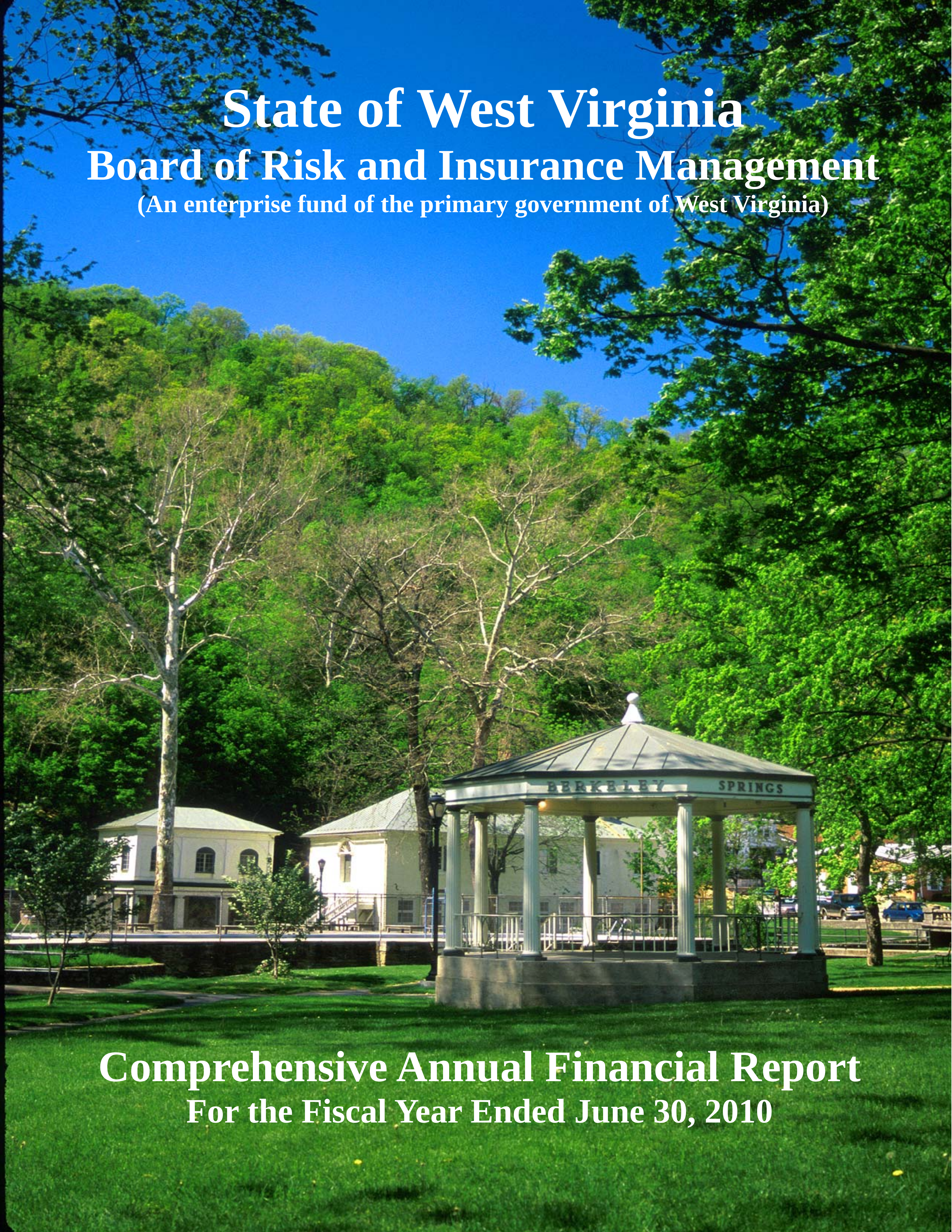
State of West Virginia

Board of Risk and Insurance Management

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



Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2010

On the Cover – The Main Bathhouse located at Berkeley Springs State Park has been popular since before the days of George Washington. The warm mineral waters that flow from the springs are a constant temperature of 74.3 degrees Fahrenheit. Thousands have enjoyed the variety of baths and treatments in the warm mineral waters. Photographs used in this report were courtesy of photographers Stephen Shaluta, Jr. and David Fattaleh, with the West Virginia Division of Tourism.

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 Year Ended June 30, 2010

Earl Ray Tomblin
Governor

Robert W. Ferguson, Jr.
Secretary Department of Administration

Charles E. Jones, Jr., Executive Director
West Virginia Board of Risk and Insurance Management

Prepared by
Stephen W. Schumacher, CPA, Chief Financial Officer
West Virginia Board of Risk and Insurance Management

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

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2010

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FINANCIAL SECTION

STATISTICAL SECTION

Introductory Section

Blennerhasset Mansion – Located at Blennerhasset Historical State Park. This mansion contains 7,000 square feet of floor space and was designed in the Palladian style. The rooms were furnished with furniture purchased in London and Baltimore and porcelain made in Paris.

State of West Virginia
Board of Risk and Insurance Management

PRINCIPAL OFFICIALS

Earl Ray Tomblin, Governor

Secretary of Department of Administration
Robert W. Ferguson, Jr.

Board of Directors
John Lukens, Chairperson
Bruce Martin, Vice Chairperson
S.A. Cunningham, CPA, Member
Martin Glasser, Member
Dr. Robert B. Walker, Member

Executive Staff
Charles E. Jones, Jr., Executive Director
Stephen W. Schumacher, CPA, Chief Financial Officer

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

90 MACCORKLE AVENUE SW, Suite 203
SOUTH CHARLESTON, WV 25303

(304) 766-2646 ADMINISTRATION
(304) 744-7120 FAX
(800) 345-4669 TOLL FREE WV
www.state.wv.us/brim

Earl Ray Tomblin
Governor

Charles E. Jones, Jr.
Executive Director
charles.e.jones@wv.gov

Robert Ferguson, Jr.
Cabinet Secretary

Formal Transmittal of Comprehensive Annual Financial Report (CAFR)

December 15, 2010

Honorable Earl Ray Tomblin, Governor
State of West Virginia

Board of Directors
West Virginia Board of Risk and Insurance Management

Charles E. Jones, Jr., 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, 2010, 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.

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

PROFILE OF BRIM

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

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

BRIM is charged with providing insurance coverage to all state agencies, which number approximately 146. 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 900 of these organizations. BRIM also provides a coal mine subsidence reinsurance program that allows homeowners and businesses to obtain insurance coverage up to $75,000 for collapses and damage caused by underground coal mines. Currently, BRIM underwrites over 15,000 commercial and personal mine subsidence policies annually.

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

All HB601 policies were non-renewed as of June 30, 2004. However, BRIM still maintains the run-off of claims that were made during the effective period or claims relating to tail coverage purchased. This tail coverage covers the insured on any IBNR claims during the policy period. See further discussion of House Bill 601 program in the MD&A section.

BRIM uses various means to cover its insureds. Liability claims incurred before July 1, 2005 are handled through a *Modified Paid Loss* retrospective rating program, which requires an up-front deposit to an insurance company. As losses occur, payments and reserves are established and charged against the deposit. When the amount of paid losses and expected paid losses for the next 12 months exceeds the deposit amount, a retrospective billing is produced and is due the insurance company by BRIM. BRIM is not indemnified by the insurance company, and the insurance company is compensated for claim handling by a negotiated fixed fee.

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 with loss dates of July 1, 2005 and later. 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.

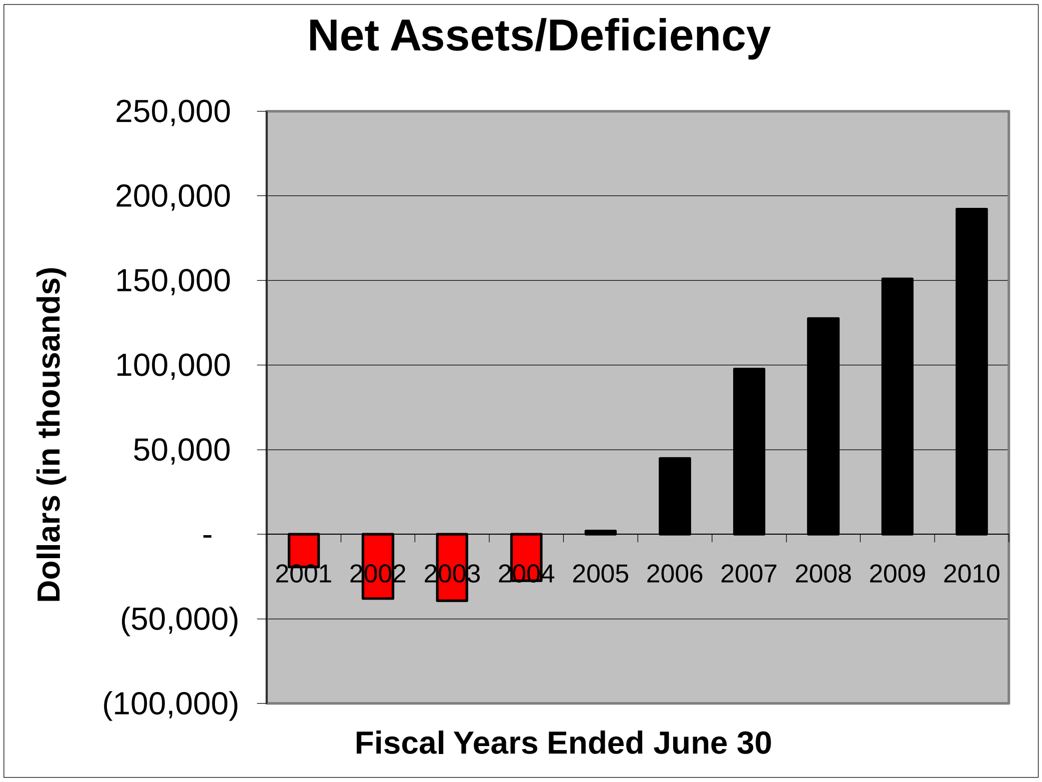
Property losses are retained by BRIM up to $1 million. Additional coverage is provided up to a limit of $400 million through various excess policies. This coverage provides reimbursement of loss at the stated or reported value less a $1,000 deductible. Under the mine subsidence program, ceding insurers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

One of management's major goals was to eliminate the net asset deficiency that existed in prior years. The deficiency in net assets developed in the past due to several factors, including unanticipated losses and adverse loss development in state agency and Senate Bill 3 entity coverages for general liability and medical malpractice lines of business. Declining investment returns also were a contributing factor. In fiscal year 2004, management adopted a financial stability plan to address the deficiency in net assets. As of June 30, 2010, BRIM has total net assets of $192,207,000 reflected on the Statement of Net Assets. Management anticipates that net assets will continue to remain positive. For more detailed information see the MD&A included in the financial section of this report.

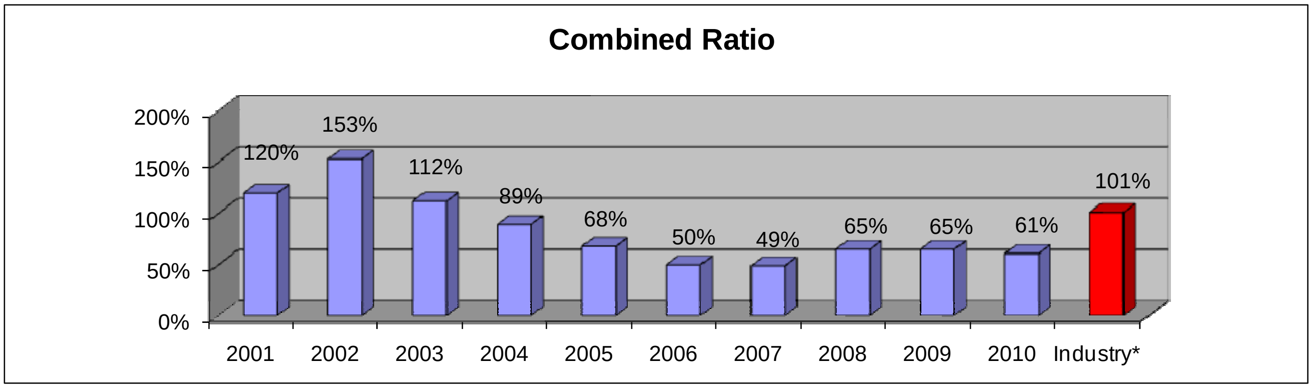
The chart below shows the net assets/deficiency for the past ten years. The years in black represent positive net assets and the years in red represent a net asset deficiency (or unfunded liability).



BRIM's improvement in financial position has generally outperformed the commercial insurance industry over the past several 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 2010 is below 100% and below the industry average. 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 27%. This has enabled BRIM to keep this key financial ratio below the industry this year. The risk funding study completed for 2010 shows that the trend of reductions in the actuarially determined reserve estimates for provisions for insured events of prior fiscal years has continued and favorably impacted BRIM's combined ratio for fiscal year 2010. The decrease in prior year reserves has contributed to the overall lower combined loss ratios experienced by BRIM since 2005. 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 Standard and Poor's Industry Surveys, Insurance: Property / Casualty, July 8, 2010.

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 further diversify 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. The volatile conditions in the financial markets resulted in significant investment losses for BRIM for the first half of fiscal year 2009. However, these losses were more than offset by significant improvements in the markets in the second half of fiscal year 2009 and 2010 which resulted in positive returns for both fiscal years.

BRIM On-Line

We invite you to visit BRIM's website at http://www.state.wv.us/brim. 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 Ernst & Young, LLP was selected to perform the financial statement audit for the fiscal year ended June 30, 2010. 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, 2009. This was the fifteenth 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

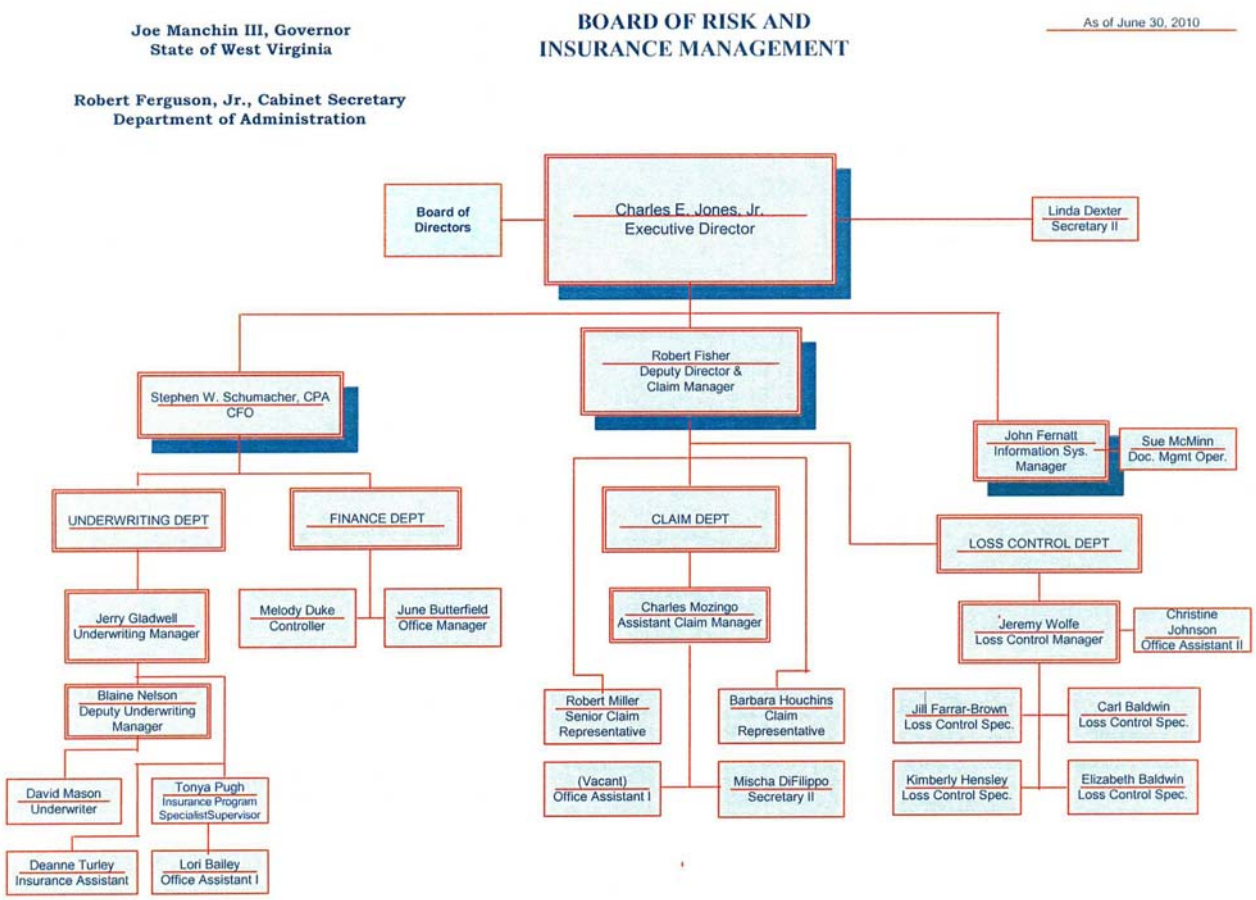
BRIM would like to thank the Governor, the Legislature, the Cabinet Secretary of Administration, and the Board of Directors of BRIM for their support and leadership.

A special thank you is extended to the Executive Director, the Board of Director's finance committee and the finance staff at 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, 2010.

Sincerely,

Stephen W. Schumacher, CPA
Chief Financial Officer


Joe Manchin III, Governor
State of West Virginia
Robert Ferguson, Jr., Cabinet Secretary
Department of Administration
BOARD OF RISK AND INSURANCE MANAGEMENT
As of June 30, 2010
Board of Directors
Charles E. Jones, Jr.
Executive Director
Linda Dexter
Secretary II
Robert Fisher
Deputy Director & Claim Manager
Stephen W. Schumacher, CPA
CFO
John Fernatt
Information Sys. Manager
Sue McMinn
Doc. Mgmt Oper.
UNDERWRITING DEPT
FINANCE DEPT
CLAIM DEPT
LOSS CONTROL DEPT
Jerry Gladwell
Underwriting Manager
Melody Duke
Controller
June Butterfield
Office Manager
Charles Mozingo
Assistant Claim Manager
Jeremy Wolfe
Loss Control Manager
Christine Johnson
Office Assistant II
Blaine Nelson
Deputy Underwriting Manager
Robert Miller
Senior Claim Representative
Barbara Houchins
Claim Representative
Jill Farrar-Brown
Loss Control Spec.
Carl Baldwin
Loss Control Spec.
David Mason
Underwriter
Tonya Pugh
Insurance Program SpecialistSupervisor
(Vacant)
Office Assistant I
Mischa DiFilippo
Secretary II
Kimberly Hensley
Loss Control Spec.
Elizabeth Baldwin
Loss Control Spec.
Deanne Turley
Insurance Assistant
Lori Bailey
Office Assistant I

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, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director


STATE OF WEST VIRGINIA
JUNE
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Financial Section

Bear Paw Lodge – Located at Canaan Valley State Park. This year-round resort offers a wide variety of recreational activities in a beautiful setting surrounded by 6,300 acres of state parkland. Accommodations include a 250 guest rooms, 6 suites and 23 secluded cabins.

Ernst & Young LLP
900 United Center
500 Virginia Street East
Charleston, West Virginia 25301

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Report of Independent Auditors

The Board of Directors
West Virginia Board of Risk and Insurance Management

We have audited the accompanying basic financial statements of the West Virginia Board of Risk and Insurance Management (BRIM), an enterprise fund of the State of West Virginia, as of June 30, 2010 and 2009, and for the years then ended, as listed in the table of contents. These financial statements are the responsibility of BRIM's management. 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 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. We were not engaged to perform an audit of BRIM's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of BRIM's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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, 2010 and 2009, and the changes in its financial position and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

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, 2010 and 2009, and the changes in its financial position and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2010, 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, 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* and should be considered in assessing the results of our 2010 audit.

Management's Discussion and Analysis on pages 3 through 11 and the unaudited supplemental schedules of Ten-Year Claims Development Information on page 44 and the Reconciliation of Unpaid Claims and Claims Adjustment Expense Liability by Type of Contract on page 45 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise BRIM's basic financial statements. Other financial information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of BRIM. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Ernst & Young LLP

December 2, 2010

OVERVIEW OF THE FINANCIAL STATEMENTS

Management of the West Virginia Board of Risk and Insurance Management (BRIM) provides this Management 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, 2010, 2009, and 2008. BRIM provides property and casualty insurance to 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, which makes available to the general public dwelling insurance covering damage caused by the collapse of underground coal mines. From December 2001 until novation to a physician's mutual on July 1, 2004, BRIM's program was expanded to include providing medical malpractice insurance to private sector health care providers (referred to hereafter as the House Bill 601 Program). The hospitals that were nonrenewed in 2003 are still being managed by BRIM for claims that were made during the period they were insured.

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

- *Statement of Net Assets*—this statement presents information reflecting BRIM's assets, liabilities, and net assets 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 which are collectible or becoming due within 12 months of the statement's date.

- *Statement of Revenues, Expenses, and Changes in Net Assets*—this statement reflects the operating and nonoperating revenues and expenses for the operating year. Operating revenues primarily consist of premium income with major sources of operating expenses being claims loss and loss adjustment expense and general and administrative expenses. Nonoperating revenues primarily consist of investment income and appropriations from the State.

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

FINANCIAL HIGHLIGHTS

(Dollars in Thousands)

The following tables summarize the financial position and the results of operations as of and for the years ended June 30, 2010, 2009, and 2008:

	2010	2009	2008	Change 2010–2009 Amount	Change 2010–2009 Percent	Change 2009–2008 Amount	Change 2009–2008 Percent
Cash	**$ 29,613**	$ 32,181	$ 30,595	$ (2,568)	(7)%	$ 1,586	5%
Advance deposits with carrier/trustee	**184,926**	174,215	158,436	10,711	6	15,779	10
Receivables	**1,349**	1,003	1,439	346	34	(436)	(30)
Total current assets	**215,888**	207,399	190,470	8,489	4	16,929	9
Noncurrent investments	**120,331**	105,461	109,325	14,870	14	(3,864)	(4)
Total assets	**336,219**	312,860	299,795	23,359	7	13,065	4
Estimated claim expense	**45,707**	48,650	50,693	(2,943)	(6)	(2,043)	(4)
Unearned premiums	**6,629**	7,235	7,705	(606)	(8)	(470)	(6)
Agent commissions payable	**1,230**	1,247	1,621	(17)	(1)	(374)	(23)
Accrued expenses	**659**	629	559	30	4	70	13
Total current liabilities	**54,225**	57,761	60,578	(3,536)	(6)	(2,817)	(5)
Estimated claim expense	**89,721**	104,083	111,535	(14,362)	(14)	(7,452)	(7)
Compensated absences	**66**	58	52	8	13	6	12
Total noncurrent liabilities	**89,787**	104,141	111,587	(14,354)	(14)	(7,446)	(7)
Total liabilities	**144,012**	161,902	172,165	(17,890)	(11)	(10,263)	(6)
Net assets:							
Restricted	**38,420**	33,924	33,634	4,496	13	290	1
Unrestricted	**153,787**	117,034	93,996	36,753	31	23,038	25
Net assets	**$ 192,207**	$ 150,958	$ 127,630	$ 41,249	27%	$ 23,328	18%

	2010	2009	2008	Change 2010–2009 Amount	Change 2010–2009 Percent	Change 2009–2008 Amount	Change 2009–2008 Percent
Premiums	**$ 58,007**	$ 62,427	$ 72,986	$ (4,420)	(7)%	$ (10,559)	(14)%
Less excess coverage	**(6,257)**	(5,944)	(6,394)	(313)	(5)	450	7
Net operating revenues	**51,750**	56,483	66,592	(4,733)	(8)	(10,109)	(15)
Claims and claims adjustment expense	**31,668**	36,604	42,982	(4,936)	(13)	(6,378)	(15)
General and administrative	**3,946**	3,894	4,247	52	1	(353)	(8)
Total operating expenses	**35,614**	40,498	47,229	(4,884)	(12)	(6,731)	(14)
Operating income	**16,136**	15,985	19,363	151	1	(3,378)	(17)
Nonoperating revenues:							
Investment income	**25,081**	7,312	10,512	17,769	243	(3,200)	(30)
Financing income	**32**	31	30	1	3	1	3
Other postemployment benefits	–	–	30	–	–	(30)	–
Total nonoperating revenues, net	**25,113**	7,343	10,572	17,770	241	(3,229)	(31)
Changes in net assets	**41,249**	23,328	29,935	17,921	76	(6,607)	(22)
Total net assets – beginning	**150,958**	127,630	97,547	23,328	18	30,083	31
Change in accounting principle for other postemployment benefits	–	–	148	–	–	(148)	–
Total net assets – beginning, adjusted	**150,958**	127,630	97,695	23,328	18	29,935	31
Total net assets – end	**$ 192,207**	$ 150,958	$ 127,630	$ 41,249	27	$ 23,328	18
Total revenues	**$ 76,863**	$ 63,826	$ 77,164	$ 13,037	20	$ (13,338)	(17)
Total expenses	**$ 35,614**	$ 40,498	$ 47,229	$ (4,884)	(12)%	$ (6,731)	(14)%

- Total assets increased $23,359 in 2010 and increased $13,065 in 2009. The increases are due primarily to the addition of advance deposits held in trust in 2009 and 2010 and the earnings on the funds exceeding the actual claims payments made from the trust. A net increase in long-term investment holdings also resulted from better investment returns in 2010.

- Total liabilities decreased $17,890 in 2010 and decreased $10,263 in 2009. The decreases for both periods relate to trending refinements in the loss development model that favorably impacted prior years general liability and automobile claims reserves, primarily within the SB3 program, that reduced the ultimate loss estimates for these segments.

- Several factors contributed to the two-year increase of $64,577 in total net assets since 2008. Specifically, the anticipated costs incurred to address the recovery of both actuarially estimated losses and program expenses that were initially included for the State and SB3 premium rates in prior years were later determined to be substantially less than what had been originally projected for these earlier rating periods for both programs. Most of this reduction is reflected in the overall decrease in the provisions for prior years' outstanding estimated claims reserves in 2010 and 2009. This net reduction in claims reserves had a positive impact on net assets of approximately $26,800 over the last two years. Investment returns of $25,081 in 2010 and $7,312 in 2009 also contributed to the increase in net assets. During 2009, BRIM recovered $6,288 in premium surcharges from an insurance carrier, including $4,980 expensed in prior years. Within the net asset totals shown are restricted assets totaling $38,420 in 2010, $33,924 in 2009 and $33,634 in 2008, for programs that provide mine subsidence coverage to the general public per the West Virginia State Code and that provide medical malpractice tail coverage for the House Bill 601 Program.

- Total net operating revenues decreased $4,733 in 2010 and decreased $10,109 in 2009. The lower premium revenue for both years reflects the latent impact on rates of the improving loss development trends in the actuarially estimated reserves for prior years. In addition, part of the decrease in 2010 can be attributed to a reduction in the premium rates charged to State and SB3 entities resulting from refunding the remaining portion of the premium surcharges recovered in 2009 but not included in the 2009 rates. Also, 2010 rates for the SB3 program were normalized for the decrease resulting from the reforecasted downward trending of 2009's original projected losses. In addition to the improving loss development trends mentioned above, the rates charged to State and SB3 entities in 2009 were reduced by refunding entities insured through BRIM a portion of the estimated amount of the premium surcharges that were ultimately recovered from the carrier in the second half of 2009.

- Total operating expenses decreased to $35,614 in 2010 from $40,498 in 2009. Claims and claims adjustment expense decreased by $4,936. The provision for current year reserves in 2010 was $4,506 lower than the current year's provision for 2009. Also, the overall decrease in the prior year reserves was slightly higher in 2010 than in 2009. This was marginally offset by a slight increase in general and administrative expenses in 2010 over 2009's level. The decrease in net operating expense from $47,229 in 2008 to $40,498 in 2009 reflects a larger decrease in both the current year reserves ($1,352) and the prior year reserves ($5,026) in 2009 than in 2008. In addition, a year over year reduction in general and administrative expenses of $353 occurred in 2009 versus 2008.

- Nonoperating revenues improved dramatically to $25,113 in 2010 when compared to $7,343 in 2009. However, when compared to $10,572 in 2008, 2009 saw a decline. These yearly fluctuations mirror the overall investment returns and valuation changes resulting from marking investment holdings to market.

- Total revenues and total expenses from 2010 to 2009 and from 2008 to 2009 have fluctuated due to year over year reductions in premium rates, the changes in the retained loss estimates and variations in investment market returns. See the above analysis of individual components for additional information.

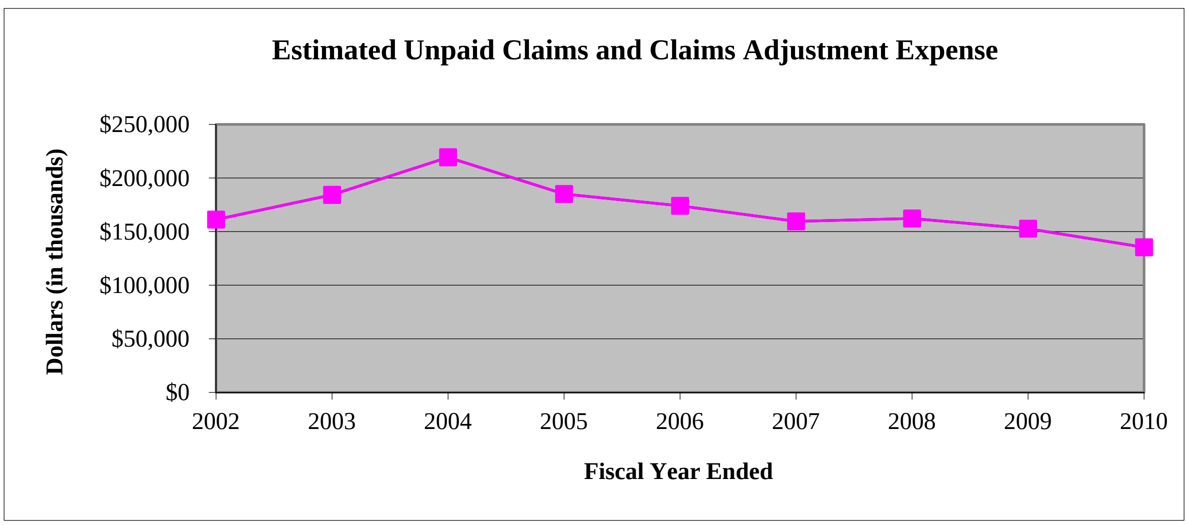
OVERALL ANALYSIS

(Dollars in Thousands)

The overall condition of BRIM has improved from the prior year. Continuing favorable loss development trends, including further reductions in the estimated claims reserves for prior years, together with better investment earnings and aggressive risk management have allowed BRIM to further increase the net assets for this year, reflecting net assets of $192,207 at June 30, 2010. BRIM implemented and continues to strictly adhere to a comprehensive financial stability plan.

Unpaid Claims Liability

BRIM's most significant number on its statements of net assets is the liability for estimated unpaid claims and claims adjustment expense. This liability consists of two parts: claims that BRIM is aware of which have been reserved and incurred but not reported (IBNR) claims, which are projected by an independent actuary. From fiscal year 2009 to 2010, the liability for unpaid claims decreased from $152,733 to $135,428. The chart below shows the estimated unpaid claims and claims adjustment expense liability for fiscal years 2002 through 2010.



House Bills 601 and 2122

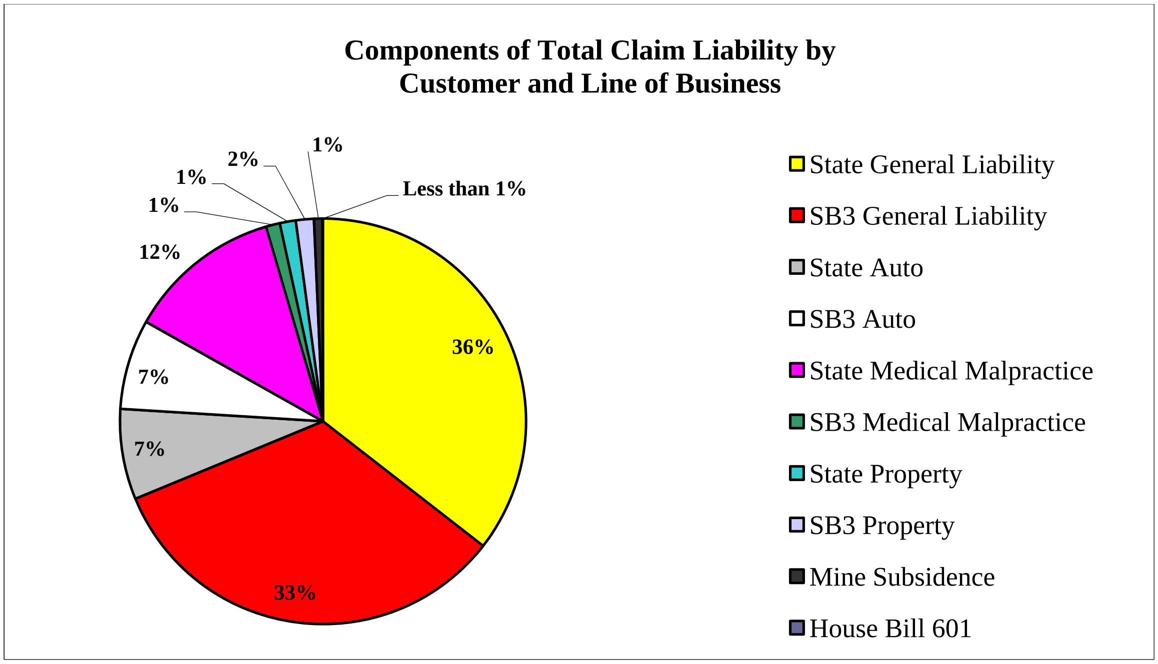
In December 2001, the West Virginia Legislature passed House Bill 601, which authorized BRIM to provide medical malpractice and general liability coverage to health care providers. This bill was created as a result of the medical malpractice insurance crisis created by private sector insurance companies'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

During the legislative session in early 2003, House Bill 2122 was enacted. This bill allowed for BRIM's insured physicians to novate into a physician's mutual. On July 1, 2004, House Bill 601 physicians were novated to the West Virginia Physicians' Mutual Insurance Company (WVPMIC). The hospitals and clinics that did not novate were non-renewed by BRIM prior to June 30, 2004. The program is in "runoff" mode, and BRIM continues to service and pay claims that were made during the effective period or claims relating to tail coverage purchased. Tail coverage was offered to all terminated insurers in House Bill 601. This tail coverage covers the insured on any IBNR claims during the policy period.

Results by Line of Business for BRIM

BRIM is comprised of the State (state agencies), SB3 (for nonprofits, boards of education, and other governmental units), mine subsidence (for home and business owners), and the House Bill 601 (medical malpractice for private physicians) lines of business.

The following chart shows the breakdown by customer and line of business of the total estimated claim liability number, which is $135,428. 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 Assets by Line of Business

By the end of 2008, BRIM had eliminated the deficiency in net assets for all of the lines of business for the programs it oversees. The 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 has followed and will continue to follow to ensure that all lines of business remain fiscally solvent and that the individual programs are financially sound.

Risk Management

BRIM has advanced an aggressive risk management plan during the past three years to address the significant losses that have occurred. 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 are in place, based on loss control efforts and cooperation, or lack thereof, on the part of BRIM's insurers.

Investment Returns

BRIM maintained the funds invested with the West Virginia Investment Management Board (WVIMB) and reinvested all of the earnings on the funds for the fiscal years 2010 and 2009. All BRIM funds held by the WVIMB are invested for the benefit of the pool participants. BRIM invests and withdraws its monies from these funds as needed primarily for operating and short-term cash requirements. Investment income had decreased in fiscal year 2009 due to the fluctuations in the market but during fiscal year 2010 investment returns increased.

Premium Determination Process

BRIM has properly maintained premiums across all lines of business for the past several years based on relevant exposure data and claims loss history. Charging proper premiums, consistent with the commercial industry, has enabled BRIM to adequately cover losses. Further, fiscal years 2010, 2009, and 2008 showed signs of favorable loss trends, which BRIM hopes will continue.

REQUESTS FOR INFORMATION

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

West Virginia Board of Risk and Insurance Management

Statements of Net Assets

	June 30	
	2010	**2009**
	(In Thousands)	
Assets		
Current assets:		
Cash and cash equivalents	**$ 15,622**	$ 19,532
Advance deposits with insurance company and trustee	**184,926**	174,215
Receivables:		
Premiums due from State agencies	**26**	–
Premiums due from other entities	**387**	392
Other	**801**	626
Less allowance for doubtful accounts	**(387)**	(387)
Net receivables	**827**	631
Restricted cash and cash equivalents	**13,991**	12,649
Restricted receivables:		
Premiums due from other entities	**522**	372
Total current assets	**215,888**	207,399
Noncurrent assets:		
Equity position in internal investment pools	**94,488**	82,811
Restricted investments	**25,843**	22,650
Total noncurrent assets	**120,331**	105,461
Total assets	**336,219**	312,860
Liabilities		
Current liabilities:		
Estimated unpaid claims and claims adjustment expense	**45,707**	48,650
Unearned premiums	**6,629**	7,235
Agent commissions payable	**1,230**	1,247
Accrued expenses and other liabilities	**659**	629
Total current liabilities	**54,225**	57,761
Estimated unpaid claims and claims adjustment expense, net of current portion	**89,721**	104,083
Compensated absences	**66**	58
Total noncurrent liabilities	**89,787**	104,141
Total liabilities	**144,012**	161,902
Net assets:		
Restricted	**38,420**	33,924
Unrestricted	**153,787**	117,034
Net assets	**$ 192,207**	$ 150,958

See accompanying notes.

West Virginia Board of Risk and Insurance Management

Statements of Revenues, Expenses, and Changes in Net Assets

	Years Ended June 30	
	2010	**2009**
	(In Thousands)	
Operating revenues		
Premiums	**$ 58,007**	$ 62,427
Less excess coverage/reinsurance premiums	**(6,257)**	(5,944)
Net operating revenues	**51,750**	56,483
Operating expenses		
Claims and claims adjustment expense	**31,668**	36,604
General and administrative	**3,946**	3,894
Total operating expenses	**35,614**	40,498
Operating income	**16,136**	15,985
Nonoperating revenues		
Investment income	**25,081**	7,312
Financing income	**32**	31
Net nonoperating revenues	**25,113**	7,343
Changes in net assets	**41,249**	23,328
Total net assets, beginning of year	**150,958**	127,630
Total net assets, end of year	**$ 192,207**	$ 150,958

See accompanying notes.

West Virginia Board of Risk and Insurance Management

Statements of Cash Flows

	Years Ended June 30	
	2010	**2009**
	(In Thousands)	
Operating activities		
Receipts from customers	**$ 50,710**	$ 56,582
Payments to employees	**(1,349)**	(1,292)
Payments to suppliers	**(2,487)**	(3,033)
Payments to claimants	**(48,975)**	(46,099)
Deposits to advance deposit with insurance company and trustee	**(58,760)**	(64,452)
Withdrawals from advance deposit with insurance company and trustee	**48,048**	48,672
Net cash used in operating activities	**(12,813)**	(9,622)
Noncapital financing activities		
Financing earnings	**32**	31
Net cash provided by noncapital financing activities	**32**	31
Investing activities		
Purchase of investments	**(37,300)**	(115,498)
Sale of investments	**35,135**	113,986
Net investment earnings	**12,378**	12,689
Net cash provided by investing activities	**10,213**	11,177
Net (decrease) increase in cash and cash equivalents	**(2,568)**	1,586
Cash and cash equivalents, beginning of year	**32,181**	30,595
Cash and cash equivalents, end of year	**$ 29,613**	$ 32,181
Cash and cash equivalents consist of:		
Cash and cash equivalents	**$ 15,622**	$ 19,532
Restricted cash and cash equivalents	**13,991**	12,649
	$ 29,613	$ 32,181

West Virginia Board of Risk and Insurance Management

Statements of Cash Flows (continued)

	Years Ended June 30	
	2010	**2009**
	(In Thousands)	
Reconciliation of operating income to net cash used in operating activities		
Operating income	**$ 16,136**	$ 15,985
Adjustments to reconcile operating income to net cash used in operating activities		
Increase in advanced deposits	**(10,711)**	(15,779)
(Increase) decrease in premiums receivable, net	**(434)**	571
Decrease in estimated liability for unpaid claims and claims adjustment expense	**(17,305)**	(9,497)
Increase (decrease) in other liabilities	**107**	(432)
Decrease in unearned premiums	**(606)**	(470)
Total adjustments	**(28,949)**	(25,607)
Net cash used in operating activities	**$ (12,813)**	$ (9,622)
Noncash activities		
Increase (decrease) in fair value of investments	**$ 12,705**	$ (5,377)

See accompanying notes.

1. General

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 146 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 which 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 (CAFR).

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,

1. General (continued)

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 $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 (ALAE), 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 $200 million per occurrence subject to various sublimits for particular types of claims as specified in the policy.

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.

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 have been terminated as of June 30, 2004, and the program is in runoff mode only for existing clams and for any claims that may be submitted on any tail policies that were purchased.

In March 2004, the West Virginia Legislature passed House Bill 4740, creating a Patient Injury Compensation Fund. The purpose of this fund is to provide fair and reasonable compensation to claimants in medical malpractice actions for any portion of economic damages awarded that is uncollectible as a result of previously enacted tort reforms. This fund provides relief to claimants

1. General (continued)

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.

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 non-appropriated budgetary review process.

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.

(Dollars in Thousands)

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.

BRIM distinguishes operating revenues and expenses from nonoperating. 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.

In September 1993, the Governmental Accounting Standards Board (GASB) issued Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*. As permitted by the statement, BRIM has elected not to adopt Financial Accounting Standards Board (FASB) statements and interpretations issued after November 30, 1989, unless the GASB specifically adopts such FASB statements or interpretations.

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, 2010 and 2009, 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.

2. Summary of Significant Accounting Policies (continued)

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 certain investment pools maintained by the West Virginia Board of Treasury Investments (BTI). Such funds are available to BRIM with overnight notice. Interest income from these investments is prorated to BRIM at rates specified by the BTI based on the balance of BRIM's deposits maintained in relation to the total deposits of all State agencies participating in the pool. The book carrying value of the amounts on deposit with the BTI, which approximates estimated fair value, was $24,416 and $29,567 at June 30, 2010 and 2009, respectively.

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

Advance Deposits With Insurance Company and Trustee

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

Beginning in fiscal year 2006, BRIM deposited monies with the Bank of New York (BNY), as trustee, to hold as advance deposits in an escrow account for BRIM liability claims with loss dates occurring after June 30, 2005. In fiscal year 2010, BRIM transferred the remaining advance deposits being held in accounts maintained by the carrier into the existing BNY trust vehicle to fund all outstanding liability claims with loss dates before June 30, 2005. 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 escrow agent, BNY periodically transfers monies from the escrow account to the insurance company administering these claims in order to reimburse the insurance company for payments that they have issued on these claims and claims adjustment expenses on BRIM's behalf.

2. Summary of Significant Accounting Policies (continued)

Investments

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

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

Compensated Absences

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

2. Summary of Significant Accounting Policies (continued)

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. The exposures written under this program have not yet developed sufficient experience to be evaluated based on their own merit. 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 reflect 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 assets 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 determined that a premium deficiency does not exist. In making this determination, management has taken into consideration anticipated investment income, using an assumed 4% discount rate.

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.

2. Summary of Significant Accounting Policies (continued)

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 Assets

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

3. Deposit and Investment Risk Disclosures

BRIM is mandated by statute to have their 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 (formerly the Cash Liquidity Pool)

The BTI administers the pool and limits the exposure to credit risk by requiring all corporate bonds held by the West Virginia Money Market Pool to be rated AA- by Standard & Poor's (or its equivalent) or higher. Commercial paper must be rated A-1 by Standard & Poor's and P1 by Moody's. Additionally, the pool must have at least 15% of its assets in U.S. Treasury issues.

(Dollars in Thousands)

3. Deposit and Investment Risk Disclosures (continued)

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

	June 30, 2010				June 30, 2009			
Security Type	**Moody's**	**S&P**	**Carrying Value**	**Percent of Pool Assets**	**Moody's**	**S&P**	**Carrying Value**	**Percent of Pool Assets**
Commercial paper	**P1**	**A-1**	**$ 855,844**	**29.75%**	P1	A-1	$ 592,479	23.05%
Corporate bonds and notes	–	–	–	–	Aaa	AAA	10,000	0.39
	–	–	–	–	Aa3	AA	15,503	0.60
	Aa2	**AA**	**10,000**	**0.35**	Aa2	AA	10,000	0.39
	Aa1	**AA**	**10,000**	**0.35**	Aa1	AA	7,000	0.27
	–	–	–	–	A1	AA	19,309	0.75
	–	–	–	–	A1	A	12,000	0.47
			20,000	**0.70**			73,812	2.87
U.S. agency bonds	**Aaa**	**AAA**	**246,990**	**8.59**	Aaa	AAA	294,019	11.44
U.S. Treasury notes	**Aaa**	**AAA**	**65,153**	**2.26**	–	–	–	–
U.S. Treasury bills	**Aaa**	**AAA**	**476,670**	**16.57**	Aaa	AAA	483,714	18.82
Negotiable certificates of deposit	**P1**	**A-1**	**281,000**	**9.77**	P1	A-1	128,402	5.00
U.S. agency discount notes	**P1**	**A-1**	**606,048**	**21.07**	P1	A-1	635,602	24.73
Money market funds	**Aaa**	**AAA**	**150,026**	**5.21**	Aaa	AAA	150,223	5.84
Repurchase agreements								
U.S. Treasury notes	**Aaa**	**AAA**	**101,280**	**3.52**	Aaa	AAA	165,110	6.43
U.S. agency notes	**Aaa**	**AAA**	**73,700**	**2.56**	Aaa	AAA	46,900	1.82
			174,980	**6.08**			212,010	8.25
			$ 2,876,711	**100.00%**			$ 2,570,261	100.00%

Concentration of Credit Risk

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, 2010 and 2009, the pool did not have investments in any one private corporation or association that represented more than 5% of assets.

Custodial Credit Risk

At June 30, 2010 and 2009, the West Virginia Money Market Pool held no securities that were subject to custodial credit risk. Repurchase agreements are collateralized at 102% and the collateral is held in the name of the BTI. Securities lending collateral is invested in the lending agent's money market fund in BTI's name.

3. Deposit and Investment Risk Disclosures (continued)

Interest Rate Risk

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

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. The following table provides the WAM for the various asset types in the WV Money Market Pool (carrying values – in thousands):

	June 30, 2010		June 30, 2009	
Investment Type	**Carrying Value**	**WAM Days**	**Carrying Value**	**WAM Days**
Repurchase agreements	**$ 174,980**	**1**	$ 212,010	1
U.S. Treasury notes	**65,153**	**140**	–	–
U.S. Treasury bills	**476,670**	**35**	483,714	69
Commercial paper	**855,844**	**18**	592,479	32
Certificates of deposit	**281,000**	**45**	128,402	56
U.S. agency discount notes	**606,048**	**52**	635,602	57
Corporate bonds and notes	**20,000**	**19**	73,812	38
U.S. agency bonds/notes	**246,990**	**55**	294,019	70
Money market funds	**150,026**	**1**	150,223	1
Total rated investments	**$ 2,876,711**	**33**	$ 2,570,261	47

BRIM's amount invested in the West Virginia Money Market Pool of $28,899 included in cash and cash equivalents, at June 30, 2010, and $34,943 at June 30, 2009, represents approximately 1.0% of total investments in this pool.

Foreign Currency Risk

None of the West Virginia Money Market Pool holds interest in foreign currency or interests valued in foreign currency.

3. Deposit and Investment Risk Disclosures (continued)

Investments

Board of Risk and Insurance Management Fund

This fund was specifically designed for BRIM by WVIMB based on BRIM's unique cash flow needs. BRIM is the only State agency participating in this fund and owns 100% of the total assets in the fund. The Fund invests, along with other agencies, in the following WVIMB investment pools: Domestic Large Cap Equity pool, Domestic Non-Large Cap Equity pool, International Equity pool, International Nonqualified Equity pool, Total Return Fixed Income pool, Core Fixed Income pool, and the Hedge Fund.

Investment Objectives

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

Asset Allocation

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

Asset Class	Policy Target
Domestic large cap equity	10%
International equity	10
Total equity	20
Domestic fixed income	60
Hedge fund	20
Cash and cash equivalents	–

3. Deposit and Investment Risk Disclosures (continued)

Asset Value

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

	2010		2009	
	Cost	**Fair Value**	**Cost**	**Fair Value**
Domestic large cap equity	**$ 8,670**	**$ 8,924**	$ 10,023	$ 8,892
Domestic non-large cap equity	**2,676**	**1,701**	2,936	1,591
International equity	**4,725**	**7,792**	5,815	7,503
International nonqualified equity	**3,150**	**4,023**	3,424	3,797
Total return fixed income	**28,750**	**36,332**	41,755	44,572
Core fixed income	**16,953**	**37,553**	17,888	18,450
Hedge fund	**23,085**	**24,003**	21,892	20,655
Other	**3**	**3**	1	1
	$ 88,012	**$ 120,331**	$ 103,734	$ 105,461

Investment income is comprised of the following for the years ended June 30 (in thousands).

	2010	2009
Investment income:		
Interest income including realized gains/losses on sale of securities	**$ 12,376**	$ 12,689
Unrealized gain (loss) on investments	**12,705**	(5,377)
Total investment income	**$ 25,081**	$ 7,312

WVIMB calculates total rates of return using the time-weighted rate of return methodology. The time-weighted method determines the rate of return exclusive of the effects of participant contributions or withdrawals.

3. Deposit and Investment Risk Disclosures (continued)

Asset Class Risk Disclosures

Domestic Large Cap Equity Pool

This pool holds equity securities of U.S. companies, exchange traded stock index futures, and money market funds with the highest credit rating. At June 30, 2010 and 2009, this pool did not hold securities of any one issuer in excess of 5% of the value of the pool in accordance with West Virginia statutes. BRIM's amount invested in the large cap domestic pool of $8,924 and $8,892 at June 30, 2010 and 2009, represents approximately 0.5% of total investments in this pool.

Domestic Non-Large Cap Equity Pool

This pool holds equity securities of U.S. companies and money market funds with the highest credit rating. At June 30, 2010 and 2009, this pool did not hold securities of any one issuer in excess of 5% of the value of the pool in accordance with West Virginia statutes. BRIM's amount invested in the non-large cap domestic pool of $1,701 and $1,591 at June 30, 2010 and 2009, represents approximately 0.5% of total investments in this pool.

3. Deposit and Investment Risk Disclosures (continued)

International Equity Pool

This pool has both equity securities and cash that are denominated in foreign currencies and are exposed to foreign currency risks. The amounts (in U.S. dollars) of the securities and cash denominated in foreign currencies are as follows (in thousands):

	June 30, 2010			June 30, 2009		
Currency	**Equity Securities**	**Cash**	**Total**	**Equity Securities**	**Cash**	**Total**
Australian dollar	**$ 28,001**	**$ 8**	**$ 28,009**	$ 45,295	$ 188	$ 45,483
Brazil cruzeiros real	**82,624**	**1,605**	**84,229**	76,243	1,318	77,561
British pound	**141,897**	**435**	**142,332**	175,319	1,552	176,871
Canadian dollar	**58,467**	**59**	**58,526**	43,761	110	43,871
Czech Koruna	**10,106**	**5**	**10,111**	7,235	–	7,235
Danish krone	**7,115**	**6**	**7,121**	10,936	34	10,970
Egyptian Pound	**741**	**12**	**753**	–	–	–
Euro	**242,635**	**379**	**243,014**	266,769	6,226	272,995
Hong Kong dollar	**137,405**	**848**	**138,253**	115,552	305	115,857
Hungarian forint	**11,994**	**39**	**12,033**	11,566	1	11,567
Indian rupee	**1,938**	**1**	**1,939**	–	–	–
Indonesian rupiah	**4,049**	**24**	**4,073**	2,474	–	2,474
Israeli shekel	**22,323**	**–**	**22,323**	13,692	–	13,692
Japanese yen	**162,122**	**1,834**	**163,956**	214,493	2,001	216,494
Malaysian ringgit	**10,960**	**206**	**11,166**	8,766	25	8,791
Mexican new peso	**23,959**	**422**	**24,381**	20,205	54	20,259
New Taiwan dollar	**51,582**	**2,875**	**54,457**	44,243	29	44,272
New Turkish lira	**44,480**	**1**	**44,481**	–	–	–
New Zealand dollar	**1,025**	–	**1,025**	1,750	404	2,154
Norwegian krone	**11,570**	**33**	**11,603**	9,140	127	9,267
Pakistani Rupee	**923**	–	**923**	1,371	–	1,371
Philippine peso	**6,158**	**15**	**6,173**	4,739	–	4,739
Polish Zloty	**7,912**	**5**	**7,917**	4,768	–	4,768
Singapore dollar	**29,787**	**113**	**29,900**	31,364	239	31,603
South African rand	**38,417**	**132**	**38,549**	20,493	55	20,548
South Korean won	**103,072**	**1,207**	**104,279**	75,285	528	75,813
Swedish krona	**18,257**	**45**	**18,302**	19,034	76	19,110
Swiss franc	**41,481**	**417**	**41,898**	58,767	928	59,695
Thailand baht	**8,775**	**180**	**8,955**	–	2	2
Turkish Lira	–	–	–	30,585	42	30,627
Total	**$ 1,309,775**	**$ 10,906**	**$ 1,320,681**	$ 1,313,845	$ 14,244	$ 1,328,089

This table excludes securities held by the pool that are denominated in U.S. dollars. The market value of these U.S. dollar denominated securities is $185,968 and $181,239 at June 30, 2010 and 2009, respectively. BRIM's amount invested in the international equity pool of $7,792 and $7,503 at June 30, 2010 and 2009, respectively, represents approximately 0.6% and 0.5% of total investments in this pool.

(Dollars in Thousands)

3. Deposit and Investment Risk Disclosures (continued)

International Nonqualified Equity Pool

This pool holds a collective trust fund that invests in equities denominated in foreign currencies. The value of this investment at June 30, 2010 and 2009, was $53,797 and $101,246, respectively. This investment, although denominated in U.S. dollars, is exposed to foreign currency risk through the underlying investments. BRIM's amount invested in the international nonqualified equity pool of $4,023 and $3,797 at June 30, 2010 and 2009, respectively, represents approximately 7.5% and 3.8% of total investments in this pool.

Total Return Fixed Income Pool

Credit Risk

WVIMB limits the exposure to credit risk in the Total Return Fixed Income pool by maintaining at least an average rating of investment grade as defined by the Nationally Recognized Statistical Rating Organizations. The following table provides the weighted average credit ratings of the asset types in the fixed income pool:

	June 30, 2010				June 30, 2009			
Security Type	**Moody's**	**S&P**	**Fair Value**	**Percent of Assets**	**Moody's**	**S&P**	**Fair Value**	**Percent of Assets**
Corporate bonds and notes	**Baa**	**BBB**	**$ 572,512**	**31.8%**	Baa	BBB	$ 466,052	17.7%
U.S. Treasury bonds and notes	**Aaa**	**AAA**	**165,854**	**9.2**	Aaa	AAA	1,678	0.1
U.S. Treasury inflation protection bonds	**Aaa**	**AAA**	**30,997**	**1.7**	Aaa	AAA	74,632	2.8
Corporate asset-backed securities	**Aaa**	**AAA**	**13,213**	**0.7**	Aa	AA	622	0.0
Corporate collateralized mortgage obligations	**Ba**	**BB**	**65,134**	**3.6**	Baa	AA	91,082	3.5
Corporate preferred securities	**NR**	**NR**	**891**	**0.0**	C	C	966	0.0
Agency mortgage-backed securities	**Aaa**	**AAA**	**200,978**	**11.2**	Aaa	AAA	531,284	20.2
Agency notes	**Aa**	**A**	**4,004**	**0.2**	Aa	AA	3,867	0.1
Agency collateralized mortgage obligations	**Aaa**	**AAA**	**7,258**	**0.4**	Aaa	AAA	466	0.0
Municipal bonds	**Aa**	**A**	**26,929**	**1.5**	–	–	–	–
Money market funds	**Aaa**	**AAA**	**268,245**	**14.9**	Aaa	AAA	472,292	17.9
Total rated investments			**$ 1,356,015**	**75.2%**			$ 1,642,941	62.3%

3. Deposit and Investment Risk Disclosures (continued)

At June 30, 2010, unrated securities include commingled investment pools of $441,720 and option contract purchased valued at $1,349. These unrated securities represent 24.8% of the fair value of the pool's investments. At June 30, 2009, unrated securities include commingled investment pools of $987,106 swaps, options and swaptions valued at $(10,206), future contracts valued at $6,357, foreign currency contracts valued at $(611) and cash of $16,705 pledged to brokers as collateral. These unrated securities represent 37.7% of the fair value of the pool's investments.

Concentration of Credit Risk

West Virginia statutes prohibit the Total Return Fixed Income pool from investing more than 5% of its assets in securities issued by a single private corporation or association. At June 30, 2010 and 2009, the Fixed Income pool did not have investments in any one private corporation or association that represented more than 5% of assets.

Custodial Credit Risk

At June 30, 2010 and 2009, the Total Return Fixed Income pool held no securities that were subject to custodial credit risk. Repurchase agreements are collateralized at 102% and the collateral is held in the name of the WVIMB. Investments in commingled funds are held in the name of the WVIMB. All remaining securities are held by the WVIMB's custodian in the name of the WVIMB. Securities lending collateral is invested in the lending agent's money market fund.

3. Deposit and Investment Risk Disclosures (continued)

Interest Rate Risk

WVIMB monitors interest rate risk of the Total Return Fixed Income pool by assessing the modified duration of the investments in the pool. The following table provides the weighted average modified duration for the various asset types in the fixed income pools (in thousands):

	June 30, 2010		June 30, 2009	
Investment Type	**Fair Value**	**Modified Duration (years)**	**Fair Value**	**Modified Duration (years)**
Commingled investment pools	**$ 441,720**	**0.5**	$ 987,105	2.5
Corporate notes and bonds	**572,512**	**6.3**	466,052	5.7
U.S. Treasury notes and bonds	**165,854**	**3.9**	1,678	16.4
U.S. Treasury inflation protection bonds	**30,997**	**13.1**	74,632	13.1
Corporate asset-backed securities	**13,213**	**17.5**	623	2.5
Corporate collateralized mortgage obligations	**65,134**	**4.8**	91,082	5.1
Agency mortgage-backed securities	**200,978**	**3.8**	531,284	9.6
Agency bonds	–	–	3,867	2.8
Agency notes	**4,004**	**2.0**	–	–
Agency collateralized mortgage obligations	**7,258**	**5.2**	466	1.0
Municipal bonds	**26,929**	**17.7**	–	–
Money market fund	**268,245**	**0.0**	472,292	0.0
Total assets	**$ 1,796,844**	**4.1**	$ 2,629,081	5.4

The Total Return Fixed Income pool invests in commercial and residential mortgage-backed, asset-backed securities and collateralized mortgage obligations. The cash flows from these securities are based on the payment of the underlying collateral. The modified duration and yield to maturity of these securities are dependent on estimated prepayment assumptions that consider historical experience, market conditions, and other criteria. Actual prepayments may vary with changes in interest rates. Rising interest rates often result in a slower rate of prepayments while declining rates tend to lead to faster prepayments. As a result, the fair values of these securities are highly sensitive to interest rate changes. At June 30, 2010 and 2009, the Total Return Fixed Income pool held $286,583 and $623,449, respectively, of these securities. This represents approximately 16% and 24% of the value of the fixed income pools.

BRIM's amount invested in the Total Return Fixed Income pool of $36,332 and $44,572 at June 30, 2010 and 2009, respectively, represents approximately 2.0% and 1.7% of total investments in this pool.

3. Deposit and Investment Risk Disclosures (continued)

Foreign Currency Risk

None of the securities held by the Total Return Fixed Income pool are exposed to foreign currency risk. However, the pool does have foreign exchange forward contracts. Additionally, the pool has indirect exposure to foreign currency risk through its ownership interest in certain of the commingled investment pools. Approximately $111,363, or 25% at June 30, 2010, and 176,856, or 18% at June 30, 2009, of the commingled investment pools hold substantially all of their investments in foreign currencies. West Virginia statute limits the amount of international securities to no more than 30% of the total assets managed by the WVIMB. At June 30, 2010 and 2009, the WVIMB was in compliance with this limitation.

Core Fixed Income Pool

WVIMB limits the exposure to credit risk in the Core Fixed Income pool by maintaining as least an average rating of investment grade as defined by the Nationally Recognized Statistical Rating Organizations. The following table provides the weighted average credit ratings of the asset types in the core fixed income pool (in thousands).

	June 30, 2010				**June 30, 2009**			
Security Type	**Moody's**	**S&P**	**Fair Value**	**Percent of Assets**	**Moody's**	**S&P**	**Fair Value**	**Percent of Assets**
Corporate bonds and notes	**A**	**A**	**$ 153,804**	**9.9%**	A	A	$ 41,036	10.1%
U.S. Treasury bonds and notes	**Aaa**	**AAA**	**334,152**	**21.4**	Aaa	AAA	69,634	17.2
Corporate asset-backed securities	**Aaa**	**AAA**	**10,679**	**0.7**	Aaa	AA	2,191	6.3
Corporate collateralized mortgage obligations	**Aa**	**AAA**	**122,349**	**7.9**	Baa	AA	25,368	3.5
Agency mortgage-backed securities	**Aaa**	**AAA**	**138,487**	**8.9**	Aaa	AAA	117,952	29.1
Agency collateralized mortgage obligations	**Aaa**	**AAA**	**245,849**	**15.7**	Aaa	AAA	134,378	33.1
Agency notes	**Aaa**	**AAA**	**13,494**	**0.9**	–	–	–	–
Municipal bonds	**Aa**	**A**	**273**	**0.0**	–	–	–	–
Money market funds	**Aaa**	**AAA**	**53,413**	**3.4**	Aaa	AAA	15,209	3.7
Total rated investments			**$ 1,072,500**	**68.8%**			$ 405,768	100.0%

At June 30, 2010 and 2009, unrated securities include a commingled investment pool valued at $488,243, and 279,884, respectively. This unrated security represents 31.2% and 69%, of the fair value of the pool's investments.

3. Deposit and Investment Risk Disclosures (continued)

Concentration of Credit Risk

West Virginia statutes prohibit the Total Return Fixed Income pool from investing more than 5% of its assets in securities issued by a single private corporation or association. At June 30, 2010 and 2009, the Core Fixed Income pool did not have investments in any one private corporation or association that represented more than 5% of assets.

Custodial Credit Risk

At June 30, 2010 and 2009, the Core Fixed Income pool held no securities that were subject to custodial credit risk. All remaining securities are held by the WVIMB's custodian in the name of the WVIMB.

Interest Rate Risk

WVIMB monitors interest rate risk of the Core Fixed Income pool by assessing the modified duration of the investments in the pool. The following table provides the weighted average modified duration for the various asset types in the core fixed income pools (in thousands):

	June 30, 2010		**June 30, 2009**	
Investment Type	**Fair Value**	**Modified Duration (years)**	**Fair Value**	**Modified Duration (years)**
Corporate notes and bonds	**$ 153,804**	**5.9**	$ 41,036	5.0
Commingled investment pools	**488,243**	**4.3**	–	–
U.S. Treasury notes and bonds	**334,152**	**5.8**	69,634	6.4
Corporate asset-backed securities	**10,679**	**1.7**	2,191	1.9
Corporate collateralized mortgage obligations	**122,349**	**3.4**	25,368	4.1
Agency mortgage-backed securities	**138,487**	**3.0**	117,952	8.9
Agency notes	**13,494**	**6.0**	–	–
Agency collateralized mortgage obligations	**245,849**	**3.7**	134,378	3.4
Municipal bonds	**273**	**12.0**	–	–
Money market fund	**53,413**	**–**	15,209	0.0
Total assets	**$ 1,560,743**	**4.4**	$ 405,768	5.4

3. Deposit and Investment Risk Disclosures (continued)

The Core Fixed Income pool invests in commercial and residential mortgage-backed securities, asset-backed securities, and collateralized mortgage obligations. The cash flows from these securities are based on the payment of the underlying collateral. The modified duration and yield to maturity of these securities are dependent on estimated prepayment assumptions that consider historical experience, market conditions, and other criteria. Actual prepayments may vary with changes in interest rates. Rising interest rates often result in a slower rate of prepayments while declining rates tend to lead to faster prepayments. As a result, the fair values of these securities are highly sensitive to interest rate changes. At June 30, 2010 and 2009, the Core Fixed Income pool held $517,363, and $279,884 of these securities. This represents approximately 33% and 69% of the value of the fixed income pools.

BRIM's amount invested in the Core Fixed Income pool of $37,553 and $18,450 at June 30, 2010 and 2009, represents approximately 2% and 5% of total investments in this pool.

Foreign Currency Risk

None of the securities held by the Core Fixed Income pool are exposed to foreign currency risk.

<u>Hedge Fund</u>

The Hedge Fund holds shares in various commingled institutional funds and shares of a money market fund with the highest credit rating. The commingled institutional funds are not rated by any of the nationally recognized statistical rating agencies and thus any credit risk cannot be accurately reported. The pool is not exposed to interest rate risk, custodial credit risk, or concentration of credit risk. The pool is indirectly exposed to foreign currency risk as certain of the funds have investments denominated in foreign currencies. At June 30, 2010 and 2009, approximately $393,329 and $456,938 or 35% and 41%, of the market value of the funds were held in foreign currencies. BRIM's amount invested in the Hedge Fund of $24,003 and $20,655 at June 30, 2010 and 2009, represents approximately 2.1% and 1.9% of total investments in this pool.

(Dollars in Thousands)

3. Deposit and Investment Risk Disclosures (continued)

Advanced Deposits

Insurance Company and Trustee

Beginning in fiscal year 2006, BRIM deposited monies with BNY, as trustee, to hold as advance deposits in an escrow account for BRIM liability claims with loss dates occurring after June 30, 2005. The monies held in escrow are invested in specific money market funds and short-term guaranteed or investment grade fixed income securities that are identified as "qualified assets" in the escrow agreement.

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

			June 30, 2010		**June 30, 2009**	
Security Type	**Moody's**	**S&P**	**Carrying Value**	**Percent of Pool Assets**	**Carrying Value**	**Percent of Pool Assets**
Corporate bonds and notes	Aaa	AAA	**$ 13,247**	**7.22%**	$ 1,715	1.12%
	AA1	AAA	**1,318**	**0.72**	–	–
	Aa3	A+	**865**	**0.47**	811	0.53
	Aa3	AA-	**–**	**–**	1,634	1.06
	Aa2	AA+	**3,856**	**2.10**	1,708	1.11
	Aa2	AA	**1,864**	**1.02**	–	–
	A3	A	**–**	**–**	628	0.41
	A1	AA-	**672**	**0.36**	685	0.45
	A1	A	**–**	**–**	697	0.45
			21,822	**11.89**	7,878	5.13
U.S. Treasury bonds and notes	Aaa	AAA	**132,174**	**72.02**	74,332	48.36
U.S. Agency bonds	Aaa	AAA	**28,780**	**15.68**	69,546	45.25
Money market funds	Aaa	AAA	**752**	**0.41**	1,938	1.26
			$ 183,528	**100.00%**	$ 153,694	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.

3. Deposit and Investment Risk Disclosures (continued)

Custodial Credit Risk

At June 30, 2010 and 2009, 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 (carrying values – in thousands):

	June 30, 2010		June 30, 2009	
Investment Type	**Carrying Value**	**WAM Years**	**Carrying Value**	**WAM Years**
Corporate bonds and notes	**$ 21,822**	**2.3**	$ 7,878	4.8
U.S. Treasury bonds	**132,174**	**4.5**	74,332	5.0
U.S. agency bonds	**28,780**	**3.1**	69,546	3.1
Money market funds	**752**	**1.0**	1,938	1.0
Total rated investments	**$ 183,528**	**4.0**	$ 153,694	4.1

Foreign Currency Risk

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

4. Unpaid Claims and Claims Adjustment Expense Liability

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

	2010	2009
	(In Thousands)	
Unpaid claims and claims adjustment expense liability at beginning of year	**$ 152,733**	$ 162,228
Incurred claims and claims adjustment expense:		
Provision for insured events of the current year	**51,388**	55,894
Decrease in provision for insured events of prior years	**19,720**	19,290
Total incurred claims and claims adjustment expense	**31,668**	36,604
Payments:		
Claims and claims adjustment expense attributable to insured events of the current year	**9,965**	9,753
Claims and claims adjustment expense attributable to insured events of prior years	**39,008**	36,346
Total payments	**48,973**	46,099
Total unpaid claims and claims adjustment expense liability at end of year	**$ 135,428**	$ 152,733

If the unpaid claims and claims adjustment expense liability were discounted using a 4% discount factor for 2010 and 2009 to take into consideration the time value of money, the result would be a decrease in the liability and an increase in net assets of approximately $12,217 and $13,861 for fiscal years 2010 and 2009, respectively. The overall unpaid claim liability number includes a provision for allocated and unallocated claims adjustment expense.

(Dollars in Thousands)

5. Employee Benefit Plans

Pension Benefits

All full-time BRIM employees are eligible to participate in PERS, a cost-sharing, multiple-employer public employee retirement system. Employees who retire at or after age 60 with 5 or more years of contributory service or who retire at or after age 55 and have completed 25 years of credited service are eligible for retirement benefits as established by State statute. Retirement benefits are payable monthly for life, in the form of a straight-line annuity equal to 2% of the employee's final average salary of the past three years, multiplied by the number of years of the employee's credited service at the time of retirement. PERS also provides deferred retirement, early retirement, and death and disability benefits and issues an annual report which can be obtained by contacting PERS.

Covered employees are required to contribute 4.5% of their salary to PERS. BRIM is required to contribute 10.5% of covered employees' salaries to PERS. The required employee and employer contribution percentages are determined by actuarial advisement within ranges set by statute. As noted below, BRIM contributed the proper, required amounts. BRIM and employee contributions for the three years ended June 30 are as follows:

	2010	**2009**	**2008**
BRIM contributions (10.5%)	**$ 104**	$ 103	$ 103
Employee contributions (4.5%)	**43**	44	44
Total contributions	**$ 147**	$ 147	$ 147

BRIM's contribution to the retirement plan for each of the years indicated above were equal to its required contributions. The contributions are included in general and administrative expenses in the basic financial statements.

The Consolidated Public Retirement Board (CPRB) administers PERS under the direction of the Governor, State Auditor, State Treasurer, Secretary of the Department of Administration, and ten members appointed by the Governor. CPRB prepares separately issued financial statements covering the retirement systems, which can be obtained from the Consolidated Public Retirement Board, 4101 MacCorkle Avenue, S.E., Charleston, West Virginia 25304.

5. Employee Benefit Plans (continued)

Other Postemployment Benefits

BRIM participates in a cost-sharing multiemployer defined benefit other postemployment benefit plan that covers the retirees of State agencies, colleges and universities, county boards of education, and other government entities as set forth in the West Virginia Code. Financial activities of the OPEB plan are accounted for in the RHBT. The plan provides the following retiree group insurance coverage to participants: medical and prescription drug coverage through a self-insured preferred provider benefit (PPB) plan and through external managed care organizations (MCOs), basic group life, accidental death, and prescription drug coverage for retired employees of the State and various related State and non-State agencies and their dependents. Details regarding this plan and a copy of the RHBT financial report can be obtained by contacting Public Employees Insurance Agency, 601 57th Street, S.E., Suite 2, Charleston, West Virginia 25304 or by calling +1 888 680 7342.

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

Beginning July 1, 2007, BRIM adopted GASB Statement No. 45 (GASB 45), *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which provides guidance on all aspects of other postemployment benefit reporting by employers. This Statement establishes standards for the measurement, recognition, and display of other postemployment benefit (OPEB) (including health care and life insurance) expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. The GASB statement is based on the premise that the "costs" of employee services should be reported during the periods when the services are rendered. For "employer" OPEB reporting, the State and BRIM report "expense" on an accrual basis in the amount of the "annual required contribution" and a "liability" for the amount of the "annual required contribution" that was not actually paid.

(Dollars in Thousands)

5. Employee Benefit Plans (continued)

Legislation requires the RHBT to determine through an actuarial study, the Annual Required Contribution (ARC) which shall be sufficient to maintain the RHBT in an actuarially sound manner. The ARC is allocated to respective cost-sharing employers including BRIM who are required by law to fund at least the minimum annual premium component of the ARC. Revenues collected by RHBT shall be used to fund current OPEB health care claims and administrative expenses with residual funds held in trust for future OPEB costs. Based on the actuarial study completed, the annual required contribution rates were determined for the fiscal year ended June 30, 2009. BRIM's OPEB expense for fiscal years 2010 and 2009 were approximately $219 and $92, respectively of which approximately $183 and $53 remained unpaid. The combined unpaid of $88 for fiscal years 2009 and 2008 was paid in fiscal year 2010. The unpaid of $183 for fiscal year 2010 is recorded in accrued expenses and other liabilities in the statements of net assets. BRIM's OPEB contribution for fiscal year 2010 and 2009 was approximately $35 and $39, respectively. For fiscal year 2010 the actual contribution was $35 of the total required contribution of $219. The actual contribution represents 16% of the total required contribution. The State paid $30 on BRIM's behalf towards the ARC in fiscal year 2008. BRIM's policy is to fund at least the minimum annual premium component of the ARC. Prior to the adoption of GASB 45, the benefit was funded on a pay-as-you-go basis. There are currently 23 employees eligible to receive such benefits.

6. Lease Arrangement

In September 2006, the State renewed the lease arrangement on behalf of BRIM for office space occupied by BRIM with a monthly lease payment of $10 thousand and a term beginning on February 1, 2007, and ending on January 31, 2012. On July 1, 2006, BRIM entered into a vehicle lease arrangement with the Department of Administration, Purchasing Division with a monthly lease payment of $1 thousand. The lease includes two Jeep Liberty vehicles for a term of five years beginning on July 1, 2006 and ending on June 30, 2011.

Operating lease expense approximated $137 thousand and $131 thousand for the years ended June 30, 2010 and 2009, relating to these arrangements. Future minimum lease payments under these operating lease arrangements are as follows for years ending June 30:

2011	$ 131
2012	69

(Dollars in Thousands)

7. Transactions with Primary Government and Component Units

Premium revenues derived from billings to State entities, which are funded by special revenue funds and component units of the primary government approximated $28,874 and $31,596 for the years ended June 30, 2010 and 2009, respectively.

BRIM is required by Senate Bill 1002 to remit amounts equal to the gross premium tax attributable to premiums collected by BRIM. These amounts are to be placed in a separate account known as "the Premium Tax Savings Fund" (the Fund) maintained by the State Treasurer. Amounts deposited by BRIM into the Fund approximated $2,247 and $2,573 for the years ended June 30, 2010 and 2009, respectively. The Fund is not included in BRIM's financial statements, but is included in the general fund of the State.

8. Premium Tax Surcharge Contingency

Historically, BRIM paid premium tax surcharges to insurance carriers. During 2007, the West Virginia Insurance Commissioner provided information to management that BRIM may be exempt from paying these premium tax surcharges and may be able to seek refunds of amounts previously paid to carriers and avoid paying such surcharges in the future.

Management successfully recovered and recognized $6,288, including estimated interest, during fiscal year 2009 from one carrier and anticipates recovering an additional $244 from six other carriers.

9. Reinsurance

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 did not have any reinsurance recoveries at June 30, 2010 or 2009.

(Dollars in Thousands)

10. Risk Management

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.

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 had coverage through December 31, 2005, for job-related injuries through its participation in the West Virginia Workers' Compensation Fund, a public entity risk pool. Effective January 1, 2006, coverage was moved to Brickstreet Insurance as required by Senate Bill 1004. Furthermore, 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.

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 Supplemental Schedules

West Virginia Board of Risk and Insurance Management

Ten-Year Claims Development Information (Unaudited)

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.

					Fiscal and Policy Year Ended June 30					
	2001	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**
					(In Thousands)					
1) Premiums and investment revenues										
Earned	$ 53,828	$ 56,992	$ 81,450	$ 110,279	$ 95,336	$ 89,690	$ 98,270	$ 83,498	$ 69,739	**$ 83,088**
Ceded	1,629	1,866	3,126	3,801	3,912	4,145	6,151	6,394	5,944	**6,257**
Net earned	52,199	55,126	78,324	106,478	91,424	85,545	92,119	77,104	63,795	**76,831**
2) Unallocated expenses, including administrative fees paid to third-party claims administrators	6,471	7,315	11,168	14,332	8,301	8,894	8,536	8,045	7,840	**8,043**
3) Estimated incurred claims and claims adjustment expense, end of policy year:										
Incurred	46,867	60,515	83,642	94,279	65,674	58,491	59,678	59,246	56,194	**51,388**
Ceded	360	783	577	597	5	172	3,597	2,000	300	**–**
Net incurred	46,507	59,732	83,065	93,682	65,669	58,319	56,081	57,246	55,894	**51,388**
4) Paid (cumulative) claims and claims adjustment expense as of:										
End of policy year	8,547	11,077	11,746	13,799	9,134	10,097	12,416	8,352	9,753	**9,965**
One year later	15,168	14,834	25,194	55,414	16,901	17,547	16,942	18,097	19,069	
Two years later	20,337	24,366	50,292	61,987	25,283	23,291	24,345	26,240		
Three years later	28,352	35,464	56,354	72,727	33,505	31,901	30,733			
Four years later	35,596	43,356	59,777	78,617	37,904	37,202				
Five years later	37,884	46,518	62,406	81,861	42,490					
Six years later	39,585	49,116	63,191	83,488						
Seven years later	40,344	51,179	63,803							
Eight years later	40,789	51,652								
Nine years later	40,866									
5) Reestimated ceded claims and expenses	360	783	577	597	5	172	–	–	–	**–**
6) Reestimated net incurred claims and allocated claims adjustment expense:										
End of policy year	46,507	59,732	83,065	93,682	65,669	58,319	56,081	57,246	55,894	**51,388**
One year later	49,612	58,141	80,739	93,171	61,419	51,183	53,924	57,108	48,432	
Two years later	48,108	56,755	79,646	91,136	56,023	47,726	48,330	51,881		
Three years later	44,027	58,004	69,595	90,453	52,893	45,490	44,898			
Four years later	45,572	55,443	65,434	87,424	50,179	44,898				
Five years later	43,336	53,627	62,177	86,199	50,097					
Six years later	43,233	54,784	60,797	84,718						
Seven years later	42,893	53,740	59,632							
Eight years later	42,152	53,589								
Nine years later	42,072									
7) Increase (decrease) in estimated net incurred claims and allocated claims adjustment expense from end of policy year	(4,435)	(6,143)	(23,433)	(8,964)	(15,572)	(13,421)	(11,183)	(5,365)	(7,462)	**–**

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 assets as determined on a contract-year basis will differ from that 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 (Unaudited)

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

	Fiscal and Policy Year Ended June 30									
	2010					2009				
	Liability	Property	Mine Subsidence	House Bill 601	Total	Liability	Property	Mine Subsidence	House Bill 601	Total
	(In Thousands)									
Unpaid claims and claims adjustment expense liability at beginning of fiscal year	**$ 145,850**	**$ 5,854**	**$ 993**	**$ 36**	**$ 152,733**	$ 158,985	$ 2,469	$ 639	$ 135	$ 162,228
Incurred claims and claims adjustment expense:										
Provision for insured events of the current fiscal year	**46,447**	**4,193**	**748**	**–**	**51,388**	49,039	6,068	787	–	55,894
(Decrease) increase in provision for insured events of prior fiscal years	**(20,921)**	**1,408**	**(207)**	**–**	**(19,720)**	(18,090)	(1,324)	172	(48)	(19,290)
Total incurred claims and claims adjustment expense	**25,526**	**5,601**	**541**	**–**	**31,668**	30,949	4,744	959	(48)	36,604
Payments:										
Claims and claims adjustment expense attributable to insured events of the current fiscal year	**8,529**	**1,321**	**115**	**–**	**9,965**	8,095	1,561	97	–	9,753
Claims and claims adjustment expense attributable to insured events of the prior fiscal years	**32,039**	**6,474**	**495**	**–**	**39,008**	35,989	(202)	508	51	36,346
Total claims and claims adjustment expense payments	**40,568**	**7,795**	**610**	**–**	**48,973**	44,084	1,359	605	51	46,099
Total unpaid claims and claims adjustment expense liability at end of the fiscal year	**$ 130,808**	**$ 3,660**	**$ 924**	**$ 36**	**$ 135,428**	$ 145,850	$ 5,854	$ 993	$ 36	$ 152,733


STATE OF WEST VIRGINIA
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Statistical Section

Chief Logan Lodge – Is the newest addition to the West Virginia State Parks system located near Chief Logan State Park. The lodge has 75 modern rooms and suites offering superior customer service along with conference facilities.


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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 Assets and Changes in Net Asset (Deficiency)

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

Schedule 2 – Premiums by Line of Business for the Past Ten Years
Schedule 3 – Top 10 State Agency Premiums and Top 20 Senate Bill 3 Premiums for Fiscal Year 2010 and Fiscal Year 2001
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 2000 through 2009

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

Schedule 7 – Full-Time Equivalent Employees Fiscal Years 2001 through 2010
Schedule 8 – Claims Dollars Incurred by Customer Type for Fiscal Years 2001 through 2010
Schedule 9 – Losses Incurred by Coverage Fiscal Years 2001 through 2010
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 2010

SCHEDULE 1

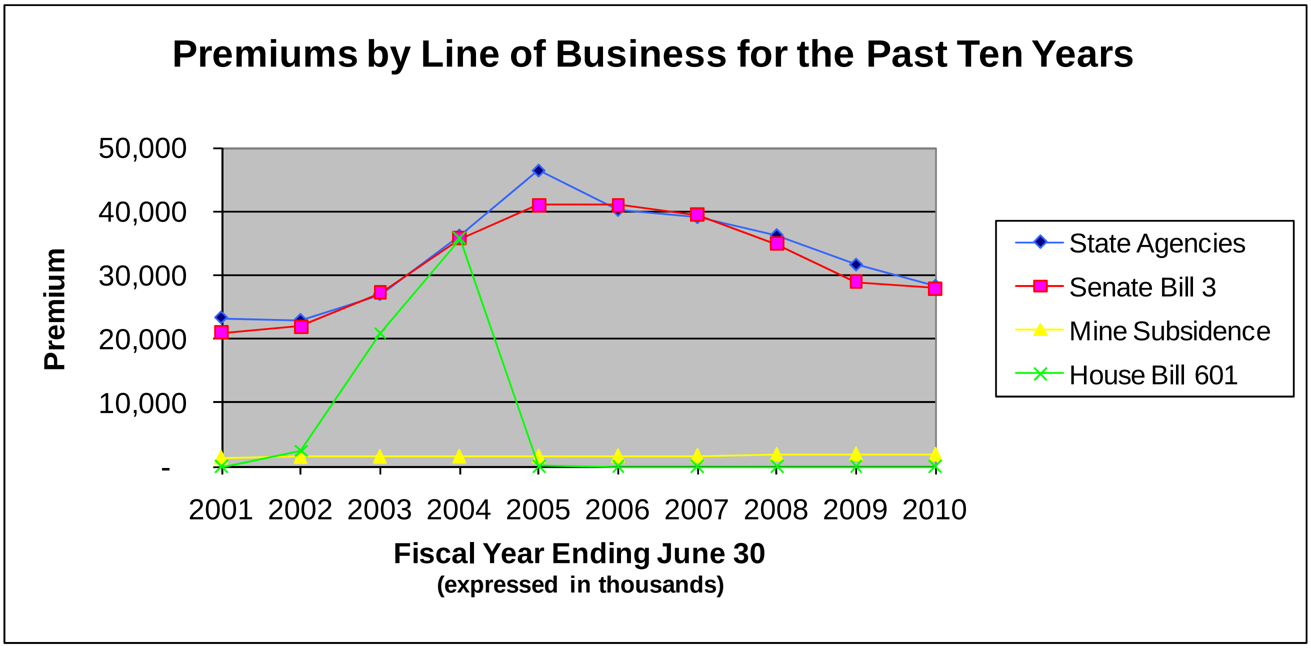
Comparative Statement of Net Assets and Changes in Net Assets (Deficiency)
Last Ten Fiscal Years
(Expressed in Thousands)

	2010	2009	2008	2007	2006
Operating Revenues					
Premiums	$ 58,007	$ 62,427	$ 72,986	$ 80,248	$ 82,824
Less Excess Coverage/Reinsurance Premiums	(6,257)	(5,944)	(6,394)	(6,151)	(4,145)
Net Operating Revenues	51,750	56,483	66,592	74,097	78,679
Operating Expenses					
Claims and Claims Adjustment Expense	31,668	36,604	42,982	35,136	37,076
General and Administrative	3,946	3,894	4,247	4,305	4,180
Total Operating Expenses	35,614	40,498	47,229	39,441	41,256
Operating Income (loss)	16,136	15,985	19,363	34,656	37,423
Nonoperating Revenues (Expenses)					
Interest Income	25,081	7,312	10,512	18,022	6,866
Financing Income	32	31	30	25	28
On behalf contributions	--	--	30	--	--
Appropriations from State of West Virginia	--	--	--	--	--
Distribution to Physicians' Mutual	--	--	--	--	--
Total Nonoperating Revenue	25,113	7,343	10,572	18,047	6,894
Change in Net Assets (Deficiency)	41,249	23,328	29,935	52,703	44,317
Net Assets (Deficiency) at Year-End					
Restricted	38,420	33,924	33,634	31,117	26,277
Unrestricted	153,787	117,034	93,996	66,430	18,567
Total Net Assets (Deficiency)	$ 192,207	$ 150,958	$ 127,630	$ 97,547	$ 44,844

Source: Compiled from BRIM's internal accounting records

2005	2004	2003	2002	2001
$ 89,030	$ 109,268	$ 76,488	$ 48,693	$ 45,606
(3,912)	(3,801)	(3,126)	(2,011)	(1,629)
85,118	105,467	73,362	46,682	43,977
56,675	86,122	77,231	68,730	49,640
4,294	10,536	5,360	2,976	2,911
60,969	96,658	82,591	71,706	52,551
24,149	8,809	(9,229)	(25,024)	(8,574)
6,306	1,011	4,962	5,367	8,222
40	98	45	44	--
--	--	--	--	--
2,000	1,942	2,910	1,066	--
(4,582)	--	--	--	--
3,764	3,051	7,917	6,477	8,222
27,913	11,860	(1,312)	(18,547)	(352)
20,530	21,939	16,829	14,496	13,328
(20,003)	(49,325)	(56,075)	(52,430)	(32,715)
$ 527	$ (27,386)	$ (39,246)	$ (37,934)	$ (19,387)

SCHEDULE 2



Fiscal Year	State Agencies	Senate Bill 3	Mine Subsidence	House Bill 601
2001	$ 23,241	$ 20,951	$ 1,414	-
2002	$ 22,840	$ 21,922	$ 1,505	$ 2,426
2003	$ 26,915	$ 27,198	$ 1,528	$ 20,847
2004	$ 36,203	$ 35,793	$ 1,551	$ 35,721
2005	$ 46,465	$ 40,952	$ 1,595	$ 18
2006	$ 40,252	$ 40,920	$ 1,652	-
2007	$ 39,091	$ 39,481	$ 1,676	-
2008	$ 36,259	$ 34,875	$ 1,852	-
2009	$ 31,596	$ 28,902	$ 1,929	-
2010	$ 28,257	$ 27,889	$ 1,861	-

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 reduction of premiums for State Agencies and Senate Bill 3 customers after a significant period of growth.

Source: BRIM's internal financial statements.

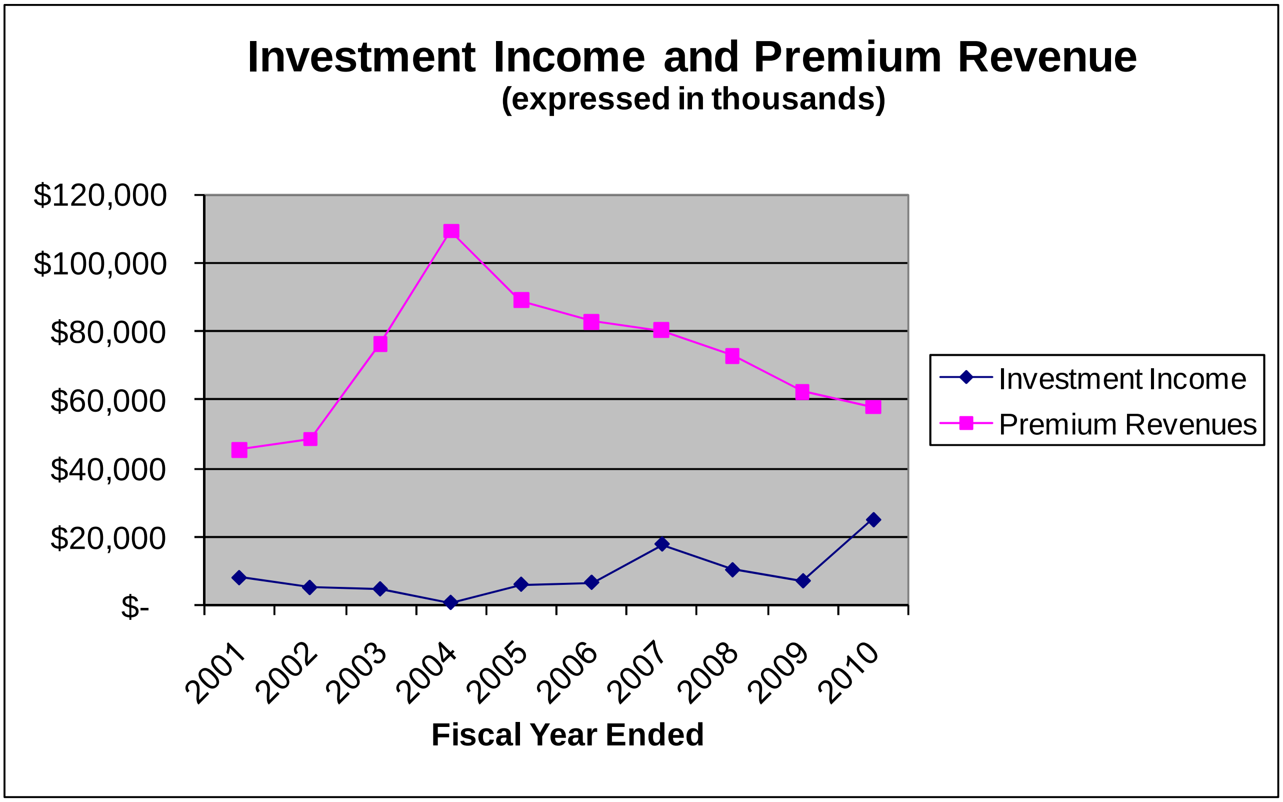
SCHEDULE 3

	Top 10 State Agency Premiums for Fiscal Year 2010			Top 10 State Agency Premiums for Fiscal Year 2001		
1	West Virginia State Police	$	5,418,504	West Virginia University	$	5,179,338
2	Division of Highways		4,699,563	Division of Highways		4,737,674
3	West Virginia University		4,653,279	Marshall University		1,518,689
4	Department of Health & Human Resources		3,551,067	Department of Health & Human Resources		1,243,303
5	Marshall University		1,792,881	Public Safety Division		1,039,973
6	Corrections Division		829,190	Public Health Division		1,037,564
7	Regional Jail and Corrections Facility Authority		433,855	Department of Natural Resources		806,974
8	Division of Environmental Protection		410,799	Corrections Division		502,496
9	West Virginia State Parks		397,883	WV Parkways and Economic Development Authority		407,091
10	Department of Natural Resources		380,908	Division of Environmental Protection		248,880
	Total Top Ten	**$**	**22,567,929**	Total Top Ten	**$**	**16,721,982**
	Total State Premium Billing for 2010	**$**	**28,873,781**	Total State Premium Billing for 2001	**$**	**20,571,261**
	% of top 10 in relation to all state agency billings		**78.16%**	% of top 10 in relation to all state agency billings		**81.29%**

	Top 20 SB 3 Premiums for Fiscal Year 2010			Top 20 SB 3 Premiums for Fiscal Year 2001		
1	Kanawha County Board of Education	$	1,858,415	Kanawha County Board of Education	$	1,126,013
2	West Virginia University Medical Corporation		816,151	Harrison County Board of Education		505,427
3	Raleigh County Board of Education		808,273	Berkeley County Board of Education		452,870
4	Berkeley County Board of Education		629,441	Wood County Board of Education		431,935
5	Mercer County Board of Education		485,223	Mercer County Board of Education		411,178
6	Harrison County Board of Education		481,133	Raleigh County Board of Education		366,193
7	Monongalia County Board of Education		462,370	Monongalia County Board of Education		340,846
8	Wayne County Board of Education		459,751	Cabell County Board of Education		335,277
9	Putnam County Board of Education		428,121	Wayne County Board of Education		333,466
10	Cabell County Board of Education		409,189	Fayette County Board of Education		284,126
11	Marion County Board of Education		379,737	Logan County Commission		267,239
12	Wood County Board of Education		376,132	Marion County Board of Education		258,476
13	Jefferson County Commission		358,184	McDowell County Board of Education		254,569
14	City of St. Albans		339,584	Logan County Board of Education		253,739
15	Charleston-Kanawha Housing Authority		337,316	Putnam County Board of Education		243,969
16	Logan County Board of Education		336,697	Mineral County Board of Education		238,531
17	Jefferson County Board of Education		329,209	Mingo County Board of Education		231,003
18	Ohio County Board of Education		307,862	Jefferson County Board of Education		222,129
19	University Physicians and Surgeons		300,489	Mingo County Commission		195,208
20	McDowell County Board of Education		299,223	City of Beckley		193,748
	Total Top Twenty	**$**	**10,202,500**	Total Top Twenty	**$**	**6,945,942**
	Total SB 3 Premium Billing for 2010	**$**	**29,556,124**	Total SB 3 Premium Billing for 2001	**$**	**21,915,836**
	% of top 20 in relation to total SB 3 billings		**34.52%**	% of top 20 in relation to total SB 3 billings		**31.69%**

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

SCHEDULE 4



Fiscal Year	Investment Income	Premium Revenue
2001	$ 8,222	$ 45,606
2002	$ 5,367	$ 48,693
2003	$ 4,962	$ 76,488
2004	$ 1,011	$ 109,268
2005	$ 6,306	$ 89,030
2006	$ 6,866	$ 82,824
2007	$ 18,022	$ 80,248
2008	$ 10,512	$ 72,986
2009	$ 7,312	$ 62,427
2010	$ 25,081	$ 58,007

This chart illustrates the increasing investment income BRIM has received in the five most recent years as a result of its new investment strategy even with a decrease in overall premium revenues and is 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, 2010			Estimated as of June 30, 2001		
Major West Virginia Employers	Number of Employees	% of Total	Major West Virginia Employers	Number of Employees	% of Total
Local Government	75,000-79,999	10.54%	Local Government	70,000-74,999	9.71%
State of West Virginia	40,000-49,999	5.70%	State of West Virginia	40,000-45,999	5.23%
Federal Government	20,000-25,999	3.50%	Federal Government	20,000-24,999	2.98%
Wal-Mart Associates, Inc.	10,000-13,000	1.57%	Wal-Mart Associates, Inc.	7,000-9,999	1.05%
West Virginia United Health System	7,000-9,999	1.09%	West Virginia University Hospitals	5,000-6999	0.79%
Charleston Area Medical Center	5,000-6,999	0.82%	Charleston Area Medical Center	3,000-4,999	0.53%
Kroger	3,000-4,999	0.54%	CSX Corporation	3,000-4,999	0.53%
American Electric Power	1,000-2,999	0.27%	Weirton Steel Corporation	3,000-4,999	0.53%
Consolidation Coal Company	1,000-2,999	0.27%	Kroger	3,000-4,999	0.53%
Lowe's Home Centers, Inc.	1,000-2,999	0.27%	E l Dupont De Nemours and Company	3,000-4,999	0.53%
St. Mary's Hospital	1,000-2,999	0.27%	Verizon	3,000-4,999	0.53%
Res-Care	1,000-2,999	0.27%	Allegheny Energy Service Corporation	1,000-2,999	0.26%
Mylan Pharmaceuticals, Inc.	1,000-2,999	0.27%	Union Carbide/Dow Corporation	1,000-2,999	0..26%
Actual Total	734,600		Actual Total	759,000	

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

SCHEDULE 6

Demographic and Economic Indicators
Calendar Years 2000-2009

	2009	2008	2007	2006
Population				
West Virginia	1,819,777	1,814,873	1,811,198	1,807,237
Change	0.27%	0.20%	0.22%	0.18%
National	307,006,550	304,374,846	301,579,895	298,593,212
Change	0.86%	0.93%	1.00%	0.96%
Total Personal Income				
West Virginia (in thousands)	58,631	57,411	54,555	51,894
Change	2.13%	5.24%	5.13%	7.80%
National	12,015,535	12,225,589	11,879,836	11,256,516
Change	-1.72%	2.91%	5.54%	7.44%
Per Capita Personal Income*				
West Virginia	32,219	31,634	30,121	28,715
Change	1.85%	5.02%	4.90%	7.60%
National	39,138	40,166	39,392	37,698
Change	-2.56%	1.97%	4.49%	6.42%
Median Age - West Virginia	40.5	40.6	40.4	40.7
Educational Attainment				
9th Grade or Less	6.5%	6.6%	7.0%	7.1%
Some High School, No Diploma	10.7%	11.1%	11.8%	11.9%
High School Diploma	41.0%	40.9%	41.0%	42.7%
Some College, No Degree	18.5%	18.5%	16.7%	16.1%
Associate, Bachelor's or Graduate Degree	23.2%	22.9%	23.4%	22.2%
Resident Civilian Labor Force and Employment in West Virginia				
Civilian Labor Force (thousands)	797.9	806.0	813.0	810.0
Employed (thousands)	734.6	772.0	778.0	773.0
Unemployed (thousands)	63.4	34.0	35.0	37.0
Unemployment Rate (thousands)	7.9%	4.3%	4.3%	4.6%
Nonfarm Wage and Salary Workers Employed in West Virginia				
Goods Producing Industries				
Mining	29.6	30.7	27.5	28.1
Construction	34.1	38.4	38.7	39.2
Manufacturing-Durable Goods	30.9	35.2	37.2	38.4
Manufacturing-NonDurable Goods	19.8	21.1	21.8	22.6
Total Goods Producing Industries	**114.4**	**125.4**	**125.2**	**128.3**
Non-Goods Producing Industries				
Trade	110	114.4	116.2	115.5
Service	369.9	374	369.5	367.8
State and Local Government	126.3	123.7	122.6	122.4
Federal Government	23.6	22.9	22.5	22.1
Total Non-Goods Producing Industries	**629.8**	**635**	**630.8**	**627.8**
Total Nonfarm Wage and Salary Employment	**744.2**	**760.4**	**756**	**756.1**

Sources: Workforce West Virginia Research, Information, and Analysis Office and the Census, and the Survey of Current Business
Various population, personal income, per capita personal income and labor force figures have been amended from last year's schedule.

*Per capita personal income is calcuated by dividing total personal income by population.

2005	2004	2003	2002	2001	2000
1,803,920	1,803,302	1,802,238	1,799,411	1,798,582	1,806,962
0.03%	0.06%	0.16%	0.05%	-0.46%	-0.24%
295,753,151	293,045,739	290,326,418	287,803,914	285,081,556	282,171,957
0.92%	0.97%	0.99%	1.01%	1.03%	0.88%
48,139	46,497	43,841	43,312	41,902	39,438
3.53%	6.06%	1.22%	3.36%	6.25%	5.25%
10,476,669	9,928,790	9,150,320	8,872,871	8,716,992	8,398,871
5.52%	8.51%	3.13%	1.79%	3.79%	7.96%
26,686	25,784	24,326	24,070	23,297	21,826
3.50%	6.00%	1.06%	3.32%	6.74%	5.50%
35,424	33,881	31,517	30,830	30,577	29,765
4.55%	7.50%	2.23%	0.83%	2.73%	7.02%
40.7	40.2	39.9	39.5	39.3	39.0
10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
14.8%	14.8%	14.8%	14.8%	14.8%	14.8%
39.4%	39.4%	39.4%	39.4%	39.4%	39.4%
16.6%	16.6%	16.6%	16.6%	16.6%	16.6%
19.2%	19.2%	19.2%	19.2%	19.2%	19.2%
798.0	788.0	790.0	796.0	801.0	809.0
759.0	747.0	742.0	749.0	759.0	765.0
39.0	41.0	48.0	47.0	42.0	44.0
4.9%	5.3%	6.0%	5.9%	5.2%	5.5%
25.9	23.8	22	23.1	23.5	21.4
36.8	34.6	32.7	33.4	34.9	34
38.8	39.2	39.7	42.2	44.5	46.6
23	23.8	24.9	26.5	27.7	29.2
124.5	**121.4**	**119.3**	**125.2**	**130.6**	**131.2**
113.6	111.9	110.4	111.3	113.7	117.4
364.9	360.5	355.5	353.7	350	344.1
121.7	121.4	120.6	120.9	119.2	120.6
21.9	21.8	21.9	21.9	21.8	22.5
622.1	**615.6**	**608.4**	**607.8**	**604.7**	**604.6**
746.6	**737**	**727.7**	**733**	**735.3**	**735.8**

SCHEDULE 7

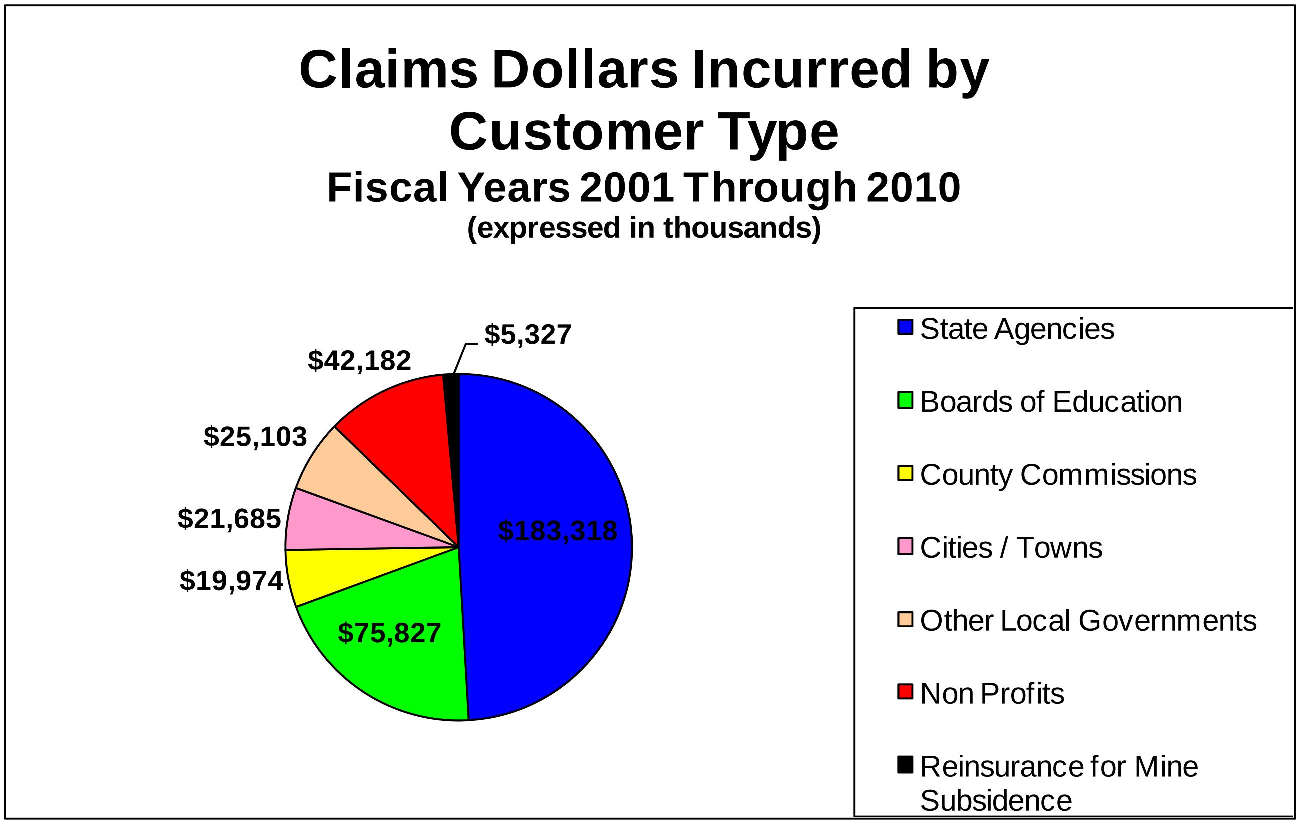
Full-time Equivalent Employees as of Fiscal Year-End*

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Administration	2	2	2	2	2	3	5	3	2	2
Finance	3	3	3	3	3	3	3	3	3	3
Claims	5	5	5	5	5	6	4	5	4	4
Underwriting	6	6	5	6	6	6	6	5	4	4
Loss Control	6	4	4	6	5	4	4	2	3	2
Information Systems	2	2	2	2	2	2	1	1	2	2
Medical Professional	--	--	--	--	--	--	1	1	--	--
Total Employees	24	22	21	24	23	24	24	20	18	17

*** 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.**

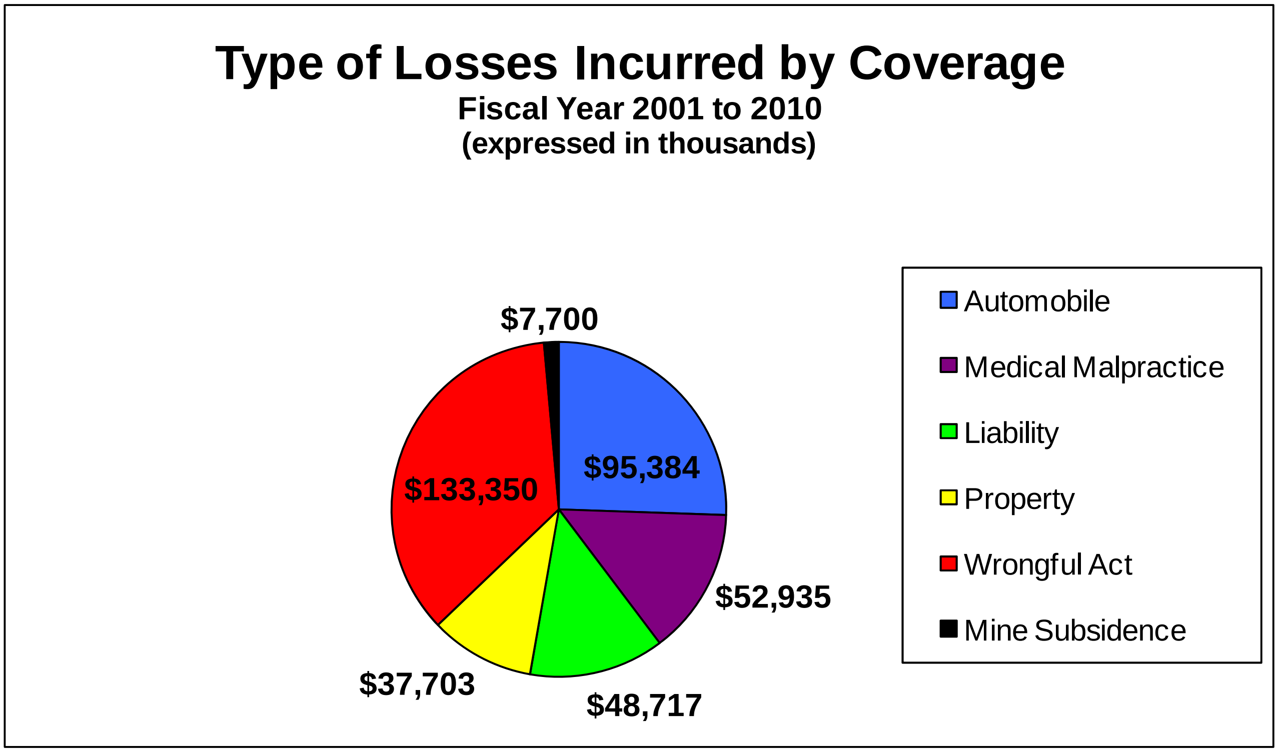
Source: Information compiled from the West Virginia Board of Risk and Insurance Management's internal data.

SCHEDULE 8



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

SCHEDULE 9



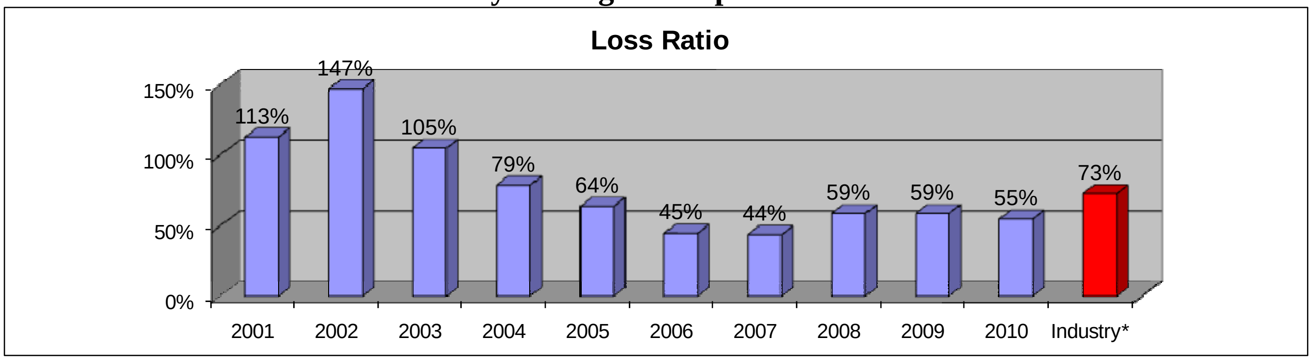
Loss Category

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.

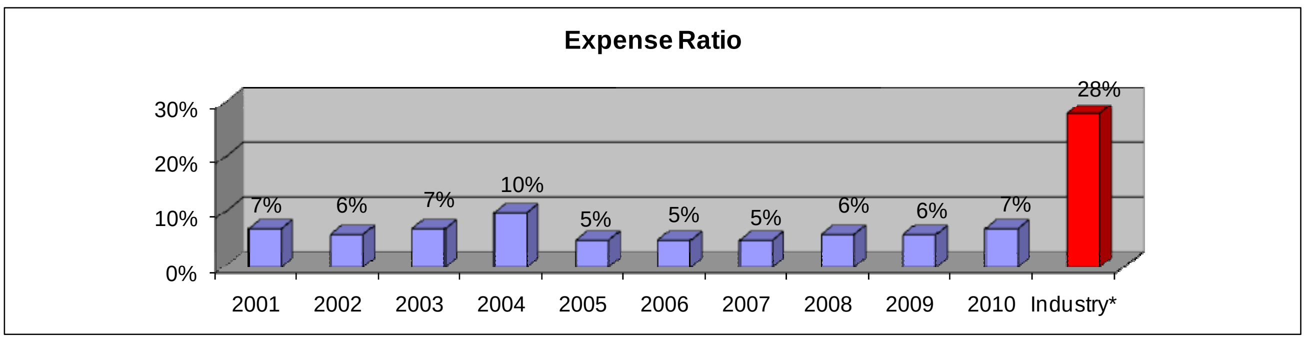
Source: Information compiled from the West Virginia Board of Risk and Insurance Management's internal data.

SCHEDULE 10

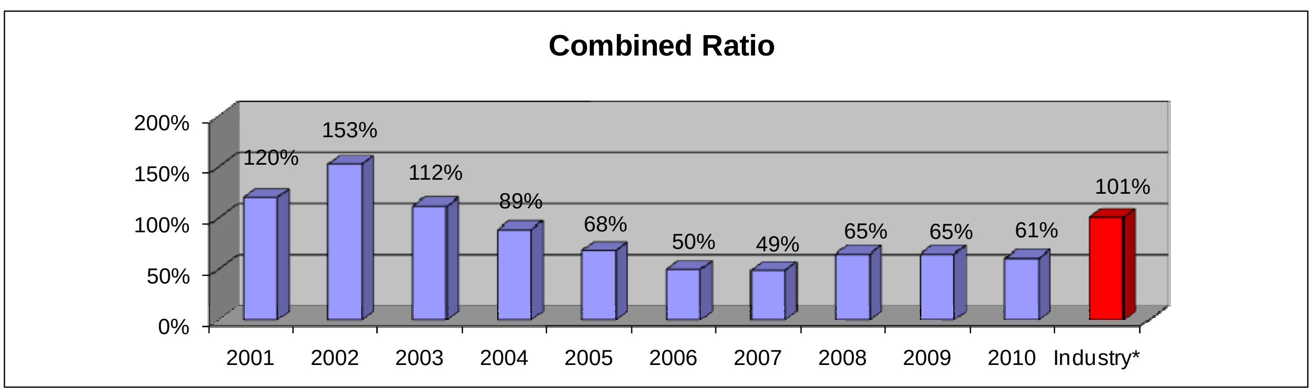
Industry Averages Compared to BRIM



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.

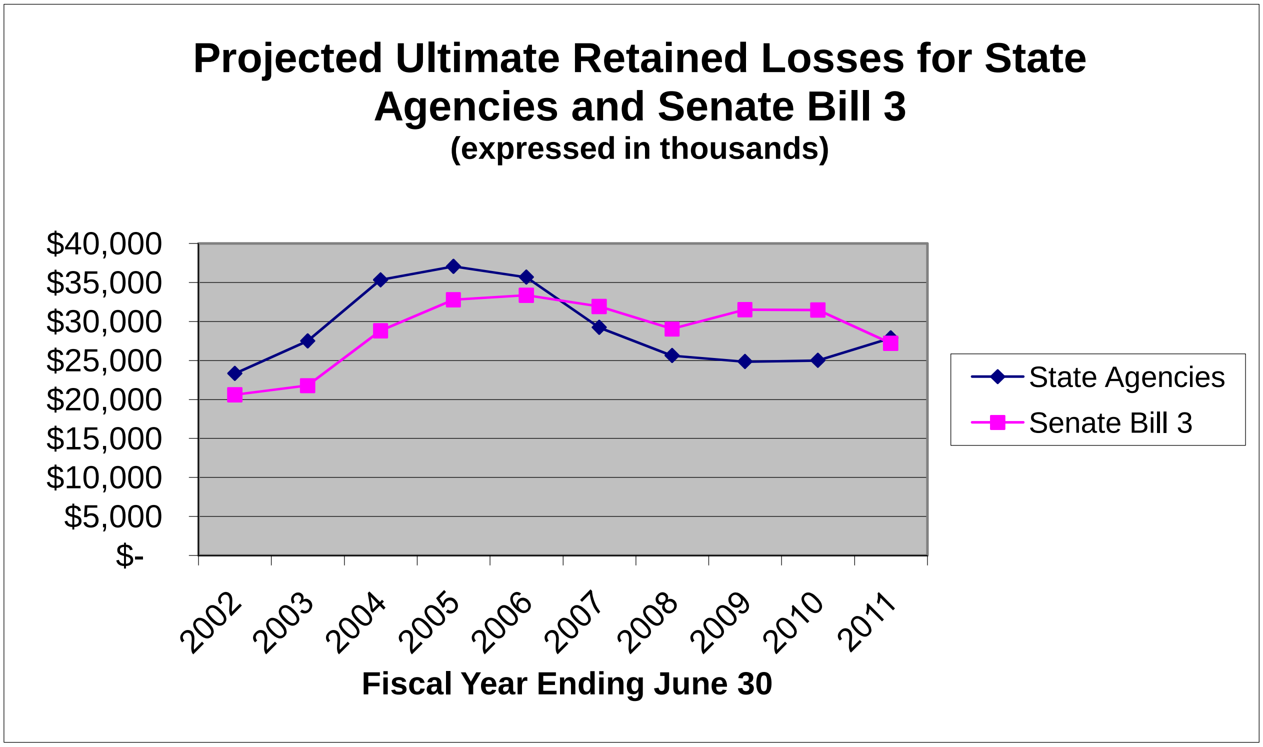


The combined ratio is used to measure underwriting performance. It is derived by adding the loss and expense ratio. A combined ratio below 100% indicates an underwriting profit and one above 100% indicates an underwriting loss.

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

* **Source: Standard and Poor's Industry Surveys, Insurance: Property/Casualty, July 8, 2010.**

SCHEDULE 11



Fiscal Year	State Agencies	Senate Bill 3
2002	$ 23,337	$ 20,606
2003	$ 27,503	$ 21,784
2004	$ 35,335	$ 28,824
2005	$ 37,065	$ 32,789
2006	$ 35,689	$ 33,369
2007	$ 29,243	$ 31,916
2008	$ 25,631	$ 29,041
2009	$ 24,863	$ 31,508
2010	$ 25,011	$ 31,468
2011	$ 27,894	$ 27,216

The projections indicate a downward trend for both State Agencies and Senate Bill 3 programs for fiscal years 2007 and 2008. The overall projections then level out for fiscal years 2009 thru 2011. However, the projections for fiscal year 2011 show State Agencies increasing while Senate Bill 3 are decreasing due to refinements in the actuarial model. All projections are listed at their nominal value, expressed in thousands of dollars.

Source: Taken from the independent actuarial reports from AON and (2004-2010) and Ernst and Young (2001-2003).

SCHEDULE 12

Listing of Coverages in Effect for Fiscal Year 2010

LIABILITY	**LIMIT OF LIABILITY**	
Automobile Liability Policy No.: RMCA 093-61-78 Company: AIG Insurance	$	1,000,000 per occurrence
General Liability Policy No.: RMGL 093-63-76 Company: AIG Insurance	$	1,000,000 per occurrence
Aircraft Liability Policy No.: AV 3380 147-07 Company: AIG Insurance	$	1,000,000 per occurrence
Excess Liability-Bd. of Education Policy No.: NXG358846K Company: General Star National	$	2,000,000 per occurrence or claim
PROPERTY	**LIMIT OF LIABILITY**	
Blanket Property Policy No.: FS D3586782A 007 Company: Westchester	$	25,000,000 primary layer 1,000,000 deductible
Policy No.: NHD 363338 Company: RSUI	$	175,000,000 in excess of primary layer of $ 25,000,000
Policy No.: CICA 2903 Company: Commonwealth	$	75,000,000 in excess of 200,000,000
Policy No.: MAF733355-09 Company: Axis	$	125,000,000 in excess of 275,000,000
Policy No.: I20644904-007 Company: Westchester	$	10,000,000 flood with 1,000,000 deductible
Boiler and Machinery Policy No.: 76426824 Company: Chubb	$	5,000,000 per equipment covered excess of 1,000,000
Public Insurance Official Position Schedule Bond Bond No.: 104511294 Company: Travelers	Variable amounts as set by Statute	

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