not provide the same level of protection as NIOSH-approved Personal Protective Equipment for a front-line worker such as healthcare workers or first responders, who have a significantly higher risk of infection while performing their jobs. A face mask or face covering acts to contain potentially infectious respiratory secretions at the source (i.e., the person's nose and mouth). As used in this Return to Work Plan, "face coverings" or "face masks" refer only to a covering that will prevent the spread of the virus by the person wearing them.

#### **D. Cleaning and Sanitizing Office Areas**

Prior to returning to the office, we will provide for cleaning and disinfecting frequently touched surfaces in common areas such as light switches, countertops, handles, desks, phones, keyboards, toilets, faucets, sinks, and the like.

As soon as staff members return to the office, they will be required to clean and disinfect the surfaces in their own offices and cubicles. Gloves and cleaning products will be provided for this purpose. All staff should continue daily to clean and disinfect surfaces in their offices and cubicles. The General Services Division has directed the cleaning staff assigned to the Greenbrooke Building to routinely clean doors, handles, railings, switches, etc. in common areas. However, GSD's resources will be limited during the start-up phase given the number of buildings and facilities they are responsible for and the frequency of cleaning needed. Therefore, we will be required to clean the frequently touched surfaces in our own office space and even the common areas on our floor a few times a day.

#### **E. Temperature and Health Screenings**

Upon arrival at the office each morning, each staff member will be required to participate in a brief health screening. Temperature and health screenings will take place each morning and all health information will remain confidential. Should the need arise to discuss a temperature reading, it will be done in a private location. Management staff will perform the screenings and will wear gloves and a face covering. Staff members may not discuss temperature results for themselves, their family members, or anyone else in the office. Any temperature elevation of 100.4 degrees or higher will be reported to the staff member's immediate supervisor. In addition, staff members will be asked if they can answer "yes" to the following screening questions:

- Have you been in close contact with a confirmed case of COVID-19?
- Are you experiencing a cough, shortness of breath, or sore throat?
- Have you had a fever in the last 48 hours?
- Have you had new loss of taste or smell?
- Have you had vomiting or diarrhea in the last 24 hours?

Should a staff member have a temperature elevation of 100.4 degrees or higher, or answer "yes" to any of the screening questions, he/she will be directed to return home.

#### **F. Protocols Relating to Staff Health**

Any employee who feels sick or has a fever should notify his/her immediate supervisor (not another employee) and not come into the office. If an employee has tested positive for the virus, he/she should contact his/her immediate supervisor, who will then notify the Executive Director.

Co-workers of an employee who tests positive will be informed of possible exposure to COVID-19 in the workplace, without identification of the source of the possible exposure. Employees exposed to a co-worker with confirmed COVID-19 will be provided CDC guidance for how to conduct a risk assessment of their potential exposure, and general information for self-monitoring and quarantine, if appropriate. The Kanawha Charleston Health Department will immediately be contacted by the Executive Director for further activity associated with the positive test, including contact tracing.

#### **G. Privacy Requirements**

We will protect the privacy of health information relating to staff members. All staff must refrain from discussing their own health or anyone else's health. As a condition of employment, employees are bound to the terms of the confidentiality agreement all Executive Branch employees sign. No staff member may disclose the identity of, directly or indirectly, any other staff member who has been tested for the virus, regardless of the test results.

#### **H. Specific Protocols to be Followed by All Staff upon Return to the Office:**

All staff will be provided with guidance and recommendations from the CDC and other appropriate sources for protecting themselves and preventing the spread of the virus. All staff will be expected to follow the guidance and recommendations provided.

In addition, all staff will be expected to follow these protocols:

- Staff members should self-monitor for signs and symptoms of Covid-19 using guidance from the CDC.
- Staff members should use a disinfecting wipe, gloves, stylus, or some type of barrier for hands when touching light switches, door handles, appliances, elevator buttons, railings, copiers, and similar items.
- Staff members must wash hands frequently throughout the day, following CDC recommendations.
- Staff members will be expected to exercise respiratory etiquette, i.e. covering mouth and nose with a tissue when coughing or sneezing (or coughing/sneezing into elbow when no tissue is available) and throwing used tissues in trash.
- Staff members must maintain a separation of six feet or more whenever possible. The number of people in common areas such as conference rooms, copier areas, hallways, etc. must be limited. The break room will remain open with limited occupancy and appropriate distancing requirements, however if staff members fail to adhere to these requirements the break room will be closed to use until further notice.
- Staff members may not enter other's offices or cubes when the same communication could be accomplished by use of the telephone, Skype, email, instant message or another form of remote communication. When the work being done requires a staff member to enter another's office or cube, he/she should ensure the other employee is comfortable with the visit, and the staff member entering the office or cube must wear a face covering.
- No staff member may use phones, computers, desks, or other office equipment or furniture belonging to other staff.
- Staff members must take a different route around the office to maintain social distancing when it is not otherwise possible to stay appropriately distanced. All staff members are required to consider this and take an alternate route when necessary.
- Staff members must eat lunches in their own offices or cubes to avoid gathering in groups. No lunches may be eaten in the break room or any common area. All staff will need to be patient with the use of microwaves, the refrigerator, and other appliances. Staff may not perform work during lunch hours.

- Staff members must wear gloves when handling the mail or deliveries to the office.
- Staff members must wear a face covering during any time they are interacting with other staff or a visitor to the office. Face coverings are not required while a staff member is alone in his/her cube/office or working in an area alone.

DRAFT

User	Office	Home
Mary Jane Pickens	No Change	Tablet
Robert Fisher	No Change	Tablet
Niki Miller-Casdorph	Original PC	Laptop
Carl Baldwin	Laptop	Laptop
Stephen Panaro	Laptop	Laptop
Sue Haga	Original PC	Tablet
John Fernatt	Tablet	Tablet
Lora Myers	Johns PC	Original PC
Stephen Schumacher	Tablet	Tablet
Sue McMinn	Shumacher PC	Original PC
Melody Duke	Tablet	Tablet
Shelley Brightwell	Melody PC	Original PC
Valerie Poindexter	Tablet	Tablet
Shannon Shaffer	Valerie PC	Original PC
Jeremy Wolfe	Tablet	Tablet
Mischa Difilippo	Jeremy PC	Original PC
Lora Reynolds	Desktop	Desktop
Deanne Stevens	Tablet	Tablet
Lori Bailey	Deaane PC	Original PC
Lori Tarr	Tablet	Tablet
Kim Hensley	Lori Tarr PC	Original Desktop
Ashley Summitt	Tablet	Tablet
Luke Mitchel	Ashley PC	Original PC
Jeff Lawrentz	Spare PC	Original PC
Tonya Martinez	Spare Tablet	Original PC
Solomon	Front Desk PC	NA
Chuck Mozingo	Current PC	Na
Connie Bloss	Laptop	Laptop
Jamison ???	Connie PC	NA

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 16, 2020**

**A. P-Card Report**

CD copies contain the supporting detail for P-card purchases for the months of February, March and April 2020. These totals are:

February	\$30,147.59
March	\$49,097.43
April	\$55,701.98

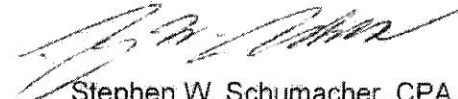
**B. Current Financial Results**

- The financial results presented are for the ten months ended April 30, 2020. The results reflect the actuarially estimated unpaid losses from AON's risk funding study as of March 31, 2020, plus an estimated additional accrual for April.
- Net premium revenue for FY'20 has decreased by \$0.6 million vs. FY'19. This decrease reflects a reduction in the actuarially projected loss pics for the current year.
- Retained case reserves for FY'20 are \$17.2 million higher when compared to the prior year and the actuarially estimated retained IBNR for FY'20 is also \$2.5 million higher, resulting in a year over year increase in claims liabilities of \$19.7 million vs. FY'19.
- Year to date net retained unpaid reserves have increased \$11.0 million for the current year versus a \$15.2 million increase for the prior year.
- Net claims payments for the first ten months of FY'20 are approximately \$6.6 million higher than the same period last year.
- The \$4.2 million lower increase in the current year to date retained unpaid reserves vs. last year's increase combined with the overall increase of net claims payments totaling \$6.6 million for FY'20 vs. FY'19 resulted in the increase in claims expense of \$2.4 million for this year vs. the prior year.
- Federal Reserve officials met last week and projected no plans to raise interest rates through 2022. They said that they were committed to providing more support to the economy following the shutdowns to contain the virus. The Board of Governors affirmed plans to hold rates near zero until they are confident the economy is on track for inflation to reach its 2% target and unemployment to fall to the low levels of recent years.
- As short-term yields have decreased to almost zero since February, the market value of BRIM'S bond holdings have increased. BRIM's fixed income results through April 30<sup>th</sup> total \$18.3 million and are the reason for the slightly better investment income for FY'20 vs. FY'19. Equity market investment losses year-to-date total \$4.0 million.

**B. Current Financial Results (cont'd)**

- Annualized return on investments for the ten months ended April 30 is 3.9% this year compared to 4.1% last year.
- Slightly lower premium revenue and higher claims expense were offset by slightly better investment earnings for the current year. This resulted in the improvement to BRIM's net position for the current fiscal year to date of \$8.9 million compared to last year's improvement of \$11.8 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

	2020	2019
	<i>(In Thousands)</i>	
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 25,615	35,449
Advance deposits with insurance company and trustee	249,350	217,783
Receivables	5,801	2,627
Prepaid insurance	1,151	1,042
Restricted cash and cash equivalents	20,148	16,517
Premiums due from other entities	1,112	878
Total current assets	303,177	274,295
Noncurrent assets:		
Equity position in internal investments pools	99,680	99,327
Restricted investments	57,565	57,361
Total noncurrent assets	157,245	156,688
Total assets	460,422	430,983
Deferred Outflows of Resources	373	438
Deferred Outflows of Resources - OPEB	65	44
<b>Liabilities</b>		
Current liabilities:		
Estimated unpaid claims and claims adjustment expense	62,656	50,453
Unearned premiums	15,350	15,407
Agent commissions payable	1,124	1,114
Claims Payable	12	102
Accrued expenses and other liabilities	3,225	3,370
Total current liabilities	82,367	70,447
Estimated unpaid claims and claims adjustment expense net of current portion	139,275	131,775
Compensated absences	124	122
Net pension liability	249	331
Total noncurrent liabilities	139,648	132,228
Total liabilities	222,015	202,675
Deferred Inflows of Resources	200	330
Deferred Inflows of Resources - OPEB	109	73
Net position:		
Restricted by State code for mine subsidence coverage	72,466	66,866
Unrestricted	157,204	149,745
Net Assets (Deficiency)	8,866	11,777
Net position	\$ 238,536	228,388

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

	2020	2019
	<i>(In Thousands)</i>	
<b>Operating revenues</b>		
Premiums	\$ 68,931	\$ 69,481
Less coverage/reinsurance programs	(5,764)	(5,585)
Net operating revenues	63,167	63,896
<b>Operating expenses</b>		
Claims and claims adjustment expense	64,374	62,037
General and administrative	4,184	3,859
Total operating expenses	68,558	65,896
Operating income (loss)	(5,391)	(2,000)
<b>Nonoperating revenues</b>		
Investment income	14,257	13,777
Net nonoperating revenues	14,257	13,777
Changes in net position	8,866	11,777
Total net position, beginning of year	229,670	216,611
Total net position, end of period	\$ 238,536	\$ 228,388

*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  
June 2020**

We have offered contracts to Aon and Liberty Mutual for services for the coming fiscal year. Aon has already accepted our tender and we expect Liberty to as well.

Loss Control Questionnaires were sent to state agencies last month. The deadline for return of the completed questionnaires is August 1. As questionnaires and supporting documentation are received, they will be reviewed to determine whether an agency is entitled to a credit or surcharge based on its level of participation in our Standards of Participation program for fiscal year 2020.

Due to the COVID-19 pandemic, Liberty Mutual suspended all inspection activity from the middle of March through the month of May. Beginning this month, Liberty will resume its inspections and together we have developed a timetable for completion of this year's inspections.

As with Liberty, Aon also suspended its inspection activity for the same period. The Aon folks, too, have returned to work and are proceeding on an agreed-to timetable to complete this year's inspections.

Although Aon was prohibited from conducting inspections during the March to May period, they have been submitting completed inspections reports for work already completed. During March, April, and May, we received and processed 172 inspection reports.

Despite COVID-19 and the current work-from-home order, we have continued to provide consulting services to our insured via conference calls. While this is quite different from what both we and our insured are accustomed to, the process has been well received. We are quite proud of the quality and quantity of work being performed during this unprecedented time.

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

**33 Standards of Participation Visits**

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

**Insured Accounts Visited Include:** Board of Pharmacy, State Budget Office, West Virginia Medical Imaging & Radiation Therapy Technology Board, Southern Educational Services Cooperative, Town of Ellenboro, Trustees of Osiris Temple, West Virginia Paralyzed Veterans of America, Jericho House, Community of Rand

Association, Board of Massage Therapy Licensure, Raleigh County Housing, West Virginia Music Hall of Fame, Board of Chiropractic, Recovered Solutions of Huntington, West Virginia Underprivileged Children Foundation, Board of Landscape and Architecture, Board of Funeral Service Examiners, West Virginia Northern Community College, Board of Physical Therapy, Board of Sanitarians, West Virginia Investment Management Board, West Virginia Division of Miner's Health & Safety, West Virginia Department of Culture & History, Greater Williamson Community Development Corporation, West Virginia Department of Veterans Assistance, Real Estate Commission, Board of Professional Surveyors, Board of Acupuncture, Board of Licensed Dietitians, Kanawha County Medical Society, Marion County Teen Court, Diana Eagle Community Center, and Hampshire County Board of Education.

Dated: *June 15, 2020*

Respectfully submitted,



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  
MaryJane.Pickens@wv.gov

**Chief Privacy Officer's Report**  
**June 16, 2020**

**A. Privacy Management Team Meetings**

- Since the March 17, 2020 BRIM board meeting, the Privacy Management Team meeting was conducted June 2, 2020 via a Skype platform. The topics for presentation were the newly published NIST Privacy Framework, the State's Risk Assessment of two pilot program agencies (BRIM and Tax) and record retention policies for an agency's use of the State's newly rolled out Microsoft Teams meeting software. Thirty-seven (37) DPOs/APOs from 12 different agencies attended. The next PMT meeting will be held August 4, 2020. Lessons are continuing to be learned about how to effectively use video conferencing for future PMTs.

**B. Privacy Training**

- During the First Quarter of 2020, 565 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 2020, 790 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 2020, 232 members of the Executive Branch workforce took the online course *HIPAA/HITECH*, which is a general HIPAA training course.

The following training events were held by the SPO since March:

Privacy Officer Orientation for the Departmental Privacy Officer for the West Virginia Supreme Court of Appeals was conducted online on April 8, 2020.

On May 6, 2020, SPO staff provided an online recorded webinar (Purchasing as a Privacy Powerhouse) for the Division of Purchasing 2020 In-House Training Program. Topics included purchasing as risk management, importance of

privacy terms in state contract forms, HIPAA requirements for using a Business Associate Agreement, the new Software-as-a-Service Addendum and revised PIA.

The State Privacy Office made the decision to postpone the Privacy Retreat originally scheduled for September 16-18, 2020 at Pipestem Resort State Park. We are looking forward to rescheduling of this semi-annual retreat for the summer/fall of 2021.

### **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 17, 2020 thirteen (13) 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. State Privacy staff, combined with WVOT staff, are working together to create a new PIA procedure.
- The PIA form has been updated to reflect some changes in the Software as a Service Addendum from WV OT. This document was presented for comment to the June 2, 2020 PMT meeting.
- At this point, PIA completion is not mandatory for agencies.
- The Vendor Management Team, comprised of staff from the WV Purchasing Division, WV Office of Technology, WV Cybersecurity Office, BRIM, and State Privacy Office, has restarted its bi-monthly meetings to provide an important method for coordination between agencies for vendor privacy and security issues. The Privacy Office is currently amending its PIA procedures based on feedback received from various agencies and will be incorporating it into the processes already established by Purchasing and the Office of Technology.

Very truly yours,

*Ashley Summitt*

Ashley Summitt, JD  
Chief Privacy Officer  
WV Executive Branch