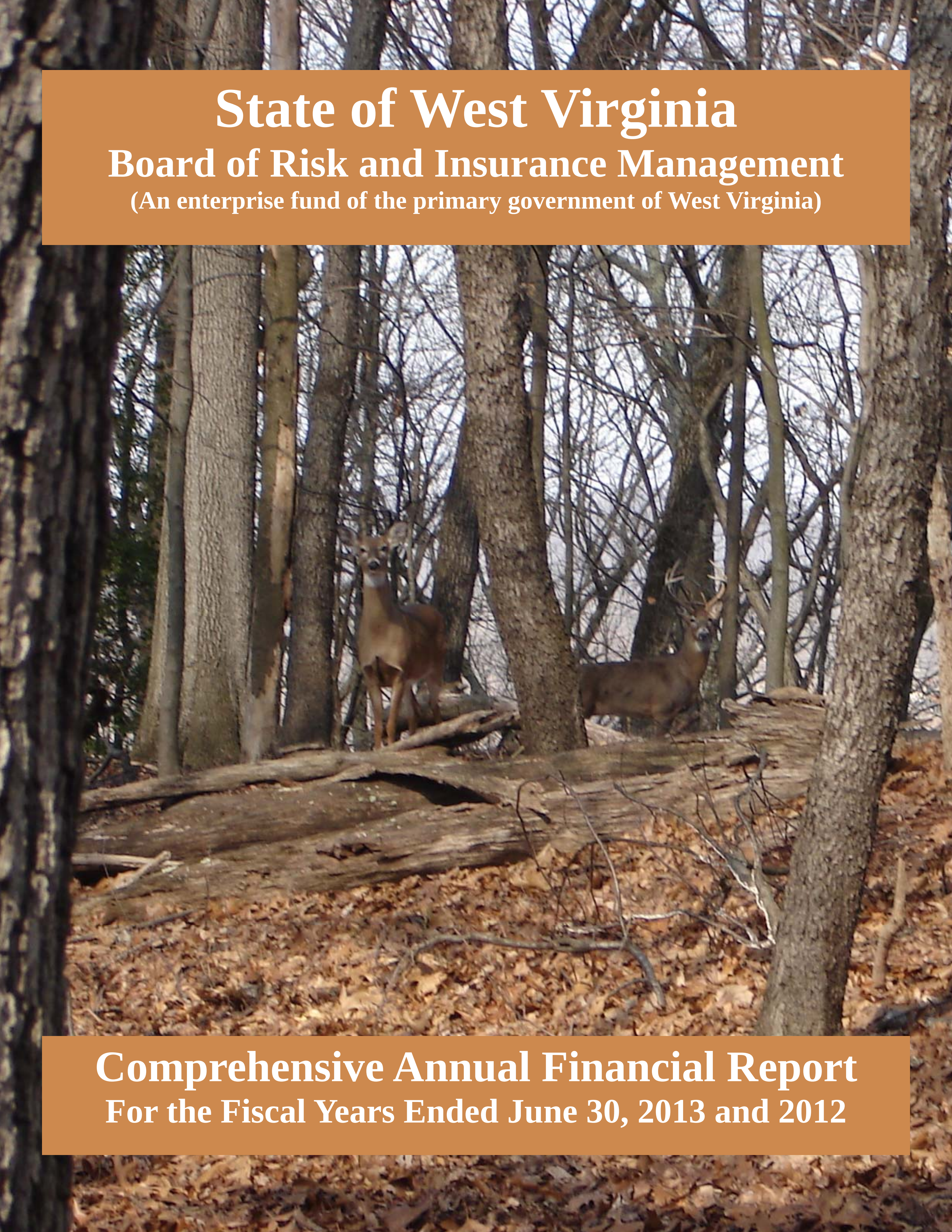
State of West Virginia

Board of Risk and Insurance Management

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



Comprehensive Annual Financial Report

For the Fiscal Years Ended June 30, 2013 and 2012

West Virginia Wildlife

The pictures shown throughout our report are of wildlife native to our state. These animals add to the beauty of West Virginia.

On the Cover – Deer in the wild – This photograph shows a doe and buck in a natural wooded setting which is typical of deer habitat in West Virginia.

State of West Virginia

Board of Risk and Insurance Management

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

Comprehensive Annual Financial Report

For the Fiscal Years Ended June 30, 2013 and 2012

Earl Ray Tomblin
Governor

Ross Taylor
Secretary Department of Administration

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

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

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

Comprehensive Annual Financial Report
For the Fiscal Years Ended June 30, 2013 and 2012

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FINANCIAL SECTION

STATISTICAL SECTION

Introductory Section

Peregrine Falcon – This photograph was taken on the walkway underneath the New River Gorge bridge located near Fayetteville, WV on US Route 19. These falcons have been brought back to the area as part of a restoration project by the West Virginia Department of Natural Resources.

State of West Virginia
Board of Risk and Insurance Management

PRINCIPAL OFFICIALS

Earl Ray Tomblin, Governor

Secretary of Department of Administration
Ross Taylor

Board of Directors
John Lukens, Chairperson
Bruce Martin, Vice Chairperson
S.A. Cunningham, CPA, Member
Rob Anderson, Member

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

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

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

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

Earl Ray Tomblin
Governor

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

Ross Taylor
Cabinet Secretary

Formal Transmittal of Comprehensive Annual Financial Report (CAFR)

December 27, 2013

Honorable Earl Ray Tomblin, Governor
State of West Virginia

Board of Directors
West Virginia Board of Risk and Insurance Management

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

Ladies and Gentlemen:

The Comprehensive Annual Financial Report (CAFR) of the West Virginia Board of Risk and Insurance Management (BRIM) for the year ended June 30, 2013, is hereby respectfully submitted. This report was prepared by the Finance Department of BRIM. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with management of BRIM. We believe the data, as presented, is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position and results of operations and cash flows of BRIM. All disclosures necessary to enable the reader to gain an understanding of BRIM's financial activities have been included. The financial statements of BRIM have been prepared on an accrual basis in conformity with Generally Accepted Accounting Principles (GAAP) for governmental entities as prescribed or permitted by the Governmental Accounting Standards Board (GASB).

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

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

PROFILE OF BRIM

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

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

BRIM is charged with providing insurance coverage to all state agencies, which number 167. Additionally, BRIM provides these services to cities, counties, and non-profit organizations throughout the State under the provisions of Senate Bill 3 (SB 3). Currently, BRIM insures approximately 940 of these organizations. BRIM also provides a coal mine subsidence reinsurance program that allows homeowners and businesses to obtain insurance coverage up to $75,000 for collapses and damage caused by underground coal mines. Currently, BRIM underwrites over 15,000 commercial and personal mine subsidence policies annually.

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

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

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

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

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

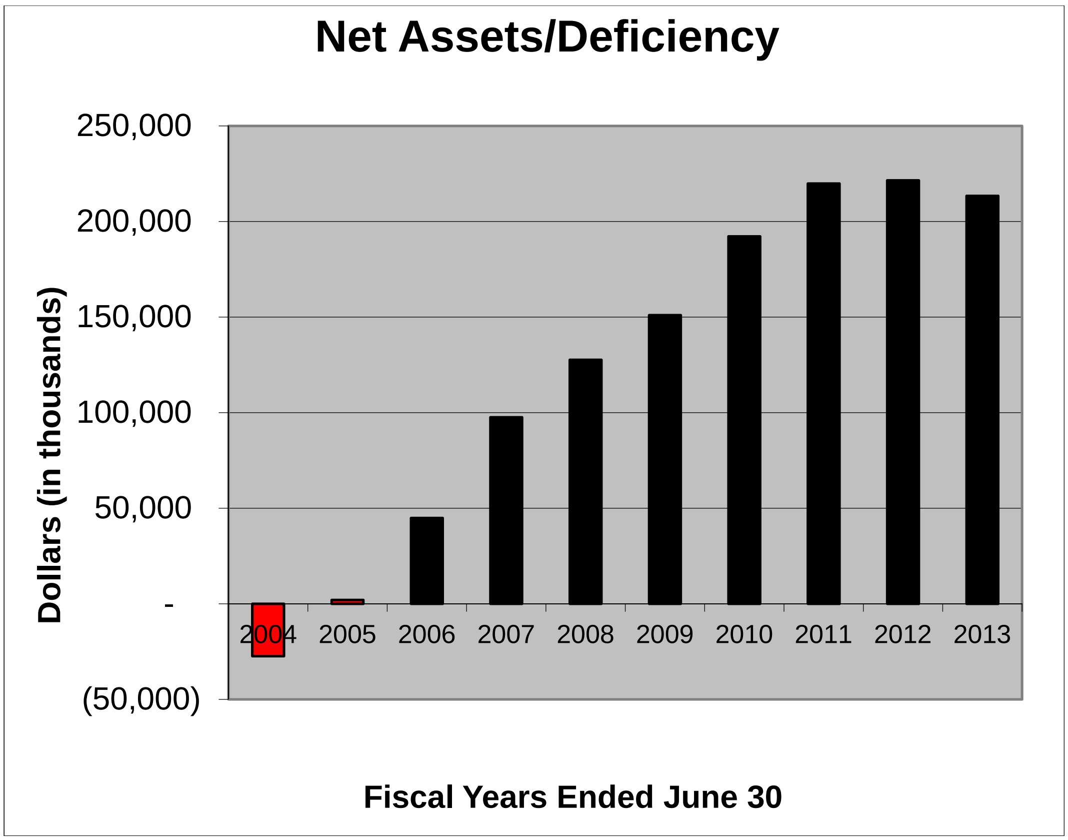
Property losses are retained by BRIM up to $1 million. Additional coverage is provided up to a limit of $400 million through various excess policies. This coverage provides reimbursement of loss at the stated or reported value less a $1,000 deductible. Under the mine subsidence program, ceding insurers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

ASSESSING BRIM'S FINANCIAL CONDITION

Net Assets

One of management's major goals was to eliminate the net asset deficiency that existed in prior years. The deficiency in net assets developed in the past due to several factors, including unanticipated losses and adverse loss development in state agency and Senate Bill 3 entity coverages for general liability and medical malpractice lines of business. Declining investment returns also were a contributing factor. In fiscal year 2004, management adopted a financial stability plan to address the deficiency in net assets. As of June 30, 2013, BRIM has total net assets of $213,366,000 reflected on the Statement of Net Assets. Management anticipates that net assets will continue to remain positive. For more detailed information see the MD&A included in the financial section of this report.

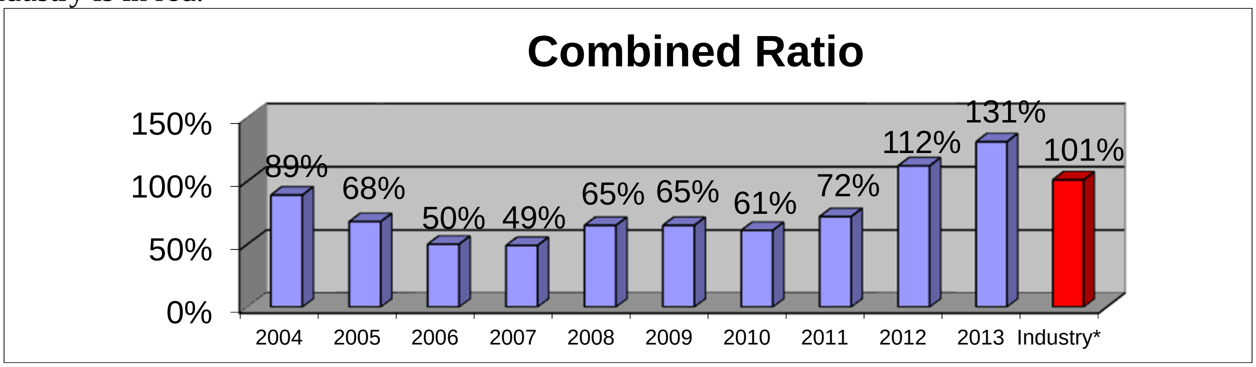
The chart below shows the net assets/deficiency for the past ten years. The years in black represent positive net assets and the years in red represent a net asset deficiency (or unfunded liability).



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

Combined Financial Ratio

The combined ratio is one of the key ratios used to measure underwriting performance. It is derived by adding the loss and expense ratio. A combined ratio below 100% indicates an underwriting profit and one above 100% indicates an underwriting loss. BRIM's combined ratio for 2013 reflects an underwriting loss and is higher than the industry average. Historically, BRIM's primary advantage over the commercial insurance market has been low administrative costs, which are kept at a relatively stable 5 to 10%, as compared to the insurance industry market rate of 28%. The lower administrative costs have enabled BRIM to keep this key financial ratio well below the industry average. Decreases in BRIM's claims reserves also have contributed to the lower combined ratios experienced by BRIM prior to 2012. But, based on the recent risk funding studies completed, BRIM saw an increase in claims reserves in both 2012 and 2013 when compared to overall reserve decreases seen from 2004 thru 2011. The increase in claims reserves since 2011, coupled with the lower premiums billed for 2012 and 2013 and lower investment returns had an unfavorable impact on BRIM's combined ratio for fiscal years 2012 and 2013, in particular when compared to recent years and the industry average. The BRIM combined ratios are shown in the chart below in blue and the industry is in red.



*The industry data shown above was obtained from Standard and Poor's Industry Surveys, Insurance: Property / Casualty, September 20, 2013.

Investment Strategy

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

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

Volatile conditions in the financial markets resulted in significant investment losses for BRIM for the first half of fiscal year 2009. However, the first half losses were more than offset by significant improvements in the markets in the second half of fiscal year 2009 and have continued to provide positive returns through fiscal year 2013.

BRIM On-Line

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

Audit

The financial statements of BRIM are prepared on the accrual basis of accounting in conformity with GAAP. BRIM is required by the Financial Accounting and Reporting Section (FARS) of the Department of Administration and by State Code to have an annual independent audit. The firm of Ernst & Young, LLP was selected to perform the financial statement audit for the fiscal year ended June 30, 2013. The report of independent auditors on the basic financial statements is included in the financial section of this report.

AWARDS AND ACKNOWLEDGEMENTS

Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to BRIM for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2012. This was the eighteenth consecutive year that BRIM has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Acknowledgements

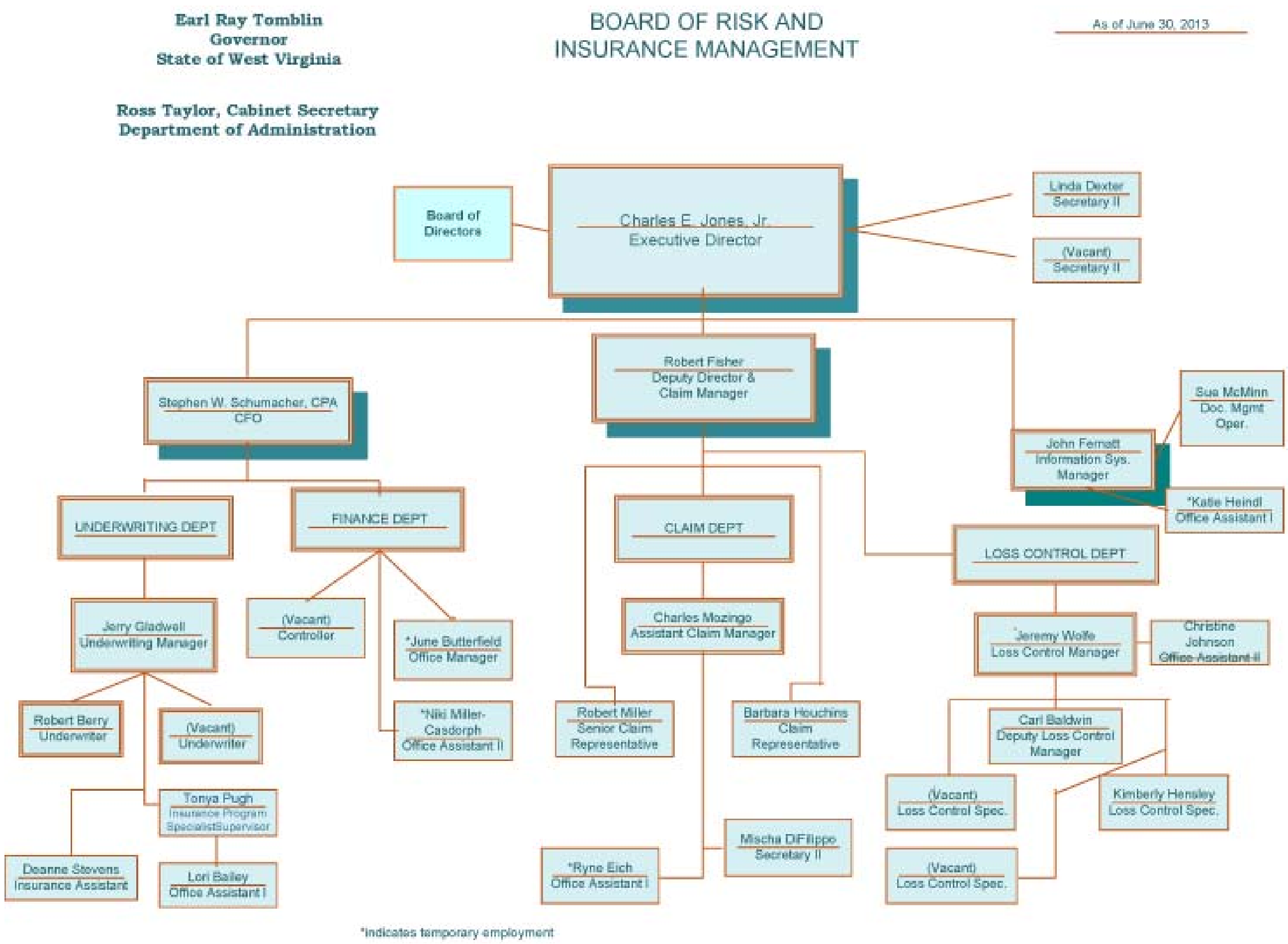
BRIM would like to thank the Governor, the Legislature, the Cabinet Secretary of Administration, and the Board of Directors of BRIM for their support and leadership.

A special thank you is extended to the Executive Director, the Board of Directors' finance committee and the finance staff at BRIM. Their hard work and dedication made this report possible.

Respectfully, we hereby submit the West Virginia Board of Risk and Insurance Management Comprehensive Annual Financial Report for the year ended June 30, 2013.

Sincerely,

Stephen W. Schumacher, CPA
Chief Financial Officer


Earl Ray Tomblin
Governor
State of West Virginia
Ross Taylor, Cabinet Secretary
Department of Administration
BOARD OF RISK AND INSURANCE MANAGEMENT
As of June 30, 2013
Board of Directors
Charles E. Jones, Jr.
Executive Director
Linda Dexter
Secretary II
(Vacant)
Secretary II
Robert Fisher
Deputy Director & Claim Manager
Stephen W. Schumacher, CPA
CFO
John Fernatt
Information Sys. Manager
Sue McMinn
Doc. Mgmt Oper.
*Katie Heindl
Office Assistant I
UNDERWRITING DEPT
FINANCE DEPT
CLAIM DEPT
LOSS CONTROL DEPT
Jerry Gladwell
Underwriting Manager
(Vacant)
Controller
*June Butterfield
Office Manager
Charles Mozingo
Assistant Claim Manager
Jeremy Wolfe
Loss Control Manager
Christine Johnson
Office Assistant II
Robert Berry
Underwriter
(Vacant)
Underwriter
*Niki Miller-Casdorph
Office Assistant II
Robert Miller
Senior Claim Representative
Barbara Houchins
Claim Representative
Carl Baldwin
Deputy Loss Control Manager
Tonya Pugh
Insurance Program Specialist/Supervisor
(Vacant)
Loss Control Spec.
Kimberly Hensley
Loss Control Spec.
Mischa DiFilippo
Secretary II
Deanne Stevens
Insurance Assistant
Lori Bailey
Office Assistant I
*Ryne Eich
Office Assistant I
(Vacant)
Loss Control Spec.
*indicates temporary employment

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of West Virginia Board of Risk & Insurance Management

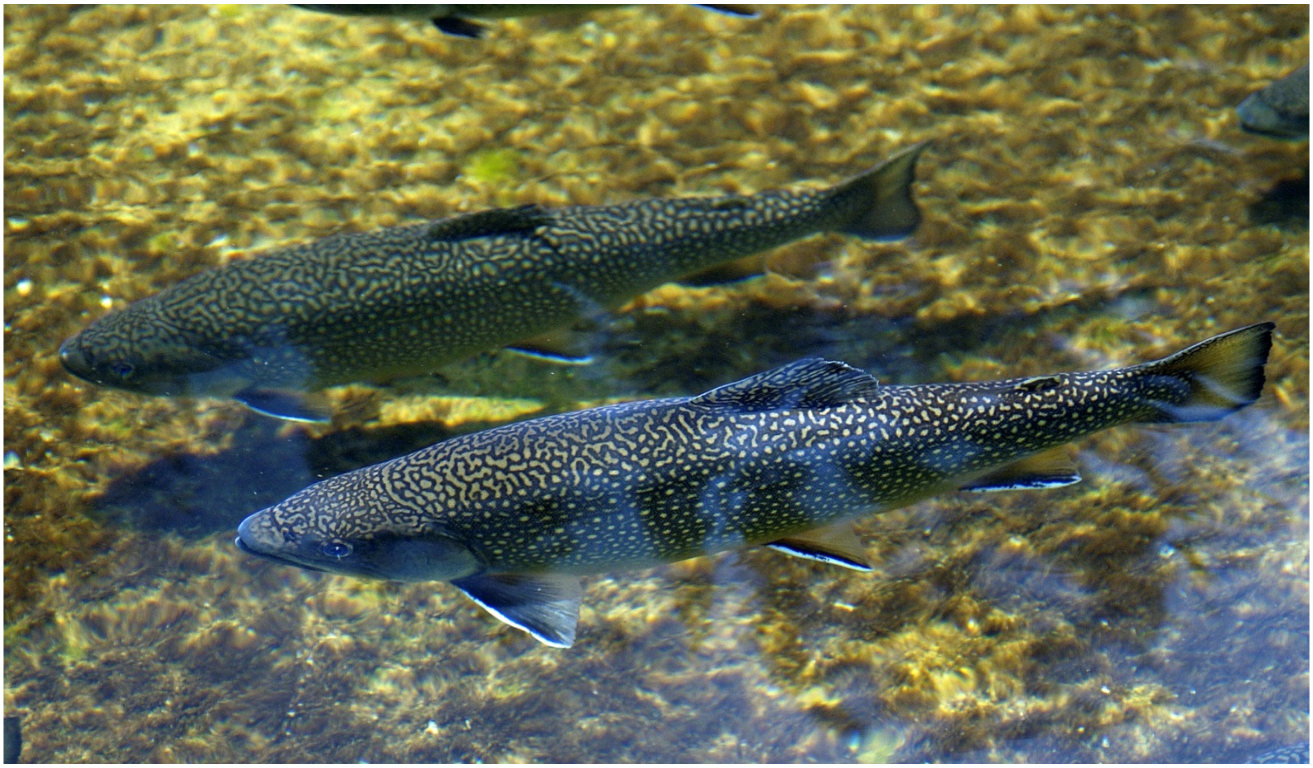
For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO


STATE OF WEST VIRGINIA
JUNE 20 1863
MONTANI SEMPER LIBERI

Financial Section



Brook Trout – These fish are found in the small coldwater streams of the West Virginia highlands. They grow to an average length of 7 to 10 inches and can weigh up to 1.5 pounds.

Ernst & Young LLP
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Charleston, West Virginia 25301
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www.ey.com

Report of Independent Auditors

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

Report on the Financial Statements

We have audited the accompanying financial statements of the West Virginia Board of Risk and Insurance Management (BRIM), an enterprise fund of the State of West Virginia, as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of BRIM as of June 30, 2013 and 2012, and the changes in its financial position and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Basis of Presentation

As discussed in Note 2, the financial statements of BRIM are intended to present the financial position, and the changes in financial position and cash flows of only that portion of the business type activities of the State of West Virginia that is attributable to the transactions of BRIM. They do not purport to, and do not, present fairly the financial position of the State of West Virginia as of June 30, 2013 and 2012, and the changes in financial position or, where applicable, its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Required Supplementary Information

U.S. generally accepted accounting principles require that Management's Discussion and Analysis on pages 17 to 23 and the supplemental schedule of Ten-Year Claims Development on page 59 and the Reconciliation of Unpaid Claims and Claims Adjustment Expense Liability by Type of Contract on page 60 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on BRIM's basic financial statements. The introductory and statistical sections of this report are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory and statistical sections 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated October 18, 2013, on our consideration of BRIM's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering BRIM's internal control over financial reporting and compliance.

Ernst & Young LLP

October 18, 2013

OVERVIEW OF THE FINANCIAL STATEMENTS

Management of the West Virginia Board of Risk and Insurance Management (BRIM) provides this Management's Discussion and Analysis for readers of BRIM's financial statements. This narrative overview of the financial activities of BRIM is for the years ended June 30, 2013, 2012, and 2011. BRIM provides property and casualty insurance to State of West Virginia (the State) agencies and Senate Bill 3 (SB3) entities, which include boards of education, and governmental and nonprofit organizations. BRIM also administers a coal mine subsidence reinsurance program, which makes available to the general public dwelling insurance covering damage caused by the collapse of underground coal mines. From December 2001 until novation to a physician's mutual on July 1, 2004, BRIM's program was expanded to include providing medical malpractice insurance to private sector health care providers (referred to hereafter as the House Bill 601 Program). The hospitals that were non-renewed in 2003 are still being managed by BRIM for claims that were made during the period they were insured.

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

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

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

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

FINANCIAL HIGHLIGHTS

(Dollars in Thousands)

The following tables summarize the statement of net position and changes in net position as of and for the years ended June 30, 2013, 2012, and 2011:

	2013	2012	2011	Change 2013–2012 Amount	Change 2013–2012 Percent	Change 2012–2011 Amount	Change 2012–2011 Percent
Cash and cash equivalents	**$ 19,723**	$ 25,568	$ 23,231	$ (5,845)	(23.0)%	$ 2,337	10.0%
Advance deposits with carrier/trustee	**201,613**	200,949	189,211	664	0.3	11,738	6.0
Receivables	**4,001**	996	934	3,005	302.0	62	7.0
Prepaid insurance	**7**	22	38	(15)	(68.0)	(16)	(42.0)
Total current assets	**225,344**	227,535	213,414	(2,191)	(1.0)	14,121	7.0
Noncurrent investments	**139,875**	138,164	140,522	1,711	1.0	(2,358)	(2.0)
Total assets	**365,219**	365,699	353,936	(480)	0.1	11,763	3.0
Estimated claim expense	**49,793**	47,719	43,259	2,074	4.0	4,460	10.0
Unearned premiums	**6,757**	5,494	6,095	1,263	23.0	(601)	(10.0)
Agent commissions payable	**861**	1,026	1,097	(165)	(16.0)	(71)	(6.0)
Accrued expenses	**603**	611	614	(8)	(1.0)	(3)	(0.5)
Total current liabilities	**58,014**	54,850	51,065	3,164	6.0	3,785	7.0
Estimated claim expense	**93,775**	89,267	82,968	4,508	5.0	6,299	8.0
Compensated absences	**64**	67	75	(3)	(4.0)	(8)	(11.0)
Total noncurrent liabilities	**93,839**	89,334	83,043	4,505	5.0	6,291	8.0
Total liabilities	**151,853**	144,184	134,108	7,669	5.0	10,076	8.0
Net position:							
Restricted	**49,372**	45,599	43,061	3,773	8.0	2,538	6.0
Unrestricted	**163,994**	175,916	176,767	(11,922)	(7.0)	(851)	0.5
Net position	**$ 213,366**	$ 221,515	$ 219,828	$ (8,149)	(4.0)	$ 1,687	1.0

	2013	2012	2011	Change 2013–2012 Amount	Change 2013–2012 Percent	Change 2012–2011 Amount	Change 2012–2011 Percent
Premiums	**$ 47,134**	$ 51,046	$ 52,538	$ (3,912)	(8.0)%	$ (1,492)	(3.0)%
Less excess coverage	**(5,825)**	(5,386)	(6,075)	(439)	8.0	689	11.0
Net operating revenues	**41,309**	45,660	46,463	(4,351)	(10.0)	(803)	(2.0)
Claims and claims adjustment expense	**54,018**	53,396	33,598	622	1.0	19,798	59.0
General and administrative	**3,275**	3,892	4,026	(617)	(16.0)	(134)	(3.0)
Total operating expenses	**57,293**	57,288	37,624	5	–	19,664	52.0
Operating (loss) income	**(15,984)**	(11,628)	8,839	(4,356)	37.0	(20,467)	(232.0)
Nonoperating revenues:							
Investment income	**7,835**	13,315	18,782	(5,480)	(41.0)	(5,467)	(29.0)
Total nonoperating revenues, net	**7,835**	13,315	18,782	(5,480)	(41.0)	(5,467)	(29.0)
Changes in net position	**(8,149)**	1,687	27,621	(9,836)	(583.0)	(25,934)	(94.0)
Total net position – beginning	**221,515**	219,828	192,207	1,687	1.0	27,621	14.0
Total net position – end	**$ 213,366**	$ 221,515	$ 219,828	$ (8,149)	(4.0)	$ 1,687	1.0
Total revenues	**$ 49,144**	$ 58,975	$ 65,245	$ (9,831)	(17.0)	$ (6,270)	(10.0)
Total expenses	**$ 57,293**	$ 57,288	$ 37,624	$ 5	–	$ 19,664	52.0

- Total assets decreased by $480 in 2013 and increased by $11,763 in 2012. The decrease in 2013 is due to decreased premiums, increased claims expense and lower investment earnings. The increase for 2012 can be largely attributed to investment returns on long-term investments holdings and the additions to advance deposits, including the earnings on the trust funds invested in both 2013 and 2012, exceeding the actual claims payments made for both years.

- Total liabilities increased $7,669 in 2013 and $10,076 in 2012. Estimated claims expense increased in 2013 and 2012, mostly from an unanticipated increase in State general liability claims (primarily in 2010 and 2011 reserves) and from a couple of large property loss occurrences that adversely impacted both the State and Senate Bill #3 (SB3) programs in 2012.

- Several factors contributed to the $8,149 decrease in total net position for 2013 and the $1,687 increase for 2012. In 2013, investment returns were lower than 2012, and an increase in claims liability caused the decrease of total position by $8,149. The increase in estimated claims expense liability grew by a combined $6,582 for 2013, based on the current year-end actuarial study. The investment returns of 2012 offset the increase in claims liability which led to the increase in net position. Also included within the net position category are restricted positions totaling $49,372 in 2013, $45,599 in 2012, and $43,061 in 2011 for programs that provide mine subsidence coverage to the general public per the West Virginia State Code and that provide medical malpractice tail coverage for the House Bill 601 Program.

- Total net operating revenues decreased by $4,351 in 2013 and $803 in 2012. The favorable claims trend developments in prior years' outstanding claims reserve has allowed BRIM to provide a reduction in premium rates to policyholders for both of these fiscal years. As a result, most of the reserve improvements for these earlier years were passed on to insured parties in the form of lower premiums.

- Total operating expenses increased to $57,293 in 2013 from $57,288 in 2012. Claims and claims adjustment expense increased year-over-year by $622.

- Nonoperating revenues decreased by $5,480 in 2013 and $5,467 in 2012. The diminishing investment returns reflect the lower interest rate environment that has evolved over the last several years, reducing overall yields on fixed income securities that make up most of the investments being held.

- Total revenues and total expenses from 2013 to 2012 and from 2012 to 2011 have fluctuated due to the year-over-year reductions in premium rates, the changes in the retained loss estimates and the variations in annual investment market returns. See the analysis of these individual components, as previously discussed, for additional information.

OVERALL ANALYSIS

(Dollars in Thousands)

The overall condition of BRIM marginally deteriorated from the prior year. Current-year reserves increased while there was a small reduction in prior-year reserves which helped in part offset lower investment earnings. The overall increase in claims and claims adjustment expense caused the largest percentage decrease of net position for the current year, reflecting a net position total of $213,366 at June 30, 2013. BRIM continues to adhere to a comprehensive financial stability and rating plan.

Unpaid Claims Liability

BRIM's most significant number on its statements of net position is the liability for estimated unpaid claims and claims adjustment expense. This liability consists of two parts: claims that BRIM is aware of which have been reserved and incurred but not reported (IBNR) claims, which are projected by an independent actuary. From fiscal year 2012 to 2013, the liability for unpaid claims increased from $136,986 to $143,569. The chart below shows the estimated unpaid claims and claims adjustment expense liability for fiscal years 2005 through 2013.

House Bills 601 and 2122

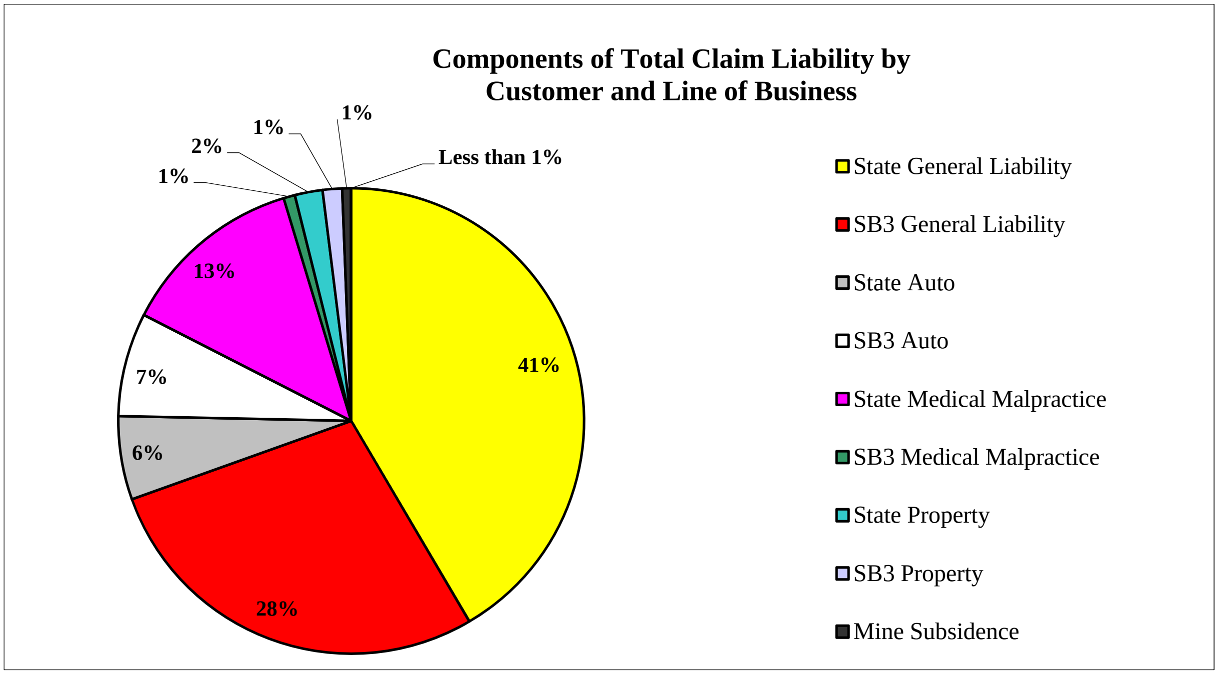
In December 2001, the West Virginia Legislature passed House Bill 601, which authorized BRIM to provide medical malpractice and general liability coverage to health care providers. This bill was created as a result of the medical malpractice insurance crisis created by private sector insurance companies'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

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

Results by Line of Business for BRIM

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

The following chart shows the breakdown by customer and line of business of the total estimated claim liability number, which is $143,569. As demonstrated in the chart, the largest claim volume for BRIM relates to general liability for the State agencies and SB3 programs and the State agencies' medical malpractice coverage.



There is no long-term debt activity.

ECONOMIC FACTORS AND NEXT YEAR'S RATES

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

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

Risk Management

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

Investment Returns

Investment income decreased for fiscal years 2013 and 2012 due to the declining interest rate environment subsequent to the 2008 financial crisis. All BRIM funds held by the West Virginia Investment Management Board (WVIMB) inure to the benefit of program participants. BRIM reinvests the investment earnings on funds held by the WVIMB and occasionally withdraws monies from these funds, as needed, for operating and short-term cash requirements. In 2013, BRIM withdrew $13 million of its funds, held by the WVIMB, for operational purposes.

Premium Determination Process

BRIM has properly maintained premiums across all lines of business for the past several years based on relevant exposure data, claims loss history and investment returns. Charging proper premiums, consistent with the commercial industry, has enabled BRIM to adequately cover losses. Although fiscal years 2013, 2012 and 2011 benefited from prior years' reserve releases, both 2013 and 2012 saw overall net increases in retained claims reserves. If this recent claim trend persists over the next several fiscal years and future investment returns continue to decline, it may require that premiums increase to allow for a sufficient level of funding to adequately sustain the operation of all programs and to help insure that no premium deficiency develops.

REQUESTS FOR INFORMATION

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

West Virginia Board of Risk and Insurance Management

Statements of Net Position

	June 30 2013	June 30 2012
	(In Thousands)	
Assets		
Current assets:		
Cash and cash equivalents	**$ 12,282**	$ 14,718
Advance deposits with insurance company and trustee	**201,613**	200,949
Receivables	**3,309**	447
Prepaid insurance	**7**	22
Restricted cash and cash equivalents	**7,441**	10,850
Restricted receivables:		
Premiums due from other entities	**692**	549
Total current assets	**225,344**	**227,535**
Noncurrent assets:		
Equity position in internal investment pools	**96,487**	102,175
Restricted investments	**43,388**	35,989
Total noncurrent assets	**139,875**	138,164
Total assets	**365,219**	365,699
Liabilities		
Current liabilities:		
Estimated unpaid claims and claims adjustment expense	**49,793**	47,719
Unearned premiums	**6,757**	5,494
Agent commissions payable	**861**	1,026
Accrued expenses and other liabilities	**603**	611
Total current liabilities	**58,014**	54,850
Estimated unpaid claims and claims adjustment expense, net of current portion	**93,775**	89,267
Compensated absences	**64**	67
Total noncurrent liabilities	**93,839**	89,334
Total liabilities	**151,853**	144,184
Net position:		
Restricted by State code for House Bill 601 Program and mine subsidence coverage	**49,372**	45,599
Unrestricted	**163,994**	175,916
Net position	**$ 213,366**	$ 221,515

See accompanying notes.

West Virginia Board of Risk and Insurance Management

Statements of Revenues, Expenses, and Changes in Net Position

	Year Ended June 30	
	2013	**2012**
	(In Thousands)	
Operating revenues		
Premiums	**$ 47,134**	$ 51,046
Less excess coverage/reinsurance premiums	**(5,825)**	(5,386)
Net operating revenues	**41,309**	45,660
Operating expenses		
Claims and claims adjustment expense	**54,018**	53,396
General and administrative	**3,275**	3,892
Total operating expenses	**57,293**	57,288
Operating loss	**(15,984)**	(11,628)
Nonoperating revenues		
Investment income	**7,835**	13,315
Net nonoperating revenues	**7,835**	13,315
Changes in net position	**(8,149)**	1,687
Total net position, beginning of year	**221,515**	219,828
Total net position, end of year	**$ 213,366**	$ 221,515

See accompanying notes.

West Virginia Board of Risk and Insurance Management

Statements of Cash Flows

	Year Ended June 30	
	2013	**2012**
	(In Thousands)	
Operating activities		
Receipts from customers	**$ 39,623**	$ 45,028
Payments to employees	**(1,308)**	(1,388)
Payments to suppliers	**(2,183)**	(2,603)
Payments to claimants	**(47,435)**	(42,637)
Deposits to advance deposit with insurance company and trustee	**(52,247)**	(56,130)
Withdrawals from advance deposit with insurance company and trustee	**51,581**	44,394
Net cash used in operating activities	**(11,969)**	(13,336)
Investing activities		
Purchase of investments	**(25,357)**	(18,752)
Sale of investments	**30,460**	22,348
Net investment earnings	**1,021**	12,077
Net cash provided by investing activities	**6,124**	15,673
Net (decrease) increase in cash and cash equivalents	**(5,845)**	2,337
Cash and cash equivalents, beginning of year	**25,568**	23,231
Cash and cash equivalents, end of year	**$ 19,723**	$ 25,568
Cash and cash equivalents consist of:		
Cash and cash equivalents	**$ 12,282**	$ 14,718
Restricted cash and cash equivalents	**7,441**	10,850
	$ 19,723	$ 25,568

West Virginia Board of Risk and Insurance Management

Statements of Cash Flows (continued)

	Year Ended June 30 2013	2012
	(In Thousands)	
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	**$ (15,984)**	$ (11,628)
Adjustments to reconcile operating loss to net cash used in operating activities		
Increase in advanced deposits	**(664)**	(11,738)
Increase in premiums receivable, net	**(2,964)**	(46)
Decrease in prepaid insurance	**15**	16
Increase in estimated liability for unpaid claims and claims adjustment expense	**6,582**	10,759
Increase (decrease) in other liabilities	**1,262**	(98)
Decrease in unearned premiums	**(216)**	(601)
Total adjustments	**4,015**	(1,708)
Net cash used in operating activities	**$ (11,969)**	$ (13,336)
Noncash activities		
Increase in fair value of investments	**$ 6,814**	$ 1,238

See accompanying notes.

1. General *(Amounts referenced in this note related to insurance coverages are actual dollars)*

The West Virginia Board of Risk and Insurance Management (BRIM) was established in 1957 to provide for the development of the State of West Virginia's (the State and primary government) property and liability self-insurance program. Approximately 161 State agencies participate in the program. Beginning in 1980, county boards of education were authorized to participate in the liability portion of this program, with 55 county boards currently participating in the program. In fiscal year 1987, Senate Bill 3 (SB3) was enacted, allowing local governmental entities and nonprofit organizations to participate in the entire program. There are approximately 900 such entities participating in the program. In 1982, legislation was also enacted requiring BRIM to establish and administer a coal mine subsidence reinsurance program which makes available to the general public dwelling insurance covering damage up to a specific maximum caused by the collapse of underground coal mines.

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

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

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

1. General (continued)

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

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

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

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

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

1. General (continued)

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

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

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

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

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

2. Summary of Significant Accounting Policies

Basis of Accounting

As an enterprise fund, BRIM’s financial statements are reported using the economic resources measurement focus and the accrual basis of accounting in conformity with GAAP. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. In its accounting and financial reporting, BRIM follows the pronouncements of the Governmental Accounting Standards Board (GASB).

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

The financial statements of BRIM are intended to present the financial position and the changes in financial position and cash flows of only that portion of the business-type activities of the State of West Virginia that is attributable to the transactions of BRIM. They do not purport to, and do not, present fairly the financial position of the State of West Virginia as of June 30, 2013 and 2012, and the changes in its financial position and its cash flows for the years then ended in conformity with GAAP.

Use of Estimates

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

2. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

Cash equivalents are short-term investments with original maturities of 90 days or less. Cash and cash equivalents principally consist of interest-earning deposits in certain investment pools maintained by the West Virginia Board of Treasury Investments (BTI). Such funds are available to BRIM with overnight notice. Interest income from these investments is prorated to BRIM at rates specified by the BTI based on the balance of BRIM's deposits maintained in relation to the total deposits of all State agencies participating in the pool. The book carrying value of the amounts on deposit with the BTI, which approximates estimated fair value, was $18,045 and $23,994 at June 30, 2013 and 2012, respectively.

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

Advance Deposits With Insurance Company and Trustee

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

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

2. Summary of Significant Accounting Policies (continued)

Investments

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

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

Compensated Absences

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

Unpaid Claims and Claims Adjustment Expense

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

2. Summary of Significant Accounting Policies (continued)

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

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

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

Receivables and Premium Income

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

2. Summary of Significant Accounting Policies (continued)

Unearned Premiums

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

Restricted Net Position

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

3. Deposit and Investment Risk Disclosures

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

Cash Equivalents

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

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

(Dollars in Thousands)

3. Deposit and Investment Risk Disclosures (continued)

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

	June 30, 2013				June 30, 2012			
Security Type	**Moody's**	**S&P**	**Fair Value**	**Percent of Pool Assets**	**Moody's**	**S&P**	**Fair Value**	**Percent of Pool Assets**
Commercial paper	**P-1**	**A-1+**	**$ 243,538**	**9.76**	P-1	A-1	$ 853,470	30.62%
	P-1	**A-1**	**726,857**	**29.12**	–	–	–	–
Corporate bonds and notes	**Aa2**	**AA-**	**–**	**–**	Aa2	AA-	15,000	0.54
	Aa3	**AA-**	**10,000**	**0.40**	Aa3	AA-	13,000	0.47
	Aa3	**A+**	**–**	**–**	Aa3	A+	8,000	0.29
			10,000	**0.40**			36,000	1.30
U.S. agency bonds	**Aaa**	**AA+**	**66,603**	**2.67**	Aaa	AA+	189,691	6.80
U.S. Treasury notes	**Aaa**	**AA+**	**279,755**	**11.21**	Aaa	AA+	330,865	11.87
U.S. Treasury bills	**P-1**	**A-1+**	**34,993**	**1.40**	Aaa	AA+	237,978	8.54
Negotiable certificates of deposit	**Aa1**	**AA-**	**10,000**	**.40**			–	–
	Aa2	**A+**	**9,000**	**.36**			–	–
	Aa3	**AA-**	**15,000**	**.60**			–	–
	P-1	**A-1+**	**50,000**	**2.00**			–	–
	P-1	**A-1**	**160,000**	**6.41**	P-1	A-1	110,000	3.95
	P-2	**A-1**	**15,000**	**.60**			–	–
U.S. agency discount notes	**P-1**	**A-1+**	**445,784**	**17.86**	P-1	A-1+	738,706	26.50
Money market funds	**Aaa**	**AAAm**	**200,012**	**8.02**	Aaa	AAAm	200,054	7.18
Repurchase agreements								
U.S. Treasury notes	**Aaa**	**AA+**	**188,826**	**7.57**	Aaa	AAA	90,204	3.24
U.S. agency notes	**Aaa**	**AA+**	**40,500**	**1.62**	Aaa	AAA	–	–
			229,326	**9.19**			90,204	3.24
			$ 2,495,868	**100.00%**			$ 2,786,968	100.00%

Concentration of Credit Risk

West Virginia statutes prohibit the West Virginia Money Market Pool from investing more than 5% of its assets in securities issued by a single private corporation or association. At June 30, 2013 and 2012, the pool did not have investments in any one private corporation or association that represented more than 5% of assets.

(Dollars in Thousands)

3. Deposit and Investment Risk Disclosures (continued)

Custodial Credit Risk

At June 30, 2013 and 2012, the West Virginia Money Market Pool held no securities that were subject to custodial credit risk. Repurchase agreements are collateralized at 102% and the collateral is held in the name of the BTI. The BTI or its agent does not release cash or securities until the counterparty delivers its side of the transaction.

Interest Rate Risk

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

The overall weighted average maturity (WAM) of the investments of the West Virginia Money Market Pool cannot exceed 60 days. Maximum maturity of individual securities cannot exceed 397 days from date of purchase, except for government floating rate notes, which can be up to 731 days. The following table provides the WAM for the various asset types in the WV Money Market Pool:

	June 30, 2013		June 30, 2012	
Investment Type	**Fair Value**	**WAM Days**	**Fair Value**	**WAM Days**
Repurchase agreements	**$ 229,326**	**3**	$ 90,204	3
U.S. Treasury notes	**279,755**	**132**	330,865	122
U.S. Treasury bills	**34,993**	**77**	237,978	37
Commercial paper	**970,395**	**43**	853,470	35
Certificates of deposit	**259,000**	**66**	110,000	10
U.S. agency discount notes	**445,784**	**47**	738,706	44
Corporate bonds and notes	**10,000**	**60**	36,000	48
U.S. agency bonds/notes	**66,603**	**139**	189,691	68
Money market funds	**200,012**	**1**	200,054	1
Total rated investments	**$ 2,495,868**	**52**	$ 2,786,968	46

BRIM’s amount invested in the West Virginia Money Market Pool of $21,515 included in cash and cash equivalents, at June 30, 2013, and $23,994 at June 30, 2012, represents approximately 1% of total investments in this pool.

3. Deposit and Investment Risk Disclosures (continued)

Foreign Currency Risk

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

Investments

Board of Risk and Insurance Management Fund

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

Investment Objectives

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

Asset Allocation

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

Asset Class	Policy Target
Domestic equity	10%
International equity	10
Total equity	20
Fixed income	80

(Dollars in Thousands)

3. Deposit and Investment Risk Disclosures (continued)

Asset Value

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

	2013		2012	
	Cost	**Fair Value**	**Cost**	**Fair Value**
Large cap domestic	**$ 8,578**	**$ 10,461**	$ 6,173	$ 9,969
Non-large cap domestic	**2,848**	**3,727**	3,348	3,376
International equity	**8,098**	**9,381**	5,118	9,310
International nonqualified	**3,972**	**5,130**	2,678	4,327
Total return fixed income	**40,280**	**40,444**	31,033	40,623
Core fixed income	**22,303**	**21,674**	17,760	21,966
Hedge fund	**25,853**	**28,642**	24,748	27,434
TIPS (Treasury Inflation Protection Securities)	**13,942**	**13,229**	12,697	14,151
Short-term fixed income	**7,187**	**7,187**	7,008	7,008
	$ 133,061	**$ 139,875**	$ 110,563	$ 138,164

Investment income is comprised of the following for the years ended June 30:

	2013	**2012**
Investment income:		
Interest income including realized gains/losses on sale of securities	**$ 2,173**	$ 12,077
Unrealized gain on investments	**5,662**	1,238
Total investment income	**$ 7,835**	$ 13,315

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

3. Deposit and Investment Risk Disclosures (continued)

Asset Class Risk Disclosures

<u>Domestic Large Cap Equity Pool</u>

This pool holds equity securities of U.S. companies, exchange-traded stock index futures, and money market funds with the highest credit rating. At June 30, 2013 and 2012, this pool did not hold securities of any one issuer in excess of 5% of the value of the pool in accordance with West Virginia statutes. BRIM's amount invested in the large cap domestic pool of $10,461 and $9,969 at June 30, 2013 and 2012, represents approximately 0.5% of total investments in this pool.

<u>Domestic Non-Large Cap Equity Pool</u>

This pool holds equity securities of U.S. companies and money market funds with the highest credit rating. At June 30, 2013 and 2012, this pool did not hold securities of any one issuer in excess of 5% of the value of the pool in accordance with West Virginia statutes. BRIM's amount invested in the non-large cap domestic pool of $3,727 and $3,376 at June 30, 2013 and 2012, represents approximately 0.4% of total investments in this pool.

<u>International Equity Pool</u>

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

(Dollars in Thousands)

3. Deposit and Investment Risk Disclosures (continued)

Currency	June 30, 2013 Equity Securities	June 30, 2013 Cash	June 30, 2013 Total	June 30, 2012 Equity Securities	June 30, 2012 Cash	June 30, 2012 Total
Australian dollar	**$ 58,914**	**$ 1**	**$ 58,915**	$ 63,284	$ 143	$ 63,427
Brazil cruzeiros real	**73,031**	**483**	**73,514**	77,642	3,441	81,083
British pound	**226,351**	**1,732**	**228,083**	217,785	404	218,189
Canadian dollar	**91,289**	**321**	**91,610**	83,701	75	83,776
Czech koruna	**12,966**	**–**	**12,966**	6,230	–	6,230
Danish krone	**11,122**	**–**	**11,122**	6,858	24	6,882
Egyptian pound	**4,704**	**–**	**4,704**	–	–	–
Emirati Dirham	**4,861**	**505**	**5,366**	8,048	–	8,048
Euro	**321,667**	**1,921**	**323,588**	289,347	1,256	290,603
Hong Kong dollar	**174,653**	**1,533**	**176,186**	152,281	697	152,978
Hungarian forint	**5,798**	**1**	**5,799**	7,620	1	7,621
Indian rupee	**58,591**	**162**	**58,753**	35,768	380	36,148
Indonesian rupiah	**10,747**	**123**	**10,870**	8,313	145	8,458
Israeli shekel	**13,434**	**92**	**13,526**	13,413	103	13,516
Japanese yen	**250,440**	**2,065**	**252,505**	215,250	9,319	224,569
Malaysian ringgit	**9,405**	**337**	**9,742**	5,067	126	5,193
Mexican new peso	**31,774**	**272**	**32,046**	22,072	24	22,096
New Taiwan dollar	**42,197**	**2,288**	**44,485**	47,733	2,300	50,033
New Zealand dollar	**5,779**	**135**	**5,914**	7,513	58	7,571
Norwegian krone	**21,859**	**1,120**	**22,979**	21,877	28	21,905
Pakistani rupee	**1,734**	**–**	**1,734**	922	–	922
Philippine peso	**7,640**	**21**	**7,661**	7,751	75	7,826
Polish zloty	**5,565**	**43**	**5,608**	6,708	9	6,717
Qatari riyal	**1,561**	**–**	**1,561**	–	–	–
Singapore dollar	**17,626**	**37**	**17,663**	20,786	46	20,832
South African rand	**47,500**	**2,432**	**49,932**	51,153	57	51,210
South Korean won	**155,163**	**1,070**	**156,233**	128,548	2,374	130,922
Swedish krona	**17,104**	**364**	**17,468**	16,126	71	16,197
Swiss franc	**62,012**	**–**	**62,012**	62,607	6	62,613
Thailand baht	**19,336**	**–**	**19,336**	17,882	–	17,882
Turkish lira	**32,902**	**45**	**32,947**	42,295	48	42,343
Total	**$ 1,797,725**	**$ 17,103**	**$ 1,814,828**	$ 1,644,580	$ 21,210	$ 1,665,790

This table excludes securities held by the pool that are denominated in U.S. dollars. The market value of these U.S. dollar denominated securities is $417,554 and $257,253 at June 30, 2013 and 2012, respectively. BRIM's amount invested in the international equity pool of $9,381 and $9,310 at June 30, 2013 and 2012, represents approximately 0.4% of total investments in this pool.

(Dollars in Thousands)

3. Deposit and Investment Risk Disclosures (continued)

International Nonqualified Equity Pool

This pool holds a collective trust fund that invests in equities denominated in foreign currencies. The value of this investment at June 30, 2013 and 2012, was $122,091 and $87,453, respectively. This investment, although denominated in U.S. dollars, is exposed to foreign currency risk through the underlying investments. BRIM's amount invested in the international nonqualified equity pool of $5,130 and $4,327 at June 30, 2013 and 2012, respectively, represents approximately 4.0% and 5.0%, respectively, of total investments in this pool.

Total Return Fixed Income Pool

Credit Risk

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

	June 30, 2013				June 30, 2012			
Security Type	**Moody's**	**S&P**	**Fair Value**	**Percent of Assets**	**Moody's**	**S&P**	**Fair Value**	**Percent of Assets**
Corporate bonds	**Baa2**	**BBB**	**$ 728,766**	**31.7**	Baa2	BBB	$ 754,176	33.7%
U.S. Treasury issues	**Aaa**	**AA**	**362,481**	**13.9**	Aaa	AA+	309,610	13.9
Corporate asset-backed issues	**Ba1**	**AA-**	**44,433**	**1.9**	Aa2	AA-	38,005	1.7
Corporate CMO	**Caa**	**CCC**	**20,767**	**0.9**	B	B	21,589	1.0
Corporate preferred security	**Ba2**	**BB**	**8,757**	**0.4**	Ba2	BB	8,572	0.4
U.S. Governement Agency MBS	**Aaa**	**AA**	**342,200**	**14.4**	Aaa	AA+	340,717	15.3
U.S. Government CMO Agency	**Aaa**	**AA**	**61,696**	**2.6**	Aaa	AA+	32,536	1.5
Municipal bonds	**A2**	**BBB**	**80,320**	**3.4**	A1	A	93,246	4.2
Short-term issue	**Aaa**	**AAA**	**171,036**	**7.2**	Aaa	AAA	184,079	8.2
U.S. Government Agency discount note	**Aaa**	**AA**	**4,718**	**0.2**			–	–
U.S. Government agency TBAs	**Aaa**	**AA**	**58,879**	**2.5**			–	–
Foreign government bond	**Baa1**	**A**	**6,879**	**0.3**	Baa1	A-	6,293	0.3
Total rated investments			**$ 1,890,932**	**79.4**			$ 1,788,823	80.2%

3. Deposit and Investment Risk Disclosures (continued)

At June 30, 2013, unrated securities include commingled investment pools of $474,821, investments made with cash collateral for securities loaned valued at 13,882, and option contract purchased valued at $176. These unrated securities represent 20.6% of the fair value of the pool's investments. At June 30, 2012, unrated securities include commingled investment pools of $441,868 and option contract purchased valued at $728. These unrated securities represent 19.8% of the fair value of the pool's investments.

Concentration of Credit Risk

West Virginia statutes prohibit the Total Return Fixed Income pool from investing more than 5% of its assets in securities issued by a single private corporation or association. At June 30, 2013 and 2012, 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, 2013 and 2012, the Total Return Fixed Income pool held no securities that were subject to custodial credit risk. Repurchase agreements are collateralized at 102% and the collateral is held in the name of the WVIMB. Investments in commingled funds are held in the name of the WVIMB. All remaining securities are held by the WVIMB's custodian in the name of the WVIMB. Securities lending collateral is invested in the lending agent's collateral reinvestment fund.

(Dollars in Thousands)

3. Deposit and Investment Risk Disclosures (continued)

Interest Rate Risk

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

	June 30, 2013		June 30, 2012	
Investment Type	**Fair Value**	**Modified Duration (Years)**	**Fair Value**	**Modified Duration (Years)**
Investments in other funds	**$ 474,821**	**3.7**	$ 441,868	2.7
Corporate bonds	**728,766**	**6.5**	754,176	6.4
U.S. Treasury issues	**362,481**	**6.7**	309,610	6.7
U.S. Government Agency TBAs	**58,879**	**6.5**	–	–
Corporate asset-backed issues	**44,433**	**1.9**	38,005	8.0
Corporate CMO	**20,767**	**1.4**	21,589	4.8
U.S. Government Agency MBS	**342,200**	**2.3**	340,717	8.5
U.S. Government Agency discount notes	**4,718**	**0.4**	–	–
U.S. Government Agency CMO	**61,696**	**2.2**	32,536	3.4
Municipal bonds	**80,320**	**8.4**	93,246	13.1
Investments made with cash collateral for securities loaned	**13,882**	**–**	–	–
Short-term issues	**171,036**	**–**	184,079	–
Foreign government bond	**6,879**	**7.0**	6,293	7.5
Total assets	**$ 2,370,878**	**4.7**	$ 2,222,119	5.8

The Total Return Fixed Income pool invests in commercial and residential mortgage-backed, asset-backed securities and collateralized mortgage obligations. The cash flows from these securities are based on the payment of the underlying collateral. The modified duration and yield to maturity of these securities are dependent on estimated prepayment assumptions that consider historical experience, market conditions, and other criteria. Actual prepayments may vary with changes in interest rates. Rising interest rates often result in a slower rate of prepayments while declining rates tend to lead to faster prepayments. As a result, the fair values of these securities are highly sensitive to interest rate changes. At June 30, 2013 and 2012, the Total Return Fixed Income pool held $527,975 and $432,847, respectively, of these securities. This represents approximately 22% and 20%, respectively, of the value of the fixed income pools.

3. Deposit and Investment Risk Disclosures (continued)

BRIM's amount invested in the Total Return Fixed Income pool of $40,444 and $40,623 at June 30, 2013 and 2012, respectively, represents approximately 1.8% of total investments in this pool.

Foreign Currency Risk

Of the notes, bonds, asset-backed securities, mortgage-backed securities, collateralized mortgage obligations and money market held by the Total Return Fixed Income pool, only the foreign government bond denominated in Mexican Peso is exposed to foreign currency risk. The market value of this bond is $6,879, which represents less than 1% of the value of the pool's securities. The pool does have foreign exchange forward contracts. Additionally, the pool has indirect exposure to foreign currency risk through its ownership interest in certain of the commingled investment pools. Approximately $153,875, or 32%, at June 30, 2013, and $183,355, or 31%, at June 30, 2012, of the commingled investment pools hold substantially all of their investments in foreign currencies. West Virginia statute limits the amount of international securities to no more than 30% of the total assets managed by the WVIMB. At June 30, 2013 and 2012, the WVIMB was in compliance with this limitation.

Core Fixed Income Pool

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

(Dollars in Thousands)

3. Deposit and Investment Risk Disclosures (continued)

	June 30, 2013				June 30, 2012			
Security Type	**Moody's**	**S&P**	**Fair Value**	**Percent of Assets**	**Moody's**	**S&P**	**Fair Value**	**Percent of Assets**
Corporate bonds	**A3**	**A**	**$ 270,356**	**20.8**	A3	A	$ 271,566	22.7%
U.S. Treasury issues	**Aaa**	**AA**	**282,660**	**21.7**	Aaa	AA+	278,786	23.2
Corporate asset-backed issues	**Aa3**	**AA**	**48,767**	**3.7**	Aa2	AA+	30,397	2.5
Corporate CMO	**A2**	**AA**	**134,887**	**10.4**	A1	AA+	145,724	12.1
Foreign government bonds	**Aa1**	**AA**	**12,467**	**1.0**			–	–
U.S. Government Agency MBS	**Aaa**	**AA**	**220,519**	**17.0**	Aaa	AA+	173,034	14.4
U.S. Government Agency CMO	**Aaa**	**AA**	**259,377**	**19.9**	Aaa	AA+	268,484	22.3
U.S. Government Agency bonds	**Aaa**	**AA**	**26,487**	**2.0**	Aaa	AA+	16,801	1.4
Municipal bonds	**Aa2**	**AA**	**7,311**	**.6**	Aa3	AA-	4,781	0.4
Short-term issue	**Aaa**	**AAA**	**10,892**	**.8**	Aaa	AAA	11,728	1.0
Total rated investments			**$ 1,273,723**	**97.9**			$ 1,201,301	100.0%

Unrated securities include investments made with cash collateral for securities loaned valued at $26,850 or 2.1 percent of the fair value of the Pool's investments for 2013.

Concentration of Credit Risk

West Virginia statutes prohibit the Total Return Fixed Income pool from investing more than 5% of its assets in securities issued by a single private corporation or association. At June 30, 2013 and 2012, the Core Fixed Income pool did not have investments in any one private corporation or association that represented more than 5% of assets.

Custodial Credit Risk

At June 30, 2013 and 2012, the Core Fixed Income pool held no securities that were subject to custodial credit risk. All remaining securities are held by the WVIMB's custodian in the name of the WVIMB.

(Dollars in Thousands)

3. Deposit and Investment Risk Disclosures (continued)

Interest Rate Risk

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

	June 30, 2013		June 30, 2012	
Investment Type	**Fair Value**	**Modified Duration (Years)**	**Fair Value**	**Modified Duration (Years)**
Corporate bonds	**$ 270,356**	**5.7**	$ 271,566	5.7
U.S. Treasury issues	**282,660**	**6.5**	278,786	6.8
Corporate asset-backed issues	**48,767**	**1.4**	30,397	1.9
Corporate CMO	**134,887**	**2.2**	145,724	3.1
Foreign government bonds	**12,467**	**5.4**	–	–
U.S. Government Agency MBS	**220,519**	**4.6**	173,034	6.9
U.S. Government Agency bonds	**26,487**	**5.6**	16,801	5.0
U.S. Government Agency CMO	**259,377**	**3.7**	268,484	3.6
Municipal bonds	**7,311**	**14.3**	4,781	12.6
Investments made with cash collateral for securities loaned	**26,850**	**–**	–	–
Short-term issue	**10,892**	**–**	11,728	–
Total assets	**$ 1,300,573**	**4.6**	$ 1,201,301	5.0

3. Deposit and Investment Risk Disclosures (continued)

The Core Fixed Income pool invests in commercial and residential mortgage-backed securities, asset-backed securities, and collateralized mortgage obligations. The cash flows from these securities are based on the payment of the underlying collateral. The modified duration and yield to maturity of these securities are dependent on estimated prepayment assumptions that consider historical experience, market conditions, and other criteria. Actual prepayments may vary with changes in interest rates. Rising interest rates often result in a slower rate of prepayments while declining rates tend to lead to faster prepayments. As a result, the fair values of these securities are highly sensitive to interest rate changes. At June 30, 2013 and 2012, the Core Fixed Income pool held $663,550 and $617,639, respectively, of these securities. This represents approximately 51% and 51% of the value of the fixed income pools.

BRIM's amount invested in the Core Fixed Income pool of $21,674 and $21,966 at June 30, 2013 and 2012, respectively, represents approximately 1.7% and 1.8% of total investments in this pool.

Foreign Currency Risk

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

<u>Hedge Fund</u>

The Hedge Fund holds shares in various commingled institutional funds and shares of a money market fund with the highest credit rating. The commingled institutional funds are not rated by any of the nationally recognized statistical rating agencies and thus any credit risk cannot be accurately reported. The pool is not exposed to interest rate risk, custodial credit risk, or concentration of credit risk. The pool is indirectly exposed to foreign currency risk as certain of the funds have investments denominated in foreign currencies. At June 30, 2013, the funds were indirectly exposed to foreign currency risk. The dollar amount of the funds invested in foreign currencies was not disclosed by the WVIMB in its financial statement footnotes for this fund. At June 30, 2012, approximately $428,621 or 41% of the market value of the funds was held in foreign currencies. BRIM's amount invested in the Hedge Fund of $28,642 and $27,434 at June 30, 2013 and 2012, respectively, represents approximately 2.1% and 2.2%, respectively, of total investments in this pool.

(Dollars in Thousands)

3. Deposit and Investment Risk Disclosures (continued)

Treasury Inflation Protection Securities (TIPS)

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

Credit Risk

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

	June 30, 2013				**June 30, 2012**			
Security Type	**Moody's**	**S&P**	**Fair Value**	**Percent of Assets**	**Moody's**	**S&P**	**Fair Value**	**Percent of Assets**
U.S. Treasury inflation protected securities	**Aaa**	**AA+**	**$ 653,371**	**99.9%**	Aaa	AA+	$ 738,767	99.9%
Short-term issue	**Aaa**	**AAA**	**601**	**0.1**	Aaa	AAA	406	0.1
Total rated investments			**$ 653,972**	**100.0%**			$ 739,173	100.0%

Concentration of Credit Risk

West Virginia statutes prohibit the TIPS pool from investing more that 5% of its assets in securities issued by a single private corporation or association. At June 30, 2013 and 2012, 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, 2013 and 2012, the TIPS pool held no securities that were subjected to custodial credit risk. All securities are held by the WVIMB's custodian in the name of the WVIMB. Securities lending collateral is invested in the lending agent's collateral reinvestment fund.

(Dollars in Thousands)

3. Deposit and Investment Risk Disclosures (continued)

Interest Rate Risk

WVIMB monitors interest rate risk of the TIPS pool by assessing the modified duration of the investments in the pool. The following table provides the weighted-average modified duration for the various asset types in the TIPS pool:

	June 30, 2013		June 30, 2012	
Investment Type	**Fair Value**	**Modified Duration (Years)**	**Fair Value**	**Modified Duration (Years)**
U.S. Treasury inflation protected securities	**$ 653,371**	**7.8**	$ 738,767	8.1
Short-term issue	**601**	**0.0**	406	0.0
Total assets	**$ 653,972**	**7.8**	$ 739,173	8.1

BRIM's amount invested in the TIPS pool of $13,229 and $14,151 at June 30, 2013 and 2012, respectively, represents approximately 2.0% and 1.9%, respectively, of total investments in this pool.

Foreign Currency Risk

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

Advanced Deposits

Insurance Company and Trustee

BRIM deposits monies with BNY, as trustee, to hold as advance deposits in an escrow account for BRIM liability claims. The monies held in escrow are invested in specific money market funds and short-term guaranteed or investment-grade fixed income securities that are identified as "qualified assets" in the escrow agreement.

(Dollars in Thousands)

3. Deposit and Investment Risk Disclosures (continued)

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

	June 30, 2013				June 30, 2012			
Security Type	**Moody's**	**S&P**	**Fair Value**	**Percent of Assets**	**Moody's**	**S&P**	**Fair Value**	**Percent of Assets**
Corporate bonds and notes	**Aaa**	**AAA**	**$ 1,610**	**0.77**	–	–	$ –	– %
	Aaa	**AA+**	**–**	**–**	Aaa	AA+	651	0.32
	Aa1	**AA+**	**965**	**0.47**	Aa1	AA+	–	–
	Aa1	**AA**	**4,517**	**2.17**	Aa1	AA	1,524	0.76
	Aa1	**AA-**	**1,911**	**0.92**	Aa1	AA-	1,010	0.50
	Aa2	**AA**	**2,226**	**1.07**	Aa2	AA	–	–
	Aa2	**AA-**	**1,943**	**0.93**	Aa2	AA-	–	–
	Aa3	**AA-**	**967**	**0.47**	Aa3	AA-	–	–
			14,139	**6.80**			3,185	1.58
Collateralized mortgage obligations	**Aaa**	**–**	**4,199**	**2.02**	Aaa	–	–	–
			4,199	**2.02**			–	–
U.S. Treasury bonds and notes	**Aaa**	**AAA**	**157,591**	**75.77**	Aaa	AAA	151,297	75.08
U.S. Agency bonds	**Aaa**	**AA+**	**27,373**	**13.16**	Aaa	AA+	39,473	19.59
Agency-backed securities	**Aaa**	**AA+**	**4,157**	**2.00**	Aaa	AA+	3,653	1.81
Money market funds	**Aaa**	**AAA**	**514**	**0.25**	Aaa	AAA	3,897	1.94
Total rated investments			**$ 207,973**	**100.00%**			$ 201,505	100.00%

Concentration of Credit Risk

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

Custodial Credit Risk

At June 30, 2013 and 2012, advanced deposits include no securities that were subject to custodial credit risk.

(Dollars in Thousands)

3. Deposit and Investment Risk Disclosures (continued)

Interest Rate Risk

The following table provides the WAM for the various asset types in the advanced deposits:

	June 30, 2013		June 30, 2012	
Investment Type	**Fair Value**	**WAM Years**	**Fair Value**	**WAM Years**
Corporate bonds and notes	**$ 14,139**	**4.1**	$ 3,185	1.9
U.S. Treasury bonds	**157,591**	**3.4**	151,297	4.1
U.S. agency bonds	**27,373**	**4.5**	39,473	1.8
Collateralized mortgage obligations	**4,199**	**8.0**	–	–
Agency-backed securities	**4,157**	**4.0**	3,653	3.0
Money market funds	**514**	**–**	3,897	1.0
Total rated investments	**$ 207,973**	**3.7**	$ 201,505	3.5

Foreign Currency Risk

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

(Dollars in Thousands)

4. Unpaid Claims and Claims Adjustment Expense Liability

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

	2013	2012
Unpaid claims and claims adjustment expense liability at beginning of year	**$ 136,986**	$ 126,227
Incurred claims and claims adjustment expense:		
Provision for insured events of the current year	**57,276**	57,864
Decrease in provision for insured events of prior years	**(3,259)**	(4,468)
Total incurred claims and claims adjustment expense	**54,017**	53,396
Payments:		
Claims and claims adjustment expense attributable to insured events of the current year	**(10,870)**	(10,156)
Claims and claims adjustment expense attributable to insured events of prior years	**(36,565)**	(32,481)
Total payments	**(47,435)**	(42,637)
Total unpaid claims and claims adjustment expense liability at end of year	**$ 143,568**	$ 136,986

If the unpaid claims and claims adjustment expense liability were discounted using a 4% discount factor for 2013 and 2012 to take into consideration the time value of money, the result would be a decrease in the liability and an increase in net position of approximately $12,683 and $12,052 for fiscal years 2013 and 2012, respectively. The overall unpaid claim liability number includes a provision for allocated and unallocated claims adjustment expense.

(Dollars in Thousands)

5. Employee Benefit Plans

Pension Benefits

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

Covered employees are required to contribute 4.5% of their salary to PERS. BRIM is required to contribute 14.5% of covered employees' salaries to PERS for 2013, 14.5% for 2012, and 12.5% for 2011. The required employee and employer contribution percentages are determined by actuarial advisement within ranges set by statute. As noted below, BRIM contributed the proper, required amounts. BRIM and employee contributions for the three years ended June 30 are as follows:

	2013	2012	2011
BRIM contributions (14.5% – 2013, 14.5% – 2012, and 12.5% – 2011)	**$ 132**	$ 145	$ 126
Employee contributions (4.5%)	**43**	45	46
Total contributions	**$ 175**	$ 190	$ 172

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

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

5. Employee Benefit Plans (continued)

Other Postemployment Benefits

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

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

Legislation requires the RHBT to determine through an actuarial study, the Annual Required Contribution (ARC) which shall be sufficient to maintain the RHBT in an actuarially sound manner. The ARC is allocated to respective cost-sharing employers including BRIM who are required by law to fund at least the minimum annual premium component of the ARC. Revenues collected by RHBT shall be used to fund current OPEB health care claims and administrative expenses with residual funds held in trust for future OPEB costs. BRIM records expense for its allocated ARC and a liability for the ARC that has not been paid. Based on the actuarial study completed, the annual required contribution rates were determined for the fiscal year ended June 30, 2010. BRIM’s OPEB expense for fiscal years 2013 and 2012 was approximately $56 and $220, respectively, of which approximately $372 and $192 remained unpaid as of June 30, 2013 and 2012, respectively, and are recorded in accrued expenses and other liabilities in

(Dollars in Thousands)

5. Employee Benefit Plans (continued)

the statements of net position. For fiscal years 2013 and 2012, BRIM's OPEB contribution was approximately $38 and $38, respectively, of the total required contribution of $56 and $220, respectively, for both years. The actual contribution represents 68% and 17% of the total required contribution for 2013 and 2012, respectively. BRIM's policy is to fund at least the minimum annual premium component of the ARC. There are currently 21 employees eligible to receive such benefits.

6. Lease Arrangement

In December 2011, the State renewed the lease arrangement on behalf of BRIM for office space occupied by BRIM with a monthly lease payment of $12 and a term beginning on January 1, 2012, and ending on December 31, 2016.

Operating lease expense approximated $145 and $140 for the years ended June 30, 2013 and 2012, respectively, relating to these arrangements. Future minimum lease payments under these operating lease arrangements are as follows for years ending June 30:

2014	$139
2015	$139
2016	$139

7. Transactions With Primary Government and Component Units

Premium revenues derived from billings to State entities, which are funded by special revenue funds and component units of the primary government approximated $25,646 and $25,291 for the years ended June 30, 2013 and 2012, respectively.

BRIM is required by Senate Bill 1002 to remit amounts equal to the gross premium tax attributable to premiums collected by BRIM. These amounts are to be placed in a separate account known as "the Premium Tax Savings Fund" (the Fund) maintained by the State Treasurer. Amounts deposited by BRIM into the Fund approximated $1,781 and $2,034 for the years ended June 30, 2013 and 2012, respectively. The Fund is not included in BRIM's financial statements, but is included in the general fund of the State.

8. Reinsurance *(Amounts referenced in this note related to insurance coverages are actual dollars)*

BRIM has entered into two reinsurance agreements for excess coverage with unrelated insurance companies wherein the company assumes the liability over BRIM's limit for a ceded premium. BRIM obtains an excess policy from the commercial market which gives boards of education a liability limit of up to $5 million in excess of BRIM's $1 million self-insured limit. BRIM also purchases an excess policy on all State and SB3 insured property over and above BRIM's $1 million self-insured limit. These reinsurance agreements have been accounted for as a transfer of risk in the accompanying financial statements. However, BRIM is not relieved of its primary obligation to the insureds in the reinsurance transaction. BRIM did not have any reinsurance recoveries at June 30, 2013 or 2012.

9. Risk Management *(Amounts referenced in this note related to insurance coverages are actual dollars)*

BRIM is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to and illnesses of employees; medical liabilities; and natural disasters.

Health insurance coverage for BRIM's employees is obtained through its participation in health insurance coverage offered by the West Virginia Public Employees Insurance Agency (PEIA). PEIA provides the following basic employee benefit coverage to all participants: hospital, surgical, group major medical, basic group life, accidental death, and prescription drug coverage for active and retired employees of the State and various related State and non-State agencies. BRIM had coverage through December 31, 2005, for job-related injuries through its participation in the West Virginia Workers' Compensation Fund, a public entity risk pool. Effective January 1, 2006, coverage was moved to Brickstreet Mutual Insurance Company as required by Senate Bill 1004. Effective October 1, 2011, coverage was moved to Zurich Insurance Company. Furthermore, BRIM is a participant in the self-insured public entity risk pool it administers. Coverage is in the amount of $1 million per occurrence for general liability and property damage.

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

Required Supplementary Information

West Virginia Board of Risk and Insurance Management

Ten-Year Claims Development Information (Unaudited)

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

	Fiscal and Policy Year Ended June 30									
	2004	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
	(In Thousands)									
1) Premiums and investment revenues										
Earned	$ 110,279	$ 95,336	$ 89,690	$ 98,270	$ 83,499	$ 69,739	$ 83,088	$ 71,320	$ 64,361	**$ 54,969**
Ceded	3,801	3,911	4,145	6,151	6,394	5,944	6,257	6,075	5,386	**5,825**
Net earned	106,478	91,425	85,545	92,119	77,105	63,795	76,831	65,245	58,975	**49,144**
2) Unallocated expenses, including administrative fees paid to third-party claims administrators	14,332	8,301	8,894	8,536	8,045	7,840	8,043	7,867	7,562	**7,240**
3) Estimated incurred claims and claims adjustment expense, end of policy year:										
Incurred	94,279	65,674	58,491	59,678	59,246	56,194	51,388	53,728	60,176	**57,276**
Ceded	597	5	172	3,597	2,000	300	–	–	2,312	**–**
Net incurred	93,682	65,669	58,319	56,081	57,246	55,894	51,388	53,728	57,864	**57,276**
4) Paid (cumulative) claims and claims adjustment expense as of:										
End of policy year	13,799	9,134	10,097	12,416	8,352	9,753	9,965	10,757	10,156	**10,870**
One year later	55,414	16,901	17,547	16,942	18,097	19,069	17,009	18,034	20,830	
Two years later	61,987	25,283	23,291	24,345	26,240	25,457	25,606	26,398		
Three years later	72,727	33,505	31,901	30,733	33,488	32,126	32,612			
Four years later	78,617	37,904	37,202	35,469	38,077	36,501				
Five years later	81,861	42,490	39,306	37,636	39,518					
Six years later	83,488	45,173	40,739	40,076						
Seven years later	83,877	45,641	40,886							
Eight years later	84,189	45,883								
Nine years later	84,738									
5) Reestimated ceded claims and expenses	597	5	172	3,597	2,000	300	–	–	2,312	–
6) Reestimated net incurred claims and allocated claims adjustment expense:										
End of policy year	93,681	65,669	58,319	56,081	57,246	55,894	51,388	53,728	57,864	**57,276**
One year later	93,171	61,419	51,183	53,924	57,108	48,432	46,571	52,844	58,812	
Two years later	91,136	56,023	47,726	48,330	51,881	46,176	47,102	50,289		
Three years later	90,453	52,893	45,490	44,898	46,708	45,328	46,116			
Four years later	87,424	50,179	44,898	43,179	45,459	44,112				
Five years later	86,199	50,097	43,237	42,181	44,323					
Six years later	84,718	48,374	42,839	42,862						
Seven years later	83,815	47,843	43,061							
Eight years later	83,723	48,178								
Nine years later	83,505									
7) Increase (decrease) in estimated net incurred claims and allocated claims adjustment expense from end of policy year	(10,176)	(17,491)	(15,258)	(13,219)	(12,923)	(11,782)	(5,272)	(3,439)	948	**–**

Note: The above financial data is summarized for individual contract periods. Subsequent premium and related expense adjustments and reserve developments are recorded in the year incurred for fiscal year financial reporting, but are included in the applicable contract year for purposes of the above schedule. Accordingly, components of the change in net assets as determined on a contract-year basis will differ from that included in BRIM's fiscal year financial statements.

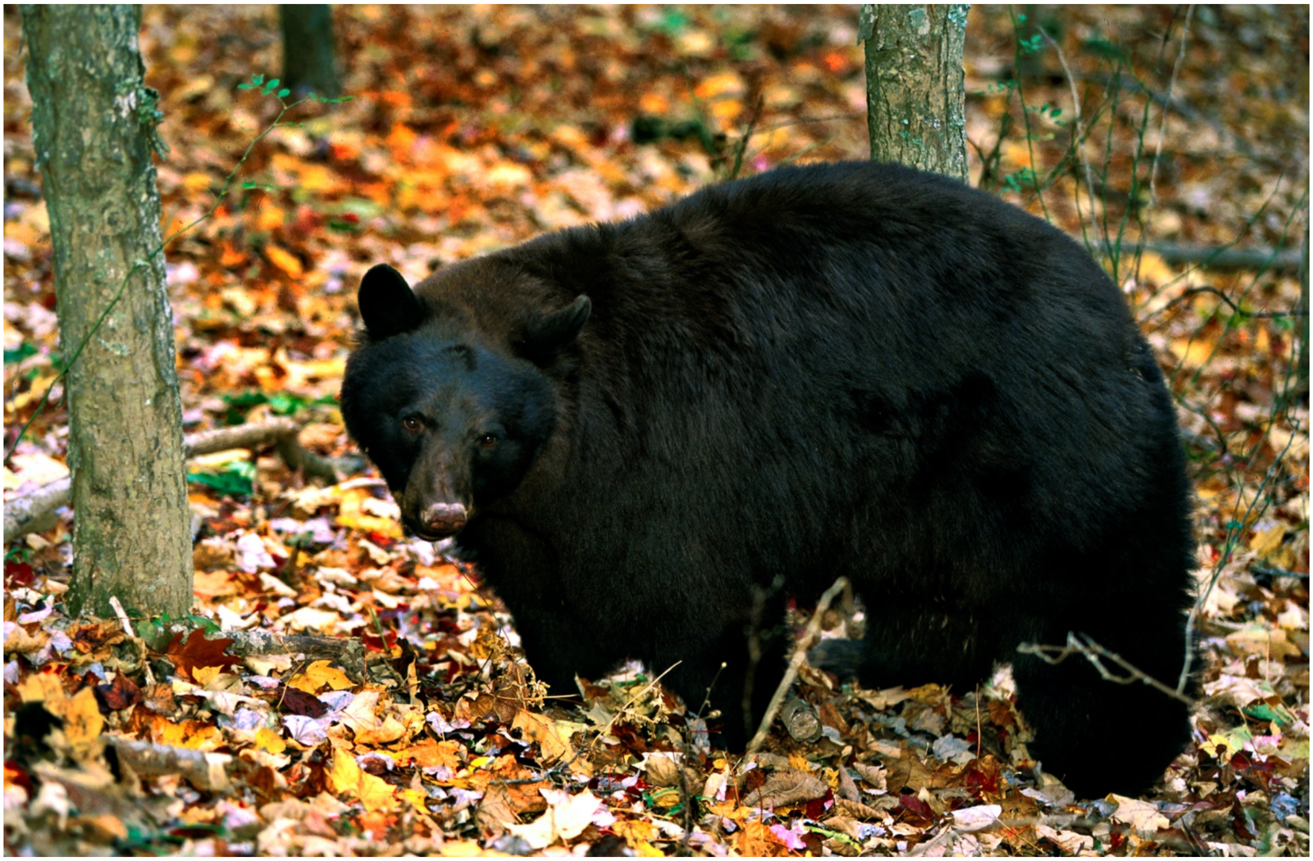
West Virginia Board of Risk and Insurance Management

Reconciliation of Unpaid Claims and Claims Adjustment Expense Liability by Type of Contract (Unaudited)

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

	Fiscal and Policy Year Ended June 30									
	2013					2012				
	Liability	Property	Mine Subsidence	House Bill 601	Total	Liability	Property	Mine Subsidence	House Bill 601	Total
	(In Thousands)									
Unpaid claims and claims adjustment expense liability at beginning of fiscal year	**$ 129,072**	**$ 7,177**	**$ 737**	**$ –**	**$ 136,986**	$ 122,499	$ 2,864	$ 864	$ –	$ 126,227
Incurred claims and claims adjustment expense:										
Provision for insured events of the current fiscal year	**50,961**	**5,589**	**726**	**–**	**57,276**	48,654	8,571	639	–	57,864
(Decrease) increase in provision for insured events of prior fiscal years	**(3,929)**	**752**	**(91)**	**9**	**(3,259)**	(123)	(4,193)	(159)	7	(4,468)
Total incurred claims and claims adjustment expense	**47,032**	**6,341**	**635**	**9**	**54,017**	48,531	4,378	480	7	53,396
Payments:										
Claims and claims adjustment expense attributable to insured events of the current fiscal year	**(8,789)**	**(1,939)**	**(142)**	**–**	**(10,870)**	(7,854)	(2,117)	(185)	–	(10,156)
Claims and claims adjustment expense attributable to insured events of the prior fiscal years	**(29,331)**	**(6,876)**	**(349)**	**(9)**	**(36,565)**	(34,104)	2,053	(423)	(7)	(32,481)
Total claims and claims adjustment expense payments	**(38,120)**	**(8,815)**	**(491)**	**(9)**	**(47,435)**	(41,958)	(65)	(607)	(7)	(42,637)
Total unpaid claims and claims adjustment expense liability at end of the fiscal year	**$ 137,984**	**$ 4,703**	**$ 881**	**$ –**	**$ 143,568**	$ 129,072	$ 7,177	$ 737	$ –	$ 136,986

Statistical Section



Black Bear – These bears live in the forested areas of West Virginia. A black bear can weigh 300 to 600 pounds and run at speeds up to 40 miles per hour.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Statistical Section Narrative

Financial Trends – This schedule contains trend information to help the reader understand how BRIM's financial performance and well-being have changed over time.

Schedule 1 – Comparative Statement of Net Assets and Changes in Net Asset (Deficiency)

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

Schedule 2 – Premiums by Line of Business for the Past Ten Years
Schedule 3 – Top 10 State Agency Premiums and Top 20 Senate Bill 3 Premiums for Fiscal Year 2013 and Fiscal Year 2004
Schedule 4 – Investment Income and Premium Revenue

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

Schedule 5 – Principal Employers Current Year and Nine Years Ago
Schedule 6 – Demographic and Economic Indicators Calendar Years 2003 through 2012

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

Schedule 7 – Full-Time Equivalent Employees Fiscal Years 2004 through 2013
Schedule 8 – Claims Dollars Incurred by Customer Type for Fiscal Years 2004 through 2013
Schedule 9 – Losses Incurred by Coverage Fiscal Years 2004 through 2013
Schedule 10 – Industry Averages Compared to BRIM
Schedule 11 – Projected Ultimate Retained Losses for State Agencies and Senate Bill 3
Schedule 12 – Listing of Coverages in Effect for Fiscal Year 2013

SCHEDULE 1

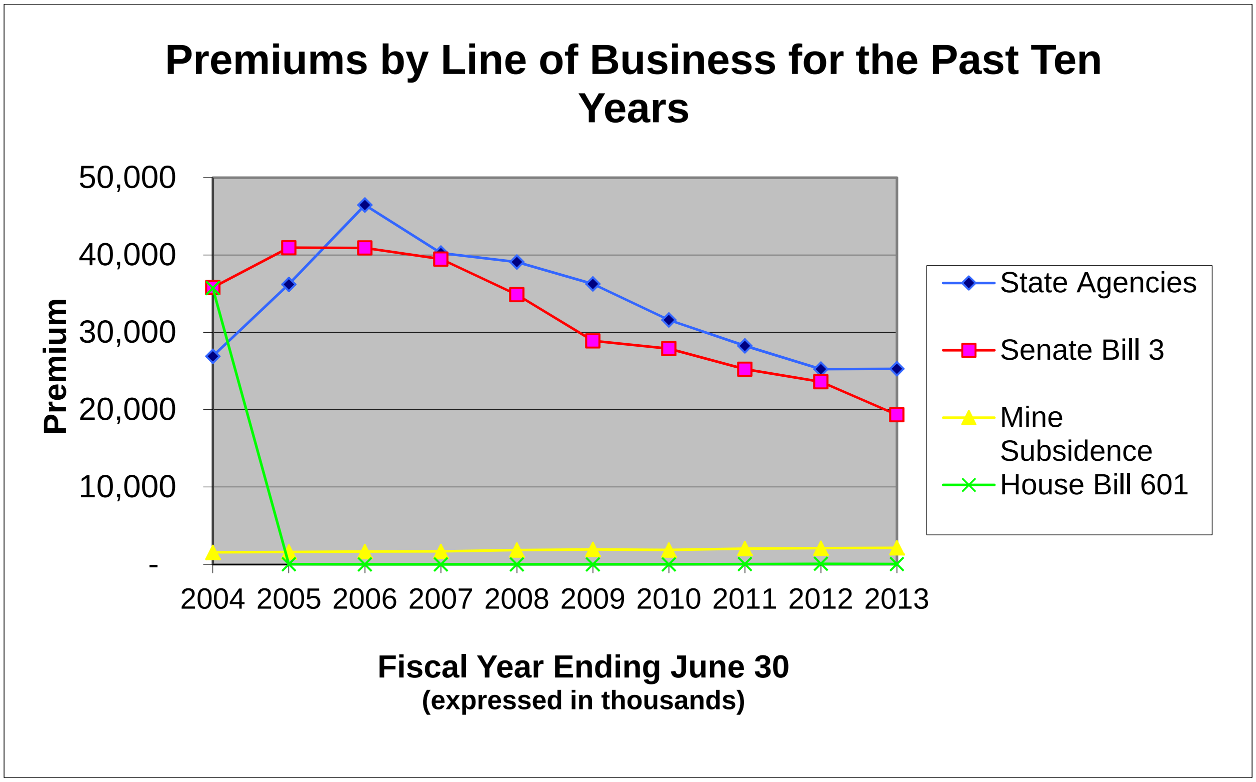
Comparative Statement of Net Assets and Changes in Net Assets (Deficiency)
Last Ten Fiscal Years
(Expressed in Thousands)

	2013	2012	2011	2010	2009
Operating Revenues					
Premiums	$ 47,134	$ 51,046	$ 52,538	$ 58,007	$ 62,427
Less Excess Coverage/Reinsurance Premiums	(5,825)	(5,386)	(6,075)	(6,257)	(5,944)
Net Operating Revenues	41,309	45,660	46,463	51,750	56,483
Operating Expenses					
Claims and Claims Adjustment Expense	54,018	53,396	33,598	31,668	36,604
General and Administrative	3,275	3,892	4,026	3,946	3,894
Total Operating Expenses	57,293	57,288	37,624	35,614	40,498
Operating Income (loss)	(15,984)	(11,628)	8,839	16,136	15,985
Nonoperating Revenues (Expenses)					
Interest Income	7,835	13,315	18,782	25,081	7,312
Financing Income		--	--	32	31
On behalf contributions		--	--	--	--
Appropriations from State of West Virginia		--	--	--	--
Distribution to Physicians' Mutual		--	--	--	--
Total Nonoperating Revenue	7,835	13,315	18,782	25,113	7,343
Change in Net Assets (Deficiency)	(8,149)	1,687	27,621	41,249	23,328
Net Assets (Deficiency) at Year-End					
Restricted	49,372	45,599	43,061	38,420	33,924
Unrestricted	163,994	175,916	176,767	153,787	117,034
Total Net Assets (Deficiency)	$ 213,366	$ 221,515	$ 219,828	$ 192,207	$ 150,958

Source: Compiled from BRIM's internal accounting records

2008	2007	2006	2005	2004
$ 72,986	$ 80,248	$ 82,824	$ 89,030	$ 109,268
(6,394)	(6,151)	(4,145)	(3,912)	(3,801)
66,592	74,097	78,679	85,118	105,467
42,982	35,136	37,076	56,675	86,122
4,247	4,305	4,180	4,294	10,536
47,229	39,441	41,256	60,969	96,658
19,363	34,656	37,423	24,149	8,809
10,512	18,022	6,866	6,306	1,011
30	25	28	40	98
30	--	--	--	--
--	--	--	2,000	1,942
--	--	--	(4,582)	--
10,572	18,047	6,894	3,764	3,051
29,935	52,703	44,317	27,913	11,860
33,634	31,117	26,277	20,530	21,939
93,996	66,430	18,567	(20,003)	(49,325)
$ 127,630	$ 97,547	$ 44,844	$ 527	$ (27,386)

SCHEDULE 2



Fiscal Year	State Agencies	Senate Bill 3	Mine Subsidence	House Bill 601
2004	$ 36,203	$ 35,793	$ 1,551	$ 35,721
2005	$ 46,465	$ 40,952	$ 1,595	$ 18
2006	$ 40,252	$ 40,920	$ 1,652	-
2007	$ 39,091	$ 39,481	$ 1,676	-
2008	$ 36,259	$ 34,875	$ 1,852	-
2009	$ 31,596	$ 28,902	$ 1,929	-
2010	$ 28,257	$ 27,889	$ 1,861	-
2011	$ 25,239	$ 25,233	$ 2,032	$ 34
2012	$ 25,290	$ 23,603	$ 2,090	$ 63
2013	$ 25,607	$ 19,345	$ 2,142	$ 40

The chart above shows premiums by line of business for the past ten fiscal years, expressed in thousands of dollars. This chart illustrates the recent decreases in premium revenue collected from State Agencies and Senate Bill 3 customers. This is due to offsets that have been given in premiums billed based on prior year reserve declines that have been used to reduce annual premiums billed since 2009.
Source: BRIM's internal financial statements.

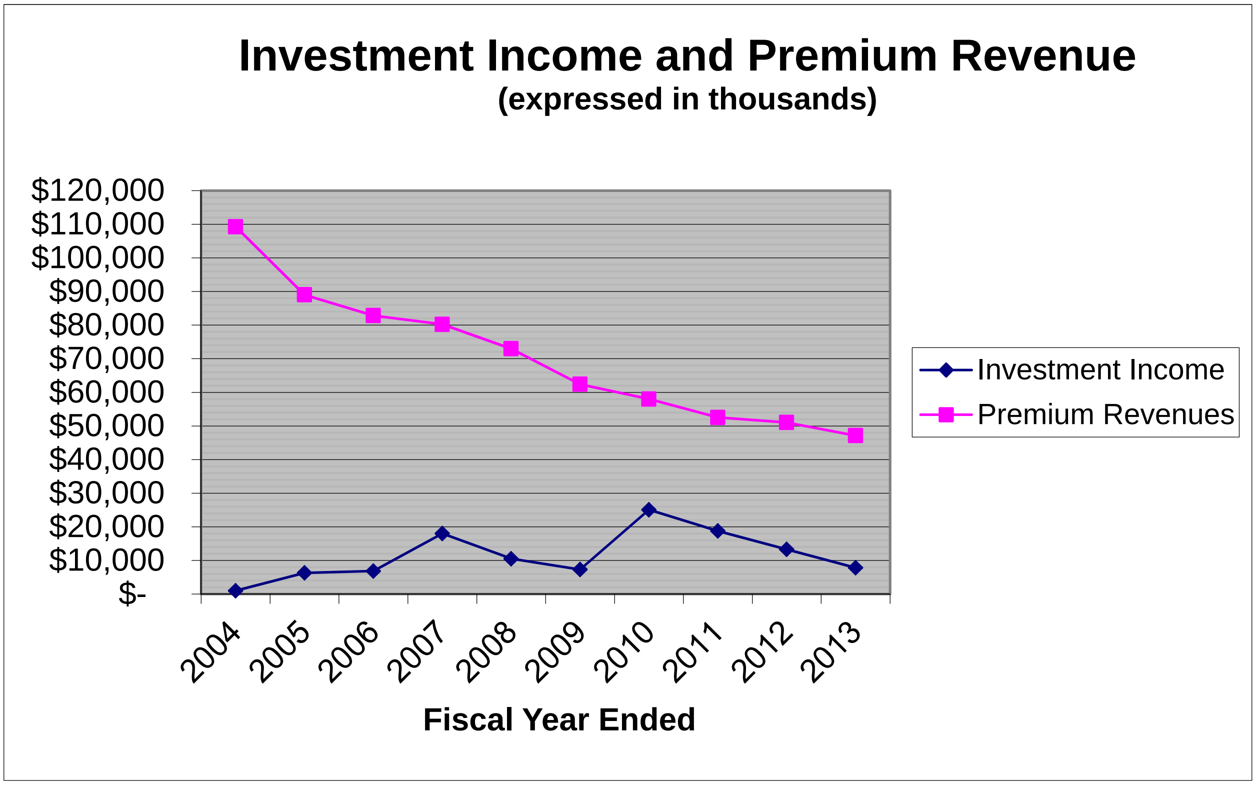
SCHEDULE 3

	Top 10 State Agency Premiums for Fiscal Year 2013		Top 10 State Agency Premiums for Fiscal Year 2004	
1	STATE POLICE, WEST VIRGINIA	4,995,434	WEST VIRGINIA UNIVERSITY	8,554,372
2	DIVISION OF HIGHWAYS	4,063,236	DIVISION OF PUBLIC SAFETY	5,641,221
3	DEPARTMENT OF HEALTH & HUMAN RESOURCES	2,607,439	DIVISION OF HIGHWAYS	4,737,084
4	WEST VIRGINIA UNIVERSITY	2,053,996	MARSHALL UNIVERSITY	3,167,034
5	DIVISION OF CORRECTIONS	840,154	DEPARTMENT OF HEALTH & HUMAN RESOURCES	2,431,927
6	MARSHALL UNIVERSITY	690,886	DIVISION OF PUBLIC HEALTH	1,493,662
7	REGIONAL JAIL & CORR. FAC. AUTHORITY	460,471	DEPARTMENT OF NATURAL RESOURCES	1,164,365
8	WEST VIRGINIA PARKWAYS AUTHORITY	393,855	DIVISION OF CORRECTIONS	1,121,549
9	WEST VIRGINIA STATE PARKS	379,765	DIVISION OF ENVIRONMENTAL PROTECTION	482,348
10	GENERAL SERVICES DIVISION	357,227	WEST VIRGINIA PARKWAYS AUTHORITY	470,051
	Total Top Ten	**$ 16,842,462**	Total Top Ten	**$ 29,263,613**
	Total State Premium Billing for 2013	**$ 25,606,800**	Total State Premium Billing for 2004	**$ 36,203,271**
	% of top 10 in relation to all state agency billings	**65.77%**	% of top 10 in relation to all state agency billings	**80.83%**

	Top 20 SB 3 Premiums for Fiscal Year 2013		Top 20 SB 3 Premiums for Fiscal Year 2004	
1	KANAWHA COUNTY BOARD OF EDUCATION	$1,321,094	KANAWHA COUNTY BOARD OF EDUCATION	$1,274,320
2	RALEIGH COUNTY BOARD OF EDUCATION	608,513	LOGAN COUNTY COMMISSION	573,291
3	BERKELEY COUNTY BOARD OF EDUCATION	501,231	RALEIGH COUNTY BOARD OF EDUCATION	553,238
4	HARRISON COUNTY BOARD OF EDUCATION	402,590	BERKELEY COUNTY BOARD OF EDUCATION	520,934
5	WEST VIRGINIA UNIVERSITY MEDICAL CORP.	391,074	WOOD COUNTY BOARD OF EDUCATION	511,660
6	CITY OF ST. ALBANS	385,285	HARRISON COUNTY BOARD OF EDUCATION	457,115
7	PUTNAM COUNTY BOARD OF EDUCATION	380,023	CABELL COUNTY BOARD OF EDUCATION	430,004
8	WAYNE COUNTY BOARD OF EDUCATION	364,903	MONONGALIA COUNTY BOARD OF EDUCATION	428,380
9	MERCER COUNTY BOARD OF EDUCATION	361,520	MONONGALIA COUNTY COMMISSION	418,825
10	MINGO COUNTY BOARD OF EDUCATION	342,812	MINGO COUNTY BOARD OF EDUCATION	412,601
11	CABELL COUNTY BOARD OF EDUCATION	313,525	WHEELING PARK COMMISSION	407,037
12	MONONGALIA COUNTY BOARD OF EDUCATION	303,953	MERCER COUNTY BOARD OF EDUCATION	394,008
13	MARION COUNTY BOARD OF EDUCATION	302,117	CITY OF BECKLEY	393,451
14	LOGAN COUNTY BOARD OF EDUCATION	294,789	FAYETTE COUNTY BOARD OF EDUCATION	352,379
15	JEFFERSON COUNTY BOARD OF EDUCATION	280,492	WAYNE COUNTY BOARD OF EDUCATION	351,070
16	WOOD COUNTY BOARD OF EDUCATION	276,851	CITY OF ST. ALBANS	348,766
17	OHIO COUNTY BOARD OF EDUCATION	257,269	MARION COUNTY BOARD OF EDUCATION	345,756
18	FAYETTE COUNTY BOARD OF EDUCATION	230,983	PUTNAM COUNTY BOARD OF EDUCATION	344,357
19	MASON COUNTY BOARD OF EDUCATION	225,740	RALEIGH COUNTY COMMISSION	329,627
20	MCDOWELL COUNTY BOARD OF EDUCATION	221,326	MINGO COUNTY COMMISSION	319,950
	Total Top Twenty	**$ 7,766,090**	Total Top Twenty	**$ 9,166,768**
	Total SB 3 Premium Billing for 2013	**$ 19,345,012**	Total SB 3 Premium Billing for 2004	**$ 35,793,696**
	% of top 20 in relation to total SB 3 billings	**40.15%**	% of top 20 in relation to total SB 3 billings	**25.61%**

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

SCHEDULE 4



Fiscal Year	Investment Income	Premium Revenue
2004	$ 1,011	$ 109,268
2005	$ 6,306	$ 89,030
2006	$ 6,866	$ 82,824
2007	$ 18,022	$ 80,248
2008	$ 10,512	$ 72,986
2009	$ 7,312	$ 62,427
2010	$ 25,081	$ 58,007
2011	$ 18,782	$ 52,538
2012	$ 13,315	$ 51,046
2013	$ 7,835	$ 47,134

This chart illustrates BRIM's higher investment earnings in 5 of the last six most recent years as a result of BRIM's new investment strategy, as previously discussed, being implemented during a period of lower premium revenues due to reductions being given in premiums. Amounts are expressed in thousands of dollars.

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

SCHEDULE 5

Principal Employers
Current Year and Nine Years Ago

Estimated as of June 30, 2013			Estimated as of June 30, 2004		
Major West Virginia Employers	**Number of Employees**	**Percentage of Total Employed**	**Major West Virginia Employers**	**Number of Employees**	**Percentage of Total Employed**
Local Government	75,000 - 79,999	10.27%	Local Government	70,000 - 74,999	9.73%
State Government	40,000 - 44,999	5.71%	State Government	40,000 - 44,999	5.71%
Federal Government	20,000 - 24,999	3.12%	Federal Government	20,000 - 24,999	2.94%
Wal-Mart Associates, Inc.	10,000 - 13,000	1.54%	Wal-Mart Associates, Inc.	10,000 - 13,999	1.62%
West Virginia United Health System	7,000 - 9,999	1.14%	Charleston Area Medical Center, Inc.	3,000 - 5,999	0.61%
Charleston Area Medical Center, Inc.	5,000 - 6,999	0.80%	West Virginia United Health System	3,000 - 5,999	0.61%
Kroger	3,000 - 4,999	0.54%	Kroger	3,000 - 5,999	0.61%
Consolidation Coal Company	3,000 - 4,999	0.54%	CSX Corporation	3,000 - 5,999	0.61%
Mylan Pharmaceuticals, Inc.	1,000 - 2,999	0.27%	Weirton Steel Corporation	1,000 - 2,999	0.27%
Lowe's Home Centers, Inc.	1,000 - 2,999	0.27%	American Electric Power	1,000 - 2,999	0.27%
St. Mary's Medical Center, Inc.	1,000 - 2,999	0.27%	E I DuPont De Nemours and Company	1,000 - 2,999	0.27%
Mentor Management, Inc.	1,000 - 2,999	0.27%	Verizon	1,000 - 2,999	0.27%
Res-Care Inc.	1,000 - 2,999	0.27%	Alleheny Energy Service Corporation	1,000 - 2,999	0.27%
Actual Total	**746,000**			**742,000**	

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

SCHEDULE 6

Demographic and Economic Indicators
Calendar Years 2002-2011

	2012	2011	2010	2009
Population				
West Virginia	1,855,413	1,855,364	1,852,994	1,819,777
Change	0.00%	0.13%	1.83%	0.27%
National	313,914,040	311,591,917	308,745,538	307,006,550
Change	0.75%	0.92%	0.57%	0.86%
Total Personal Income				
West Virginia (in millions)	63,968	62,178	59,417	57,535
Change	2.88%	4.65%	3.27%	-0.07%
National (in millions)	13,401,869	12,981,741	12,353,577	11,916,773
Change	3.24%	5.08%	3.67%	-4.30%
Per Capita Personal Income*				
West Virginia	34,477	33,513	32,042	31,137
Change	2.88%	4.59%	2.91%	-0.48%
National	42,693	41,663	39,937	38,846
Change	2.47%	4.32%	2.81%	-5.13%
Median Age	41.3	41.1	41.3	40.5
Educational Attainment				
9th Grade or Less	72,746	6.8%	6.1%	6.5%
Some High School, No Diploma	128,060	11.3%	10.7%	10.7%
High School Diploma	526,232	41.3%	41.6%	41.0%
Some College, No Degree	245,733	17.6%	18.3%	18.5%
Associate, Bachelor's or Graduate Degree	323,430	23.0%	23.3%	23.2%
Labor Force and Employment (people in thousands)				
Civilian Labor Force	805.0	799.9	782.3	797.9
Employed	746.0	736.1	711.1	734.6
Unemployed	59.0	63.8	71.2	63.3
Unemployment Rate	7.3%	8.0%	9.1%	7.9%
Nonfarm Wage and Salary Workers Employed in West Virginia				
Goods Producing Industries (people in thousands)				
Mining	33.7	33.6	29.9	29.6
Construction	35.6	33	32.6	34.1
Manufacturing-Durable Goods	29.6	30	29.6	30.9
Manufacturing-NonDurable Goods	19.6	19.5	19.5	19.8
Total Goods Producing Industries	118.5	**116.1**	**111.6**	**114.4**
Non-Goods Producing Industries (people in thousands)				
Trade	111.0	109.9	109.2	110.0
Service	381.7	376.2	372.5	369.9
State and Local Government	130.7	128.3	128.3	126.3
Federal Government	23.3	23.5	24.3	23.6
Total Non-Goods Producing Industries	646.7	**637.9**	**634.3**	**629.8**
Total Nonfarm Wage and Salary Employment	**765.2**	**754.0**	**745.9**	**744.2**

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

Various population, personal income and per capita personal income figures have been amended from last year's schedule.

Sources: Workforce West Virginia Research, Information, and Analysis Office, the Census, and the Survey of Current Business

2008	2007	2006	2005	2004	2003
1,814,873	1,811,198	1,807,237	1,803,920	1,803,302	1,802,238
0.20%	0.22%	0.18%	0.03%	0.06%	0.16%
304,374,846	301,579,895	298,593,212	295,753,151	293,045,739	290,326,418
0.93%	1.00%	0.96%	0.92%	0.97%	0.99%
57,576	54,100	51,862	48,139	46,497	43,841
6.43%	4.32%	7.73%	3.53%	6.06%	1.22%
12,451,660	11,900,562	11,256,516	10,476,669	9,928,790	9,150,320
4.63%	5.72%	7.44%	5.52%	8.51%	3.13%
31,286	29,497	28,372	26,443	25,784	24,326
6.07%	3.97%	7.29%	2.55%	6.00%	1.06%
40,947	39,506	37,725	35,452	33,881	31,517
3.65%	4.72%	6.41%	4.64%	7.50%	2.23%
40.6	40.4	40.7	40.7	40.2	39.9
6.6%	7.0%	7.1%	10.0%	10.0%	10.0%
11.1%	11.8%	11.9%	14.8%	14.8%	14.8%
40.9%	41.1%	42.7%	39.4%	39.4%	39.4%
18.5%	16.7%	16.1%	16.6%	16.6%	16.6%
22.9%	23.4%	22.2%	19.2%	19.2%	19.2%
806.0	813.0	810.0	798.0	788.0	790.0
772.0	778.0	773.0	759.0	747.0	742.0
34.0	35.0	37.0	39.0	41.0	48.0
4.3%	4.3%	4.6%	4.9%	5.3%	6.0%
30.7	27.5	28.1	25.9	23.8	22
38.4	38.7	39.2	36.8	34.6	32.7
35.2	37.2	38.4	38.8	39.2	39.7
21.1	21.8	22.6	23	23.8	24.9
125.4	**125.2**	**128.3**	**124.5**	**121.4**	**119.3**
114.4	116.2	115.5	113.6	111.9	110.4
374	369.5	367.8	364.9	360.5	355.5
123.7	122.6	122.4	121.7	121.4	120.6
22.9	22.5	22.1	21.9	21.8	21.9
635	**630.8**	**627.8**	**622.1**	**615.6**	**608.4**
760.4	**756**	**756.1**	**746.6**	**737**	**727.7**

SCHEDULE 7

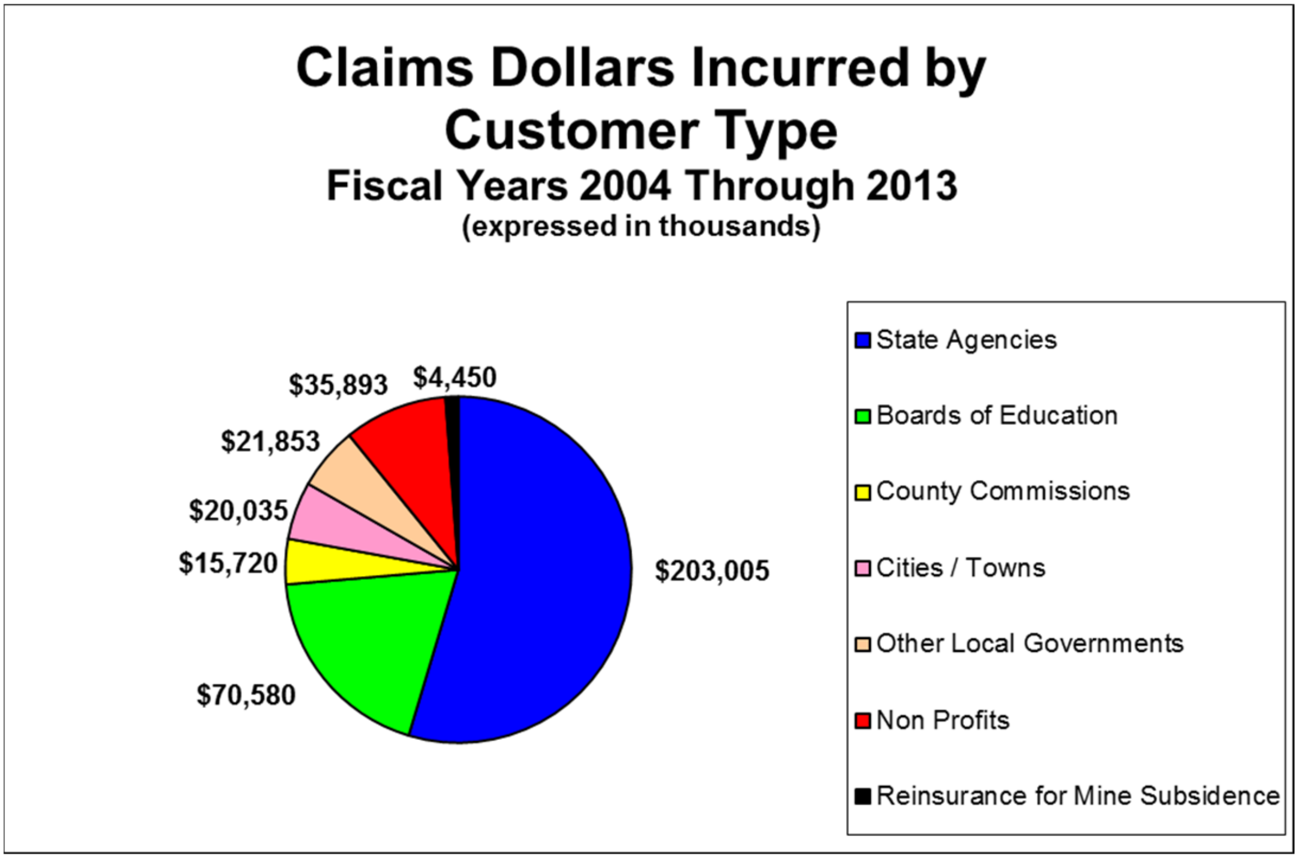
Full-time Equivalent Employees as of Fiscal Year-End*

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Administration	2	2	2	2	2	2	2	2	3	5
Finance	3	3	3	3	3	3	3	3	3	3
Claims	5	5	5	5	5	5	5	5	6	4
Underwriting	5	5	6	6	6	5	6	6	6	6
Loss Control	3	4	6	6	4	4	6	5	4	4
Information Systems	2	2	2	2	2	2	2	2	2	1
Medical Professional		--	--	--	--	--	--	--	--	1
Total Employees	19	21	24	24	22	21	24	23	24	24

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

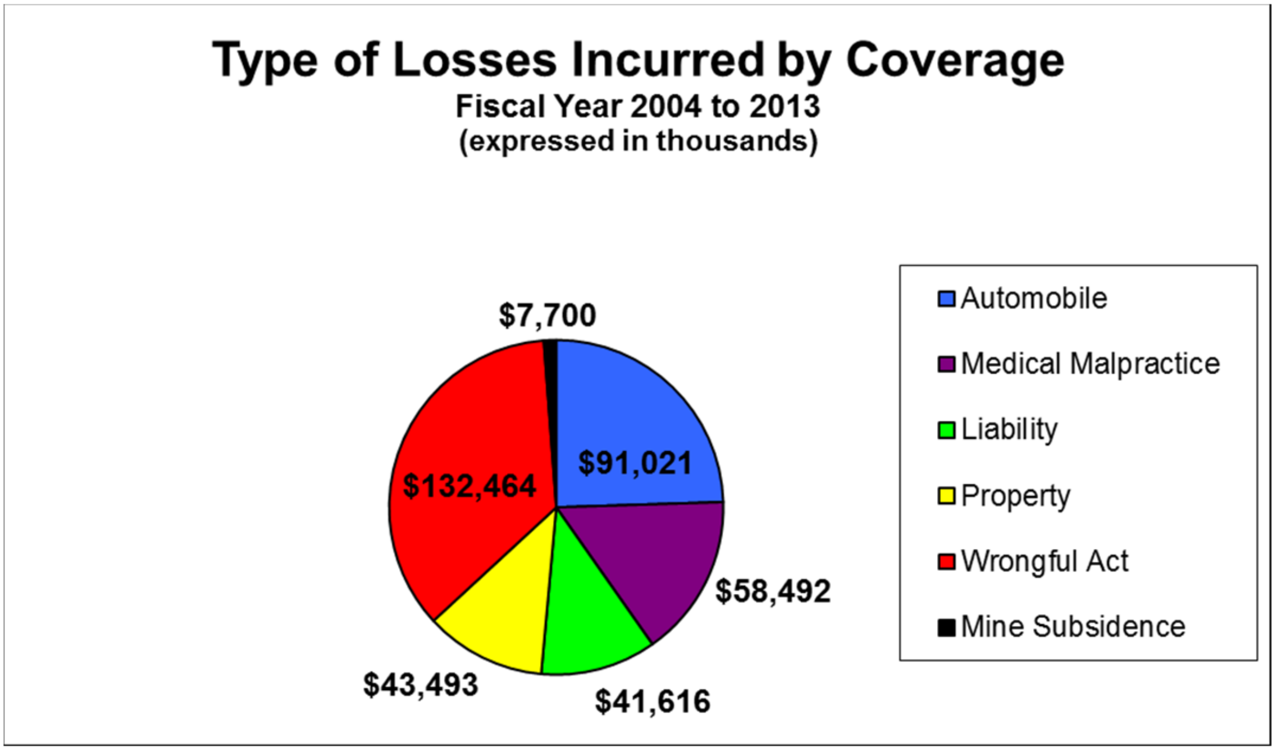
Source: Information compiled from the West Virginia Board of Risk and Insurance Management's internal data.

SCHEDULE 8



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

SCHEDULE 9



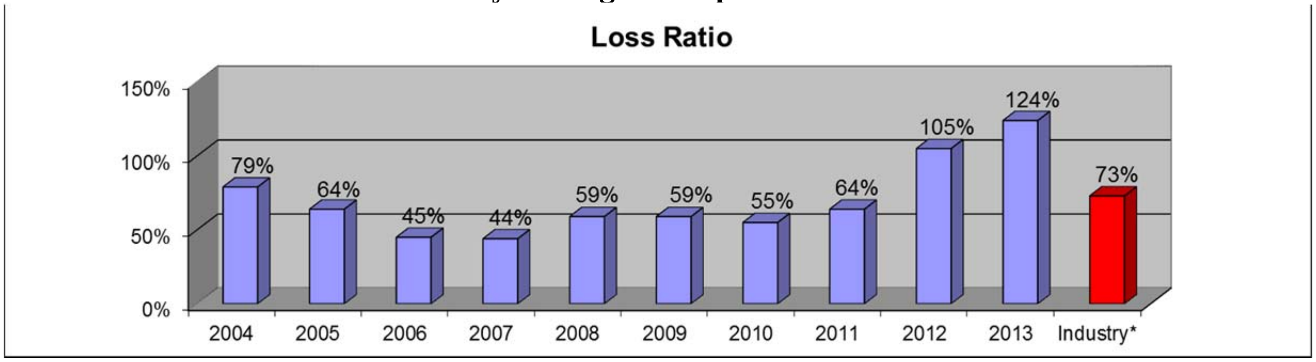
Loss Category

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

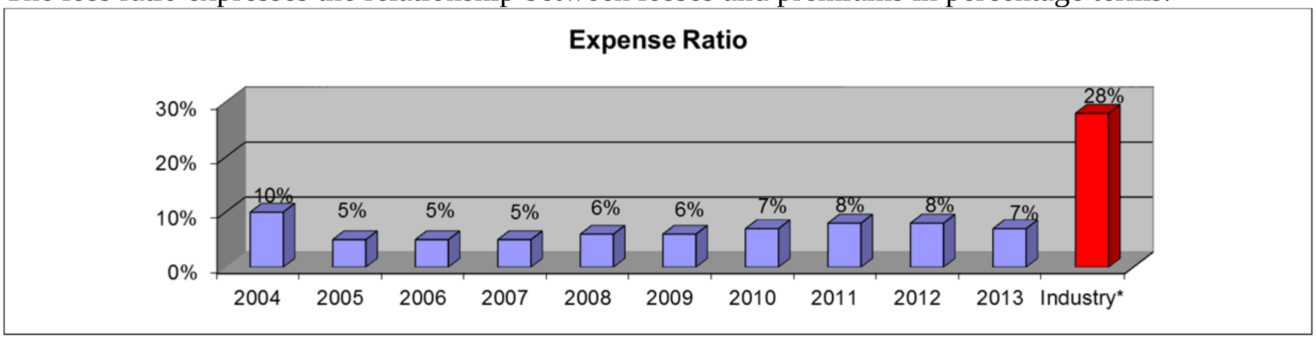
Source: Information compiled from the West Virginia Board of Risk and Insurance Management's internal data.

SCHEDULE 10

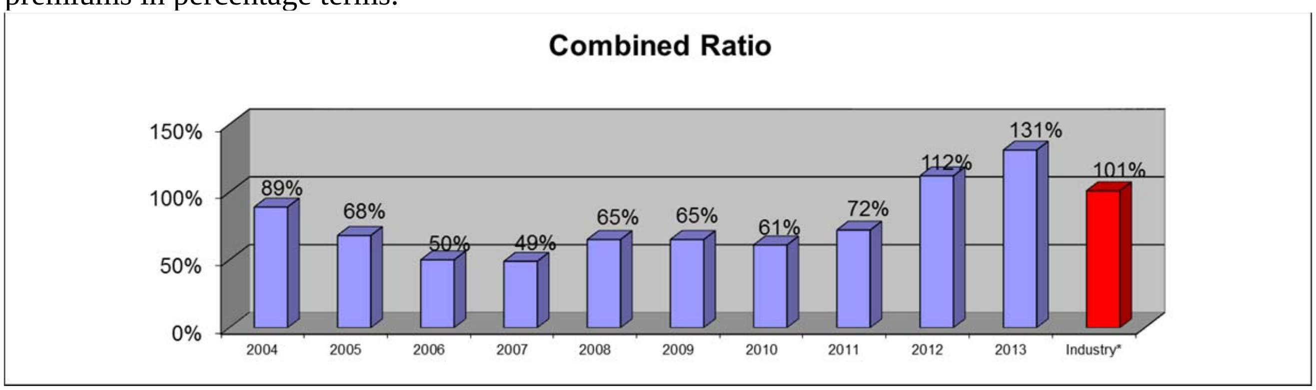
Industry Averages Compared to BRIM



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



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

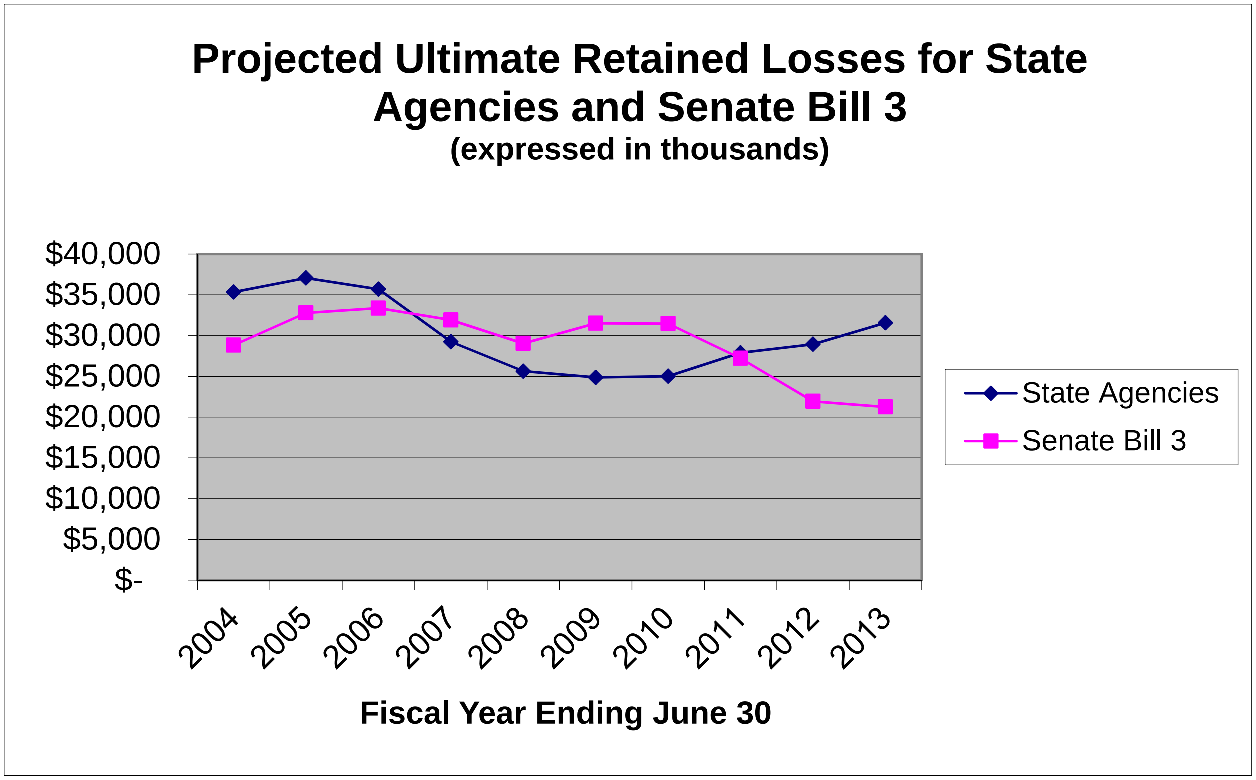


The combined ratio is used to measure underwriting performance. It is derived by adding the loss and expense ratio. A combined ratio below 100% indicates an underwriting profit and one above 100% indicates an underwriting loss.

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

* **Source: Standard and Poor's Industry Surveys, Insurance: Property/Casualty, March 2013**

SCHEDULE 11



Fiscal Year	State Agencies	Senate Bill 3
2004	$ 35,335	$ 28,824
2005	$ 37,065	$ 32,789
2006	$ 35,689	$ 33,369
2007	$ 29,243	$ 31,916
2008	$ 25,631	$ 29,041
2009	$ 24,863	$ 31,508
2010	$ 25,011	$ 31,468
2011	$ 27,894	$ 27,216
2012	$ 28,937	$ 21,932
2013	$ 31,571	$ 21,250

The projections indicate a downward trend for both State Agencies and Senate Bill 3 programs for fiscal years 2007 and 2008. The overall projections level out for fiscal years 2009 and 2010. However, the projections for fiscal years 2011, 2012 and 2013 show State Agencies increasing while Senate Bill 3 decrease further in 2011, 2012, and 2013 due to current development estimates in the actuarial model. All projections are listed at their nominal value, expressed in thousands of dollars.

Source: Taken from each of the corresponding independent actuarial reports from AON that provide the estimates for each fiscal year's projected losses as shown.

SCHEDULE 12
Listing of Coverages in Effect for Fiscal Year 2013

LIABILITY	**LIMIT OF LIABILITY**
Automobile Liability Policy No.: RMCA 350-62-97 Company: National Union Fire Insurance Co.	$ 1,000,000 per occurrence
General Liability Policy No.: RMGL 244-94-50 Company: National Union Fire Insurance Co.	$ 1,000,000 per occurrence
Aircraft Liability Policy No.: AV003380147-09 Company: National Union Fire Insurance Co.	$ 1,000,000 per occurrence
Excess Liability-Bd. of Education Policy No.: 48409866 Company: The Insurance Company of the State of Penn	$ 5,000,000 per occurrence or claim
Pollution Legal Liability Select Policy Policy No. 14046842 Company: Chartis Specialty Insurance Co. (Technology Park only)	$ 1,000,000 each incident $ 3,000,000 aggregate

PROPERTY	**LIMIT OF LIABILITY**
Blanket Property Policy No.: MAF760728-11 Company: Axis Insurance Company	$ 25,000,000 primary layer 1,000,000 deductible
Policy No.: NHD372236 Company: RSUI	$ 175,000,000 in excess of 25,000,000
Policy No.: CICA3259 Company: Commonwealth Insurance Company of America	$ 50,000,000 in excess of 200,000,000
Policy No.: MAF733355-11 Company: Axis	$ 150,000,000 in excess of 250,000,000
Policy No.: MAF760729-11 Company: Axis Insurance Company	$ 10,000,000 flood with 1,000,000 deductible
Boiler and Machinery Policy No.: 7642-68-24 Company: Chubb	$ 5,000,000 per equipment covered excess of 1,000,000
Public Insurance Official Position Schedule Bond Bond No.: 104511294 Company: Travelers	Variable amounts as set by Statute

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