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, 2011

The West Virginia Department of Natural Resources and many other volunteer groups make fishing in West Virginia not only a beautiful experience but more than likely a successful one as well. There are over 200,000 miles of streams with 120 stocked regularly with rainbow, golden, brook, and brown trout. It is a year round activity all can enjoy.

On the Cover – Second Creek – A tributary of the Greenbrier River is a popular stream for dry fly fishing. Insect hatches are prolific and most stones are covered with many of these various creatures. At one time in the past, more than twenty mills for powder, grist, and lumbering were on this creek. Photographs used in this report were courtesy of Jerry Gladwell, with the West Virginia Board of Risk and Insurance Management and Rick Higgins.

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, 2011

Earl Ray Tomblin
Governor

Robert W. Ferguson, Jr.
Secretary Department of Administration

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

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

State of West Virginia
Board of Risk and Insurance Management
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Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2011

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FINANCIAL SECTION

STATISTICAL SECTION

Introductory Section

Glade Run Pond – One of the most beautiful sights in West Virginia. It is located within the Monongahela National Forest between Williams and Cranberry Rivers. Bass are the common type of fish that can be found here.

State of West Virginia
Board of Risk and Insurance Management

PRINCIPAL OFFICIALS

Earl Ray Tomblin, Governor

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

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

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

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

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

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

Earl Ray Tomblin
Governor

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

Robert Ferguson, Jr.
Cabinet Secretary

Formal Transmittal of Comprehensive Annual Financial Report (CAFR)

December 15, 2011

Honorable Earl Ray Tomblin, Governor
State of West Virginia

Board of Directors
West Virginia Board of Risk and Insurance Management

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

Ladies and Gentlemen:

The Comprehensive Annual Financial Report (CAFR) of the West Virginia Board of Risk and Insurance Management (BRIM) for the year ended June 30, 2011, is hereby respectfully submitted. This report was prepared by the Finance Department of BRIM. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with management of BRIM. We believe the data, as presented, is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position and results of operations and cash flows of BRIM. All disclosures necessary to enable the reader to gain an understanding of BRIM's financial activities have been included. The financial statements of BRIM have been prepared on an accrual basis in conformity with Generally Accepted Accounting Principles (GAAP) for governmental entities as prescribed or permitted by the Governmental Accounting Standards Board (GASB).

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

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

PROFILE OF BRIM

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

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

BRIM is charged with providing insurance coverage to all state agencies, which number approximately 161. Additionally, BRIM provides these services to cities, counties, and non-profit organizations throughout the State under the provisions of Senate Bill 3 (SB 3). Currently, BRIM insures approximately 900 of these organizations. BRIM also provides a coal mine subsidence reinsurance program that allows homeowners and businesses to obtain insurance coverage up to $75,000 for collapses and damage caused by underground coal mines. Currently, BRIM underwrites over 15,000 commercial and personal mine subsidence policies annually.

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

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

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

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

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

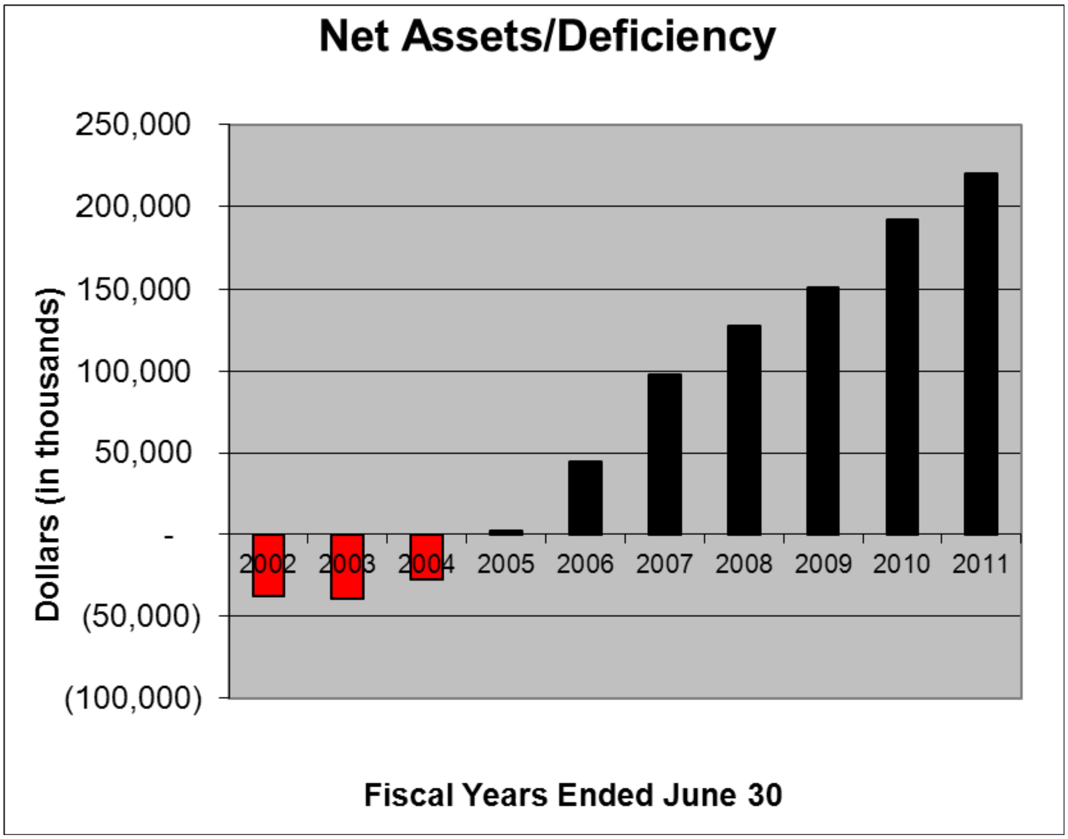
Property losses are retained by BRIM up to $1 million. Additional coverage is provided up to a limit of $400 million through various excess policies. This coverage provides reimbursement of loss at the stated or reported value less a $1,000 deductible. Under the mine subsidence program, ceding insurers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

ASSESSING BRIM'S FINANCIAL CONDITION

Net 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, 2011, BRIM has total net assets of $219,828,000 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.

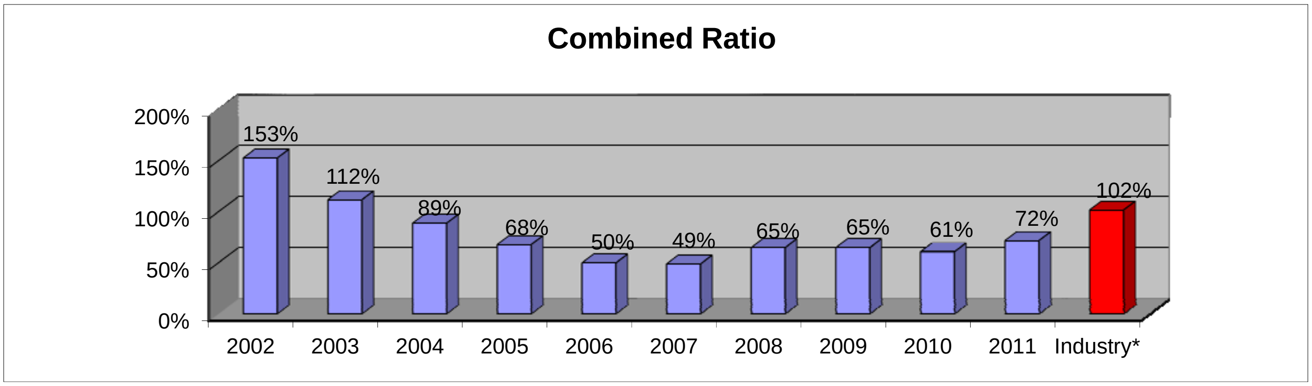
The chart below shows the net assets/deficiency for the past ten years. The years in black represent positive net assets and the years in red represent a net asset deficiency (or unfunded liability).



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 2011 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 28%. This has enabled BRIM to keep this key financial ratio below the industry this year. The risk funding study completed for 2011 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 2011. 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, September 22, 2011.

Investment Strategy

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

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

The volatile conditions in the financial markets resulted in significant investment losses for BRIM for the first half of fiscal year 2009. However, the first half losses were more than offset by significant improvements in the markets in the second half of fiscal year 2009 and provided positive returns through fiscal year 2011.

BRIM On-Line

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

Audit

The financial statements of BRIM are prepared on the accrual basis of accounting in conformity with GAAP. BRIM is required by the Financial Accounting and Reporting Section (FARS) of the Department of Administration and by State Code to have an annual independent audit. The firm of Ernst & Young, LLP was selected to perform the financial statement audit for the fiscal year ended June 30, 2011. 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, 2010. This was the sixteenth consecutive year that BRIM has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Acknowledgements

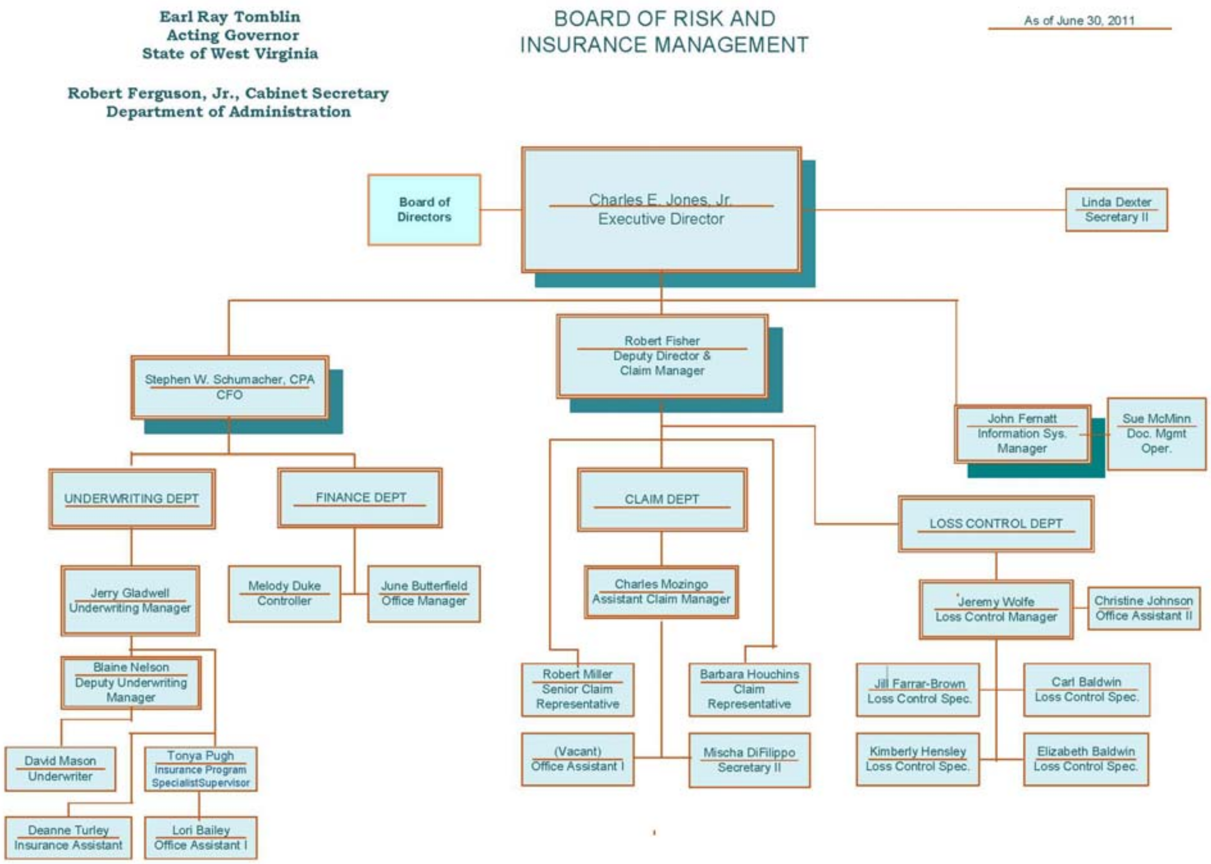
BRIM would like to thank the Governor, the Legislature, the Cabinet Secretary of Administration, and the Board of Directors of BRIM for their support and leadership.

A special thank you is extended to the Executive Director, the Board of Directors' finance committee and the finance staff 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, 2011.

Sincerely,

Stephen W. Schumacher, CPA
Chief Financial Officer


Earl Ray Tomblin
Acting Governor
State of West Virginia
BOARD OF RISK AND INSURANCE MANAGEMENT
As of June 30, 2011
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
Jill Farrar-Brown Loss Control Spec.
Carl Baldwin Loss Control Spec.
David Mason Underwriter
Tonya Pugh Insurance Program SpecialistSupervisor
(Vacant) Office Assistant I
Mischa DiFilippo Secretary II
Kimberly Hensley Loss Control Spec.
Elizabeth Baldwin Loss Control Spec.
Deanne Turley Insurance Assistant
Lori Bailey Office Assistant I

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of West Virginia Board of Risk & Insurance Management

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

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

Linda C. Davidson

President

Jeffrey R. Emer

Executive Director


STATE OF WEST VIRGINIA
JUNE
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MONTANI SEMPER LIBERI

Financial Section

Tea Creek – Located within the Cranberry Wilderness Area of the Monongahela National Forest. This creek is well known for its trout fly fishing. Native brook trout are most commonly found here due to the naturally acidic waters.

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

Tel: +1 304 343 8971
Fax: +1 304 357 5994
www.ey.com

Report of Independent Auditors

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

We have audited the accompanying basic financial statements of the West Virginia Board of Risk and Insurance Management (BRIM), an enterprise fund of the State of West Virginia, as of June 30, 2011 and 2010, and for the years then ended, as listed in the table of contents. These financial statements are the responsibility of BRIM's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of BRIM's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of BRIM's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 2, the financial statements of BRIM are intended to present the financial position, and the changes in financial position and cash flows of only that portion of the business-type activities of the State of West Virginia that is attributable to the transactions of BRIM. They do not purport to, and do not, present fairly the financial position of the State of West Virginia as of June 30, 2011 and 2010, 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, 2011 and 2010, 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 October 17, 2011, 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 2011 audit.

Management's Discussion and Analysis on pages 3 through 10 and the unaudited supplemental schedules of Ten-Year Claims Development Information on page 44 and the Reconciliation of Unpaid Claims and Claims Adjustment Expense Liability by Type of Contract on page 45 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Ernst + Young LLP

October 17, 2011

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, 2011, 2010, and 2009. BRIM provides property and casualty insurance to State of West Virginia (the State) agencies and Senate Bill 3 (SB3) entities, which include boards of education, and governmental and nonprofit organizations. BRIM also administers a coal mine subsidence reinsurance program, which makes available to the general public dwelling insurance covering damage caused by the collapse of underground coal mines. From December 2001 until novation to a physician's mutual on July 1, 2004, BRIM's program was expanded to include providing medical malpractice insurance to private sector health care providers (referred to hereafter as the House Bill 601 Program). The hospitals that were nonrenewed in 2003 are still being managed by BRIM for claims that were made during the period they were insured.

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

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

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

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

FINANCIAL HIGHLIGHTS

(Dollars in Thousands)

The following tables summarize the financial position and the results of operations as of and for the years ended June 30, 2011, 2010, and 2009:

				Change 2011–2010		Change 2010–2009	
	2011	**2010**	**2009**	**Amount**	**Percent**	**Amount**	**Percent**
Cash and cash equivalents	**$ 23,231**	$ 29,613	$ 32,181	$ (6,382)	(22)	$ (2,568)	(8)%
Advance deposits with carrier/trustee	**189,211**	184,926	174,215	4,285	2	10,711	6
Receivables	**934**	1,349	1,003	(415)	(31)	346	34
Prepaid insurance	**38**	–	–	38	–	–	–
Total current assets	**213,414**	215,888	207,399	(2,474)	(1)	8,489	4
Noncurrent investments	**140,522**	120,331	105,461	20,191	17	14,870	14
Total assets	**353,936**	336,219	312,860	17,717	5	23,359	7
Estimated claim expense	**43,259**	45,707	48,650	(2,448)	(5)	(2,943)	(6)
Unearned premiums	**6,095**	6,629	7,235	(534)	(8)	(606)	(8)
Agent commissions payable	**1,097**	1,230	1,247	(133)	(11)	(17)	(1)
Accrued expenses	**614**	659	629	(45)	(7)	30	5
Total current liabilities	**51,065**	54,225	57,761	(3,160)	(6)	(3,536)	(6)
Estimated claim expense	**82,968**	89,721	104,083	(6,753)	(8)	(14,362)	(14)
Compensated absences	**75**	66	58	9	14	8	14
Total noncurrent liabilities	**83,043**	89,787	104,141	(6,744)	(8)	(14,354)	(14)
Total liabilities	**134,108**	144,012	161,902	(9,904)	(7)	(17,890)	(11)
Net assets:							
Restricted	**43,061**	38,420	33,924	4,641	12	4,496	13
Unrestricted	**176,767**	153,787	117,034	22,980	15	36,753	31
Net assets	**$ 219,828**	$ 192,207	$ 150,958	$ 27,621	14	$ 41,249	27%

	2011	2010	2009	Change 2011–2010 Amount	Change 2011–2010 Percent	Change 2010–2009 Amount	Change 2010–2009 Percent
Premiums	**$ 52,538**	$ 58,007	$ 62,427	$ (5,469)	(9)	$ (4,420)	(7)%
Less excess coverage	**(6,075)**	(6,257)	(5,944)	(182)	(3)	(313)	(5)
Net operating revenues	**46,463**	51,750	56,483	(5,287)	(10)	(4,733)	(8)
Claims and claims adjustment expense	**33,598**	31,668	36,604	1,930	6	(4,936)	(13)
General and administrative	**4,026**	3,946	3,894	80	2	52	1
Total operating expenses	**37,624**	35,614	40,498	2,010	6	(4,884)	(12)
Operating income	**8,839**	16,136	15,985	(7,297)	(45)	151	1
Nonoperating revenues:							
Investment income	**18,782**	25,081	7,312	(6,299)	(25)	17,769	243
Financing income	**–**	32	31	(32)	–	1	3
Total nonoperating revenues, net	**18,782**	25,113	7,343	(6,331)	(25)	17,770	242
Changes in net assets	**27,621**	41,249	23,328	(13,628)	(33)	17,921	77
Total net assets – beginning	**192,207**	150,958	127,630	41,249	27	23,328	18
Total net assets – end	**$ 219,828**	$ 192,207	$ 150,958	$ 27,621	14	$ 41,249	27
Total revenues	**$ 65,245**	$ 76,863	$ 63,826	$ (11,618)	(15)	$ 13,037	20
Total expenses	**$ 37,624**	$ 35,614	$ 40,498	$ 2,010	6	$ (4,884)	(12)%

- Total assets increased $17,717 in 2011 and increased $23,359 in 2010. The increases for both years can be attributed to investment returns on long-term investments holdings. Also, the combined total of the additions to advance deposits and the earnings on the trust funds invested in both 2011 and 2010 exceeded the actual claims payments made during both years.

- Total liabilities decreased $9,904 in 2011 and decreased $17,890 in 2010. The decreases for both years relate to trending refinements in the loss development model that favorably impacted the prior years' general liability and automobile claims reserves, mostly within the SB3 program, and reduced the ultimate loss estimates for these segments.

- Several factors contributed to the two-year increase of $68,870 in total net assets since June 30, 2009. Investment returns of $18,782 in 2011 and $25,081 in 2010 contributed to the improvement. Also, the anticipated costs incurred to fully recover the actuarially estimated losses and program expenses that were initially included for the State and Senate Bill 3 (SB3) premium rates in prior years were later determined to be substantially less than what had been originally projected for several earlier rating periods for both programs. Most of this reduction is reflected in the overall decrease in the provisions for prior years' outstanding estimated claims reserves in 2011 and 2010. This net reduction in claims reserves had a positive impact on net assets of approximately $26,500 over the last two years combined. Within the net asset totals shown are restricted assets totaling $43,061 in 2011, $38,420 in 2010, and $33,924 in 2009 for programs that provide mine subsidence coverage to the general public per the West Virginia State Code and that provide medical malpractice tail coverage for the House Bill 601 Program.

- Total net operating revenues decreased by $5,287 in 2011 and by $4,733 in 2010. The decrease is due to a reduction in premium rates which is reflective of the overall improvement in the trend in claims development and a reduction in premiums for the recovery of previously billed premium surcharges.

- Total operating expenses increased to $37,624 in 2011 from $35,614 in 2010. Claims and claims adjustment expense increased year over year by $1,930 primarily because the provision for current year reserves in 2011 was $2,340 higher than the previous year's provision for current year reserves recorded in 2010. However, this increase was partially offset by a decrease in the actuarially determined outstanding retained reserves for prior years' claims liabilities. The decreases in the provision for insured events of prior fiscal years significantly contributed to the lower operating expense levels for both years.

- Nonoperating revenues decreased by $6,331 in 2011 when compared to 2010 whereas there was an increase of $17,770 in 2010 versus 2009. These yearly fluctuations mirror the overall investment returns and valuation changes resulting from recording the investments at fair value.

- Total revenues and total expenses from 2011 to 2010 and from 2010 to 2009 have fluctuated due to the year-over-year reductions in premium rates, the changes in the retained loss estimates and the variations in annual investment market returns. See the analysis of these individual components as previously discussed for additional information.

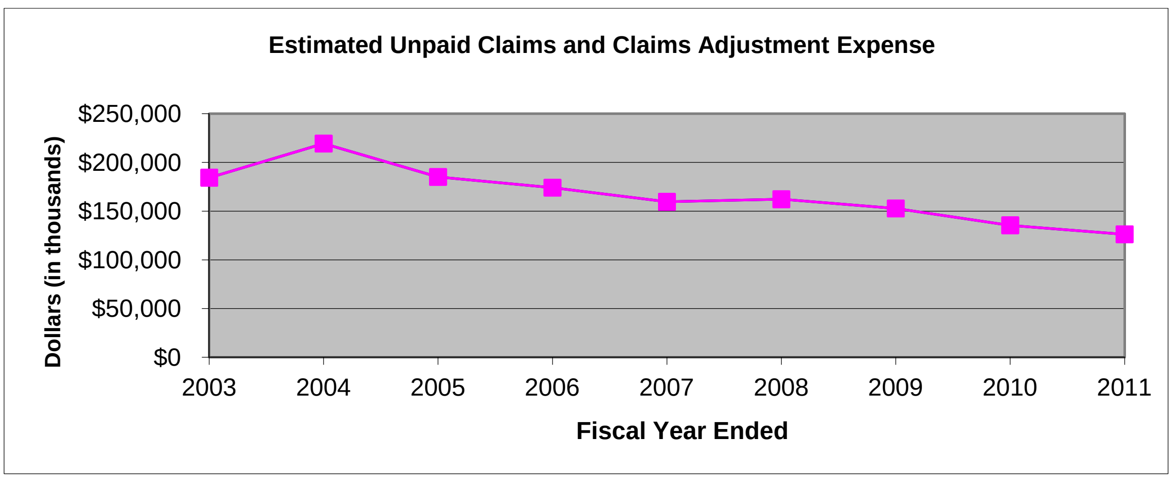
OVERALL ANALYSIS

(Dollars in Thousands)

The overall condition of BRIM has improved from the prior year. Continuing favorable loss development trends, including further reductions in the estimated claims reserves for prior years, together with investment earnings and aggressive risk management have allowed BRIM to further increase the net assets for this year, reflecting net assets of $219,828 at June 30, 2011. 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 2010 to 2011, the liability for unpaid claims decreased from $135,428 to $126,227. The chart below shows the estimated unpaid claims and claims adjustment expense liability for fiscal years 2003 through 2011.



House Bills 601 and 2122

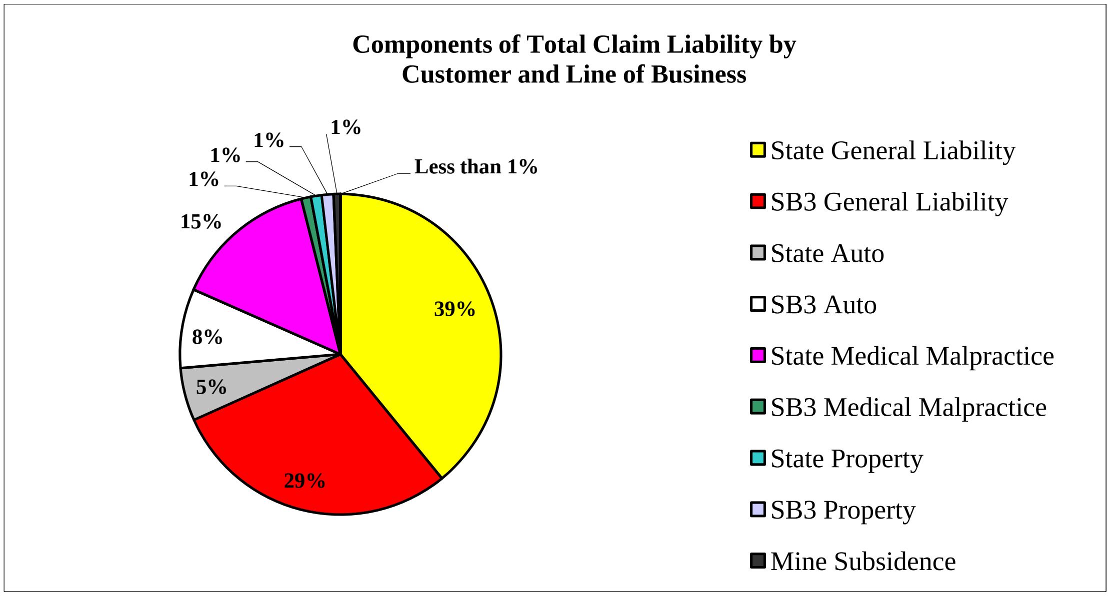
In December 2001, the West Virginia Legislature passed House Bill 601, which authorized BRIM to provide medical malpractice and general liability coverage to health care providers. This bill was created as a result of the medical malpractice insurance crisis created by private sector insurance companies'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

During the legislative session in early 2003, House Bill 2122 was enacted. This bill allowed for the physicians insured under House Bill 601 to novate into a physician's mutual. On July 1, 2004, House Bill 601 physicians were novated to the West Virginia Physicians' Mutual Insurance Company (WVPMIC). The hospitals and clinics that did not novate were nonrenewed by BRIM prior to June 30, 2004. The program is in "runoff" mode, and BRIM continues to service and pay claims that were made during the effective period or claims relating to tail coverage purchased. Tail coverage was offered to all terminated insurers in House Bill 601. This tail coverage covers the insured on any IBNR claims during the policy period. There currently are no active or open claims.

Results by Line of Business for BRIM

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

The following chart shows the breakdown by customer and line of business of the total estimated claim liability number, which is $126,227. As demonstrated in the chart, the largest claim volume for BRIM relates to general liability for the State agencies and SB3 programs and the State agencies' medical malpractice coverage.



There is no long-term debt activity.

ECONOMIC FACTORS AND NEXT YEAR'S RATES

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

BRIM has no deficiency in net assets for any of the lines of business for the programs it oversees. Previously a deficiency arose primarily due to adverse claim development in the general liability and medical malpractice lines of business for the State and SB3. The following paragraphs describe the essential plans that BRIM followed and will continue to follow to ensure that all lines of business remain fiscally solvent and that the individual programs are financially sound.

Risk Management

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

Investment Returns

BRIM transferred $6 million to the funds invested with the West Virginia Investment Management Board (WVIMB) and reinvested all of the earnings on the funds for the fiscal years 2011 and 2010. 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 fiscal year 2010 but due to the fluctuations in the market during fiscal year 2011 investment income decreased somewhat when compared to 2010.

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 2011, 2010, and 2009 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 2011	June 30 2010
	(In Thousands)	
Assets		
Current assets:		
Cash and cash equivalents	**$ 13,830**	$ 15,622
Advance deposits with insurance company and trustee	**189,211**	184,926
Receivables:		
Premiums due from State agencies	**7**	26
Premiums due from other entities	**371**	387
Other	**410**	801
Less allowance for doubtful accounts	**(387)**	(387)
Net receivables	**401**	827
Prepaid insurance	**38**	–
Restricted cash and cash equivalents	**9,401**	13,991
Restricted receivables:		
Premiums due from other entities	**533**	522
Total current assets	**213,414**	215,888
Noncurrent assets:		
Equity position in internal investment pools	**105,500**	94,488
Restricted investments	**35,022**	25,843
Total noncurrent assets	**140,522**	120,331
Total assets	**353,936**	336,219
Liabilities		
Current liabilities:		
Estimated unpaid claims and claims adjustment expense	**43,259**	45,707
Unearned premiums	**6,095**	6,629
Agent commissions payable	**1,097**	1,230
Accrued expenses and other liabilities	**614**	659
Total current liabilities	**51,065**	54,225
Estimated unpaid claims and claims adjustment expense, net of current portion	**82,968**	89,721
Compensated absences	**75**	66
Total noncurrent liabilities	**83,043**	89,787
Total liabilities	**134,108**	144,012
Net assets:		
Restricted by State code for House Bill 601 Program and mine subsidence coverage	**43,061**	38,420
Unrestricted	**176,767**	153,787
Net assets	**$ 219,828**	$ 192,207

See accompanying notes.

West Virginia Board of Risk and Insurance Management

Statements of Revenues, Expenses, and Changes in Net Assets

	Year Ended June 30	
	2011	**2010**
	(In Thousands)	
Operating revenues		
Premiums	**$ 52,538**	$ 58,007
Less excess coverage/reinsurance premiums	**(6,075)**	(6,257)
Net operating revenues	**46,463**	51,750
Operating expenses		
Claims and claims adjustment expense	**33,598**	31,668
General and administrative	**4,026**	3,946
Total operating expenses	**37,624**	35,614
Operating income	**8,839**	16,136
Nonoperating revenues		
Investment income	**18,782**	25,081
Financing income	**–**	32
Net nonoperating revenues	**18,782**	25,113
Changes in net assets	**27,621**	41,249
Total net assets, beginning of year	**192,207**	150,958
Total net assets, end of year	**$ 219,828**	$ 192,207

See accompanying notes.

West Virginia Board of Risk and Insurance Management

Statements of Cash Flows

	Year Ended June 30	
	2011	**2010**
	(In Thousands)	
Operating activities		
Receipts from customers	**$ 46,309**	$ 50,710
Payments to employees	**(1,541)**	(1,349)
Payments to suppliers	**(2,658)**	(2,487)
Payments to claimants	**(42,799)**	(48,975)
Deposits to advance deposit with insurance company and trustee	**(49,208)**	(58,760)
Withdrawals from advance deposit with insurance company and trustee	**44,927**	48,048
Net cash used in operating activities	**(4,970)**	(12,813)
Noncapital financing activities		
Financing earnings	**–**	32
Net cash provided by noncapital financing activities	**–**	32
Investing activities		
Purchase of investments	**(49,968)**	(37,300)
Sale of investments	**41,503**	35,135
Net investment earnings	**7,053**	12,378
Net cash (used in) provided by investing activities	**(1,412)**	10,213
Net decrease in cash and cash equivalents	**(6,382)**	(2,568)
Cash and cash equivalents, beginning of year	**29,613**	32,181
Cash and cash equivalents, end of year	**$ 23,231**	$ 29,613
Cash and cash equivalents consist of:		
Cash and cash equivalents	**$ 13,830**	$ 15,622
Restricted cash and cash equivalents	**9,401**	13,991
	$ 23,231	$ 29,613

West Virginia Board of Risk and Insurance Management

Statements of Cash Flows (continued)

	Year Ended June 30	
	2011	**2010**
	(In Thousands)	
Reconciliation of operating income to net cash used in operating activities		
Operating income	**$ 8,839**	$ 16,136
Adjustments to reconcile operating income to net cash used in operating activities		
Increase in advanced deposits	**(4,285)**	(10,711)
Decrease (increase) in premiums receivable, net	**415**	(434)
Increase in prepaid insurance	**(38)**	–
Decrease in estimated liability for unpaid claims and claims adjustment expense	**(9,201)**	(17,305)
(Decrease) increase in other liabilities	**(166)**	107
Decrease in unearned premiums	**(534)**	(606)
Total adjustments	**(13,809)**	(28,949)
Net cash used in operating activities	**$ (4,970)**	$ (12,813)
Noncash activities		
Increase in fair value of investments	**$ 11,726**	$ 12,705

See accompanying notes.

West Virginia Board of Risk and Insurance Management

Notes to Financial Statements

June 30, 2011
(Dollars in Thousands)

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 161 State agencies participate in the program. Beginning in 1980, county boards of education were authorized to participate in the liability portion of this program, with 55 county boards currently participating in the program. In fiscal year 1987, Senate Bill 3 (SB3) was enacted, allowing local governmental entities and nonprofit organizations to participate in the entire program. There are approximately 900 such entities participating in the program. In 1982, legislation was also enacted requiring BRIM to establish and administer a coal mine subsidence reinsurance program which makes available to the general public dwelling insurance covering damage up to a specific maximum caused by the collapse of underground coal mines.

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

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

From January 1, 1971 through June 30, 1976, the liability coverage provided by BRIM was limited to $25 thousand per occurrence on general liability, automobile liability, and medical malpractice claims. From July 1, 1976 through June 30, 1980, the liability coverage provided by BRIM was limited to $100 thousand per occurrence. From July 1, 1982 through June 30, 1985,

1. General (continued)

the liability coverage provided by BRIM was limited to $6 million per occurrence. Since July 1, 1985, the liability coverage provided by BRIM is limited to $1 million indemnity per occurrence. In addition, the county boards of education are covered by an excess insurance policy providing up to $5 million of coverage in excess of the underlying $1 million limit. These limits only apply to incur indemnity claim losses. BRIM pays all allocated loss adjustment expenses (ALAE), which are the costs incurred in the reporting, investigation, adjustment, defense, and settlement of claims that are attributable to a specific, individual claim.

Prior to July 1, 1990, BRIM retained the first $25 thousand of loss per event on property insurance claims. Losses in excess of $25 thousand per event were also retained within an annual aggregate limit. From July 1, 1990 through June 30, 1991, the exposure retained by BRIM was $1 million per event. From July 1, 1991 through June 30, 1996, the exposure retained by BRIM was $2 million per event. Since July 1, 1996, the exposure retained by BRIM is $1 million per event. BRIM has obtained excess coverage, through insurance companies, covering losses in excess of $1 million up to $400 million per occurrence subject to various sublimits for particular types of claims as specified in the policy.

In 1985, the coal mine subsidence program was legislatively expanded to include all types of building structures, and the maximum amount of insurance available was increased from $50 thousand to $75 thousand per structure.

In December 2001, the West Virginia Legislature passed House Bill 601, which authorized BRIM to provide medical malpractice and general liability coverage to private health care providers (the House Bill 601 Program). On July 1, 2004, all physicians novated to the newly formed West Virginia Physicians' Mutual Insurance Company (WVPMIC). BRIM maintained the hospital and facilities in the House Bill 601 Program that did not novate to WVPMIC. However, all policies have been terminated as of June 30, 2004, and the program is in runoff mode only for existing clams and for any claims that may be submitted on any tail policies that were purchased.

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

1. General (continued)

whose damages were limited because of caps for trauma care or as a result of joint and several liabilities. The capitalization of the fund comes from the State's tobacco settlement fund. The activity for this fund is not reflected in BRIM's financial statements. BRIM serves as third-party administrator for this fund and, accordingly, the activity for this fund is reflected in the State's financial statements.

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

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

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

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

2. Summary of Significant Accounting Policies

Basis of Accounting

As an enterprise fund, BRIM's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting in conformity with 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, 2011 and 2010, and the changes in its financial position and its cash flows for the years then ended in conformity with GAAP.

Use of Estimates

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

2. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

Cash equivalents are short-term investments with original maturities of 90 days or less. Cash and cash equivalents principally consist of interest-earning deposits in certain investment pools maintained by the West Virginia Board of Treasury Investments (BTI). Such funds are available to BRIM with overnight notice. Interest income from these investments is prorated to BRIM at rates specified by the BTI based on the balance of BRIM's deposits maintained in relation to the total deposits of all State agencies participating in the pool. The book carrying value of the amounts on deposit with the BTI, which approximates estimated fair value, was $21,353 and $24,416 at June 30, 2011 and 2010, respectively.

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

Advance Deposits With Insurance Company and Trustee

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

Beginning in fiscal year 2006, BRIM deposited monies with the Bank of New York (BNY), as trustee, to hold as advance deposits in an escrow account for BRIM liability claims with loss dates occurring after June 30, 2005. In fiscal year 2010, BRIM transferred the remaining advance deposits being held in accounts maintained by the carrier into the existing BNY trust vehicle to fund all outstanding liability claims with loss dates before June 30, 2005. The monies held in escrow are invested in specific money market funds and short-term guaranteed or investment grade fixed income securities that are identified as "qualified assets" in the escrow agreement. The funds held in escrow, together with their earnings, will be used to fund the payment of the claims and claims adjustment expenses related to these liability claims. As escrow agent, BNY periodically transfers monies from the escrow account to the insurance company administering these claims in order to reimburse the insurance company for payments that they have issued on these claims and claims adjustment expenses on BRIM's behalf.

2. Summary of Significant Accounting Policies (continued)

Investments

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

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

Compensated Absences

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

Unpaid Claims and Claims Adjustment Expense

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

2. Summary of Significant Accounting Policies (continued)

salvage and subrogation receipts are deducted from the estimated liability). The length of time for which such costs must be estimated varies depending on the coverage involved. In the event a reinsurer is unable financially to satisfy an obligation, BRIM is responsible for such liability.

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

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

Receivables and Premium Income

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

2. Summary of Significant Accounting Policies (continued)

Unearned Premiums

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

Restricted Net Assets

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

3. Deposit and Investment Risk Disclosures

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

Cash Equivalents

West Virginia Money Market Pool (formerly the Cash Liquidity Pool)

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

(Dollars in Thousands)

3. Deposit and Investment Risk Disclosures (continued)

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

	June 30, 2011				June 30, 2010			
Security Type	**Moody's**	**S&P**	**Fair Value**	**Percent of Pool Assets**	**Moody's**	**S&P**	**Fair Value**	**Percent of Pool Assets**
Commercial paper	**P1**	**A-1**	**$ 1,069,576**	**35.43%**	P1	A-1	$ 855,844	29.75%
Corporate bonds and notes	**Aa1**	**AA**	**10,000**	**0.33**	Aa1	AA	10,000	0.35
	Aa2	**AA**	**33,000**	**1.09**	Aa2	AA	10,000	0.35
	Aa3	**AA**	**31,000**	**1.03**	–	–	–	–
	Aa3	**A**	**53,000**	**1.76**	–	–	–	–
			127,000	**4.21**			20,000	0.70
U.S. agency bonds	**Aaa**	**AAA**	**170,788**	**5.66**	Aaa	AAA	246,990	8.59
U.S. Treasury notes	**Aaa**	**AAA**	**298,345**	**9.88**	Aaa	AAA	65,153	2.26
U.S. Treasury bills	**Aaa**	**AAA**	**231,051**	**7.65**	Aaa	AAA	476,670	16.57
Negotiable certificates of deposit	**P1**	**A-1**	**140,000**	**4.64**	P1	A-1	281,000	9.77
U.S. agency discount notes	**P1**	**A-1**	**697,164**	**23.10**	P1	A-1	606,048	21.07
Money market funds	**Aaa**	**AAAm**	**200,279**	**6.64**				
	–	**–**	**–**	**–**	Aaa	AAA	150,026	5.21
Repurchase agreements								
U.S. Treasury notes	**Aaa**	**AAA**	**69,557**	**2.30**	Aaa	AAA	101,280	3.52
U.S. agency notes	**Aaa**	**AAA**	**14,800**	**0.49**	Aaa	AAA	73,700	2.56
			84,357	**2.79**			174,980	6.08
			$ 3,018,560	**100.00%**			$ 2,876,711	100.00%

Concentration of Credit Risk

West Virginia statutes prohibit the West Virginia Money Market Pool from investing more than 5% of its assets in securities issued by a single private corporation or association. At June 30, 2011 and 2010, 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, 2011 and 2010, the West Virginia Money Market Pool held no securities that were subject to custodial credit risk. Repurchase agreements are collateralized at 102% and the collateral is held in the name of the BTI. Securities lending collateral is invested in a pool managed by the securities lending agent in the BTI's name.

3. Deposit and Investment Risk Disclosures (continued)

Interest Rate Risk

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

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

	June 30, 2011		**June 30, 2010**	
Investment Type	**Fair Value**	**WAM Days**	**Fair Value**	**WAM Days**
Repurchase agreements	**$ 84,357**	**1**	$ 174,980	1
U.S. Treasury notes	**298,345**	**137**	65,153	140
U.S. Treasury bills	**231,051**	**34**	476,670	35
Commercial paper	**1,069,576**	**35**	855,844	18
Certificates of deposit	**140,000**	**58**	281,000	45
U.S. agency discount notes	**697,164**	**45**	606,048	52
Corporate bonds and notes	**127,000**	**20**	20,000	19
U.S. agency bonds/notes	**170,788**	**66**	246,990	55
Money market funds	**200,279**	**1**	150,026	1
Total rated investments	**$ 3,018,560**	**46**	$ 2,876,711	33

BRIM's amount invested in the West Virginia Money Market Pool of $21,353 included in cash and cash equivalents, at June 30, 2011, and $24,416 at June 30, 2010, represents approximately 1% of total investments in this pool.

Foreign Currency Risk

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

3. Deposit and Investment Risk Disclosures (continued)

Investments

Board of Risk and Insurance Management Fund

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

Investment Objectives

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

Asset Allocation

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

Asset Class	Policy Target
Domestic large cap equity	10%
International equity	10
Total equity	20
Domestic fixed income	55
Hedge fund	20
Other	5

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):

	2011		2010	
	Cost	**Fair Value**	**Cost**	**Fair Value**
Domestic large cap equity	**$ 7,204**	**$ 10,287**	$ 8,670	$ 8,924
Domestic non-large cap equity	**3,554**	**3,667**	2,676	1,701
International equity	**3,458**	**9,091**	4,725	7,792
International nonqualified equity	**2,884**	**4,781**	3,150	4,023
Total return fixed income	**33,480**	**42,472**	28,750	36,332
Core fixed income	**19,750**	**23,093**	34,841	37,553
Hedge fund	**22,849**	**25,653**	23,085	24,003
TIPS (Treasury Inflation Protection Securities)	**13,987**	**14,280**	–	–
Other	**7,198**	**7,198**	3	3
	$ 114,364	**$ 140,522**	$ 105,900	$ 120,331

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

	2011	2010
Investment income:		
Interest income including realized gains/losses on sale of securities	**$ 7,056**	$ 12,376
Unrealized gain on investments	**11,726**	12,705
Total investment income	**$ 18,782**	$ 25,081

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

3. Deposit and Investment Risk Disclosures (continued)

Asset Class Risk Disclosures

Domestic Large Cap Equity Pool

This pool holds equity securities of U.S. companies, exchange traded stock index futures, and money market funds with the highest credit rating. At June 30, 2011 and 2010, 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 $10,287 and $8,924 at June 30, 2011 and 2010, represents approximately 0.5% of total investments in this pool.

Domestic Non-Large Cap Equity Pool

This pool holds equity securities of U.S. companies and money market funds with the highest credit rating. At June 30, 2011 and 2010, 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 $3,667 and $1,701 at June 30, 2011 and 2010, represents approximately 0.5% of total investments in this pool.

3. Deposit and Investment Risk Disclosures (continued)

International Equity Pool

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

	June 30, 2011			June 30, 2010		
Currency	Equity Securities	Cash	Total	Equity Securities	Cash	Total
Australian dollar	**$ 57,707**	**$ 4**	**$ 57,711**	$ 28,001	$ 8	$ 28,009
Brazil cruzeiros real	**113,185**	**3,157**	**116,342**	82,624	1,605	84,229
British pound	**185,203**	**407**	**185,610**	141,897	435	142,332
Canadian dollar	**73,646**	**1,172**	**74,818**	58,467	59	58,526
Czech koruna	**14,883**	**–**	**14,883**	10,106	5	10,111
Danish krone	**9,198**	**4**	**9,202**	7,115	6	7,121
Egyptian pound	**–**	**1**	**1**	741	12	753
Euro	**321,019**	**(24)**	**320,995**	242,635	379	243,014
Hong Kong dollar	**145,395**	**1,722**	**147,117**	137,405	848	138,253
Hungarian forint	**13,693**	**6**	**13,699**	11,994	39	12,033
Indian rupee	**15,598**	**2**	**15,600**	1,938	1	1,939
Indonesian rupian	**7,629**	**15**	**7,644**	4,049	24	4,073
Israeli shekel	**16,949**	**140**	**17,089**	22,323	–	22,323
Japanese yen	**186,089**	**1,456**	**187,545**	162,122	1,834	163,956
Malaysian ringgit	**8,745**	**57**	**8,802**	10,960	206	11,166
Mexican new peso	**30,641**	**200**	**30,841**	23,959	422	24,381
New Taiwan dollar	**27,520**	**232**	**27,752**	51,582	2,875	54,457
New Turkish lira	**22,980**	**449**	**23,429**	44,480	1	44,481
New Zealand dollar	**–**	**–**	**–**	1,025	–	1,025
Norwegian krone	**20,476**	**100**	**20,576**	11,570	33	11,603
Pakistani rupee	**2,089**	–	**2,089**	923	–	923
Philippine peso	**6,195**	**2**	**6,197**	6,158	15	6,173
Polish zloty	**11,535**	**7**	**11,542**	7,912	5	7,917
Singapore dollar	**21,338**	**67**	**21,405**	29,787	113	29,900
South African rand	**44,669**	**167**	**44,836**	38,417	132	38,549
South Korean won	**134,565**	**1,474**	**136,039**	103,072	1,207	104,279
Swedish krona	**20,743**	**52**	**20,795**	18,257	45	18,302
Swiss franc	**68,353**	**40**	**68,393**	41,481	417	41,898
Thailand baht	**15,808**	**428**	**16,236**	8,775	180	8,955
UAE dirham	**8,092**	**–**	**8,092**	–	–	–
Total	**$ 1,603,943**	**$ 11,337**	**$ 1,615,280**	$ 1,309,775	$ 10,906	$ 1,320,681

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 $233,335 and $185,968 at June 30, 2011 and 2010, respectively. BRIM's amount invested in the international equity pool of $9,091 and $7,792 at June 30, 2011 and 2010, represents approximately 0.6% of total investments in this pool.

(Dollars in Thousands)

3. Deposit and Investment Risk Disclosures (continued)

International Nonqualified Equity Pool

This pool holds a collective trust fund that invests in equities denominated in foreign currencies. The value of this investment at June 30, 2011 and 2010, was $68,082 and $53,797, respectively. This investment, although denominated in U.S. dollars, is exposed to foreign currency risk through the underlying investments. BRIM's amount invested in the international nonqualified equity pool of $4,781 and $4,023 at June 30, 2011 and 2010, respectively, represents approximately 7.0% and 7.5% 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, 2011				June 30, 2010			
Security Type	**Moody's**	**S&P**	**Fair Value**	**Percent of Assets**	**Moody's**	**S&P**	**Fair Value**	**Percent of Assets**
Corporate bonds and notes	**Baa2**	**BBB**	**$ 699,706**	**29.9%**	Baa	BBB	$ 572,512	31.8%
U.S. Treasury bonds and notes	**Aaa**	**AAA**	**367,385**	**15.7**	Aaa	AAA	165,854	9.2
U.S. Treasury inflation protection bonds			–	–	Aaa	AAA	30,997	1.7
Corporate asset-backed securities	**Aa3**	**AA**	**32,194**	**1.4**	Aaa	AAA	13,213	0.7
Corporate collateralized mortgage obligations	**B1**	**BB**	**31,137**	**1.3**	Ba	BB	65,134	3.6
Corporate preferred securities	**NR**	**BB+**	**5,778**	**0.2**	NR	NR	891	0.0
Agency mortgage-backed securities	**Aaa**	**AAA**	**443,640**	**19.0**	Aaa	AAA	200,978	11.2
Agency notes	**Aa**	**A**	–	–	Aa	A	4,004	0.2
Agency collateralized mortgage obligations	**Aaa**	**AAA**	**37,142**	**1.6**	Aaa	AAA	7,258	0.4
Municipal bonds	**A1**	**A**	**81,354**	**3.5**	Aa	A	26,929	1.5
Regulated investment companies	**Aaa**	**AAA**	**227,854**	**9.7**	–	–	–	–
Agency discount notes	**P-1**	**A-1+**	**3,403**	**0.1**	–	–	–	–
Money market funds			**–**	**–**	Aaa	AAA	268,245	14.9
Total rated investments			**$ 1,929,593**	**82.4%**			$ 1,356,015	75.2%

3. Deposit and Investment Risk Disclosures (continued)

At June 30, 2011, unrated securities include commingled investment pools of $410,007 and option contract purchased valued at $1,891. These unrated securities represent 17.6% of the fair value of the pool's investments. At June 30, 2010, unrated securities include commingled investment pools of $441,720 and option contract purchased valued at $1,349. These unrated securities represent 24.8% of the fair value of the pool's investments.

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, 2011 and 2010, 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, 2011 and 2010, 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 collateral reinvestment fund.

3. Deposit and Investment Risk Disclosures (continued)

Interest Rate Risk

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

	June 30, 2011		June 30, 2010	
Investment Type	**Fair Value**	**Modified Duration (Years)**	**Fair Value**	**Modified Duration (Years)**
Commingled investment pools	**$ 410,007**	**2.0**	$ 441,720	0.5
Corporate notes and bonds	**699,706**	**6.3**	572,512	6.3
U.S. Treasury notes and bonds	**367,385**	**5.6**	165,854	3.9
U.S. Treasury inflation protection bonds	**–**	**–**	30,997	13.1
Corporate asset-backed securities	**32,194**	**16.2**	13,213	17.5
Corporate collateralized mortgage obligations	**31,137**	**5.4**	65,134	4.8
Agency mortgage-backed securities	**443,640**	**3.3**	200,978	3.8
Agency discount notes	**3,403**	**0.5**	–	–
Agency notes	–	–	4,004	2.0
Agency collateralized mortgage obligations	**37,142**	**3.5**	7,258	5.2
Municipal bonds	**81,354**	**14.6**	26,929	17.7
Regulated investment companies	**227,854**	**0.0**	–	–
Money market fund	**–**	**–**	268,245	0.0
Total assets	**$ 2,333,822**	**4.6**	$ 1,796,844	4.1

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, 2011 and 2010, the Total Return Fixed Income pool held $544,113 and $286,583, respectively, of these securities. This represents approximately 23% and 16% of the value of the fixed income pools.

BRIM's amount invested in the Total Return Fixed Income pool of $42,472 and $36,332 at June 30, 2011 and 2010, respectively, represents approximately 1.8% and 2.0% 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 $124,230, or 30% at June 30, 2011, and $111,363 or 25% at June 30, 2010, 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, 2011 and 2010, 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 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 core fixed income pool (in thousands).

	June 30, 2011				June 30, 2010			
Security Type	**Moody's**	**S&P**	**Fair Value**	**Percent of Assets**	**Moody's**	**S&P**	**Fair Value**	**Percent of Assets**
Corporate bonds and notes	**A2**	**A**	**$ 200,540**	**16.8%**	A	A	$ 153,804	9.9%
U.S. Treasury bonds and notes	**Aaa**	**AAA**	**312,308**	**26.1**	Aaa	AAA	334,152	21.4
Corporate asset-backed securities	**Aa1**	**AAA**	**24,084**	**2.0**	Aaa	AAA	10,679	0.7
Corporate collateralized mortgage obligations	**A1**	**AAA**	**140,595**	**11.8**	Aa	AAA	122,349	7.9
Agency mortgage-backed securities	**Aaa**	**AAA**	**173,704**	**14.5**	Aaa	AAA	138,487	8.9
Agency collateralized mortgage obligations	**Aaa**	**AAA**	**286,297**	**24.0**	Aaa	AAA	245,849	15.7
Agency notes and bonds	**Aaa**	**AAA**	**14,060**	**1.2**	Aaa	AAA	13,494	0.9
Municipal bonds	**Aa3**	**AA-**	**2,201**	**0.2**	Aa	A	273	0.0
Regulated investment companies	**Aaa**	**AAA**	**40,883**	**3.4**	–	–	–	–
Money market funds			**–**	**–**	Aaa	AAA	53,413	3.4
Total rated investments			**$ 1,194,672**	**100.0%**			$ 1,072,500	68.8%

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

3. Deposit and Investment Risk Disclosures (continued)

Concentration of Credit Risk

West Virginia statutes prohibit the Total Return Fixed Income pool from investing more than 5% of its assets in securities issued by a single private corporation or association. At June 30, 2011 and 2010, the Core Fixed Income pool did not have investments in any one private corporation or association that represented more than 5% of assets.

Custodial Credit Risk

At June 30, 2011 and 2010, the Core Fixed Income pool held no securities that were subject to custodial credit risk. All remaining securities are held by the WVIMB's custodian in the name of the WVIMB.

Interest Rate Risk

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

	June 30, 2011		June 30, 2010	
Investment Type	**Fair Value**	**Modified Duration (Years)**	**Fair Value**	**Modified Duration (Years)**
Corporate notes and bonds	**$ 200,540**	**5.6**	$ 153,804	5.9
Commingled investment pools	–	–	488,243	4.3
U.S. Treasury notes and bonds	**312,308**	**6.1**	334,152	5.8
Corporate asset-backed securities	**24,084**	**1.6**	10,679	1.7
Corporate collateralized mortgage obligations	**140,595**	**3.6**	122,349	3.4
Agency mortgage-backed securities	**173,704**	**7.1**	138,487	3.0
Agency notes and bonds	**14,060**	**5.3**	13,494	6.0
Agency collateralized mortgage obligations	**286,297**	**3.6**	245,849	3.7
Municipal bonds	**2,201**	**14.6**	273	12.0
Regulated investment companies	**40,883**	**0.0**	–	–
Money market fund	–	–	53,413	–
Total assets	**$ 1,194,672**	**5.0**	$ 1,560,743	4.4

3. Deposit and Investment Risk Disclosures (continued)

The Core Fixed Income pool invests in commercial and residential mortgage-backed securities, asset-backed securities, and collateralized mortgage obligations. The cash flows from these securities are based on the payment of the underlying collateral. The modified duration and yield to maturity of these securities are dependent on estimated prepayment assumptions that consider historical experience, market conditions, and other criteria. Actual prepayments may vary with changes in interest rates. Rising interest rates often result in a slower rate of prepayments while declining rates tend to lead to faster prepayments. As a result, the fair values of these securities are highly sensitive to interest rate changes. At June 30, 2011 and 2010, the Core Fixed Income pool held $624,680 and $517,363, respectively, of these securities. This represents approximately 52% and 33% of the value of the fixed income pools.

BRIM's amount invested in the Core Fixed Income pool of $23,093 and $37,553 at June 30, 2011 and 2010, respectively, represents approximately 1.9% and 2.0% 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, 2011 and 2010, approximately $457,406 and $393,329 or 46% and 35%, respectively, of the market value of the funds were held in foreign currencies. BRIM's amount invested in the Hedge Fund of $25,653 and $24,003 at June 30, 2011 and 2010, represents approximately 2.4% and 2.1% of total investments in this pool.

(Dollars in Thousands)

3. Deposit and Investment Risk Disclosures (continued)

<u>Treasury Inflation Protection Securities (TIPS)</u>

The pool was established on October 1, 2010, with securities transferred from the Real Estate Pool where they were used as a cash "parking vehicle." The TIPS pool invests in treasury inflation-protected securities and its objective is to match the performance of the Barclay's Capital U.S. TIPS bond index on an annualized basis.

Credit Risk

WVIMB limits the exposure to credit risk in the TIPS 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 TIPS pool:

	June 30, 2011			
Security Type	**Moody's**	**S&P**	**Fair Value**	**Percent of Assets**
U.S. Treasury issues	Aaa	AAA	$ 891,182	100.0%
Money market funds	Aaa	AAA	259	0.0
Total rated investments			$ 891,441	100.0%

Concentration of Credit Risk

West Virginia statutes prohibit the TIPS pool from investing more that 5% of its assets in securities issued by a single private corporation or association. At June 30, 2011, 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, 2011, the TIPS pool held no securities that were subjected to custodial credit risk. All securities are held by the WVIMB's custodian in the name of the WVIMB. Securities lending collateral is invested in the lending agent's collateral reinvestment fund.

3. Deposit and Investment Risk Disclosures (continued)

Interest Rate Risk

WVIMB monitors interest rate risk of the TIPS 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 TIPS pool (in thousands):

	June 30, 2011	
Investment Type	Fair Value	Modified Duration (Years)
U.S. Treasury issues	$ 891,182	7.6
Money market fund	259	0.0
Total assets	$ 891,441	7.6

BRIM's amount invested in the TIPS pool of $14,280 at June 30, 2011 represents approximately 1.6% of total investments in this pool.

Foreign Currency Risk

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

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. 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.

(Dollars in Thousands)

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:

			June 30, 2011		June 30, 2010	
Security Type	**Moody's**	**S&P**	**Fair Value**	**Percent of Pool Assets**	**Fair Value**	**Percent of Pool Assets**
Corporate bonds and notes	Aaa	AAA	**$ 9,101**	**4.79%**	$ 13,247	7.22
	AA1	AAA	–	–	1,318	0.72
	Aa3	A+	–	–	865	0.47
	Aa2	AA+	**1,778**	**0.94**	3,856	2.10
	Aa2	AA	–	–	1,864	1.02
	Aa1	AA	**1,540**	**0.81**	–	–
	A1	AA-	–	–	672	0.36
			12,419	**6.54**	21,822	11.89
U.S. Treasury bonds and notes	Aaa	AAA	**139,613**	**73.44**	132,174	72.02
U.S. Agency bonds	Aaa	AAA	**34,320**	**18.05**	28,780	15.68
Agency-backed securities	Aaa	AAA	**3,432**	**1.81**	–	–
Money market funds	Aaa	AAA	**322**	**0.16**	752	0.41
			$ 190,106	**100.00%**	$ 183,528	100.00%

Concentration of Credit Risk

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

Custodial Credit Risk

At June 30, 2011 and 2010, advanced deposits include no securities that were subject to custodial credit risk.

3. Deposit and Investment Risk Disclosures (continued)

Interest Rate Risk

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

	June 30, 2011		June 30, 2010	
Investment Type	**Fair Value**	**WAM Years**	**Fair Value**	**WAM Years**
Corporate bonds and notes	**$ 12,419**	**1.2**	$ 21,822	2.3
U.S. Treasury bonds	**139,613**	**4.6**	132,174	4.5
U.S. agency bonds	**34,320**	**2.5**	28,780	3.1
Agency-backed securities	**3,432**	**4.0**	–	–
Money market funds	**322**	**1.0**	752	1.0
Total rated investments	**$ 190,106**	**4.0**	$ 183,528	4.0

Foreign Currency Risk

None of the advanced deposits include interest holds 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:

	2011	2010
	(In Thousands)	
Unpaid claims and claims adjustment expense liability at beginning of year	**$ 135,428**	$ 152,733
Incurred claims and claims adjustment expense:		
Provision for insured events of the current year	**53,728**	51,388
Decrease in provision for insured events of prior years	**(20,130)**	(19,720)
Total incurred claims and claims adjustment expense	**33,598**	31,668
Payments:		
Claims and claims adjustment expense attributable to insured events of the current year	**(10,757)**	(9,965)
Claims and claims adjustment expense attributable to insured events of prior years	**(32,042)**	(39,008)
Total payments	**(42,799)**	(48,973)
Total unpaid claims and claims adjustment expense liability at end of year	**$ 126,227**	$ 135,428

If the unpaid claims and claims adjustment expense liability were discounted using a 4% discount factor for 2011 and 2010 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 $11,626 and $12,217 for fiscal years 2011 and 2010, respectively. The overall unpaid claim liability number includes a provision for allocated and unallocated claims adjustment expense.

(Dollars in Thousands)

5. Employee Benefit Plans

Pension Benefits

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

Covered employees are required to contribute 4.5% of their salary to PERS. BRIM is required to contribute 12.5% of covered employees' salaries to PERS for 2011 and 10.5% for 2010 and 2009. 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:

	2011	**2010**	**2009**
BRIM contributions (12.5% - 2011, 10.5% - 2010 and 2009)	**$ 126**	$ 104	$ 103
Employee contributions (4.5%)	**46**	43	44
Total contributions	**$ 172**	$ 147	$ 147

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

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

5. Employee Benefit Plans (continued)

Other Postemployment Benefits

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

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

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. BRIM records expense for their allocated ARC and a liability for the ARC that has not been paid. Based on the actuarial study completed, the annual required contribution rates were determined for the fiscal year ended June 30, 2010. BRIM’s OPEB expense for fiscal years 2011 and 2010 were approximately $220 and $219, respectively, of which approximately $182 and $183 remained unpaid as of June 30, 2011 and 2010, respectively. The unpaid of $183 as of June 30, 2010, was paid in fiscal year 2011. The unpaid of $182 as of June 30, 2011, is recorded in accrued expenses and other

5. Employee Benefit Plans (continued)

liabilities in the statements of net assets. BRIM's OPEB contribution for fiscal years 2011 and 2010 was approximately $39 and $35, respectively. For fiscal year 2011, the actual contribution was $39 of the total required contribution of $220. The actual contribution represents 18% of the total required contribution. BRIM's policy is to fund at least the minimum annual premium component of the ARC. There are currently 23 employees eligible to receive such benefits.

6. Lease Arrangement

In September 2006, the State renewed the lease arrangement on behalf of BRIM for office space occupied by BRIM with a monthly lease payment of $10 and a term beginning on February 1, 2007, and ending on January 31, 2012.

Operating lease expense approximated $133 and $137 for the years ended June 30, 2011 and 2010, respectively, relating to these arrangements. Future minimum lease payments under these operating lease arrangements are $69 for the year ending June 30, 2012.

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 $25,239 and $28,874 for the years ended June 30, 2011 and 2010, 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 $1,995 and $2,247 for the years ended June 30, 2011 and 2010, respectively. The Fund is not included in BRIM's financial statements, but is included in the general fund of the State.

8. Reinsurance

BRIM has entered into two reinsurance agreements for excess coverage with unrelated insurance companies wherein the company assumes the liability over BRIM's limit for a ceded premium. BRIM obtains an excess policy from the commercial market which gives boards of education a liability limit of up to $5 million in excess of BRIM's $1 million self-insured limit. BRIM also purchases an excess policy on all State and SB3 insured property over and above BRIM's $1 million self-insured limit. These reinsurance agreements have been accounted for as a transfer of risk in the accompanying financial statements. However, BRIM is not relieved of its primary obligation to the insureds in the reinsurance transaction. BRIM did not have any reinsurance recoveries at June 30, 2011 or 2010.

9. 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 Mutual Insurance Company as required by Senate Bill 1004. Furthermore, BRIM is a participant in the self-insured public entity risk pool it administers. Coverage is in the amount of $1 million per occurrence for general liability and property damage.

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

Required Supplementary Information

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									
	2002	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
	(In Thousands)									
1) Premiums and investment revenues										
Earned	$ 56,992	$ 81,450	$ 110,279	$ 95,336	$ 89,690	$ 98,270	$ 83,498	$ 69,739	$ 83,088	**$ 71,320**
Ceded	1,866	3,126	3,801	3,912	4,145	6,151	6,394	5,944	6,257	**6,075**
Net earned	55,126	78,324	106,478	91,424	85,545	92,119	77,104	63,795	76,831	**65,245**
2) Unallocated expenses, including administrative fees paid to third-party claims administrators	7,315	11,168	14,332	8,301	8,894	8,536	8,045	7,840	8,043	**7,867**
3) Estimated incurred claims and claims adjustment expense, end of policy year:										
Incurred	60,515	83,642	94,279	65,674	58,491	59,678	59,246	56,194	51,388	**53,728**
Ceded	783	577	597	5	172	3,597	2,000	300	–	**–**
Net incurred	59,732	83,065	93,682	65,669	58,319	56,081	57,246	55,894	51,388	**53,728**
4) Paid (cumulative) claims and claims adjustment expense as of:										
End of policy year	11,077	11,746	13,799	9,134	10,097	12,416	8,352	9,753	9,965	**10,757**
One year later	14,834	25,194	55,414	16,901	17,547	16,942	18,097	19,069	17,009	
Two years later	24,366	50,292	61,987	25,283	23,291	24,345	26,240	25,457		
Three years later	35,464	56,354	72,727	33,505	31,901	30,733	33,488			
Four years later	43,356	59,777	78,617	37,904	37,202	35,469				
Five years later	46,518	62,406	81,861	42,490	39,306					
Six years later	49,116	63,191	83,488	45,173						
Seven years later	51,179	63,803	83,877							
Eight years later	51,652	63,849								
Nine years later	52,027									
5) Reestimated ceded claims and expenses	783	577	597	5	172	–	–	–	–	**–**
6) Reestimated net incurred claims and allocated claims adjustment expense:										
End of policy year	59,732	83,065	93,682	65,669	58,319	56,081	57,246	55,894	51,388	**53,728**
One year later	58,141	80,739	93,171	61,419	51,183	53,924	57,108	48,432	46,571	
Two years later	56,755	79,646	91,136	56,023	47,726	48,330	51,881	46,176		
Three years later	58,004	69,595	90,453	52,893	45,490	44,898	46,708			
Four years later	55,443	65,434	87,424	50,179	44,898	43,179				
Five years later	53,627	62,177	86,199	50,097	43,237					
Six years later	54,784	60,797	84,718	48,374						
Seven years later	53,740	59,632	83,815							
Eight years later	53,589	58,757								
Nine years later	52,960									
7) Increase (decrease) in estimated net incurred claims and allocated claims adjustment expense from end of policy year	(6,772)	(24,308)	(9,867)	(17,295)	(15,082)	(12,902)	(10,538)	(9,718)	(4,817)	**–**

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									
	2011					**2010**				
	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	**$ 130,808**	**$ 3,660**	**$ 924**	**$ 36**	**$ 135,428**	$ 145,850	$ 5,854	$ 993	$ 36	$ 152,733
Incurred claims and claims adjustment expense:										
Provision for insured events of the current fiscal year	**48,954**	**4,173**	**601**	**–**	**53,728**	46,447	4,193	748	–	51,388
(Decrease) increase in provision for insured events of prior fiscal years	**(19,616)**	**(438)**	**(40)**	**(36)**	**(20,130)**	(20,921)	1,408	(207)	–	(19,720)
Total incurred claims and claims adjustment expense	**29,338**	**3,735**	**561**	**(36)**	**33,598**	25,526	5,601	541	–	31,668
Payments:										
Claims and claims adjustment expense attributable to insured events of the current fiscal year	**(8,496)**	**(2,164)**	**(97)**	**–**	**(10,757)**	(8,529)	(1,321)	(115)	–	(9,965)
Claims and claims adjustment expense attributable to insured events of the prior fiscal years	**(29,151)**	**(2,367)**	**(524)**		**(32,042)**	(32,039)	(6,474)	(495)	–	(39,008)
Total claims and claims adjustment expense payments	**(37,647)**	**(4,531)**	**(621)**	**–**	**(42,799)**	(40,568)	(7,795)	(610)	–	(48,973)
Total unpaid claims and claims adjustment expense liability at end of the fiscal year	**$ 122,499**	**$ 2,864**	**$ 864**	**$ –**	**$ 126,227**	$ 130,808	$ 3,660	$ 924	$ 36	$ 135,428


STATE OF WEST VIRGINIA
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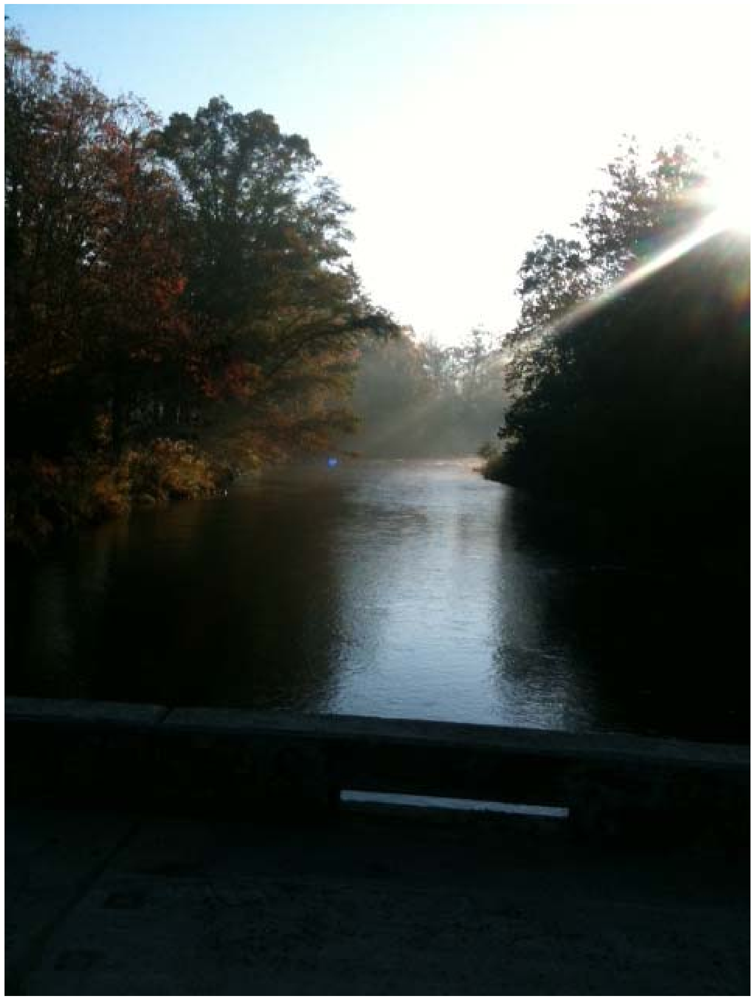
Statistical Section



Williams River – Located in the Cranberry Wilderness area. This is a favorite spot for fishing. The river is stocked with rainbow trout throughout the year. April and May are the peak times when anglers are tempted to fly fish.


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 2011 and Fiscal Year 2002
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 2001 through 2010

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

Schedule 7 – Full-Time Equivalent Employees Fiscal Years 2002 through 2011
Schedule 8 – Claims Dollars Incurred by Customer Type for Fiscal Years 2002 through 2011
Schedule 9 – Losses Incurred by Coverage Fiscal Years 2002 through 2011
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 2011

SCHEDULE 1

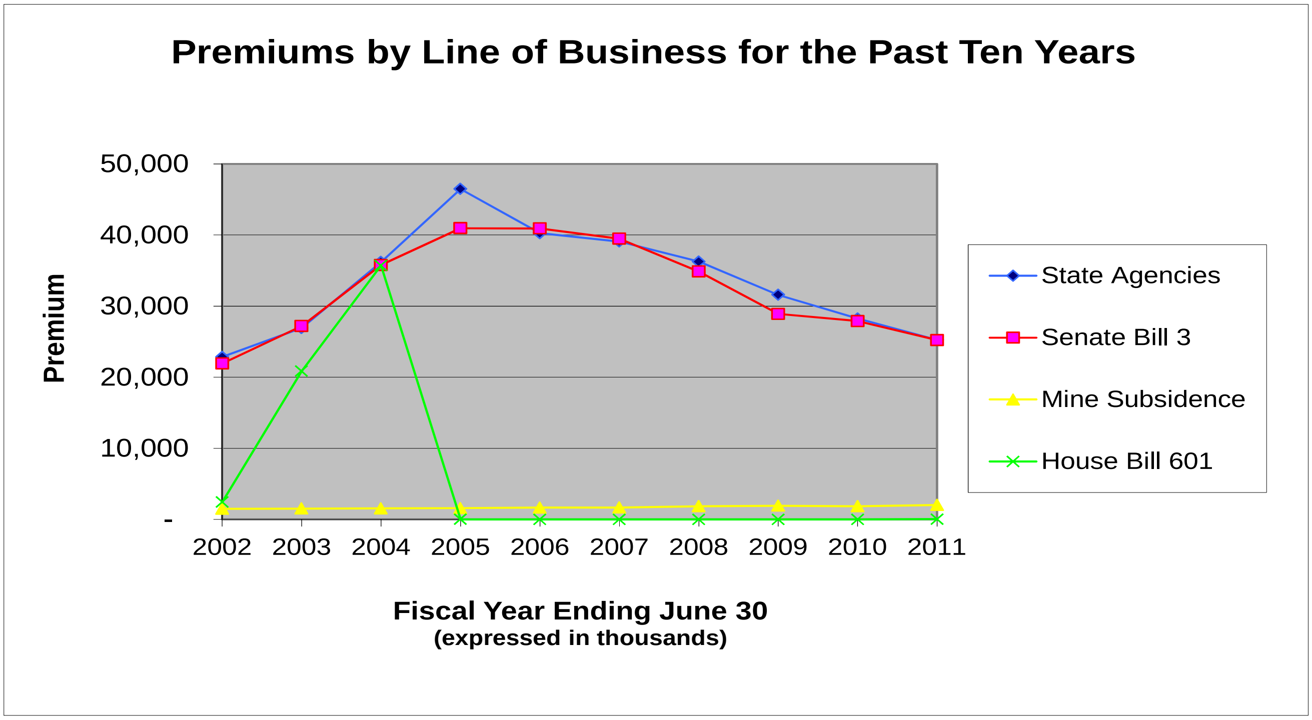
Comparative Statement of Net Assets and Changes in Net Assets (Deficiency)
Last Ten Fiscal Years
(Expressed in Thousands)

	2011	2010	2009	2008	2007
Operating Revenues					
Premiums	$ 52,538	$ 58,007	$ 62,427	$ 72,986	$ 80,248
Less Excess Coverage/Reinsurance Premiums	(6,075)	(6,257)	(5,944)	(6,394)	(6,151)
Net Operating Revenues	46,463	51,750	56,483	66,592	74,097
Operating Expenses					
Claims and Claims Adjustment Expense	33,598	31,668	36,604	42,982	35,136
General and Administrative	4,026	3,946	3,894	4,247	4,305
Total Operating Expenses	37,624	35,614	40,498	47,229	39,441
Operating Income (loss)	8,839	16,136	15,985	19,363	34,656
Nonoperating Revenues (Expenses)					
Interest Income	18,782	25,081	7,312	10,512	18,022
Financing Income	--	32	31	30	25
On behalf contributions	--	--	--	30	--
Appropriations from State of West Virginia	--	--	--	--	--
Distribution to Physicians' Mutual	--	--	--	--	--
Total Nonoperating Revenue	18,782	25,113	7,343	10,572	18,047
Change in Net Assets (Deficiency)	27,621	41,249	23,328	29,935	52,703
Net Assets (Deficiency) at Year-End					
Restricted	43,061	38,420	33,924	33,634	31,117
Unrestricted	176,767	153,787	117,034	93,996	66,430
Total Net Assets (Deficiency)	$ 219,828	$ 192,207	$ 150,958	$ 127,630	$ 97,547

Source: Compiled from BRIM's internal accounting records

	2006	2005	2004	2003	2002
	$ 82,824	$ 89,030	$ 109,268	$ 76,488	$ 48,693
	(4,145)	(3,912)	(3,801)	(3,126)	(2,011)
	78,679	85,118	105,467	73,362	46,682
	37,076	56,675	86,122	77,231	68,730
	4,180	4,294	10,536	5,360	2,976
	41,256	60,969	96,658	82,591	71,706
	37,423	24,149	8,809	(9,229)	(25,024)
	6,866	6,306	1,011	4,962	5,367
	28	40	98	45	44
	--	--	--	--	--
	--	2,000	1,942	2,910	1,066
	--	(4,582)	--	--	--
	6,894	3,764	3,051	7,917	6,477
	44,317	27,913	11,860	(1,312)	(18,547)
	26,277	20,530	21,939	16,829	14,496
	18,567	(20,003)	(49,325)	(56,075)	(52,430)
	$ 44,844	$ 527	$ (27,386)	$ (39,246)	$ (37,934)

SCHEDULE 2



Fiscal Year	State Agencies	Senate Bill 3	Mine Subsidence	House Bill 601
2002	$ 22,840	$ 21,922	$ 1,505	$ 2,426
2003	$ 26,915	$ 27,198	$ 1,528	$ 20,847
2004	$ 36,203	$ 35,793	$ 1,551	$ 35,721
2005	$ 46,465	$ 40,952	$ 1,595	$ 18
2006	$ 40,252	$ 40,920	$ 1,652	-
2007	$ 39,091	$ 39,481	$ 1,676	-
2008	$ 36,259	$ 34,875	$ 1,852	-
2009	$ 31,596	$ 28,902	$ 1,929	-
2010	$ 28,257	$ 27,889	$ 1,861	-
2011	$25,239	$ 25,233	$ 2,032	$34

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 decrease in premiums revenue collected from State Agencies and Senate Bill 3 customers due to reductions given in the premiums billed in recent years after an earlier significant period of growth.

Source: BRIM's internal financial statements.

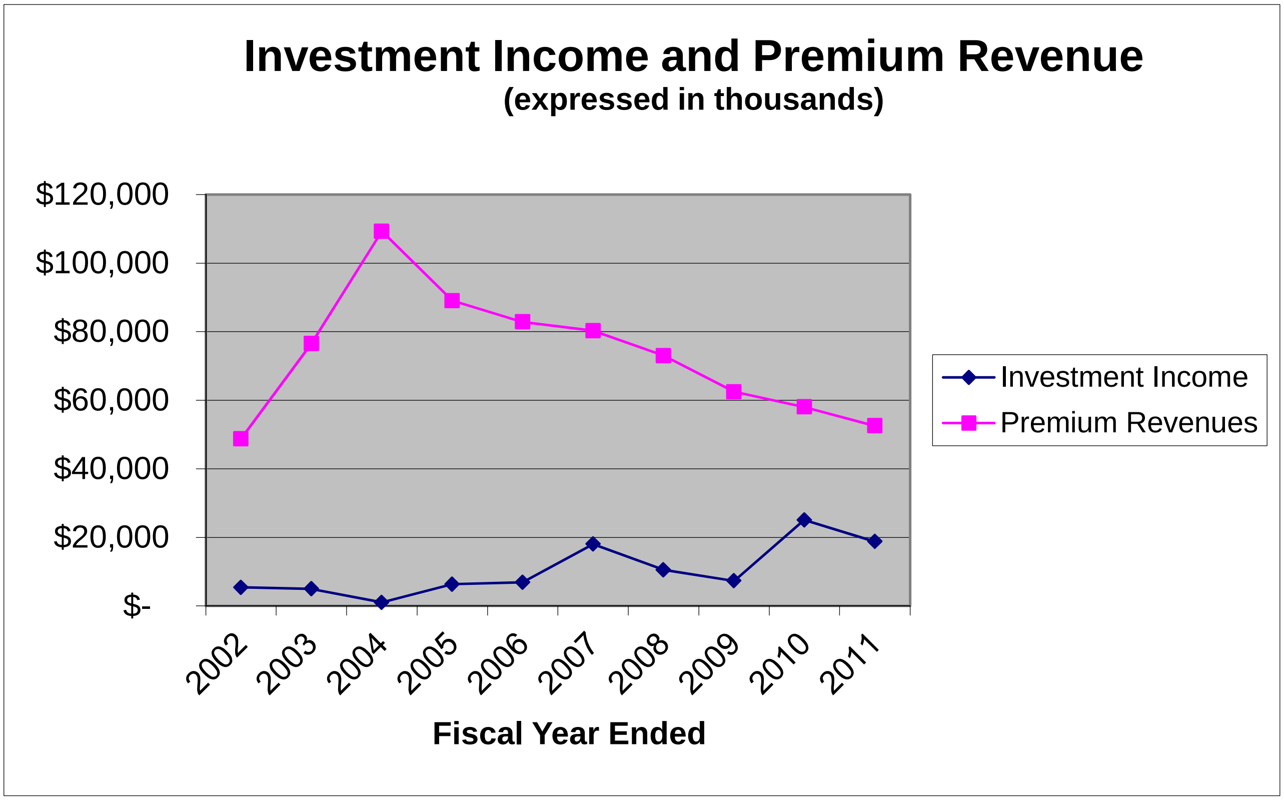
SCHEDULE 3

	Top 10 State Agency Premiums for Fiscal Year 2011		Top 10 State Agency Premiums for Fiscal Year 2002	
1	West Virginia State Police	$ 4,948,648	West Virginia University	$ 5,426,629
2	Division of Highways	4,235,089	Division of Highways	4,595,544
3	West Virginia University	3,885,511	Public Safety Division	2,460,120
4	Department of Health & Human Resources	3,119,738	Marshall University	1,879,572
5	Marshall University	1,445,566	Department of Health & Human Resources	1,595,850
6	Corrections Division	821,697	Public Health Division	977,496
7	Regional Jail and Corrections Facility Authority	398,364	Department of Natural Resources	899,967
8	Department of Natural Resources	360,049	Corrections Division	638,339
9	West Virginia State Parks	354,955	WV Parkways and Economic Development Authority	394,878
10	West Virginia Parkways Authority	321,249	Division of Environmental Protection	363,499
	Total Top Ten	**$ 19,890,866**	Total Top Ten	**$ 19,231,894**
	Total State Premium Billing for 2011	**$ 25,868,596**	Total State Premium Billing for 2002	**$ 23,807,619**
	% of top 10 in relation to all state agency billings	**76.89%**	% of top 10 in relation to all state agency billings	**80.78%**

	Top 20 SB 3 Premiums for Fiscal Year 2011		Top 20 SB 3 Premiums for Fiscal Year 2002	
1	Kanawha County Board of Education	$ 1,656,392	Kanawha County Board of Education	$ 1,027,415
2	Raleigh County Board of Education	786,530	Harrison County Board of Education	460,777
3	Berkeley County Board of Education	615,430	Berkeley County Board of Education	413,035
4	West Virginia University Medical Corporation	588,439	Wood County Board of Education	399,492
5	Harrison County Board of Education	480,930	Mercer County Board of Education	377,123
6	Mercer County Board of Education	432,543	Raleigh County Board of Education	333,850
7	Wayne County Board of Education	429,549	Monongalia County Board of Education	327,762
8	Putnam County Board of Education	410,033	Marion County Board of Education	315,157
9	Cabell County Board of Education	368,031	Cabell County Board of Education	305,664
10	Marion County Board of Education	363,638	Logan County Commission	291,739
11	Monongalia County Board of Education	360,265	Wayne County Board of Education	272,285
12	Jefferson County Commission	341,686	Fayette County Board of Education	259,031
13	Jefferson County Board of Education	330,203	McDowell County Board of Education	232,085
14	City of St. Albans	329,057	Logan County Board of Education	231,328
15	Wood County Board of Education	327,631	Jefferson County Board of Education	228,704
16	Logan County Board of Education	321,267	Putnam County Board of Education	222,421
17	McDowell County Board of Education	296,299	Mineral County Board of Education	217,463
18	Fayette County Board of Education	286,624	Mingo County Commission	216,199
19	Charleston-Kanawha Housing Authority	282,149	City of Beckley	211,510
20	Ohio County Board of Education	280,323	Mingo County Board of Education	210,600
	Total Top Twenty	**$ 9,287,019**	Total Top Twenty	**$ 6,553,640**
	Total SB 3 Premium Billing for 2011	**$ 26,597,596**	Total SB 3 Premium Billing for 2002	**$ 22,138,016**
	% of top 20 in relation to total SB 3 billings	**34.92%**	% of top 20 in relation to total SB 3 billings	**29.60%**

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

SCHEDULE 4



Fiscal Year	Investment Income	Premium Revenue
2002	$ 5,367	$ 48,693
2003	$ 4,962	$ 76,488
2004	$ 1,011	$ 109,268
2005	$ 6,306	$ 89,030
2006	$ 6,866	$ 82,824
2007	$ 18,022	$ 80,248
2008	$ 10,512	$ 72,986
2009	$ 7,312	$ 62,427
2010	$ 25,081	$ 58,007
2011	$ 18,782	$ 52,538

This chart illustrates BRIM's higher investment earnings over the five most recent years as a result of its new investment strategy during a period of lower premium revenues due to reductions given in premiums. Amounts are expressed in thousands of dollars.

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

SCHEDULE 5

Principal Employers
Current Year and Nine Years Ago

Estimated as of June 30, 2011		
Major West Virginia Employers	**Number of Employees**	**% of Total**
Local Government	75,000-79,999	10.75%
State Government	40,000-44,999	6.01%
Federal Government	20,000-24,999	3.29%
Wal-Mart Associates, Inc.	10,000-13,000	1.62%
West Virginia United Health System	7,000-9,999	1.13%
Charleston Area Medical Center	5,000-6,999	0.84%
Kroger	3,000-4,999	0.56%
Consolidation Coal Company	3,000-4,999	0.56%
Mylan Pharmaceuticals, Inc.	1,000-2,999	0.28%
Lowe's Home Centers, Inc.	1,000-2,999	0.28%
St. Mary's Hospital	1,000-2,999	0.28%
American Electric Power	1,000-2,999	0.28%
Mentor Management, Inc.	1,000-2,999	0.28%
Actual Total	711,100	

Estimated as of June 30, 2002		
Major West Virginia Employers	**Number of Employees**	**% of Total**
Local Government	70,000-74,999	9.58%
State Government	40,000-44,999	5.53%
Federal Government	20,000-24,999	2.90%
Wal-Mart Associates, Inc.	10,000-13,000	1.54%
West Virginia United Health Systems	3,000-5,999	0.60%
Charleston Area Medical Center	3,000-5,999	0.60%
Kroger	3,000-5,999	0.60%
Weirton Steel Corporation	3,000-5,999	0.60%
CSX Corporation	3,000-5,999	0.60%
E l Dupont De Nemours and Company	1,000-2,999	0.27%
Verizon	1,000-2,999	0.27%
American Electric Power	1,000-2,999	0.27%
Allegheny Energy Service Corporation	1,000-2,999	0.27%
Actual Total	749,000	

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

SCHEDULE 6

Demographic and Economic Indicators
Calendar Years 2001-2010

	2010	2009	2008	2007
Population				
West Virginia	1,852,994	1,819,777	1,814,873	1,811,198
Change	1.83%	0.27%	0.20%	0.22%
National	308,745,538	307,006,550	304,374,846	301,579,895
Change	0.57%	0.86%	0.93%	1.00%
Total Personal Income				
	59,325	58,631	57,411	54,555
Change	1.18%	2.13%	5.24%	5.13%
National	12,357,113	12,015,535	12,225,589	11,879,836
Change	2.84%	-1.72%	2.91%	5.54%
Per Capita Personal Income*				
West Virginia	31,999	32,219	31,634	30,121
Change	-0.68%	1.85%	5.02%	4.90%
National	39,945	39,138	40,166	39,392
Change	2.06%	-2.56%	1.97%	4.49%
Median Age - West Virginia	41.3	40.5	40.6	40.4
Educational Attainment				
9th Grade or Less	6.1%	6.5%	6.6%	7.0%
Some High School, No Diploma	10.7%	10.7%	11.1%	11.8%
High School Diploma	41.6%	41.0%	40.9%	41.0%
Some College, No Degree	18.3%	18.5%	18.5%	16.7%
Associate, Bachelor's or Graduate Degree	23.3%	23.2%	22.9%	23.4%
Resident Civilian Labor Force and Employment in West Virginia				
Civilian Labor Force (thousands)	782.3	797.9	806.0	813.0
Employed (thousands)	711.1	734.6	772.0	778.0
Unemployed (thousands)	71.2	63.4	34.0	35.0
Unemployment Rate (thousands)	9.1%	7.9%	4.3%	4.3%
Nonfarm Wage and Salary Workers Employed in West Virginia				
Goods Producing Industries				
Mining	29.9	29.6	30.7	27.5
Construction	32.6	34.1	38.4	38.7
Manufacturing-Durable Goods	29.6	30.9	35.2	37.2
Manufacturing-NonDurable Goods	19.5	19.8	21.1	21.8
Total Goods Producing Industries	**111.6**	**114.4**	**125.4**	**125.2**
Non-Goods Producing Industries				
Trade	109.2	110.0	114.4	116.2
Service	372.5	369.9	374	369.5
State and Local Government	128.3	126.3	123.7	122.6
Federal Government	24.3	23.6	22.9	22.5
Total Non-Goods Producing Industries	**634.3**	**629.8**	**635**	**630.8**
Total Nonfarm Wage and Salary Employment	**745.9**	**744.2**	**760.4**	**756**

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.

2006	2005	2004	2003	2002	2001
1,807,237	1,803,920	1,803,302	1,802,238	1,799,411	1,798,582
0.18%	0.03%	0.06%	0.16%	0.05%	-0.46%
298,593,212	295,753,151	293,045,739	290,326,418	287,803,914	285,081,556
0.96%	0.92%	0.97%	0.99%	1.01%	1.03%
51,894	48,139	46,497	43,841	43,312	41,902
7.80%	3.53%	6.06%	1.22%	3.36%	6.25%
11,256,516	10,476,669	9,928,790	9,150,320	8,872,871	8,716,992
7.44%	5.52%	8.51%	3.13%	1.79%	3.79%
28,715	26,686	25,784	24,326	24,070	23,297
7.60%	3.50%	6.00%	1.06%	3.32%	6.74%
37,698	35,424	33,881	31,517	30,830	30,577
6.42%	4.55%	7.50%	2.23%	0.83%	2.73%
40.7	40.7	40.2	39.9	39.5	39.3
7.1%	10.0%	10.0%	10.0%	10.0%	10.0%
11.9%	14.8%	14.8%	14.8%	14.8%	14.8%
42.7%	39.4%	39.4%	39.4%	39.4%	39.4%
16.1%	16.6%	16.6%	16.6%	16.6%	16.6%
22.2%	19.2%	19.2%	19.2%	19.2%	19.2%
810.0	798.0	788.0	790.0	796.0	801.0
773.0	759.0	747.0	742.0	749.0	759.0
37.0	39.0	41.0	48.0	47.0	42.0
4.6%	4.9%	5.3%	6.0%	5.9%	5.2%
28.1	25.9	23.8	22	23.1	23.5
39.2	36.8	34.6	32.7	33.4	34.9
38.4	38.8	39.2	39.7	42.2	44.5
22.6	23	23.8	24.9	26.5	27.7
128.3	**124.5**	**121.4**	**119.3**	**125.2**	**130.6**
115.5	113.6	111.9	110.4	111.3	113.7
367.8	364.9	360.5	355.5	353.7	350
122.4	121.7	121.4	120.6	120.9	119.2
22.1	21.9	21.8	21.9	21.9	21.8
627.8	**622.1**	**615.6**	**608.4**	**607.8**	**604.7**
756.1	**746.6**	**737**	**727.7**	**733**	**735.3**

SCHEDULE 7

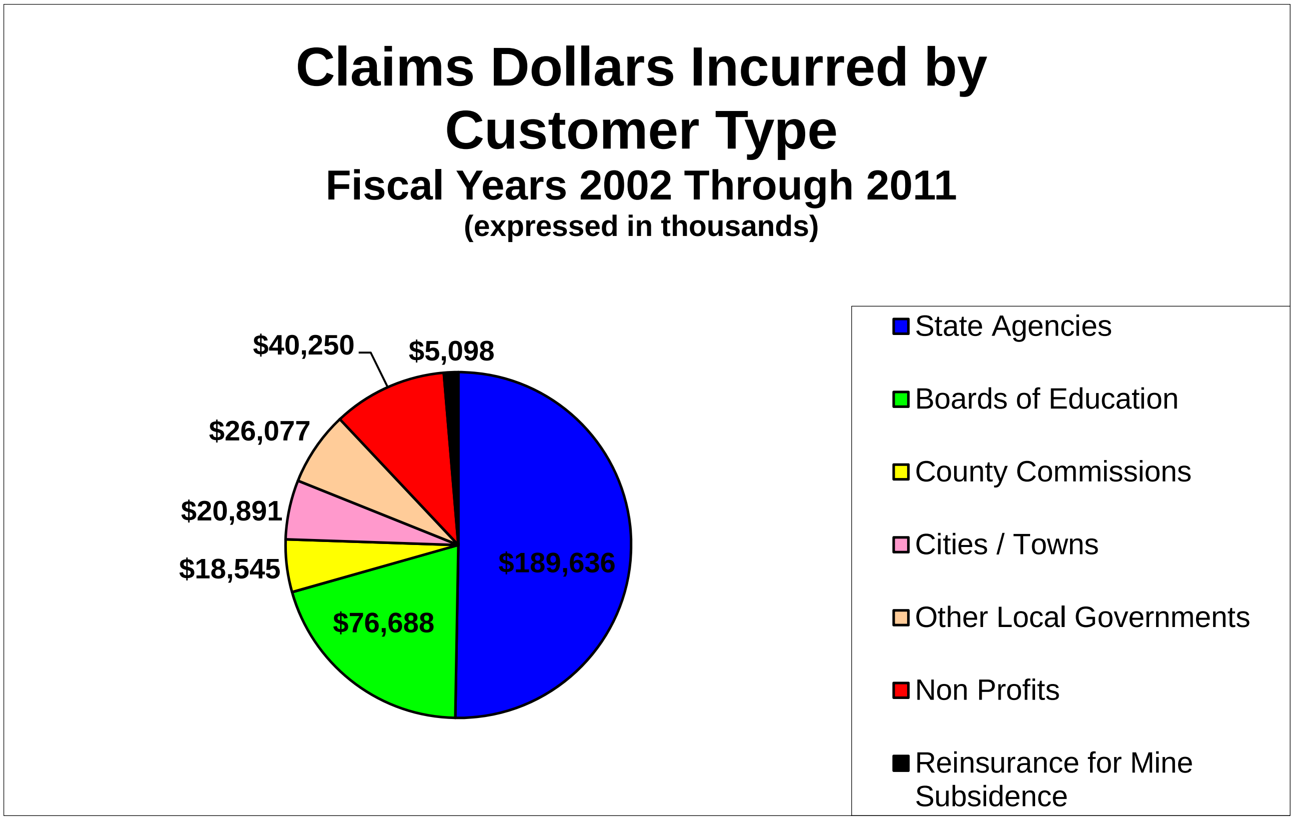
Full-time Equivalent Employees as of Fiscal Year-End*

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Administration	2	2	2	2	2	2	3	5	3	2
Finance	3	3	3	3	3	3	3	3	3	3
Claims	5	5	5	5	5	5	6	4	5	4
Underwriting	6	6	6	5	6	6	6	6	5	4
Loss Control	6	6	4	4	6	5	4	4	2	3
Information Systems	2	2	2	2	2	2	2	1	1	2
Medical Professional	--	--	--	--	--	--	--	1	1	--
Total Employees	24	24	22	21	24	23	24	24	20	18

*** 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.**

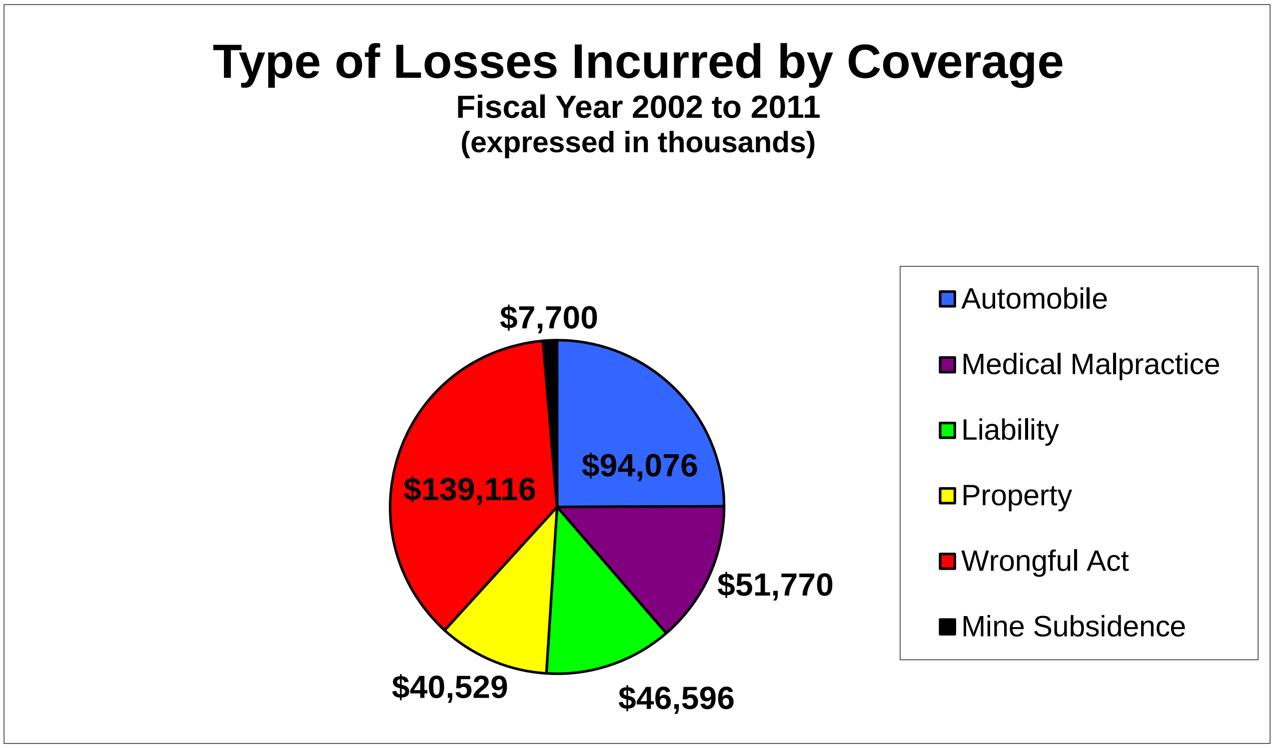
Source: Information compiled from the West Virginia Board of Risk and Insurance Management's internal data.

SCHEDULE 8



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

SCHEDULE 9



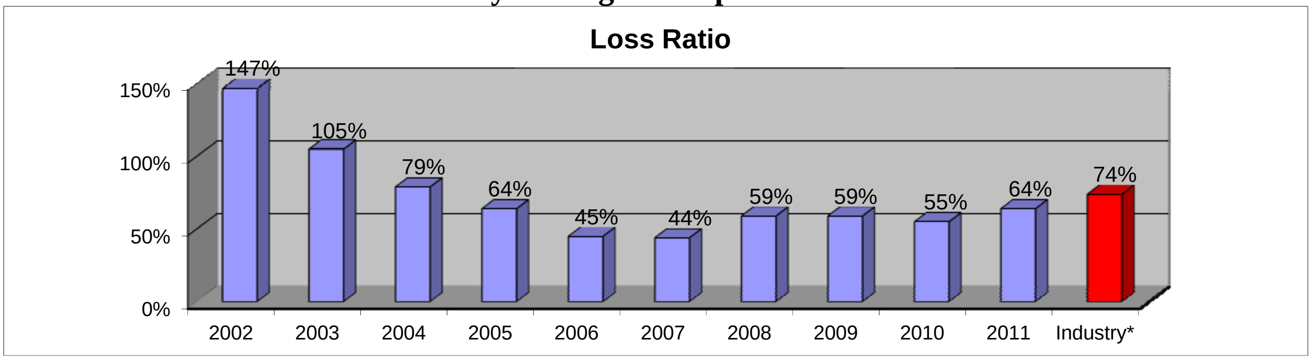
Loss Category

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.

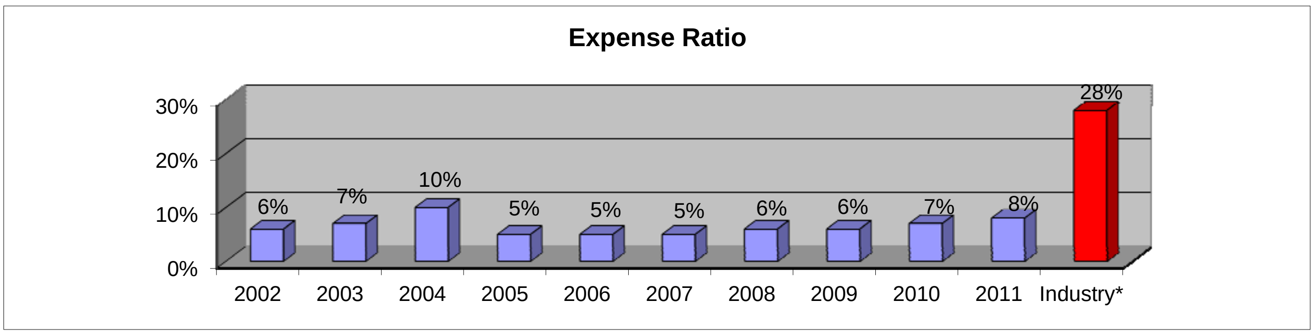
Source: Information compiled from the West Virginia Board of Risk and Insurance Management's internal data.

SCHEDULE 10

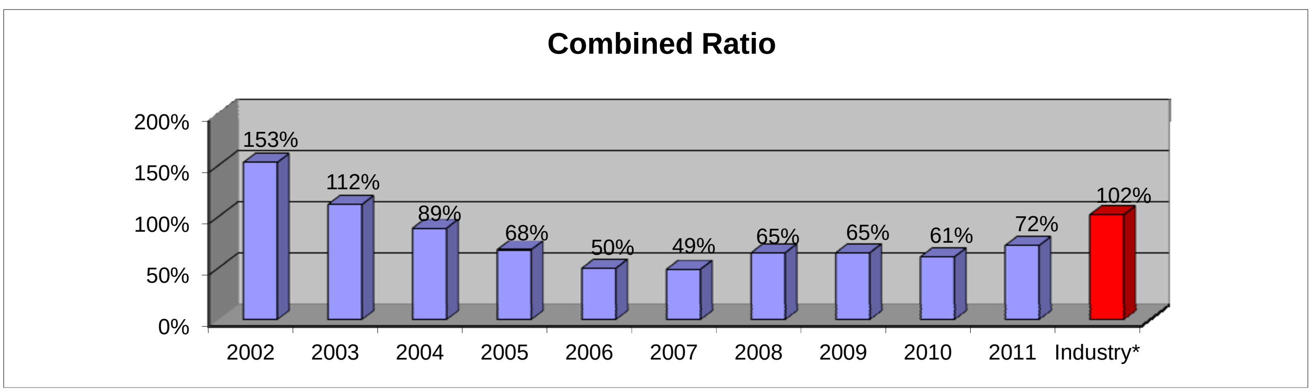
Industry Averages Compared to BRIM



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



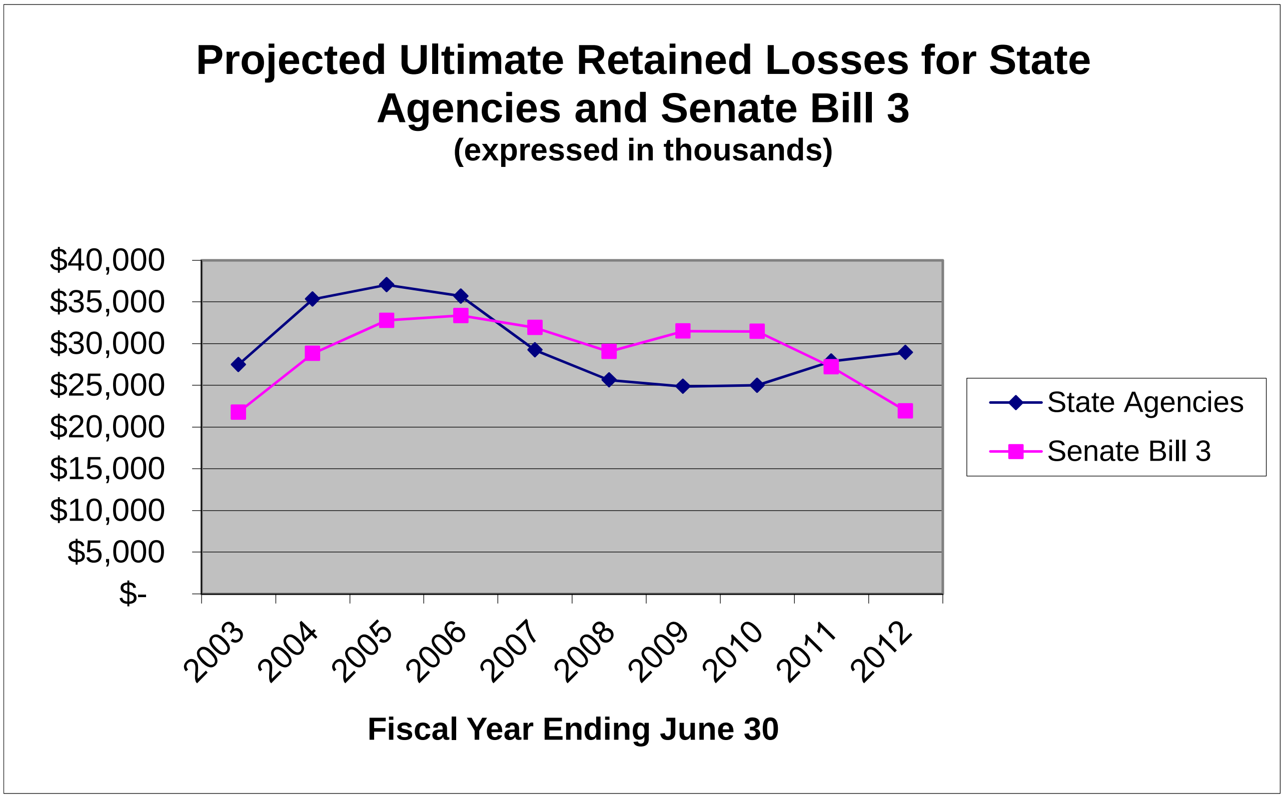
The expense ratio expresses the relationship between total general and administrative expenses and premiums in percentage terms.



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, September 22, 2011.**

SCHEDULE 11



Fiscal Year	State Agencies	Senate Bill 3
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
2012	$ 28,937	$ 21,932

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 2012 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 (2004-2011) and Ernst and Young (2003).

SCHEDULE 12

Listing of Coverages in Effect for Fiscal Year 2011

LIABILITY	LIMIT OF LIABILITY	
Automobile Liability Policy No.: RMCA 397-63-85 Company: National Union Fire Insurance Co.	$	1,000,000 per occurrence
General Liability Policy No.: RMGL 436-07-20 Company: National Union Fire Insurance Co.	$	1,000,000 per occurrence
Aircraft Liability Policy No.: AVC00270902 Company: National Union Fire Insurance Co.	$	1,000,000 per occurrence
Excess Liability-Bd. of Education Policy No.: 48409866 Company: The Insurance Company of the State of Penn	$	5,000,000 per occurrence or claim
PROPERTY	**LIMIT OF LIABILITY**	
Blanket Property Policy No.: D3586782A 008 Company: Westchester	$	25,000,000 primary layer 1,000,000 deductible
Policy No.: NHD367587 Company: RSUI	$	175,000,000 in excess of 25,000,000
Policy No.: CICA3042 Company: Commonwealth	$	50,000,000 in excess of 200,000,000
Policy No.: MAF733355-10 Company: Axis	$	125,000,000 in excess of 250,000,000
Policy No.: MAF760729-11 Company: Westchester Fire Insurance	$	10,000,000 flood with 1,000,000 deductible
Boiler and Machinery Policy No.: 764206824 PHL 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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