

# State of West Virginia

Board of Risk and Insurance Management

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



**Comprehensive Annual Financial Report**

**For the Fiscal years Ended June 30, 2016 and 2015**

## **West Virginia Wildlife**

The pictures shown throughout our report are representative of wildlife in West Virginia. These pictures are courtesy of the West Virginia Department of Commerce and were taken at the West Virginia State Wildlife Management Center located in Upshur County in north-central West Virginia. Wildlife is enjoyed by many people who live in or visit West Virginia. The animals featured in the report can be found both in captivity and in their natural environment in various areas of West Virginia.

**On the Cover – Elk** – Elk were completely eliminated from the state in the late 1800's due to unregulated market hunting and habitat loss. Today, this magnificent animal is making a comeback, through an active elk restoration program taking place in the coalfields of Southern West Virginia. In time, viable and self-sustaining populations of elk will once again roam the hills, valleys and reclaimed mining sites of our great state

# State of West Virginia

## Board of Risk and Insurance Management

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

### Comprehensive Annual Financial Report

For the Fiscal Years Ended June 30, 2016 and 2015



**Earl Ray Tomblin**

Governor

**Mary Jane Pickens**

Acting Secretary Department of Administration

**Mary Jane Pickens, Executive Director**

West Virginia Board of Risk and Insurance Management

Prepared by

**Stephen W. Schumacher, CPA, Chief Financial Officer**

West Virginia Board of Risk and Insurance Management

State of West Virginia  
Board of Risk and Insurance Management  
(An enterprise fund of the primary government of West Virginia)

Comprehensive Annual Financial Report  
For the Fiscal Years Ended June 30, 2016 and 2015

TABLE OF CONTENTS

<b>INTRODUCTORY SECTION .....</b>	<b>1</b>
Principal Officials.....	2
Letter of Transmittal.....	3
Organizational Chart .....	9
Certificate of Achievement.....	10
 <b>FINANCIAL SECTION.....</b>	 <b>11</b>
<b>Report of Independent Auditors .....</b>	<b>12</b>
<b>Management’s Discussion and Analysis.....</b>	<b>14</b>
<b>Financial Statements:</b>	
Statement of Net Position .....	22
Statements of Revenues, Expenses, and Changes in Net Position.....	23
Statements of Cash Flows.....	24
Notes to Financial Statements.....	26
<b>Required Supplemental Information:</b>	
Ten-Year Claims Development Information .....	68
Reconciliation of Unpaid Claims and Claims Adjustment Expense Liability by Type of Contract .....	69
Schedule of Proportionate Share of the Net Pension Liability in PERS.....	70
Schedule of Contributions to PERS.....	71
Notes to Required Supplementary Information – Schedule of Proportionate Share of the Net Pension Liability in PERS and Schedule of Contributions to PERS.....	72
 <b>STATISTICAL SECTION.....</b>	 <b>74</b>
Statistical Section Narratives.....	75
Schedule 1 – Comparative Statement of Net Position and Changes in Net Position (Deficiency) Last Ten Fiscal Years .....	76
Schedule 2 – Premiums by Line of Business for the Past Ten Years.....	77
Schedule 3 – Top 10 State Agency Premiums and Top 20 Senate Bill 3 Premiums for Fiscal Year 2016 and Fiscal Year 2007.....	78
Schedule 4 – Investment Income and Premium Revenue .....	79
Schedule 5 – Principal Employers Current Year and Nine Years Ago .....	80
Schedule 6 – Demographic and Economic Indicators Calendar Years 2006 -2015.....	81
Schedule 7 – Full-Time Equivalent Employees Fiscal Year End - 2007 - 2016.....	83
Schedule 8 – Claims Dollars Incurred by Customer Type for Fiscal Years 2007 - 2016 .....	84
Schedule 9 – Type of Losses Incurred by Coverage for Fiscal Years 2007 through 2016 .....	85
Schedule 10 – Industry Averages Compared to BRIM .....	86
Schedule 11 – Projected Ultimate Retained Losses for State Agencies and Senate Bill 3.....	87
Schedule 12 – Listing of Coverages in Effect for Fiscal Year 2016 .....	88

---

# Introductory Section

---



---

**The Bobcat** – Although seldom seen, the bobcat is widely distributed throughout the state. The bobcat is named for its short bobbed tail. They are very efficient predators, known to eat small mammals, birds and even young deer on occasion.

---

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

**PRINCIPAL OFFICIALS**

**Earl Ray Tomblin, Governor**

**Acting Secretary of Department of Administration**

Mary Jane Pickens

**Board of Directors**

Bruce Martin, Chairperson

Bob Mitts, Vice Chairperson

James Wilson, Member

Dr. Ed McGee, Member

James Dodrill, Member

**Executive Staff**

Mary Jane Pickens, Executive Director

Stephen W. Schumacher, CPA, Chief Financial Officer

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

---



Earl Ray Tomblin  
Governor

Mary Jane Pickens  
Executive Director  
Acting Cabinet Secretary

Formal Transmittal of Comprehensive Annual Financial Report (CAFR)

December 23, 2016

Honorable Earl Ray Tomblin, Governor  
State of West Virginia

Board of Directors  
West Virginia Board of Risk and Insurance Management

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

Ladies and Gentlemen:

The Comprehensive Annual Financial Report (CAFR) of the West Virginia Board of Risk and Insurance Management (BRIM) for the year ended June 30, 2016, is hereby respectfully submitted. This report was prepared by the Finance Department of BRIM. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with management of BRIM. We believe the data, as presented, is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position and results of operations and cash flows of BRIM. All disclosures necessary to enable the reader to gain an understanding of BRIM's financial activities have been included. The financial statements of BRIM have been prepared on an accrual basis in conformity with Generally Accepted Accounting Principles (GAAP) for governmental entities as prescribed or permitted by the Governmental Accounting Standards Board (GASB).

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

---

1124 Smith Street, Suite 4300  
Charleston, West Virginia 25301  
[www.brim.wv.gov](http://www.brim.wv.gov)

(304) 766-2646  
(304) 558-6004 FAX  
(800) 345-4669 TOLL FREE WV

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

### **PROFILE OF BRIM**

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

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

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

In December 2001, the West Virginia Legislature passed House Bill 601 which authorized BRIM to provide medical malpractice and general liability coverage to private health care providers. This bill was created as a result of the medical malpractice insurance crisis created by private sector insurance companies non-renewing policies for health care providers on a national level, and in the State. The private physician part of this program was novated to the West Virginia Physician's Mutual Insurance Company on July 1, 2004.

All HB601 policies were non-renewed as of June 30, 2004. 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. See further discussion of House Bill 601 program in the MD&A section.

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

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

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

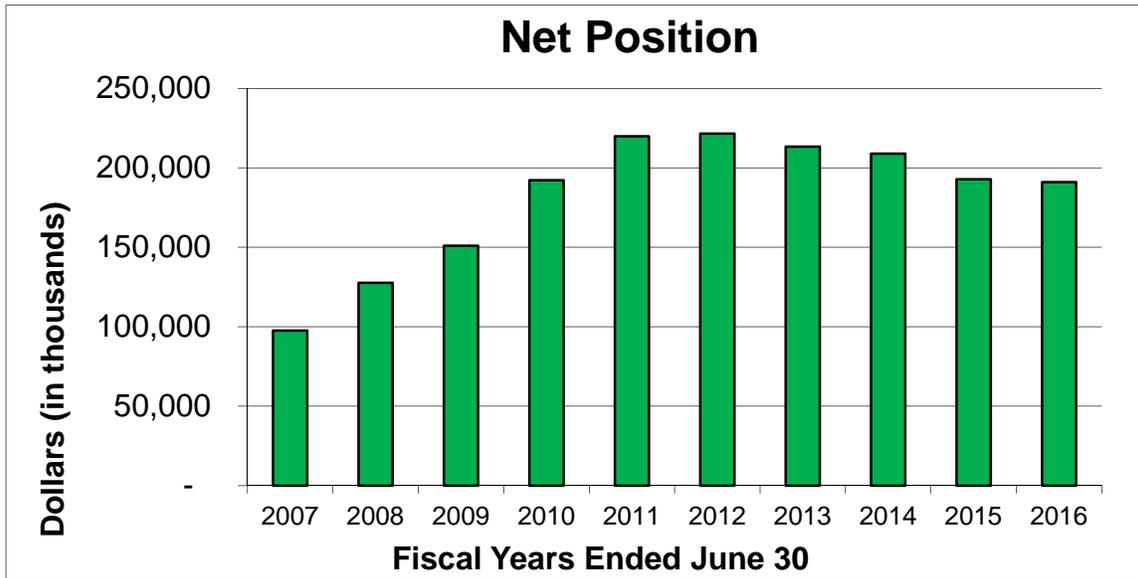
Property losses are retained by BRIM up to \$1 million. Additional coverage is provided up to a limit of \$400 million through various excess policies. This coverage provides reimbursement of loss at the stated or reported value less a \$1,000 deductible. Under the mine subsidence program, ceding insurers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

## **ASSESSING BRIM'S FINANCIAL CONDITION**

### **Net Position**

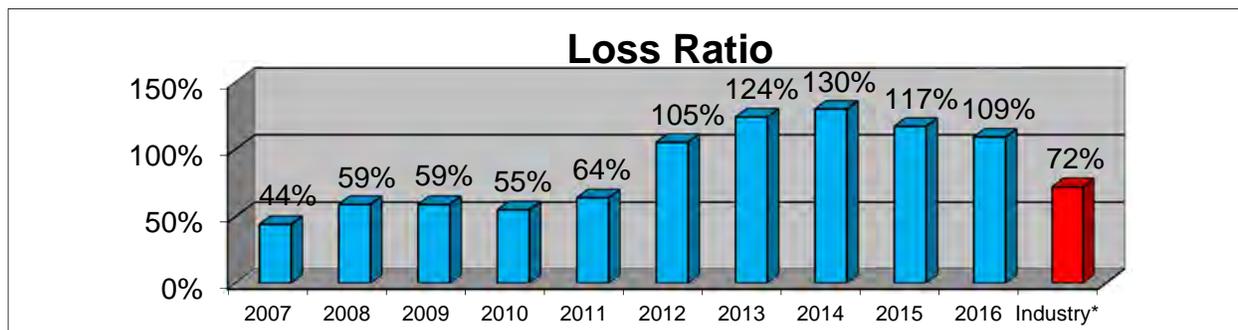
One of management's major goals was to eliminate the net position deficiency that existed in prior years. The deficiency in net position developed in the past due to several factors, including unanticipated losses and adverse loss development in state agency and Senate Bill 3 entity coverages for general liability and medical malpractice lines of business. Declining investment returns also were a contributing factor. In fiscal year 2004, management adopted a financial stability plan to address the deficiency in net position. In 2014 BRIM adopted a net position reserve policy. As of June 30, 2016, BRIM has total net position of \$190,959 reflected on the Statement of Net Position. Management anticipates that net position will continue to remain positive. For more detailed information, see the MD&A included in the financial section of this report.

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



### Combined Financial Ratio

The combined ratio is one of the key ratios used to measure underwriting performance. It is derived by adding the loss and expense ratio. A combined ratio below 100% indicates an underwriting profit and one above 100% indicates an underwriting loss. BRIM’s combined ratio for 2016 reflects an underwriting loss and is higher than the industry average. Historically, BRIM’s primary advantage over the commercial insurance market has been low administrative costs, which are kept at a relatively stable 5 to 10%, as compared to the insurance industry market rate of 28%. The lower administrative costs have enabled BRIM to keep this key financial ratio well below the industry average. Decreases in BRIM’s claims reserves also have contributed to the lower combined ratios experienced by BRIM prior to 2012. But, based on the recent risk funding studies completed, BRIM saw an increase in claims reserves in both 2015 and 2016 when compared to overall reserve decreases seen from 2004 thru 2011. Increasing claims reserves since 2011, coupled with reduced premiums billed for 2012 thru 2016 had an unfavorable impact on BRIM’s combined ratio for fiscal years 2012 thru 2016, in particular when compared to earlier years and the industry average. The BRIM combined ratios are shown in the chart below in blue and the industry is in red.



\*The 2016 industry data shown above was obtained from Insurance Services Office

## **Investment Strategy**

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

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

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

## **BRIM On-Line**

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

## **Audit**

The financial statements of BRIM are prepared on the accrual basis of accounting in conformity with GAAP. BRIM is required by the Financial Accounting and Reporting Section (FARS) of the Department of Administration and by State Code to have an annual independent audit. The firm of Dixon Hughes Goodman, LLP was selected to perform the financial statement audit for the fiscal year ended June 30, 2016. The report of independent auditors on the basic financial statements is included in the financial section of this report.

## **AWARDS AND ACKNOWLEDGEMENTS**

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

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to BRIM for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2015. This was the twenty first consecutive year that BRIM has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

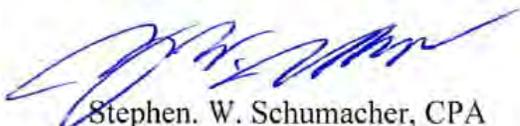
### **Acknowledgements**

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

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

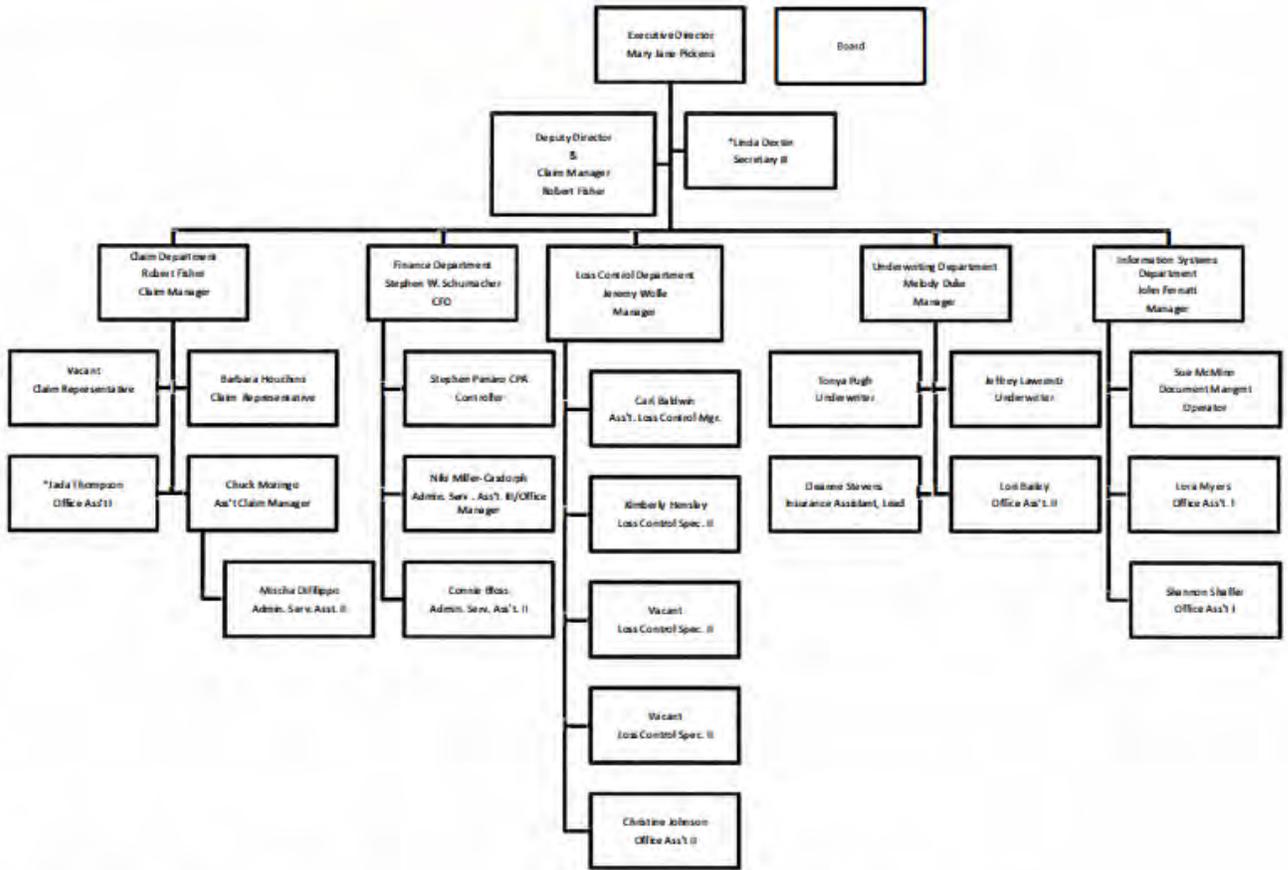
Respectfully, we hereby submit the West Virginia Board of Risk and Insurance Management Comprehensive Annual Financial Report for the year ended June 30, 2016.

Sincerely,



Stephen W. Schumacher, CPA  
Chief Financial Officer

Board of Risk and Insurance Management **Organizational Chart**



• Denotes Temporary Employment

June 30, 2016



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

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

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2015**

Executive Director/CEO



---

## Financial Section

---



---

**The Red Fox** – Red foxes have adapted well to the presence of humans and can be found in both suburban and rural areas throughout the state. Their preferred foods are rodents and rabbits; however, they will also eat birds, amphibians and fruit. Red foxes have excellent hearing, and they can detect rodents digging underground.

---



## **Report of Independent Auditors**

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

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the West Virginia Board of Risk and Insurance Management (BRIM), an enterprise fund of the State of West Virginia, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the 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 audit. We conducted our audit 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, 2016, and the changes in the financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

***Basis of Presentation***

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, 2016, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

***Prior Period Financial Statements***

The financial statements of BRIM as of and for the year ended June 30, 2015, were audited by other auditors whose report dated December 7, 2015, expressed an unmodified opinion on those statements.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 14 to 21 and the required supplementary information on pages 68 to 73 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Information***

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

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

In accordance with *Government Auditing Standards*, we also have issued our report dated December 19, 2016, 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  
December 19, 2016**

***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, 2016, 2015, and 2014. BRIM provides property and casualty insurance to the State of West Virginia (the State) agencies and Senate Bill 3 (SB3) entities, which include boards of education, and governmental and nonprofit organizations. BRIM also administers a coal mine subsidence reinsurance program that makes available to the general public dwelling insurance covering damage caused by the collapse of underground coal mines. From December 2001 until novation to a physician's mutual on July 1, 2004, BRIM's program was expanded to include providing medical malpractice insurance to private sector health care providers (referred to hereafter as the House Bill 601 Program). The hospitals that were non-renewed in 2003 are still being managed by BRIM for claims that were made during the period they were insured.

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 appropriations from the State.
- *Statement of Cash Flows* - The statement of cash flows is presented on the direct method of reporting, which reflects cash flows from operating, noncapital financing, and investing activities. Cash collections and payments are reflected on this statement to arrive at the net increase or decrease in cash and cash equivalents for the year.

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

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

---

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

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

**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, 2016, 2015, and 2014:

	2016	2015	2014	Change 2016-2015		Change 2015-2014	
				Amount	Percent	Amount	Percent
Cash and cash equivalents	\$ 25,946	\$ 19,505	\$ 13,354	\$ 6,441	33.0%	\$ 6,151	46.1%
Advance deposits with carrier/trustee	210,152	204,219	206,774	5,933	2.9	(2,555)	(1.2)
Receivables	1,874	2,531	3,611	(657)	(26.0)	(1,080)	(29.9)
Total current assets	237,972	226,255	223,739	11,717	5.2	2,516	1.1
Noncurrent investments	132,322	137,824	147,378	(5,052)	(4.0)	(9,554)	(6.5)
Total assets	370,294	364,079	371,117	6,215	1.7	(7,038)	(1.9)
Deferred outflows of resources related to pension	387	127	-	260	204.7	127	100.0
Estimated unpaid claims and claims adjustment expense	50,819	47,890	53,448	2,929	6.1	(5,558)	(10.4)
Unearned premiums	8,300	7,659	7,518	641	8.4	141	1.9
Agent commissions payable	1,100	1,032	939	68	6.6	93	9.9
Accrued expenses	1,025	1,136	469	(111)	(9.8)	667	142.2
Total current liabilities	61,244	57,717	62,374	3,527	6.1	(4,657)	(7.5)
Estimated unpaid claims and claims adjustment expense, net of current portion	117,616	113,070	99,756	4,546	4.0	13,314	13.3
Compensated absences	91	76	76	15	19.7	-	0.0
Net Pension Liability	467	253	----	214	84.6	253	100.0
Total noncurrent liabilities	118,174	113,399	99,832	4,775	4.2	13,567	13.3
Total liabilities	179,418	171,116	162,206	8,302	4.9	8,910	5.5
Deferred inflows of resources related to pension	304	270	-	34	12.6	270	100.0
Net position:							
Restricted	57,123	55,428	53,595	1,695	3.1	1,833	3.4
Unrestricted	133,836	137,392	155,316	(3,556)	(2.6)	(17,924)	(11.5)
Net position	\$ 190,959	\$ 192,820	\$ 208,911	\$ (1,861)	(1.0)%	\$ (16,091)	(7.7)

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

<i>(continued)</i>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>Change 2016-2015</u>		<u>Change 2015-2014</u>	
				<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Premiums	\$ 65,293	\$ 58,204	\$ 52,128	\$ 7,089	12.2%	\$ 6,076	11.7%
Less excess coverage	<u>(6,909)</u>	<u>(6,197)</u>	<u>(6,102)</u>	<u>(712)</u>	11.5	<u>(95)</u>	1.6
Net operating revenues	58,384	52,007	46,026	6,377	12.3	5,981	13.0
Claims and claims adjustment expense	63,753	68,145	61,626	(4,392)	(6.4)	6,519	10.6
General and administrative	<u>3,905</u>	<u>3,541</u>	<u>3,898</u>	<u>364</u>	10.3	<u>(357)</u>	(9.2)
Total operating expenses	<u>67,658</u>	<u>71,686</u>	<u>65,524</u>	<u>(4,028)</u>	(5.6)	<u>6,162</u>	9.4
Operating loss	(9,274)	(19,679)	(19,498)	10,405	(52.9)	181	0.9
Nonoperating revenues:							
Investment income	7,413	4,833	17,043	2,580	53.4	(12,210)	(71.6)
Appropriation transfer HB4261	-	-	(2,000)	-	0.0	2,000	(100.0)
Payment to transfer HB601 estimated future IBNR	<u>-</u>	<u>(750)</u>	<u>-</u>	<u>750</u>	(100.0)	<u>(750)</u>	100.0
Total nonoperating revenues, net	<u>7,413</u>	<u>4,083</u>	<u>15,043</u>	<u>3,330</u>	81.6	<u>(10,960)</u>	(72.9)
Changes in net position	(1,861)	(15,596)	(4,455)	13,735	(88.1)	(11,141)	250.1
Total net position - beginning	192,820	208,911	213,366	(16,091)	(7.7)	(4,455)	(2.1)
Cumulative effect of adoption of GASB 68	<u>-</u>	<u>(495)</u>	<u>-</u>	<u>495</u>	(100.0)	<u>(495)</u>	100.0
Total net position - beginning of year restated	<u>192,820</u>	<u>208,416</u>	<u>213,366</u>	<u>(15,596)</u>	(7.5)	<u>(4,950)</u>	(2.3)
Total net position - end	<u>\$ 190,959</u>	<u>\$ 192,820</u>	<u>\$ 208,911</u>	<u>\$ (1,861)</u>	(1.0)	<u>\$ (16,091)</u>	(7.7)
Total revenues	<u>\$ 65,797</u>	<u>\$ 56,090</u>	<u>\$ 61,069</u>	<u>\$ 9,707</u>	17.3	<u>\$ (4,979)</u>	(8.2)
Total expenses	<u>\$ 67,658</u>	<u>\$ 71,686</u>	<u>\$ 65,524</u>	<u>\$ (4,028)</u>	(5.6)	<u>\$ 6,162</u>	9.4

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

---

- Total assets increased by \$6,215 in 2016 and decreased by \$7,038 in 2015. The increase in 2016 is due to an increase in investment earnings and an increase in premium revenue. The decrease in 2015 is due to increased premiums and lower investment earnings. This was offset by an increase in claims paid to claimants in 2015.
- Total liabilities increased \$8,302 in 2016 and increased by \$8,910 in 2015. Estimated claims expense increased in 2016 and 2015, mostly from an increase in the current year provision for both years and adverse development in the prior year reserve estimates for 2015, including an unanticipated increase in State general liability claims (primarily in 2010 and 2011 reserves) and a couple of large property loss occurrences that adversely impacted both the State and SB3 programs (2012 reserves).
- Several factors contributed to the \$1,861 decrease in total net position for 2016 and the \$16,091 decrease for 2015. In 2016, revenue increased due to premium increases and investment earnings increased over 2015 by, \$2,580, due to market conditions. BRIM also implemented GASB 68 in 2015, which resulted in an adjustment that reduced beginning net position by \$495. Total operating expenses for the year decreased \$4,028, which was primarily caused by the decrease in claims expense. In 2016, the increase in estimated claims expense liability grew by a combined \$7,475 based on the actuarial study. The investment returns of 2016 almost offset the increase in claims liability. Also included within the net position category are restricted positions totaling \$57,123 in 2016, \$55,428 in 2015, and \$53,595 in 2014 for programs that provide mine subsidence coverage to the general public per the West Virginia State Code and that had previously provided medical malpractice tail coverage for the House Bill 601 Program.
- Total net operating revenues increased by \$6,377 in 2016 and increased by \$5,981 in 2015. The unfavorable claims trend developments in prior years' outstanding claims reserve has led BRIM to increase premium rates to policyholders for 2016 and 2015.
- Total operating expenses decreased to \$67,658 in 2016 from \$71,686 in 2015. Claims and claims adjustment expense decreased year over year by \$4,392 while G&A expenses increased by \$364.
- Nonoperating revenues, net increased by \$3,330 in 2016 and decreased \$10,960 in 2015. The increased investment returns reflect the increase of the market value of the bonds held resulting from the lower interest rate environment, while a weaker stock market impacted the other investment holdings.
- Total revenues and total expenses from 2016 to 2015 and from 2015 to 2014 have fluctuated due to alterations in premium rates, the changes in the retained loss estimates, and the variations in annual investment market returns. See the analysis of these individual components, as previously discussed, for additional information.

***Overall analysis***

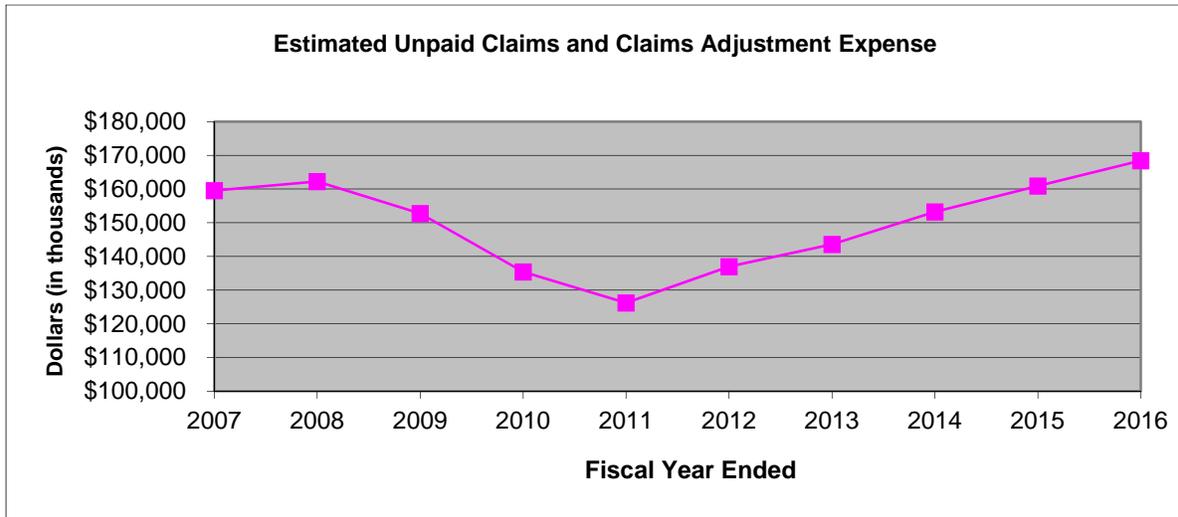
The overall condition of BRIM deteriorated 1.0% from the prior year compared with a decrease of 7.7% from 2014 to 2015. Reserves increased again in 2016, but there was also an increase in investment earnings over 2015. The overall increase in claims and claims adjustment expense, offset in part by an increase in investment earnings, caused the decrease of net position for the current year, reflecting a net position total of \$190,959 at June 30, 2016. BRIM continues to adhere to a comprehensive financial stability and rating plan.

**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. From fiscal

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

year 2015 to 2016, the liability for unpaid claims increased from \$160,960 to \$168,435. The chart below shows the estimated unpaid claims and claims adjustment expense liability for fiscal years 2007 through 2016.



**House Bills 601 and 2122**

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

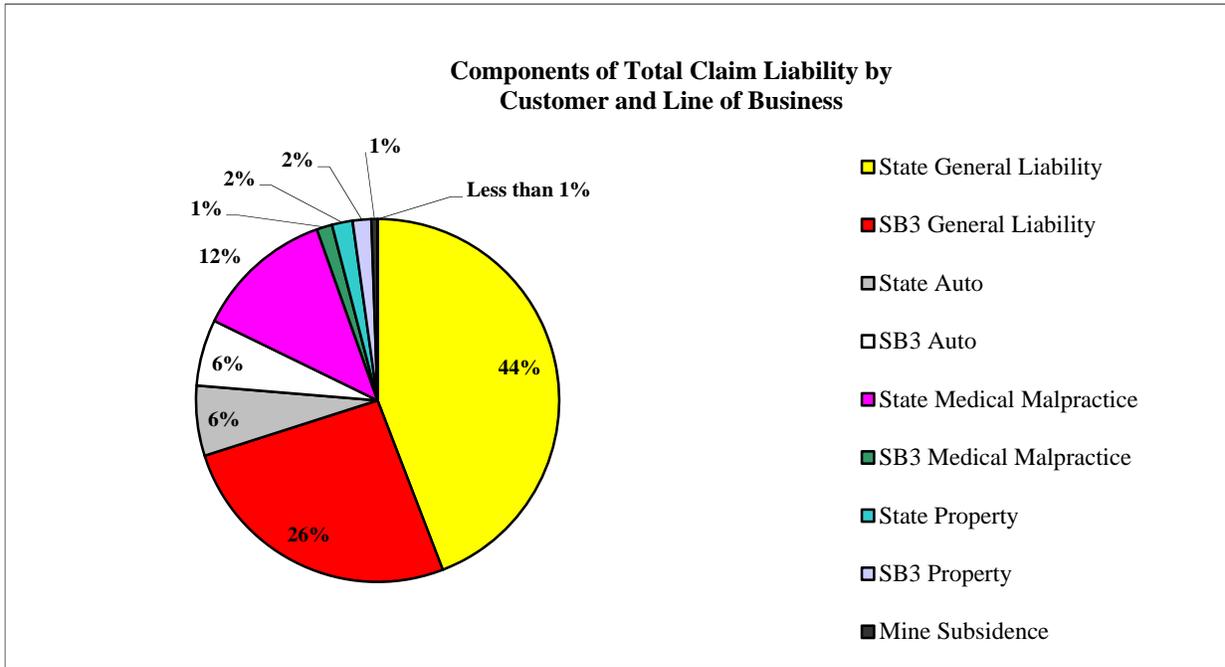
During the legislative session in early 2003, House Bill 2122 was enacted. This bill allowed for the physicians insured under House Bill 601 to novate into a physicians' mutual. On July 1, 2004, these physicians were novated to the West Virginia Physicians' Mutual Insurance Company (WVPMIC). The hospitals and clinics that did not novate were not renewed by BRIM prior to June 30, 2004. Tail coverage was offered to all terminated insurers in House Bill 601. In March 2015, BRIM novated any potential future claims on the tail policies to a commercial carrier. BRIM paid the carrier \$750 to assume the liability of these claims. Legislation passed in March 2016 closed the Medical Liability Fund and all remaining funds were transferred to the West Virginia Patient Liability Fund in July 2016.

**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), mine subsidence (for home and business owners), and House Bill 601 (medical malpractice for private physicians).

The following chart shows the breakdown by customer and line of business of the total estimated claim liability number, which is \$168,435. 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.

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



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.

**Investment Returns**

Investment income increased for fiscal year 2016 and decreased for 2015. The market conditions in 2016 were more favorable than 2015, and investment income was somewhat higher. The increase in 2016 was due to a slightly more favorable interest rate environment. 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. In 2016 and 2015, BRIM withdrew \$5 million and \$12 million, respectively, of its funds from the WVIMB for operational purposes.

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

---

**Premium Determination Process**

BRIM has properly maintained premiums across all lines of business for the past several years based on relevant exposure data, claims loss history, and investment returns. Charging proper premiums, consistent with the commercial industry, has enabled BRIM to adequately cover losses. Although fiscal year 2016 benefited from prior years' reserve releases, both 2015 and 2014 saw overall net increases in retained claims reserves. If this recent claim trend persists over the next several fiscal years and future investment returns continue to decline, it may require premium increases to allow for a sufficient level of funding to adequately sustain the operation of all programs and to help ensure that no premium deficiency develops.

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

***Requests for information***

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

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

**West Virginia Board of Risk and Insurance Management**  
**Statements of Net Position**  
**June 30, 2016 and 2015**  
**(in thousands)**

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 15,748	\$ 11,286
Advance deposits with insurance company and trustee	210,152	204,219
Receivables	1,254	1,934
Restricted cash and cash equivalents	10,198	8,219
Restricted receivables:		
Premiums due from other entities	<u>620</u>	<u>597</u>
Total current assets	<u>237,972</u>	<u>226,255</u>
Noncurrent assets:		
Equity position in investment pools	83,881	89,199
Restricted investments	<u>48,441</u>	<u>48,625</u>
Total noncurrent assets	<u>132,322</u>	<u>137,824</u>
Total assets	<u>370,294</u>	<u>364,079</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension	387	127
<b>LIABILITIES</b>		
Current liabilities:		
Estimated unpaid claims and claims adjustment expense	50,819	47,890
Unearned premiums	8,300	7,659
Agent commissions payable	1,100	1,032
Accrued expenses and other liabilities	<u>1,025</u>	<u>1,136</u>
Total current liabilities	61,244	57,717
Estimated unpaid claims and claims adjustment expense, net of current portion	117,616	113,070
Compensated absences	91	76
Net pension liability	<u>467</u>	<u>253</u>
Total noncurrent liabilities	<u>118,174</u>	<u>113,399</u>
Total liabilities	<u>179,418</u>	<u>171,116</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension	304	270
Net position:		
Restricted by State code for House Bill 601 Program and mine subsidence coverage	57,123	55,428
Unrestricted	<u>133,836</u>	<u>137,392</u>
Net position	<u>\$ 190,959</u>	<u>\$ 192,820</u>

See accompanying notes.

**West Virginia Board of Risk and Insurance Management**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**June 30, 2016 and 2015**  
**(in thousands)**

	<u>2016</u>	<u>2015</u>
Operating revenues:		
Premiums	\$ 65,293	\$ 58,204
Less excess coverage/reinsurance premiums	<u>(6,909)</u>	<u>(6,197)</u>
Net operating revenues	58,384	52,007
Operating expenses:		
Claims and claims adjustment expense	63,753	68,145
General and administrative	<u>3,905</u>	<u>3,541</u>
Total operating expenses	<u>67,658</u>	<u>71,686</u>
Operating loss	(9,274)	(19,679)
Nonoperating revenues:		
Investment income	7,413	4,833
Payment to transfer HB601 estimated future IBNR	<u>-</u>	<u>(750)</u>
Net nonoperating revenues	<u>7,413</u>	<u>4,083</u>
Changes in net position	(1,861)	(15,596)
Total net position, beginning of year	192,820	208,911
Cumulative effect of adoption of GASB 68	<u>-</u>	<u>(495)</u>
Net position at beginning of year as restated	<u>192,820</u>	<u>208,416</u>
Total net position, end of year	<u>\$ 190,959</u>	<u>\$ 192,820</u>

**West Virginia Board of Risk and Insurance Management**  
**Statements of Cash Flows**  
**June 30, 2016 and 2015**  
**(in thousands)**

	<u>2016</u>	<u>2015</u>
Operating activities:		
Receipts from customers	\$ 59,683	\$ 53,376
Payments to employees	(1,526)	(1,014)
Payments to suppliers	(2,421)	(1,662)
Payments to claimants	(56,278)	(60,389)
Deposits to advance deposit with insurance company and trustee	(65,011)	(60,857)
Withdrawals from advance deposit with insurance company and trustee	59,079	63,411
Net cash used in operating activities	<u>(6,474)</u>	<u>(7,135)</u>
Noncapital financing activities:		
Cumulative effective of GASB 68 adoption	-	(350)
Payment to transfer HB601 estimated future IBNR	-	(750)
Net cash used in noncapital financing activities	<u>-</u>	<u>(1,100)</u>
Investing activities:		
Purchase of investments	(17,047)	(22,064)
Sale of investments	20,553	32,417
Net investment earnings	9,409	4,033
Net cash provided by investing activities	<u>12,915</u>	<u>14,386</u>
Net increase in cash and cash equivalents	6,441	6,151
Cash and cash equivalents, beginning of year	<u>19,505</u>	<u>13,354</u>
Cash and cash equivalents, end of year	<u>\$ 25,946</u>	<u>\$ 19,505</u>
Cash and cash equivalents consist of:		
Cash and cash equivalents	\$ 15,748	\$ 11,286
Restricted cash and cash equivalents	<u>10,198</u>	<u>8,219</u>
	<u>\$ 25,946</u>	<u>\$ 19,505</u>

See accompanying notes.

**West Virginia Board of Risk and Insurance Management**  
**Statements of Cash Flows**  
**June 30, 2016 and 2015**  
**(in thousands)**

(Continued)

	<u>2016</u>	<u>2015</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (9,274)	\$ (19,679)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Pension expense	137	-
(Decrease) increase in advanced deposits	(5,933)	2,555
Decrease in premiums receivable, net	657	1,080
Increase in estimated liability for unpaid claims and claims adjustment expense	7,475	7,756
Increase (decrease) in other liabilities	(28)	1,012
Increase in unearned premiums	641	141
Deferred outflows of resources - pension contributions	(149)	-
Total adjustments	<u>2,800</u>	<u>12,544</u>
Net cash used in operating activities	<u>\$ (6,474)</u>	<u>\$ (7,135)</u>
Noncash activities:		
Increase in fair value of investments	<u>\$ 5,502</u>	<u>\$ 9,554</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 161 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

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

---

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

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

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

In March 2004, the West Virginia Legislature passed House Bill 4740, creating a Patient Injury Compensation Fund. The purpose of this fund is to provide fair and reasonable compensation to claimants in medical malpractice actions for any portion of economic damages awarded that is uncollectible as a result of previously enacted tort reforms. This fund provides relief to claimants whose damages were limited because of caps for trauma care or as a result of joint and several liabilities. The capitalization of the fund comes from the State's tobacco settlement fund. The activity for this fund is not reflected in BRIM's financial statements. BRIM serves as third-party administrator for this fund and, accordingly, the activity for this fund is reflected in the State's financial statements. Legislation passed in March 2016 transferred all funds in the Medical Liability Fund to the West Virginia Patient Injury Fund, effective July 1, 2016, resulting in the closing of the Medical Liability Fund. This legislation also closed compensation to any claimants who filed with the Patient Injury Fund on or after July 1, 2016. Additional funding to pay any compensable claims filed as of June 30, 2016 was established by creation of assessments imposed on medical liability claims awards and settlements and fees charged to licensed physicians and hospitals.

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

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

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

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

---

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

## **2. Summary of Significant Accounting Policies**

### ***Basis of accounting***

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

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

The financial statements of BRIM are intended to present the financial position and the changes in financial position and cash flows of only that portion of the business-type activities of the State of West Virginia that is attributable to the transactions of BRIM. They do not purport to, and do not, present fairly the financial position of the State of West Virginia as of June 30, 2016 and 2015, and the changes in its financial position and its cash flows for the years then ended in conformity with GAAP.

### ***Adoption of new Accounting Standards***

During fiscal year 2016, BRIM implemented GASB Statement No. 72, *Fair Value Measurement and Application* and GASB Statement No 79, *Certain External Investment Pools and Pool Participants*. GASB 72 generally requires investments to be measured at fair value and disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques, organized by type of asset or liability reported at fair value. It also requires additional disclosures for investments in certain entities that calculate NAV per share (or its equivalent). GASB 79 establishes criteria for making the election to measure all of its investments at amortized cost for financial reporting purposes. The adoption of these standards had no effect on BRIM's statements of net position or changes in net position, but primarily related to modifications to the disclosures related to BRIM's cash equivalents and investment disclosures in Note 3.

During fiscal year 2016, BRIM also implemented GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which identifies, in the context of the current government financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP). This statement supersedes GASB Statement No. 55. The GAAP hierarchy consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The sources of authoritative GAAP are categorized as follows: Category A – officially established accounting principles (GASB Statements) and Category B – GASB Technical Bulletins, GASB Implementation Guides, and literature of the AICPA cleared by the GASB. The adoption of this standard had no effect on BRIM's statements of net position or changes in net position.

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

---

***Use of estimates***

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

***Cash and cash equivalents***

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

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

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

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

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

***Investments***

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

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

***Fair value measurements***

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

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

---

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

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

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

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

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

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

Fair value of the securities BRIM holds with the IMB 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.
- 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 IMB'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 the West Virginia Board of Risk and Insurance Management (BRIM) or be converted into a greater retirement benefit under the State of West Virginia Public Employees Retirement System (PERS).

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

---

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

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

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

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

***Deferred outflows of resources***

A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period. Balances of deferred outflows of resources may be presented in the Statements of Net Position as aggregations of different types of deferred amounts. Deferred outflows in the Statements of Net Position were composed of \$387 and \$127 for the years ending June 30, 2016 and 2015, respectively, related to employer contributions to the Public Employees Retirement System (PERS) made during the current fiscal year subsequent to the measurement date. Deferred outflows also consisted of other amounts related to differences between projected and actual earnings on pension plan investments and differences between expected and actual experience related to pension.

***Deferred inflows of resources***

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

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

---

***Receivables and premium income***

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

***Unearned premiums***

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

***Restricted net position***

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

***Reclassification***

Certain liability amounts for 2015 have been reclassified to conform to the 2016 presentation. Such reclassifications had no impact on previously reported net position or changes in net position.

***Subsequent events***

In preparing these financial statements, BRIM has evaluated events and transactions for potential recognition or disclosure through December 19, 2016, 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***

---

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 the BRIM measures its investment in this pool at amortized cost that approximates market value of \$25,002 and \$16,147 at June 30, 2016 and June 30, 2015, 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.wvbti.com](http://www.wvbti.com).

***Credit 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.

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

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

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

Security Type	Credit Rating		2016		2015	
	Moody's	S&P	Carrying Value	Percent	Carrying Value	Percent
Commercial Paper	P-1	A-1+	\$ 290,118	18.65%	\$ 186,737	9.88 %
	P-1	A-1	632,773	40.68	660,027	34.91
Corporate Bonds and Notes	Aa1	AA-	23,014	1.48	-	-
	Aa3	A+	-	-	10,005	.53
	Aa3	AA-	15,000	.96	10,000	.53
	Aa3	NR	-	-	10,000	.53
	A2	A	11,268	.72	-	-
U.S. Agency Bonds	Aaa	AA+	9,499	.61	81,994	4.34
U.S. Treasury Notes*	Aaa	AA+	231,398	14.88	229,760	12.15
U.S. Treasury Bills*	P-1	A-1+	19,982	1.28	92,059	4.87
Negotiable CDs	Aa2	AA-	3,000	.19	10,000	.53
	Aa3	AA-	6,000	.39	-	-
	P-1	A-1+	78,006	5.02	51,000	2.70
	P-1	A-1	121,001	7.78	142,000	7.51
U.S. Agency Discount Notes	P-1	A-1+	-	-	304,342	16.10
Money Market Funds	Aaa	AAAm	72,370	4.65	90,017	4.76
Research Agreements (underlying securities):						
U.S. Treasury Notes*	Aaa	AA+	42,100	2.71	1,323	.07
U.S. Agency Notes	Aaa	AA+	-	-	11,200	.59
			<u>\$ 1,555,529</u>	<u>100.00%</u>	<u>\$ 1,890,464</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, 2016 and 2015, the pool did not have investments in any one private corporation or association that represented more than 5% of assets.

*Custodial Credit Risk*

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

*Interest Rate Risk*

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

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

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

<u>Investment Type</u>	<u>June 30, 2016</u>		<u>June 30, 2015</u>	
	<u>Fair Value</u>	<u>WAM Days</u>	<u>Fair Value</u>	<u>WAM Days</u>
Repurchase agreements	\$ 42,100	1	\$ 12,523	1
U.S. Treasury notes	231,398	88	229,760	75
U.S. Treasury bills	19,982	91	92,059	123
Commercial paper	922,891	48	846,764	30
Certificates of deposit	208,007	40	203,005	51
U.S. agency discount notes	-	-	304,342	60
Corporate bonds and notes	49,282	14	30,000	75
U.S. agency bonds/notes	9,499	24	81,994	58
Money market funds	72,370	1	90,017	1
Total rated investments	<u>\$ 1,555,529</u>	<u>49</u>	<u>\$ 1,890,464</u>	<u>47</u>

BRIM's amount invested in the West Virginia Money Market Pool of \$25,002 is included in cash and cash equivalents at June 30, 2016, and \$16,147 at June 30, 2015, representing approximately 1% of total investments in this pool.

*Foreign Currency Risk*

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

**Investments**

**West Virginia Investment Management Board Investment Pools**

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

*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 market value basis.)

<u>Asset Class</u>	<u>Policy Target</u>
Domestic equity	15%
International equity	15
Fixed income	70
Combined total	<u>100%</u>

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

*Asset Value*

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

	2016		2015	
	Cost	Fair Value	Cost	Fair Value
Large cap domestic	\$ 15,198	\$ 15,710	\$ 15,532	\$ 16,733
Non-large cap domestic	4,064	3,716	3,757	3,963
Opportunistic debt	1,543	1,555		
International equity	16,308	15,055	15,646	14,540
International nonqualified	5,317	4,892	5,303	5,317
Total return fixed income	29,494	29,182	35,090	34,012
Core fixed income	12,976	13,308	14,725	14,631
Hedge fund	30,102	28,793	26,201	27,815
TIPS (Treasury Inflation Protection Securities)	12,675	13,368	13,788	13,686
Short-term fixed income	6,641	6,641	6,981	6,981
Total investments	\$ 134,318	\$ 132,220	\$ 137,023	\$ 137,678

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

	2016	2015
Investment income:		
Interest income including realized gains/losses on sale of securities	\$ 1,550	\$ 1,658
Unrealized gain on investments	5,863	3,175
Total investment income	\$ 7,413	\$ 4,833

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

***Asset class risk disclosures***

**Large Cap Domestic Equity Pool**

The Pool's objective is to exceed, net of external investment management fees, the S&P 500 Stock Index over three-to-five-year periods. Assets are managed by INTECH Investment Management, LLC (INTECH) and State Street Global Advisors (SSgA). BRIM's amount invested in the Large Cap Domestic Equity Pool of \$15,710 and \$16,733 at June 30, 2016 and 2015, respectively, represents approximately 0.5% and 0.5%, respectively, of total investments in this pool.

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

*Credit Risk*

The Pool is exposed to credit risk from certain investments made with cash collateral for securities loaned. This risk is limited by requiring minimum ratings on debt instruments. Long-term debt instruments must be rated A or better by Moody's or Standard & Poor's at the time of purchase. Short-term debt instruments must be rated P-1 by Moody's or A-1 by Standard & Poor's at the time of purchase.

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

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

<b>June 30, 2015</b>				
<b>Investment Type</b>	<b>Moody's</b>	<b>S&amp;P</b>	<b>Fair Value</b>	<b>Percent of Total Investment</b>
Corporate asset backed issues	Aaa	AAA	\$ 6,225	0.2%
Corporate CMO	Aaa	AAA	2,345	0.1
Foreign asset backed issues	Aaa	AAA	529	0.0
Foreign corporate bonds	Aa	A	1,748	0.0
Foreign government bonds	Aa3	A	251	0.0
Preferred stock	A	A	42	0.0
Short-term issue	P-1	A-1	158,805	4.1
U.S. corporate bonds	A1	A	1,006	0.0
U.S. Government agency bonds	Aaa	AA	235	0.0
U.S. Government agency CMO interest-only	Aaa	AA	45	0.0
U.S. Government agency MBS	Aaa	AA	111,550	2.9
U.S. Treasury bonds	Aaa	AA	<u>39,426</u>	<u>1.0</u>
Total rated investments			<u>322,207</u>	<u>8.3</u>
Common stock			<u>3,533,100</u>	<u>91.7</u>
Total investments			<u>\$ 3,855,307</u>	<u>\$ 100.0%</u>

This table includes investments received as collateral for repurchase agreements with a fair value of \$302,436 as compared to the amortized cost of the repurchase agreements of \$286,428.

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

*Concentration of Credit Risk*

The Pool is restricted from investing more than 5 percent of the value of the Pool in any one company. At June 30, 2016 and 2015, the Pool was in compliance with this restriction and is not exposed to concentration of credit risk.

*Custodial Credit Risk*

At June 30, 2016 and 2015, the Pool held no securities that were subject to custodial credit risk. Repurchase agreements, when held, are collateralized to a minimum of 102 percent and the collateral is held in the name of the WVIMB. All remaining securities are held by the WVIMB's custodian in the name of the WVIMB.

*Interest Rate Risk*

The Pool is exposed to interest rate risk from certain investments made with cash collateral for securities loaned. The weighted average maturity for investments made with cash collateral for securities loaned is not to exceed 90 days. The following table provides the WAM for applicable investments made with cash collateral for securities loaned as of June 30, 2016 and 2015:

<u>Investment Type</u>	<u>2016</u>		<u>2015</u>	
	<u>Fair Value</u>	<u>WAM (Days)</u>	<u>Fair Value</u>	<u>WAM (Days)</u>
Repurchase agreements	\$ 314,482	2	\$ 286,428	1
Asset backed issues			197	22
Time deposits	<u>105,545</u>	<u>1</u>	<u>137,472</u>	<u>1</u>
Total	<u>\$ 420,027</u>	<u>1</u>	<u>\$ 424,097</u>	<u>1</u>

*Foreign Currency Risk*

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

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

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

There were no transfers in or out of Levels 1 and 2 during the year ended June 30, 2016.

<u>Assets</u>	<u>June 30, 2015</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common Stock	\$ 3,393,869	\$ -	\$ -	\$ 3,393,869
Investments made with cash collateral for securities loaned	-	424,097	-	424,097
Short-term issues	<u>21,333</u>	<u>-</u>	<u>-</u>	<u>21,333</u>
Total	<u>\$ 3,415,202</u>	<u>\$ 424,097</u>	<u>\$ -</u>	<u>\$ 3,839,299</u>

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

<u>Liabilities</u>	<u>June 30, 2015</u>			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Futures contracts	\$ (203)	\$ -	\$ -	\$ (203)

There were no transfers in or out of Levels 1 and 2 during the year ended June 30, 2015.

**Non-Large Cap Domestic Equity Pool**

The Pool invests in the equities of small to mid-sized companies and its objective is to exceed, net of external investment management fees, the Russell 2500 Index over three-to-five-year periods. Assets are managed by AJO and Westfield Capital Management (Westfield). BRIM's amount invested in the non-large cap domestic pool of \$3,716 and \$3,963 at June 30, 2016 and 2015, respectively, represents approximately 0.5% and 0.5%, respectively, of total investments in this pool.

*Credit Risk*

The Pool is exposed to credit risk from certain investments made with cash collateral for securities loaned. This risk is limited by requiring minimum ratings on debt instruments. Long-term debt instruments must be rated A or better by Moody's or Standard & Poor's at the time of purchase. Short-term debt instruments must be rated P-1 by Moody's or A-1 by Standard & Poor's at the time of purchase.

The following table provides information on the weighted average credit ratings of the Pool's investments as of June 30:

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

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

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

<u>Investment Type</u>	<u>June 30, 2015</u>			<u>Percent of Total Investment</u>
	<u>Moody's</u>	<u>S&amp;P</u>	<u>Fair Value</u>	
Corporate asset backed issues	Aaa	AAA	\$ 4,720	0.4 %
Corporate CMO	Aaa	AAA	1,778	0.2
Foreign asset backed issues	Aaa	AAA	401	0.0
Foreign corporate bonds	Aa	A	1,325	0.1
Foreign government bonds	Aa#	A	190	0.0
Preferred stock	A	A	32	0.0
Short-term issue	P-1	A-1	112,978	9.8
U.S. corporate bonds	A1	A	762	0.1
U.S. Government agency bonds	Aaa	AA	178	0.0
U.S. Government agency CMO interest-only	Aaa	AA	34	0.0
U.S. Government agency MBS	Aaa	AA	84,577	7.4
U.S. Treasury bonds	Aaa	AA	29,892	2.6
Total rated investments			<u>236,867</u>	<u>20.6</u>
Common stock			<u>911,488</u>	<u>79.4</u>
Total investments			<u>\$ 1,148,355</u>	<u>\$ 100.0%</u>

This table includes investments received as collateral for repurchase agreements with a fair value of \$229,307 as compared to the amortized cost of the repurchase agreements of \$217,169.

*Concentration of Credit Risk*

The Pool is restricted from investing more than 5 percent of the value of the Pool in any one company. At June 30, 2016 and 2015, the Pool was in compliance with this restriction and is not exposed to concentration of credit risk.

*Custodial Credit Risk*

At June 30, 2016 and 2015, the Pool held no securities that were subject to custodial credit risk. Repurchase agreements, when held, are collateralized to a minimum of 102 percent and the collateral is held in the name of the WVIMB. All remaining securities are held by the WVIMB's custodian in the name of the WVIMB.

*Interest Rate Risk*

The Pool is exposed to interest rate risk from certain investments made with cash collateral for securities loaned. The weighted average maturity for investments made with cash collateral for securities loaned is not to exceed 90 days. The following table provides the WAM for applicable investments made with cash collateral for securities loaned as of June 30, 2016.

<u>Investment Type</u>	<u>2016</u>		<u>2015</u>	
	<u>Fair Value</u>	<u>WAM (Days)</u>	<u>Fair Value</u>	<u>WAM (Days)</u>
Repurchase agreements	\$ 218,904	2	\$ 217,169	1
Asset backed issues			149	22
Time deposits	<u>73,468</u>	<u>1</u>	<u>104,230</u>	<u>1</u>
Total	<u>\$ 292,372</u>	<u>1</u>	<u>\$ 321,548</u>	<u>1</u>

*Foreign Currency Risk*

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

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

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

There were no transfers in or out of Levels 1 and 2 during the year ended June 30, 2016.

<u>Assets</u>	<u>June 30, 2015</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common Stock	\$ 805,922	\$ -	\$ -	\$ 805,922
Investments made with cash collateral for securities loaned	-	321,548	-	321,548
Short-term issue	8,747	-	-	8,747
Total	<u>\$ 814,669</u>	<u>\$ 321,548</u>	<u>\$ -</u>	<u>\$ 1,136,217</u>

There were no transfers in or out of Levels 1 and 2 during the year ended June 30, 2015.

**International Equity Pool**

This Pool invests in the equities of international companies. Assets are managed by Acadian Asset Management, LLC (Acadian), Axiom International Investors, LLC (Axiom), Brandes Investment Partners, L.P. (Brandes), LSV Asset Management (LSV), and Oberweis Asset Management, Inc. (Oberweis). The objective of the Pool is to exceed, net of external investment management fees, Morgan Stanley Capital International's All Country World Free Ex US Index over three-to-five-year periods. BRIM's amount invested in the International Equity Pool of \$15,055 and \$14,540 at June 30, 2016 and 2015, respectively, represents approximately 0.5% and 0.6%, respectively, of total investments in this pool.

*Credit Risk*

The Pool is exposed to credit risk from certain investments made with cash collateral for securities loaned. This risk is limited by requiring minimum ratings on debt instruments. Long-term debt instruments must be rated A or better by Moody's or Standard & Poor's at the time of purchase. Short-term debt instruments must be rated P-1 by Moody's or A-1 by Standard & Poor's at the time of purchase.

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

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

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

<b>June 30, 2015</b>				
<u>Investment Type</u>	<u>Moody's</u>	<u>S&amp;P</u>	<u>Fair Value</u>	<u>Percent of Total Investment</u>
Corporate asset backed issues	Aaa	AAA	\$ 3,101	0.1 %
Corporate CMO	Aaa	AAA	1,168	0.0
Foreign asset backed issues	Aaa	AAA	264	0.0
Foreign corporate bonds	Aa	A	871	0.0
Foreign government bonds	Aa	A	125	0.0
Short-term issue	Aaa	AAA	32,015	1.1
Time deposits	P-1	A-1	68,488	2.3
U.S. corporate bonds	A	A	501	0.0
U.S. Government agency bonds	Aaa	AA	117	0.0
U.S. Government agency CMO interest only	Aaa	AA	22	0.0
U.S. Government agency MBS	Aaa	AA	55,574	1.9
U.S. Treasury bonds	Aaa	AA	<u>19,642</u>	<u>0.7</u>
Total rated investments			<u>181,888</u>	<u>6.1</u>
Common stock			2,747,001	92.5
Preferred stock			40,815	1.4
Rights			<u>8</u>	<u>0.0</u>
Total investments			<u>\$ 2,969,712</u>	<u>\$ 100.0%</u>

This table includes investments received as collateral for repurchase agreements with a fair value of \$150,672 as compared to the amortized cost of the repurchase agreements of \$142,698.

*Concentration of Credit Risk*

The Pool is restricted from investing more than 5 percent of the value of the Pool in any one company. At June 30, 2016 and 2015, the Pool was in compliance with this restriction and is not exposed to concentration of credit risk.

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

*Custodial Credit Risk*

At June 30, 2016 and 2015, the Pool held no securities that were subject to custodial credit risk. Repurchase agreements, when held, are collateralized to a minimum of 102 percent and the collateral is held in the name of the WVIMB. All remaining securities are held by the WVIMB's custodian in the name of the WVIMB.

*Interest Rate Risk*

The Pool is exposed to interest rate risk from certain investments made with cash collateral for securities loaned. The weighted average maturity for investments made with cash collateral for securities loaned is not to exceed 90 days. The following table provides the WAM for applicable investments made with cash collateral for securities loaned as of June 30, 2016 and 2015.

<u>Investment Type</u>	<u>2016</u>		<u>2015</u>	
	<u>Fair Value</u>	<u>WAM (Days)</u>	<u>Fair Value</u>	<u>WAM (Days)</u>
Repurchase agreements	\$ 112,380	2	\$ 142,698	1
Asset backed issues			97	22
Time deposits	<u>37,716</u>	<u>1</u>	<u>68,488</u>	<u>1</u>
Total investments	<u>\$ 150,096</u>	<u>1</u>	<u>\$ 211,283</u>	<u>1</u>

*Foreign Currency Risk*

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

<u>Currency</u>	<u>2016</u>			<u>2015</u>		
	<u>Investments</u>	<u>Cash</u>	<u>Total</u>	<u>Investments</u>	<u>Cash</u>	<u>Total</u>
Australian Dollar	\$ 70,519	\$ 1,384	\$ 71,903	\$ 71,411	\$ 21	\$ 71,432
Brazil Real	134,558	1,156	135,714	113,460	829	114,289
British Pound	251,332	2,256	253,588	272,285	1,049	273,334
Canadian Dollar	114,574	211	114,785	130,182	62	130,244
Chilean Peso	12,200	685	12,885			
Czech Koruna	8,630	368	8,998	11,113	-	11,113
Danish Krone	21,390	1,390	22,780	24,755	1	24,756
Egyptian Pound	1,631	(20)	1,611	3,762	-	3,762
Emirati Dirham	5,631	5	5,636	3,773	-	3,773
Euro Currency Unit	423,512	504	424,016	410,970	(51)	410,919
Hong Kong Dollar	277,680	776	278,456	267,032	979	268,011
Hungarian Forint	8,991	135	9,126	9,379	106	9,485
Indian Rupee	64,154	697	64,851	49,212	1,019	50,231
Indonesian Rupiah	28,164	132	28,296	19,720	39	19,759
Israeli Shekel	16,429	49	16,478	19,243	3	19,246
Japanese Yen	381,024	2,588	383,612	401,766	2,410	404,176
Malaysian Ringgit	24,344	207	24,551	12,366	252	12,618
Mexican Peso	44,979	383	45,362	35,498	5	35,503
New Taiwan Dollar	63,355	1,166	64,521	70,408	2,623	73,031
New Zealand Dollar	7,782	3	7,785	1,056	57	1,113
Norwegian Krone	20,899	28	20,927	26,742	34	26,776
Pakistan Rupee	5,150	-	5,150	5,610	-	5,610
Philippine Peso	10,085	1	10,086	8,810	-	8,810
Polish Zloty	5,239	-	5,239	10,753	71	10,824
Qatari Riyal	407	16	423	300	9	309
Singapore Dollar	13,817	105	13,922	13,923	151	14,074
South African Rand	38,313	94	38,407	48,901	551	49,452

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

<i>(continued)</i> Currency	2016			2015		
	Investments	Cash	Total	Investments	Cash	Total
South Korean Won	188,612	1,479	190,091	174,570	1,238	175,808
Swedish Krona	52,296	1	52,297	48,637	1	48,638
Swiss Franc	95,697	-	95,697	97,333	14	97,347
Thailand Baht	47,149	1	47,150	25,382	29	25,411
Turkish Lira	55,220	507	55,727	45,967	-	45,967
Total	<u>\$ 2,493,763</u>	<u>\$ 16,307</u>	<u>\$ 2,510,070</u>	<u>\$ 2,434,319</u>	<u>\$ 11,502</u>	<u>\$ 2,445,821</u>

This table excludes cash and securities held by the pool that are denominated in U.S. dollars. The market value of the U.S. dollar denominated cash and investments is \$531,171, or 17.5% and \$527,419, or 17.7% for the years ended June 30, 2016 and 2015, respectively.

*Fair Value Measurements*

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

Assets	June 30, 2016			
	Level 1	Level 2	Level 3	Total
Common Stock	\$ 2,736,592	\$ -	\$ -	\$ 2,736,592
Foreign currency contracts	-	68	-	68
Investments made with cash collateral for securities loaned	39,472	150,096	-	189,568
Preferred stock	68,037	-	-	68,037
Rights	217	-	-	217
Money market mutual fund	30,520	-	-	30,520
Total	<u>\$ 2,874,838</u>	<u>\$ 150,164</u>	<u>\$ -</u>	<u>\$ 3,025,002</u>
<b>Liabilities</b>				
Foreign currency contracts	<u>\$ -</u>	<u>\$ (63)</u>	<u>\$ -</u>	<u>\$ (63)</u>

There were no transfers in or out of Levels 1 and 2 during the year ended June 30, 2016.

Assets	June 30, 2015			
	Level 1	Level 2	Level 3	Total
Common Stock	\$ 2,677,637	\$ -	\$ -	\$ 2,677,637
Foreign currency contracts	-	35	-	35
Investments made with cash collateral for securities loaned	-	211,283	-	211,283
Preferred stock	40,795	-	-	40,795
Rights	8	-	-	8
Money market mutual fund	32,015	-	-	32,015
Total	<u>\$ 2,750,455</u>	<u>\$ 211,318</u>	<u>\$ -</u>	<u>\$ 2,961,773</u>
<b>Liabilities</b>				
Foreign currency contracts	<u>\$ -</u>	<u>\$ (62)</u>	<u>\$ -</u>	<u>\$ (62)</u>

There were no transfers in or out of Levels 1 and 2 during the year ended June 30, 2015.

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

**Short-Term Fixed Income Pool**

The main objective of this Pool is to maintain sufficient liquidity to fund withdrawals by the participant plans and to invest cash contributions until such time as the money can be transferred to other asset classes without sustaining capital losses. JP Morgan Investment Advisors, Inc. (JPM) manages the Pool. The Pool's investment objective, net of external investment fees, is to meet or exceed the Citigroup ninety-day T-bill Index plus fifteen basis points. BRIM's amount invested in the Short-Term Fixed Income Pool of \$6,641 and \$6,981 at June 30, 2016 and 2015, respectively, represented approximately 2.5% and 2.6%, 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 following tables provide information on the weighted average credit ratings of the Short-Term Fixed Income Pool's investments as of June 30:

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

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

<u>Investment Type</u>	<u>June 30, 2015</u>		<u>Carrying Value</u>	<u>Percent of Total Investment</u>
	<u>Moody's</u>	<u>S&amp;P</u>		
Commercial paper	Aaa	AA	\$ 22,999	8.5 %
U.S. Government agency issues	Aaa	AA	136,763	50.5
U.S. Treasury issues	Aaa	AA	<u>110,922</u>	<u>41.0</u>
Total rated investments			<u>\$ 270,684</u>	<u>100.0 %</u>

This table includes U.S. Treasury notes received as collateral for repurchase agreements with a fair value of \$65,365 as compared to the amortized cost of the repurchase agreements of \$64,341.

*Concentration of Credit Risk*

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

*Custodial Credit Risk*

At June 30, 2016, the Pool held no investments that were subject to custodial credit risk. Repurchase agreements are collateralized at 102 percent 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.

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

*Interest Rate Risk*

The weighted-average maturity of the investments of the Short-Term Fixed Income 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 various asset types in the Short-Term Fixed Income Pool as of June 30, 2016 and 2015:

<u>Investment Type</u>	<u>2016</u>		<u>2015</u>	
	<u>Fair Value</u>	<u>WAM (Days)</u>	<u>Fair Value</u>	<u>WAM (Days)</u>
Commercial paper	\$ 52,734	22	\$ 22,999	19
Money market mutual fund	82,161	N/A	-	-
Repurchase agreement	13,000	1	64,341	1
U.S. government agency issues	130,482	55	136,763	52
U.S. Treasury issues	74,786	28	45,557	70
Total investments	<u>\$ 353,163</u>	<u>39</u>	<u>\$ 269,660</u>	<u>40</u>

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

There were no transfers in or out of Levels 1 and 2 during the year ended June 30, 2016.

<u>Assets</u>	<u>June 30, 2015</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Commercial paper	\$ -	\$ 22,999	\$ -	\$ 22,999
Repurchase agreement	-	64,341	-	64,341
U.S. Government agency issues	-	136,763	-	136,763
U.S. Treasury bonds	-	45,557	-	45,557
Total	<u>\$ -</u>	<u>\$ 269,660</u>	<u>\$ -</u>	<u>\$ 269,660</u>

There were no transfers in or out of Levels 1 and 2 during the year ended June 30, 2015.

**International Nonqualified Equity Pool**

This Pool invests in The Silchester International Investors International Value Equity Trust (Silchester). The Pool's objective is to produce investment returns that exceed the Morgan Stanley Capital International's Europe Australasia Far East Index by 200 basis points on an annualized basis over three-to-five-year periods, net of external investment management fees. The Pool exists for participants who are not "qualified" (as defined by the *Internal Revenue Code*). The Pool invests in a collective trust fund that invests in equities denominated in foreign currencies. The value of this pool at June 30, 2016 and 2015 was \$141,311 and \$153,554, respectively. This Pool,

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

although denominated in U.S. dollars, is exposed to foreign currency risk through the underlying investments. The Pool is not exposed to credit risk, interest rate risk, custodial credit risk, or concentration of credit risk.

BRIM's amount invested in the International Nonqualified Pool of \$4,892 and \$5,317 at June 30, 2016 and 2015, respectively, represents approximately 3.5% and 3.5%, respectively, of total investments in this pool.

*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 practical expedient. As Silchester is the only investment in the Pool, a fair value hierarchy table is not presented.

There were no transfers in or out of Levels 1 and 2 during the year ended June 30, 2016 and 2015, respectively.

*Redemption Provisions*

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

**Total Return Fixed Income Pool**

This Pool's objective is to earn superior returns with low volatility by actively investing in the extended fixed income markets. Dodge & Cox (DAC), Franklin Templeton Investments (FTI), and Western Asset Management Company (Western) manage the Pool. The Pool's investment objective, net of external investment management fees, is to meet or exceed the Barclay Capital Universal Index. BRIM's amount invested in the Total Return Fixed Income Pool of \$29,250 and \$34,012, at June 30, 2016 and 2015, respectively, represented approximately 1.4% and 1.2%, respectively, of total investments in the Pool.

*Credit Risk*

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

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

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

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

(continued)

June 30, 2016				
<u>Investment Type</u>	<u>Moody's</u>	<u>S&amp;P</u>	<u>Fair Value</u>	<u>Percent of Total Investment</u>
U.S. Government agency MBS	Aaa	AA	275,666	12.8
U.S. Government agency TBA	Aaa	AA	637	0.0
U.S. Treasury bonds	Aaa	AA	107,797	5.0
U.S. Treasury inflation-protected securities	Aaa	AA	26,550	1.2
Total rated investments			<u>\$ 1,753,358</u>	<u>81.3 %</u>

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

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

June 30, 2015				
<u>Investment Type</u>	<u>Moody's</u>	<u>S&amp;P</u>	<u>Fair Value</u>	<u>Percent of Total Investment</u>
Corporate asset backed issues	A	AA	\$ 116,267	4.8 %
Corporate CMO	B	B	101,927	4.2
Corporate CMO interest-only	C	Not Rated	7,706	0.3
Corporate preferred securities	Ba	BB	10,430	0.4
Foreign asset backed issues	A	A	20,876	0.9
Foreign corporate bonds	Baa	BBB	286,053	11.9
Foreign government bonds	Baa	BB	212,335	8.8
Municipal bonds	A	A	51,734	2.2
Short-term issues	Aaa	AAA	102,153	4.3
Time deposits	P-1	A-1	7,174	0.3
U.S. corporate bonds	Baa	BBB	578,292	24.2
U.S. Government agency bonds	Aaa	AA	2,579	0.1
U.S. Government agency CMO	Aaa	AA	80,795	3.4
U.S. Government agency CMO interest-only	Aaa	AA	3,819	0.2
U.S. Government agency MBS	Aaa	AA	298,744	12.4
U.S. Government agency TBA	Aaa	AA	884	0.0
U.S. Treasury bonds	Aaa	AA	113,459	4.7
U.S. Treasury inflation-protected securities	Aaa	AA	20,616	0.9
Total rated investments			<u>\$ 2,015,843</u>	<u>84.0 %</u>

Unrated investments include investments in common stock valued at \$7,266, investments in corporate CMO residuals valued at \$21,983, investments in other funds valued at \$356,277, and options contracts purchased valued at \$1,114. These unrated securities represent 16% of the fair value of the Pool's investments.

This table includes investments received as collateral for repurchase agreements with a fair value of \$15,783 as compared to the amortized cost of the repurchase agreements of \$14,948.

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

*Concentration of Credit Risk*

The Pool is restricted from investing more than 5 percent of the value of the Pool in any one corporate name. At June 30, 2016 and 2015, the Pool was in compliance with this restriction and is not exposed to concentration of credit risk.

*Custodial Credit Risk*

At June 30, 2016 and 2015, the Pool held no securities that were subject to custodial credit risk. Repurchase agreements, when held, are collateralized at 102 percent and the collateral is held in the name of the WVIMB. Investments in commingled funds are held in an account in the name of the WVIMB. All remaining securities are held by the WVIMB's custodian in the name of the WVIMB.

*Interest Rate Risk*

The WVIMB monitors interest rate risk of the Pool by evaluating the effective duration of the investments in the Pool. The following table provides the weighted-average effective duration for the various asset types in the Pool as of June 30, 2016 and 2015:

<u>Investment Type</u>	<u>2016</u>		<u>2015</u>	
	<u>Fair Value</u>	<u>Effective Duration (Years)</u>	<u>Fair Value</u>	<u>Effective Duration (Years)</u>
Bank loan	\$ 936	0.1	\$ -	-
Corporate asset backed issues	36,980	1.8	115,952	2.2
Corporate ABS residual	5,385	N/A	-	-
Corporate CMO	27,879	1.9	101,802	1.8
Corporate CMO interest-only			7,706	18.8
Corporate preferred securities	10,472	0.1	10,428	0.3
Foreign asset backed issues	11,726	2.4	20,849	1.6
Foreign corporate bonds	292,987	6.6	285,960	6.0
Foreign government bond	217,698	6.0	212,324	6.3
Investments in other funds	360,669	2.9	356,277	3.2
Money market mutual funds	66,469	N/A	-	-
Short-term issue			102,153	0.0
Municipal bonds	40,081	10.4	51,734	8.4
Options contracts purchase	1,192	N/A	-	-
Repurchase agreement	59,675	0.0	14,948	-
Time deposits	20,028	0.0	7,173	-
U.S. corporate bonds	540,049	8.3	578,249	6.6
U.S. Government agency bonds	2,699	3.3	2,566	4.3
U.S. Government agency CMO	64,627	0.9	80,795	2.1
U.S. Government agency CMO interest-only	6,519	34.0	3,816	2.2
U.S. Government agency MBS	254,842	1.7	292,921	2.6
U.S. Government agency TBA	637	0.0	884	2.1
U.S. Treasury bonds	101,702	3.0	111,398	4.2
U.S. Treasury inflation-protected securities	26,550	19.5	20,616	14.0
Total investments	<u>\$ 2,149,802</u>	<u>5.1</u>	<u>\$ 2,378,551</u>	<u>4.5</u>

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 modified 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

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

are highly sensitive to interest rate changes. At June 30, 2016, the Pool held \$407,958 of these securities. This represents approximately 19.0% of the value of the Pool's securities.

*Foreign Currency Risk*

The Pool has foreign government bonds and foreign corporate bonds that are denominated in foreign currencies and are exposed to foreign currency risks. The Pool also has foreign denominated futures contracts, a currency swap, and foreign exchange forward contracts. Refer to Notes 7, 8, and 9, respectively, for details on these contracts. Additionally, the Pool has indirect exposure to foreign currency risk through its ownership interests in certain of the commingled investment pools. Approximately \$82,390, or 23 percent, of the commingled investment pools hold substantially all of their investments in foreign currencies. This represents approximately 4 percent of the value of the Pool's securities.

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

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

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

<u>Currency</u>	<u>June 30, 2015</u>			<u>Percent of Total Investments and Cash</u>
	<u>Investments</u>	<u>Cash</u>	<u>Total</u>	
Brazil Real	\$ 16,991	\$ -	\$ 16,991	0.7 %
Colombian Peso	2,706	-	2,706	0.1
Deutsche Mark	2,086	-	2,086	0.0
Euro Currency Unit	29,225	2,006	31,231	1.3
Ghana Cedi	1,267	-	1,267	0.1
Indian Rupee	3,385	-	3,385	0.1
Japanese Yen	53,751	2,782	56,533	2.3
Kenyan Shilling	1,937	-	1,937	0.1
Mexican Peso	35,266	162	35,428	1.5

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

(continued)

<u>Currency</u>	<u>June 30, 2015</u>			<u>Percent of Total Investments and Cash</u>
	<u>Investments</u>	<u>Cash</u>	<u>Total</u>	
Nigerian Naira	461	-	461	0.0
Russian Ruble	5,933	192	6,125	0.3
Serbian Dinar	1,634	-	1,634	0.1
South African Rand	5,431	214	5,645	0.2
Swiss Franc	1,375	-	1,375	0.1
Turkish Lira	3,302	-	3,302	0.1
Ugandan Shilling	1,248	3	1,251	0.1
Uruguayan Peso	4,093	-	4,093	0.2
Zambian Kwacha	2,594	12	2,606	0.1
Total	<u>\$ 172,685</u>	<u>\$ 5,371</u>	<u>\$ 178,056</u>	<u>7.4 %</u>

This table excludes investments and cash held by the Pool that are denominated in U.S. dollars. The market value of the U.S. dollar denominated investments and cash is \$2,234,766. This represents approximately 93 percent of the value of the Pool's investments and cash.

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

<u>Assets</u>	<u>June 30, 2016</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Bank loan	\$ -	\$ 936	\$ -	\$ 936
Corporate asset backed issues	-	36,980	-	36,980
Corporate ABS residual	-	5,385	-	5,385
Corporate CMO	-	27,879	-	27,879
Corporate preferred security	10,472	-	-	10,472
Foreign asset backed issues	-	11,726	-	11,726
Foreign corporate bonds	-	292,987	-	292,987
Foreign currency forward contracts	-	1,054	-	1,054
Foreign government bonds	-	217,698	-	217,698
Future contracts	5,597	-	-	5,597
Investments made with cash collateral for securities loaned	20,960	79,703	-	100,663
Money market mutual fund	45,509	-	-	45,509
Municipal bonds	-	40,081	-	40,081
Options contracts purchased	849	343	-	1,192
Swaps	-	837	-	837
U.S. corporate bonds	-	540,049	-	540,049
U.S. Government agency bond	-	2,699	-	2,699
U.S. Government agency CMO	-	64,627	-	64,627
U.S. Government agency CMO interest-only	-	6,519	-	6,519
U.S. Government agency MBS	-	254,842	-	254,842
U.S. Government agency TBA	-	637	-	637

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

<i>(continued)</i> <b>Assets</b>	June 30, 2016			
	Level 1	Level 2	Level 3	Total
U.S. Treasury bonds	-	101,702	-	101,702
U.S. Treasury inflation protected securities	-	26,550	-	26,550
Total	<u>\$ 83,387</u>	<u>\$ 1,713,234</u>	<u>\$ -</u>	<u>\$ 1,796,621</u>
Investments in other funds				<u>360,669</u>
Total				<u>\$ 2,157,290</u>
<b>Liabilities</b>				
Foreign currency forward contracts	\$ -	\$ (4,747)	\$ -	\$ (4,747)
Future contracts	(7,013)	-	-	(7,013)
Options contracts written	(142)	(293)	-	(435)
Swaps	-	(18,200)	-	(18,200)
Total	<u>\$ (7,155)</u>	<u>\$ (23,240)</u>	<u>\$ -</u>	<u>\$ (30,395)</u>

There were no transfers in or out of Levels 1 and 2 during the year ended June 30, 2016.

<b>Assets</b>	June 30, 2015			
	Level 1	Level 2	Level 3	Total
Corporate asset backed issues	\$ -	\$ 115,941	\$ -	\$ 115,941
Corporate ABS residual	-	21,983	-	21,983
Corporate CMO	-	101,802	-	101,802
Corporate CMO interest-only	-	7,706	-	7,706
Corporate preferred security	10,428	-	-	10,428
Foreign asset backed issues	-	20,849	-	20,849
Foreign corporate bonds	-	285,960	-	285,960
Foreign currency forward contracts	-	2,675	-	2,675
Foreign government bonds	-	212,324	-	212,324
Future contracts	3,193	-	-	3,193
Investments made with cash collateral for securities loaned	-	22,132	-	22,132
Municipal bonds	-	51,734	-	51,734
Options contracts purchased	1,114	-	-	1,114
Short-term issue	102,153	-	-	102,153
Swaps	-	531	-	531
U.S. corporate bonds	-	578,249	-	578,249
U.S. Government agency bond	-	2,566	-	2,566
U.S. Government agency CMO	-	80,795	-	80,795
U.S. Government agency CMO interest-only	-	3,816	-	3,816
U.S. Government agency MBS	-	292,921	-	292,921
U.S. Government agency TBA	-	884	-	884
U.S. Treasury bonds	-	111,398	-	111,398
U.S. Treasury inflation protected securities	-	20,616	-	20,616
Total	<u>\$ 116,888</u>	<u>\$ 1,934,882</u>	<u>\$ -</u>	<u>\$ 2,051,770</u>
Investments in other funds				<u>356,277</u>
Total				<u>\$ 2,408,047</u>

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

<u>Liabilities</u>	<u>June 30, 2015</u>			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Foreign currency forward contracts	\$ -	\$ (292)	\$ -	\$ (292)
Future contracts	(660)	-	-	(660)
Options contracts written	(1,244)	-	-	(1,244)
Total	<u>\$ (1,904)</u>	<u>\$ (292)</u>	<u>\$ -</u>	<u>\$ (2,196)</u>

There were no transfers in or out of Levels 1 and 2 during the year ended June 30, 2015.

*Redemption Provisions*

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

**Opportunistic Debt Pool**

This Pool was established to hold the WVIMB's investments in middle market direct loans. Assets are managed by Angelo, Gordon & Co. and TCW Asset Management Company. The objective of the Pool is to generate a total net return of 7 - 9% over a normal market cycle (typically a 5 - 7 year period), and/or 250 basis points above the return of the credit Suisse Leveraged Loan Index. BRIM's amount invested in the Opportunistic Debt Pool of \$1,555 and \$0 at June 30, 2016 and 2015, respectively, represented approximately 1.4% and 0.0%, respectively, of total investments in the Pool.

*Credit Risk*

The Pool is exposed to credit risk from investments in unrated direct lending funds. This risk is limited by requiring that underlying fund holdings are at least 90 percent collateralized by one or more assets of the issuer. The Pool also holds shares of a money market fund with the highest credit rating.

*Concentration of Credit Risk*

Due to being in the infancy stage of the program, the fund is exposed to concentration of credit risk. Approximately 32 percent of committed capital has been called. As the program becomes fully funded, the concentration of credit risk will be mitigated. Each asset manager is restricted from investing more than 10 percent of the capital commitment in a single issuer for investments that are expected to be held longer than one year. At June 30, 2016, the Pool was in compliance with this restriction.

*Custodial Credit Risk*

At June 30, 2016, the Pool held no securities that were subject to custodial credit risk.

*Interest Rate Risk*

The Pool is exposed to interest rate risk from investments in direct lending funds. The WVIMB manages interest rate risk of the Pool by requiring at least 80 percent of the fund holdings that mature in more than one year to have variable of floating interest rate structures.

*Foreign Currency Risk*

The investments in direct lending funds might be indirectly exposed to foreign currency 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 table that follows sets forth information about the level within the fair value hierarchy at which the Pool's assets and liabilities are measured at June 30, 2016. All the Pool's investments in direct lending funds were valued using the net asset value per share practical expedient; as such, they have not been categorized in the fair value hierarchy.

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

<u>Assets</u>	June 30, 2016			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Money market mutual fund	\$ <u>100</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>100</u>
Direct lending funds				<u>114,158</u>
Total				<u>\$ 114,258</u>

There were no transfers in or out of Levels 1 and 2 during the year ended June 30, 2016.

*Redemption Provisions*

The Pool is restricted to the following redemption provisions: upon termination of the partnership or limited liability company.

**Core Fixed Income Pool**

The main objective of this Pool is to generate investment income, provide stability and diversification, but not at the expense of the total return. JP Morgan Investment Advisors, Inc. (JPM) manages this Pool. This Pool's investment objective, net of external management fees, is to meet or exceed the Barclays Capital U.S. Aggregate Index. BRIM's amount invested in the Core Fixed Income Pool of \$13,342, and \$14,631 at June 30, 2016 and 2015, respectively, and represented approximately 1.3% and 1.4%, respectively, of total investments in this Pool.

*Credit Risk*

The WVIMB limits the exposure to credit risk in the Pool by maintaining at least an average rating of investment grade as defined by the nationally recognized statistical rating organizations.

The following table provides the weighted-average credit ratings of the rated assets in the Pool as of June 30:

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

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

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

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

<b>June 30, 2015</b>				
<u>Investment Type</u>	<u>Moody's</u>	<u>S&amp;P</u>	<u>Fair Value</u>	<u>Percent of Total Investment</u>
Corporate asset backed issues	A	A	\$ 76,880	7.0 %
Corporate CMO	A	A	87,661	8.0
Corporate CMO interest-only	Ba	AAA	1,198	0.1
Corporate CMO principal-only	B	AA	278	0.0
Foreign asset backed issues	Aa	AA	2,813	0.3
Foreign corporate bonds	A	A	46,435	4.3
Foreign government bonds	Aa	A	7,814	0.7
Municipal bonds	Aa	AA	8,646	0.8
Preferred stock	A	A	2	0.0
Short-term issue	Aaa	AAA	41,293	3.8
Time deposits	P-1	A-1	7,044	0.6
U.S. corporate bonds	A	A	222,329	20.4
U.S. Government agency bonds	Aaa	AA	21,742	2.0
U.S. Government agency CMO	Aaa	AA	144,364	13.2
U.S. Government agency CMO interest-only	Aaa	AA	6,921	0.6
U.S. Government agency CMO principal only	Aaa	AA	10,501	1.0
U.S. Government agency MBS	Aaa	AA	194,546	17.8
U.S. Treasury bonds	Aaa	AA	204,400	18.7
U.S. Treasury inflation protected security	Aaa	AA	415	0.0
Total rated investments			<u>1,085,282</u>	<u>99.3</u>
Common stock			<u>7,134</u>	<u>0.7</u>
Total			<u>\$ 1,092,416</u>	<u>100.0 %</u>

This table includes investments received as collateral for repurchase agreements with a fair value of \$15,496 as compared to the amortized cost of the repurchase agreements of \$14,676.

*Concentration of Credit Risk*

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

*Custodial Credit Risk*

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

*Interest Rate Risk*

The WVIMB monitors interest rate risk of the Pool by evaluating the effective duration of the investments in the pool. The following table provides the weighted-average modified duration for the various asset types in Pool as of June 30, 2016 and 2015.

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

<b>Investment Type</b>	<b>2016</b>		<b>2015</b>	
	<b>Fair Value</b>	<b>Effective Duration (Years)</b>	<b>Fair Value</b>	<b>Effective Duration (Years)</b>
Corporate asset backed issues	\$ 71,452	2.1	\$ 76,574	2.0
Corporate CMO	58,738	2.5	87,539	2.0
Corporate CMO interest-only	713	(17.4)	1,198	(8.5)
Corporate CMO principal-only	200	4.2	278	3.2
Foreign asset backed issues	1,793	0.1	2,786	0.1
Foreign corporate bonds	44,399	5.7	46,346	5.7
Foreign government bonds	7,251	9.0	7,800	8.7
Money market mutual funds	35,271	N/A	-	-
Municipal bonds	9,782	14.4	8,646	13.9
Repurchase agreements	39,023	0.0	14,676	0.0
Short-term issue	-	-	41,293	0.0
Time deposits	13,097	0.0	7,044	0.0
U.S. corporate bonds	220,665	6.3	222,273	6.1
U.S. Government agency bonds	22,805	3.8	21,730	4.7
U.S. Government agency CMO	129,989	3.0	144,364	3.7
U.S. Government agency CMO interest-only	5,229	5.9	6,919	7.6
U.S. Government agency CMO principal only	9,002	7.2	10,501	7.4
U.S. Government agency MBS	187,410	4.4	188,831	4.8
U.S. Treasury bonds	200,740	8.5	202,383	7.2
U.S. Treasury inflation protected security	431	3.4	415	5.4
Total	<u>\$ 1,057,990</u>	<u>4.9</u>	<u>\$ 1,091,596</u>	<u>4.8</u>

The Pool invests in commercial and residential mortgage-backed securities, asset-backed securities, and collateralized mortgage obligations. The cash flows from these securities are based on the payment of the underlying collateral. The effective duration and yield to maturity of these securities are dependent on estimated prepayment assumptions that consider historical experience, market conditions, and other criteria. Actual prepayments may vary with changes in interest rates. Rising interest rates often result in a slower rate of prepayments while declining rates tend to lead to faster prepayments. As a result, the fair values of these securities are highly sensitive to interest rate changes. At June 30, 2016, the Pool held \$464,526 of these securities. This represents approximately 44.0% of the value of the Pool's securities.

*Foreign Currency Risk*

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

*Fair Value Measurements*

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

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

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

There were no transfers in or out of Levels 1 and 2 during the year ended June 30, 2016.

<b>Assets</b>	<b>June 30, 2015</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Corporate asset backed issues	\$ -	\$ 76,563	\$ -	\$ 76,563
Corporate CMO	-	87,539	-	87,539
Corporate CMO interest - only	-	1,198	-	1,198
Corporate CMO principal - only	-	278	-	278
Foreign asset backed issues	-	2,786	-	2,786
Foreign corporate bonds	-	46,346	-	46,346
Foreign government bonds	-	7,800	-	7,800
Investments made with cash collateral for securities loaned	-	21,731	-	21,731
Municipal bonds	-	8,646	-	8,646
Short-term issue	41,293	-	-	41,293
U.S. corporate bonds	-	222,273	-	222,273
U.S. Government agency bond	-	21,730	-	21,730
U.S. Government agency CMO	-	144,364	-	144,364
U.S. Government agency CMO interest-only	-	6,919	-	6,919
U.S. Government agency CMO principal-only	-	10,501	-	10,501
U.S. Government agency MBS	-	188,831	-	188,831
U.S. Treasury bonds	-	202,383	-	202,383
U.S. Treasury inflation protected securities	-	415	-	415
<b>Total</b>	<b>\$ 41,293</b>	<b>\$ 1,050,303</b>	<b>\$ -</b>	<b>\$ 1,091,596</b>

There were no transfers in or out of Levels 1 and 2 during the year ended June 30, 2015.

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

**Hedge Fund Pool**

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

This Pool holds shares in hedge funds and shares of a money market fund with the highest credit rating. The investments in hedge funds might be indirectly exposed to foreign currency risk, credit risk, interest rate risk, and/or custodial credit risk. The Pool is restricted from investing more than 10 percent of the value of the Pool with any single manager. At June 30, 2016, the Pool was in compliance with this restriction and is not exposed to concentration of credit risk. BRIM's amount invested in the Hedge Fund Pool of \$28,793 and \$27,815 at June 30, 2016 and 2015, respectively, represented approximately 1.8% and 1.7%, respectively, of total investments in this Pool.

*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. All of the Pool's investments in hedge funds were valued using the net asset value per share practical expedient. As these are the only investments in the Pool, a fair value hierarchy table is not presented.

*Redemption Provisions*

The Pool is restricted to the following redemption provisions: ranging from monthly with 3 days prior written notice to every three years with 45 days prior written notice and subject to maximum withdrawal restrictions.

**Treasury Inflation Protection Securities (TIPS)**

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

BRIM's amount invested in the TIPS Pool of \$13,368 and \$13,686 at June 30, 2016 and 2015, respectively, represented approximately 3.4% and 3.2% respectively, of total investments in this pool.

*Credit Risk*

The WVIMB limits the exposure to credit risk in the pool by primarily investing in U.S. Treasury inflation-protected securities (TIPS). The following tables provide the weighted-average credit ratings of the rated assets in the pool as of June 30:

<u>Investment Type</u>	<u>June 30, 2016</u>			<u>Percent of Assets</u>
	<u>Moody's</u>	<u>S&amp;P</u>	<u>Fair Value</u>	
Money market mutual fund	Aaa	AAA	\$ 127	0.0 %
U.S. Treasury inflation-protected securities	Aaa	AA	<u>374,622</u>	<u>100.0</u>
Total rated investments			<u>\$ 374,749</u>	<u>100.0 %</u>
<u>Investment Type</u>	<u>June 30, 2015</u>			<u>Percent of Assets</u>
	<u>Moody's</u>	<u>S&amp;P</u>	<u>Fair Value</u>	
Short-term issue	Aaa	AAA	\$ 228	0.1 %
U.S. Treasury inflation-protected securities	Aaa	AA	<u>427,774</u>	<u>99.9</u>
Total rated investments			<u>\$ 428,002</u>	<u>100.0 %</u>

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

*Concentration Of Credit Risk*

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

*Custodial Credit Risk*

At June 30, 2016, the Pool held no securities that were subject to custodial credit risk. All securities are held by the WVIMB's custodian in the name of the WVIMB.

*Interest Rate Risk*

The WVIMB monitors interest rate risk of the pool by evaluating the real modified duration of the investments in the pool. The following table provides the weighted-average real modified duration for the various asset types in the pool as of June 30:

<u>Investment Type</u>	<u>June 30, 2016</u>		<u>June 30, 2015</u>	
	<u>Fair Value</u>	<u>Real Modified Duration (Years)</u>	<u>Fair Value</u>	<u>Real Modified Duration (Years)</u>
Money market mutual fund	\$ 127	N/A	\$ -	0.0
Short-term issue	-	-	228	0.0
U.S. Treasury inflation-protected securities	<u>374,622</u>	<u>7.9</u>	<u>427,774</u>	<u>7.9</u>
Total investments	<u>\$ 374,749</u>	<u>7.9</u>	<u>\$ 428,002</u>	<u>7.9</u>

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

*Foreign Currency Risk*

None of the securities held by the Pool are exposed to foreign currency 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 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, 2016 and 2015, respectively. All the Pool's investments in other funds were valued using the net asset value per share practical expedient; as such, they have not been categorized in the fair value hierarchy.

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

There were no transfers in or out of Levels 1 and 2 during the year ended June 30, 2016.

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

<u>Assets</u>	<u>June 30, 2015</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Short-term issue	\$ 228	\$ -	\$ -	\$ 228
U.S. Treasury inflation-protected securities	-	427,774	-	427,774
Total	\$ 228	\$ 427,774	\$ -	\$ 428,002

There were no transfers in or out of Levels 1 and 2 during the year ended June 30, 2015.

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

<u>Security Type</u>	<u>June 30, 2016</u>				<u>June 30, 2015</u>			
	<u>Moody's</u>	<u>S&amp;P</u>	<u>Fair Value</u>	<u>Percent of Assets</u>	<u>Moody's</u>	<u>S&amp;P</u>	<u>Fair Value</u>	<u>Percent of Assets</u>
Corporate bonds and notes	-	-	\$ -	0.00%	Aaa	AAA	\$ 1,982	0.97 %
	Aa1	AA+	1,138	0.53	Aa1	AA+	1,028	0.50
	-	-	-	0.00	Aa1	AA	784	0.39
	-	-	-	0.00	Aa1	AA-	2,088	1.02
	-	-	-	0.00	Aa2	AA	-	0.00
	Aa2	AA-	995	0.46	Aa2	AA-	2,106	1.03
	Aa3	AA-	2,354	1.09	Aa3	AA-	2,096	1.03
	Aa3	A+	4,740	2.20			-	-
	Aaa	AA+	1,113	0.52			-	-
	Aaa	AAA	1,111	0.51			-	-
			11,451	5.31			10,084	4.94
U.S. Treasury bonds and notes	Aaa	NR	193,114	89.52	Aaa	NR	167,196	81.87
U.S. Agency bonds	-	-	-	0.00	Aaa	AA+	15,587	7.63
U.S. Agency-debenture	NR	NR	10,569	4.90	NR	NR	10,878	5.33
Money market funds	NR	NR	574	0.27	Aaa	AAA	474	0.23
Total rated investments			\$ 215,708	100.00%			\$ 204,219	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, 2016 and 2015, advanced deposits include no securities that were subject to custodial credit risk.

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

*Interest Rate Risk*

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

<u>Investment Type</u>	<u>June 30, 2016</u>		<u>June 30, 2015</u>	
	<u>Fair Value</u>	<u>WAM Years</u>	<u>Fair Value</u>	<u>WAM Years</u>
Corporate bonds and notes	\$ 11,451	4.0	\$ 10,084	5.0
U.S. Treasury bonds	193,114	4.0	167,196	3.7
U.S. agency bonds	-	-	15,587	4.3
U.S. Agency debenture	10,569	3.3	10,878	4.3
Money market funds	574	-	474	-
Total rated investments	<u>\$ 215,708</u>	<u>4.0</u>	<u>\$ 204,219</u>	<u>3.6</u>

*Foreign Currency Risk*

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

*Fair Value Measurements*

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

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

<u>Assets</u>	<u>June 30, 2015</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Corporate bonds and notes	\$ 10,084	\$ -	\$ -	\$ 10,084
U.S. Treasury bonds	167,196	-	-	167,196
U.S. agency bonds	15,587	-	-	15,587
U.S. Agency debenture	10,878	-	-	10,878
Money market funds	474	-	-	474
Total	<u>\$ 204,219</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 204,219</u>

There were no transfers in or out of Levels 1 and 2 during the years ended June 30, 2016 or 2015.

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

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

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

	<u>2016</u>	<u>2015</u>
Unpaid claims and claims adjustment expense liability at beginning of year	\$ 160,960	\$ 153,204
Incurred claims and claims adjustment expense:		
Provision for insured events of the current year	66,740	62,342
(Decrease) increase in provision for insured events of prior years	<u>(2,987)</u>	<u>5,803</u>
Total incurred claims and claims adjustment expense	63,753	68,145
Payments:		
Claims and claims adjustment expense attributable to insured events of the current year	(12,863)	(11,146)
Claims and claims adjustment expense attributable to insured events of prior years	<u>(43,415)</u>	<u>(49,243)</u>
Total payments	<u>(56,278)</u>	<u>(60,389)</u>
Total unpaid claims and claims adjustment expense liability at end of year	<u>\$ 168,435</u>	<u>\$ 160,960</u>

If the unpaid claims and claims adjustment expense liability were discounted using a 4% discount factor for 2016 and 2015 to take into consideration the time value of money, the result would be a decrease in the liability and an increase in net position of approximately \$14,876 and \$14,209 for fiscal years 2016 and 2015, respectively. The overall unpaid claim liability number includes a provision for allocated and unallocated claims adjustment expense.

**5. Employee Benefit Plans**

***Plan description***

All full-time BRIM employees are eligible to participate in the State's Public Employees' Retirement System (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 two percent 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.

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

---

***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 13.5%, 14.0% and 14.5% for the years ended June 30, 2016, 2015 and 2014, 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%. The BRIM's contributions to the Plan were \$149, \$127, and \$133 for the fiscal years ended June 30, 2016, 2015 and 2014, respectively.

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

Effective July 1, 2014, the BRIM adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* – an amendment of GASB Statement No. 27, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* – an Amendment of GASB Statement No. 68. As summarized below, a cumulative effect adjustment of \$495 has been recorded to decrease net position previously reported at the beginning of fiscal year 2015. BRIM determined that it was not practical to restate the prior year financial statements as the information was not provided by the West Virginia Consolidated Public Retirement Board (WVCPRB), which administers this cost-sharing multiple-employer plan. These statements reclassified some items previously reported as expenses as deferred outflows and now requires BRIM to record the net pension liability and a more comprehensive measure of pension expense.

Net Position at the Beginning of the Year Required Statement:	
Net Position beginning of year, as previously reported	\$ 208,911
Total cumulative effect adjustment	<u>(495)</u>
Net Position at June 30, 2014, restated	<u>\$ 208,416</u>

During fiscal year 2016, BRIM, along with other State of West Virginia agencies participating in PERS adopted GASB Statement 73, *Accounting and Financial Reporting for Pensions and related Assets That Are Not within the Scope of GASB 68*, and Amendments to Certain Provisions of GASB Statements 67 and 68, GASB Statement 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, and GASB Statement 82, *Pension Issues and Amendment of GASB Statements 67, 68, and 73*. The impact of adopting these statements was not material to the BRIM's financial statements.

At June 30, 2016 and 2015, the BRIM reported a liability of \$467 and \$254 for its proportionate share of the net pension liability. The net pension liability reported at June 30, 2016 was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014, rolled forward to the measurement date of June 30, 2015. BRIM's proportion of the net pension liability was based on the 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, 2015. At June 30, 2015, BRIM's proportionate share was 0.0836%, which was an increase of 0.0596% for its proportionate share measured as of June 30, 2014.

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

For the years ended June 30, 2016 and 2015, BRIM recognized pension expense of \$137 and \$28, respectively. At June 30, 2016 and 2015, BRIM reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>2016</u>		<u>2015</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ 142	\$ 245	\$ -	\$ 269
Differences between expected and actual experience	96	-	-	-
Difference in assumptions	-	56	-	-
Changes in proportion and differences between BRIM's contributions and proportionate share of contributions	-	3	-	1
BRIM's contributions made subsequent to the measurement date of June 30, 2016 and 2015	<u>149</u>	<u>-</u>	<u>127</u>	<u>-</u>
Total	<u>\$ 387</u>	<u>\$ 304</u>	<u>\$ 127</u>	<u>\$ 270</u>

Employer contributions to the 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:**

2017	\$ (34)
2018	\$ (34)
2019	\$ (33)
2020	\$ 35

***Actuarial assumptions and methods***

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

Inflation	1.9%
Salary increase	3.0 – 6.0%, average, including inflation
Investment rate of return	7.5%, net of pension plan investment expense

Mortality rates were based on 110% of the RP-2000 Non-Annuitant, Scale AA for healthy males, 101% of RP-2000 Non-Annuitant Scale for healthy females, 96% of RP-2000 Disabled Annuitant, Scale AA for disabled males, and 107% of RP-2000 Disabled Annuitant, Scale AA for disabled females.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results from an actual experience study for the period July 1, 2009 through June 30, 2014.

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

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

Inflation	2.2%
Salary increase	4.25 – 6.0%, average, including inflation
Investment rate of return	7.5%, net of pension plan investment expense

Mortality rates were based on the 1983 Group Annuity Mortality (GAM) for healthy males, 1971 GAM for healthy females, 1971 GAM for disabled males, and Revenue Ruling 96-7 for disabled females.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2004 through June 30, 2009.

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 target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	15.0%	2.9-4.8%
Domestic equity	27.5%	7.6%
International equity	27.5%	8.5%
Real estate	10.0%	6.8%
Private equity	10.0%	9.9%
Hedge funds	<u>10.0%</u>	5.0%
Total	<u><u>100.0%</u></u>	

***Discount rate***

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from employers will continue to be made at statutorily required rates, which are determined by actuarial valuations. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. Although discount rates are subject to change between measurement dates, there were no changes in the discount rate in the current period.

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

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

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

	<u>1% Decrease (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
BRIM's proportionate share of net pension liability	\$ 1,076	\$ 467	(48)

***Other postemployment benefits (OPEB)***

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

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

Legislation requires the BRIM to determine, through an actuarial study, the Annual Required Contribution (ARC), which shall be sufficient to maintain the BRIM in an actuarially sound manner. The ARC is allocated to respective cost-sharing employers, including BRIM, who are required by law to fund at least the minimum annual premium component of the ARC. Revenues collected by BRIM shall be used to fund current OPEB health care claims and administrative expenses with residual funds held in trust for future OPEB costs. BRIM records expense for its allocated ARC and a liability for the ARC that has not been paid. Approximately \$471 and \$407 of the ARC remained unpaid as of June 30, 2016 and 2015, respectively, and is recorded in accrued expenses and other liabilities on the statements of net position. For fiscal years 2016, 2015 and 2014, BRIM's OPEB contribution was approximately \$44, \$40 and \$54, respectively, of the total required contribution of \$44, \$40 and \$63, respectively. The actual contribution represents 49%, 74% and 85% of the ARC for 2016, 2015 and 2014, respectively. BRIM's policy is to fund at least the minimum annual premium component of the ARC. There are currently 22 employees eligible to receive such benefits.

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

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

---

**6. Lease Arrangement**

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

Operating lease expense approximated \$139 for the years ended June 30, 2016 and 2015, relating to these arrangements. Future minimum lease payments under these operating lease arrangements are as follows for years ending June 30:

2017	\$	236
2018	\$	222
2019	\$	222
2020	\$	37

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

Premium revenues derived from billings to State entities, which are funded by special revenue funds and component units of the primary government, approximated \$37,688 and \$32,119 for the years ended June 30, 2016 and 2015, respectively.

BRIM is required by Senate Bill 1002 to remit amounts equal to the gross premium tax attributable to premiums collected by BRIM. These amounts are to be placed in a separate account known as "the Premium Tax Savings Fund" (the Fund) maintained by the State Treasurer. Amounts deposited by BRIM into the Fund approximated \$2,196 and \$2,198 for the years ended June 30, 2016 and 2015, respectively. The Fund is not included in BRIM's financial statements, but is included in the general fund of the State.

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

BRIM has entered into two reinsurance agreements for excess coverage with unrelated insurance companies wherein the company assumes the liability over BRIM's limit for a ceded premium. BRIM obtains an excess policy from the commercial market, which gives boards of education a liability limit of up to \$5 million in excess of BRIM's \$1 million self-insured limit BRIM also purchases an excess policy on all State and SB3 insured property over and above BRIM's \$1 million self-insured limit These reinsurance agreements have been accounted for as a transfer of risk in the accompanying financial statements. However, BRIM is not relieved of its primary obligation to the insureds in the reinsurance transaction. BRIM had \$229 reinsurance recoveries for the fiscal year ended June 30, 2016, and \$1,200 for the fiscal year ended June 30, 2015.

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

---

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

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

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

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

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

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

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
1) Premiums and investment revenues:										
Earned	\$ 98,270	\$ 83,499	\$ 69,739	\$ 83,088	\$ 71,320	\$ 64,361	\$ 54,969	\$ 69,172	\$ 63,037	\$ 72,706
Ceded	6,151	6,394	5,944	6,257	6,075	5,386	5,825	6,102	6,197	6,909
Net earned	92,119	77,105	63,795	76,831	65,245	58,975	49,144	63,070	56,840	65,797
2) Unallocated expenses, including administrative fees paid to third-party claims administrators	8,536	8,045	7,840	8,043	7,867	7,562	7,240	7,888	7,653	7,911
3) Estimated incurred claims and claims adjustment expense, end of policy year:										
Incurred	59,678	59,246	56,194	51,388	53,728	60,176	57,276	58,389	62,342	66,740
Ceded	3,597	2,000	300	-	-	2,312	-	-	-	-
Net incurred	56,081	57,246	55,894	51,388	53,728	57,864	57,276	58,389	62,342	66,740
4) Paid (cumulative) claims and claims adjustment expense as of:										
End of policy year	12,416	8,352	9,753	9,965	10,757	10,156	10,870	10,560	11,146	12,863
One year later	16,942	18,097	19,069	17,009	18,034	20,830	18,936	19,965	24,010	
Two years later	24,345	26,240	25,457	25,606	26,398	30,577	30,649	29,077		
Three years later	30,733	33,488	32,126	32,612	34,305	43,021	40,132			
Four years later	35,469	38,077	36,501	38,174	39,497	48,351				
Five years later	37,636	39,518	39,349	39,821	42,538					
Six years later	40,076	41,403	42,577	40,798						
Seven years later	41,334	43,674	44,018							
Eight years later	42,030	44,369								
Nine years later	42,043									
5) Reestimated ceded claims and expenses	3,597	2,000	300	-	-	2,312	-	-	-	-
6) Reestimated net incurred claims and allocated claims adjustment expense:										
End of policy year	56,081	57,246	55,894	51,388	53,728	57,864	57,276	58,389	62,342	66,740
One year later	53,924	57,108	48,432	46,571	52,844	58,812	56,883	57,772	65,545	
Two years later	48,330	51,881	46,176	47,102	50,289	61,106	63,767	61,216		
Three years later	44,898	46,708	45,328	46,116	48,480	62,460	61,150			
Four years later	43,179	45,459	44,112	44,171	47,980	57,109				
Five years later	42,181	44,323	46,551	43,567	46,321					
Six years later	42,862	44,349	45,424	42,762						
Seven years later	43,340	45,098	45,940							
Eight years later	42,566	45,667								
Nine years later	42,355									
7) (Decrease) increase in estimated net incurred claims and allocated claims adjustment expense from end of policy year	(13,726)	(11,579)	(9,954)	(8,626)	(7,407)	(755)	3,874	2,827	3,203	-

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:

	2016				2015			
	Liability	Property	Mine Subsidence	Total	Liability	Property	Mine Subsidence	Total
Unpaid claims and claims adjustment expense liability at beginning of fiscal year	\$ 154,948	\$ 5,136	\$ 876	\$ 160,960	\$ 146,833	\$ 5,510	\$ 861	\$ 153,204
Incurred claims and claims adjustment expense:								
Provision for insured events of the current fiscal year	60,464	5,619	657	66,740	55,686	5,960	696	62,342
(Decrease) increase in provision for insured events of prior fiscal years	(1,624)	(1,231)	(132)	(2,987)	8,020	(2,053)	(164)	5,803
Total incurred claims and claims adjustment expense	58,840	4,388	525	63,753	63,706	3,907	532	68,145
Payments:								
Claims and claims adjustment expense attributable to insured events of the current fiscal year	11,354	1,408	101	12,863	(9,404)	(1,664)	(78)	(11,146)
Claims and claims adjustment expense attributable to insured events of the prior fiscal years	40,811	2,221	383	43,415	(46,187)	(2,617)	(439)	(49,243)
Total claims and claims adjustment expense payments	52,165	3,629	484	56,278	(55,591)	(4,281)	(517)	(60,389)
Total unpaid claims and claims adjustment expense liability at end of the fiscal year	\$ 161,623	\$ 5,895	\$ 917	\$ 168,435	\$ 154,948	\$ 5,136	\$ 876	\$ 160,960

**West Virginia Board of Risk and Insurance Management**  
**Schedule of Proportionate Share of the Net Pension Liability in PERS**  
**Years Ended June 30 2016 and 2015**  
**(in thousands except percentages)**

---

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

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

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

**West Virginia Board of Risk and Insurance Management**  
**Schedule of Contributions to PERS**  
**Years Ended June 30, 2016, 2015, and 2014**  
**(in thousands except percentages)**

---

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

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

### **1. Trend Information Presented**

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

### **2. Plan Amendment**

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

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

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

---

**3. Changes in Assumptions**

An experience study, which was based on the years 2009 through 2014, was completed prior to the 2015 actuarial valuation. As a result, several assumptions were changed for the actuarial valuation for the year ending June 30, 2015 as follows:

	<u>2015</u>	<u>2014</u>
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 Non-Annuitant, Scale AA	Healthy males - 1983 GAM
	Healthy females - 101% of RP 2000 Non-Annuitant, Scale AA	Healthy females - 1971 GAM
	Disabled males - 96% of RP-2000 Disabled annuitant, Scale AA	Disabled males - 1971 GAM
	Disables females - 107% of RP-2000 Disabled annuitant, Scale AA	Disabled females - Revenue ruling 96-7
Withdrawal rates:		
State	1.75 - 35.1%	1 - 26%
Non-state	2 - 35.8%	2 - 31.2%
Disability rates	0 - .675%	0 - .8%

---

## Statistical Section

---



---

**The Coyote** – A relatively new addition to the state’s ecosystem, coyotes have expanded their range throughout most of the eastern United States, including West Virginia. It is said that the coyote’s favorite food is anything it can chew. The coyote is a carnivore; however, they consume a wide range of food, including small mammals, young deer, birds, fruits, berries and carrion.

---



## Statistical Section Narratives

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

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

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

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

Schedule 3 – Top 10 State Agency Premiums and Top 20 Senate Bill 3  
Premiums for Fiscal Year 2016 and Fiscal Year 2007

Schedule 4 – Investment Income and Premium Revenue

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

Schedule 5 – Principal Employers Current Year and Nine Years Ago

Schedule 6 – Demographic and Economic Indicators Calendar Years 2006 through 2015

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

Schedule 7 – Full-Time Equivalent Employees Fiscal Years 2007 through 2016

Schedule 8 – Claims Dollars Incurred by Customer Type for Fiscal Years 2007  
through 2016

Schedule 9 – Losses Incurred by Coverage Fiscal Years 2007 through 2016

Schedule 10 – Industry Averages Compared to BRIM

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

Schedule 12 – Listing of Coverages in Effect for Fiscal Year 2016

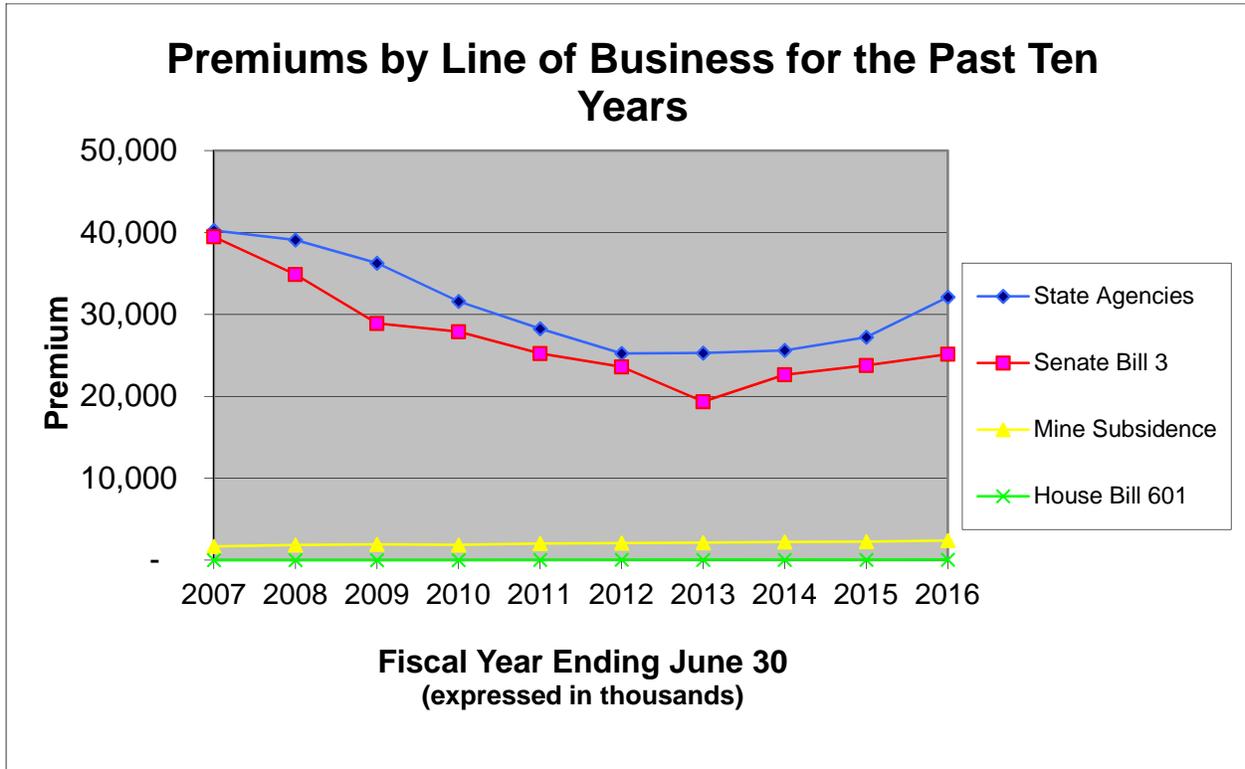
## SCHEDULE 1

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

	2016	2015	2014	2013	2012
<b>Operating Revenues</b>					
Premiums	\$ 65,293	\$ 58,204	\$ 52,128	\$ 47,134	\$ 51,046
Less Excess Coverage/Reinsurance Premiums	(6,909)	(6,197)	(6,102)	(5,825)	(5,386)
Net Operating Revenues	58,384	52,007	46,026	41,309	45,660
<b>Operating Expenses</b>					
Claims and Claims Adjustment Expense	63,753	68,145	61,626	54,018	53,396
General and Administrative	3,905	3,541	3,898	3,275	3,892
Total Operating Expenses	67,658	71,686	65,524	57,293	57,288
Operating Income (loss)	(9,274)	(19,679)	(19,498)	(15,984)	(11,628)
<b>Nonoperating Revenues (Expenses)</b>					
Investment Income	7,413	4,833	17,043	7,835	13,315
Appropriation transfer HB4261			(2,000)	--	--
Payment to transfer HB601 estimated future IBNR	--	(750)		--	--
Total Nonoperating Revenue	7,413	4,083	15,043	7,835	13,315
Change in Net Position (Deficiency)	(1,861)	(15,596)	(4,455)	(8,149)	1,687
<b>Net Position (Deficiency) at Year-End</b>					
Restricted	57,123	55,428	53,595	49,372	45,599
Unrestricted	133,836	137,392	155,316	163,994	175,916
Total Net Position (Deficiency)	\$ 190,959	\$ 192,820	\$ 208,911	\$ 213,366	\$ 221,515
<hr/>					
	2011	2010	2009	2008	2007
<b>Operating Revenues</b>					
Premiums	\$ 52,538	\$ 58,007	\$ 62,427	\$ 72,986	\$ 80,248
Less Excess Coverage/Reinsurance Premiums	(6,075)	(6,257)	(5,944)	(6,394)	(6,151)
Net Operating Revenues	46,463	51,750	56,483	66,592	74,097
<b>Operating Expenses</b>					
Claims and Claims Adjustment Expense	33,598	31,668	36,604	42,982	35,136
General and Administrative	4,026	3,946	3,894	4,247	4,305
Total Operating Expenses	37,624	35,614	40,498	47,229	39,441
Operating Income (loss)	8,839	16,136	15,985	19,363	34,656
<b>Nonoperating Revenues (Expenses)</b>					
Investment Income	18,782	25,081	7,312	10,512	18,022
Financing Income	--	32	31	30	25
On behalf contributions	--	--	--	30	--
Total Nonoperating Revenue	18,782	25,113	7,343	10,572	18,047
Change in Net Position (Deficiency)	27,621	41,249	23,328	29,935	52,703
<b>Net Position (Deficiency) at Year-End</b>					
Restricted	43,061	38,420	33,924	33,634	31,117
Unrestricted	176,767	153,787	117,034	93,996	66,430
Total Net Position (Deficiency)	\$ 219,828	\$ 192,207	\$ 150,958	\$ 127,630	\$ 97,547

Source: Compiled from BRIM's internal accounting records

**SCHEDULE 2**



Fiscal Year	State Agencies	Senate Bill 3	Mine Subsidence	House Bill 601
2007	\$ 39,091	\$ 39,481	\$ 1,676	-
2008	\$ 36,259	\$ 34,875	\$ 1,852	-
2009	\$ 31,596	\$ 28,902	\$ 1,929	-
2010	\$ 28,257	\$ 27,889	\$ 1,861	-
2011	\$ 25,239	\$ 25,233	\$ 2,032	\$ 34
2012	\$ 25,290	\$ 23,603	\$ 2,090	\$ 63
2013	\$ 25,607	\$ 19,345	\$ 2,142	\$ 40
2014	\$ 27,226	\$ 22,642	\$ 2,220	\$ 40
2015	\$ 32,118	\$ 23,779	\$ 2,263	\$ 44
2016	\$ 37,688	\$ 25,146	\$ 2,399	\$ 60

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

## SCHEDULE 3

### Top 10 State Agency Premiums and Top 20 Senate Bill 3 Premiums for Fiscal Year 2016 and Fiscal Year 2007

**Top 10 State Agency Premiums for Fiscal Year 2016**

WEST VIRGINIA UNIVERSITY	7,553,049
STATE POLICE, WEST VIRGINIA	5,765,357
DIVISION OF HIGHWAYS	5,190,905
DEPARTMENT OF HEALTH AND HUMAN RESOURCES	3,454,912
MARSHALL UNIVERSITY	2,609,874
DIVISION OF CORRECTIONS	1,419,748
REGIONAL JAIL & CORR. FAC. AUTHORITY	694,085
WEST VIRGINIA PARKWAYS AUTHORITY	606,271
GENERAL SERVICES DIVISION	537,209
SUPREME COURT OF APPEALS	522,529
Total Top Ten	<b><u>\$ 28,353,939</u></b>

Total State Premium Billing for 2016 **\$ 37,687,893**  
 % of top 10 in relation to all state agency billings **75.23%**

**Top 10 State Agency Premiums for Fiscal Year 2007**

PUBLIC SAFETY DIVISION	6,530,201
WEST VIRGINIA UNIVERSITY	6,449,382
DIVISION OF HIGHWAYS	5,395,192
DEPARTMENT OF HEALTH AND HUMAN RESOURCES	4,953,824
MARSHALL UNIVERSITY	2,662,936
DIVISION OF CORRECTIONS	1,135,659
WV STATE PARKS	676,911
DIVISION OF NATURAL RESOURCES	657,653
WEST VIRGINIA PARKWAYS AUTHORITY	581,178
REGIONAL JAIL & CORR. FAC. AUTHORITY	580,963
Total Top Ten	<b><u>\$ 29,623,899</u></b>

Total State Premium Billing for 2007 **\$ 38,336,517**  
 % of top 10 in relation to all state agency billings **77.27%**

**Top 20 SB 3 Premiums for Fiscal Year 2016**

KANAWHA COUNTY BOARD OF EDUCATION	\$1,484,834
RALEIGH COUNTY BOARD OF EDUCATION	682,932
BERKELEY COUNTY BOARD OF EDUCATION	681,062
CABELL COUNTY BOARD OF EDUCATION	561,212
WEST VIRGINIA UNIVERSITY MEDICAL CORP.	554,699
CITY OF ST. ALBANS	542,005
PUTNAM COUNTY BOARD OF EDUCATION	484,258
HARRISON COUNTY BOARD OF EDUCATION	477,266
MINGO COUNTY COMMISSION	450,120
WAYNE COUNTY BOARD OF EDUCATION	419,717
MERCER COUNTY BOARD OF EDUCATION	393,003
WOOD COUNTY BOARD OF EDUCATION	373,265
MONONGALIA COUNTY BOARD OF EDUCATION	363,052
LOGAN COUNTY BOARD OF EDUCATION	348,963
MARION COUNTY BOARD OF EDUCATION	346,982
LOGAN COUNTY BOARD OF EDUCATION	335,682
JEFFERSON COUNTY BOARD OF EDUCATION	319,884
FAYETTE COUNTY BOARD OF EDUCATION	308,796
LOGAN COUNTY BOARD OF EDUCATION	300,703
UNIVERSITY PHYSICIANS AND SURGEONS	269,989
Total Top Twenty	<b><u>\$ 9,698,424</u></b>

Total SB 3 Premium Billing for 2016 **\$ 25,146,522**  
 % of top 20 in relation to total SB 3 billings **38.57%**

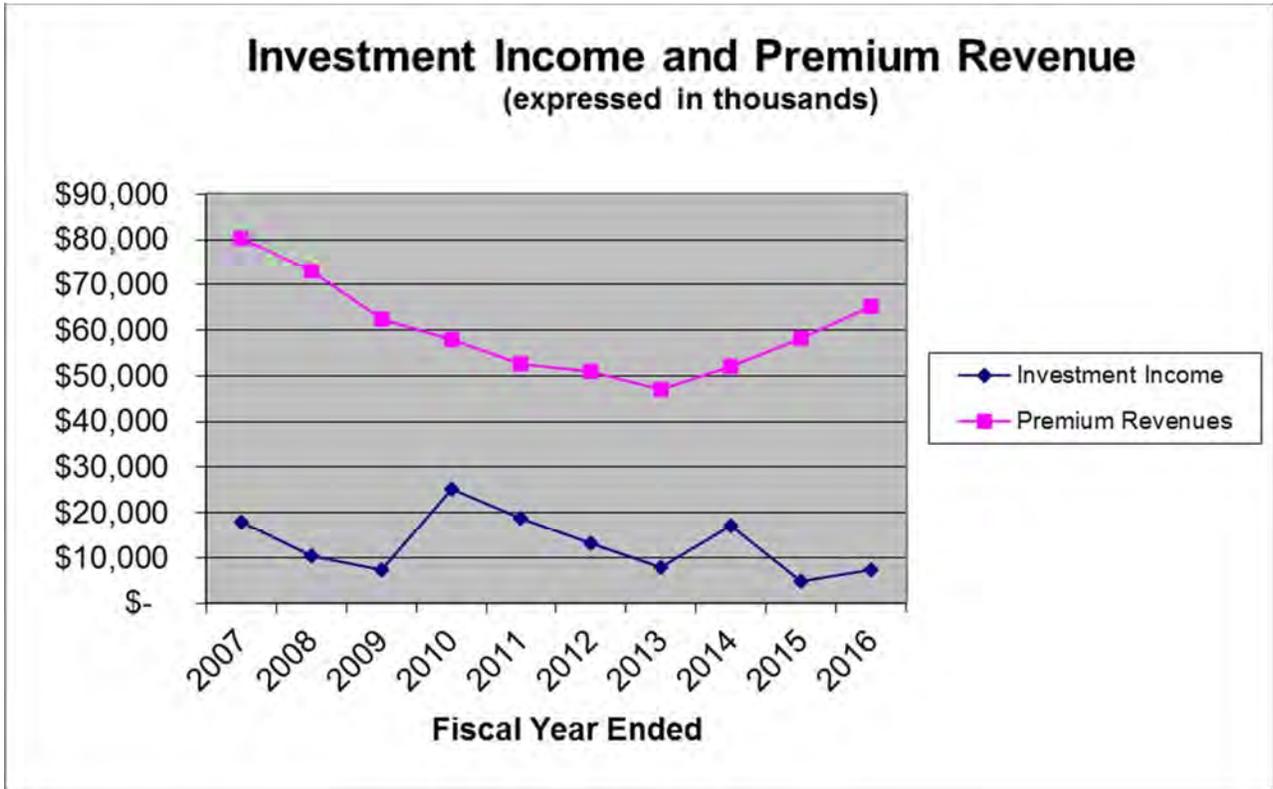
**Top 20 SB 3 Premiums for Fiscal Year 2007**

KANAWHA COUNTY BOARD OF EDUCATION	\$1,673,159
RALEIGH COUNTY BOARD OF EDUCATION	673,130
WEST VIRGINIA UNIVERSITY MEDICAL CORPORATION	670,300
BERKELEY COUNTY BOARD OF EDUCATION	615,504
WHEELING PARK COMMISSION	553,176
HARRISON COUNTY BOARD OF EDUCATION	541,494
CITY OF ST. ALBANS	540,846
PUTNAM COUNTY BOARD OF EDUCATION	530,701
WAYNE COUNTY BOARD OF EDUCATION	527,969
BERKELEY COUNTY COMMISSION	509,773
MONONGALIA COUNTY BOARD OF EDUCATION	497,948
MERCER COUNTY BOARD OF EDUCATION	497,530
WOOD COUNTY BOARD OF EDUCATION	475,370
CABELL COUNTY BOARD OF EDUCATION	460,691
MONONGALIA COUNTY COMMISSION	453,930
UNIVERSITY PHYSICIANS AND SURGEONS	427,164
FAYETTE COUNTY BOARD OF EDUCATION	398,350
MINGO COUNTY BOARD OF EDUCATION	394,455
WEST VIRGINIA CITIZEN'S CONSERVATION CORPORATION	392,695
MARION COUNTY BOARD OF EDUCATION	382,149
Total Top Twenty	<b><u>\$ 11,216,334</u></b>

Total SB 3 Premium Billing for 2007 **\$ 40,546,798**  
 % of top 20 in relation to total SB 3 billings **27.66%**

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

**SCHEDULE 4**



Fiscal Year	Investment Income	Premium Revenue
2007	\$ 18,022	\$ 80,248
2008	\$ 10,512	\$ 72,986
2009	\$ 7,312	\$ 62,427
2010	\$ 25,081	\$ 58,007
2011	\$ 18,782	\$ 52,538
2012	\$ 13,315	\$ 51,046
2013	\$ 7,835	\$ 47,134
2014	\$ 17,043	\$ 52,128
2015	\$ 4,833	\$ 58,204
2016	\$ 7,413	\$ 65,293

This chart illustrates BRIM’s higher investment earnings through 2014. The higher earnings were a result of BRIM’s new investment strategy implemented in 2009 during a period of lower premium revenues due to reductions being given in premiums. Returns decreased in 2015 and 2016 due to a decline in market conditions. Amounts are expressed in thousands of dollars.

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

## SCHEDULE 5

### Principal Employers Current Year and Nine Years Ago

Estimated as of June 30, 2016			Estimated as of June 30, 2007		
Major West Virginia Employers	Number of Employees	Percentage of Total Employed	Major West Virginia Employers	Number of Employees	Percentage of Total Employed
Local Government	75,000 - 79,999	10.85%	Local Government	70,000 - 74,999	10.43%
State Government	40,000 - 44,999	6.04%	State Government	35,000 - 39,999	5.55%
Federal Government	20,000 - 24,999	3.34%	Federal Government	20,000 - 24,999	3.16%
WVU Medicine	13,000 - 14,999	2.15%	Wal-Mart Associates, Inc.	10,000 - 13,000	1.84%
Wal-Mart Associates, Inc.	10,000 - 12,999	1.86%	West Virginia United Health System	3,000 - 5,999	0.85%
Charleston Area Medical Center, Inc.	5,000 - 6,999	1.00%	Charleston Area Medical Center, Inc.	3,000 - 5,999	0.85%
Kroger	3,000 - 4,999	0.72%	Kroger	3,000 - 5,999	0.85%
Mylan Pharmaceuticals, Inc.	3,000 - 4,999	0.72%	American Electric Power	3,000 - 5,999	0.85%
Lowe's Home Centers, Inc.	1,000 - 2,999	0.43%	Eldercare Resources Corporation	1,000 - 2,999	0.42%
St. Mary's Medical Center, Inc.	1,000 - 2,999	0.43%	Lowe's Home Centers, Inc.	1,000 - 2,999	0.42%
Cabell Huntington Hospital, Inc.	1,000 - 2,999	0.43%	CSX	1,000 - 2,999	0.42%
Wheeling Hospital, Inc.	1,000 - 2,999	0.43%	Pilgrim's pride Corporation	1,000 - 2,999	0.42%
Res-Care Inc.	1,000 - 2,999	0.43%	St. Mary's Medical Center, Inc.	1,000 - 2,999	0.42%
Actual Total	<u>201,100</u>			<u>187,536</u>	

**Source: Workforce West Virginia Research, Information, and Analysis Office**

## SCHEDULE 6

### Demographic and Economic Indicators Calendar Years 2006-2015

	2015	2014	2013	2012	2011
<b>Population</b>					
West Virginia	1,844,128	1,852,994	1,854,304	1,855,413	1,855,364
Change	-0.48%	-0.07%	-0.06%	0.00%	0.13%
National	324,118,787	317,297,938	316,128,839	313,914,040	311,591,917
Change	2.15%	0.37%	0.71%	0.75%	0.92%
<b>Total Personal Income</b>					
West Virginia (in millions)	67,786	66,729	65,268	63,968	62,178
Change	1.58%	2.24%	2.03%	2.88%	4.65%
National (in millions)	15,594,003	14,680,500	14,090,700	13,401,869	12,981,741
Change	6.22%	4.19%	5.14%	3.24%	5.08%
<b>Per Capita Personal Income*</b>					
West Virginia	36,758	36,644	35,533	34,477	33,513
Change	0.31%	3.13%	3.06%	2.88%	4.59%
National	48,112	46,038	44,402	42,693	41,663
Change	4.50%	3.68%	4.00%	2.47%	4.32%
<b>Median Age</b>					
	<b>41.9</b>	<b>41.9</b>	41.0	41.3	41.1
<b>Educational Attainment</b>					
9th Grade or Less	4.6%	6.2%	6.2%	3.0%	6.8%
Some High School, No Diploma	10.3%	10.2%	10.2%	5.0%	11.3%
High School Diploma	40.2%	44.1%	44.1%	40.1%	41.3%
Some College, No Degree	16.3%	13.4%	13.4%	26.3%	17.6%
Associate, Bachelor's or Graduate Degree	28.6%	26.1%	26.1%	25.6%	23.0%
<b>Labor Force and Employment (people in thousands)</b>					
Civilian Labor Force	780	789	796.0	805.0	799.9
Employed	732	737	744.7	746.0	736.1
Unemployed	48.6	52	51.3	59.0	63.8
Unemployment Rate	6.2	6.6	6.5%	7.3%	8.0%
<b>Nonfarm Wage and Salary Workers Employed in West Virginia</b>					
<b>Goods Producing Industries (people in thousands)</b>					
Mining	25.9	30.3	31.8	33.7	33.6
Construction	32.5	33.7	34.3	35.6	33
Manufacturing-Durable Goods	28.6	28.7	29.1	29.6	30
Manufacturing-NonDurable Goods	19	19.1	19.3	19.6	19.5
<b>Total Goods Producing Industries</b>	<b>106</b>	<b>111.8</b>	<b>114.5</b>	<b>118.5</b>	<b>116.1</b>
<b>Non-Goods Producing Industries (people in thousands)</b>					
Trade	135	109.4	110.3	111.0	109.9
Service	371.1	388.9	384.5	381.7	376.2
State and Local Government	128.7	128.6	130.5	130.7	128.3
Federal Government	23.2	23.3	23.3	23.3	23.5
<b>Total Non-Goods Producing Industries</b>	<b>658.0</b>	<b>650.2</b>	<b>648.6</b>	<b>646.7</b>	<b>637.9</b>
<b>Total Nonfarm Wage and Salary Employment</b>	<b>764.0</b>	<b>762.0</b>	<b>763.1</b>	<b>765.2</b>	<b>754.0</b>

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

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

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

(continued)

	2010	2009	2008	2007	2006
<b>Population</b>					
West Virginia	1,852,994	1,819,777	1,814,873	1,811,198	1,807,237
Change	1.83%	0.27%	0.20%	0.22%	0.18%
National	308,745,538	307,006,550	304,374,846	301,579,895	298,593,212
Change	0.57%	0.86%	0.93%	1.00%	0.96%
<b>Total Personal Income</b>					
West Virginia (in millions)	59,417	57,535	57,576	54,100	51,862
Change	3.27%	-0.07%	6.43%	4.32%	7.73%
National (in millions)	12,353,577	11,916,773	12,451,660	11,900,562	11,256,516
Change	3.67%	-4.30%	4.63%	5.72%	7.44%
<b>Per Capita Personal Income*</b>					
West Virginia	32,042	31,137	31,286	29,497	28,372
Change	2.91%	-0.48%	6.07%	3.97%	7.29%
National	39,937	38,846	40,947	39,506	37,725
Change	2.81%	-5.13%	3.65%	4.72%	6.41%
<b>Median Age</b>					
	41.3	40.5	40.6	40.4	40.7
<b>Educational Attainment</b>					
9th Grade or Less	6.1%	6.5%	6.6%	7.0%	7.1%
Some High School, No Diploma	10.7%	10.7%	11.1%	11.8%	11.9%
High School Diploma	41.6%	41.0%	40.9%	41.1%	42.7%
Some College, No Degree	18.3%	18.5%	18.5%	16.7%	16.1%
Associate, Bachelor's or Graduate Degree	23.3%	23.2%	22.9%	23.4%	22.2%
<b>Labor Force and Employment (people in thousands)</b>					
Civilian Labor Force	782.3	797.9	806.0	813.0	810.0
Employed	711.1	734.6	772.0	778.0	773.0
Unemployed	71.2	63.3	34.0	35.0	37.0
Unemployment Rate	9.1%	7.9%	4.3%	4.3%	4.6%
<b>Nonfarm Wage and Salary Workers Employed in West Virginia</b>					
<b>Goods Producing Industries (people in thousands)</b>					
Mining	29.9	29.6	30.7	27.5	28.1
Construction	32.6	34.1	38.4	38.7	39.2
Manufacturing-Durable Goods	29.6	30.9	35.2	37.2	38.4
Manufacturing-NonDurable Goods	19.5	19.8	21.1	21.8	22.6
<b>Total Goods Producing Industries</b>	<b>111.6</b>	<b>114.4</b>	<b>125.4</b>	<b>125.2</b>	<b>128.3</b>
<b>Non-Goods Producing Industries (people in thousands)</b>					
Trade	109.2	110.0	114.4	116.2	115.5
Service	372.5	369.9	374	369.5	367.8
State and Local Government	128.3	126.3	123.7	122.6	122.4
Federal Government	24.3	23.6	22.9	22.5	22.1
<b>Total Non-Goods Producing Industries</b>	<b>634.3</b>	<b>629.8</b>	<b>635</b>	<b>630.8</b>	<b>627.8</b>
<b>Total Nonfarm Wage and Salary Employment</b>	<b>745.9</b>	<b>744.2</b>	<b>760.4</b>	<b>756</b>	<b>756.1</b>

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

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

Sources: Workforce West Virginia Research, Information, and Analysis

Office, the Census, Survey of Current Business and  
the West Virginia Center on Budget & Policy

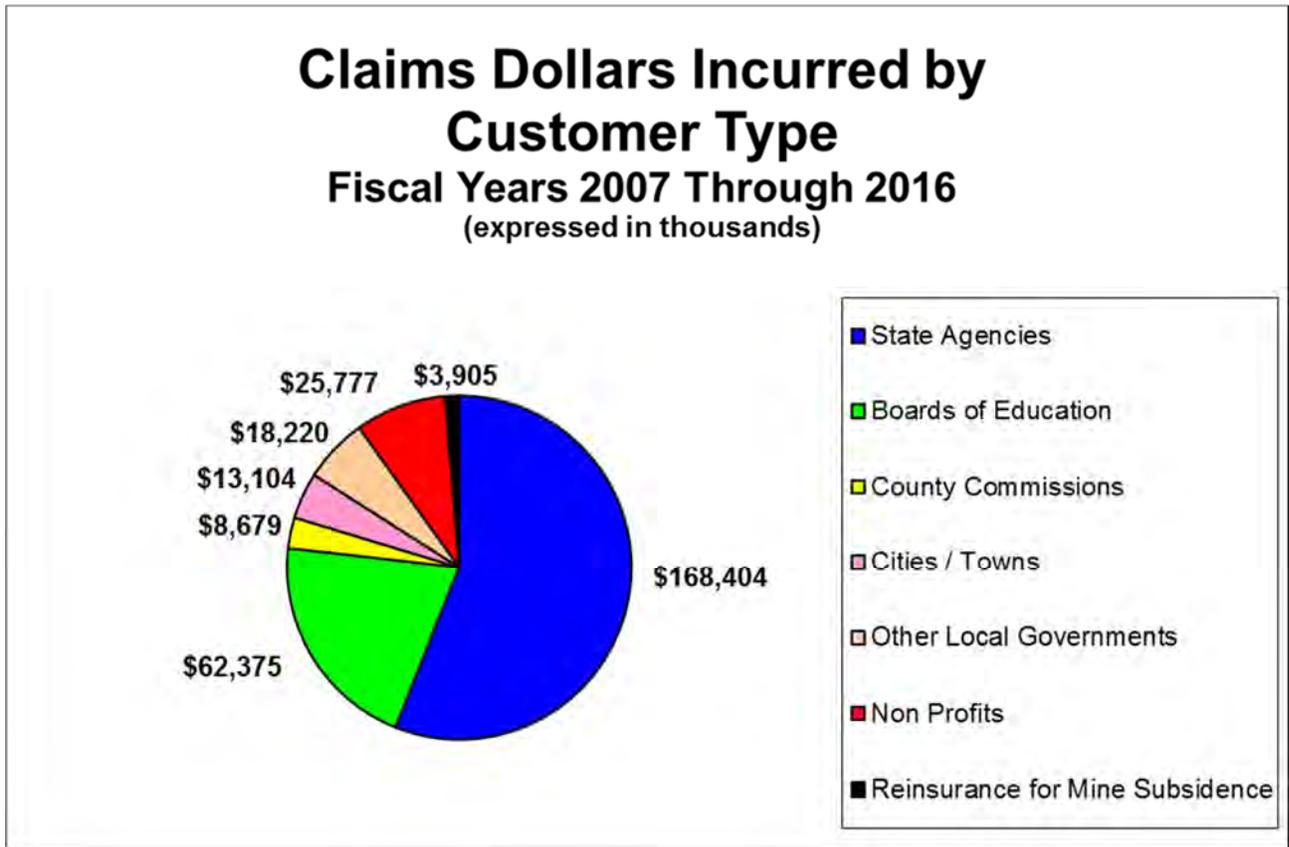
**SCHEDULE 7**  
**Full-Time Equivalent Employees Fiscal Year End – 2007 - 2016**

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

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

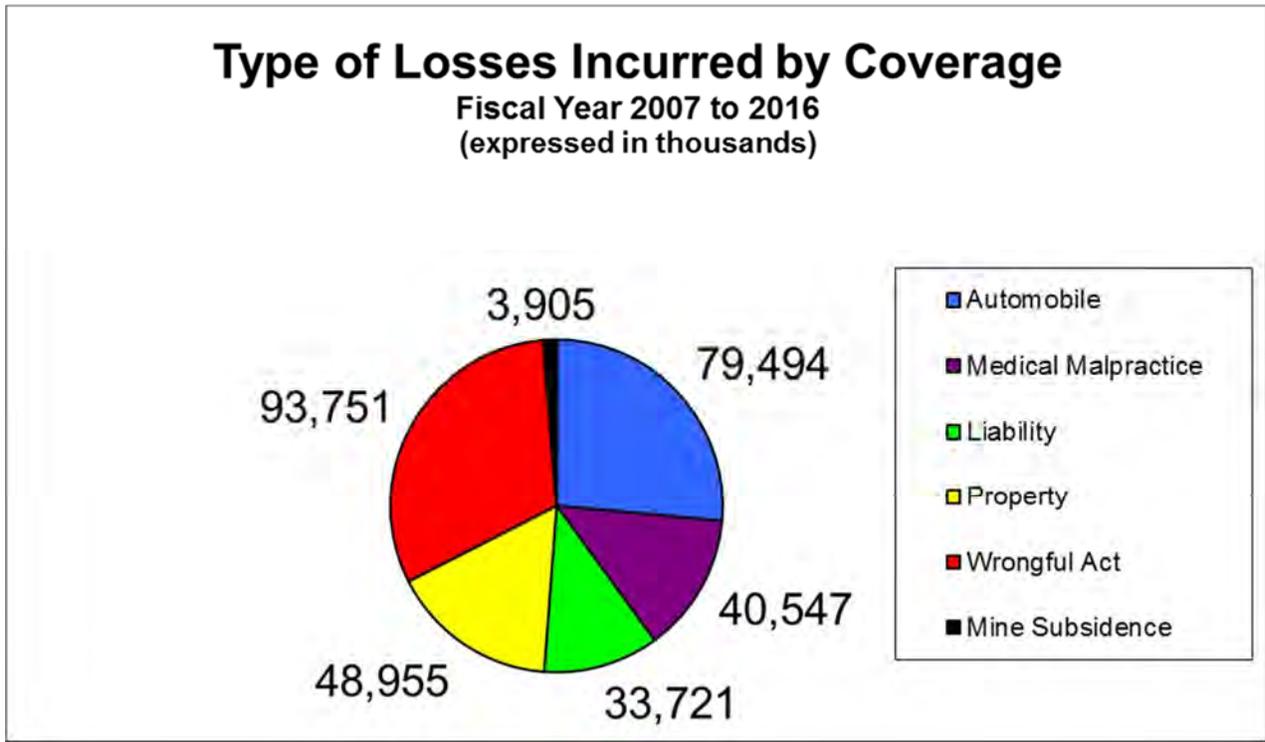
Source: Information compiled from the West Virginia Board of Risk and Insurance Management's internal data.

## SCHEDULE 8



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

**SCHEDULE 9**



**Loss Category**

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

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

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

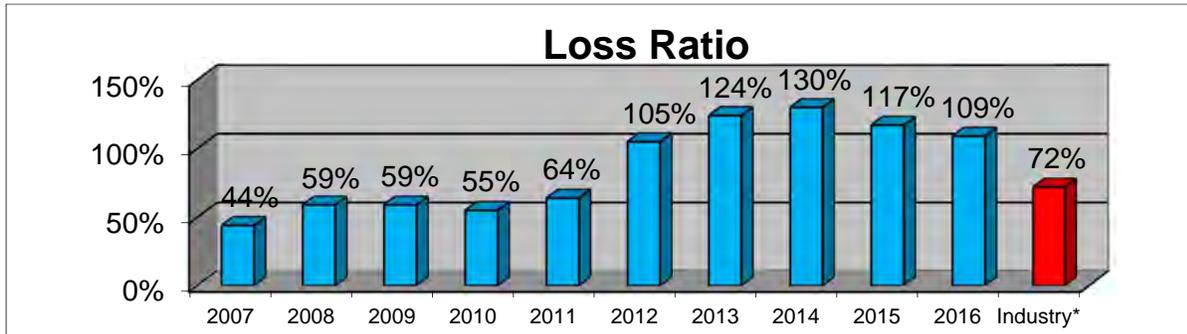
**Property** refers to damage to dwellings and structures covered under the policy.

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

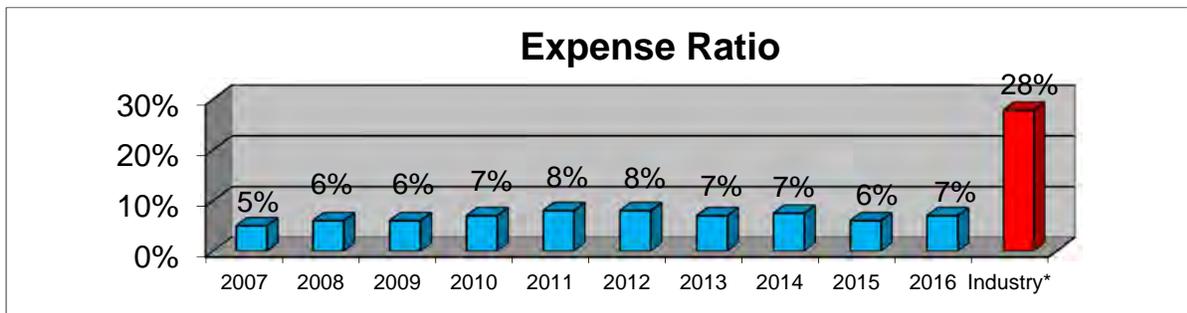
**Mine subsidence** is dwelling insurance up to a specified maximum for damage caused by the collapse of underground coal mines.

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

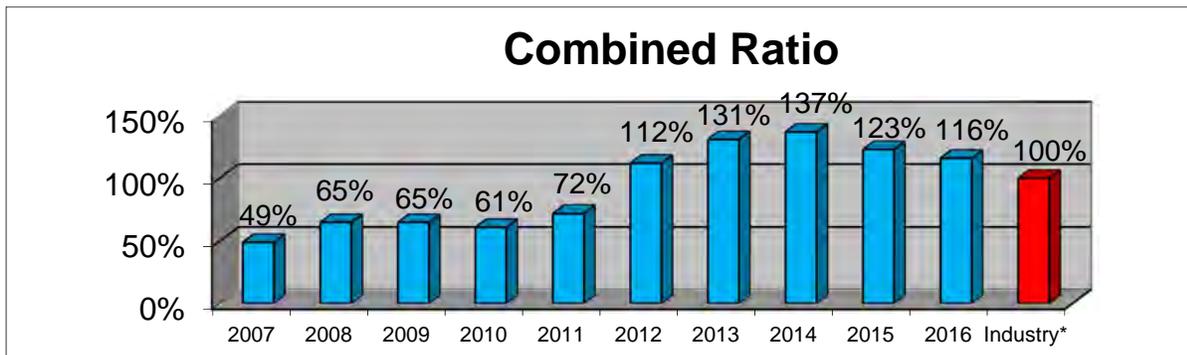
## SCHEDULE 10 Industry Averages Compared to BRIM



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



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

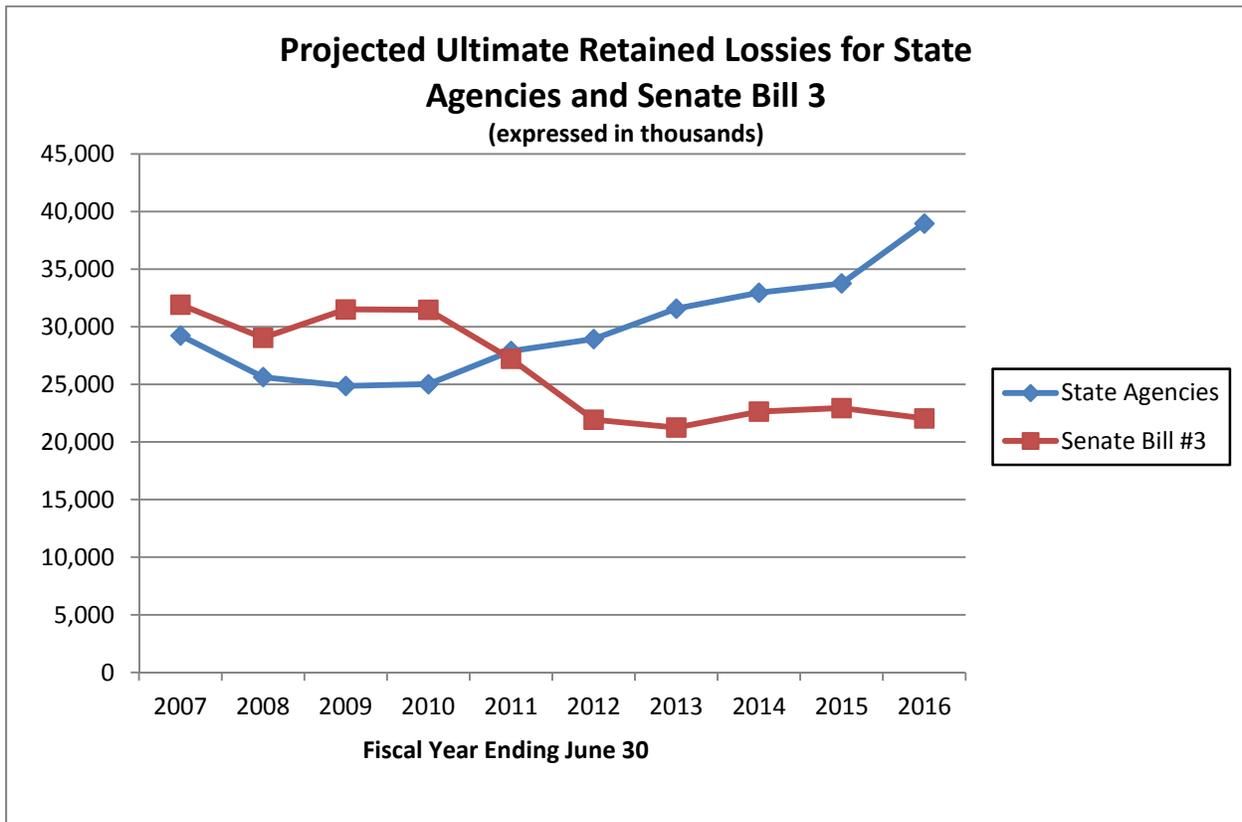


The combined ratio is used to measure underwriting performance. It is derived by adding the loss and expense ratio. A combined ratio below 100% indicates an underwriting profit and one above 100% indicates an underwriting loss.

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

\* **Source: Insurance Services Office 2016 industry data**

## SCHEDULE 11



Fiscal Year	State Agencies	Senate Bill 3
2007	\$ 29,243	\$ 31,916
2008	\$ 25,631	\$ 29,041
2009	\$ 24,863	\$ 31,508
2010	\$ 25,011	\$ 31,468
2011	\$ 27,894	\$ 27,216
2012	\$ 28,937	\$ 21,932
2013	\$ 31,571	\$ 21,250
2014	\$ 32,952	\$ 22,631
2015	\$ 33,762	\$ 22,943
2016	\$ 38,960	\$ 22,046

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

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

## SCHEDULE 12

### Listing of Coverages in Effect for Fiscal Year 2016

<b>LIABILITY</b>	<b>LIMIT OF LIABILITY</b>
Automobile Liability Policy No.: CA 533-95-60 Company: National Union Fire Insurance Co.	\$ 1,000,000 per occurrence
Cyber Liability Policy No.: F10687315 Company: Arthur J. Gallagher International	\$ 25,000,000 per occurrence
General Liability Policy No.: GL 957-51-60 Company: National Union Fire Insurance Co.	\$ 1,000,000 per occurrence
Aircraft Liability Policy No.: AV003380147-13 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.: MAF760728-15 Company: Axis Insurance Company	\$ 25,000,000 primary layer 1,000,000 deductible
Policy No.: NHD393217 Company: RSUI	\$ 100,000,000 in excess of 25,000,000
Policy No.: 795003409 Company: One Beacon	\$ 75,000,000 in excess of 125,000,000
Policy No.: MAF733355-15 Company: Axis Insurance Company	\$ 200,000,000 in excess of 200,000,000
Policy No.: MAF760729-15 Company: Axis Insurance Company	\$ 10,000,000 flood with 1,000,000 deductible
Boiler and Machinery Policy No.: FBP2280385 Company: Hartford Steam Boiler Company	\$ 5,000,000 per equipment covered in excess of 1,000,000
Public Insurance Official Position Schedule Bond Bond No.: 106128156 Company: Travelers	Variable amounts as set by Statute

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

