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, 2009

On the Cover - The 2008 State Risk and Insurance Management Association (STRIMA) Annual Conference was hosted by the Board of Risk and Insurance Management (BRIM). The conference was held at The Resort at Glade Springs located in Daniels, West Virginia. The conference included many educational classes with topics ranging from lawsuits, underwriting, loss control and workers' compensation. The attendees had the opportunity to see the spectacular scenery of West Virginia and enjoy many outdoor activities. Photographs used in this report were taken by Robert Miller, Claims Representative and attendees of the conference.

State of West Virginia

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Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2009

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, 2009

TABLE OF CONTENTS

INTRODUCTORY SECTION

FINANCIAL SECTION

STATISTICAL SECTION

Introductory Section

Whitewater Adventure Trip – Attendees experienced world class whitewater, spectacular scenery and adrenaline pumping rapids as they were professionally guided on a whitewater trip down West Virginia's Lower New River.

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

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

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SOUTH CHARLESTON, WV 25303

JOE MANCHIN III
GOVERNOR

(304) 766-2646 ADMINISTRATION
(304) 766-2653 FAX
(800) 345-4669 TOLL FREE WV
www.state.wv.us/brim

Formal Transmittal of Comprehensive Annual Financial Report (CAFR)

December 15, 2009

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, 2009, 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.

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

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

Effective July 1, 2005, BRIM established an annual pre-funding trust program with a financial institution that covers all liability claims with loss dates occurring after June 30, 2005. With this program, a separate sub-account that coincides with the current claim and fiscal year is created within the trust account. The sub-account for the current claim/fiscal year is then fully funded by BRIM during the current fiscal year. This advance deposit funding ensures that each year's sub-account covers the total actuarially determined estimated liability claims costs for those liability claims with loss dates whose occurrence corresponds with that specific claim/fiscal year. The financial institution, acting as trustee, holds these funds within the sub-accounts in the trust to cover BRIM's estimated liability claims costs for all liability claims with loss dates of July 1, 2005 and later. The funds, together with their earnings, are used to pay claims and claims adjustment expenses related to these liability claims. As escrow agent, the financial institution periodically transfers monies from the trust to the insurance company administering these claims in order to reimburse the insurance company for payments that they have issued on these claims and claims adjustment expenses on BRIM's behalf.

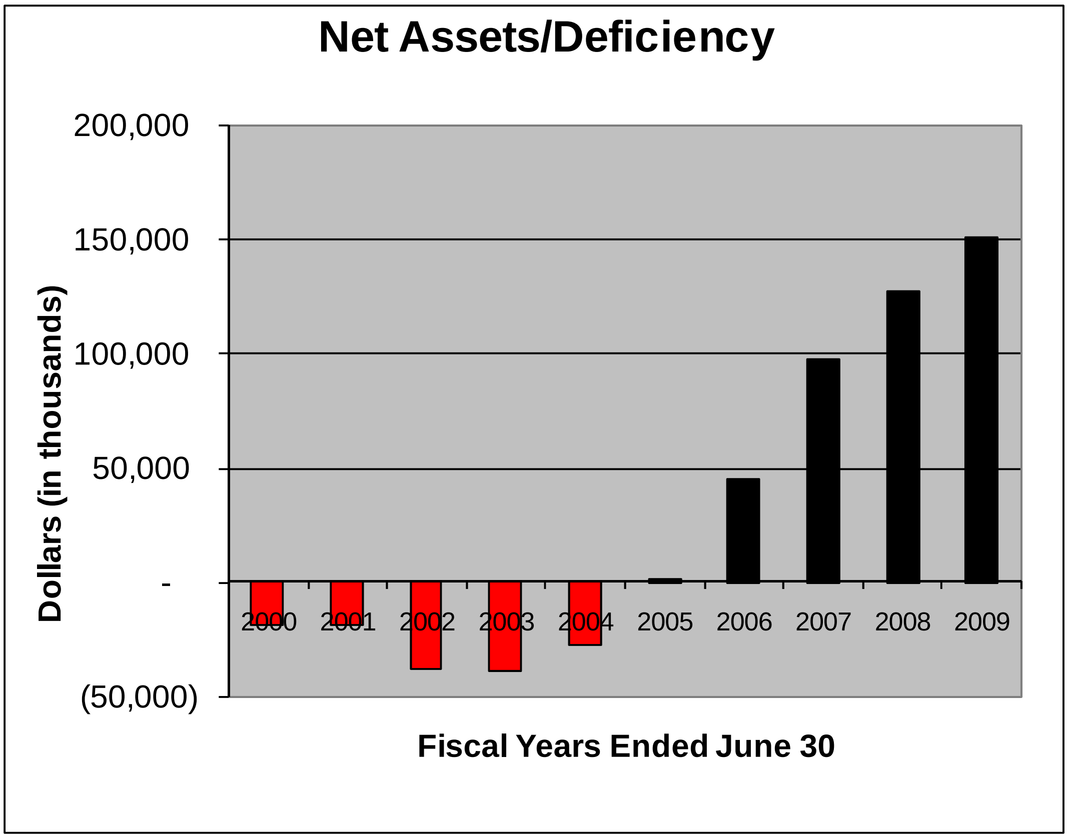
Property losses are retained by BRIM up to $1 million. Additional coverage is provided up to a limit of $400 million through various excess policies. This coverage provides reimbursement of loss at the stated or reported value less a $1,000 deductible. Under the mine subsidence program, ceding insurers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

ASSESSING BRIM'S FINANCIAL CONDITION

Net Assets

One of management's major goals was to eliminate the net asset deficiency that existed in prior years. The deficiency in net assets developed in the past due to several factors, including unanticipated losses and adverse loss development in state agency and Senate Bill 3 entity coverages for general liability and medical malpractice lines of business. Declining investment returns also were a contributing factor. In fiscal year 2004, management adopted a financial stability plan to address the deficiency in net assets. As of June 30, 2009, BRIM has total net assets of $150,958,000 reflected on the Statement of Net Assets. Management anticipates that net assets will continue to remain positive. For more detailed information see the MD&A included in the financial section of this report.

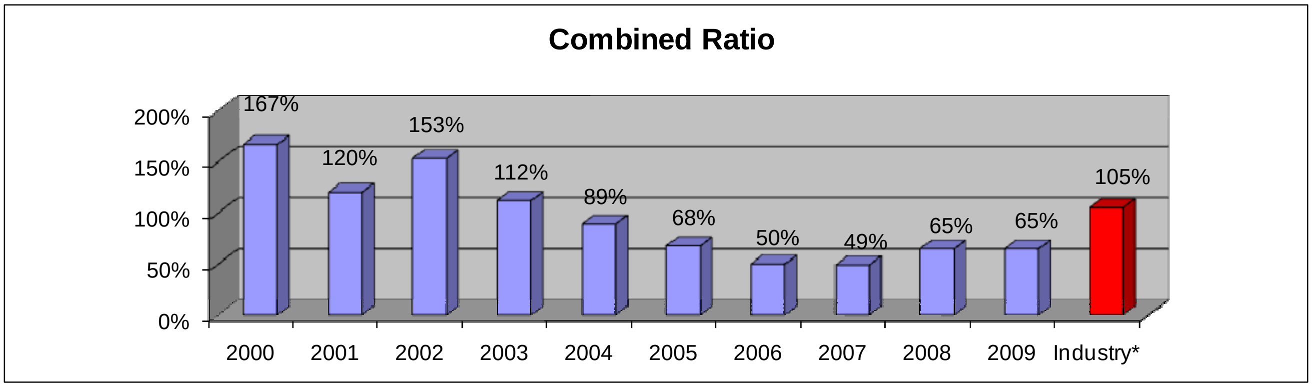
The chart below shows the net assets/deficiency for the past ten years. The years in black represent positive net assets and the years in red represent a net asset deficiency (or unfunded liability).



BRIM's improvement in financial position has generally outperformed the commercial insurance industry over the past several years.

Combined Financial Ratio

The combined ratio is one of the key ratios used to measure underwriting performance. It is derived by adding the loss and expense ratio. A combined ratio below 100% indicates an underwriting profit and one above 100% indicates an underwriting loss. BRIM's combined ratio for 2009 is below 100% and below the industry average. BRIM's primary advantage over the commercial insurance market has been low administrative costs, which are kept at a relatively stable 5 to 10%, as compared to the insurance industry market rate of 27%. This has enabled BRIM to keep this key financial ratio below the industry this year. The risk funding study completed for 2009 shows that the trend of reductions in the actuarially determined reserve estimates for provisions for insured events of prior fiscal years has continued and favorably impacted BRIM's combined ratio for fiscal year 2009. The decrease in prior year reserves has contributed to the overall lower combined loss ratios experienced by BRIM since 2005. The BRIM combined ratios are shown in the chart below in blue and the industry is in red.



*The industry data shown above was obtained from Standard and Poor's Industry Surveys, Insurance: Property / Casualty, July 9, 2009.

Investment Strategy

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

In the later part of fiscal year 2008, the WVIMB recommended that BRIM further diversify its funds managed by the WVIMB. BRIM's board approved the WVIMB's recommendation and, beginning in early 2009, the WVIMB repositioned one third of the funds previously held in fixed income securities into an approved group of well-established, fixed-income based hedge funds. The volatile conditions in the financial markets resulted in significant investment losses for BRIM for the first half of fiscal year 2009. However, these losses were more than offset by significant improvements in the markets in the second half of fiscal year 2009 which resulted in positive returns for the fiscal year.

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, 2009. 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, 2008. This was the fourteenth 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

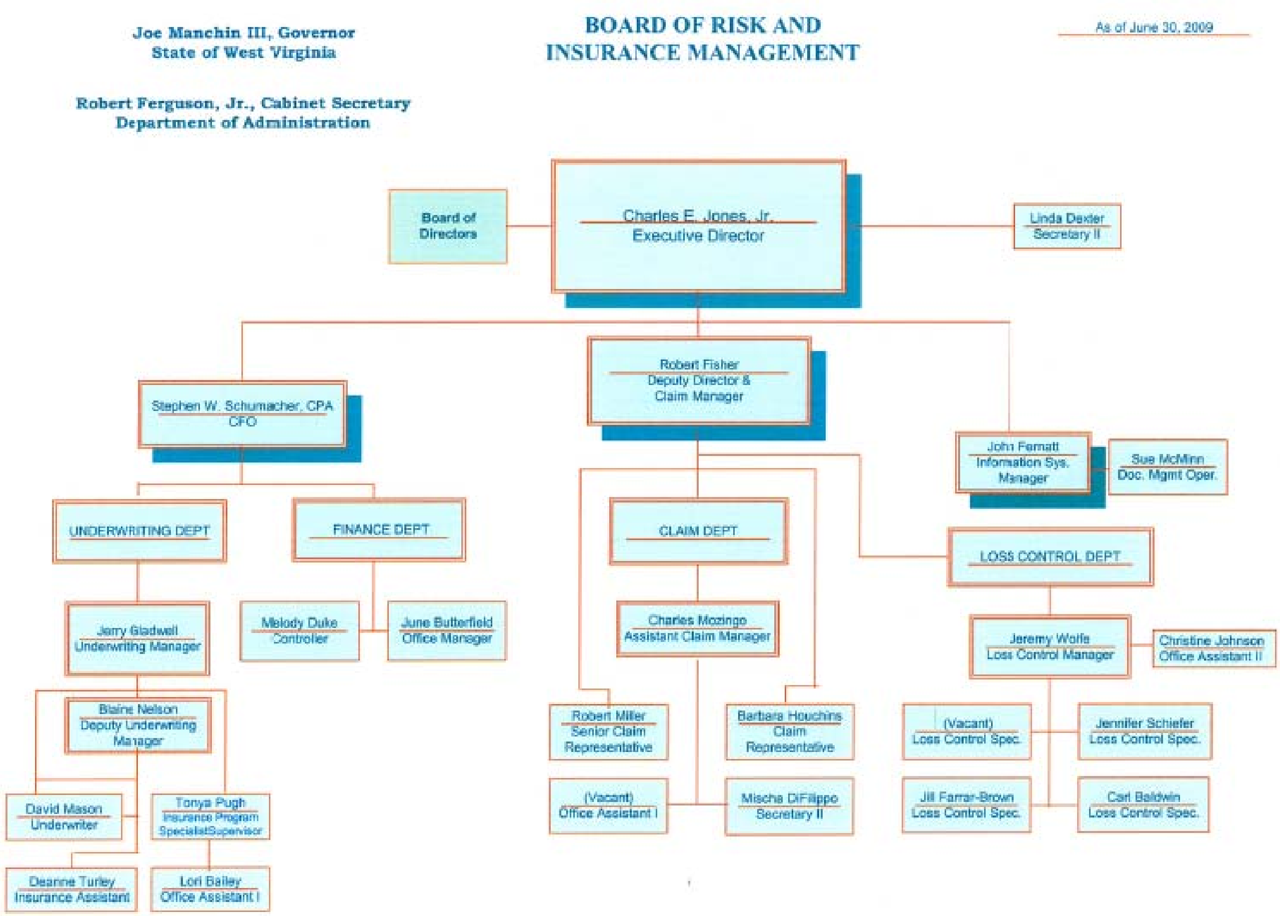
BRIM would like to thank the Governor, the Legislature, the Cabinet Secretary of Administration, and the Board of Directors of BRIM for their support and leadership.

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, 2009.

Sincerely,

Stephen W. Schumacher, CPA
Chief Financial Officer



Joe Manchin III, Governor
State of West Virginia
BOARD OF RISK AND INSURANCE MANAGEMENT
As of June 30, 2009
Robert Ferguson, Jr., Cabinet Secretary
Department of Administration
Board of Directors
Charles E. Jones, Jr.
Executive Director
Linda Dexter
Secretary II
Robert Fisher
Deputy Director & Claim Manager
Stephen W. Schumacher, CPA
CFO
John Fernatt
Information Sys. Manager
Sue McMinn
Doc. Mgmt Oper.
UNDERWRITING DEPT
FINANCE DEPT
CLAIM DEPT
LOSS CONTROL DEPT
Jerry Gladwell
Underwriting Manager
Melody Duke
Controller
June Butterfield
Office Manager
Charles Mozingo
Assistant Claim Manager
Jeremy Wolfe
Loss Control Manager
Christine Johnson
Office Assistant II
Blaine Nelson
Deputy Underwriting Manager
Robert Miller
Senior Claim Representative
Barbara Houchins
Claim Representative
(Vacant)
Loss Control Spec.
Jennifer Schiefer
Loss Control Spec.
David Mason
Underwriter
Tonya Pugh
Insurance Program Specialist/Supervisor
(Vacant)
Office Assistant I
Mischa DiFilippo
Secretary II
Jill Farrar-Brown
Loss Control Spec.
Carl Baldwin
Loss Control Spec.
Deanne Turley
Insurance Assistant
Lori Bailey
Office Assistant I

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of West Virginia Board of Risk & Insurance Management

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

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

Lewisburg Field Trip – This companion event included a stop at West Virginia School of Osteopathic Medicine (WVSOM). WVSOM is recognized worldwide for its efforts in rural, family and primary care.

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Charleston, West Virginia 25301

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Report of Independent Auditors

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

We have audited the accompanying 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, 2009 and 2008, 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, 2009 and 2008, and the changes in its financial position and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of BRIM (an enterprise fund of the State of West Virginia) as of June 30, 2009 and 2008, and the changes in its financial position and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2009, 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 2009 audit.

Management's Discussion and Analysis on pages 3 through 11 and the unaudited supplemental schedules of Ten-Year Claims Development Information on page 44 and the Reconciliation of Unpaid Claims and Claims Adjustment Expense Liability by Type of Contract on page 45 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures to the Management's Discussion and Analysis on pages 3 through 11 and the Ten-Year Claims Development Information on page 44 and the Reconciliation of Unpaid Claims and Claims Adjustment Expense Liability by Type of Contract on page 45, 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 purposes 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

December 16, 2009

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, 2009, 2008, and 2007. BRIM provides property and casualty insurance to State of West Virginia (the State) agencies and Senate Bill 3 (SB3) entities, which include boards of education, and governmental and nonprofit organizations. BRIM also administers a coal mine subsidence reinsurance program, which makes available to the general public dwelling insurance covering damage caused by the collapse of underground coal mines. From December 2001 until novation to a physician's mutual on July 1, 2004, BRIM's program was expanded to include providing medical malpractice insurance to private sector health care providers (referred to hereafter as the House Bill 601 Program). The hospitals that were nonrenewed in 2003 are still being managed by BRIM for claims that were made during the period they were insured.

As an enterprise fund, BRIM's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting in accordance with 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, 2009, 2008, and 2007 (in thousands):

	2009	2008	2007	Change 2009–2008 Amount	Change 2009–2008 Percent	Change 2008–2007 Amount	Change 2008–2007 Percent
Cash	**$ 32,181**	$ 30,595	$ 33,083	$ 1,586	5%	$ (2,488)	(8)%
Advance deposits with carrier/trustee	**174,215**	158,436	115,836	15,779	10	42,600	37
Receivables	**1,003**	1,439	2,392	(436)	(30)	(953)	(40)
Total current assets	**207,399**	190,470	151,311	16,929	9	39,159	26
Noncurrent investments	**105,461**	109,325	117,127	(3,864)	(4)	(7,802)	(7)
Total assets	**312,860**	299,795	268,438	13,065	4	31,357	12
Estimated claim expense	**48,650**	50,693	50,851	(2,043)	(4)	(158)	0
Unearned premiums	**7,235**	7,705	8,659	(470)	(6)	(954)	(11)
Agent commissions payable	**1,247**	1,621	1,985	(374)	(23)	(364)	(18)
Accrued expenses	**629**	559	483	70	13	76	16
Total current liabilities	**57,761**	60,578	61,978	(2,817)	(5)	(1,400)	(2)
Estimated claim expense	**104,083**	111,535	108,713	(7,452)	(7)	2,822	3
Compensated absences	**58**	52	200	6	12	(148)	(74)
Total noncurrent liabilities	**104,141**	111,587	108,913	(7,446)	(7)	2,674	2
Total liabilities	**161,902**	172,165	170,891	(10,263)	(6)	1,274	1
Net assets:							
Restricted	**33,924**	33,634	31,117	290	1	2,517	8
Unrestricted	**117,034**	93,996	66,430	23,038	25	27,566	41
Net assets	**$ 150,958**	$ 127,630	$ 97,547	$ 23,328	18	$ 30,083	31

	2009	2008	2007	Change 2009–2008 Amount	Change 2009–2008 Percent	Change 2008–2007 Amount	Change 2008–2007 Percent
Premiums	**$ 62,427**	$ 72,986	$ 80,248	$ (10,559)	(14)%	$ (7,262)	(9)%
Less excess coverage	**(5,944)**	(6,394)	(6,151)	450	7	(243)	(4)
Net operating revenues	**56,483**	66,592	74,097	(10,109)	(15)	(7,505)	(10)
Claims and claims adjustment expense	**36,604**	42,982	35,136	(6,378)	(15)	7,846	22
General and administrative	**3,894**	4,247	4,305	(353)	(8)	(58)	(1)
Total operating expenses	**40,498**	47,229	39,441	(6,731)	(14)	7,788	20
Operating income	**15,985**	19,363	34,656	(3,378)	(17)	(15,293)	(44)
Nonoperating revenues:							
Investment income	**7,312**	10,512	18,022	(3,200)	(30)	(7,510)	(42)
Financing income	**31**	30	25	1	3	5	20
Other postemployment benefits	**–**	30	–	(30)	–	30	–
Total nonoperating revenues, net	**7,343**	10,572	18,047	(3,229)	(31)	(7,475)	(41)
Changes in net assets	**23,328**	29,935	52,703	(6,607)	(22)	(22,768)	(43)
Total net assets – beginning	**127,630**	97,547	44,844	30,083	31	52,703	118
Change in accounting principle for other postemployment benefits	**–**	148	–	(148)	–	148	–
Total net assets – beginning, adjusted	**127,630**	97,695	44,844	29,935	31	52,851	118
Total net assets – end	**$ 150,958**	$ 127,630	$ 97,547	$ 23,328	18	$ 30,083	31
Total revenues	**$ 63,826**	$ 77,164	$ 92,144	$ (13,338)	(17)	$ (14,980)	(16)
Total expenses	**$ 40,498**	$ 47,229	$ 39,441	$ (6,731)	(14)	$ 7,788	20

FINANCIAL HIGHLIGHTS

- Total assets increased $13,065,000 from 2008 to 2009 and $31,357,000 from 2007 to 2008. The increases are due primarily to the additional advance deposits made in 2007, 2008, and 2009 under the advance deposit prefunding arrangement established in 2006.

- Total liabilities decreased $10,263,000 from 2008 to 2009 and increased $1,274,000 from 2007 to 2008. The decrease from 2008 to 2009 relates to better defined loss development patterns impacting automobile and general liability claims for the State and SB3 programs that reduced the ultimate loss estimates for these segments. The increase from 2007 to 2008 is primarily due to general changes in the estimated retained reserves.

- The total net assets for 2009 are $150,958,000, reflecting an overall increase of $53,411,000 since 2007 when total net assets were $97,547,000. Several factors contributed to the increase. Specifically, the anticipated costs incurred to address the recovery of both estimated and projected expenses that were included for the State and SB3 premium rating calculations in prior years were subsequently determined to be substantially less than what was initially determined for the actual rating periods for these programs. Part of this reduction is reflected in an overall decrease in the provisions for prior year's outstanding estimated claims reserves in 2009 and 2008. This reduction increased net assets by approximately $33,544,000 over the last two years. During 2009, BRIM recovered premium surcharges approximating $6,288,000 from an insurance carrier. This amount includes $4,980,000 that was expensed in prior years. Investment income of $7,312,000 in 2009 and $10,512,000 in 2008 also contributed to the increase in net assets since 2007. Restricted net assets of $33,924,000, $33,634,000, and $31,117,000 in 2009, 2008, and 2007, respectively, relates to mine subsidence coverage provided to the general public based on restrictions provided in the West Virginia State Code and to the medical malpractice tail coverage provided by the House Bill 601 Program.

- Total net operating revenues decreased from $66,592,000 to $56,483,000 from 2008 to 2009 due to overall reductions in the premium levels required to adequately fund the State and SB3 programs and from a decrease in the premiums billed to the medical malpractice schools based on the projected reduction in the estimated losses to be incurred by the program. The medical malpractice schools program requires a higher self-insured retention for each claim incurred by the program participants that increased their deductible to $250,000 per claim. Total net operating revenues decreased from $74,097,000 to $66,592,000 from 2007 to 2008 due to the implementation of the revised medical malpractice claims deductible program and an overall reduction in premium rates charged to State and SB3 entities.

- Total operating expenses decreased from $47,229,000 in 2008 to $40,498,000 in 2009. The overall net decrease in claims and claims adjustment expense of $6,378,000 resulted from the refinement of the loss development patterns reducing the year over year retained loss estimates by approximately $9,496,000. This reduction was partially offset by an increase in the actual claims payment made in 2009 versus 2008. The increase in net operating expense from $39,441,000 in 2007 to $47,229,000 in 2008 reflects the increase in the year over year retained loss estimates in the State and SB3 general liability programs.

- Nonoperating revenues have decreased in the past three years. There was a $3,229,000 reduction from 2008 to 2009 and a $7,475,000 decrease from 2007 to 2008. These reductions reflect reduced overall investment returns and valuation changes resulting from marking investment holdings to market.

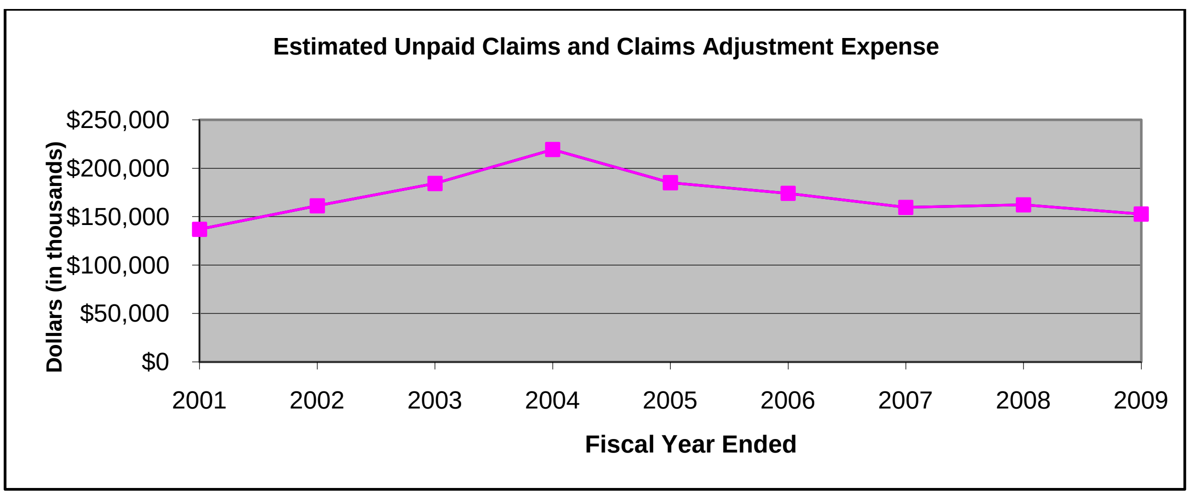
- Total revenues and total expenses from 2009 to 2008 and from 2007 to 2008 have fluctuated due to year over year reductions in premium rates, the changes in the retained loss estimates and lower investment market returns. See the above explanations for additional information.

OVERALL ANALYSIS

The overall condition of BRIM has improved from the prior year. Proper premium assessments, investment earnings, aggressive risk management, and the reduction in the estimated claims liability have allowed BRIM to further increase the net assets for this year, reflecting net assets of $150,958,000 at June 30, 2009. BRIM implemented and continues to strictly adhere to a comprehensive financial stability plan.

Unpaid Claims Liability

BRIM's most significant number on its statements of net assets is the liability for estimated unpaid claims and claims adjustment expense. This liability consists of two parts: claims that BRIM is aware of which have been reserved and incurred but not reported (IBNR) claims, which are projected by an independent actuary. From fiscal year 2008 to 2009, the liability for unpaid claims decreased from $162,228,000 to $152,733,000. The chart below shows the estimated unpaid claims and claims adjustment expense liability for fiscal years 2001 through 2009.



House Bills 601 and 2122

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

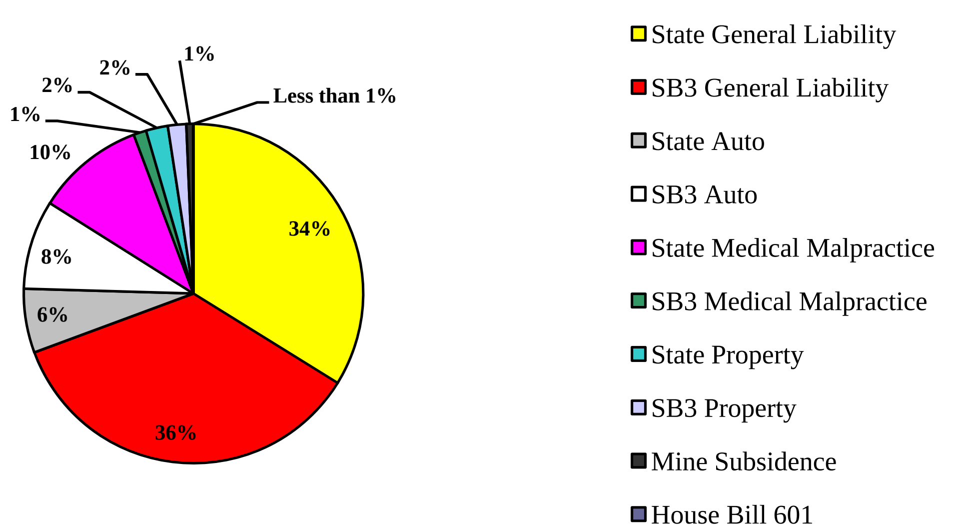
During the legislative session in early 2003, House Bill 2122 was enacted. This bill allowed for BRIM's insured physicians to novate into a physician's mutual. On July 1, 2004, House Bill 601 physicians were novated to the West Virginia Physicians' Mutual Insurance Company (WVPMIC). The hospitals and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

Results by Line of Business for BRIM

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

The following chart shows the breakdown by customer and line of business of the total estimated claim liability number, which is $152,733,000. 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.

Components of Total Claim Liability by Customer and Line of Business



There is no long-term debt activity.

ECONOMIC FACTORS AND NEXT YEAR'S RATES

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

By the end of 2008, BRIM had eliminated the deficiency in net assets for all of the lines of business for the programs it oversees. The deficiency arose primarily due to adverse claim development in the general liability and medical malpractice lines of business for the State and SB3. The following paragraphs describe the essential plans that BRIM has followed and will continue to follow to ensure that all lines of business 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.

Investment Return

In 2009, BRIM maintained the funds invested with the West Virginia Investment Management Board (WVIMB) and reinvested all of the earnings on the funds for the fiscal year. In 2008, BRIM sold $8,000,000 of its holdings with the WVIMB in order to provide a portion of the funding for the current years advance deposits requirements. All BRIM funds held by the WVIMB are invested for the benefit of the pool participants. BRIM invests and withdraws its monies from these funds as needed primarily for operating and short-term cash requirements. Investment income had increased in prior fiscal years but due to the fluctuations in the market during fiscal year 2009 investment returns decreased.

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 2009 and 2008 showed signs of favorable loss trends, which BRIM hopes will continue.

REQUESTS FOR INFORMATION

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

West Virginia Board of Risk and Insurance Management

Statements of Net Assets

	June 30 2009	June 30 2008
	(In Thousands)	
Assets		
Current assets:		
Cash and cash equivalents	**$ 19,532**	$ 19,310
Advance deposits with insurance company and trustee	**174,215**	158,436
Receivables:		
Premiums due from State agencies	**–**	789
Premiums due from other entities	**392**	394
Other	**626**	585
Less allowance for doubtful accounts	**(387)**	(701)
Net receivables	**631**	1,067
Restricted cash and cash equivalents	**12,649**	11,285
Restricted receivables:		
Premiums due from other entities	**372**	372
Total current assets	**207,399**	190,470
Noncurrent assets:		
Investments	**82,811**	85,851
Restricted investments	**22,650**	23,474
Total noncurrent assets	**105,461**	109,325
Total assets	**312,860**	299,795
Liabilities		
Current liabilities:		
Estimated unpaid claims and claims adjustment expense	**48,650**	50,693
Unearned premiums	**7,235**	7,705
Agent commissions payable	**1,247**	1,621
Accrued expenses and other liabilities	**629**	559
Total current liabilities	**57,761**	60,578
Estimated unpaid claims and claims adjustment expense, net of current portion	**104,083**	111,535
Compensated absences	**58**	52
Total noncurrent liabilities	**104,141**	111,587
Total liabilities	**161,902**	172,165
Net assets:		
Restricted	**33,924**	33,634
Unrestricted	**117,034**	93,996
Net assets	**$ 150,958**	$ 127,630

See accompanying notes.

West Virginia Board of Risk and Insurance Management

Statements of Revenues, Expenses, and Changes in Net Assets

	Years Ended June 30	
	2009	**2008**
	(In Thousands)	
Operating revenues		
Premiums	**$ 62,427**	$ 72,986
Less excess coverage/reinsurance premiums	**(5,944)**	(6,394)
Net operating revenues	**56,483**	66,592
Operating expenses		
Claims and claims adjustment expense	**36,604**	42,982
General and administrative	**3,894**	4,247
Total operating expenses	**40,498**	47,229
Operating income	**15,985**	19,363
Nonoperating revenues		
Investment income	**7,312**	10,512
Financing income	**31**	30
On behalf contributions	**–**	30
Net nonoperating revenues	**7,343**	10,572
Changes in net assets	**23,328**	29,935
Total net assets, beginning of year	**127,630**	97,547
Change in accounting principle for other postemployment benefits	**–**	148
Total net assets, beginning of year adjusted	**127,630**	97,695
Total net assets, end of year	**$ 150,958**	$ 127,630

See accompanying notes.

West Virginia Board of Risk and Insurance Management

Statements of Cash Flows

	Years Ended June 30	
	2009	**2008**
	(In Thousands)	
Operating activities		
Receipts from customers	**$ 56,582**	$ 66,481
Payments to employees	**(1,292)**	(1,486)
Payments to suppliers	**(3,033)**	(2,909)
Payments to claimants	**(46,099)**	(40,318)
Deposits to advance deposit with insurance company and trustee	**(64,452)**	(81,277)
Withdrawals from advance deposit with insurance company and trustee	**48,672**	38,676
Net cash used in operating activities	**(9,622)**	(20,833)
Noncapital financing activities		
Financing earnings	**31**	30
Net cash provided by noncapital financing activities	**31**	30
Investing activities		
Purchase of investments	**(115,498)**	(31,883)
Sale of investments	**113,986**	35,346
Net investment earnings	**12,689**	14,852
Net cash provided by investing activities	**11,177**	18,315
Net increase (decrease) in cash and cash equivalents	**1,586**	(2,488)
Cash and cash equivalents, beginning of year	**30,595**	33,083
Cash and cash equivalents, end of year	**$ 32,181**	$ 30,595
Cash and cash equivalents consist of:		
Cash and cash equivalents	**$ 19,532**	$ 19,310
Restricted cash and cash equivalents	**12,649**	11,285
	$ 32,181	$ 30,595

West Virginia Board of Risk and Insurance Management

Statements of Cash Flows (continued)

	Years Ended June 30 2009	2008
	(In Thousands)	
Reconciliation of operating income to net cash used in operating activities		
Operating income	**$ 15,985**	$ 19,363
Adjustments to reconcile operating income to net cash used in operating activities		
Increase in advanced deposits	**(15,779)**	(42,600)
Decrease in premiums receivable, net	**571**	847
(Decrease) increase in estimated liability for unpaid claims and claims adjustment expense	**(9,496)**	2,664
Decrease in other liabilities	**(432)**	(153)
Decrease in unearned premiums	**(470)**	(954)
Total adjustments	**(25,606)**	(40,196)
Net cash used in operating activities	**$ (9,621)**	$ (20,833)
Noncash activities		
Decrease in fair value of investments	**$ (5,377)**	$ (4,339)
On behalf contributions	**$ –**	$ 30

See accompanying notes.

1. General

The West Virginia Board of Risk and Insurance Management (BRIM) was established in 1957 to provide for the development of the State of West Virginia's (the State and primary government) property and liability self-insurance program. Approximately 146 State agencies participate in the program. Beginning in 1980, county boards of education were authorized to participate in the liability portion of this program, with 55 county boards currently participating in the program. In fiscal year 1987, Senate Bill 3 (SB3) was enacted, allowing local governmental entities and nonprofit organizations to participate in the entire program. There are approximately 1,000 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 was 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 was limited to $100,000 per occurrence. From July 1, 1982 through June 30, 1985, the

1. General (continued)

liability coverage provided by BRIM was limited to $6,000,000 per occurrence. Since July 1, 1985, the 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 maintained the hospital and facilities in the House Bill 601 Program that did not novate to WVPMIC. However, all policies have been terminated as of June 30, 2004, and the program is in runoff mode only for existing clams and for any claims that may be submitted on any tail policies that were purchased.

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

1. General (continued)

liabilities. The capitalization of the fund comes from the State's tobacco settlement fund. The activity for this fund is not reflected in BRIM's financial statements. BRIM serves as third-party administrator for this fund and, accordingly, the activity for this fund is reflected in the State's financial statements.

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

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

Pursuant to the West Virginia Code, BRIM submits a detailed budgetary schedule of administrative expenses to the Secretary of the Department of Administration prior to the beginning of each fiscal year. The fundamental purpose of budgetary control is to plan for the expected level of operations and to provide management with a tool to control deviation from such plan. The budgetary schedule is prepared on a modified cash basis, which is a comprehensive basis of accounting other than 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 non-appropriated budgetary review process.

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

2. Summary of Significant Accounting Policies

Basis of Accounting

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

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

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

The financial statements of BRIM are intended to present the financial position and the changes in financial position and cash flows of only that portion of the business-type activities of the State of West Virginia that is attributable to the transactions of BRIM. They do not purport to, and do not, present fairly the financial position of the State of West Virginia as of June 30, 2009 and 2008, and the changes in its financial position and its cash flows for the years then ended in conformity with GAAP.

Use of Estimates

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

2. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

Cash equivalents are short-term investments with original maturities of 90 days or less. Cash and cash equivalents principally consist of interest-earning deposits in certain investment pools maintained by the West Virginia Board of Treasury Investments (BTI). Such funds are available to BRIM with overnight notice. Interest income from these investments is prorated to BRIM at rates specified by the BTI based on the balance of BRIM's deposits maintained in relation to the total deposits of all State agencies participating in the pool. The book carrying value of the amounts on deposit with the BTI, which approximate estimated fair value, was $29,567,000 and $27,026,000 at June 30, 2009 and 2008, respectively.

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

Advance Deposits With Insurance Company and Trustee

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

Beginning in fiscal year 2006, BRIM deposited monies with the Bank of New York (BNY), as trustee, to hold as advance deposits in an escrow account for BRIM liability claims with loss dates occurring after June 30, 2005. The monies held in escrow are invested in specific money market funds and short-term guaranteed or investment grade fixed income securities that are identified as "qualified assets" in the escrow agreement. The funds held in escrow, together with their earnings, will be used to fund the payment of the claims and claims adjustment expenses related to these liability claims. As escrow agent, BNY periodically transfers monies from the escrow account to the insurance company administering these claims in order to reimburse the insurance company for payments that they have issued on these claims and claims adjustment expenses on BRIM's behalf.

2. Summary of Significant Accounting Policies (continued)

Investments

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

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

Compensated Absences

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

Unpaid Claims and Claims Adjustment Expense

Utilizing an external actuary, management establishes the unpaid claims and claims adjustment expense liability based on estimates of the ultimate cost of claims, including future claims adjustment expenses, that have been reported but not settled and of claims that have been incurred but not reported (IBNR). Such estimates are based on industry statistical loss reserve information as well as BRIM historical data, including case-basis estimates of losses reported, actuarial projections of loss development of IBNR claims, and estimates of expenses for investigation and adjustment of all incurred and unadjusted losses (and estimates of expected 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.

2. Summary of Significant Accounting Policies (continued)

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

Premium deficiency is defined as the amount by which expected claims costs (including IBNR claims), and all expected claims adjustment expenses exceed related unearned premiums. BRIM has determined that a premium deficiency does not exist. In making this determination, management has taken into consideration anticipated investment income, using an assumed 4% discount rate.

Receivables and Premium Income

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

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.

Cash Equivalents

WV Money Market Pool (formerly the Cash Liquidity Pool)

The BTI limits the exposure to credit risk in the WV Money Market 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, 2009				June 30, 2008			
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**	**$ 592,479**	**23.05%**	P1	A-1	$ 658,879	27.94%
Corporate bonds and notes	**Aaa**	**AAA**	**10,000**	**0.39**	Aaa	AAA	40,000	1.70
	Aa3	**AA**	**15,503**	**0.60**	Aa3	AA	20,000	0.85
	Aa2	**AA**	**10,000**	**0.39**	Aa2	A	27,000	1.14
	Aa1	**AA**	**7,000**	**0.27**	Aa1	AA	71,000	3.01
	A1	**AA**	**19,309**	**0.75**	–	–	–	–
	A1	**A**	**12,000**	**0.47**	–	–	–	–
			73,812	**2.87**			158,000	6.70
U.S. agency bonds	**Aaa**	**AAA**	**294,019**	**11.44**	Aaa	AAA	254,019	10.77
U.S. Treasury bills	**Aaa**	**AAA**	**483,714**	**18.82**	Aaa	AAA	406,426	17.23
Negotiable certificates of deposit	**P1**	**A-1**	**128,402**	**5.00**	P1	A-1	147,001	6.23
U.S. agency discount notes	**P1**	**A-1**	**635,602**	**24.73**	P1	A-1	212,924	9.03
Money market funds	**Aaa**	**AAA**	**150,223**	**5.84**	Aaa	AAA	150,058	6.36
Repurchase agreements								
U.S. Treasury notes	**Aaa**	**AAA**	**165,110**	**6.43**	Aaa	AAA	62,265	2.64
U.S. agency notes	**Aaa**	**AAA**	**46,900**	**1.82**	Aaa	AAA	308,898	13.10
			212,010	**8.25**			371,163	15.74
			$ 2,570,261	**100.00%**			$ 2,358,470	100.00%

Concentration of Credit Risk

West Virginia statutes prohibit the WV Money Market Pool from investing more than 5% of its assets in securities issued by a single private corporation or association. At June 30, 2009 and 2008, the pool did not have investments in any one private corporation or association that represented more than 5% of assets.

Custodial Credit Risk

At June 30, 2009 and 2008, the WV Money Market Pool held no securities that were subject to custodial credit risk. Repurchase agreements are collateralized at 102% and the collateral is held in the name of the BTI. Securities lending collateral is invested in the lending agent's money market fund in BTI's name.

3. Deposit and Investment Risk Disclosures (continued)

Interest Rate Risk

The overall weighted average maturity (WAM) of the investments of the WV Money Market Pool cannot exceed 60 days. Maximum maturity of individual securities cannot exceed 397 days from date of purchase. The following table provides the WAM for the various asset types in the WV Money Market Pool (carrying values – in thousands):

	June 30, 2009		June 30, 2008	
Investment Type	**Carrying Value**	**WAM Days**	**Carrying Value**	**WAM Days**
Repurchase agreements	**$ 212,010**	**1**	$ 371,163	1
U.S. Treasury bills	**483,714**	**69**	406,426	31
Commercial paper	**592,479**	**32**	658,879	29
Certificates of deposit	**128,402**	**56**	147,001	95
U.S. agency discount notes	**635,602**	**57**	212,924	84
Corporate notes	**73,812**	**38**	158,000	21
U.S. agency bonds/notes	**294,019**	**70**	254,019	111
Money market funds	**150,223**	**1**	150,058	1
Total rated investments	**$ 2,570,261**	**47**	$ 2,358,470	40

BRIM's amount invested in the WV Money Market Pool of $34,943,000, included in cash and cash equivalents, at June 30, 2009, and $32,339,000 at June 30, 2008, represents approximately 1.4%, respectively, of total investments in this pool.

Foreign Currency Risk

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

3. Deposit and Investment Risk Disclosures (continued)

Investments

Board of Risk and Insurance Management Fund

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

Investment Objectives

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

Asset Allocation

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

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

3. Deposit and Investment Risk Disclosures (continued)

Asset Value

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

	2009		2008	
	Cost	**Fair Value**	**Cost**	**Fair Value**
Domestic large cap equity	**$ 10,023**	**$ 8,892**	$ 9,662	$ 10,725
Domestic non-large cap equity	**2,936**	**1,591**	2,695	1,792
International equity	**5,815**	**7,503**	3,260	6,473
International nonqualified	**3,424**	**3,797**	1,298	1,970
Total return fixed income	**41,755**	**44,572**	51,619	53,775
Fixed nonqualified income pool	**–**	**–**	30,440	34,585
Core fixed income	**17,888**	**18,450**	–	–
Hedge fund	**21,892**	**20,655**	–	–
Other	**1**	**1**	7	5
	$ 103,734	**$ 105,461**	$ 98,981	$ 109,325

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

	2009	2008
Investment income:		
Interest income including realized gains/losses on sale of securities	**$ 12,689**	$ 14,851
Unrealized (loss) gain on investments	**(5,377)**	(4,339)
Total investment income	**$ 7,312**	$ 10,512

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

3. Deposit and Investment Risk Disclosures (continued)

Asset Class Risk Disclosures

Domestic Large Cap Pool

This pool holds equity securities of U.S. companies and money market funds with the highest credit rating. At June 30, 2009 and 2008, this pool did not hold securities of any one issuer in excess of 5% of the value of the pool in accordance with West Virginia statutes. BRIM's amount invested in the large cap domestic pool of $8,892,000 and $10,725,000 at June 30, 2009 and 2008, respectively, represents approximately 0.5% and 0.6% of total investments in this pool.

Domestic Non-Large Cap Pool

This pool holds equity securities of U.S. companies and money market funds with the highest credit rating. At June 30, 2009 and 2008, this pool did not hold securities of any one issuer in excess of 5% of the value of the pool in accordance with West Virginia statutes. BRIM's amount invested in the non-large cap domestic pool of $1,591,000 and $1,792,000 at June 30, 2009 and 2008, respectively, represents approximately 0.5% and 0.3% 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, 2009			June 30, 2008		
Currency	**Equity Securities**	**Cash**	**Total**	**Equity Securities**	**Cash**	**Total**
Australian dollar	**$ 45,295,313**	**$ 187,926**	**$ 45,483,239**	$ 56,458,401	$ 1,147,727	$ 57,606,128
Brazil cruzeiros real	**76,243,266**	**1,318,077**	**77,561,343**	78,980,550	377,270	79,357,820
British pound	**175,318,942**	**1,551,666**	**176,870,608**	169,390,722	2,625,082	172,015,804
Canadian dollar	**43,761,183**	**109,535**	**43,870,718**	87,262,255	1,994,596	89,256,851
Czech Koruna	**7,234,731**	**135**	**7,234,866**	1,519,907	–	1,519,907
Danish krone	**10,935,831**	**33,982**	**10,969,813**	5,533,777	99,697	5,633,474
Euro	**266,768,796**	**6,226,567**	**272,995,363**	338,300,401	1,682,586	339,982,987
Hong Kong dollar	**115,552,388**	**304,416**	**115,856,804**	91,548,567	2,012,170	93,560,737
Hungarian forint	**11,566,434**	**781**	**11,567,215**	18,046,560	182,258	18,228,818
Indian rupee	–	–	–	4,653,903	–	4,653,903
Indonesian rupiah	**2,474,340**	–	**2,474,340**	10,703,375	–	10,703,375
Israeli shekel	**13,692,033**	**81**	**13,692,114**	11,519,751	54,371	11,574,122
Japanese yen	**214,493,385**	**2,000,670**	**216,494,055**	190,163,595	4,773,663	194,937,258
Malaysian ringgit	**8,765,540**	**25,190**	**8,790,730**	10,536,586	1,212,918	11,749,504
Mexican new peso	**20,204,832**	**54,161**	**20,258,993**	23,344,620	406,186	23,750,806
New Taiwan dollar	**44,242,681**	**29,702**	**44,272,383**	73,448,408	363,885	73,812,293
New Zealand dollar	**1,750,119**	**404,401**	**2,154,520**	2,281,221	35,031	2,316,251
Norwegian krone	**9,140,371**	**127,263**	**9,267,635**	27,781,461	(707,346)	27,074,115
Pakistani Rupee	**1,371,114**	–	**1,371,114**	2,159,612	–	2,159,612
Philippine peso	**4,738,490**	–	**4,738,490**	2,637,913	–	2,637,913
Polish Zloty	**4,768,257**	**39**	**4,768,296**	3,909,848	230,158	4,140,006
Singapore dollar	**31,364,188**	**238,905**	**31,603,093**	40,965,990	288,581	41,254,571
South African rand	**20,492,344**	**55,109**	**20,547,453**	39,201,393	43,223	39,244,616
South Korean won	**75,285,153**	**527,742**	**75,812,895**	120,845,929	11,380	120,857,309
Swedish krona	**19,034,030**	**75,507**	**19,109,537**	26,805,371	406,838	27,212,209
Swiss franc	**58,766,408**	**928,122**	**59,694,530**	67,886,106	1,186,931	69,073,037
Thailand baht	–	**2,202**	**2,202**	11,858,415	2,244	11,860,659
Turkish Lira	**30,584,716**	**42,029**	**30,626,745**	23,039,547	–	23,039,547
Total	**$ 1,313,844,886**	**$ 14,244,208**	**$1,328,089,094**	$ 1,540,784,184	$ 18,429,449	$ 1,559,213,635

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 $181,239,129 and $131,021,000 at June 30, 2009 and 2008, respectively. BRIM's amount invested in the international equity pool of $7,503,000 and $6,473,000 at June 30, 2009 and 2008, respectively, represents approximately 0.5% and 0.4% 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, 2009 and 2008, was $101,246,000 and $57,888,000, 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 $3,797,000 and $1,970,000 at June 30, 2009 and 2008, respectively, represents approximately 3.8% and 3.4% of total investments in this pool.

Total Return Fixed Income Pool

Credit Risk

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

	June 30, 2009				June 30, 2008			
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**	**$ 466,052,257**	**17.7%**	Baa	BBB	$ 609,696,835	22.0%
U.S. Treasury bonds and notes	**Aaa**	**AAA**	**1,678,244**	**0.1**	Aaa	AAA	76,318,725	2.7
U.S. Treasury inflation protection bonds	**Aaa**	**AAA**	**74,631,563**	**2.8**	–	–	–	–
Corporate asset-backed securities	**Aa**	**AA**	**622,399**	**0.0**	Aaa	AAA	137,308,217	5.0
Corporate collateralized mortgage obligations	**Baa**	**AA**	**91,081,767**	**3.5**	–	–	–	–
Corporate preferred securities	**C**	**C**	**965,455**	**0.0**	–	–	–	–
Agency mortgage-backed securities	**Aaa**	**AAA**	**531,284,382**	**20.2**	Aaa	AAA	234,846,187	8.5
Agency bonds	–	–	–	–	Aaa	AAA	5,282,195	0.2
Agency discount notes	–	–	–	–	P1	A-1	17,537,793	0.6
Agency notes	**Aa**	**AA**	**3,866,877**	**0.1**	–	–	–	–
Agency collateralized mortgage obligations	**Aaa**	**AAA**	**465,532**	**0.0**	–	–	–	–
Money market funds	**Aaa**	**AAA**	**472,292,326**	**17.9**	Aaa	AAA	135,041,247	4.9
Total rated investments			**$ 1,642,940,802**	**62.3%**			$ 1,216,031,199	43.9%

3. Deposit and Investment Risk Disclosures (continued)

At June 30, 2009, unrated securities include commingled investment pools of $987,106,348 swaps, options and swaptions valued at $(10,205,602), future contracts valued at $6,356,507, foreign currency contracts valued at $(610,756) and cash of $16,705,447 pledged to brokers as collateral. These unrated securities represent 37.7% of the fair value of the pool's investments. For June 30, 2008, unrated securities include commingled investment pools of $1,549,051,012 and an interest rate swap valued at $(4,248,293) and cash of $11,984,018 pledged to brokers as collateral.

Concentration of Credit Risk

West Virginia statutes prohibit the Total Return Fixed Income pool from investing more than 5% of its assets in securities issued by a single private corporation or association. At June 30, 2009 and 2008, 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, 2009 and 2008, the Total Return Fixed Income pool held no securities that were subject to custodial credit risk. Repurchase agreements are collateralized at 102% and the collateral is held in the name of the WVIMB. Investments in commingled funds are held in the name of the WVIMB. All remaining securities are held by the WVIMB's custodian in the name of the WVIMB. Securities lending collateral is invested in the lending agent's money market fund.

3. Deposit and Investment Risk Disclosures (continued)

Interest Rate Risk

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

	June 30, 2009		June 30, 2008	
Investment Type	**Fair Value**	**Modified Duration (years)**	**Fair Value**	**Modified Duration (years)**
Commingled investment pools	**$ 987,105,348**	**2.5**	$ 1,549,051,012	3.3
Corporate notes and bonds	**466,052,257**	**5.7**	609,696,835	6.2
U.S. Treasury notes and bonds	**1,678,244**	**16.4**	76,318,725	7.9
U.S. Treasury inflation protection bonds	**74,631,563**	**13.1**	–	–
Corporate asset-backed securities	**622,399**	**2.5**	137,308,217	7.0
Corporate collateralized mortgage obligations	**91,081,767**	**5.1**	–	–
Agency mortgage-backed securities	**531,284,382**	**9.6**	234,846,187	10.8
Agency bonds	**3,866,877**	**2.8**	5,282,195	8.5
Agency discount notes	–	–	17,537,793	0.5
Agency collateralized mortgage obligations	**465,532**	**1.0**	–	–
Money market fund	**472,292,326**	**0.0**	135,041,247	0.0
Total assets	**$ 2,629,080,695**	**5.4**	$ 2,765,082,211	5.4

The Total Return Fixed Income pool invests in commercial and residential mortgage-backed, asset-backed securities and collateralized mortgage obligations. The cash flows from these securities are based on the payment of the underlying collateral. The modified duration and yield to maturity of these securities are dependent on estimated prepayment assumptions that consider historical experience, market conditions, and other criteria. Actual prepayments may vary with changes in interest rates. Rising interest rates often result in a slower rate of prepayments while declining rates tend to lead to faster prepayments. As a result, the fair values of these securities are highly sensitive to interest rate changes. At June 30, 2009 and 2008, the Total Return Fixed Income pool held $623,449,368 and $372,154,404, respectively, of these securities. This represents approximately 24% and 13% of the value of the fixed income pools.

BRIM’s amount invested in the Total Return Fixed Income pool of $44,572,000 and $53,775,000 at June 30, 2009 and 2008, respectively, represents approximately 1.7% and 1.9% of total investments in this pool.

3. Deposit and Investment Risk Disclosures (continued)

Foreign Currency Risk

None of the securities held by the Total Return Fixed Income pool are exposed to foreign currency risk. However, the pool does have foreign exchange forward contracts. Additionally, the pool has indirect exposure to foreign currency risk through its ownership interest in certain of the commingled investment pools. Approximately $176,856,000, or 18%, of the commingled investment pools hold substantially all of their investments in foreign currencies. West Virginia statute limits the amount of international securities to no more than 30% of the total assets managed by the WVIMB. At June 30, 2009, the WVIMB was in compliance with this limitation.

Core Fixed Income Pool

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

	June 30, 2009			
Security Type	**Moody's**	**S&P**	**Fair Value**	**Percent of Assets**
Corporate bonds and notes	A	A	$ 41,035,802	10.1%
U.S. Treasury bonds and notes	Aaa	AAA	69,633,643	17.2
Corporate asset-backed securities	Aaa	AAA	2,191,003	0.5
Corporate collateralized mortgage obligations	Baa	AA	25,367,921	6.3
Agency mortgage-backed securities	Aaa	AAA	117,952,526	29.1
Agency collateralized mortgage obligations	Aaa	AAA	134,378,380	33.1
Money market funds	Aaa	AAA	15,209,068	3.7
Total rated investments			$ 405,768,343	100.00

Concentration of Credit Risk

West Virginia statutes prohibit the Total Return Fixed Income pool from investing more than 5% of its assets in securities issued by a single private corporation or association. At June 30, 2009, the Core Fixed Income 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, 2009, the Core Fixed Income pool held no securities that were subject to custodial credit risk. All remaining securities are held by the WVIMB's custodian in the name of the WVIMB.

Interest Rate Risk

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

	June 30, 2009	
Investment Type	**Fair Value**	**Modified Duration (years)**
Corporate notes and bonds	$ 41,035,802	5.0
U.S. Treasury notes and bonds	69,633,643	6.4
Corporate asset-backed securities	2,191,003	1.9
Corporate collateralized mortgage obligations	25,367,921	4.1
Agency mortgage-backed securities	117,952,526	8.9
Agency collateralized mortgage obligations	134,378,380	3.4
Money market fund	15,209,068	0.0
Total assets	$ 405,768,343	5.4

The Core Fixed Income pool invests in commercial and residential mortgage-backed securities, asset-backed securities, and collateralized mortgage obligations. The cash flows from these securities are based on the payment of the underlying collateral. The modified duration and yield to maturity of these securities are dependent on estimated prepayment assumptions that consider historical experience, market conditions, and other criteria. Actual prepayments may vary with changes in interest rates. Rising interest rates often result in a slower rate of prepayments while declining rates tend to lead to faster prepayments. As a result, the fair values of these securities are highly sensitive to interest rate changes. At June 30, 2009, the Core Fixed Income pool held $279,883,830 of these securities. This represents approximately 69% of the value of the fixed income pools.

3. Deposit and Investment Risk Disclosures (continued)

BRIM's amount invested in the Core Fixed Income pool of $18,450,000 at June 30, 2009, represents approximately 5% of total investments in this pool.

Foreign Currency Risk

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

Hedge Fund

The Hedge Fund holds shares in various commingled institutional funds and shares of a money market fund with the highest credit rating. The commingled institutional funds are not rated by any of the nationally recognized statistical rating agencies and thus any credit risk cannot be accurately reported. The pool is not exposed to interest rate risk, custodial credit risk, or concentration of credit risk. The pool is indirectly exposed to foreign currency risk as certain of the funds have investments denominated in foreign currencies. At June 30, 2009, approximately $456,938,000 or 41%, of the market value of the funds were held in foreign currencies. BRIM's amount invested in the Hedge Fund of $20,655,000 at June 30, 2009, represents approximately 1.9% of total investments in this pool.

Fixed Nonqualified Income Pool

During the fiscal year the WVIMB liquidated the Fixed Nonqualified Income pool. The pool held positions of institutional mutual funds with a combined value of $474,561,035 at June 30, 2008, that invested in mortgage-backed securities and corporate bonds. The mutual funds are unrated. The weighted average modified duration of the underlying securities was 5.6 years at June 30, 2008. 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 $34,585,000 at June 30, 2008, represents approximately 7.3% of total investments in this pool.

3. Deposit and Investment Risk Disclosures (continued)

Advanced Deposits

Insurance Company and Trustee

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

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

	June 30, 2009			
Security Type	**Moody's**	**S&P**	**Carrying Value**	**Percent of Pool Assets**
Corporate bonds and notes	Aa2	AA+	$ 1,708	1.11%
	A1	A	697	0.45
	A3	A	628	0.41
	Aa3	A+	811	0.63
	Aaa	AAA	1,715	1.12
	Aa3	AA-	1,634	1.06
	A1	AA-	685	0.45
			7,878	5.13
U.S. Treasury bonds	Aaa	AAA	74,332	48.36
U.S. Agency bonds	Aaa	AAA	69,546	45.25
Money market funds	Aaa	AAA	1,938	1.26
			$ 153,694	100.00%

Concentration of Credit Risk

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

3. Deposit and Investment Risk Disclosures (continued)

Custodial Credit Risk

At June 30, 2009 and 2008, advanced deposits include no securities that were subject to custodial credit risk.

Interest Rate Risk

The following table provides the WAM for the various asset types in the Advanced Deposits (carrying values – in thousands):

	June 30, 2009	
Investment Type	**Carrying Value**	**WAM Years**
Corporate bonds and notes	$ 7,878	**4.8**
U.S. Treasury bonds	74,332	**5.0**
U.S. agency bonds	69,546	**3.1**
Money market funds	1,938	**1.0**
Total rated investments	$ 153,694	**4.1**

Foreign Currency Risk

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

4. Unpaid Claims and Claims Adjustment Expense Liability

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

	2009	2008
	(In Thousands)	
Unpaid claims and claims adjustment expense liability at beginning of year	**$ 162,228**	$ 159,564
Incurred claims and claims adjustment expense:		
Provision for insured events of the current year	**55,894**	57,246
Decrease in provision for insured events of prior years	**19,290**	14,264
Total incurred claims and claims adjustment expense	**36,604**	42,982
Payments:		
Claims and claims adjustment expense attributable to insured events of the current year	**9,753**	8,352
Claims and claims adjustment expense attributable to insured events of prior years	**36,346**	31,966
Total payments	**46,099**	40,318
Total unpaid claims and claims adjustment expense liability at end of year	**$ 152,733**	$ 162,228

If the unpaid claims and claims adjustment expense liability were discounted using a 4% discount factor for 2009 and 2008 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 $13,861,000 and $15,511,000 for fiscal years 2009 and 2008, respectively. The overall unpaid claim liability number includes a provision for allocated and unallocated claims adjustment expense.

5. Employee Benefit Plans

Pension Benefits

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

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

	2009	**2008**	**2007**
BRIM contributions (10.5%)	**$ 103,177**	$ 103,252	$ 100,981
Employee contributions (4.5%)	**44,219**	44,250	43,277
Total contributions	**$ 147,396**	$ 147,502	$ 144,258

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

5. Employee Benefit Plans (continued)

Other Postemployment Benefits

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

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

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

5. Employee Benefit Plans (continued)

Historically, BRIM recorded compensated absences under the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*, and recorded a liability for the conversion of sick leave into OPEB health care benefits, which was included as part of the compensated absences liability. Under GASB 45, the conversion of sick leave into OPEB health care benefits is now required to be accounted for as part of the OPEB obligation. In conjunction with the adoption of GASB 45, which was adopted prospectively, BRIM adjusted the net asset balance as of July 1, 2007, to account for the effect of this change in accounting principle by reducing the OPEB portion of the compensated absences liability recorded under the old methodology to zero (in thousands):

Net assets balance as reported June 30, 2007	$ 97,547
Cumulative effect of change in accounting principle for other postemployment benefits	148
Net asset balance as adjusted July 1, 2007	$ 97,695

Legislation requires the RHBT to determine through an actuarial study, the Annual Required Contribution (ARC) which shall be sufficient to maintain the RHBT in an actuarially sound manner. The ARC is allocated to respective cost-sharing employers including BRIM who are required by law to fund at least the minimum annual premium component of the ARC. Revenues collected by RHBT shall be used to fund current OPEB health care claims and administrative expenses with residual funds held in trust for future OPEB costs. Based on the actuarial study completed, the annual required contribution rates were determined for the fiscal year ended June 30, 2008. BRIM's OPEB expense for fiscal years 2009 and 2008 were approximately $92,000 and $114,000, respectively of which approximately $53,000 and $35,000 remained unpaid. The combined unpaid of $88,000 for fiscal years 2009 and 2008 is recorded in accrued expenses and other liabilities in the statements of net assets. BRIM's OPEB contribution for fiscal year 2009 and 2008 was approximately $39,000 and $49,000, respectively. For fiscal year 2009 the actual contribution was $39,000 of the total required contribution of $92,000. The actual contribution represents 42% of the total required contribution. The State paid $30,000 on BRIM's behalf towards the ARC in fiscal year 2008. BRIM's policy is to fund at least the minimum annual premium component of the ARC. Prior to the adoption of GASB 45, the benefit was funded on a pay-as-you-go basis. There are currently 23 employees eligible to receive such benefits.

6. Lease Arrangement

In September 2006, the State renewed the lease arrangement on behalf of BRIM for office space occupied by BRIM with a monthly lease payment of $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 for the years ended June 30, 2009 and 2008, relating to these arrangements. Future minimum lease payments under these operating lease arrangements are as follows for years ending June 30:

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

7. Transactions With Primary Government and Component Units

Premium revenues derived from billings to State entities, which are funded by special revenue funds and component units of the primary government approximated $31,596,000 and $36,258,000 for the years ended June 30, 2009 and 2008, respectively.

BRIM is required by Senate Bill 1002 to remit amounts equal to the gross premium tax attributable to premiums collected by BRIM. These amounts are to be placed in a separate account known as “the Premium Tax Savings Fund” (the Fund) maintained by the State Treasurer. Amounts deposited by BRIM into the Fund approximated $2,573,000 and $2,777,000 for the years ended June 30, 2009 and 2008, respectively. The Fund is not included in BRIM’s financial statements, but is included in the general fund of the State.

8. Premium Tax Surcharge Contingency

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

Management successfully recovered and recognized $6,288,000, including estimated interest, during fiscal year 2009 from one carrier and anticipates recovering an additional $244,000, including estimated interest, from two other carriers.

9. Reinsurance

BRIM has entered into two reinsurance agreements for excess coverage with unrelated insurance companies wherein the company assumes the liability over BRIM's limit for a ceded premium. BRIM obtains an excess policy from the commercial market which gives boards of education a liability limit of up to $5,000,000 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. BRIM did not have any reinsurance recoveries at June 30, 2009. At June 30, 2008, BRIM recorded reinsurance recoverables from these reinsurers totaling $95,000.

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.

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

Required Supplemental Schedules

West Virginia Board of Risk and Insurance Management

Ten-Year Claims Development Information (Unaudited)

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

	Fiscal and Policy Year Ended June 30									
	2000	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**
	(In Thousands)									
1) Premiums and investment revenues										
Earned	$ 48,437	$ 53,828	$ 56,992	$ 81,450	$ 110,279	$ 95,336	$ 89,690	$ 98,270	$ 83,498	**$ 69,739**
Ceded	1,553	1,629	1,866	3,126	3,801	3,912	4,145	6,151	6,394	**5,944**
Net earned	46,884	52,199	55,126	78,324	106,478	91,424	85,545	92,119	**77,104**	**63,795**
2) Unallocated expenses, including administrative fees paid to third-party claims administrators	8,590	6,471	7,315	11,168	14,332	8,301	8,894	8,536	8,045	**7,840**
3) Estimated incurred claims and claims adjustment expense, end of policy year:										
Incurred	47,920	46,867	60,515	83,642	94,279	65,674	58,491	59,678	59,246	**56,194**
Ceded	364	360	783	577	597	5	172	3,597	2,000	**300**
Net incurred	47,556	46,507	59,732	83,065	93,682	65,669	58,319	56,081	57,246	**55,894**
4) Paid (cumulative) claims and claims adjustment expense as of:										
End of policy year	10,068	8,547	11,077	11,746	13,799	9,134	10,097	12,416	8,352	**9,753**
One year later	16,859	15,168	14,834	25,194	55,414	16,901	17,547	16,942	18,097	
Two years later	24,900	20,337	24,366	50,292	61,987	25,283	23,291	24,345		
Three years later	37,110	28,352	35,464	56,354	72,727	33,505	31,901			
Four years later	41,278	35,596	43,356	59,777	78,617	37,904				
Five years later	47,658	37,884	46,518	62,406	81,861					
Six years later	50,474	39,585	49,116	63,191						
Seven years later	51,290	40,344	51,188							
Eight years later	51,728	40,789								
Nine years later	53,138									
5) Reestimated ceded claims and expenses	364	360	783	577	597	5	172	–	–	**–**
6) Reestimated net incurred claims and allocated claims adjustment expense:										
End of policy year	47,556	46,507	59,732	83,065	93,682	65,669	58,319	56,081	57,246	**55,894**
One year later	50,810	49,612	58,141	80,739	93,171	61,419	51,183	53,924	57,108	
Two years later	53,519	48,108	56,755	79,646	91,136	56,023	47,726	48,330		
Three years later	53,961	44,027	58,004	69,595	90,453	52,893	45,490			
Four years later	55,116	45,572	55,443	65,434	87,424	50,179				
Five years later	55,728	43,336	53,627	62,177	86,199					
Six years later	54,785	43,233	54,784	60,797						
Seven years later	53,473	42,893	53,740							
Eight years later	53,929	42,152								
Nine years later	53,718									
7) Increase (decrease) in estimated net incurred claims and allocated claims adjustment expense from end of policy year	6,162	(4,355)	(5,992)	(22,268)	(7,483)	(15,490)	(12,829)	(7,751)	(138)	–

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									
	2009					**2008**				
	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	**$ 158,985**	**$ 2,469**	**$ 639**	**$ 135**	**$ 162,228**	$ 156,121	$ 2,099	$ 983	$ 361	$ 159,564
Incurred claims and claims adjustment expense:										
Provision for insured events of the current fiscal year	**49,039**	**6,068**	**787**	**–**	**55,894**	53,910	2,806	530	–	57,246
(Decrease) increase in provision for insured events of prior fiscal years	**(18,090)**	**(1,324)**	**172**	**(48)**	**(19,290)**	(12,350)	(1,067)	(692)	(155)	(14,264)
Total incurred claims and claims adjustment expense	**30,949**	**4,744**	**959**	**(48)**	**36,604**	41,560	1,739	(162)	(155)	42,982
Payments:										
Claims and claims adjustment expense attributable to insured events of the current fiscal year	**8,095**	**1,561**	**97**	**–**	**9,753**	7,169	1,108	75	–	8,352
Claims and claims adjustment expense attributable to insured events of the prior fiscal years	**35,989**	**(202)**	**508**	**51**	**36,346**	31,527	261	107	71	31,966
Total claims and claims adjustment expense payments	**44,084**	**1,359**	**605**	**51**	**46,099**	38,696	1,369	182	71	40,318
Total unpaid claims and claims adjustment expense liability at end of the fiscal year	**$ 145,850**	**$ 5,854**	**$ 993**	**$ 36**	**$ 152,733**	$ 158,985	$ 2,469	$ 639	$ 135	$ 162,228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Statistical Section

STRIMA "City Slickers" – This companion event involved a horseback ride along miles of trails that meandered along mountain streams and over the hills of The Resort at Glade Springs.


STATE OF WEST VIRGINIA
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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 2009 and Fiscal Year 2000
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 1999 through 2008

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

Schedule 7 – Full-Time Equivalent Employees Fiscal Years 2000 through 2009
Schedule 8 – Claims Dollars Incurred by Customer Type for Fiscal Years 2000 through 2009
Schedule 9 – Losses Incurred by Coverage Fiscal Years 2000 through 2009
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 2009

SCHEDULE 1

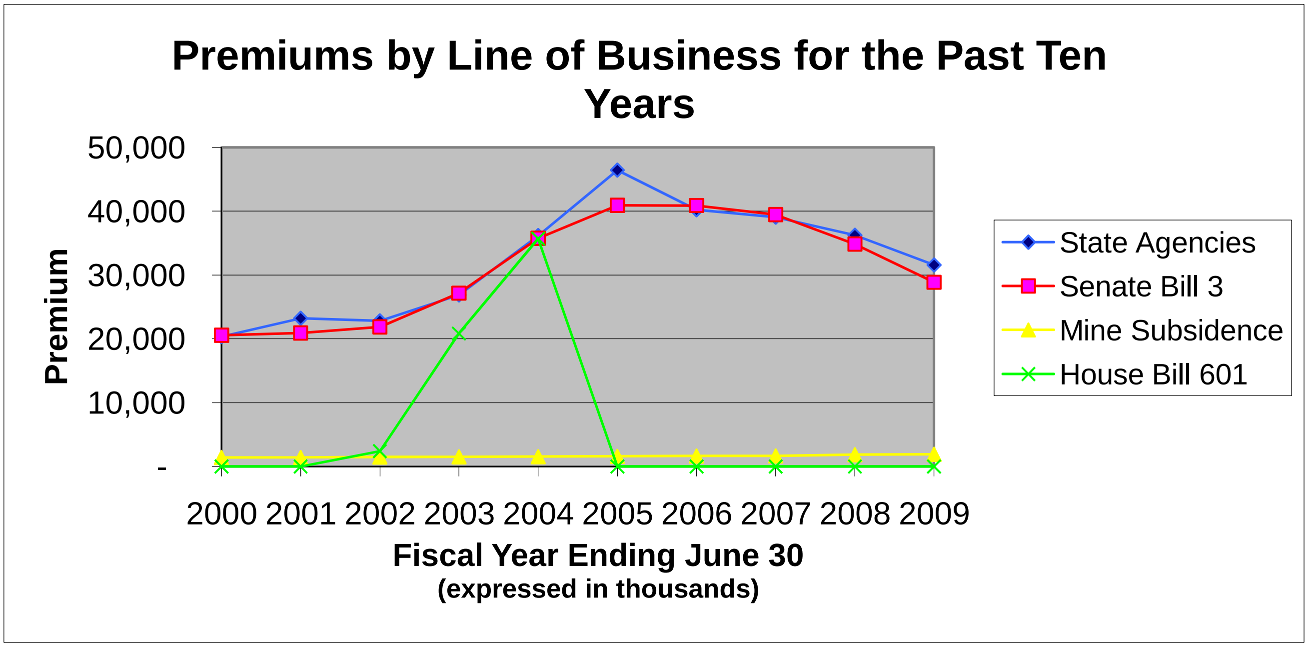
Comparative Statement of Net Assets and Changes in Net Assets (Deficiency)
Last Ten Fiscal Years
(Expressed in Thousands)

	2009	2008	2007	2006	2005
Operating Revenues					
Premiums	$ 62,427	$ 72,986	$ 80,248	$ 82,824	$ 89,030
Less Excess Coverage/Reinsurance Premiums	(5,944)	(6,394)	(6,151)	(4,145)	(3,912)
Net Operating Revenues	56,483	66,592	74,097	78,679	85,118
Operating Expenses					
Claims and Claims Adjustment Expense	36,604	42,982	35,136	37,076	56,675
General and Administrative	3,894	4,247	4,305	4,180	4,294
Depreciation Expense	--	--	--	--	--
Total Operating Expenses	40,498	47,229	39,441	41,256	60,969
Operating Income (loss)	15,985	19,363	34,656	37,423	24,149
Nonoperating Revenues (Expenses)					
Interest Income	7,312	10,512	18,022	6,866	6,306
Financing Income	31	30	25	28	40
On behalf contributions	--	30	--	--	--
Appropriations from State of West Virginia	--	--	--	--	2,000
Distribution to Physicians' Mutual	--	--	--	--	(4,582)
Total Nonoperating Revenue	7,343	10,572	18,047	6,894	3,764
Change in Net Assets (Deficiency)	23,328	29,935	52,703	44,317	27,913
Net Assets (Deficiency) at Year-End					
Restricted	33,924	33,634	31,117	26,277	20,530
Unrestricted	117,034	93,996	66,430	18,567	(20,003)
Total Net Assets (Deficiency)	$ 150,958	$ 127,630	$ 97,547	$ 44,844	$ 527

Source: Compiled from BRIM's internal accounting records

2004	2003	2002	2001	2000
$ 109,268	$ 76,488	$ 48,693	$ 45,606	$ 42,404
(3,801)	(3,126)	(2,011)	(1,629)	(1,553)
105,467	73,362	46,682	43,977	40,851
86,122	77,231	68,730	49,640	63,130
10,536	5,360	2,976	2,911	5,119
--	--	--	--	8
96,658	82,591	71,706	52,551	68,257
8,809	(9,229)	(25,024)	(8,574)	(27,406)
1,011	4,962	5,367	8,222	6,033
98	45	44	--	--
--	--	--	--	--
1,942	2,910	1,066	--	--
--	--	--	--	--
3,051	7,917	6,477	8,222	6,033
11,860	(1,312)	(18,547)	(352)	(21,373)
21,939	16,829	14,496	13,328	12,395
(49,325)	(56,075)	(52,430)	(32,715)	(31,430)
$ (27,386)	$ (39,246)	$ (37,934)	$ (19,387)	$ (19,035)

SCHEDULE 2



Fiscal Year	State Agencies	Senate Bill 3	Mine Subsidence	House Bill 601
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	-
2008	$ 36,259	$ 34,875	$ 1,852	-
2009	$ 31,596	$ 28,902	$ 1,929	-

The chart above shows premiums by line of business for the past ten fiscal years, expressed in thousands of dollars. This chart illustrates the recent reduction of premiums for State Agencies and Senate Bill 3 customers after a significant period of growth.

Source: BRIM's internal financial statements.

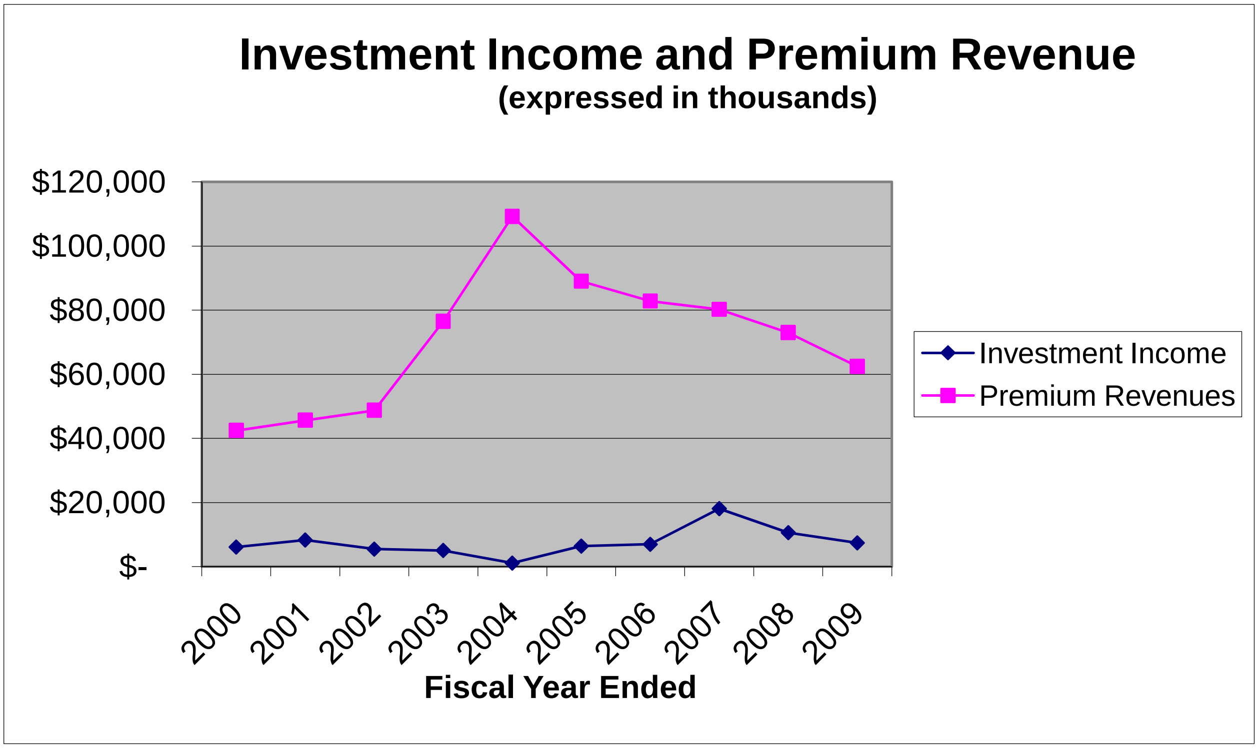
SCHEDULE 3

	Top 10 State Agency Premiums for Fiscal Year 2009		Top 10 State Agency Premiums for Fiscal Year 2000	
1	West Virginia State Police	$ 5,606,195	Division of Highways	$ 5,264,080
2	West Virginia University	5,510,800	West Virginia University	5,199,384
3	Division of Highways	4,901,858	Marshall University	1,391,760
4	Department of Health & Human Resources	4,118,442	Public Health Division	1,144,155
5	Marshall University	2,065,082	Public Safety Division	971,932
6	Corrections Division	915,292	Department of Health & Human Resources	932,812
7	Regional Jail and Correctional Facility Authority	518,471	Department of Natural Resources	784,176
8	West Virginia State Parks	517,694	Corrections Division	469,620
9	Division of Environmental Protection	467,514	WV Parkways and Economic Development Authority	414,868
10	Department of Natural Resources	448,135	Human Services Department	251,232
	Total Top Ten	**$ 25,069,483**	Total Top Ten	**$ 16,824,019**
	Total State Premium Billing for 2009	**$ 31,836,818**	Total State Premium Billing for 2000	**$ 21,010,872**
	% of top 10 in relation to all state agency billings	**78.74%**	% of top 10 in relation to all state agency billings	**80.07%**

	Top 20 SB 3 Premiums for Fiscal Year 2009		Top 20 SB 3 Premiums for Fiscal Year 2000	
1	Kanawha County Board of Education	$ 1,970,276	Kanawha County Board of Education	$ 1,125,982
2	West Virginia University Medical Corporation	856,612	Harrison County Board of Education	505,416
3	Raleigh County Board of Education	692,570	Berkeley County Board of Education	452,858
4	Berkeley County Board of Education	655,411	Wood County Board of Education	431,935
5	Mercer County Board of Education	556,912	Mercer County Board of Education	411,167
6	Wayne County Board of Education	515,508	Raleigh County Board of Education	366,181
7	Harrison County Board of Education	488,985	Monongalia County Board of Education	340,836
8	Putnam County Board of Education	453,329	Cabell County Board of Education	335,277
9	Cabell County Board of Education	433,652	Wayne County Board of Education	333,457
10	Wood County Board of Education	431,907	Fayette County Board of Education	284,118
11	Monongalia County Board of Education	419,191	Logan County Commission	267,239
12	City of St. Albans	414,041	Marion County Board of Education	258,468
13	Marion County Board of Education	411,022	McDowell County Board of Education	254,569
14	University Physicians and Surgeons	349,469	Logan County Board of Education	253,739
15	Raleigh County Commission	347,094	Putnam County Board of Education	243,962
16	Jefferson County Commission	346,598	Mineral County Board of Education	238,531
17	Logan County Board of Education	337,336	Mingo County Board of Education	231,003
18	Fayette County Board of Education	334,965	Jefferson County Board of Education	222,122
19	McDowell County Board of Education	314,264	Mingo County Commission	195,208
20	Jefferson County Board of Education	310,563	City of Beckley	193,748
	Total Top Twenty	**$ 10,639,705**	Total Top Twenty	**$ 6,945,816**
	Total SB 3 Premium Billing for 2009	**$ 32,006,266**	Total SB 3 Premium Billing for 2000	**$ 21,915,666**
	% of top 20 in relation to total SB 3 billings	**33.24%**	% of top 20 in relation to total SB 3 billings	**31.69%**

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

SCHEDULE 4



Fiscal Year	Investment Income	Premium Revenue
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
2008	$ 10,512	$ 72,986
2009	$ 7,312	$ 62,427

This chart illustrates the increasing investment income BRIM has received in the five most recent years as a result of its new investment strategy even with a decrease in overall premium revenues and is expressed in thousands of dollars.

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

SCHEDULE 5

Principal Employers
Current Year and Nine Years Ago

As of June 30, 2009		As of June 30, 2000	
Major West Virginia Employers	Number of Employees	Major West Virginia Employers	Number of Employees
Local Government	75,000-74,999	Local Government	70,000-74,999
State of West Virginia	40,000-49,999	State of West Virginia	25,000-39,999
Federal Government	20,000-24,999	Federal Government	20,000-24,999
Wal-Mart Associates, Inc.	10,000-13,000	Wal-Mart Associates, Inc.	6,000-9,999
West Virginia United Health System	7,000-9,999	Charleston Area Medical Center	3,000-5,999
Charleston Area Medical Center	5,000-6,999	Kroger	3,000-5,999
Kroger	3,000-4,999	Weirton Steel Corporation	3,000-5,999
American Electric Power	1,000-2,999	CSX Corporation	3,000-5,999
Eldercare Resources Corporation	1,000-2,999	E l DuPont De Numours	3,000-5,999
Lowe's Home Centers, Inc.	1,000-2,999	Hospital Corporation of America Inc.	3,000-5,999
Consolidation Coal Company	1,000-2,999	Bell Atlantic	3,000-5,999
St. Mary's Hospital	1,000-2,999	Union Carbide Corporation	1,000-2,999
Res-Care	1,000-2,999	West Virginia University Hospitals	1,000-2,999

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

SCHEDULE 6

Demographic and Economic Indicators
Calendar Years 1999-2008

	2008	2007	2006	2005
Population				
West Virginia	1,814,468	1,812,035	1,818,470	1,814,083
Change	0.13%	-0.35%	0.24%	0.08%
National	305,529,237	302,785,808	300,304,181	298,024,822
Change	0.91%	0.83%	0.76%	1.49%
Total Personal Income				
West Virginia (in thousands)	55,941	53,181	50,472	47,565
Change	5.19%	5.37%	6.11%	4.11%
National	12,086,534	11,634,322	10,978,053	10,252,973
Change	3.89%	5.98%	7.07%	5.58%
Per Capita Personal Income*				
West Virginia	30,831	29,349	27,755	26,220
Change	5.05%	5.74%	5.85%	4.03%
National	39,559	38,424	36,556	34,403
Change	2.95%	5.11%	6.26%	4.03%
Median Age - West Virginia	40.6	40.4	40.7	40.7
Educational Attainment				
9th Grade or Less	6.6%	7.0%	7.1%	10.0%
Some High School, No Diploma	11.1%	11.8%	11.9%	14.8%
High School Diploma	40.9%	41.0%	42.7%	39.4%
Some College, No Degree	18.5%	16.7%	16.1%	16.6%
Associate, Bachelor's or Graduate Degree	22.9%	23.4%	22.2%	19.2%
Resident Civilian Labor Force and Employment in West Virginia				
Civilian Labor Force (thousands)	806.0	813.0	810.0	798.0
Employed (thousands)	772.0	778.0	773.0	759.0
Unemployed (thousands)	34.0	35.0	37.0	39.0
Unemployment Rate (thousands)	4.3%	4.3%	4.6%	4.9%
Nonfarm Wage and Salary Workers Employed in West Virginia				
Goods Producing Industries				
Mining	30.7	27.5	28.1	25.9
Construction	38.4	38.7	39.2	36.8
Manufacturing-Durable Goods	35.2	37.2	38.4	38.8
Manufacturing-NonDurable Goods	21.1	21.8	22.6	23
Total Goods Producing Industries	**125.4**	**125.2**	**128.3**	**124.5**
Non-Goods Producing Industries				
Trade	114.4	116.2	115.5	113.6
Service	374	342.7	367.8	364.9
State and Local Government	123.7	122.6	122.4	121.7
Federal Government	22.9	22.5	22.1	21.9
Total Non-Goods Producing Industries	**635**	**604**	**627.8**	**622.1**
Total Nonfarm Wage and Salary Employment	**760.4**	**729.2**	**756.1**	**746.6**

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

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

Some information from previous years has been updated

2004	2003	2002	2001	2000	1999
1,812,548	1,810,347	1,804,529	1,801,438	1,807,442	1,811,799
0.12%	0.32%	0.17%	-0.33%	-0.24%	-0.21%
293,656,842	290,850,005	287,984,799	285,107,923	282,193,477	279,731,000
0.97%	0.99%	1.01%	1.03%	0.88%	1.15%
45,686	43,841	43,312	41,902	39,438	37,472
4.21%	1.22%	3.36%	6.25%	5.25%	2.00%
9,711,363	9,150,320	8,872,871	8,716,992	8,398,871	7,779,521
6.13%	3.13%	1.79%	3.79%	7.96%	4.87%
25,205	24,217	24,002	23,260	21,820	20,682
4.08%	0.90%	3.19%	6.60%	5.50%	2.21%
33,070	31,461	30,810	30,574	29,763	27,811
5.12%	2.11%	0.77%	2.73%	7.02%	3.68%
40.2	39.9	39.5	39.3	39.0	38.9
10.0%	10.0%	10.0%	10.0%	10.0%	16.8%
14.8%	14.8%	14.8%	14.8%	14.8%	17.3%
39.4%	39.4%	39.4%	39.4%	39.4%	36.6%
16.6%	16.6%	16.6%	16.6%	16.6%	13.2%
19.2%	19.2%	19.2%	19.2%	19.2%	16.1%
788.0	790.0	796.0	801.0	809.0	813.0
747.0	742.0	749.0	759.0	765.0	762.0
41.0	48.0	47.0	42.0	44.0	51.0
5.3%	6.0%	5.9%	5.2%	5.5%	6.3%
23.8	22	23.1	23.5	21.4	22.3
34.6	32.7	33.4	34.9	34	33.8
39.2	39.7	42.2	44.5	46.6	46.7
23.8	24.9	26.5	27.7	29.2	30.2
121.4	**119.3**	**125.2**	**130.6**	**131.2**	**133**
111.9	110.4	111.3	113.7	117.4	117
360.5	355.5	353.7	350	344.1	335.1
121.4	120.6	120.9	119.2	120.6	119.2
21.8	21.9	21.9	21.8	22.5	21.7
615.6	**608.4**	**607.8**	**604.7**	**604.6**	**593**
737	**727.7**	**733**	**735.3**	**735.8**	**726**

SCHEDULE 7

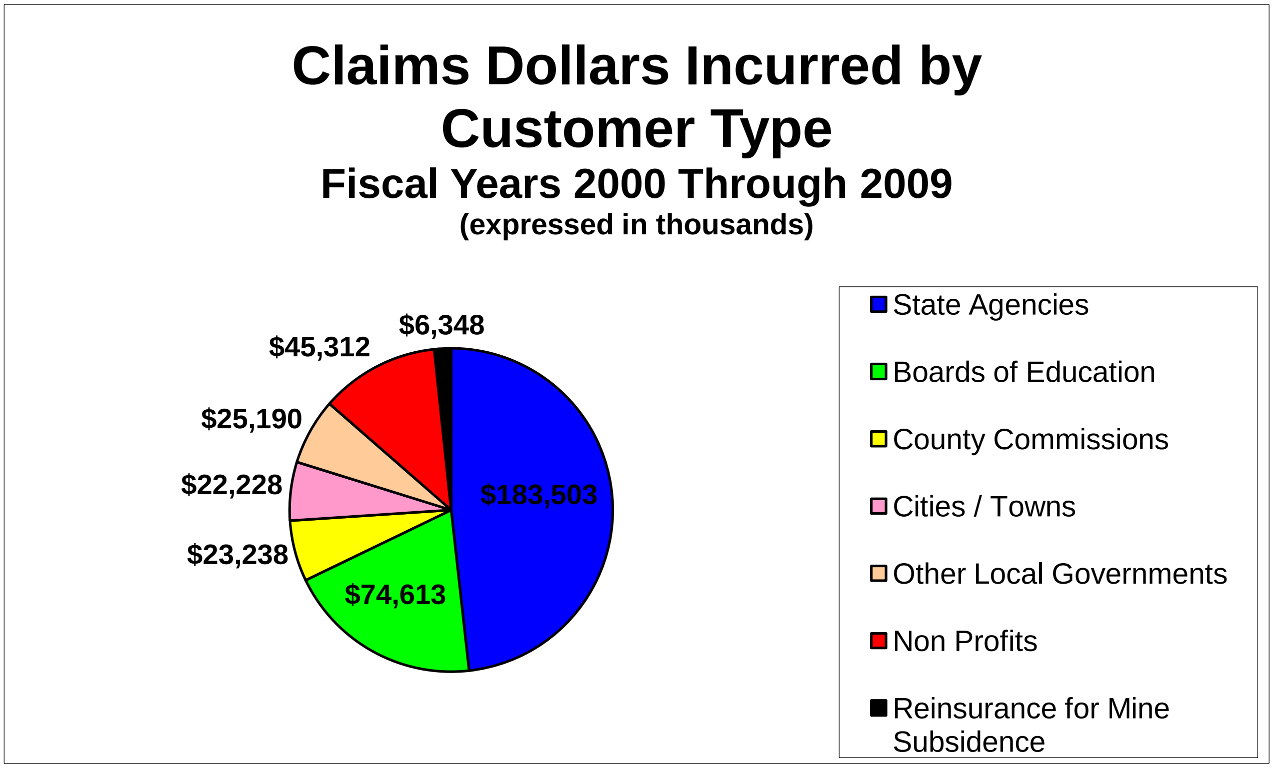
Full-time Equivalent Employees as of Fiscal Year-End*

	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Administration	2	2	2	2	3	5	3	2	2	2
Finance	3	3	3	3	3	3	3	3	3	3
Claims	5	5	5	5	6	4	5	4	4	4
Underwriting	6	5	6	6	6	6	5	4	4	4
Loss Control	4	4	6	5	4	4	2	3	2	2
Information Systems	2	2	2	2	2	1	1	2	2	1
Medical Professional	--	--	--	--	--	1	1	--	--	--
Total Employees	22	21	24	23	24	24	20	18	17	16

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

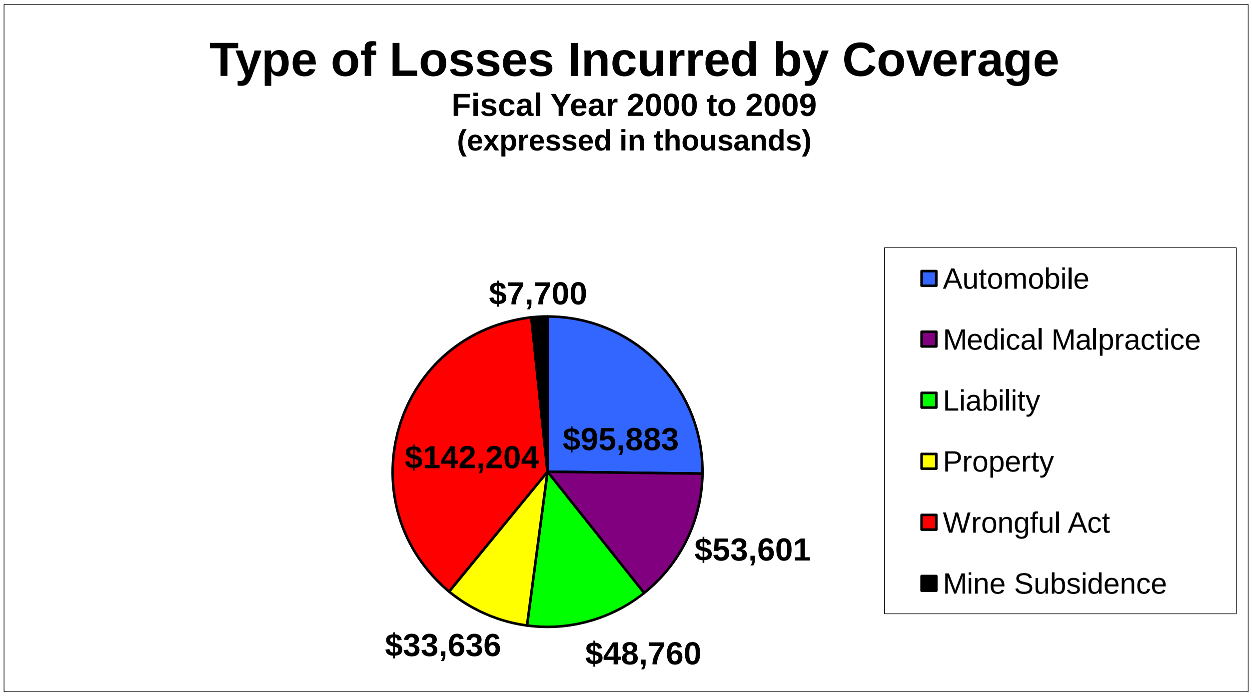
Source: Information compiled from the West Virginia Board of Risk and Insurance Management's internal data.

SCHEDULE 8



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

SCHEDULE 9



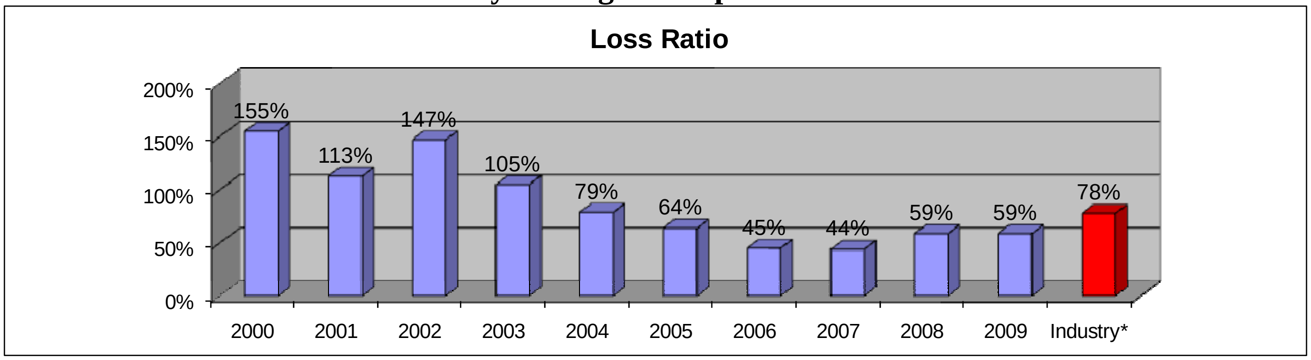
Loss Category

Automobile refers to injuries and physical damage claims resulting from the use of automobiles.
Medical Malpractice refers to claims arising out of professional medical encounters.
Liability refers to incidents such as slips and falls, highway maintenance, alleged negligence in the oversight of property and programs.
Property refers to damage to dwellings and structures covered under the policy.
Wrongful acts generally fall in the personal injury area and refer to things such as alleged employment discrimination, defamation, and civil rights' violations.
Mine subsidence is dwelling insurance up to a specified maximum for damage caused by the collapse of underground coal mines.

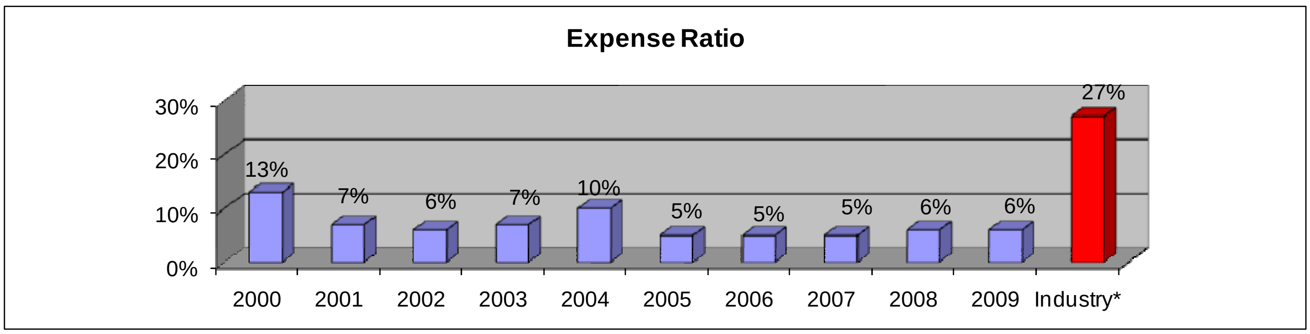
Source: Information compiled from the West Virginia Board of Risk and Insurance Management's internal data.

SCHEDULE 10

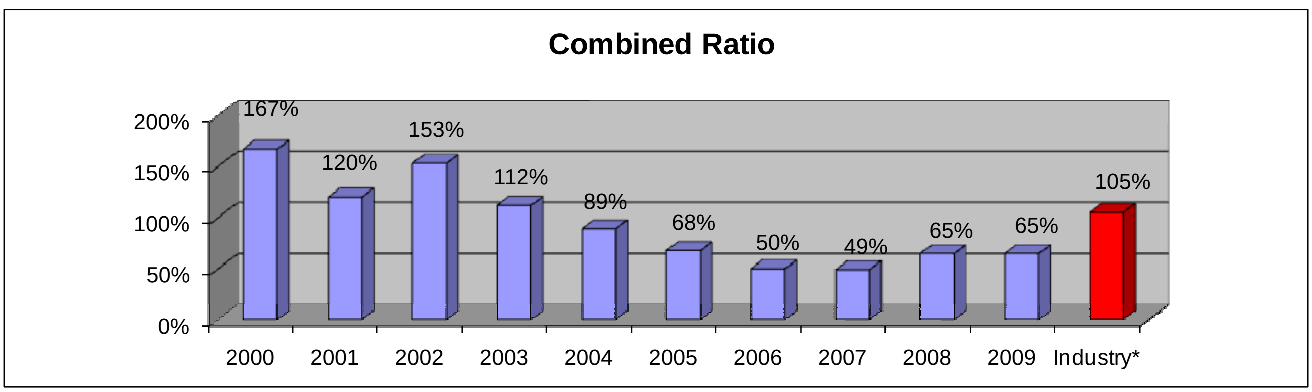
Industry Averages Compared to BRIM



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



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

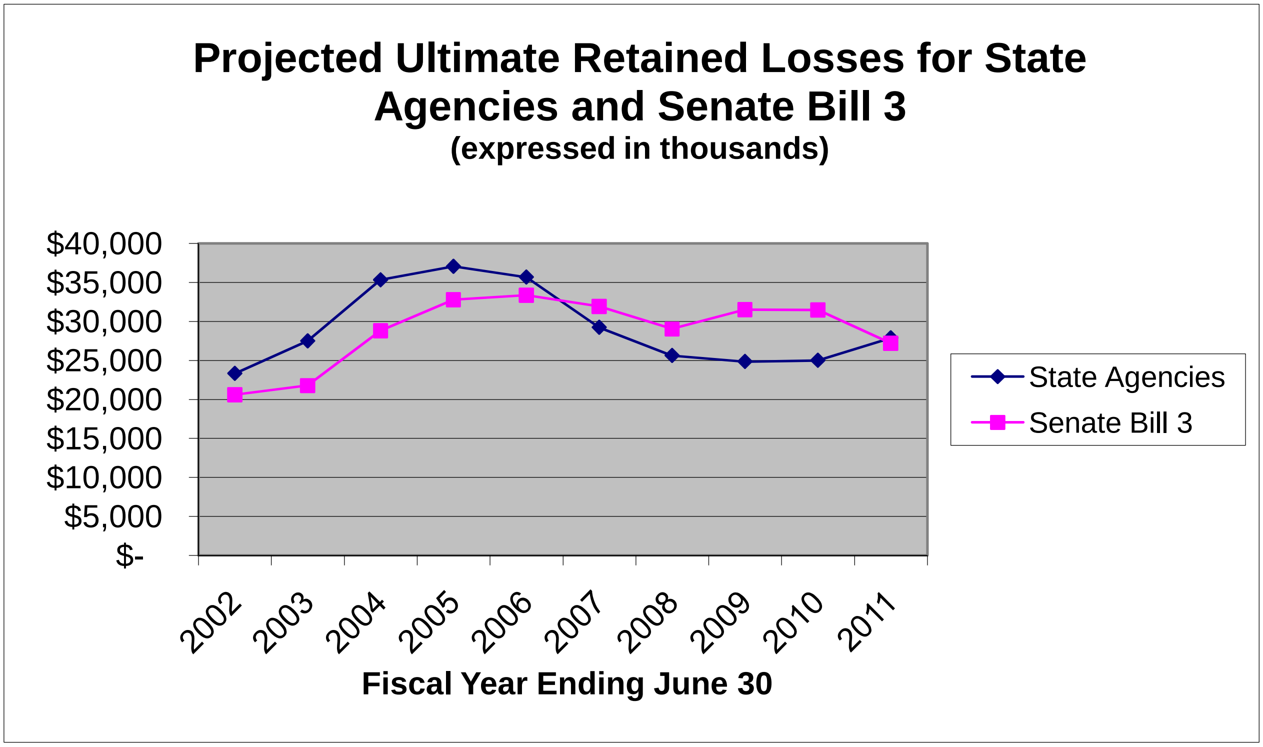


The combined ratio is used to measure underwriting performance. It is derived by adding the loss and expense ratio. A combined ratio below 100% indicates an underwriting profit and one above 100% indicates an underwriting loss.

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

*** Source: Standard and Poor's Industry Surveys, Insurance: Property/Casualty, July 9, 2009.**

SCHEDULE 11



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

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

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

SCHEDULE 12

Listing of Coverages in Effect for Fiscal Year 2009

LIABILITY	**LIMIT OF LIABILITY**	
Automobile Liability Policy No.: RMCA 160-76-19 Company: AIG Insurance	$	1,000,000 per occurrence
General Liability Policy No.: RMGL 972-30-75 Company: AIG Insurance	$	1,000,000 per occurrence
Aircraft Liability Policy No.: AV 3380 147-06 Company: AIG Insurance	$	1,000,000 per occurrence
Excess Liability-Bd. of Education Policy No.: NXG358846J Company: General Star	$	5,000,000 per occurrence or claim
PROPERTY	**LIMIT OF LIABILITY**	
Blanket Property Policy No.: FS D3586782A 006 Company: Westchester	$	25,000,000 primary layer 1,000,000 deductible
Policy No.: NHD 358245 Company: RSUI	$	175,000,000 in excess of primary layer of $ 25,000,000
Policy No.: CICA 2571 Company: Commonwealth	$	75,000,000 in excess of 200,000
Policy No.: MAF733355-08 Company: Axis	$	125,000,000 in excess of 275,000,000
Policy No.: I20644904-006 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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