



State of West Virginia
 Department of Administration
 Purchasing Division
 2019 Washington Street East
 Post Office Box 50130
 Charleston, WV 25305-0130

Request for Quotation

RFQ NUMBER
INS08141

PAGE
1

ADDRESS CORRESPONDENCE TO ATTENTION OF
**SHELLY MURRAY
 304-558-8801**

RFQ COPY
 TYPE NAME/ADDRESS HERE

VENDOR

SHIP TO

INSURANCE COMMISSION

**1124 SMITH STREET
 CHARLESTON, WV
 25305-0540 304-558-3707**

DATE PRINTED 05/15/2008	TERMS OF SALE	SHIP VIA	FOB	FREIGHT TERMS
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BID OPENING DATE: **06/06/2008** BID OPENING TIME **01:30PM**

LINE	QUANTITY	UOP	CAT NO	ITEM NUMBER	UNIT PRICE	AMOUNT
				REQUEST FOR PROPOSAL		
				<p>THE WEST VIRGINIA PURCHASING DIVISION, FOR THE AGENCY, THE WEST VIRGINIA INSURANCE COMMISSION, IS SOLICITING PROPOSALS FROM QUALIFIED FIRMS FOR A CONTRACT TO PROVIDE AUDIT SERVICES FOR FISCAL YEAR ENDING JUNE 30, 2008.</p> <p>ATTACHMENTS: SPECIFICATIONS PURCHASING AFFIDAVIT</p> <p>INQUIRES: WRITTEN QUESTIONS SHALL BE ACCEPTED THROUGH CLOSE OF BUSINESS ON 05/23/2008. QUESTIONS MAY BE SENT VIA USPS, FAX, COURIER, OR EMAIL. IN ORDER TO ASSURE NO VENDOR RECEIVES AN UNFAIR ADVANTAGE, NO SUBSTANTIVE QUESTIONS WILL BE ANSWERED ORALLY. IF POSSIBLE, EMAIL QUESTIONS ARE PREFERRED. ADDRESS INQUIRES TO:</p> <p style="text-align: center;">SHELLY MURRAY DEPARTMENT OF ADMINISTRATION PURCHASING DIVISION 2019 WASHINGTON STREET, EAST CHARLESTON, WV 25311 FAX: 304-558-4115 EMAIL: SHELLY.L.MURRAY@WV.GOV</p>		
0001	1	LS		946-20		
				AUDITING SERVICES		

SEE REVERSE SIDE FOR TERMS AND CONDITIONS

SIGNATURE	TELEPHONE	DATE
TITLE	FEIN	ADDRESS CHANGES TO BE NOTED ABOVE

WHEN RESPONDING TO RFQ, INSERT NAME AND ADDRESS IN SPACE ABOVE LABELED 'VENDOR'

**GENERAL TERMS & CONDITIONS
REQUEST FOR QUOTATION (RFQ) AND REQUEST FOR PROPOSAL (RFP)**

1. Awards will be made in the best interest of the State of West Virginia.
2. The State may accept or reject in part, or in whole, any bid.
3. All quotations are governed by the *West Virginia Code* and the *Legislative Rules* of the Purchasing Division.
4. Prior to any award, the apparent successful vendor must be properly registered with the Purchasing Division and have paid the required \$125.00 registration fee.
5. All services performed or goods delivered under State Purchase Orders/Contracts are to be continued for the term of the Purchase Order/Contract, contingent upon funds being appropriated by the Legislature or otherwise being made available. In the event funds are not appropriated or otherwise available for these services or goods, this Purchase Order/Contract becomes void and of no effect after June 30.
6. Payment may only be made after the delivery and acceptance of goods or services.
7. Interest may be paid for late payment in accordance with the *West Virginia Code*.
8. Vendor preference will be granted upon written request in accordance with the *West Virginia Code*.
9. The State of West Virginia is exempt from federal and state taxes and will not pay or reimburse such taxes.
10. The Director of Purchasing may cancel any Purchase Order/Contract upon 30 days written notice to the seller.
11. The laws of the State of West Virginia and the *Legislative Rules* of the Purchasing Division shall govern all rights and duties under the Contract, including without limitation the validity of this Purchase Order/Contract.
12. Any reference to automatic renewal is hereby deleted. The Contract may be renewed only upon mutual written agreement of the parties.
13. **BANKRUPTCY:** In the event the vendor/contractor files for bankruptcy protection, this Contract may be deemed null and void, and terminated without further order.
14. **HIPAA Business Associate Addendum** - The West Virginia State Government HIPAA Business Associate Addendum (BAA), approved by the Attorney General, and available online at the Purchasing Division's web site (<http://www.state.wv.us/admin/purchase/vrc/hipaa.htm>) is hereby made part of the agreement. Provided that, the Agency meets the definition of a Covered Entity (45 CFR §160.103) and will be disclosing Protected Health Information (45 CFR §160.103) to the vendor.

INSTRUCTIONS TO BIDDERS

1. Use the quotation forms provided by the Purchasing Division.
2. **SPECIFICATIONS:** Items offered must be in compliance with the specifications. Any deviation from the specifications must be clearly indicated by the bidder. Alternates offered by the bidder as **EQUAL** to the specifications must be clearly defined. A bidder offering an alternate should attach complete specifications and literature to the bid. The Purchasing Division may waive minor deviations to specifications.
3. Complete all sections of the quotation form.
4. Unit prices shall prevail in cases of discrepancy.
5. All quotations are considered F.O.B. destination unless alternate shipping terms are clearly identified in the quotation.
6. **BID SUBMISSION:** All quotations must be delivered by the bidder to the office listed below prior to the date and time of the bid opening. Failure of the bidder to deliver the quotations on time will result in bid disqualifications.

SIGNED BID TO:

Department of Administration
Purchasing Division
2019 Washington Street East
Post Office Box 50130
Charleston, WV 25305-0130



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<p>EXHIBIT 3</p> <p>LIFE OF CONTRACT: THIS CONTRACT BECOMES EFFECTIVE UPON AWARD AND EXTENDS FOR A PERIOD OF ONE (1) YEAR OR UNTIL SUCH "REASONABLE TIME" THEREAFTER AS IS NECESSARY TO OBTAIN A NEW CONTRACT OR RENEW THE ORIGINAL CONTRACT. THE "REASONABLE TIME" PERIOD SHALL NOT EXCEED TWELVE (12) MONTHS. DURING THIS "REASONABLE TIME" THE VENDOR MAY TERMINATE THIS CONTRACT FOR ANY REASON UPON GIVING THE DIRECTOR OF PURCHASING 30 DAYS WRITTEN NOTICE.</p> <p>UNLESS SPECIFIC PROVISIONS ARE STIPULATED ELSEWHERE IN THIS CONTRACT DOCUMENT, THE TERMS, CONDITIONS AND PRICING SET HEREIN ARE FIRM FOR THE LIFE OF THE CONTRACT.</p> <p>RENEWAL: THIS CONTRACT MAY BE RENEWED UPON THE MUTUAL WRITTEN CONSENT OF THE SPENDING UNIT AND VENDOR, SUBMITTED TO THE DIRECTOR OF PURCHASING THIRTY (30) DAYS PRIOR TO THE EXPIRATION DATE. SUCH RENEWAL SHALL BE IN ACCORDANCE WITH THE TERMS AND CONDITIONS OF THE ORIGINAL CONTRACT AND SHALL BE LIMITED TO TWO (2) ONE (1) YEAR PERIODS.</p> <p>CANCELLATION: THE DIRECTOR OF PURCHASING RESERVES THE RIGHT TO CANCEL THIS CONTRACT IMMEDIATELY UPON WRITTEN NOTICE TO THE VENDOR IF THE COMMODITIES AND/OR SERVICES SUPPLIED ARE OF AN INFERIOR QUALITY OR DO NOT CONFORM TO THE SPECIFICATIONS OF THE BID AND CONTRACT HEREIN.</p> <p>OPEN MARKET CLAUSE: THE DIRECTOR OF PURCHASING MAY AUTHORIZE A SPENDING UNIT TO PURCHASE ON THE OPEN MARKET, WITHOUT THE FILING OF A REQUISITION OR COST ESTIMATE, ITEMS SPECIFIED ON THIS CONTRACT FOR IMMEDIATE DELIVERY IN EMERGENCIES DUE TO UNFORESEEN</p>						

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<p>CAUSES (INCLUDING BUT NOT LIMITED TO DELAYS IN TRANSPORTATION OR AN UNANTICIPATED INCREASE IN THE VOLUME OF WORK.)</p> <p>BANKRUPTCY: IN THE EVENT THE VENDOR/CONTRACTOR FILES FOR BANKRUPTCY PROTECTION, THIS CONTRACT IS AUTOMATICALLY NULL AND VOID, AND IS TERMINATED WITHOUT FURTHER ORDER.</p> <p>THE TERMS AND CONDITIONS CONTAINED IN THIS CONTRACT SHALL SUPERSEDE ANY AND ALL SUBSEQUENT TERMS AND CONDITIONS WHICH MAY APPEAR ON ANY ATTACHED PRINTED DOCUMENTS SUCH AS PRICE LISTS, ORDER FORMS, SALES AGREEMENTS OR MAINTENANCE AGREEMENTS, INCLUDING ANY ELECTRONIC MEDIUM SUCH AS CD-ROM.</p> <p>REV. 04/11/2001</p> <p>EXHIBIT 6</p> <p>PRICE ADJUSTMENT PROVISION: THE STATE OF WEST VIRGINIA WILL CONSIDER BIDS THAT CONTAIN PROVISIONS FOR PRICE ADJUSTMENTS PRIOR TO THE ORIGINAL EXPIRATION OF THE CONTRACT, PROVIDED THAT SUCH PRICE ADJUSTMENT COVERS BOTH UPWARD AND DOWNWARD MOVEMENT OF THE COMMODITY PRICE, AND THAT ADJUSTMENT IS BASED ON THE "PASS THROUGH" INCREASE OR DECREASE OF RAW MATERIALS AND/OR LABOR, WHICH MAKE UP ALL OR A SUBSTANTIAL PART OF A PRODUCT. ADJUSTMENTS ARE TO BE BASED UPON AN ACTUAL DOLLAR FIGURE, NOT A PERCENTAGE. ALL PRICE ADJUSTMENT REQUESTS MUST BE SUBSTANTIATED IN A MANNER ACCEPTABLE TO THE DIRECTOR PURCHASING, E.G. GOVERNMENTAL BENCH MARKS, GENERAL MARKET INCREASE, PUBLISHED PRICE LISTS. SUCH REQUESTS FOR AND INCREASE SHOULD BE RECEIVED IN WRITING BY THE DIRECTOR OF</p>						

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<p>PURCHASING AT LEAST 30 DAYS IN ADVANCE OF THE EFFECTIVE DATE OF THE INCREASE. ANY TIME THE VENDOR REQUESTS A PRICE ADJUSTMENT, THE PURCHASING DIVISION MAY EITHER ACCEPT THE PRICE ADJUSTMENT AND AMEND THE CONTRACT ACCORDINGLY OR REJECT THE ADJUSTMENT IN ITS ENTIRETY AND CANCEL THE CONTRACT.</p> <p>PREFERRED TERMS: IT IS PREFERRED THAT THE PRICES ON THIS CONTRACT ARE FIRM FOR LIFE OF THE CONTRACT, AS INDICATED IN THE LIFE OF CONTRACT CLAUSE CONTAINED HEREIN, NOT TO EXCEED ONE (1) YEAR.</p> <p>PASS THROUGH PRICE INCREASES WILL BE CONSIDERED AT TIME OF CONTRACT RENEWAL ONLY.</p> <p>VENDOR PREFERENCE CERTIFICATE</p> <p>CERTIFICATION AND APPLICATION* IS HEREBY MADE FOR PREFERENCE IN ACCORDANCE WITH WEST VIRGINIA CODE, 5A-3-37 (DOES NOT APPLY TO CONSTRUCTION CONTRACTS).</p> <p>A. APPLICATION IS MADE FOR 2.5% PREFERENCE FOR THE REASON CHECKED:</p> <p>() BIDDER IS AN INDIVIDUAL RESIDENT VENDOR AND HAS RESIDED CONTINUOUSLY IN WEST VIRGINIA FOR FOUR (4) YEARS IMMEDIATELY PRECEDING THE DATE OF THIS CERTIFICATION; OR</p> <p>() BIDDER IS A PARTNERSHIP, ASSOCIATION OR CORPORATION RESIDENT VENDOR AND HAS MAINTAINED ITS HEAD-QUARTERS OR PRINCIPAL PLACE OF BUSINESS CONTINUOUSLY IN WEST VIRGINIA FOR FOUR (4) YEARS IMMEDIATELY PRECEDING THE DATE OF THIS CERTIFICATION; OR 80% OF THE OWNERSHIP INTEREST OF BIDDER IS HELD BY ANOTHER INDIVIDUAL,</p>						

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<p>PARTNERSHIP, ASSOCIATION OR CORPORATION RESIDENT VENDOR WHO HAS MAINTAINED ITS HEADQUARTERS OR PRINCIPAL PLACE OF BUSINESS CONTINUOUSLY IN WEST VIRGINIA FOR FOUR (4) YEARS IMMEDIATELY PRECEDING THE DATE OF THIS CERTIFICATION; OR</p> <p>() BIDDER IS A CORPORATION NONRESIDENT VENDOR WHICH HAS AN AFFILIATE OR SUBSIDIARY WHICH EMPLOYS A MINIMUM OF ONE HUNDRED STATE RESIDENTS AND WHICH HAS MAINTAINED ITS HEADQUARTERS OR PRINCIPAL PLACE OF BUSINESS WITHIN WEST VIRGINIA CONTINUOUSLY FOR THE FOUR (4) YEARS IMMEDIATELY PRECEDING THE DATE OF THIS CERTIFICATION.</p> <p>B. APPLICATION IS MADE FOR 2.5% PREFERENCE FOR THE REASON CHECKED:</p> <p>() BIDDER IS A RESIDENT VENDOR WHO CERTIFIES THAT, DURING THE LIFE OF THE CONTRACT, ON AVERAGE AT LEAST 75% OF THE EMPLOYEES WORKING ON THE PROJECT BEING BID ARE RESIDENTS OF WEST VIRGINIA WHO HAVE RESIDED IN THE STATE CONTINUOUSLY FOR THE TWO YEARS IMMEDIATELY PRECEDING SUBMISSION OF THIS BID;</p> <p>OR</p> <p>() BIDDER IS A NONRESIDENT VENDOR EMPLOYING A MINIMUM OF ONE HUNDRED STATE RESIDENTS OR IS A NONRESIDENT VENDOR WITH AN AFFILIATE OR SUBSIDIARY WHICH MAINTAINS ITS HEADQUARTERS OR PRINCIPAL PLACE OF BUSINESS WITHIN WEST VIRGINIA EMPLOYING A MINIMUM OF ONE HUNDRED STATE RESIDENTS WHO CERTIFIES THAT, DURING THE LIFE OF THE CONTRACT, ON AVERAGE AT LEAST 75% OF THE EMPLOYEES OR BIDDERS' AFFILIATE'S OR SUBSIDIARY'S EMPLOYEES ARE RESIDENTS OF WEST VIRGINIA WHO HAVE RESIDED IN THE STATE CONTINUOUSLY FOR THE TWO YEARS IMMEDIATELY PRECEDING SUBMISSION OF THIS BID.</p>						

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<p>BIDDER UNDERSTANDS IF THE SECRETARY OF TAX & REVENUE DETERMINES THAT A BIDDER RECEIVING PREFERENCE HAS FAILED TO CONTINUE TO MEET THE REQUIREMENTS FOR SUCH PREFERENCE, THE SECRETARY MAY ORDER THE DIRECTOR OF PURCHASING TO: (A) RESCIND THE CONTRACT OR PURCHASE ORDER ISSUED; OR (B) ASSESS A PENALTY AGAINST SUCH BIDDER IN AN AMOUNT NOT TO EXCEED 5% OF THE BID AMOUNT AND THAT SUCH PENALTY WILL BE PAID TO THE CONTRACTING AGENCY OR DEDUCTED FROM ANY UNPAID BALANCE ON THE CONTRACT OR PURCHASE ORDER.</p> <p>BY SUBMISSION OF THIS CERTIFICATE, BIDDER AGREES TO DISCLOSE ANY REASONABLY REQUESTED INFORMATION TO THE PURCHASING DIVISION AND AUTHORIZES THE DEPARTMENT OF TAX AND REVENUE TO DISCLOSE TO THE DIRECTOR OF PURCHASING APPROPRIATE INFORMATION VERIFYING THAT BIDDER HAS PAID THE REQUIRED BUSINESS TAXES, PROVIDED THAT SUCH INFORMATION DOES NOT CONTAIN THE AMOUNTS OF TAXES PAID NOR ANY OTHER INFORMATION DEEMED BY THE TAX COMMISSIONER TO BE CONFIDENTIAL.</p> <p>UNDER PENALTY OF LAW FOR FALSE SWEARING (WEST VIRGINIA CODE 61-5-3), BIDDER HEREBY CERTIFIES THAT THIS CERTIFICATE IS TRUE AND ACCURATE IN ALL RESPECTS; AND THAT IF A CONTRACT IS ISSUED TO BIDDER AND IF ANYTHING CONTAINED WITHIN THIS CERTIFICATE CHANGES DURING THE TERM OF THE CONTRACT, BIDDER WILL NOTIFY THE PURCHASING DIVISION IN WRITING IMMEDIATELY.</p> <p>BIDDER: -----</p> <p>DATE: -----</p>						

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<p>SIGNED: -----</p> <p>TITLE: -----</p> <p>* CHECK ANY COMBINATION OF PREFERENCE CONSIDERATION(S) IN EITHER "A" OR "B", OR BOTH "A" AND "B" WHICH YOU ARE ENTITLED TO RECEIVE. YOU MAY REQUEST UP TO THE MAXIMUM 5% PREFERENCE FOR BOTH "A" AND "B". (REV. 12/00)</p> <p>NOTICE</p> <p>A SIGNED BID MUST BE SUBMITTED TO:</p> <p>DEPARTMENT OF ADMINISTRATION PURCHASING DIVISION BUILDING 15 2019 WASHINGTON STREET, EAST CHARLESTON, WV 25305-0130</p> <p>THE BID SHOULD CONTAIN THIS INFORMATION ON THE FACE OF THE ENVELOPE OR THE BID MAY NOT BE CONSIDERED:</p> <p>SEALED BID</p> <p>BUYER: SHELLY MURRAY / FILE 31</p> <p>RFQ. NO.: INS08141</p> <p>BID OPENING DATE: 06/06/2008</p>						

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LINE	QUANTITY	UOP	CAT. NO.	ITEM NUMBER	UNIT PRICE	AMOUNT
				1:30 PM		
PLEASE PROVIDE A FAX NUMBER IN CASE IT IS NECESSARY TO CONTACT YOU REGARDING YOUR BID: ----- CONTACT PERSON (PLEASE PRINT CLEARLY): ----- ***** THIS IS THE END OF RFQ INS08141 ***** TOTAL: _____						

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REQUEST FOR PROPOSAL
State of West Virginia
Offices of the Insurance Commissioner

PART 1 GENERAL INFORMATION, TERMS AND CONDITIONS

1.1 Purpose:

The Acquisition and Contract Administration Section of the Purchasing Division, hereinafter referred to as "State", is soliciting proposals for the West Virginia Department of Revenue, Offices of the Insurance Commissioner, hereinafter referred to as "OIC" or "Agency", to provide Audit Services for fiscal year ending June 30, 2008, with the option of auditing its financial statements for each of the two subsequent fiscal years. This solicitation serves as notice, pursuant to West Virginia Code §5A-3-10c, of the commodity or service being sought and is to be considered the opportunity for vendors to indicate their interest in bidding on such commodity or service.

1.2 Project:

The mission or purpose of the project is to obtain proposals from qualified firms of certified public accountants to perform services in accordance with generally accepted auditing standards (GAAS), Statement of Auditing Standards, No. 99 (SAS 99), as well as the requirements of other applicable laws and regulations.

1.3 RFP Format:

This RFP has four parts. "Part 1" contains general information, terms and conditions; "Part 2" describes the background and working environment of the project; "Part 3" is a statement of the specifications for the services requested pursuant to this RFP, contractual requirements, and special terms and conditions; and "Part 4" explains the required format of the Bidder's response to the RFP, the evaluation criteria the State will use in evaluating the proposals received and how the evaluation will be conducted.

1.4 Inquiries:

Additional information inquiries regarding specifications of this RFP must be submitted in writing to the State Buyer with the exception of questions regarding the proposal submission which may be oral. The deadline for written inquiries is identified in the Schedule of Events, Section 1.16. All inquiries of specification clarification must be addressed to:

Shelly Murray, Senior Buyer
Purchasing Division
2019 Washington Street, East
P.O. Box 50130
Charleston, WV 25305-0130
Fax: (304) 558-4115

The vendor, or anyone on the vendor's behalf, is not permitted to make any contact whatsoever with any member of the evaluation committee. Violation may

result in rejection of the bid. The State Buyer named above is the sole contact for any and all inquiries after this RFP has been released.

1.5 Vendor Registration:

Vendors participating in this process should complete and file a **Vendor Registration and Disclosure Statement** (Form WV-1) and remit the registration fee. Vendor is not required to be a registered vendor in order to submit a proposal, but the **successful bidder must** register and pay the fee prior to the award of an actual purchase order or contract.

1.6 Oral Statements and Commitments:

Vendor must clearly understand that any verbal representation made or assumed to be made during any oral discussion held between Vendor's representatives and any State personnel is **not** binding. Only the information issued in writing and added to the Request for Proposal specifications file by an official written addendum are binding.

1.7 Economy of Preparation:

Proposals should be prepared simply and economically, providing a straightforward, concise description of Vendor's abilities to satisfy the requirements of the RFP. Emphasis should be placed on completeness and clarity of content.

1.8 Labeling of RFP Sections:

The sections within this RFP contain instructions governing how the Vendor's proposal is to be arranged, submitted and to identify the material to be included therein.

1.8.1 Mandatory Requirements.

Any specification or statement containing the word "must", "shall", or "will" are mandatory. Section 3 contains mandatory deliverables required upon contract execution. By signing and submitting a response to this RFP, the vendor agrees to all mandatory deliverables described herein. Section 4 describes RFP response requirements, which may be mandatory. The vendor is required to meet all mandatory requirements in order to be eligible for consideration and to continue in the evaluation process. Failure to meet or agree to mandatory items shall result in disqualification of the Vendor's proposal and the evaluation process will be terminated for that vendor. Decisions regarding compliance with any mandatory requirement shall be at the sole discretion of the State.

1.8.2 Contract Terms and Conditions:

This Request for Proposals contains all the contractual terms and conditions under which the State of West Virginia will enter into a contract.

1.8.3 Informational Sections:

All non-mandatory information specifications do not require a response from the Vendor. They are intended to aid the vendor in structuring an effective proposal capable of meeting the needs of the issuing agency.

1.9 Proposal Format and Submission:

1.9.1 Each proposal should be formatted as per the outline in Part 4 of this RFP. No other arrangement or distribution of the proposal information may be made by the

bidder. Failure on the part of the bidder to respond to specific requirements detailed in the RFP may be the basis for disqualification of the proposal. The State reserves the right to waive any informality in the proposal format and minor irregularities.

1.9.2 State law requires that the original technical and cost proposal be submitted to the Purchasing Division. All proposals must be submitted to the Purchasing Division **prior** to the date and time stipulated in the RFP as the opening date. All bids will be dated and time stamped to verify official time and date of receipt.

1.9.3 Vendors mailing proposals should allow sufficient time for mail delivery to ensure timely arrival. In accordance with West Virginia Code §5A-3-11, the Purchasing Division cannot waive or excuse late receipt of a proposal which is delayed and late for any reason. Any proposal received after the bid opening date and time will be immediately disqualified in accordance with State law and the administrative rules and regulations.

Vendors responding to this RFP shall submit:

One original technical and cost
plus 5 convenience copies to:

Purchasing Division
2019 Washington Street, East
P.O. Box 50130
Charleston, WV 25305-0130

The outside of the envelope or package(s) should be clearly marked:

Buyer: Shelly Murray
Req#: INS08141
Opening Date: 06/06/2008
Opening Time: 1:30 pm

1.9.4. Best Value Purchasing Standard Format

All Requests for Proposals should follow the standard format defined by the Purchasing Division. This format addresses required areas and enables the agency to modify the background and scope of work to meet its needs.

1.9.4.1 *Evaluation Criteria:* All evaluation criteria must be clearly defined in the specifications section and based on a 100 point total score. Based on a 100 point total, cost shall represent a minimum of 30 of the 100 total points in the criteria.

1.9.4.2 *Proposal Format and Content:* Proposals shall be requested and received in two distinct parts: Technical and Cost. The cost portion shall be sealed in a separate envelope and will not be opened initially.

1.9.4.3 *Technical Bid Opening:* The Purchasing Division will open only the technical proposals on the date and time specified in the Request for Proposal. The Purchasing Division representative will read aloud the names of those who responded to the solicitation. The Purchasing Division Buyer will confirm that the original packages contain a separately sealed cost proposal prior to providing the courtesy copies to the

agency to begin the evaluation process.

1.9.4.4 *Technical Evaluation*: The pre-selected, approved evaluation committee will review the technical proposals, deduct appropriate points for deficiencies and make a final written consensus recommendation to the Purchasing Division Buyer. If the Buyer approves the committee's recommendation, the technical evaluation will be forwarded to an internal review committee within the Purchasing Division.

1.9.4.5 *Cost Bid Opening*: Upon approval of the technical evaluation from the internal review committee, the Purchasing Division shall schedule a time and date to publicly open and read aloud the cost proposals. The agency and the vendors shall be notified of this date.

1.9.4.6 *Cost Evaluation and Resident Vendor Preference*: The evaluation committee will review the cost proposals, assign appropriate points and make a final consensus recommendation to the Purchasing Division. In accordance with West Virginia Code §5A-3-37, the Purchasing Division will make the determination of the Resident Vendor Preference, if applicable. Resident Vendor Preference provides an opportunity for qualifying vendors to request at the time of bid preference for their residency status. Such preference is an evaluation method only and will be applied only to the cost bid in accordance with the West Virginia Code. A certificate of application is used to request this preference. A West Virginia vendor may be eligible for two 2.5% preferences in the evaluation process.

1.9.4.7 *Contract Approval and Award*: After the cost proposals have been opened, the evaluation committee completes its review and prepares the final evaluation making its recommendation for contract award based on the highest scoring vendor. The final evaluation is submitted to the Purchasing Division buyer. Once approved by the buyer, the final evaluation must be reviewed and approved by the Purchasing Division internal review committee. The contract is prepared and signed in the Purchasing Division, forwarded to the Attorney General's Office for approval as to form, encumbered and mailed to the appropriate parties.

1.10 **Rejection of Proposals:**

The State shall select the best value solution according to the evaluation criteria. However, the State reserves the right to accept or reject any or all proposals, in part or in whole at its discretion. The State reserves the right to withdraw this RFP at any time and for any reason. Submission of, or receipt by the State of proposals confers no rights upon the bidder nor obligates the State in any manner.

A contract based on this RFP and the Vendor's proposal, may or may not be awarded. Any contract resulting in an award from this RFP is not valid until properly approved and executed by the Purchasing Division and approved as to form by the Attorney General.

1.11 **Incurring Costs:**

The State and any of its employees or officers shall not be held liable for any expenses incurred by any bidder responding to this RFP for expenses to prepare, deliver the proposal, or to attend any mandatory prebid meeting or oral presentations.

1.12 Addenda:

If it becomes necessary to revise any part of this RFP, an official written addendum will be issued by the State to all bidders of record.

1.13 Independent Price Determination:

A proposal will not be considered for award if the price in the proposal was not arrived at independently without collusion, consultation, communication or agreement as to any matter relating to prices with any competitor unless the proposal is submitted as a joint venture.

1.14 Price Quotations:

The price(s) quoted in the bidder's proposal will not be subject to any increase and will be considered firm for the life of the contract unless specific provisions have been provided for adjustment in the original contract.

1.15 Public Record:

1.15.1 Submissions are Public Record.

All documents submitted to the State Purchasing Division related to purchase orders or contracts are considered public records. All bids, proposals or offers submitted by bidders shall become public information and are available for inspection during normal official business hours in the Purchasing Division Records and Distribution center after the bid opening.

1.15.2 Written Release of Information.

All public information may be released with or without a Freedom of Information request, however, only a written request will be acted upon with duplications fees paid in advance. Duplication fees shall apply to all requests for copies of any document. Currently the fees are \$0.50/page, or a minimum of \$10.00 per request which ever is greater.

1.15.3 Risk of Disclosure.

The only exemptions to disclosure of information are listed in West Virginia Code §29B-1-4. Primarily, only trade secrets, as submitted by a bidder, are exempt to public disclosure. The submission of any information to the State by a vendor puts the risk of disclosure on the vendor. The State does not guarantee non-disclosure of any information to the public.

1.16 Schedule of Events:

Release of the RFP.....	05/16/2008
Vendor's Written Questions Submission Deadline.	05/23/2008
Addendum Issued	TBD
Bid Opening Date	06/06/2008

1.17 Mandatory Prebid Conference:

Not Applicable

1.18 Purchasing Affidavit:

West Virginia Code §5A-3-10a requires that all bidders submit an affidavit regarding any debt owed to the State. The affidavit must be signed and submitted prior to award. It is preferred that the affidavit be submitted with the proposal.

1.19 General Terms and Conditions:

By signing and submitting its proposal, the successful Vendor agrees to be bound by all the terms contained in this RFP.

1.19.1 Conflict of Interest:

Vendor affirms that it, its officers or members or employees presently have no interest and shall not acquire any interest, direct or indirect, which would conflict or compromise in any manner or degree with the performance or its services hereunder. The Vendor further covenants that in the performance of the contract, the Vendor shall periodically inquire of its officers, members and employees concerning such interests. Any such interests discovered shall be promptly presented in detail to the Agency.

1.19.2 Prohibition Against Gratuities:

Vendor warrants that it has not employed any company or person other than a bona fide employee working solely for the vendor or a company regularly employed as its marketing agent to solicit or secure the contract and that it has not paid or agreed to pay any company or person any fee, commission, percentage, brokerage fee, gifts or any other consideration contingent upon or resulting from the award of the contract.

For breach or violation of this warranty, the State shall have the right to annul this contract without liability at its discretion or to pursue any other remedies available under this contract or by law.

1.19.3 Certifications Related to Lobbying:

Vendor certifies that no federal appropriated funds have been paid or will be paid, by or on behalf of the company or an employee thereof, to any person for purposes of influencing or attempting to influence an officer or employee of any Federal entity, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment or modification of any Federal contract, grant, loan or cooperative agreement.

If any funds other than federally appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee or any agency, a Member of Congress, an officer or employee of Congress or an employee of a Member of Congress in connection with this Federal contract, grant, loan or cooperative agreement, the Vendor shall complete and submit a disclosure form to report the lobbying.

Vendor agrees that this language of certification shall be included in the award documents for all sub-awards at all tiers, including subcontracts, sub-grants, and

contracts under grants, loans, and cooperative agreements, and that all sub-recipients shall certify and disclose accordingly. This certification is a material representation of fact upon which reliance was placed when this contract was made and entered into.

1.19.4 Vendor Relationship:

The relationship of the Vendor to the State shall be that of an independent contractor and no principal-agent relationship or employer-employee relationship is contemplated or created by the parties to this contract. The Vendor as an independent contractor is solely liable for the acts and omissions of its employees and agents.

Vendor shall be responsible for selecting, supervising and compensating any and all individuals employed pursuant to the terms of this RFP and resulting contract. Neither the Vendor, nor any employees or contractors of the vendor, shall be deemed to be employees of the State for any purposes whatsoever.

Vendor shall be exclusively responsible for payment of employees and contractors for all wages and salaries, taxes, withholding payments, penalties, fees, fringe benefits, professional liability insurance premiums, contributions to insurance and pension or other deferred compensation plans, including but not limited to, Workers' Compensation and Social Security obligations, and licensing fees, etc. and the filing of all necessary documents, forms and returns pertinent to all of the foregoing.

Vendor shall hold harmless the State, and shall provide the State and Agency with a defense against any and all claims including but not limited to the foregoing payments, withholdings, contributions, taxes, social security taxes and employer income tax returns.

The Vendor shall not assign, convey, transfer or delegate any of its responsibilities and obligations under this contract to any person, corporation, partnership, association or entity without expressed written consent of the Agency.

1.19.5 Indemnification:

The Vendor agrees to indemnify, defend and hold harmless the State and the Agency, their officers, and employees from and against: (1) Any claims or losses for services rendered by any subcontractor, person or firm performing or supplying services, materials or supplies in connection with the performance of the contract; (2) Any claims or losses resulting to any person or entity injured or damaged by the Vendor, its officers, employees, or subcontractors by the publication, translation, reproduction, delivery, performance, use or disposition of any data used under the contract in a manner not authorized by the contract, or by Federal or State statutes or regulations; and (3) Any failure of the Vendor, its officers, employees or subcontractors to observe State and Federal laws, including but not limited to labor and wage laws.

1.19.6 Contract Provisions:

After the successful Vendor is selected, a formal contract document will be executed between the State and the Vendor. In addition, the RFP and the Vendor's response will be included as part of the contract by reference. The order of precedence is the contract, the RFP and the Vendor's proposal in response to the RFP.

1.19.7 Governing Law:

This contract shall be governed by the laws of the State of West Virginia. The Vendor further agrees to comply with the Civil Rights Act of 1964 and all other applicable laws and regulations, Federal, State and Local Government.

1.19.8 Compliance with Laws and Regulations:

The vendor shall procure all necessary permits and licenses to comply with all applicable laws, Federal, State or municipal, along with all regulations, and ordinances of any regulating body.

The Vendor shall pay any applicable sales, use or personal property taxes arising out of this contract and the transactions contemplated thereby. Any other taxes levied upon this contract, the transaction, or the equipment, or services delivered pursuant here to shall be borne by the contractor. It is clearly understood that the State of West Virginia is exempt from any taxes regarding performance of the scope of work of this contract.

1.19.9 Subcontracts/Joint Ventures:

The Vendor is solely responsible for all work performed under the contract and shall assume prime contractor responsibility for all services offered and products to be delivered under the terms of this contract. The State will consider the Vendor to be the sole point of contact with regard to all contractual matters. The Vendor may, with the prior written consent of the State, enter into written subcontracts for performance of work under this contract; however, the vendor is totally responsible for payment of all subcontractors.

1.19.10 Term of Contract & Renewals:

This contract will be effective (date set upon award) and shall extend for the period of one (1) year, at which time the contract may, upon mutual consent, be renewed. Such renewals are for a period of up to one (1) year, with a maximum of two (2) one year renewals, or until such reasonable time thereafter as is necessary to obtain a new contract. The "reasonable time" period shall not exceed twelve (12) months. During the "reasonable time" period Vendor may terminate the contract for any reason upon giving the Agency ninety (90) days written notice. Notice by Vendor of intent to terminate will not relieve Vendor of the obligation to continue to provide services pursuant to the terms of the contract.

Any change in Federal or State law, or court actions which constitute binding precedent in West Virginia, and which significantly alters the Vendor's required activities or any change in the availability of funds, shall be viewed as binding and shall warrant good faith renegotiation of the compensation paid to the Vendor by the Agency and of such other provisions of the contract that are affected. If such renegotiation proves unsuccessful, the contract may be terminated by the State upon written notice to the Vendor at least thirty (30) days prior to termination of this contract.

1.19.11 Non-Appropriation of Funds:

If the Agency is not allotted funds in any succeeding fiscal year for the continued use of the service covered by this contract by the West Virginia Legislature, the Agency may

terminate the contract at the end of the affected current fiscal period without further charge or penalty. The Agency shall give the vendor written notice of such non-allocation of funds as soon as possible after the Agency receives notice. No penalty shall accrue to the Agency in the event this provision is exercised.

1.19.12 Contract Termination:

The State may terminate any contract resulting from this RFP immediately at any time the Vendor fails to carry out its responsibilities or to make substantial progress under the terms of this RFP and resulting contract. The State shall provide the Vendor with advance notice of performance conditions which are endangering the contract's continuation. If after such notice the Vendor fails to remedy the conditions contained in the notice, within the time period contained in the notice, the State shall issue the Vendor an order to cease and desist any and all work immediately. The State shall be obligated only for services rendered and accepted prior to the date of the notice of termination.

The contract may also be terminated by the State with thirty (30) days prior notice.

1.19.13 Changes:

If changes to the original contract become necessary, a formal contract change order will be negotiated by the State, the Agency and the Vendor, to address changes to the terms and conditions, costs of work included under the contract. An approved contract change order is defined as one approved by the Purchasing Division and approved as to form by the West Virginia Attorney General's Office, encumbered and placed in the U.S. Mail prior to the effective date of such amendment. An approved contract change order is required whenever the change affects the payment provision or the scope of the work. Such changes may be necessitated by new and amended Federal and State regulations and requirements.

As soon as possible after receipt of a written change request from the Agency, but in no event more than thirty (30) days thereafter, the Vendor shall determine if there is an impact on price with the change requested and provide the Agency a written statement to identifying any price impact on the contract or to state that there is no impact. In the event that price will be impacted by the change, the Vendor shall provide a description of the price increase or decrease involved in implementing the requested change.

NO CHANGE SHALL BE IMPLEMENTED BY THE VENDOR UNTIL SUCH TIME AS THE VENDOR RECEIVES AN APPROVED WRITTEN CHANGE ORDER.

1.19.14 Invoices, Progress Payments, & Retainage: (Agency Option if appropriate.)

The Vendor shall submit invoices, in arrears, to the Agency at the address on the face of the purchase order labeled "Invoice To" pursuant to the terms of the contract. Progress payments may be made at the option of the Agency on the basis of percentage of work completed if so defined in the final contract. Any provision for progress payments must also include language for a minimum 10% retainage until the final deliverable is accepted.

If progress payments are permitted, Vendor is required to identify points in the work plan at which compensation would be appropriate. Progress reports must be submitted to Agency with the invoice detailing progress completed or any deliverables identified. Payment will be made only upon approval of acceptable progress or deliverables as documented in the Vendor's report. Invoices may not be submitted more than once monthly and State law forbids payment of invoices prior to receipt of services.

1.19.15 Liquidated Damages: (Agency Option if appropriate)

According to West Virginia State Code §5A-3-4(8), Vendor agrees that liquidated damages shall be imposed at the rate of \$1,000 per day for failure to provide (deliverables, meet miles stones identified to keep the project on target, or failure to meet specified deadlines) This clause shall in no way be considered exclusive and shall not limit the State or Agency's right to pursue to any other additional remedy to which the State or Agency may have legal cause for action including further damages against the Vendor.

1.19.16 Record Retention (Access & Confidentiality):

Vendor shall comply with all applicable Federal and State of West Virginia rules and regulations, and requirements governing the maintenance of documentation to verify any cost of services or commodities rendered under this contract by Vendor. The Vendor shall maintain such records a minimum of five (5) years and make available all records to Agency personnel at Vendor's location during normal business hours upon written request by Agency within 10 days after receipt of the request.

Vendor shall have access to private and confidential data maintained by Agency to the extent required for Vendor to carry out the duties and responsibilities defined in this contract. Vendor agrees to maintain confidentiality and security of the data made available and shall indemnify and hold harmless the State and Agency against any and all claims brought by any party attributed to actions of breach of confidentiality by the Vendor, subcontractors or individuals permitted access by Vendor.

PART 2 OPERATING ENVIRONMENT

2.1 Location:

The West Virginia Offices of the Insurance Commissioner is located at 1124 Smith Street, Charleston, West Virginia.

2.2 Background:

A copy of the most recent monthly financial statements is enclosed for extensive background information about the OIC (see Attachment B). The "Notes to Financial Statements" (Note 1 – Financial Reporting Entity) provides an overview of the organization. The Comprehensive Annual Financial Report (CAFR) for June 30, 2006, can be viewed at www.wvfinance.state.wv.us/cafr06.htm.

2.2.1 WVFIMS:

The State of West Virginia's centralized accounting system is known as the West Virginia Financial Management System (WVFIMS). WVFIMS provides a centralized system that meets the budgetary accounting needs of the State and its agencies. The System provides management with on-line access to critical information for general ledger and appropriation accounts. WVFIMS provides State agencies with ledgers for all accounting transactions. The data available with respect to cash, investments, and accounts payable is centralized within WVFIMS. The data available with respect to accounts receivable is not centralized. The OIC maintains its own systems, procedures and account records.

2.2.2 Financial Operations:

The OIC uses the State's accounting systems WVFIMS and EPICS (for payroll) and has in-house systems for general ledger entries and accruals.

2.2.3 Fund Structure/Method of Reporting:

The OIC will be reported as a proprietary fund and governmental fund of the State of West Virginia. It is anticipated that the financial statements will be included in the Comprehensive Annual Financial Report (CAFR) of the State of West Virginia.

2.2.4 Investments:

The State Treasurer's Office (STO), Board of Treasury Investments (BTI), and the Investment Management Board (IMB) have the responsibility for the investment of funds for all State agencies, departments, boards and commissioner, unless otherwise specified in the West Virginia Code.

2.2.5 Special Considerations:

The financial statements of the OIC are to be included as an Enterprise Fund of the financial statements of the State of West Virginia. It is anticipated that the auditor will be required to respond to inquiries from the State of West Virginia's Auditors and the accounting staff of the OIC regarding the inclusion of the OIC's financial statements.

An independent consulting actuarial firm will perform an evaluation of the liability associated with the Workers' Compensation Fund using data provided by the OIC. Based on this evaluation, the OIC will then select the "best estimate" of required reserves for inclusion in the financial statements.

PART 3 PROCUREMENT SPECIFICATIONS AND DELIVERABLES

3.1 General Requirements:

The OIC is seeking a qualified certified public accounting firm to audit its financial statements for the fiscal year ending June 30, 2008, with an option to audit for each of the two (2) subsequent fiscal years.

3.1.1 Contact Person:

After the contract has been awarded, the auditor's principal contact with the OIC will be the Assistant Commissioner of Finance, Melinda Kiss, or a designated representative, who will coordinate the assistance to be provided by the OIC to the auditor.

3.1.2 Date Audit May Commence:

The OIC will have records ready for audit and management personnel available to meet with the firm's personnel after its June 30, 2008, year-end.

3.1.3 Auditing Standards:

To meet the requirements of this Request for Proposal, the audit shall be performed in accordance with generally accepted auditing standards as set forth by the American Institute of Certified Public Accountants.

3.1.4 Report Preparation:

Report preparation, editing, and printing shall be the responsibility of the auditor.

3.2 Scope of Work:

The OIC desires the auditor to express an opinion on the fair presentation of financial statements in conformity with generally accepted accounting principles.

Additionally, the auditor will be required to prepare all supporting schedules required by the Department of Administration for the preparation of the State's Comprehensive Annual Financial Report (CAFR).

The auditor shall also be responsible for assisting in the implementation of required supplementary information required by the Governmental Accounting Standards Board (GASB) as mandated by generally accepted auditing standards.

The auditor will provide technical assistance to the OIC accounting staff in the preparation of financial statements, reports, and documents necessary for compliance with the Comprehensive Annual Financial Report of the State of West Virginia and the requirements of the West Virginia Financial Accounting and Reporting Section of the Department of Administration. The audit and technical assistance must be performed in accordance with the provisions contained below.

3.2.1 Independence:

The OIC seeks an independent and objective auditing firm.

3.2.2 Engagement partners, managers, other supervisory staff, audit seniors, and specialists may need to be changed if those personnel leave the firm, are promoted or are assigned to another office. These personnel may also be changed for these or other reasons with the express prior written permission of the OIC. However, in either case, OIC must be informed in writing of these changes and retain the right to approve or reject replacements based upon their qualifications, experience, or performance.

Other personnel may be changed at the discretion of the proposer, provided that replacements have substantially the same or better qualifications or experience.

It is preferred that the successful bidder possesses comprehensive knowledge of the insurance industry and workers' compensation. The OIC reserves the right to request staff changes throughout the term of the contract.

3.2.3 *Reports:*

Following the completion of the audit of the fiscal year's financial statements, the auditor shall issue a report on the fair presentation of the financial statements in conformity with generally accepted accounting principles. It is the intention of the OIC to issue a bound set of financial statements.

In addition, the auditor will provide an "in-relation-to" report on the supporting schedules based on the auditing procedures applied during the audit of the general purpose financial statements.

The auditor shall communicate in a letter to management any reportable conditions found during the audit. A reportable condition shall be defined as a significant deficiency in the design or operation of the internal control structure, which could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Irregularities and illegal acts. Auditors shall be required to make an immediate, written report of all irregularities and illegal acts of which they become aware to the State Comptroller and the Financial Accounting and Reporting Section of the Department of Administration under the authority of Section 5A-2-33 of the State Code.

Reporting to the OIC. At a minimum, the auditor shall inform the OIC of each of the following:

- The auditor's responsibility under generally accepted auditing standards
- Significant accounting policies
- Management judgments and accounting estimates
- Significant audit adjustments
- Other information in documents containing audited financial statements
- Disagreements with management
- Management consultation with other accountants
- Major issues discussed with management prior to retention
- Difficulties encountered in performing the audit

3.2.4 *Working Paper Retention and Access to Working Papers:*

All working papers and reports must be retained, at the auditor's expense, for a minimum of three (3) years, unless the firm is notified in writing by the OIC of the

need to extend the retention period. The auditor will be required to make working papers available, upon request, to the OIC.

In addition, the successful bidder shall respond to the reasonable inquiries by the OIC or its successor auditors and allow its successor auditors to review working papers relating to the matters of continuing account significance.

3.2.5 Schedule for Fiscal Year Audit:

Each of the following shall be completed by the auditor no later than the dates indicated. These dates apply to the 2008 audit only.

Required Submission or Event	Required Completion/ Submission Date
Entrance conference	Prior to June 30, 2008
Any interim work must be completed	June 30, 2008
Detailed audit plan	June 30, 2008
Field work to begin	On or after August 1, 2008
Draft of the OIC reports and financial statement for review	August 29, 2008
Draft submitted to the Financial Accounting and Reporting Section (FARS) of the Department of Administration with copies to the Assistant Commissioner of Finance	September 8, 2008
Unsigned final draft with all modifications to the OIC management for final review	October 10, 2008
Final signed report submitted to the OIC and to FARS	October 15, 2008

At a minimum, the following conferences shall be held by the dates indicated on the schedule:

- *Entrance Conference with OIC staff.* The purpose of this meeting is to discuss potential audit problems and the interim work to be performed. This meeting will also be used to establish an overall liaison for the audit and to make arrangements for work space and other needs of the auditor.
- *Semi-monthly Progress Conference with auditor's supervisory staff.* The purpose of these meetings will be to summarize the results of the preliminary review and to identify key internal controls of other matters to be tested.
- *Exit Conference with audit managers.* The purpose of this meeting will be to summarize the results of the fieldwork and to review significant findings.

Audit Work, Audit Plan, and Reports

- *Interim Work.* During this phase, the audit firm shall gain a detailed understanding of the controls that exist over expenditures and the GAAP basis financial statements.

- *Detailed Audit Plan.* The audit firm shall provide detailed audit plans and requests for audit assistance.
- *Field Work.* The audit firm shall complete all field work to ensure that the draft and final reports are delivered as agreed.
- *Draft Reports.* The audit firm shall have drafts of the audit reports and recommendations to the respective management of the OIC available for their review.
- *Final Reports.* The audit firm shall deliver the final audit reports and recommendations to the respective management of the OIC. On the date that the final report for Fiscal Year 2008 is due, fifty (50) signed copies shall be bound and delivered to the OIC's Assistant Commissioner of Finance.

3.2.6 *Financial Accounting and Assistance:*

The Financial Accounting staff and responsible management personnel of the OIC will be available during the audit to assist the firm by providing information, documentation, and explanations. The preparation of confirmations will be the responsibility of the auditor.

3.2.7 *Work Area, Telephone, Photocopying and Fax Machines:*

The OIC will provide the auditor with reasonable workspace, desks, and chairs. The auditor will also be provided with access to telephone lines, photocopying facilities, and fax machines as appropriate.

3.3 *Special Terms and Conditions:*

3.3.1 *Bid and Performance Bonds:*

Not Applicable

3.3.2 *Insurance Requirements:*

Not Applicable

3.3.3 *License Requirements:*

The Vendor must provide an affirmative statement indicating that the firm, all assigned key professional staff, and all associated and subcontracted firms are certified public accountants licensed to practice in West Virginia.

3.3.4 *Litigation Bond:*

Not Applicable

PART 4 PROPOSAL FORMAT AND RESPONSE REQUIREMENTS

4.1 *Vendor's Proposal Format:*

The purpose of the proposal is to demonstrate the qualifications, competence and capacity of the firms seeking to undertake this audit. As such, the substance of

proposals will carry more weight than its form or manner of presentation. The proposal must demonstrate the qualifications of the firm and of the particular staff to be assigned to this engagement. It must also specify audit approaches that will meet the RFP's requirements.

The proposal should be prepared simply and economically, providing a straightforward, concise description of the proposer's capabilities to satisfy the requirements of this RFP.

The proposal should be formatted in the same order, providing the information listed below:

Title page - Should state the RFP Subject and number, the name of the Vendor, Vendor's business address, telephone number, name of authorized contact person to speak on behalf of the Vendor, dated and signed.

Table of Contents - Clearly identify the material by section and page number.

Section I – Responsiveness of Proposal (In clear language stating an understanding of the work to be done).

- The firm shall provide an affirmative statement that it is independent of the OIC as defined by generally accepted auditing standards and the U.S. General Accounting Office's *Government Auditing Standards* (1988).

Section II – Staff Qualification

- *Partner, Supervisory and Staff Qualifications and Experience:*
The Vendor should identify the principle supervisory and management staff, including engagement partners, managers, other supervisors, audit seniors, and specialists, who would be assigned to the engagement and indicate whether each person is licensed to practice as a certified public accountant in West Virginia.
- The Vendor should describe the number, qualifications, experience, and relevant continuing professional education of the specific staff to be assigned to this engagement. The firm also should indicate how the quality of staff over the term of the agreement will be assured.

Section III – Firm Experience

- The proposing firm, as primary contractor, is to provide all information about associated firms and personnel.
- *Firm Qualifications:*
The proposal should state, for each firm included by this proposer, the size of the firm, the size of the firm's governmental services staff, the number and nature of the professional staff to be employed in this engagement on a full-time basis, and the number and nature of the staff to be so employed on a part-time basis.

- The firm should submit a copy of the report on its most recent external quality control review and a statement indicating whether that quality control review included a review of specific government engagements.
- The firm should provide information on the results of any Federal or State desk reviews or field reviews of its audit during the past three (3) years. In addition, the proposal should state each firm's status within the public accounting profession and the status of any adverse legal action that may jeopardize the firms' long-term viability.
- *Prior Engagements with the State of West Virginia:*
The firm should list separately all agreements within the last five (5) years, ranked on the basis of total staff hours, for the State of West Virginia by type of engagement (i.e. audit, management advisory services, other). For each engagement, the firm shall indicate the scope of work, date, engagement partners, total hours, and the name and telephone number of the principle client contact.
- *Similar Engagements with Other Governmental Entities:*
The firm should list the most significant engagements (maximum of five) performed in the last five (5) years that are similar to the engagement described in this Request for Proposal. These engagements should be ranked on the basis of total staff hours.
- Indicate the scope of work, date, engagement partners, total hours, and the name and telephone number of the principle client contact.

Section IV – Approach and Audit Work Plan

- *Specific Audit Approach and Work Plan:*
The proposal should set forth a work plan for the audit, including the utilization of subcontractors, if any, and how such participation will be managed to ensure appropriate communication between the OIC and the firm. The work plan should include time estimates for the completion of each significant segment of the work and the staff level to be assigned. In developing the work plan, reference should be made to key sources of information, such as financial systems and other management information systems. Describe how the partner-in-charge will take an active role in the audit to ensure that individuals with the necessary experience and expertise will be assigned to the audit at the appropriate point to ensure timely completion.
- The audit work plan should demonstrate the audit firms understanding of the audit requirements and the audit tests and procedures to be applied in completing the work plan. Audit work plans should be provided for fiscal year 2008.

- Proposers should provide the following information on their audit approach:
 - 1) Proposed time line and audit plan with specific dates to ensure completion in desired time limits;
 - 2) Level of staff and number of hours to be assigned to each proposed segment of the engagement;
 - 3) Describe aspects of the engagement which may require the services of specialists or involve consultation outside the engagement team;
 - 4) Address how new accounting pronouncements or implementation of federal regulations may affect the work plan;
 - 5) Approach to the design of audit tests, including:
 - extent of the use of detail transaction testing in the engagement;
 - type and extent of analytical procedures to be used in the engagement;
 - areas where on-line sampling and testing might be employed to improve efficiency;
 - approach to be taken in drawing audit samples and purposes of test of compliance; and
 - sample size and extent to which statistical sampling is to be used in the engagement;
 - 6) Approach to be taken to gain and document an understanding of the OIC;
 - 7) Approach to be taken in determining laws and regulations that will be subject to audit test work;
 - 8) The Vendor should provide sample formats for required reports;
 - 9) The Vendor should provide sample formats for management representations;
 - 10) Certification that the person signing the proposal is entitled to represent the firm; empowered to submit the bid and authorized to sign a contract with the OIC; and

- *Identification of Anticipated Potential Audit Problems:*
The proposal should identify and describe any anticipated potential audit problems, the firm's approach to resolving these problems, and any special assistance that will be requested of the OIC.

Section V – Cost

- *Cost of Services - Total All-Inclusive Maximum Price:*
The cost proposal shall contain all pricing information relative to performing the engagement as described in the RFP. The total all-inclusive maximum price to be bid is to contain all costs including out-of-pocket expenses.

- The State of West Virginia and the OIC are not responsible for and will not reimburse any entity for expenses incurred in preparing and submitting the proposal or the sealed dollar cost proposal.

- *Out-of-Pocket Expenses in the Total All-Inclusive Maximum Price and Reimbursement Rates:*
All estimated out-of-pocket expenses must be included in the cost proposal as part of the total all-inclusive maximum price submitted by the firm.

- *Rates for Additional Professional Staff:*
If it should become necessary for the OIC to request the firm to render any financial consulting services either to supplement the services requested in this RFP or to perform additional work unforeseen at the issuance of the RFP but necessary to fulfill results required under this RFP, then such additional work shall be performed only if set forth in a written change order to the contract between the OIC and the firm and is subject to approval by the West Virginia Purchasing Division. Any such additional work agreed to between ADM and/or the agencies and the firm shall be performed at the same rates set forth in the schedule of fees and expenses included in the cost proposal and shall be added by a formal change order processed through the Purchasing Division.

If applicable, sign and submit the attached Resident Vendor Preference Certificate with the proposal.

4.2 Evaluation Process:

4.2.1 Method of Evaluation:

The proposals will be evaluated by a committee of three (3) or more individuals in accordance with the criteria stated. The Vendor who meets all the mandatory specifications and attains the highest point score of all vendors shall be awarded the contract. The selection of the successful vendor will be made by a consensus of the evaluation committee.

4.3 Evaluation Criteria: The following are the evaluation factors and maximum points possible for technical point scores:

Section I - Responsiveness of Proposal	5 Point Possible
(In clear language stating an understanding of the work to be done)	
Section II - Staff Qualification	15 Points Possible
Section III - Firm Experience	20 Points Possible
Section IV - Approach and Audit Work Plan	30 Points Possible
Section V - Cost	<u>30 Points Possible</u>
Total	100 Points Possible

Each cost proposal cost will be scored by use of the following formula for all vendors who attained the Minimum acceptable score:

$$\frac{\text{Lowest price of all proposals}}{\text{Price of Proposal being evaluated}} \times 30 = \text{Price Score}$$

4.4 Minimum Acceptable Score:

Vendors must score a minimum of 70% of the total technical points possible. The technical points are listed above in Section A - E. The minimum qualifying score on the technical portion is 49 points. All vendors not attaining the minimum acceptable score (MAS) shall be disqualified and removed from further consideration.

The State will select the successful vendor's proposal based on best value purchasing which is not necessarily the vendor with the lowest price. Cost is considered but is not the sole determining factor for award. The State does reserves the right to accept or reject any or all of the proposals, in whole or in part, without prejudice, if to do so is felt to be in the best interests of the State.

Vendor's failure to provide complete and accurate information may be considered grounds for disqualification. The State reserves the right, if necessary, to ask vendors for additional information to clarify their proposals.

4.5. Cost Proposal Format/Bid Sheets – Attachment A

ATTACHMENT A
COST BID SCHEDULE
Fiscal Year 2008

	Hours	Hourly Rates	Total
Partners, Members	_____	_____	_____
Managers	_____	_____	_____
Supervisory Staff	_____	_____	_____
Staff	_____	_____	_____
Other (specify):	_____	_____	_____
	_____	_____	_____
Total all-inclusive maximum price for the annual audit and other services as required in this Request for Proposal			\$ _____

ATTACHMENT B**WEST VIRGINIA
OFFICES OF THE INSURANCE COMMISSIONER****Financial Statements, Required Supplementary Information
and Other Financial Information****Year ended June 30, 2007
and
Independent Auditors' Report**

**WEST VIRGINIA
OFFICES OF THE INSURANCE COMMISSIONER**

**Financial Statements, Required Supplementary Information
and Other Financial Information**

**Year ended June 30, 2007
and
Independent Auditors' Report**

WEST VIRGINIA
OFFICES OF THE INSURANCE COMMISSIONER
Financial Statements, Required Supplementary Information
and Other Financial Information
June 30, 2007
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INDEPENDENT AUDITORS' REPORT

West Virginia Offices of the Insurance Commissioner
Charleston, West Virginia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the West Virginia Offices of the Insurance Commissioner as of and for the year ended June 30, 2007, which collectively comprise the basic financial statements of the West Virginia Offices of the Insurance Commissioner, as listed in the table of contents. These financial statements are the responsibility of the West Virginia Offices of the Insurance Commissioner's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 the West Virginia Offices of the Insurance Commissioner'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, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of the West Virginia Offices of the Insurance Commissioner are intended to present the financial position, and the changes in financial position and cash flows, where applicable, of only that portion of the governmental activities business-type activities, and each major fund of the State of West Virginia that is attributable to the transactions of the West Virginia Offices of the Insurance Commissioner. They do not purport to, and do not, present fairly the financial position of the State of West Virginia as of June 30, 2007, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the West Virginia Offices of the Insurance Commissioner at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 5 through 11, the unaudited supplemental claims information on pages 48 through 53 and the budgetary comparison schedule on page 54 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, 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.

Suttle & Stalnaker, PLLC

Charleston, West Virginia
November 20, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

WEST VIRGINIA
OFFICES OF THE INSURANCE COMMISSIONER
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Expressed in Thousands)

This section of the West Virginia Offices of the Insurance Commissioner's annual financial report presents management's discussion and analysis of its financial performance for the fiscal years which ended June 30, 2007 and June 30, 2006. Please read it in conjunction with the financial statements, which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The West Virginia Offices of the Insurance Commissioner's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America for governmental entities and insurance enterprises where applicable. The West Virginia Offices of the Insurance Commissioner, which is an agency of the state of West Virginia, is the governmental body charged with the regulation and oversight of the insurance industry within the state. In addition to serving as the entity that regulates the recently privatized workers' compensation insurance market, the Insurance Commissioner is also charged with the administrative oversight of the current and former state run workers' compensation related funds. The oversight, management and financial reporting responsibilities of the following funds are now duties of the Insurance Commissioner: the Old Fund, which consists of the assets and liabilities transferred from the former Worker's Compensation Fund and the Coal-workers Pneumoconiosis Fund, which was closed to future liabilities effective December 31, 2005. The West Virginia Offices of the Insurance Commissioner is also responsible for the administration of active proprietary funds including the Uninsured Employers' Fund, the Self-Insured Funds, the Private Carrier Guaranty Fund (all established by Senate Bill 1004), and Access West Virginia (AccessWV). AccessWV is a high risk health insurance pool that provides health insurance for medically uninsurable individuals and their dependents.

This annual report consists of four parts - management's discussion and analysis (this section), the basic financial statements, required supplementary information, and other financial information.

The basic financial statements include two kinds of statements that present different views of the West Virginia Offices of the Insurance Commissioner. The statement of net assets and the related statement of activities are government-wide financial statements that provide both long-term and short-term information about the West Virginia Offices of the Insurance Commissioner's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the West Virginia Offices of the Insurance Commissioner's activities, reporting its operations in more detail than the government-wide statements. The financial statements also include notes that explain the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that presents budgetary comparisons and further explains and supports the information in the financial statements.

WEST VIRGINIA
OFFICES OF THE INSURANCE COMMISSIONER
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Expressed in Thousands)

GOVERNMENT-WIDE STATEMENTS

The statement of net assets and the statement of activities together comprise the government-wide statements, which report information about the West Virginia Offices of the Insurance Commissioner as a whole using the full accrual basis of accounting similar to those used by private-sector companies. This means all revenues and expenses are recognized regardless of whether cash has been received or paid, and all assets and liabilities, including capital assets and long-term debt, are reported at the entity level.

The government-wide statements report the entity's net assets - the difference between total assets and total liabilities - and how they have changed from the prior year.

The activities on the government-wide financial statements are divided into three categories:

- **Governmental activities** - These are the activities that are necessary for the government to function and meet its intended purpose. They are generally funded through a tax. In the financial statements of the West Virginia Insurance Commissioner, the governmental funds include the main operating fund of the entity.
- **Business-type activities** - The West Virginia Offices of the Insurance Commissioner charges fees to customers to help it cover the costs of certain services it provides, and receives special revenues and assessments dedicated to fund specific liabilities. For the West Virginia Offices of the Insurance Commissioner, this consists of the combined Workers' Compensation funds and AccessWV.
- **Component units** - The West Virginia Offices of the Insurance Commissioner has no component units. However, the West Virginia Offices of the Insurance Commissioner is an agency of the State of West Virginia, and is considered part of the primary government in the State of West Virginia Comprehensive Annual Financial Report.

WEST VIRGINIA
OFFICES OF THE INSURANCE COMMISSIONER
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Expressed in Thousands)

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the West Virginia Offices of the Insurance Commissioner's major funds, not the West Virginia Offices of the Insurance Commissioner as a whole. Funds are accounting devices that government agencies use to keep track of specific sources of funding and spending for particular purposes. The WV State Legislature has established these funds to control and manage money for the specific purposes stated in Chapter 23 of the WV Code and to show that certain taxes, fees, assessments and grants are used properly.

The West Virginia Offices of the Insurance Commissioner has two kinds of funds:

- **Governmental funds** - Most of the West Virginia Offices of the Insurance Commissioner's basic services are included in the governmental fund, which focuses on (1) how cash and other financial assets that may readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view to help determine whether there are more or fewer financial resources that may be spent in the near future to finance the West Virginia Offices of the Insurance Commissioner's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is included at the bottom of the governmental fund statement that provides a reconciliation to the government-wide statements.
- **Proprietary funds** - Proprietary funds include enterprise funds and account for activities that are operated in a manner similar to private-sector businesses. Like the government-wide statements, proprietary fund statements are presented using the accrual basis of accounting and provide both long- and short-term financial information. Services for which the West Virginia Offices of the Insurance Commissioner charges customers a fee or receives special revenues are generally reported in proprietary funds. For the West Virginia Offices of the Insurance Commissioner, this consists of Workers' Compensation and AccessWV.

WEST VIRGINIA
OFFICES OF THE INSURANCE COMMISSIONER
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Expressed in Thousands)

The following table summarizes the financial position and results of operations of the West Virginia Offices of the Insurance Commissioner for the fiscal years 2007 and 2006.

STATEMENT OF NET ASSETS
(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Current Assets	\$ 41,555	\$ 24,398	\$ 996,155	\$ 996,630	\$ 1,037,710	\$ 1,021,028
Capital Assets	2,046	1,403	-	-	2,046	1,403
Other Long-Term Assets	-	-	<u>185,000</u>	<u>200,000</u>	<u>185,000</u>	<u>200,000</u>
Total Assets	<u>43,601</u>	<u>25,801</u>	<u>1,181,155</u>	<u>1,196,630</u>	<u>1,224,756</u>	<u>1,222,431</u>
Current Liabilities	2,305	1,204	276,227	399,726	278,532	400,930
Long-Term Liabilities	<u>2,217</u>	<u>1,255</u>	<u>2,709,000</u>	<u>2,895,077</u>	<u>2,711,217</u>	<u>2,896,332</u>
Total Liabilities	<u>4,522</u>	<u>2,459</u>	<u>2,985,227</u>	<u>3,294,803</u>	<u>2,989,749</u>	<u>3,297,262</u>
Net Assets:						
Invested in Capital Assets, Net of Related Debt	2,046	1,403	-	-	2,046	1,403
Restricted	-	-	153,177	127,137	153,177	127,137
Unrestricted (Deficit)	<u>37,033</u>	<u>21,939</u>	<u>(1,957,249)</u>	<u>(2,225,310)</u>	<u>(1,920,216)</u>	<u>(2,203,371)</u>
Total Net Assets	<u>\$ 39,079</u>	<u>\$ 23,342</u>	<u>\$ (1,804,072)</u>	<u>\$ (2,098,173)</u>	<u>\$ (1,764,993)</u>	<u>\$ (2,074,831)</u>

WEST VIRGINIA
OFFICES OF THE INSURANCE COMMISSIONER
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Expressed in Thousands)

CHANGES IN NET ASSETS
(Expressed in Thousands)

	Governmental Activities		Business - Type Activities		Total Primary Government	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Revenues						
Program Revenues:						
Charges for Services	\$ 45,020	\$ 24,784	\$ 266,291	\$ 197,068	\$ 311,311	\$ 221,852
General Revenues:						
Investment Earnings	168	117	20,713	9,875	20,881	9,992
Net Increase (Decrease) in the Fair Value of Investments	-	-	88,604	(5,359)	88,604	(5,359)
Total Revenues	<u>45,188</u>	<u>24,901</u>	<u>375,608</u>	<u>201,584</u>	<u>420,796</u>	<u>226,485</u>
Expenses						
Program Expenses:						
Workers' Compensation	-	-	74,066	50,731	74,066	50,731
AccessWV	-	-	1,741	1,156	1,741	1,156
General Government	<u>27,667</u>	<u>9,912</u>	<u>-</u>	<u>-</u>	<u>27,667</u>	<u>9,912</u>
Total Expenses	<u>27,667</u>	<u>9,912</u>	<u>75,807</u>	<u>51,887</u>	<u>103,474</u>	<u>61,799</u>
Change in Net Assets Before BrickStreet Transactions and Transfers	17,521	14,989	299,801	149,697	317,322	164,686
BrickStreet Transactions, Net	<u>-</u>	<u>(6,717)</u>	<u>(7,484)</u>	<u>(91,076)</u>	<u>(7,484)</u>	<u>(97,793)</u>
Change in Net Assets Before Transfers	17,521	8,272	292,317	58,621	309,838	66,893
Net Transfers from Workers' Compensation	-	8,255	-	(2,165,393)	-	(2,157,138)
Other Transfers In (Out)	<u>(1,784)</u>	<u>(7,089)</u>	<u>1,784</u>	<u>7,089</u>	<u>-</u>	<u>-</u>
Change in Net Assets (Deficit)	15,737	9,438	294,101	(2,099,683)	309,838	(2,090,245)
Net Assets, Beginning of Year	<u>23,342</u>	<u>13,904</u>	<u>(2,098,173)</u>	<u>1,510</u>	<u>(2,074,831)</u>	<u>15,414</u>
Net Assets (Deficit), End of Year	<u>\$ 39,079</u>	<u>\$ 23,342</u>	<u>\$ (1,804,072)</u>	<u>\$ (2,098,173)</u>	<u>\$ (1,764,993)</u>	<u>\$ (2,074,831)</u>

WEST VIRGINIA
OFFICES OF THE INSURANCE COMMISSIONER
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Expressed in Thousands)

FINANCIAL HIGHLIGHTS

- On January 29, 2005, the West Virginia Legislature enacted "Senate Bill 1004", which established a framework for the privatization of the formerly state run monopolistic workers' compensation insurance system into an open, competitive market. Effective January 1, 2006, all regulatory duties for workers' compensation insurance transitioned to the Offices of the West Virginia Insurance Commissioner, as did the administrative oversight of certain assets and liabilities of the former West Virginia Workers' Compensation Commission.
- By proclamation of Governor Joe Manchin III, transfers of specified assets took place on the first business day of calendar year 2006 to provide initial funding for the funds created by Senate Bill 1004. The State Treasurer is custodian of the aforementioned funds, and the West Virginia Offices of the Insurance Commissioner has administrative oversight of the funds. The Governor's proclamation also provided that four hundred million dollars (\$400,000) be transferred to the New Fund and then to BrickStreet Mutual Insurance Company, as the successor to the Workers' Compensation Commission. Of the four hundred million dollars transferred to the private sector, two hundred million dollars (\$200,000) was in the form of a surplus note which is to be repaid to the state by BrickStreet in accordance with the provisions of the surplus note agreement, and the remaining two hundred million dollars (\$200,000) was provided to satisfy and provide for the liabilities that BrickStreet assumed.
- On June 28, 2007, BrickStreet Mutual Insurance Company made a payment of four million four hundred forty nine thousand dollars (\$4,449) in principle repayment to the State. This first payment toward repayment of the surplus note obligation, when combined with the adjustment provisions as set forth in the surplus note agreement have reduced the balance of the note receivable to one hundred eighty-five million (\$185,000) as of June 30, 2007. Further discussion of the surplus note agreement is contained in Note 9 of these financial statements.
- Senate Bill 1004 identified revenue sources which will be dedicated to the elimination of the deficit of the former Workers' Compensation Fund (now named the Old Fund). On March 10, 2007, the West Virginia Legislature passed Senate Bill 185, which eliminated the tobacco settlement funds as a component of the deficit funding revenue stream and replaced the tobacco revenue with additional dedicated personal income tax proceeds. Further discussion of the revenues dedicated to fund the workers' compensation deficit can be found in Note 6 of these financial statements.
- During fiscal year 2007, the Worker's Compensation Old Fund deficit decreased by two hundred sixty eight million sixty one thousand dollars (\$268,061). The deficit reduction was anticipated because the revenue stream provided by Senate Bill 1004 remained stable while the payment stream declined as claim obligations were satisfied.

FINANCIAL STATEMENTS

WEST VIRGINIA
OFFICES OF THE INSURANCE COMMISSIONER
STATEMENT OF NET ASSETS
JUNE 30, 2007
(In Thousands)

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 40,877	\$ 981,711	\$ 1,022,588
Receivables, Net:			
Taxes and Fees	-	9,347	9,347
Assessments	547	129	676
Premiums	116	4,938	5,054
Other	15	30	45
Total Current Assets	<u>41,555</u>	<u>996,155</u>	<u>1,037,710</u>
Noncurrent Assets:			
Surplus Note	-	185,000	185,000
Capital Assets, Net	2,046	-	2,046
Total Noncurrent Assets	<u>2,046</u>	<u>185,000</u>	<u>187,046</u>
Total Assets	<u>43,601</u>	<u>1,181,155</u>	<u>1,224,756</u>
Liabilities			
Current Liabilities:			
Estimated Liability for Unpaid Claims and Claim Adjustment Expense	-	272,680	272,680
Excess Deposits	-	94	94
Compensated Absences	1,260	-	1,260
Accrued Expenses and Other Liabilities	1,045	3,453	4,498
Total Current Liabilities	<u>2,305</u>	<u>276,227</u>	<u>278,532</u>
Noncurrent Liabilities:			
Estimated Liability for Unpaid Claims and Claim Adjustment Expense	-	2,709,000	2,709,000
Compensated Absences	2,217	-	2,217
Total Noncurrent Liabilities	<u>2,217</u>	<u>2,709,000</u>	<u>2,711,217</u>
Total Liabilities	<u>4,522</u>	<u>2,985,227</u>	<u>2,989,749</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	2,046	-	2,046
Restricted for:			
Coal Workers' Pneumoconiosis	-	137,627	137,627
Uninsured Fund	-	4,607	4,607
Self-Insured Funds	-	2,704	2,704
Private Carrier Guaranty Fund	-	1,993	1,993
AccessWV	-	6,246	6,246
Unrestricted (Deficit)	37,033	(1,957,249)	(1,920,216)
Total Net Assets (Deficit)	<u>\$ 39,079</u>	<u>\$ (1,804,072)</u>	<u>\$ (1,764,993)</u>

See accompanying notes to financial statements.

WEST VIRGINIA
OFFICES OF THE INSURANCE COMMISSIONER
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007
(In Thousands)

Functions/Programs	Expenses	Program Revenues Charges for Services	Net (Expense) Revenue and Changes in Net Assets		
			Governmental Activities	Business-Type Activities	Totals
Primary Government:					
Governmental Activities					
General Government	\$ 27,103	\$ 45,020	\$ 17,917	\$ -	\$ 17,917
Depreciation	<u>564</u>	<u>-</u>	<u>(564)</u>	<u>-</u>	<u>(564)</u>
Total Governmental Activities	<u>27,667</u>	<u>45,020</u>	<u>17,353</u>	<u>-</u>	<u>17,353</u>
Business-type Activities:					
Workers' Compensation	74,066	262,216	-	188,150	188,150
AccessWV	<u>1,741</u>	<u>4,075</u>	<u>-</u>	<u>2,334</u>	<u>2,334</u>
Total Business-Type Activities	<u>75,807</u>	<u>266,291</u>	<u>-</u>	<u>190,484</u>	<u>190,484</u>
Total Primary Government	<u>\$ 103,474</u>	<u>\$ 311,311</u>	<u>17,353</u>	<u>190,484</u>	<u>207,837</u>
General Revenues:					
Investment Earnings			168	20,713	20,881
Net Increase (Decrease) in Fair Value of Investments			<u>-</u>	<u>88,604</u>	<u>88,604</u>
Change in Net Assets Before BrickStreet Transactions and Transfers			17,521	299,801	317,322
BrickStreet Transactions, Net			<u>-</u>	<u>(7,484)</u>	<u>(7,484)</u>
Change in Net Assets Before Transfers			17,521	292,317	309,838
Other Transfers In (Out)			<u>(1,784)</u>	<u>1,784</u>	<u>-</u>
Change in Net Assets (Deficit)			15,737	294,101	309,838
Net Assets-Beginning of Year			<u>23,342</u>	<u>(2,098,173)</u>	<u>(2,074,831)</u>
Net Assets (Deficit)-End of Year			<u>\$ 39,079</u>	<u>\$ (1,804,072)</u>	<u>\$ (1,764,993)</u>

See accompanying notes to financial statements.

WEST VIRGINIA
OFFICES OF THE INSURANCE COMMISSIONER
BALANCE SHEET
GOVERNMENTAL FUND
June 30, 2007
(In Thousands)

	<u>Operating Fund</u>
ASSETS:	
Cash and Cash Equivalents	\$ 40,877
Accounts Receivable - Other	131
Accounts Receivable - Assessments	547
Total assets	\$ 41,555
LIABILITIES:	
Accounts Payable	\$ 633
Accrued Expenditures and Other Liabilities	1,672
Total liabilities	2,305
FUND BALANCE:	
Unreserved	39,250
Total Fund Balance	39,250
Total Liabilities and Fund Balances	\$ 41,555
Total Fund Balance	\$ 39,250
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital Assets used in governmental activities are not financial resources and therefore are not reported in the funds	2,046
Long term liabilities (compensated absences) are not due and payable in the current period and therefore are not reported in the funds.	(2,217)
Net assets of Governmental Activities	\$ 39,079

See accompanying notes to financial statements.

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WEST VIRGINIA
OFFICES OF THE INSURANCE COMMISSIONER
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
For the Year Ended June 30, 2007
(In Thousands)

	<u>Operating Fund</u>
Revenues:	
Fees and Assessments	\$ 45,020
Investment Earnings	<u>168</u>
Total Revenues	45,188
Expenditures:	
Claims and Claims Adjustment	134
General and Administrative	<u>27,214</u>
Total Expenditures	27,348
Excess (Deficiency) of Revenues over Expenditures	17,840
Transfers In (Out)	<u>(1,784)</u>
Net Change in Fund Balance	16,056
Fund Balance - Beginning of Year	<u>23,194</u>
Fund Balance - End of Year	<u>\$ 39,250</u>
Net Change in Fund Balance - Total Governmental Funds	\$ 16,056
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenses over the life of the assets. This is the amount by which capital outlays exceeded depreciation in the current period.	643
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	<u>(962)</u>
Change in Net Assets of Governmental Activities	<u>\$ 15,737</u>

See accompanying notes to financial statements.

WEST VIRGINIA
OFFICES OF THE INSURANCE COMMISSIONER
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2007
(In Thousands)

	<u>Workers'</u> <u>Compensation</u>	<u>AccessWV</u>	<u>Total</u>
Assets:			
Current Assets:			
Cash and Cash Equivalents	\$ 975,123	\$ 6,588	\$ 981,711
Receivables, Net:			
Taxes and Fees	9,347	-	9,347
Assessments	129	-	129
Premiums	4,938	-	4,938
Other	<u>-</u>	<u>30</u>	<u>30</u>
Total Current Assets	<u>989,537</u>	<u>6,618</u>	<u>996,155</u>
Noncurrent Assets:			
Surplus Note	<u>185,000</u>	<u>-</u>	<u>185,000</u>
Total Noncurrent Assets	<u>185,000</u>	<u>-</u>	<u>185,000</u>
Total Assets	<u>1,174,537</u>	<u>6,618</u>	<u>1,181,155</u>
Liabilities:			
Current Liabilities:			
Estimated Liability for Unpaid Claims and Claim Adjustment Expense	272,400	280	272,680
Excess Deposits	94	-	94
Accrued Expenses and Other Liabilities	<u>3,361</u>	<u>92</u>	<u>3,453</u>
Total Current Liabilities	<u>275,855</u>	<u>372</u>	<u>276,227</u>
Noncurrent Liabilities:			
Estimated Liability for Unpaid Claims and Claim Adjustment Expense	<u>2,709,000</u>	<u>-</u>	<u>2,709,000</u>
Total Noncurrent Liabilities	<u>2,709,000</u>	<u>-</u>	<u>2,709,000</u>
Total Liabilities	<u>2,984,855</u>	<u>372</u>	<u>2,985,227</u>
Net Assets:			
Restricted for:			
Coal Workers' Pneumoconiosis	137,627	-	137,627
Uninsured Fund	4,607	-	4,607
Self-Insured Funds	2,704	-	2,704
Private Carrier Guaranty Fund	1,993	-	1,993
AccessWV	-	6,246	6,246
Unrestricted (Deficit)	<u>(1,957,249)</u>	<u>-</u>	<u>(1,957,249)</u>
Total Net Assets (Deficit)	<u>\$ (1,810,318)</u>	<u>\$ 6,246</u>	<u>\$ (1,804,072)</u>

See accompanying notes to financial statements.

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WEST VIRGINIA
OFFICES OF THE INSURANCE COMMISSIONER
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended June 30, 2007
(In Thousands)

	<u>Workers'</u> <u>Compensation</u>	<u>AccessWV</u>	<u>Total</u>
Operating Revenues:			
Statutory Allocations	\$ 41,000	\$ 1,764	\$ 42,764
Fees	136,796	-	136,796
Assessments	77,789	-	77,789
Net Premium Revenue	6,079	2,104	8,183
Other Operating Revenue	<u>552</u>	<u>207</u>	<u>759</u>
Total Operating Revenue	262,216	4,075	266,291
Operating Expenses:			
Claims and Claim Adjustment Expenses (See Note 5)	50,566	1,469	52,035
General and Administration	<u>23,500</u>	<u>272</u>	<u>23,772</u>
Total Operating Expenses	74,066	1,741	75,807
Operating Income	<u>188,150</u>	<u>2,334</u>	<u>190,484</u>
Nonoperating Revenues (Expenses):			
Investment Earnings	20,433	280	20,713
Net Increase (Decrease) in Fair Value of Investments	<u>88,604</u>	<u>-</u>	<u>88,604</u>
Total Nonoperating Revenues (Expenses)	109,037	280	109,317
Change in Net Assets Before BrickStreet Transactions and Transfers	297,187	2,614	299,801
BrickStreet Transactions, Net	<u>(7,484)</u>	<u>-</u>	<u>(7,484)</u>
Change in Net Assets Before Transfers	289,703	2,614	292,317
Other Transfers In (Out)	<u>1,736</u>	<u>48</u>	<u>1,784</u>
Change in Net Assets (Deficit)	291,439	2,662	294,101
Total Net Assets - Beginning of Year	<u>(2,101,757)</u>	<u>3,584</u>	<u>(2,098,173)</u>
Total Net Assets (Deficit) - End of Year	<u>\$ (1,810,318)</u>	<u>\$ 6,246</u>	<u>\$ (1,804,072)</u>

See accompanying notes to financial statements.

WEST VIRGINIA
OFFICES OF THE INSURANCE COMMISSIONER
STATEMENTS OF CASH FLOWS-PROPRIETARY FUNDS
Year Ended June 30, 2007
(In Thousands)

	<u>Workers'</u> <u>Compensation</u>	<u>AccessWV</u>	<u>Totals</u>
Cash Flows from Operating Activities:			
Receipts from Statutory Allocations, Fees and Assessments	\$ 272,583	\$ 2,127	\$ 274,710
Receipts from Policyholders	(3,915)	2,105	(1,810)
Payments to Claimants and Providers	(327,024)	-	(327,024)
Payments to Employees	(1,902)	(59)	(1,961)
Payments to Suppliers	<u>(21,433)</u>	<u>(1,759)</u>	<u>(23,192)</u>
Net Cash Provided (Used) by Operating Activities	<u>(81,691)</u>	<u>2,414</u>	<u>(79,277)</u>
Cash flows from Financing Activities:			
BrickStreet Transactions, Net	(7,484)	-	(7,484)
Other Transfers	<u>1,736</u>	<u>48</u>	<u>1,784</u>
Net Cash Provided by Financing Activities	<u>(5,748)</u>	<u>48</u>	<u>(5,700)</u>
Cash flows from Investing Activities:			
BrickStreet Note Receivable Principle and Interest payments	19,392	-	19,392
Investment Earnings	77,683	250	77,933
Net Increase (Decrease) in the Fair Value of Investments	<u>26,962</u>	<u>-</u>	<u>26,962</u>
Net Cash Provided (Used) by Investing Activities	<u>124,037</u>	<u>250</u>	<u>124,287</u>
Net increase in Cash and Cash Equivalents	36,598	2,712	39,310
Cash and Cash Equivalents - Beginning of Year	<u>938,525</u>	<u>3,876</u>	<u>942,401</u>
Cash and Cash Equivalents - End of Year	<u>\$ 975,123</u>	<u>\$ 6,588</u>	<u>\$ 981,711</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 188,150	\$ 2,334	\$ 190,484
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Net change in assets and liabilities:			
Receivables, net	54,658	-	54,658
Premium Advanced Deposits	(33,206)	157	(33,049)
Note Receivable	(15,000)	-	(15,000)
Estimated liability for claims and claim adjustment expenses	(277,700)	(140)	(277,840)
Compensated Absences	(1,518)	70	(1,448)
Accrued expenses and other liabilities	<u>2,925</u>	<u>(7)</u>	<u>2,918</u>
Net cash provided (used) by operating activities	<u>\$ (81,691)</u>	<u>\$ 2,414</u>	<u>\$ (79,277)</u>

See accompanying notes to financial statements.

WEST VIRGINIA
OFFICES OF THE INSURANCE COMMISSIONER
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2007
(In Thousands, Unless Otherwise Noted)

1. Financial Reporting Entity

The West Virginia Offices of the Insurance Commissioner (the Commission) is an agency of the State of West Virginia (the State) and, accordingly, is reported as a part of the primary government in the State's Comprehensive Annual Financial Report (CAFR).

The mission of the Commission is to promote a competitive and solvent insurance market, with adequate consumer protection, by fairly and consistently administering the insurance laws of the State of West Virginia.

The Insurance Commissioner is responsible for the regulation and oversight of all insurance transactions conducted in the State. The Insurance Commissioner is also responsible for the administration and oversight of the remaining assets and liabilities of the former West Virginia Workers' Compensation Commission (WCC). West Virginia operated an exclusive state-managed workers' compensation insurance fund from 1913 until 2005, which provided for the payment of benefits to all employees sustaining personal injuries in the course of and as a result of their covered employment.

The Coal Workers' Pneumoconiosis Fund (CWPF) was established in 1973 to comply with the Federal Coal Mine Health and Safety Act of 1969 to provide benefits to coal miners who are totally disabled or to beneficiaries of coal miners who die as a result of coal-workers' pneumoconiosis. The CWPF ceased operations as of December 31, 2005, and is also in run-off status under the administrative oversight of the Insurance Commissioner.

The Insurance Commissioner is responsible for proprietary funds created by Senate Bill 1004 that were established for the purpose of maintaining an effective workers' compensation system. Those funds include the Uninsured Employers' Fund, the Self-Insured Funds, and the Private Carrier Guaranty Fund. The Commission also administers the West Virginia Health Insurance Plan known as AccessWV, which is a high risk health insurance pool. AccessWV provides health insurance for medically uninsurable individuals and their dependents. The Old Fund, the CWP Fund, the Uninsured Employers' Fund, the Self-Insured Employers' Funds, and the Private Carrier Guaranty Fund are combined to comprise the Workers' Compensation Fund. For financial statement purposes, only the Workers' Compensation Fund is considered a reporting fund, and the statutorily created "funds" that comprise it are considered components of the fund. The Workers' Compensation Fund and AccessWV combine to comprise the proprietary funds reported in the financial statements. The Commission also maintains an operating fund that is reported as the general fund for financial statements purposes.

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WEST VIRGINIA
OFFICES OF THE INSURANCE COMMISSIONER
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2007
(In Thousands, Unless Otherwise Noted)

1. Financial Reporting Entity (Continued)

The financial statements of the Commission are intended to present the financial position and the changes in financial position and cash flows of only that portion of the financial reporting entity of the State of West Virginia that is attributable to the transactions of the Commission. They do not purport to, and do not, present the financial position of the State of West Virginia as of June 30, 2007, and the changes in its financial position and its cash flows for the year then ended.

West Virginia Code §23-2C-5 established the Industrial Council (the Council) to oversee the workers' compensation system and set forth eight specific duties for the Council to perform. Those duties include consultation with the Insurance Commissioner to establish operating guidelines and policies designed to ensure the effective administration of the workers' compensation insurance market in West Virginia. The Council is granted the authority to review and approve, reject or modify rules that are proposed by the Insurance Commissioner for operation and regulation of the workers' compensation insurance market before the rules are filed with the secretary of state. The rule making ability of the Council is exempt from the legislative rule making process. The Council is also charged with the duty to establish and monitor performance standards and measurements to ensure the timeliness and accuracy of the activities performed under Chapter 23 of the WV Code and applicable rules. Other duties of the council include the submission of a budget for the sufficient administrative resources and funding requirements necessary to carry out their duties under the statute and the duty to perform all record and information gathering functions necessary to carry out their duties under the Code. Every two years, the Council is to conduct an overview of the safety initiatives currently being utilized or which could be utilized in the workers' compensation insurance market and to report said findings to the joint committee on government and finance of the WV Legislature. The Council is to establish a method of indexing claims of injured workers that will make information concerning the injured workers of one insurer available to other insurers. Finally, the Council is to perform all other duties as specifically provided in Chapter 23 for the Industrial Council and those duties incidental thereto. Those duties include, but are not limited to: the rights to request, gather, and maintain information regarding employers from employers and other state agencies and all regulatory, oversight and document gathering authority necessary to regulate self-insured employers. The Industrial Council consists of five voting members appointed by the governor with the advice and consent of the Senate who meet the prescribed requirements and qualifications.

In order to address the substantial deficit in the workers' compensation fund that constitutes an imminent threat to the immediate and long-term solvency of the fund and that also constitutes a significant deterrent to the economic development of the state and in order to resolve the financial crisis caused by the deficit in the best interest of the public, the Governor convened a special session of the West Virginia Legislature in January 2005.

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WEST VIRGINIA
OFFICES OF THE INSURANCE COMMISSIONER
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2007
(In Thousands, Unless Otherwise Noted)

1. Financial Reporting Entity (Continued)

During the special session, the West Virginia Legislature enacted "Senate Bill 1004", effective January 29, 2005, that establishes a workers' compensation debt reduction fund in the state treasury for the deposit of monies received after June 30, 2005, including an annual transfer from the state excess lottery revenue, certain funds to be received from the tobacco master settlement agreement, dedicated personal income tax proceeds, employer premium surcharges and for new and additional severance taxes imposed as of December 1, 2005. The net proceeds from collection of these monies are to be dedicated to paying down the unfunded liability in the workers' compensation fund, or paying debt service on bonds sold to raise funds to pay down the unfunded liability in the workers' compensation fund.

"Senate Bill 1004" also established a framework for the privatization of workers' compensation insurance in West Virginia and establishes a timeline for the transition to an open competitive market by July 1, 2008. The legislation defines the requirements for the formation of a domestic employers' mutual insurance company (the company) by January 1, 2006, as the successor to the Workers' Compensation Commission.

With the passage of "Senate Bill 1004", a "workers' compensation old fund", "workers' compensation new fund", "mutualization transition fund", "workers' compensation uninsured employers' fund", "self-insured guaranty risk pool", "self-insured security risk pool", "private carrier guaranty fund" and an "assigned risk fund" were established in the state treasury. Upon termination of the Workers' Compensation Commission, the administrative oversight of those funds transitioned to the West Virginia Offices of the Insurance Commissioner.

The "workers' compensation old fund" (old fund) consists of those funds transferred to it from the workers' compensation fund and those funds due and owing the workers' compensation fund as of June 30, 2005. The old fund remains the property of the state. Disbursements from the old fund are related to the liabilities and appropriate administrative expenses necessary for the administration of all claims, actual and incurred but not reported, for any claim with a date of injury on or before June 30, 2005.

The "workers' compensation new fund" and the "mutualization transition fund" were devices created in order to accomplish the transition of the former Workers' Compensation Commission into a private, for profit mutual company (now BrickStreet Mutual Insurance Company).

WEST VIRGINIA
OFFICES OF THE INSURANCE COMMISSIONER
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2007
(In Thousands, Unless Otherwise Noted)

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1. Financial Reporting Entity (Continued)

The "workers' compensation new fund" (new fund) was a fund operated by the former WCC, which, upon termination of the WCC, was transferred to the successor organization of the WCC, BrickStreet Mutual Insurance Company (BrickStreet). It consisted of the funds transferred to it from the workers' compensation fund and any other applicable funds. The new fund liabilities transferred to BrickStreet include claims payment obligations (indemnity and medical expenses) for all claims, actual and incurred but not reported, for any claim with a date of injury on or after July 1, 2005, reduced by any payments made on these claims before January 1, 2006.

On March 1, 2005, thirty-five million dollars was transferred from the workers' compensation fund into the mutualization transition fund as mandated by "Senate Bill 1004". Disbursements were made from the mutualization transition fund upon requisitions signed by the executive director of the WCC, and, upon termination of the WCC, by the Insurance Commissioner. The purpose of the mutualization transition fund was to provide for the expenses reasonably related to the legal, operational, consultative and human resource related expenses associated with the establishment of the company and other privatization costs.

Pursuant to §23-2C-13 of the West Virginia State Code, certain retraining benefits are provided to those employees laid-off by BrickStreet during the first year of operation. The fees required for those services and training will be in an amount established by the West Virginia Department of Personnel, must not exceed \$2 million, in the aggregate, and will be paid out of the mutualization transition fund.

The "uninsured employer fund" (uninsured fund) is the fund held by the West Virginia State Treasurer's Office consisting of those funds transferred to it from the workers' compensation fund and any other source, including assessments to carriers and employers. The Insurance Commissioner will assess each private carrier an amount to be deposited in the fund. The Insurance Commissioner may also assess self-insured employers, if necessary in order to maintain fund solvency. To establish the amount of the assessment, the Insurance Commissioner will determine the amount of money necessary to maintain an appropriate balance in the uninsured fund for each fiscal year and will allocate a portion of that amount to be payable by private carriers, a portion to be payable by self-insured employers, and a portion to be paid by any other appropriate group.

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WEST VIRGINIA
OFFICES OF THE INSURANCE COMMISSIONER
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2007
(In Thousands, Unless Otherwise Noted)

1. Financial Reporting Entity (Continued)

An injured worker may receive compensation from the uninsured fund if: he or she meets all jurisdictional and entitlement provisions of Chapter 23 of the Code; he or she files a claim with the Insurance Commissioner; and he or she irrevocably assigns all of his or her rights to the Insurance Commissioner to recover money from a collateral source for the occurrence or exposure which resulted in the claimant's injury. Upon receiving a claim, the Insurance Commissioner will immediately notify the employer of the claim. The employer has the burden of proving that it provided mandatory industrial insurance coverage for the employee or that it was not required to maintain industrial insurance for the employee.

The Insurance Commissioner has the right to recover all payments made on behalf of an employer that is found to be liable, including interest on any amounts paid. In addition, the Insurance Commissioner may impose an administrative fine of not more than ten thousand dollars against an employer if the employer fails to provide mandatory coverage. Disbursements from the uninsured fund are made based upon requisitions signed by the Insurance Commissioner beginning on or after January 1, 2006.

The "self-insured guaranty risk pool" is the fund held by the West Virginia State Treasurer's Office consisting of those funds transferred to it from the guaranty pool created pursuant to 85 CSR §19 (2004) and any future funds collected through continued administration of that exempt legislative rule as administered by the Insurance Commissioner. The fund covers claims liabilities of bankrupt or defaulted self-insured employers with dates of injury subsequent to July 1, 2004. Disbursements are made from the self-insured guaranty risk pool upon requisitions signed by the Insurance Commissioner.

The "self-insured security risk pool" is the fund held by the West Virginia State Treasurer's Office consisting of those funds paid into it through the Insurance Commissioner's administration of 85 CSR §19 (2004). Disbursement from said fund shall be made from the self-insured security risk pool upon requisitions signed by the Insurance Commissioner. The obligations of the fund will be for the claims liabilities of bankrupt or defaulted self-insured employers with dates of injury prior to July 1, 2004; provided that the liabilities of the self-insured security risk pool will be limited to those self-insured employers who default on their claims obligations after the termination of the WCC on December 31, 2005.

The "private carrier guaranty fund" is the fund held by the West Virginia State Treasurer's Office consisting of the deposit of all unencumbered funds remaining in the mutualization transition fund upon the termination of the WCC. The fund will provide benefits to an employee whose employers' private insurance carrier is found to be insolvent by a court of competent jurisdiction in the insurer's state of domicile or has otherwise defaulted on its payment obligations and is subject to an administrative action by the Insurance Commissioner.

WEST VIRGINIA
OFFICES OF THE INSURANCE COMMISSIONER
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2007
(In Thousands, Unless Otherwise Noted)

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1. Financial Reporting Entity (Continued)

The "assigned risk fund" shall be a fund held by the West Virginia State Treasurer's Office that will consist of any assessments charged to each private carrier providing workers' compensation insurance coverage in this state. The assessments shall be made as often as necessary to cover any deficiencies that may arise in the pooling arrangement for assigned risk. The assigned risk fund shall be operational on January 1, 2009, six months after the market is open to competition. Until January 1, 2009, BrickStreet will be required to provide insurance coverage for any West Virginia employer seeking coverage for their worker's compensation claims. Employers may voluntarily obtain coverage from their choice of private carriers as of July 1, 2008, but BrickStreet may not selectively underwrite risk until January 1, 2009. To qualify for adverse risk assignment, an employer must have been categorically declined coverage by at least two insurers that are not affiliated with each other. The employer will have the burden of establishing that at least two insurers are unwilling to provide coverage at any premium level that is reasonably related to the risk presented by the employer.

The coverage provided by the assigned risk fund will be pursuant to a pooling arrangement managed by the Insurance Commissioner. The Insurance Commissioner may contract with any third party, including any private carrier, to administer this pooling arrangement. Costs necessary to operate this pooling arrangement will be funded by premiums paid by covered employers and assessments to private carriers providing industrial insurance in this state. The assessments made on private insurance carriers may be collected by each carrier from its policy holders in the form of a surcharge.

For the fiscal year beginning July 1, 2006, and all fiscal years thereafter, self-insured employers will remit an administrative charge to the Insurance Commissioner in an amount determined by the Commissioner.

All employers, beginning January 1, 2006, and then continuing through June 30, 2008, are required to purchase their workers' compensation insurance exclusively from the newly established private mutual company, which has been named BrickStreet Mutual Insurance (BrickStreet), unless they are permitted to self-insure their obligations. BrickStreet will assume responsibility for all new fund obligations of the subscriber policies that novate to BrickStreet or which are issued thereafter. For the fiscal years beginning July 1, 2006 and 2007, BrickStreet will charge the actuarially determined base rates for each fiscal year. The base rates will be calculated by the National Council on Compensation Insurance (NCCI) and submitted for approval by the Insurance Commissioner.

Beginning July 1, 2008, the worker's compensation insurance market will be opened to all private carriers who have been approved by the Insurance Commissioner to do business in West Virginia.

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WEST VIRGINIA
OFFICES OF THE INSURANCE COMMISSIONER
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2007
(In Thousands, Unless Otherwise Noted)

1. Financial Reporting Entity (Continued)

Pursuant to §23-2c-16 of the West Virginia State Code, BrickStreet shall serve as the initial third-party administrator of the Old Fund, the Uninsured Employer Fund, the Self-insured Employer Guaranty Risk Pool, the Self-Insured Security Risk Pool and the Private Carrier Guaranty Fund from the termination of the WCC and thereafter for a term of at least six months but not more than three years pursuant to an agreement entered into between the Insurance Commissioner and the mutual company prior to the termination of the WCC. An affiliated company of BrickStreet Mutual Insurance Company, BrickStreet Administrative Services, has served as the administrator of the state's workers' compensation related fund, beginning January 1, 2006.

2. Significant Accounting Policies

Basis of Presentation

The Commission operates enterprise funds subject to Governmental Accounting Standards Board Statement 10 (GASB 10), "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," Governmental Accounting Standards Board Statement 30 (GASB 30), "Risk Financing Omnibus - An Amendment of GASB Statement No. 10," and Financial Accounting Standards Board Statement 60 (FASB 60), "Accounting and Reporting for Insurance Enterprises." An enterprise fund is used to account for the operations of state agencies providing goods or services to the general public on a user-charge basis, or for any activity whose principal revenue sources meet any of the following criteria: debt backed solely by fees and charges; legal requirement to recover cost; or policy decision to recover cost.

In September 1993, GASB issued Statement 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting." As permitted by the Statement, the Commission has elected not to adopt FASB pronouncements issued after November 30, 1989, unless the GASB specifically adopts such FASB pronouncements.

The Insurance Commission is also subject to GASB Statement 40, "Deposits and Investment Risk Disclosures - an amendment of GASB 3" (GASB 40), and GASB Statement 46, "Net Assets Restricted by Enabling Legislation - an amendment to GASB 34" (GASB 46).

WEST VIRGINIA
OFFICES OF THE INSURANCE COMMISSIONER
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2007
(In Thousands, Unless Otherwise Noted)

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2. Significant Accounting Policies (Continued)

GASB 40 modifies disclosures to limit required disclosures to:

- Deposits that are not covered by depository insurance and are (a) uncollateralized, (b) collateralized with securities held by the pledging financial institution, or (c) collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name.
- Investment securities that are uninsured, are not registered in the name of the government, and are held by either (a) the counterparty or (b) the counterparty's trust department or agent but not in the government's name.

GASB 46 requires that limitations on the use of net assets imposed by enabling legislation be reported as restricted net assets. This Statement clarifies that a legally enforceable enabling legislation restriction is one that a party external to a government—such as citizens, public interest groups, or the judiciary—can compel a government to honor. GASB 46 states that the legal enforceability of an enabling legislation restriction should be reevaluated if any of the resources raised by the enabling legislation are used for a purpose not specified by the enabling legislation or if a government has other cause for reconsideration. This Statement also specifies the accounting and financial reporting requirements if new enabling legislation replaces existing enabling legislation or if legal enforceability is reevaluated. Finally, GASB 46 requires governments to disclose the portion of total net assets that is restricted by enabling legislation.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Basis of Accounting

As an enterprise fund, the Commission uses the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when incurred.

WEST VIRGINIA
OFFICES OF THE INSURANCE COMMISSIONER
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2007
(In Thousands, Unless Otherwise Noted)

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2. Significant Accounting Policies (Continued)**Budgetary Data**

Pursuant to §5A-2-12 of the West Virginia Code (the Code), the West Virginia Offices of the Insurance Commissioner 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 budgetary schedule is prepared on the cash basis. All financial operations of the Commission, except for benefits and direct claims costs, are subject to a nonappropriated budget review and approval process in which the Commissioner submits a financial plan for approval in a manner authorized by statute.

Cash and Cash Equivalents

Cash on hand and held by the West Virginia State Treasurer for the benefit of the Insurance Commission on June 30, 2007, totaled \$84,832. Cash that is pooled with funds of other state agencies and invested on an overnight basis by the West Virginia Investment Management Board (IMB) for the benefit of the Commission totals \$927,938. For purposes of the statement of cash flows, the Insurance Commission considers its share of the pooled deposits to be cash equivalents in accordance with GASB 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

In accordance with GASB 40, "Deposits and Investment Risk Disclosures - an amendment of GASB 3", the following risk disclosure information is provided for Commission funds being held by the IMB in the following investment pools:

West Virginia Investment Management Board (IMB) Investments**Large Cap Domestic**

This pool holds equity securities of U.S. companies and money market funds with the highest credit rating. These types of securities are not exposed to credit risk, interest rate risk, custodial credit risk, or foreign currency risk. At June 30, 2007, 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.

WEST VIRGINIA
OFFICES OF THE INSURANCE COMMISSIONER
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2007
(In Thousands, Unless Otherwise Noted)

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2. Significant Accounting Policies (Continued)

Non-Large Cap Domestic

This pool holds equity securities of U.S. companies and money market funds with the highest credit rating. These types of securities are not exposed to credit risk, interest rate risk, custodial credit risk, or foreign currency risk. At June 30, 2007, 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.

International Nonqualified

This pool holds an institutional mutual fund that invests in equities denominated in foreign currencies. The total value of this investment pool at June 30, 2007, was \$63,696. The pro-rated value of the Commission's investment in this pool at June 30, 2007, was \$25,920 or approximately 41% of the total pool held by the IMB. This investment, although denominated in U.S. dollars, is exposed to foreign currency risk. This pool is not exposed to credit risk, interest rate risk, custodial credit risk, or concentration of credit risk.

International Equity

This pool is not exposed to credit risk, interest rate risk, or custodial credit risk. At June 30, 2007, 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. 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 held by the IMB are as follows:

WEST VIRGINIA
OFFICES OF THE INSURANCE COMMISSIONER
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2007
(In Thousands, Unless Otherwise Noted)

2. Significant Accounting Policies (Continued)

Currency	Equity Securities	Cash	Total
Australian Dollar	\$ 46,223	\$ 512	\$ 46,735
Brazil Cruzeiros Real	46,000	-	46,000
British Pound	140,476	303	140,779
Canadian Dollar	60,122	2,566	62,688
Danish Krone	3,851	64	3,915
Euro	266,416	3,822	270,238
Hong Kong Dollar	79,937	613	80,550
Hungarian Forint	12,074	114	12,188
Indian Rupee	13,748	-	13,748
Israeli Shekel	17,011	25	17,036
Japanese Yen	125,203	2,101	127,304
Malaysian Ringgit	8,347	184	8,531
Mexican New Peso	22,322	51	22,373
New Taiwan Dollar	68,583	52	68,635
New Zealand Dollar	3,476	40	3,516
Norwegian Krone	20,171	54	20,225
Philippine Peso	7,227	-	7,227
Singapore Dollar	32,275	511	32,786
South African Rand	15,480	17	15,497
South Korean Won	97,467	224	97,691
Swedish Krona	26,487	772	27,259
Swiss Franc	49,567	626	50,193
Thailand Baht	15,602	-	15,602
Total	<u>\$ 1,178,065</u>	<u>\$ 12,651</u>	<u>\$ 1,190,716</u>

The pro-rated amounts of the securities and cash denominated in foreign currencies of the Commission's investment in this pool at June 30, 2007, (in U.S. dollars) are \$54,318 and \$583 respectively, which represents approximately 5% of each total held in the pool by the IMB.

Short-Term Fixed Income

Credit risk - The IMB limits the exposure to credit risk in the Short-Term Fixed Income pool by requiring all corporate bonds to be rated AA or higher. Commercial paper must be rated A1 by Standard & Poor's and P1 by Moody's. Additionally, the pool must have at least 15% of its assets in United States Treasury issues.

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2. Significant Accounting Policies (Continued)

The following table provides information on the weighted average credit ratings of the Short-Term Fixed Income pool's investments.

<u>Security Type</u>	<u>Moody's</u>	<u>S&P</u>	<u>Carrying Value</u>	<u>Percent of Assets</u>
Agency discount notes	P1	A-1	\$ 400,341	32.8%
Agency bonds	Aaa	AAA	102,657	8.4%
U.S. Treasury bills	Aaa	AAA	186,905	15.3%
Commercial paper	P1	A-1	257,165	21.0%
U.S. Treasury note	Aaa	AAA	<u>274,590</u>	<u>22.5%</u>
Total rated investments			<u>\$ 1,221,658</u>	<u>100.0%</u>

The pro-rated amount of these rated investments that comprise the Commission's investment in this pool at June 30, 2007, is \$67,121, which represents approximately 5% of the fair value of each security type in the pool held by the IMB.

This table includes securities received as collateral for repurchase agreements valued at \$582,723. The pro-rated amount that represents the Commission's investment in unrated securities in this pool at June 30, 2007, is \$32,016 or approximately 5% of the total. Acceptable collateral for the repurchase agreements include U.S. Treasury and government agency securities, all of which carry the highest credit rating.

Concentration of credit risk - West Virginia statutes prohibit the Short-Term Fixed Income pool from investing more than 5% of its assets in securities issued by a single private corporation or association. At June 30, 2007, 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, 2007, the Short-Term Fixed Income pool held no securities that were subject to custodial credit risk. Repurchase agreements are collateralized at 102% and the collateral is held in the name of the IMB. Securities lending collateral that is reported in the Statement of Assets and Liabilities is invested in the lending agent's money market fund.

Interest rate risk - The weighted average maturity of the investments of the Short-Term Fixed Income pool cannot exceed 60 days. The maturity of floating rate notes is assumed to be the next interest rate reset date. The following table provides the weighted average maturities (WAM) for the various asset types in the Short-Term pool.

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2. Significant Accounting Policies (Continued)

<u>Security Type</u>	<u>Carrying Value</u>	<u>WAM (days)</u>
Repurchase agreements	\$ 570,709	3
US Treasury bills	186,905	7
Commercial paper	257,165	17
Agency discount notes	194,864	8
Money market fund	<u>1</u>	1
Total assets	<u>\$ 1,209,644</u>	7

The pro-rated amount of the investment amounts shown that comprise the Commission's investment in this pool at June 30, 2007, is \$66,460 and represents approximately 5% of the fair value of each security type in the pool held by the IMB

Foreign currency risk - The Short-Term Fixed Income pool has no securities that are subject to foreign currency risk.

Fixed Income

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

<u>Security Type</u>	<u>Moody's</u>	<u>S&P</u>	<u>Fair Value</u>	<u>Percent of Assets</u>
Corporate bonds and notes	Baa	BBB	\$ 407,966	17.2%
U.S. Treasury bonds and notes	Aaa	AAA	261,067	11.0%
Corporate asset backed securities	Aaa	AAA	80,498	3.4%
Agency mortgage backed securities	Aaa	AAA	46,474	2.0%
Agency bonds	Aa	AA	38,485	1.6%
Money market funds	Aaa	AAA	27,039	1.1%
Agency discount notes	PI	A-1	<u>2,515</u>	<u>.1%</u>
Total rated investments			<u>\$ 864,044</u>	<u>36.4%</u>

The pro-rated amount of these rated investments that comprise the Commission's investment in this pool at June 30, 2007, is \$132,339 which represents approximately 15% of the fair value of each security type in the pool held by the IMB.

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2. Significant Accounting Policies (Continued)

Unrated securities include commingled investment pools of \$1,512,437 and an interest rate swap valued at \$(1,887). These securities represent 63.6% of the fair value of the pool's investments. The pro-rated amounts that represent the Commission's investment in commingled investment pools at June 30, 2007, are \$231,649, which is approximately 15% of the total in the pool held by the IMB.

Concentration of credit risk - West Virginia statutes prohibit the Fixed Income pool from investing more than 5% of its assets in securities issued by a single private corporation or association. At June 30, 2007, the Fixed Income pool did not have investments in any one private corporation or association that represented more than 5% of assets.

Custodial credit risk - At June 30, 2007, the Fixed Income pool held no securities that were subject to custodial credit risk. Repurchase agreements, when held, are collateralized at 102% and the collateral is held in the name of the IMB. Investments in commingled funds are held in an account in the name of the IMB. All remaining securities are held by the IMB's custodian in the name of the IMB. Securities lending collateral that is reported in the Statement of Assets and Liabilities is invested in the lending agent's money market fund.

Interest rate risk - The IMB monitors interest rate risk of the Fixed Income pool by assessing the modified duration of the investments in the pool. The following table provides the weighted average modified duration for the various asset types in the Fixed Income pools as of June 30, 2007.

<u>Security Type</u>	<u>Fair Value</u>	<u>Modified Duration (years)</u>
Commingled investment pools	\$ 1,512,437	4.7
Corporate notes and bonds	407,966	6.5
U.S. Treasury notes and bonds	261,067	6.6
Corporate asset backed securities	80,498	8.3
Agency mortgage backed securities	46,474	10.6
Agency bonds	38,485	4.8
Money market fund	27,039	0.0
Agency discount notes	<u>2,515</u>	0.7
Total assets	<u>\$ 2,376,481</u>	5.4

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2. Significant Accounting Policies (Continued)

The Fixed Income pool invests in commercial and residential mortgage-backed and asset-backed securities. The cash flows from these securities are based on the payment of the underlying collateral. The modified duration and yield to maturity of these securities are dependent on estimated prepayment assumptions that consider historical experience, market conditions and other criteria. Actual prepayments may vary with changes in interest rates. Rising interest rates often result in a slower rate of prepayments while declining rates tend to lead to faster prepayments. As a result, the fair values of these securities are highly sensitive to interest rate changes. At June 30, 2007, the Fixed Income pool held \$126,972 of these securities. This represents approximately 5% of the value of the fixed income pools. The Commission's pro-rata investment amount in these securities totals \$6,349 at June 30, 2007.

Foreign currency risk - The Fixed Income pool has no securities that are exposed to foreign currency risk.

Fixed Income Nonqualified

This pool holds positions in institutional mutual funds with a combined value of \$420,696 at June 30, 2007, that invest in mortgage-backed securities and corporate bonds. The pro-rated value of the Commission's investment in this pool at June 30, 2007, was \$239,562 or approximately 60% of the total pool held by the IMB. The mutual funds are unrated. The weighted average modified duration of the underlying securities is 5.7 years. This pool is not exposed to custodial credit risk, concentration of credit risk, or foreign currency risk.

Board of Treasury (BTI) Investments

The 2005 West Virginia Legislature established the Board of Treasury Investments (BTI), effective July 8, 2005, to make short-term operating funds of the State more accessible to state government and to allow the West Virginia Investment Management Board (IMB), which had managed the Consolidated Fund, to focus on the State's long-term trust investments. The BTI is charged with managing the individual investment pools and accounts of the Consolidated Fund under authority of West Virginia State Code §12-6C, West Virginia Treasury Investments Act. The Consolidated Fund provides for the investment of moneys not currently needed to fund State governmental operations, as well as providing the opportunity for local governments to participate in large investment pools, and for those funds statutorily required to be invested in the Consolidated Fund. The State Treasurer's Office determines which funds to transfer to the IMB and BTI for investment in accordance with West Virginia Code, policies set by the IMB and BTI, and by provisions of bond indentures and trust agreements, when applicable.

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2. Significant Accounting Policies (Continued)

The BTI is authorized by West Virginia Code §12-6C-9, to invest in United States government and agency obligations, commercial paper, corporate bonds, repurchase agreements, asset-backed securities, and investments in accordance with the Linked Deposit Program, which is a program using financial institutions in the state to reduce loan costs to small businesses by offsetting interest reductions on the loans with certificates of deposit, loans approved by the Legislature, and any other programs authorized by the Legislature. In addition to the restrictions in investment types, at no time shall more than seventy-five percent of the Consolidated Fund be invested in any bond, note, debenture, commercial paper or other evidence of indebtedness of any private corporation or association, and at no time shall more than five percent be invested in securities issued by a single private corporation or association. Further, no less than fifteen percent of the Consolidated Fund shall be invested in any direct obligation of or obligation guaranteed by the United States government.

The BTI has adopted an investment policy in accordance with the "Uniform Prudent Investor Act." The "prudent investor rule" guides those with responsibility for investing the money for others. Such fiduciaries must act as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments. The BTI's investment policy to invest assets in a manner that strives for maximum safety, provides adequate liquidity to meet all operating requirements, and achieves the highest possible investment return consistent with the primary objectives of safety and liquidity. The BTI recognizes that risk, volatility, and the possibility of loss in purchasing power are present to some degree in all types of investments. Due to the short-term nature of the Consolidated Fund, the BTI believes that it is imperative to review and adjust the investment policy in reaction to interest rate market fluctuations/trends on a regular basis and has adopted a formal review schedule. Investment policies have been established for each investment pool and account of the Consolidated Fund.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Neither the BTI nor any of the Consolidated Fund pools or accounts has been rated for credit risk by any organization. Of the Consolidated Fund pools and accounts, six are subject to credit risk: Cash Liquidity Pool, Government Money Market Pool, Enhanced Yield Pool, Loan Pool, School Fund Account and Department of Highways Account.

The BTI limits the exposure to credit risk in the Cash Liquidity Pool by requiring all corporate bonds to be rated AA- by Standard & Poor's (or its equivalent) or higher. Commercial paper must be rated at least A-1 by Standard & Poor's and P1 by Moody's. The pool must have at least 15% of its assets in U.S. Treasury issues. The following table provides information on the credit ratings of the Cash Liquidity Pool's investments (in thousands):

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2. Significant Accounting Policies (Continued)

<u>Security Type</u>	<u>Credit Rating</u>		<u>Carrying Value</u>	<u>Percent of Pool Assets</u>
	<u>Moody's</u>	<u>S&P</u>		
Investments:				
Commercial Paper	P1	A-1	\$ 1,015,926	48.89%
Corporate bonds and notes	Aaa	AAA	98,999	4.76%
	Aa3	AA	20,001	0.96%
	Aa3	A	23,002	1.11%
	Aa2	AA	15,000	0.72%
	Aa2	A	27,000	1.30%
	Aa1	AA	<u>77,023</u>	<u>3.71%</u>
Total corporate bonds and notes			261,025	12.56%
U.S. Agency bonds	Aaa	AAA	46,994	2.26%
U.S. Treasury bills	Aaa	AAA	358,725	17.27%
Negotiable certificates of deposit	P1	A-1	76,500	3.68%
U.S. Agency discount notes	P1	A-1	21,655	1.04%
Money market funds	Aaa	AAA	185	0.01%
Repurchase agreements (underlying securities:				
U.S. Agency notes	Aaa	AAA	<u>246,821</u>	<u>11.88%</u>
Total Investments			2,027,831	97.59%
Deposits:				
Nonnegotiable certificates of deposit	NR*	NR*	<u>50,000</u>	<u>2.41%</u>
			<u>\$ 2,077,831</u>	<u>100.0%</u>

*NR = Not Rated.

The BTI limits the exposure to credit risk in the Government Money Market Pool by limiting the pool to U.S. Treasury issues, U.S. government agency issues, money market funds investing in U.S. Treasury issues and U.S. government agency issues, and repurchase agreements collateralized by U.S. Treasury issues and U.S. government agency issues. The pool must have at least 15% of its assets in U.S. Treasury issues.

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2. Significant Accounting Policies (Continued)**Receivables and Allowance for Doubtful Accounts**

Net Receivables at the balance sheet date represent management's best estimate of the net realizable value of taxes, fees, assessments, premiums and related revenue due as of June 30, 2007. All premiums receivable balances due to the West Virginia Offices of the Insurance Commissioner consist of past premiums due from defaulted employers for periods of coverage prior to June 30, 2005, from the former Workers' Compensation Commission. Due to the age of these remaining premium receivables, only the actual subsequent receipts are recognized in the financial statements unless the employer has entered into a bona fide repayment agreement with the State or if the employer is subject to a court ordered restitution agreement. The West Virginia Offices of the Insurance Commissioner also recognize a receivable for fines assessed against and claims reimbursements amounts billed to uninsured employers. Due to the high probability of non-collection for this category of receivables, the uninsured fines and claims reimbursement receivables are also recorded at the actual value received in subsequent receipts.

The net receivable also includes the current receivable due from other state agencies for the statutory transfers due and owing pursuant to the debt reduction provisions found in Senate Bill 1004.

Capital Assets

Capital assets are stated at cost. Depreciation for office equipment and furniture are computed using the straight-line method over the estimated economic useful lives which typically range from 10 to 20 years.

Estimated Liability for Unpaid Claims and Claim Adjustment Expenses

The liability for unpaid claims and claim adjustment expense represents management's estimate, developed in conjunction and with the assistance of the Commission's consulting actuary, of the Commission's ultimate net cost of all unpaid claims and claim adjustment expenses incurred as of the balance sheet date. Changes in estimates of such costs are recognized in results of operations in the period in which the changes in estimates are made.

Management believes the estimate of the discounted liability for unpaid claims and claim adjustment expenses is adequate. However, due to the inherent variability of the assumptions used to estimate this liability, the Commission's actual incurred losses and loss adjustment expenses may vary significantly from the estimated amount included in the Commission's financial statements.

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2. Significant Accounting Policies (Continued)

Compensated Absences

Employees fully vest in all earned but unused vacation and the Commission accrues for obligations that may arise in connection with compensated absences for vacation at the current rate of employee pay. Under the provision of §5-16-13 of the West Virginia Code, Insurance Commission employees, upon retirement, may apply their accumulated annual and/or sick leave toward extending their health care insurance coverage. Under the provisions of the same statute, employees may alternatively choose to apply their accumulated annual and/or sick leave toward additional credited service in the computation of their retirement benefits. In accordance with GASB 16, "Accounting for Compensated Absences," the Insurance Commission recognizes an obligation for unused sick leave as it is earned if it is probable that the employees will be compensated upon termination or retirement.

Other Operating Revenue

Other operating revenue is comprised of monies received on bankruptcy recoveries, post audit payments, interest on premiums collected from reinstated accounts, certain penalties, and any other miscellaneous operating fees and revenue.

Transfers related to Workers' Compensation Debt Reduction Fund and BrickStreet Insurance

During fiscal year 2007, the Surplus Note from BrickStreet Mutual Insurance Company was reduced by a total of fifteen million dollars (\$15,000). This reduced the carrying value of the Surplus Note to one hundred eighty five million dollars (\$185,000). The reduction of the note consisted of: ten million five hundred fifty one thousand dollars (\$10,551) based on the formula specified in the surplus note and a principal payment received of four million four hundred forty nine thousand dollars (\$4,449). During fiscal year 2007, BrickStreet paid four million three hundred ninety two thousand dollars (\$4,392) in interest on its Surplus Note arrangement with the State of West Virginia.

BrickStreet Mutual Insurance Company paid a total of three million sixty eight thousand dollars (\$3,068) to reimburse the Old Fund for expenses related to the Mutualization Transition Fund.

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2. Significant Accounting Policies (Continued)

Statutory Allocations Proceeds

The Commission recognized annual payments and an estimated receivable of \$15 million received pursuant to §4-11A-2(d) of the West Virginia State Code from the tobacco settlement fund. The annual payments received through the tobacco settlement fund were expected to approximate \$30 million annually, as originally set forth in Senate Bill 1004. However, on March 10, 2007, Senate Bill 185 was enacted, which set aside the tobacco settlement proceeds as a deficit funding source and replaced the revenue with fifty million four hundred thousand dollars in personal income tax proceeds, effective July, 2007. In addition, the Commission recognized \$11 million dollars of West Virginia Lottery proceeds allocated to the Commission.

Net Assets

As required by GASB 34, the Commission displays net assets in three components, if applicable: invested in capital assets, net of related debt; restricted, and unrestricted.

Invested in capital assets, net of related debt - This component of net assets consists of capital assets, including restricted capital assets (if any), net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets - Restricted net assets should be reported when constraints placed on the net assets use are either externally imposed (for instance, by creditors, laws or grantors) or imposed by law through constitutional provisions or enabling legislation. Such constraints limit the Commission's ability to use the resources to pay current liabilities. In accordance with the respective enabling legislation, net assets accumulated for Old Fund, CWP Fund, Uninsured Employers' Fund, Self-Insured Funds and Private Carrier Guaranty Fund are restricted for payment of related expenses.

Unrestricted net assets - Unrestricted net assets consist of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt." In the governmental environment, net assets are often *designated* to indicate that management does not consider them to be available for general operations. These types of constraints on resources are internal and management can remove or modify them. Such internal designations are not reported on the face of the statement of net assets.

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3. Cash and Cash Equivalents

The Commission is permitted by the Code to invest any funds in excess of current disbursement needs with the IMB. Investments are reported by the IMB at fair value and are accounted for by the Commission accordingly. Such funds are available to the Commission with overnight notice, and are considered cash equivalents. Earnings for the IMB investment pools are determined monthly and distributed to pool participants at the beginning of the next month based on their pro rata participation in the pools.

Stockholdings are limited to 60% of the portfolio. Because the assets are held in the pools, no other disclosure related to credit or market risk is required. However, market risk exists as the assets of the pools may decline in value because of an increase in interest rates or a decline in stock prices. Such market risk is borne by the participants in the pools.

Based on past fluctuations in investment earnings, IMB management reevaluated its investment strategy. As a result of this review, management decided to implement an investment policy that targets a 30% allocation of equity type holdings within the Commission's portfolio.

4. Leases

The Commission has lease agreements for its current central office building and various hearing and field offices throughout West Virginia. The Commission's current central office building is accounted for as an operating lease with the lease payments recorded as rent expense as they become payable.

All State agencies are required to have language in their lease agreements that allow termination by either party with 30 days notice. The Commission has entered into several such agreements. The Commission has no current plans to terminate any leases prior to their full term and, therefore, has provided the same disclosures for these "operating" leases as would be required if they were noncancelable. These leases are accounted for as operating leases with the lease payments recorded as rent expense as they become payable.

Future minimum scheduled rentals under operating leases at June 30, 2007, were as follows:

2008	\$	1,566
2009		1,343
2010		1,292
2011		602
2012		95
Thereafter		<u>21</u>
Total minimum lease payments	\$	<u>4,919</u>

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4. Leases (Continued)

Rental expense was \$1,534 for the year ended June 30, 2007.

5. Estimated Liability for Unpaid Claims and Claim Adjustment Expenses

GASB standards state “the practice of presenting claims liabilities at the discounted present value of estimated future cash payments (discounting) is neither mandated nor prohibited.” GASB standards provide that, if discounting is used, the pool should use a rate that is determined by giving consideration to such factors as the pool’s expected settlement rate for those liabilities and its expected investment yield rate. Based on the expected investment yields on the Commission’s investment portfolio, the estimated liability for unpaid claims and claim adjustment expenses (claims liability) has been discounted using a rate of 5.0% at June 30, 2007.

On July 1, 2003, West Virginia Senate Bill 2013 was enacted into law. This new law made significant changes to Chapter 23 (Workers’ Compensation) of the West Virginia State Code with the purpose of strengthening the financial position of the former Workers’ Compensation Fund. At June 30, 2005, Workers’ Compensation Commission management had recognized all of the readily quantifiable expected savings from the provisions of the legislation.

On January 29, 2005, Senate Bill 1004 was enacted into law with the purpose of ceasing the state’s participation as a provider of workers’ compensation insurance. Senate Bill 1004 also identified sources of revenue to fund the unfunded liabilities remaining from the former workers’ compensation fund. Senate Bill 1004 did not contain any type of benefit reform provisions and accordingly no impact on the actuarial estimates has been recognized. It is anticipated that the indirect effects of privatization, such as the implementation of industry standard claims management practices, will have a positive impact on the ultimate costs of the state’s workers’ compensation related liabilities. Any future anticipated savings will be recognized in the liability estimates as the downward payment trending occurs.

At June 30, 2007, the total undiscounted claims liability for the Commission approximated \$4.8 billion. Invested assets of the Old Fund are not sufficient at current investment rates to retire the claims liability and the Old Fund has a significant deficit. If discounting of the Old Fund claims liability were limited to anticipated investment income, the Commission’s claims liability would have increased by approximately \$1.67 billion to a claims liability of approximately \$4.65 billion, and the Commission’s total deficit would increase to approximately \$3.48 billion at June 30, 2007.

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5. Estimated Liability for Unpaid Claims and Claim Adjustment Expenses (Continued)

The following schedule represents the reconciliation of the unpaid claims liability for the Commission's Workers' Compensation Funds discounted at 5.0% at June 30, 2007, including an analysis of changes in aggregate liabilities for claims and claim adjustment expenses for the six month period. Losses include claim adjustment expenses.

	<u>2007</u>
Unpaid claims and claim adjustment expenses at beginning of year	<u>\$ 3,259,820</u>
Claims and claim adjustment expenses:	
Provision for insured events of the current fiscal year	2,510
Changes in provision for insured events of prior fiscal years	(106,482)
Amortization of discount	<u>154,538</u>
Total claims and claim adjustment expenses	<u>50,566</u>
Payments:	
Claims and claim adjustment expenses attributable to insured events of the current fiscal year	(194)
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	<u>(328,792)</u>
Total payments	<u>(328,986)</u>
Change in provision for DWRF receivable	<u>-</u>
Total unpaid claims and claim adjustment expenses at end of the year	<u>\$ 2,981,400</u>

Cash payments shown in the Statement of Cash Flows may differ from these totals depending on the release dates of the payments.

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5. Estimated Liability for Unpaid Claims and Claim Adjustment Expenses (Continued)

The following schedule represents the reconciliation of the unpaid claims liability for AccessWV at June 30, 2007, including an analysis of changes in aggregate liabilities for claim and claim adjustment expenses for the fiscal year. This is the second year of operation for AccessWV, a high risk health insurance program.

	<u>2007</u>
Unpaid claims and claim adjustment expenses at beginning of year	\$ 420
Claims and claim adjustment expenses:	
Provision for insured events of the current fiscal year	1,469
Payments:	
Claims and claim adjustment expenses attributable to insured events of the current fiscal year	<u>(1,609)</u>
Total unpaid claims and claim adjustment expenses at end of the year	<u>\$ 280</u>

6. Deficit Funding Plan

Due to a history of recurring losses and a significant accumulated deficit, significant legislative reforms for collection of premiums and awarding of claims have been enacted. The West Virginia Legislature enacted "Senate Bill 2013," which made major changes to the Workers' Compensation laws that became effective in fiscal year 2004. The passage and implementation of "Senate Bill 2013" has resulted in a significant reduction in the net cash outflows from the Old Fund.

In order to reduce the substantial deficit that continues to exist in the workers' compensation fund and to identify sources of revenue to address the immediate and long-term solvency of the fund and to resolve the financial crisis caused by the deficit, the legislature passed "Senate Bill 1004" on January 29, 2005.

With the passage of "Senate Bill 1004" a framework for the privatization of workers' compensation insurance in West Virginia was established. The legislation defines the requirements for the formation of a domestic employers' mutual insurance company (BrickStreet Mutual Insurance Company) by January 1, 2006, and provides for the regulation and phasing in of a competitive workers' compensation insurance market beginning July 1, 2008.

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6. Deficit Funding Plan (Continued)

As a result of "Senate Bill 1004", the WCC terminated effective December 31, 2005, and upon the termination of the WCC, the WCC's powers transferred to the West Virginia Offices of the Insurance Commissioner and the Industrial Council established by "Senate Bill 1004" to assist the Insurance Commissioner in the regulation of state workers' compensation system.

With the passage of "Senate Bill 1004" a "workers' compensation old fund" (old fund) was established. It consists of those funds transferred to it from the workers' compensation fund after December 31, 2005, as determined by the governor's proclamation and those funds due and owing the workers' compensation fund as of June 30, 2005. The old fund remains the property of the state and does not novate or otherwise transfer to the private sector. Disbursements from the old fund are related to the liabilities and appropriate administrative expenses necessary for the administration of all claims, actual and incurred but not reported, for any claim with a date of injury on or before June 30, 2005.

"Senate Bill 1004" established a workers' compensation debt reduction fund in the state treasury for the deposit of monies received after June 30, 2005, including certain funds designated in Code §4-11a-2(d): \$30 million to be received annually until 2025 from the tobacco master settlement agreement. On March 10, 2007, Senate Bill 185 ceased the tobacco settlement payments to the debt reduction fund and replaced those revenues with \$54 million dollars in annual personal income tax proceeds. These personal income tax proceeds dedicated in §4-11A-18 are in addition to the income tax proceeds already dedicated to the debt reduction fund. Other Senate Bill 1004 revenue sources currently include: Code §29-22A-10,10b: an estimated \$11 million to be received annually from the video lottery income, and Code §11-13V-4: new and additional severance taxes imposed estimated to yield an approximate \$90.2 million annually, Code §11-21-96: personal income tax proceeds of approximately \$45 million annually, and Code §23-2C-3(f)(3): monthly premium surcharges to be collected for all WV employers expected to yield \$54 million annually. The net proceeds from collection of these monies are to be dedicated to paying the unfunded liability in the workers' compensation fund until fully paid or paying debt service on bonds sold to raise funds to pay the unfunded liability in the workers' compensation fund.

7. Pension Plan

Plan Description. - The Commission contributes to the West Virginia Public Employees Retirement System (PERS), a cost-sharing multiple-employer defined benefit pension plan administered by the West Virginia Consolidated Public Retirement Board (CPRB). PERS provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 5, Article 10 of the West Virginia Code assigns the authority to establish and amend benefit provisions to the PERS Board of Trustees. CPRB issues a publicly available financial report that includes financial statements and required supplementary information for PERS. That

WEST VIRGINIA
OFFICES OF THE INSURANCE COMMISSIONER
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2007
(In Thousands, Unless Otherwise Noted)

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7. Pension Plan (Continued)

report can be obtained by writing to CPRB, Capitol Complex, Building 5 Room 1000, Charleston, WV 25305.

Funding Policy. - Plan members are required to contribute 4.5% of their annual covered salary and the Commission was required to contribute 10.5% for the current fiscal year. The contribution requirements of plan members and the Commission are established and may be amended by the PERS Board of Trustees, subject to limitations set by the West Virginia Legislature. The Commission's contributions to PERS for the year ended June 30, 2007 was \$1,397 equal to the required contributions for the year.

8. Commitments and Contingencies

Contingent Liability for Self-Insured Employers

An employer who has been granted self-insured status for workers' compensation insurance coverage must post security with the WCC for an actuarially determined amount of their liabilities incurred with dates of injury prior to July 1, 2004. Payments made for claims of employees of defaulted self-insured employers for injuries prior to July 1, 2004, will be made from the Self-insured Security Pool established by Legislative Rule 19. The assets of the Security Pool consist of the proceeds received from the security held by the WCC and any necessary assessments made to active self-insured employers for the default of a self-insured employer.

Payments for the injuries of defaulted self-insured employers incurred after July 1, 2004, will be made by the Self-insured Guaranty Pool; however, any self-insured employer who fails the analytical financial review will also be required to post security to the Guaranty Pool on any workers' compensation liabilities incurred after July 1, 2004. The Self-insured Guaranty Pool is funded through quarterly assessments to self-insured employers and the proceeds received from the security held.

To the extent a self-insured employer cannot meet its obligations under the Law, the two self-insured pools discussed above remain contingently liable for all policy benefits. The only sources of revenue permitted under the Law to fund the Security Pool and the Guaranty Pool must be obtained from self-insured employers. Self-insured employers are considered joint and severally liable for the obligations of a defaulted self-insured employer. The amount has not been included in the estimated liabilities for unpaid claims and claim adjustment expenses because the likelihood of future self-insurer defaults has not been estimated.

WEST VIRGINIA
OFFICES OF THE INSURANCE COMMISSIONER
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2007
(In Thousands, Unless Otherwise Noted)

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8. Commitments and Contingencies (Continued)**Risk Management**

The Commission 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; and natural disasters.

The Commission has obtained health coverage for its employees through its participation in the Public Employees Insurance Agency (PEIA). In exchange for the payment of premiums to PEIA, the Commission has transferred its risk related to health coverage for employees. Additionally, the Commission has obtained coverage for job-related injuries through the purchase of workers' compensation insurance from BrickStreet Mutual Insurance Company, the sole provider of compensation insurance coverage in the state.

The Commission participates in the West Virginia State Board of Risk and Insurance Management (WVBRIM), a public entity risk pool, to obtain coverage for general liability and property damage. WVBRIM is a State agency established by the Legislature in 1957 to provide property and liability insurance coverage for state and local governmental entities including the Commission. This coverage is offered in exchange for an annual premium. There have been no claim settlements exceeding the Commission's general liability insurance coverage for the past three fiscal years.

During the normal course of operations, the Commission incurs certain routine claims. The legal counsel for the Commission has evaluated the potential loss for these claims and has determined that the insurance coverage provided by WVBRIM is adequate to cover any potential losses from these claims.

Premium Advance Deposits

Unclaimed property on deposit with or held by state agencies comes under the purview of the West Virginia State Treasurer's Office who sees that proceeds from such property are deposited in the state's general revenue fund. In March 1999, the West Virginia State Legislature adopted legislation that states that advance deposits by employers with no activity for a period of five years are presumed abandoned and are subject to the custody of the state as unclaimed property. However, these funds are to be held by the West Virginia State Treasurer's Office in an account separate from other unclaimed property funds. They become the property of and owned exclusively by the West Virginia Offices of the Insurance Commissioner ninety days after the West Virginia State Treasurer's Office has advertised the property and they remain unclaimed.

WEST VIRGINIA
OFFICES OF THE INSURANCE COMMISSIONER
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2007
(In Thousands, Unless Otherwise Noted)

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9. Surplus Note Agreement

In accordance with the provisions set forth in House Bill 501, enacted by the West Virginia Legislature on November 14, 2005 which revised §23-2C-24 (a) of the West Virginia State Code, a surplus note agreement between the State of West Virginia and the newly formed employers' mutual insurance company, BrickStreet, was established as of January 1, 2006. For value received, BrickStreet will repay the State of West Virginia the principle sum of \$200 million dollars, plus interest and reasonable costs of collection of any overdue payment by the maturity date of the note, which is June 30, 2016. The purpose of the surplus note is to provide initial surplus to the issuer until such time as adequate retained surplus is earned or alternative non-governmental sources of capital are available to allow the issuer to operate as a commercially sound, independent provider of workers' compensation insurance in the State of West Virginia, within a competitive environment. BrickStreet may repay all or any part of the principal, subject to the approval of the Insurance Commissioner, at any time without penalty or premium.

From the effective date of the note until the earlier of (1) the date on which the note is repaid in full; or (2) January 1, 2009, the note shall bear interest at one and one-half percent (1.5%). If the note has not been repaid by January 1, 2009, then from January 1, 2009, until the date on which the note is repaid in full, unpaid amounts under the note shall bear interest at a fluctuating rate per annum that is equal to the Prime Rate of interest for the period in question.

The repayment of the principal of the surplus note shall be subject to the prior approval of the Insurance Commissioner. Beginning June 30, 2007, and on the thirtieth day of June each year thereafter, payments will be made to the State of West Virginia in accordance with the schedule set forth in the surplus note agreement until the note is paid in full. On June 28, 2007, BrickStreet paid \$4.5 million in principle toward satisfaction and discharge of its surplus note obligation to the State of West Virginia. Fiscal year 2007 surplus note interest payments received from BrickStreet totaled \$4.4 million dollars. In accordance with the provisions set forth in the surplus note agreement, BrickStreet submitted a written report ("Report 1") which contained the following information: (1) the amount of refunded advance deposits made by the Company, less cash receipts received by the Company for the third and fourth quarters of calendar year 2005; and (2) the amount of outstanding payables as of December 31, 2005, that were paid by the Company for expenses related to the administration of the Workers' Compensation Commission. Upon verification by the Insurance Commissioner, the principal sum was adjusted by the aggregate of (1) and (2). This resulted in a \$10.5 million reduction of the principal balance of the surplus note agreement.

REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED

WEST VIRGINIA
OFFICES OF THE INSURANCE COMMISSIONER
Supplemental Revenue and Reserve Development Information
(Unaudited)

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GASB standards require the presentation of ten years supplemental revenue and reserve development information, if available. The table on the following page illustrates how the Commission's earned revenues and investment income compare to related costs of loss and other expenses assumed (on a discounted basis) as of the end of each of the last 10 years, as available.

The rows of the table are defined as follows:

- (1) This line shows the total of each fiscal year's total income.
- (2) This line shows each fiscal year's other operating costs.
- (3) This line shows incurred claims (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 10 rows shows the cumulative amounts paid as of the end of successive years for each policy year.
- (5) This section of 10 rows shows how each policy year's incurred claims increased or decreased as of the end of successive years. This annual re-estimation results from new information received on known claims, re-evaluation of existing information on known claims, emergence of new claims not previously known, as well as amortization of discount.
- (6) This line compares the latest re-estimated 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 re-estimated 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.

The supplemental revenue and reserve development information has been prepared by the Commission's consulting actuary using assumptions and other data furnished by the Commission. Such information has not been audited and is presented on the basis discussed above, which may differ from the form of presentation used in the financial statements.

See accompanying independent auditors' report.

WEST VIRGINIA
OFFICES OF THE INSURANCE COMMISSIONER
Supplemental Revenue and Reserve Development Information
Workers' Compensation Fund, Coal Workers' Pneumoconiosis Fund,
Uninsured Employer Fund, Self Insured Guaranty Fund
(Unaudited)
As of June 30, 2007
(Dollars in Millions)

	Fiscal and Policy Year									
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Operating Revenues	\$ 519.2	\$ 556.9	\$ 582.3	\$ 597.2	\$ 600.2	\$ 568.7	\$ 678.8	\$ 736.0	\$ 194.0	\$262.2
Investment income (loss)	<u>139.1</u>	<u>97.3</u>	<u>106.7</u>	<u>32.1</u>	<u>(23.7)</u>	<u>47.3</u>	<u>23.8</u>	<u>74.1</u>	<u>4.4</u>	<u>109.0</u>
Total income (1)	658.3	654.2	689.0	629.3	576.5	616.0	702.6	810.1	198.4	371.2
Other expenses (2)	40.2	47.2	51.7	51.4	59.5	61.2	66.0	73.8	51.3	23.5
Original incurred loss (3)	329.2	338.8	233.7	261.5	428.7	410.4	352.4	305.8	0.6	2.7
Cumulative payments (4):										
Year 1	70.5	80.5	78.8	82.0	88.7	87.1	70.9	72.6	0.0	0.2
Year 2	175.7	186.7	197.2	207.6	220.5	194.1	152.0	141.7	0.4	
Year 3	229.2	249.2	273.3	283.8	291.2	244.1	181.4	169.5		
Year 4	266.2	297.5	325.2	327.6	327.0	265.1	196.6			
Year 5	298.1	332.7	355.8	352.7	343.3	278.1				
Year 6	322.6	354.8	374.5	365.3	353.9					
Year 7	339.6	369.0	385.7	374.7						
Year 8	351.7	378.4	397.2							
Year 9	359.5	386.9								
Year 10	366.7									
Re-estimated incurred claims and expenses (5):										
Year 1	329.2	338.8	233.7	261.5	428.7	410.4	352.4	305.8	0.6	2.7
Year 2	350.5	399.1	409.4	421.4	488.5	470.3	315.6	301.3	3.1	
Year 3	380.0	397.9	440.0	488.4	512.5	385.4	305.9	277.4		
Year 4	386.3	425.7	498.0	496.8	429.2	378.9	301.9			
Year 5	406.0	476.7	511.9	454.6	439.0	370.9				
Year 6	438.8	473.2	471.0	445.6	423.1					
Year 7	435.8	457.1	470.5	437.3						
Year 8	428.7	454.7	458.4							
Year 9	427.7	445.3								
Year 10	421.1									
Increase (decrease) in estimated incurred claims and expense from end of policy year (6)	91.9	106.5	224.7	175.8	(5.6)	(39.5)	(50.5)	(28.4)	2.5	-

See accompanying independent auditors' report

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WEST VIRGINIA
OFFICES OF THE INSURANCE COMMISSIONER
Supplemental Reconciliation of Claims Liabilities by Type of Contract Information
(Unaudited)
(In Thousands)

The table below presents Old Fund, CWPF, Uninsured Employers Fund, and Self Insured Guaranty Fund changes in claims liabilities discounted at 5.0% as of June 30, 2007. Losses include claim adjustment expenses.

	June 30, 2007				
	<u>WCF</u>	<u>CWPF</u>	<u>UEF</u>	<u>Guaranty Fund</u>	<u>Total</u>
Unpaid claims and claim adjustment expenses at beginning of year	\$ 3,123,520	\$ 135,000	\$ 580	\$ 720	\$ 3,259,820
Claims and claim adjustment expenses:					
Provision for insured events of the current fiscal year	-	-	2,510	-	2,510
Changes in provision for insured events of prior fiscal years	(105,386)	(1,378)	294	(12)	(106,482)
Amortization of discount	147,940	6,474	25	99	154,538
Total claims and claim adjustment expenses	<u>42,554</u>	<u>5,096</u>	<u>2,829</u>	<u>87</u>	<u>50,566</u>
Payments:					
Claims and claim adjustment expenses attributable to insured events of the current fiscal year	-	-	(194)	-	(194)
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	(317,374)	(11,096)	(215)	(107)	(328,792)
Total payments	<u>(317,374)</u>	<u>(11,096)</u>	<u>(409)</u>	<u>(107)</u>	<u>(328,986)</u>
Change in provision for DWRP receivable	-	-	-	-	-
Total unpaid claims and claim adjustment expenses at end of the year	<u>\$ 2,848,700</u>	<u>\$ 129,000</u>	<u>\$ 3,000</u>	<u>\$ 700</u>	<u>\$ 2,981,400</u>

See accompanying independent auditors' report.

WEST VIRGINIA
OFFICES OF THE INSURANCE COMMISSIONER
Supplemental Revenue and Reserve Development Information
Access WV
(Unaudited)
As of June 30, 2007
(Dollars in Thousands)

	<u>Fiscal and Policy Year</u>	
	<u>2007</u>	<u>2006</u>
Premium	\$ 2,094	\$ 739
Investment Income	<u>265</u>	<u>136</u>
Total income (1)	2,359	875
Other expenses (2)	227	389
Original incurred loss (3)	1,469	734
Fiscal Year payments (4):	1,609	314

See accompanying independent auditors' report.

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WEST VIRGINIA
OFFICES OF THE INSURANCE COMMISSIONER
Supplemental Reconciliation of Claims Liabilities by Type of Contract Information
Access WV
(Unaudited)
(In Thousands)

The table below presents AccessWV changes in claims liabilities as of June 30, 2007. Losses include claim adjustment expenses.

	June 30, 2007
	<u>AccessWV</u>
Unpaid claims and claim adjustment expenses at beginning of year	\$ 420
Claims and claim adjustment expenses:	
Provision for insured events of the current fiscal year	1,469
Payments:	
Claims and claim adjustment expenses attributable to insured events of the current fiscal year	(1,609)
Total unpaid claims and claim adjustment expenses at end of the year	\$ 280

See accompanying independent auditors' report.

WEST VIRGINIA
OFFICES OF THE INSURANCE COMMISSIONER
Required Supplementary Information
Budgetary Comparison Schedule
Operating Fund
Year Ended June 30, 2007
(In Thousands)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <u>Budgetary</u> <u>Basis</u>	
Budgetary Fund Balance, July 1				
Resources (inflows):				
Beginning Balance 07/01/06	\$ 21,300	\$ 21,300	\$ 20,747	\$ (553)
2007 FY Gross Revenue	-	-	45,465	45,465
Revenue Refunds	-	-	(32)	(32)
13 th Month Expenditures - Last PFY	-	-	(8)	(8)
Other Transactions	-	-	(166)	(166)
Estimated Revenue FY 2007	<u>29,779</u>	<u>29,779</u>	<u>-</u>	<u>(29,779)</u>
Amounts available for appropriation	<u>51,079</u>	<u>51,079</u>	<u>66,006</u>	<u>14,927</u>
Charges to appropriations (outflows)				
Personal Services	18,860	18,860	13,361	5,499
Employee Benefits	6,597	6,597	4,388	2,209
Contractual and Professional	1,980	1,980	2,286	(306)
Claims	50	50	3	47
Other Current Expenses	<u>10,715</u>	<u>10,715</u>	<u>8,394</u>	<u>2,321</u>
Total Charges to Appropriations	<u>38,202</u>	<u>38,202</u>	<u>28,432</u>	<u>9,770</u>
Budgetary Fund Balance, June 30, 2007	<u>\$ 12,877</u>	<u>\$ 12,877</u>	<u>\$ 37,574</u>	<u>\$ 24,697</u>

See accompanying independent auditors' report.

OTHER FINANCIAL INFORMATION



INDEPENDENT AUDITORS' REPORT ON
OTHER FINANCIAL INFORMATION

The Industrial Council
West Virginia Offices of the Insurance Commissioner:

We have audited and reported separately herein on the basic financial statements and required supplementary information of the West Virginia Offices of the Insurance Commissioner as of and for the year ended June 30, 2007. Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the West Virginia Offices of the Insurance Commissioner. The information on pages 55 through 63 is presented for purposes of additional analysis of the financial statements. The Workers' Compensation information on pages 55 through 57 has been subjected to the auditing procedures applied in our audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole. The budgetary comparison schedules on pages 58 through 63 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we express no opinion on them.

Suttle & Stalnaker, PLLC

Charleston, West Virginia
November 20, 2007

WEST VIRGINIA
OFFICES OF THE INSURANCE COMMISSIONER
SCHEDULE OF NET ASSETS
WORKERS' COMPENSATION INFORMATION
June 30, 2007
(In Thousands)

	<u>WC Old Fund Debt Reduction</u>	<u>Coal Workers' Pneumoconiosis</u>	<u>Uninsured Fund</u>	<u>Self-Insured Funds</u>	<u>Private Carrier Fund</u>	<u>Total</u>
Assets:						
Current Assets						
Cash and Cash Equivalents	\$ 695,483	\$ 266,699	\$ 7,533	\$ 3,408	\$ 2,000	\$ 975,123
Receivables, Net:						
Taxes and Fees	9,347	-	-	-	-	9,347
Assessments	-	-	129	-	-	129
Premiums	4,938	-	-	-	-	4,938
Total Current Assets	<u>709,768</u>	<u>266,699</u>	<u>7,662</u>	<u>3,408</u>	<u>2,000</u>	<u>989,537</u>
Noncurrent Assets:						
Surplus Note	<u>185,000</u>	-	-	-	-	<u>185,000</u>
Total Noncurrent Assets	<u>185,000</u>	-	-	-	-	<u>185,000</u>
Total Assets	<u>894,768</u>	<u>266,699</u>	<u>7,662</u>	<u>3,408</u>	<u>2,000</u>	<u>1,174,537</u>
Liabilities:						
Current Liabilities:						
Estimated Liability for Unpaid Claims and Claim Adjustment Expense	258,400	12,600	1,400	-	-	272,400
Excess Deposits	94	-	-	-	-	94
Accrued Expenses and Other Liabilities	<u>3,223</u>	<u>72</u>	<u>55</u>	<u>4</u>	<u>7</u>	<u>3,361</u>
Total Current Liabilities	<u>261,717</u>	<u>12,672</u>	<u>1,455</u>	<u>4</u>	<u>7</u>	<u>275,855</u>
Noncurrent Liabilities:						
Estimated Liability for Unpaid Claims and Claim Adjustment Expense	<u>2,590,300</u>	<u>116,400</u>	<u>1,600</u>	<u>700</u>	-	<u>2,709,000</u>
Total Noncurrent Liabilities	<u>2,590,300</u>	<u>116,400</u>	<u>1,600</u>	<u>700</u>	-	<u>2,709,000</u>
Total Liabilities	<u>2,852,017</u>	<u>129,072</u>	<u>3,055</u>	<u>704</u>	<u>7</u>	<u>2,984,855</u>
Net Assets:						
Restricted for:						
Coal Workers' Pneumoconiosis	-	137,627	-	-	-	137,627
Uninsured Fund	-	-	4,607	-	-	4,607
Self-Insured Fund	-	-	-	2,704	-	2,704
Private Carrier Guaranty Fund	-	-	-	-	1,993	1,993
Unrestricted	<u>(1,957,249)</u>	-	-	-	-	<u>(1,957,249)</u>
Total Net Assets	<u>\$ (1,957,249)</u>	<u>\$ 137,627</u>	<u>\$ 4,607</u>	<u>\$ 2,704</u>	<u>\$ 1,993</u>	<u>\$ (1,810,318)</u>

WEST VIRGINIA
OFFICES OF THE INSURANCE COMMISSIONER
SCHEDULE OF REVENUES, EXPENSES, AND CHANGE IN FUND NET ASSETS
WORKERS' COMPENSATION INFORMATION
Year Ended June 30, 2007
(In Thousands)

	WC Old Fund <u>Debt Reduction</u>	Coal Workers' <u>Pneumoconiosis</u>	Uninsured <u>Fund</u>	Self-Insured <u>Funds</u>	Private Carrier <u>Fund</u>	<u>Total</u>
Operating Revenues:						
Statutory Allocations	\$ 41,000	\$ -	\$ -	\$ -	\$ -	\$ 41,000
Fees	136,796	-	-	-	-	136,796
Assessments	75,754	-	2,035	-	-	77,789
Net Premium Revenue	4,905	(270)	-	1,444	-	6,079
Other Operating Revenue	<u>551</u>	<u>-</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>552</u>
Total Operating Revenue	259,006	(270)	2,036	1,444	-	262,216
Operating Expenses:						
Claims and Claim Adjustment Expenses (See Note 5)	42,554	5,096	2,829	87	-	50,566
General and Administration	<u>23,493</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7</u>	<u>23,500</u>
Total Operating Expenses	66,047	5,096	2,829	87	7	74,066
Operating Income (Loss)	<u>192,959</u>	<u>(5,366)</u>	<u>(793)</u>	<u>1,357</u>	<u>(7)</u>	<u>188,150</u>
Nonoperating Revenues (Expenses):						
Investment Earnings	15,452	4,589	302	90	-	20,433
Net Decrease in Fair Value of Investments	<u>66,159</u>	<u>22,445</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>88,604</u>
Total Nonoperating Revenues(Expenses)	<u>81,611</u>	<u>27,034</u>	<u>302</u>	<u>90</u>	<u>-</u>	<u>109,037</u>
Change in Net Assets Before BrickStreet Transactions and Transfers	274,570	21,668	(491)	1,447	(7)	297,187
BrickStreet Transactions, Net	<u>(7,484)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,484)</u>
Change in Net Assets Before Transfers	267,086	21,668	(491)	1,447	(7)	289,703
Other Transfers In (Out)	<u>975</u>	<u>88</u>	<u>309</u>	<u>364</u>	<u>-</u>	<u>1,736</u>
Change in Net Assets (Deficit)	268,061	21,756	(182)	1,811	(7)	291,439
Total Net Assets - Beginning of Year	<u>(2,225,310)</u>	<u>115,871</u>	<u>4,789</u>	<u>893</u>	<u>2,000</u>	<u>(2,101,757)</u>
Total Net Assets (Deficit) - End of Year	<u>\$ (1,957,249)</u>	<u>\$ 137,627</u>	<u>\$ 4,607</u>	<u>\$ 2,704</u>	<u>\$ 1,993</u>	<u>\$ (1,810,318)</u>

WEST VIRGINIA
OFFICES OF THE INSURANCE COMMISSIONER
SCHEDULE OF CASH FLOWS
WORKERS' COMPENSATION INFORMATION
Year Ended June 30, 2007
(In Thousands)

	WC Old Fund Debt <u>Reduction</u>	Coal Workers' Pneumoconiosis	Uninsured Fund	Self-Insured Funds	Private Carrier Fund	Total
Cash Flows from Operating Activities:						
Receipts from Statutory Allocations, Fees and Assessments	\$ 270,343	\$ -	\$ 2,170	\$ 70	\$ -	\$ 272,583
Receipts from Policyholders	(5,102)	(270)	13	1,444	-	(3,915)
Payments to Claimants and Providers	(315,412)	(11,096)	(409)	(107)	-	(327,024)
Payments to Employees	(1,240)	(76)	(269)	(317)	-	(1,902)
Payments to Suppliers	(21,466)	60	16	(43)	-	(21,433)
Net Cash Provided (Used) by Operating Activities	<u>(72,877)</u>	<u>(11,382)</u>	<u>1,521</u>	<u>1,047</u>	<u>-</u>	<u>(81,691)</u>
Cash Flows from Non Capital Financing Activities						
BrickStreet Transactions, Net	(7,484)	-	-	-	-	(7,484)
Other Transfers	975	88	309	364	-	1,736
Net Cash Provided (Used) by Non Capital Financing Activities	<u>(6,509)</u>	<u>88</u>	<u>309</u>	<u>364</u>	<u>-</u>	<u>(5,748)</u>
Cash Flows from Investing Activities:						
BrickStreet Note Receivable Principle and Interest Payments	19,392	-	-	-	-	19,392
Investment Earnings	69,762	11,305	(1,768)	(1,616)	-	77,683
Net Increase (Decrease) in the Fair value of Investments	7,457	15,729	2,070	1,706	-	26,962
Net Cash Provided (Used) by Investing Activities	<u>96,611</u>	<u>27,034</u>	<u>302</u>	<u>90</u>	<u>-</u>	<u>124,037</u>
Net Increase in Cash and Cash Equivalents	17,225	15,740	2,132	1,501	-	36,598
Cash and Cash Equivalents - Beginning of Year	<u>678,258</u>	<u>250,959</u>	<u>5,401</u>	<u>1,907</u>	<u>2,000</u>	<u>938,525</u>
Cash and Cash Equivalents - End of Year	<u>\$ 695,483</u>	<u>\$ 266,699</u>	<u>\$ 7,533</u>	<u>\$ 3,408</u>	<u>\$ 2,000</u>	<u>\$ 975,123</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating Income (Loss)	\$ 192,959	\$ (5,366)	\$ (793)	\$ 1,357	\$ (7)	\$ 188,150
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Net change in assets and liabilities:						
Receivables, net	54,441	-	147	70	-	54,658
Premium excess deposits	(33,206)	-	-	-	-	(33,206)
Notes Receivable	(15,000)	-	-	-	-	(15,000)
Estimated liability for claims and claim adjustment expenses	(274,100)	(6,000)	2,420	(20)	-	(277,700)
Accrued expenses and other liabilities	2,945	53	(8)	(72)	7	2,925
Compensated absences	(916)	(69)	(245)	(288)	-	(1,518)
Net cash provided (used) by operating activities	<u>\$ (72,877)</u>	<u>\$ (11,382)</u>	<u>\$ 1,521</u>	<u>\$ 1,047</u>	<u>\$ -</u>	<u>\$ (81,691)</u>

WEST VIRGINIA
OFFICES OF THE INSURANCE COMMISSIONER
Other Financial Information
Budgetary Comparison Schedule
Old Fund/Debt Reduction
Year Ended June 30, 2007
(In Thousands)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <u>Budgetary</u> <u>Basis</u>	
Budgetary Fund Balance, July 1				
Resources (inflows):				
Beginning Balance 07/01/06	\$ 600,000	\$ 600,000	\$ 36,270	\$ (563,730)
2007 FY Gross Revenue	-	-	555,898	555,898
Revenue Refunds	-	-	(1,074)	(1,074)
13 th Month Expenditures - Last PFY	-	-	(1,622)	(1,622)
Other Transactions	-	-	(13,235)	(13,235)
Estimated Revenue FY 2007	<u>718,284</u>	<u>761,284</u>	<u>-</u>	<u>(761,284)</u>
Amounts available for appropriation	<u>1,318,284</u>	<u>1,361,284</u>	<u>576,237</u>	<u>(785,047)</u>
Charges to appropriations (outflows)				
Contractual and Professional	25,000	25,000	23,746	1,254
Claims	683,750	889,367	314,172	575,195
Fund Transfers	185,617	-	193,436	(193,436)
Other Current Expenses	<u>-</u>	<u>-</u>	<u>486</u>	<u>(486)</u>
Total Charges to Appropriations	<u>894,367</u>	<u>914,367</u>	<u>531,840</u>	<u>382,527</u>
Budgetary Fund Balance, June 30, 2007	<u>\$ 423,917</u>	<u>\$ 446,917</u>	<u>\$ 44,397</u>	<u>\$ (402,520)</u>

WEST VIRGINIA
OFFICES OF THE INSURANCE COMMISSIONER
Other Financial Information
Budgetary Comparison Schedule
Coal Workers' Pneumoconiosis
Year Ended June 30, 2007
(In Thousands)

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary</u> <u>Basis</u>	
Budgetary Fund Balance, July 1				
Resources (inflows):				
Beginning Balance 07/01/06	\$ 250,000	\$ 250,000	\$ 22	\$ (249,978)
2007 FY Gross Revenue	-	-	29,503	29,503
Revenue Refunds	-	-	(271)	(271)
Other Transactions	-	-	(18,197)	(18,197)
Estimated Revenue FY 2007	<u>21,600</u>	<u>21,600</u>	<u>-</u>	<u>(21,600)</u>
Amounts available for appropriation	<u>271,600</u>	<u>271,600</u>	<u>11,057</u>	<u>(260,543)</u>
Charges to appropriations (outflows)				
Claims	<u>12,000</u>	<u>12,000</u>	<u>11,025</u>	<u>975</u>
Total Charges to Appropriations	<u>12,000</u>	<u>12,000</u>	<u>11,025</u>	<u>975</u>
Budgetary Fund Balance, June 30, 2007	<u>\$ 259,600</u>	<u>\$ 259,600</u>	<u>\$ 32</u>	<u>\$ (259,568)</u>

WEST VIRGINIA
OFFICES OF THE INSURANCE COMMISSIONER
Other Financial Information
Budgetary Comparison Schedule
Workers Compensation Uninsured Employers Fund
Year Ended June 30, 2007
(In Thousands)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <u>Budgetary</u> <u>Basis</u>	
Budgetary Fund Balance, July 1				
Resources (inflows):				
Beginning Balance 07/01/06	\$ 5,000	\$ 5,000	\$ 286	\$ (4,714)
2007 FY Gross Revenue	-	-	2,527	2,527
Revenue Refunds	-	-	(53)	(53)
Other Transactions	-	-	(2,091)	(2,091)
Estimated Revenue FY 2007	<u>27,000</u>	<u>27,000</u>	-	<u>(27,000)</u>
Amounts available for appropriation	<u>32,000</u>	<u>32,000</u>	<u>669</u>	<u>(31,331)</u>
Charges to appropriations (outflows)				
Contractual and Professional	1,350	1,350	-	1,350
Claims	<u>25,650</u>	<u>25,650</u>	<u>353</u>	<u>25,297</u>
Total Charges to Appropriations	<u>27,000</u>	<u>27,000</u>	<u>353</u>	<u>26,647</u>
Budgetary Fund Balance, June 30, 2007	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ 316</u>	<u>\$ (4,684)</u>

WEST VIRGINIA
OFFICES OF THE INSURANCE COMMISSIONER
Other Financial Information
Budgetary Comparison Schedule
Self Insureds
Year Ended June 30, 2007
(In Thousands)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <u>Budgetary</u> <u>Basis</u>	
Budgetary Fund Balance, July 1				
Resources (inflows):				
Beginning Balance 07/01/06	\$ 11,925	\$ 11,925	\$ 629	\$ (11,296)
2007 FY Gross Revenue	-	-	1,601	1,601
Revenue Refunds	-	-	(5)	(5)
Other Transactions	-	-	(1,712)	(1,712)
Estimated Revenue FY 2007	<u>15,000</u>	<u>15,550</u>	<u>-</u>	<u>(15,550)</u>
Amounts available for appropriation	<u>26,925</u>	<u>27,475</u>	<u>513</u>	<u>(26,962)</u>
Charges to appropriations (outflows)				
Contractual and Professional	750	750	-	750
Claims	<u>14,250</u>	<u>14,250</u>	<u>103</u>	<u>14,147</u>
Total Charges to Appropriations	<u>15,000</u>	<u>15,000</u>	<u>103</u>	<u>14,897</u>
Budgetary Fund Balance, June 30, 2007	<u>\$ 11,925</u>	<u>\$ 12,475</u>	<u>\$ 410</u>	<u>\$ (12,065)</u>

WEST VIRGINIA
OFFICES OF THE INSURANCE COMMISSIONER
Other Financial Information
Budgetary Comparison Schedule
Private Carrier Guaranty Fund
Year Ended June 30, 2007
(In Thousands)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <u>Budgetary</u> <u>Basis</u>	
Budgetary Fund Balance, July 1				
Resources (inflows):				
Beginning Balance 07/01/06	\$ 2,000	\$ 2,000	\$ 2,000	\$ -
2007 FY Gross Revenue	-	-	-	-
Estimated Revenue FY 2007	<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>(1,000)</u>
Amounts available for appropriation	<u>3,000</u>	<u>3,000</u>	<u>2,000</u>	<u>(1,000)</u>
Charges to appropriations (outflows)				
Other Current Expenses	<u>1,000</u>	<u>1,000</u>	<u>24</u>	<u>976</u>
Total Charges to Appropriations	<u>1,000</u>	<u>1,000</u>	<u>24</u>	<u>976</u>
Budgetary Fund Balance, June 30, 2007	<u>\$ 2,000</u>	<u>\$ 2,000</u>	<u>\$ 1,976</u>	<u>\$ (24)</u>

WEST VIRGINIA
OFFICES OF THE INSURANCE COMMISSIONER
Other Financial Information
Budgetary Comparison Schedule
Access WV
Year Ended June 30, 2007
(In Thousands)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <u>Budgetary</u> <u>Basis</u>	
Budgetary Fund Balance, July 1				
Resources (inflows):				
Beginning Balance 07/01/06	\$ 2,500	\$ 2,500	\$ 252	\$ (2,248)
2007 FY Gross Revenue	-	-	4,515	4,515
Revenue Refunds	-	-	(17)	(17)
Other Transactions	-	-	(2,900)	(2,900)
Estimated Revenue FY 2007	<u>4,105</u>	<u>4,212</u>	<u>-</u>	<u>(4,212)</u>
Amounts available for appropriation	<u>6,605</u>	<u>6,712</u>	<u>1,850</u>	<u>(4,862)</u>
Charges to appropriations (outflows)				
Personal Services	103	103	3	100
Employee Benefits	35	35	4	31
Contractual and Professional	240	240	170	70
Claims	-	-	1,543	(1,543)
Other Current Expenses	<u>3,177</u>	<u>3,177</u>	<u>50</u>	<u>3,127</u>
Total Charges to Appropriations	<u>3,555</u>	<u>3,555</u>	<u>1,770</u>	<u>1,785</u>
Budgetary Fund Balance, June 30, 2007	<u>\$ 3,050</u>	<u>\$ 3,157</u>	<u>\$ 80</u>	<u>\$ (3,077)</u>

STATE OF WEST VIRGINIA
Purchasing Division

PURCHASING AFFIDAVIT

West Virginia Code §5A-3-10a states: No contract or renewal of any contract may be awarded by the state or any of its political subdivisions to any vendor or prospective vendor when the vendor or prospective vendor or a related party to the vendor or prospective vendor is a debtor and the debt owed is an amount greater than one thousand dollars in the aggregate

DEFINITIONS:

"Debt" means any assessment, premium, penalty, fine, tax or other amount of money owed to the state or any of its political subdivisions because of a judgment, fine, permit violation, license assessment, defaulted workers' compensation premium, penalty or other assessment presently delinquent or due and required to be paid to the state or any of its political subdivisions, including any interest or additional penalties accrued thereon.

"Debtor" means any individual, corporation, partnership, association, limited liability company or any other form or business association owing a debt to the state or any of its political subdivisions. "Political subdivision" means any county commission; municipality; county board of education; any instrumentality established by a county or municipality; any separate corporation or instrumentality established by one or more counties or municipalities, as permitted by law; or any public body charged by law with the performance of a government function or whose jurisdiction is coextensive with one or more counties or municipalities. "Related party" means a party, whether an individual, corporation, partnership, association, limited liability company or any other form or business association or other entity whatsoever, related to any vendor by blood, marriage, ownership or contract through which the party has a relationship of ownership or other interest with the vendor so that the party will actually or by effect receive or control a portion of the benefit, profit or other consideration from performance of a vendor contract with the party receiving an amount that meets or exceed five percent of the total contract amount.

EXCEPTION: The prohibition of this section does not apply where a vendor has contested any tax administered pursuant to chapter eleven of this code, workers' compensation premium, permit fee or environmental fee or assessment and the matter has not become final or where the vendor has entered into a payment plan or agreement and the vendor is not in default of any of the provisions of such plan or agreement.

LICENSING: Vendors must be licensed and in good standing in accordance with any and all state and local laws and requirements by any state or local agency of West Virginia, including, but not limited to, the West Virginia Secretary of State's Office, the West Virginia Tax Department, West Virginia Insurance Commission, or any other state agencies or political subdivision. Furthermore, the vendor must provide all necessary releases to obtain information to enable the Director or spending unit to verify that the vendor is licensed and in good standing with the above entities.

CONFIDENTIALITY: The vendor agrees that he or she will not disclose to anyone, directly or indirectly, any such personally identifiable information or other confidential information gained from the agency, unless the individual who is the subject of the information consents to the disclosure in writing or the disclosure is made pursuant to the agency's policies, procedures and rules. Vendors should visit www.state.wv.us/admin/purchase/privacy for the Notice of Agency Confidentiality Policies.

Under penalty of law for false swearing (West Virginia Code, §61-5-3), it is hereby certified that the vendor acknowledges the information in this said affidavit and are in compliance with the requirements as stated.

Vendor's Name: _____

Authorized Signature: _____ Date: _____