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, 2007

On the Cover - Appalachian String Band Music Festival- This annual festival gathers musicians and friends on a West Virginia mountaintop. Performances include informal old time jams, contests, concerts, workshops, square dances, camping and a hymn-sing that highlight Appalachia traditions. Photographs used in this report were courtesy of photographers Stephen Shaluta, Jr. and David Fattaleh, with the West Virginia Division of Tourism and Parks.

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Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2007

Joe Manchin III
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, 2007

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FINANCIAL SECTION

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Introductory Section

Lone Star Quilt

Cabin Creek Quilts – Located in Charleston, West Virginia, creates bold and original, one-of-a kind quilts inspired by traditional designs.   These quilts are well-crafted and provide a piece of the rich mountain culture.

State of West Virginia
Board of Risk and Insurance Management

PRINCIPAL OFFICIALS

Joe Manchin III, Governor

Secretary of Department of Administration
Robert W. Ferguson, III

Board of Directors
John Lukens, Chairperson
Bruce Martin, Vice Chairperson
S.A. Cunningham, CPA, Member
Martin Glasser, Member
Dr. Brian E. Noland, Member

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

Formal Transmittal of Comprehensive Annual Financial Report (CAFR)

December 15, 2007

Honorable Joe Manchin III, 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, 2007, 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.

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 accounting principles generally accepted in the United States. 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 currently total 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 1,000 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. BRIM still maintains the run-off of the hospital and facilities insured under this program, all of which were non-renewed as of June 30, 2004. 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.

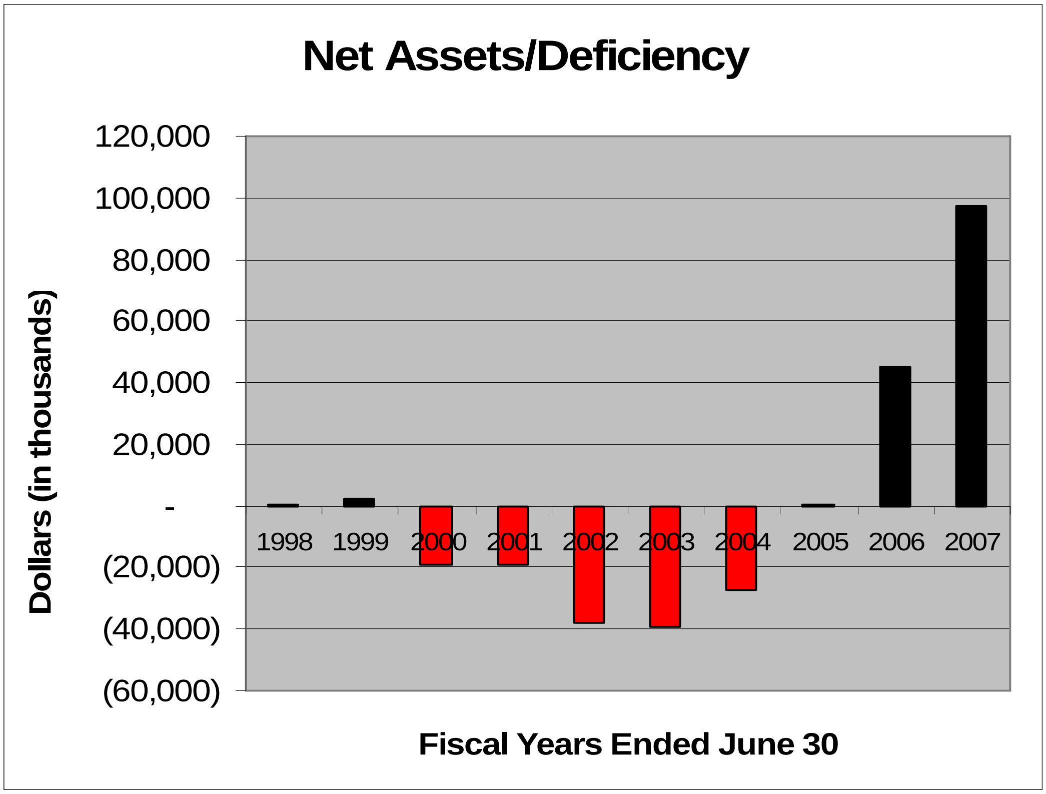
Property losses are retained by BRIM up to $1 million. Additional coverage is provided up to a limit of $200 million through various excess policies. This coverage provides reimbursement of loss at the stated or reported value less a $1,000 deductible. Under the mine subsidence program, ceding insurers 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, 2007, BRIM has total net assets of $97,547,000 reflected on the Statement of Net Assets. Management anticipates that net assets will continue to be positive and grow over the next few years. For more detailed information see the MD&A included in the financial section of this report.

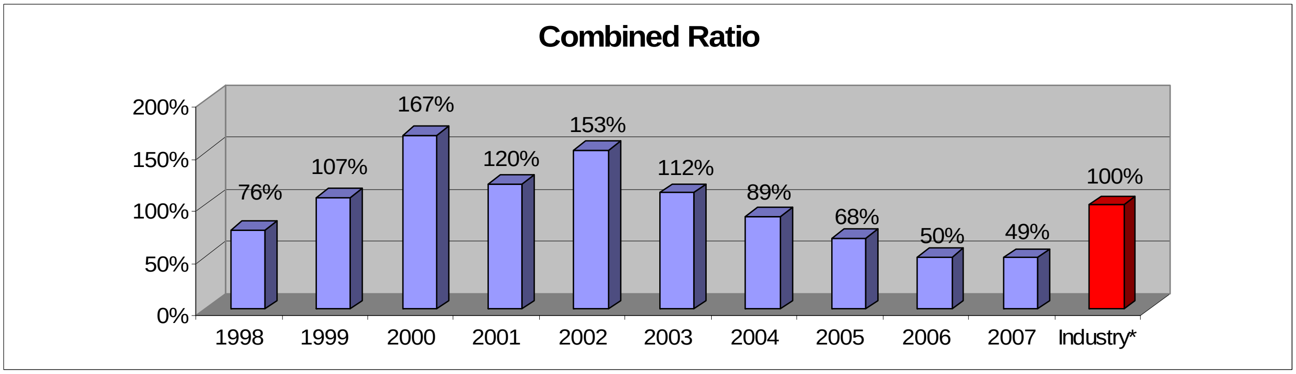
The chart below shows the net assets/deficiency for the past ten years. The years in black represent positive net assets and the years in red represent a net asset deficiency (or unfunded liability).



BRIM's improvement in operations is consistent with the commercial insurance industry as a whole.

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 2007 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 market rate of 26%. This has enabled BRIM to keep this key financial ratio below the industry this year. Also, in fiscal year 2007, BRIM's loss ratio (claims expense divided by earned premiums) was favorable which lowered the combined ratio. The BRIM 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, January 25, 2007.

Change in Investment Strategy

In accordance with state code, BRIM's long-term investments are managed by the West Virginia Investment Management Board (WVIMB) and, beginning in fiscal year 2006, BRIM's excess short-term cash funds are managed by the West Virginia Board of Treasury Investments (BTI). During fiscal year 2004, BRIM and the WVIMB began working on a solution to maximize BRIM's investment returns, which had been falling the past few years. The WVIMB developed a suggested investment strategy with 20% in equities, 65% in fixed income securities and 15% in cash. The cash portion is maintained in accounts similar to low-risk money market funds maintained by the BTI in fiscal year 2006 and 2007 and by the WVIMB in fiscal years 2005 and 2004. This approach is similar to those used by commercial insurers. The anticipated yield on this combined investment mix is several points higher than the rate of return previously earned by BRIM. This arrangement was finalized and the new investment account was established in the early part of fiscal year 2004. Consequently, investment earnings for 2005, 2006 and 2007 were significantly higher than past years. Management believes this is a significant accomplishment that will enhance future financial condition.

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 or 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 accounting principles generally accepted in the United States. 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, 2007. 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, 2006. This was the eleventh 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

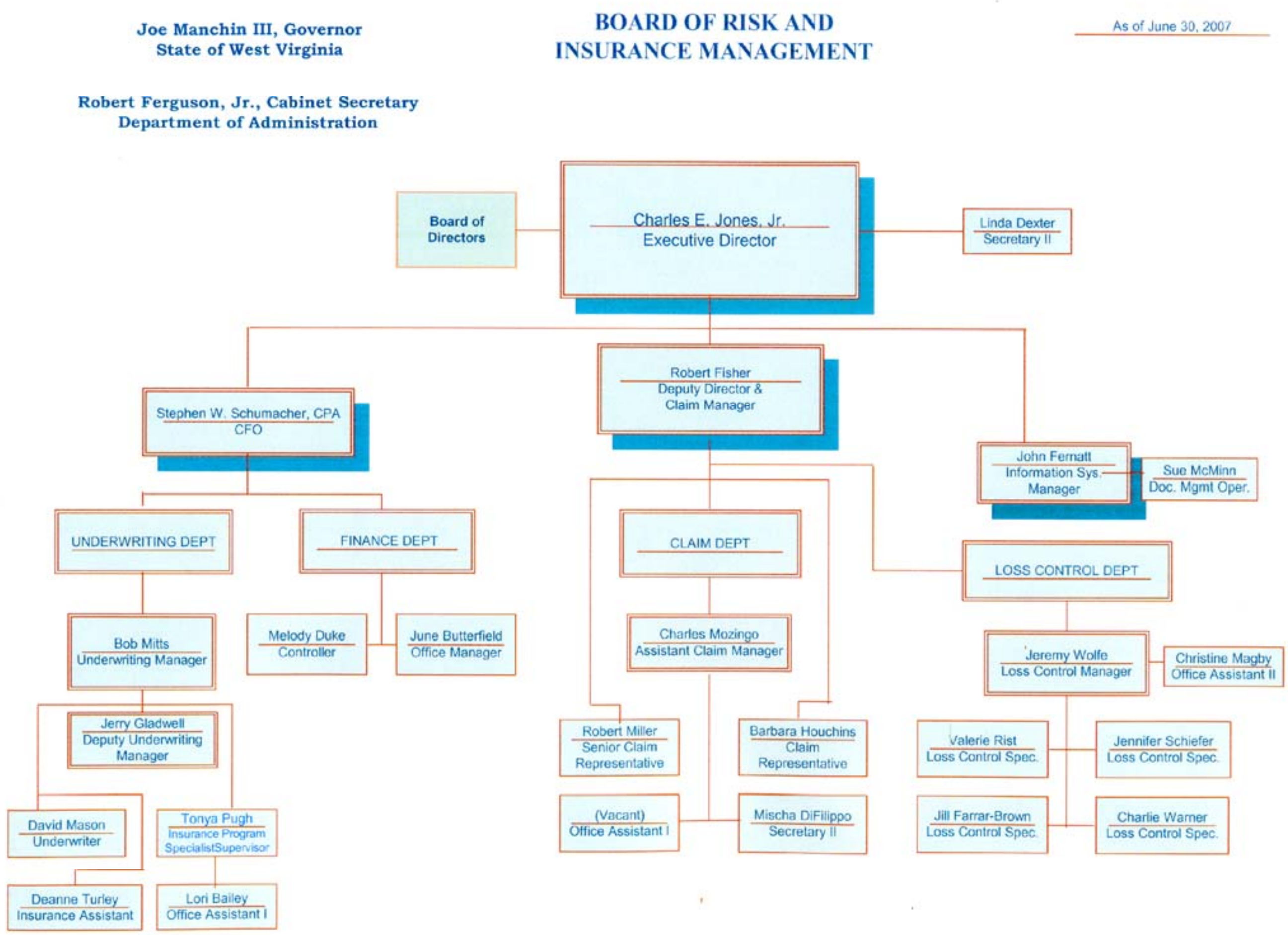
BRIM would like to thank the Governor, the Legislature, the Cabinet Secretary of Administration, and the Board of Directors of BRIM for their support and leadership.

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, 2007.

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, 2007
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
Bob Mitts
Underwriting Manager
Melody Duke
Controller
June Butterfield
Office Manager
Charles Mozingo
Assistant Claim Manager
Jeremy Wolfe
Loss Control Manager
Christine Magby
Office Assistant II
Jerry Gladwell
Deputy Underwriting Manager
Robert Miller
Senior Claim Representative
Barbara Houchins
Claim Representative
Valerie Rist
Loss Control Spec.
Jennifer Schiefer
Loss Control Spec.
David Mason
Underwriter
Tonya Pugh
Insurance Program SpecialistSupervisor
(Vacant)
Office Assistant I
Mischa DiFilippo
Secretary II
Jill Farrar-Brown
Loss Control Spec.
Charlie Warner
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, 2006

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.

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

President

Executive Director


STATE OF WEST VIRGINIA
JUNE 20 1863
MONTANI SEMPER LIBERI

Financial Section

Heritage Farm Museum – Located in Huntington, West Virginia, recreates life as it was "back then" in Appalachia from the 1800's through the early 1900's. Learn about major inventions that helped to change the quality of life for the Appalachian people.

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500 Virginia Street East (25301)
P.O. Box 2906
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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 statements of net assets of the West Virginia Board of Risk and Insurance Management (BRIM) (an enterprise fund of the State of West Virginia) as of June 30, 2007 and 2006, and the related statements of revenues, expenses, and changes in net assets and cash flows for the years then ended. 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 these 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, 2007 and 2006, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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) at June 30, 2007 and 2006, and the changes in its financial position and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2007, 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 2007 audit.

Management's Discussion and Analysis on pages 16 through 23 and the unaudited supplemental schedules of Ten-Year Claims Development Information on page 53 and the Reconciliation of Unpaid Claims and Claims Adjustment Expense Liability by Type of Contract on page 54 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 to the Management's Discussion and Analysis on pages 16 through 23 and the Ten-Year Claims Development Information on page 53 and the Reconciliation of Unpaid Claims and Claims Adjustment Expense Liability by Type of Contract on page 54, 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 audits were conducted for the purpose of forming an opinion on BRIM's basic financial statements. The introductory and statistical sections of this report are presented for purpose of additional analysis and are not a required part of the basic financial statements. The data included in the introductory and statistical sections of this report have not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we express no opinion on them.

Ernst & Young LLP

November 7, 2007

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, 2007, 2006, and 2005. BRIM provides property and casualty insurance to State of West Virginia (the State) agencies and Senate Bill 3 entities (SB3), 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. Beginning in December 2001, 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 physicians in the program novated to a private physicians' mutual on July 1, 2004. 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 accounting principles generally accepted in the United States (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

The following tables summarize the financial position and the results of operations as of and for the years ended June 30, 2007, 2006, and 2005 (in thousands):

				Change 2007–2006		Change 2006–2005	
	2007	**2006**	**2005**	**Amount**	**Percent**	**Amount**	**Percent**
Cash	**$ 33,083**	$ 41,756	$ 55,377	$ (8,673)	(21)%	$ (13,621)	(25)%
Advance deposits with carrier/trustee	**115,836**	84,304	41,875	31,532	37	42,429	101
Receivables	**2,392**	1,086	591	1,306	120	495	84
Total current assets	**151,311**	127,146	97,843	24,165	19	29,303	30
Noncurrent investments	**117,127**	105,465	101,840	11,662	11	3,625	4
Total assets	**268,438**	232,611	199,683	35,827	15	32,928	17
Estimated claim expense	**50,851**	46,765	50,362	4,086	9	(3,597)	(7)
Unearned premiums	**8,659**	10,892	10,991	(2,233)	(21)	(99)	(1)
Agent commissions payable	**1,985**	2,014	2,080	(29)	(1)	(66)	(3)
Accrued expenses	**483**	625	849	(142)	(23)	(224)	(26)
Total current liabilities	**61,978**	60,296	64,282	1,682	3	(3,986)	(6)
Estimated claim expense	**108,713**	127,308	134,707	(18,595)	(15)	(7,399)	(6)
Compensated absences	**200**	163	167	37	23	(4)	(2)
Total noncurrent liabilities	**108,913**	127,471	134,874	(18,558)	(15)	(7,403)	(6)
Total liabilities	**170,891**	187,767	199,156	(16,876)	(9)	(11,389)	(6)
Net assets (deficiency):							
Restricted	**31,117**	26,277	20,530	4,840	18	5,747	28
Unrestricted	**66,430**	18,567	(20,003)	47,863	258	38,570	193
Net assets	**$ 97,547**	$ 44,844	$ 527	$ 52,703	118	$ 44,317	8,409

	2007	2006	2005	Change 2007–2006 Amount	Change 2007–2006 Percent	Change 2006–2005 Amount	Change 2006–2005 Percent
Premiums	**$ 80,248**	$ 82,824	$ 89,030	$ (2,576)	(3)%	$ (6,206)	(7)%
Less excess coverage	**(6,151)**	(4,145)	(3,912)	(2,006)	(48)	(233)	6
Net operating revenues	**74,097**	78,679	85,118	(4,582)	(6)	(6,439)	(8)
Claims and claims adjustment expense	**35,136**	37,076	56,675	(1,940)	(5)	(19,599)	(35)
General and administrative	**4,305**	4,180	4,294	125	3	(114)	(3)
Total operating expenses	**39,441**	41,256	60,969	(1,815)	(4)	(19,713)	(32)
Operating income	**34,656**	37,423	24,149	(2,767)	(7)	13,274	55
Nonoperating revenues (expenses):							
Investment income	**18,022**	6,866	6,306	11,156	162	560	9
Financing income	**25**	28	40	(3)	(11)	(12)	(30)
Appropriations from the State	–	–	2,000	–	–	(2,000)	(100)
Transfer to WVPMIC	–	–	(4,582)	–	–	4,582	(100)
Total nonoperating revenues, net	**18,047**	6,894	3,764	11,153	162	3,130	83
Changes in net assets	**52,703**	44,317	27,913	8,386	19	16,404	59
Total net assets (deficiency) – beginning	**44,844**	527	(27,386)	44,317	8,409	27,913	102
Total net assets – end	**$ 97,547**	$ 44,844	$ 527	$ 52,703	118	$ 44,317	8,409
Total revenues	**$ 92,144**	$ 85,573	$ 93,464	$ 6,571	8	$ (7,891)	(8)
Total expenses	**$ 39,441**	$ 41,256	$ 65,551	$ (1,815)	(4)	$ (24,295)	(37)

FINANCIAL HIGHLIGHTS

- Total assets increased $35,827,000 from 2006 to 2007 and increased $32,928,000 from 2005 to 2006. The increase from 2006 to 2007 is primarily due to the funding of year two of the advance deposit prefunding arrangement established in 2006 and increased returns on investments. The increase from 2005 to 2006 is due to a lesser amount of claims and claim related payments being made during the fiscal year.

- Total liabilities decreased $16,876,000 from 2006 to 2007 and decreased $11,389,000 from 2005 to 2006. The decline for 2007 relates primarily to the continued effect of the two medical school's new deductible program on the estimated retained reserves for the related liability claims and the corresponding reductions reflected in the estimated unpaid claims and claims adjustment expense liability. In 2005, the House Bill 601 Program novated and the estimated claim liability and unearned premium obligations decreased accordingly.

- The total net assets for 2007 are $97,547,000 and $44,844,000 for 2006, reflecting a $52,703,000 increase in net assets. The total net asset in 2005 was $527,000. The increase in net assets over the three year period is the result of the overall decrease in outstanding estimated claims reserves and the recovery of a portion of BRIM's unfunded liability through an increase in premium billings for 2005, 2006 and 2007. Restricted net assets of $31,117,000, $26,277,000, and $20,530,000 in, 2007, 2006, and 2005, respectively, relate to mine subsidence coverage provided to the general public based on restrictions provided in the West Virginia State Code.

- Total net operating revenues decreased from $78,679,000 to $74,097,000 from 2006 to 2007 due to the increased costs in the excess coverage for the boards of education and a continued reduction in the premiums billed to the medical malpractice schools in conjunction with the claims deductible program. The program requires a higher self-insured retention for each claim incurred by the program participants that increases their deductible to $250,000 per claim. Total net operating revenues decreased from $85,118,000 to $78,679,000 from 2005 to 2006 due to the implementation of a revised medical malpractice claims deductible program for certain entities.

- The continued decrease in total operating expenses from $60,969,000 in 2005 to $41,256,000 in 2006 and from $41,256,000 in 2006 to $39,441,000 in 2007 relates to the continued reduction in the claims and claims adjustment expense primarily relating to the medical malpractice and general liability programs.

- Nonoperating revenues have fluctuated in the past three years. There was a $11,153,000 increase from 2006 to 2007 related to investment returns reflecting changes in the marketplace. The $3,130,000 decrease from 2005 to 2006 relates to a decline in appropriations from the State of $2,000,000 offset with an increase in investment returns. These fluctuations are primarily related to investment returns reflecting changes in the marketplace.

- In 2005, in conjunction with the novation of the House Bill 601 Program, a nonoperating distribution of $4,582,000 was made to the newly formed physicians' mutual company.

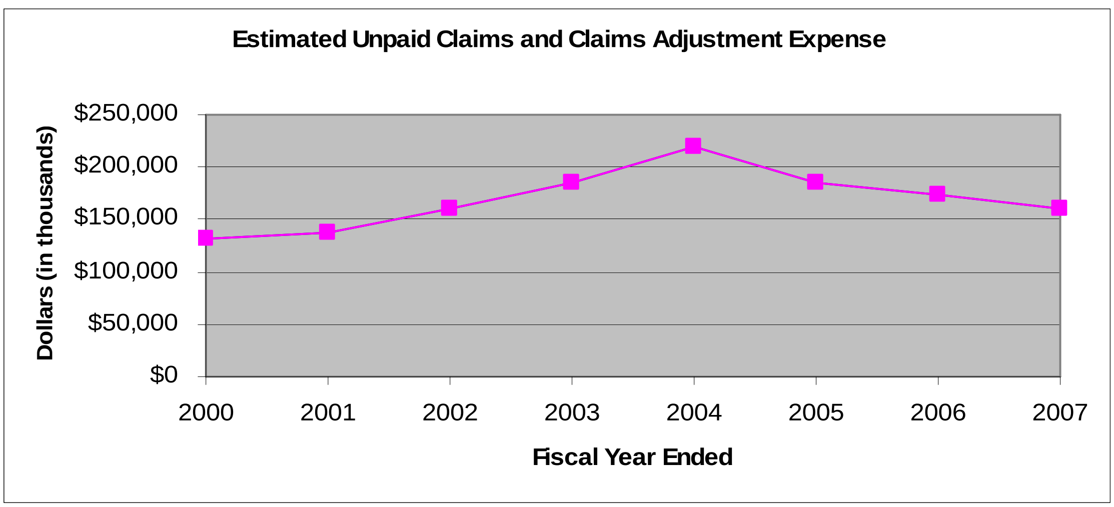
- Total revenues and total expenses from 2006 to 2007 and from 2005 to 2006 have primarily fluctuated due to activity related to the House Bill 601 Program related activity and novation to the physicians' mutual, along with the changes in the claims and claims adjustment liability and investment market returns. See the above explanations for additional information.

OVERALL ANALYSIS

The overall condition of BRIM has improved from the prior year. Proper premium assessments, increased investment earnings, aggressive risk management, and reductions in the estimated claim liability have allowed BRIM to further increase the net assets for this year, reflecting net assets of $97,547,000 at June 30, 2007. BRIM has implemented and is strictly adhering 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 2006 to 2007, the liability for unpaid claims decreased from $174,073,000 to $159,564,000. The chart below shows the estimated unpaid claims and claims adjustment expense liability for fiscal years 2000 through 2007.



House Bills 601 and 2122

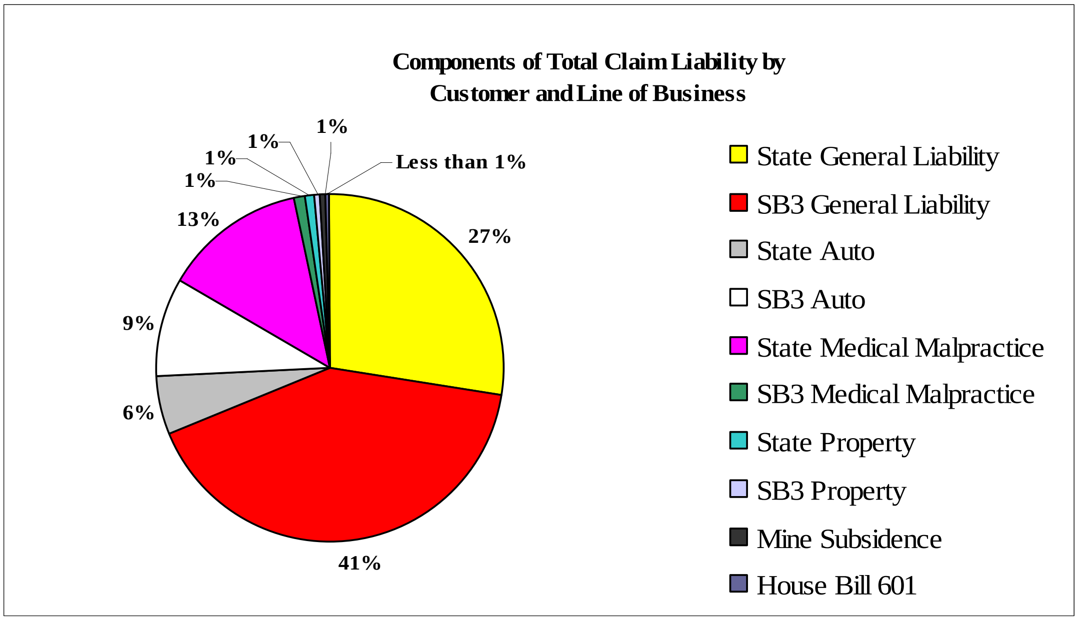
In December 2001, the West Virginia Legislature passed House Bill 601, which authorized BRIM to provide medical malpractice and general liability coverage to health care providers. This bill was created as a result of the medical malpractice insurance crisis created by private sector insurance companies'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

During the legislative session in early 2003, House Bill 2122 was enacted. This bill allowed for 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 nonrenewed 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 $159,564,000. 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 Address the Net Assets Deficiency by Line of Business

During the past three years, BRIM has made tremendous efforts to eliminate its deficiency in net assets. 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 continue to increase net assets until all lines of business are solvent independently.

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.

Increased Investment Return

In 2007, BRIM maintained the funds invested with the West Virginia Investment Management Board (WVIMB) at their 2006 levels and reinvested all of the earnings on the funds for the fiscal year. 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. During fiscal year 2006, BRIM transferred approximately $43,000,000 of its funds invested with WVIMB to interest-earning deposits held in a short-term investment pool maintained by the West Virginia Bureau of Treasury Investments (BTI). The account is called the "short-term" fund. Investment income has increased each year since 2004, due in large part to increasing interest rates on shorter term funds and the overall improvement in the investment markets.

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 2007 and 2006 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 2007	June 30 2006
	(In Thousands)	
Assets		
Current assets:		
Cash and cash equivalents	**$ 23,746**	$ 33,962
Advance deposits with insurance company and trustee	**115,836**	84,304
Receivables:		
Premiums due from state agencies	**663**	303
Premiums due from other entities	**535**	595
Other	**1,519**	512
Less allowance for doubtful accounts	**(697)**	(696)
Net receivables	**2,020**	714
Restricted cash and cash equivalents	**9,337**	7,794
Restricted receivables:		
Premiums due from other entities	**372**	372
Total current assets	**151,311**	127,146
Noncurrent assets:		
Investments	**93,646**	84,322
Restricted investments	**23,481**	21,143
Total noncurrent assets	**117,127**	105,465
Total assets	**268,438**	232,611
Liabilities		
Current liabilities:		
Estimated unpaid claims and claims adjustment expense	**50,851**	46,765
Unearned premiums	**8,659**	10,892
Agent commissions payable	**1,985**	2,014
Accrued expenses and other liabilities	**483**	625
Total current liabilities	**61,978**	60,296
Estimated unpaid claims and claims adjustment expense, net of current portion	**108,713**	127,308
Compensated absences	**200**	163
Total noncurrent liabilities	**108,913**	127,471
Total liabilities	**170,891**	187,767
Net assets:		
Restricted for specific insurance programs	**31,117**	26,277
Unrestricted	**66,430**	18,567
Net assets	**$ 97,547**	$ 44,844

See accompanying notes.

West Virginia Board of Risk and Insurance Management

Statements of Revenues, Expenses and Changes in Net Assets

	Years Ended June 30	
	2007	**2006**
	(In Thousands)	
Operating revenues		
Premiums	**$ 80,248**	$ 82,824
Less excess coverage/reinsurance premiums	**(6,151)**	(4,145)
Net operating revenues	**74,097**	78,679
Operating expenses		
Claims and claims adjustment expense	**35,136**	37,076
General and administrative	**4,305**	4,180
Total operating expenses	**39,441**	41,256
Operating income	**34,656**	37,423
Nonoperating revenues		
Investment income	**18,022**	6,866
Financing income	**25**	28
Net nonoperating revenues	**18,047**	6,894
Changes in net assets	**52,703**	44,317
Total net assets, beginning of year	**44,844**	527
Total net assets, ending of year	**$ 97,547**	$ 44,844

See accompanying notes.

West Virginia Board of Risk and Insurance Management

Statements of Cash Flows

	Years Ended June 30	
	2007	**2006**
	(In Thousands)	
Operating activities		
Receipts from customers	**$ 70,554**	$ 78,091
Payments to employees	**(1,246)**	(1,218)
Payments to suppliers	**(3,192)**	(3,260)
Payments to claimants	**(49,645)**	(48,072)
Deposits to advance deposit with insurance company and trustee	**(78,167)**	(87,666)
Withdrawals from advance deposit with insurance company and trustee	**46,639**	45,235
Net cash used in operating activities	**(15,057)**	(16,890)
Noncapital financing activities		
Financing earnings	**25**	28
Net cash provided by noncapital financing activities	**25**	28
Investing activities		
Purchase of investments	**(6,496)**	(25,579)
Sale of investments	**4,705**	23,770
Net investment earnings	**8,150**	5,050
Net cash provided by investing activities	**6,359**	3,241
Net decrease in cash and cash equivalents	**(8,673)**	(13,621)
Cash and cash equivalents, beginning of year	**41,756**	55,377
Cash and cash equivalents, end of year	**$ 33,083**	$ 41,756
Cash and cash equivalents consist of:		
Cash and cash equivalents	**$ 23,746**	$ 33,962
Restricted cash and cash equivalents	**9,337**	7,794
	$ 33,083	$ 41,756

West Virginia Board of Risk and Insurance Management

Statements of Cash Flows (continued)

	Years Ended June 30	
	2007	**2006**
	(In Thousands)	
Reconciliation of operating income to net cash used in operating activities		
Operating income	**$ 34,656**	$ 37,423
Adjustments to reconcile operating income to net cash used in operating activities		
Increase in advanced deposits	**(31,531)**	(42,429)
Increase in premiums receivable, net	**(1,308)**	(495)
Decrease in estimated liability for unpaid claims and claims adjustment expense	**(14,508)**	(10,996)
Decrease in other liabilities	**(133)**	(294)
Decrease in unearned premiums	**(2,233)**	(99)
Total adjustments	**(49,713)**	(54,313)
Net cash used in operating activities	**$ (15,057)**	$ (16,890)
Noncash investing activities		
Increase in fair value of investments	**$ 9,872**	$ 1,816

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 No. 3 (SB3) was enacted, allowing local governmental entities and nonprofit organizations to participate in the entire program. There are approximately 1,187 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 pays a "premium" deposit to an insurance company to fund initial losses. As claims are reported, they are paid from the cash reserves established by the premium deposit. When paid losses exceed the amount of the "premium" deposit, BRIM pays the insurance company 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 that are made during the 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 is limited to $25,000 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 is limited to $100,000 per occurrence. From July 1, 1982 through June 30, 1985, the liability coverage provided by BRIM was limited to $6,000,000 per occurrence. Since July 1, 1985, the

1. General (continued)

liability coverage provided by BRIM is limited to $1,000,000 indemnity per occurrence. In addition, the county boards of education are covered by an excess insurance policy providing up to $5,000,000 of coverage in excess of the underlying $1,000,000 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 $25,000 of loss per event on property insurance claims. Losses in excess of $25,000 per event were also retained within an annual aggregate limit. From July 1, 1990 through June 30, 1991, the exposure retained by BRIM was $1,000,000 per event. From July 1, 1991 through June 30, 1996, the exposure retained by BRIM was $2,000,000 per event. Since July 1, 1996, the exposure retained by BRIM is $1,000,000 per event. BRIM has obtained excess coverage, through insurance companies, covering losses in excess of $1,000,000 up to $200,000,000 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 $50,000 to $75,000 per structure.

In December 2001, the West Virginia Legislature passed House Bill 601, which authorized BRIM to provide medical malpractice and general liability coverage to private health care providers (the House Bill 601 Program). On July 1, 2004, all physicians novated to the newly formed West Virginia Physicians' Mutual Insurance Company (WVPMIC). BRIM still maintains 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 whose damages were limited because of caps for trauma care or as a result of joint and several liabilities. BRIM serves as third-party administrator for this fund. 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. The activity for this fund is reflected in the State's financial statements.

1. General (continued)

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 accounting principles generally accepted in the United States (GAAP). Expenditures related to the general revenue appropriation amount if any are monitored by the State's budgetary review process in total on an unclassified basis. Each year's appropriation lapses at year end. The remaining operations of BRIM are subject to a nonappropriated budgetary review process.

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

2. Summary of Significant Accounting Policies

Basis of Accounting

As an enterprise fund, BRIM's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting in conformity with accounting principles generally accepted in the United States. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

2. Summary of Significant Accounting Policies (continued)

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, 2007 and 2006, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Use of Estimates

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

Cash and Cash Equivalents

Cash equivalents are short-term investments with original maturities of 90 days or less. Cash and cash equivalents principally consist of interest-earning deposits in 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 approximate estimated fair value, was $29,678,000 and $41,523,000 at June 30, 2007 and 2006, respectively.

2. Summary of Significant Accounting Policies (continued)

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. 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.

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.

2. Summary of Significant Accounting Policies (continued)

Compensated Absences, Including Postretirement Benefits

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 postretirement health care coverage through the West Virginia Retiree Health Benefit Trust Fund (WV) or be converted into a greater retirement benefit under the State of West Virginia Public Employees Retirement System (PERS).

The GASB has issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (OPEBs). This OPEB obligation will need to be actuarially determined; an actuarially determined contribution (ARC) in accordance with the GASB requirements will be required, an OPEB obligation and related expense will need to be recorded, and there will be additional disclosures. Management has not completed the complex analysis that will be required to comply with the new standards which will not be effective for BRIM until 2008. Based on BRIM's current level of employees, BRIM does not anticipate the adoption of the new standard to be material to BRIM's financial statements.

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 prior to June 30, 2007, actuarial projections of loss development of IBNR claims, and estimates of expenses for investigation and adjustment of all incurred and unadjusted losses (and estimates of expected salvage and subrogation receipts are deducted from the estimated liability). The length of time for which such costs must be estimated varies depending on the coverage involved. In the event a reinsurer is unable financially to satisfy an obligation, BRIM is responsible for such liability.

Management believes the estimate for unpaid claims and claims adjustment expense is a reasonable best estimate of BRIM's ultimate losses and loss adjustment expenses to be incurred to discharge BRIM's obligations. However, because actual claims costs depend on such complex factors as actual outcomes versus industry statistical information utilized in the estimation

2. Summary of Significant Accounting Policies (continued)

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 asset 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 5% 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.

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.

2. Summary of Significant Accounting Policies (continued)

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. As of June 30, 2007 and 2006, BRIM participated in BTI's and WVIMB's cash liquidity pool and in an account specifically designed by WVIMB to meet BRIM's longer-term cash flow needs termed the "Board of Risk and Insurance Management Fund."

Cash Equivalents

Cash Liquidity Pool

The BTI for 2007 and Investment Management Board for 2006 limits the exposure to credit risk in the cash liquidity pool by requiring all corporate bonds 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.

3. Deposit and Investment Risk Disclosures (continued)

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

	June 30, 2007				June 30, 2006			
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**	**$ 1,015,926**	**48.89%**	P1	A–1	$ 943,057	54.14%
Corporate bonds and notes	**Aaa**	**AAA**	**98,999**	**4.76**	Aaa	AAA	61,992	3.56
					Aa	AA	55,063	3.16
					Aa	A	12,000	0.69
	Aa3	**AA**	**20,001**	**0.96**				
	Aa3	**A**	**23,002**	**1.11**				
	Aa2	**AA**	**15,000**	**0.72**				
	Aa2	**A**	**27,000**	**1.30**				
	Aa1	**AA**	**77,023**	**3.71**				
			261,025	**12.56**			129,055	7.41
U.S. agency bonds	**Aaa**	**AAA**	**46,994**	**2.26**	Aaa	AAA	43,663	2.51
U.S. Treasury bills	**Aaa**	**AAA**	**358,725**	**17.27**	Aaa	AAA	306,279	17.58
Certificates of deposit	**P1**	**A–1**	**76,500**	**3.68**	P1	A–1	99,000	5.68
	NR	**NR**	**50,000**	**2.41**	NR	NR	23,800	1.37
			126,500	**6.09**			122,800	7.05
U.S. agency discount notes	**P1**	**A–1**	**21,655**	**1.04**	P1	A–1	93,851	5.39
Money market funds	**Aaa**	**AAA**	**185**	**0.01**	Aaa	AAA	758	0.04
Repurchase agreements	**Aaa**	**AAA**	**246,821**	**11.88**	NR	NR	102,339	5.88
			$ 2,077,831	**100.00%**			$ 1,741,802	100.00%

Unrated securities include repurchase agreements which are collateralized by U.S. Treasury and government agency securities, all of which carry a high credit rating.

Concentration of Credit Risk

West Virginia statutes prohibit the Cash Liquidity pool from investing more than 5% of its assets in securities issued by a single private corporation or association. At June 30, 2007 and 2006, the pool did not have investments in any one private corporation or association that represented more than 5% of assets.

3. Deposit and Investment Risk Disclosures (continued)

Custodial Credit Risk

At June 30, 2007 and 2006, the Cash Liquidity 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.

Interest Rate Risk

The weighted average maturity (WAM) of the investments of the cash liquidity pool cannot exceed 60 days. The following table provides the WAM for the various asset types in the cash liquidity pool (in thousands):

Investment Type	June 30, 2007 Carrying Value	June 30, 2007 WAM	June 30, 2006 Carrying Value	June 30, 2006 WAM
Repurchase agreements	**$ 246,821**	**2**	$ 102,339	3
U.S. Treasury bills	**358,725**	**30**	306,279	32
Commercial paper	**1,015,926**	**52**	943,057	25
Certificates of deposit	**126,500**	**76**	122,800	105
U.S. agency discount notes	**21,655**	**113**	93,851	89
Corporate notes	**261,025**	**58**	129,055	77
U.S. agency bonds/notes	**46,994**	**156**	43,663	208
Money market funds	**185**	**1**	758	1
Total rated investments	**$ 2,077,831**	**48**	$ 1,741,802	42

BRIM's amount invested in the cash liquidity pool of $33,203,000, included in cash and cash equivalents, at June 30, 2007, and $41,523,000 at June 30, 2006, represents approximately 1.6% and 2.4%, respectively, of total investments in this pool.

Foreign Currency Risk

None of the BTI Cash Liquidity 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, Fixed Income pool, and the Short-term Fixed Income pool.

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	9%
Domestic non-large cap equity	5
International equity	7
Total equity	21
Domestic fixed income	79
Cash and cash equivalents	0

3. Deposit and Investment Risk Disclosures (continued)

Asset Value

	June 30	
	2007	**2006**
	(In Thousands)	
Asset allocation (actual)		
Domestic large cap equity pool	**$ 9,970**	$ 8,363
Domestic non-large cap equity pool	**6,083**	5,097
International equity pool	**5,708**	4,261
International nonqualified pool	**2,418**	2,371
Fixed income pool	**55,734**	51,678
Fixed income nonqualified cash liquidity pool pool	**37,209**	33,693
Short-term fixed income pool	**5**	2
Total	**$ 117,127**	$ 105,465

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.

Asset Class Risk Disclosures

Large Cap Domestic Pool

This pool holds equity securities of U.S. companies and money market funds with the highest credit rating. At June 30, 2007 and 2006, 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 $9,970,000 and $8,363,000 at June 30, 2007 and 2006, respectively, represents approximately 0.5% of total investments in this pool.

Non-Large Cap Domestic Pool

This pool holds equity securities of U.S. companies and money market funds with the highest credit rating. At June 30, 2007 and 2006, 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 $6,083,000 and $5,097,000 at June 30, 2007 and 2006, respectively, 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:

	June 30, 2007			June 30, 2006		
Currency	Equity Securities	Cash	Total	Equity Securities	Cash	Total
Australian dollar	**$ 46,223,161**	**$ 511,319**	**$ 46,734,480**	$ 28,417,291	$ 503,062	$ 28,920,353
Brazil cruzeiros real	**45,999,956**	**2**	**45,999,958**	27,320,423	–	27,320,423
British pound	**140,476,291**	**302,597**	**140,778,888**	104,894,989	211,063	105,106,052
Canadian dollar	**60,122,086**	**2,566,263**	**62,688,349**	41,912,340	238,194	42,150,534
Danish krone	**3,815,377**	**63,533**	**3,914,910**	5,385,073	582,993	5,968,066
Euro	**266,416,058**	**3,821,725**	**270,237,783**	158,816,456	2,046,349	160,862,805
Hong Kong dollar	**79,936,951**	**613,522**	**80,550,473**	53,458,323	105,793	53,564,116
Hungarian forint	**12,073,967**	**114,414**	**12,188,381**	1,119,004	875	1,119,879
Indian rupee	**13,748,116**	–	**13,748,116**	4,516,671	–	4,516,671
Indonesian rupiah	–	–	–	3,111,767	–	3,111,767
Israeli shekel	**17,010,706**	**25,201**	**17,035,907**	14,745,331	27	14,745,358
Japanese yen	**125,202,715**	**2,100,776**	**127,303,491**	152,317,717	1,080,867	153,398,584
Malaysian ringgit	**8,346,813**	**184,506**	**8,531,319**	5,204,528	51,887	5,256,415
Mexican new peso	**22,321,990**	**50,806**	**22,372,796**	2,732,703	15,656	2,748,359
New Taiwan dollar	**68,582,811**	**51,895**	**68,634,706**	40,139,064	1,205,781	41,344,845
New Zealand dollar	**3,476,562**	**39,666**	**3,516,228**	4,972,328	32,024	5,004,352
Norwegian krone	**20,171,136**	**53,776**	**20,224,912**	16,073,400	24,192	16,097,592
Philippine peso	**7,226,908**	–	**7,226,908**	8,713,984	–	8,713,984
Singapore dollar	**32,274,713**	**511,686**	**32,786,399**	23,907,881	80,420	23,988,301
South African rand	**15,480,425**	**16,520**	**15,496,945**	4,810,546	1,467	4,812,013
South Korean won	**97,467,405**	**223,670**	**97,691,075**	42,993,136	–	42,993,136
Swedish krona	**26,486,686**	**772,632**	**27,259,318**	21,267,899	339,294	21,607,193
Swiss franc	**49,566,642**	**625,996**	**50,192,638**	32,687,834	646,132	33,333,966
Thailand baht	**15,602,098**	–	**15,602,098**	7,331,607	6,843	7,338,450
Taiwan dollar	–	–	–	–	–	–
Total	**$ 1,178,065,573**	**$ 12,650,505**	**$ 1,190,716,078**	$ 806,850,295	$ 7,172,919	$ 814,023,214

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 $146,847,000 and $107,559,000 at June 30, 2007 and 2006, respectively. BRIM's amount invested in the international equity pool of $5,708,000 and $4,261,000 at June 30, 2007 and 2006, respectively, represents approximately 0.5% of total investments in this pool.

3. Deposit and Investment Risk Disclosures (continued)

International Nonqualified Pool

This pool holds an institutional mutual fund that invests in equities denominated in foreign currencies. The value of this investment at June 30, 2007 and 2006, was $63,696,000 and $51,221,273, respectively. This investment, although denominated in U.S. dollars, is exposed to foreign currency risk. BRIM's amount invested in the international nonqualified pool of $2,418,000 and $2,371,000 at June 30, 2007 and 2006, respectively, represents approximately 3.8% and 4.6% of total investments in this pool.

Fixed Income Pool

Credit Risk

WVIMB limits the exposure to credit risk in the fixed income pool by requiring all corporate bonds to be rated B or higher at the time of purchase. Convertible bonds must be rated Baa or higher by Standard & Poor's or BBB or higher by Moody's. The following table provides the weighted average credit ratings of the asset types in the fixed income pool:

	June 30, 2007				June 30, 2006			
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**	**$ 407,966,034**	**17.2%**	Baa	BBB	$ 363,865,256	16.9%
U.S. Treasury bonds and notes	**Aaa**	**AAA**	**261,067,200**	**11.0**	Aaa	AAA	324,878,457	15.1
Corporate asset-backed securities	**Aaa**	**AAA**	**80,498,053**	**3.4**	Aaa	AAA	90,536,055	4.2
U.S. Treasury bill	–	–	–	–	Aaa	AAA	39,716,631	1.9
Agency mortgage backed securities	**Aaa**	**AAA**	**46,473,560**	**2.0**				
Agency bonds	**Aa**	**AA**	**38,485,188**	**1.6**	Aaa	AAA	23,241,525	1.1
Agency discount notes	**P1**	**A–1**	**2,514,911**	**0.1**	P1	A–1	1,776,834	0.0
Money market funds	**Aaa**	**AAA**	**27,039,310**	**1.1**	Aaa	AAA	829,720	0.0
Total rated investments			**$ 864,044,256**	**36.4%**			$ 844,844,478	39.2%

3. Deposit and Investment Risk Disclosures (continued)

At June 30, 2007, unrated securities include commingled investment pools of $1,512,436,613 and an interest rate swap valued at $(1,886,869). These securities represent 63.6 % of the fair value of the pool's investments. For June 30, 2006, unrated securities include commingled investment pools of $1,303,551,314 and a Canada Treasury bill valued at $2,566,995. The 2006 table value includes securities received as collateral for repurchase agreements valued at $10,505,935.

Concentration of Credit Risk

West Virginia statutes prohibit the fixed income pool from investing more than 5% of its assets in securities issued by a single private corporation or association. At June 30, 2007 and 2006, 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, 2007 and 2006, the 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 IMB. Investments in commingled funds are held in the name of the IMB. All remaining securities are held by the IMB's custodian in the name of the IMB. 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 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:

	June 30, 2007		June 30, 2006	
Investment Type	**Fair Value**	**Modified Duration (years)**	**Fair Value**	**Modified Duration (years)**
Commingled investment pools	**$ 1,512,436,613**	**4.7**	$ 1,303,551,314	5.0
Corporate notes and bonds	**407,966,034**	**6.5**	363,865,256	6.6
U.S. Treasury notes and bonds	**261,067,200**	**6.6**	324,878,457	8.3
Corporate asset-backed securities	**80,498,053**	**8.3**	90,536,055	8.3
U.S. Treasury bill	–	–	39,716,631	0.2
Agency mortgage-backed securities	**46,473,560**	**10.6**	–	–
Agency bonds	**38,485,188**	**4.8**	12,735,590	6.1
Repurchase agreement	–	–	10,300,000	–
Canada Treasury bill	–	–	2,566,995	0.2
Agency discount notes	**2,514,911**	**0.7**	1,776,834	0.2
Money market fund	**27,039,310**	**0.0**	829,720	–
Total assets	**$ 2,376,480,869**	**5.4**	$ 2,150,756,852	5.8

The fixed income pool invests in commercial and residential mortgage-backed and asset-backed securities. 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, 2007 and 2006, the fixed income pool held $126,971,613 and $90,536,055, respectively, of these securities. This represents approximately 5% and 4% of the value of the fixed income pools.

BRIM's amount invested in the fixed income pool of $55,734,000 and $51,678,000 at June 30, 2007 and 2006, respectively, represents approximately 2.3% and 2.4% of total investments in this pool.

3. Deposit and Investment Risk Disclosures (continued)

Fixed Income Nonqualified Pool

This pool holds positions of institutional mutual funds with a combined value of $420,696,395 and $369,891,016 at June 30, 2007 and 2006, respectively. The fund invested in mortgage-backed securities and corporate bonds. The mutual funds are unrated. The weighted average modified duration of the underlying securities is 5.7 years and 5.5 years at June 30, 2007 and 2006, respectively. This pool is not exposed to custodial credit risk, concentration of credit risk, or foreign currency risk.

BRIM's amount invested in the fixed income nonqualified pool of $37,209,000 and $33,693,000 at June 30, 2007 and 2006, respectively, represents approximately 8.8% and 9.1% of total investments in this pool.

Short-Term Fixed Income Pool

Credit Risk

WVIMB limits the exposure to credit risk in the short-term fixed income pool by requiring all corporate bonds to be rated AA 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.

The following table provides information on the weighted average credit ratings of the short-term fixed income pool's investments.

	June 30, 2007				June 30, 2006			
Investment Type	**Moody's**	**S&P**	**Carrying Value**	**Percent of Assets**	**Moody's**	**S&P**	**Carrying Value**	**Percent of Assets**
Agency discount notes	**P1**	**A–1**	**$ 400,340,793**	**32.8%**	P1	A–1	$ 129,607,724	32.2%
Agency bonds	**Aaa**	**AAA**	**102,656,880**	**8.4**	Aaa	AAA	98,439,621	24.8
U.S. Treasury bills	**Aaa**	**AAA**	**186,905,168**	**15.3**	Aaa	AAA	74,890,958	18.6
Commercial paper	**P1**	**A–1**	**257,164,860**	**21.0**	P1	A–1	63,853,052	15.8
U.S. Treasury note	**Aaa**	**AAA**	**274,589,706**	**22.5**	Aaa	AAA	33,660,098	8.5
Money market funds	**Aaa**	**AAA**	**571**	**0.0**	Aaa	AAA	514,400	0.1
Total rated investments			**$ 1,221,657,978**	**100.0%**			$ 400,965,853	100.0%

This table includes securities received as collateral for repurchase agreements valued at $582,723,099 for 2007 and $226,026,191 for 2006.

3. Deposit and Investment Risk Disclosures (continued)

Concentration of Credit Risk

WVIMB statutes prohibit the pool from investing more than 5% of its assets in securities issued by a single private corporation or association. At June 30, 2007 and 2006, the pool did not have investments in any one private corporation or association that represented more that 5% of assets.

Custodial Credit Risk

Repurchase agreements are collateralized at 102% and the collateral is held in the name of the WVIMB. Securities lending collateral that is reported in the statement of assets and liabilities is invested in the lending agent's money market fund.

Interest Rate Risk

The WAM of the investments of the short-term fixed income pool cannot exceed 60 days. The maturity of floating rate notes is assumed to be the next interest rate reset date. The following table provides the WAM for the various asset types in the short-term fixed income pool:

	June 30, 2007		**June 30, 2006**	
Investment Type	**Carrying Value**	**WAM (days)**	**Carrying Value**	**WAM (days)**
Repurchase agreements	**$ 570,709,000**	**3**	$ 223,000,000	3
U.S. Treasury bills	**186,905,168**	**7**	74,890,958	13
Commercial paper	**257,164,860**	**17**	63,853,052	17
Agency discount notes	**194,864,281**	**8**	32,706,881	64
Agency bonds	–	–	2,974,372	168
Money market funds	**571**	**1**	514,400	1
Total investments	**$ 1,209,643,880**	**7**	$ 397,939,663	13

3. Deposit and Investment Risk Disclosures (continued)

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

	2007 Cost	2007 Fair Value	2006 Cost	2006 Fair Value
Domestic large cap equity	**$ 7,301**	**$ 9,970**	$ 7,377	$ 8,363
Domestic non-large cap equity	**4,042**	**6,083**	4,100	5,097
International equity	**1,641**	**5,708**	2,003	4,261
International nonqualified	**1,553**	**2,418**	2,003	2,371
Fixed income	**53,187**	**55,734**	51,685	51,678
Short-term fixed income	**5**	**5**	2	2
Fixed income cash liquidity pool	**34,715**	**37,209**	33,483	33,693
	$ 102,444	**$ 117,127**	$ 100,653	$ 105,465

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

	2007	2006
Investment income:		
Interest income	**$ 8,150**	$ 5,050
Realized net loss on sale of securities	–	–
Unrealized gain on investments	**9,872**	1,816
Total investment income	**$ 18,022**	$ 6,866

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:

	2007	2006
	(In Thousands)	
Unpaid claims and claims adjustment expense liability at beginning of year	**$ 174,073**	$ 185,069
Incurred claims and claims adjustment expense:		
Provision for insured events of the current year	**56,081**	58,319
Decrease in provision for insured events of prior years	**20,945**	21,243
Total incurred claims and claims adjustment expense	**35,136**	37,076
Payments:		
Claims and claims adjustment expense attributable to insured events of the current year	**12,416**	10,097
Claims and claims adjustment expense attributable to insured events of prior years	**37,229**	37,975
Total payments	**49,645**	48,072
Total unpaid claims and claims adjustment expense liability at end of year	**$ 159,564**	$ 174,073

If the unpaid claims and claims adjustment expense liability were discounted using a 4% discount factor for 2007 and 2006 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 $15,159,000 and $16,144,000 for fiscal years 2007 and 2006, respectively. The overall unpaid claim liability number includes a provision for allocated and unallocated claims adjustment expense.

5. Employee Benefit Plans

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 five 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:

	2007	2006	2005
BRIM contributions (10.5%)	**$ 100,981**	$ 95,732	$ 100,012
Employee contributions (4.5%)	**43,277**	41,028	42,875
Total contributions	**$ 144,258**	$ 136,760	$ 142,887

Upon retirement, an employee may apply unused sick leave and/or annual leave to reduce their future insurance premiums paid to the West Virginia Health Benefit Trust (WVRHBT). The estimated liability for sick leave postretirement benefits approximating $200,000 and $163,000, respectively, as of June 30, 2007 and 2006, is included in accrued expenses and other liabilities in the statements of net assets. This benefit is funded on a pay-as-you-go basis. The related current year expense was not material. There are currently approximately 23 employees eligible to receive such benefits.

The Consolidated Public Retirement Board (CPRB) administers the State's retirement systems CPRB prepares separately issued financial statements covering the State's retirement systems, including PERS which can be obtained from the Consolidated Public Retirement Board, Building 5, Room 1000, State Capitol Complex, Charleston, West Virginia 25305-0720.

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 $9,876 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 $1,000. 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 $131,000 and $115,000 for the years ended June 30, 2007 and 2006, respectively, relating to these arrangements. Future minimum lease payments under these operating lease arrangements are as follows for years ending June 30:

2008	$ 131,000
2009	131,000
2010	131,000
2011	131,000
2012	69,000

7. Transactions With Primary Government and Component Units

Premium revenues derived from billings to entities funded with “special revenue” accounts and component units of the primary government approximated $39,091,000 and $40,252,000 for the years ended June 30, 2007 and 2006, respectively.

BRIM is required by Senate Bill Number 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 $3,155,000 and $3,414,000 for the years ended June 30, 2007 and 2006, 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 this premium tax surcharges and may be able to seek refunds of amounts previously paid to carriers and avoid paying such surcharge in the future.

8. Premium Tax Surcharge Contingency (continued)

Management is currently evaluating this matter with counsel and insurance carriers. The ultimate outcome of this matter, including potential recoveries and or future savings cannot be estimated at the present time. Accordingly, no recoveries have been recorded in the accompanying financial statements.

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 $5,000,000 in excess of BRIM's $1,000,000 self-insured limit. BRIM also purchases an excess policy on all State and SB3 insured property over and above BRIM's $1,000,000 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. For the year ended June 30, 2007, BRIM recorded reinsurance recoverables from these reinsurers totaling $534,000. No recoverables were recorded for the year ended June 30, 2006.

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 $1,000,000 per occurrence for general liability and property damage.

10. Risk Management (continued)

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.

11. New Accounting Pronouncement

The Governmental Accounting Standards Board (GASB) has issued *Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. 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. Neither the State of West Virginia nor BRIM had previously reported in its financial statements, costs associated with future participation of retirees in health benefit plans. 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. Beginning with fiscal year ending June 30, 2008, the State and BRIM will implement accounting and financial reporting requirements as an employer under GASB Statement No. 45. For “employer” OPEB reporting, the State and BRIM will 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.

Funds have not been set aside to pay future costs of retirees, but the West Virginia Legislature, in response to the aforementioned GASB statements, created the West Virginia Retiree Health Benefit Trust Fund (RHBT), an irrevocable trust fund, in which employer contributions for future retiree health costs are accumulated and invested, and which facilitates the separate financial reporting of OPEB. The legislation requires the RHBT to determine through an actuarial study, as prescribed by GASB No. 43, the ARC (Annual Required Contribution) which shall be sufficient to maintain the RHBT in an actuarially sound manner. The ARC shall be allocated to respective employers including BRIM who are required by law to remit at least the minimum annual premium component of the ARC. Revenues collected by RHBT shall be used to fund current OPEB healthcare claims and administrative expenses with residue 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 ending June 30, 2008. BRIM will be billed $91.54 per employee each month for the annual required contribution to RHBT for fiscal year 2008. BRIM expects to remit the annual required contribution of approximately $26,000 to RHBT.

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 losse 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. (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									
	1998	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**
				(In Thousands)						
1) Premiums and investment revenues										
Earned	$ 59,555	$ 57,964	$ 48,437	$ 53,828	$ 56,992	$ 81,450	$ 110,279	$ 95,336	$ 89,690	$ 98,270
Ceded	1,652	1,557	1,553	1,629	1,866	3,126	3,801	3,912	4,145	6,151
Net earned	57,903	56,407	46,884	52,199	55,126	78,324	106,478	91,424	85,545	92,119
2) Unallocated expenses, including administrative fees paid to third-party claims administrators	6,280	6,336	8,590	6,471	7,315	11,168	14,332	8,301	8,894	8,536
3) Estimated incurred claims and claims adjustment expense, end of policy year:										
Incurred	30,694	40,152	47,920	46,867	60,302	83,642	94,279	65,674	58,491	59,678
Ceded	193	307	364	360	570	577	597	5	172	3,597
Net incurred	30,501	39,845	47,556	46,507	59,732	83,065	93,682	65,669	58,319	56,081
4) Paid (cumulative) claims and claims adjustment expense as of:										
End of policy year	8,553	7,895	10,068	8,547	11,077	11,746	13,799	9,134	10,097	12,416
One year later	14,388	11,401	16,859	15,168	14,834	25,194	55,414	16,901	17,547	
Two years later	20,998	18,193	24,900	16,778	20,028	50,292	61,987	25,283		
Three years later	28,977	26,556	37,110	28,352	35,464	56,354	72,727			
Four years later	33,219	34,084	41,278	35,596	43,356	59,777				
Five years later	37,950	40,313	47,658	37,884	46,518					
Six years later	40,929	43,379	50,474	39,585						
Seven years later	41,812	44,984	51,290							
Eight years later	44,116	45,920								
Nine years later	45,325									
5) Reestimated ceded claims and expenses	193	307	364	360	570	577	597	5	172	–
6) Reestimated net incurred claims and allocated claims adjustment expense:										
End of policy year	30,501	39,845	47,556	46,507	59,732	83,065	93,682	65,669	58,319	56,081
One year later	37,585	42,785	50,810	49,612	58,141	80,739	93,171	61,419	51,183	
Two years later	42,414	45,633	53,519	48,108	56,755	79,646	91,136	56,023		
Three years later	43,249	46,873	53,961	40,241	58,004	69,595	90,453			
Four years later	43,629	45,662	55,116	45,572	55,443	65,434				
Five years later	43,242	46,351	55,728	43,336	53,627					
Six years later	42,112	45,850	54,785	43,233						
Seven years later	45,097	44,726	53,473							
Eight years later	46,814	45,045								
Nine years later	46,529									
7) Increase (decrease) in estimated net incurred claims and allocated claims adjustment expense from end of policy year	16,028	5,200	5,917	(3,274)	(6,105)	(17,631)	(3,229)	(9,646)	(7,136)	–

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

(In Thousands)

	2007					**2006**				
	Liability	**Property**	**Mine Subsidence**	**House Bill 601**	**Total**	**Liability**	**Property**	**Mine Subsidence**	**House Bill 601**	**Total**
Unpaid claims and claims adjustment expense liability at beginning of fiscal year	**$ 168,837**	**$ 2,921**	**$ 1,539**	**$ 776**	**$ 174,073**	$ 176,023	$ 3,123	$ 2,009	$ 3,914	$ 185,069
Incurred claims and claims adjustment expense:										
Provision for insured events of the current fiscal year	**50,230**	**5,215**	**636**	**–**	**56,081**	52,352	4,907	1,060	–	58,319
(Decrease) increase in provision for insured events of prior fiscal years	**(19,004)**	**(871)**	**(704)**	**(366)**	**(20,945)**	(15,062)	(2,005)	(1,146)	(3,030)	(21,243)
Total incurred claims and claims adjustment expense	**31,226**	**4,344**	**(68)**	**(366)**	**35,136**	37,290	2,902	(86)	(3,030)	37,076
Payments:										
Claims and claims adjustment expense attributable to insured events of the current fiscal year	**8,838**	**3,528**	**50**	**–**	**12,416**	7,728	2,311	58	–	10,097
Claims and claims adjustment expense attributable to insured events of the prior fiscal years	**35,104**	**1,638**	**438**	**49**	**37,229**	36,748	793	326	108	37,975
Total claims and claims adjustment expense payments	**43,942**	**5,166**	**488**	**49**	**49,645**	44,476	3,104	384	108	48,072
Total unpaid claims and claims adjustment expense liability at end of the fiscal year	**$ 156,121**	**$ 2,099**	**$ 983**	**$ 361**	**$ 159,564**	$ 168,837	$ 2,921	$ 1,539	$ 776	$ 174,073

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 losse 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. (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									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
	(In Thousands)									
1) Premiums and investment revenues										
Earned	$ 59,555	$ 57,964	$ 48,437	$ 53,828	$ 56,992	$ 81,450	$ 110,279	$ 95,336	$ 89,690	$ 98,270
Ceded	1,652	1,557	1,553	1,629	1,866	3,126	3,801	3,912	4,145	6,151
Net earned	57,903	56,407	46,884	52,199	55,126	78,324	106,478	91,424	85,545	92,119
2) Unallocated expenses, including administrative fees paid to third-party claims administrators	6,280	6,336	8,590	6,471	7,315	11,168	14,332	8,301	8,894	8,536
3) Estimated incurred claims and claims adjustment expense, end of policy year:										
Incurred	30,694	40,152	47,920	46,867	60,302	83,642	94,279	65,674	58,491	59,678
Ceded	193	307	364	360	570	577	597	5	172	3,597
Net incurred	30,501	39,845	47,556	46,507	59,732	83,065	93,682	65,669	58,319	56,081
4) Paid (cumulative) claims and claims adjustment expense as of:										
End of policy year	8,553	7,895	10,068	8,547	11,077	11,746	13,799	9,134	10,097	12,416
One year later	14,388	11,401	16,859	15,168	14,834	25,194	55,414	16,901	17,547	
Two years later	20,998	18,193	24,900	16,778	20,028	50,292	61,987	25,283		
Three years later	28,977	26,556	37,110	28,352	35,464	56,354	72,727			
Four years later	33,219	34,084	41,278	35,596	43,356	59,777				
Five years later	37,950	40,313	47,658	37,884	46,518					
Six years later	40,929	43,379	50,474	39,585						
Seven years later	41,812	44,984	51,290							
Eight years later	44,116	45,920								
Nine years later	45,325									
5) Reestimated ceded claims and expenses	193	307	364	360	570	577	597	5	172	–
6) Reestimated net incurred claims and allocated claims adjustment expense:										
End of policy year	30,501	39,845	47,556	46,507	59,732	83,065	93,682	65,669	58,319	56,081
One year later	37,585	42,785	50,810	49,612	58,141	80,739	93,171	61,419	51,183	
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Three years later	43,249	46,873	53,961	40,241	58,004	69,595	90,453			
Four years later	43,629	45,662	55,116	45,572	55,443	65,434				
Five years later	43,242	46,351	55,728	43,336	53,627					
Six years later	42,112	45,850	54,785	43,233						
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Eight years later	46,814	45,045								
Nine years later	46,529									
7) Increase (decrease) in estimated net incurred claims and allocated claims adjustment expense from end of policy year	16,028	5,200	5,917	(3,274)	(6,105)	(17,631)	(3,229)	(9,646)	(7,136)	–

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									
	2007					2006				
	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	**$ 168,837**	**$ 2,921**	**$ 1,539**	**$ 776**	**$ 174,073**	$ 176,023	$ 3,123	$ 2,009	$ 3,914	$ 185,069
Incurred claims and claims adjustment expense:										
Provision for insured events of the current fiscal year	**50,230**	**5,215**	**636**	**–**	**56,081**	52,352	4,907	1,060	–	58,319
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Total incurred claims and claims adjustment expense	**31,226**	**4,344**	**(68)**	**(366)**	**35,136**	37,290	2,902	(86)	(3,030)	37,076
Payments:										
Claims and claims adjustment expense attributable to insured events of the current fiscal year	**8,838**	**3,528**	**50**	**–**	**12,416**	7,728	2,311	58	–	10,097
Claims and claims adjustment expense attributable to insured events of the prior fiscal years	**35,104**	**1,638**	**438**	**49**	**37,229**	36,748	793	326	108	37,975
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Statistical Section

Blenko Glass Company – Located in Milton, WV, continues the ancient craft of making hand-blown glass. Each piece is unique and cannot be compared to machine-formed glass which lacks character and individuality.


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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 2007
Schedule 4 – Investment Income and Premium Revenue

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

Schedule 5 – Principal Employers Current Year and Nine Years Ago
Schedule 6 – Demographic and Economic Indicators Calendar Years 1998 through 2007

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

Schedule 7 – Full-Time Equivalent Employees Fiscal Years 1998 through 2007
Schedule 8 – Claims Dollars Incurred by Customer Type for Fiscal Years 1998 through 2007
Schedule 9 – Losses Incurred by Coverage Fiscal Years 1998 through 2007
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 2007

SCHEDULE 1

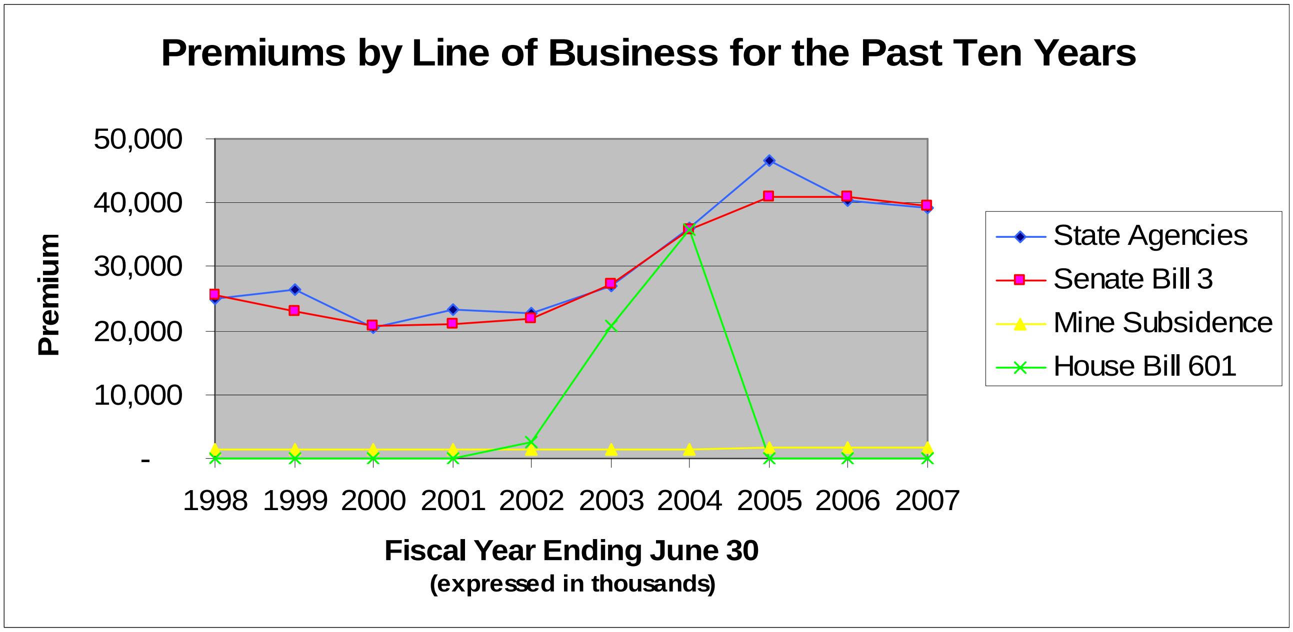
Comparative Statement of Net Assets and Changes in Net Assets (Deficiency)
Last Ten Fiscal Years
(Expressed in Thousands)

	2007	2006	2005	2004	2003
Operating Revenues					
Premiums	$ 80,248	$ 82,824	$ 89,030	$ 109,268	$ 76,488
Less Excess Coverage/Reinsurance Premiums	(6,151)	(4,145)	(3,912)	(3,801)	(3,126)
Net Operating Revenues	74,097	78,679	85,118	105,467	73,362
Operating Expenses					
Claims and Claims Adjustment Expense	35,136	37,076	56,675	86,122	77,231
General and Administrative	4,305	4,180	4,294	10,536	5,360
Depreciation Expense	--	--	--	--	--
Total Operating Expenses	39,441	41,256	60,969	96,658	82,591
Operating Income (loss)	34,656	37,423	24,149	8,809	(9,229)
Nonoperating Revenues (Expenses)					
Interest Income	18,022	6,866	6,306	1,011	4,962
Financing Income	25	28	40	98	45
Appropriations from State of West Virginia	--	--	2,000	1,942	2,910
Distribution to Physicians' Mutual	--	--	(4,582)	--	--
Total Nonoperating Revenue	18,047	6,894	3,764	3,051	7,917
Change in Net Assets (Deficiency)	52,703	44,317	27,913	11,860	(1,312)
Net Assets (Deficiency) at Year-End					
Restricted	31,117	26,277	20,530	21,939	16,829
Unrestricted	66,430	18,567	(20,003)	(49,325)	(56,075)
Total Net Assets (Deficiency)	$ 97,547	$ 44,844	$ 527	$ (27,386)	$ (39,246)

Source: Compiled from BRIM's internal accounting records

2002	2001	2000	1999	1998
$ 48,693	$ 45,606	$ 42,404	$ 50,888	$ 52,117
(2,011)	(1,629)	(1,553)	(1,557)	(1,652)
46,682	43,977	40,851	49,331	50,465
68,730	49,640	63,130	50,125	35,101
2,976	2,911	5,119	2,868	2,852
--	--	8	9	9
71,706	52,551	68,257	53,002	37,962
(25,024)	(8,574)	(27,406)	(3,671)	12,503
5,367	8,222	6,033	5,524	6,017
44	--	--	--	--
1,066	--	--	--	--
--	--	--	--	--
6,477	8,222	6,033	5,524	6,017
(18,547)	(352)	(21,373)	1,853	18,520
14,496	13,328	12,395	12,635	13,438
(52,430)	(32,715)	(31,430)	(10,297)	(12,953)
$ (37,934)	$ (19,387)	$ (19,035)	$ 2,338	$ 485

SCHEDULE 2



Fiscal Year	State Agencies	Senate Bill 3	Mine Subsidence	House Bill 601
1998	$ 25,078	$ 25,545	$ 1,494	-
1999	$ 26,377	$ 23,071	$ 1,440	-
2000	$ 20,373	$ 20,597	$ 1,434	-
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	-

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

Source: BRIM's internal financial statements.

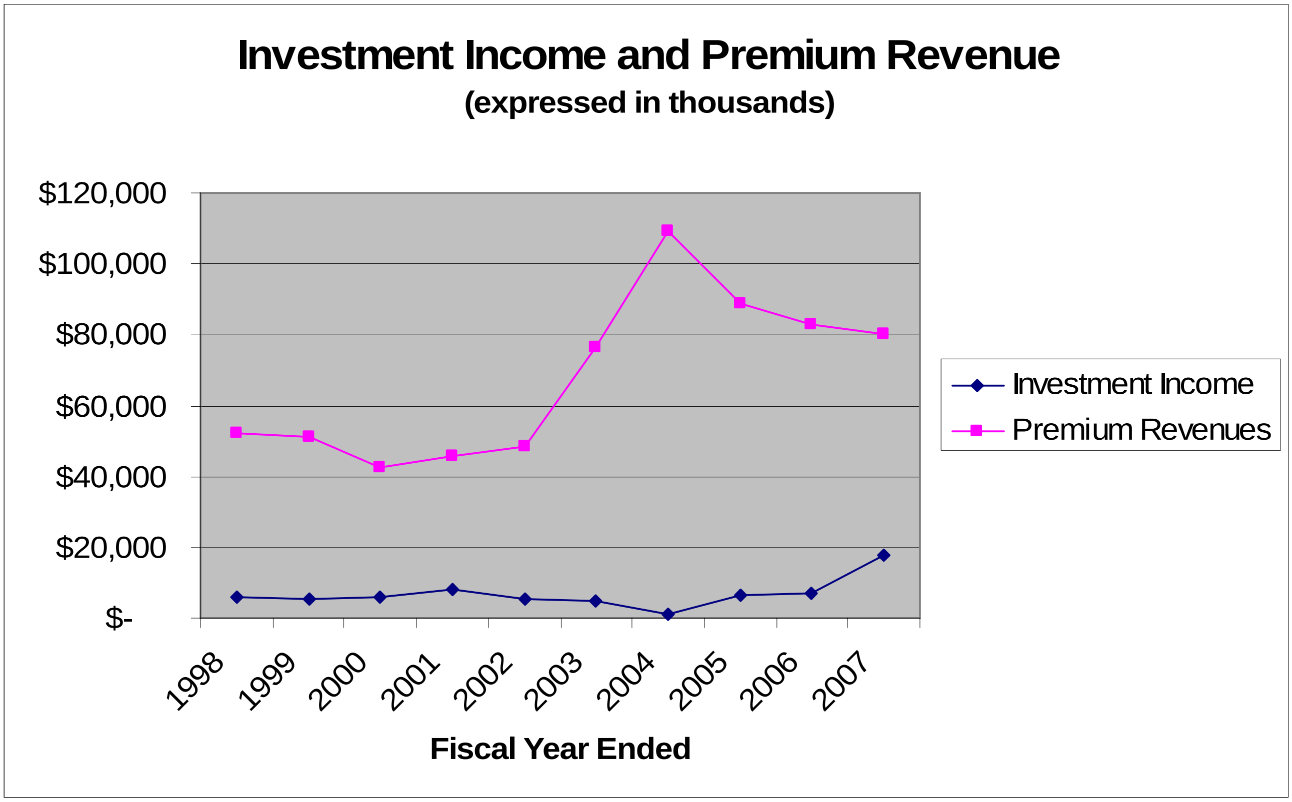
SCHEDULE 3

	Top 10 State Agency Premiums for Fiscal Year 2007			Top 10 State Agency Premiums for Fiscal Year 1998		
1	Public Safety Division	$	6,530,201	Division of Highways	$	5,741,965
2	West Virginia University		6,449,382	West Virginia University		5,068,917
3	Division of Highways		5,395,192	Public Health Division		1,250,000
4	Department of Health & Human Resources		4,953,824	Marshall University		1,168,579
5	Marshall University		2,662,936	Department of Health & Human Resources		916,068
6	Corrections Division		1,135,659	Public Safety Division		868,129
7	WV State Parks		676,911	Department of Natural Resources		725,000
8	Department of Natural Resources		657,653	Corrections Division		429,065
9	WV Parkways and Economic Development Authority		581,178	WV Parkways and Economic Development Authority		367,930
10	Regional Jail and Correctional Facility Authority		580,963	Human Services Department		273,803
	Total Top Ten	**$**	**29,623,899**	Total Top Ten	**$**	**16,809,456**
	Total State Premium Billing for 2007	**$**	**38,336,517**	Total State Premium Billing for 1998	**$**	**20,354,141**
	% of top 10 in relation to all state agency billings		**77.27%**	% of top 10 in relation to all state agency billings		**82.58%**

	Top 20 SB 3 Premiums for Fiscal Year 2007			Top 20 SB 3 Premiums for Fiscal Year 1998		
1	Kanawha County Board of Education	$	1,673,159	Kanawha County Board of Education	$	1,319,670
2	Raleigh County Board of Education		673,130	Harrison County Board of Education		640,904
3	West Virginia University Medical Corporation		670,300	Wood County Board of Education		590,792
4	Berkeley County Board of Education		615,504	Cabell County Board of Education		504,528
5	Wheeling Park Commission		553,176	Mercer County Board of Education		491,674
6	Harrison County Board of Education		541,494	Raleigh County Board of Education		479,384
7	City of St. Albans		540,846	Berkeley County Board of Education		438,356
8	Putnam County Board of Education		530,701	Monongalia County Board of Education		418,160
9	Wayne County Board of Education		527,969	Fayette County Board of Education		347,202
10	Berkeley County Commission		509,773	Wayne County Board of Education		341,032
11	Monongalia County Board of Education		497,948	Marion County Board of Education		331,816
12	Mercer County Board of Education		497,530	Putnam County Board of Education		318,420
13	Wood County Board of Education		475,370	Ohio County Board of Education		298,312
14	Cabell County Board of Education		460,691	Wyoming County Commission		283,660
15	Monongalia County Commission		453,930	Logan County Board of Education		264,032
16	University Physicians and Surgeons		427,164	Appalachian OH-9 Inc.		258,176
17	Fayette County Board of Education		398,350	Jefferson County Board of Education		246,244
18	Mingo County Board of Education		394,455	McDowell County Board of Education		242,884
19	West Virginia Citizens' Conservation Corporation		392,695	Greenbrier County Board of Education		239,876
20	Marion County Board of Education		382,149	Boone County Board of Education		231,994
	Total Top Twenty	**$**	**11,216,334**	Total Top Twenty	**$**	**8,287,116**
	Total SB 3 Premium Billing for 2007	**$**	**40,546,798**	Total SB 3 Premium Billing for 1998	**$**	**26,416,966**
	% of top 20 in relation to total SB 3 billings		**27.66%**	% of top 20 in relation to total SB 3 billings		**31.37%**

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

SCHEDULE 4



Fiscal Year	Investment Income	Premium Revenue
1998	$ 6,017	$ 52,117
1999	$ 5,524	$ 50,888
2000	$ 6,033	$ 42,404
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

This chart illustrates the increasing investment income BRIM has received in the three 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

As of June 30, 2006

Major West Virginia Employers	Number of Employees	% of Total
West Virginia Government	40,000-49,999	7%
Federal Government	20,000-24,999	4%
Wal-Mart Associates, Inc.	10,000-19,999	3%
West Virginia University Hospitals	5,000-9,999	1%
Charleston Area Medical Center	5,000-9,999	1%
Kroger	2,500-4,999	0.7%
CSX/CSX Hotels Inc. (The Greenbrier and railroad)	2,500-4,999	0.7%
American Electric Power	2,500-4,999	0.7%
Lowe's Home Centers, Inc.	1,000-2,499	0.4%
Consolidation Coal Company	1,000-2,499	0.4%
Verizon	1,000-2,499	0.4%
St. Mary's Hospital	1,000-2,499	0.4%
Actual Total	705,281	

As of June 30, 1998

Major West Virginia Employers	Number of Employees	% of Total
State of West Virginia	35,000-39,999	6%
Federal Government	20,000-24,999	4%
Wal-Mart Associates, Inc.	5,000-5,999	0.8%
Weirton Steel Corporation	4,000-4,999	0.7%
Charleston Area Medical Center	4,000-4,999	0.7%
Kroger	4,000-4,999	0.7%
E I Dupont De Nemours	3,000-3,999	0.6%
Union Carbide Corporation	2,000-2,999	0.4%
Appalachian Power Company	2,000-2,999	0.4%
West Virginia University Hospitals	2,000-2,999	0.4%
Rite Aid of West Virginia, Inc.	2,000-2,999	0.4%
Century Aluminum of WV (Ravenswood Aluminum)	2,000-2,999	0.4%
Actual Total	678,568	

Source: Workforce West Virginia Fiscal and Administrative Management Office

SCHEDULE 6

Demographic and Economic Indicators
Calendar Years 1997-2006

	2006	2005	2004	2003
Population				
West Virginia	1,818,470	1,814,083	1,812,548	1,810,347
Change	0.24%	0.08%	0.12%	0.32%
National	300,888,812	298,024,822	293,656,842	290,850,005
Change	0.96%	1.49%	0.97%	0.99%
Total Personal Income				
West Virginia (in thousands)	51,039	47,955	45,731	43,841
Change	6.43%	4.86%	4.31%	1.22%
	10,966,808	10,284,378	9,711,271	9,150,320
Change	6.64%	5.90%	6.13%	3.13%
Per Capita Personal Income*				
West Virginia	28,067	26,435	25,230	24,217
Change	6.17%	4.77%	4.18%	90.00%
National	36,448	34,508	33,070	31,461
Change	5.62%	4.35%	5.12%	2.11%
Median Age - West Virginia	40.7	40.7	40.2	39.9
Educational Attainment				
9th Grade or Less	7.1%	10.0%	10.0%	10.0%
Some High School, No Diploma	11.9%	14.8%	14.8%	14.8%
High School Diploma	42.7%	39.4%	39.4%	39.4%
Some College, No Degree	16.1%	16.6%	16.6%	16.6%
Associate, Bachelor's or Graduate Degree	22.2%	19.2%	19.2%	19.2%
Resident Civilian Labor Force and Employment in West Virginia				
Civilian Labor Force (thousands)	807.0	794.0	791.0	794.0
Employed (thousands)	767.0	754.0	749.0	746.0
Unemployed (thousands)	40.0	40.0	42.0	48.0
Unemployment Rate (thousands)	4.9%	5.0%	5.3%	6.0%
Nonfarm Wage and Salary Workers Employed in West Virginia				
Goods Producing Industries				
Mining	28.1	25.9	23.8	22
Construction	39.2	36.8	34.6	32.7
Manufacturing-Durable Goods	38.4	38.8	39.2	39.7
Manufacturing-NonDurable Goods	22.6	23	23.8	24.9
Total Goods Producing Industries	**128.3**	**124.5**	**121.4**	**119.3**
Non-Goods Producing Industries				
Trade	115.5	113.6	111.9	110.4
Service	367.8	364.9	360.5	355.5
State and Local Government	122.4	121.7	121.4	120.6
Federal Government	22.1	21.9	21.8	21.9
Total Non-Goods Producing Industries	**627.8**	**622.1**	**615.6**	**608.4**
Total Nonfarm Wage and Salary Employment	**756.1**	**746.6**	**737**	**727.7**

Sources: Workforce West Virginia Research, Information, and Analysis Office and the Census
Information is calendar basis and most recent available is 2006

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

2002	2001	2000	1999	1998	1997
1,804,529	1,801,438	1,807,442	1,811,799	1,815,609	1,819,113
0.17%	-0.33%	-0.24%	-0.21%	-0.19%	-0.20%
287,984,799	285,107,923	282,193,477	279,731,000	276,553,000	273,368,000
1.01%	1.03%	0.88%	1.15%	1.17%	1.20%
43,312	41,902	39,438	37,472	36,738	35,202
3.36%	6.25%	5.25%	2.00%	4.36%	4.24%
8,872,871	8,716,992	8,398,871	7,779,521	7,418,497	6,928,545
1.79%	3.79%	7.96%	4.87%	7.07%	5.97%
24,002	23,260	21,820	20,682	20,235	19,351
3.19%	6.60%	5.50%	2.21%	4.56%	4.45%
30,810	30,574	29,763	27,811	26,825	25,345
0.77%	2.73%	7.02%	3.68%	5.84%	4.71%
39.5	39.3	39.0	38.9	38.5	38.1
10.0%	10.0%	10.0%	16.8%	16.8%	16.8%
14.8%	14.8%	14.8%	17.3%	17.3%	17.3%
39.4%	39.4%	39.4%	36.6%	36.6%	36.6%
16.6%	16.6%	16.6%	13.2%	13.2%	13.2%
19.2%	19.2%	19.2%	16.1%	16.1%	16.1%
798.0	801.0	809.0	813.0	807.0	801.0
751.0	759.0	765.0	762.0	755.0	746.0
47.0	42.0	44.0	51.0	52.0	54.0
5.9%	5.2%	5.5%	6.3%	6.5%	6.8%
23.1	23.5	21.4	22.3	24.6	25.1
33.4	34.9	34	33.8	34.4	34.9
42.2	44.5	46.6	46.7	46.5	45.6
26.5	27.7	29.2	30.2	31.2	31.3
125.2	**130.6**	**131.2**	**133**	**136.7**	**136.9**
111.3	113.7	117.4	117	115.4	114.3
353.7	350	344.1	335.1	326.4	317.4
120.9	119.2	120.6	119.2	119	117.9
21.9	21.8	22.5	21.7	21.8	21.1
607.8	**604.7**	**604.6**	**593**	**582.6**	**570.7**
733	**735.3**	**735.8**	**726**	**719.3**	**707.6**

SCHEDULE 7

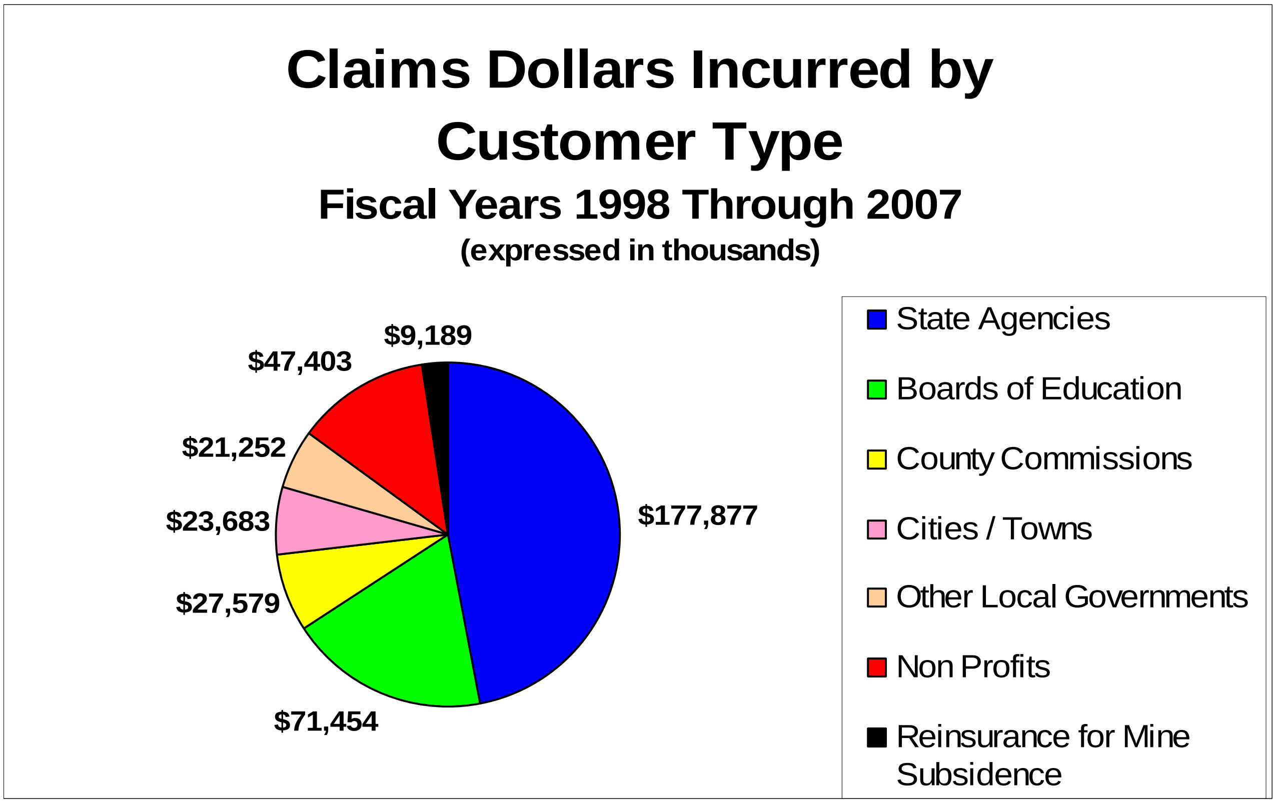
Full-time Equivalent Employees as of Fiscal Year-End*

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Administration	2	2	3	5	3	2	2	2	3	2
Finance	3	3	3	3	3	3	3	3	3	3
Claims	5	5	6	4	5	4	4	4	4	4
Underwriting	6	6	6	6	5	4	4	4	3	4
Loss Control	6	5	4	4	2	3	2	2	2	2
Information Systems	2	2	2	1	1	2	2	1	1	--
Medical Professional	--	--	--	1	1	--	--	--	--	--
Total Employees	24	23	24	24	20	18	17	16	16	15

*** 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.**

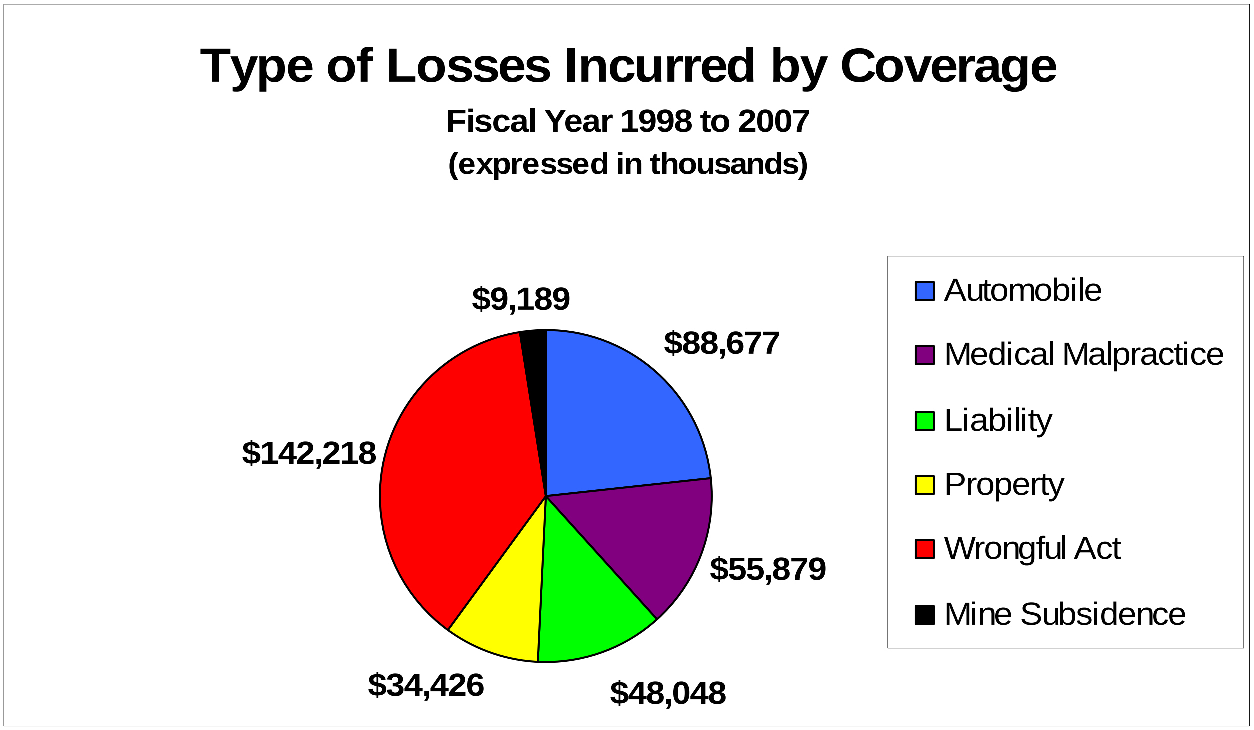
Source: Information compiled from the West Virginia Board of Risk and Insurance Management's internal data.

SCHEDULE 8



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

SCHEDULE 9



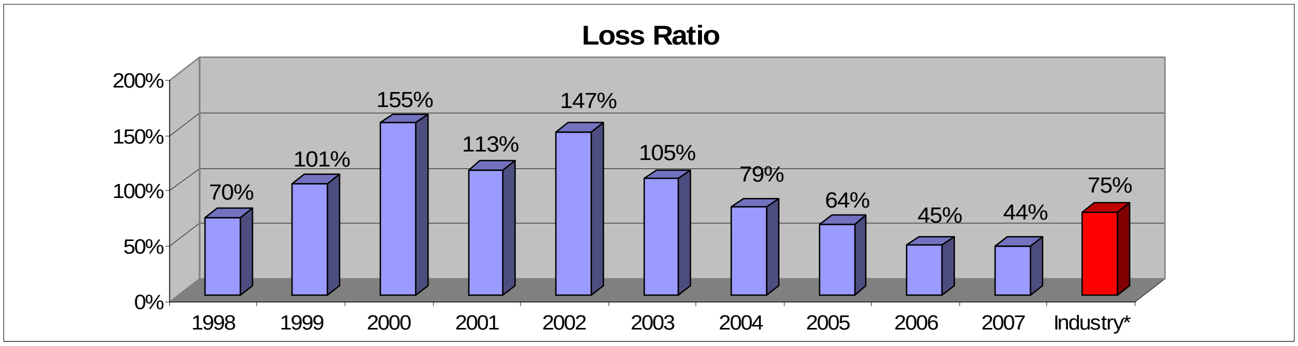
Loss Category

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.

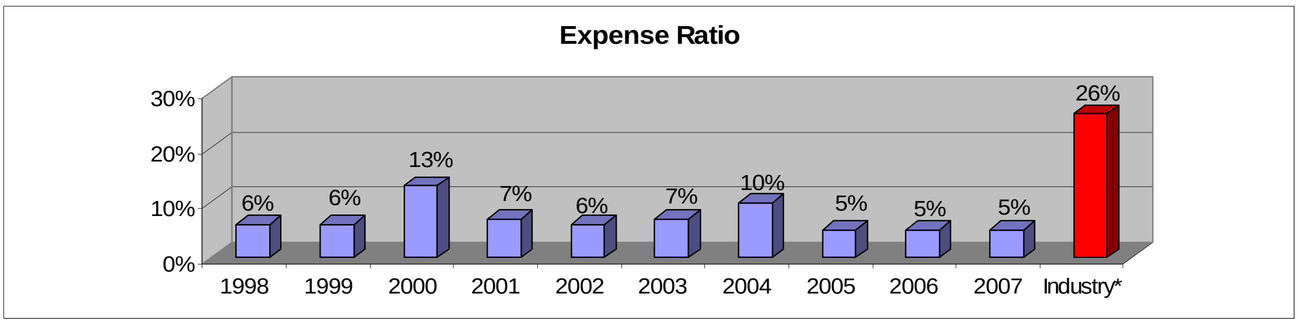
Source: Information compiled from the West Virginia Board of Risk and Insurance Management's internal data.

SCHEDULE 10

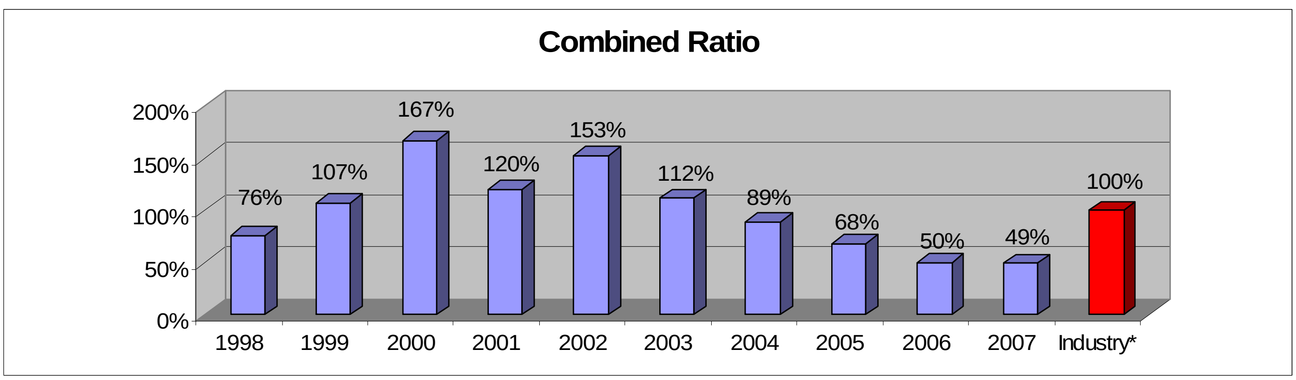
Industry Averages Compared to BRIM



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



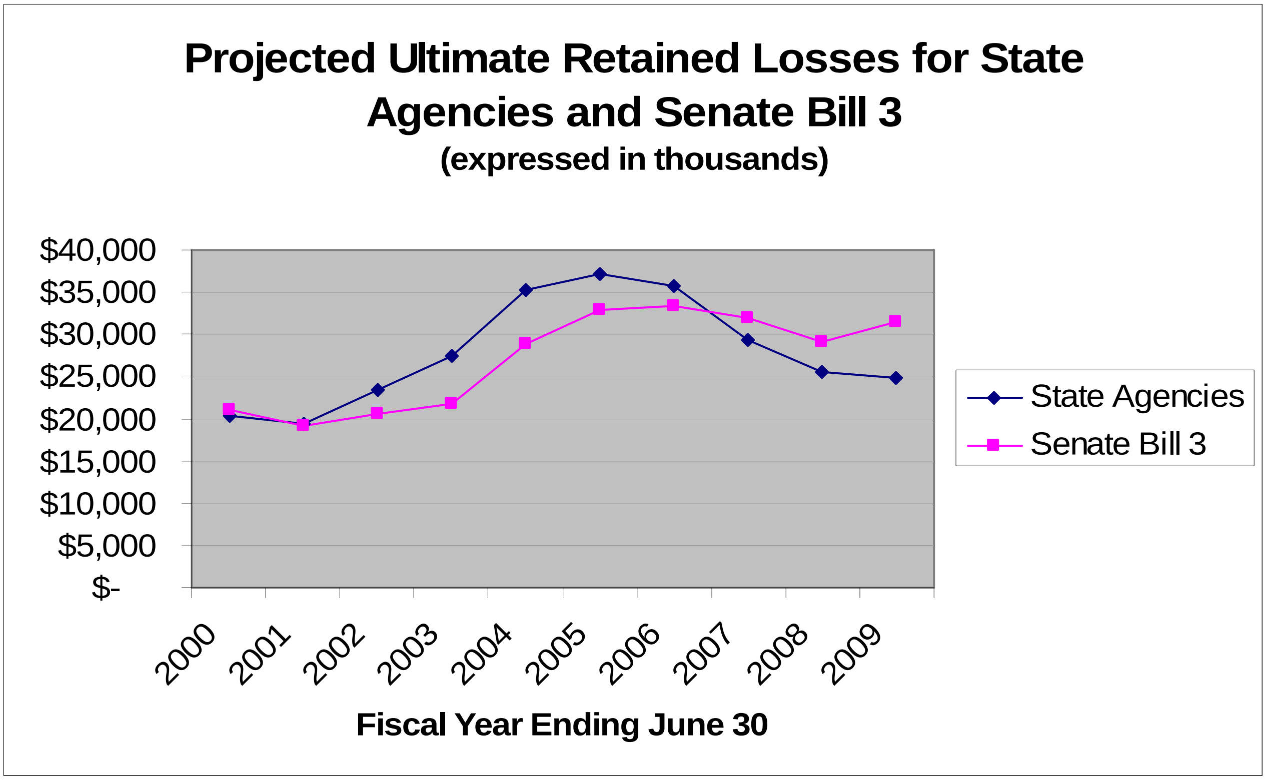
The expense ratio expresses the relationship between underwriting expenses and premiums in percentage terms.



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, January 25, 2007.**

SCHEDULE 11



Fiscal Year	State Agencies	Senate Bill 3
2000	$ 20,286	$ 21,113
2001	$ 19,487	$ 19,281
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

The projections indicate a downward trend for both State Agencies and Senate Bill 3 programs for fiscal years 2007 and 2008. All projections are listed at their nominal value, expressed in thousands of dollars.

Source: Taken from the independent actuarial reports from AON (1999-2000) and (2004-2008) and Ernst and Young (2001-2003).

SCHEDULE 12

Listing of Coverages in Effect for Fiscal Year 2007

LIABILITY	**LIMIT OF LIABILITY**
Automobile Liability Policy No.: RMCA 385-33-06 Company: AIG Insurance	$ 1,000,000 per occurrence
General Liability Policy No.: RMGL 400-60-70 Company: AIG Insurance	$ 1,000,000 per occurrence
Aircraft Liability Policy No.: AV 3380 147-04 Company: AIG Insurance	$ 1,000,000 per occurrence
Excess Liability-Bd. of Education Policy No.: NXG358846H Company: General Star	$ 5,000,000 per occurrence or claim

PROPERTY	**LIMIT OF LIABILITY**
Blanket Property Policy No.: FS D3586782A 004 Company: Westchester	$ 25,000,000 primary layer $ 1,000,000 deductible
Policy No.: NHD 346816 Company: RSUI	$ 175,000,000 in excess of primary layer of $ 25,000,000
Policy No.: CICA 2414 Company: Commonwealth	$ 75,000,000 in excess of 200,000
Policy No.: I20644904-004 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.


STATE OF WEST VIRGINIA
JUNE 20 1863
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