



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, 2018 and 2017

On the Cover – Seneca Rocks – One of the best-known attractions in West Virginia, the sheer rock faces of Seneca Rocks are a popular attraction for rock climbers.

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, 2018 and 2017



Jim Justice
Governor

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

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Introductory Section



Brook Trout – West Virginia’s state fisheries officials are trying to re-establish populations of wild, native brook trout in streams across the state. The brook trout is West Virginia’s official state fish.

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

PRINCIPAL OFFICIALS

Jim Justice, Governor

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



Mary Jane Pickens
Executive Director
Deputy Cabinet Secretary

Formal Transmittal of Comprehensive Annual Financial Report (CAFR)

December 19, 2018

Honorable Jim Justice, 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, 2018, 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.

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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. Because the cost of internal control should not outweigh its benefits, BRIM's management has established a 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 \$200,000 for collapses and damage caused by underground coal mines. Currently, BRIM underwrites over 15,000 commercial and personal mine subsidence policies annually.

In March 2004, the West Virginia Legislature passed House Bill 4740, creating a Patient Injury Compensation Fund. This fund provides relief to medical malpractice claimants whose economic damages were limited because of caps for trauma care or as a result of joint and several liabilities. BRIM serves as third-party administrator for this fund and, accordingly, the activity for this fund is not reflected in BRIM's financial statements but included in the State's financial statements.

The initial capitalization of the fund came from the State's tobacco settlement fund. Legislation passed in March 2016 closed compensation to any claimants who did not file with the Patient Injury Fund before July 1, 2016. In July 2016, the remaining balance of the House Bill 601 Program funds of \$2.8 million were transferred to the Patient Injury Compensation Fund. Additional funding to pay any remaining 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.

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.

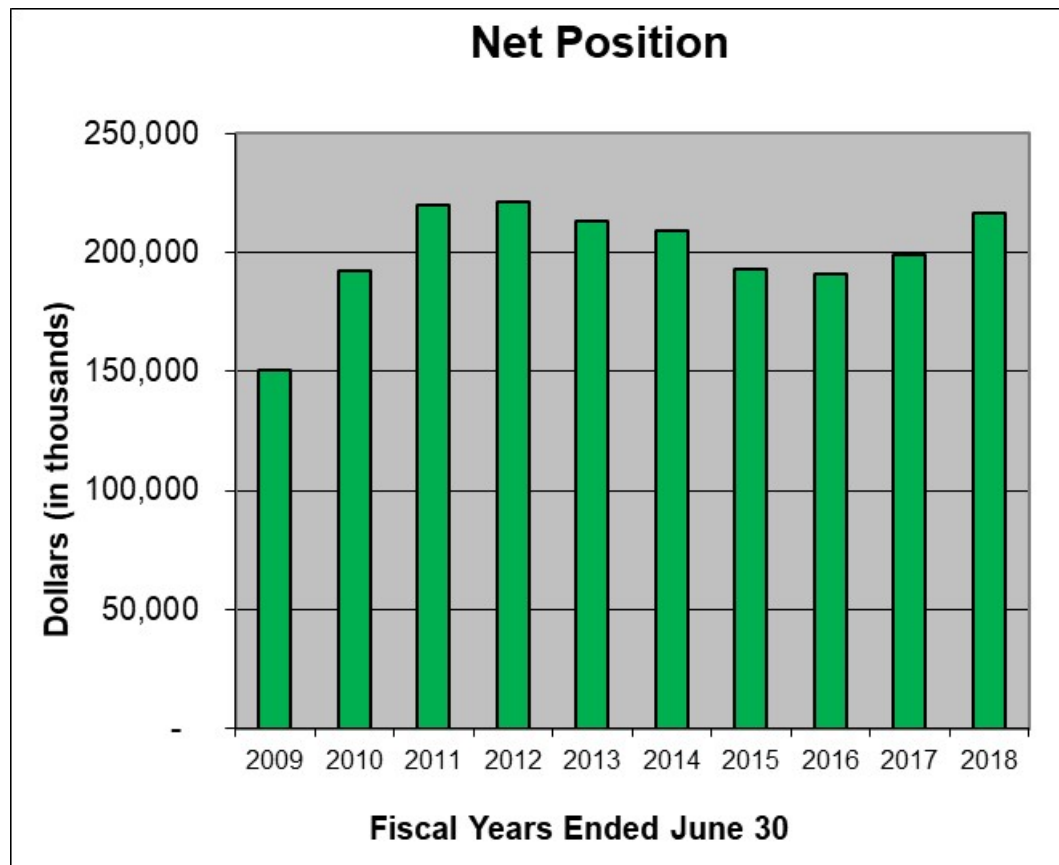
Property losses are retained by BRIM up to \$1 million. Additional coverage is provided up to a limit of \$400 million through various excess policies. This coverage provides reimbursement of loss at the stated or reported value less a \$1,000 deductible. Under the mine subsidence program, ceding insurers 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

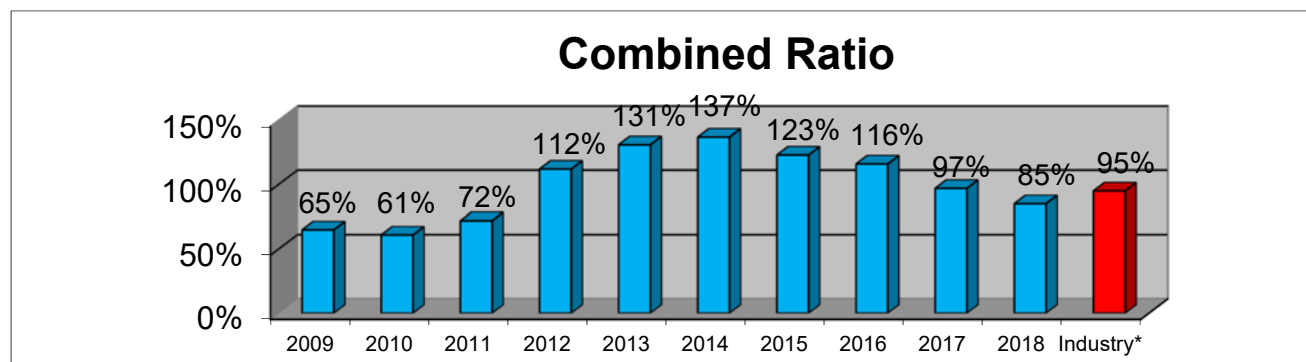
To prevent the net position deficiency that occurred in the past, in the fiscal year 2004, management adopted a financial stability plan. As of June 30, 2018, BRIM has total net position of \$216.6 million reflected on the Statement of Net Position. Management anticipates that net position will continue 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 2018 and 2017 reflects an underwriting profit and is lower 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 contributed to the lower combined ratios experienced by BRIM prior to 2012. Increasing claims reserves coupled with reduced premiums billed for 2012 thru 2016 had an unfavorable impact on BRIM's combined ratio for these fiscal years, in particular when compared to earlier years and the industry average. Claims decreased slightly in 2017. Based on the most recent risk funding study completed, BRIM saw an increase in claims reserves in 2018. This increase coupled with a slight decrease in investment earnings and greater premium revenue lead to an improved combined ratio for 2018. The BRIM combined ratios are shown in the chart below in blue and the industry is in red.



*The 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 new 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, 2018. 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, 2017. This was the twenty second 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.

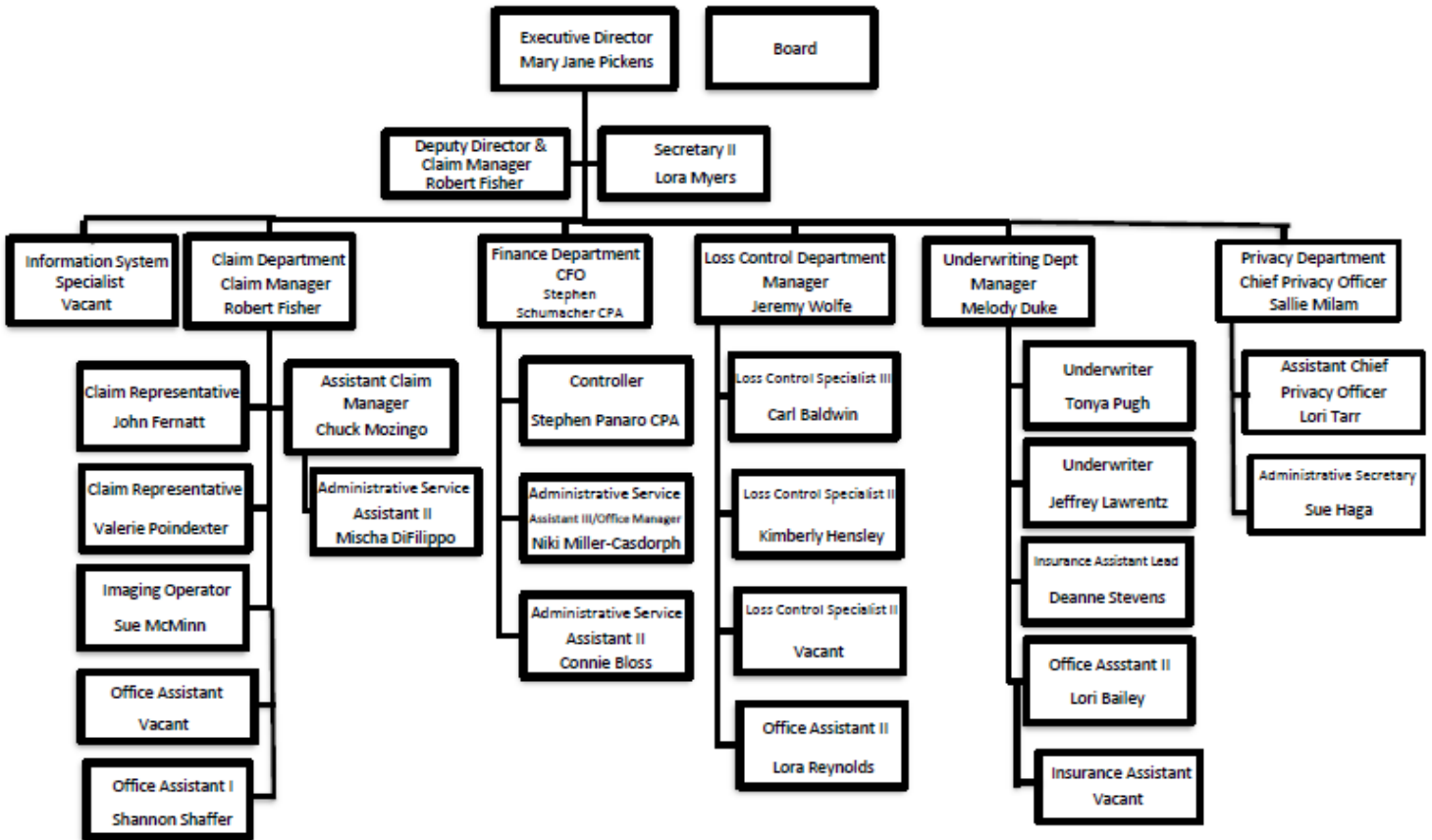
Respectfully, we hereby submit the West Virginia Board of Risk and Insurance Management Comprehensive Annual Financial Report for the year ended June 30, 2018.

Sincerely,



Stephen W. Schumacher, CPA
Chief Financial Officer

Board of Risk and Insurance Management Organizational Chart





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, 2017

Christopher P. Morrill

Executive Director/CEO



Financial Section



Mountain Biking – The Black Bear 40K is West Virginia's toughest mountain bike race. This intense trail race cuts through a challenging course at Kanawha State Forest.

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the West Virginia Board of Risk and Insurance Management (BRIM), an enterprise fund of the State of West Virginia, as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise BRIM's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of BRIM, an enterprise fund of the State of West Virginia, as of June 30, 2018 and 2017, and the changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 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, 2018 and 2017, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 3 to the financial statements, during the year ended June 30, 2018, BRIM adopted the provisions of Governmental Accounting Standards Board (“GASB”) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, and GASB Statement No. 85, Omnibus 2017. As a result of adopting these standards, BRIM restated net position as of July 1, 2017, to record the net OPEB liability. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 14 to 19 and the required supplementary information on pages 70 to 77 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 audits were 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 audits 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 October 12, 2018, on our consideration of BRIM's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering BRIM's internal control over financial reporting and compliance.

Dixon Hughes Goodman LLP

**Charleston, West Virginia
October 12, 2018**

Management's Discussion and Analysis
(in thousands)

Management's Discussion and Analysis (in thousands)

Overview of the financial statements

Management of the West Virginia Board of Risk and Insurance Management (BRIM) provides this Management's Discussion and Analysis for readers of BRIM's financial statements. This narrative overview of the financial activities of BRIM is for the years ended June 30, 2018, 2017, and 2016. BRIM provides property and casualty insurance to the State of West Virginia (the State) agencies and Senate Bill 3 (SB3) entities, which include boards of education and governmental and nonprofit organizations. BRIM also administers a coal mine subsidence reinsurance program that makes available to the general public dwelling insurance covering damage caused by the collapse of underground coal mines.

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

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

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

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

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

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

Financial highlights

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

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

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

- Total assets increased by \$20,270 in 2018 and by \$5,772 in 2017. The increase in 2018 is the result of improved operations results and an increase in both cash and advance deposits with the carrier/trustee. The increase in 2017 was the net result of additional cash on hand and an increase in noncurrent investments that was tempered by a decrease in deposits with the carrier/trustee.
- Total liabilities increased by \$2,645 in 2018 and decreased by \$2,259 in 2017. An increase in unpaid claims and unearned premium are the primary components of this increase for the current year. In 2017, a decrease in the estimated incurred but not recorded claims total resulted in outstanding claims liabilities decreasing versus 2016.
- Several factors contributed to the \$17,284 improvement in total net position for 2018 and the \$8,369 improvement in total net position for 2017. In 2018, premium revenue increased, claims expense decreased and investment income all contributed to the improvement. BRIM implemented GASB 75 in 2018 that resulted in an adjustment reducing the net position at the beginning of the year by \$58. In 2017, revenue improved due to premium increases, claims expense decreased and investment income helped offset the transfer of \$2,810 from the Patient Injury Compensation Fund by order of Senate Bill (SB602). Although net premium revenue improved, the increase in claims expense and smaller investment returns reduced the net position for 2016. Also included within the net position category are restricted positions totaling \$66,867 in 2018, \$61,063 in 2017 and \$57,123 in 2016. This is comprised primarily of funds that provide mine subsidence coverage to the general public per the West Virginia State Code. A much smaller portion of restricted funds had previously provided medical malpractice tail coverage for the House Bill 601 Program in 2016. The remaining funds for the House Bill 601 Program were transferred to the Patient Injury Compensation Fund in July of 2016.
- Total net operating revenues increased by \$7,746 in 2018 and increased by \$6,303 in 2017. The increase in projected claims losses in recent years has required BRIM to increase premium rates to policyholders for both 2018 and 2017.
- Total operating expenses decreased by \$1,546 in 2018 and decreased by \$4,309 in 2017. Claims and claims adjustment expense decreased in both 2018 and 2017 while G&A expenses increased slightly for both years.
- Net nonoperating revenues decreased by \$319 in 2018 and decreased by \$382 in 2017. Year over year investment returns for 2018 deteriorated by \$3,129 but improved by \$2,428 for 2017. A State reappropriation of \$2,810 to the Patient Injury Fund, as required by SB602, resulted in the next decrease in net nonoperating revenues for FY2017.
- Total revenues and total expenses from 2018 to 2017 and from 2017 to 2016 have fluctuated due to alterations in premium rates, the changes in the retained loss estimates, the variations in annual investment market returns and the impact of SB602. See the analysis of these individual components, as previously discussed, for additional information.

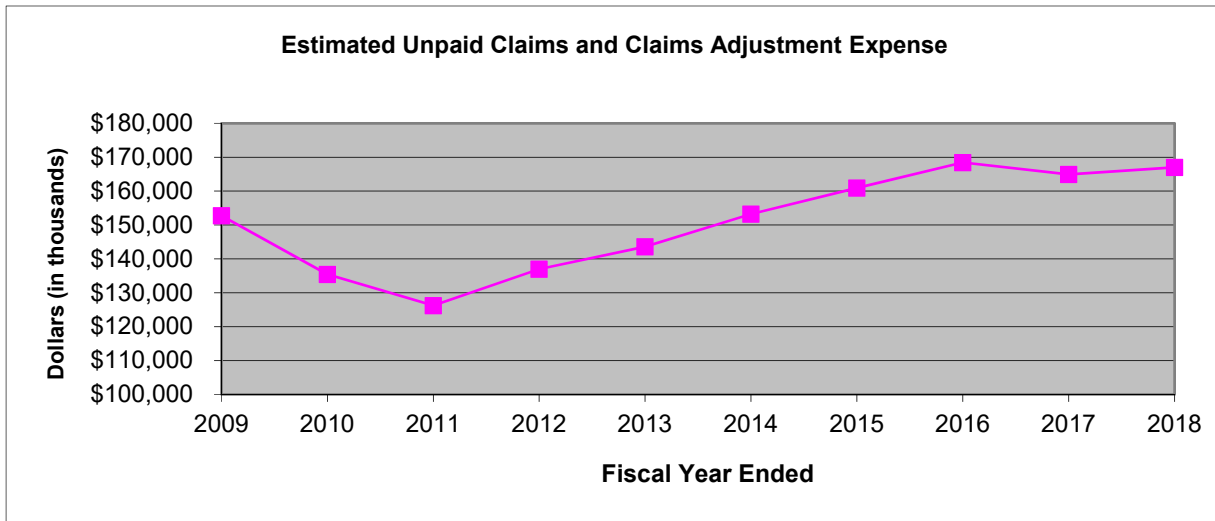
Overall analysis

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

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

Unpaid Claims Liability

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

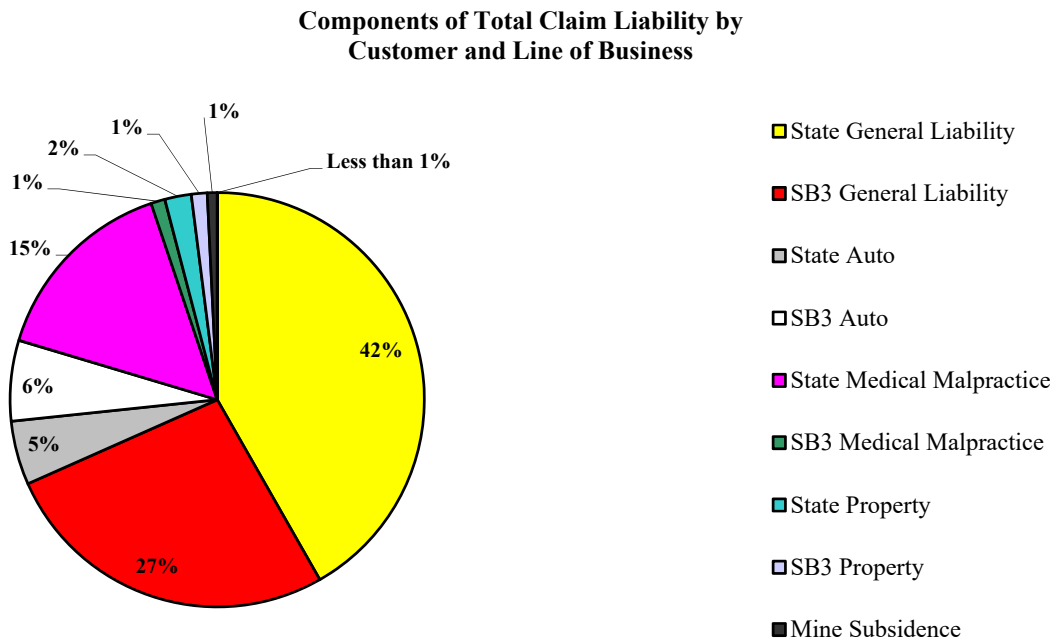


**West Virginia Board of Risk and Insurance Management
Management's Discussion and Analysis
(in thousands)**

Results by Line of Business for BRIM

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

The following chart shows the breakdown by customer and line of business of the total estimated claim liability number, which is \$167,001. As demonstrated in the chart, the largest claim volume for BRIM relates to general liability for the State agencies and SB3 programs and the State agencies' medical malpractice coverage.



There is no long-term debt activity.

Economic factors and next year's rates

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

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

Risk Management

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

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

Investment Returns

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

Premium Determination Process

BRIM has properly maintained premiums across all lines of business for the past several years based on relevant exposure data, claims loss history and investment returns. Charging proper premiums, consistent with the commercial industry, has enabled BRIM to adequately cover losses. Although fiscal years 2018 and 2017 benefited from prior years' reserve releases, both 2017 and 2016 saw overall net increases in retained claims reserves. If projected claims losses increase over the next several fiscal years, it may require continued premium increases to allow for a sufficient level of funding to adequately sustain the operation of all programs and to help ensure that no premium deficiency develops.

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

Requests for information

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

Financial Statements
(in thousands)

West Virginia Board of Risk and Insurance Management
Statements of Net Position
June 30, 2018 and 2017
(in thousands)

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

See accompanying notes.

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

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

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

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

See accompanying notes.

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

(Continued)

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

Notes to Financial Statements
(in thousands)

Notes to Financial Statements **(in thousands)**

1. General (Amounts Referenced in this Note Related to Insurance Coverages are Actual Dollars)

The West Virginia Board of Risk and Insurance Management (BRIM) was established in 1957 to provide for the development of the State of West Virginia's (the State and primary government) property and liability self-insurance program. Approximately 170 State agencies participate in the program. Beginning in 1980, county boards of education were authorized to participate in the liability portion of this program, with 55 county boards currently participating in the program. In fiscal year 1987, Senate Bill 3 (SB3) was enacted, allowing local governmental entities and nonprofit organizations to participate in the entire program. There are approximately 900 such entities participating in the program. In 1982, legislation was also enacted requiring BRIM to establish and administer a coal mine subsidence reinsurance program that makes available to the general public dwelling insurance covering damage up to a specific maximum caused by the collapse of underground coal mines.

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

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

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

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

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

The retained limit of \$1.5 million is indexed for inflation each year. On July 1, 2018 and 2017, the retained limit increased slightly.

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

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

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

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

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

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

West Virginia Board of Risk and Insurance Management
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, 2018 and 2017, and the changes in its financial position and its cash flows for the years then ended in conformity with GAAP.

Use of estimates

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

Cash and cash equivalents

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

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

Advance deposits with insurance company and trustee

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

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

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

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

Investments

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

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

Fair value measurements

BRIM measures certain investments at fair value for financial reporting purposes. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-specific measurement. BRIM categorizes fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America.

The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels as follows:

- Level 1 inputs – Quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 inputs – Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs – Unobservable inputs for an asset or liability.

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

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

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

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

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

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

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

Compensated absences

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

Unpaid claims and claims adjustment expense

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

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

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

Deferred outflows of resources

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

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

Deferred inflows of resources

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

Receivables and premium income

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

Unearned premiums

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

Restricted net position

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

Reclassifications

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

Subsequent events

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

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

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

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

Net Position at the Beginning of the Year Required Statement:

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

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

See Note 7 for additional OPEB disclosures.

4. Deposit and Investment Risk Disclosures

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

Cash equivalents

WEST VIRGINIA MONEY MARKET POOL

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

Credit Risk and Interest Rate Risk

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

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

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

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

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

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

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

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

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

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Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the WV Money Market Pool's investment in a single corporate issuer. West Virginia statutes prohibit the West Virginia Money Market Pool from investing more than 5% of its assets in securities issued by a single private corporation or association. At June 30, 2018 and 2017, the pool did not have investments in any one private corporation or association that represented more than 5% of assets.

Custodial Credit Risk

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

Foreign Currency Risk

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

Investments

WEST VIRGINIA INVESTMENT MANAGEMENT BOARD INVESTMENT POOLS

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

Investment Objectives

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

Asset Allocation

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

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

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Asset Value

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

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

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

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

Asset class risk disclosures

DOMESTIC EQUITY POOL

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

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

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

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

Credit and Interest Rate Risk

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

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instruments must be rated P-1 by Moody's or A-1 by Standard & Poor's at the time of purchase. The WVIMB reviews available ratings from Standard & Poor's and Moody's.

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

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

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

Concentration of Credit Risk

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

Custodial Credit Risk

At June 30, 2018, the Pool held no securities that were subject to custodial credit risk. Repurchase agreements, when held, are collateralized to a minimum of 102% and the collateral is held in the name of the WVIMB. Securities on loan are collateralized to a minimum of 102% and the collateral is held by the WVIMB's custodian in the name of the WVIMB. All remaining securities are held by the WVIMB's custodian in the name of the WVIMB.

Foreign Currency Risk

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

Fair Value Measurements

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

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

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

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

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

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

LARGE CAP DOMESTIC EQUITY POOL

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

As of June 30, 2017, the Pool's objective is to equal or exceed, net of external investment management fees, the S&P 500 Stock Index over three- to five-year periods. Assets were managed by INTECH Investment Management, LLC (INTECH) and State Street Global Advisors (SSgA).

BRIM's amount invested in the Large Cap Domestic Equity Pool of \$17,678 at June 30, 2017, represents approximately 0.5%% of total investments in this pool.

Credit Risk and Interest Rate Risk

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

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

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

Concentration of Credit Risk

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

Custodial Credit Risk

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

Foreign Currency Risk

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

Fair Value Measurements

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

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

NON-LARGE CAP DOMESTIC EQUITY POOL

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

As of June 30, 2017, the pool invested in the equities of small to mid-sized companies and its objective is to exceed, net of external investment management fees, the Russell 2500 Index over three- to five-year periods. Assets were managed by AJO and Westfield Capital Management (Westfield).

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

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Credit Risk and Interest Rate Risk

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

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

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

Concentration of Credit Risk

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

Custodial Credit Risk

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

Foreign Currency Risk

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

Fair Value Measurements

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

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

Redemption Provisions

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

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INTERNATIONAL EQUITY POOL

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

BRIM's amount invested in the International Equity Pool of \$14,337 and \$16,347 at June 30, 2018 and 2017, respectively, represents approximately 0.5% and 0.5%, respectively, of total investments in this pool.

Credit Risk and Interest Rate Risk

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

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

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

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

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

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

As of June 30, 2017, the Pool was exposed to interest rate risk from certain investments made with cash collateral for securities loaned. The weighted average maturity for investments made with cash collateral for securities loaned is not to exceed 90 days.

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

Concentration of Credit Risk

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

Custodial Credit Risk

At June 30, 2018 and 2017, the Pool held no securities that were subject to custodial credit risk. Repurchase agreements, when held, are collateralized to a minimum of 102% and the collateral is held in the name of the WVIMB. Securities on loan are collateralized to a minimum of 102 percent and the collateral is held by WVIMB's custodian in the name of WVIMB. All remaining securities are held by the WVIMB's custodian in the name of WVIMB.

Foreign Currency Risk

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

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

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

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

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

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

The table above excludes cash and securities held by the pool that are denominated in U.S. dollars. The fair value of the U.S. dollar denominated cash and investments is \$487,320, or 15.1% for the year 2017.

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

Fair Value Measurements

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

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

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

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

SHORT-TERM FIXED INCOME POOL

The main objective of this Pool is to maintain sufficient liquidity to fund withdrawals by the participant plans and to invest cash contributions until such time as the money can be transferred to other asset classes without sustaining capital losses. JP Morgan Investment Advisors, Inc. (JPM) manages the Pool. The Pool's investment objective, net of external investment fees, is to meet or exceed the Citigroup ninety-day T-bill Index.

BRIM's amount invested in the Short-Term Fixed Income Pool of \$7,629 and \$7,160 at June 30, 2018 and 2017, respectively, represented approximately 3.5% and 3.3%, respectively, of total investments in this Pool.

Credit Risk and Interest Rate Risk

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

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Notes to Financial Statements
(in thousands)

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

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

The following tables provide information on the weighted average credit ratings and the weighted average maturities (WAM) of the Pool's investments as of June 30, 2017:

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

Concentration of Credit Risk

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

Custodial Credit Risk

At June 30, 2018 and 2017, the Pool held no investments that were subject to custodial credit risk. Repurchase agreements are collateralized at 102% and the collateral is held in the name of the WVIMB. All remaining investments are held by the WVIMB's custodian in the name of the WVIMB.

Foreign Currency Risk

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

Fair Value Measurements

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

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

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

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

INTERNATIONAL NON-QUALIFIED POOL

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

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

Investment Risk

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

Fair Value Measurements

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

Redemption Provisions

The Pool is restricted to the following redemption provisions: monthly with ten days advance written notice and generally be made within seven business days following month-end.

TOTAL RETURN FIXED INCOME POOL

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

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

Credit Risk and Interest Rate Risk

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

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

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

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

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

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

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

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

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

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

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

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

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

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

| <u>Investment Type</u> | <u>2018</u> | | <u>2017</u> | |
|--|---------------------|-----------------------------------|---------------------|-----------------------------------|
| | <u>Fair Value</u> | <u>Effective Duration (Years)</u> | <u>Fair Value</u> | <u>Effective Duration (Years)</u> |
| Commingled bond funds | \$ 304,379 | 2.5 | \$ - | 0.0 |
| Common stock | - | 0.0 | 14 | N/A |
| Corporate asset backed issues | 36,072 | 0.9 | 32,078 | 2.0 |
| Corporate ABS residual | 5,487 | 2.8 | 5,034 | N/A |
| Corporate CMO | 71,666 | 1.0 | 46,766 | 0.9 |
| Corporate preferred securities | - | 0.0 | 10,436 | 0.1 |
| Foreign asset backed issues | 19,588 | 1.6 | 17,436 | 0.5 |
| Foreign corporate bonds | 296,352 | 5.6 | 285,298 | 6.6 |
| Foreign government bond | 263,976 | 5.3 | 244,812 | 5.3 |
| Investments in other funds | - | 0.0 | 319,061 | 2.4 |
| Money market mutual funds | - | 0.0 | 63,965 | N/A |
| Municipal bonds | 44,629 | 9.6 | 47,351 | 9.0 |
| Options contracts purchase | - | 0.0 | 2,098 | N/A |
| Repurchase agreement | 10,000 | 0.0 | 119,844 | 0.0 |
| Time deposits | - | 0.0 | 82,806 | 0.0 |
| U.S. corporate bonds | 401,582 | 6.9 | 460,676 | 7.0 |
| U.S. Government agency bonds | 2,721 | 1.3 | 11,630 | 0.7 |
| U.S. Government agency CMO | 51,608 | 1.4 | 51,865 | 1.4 |
| U.S. Government agency CMO interest-only | 5,664 | 2.8 | 3,796 | 1.8 |
| U.S. Government agency MBS | 326,082 | 3.7 | 289,155 | 3.0 |
| U.S. Government agency TBA | 8,974 | 6.4 | 17,294 | 5.4 |
| U.S. Treasury bonds | 407,697 | 8.5 | 361,886 | 7.8 |
| U.S. Treasury inflation-protected securities | 17,786 | 17.2 | 42,269 | 13.9 |
| Total investments | <u>\$ 2,274,263</u> | | <u>\$ 2,515,570</u> | <u>5.0</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. The Pool held \$525,141 and \$463,424 of these securities at June 30, 2018 and 2017, respectively, representing approximately 23% and 18% of the value of the Pool's securities.

Concentration of Credit Risk

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

Custodial Credit Risk

At June 30, 2018 and 2017, the Pool held no securities that were subject to custodial credit risk. Repurchase agreements, when held, are collateralized at 102% and the collateral is held in the name of the WVIMB. Investments in commingled funds are held in an account in the name of the WVIMB. All remaining securities are held by the WVIMB's custodian in the name of the WVIMB.

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Foreign Currency Risk

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

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

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

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

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

The table above excludes investments and cash held by the Pool that are denominated in U.S. dollars. The market value of the U.S. dollar denominated investments and cash is \$2,346,267. This represents approximately 93.0% of the value of the Pool's investments and cash.

Fair Value Measurements

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

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

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

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

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

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

Redemption Provisions

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

CORE FIXED INCOME POOL

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

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

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

Credit Risk and Interest Rate Risk

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Concentration of Credit Risk

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

Custodial Credit Risk

At June 30, 2018 and 2017, the Pool held no securities that were subject to custodial credit risk. Repurchase agreements, when held, are collateralized at 102% and the collateral is held in the name of the WVIMB. Securities on loans are collateralized to a minimum of 102% and the collateral is held by the WVIMB's custodian in the name of the WVIMB. All remaining securities are held by the WVIMB's custodian in the name of the WVIMB.

Foreign Currency Risk

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

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 the fair value hierarchy levels as of June 30:

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

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

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

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

The Pool holds shares in hedge funds and shares of money market fund with the highest credit rating. As of June 30, 2018, the money market mutual fund has the highest credit rating and has a weighted average maturity of 39 days. The investments in hedge funds might be indirectly exposed to foreign currency risk, credit risk and/or custodial credit risk. The Pool is restricted from investing more than 10% of the value of the Pool with any single manager. At June 30, 2018 and 2017, the Pool was in compliance with this restriction and is not exposed to concentration of credit risk.

Fair Value Measurements

GAAP does not require the Pool to categorize within the fair value hierarchy table investments for which fair value is measured using the net asset value per share practical expedient for the year ended June 30, 2018 and 2017. The majority of the Pool's investments in hedge funds were valued using the net asset value (NAV) per share; as such, they have not been categorized in the fair value hierarchy for 2018 and 2017.

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

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

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

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

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

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

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

(a) Directional strategies employ various techniques to forecast the direction of segments of the market and then invest in either long or short positions to take advantage of that. The segments may be geographic economies, industry sectors, currency, or asset class. The investments may be in physical securities or derivatives. The strategies may be trend-following or mean-reverting and may be specific to that segment or universally applied across them.

(b) An equity long/short strategy is an investing strategy, used primarily by hedge funds, that involves taking long positions in stocks that are expected to increase in value and short positions in stocks that are expected to decrease in value. Investments representing approximately 62% of the fair value of the investments in this strategy are subject to maximum withdrawal restrictions.

(c) Event-driven managers maintain positions in companies currently or prospectively involved in various corporate transactions including, but not limited to, mergers, restructurings, financial distress, tender offers, shareholder buybacks, debt exchanges, security issuance or other capital structure adjustments. Security types can range from most senior in the capital structure to most junior or subordinated and frequently involve additional derivative securities. Event-driven exposure includes a combination of sensitivities to equity markets, credit markets and company-specific developments. The sole fund in this investment strategy is subject to maximum withdrawal restrictions.

(d) Long-biased strategies employ analytical techniques in which the investment thesis is predicated on assessment of the valuation characteristics on the underlying companies with the goal of identifying undervalued companies. Long-biased strategies may vary the investment level or the level of long exposure over market cycles, but the primary distinguishing characteristic is that the manager maintains consistent long exposure.

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

- (e) Multi-strategy managers combine several strategies within the same fund in order to provide diversification benefits to reduce return volatility and decrease asset-class and single-strategy risks. These funds typically add incremental returns through active allocation adjustments based on market opportunities. Risk is managed through a combination of quantitative and qualitative constraints including, but not limited to, active risk, liquidity risk, currency risk, manager risk, derivatives risk and leverage risk. Investments representing approximately 48% in 2018 and 62% in 2017 of the fair value of the investments in this strategy are subject to maximum withdrawal restrictions.
- (f) Relative-value managers maintain positions in which the investment thesis is predicated on the realization of a valuation discrepancy in the relationship between multiple securities. Managers employ a variety of fundamental and quantitative techniques to establish investment insights and security types range broadly across equity, fixed income, derivative or other security types. Fixed Income strategies are typically quantitatively driven to measure the existing relationship between instruments and, in some cases, identify attractive positions in which the risk-adjusted spread between these instruments represents an attractive opportunity. Investments representing approximately 36% in 2018 of the fair value of the instruments in this strategy are subject to maximum withdrawal restrictions.

TREASURY INFLATION PROTECTION SECURITIES (TIPS)

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

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

Credit Risk and Interest Rate Risk

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

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

Concentration of Credit Risk

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

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Custodial Credit Risk

At June 30, 2018 and 2017, the Pool held no securities that were subject to custodial credit risk. Repurchase agreements, when held, are collateralized at 102% and the collateral is held in the name of the WVIMB. Securities on loans are collateralized to a minimum of 102% and the collateral is held by the WVIMB's custodian in the name of the WVIMB. All remaining securities are held by the WVIMB's custodian in the name of the WVIMB.

Foreign Currency Risk

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

Fair Value Measurements

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

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

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

Advanced deposits

INSURANCE COMPANY AND TRUSTEE

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

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

| Security Type | 2018 | | | | 2017 | | | |
|-------------------------------|---------|-----|------------|-------------------|---------|-----|------------|-------------------|
| | Moody's | S&P | Fair Value | Percent of Assets | Moody's | S&P | Fair Value | Percent of Assets |
| Corporate bonds and notes | Aa1 | AA+ | \$ 1,009 | 0.50% | Aa1 | AA+ | \$ 958 | 0.50 % |
| | Aa2 | AA- | 1,987 | 0.98 | Aa2 | AA- | 964 | 0.50 |
| | Aa2 | AA- | - | 0.00 | Aa3 | AA- | 1,354 | 0.70 |
| | Aa3 | A+ | 2,011 | 0.99 | Aa3 | A+ | - | 0.00 |
| | Aaa | AA+ | - | 0.00 | Aaa | AA+ | - | 0.00 |
| | Aaa | AAA | 3,032 | 1.49 | Aaa | AAA | 1,903 | 0.94 |
| | | | 8,039 | 3.95 | | | 5,179 | 2.64 |
| U.S. Treasury bonds and notes | Aaa | NR | 182,423 | 89.71 | Aaa | NR | 171,906 | 88.10 |
| | NR | NR | 813 | 0.40 | NR | NR | 6,695 | 3.44 |
| U.S. Agency-debenture | NR | NR | 11,269 | 5.54 | NR | NR | 10,732 | 5.50 |
| Money market funds | NR | NR | 795 | 0.39 | NR | NR | 628 | 0.32 |
| Total rated investments | | | \$ 203,339 | 100.00% | | | \$ 195,140 | 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, 2018 and 2017, advanced deposits include no securities that were subject to custodial credit risk.

Interest Rate Risk

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

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

Foreign Currency Risk

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

Fair Value Measurements

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

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

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

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

5. Unpaid Claims and Claims Adjustment Expense Liability

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

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

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

6. Pension Plan

Plan description

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

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Benefits provided

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

Contributions

While contribution rates are legislatively determined, actuarial valuations are performed to assist PERS and the State Legislature in determining contribution rates. Current funding policy requires employer contributions of 11%, 12% and 13.5% for the years ended June 30, 2018, 2017 and 2016, respectively. As permitted by legislation, BRIM has elected to pay 100% of all costs relating to the Plan, including the employee's 4.5% contribution for employees hired on or before February 6, 2012. Beginning February 7, 2012, new hires are required to pay the employee's contribution of 4.5%. For all employees hired on or after July 1, 2015 the employee contribution increased to 6.0%. BRIM's contributions to the Plan were \$138, \$123 and \$149 for the fiscal years ended June 30, 2018, 2017 and 2016, respectively.

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

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

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

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

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

Year ending June 30:

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

Actuarial assumptions and methods

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

| | 2018 | 2017 |
|---------------------------|--|--|
| Inflation | 1.9% | 3.0% |
| Salary increase | 3.0-6.0%, avg., including inflation | 3.0-6.0%, avg., including inflation |
| Investment rate of return | 7.5%, net of pension plan investment expense | 7.5%, net of pension plan investment expense |

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The best estimates of long-term geometric rates of return for each major asset class included in the system's target asset allocation as of June 30, 2017 and 2016 are summarized below:

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

Discount rate

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

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

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

| | <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 | \$ 916 | \$ 331 | (164) |

7. Other Post-Employment Benefits

Plan description

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

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

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

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

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

Benefits provided

The Plan provides the following benefits:

- Medical and prescription drug insurance
- Life insurance

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

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

Contributions

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

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

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

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

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

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

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

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

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

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

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

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

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

Year ending June 30:

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

Actuarial assumptions

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

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

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

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

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

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

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

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

The long-term rates of return on OPEB plan investments are determined using a building block method in which estimates of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentages and by adding expected inflation. Best estimates of long-term geometric rates are summarized in the following table:

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

Discount rate

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

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

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

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

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

8. Lease Arrangement

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

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

| | | |
|------|----|-----|
| 2019 | \$ | 222 |
| 2020 | \$ | 37 |

9. Transactions With Primary Government and Component Units

Premium revenues derived from billings to State entities, which are funded by special revenue funds and component units of the primary government, approximated \$45,516 and \$41,304 for the years ended June 30, 2018 and 2017, respectively.

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

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

BRIM has entered into two reinsurance agreements for excess coverage with unrelated insurance companies wherein the company assumes the liability over BRIM's limit for a ceded premium. BRIM obtains an excess policy from the commercial market, which gives boards of education a liability limit of up to \$5 million in excess of BRIM's \$1 million self-insured limit. BRIM also purchases an excess policy on all State and SB3 insured property over and above BRIM's \$1 million self-insured limit. These reinsurance agreements have been accounted for as a transfer of risk in the accompanying financial statements; however, BRIM is not relieved of its primary obligation to the insureds in the reinsurance transaction. BRIM had \$160 reinsurance recoveries for the fiscal year ended June 30, 2018, and \$1,736 for the fiscal year ended June 30, 2017.

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

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

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

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

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

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

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

| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| 1) Premiums and investment revenues: | | | | | | | | | | |
| Earned | \$ 69,739 | \$ 83,088 | \$ 71,320 | \$ 64,361 | \$ 54,969 | \$ 69,172 | \$ 63,037 | \$ 72,706 | \$ 81,209 | \$ 85,663 |
| Ceded | 5,944 | 6,257 | 6,075 | 5,386 | 5,825 | 6,102 | 6,197 | 6,909 | 6,681 | 6,518 |
| Net earned | 63,795 | 76,831 | 65,245 | 58,975 | 49,144 | 63,070 | 56,840 | 65,797 | 74,528 | 79,145 |
| 2) Unallocated expenses, including administrative fees paid to third-party claims administrators | 7,840 | 8,043 | 7,867 | 7,562 | 7,240 | 7,888 | 7,653 | 7,911 | 8,290 | 8,507 |
| 3) Estimated incurred claims and claims adjustment expense, end of policy year: | | | | | | | | | | |
| Incurred | 56,194 | 51,388 | 53,728 | 60,176 | 57,276 | 58,389 | 62,342 | 66,740 | 70,705 | 72,629 |
| Ceded | 300 | - | - | 2,312 | - | - | - | - | - | 596 |
| Net incurred | 55,894 | 51,388 | 53,728 | 57,864 | 57,276 | 58,389 | 62,342 | 66,740 | 70,705 | 72,033 |
| 4) Paid (cumulative) claims and claims adjustment expense as of: | | | | | | | | | | |
| End of policy year | 9,753 | 9,965 | 10,757 | 10,156 | 10,870 | 10,560 | 11,146 | 12,863 | 11,922 | 11,846 |
| One year later | 19,069 | 17,009 | 18,034 | 20,830 | 18,936 | 19,965 | 24,010 | 23,494 | 23,067 | |
| Two years later | 25,457 | 25,606 | 26,398 | 30,577 | 30,649 | 29,077 | 34,801 | 34,585 | | |
| Three years later | 32,126 | 32,612 | 34,305 | 43,021 | 40,132 | 45,059 | 43,864 | | | |
| Four years later | 36,501 | 38,174 | 39,497 | 48,351 | 48,853 | 51,231 | | | | |
| Five years later | 39,349 | 39,821 | 42,538 | 51,004 | 52,093 | | | | | |
| Six years later | 42,577 | 40,798 | 43,031 | 53,155 | | | | | | |
| Seven years later | 44,018 | 41,554 | 43,383 | | | | | | | |
| Eight years later | 44,719 | 41,774 | | | | | | | | |
| Nine years later | 44,838 | | | | | | | | | |
| 5) Reestimated ceded claims and expenses | 300 | - | - | 248 | - | - | - | 2,782 | - | 596 |
| 6) Reestimated net incurred claims and allocated claims adjustment expense: | | | | | | | | | | |
| End of policy year | 55,894 | 51,388 | 53,728 | 57,864 | 57,276 | 58,389 | 62,342 | 66,740 | 70,705 | 72,033 |
| One year later | 48,432 | 46,571 | 52,844 | 58,812 | 56,883 | 57,772 | 65,545 | 64,655 | 65,589 | |
| Two years later | 46,176 | 47,102 | 50,289 | 61,106 | 63,767 | 61,216 | 62,727 | 62,537 | | |
| Three years later | 45,328 | 46,116 | 48,480 | 62,460 | 61,150 | 61,249 | 59,235 | | | |
| Four years later | 44,112 | 44,171 | 47,980 | 57,109 | 58,836 | 59,741 | | | | |
| Five years later | 46,551 | 43,567 | 46,321 | 56,003 | 58,016 | | | | | |
| Six years later | 45,424 | 42,762 | 44,680 | 56,093 | | | | | | |
| Seven years later | 45,940 | 43,117 | 43,910 | | | | | | | |
| Eight years later | 45,498 | 42,302 | | | | | | | | |
| Nine years later | 45,458 | | | | | | | | | |
| 7) (Decrease) increase in estimated net incurred claims and allocated claims adjustment expense from end of policy year | (11,788) | (13,592) | (7,478) | 2,365 | 152 | 2,465 | 846 | 195 | (5,116) | - |

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

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

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

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

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

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

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

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

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

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

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

1. Trend Information Presented

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

2. Plan Amendment

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

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

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

3. Changes in Assumptions

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

| | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|--------------|--|---|
| Projected salary increases: | | | |
| State | 3.0 - 4.6% | 3.0 - 4.6% | 4.25 - 6.0% |
| Non-state | 3.35 - 6.0% | 3.35 - 6.0% | 4.25 - 6.0% |
| Inflation rate | 3.0% | 1.90% | 2.20% |
| Mortality rates | | | |
| Healthy males -110% of RP- 2000 Non-Annuitant, Scale AA | | Healthy males -110% of RP- 2000 Non-Annuitant, Scale AA | Healthy males -11983 GAM |
| Healthy females-101% or RP- 2000 Non-Annuitant, Scale AA | | Healthy females-101% or RP- 2000 Non-Annuitant, Scale AA | Healthy females-1971 GAM |
| Disabled males - 96% of RP- 2000 Disabled annuitant, Scale AA | | Disabled males - 96% of RP- 2000 Disabled annuitant, Scale AA | Disabled males-1971 GAM |
| Disabled females - 107% of RP- 2000 Disabled annuitant, Scale AA | | Disabled females - 107% of RP- 2000 Disabled annuitant, Scale AA | Disabled females-Revenue Ruling 96.7 |
| Withdrawal rates: | | | |
| State | 1.75 - 35.1% | 1.75 - 35.1% | 1 - 26% |
| Non-state | 2 - 35.8% | 2 - 35.8% | 2 - 31.2% |
| Disability rates | 0 - .675% | 0 - .675% | 0 - .8% |

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

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

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

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

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

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

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

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

Statistical Section



Canaan Valley Gold Course – The championship golf course at Canaan Valley Resort State Park was designed by Geoffrey Cornish and received a four-star rating in Golf Digest Magazine.



Statistical Section Narrative

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

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 2018 and Fiscal Year 2009

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 2008 through 2017

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

Schedule 7 – Full-Time Equivalent Employees Fiscal Years 2008 through 2018

Schedule 8 – Claims Dollars Incurred by Customer Type for Fiscal Years 2009 through 2018

Schedule 9 – Losses Incurred by Coverage Fiscal Years 2009 through 2018

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 2018

SCHEDULE 1

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

| | <u>2018</u> | <u>2017</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| Operating Revenues | | | | | |
| Premiums | \$ 78,951 | \$ 71,368 | \$ 71,368 | \$ 65,293 | \$ 58,204 |
| Less Excess Coverage/Reinsurance Premiums | (6,518) | (6,682) | (6,681) | (6,909) | (6,197) |
| Net Operating Revenues | <u>72,433</u> | <u>64,686</u> | <u>64,687</u> | <u>58,384</u> | <u>52,007</u> |
| Operating Expenses | | | | | |
| Claims and Claims Adjustment Expense | 57,393 | 59,149 | 59,149 | 63,753 | 68,145 |
| General and Administrative | 4,410 | 4,200 | 4,200 | 3,905 | 3,541 |
| Total Operating Expenses | <u>61,803</u> | <u>63,349</u> | <u>63,349</u> | <u>67,658</u> | <u>71,686</u> |
| | | | | | |
| Operating Income (loss) | 10,630 | 1,337 | 1,338 | (9,274) | (19,679) |
| Nonoperating Revenues (Expenses) | | | | | |
| Interest Income | 6,712 | 9,840 | 9,841 | 7,413 | 4,833 |
| Financing Income | -- | -- | -- | -- | -- |
| On behalf contributions | -- | -- | -- | -- | -- |
| SB 602 Reappropriation | -- | (2,811) | (2,810) | -- | -- |
| Distribution to Physicians' Mutual | -- | -- | -- | -- | -- |
| Appropriation transfer HB4261 | -- | -- | -- | -- | -- |
| Payment to transfer HB601 estimated future IBNR | -- | -- | -- | -- | (750) |
| Total Nonoperating Revenue | <u>6,712</u> | <u>7,029</u> | <u>7,031</u> | <u>7,413</u> | <u>4,083</u> |
| | | | | | |
| Change in Net Position (Deficiency) | <u>17,342</u> | <u>8,366</u> | <u>8,369</u> | <u>(1,861)</u> | <u>(15,596)</u> |
| | | | | | |
| <u>Net Assets at Year-End</u> | | | | | |
| Restricted | 66,865 | 61,062 | 61,063 | 57,123 | 55,428 |
| Unrestricted | 149,747 | 138,264 | 138,265 | 133,836 | 137,392 |
| Total Net Position | <u>\$ 216,612</u> | <u>\$ 199,326</u> | <u>\$ 199,328</u> | <u>\$ 190,959</u> | <u>\$ 192,820</u> |

Source: Compiled from BRIM's internal accounting records.

SCHEDULE 1

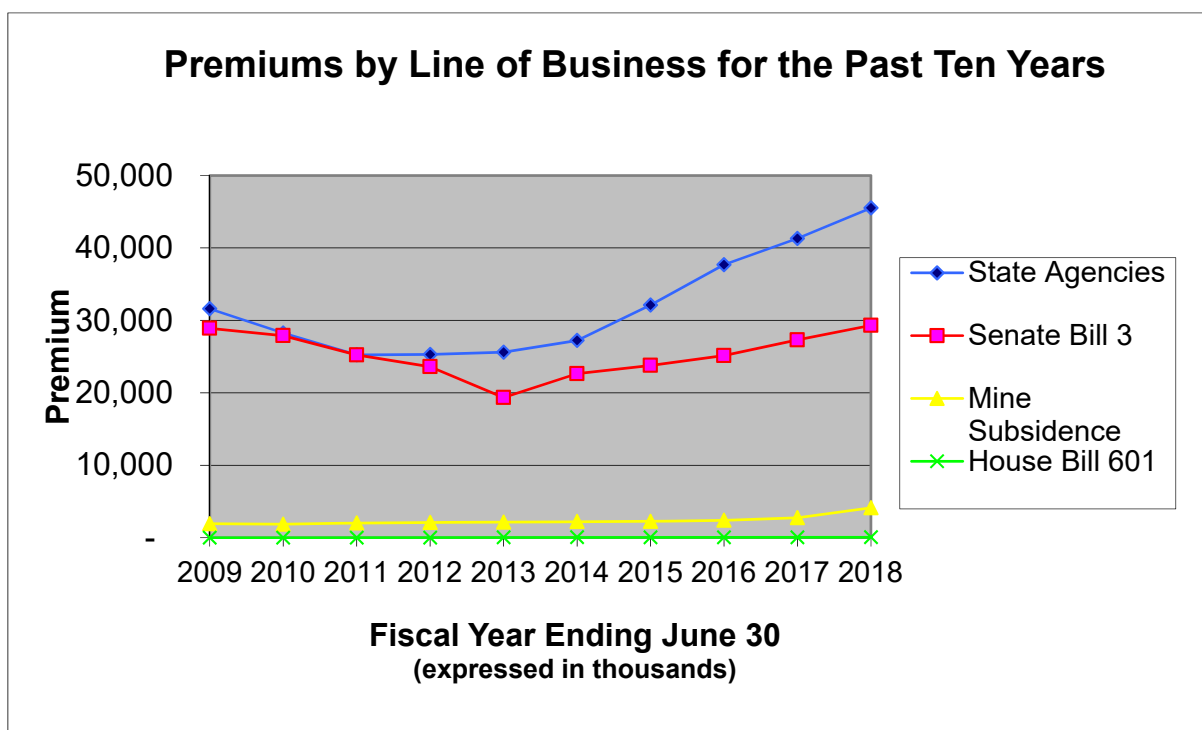
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**Comparative Statement of Net Position and Changes in Net Position
Last Ten Fiscal Years
(Expressed in Thousands)**

| | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| Operating Revenues | | | | | |
| Premiums | \$ 52,128 | \$ 47,134 | \$ 51,046 | \$ 52,538 | \$ 58,007 |
| Less Excess Coverage/Reinsurance Premiums | <u>(6,102)</u> | <u>(5,825)</u> | <u>(5,386)</u> | <u>(6,075)</u> | <u>(6,257)</u> |
| Net Operating Revenues | 46,026 | 41,309 | 45,660 | 46,463 | 51,750 |
| Operating Expenses | | | | | |
| Claims and Claims Adjustment Expense | 61,626 | 54,018 | 53,396 | 33,598 | 31,668 |
| General and Administrative | <u>3,898</u> | <u>3,275</u> | <u>3,892</u> | <u>4,026</u> | <u>3,946</u> |
| Total Operating Expenses | <u>65,524</u> | <u>57,293</u> | <u>57,288</u> | <u>37,624</u> | <u>35,614</u> |
| Operating Income (loss) | (19,498) | (15,984) | (11,628) | 8,839 | 16,136 |
| Nonoperating Revenues (Expenses) | | | | | |
| Interest Income | 17,043 | 7,835 | 13,315 | 18,782 | 25,081 |
| Financing Income | -- | -- | -- | -- | 32 |
| On behalf contributions | -- | -- | -- | -- | -- |
| Appropriations from State of West Virginia | -- | -- | -- | -- | -- |
| Distribution to Physicians' Mutual | -- | -- | -- | -- | -- |
| Appropriation transfer HB4261 | <u>(2,000)</u> | -- | -- | -- | -- |
| Payment to transfer HB601 estimated future IBNR | -- | -- | -- | -- | -- |
| Total Nonoperating Revenue | 15,043 | 7,835 | 13,315 | 18,782 | 25,113 |
| Change in Net Position (Deficiency) | <u>(4,455)</u> | <u>(8,149)</u> | <u>1,687</u> | <u>27,621</u> | <u>41,249</u> |
| <u>Net Assets at Year-End</u> | | | | | |
| Restricted | 53,595 | 49,372 | 45,599 | 43,061 | 38,420 |
| Unrestricted | <u>155,316</u> | <u>163,994</u> | <u>175,916</u> | <u>176,767</u> | <u>153,787</u> |
| Total Net Position | <u>\$ 208,911</u> | <u>\$ 213,366</u> | <u>\$ 221,515</u> | <u>\$ 219,828</u> | <u>\$ 192,207</u> |

Source: Compiled from BRIM's internal accounting records.

SCHEDULE 2



| Fiscal Year | State Agencies | Senate Bill 3 | Mine Subsidence | House Bill 601 |
|-------------|----------------|---------------|-----------------|----------------|
| 2009 | \$ 1,596 | \$ 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 | \$ 37,687 | \$ 25,146 | \$ 2,398 | \$ 60 |
| 2017 | \$ 41,304 | \$ 27,305 | \$ 2,759 | \$ 0 |
| 2018 | \$ 45,516 | \$ 29,306 | \$ 4,129 | \$ 0 |

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.

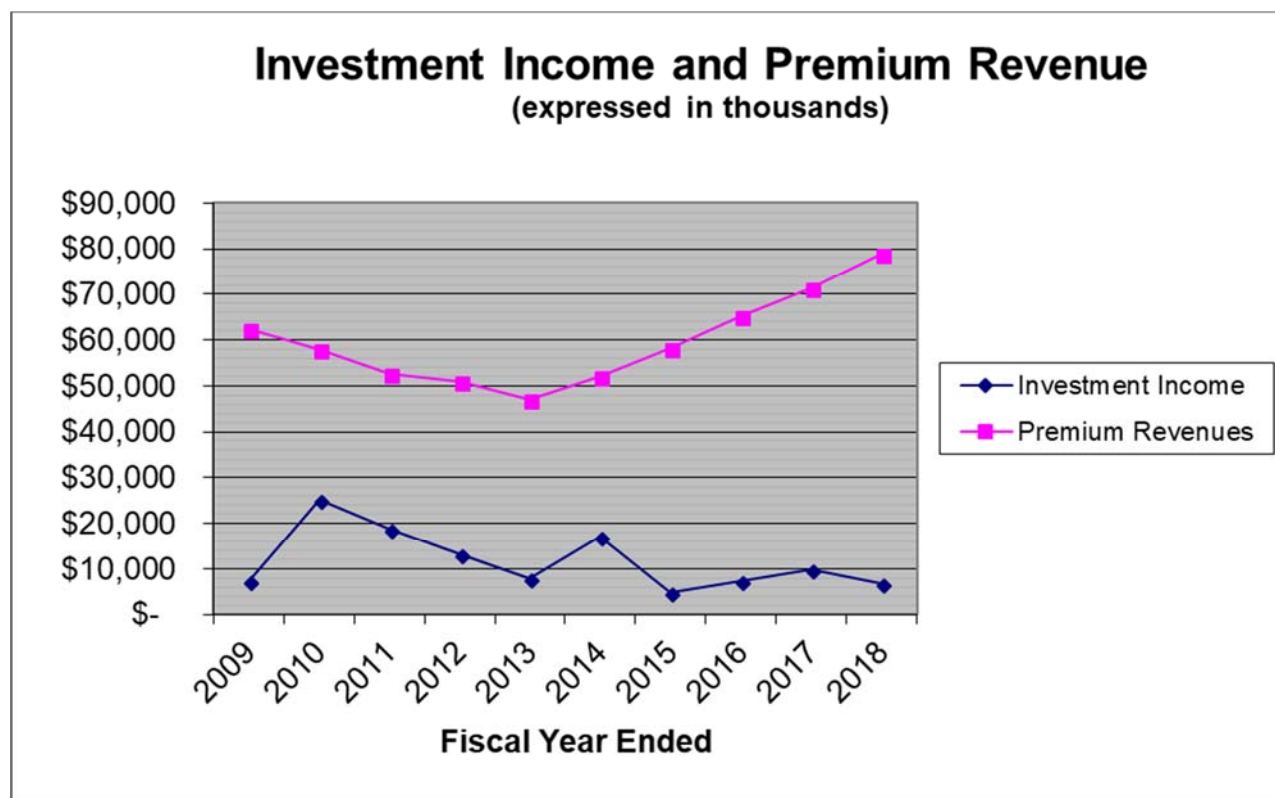
Source: BRIM's internal financial statements.

SCHEDULE 3

| <u>Top 10 State Agency Premiums for Fiscal Year 2018</u> | | <u>Top 10 State Agency Premiums for Fiscal Year 2009</u> | | |
|--|--|--|--|-----------------------------|
| 1 | WEST VIRGINIA UNIVERSITY | 9,388,239 | WEST VIRGINIA STATE POLICE | 5,606,195 |
| 2 | DIVISION OF HIGHWAYS | 6,397,385 | WEST VIRGINIA UNIVERSITY | 5,510,800 |
| 3 | STATE POLICE, WEST VIRGINIA | 5,394,594 | DIVISION OF HIGHWAYS | 4,901,858 |
| 4 | DEPARTMENT OF HEALTH AND HUMAN RESOURCES | 3,715,674 | DEPARTMENT OF HEALTH AND HUMAN RESOURCES | 4,118,442 |
| 5 | DIVISION OF CORRECTIONS | 3,142,203 | MARSHALL UNIVERSITY | 2,065,082 |
| 6 | MARSHALL UNIVERSITY | 2,910,059 | DIVISION OF CORRECTIONS | 915,292 |
| 7 | REGIONAL JAIL & CORR. FAC. AUTHORITY | 1,437,211 | REGIONAL JAIL & CORR. FAC. AUTHORITY | 518,471 |
| 8 | WEST VIRGINIA UNIVERSITY MEDICAL CORP. | 707,014 | WEST VIRGINIA STATE PARKS | 517,694 |
| 9 | SUPREME COURT OF APPEALS | 690,383 | DIVISION OF ENVIRONMENTAL PROTECTION | 467,514 |
| 10 | DIVISION OF ENVIRONMENTAL PROTECTION | 659,394 | DIVISION OF NATURAL RESOURCES | 448,135 |
| | Total Top Ten | <u>\$ 34,442,156</u> | Total Top Ten | <u>\$ 25,069,483</u> |
| | Total State Premium Billing for 2018 | \$ 47,379,668 | Total State Premium Billing for 2009 | \$ 31,836,818 |
| | % of top 10 in relation to all state agency billings | 72.69% | % of top 10 in relation to all state agency billings | 78.74% |
| <u>Top 20 SB 3 Premiums for Fiscal Year 2018</u> | | <u>Top 20 SB 3 Premiums for Fiscal Year 2009</u> | | |
| 1 | KANAWHA COUNTY BOARD OF EDUCATION | \$1,577,182 | KANAWHA COUNTY BOARD OF EDUCATION | \$1,970,276 |
| 2 | BERKELEY COUNTY BOARD OF EDUCATION | 775,626 | WEST VIRGINIA UNIVERSITY MEDICAL CORPORATION | 856,612 |
| 3 | CITY OF ST. ALBANS | 693,271 | RALEIGH COUNTY BOARD OF EDUCATION | 692,570 |
| 4 | RALEIGH COUNTY BOARD OF EDUCATION | 689,338 | BERKELEY COUNTY BOARD OF EDUCATION | 655,411 |
| 5 | CABELL COUNTY BOARD OF EDUCATION | 576,351 | MERCER COUNTY BOARD OF EDUCATION | 556,912 |
| 6 | HARRISON COUNTY BOARD OF EDUCATION | 548,816 | WAYNE COUNTY BOARD OF EDUCATION | 515,508 |
| 7 | MINGO COUNTY COMMISSION | 514,965 | HARRISON COUNTY BOARD OF EDUCATION | 488,985 |
| 8 | PUTNAM COUNTY BOARD OF EDUCATION | 490,595 | PUTNAM COUNTY BOARD OF EDUCATION | 453,329 |
| 9 | WAYNE COUNTY BOARD OF EDUCATION | 472,271 | CABELL COUNTY BOARD OF EDUCATION | 433,652 |
| 10 | MERCER COUNTY BOARD OF EDUCATION | 438,696 | WOOD COUNTY BOARD OF EDUCATION | 431,907 |
| 11 | LOGAN COUNTY BOARD OF EDUCATION | 429,461 | MONONGALIA COUNTY BOARD OF EDUCATION | 419,191 |
| 12 | JEFFERSON COUNTY BOARD OF EDUCATION | 421,485 | CITY OF ST. ALBANS | 414,041 |
| 13 | MONONGALIA COUNTY BOARD OF EDUCATION | 389,397 | MARION COUNTY BOARD OF EDUCATION | 411,022 |
| 14 | MARION COUNTY BOARD OF EDUCATION | 376,206 | UNIVERSITY PHYSICIANS AND SURGEONS | 349,469 |
| 15 | MINGO COUNTY BOARD OF EDUCATION | 360,761 | RALEIGH COUNTY BOARD OF EDUCATION | 347,094 |
| 16 | FAYETTE COUNTY BOARD OF EDUCATION | 348,408 | JEFFERSON COUNTY COMMISSION | 346,598 |
| 17 | LOGAN COUNTY COMMISSION | 337,715 | LOGAN COUNTY BOARD OF EDUCATION | 337,336 |
| 18 | OHIO COUNTY COMMISSION | 332,174 | FAYETTE COUNTY BOARD OF EDUCATION | 334,965 |
| 19 | WOOD COUNTY BOARD OF EDUCATION | 330,733 | MCDOWELL COUNTY BOARD OF EDUCATION | 314,264 |
| 20 | KANAWHA VALLEY REGIONAL TRANSPORTATION | 311,515 | JEFFERSON BOARD OF EDUCATION | 310,563 |
| | Total Top Twenty | <u>\$ 10,414,966</u> | Total Top Twenty | <u>\$ 10,639,705</u> |
| | WOOD COUNTY BOARD OF EDUCATION | | Total SB 3 Premium Billing for 2009 | \$ 32,006,266 |
| | Total SB 3 Premium Billing for 2018 | \$ 30,462,670 | % of top 20 in relation to total SB 3 billings | 33.24% |
| | % of top 20 in relation to total SB 3 billings | 34.19% | | |

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

SCHEDULE 4



| Fiscal Year | Investment Income | Premium Revenue |
|-------------|----------------------|--------------------|
| 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 | \$ 65,291 |
| 2017 | \$ 9,841 | \$ 71,368 |
| 2018 | \$ 6,712 | \$ 78,951 |

This chart illustrates a comparison of investment income and premium revenue for the most recent ten years. Overall investment returns since 2014 have been impacted by the lower interest rate environment. An improving equity market helped to offset lower fixed income earnings. For the earlier fiscal years shown above, favorable trends in insured events allowed BRIM to provide some relief in premiums charged. More recently, actuarially projected increases in claims losses have required BRIM to increase premiums. 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, 2018 | | | Estimated as of June 30, 2009 | | |
|--------------------------------------|----------------------------|-------------------------------------|--------------------------------------|----------------------------|-------------------------------------|
| Major West Virginia Employers | Number of Employees | Percentage of Total Employed | Major West Virginia Employers | Number of Employees | Percentage of Total Employed |
| Local Government | 70,000 - 74,999 | 9.38% | Local Government | 75,000 - 79,999 | 9.56% |
| State Government | 40,000 - 44,999 | 5.32% | State Government | 40,000 - 44,999 | 5.10% |
| Federal Government | 20,000 - 24,999 | 3.00% | Federal Government | 20,000 - 24,999 | 2.90% |
| WVU Medicine | 14,000 - 17,999 | 2.29% | Wal-Mart Associates, Inc. | 13,000 - 14,999 | 1.93% |
| Wal-Mart Associates, Inc. | 10,000 - 12,999 | 1.66% | West Virginia United Health System | 7,000 - 9,999 | 1.16% |
| Charleston Area Medical Center | 6,000 - 7,999 | 1.02% | Charleston Area Medical Center | 5,000 - 6,999 | 0.90% |
| Kroger | 4,000 - 4,999 | 0.64% | Kroger | 4,000 - 5,999 | 0.77% |
| Cabell Huntington Hospital, Inc. | 3,000 - 3,999 | 0.51% | American Electric Power | 1,000 - 2,999 | 0.39% |
| Mylan Pharmaceuticals, Inc | 3,000 - 3,999 | 0.51% | Eldercare Resources Corporation | 1,000 - 2,999 | 0.39% |
| Lowe's Home Centers | 3,000 - 3,999 | 0.51% | St. Mary's Hospital | 1,000 - 2,999 | 0.39% |
| St. Mary's Medical Center | 1,000 - 2,999 | 0.38% | CSX/CSX Hotels Inc | 1,000 - 2,999 | 0.39% |
| Wheeling Hospital, Inc | 1,000 - 2,999 | 0.38% | Consolidation Coal | 1,000 - 2,999 | 0.39% |
| Res-Care Inc. | 1,000 - 2,999 | 0.38% | Lowe's Home Centers, Inc. | 1,000 - 2,999 | 0.39% |
| Actual Total | 202,887 | | | 191,529 | |

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

SCHEDULE 6

Demographic and Economic Indicators Calendar Years 2008-2017

| | 2017 | 2016 | 2015 | 2014 | 2013 |
|--|--------------|--------------|--------------|--------------|--------------|
| Population | | | | | |
| West Virginia | 1,836,843 | 1,831,102 | 1,844,128 | 1,852,994 | 1,854,304 |
| Change | 0.31% | -0.71% | -0.48% | -0.07% | -0.06% |
| National | 325,719,178 | 323,127,513 | 320,896,618 | 317,297,938 | 316,128,839 |
| Change | 0.80% | 0.70% | 1.13% | 0.37% | 0.71% |
| Total Personal Income | | | | | |
| West Virginia (in millions) | 70,680 | 67,062 | 67,786 | 66,729 | 65,268 |
| Change | 5.40% | -1.07% | 1.58% | 2.24% | 2.03% |
| National (in millions) | 16,817,207 | 16,364,400 | 15,594,003 | 14,680,500 | 14,090,700 |
| Change | 2.77% | 4.94% | 6.22% | 4.19% | 5.14% |
| Per Capita Personal Income* | | | | | |
| West Virginia | 38,479 | 36,624 | 36,758 | 36,644 | 35,533 |
| Change | 5.06% | -0.36% | 0.31% | 3.13% | 3.06% |
| National | 51,631 | 49,246 | 48,112 | 46,038 | 44,402 |
| Change | 4.84% | 2.36% | 4.50% | 3.68% | 4.00% |
| Median Age | 42.3 | 41.8 | 41.9 | 41.9 | 41.0 |
| Educational Attainment | | | | | |
| 9th Grade or Less | 5.6% | 4.6% | 4.6% | 6.2% | 6.2% |
| Some High School, No Diploma | 8.3% | 10.3% | 10.3% | 10.2% | 10.2% |
| High School Diploma | 40.1% | 40.2% | 40.2% | 44.1% | 44.1% |
| Some College, No Degree | 21.3% | 16.3% | 16.3% | 13.4% | 13.4% |
| Associate, Bachelor's or Graduate Degree | 24.6% | 28.6% | 28.6% | 26.1% | 26.1% |
| Labor Force and Employment (people in thousands) | | | | | |
| Civilian Labor Force | 785 | 783 | 780 | 789 | 796.0 |
| Employed | 743 | 736 | 732 | 737 | 744.7 |
| Unemployed | 42 | 47 | 48.6 | 52 | 51.3 |
| Unemployment Rate | 5.3 | 6 | 6.2 | 6.6 | 6.5% |
| Nonfarm Wage and Salary Workers Employed in West Virginia | | | | | |
| Goods Producing Industries (people in thousands) | | | | | |
| Mining | 22.8 | 20.3 | 25.9 | 30.3 | 31.8 |
| Construction | 33.5 | 30.1 | 32.5 | 33.7 | 34.3 |
| Manufacturing-Durable Goods | 27.8 | 27.9 | 28.6 | 28.7 | 29.1 |
| Manufacturing-NonDurable Goods | 18.8 | 18.8 | 19 | 19.1 | 19.3 |
| Total Goods Producing Industries | 102.9 | 97.1 | 106 | 111.8 | 114.5 |
| Non-Goods Producing Industries (people in thousands) | | | | | |
| Trade | 132.8 | 133.3 | 135 | 109.4 | 110.3 |
| Service | 360.9 | 361.3 | 371.1 | 388.9 | 384.5 |
| State and Local Government | 131 | 132.6 | 128.7 | 128.6 | 130.5 |
| Federal Government | 23.5 | 23.5 | 23.2 | 23.3 | 23.3 |
| Total Non-Goods Producing Industries | 648.2 | 650.7 | 658.0 | 650.2 | 648.6 |
| Total Nonfarm Wage and Salary Employment | 751.1 | 747.8 | 764.0 | 762.0 | 763.1 |

*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 6
(Continued)

Demographic and Economic Indicators
Calendar Years 2008-2017

| | 2012 | 2011 | 2010 | 2009 | 2008 |
|--|--------------|--------------|--------------|--------------|--------------|
| Population | | | | | |
| West Virginia | 1,855,413 | 1,855,364 | 1,852,994 | 1,819,777 | 1,814,873 |
| Change | 0.00% | 0.13% | 1.83% | 0.27% | 0.20% |
| National | 313,914,040 | 311,591,917 | 308,745,538 | 307,006,550 | 304,374,846 |
| Change | 0.75% | 0.92% | 0.57% | 0.86% | 0.93% |
| Total Personal Income | | | | | |
| West Virginia (in millions) | 63,968 | 62,178 | 59,417 | 57,535 | 57,576 |
| Change | 2.88% | 4.65% | 3.27% | -0.07% | 6.43% |
| National (in millions) | 13,401,869 | 12,981,741 | 12,353,577 | 11,916,773 | 12,451,660 |
| Change | 3.24% | 5.08% | 3.67% | -4.30% | 4.63% |
| Per Capita Personal Income* | | | | | |
| West Virginia | 34,477 | 33,513 | 32,042 | 31,137 | 31,286 |
| Change | 2.88% | 4.59% | 2.91% | -0.48% | 6.07% |
| National | 42,693 | 41,663 | 39,937 | 38,846 | 40,947 |
| Change | 2.47% | 4.32% | 2.81% | -5.13% | 3.65% |
| Median Age | | | | | |
| | 41.3 | 41.1 | 41.3 | 40.5 | 40.6 |
| Educational Attainment | | | | | |
| 9th Grade or Less | 3.0% | 6.8% | 6.1% | 6.5% | 6.6% |
| Some High School, No Diploma | 5.0% | 11.3% | 10.7% | 10.7% | 11.1% |
| High School Diploma | 40.1% | 41.3% | 41.6% | 41.0% | 40.9% |
| Some College, No Degree | 26.3% | 17.6% | 18.3% | 18.5% | 18.5% |
| Associate, Bachelor's or Graduate Degree | 25.6% | 23.0% | 23.3% | 23.2% | 22.9% |
| Labor Force and Employment (people in thousands) | | | | | |
| Civilian Labor Force | 805.0 | 799.9 | 782.3 | 797.9 | 806.0 |
| Employed | 746.0 | 736.1 | 711.1 | 734.6 | 772.0 |
| Unemployed | 59.0 | 63.8 | 71.2 | 63.3 | 34.0 |
| Unemployment Rate | 7.3% | 8.0% | 9.1% | 7.9% | 4.3% |
| Nonfarm Wage and Salary Workers Employed in West Virginia | | | | | |
| Goods Producing Industries (people in thousands) | | | | | |
| Mining | 33.7 | 33.6 | 29.9 | 29.6 | 30.7 |
| Construction | 35.6 | 33 | 32.6 | 34.1 | 38.4 |
| Manufacturing-Durable Goods | 29.6 | 30 | 29.6 | 30.9 | 35.2 |
| Manufacturing-NonDurable Goods | 19.6 | 19.5 | 19.5 | 19.8 | 21.1 |
| Total Goods Producing Industries | 118.5 | 116.1 | 111.6 | 114.4 | 125.4 |
| Non-Goods Producing Industries (people in thousands) | | | | | |
| Trade | 111.0 | 109.9 | 109.2 | 110.0 | 114.4 |
| Service | 381.7 | 376.2 | 372.5 | 369.9 | 374 |
| State and Local Government | 130.7 | 128.3 | 128.3 | 126.3 | 123.7 |
| Federal Government | 23.3 | 23.5 | 24.3 | 23.6 | 22.9 |
| Total Non-Goods Producing Industries | 646.7 | 637.9 | 634.3 | 629.8 | 635 |
| Total Nonfarm Wage and Salary Employment | 765.2 | 754.0 | 745.9 | 744.2 | 760.4 |

*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

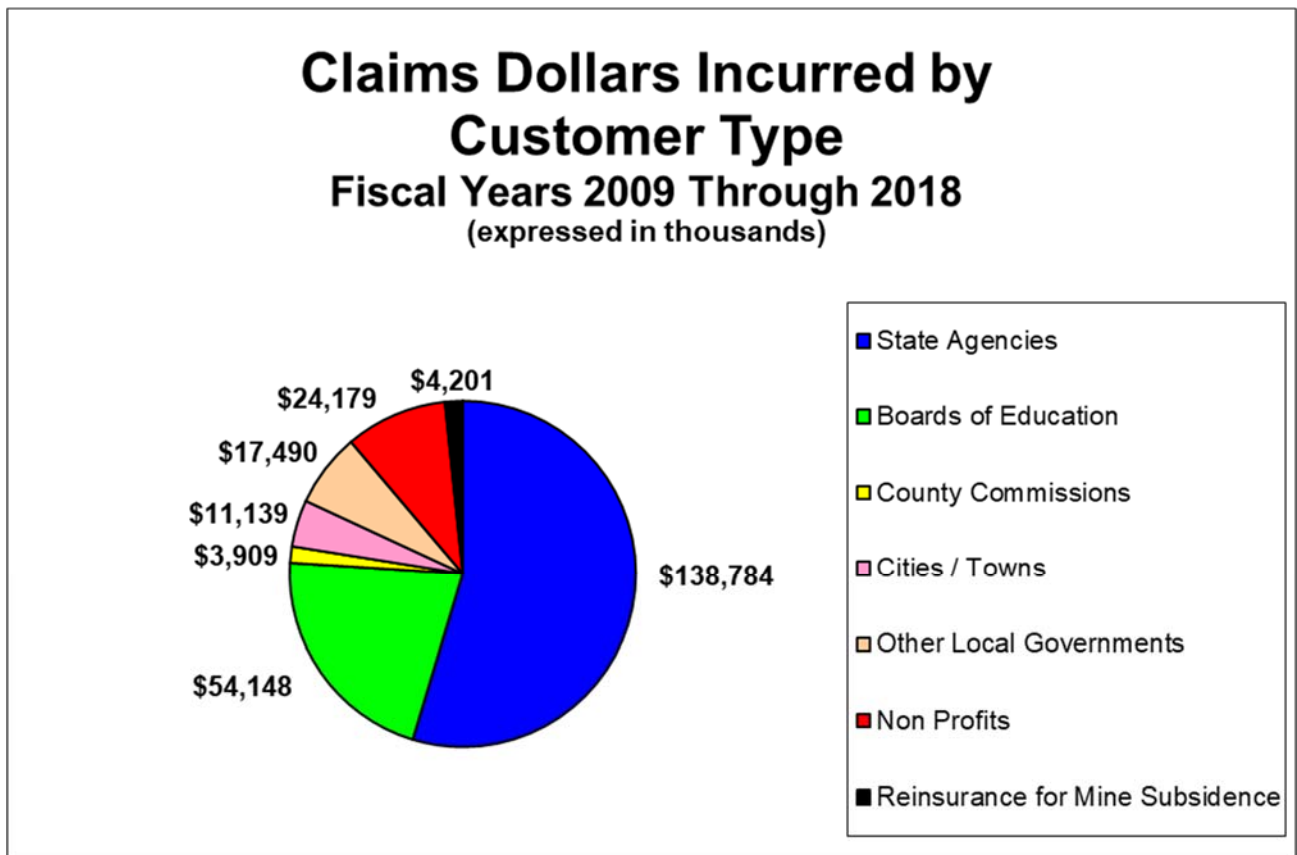
Full-time Equivalent Employees as of Fiscal Year-End*

| | <u>2018</u> | <u>2017</u> | <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> |
|------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Administration | 2 | 1 | 1 | 1 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Finance | 4 | 4 | 4 | 4 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Claims | 7 | 7 | 4 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Underwriting | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 6 | 6 | 6 | 5 |
| Loss Control | 4 | 4 | 4 | 4 | 3 | 3 | 4 | 6 | 6 | 4 | 4 |
| Information Systems | 0 | 0 | 4 | 3 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Privacy | 3 | 3 | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Total Employees | 25 | 24 | 22 | 22 | 20 | 20 | 21 | 24 | 24 | 22 | 21 |

* 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.

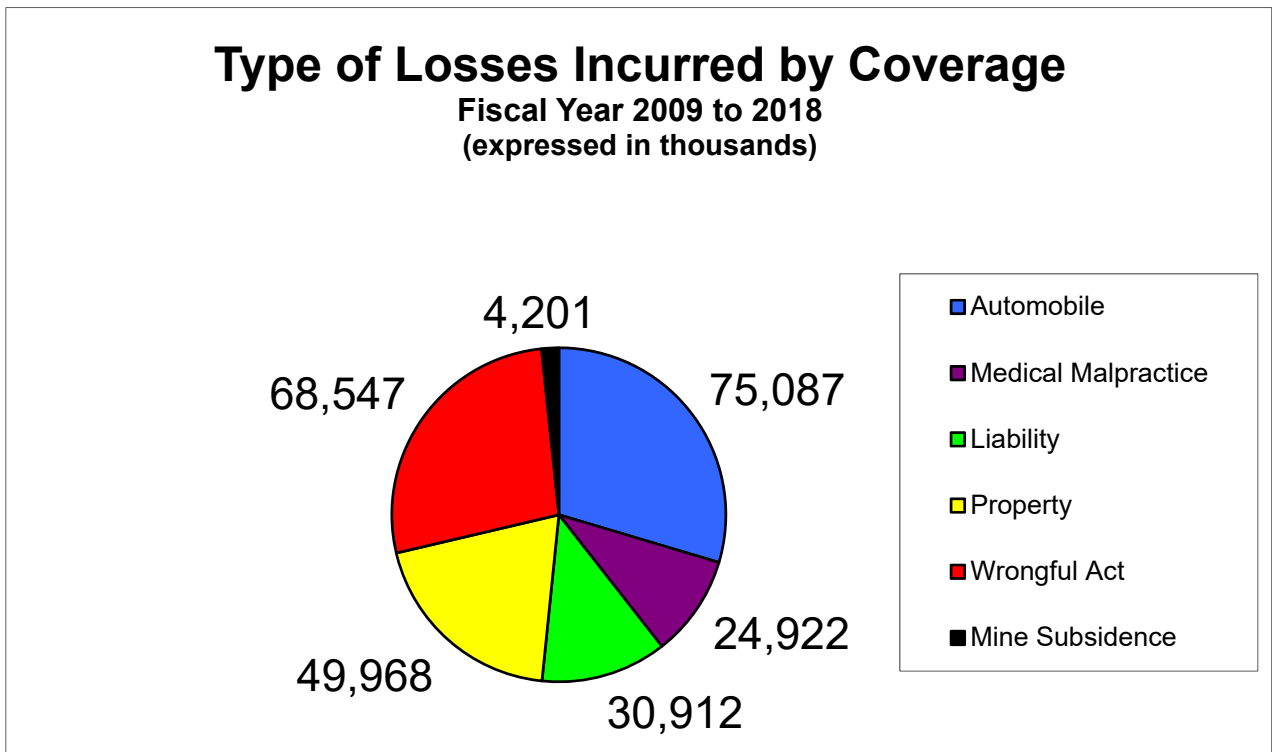
Source: Information compiled from the West Virginia Board of Risk and Insurance Management's internal data.

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.

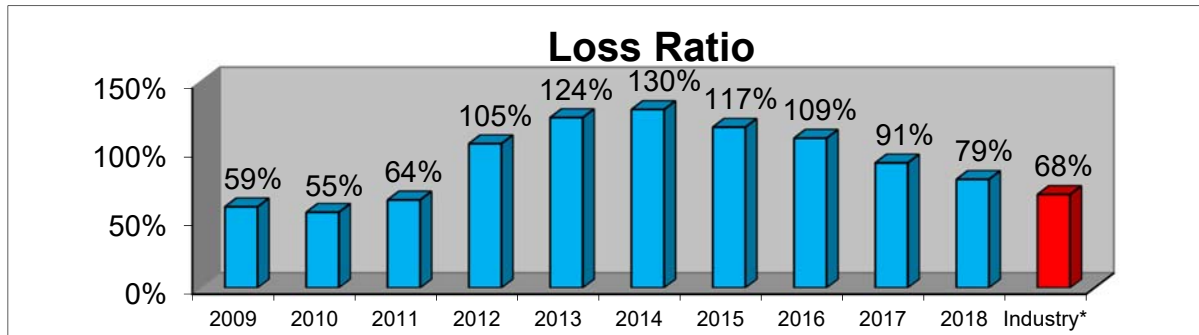
Wrongful acts generally fall in the personal injury area and refer to things such as alleged employment discrimination, defamation, and civil rights' violations.

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

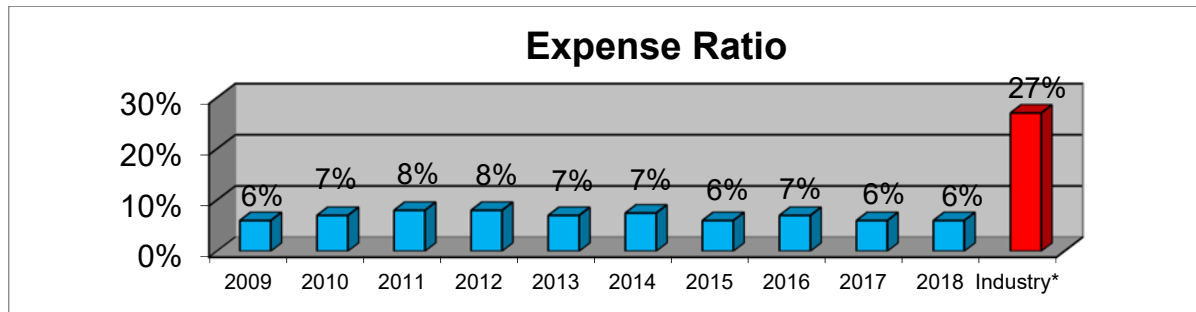
Source: Information compiled from the West Virginia Board of Risk and Insurance Management's internal data.

SCHEDULE 10

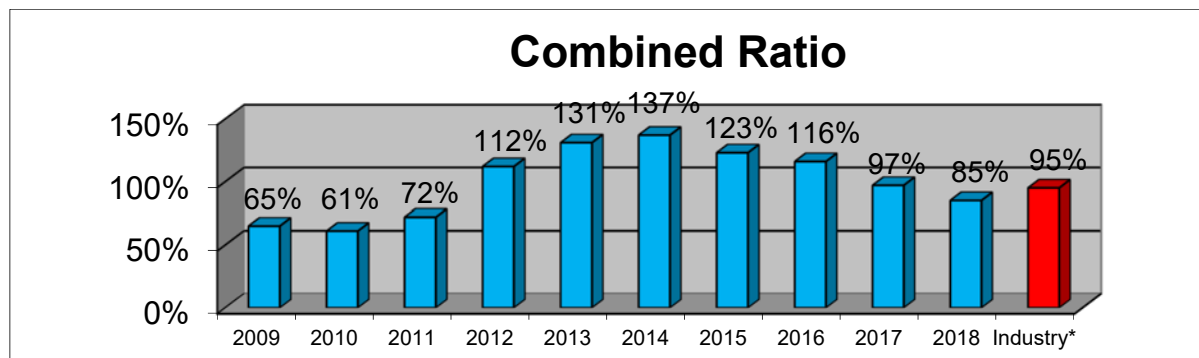
Industry Averages Compared to BRIM



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.

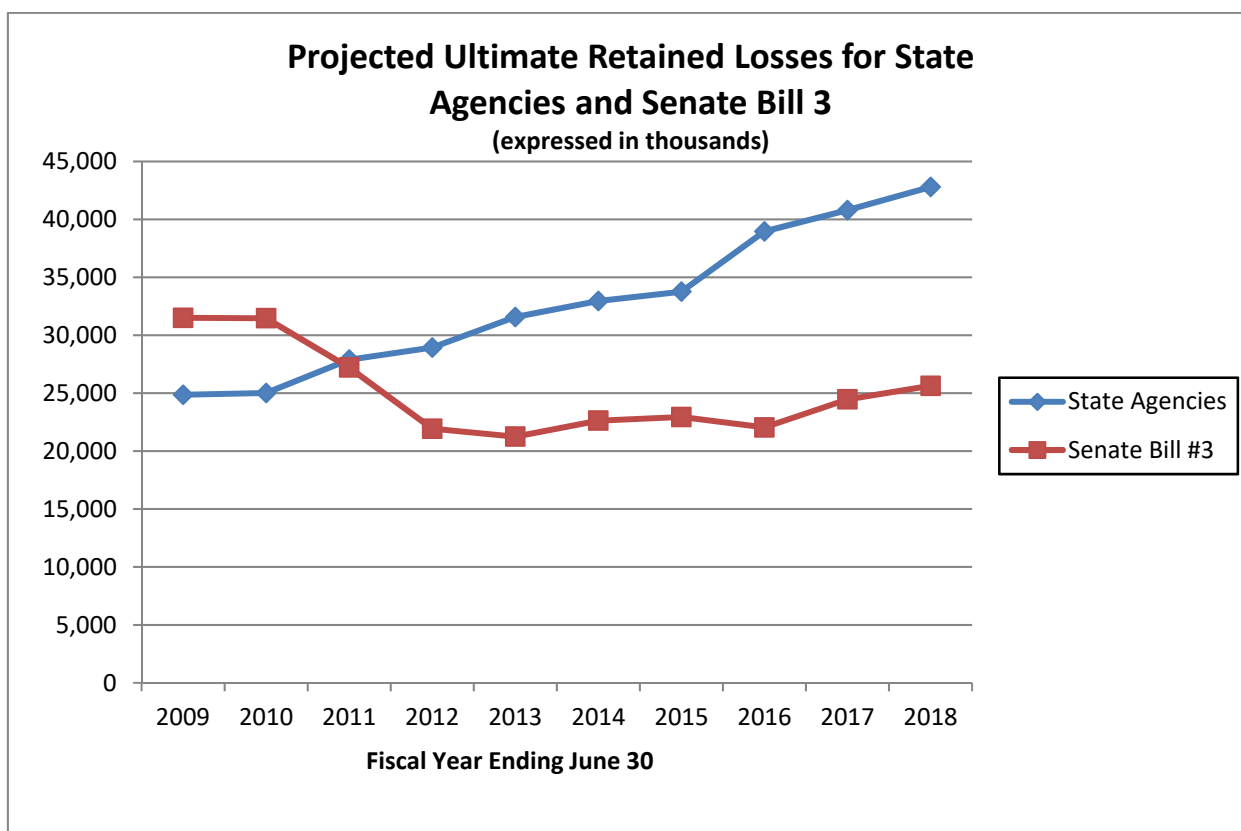


The combined ratio is used to measure underwriting performance. It is derived by adding the loss and expense ratio. A combined ratio below 100% indicates an underwriting profit and one above 100% indicates an underwriting loss.

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

Source: Insurance Services Office

SCHEDULE 11



| Fiscal Year | State Agencies | Senate Bill 3 |
|-------------|----------------|---------------|
| 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 |
| 2017 | \$ 40,796 | \$ 24,468 |
| 2018 | \$ 42,802 | \$ 25,639 |

The overall projections are essentially level 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 slight increases in 2014 and 2015 and a slight decrease in 2016 and increases again in 2017 and 2018 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.

Listing of Coverages in Effect for Fiscal Year 2018

| <u>LIABILITY</u> | <u>LIMIT OF LIABILITY</u> |
|---|--|
| Automobile Liability Policy No.: CA 286-73-97 & 286-73-98 Company: National Union Fire Insurance Co. | \$ 1,000,000 per occurrence |
| Cyber Liability Policy No.: UMR B1262F10687317 Company: Arthur J. Gallagher International | \$ 25,000,000 per occurrence |
| General Liability Policy No.: GL 693-89-15 & 693-89-16 Company: National Union Fire Insurance Co. | \$ 1,000,000 per occurrence |
| Aircraft Liability Policy No.: AV003380147-17 Company: National Union Fire Insurance Co. | \$ 1,000,000 per occurrence |
| Excess Liability-Bd. of Education Policy No.: 48409866 Company: The Insurance Company of the State of Pennsylvania | \$ 5,000,000 per occurrence or claim |
| | |
| <u>PROPERTY</u> | <u>LIMIT OF LIABILITY</u> |
| Blanket Property Policy No.: MAF760728-17 Company: Axis Insurance Company | \$ 25,000,000 primary layer 1,000,000 deductible |
| Policy No.: NHD900809 Company: RSUI | \$ 100,000,000 in excess of 25,000,000 |
| Policy No.: 795006143 Company: Atlantic Specialty | \$ 75,000,000 in excess of 125,000,000 |
| Policy No.: MAF733355-16 Company: Axis Insurance Company | \$ 200,000,000 in excess of 200,000,000 |
| Policy No.: MAF760729-17 Company: Axis Insurance Company | \$ 10,000,000 flood with 1,000,000 deductible |
| Boiler and Machinery Policy No.: FBP2280385 Company: Hartford Steam Boiler Company | \$ 5,000,000 per equipment covered in excess of 1,000,000 |
| Public Insurance 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.

